2017 Contract Lifecycle Management (CLM) Navigator

A Straightforward, Unbiased Review of Leading Solutions

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» A Brief History and Overview of the CLM Market

» In-depth Profiles of a Leading Solution Provider

» An Unbiased Ranking of ASC Networks, Inc.

» Best Practices in Selecting a CLM Source

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ASC

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A Tool Born of Necessity

Since 2001, Levvel Research has assisted organizations' accounting, finance, and procurement departments to streamline processes, increase efficiency, and generate growth. The purpose of the majority of these projects is to help organizations prepare for software automation, select the most appropriate providers, review offerings, and help with final selection. The Navigator began as a straightforward spreadsheet model used to score solutions on pricing structures, functional offerings, and how they addressed any unique needs specific to an organization. Over the course of numerous engagements, it became clear that there was a sincere market need for a quantifying tool, and the Navigator became much more.

A Truly Unbiased Analysis

Historically, organizations have had few options when seeking truly objective, quantifiable, and functional analyses of contract lifecycle management (CLM) software. Other models often included a subjective metric that measured something that is, by nature, immeasurable, such as a software provider's strategy or future direction. A driving force for the creation of the Navigator model was the market need for quantifiable metrics in software analysis.

Levvel Research also believes that one or two numbers cannot adequately measure the complexities and capabilities of CLM software, especially if one measure is qualitative. The individual contract management needs of an organization depend on a wide variety of factors. Levvel Research's Navigator evaluates solutions in seven categories to help decision-makers better identify which providers' strengths best meet their organization's needs.

In short, the Navigator model and this report were created to fill a market need for a straightforward, unbiased review of CLM software.

An Overview of the CLM Software Market

Contract lifecycle management software is a dynamic document management technology that enables companies to oversee and optimize important business information. Today's leading cloud-based CLM systems monitor contract lifecycles from creation to execution to post-contract analysis. This software includes tools for internal authoring and collaboration, external negotiation, legal review, and contract tracking. CLM reduces processing costs, speeds up negotiation times, ensures fluidity in the supply chain, and increases visibility into the statuses and profitability of active contracts.

There are three basic modules in CLM solutions; the modules an organization chooses to adopt is typically dictated by the volume of contracts it manages. These modules manage contract creation, tracking, and storage. Although most providers offer all three, not every company that purchases a CLM solution will adopt every module, at least not in the initial investment. For example, a company with high buy-side contract volume would be likely to adopt a tracking and/or storage module first. However, many organizations gradually implement additional modules to create a more holistic automated environment. Some organizations adopt a CLM solution in order to streamline Human Resources functions, such as improving the onboarding of new employees. In these cases, the CLM tool can be integrated with an HR management system, or used in place of one if the organization's HR software needs are minimal.

Compared to other enterprise-level cloud software, contract lifecycle management software adoption is moderate in North America. Levvel Research estimates that the cloud-based CLM software market will approach $1B by 2018.

Figure 1 shows current adoption rates based on Levvel Research's 2017 CLM survey, including organizations using majority buy-side and sell-side contracts. Overall adoption is highest in organizations with complicated supply chains and/or sales cycles that require recurring renegotiations. Adoption is slightly higher among organizations that have high volumes of buy-side contracts. This is mostly because buy-side solutions are easier to implement than sell-side solutions, as buy-side contracts require less customization and involve more passive management.
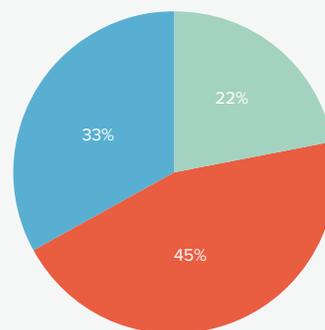
FIGURE 1

Contract Lifecycle Management Solution Adoption
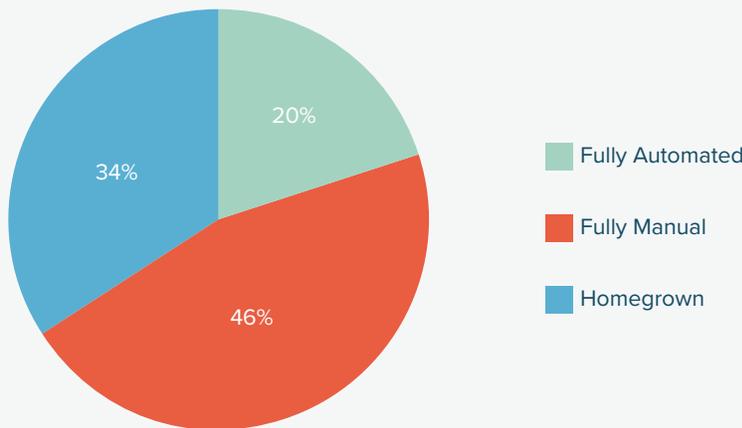
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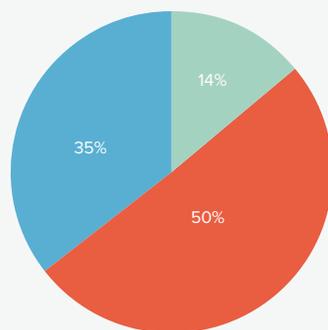
Sell-Side

Buy-Side

Contract Management Solution Adotion

Levvel Research has also included the adoption (or development) of homegrown solutions in this market survey. This is because Levvel Research has found that homegrown solutions are used at relatively higher rates for contract management than for some other back-office processes. This is partly due to the rather slow arrival of contract management solutions to the cloud software space—at least as they exist today.

The creation and evolution of standardized contract management software has not been straightforward, in part because it involves many different departments, roles, and activities within an organization. Many other back-office software solutions, such as electronic invoicing and purchasing software, were initially created to support and integrate with ERP systems before providers expanded them to encompass broader B2B process capabilities. Therefore, a standardized solution for these financial processes was available to organizations relatively soon after the first versions were created.

For contract management, on the other hand, the early tools available to organizations initially resembled—or were in actuality—document archival systems, such as enterprise content management (ECM) software. Many organizations have built their own contract management solutions to handle the functions that basic document management systems could not, and still continue to use these tools today.

Homegrown solutions are most prevalent among sales organizations, which can be attributed to these companies' desires to maintain timely sales cycles. By automating the contract management process, sales companies can close deals and gain revenue at faster rates, which has helped justify investments in IT projects and on-premise solutions. However, while it was easier to get approval for initial technology investments because they were seen as a direct increase in revenue, it is more difficult to justify the time and expense of replacing a homegrown or on-premise solution with cloud-based CLM software.
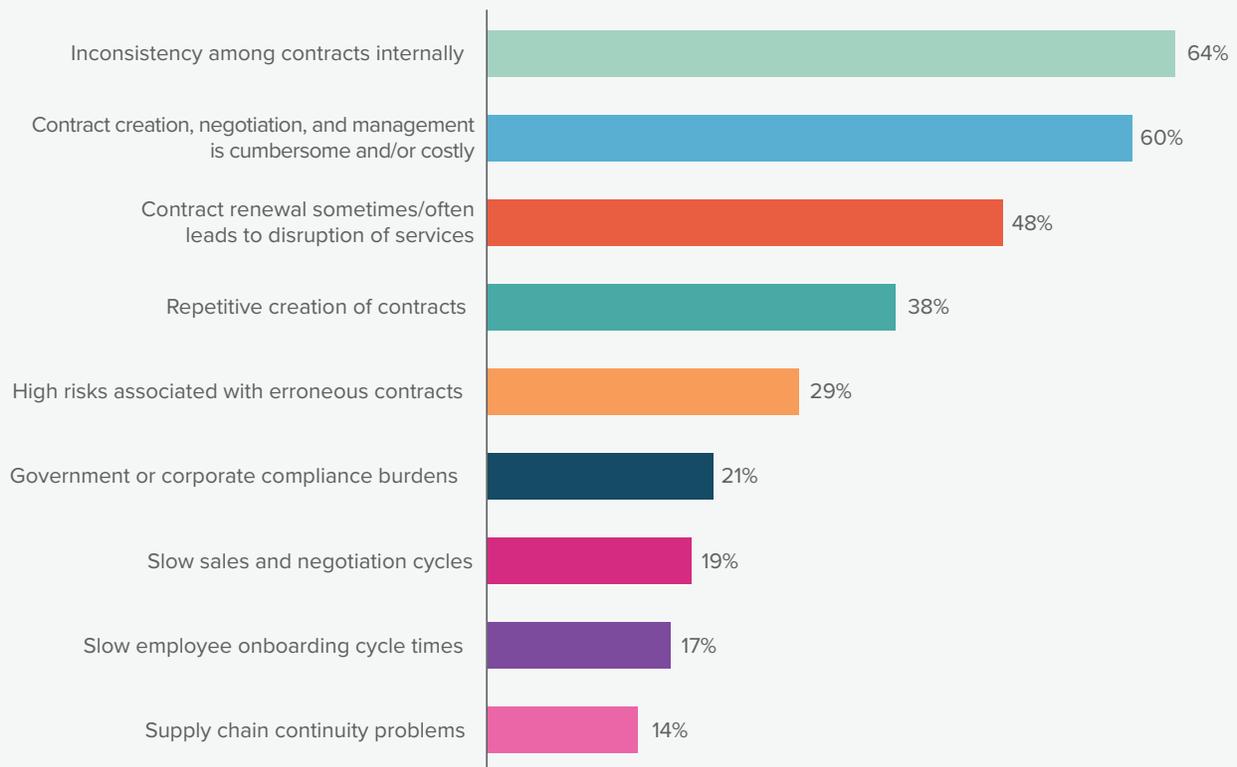
Levvel Research estimates that the market for cloud-based CLM adoption has a 4 percent compound annual growth rate (CAGR). Among the greatest potential drivers of adoption are the pain points related to manual processes. Without an efficient and transparent management system, many organizations struggle to record accurate contract information, maintain contract deadlines, and properly identify contracts that are out of date or no longer profitable. This leads to high processing costs, compliance and security risks, and delays in supply chain operations.

Levvel Research's 2017 CLM survey of over 300 professionals found that the greatest challenge for companies that do not use a CLM solution is inconsistency among internal contracts, see Figure 2. This can create risks in data management and legal compliance, especially for larger organizations with high volumes of sell-side contracts. The second greatest pain point is cumbersome and costly contract creation, negotiation, and management. Another top pain point is managing contract renewal. If renewals are not properly monitored, it can to lead to a disruption of services such as utilities or online services.

FIGURE 2

Top Pain Points Resulting From Manual Contract Management Processes

Pain Point	Percentage
Inconsistency among contracts internally	64%
Contract creation, negotiation, and management is cumbersome and/or costly	60%
Contract renewal sometimes/often leads to disruption of services	48%
Repetitive creation of contracts	38%
High risks associated with erroneous contracts	29%
Government or corporate compliance burdens	21%
Slow sales and negotiation cycles	19%
Slow employee onboarding cycle times	17%
Supply chain continuity problems	14%

Inconsistency Among Contracts is a Top Pain Point for Manual Contract ManagementProcesses

Because the use of homegrown solutions is so common in contract management, Levvel Research also surveyed organizations using these systems. According to survey respondents, contract management pain points are very similar between companies using manual processes and those with homegrown systems, see Figure 3.

FIGURE 3

Top Pain Points Resulting From Homegrown Contract Management Processes

Pain Point	Percentage
Inconsistency among contracts internally	40%
Contract renewal sometimes/often leads to disruption of services	37%
Contract creation, negotiation, and management is cumbersome and/or costly	33%
Repetitive creation of contracts	29%
Slow sales and negotiation cycles	26%
Government or corporate compliance burdens	25%
Supply chain continuity problems	24%
High risks associated with erroneous contracts	17%
Slow employee onboarding cycle times	13%

**Inconsistency Among Contracts is a Top Pain Point for Homegrown Contract Management Processes**

Levvel Research asked organizations about the benefits they achieved from CLM solutions post-implementation, and found that many of the top benefits aligned with the aforementioned pain points. Survey results show that CLM software brings companies more consistency in contracts, fewer disruptions in services, and increased compliance with corporate or government regulations. Research also indicates that organizations that have implemented homegrown solutions could not achieve these same improvements. Instead, it takes a leading cloud CLM software to relieve problems, reduce risk, and improve control in contract lifecycle management.

The Navigator Methodology

The Levvel Research Contract Lifecycle Management Navigator model scores solutions in seven different categories on a scale of one to ten. This visual representation is similar to a radar chart; the higher the score in a category, the closer to the outer ring the corresponding wedge will be, see Figure 4. All seven categories are explained in detail in the next section.

FIGURE 4
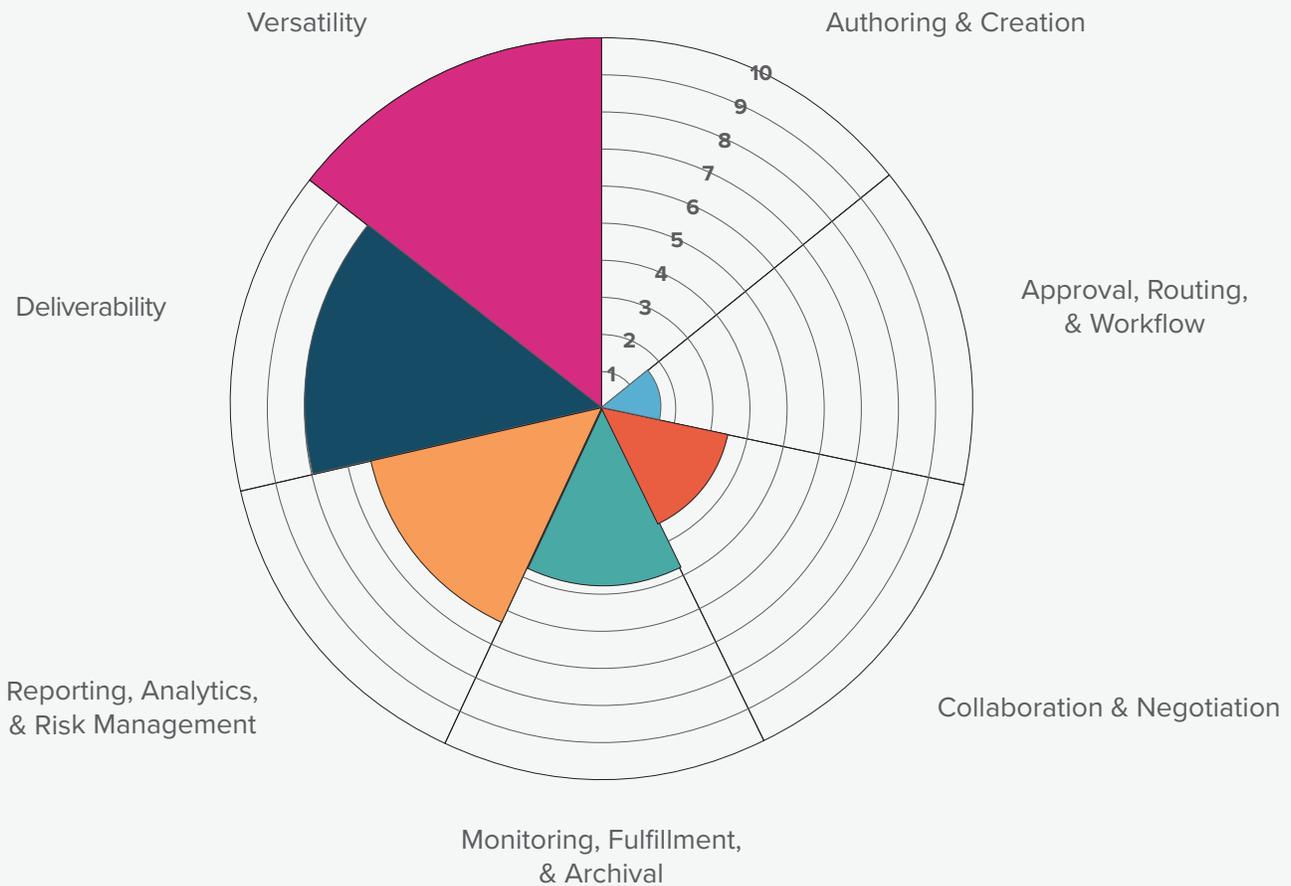
The Navigator Model

Levvel Research's methodology for the CLM Navigator included:

Scoring Proficiency: Product Demos and Quantitative Analysis of Solutions

Levvel Research received extensive product demonstrations with each provider, during which the provider's solution was evaluated against a comprehensive list of over 1,000 individual criteria. Each of the provider's features were scored on a

scale of 1-10, with 10 being highest. For categories in which no provider scored a 10, the scores were normalized, with the highest scoring provider being brought to 10 and other providers' scores increased by the same ratio. For readers who would like a more qualitative way to consider these numeric scores, Levvel Research suggests the following criteria:

» Scores below 5 (Basic Functionality) - The solution provider has met the minimum requirements to compete in the market; they do not differentiate themselves in this catagory.

» Scores between 5 and 8 (Competative Functionality) - in addition to meeting Basic Functionality scoring requirements, the solution provider has some additional functionality that differentiates their solution from other providers

» Scores above 8 (Leading Functionality) - The solution provider has invested significant time and resources to be a trailblazer in this category; they have functionality that they alone or only a handful of other providers offer.

Levvel Research also conducted interviews with C-level executives from each provider to discuss their product roadmap, company vision, and sales and marketing objectives. These interviews were used to help score each provider's innovation, acumen of leadership, and vision.

Scoring Adaptability: Performance Questionnaires and Qualitative Analysis of Providers

To adequately score a provider's adaptability, Levvel Research required providers to report on a variety of key metrics around their experience and resources. Below are some of the criteria examined for the adaptability measure:

» Customer count (by revenue segment, industry vertical, and geographic region)

» Typical customer demographics

» Number of active users (buyers & suppliers)

» 12 month trailing revenue, historical growth, and venture capital investment

Providers were also asked to provide the contact information for at least 15 current clients. Levvel Research contacted these clients via email to request that they take a net promoter score online survey, which served to measure their business relationship experience with their provider. The survey covered many

areas, including:

» Sales and implementation experience

» Ability to meet the needs of the client

» Ease of use

» Experience with training and customer support

» Willingness to recomment the provider for the CLM (true net promoter score)

Based on the above criteria, Levvel Research gave each provider an adaptability score. In short, the adaptability rating is a measure of the provider's ability to meet the needs of any organization, regardless of size, industry vertical, or geographic location. Organizations that score high in adaptability have a wide-reaching solution, whereas organizations that score lower in adaptability typically have a niche vertical, geographic, or revenue segment focus.

Final Comments on Levvel Research's Scoring Methodology

Levvel Research's Navigator model has progressed significantly over the past decade. In that time, the Navigator has evolved to meet the needs of our audience, which seeks a valuable, unbiased ranking of solution providers. As such, Levvel Research has taken the following stance on certain issues regarding the scoring of providers:

» There is absolutely zero cost for providers to particiapte in Navigator reports, and no preference or bias is given to any of Levvel Research's existing customer relationships with providers. Providers are given the opportunity to purchase distribution rights once the report is complete.

» Each solution provider's self-described future roadmap has no effect on Navigator scoring. All functionality and metrics considered for scoring had to have been live and current as of June 17th, 2017. Any functionality, version updastes, product demonstrations, or information given beyond that date was not considered for this report.

» Solution providers were required to meet a variety of eligibility criteria for inclusion in the Navigator report, including a minimum of $5 million in revenue, as well as minimums for foreign-derived revenue and customer count.

The Seven CLM Navigator Categories

The following section details the seven categories represented in the CLM Navigator model, including how those categories are defined and how Levvel Research identifies success in each category.

Authoring & Creation

Definition

This module allows users to create contracts and requests across multiple contract types, including buy-side, sell-side, administrative, non-commercial, and employee contracts. Depending on their access controls, users can send contract requests to the legal department or a designated administrator, or they can create a contract from scratch. This tool also includes the ability to create contracts from pre-configured templates, and to recycle and modify old contracts from archives. This module should also offer a collaborative authoring function to allow multiple users to participate in a contract's construction.

Identifying Success

One major difference between basic and competitive/leading solutions in this category is the solution's template management features. Leading solutions allow users to configure templates based on business rules applied to the user, contract type, supplier, or other parameter. These solutions can automatically populate templates from approved contract requests, as well as from purchase orders or sourcing events. Other competitive features include template version controls and approval workflows for template changes.

Leading solutions offer support for all contract types. They also allow users to extend new child contracts from parent contracts, working much as master and supplementary agreements operate in Statement of Work (SOW) projects. For contract authoring, leading solutions include built-in Microsoft Word plugins. Highly competitive solutions also feature Google Docs integration, allowing multiple users to edit and view each other's changes simultaneously in real time.

Leading solutions include an interactive clause library from which authors can pull legal text to assemble a contract. The solution provider often creates these clause libraries in collaboration with the client's legal team upon implementation. Clause libraries are accessible both in the CLM system and in the word processing tool, and should be fully searchable.

Approval, Routing, & Workflow

Definition

As internal teams author a contract, they can send documents through approval workflows for review. Approval workflows can be constructed according to contract type, price, area, and dollar amount thresholds, and can undergo both administrative and legal review.

Identifying Success

Leading solutions facilitate editing and revision tracking during the routing and approval process. This includes the ability to leave comments and request extensive changes, and to partially reject or approve contracts. Prioritization settings allow users to construct special approval workflows for contracts with higher risk. Leading solutions support both sequential and parallel approval cycles, as well as stage-specific workflow steps (e.g., author vs. edit). These solutions should offer drag-and-drop workflow builders to help users configure review and approval routing, as well as support for escalations, reminders, and out-of-office forwarding. Leading providers should also offer one or more in-house or partner-supplied electronic signing services, such as EchoSign or DocuSign, for finalizing documents.

Collaboration & Negotiation

Definition

This module involves sending contracts through negotiation and approval with external parties. This module should include many of the same collaboration tools as in the initial authoring process. It should also offer the ability to electronically send and sign approved documents between internal and external parties, including those authored externally.

Identifying Success

Leading solutions provide a robust set of third-party collaboration tools that include a designated portal for external parties, version tracking with redlining and side-by-side comparisons, and the ability to route externally-revised portions of the contract for approval. Leading solutions also maintain audit trails of all changes made by internal and external parties. These solutions should leverage more than one electronic signing tool to allow users to gain signatures from external parties, after which the solution should automatically store executed contracts.

Monitoring, Fulfillment, & Archival

Definition

CLM solutions continuously monitor executed contracts throughout their lifecycle, allowing users to keep track of and manage contractual commitments (e.g., payment terms, cost, milestones). The solutions notify users of upcoming expirations to prevent lapses in contracts and archive previous contracts for easy retrieval.

Identifying Success

Leading solutions integrate with users' calendars to ensure that pending expiration and renewal deadlines or milestone commitments are not missed. These solutions also offer an auto-renewal functionality that can be adjusted according to the organization's policies (e.g., a user can designate the number of times the contract will renew automatically before it is no longer active). Leading solutions allows users to make amendments to executed contracts, and to send these changes through rules-driven approval workflows.

Leading solution storage modules offer extensive search features that allow users to search and retrieve active and inactive contracts for review. This includes the ability to view contract history and attachments. Role-based access can be configured for the contract repository and search features. Leading solutions also store and maintain non-contract documents (e.g., due diligence, corporate organizational documents).

Reporting, Analytics, & Risk Management

Definition

CLM solutions' reporting capabilities typically include a set of out-of-the-box reports that can be exported to a spreadsheet tool, while some feature a custom report builder. Standard report types include CLM process parameters, such as contract types, contract lifecycle history, and user involvement.

Identifying Success

Leading solutions feature visually dynamic reporting dashboards, drag-and-drop functionality, and drill-down capabilities from within a configurable reporting dashboard. These solutions also allow users to schedule and subscribe to reports. Leaders in this area offer robust reporting to determine trends in contract compliance, costs, duration, and other key performance indicators (KPIs). Some solutions also offer discovery tools that allow the organization

to analyze existing business agreements, such as recurring purchase orders or sourcing events, and transform them into more cost-efficient contract agreements. Leading providers also often partner with business intelligence software providers to offer more advanced analytics.

Leading solutions include extensive functionality for identifying risk in contracts, including risk profiling based on configurable predefined models, the ability to publish model templates based on contract types, and the configuration of risk benchmarks. These solutions also automatically trigger exception approvals for high-risk contracts.

Deliverability

Definition

Deliverability focuses entirely on customer experience, including implementation, initial and ongoing training, customer support, user interface, pricing, and ongoing cost of ownership.

Ongoing Success

Mobile capability and user design are by far the greatest identifiers of success in this category. Leaders have both responsive web design and native apps, as well as solutions that minimize the need for training through intuitive user design. Leading solutions also feature shorter implementation times and provide one-on-one full-time implementation managers. Some leading solution providers offer streamlined onboarding services to their clients to ensure that all existing contract data (from paper) is entered into the new system correctly. This may entail data entry, OCR data capture technology, or a separate outsourced onboarding service.

Versatility

Definition

Versatility is a measure of breadth—how readily compatible a solution is with any business type, industry vertical, location, or revenue segment. Factors measured include vertical and ERP traction, language and currency support, and tax compliance.

Identifying Success

Success in this metric is a measure of traction within the arena to which a solution is marketed. The biggest solutions (in terms of market presence and size of customer base) must have the most capabilities to score well. Successful track records of specific ERP integrations, tax compliance in Europe, Latin America (LATAM), and Asia Pacific (APAC), and a variety of supported languages are all considered.

ASC

Founded in 1992, ASC Networks Inc. (ASC) provides buy-side, sell-side, and enterprise-wide contract lifecycle management solutions. In 2016, the company was acquired by the eCommerce software provider, Mediagrif, which has enabled them to expand their investments in sales, marketing, and product development. ASC has experienced substantial growth (39 percent) in the last two years, with recent additions of a few large international clients strengthening and expanding their customer base. The company primarily targets enterprise organizations with particular traction in the higher education and healthcare industries.

ASC
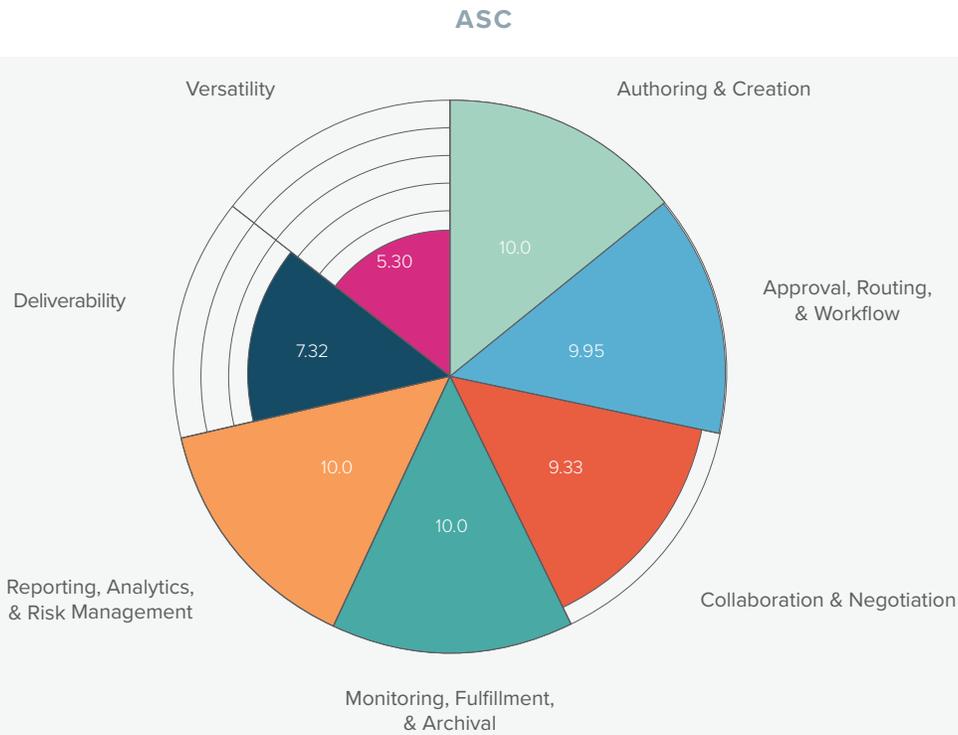
Strengths and Differentiators

ASC scored higher in proficiency than any other provider. ASC's top scoring modules include its contract creation and negotiation modules. A major differentiator is the company's contract tracking and archival tool, which includes leading functionality in all areas, and offers extensive search capabilities. In the past two years, ASC has invested heavily in improving their integration capabilities, including with Salesforce, several ERPs, and with eSignature solutions. Levvel Research found the Salesforce integration to be one of the solution's leading features, as it allows users to pull in multiple instances. ASC is also developing an integration with the Mediagrif family of technology, which

could potentially enable them to offer clients access to more P2P functionality, and further improve the value of their solution.

Advisements

Although ASC has recently been heavily focused on building their integration capabilities, they still lack an integration with Google Docs. Levvel Research sees this as a necessary improvement if they hope to fully round out their solution. Because ASC is so closely focused on higher education, and to some degree healthcare, the company has a relatively low number of users, and they lack traction in most verticals. Levvel Research believes the solution itself is strong enough to engage with different arenas, and suggests that ASC pushes themselves further if they hope to cement themselves as a leader in the space. In Levvel Research's net promoter survey, ASC scored above average, with a particularly high score in an ability to meet client requirements.

The Navigator Plane

As previously discussed, Levvel Research assigns a proficiency and adapatability score to each of the providers participating in the Navigator report. To recap, proficiency is a measure of a solution provider's functional acumen and innovative focus and adaptability is a measure of the provider's experience and resources.

A final consideration is that this graph is an enlarged version of the actual grid, which scores solutions between 1 and 10. It should be noted that if a provider is in the lower left corner of the chart, it does not mean that it necessarily lacks proficiency or adaptability; those providers just had a lower score relative to the other participants. Also, this plane represents a comparison of the best of the best providers. Every provider in this report was selected out of a much larger list of providers and should be considered a leader in the CLM solution marketplace. Even the lowest-scoring candidate has a more viable product than several other providers that did not meet the qualifications for this report.

FIGURE 4

CLM Automation Navigator Plane
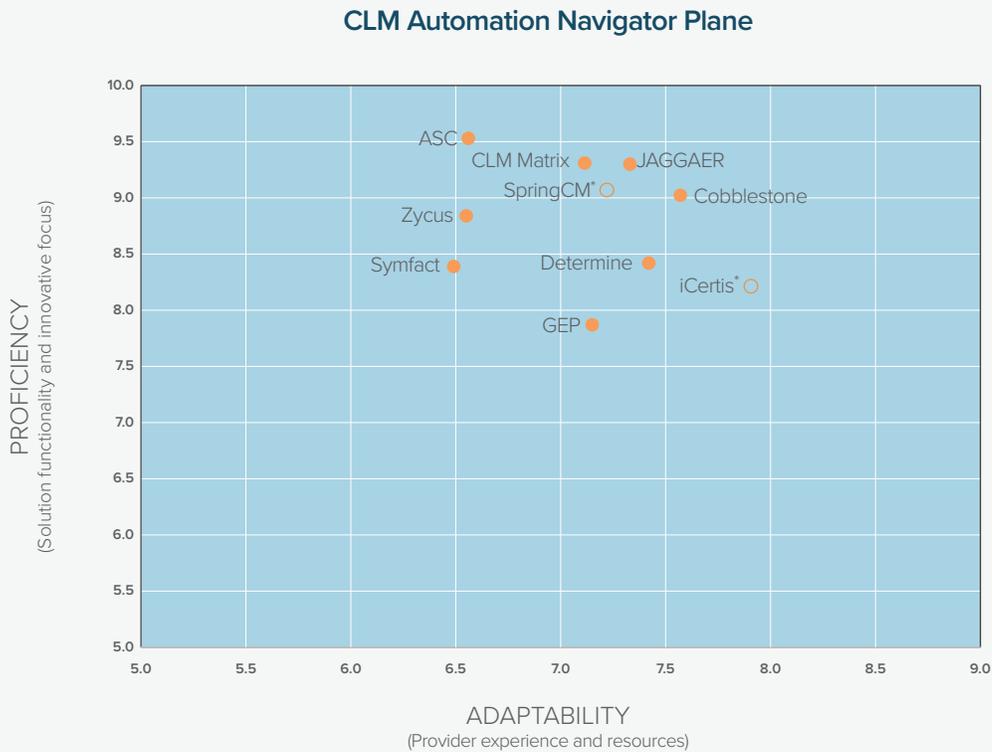
*iCertis and SpringCM chose to participate in scoring but later chose not to proceed with pro les, thus we were able to adequately score them in the Navigator Plane but chose not to write a full pro le. SAP Ariba was not included because they were unable to meet our deadlines for participation. IBM Emptoris was not included because the solution is being sunsetted and clients are being absorbed by SAP Ariba. All other providers did not meet Levvel Research's criteria for participation.

Choosing a Provider

The list below covers a few best practices in choosing and adopting a CLM solution.

Look at the current contract management state.

In order to properly prepare for automation, organizations must know the current condition of their contract management operations. They should gather data on contract types, including the number of each type, departments involved, the level of complexity, the number of touches/approvals needed, average processing times, and even the geographic range across which each type of contract is managed (other company locations, supplier locations, etc.). The organizations should gauge their top pain points and challenges, as well as their top goals for improvement with the solution in both short-term tactical and long-run strategic terms.

Build a selection checklist.

With their gathered metrics, companies should develop a selection checklist in order to choose a provider that complements their contract management needs. The list should include the solution features that are most important to an organization's contract types, as well as which features are imperative for the solution to have (e.g., leading document archival or leading reporting and analytics). The list should incorporate the need for scalability as well, particularly for growing companies with plans to increase their operations, locations, and customer base. Finally, the organization should be able to match its internal strategies and business needs, including business process flows, unique industry requirements, IT needs, and financial parameters against the provider's offerings.

Gain internal buy-in.

For an automation overhaul to be successful, the entire organization must be in agreement about the value, need, and primary use of the software. Gaining corporate buy-in is the surest way of creating a successful automation initiative. One of the most effective ways to do this is by leveraging the results of the current state analysis with a detailed plan for implementation. It is also effective to illuminate how an improved process will benefit decision makers' own workdays. In comparison to some other back-office processes that could be automated, such as invoice data entry, contract management is an activity that often touches professionals at the C-suite level. Those making the case

for automation should quantify the average times and touches required to process contracts (including those made by the C-suite), and relate this to sales cycles, labor resources spent on low-value tasks, and the risks associated with mismanaged contracts.

Evaluate several providers' experience and versatility.

While the CLM software space is not as crowded as for some other financial process solutions, there are still plenty of providers to choose from. However, the differences between them can be subtle, and organizations should evaluate several. An organization should weigh its selection checklist against the providers' offerings carefully. For example, if a solution provider specializes in managing buy-side contracts for mid-sized companies in the pharmaceutical industry, it would not be the best fit for a large professional services organization with high volumes of sell-side contracts. In another example, if an organization hopes to incorporate the CLM document management tools to help streamline its employee documents, the company would need to look for a solution that offered a strong HR-management component.

Organizations should also look at a CLM provider's track record. Organizations should evaluate the provider's versatility by reviewing their experience with the organization's own business type, industry vertical, geographic location requirements, and company size. Some providers will have experience across several verticals, while others will offer more experience in a few specific industries, such as higher education, healthcare, or professional services. In addition, many solutions are built differently according to the market segment the provider caters to; there are solutions with features and pricing options designed for small, medium, and large organizations. They should also measure the solution's ability to integrate with different financial systems/ERP systems, as well as the provider's implementation agendas and average timelines, training methods, and support programs offered both during and after implementation.

Use the Navigator rankings and consider an advisor.

Silencing the noise of providers' marketing efforts can prove frustrating and difficult to organizations looking for a solution, even with tools like the Navigator report. This is especially true since each organization's individual needs are different and often complex. Organizations in the market for a solution should consider speaking with professionals like Levvel Research about choosing a provider that best meets their needs.

About Levvel Research

Levvel Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Levvel Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Levvel Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Levvel Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Levvel Research's reports, white papers, webinars, and tools are available free of charge at www.levvel.io