10 Ways to Make Your Contract Review & Data Extraction Project Less Expensive While Maintaining Accuracy in Results

Corporate legal teams often seek to have an outside managed services provider perform contract data extraction from their contract portfolios to gain insights into compliance, risk, performance, sales data, due diligence for M&A, or for a contract data migration into a CLM system.

When a business proposes a new contract review and data extraction project, whether outsourced or otherwise, the process often consists of many components, which if well designed and executed, can increase efficiency, save costs, and improve bottom-line outcomes. Here are ten important steps you can take to make that happen when working with a managed services provider.

1 Create a Review Protocol with Explanations and Examples for Each Data Point

In order to get the correct information extracted from your contracts, develop a detailed review protocol and send this back and forth to your managed services for calibration prior to the project start date. Set out "fields" or "data points" you want to be extracted from your contracts (include even the basic data points like contracting party names, contract title, effective date, etc.). With each data point, give an explanation within the review protocol of contract type where this will be found, and what you are looking for and possibly even why. For instance, if the data you are looking for is your company's ability to increase prices when your costs for raw materials or components increase, it could be as simple as stating, "This data point seeks to extract information from sales contracts on price increase on the products when raw materials or component parts prices increase. The contract may explicitly define this as a "raw materials increase," or may state our company can increase prices if prices of components or parts increase, or may just state generally that our company won't ever be compelled to sell below cost. Look for any language that could allow us to raise prices when our products cost us more to make as set forth in these examples below. On our sales template, this term is usually found at this section Y." Give this explanation and clip examples of contract language into the protocol. Five extra minutes of thought and effort at this stage could result in a significant increase in the ability for your company to collect more accurate data for its business objectives.

TIP: Even if the reviewers are all contract professionals, they will not fully understand your business like you do. Review the protocol closely to see if someone with no insight into your business would fully understand the ask for each data point.

2 Have Your Managed Services Provider Complete A Sample Review Set for Each Contract Type Before Project Start

After your protocol is created, you will want your managed services provider to use it to perform a sample review set for each contract type before beginning the full review and extraction project. For instance, if your managed services provider is reviewing distribution agreements, sales agreements, and services agreements, then have them do a review sample set of 25 or so for each type. This will trigger questions for escalation to you. You will want to update your review protocol based on the determinations from these sample review sets. Don't skip this step, no matter how tight your timeline. You don't want to be paying for review by the fully staffed-up provider review team based on a review protocol you haven't vetted yet. If the protocol needs updating during review, it inevitably means the vendor has to re-review contracts in order to make fixes.

TIP: Keep your most knowledgeable contract person involved in the review for managing escalations and resolving outliers that the managed services provider may bring to your attention as the project proceeds.

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3 Review Escalations and Mid-Project Deliverables Promptly to Catch Problems

Review escalations and deliverables promptly to get feedback to the managed services provider. If there are any errors in the batch, you'll want to correct them as quickly as possible since reviewers are moving on with the review of thousands of documents without your corrections implemented.

4 Provide Consistent Systems Access

Make sure the managed services provider team will be provided with continuous access to any of your environments required to complete the project, with minimal delays caused by latency or system performance issues. Further, on-boarding delays may also be frustrating, so plan ahead.

TIP: If you are having the managed services provider access your software to perform the review, make sure that you determine the time windows for the additional users to be on the system. If your provider or IT team runs updates or testing at specific intervals, make sure it doesn't conflict with these windows you have set up with your provider. Latency will hamper reviewers, causing their review time per contract to be slowed or even idled completely, costing you time and money.
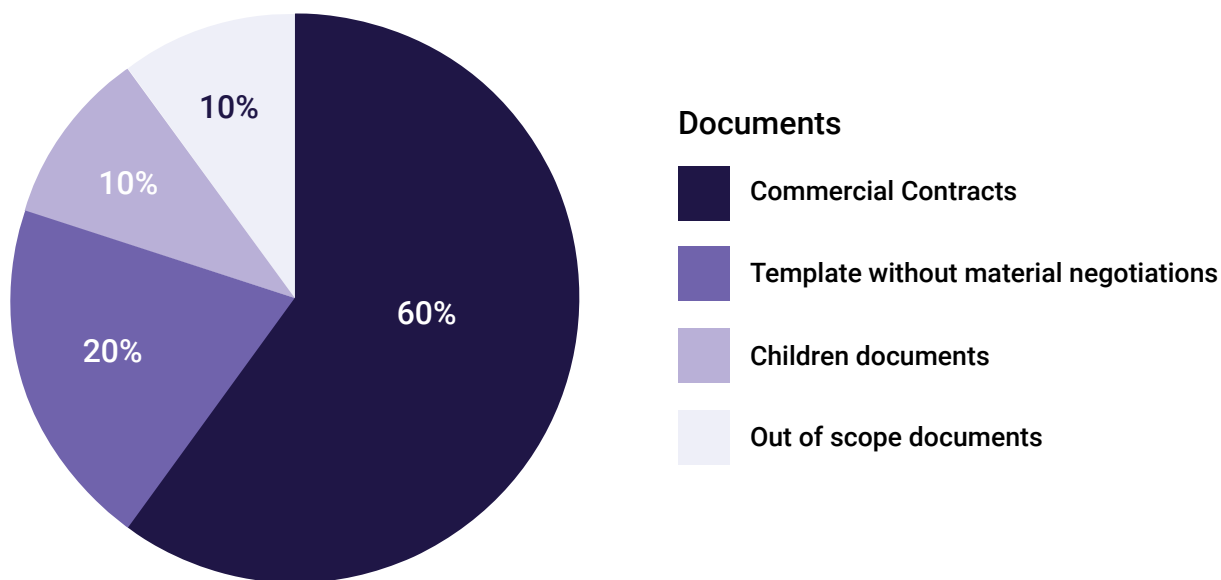
5 Pick a Cost-Effective Deliverable Format

The delivery format of the completed review significantly impacts both work effort and project costs and usability of the data; therefore, should be carefully considered. Will your managed services provider export the reviews into an Excel file? Will they create the review output within your Contract Lifecycle Management (CLM) system or other databases? Determining the most cost-effective method for the review output may reduce review costs if this happens to be the method that is easiest for your provider.

6 Evaluate Your Contract Types and Complexity at the Development Stage

The type of contract being reviewed also is a critical consideration in review costs. These can be discussed with your managed services provider to reduce the project cost. Key variables to assess review effort include:

- What percentage mix of contract documents are on your template and counterparty paper? A review may take longer and cost more with less homogeneity.

- What percentage of the company template documents are without material negotiations? Can you identify those types of agreements through your CLM? Knowing that may reduce the review effort for that group of documents.

- How many duplicates and non-contract documents do you estimate will still be part of the review set despite your first round of scrubbing them? If your managed services provider knows this ahead of time, they can price accordingly.

- Approximate the percentage of "child" documents (i.e., amendment, schedule, addendum) for every master. If possible, give an estimate of the percentage of these child documents that do not have any provisions relevant for completing the protocol-based review fields.

- Highlight if any documents are in a foreign language and will need translation (or are out-of-scope).

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Documents

- ■ Commercial Contracts
- ■ Template without material negotiations
- ■ Children documents
- ■ Out of scope documents

7 Cull Out-of-Scope Documents to Reduce Volume

The cost of contract review work increases in proportion with the volume of documents that must be reviewed. As much as possible, remove duplicates of the agreements (including partially signed or draft copies of contracts) and non-contract documents (e.g., email approvals or insurance certificates) before sending to your managed services provider. Remember, the duplicate or partially signed agreement will be reviewed by the provider with the same detail and cost as the executed version. Non-contract documents will still take time for a reviewer to open and provide output, even if "N/A" is the output.

8 Collect the Contracts Yourself

How documents are received for review contributes to review costs. Assuming all documents will be transferred to your managed services provider for review in advance of the project reflects the lowest level of effort required by the provider. However, if your provider will be involved in efforts to collect documents, factors that will drive this effort include the following:

- The number and the type of databases or repositories that must be accessed to obtain the documents (e.g., global CLM systems, regional repositories, and local shared drives, among others).

- The number and nature of reach outs by the provider to individual business groups to collect one-off/outlier documents that are not stored in a current database or repository.

- Whether some required documents are not in digital form (e.g., hard copies in a records room) and will require additional access and handling effort.

- Legibility of the documents.

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9 Consider the Location of Contract Review

Your contract review project may require the services be performed in a particular location, such as onshore contract review services to be performed only in the US, resulting in additional costs to secure the services and/or a longer timeline to complete the review. Location restrictions factor significantly into assessing where a managed services provider should place its resources to balance costs, and to achieve efficient and effective completion of the review.

10 Consider AI

The accuracy of contract review or analysis is contingent on numerous factors, including the client's goals and project requirements. The accuracy of AI output on a complex analysis project is very much dependent on the system training for that project. There are certain types of fields you may want to use AI to extract data, such as those that you know the AI is successful at extracting with high accuracy with less training. While AI is helpful, some level of quality review or analysis must be completed by you and your managed services provider.

Conclusion

Whenever you take the time to with these up-front steps, the rewards are exponential, and can help you achieve more accuracy and reduce costs.

About UnitedLex

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