



RESOURCE GUIDE

Ultimate guide to contract management

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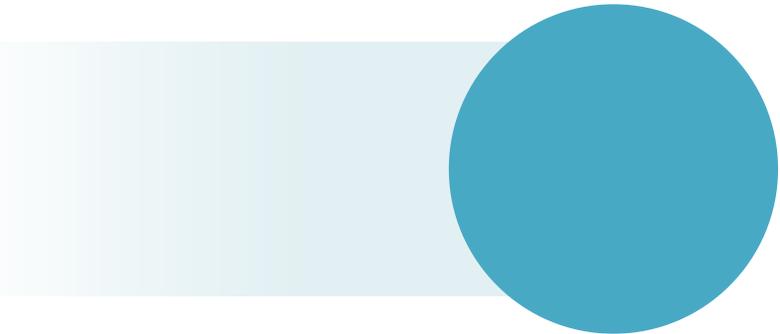
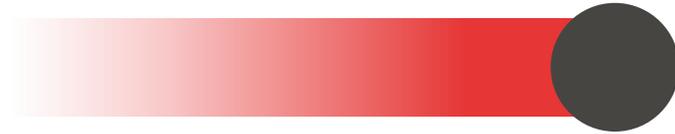
How to build a strategic advantage with contract lifecycle management

You might see contract management as something that only pertains to legal or finance. But if you're responsible for closing deals, you're more involved with contracts than you realize. Because contracts are binding and govern over 80% of transactions and value, every business should care very much about what they contain.

Contracts are the lifeblood of companies. They outline the rights and obligations of the company and its customers, vendors, and partners.

If your contract lifecycle management (CLM) system isn't integrated within a full, end-to-end business process, you are missing opportunities to streamline sales, standardize terms, increase efficiency, and reduce risk across the organization.

This guide outlines the steps of the contract lifecycle and shows how effective contract management can help you maximize deal value and streamline processes.



CLM appeals to companies of all sizes in all industries. Implementing CLM can lead to significant improvements in revenue management, cost savings and efficiency. Understanding and automating CLM can also limit an organization's liability and increase its compliance with legal requirements.

Gartner, Magic Quadrant for Contract Life Cycle Management, Patrick Connaughton, Kaitlynn Sommers, Marko Sillanpää, Micky Keck, February 25, 2020

The impact of contracts on your business

Contract data determines revenue and costs

Contracts are the roadmap to your business deals. They define what someone is paying you, how long they'll be paying you, if you are responsible for replacing broken products, when the customer is free to move on, and much more. Any mistakes in this process can increase your liability and have a real impact on your bottom line and on your customers' experience.

The clauses within contracts are full of business-critical legal terms. Start and end dates, payment terms, service levels, customer support levels, warranty periods, and agreement values are all determined by your contracts. Having insight into these terms is not only critical, but can significantly simplify everyday business for your legal, finance, sales, and executive teams.

Contracts simplify business

Contracts outline explicit expectations and instructions for all parties involved in a deal. Companies with good visibility

and foresight can use the data in their contracts to their advantage. Benefits of greater contract visibility include more accurate revenue forecasting, trend analysis to improve selling and negotiation, better risk management, and better coordination of sales and legal teams. When you're managing contracts appropriately, it's easy to find places to streamline and optimize both in your sales cycles and your revenue management.

4 ways contracts simplify your business

- 1 Establish clear expectations for all parties
- 2 Ensure control of resources
- 3 Optimize revenue and cost streams
- 4 Streamline business processes

Navigating the contract lifecycle

Contract management involves much more than just taking care of your documents. Deployed at its most basic level, a contract management solution might be little more than an electronic version of a filing cabinet. But a filing cabinet doesn't help you understand what's inside—or help your business get the most value from the agreements that fill the cabinet. To make the most of your contracts, you need to manage the entire contract lifecycle.

The contract lifecycle includes everything from managing your executed contracts in a repository to requests, authoring, negotiation, and execution. Effective contract management requires an understanding of every step in the contract process, including any process that adds, creates, or uses contract data. Here is a more detailed look at the key functions and process steps a contract undergoes during its lifecycle.

The contract lifecycle

1. Request
2. Drafting
3. Negotiate
4. Approval
5. Execution
6. Obligations
7. Compliance
8. Amendment & Renewal



Key terms and contract process flow

1. Request: a business user asks for a contract

The first step in the contract process is for someone in the company to request a new contract. In many companies, the request process can be very informal and disorganized. If there are no centrally located or easily accessible templates, it results in outdated contracts used as ad-hoc templates, exposing the company to financial and compliance risk.

A casual contract request process is also slow and inefficient, with the details needed to create the contract usually shared verbally or by email.

The contract request process can be automated with a guided self-service tool. This allows individual business groups to request the contract types they need, and the contract creators - usually in the legal department - can respond according to measurable service level agreements (SLAs) they have with their business teams.

The contract lifecycle

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2. Drafting: a contract is created

When it comes to creating a contract, the goal is to eliminate manual work and reduce the time required, but without introducing unnecessary risk. If legal must be involved with the creation of every single standard contract, your contract management process and sales cycles become riddled with slow and costly bottlenecks. Because lawyers have a specialized skill set and their time is extremely valuable, it's ideal to use templates for everyday contracts and common clauses wherever possible.

That way, high-value legal resources can focus on the exceptions, such as complex or one-off strategic agreements that require significant negotiation. And, the entire process is faster and more efficient for all contracts.

The contract drafting process can be automated with CLM. When your lawyers approve centralized templates in advance, those templates can be reused over and over with almost no intervention from legal.

Plus, the legal team lives in Microsoft Word or other word processing software, so finding a tool that seamlessly integrates with Word is critical for the adoption of your CLM solution.

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3. Negotiate: terms are agreed between parties

When thinking about contracting, the negotiation phase typically comes to mind. But negotiation is not only limited to price. Everything about the business exchange is included in the contract: service levels, liabilities, options for renewal or termination, intellectual property, publicity, and dozens of other factors. And nearly all these terms are potentially open to negotiation. Your negotiation should make sure they produce the best outcome for your business while remaining agreeable to the other party.

During the negotiation phase, it's important to have the most up-to-date terms and then track any changes the counterparty makes. It's easy enough to track changes using built-in capabilities in Word, but these tools aren't designed for documents that pass through many hands. Plus, it's easy for the other side to slip something into a Word document without notice. With contract management software, changes can be tracked in real-time with visibility across teams, maintaining accuracy and consistency throughout negotiations. Since most of a contract manager's or lawyer's time is spent working with Microsoft Word or other word processing software, it's important that your CLM system allows users to perform the negotiation tasks directly inside the tool they're most familiar with.

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4. Approval: internal controls ensure the best outcome

Part of the challenge of approvals is finding the right balance between too much oversight and not enough. This is where the speed vs. control conundrum is most acutely felt. Your sales teams' paychecks (and the company's revenue) ride on getting the contract through. But, depending on the importance of the contract, you may need high-level legal or executive involvement to ensure your interests are protected.

It's critical that your contract management system can facilitate the approvals and controls needed to protect the company's interests. At the same time, your solution has to have flexibility to automatically navigate the quickest route to executing the agreement.

Approvals must come from all appropriate internal teams. With an advanced contract management system, this can be done electronically and even on mobile devices, dramatically speeding up contract cycles.

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5. Execution: the contract is signed, put into effect, and placed in a repository

Execution is the stage where the contract is signed and goes into effect. An eSignature solution can reduce the time to “yes” from days to minutes, and help track the signing process with audit trails.

After signature, the contract terms become a set of instructions for the different parties involved. This is where having a seamless process for getting contract details to fulfillment is critical and revenue management kicks in.

What happens to the contract document itself once the contract is executed? Ideally, it’s stored in a centralized place where it’s easy to access in case of a dispute or a need for modification. Unfortunately, for a lot of businesses, a contract’s final resting place is in a file cabinet somewhere in the legal department or on a hard drive.

If you manage your contracts that way, you are missing a lot of the revenue growth opportunity that contract management offers and potentially opening yourself up to risk. After all, you can’t manage what you can’t find.

The contract lifecycle

- | | |
|--------------|------------------------|
| 1. Request | 5. Execution |
| 2. Drafting | 6. Obligations |
| 3. Negotiate | 7. Compliance |
| 4. Approval | 8. Amendment & Renewal |



6. Obligations: ensure both sides meet their end of the agreement

At the obligations stage, it's time to get to work. Sales contracts put you on the hook to deliver goods and services, meet deadlines, issue reports, and do many other things. On the flip side, contracts also entitle you to get paid if you live up to your end of the agreement.

But sometimes the fulfillment of these contract line items is easier said than done.

There are a few ways companies can approach this problem: 1) shut their eyes and hope for the best; 2) hire an admin to manage the chaos in an incredibly detailed spreadsheet; or 3) integrate their contract management system with front- and back-end systems, so changes to the contract are delivered to sales, customer success, fulfillment, and operations teams for action.

With strong obligation management tied into CRM and ERP, you won't miss a deadline or lose track of a payment.

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7. Compliance: meet all reporting, search, and government requirements

While you're handling all the obligations created by contracts, there are plenty of other things you need to do with the contract data. This includes providing regular reports to internal and possibly external parties about the contracts and your performance to obligations. You also might need to locate specific contracts to comply with industry requirements, government regulations, audits, and responses to lawsuits.

To meet all these needs, it's important that your repository has detailed search and reporting capabilities.

You want the ability to search for business terms, contract clauses, performance to obligation, and free text. Without a repository, searching for information in your contracts can be costly, time-consuming, and frustrating.

The quicker you can access the information inside your contracts and take necessary action, the more time and money you'll save, the more you'll reduce overall risk, and the less you'll pull the business away from its key activities.

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8. Amendment / renewal: contracts are changed and renewed, then the cycle starts over

Before your contract expires, you'll want to send a new version to the customer for a renewal. This will kick off a new round of drafting, negotiation, approvals, and so forth. In short, the contract lifecycle starts over. If you're managing your contracts without software, it's easy to lose track of renewals. You might rush to get a contract signed before the last agreement expires or even let a contract expire by accident.

Sometimes your contract won't get to renewal before it needs to be revised—perhaps your company was acquired, or a new law came into effect requiring you to update your existing contracts with new language. In cases like this, you'll need to amend contracts and notify customers.

Your contract management software should provide alerts, reporting, and search abilities that enable you to stay on top of renewals and handle amendments. Just like in the compliance step, a manual system will make renewals and amendments extremely difficult.

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CLM for any type of contract

Sell-side and buy-side contracts

Not every contract is a sales contract, and your contract management system should be able to support any type of contract. While the “sell-side” contracts that your sales team is responsible for are critical, “buy-side” contracts introduce their own value to the organization, as well as a separate set of needs and processes.

Buy-side contracts are key in procurement and finance efforts to closely monitor every dollar your company is spending. With contract lifecycle management at the center of their buying process, these teams can reach agreements with suppliers faster, negotiate more effectively, and track supplier compliance more accurately.

It’s important to evaluate solutions that can support both your buy-side and sell-side contracts to avoid siloed processes and duplicate tools. For many businesses, the buying process and the selling process are inherently related, so it’s imperative that your contract management solution encompass all contract types to promote visibility across all agreements. Otherwise you’re just getting part of the picture—and what you can’t see can hurt you.

General contracts

Lastly, many other business teams require contracts to manage employment, intellectual property, real estate, and other needs. Such “general” contracts are of interest to HR, operations, IT, R&D, and—of course—legal departments. A contract lifecycle management solution allows individual teams to request, author, negotiate, execute, comply, and renew with ease, especially with self-service functionality.

Easing common contract management pain points

If contracts are completed faster, you can collect on them sooner. If they’re accurate, you have fewer revisions to slow down the process and likely fewer disputes later on. General counsel and C-level executives will be reassured because they’ll have confidence that the contract management process is working.

The benefits of automating contract management are real. But so are the pains.

Here is a look at the five most common pain points of inefficient contract lifecycle management and some of the ways to overcome them.

5 common contract pain points

1. Speed vs. control

The biggest source of friction in the contract lifecycle comes from the balancing act between speed and control. Because contracts are so critical, legal prefers to examine contracts with a fine-tooth comb. Sales often has a different perspective, pressuring legal to get out of the way so deals can close faster. The main business challenge becomes moving contracts through quickly, but with enough oversight to effectively manage risk.

2. Lack of visibility

Part of what exacerbates the speed vs. control dilemma for legal is a general lack of visibility into contract terms, obligations, and value. If you can't see it, you can't control it. This becomes a major pain point because agreements outline the terms of the value exchanged, and if you can't ensure the right value for deals, money is slipping through your company's fingers. Lack of visibility is an especially serious problem for expiring contracts and renewals.

3. Inconsistent legal language

It's important to be consistent in the use of terms and language in your contracts. Gaps in standardized language can introduce risk or confusion.

If you can't determine whether contracts contain accurate language or identify the difference between contracts, lawyers might have to get involved in every single deal. This also increases the risk of being non-compliant or leaving revenue on the table.

4. Information silos and manual processes

Managing all the necessary steps in the contract process is hard enough across several internal departments. The complexity of managing contracts increases exponentially when you manage contracts across multiple office locations, time zones, or languages. The ability to have everything centrally located with changes tracked in real-time is critical. When contracts are managed manually, human error, bottlenecks in the contract cycle, and limited control of processes can lead to dramatic increases in risk. Automating contract management helps companies improve control and visibility and significantly shortens contract creation time.

5. Inability to manage change

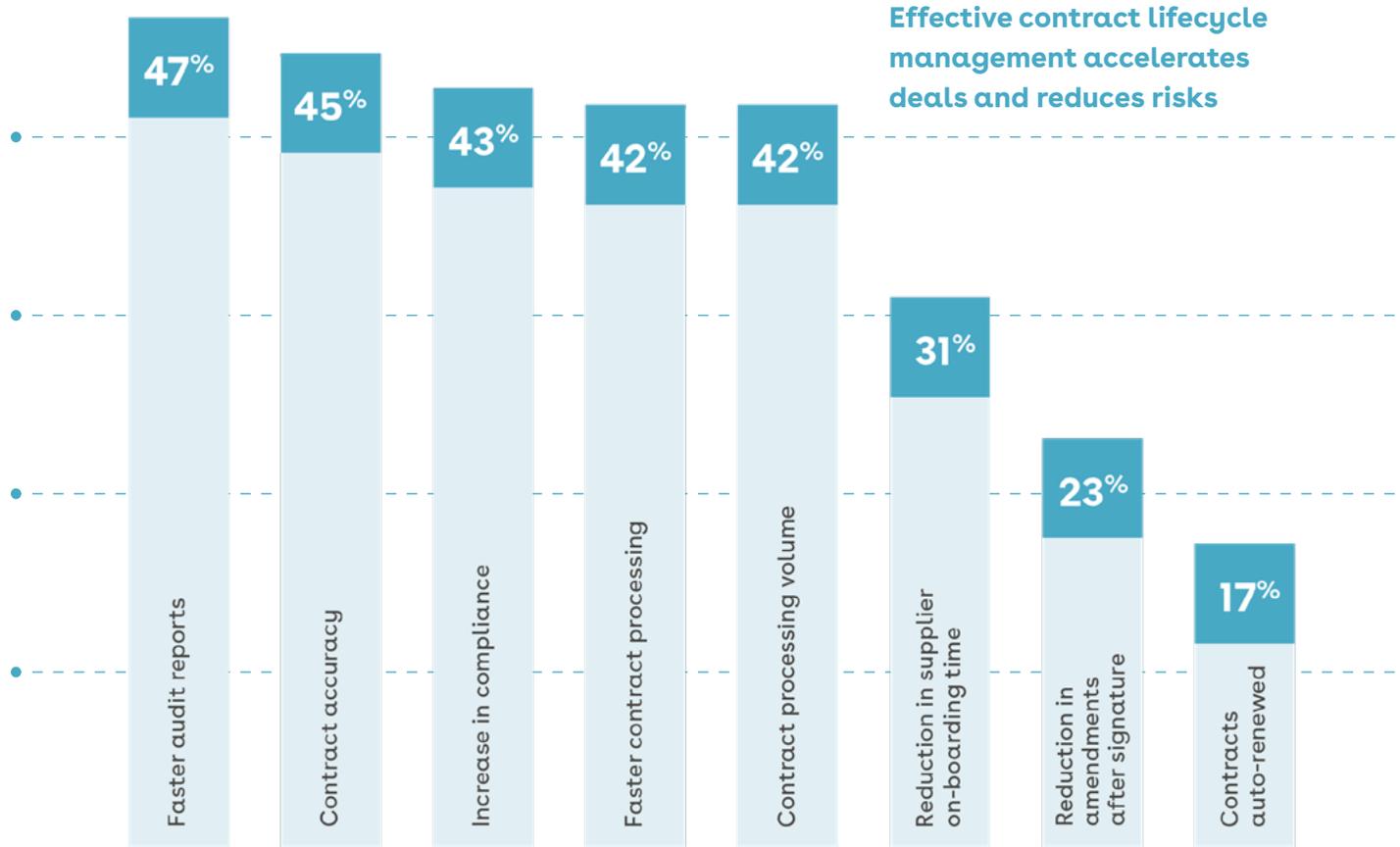
The customer relationship gets more valuable once the deal is signed, so it's important to have a mechanism for managing changes over time. You need to be up to speed on renewal dates, pricing changes, emerging legal requirements, and other events that require you to speak to the customer specifically about the contractual relationship.

If you drop the ball on contract-related communications, you risk compromising the relationship with the customer—especially if the contract language (or lack thereof) exposes the customer to new risk. Your ability to manage the contract, particularly through changes over time and the renewal process, will have a direct impact on the quality of the customer relationship and on your customer retention rate, as a result.

“Ineffective contract management costs businesses up to 9.2% of revenue.”

Tim Cummins | President

International Association for Contract and Commercial Management



Average percentage improvements reported by Apttus (now Conga) customers

Source: Conga Quote-to-Cash (QTC) Impact Study conducted June 2017 by an independent third-party, Satmetrix on 200+ Conga customer contacts randomly selected. Performance metrics are intended as a guideline based upon historical results from a sample set of customers. Results are dependent upon many different factors that are customer-specific. Therefore, actual results will vary. Response size per question varies. In May 2020, Apttus and Conga joined forces as the all-new Conga, bringing together their solutions and customer bases.

4 steps to achieving contract management excellence

To alleviate common contracting pain points and achieve significant improvements, you need an effective contract management strategy. We've broken down this strategy into four universal steps. As you roll out your strategy, each step will compound success, capturing more value for your business and getting more of your company on board with the benefits of contract management.

Be sure to select a contract management provider that has the expertise to help you achieve excellence across all four phases. Don't just focus on tool functionality. Your provider should be able to guide you through each step, with the experience, service, and peer community in place to help ensure your long-term success.

Step 1: Get your contracts in one place

Contract management at its most basic level is getting your contracts in one digital location so you can start to unlock their value and understand obligations and compliance. Even though this isn't all of contract management, it's a great starting point. So make your first milestone to get your contractual ducks in a row, centralizing your contract content.

Once your contracts are in one place, you'll be able to search and report, control access, receive alerts for key events, and more. You'll have gained a business advantage from contracts—and you're still only getting started.

Step 2: Define process and performance metrics

For most companies, the next step is to automate the process of how each person in your company interacts with the contract lifecycle. Set up workflows for contract requests and approvals. Create and enforce service levels and other commitments for teams to work together on contracts.

This step offers big gains in contract cycle times, which leads to more closed business and more efficient time use for all parties involved, including sales, legal, finance, and executives. Faster cycle times also create a more streamlined customer experience.

With these two steps complete, you'll have implemented a significant positive change for your company. This is where some companies stop—but there are many more benefits ahead for those that continue to build on their success.

Step 3: Build contracts smarter

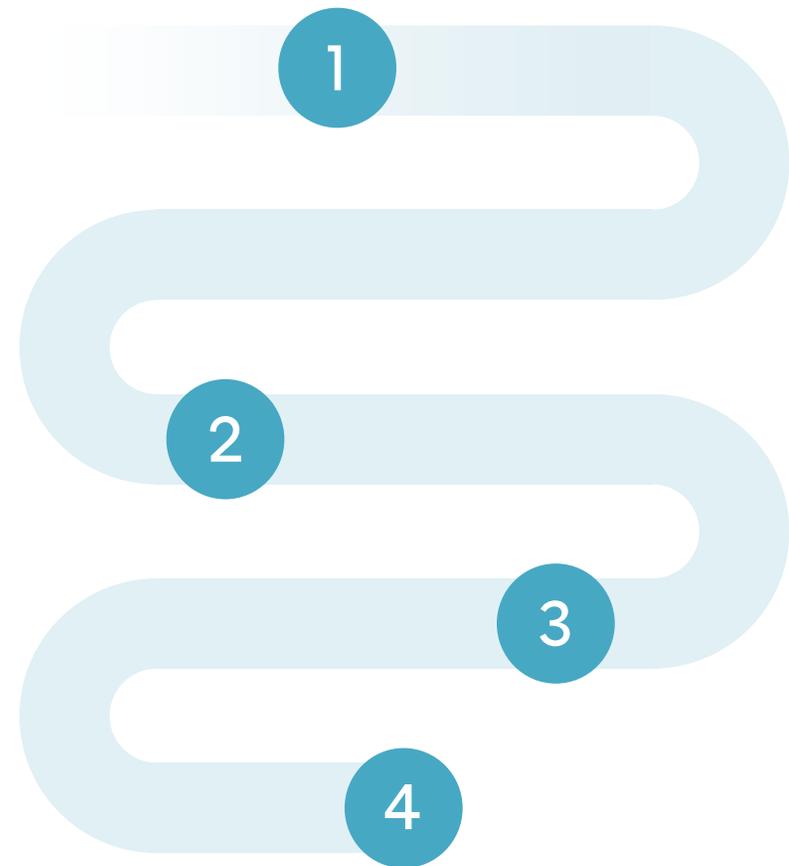
Next, you should automate the drafting and negotiation processes using electronic templates, legal playbooks, self-service contract wizards, and the integration of Microsoft Word with contract management software. This step offers further gains in cycle time and helps companies handle negotiations more effectively.

By doing this, you will see fewer errors and reduced contract risk while maximizing the impact of guidance from your legal team. This will also help alleviate the tension between speed vs. control, and will further align the goals of your legal and sales teams.

Step 4: Integrate and accelerate contracts end-to-end

Finally, you'll want to extend the value of contract management to other related systems. Contract management on its own offers a solid ROI, but the investment gets even more impactful as part of an integrated end-to-end solution that also helps transform commerce, revenue, and documents. This way, you can ensure that efficiency, visibility, and control extend from the start of your sales process, through your contract lifecycle, and into your revenue recognition, allowing data to seamlessly and intelligently flow from step to step, from department to department, and from your CRM solution into your ERP solution.

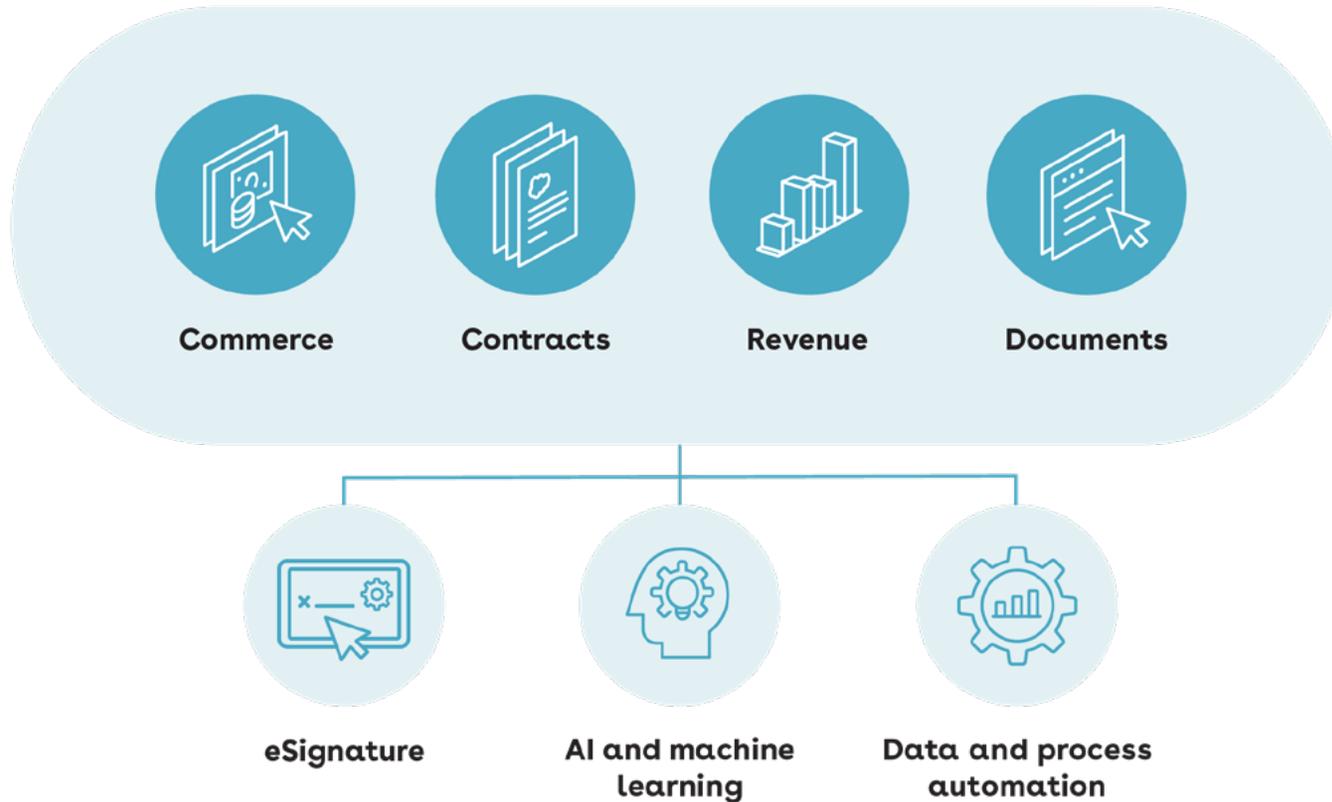
To attain this last step, you'll want to make sure your contract management software is part of a single, integrated, intelligent solution. You also want to know that your provider is experienced with ERP and CRM.



Why partner with Conga for contract lifecycle management?

Conga's Contract Lifecycle Management (CLM), an end-to-end contract management solution, eliminates manual and disjointed contract processes and delivers higher-quality experiences for both your internal and external customers. Conga CLM drives contract excellence at scale, reduces cycle times, improves negotiating outcomes, and minimizes risk.

Built in the cloud, Conga seamlessly connects with CRM and eSignature solutions to simplify your commercial operations. Conga empowers all departments on their journey to transform commercial operations



Real stories from real CLM customers

Achieving contract lifecycle management excellence

Conga customers have achieved real business benefits with contract lifecycle management.

Here are the stories of a few Conga customers.



Faster legal cycles and lower costs

One of the world's largest providers of banking and payments technologies had inefficient and manual contract management and approval processes. In addition, the company needed to securely store sensitive contract data at the same time that it needed to be able to manage multiple agreements across many divisions.

Conga CLM met the organization's current contract management needs as well as providing a complete, end-to-end solution as it continued to scale in the future.

Once the company was on a single, standardized platform, it was able to quickly automate processes, reducing cycle times by 75% and lowering admin costs by \$1 million.

Greater efficiency and sales volume

A large technology company had a slow and complicated contracting process before implementing Conga CLM, with new contracts taking more than 100 days to close. After setting up the contract management system, the company found that its new global contracting system far exceeded efficiency goals. New contract time was reduced to less than 25 days, and approval cycles were reduced from days to minutes: an improvement of 99.9% in approval cycle times. Standardization of language and centralization of storage enabled reporting that led to valuable business intelligence.

The company saw its sales proposal volume increase by 49%, due to gains in efficiency and time savings.

Bringing home the benefits of contract management

Drive business benefits with contract lifecycle management

Contracts are essential to your business. To compete in the 21st century, an effective contract management system is critical. Contract management involves a series of steps that create a full lifecycle, and contract management software can offer massive benefits at every step. As you roll out contract management, you can set milestones at certain steps to deliver even greater value to your business. A contract management solution increases the speed, visibility, and control of your contracts, allowing your business to streamline sales cycles, effectively manage revenue, and relationships—and ultimately achieve more revenue and greater competitiveness in your industry.

For more details on how contract management can drive business benefits and contribute to strategic business outcomes, visit:

conga.com/workflow-automation-software/contract-management-system

The Conga logo is a red circle with the word "conga" written in white lowercase letters. It is positioned at the bottom right of the page, partially overlapping a light blue decorative shape that resembles a stylized 'C' or a thick line that curves around the page.

conga

About Conga

Conga, the Revenue Company, is the pioneer and market leader in Revenue Lifecycle Management. Its platform is chosen by the world's growth champions to accelerate the end-to-end revenue lifecycle and achieve a Revenue Advantage. Conga brings Configure, Price, Quote, Contract Lifecycle Management, and Document Automation capabilities together on a single open platform that works with any ERP, any CRM, and any Cloud. Conga is born for the top line—powered by a unified revenue data model, complete revenue intelligence, and purpose-built AI—to help companies grow, protect, and expand their revenue.

Conga delivers a Revenue Advantage to over 10,000 customers and 6.4 million users around the world. More than 7 million contracts and 46 million quotes are generated annually with Conga. Founded in 2006, the company is headquartered in Broomfield, CO and has offices across the United States, India, and Ireland. Visit conga.com for more information.



For more information

Email info@conga.com or visit conga.com