eBook

How To Write an Effective Request For Proposal (RFP) For a New Contract Lifecycle Management Solution

A step-by-step guide to finding the best-fit software vendor for you.

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Introduction

To RFP, or not to RFP?

Purchasing a Contract Lifecycle Management (CLM) solution may be one of the most important investments your organization makes. Contracts are mission-critical documents that often drive the day-to-day operations of your business—and ensure its future viability. The right CLM software can improve efficiencies and drive savings across your organization, while improving organizational effectiveness, ensuring compliance, and safeguarding its interests. That's why it's important to choose your CLM vendor very carefully.

Many organizations decide to issue a Request for Proposal (RFP) to potential vendors, especially for long-term assets like CLM systems that will impact multiple areas of the business. In fact, for some organizations, the RFP process is required.

Given the number of vendors out there, and the complexity of the CLM playing field, a systematic buying process like an RFP can make the purchase of your contract management software much easier to manage. It allows you to clearly articulate the needs of your organization and to understand how these needs will be met by the different CLM solutions and their vendors.

In this eBook, we'll discuss:

01 Do you need a contract management solution?

02 Assessing what your team or organization needs

03 Phased rollouts: prioritizing features and functionality

04 Establishing criteria for evaluating proposals

05 Thinking about the selection process

One (very) important thing to keep in mind.

Typically, an RFP for contract management software will be managed by Procurement in participation with the Legal Department, General Counsel, and/or the Contract Management team. The challenge with this approach is that, often, Procurement teams will only look at one or two dimensions of the selection process: price and performance. While these are absolutely important, it leaves out a critical third dimension, partnership.

Yes, you are buying a piece of technology. But you are also choosing a long-term partner. So, it's important to think about how they think about your business. How does it really run? Where can small wins have an outsized impact? How dedicated are they to being supportive—and to helping you be self-sufficient? Are they there when you need them? Will you enjoy working with them throughout the implementation process, and for the next 1, 3, 5 years or even longer?

It's a big commitment. So, let's get started.

01

Do you need a contract management solution?

If you're reading this, the answer is most likely, "Yes!" But, as you sit down to write an RFP, it's important to be clear about why you need a Contract Lifecycle Management solution, and what you hope to get out of it.

Think about the reasons that brought you here, the types of contracts you manage, the people who will benefit from its use. What will your new-and-CLM-improved organization look like?

Replacing an existing CLM system

Have you outgrown your current contracting software? Sometimes, organizations start small but, once they're ready to grow, they realize that their CLM system doesn't have the capacity to grow with them. Or maybe you didn't fully appreciate the kind of functionality that you needed until now. For instance, many CLM solutions focus on creating a robust contract repository—but lack the ability to automatically generate new contracts.

Maybe it simply didn't work out and your CLM partner doesn't provide the kind of responsive support you were hoping for? Or maybe the product functionality and configurability is not what it was originally promised to be. (Unfortunately, it happens.)

Or perhaps, given the explosion of AI/ML, you're realizing just how valuable AI-powered contract management can be when it comes to comparing third-party contracts or analyzing executed contracts. There are certainly a lot of capable alternatives out there, and it's smart to shop around.

Obtaining a net new CLM system

Today, many organizations manage their contracts using Excel, file folders, email, and even hard-copy documents. But, eventually, the volume of contracts you process can increase to a level where a highly automated Contract Lifecycle Management system makes sense.

Revenue can be another big driver of a CLM purchase. When sales contracts are stuck behind bottlenecks and complex approval processes, the business can suffer. A good CLM system will automate the process and help expedite contract closure while improving cash flow and mitigating risk.

CLM software also makes the due diligence process far simpler. This can be an important consideration for companies that operate in highly regulated industries, or if you are considering a future merger or acquisition where your contracts will need to be thoroughly reviewed.

eBook

Demonstrating the Value of Contract Management

How to understand (and explain) the financial impacts of a CLM solution

contracts³⁶⁵

Building a business case

Unless you work with contracts every day, it might be hard to appreciate the true value of contract management software. And convincing executives to budget for them can be even harder. If you need some help bolstering your argument, be sure to check out this helpful eBook:

Download the eBook ›

02

Assessing your contract management needs

Before you begin drafting your RFP, consider all the different departments in your organization that will be using the new contracting software. Here, it helps to think about the lifecycle of a contract—from request to approval to execution, through obligation management, all the way to expiration or renewal. Who requests contracts? Who approves them? Who typically touches a contract during the process?

The contract lifecycle typically involves:

- **Contract Managers**
- **General Counsel**
- **Executive Management**

- **Business Users**
- **Sales Reps**
- **Procurement**

Now consider, what does each of these groups need to get their job done? What would make their part of the contracting process easier, more streamlined, more efficient? Map each role to the requirements they have. As you'll see, common themes will quickly surface that can guide your RFP and the evaluation process. (See "Functional Requirements" on page 11)

Select your stakeholders

It's also important to consider which of these groups should be part of the review and selection process. How can you keep the group inclusive enough to ensure everyone's voice is heard, but small enough to ensure things keep moving? What role will Procurement play? Will IT need to be involved to assess technology requirements, security, and access? When will management need to be involved?

Need help understanding user needs and business roles?

Check out **Contracts 365 Solutions by Role** to dig into different user's needs.

General Counsel

Contract Manager

Executives

Procurement

Sales

IT

03

Phased rollouts: prioritizing features and functionality

When you roll out a new platform or software application, it's common to take a phased approach (which, at Contracts 365, we refer to as "business releases.") Some CLM vendors offer different software editions, or feature sets, for different types of businesses. Others may give you the ability to turn features on or off as needed.

As you think about the needs of your organization, be sure to consider the immediate and near-term uses of your CLM solution, as well as the long-term vision for contract management. This could impact the choices you make and the vendor you work with.

Contract managers only or enterprise-wide?

For instance, some organizations will use their contract managers as for the initial rollout for their Contract Lifecycle Management software. They'll start by making the software available only to select users so they can "kick the tires" and get used to the system, work through any configuration kinks, and create a center of excellence within the organization before making the CLM software available company wide.

Limited functionality or full speed ahead?

Some organizations will take a phased approach to software features and functionality. For instance, maybe you'll allow only contract managers to see a full dashboard view of the contract approval process (and other sensitive contract details) to start? Or it might be smart to simplify workflows in the initial business releases until everyone understands the system. Limiting the functionality of a very robust CLM solution allows users to learn how to "crawl before they walk"—so that when it's time to run, you know they're ready.

Regardless of your approach, be sure that the vendor you choose has the functionality that you will need over time, and the ability (and willingness) to learn and grow with you. You don't want to find yourself in a situation where you're forced to migrate to yet another vendor because your needs have outpaced their technology or their willingness to support you.

04

Structuring your RFP

What should a good proposal contain?

The good news is this is your Request for Proposal. You can have it say whatever you want it to say—there are no right or wrong answers, and no set standards for what an RFP should look like. That said, there are some basic best practices you can use in your RFP to guide the proposals you receive.

Typically, an RFP for enterprise CLM software includes the following information:

- General company information
- Specific functional requirements
- Solution architecture
- Implementation experience
- Support and maintenance
- Longer-term relationship management
- And, last but not least, pricing

General company information

Goal: You want to make sure the vendor you'll be working with is reputable, reliable, and financially stable.

Please provide the following information:

- Year founded

- Ownership structure

- Number of customers

- Types of customers

- Security issues

- Ongoing litigation

- Committed budget for R&D and production innovation

- Any additional company information you'd like to include

Functional requirements

Goal: You want the vendor to list out the features of the CLM system so you can understand how their approach works and if it will support your business operations. Regardless of what they offer, be sure to list out the specific features you're looking for based on the role mapping exercise on page 11.

Does your CLM software support the following functions, and how?

- Contract authoring

- Negotiation

- Approval process

- Electronic signature

- Collaboration

- Repository

- Reporting

- Integrations

- AI/ML

- Role-based end user experience

- Are there other functions you'd like us to consider?

Solution architecture

Goal: You want to understand how the software will operate in your computing environment to ensure it will integrate with your IT infrastructure, security protocols, and existing collaboration and productivity software.

Please provide a description of the software architecture:

- Is it cloud based or on premise?

- If the solution is cloud based, how and where is it hosted?

- Where will contract documents and metadata be stored?

- How are end users managed and how does the system authenticate?

- What is the system redundancy, RPO, RTO, and failover times?

- What is the approach to security?

- Are there any security certifications, including ISO, SOC 2 Type 2, and what is your approach to GDPR?

Implementation

Goal: Obviously, installing enterprise software is much more complicated than installing an app on your laptop. The process is called implementation—but you should think about it as change management—and it requires configuration, training, and employee adoption to be successful. In fact, the software implementation experience is often as important as the technology itself. Maybe even more so.

Please describe the implementation process:

- What does the implementation involve?

- How long does the implementation typically take?

- Who will be on the vendor's implementation team and how experienced are they?

- Who needs to participate on the customer side?

- Will the vendor team be virtual or remote, onshore, or offshore?

Maintenance and support

Goal: You want to think about what will happen when things go wrong. And something somewhere will go wrong…it's just the way it goes.

Please describe how the software is maintained, and how software support is delivered:

- What are the support coverage times?

- Will you have an assigned resource to your account?

- Can you speak with someone live?

- What is the escalation process if something cannot be fixed by front line support?

- Is there a knowledge base?

- When and how are new features released?

- Once implementation is complete, what communication and support (outside of general issue management) can you expect?

- Will we have an assigned resource to our account?

- Can we speak with someone live?

Pricing

Goal: It's important to understand the pricing structure for the software, and all the aspects that may impact the final cost. This is one place where you do not want to be surprised or be caught unaware.

Please provide detailed pricing information, including:

- Are there different software editions available?

- What is the annual cost of the system?

- How is the product licensed?

- How many and what types of users are included?

- How are integrations priced?

- Are new features and functionality included in the pricing we're already paying or are there additional fees?

- Will the price increase annually, and if so, by how much?

Questions & Answers

Goal: Most RFPs include a phase that provides vendors with an opportunity to ask questions prior to the submission of their response. This is an important part of the RFP process; it allows you to clarify anything that is unclear and uncover any additional selling points or considerations you might have overlooked. The Q&A process is also a strong indicator of just how invested vendors are in your business—and the type of partner they'll be.

If you have any questions, please submit them in writing to:

- Your company's contact name, email, phone number

- The deadline questions are due by so that you can respond

Start with this sample RPF worksheet

Need a hand getting started? We've compiled this comprehensive Excel Worksheet to help you organize the functional requirements for your Contract Lifecycle Management Request for Proposal.
Download the Contracts 365 CLM RFP Worksheet Now

Download ›

05

The Selection Process

Sometimes, the vendor selection process is easy: the proposal is clear and well-articulated, you've had a wonderful exchange during Questions & Answers, and you know exactly who your new CLM vendor will be. Other times, the selection process can be difficult, especially when many vendors have comparable offerings. Hopefully, you will have received more than a few that have merit and you're ready to dig in.

Here are the basic steps to consider:

- Review responses and aggregate information.

- Shorten the list to a manageable number of vendors, typically 2–5 is a good number of candidates to evaluate. (Why so few? Well, you'll only choose one and you want to be respectful of their time as well as yours.)

- Schedule live product demonstrations. Sometimes you can ask to participate in a sandbox exercise which allows you to test the system in a simulated environment.

- Understand implementation timelines. How long does the vendor think this will take? What is their current backlog? How far out are they scheduling?

- Ask about lessons learned or best practices they've developed over the years to ensure successful software adoption.

- Check references and speak to current customers.

Conclusion

Selecting an enterprise CLM partner is very different from purchasing off-the-shelf software.

Creating a well-structured Request for Proposal, and conducting a thoughtful RFP process, will allow you to not only vet qualified vendors—it will help you better understand your organization's contracting needs, and prepare you to engage with the selection and implementation process. And it will help to ensure the adoption of your new software and contribute to its long-term success—which is ultimately what you're really buying.

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Contracts 365 is powerful contract lifecycle management software purpose-built for Microsoft 365 customers. Our intuitive, cloud-based CLM software leverages our customers' strategic investment in Microsoft applications, architecture, and security to give them unparalleled control of their private contracts and data. With world-class implementation and support of industry-specific contract management solutions, Contracts 365 helps you discover the power of your contracts, every day.

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