

Evolving Contract Lifecycle Management: Moving Beyond Static Documents

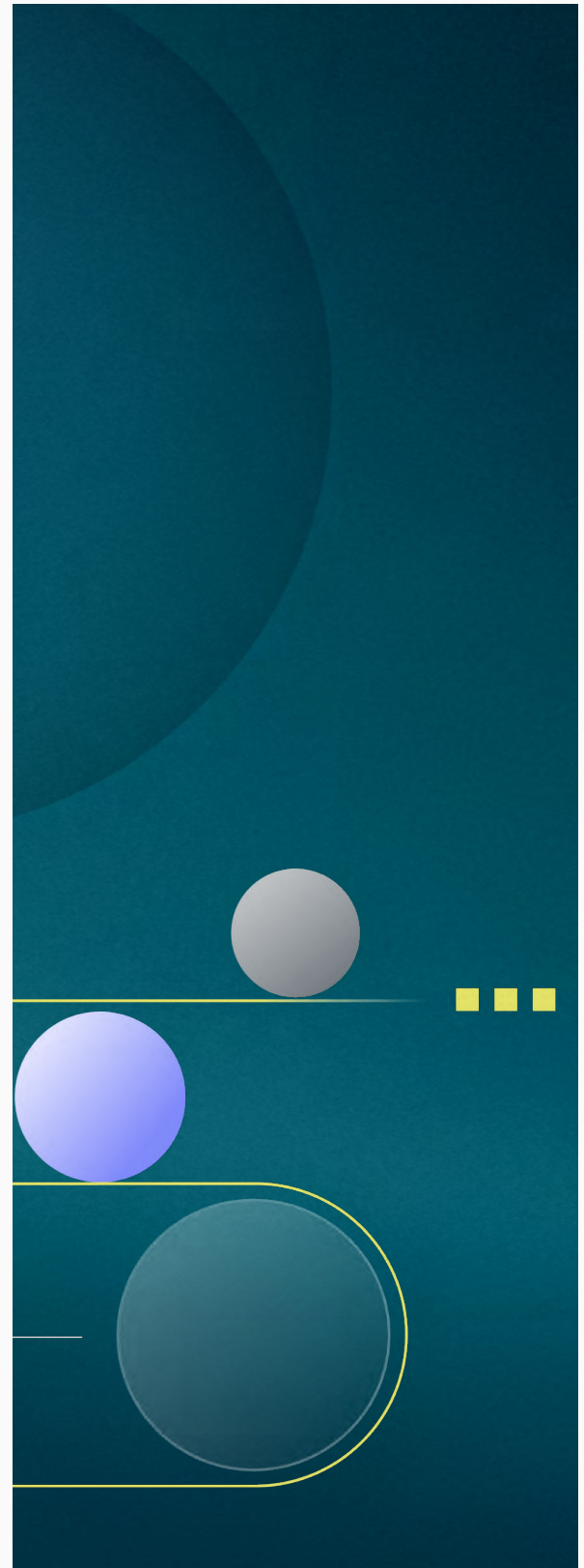


Contracts are the central nervous system of any business relationship. They define in detail each party's roles and responsibilities, with the idea that everyone wins in the ways that are important to them. And because contracts have legal, financial, and other business-critical implications, they often have a far-reaching, ongoing impact throughout an organization.

A contract's lifecycle has many phases, each one important for different reasons and to different stakeholders. Contracts, by definition, also involve external parties. Each side may have completely different processes for each contract phase.

These processes can even differ among functions within one organization. Somehow, they all need to align to result in an agreement that everyone can accurately follow.

The solution to this is contract lifecycle management (CLM), which involves many different approaches. In this report, we'll discuss what CLM entails, what elements are critical at each phase of the contract lifecycle, and why every business needs a robust, proactive CLM system to ensure the best possible business outcomes.





What is Contract Lifecycle Management?

Contract lifecycle management is the process by which companies manage **every phase** of contract creation and execution, with the goal of mitigating risk and achieving business value.

In a perfect world, contract management ensures that every stakeholder can easily access the knowledge and communications needed to develop and uphold the contract in service of each party's best interest. And if anything doesn't go quite right, companies can use that information to create new, better contracts in the future.

Spoiler: This is rarely how it works out, at least not yet.

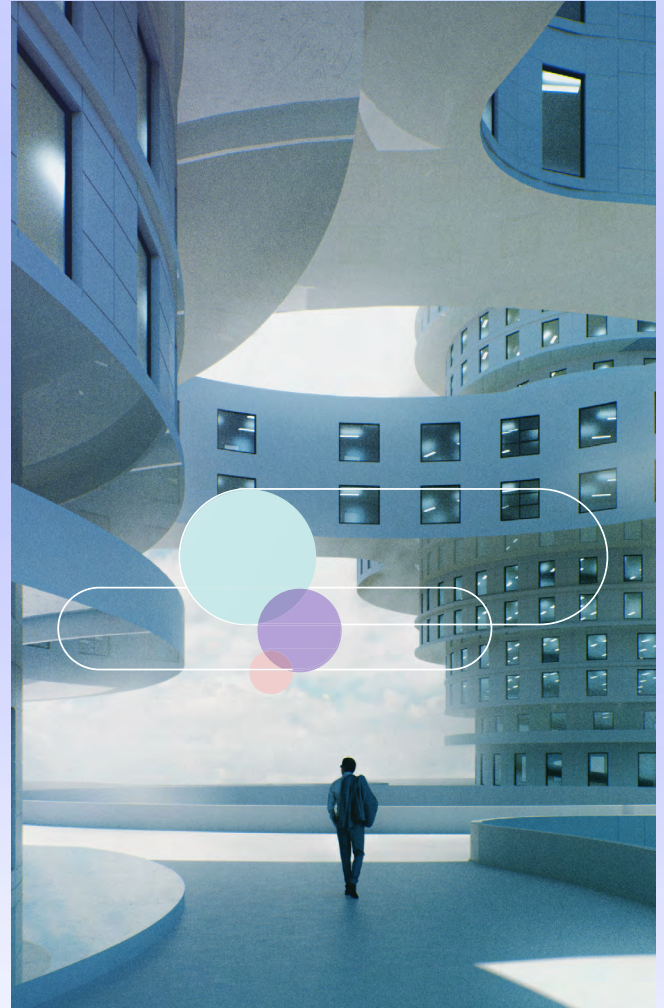
Viewing the Contract Lifecycle Beyond Static Documents

Contracts should never be a one-and-done deal. They live on in the enterprise as valuable assets that require an ongoing cycle of monitoring. From the initial draft to fulfillment and then ultimately renegotiating (in some cases termination), every contract has its own cycle and phases that produce data to then guide bigger-picture strategy and help businesses extract the most value from these reciprocal relationships.

How CLM Systems are Evolving

Contracts in some form have existed nearly as long as commercial transactions have, so traditional contract management is manual and paper-based, leaving companies open to all kinds of risk and inefficiency. Poor [contract management continues to cost companies 9% of their bottom line](#).

Thankfully, there are a growing number of sophisticated digital tools and CLM software that significantly improve the process. These CLM systems help companies get ahead of problems or misunderstandings by standardizing language, workflows, discrepancy checks, and many other pieces of the contract puzzle.



Key Objectives of Contract Lifecycle Management

An effective contract management process has six primary goals:

1. To standardize the contracting process
2. To ensure compliance and reduce risk
3. To maximize contract value
4. To streamline negotiating processes
5. To reduce time and costs
6. To improve commercial relationships

But these objectives aren't all reached simply by implementing a CLM system and letting it run its course. As we mentioned, there are many phases to the contract lifecycle. Each phase has its own pain points and technical solutions.

To get the most out of your contracts, it's important to understand each phase of the contract lifecycle, pitfalls, and solutions.

Let's take a look.



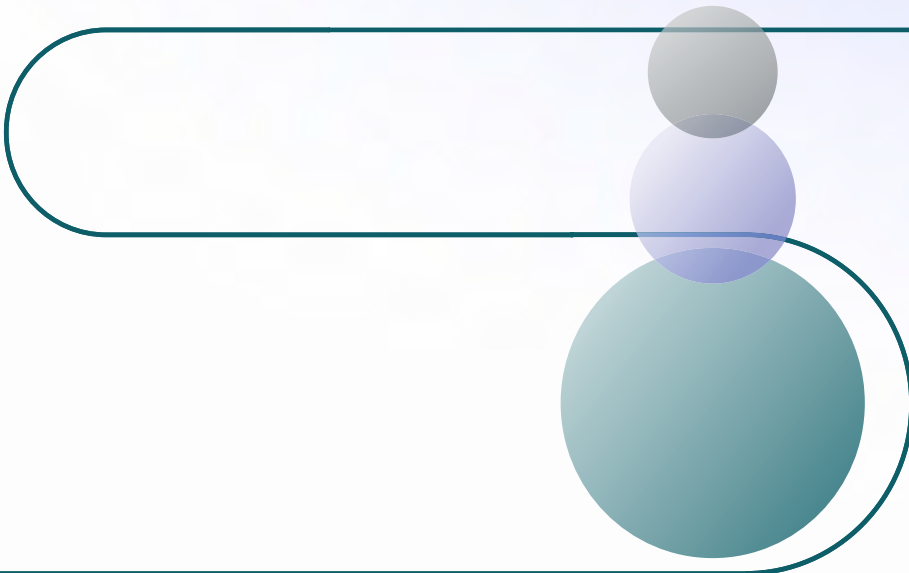
Elements of the Contract Lifecycle

Phase 1: Pre-Negotiation

The pre-negotiation phase is deal-agnostic — meaning that you're preparing to execute workflows and negotiate well in ways that should apply to any contract, regardless of its purpose. This is often a priority phase for legal teams, who are responsible for creating the first version of the contract and managing its revisions.

Components:

- **Contract request and contract creation:** The relevant department requests a new contract in response to recently identified business goals and objectives.
- **Contract drafting:** The legal team drafts the contract using the appropriate templates and standard clauses.



Challenges and Risks

These steps seem straightforward, but without effective contract management, they involve all kinds of challenges:

- **Unorganized, unsearchable document storage**

Contracts are located all over the place – in hard drives, filing cabinets, cloud storage, and email inboxes – making them often impossible to find and reference.

- **Unchecked language inconsistency**

Your contracts have too many versions of the same clause across the organization's portfolio, making it difficult to identify and use optimal language when preparing or redlining a new contract.

- **Unclear roles and responsibilities**

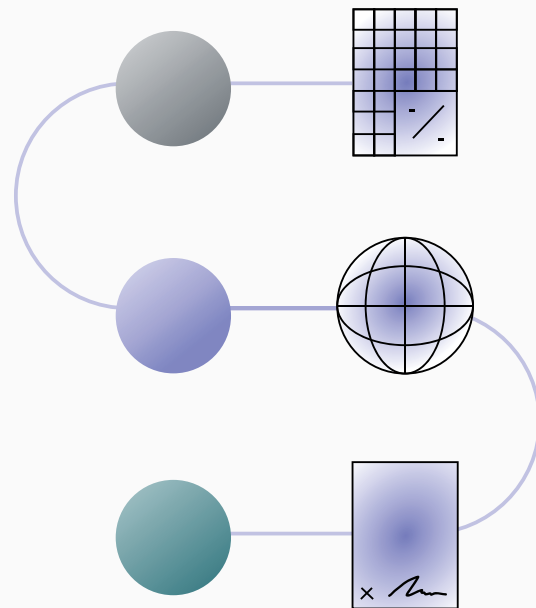
Co-workers and teams aren't on the same page about who is responsible for what internally – who on which team needs to do what and when, e.g., who needs to review the contract and who has authority to approve it.

- **Uninformed negotiations**

You don't know whether you're negotiating the best terms because your team has no insight into precedents, benchmarks, guardrails, or data to back your decisions.

- **Unnecessary effort duplication**

Without cross-contract insights, you may be wasting time negotiating or renegotiating terms that the business already negotiated with the counterparty for another contract, possibly for a different business unit or office.

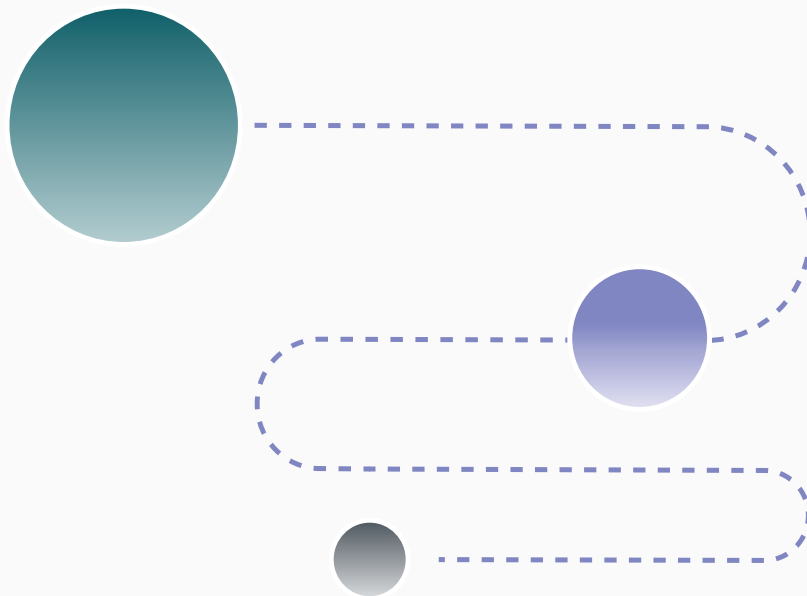


Phase 2: Negotiation

The negotiation phase of the contract lifecycle is when processes and documents are most likely to get messy. Sales wants to close the deal. Finance and procurement want to optimize terms. Legal wants to mitigate risk and reconcile redlines. And all of that is happening on the counterparty's teams, on their own contract templates.

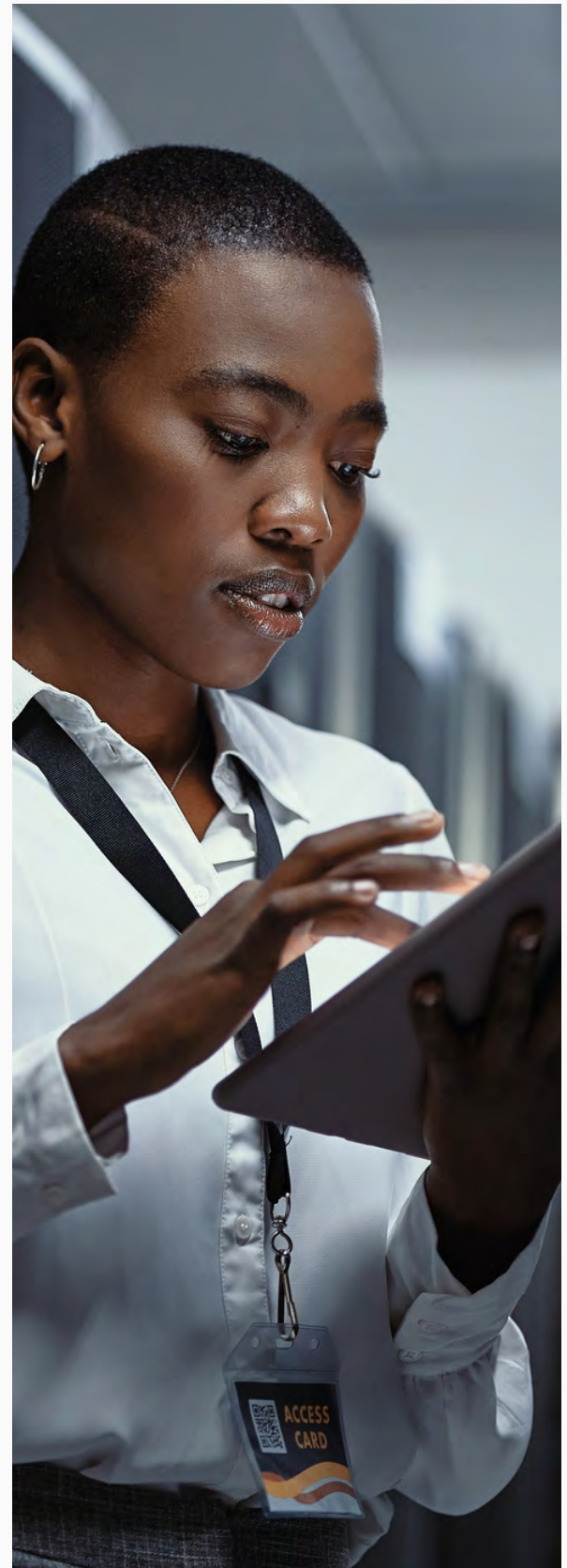
Components:

- **Negotiation, contract review, and approval**
The counterparty receives the contract and reviews the terms with their legal department. After extensive redlining and review, both parties negotiate contract terms until both agree.
- **Finalize, sign, and execute the contract**
Legal drafts a final copy of the agreement, and both parties sign it electronically.



Challenges and Risks

- **Security**
Sharing drafts via email is insecure, and you can't track who has a copy.
- **Inconsistency**
You don't know where to find the information you need in vendor contracts because they all use different templates.
- **Version control (external)**
Some counterparties make redlines against their own prior versions, making review difficult and increasing the chance you miss something.
- **Disjointed workflow**
Manual, poorly documented workflow management lacks visibility into where a contract stands and who needs to take the next action.
- **Bandwidth limits**
The contracting process isn't scalable; you can't meet business demands and deadlines without hiring more people.
- **Unmanageable data**
Manually entering and tracking customer relationship management (CRM) data slows down sell-side deals.





Phase 3: Post-Negotiation

If life were a movie, the post-negotiation phase (also known as post-signature) would be the satisfying conclusion. The deal is locked. The heroes are happy. This is the beginning of a beautiful friendship.

But in the real world of business, the post-signature phase is where the story on paper comes to life. Each party is now accountable for their end of the bargain, and whatever was signed, even if it had unnoticed errors, is binding.

This phase is also an important precursor to inform future contracts (that's why it's a contract lifecycle that you need to manage, not just the life of the contract). Procurement teams are particularly engaged in this phase as it involves vendor management and improvement of future contracts.

Components:

- **Storage:** The contract is safely stored for easy future access. This also helps maintain audit trails for swift audit responses.
- **Manage obligations and ensure compliance:** This involves monitoring performance and compliance against the deliverables and terms captured in the contract.
- **Close/Renew:** Proactively monitoring and responding to contract renewals or expiration events to avoid unintended auto-renewals of underperforming contracts or sudden contract expirations that cause business disruption.

Challenges and Risks

- **Unknown obligations**
You don't know what's in all of your active contracts – what did you agree to do, and what are your rights?.
- **Mismanaged timelines**
You keep missing deadlines – to give notice, for auto-renewal, or for cancellation – leading to lost revenue.
- **Unclear value**
It's difficult to validate invoices (i.e., if what your vendor bills you reflects what they delivered).
- **Insufficient visibility**
You don't have a shared view with your customers/suppliers on performance and contract data, leading to discrepancies and disputes.
- **Incompetent reporting**
You have to manually aggregate data across contracts to fulfill statutory reporting requirements – a protracted process with a sizable margin for human error, leading to fines or loss of reputation.
- **Uncorrelated outcomes**
You can't connect supplier performance outcomes (buy-side) with customer experience (sell-side).

Exploring CLM Solutions

Effective contract management in every phase can set you up for success not only with the contract in process but for all the contracts in your portfolio. Here are the primary functions of each phase and the important CLM features needed to carry them out:

Phase	Function	CLM Feature
Pre-Negotiation	Contract digitization No matter how organized your cabinets are, keeping contracts as hard copies alone dooms your organization to information loss and unsustainable manual labor. Successful CLM relies on centrally housed artifacts that are a single source of truth for all contract activity.	A highly configurable contract repository This repository should go far beyond searchable cloud storage to include other features such as access controls, auditing, integration with other business systems, and AI-powered extraction.
Pre-Negotiation	Contract creation Standardization of contract elements and clauses falls apart when contract templates originate from all over the organization. Good CLM centralizes contract creation so that teams always generate drafts with standardized elements.	Purpose-built contract authoring software For the tightest standardization and version control, you need the ability to centrally create and organize templates for a range of contract documents, vet and approve preferred clauses, and collaborate with others in a version-managed environment.
Negotiation	Collaboration, approval flow, and signatures An essential piece of effective CLM is a central place for transparent internal and external collaboration so that there's a single, trackable official working document with managed revisions.	Automated workflows and integrations Significantly reduce time-to-contract with configurable workflows. With these features, you can pre-define triggers for actions, automate approvals, and easily collaborate and communicate within the document.

Negotiation**Legal review and redlining**

Intelligent, modern CLM technology will cut down on manual review and help manage review steps for faster analysis and version control.

AI-powered contract scanning

Supercharge your contract review and identify insertions, deletions, and modifications by comparing contract versions at the clause level and reconciling deviations.

Post-Negotiation**Obligation management**

Contractual obligations can involve significant attention from a wide range of organizational functions. It's critical to have a control center from which you can manage and monitor contracts.

Automated schedules, financial tracking, and aggregated visualization

Configure your CLM system to build obligation schedules that notify the right people at the right time, as well as track and account for the financial impact of obligations.

Post-Negotiation**Vendor management**

Just as you need to monitor your own contractual obligations, you need to stay on top of how your suppliers are delivering on your spend.

Automated performance monitoring

With your contracts digitized in a modern CLM system, you can automatically manage numerous elements of your relationships with vendors. Use these insights when renegotiating a renewal or assessing alternatives.

Post-Negotiation**Intelligence and reporting**

Tech-enabled CLM makes it possible to dig deep into your contract data to track insights to progressively improve deal outcomes.

Highly customizable dashboards

With this feature you should be able to analyze data by lifecycle stage, functional role, contract types, events, and any other dimension you need to make the best business decisions.

Approaches to CLM Technology

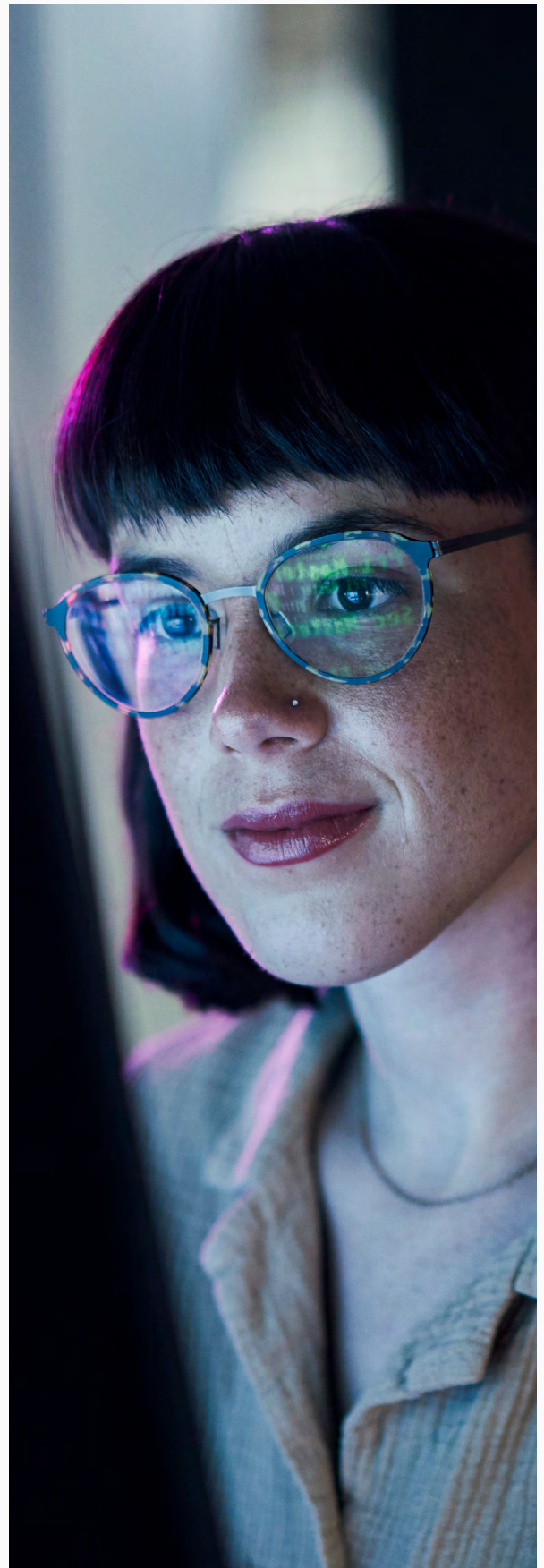
The complexity of the contract lifecycle lends itself to a wide variety of approaches to developing CLM tools. Some companies choose to focus on a particular phase of the lifecycle, provide stronger support for buy-side or sell-side, or prioritize the needs of a specific group of contract types, customers, or users.

According to Gartner, the must-have capabilities for the CLM market enable the user to:

- Create a contract
- Manage the negotiation and approval workflow
- Store contracts
- Update or renew a contract

The best places to learn more about the capabilities of different CLM vendors and how they stack up are Gartner's annual reports:

- [Gartner® Magic Quadrant™ for Contract Life Cycle Management](#) – This report gives a comprehensive overview of the top CLM vendors on the market, complete with visuals and extensively researched insights.
- [Gartner® Critical Capabilities™ for Contract Life Cycle Management](#) – The report delves even deeper into the CLM market, enhancing the insights from the Magic Quadrant analysis.





The Future of AI in CLM

Smart CLM technology uses AI and ML to transform how teams draft, sign, and manage contracts. AI creates big opportunities to negotiate better, standardize important contractual language, minimize risk, and seamlessly collaborate.

According to Forrester Senior Analyst [Alla Valente](#), “The digitalization of legal operations creates vast amounts of data that automation alone can’t handle efficiently. For CLM, AI and ML are no longer ‘nice to have’ capabilities to help solve challenges such as contract document e-discovery, deduplication, clause extraction, and smart recommendations based on contract type.”

Additionally, as noted in the 2023 Magic Quadrant for Contract Life Cycle Management report, “Gartner has observed a spike in demand around AI in contract solutions. Customers are more open to and exploring investment in AI use cases than any preceding year. Vendors have consistently delivered new product capabilities, and market leaders and visionaries are highly prioritizing AI in their portfolios.”

Learn more about [how AI is transforming CLM here](#).

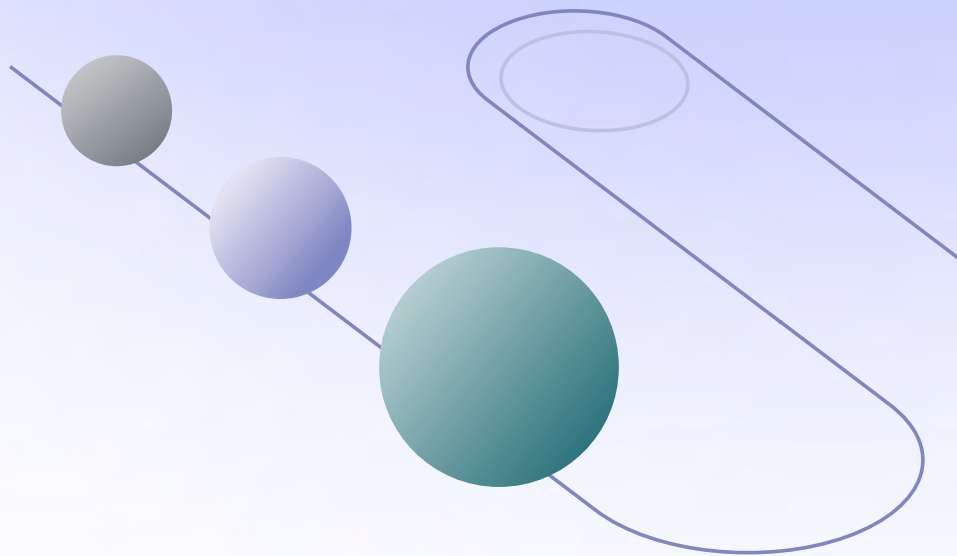
How Sirion's AI Approach Enables Smarter Contract Management Across the Enterprise

A contract is much more than a static document representing a one-time agreement. How a business deploys a system for contract management directly affects its ability to drive outcomes and achieve goals.

When AI sits behind these systems, it empowers enterprises with rich data and actionable insights while saving time and safeguarding business interests.

Sirion revolutionizes how enterprise teams operate by enabling legal, procurement, and other business-critical departments to effortlessly optimize the value of all their business relationships. Our cutting-edge, full-lifecycle contract management solution helps teams maximize realized value and minimize risk — supporting businesses to thrive in a rapidly changing world.

[Get in touch to learn more.](#)



sirion.ai

US Headquarters
1633 W Innovation Way,
Suite 04-145
Lehi UT 84043

in  

Other offices in London, UK, Berlin, Germany,
Paris, France, Sydney, Australia, Gurugram, India,
and Singapore

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