

Crossing the contract AI chasm

A global benchmark study uncovering the barriers and benefits of AI-enabled contracting across organizations

In partnership with
MALBEK
CONTRACTS REIMAGINED

 **World Commerce
& Contracting**

Contents

- 3 **Foreword by WorldCC**
- 4 **Foreword by Malbek**
- 5 **The six key trends in contract lifecycle management**
- 6 **Trend 1.** Obstacles to implementing CLM solutions
- 7 **Trend 2.** The lack of understanding of what contract automation can achieve
- 8 **Trend 3.** The challenges of post-signature contract management
- 9 **Trend 4.** Excitement about AI varies by seniority and sector
- 11 **Trend 5.** Most organizations still face significant barriers to AI adoption
- 12 **Trend 6.** The drive to use AI is a need for speed and efficiency
- 13 **Conclusion**
- 14 **Respondent demographics**
- 15 **Contacts**

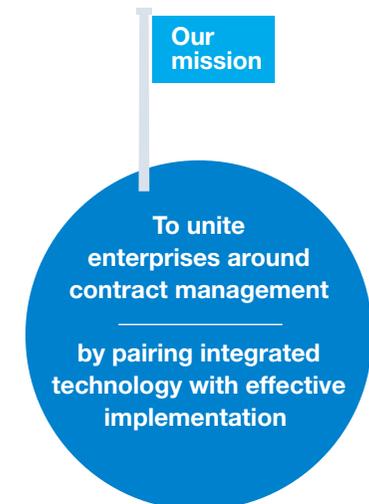
Introduction

This benchmark study uncovers the barriers that stand between organizations and their use of contract lifecycle management (CLM) and Artificial Intelligence (AI) solutions, as well as the benefits that drive technology adoption forward.

We hope these findings will help you to identify the contract management automation barriers and knowledge gaps in your own organization. Understanding the benefits that CLM and AI automation can help you achieve will make it easier to build a compelling business case for technology investment that aligns with your organization's growth strategy.

In launching this annual benchmark study, we are reminded of the vision that inspired this research in the first place: the passion shared by WorldCC and Malbek for uniting enterprises around contract management by pairing integrated technology with effective implementation practices.

As we continue to monitor these trends in the coming years, we will use these insights to identify the points of friction and value found in CLM and AI technology usage.



Foreword by WorldCC

For more than 20 years, World Commerce & Contracting has urged organizations to invest in their contracting process. Our knowledge, research and experience all point to the scale of opportunity that lurks unmeasured and unseen beneath the surface.

Contracts are complicated, multi-dimensional instruments, engaging multiple stakeholders and with tentacles that reach deep into every business and across businesses. They are built on data and drive performance that in turn generates data, but rarely is there cohesion and coordination across those multiple data points. In short, contracting is in many ways a mystery.

Recent research by World Commerce & Contracting revealed that on average 26% of an organization's workforce is in some way involved in contract management. This means that the fragmentation of process and data flows that is inherent in today's contracting process inevitably causes inefficiency and errors – and this report highlights how these are the primary focus for many automation and digitization initiatives. These are worthy and important areas for attention; there is no question that they will improve organizational performance and workload management.

But for many, this is the tip of the iceberg. The real opportunities for value lie hidden and inaccessible within today's disjointed technology architecture – again, our research shows that contract-related data in the typical large organization sits in 24 different systems.

For me, the real power of Artificial Intelligence does not come from replacing human endeavor and alleviating administrative tasks. It is the potential to augment human intelligence through insights and capabilities that we may not even have imagined. Contract and commercial management can be embedded throughout the business, enabling greater speed, flexibility and understanding of risk. Performance data, consolidated from portfolios of experience, can inform new policies, practices, contract terms and models.

AI is the route to intelligent contracting and intelligence from contracting. It opens new horizons – and means that contracting will no longer lurk beneath the surface, but instead offer an advanced form of business control and a source of true innovation.

The possibilities are enormous, constrained only by a lack of imagination. Read the report, stimulate your curiosity – and become an advocate for AI-inspired change.

Thank you to those of you who have participated in this study, and we look forward to continuing to support you on your journey.



Tim Cummins

President, WorldCC

Professor, Leeds University School of Law
Chair, International Commercial & Contract Management

Foreword by Malbek

In a world of ‘do more with less’, it’s no secret that almost all organizations are interested in using the contract data of yesterday to improve the business outcomes of tomorrow. The real secret lies in why there’s still hesitancy around digital contract management and AI adoption in general.

Could it be because too many solutions have been over-promised and under-delivered? Or is there simply a general lack of trust in technology that has perpetuated manual contract management processes?

The reality is that the way organizations conduct contract management has changed, and modern contracting challenges require modern solutions.

In partnership with WorldCC, we set out to answer these burning questions:

- How does the general understanding of AI in contract management vary across organizations?
- What are the common misconceptions or obstacles surrounding AI?
- Where are the persistent points of friction within adoption of AI for contract management?

In the report that follows, *Crossing the contract AI chasm*, respondents indicate that, overall, there is a sense of enthusiasm around the use of technology in contract management stemming from the growing need for speed and efficiency.

However, there is another side to that coin. Even with efficiency to be gained, there is still a lack of understanding surrounding what can potentially be achieved using AI technology to benefit CLM.

This gap has become a significant impediment to a cohesive vision and business case for AI within CLM. Consequently, securing executive sponsorship and budget to fuel these important initiatives is no small task.

At Malbek, we believe that true product innovation begins with empathy and usability — empathy for the end-user and a true understanding of their needs followed by consideration for how technology usage might vary across an organization. With this vision in mind, we are proud to partner with WorldCC to uncover the barriers that exist within organizations around their use of AI and the key trends that influence contract lifecycle management as a whole.



Hemanth Puttaswamy
Co-Founder and Chief Executive Officer,
Malbek

The six key trends

Our survey uncovered six key trends that organizations around the world feel are important to the state of contract lifecycle management (CLM) and the use of AI. In this report, we dive deep to explore how each of these trends are shaping the future of contract management in the digital age.

1

There are still obstacles to implementing CLM solutions, which limits the application of AI tools.

2

Contract automation is a priority in most organizations, but there's still a lack of understanding of what can be achieved beyond efficiency gains.

3

Post-signature contract management presents the most challenges for organizations. Many believe that well-integrated technology is the solution.

4

Excitement about the potential of AI technology varies by seniority and sector.

5

Most organizations still face significant barriers to AI adoption.

6

The collective drive to use AI is a need for speed and efficiency.

Trend 1

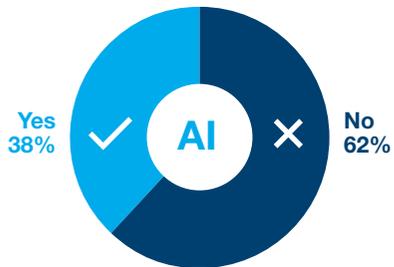
There are still obstacles to implementing CLM solutions, which limits the application of AI tools.

While some organizations have already turned to digital contract management, many have not. When respondents were asked if they have implemented a CLM solution, those who had not yet done so surpassed those who had, with 53% saying no. Though slightly more than half of respondents have not implemented a CLM solution yet, selecting a solution was identified as a top priority in the next 12 months with many stating that planning is already underway.

Implemented a CLM tool



Implemented AI tool (in addition to CLM)



The results were even more pronounced when it comes to AI. Only 38% of respondents indicated that they have implemented a solution. Many seemed to favor the idea of partnering with a third-party provider rather than relying on their current CLM vendor for the use and adoption of AI functionality throughout the contract lifecycle.

The top 3 business drivers respondents identified for CLM implementation are:

Improving internal processes	
Increasing team skills	
Demonstrating value	

These drivers highlight the fact that contract management is shared by stakeholders across many internal teams, such as Procurement, Finance, and Sales. Even though many teams are involved in contract management, Legal is still recognized as the primary executive sponsor for CLM deployment.

Although most respondents indicated that they feel their organization has the skills needed to deploy and train CLM and AI tools, many still selected “increasing team skills” as a top priority and plan to resource this gap by partnering with third-party providers.

This leads us to believe that although many organizations may possess the skills needed to train these tools, they lack the time to manage them effectively without external resources.

Finally, despite budget being a prime barrier for implementing AI solutions, most organizations responded that they *do* have budget for CLM tools. This begs the question, “Why do organizations feel that these two tools must be purchased and budgeted separately?”

Key considerations

Build a comprehensive business case

Many CLM and AI business cases come down to cost and indecision around who is funding technology improvements internally. Start by identifying the people, processes, and technology that are essential to managing contracts more seamlessly and ensure stakeholder engagement throughout the process.

Look for a partner, not just a platform

It’s perfectly normal to look at the volume of templates, number of stakeholders, manual processes, or data integration and migration needs and feel overwhelmed. But the good news is you don’t have to face this alone. When you find the right vendor and implementation partners, you will be in excellent hands.

Quantify total costs

When identifying your total investment in contract management, be sure to include direct costs (the software itself), indirect costs (inefficiencies are hard to quantify), and internal costs (IT support).

Trend 2

Contract automation is a priority in most organizations, but there’s still a lack of understanding of what can be achieved beyond efficiency gains.

Three primary use cases rose to the top for contract automation:

- The use of approval workflows
- A searchable repository
- Integrations with existing business applications

It’s worth noting, however, that most organizations’ use of contract automation centers primarily on low- (43%) and medium- (33%) complexity agreements that require little to no negotiation, such as a Non-Disclosure Agreement (NDA) or a Statement of Work (SOW).

On the flipside, the areas that remain mostly manual are:

- Clause libraries
- Contract playbooks
- Collaborative redlining
- Risk management

This is due to the sensitive nature of authoring and reviewing high-complexity agreements, such as a Master Service Agreement (MSA).

In alignment with this, respondents identified obligations tracking, followed by contract development, review, and approval as the points of friction that are most significant at their organization.

The primary driver for automating manual contract management tasks was increased speed and efficiency. This indicates that many organizations are still in the early stages of contract automation and may not have a clear vision of what can be achieved beyond mere efficiency gains.

Organization’s most significant friction points

Percentage of choices – respondents selected up to three



The future of AI within CLM solutions does seem bright as respondents identified the following top priorities for contract automation over the next one to two years:

- A widely accessible and searchable repository of all signed agreements
- Ability to assemble agreements from an AI-driven clause library
- AI-generated risk scoring and redlining.

Key considerations

Risk management starts with a searchable repository

According to the *Journal of Contract Management* 71% of companies aren’t able to find 10% or more of their contracts. When you can’t locate the agreements that memorialize your legal obligations, you open yourself up to significant exposure. You may miss obligations, contract renewals, payment milestones, and more.

There is significant cost associated with lost or mismanaged contracts

A WorldCC study determined that the average company loses 9% of contract value due to mismanaged contracts, and the percentage is even higher (up to 15%) for larger organizations with greater risk. That value is eroded through common contracting pitfalls and manual tasks, such as slow negotiations and missed milestones.

Trend 3

Post-signature contract management presents the most challenges for organizations. Many believe that well-integrated technology is the solution.

As shown earlier, respondents said obligation tracking is the primary point of friction for their organization. Additionally, many said it's challenging to rate the financial performance of their contracts, 35% said "not at all easy", 37% said it's "somewhat easy", but very few find it "very easy".

When respondents were asked what they would do to improve obligation tracking at their organization, almost everyone pointed to an integrated CLM solution. Common responses were:

"Implement a CLM tool to support the evaluation and process."

"Integrate existing tool with ERP and operational management tools."

"Implement a better CLM tool" that has "more transparency", "clear dashboards and automatic reminders" and a "more user friendly process."

In alignment with the need for better CLM technology, roughly 45% of respondents said that AI-based obligation management is a top priority for their organization in the next one to two years. Additionally, the need for an end-to-end contract lifecycle management solution seems to be stronger than ever, with 73% of respondents indicating that they are responsible for both pre- and post-award phases of contract management.

Even so, 56% point to post-award contract management as their primary area of focus. One possible explanation for this is that the processes for the post-signature phase are still far too manual.

Key considerations

Contract value is measured during the post-signature phase

Contract value can be measured in many ways, but generally, negotiated benefits, revenue improvements, dispute managements, and cost reductions achieved are the primary ways organizations track value, all of which occur post-signature.

Technology can be used to reduce friction throughout the contract lifecycle

In previous research, WorldCC found that there are over 40 friction points in the contract lifecycle which contribute to value erosion. One way to address this is through the automation that technology can provide.

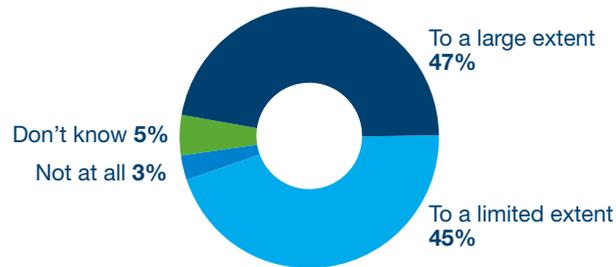
Trend 4

Excitement about the potential of AI technology varies by seniority and sector.

Overall, the response to AI is enthusiasm for what it can accomplish and how contract management tasks can be streamlined through its use. 69% of respondents noted that they are excited by AI's potential and how it can positively impact their job.

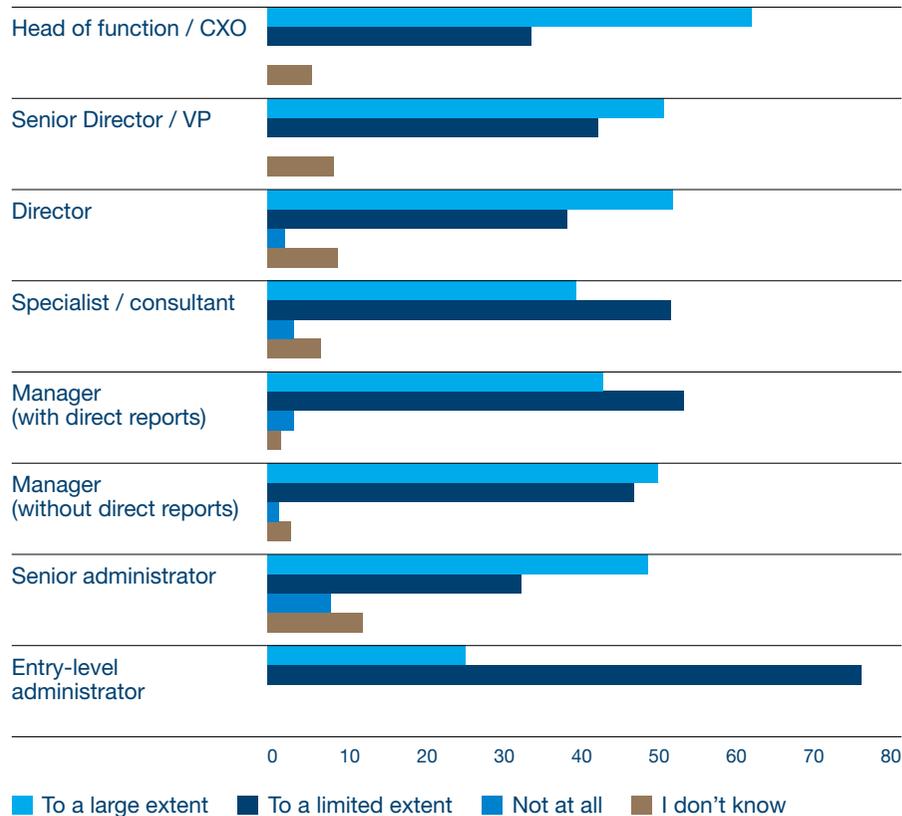
The main driver of this excitement is a need for efficiency gains. In fact, 92% of respondents believe, to some extent, that AI will have a positive impact on contract efficiency in the next two to three years.

The extent to which AI will improve efficiency for some human roles in the contracting process within the next two to three years



However, this positive outlook on the benefits of AI varies by position and industry. Respondents in leadership roles at the VP level and above are the most enthusiastic about the impacts of AI. Since these roles are often the decision-makers and leaders of change management, their enthusiasm is noteworthy.

Positions most excited by AI



Case study: With an M&A-focused growth strategy, TIBCO needed a scalable, AI-charged solution to streamline due diligence and contract review processes during acquisitions. Using Malbek's proprietary AI-core CLM platform, TIBCO accelerated their M&A transaction timeline and increased efficiency across global teams with seamless post-acquisition contract ingestion.

Trend 4, continued

The industries with the most positive view of AI are technology, banking, insurance, and financial services. This tracks closely with previous WorldCC research in which 90% of organizations in the banking, financial, and insurance sectors were among the first to recognize the importance of effective post-signature contract and relationship management. The correlation here may indicate a growing need for contract automation in these sectors. The excitement for AI may be rooted in how automating risk management tasks that remain mostly manual today could particularly benefit these sectors.

The promising benefits of AI aren't all just seen as potential future gains. Today, 28% of participants are already experiencing the value of working with AI and contract automation. What is of particular interest, though, is that the individuals enjoying the greatest impacts of AI already are mid-level managers involved in daily contract management tasks. This would seem to indicate that AI can produce very practical automation gains for day-to-day contract management tasks.

Key considerations

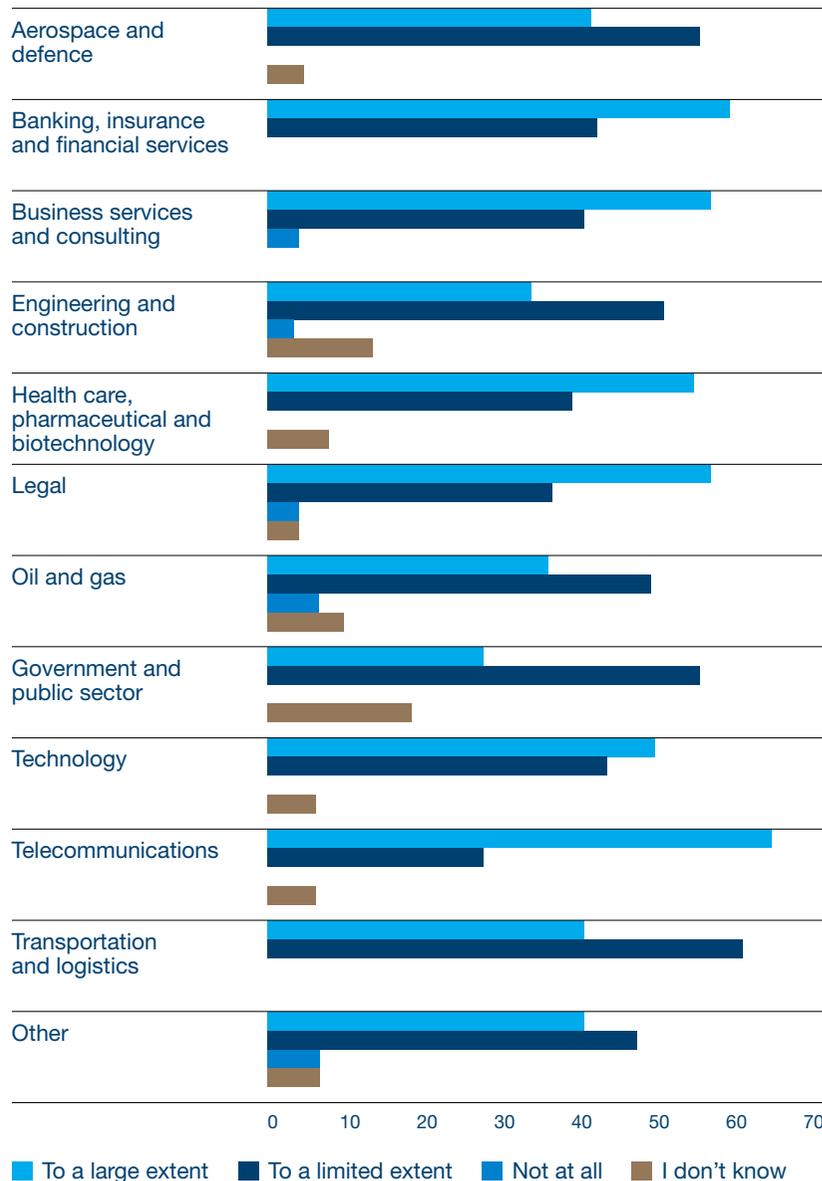
A promising path forward for AI may be driven by everyday contract management practitioners

Contract managers and other mid-level contributors are in an ideal position to use this contract data to support organizational KPIs using the timely insights and recommendations AI can provide.

Consistent use of AI tools improves its performance over time

An AI engine does not operate in a vacuum. It needs data to learn and improve its analysis over time. Therefore, we can expect to see the percentage of respondents that experience the benefits of working with AI in their everyday jobs to steadily increase as AI adoption grows.

Sectors most excited by AI

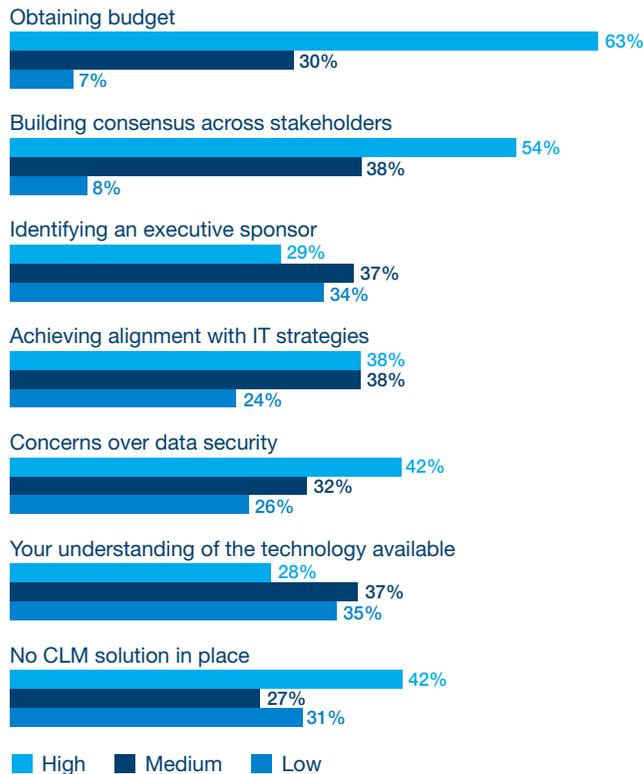


Trend 5

Most organizations still face significant barriers to AI adoption.

Despite the growing enthusiasm for AI across industries, many companies still face barriers to adopting it for contract management. 60% of respondents say that they are facing one or more barriers to adoption. Survey results uncovered three main barriers: budget, consensus among stakeholders, and lack of CLM solution in place.

Barriers to AI adoption



1. Obtaining budget

Although many companies reported that they have a budget for CLM solutions, budget for AI tools is less common. This may be because many CLM vendors require a point solution to supply AI functionality, requiring additional budget and time for implementation.

Another possible reason that companies are struggling to secure budget for AI tools is that they are challenged to create a compelling vision of future gains AI can help achieve. As a result, stakeholders are unable to generate a convincing business case and demonstrate the return on investment that these tools offer.

2. Consensus among stakeholders

Unfortunately, the individuals who could benefit the most from AI aren't always the decision-makers. Those in lower- to mid-level management positions are the ones who see the most impact in their everyday jobs. However, respondents reported that most key sponsors for AI initiatives were at the VP or C-suite level.

In order for AI tools to experience widespread adoption and for companies to reap the organizational benefits, buy-in from all levels of the organization will be essential.

3. No CLM solution in place

Nearly 50% of respondents said that they have not fully implemented a CLM solution. Without a strong contract management foundation in place to build upon, AI is not able to provide its full benefit.

There are numerous barriers to be faced when trying to adopt AI for contract management. Some notable ones are:



Key consideration

AI tools should be seen as an extension of the contract management ecosystem

The same implementation barriers may be causing a lack of trust in CLM vendors to provide the foundation needed for AI tools to truly benefit an organization. It's possible this disconnect, paired with unmet expectations, is placing a strain on contract management practitioners who are often responsible for building the business case for new or additional solutions.

Trend 6

The collective drive to use AI solutions is a need for speed and efficiency.

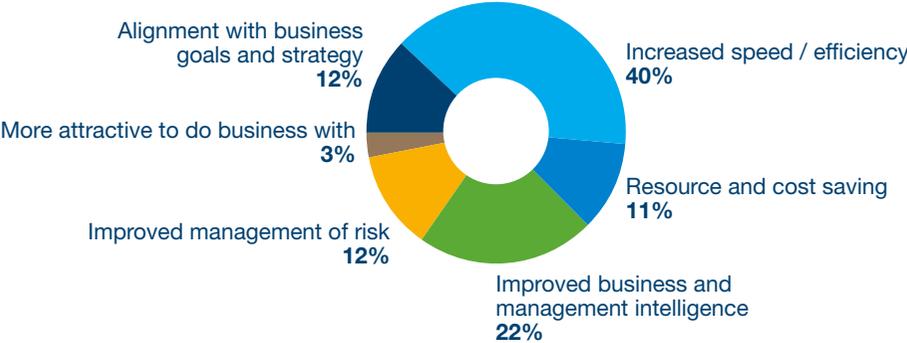
If our survey results have reinforced anything, it's that organizations of all sizes have a need for speed in today's virtual world. Business practices have changed greatly in the last two years, catapulting contract management and everything tied to it into the digital age.

40% of respondents ranked increased speed and efficiency the top business driver for implementing an AI tool.

This demonstrates that there is still work to be done in educating decision-makers about what can be achieved at an organizational level through effective contract management. While efficiency is certainly a benefit of AI, the value reaches far beyond that alone.

Nearly 50% of respondents believe that AI will contribute to great improvements in contract efficiency in the next two to three years, but is it possible that timeline could be accelerated if organizations could find the resources to properly train and deploy these tools? Those benefits include resource and cost savings and improved risk management.

Desired benefits of deploying AI to support the commercial and contracting process (ranked No.1)



Key Considerations

Data first, automation second

AI algorithms need data to function properly and lots of it. For organizations looking to benefit from AI in contract management, there are two considerations to keep in mind:

1. You need to have your contract documents in a machine-readable format in order to provide the AI tool samples of key documents to learn from.
2. You need to be willing to work with the AI tool to train it on how to look at your specific agreements.

The first step is deeper understanding

There needs to be a deeper understanding of AI and what it can achieve. Without that understanding, there will surely be more failed implementations in the future. Building the business case for AI is much easier when its capabilities and benefits are clearly mapped to an organization's goals and KPIs.



Conclusion

This study surfaced three critical points:

1 Organizational gains have not yet caught up to the enthusiasm around the use of CLM and AI technology

2 There is an awareness gap about what is possible with AI-enabled contracting between the daily practitioners and decision-makers

3 CLM implementation continues to be a top challenge for many organizations and has been an obstacle to building a robust business case for adopting AI technology

While vendors and service providers continue innovating to meet growing contract management demands, we are starting to see a shift in focus from simple comparisons in product functionality to the need for holistic and long-term partnerships. We are at a crucial point in which contracting excellence will no longer be defined by a long list of features, but rather, by how each vendor can guide organizations through implementation on their path to sustainable adoption and value.

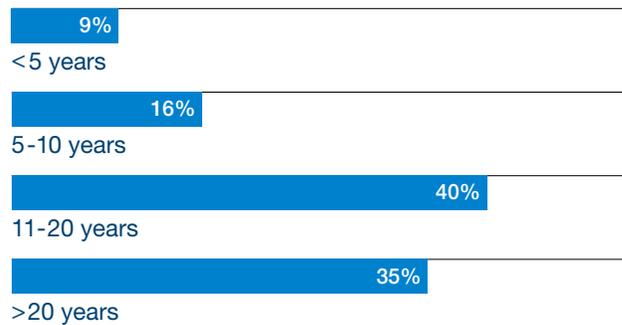
Though this report has uncovered significant contracting challenges, we are encouraged by the benefits organizations are already beginning to see on their CLM and AI journeys. We are emboldened by these findings and see the identification of these barriers as the necessary first step to real, lasting change. The future of AI-enabled contracting looks bright. Onward!

Respondent demographics

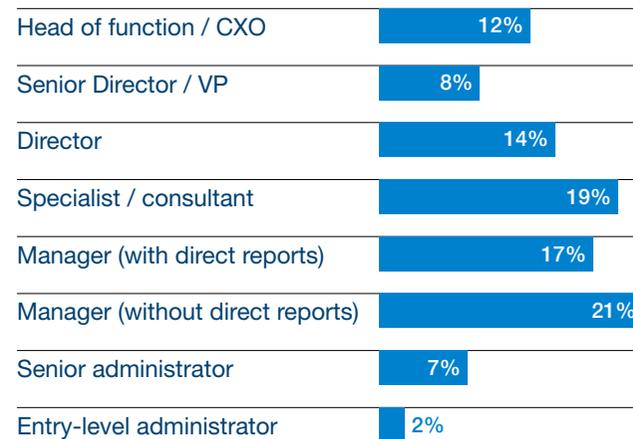
Locations



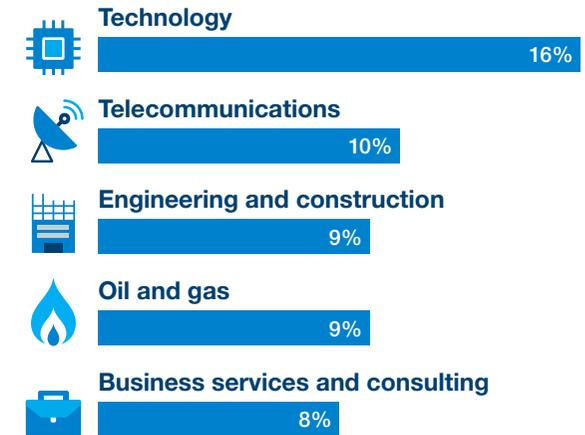
Experience level



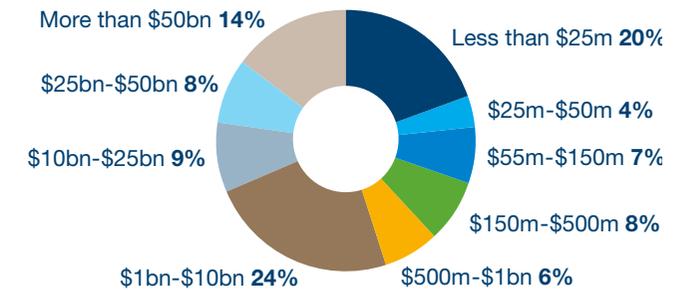
Job level



Top five sectors



Company size



About World Commerce & Contracting

World Commerce & Contracting is a not-for-profit association dedicated to helping its global members achieve high-performing and trusted trading relationships. With 75,000 members from over 20,000 companies across 180 countries worldwide, the association welcomes everyone with an interest in better contracting: business leaders, practitioners, experts and newcomers. It is independent, provocative and disciplined existing for its members, the contracting community and society at large.

Tim Cummins, President
tcummins@worldcc.com

Sally Guyer, Global CEO
sguyer@worldcc.com

General or media enquiries
info@worldcc.com

www.worldcc.com



About Malbek

Malbek is today's most modern, cutting-edge CLM solution with a proprietary AI core that empowers the enterprise to do more with less. By supporting the growing contracting demands of your entire organization, including Legal, Sales, Finance, Procurement, and other critical business units, Malbek's CLM solution delights every user. Malbek provides end-to-end contract lifecycle management with out-of-the-box integration to popular business applications, like Salesforce, Workday, Slack, Office 365, and others, allowing your contract data to flow seamlessly while dramatically reducing cycle times. That's contracts reimaged!

General or media enquiries
info@malbek.io

www.malbek.io

