Ten Steps to Pick the Right Contract Lifecycle Management System and Save Some Money While You're at It!

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Key Takeaways:
- *Compare vendors, as many solutions offer similar features.*
- *Assess which features you need, don't pay extra for features you don't need.*
- *Understand added costs such as installation, upgrade and running costs.*
- *Periodically renegotiate with the vendor.*

Contract Lifecycle Management (CLM) tools are a hot commodity right now. Whether you are looking to keep all your contracts in a central location or want to mine them for information that will drive business decisions and help you manage risk, CLM can help you do it all. The great news is that there are plenty of providers ready, willing, and able to solve your problems.

The not-so-great news is that not every system is a good fit for each department. Parameters like the size, sophistication, and scale of your legal enterprise will drive your needs. You may only need a few features, in which case getting the most comprehensive and sophisticated system may be more than you need and at a higher cost. Below are the top ten points I made sure I understood before selecting and implementing a new CLM.

1. Identify if you need a CLM, DMS, or effective folder-ing system

The first question you need to ask yourself is: What level of sophistication do you and your company need for your system? Contract systems can be broken down into three main categories – CLMs, Document Management Systems (DMS), and Folder Systems.

CLM – Most Complex:

Contract Lifecycle Management tools are designed to track and mine contracts, pull and report information (referred to as metadata) about the contracts to the administrators of the system, and oftentimes automate various workflows - for example, sending out renewal requests to relevant teams when a contract is 90 days from expiration.

Below is a list of tools often involved in CLMs (not a complete list):

- ☐ Clause library
- ☐ Templates that are regulated via the system by an administrator
- ☐ Ability to create contracts directly via the system
- ☐ Artificial Intelligence (AI) mining contracts for terms (especially third-party paper) that are relevant or not in line with your standard positions

DMS – Mid-Level

Document Management Systems are designed to create a central repository of documents and facilitate document collaboration by controlling processes like version management, provide means to publish final versions for signature, and store signed documents.

Below is a list of tools often involved (not a complete list):

- ☐ Ability to store documents in one location (often on the cloud)
- ☐ Ability to share documents with authorized users
- ☐ Ability to pull limited information from the document: the user can search indexed documents, but the tool offers no data on prevalence of terms.
- ☐ Collaboration tools so you and a third party can work on the contract within the system.

Folder System – Most Basic

Designed to keep your documents organized in an easy-to-find way. Often done via simple Word folders, but this can become complex if you incorporate SharePoint or other components.

Some tools often used (not a complete list):

- ☐ A storage system - often on the company network but some solutions are in the cloud

2. Start your research early

Finding the right system can take time. Make sure you set the right expectations. For example, you can be ready to start working with a vendor and there could be a system issue at the last minute forcing you to scrap that choice. From how the company handles questions to the code they are going to implement, you never know what will derail your plans.

3. Ask the right questions

There are a lot of questions to ask. Here are some of the most important ones:

- What does the system do?
- What does my company need?
  o AI
  o Workflow automation
  o Ability to report metrics
  o Customizable dashboard?
- How much does it cost?
  o Broken down into components
     - License types
     - Running costs
     - Etc.
- Which licensing system works for me and my company?
  o Most systems are moving to a license-based approach with various levels of functionality, often broken down into "Read Only," "Creator," and "Full User" tiers.
- What does each license get me?
  o The function and price of each vary depending on the product with some requiring any person who even reads a contract to need a high-level license.
- Does the system integrate with my other systems?
  o Do you need this to integrate with systems, applications, and products (SAP), Salesforce etc.?
     - If so, does the system have that ability?
     - Does it cost extra to implement an application programming interface (API)?
- What is the set-up cost?
  o How much does it cost to turn the system on?
  o What exactly is "turned on" when my set-up period is complete?
- What is the set-up timeline?
  o A lot of vendors will sell you a 12-month contract and expect you to start paying immediately even though the set-up period is three months long, so a quarter of your contract is lost while you are waiting for them to give you access.
- What are the maintenance costs?
  o Aside from turning the machine on, are there costs to train? Are there frequent updates that will provide features and thus require new training?
- Do I need to obtain other licenses to utilize the service?
  o For example, if the system is built on Salesforce.com, you likely need a Salesforce license, which the CLM will not cover.
- Can I develop any of the services in-house, so I don't have to pay the vendor for more services?
- Does my company have the ability to become a trainer? Is there a way for my IT department to learn how to use this software so if I have questions I can ask them rather than the vendor at a cost?

4) Don't take their first offer – push back

People think they must take what is offered or that they are not big enough to ask for more, but software is not a zero-sum game. Put differently, once the code has been developed, the software company incurs little to no cost per customer. That means their profit margins are huge and that means that there is a lot of wiggle room to negotiate. From things like features, to specific costs, everything is up for negotiation if you position yourself the right way.

Actively compare vendors. Because there is so much movement within the CLM industry, the big players are jockeying for market share. Competition means good things for the buyer. It also means that the big players may be looking to cut a deal. Don't be afraid to ask.

5) Drill down into the details and identify needs

This is a spinoff of point number 3, but it illustrates a different perspective. You need to understand your needs and identify what you need the system to do. Don't take the whole bill of goods when you only need three features. Most companies' products do the same basic things; they differentiate in their cost structure, or specifics (like AI). If you only need a basic system, understand that - don't be swayed by all of the extra stuff you get by signing up with a bigger developer that is giving you a "deal" when you wouldn't use two thirds of the features they are selling you.

6) Make sure you are getting what you think you are buying

A lot of companies will tell you all the great things their products can do, and they will even demo some of these for you. What they won't tell you is that some of that functionality is going to be in development for a while and isn't actually available yet. Make sure that you fully understand what you are getting, and what is merely in the development pipeline. Even worse, if it is merely on the roadmap, you might be waiting a long time before they even start building the functionality you thought you were buying the system for.

7) Purchase the system at the right time and in the right way

The end of the month is a great time to buy a product; sales teams have quotas and are more willing to give away free items to get you to sign on the bottom line. Try to time your purchasing date around the end of the month, and if you miss it, don't be afraid to wait for 25 days before getting back to them.

Also, don't be pressured into purchasing something. "This deal is only good until the 31" may be true, but that doesn't mean the same deal won't become available next month at the same time.

8) Recognize the cost centers impacting your current decision, and long-term abilities

These are the main drivers of cost for a CLM:

Installation costs
- You have to pay a service provider to install the system.
- You have to pay the company to train you how to use the system.
- You may have to pay for additional customization after you have the system set up because you didn't anticipate a need until now.

Running costs
- License fees.
- If you have APIs or other interfaces that have costs from third parties (i.e. do you need a Salesforce license to utilize the CLM).

Upgrade costs
- Do you want to utilize a feature that you didn't need last year – turning that on and fine tuning it has a cost, teaching you to use it has a cost

9) Try to in-house as much as you can

If you have the ability, try to engage your IT team as much as possible. Some of these systems are built on widely used platforms like Salesforce.com. If you have in-house experience, you may be able to remove some of the external costs. For example, if you train your Salesforce.com expert how to use the system, they can then train the rest of your organization for free vs. having to hire the developer

10) Do not auto-renew – auto-renegotiate

A lot of people think that migrating to a new system is a pain and that they will never leave because of this, thus the sellers will try to auto-renew, and the buyers will acquiesce. However, most CLM systems offer the ability to export data into easily transferable formats. As a result, switching from one system to another is not as daunting as it sounds.

Also, don't be afraid to open the procurement process every few years. You may find you save a lot of money when instead of increasing 5% every three years, you can decrease your overall spend based on usage etc.

Finally, remember, software is not zero-sum, so adding a new customer doesn't cost them anything, but losing a customer is a big deal. If you are willing to walk away, you may be surprised to see how much they will give you to keep you at the table.

Conclusion

Purchasing a CLM can seem like a daunting task, but it doesn't have to be. Most of the systems offer similar features. Once you identify what specific functionality is most important to you, the decision becomes a lot easier.

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Check Out Additional ACC Resources:

- "Transform Your Contract Management Process" - ACC Online Education
- ACC Legal Operations Maturity Model Contract Management: Contract Lifecycle Management Platform Functionality Checklist
- Top Ten Tips for Managing Risk in Commercial Contracts
- Top Ten Issues and Tips to Consider When Negotiating Contracts for Cloud Solutions
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