UNIT4
In business for people

7 Steps For Successful Contract Lifecycle Management

Risk mitigation is always one of the most important objectives of contract lifecycle management (CLM). And the most important aspects of risk mitigation must happen long before the contract is activated.

These are the 7 key steps to take at the beginning of the process.

1. Understand the objectives
Take the time to establish what your organization needs from the contract before you start talking to the other parties.

- What kind of relationship do we need to establish?
- What impact will it have on our business?
- Can we meet the obligations it will impose on us?
- What must each department do to fulfil our obligations?

2. Understand your risk landscape
From public health and cyber threats to seasonal change and regulation - risk can take any form. Undertake comprehensive risk assessments for the whole life of the contract.

3. Understand their risk landscape
Develop a thorough understanding of your counterparty's risk profile and the ways it might impact your organization. Make sure to include comprehensive background checks, cyber security audits, and compliance and regulatory requirements.

4. Analyze past data
Review similar contracts for concerns that came up in past contracts, and information on the performance.

5. Let past errors inform best practices
Perform post mortems to reveal performance issues or negotiation mis-steps and accumulate invaluable knowledge.
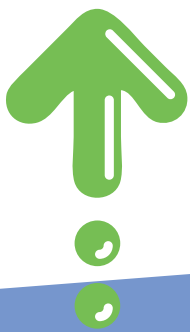
6. Establish your red lines
Red lines are recommended safety limits regarding your risk tolerance. Communicate them to all counterparties with absolute clarity.

7. Make use of contract templates
Use pre-approved clauses as the starting point for developing contracts. This saves time and takes the potential risk of human error out of the equation.

Want to learn more?
Check out Unit4 Contract Management by Scanmarket to discover a smoother, integrated way to keep your agreements in check.

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