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# CONTRACTS ENTER THE AI ERA

## THE VISIBILITY GAP IN CONTRACT MANAGEMENT

Across industries, organizations face a growing gap between the importance of their contracts and their ability to manage them effectively. Contract portfolios are often fragmented across departments, stored in disconnected systems, shared drives, email inboxes, or legacy repositories. As a result, decision-makers lack real-time visibility into contractual obligations, rights, and risks.

This fragmentation directly impacts business performance. Slow access to contract information delays decisions, increases operational friction, and exposes organizations to compliance failures. Regulatory requirements continue to expand, while audit readiness and reporting expectations grow more demanding. Without clear oversight, businesses operate reactively, responding to issues after they occur rather than anticipating them. The scale of the problem is significant: research shows that 71% of companies cannot locate at least 10% of their contracts, highlighting how widespread the visibility gap has become.<sup>1</sup>

## CONTRACTS AS STRATEGIC DATA ASSETS

Beyond their legal function, contracts contain some of the most critical intelligence within an organization. Embedded in contractual language are financial commitments, pricing mechanisms, penalties, service-level

agreements, termination rights, risk allocations, and performance metrics. Contracts also reveal supplier dependencies, customer obligations, and long-term strategic exposure.

During the COVID-19 pandemic and subsequent trade disruptions, including recent tariff shifts, many organizations discovered—too late—the extent of their dependency on specific suppliers, regions, or contractual terms. The response was largely reactive: emergency renegotiations, supply chain restructuring, and crisis-driven decisions.

Had organizations possessed deeper contract intelligence, they could have assessed exposure earlier and acted proactively. This shift, from reacting to events toward anticipating them, marks a fundamental change in how contracts are perceived: not merely as legal safeguards, but as sources of operational and strategic insight.

Increasingly, organizations recognize contracts as more than static legal documents. They are becoming operational intelligence sources and decision-making tools that influence procurement, finance, risk management, and executive strategy. To unlock this value at scale, however, manual processes are insufficient. This is where AI becomes transformative.

## ENTER LARGE LANGUAGE MODELS

Large language models (LLMs) represent a

significant leap in how machines interact with legal language. Unlike traditional keyword-based systems, LLMs understand contractual text contextually. They can interpret nuanced legal phrasing, identify obligations expressed in different forms, and summarize complex clauses while preserving meaning.

This contextual understanding allows organizations to move beyond basic search toward true comprehension of their contract landscape. Clauses no longer need to follow rigid templates to be understood, and insights can be extracted even from legacy agreements drafted years ago.

When combined with automation, AI enables organizations to process contracts at a scale and speed previously impossible. Metadata can be extracted automatically, key clauses classified, and contracts assessed based on predefined risk criteria. What once required extensive manual review can now be completed consistently and continuously.

Risk scoring introduces a new level of prioritization. Instead of treating all contracts equally, organizations can focus attention on agreements that carry the highest exposure, whether financial, operational, or regulatory.

## FROM UNDERSTANDING TO FORESIGHT

The next layer of value in AI-driven contract

management comes from predictive intelligence. By analyzing historical contract data, AI systems can uncover patterns and correlations. For example, these systems can forecast performance trends, anticipate delays in deliverables, and identify clauses that frequently trigger disputes or renegotiations. By spotting emerging compliance risks early, organizations gain a proactive view of their contractual landscape.

Predictive intelligence also enables assessment of the likelihood of negotiation challenges or renegotiation needs before they arise. Historical trends in pricing adjustments, supplier performance, or contractual deviations can inform risk-adjusted strategies for upcoming renewals or negotiations. Over time, this continuous analysis builds a feedback loop: the more contracts AI systems process, the more refined and actionable the predictions become.

With these capabilities, organizations move from asking merely “what does this contract say?” to “what is likely to happen next?” This transition from descriptive insight to predictive foresight shifts contracts from static legal instruments to active, intelligence-driven assets. Contract intelligence evolves into a core business capability, guiding decision-making across finance, procurement, risk management, and executive strategy. Companies that adopt this predictive approach gain a competitive edge,

Most organizations manage billions in contractual value, yet cannot instantly answer a simple question of “*What are we actually obligated to do right now?*” Contracts sit at the heart of every business relationship, governing value exchange, risk, and accountability. Yet for many organizations, they remain underutilized and poorly understood. In an era of digital transformation, contracts are emerging as one of the most valuable, but untapped, enterprise data assets.

making faster, data-driven decisions.

## AGENTIC AI IN CONTRACTING

Looking ahead, the evolution continues toward agentic AI. In this model, AI moves from passive analysis to active execution. Intelligent agents will be capable of monitoring contractual obligations in real time, triggering workflows when thresholds are met, conducting preliminary contract reviews, and supporting negotiation processes.

Contracts evolve from static documents into dynamic, self-monitoring systems embedded within business operations. This transition represents not just technological progress but a redefinition of how organizations govern relationships and manage risk.

Contract intelligence is rapidly becoming essential for digital maturity, regulatory readiness, and sustained competitiveness. Organizations that invest in understanding and operationalizing their contracts gain clarity, resilience, and strategic agility. As AI continues to advance, the question is no longer whether contracts should be intelligent but how quickly organizations are prepared to make them so.

<sup>1</sup> Source: Journal of Contract Management (reported via Procurement Tactics)