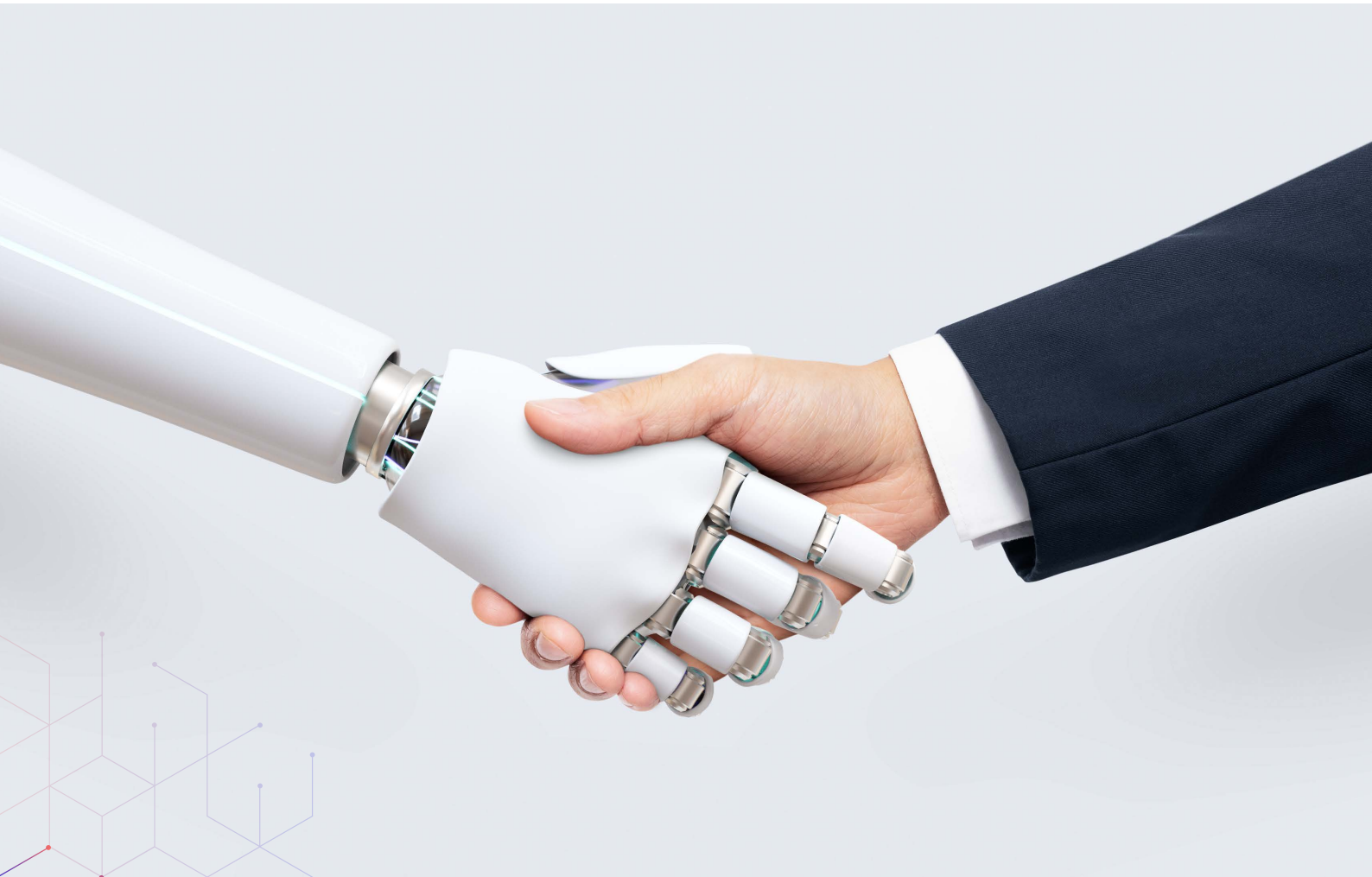


WHITEPAPER

Scaling New Heights in CLM with Generative AI



Executive Summary

The legal industry is experiencing a swift integration of Generative AI in LegalTech and Contract Lifecycle Management (CLM). The immediate need to automate complex legal workflows and processes for high-performing legal teams has made Generative AI necessary. AI-powered tools can draft contracts, extract critical clauses, and summarize documents for legal compliance in minutes, saving time and improving productivity. New-age technologies, including natural language processing (NLP), machine learning, and large language models (LLMs) enable better contract review, risk assessment, and contract optimization, enhancing efficiency and accuracy in legal operations. This whitepaper takes you through the nuances of using Gen AI in CLM, use cases, best practices, ensuring compliance, and much more.



Introduction

Artificial intelligence has become the new trend for forward-thinking legal teams and business functions, including Sales and Procurement. Generative AI, or generative artificial intelligence, is a form of machine learning that creates drafts of content in terms of documents, images, and more in response to prompts from the user. The technology perfectly fits contract lifecycle management as it expedites contract turnaround time, improves revenue velocity, and saves legal teams and business functions from laborious activities.

Common examples of Generative AI include OpenAI's GPT-3.5, GPT-4, Bard, DALL-E, and Imagen, representing cutting-edge technology that generates human-like text and images. Generative AI in Contract Lifecycle Management (CLM) brings transformative advantages, including:

Contract Drafting

Contract Review & Negotiation

Extracting Key Clauses

Contract Summarization

Legal and business teams like Procurement and Sales benefit from increased efficiency, improved risk management, and enhanced contract quality. Gen AI, with the element of human oversight, empowers these teams to streamline operations, meet compliance requirements, and adapt swiftly to changing business landscapes, ultimately improving the bottom line and efficiency.

How is Gen AI a Game Changer?

A survey from Thomson Reuters suggests that 82% of legal professionals believe that generative AI can be readily applied to legal work.

Despite a few concerns, opportunities galore for generative AI in law firms. Natural Language Processing (NLP) and Large Language Models (LLM) are revolutionizing how contracts are managed across their entire lifecycle. These technologies leverage advanced machine learning and language understanding to accelerate and enhance various aspects of contract management.

Before delving into the specifics of how Natural Language Processing (NLP) and Large Language Models (LLM) expedite contract turnaround time across the contract lifecycle, it's essential to understand the fundamental role these technologies play.

NLP and LLMs are advanced AI-driven technologies that excel at understanding and generating human-like text. In the context of contract management, they offer a versatile set of capabilities:



Comprehension

NLP enables machines to understand the content of contracts, including legal jargon, clauses, and contractual obligations.



Automation

LLMs can automate various aspects of contract management, from drafting initial contracts to analyzing complex legal documents.



Data Extraction

These technologies can accurately extract crucial information from contracts, such as key terms, dates, and obligations, which is vital for efficient contract management.



Contextual Understanding

LLMs can interpret the context of contract clauses and terms, allowing for nuanced decision-making.

So, how and where exactly does Generative AI impact the contracting journey?

Contract lifecycle management has witnessed a substantial boost through the integration of Generative AI, which streamlines and expedites the various stages of contract management. Its impact on TAT is especially vital in the contemporary business ecosystem, where the ability to make prompt decisions and swiftly adapt is paramount.

Let's explore some of the many facets of Gen AI's role across the contract lifecycle.

Contract Drafting



Automation

Generative AI automates the initial drafting of contracts by generating comprehensive contract templates based on predefined criteria. This accelerates the contract creation process.



Consistency

Contract language and formatting remain consistent across various agreements, reducing the likelihood of errors or discrepancies.



Customization

Allows for the easy customization of templates, tailoring contracts to each deal or client's specific needs and nuances.

Contract Negotiation



Collaboration

AI-powered collaboration tools facilitate smoother communication between parties during negotiations. They can suggest alternative clauses or terms to expedite contract execution.



Redlining

Generative AI can automate redlining by identifying changes and revisions made during negotiations, ensuring transparency and version control.



Contract Review



Efficiency

Generative AI automates the review process, quickly identifying key terms, clauses, and potential issues, reducing the time and effort required for manual review.



Compliance

Ensures contract compliance with legal standards and regulations, flagging potential risks or deviations from best practices.



Risk Assessment

Conducts risk assessments by evaluating the language and content of contracts, highlighting areas that may require closer scrutiny.

In a recent Gartner poll of more than 2.5k+ executives, 38% indicated that customer experience and retention is the primary purpose of their generative AI investments. This was followed by revenue growth (26%), cost optimization (17%) and business continuity (7%).

Contract Management



Data Extraction

Generative AI extracts structured data from contracts including clauses, key dates, and milestones to make reporting easier.



Renewal Alerts

Monitors contract expiration and renewal dates, sending alerts to ensure timely action and preventing contract lapses or missed opportunities.



Analytics

Generative AI provides advanced analytics, enabling organizations to gain insights into contract performance, compliance, and areas for improvement.



Search and Retrieval

AI-powered search functions help users quickly locate specific clauses or terms within a vast contract database, streamlining contract retrieval.

Ensuring Contract Compliance with Gen AI

From identifying risks in contract clauses to managing renewals, Generative AI offers a wealth of tools and capabilities to help organizations proactively monitor and enforce contract compliance.

Here are a few ways Generative AI can ensure contract compliance:

Identifying Risks in Contract Clauses:

Generative AI can identify potential risks within contract clauses. Here's how:



Automated Review

Implement AI-powered contract review tools to automatically analyze contract clauses for potential risks, including ambiguous language, non-standard terms, or deviations from predefined templates.



Risk Scoring

Utilize AI algorithms to assign risk scores to contracts or clauses based on predefined criteria. This helps prioritize contracts that require closer scrutiny.



Legal Language Analysis

Generative AI models can comprehend complex legal language and identify clauses that may require attention due to legal or compliance-related issues.

Notifications for Contract Expiries/Deadlines

Generative AI can provide timely notifications for contract expirations and deadlines, ensuring compliance:



Automated Alerts

Set up automatic alerts and notifications within your CLM platform, driven by AI, to remind stakeholders of critical contract milestones, such as renewal dates or termination notices.



Real-time Monitoring

Implement AI-driven monitoring to track contract timelines in real-time, sending notifications when deadlines approach or when actions are required.

Managing Renewals

Generative AI helps users with automated reminders for contract renewals and suggests:



Automated Renewal Notices

Leverage AI to automatically generate renewal notices and contract extension requests based on predefined rules and criteria.



Performance Data

Incorporate historical contract performance data, analyzed by AI, to make informed decisions about renewing, renegotiating, or terminating contracts.

Insights on Contract Performance

Generative AI provides valuable insights into contract performance with real-time analytics and reporting capabilities.



Analytics and Reporting

Leverage AI-powered analytics to gain insights into contract compliance metrics, such as on-time renewals, SLA adherence, or deviations from contractual obligations.



Predictive Analytics

AI models can predict potential compliance issues by analyzing contract performance trends, helping organizations proactively address challenges.



Predefined Questions

Generative AI can facilitate compliance by asking predefined questions during contract creation or review:



Questionnaires

Create automated questionnaires driven by AI that legal teams can use to ensure that contract clauses align with regulatory requirements and compliance standards.



Customized Queries

Tailor AI-generated questions to the specifics of each contract, ensuring that the contract meets compliance requirements unique to the industry or jurisdiction.

How Generative AI Will Help Enterprise Businesses?

Generative AI revolutionizes contract management for Legal, Sales, and Procurement teams by accelerating contract execution, ensuring compliance, and enhancing decision-making. Legal teams benefit from standardized language and compliance while being relieved from administrative tasks. Sales teams can close deals faster and capitalize on key insights, while Procurement teams optimize supplier relationships and costs.

According to Deloitte, businesses using AI-powered contract lifecycle management (CLM) tools cut contract management costs by 60%. Generative AI minimizes manual work, facilitates collaboration, and helps lawyers and businesses close deals faster.

Generative AI for Contract Summarization

Contract Summarization is a powerful feature for Sales and Procurement teams that utilizes artificial intelligence (AI) to automatically distill complex and lengthy contracts into concise and informative summaries. This feature employs natural language processing (NLP) and machine learning techniques to analyze the content of contracts, identify key clauses, terms, and obligations, and then generate a coherent and human-readable summary.

Organizations can save time by automating the contract summarization process, improving contract review efficiency, and ensuring stakeholders understand the contract's essential points without manual reading and analysis.

Legal teams will no longer need to draft contract summaries for business functions.

Generative AI for Pre-defined Questions

Generative AI for Pre-defined Questions is a feature designed to enhance the functionality of CLM platforms by allowing users to pose specific questions related to contracts and then leveraging AI to generate detailed and contextually relevant responses.

This feature employs natural language understanding (NLU) and generation (NLG) capabilities to interpret user queries, extract pertinent information from contracts, and construct informative and accurate answers.

It streamlines the process of seeking contract-related information, making it easier for legal professionals, contract managers, and other stakeholders to quickly obtain the precise details they need from contracts without manually sifting through the documents.

Business functions including Sales and Procurement teams can leverage this feature to improve the accessibility and usability of contract data, ultimately facilitating better decision-making and compliance management within organizations.

Future of Gen AI in CLM

The future of Generative AI in Contract Lifecycle Management (CLM) holds a compelling narrative of transformation and innovation.

In the coming years, Generative AI is set to become the linchpin of modern CLM, offering organizations unprecedented **efficiency, accuracy, and adaptability** in managing contracts. The evolution of Generative AI will be marked by advanced natural language understanding, empowering it to generate contracts and comprehend the nuanced intricacies of legal language and context.

Real-time collaboration among contract stakeholders will become the new norm, as AI-driven negotiation tools facilitate seamless communication during the contract creation and amendment processes. This will expedite decision-making and enhance the quality of contracts.

Generative AI will drive organizations to foresee contract performance, identify potential pitfalls, and make data-driven decisions based on historical insights. Compliance management will enter a new era of real-time monitoring, ensuring organizations remain continuously aware of their adherence to contractual obligations and legal standards.



About SimpliContract

SimpliContract is on a mission to democratize contracting and establish powerful contract management practices using the power of AI. We help in-house Legal, Sales, Finance, and Procurement teams simplify the process across the contract lifecycle and enable real-time collaboration for internal and external stakeholders. The AI-powered end-to-end enterprise Contract Lifecycle Management (CLM) platform helps organizations accelerate revenue, reduce risk, improve compliance, reduce expenses, and boost productivity.

The CLM platform empowers 20K+ users and stakeholders to manage contracts effectively and efficiently through a unified collaboration platform. Leading players in **Retail, IT, E-commerce, Ed-tech, Govt. & Healthcare** and other industries across the globe trust SimpliContract for their end-to-end contracting needs.



 simplicontract.com

 hello@simplicontract.com