Prepare Your Organization for a Successful CLM Project

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Introduction

Over the years, many of our members have looked for a contract lifecycle management (CLM) system for their organization. In almost every case, they were unprepared and needed to do substantial homework before they could even begin shopping for software.

There are many reasons that organizations start looking to buy a tool to help with contract management, but most often, the reason is to "get a handle" on their unmanaged contracts. Unfortunately, experience teaches us that if you do not already have a good process, you are unlikely to manifest one simply by implementing software. Instead, there needs to be a good understanding of the organization's current practices, policies, resources, and goals.

What you discover will be unique to your organization. It may be that your organizational contract management process is not yet mature enough to move to software. Your organization may not have the resources to sustain a new system at this time. There is a high probability that the right people at the company may not even know the location of all contracts.

This research will help you lay the foundation to improve your organization's relationship with its contracts and the people who work the process. Knowing and finding the gaps is the first step, which is good, valuable information.

Laying the Foundation

Before looking for a contract management system, there are several things to consider and several tasks to be done. First, make sure your organization is ready to go down the discovery process for implementation. Then, do the homework to avoid wasting time and ensure that everyone has realistic expectations. Here are some things that will make your decision process smoother and help set expectations for the entire organization before you look up vendors.

Questions to Consider

- **Do the right organizational stakeholders have buy-in?**
  - *Examples: Legal, Finance, Compliance, Risk, IT, Procurement*

The first question before considering buying a system is — "Do I have the organization's support?" To start answering this question, you need to identify the process and strategic stakeholders in the organization that adding a new system (and potentially changing the process) will affect. Next, generate a list of these stakeholders. Include why you feel they would want to add a new system and/or why they might object. Finally, list their current role in the process and the benefits (or hindrances) a new system would bring. Knowing everyone's potential objections or wishes will help you pitch the correct solution later.

SOCIALIZING THE NEED FOR A CONTRACT MANAGEMENT SYSTEM CAN BE A CHALLENGE AT ANY ORGANIZATION. MAKE SURE YOU PREPARE THE POTENTIAL STAKEHOLDERS WELL IN ADVANCE OF YOUR REQUEST.

Manage Stakeholder Relations | Info-Tech Research Group (infotech.com)

- **What do you want to do with the CLM system?**
  - *Examples: Email, drafting agreements, approvals, e-Sign, workflow, etc.*

FOR EXAMPLES, PLEASE CHECK OUT THE TOOLS IN THE BELOW RESEARCH.

Design and Build an Effective Contract Lifecycle Management Process | Info-Tech Research

Now that you understand the stakeholders' needs, wants, and potential objections, it is important to focus on what you want the new system to do. First, map out the ideal state you want the contract lifecycle to follow, and compare it to the current process to showcase any gaps. Next, think about what in the ideal system is needed, wanted, or just nice to have (and could be included at a later stage of organizational maturity). Finally, make sure you include the stakeholders in

this discussion to get a comprehensive idea of the contract lifecycle requirements.

- **What do you NOT want to do with the CLM system?**

  As important as what you want to do with the system, consider what you do *not* want to do. For example, your organization may not want to tie the CLM to purchasing or the CMDB. Understanding the exclusions facilitates discussion around the scope of the project. Continue to involve the stakeholders and any other affected groups in this thought exercise, being sure to capture their feedback and ideas.

- **What goals are you trying to achieve?**
    - *Establish baseline metrics now to determine later successes*

  Similar to the functions described above, capture any project goals. Typically, these metrics will enable you to determine success later on. Some common ones are contract turnaround times (TAT), eliminating redundant agreements, and any generated savings. Start now with these metrics pre-implementation so that you have a baseline to compare to later. You may also consider whether automating and improving the contract lifecycle ties into any business strategies. For example, does it help reinforce any current policies and procedures? Will it help meet any audit and/or security needs, such as risk assessment enforcement? Including the system's tangential wins for the organization will show the helpfulness of a new program and increase the likelihood that the organization prioritizes the decision to move forward appropriately.

- **What systems will it potentially integrate with later as your organization matures its contract lifecycle management?**
    - *Examples: ERP, AD (Active Directory), Exchange, CMDB, ITAM, Risk Assessment Tool*

  Many organizations tie their CLMs into other systems to enhance workflow and meet business objectives. Remember to work with stakeholders, IT, and Security. Stakeholders who request new agreements may be better able to meet their risk assessment needs if you integrate the software with specific other systems. Allowing access to be controlled by your system administrators may fulfill different requirements. Email integration may capture the negotiation dialogues in the system. You may tie the licenses and hardware purchase agreements to the CMDB or use the ERP to reconcile the vendor master record. Allowing tie-ins to other workflows, such as a risk

assessment tool, helps pre-qualify agreements moving forward only after reviews are complete.

- **Do you have the internal resources to manage the CLM system?**
  - o *Examples: Create/assign/manage role-based access (RBA), Assess/support the document lifecycle in the system, Manage vendor records, Manage other types of agreements*

Now that you have a working concept of all you want the contract lifecycle management software to do, a final consideration is who will manage it at your organization. This additional workload can add a lot to an existing employee's plate, especially during implementation and in the initial phases, when the organization is still learning the new process and software. The workload can be distributed for convenience or kept in specific departments. In any case, decide who is responsible for maintaining the software, and discuss how it will affect the responsibilities of employees engaged with the processes it is managing.

Keep in mind that there is a potential for a heavy uplift of all the current agreements into a new system. Electronic documents may need to be reformatted and will certainly need to be renamed. Paper copies will have to be sorted and scanned into an acceptable format. Someone will need to coordinate and track these efforts.

With your expectations vetted and some excellent background information for the organization, you are ready to start preparing the organization before going to market.

Activities to Perform

- **Know your contract locations**

  Do you know where your contracts live? Are they in shared drives, on SharePoint, or in desk drawers? Answering this question and putting together a "map" of where the documents currently exist will highlight the efforts needed to gather and migrate them all into a new system.

- **Know your contract/record types**

  Do you have a way to categorize your agreements into distinct types? For example, do you know which documents amend or support other documents, and is there an easy way to group them together?

- Know your file taxonomy

  Can you look at the file without opening it and determine if it is categorized as professional services, software as a service (SaaS), license agreement, etc.? Do you have a consistent nomenclature for your agreements (e.g. "Vendor.MSA.Year.Signed.PDF")? If you currently do not, while browsing your files and figuring out their type, consider documenting and putting one in place. Proactively doing this will enable you to search for specific agreements faster and more consistently. It will also help you find old, outdated, or redundant files that are no longer needed (except for archiving retention), which can be excluded from any file migration into a new system later. Eliminating unnecessary files can save storage costs if the vendor charges fees per record.

  Another consideration while gathering and sorting your documents is how you may better file them in preparation for a data migration. For example, since you will need to identify the responsible business units, it may be best to mirror folder structures to those assignments (e.g. Finance, IT, Business Apps, etc.).

- Gain an estimate on volume over time

  Capture the current volume during your search. Noting the dates in the filename can help you identify how often agreements come in and their relative sizes. With a bit of help from your IT department, you should be able to produce a projected growth estimate of your files over time. Knowing your volume growth in both physical size and the number of agreements over time will be valuable information when you negotiate costs for a new solution.

- Know what fields you want to capture

  Understand what information fields you will want to be able to search for agreements in a new system, and document them for addition to a future implementation plan. These fields can include data type (PII, PHI, etc.), vendor name, notice date, initial term, expiration, business owner, etc. They can often be designed as free text or drop-down menus to reduce variables. Identifying the information you need to generate reports and searches will help configure a new system and allow you to exclude vendors and software that cannot accommodate your needs.

- Know your vendor master record location

You may need to compare your agreements to the vendors in another system (ERP, risk assessment, procurement, etc.). Know where the organization has designated the system of record for the vendor master list, and obtain a copy, if possible, before implementation. Not only will this help speed up mapping the fields between systems, but it should allow you to work with your finance and accounting teams to identify any stale vendors in the systems so that you can focus your efforts on document gathering appropriately.

- **Know your assigned business owners**

  Another important aspect will be identifying who is responsible for each agreement on record. Keep in mind that this is not necessarily a one-to-one relationship with a vendor, as a vendor may provide multiple solutions to different internal operational departments. Therefore, you may need to consider how business owners are assigned in the company. For instance, if a vendor sells three solutions, one for HR, one for Finance, and one for Payroll, all on the same paperwork, it may be more logical to assign the CFO rather than each department head to the agreement in the system.

  Assigned business owners will need to correlate to organizational spending and signature authority policies and will undoubtedly have different roles within a contract management system than reviewers, administrators, etc.

- **Know current policies on signature authority, purchase authority, retention, etc.**

  Which leads us to knowing the policy catalog and where levels of access and authority lie. In addition to knowing "who can do what in the system, " you need to know how long documents must be kept. It would be worth your time to enlist help from the experts on policy within your organization to scrounge for policies that may not be well-socialized so that you do not miss something that could be relevant to implementation later.

- **Know your current contract processes and lifecycle**

  Map the current contract process from the originating business user request through to the termination of the agreement using a swim lane diagram to show all the relevant parties and

their actions. Then, have some conversations with the identified individuals involved about their processes to flesh out your map. Treat every conversation as a discovery call. You will most likely learn more than expected and potentially find ways to improve each other's process from the exercise.

Find and include any required checklists or ancillary processes before a contract is assigned (e.g. security/risk assessment process). Identifying these needs will help eliminate risk and rework. For example, if a risk assessment is a must-have for agreements with PII, ensure that it comes before "send to Legal" in your process to avoid using legal resources on a deal that may never be acceptable to Security.

- **Know the stakeholders**

  Certain departments tend always to be involved in contracting (Legal, Risk, Security, IT, Finance, Procurement), but that does not mean they are the only involved parties. For instance, most executives have signature and purchase authority – i.e. they sign the agreements and need to be involved. That is a big win if you streamline the process and make their lives easier. Are there IT departments that need to review deliverables? How about a project management office answering to an IS steering committee? Be sure to include these in your process mapping, even if they are just a sidebar to the overall process. Understanding the initial approval processes will pay dividends when you look for a new system to integrate into your organization.

Summation

To recap, you need to do a lot of homework and perform a lot of thought exercises before deciding to shop for a software solution. Make sure that your processes and document structures are in good order. Determine if the organization is ready to move to software to enhance your contract lifecycle management practices and if the resources are in place to support such a solution.

Regardless of the decision to move forward with implementing a software solution, the exercises discussed above will significantly improve your contract management and prepare the organization to leverage more efficiencies as it matures and grows the contract lifecycle.

References

- [Design and Build an Effective Contract Lifecycle Management Process | Info-Tech Research Group (infotech.com)](#)
- [Jump Start Your Vendor Management Initiative | Info-Tech Research Group (infotech.com)](#)
- [Manage Stakeholder Relations | Info-Tech Research Group (infotech.com)](#)
- [ITRG Price Benchmarking Services](#)
- [ITRG Contract Review Services](#)

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Title	Lay the Foundation for a Successful CLM Project: Is your organization ready?
Author(s)	Frank A. Sewell
Call Taker(s)	Frank Sewell, Phil Bode, Steve Jeffrey, Donna Glidden, Scott Bickley
Short Summary	This research note will help you lay the foundation to improve your organization's relationship with its contracts and the people who work the process. Knowing and finding the gaps is the first step, which is good, valuable information.
Executive Summary	Organizations need to perform a lot of homework and thought exercises before deciding to shop for a software solution. Make sure that your processes and document structures are in good order. Determine if the organization is ready to move to software to enhance your contract lifecycle management practices and if the resources are in place to support such a solution if you decide to implement. Regardless of the decision to move forward with implementing a software solution, the exercises discussed above will significantly improve your contract management and prepare the organization to leverage more efficiencies as it matures and grows the contract lifecycle.
Categorizations	Vendor Management>Strategy>Vendor Management
Keywords	Vendor Management, Contract Management, Contract Lifecycle Management, CLM,
Additional Info for Production	Many organizations are not prepared to implement contract lifecycle management software. Use the principles and guidance in this note to determine if your organization is ready.