



How AI Solves Contract Management Challenges

Organizations across the globe are embracing contract lifecycle management (CLM) software to mitigate risks, boost productivity, and improve efficiency. In 2018, the CLM software market was valued at \$1.1 billion. Between 2019 and 2024, this sector is [projected to reach \\$2.4 billion](#), according to a study by IMARC. The research firm anticipates that global contract collaboration will fuel the use of contract management software as a whole worldwide.

But not all CLM software is cut from the same cloth. On their own, traditional CLM tools can address simple contract management challenges. When organizations need to accelerate or streamline their processes, however, these standard solutions fold under pressure because they require extensive manual intervention to remain productive over time. These conventional CLM systems also lack uniformity and can be difficult to organize, manage, and update to handle incoming contract volume, leading to complications and potential legal ramifications.

Ineffective CLM tools and contract management processes are not only problematic because of their limited functionality; they often cost businesses financially as well. Research has found that organizations can lose between 5-40% of value on a given deal because of their antiquated and inefficient contracting systems. In some cases, firms lack a database to store information and contracts, resorting to paper-based record-keeping that is even more cumbersome and error-prone to maintain.

So where can organizations that depend so heavily on contracts in their daily operations turn to for productivity, accuracy, and efficiency improvements? Artificial intelligence (AI) and machine learning, a subset of AI, are transforming how organizations streamline their operations and core business processes. Before diving into the countless advantages of this more transformative aspect of a CLM solution, let's first detail the primary differences between AI and machine learning.

AI AND CONTRACTS

Artificial intelligence is the broader concept of machines carrying out “smart” tasks. It effectively handles the decision-making process that results from either programmed pattern recognition or gradual machine learning.

MACHINE LEARNING AND CONTRACTS

Machine learning is an evolution of AI based on the idea that machines should only be given data and should learn on their own. Machine learning is effectively the underpinning process of advanced AI, allowing the AI to improve over time and handle tasks that previously required human intervention.

When AI is applied to the CLM process, organizations can elevate their business processes in areas where traditional CLM solutions cannot reach. These more advanced systems can:

- Import different contract types, index, and label contract data (e.g. clauses, terms, dates, etc.)
- Train machine learning algorithms to find and track standard terms and clauses.
- Transform static contracts into searchable agreements, making it easier to run free-text or advanced searches on specific data points, set reminders on key deadlines and dates, or quickly find suboptimal clauses for negotiation.

For legal teams, these capabilities are game changers. After all, a general counsel's time and output are critical to the financial health of an organization. By accelerating contracting processes, legal teams can focus on more strategic initiatives rather than tedious administrative work.



Here's how legal teams can benefit from AI contract management solutions:

- Reducing corporate litigation costs
- Acquiring contract insights to support faster decisions
- Reducing risk exposure and ensuring contracts always meet legal compliance
- Engaging in more efficient negotiations, which in turn, accelerate sales cycles

But that's just the tip of the iceberg of how AI and machine learning are disrupting the CLM marketplace. AI- and machine learning-enabled contract tools are reshaping how organizations approach and evolve their end-to-end contract management processes.



1. Consistency in Your Contracts

Consistency is key for any organization, and when managing hundreds or even thousands of contracts, it's difficult to keep track of agreements in an organized manner and ensure consistency. This challenge is further exacerbated by the use of standard CLM tools or traditional document repositories used to store contracts, which only somewhat improve processes to better organize contracts. In some cases, organizations lack an internal database of any kind to keep track of their contracts, resorting to paper-based record-keeping that leads to even more lost productivity and mistakes. Luckily, AI-powered platforms that store contracts in a centralized searchable repository can identify, extract, and analyze key terms and clauses in your contracts. This enables you to get a holistic view of your contract database and ensure consistency across the board.

CONSISTENT OVERSIGHT

There are a variety of ways that your contracts can be uploaded into an AI-powered CLM platform. Some tools include email add-ins that allow assets to be sent directly to team members with permissions. Others allow bulk uploads of executed agreements for fast completion, and once this process is completed, it will deliver unprecedented oversight into all of your contracts. In this scenario, the AI and machine learning within these systems can analyze every line of every contract. This capability means that your entire database is now searchable, providing full visibility into contract terms, dates, and clauses that are outside of the standard range within your third-party agreements.

With this level of oversight, your organization can easily identify potential risks and negotiate better terms before executing any future contract renewals. This process, compared to using more time-consuming CLM software, not only improves consistency in how you manage risks within your contracts, but it also saves time and effort required to review contracts manually. Now, your legal team can focus on more pressing tasks impacting your company.

IDENTIFY, EXTRACT, AND ANALYZE KEY TERMS AND CLAUSES

The value of AI really shines when organizations need to identify specific terms and clauses unique to their businesses and industries. Some AI-enabled platforms offer standard machine learning models to identify, extract, and analyze general commercial terms. In some cases, these solutions enable you to train custom models to track industry-specific contract data too. This advantage is especially valuable for companies that operate in sectors that are heavily regulated, as any compliance failures due to industry mandates could result in fines. For example, if new legislation passes that affects your contracts, your legal team can use an AI contract management solution to find all contracts with or without certain clauses pertaining to this new legislation and update those accordingly.

At a more granular level, these machine learning capabilities also enable your organization to:

- Compare terms and clauses between contracts to spot deviations and find opportunities to tighten up language
- Identify key data points to expedite decision-making, negotiation, and contract execution steps
- Analyze patterns within your documents and understand term frequency/usage

The gap between more traditional CLM software and AI- and ML-based solutions is especially apparent in terms of available data. For example, AI-powered CLM platforms enable you to search all contracts with payment terms greater than 15 days. Additionally, these platforms show the number of data points associated with each clause or term, which can be used for machine learning model training.

If you're struggling with consistency in your contract management processes—don't worry, there's a world of possibilities at your fingertips with AI-powered CLM software.

Questions to Consider:

- Can you instantly extract key terms and clauses from your contracts?
- How much is it costing your team to identify and track terms and clauses in your contracts?
- How often do your internal definitions of certain terms and clauses change? How much time does it take to implement that change for your existing contracts?
- Are many of your contracts built similarly but with subtle differences?

2. Reduce Areas of Risk

Risk management is the hallmark of any successful business. By minimizing threats that can result in financial losses, stalled productivity, or brand-related public damages, organizations remain on track for future success in their respective markets. Unfortunately, if there are hundreds or even thousands of contracts to manage, this volume only contributes to greater risks if more traditional CLM software is in place. Couple the proliferation of contracts with the manual intervention required to create, negotiate, review, and execute agreements within traditional CLM platforms, and the likelihood of mistakes is even further intensified.

Machine learning enables you to reduce risk by looking at both financial and legal repercussions such as excessive negotiations, extended contract cycles, and missed deadlines or obligations as laid out in the contracts. The advantages of machine learning go even deeper, particularly around favorability ratings (i.e. flagging specific terms and clauses within internal contracts or third-party paper) for terms or clauses that are considered unfavorable.

General counsels are ideal candidates to utilize AI and machine learning during CLM processes, as, for example, they can now easily set risk ratings for terms and conditions for statement-of-work (SOW) terms greater than 30 days that are deemed “unfavorable.” In that case, when a contract proposal includes a 45-day payment term, the unfavorable rating will trigger an approval workflow, whereas a 25-day period will be “neutral” and not require their approval.

These more comprehensive risk and favorability ratings allow your team to:

- Ensuring favorable terms are negotiated
- Mitigate risk exposure and ensure compliance
- Allow contract managers to move forward with risk mitigation decisions quicker and more efficiently than more traditional CLM software

RISK FEATURES AND FUNCTIONALITIES

To truly maximize your organization's use of more advanced contract management platforms, users must embrace every feature at their disposal. Risk management capabilities, such as user permissions, audit trails, approval workflows, and advanced structured searches, can help you analyze trends in your contracts. For example, you could run a search for all contracts created since a certain date with specific payment terms to help you understand trends in your negotiation outcomes, determine if payment terms have become more favorable over time, or help the finance team accurately project future revenues.

Overall, advanced AI contract management platforms enable risk reduction measures, drawing across risk assessments, approval workflows, and favorability ratings.

Questions to Consider:

- How often do human errors occur during your contract creation and execution processes? What is the financial impact of these mistakes?
- How does your current contracting process support your risk management efforts?
- Do you have automated workflows established that would indicate whether certain steps have been approved along the way? While these aren't powered by AI, workflows go hand-in-hand with advanced CLM capabilities.

3. Analyze Patterns

The gap between traditional CLM software and AI contract management solutions is especially apparent in their ability to identify patterns within contracts. AI's pattern recognition features determine contract types based on various factors, including how documents are drafted. Using this function, your organization can avoid the manual, time-consuming process of tagging contract types before migrating your historical agreements into a contract management system.

Advanced CLM software also offers the ability to train custom machine learning models, which not only identify clauses based on the content itself, but also evolve over time to contextualize the clauses unique to your organization. This capability is possible because machine learning identifies these clauses based on the given text within the contract and the labels you assign to this unique text.

CLAUSE CLASSIFICATION

AI's pattern recognition abilities also deliver other types of benefits that traditional CLM tools simply cannot match. By leveraging AI to scan your agreements, your organization will fully understand the significance of each clause. This enables you to classify and compare these clauses based on the unique content. Additionally, you can store this information within a searchable clause library and access it during the creation and negotiation process.

SUPERVISED LEARNING AND RETRAINING

When machine learning is applied to the clause classification process, new functions are realized that put standard CLM tools even further behind more advanced software. For example, if one of your team members corrects a misclassified clause within the software, the machine learning will train itself to recognize that clause in the future. In practice, a contract reviewer may change the marked location of a term or clause (and update the interpreted value of metadata in the contracts) if this information is incorrect.

Machine learning will evolve to improve its accuracy in the future, enabling users to constantly tweak contract language and update and improve standards over time.

Your organization's contract needs will always progress. Don't you want a platform that evolves with you by recognizing changes with your organization? If the answer is yes, then you won't find that capability with the same-old CLM platforms.

Questions to Consider:

- Are you able to classify your contracts quickly and easily with your current system?
- Are you able to tag clauses in your contracts without using a manual process?

4. Identify Opportunities to Renegotiate

Depending on the size of your organization and type of industry you operate within, your team may be handling numerous contracts on a daily basis that must be signed or negotiated. If you are stuck using manual methods or traditional CLM tools, these tedious steps and the constant back-and-forth when negotiating contracts can drain your company's productivity. AI accelerates this entire process even after contracts are signed by identifying and extracting data from your contracts to expedite renegotiations, all while minimizing risks in your agreements.

FUTURE CONTRACTS

Human intervention can identify potential weak spots in your contract portfolio, but again, such manual steps require time, energy, resources, and intent that take away from any productivity improvements.

Over time, the machine learning will evolve and be able to assign those interpreted values to your contracts. Furthermore, machine learning can group similar contracts to identify stronger phrases that will be updated in your agreements, strengthening the language to maximize the value of your future contracts.

CONTRACTS WITH EXISTING RENEGOTIATION TERMS

Future contracts are not the only type of documents that will receive added benefits from AI and machine learning. You can also leverage AI for your current contract database to save time and resources by extracting key data to make more informed decisions to negotiate or renew contracts for existing agreements. With AI for contracts, your team members will never miss a renegotiation opportunity again because they will have access to standardized, organized, and streamlined processes that will help avoid timely and costly contract disputes.

For attorneys who constantly deal with the same companies during negotiations, they often follow a common practice to save certain clauses for later use. With AI-powered CLM software, your lawyers can easily add these clauses to your contract library, and since all of these documents are now within a searchable repository, they are able to search for similar language that may look familiar to identify when these clauses were used last, further strengthening their negotiating power for future scenarios.

You never want to lose financially in any scenario. If your current CLM software is negatively affecting your negotiating power and operational efficiency, it's time to assess where your teams can make improvements to their contract management process.

Questions to Consider:

- How much time does it take your company to go through the renegotiation terms and renewal dates of your contracts?
- How would your company benefit from decreasing the potential of contract disputes?

Accelerate Your Contract Management Process

AI and machine learning are disrupting the entire CLM landscape, improving organizations' operational efficiency like never before. If you are tired of wasting valuable resources and time because of inadequate CLM solutions and processes, AI and machine learning hold the key to reducing your costs, boosting productivity, streamlining operations, accelerating your sales cycles, and reducing risks—all while showing you what's in your agreements in just seconds.

IntelAgree is redefining the future of the contract management industry by offering a platform that is adaptable to your organization's unique contract needs. Our platform enables your organization to bulk upload your contracts, so machine learning can start analyzing your documents quickly. With IntelAgree, your team members can highlight text within contracts and classify clauses and types of contracts to train your own machine learning model to recognize this data. The action is so simple that you do not need internal data scientists overseeing this process.

Want to learn more about how IntelAgree's AI- and ML-powered contract management software is helping legal teams do more impactful work, not busy work? [Schedule a demo](#) to discuss your contract-related needs.