

The Hidden Cost of CLM

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So, you've run through the demos, the proofs of concept and you've chosen your contract lifecycle management (CLM) technology tool. You've spent months perfecting your templates and clause library, curating your communications for change management, and optimizing your workflow processes. You've signed on to the professional services package, and now you're ready for implementation! But what about those pesky existing contracts? They are often forgotten until the end, and as a result, can come with added costs. Planning your legacy contract migration strategy early can be beneficial and help keep your implementation costs within budget.

Have a Plan.

It bears repeating. Having a plan is critical to the success of a legacy migration. Without it, you risk a document dump that clutters search functionality and provides little to no reporting visibility. Even if the plan is to complete the legacy migration in a later phase, have a plan. It will allow you to focus your internal and external resources on the appropriate implementation tasks.

What contracts will you migrate?

Whether your organization has contracts in an existing CLM tool, in a semi-organized repository like SharePoint or scattered on desktops across the organization, it's important to think about what contracts are important to migrate. Some organizations prefer to store every contract that the organization has ever signed. Others prefer only active contracts. Yet another approach is a hybrid approach: key historic contracts and all active contracts. Think about what your organization needs to enable new contract generation and what the legal team needs in order to respond to requests about historic contracts. Once you have identified the contracts to be migrated, you can begin to gather them in one place for additional analysis.



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What will you tag and who will tag them?

The next step is to identify what metadata tags you will want to associate with the legacy contracts. That is, identify what basic information about a particular contract is needed to enable you to run reports. Basic tags we regularly see include: Counterparty Name, Contract Type, Effective Date, and Expiration Date. Most CLM systems require that metadata for your legacy agreements be captured in a spreadsheet that maps the document file name to the associated contract information, a process that can be time consuming depending on the state of your current data and the volume of your contracts.

Accordingly, we recommend limiting the number of metadata tags for legacy contracts to those that directly relate to a specific reporting requirement (either for legal department use or for executive level reporting). Over-tagging legacy agreements could end up being a waste of time and money with little added benefit. Consider that legal teams are likely to review the specific language of the contract for analysis of legal provisions so tagging these may not be particularly valuable. In addition, many tools in the market today allow users to full-text search documents in the repository. Once you have identified the metadata tags, you will want to decide who/what (e.g., current or temporary resource, AI software, or combination of both) will enable you to extract the information necessary and work with your vendor to get the data into the vendor-accepted format.

What format are your documents in?

If you do choose to rely on full-text searching in the repository rather than tagging your documents, you should consider in what format the original contract documents are saved. For example, are they all PDFs or are they MSWord/Google documents? Some CLM systems will perform optical character recognition (OCR) on your documents upon bulk import during the legacy migration, but others require that you provide the vendor with a PDF that is already OCR'ed. Depending on your vendor and your objectives, you may need to invest in bulk OCR capabilities.

How will you organize your contracts?

Another common consideration, whether or not you are tagging your contracts with other metadata fields is to link two or more contracts that are related. For example, you may have a "parent" Master Services Agreement that you would like to link to its "child" Statement of Work. Or you may want to link a Non-Disclosure Agreement with a Master Services Agreement entered into with the same counterparty. The way you organize your contracts will be a factor of how your organization is likely to search for them and the other use cases you may have. Not all CLM systems allow you to organize your contracts in the same way, so thinking about this even during the selection process can be beneficial.

Consider Potential Additional Costs.

With each of the above considerations, you will uncover additional costs, whether it's internal resource time, additional software investments (Artificial Intelligence/Machine Learning extraction, OCR), or temporary external resource costs. In addition, each vendor will provide slightly different functionality to assist in legacy migration. Knowing your plan in advance can allow you to effectively scope the terms of the legacy migration so you are not adding cost at the last minute. While a lot of the legwork necessarily falls to the organization migrating the data, it can be useful to have a consultant advise on best practices for your legacy migration plan.

Communicate your Plan.

Once you have formulated a plan, communicate it to your vendor early so they can be partners in the legacy migration process and allow for the appropriate resources to be involved. Remember, having a legacy migration plan is critical to the success of a CLM implementation for ease of search, reporting and speed of implementation.

Before you embark on your CLM implementation journey, don't forget to plan for your legacy migration. Leaving it to the last minute can be costly. If you need help in thinking it through, **UpLevel Ops** can help.

Sumi Trombley practiced in law firms and in-house legal departments for more than a decade before coming to UpLevel Ops. Sumi previously served as Director, Legal at enterprise legal services provider Marshall Denning, LLC, where she managed and trained a team of junior and senior attorneys and developed and implemented resource optimizing processes for RFPs and pre-litigation disputes. She is known for her ability to provide strategic guidance and cost-effective solutions.

Prior to joining Marshall Denning, Sumi was Legal Counsel at Hewlett Packard Enterprise, serving as a de facto general counsel to top enterprise IT outsourcing accounts. She started her legal career at the law firms of Paul Hastings LLP in New York and Latham & Watkins LLP in DC, practicing corporate finance and securities law.

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