

# How Intelligent Enterprises Manage Risk



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*Poor contract management practices are costing businesses an average of **9% of revenues** each year. – [World Commerce & Contracting](#)*



*A less risky  
business is a more  
profitable one.*

Digitisation of contract management offers  
the potential to improve compliance by 55%.

— Forrester and Aberdeen





# Introduction

For enterprises in highly regulated industries, risk awareness is a top-shelf business issue. Yet successfully managing the growing breadth and depth of documents—and the risky data they contain—still confounds many enterprises.

Whether you need to address LIBOR retirement, IFRS change, or make your merger or acquisition more seamless, being risk aware starts by answering one simple question: where are our documents, and what's inside them? The answer, it turns out, is not so simple.

*Without technology, finding the risk hiding in your documents is like asking “Where’s Waldo?” while staring into a sea of striped shirts and quirky glasses.*

To sidestep risk and reveal opportunity, enterprises need to get at the data in their documents quickly and cost-effectively. More specifically, they must get a handle on the riskiest, most complex, most valuable document of all: the contract.

**Read on to learn how technology lays the groundwork for risk awareness in the real world.**

# Not All Contracts Are Created Equal

The more complex a contract or document, the greater the risk. Take banks, for example. New customer account contracts are well controlled, well documented, and centrally managed. Changes can be made seamlessly because everyone knows those documents inside and out.

At the other end of the continuum are higher value contracts or legal agreements. Take capital markets, insurance, and corporate agreements as examples. Each lawyer draws up their own contract leading to a diversity of documents, with the bigger fish deferring risk to the smaller one.

If something goes wrong, or there is a change in the legal jurisdiction or regulation, exposure to risk rises.

A survey of outsourcing suppliers found that without close contract governance businesses stand to lose up to 40% of a contract's value.

— KPMG



# Risk Management in the Real World

Financial service companies experience most of their risk in higher value relationship agreements with real money tied to them. Being caught off guard by changing regulations or unforeseen circumstances leaves banks vulnerable to steep financial consequences.

Without the right Content Intelligence platform, LIBOR, force majeure, IFRS 17, and mergers and acquisitions could jeopardize the financial security and reputation of banks.

*To address risk quickly and cost-effectively, banks must replace manual document review with scalable technology.*

Less than 50% of negotiated savings are typically realized over the life of a contract.

— The Faculty





## The Trouble with LIBOR

When corruption surrounding the LIBOR rate was revealed, banks tried to understand their exposure by looking for active trades within their platforms where the rate was set to expire prior to the transition away from LIBOR. This produced a shortlist of contracts that needed attention, which was a useful first step.

*As LIBOR transition inches closer, a lingering question remains for many banks: “Did we get everything?”*

Unstructured data from contracts and loan agreements includes content that can’t automatically be searched for LIBOR-linked terms. Unless they wish to spend significant time and money reviewing thousands to millions of contracts manually, banks need technology.

The right Content Intelligence solution will reveal a group of contracts and potential exposure that would not have been dealt with by the systemic approach taken in phase one of most LIBOR programs.

# Force Majeure is Now Ubiquitous

The pandemic has put a lot of pressure on organizations, and many have opted to preserve cash to keep operations running. For banks, that means an increased risk on the repayment of funds.

If banks are at least aware of force majeure clauses they are in a better position to renegotiate payment terms and rates of a loan. A robust Content Intelligence solution can search for and discover this clause and others, helping banks mitigate risk to cashflow and repayment.

# Don't Let IFRS 17 Bog You Down

New IFRS accounting measures impact both risk and finance departments in how they report risk exposures and financial results. Long-dated contracts are the most challenging to deal with since they do not renew annually.

Without the right technology, firms could spend many months or years manually sorting through these complex documents, marring the integrity of the process with unavoidable human error.



*Based on the average salaries of the parties involved, the average cost of a simple contract is \$6,900, rising to more than \$49,000 for more complex agreements.*

- World Commerce & Contracting

# Make the Most of M&A

Pre-acquisition due diligence involves thousands of hours of costly manual document review. Once a merger or acquisition goes through, it takes on average three years to perform comprehensive contract analysis.

*A robust Contract Analytics tool quickly locates documents within data stores, removes redundancies, and exposes risk—helping dealmakers reach ROI faster.*

Administrative costs associated with contracts are reduced by 25%-30% through implementing automation according to Aberdeen



# The Final Verdict

By prioritizing risk awareness, enterprises can stop playing catch-up and hone their response to regulatory demands. This can be achieved in one of two ways: employ an army to find data and documents, or replace their manual process with a single, robust automated solution. There is no time like the present to implement a scalable solution that discovers, analyzes, extracts, and delivers data so that

risk can be easily identified. Once that is achieved, banks will be less threatened by regulations and can focus on competing in a digital era—and risk will have nowhere left to hide.

**By 2024, contract review will be reduced by 50% due to adoption of AI-based contract analytics solutions.**

— Gartner

## Hunt Down Business Risk

Click below or call 1.866.991.1704 to schedule an overview of Adlib's Content Intelligence solution.

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Our purpose is to create better data that amplifies human potential and maximizes business performance. How do we get there? Our content intelligence and automation solutions make it easy to discover, standardize, classify, extract, and leverage clean structured data from complex unstructured documents. In doing so, our global customers reduce risk, simplify compliance, automate processes, and enter a whole new level of performance.



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