



CONTRACT LIFECYCLE MANAGEMENT PROCESS MATURITY MODEL

HELPING CLIENTS REDUCE RISK &
RECOGNIZE THE VALUE IN CONTRACTS

EXPERTS WITH IMPACT™

ELEMENT	COMPONENTS	IMMATURITY CONSEQUENCES	LEVEL 1: AD HOC, MANUAL, UNSTRUCTURED
GOVERNANCE	<ul style="list-style-type: none"> • Formal governance model outlining how contracts and supporting data are governed in the organization. • Includes roles, responsibilities, accountabilities, controls and processes • Ability to forecast demands for contract management and provide resources to sustain the process • Awareness of contract management processes and training program for processes 	<ol style="list-style-type: none"> 1. Increased risk exposure 2. Noncompliance with contract terms and conditions 3. No contract optimization 	<p>Roles and responsibilities pertaining to contract management are not defined in the organization or in practice</p> <p>No organization-wide contract management governance processes and standards</p> <p>Contract management support is ad-hoc and on demand</p> <p>Employees are not made aware of contract management processes. Leads to rogue contracting and inconsistent contract terms</p>
POLICIES/STANDARDS	Formal policies, supporting standards and operating procedures for management of contracts from request/initiation through award, compliance and renewal.	<ol style="list-style-type: none"> 1. Increased cycle time and risk exposure 2. Less profitable agreements 3. Rogue contracting 4. Non-compliance with contract terms and conditions 	Internal policies, standards or operating procedures may or may not exist, but are not managed in any meaningful way
PROCESS EXECUTION	Disciplined means of control to orchestrate tasks, activities, and decisions across the contract lifecycle from contract request through initiating business operations including signatory requirements, approval hierarchy, and business/matter issuance.	<ol style="list-style-type: none"> 1. Increased cycle time and risk exposure 2. Non-compliance with organizational standards 3. Commercial risk and lost revenue. 	<p>Processes are not defined and typically handled ad hoc by individuals within groups or business units</p> <p>Records not necessarily tracked, even at the group level</p>
CONTRACT DRAFTING AND NEGOTIATION	Set of guidelines, tools and resources to facilitate the creation and development of contract documents and related terms	<ol style="list-style-type: none"> 1. Extended drafting and negotiation cycle time 2. Historical clause data not used, leading to non-standard positions, varied risk profile and increased attorney dependency/review time 3. Error-prone and non-standardized contract language 	<p>No library of contract templates or model/standard clauses - new contracts are generated from scratch by individuals and without aid of technology</p> <p>No playbooks developed to guide draft generation or term selection - negotiations are performed ad hoc</p> <p>Individuals determine whether to involve the Legal department, which often results in over-reliance</p>

LEVEL 2: MANUAL, STRUCTURED	LEVEL 3: SEMI-AUTOMATED WITHIN SILO	LEVEL 4: AUTOMATED AND FULLY INTEGRATED ACROSS FUNCTIONS
<p>Roles/responsibilities and governance processes/standards established for groups or business units but not centralized across the organization</p> <p>Records of governance activities and communications are retained but not programmatically and related data is not readily accessible</p> <p>Contract management support is considered in service planning</p> <p>Only those employees with direct contract management responsibilities receive training</p>	<p>Roles and responsibilities are known and governance processes and standards are established for groups or business units, but not enforced across the entire organization</p> <p>Data related to governance activities and communications is tracked and available at the group level</p> <p>The number of contract service requests are anticipated as well as the level of effort in man-hours and other resources</p> <p>Training regarding contract management is deployed firm wide</p>	<p>Centralized, formalized and documented roles and responsibilities</p> <p>Governance model is accessible to and followed by all relevant groups</p> <p>Details and criteria are developed by leadership and participating groups that have been educated and trained on the model</p> <p>Company leadership ensures compliance and control mechanisms are implemented</p> <p>Governance processes benefit from organization-wide automation and transparent data</p> <p>Demand for contract management services has been considered and resource models have been developed and reviewed periodically</p> <p>All employees receive ongoing, audited, documented training regarding contract management and compliance</p>
<p>An internal policy exists and is generally managed effectively</p> <p>Formal contract management practices exist, but are applied only at the group or business unit level</p> <p>Practices are tracked or reported to some extent</p> <p>Management practices are tailored to individual contracts, but data is tracked and available.</p>	<p>CLM policies and standards formalized, documented and utilized consistently within groups or business units but not across the organization</p> <p>Data related to policies and standards is tracked and available at the group level</p>	<p>CLM policies and standards formalized, documented and utilized consistently across the organization</p> <p>CLM policies and standards are fully integrated with other organizational core processes such as financial management, schedule management, performance management, and systems engineering</p> <p>Practices are performed and tracked in transparent systems for subsequent review and improvement</p>
<p>Processes are consistently executed within groups or business units</p> <p>Records are tracked at group level only with unique, non-standardized methods</p> <p>Groups or business units may use technology to facilitate execution but it is unique and non-standard across the organization</p>	<p>Processes are consistently executed within groups or business units</p> <p>Processes and standards are facilitated and enhanced by programmatic technology or automation but not through methods or knowledge that is shared with other groups</p> <p>Records are tracked to provide insight to the group or business unit but are tracked by means unique to the group</p>	<p>Formalized and centralized rules for process execution are adhered to across the organization</p> <p>Groups' processes are enhanced by consistent and automated applications of technology</p> <p>Centralized guidance and standardized technology drive transparency and accessibility to tracked practices for monitoring and compliance</p>
<p>Groups or business units rely on established practices for contract creation and negotiation, but the use of standards, tools and playbooks are inconsistent across the organization and may only be applied to certain contract types within groups</p> <p>Groups use centralized repositories and shared tools for drafting</p>	<p>Groups or business units follow formal practices for contract creation and negotiation</p> <p>Consistent application of templates, playbooks and technology support automation within groups such that dependency on the Legal department is minimized</p> <p>Visibility into past drafting and negotiation available (i.e. audit trail) but only accessible at the group level</p>	<p>Formal practices for contract creation and negotiation are centralized for adherence across the organization</p> <p>Consistent application, facilitated by technology, of templates and playbooks to initiate drafts, incorporate approved terms and negotiate contracts to execution</p> <p>Intelligent resourcing and workflows are centrally established to reduce dependency on the Legal department</p> <p>Drafting and negotiation practices are transparent, tracked and monitored centrally for continuous improvement and knowledge sharing across groups</p>

ELEMENT	COMPONENTS	IMMATURITY CONSEQUENCES	LEVEL 1: AD HOC, MANUAL, UNSTRUCTURED
THIRD PARTY MANAGEMENT (TPM)	Process to monitor and manage contractual qualifications and interactions with external parties	<ol style="list-style-type: none"> 1. Value leakage 2. Penalties and reputational damage from non-compliance 3. Supply chain disruptions, security breaches and data thefts 	<p>Formal TPM programs do not exist or are incomplete</p> <p>No or incomplete documentation or approved SOPs developed</p> <p>No or incomplete/inconsistent policies regarding TPM processes</p>
CONTRACT STORAGE/RETENTION	Process of maintaining a centralized record of an organization's contracts	<ol style="list-style-type: none"> 1. Inability to track contract utilization, obligations, expiries or renewals efficiently 2. Revenue leakage, reduced cost savings and noncompliance with regulatory norms 	<p>No storage protocol or retention methodology for executed, including expired, contracts</p> <p>Individuals handle post-execution processes at their discretion</p> <p>Numerous and disparate storage locations</p> <p>Repositories sometimes include physical or unstructured data</p>
CONTRACT COMPLIANCE AND RESPONSE	<ul style="list-style-type: none"> • Post-award contract management to provide visibility into requirements • Effective codification of obligations to enable monitoring, risk analysis and action related to ongoing legal operations • Visibility into contract terms impacted by regulatory changes 	<ol style="list-style-type: none"> 1. Inability to track contract utilization, obligations, expiries or renewals 2. Lack of readiness for regulatory change, corporate transactions and breach incidents 3. Fees and fines resulting from noncompliance 4. Breaches of contract and litigation. 	<p>Compliance and administration processes are not defined or standardized</p> <p>Commercial term and clause data are not captured for expedited future reference</p> <p>Obligations are not monitored for ongoing compliance and response</p>
CONTRACT OPTIMIZATION	<ul style="list-style-type: none"> • Post-award contract management to provide visibility into contract relationships • Effective codification of client rights and counterparty obligations to enable monitoring, risk analysis and action related to ongoing business operations and opportunities 	<ol style="list-style-type: none"> 1. Revenue leakage 2. Missed value opportunities related to corporate transactions such cost-savings from integration or business synergies 	<p>Contracts are stored in physical or unstructured data sources and generally "left to sit"</p> <p>Commercial term and clause data are not captured for expedited future reference and rights triggers are not monitored for ongoing optimization - unless performed on an individual, ad hoc basis</p>

LEVEL 2: MANUAL, STRUCTURED	LEVEL 3: SEMI-AUTOMATED WITHIN SILO	LEVEL 4: AUTOMATED AND FULLY INTEGRATED ACROSS FUNCTIONS
<p>TPM onboarding and audit processes are documented within groups or business units but mostly tailored to unique contracts or vendors</p> <p>Processes largely not automated, but are tracked for reference</p>	<p>TPM onboarding and audit processes are fully established, institutionalized and mandated and automated, although isolated to unique groups or business units</p> <p>Processes are tracked and easily referenced for review, but accessibility is limited to specific groups</p>	<p>Centralized program or process (e.g. an External Party Portal) governs onboarding and audit of third parties</p> <p>Automation is supported by technology that may integrate with third party practices</p> <p>Processes are tracked with consistent and transparent data and regularly reviewed for continuous improvement</p>
<p>Contract storage and retention practices are consistent within groups or business units</p> <p>Protocols prescribe consolidation of certain contracts into identified repositories, but groups still use multiple locations which are accessible only to the group</p>	<p>Formalized contract storage and retention practices exist but only within certain groups or business units</p> <p>Each group's contracts are stored in a single structured location and supplemented with data per methodology but are accessible only to the group</p>	<p>Entire organization follows centralized and formalized contract storage and retention practices</p> <p>All groups and business units share a single process and a single structured system (or as few systems as necessary to meet group needs)</p> <p>Repository(ies) are supplemented with consistently captured robust data for transparency</p> <p>Programmatic review of processes and improvement plans implemented across groups</p> <p>Contracting system(s) are integrated with compliance and optimization practices</p>
<p>Compliance and administration processes documented within groups or business units, but not consistent across the organization</p> <p>Administration features some, but not full, automation</p> <p>Contract data is retained in consolidated locations within groups or business units, but not easily accessible to the rest of the organization</p>	<p>Formal processes for compliance and administration exist within groups or business units and are monitored for adherence</p> <p>Administration workflows are enhanced by automation</p> <p>Contract data is relied upon by the group to highlight client requirements and avoid risk and is also generally accessible by the organization</p>	<p>Formal processes for compliance and administration are centralized and monitored for adherence across the organization</p> <p>Administration workflows are enhanced by automation and informed by consistent contract data</p> <p>Contract data enables risk analysis</p> <p>Robust and programmatic technology applications encourage consistent obligation management and are integrated with other systems wherever possible</p> <p>Transparent and easily accessible data allow senior users to track and enforce penalties</p>
<p>Contract data is captured and tracked consistently per protocols within groups or business units but rarely through automation or significant technological lift</p> <p>Data is retained in consolidated location within the group but not easily accessible to the rest of the organization.</p>	<p>Contract data is captured and tracked consistently per protocols within groups or business units</p> <p>Contract data is enhanced and automated by technology to enable consistent analysis practices</p> <p>Consistent application of protocols and technology within groups provides accessibility to data, but familiarity with each group's practices is required to effectively utilize it</p> <p>Data is used by groups to highlight KPIs and drive value realization</p>	<p>Contract data is captured and tracked consistently across the organization via formal centralized protocol and shared technologies</p> <p>Data capture enables performance assessment</p> <p>Robust and programmatic technology applications encourage consistent rights identification and value realization and are integrated with other systems wherever possible</p> <p>Tools are regularly evaluated to ensure they utilize recent technological advancements and meet evolving needs of the organization</p>



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About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. For more information, visit www.fticonsulting.com and connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn.

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