



See the bigger picture:

Shift from “handling contracts” to contract lifecycle management

White paper



If your company’s legal department is like many, you don’t have an easily searchable repository of contracts to turn to for a fast answer to urgent questions from the business.

See the bigger picture: Shift from “handling contracts” to contract lifecycle management

Your company can’t do business without contracts, and your legal department is highly skilled at managing those contracts. But are you, as trusted legal advisors, giving your company the most value from those crucial agreements? For example, if your chief financial officer (CFO) comes to your department with the news that the business needs to raise prices, could you quickly tell the CFO which of the company’s contracts can accommodate a price increase?

If your company’s legal department is like many, you don’t have an easily searchable repository of contracts to turn to for a fast answer to that question. Determining the strategic path and figuring out what to tell your CFO, which will influence what your business does next, will cost you and your team hours of work and a lot of aggravation.

To make full use of the value embedded in your company’s contracts, your legal team needs complete visibility of your holistic contract portfolio. And complete visibility requires a system for managing the entire contract lifecycle, so your team can take swift action in response to business or regulatory needs. The good news is, systems like that do exist: they’re called contract lifecycle management (CLM).

Legal departments look for a better way

The variety and volume of matters managed by corporate legal teams increased dramatically during the COVID-19 pandemic, and that shift is driving a need for new technologies that can help those teams stay ahead of demands. According to the Thomson Reuters® [2022 State of Corporate Law Departments](#) report, 60% of corporate law departments saw an increase in the number of matters they had to manage and 50% of those named operational efficiency as a top priority. New tools have emerged to help streamline corporate legal work — including contract lifecycle management. In fact, 55% of global corporate legal departments now use some kind of Enterprise CLM system – but fewer have a system designed and implemented specifically to support the legal department.

In traditional, manual contract management processes, legal teams follow inefficient workflows that are filled with time-consuming, repetitive work, which increases the risk of introducing errors and missing deadlines. Slow processes and inconsistencies in contract creation delay business and damage the legal department’s reputation within the organisation. Even with a basic management system, legal teams lack visibility across the entire contract portfolio, leaving them unable to offer insight and analysis to their business colleagues.

What does “lack of visibility” look like?

For a corporate legal team, visibility is crucial. Your team may be facing inadequate visibility if you can’t easily answer questions from business colleagues such as:

- How many contracts touch Canada?
- How often have we agreed to an indemnification clause?
- Which contracts allow for raising prices?
- How many of our insurance contracts are up for renegotiation?
- Where is the newest partnership contract in its lifecycle at this exact moment?

Providing quick and accurate answers to questions such as these can elevate your legal department in the minds of business stakeholders and decision-makers. The best CLM systems can provide the visibility necessary to put that power in your team’s hands.

To gain this visibility, legal teams need a more [efficient contract management](#) process, one that is built around a core of orchestrated and automated processes. Typically, those processes will include:

- Enabling multiple parties to work in concert across multiple steps
- Offering tools that automate the creation of standard contracts
- Providing additional control and visibility into all contracting activities, workflows, approvals, documents, and metrics
- Speeding up transactions
- Delivering greater value to the business while improving accuracy and lowering risk

Software-based, end-to-end CLM systems can transform how legal departments work by eliminating the pain of legacy, manual systems. Best-in-class CLM systems coordinate, track, and automate the creation, negotiation, execution, and monitoring of all the contracts a legal department handles while bringing teams the across-the-business visibility they need to deliver the answers they are increasingly expected to provide.



Corporate legal teams with manual contract lifecycle management systems face a host of challenges that make workflows and processes difficult.

Challenges of manual contract management

Corporate legal teams with manual contract lifecycle management systems face a host of challenges that make workflows and processes difficult:

No central repository. In many companies, there isn’t a single, central, searchable repository where all contracts are housed and organised. Without one source of truth to rely upon, legal teams may not be sure which draft of a contract is the final, agreed-upon version — or they may not be able to access the right draft quickly when needed. Additionally, in whatever filing system the team is using, contracts are likely not stored with communication and backup documentation to provide the full context around the contract and its obligations. This lack of organisation and information causes problems for recordkeeping, tracking renewal dates and contract adherence, and generating insights that could provide business value.

Limited view into and across contracts. Without a central repository, legal counsel is unable to quickly answer questions about contracts, such as “What is our exposure in Russia?” or “Can we offshore our marketing function?” Finding answers to questions like these is a slow and laborious process that frustrates lawyers and business colleagues alike. Teams not only need visibility across the contract portfolio, but they also need visibility into the obligations for each specific contract, such as renewal dates and actions that need to be taken to maintain compliance. Without visibility into those specifics, teams can’t easily see when contracts expire, or terms go unmet. They are also unable to provide extra business value by drawing conclusions about patterns in the data or analyzing exposure or risk in particular contexts.

Extra “noise” in the system. Fielding requests for new contracts should be straightforward, but corporate legal departments often face a chaotic process of getting work underway when they don’t have a streamlined intake system. Contract requests might come in via email, phone, or chat, after which a supervisor will assign the task to a staff member. Because these requests often come in on the spur of the moment and in no particular format, they are often missing information, requiring lengthy back-and-forth conversations between the lawyer and the contract’s requester. In short, getting a task assigned and getting all the necessary information to complete it tends to be “noisy” in law departments that operate using manual contract processes.

Inconsistent process and output. In corporate legal departments, it’s common for each team member to do things their own way. For instance, one team member may keep meticulous files that include email communication, while another gets information over the phone and doesn’t take notes. This siloed approach leaves teams with little visibility into the contract lifecycle workflow, making it hard to see where processes coordinate and where they work at cross-purposes. Additionally, nonstandard processes can introduce risks, such as the drafting of unsuitable terms or failure to include essential provisions. And without a standard, streamlined process that includes automated features, getting approvals and signatures is difficult and time-consuming.

Budgetary challenges. [More than half](#) of a corporate legal team’s spending tends to go to outside firms. Automated CLM can reduce lag in the system and enable better collaboration to maximise the value obtained from outside counsel. And such efficiencies may, in the end, reduce the dependency on outside firms — a benefit for legal departments, which need to do more with their budget to be seen less as a cost centre and more as a value centre for the business.

Misalignment of pre- and post-signature processes. Post-signature, enterprise contract management has typically been the purview of procurement or contract management groups within large organisations, leaving the legal department without full visibility once the contract has been signed. But today’s enterprises are relying on their legal teams to deliver fast, accurate business advice across the contract lifecycle. To do so, those teams need legal-focused CLM solutions to manage the pre-signature phase and connect that solution to the wider business so that the team can collaborate seamlessly with internal clients, regardless of where the contract is in its lifecycle.



As many law departments move toward setting up their own CLM solutions — ones built specifically for legal workflows — the “CLM maturity model” nurtures them through three key stages.

The CLM maturity model

As many law departments move toward setting up their own CLM solutions — ones built specifically for legal workflows — the “CLM maturity model” nurtures them through three key stages:

1. Making basic use of the CLM tool as a system of record
2. Expanding its use as a system of engagement
3. Maximising its use as a system of intelligence

System of record

At its most basic level, the CLM system is a place for the legal team to record and track contract-creation activities. The first stage of implementation, therefore, starts with signature, storage, and search functions. A best-in-class CLM solution will prepare the team to move to the next stage by offering strong support for post-signature contract management.

System of engagement

Once contracts are efficiently signed, stored, and searchable, teams must be able to take action on those contracts to ensure governance and compliance. At this stage, the legal team is using the CLM tool to perform contract analytics and reporting for key executive stakeholders. With these functions in place, the team and the C-suite can turn to CLM analytics and reports for insights on how external events will affect finances and business operations. This stage is when the legal department can start to use CLM to become a value-added driver of business decision-making.

System of intelligence

Once the first two elements are working well, legal departments can use a CLM tool’s artificial intelligence (AI) to evaluate contracts to analyze risk and ensure that they remain compliant with renewal timelines. A best-in-class CLM solution can be tailored to leverage AI with internal and customer data to address a wide range of additional CLM needs, such as providing chatbots for engagement with users, finding contracts that may be impacted by new business developments, and tagging legacy and third-party contracts. By using CLM as a system of intelligence, legal teams gain the ability to identify unknown or unidentified risks and anomalies within the overall contract portfolio, allowing the team to perform predictive analysis that is highly valuable to the executive team.



A best-in-class CLM solution should ultimately be focused on bringing maximum benefit to the modern corporate legal department.

What to look for in a legal department-focused CLM solution

A best-in-class CLM solution should ultimately be focused on bringing maximum benefit to the modern corporate legal department. Look for an intelligent, collaborative, end-to-end hub that manages multiple stages of the contract lifecycle — ideally, one that is designed for lawyers, by lawyers. Such a solution will work across all stages of the contract lifecycle, including:

Initiation

During this stage, the CLM solution gathers critical information for the contract and seamlessly delivers it to the right person within the team. Dashboards and automated tools such as intake forms and chatbots allow business units to initiate contract creation and begin drafting standard types of contracts. For example, a sales team member can sign into a self-service portal and fill out a template to create a nondisclosure agreement (NDA) without involving the legal department. The template is strictly controlled, preventing the sales representative from drafting unsuitable terms or failing to include essential provisions. This built-in safeguard helps reduce the risk of rogue agreements.

Drafting

During the drafting stage, the CLM solution generates an agreement from the collected information, incorporating all required terms and conditions. The system makes this efficient and reduces errors by providing preapproved templates and clauses with built-in guidance. The systematised, automated nature of the process ensures that documents are consistent, error-free, and generated quickly without bottlenecks.

Negotiation

Tracking a contract through negotiation is made easy with a best-in-class CLM solution, which allows stakeholders to track the status of a contract as it moves through numerous versions and required reviews. It even allows team members to review changes in real time. The system centrally collates all comments, annotations, and questions so anyone viewing the negotiation thread will be able to follow the conversation and see the reasoning behind each change.

Approval

Gaining approvals is faster and easier with a CLM solution that enables stakeholders to review and deliver feedback on each document within a centralised portal. The best systems also automatically send reminders to everyone involved in the approval process to nurture projects along the defined workflow.

Execution

Many best-in-class CLM solutions include mobile-enabled digital signature functions and automatically follow up with outstanding signatories to reduce friction, making the process far less time-consuming. Because the signing stage is a frequent bottleneck in the CLM workflow, this function adds a large amount of value for legal teams.

Obligations

One of the top benefits of a good CLM solution is its ability to notify parties of certain contract breaches to indicate when action is needed and to outline what action should be taken. The system can also automatically track counterparty obligations so the business can extract the most value from the agreement. Not only does this help protect the company from risk and liability, but it also can save the legal team much time and effort.

Compliance

A good CLM solution provides a searchable repository with a clear contractual taxonomy that can quickly pull up information as needed, offering legal teams an easy way to quickly find relevant documents and information about the provisions in the contract portfolio. This gives them visibility into a contract’s terms and a party’s record of performance to ensure compliance with laws, regulations, and internal policies.



Today’s CLM solutions provide such a high level of value compared to manual contract management processes that they are poised to become the default modality in corporate legal departments of all sizes.

Amendment/Renewal

A best-in-class CLM solution tracks contract expiry and renewal dates, and alerts users when changing laws prompt new contract terms — a level of constant analysis that would be impossible for the legal department to maintain on a manual basis. This automation also prevents the team from missing key dates for contract revision, cancellation, or renewal, thereby helping the company retain contractual rights, reduce its risk exposure, and prevent revenue loss.

Evolution over time

Corporate legal departments need to be able to improve their CLM system over time to meet emerging demands as the company grows. Best-in-class CLM tools can grow with a company’s needs by moving up the maturity ladder — from first serving as a central repository to eventually becoming an intelligent, automated system of tremendous value. In addition to evolving over time, a best-in-class system can bring immediate benefit to larger enterprises with full-scale integration of the CLM tool into other business systems already in use, such as customer relationship management (CRM) systems, finance systems, and existing digital signature or analysis tools.

Use case: Contract analysis during COVID-19

Force majeure is a provision in a contract that frees both parties from obligation if an extraordinary event directly prevents one or both parties from performing as previously outlined. When COVID-19 began to spread, enterprises needed to see whether they had any *force majeure* clauses in their agreements that might be responsive to a pandemic situation.

With best-in-class CLM, a legal department could easily search to see which contracts contain this clause and how business agreements would be affected by the pandemic.

Without a best-in-class CLM system, many law departments were forced to manually search through their contract repository – wasting hours of valuable time and potentially exposing their businesses to sizeable bottom-line risk.

CLMs are the way of the future for legal departments

Today’s CLM solutions provide such a high level of value compared to manual contract management processes that they are poised to become the default modality in corporate legal departments of all sizes. Future lawyers will be expected to know how to work with these systems throughout the stages of their maturity model — and teams that don’t adopt them will increasingly be out of step with the industry.

This inevitability is due to the scope of benefits and opportunities that CLM solutions present to legal departments. On a high level, a good CLM system can:

- **Let lawyers get back to lawyering.** The significant efficiencies of CLM tools free up legal staff to work on higher-value, more enjoyable work. Most lawyers have entered the legal profession to work on complex and interesting problems, not to churn through repetitive tasks or maintain files. A system that enables the law department to do more work on the former and less on the latter is a major boon, which will translate into strength in recruitment and retention.
- **Allow legal teams to pivot quickly to keep up with changing business needs.** The streamlined nature of CLM technology simplifies every step of the contract lifecycle, allowing the legal department to produce higher-quality, more accurate work with much less friction. A CLM solution enables legal teams to better satisfy their business colleagues, partners, and clients. A system with real-time visibility and automated features also adds value for the lawyers and the individuals on the other side of the negotiation table, increasing satisfaction on both sides.



Discover how CLM solutions powered by Thomson Reuters can help your department reach a new level of efficiency.

- **Open new doors for the legal team to bring unprecedented value to the business.** All of this efficiency and operability adds up to opportunities for the legal department to act as a business driver, not a cost driver, for the organisation. A CLM solution that streamlines the contract creation process provides cost-efficiency. Many such systems allow legal teams to create self-service portals for business users, which position the legal department as a business-enabling function within the organisation. And at an even higher level, corporate lawyers can navigate the contract repository to extract actionable insights to move from reactive to proactive lawyering.

A well-designed CLM solution can help legal departments at companies of all sizes take a newly empowered role in their organisations. When used as a system of intelligence, CLM allows legal teams to identify where areas of risk are emerging, allowing the business to take preventative action. Lawyers with a best-in-class CLM solution can analyze which contracts would allow proactive changes to add business value, putting their training to work for the business.

Catch the CLM wave now

In this moment of rapid change and growing business needs for predictive insights, corporate legal departments need their own contract management solution that can allow them to be better drivers of business value. A best-in-class CLM solution allows legal teams to focus on the most important issues for the business while enabling business users to self-serve – without adding risk.

While CLM solutions are not new, they are getting more sophisticated and more prevalent. Enterprises should explore CLM solutions as soon as possible to maintain parity with competitors in their markets and reap the business rewards – as well as the rewards for the lawyers who make up their team. The CLM wave is here, and corporate legal counsel who want to be successful in the future need to be able to use CLM technology now. The benefits of doing so go beyond immediate job satisfaction to ensuring they can stay competitive in their field and help the larger business grow and thrive.

Discover how [CLM solutions](#) powered by Thomson Reuters can help your department reach a new level of efficiency with simplified workflows and complete contract visibility.