



WHITE PAPER

CONTRACT LIFECYCLE MANAGEMENT SOFTWARE

Defining Your Requirements

Contract
Logix

SIMPLE TO SOPHISTICATED

“The value of having a robust contract management system is clear. Best-in-Class companies have invested in automation and are much further along in improving their contract performance... Start now and do not delay, for the challenge will only continue to grow.”

— ABERDEEN GROUP,
“CONTRACT MANAGEMENT:
KEY ATTRIBUTES AND BEST-IN-
CLASS RESULTS”

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Introduction

Today your contracts are more detailed, complex, and variable than ever before. Authoring them requires special skill, negotiating them takes sharp acumen and well-coordinated communication, and successful post-execution management requires constant awareness and due diligence on a variety of compliance issues.

Though almost everything has changed about how you execute and manage contracts, one thing remains the same: *contracts are still the bedrock of all your business relationships and transactions.* They are the documents that define your business.



Typical Contract Process

Even as they provide the basis on which to build your business, contracts - if mismanaged - can also become one of your biggest liabilities.

Whether yours is a start-up just getting a foothold, a growing company expanding into new territories or product lines, or a well-established business with brand equity to protect, how you manage your contracts has a great influence on the health and growth potential of your bottom line.

Inaccessible data, missed deadlines, and untracked or unauthorized changes are just a few of the things that can go wrong if you do not have a strong contract management process in place.

CLM Software: Keeping up with your Contracts

As your contracts become more complicated, the tools you use to manage them need to keep pace. Once, you may have had only a few simple agreements to manage; Today you may have hundreds, thousands, and even tens of thousands of contracts covering a wide variety of departments and locations, involving multiple partners and potentially governing a staggering volume of transactions via numerous clauses and contingencies.

Contract Lifecycle Management (CLM) software gives busy teams in legal, procurement, and contract administration an integrated set of tools to handle all the tasks associated with contract creation, negotiation, execution, and management - including post-execution rights, obligations, and reviews.

Many different features of a CLM solution come together to make the contract management process smoother, but the four core principles that all organizations should focus on are:

- Centralization
- Accessibility
- Automation
- Visibility

In short, CLM software puts you in control of your contracts and helps you easily:

- Identify and coordinate all relevant parties by name and role
- Proactively manage all contract details and deadlines
- Capture all contract-related data and documents in a single system
- And ultimately, manage the full contract lifecycle

Defining Your Requirements

In the previous section we reviewed the benefits of CLM software, which are many and are helpful to departments across your organization.

You may be currently using some combination of manual processes, such as spreadsheets, email, and paper, to manage your contracts and you are likely aware of the risks that are inherent to these processes.

- Risk of missing deadlines
- Problems with version control
- Lack of an audit trail

- Regulatory & compliance issues
- Lack of actionable business data
- And many more

And while you may be able to clearly articulate the benefits of moving from manual to automated with a CLM solution, it can be difficult to evaluate exactly what your business needs.

With the number of solutions on the market today, how do you go about deciding which one best meets your requirements?

What exactly are your requirements?

Answering this question is perhaps the greatest obstacle to buying and implementing a CLM software solution, which leads to delays in upgrading your processes. And the longer you delay, the longer your organization is at risk.

The following are six steps to defining your requirements.

1. Select an Evaluation Committee

Selecting the right technology to improve contract generation and management across your entire organization is no easy task. That's why from the very start you need to have representatives from all departments that will be affected by the CLM software implementation. Contract management affects many departments, including legal, accounting, and compliance. Inform department heads of the purpose of the evaluation committee and allow them the opportunity to select their own representative.

As much as possible, establish in advance the necessary time commitment and specify that the representative must be a decision-maker. Having

a rep who can't make a decision will further delay the process.

2. Involve the CIO

Just like the technologies that he or she deals with, the role of the CIO is ever evolving.

As the official gatekeeper of all IT systems of the enterprise, the CIO must be involved in the selection of CLM software. The CIO will help you understand the complexity of the necessary steps to implement the new technology, evaluate the degree of compatability of the new technology with legacy systems, translate tech jargon into simpler terms for members of the evaluation committee, and perform due dilligence according to the needs of your industry.

Empower your CIO to have sufficient authority within the committee. This is the person who has the expertise to develop an enterprise-wide digital roadmap and assess how a CLM solution can affect all departments across the enterprise.

3. Review the Steps of Your Contract Lifecycle

One of the first questions any CLM solution provider will ask you is, "What does your contract lifecycle look like?"

Plan ahead and map out the steps of a typical contract lifecycle within your enterprise. While the bulk of the task will fall on the contract managers,

take this as an opportunity to involve members of your evaluation committee.

Ask them to look at the contract lifecycle, indicate instances in which they should be involved, and provide suggestions for additional steps. For example, the legal department representative could want to take part in the post-mortem review or the accounting department would like to take part whenever there is a contract up for renewal. Take the opportunity to learn the intricacies of the contract processes throughout your enterprise and increase the visibility of processes that could be automated.

4. Identify Special Requirements

Don't just stop with a master template of a typical contract lifecycle. Dive deeper and identify special requirements according to the unique needs of your enterprise.

For example, an organization in the healthcare industry would want to address specific regulatory compliance requirements through its CLM software, while an enterprise in the finance industry could want a CLM solution that could help prevent hidden value leakage in M&A transactions.

Additionally, look at your largest customers by both total number of contracts and total dollar value.



Given that the majority of your contract processes will stem from these clients, consult with the contract managers handling those accounts about potential special requirements. If your enterprise relies on government agencies for business, review the compliance guidelines for existing and future contract writing. Such a review could identify key evaluation criteria for selecting your CLM solution.

5. Develop an Evaluation Rubric

Your evaluation committee should now have:

- Requirements from each department represented in the committee
- Requirements from the CIO
- Steps of a typical contract lifecycle
- Special requirements for needs of key clients

The next step is to establish a rubric - or scoring system - that would allow members of the committee to evaluate presentations from potential software providers in an objective manner. It's a good practice to allocate priority to each one of the evaluation criteria because some may be more critical than others. Establish the set of must-have requirements that would allow you to easily eliminate inadequate solutions and identify nice-to-have criteria that could serve as a tiebreaker when dealing with very similar solutions.

6. Set up a Discovery Call

Now you're ready to start scheduling discovery calls with different CLM software providers to determine which is the best fit for your enterprise.

By preparing with the previous five steps, you'll be ready to articulate your requirements, evaluate the fit of the software to your current processes, and have the vendors put a dollar value on potential customizations. Based on these discovery calls, your evaluation committee will be able to grade each vendor using the pre-established rubric.

To expedite communication between the vendors and your committee, assign one member who will act as a single communication point between both parties. This prevents any miscommunication and keeps all members of your committee on the same page.

Organizational Benefits

While the benefits of CLM software may seem clear to those who work with contracts on a daily basis, a CLM solution can have wide-ranging benefits throughout your organization.

With a CLM solution your **management team** will see an overall increase in productivity due to better organization and automation. Using the reporting functions, department heads can receive a comprehensive view of all relevant tasks on whatever recurring basis they prefer. As a result, they will be able to plan their efforts accordingly and maintain a higher level of control over their department's resources with minimal effort.

Another department that benefits from CLM software is the **Sales Department**. Contracts are an integral part of the sales process. How they're created, processed, and managed has a very real impact on the strength and profitability of customer relationships. Furthermore, a CLM system will improve the efficiency of the sales process and shorten the sales cycle by generating agreements quickly and correctly, automating approvals, and ensuring contract compliance. In short, it helps Sales close deals faster while helping to manage the growth of the business.

The **Finance and Accounting Departments** will often find tremendous value in an enterprise CLM system. It not only helps manage incoming and outgoing payments more efficiently, but also improves awareness of special terms and other considerations that directly impact revenue. It also integrates with other software or finance systems they may use, so the contract process is truly seamless from start to finish.

Like Accounting and Finance, the **Purchasing Department** will also have the advantage of consistent, reliable access to accurate and well-organized information when using CLM software. This will help them recognize opportunities tied to rebates, volume discounts, and other special terms, maximizing every cost-saving contingency related to their agreements.

The Bottom Line

While adopting a CLM solution can greatly benefit your enterprise, it's a process requiring much more than just the handoff of a check.

Take a "walk before you run" approach and enable your enterprise to make a more informed decision through an evaluation committee. By taking these six steps, your evaluation committee will have a better idea of which contract processes can be most easily automated.

Getting Started

If you are ready to manage your contracts more efficiently to reduce costs and minimize risk, contract lifecycle management software can help. Contract Logix provides contract management solutions that streamline your processes, whether your contract management issues are simple or complex. You can schedule a discovery call or free customized demonstration by contacting the sales team at 866.371.4445 or sales@contractlogix.com.

About Contract Logix, LLC

Contract Logix, LLC was founded in 2006 with a mission to streamline the contract management process. They offer robust, scalable software products, services, and managed hosting solutions that serve a wide variety of business customers. Contract Logix has an outstanding reputation for customer service and a long track record of successful implementations.

Customer satisfaction is critical and it is their top priority to deliver intelligent software solutions that often exceed customer expectations. Contract Logix offers a variety of services that allow customers to take full advantage of their contract management solutions and, in turn, gain the return on investment they expect.