Art of Procurement | Simpli Contract

Buried Value, Missed Savings:

How AI Uncovers What You Can't See in Your Contracts

As procurement works to improve business outcomes using contract data, they need to acknowledge the reality that much of that data is highly unstructured. Even when using standard templates, contracts contain hundreds of pieces of data, all of which are important for realizing the total value procurement spent so much time and effort negotiating.

In the event procurement finds a way to capture all that unstructured data, they then need to decide how to use it, identifying ways to make the data actionable and allow for additional business opportunities, such as those related to cost savings, risk reduction, and improved supplier relationships.

In this whitepaper, Art of Procurement partnered with SimpliContract to explore the specific ways procurement can use AI-enabled contract management to take unstructured data, structure it in a way that's unique to each business's needs, and build out workflows and processes to lessen the manual load of data management.

Using AI for Organizing versus Doing the Work

When comparing structured and unstructured contract data, it's best to look at the difference as if it were a puzzle. Structured data is the larger product, the picture on the box you work toward, while unstructured data points are the individual pieces that combine to create it. It ultimately comes down to connecting the dots between structured and unstructured data to find, get, and keep procurement impact.

For example, let's say Company A offers Company B a 5 percent rebate if they spend $100 Million. The structured data would be the final, clear result: Company B wants that rebate. However, they must examine the unstructured data and, for example, see how much spend comes from their contracts in California versus New York. What terms within the contracts for those various business entities (revenue clawbacks, index-based pricing, etc.) feed into the larger goal of realizing the full value of all their contracts?

The challenge is to extract and manage that unstructured data, which is not bound by a strict format or usage model and which crosses agreements and business units. It is nearly impossible without advanced technology.

This is where contract-specific AI comes in. Rather than assigning individual people to pull, track, and manage contract data, groups of AI algorithms can work together to use both structured and unstructured data to support a flexible, tiered hierarchy that delivers a 360-degree view of contract opportunities and commitments.

Breaking Down Processes to Support Future Efforts

The first step in using AI for organizing contract data and workflows is breaking down processes into core tasks based on business opportunities or use cases. This enables teams to pull clauses and terms that support strategic initiatives and plug them into applicable workflows.

Segmenting their data allows procurement to rely on the digital "assistant" to continue the process, doing the work for them while they drill down and determine where that data can be best implemented to reap further benefits and influence positive change in the enterprise.

Meanwhile, another digital assistant simultaneously pulls relevant data from unstructured information. In some cases, this data is unlikely to be monitored or leveraged without the assistant's help even though it has the potential to greatly impact procurement's value.

By breaking down the process into specific tasks, procurement can put an assistant in front of the system of record to drive processes, still allowing for human assessment without being entirely dependent on it.

Some procurement contracts include force majeure clauses, hardship provisions, and price escalation terms tied to costs. As trade volatility persists, assistants can not only surface which contracts include such clauses but also assess the risk they pose to the business and suggest actionable alternatives. For example, assistants can flag exposure to overpayments or highlight clauses that were agreed to five years ago but are now financially disadvantageous.

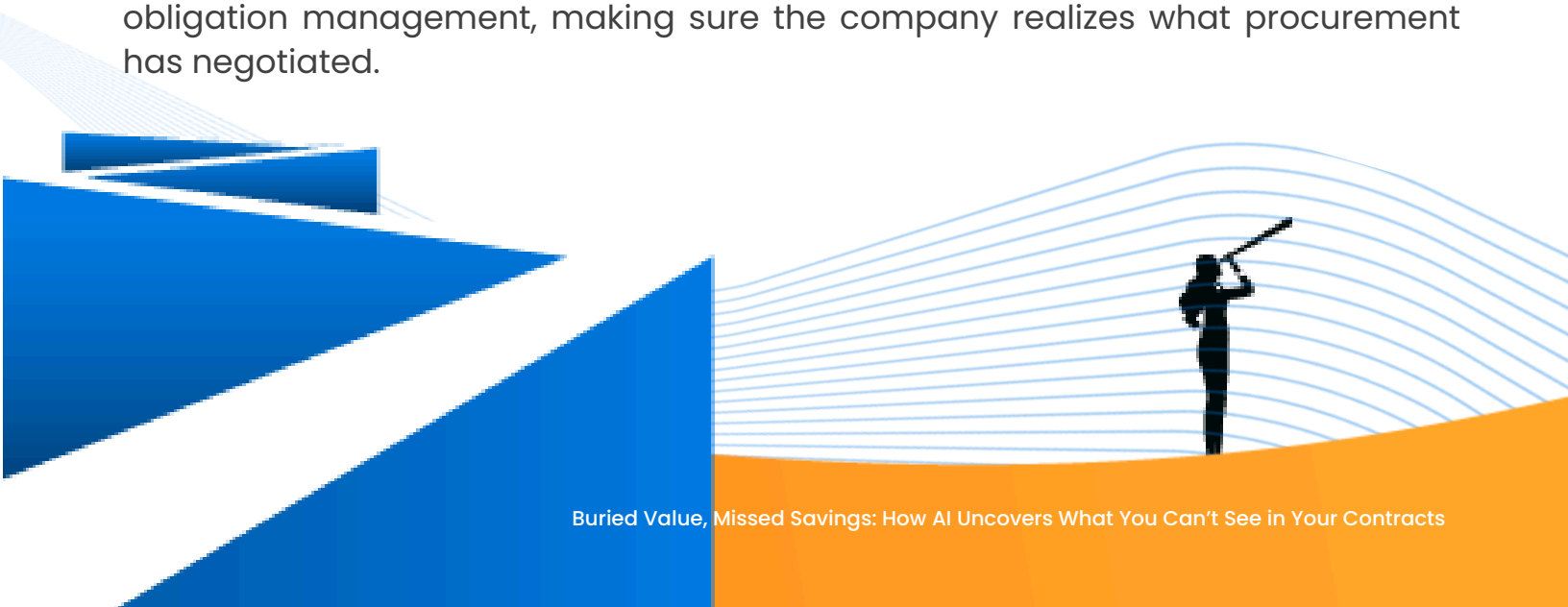
Leveraging AI assistants to break down and reformat unstructured data also allows procurement to make information actionable, not simply available.

Making Unstructured Data Operational

The bigger challenge in tracking and managing unstructured data in a world built for structured data is taking information and making it actionable for the business.

The ultimate goal is to take the data one step beyond availability and use it to make recommendations or show areas of opportunity and bring them to the forefront, fully contextualized and prequalified for business decision makers.

That becomes particularly important when procurement looks at post-signature obligation management, making sure the company realizes what procurement has negotiated.



Procurement needs to track terms related to certain use cases, such as:

- **Payment terms**, consolidating and standardizing terms across regions, industries, or vendors to better track and enforce payments
- **Subcontracting**, for risk management and hidden cost identification associated with tier 2 providers managed through a tier 1 partnership
- **Volume discount and commitment compliance**, especially when contractual milestones will be achieved over the long term or in response to a business demand that procurement is not actively involved with
- **Performance-based pricing and service credits**, to manage the costs associated with over- and under-performance, as well as intermittent support requirements

Even if procurement wants to use AI solutions to improve contract data management, there can be hesitation in having to implement a tool enterprise-wide. The most likely alternative to this, however, are large-scale consulting engagements that correct but don't resolve issues stemming from contract-related data.

The most strategic approach may be to seek out solutions that can be used for single categories or projects. This way, procurement teams do not need to install a full CLM to reap the benefits within their own department. They should also opt for contract solutions that can be implemented one time and continuously run and learn in the background of their P2P/S2P, ERP, IT, and CRM platforms, rather than a consulting engagement that requires more attention. That level of integration greatly impacts procurement's ability to prevent value leakage cost effectively.

Conclusion

Accessing contract data is the first challenge for procurement. Structuring that data in a way that empowers teams to use it to support business-wide outcomes is another entirely.

AI contract solutions offer a way to eliminate the challenges of manual data management, build out workflows and processes that run themselves, and establish contract data models that connect to the rest of the business.

By incorporating unstructured data in a way that actively supports specific business outcomes, procurement can not only achieve the results they intended to at a contract's execution, but they can realize additional value that manual approaches to data management can't support over the entire life of a given agreement.