

A More Convenient Way of Managing Contracts: Artificial Intelligence

The Application of AI to Contract Management

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The legal tech industry has grown to be one of the most attractive and lucrative sectors over the last few years. The arrival of digital products has ushered in software applications and automation tools that reduces the huge work-load of law firms, permitting lawyers to focus on important tasks that drives business value. *Book Moore*, founder of My-virtual lawyer spoke about the benefits of automating legal practice at an impressive interview conducted by the American Bar Association. 1

"Automating your law practice can drastically improve your firm. We don't take the human element out of our practices, but we spend less time on menial task, and more time on things that require our skills and expertise". 2

I. Automation

Automation simply means the creation and use of technology to monitor and control the production and delivery of products without little human intervention. These days, more techpreneurs are developing new applications for case management, e-billing, document assembling, contract managements systems etc. The use of these products help paralegals and legal analysts to ignore repeated tasks and do what they love to do best. One way to keep and retain the best of your talent is to automate tedious office tasks and clearly communicate the job role each person can undertake based on their unique strengths and talents. 3

The role of legal experts in contract analysis, negotiation, review and conclusion can be very difficult, especially when keeping tabs on roles and obligations of the parties, mitigating risks and ensuring compliance with new regulations. Such rigorous tasks demands too plenty of time which lawyers cannot afford to spare, as they are caught in between communicating with clients, attending meetings, visiting mediation centers and 4

court premises. If the cycle of contract management is too complex for experts to handle, there could be loss of business deals and increase in risk or damaged reputation.

According to International Association for Contract and Commercial Management (IACCM), inefficient contract management can leak value and cost businesses as much as 9% of annual revenue.

The most viable solution to inefficiencies in contract management is artificial intelligence. Having a centralized contract management system with structured processes and standard tools hosting all the contracts associated with clients, partners and vendors in a secure centralized repository simplifies every daunting activity from contract initiation to closure. Automation of contract drafting, quick due diligence, legal audit, provision of insights and analysis from data input and smart evaluation of people, processes and tools across the contract cycle are some of the benefits of artificial intelligence powered technologies.

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II. Four Cycles of Contract

Let's quickly examine how artificial intelligence affects the main four cycles of contract :

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1. Contract creation

The application of AI to contract management has led to the creation of tools that can automate some of the repetitive processes in contract management, identify relevant clauses, as well as reduce risk inherent within such contracts. Machine reading comprehension technologies allows contracts to be drafted with due care to ensure that all the necessary features are contained in the document contract and right languages are included to capture the intent of both contracting parties.

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2. Contract collaboration and negotiation

Pattern recognition algorithms can identify areas for improvement in agreements and provide deep insights for improved negotiations of the business deal. Improved negotiations means good stakeholder relationships and risk management.

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3. Contract execution and monitoring

When parties signs the contract, another crucial phase of contract management begins, which is execution and monitoring. With AI powered tools, all legal documents are easy

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to locate and you can keep tab of deadlines and obligations with track boards and a good reporting system.

4. Contract renewals

Clients regularly renew their contracts from time to time because there is a new law or to properly reflect the intentions of parties in the contract. Missing a deadline to renew a contract or failing to negotiation on specific terms can put your client at risk. These risks can be reduced by having a centralized system to stay on top of your deadlines, and set regular alerts on system dashboards to keep you on check. 10

Let's not forget to mention that one applause to contract management applications is that it manages access with well-defined encryptions and security permission which is critical to ensuring data security. The AI powered contract system requires two-factor identification that protects your most valuable intellectual property assets and customer data. 11

Technology tools powered by artificial intelligence and big data can help you achieve the top of your organizational objectives, improve talent performance and productivity, promote corporate culture, enhance a stable work-flow with standard processes, amplify customer satisfaction and many more. Every legal unit needs to choose a software application that automates some of its regular tasks, this way the team can deliver legal solutions faster, reach a great pool of clients and keep stakeholders happy. 12