



# Contract lifecycle management for revenue maximisation



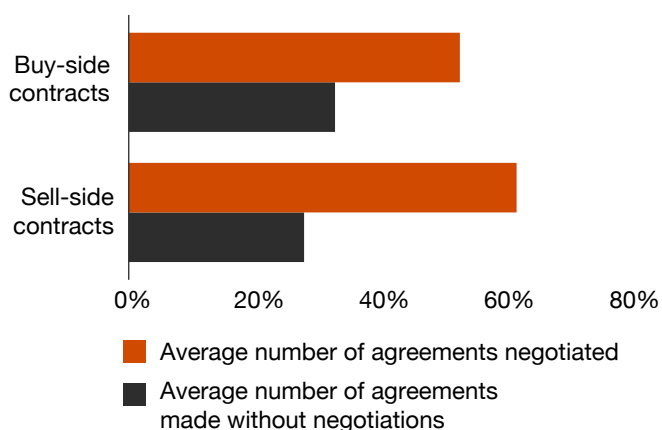
## The need for enterprise contract lifecycle management (CLM) and its successful implementation

In today's business environment, enterprises face several considerable challenges with respect to effective contract management. These challenges include high associated costs, extended cycles and inconsistencies in contract workflows. Contract management costs include the direct costs of drafting, executing and fulfilling contracts as well as the indirect costs related to managing incompetency and errors. Contract structures are generally varied across different verticals and regions; this leads to inconsistencies in drafting standard contracts. Additionally, the contract cycle time, from initiation to execution, can be unnecessarily long, and may lead to delays in project kick-off and revenue recognition. All these issues together hinder an enterprise's ability to operate competently and efficiently in the market.

Many enterprises still depend on outdated approaches to contracting, which aggravates these problems. For instance, it is quite common for companies to have several thousand contract templates in various languages, each customised to suit the needs of specific regions or business units. This fragmentation makes it difficult to maintain consistency across contracts and control over negotiated contract terms and conditions. Moreover, the absence of a unified repository for these templates means that employees often spend a large amount of time searching for the correct document, which leads to further delays and inefficiencies.

**Most organisations have their own standard forms of contract. Moreover, the majority of these contracts (buy or sell-side) are negotiated, which often causes delays.**

### Standard vs. negotiated contracts across sectors



Therefore, there is an immediate need for a streamlined, modern approach to contract management, as the current methods are no longer sustainable in an international business environment.

Commercial teams within enterprises, including account executives, face their unique set of challenges related to contract management. In organisations where we have implemented CLM systems, only about 26% of their affected workforce is actively involved in implementing the CLM system. Majority of the end users lack awareness related to this strategic initiative. Usually, the systems in the client's technology landscape are isolated, and the flow of data between them is limited, which leads to manual intervention from the teams making it prone to errors. In sell-side contracting, account executives often do not know the status of a contract. This prevents them from providing real-time updates to clients and promptly addressing issues that may arise during the negotiation process. This lack of visibility and active collaboration among internal teams can lead to delays and the risk of accepting non-standard contractual terms. Additionally, acceptance of any high risk clauses can lead to reputational and financial risks for the organisation. Furthermore, the inability to instantly locate previously agreed terms in the signed contracts complicates any renewal discussions, thus negatively impacting customer confidence and relationships.

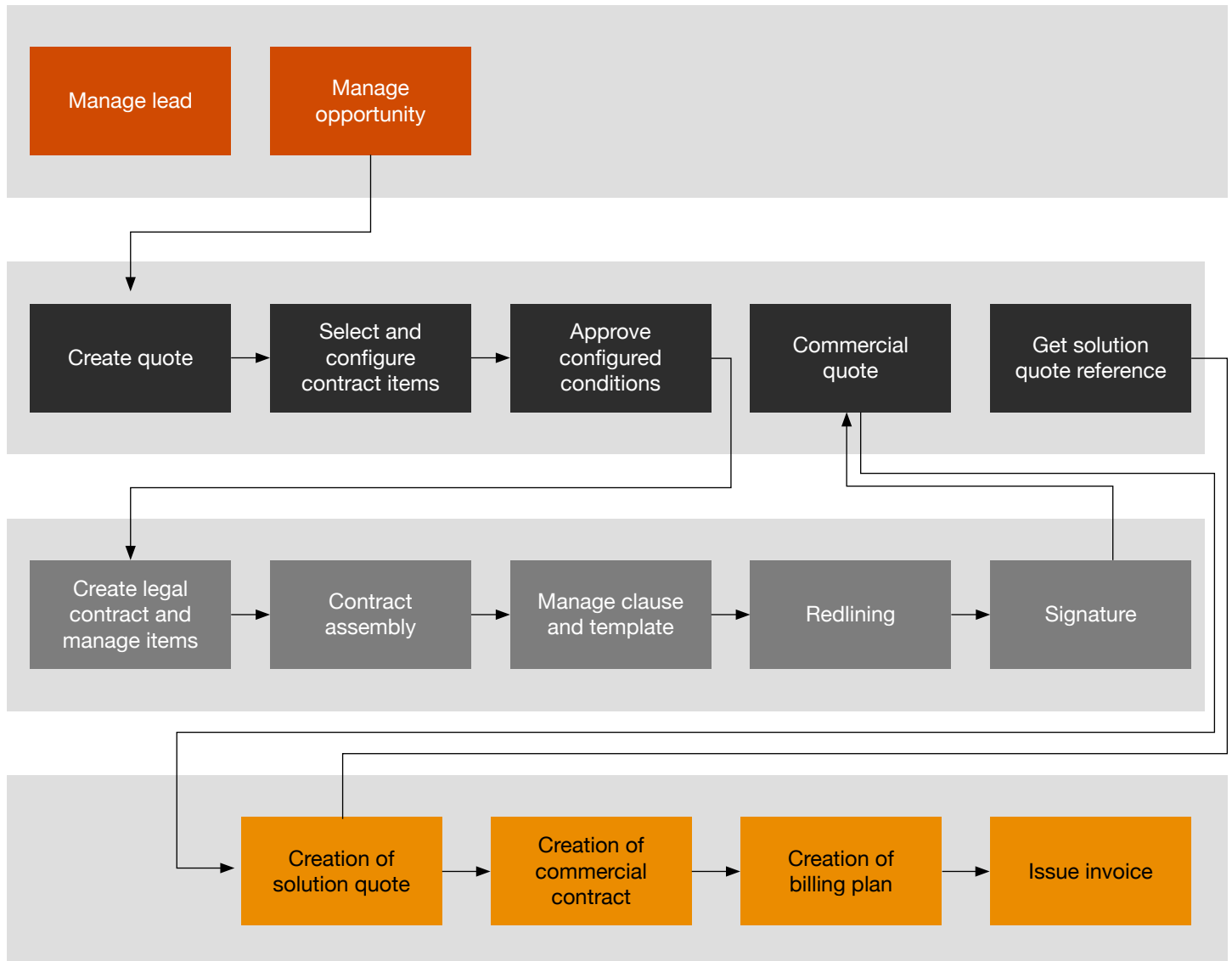
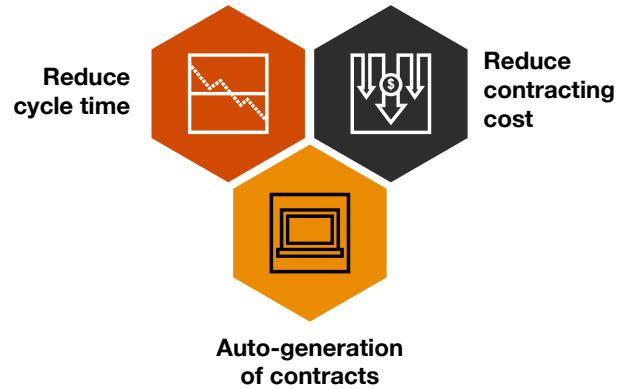
Another pressing issue is the financial impact of poor contracting processes and management. In projects where we performed assessments of our client's as-is contracting processes, it was observed that enterprises can experience a revenue leakage of up to 5–9% annually when obligation management is not adequately addressed. This leakage occurs because of overlooked deadlines, unfulfilled contractual obligations, and the inability to fulfil agreed terms and conditions effectively. Without a robust CLM system, enterprises struggle to monitor their contractual commitments, leading to missed revenue opportunities and greater risk exposure. Thus, implementing a comprehensive CLM solution can augment the financial performance and operational efficiency of an enterprise, by enhancing visibility and control.

# PwC's innovative recipe for addressing contracting problems faced by enterprises is built on an agile, three-pronged approach.

## Your business is our focus

By streamlining the contract management process, PwC helps organisations to cut down on unnecessary cost and allocate resources to functions that are critical to the business. This strategy also emphasises the optimisation of contract processes, ensuring that each contract is tailored for meeting specific business needs while supporting compliance measures and minimising risks. In addition to reducing the cycle time for contract creation, negotiation and approval, this approach improves overall efficiency, which leads to a more functionally optimised and seamless process flow.

We improve the process by bringing together several interconnected systems, ensuring seamless data flow, collaboration among teams and connectivity across all stages – from lead generation and quote creation to drafting, signing and invoicing (see below).



■ CRM ■ CPQ ■ Icertis ■ S/4HANA

“ While this illustration demonstrates SAP and Icertis systems, the underlying solution framework is versatile and can be effectively adapted to other products within the lead-to-cash (L2C) lifecycle. ”



# PwC's ability to deliver promising outcomes is a testament to its proficiency and its commitment to bringing value to its clients.

## Our approach

PwC's approach leverages auto-generation of contracts using advanced clause and template libraries. This feature allows enterprises to quickly and accurately produce contracts that adhere to the industry best practices and established legal standards, thereby reducing the occurrence of errors and omissions.

By using these repositories in an efficient manner, organisations can ensure standardised contracts, while adhering to compliance requirements and reducing risks.

The auto-generation capability of contracts helps to considerably reduce the time required to draft contracts, helping enterprises to stay active in a competitive market and respond to opportunities in a timely manner.



PwC's ability to deliver such outcomes is a testament to its commitment to driving value for its clients by using advanced technologies and industry best practices.

PwC can deliver solutions that are both inventive and practical. The benefits of PwC's CLM implementation strategy extends beyond cost reduction and operational efficiency. For account executives, the increase in transparency and visibility into contract management processes provides better control and oversight. The enhanced visibility allows account executives to make more informed decisions and address potential issues before they escalate.

## Operational excellence

According to our observations, companies are increasing their spend on process simplification and system integration.

The integration of CLM into L2C and procure to pay (P2P) processes is a major aspect of PwC's approach and a key reason for its favourable outcomes. In the L2C process, effective CLM ensures that contracts are aligned with sales and revenue goals, easing transitions from lead generation to cash collection. This adjustment helps in reducing sales cycle times, thereby improving customer satisfaction and revenue predictability.

PwC's comprehensive approach to CLM, when integrated into the L2C process, provides a solution that strategically aims to achieve future growth. PwC's CLM implementation helps organisations to navigate the challenges in contract lifecycle management by focusing on compliance, efficiency, visibility, cost reduction and relationship management. In future, in addition to integrating CLM into operational processes, organisations can gain considerable advantages by introducing artificial intelligence and other such advanced technologies into CLM platforms in order to stay relevant and experience exponential growth.



Utilises advanced clause and template libraries to ensure consistency and reduce errors.



Consumer goods industry sees up to a 50% reduction in contract turnaround time.



Cuts review time by up to 50%, unlocking key insights and improving negotiation outcomes.



About 300% RoI over three years following CLM system implementation.

This approach resolves common pain points and enables enterprises to operate more effectively and efficiently.

In our experience, proven benefits of automating the cycle are as follows:

- Scope of manual errors was reduced by using advanced clause and template libraries to ensure consistency across contracts.
- Nearly 30% reduction in contract turnaround time was observed for organisations that leveraged our standardised template and contract types.
- Contract review time was cut down by approximately 50% for our clients, thereby unlocking key insights and improving negotiation outcomes.
- Approximately 125% year-on-year RoI over three years was observed, following the CLM system implementation.

# About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

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