SPOTDRAFT

When to Buy a Contract Lifecycle Management (CLM) Solution and How to Acquire Budget and Buy-In

Introduction

Legal teams at growing companies are usually fighting against the clock to help business teams close contracts. The reason is simple – the number of contracts your team handles keeps increasing as the business grows but more often than not, your team size stays the same.

Not only does this overburden your team, but it can also have serious implications - missing critical deadlines, losing revenue targets, goof-ups in business-critical deals and more. The responsibility to foresee and mitigate these outcomes falls on your shoulders, and investing in a CLM solution is one of the easiest ways to do so.

This guide is designed to help you figure out:

✔ Whether you need a CLM or not,

✔ How to acquire buy-in and the budget for a CLM solution

✔ What to consider when buying a CLM solution, and

✔ Offer alternatives in case you don't need one right now
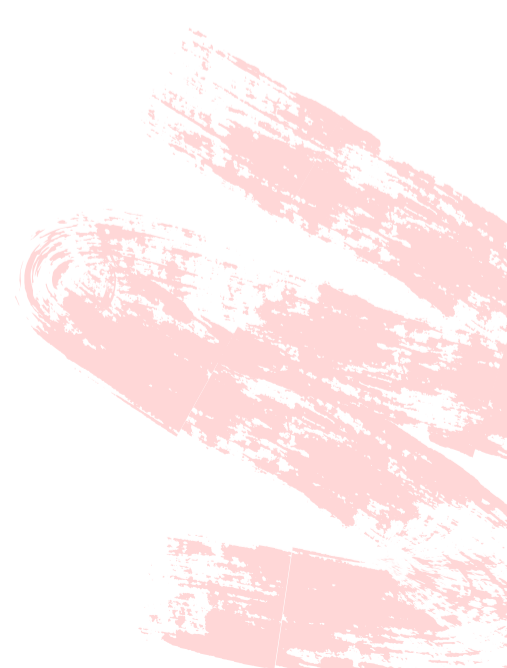
Signs you need to invest in a CLM solution

Not all legal teams need a full-fledged CLM solution, despite what most CLM vendors say. Here's a checklist to help you decide whether your team needs one.

Statement	Yes	No
You have more than 500 active contracts to manage.		
More than 50% of your team's time is spent creating and reviewing simple, high-volume contracts such as NDAs, MSAs, etc.		
You're starting to lose track of contract approval & review requests.		
You frequently need to generate ad-hoc contract reports for other teams.		
You need to start measuring & improving turnaround time on contracts.		
Current employees can often not locate agreements prepared or stored by former employees that have long since left the company.		
Contracts often expire or accidentally renew and payments are missed due to oversight and a high volume of agreements.		

If your answer was "yes" to more than 4 of these questions, then you probably need to start thinking about investing in a CLM solution. Else, you can consider alternatives to buying a CLM solution, covered in the last section of this guide.

Acquiring budget and buy-in for a CLM solution

The truth is: the legal team is the beating heart of every company. Unfortunately, very few people within an organization genuinely understand its work and impact. Which is why to acquire a budget for a CLM solution, you need to build a case for it internally.

You need to help other teams see how buying and using a CLM solution can help them function better. Here's how you can do so –

Sales

Revenue is the north star for all sales teams. An account executive is responsible for closing a contract. In an ideal world, they would want a contract sent out and executed immediately without any negotiations. Unfortunately, that rarely happens for high-value deals.

With a modern CLM solution, you can:

Close deals faster

All transactional contracts (NDAs, MSAs, DPAs etc.) are templatized on the platform, so a fully compliant contract can be sent out within minutes.

Make contracting available within your sales stack

The best CLM solutions are integrated with the sales team's solutions. AEs can send out contracts right from their CRM and upload third party contracts directly via their email inbox.

Track & streamline review requests

Easily track review requests made to the legal team via a centralized dashboard

Streamline approval collection

All approvals are streamlined and collected via the platform.

Track counterparty activities

CLM solutions allow the AEs to track whether the contract has been opened, read, or shared by the counterparty.

Set up post-execution workflows

Any post-execution tasks (e.g., send email to the finance and onboarding team) can be initiated via the platform.

Procurement

Businesses work with dozens of service and software vendors within just the first few years of their existence. This number balloons in size as a company matures and more specialized functions are formed.

At a certain point, a dedicated procurement team is formed. A modern CLM solution can be helpful to the procurement team in the following ways:

Centralize all contracts

With a CLM solution, vendor contracts can be centralized and indexed to make them easily searchable.

Onboard vendors and suppliers faster

Use templates to create and send error-free contracts for onboarding new vendors & suppliers.

Proactively receive important reminders

Never fall prey to a contract auto-renewal again. With a CLM solution, the relevant stakeholders will receive notifications about important dates to eliminate the risk of unknowingly renewing a contract or serving certain obligations.

Keep track of changing rights and obligations

Unlike document storage solutions like Google Drive, and Dropbox, document storage on CLM solutions is purpose-built for storing contracts. Consequently, it is easy to relate associated agreements (e.g. MSA with its amendment) together and easily track changing rights and obligations.

Run reports on demand

The procurement team often receives requests for various reports (e.g., generate a list of all vendor contracts that are renewing in the next 6 months and assess their increased burn). CLM solutions can generate such reports in minutes instead of weeks.

Visibility and control over the contract lifecycle process

With a modern CLM solution, the team can set up the necessary controls to ensure the relevant approvals are collected in a centralized place before entering into an agreement with any vendor or service provider.

Finance

Finance teams have a broad interest in the outcomes of the contracting process, despite not being directly involved in primary negotiations.

Contracts inform important financial and risk management decisions that fall upon the office of the CFO. Consequently, these teams need direct access to key contract data. Modern CLM solutions pull together key information, avoiding silos and allowing finance teams to make proactive decisions. Here are some specific ways in which a CLM can be helpful:

Better visibility on incoming and outgoing cash flow

With a fully integrated CLM in place, the finance team can project out how much money is likely to come in via sales contracts and how much needs to be paid out to various vendors in the next few months. Additionally, you can even get insights into which of those vendor contracts have an opt-out and which do not - thereby giving you far greater control over the cash flow of your business.

Optimizing the sales process

While the sales team does not report to the finance team, the sales team's performance has a direct impact on the business's financial health. Beyond just the direct impact on the sales team, the finance team can analyze what types of contracts are getting stuck in the negotiation phase for too long and then figure out solutions to remove those bottlenecks.

Putting the necessary controls in place

You can define specific approvals to be collected as a part of the contracting process. For example, the finance team can ensure that any vendor contract above a particular value will need to be approved by the CFO before it can be executed. These controls will ensure the financial health of your business.

Integrations with your finance stack

The right CLM solution should integrate with the finance team's solutions, thereby ensuring that the finance team does not need to spend time collating information from other solutions used by other teams.

Human Resources

Every employee at your company often has multiple contracts associated with them. A modern CLM solution can be helpful to the HR team in the following ways:

HRMS Integrations

CLM solutions can integrate with the company's internal HRMS. Consequently, a fully compliant contract can be generated and sent by pulling in the information from the HRMS to ensure there are no mistakes in the contract.

Process contracts in bulk

There will be times when the HR function will need to bulk send contracts to your entire organization. For example, when a new compensation plan needs to be rolled out to the revenue function or when there are changes made to the ESOP policy, etc. Rather than going through the tedious process of creating a contract individually for each recipient and sending it out for signature, a modern contract automation platform can send and collect signatures on these contracts in bulk.

Keep track of non-standard rights and obligations

Based on the person being hired, there may be numerous non-standard clauses associated with it. For example, a specific payout if the person hits certain targets. With a CLM solution, these non-standard clauses can be tracked and fulfilled without the employee having to follow up, making the HR team more proactive.

Alternative to buying a CLM solution

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 have some of these problems:

- You have thousands of old contracts that are tough to track & manage
- It's hard to keep track of important deadlines and renewals
- Finding contracts you're looking for is difficult
- You lose 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 & information
- Maintain a single system of record
- Envision the possibilities of automation with legal tech

[Access our free contract management template here](#)

About SpotDraft

SpotDraft is the #1 CLM for fast-growing companies. Our end-to-end contract lifecycle management & automation platform helps in-house legal teams process contracts faster & more efficiently.

Trusted by

Notion   Beamery   PEOPLE2.0   On Deck   Mattermost

buoy.   HealthEC   Endowus   Chargebee   RAZOR GROUP

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