ContractPodAi

The True Impact of CLM: 4 Ways Advanced Contract Management Provides Enterprise-wide Value

JUNE 2023

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FOUR KEY
FINDINGS

01 Fully Automated CLM processes enable 78% of companies to address legal requests within 72 hours, while teams dependent on manual processes only have a response rate of 33%.

02 Fully Automated CLM practices reduce contract delays caused by staff shortages and heavy workloads by 50%.

03 Only 4% of legal teams with manual processes strongly agree they are aware of key contractual risks to their organizations.

04 Teams with manual processes miss contractual obligations 75% more than teams with fully automated CLM systems.

KEY DEFINITIONS:

Contract Lifecycle Management (CLM): Contract Lifecycle Management refers to the process of managing contract creation, execution, and analysis to maximize operational and financial performance at an organization, all while reducing financial risk.

The process can include the use of a CLM software to facilitate tasks from creation to negotiation and execution all the way through to disposition.

Contract Management Maturity Model (CMMM): A framework to assess and improve the capability maturity level of an organization's contract management key process areas.

Automation for CLM: The use of software to generate contracts and eliminate routine or tedious tasks.

What is the Purpose of the Survey?

Poor contract management can cost companies as much as **9% off their bottom line**. It's no wonder that the adoption of automated contract management processes will continue to grow across large and mid-sized organizations. Currently, 87% of corporate lawyers **prioritize working for organizations that fully leverage technology**, yet **according to Deloitte research**, just 5% of leaders believe they are investing effectively to empower staff in building skills necessary for digital transformation.

By surveying organizations at different levels of contract management maturity, we can better gauge the value contracting best practices and CLM technology bring to business. What we've uncovered about the behavior and outcomes within these enterprises offers a roadmap for business leaders to ensure their CLM budget is invested for maximum returns. Wherever your organization stands on the Contract Management Maturity Model, let this report guide and inform you on essential next steps.

METHODOLOGY

400 full-time employees who work in Legal departments across all industries except for non-profit, higher education, government, and professional services participated in the survey.

Respondents' job titles include Legal Operations, General Counsel, Chief Legal Officer, Deputy or Associate GC, and Corporate Counsel. The respondents' residence is split between North America, the EU, the UK, and multiple regions in APAC — all work in companies with a revenue of $200M+.

The survey provides insights into 4 key areas of the participant's workflows:

- Time to signature
- Contractual risk awareness
- Ability to meet targets and SLAs
- Response time for legal requests

Global Surveyz Research (GSR), a global research firm, administered the survey online. GSR recruited the respondents through an international B2B research panel and invited them via email to complete the survey. All responses were collected during Q1 2023. The average time spent on the survey was 5 minutes and 34 seconds. GSR randomized the answers to most of the non-numerical questions to prevent order bias in the answers.

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400 EMPLOYEES
Survey participation

5 MINUTES 34 SECONDS
Average time spent on answers

Q1 2023
Data period

RESIDENCE
- North America
- EU
- UK
- APAC (multiple regions)

$200M+
Revenue

THE NEW CLM FRONTIER

The New CLM Frontier

CLM software is a relatively new technology and Legal departments are traditionally seen as lagging adopters of tech. As a result, advanced CLM Maturity levels are still aspirational for most companies. It is the few who innovate and adopt advanced CLM solutions that benefit most.

Contracts are a company's lifeblood, and with teams growing more interdependent each year, organizations that continuously evolve CLM processes can positively affect the entire enterprise – not only Legal, Procurement, and Sales teams.

What Stage of Contract Maturity is Your Company Operating Under?

The Contract Management Maturity Model (CMMM) is a framework used to assess and improve the capability maturity level of an organization's contract management key process areas. Businesses can gauge the level of excellence in different areas of operations such as strategy, processes, service delivery model, and technology, or more specifically, CLM technology. Automation is a significant factor in contract management maturity. 70% of respondents say their CLM processes are not fully automated, with 19% acknowledging their contract management process is mostly manual. We can map these responses to our Contract Management Maturity Model, which is comprised of 5 stages with stage 1 being the least mature and stage 5 being the most advanced.
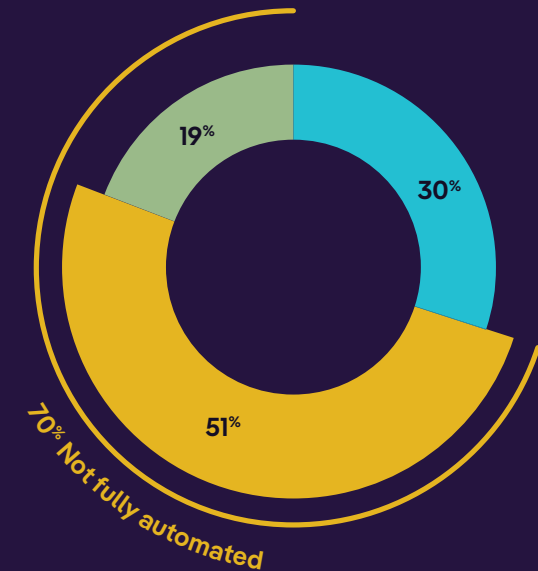
For most organizations, stage 5 maturity is aspirational, which would equate to a fully end-to-end automated system and a company culture that integrates best CLM practices. At the moment, automated CLM software use is still in its infancy, with a lot of opportunity for evolution.

Not sure what Contract Management Maturity Level you're working in? Use **this** quick-reference CMM Model to find out.

MAPPING MATURITY LEVEL

LEVEL 4

Mostly Automated

LEVEL 3

Somewhat Automated

LEVEL 1 OR 2

Mostly Manual

Figure 1: CLM Process/System

70% Not fully automated

19%
30%
51%

- Mostly manual, using tools like Microsoft/Google Docs
- Somewhat automated, using multiple systems to cover all or part of our contract lifecycle
- Mostly automated, using a single software platform that supports all or part of our contract lifecycle

Fig. 2: Implementation of CLM Platform

On average, 20 months ago

2%
0-6 months ago

35%
7- 12 months ago

56%
1-3 years ago

7%
3+ years ago
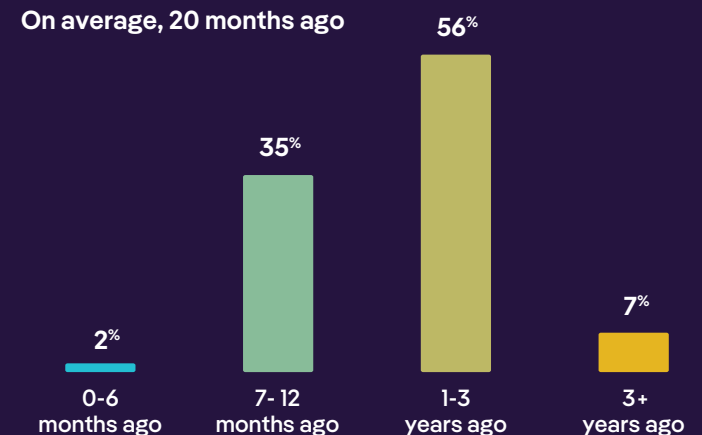
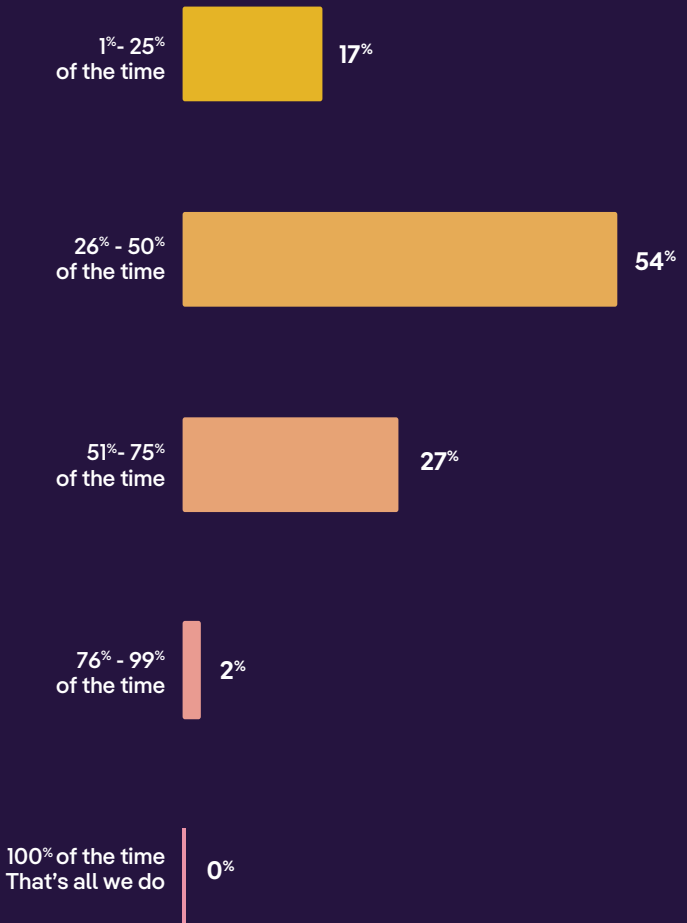# How much time do legal teams spend managing and maintaining contracts?

Contracting takes a lot of time and resource-investment from Legal teams. On average, the Legal team spends 42% of its time maintaining and managing contracts. Gartner has also shown that **25 – 40% of a lawyer's time is spent on tasks that don't require a lawyer**.

There is a huge opportunity for technology and automation to liberate Legal teams and streamline and optimize operations.

Fig. 3: Percentage of Time the Legal Team Spends Maintaining and Managing Contracts

On average, 42% of the time

| Range	Percentage
1% - 25% of the time	17%
26% - 50% of the time	54%
51% - 75% of the time	27%
76% - 99% of the time	2%
100% of the time That's all we do	0%

What are the uses of a CLM Technology?

There are myriad use cases for CLM software and companies are already seeing a lot of value. However, even those who are using a CLM are routinely using it for lower value activities.

- 67% say their CLM platform is used to store contracts
- 62% mention management of renewals and deadlines, or workflow management.

These are mostly reactive activities that fall on the lower end of the maturity model and rely on the skill of individuals within the company.

As companies climb the maturity model and gain more value from best-in-class technologies, they will be able to access business insights and trends, utilize advanced search capabilities, and automate contract reviews – all with a focus on operational excellence.

As the value delivered by new technology and AI grows, the impact that CLM can have on the company as a whole is increasing exponentially. As departments become more interdependent, CLM will prove its real value to the business, not only for Legal departments, Sales, or Procurement, but enterprise wide.
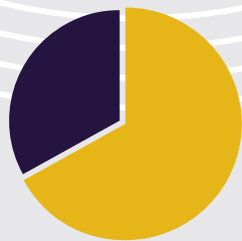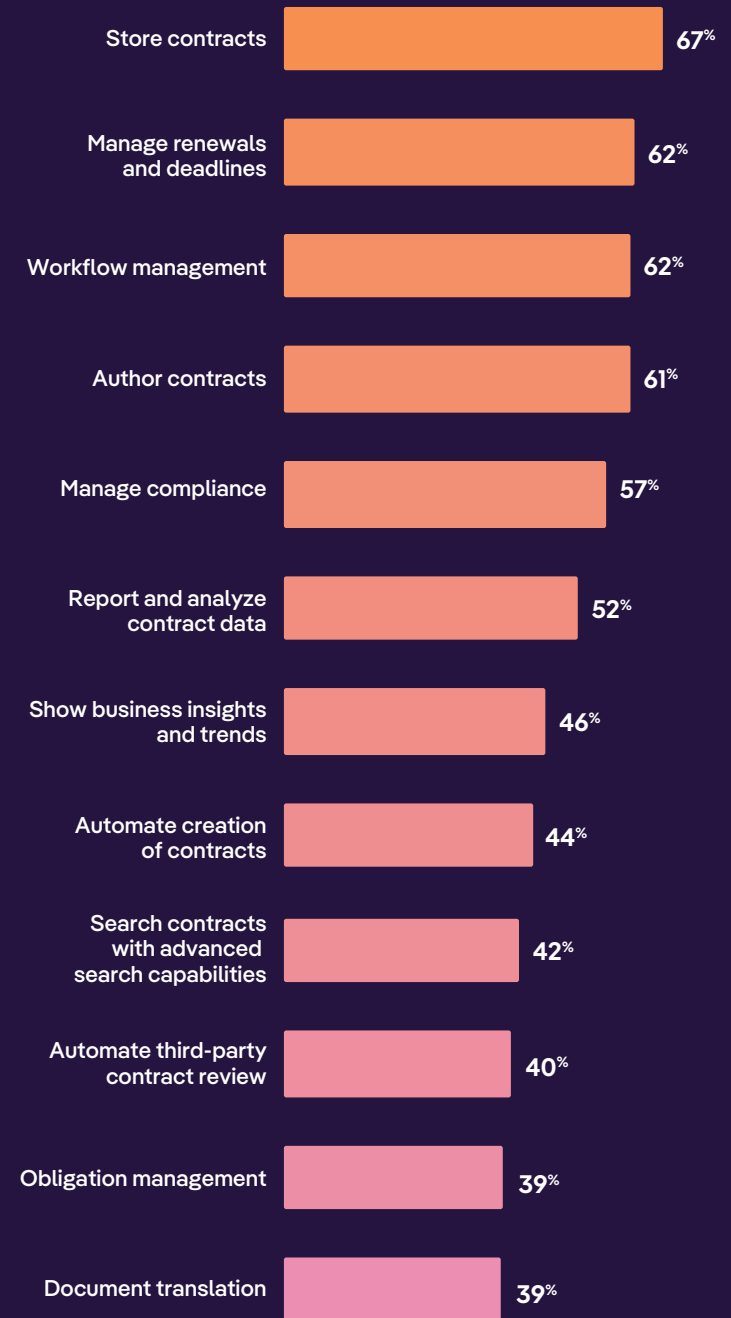
67% say their CLM platform is used to store contracts
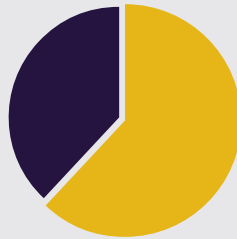
62% mention management of renewals and deadlines, or workflow management.

*Question allowed more than one answer and as a result, percentages will add up to more than 100%

Use	Percentage
Store contracts	67%
Manage renewals and deadlines	62%
Workflow management	62%
Author contracts	61%
Manage compliance	57%
Report and analyze contract data	52%
Show business insights and trends	46%
Automate creation of contracts	44%
Search contracts with advanced search capabilities	42%
Automate third-party contract review	40%
Obligation management	39%
Document translation	39%

THE IMPACT OF CLM

What is the relationship between Automation and Response Time for Incoming Legal Requests?
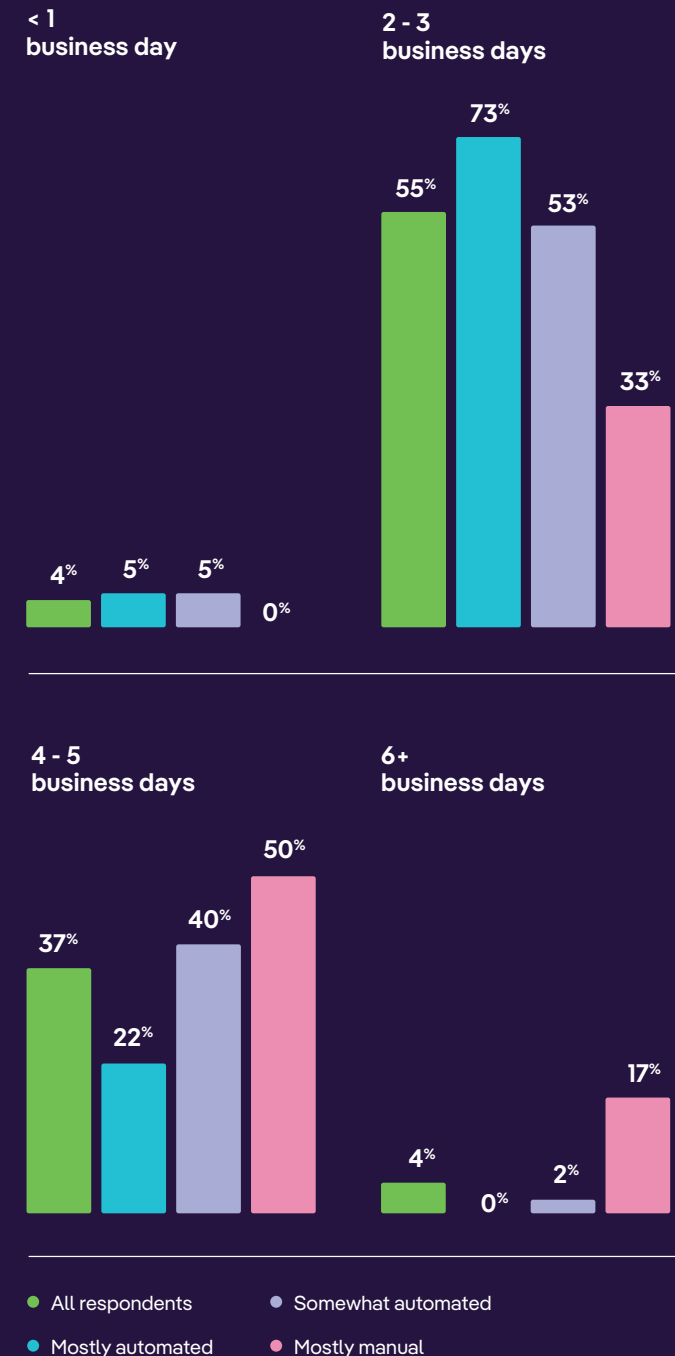
As organizations move up the CLM maturity model, the response time for Legal requests improves.

When a business is mostly automated, a Level 4 on the maturity model, 78% respond in fewer than 3 days, and 100% respond within 5 days. In contrast, when systems are primarily manual – looking at organizations at Level 1 or 2 on the maturity model – response to incoming legal requests takes a minimum of 4 days for more than two thirds of teams.

In figure five we can see automated CLM corresponds to operational efficiency. The more automation is deployed, the faster the response time to legal requests. This improves interdepartmental communication and speeds up time to signature.

When a business is mostly automated, 78% respond in fewer than 3 days, and 100% respond within 5 days.

Fig. 5: Average Response Time for Incoming Legal Requests, by CLM Level of Automation

< 1 business day

4% 5% 5% 0%

2 - 3 business days

55% 73% 53% 33%

4 - 5 business days

37% 22% 40% 50%

6+ business days

4% 0% 2% 17%

● All respondents ● Somewhat automated
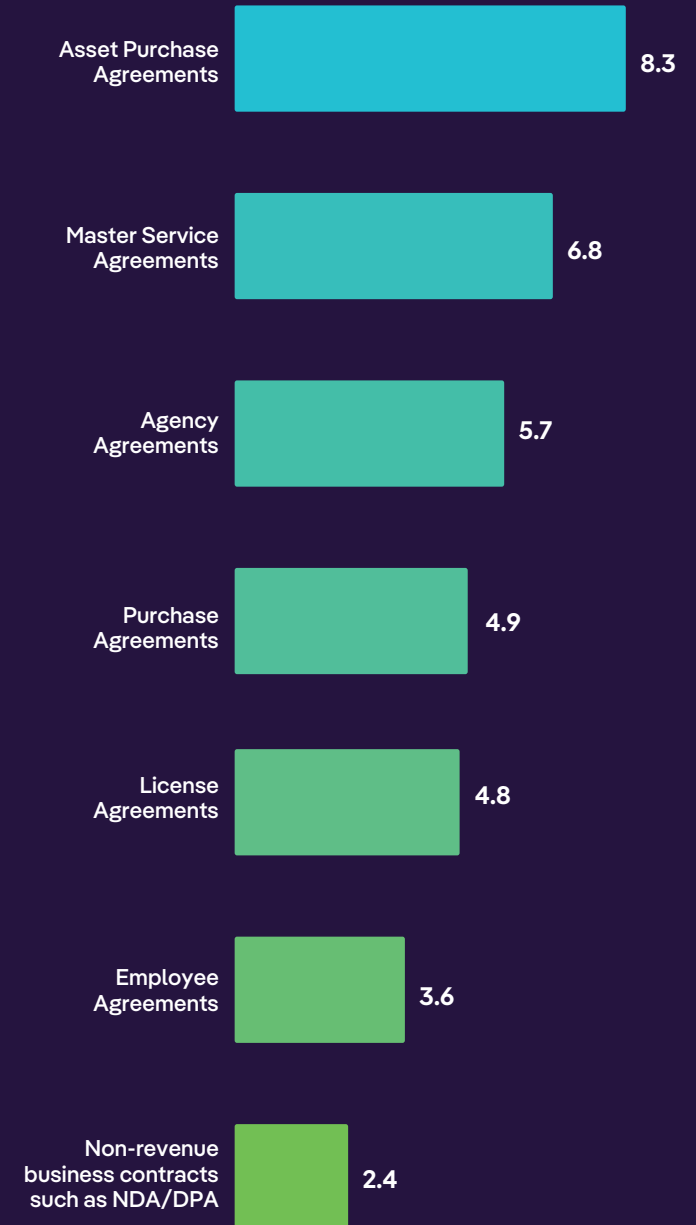● Mostly automated ● Mostly manual

What is the Average Time from Contract Request to Final Signature?

From first request to final signature – how long does it take to get a contract over the line?

For a simple contract request such as an NDA, 68% of teams with automated systems turn them around in less than a week compared to only 23.7% of teams with manual processes.

However, it becomes clear that most companies are struggling with their maturity in this area, and there is a lot of opportunity for improvement across the board. Most contracts take almost a month or longer to complete, with 41% of legal teams with automated processes finalizing Master Service Agreements in 4 weeks or less and 22.4% of teams with manual processes doing the same.

Fig. 6: Average Time from Contract Request to Final Signature (weeks)

Agreement Type	Weeks
Asset Purchase Agreements	8.3
Master Service Agreements	6.8
Agency Agreements	5.7
Purchase Agreements	4.9
License Agreements	4.8
Employee Agreements	3.6
Non-revenue business contracts such as NDA/DPA	2.4

Why are Contracts Delayed?

Most contracts take over a month to move from initial requests to final signatures. The reasons for delays can be anything from breakdowns in communication to a change in project scope. However, when we look at the delays due to staff shortages and heavy workloads, those using a manual process experienced 50% more setbacks than those with a fully automated CLM. An end-to-end automated process for CLM can even reduce the impact of internal approval delays by almost 10%.

94% of respondents admit that they experience delays in the time it takes to get from contract request to final signature (Figure 7). The top reasons for these delays are changes in contract scope (45%), and a breakdown in communication (43%).

40% of Legal teams experience internal approval delays, and 27% and 25% respectively see delays occurring because of a heavy workload and limited staff resources. In Figure 8 we look more deeply at these challenges, broken down by an organization's level of CLM maturity.

Legal teams with a fully automated CLM have 50% less internal delays due to workload and staff shortages compared to those with a mostly manual process in place. Even where delays are due to internal approvals, and you would expect Legal teams to have less control, those with a mostly automated system experience delays to a lesser extent than those further down the maturity model. Automation makes businesses more efficient and effective.

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*Question allowed more than one answer and as a result, percentages will add up to more than 100%

Fig. 7: Reasons for Delays in Time from Contract Request to Final Signature

Change in contract/project scope	45%
Breakdown in communication	43%
Extended negotiations	40%
Internal approval delays	40%
Too many stakeholders involved	39%
Third-party delays	39%
Internal delays due to workload	27%
Internal delays due to limited staff	25%
We don't have any delays	6%

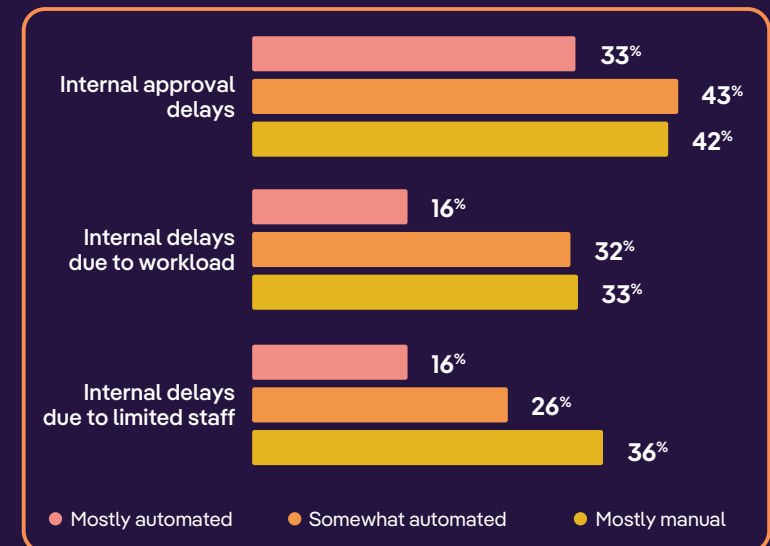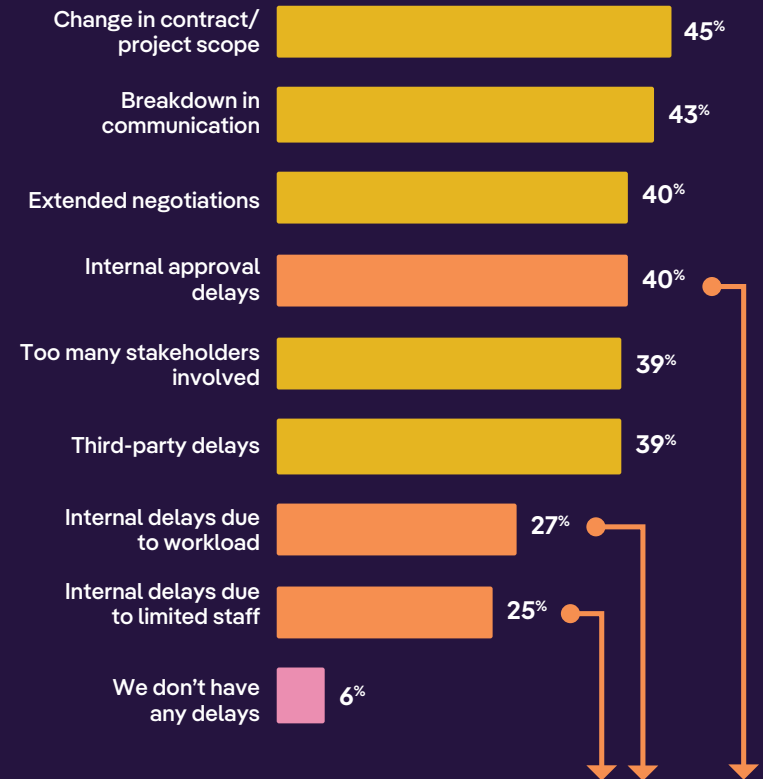|	
Internal approval delays	33% / 43% / 42%
Internal delays due to workload	16% / 32% / 33%
Internal delays due to limited staff	16% / 26% / 36%

● Mostly automated   ● Somewhat automated   ● Mostly manual

Fig. 8: Internal Delays, by CLM Process

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How Significant is Contract Risk?

According to Gartner Research, contract disputes represent **64% of cases in U.S. state courts**. This is a huge issue, shown clearly in the data, as 99% cite there is business impact from contractual risk. Within this cohort, 54% say that contract risk has major business impact, and 15% call the impact catastrophic. Of the 15% who say that contract risk is catastrophic for the business, a quarter of these respondents have implemented an automated CLM. Just 1% of this group still relies on manual processes. Those who see contract risk as a critical problem for the business are more likely to invest in the tools necessary to close gaps and reduce that risk.

As we will see in the next section, a mere 4% of legal teams using manual processes say they have a deep understanding risk. On the other hand, 87% of businesses using automated CLM processes claim visibility of risks in agreement.

As we will see in the next section, a mere 4% of legal teams using manual processes say they have a deep understanding risk.

Fig. 9: Impact of Contractual Risks

- Major business impact
- Minor business impact
- Catastrophic business impact
- Annoyance
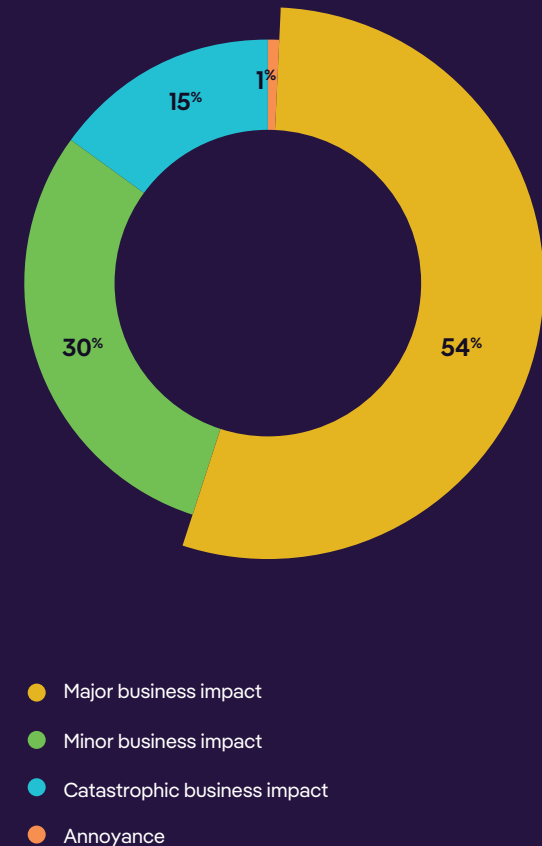
How Aware are Teams of their Organization's Key Contractual Risks

We asked survey respondents to rate their level of agreement against the statement: "I am aware of the key contractual risks to my organization."

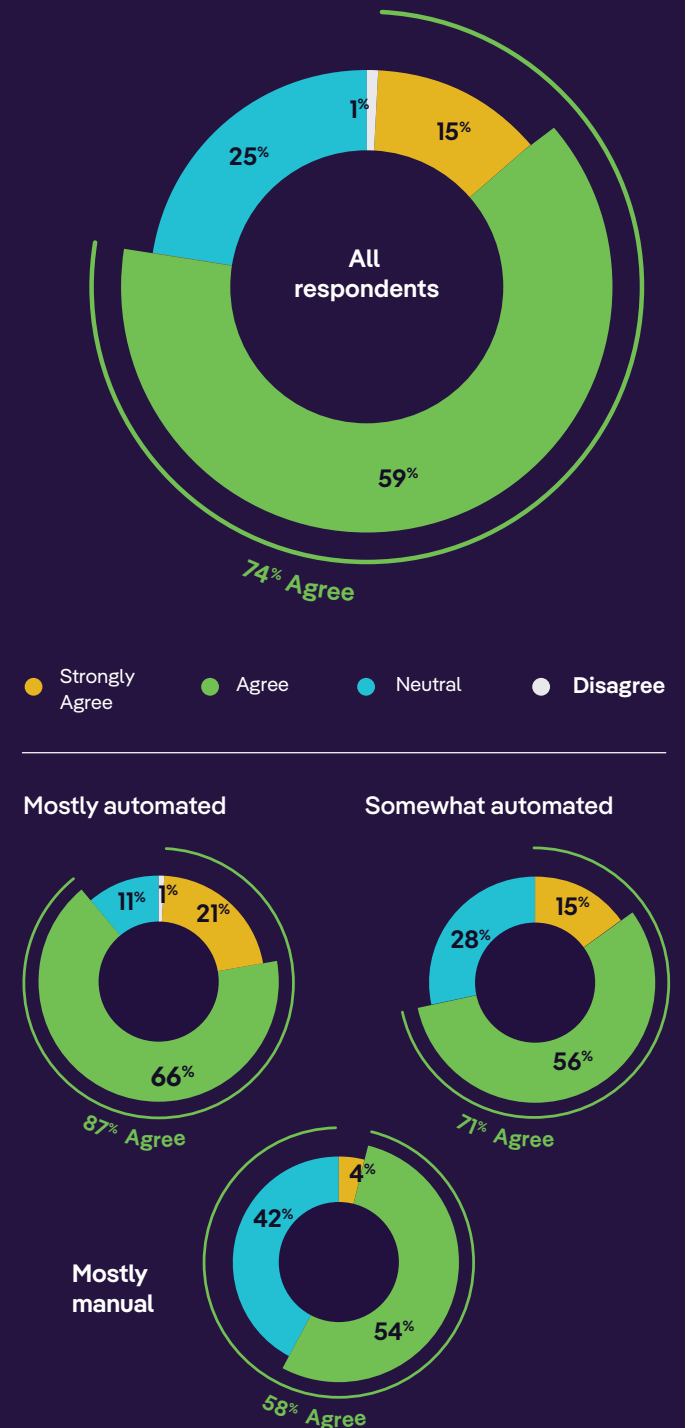74% of respondents either agree or strongly agree, 26% are neutral, and 1% disagree.

Organizations that are mostly automated have a better view of contractual risk. In companies with mostly automated processes, (those at Level 4 of the maturity model) 87% of the respondents agree that they are aware of key contractual risks.

As we move down the maturity model criteria, 71% of those at either Level 2 or 3 say they agree, and we see that sentiment from just 58% of those at Level 1. The same trajectory can be seen for those who strongly agree with the statement, with just 4% of those with mostly manual processes expressing the highest levels of confidence in their visibility.

Percentages do not add up to 100% due to rounding up of numbers

Fig. 10: Awareness of Organization's Key Contractual Risks

All respondents

- 15%
- 1%
- 25%
- 59%
- 74% Agree

Legend:
- Strongly Agree
- Agree
- Neutral
- **Disagree**

Mostly automated

- 21%
- 1%
- 11%
- 66%
- 87% Agree

Somewhat automated

- 15%
- 28%
- 56%
- 71% Agree

Mostly manual

- 4%
- 42%
- 54%
- 58% Agree

# How Often Do Legal Teams Overlook Expirations and Renewals?

Overlooking expirations and renewals, and allowing contracts to simply be renewed, is a costly challenge. 1% of respondents say they are overlooking expirations and renewals daily, 20% weekly, 56% monthly, and 23% on an annual basis.

This is costing businesses both in terms of lost revenues and unnecessary spend. If you miss cancelling a contract renewal, you will end up paying out without due cause, and if you fail to renegotiate or renew effectively, you will miss out on potential revenues.

This problem is well documented. According to recent research from **EY**, 78% of companies do not systemically track their contractual obligations. "The lack of process management and technology-assisted monitoring creates a broad range of risks that ripple through corporate supply chains and client relationships."

> " The lack of process management and technology-assisted monitoring creates a broad range of risks that ripple through corporate supply chains and client relationships. "

Fig. 11: Overlooking of Expirations and Renewals

Daily   1%

Weekly   20%

Monthly   56%

Yearly   23%

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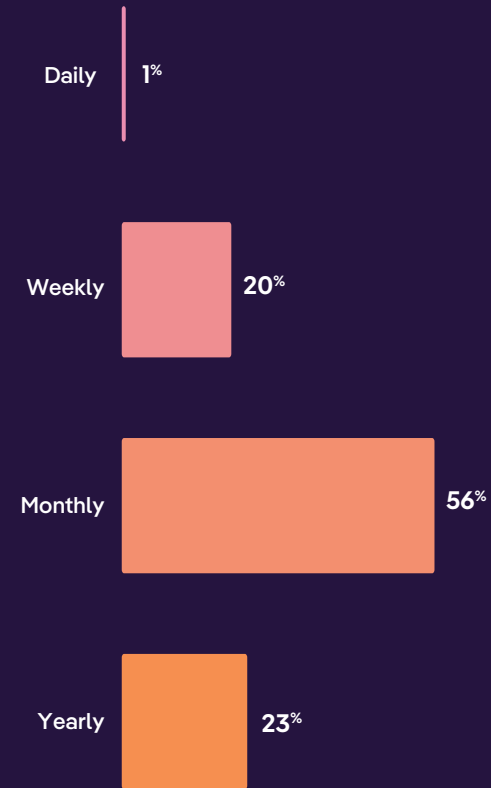
Why do Teams with an Automated CLM System Perform Better?

We asked survey respondents how frequently contractually obligated targets or service levels are missed, whether they incur penalty fees or not.
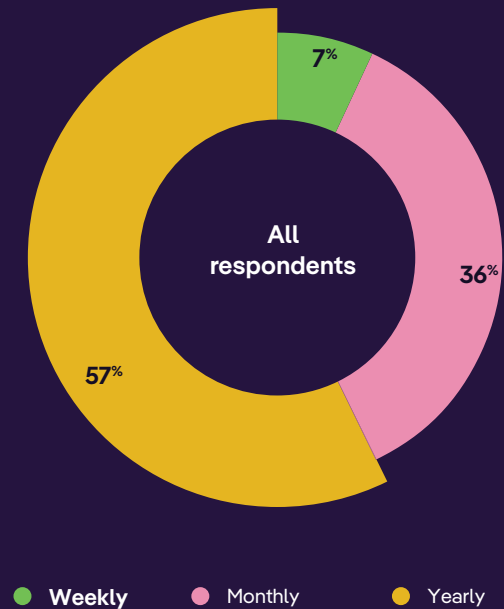
7% of respondents say the frequency of missing contractual obligations or service levels happens weekly, 36% cite monthly, and 57% say it happens annually.

What does this mean in practice? A **McKinsey & Company study estimates leakage due to unfulfilled obligations at 2% in large enterprises.** For an enterprise with $2 billion in annual spend, that adds up to $40 million a year.
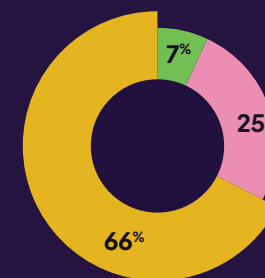
When we compare companies who are working mostly manually and those who are mostly automated, we can see how much better placed the latter group are, and how much less often they miss their contractually obligated targets or service levels.

In fact, Legal teams that rely on a manual process miss contractual obligations on a daily/weekly/monthly basis 75% more of the time than teams with fully automated CLM systems.
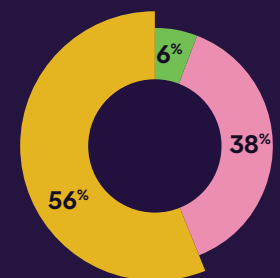
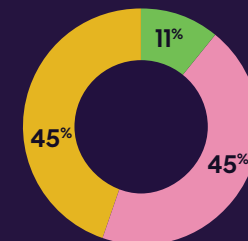Fig. 12: Frequency of Missed Contractually Obligated Targets or Service Levels

All respondents

- **Weekly** 7%
- Monthly 36%
- Yearly 57%

Mostly automated

7%
25%
66%

Somewhat automated

6%
38%
56%

Mostly manual

11%
45%
45%

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DEMOGRAPHICS

Country, and Industry

Country	%
United States	37%
United Kingdom	19%
India	13%
Singapore	6%
France	5%
Germany	5%
Italy	5%
Spain	5%
Australia	3%
New Zealand	3%
Canada	1%

Donut chart:
- North America: 38%
- Europe: 38%
- APAC: 25%

Legend: ● North America ● Europe ● APAC

Industry	%
Retail & eCommerce	11%
Information Technology	10%
Software Development	9%
Insurance	8%
Financial Services	7%
Health & Pharma	7%
Media	7%
Telecom	7%
Energy & Utilities	7%
Industrials	6%
Banking	5%
Technology	5%
Food	4%
Travel & Hospitality	4%
Transport & Logistics	3%
Agriculture & Mining	2%
Public Services	.5%

Role, Annual Revenue, and Technologies

Role	%
Chief Legal Officer	21%
Legal Operations	20%
Deputy GC	18%
Associate GC	17%
General Counsel	15%
Corporate Counsel	11%
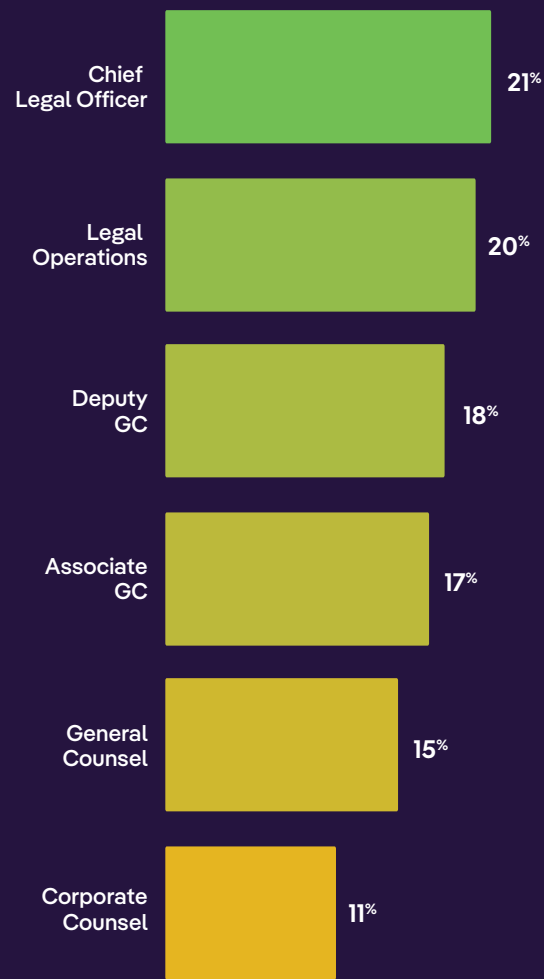
Fig. 16: Company's Annual Revenue

Revenue	%
$200M - $500M	45%
$500M - $1B	46%
$1B+	9%
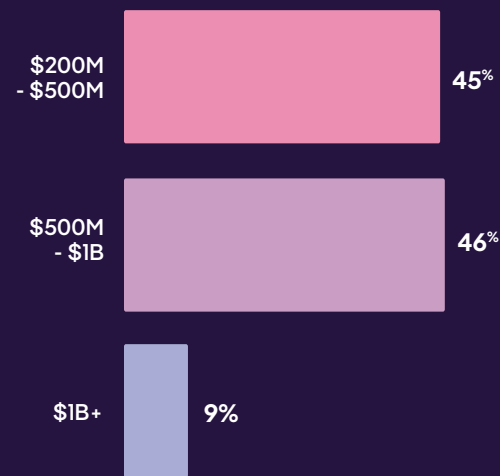
Fig. 17: Technologies, Using
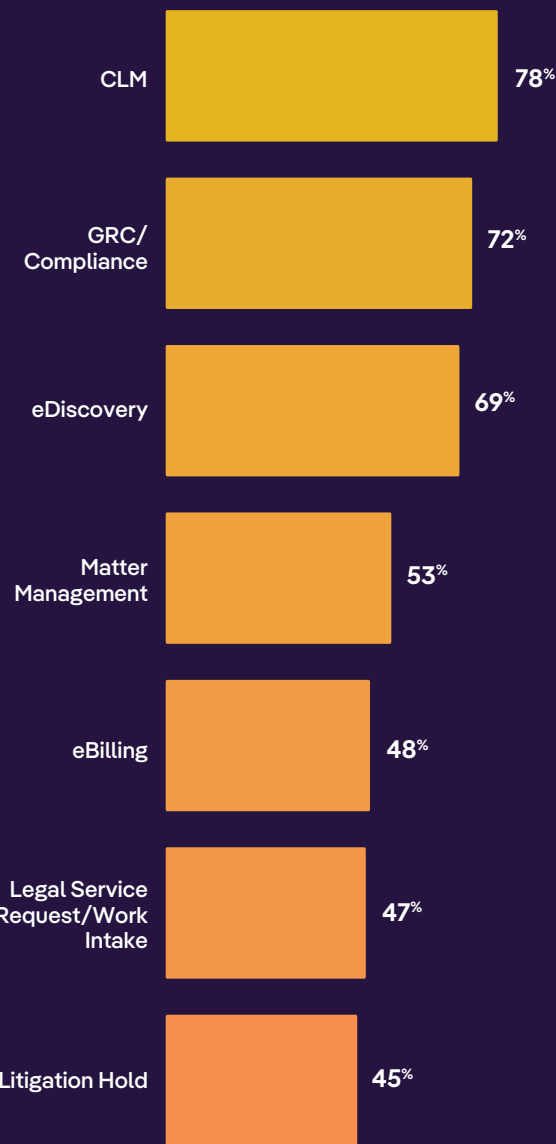
Technology	%
CLM	78%
GRC/Compliance	72%
eDiscovery	69%
Matter Management	53%
eBilling	48%
Legal Service Request/Work Intake	47%
Litigation Hold	45%

SUMMARY

It's no surprise that Legal departments tend to be slower in implementing innovation and embracing automation and the potential of digital transformation. As such, it makes sense that not all companies have achieved the same degree of maturity with regards to Contract Management.

Although basic configurations are present almost ubiquitously true, optimization of the contract management process is still something most companies aspire to achieve. Throughout this survey, two categories have emerged: those who use a mainly manual approach for contract management, and those who are already seeing an impact from investments in CLM technology.

The results reveal a significant disparity between those who stay ahead of change and adopt emerging technologies, compared to companies who still need to initiate and further their transformation. When looking at those with an automated process for CLM, these teams are:

1. More efficient. 78% respond to legal requests in no more than 3 days.
2. More productive, experiencing a 50% reduction in delays caused by staff shortages and heavy workloads.
3. More secure, as they are more than 5x as likely to strongly agree that they can visualize contractual risk.
4. More focused. They miss contractual obligations 75% less often than those who work with manual processes.

It's clear from the data that CLM software saves time, increases ROI, and improves efficiency. While Legal usually manages the CLM process, its effects are far-reaching and can significantly benefit every stakeholder of the business.

At this point, you may be one step closer to adopting a CLM software solution. Talk with the ContractPodAi team to **learn** how our customizable CLM platform can be tailored to meet your company's needs.

So, you read the report, now what?

With this report you can understand key takeaways, behaviors, and outcomes of organizations defining Contract Lifecycle Management in business. It's packed full of data that helps teams build a solid business case for the adoption of CLM technology. When teams are ready to approach internal stakeholders and executives to get the green light for their CLM software of choice they begin to build a business case. To be effective, the business case needs to:

1. Define the "why" behind CLM recommendation
2. Convince multiple stakeholders
3. Calculate ROI
4. Highlight data on enterprise-wide benefits

Putting together a solid business case can be time-consuming —that's why we created a **guide** to give you a jump-start in the process.

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About ContractPodAi

Transforming the way the world makes agreements, maintains relationships, and navigates change, ContractPodAi simplifies legal life, so teams can focus on what matters. Built by legal for legal we empower teams to turn contracts into data they can see in real time and automate repetitive tasks with practical AI.

ContractPodAi® is headquartered in London and has global offices in New York, Glasgow, Chicago, Sydney, Mumbai, and Toronto. Prepare your team for anything that comes with a platform they can access from anywhere at any time.

STEP INTO THE FUTURE OF CONTRACT MANAGEMENT.

Request a **Demo**

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