

Point of View

Pivotal Role of the Legal Team in CLM Implementation

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Introduction

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A rapid increase in data usage has highlighted the need for well-structured data management solutions, as data can quickly grow overwhelming. The legal industry creates significant data in the form of contracts, client communications, drafts of litigation paperwork, research material, regulatory and other governmental compliance records, etc. The legal teams deal with the massive responsibility of drafting, negotiating, and executing tons of contracts, which is time-consuming. Technological advancements have transformed the conventional way in which industries used to operate.

The term legal tech refers to the implementation of technological solutions for legal processes. The

Indian legal industry has always been conventional, and the automation trends have not yet had much impact. Latest trends show that organizations have started opting for Contract Lifecycle Management (CLM) tools to ease the burden. CLM tools automate and streamline contract processes in key stages like contract generation, drafting, and negotiation. By having access to a cloud-based CLM solution, businesses can quickly and efficiently execute contracts. Meanwhile, navigating through the contracts becomes easier with the data being stored in a central repository. This database can also help automate tasks based on the precedents, therefore saving time and resources that can be better utilized to build client relationships.

Legal domain and CLM

Legal experts have the crucial role of interpreting and applying the laws to real-life situations. On the other hand, modern technologies like Artificial Intelligence (AI) collect, analyze, and compare given data sets. The use of AI in the legal field allows for a harmonious conjunction that enables a faster, more efficient, and globally compliant workflow for the legal processes of an organization.

CLM tools are an example of legal tech solutions wherein the entire contract generation process is automated. However, utilizing such a solution does not eliminate human input requirements. Instead, it enables the lawyers with the capacity to perform their tasks in an efficient and streamlined manner.

Legal departments across various industries are increasing their spending on technology. According to the IT consulting and research firm Gartner Inc., legal technology spending increased from 2.6% of in-house budgets in 2017 to 3.9% in 2020. They predict a further increase of approximately 12% in in-house budgets by 2025.

<https://www.gartner.com/en/newsroom/press-releases/2020-02-10-gartner-predicts-legal-technology-budgets-will-increase-threefold-by-2025>

Despite its multiple benefits to the legal team, as discussed further in this piece, we believe that people in the legal industry are still hesitant to use it. A concern can be seen amongst legal professionals about automation replacing human intelligence and leading to diminishing job opportunities. It is essential to note that AI cannot replace professional lawyers. It can only work on the lawyer's instructions to increase productivity by

automating some time-consuming tasks. For instance, in the contract creation process, the draft generation is automated; however, the client or their legal counsel must manually enter the qualitative fields of a contract into the system. Therefore, it is pertinent that lawyers keep up with technological developments and equip themselves with the requisite knowledge and skills to be prepared for a collaborative future in the legal profession.

Benefits of CLM applications to legal professionals



The legal department of any company acts as its backbone by providing legal advice, ensuring regulatory compliance, keeping contracts in order, and tracking legal obligations. Legal teams are swamped with manual contract review, redlining, compliance checks, etc. This often leads to overworked lawyers making human errors. Legal teams adopting CLM solutions can **maximize productivity and ensure compliance with the latest regulations.**

In our opinion, CLM tool adaptation has a plethora of benefits, some of which are listed below:



Ensuring data privacy compliance

A lot of data in contracts is governed by different privacy laws around the world like General Data Protection Regulation (GDPR), California Consumer Privacy Act 2018 (CCPA), and Setting an American Framework to Ensure Data Access, Transparency, and Accountability Act (SAFE DATA Act). These laws require businesses to establish a procedure for incident notification in the event of a breach and to

address their privacy obligations and ability to modify, store or provide the information collected on individuals while contracting. In the event of new privacy compliance, CLM software will be able to **quickly pinpoint the contracts at risk** and issue an addendum to those individuals. Further, the CLM solution restricts contract access based on users, departments, and contract type.



Standardized clause library

A cloud-based CLM tool contains a library of standardized clauses and templates pre-approved by a team of legal professionals. The legal team can access this library for quick creation of the contract. While the library contains standard templates, there

is also scope for customization in the draft with the availability of alternate versions of the clauses with adjustments in the legal language. This helps in **saving time** while also **maintaining consistency** across the contracts.



Risk management

CLM software records and maintains the information needed for audit and compliance checks. It also mitigates the risk of missing deadlines by sending **timely reminders** to stakeholders regarding the deadlines. Additionally,

the stored data can be processed to produce analytical reports, which would help provide business insights concerning the potential risks in the contracts with the apprehension of impacting the business operations.



Increased efficiency

The contract creation process is automated with **increased collaboration** across the various departments/stakeholders, thus requiring minimal manual inputs and back-and-forth emails between the parties involved. The concerned users and

stakeholders can perform their contracting functions by logging into the CLM tool. As a result, the possibility of human errors is drastically reduced, leading to the efficient execution of the contracts.



Centralization of contracts

A cloud-based CLM tool consolidates and stores all the contracts and metadata in a digitized central contract repository, with in-built functionalities for sorting through the contracts using certain filters.

This enables the legal team to **easily locate a particular contract** that would be difficult to find if stored in an electronic or physical form at various places.



Data-driven insights

CLM tools can be integrated with AI-based systems to analyze the data stored in the system for any anomalies. The tool would review the contracts to

automatically **identify and pinpoint the key deviations** in an agreement which will then be notified to the legal team for further action.



Custom workflow management

A majority of CLM tools come with an in-built workflow management feature enabling **custom workflows for diverse types of agreements**.

It helps the legal team to modify the workflow as and when required and monitor the status of contracts being processed in the system.

Legal team's role in CLM implementation

CLM implementation will be missing a key aspect without the involvement and input of the project's legal team or general counsel. This stems from the fact that a fully configured CLM application needs to work/function for lawyers first, meanwhile complementing other users in sales, procurement, finance, and infotech. Legal teams aid in the implementation of CLM products in the following manner:

01 Creation of standardized templates

Template creation is one of the first basic steps of CLM implementation. However, the contract template in a CLM application is a standardized representation of an actual contract template.

Therefore, input from legal experts enables an **efficient transition**, keeping in mind the potential risks and exposure.

02 Adjustment of legal language

The legal team can provide alternative clauses (without changing the terms extensively) in case of a disagreement between the parties during negotiations. This will allow the contract process by the sales team to continue smoothly through

the selection of clauses with a language most suitable per the situation. This helps maintain appropriate usage of legal terminology within the context of normative standards, ensuring that the contract language remains compliant.

03 Determination of priorities

A business/organization considers its overall goals as well as the individual priorities of the legal team while opting for CLM application. The legal team has expertise in **assessing potential risks**, while there are instances wherein the risks

need to be taken to ensure growth. CLM implementation combines them to ensure a **balance between legal priorities and business growth goals**.

04 Data migration

Legal team needs to enable **systematic and compliant** procedures to migrate data for the companies that wish to shift to a digitized CLM model from a traditional one. It is pertinent to

ensure that **the data and metadata remain unchanged**. By undertaking steps for data migration, legal teams/department help in the adaptation of CLM tools optimally.

05 Streamlining business process

CLM tool consolidates the global processes into industry-standard contract processes by adapting multilingual and multi-currency options. This enables the enterprise to **reduce contracting delays and risks**. Streamlining also includes

recognizing and removing the recurring and unnecessary steps in the contract creation process to make it more efficient and effective by replacing manual labor with automation tools.

06 Evaluation of pain points

To identify what kind of CLM solution is required for a certain business, the consultants first assess the client's pain points. Legal teams can aid in **assessing and identifying the shortcomings**

in their current contract management operations and the obstacles being faced by the stakeholders. This will help implement the right kind of holistic CLM solution for the customer.

Legal services as a part of CLM solution

As a part of CLM solution implementation, a bundle of legal services can be offered to the clients in addition to the functionalities of the CLM tool. As mentioned before, automation can help perform tasks quickly and efficiently, but it does not eliminate the need for professional manual intervention. Throughout the stages of CLM implementation and even after, lawyers or legal teams can offer the following legal services:



Contract generation

We believe that a good draft is key to safeguarding the legality of a document, and the implementation of CLM will help you **efficiently draft a contract by quickly generating contracts or agreements via its central repository of contract templates**. CLM tools offer customized solutions, available on the go, for specific terms or clauses of a contract. The legal experts help to ensure that a good draft is prepared with the terms and clauses best suited to the client's needs.



Contract reviewing

The legal experts are proficient in the examination of contracts. They promptly identify **the lacunae/loopholes and suggest optimal solutions for the client's needs**. They provide support in deliberation over the contents of the contract by reviewing it to reach a legally binding agreement as per the acceptable and beneficial terms to both parties.



Due diligence and compliance

The **regulatory needs and obligations regarding the contracts must be continually and proactively monitored to inform and prepare the clients beforehand**. These compliances get amended at times, leading to the need for amendments. The legal experts can aid in ensuring due diligence, and compliance requirements are met per the applicable laws and regulations for the specific jurisdiction.



Streamlining of business

CLM Implementation adds to the customer's efficiency by providing legal expertise to **eliminate complex processes and scale them to meet increased demand**. As the global market has shifted from offline storage to a cloud-based model, businesses are trying to adapt to this change. In our opinion, a **smooth transition from the conventional mode to the cloud-based applications** can only be achieved with the help of legal tech experts.



Post-execution services

The process of contract management does not end with the execution of contracts, but it requires **continued monitoring of obligations** even post-execution. The deadlines for renewal and renegotiation of the executed contracts need to be tracked, which also involves the revisions to the previously executed agreements with amendments. The legal team can help identify opportunities for new agreements based on the executed contracts with a client.



Personalized legal support services

In addition to the said services, the legal experts, with the help of a suitable CLM solution, can cater to the needs of any kind of business by **analyzing market trends and suggesting optimal legal solutions with simplified processes that anyone can use**. As a result, the clients can make **data-based decisions by quantifying growth-related aspects (revenue, scalability, Key Performance Indicators (KPIs))**.

Statistics

We have experienced that accelerated contract management is possible with the help of a heavy focus on efficiency, compliance, and streamlining of business processes. As a result, revenue management processes have gained better insights. On an average, it takes about 3.5 weeks to get a contract approved and renewed conventionally. Up to a quarter of a million dollars is lost in large companies every day as the contract process drags on. With the aid and assistance of cloud-based CLM

tools, the duration of a contract lifecycle can be reduced from 14 days (about two weeks) to merely 90 minutes (about one and a half hours). For example, Conga CLM customers saw a 42% faster contract processing than the prior performances. CLM tools show real-time changes and updates by any party to the contract at hand. The 360-degree view of the entire contract lifecycle allows all the parties to stay updated about the draft changes constantly and undertake approvals on the go.

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

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

<https://cottrillresearch.com/contract-management-by-the-numbers/>

Benefits of CLM



Conclusion

Given the current state of the legal industry, using CLM applications is the optimal way to go forward. Removing routines from lawyers' daily workflow creates more room for flexible pricing. Implementation of a well-designed custom CLM solution as per the business's challenges and requirements will have a significant impact on its

performance. It will help reduce the burden on the legal counsel as well. And therefore, legal teams have a crucial role to play in this process of CLM implementation and embracing the change. LTIMindtree offers assistance in CLM solutions to various mid- and large-scale industries. Checkout our other offerings and solutions [here](#).

References

<https://www.gartner.com/en/newsroom/press-releases/2020-02-10-gartner-predicts-legal-technology-budgets-will-increase-threefold-by-2025>

<https://cottrillresearch.com/contract-management-by-the-numbers/>

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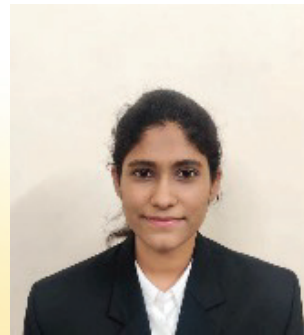
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