

Contract Lifecycle Management: from technology to performance



Executive summary

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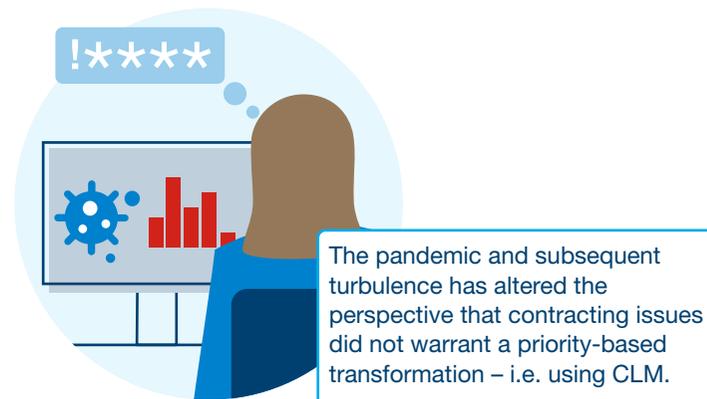
Winning and awarding contracts is a core activity for any successful business. Yet while their importance is acknowledged, the processes through which they are developed and executed are not always well and thoroughly defined. As a result, many contracts are viewed as routine work and lack substance for being fully fit for the purpose. Research shows an average 26% under-perform against purpose.¹

For years, issues such as protracted negotiations or difficulty in finding contract-related data have been an area of concern for senior management, but not sufficient enough to warrant sustained attention or to look for priority-based transformations to this area of operations. The experience of the pandemic and subsequent market turbulence has certainly altered that perspective. Executives recognize the need for a fresh approach and to ensure rapid access to contracts and related data through technology.

Contract Lifecycle Management (CLM) has taken on a new urgency within the corporate ecosystem. While control and compliance remain as fundamental elements of contract performance, in today's dynamic conditions contracts also

become a critical source of management information and must offer mechanisms for greater adaptability and agility in trading relationships.

Too often in the past, CLM projects have failed or under-performed and there are learnings available in the industry to adopt technology. Many see that as inevitable, arguing that contracts and the contracting process are too complex to be successfully automated. This report does not side-step the difficult challenges facing any CLM project; but it highlights the factors that make action increasingly urgent, and outlines the steps that are delivering results.



Forewords



Tim Cummins
President, WorldCC

As organizations focus increasingly on digitized platforms, CLM should be at the forefront of their thinking. Contracts are core business assets and CLM streamlines their assembly and management, also providing valuable business intelligence and insight.

My personal journey with enterprise CLM goes back 30 years, to the early days of globalization. From experience, I understand the challenges of developing organizational capability, but I also know the benefits. With technology now capable of handling the innate complexity of contracting processes, the time for action has surely come – yet many still struggle with orchestrating their business case and implementation plan.

This report features three distinct journeys, built on typical CLM scenarios that reflect the stories from many WorldCC members. They are here to guide you, to avoid pitfalls and streamline progress to a successful implementation.



Sandeep Agrawal
PwC Partner – Legal Business Solutions

CLM technology, contract intelligence and contract data are must-haves for today's organizations to deal with key challenges posed through regulatory requirements, socio-political-economics and crisis management needs.

The legal world is changing with innovative technology defining how the new role of the legal team plays its part in ensuring their companies' clients success. Traditional models are being challenged and tech-enabled delivery is expected, and within this is the change of perception of innovative legal delivery.

People and the processes they support are core to the success of CLM so in this report we focus on some key areas with a people-first approach. We look at contract data and the importance of legal data as intellectual property. Focus is also on CLM and Environmental, Social and Governance (ESG), and the emerging regulatory complexities and the important role of legal and CLM will sit as the lifeblood and centerstone to the ESG best practice and regulatory compliance.

The survey also showcases some key data and metrics as well as resolution to challenges organizations face – PwC are proud to collaborate with WorldCC on this innovation.

Setting the scene

In a recent article, the Financial Times observed: *“Companies have been forced to innovate and digitise at an unprecedented pace, which has created new opportunities for growth. In turn, digital tools have allowed teams to work together across multiple locations and complete tasks in a more collaborative and seamless manner. However, advanced technology capabilities come with many challenges.”*²

When it comes to CLM, digitization is for many the driver, the enabler and the challenge. The need for streamlined data flows that equip teams to work collaboratively has never been more urgent. Digital technologies provide the platform for that data; but digitization depends on integration too, and, in the case of contracting, that is not easily achieved and perceived as a challenge.

Contracts operate as instruments of control. This becomes challenging because of the wide array of stakeholder interests that they represent – interests that are often difficult to reconcile.

On the one hand, a contract reflects an opportunity; on another, it represents a business relationship; yet at the same time, it seeks to define and allocate risk, roles and responsibilities.

Assembling and negotiating contracts has never been easy. WorldCC research has revealed the cost, the reasons for delay, the overall complexity of the contracting process – often sources of frustration to senior management. Today, those frustrations are made worse by the inability of contracts to deal efficiently and effectively with increasingly unpredictable, volatile markets.

CLM is about much more than ‘the contract’. It is about the life of contracts from inception of a business requirement through to delivery of an outcome. Yet, the stakeholders may define this differently. It may be measured in days or in years; it may involve just a handful of stakeholders or hundreds, even thousands.

And the data on which it draws and which it generates sits within multiple systems, affecting multiple parts of the business. These are the factors that make CLM so complicated and challenging. Successful digitization requires all these strands to be identified and brought together.

This report examines CLM from three perspectives, through the eyes of three ‘personas’. Each of them is leading an initiative to automate contracting – one has been handed the task by senior management, another is responding to growing pressure to streamline the service they provide to business users and the third, struggling with the volume of operational workload, has simply recognized the need and opportunity for change.

Drawing on research, we examine how they approach and gain support for their task, addressing the key challenges of stakeholder alignment, budgetary approval and user adoption.



Survey insight What is the meaning of the term CLM?

Process of gaining clarity and visibility and managing the contracting lifecycle	49%
A technology solution that supports and enables the contracting lifecycle	43%
Improving decision-making through enhanced Contract Data Management	4%
Identifying and aligning roles and responsibilities for contracting	2%
Other	2%

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

The three perspectives



Alice @ HJK Finance



Bertha @ Forge Telecoms



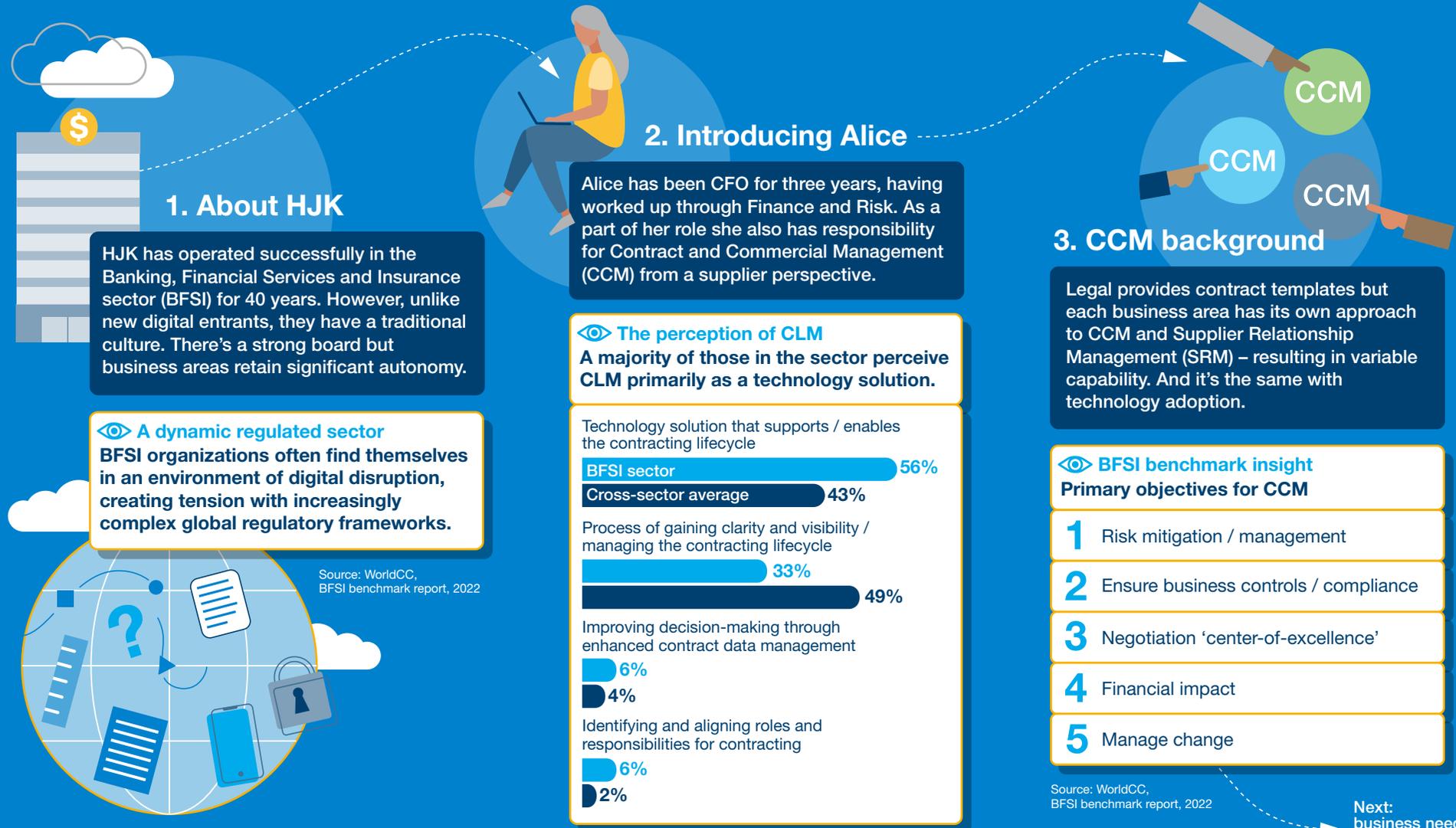
Colin @ Larver Energy

	Driver for CLM	Maintaining regulatory compliance in a dynamic environment	Unlocking the value of contract data to support business decisions	Supporting an ESG journey through enhanced supplier engagement and measurement
The wider context	Synopsis	Internal audit has highlighted a potential future regulatory risk in how they deal with suppliers	As a 'digital' organization it has access to significant customer, finance and operational data and insights – but little from contract data	While transitioning from an oil and gas company to an integrated energy company, their legacy businesses also need to consider how they play into ESG in a positive way
	Business need	1. Remediate the existing risk 2. Ensure that the risk is mitigated going forward	The ability to link contract data to other existing data points to create rich insights and support better decision-making	1. Understand what ESG means to the business 2. Build trust and transparency with supply partners 3. Enable enhanced reporting
	Sector	A dynamic and changing regulated sector	A 'digitally enabled' sector	A sector in transition
	Direction / Sponsorship	From above – the CEO	From below – business unit pressure	Functional led
	Role	CFO	General Counsel	Head of CCM
The CLM solution	Current CLM maturity	No CLM technology solution	An existing CLM technology solution focused on the transactional contracting lifecycle	No CLM technology solution
	Required functionality of the CLM technology solution	1. Ability to assess the current contract portfolio 2. Enhance reporting from suppliers going forward	1. A functionality upgrade to allow better reporting; clause management; analytics 2. Integration with other enterprise systems	1. Clause management for new ESG clauses 2. Create a 'platform' allowing enhanced reporting and analytics internally and with supply partners
	Nature of the CLM technology solution	Internal and linkage to suppliers in the future	'Platform' solution that interfaces with other internal systems	Internal and linkage to supply partners
	Wider capability uplift requirements	Development of Supplier Relationship Management (SRM) capabilities	Development of 'digital skills' such as analytics and data visualization	Ability to act as pan-organization leaders on ESG and development of SRM capabilities
The approach	Key challenges	<ul style="list-style-type: none"> Building consensus Creating consistency across the organization Building trust and transparency with suppliers. 	<ul style="list-style-type: none"> Repositioning Contract and Commercial Management (CCM) as a business value multiplier Moving CLM from a CCM tool to a business tool 'Big' data versus 'focused' data. 	<ul style="list-style-type: none"> Building consensus Building trust and transparency with suppliers Positioning CLM as a business tool for the organization and its supply partners.
	Approaches taken	<ul style="list-style-type: none"> Leadership and engagement Communication strategy and plan Requirements alignment to aid user adoption Training strategy and considerations Change management roadmap. 	<ul style="list-style-type: none"> Leadership and engagement Communication strategy and plan Understanding the key business decisions where contract data can support Repositioning the role and purpose of CCM. 	<ul style="list-style-type: none"> Leadership and engagement Consensus building Creating alignment, trust and transparency with supply partners Repositioning CCM to being CCM / SRM business partners.

The three stories in this report are each presented as a summary version (blue pages) and a long-form version (white pages).

Alice's story – background

Using Contract Lifecycle Management (CLM) to maintain regulatory compliance in a dynamic environment



1. About HJK

HJK has operated successfully in the Banking, Financial Services and Insurance sector (BFSI) for 40 years. However, unlike new digital entrants, they have a traditional culture. There's a strong board but business areas retain significant autonomy.

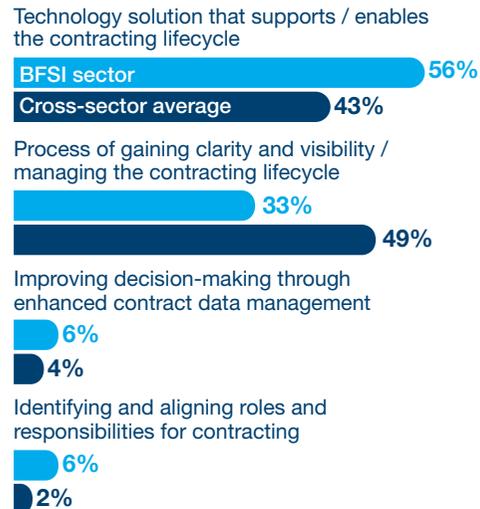
A dynamic regulated sector
BFSI organizations often find themselves in an environment of digital disruption, creating tension with increasingly complex global regulatory frameworks.

Source: WorldCC, BFSI benchmark report, 2022

2. Introducing Alice

Alice has been CFO for three years, having worked up through Finance and Risk. As a part of her role she also has responsibility for Contract and Commercial Management (CCM) from a supplier perspective.

The perception of CLM
A majority of those in the sector perceive CLM primarily as a technology solution.



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

3. CCM background

Legal provides contract templates but each business area has its own approach to CCM and Supplier Relationship Management (SRM) – resulting in variable capability. And it's the same with technology adoption.

BFSI benchmark insight
Primary objectives for CCM

- 1 Risk mitigation / management
- 2 Ensure business controls / compliance
- 3 Negotiation 'center-of-excellence'
- 4 Financial impact
- 5 Manage change

Source: WorldCC, BFSI benchmark report, 2022

Next: business need

Alice's story – business need



4. The issue

A recent internal audit identified potential risks in the management of key supplier contracts and relationships. If not addressed, they are likely to become a significant regulatory compliance exposure.

The need for CLM

Where organizations haven't implemented a CLM technology solution, the fear of regulatory exposure is a primary driver for action.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022



5. The journey so far

The CEO has told the executive team the audit findings must be addressed and Alice is responsible. Division heads were resistant to changes that might challenge their autonomy. Alice has assembled a CCM team to support her and set up a steering board of key stakeholders. They are considering how to implement technology such as CLM.

A growing need for technology

49% of survey respondents intend to invest in technology over the next 12 months. Their priorities for new or improved systems are:

Integrating data flows

Gaining visibility into contract data

Being able to find and search agreements

Supporting regulatory compliance / reporting

Source: WorldCC, BFSI benchmark report, 2022



6. The goal

Alice's immediate goal is to mitigate the identified risks with a solution that:

- Provides full insight to the contract portfolio
- Identifies where remediation is required
- Makes required changes to the contracts.

Risk and compliance

Where 'Enhanced Reporting' is given as a driver for CLM implementation, risk, along with regulatory and business compliance, were the largest drivers with 61% of respondents.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022



Next: the solution

Alice's story – the solution

7. Approach

Alice must gain buy-in to a CLM solution whilst progressing at pace. Her team has started an assessment to understand the state of the market and gain insight to what others in their sector have done. This has brought focus to their early conversations and a better sense of the full extent of their task.

CLM adoption in the sector
BFSI firms are ahead of the pack in terms of solutions that look to share across the organization's external boundaries.

Nature of CLM technology implemented
 A CLM solution that allows collaboration and / or shared data with external partners

BFSI sector **27%**

Cross-sector **14%**

A specialist CLM solution with partial or full integration with other enterprise solutions (e.g. SFDC, SAP etc.)

27%

40%

A specialist standalone CLM solution

20%

12%

A third-party developed solution (e.g. using a platform such as SharePoint)

13%

10%

An internally developed solution (e.g. a platform like SharePoint, or an in-house tool)

7%

14%

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

8. Options

The initial project plan lacks an integrated approach and is resource challenged. Introducing a Systems Integrator (SI) for the CLM rollout would allow the internal team to concentrate on the business aspects such as stakeholder engagement, communications and benefits delivery.

The roles and benefits of an SI

Collate and mobilize – create a baseline understanding of the contract portfolio, clause library and processes

Analyze – support the creation of the implementation roadmap and business cases

Deliver – bring the roadmap and business case into reality

Source: Narrative of this report

9. Critical decision points

There will be many decision points. For Alice, as the responsible executive, those that are critical are likely to be:

- Gaining consensus on the project plan and how it defines value for the organization
- Agreeing on the nature and source of the CLM technology solution
- Agreeing to the phasing of the rollout

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: re-designing CCM

Alice's story – re-designing CCM

10. Skills – access and development



HJK has a traditional, decentralized culture. To drive adoption they will have to upskill the CCM teams and maybe recruit outside talent. The teams will have to align their conversations with the goals at both the local and enterprise level.

An increasing drive for relevance Top 5 priorities for improvement

- 1 Increasing strategic relevance / demonstrating value of CCM
- 2 Improving internal processes
- 3 Expanding role and contribution
- 4 Raising skills of current staff / attracting and retaining talent
- 5 Selecting, implementing and gaining adoption of tools and systems

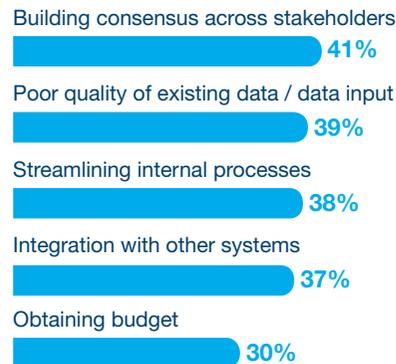
Source: WorldCC, BFSI benchmark report, 2022

11. Approach to CCM



In discussion with WorldCC, HJK was able to assess the CLM implementation challenges other organizations had faced. A significant success factor was redefining the approach to CCM in terms of the processes, the roles and responsibilities, and the performance framework. This was important for HJK due to their transition to a center-led model.

The challenges for CLM implementations Top 5 challenges faced by BFSI organizations that have implemented CLM technology



Source: WorldCC, BFSI benchmark report, 2022

12. Approach to technology



Implementing an enterprise-wide platform that addresses both the short- and longer-term goals is critical.

BFSI benchmark insight The priority functionalities

■ = BFSI sector survey rank ■ = Cross-sector rank

1 Immediate must haves

Management reporting	1	5
Document repository	3	1
Risk management	5	8
Obligation extraction and mngnt	6	12
Contract information extraction	11	3
Change management	15	13
Contract negotiation support	17	9
Contract portfolio analysis	18	14

2 Future requirements

Contract approvals	2	2
Template management	7	4
Contract assembly	8	11
Clause management	10	6
Integration with internal systems	12	7

Source: WorldCC, BFSI benchmark report, 2022

Next: laying the foundations for CLM

Alice's story – laying the foundations for CLM

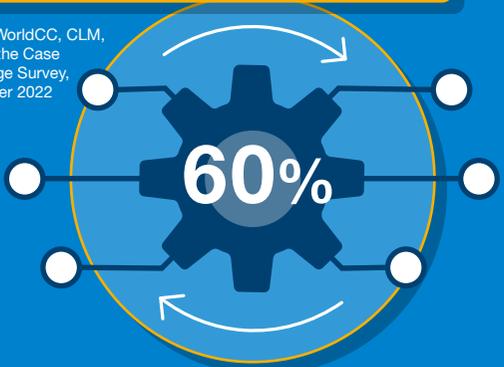
13. Digitization strategy



The team has recognized that the real challenge (and opportunity) is related to data, information and knowledge. Creating a coherent, organization-wide, digitization strategy will be a critical deliverable within the CLM project.

The rise of digitization
 60% of BFSI respondents said wider digital transformation is a driver for implementation of CLM.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022



14. Implementation



During their time developing the project plan and implementation strategies, the team has identified a number of activities that are needed in preparation for the CLM technology rollout.

- Implementation activities include:**
- Template and clause library review
 - Portfolio review
 - Review of roles and responsibilities
 - Process redesign

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022
 Also see: PwC, The Power of Crowd-sourced, Tech-enabled Contract Standardisation (PDF) >



15. Stakeholder management

In successful projects, stakeholder management was seen as more than just talking to people, it was viewed as a mechanism for creating followers and, where necessary, changing hearts and minds.

A number of challenges

- Building consensus
- Obtaining budget
- Executing change management

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: implementing the holistic solution

Alice's story – implementing the holistic solution

16. Capability development



HJK recognizes that in some situations it has treated its suppliers as 'black boxes' and this must change. Developing trust with suppliers will be critical in order to agree changes to the contract, establish improved governance, and develop a more open relationship.

👁️ Supplier visibility and transparency

While BFSI organizations are ahead of the average organization in having visibility of their supply networks, only about half of BFSI organizations see further than their direct suppliers.

Source: WorldCC, Enhancing the value of extended supply ecosystems report, January 2020



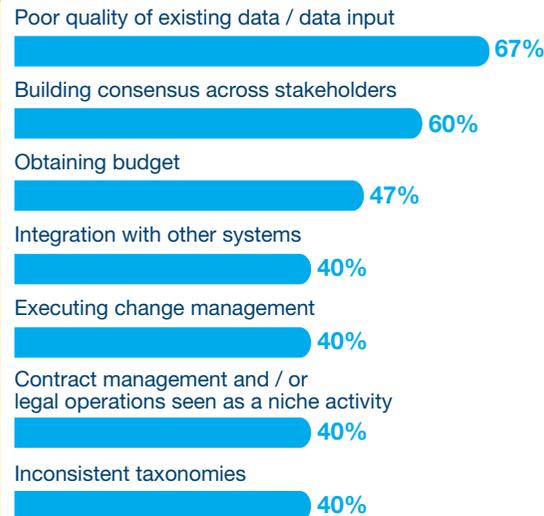
17. Technology implementation



Close working between the HJK team and the system integrator is essential. Selection of the SI and the CLM technology solution provider will focus both on technical capability and willingness to transfer knowledge to the core HJK team.

👁️ Challenges faced

Top 7 challenges faced by BFSI organizations in CLM implementation (% of respondents)



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

18. Adoption



User adoption is the real indicator of success – Alice and the team understand that demonstrating quick wins and longer-term progress towards the goals is critical to maintaining confidence and support.

👁️ Essential steps in underpinning adoption

Leadership and engagement

Communication strategy and plan

Requirements align to facilitate user adoption

Training strategy and considerations

Change management roadmap

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: managing a successful implementation

Alice's story – managing a successful implementation



19. Governance approach



The CEO remains fully engaged with Alice and the team who provides regular briefings. While much of the governance is focused on the CLM implementation, there is also a need for ongoing operational governance.

👁️ A need to consider ongoing governance
Top 5 activities recommended by BFSI organizations who have implemented a CLM

- 1 Contracting lifecycle RACI review and re-design**
- 2 Contract template standardization**
- 3 Contracting process redesign**
- 4 Assessment of the CCM skills required**
- 5 Creation of a robust project governance framework**

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

20. Risks / things to watch out for



Due to the nature of the business need, Alice had high level sponsorship from the CEO, which was critical. She realized early on that this had to be positioned as a business-wide project led by her and her team.

As such, creating buy-in through active stakeholder management and communications was needed as much as the CLM technology solution. Bringing in a SI supplements and frees up the skills, knowledge and bandwidth of her team to focus on adoption.

👁️ Important considerations

Balance of investment – the amount of effort in winning hearts and minds often takes more investment than the technology rollout.

Progress often follows an S-curve – visible progress is likely to slow initially before ramping up, and can lag the progress demanded by some stakeholders.

Source: Narrative of this report

Case study: Global technology company

A global technology services provider with over 900 clients and 40,000 contract / legal documents spread across the globe.

👁️ Issues

- No central repository, so little control
- Over 35 contract templates
- No visibility of contract risks

👁️ Approach

- Aligning key stakeholders
- Defining scope of data migration
- Hand-holding, training and workshops

👁️ Impact

- Early spot of contract variations and risks
- Centralized repository, access and control
- Efficient workflows, clarity on roles
- Improved intelligence and analytics

Source: PwC analysis

Alice's story

Using Contract Lifecycle Management (CLM) to maintain regulatory compliance in a dynamic environment

1. About HJK

HJK has operated successfully for over 40 years. However, the market has changed and compared to new digital entrants, HJK has retained a traditional culture in the way it operates and the type of people that it employs. While there is strong leadership at the board level, a federated structure gives business areas significant autonomy and responsibility for their financial results.

A dynamic regulated sector
BFSI organizations often find themselves in an environment of digital disruption, creating tension with increasingly complex global regulatory frameworks.

Source: WorldCC, BFSI benchmark report, 2022



2. Introducing Alice

Alice is the CFO for HJK Finance, a multinational organization in the Banking, Financial Services and Insurance sector (BFSI). She has been in position for three years having worked her way up through the Finance and Risk functions. Operating in a regulated industry, Alice has seen the complexity of regulation increasing over the years. While the organization has a strong compliance framework, a recent internal audit identified potential risks in the management of key supplier contracts and relationships. If these are not addressed, they are likely to become a significant regulatory compliance exposure.

As a result the CEO has given Alice responsibility for Contract and Commercial Management (CCM), which also includes Supplier Relationship Management (SRM). These activities have traditionally been performed by decentralized groups and individuals reporting to the various business areas. The CEO has made it clear to Alice that he expects rapid action to address the problem, with a solution that not only mitigates the current risk, but also accommodates future regulatory changes.

3. CCM background

In line with the organizational culture, commercial judgment and resourcing resides in the leadership of the business divisions. While there are standard contract templates developed by the Legal team, each business area has developed its own approach to CCM and SRM, resulting in variable levels of capability. While in some cases there are dedicated resources, in others these activities are a sub-element of other job roles.

Technology adoption and use show a similar pattern, with a centrally developed procure-to-pay application used by most, but CCM largely performed through spreadsheets and shared drives.

The perception of CLM

A majority of those in the sector perceive CLM primarily as a technology solution.



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

BFSI benchmark insight

Primary objectives for CCM

- 1 Risk mitigation / management
- 2 Ensure business controls / compliance
- 3 Negotiation 'center-of-excellence'
- 4 Financial impact
- 5 Manage change

Source: WorldCC, BFSI benchmark report, 2022

Alice's story (continued)

4. The issue

A recent internal audit identified potential risks in the management of key supplier contracts and relationships. If not addressed, they are likely to become a significant regulatory compliance exposure.



The need for CLM
Where organizations haven't implemented a CLM technology solution, the fear of regulatory exposure is a primary driver for action.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

5. The journey so far

The CEO has made the Executive Team aware that the audit findings must be addressed promptly, and that Alice is responsible. This was not universally well received, with division heads resistant to changes that might challenge their autonomy on commercial decisions and external relationships. However, given her history, Alice knows the Executive Team well and is respected as a 'safe pair of hands'.

Alice has assembled a small team of CCM experts to support her in better understanding the nature of the problem and possible solutions. She has also set up a steering board with representation from key stakeholders. At a personal level, she has reached out for advice to a number of people that she trusts – and, in line with the WorldCC benchmark research, many of them are considering how they can implement technology such as CLM in the near future. Of interest to Alice is the fact that many of them cite risk mitigation and management as being the biggest driver, with ensuring business controls and compliance being the second most important driver.

A growing need for technology
49% of survey respondents intend to invest in technology over the next 12 months. Their priorities for new or improved systems are:

Integrating data flows

Gaining visibility into contract data

Being able to find and search agreements

Supporting regulatory compliance / reporting

Source: WorldCC, BFSI benchmark report, 2022

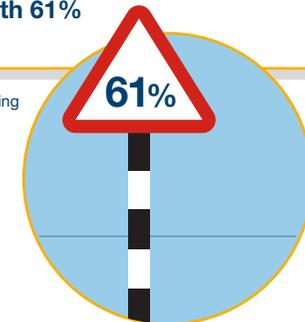
6. The goals

Alice considers herself lucky. She has the backing of the CEO and is equipped with an internal audit report that clearly lays out the issue. Her immediate task is to mitigate the identified risks by implementing a solution that provides full insight to the contract portfolio, identifies where remediation is required, and then makes required changes to the contracts.

The secondary goal is to create a sustainable approach that can adapt to new and changing regulations.

Risk and compliance
Where 'Enhanced Reporting' is given as a driver for CLM implementation, risk, along with regulatory and business compliance were the largest drivers with 61% of respondents.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

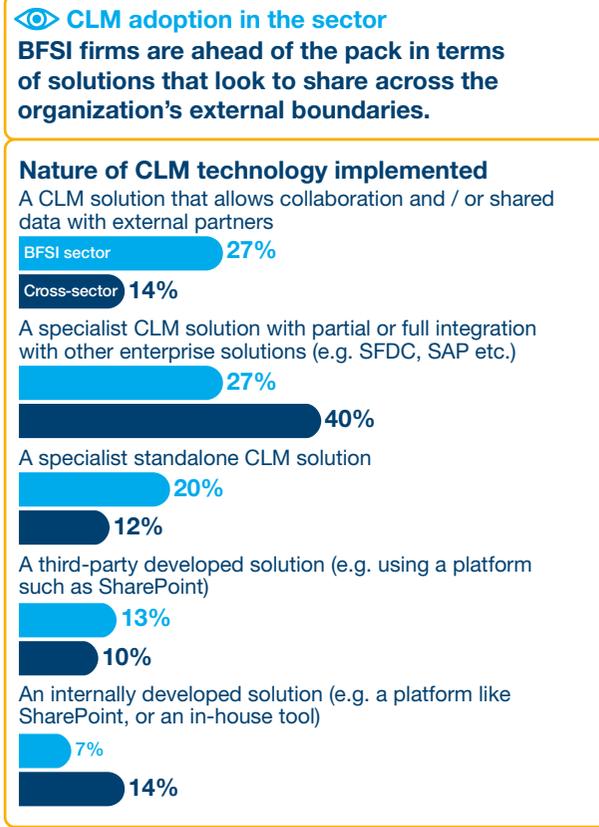


Alice's story (continued)

7. Approach

From past experience of cross-organization improvement initiatives, Alice knows that success depends not only on the technology, but also on building consensus across stakeholders, users, and suppliers. She must gain buy-in to the idea of a CLM solution, but also needs to maintain progress at pace.

Her team has started a high-level market assessment, as part of which they reached out to WorldCC to understand the state of the market and gain insight to what others in their industry have done. This has led them to appreciate the range of options to consider. It has also helped them to bring focus to their early conversations and provided a better sense of the full extent of their task. They have concluded that they need to operate as a project team and are starting to build their project plan.



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

8. Options

While operating as a project team is a positive approach, some question whether this is leading them to focus on the activities required to roll out the solution, at the expense of keeping focus on the goal and outcomes. The technology solution is easier to see and define, compared to big questions over process, organization and culture change, the future relationship with suppliers and the user adoption challenges.

At present, the project plan looks like a series of activities focused on the roll out of a CLM solution, rather than an integrated approach to the steps required for delivering the immediate objectives – contract portfolio assessment; identification of risk hot spots; and remediation.

In discussion with the team, operational workload is clearly a concern and a potential barrier to the pace that they need. Bringing in a Systems Integrator (SI) to focus on the CLM rollout would allow the internal team to concentrate on the business roll out aspects. They conclude that the SI would help in the following areas:

- The roles and benefits of an SI**
- Collate and mobilize** – create a baseline understanding of the contract portfolio, clause library and processes
 - Analyze** – support the creation of the implementation roadmap and business cases
 - Deliver** – bring the roadmap and business case into reality

Source: Narrative of this report

Alice's story (continued)

9. Critical decision points

Many decision points are going to be encountered. However, for Alice, as the responsible executive, those that are critical are likely to be:

- ✓ Gaining consensus on the project plan and how it defines value for the organization
- ✓ Agreeing on the nature and source of the CLM technology solution
- ✓ Agreeing to the phasing of the rollout

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

10. Skills – access and development

As HJK has a relatively traditional, decentralized culture, the project team has identified that to drive adoption they will have to upskill the current CCM teams to a common level and to accelerate this, they may need to recruit outside talent.

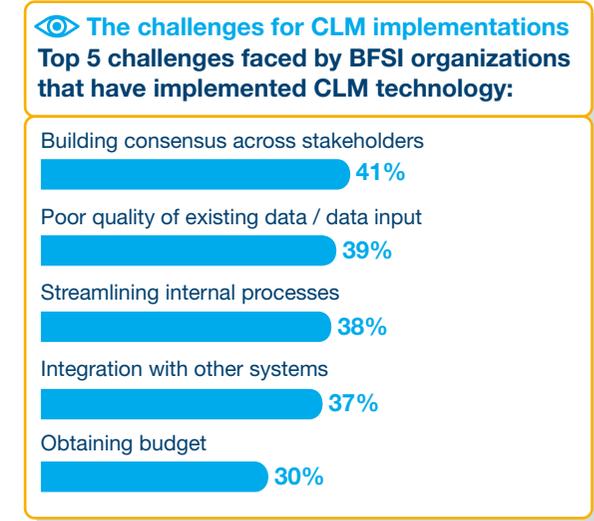
In order to drive and maintain the different elements of the overall project, the team recommends moving from a decentralized model to a center-led model. This will require the CCM teams to build a 'right to play' in their businesses, aligning their conversations with the goals at the local level and also at the enterprise level. This represents a significant change in their perceived role and status and moves them towards the goal of increasing their strategic relevance and demonstrating the value of CCM.

- An increasing drive for relevance**
Top 5 priorities for improvement
- 1** Increasing strategic relevance / demonstrating value of CCM
 - 2** Improving internal processes
 - 3** Expanding role and contribution
 - 4** Raising skills of current staff / attracting and retaining talent
 - 5** Selecting, implementing and gaining adoption of tools and systems

Source: WorldCC, BFSI benchmark report, 2022

11. Approach to CCM

Through their discussions with WorldCC, HJK was able to access insights on what challenges other organizations faced during CLM implementation, see below. A significant learning was that redefining the approach to CCM in terms of the processes, the roles and responsibilities, and the performance framework were critical to success. In the case of HJK, this was of particular importance due to the transition to a center-led model.



Source: WorldCC, BFSI benchmark report, 2022

Alice's story (continued)

12. Approach to technology

Implementing an enterprise-wide platform that addresses both the short- and longer-term goals is critical. The team have identified two sets of critical functionalities:

BFSI benchmark insight The priority functionalities

■ = BFSI sector survey rank ■ = Cross-sector rank

1 Immediate must haves		
Management reporting	1	5
Document repository	3	1
Risk management	5	8
Obligation extraction and mngnt	6	12
Contract information extraction	11	3
Change management	15	13
Contract negotiation support	17	9
Contract portfolio analysis	18	14

2 Future requirements		
Contract approvals	2	2
Template management	7	4
Contract assembly	8	11
Clause management	10	6
Integration with internal systems	12	7

Source: WorldCC, BFSI benchmark report, 2022

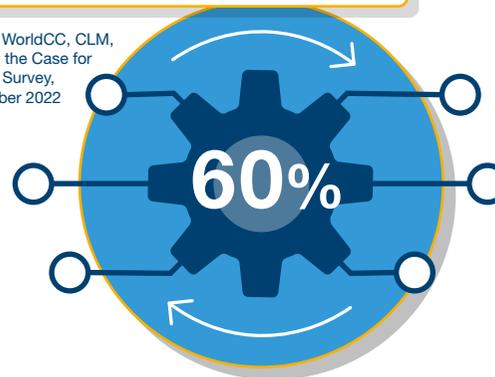
13. Digitization strategy

The team has recognized the importance of how they communicate the project to others. They have recognized that the real challenge (and opportunity) is related to data, information and knowledge. Upskilling and technology are enablers; the benefits come from the creation of quality data and information. This will provide HJK with better insight and knowledge about their supplier relationships and create confidence in regulatory compliance and is in line with their wider digital transformation strategy, see insight below

This means that creating a coherent, organization-wide, digitization strategy will be a critical deliverable within the project.

The rise of digitization
60% of BFSI respondents said wider digital transformation is a driver for implementation of CLM.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022



14. Implementation

During their time developing the project plan and implementation strategies, the team has identified a number of activities that are needed in preparation for the CLM technology rollout.

Implementation activities include:

Template and clause library review

To assess the relevant clauses used today and identify standards for standardization

Portfolio review

To assess the nature and scale of contracts across the organization, to assess the challenge

Review of roles and responsibilities

To understand and create RACIs for the 'as is' situation across the businesses

Process redesign

To assess the 'to be' process(es) to be embedded across the businesses

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Also see: PwC, The Power of Crowd-sourced, Tech-enabled Contract Standardisation (PDF) >

Alice's story (continued)

15. Stakeholder management

Alice identified early on that bringing the organization on the journey will be critical. She sees herself having a leading role, but it also influenced the people she selected for the project team. There will be decision points requiring trade-offs and where not all stakeholders will get what they want. The team's ability to communicate, listen, accommodate, and influence is a dependency for success.

In her last role as Head of Internal Audit, Alice reviewed many internal projects. A theme that came up consistently across under-performing projects was poor stakeholder management. This often led to projects not identifying or taking on board where stakeholders saw legitimate issues, potential barriers, possible pitfalls, or where the project crossed their perceived 'view of the world'.

In successful projects, stakeholder management was seen as more than just talking to people, it was viewed as a mechanism for creating followers and, where necessary, changing hearts and minds. Soliciting opinions and testing options allowed those impacted by change to feel part of the process and gave an opportunity to prepare and adapt. Freeing up the project team to perform the critical role of advocates and ambassadors means a likely need for a specialist Systems Integrator (SI) and Alice sees this as an enabling investment.

A number of challenges



Building consensus



Obtaining budget



Executing change management

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022.

16. Capability development

HJK recognizes that in some situations it has treated its suppliers as 'black boxes' and not understood enough about the contents of the 'black box'. In many cases, this must change. Developing trust with suppliers will be critical in order to agree to changes to the contract, establish improved governance, and develop a more open relationship. This, together with the change in roles and responsibilities of the CCM teams, and the move to a center-led organizational model, requires a comprehensive program of interactions.

Supplier visibility and transparency
While BFSI organizations are ahead of the average organization in having visibility of their supply networks, only about half of BFSI organizations see further than their direct suppliers.

Source: WorldCC, Enhancing the value of extended supply ecosystems report, January 2020



17. Technology implementation

Clarity over both the day one requirements and the longer-term requirements is critical to a successful selection and procurement of the CLM technology. Close working between the HJK team and the SI is essential. Roles and responsibilities must be clearly defined and 'cultural fit' will be important as the partnership will be critical in addressing the challenges that Alice has heard from her peers who have already implemented CLM.

Selection of the SI and the CLM technology solution provider will focus not only on technical capability, but also on a willingness to transfer knowledge and understanding to the core HJK team.

Challenges faced **Top 7 challenges faced by BFSI organizations in CLM implementation (% of respondents)**



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Alice's story (continued)

18. Adoption

Stakeholder engagement is an essential precursor to the real indicator of success – user adoption. Alice and the team understand that demonstrating quick wins and longer-term progress towards the goals is critical to maintaining confidence and support, especially when there are challenges along the way.

The team has identified a number of steps that they view as essential in underpinning adoption:

Essential steps in underpinning adoption

1. Leadership and engagement
2. Communication strategy and plan
3. Requirements align to facilitate user adoption
4. Training strategy and considerations
5. Change management roadmap

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

1. Leadership and engagement

- Align HJK Finance with senior leadership, establish leadership forums and a change network to support and encourage new ways of working
- Engage key users and stakeholders early on to ensure user stories and requirements are clear from the outset
- Create or leverage on opportunities to showcase HJK senior leadership support for this initiative.

2. Communication strategy and plan

- Identify all the stakeholders – individuals and groups – impacted by the changes, how they are impacted, their criticality to success and their likely levels of support
- Develop communication plans related to impacts and desired outcomes, ensuring visible leadership support
- Maintain transparency throughout the project lifecycle using effective and efficient communications.

3. Requirements alignment to facilitate user adoption

- Align business expectations with the solution capabilities
- Create a diverse, broad and cross-functional user group in the pilot phase
- Identify and develop potential 'champions' and early 'power users'.

4. Training strategy and considerations

- Identify training needs and define a training program that enables continuous learning, with a focus on people's experience and success stories.

5. Change management roadmap

- Develop a roadmap for change management activities, factoring in the evolving requirements of the business, keeping in mind the different stakeholder groups impacted by the change.

19. Governance approach

Identifying the executive sponsor wasn't an issue, and the CEO remains fully engaged with Alice and the team who provide regular briefings so that the CEO can advocate the project in communications.

Alice chairs the main review meetings, and this helps ensure the level of attendance. She is aware that success also depends on HJK's suppliers and is creating mechanisms to actively engage with them. These will be based around the supplier segmentation flowing from the portfolio review.

A need to consider ongoing governance Top 5 activities recommended by BFSI organizations who have implemented a CLM

- 1 Contracting lifecycle RACI review and re-design
- 2 Contract template standardization
- 3 Contracting process redesign
- 4 Assessment of the CCM skills required
- 5 Creation of a robust project governance framework

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Alice's story (continued)

20. Risks / things to watch out for

👁️ Important considerations

Balance of investment

Progress often follows an S-curve

Balance of investment

As Alice and the team identified, it is easy to see a project like this as a CLM technology rollout, when it is in many respects a transformation program requiring culture and behavioral changes underpinned by technology implementation. The amount of effort in winning hearts and minds often absorbs significantly more investment than the technology rollout and must not be under-estimated.

Progress often follows an S-curve

There is a need to carry out foundational activities such as those described in order to prepare for a successful implementation of the CLM technology. This means that visible progress is likely to slow initially before ramping up. It often lags the progress demanded by some stakeholders and can allow resistant stakeholders to push back against it. Phasing of activities and communication of progress is critical.

Case Study – global technology services company

👁️ Issues

No central repository, so little control

Over 35 contract templates

No visibility of contract risks

👁️ Approach

Aligning key stakeholders

Defining scope of data migration

Hand-holding, training and workshops

👁️ Impact

Early spot of contract variations and risks

Centralized repository, access and control

Efficient workflows, clarity on roles

Improved intelligence and analytics

Source: PwC analysis

Issues

- The client was a Global Technology Services Provider with over 900 clients and 40,000 contract / legal documents spread across the globe
- With no central repository, the legal team had very little control over contracts, their management or renewals
- More than 35 known contract templates; but no visibility of contract risks that may have arisen due to deviations from standard terms or templates
- Concerns raised by Board and Audit Committee on risk exposures and liabilities to the business.

Approach

- Aligning key stakeholders with development of a blueprint for Contracting 'Center of Excellence' – outlining roles and responsibilities; resource and skill plan, and KPIs
- Defined strategy for data staging and migration (scope of data migration, key metadata fields, process for extraction and cleanse of data, etc.)
- Project management support for collation and cataloging of contracts
- Definition of metadata fields, abstraction of important obligations for actionable analytics
- Hand-holding, training and workshops across management levels and the Center of Excellence.

Impact

- Early identification and treatment of contract variations / exposures / risks
- Centralized repository, access and control
- Clear visibility on key parameters / exposure areas
- Efficient workflows, clarity on roles and responsibilities
- Improved intelligence and analytics.

Bertha's story – background

Using Contract Lifecycle Management (CLM) to unlock the value of contract data



1. About Forge Telecoms

Forge has expanded from fixed line and mobile services into enterprise services. It has three very different divisions: network operations; enterprise services; and consumer. There are big decisions around the next strategic move needed.

👁️ **A sector built on contracts and relationships**
Telecoms' complexity of technology and relationships to form the 'network of networks' places contracts at the core of the sector's required capabilities.

Source: WorldCC, Telecommunications, benchmark report, 2022




2. Introducing Bertha

Bertha has recently taken up a new role as General Counsel, reporting to the CEO, joining from a competitor. Forge offered a far more influential role, sitting above the operating divisions and including central responsibility for Contract and Commercial Management (CCM).

- 👁️ **The top 3 benefits of CLM**
Research tells Bertha that for those that have implemented a CLM technology solution, the top 3 drivers were:
- Part of a digital transformation initiative **27%**
 - To enhance business performance **26%**
 - To enhance business reporting **21%**

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

3. CCM background

Forge were early investors in dedicated CCM resources. Acknowledging the complexity of their sector they have continued to invest ahead of other sectors. There have been regular shifts in reporting lines from Finance, to Operations to Legal.



Source: WorldCC, Telecommunications benchmark report, 2022

Next: business need

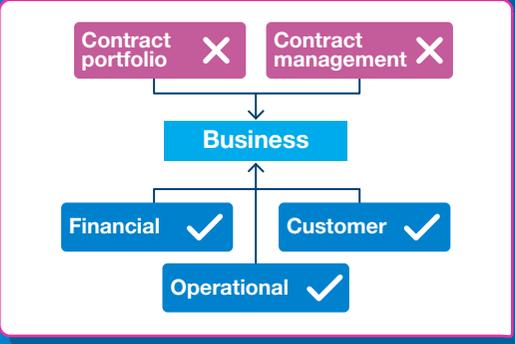
Bertha's story – business need



4. The issue

As a digital industry, there is an abundance of financial, customer and operational data. However, there's a lack of insights from the contract portfolio and contract management. The businesses are demanding an uplift in capability in Contract Data Management.

👁️ The missing data / information



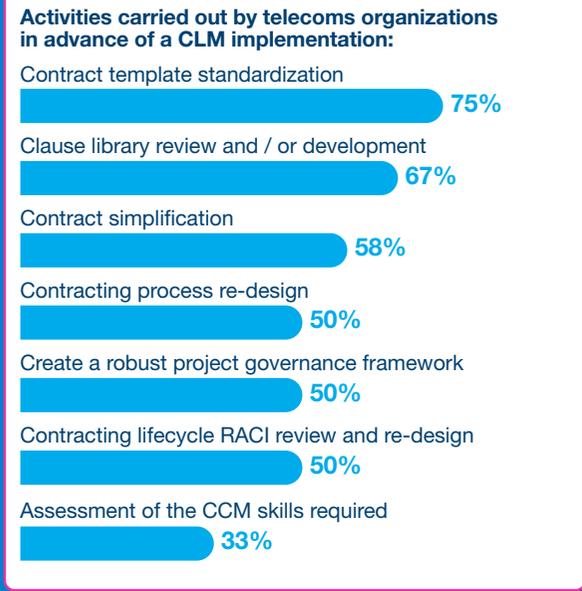
Source: WorldCC, member insights

5. The journey so far



Three years ago, Forge invested in a specialist third-party CLM system, which mostly focused on creating efficiency and reporting. There is an obvious case for further investment in the system, but making the case is more difficult due to past experiences.

👁️ **A digital sector with data at its core**
 In the telecoms sector over 50% of those who implemented or are implementing CLM technology started more than two years ago versus less than 40% in other sectors.



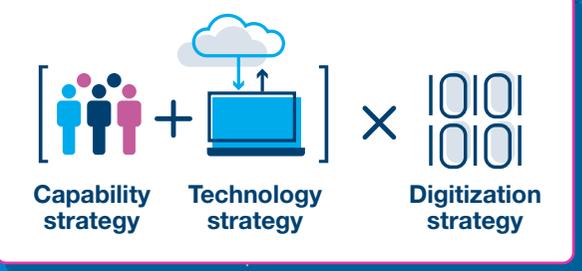
Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

6. The goal



Bertha has set herself a challenge to create the Legal and CCM functional strategy. Contract Data Management is critical to demonstrating strategic relevance, resisting calls for decentralization and realizing the value of CCM.

👁️ **Data is a 'value multiplier'**
 Being able to better forecast the impact of changes on revenue and revenue recognition would be a real boost to the businesses and is Bertha's initial goal.



Source: WorldCC, Innovating contracts webinar, 10 June 2022

Next: the solution

Bertha's story – the solution

7. Approach



Conversations with the CIO highlight the need to identify and make available new contract data points, linked to other financial and operational data sets. Doing this will create richer information and create an analytics and visualization layer over their CLM technology.

In the average organization: Commercial data is held in **24** different systems.

24



Source: WorldCC member audits 2020-2022

Drivers of CLM implementation in the telecoms sector

Wider digitization program **90%**

Enhanced business performance **80%**

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

8. Options



Bertha knows it will be difficult to address all stakeholders' needs. Her feeling is to start small and demonstrate the 'art of the possible' to build confidence and unlock further investment.

Targeted business-driven needs

Customers are decreasing contract duration as they are increasingly worried about being locked into today's technology in a rapidly changing world.



To maintain commitment Forge needs to offer customers more flexibility.



Flexibility is a competitive advantage requiring greater commercial and contractual adaptability and agility.



Contract Data Management done in a conscious and controlled way requires improved analysis and oversight of contract change requests to better forecast the impact of changes on revenue and revenue recognition.



Source: WorldCC, Telecommunications, benchmark report, 2022; Community insights

9. Critical decision points

Forge fell into the trap of 'creating a big data lake' with the original CLM technology solution. The decision is whether a larger pool of less clean data will be more beneficial than a smaller pool of clean data.

Targeted business performance enhancements

Agility and adaptability Better risk management

Enabling new business offerings

Enhanced collaboration Optimize and automate the contracting lifecycle



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: re-designing CCM

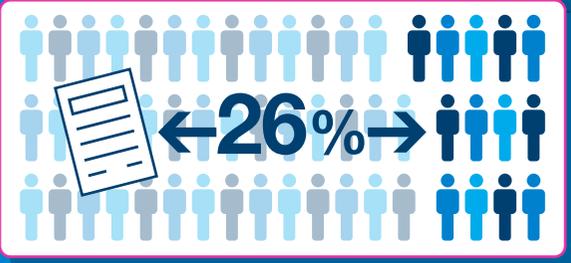
Bertha's story – re-designing CCM

10. Skills – access and development



From WorldCC research Bertha knows that skills development isn't just focused on the CCM team – it is also needed in Sales and Business Development, Finance, Operations, IT, to name a few. It's a great opportunity to embed the view that contracting lifecycle is about driving business value.

In an average telecoms organization 26% of the workforce are involved in some way in the contracting lifecycle

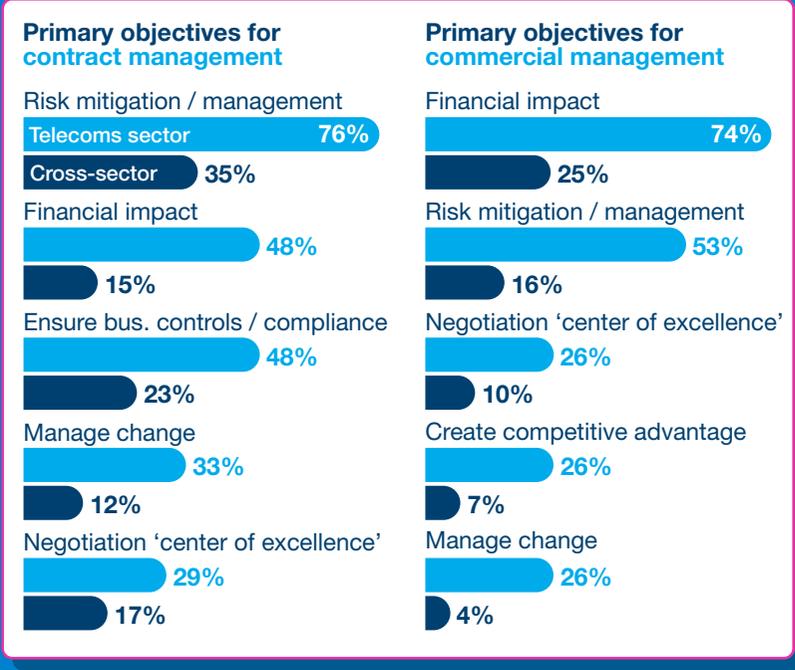


Source: WorldCC, Telecommunications, benchmark report, 2022

11. Approach to CCM



The CCM team has become over-focused on the role of contract management and operational support. This project is an opportunity to provide increased clarity and inspiration for the CCM value proposition, both within the CCM team and across the wider business.



Source: WorldCC, Telecommunications, benchmark report, 2022

12. Approach to CLM technology



The current CLM technology solution is seen as a CCM tool rather than a business tool. This has constrained adoption and use beyond the Legal and CCM teams. The additional functionality required to support this pilot can be achieved through relatively minor upgrades, offering the potential to reposition the CLM technology as a business-wide platform.

- Upgrades will enable enhanced:**
- Management reporting
 - Clause management
 - Integration with enterprise resource planning system
 - Risk and performance management
 - Contract portfolio analysis

Source: Narrative of this report

Next: laying the foundations for CLM

Bertha's story – laying the foundations for CLM

13. Digitization strategy



The CLM solution will only be successful if underpinned by a comprehensive data architecture and digitization strategy. Since Forge is a digital business, Bertha can use the skills in the CIO's team to identify how it can draw on and leverage other enterprise data.

- 👁️ Digitization is on the CCM agenda**
The top 5 CCM priorities
- 1** Increasing strategic relevance / demonstrating value of CCM
 - 2** Improving internal processes
 - 3** Raising skills of current staff / attracting and retaining talent
 - 4** Selecting, implementing and gaining adoption of tools and systems
 - 5** Developing / implementing a digital strategy for contracting

Source: WorldCC, Telecommunications benchmark report, 2022

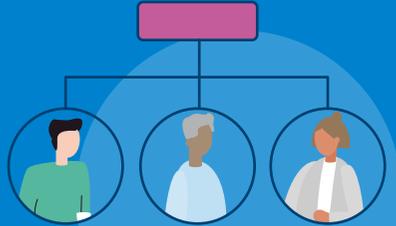
14. Implementation



The implementation of CLM is complex and touches many aspects of the wider business; it is easy to lose momentum. Having the core CLM technology solution largely in place allows the focus for this pilot to be on the stakeholders, creating the line of sight to business value.

- 👁️ Creating buy-in to business alignment is critical**
Telecoms sector top challenges faced by organizations that have implemented CLM
- | | |
|--|------------|
| Streamlining internal processes | 60% |
| Building consensus across stakeholders | 60% |

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022



15. Stakeholder management

The fact that Bertha is neither a technology specialist or CCM practitioner is potentially a strength. It has driven her to reach out across the organization – creating buy-in to the multidisciplinary nature of contracting.

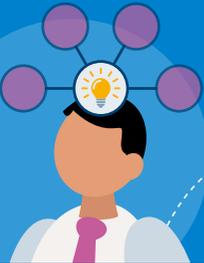
- 👁️ A potential blindspot?**
Importance of activities recommended in advance of implementation
- | | |
|---|----------------------|
| Creation of an agreed pan-organization roll out plan | only ranked 8 |
| Creation of an agreed pan-organization business / benefits case | only ranked 9 |

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: implementing the holistic solution

Bertha's story – implementing the holistic solution

16. Capability development



As an early investor in CCM, some of the core skills and knowledge are already in place. The focus for this project is to fill gaps, such as analytical and influencing skills, and to resolve how to upskill or better equip the 26% of people in the organization who touch the contracting lifecycle.

👁️ A need to develop new skills – the top 3

Today



Relationship / interpersonal skills



Communication



Analytical thinking

Next five years



Ability to work with technology



Complex problem solving



Creativity

Source: WorldCC, Talent Survey, 2022

17. Technology implementation



Bertha has recognized that CLM implementation needs to be ongoing and not a fixed-end project. She has formed a small central team to deliver ongoing improvements. They'll also be responsible for measuring and demonstrating the business benefits.

👁️ Leveraging the internal capabilities

For CLM solutions in the telecoms sector, internally-developed solutions lead. That's not surprising, as telecoms is a digital sector using data in day-to-day operations.

Nature of the CLM technology solution implemented

An internally-developed solution

Telecoms sector **33%**

Cross-sector **14%**

Specialist CLM, integration with other enterprise solutions

25%

40%

CLM solution that allows collaboration / shared data externally

17%

14%

Third-party developed solution (e.g. platform like SharePoint)

17%

10%

CLM solution based on common office applications

8%

6%

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

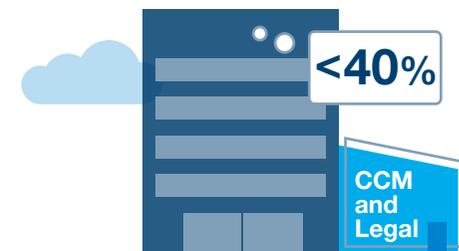
18. Adoption



'Adoption' is not only about growing acceptance and use of the system. It's also about a changed perception of the value provided by the Legal and CCM team and CLM itself – in particular, their role in delivering business and market intelligence.

👁️ An opportunity for wider benefits

Over 40% of organizations that implemented a CLM technology solution said it was a challenge that 'Contract management and / or legal operations was seen as a niche activity'.

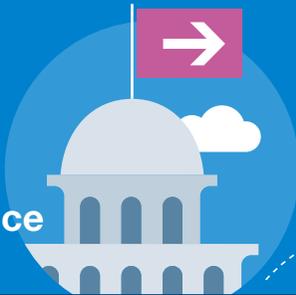


Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: managing a successful implementation

Bertha's story – managing a successful implementation

19. Governance approach



As a pilot project, the governance framework is more akin to an innovation project where progress is measured in terms of the maturity of the solution. This approach allows pace to be increased, moderated or stopped as necessary.

👁️ Top 10 reasons for adopting agile

1. Enhance ability to manage changing priorities
2. Reduce time to market
3. Overcome complexity
4. Foster innovation
5. Improve business alignment
6. Reduce risks
7. Reduce costs
8. Improve stakeholder management
9. Improve team moral
10. Other

Source: State of Agility in Procurement & Supply, by LAP Alliance and WorldCC. Licensed under a Creative Commons Attribution-ShareAlike 4.0 International License. Global annual report 2022

20. Risks / things to watch out for



Of the top risks, change management will be a critical one – clear sponsorship throughout the organization is required to help move along the change curve. Communication will be vital with clear measurement and articulation of the benefits, adjusted and targeted for the different stakeholders.

👁️ Risk highlights

- Change management and ensuring a clear roadmap
- Decision-making versus decision support
- Sunk cost bias and loss aversion

Source: Narrative of this report

Case study



Moving quickly to a scalable platform with growing business and global needs.

👁️ Client issues

- Contract documents in different repositories
- Using a basic in-house contract management system and functionalities
- Need for a quick, scalable platform

👁️ Approach

- Streamline business processes
- Template rationalization and creation of clause libraries
- Define implementation roadmap

👁️ Impact

- Visibility into the entire contract portfolio
- Fast access to business-centric information
- Early identification and remediation of risk

Source: PwC analysis

Bertha's story

Using Contract Lifecycle Management (CLM) to unlock the value of contract data

1. About Forge Telecoms

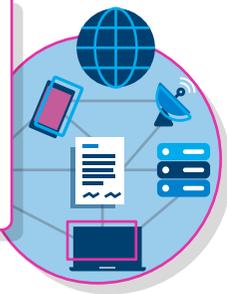
As a modern telecoms business, Forge is a portfolio of different businesses, including:

- Network operations – owning, operating, and maintaining mobile and land line networks, a capital-intensive business
- Enterprise services – providing outsources comms and data solutions to corporate clients, a B2B business
- Consumer – providing products and services to consumers, a B2C business
- Innovations – focused on potential high growth future products, services and partnerships, a portfolio business.

While there are interconnections between the divisions, they are very much independent, with different and unique cultures and approaches, supply networks, customers and partnerships. However, what is common is that as a digital sector, they have access to significant amounts of operational and financial data. Data and information are at the core of their business models and are natural to them.

A sector built on contracts and relationships

Telecoms' complexity of technology and relationships to form the 'network of networks' places contracts at the core of the sector's required capabilities.



Source: WorldCC, Telecommunications benchmark report, 2022

2. Introducing Bertha

Bertha has recently taken up a new role as General Counsel in Forge Telecoms and joins the company at a time when it has expanded from fixed line and mobile services into enterprise services. Top management is considering the next strategic move – whether to grow their services into the content space and / or expand market presence outside their traditional regional footprint.

This is an exciting time for both the company and Bertha as there are some big decisions to be made, with long-term consequences. As a digital industry, there is an abundance of financial, customer and operational data available. However, even though the company invested in a specialist third-party CLM system, it has limited functionality and there is a lack of business focused insights from the contract portfolio and Contract and Commercial Management (CCM).

Before joining Forge, Bertha had risen to the position of General Counsel in one of Forge's competitors. She was attracted to the Forge role because it offers a far more influential position, reporting directly to the CEO, sitting above the operating divisions and including central responsibility for CCM.

During her first week in the new role, Bertha meets with the MDs of each of the four main operating divisions. As she anticipated, they have somewhat different challenges from a legal perspective. When it comes to CCM, they share a common view that it is lagging other functions in how it supports the business.

It is seen as reactive and often too busy fire fighting to contribute at the business and strategic level. Whereas the Managing Directors have solid financial and operational data, they are often blindsided by questions relating to their contract portfolios, such as 'do we have the ability to escalate prices?' and 'what's the average contract duration in our portfolio and how is it changing?'. Some suggest that the answer would be to decentralize and move CCM resources into the business.

For the upcoming strategic reviews, there is a clear need for better management information. Future market growth will demand significant improvements in the capabilities of the legal and CCM teams. In Bertha's early engagement with her new staff, several talked about the need for better Contract Data Management but complained that operational workload is stopping them from focusing on it.

The top 3 benefits of CLM
Research tells Bertha that for those that have implemented a CLM technology solution, the top 3 drivers were:

Part of a digital transformation initiative	27%
To enhance business performance	26%
To enhance business reporting	21%

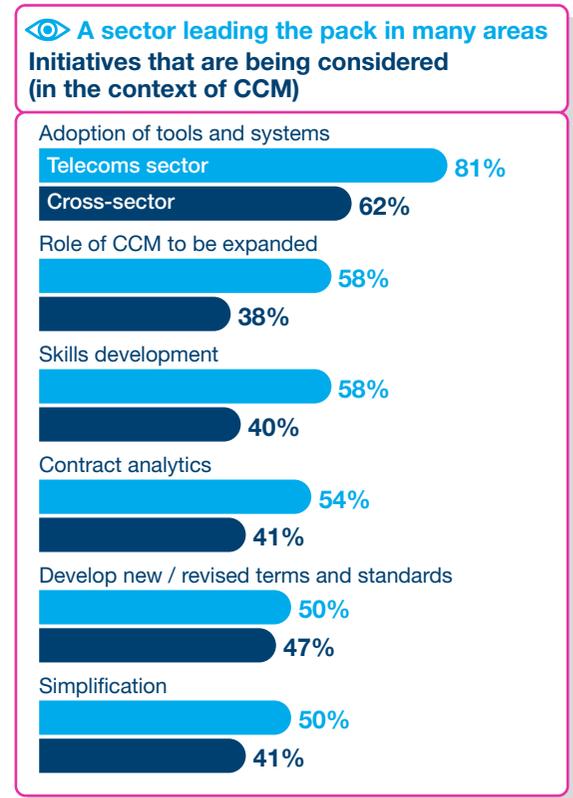
Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Bertha's story (continued)

3. CCM background

Forge, like the wider telecoms sector, were early investors in developing dedicated CCM resources and, acknowledging the complexity of their sector, they have continued to invest in developing CCM capabilities ahead of other sectors. They built teams which had undergone regular shifts in reporting lines – Finance, Operations, Legal – and consequent changes in required skills and functional objectives. About three years ago, while reporting to Finance, the company rolled out an organization-wide CLM technology platform. This gave the organization a template library, contract repository, and semi-automated obligations extraction and management. The functionality focuses on creating efficiency in the contracting lifecycle and provides management reporting on measures such as cycle time, the number of contracts produced and some controls over discount management.

The system was implemented as part of a company-wide digital transformation initiative and adoption levels have been good. However, two years ago CCM was moved under Legal with a goal of speeding up the business. The previous General Counsel focused attention on the pre-CCM from both a functional and systems perspective. She is therefore keen to investigate how Contract Data Management might support the upcoming strategic decisions and growth journey.



Source: WorldCC, Telecommunications benchmark report, 2022

Bertha's story (continued)

4. The issues

Regulation data

Bertha needs benchmark regulatory data points for contracts and legal data to manage risk.

Processes

These need to be mapped to legal data, contracts, products, risk management and technology as well as assurance functions i.e. compliance, operations, risk, etc.

Legal / Contract re-papering front door

An engagement model for the business to define and start the process – many organisations do not have a good engagement model.

Legal engagement

Data from the business to start a legal review – the lack of quality handover means time to serve by legal is extended.

- Quality Gateway 1 – data and information required by legal for their review
- Quality Gateway 2 – data and information from the business.

Responsible, Accountable, Consulted and Informed (RACI)

Defines the roles and responsibilities of the repapering / legal review as at present all items go to Legal as they know any review they will do will be right – there is no model to separate roles on regulatory change reviews which has an impact on capacity management. A lack of integrated processes means the activities mainly fall on Legal. Organisation Mapping to these processes and legal data is key as different legal entities carry different risk and tax profiles.

Volumes

Lack of self-serve services by Legal means that a combination of regulatory change projects, Business As Usual (BAU) activities and a time to serve intensity leads to lack of capacity.

Governance and infrastructure

- Risk data aggregation and risk reporting should be subject to strong governance arrangements
- Technology should be built for BAU and crisis management.

Risk data aggregation

- Data should be accurate and automated
- Legal and Risk Data should be applied across all material and should be viewable by business line, legal entity, asset type, industry and region, as may be required to observe risk concentrations and exposures and emerging risks.

Timeliness

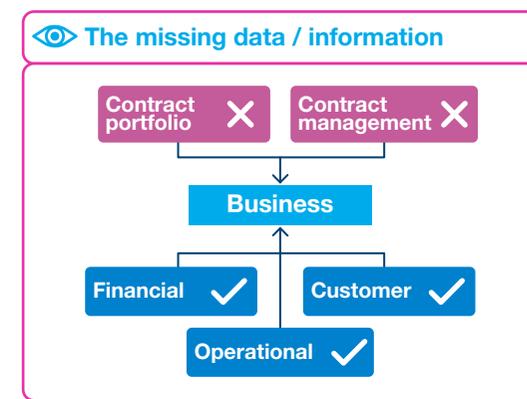
- Generate data in a timely manner
- Legal Risk Data should cover a broad range of risks.

Risk reporting

- Risk reports should be accurate, clear, concise and should enable business-driven decisions
- Risk management reports should cover all material risks with depth and scope matching the complexity of the business
- Procedures need to be in place to quickly gather legal and risk data
- Reports should be sent to the board regularly.

Compliance failure

- Penalties and increased capital add-on charges
- Reputational risk
- Loss of competitive advantage
- Pecuniary and non-pecuniary penalties.



Source: WorldCC, member insights

Bertha's story (continued)

5. The journey so far

As a digital enterprise that has already implemented a CLM technology solution, Forge has some of the foundations for unlocking the power of Contract Data Management. As a part of the original CLM technology implementation they:

- Undertook template standardization across the enterprise
- Reviewed their clause library
- Developed common taxonomies
- Re-engineered elements of their core business processes
- Managed to cleanse much of their core contract data.

As Bertha describes it, they reached first base, but got stuck there. CLM had been a significant investment and stakeholders question whether the investment has lived up to the benefits case. Implementation also caused significant disruption; as contracts were migrated to the new system, the level of insight highlighted many inconsistencies and issues with them.

While there is an obvious case for further investment and development of the system, making the case is likely to be made more difficult by past experiences.

In Bertha's first 100 days, she has set herself a challenge to create the Legal and CCM functional strategy and sees Contract Data Management as critical to demonstrating strategic relevance, resisting calls for decentralization and realizing the value of CCM. However, even though she is enthused by the challenge, technology feels out of her comfort zone. The CIO is responsible for data management and technology and early conversations have indicated support for her ideas. This gives her confidence.

A digital sector with data at its core
In the telecoms sector over 50% of those who implemented or are implementing CLM technology started more than two years ago versus less than 40% in other sectors.

Activities carried out by telecoms organizations in advance of a CLM implementation:



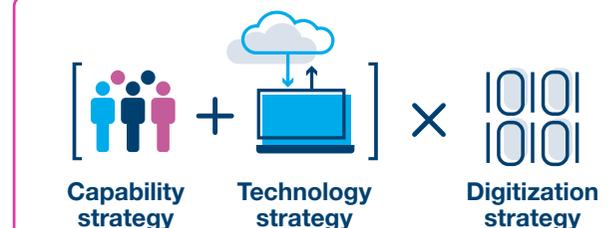
Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

6. The goal

The conversations with the CIO have caused Bertha to appreciate that ultimately, they will need to identify and make available new contract data points, linked to other financial and operational data sets to create richer information and create an analytics and visualization layer over their CLM technology solution. She could tell from the CIO's initial advice that this was not a short-term task.

Bertha needs to start small and demonstrate the 'art of the possible' to build confidence and unlock further investment. She picked up from the four divisional MDs that customers increasingly worry about being locked into today's technology in a rapidly changing world and therefore contract durations are becoming shorter. To maintain commitment, Forge needs to offer customers more flexibility, which requires more contractual and commercial adaptability and agility. Doing this in a conscious and controlled way requires much improved analysis and oversight of contract change requests – Contract Data Management provides a potential solution that could in Bertha's mind act as a multiplier effect on their investments in skills and technology.

Data is a 'value multiplier'
Being able to better forecast the impact of changes on revenue and revenue recognition would be a real boost to the businesses and is Bertha's initial goal.



Source: WorldCC, Innovating contracts webinar, 10 June 2022

Bertha's story (continued)

7. Approach

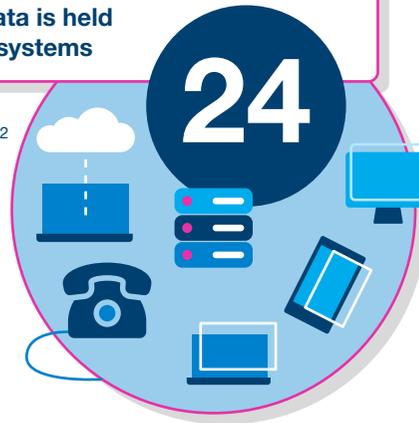
Having identified the near-term goal, Bertha's discussions with her team and a number of other stakeholders have made clear that the solution will have a number of strands:

- From a technology perspective, it will have to leverage the investment in the existing CLM technology platform. Commercial data is fragmented across many systems and adding another would not be a good solution
- The current CLM technology platform will require some integration with the Enterprise Resource Planning System and, through this, access to financial and operational data sets
- A number of new or revised contract clauses will be needed – but as General Counsel, that's in her remit
- Active stakeholder management will be critical to ensure buy-in and availability of resources (financial and non-financial) – but the activity is targeted and focused on a critical business issue
- There is a need to overcome the view of the CCM team that change represents an unmanageable increase in workload.

While these activities will pose some challenges, there is a positive view from key stakeholders about the value coming from integrated data.

In the average organization: Commercial data is held in 24 different systems

Source: WorldCC member audits 2020-2022



Drivers of CLM implementation in the telecoms sector

Wider digitization program

90%

Enhanced business performance

80%

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

8. Options

As they will be leveraging the current solution, from a technology perspective this is an upgrade program. However, it is different from a data perspective.

One approach would be simultaneous development across all business divisions, but the CIO is clear that this would be a significant investment and would not be prioritized over other projects in flight.

Therefore, a better and more realistic approach is to identify a targeted pilot opportunity. The challenge is where to start and how to demonstrate the value.

An initial review undertaken by the CCM team revealed that the current contract portfolio contains 'standard' change management provisions which restrict rather than enable changes. Equally, her team has confirmed that the contracts that would most benefit from adaptability and agility, the enterprise customer contracts, have on average only two years to run.

Targeted business-driven needs

Customers are decreasing contract duration as they are increasingly worried about being locked into today's technology in a rapidly changing world.



To maintain commitment

Forge needs to offer customers more flexibility.



Flexibility is a competitive advantage requiring greater commercial and contractual adaptability and agility.



Contract Data Management done in a conscious and controlled way requires improved analysis and oversight of contract change requests to better forecast the impact of changes on revenue and revenue recognition.



Source: WorldCC, Telecommunications benchmark report, 2022; Community insights

Bertha's story (continued)

9. Critical decision points

For Bertha, several of the critical decision points have already been resolved since they are outside a single functional leader's control. However, one immediate decision is around the scope of the project: whether to address existing contracts, new contracts or both.

Often the urge with Contract Data Management projects is to create as big a data lake as possible and therefore try to bring in all legacy data. Forge fell into this trap with the original CLM technology solution and discovered how poor quality data from existing contracts can immediately pollute new clean data. The decision is whether a larger pool of less clean data will be more beneficial than a smaller pool of clean data.

Bertha knows that the CCM team will get one chance at this and therefore starting small is preferable. Focusing on the pipeline of new contracts and working with the Sales and Business Development teams to pitch the new approach to clients is the approach chosen.

It will equally allow Bertha to create a small ring fenced CCM team to work on the new approach to flexibility and measure the benefits relative to the broader base of contracts.

She has also decided that they will run it as a pilot and create a gated review process that includes key stakeholders to assess progress and decide at what point to scale or shelve the project.

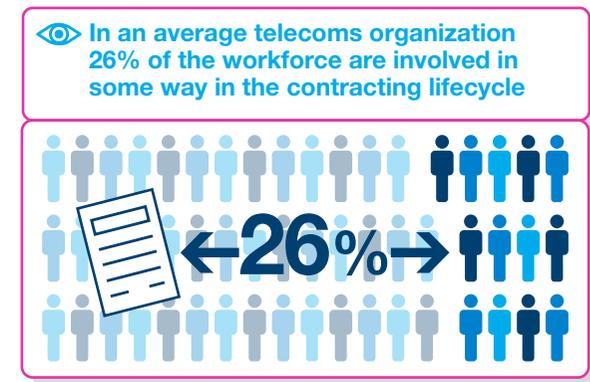


Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

10. Skills – access and development

Bertha has read the WorldCC benchmarking report which states that in the average telecoms company some 26% of the workforce touch the contracting lifecycle (the same as the cross-sector average). Bertha maps out the people and functional groups in some way impacted by the project and is surprised to discover that the number is in line with the research.

This confirms that the skills needing development are not just those in the CCM team – they are also in Sales and Business Development, Finance, Operations, IT, to name a few. This is a great opportunity to realign the view of the contracting lifecycle as being about driving business value and not just being about the contract.



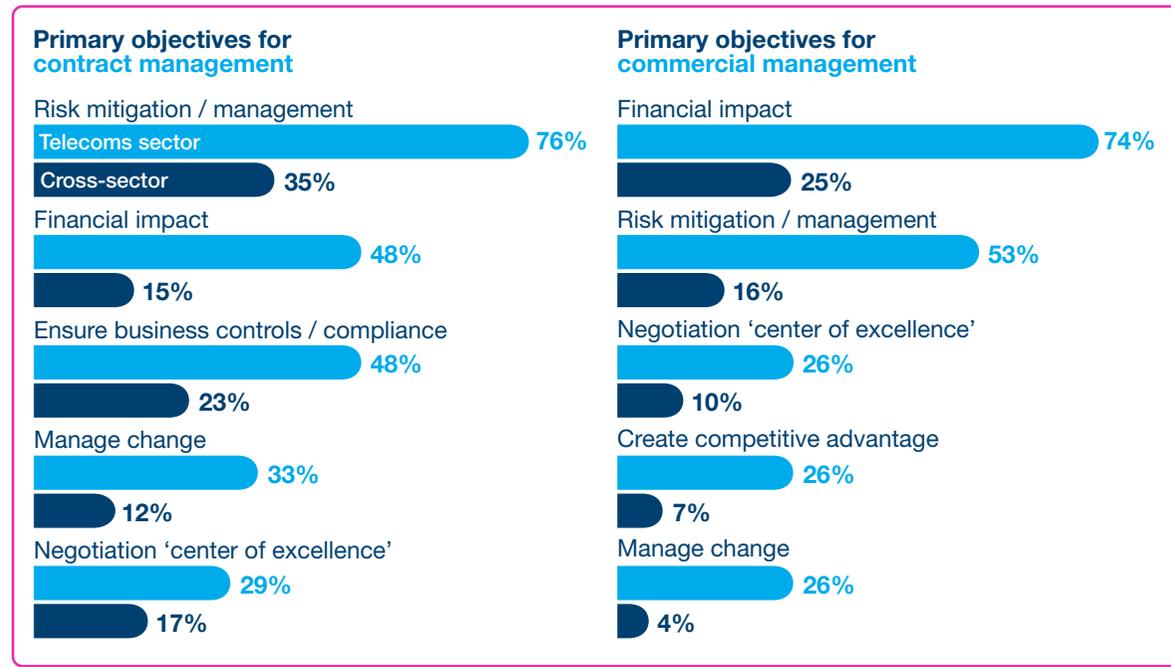
Source: WorldCC, Telecommunications benchmark report, 2022

Bertha's story (continued)

11. Approach to CCM

Over time, the CCM team has become predominantly focused on the role of contract management and operational support, at the expense of any significant contribution to reviewing or initiating changes in commercial policies and practices.

This project represents an opportunity to provide increased clarity and inspiration for the CCM value proposition, both within the CCM team and across the wider business. If the team can deliver success in this pilot, they can start looking for other opportunities to deliver value.



Source: WorldCC, Telecommunications benchmark report, 2022

12. Approach to CLM technology

Conversations with users and stakeholders about the CLM technology solution indicate that they learned a lot from the initial implementation and with hindsight would have approached it differently. The implementation focused on the contract and its role in the contracting process, with significant work done in relation to template standardization, development of a new clause library, and some simplification. While this unlocked benefits in terms of the efficiency of CCM, it also created rigidity which limited the sense of business level benefits. There is a feeling that there should have been a more thorough contract portfolio review, allowing effort to be better targeted onto specific contract types. This, it is believed, would have given most of the benefit for a lot less investment and would have helped with greater flexibility in the use of different contract models.

As a result, the current CLM technology solution is seen as a CCM tool rather than a business tool and this has constrained adoption and use beyond the Legal and CCM teams. However, the functionality required to support this pilot can be achieved through relatively minor upgrades, offering the potential to reposition the CLM technology as a business-wide platform.

- Upgrades will enable enhanced:**
- Management reporting**
- Clause management**
- Integration with enterprise resource planning system**
- Risk and performance management**
- Contract portfolio analysis**

Source: Narrative of this report

Bertha's story (continued)

13. Digitization strategy

The extended platform functionality takes the CLM solution from a contract repository with basic obligation management to a new level, but this will be successful only if it is underpinned by a comprehensive data architecture and digitization strategy. Since Forge is a digital business, Bertha can draw on the talents and skills in the CIO's team. She brings them into a series of facilitated workshops with other key stakeholders to work back from the business need to the important decisions that need to be taken and then down to the information and data that is required to support them.

For many of the stakeholders, these workshops generate a new appreciation of the potential value that CLM can provide.

Digitization is on the CCM agenda
The top 5 CCM priorities

- 1** Increasing strategic relevance / demonstrating value of CCM
- 2** Improving internal processes
- 3** Raising skills of current staff / attracting and retaining talent
- 4** Selecting, implementing and gaining adoption of tools and systems
- 5** Developing / implementing a digital strategy for contracting

Source: WorldCC, Telecommunications benchmark report, 2022

14. Implementation

The journey to this point has stretched over several years and has been rather stop-start. Conversations with other General Counsels have confirmed that Forge is not alone in this experience. The implementation of CLM is complex and touches many aspects of the wider business; it is easy to lose momentum. In addition, underlying technology continues to advance and has made possible many things that were simply aspirational in the past.

Having the core CLM technology solution largely in place allows the focus for this pilot to be on the stakeholders, creating the line of sight to business value, and unlocking the power of Critical Decision Management.

Creating buy-in to business alignment is critical
Telecoms sector top challenges faced by organizations that have implemented CLM

Streamlining internal processes	60%
Building consensus across stakeholders	60%

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

15. Stakeholder management

The fact that Bertha is neither a technology specialist nor a CCM practitioner by background is potentially a strength. It has driven her to reach out across the organization to tap into the wider skills and talent and, in doing so, create buy-in to the multidisciplinary nature of contracting.

A potential blindspot?
Importance of activities recommended in advance of implementation

Creation of an agreed pan-organization roll out plan	only ranked 8
Creation of an agreed pan-organization business / benefits case	only ranked 9

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Bertha's story (continued)

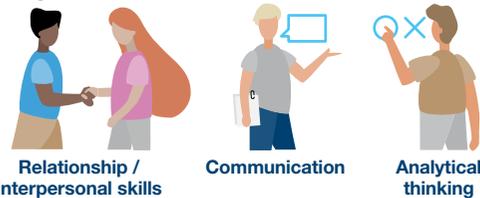
16. Capability development

As an early investor in CCM capabilities, some of the core skills and knowledge are already in place. The focus for this project is to fill gaps, such as analytical and influencing skills, and to resolve how to upskill or better equip the 26% of people in the organization who touch the contracting lifecycle.

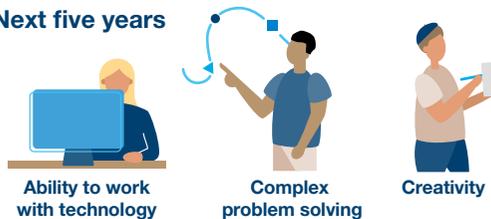
One area of capability development within the CCM team is to rebalance it between contract management and commercial management. This is something that Bertha assesses will come with a mixture of honest assessment of workload, helping the team to work smarter, empowering the team and the user community, giving them the confidence to focus time on strategic business needs and proactive problem solving, rather than reactive problem fixing.

A need to develop new skills – the top 3

Today



Next five years



Source: WorldCC, Talent Survey, 2022

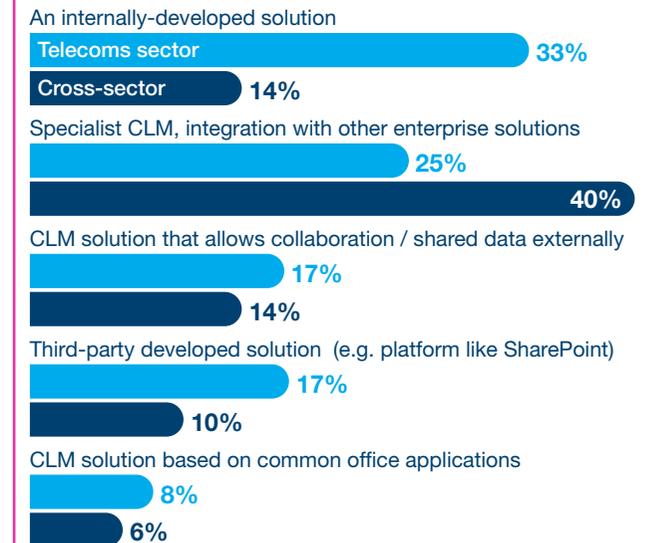
17. Technology implementation

The original CLM technology implementation was seen as a fixed-end project. Bertha has recognized the reality is that it needs to be ongoing in nature. She has identified a requirement to form a small central team to deliver ongoing improvements. They will be responsible for measuring and demonstrating the business benefits of CCM and CLM and creating and implementing a roadmap of projects that deliver further business value.

Due to the nature of the opportunities, while the CLM technology platform will be the core of the solution, further point solutions may be needed over time to solve particular business challenges. As an example, this team can take responsibility for delivering technology to support Supplier Relationship Management (SRM), another recently identified business priority.

Leveraging the internal capabilities
For CLM solutions in the telecoms sector, internally-developed solutions lead. That's not surprising, as telecoms is a digital sector using data in day-to-day operations.

Nature of the CLM technology solution implemented



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Bertha's story (continued)

18. Adoption

In the context of Bertha's project, 'adoption' is not only about growing acceptance and use of the system, but also about a changed perception of the value provided by the Legal and CCM teams and CLM itself – in particular, their role in delivering business and market intelligence.

The Marketing team suggested to Bertha that what the CCM team were doing was creating 'agile and adaptable offerings powered by Contract Data Management and enabled by CLM'. While creating such a marketing strapline often seems alien and perhaps superficial to CCM practitioners, what it reinforced to Bertha was the need to ensure that the project is framed and articulated from the perspective of the business and business benefits – a message directed at users, rather than providers.

👁️ An opportunity for wider benefits
Over 40% of organizations that implemented a CLM technology solution said it was a challenge that 'CCM and / or Legal operations was seen as a niche activity'.



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

19. Governance approach

As a pilot project, the governance framework is more akin to an innovation project where progress is measured in terms of the maturity of the solution. This approach allows pace to be increased, moderated or stopped as necessary. By its nature, this project is inclusive and focused on the needs of the business rather than the needs of the functional teams involved.

👁️ Top 10 reasons for adopting agile

1. Enhance ability to manage changing priorities
2. Reduce time to market
3. Overcome complexity
4. Foster innovation
5. Improve business alignment
6. Reduce risks
7. Reduce costs
8. Improve stakeholder management
9. Improve team moral
10. Other

Source: State of Agility in Procurement & Supply, by LAP Alliance and WorldCC. Licensed under a Creative Commons Attribution-ShareAlike 4.0 International License. Global annual report 2022

20. Risks / things to watch out for

Decision-making versus decision support

In the modern complex business environment there are relatively few situations where Contract Data Management and CLM will make decisions in the place of humans. The real power is to utilize technology and data to support humans in doing what they are good at: judgment and decision-making. Ensuring that we see and accept insights in this context is often critical to success.

Sunk cost bias and loss aversion

Not all cutting edge projects are successful, there is a human tendency to keep striving for success even when the evidence says that it is unlikely. There is a hope or belief that the next action taken, or money invested will unlock success.

Change management

Clear sponsorship throughout the organization is required to help move along the change curve. Adopting new ways of working and embedding new contracting processes and technology within a legal department requires empathy and clear communication. Make sure to have a clear roadmap for change management activities, keeping in mind the impact of change on different groups, departments, geographical cultures, sensitivities and needs.

👁️ Risk highlights

Change management and ensuring a clear roadmap

Decision-making versus decision support

Sunk cost bias and loss aversion

Source: Narrative of this report

Bertha's story (continued)

Case study

Client issues

Contract documents in different repositories

Using a basic in-house contract management system and functionalities

Need for a quick, scalable platform

Approach

Streamline business processes

Template rationalization and creation of clause libraries

Define implementation roadmap

Impact

Visibility into the entire contract portfolio

Fast access to business-centric information

Early identification and remediation of risk

Source: PwC analysis

Client issues

- Contractual documents resided in different repositories maintained by different regions like file cabinets, local drives, and SharePoint
- Client had been using a basic in-house contract management system with basic workflow functionalities and lacked scalability
- Client wanted the ability to move to a more robust, self-sufficient contract management system offering wider functionalities and expanded benefits – e.g. data analytics to know the trend of spend for an industry, customer (at group level), customer (individually) to mapping with internal business groups
- Client wanted to move quickly to a scalable platform with growing business and global needs.

Approach

- With the help of CLM consultants, who first identified the present state, Client was advised how to improve collaboration and streamline business processes, which also included eliminating redundant approval processes, manual workarounds and building the target state of operations in Minimum Viable Product stage
- Template rationalization and creation of clause libraries ensured more unified legal language offerings and assisted legal teams in using pre-approved positions for quicker review and turnaround time. This step also included setting up a Risk Matrix with auto-rules fed into the system for timely escalations and approvals.

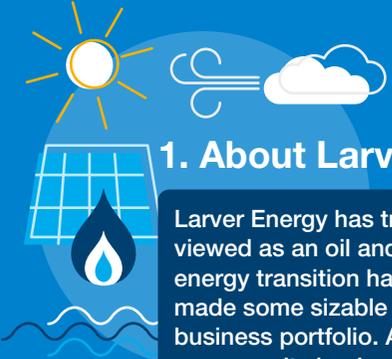
- Supported in identifying key attributes in contracts for monitoring and analytics (legal, commercial, operational, etc.) and converting these data points into custom reports pertinent to respective departments and business functions, enabling business improvement initiatives
- Defined an implementation roadmap and roll-out strategy for the rest of the enterprise including the integration plan with other platforms and technologies.

Impact

- Visibility into the entire contract portfolio and dissemination of information to all stakeholders relevant to their business, including data points and reports that are auto-shared with them at a set periodic cycle. This was one of the important Key Performance Indicators for the Client as they now have the visibility of data to better understand, offer and receive price related information
- Reduction in overall turnaround time for contract review, negotiation, and execution, but most importantly availability of business-centric information promptly without any dependency on a particular role
- Early identification and remediation of risky contract exposures.

Colin's story – background

Using Contract Lifecycle Management (CLM) to rise to the opportunity of Environmental, Social and Governance (ESG)



1. About Larver Energy

Larver Energy has traditionally been viewed as an oil and gas company. As the energy transition has accelerated, it has made some sizable adjustments to its business portfolio. As an integrated energy company its business, supplier and contract portfolios have also changed.

A fast changing landscape
Over the last 10 years, the oil, gas and energy sector has faced a heady mix of regulation, obligations on emissions, renewables and rapid shifts in market demand and demands from politicians and activists.

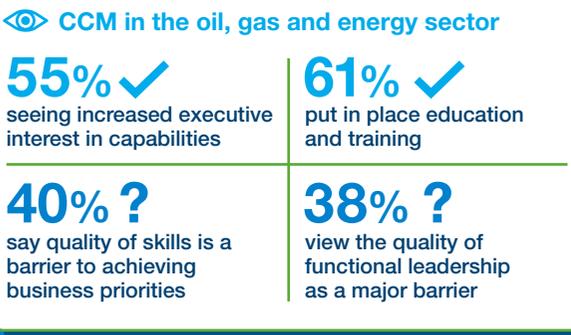


Source: WorldCC, Oil, Gas and Energy benchmark report, 2022



2. Introducing Colin

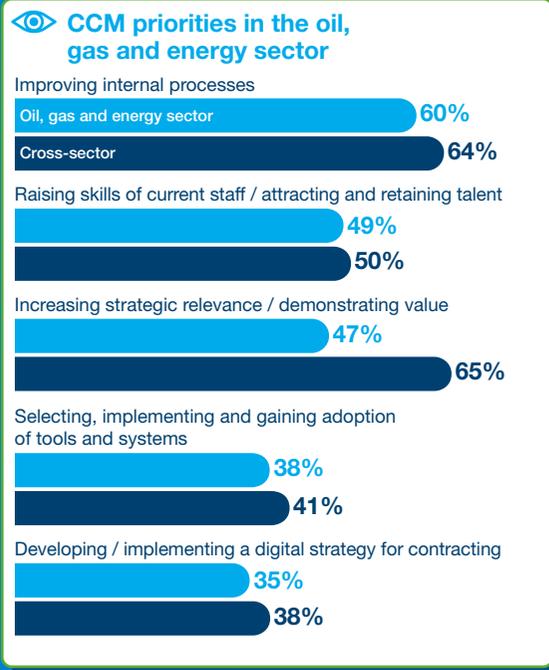
Colin is the Head of Contract Management in Larver's upstream business, a division responsible for exploration and production of hydrocarbons. He reports to the business COO and while many of the Contract and Commercial Management (CCM) resources are distributed in support of local projects, he does have a small central team. He is seen by his peers as a forward-looking leader.



Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

3. CCM background

The upstream business has a strong focus on buy-side contracting. Larver has long understood the importance of CCM and invested in it, and has recently focused on developing Supplier Relationship Management (SRM). Investment has been focused on people and skills and there is a slight technology aversion.



Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

Next: business need

Colin's story – business need



4. The issue

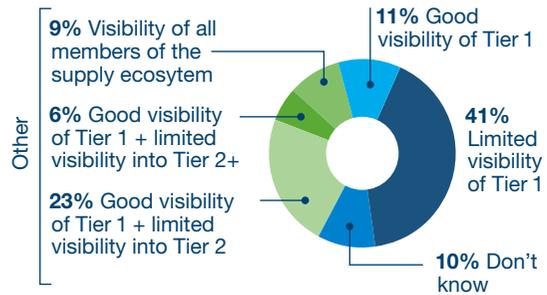
ESG has been seen purely as a measurement, but it's now recognised as a potential strategic opportunity. ESG will need to be considered in the context of Larver's operations which are delivered through a large complex supply network.

👁️ Growing investor interest in ESG

A recent report highlights:

- Inconsistent reporting of emissions and climate change risks in US upstream oil and gas
- Nearly all use the Task Force on Climate-Related Financial Disclosures (TCFD) framework
- Investors desire greater transparency around the methodologies
- Investors believe companies should reduce Scope I and II emissions and report their indirect Scope III emissions

👁️ Current supply chain visibility (all sectors)



Enhancing the Value of Extended Supply Ecosystems, January 2020

5. The journey so far

To date, CCM is using the organization's existing enterprise platforms and common office apps. Colin has considered CLM but has seen little appetite. He knows from an operational perspective he would struggle to make the business case – because many take the view that the business is 'too complex' for technology. But ESG could be the issue that changes this attitude to CLM.

👁️ A case of technology aversion?



Of those not currently implementing CLM



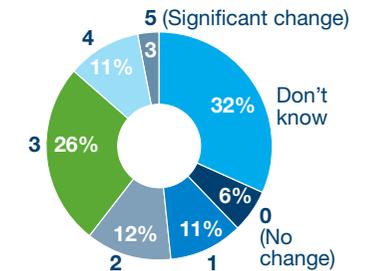
Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

6. The goal

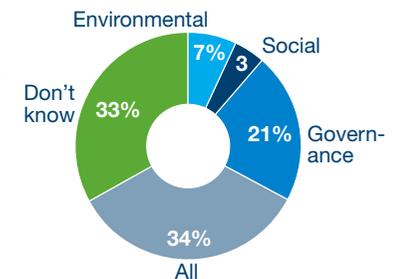
Colin's vision is that Larver's upstream business can create competitive advantage from its ESG credentials. This requires an ability to show that it leads its competitors in this area and is supplying its customers and users with a resource they require in as responsible a way as possible.

👁️ PwC insight – what is ESG and why is it important?

To what extent do you see your role changing in view of the regulatory environment changes?



In your view, which elements of ESG will impact your function's role and purpose over the next 12-24 months?



Source: Change is coming – the impact of ESG on legal and company secretariat functions, PwC Legal, October 2022

Next: the solution

Colin's story – the solution

7. Approach



The goal can only be achieved by leveraging technology, of which CLM technology is an important part. There will be additional benefits from this solution, increasing overall efficiency and giving better insight to management information and risk.

CLM functionality deployed to date in the oil, gas and energy sector

Consistent implementation (>80%)	Significant implementation (80%-50%)	Significant niche implementation (50%-40%)
Document repository	Contract assembly	Risk management
Template management	Performance management	Change management
RFx management	Clause management	Obligation management
Contract approvals	Integration with other internal systems	Contract handover
Contract information extraction	Management reporting	Contract negotiation support

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

8. Options



Colin is aware of other organizations using blockchain enabled CLM to create better information flows across organizational boundaries between a buyer and suppliers. This is an evolution from seeing CLM as an Enterprise Resource Planning System-like platform and it's better aligned with ESG and its need for increased visibility of data.

- Top 5 challenges implementing CLM in the oil, gas and energy sector**
- 1 Building consensus across stakeholders
 - 2 Streamlining internal processes
 - 3= Integration with other systems
 - 3= Poor quality of existing data / input
 - 5= Executing change management
 - 5= Lack of standardization in templates

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

9. Critical decision points



First mover advantage is important, and requires pace and agility, but Colin also knows they need to act in a disciplined way. Moving forward before there's agreement over requirements and buy-in with respect to what ESG really means could be catastrophic. Identifying the right operational supplier to work with on the early pilot will be important.

Trust develops from application of the 9 principles of contracting

1. Communication
2. Risk awareness and allocation
3. Problem solving
4. No-blame culture
5. Joint working
6. Gain and pain sharing
7. Mutual objectives
8. Performance measurement
9. Continuous improvement

Source: Unpacking relational contracts – a practitioner's go-to guide for understanding relational contracts, 2016

Next: re-designing CCM

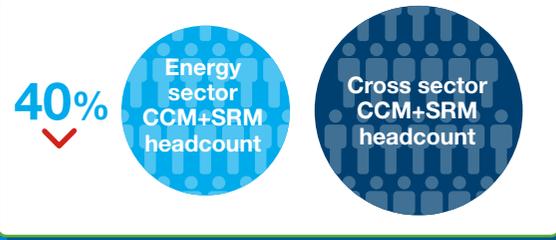
Colin's story – re-designing CCM

10. Skills – access and development



Building sufficient trust with the supply network is a challenge. Without this, data may not be shared and be partial or of poor quality. This will undermine success. Having SRM as part of his team will help and perhaps give added purpose to the SRM role.

Optimum resourcing levels
CCM and SRM headcount are potentially 40% lower than the cross-sector average.



Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

11. Approach to CCM



Implementation of CLM technology can be leveraged to enhance and optimize the contracting lifecycle. This will likely lead to adjustments to the approach to CCM and SRM, freeing up the team to focus on areas where humans are best deployed – relationship building, creativity and decision-making.

Benchmark insight
The top 5 strategic priorities in the oil, gas and energy sector

1 Improving internal processes	2 Raising skills of current staff / attracting retaining talent
3 Increasing strategic relevance / demonstrating value	
4 Selecting, implementing and gaining adoption of tools and systems	5 Developing / implementing a digital strategy for contracting

Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

12. Approach to technology



Colin wants to take a 'soft approach' to technology, seeing it as a business enabler and also hopefully dealing with Larver's aversion to technology. The use of CLM as an enabler in the ESG space is relatively new and evolving, therefore, having a solution that can interface with other solutions is important.

Smart ESG – Universalizing and automating ESG questionnaires

Using blockchain to validate and authenticate high volumes of ESG questionnaires against ESG metrics or internal policies. The benefits are:

- Organisationally:** Faster decisions and greater strategic benefits
- Globally:** Allows millions of companies to share and authenticate ESG information
- Companies and countries:** Improve their ESG performance

[Watch the video >](#)

Source: Project Smart ESG – PwC, Integra and WorldCC

Next: laying the foundations for CLM

Colin's story – laying the foundations for CLM

13. Digitization strategy



To achieve success, the digitization strategy is one of the core elements around which his stakeholders must coalesce. Digitization is possibly more important than the CLM solution. It is the line of sight that runs through the project, providing data flows and information required for reporting.

👁️ Benchmark insight

Top 3 benefits driving the business case for CLM in the oil, gas and energy sector

Those who **have** implemented or implementing

1= Part of digital transformation initiative	1= Enhanced business reporting	3 Enhanced business performance
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Those **considering** implementation

1= Part of digital transformation initiative	2= Enhanced business reporting	2= Enhanced business performance
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Those with **no plans** to implement

1= Enhanced business performance	2= A market or business disruption	2= A business failure or under performance
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Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

14. Implementation



Colin knows that technology adoption in Larver is conservative and it's a point of discontent in the CCM team. The new CIO has sounded Colin out about his ideas on creating a more strategic approach to data and technology. Colin doesn't underestimate the challenge and is drafting a document to share with key stakeholders, starting with the CTO and COO.

👁️ A sector with capital projects at its core

Creation of a robust contract governance framework is a top 3 recommendation for 70% in the sector who have implemented CLM... not a surprise in a sector focused on capital intensive operations.



CLM implementation is also a project, and it's complexity lies in bringing together multiple strands:

- Strategic buy-in
- Buy-in on what ESG means and its measurement
- Implementation of a technology platform(s) that bridges the organizational boundary
- Creating trust and buy-in with suppliers.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

15. Stakeholder management



From building the SRM capability, Colin knows that stakeholder management is something that has to be done both actively and systematically. This is a business level project and it will be important in co-ordinating the team's interactions and capturing and sharing feedback and insights learned.

👁️ Is the strong project focus a potential implementation blind spot?



Building consensus across stakeholders was cited as the biggest challenge by 100% of respondents...

But: Creation of a pan-organization business / benefits case and roll-out plan were **only recommended by 10%** of those who implemented CLM.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: implementing the holistic solution

Colin's story – implementing the holistic solution



16. Capability development



Relationships will be critical to success and will depend on existing elements of the CCM and SRM capability. Building trust will become increasingly critical and will challenge the team's abilities. The increased importance of data and information may also require upskilling in areas such as data analytics and visualization.

👁️ A need to develop new skills – the top 3

Today

Relationship / interpersonal skills

Communication

Analytical thinking

Next five years

Ability to work with technology

Complex problem solving

Creativity

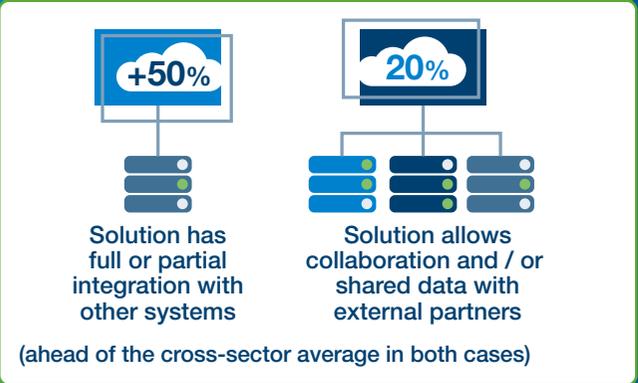
17. Technology implementation



Technology adoption in Larver is, at best, slow and conservative, although with the transition to being an integrated oil, gas and energy company a new Corporate CIO has been appointed. Working with the upstream CTO and the CIO will be particularly important as blockchain is seen as new and a system that involves access by external suppliers is seen as risky.

👁️ Collaboration and data sharing

In the oil, gas and energy sector, of those who have implemented CLM technology:



Integration with other systems highlighted as a top 3 challenge for those who have implemented CLM

18. Adoption

An integrated information architecture represents benefits to the entire supply chain. Success will be adoption by Larver and also its suppliers and their suppliers too. Some suppliers are receptive to this, because it gives them better insight into *their* suppliers, reducing the risks they face.

👁️ Adoption has the potential to drive enhanced business performance

Of those in the oil, gas and energy sector who identified enhanced business performance as a driver for adoption (a top 3 driver) the following were cited by over half as opportunity areas.

1. Reduction in cycle times
2. Reducing contract value leakage
3. Automate and optimize the contracting lifecycle
4. Better risk management
5. To help address operational workload challenges and resourcing
6. Centralize the organization's contracts
7. Enhanced collaboration with customers and / or suppliers
8. Agility and adaptability

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Next: managing a successful implementation

Source: WorldCC, Talent Survey, 2022

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

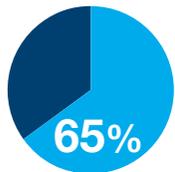
Colin's story – managing a successful implementation

19. Governance approach

While Colin acknowledges there is a need for governance of the project, he also sees an opportunity in relation to the longer-term governance of the Larver ESG Data Exchange Architecture, a standard approach within their supply networks.

Standards are more prevalent in the oil, gas and energy sector

Yet in 65% of cases 'standard' clauses are still negotiated – undermining many of the benefits.



The combination of standard data, standard contract clauses and the enabling CLM technology solution have the potential to address many of the drivers of enhanced business performance.

Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

20. Risks / things to watch out for

Ensuring a smooth journey towards the goals on a forward-looking project like this is always going to be a challenge. While there will be project risks associated with the CLM implementation, the business risks associated with creating a receptive environment for it to fit are of greater consequence.

Top risks to consider

- Agreeing the purpose
- Building trust with suppliers
- Acceptance of standards
- Demonstrating the benefits

Source: Narrative of this report

Further insights on ESG

What is ESG and why is it important? ESG, once a topic for fund managers is increasingly a topic for executives.

[Watch PwC Legal Event video series >](#)

Environmental Increasingly it's not just how your business impacts climate change but also how climate change affects your business.



Social In the past it was OK to meet the rules and regulations. But in the future we also need to consider reputation.



Governance Understanding the interplay between parent company and subsidiary is an increasing focus for regulators and therefore executives.



Transformation ESG is a driver for transformation. Organizations are being influenced by policy, investors, consumers and customers – driving a need to mitigate and adapt. Communicating progress requires intricate, high quality data from across the value chain.



Source: PwC Legal Event video series >

Colin's story

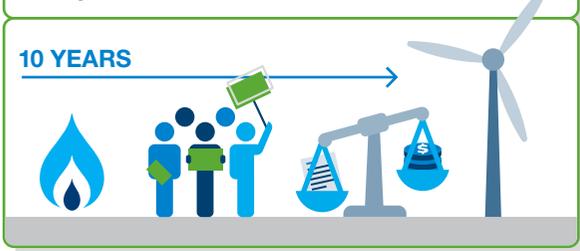
Using Contract Lifecycle Management (CLM) to rise to the opportunity of Environmental, Social and Governance (ESG)

1. About Larver Energy

Having been around for almost a century, Larver has a long legacy in hydrocarbons and gaining acceptance for the transition to an energy company took a number of years. Currently, by most corporate measures, it still operates as an oil and gas company, with many of the wider energy activities and acquisitions being seen as 'bolt ons'.

Hydrocarbons will remain a profitable part of the portfolio for many years to come. However, especially in the upstream area, there is a need to demonstrate that Larver's operations not only take due consideration of ESG, but they are industry-leading in reducing their impact. As a publicly listed company there is also increased ESG regulation, reflecting the growth of reporting requirements on publicly listed companies in general.

👁️ A fast changing landscape
Over the last 10 years, the oil, gas and energy sector has faced a heavy mix of regulation, obligations on emissions, renewables and rapid shifts in market demand and demands from politicians and activists.



Source: WorldCC, Oil, Gas and Energy, benchmark report, 2022

2. Introducing Colin

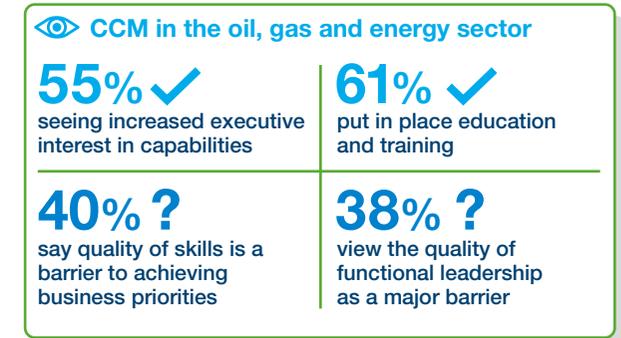
Colin is the Head of Contract and Commercial Management (CCM) in the upstream business of Larver Energy which is responsible for exploration and production. Traditionally, Larver was viewed as an oil and gas company, but as the energy transition has accelerated, it has made some sizable adjustments to the business portfolio and is becoming an integrated energy company.

This has changed the business, supplier and contract portfolios. As part of the transition, the company is considering how it needs to further evolve its approach to ESG.

Colin has been involved in many of the discussions around this topic and believes that to successfully transition from ESG being seen purely as a measurement, to being a strategic opportunity, there is a need for contracts and contract data to play a greater role. Increasingly, there is recognition that ESG needs to be considered not only in the context of Larver's own operations, but also in the context of its supply networks. Colin believes that CCM is ideally placed to step up and take a cross-organization leadership position on the topic.

While they have invested significantly in contract management capability, this has been largely in the form of skills development and Colin sees CLM technology as having a significant role as a cross-business platform supporting ESG.

His challenge is how to gain buy-in to his vision and the business case for CLM.



Source: WorldCC, Oil, Gas and Energy, benchmark report, 2022

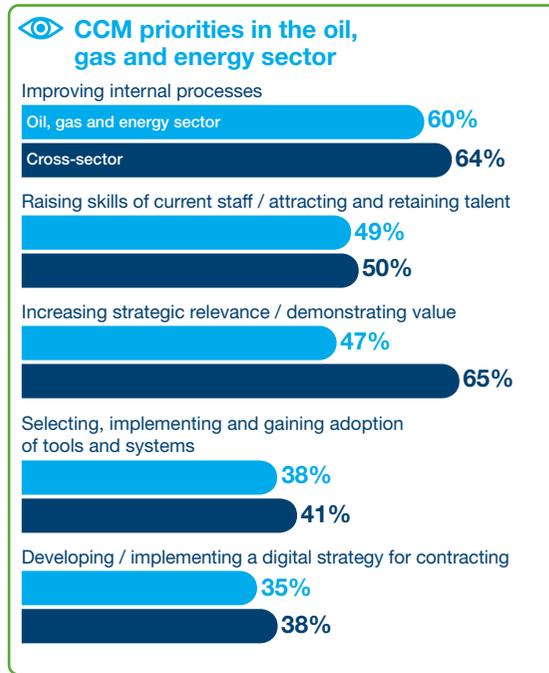
Colin's story (continued)

3. CCM background

Due to the nature of the upstream business, there is a strong focus on buy-side contracting. Larver has long understood the importance of CCM and has invested in it, as well as recently starting to develop Supplier Relationship Management (SRM). However, this investment has been largely focused on people and skills, with many of the resources operating in a distributed capacity in support of local projects. Technology is not something that has been a focus and, in common with the wider organization, there is a slight undertone of technology aversion. However, with the new energy focus and acquisitions, technology is being seen as more important, in part to support increased operational consistency and controls.

As Head of CCM, Colin is also responsible for SRM; he reports to the COO of the upstream business and has a small central team providing guidance and support to the practitioners deployed out to individual projects. Colin's peers and team view him as a progressive leader who is always receptive to new approaches.

He recently dialled in to the WorldCC webinar on CCM benchmark insights coming from the oil, gas and energy sector. From the data, he discovered that the sector has similar priorities to others but is behind many in terms of progress. He sees this as an opportunity for Larver to establish a leadership position.



Source: WorldCC, Oil, Gas and Energy, benchmark report, 2022

4. The issue

Colin knows there are enduring issues with today's approach to understanding and reporting on a company's impact:

"[ESG] ratings don't measure a company's impact on the Earth and society. In fact, they gauge the opposite: the potential impact of the world on the company and its shareholders." Bloomberg, 2021

Colin is struggling to address the ESG agenda and different definitions exist. A whole new industry has been spawned, adding lots of costs but not much insight. He also sees that regulators are struggling to join the dots with no practical way to measure things.

He evaluates the critical part of the solution to be tracking how each company performs (including the impact of their supply chain) using consistent, comparable and audited data which is easy to collect and not a burden for small businesses. Currently these reports are then interpreted by data aggregators (e.g. Bloomberg, Refinitiv, MSCI, etc.) and the conclusions and metrics produced by their analyses can be wildly different for a given company and impact. The data fed into the market is therefore from outside, rather than qualitative data from inside the organisation – that is then used consistently.

Imagine if companies could decide which costs or debts they included in their financial statements or what costs to include in their 'original product price' only to pass the rest on when the consumers decide to buy. Those companies that ensured everything was reported or included in their financial statements and prices would be seemingly less attractive than those companies that reported only income and assets or partially priced their products. The market would be broken. Trust would be non-existent.

[Continued over >](#)

Colin's story (continued)

4. The issue (cont.)

Colin evaluates by looking at building the data bottom-up he can take a different approach. Each audited entity globally already collects data that would enable it to produce the first version of the sustainable transparency square. Indeed, much of it is audited or captured by a third-party. Capturing the data from inside the company, uploading it into a platform where only the corporate and the auditor can see the full data and then sharing apportioned data for the square to the customer base through the supply chain, would enable a simple approach to deliver transparency.

Colin considers some key areas to review and solutions in the ESG strategy:

Regulation Tracker

PwC horizon scan using Reg Tracker creating requirements report for the client.

Map out the third-party relationships

Look at ESG Due Diligence and Questionnaires to understand risk profiling of third parties.

Risk Models

Create risk model measurement framework, ESG data metrics, as well as Greenwashing risk profile.

Data Models

Build Contract Data Model, feed the risk model and then visualise via dashboards.

Colin needs to address some key questions with the Board:

- Is ESG oversight and accountability driven throughout his organization under executive/Board sponsorship?
- Is ESG embedded into his company's strategy?
- Does he understand how ESG is changing market dynamics and value within and beyond his sector?
- Does he have a net zero ambition around which his company is aligned?
- Has he prioritized actions and allocated a budget to deliver your net zero ambition?
- Has his operating model blueprint been aligned to deliver a net zero strategy?
- Has he understood the areas of impact and where to focus, including key investment needs?
- Is he clear on stakeholder/investor requirements and the level of business model change needed?

Colin establishes that to answer these questions he must look at data both within contracts and across systems.

Colin's vision is that Larver's upstream business can create competitive advantage from its ESG credentials. This requires an ability to show that it leads its competitors in this area and is supplying its customers and users with a resource they require in as responsible a way as possible.

To achieve this, they first need to define how they will measure ESG performance and then create a way of capturing and articulating their progress. This will require increased levels of trust, visibility and transparency with their supply networks.

This will only be possible by leveraging technology, of which a CLM technology solution is an important part. There should also be additional benefits flowing from this solution, increasing overall efficiency and giving better insight to management information and risk.

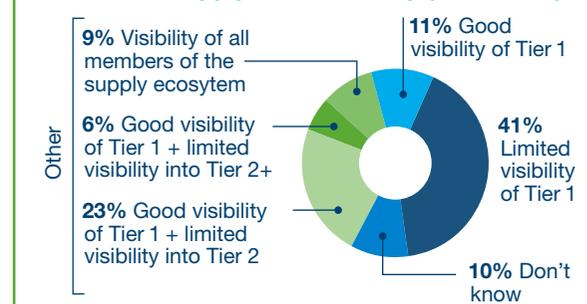
👁️ Growing investor interest in ESG

A recent report highlights:

- Inconsistent reporting of emissions and climate change risks in US upstream oil and gas
- Nearly all use the Task Force on Climate-Related Financial Disclosures (TCFD) framework
- Investors desire greater transparency around the methodologies
- Investors believe companies should reduce Scope I and II emissions and report their indirect Scope III emissions.

Source: Columbia SIPA, Promoting energy for development in a world accelerating to net-zero: Roundtable report.

👁️ Current supply chain visibility (all sectors)



Enhancing the Value of Extended Supply Ecosystems, January 2020

Colin's story (continued)

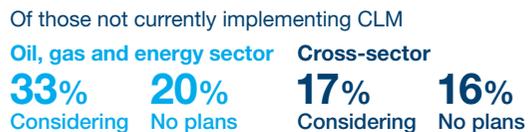
5. The journey so far

To date, Larver's CCM team is using the organization's Enterprise Resource Planning System and Procure-to-Pay system as its primary technology, entering data that is needed by finance and to produce Purchase Orders. Otherwise, they rely on commonly available office applications, spreadsheets and a collaboration platform for most tasks. Other than creating a rudimentary contract repository on the collaboration platform, there is limited consistency of approach.

CLM is something that Colin has considered but has seen little appetite to date from his boss, the COO, when he has raised it. He knows from an operational perspective he would struggle to make the business case even though skills and retention, along with operational workload, are big issues for the organization and the team respectively. Many take the view that the business is 'too complex' for technology.

In the discussions around ESG, his boss understands the need for better data and insights, so this could be an opportunity.

A case of technology aversion?



Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

6. The goals

At a recent conference, Colin saw a presentation on the use of a blockchain-enabled CLM platform to create better information flows across organizational boundaries between a buyer and suppliers. He had always envisaged CLM as an Enterprise Resource Planning System-like platform that was about enabling the contracting lifecycle from an internal perspective, so he was excited by this view of data flows between trading partners. This was much better aligned with the ESG opportunity and its need for increased visibility and transparency of data.

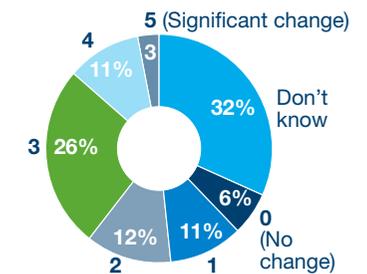
In conversation with other CCM practitioners at the event, it was clear that Colin was not alone in his thinking. However, it was evident from the conversations that the challenge was about more than technology. He identified four elements:

- There is a need to define what ESG means to his organization and therefore what data was required.
- There is a need to review and evolve the agreements with suppliers to enable the data flows.
- While in general they have good relationships with their suppliers, there is a need to build trust with them to enable increased visibility and transparency. This is needed both with their direct suppliers and their supply networks.
- Finally, there is the need for a CLM technology solution to enable it all.

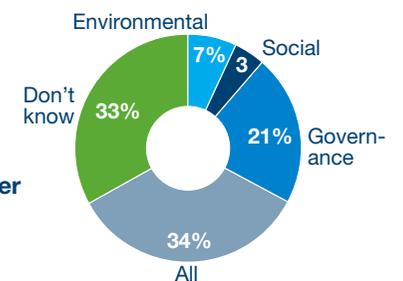
Reflecting on his notes from these discussions, Colin highlights the important role of leadership in all elements of the challenge. This is a pan-organization, business level challenge and if CCM can show leadership, it has the potential to help reposition the function and the capabilities it can offer.

PwC insight – what is ESG and why is it important?

To what extent do you see your role changing in view of the regulatory environment changes?



In your view, which elements of ESG will impact your function's role and purpose over the next 12-24 months?



Source: Change is coming – the impact of ESG on legal and company secretariat functions, PwC Legal, October 2022

Colin's story (continued)

7. Approach

While much of the focus on ESG to date has been on the impact that organizations and operations have on the planet and society, increasingly climate change is impacting organizations. Temperatures are rising, posing an increasing threat to supply chain resilience. The planet is seeing growing incidents of flooding, wildfires, extreme wind speeds, days of high heat, and droughts. As a result, insurance claims arising from major extreme weather events have increased markedly. As these events become more frequent, they can no longer simply be classified as force majeure events.

Organisations are therefore facing a growing need to understand and address the associated impacts on their business, not only from the perspective of physical risks to supply chains, transport routes and outsourcing, but also how this changes contractual obligations, vendor management, and risk frameworks. Only a holistic understanding of all of these factors will enable organisations to effectively anticipate and mitigate disruptions to their supply chains.

This involves:

- Minimising the risk (choosing the right vendors)
- Managing the risk (having the right contractual provisions)
- Having a strategy in place for what happens when a risk materializes.

It is important to note that when looking at contracts as a tool to manage supply chain or climate change risk, this is not a one-time review – it should be constantly reviewed in line with an organisation's evolving ESG strategy and the ever-changing regulatory and legal landscape.

👁️ CLM functionality deployed to date in the oil, gas and energy sector		
Consistent implementation (>80%)	Significant implementation (80%-50%)	Significant niche implementation (50%-40%)
Document repository	Contract assembly	Risk management
Template management	Performance management	Change management
RFx management	Clause management	Obligation management
Contract approvals	Integration with other internal systems	Contract handover
Contract information extraction	Management reporting	Contract negotiation support

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Colin's story (continued)

8. Options

Colin knows from the internal discussions on ESG that Larver is in many ways ahead of the curve in their thinking. If they can move quickly, they can shape ideas in the sector and take first-mover advantage. He feels that being able to point at successful projects in other industries can help him overcome concerns about the risks of innovation – in truth, it may be innovative in the oil, gas and energy sector, but it is imitative relative to some others. To progress, he knows that providing resources, skills, and leadership will be a real challenge for his team.

While he is sure that they could take a technology-led approach, he knows that there are significant risks with a 'build it and they will come' approach, especially with the organization's current attitudes towards technology.

 **Top 5 challenges implementing CLM in the oil, gas and energy sector**

- 1** Building consensus across stakeholders
- 2** Streamlining internal processes
- 3=** Integration with other systems
- 3=** Poor quality of existing data / input
- 5=** Executing change management
- 5=** Lack of standardization in templates

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

There is a need to create a top-down strategic approach where:

- He forms and leads a small multi-disciplinary team to support the executive team in defining ESG. Their initial activity is creating a series of three workshops, focusing in turn on one of environmental, social, and governance
- They work with the General Counsel and the legal team in evolving the clauses and agreements
- His CCM / SRM team identifies supply network(s) in their portfolio to act as a pilot implementation. In parallel, initiating work with the wider supply base to build understanding and trust and using them to help co-develop the approach
- In relation to the technology, he knows that creating a coherent approach to data will be critical along with selecting the right CLM technology provider. They will need to establish real clarity of their desired capabilities, both now and for the future. They are likely to be pushing the boundaries in relation to the cross-business sharing of data and therefore there are some risks in this area. To supplement Larver's capabilities, he has identified that bringing on board a specialist Systems Integrator (SI) would be beneficial.

Colin's story (continued)

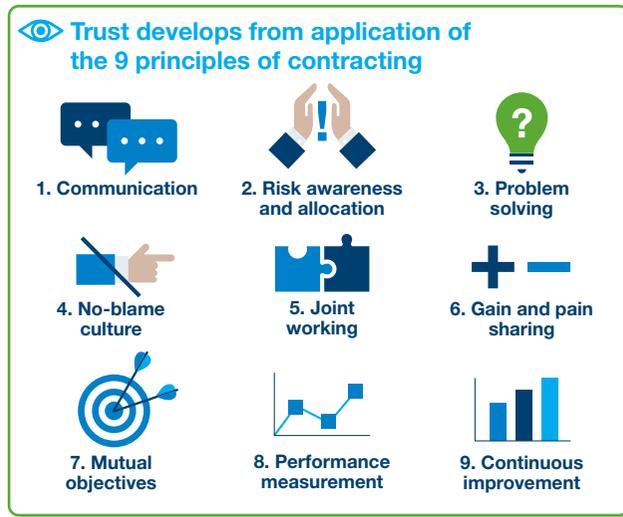
9. Critical decision points

To the extent that a first-mover advantage is important, it will require pace, Colin also knows that, while trying to be 'agile', they also need to do this in a disciplined way. Moving into design, technology sourcing and implementation before there is agreement over requirements and buy-in with respect to what ESG really means for Larver could be catastrophic. From WorldCC research, he is well aware that lack of clarity of scope and goals, combined with a potential lack of stakeholder buy-in, are two of the top three causes for value leakage and project failure.

Building sufficient trust with the supply network is a challenge of similar proportions. Without this, data may not be shared, it may be partial or of poor quality and this will undermine success. Identifying the right supply partner to work with on the early pilot will be important. Colin has, through a relational contracting workshop with a supply partner, seen the WorldCC principles of relational contracting and how they can be used to build trust with suppliers.

Colin knows that consensus and trust are difficult to measure, requiring real discipline in assessing whether the success threshold has been met.

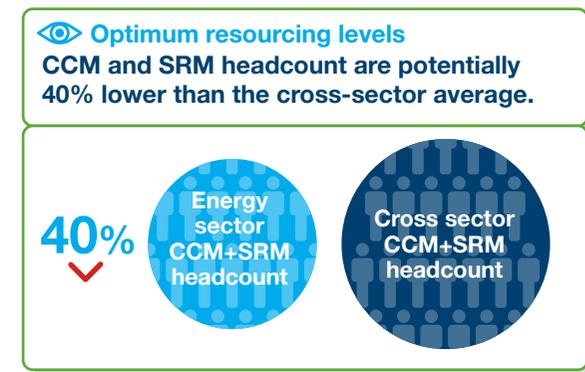
In relation to the CLM technology provider, the solution is relatively leading-edge and therefore careful selection will be critical from both a technology capability perspective and also a cultural fit, as there is likely to be a need for co-design with both Larver and their suppliers in some areas.



Source: Unpacking relational contracts – a practitioner's go-to guide for understanding relational contracts, 2016

10. Skills – access and development

Colin knows the strengths of his team as they do an annual skills audit. Today, they are focused on financial impact and value and as a combined CCM / SRM team they have a real focus on the relationship. These are great foundations for the opportunity; however, he also knows from WorldCC benchmarking that in terms of dedicated headcount they are potentially 40% lower than the cross-sector average, which contributes significantly to the challenges around operational workload.



Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

Colin's story (continued)

11. Approach to CCM

The project's initial goals aren't directly aimed at changing Larver's approach to CCM, which is seen as robust and largely successful. However, it does start to open up the importance of visibility, transparency and the power of contract data and the contracts, governance and relationships as mechanisms for enabling this.

Benchmark insight
The top 5 strategic priorities in the oil, gas and energy sector

1 Improving internal processes	2 Raising skills of current staff / attracting retaining talent
3 Increasing strategic relevance / demonstrating value	
4 Selecting, implementing and gaining adoption of tools and systems	5 Developing / implementing a digital strategy for contracting

Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

As part of its portfolio Larver has recently acquired a business that employs about 1,200 people in Germany. During a briefing at a recent cross-business CCM council meeting, there was discussion about a new Supply Chain Due Diligence Act, LkSG (see [PwC Report](#)), that will apply in Germany from January 2023 and will eventually apply to Larver's business there. It was clear from the discussion that this is an example of a trend in terms of regulation that is being implemented in many jurisdictions where Larver has operations.

In the longer-term, the implementation of a CLM technology platform can also be leveraged to enhance and optimize the contracting lifecycle. In doing this it will likely lead to adjustments to the approach to CCM and SRM, freeing up the team to focus on the areas where humans are best deployed – relationship building, creativity and decision making.

This approach supports three of the top 5 CCM strategic priorities either directly or indirectly in the case of attracting and retaining talent.

12. Approach to technology

Colin wants to take a 'soft approach' to technology; it is there to support the business and is an enabler. But getting this right could reduce the undertone of technology aversion in the organization and unlock future benefits for the CCM team.

From early discussions with various CLM vendors at the conference, Colin understands that a cloud-based solution may be the best way to achieve cross-business boundary sharing. While data security is an important issue for Larver, the fact that this project doesn't relate to a heavily regulated sector allows consideration of options such as cloud.

Colin has also realized that there may be the need to supplement core CLM capabilities with, for example, a specialist ESG Due Diligence technology solution like Smart ESG:

Smart ESG – Universalizing and automating ESG questionnaires

Using blockchain to validate and authenticate high volumes of ESG questionnaires against ESG metrics or internal policies. The benefits are:

- Organisationally: Faster decisions and greater strategic benefits**
- Globally: Allows millions of companies to share and authenticate ESG information**
- Companies and countries: Improve their ESG performance**

[Watch the video >](#)

Source: Project Smart ESG – PwC, Integra and WorldCC

Colin's story (continued)

13. Digitization strategy

Digitization is at the heart of this project, and Colin sees it as being more important than the CLM technology solution. It is the line of sight that runs through the four elements of the project, providing the data flows and information required for reporting.

If Colin is to achieve success, the digitization strategy is one of the core elements around which his stakeholders must coalesce.

Benchmark insight

Top 3 benefits driving the business case for CLM in the oil, gas and energy sector

Those who **have implemented or implementing**

1= Part of digital transformation initiative	1= Enhanced business reporting	3 Enhanced business performance
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Those **considering implementation**

1= Part of digital transformation initiative	2= Enhanced business reporting	2= Enhanced business performance
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Those with **no plans to implement**

1= Enhanced business performance	2= A market or business disruption	2= A business failure or under performance
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Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

14. Implementation

Colin knows that technology adoption in Larver is, at best, slow and conservative. It is a point that the CCM team often makes and has been a point of discontent within the team when they speak to peers in other sectors. It has come up in a couple of leaving interviews as a contributor when members of the team have moved on.

This said, with the transition to becoming an integrated energy company, a new Corporate CIO was appointed, and this is seen as demonstrating intent. Colin has a good relationship with the CTO in the upstream business. She is one of his peers and he knows that she is also keen to demonstrate greater leadership. The new CIO has sounded Colin out about his ideas in relation to creating a more strategic approach to data and technology across the business.

While this is positive, Colin doesn't underestimate the challenge ahead and is drafting a short document that he plans to socialize with key stakeholders starting with the CTO and COO.

A sector with capital projects at its core

Creation of a robust contract governance framework is a top 3 recommendation for 70% in the sector who have implemented CLM... not a surprise in a sector focused on capital intensive operations.



CLM implementation is also a project, and its complexity lies in bringing together multiple strands:

- Strategic buy-in
- Buy-in on what ESG means and its measurement
- Implementation of a technology platform(s) that bridges the organizational boundary
- Creating trust and buy-in with suppliers.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

Colin's story (continued)

15. Stakeholder management

Colin is progressive and saw the opportunity to formalize SRM as a part of the CCM responsibility. He appreciates the importance of relationships and stakeholder management both externally with suppliers and internally.

From these experiences he knows that stakeholder management is something that has to be done both actively and systematically and therefore he has already created a stakeholder map and plan. He sees this as something that will be increasingly critical in establishing the small team, he builds around him. It will be important in co-ordinating the team's interactions, ensuring consistency of messages, and capturing and sharing feedback and insights learned.

👁️ Is the strong project focus a potential implementation blind spot?



Building consensus across stakeholders was cited as the biggest challenge by 100% of respondents...

But: Creation of a pan-organization business / benefits case and roll-out plan were **only recommended by 10%** of those who implemented CLM.

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

16. Capability development

Bringing organizational consensus to the topic of ESG will be a challenge; taking the organization on this journey will be a cultural shift and will require a change in mindset towards suppliers in many situations.

It will also require adjustments to the contracts, the governance framework and the relationships, both internally and externally. In relation to the contracts, it will require close working with the General Counsel and the legal team since ESG clauses are still in their evolutionary phase.

Whereas today business decisions are in the main driven by financial and risk considerations, increasingly there will be trade-offs required between the financial economics and the ESG-economics which may well challenge what would have been the traditional decisions. Ensuring that these challenges are not avoided will be important in creating true competitive advantage.

Relationships will be critical to success and will depend on existing elements of the CCM and SRM capability. Building trust will become increasingly critical and will challenge the team's abilities.

The increased importance of data and information may also require upskilling in areas such as data analytics and visualization and may require a mindset shift from seeing the management of data as an administrative task, to one where its assurance is critical to business success and about communication.

👁️ A need to develop new skills – the top 3

Today



Relationship / interpersonal skills



Communication



Analytical thinking

Next five years



Ability to work with technology



Complex problem solving



Creativity

Source: WorldCC, Talent Survey, 2022

Colin's story (continued)

17. Technology implementation

Whereas many CLM technology implementations have been about enabling the contracting lifecycle primarily within the boundaries of an organization, this project is about enhancing and enabling vertical information flows from the supply network up to Larver and vice versa.

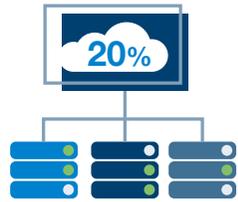
The nature of the CLM technology solution will therefore be different and, as previously indicated, may lead to the use of blockchain to assure data quality. Security and access protocols will be critical and potentially leverage some form of private cloud approach. All of these bring challenges to traditional ways of thinking about enterprise technology and will need to be considered and navigated carefully.

👁️ Collaboration and data sharing
In the oil, gas and energy sector, of those who have implemented CLM technology:



Solution has full or partial integration with other systems

(ahead of the cross-sector average in both cases)



Solution allows collaboration and / or shared data with external partners

Integration with other systems highlighted as a top 3 challenge for those who have implemented CLM

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

18. Adoption

It's clear to Colin that adoption is not just about adoption by Larver, but also its suppliers and their suppliers too. In some early conversations Colin has identified that some suppliers are receptive to this approach, not because it allows them to flow information up to Larver, but that it gives them better insight into their suppliers, reducing the risks they face.

These enlightened suppliers believe that moving to an integrated information architecture represents benefits to the entire supply chain and could be the foundation for a longer-term relational approach, potentially helping to identify opportunities for innovation and continuous improvement.

Having implemented SRM, Colin also appreciates this and it aligns with some articles he read recently about the rise of supply ecosystems and their ability to dynamically reprogram in times of change to enable greater resilience.

👁️ Adoption has the potential to drive enhanced business performance
Of those in the oil, gas and energy sector who identified enhanced business performance as a driver for adoption (a top 3 driver) the following were cited by over half as opportunity areas.

1. Reduction in cycle times
2. Reducing contract value leakage
3. Automate and optimize contracting lifecycle
4. Better risk management
5. To help address operational workload challenges and resourcing
6. Centralize the organization's contracts
7. Enhanced customer and /or supplier collaboration
8. Agility and adaptability

Source: WorldCC, CLM, Building the Case for Change Survey, September 2022

19. Governance approach

While Colin acknowledges that there is a need for governance of the project, he also sees an opportunity in relation to the longer-term governance of the Larver ESG Data Exchange Architecture. This reinforces the importance of the digitization strategy becoming a living document that articulates this not just in the context of the technology, but also other elements of delivery such as the creation and use of clause and contract standards in relation to ESG, along with other areas such as data exchange and usage.

Standards are not new in the sector, in fact they are more prevalent than other sectors, but Colin knows from benchmarking that in around 65% of cases, they still negotiate a number of 'standard' clauses.

👁️ Standards are more prevalent in the oil, gas and energy sector
Yet in 65% of cases 'standard' clauses are still negotiated – undermining many of the benefits.



The combination of standard data, standard contract clauses and the enabling CLM technology solution have the potential to address many of the drivers of enhanced business performance.

Source: WorldCC, Oil, Gas and Energy benchmark report, 2022

Colin's story (continued)

20. Risks / things to watch out for

Ensuring a smooth journey towards the goals on a forward-looking project like this is always going to be a challenge. There will be points where progress gets ahead of buy-in, the consensus position or the risk appetite of the stakeholders. Careful management and steady progress can help mitigate these, which will likely link back to the critical decision points, including:

- Top risks to consider**
- Agreeing the purpose**
- Building trust with suppliers**
- Acceptance of standards**
- Demonstrating the benefits**

Source: Narrative of this report

Agreeing the purpose

Creating consensus around the purpose for ESG within Larver will be challenging and will need to be as inclusive as reasonable. It will also be necessary to include suppliers and take on board their ideas and concerns.

The need for trust

Without sustainable trust, visibility and transparency will be difficult or impossible to achieve in anything but a superficial way which will very likely undermine the quality of the data shared.

The acceptance of standards

Standards both in terms of what data flows, how it flows and how it is used will be critical to the quality of the decisions that are made using it. Standards embedded in the contracts, the governance and the relationships will be critical. Continuing to then negotiate them will be potentially counter-productive.

Perceived benefits

If the perception of the project is that its sole purpose is to provide Larver with data to enhance its position then suppliers will have little or no incentive to ensure that it is of good quality. Structuring the project such that it provides rich data for trusted suppliers in the network can enhance Larver's position as a customer of choice and gives a platform for enhanced innovation and continuous improvement.

Further insights on ESG

What is ESG and why is it important? ESG, once a topic for fund managers is increasingly a topic for executives.

Environmental Increasingly it's not just how your business impacts climate change but also how climate change affects your business.



Social In the past it was OK to meet the rules and regulations. But in the future we also need to consider reputation.



Governance Understanding the interplay between parent company and subsidiary is an increasing focus for regulators and therefore executives.



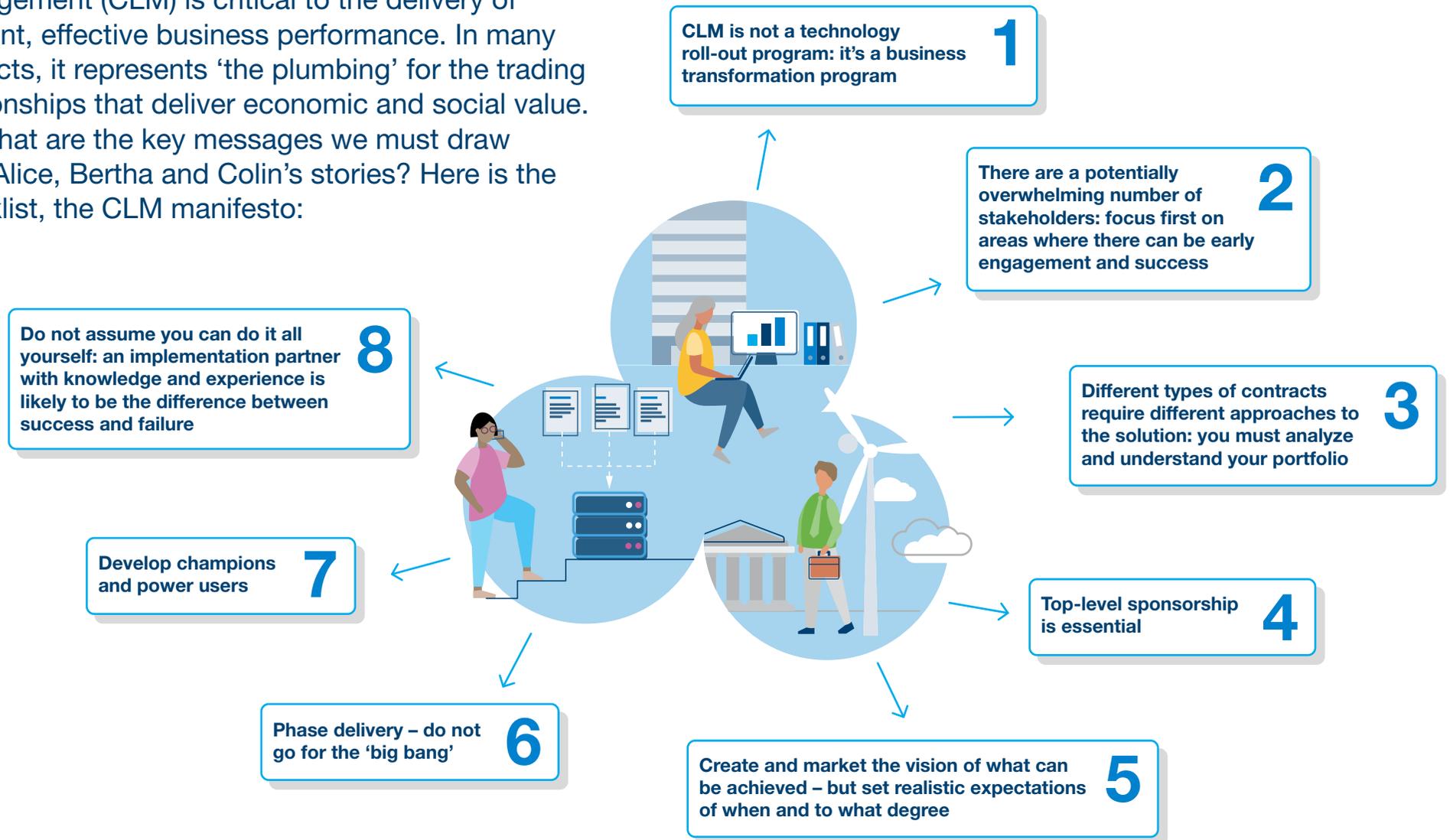
Transformation ESG is a driver for transformation. Organizations are being influenced by policy, investors, consumers and customers – driving a need to mitigate and adapt. Communicating progress requires intricate, high quality data from across the value chain.



Source: PwC Legal Event video series >

What do the three stories tell us?

The messages are clear. Contract Lifecycle Management (CLM) is critical to the delivery of efficient, effective business performance. In many respects, it represents 'the plumbing' for the trading relationships that deliver economic and social value. So, what are the key messages we must draw from Alice, Bertha and Colin's stories? Here is the checklist, the CLM manifesto:



Conclusion

We see organizations have tools and processes for abstracting structured data from contracts and use this to solve tactical challenges on a case-by-case basis, such as dealing with specific business and economic disruptions.

To date many CLM implementations have been focused on the efficiency of the contracting lifecycle. The market has moved on. What organizations are looking to do now is to identify opportunities to standardize and automate data feeds by building them into contracts at the point of generation. This creates an opportunity, where relevant, for the contract production process to achieve more consistent and higher quality data across different contract batches and represents a new opportunity for CLM.

This requires a more strategic approach, pulling intake data and information requests from other tools such as Customer Relationship Management systems and setting parameters on remaining data entry points to improve data quality through further standardization. By doing this it allows controls and preventative measures to exclude the document from proceeding into workflow until it meets a minimum standard, i.e. critical data is populated and enables decision trees to form data families / groups and enable downstream data flow.

Organizations will operate in bifurcated environments in the short- to medium-term as they manage historic, present and future data flows, so change management and process simplification will be key. This will drive market adoption of more uniform contract standards and positions. The rewards will be worth the effort as the future of CLM moves towards a strategic contracting data model for Contract and Commercial Management (CCM) in an agile way.

With new opportunities it's inevitable that we have to raise our game. We will have to reframe the CLM journey from one of investment cases and technology implementation to one of business cases and organizational outcomes – an 'organization and people first' articulation of the opportunities and solutions.

How is your organization preparing to leverage this opportunity? Are you ready to create the compelling business benefit case?



An eye on the future – technologies to look out for

Internet of things (IoT)



While the IoT is perhaps more often considered from a consumer perspective, it offers massive potential in business and industrial situations. IoT sensors can provide regular or triggered data that can be used to measure performance. This data can then feed into contract data that is used for contract performance.

Artificial intelligence and machine learning (AI/ML)



The principles and algorithms that underpin artificial intelligence and machine learning have been in existence for decades, Google search, for example, was developed late last century. It has, however, become increasingly ubiquitous, including in CCM. With the increasing importance of Contract Data Management we are likely to see growing use of AI/ML to help make sense of this data.

CLM actionable analytics



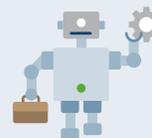
When spreadsheets first emerged their ability to create graphs and charts was pretty limited. Arguably, it remains so today with real analytics and visualization requiring additional specialist tools. CLM is quite similar, to date the visualization of contract insights. Insights remains in its infancy and requires additional packages such as Tableau or Power BI. In a world where Critical Decision Management (CDM) has increasing relevance the ability to interpret and articulate its meaning will become increasingly important.

Smart contracts



Today, the use of smart contracts is primarily limited to opportunities where there are a high volume of repeatable transactions. Early adopters have been use cases in the Banking, Financial Services and Insurance sector (BFSI) such as administrative payments and billing, and trading. Increasingly though people are starting to look at blending smart contract technology with IoT to automate elements of an overall trading relationship. Think about an IoT sensor measuring the delivery quality of a product and if it meets the acceptance criteria triggering and automatic payment.

Robotic process automation (RPA)



This has the potential to do for contract management what the production line did for sectors such as automotive. But to unlock the full potential we need further convergence of the use of standards in contracting and the continued development of some of the other technologies in this list in order to deal with the incompleteness of contracts.

Application programming interfaces (APIs)



Arguably APIs are the smallest thing in this list but have the ability to unlock perhaps the most value. Without APIs, and the standards that underpin them, the flow of contract data will be limited, and it will remain locked where it is created. APIs are needed for technology connectivity and to facilitate the blending of data to create information, knowledge and impact.

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World Commerce & Contracting is a not-for-profit association dedicated to helping its global members achieve high-performing and trusted trading relationships. With 75,000 members from over 20,000 companies across 180 countries worldwide, the association welcomes everyone with an interest in better contracting: business leaders, practitioners, experts and newcomers. It is independent, provocative and disciplined existing for its members, the contracting community and society at large.

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