

# 2016 Contract Lifecycle Management Report

Ensuring Strong, Secure B2B Relationships with Contract Lifecycle Management (CLM) Software

## Q1 2016 | Featuring insights on...

- » Current Market Trends in Contract Management Processes
- » The Benefits of Contract Management Automation
- » Features and Functionalities of Leading CLM Software
- » A Leading CLM Software Provider

Underwritten in part by

**SCIQUEST**

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# Introduction

In any industry and for companies of any size, the key to a successful Business-to-Business (B2B) relationship is the efficient management of all relating information. This information includes not only supplier and payment data, but also the history of the relationship, the expectations of both parties, and the interaction's critical legal and business requirements. The most efficient way to handle B2B information is with a standardized contract management process.

Contract management is essential for an organization to properly and efficiently conduct long-term business with its suppliers, partners, and employees, as well as to ensure compliance with legal and corporate mandates. However, as today's government and tax regulations and global supply chains become increasingly complex, organizations must handle these contracts with more precision. Successful contract management is especially difficult when contracts are handled with manual, paper-based processes; many organizations struggle to record accurate contract information, maintain contract deadlines, and properly identify contracts that are out of date or no longer profitable. This leads to high processing costs, compliance and security risks, and delays and weaknesses in supply chain operations.

To handle these struggles, many organizations have reorganized their internal structures to support a centralized contract management team. While this structure enables an organization to manage its data in a more streamlined manner, centralization alone does not bring full efficiency to the process. A vital factor in truly secure and efficient contract management is the addition of a robust contract lifecycle management (CLM) solution.

Contract management software electronically manages contract lifecycles from creation to execution to post-contract analysis. This software includes tools for internal authoring and collaboration, external negotiation, legal review, and contract tracking. CLM reduces processing costs, speeds up negotiation times, ensures fluidity in the supply chain, and increases visibility into the statuses and profitability of active contracts.

PayStream Advisors' 2016 Contract Lifecycle Management report highlights the ways in which CLM solutions ensure business success by controlling a contract throughout its entire lifecycle. This publication will also explore the current trends in contract management processes among organizations and explain the features of leading CLM solutions.

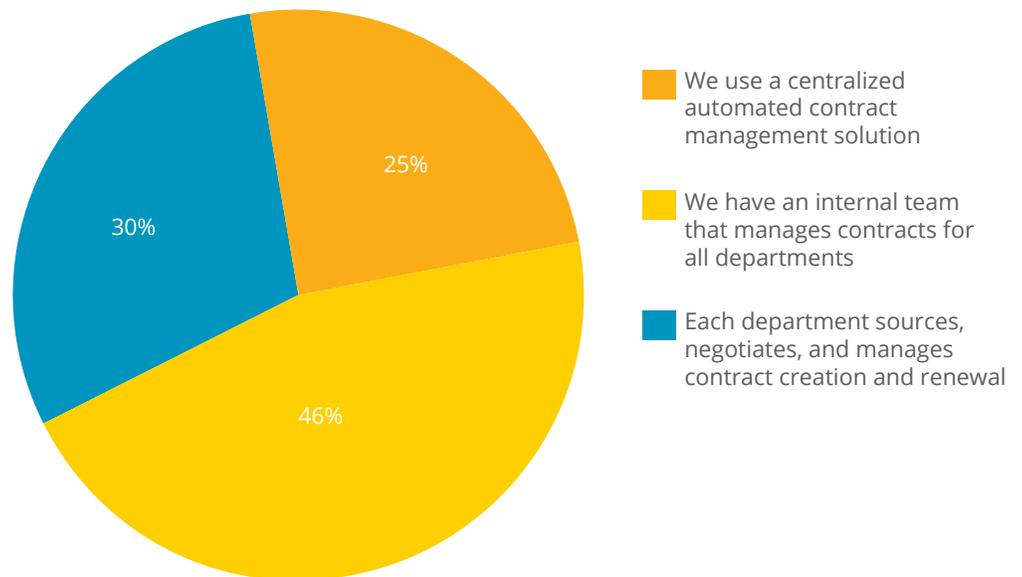
# The Current State of Contract Management

Contract lifecycle management is one of the most effective and practical solutions for automating back-office processes, as it dynamically manages and monitors important business documents while ensuring their security. However, despite its value, few organizations use the technology. In a recent survey, PayStream Advisors asked over 200 individuals employed in many different industries about their contract management processes. According to the results, only 22 percent of organizations are currently using a solution to automate the contract management process, see Figure 1.

**Figure 1**

**Less Than One-Quarter of Businesses Use a CLM Solution**

*"Please describe your contract management process."*



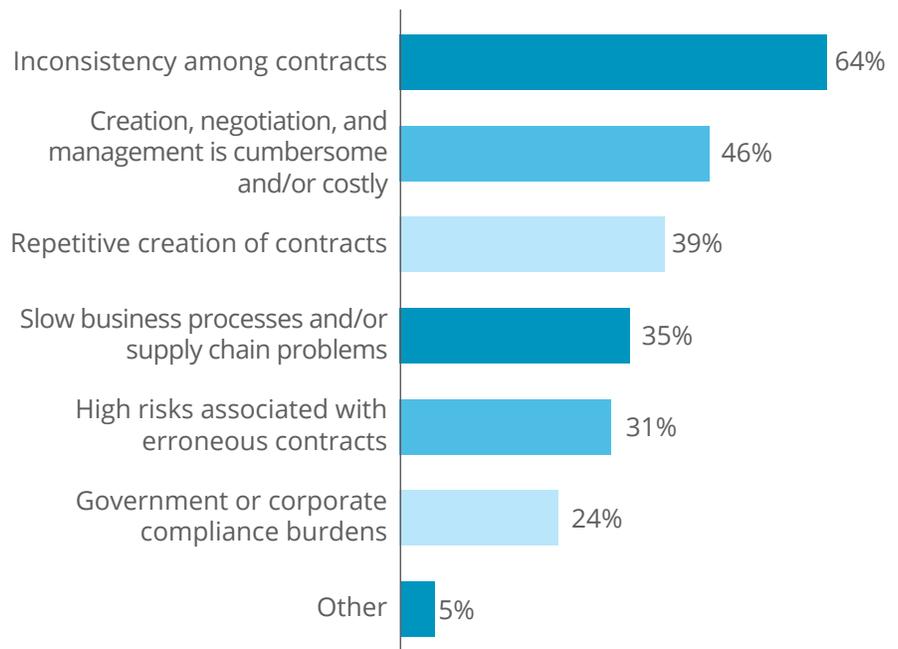
Survey data shows that even without wide adoption of CLM solutions, many organizations are still handling their contract management in a centralized manner, as almost half of organizations have internal teams that manage contracts for all departments. Although this is more efficient than a decentralized approach, these contract management teams are still experiencing processing pains.

When asked what challenges they face in contract management, many organizations reported trouble with inefficient processes, see Figure 2. These organizations struggle with inconsistency and redundancy in contract data, and the processes used to create, negotiate, and manage contracts are cumbersome, expensive, and slow. In addition, they experience delays in their supply chain movement as a result of slow processes, and compliance burdens from contract errors.

**Figure 2**

**Most Organizations Struggle with Contract Consistency and Cumbersome, Costly Contract Management Processes**

*“What business challenges do you face or have you faced in regards to contract management?”*



PayStream has found that the most common cause of these contract pains is manual processes. Without an efficient electronic procedure for creating, sharing, and monitoring contracts, organizations frequently overspend time and money running inefficient, manual-based processes, then spend more to correct the resulting problems.

Organizations also incur great risks in their supply chain operations by inefficiently managing contract data. For example, if a contract with a new supplier cannot be drawn up quickly and correctly, projects and orders remain unfulfilled and payments are delayed. In another example, if the renewal date for a long-standing contract is missed

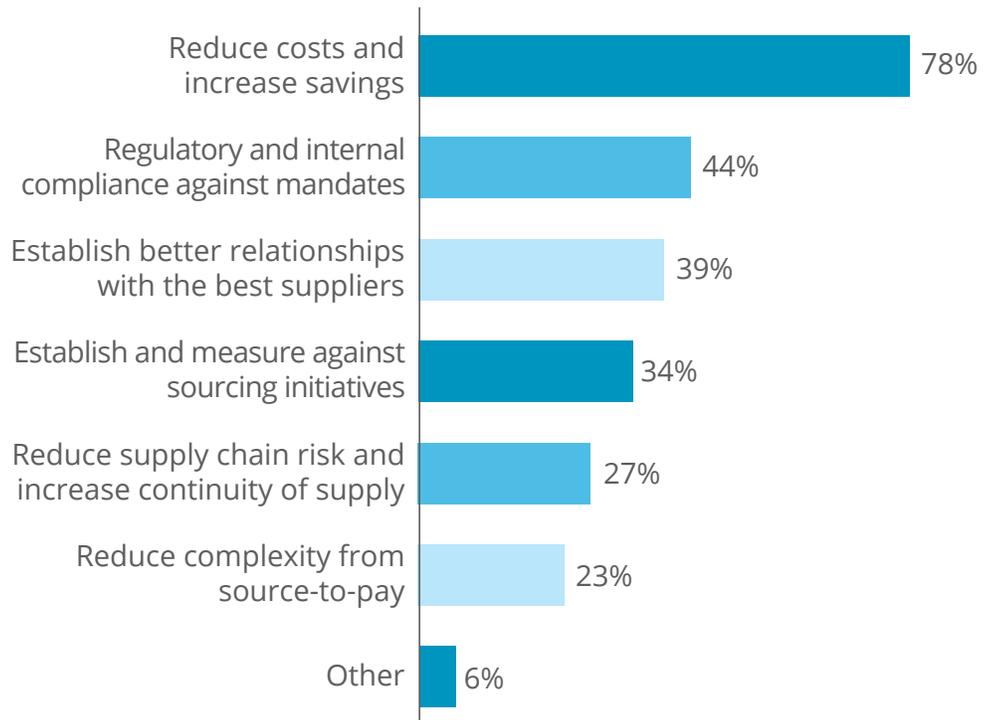
or a contract with multiple milestones is not monitored, a company could miss an important deadline and lose both profits and the client. Alternatively, if a contract includes an auto-renewal clause that is not reviewed and has continued a relationship long after it remains profitable, the organization will lose money and waste efforts without realizing the opportunity to re-negotiate or cancel a contract.

The harmful results of inefficient contract management processes are a rising concern for organizations, and have not gone unnoticed by those organizations' leaders. Contract management teams are experiencing increasing pressure from upper management to enact better procedures and curb the costs of their current methods, see Figure 3. Upper management is also recognizing the importance of better data management, and the critical role that contracts can play in supply chain operations.

**Figure 3**

**Contract Management Teams Are Under Pressure to Reduce Costs and Increase Compliance**

*"What pressures has your department felt by upper management to evolve your contract management processes?"*

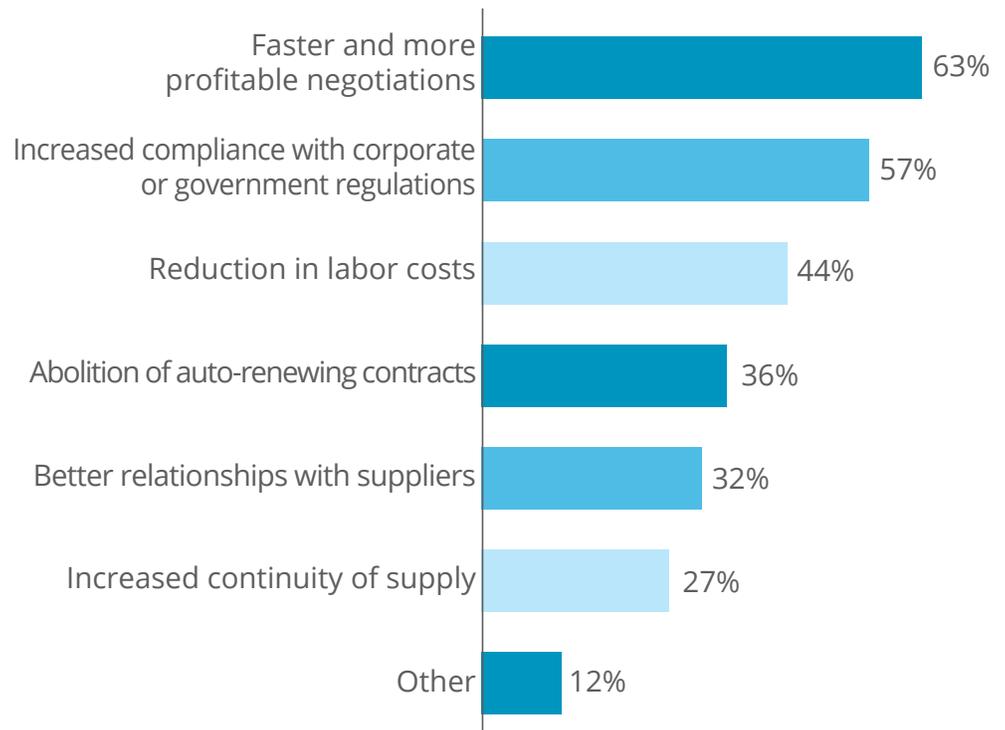


Fortunately, CLM solutions can both soothe the pains that contract management teams experience and appease the expectations of upper management. Survey results show that organizations that have adopted CLM software have achieved many process improvements in negotiation, compliance, costs, automatic renewals, and supply chain operations, see Figure 4. Individual survey respondents also reported that they have reduced the risks that stem from inappropriate contract terms and conditions, improved visibility into existing contracts, more appropriate approval levels, and completeness of contract register.

Figure 4

**CLM Solutions Promote  
Faster, More Profitable  
Negotiations and  
Increased Compliance**

*"Since implementing a contract management solution, what benefits have you achieved?"*



The following section explores the capabilities of CLM software that bring the improvements these organizations have gained.

# CLM Capabilities

Contract lifecycle management involves negotiating terms and conditions in contracts, ensuring compliance for those specifications, and executing the final terms. An effective CLM solution moves a contract through its system with speed and security, informing an organization of necessary actions along the way.

Leading CLM solutions feature these capabilities:

## **Authoring and Creation**

A contract's lifecycle in a CLM solution begins with the contract request process. An end user can use a pre-configured template to request a contract from the legal department or a designated administrator, and after approval, the solution automatically populates the template with the request information. A contract template can also be automatically populated from purchase orders or sourcing events, if the CLM system integrates with or offers these solutions.

Contract creation templates are highly customizable to ensure that the authoring process is as streamlined and compliant as possible. They can be as simple or complex as the client prefers, and can change according to user, contract type, supplier, or other parameter. Users can also create contracts from scratch depending on their access controls, or recycle and modify old contracts from an archive. Most CLM solutions support the management of a variety of contract types, including employment contracts, international trade agreements, NDAs, and real estate contracts. Users can also extend new child contracts from parent contracts, working much as a master and supplementary agreement operates in Statement of Work (SOW) projects.

To ensure compliant and secure authoring, many solutions include a robust word processing software tool, such as a built-in Microsoft Word application. Some solutions include an interactive clause library from which the author can pull legal text to assemble the contract. These clause libraries are often created by the solution provider in collaboration with the client's legal team upon implementation. Some clause libraries are accessible both in the CLM system and in the word processing tool.

During contract authoring, different users can collaborate on the creation of the contract with an approval workflow. The word processing tool supports version tracking with redlining tools, shows version comparisons, and records all revisions by time and author. It also allows authors to include comments and attach documents that remain with a contract for its lifecycle. All changes are included in the contract's audit trail for future review.

### **Workflow and Negotiation**

Once internal teams have authored a contract, the document can be sent through an approval workflow. Approval workflows can be constructed according to contract type, price, area, and dollar amount thresholds, and can go through both administrative and legal review. The solutions facilitate editing and revision tracking, as well as the ability to leave comments and request extensive changes and to partially reject or approve contracts. Special approval workflows can be constructed for contracts with higher risk, while some providers offer automatic approvals for low-risk contract types.

After approval, the contract goes through negotiation and approval with external parties, which involves many of the same collaboration tools as in the initial authoring process. Suppliers can also access the same tracking, patching, and attachment tools in order to ensure effective collaboration and communication. When all parties have accepted a contract, users can electronically send, sign, and store official documents. Most providers have in-house or partner-supplied electronic signing services, such as EchoSign or DocuSign.

### **Tracking and Renewal**

After all parties approve the contract, CLM solutions continuously monitor the contract throughout its lifecycle. The solution makes sure negotiated terms are fulfilled and deadlines are met, and notifies users of upcoming expirations to prevent lapses in contracts. Many solutions also offer an auto-renewal functionality that is adjustable according to the organization's policies (e.g., a user can designate the number of times the contract will renew automatically before it is no longer active). In addition, many solutions include archival services and configurable search features so that users can search active and inactive contracts for review. This includes the ability to view contract history and attachments.

## Reporting and Analytics

Many solutions offer a reporting and analytics module to optimize existing contract and CLM processes. This module includes reporting and auditing capabilities that evaluate data from the entire lifecycle of a contract to determine trends in contract compliance, costs, duration, and other KPIs. Some solutions also offer discovery tools that allow the business to analyze existing business agreements, such as recurring purchase orders or sourcing events, and transform them into more cost-efficient contract agreements. Contract management reporting usually includes pre-packaged report types for common contract measurements, as well as configurable dashboards and graphics. Some providers also facilitate ad hoc reporting and internal benchmarking analysis.

# CLM Adoption Best Practices

When organizations look to adopt a CLM solution, they must put a great deal of valuable time- and security-sensitive material in the care of the solution provider. In order to select the most capable and secure software, the organization should evaluate the solution provider by its strengths in the following areas:

- » **Onboarding:** There are some risks associated with transferring existing contract data to a CLM solution, especially for organizations moving from completely manual contract management processes. It is important that the solution provider is mindful of the importance of security and accuracy during document migration and onboarding. Many solution providers offer streamlined onboarding services to their clients to ensure that all data is entered into the new system correctly. This may entail data entry, OCR data capture technology, or a separate outsourced onboarding service.
- » **Connectivity:** The survey results in Figure 3 reflect organizations' growing focus on improving and streamlining processes between contract management and sourcing, as well as other Source-to-Settle processes. Some CLM providers offer their solution in a spend management suite that includes sourcing, electronic procurement, supplier management, and invoice management software. This promotes holistic Source-to-Settle functionality and allows organizations to easily flip procurement and sourcing documents into contracts. However, if the CLM solution is offered as a standalone feature, the solution provider should have advanced APIs and other connection capabilities to ensure that the solution can properly integrate with all of the client's existing systems. The client should have to do very little IT work with internal teams, and should be able to rely on the provider for the majority of the work as they build their connection and work towards contract management efficiency.
- » **Customization:** Customization/configurability is one of the most important features among CLM solutions, as it speaks to their ability to accommodate any organization's unique business structures and the wide variety of business documents they will need to manage. During the authoring process, leading CLM solution providers work with the client to configure contract

requirements that fit company specifications, which can include templates and clause libraries based on business policies and industry standards. The provider also works with clients to create templates for any required contract type that the system did not previously support. In all, an organization should expect extensive collaboration between the software developer, legal department, and contract management administrators to create customized templates, clause libraries, approval workflows, and system controls.

- » **Legal Focus:** For many organizations, the ability for the legal department to leverage and control the CLM system is extremely important. Leading CLMs are aware of this need, and many offer special functionality just for legal department users. Providers often collaborate closely with an organization's legal department upon implementation to build any unique requirements into the system, such as in contract templates and clause libraries.

## Conclusion

Today's organizations are struggling with cumbersome and non-streamlined processes, unsecure handling of sensitive data, and weaknesses in supply chain operations. Fortunately, leading CLM solutions eradicate these problems by facilitating automated, effortless management of critical business information, and promoting more efficient, profitable operations. PayStream encourages organizations with competitive goals to further explore the advantages of contract management technology. The following profile of a contract lifecycle management solution provider offers more insight into the use and applicability of the software.

# SciQuest

SciQuest is a provider of cloud-based business process solutions that enable organizations to streamline their Source-to-Settle and Purchase-to-Pay lifecycles, capturing all spend in one platform. SciQuest's Spend Management Suite covers spend analysis, supplier management, sourcing, contracting, eProcurement, and accounts payable automation. SciQuest's contract lifecycle management solution, Total Contract Manager (TCM), is integrated with the entire suite, and is scalable and robust in order to meet the needs of mid-sized and large companies with complex requirements.

|                       |  |
|-----------------------|--|
| Founded               | 1995   |
| Headquarters          | Research Triangle Park, NC   |
| Other Locations       | Pittsburgh, PA; Edmonton, AB; London, England; Hamburg, Germany  |
| Number of Employees   | 500+   |
| Number of Customers   | 550+   |
| Target Verticals      | Commercial (including Manufacturing, Retail, Financial Services, Life Sciences, Utilities, and Chemicals), Higher Education, Healthcare, Public Sector                         |
| Partners / Resellers  | Accenture, McKinsey, Deloitte, PWC   |
| Awards / Recognitions | 2014 American Business Award – Silver; 2014 PayStream Advisors P2P Technology of the Year; 2015 Spend Matters 50 Providers to Know; 2015 Inbound Logistics Top 100 IT Provider |

## Solution Functionality

SciQuest's SaaS Spend Management solutions come with extensive security measures. They can integrate with any ERP or financial system to adapt to customers' individual requirements. All solutions are mobile-enabled.

The Total Contract Manager solution allows users to create, track, and archive a variety of contract types across all industry verticals, including parent and child contracts, contracts with both buy and sell components, zero dollar value contracts, intellectual property, NDA, and employment agreements. TCM also allows administration to control which users, roles, and departments have the ability to create contracts.

TCM also includes configurable dashboards that allow organizations to group commonly used application features (widgets) on a single page for quick end-user access. Some available widgets include saved contract searches, contract alerts, and contracts approaching expiration.

### **Authoring and Creation**

Total Contract Manager supports central management of standard contract terms and conditions with TCM Smart Templates™, which can be configured in a uniform company-wide format, or by specific departments and divisions. These Smart Templates reduce contract creation time and increase consistency across contracts, and also minimize risk of a user creating a contract that is non-compliant with a company's legal or business rules.

For contracts that need more attention, contract authors can edit terms and conditions with TCM's Microsoft Word application, which is an authoring tool that supports TCM authoring capabilities within Word. Once a contract is created from a template, the application can be used to further refine the terms and conditions, update additional placeholders, track changes, and compare different versions of the contract record. This tool also allows the author to leverage clause libraries in Word as they create a contract.

SciQuest customers using other modules of the Spend Management Suite, can create contracts directly from sourcing events, leverage contracts with purchase order creation from the eProcurement platform, and use the Accounts Payable module to help settle orders and confirm payments.

### **Workflow and Negotiation**

TCM allows contract approvers to approve, return a contract back to draft, or forward a contract in many different ways; those users can perform approvals through the TCM's interface, email, or with a mobile

app. TCM's contract workflow rules are based on contract metadata, and can be easily added, adjusted, and removed. Some workflow steps can be set for automatic validation, such as a data sync with the ERP. Notifications and email alerts can be customized based on user permissions and organizational mandates. The solution records all workflow steps in the audit trail, and if any automated steps fail, the solution generates an alert for follow-up.

TCM integrates with DocuSign and Adobe Document Cloud (formerly EchoSign) to capture electronic signatures. The electronic signature capabilities extend beyond internal signatories, also capturing external signatories such as vendors.

### **Tracking and Renewal**

After a contract has been executed, post-contract maintenance within TCM keeps the organization informed about key contract dates and events. General alerts and reminders can be created for effective, expiration, review, and renewal dates, and users can also perform contract amendments, terminations, and completions (closeouts). TCM can set up contracts for auto-renewal or to be handled manually; during renewal, the system rolls contract details from the originating contract over to the new contract and allows the user to make changes as needed.

### **Reporting and Analytics**

The TCM reporting solution helps users identify new savings in contracts, recognize contract risks, and discover new efficiency opportunities. The solution is packaged with several pre-defined reports, including contract expiration/renewal date, workload summary, and cycle time reporting. All reports are accessible via web browsers and can be exported for further analysis. TCM supports data search against contract metadata, as well as keyword searches, enabling a user to search for a word or phrase among contracts or clause libraries that may be used for discovery or litigation purposes.

Total Contract Manager supports an organization's retention policy using data purging and archiving. Contract records and data can either be purged from the system completely or archived (limiting the visibility of these records). This reduces risk to the organization by aligning with corporate retention policy.

## Implementation and Pricing

Typical implementation time is between 4 and 12 weeks, depending on the depth of functionality being implemented. SciQuest delivers standardized training to customers' internal trainers and super users—who then train their entire user community—as well as additional on-site training as needed. Customers can also view educational materials, participate in online webinars, and enjoy in-person educational opportunities. SciQuest's Customer Support team is available to customers through telephone, email, and web-based support at any time.

The SciQuest fee structure is set up with renewable SaaS licenses and initial implementation and integration services. The fee structure allows customers to pay only for the software and services they need.

## About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at [www.paystreamadvisors.com](http://www.paystreamadvisors.com).