



The AI-enabled future of Commercial and Contract Management

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By **Tim Cummins**
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Foreword

Artificial Intelligence will prove transformational for the contracting process, altering work patterns, changing job roles and streamlining processes. But the exciting developments are in the value it adds to human intelligence and our ability to understand and gain insights from the myriad of contracts under our control. This White Paper sets the scene for a series of reports and is intended to stimulate understanding and discussion of what lies ahead.

The impact will not be immediate, and it will require human effort and intelligence to make it happen. First, we must understand that AI takes a number of forms and these generate different capabilities – for example, Machine Learning versus Natural Language Processing, ChatBots versus Robotic Process Automation, agentic AI versus assistive AI. All

are useful, but in different ways. Second, AI is not an ‘out-of-the-box’ solution and in many cases process improvements, standardization and data cleansing may need to occur before some of the AI opportunities can be put into place.

The opportunities this represents for the commercial and contracts discipline are extraordinary – and they are opportunities we must grasp. By combining AI’s efficiency with human expertise, we will unlock new insights and redefine the value of contract management. The future holds extraordinary opportunities— now is the time to prepare and lead.

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Introduction: The situation (and the problem) today

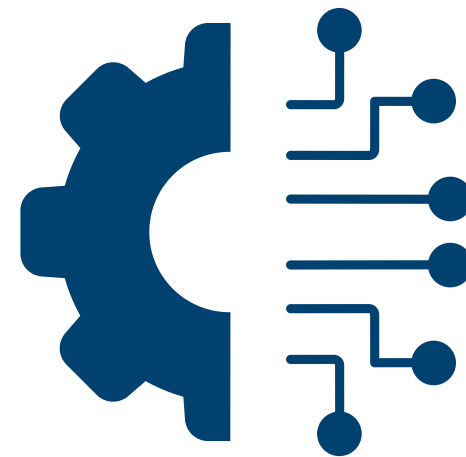
Back in 2016, the awards committee for the Nobel Prize in Economics rightly observed: “Modern economies are held together by innumerable contracts.”¹

and technology. This complexity means that the true ‘cost of contracting’ is obscure, but on average is estimated to equate to more than 8% of an organization’s annual revenue.⁴

A similar observation applies to modern corporations and government agencies - they too are held together by innumerable contracts. Yet despite our dependence on them, contracts today consistently fall short in meeting their purpose, whether as effective instruments of control or in their delivery of economic value.² The innate complexity of their design, structure and content limits their use as practical business instruments, both at the level of each individual contract and especially in the context of a contracts’ portfolio.

It is this situation that AI has the potential to remedy, providing us with tools that operate beyond the boundaries and constraints of human capability.

“Modern economies are held together by innumerable contracts.”
Nobel Prize award committee 2016



Efforts to overcome this complexity have been constrained by the enormity of the task.³ Contract templates may bring temporary relief, but often stand in the way of creativity and become a barrier to high-performing relationships. Attempts to simplify through the adoption of international or industry norms and standards have to varying degrees failed. In consequence, business executives typically accept the limitations of contracts, either ignoring the limits to their effectiveness, or investing in costly control mechanisms which include both headcount

¹ Quote from the Nobel Prize award committee re: the award for Economics to Oliver Hart, 2016

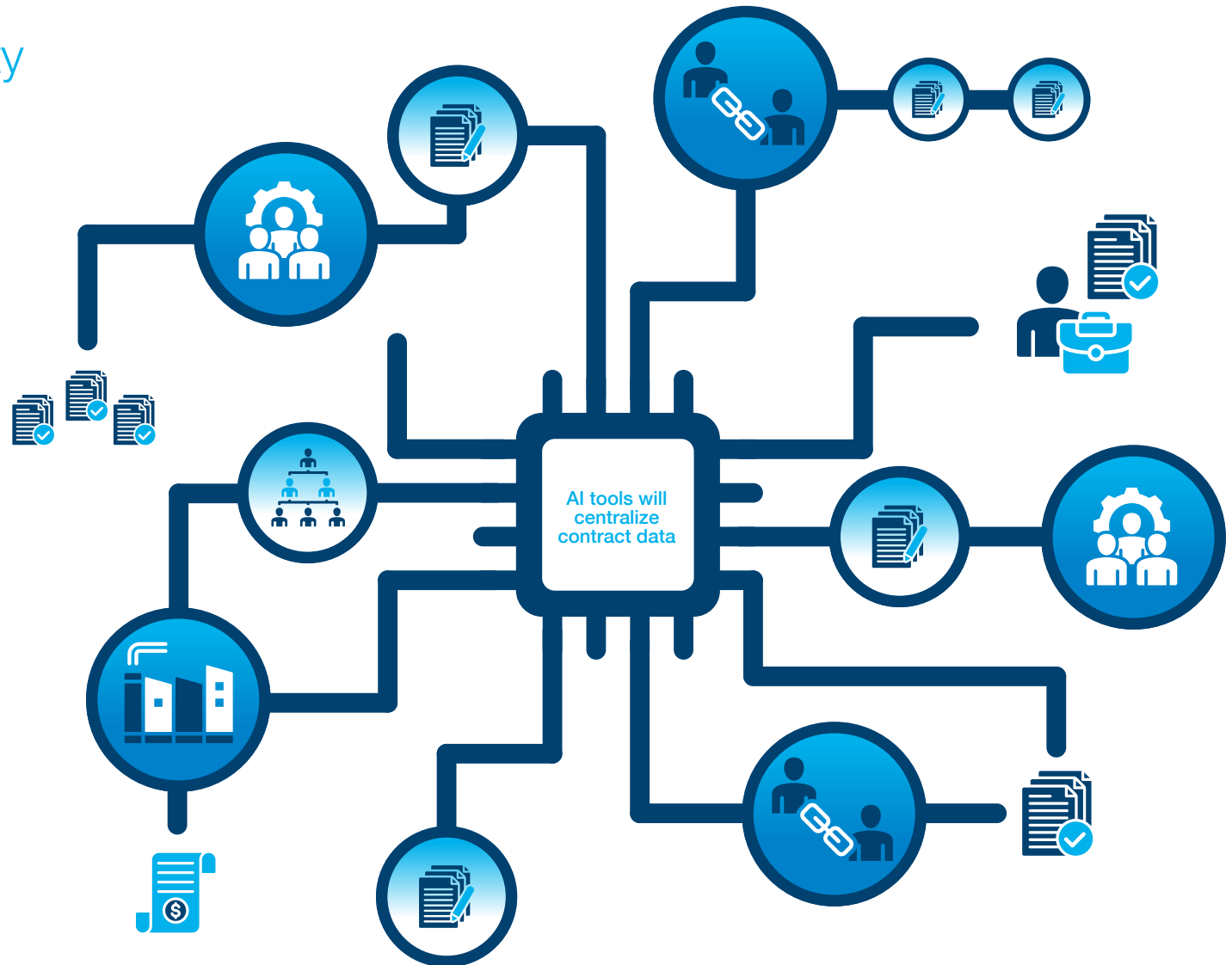
² WorldCC research reports, ‘The Purpose of a Contract’, 2017 and 2024.

³ For example, projects such as ‘One NDA’ have failed to deliver an accepted standard for even this most basic of agreements. Other efforts to create industry standards (for example, in Construction) have also met with rival approaches and examples such as UNCISG are typically ignored by the corporate sector.

⁴ IACCM / WorldCC research reports ‘The Ten Pitfalls’ (2014) and ‘The ROI of Contracting Excellence’ (2024). This ‘cost’ is not only the expense associated with the production and management of the contract, but also the value erosion that occurs from poor performance – for example, use of sub-optimal contract terms, failure to institute effective change management provisions, disagreements over scope.

The business opportunity

The incorporation of AI into commercial and contract management allows us to re-imagine the purpose of contracts and the value that they will deliver. It enables us to create a contracting process where data is fully integrated and visible for both individual agreements and across an enterprise portfolio. This shifts the focus of modern contracting beyond transactional risk and compliance, to the delivery of strategic value, management insight and business enablement. AI tools will centralize contract data, providing real-time intelligence, and enable the alignment of contract offerings and obligations with overall business objectives. Through portfolio analysis, contract management has the potential to become a source of dynamic assessments of business risks, resilience, and proactive decision-making that respond to market and operational events and opportunities.



Summary of benefits



1. Efficiency and speed

- Research has shown that, on average, 29% of the workforce is in some way engaged with contract management, with approximately 40 common friction points across the process. AI has the potential to automate many routine tasks such as contract drafting, compliance checks, obligation oversight, and data entry, reducing cycle times and administrative burdens.
- Real-time data access and AI-driven insights support faster and more informed decision-making and approval processes, reducing errors and supporting the growth of self-service, including streamlining review and approval processes.



2. Enhanced risk management

- AI continuously monitors contracts for compliance and potential risks, allowing for proactive risk mitigation. For example, for new contracts, risky terms or language can be identified, and for in-flight agreements, 'at risk' obligations can be highlighted when threatened by external events or internal delays.
- Predictive analytics help identify and address issues before they escalate. For example, issues arising in a specific contract can be extrapolated to other, similar agreements.



3. Strategic alignment

- AI can assist contract developers and negotiators in testing for alignment with business strategy, ensuring that commercial activities support organizational goals.
- Data-driven insights from AI help refine strategies and optimize contract terms for better market competitiveness, for example by monitoring the frequency of requested change or by generating benchmarks against market standards or norms.



4. Revenue and cost

- Improved negotiation and contract management lead to better financial outcomes. For example, research in 2023 demonstrated that the use of AI in support of negotiations led to improved planning and increased openness and transparency, leading to faster closure and increased value capture. A negotiation accompanied by insight enables a sharper focus on win themes and profitability levers, while post signature contract mobilisation can be accelerated and more broadly applied, preventing value leakage
- Automation reduces the friction associated with the current contracting lifecycle, with impact across the business.



5. Improved collaboration

- AI enables seamless integration and data sharing across departments, enhancing coordination and collaboration. For example, its ability to ingest data and recognise interrelationships across contracts provides increased insight to overall performance or alternative perspectives and also supports higher levels of automated processing.
- Enhanced communication and data sharing improve overall stakeholder engagement and satisfaction, internally and with external partners, for example through data attribute extraction and feeds to other systems.

⁵ WorldCC Benchmark Report (2023)

⁶ WorldCC Friction Points Report (2020)

⁷ WorldCC reports such as 'The Purpose of Contracts' and 'Most Negotiated Terms' consistently show a disconnect between contracts and desired business outcomes.

As this summary indicates, AI will lead to the devolution of contract management responsibility to relevant user groups. However, the immediate benefit this brings to the current process may cause some to assume that contract management becomes a fully decentralized activity. Anyone following this approach is likely to miss the new opportunities, resulting in continued fragmentation of activity and the absence of the skills required to tackle value loss and process inefficiencies.

The proposed way forward and required actions



1. Strategic integration of AI

- Assess current contract management processes and identify areas for AI integration that shifts investment from people to technology. The goal is to streamline core activities (e.g. contract drafting, compliance, risk management) and develop new capability (e.g. commercial value propositions, contract portfolio analytics, proactive risk management).
- Recognize the distinctive opportunities and use-cases created by ‘standard AI’ (e.g. chatbots) versus ‘agentic AI’ that enhances the human mind and insights. The scale of this endeavor should not be underestimated, in particular the extent of data capture and clean-up that is required for a reliable agentic AI resource.
- Develop a comprehensive plan to develop and implement AI tools, based on value analysis and prioritized use cases.



2. Centralize data management

- Implement a robust knowledge management strategy as a critical component of any AI implementation. Knowledge and data must be accessible, high quality and well maintained.
- Establish a centralized data repository for all contract-related information.
- Standardize data formats and structure to support ingestion (e.g, consistent date formats, monetary values etc.) and ensure high-quality data entry for reliable AI analysis.
- Address any concerns over data and confidentiality through appropriate safeguards and controls, for example through compartmentalization of data and suitable access controls.



3. Training and development

- Invest in training programs to upskill employees on AI tools and new contract management processes.
- Foster a culture of continuous learning and adaptability to embrace technological advancements.
- This will be an essential component of a deployment plan and will be addressed in a future paper



4. Continuous monitoring and improvement

- Implement feedback mechanisms to continuously refine AI models and integration processes for data, rules and AI management.
- Conduct regular audits and reviews to ensure the system’s effectiveness and compliance with organizational goals.



5. Pilot programs

- Launch pilot programs to test AI applications in specific contract management areas, gather feedback, and make necessary adjustments.
- Use success stories from pilot programs to build broader organizational support for AI integration.

Conclusion

By strategically integrating AI into commercial and contract management, an organization will transform these functions into key drivers of business intelligence and strategic alignment. The proposed actions enable the realization of significant benefits, including enhanced efficiency, risk management, revenue growth and cost savings.

The integration of AI into the contracting process will require readiness, collaboration, and adaptability. Let this White Paper - and our subsequent series of reports - inspire you to embrace AI's potential and embark on planning for your future.

The next paper in our series will take a deep dive into the AI-enabled role of the contract manager.



About World Commerce & Contracting

World Commerce & Contracting is a not-for-profit association dedicated to helping organizations achieve high-performing and trusted trading relationships. With 85,000 members from over 20,000 organizations spread across 180 countries, the association welcomes everyone with an interest in better contracting and commercial practice: governments, business leaders, practitioners, experts and academia. Our research and thought-leadership are independent, provocative and disciplined, contributing to members, the contracting community and society at large.

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