

Trust, Tension, and the Tactical Contract: Rethinking Deal-Making in a World of Uncertainty

THE LEADING EDGE

In a world where tariffs, geopolitical friction, and volatility dominate the headlines, it's not only governments which are being tested. Individual businesses, whether as buyers or suppliers, face growing uncertainty about how to structure and sustain their commercial relationships. On the one hand, creating an environment of trust seems essential. But on the other, there's a pressing need for flexibility. This dual (and in many ways conflicting) imperative is shaping the way contracts are being negotiated, managed and, at times, abandoned.



A Loyalty-Flexibility Paradox

At one level, heightened risk leads many companies to lean harder into established relationships. It feels safer dealing with known quantities, working with partners with shared history, operational familiarity, and a sense of goodwill. But at the same time, this environment encourages behaviours that erode loyalty because of a need for flexibility. Examples include:

- Broader supplier panels that create optionality

- Termination for convenience clauses
- ‘Renegotiation triggers’ that reprice risk when conditions change

This is an environment where buyers may suggest partnership, but only until prices start to increase. Suppliers may claim commitment, until they face capacity constraints and opportunities for a better margin. What we are seeing is a rational response to pressure, but it raises a fundamental question: can contracts support collaboration when they are designed for optionality?

Segmenting Relationships: Not All Contracts Need Collaboration

We must start by acknowledging that not every supply needs a partnership model. Organizations should apply intelligent segmentation, aligning their contractual approach to the nature of the good or service being acquired:

- **Strategic / scarce / high-risk:** buyers should seek relationship-based contracting, outcome alignment, and adaptive governance.
- **Transactional / commoditised / low-risk:** buyers will continue to operate with standardised, price-based terms with relative ease of switching.
- **Emerging / innovation-driven:** both parties should seek flexibility, shared learning, and agile change structures.

Trying to impose collaborative structures on routine products or services has little purpose, but failing to build collaboration into critical dependencies represents an unacceptable risk.

Contrasting Pressures, but a Shared Dilemma

In this environment, buyers want assured delivery, price stability, and agility to adapt. Suppliers want volume, predictability, and protection against shifting demands. However, in practice, many negotiations focus on perceived self-interest, which means that buyers insert broad rights to terminate, amend, or delay, while suppliers push for price adjustment clauses, liability limits, and margin recovery mechanisms. Both seek flexibility, but often at the other’s expense. While ‘collaboration’ may be cited as a goal, it often translates to ‘do things the way I want them’. So contracts remain battlegrounds for risk transfer more than shared resolution.

What Should Guide Contract Strategy Now?

On both sides, organizations need to rethink how they frame and structure contracting. This means moving from “How do I protect myself?” to “How do we stay aligned through uncertainty?” To achieve this, we suggest three strategic shifts:

1. Move from Static to Adaptive Terms

Increased communication and greater transparency provide a foundation for meaningful collaboration. Based on a readiness to share data such as cost structures and supply chain resilience, consider clauses which provide structured flexibility and enable controlled change:

- Renegotiation protocols tied to appropriate external indices or thresholds (e.g. energy prices, lead times)

- Pre-agreed review points rather than waiting for failures to trigger disputes
- Multi-phase contracts with optionality, not just termination rights

2. Embed Strategic Performance Alignment

Traditional KPIs still have value, but in this environment, outcomes matter more than activities. Consider shifting to OKRs (Objectives and Key Results), where the parties agree not just what to track, but why it matters. For example:

- Objective: Improve end-user satisfaction
- Key Result: Reduce average service resolution time from 48 hours to 24 hours

OKRs promote forward-looking focus and shared responsibility, rather than retrospective scoresheets.

3. Redefine What Gets Negotiated

The most negotiated terms in contracts (as tracked by WorldCC) have historically been about protection from failure, focusing on liability, indemnity, termination. But in today's climate, the top ten should increasingly reflect ways to manage risk and uncertainty through alignment, adaptability, and mutual risk navigation.

What might this mean in practice? *See Figure 1 below.*

This approach is not about removing traditional protections, but recognising that they must now be coupled with levers for controlled adaptability.

What Should Guide Contract Strategy Now?

Beyond the top ten, a range of supporting clauses are becoming more important because they often determine whether the relationship can flex under pressure:

- **Rights to Suspend / Restart:** the ability to pause performance (e.g. during demand shocks or upstream disruption) without triggering breach
- **Adjustment of Demand or Supply:** setting pre-defined thresholds or sliding scales that allow volume changes, partial performance, or deferred milestones
- **Alternate Source Rights:** giving a buyer the right to procure elsewhere under defined conditions, with or without exclusivity consequences (alternatively, this could allow a supplier to sub-contract or provide a substitute product)
- **Transition and Exit Support:** rights and obligations around knowledge transfer, continued service during transition, and handover documentation
- **Contractual 'Reset' Mechanisms:** scheduled reviews or "trigger events" (e.g. tariff changes, inflation thresholds) that allow for structured renegotiation or realignment
- **Assistance and Shared Contingency Planning:** setting joint response protocols for supply chain shocks, cyber events, or regulatory shifts

These tools help the contract operate as a 'shock absorber', dealing with the inevitable potholes on the journey.

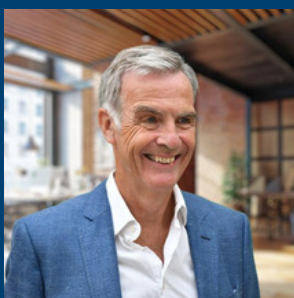
Figure 1: Redefining What Gets Negotiated

Traditional Focus	Adaptive Focus
Limitation of liability	Renegotiation and price review rights
Indemnities	Force majeure + hardship clauses
Termination for convenience	Suspension, restart, and transition mechanisms
Price and payment terms	Indexation + performance-linked pricing
Scope of work	Adaptive scoping and co-defined outcomes
IP ownership	Joint development and shared usage frameworks
Governing law	Escalation paths and structured dispute prevention
Confidentiality	Data access, audit rights, and transparency bounds
Warranties	Risk sharing on quality, continuity, and compliance
Service levels	Strategic OKRs and operational flex points

Conclusion: Contracts That Build Bridges

In a world where we face the competing forces of tension and trust, flexibility and control, the contracts that work are the ones that build bridges. They acknowledge uncertainty and give both parties the structure and confidence to navigate it, through transparency, adaptability, and mechanisms that support change rather than seeking to constrain it. These agreements demand a more mature form of trust and a more sophisticated negotiation team. They establish confidence built on openness, foresight, and shared mechanisms for managing change and possible separation. When contracts are built with this kind of resilience, they offer far more than legal protections. They become frameworks for managing risk and realising mutual benefit.

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