

How bp is Cutting Contracting Time from 92 Days to 8 – And Reducing Risk



The Client

bp has thousands of suppliers around the world, and an increasing number of contracts to process, but a fixed number of procurement and legal resources.

Prior to engaging with App Orchid, bp's time to contract for SaaS contracts had risen to an average of 92 days and resources were being stretched to a point where the team worried about increased downstream risk. There was no solution on the market that addressed reducing time to contract significantly. So bp set out to have a solution built that would streamline the contracting process while reducing contractual risk.

The Solution

ContractAI is an AI-powered SaaS-based solution that leverages AI to transform the contracting process, dramatically improving the analysis, creation and negotiation of contracts. ContractAI is built on App Orchid's proven Enterprise AI platform that helps enterprises build powerful, predictive AI apps quickly. App Orchid has more than 20 apps in production at Fortune 1000 companies and has accrued a range of accolades including being named the 2nd fastest growing company in Silicon Valley by Deloitte.

The Results

- Reduced time to contract by 87% for SaaS contracts
- Saved an estimated 80% procurement and legal time
- Gained visibility into current contract risks without combing through PDFs manually
- Controlled the terms of negotiation while reducing friction with suppliers



The Challenge

bp has thousands of suppliers around the world, and an increasing number of contracts to process, but a fixed amount of procurement and legal resources. The time to contract for SaaS contracts had risen to an average of 92 days and resources were being stretched to a point where the team worried about increased downstream risk. There was no solution on the market that addressed reducing time to contract significantly while mitigating contracting risk.



Significant Increase in Contracts to Process

As is the case in many organizations, bp's procurement department was under constant pressure to shorten contracting times while at the same time reduce contracting risk. With the increased adoption of SaaS offerings and trend towards shorter contract term lengths, the number of contracts to be processed had increased significantly – by 20x for Head of IT Infrastructure Sourcing Jason Donner's team – straining bp's procurement and internal legal departments.



92 Days Time to Contract

With a 20x increase in the number of contracts to be processed and no corresponding increase in procurement or legal resources, it was taking bp longer and longer to process contracts. Eventually, it was taking 92 days on average. That put significant strain on business units waiting to begin projects.

"As a procurement professional I feel we are constantly seen as the barrier to market," explained Donner. "We typically get engaged late in the day when the business has made a decision to contract and they see us as inhibitors when we were just trying to commercially protect them and bp."

Jason Donner, Head of IT Infrastructure Sourcing

No Existing Solution Solved Those Challenges

Seeking to resolve those challenges, Donner went to the market for a solution. He found none. "There are hundreds of CLM tools in the market. Each fills a particular niche. None is an end-to-end solution," Donner explained. Furthermore, the tools did not really transform the contracting process; they just digitized it. "Fundamentally these were just digital versions of the antiquated way of doing contract negotiation," Donner said. "We didn't want that. We wanted a mind-shift in how contracts are negotiated."



Unknown Risks

bp's procurement leaders relied heavily on their team's ability to mitigate potential risk in the contract negotiation. But with no way to efficiently analyze the thousands of contracts in effect, it was impossible for procurement leaders to identify how much risk, what type of risk, and where the risk lay – or take steps to mitigate it.

The Solution

bp set out to have a solution built that would streamline the contracting process while reducing contractual risk. The primary objective was to leverage AI and Machine Learning to reduce the average time to contract, while minimizing the risk of errors introduced due to limited resources.

App Orchard with its AI capabilities is a great example of bp using new ideas from smaller companies to increase effectiveness and efficiency in an agile way. bp has scale while companies like App Orchard have more agility and ideas of what's possible with emerging technologies, and co-venturing brings together the best of both worlds.

Alex Thomson

*Head of Procurement Services,
GBS - bp plc*

Co-innovation

Backed by an organization accustomed to co-innovating with third parties, Jason Donner approached App Orchard with his problem statement. "It takes me three months to get through the contract process," he said. "But it's a dance that's always basically the same between procurement, legal, and the supplier. Can we use AI to make the process more efficient?"

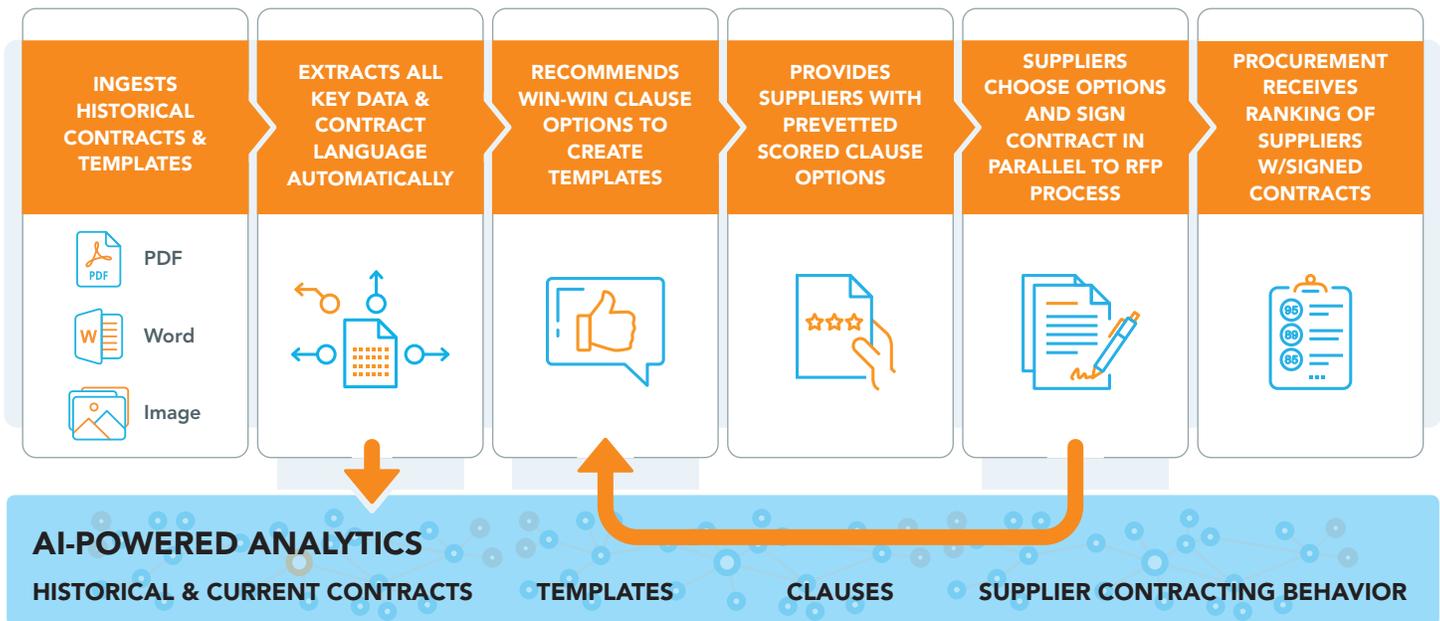
The answer was yes. In fact, ContractAI is the only contracting solution on the market that's built on a proven enterprise-grade AI platform.

Together the bp and App Orchard team built a solution that would leverage AI to create clause options within pre-vetted contract templates. That would make the procurement-legal-supplier dance dramatically more efficient, and actually eliminate redlining altogether. But participation by bp's legal team was key. "Legal was initially resistant to the supplier options approach," Donner explained. "So we integrated legal into the team from the beginning to assist with the development process."

The first step was to ingest all of bp's relevant historical contracts to understand what win-win clauses were actually being signed. "App Orchard ingested all of our contracts from the previous 18 months and analyzed them. That process took about two weeks including data QA, which is really fast. I was able to see all my risk revisions and tolerances across the contracts we had already negotiated and provisions procurement, legal, and suppliers had already agreed to."

With that visibility, the team developed the automated process in which suppliers can self-serve contracts based on the templates and clause options bp pre-approved. "We developed a portal for suppliers to see the contract and if they don't like a particular clause they can select that clause and see alternative options," as Donner described it. "Then we use a point system to manage changes so we're not giving away our weakest position across the board and suppliers get options on which clauses they get to spend the points on."

How ContractAI Works



Key Features of ContractAI

- Uses advanced NLP to parse historical contracts automatically to identify acceptable and contentious clauses
- Automatically assesses risk based on App Orchid’s knowledge graph (ontology) of legal language, so bp doesn’t have to manually establish risk ratings
- Provides templates to suppliers that give them options for clauses that have already been approved by bp, instead of the painful redlining process
- Controls negotiation through value-based scoring – assigning points to vendors to “spend” on choices based on the expected value/risk to bp
- Analytics with a purpose reduces time to contract and mitigates contracting risk by proactively flagging potential risks and areas for improvement
- Leverages Machine Learning to provide insights into evolving behavior patterns that are then used to improve the contract template, structure, language and options

The Results



Reduced Time to Contract by 87% for SaaS Contracts

bp set a goal to bring the average SaaS contract processing time down from 92 days to 14 days. During the supplier trial of ContractAI, bp processed contracts in 8 days on average – that’s 87% faster. “We can’t believe how receptive the suppliers are and how well the pilot went,” Donner said.

In addition to solving our complex challenges, ContractAI is super easy to use. It’s a dream to see our vision successfully working with our suppliers.

Jason Donner

Head of IT Infrastructure Sourcing



Saved an Estimated 80% Procurement and Legal Time

The 80% time savings enables bp’s procurement and legal teams to manage the increased number of contracts without adding risk. It also enables them to focus on more value-added work. “Now we can focus on activities like category management, post-award management, and sustaining the value of the contracts – which is much more valuable to the organization than rehashing what insurance limits to allow,” Donner explained.

How much time could you save?

Take our [quick 6-question assessment](#) to assess the benefits you could realize with an AI-powered CLM solution that completely eliminates the redlining process.



Gained Visibility Into Current Contract Risks Without Combing Through PDFs Manually

At the beginning of the engagement, when ContractAI ingested bp’s historical contracts and analyzed what had actually been signed over the previous 18 months, bp gained powerful insights that would have been impossible to get without an AI-powered tool (the alternative – combing through PDFs manually is simply untenable for holistic analysis and risk identification). Those insights enabled bp to set contract templates and clause options that made the contracting process more efficient and mitigate contractual risk in new contracts.

One of the key areas of insight revealed through ContractAI was how many contracts actually deviated from company policy – and introduced risk as a result. Donner explained, “bp signs 100s of contracts each month and they are signed by authorized representatives that were not part of the negotiation. There’s no easy way to review all the changes and typically people will look at the big things that could cause us problems.”

“But when we fed our contracts into ContractAI we found a lot of cases where the signed contract was different from the template in areas you would not expect changes to be made and actually posed significant risk,” Donner said.

At the same time, ContractAI analytics revealed that about half of the changes typically made to the contract template were non-value add. Those redlines increased negotiating time and took up valuable procurement and legal resources but didn’t actually change the meaning of the contract. With that visibility, bp was able to fix those provisions in ContractAI.

3 Examples of How Visibility Enabled Efficiency and Risk Mitigation



- 01** — ContractAI analysis of bp’s historical contracts revealed fourteen changes to force majeure clauses. “In one contract someone had inserted ‘supplier failure’ into the force majeure clause. There’s no way someone would’ve picked those two words up but the change had huge implications,” Donner explained. Identifying those deviations enabled procurement leaders to educate the organization on how small changes can add significant risk. More importantly, contract templates with pre-approved clause options for suppliers completely eliminates the chance that someone will make a change that introduces new risk.
- 02** — bp policy required suppliers to have a minimum value in liability insurance. Yet ContractAI analytics revealed that most signed contracts actually allowed less insurance. In addition, analytics revealed no correlation between allowed insurance amount and contract value – a risk if high-value contracts had low insurance amounts. With those insights, bp was able to improve contract efficiency and mitigate risk by including supplier clause options for different insurance amounts and align the associated risk value to the value of the contract.
- 03** — bp has set payment terms based on accounting processes. Yet ContractAI analytics revealed a significant number of contracts with different contracted payment terms. That is not a significant risk in itself except those shorter payment terms were not always reflected in bp’s payment system, and that put the organization at risk of breaching payment terms. With easy access to the payment terms associated with any and all contracts, bp was able to update payment systems accordingly.

Controlled the Terms of Negotiation While Reducing Friction With Suppliers

Because ContractAI provides templates to suppliers that give them options for clauses that have already been approved by Procurement and Legal, bp is able to both control the terms of negotiation and eliminate the painful redlining process that often creates added friction with suppliers. With value-based scoring, suppliers get points to “spend” on clause option choices based on the expected value/risk to bp. So there’s full transparency with suppliers about what contract terms are most important to bp and how changing the terms affect the supplier’s overall contract score – which is now a factor in contract awards alongside cost and service.

“Vendors love ContractAI,” Donner explained. “Most suppliers face the same kind of Legal resource constraints as we do, or they outsource those functions, which is expensive, so they’re keen to reduce Legal involvement in the contracting process. Furthermore, by dramatically reducing the contract negotiation process, we’re getting the supplier to work more quickly. There had to be a mind-shift in how we worked with suppliers, as those are relationships we want to build and make more collaborative.”

Learn how ContractAI can help transform your contracting process.

Schedule a demo by clicking the link below to learn how AppOrchid's ContractAI solution can reduce your company's time-to-contract and improve risk mitigation.

[CLICK HERE TO SCHEDULE A DEMO TODAY](#)