



**ContractPodAi**

## Building a Business Case for Contract Lifecycle Management



**Your company uses contracts. A lot of contracts. Yet 25-40% of a lawyer's time is spent on tasks that don't require a lawyer. The result? \$2.7 million in lost productivity.<sup>1</sup>**

So it's time to invest in a trusted system to help your contract management process. But how do you convince others, meaning the right stakeholders in your organization, that investing in technology will not only improve the legal departments' responsibilities, but have a positive impact on the entire organization?

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**You need a compelling, insightful business case.**

Building a business case doesn't happen overnight. It requires thought, research, and a thorough understanding of where your company's current system stands AND where it can go. This guide will take you through key steps to obtain buy-in and get the green light to start an improved, streamlined, and smarter Contract Lifecycle Management (CLM) journey.



## HOW TO BUILD YOUR CLM BUSINESS CASE

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Educate Your Stakeholders

04

Provide ROI

02

Understand Your Current Contract System and Processes

05

Share Business Benefits

03

Know Your Audience

06

Create Urgency

YOU know what CLM is. And how important it is. But not everyone in your organization does. It's time to go back to the basics and provide an understanding of this infamous acronym and how it is impacting business around the globe. And be clear that CLM isn't just a bunch of trendy buzzwords. In fact, Industry Research reports that the global Contract Lifecycle Management System market size is projected to reach US\$3.3 billion million by 2027.<sup>2</sup>

In any mid- or large-sized company, there is tremendous pressure on the legal department to stay on top of the organization's contracts. Consider all of the legal and financial risks and obligations that may exist in just one agreement — or tens of thousands of agreements. Because contracts are so fundamental to driving revenue, the process of managing them is crucial to operations. Generally speaking, CLM organizes the meticulous and complex contractual negotiation process between buyers and suppliers, including creation, negotiation, and execution to performance, analysis, and renewal or expiration.

CLM not only helps ensure that agreements are signed in a timely manner, but also makes certain that obligations are met and contractual opportunities are not missed. More specifically, contract lifecycle management helps legal and other teams draft agreements efficiently, locate them quickly, and assess their risks and obligations accurately. However, the most effective CLM also involves gathering contractual data needed to advise on the overall health of the business. Without it, organizations could miss expirations or key milestones, and even worse, not realize the full value of every agreement.

'The global Contract Lifecycle Management System market size is projected to reach **US \$3.3 billion million** by 2027.'

### Enterprise Impact of CLM

- ✓ Manages financial risks and obligations
- ✓ Fundamental to driving revenue
- ✓ Negotiation Efficiencies
- ✓ Ensure contractual obligations and opportunities are not missed



## UNDERSTAND YOUR CURRENT CONTRACT SYSTEM AND PROCESSES

It's not enough to have a contracting system in place. It's imperative that you know how it works and where the gaps are. In a recent Deloitte survey, more than three-quarters of survey participants said legal staff are spending a lot of time on manual tasks and working outside of available technology tools (76%). Only 30% believed that team members are effectively leveraging technology.<sup>3</sup> Identifying those gaps is critical before you can find a smart solution. Gather data regarding your company's current contracting.

Here are a few questions to consider:

- Where do you store your contracts? Shared drive? Filing cabinet? Individual computers?
- How do you locate legacy contracts or key regulations within those contracts?
- Who has access to your contracts? Are there security measures in place?
- How are your contracts created? Is any automation involved?
- Who has permission to sign contracts?
- How are contracts signed? Manually or digitally?
- How are contract updates tracked?
- How are expirations/renewals tracked?
- How do you adhere to current compliance regulations and ensure they stay up-to-date?
- How do you collaborate with other departments or suppliers involved with your contracts?

Answering these questions can help identify the gaps and potential problems within your processes and technology, or lack thereof. What is the biggest issue you are facing - compliance? Security? Contract lifecycle delays? Presenting a clear picture of your situation creates a baseline from where you start to build a solution.

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What is the **biggest issue** you are facing in your current contract management process?



## 03 KNOW YOUR AUDIENCE

While contracting, either directly or indirectly, affects everyone in the organization, not everyone suffers the same pain points when it comes to CLM. And some might not even know there are any pain points. Building a business case allows you to be aware of the financial operations of each business at a granular level, address each stakeholder individually, and share the positive impacts they will receive with a CLM investment. Gathering buy-in from every department will help your cause move faster and create more positive change management.

For example, a CEO isn't looking at how a contract is created or how quickly a contract is signed. A CEO is looking at the entire organization and the bigger picture. Yet a general counsel is focused on how CLM could impact their everyday responsibilities. Something as simple as locating a contract can waste valuable time. 40% of executives rank cybersecurity as one of their organization's top risks,<sup>4</sup> so addressing this with your CIO would be helpful. Here are some considerations when segmenting your company by department:

**'Overall, CFOs are beginning to embrace contract lifecycle management (CLM) technologies as a path to greater visibility—reducing risk and improving working capital position.'**

—PwC

Role	CLM benefit	
CEO	<ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Improve risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Digitize the business</li> <li>• Enable growth</li> </ul>
CFO	<ul style="list-style-type: none"> <li>• Improve bottom line</li> <li>• Decrease missed renewals</li> </ul>	<ul style="list-style-type: none"> <li>• Enable workload growth without equivalent legal headcount growth</li> </ul>
CIO	<ul style="list-style-type: none"> <li>• Retire obsolete, legacy systems</li> <li>• Seamless integration</li> </ul>	<ul style="list-style-type: none"> <li>• Rely on full contract audit trail</li> <li>• Improve data security</li> </ul>
COO	<ul style="list-style-type: none"> <li>• More satisfied employees</li> <li>• Less turnover</li> </ul>	<ul style="list-style-type: none"> <li>• Better utilization of staff</li> <li>• Enhanced collaboration between teams</li> </ul>
General Counsel	<ul style="list-style-type: none"> <li>• Less administrative tasks</li> <li>• More focus on strategic initiatives</li> <li>• Prove profitable cost center</li> </ul>	<ul style="list-style-type: none"> <li>• Become more valuable business partner</li> <li>• Improved visibility to identify noncompliant agreements</li> </ul>
VP of Sales	<ul style="list-style-type: none"> <li>• Streamlined, faster contract cycles</li> <li>• Improved collaboration with legal</li> </ul>	<ul style="list-style-type: none"> <li>• Better customer/supplier relationships</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• Rely on accurate contractual data</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerate third party contracts</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>• Streamline offer letters</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage one repository for all engagement letters</li> </ul>

## 04 PROVIDE ROI

This is a big one. This is what everyone wants to know - what is the return on investment? How will adding CLM technology impact our bottom line and when will we see a positive return? There are two ways to demonstrate the value of a CLM platform for your company:

### 1) Demonstrate your pain points and utilize credible Industry sources

#### A) Common pain points:

The most common reason for purchasing a CLM solution is often cited as “operational efficiency.” Highlighting this as a top reason to buy the solution is a great starting point. However, it does help to clarify what exactly is being hindered by how you currently create, review and manage your contracts. Every industry and even company is different however there are commonalities. For example:

- Industries that manufacture products tend to experience delays with their supplier contract review process and struggle to ensure suppliers are meeting their SLA and the timelines agreed in them
- Services industries have trouble generating their client contracts and ensuring that all aspects of their contracts are delivered to the agreed standard
- Companies with a high volume of sales contracts, like in the software industry, struggle to complete the approval process due to the increased complexity of their agreements and workload.

#### B) Statistics

Senior stakeholders likely already understand (and have experienced) your pain points. After all, contracts hold the truth behind the profitability of a company. Engage your stakeholders on a pain point important to them, explain how CLM can solve it, and validate the issue by using third-party statistics such as the below:

9.2%

Companies lose 9.2% of their bottom line through ineffective contract management.<sup>5</sup>

20,000  
to  
40,000

The average Fortune 2000 company holds approximately 20,000-40,000 active contracts. But according to one study, 71% of companies are unable to find at least 10% of their contracts.<sup>7</sup> The upshot of this can be severe, almost inevitably resulting in lawsuits.

64%

Contract disputes represent 64% of cases in (US) state courts.<sup>8</sup>

50%

Automating contract management can help accelerate negotiation cycles by 50% and reduce erroneous payments by 75 to 90%.<sup>6</sup>

57%

57% of senior executives rank risk and compliance as one of the top two risk categories they feel least prepared to address.<sup>9</sup>

## 2) Dig even deeper.

While the above method is often enough to obtain budget approval, sometimes you need to provide a more in-depth analysis. If this is the case, categorize your ROI by team and the main problems the CLM solves. How do the pain points impact the operation? For each section, ask the question, will a solution:

- Save time
- Decrease risk
- Cut a specific cost

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The below data points are a good place to start to identify potential savings and/or financial loss:

- Number of contracts per month
- Number of legal team members
- Other teams that will use the platform and their numbers
- Salary of paid employees by hour
- Hours spent on manual contracts
- Number of contracts that require approval
- Current contract turnaround time
- Signing rate
- Average value per contract
- Loss of revenue due to missed renewal
- Savings from retired software

## SIMPLE ROI CALCULATOR EXAMPLE

### RESULTS

The ROI for your CLM investment is

**9-10x**

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**TRY** the interactive ROI Calculator to get a quick, simple ROI for your CLM Investment

Size of full legal team

16

People

New contracts created per year (approximation)

200

Contracts

Average contract term in years (approximation)

3

Years

Percentage of standard contracts such as NDAs or MSAs (vs. high complexity or highly tailored contracts)

80%

## 05 SHARE BUSINESS BENEFITS

CLM's benefits can positively impact workers across the enterprise. And an investment that helps the entire business will likely be far more compelling than an investment for an individual team or department. In fact, PwC found that organizations that have CLM embedded into their company practices are seeing increased working capital, cost savings, better margins and timeliness of information. Consider outlining these business benefits based on your challenges and how they can be remedied by specific CLM tools and capabilities:

Challenge	CLM Functionality	Business Benefit
<b>Disparate, disorganized contracts</b>	Centralized contract repository	<ul style="list-style-type: none"> <li>• Accessible 24/7 for remote or traveling employees</li> <li>• One source of truth for all legal documents</li> <li>• Proven security</li> </ul>
<b>Wasted time searching for contracts</b>	AI-driven search	<ul style="list-style-type: none"> <li>• Improved staff productivity</li> <li>• Faster contracting</li> </ul>
<b>Slow contract closing</b>	eSignature	<ul style="list-style-type: none"> <li>• Faster closing = meeting/exceeding revenue goals</li> <li>• Accessible 24/7 for remote or traveling employees</li> <li>• Faster approval</li> </ul>
<b>Missed renewals</b>	Renewal tracking	<ul style="list-style-type: none"> <li>• Additional revenue</li> <li>• Better negotiation opportunities</li> <li>• Enhanced relationships</li> <li>• Higher renewal rates</li> </ul>
<b>Excessive hours recreating similar contracts (such as NDAs)</b>	Automated contract creation	<ul style="list-style-type: none"> <li>• Faster, more accurate contracts</li> <li>• More time for complex contracts</li> <li>• Decreased administrative costs</li> <li>• More balanced workload</li> <li>• Avoid outdated templates</li> </ul>
<b>Communication bottlenecks and delays</b>	Seamless collaboration tool (internal and external)	<ul style="list-style-type: none"> <li>• Faster, secure communication</li> <li>• Enhanced relationships</li> <li>• Faster response times</li> </ul>
<b>Inefficient and inconsistent workflows</b>	Intuitive, automated workflows	<ul style="list-style-type: none"> <li>• Consistency across teams</li> <li>• Faster contract lifecycles</li> <li>• Accelerated negotiation cycles</li> <li>• Clear audit trail</li> <li>• Accurate version control</li> </ul>
<b>Contract lifecycle delays</b>	Real-time tracking	<ul style="list-style-type: none"> <li>• Everyone on same page</li> <li>• 24/7 knowledge of contract status</li> </ul>
<b>Lack of productivity knowledge</b>	Analytical reports	<ul style="list-style-type: none"> <li>• Identify productivity gaps</li> <li>• Better understanding of contractual data</li> <li>• Share with C-level</li> </ul>
<b>Non-digitized contracts</b>	Third-party contract upload	<ul style="list-style-type: none"> <li>• Ensure supplier security</li> <li>• One sources for all legal documents</li> <li>• Shareable across the organization</li> <li>• Increased compliance</li> </ul>
<b>Security breaches and confidentiality problems</b>	Permissions-based repository access	<ul style="list-style-type: none"> <li>• Ensures confidentiality</li> <li>• Know who accesses documents</li> <li>• Mitigates risk</li> </ul>

You've presented the challenges, business benefits, and return on investment. Now it's time to make change happen. Adopting new technology can often take, what seems like, forever. Stakeholders will present questions and potential roadblocks that you'll need to address in order to move forward with your CLM plan. Create a sense of urgency by highlighting how much money your business is losing every week due to slowed productivity, unclosed deals, and missed renewals. Share internal frustrations with current systems and processes. Recall any negative, recent incidents (financial, security, reputation, relationship, key turnover, etc.) that would have been prevented if a CLM was in place. Encourage the scale of opportunity by adoption a CLM.

In addition, being proactive with solution suggestions is imperative. Research best-in-class systems and offer comparisons based on your organization's needs and goals. Be ready to answer these common questions:

- How difficult will this be to integrate with our current systems?
- What is our change management plan?
- How will this impact current jobs? Future jobs?
- How easy is user training?
- What are the system costs?

<sup>1</sup> Gartner

<sup>2</sup> IMARC Group

<sup>3</sup> Deloitte, "State of Legal Operations"

<sup>4</sup> PwC Pulse Survey

<sup>5</sup> World Commerce & Contracting

<sup>6</sup> World Commerce & Contracting

<sup>7</sup> Aberdeen Group

<sup>8</sup> State Justice Institute,

"The Landscape of Civil Litigation in State Courts"

<sup>9</sup> Ernst & Young, "Global Financial Services Third-Party Risk Management Survey"

<sup>10</sup> Deloitte, "State of Legal Operations"



## READY, SET, GO

76% of participants in a survey by Deloitte identified a current need to implement new technology.<sup>10</sup> Now is the time for you to do the same and invest in a smart CLM. Whether you are starting at the beginning, middle or later in your CLM journey, ContractPodAI has the experts and technology to help.

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Learn how our contract management software works with you AND for you—visit [ContractPodAI](#) to demo our solution today.

**ContractPodAi**

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