Your Contract Lifecycle Management Software Implementation Is Likely to Fail

5 Strategies to Keep It From Happening

Kevin Miller, CEO, LegalSifter

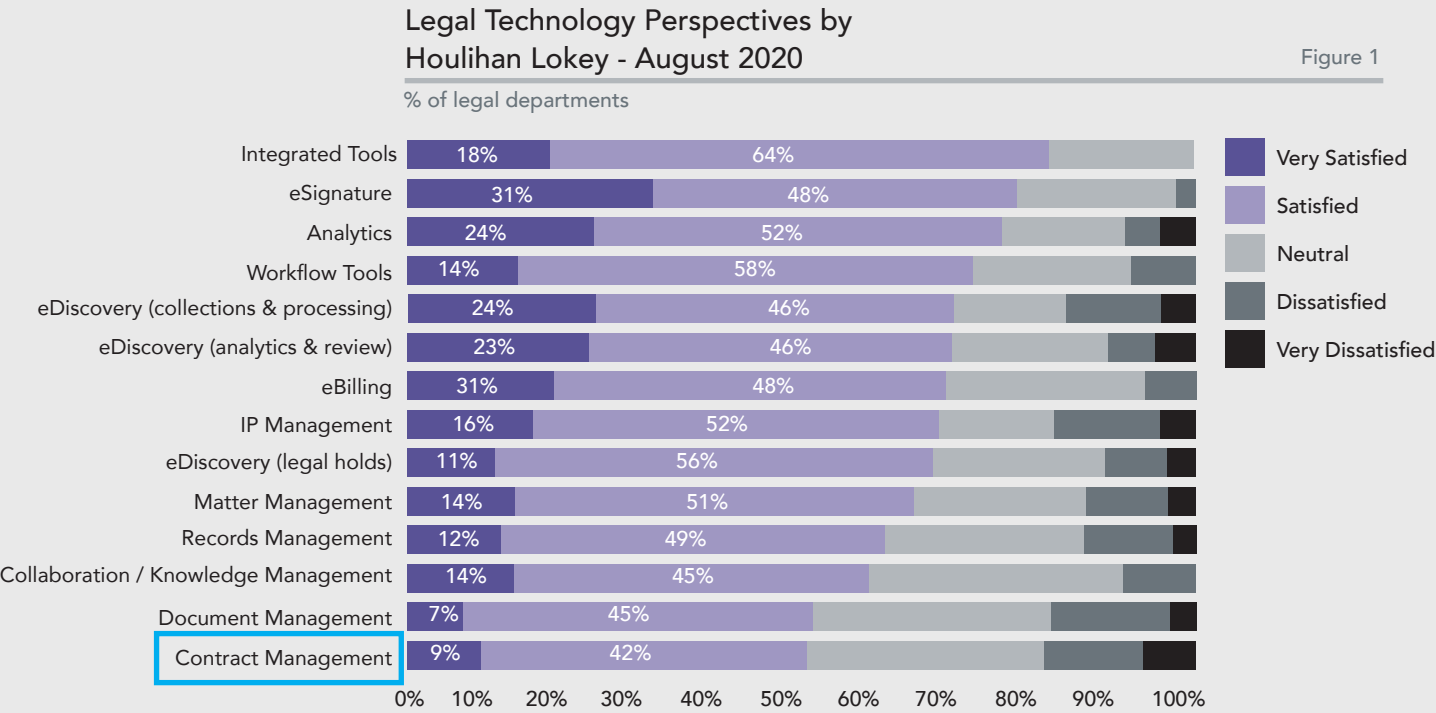## LegalSifter

TABLE OF CONTENTS

INTRODUCTION

## "Our contracts are a mess. We don't know where they are or what we have signed."

It's a common refrain. In how they keep track of their contracts, companies around the world usually fall short compared to what they had planned. Contracts are a pain.

Contract lifecycle management (CLM) systems are the worst-performing area in legal technology. The leading mergers-and-acquisitions advisor Houlihan Lokey found that only 9% of organizations are "very satisfied" with their CLM implementations (see Figure 1 below).

Legal Technology Perspectives by Houlihan Lokey - August 2020

Figure 1

% of legal departments

Category	Very Satisfied	Satisfied
Integrated Tools	18%	64%
eSignature	31%	48%
Analytics	24%	52%
Workflow Tools	14%	58%
eDiscovery (collections & processing)	24%	46%
eDiscovery (analytics & review)	23%	46%
eBilling	31%	48%
IP Management	16%	52%
eDiscovery (legal holds)	11%	56%
Matter Management	14%	51%
Records Management	12%	49%
Collaboration / Knowledge Management	14%	45%
Document Management	7%	45%
Contract Management	9%	42%

Legend: Very Satisfied, Satisfied, Neutral, Dissatisfied, Very Dissatisfied

The CLM industry is over 30 years old, and there are now over 200 CLM suppliers worldwide. So why are 91% of customers something other than "Very Satisfied"? Because customers and vendors do not follow the five strategies outlined below. Do these five things well and you will get the return on your investment that you expect. ●

Strategy 1
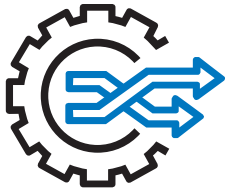
YOUR CLM SYSTEM MUST BE EASY TO IMPLEMENT, MODIFY, AND REPLACE.

You cannot handle your contracts successfully unless you have somewhere to put them. LegalSifter (my company) doesn't offer a CLM product. We offer artificial intelligence (AI), expertise, and a service that sits on top of such repositories of contracts. Because of what we do, we have encountered most CLM suppliers.

Most people use a CLM for one purpose: to review individual signed contracts.

People use contract databases like they use a physical library. They go to the library to check out a book; they go to the CLM system to check out a contract. They log in, search for a contract, review whatever terms were on their mind, then they log out. Simple.

People expect to find contracts within a CLM system like they find books in a library. If a user doesn't find a contract on its proper "shelf," they're disappointed. If that happens often enough, they stop using the CLM system. If enough users have that experience, the system fails.

When you're looking to buy a CLM system, your highest priority should be to find one that makes it easy for users to find the contract they're looking for.

We suggest three buying criteria:

1. Is it easy to implement?

Implementing a new CLM system shouldn't require the help of your IT personnel — it should be as straightforward as assembling an IKEA bookshelf. For example, does uploading your data simply involve clicking a button? It should allow you to be up and running in a few days. And if a CLM is easy to implement, then it will likely be easy to maintain.

2. Is it easy to modify?

What you need a contracts repository to do might change over time. If adjusting a CLM system would be a major undertaking, look elsewhere. Configuring a CLM system should be as easy as configuring the settings in your email system.

3. Is it easy to replace?

You should be able to download all your documents and data whenever you want, for free, by clicking a button. Subject to any commercial constraints you agreed to with the provider, you should be able to easily migrate to a better system if your current CLM is not keeping up with the market.

When picking a CLM system, buyers tend to get too excited about reports, workflow, clause libraries, approvals, and AI capabilities. (Nothing against AI — I work for an AI company!) Those features are for naught if you can't find your contracts quickly and easily. Integration with other systems is certainly an important consideration, as are security and privacy, but they're secondary to how easy the system is to use.

If your CLM system is easy to implement, easy to modify, and easy to replace, there's a good chance your people will actually use your contracts library. ●
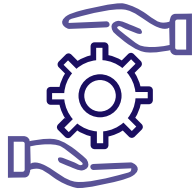
Strategy 2

SIMPLIFY HOW YOU STORE CONTRACTS

People expect to deposit contracts and related documents into a CLM system as easily as they return a book to a library or as easily as they deposit money into a bank. When they return a book, they follow signs to "book drop" or "book return," or they follow signs to the front desk. When they move money to and from their bank, people follow signs to an ATM, go to a teller at the bank, or click around an app on their phone or computer. Libraries and banks make it easy to return books and move money. They provide signs, personnel, and software to make it easy.

> **If you can't get all your contracts deposited into the CLM, then it doesn't matter how easy it is to implement or use.**

Unfortunately, CLM systems don't make it easy to deposit contracts. There are no signs. There's no book drop. They don't have enough — or any — contract librarians or tellers (more on that later). They make their users do way too much data entry, making it impossible to keep the contracts on the right shelves. Contracts become harder to find, and users stop using the system.

Contacts are decentralized in most organizations. They're in the hands of the many, not the few. Teams often tell me that their contracts are all over the place. It's because they have an improvised process for depositing contracts — or no process at all.

We have three recommendations:

1. Have all contracts deposited in the same place.

Set up a single destination for all signed contracts. It could be an email address, such as contracts@abccompany.com, or a folder in the CLM system. Instruct everyone to submit all signed contracts to that destination. If you use an esignature tool, have all signed contracts automatically route to that destination. Whenever appropriate, a librarian can collect the contracts, extract the metadata, and archive them appropriately.

2. Remind people often, and in different ways, of the single destination for contracts.

If not all your contracts are directed automatically to your single destination, you should remind your personnel often, and in different and memorable ways, that that's where they must send all contracts. People need to be constantly reminded of this sort of thing.

3. Don't let your users manage deposits in the CLM system.

If you deposit money in a bank, you're not responsible for getting the money into the specified account — the bank's systems handle that. And librarians, not library patrons, put books back on the right shelves. Similarly, don't let your users put contracts and metadata into your CLM system. They won't keep them organized — it's not what you're paying them to do, and they're not up to the task, so don't ask them to do it, unless you want to risk having your BP contracts filed many different ways (under BP; British Petroleum; BP, plc; B.P.; B.P. LLC; BP America, and so on).

If you build a beautiful CLM system but your contracts don't end up in the right place, your system will fail. Make it easy for people to deposit their contracts.
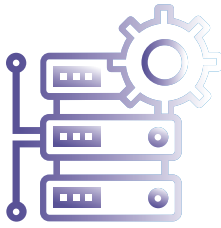
Strategy 3

USE PEOPLE AND ALGORITHMS TO EXTRACT YOUR METADATA.

Contracts are a pain to read, negotiate, and organize, primarily because each contract is different. And what matters isn't the contract itself, but the data trapped within the contract.

Most organizations have an expensive, inconsistent process for extracting from a contract the details that matter. They typically pass around PDFs via email, leading awfully expensive people to spend way too much expensive time scrolling around the same contract as if on a scavenger hunt. Finance looks for payment terms, Service wants implementation details, Manufacturing wants to know what has been ordered, Sales searches for pricing, and so on. And a second team might check the first team's work, adding to the expense.

Have AI help you with this.

We have three recommendations:

1. Buy an AI extraction tool or AI-driven extraction service or ask your CLM service to get one.

Contracts are a nuisance because they say different things in different ways. Natural language processing and machine learning algorithms (both types of artificial intelligence) are good at reading that kind of information. They also get smarter over time. A human — regardless of their skill or experience — reading a PDF of a contract will take more than twice as long to review and extract data from a contract than someone with access to an AI extraction tool. Products and AI-enabled services exist to extract contract data   for you, and will allow you to do it faster, less expensively, and more accurately than if your personnel were to do it unaided.

2. Don't trust AI to do the work without human oversight.

I'm in the AI-and-contracts business, and I can tell you that all AI tools for contract review and extraction require human intervention. We cannot build robot lawyers with today's technology. But we can build tools that allow humans to accomplish more.

3. Expect a learning curve.

Modern humans have had 200,000 years to figure out how to work together. Our ancestors go back millions of years. We can count in days the time that humans have used algorithms to extract information from contracts. Making algorithms (at LegalSifter we call ours "Sifters") part of your team requires thought and planning. Algorithms are like new hires with their own strengths and weaknesses, quirks and needs, and they can be disruptive. They present opportunities to solve historically unsolvable problems, and they create challenges. Be patient—like people, they can be taught. Unlike people, they don't regress.

AI is still not widely adopted, but it's no longer a distant prospect—we're in the early-adoption stage. We can expect that AI will soon be used throughout the contract lifecycle as suppliers like LegalSifter continue to improve. In 2017 and 2018, organizations would ask us if we had a robot lawyer; now, people are much more savvy. Our business has grown rapidly, and we expect extraordinary growth in the coming quarters. ●
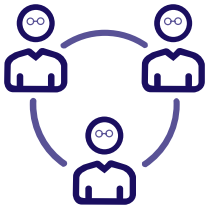
Strategy 4

HIRE LIBRARIANS FOR YOUR CONTRACTS.

You need librarians to curate your contracts database. If you leave it to AI alone, the algorithms will get it wrong too often. If you leave it to your users, they won't put the contracts in the right place, nor will they extract accurately, or at all, the data trapped in the prose. And neither the AI nor your users will continuously improve the CLM service's features and functionality, tailoring the database to suit the needs of your organization.

You're running a contract library with all the trappings.

A library requires a librarian. Users search for contracts in a CLM like they search for books in a library. Curating contracts is not likely to be core to your organization. Most of you don't manage contract databases for a living. You have other stuff to do.

If you don't assign someone, or a team, to manage your contracts archive, your communications, the reports, the reminders, and your workflow, your CLM service will fail. And you need people with specific skills.

Here's what we recommend:

1. The person or team must have the skills like those of a librarian.

They must like to read, love to learn, be highly organized and detail-oriented, be good with numbers, be adept with software and technology, have a broad general knowledge, communicate well, be likable, have an affinity for working with lots of information, and be eager to promote change. We find that most organizations dramatically underestimate the skill required to successfully implement and maintain a CLM service.

### 2. Support that person or team.

Figure out what it takes, on an ongoing basis, to support a contracts archive, administer the database, create new process flows, introduce new features, manage the CLM service, and train new and existing team members. Most organizations dramatically underestimate the work required.

3. Buy a contact librarian service.

LegalSifter offers a contract-librarian subscription service called LegalSifter Concierge. It's a service that catalogs your documents while you run your organization. When your team signs a new contract, they deposit it with LegalSifter using a simple process, and our team of librarians will sift and store your important data in your CLM service. In the case of existing contracts, we extract metadata, deduplicate files, match amendments to their contracts, and generally organize your stacks and stacks of contracts.

If you don't have a CLM service, we will source and implement one with you. We help set up your system with the CLM vendor, build reports, design alerts, and train your users. We help you roll out new features, and we make it as simple as possible for your team members to find and work with your contracts. If you don't want to make curating contracts one of your core competencies, let us do it.

Understaffing the contract-librarian function is the most common mistake we see organizations make in handling their contracts process. They budget for CLM software, but they misjudge what it takes to run it effectively. That's an oversight no AI can fix. ●
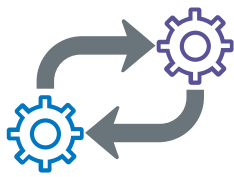
Strategy 5

RECOGNIZE THAT IMPLEMENTING A CLM SYSTEM INVOLVES CHANGE.

To make the best of implementing a CLM system, you should recognize that it will require asking your team to do something different. That involves change.

You're not just implementing a CLM system. You're improving your revenues, reducing your costs, and reducing your risk. You're serving your clients better, and you're becoming more responsive. The software is the vehicle to achieving those ends. But you're more likely to achieve these gains if you plan for them from the outset and plan for the change they entail.

> **"You can lead change."**
>
> **— John Kotter**

I've found that if you want to overhaul your contracts process, it helps to listen to the best advice out there on how to effect change. John Kotter, a prominent figure in this field, has written what I think are the most influential and accessible books on the subject. His "8-Step Process for Leading Change" philosophy is widely acknowledged as a standard for implementing change within organizations.
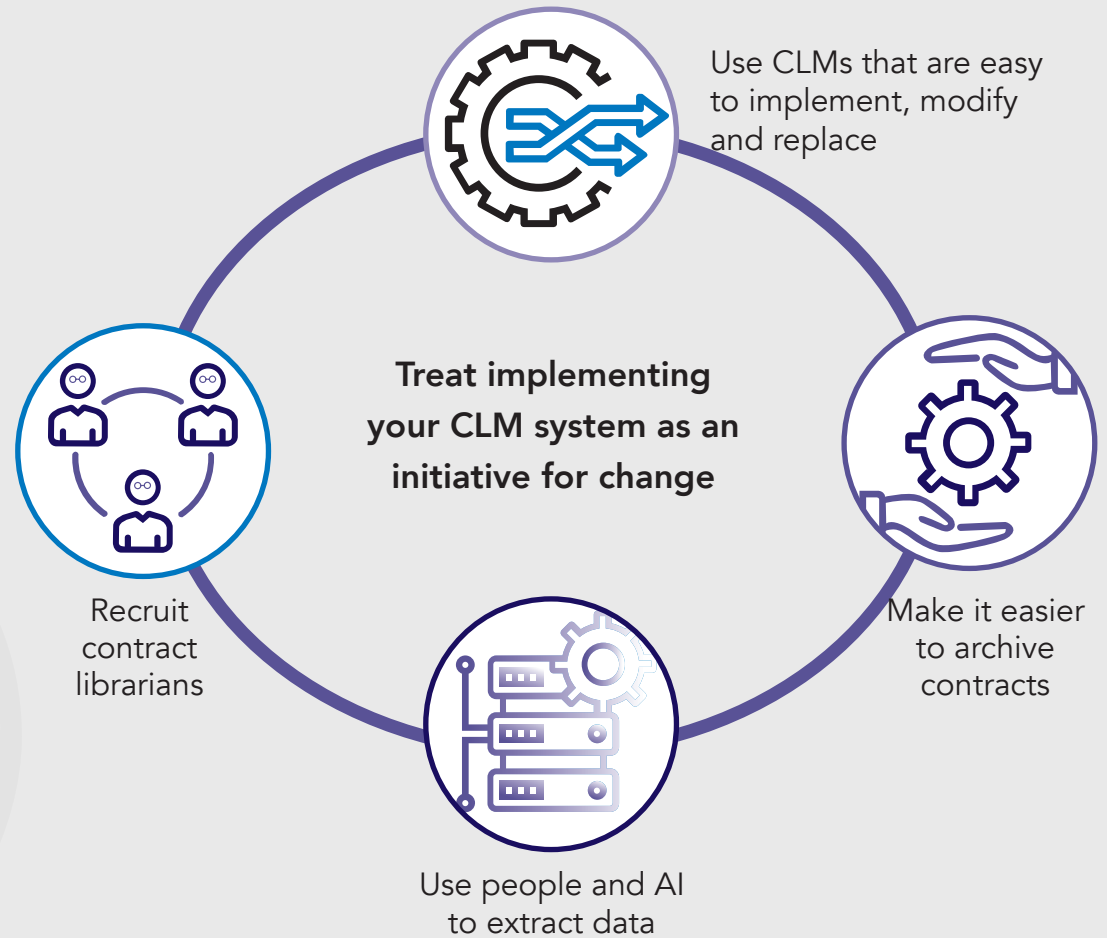
Here's what I recommend:

Read Leading Change, by John Kotter.

Reading Leading Change has helped shape my career. Get anyone who is responsible for implementing or fixing your CLM system to read Leading Change — if they follow Kotter's advice, that would put the project on a good trajectory. (And keep an eye out for Kotter's latest book, coming in the summer of 2021.)

Whoever is responsible for implementing your CLM system will have to manage change.

Implementing or fixing your CLM system will involve asking people to do things differently. To manage that project effectively, the leader must be willing to act as an agent of change. If they are not willing to take the risks that come with driving change from out front, your implementation will fail. It's OK if it's their first time at initiating change, as long as they're determined and as long as they try to grasp the principles involved, with John Kotter being an obvious resource. If that's not the case, your implementation will fail. ●

Use CLMs that are easy to implement, modify and replace

Treat implementing your CLM system as an initiative for change

Recruit contract librarians

Make it easier to archive contracts

Use people and AI to extract data

FINAL THOUGHTS

Once you recognize the role that change plays in implementing a CLM system, that will bring into focus the other strategies discussed in this paper. Following these strategies will make it much more likely that you will succeed in overhauling how you handle your signed contracts.

If you have any questions or thoughts, please feel free to contact me at kevin@legalsifter.com.

ABOUT US

Kevin Miller is chief executive officer of LegalSifter, a company that combines artificial intelligence and expertise to help companies in how they review and manage contracts. Kevin has spent his career driving change through advanced technology, service, and expertise. He joined LegalSifter after nine years at Industrial Scientific Corporation, a global safety company, where he attained the position of chief executive officer. Before that, he helped launch an online version of Argosy University, with regionally accredited bachelor's, master's, and doctoral programs in business, education, and psychology. Before that, he spent six years in a variety of roles at FreeMarkets, a developer of global sourcing and procurement software, and at Ariba, which acquired FreeMarkets.
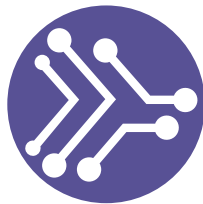
LegalSifter is dedicated to bringing affordable legal services to the world by empowering people with artificial intelligence. LegalSifter intends to achieve its mission by working with the legal profession, not against it. Born of Carnegie Mellon University in Pittsburgh, Pennsylvania in 2013, a city at the heart of the artificial intelligence evolution, LegalSifter exists because its leaders believe that thinking-reading-writing technology will unlock the potential of the legal profession to become affordable. We have started with contracts, the most important documents in global commerce. Where we go next will be limited only by the imagination of our team, clients, partners, and the industry.

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