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100+ Contract Management Solutions

Do You Have to Try Them All?



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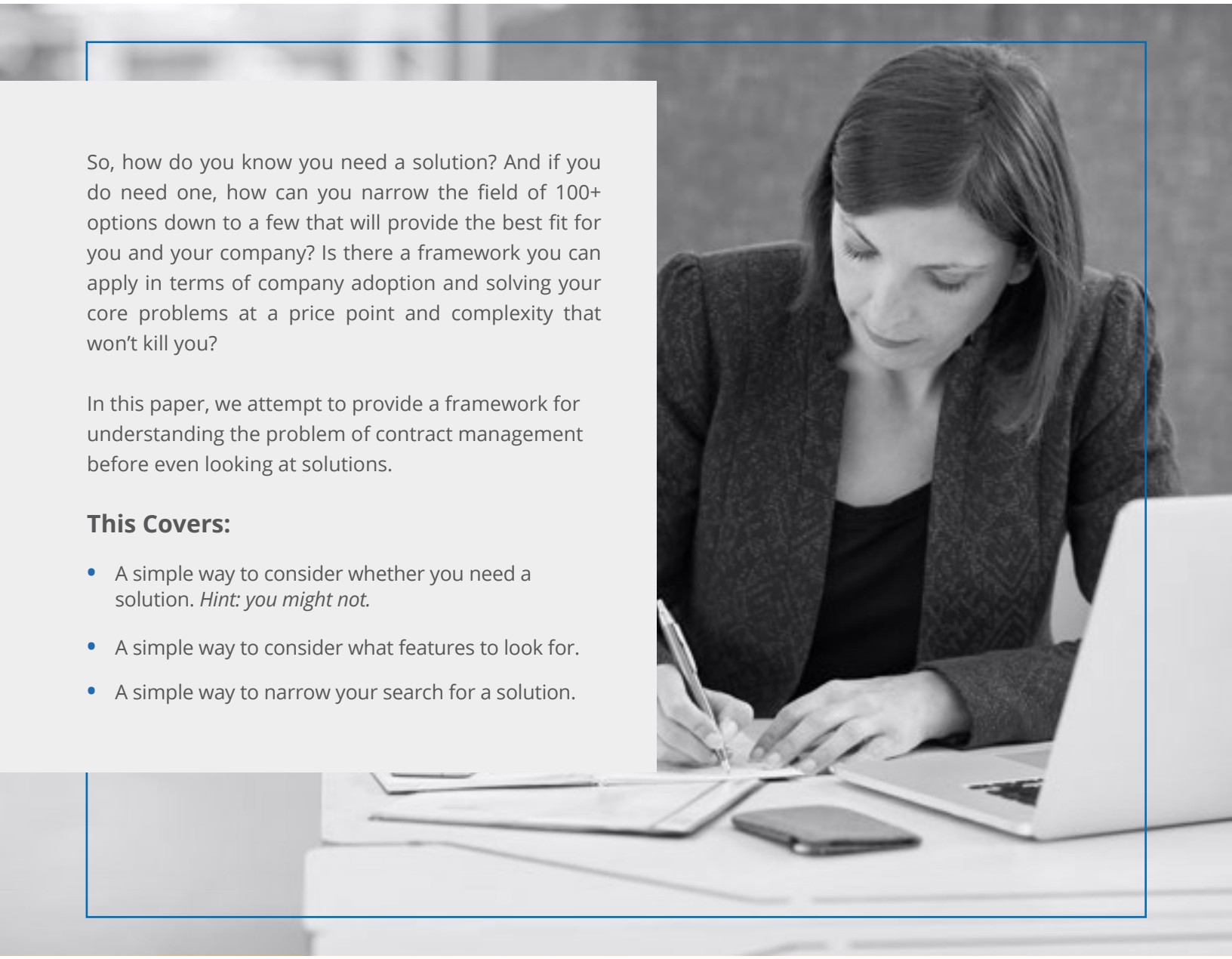
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Introduction

We interviewed over 100 companies to determine characteristics that defined when companies typically started to consider using contract management software and why a purpose-built solution started to make the most sense.



So, how do you know you need a solution? And if you do need one, how can you narrow the field of 100+ options down to a few that will provide the best fit for you and your company? Is there a framework you can apply in terms of company adoption and solving your core problems at a price point and complexity that won't kill you?

In this paper, we attempt to provide a framework for understanding the problem of contract management before even looking at solutions.

This Covers:

- A simple way to consider whether you need a solution. *Hint: you might not.*
- A simple way to consider what features to look for.
- A simple way to narrow your search for a solution.

Interview Findings

A Rock and a Hard Place

The two scenarios highlight the conundrum for many contract managers: buying, implementing, and using contract management software can be expensive, time consuming, and ultimately an exercise in costly failure.

Conversely, doing nothing could be even more costly. This conundrum was most visibly manifested at the 2014 IACCM America's Forum in Chicago when in the midst of a presentation, Layne Jeffrey, the presenter, took an audience poll to understand what types of tools the audience used to manage their contracts. The answers were surprising.

60% Use Excel to Manage Their Contract Portfolios

That was the number of hands that shot up, indicating that among IACCM members attending Layne Jeffery's presentation, the primary tool for managing contracts was Excel.

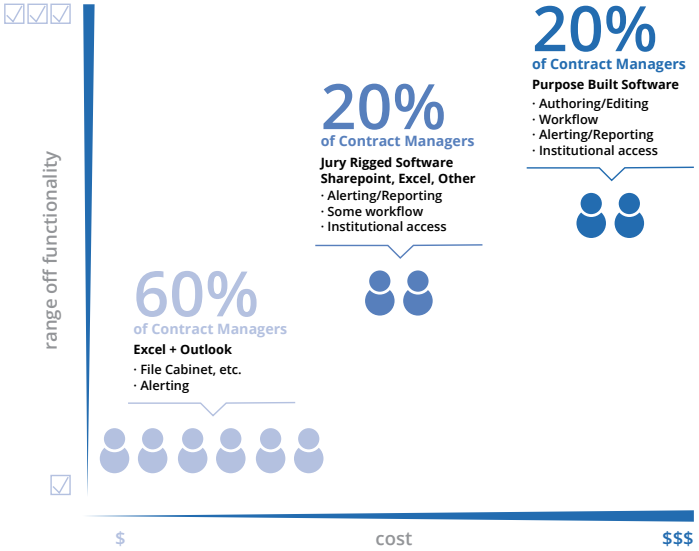
Imagine if you were in a Finance Association, and 60% of professional finance people said that they were using Excel for all their accounting and only 20% were using a solution specifically built for accounting like Quickbooks or SAP.

2 Years & $80,000

That's the amount of time and money one contract manager said her company spent trying to implement a contract management solution. It still wasn't working.

$7,000 a Month

That's the amount another contract manager calculated her company wasted each month in productivity & time expense by using Excel and Outlook as their "free" contract management solution. That number did NOT include opportunity costs of renegotiating renewing contracts or inadvertently paying for duplicative services.



Contract Managers Gain Attention of Software Makers

The good news is that change is on the way. Whereas the choice up until now was between low-to-no expense solutions and costly, complex, fully-integrated solutions, today there areother options that fit in between no-cost and high-cost, fully-loaded solutions.

Borrowing an analogy previously referenced, finance professionals don't have to choose between Excel and SAP—they have middle ground options in terms of price and functionality that include Quickbooks, Zero, Intacct, etc.

The same range of options for contract management is emerging today. As software development and infrastructure costs decline, software makers can focus on niche verticals and unique work functions like contract management.

1/100th the cost

In 2000, Loudcloud estimated the cost of a customer running an internet application was $150,000 a month. Today, that same Software as a Service application would cost $1,500 a month, 1/100 of the cost 15 years ago.



Specifications: You Might Not Need a Purpose-Built Solution

We interviewed over 100 companies to determine characteristics that defined when companies typically started to consider using a purpose-built solution for their contract management needs.

100 contracts a year

If you are managing 100 new contracts a year, you may be fine using Excel, Outlook and whatever cobbled-together solution you have.

Typically, once companies crossed that threshold, they were increasingly aware of the shortcomings of using Excel, especially as renewing contracts stacked up on each other.

Multiple Offices

Once companies had more than one office that was creating or signing contracts, the person or people managing contracts became more acutely aware of the shortcomings of Excel.

Awareness came in the form of:

- Time expense tracking down contracts for internal stakeholders.
- Missing contracts signed by individuals no longer with the company.
- Business productivity bottlenecks as internal stake holders had to wait for answersregarding certain contracts and could not find or access them themselves.

$100/hr

The more $100/hr senior employees (General Counsel, CFOs, Business Development, etc.) needing access, review, reports, and alerting, the more likely a company was either using or looking for purpose-built contract management software.



Specifications: You Might Not Need a Purpose-Built Solution (Continued)

$45,000 Duplicate Vendor Cost

The more $100/hr senior employees (General Counsel, CFOs, Business Development, etc.) needing access, review, reports, and alerting, the more likely a company was either using or looking for purpose-built contract management software. One of the companies we interviewed said in the past year they had paid two vendors for the same service. The person that negotiated and signed one of the contracts had left, and the replacement person hired another vendor because there was no central alerting or repository for anyone to see that the service had already been purchased.

If a company found one incident like this, they knew there were likely many others they simply weren't aware of.

$1,000,000 Compliance Risk

Some of the companies we spoke with talked at length about the time expense of ensuring

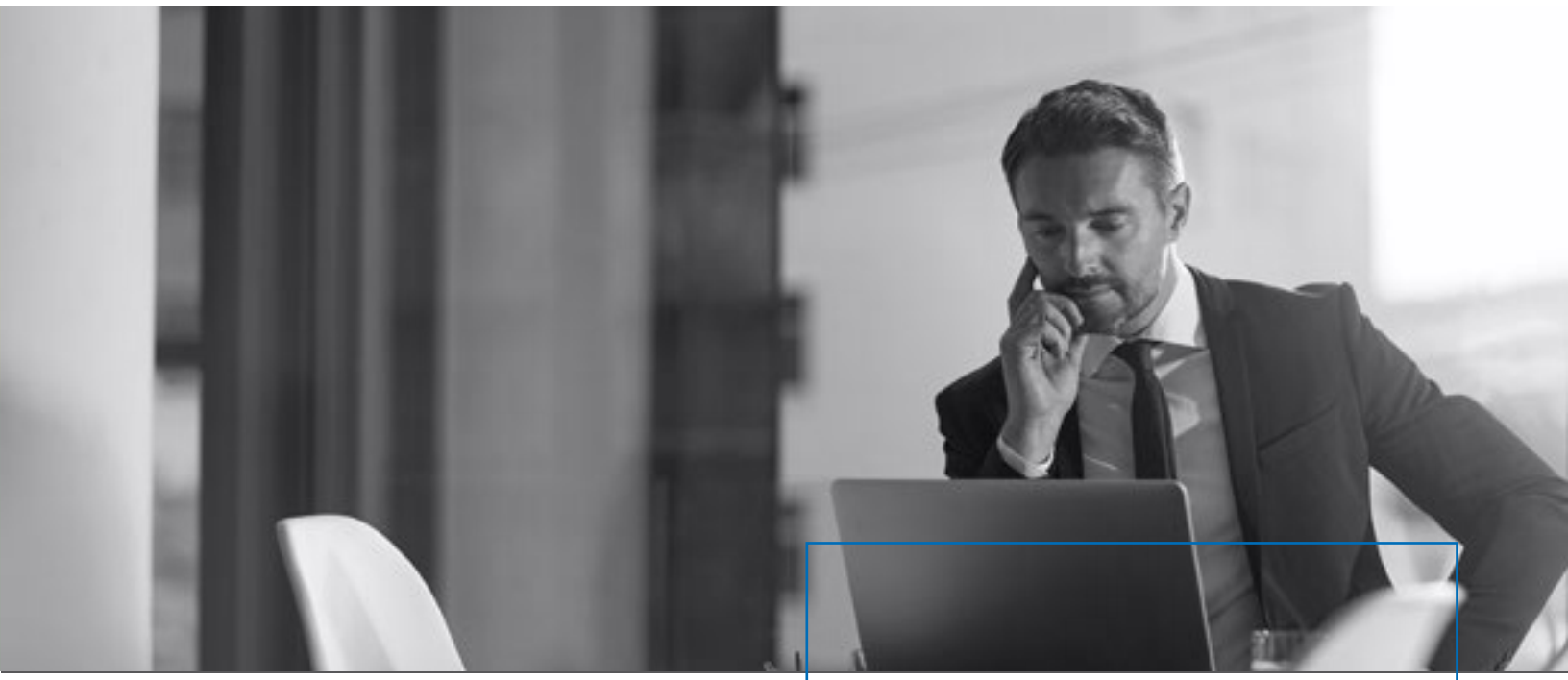
that their suppliers, vendors, or even they themselves were in compliance.

These were low-probability events with high-cost consequences that they could not afford should they occur.

For instance, if there was some failure that could be traced to a partner whose insurance had expired, that could expose the company and its insurance. The risk of this occurring might be low, but the consequences so high that this led to an active search for a contract management solution. Putting in place a system with a central repository, alerting, and reporting protects against this type of scenario.



Navigating 100 Plus Contract Management Software Solutions



Expiration Dates, Alerts, Custom Tags for Reporting, Permission-Based Access, Central Repository

Of the companies looking for a contract management solution, the primary interest was in setting up email alerts and reports based on custom parameters for contracts in order to monitor

- Cost Reduction: Opportunities to renegotiate contracts.
- Revenue & Milestones: Provide budget visibility and focus on key clients/actions.
- Compliance: Maintain compliance items to avoid costly penalties/liabilities.
- Time Expense: The symptom for managing the above was time wasted.

Post-Signature Life Cycle Less Costly, Easier to Implement

98% of the companies we interviewed during our research were using Excel as their contract management solution. The 2% using contract management software had not been able to implement the solution at their company.

Other desirable features included role-based access management so that employees and others viewed only what was relevant to their position.

Navigating 100 Plus Contract Management Software Solutions (Continued)

Ease of use is the most important feature

Ease of use was cited as one of the biggest items under-appreciated by companies that tried and failed to implement a contract management software solution. One company had spent a couple of years and over $80,000 trying to implement a solution. These companies that failed to implement a system identified complexity and lack of ease of use as the primary adoption barrier within their company.

Company Support

Unsaid but visible to us was that while software was part of the problem, internal disagreement, lack of a champion within the organization, and lack of a project lead had also contributed significantly to the failed implementations.

80/20 rule

For the vast majority of companies looking for a contract management solution, it made sense that they were looking for a better way forward than Excel, and sought:

- Incremental improvements that solved 80% of their objectives.
- Easy cost and time expense justification.
- Easy adoption for all of the users within the organization, with little time for training.



Pre and Post-Signature Life Cycle: More Comprehensive, More Features

When does it make sense to adopt a full-blown contract management lifecycle solution?

More Approvers, More Reviewers, More Time Cost

The more $100/hr approvers and reviewers needed to sign-off on and manage a contract, the more likely it is that the benefit of a complex contract lifecycle management solution outweighs the cost and implementation time required for success on these systems. Generally, companies looking for full CLM solutions are looking for:

- Contract authoring and editing
- Workflow approval management
- E-signature
- Alerting/reporting
- Role-based access
- Financial system integration

Most of the above features and benefits are self explanatory and don't require much description. But we will look at two items in particular, as they often form the most important and potentially most vexing components of a full-blown system.

Workflow Approval Benefits and Pitfalls

The number of people involved with a contract implies high contract value and potential risk if things go wrong. These underlying drivers lead to multiple stakeholders in finance, services, business development, support, etc. needing to sign-off on changes as well as the final contract. There are benefits around limiting potential risks and liabilities, but as the number of stakeholders needed to approve a contract grows, the main benefit is actually getting contracts done quicker, and most importantly, just getting them done.

The benefits are clear, but implementation is typically not. Mapping out the approval flow and identifying corner cases or exceptions of what redline items require everyone's approval versus a few, or which types of contracts require approval from which department head, etc., can get complicated quickly. The symptom of this issue may be "the software doesn't do what we want it to do," but the cause may just as likely be internal organizational processes that are difficult to codify into an elegant and time-efficient approval process.

Pre and Post-Signature Life Cycle: More Comprehensive, More Features (Continued)



Why Lawyers Won't Switch From Word

The attraction of an integrated contract authoring tool with libraries of approved language and alternatives seems obvious. What's not obvious is how challenging it can be to get lawyers to switch from Word, or any application for that matter, that they have grown accustomed to and comfortable with.

In the interviews we conducted, we did not find one lawyer who was using anything other than Word for constructing and redlining contracts. In addition, we heard lots of paralegals and others talk about the challenges associated with getting lawyers to use other software tools. Simple collaboration tools could take a year to get most on board with, and these tools were much simpler than asking lawyers to switch to a new contract authoring tool.

$50 for 5 minutes

Everyone may roll their eyes knowingly about lawyers and their lack of adaptability to new technology, but in some sense they are operating completely logically. In most legal practices, lawyers bill $50 for 5 minutes of their time. Even when they've moved into a general counsel role, taking 5 minutes to mention the idea of using another contract creation tool just cost you and them $50. Now go add up all the meetings and training time to get them to switch, and you get a sense of how what at first seemed obvious now seems increasingly impossible.

Conclusion

The good news for contract managers is that they have the attention of software providers and have over 100 options to choose from. The bad news is that they have over 100 options to choose from and no time to evaluate them all The key is to identify where the highest revenue, cost, or risk lies in your current contract process: Is it before the signature or after the signature?

If most of your revenue increases, cost reduction opportunity, and compliance risk mitigation lies in managing the contract after it's signed, then you can look at a post-signature only solution. These tend to be easier to use, faster to implement, and more affordable than a full CLM solution, but are a big step forward from using Excel.

If, however, your primary cost is in the time value of all the people involved in approving, reviewing/redlining, re-approving, and signing-off on a contract, coupled with the possibility of not getting the contract done at all, then a full CLM solution is probably worth the cost, complexity, and time to implement.

Finally, if Excel still works for you, that's ok too.

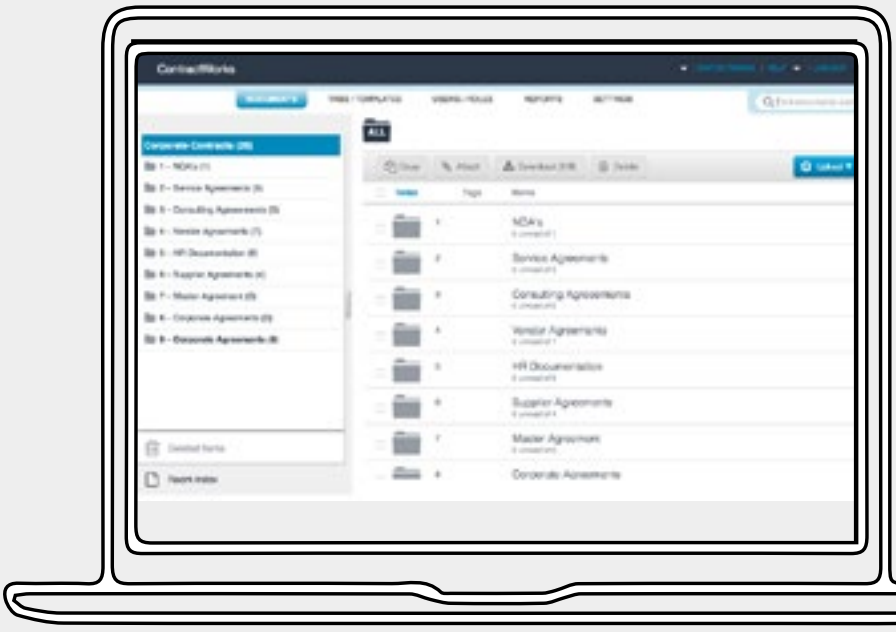
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