

WHITE PAPER

CLM IMPLEMENTATION PATH TO SUCCESS IN DATA MIGRATION

The success of Contract Lifecycle Management (CLM) technology depends first and foremost on process, planning, and data quality. Robust and meaningful data means that the system is reliable and that users can trust it for important legal and business decisions, which in turn fosters adoption throughout the organization.

Failed CLM projects are often due to promoters failing to grasp this basic insight and the importance of data quality at planning stage. There are difficult decisions to make around scoping, collection and extraction. In-house lawyers often have an intimate, almost intuitive, knowledge of their contracts and thus can underestimate the magnitude of the task ahead, which can delay or otherwise significantly impact deployment.

This White Paper is designed to address these risks by giving a step-by-step overview of the process for migrating data to a new CLM tool.



1. SCOPING

Large organizations often have thousands or more of legacy contracts to review. It is often unrealistic to cover them all in the migration process and decisions must be made around scoping. This would typically include questions around:

- » Contract types, e.g. should NDAs be in scope?
- » Value thresholds, i.e. contracts under a threshold might be out of scope;
- » Time range, i.e. elapsed contracts are usually out of scope

- » Buy side, sell side, or both?

Appropriate scoping is crucial to avoid investing resources to review low value/ low risk contracts and therefore reduces costs significantly.

2. CONTRACT COLLECTION

Organizations with a centralized filing system for executed contracts can locate them easily and can quickly define key elements such as Parties or Date of Contract.

However, many organizations do not have full visibility on all agreements existing within the organization or rely on a central repository without a clearly defined structure.

In the absence of a well-defined central repository, the first step is to collect and organize the contracts to be reviewed. This represents a significant amount of effort and resources, often

underestimated internally, and a textbook example of when to leverage support from a third-party provider.

When dealing with subsidiaries, the collection of contracts from subsidiaries can be time-consuming and requires sufficient resources to chase and verify documents. An up-to-date mapping of internal stakeholders is essential and a mandate from senior management can help with engagement of local staff to supply documents.

Similarly, commercial stakeholders may not always grasp the importance of the project and their legal teams

may consider it low priority compared to other legal work.

Before initiating a review, project leads should identify a shared area or system as a repository for all contracts. Considerations should include scope and access. When working with a third-party provider, all relevant team members will need to be granted access to the selected platform, along with varying degrees of permission within the filing structure. Ideally the repository will be a long-term solution (e.g. CLM tool) that the organization can continue using at the end of the project.

3. CLEAN-UP

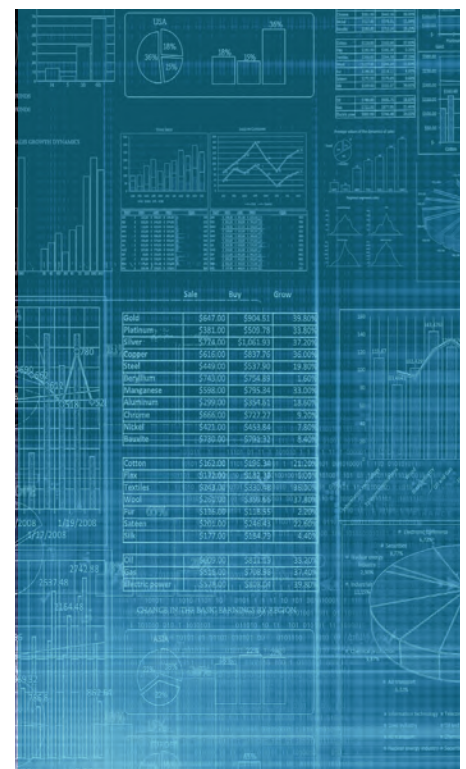
The next step following document collection is a clean-up of the database to ensure only in-scope documents are kept. This is another time- and resource-consuming exercise which requires alignment on the type of data in scope, i.e. what should be kept and what should be cleaned.

A key distinction at this stage is between 'Document' and 'Contract'. The number of documents coming out of the collection phase will most likely be much higher than the actual number of contracts. We have routinely worked on projects where this number went from 5,000 documents at collection down to 1,000 contracts post-cleaning.

Why is that? We often find different types of documents, including emails, PowerPoint or Excel files, which do not constitute a contract as defined at the outset. These documents will not be deemed in scope and will therefore be excluded at the cleaning phase.

Bear in mind that filing issues could have been overlooked, such as copies of unexecuted contracts requiring the executed version, duplicates to be eliminated or amendments and schedules to be linked to the main agreements.

The purpose is to move to the next phases with a clean set of documents.



4. DATA DEFINITION

At this stage (which can run in parallel with the above), a definition of the outputs is required. The outputs are the information/data that the organisation wishes to extract from the contracts. This set of data is normally tied to clauses and wording on specific topics, or to put it another way, a set of data fields, aka metadata.

There are simple data fields, such as "Parties to the Contract" or "Duration" and more complex fields like "Pricing" and "Commercial Terms".

Maximising the number of harmonized

dropdown fields is beneficial both in terms of speed and accuracy of review. Whenever possible, it is best to avoid inserting free text. This enables ongoing visual reporting and conclusions at the end of the project based on the exported data.

It is often useful to develop a glossary against those output fields. By way of example, the meaning of 'Term' as a field for extraction might seem clear. However, if the start of the Term is not explicitly defined in a contract, the Term could run from either the effective date, the signature date, or

the date at the top of the agreement. The glossary enables mapping and tracking of those definitions to ensure clarity and data quality.

While conducting the data extraction exercise, the glossary is likely to evolve and grow as new instances of clauses and terms are reviewed in the contracts. At Kalexius, the glossary is delivered as part of the handover pack at the end of such projects to help users maintain the destination system (i.e. CLM tool) in the future.

5. MIGRATION TO THE DESTINATION SYSTEM OR CLM TOOL

Once in-scope contracts have been gathered and data has been defined, the migration to the identified system is ready to start. If the system has not yet been determined, it is time to consider the area or system where contracts will be stored in at the end of the project. Although the decision may be influenced by the outputs of the cleaning exercise, the destination is likely the CLM tool already or about to be purchased by the organization.

The organization and service provider need to determine how extracted data will be migrated into the new system. There are different processes depending on the volume, company needs and technology solution. For

example, the data may be entered directly into the destination system or through an upload (e.g. in CSV format) into the destination system.

It is critical -and yet often overlooked- to have a solid data mapping at the time of migration. Mapping means crosschecking that the fields in the initial system can be accurately migrated to the destination system, or that an amended or new set of metadata is mapped properly.

Date formats is an easy and simple example. Assuming the initial format is *dd.mm.yy* but is *mm.dd.yy* or *yy.mm.dd* in the destination system, users may end up with inaccurate expiry

dates of contracts and false renewal reminders without an appropriate format conversion.

Regardless of the type of system in use, additional considerations for data mapping include:

- » Mandatory fields;
- » Dropdowns;
- » Field character limits;
- » Alpha versus numeric fields.

The user interface should always be a top priority when considering the destination system to ensure long-term end-user adoption and use.



6. PLAYBOOKS

Playbooks help achieve an accurate and efficient review by the right-level resources. Third-party providers have the right expertise to develop and deploy playbooks for data review and extraction.

Playbooks typically include detailed processes in addition to definitions, guidance and instructions against each field to be extracted. Staff should

be trained on the playbook prior to the project starting.

Due to the high volume of work and the repetitive nature of the tasks, it is important for senior lawyers to take regular quality control samples and review the field outputs. This sampling process identifies areas of misunderstanding and allows for both training and any required remediation.

7. RESOURCES

Given the high volume of documents to be reviewed in these projects, it is generally cost prohibitive to allocate more senior lawyers to the field extraction tasks. Therefore, an effective use of resources would be allocating junior resources to extraction tasks while more experienced lawyers look at the subset of documents where an issue/need has been identified.

Given the volumes of data and the level of structured review required in these types of projects, a project manager has a key role to play in

ensuring that delivery is on time and to budget. Where there are very large volumes of data, a data analyst role may also be required.

In addition, senior lawyers may be needed for detailed legal analysis in relation to risk once contracts and fields with potential issues come to light during an initial extraction phase.

Kalexius often supports clients with an international footprint thanks to its teams of multilingual lawyers to cover documents in multiple languages.

8. DATA EXTRACTION

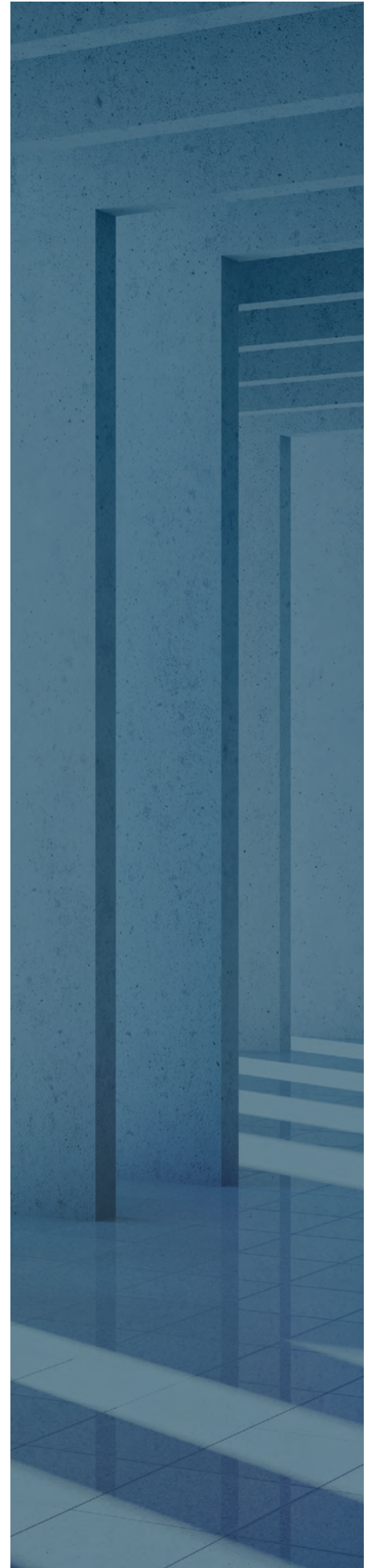
With all above steps properly set up and completed, the resources can effectively begin reviewing the contracts and extracting the data fields into the destination system leveraging AI technology as required. Note the up-front detailed

explanations of the sections above. By the time the data is mapped and repositories identified, and documents reviewed, the extraction stage should be straightforward. If the up-front effort is there, this step should be as seamless as possible.

9. IMPORT

When the organisation opted for a CLM tool, documents and extracted data should be uploaded to the tool.

This step is also linked to step 5, migration.



10. FINAL DELIVERABLES

Common deliverables across data migration and CLM implementation projects include:

- Inventory of the documents collected and reviewed, including locations from where data has been received;
- Documents metrics such as contract type, volumes by location or unsigned documents;
- Log of key risk trends in relation to rights and obligations such as no termination rights;
- Observations on the contracting process within the organization along with a suggested remediation plan;
- Repository containing all collected and reviewed documents;
- Clean, reliable and actionable document set and mapping of associated data points in destination system or CLM tool.

The in-house team can be also trained on how to maintain the database going forward.



11. FUTURE PROCESS

The organization may decide to build on the project deliverables by training and assigning in-house resources under a new process. Alternatively, some clients decide to outsource the service to an external provider such as Kalexius.

The benefits of an outsourced service often include:

- Access to junior lawyers in lower cost locations;
- A centralized service able to cover multiple countries/languages;
- A structured and process driven approach to CLM;
- Increased level of compliance with lower legal risk;
- Regular reporting on volumes, quality and non-compliance within the organization.

HOW KALEXIUS CAN HELP

At Kalexius, we see an increase in the number of clients seeking support for the implementation of CLM systems and the need for its successful deployment.

The purpose is often to assess the current organisation's contractual status (rights & obligations) then remedy any risks. The mechanism is to extract and analyse contract data but is sometimes followed by a need to negotiate updated clauses.

Kalexius functions as an extension of legal departments with a focus on a holistic approach to high-end legal work. We typically deploy teams of seasoned lawyers, paralegals, project managers and data analysts to ensure reliable outcomes at a reasonable price point.

We can assist you with your CLM journey thanks to a comprehensive analysis of your objectives, workload, and bottlenecks.

Planning is essential in large-scale projects of this kind, and we spend a lot of time understanding and addressing issues around quality and process optimization.

The Kalexius combination of people with high-end expertise, streamlined processes and state-of-the-art technology produces exceptional results for large organizations.

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