Benefits of Contract Lifecycle Management Software

Olga V. Mack, Parley Pro

Bloomberg Law

Benefits of Contract Lifecycle Management Software

Contributed by Olga V. Mack, Parley Pro

Contract Lifecycle Management software (CLM) assists organizations in creating, negotiating, and managing legal contracts. This article highlights the benefits of adopting CLM, and the business risks that CLM addresses.

Enhance Efficiencies During Contract Negotiations

CLM helps simplify and automate contract negotiation processes. The expected results are measurably increased efficiencies, including improved speed, accuracy, and cost-effectiveness from contract initiation to completion.

Self-Service Contract Creation. CLM gives employees the tools to create NDAs and other agreements faster and easier on their own. CLM features ensure self-service contracts include pre-approved clauses and terms that contain the highest-performing language.

Fast Centralized Access. Manually routing contracts for review and signature often causes significant delays, sometimes to the point where deals expire and opportunities are lost. With CLM, all required information is stored in a central digital repository, eliminating tedious manual contract assembly tasks as well as the need to outsource document storage or occupy valuable office space. Parties review, negotiate, and sign contracts faster and easier online, even from remote locations.

Assisted Review. CLM helps to quickly flag inconsistent or contradictory language, identify suboptimal clauses, extract salient data points, and identify important issues early in review. The correct legal team member is assigned for review from the start. Negotiators can avoid endless email chains and long calls in favor of online collaboration on an interactive CLM platform.

Speed Review Times. Easy search tools help negotiators locate specific language and identify risks, opportunities, and obligations quickly. Customizable automated review and approval processes also speed negotiations, with CLM alerting individual stakeholders of the need for their input.

Real-Time Collaboration. Communication occurs in real-time via a live discussion board. Negotiators resolve all redlines in one central location and work with a single, easy-to-read version of the contract that always reflects the latest edits. This eliminates version control and duplication issues.

Sophisticated Accountability. CLM logs all stakeholders' comments and edits to serve as a single source for answers during negotiations and in the future. Dashboards give contract owners instant status updates on where negotiations stand. Automated alerts keep negotiations moving forward. Each stakeholder has a personalized dashboard that tells them the tasks required to be completed.

Vastly Reduce Human Error. Technology does not make the mistakes that humans make (such as saving over a document or signing incorrectly), nor is it susceptible to the stress, boredom, and fatigue that result in more errors. CLM helps reclaim the time and effort spent finding errors and fixing issues that arise from errors.

Enhance Efficiencies Throughout CLM

Automation also reduces the manual work required to manage contracts throughout their lifecycle, which frees valuable time and resources to be allocated elsewhere.

Instant Answers. With all contracts easily searchable in one location, answering specific queries is faster and easier for everyone. Dashboards also summarize the vital pieces of information stakeholders need at a particular point in time.

Tracking Compliance With Terms and Conditions. Manually tracking contract events puts a company at risk for a wide range of non-compliance issues. CLM tracks dates and activities to ensure parties comply with stated terms and conditions, milestones, and other parameters. This ensures companies take advantage of available rebates, discounts, or special pricing terms.

Automated Alerts. CLM provides reminders of upcoming events to make sure appropriate actions are taken ahead of time, and it establishes notifications based on specified rules. These reminders help organizations avoid allowing contracts to auto-renew or expire without evaluating the associated costs and potential risks for the business.

Develop Data-Driven Contract Strategies With Analytics

CLM tracks and reports on a range of quantitative and qualitative metrics. For example, the software can assess touch times to identify bottlenecks or redundancies in the review process. It can track and report on milestones, timelines, obligations and terms, contract types, amendments, commitments, expiration dates, compliance deadlines, and other data points.

Template and Clause Libraries. Use CLM to build contract template and clause libraries for others to use. Identify which contract clauses and language terms have resulted in the most favorable outcomes in the past. Then create contract and clause templates that incorporate the language, clauses, and provisions from those best-performing contracts. Make the resulting data-driven templates available to the appropriate personnel through the CMS platform.

Develop a Company Playbook. Use the insights gained to develop a playbook that explains why terms and clauses exist in templates. Outline conditions that are unacceptable. Include explanations and standard fallback positions in templates to improve everyone's understanding of the overall goals.

Simplified Template Revisions. With CLM, an organization can update templates any time business practices evolve for consistently optimized contracts. A template can be revised in just one place and CLM can automatically populate the change throughout the entire body of templates wherever applicable.

Regulatory Compliance Tools

Failing to comply with laws or regulations, or assess vendors' level of compliance puts an organization at risk. CMS offers gives control and insight so that an organization can supervise the simplification of data privacy and regulatory compliance. An organization can easily identify specific types of contracts, such as those with diverse suppliers. The company can then define, enforce, and audit compliance with its official contracting processes.

Remote Legal Guidance. Every time an automated process is triggered, or someone uses a template or refers to the company playbook, they are using language and following processes that were established by the legal team. CLM allows for internal collaboration on autopilot, which is especially advantageous in the remote work environment.

Significantly Enhanced Visibility. CLM enhances the visibility of a contract and vendor portfolio in one place. This makes it easier to apply consistent risk strategies across a portfolio. CLM can provide automatic alerts about clauses that trigger data privacy issues, so an organization immediately knows which contracts are at risk. Use CLM to mitigate risk by:

- Automating contract processes to ensure best practices are followed

- Creating templates and automating contract creation processes that ensure only approved and updated language is included in new contracts

- Setting compliance markers and automating periodic checks

- Quickly identifying and dealing with policy or regulation violations

Defensible Audit Trails. CLM allows users to view a contract's history from initiation and negotiation and throughout its lifecycle. They can assess what changes were made, by whom, and when. It shows who formally reviewed, approved, and signed the agreement and when. Good CLM ensures an organization always has a complete record of the entire negotiation process and contract lifecycle to refer to whenever it's needed.

Enhanced Security

Lawyers and staff work remotely and collaborate online more than ever—which adds to the potential for data leaks and security breaches. An organization must be able to control the accessibility of its contracts. Emailing drafts of contracts for review can present significant security risks, and data breaches can result in hefty punitive fines.

Advanced Security. With CLM, documents are encrypted in cloud-based storage with up-to-the-minute leading-edge security measures to protect sensitive information. Any data put on CLM is automatically backed up, so users can always retrieve lost or deleted files.

Permission Settings. Improperly configured permissions can expose confidential data or serve as an entry point for hackers. With CLM, role-based and feature-based permission settings allow organizations to customize the access level granted to each stakeholder. CLM grants limited access to each person based on their needs and performs periodic audits of permission settings.

CLM for Swift, Effective Client Service

Pen, paper, and email contracting is a thing of the past. Professionals expect modern businesses to use state-of-the-art CLM. Perhaps the most important benefit is that CLM empowers legal departments to deliver swift, cost-effective services and fast action in response to client needs. CLM provides greater control and visibility into each contract and every process to support both small businesses and large corporations.