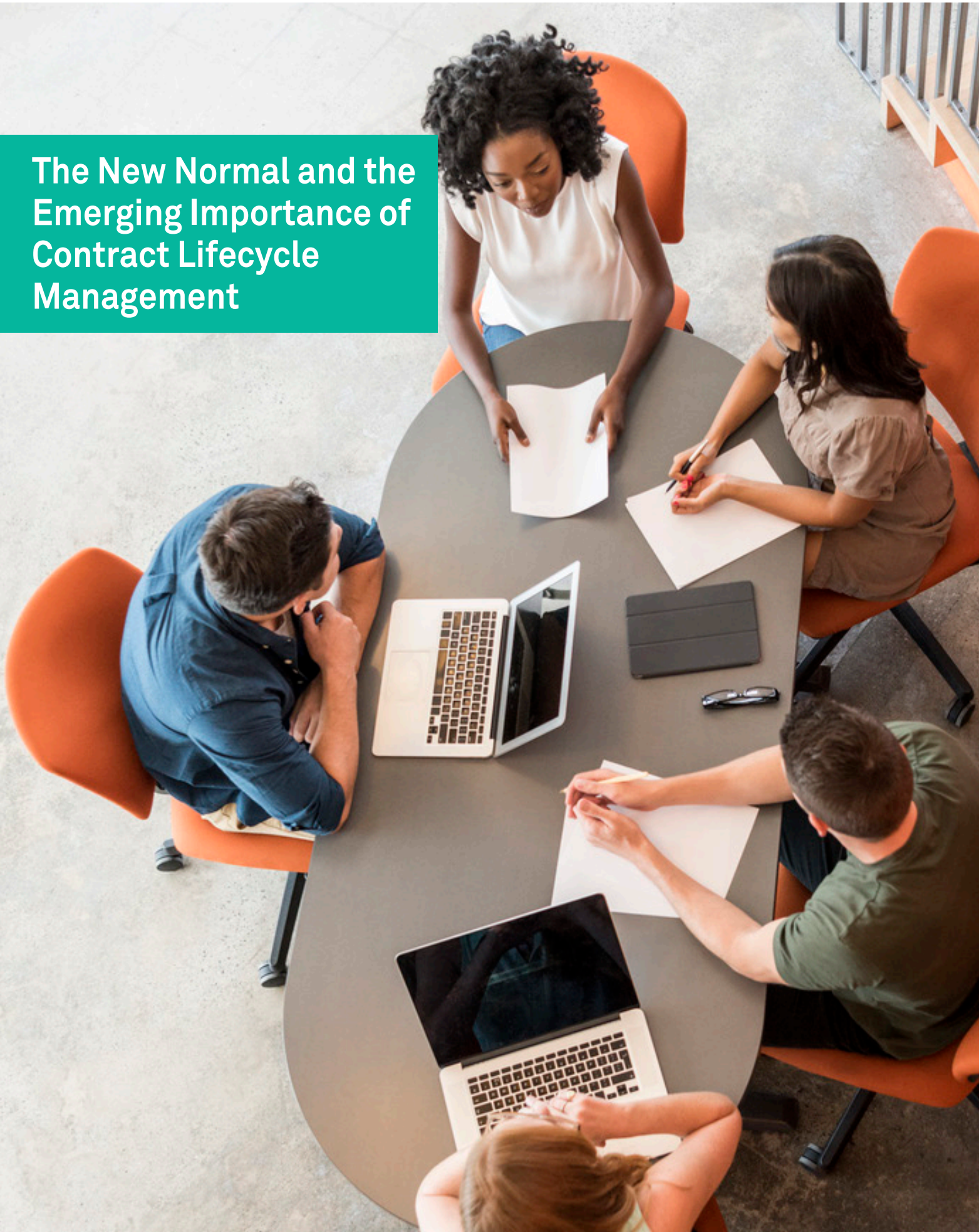# The New Normal and the Emerging Importance of Contract Lifecycle Management

The procurement function is spread across two significant sets of processes – Source to Contract and Procure to Pay – with data management and procurement strategy being the support pillars for these two processes. The procure-to-pay function has historically been process-intensive and has document processing tasks spread across the overall process. On the other hand, source-to-contract functionality requires judgment-intensive tasks and decisions spread across the contract management lifecycle through various stages, such as contract creation, administration, compliance/monitoring, and optimization.

COVID-19 exposed supply chain frailties, and organizations are now taking steps to reduce supplier risk, especially increased or decreased demand/supply shocks to the overall procurement value chain. As the procure-to-pay function is extremely process-intensive and documentation-heavy, intelligent automation is the obvious choice to introduce latent efficiencies in the overall process. Source-to-contract functionality is judgment-intensive; therefore, the central transformation levers to introduce the latent efficiencies change significantly. Judgment-intensive tasks require a mix of data analytics and Artificial Intelligence as transformation enablers over the already existing BPM applications.

COVID-19 also led to the emergence of risk planning and mitigation, forcing organizations to rethink their expenditures, leading to budget cuts, increased governance over important spends, and renegotiating with suppliers to unlock potential cost-saving opportunities. A crucial aspect of this rethinking is an adequate knowledge of these decisions' most vital information source: Contracts

Deloitte states that visibility into your contract population instills trust among your stakeholders, secures your organization against emerging risks, and even makes your organization more resilient against events like COVID-19. The result has been that Contract Lifecycle Management is steadily rising and estimated to save close to $2.4 billion by 2024.

## Utilizing Artificial Intelligence and Data Analytics to Unleash the Benefits of the Intelligent Contract Lifecycle Management

Intelligent Contract Lifecycle Management challenges can be grouped into three sub-processes:

### Authoring and Executing

Manual contract creation and processing have long cycle times, and non-standard or incorrect language coupled with no risk or compliance controls in the authoring process can lead to an increase in cost.

### Lack of Consolidation

Organizations across the globe lack a central repository for storing contracts. The lack of a central repository can lead to ineffective tracking of rebates and discounts and contracted price compliance monitoring, resulting in missed opportunities where costs can be minimized and extra revenue can be generated.

### Real-time Analytics & Data Monitoring

The extraction of relevant and actionable insights can help organizations reduce costs, improve contracting processes, and help contract negotiations.

Having a sound contract lifecycle management process can help organizations sustain the pandemic by choosing the most significant contracts, identifying the most critical clauses, and creating a repository of essential clauses for the future. The lengthy nature of contracts can result in inaccuracies; therefore, using AI technologies, such as machine learning (ML) and natural language programming (NLP), can help organizations perform a detailed review while simultaneously generating relevant, actionable insights.

The different stages of the contract management lifecycle require various technology levers. The lack of standardization and a repository for contracts can lead to higher contract creation and processing times. Using a mix of standardization coupled with NLP can help bring immediate savings and revenue. Optical character recognition (OCR) can help ingest data from various sources, especially unstructured data formats.

The proper usage of data storage, processing, and ML to generate actionable insights can solve data storage problems, allowing the data to open new revenue streams.

## Potential of Contract Data to Amplify and Open New Sources of Revenue

Organizations worldwide utilize data generated from their internal and external transactions to find new ways to reduce costs and optimize spending. Although this can be a helpful short-term measure, organizations need to create revenue streams to pave the way for their post-COVID-19 growth. The data from the sources mentioned below can help create these envisioned revenue streams.

## Contract repository

Identifying key clauses and attributes within a contract while weeding out clauses that can result in loss can help organizations negotiate with suppliers, create favorable opportunities, and minimize risk. Tracking rebates and discounts from the data repository and swift renewal of contracts can generate savings and increase efficiency simultaneously.

## Supplier risk attributes and business criticality

There is an increased effort by companies to tier suppliers based on the level of risk they represent, especially from a geographical perspective considering the present circumstances. Identifying high-risk suppliers can help organizations mitigate demand/supply shocks using predictive and prescriptive analytics.

## Supplier spend forecasting

Machine learning can leverage supplier attributes and contract details to forecast spends and prioritize critical suppliers. AI-coupled data analytics can predict the direction of spending, especially keeping in mind the external factors to mitigate supplier risks through the unavailability of goods or supplier-facing business downturns.

The overall contract management process is highly complex and involves highly skilled personnel with legal and managerial expertise. However, this might not be the case with everyone involved in the contract lifecycle management process. Data & Analytics might play an important aspect when it concerns risk mitigation; however, we need to appreciate that providing or visually showcasing the data can help stakeholders who are not necessarily well-versed with legal technicalities understand the insights and overall process. The presentation of data and an easy interface to retrieve and process contract data will help the resources' efficiency. Although compliance and risk mitigation has been given priority over stakeholder experience when it concerns contract lifecycle management, it might be helpful to include the foundations of a good stakeholder experience from the start so the transition to an enhanced stakeholder experience can be made easier when it becomes a business priority over compliance and risk management.

## About the author

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Vartul Mittal is a technology and innovation specialist. Vartul focuses on helping clients accelerate their digital transformation journey. He has 14+ years of global business transformation experience in management consulting and global in-house centers in intelligent automation, advanced analytics and cloud adoption.

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