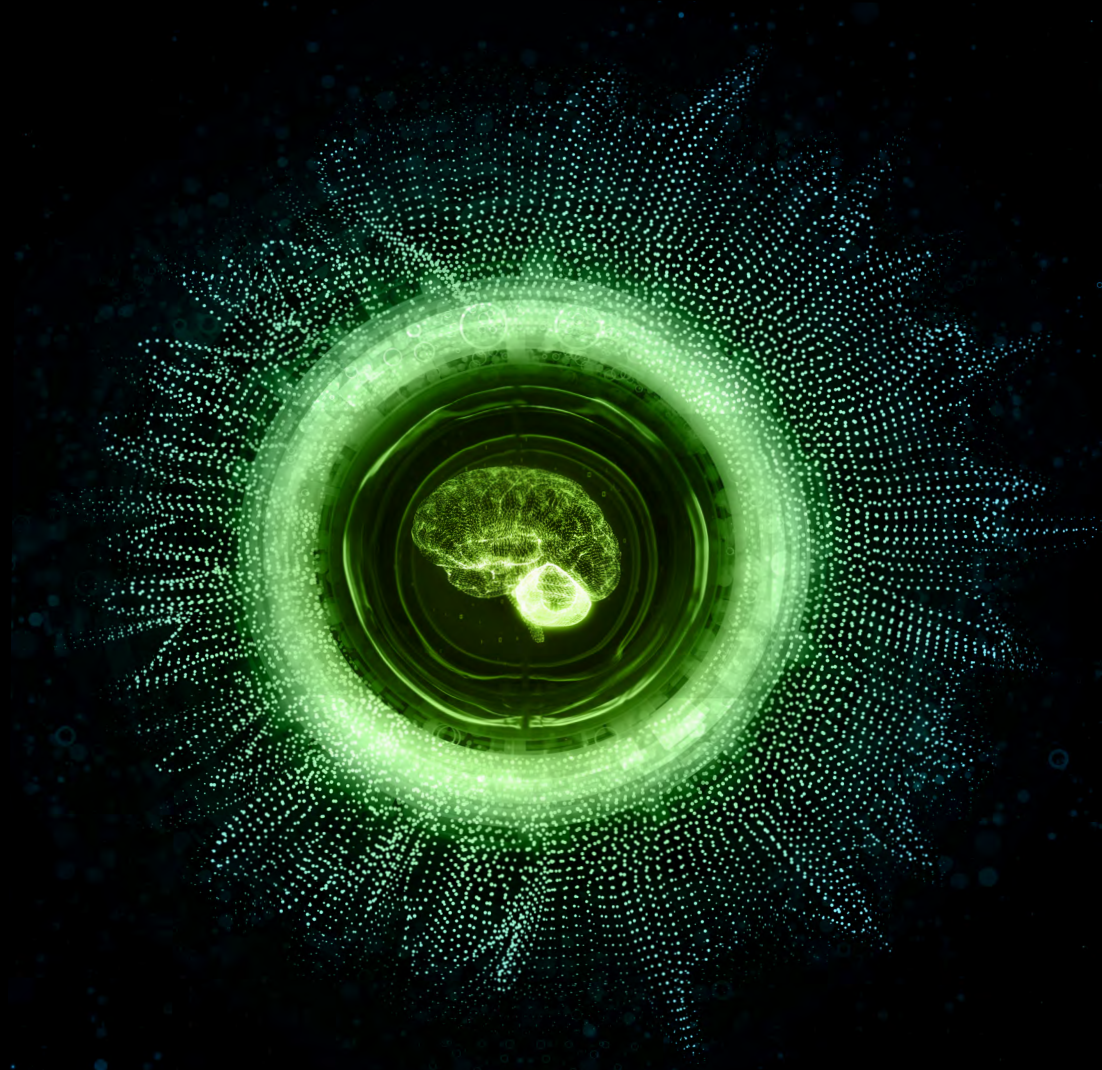


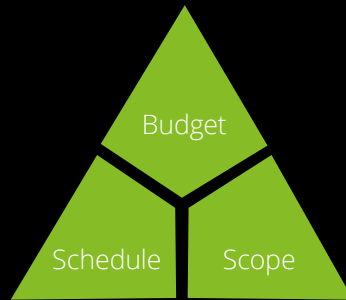
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Tech Bytes part 4:
Intelligent contract
life cycle management
Bending the iron triangle

Introduction

The iron triangle of project management



There's an old adage in project management called the iron triangle, which says you can have a product *on time, on budget, or within scope*, but **pick only two**. With the iron triangle, the three elements are often competing priorities, and changing one can negatively affect one or both of the other two.

? Is it possible to have all three at once?

The simple answer is yes—creating a virtuous cycle instead of competing priorities.

The iron triangle of contract life cycle management



In contract life cycle management (CLM), there's a similar dynamic. Business unit stakeholders typically want *fast and efficient* contract cycle times. Finance stakeholders usually look for governance around *contract pricing and revenue*. And legal stakeholders are concerned with legal *risk management*.

First, let's debunk the "lawyer lag" myth

✘ Myth

The issue of "lawyer lag" often arises in CLM discussions as a reason that the contract life cycle isn't fast or efficient. Legal departments are sometimes described as "the sales prevention department" because other stakeholders view them as a bottleneck. *But the opposite is often true.*

✔ Reality

Based on our experience, legal departments are rarely the bottleneck. Instead, delays elsewhere can create a tension that peaks towards the *end* of the life cycle when legal is usually engaged for review.

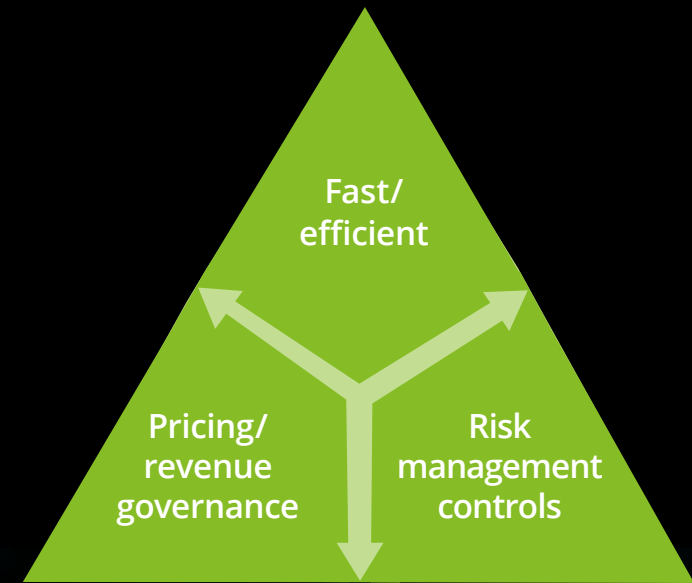


Average "bid to signature" life cycle time (in days) by contract type:²

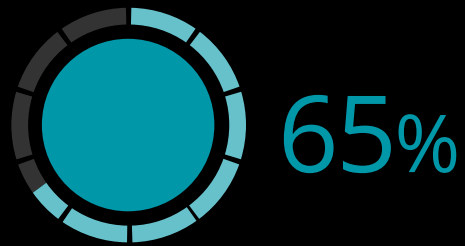


The question remains:

How can speed and efficiency gains be achieved throughout the contract life cycle without sacrificing financial governance and legal risk management?



CLM automation is the answer—*isn't* it?



of companies surveyed across industries use some form of contract management solution—either an off-the-shelf application or a home-grown variation.³

Yet recent data suggests that the CLM system capabilities that could improve CLM performance are some of the least used features.

Most used

Front-end contract request/selection interface to business unit

Ability to assemble standard contracts from templates

Monitor reviews/approvals status

Repository of signed contracts

Management reporting/dashboard

Least used

Ability to assemble contracts from a clause library

Defined and automated workflow for nonstandard terms or agreements

Automated document circulation, redlining

Risk scoring

Contract obligation extraction

Post-signature monitoring of compliance with contract terms

Integration with other key applications (ERP, financial systems, etc.)

Contract analytics—individual agreements

Contract analytics—portfolio of agreements

Source: IACCM 2019 CLM Survey, used with permission⁴



How can organizations transform their current approach into Intelligent CLM?

#1

Clearly define the problem(s)



First things first

Organizations can sometimes focus on CLM system features without a clear understanding of the issues that need resolution. Information technology (IT) professionals have a saying for this:

Automating a bad process doesn't improve anything.

This is why a leading practice for effective CLM system implementations is to clearly define up front the problem(s) creating underperformance and stakeholder discontent. Even organizations with an existing CLM system can benefit from revisiting problem definition periodically for continuous improvement purposes.



Common CLM problem areas

- Disputed or unclear ownership of CLM
- Lack of stakeholder alignment on priorities
- Disconnected data silos
- Contracts created outside of the established CLM system
- Lack of legal input early in contract creation
- Use of nonstandard language and terms
- Lack of visibility into decentralized processes leading to conflicting terms and conditions in similar contracts and violation of a "most-favored-nation" clause
- Process bottlenecks or slow contract processing times
- Post-execution analytics processes
- Potential lack of clear insight into risks associated with older contracts



Engage stakeholders to drive adoption

Assemble a team representing the major stakeholders across the organization and develop a CLM strategy (or revisit the existing one) so it aligns with the larger corporate strategy and the needs of the various stakeholder groups. Key questions to ask include:

- What are the major stages of the contract life cycle?
- Who are key stakeholders?
- What happens at each stage of the contract life cycle?
- Do all stakeholders understand and have visibility into key dependencies from one stage to the next?
- What happens after the contract is executed?

#1

Clearly define the problem(s)



By bringing all relevant stakeholders together



And helping them gain a broad, consensus view of the contracting life cycle,

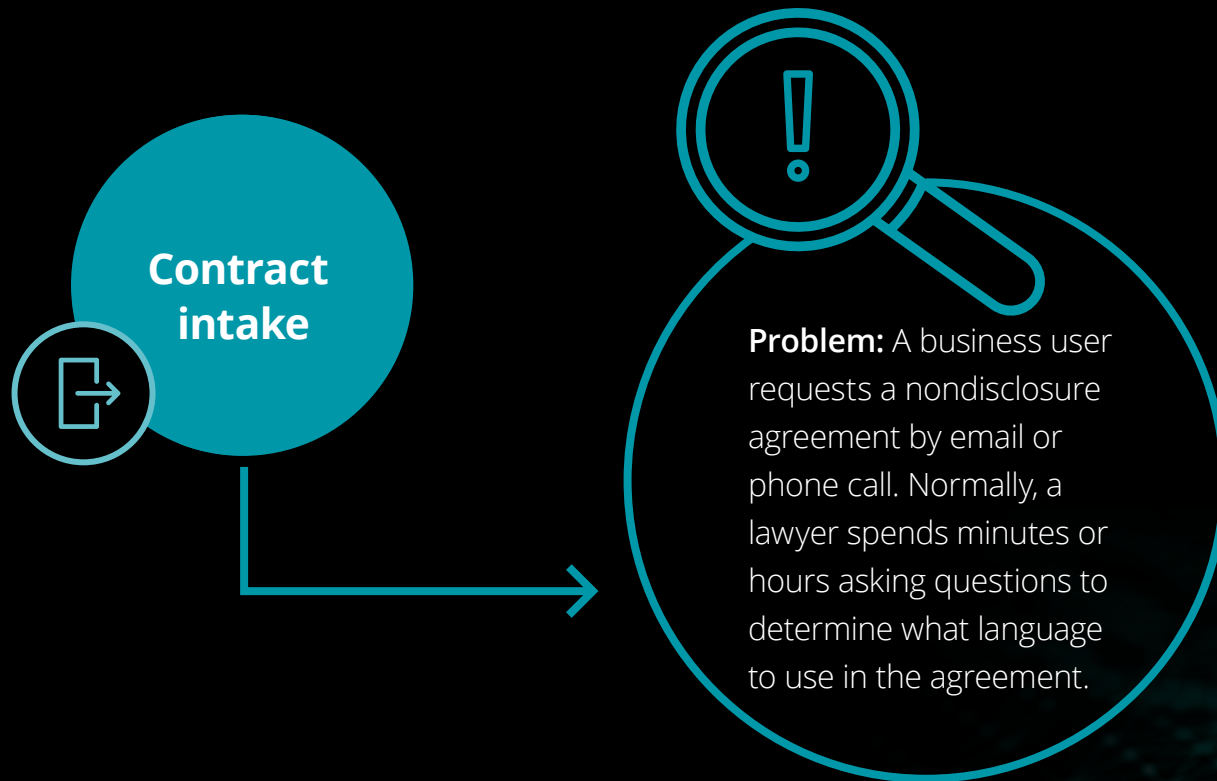


CLOs can help drive the organization toward the CLM trifecta of speed and efficiency, pricing and revenue governance, and risk management controls.

#2

Identify where technology can enable or improve performance

Scenario 1

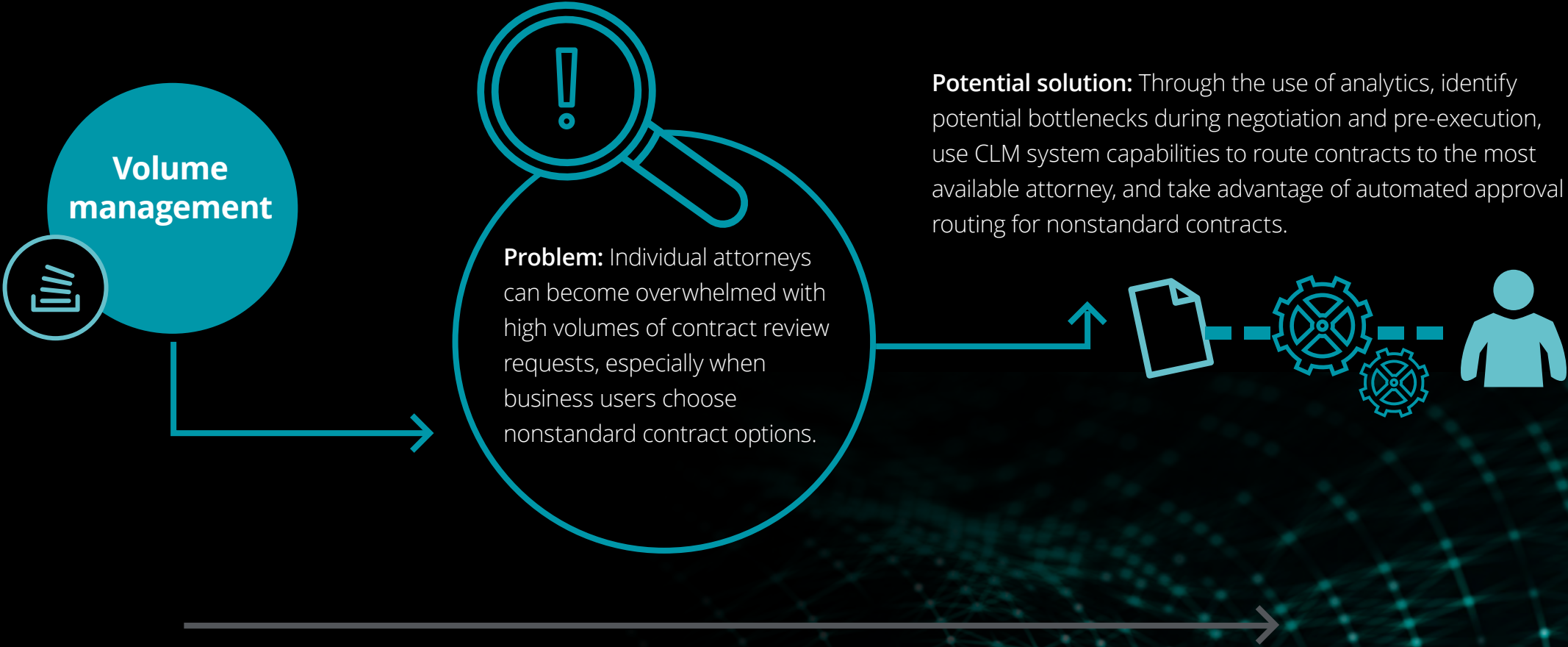


Potential solution: A self-service mechanism in the CLM system prompts the business user for specific information by which it can automatically choose a template or assemble elements of an agreement that meet company requirements and fulfills the business user's needs. Legal involvement: negligible after initial rules are established, unless significant variations in the contract are requested or negotiated.



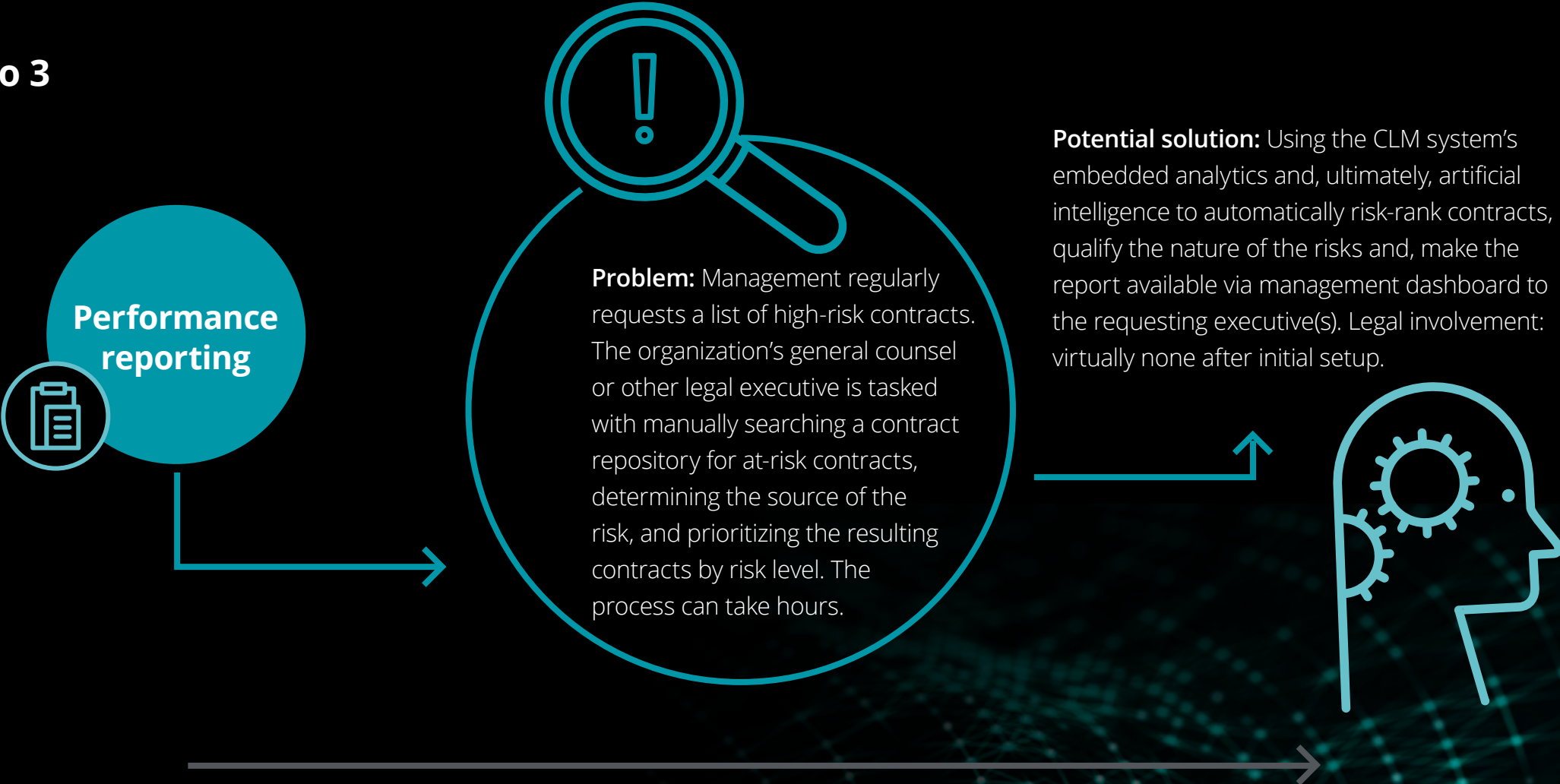
#2
Identify where technology can enable or improve performance

Scenario 2



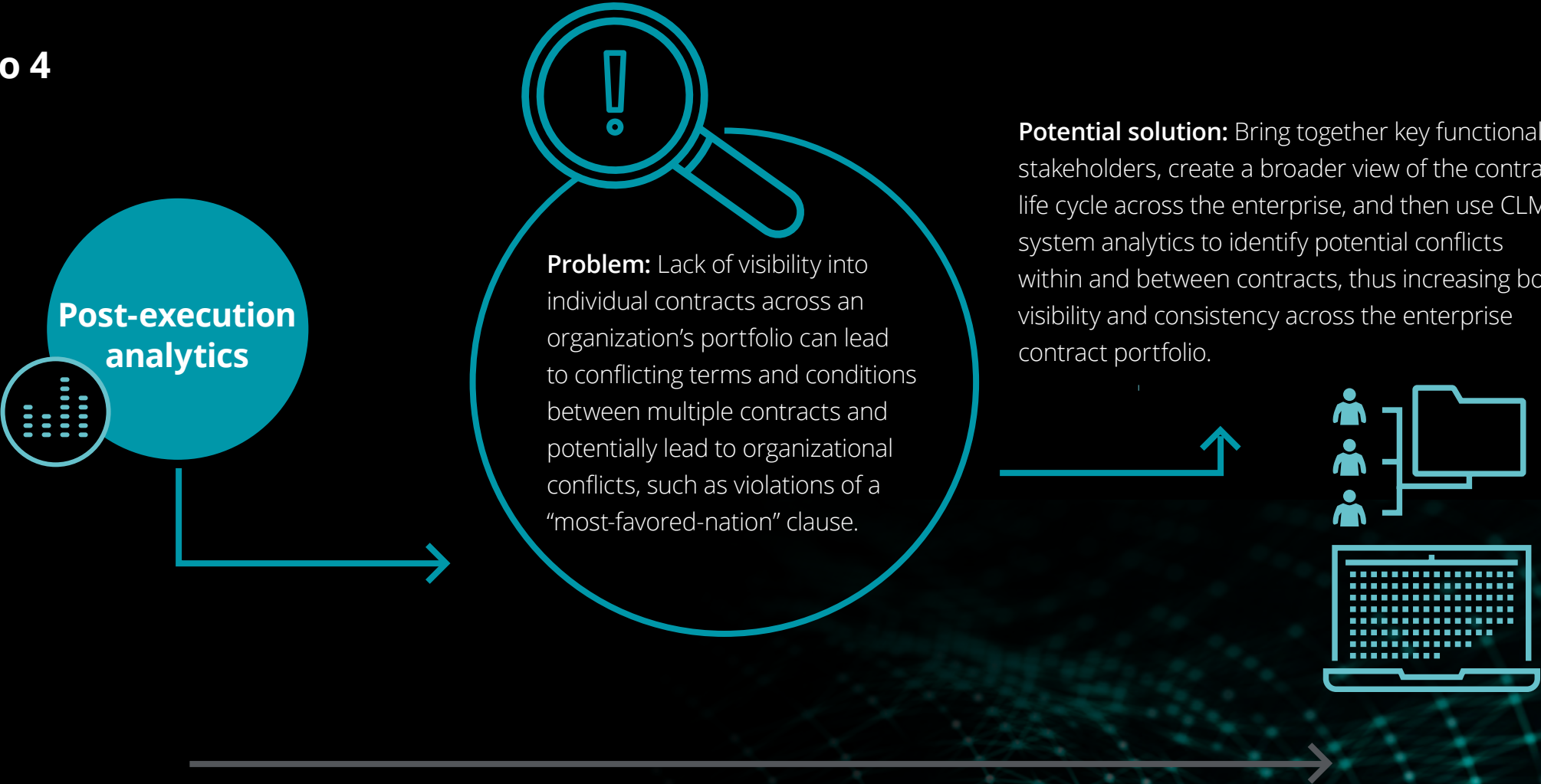
#2
Identify where technology can enable or improve performance

Scenario 3



#2
Identify where technology can enable or improve performance

Scenario 4



#3

Implement with purpose

With a strategy defined and the CLM system selected (or the issues within the existing system identified), organizations can take a "big-bang" approach in which the end-to-end solution is tackled all at once. Or they can take a more measured approach that seeks quick wins, which demonstrate the viability of the approach and its planned outcomes, then builds on that momentum in manageable stages.



Think big

Build the strategy and business case for an enterprise approach to CLM. Engage stakeholders from across the enterprise. Emphasize the realistic possibilities for CLM improvements.



Start small

Focus on the low-risk, high-volume, routine contracts such as nondisclosure agreements and pursue stakeholder buy-in to deliver quick wins. Use those successes to drive stakeholder engagement and organically expand the initiative internally while building a core of "champions."



Scale fast

Build on the early wins by developing standard playbooks, guidelines, and processes for other contract types and business units. Incrementally build toward the enterprise goals established in the strategy. Continually seek new opportunities for improvement as the CLM sophistication grows.

Why effective change management is imperative

Change management, effectively executed, can help drive widespread adoption of the CLM solution, whether it's an entirely new system or changes in the way an existing system is used. Effective change management goes beyond obligatory communications and training. It builds on the momentum established in the problem definition and strategy formulation stage and leverages project champions—optimally, stakeholders with authority—to champion the approach and help other stakeholders understand the need for and benefits of the approach. It also relies on clearly articulated goals and metrics that fairly measure progress toward them. In the end, effective change management is often the difference between perceived success and mediocre results.

#3

Intelligent CLM can offer multiple benefits and provide extended long-term value to the organization

Compared to the traditional CLM models, Intelligent CLM can deliver:

... which produces substantial benefits, such as:



Source: Deloitte Development LLC⁵ ○ Traditional model ● With Intelligent CLM

Note: The benefits shown above are for illustrative purposes only and will vary depending on specific circumstances.

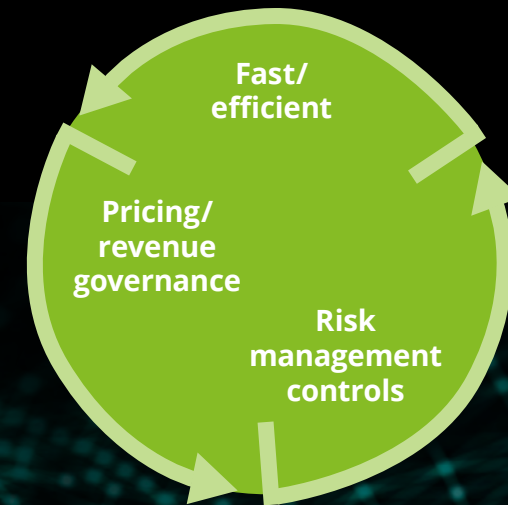
Create a virtuous cycle instead of an iron triangle

Organizations *can* have it all with contract life cycle management—speed and efficiency, pricing and revenue governance, and risk management controls. You don't have to settle for less.

Legal should lead the way

Isn't it time for legal departments to stop being unfairly tagged with the blame in enterprise contract squabbles? Instead, take the lead by bringing together stakeholders and giving them a clear line of sight into the stages of CLM and interdependencies between them. Then show them the vision of what intelligent CLM can be—a technology-enabled process with improved data integrity, better tracking of contracts, and consistency across the enterprise. Now isn't that a win-win for everyone involved?

Contract life cycle management



Let's start the conversation

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Endnotes

- 1 Deloitte analysis across multiple client engagements.
- 2 International Association for Contract & Commercial Management, *IACCM Benchmark Report 2012*, September 2012, p. 36.
- 3 Corporate Legal Operations Consortium, *2019 State of the Industry Survey*, July 2019, <https://cloc.org/wp-content/uploads/2019/07/2019-State-of-the-Industry-FINAL.pdf>.
- 4 International Association for Contract & Commercial Management, *IACCM Benchmark Report 2019*, September 2019, p. 28.
- 5 Results based on Deloitte engagement experience. Results are illustrative and will vary depending upon an organization's specific circumstances.





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