SPOTDRAFT

2024 CLM Buyer's Guide

Taking a strategic approach to CLM selection and implementation

Contents

Introduction

Over the last six years at SpotDraft, we've spoken to 500+ legal teams looking to buy a CLM. And we've seen it all—the good, the bad, and the ugly of CLM choices:
- big spends that don't pay off,
- teams left struggling without any support,
- hidden costs that make it unsustainable to scale up,
- legal departments getting all the heat for the CLM failure.

Surprisingly, it's not always because of choosing a bad CLM—the real issue is often diving in without preparation or a flawed rollout strategy. That's exactly why we've put together this guide: to help you become a better CLM buyer and set your team up for CLM success. This is your no-nonsense playbook to:
- evaluate current processes and check if your team's ready for a CLM,
- cut through the noise to find a CLM that actually aligns with what you need, and
- implement a system that doesn't just work, but works wonders for you.

Whether you're just beginning to explore the idea of a CLM system or are on the brink of making a decision, this guide is designed to provide clarity and direction. We'll help you find a CLM solution that not only functions well and aligns with your needs, but also transforms the way your business operates.

Is your team actually ready for a CLM?

> "There's often an urgency to jump to technology to solve this problem. There is a feeling that, with the right contract management system, things will automatically improve."

— Lucy Bassli in her book, <u>CLM Simplified</u>

Before you dive into the world of CLM tools, let's get real about whether your team is actually ready for one. It's not just about picking a tool and expecting miracles. It's about having a solid base to build on. So, how do you figure that out? Here are some things to consider:

Assess existing contract management processes

Here are some questions you should be able to answer clearly before your start looking for a CLM:

- Do you have a clear idea of the contracts Legal needs to review (and those that the business can handle without escalation)?

- What are all the contract templates that you use to reduce manual effort?

- Can you map the process that details a contract's journey from request all the way through its execution?

- Do you use e-signatures?

- Can you find out where executed contracts are most often stored? Is that a central repository and are they easily retrievable?
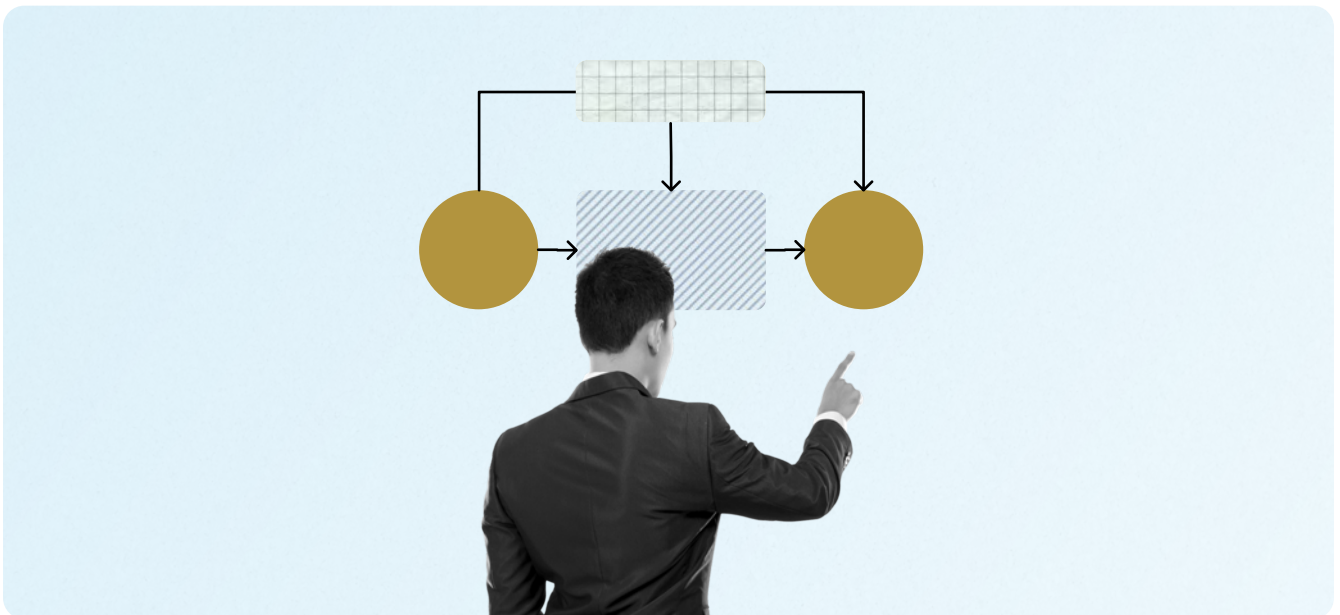
Evaluate digital transformation readiness

Here's what to do to ensure you have stakeholder buy-in before you even begin evaluating CLMs:

- Understand the organization's cultural readiness for change. Socialize the idea with cross-functional stakeholders to gauge openness to new technologies and change

- Collaborate with your IT team to understand the technical feasibility and support needed for a CLM tool. Ensure they're onboard and involved in the process

90%

of InnoLawGroup's clients report being unable to keep up with the speed, complexity and volume of available technologies. This lack of clarity often results in either stalled progress or a rushed selection of a solution that is a "bad fit" for the organization.

— **2023 InnoLaw CLM Market Study**

Navigating CLM skepticism: Tackling pushbacks in CLM adoption
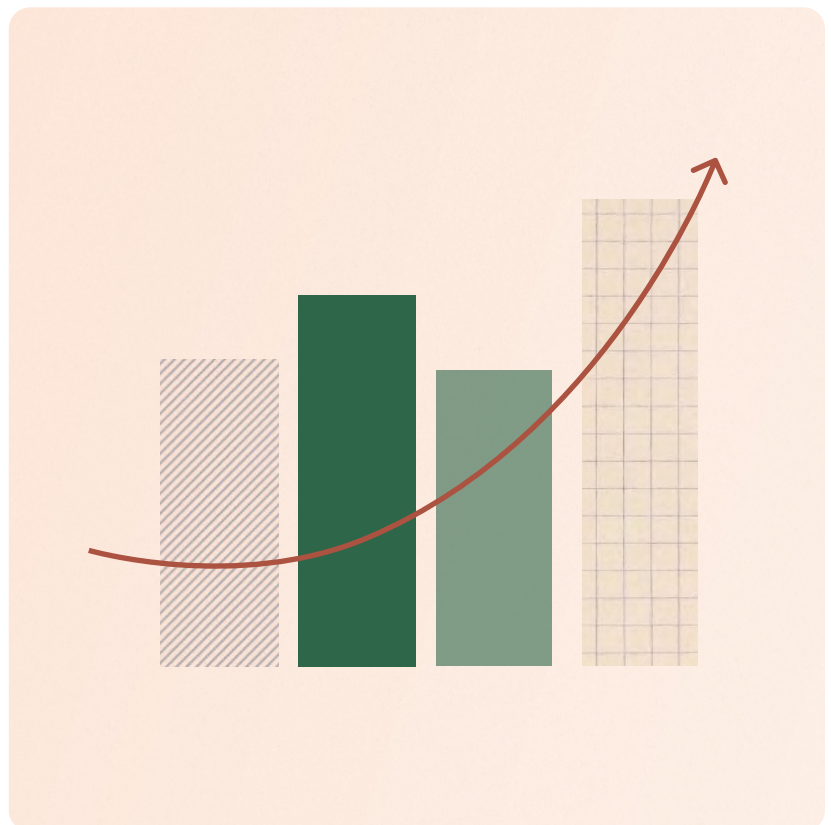
Despite tight budgets

75%

of clients report being less price sensitive when it comes to selecting a CLMS than one would imagine in the current economic climate. They are weighing features and fit more heavily than pricing, as they are banking on long-term efficiencies and significant ROI from their chosen CLMS.

— **2023 InnoLaw CLM Market Study**

Get ready for some tough questions and resistance from decision-makers. They might worry about how much it costs to get a CLM rolling, the hassle of fitting it into your existing system, or whether it'll really make things better.

Address these concerns by communicating the long-term cost savings, the ease of integration with existing systems, and the day-to-day tasks the tool will simplify.

Concern	How to address
Unneccesary cost burden	Demonstrate the long-term cost savings and ROI. Highlight how automation reduces manual labor and errors, leading to significant cost reductions over time. Provide case studies or data showing the financial benefits realized by other organizations.
Implementation will take up a lot of time	Discuss the phased implementation approach, which minimizes disruption. Emphasize the support and training provided by CLM vendors, and reference successful implementation stories from similar-sized companies.
We're using too many tools	Highlight the compatibility and integration capabilities of modern CLM tools. Explain how they can seamlessly integrate with existing ERP, CRM, and other systems.
Training to use another tool is a hassle	Emphasize the user-friendly nature of CLM tools and their role in simplifying tasks for all teams. Offer demonstrations or trial periods to familiarize teams with the tool.
The current process works just fine	Clearly outline the inefficiencies in the current process and how a CLM tool addresses these issues. For instance, you could be missing out on renewals or dependencies on signing authorities could be delaying your deal closures. Show how a CLM tool would automate renewal alerts and streamline approval processes.
What if the tool is not secure?	Provide detailed information on the security features of the CLM tool, including data encryption, access controls, and compliance with legal standards and regulations.

Choosing the right CLM: A step-by-step guide

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Workshop your biggest challenges

Bring together your key stakeholders for a short workshop and understand the biggest challenges. Legal might feel like they're getting too many contracts to review. Sales might think contracting is taking too much time. IT might think that a change in CLM tooling will introduce cybersecurity issues. Understand these carefully and use this to inform step two.

Identify your requirements

Some of the features that businesses generally look for are below.

Centralization and Visibility

Every organization has contract siloes—documents scattered in emails, Slack messages, file folders, archives, etc. A good CLM solution will centralize your active and inactive contracts, creating a single-pane view for all stakeholders.

Standardization

The more complex your contract, the harder it is to execute. Let's say you have sales contracts with 100 customers. Even if just one clause is unique to each of them, your complexity has just grown 100x. A good CLM platform allows you to create template contracts that keep deviations to the minimum, while providing the flexibility to use pre-approved fallback language for frequently negotiated clauses.

Workflow streamlining

Contracts jump through various hoops before getting executed—the simplest example is all the approvals you need from legal teams, buyers, and final signatories. The more the stakeholders, the bigger the mess of follow-ups and reminders. A good CLM platform automates these and accelerates approvals.

Collaboration

Every stakeholder will have their own ways of working. One might want to communicate via email, another on Slack; you might use Google Docs, but the customer might be on the Microsoft Stack. Then, one of your team members is left to copy-paste and consolidate all this information. A good CLM platform enables collaboration by consolidating stakeholder comments/edits in one place, with a clear audit trail and version control capabilities.

Accessibility

Every business has a filing cabinet full of contract skeletons. Unconsidered digitization only makes this worse. For instance, instead of physical cabinets, sales teams would be scouring through folders to find what they need. A good CLM platform solves this problem by indexing all contracts based on contract type, duration, dates, counterparty etc., to enable instant searchability.

Monitoring

If you're thinking execution is the last step of your contract lifecycle, think again! Every contract needs to be regularly revisited for compliance reviews, renewals, and expiration. A good CLM platform will monitor your contracts and send automated alerts for all this and more.

Security

Google Drive, OneDrive, or DropBox aren't designed to be a secure location to store legal documents. Imagine a situation where a sales team member gave 'anyone with a link can edit' access to a confidential document, throwing it open to the world! A good CLM platform will prevent this. It serves as a digital locker for your in-draft and executed contracts, with clear access control provisions.

Automation

In the processes of drafting, negotiation, approvals, editing, and execution, there are many repetitive tasks. A good CLM platform automates these. Say you need to create an NDA. A self-service platform will quiz you on a few details: who's the counterparty, their address, business registration details, the nature of the association, and so on. Then, it crafts an NDA automatically, using standard templates. It allows you to manually drag-and-drop additional provisions as you see fit.

Measurability

If you're pumping money into a CLM, it needs to produce ROI. A good CLM platform will give you the KPI-driven insights you need to achieve this.

Adaptability

If the pandemic has taught us anything, it's that every business must stay agile and adaptable to the changes in the world where it operates. The contracting process can not become a speed bump. A good CLM platform empowers you to adapt by enabling changes to be automatically applied to org-wide contracts in the future. It also helps get visibility into existing contracts that need to be renegotiated per your new terms.

Rank your priorities

Now that you have your wishlist, it's time to create a framework that helps you make the buying decision. Here are the most important aspects of that framework:

Don't treat everything as equally important

When you think of everything as equally important, you're likely to find a tool that does everything mediocrely. Rank your priorities. For example, you might already have a streamlined workflow, making it lower on your priority list. But the accessibility of historical and current contracts might be critical. Rank them in order. Resist the temptation to rank any two as equal.

Identify your non-negotiables

Now, break your list of requirements into must-have and good-to-have. This will help shortlist potential CLMs. For instance, if a product doesn't have a feature on your must-have list, you can eliminate them right away, irrespective of how many good-to-haves they feature.

Shortlist efficiently

There are dozens of products in the market, and it can be tempting to evaluate them all on the same scale. But this would be a waste of time. Shortlist no more than four CLM solutions based on whether it:

- has all your must-haves and some of your good-to-haves
- fits within your budget
- meets basic credibility standards of having client testimonials, case studies, product documentation, etc.
- is available for demo/free trial

Evaluate various CLM products

Now scrutinize each one of your shortlisted products in greater detail. Here are the features to look for.

Centralization

To become your single source of truth for all contracts, check whether the CLM platform can:

Migrate legacy contracts effectively:

PDFs, MS Word, Google Docs or even paper—make sure all of your existing contracts can be digitized and centralized.

Auto extract key terms and metadata:

Centralization doesn't just mean storing documents in an alternate folder. It is the ability to extract critical terms and metadata to enable faster search and retrieval. Ensure your CLM platform has AI-based capabilities to enable this.

Set hierarchical relationships between contracts:

Check if your CLM platform connects related contracts intelligently to paint a clear picture of the relationship.

FEATURE CHECKLIST

- ☐ Migration capabilities leveraging APIs
- ☐ Integration with your tech stack
- ☐ Auto-extract terms and metadata such as counterparty name, type of contract, dates, pricing etc.
- ☐ Contract tagging and hierarchical relationships
- ☐ Unlimited storage for historical and active contracts

Standardization

To make your CLM efficient, check if the standardization features of your platform can:

Be self-serve:

Not all contracts need to be written up by legal teams. Ensure that your CLM platform can allow business/sales teams to be independent and create the contracts they need by themselves.

Templatize high-volume contracts:

Check if your CLM platform can automatically identify terms and provisions to build iron-clad templates for contracts such as sales, employment agreements, NDAs, etc.

Pull out definitions and errors:

Does bi-weekly mean twice a week or once in two weeks? You can't have ambiguous language or multiple definitions of the same terms in your contracts. Ensure your CLM platform can automatically pull definitions, cross-check them with new contracts, and intelligently identify errors and anomalies.

FEATURE CHECKLIST

- [ ] Ability to create templates
- [ ] Contract builder based on templates
- [ ] Calculators to generate customized quotes
- [ ] Creating contracts within your CRM
- [ ] Dynamic clauses based on local/state/federal legislation
- [ ] Standard definitions and their contextual display
- [ ] Error identification
- [ ] Suggestions for strengthening contracts through playbooks of accepted language, approved clauses etc.
- [ ] Automated naming conventions

Collaboration

To bring all stakeholders together and accelerate the contracting process, ensure that your CLM platform has:

Workbench for contracting:

Check if the platform offers a single secure location for stakeholders to comment/edit contracts.

FEATURE CHECKLIST

- ☐ Inviting stakeholders to the workbench
- ☐ User roles to control what part of the contract they can edit
- ☐ Contract editor with clause library
- ☐ Separation of internal and external comments
- ☐ Comparison of redlined versions of contracts
- ☐ Ability to highlight/review changes between versions
- ☐ Automated version control

Workflow streamlining

To accelerate approval processes, ensure that the CLM platform can:

Set approval workflows:

Ask if your CLM platform can automatically find and notify approvers based on contract type, urgency, pricing threshold, etc.

Enable e-signatures:

Check if your platform has an in-built e-sign capability. If you use tools such as HelloSign or Adobe Sign, ensure proper integrations.

FEATURE CHECKLIST

- ☐ Approval workflows
- ☐ Automated approval notifications and reminders
- ☐ Automated updates when contracts are approved or rejected
- ☐ E-sign capabilities and integrations
- ☐ Email integrations to send contracts to counterparties
- ☐ Mail merge to send contracts to multiple counterparties

Accessibility

To empower your remote teams to function independently, demand that your CLM platform can be:

Accessed anywhere, anytime:

Ensure that your CLM platform is cloud-based, allowing your teams as well as counterparties to securely log in wherever they are.

Searched quick and easy:

Ask if your CLM tool can enable your teams to get the information they need based on natural language search terms such as counterparty names, dates, clauses, etc.

FEATURE CHECKLIST

- ☐ Cloud-based access
- ☐ Searchability with natural language
- ☐ Mobile-friendly apps

Monitoring

To prevent contract leakage, ensure that your CLM platform can:

Notify events needing attention:

Whether it's an auto-renewing contract, expiry or compliance breach, ask if your CLM platform will automatically notify all relevant stakeholders on time.

Change management:

Demand a clear audit trail for all changes made in the contract assigned to the stakeholder making the edits.

FEATURE CHECKLIST

- ☐ Notifications for auto-renewals
- ☐ Alerts about price changes during auto-renewals
- ☐ Reminder emails for expiring contracts
- ☐ Audit trails for change management

Security

To make sure that your contracts are secure and compliant, ask if your CLM platform can:

Control access:

Make sure you can allow view, comment, and edit access to your contracts only to those you want to.

Regulatory compliance:

Ask if your CLM platform can handle compliance with regulations like GDPR.

FEATURE CHECKLIST

☐ Access control for internal and external stakeholders

☐ Regulatory compliance

☐ Enterprise-grade cloud security

☐ Audit trails

Automation

Ensure every part of the contracting process can be automated with guided workflows.

FEATURE CHECKLIST

- ☐ Standard contract creation based on templates
- ☐ Mandatory approvals based on thresholds
- ☐ Auto-assigning review requests to team leads
- ☐ Auto-send contracts for signatures
- ☐ Auto-signing basic, standard contracts
- ☐ Automated follow-ups

Measurability

To make the contracting data-driven, ensure that your CLM platform can offer insights into:

Contracts:

Ensure that your CLM platform offers single-pane visibility into all your contracts, prioritized based on the criticality/severity of the issue and urgency of action. For instance, you should be able to see all contracts coming up for renewal in one place.

Contract management:

Treat contract management as a business-critical function with insights on each KPI such as the number of contracts closed every month, time taken to execute based on contract type, etc.

FEATURE CHECKLIST

- [ ] Contract dashboards with summary views
- [ ] Productivity dashboards
- [ ] Custom reporting capabilities based on contract type, status, dates, users, tags, etc.
- [ ] Bottleneck identification and suggestions
- [ ] Due diligence dashboards
- [ ] Customization capabilities for recurring reports
- [ ] Diverse out-of-the-box visualizations

Adaptability

To ensure that your contracts can change with the way your business evolves, evaluate your CLM on adaptability.

FEATURE CHECKLIST

- ☐ Bespoke changes to templates
- ☐ Org-wide changes to new contracts when situations change. For instance, all new contracts should automatically have your new registered address
- ☐ API-driven integrations for your existing and new tech stack
- ☐ Scalability to power business growth

Ensuring implementation success

Choosing the right product is only half the battle. To actually realize ROI, you need to have a robust and customized implementation plan. A good CLM provider will have tried-and-tested processes for this too. Have a conversation with them about the following.

Implementation planning

The moment you've shortlisted your CLM product, start planning its implementation. Create a comprehensive document that outlines:

- the RACI matrix for the implementation
- which teams need to be onboarded, and in what order
- what integrations need to be completed and by when
- timelines for each phase
- contingency plans, in case something goes wrong

Including key stakeholders in the rollout

The earlier you include someone in the CLM implementation process, the more enthusiastically you'll get their buy-in. So, include key internal and external stakeholders as early as possible. Communicate proactively about the progress.

Getting historical contracts onto your CLM

Your teams are unlikely to use your fancy new CLM tool if they have to follow their old methods to access historical contracts. So, bringing all existing active and inactive contracts to the new CLM is an essential factor not just in long-term efficiency but in immediate adoption as well.

This is usually a manual process. Some CLM vendors offer this as a service and outsource it to third-party vendors. Others do it in-house, ensuring greater accuracy, lower costs and better speed. It's always best to choose the latter.

Training

In an ideal world, you'll have a CLM solution with such an intuitive UI that your users instantly get started. But we don't live in an ideal world. The more complex your contract management system is, the more training you'll need. If your CLM provider offers such training, great! Else, put together a team of CLM champions in-house who can train your users.

Feedback and improvement leeway

Overnight transformation often results in overnight disruption. So, take your time and implement it in phases. Gradually deploy the solution to avoid integration issues. Select your beta users and roll out to them before onboarding the larger teams.

Most importantly, collect feedback and iron out implementation processes. Listen actively and carefully to your users to know if the product you've chosen meets their needs. If it doesn't, remember that it's less expensive and painful to fail at this stage than a few months later.

Not ready for a CLM yet? Try this

There can be multiple reasons for you to not invest in a CLM solution —you may not have the budget, the volume of contracts your team processes isn't large enough, or it simply isn't a priority right now.

However, if you still struggle with:

- hundreds/thousands of old contracts that are tough to track and manage
- keeping track of important deadlines and renewals
- finding contracts quickly
- losing data and context when someone leaves your team

You can start managing contracts using our Google Sheets template, for free. This template is designed to help legal teams:

- manage existing contracts better
- keep track of key dates and information
- maintain a single system of record
- envision the possibilities of automation with legal tech

Download the free Contract Management Template

About SpotDraft

SpotDraft is an AI-powered CLM platform that accelerates contract creation, analysis, and management, allowing businesses to seal deals twice as fast and with fewer headaches.

Our story? We've been in your shoes. Many of us used to be lawyers juggling endless tasks across teams. We get the challenges and understand the potential legal teams can unlock if equipped with the right kind of tools and systems. So here we are, building them.

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