



## **How to Get a CLM System that Works Hard for Legal? Own It**

**Compliance and Ethics**

**Law Department Management**



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Contract lifecycle management is inherently an enterprise function — kicking off (or renewing) opportunities that drive value for the business. The department that pays for a software system owns it — driving selection and taking responsibility for its management, and thereby gets a system best tailored to its particular needs.

Sales and Procurement, with their big budgets and enterprise systems, consider the “contract management” box checked because it’s included as a module in their solutions — and as we know, enabling self-serve and fast execution prioritizes speed over legal risk management.

## The ownership dilemma

Because of the business side’s motivation to get contracts done quickly, contract management systems lacking key features for lawyers are often foisted upon legal departments. Lawyers are stuck with drafting in Word, patching together template libraries in SharePoint, using Outlook for negotiations and manual (or expensive) processes to find contracts that need updating when regulations change. All in all, inefficient and fraught with compliance gaps.

Because of potential failure to properly manage obligations and risks, often the organizational politics around contract management systems are the opposite of a turf war — no one wants to take ownership. Yet, Legal is the function that interacts with all others, so it is the logical owner. To put a point on it, Sales and Procurement often have competing priorities, and Legal is well-positioned to balance those interests and properly calibrate risk. Plus, with the rise of the Legal Operations function, the legal department now has the skill sets to optimize people, processes, technology, and



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data to drive value for the business through effective contract management.



Through the use of the Legal Operations function, legal departments have now learned how to effectively manage technology. VideoFlow / Shutterstock.com

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Co-ownership is, of course, an option — and the skills needed to succeed in that paradigm are considerable. What's critical in any ownership scenario is to ensure top-notch stakeholder engagement, clear priorities, and consensus-based decision-making — and then to select and implement with strong business and data integration in mind.

## **Taking the journey toward tech-enabled contracting operations**

Adding to the challenge is the “Wild West” contract management solutions market, with scores of solutions and a continuing stream of new entrants — not all of which will survive. With intense jostling for attention and differentiation, it is difficult to see past the hyped sales pitch, find apples-to-apples comparisons, and select solutions that fit both current and future needs.

Some companies are not ready for the robust CLM they select and find it expensive and frustratingly complex. Others must demonstrate capability and generate data to make the case for a sophisticated solution. It can make sense to use a relatively simple tool while putting policies, templates, playbooks, and processes in place, then move to more robust solutions as organizational capabilities

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and requirements evolve.

We recommend undertaking a sustainable, multi-step journey toward mature, tech-enabled contracting operations tailored to organizational needs.

## **Put a governance structure and a roadmap in place**

No matter how mature (or not), contracting should be helmed by an operational lead with the seniority to engage key stakeholders in hammering out requirements, governance, and processes. That lead should have the guidance and support of an executive sponsor who articulates goals and ensures appropriate resource allocation and planning to achieve them. Add a well-designed roadmap to ensure forward momentum, an antidote to the all-too-common stalled CLM implementations.



An executive sponsor's guidance can help an operational lead communicate the end goals to other employees — and how to attain them. Ground Picture / *Shutterstock.com*

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## **Articulate goals and priorities**

Start with an honest assessment of current capabilities and a realistic outline of the desired future state. Then fill in the steps toward developing a unified contract management strategy to better



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manage risk, business obligations, and opportunities with operations that are consistent, resilient, efficient, and scalable.

With the end in mind, clarify the purpose of each contract management investment. In demos and websites, technology solutions often seem to offer everything any organization needs at any stage of maturity. In reality, their capabilities are uneven and finding a good fit for prioritized objectives is critical.

Consider what to improve first, such as:

- **How lawyers work** — is the complexity of contracts and negotiations such that improving productivity come first?
- **How the department functions** — is operational data needed to improve capacity utilization and cycle time?
- **How Legal interacts with the enterprise** — is systems integrations paramount?

## Put the pieces into place sequentially

As legal operations mature, requirements evolve. Consider the current state and make investment decisions accordingly, keeping in mind that technology can be applied to any contract lifecycle stage.

Here are some rough illustrative scenarios.

CURRENT STATE	TOP PRIORITY	FIRST STEP	NEXT STEP
Signed contracts are dispersed and primarily stored as PDFs; annual volume of new contracts is low	Obligation management	Post-signature contract analytics to ingest and organize legacy contracts into central repository	Add a CLM for new contracts
Buy-side heavy contracting process is highly manual (drafts exchanged via email); central repository exists but obligation management is not automated	Efficient, standardized contract generation	Basic CLM with clause and template libraries and solid obligation management features	Upgrade to more sophisticated CLM (or module of installed system) with pre-built connection to enterprise resource planning systems
Sales-based customer relationship management (CRM) system with "CLM" are installed, but lack features for lawyers	Efficient, standardized negotiation support	Pre-sig contract analytics (CA) point solution for contract review	Upgrade to CLM+CA that integrates w/ sales CRM
Preponderance of simple contracts handled in-house (NDAs, MSAs) via email/Word; infrequent, complex contracts are sent to outside counsel	Faster standard contract execution	Automate NDA fulfillment via low/no code workflow automation solution	Invest in a CLM when contract requirements expand (volume + complexity)

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## Select judiciously

The review and selection of vendors is complex and time-consuming. We recommend using a weighted scorecard to evaluate the product's features and capabilities against priorities. Here are some guiding principles:

**Start with a well-defined set of user needs and requirements.** Avoid excessive customization! Vendors will say they can meet any needs, but if you are commissioning bespoke configurations, you will find it difficult to maintain your system as the underlying technology evolves.

**Do the math.** There is a range of pricing practices in the CLM market involving the number of users, volume and type of contracts, scope of features/modules engaged, configuration and support needs. The key is to ensure that the pricing model supports (rather than impedes) achieving your goals.

**Consider viability.** Many CLM vendors are comparatively young and small, or operate within large companies and face competing priorities. Obtain financial plans regarding the CLM software business, including revenue and investment in product development.

**Probe product development approach.** While current features are important, your vendor relationship will be longer term. Consider the vision and model behind the development roadmap and take care to distinguish pipeline from aspiration (or being told what you want to hear).

Ensure sufficient and appropriate in-house resources to collaborate with the vendor for timely implementation; and consider supplementing with an external implementation consultant.

**Evaluate implementation support and options.** Features often overshadow the implementation support model and track record. Ask about planning, configuration, migration, and training. Ensure sufficient and appropriate in-house resources to collaborate with the vendor for timely implementation; and consider supplementing with an external implementation consultant.

**Lean on vendor references.** Direct client conversations provide valuable perspectives on working with the vendor through implementation and beyond.

Plan implementation with change management in mind. We are often brought in to rescue stalled implementations or grossly underutilized CLM systems. There are two common reasons. One is neglect. The contract management function is left in the hands of an administrator lacking the seniority to lead a process to expand capacity utilization. The other is excessive custom configuration, making it difficult to evolve with the product and down the maturity curve.

Accordingly, we offer this final advice about implementation practices to maximize adoption:

**Begin with the end in mind.** Put in place a Contracting Operations Roadmap and designate an executive sponsor who can hold people accountable to reach a series of milestones.

**Take a phased approach.** Unless your organization has prior CLM experience, think big, start small, and expand. For example, kick off with three contract type workflows: NDAs, 3<sup>rd</sup> party paper, “all others;” refine as you go along.



If you are inexperienced with CLM systems, start small with contracts such as non-disclosure agreements. Hodoimg / Shutterstock.com

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**Use data to guide operational and risk management improvements.** Analyze the volume by type in the “all other” category to build new workflows in order of priority.

**Ensure strong integrations and collaboration.** Contracting is an enterprise-wide “team sport.” Make sure all critical systems connections are made, and the roles and processes around them are well understood. Take full advantage of the collaboration features within the CLM tool.

Taking ownership is hard. No one wants to answer when the internal auditors knock. Yet balancing risk management and business velocity naturally falls to Legal, and the reward for stepping up and taking responsibility is having control over a system that makes the important work of lawyers easier and more satisfying, as well as having an operational strategy and roadmap that lead to ever more sophisticated ways of enabling business success. In the end, the Legal team gets to be the heroes.



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[Catherine J. Moynihan](#)



Senior Director of Strategic Intelligence

Epiq

Catherine J. Moynihan is Senior Director, Strategic Intelligence & Advisory for Epiq's Legal Business Advisory Group overseeing Hyperion Research, Epiq's legal market intelligence program, as well as

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spearheading practical guidance and programs for global legal executives focused on legal operations transformation.