Cool Vendors in CLM and Advanced Contract Analytics

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Initiatives: Procurement and Strategic Sourcing Applications and 3 more

Extreme market volatility has many organizations revisiting their ability to quickly identify, analyze and manage third-party contract risk. Application leaders should consider these Cool Vendors to quickly scan and interpret contract terms and streamline the ongoing life cycle of a contract.

Overview

Key Findings

- Our research has shown that the typical legal department causes an additional three days in turnaround time for each contract. Speed has never been more important to meeting corporate objectives, but legal plays a disproportionate role in slowing down decision making.

- The same is true for procurement and sourcing teams, where automation is paramount and it is no longer acceptable to the business for procurement to cause contracting bottlenecks.

- Contract life cycle management (CLM) solutions and stand-alone advanced contract analytics solutions are promising for breaking down bottlenecks, but adoption is still in its infancy at most organizations.

Recommendations

Application leaders responsible for CLM should:

- Reduce the risk of a failed deployment by running pilots to assess the benefit and reliability of advanced contract analytics solutions.

- Compare the pilot results side by side with analysis completed manually by your most experienced resources to gauge the accuracy. Don’t invest in solutions where the accuracy levels are not better than (or at least as good as) human analysis.

- Pay close attention to merger and acquisition (M&A) activity in the contract analytics and CLM market, and its potential impact on your chosen vendor. There has been a lot of vendor consolidation happening in this market, which can sometimes stifle innovation until the dust settles.
Strategic Planning Assumption

By 2024, the amount of manual effort for contract review will be reduced by 50% for those that adopt advanced contract analytics solutions.

Analysis

This research does not constitute an exhaustive list of vendors in any given technology area, but rather is designed to highlight interesting, new and innovative vendors, products and services. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

What You Need to Know

Since COVID-19 began to spread, procurement and legal leaders have been at the forefront of helping their organizations navigate the pandemic. The list of tasks that these leaders have faced is extensive. They have addressed contracts that can no longer be fulfilled, adopted strong data privacy standards as employees work remotely, and managed the due diligence process for new suppliers and third parties to replace those no longer able to fulfill commitments. And while contract-related tasks are often most urgent, these leaders are also responsible for a much broader range of activities, such as setting and communicating policy and overseeing crisis response. There is simply not enough time in the day or available resources right now for most teams to keep up with the needs of the business.

Automated contract review and full CLM solutions are designed to help with exactly these types of challenges, and the results have been really promising. Case in point: Over 90% of legal departments report that ROI from automation either met or exceeded their expectations, with 43% saying their ROI had exceeded their expectations. However, many of the solutions available on the market take months to get up and running, and require extensive configuration and cost. The solutions highlighted in this research have bucked that trend, providing faster, more nimble options that can help companies address these challenges at a much lower price point and complexity level. The Cool Vendors included in this research are able to implement faster by emphasizing usability, having a modular implementation approach and staffing their implementation projects with not just technical resources, but also legal operations experts with extensive software deployment experience.

The five vendors featured in this research are:

- Cognitiv+, offering a customizable natural language processing (NLP) solution that allows you to build and train your own models.
- Ironclad, with its full CLM solution that is fast to deploy, with a focus on remote collaboration capabilities.
- LegalSifter, providing a simple, affordable AI-based contract review product and service for cleaning up, auditing and converting unstructured contract data into a more usable format.
Cognitiv+

Analysis by Kaitlynn Sommers

**Why Cool:** Using Cognitiv+, organizations can create and train their own AI models so that there is a high level of transparency into how each model reaches its conclusions versus a black-box approach. Cognitiv+ has more than 150 AI models used to extract, classify and index contract clauses, facts, definitions, obligations and risks. Its flexible products help clients identify revenue leakage, assess compliance, gain visibility into contracts and regulatory documents, and summarize actionable contract obligations. Cognitiv+ also offers the ability to translate 50 different languages into English, extracting insights and obligations. Congitiv+'s solution can publish back into your existing applications, so that most end users have only one place to go to work on contract documents.

**Challenges:** Cognitiv+ is a newer vendor in a software market that is slowly gaining traction, but still lacks maturity. Advanced contract analytics solutions still need to prove value, accuracy and their intended use cases to be appealing to organizations. Furthermore, most organizations are still in the midst of their CLM digital transformation. This means that, while there are some large enterprises with sophisticated and mature contracting processes, most organizations are still trying to get the contracting process right before considering the more-advanced features within a solution like this. That being said, Cognitiv+ can be used simply to convert legacy contracts into a digital, searchable format to provide a stepping stone for a broader CLM project.

The ability to create your own AI models is a somewhat unique and appealing feature, but also requires organizations to have talent capable of doing so. While subject matter experts can create models, it does require both legal and technical savvy, a hard-to-find combination of skills.

**Who Should Care:** Legal teams and contract managers seeking better visibility and compliance, especially in highly regulated industries, although there is applicability in all industries.

Ironclad

Analysis by Patrick Connaughton

**Why Cool:** Ironclad’s software is designed to help clients that have shifted to working from home and have significant COVID-19-related challenges in the legal department. For example, Ironclad

- LinkSquares, with its artificial intelligence (AI)-powered contract management software enabling in-house legal teams to draft, store, search and analyze finalized agreements.
- Parley Pro, with its collaborative, contract management platform with online negotiation technology.
has invested significantly in online collaboration and negotiation features for remote teams. This includes support for internal/external comments (such as comments that can only be viewed by colleagues or counterparties), @mentions (as found in products like Google Docs) and a comprehensive activity feed. These features have proven especially useful for remote legal teams looking to coordinate activity on a high volume of contracts.

Another feature that makes Ironclad cool is its no-code contract automation tool, which enables legal teams to design and deploy contract workflows in minutes. Ironclad’s flexibility here has enabled its customers to quickly update processes for contract requests and approvals as those customers adapt to remote work and new company policies (for example, changing the approval conditions and routing for employee software purchases with a few clicks). Last, but not least, Ironclad’s search, filtering and retrieval capabilities have served an important role in helping companies identify risky contractual obligations in the wake of COVID-19.

**Challenges:** The majority of Ironclad’s customers today have less than $1 billion in annual revenue. The solution has proven that it can scale up, with a few examples of very large enterprise clients. Still, like any startup, there is still some risk that, as the company continues to grow quickly, it will not be able to maintain the high ability to execute. Prospective customers should keep this in mind. Also, while Ironclad has most of the primary features required in a CLM solution, a few areas are still under development, including support for dynamic clause libraries, AI-based risk scoring and obligations management.

**Who Should Care:** Ironclad is an especially good fit for customers in high-tech industries with less than $1 billion in annual revenue. Procurement, legal and sales leaders looking for a CLM solution that they can start small with and grow over time should consider Ironclad.

**LegalSifter**

Pittsburgh, Pennsylvania, U.S. ([www.legalsifter.com](http://www.legalsifter.com))

**Analysis by Marko Sillanpaa**

**Why Cool:** LegalSifter is different from many of the competitors in this market because of its commitment to keeping the solution simple, affordable and fast to implement. LegalSifter is priced by the user, not by the contract. Many other contract AI tools price by the contract, which can become costly when organizations have high volumes.

LegalSifter's software solution scans incoming contracts and creates a virtual bookmark on important clauses, helping to move contracts more quickly through the negotiation and approval process. It can read through over 25 different contract types, ranging from simple NDAs to more complicated lease agreements.

More-advanced contract management teams can configure their own playbooks into the system and submit contracts for review. As contracts are sent to the system, it creates links to various clauses of interest and reports on the clauses that are missing. End users can then review and
revise the contracts in the application. Along the way, the system guides users to the advice provided by their organizations’ lawyers and experts. Once the revisions are made, LegalSifter exports contracts into Word or PDF with red lines.

LegalSifter also offers a service called Sifter Concierge, which leverages the ContractSifter AI software to extract the metadata and clean up the relationships between documents, such as the parent-child mapping of amendments, exhibits and addendums to master agreements.

**Challenges:** The CLM market is crowded, with much of the focus on drafting contracts using clause libraries. Solutions that draft contracts know the metadata and language used to generate the contract. But once the contract is sent to the other side, that information is no longer available. Lots of systems extract data, but LegalSifter is one of the few that reviews a draft contract and gives advice presignature, which is useful when reviewing another party’s paper.

**Who Should Care:** Application leaders responsible for contract management and key contracting stakeholders whose contracts are mostly on third-party paper. Organizations that do not currently have the labor or technology to organize and administer their contracts themselves should also consider LegalSifter.

**LinkSquares**

Boston, Massachusetts, U.S. (https://linksquares.com)

*Analysis by Patrick Connaughton*

**Why Cool:** LinkSquares uses AI to enable full-text search and metadata extraction to create “smart values” that power reporting and analytics across extremely large volumes of contracts. In times of changing regulatory requirements, global pandemics and other challenges, this ability to quickly and reliably search through thousands of contracts to assess the risk caused by a specific event is a must-have.

There are other solutions on the market focused on reading contracts and storing them, but LinkSquares specializes in identifying the specific contractual commitments that a company has. For example, if your company was the victim of a data security breach, LinkSquares can quickly run reports to see which customers have to be notified and how long you have to do that. Or when there is M&A activity, it can help corporate development or legal teams review a whole database of contracts on short notice. LinkSquares will also manage the clause library on a company’s behalf — a big value-add for smaller, lean legal and procurement contracting teams. This is one reason that LinkSquares is cool and has been experiencing over 300% year-over-year growth.

**Challenges:** Quickly realizing the benefits of a solution like this entirely depends on the AI algorithms and how extensively they have been trained across thousands of business documents. The more customer documents that have been reviewed, the better the model gets. LinkSquares has a good critical mass of customers and documents reviewed, but it is still a startup and there’s plenty of room to grow.
Who Should Care: General counsels and procurement contract administrators managing over 2,000 contracts who need to quickly identify contract risk based on changing market events are good candidates for LinkSquares. Companies that have rolled out a full CLM solution, but have found that they still need additional AI-based metadata extraction on existing executed agreements and third-party paper, could benefit from LinkSquares.

Parley Pro
Los Altos, California, U.S. (https://parleypro.com)

Analysis by Kaitlynn Sommers

Why Cool: Parley Pro's online collaboration platform allows both internal and external stakeholders to edit and reconcile contracts in real time, driving down execution time significantly. With many parties involved, contract negotiations have always been difficult to support effectively, and can be especially challenging in today's remote working environment without the right collaboration tools and access to contract information.

Parley Pro's flexible approach to contract clause assembly provides organizations with the ability to quickly and simply digitize their contracting process. It includes an option to toggle the negotiation approach based on stakeholder preference. Parley Pro's short-term roadmap includes AI for further contract automation and risk assessment.

Challenges: Gaining new customers and market share can be difficult in the CLM market. Parley Pro must continue to drive differentiation through its online collaboration capabilities and via introducing AI and advanced contract analytics into its contracting solution. This is especially needed as CLM vendors with a more established market presence start adding collaboration capabilities. As an enterprise contract management solution, Parley Pro must also work with organizations to help build contracting maturity. While it is the primary objective in the market, achieving a single source of truth across an organization's contract processes is tough.

Who Should Care: Application leaders responsible for contract management initiatives and key contracting stakeholders across procurement, sales, and legal in small or midsize organizations.

Evidence
1 From Gartner's 2019 Gartner Legal and Compliance Automation Survey.

Recommended by the Authors

Innovation Insight for Advanced Contract Analytics
Magic Quadrant for Contract Life Cycle Management
Building Legal Analytics Capabilities
How Legal Leaders Are Responding to Legal, Compliance and Privacy Risks Arising From COVID-19
How Automation Technology Supports Contract Review

Recommended For You

新しいビジネスモデル：8つのエコシステム活用事例 (2020年版)
エコシステム・パートナーと共にイノベーションに取り組むべきタイミングを判断する
データセンターのコストを削減しながら運用を改善する
リモートからの特権アクセスをセキュアにする
リモートワーカー/オフィス・ワーカー向け従業員生産性モニタリング・テクノロジから価値を引き出す

Supporting Initiatives

- Procurement and Strategic Sourcing Applications
  - Track
- Corporate Legal and Compliance Technologies
  - Track
- Legal and Compliance Technology and Analytics
  - Track
- Legal Operations and Department Management
  - Track

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