Contract Lifecycle Management: Trends, Numbers, and More

Contract Lifecycle Management is a process of managing, analyzing and executing contract creation. Adopting CLM practices became a trend in 2018, which continues to grow even more in this post-pandemic world. Increasing investments into contract management lay the foundation for business growth and drive many businesses across different sectors to start using it in their day-to-day operations.

The question we ask ourselves, when deciding to adopt contract management, is simple—what is the benefit of this technology and how do I define contract lifecycle management KPIs?

And the answers are plenty!

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Since the best way to see the benefits is to see the statistics and research results, we've put together some of the most notable reports and stats in one article, and discussed the trends and nuances of CLM.

What's inside
- Contract management by the numbers

Contract management by the numbers

Analysts at PricewaterhouseCoopers suggested that a business can save up to **2% of their annual costs** by utilizing contract management and thus avoiding inaccuracies and non-compliance.

At the same time Goldman Sachs estimates that automating contract management can help with the following:

- Accelerate negotiation cycles **by 50%**

- Reduce erroneous payments **by 75 to 90%**

- Cut operating and processing costs related to to contract management **by 10-30%**

These numbers are already amazing. But are contracts really that big of a part in business's everyday life? Here are some stats gathered by CottrillResearch, CLOC, and ACC.

- **70-80%** of business operations are governed by contracts
- **46 cents out of every $1** spent on legal services goes on external costs
- **37% of companies** spent more than $750k on legal technology in 2018
- **$1M** is the average legal technology spend for mid-size companies with in-house engineering resources in 2018

Not only are such metrics as cost reduction or revenue increase are quite appealing, lack of contract management can bring about the following effects:

- **9% in annual revenue** is the cost of poor contract management practices, according to World Commerce and Contracting
- Up to **40% of a contract's value** can be lost without close contract governance, says a KPMG Survey
- **$6.900 is the average cost** of a simple contract, estimated by World Commerce and Contracting. More complex ones can reach up to **$49.000** in costs.

Of course, there are ways of cutting the costs and increasing the LD's KPIs. For example, with AXDRAFT you can cut the average contract costs by automating the drafting processes and saving up to 70% of your lawyer's time.

Hard-to-ignore contract management benefits

We have just shown you some of the numbers that contract lifecycle management software can help manage. But if we put cool numbers aside, what else can contract management software do for our company?

Streamline contract preparation

Every student, sportsman, lawyer, businessman—everyone knows of the importance of preparation. The same applies to contracts. This is where CLM comes in handy. Contract management software can help sift through a history of your contracts to find standard language that can be reused. And if document automation software is used, contracts can be drafted in mere minutes. Such software can help identify the necessary team members to include into the contract, as well as outline the issues that may have arisen in the past.

- In its 2019 Benchmark Survey ACC stated that **80.8% of in-house lawyers** had to participate in contract management by simply reviewing and drafting documents
- The very same survey indicates that the **average hourly lawyer wage** that year was **$80/hour**

How is that not a waste of resources? Can you evaluate the amount of money that goes down the drain by simply misusing lawyer's time?

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Reduce time and effort spent on contract drafting.

After the prep work is done, it is time to get to the drafting phase and build a pitch-perfect contract. By implementing the right, properly fitted contract management solution and having taken into consideration the quality assurance tips, the business can build documents off the dynamic templates in minutes instead of hours, fill them with up-to-date information, and keep clauses playbooks close at hand. Here is more data from CLOC and ACC reports:

- While only **1.2% of Administrative personnel** participated in contract management, document automation software can help balance out the workload, helping lawyers concentrate on other tasks.
- **57% of work on Data Collection** is allocated to LDs
- **79% of Legal research** and **90% of Records Management** is also done by your lawyers

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A negotiation process you'll finally enjoy!

This is where most of the risks show up. At the negotiations stage, the ability to control versions is of utmost importance. Here CLM software can save plenty of

time. Both parties want the most recent and accurate changes to the agreement. It also has to be easy to navigate and update the contract. Did you know that:

- Contract processes consume **18% of the selling cycle**
- **A quarter of a million in dollars** is lost in large companies every day the contract process drags on

Work together on contract drafts, edit whenever an edit is needed, and have easy access to your contracts from any part of the world. Let legal document automation software keep an eye out for all the redlines through the negotiations. It also makes it easier to get the approval of the contract from all parties involved, at all stages, so that you don't have to keep your client waiting.

Store and access your data easier with CLM

Since contracts don't ever get old, and are subject to audit even after many years, the legal department has two choices—hire an elephant with near-perfect memory and train it to memorize the locations of each document, or waste hours everytime a 1000-year old manuscript is subject to revision.

You can also use contract management software and have all your contracts stored and organised in a secure cloud storage. Such tools are also there to remind you when a deadline is up, and guide you to the document that needs to be revised

Manage your contracts and measure their success.

Sometimes, some details of the contract have to be amended, be it your client's payment information, scope of work, or your CEO's Last Name. While contract

management software might not remind you to congratulate your boss on her wedding, it will definitely help you make the necessary changes to the contract.

The analytics tools that are now present in most legal document automation software, will show how successful you were working on that contract, how fast you were able to push it through the pipeline, and how quickly you reacted to any changes that were made.

Various stages of a contract lifecycle management might seem straightforward on paper, but without properly set up processes, contracting can easily fall out of hand. According to CLOC 2019 State of the Industry Report, only **12% of surveyed LDs** are using AI tools in their processes. Automated contract management software takes the risk out of the contract lifecycle and lets you concentrate on what matters more than drafting routine paperwork.

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Despite all the cool things we hear and say about document automation software, many companies still show low levels of maturity in their approach to legal document management. Most of them only use the basics, like cloud storage or monitoring reviews.

Here's a table from IACCM benchmark research that shows how deeply the potential of legal document automation was being used across industries in 2019.

What is the reason behind such statistics? What impedes the progress that has already been here for several years? Are the myths about legal document management software really true?

Legacy mindsets, job protection, lack of resources and commitment are some of the key factors that need to change before the use of legal document automation can become ubiquitous.

As of now, it's just some of us that are enjoying the perks of document automation, having found the right software for our legal departments.

Contract processes consume 18% of the selling cycle

Here is what companies achieved after switching to CLM, based on the research:

- **1%** larger average deal size
- **2.5%** higher annual customer renewal rate
- **12%** higher proposal volume
- **20%** higher lead conversion rate
- **24%** shorter sales cycles

What can we expect from contract management in 2021?

Let's check out the trends of contract management software and see where the industry has been going this past year, aside from helping legal businesses go green.

Employee and client experience

Client experience can be considered the primary driver of satisfaction in the modern world. And it will continue to be that for years to come. Interactions between a client and a company are important. Here's what **clients wanted from law firms in 2019 on a 1-5 scale**:

- **3.95** More creative and alternative pricing arrangements
- **3.79** Better project management
- **3.58** More internal use of technology
- **3.42** Client-facing digital services with self-service access to content, advice, or customized documents

Each of the above is affected by legal document automation software, directly or indirectly. Removing routine from lawyers' daily workflow creates more room for flexible pricing, while software like AXDRAFT provides customer-facing document drafting that provides a self-service experience for your customers.

According to Thomson Reuters, *automating contract management has saved lawyers 82% of their time.*

Knowing the average hourly rate for lawyers, you can do the math and calculate the money that has been saved too. Or you can go to AXDRAFT's calculator and see how much document automation can save you.

Digital Identity

We confirm our identity everyday. Our phones scan our face to unlock. ATMs want to make sure we remember our PIN codes. But some of the more complex processes, like opening a bank account or signing a business contract, still largely require our physical presence with a piece of plastic in hand, proving that it's really us. CLOC found out how ready lawyers are for accepting digital identities:

- **43% of LDs** are using eSignature tools in their operations
- **27% are completely satisfied** with the tool
- **9%** of surveyed LDs are using more than **3 different legal service providers**

Smart contracts

Smart contract code is used to automate main clauses of agreements based on external or internal data inputs. This can be applied in millions of use cases, like volume discounts or routine credential checks or regular payouts.

43% of legal departments are exploring the use of AI to reduce legal workload, gain more insight, or improve performance.

The cool thing is that now we know that smart contract code does not require blockchain technology. Which means it can be embedded into any traditional contracts. Most automation tools, like AXDRAFT, are successfully adopting this trend.

Remote online notarization

As of October 29, 2020, 29 states have legalized Remote Online Notarization (RON). Not all of them, yes. But it can be considered a great success compared to just 3 states in 2018. Until the day it goes full digital, notarization remains the most common and annoying process that requires physical presence to verify your identity.

With RON, you can now get a document notarized from any place, when you need to, with the notary validating the identity of a digital signer via online audiovisual technology and electronically stamping the document to complete the process.

And with contract management tools, you can do it all in one place—be it your phone, tablet, or laptop.

Risk management

Risk management has always been an important factor in every business's operations, legal operations included. Quantivate has gathered the key numbers related to risks. Let's have a look.

How important is risk management:

- **57%** of senior-level executives rank "risk and compliance" as one of the top two risk categories they feel least prepared to address
- **62%** of organizations have experienced a critical risk event in the past three years.

Utilizing contract management software can help manage risks related to employee productivity by saving time and keeping everyone notified on the deadlines, and operational efficiency by streamlining processes and simplifying approval stages. Utilizing contract management software can help manage risks related to employee productivity by saving time and keeping everyone notified on the deadlines, and operational efficiency by streamlining processes and simplifying approval stages.

Compliance Management statistics:

- **Only 27%** of chief compliance officers strongly agree that their organization's compliance function has a change management process in place to both identify and incorporate regulatory and legal changes and to integrate those changes into their policies and procedures.
- **$10,000**: Average regulatory costs per employee for organizations, regardless of size.
- **Less than three-quarters (69%)** of organizations are leveraging technology to support their compliance initiatives

CLM software will keep records in one place, notify compliance officers, as well as the rest of the team, of any legal changes to company's procedures. Document automation tools like AXDRAFT also help build contract templates for each employee, and gather all the necessary signatures in no time.

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Cybersecurity stats:

Security usually tops the list of the biggest roadblocks and concerns on the way to adopting new technology, and for a good reason. In the digital-first era, data breaches and cyberattacks are becoming far more common than we'd like.

- **87% of organizations** see tech risk management as a siloed, reactive process rather than "an organization-wide function for proactive risk management.

- **32% of organizations** were victims of a major cyber attack in 2017.

- **130**: The average number of security breaches per organization each year.

- **Nearly 60% of executives** rank cybersecurity as one of their organization's top five risks.

- **Only 18% of organizations** leverage automated processes for IT risk data collection and reporting, even though this methodology provides the most proactive approach to risk mitigation.

- **Only 13% of organizations** consistently use key risk indicators (KRIs) to understand and manage IT risk.

AXDRAFT adheres to security protocols and makes regular checkups. Aside from bank-level 256-bit encryption and TLS 1.2 protocols, our document automation tool is SOC-2 certified.

Vendor & Third-Party Risk Management Statistics:

While companies can take every preventive measure out there to protect their data in-house, can they really be 100% sure third parties will treat their sensitive information with the same care?

- **57% of organizations** don't keep an inventory of all the third parties with which they share sensitive information.
- **And yet, 57% of organizations** aren't confident that their vendor management policies would prevent a data breach.

This is also where contract management software comes in—as a way to manage all your contracts and NDAs with third parties, and know when and what actions need to be taken, when a contract expires.

In conclusion

No matter how much we love to embrace the progress in our everyday lives, it takes time for it to fully integrate with our days at work. While contract lifecycle management and legal document automation software are already helping many companies become more efficient, and makes almost every legal team happier, many businesses still fear document automation.

However, the adoption rates are growing. We can say for sure, and back it with applicable statistics, that legal document automation software and document lifecycle management software are making our lives easier, and our endeavors profitable.

And the cool thing is that they keep evolving, allowing us to enjoy less routine in our busy lives.