



# Five Pitfalls of CLM Software Selection

And How to Avoid Them

## Introduction

Risk management is one of the primary reasons that companies implement a contract management solution. The visibility and accountability of automated software significantly reduces an organization's exposure to a financial, legal, or operational error. But what about the risks associated with selecting the wrong contract lifecycle management (CLM) software? Decision makers implementing a solution for the first time may not be aware of the pitfalls inherent to the process.

If you have identified basic requirements and collected industry reviews and recommendations you probably have an appreciation for the benefits of most out-of-the-box solutions, including streamlined operations, increased security, and dynamic reporting. The majority of informed decision makers go into the next phase of their procurement process with some formal document laying out the pros and cons of the various options they have elected for consideration. This is an excellent place to start. However, many CLM solution providers are hoping this is where your strategy ends.

After considering the five common pitfalls presented in this white paper, you will see that requirements and reviews are just the first step on the path to finding the right CLM software.

### Pitfall #1: Settling for cookie-cutter demos

According to the Standish Group CHAOS report, only 29% of enterprise software implementations are successful and 19% fail completely—the remainder limp into production late, over-budget, and prone to ongoing security holes and glitches. Considering that CLM software falls into the category of enterprise software, this is a troubling statistic. Where did it all go wrong? Surely these software procurers had a list of requirements and had conducted their research on the best solutions.

As an example, TaylorMade Golf Company's initial foray into automating its CLM proved inadequate on a number of levels from security to mobile access for users, and it faced more than 6,000 highly sensitive annual contracts with some of the world's highest paid athletes across several international borders.

"We had hoped that the previous system would be a contract management solution, but user adoption was lower than expected," TaylorMade Paralegal Rebecca Smith said. "It ended up being used as an electronic repository."

When TaylorMade went about their selection process the second time around, they knew exactly what they were looking for and just how to avoid one of the biggest pitfalls. From their new list of providers, they requested in-depth product demonstrations. In these sessions, they did not hold back—testing the limits of the systems from the very first meeting and then demanding to see exactly how the system would meet their requirements.

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Once you have done the hard work of meeting with key stakeholders, researching system capabilities, and identifying the precise needs of your CLM, you should ask every potential solution provider to demonstrate their ability to meet those specific needs. Insist that the provider show how their system addresses your most challenging and unique requirements. A cookie-cutter demo will guarantee you a system that works under cookie-cutter conditions. Unless you only have a handful of users and very simple parameters, this is not a demo, it's a sales pitch.

Next, use a live product demonstration as an opportunity to further test the system's agility. Hold back one or two of your more particular requirements for the demo itself and ask the vendor to demonstrate how they would configure the system to address them in real time. This helps you understand the solution's true capabilities and responsiveness.

## Pitfall #2: Ignoring implementation in the selection process

When deploying enterprise software—and CLM is no different—the quality of the implementation is as important as the quality of the software. Is there a clear transition plan from the old way of doing things to the new system for all stakeholders? Is there a step-by-step project plan with schedules, milestones and owners? Are workflows clearly mapped out? Is the integration with current ERP or CRM systems clearly documented? For organizations who are implementing CLM for the first time, contracts may be scattered—in emails, hard drives, and spreadsheets, and workflows may not be spelled out. A strong implementation team will have a proven process to clarify your priorities and refine or establish workflows to ensure a successful deployment. However messy the existing system is, a good implementation team will work with you to impose order on the chaos.

That was the case with Ob Hospitalist Group (OBHG), with unclear contract workflows, incompatible data points between different teams, and over 200 manually updated vendor contracts. OBHG needed a CLM solution that refined its workflow as well as automated its processes. Fortunately, OBHG choose a vendor with strong implementation services that transformed a jumble of spreadsheets into a workable system that served their complex needs. But the new CLM system offered more than just a solution, giving OBHG value metrics to guide its business.

“We look at things differently now, more strategically,” Ob Hospitalist Group Paralegal Regina Flint said. “For example, the vendor contract system requires that we enter important information like cost and renewal information. With that, we can make more informed decisions. It keeps business running smoothly.”

But how can you be sure that a vendor has the technical skills to complete a successful implementation? Sidestep this pitfall by paying close attention to the services part of the engagement. Check references thoroughly and probe how confident a vendor is about implementation services. For example, what kind of formal assurances is it willing to provide?



Check references thoroughly and probe how successful a vendor is with their implementation services. For example, what kind of implementation success metrics do they claim? A vendor that is willing to claim a high rate of implementation success while also keeping projects at or under budget are most likely to deliver success for your organization.

## Pitfall #3: Overlooking user buy-in

According to a 2017 Forbes article, only 8.4% of enterprise software errors are system-related; the remaining 91.6% are due to the user, design, or process.<sup>1</sup> This means that even if you avoid the pitfalls that we have presented so far, you could still end up with a failed system if employees don't embrace your solution.

The classic example is the unnamed hospital in the Los Angeles area that implemented an Electronic Medical Record system, spending well over \$10M and countless man hours. A large and reputable vendor delivered everything on time, on budget, and in full compliance with the specifications. However, the clinicians did not like the system and refused to use it. The hospital was forced to scrap it and write off the entire investment.

Even if the user population is just a handful of tech-savvy team members, don't underestimate the importance of gaining their buy-in from the start and selecting a software that can change as quickly as their preferences will in the future.

<sup>1</sup> <https://www.forbes.com/sites/forbestechcouncil/2017/06/30/driving-user-adoption-making-sure-your-employees-are-engaged-users/#476bec7e4c1a>



On the other side of the coin is the International AIDS Vaccine Initiative (IAVI). A few years ago, the team had created a homegrown contract management portal that employees liked—it was familiar and did what it was supposed to do. Unfortunately, it was built on technology that the IT group could no longer support and the business impact loomed large. IAVI faced the daunting challenge of replacing a beloved system with something that might not measure up. They knew that unless users were able to extensively test drive any new system, it was doomed to failure. Their need for an extended trial period narrowed the field but provided crucial proof points for users.

“There was no rush and no cost, yet they partnered with us and gave us very personalized support. They helped us set up the workflows that were critical to get company buy-in,” IAVI Director Godfrey Branch said. “The prototype allowed us to have something tangible to sell to our employees—people have to see the solution and the potential. We weren’t forced into a regimented process and then hurried to commit. It gave us flexibility and allowed us to address concerns. It makes everything easier and you don’t find yourself with a solution that comes up short or that users won’t adopt.”

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IAVI also selected a system that was easy to use and provided free training for administrators. This, in combination with the free trials to IAVI power users, resulted in a successful adoption.

Even if users are willing to embrace a new system initially that doesn’t mean that they will remain loyal. It’s best to consider long-term engagement as

well as initial adoption—users changing their mind is the rule, not the exception. It’s important to choose a system that will adapt to the shifting needs of the employees and the business. An established CLM provider knows that there will be new requirements and changes throughout the implementation process as well as long afterward. Ideally, the software should have a reputation for flexibility and configurability. If it’s a newer offering, have a seasoned IT expert put it through the paces to see how it responds—from something as routine as a workflow edit to introducing an entirely different business process that might later benefit from automation.

**Pitfall #4: Becoming vendor dependent**

It’s always preferable to have a solution provider who is responsive, knowledgeable and happy to manage the entire implementation. However, after the system has been implemented and users have embraced it, you should no longer be paying expensive fees to maintain the system. If the system requires a lot of programming and there’s no one on your team with the programming skills and bandwidth to own the role of administrator, you may find yourself leaning heavily on the provider for ongoing support. This is unsustainable in the long term, not just because of the expense, but also because it creates an unhealthy dependency on a supplier. For instance, if your system has been modified with a lot of custom coding, what happens if the programmer leaves or prioritizes other projects?

An emerging technology that addresses this pitfall are applications built on no-code platforms. These solutions allow for deep configurability using just a browser, which makes them much faster and more accessible to non-programmers to modify and update. The advantage is not only do you not need a programmer for modifications and updates but also the person administering the system is likely to be the one most knowledgeable about CLM.

**Pitfall #5: Not accounting for differences in vendor motivations and business practices**

The software you buy now is likely to be managing your contracts for years. Therefore, it’s critical to establish that the vendor is financially stable and will be around a decade from now. Do they have a sustainable business model or are they dependent on raising additional rounds of capital from venture funding?

What about their business practices? For instance, does the vendor's contract limits include future price surges. In the quest for rapid growth that venture financing demands, companies have been known to grab market share with loss-leader pricing and then increase their fees once customers are locked in. We heard one horror story where a vendor increased prices tenfold over the course of a single year—and because it's so difficult to switch, they lost less than 20% of their customer base. A handsome profit for the investors but not as pleasant for the customers.

According to Gartner, there are more than 150 CLM vendors in the marketplace. Clearly not all of them will be around in a decade from now. King County's Public Health Department experienced this first hand. While away on vacation King County's Contract Specialist Jeff Brown received an email that his current CLM software was ending its support. With this brief notification, Jeff's year turned upside-down.

"We'd had the system for ten years—it contained a lot of data," Jeff Brown said. "However, the news was almost a relief because it gave us the opportunity to find a system that better met our needs. Still, we had no idea what was out there. We'd last undergone the process of selecting a contract management software in 2005. We had to start from the beginning."

All ended up well as Jeff and his team at King County implemented a CLM solution that reduced their spending by a factor of four.

## Conclusion

An awareness of the common pitfalls that others have encountered should illuminate the path and help ensure that your CLM software meets all your current and future requirements. Let's review how to avoid these five pitfalls:

- A dynamic and real-time demo will ensure that the provider can offer more than just a good sales pitch.
- Pay close attention to the services offered by a vendor as well as customer references. If possible, ask the vendor for their most up-to-date implementation success metrics, including their ability to keep projects within an estimated budget.
- If user adoption is fundamental to the success of your CLM solution, then prioritize the vendors who offer extensive free trials and prototypes.
- Be sure to select a software that delivers enough flexibility and configurability to be maintained in-house to reduce vendor dependence and cost.
- It's also important that you take the time to learn who you are choosing to partner with—specifically whether the vendor's funding could raise concerns down the line and if they are a little too eager to lock you in to a convoluted service agreement.

Recognizing the need for CLM automation is a strong indicator that an organization is ready to make the leap from sporadic to strategic decision making—from putting out fires to laying the foundation for scalability. With this said, it is paramount that the procurers take the time to elevate their selection process from identifying a short-term fix to a solution that can truly drive efficiency and streamline operations for years to come.

### About Agiloft, Inc.

As the global leader in agile contract lifecycle management (CLM) software, Agiloft is trusted to provide significant savings in purchasing, enable more efficient legal operations, and accelerate sales cycles, all while drastically lowering compliance risk. Agiloft's adaptable no-code platform ensures rapid deployment and a fully extensible system. Using contracts as the core system of commercial record, Agiloft's CLM software leverages AI to improve contract management for legal departments, procurement, and sales operations. Visit [www.agiloft.com](http://www.agiloft.com) for more.