

2023 Benchmark Study



Buy side versus sell side variations

Buy side and sell side contract and commercial management teams see their roles and purpose in different ways and this leads to some variation in priorities. Before we examine these differences in more detail, we should recognize the extent to which contract management is becoming an **integrated activity**, covering both buy side and sell side.

	Buy side	Sell side	Integrated buy & sell
Improving internal processes	73%	68%	75%
Increasing strategic relevance and value	75%	61%	68%
Raising skills, attracting & retaining talent	64%	52%	57%
Select, implement and gain adoption of tools and systems	47%	37%	43%
Expand role and contribution	43%	40%	40%

The table shows a difference of emphasis rather than of substance. In each case, the percentage represents those who ranked an issue as 'High Priority'.

Buy side versus sell side variations

The perceived barriers to progress show skills, data and lack of clarity are all seen as significantly greater factors on the buy side. Difficulty in becoming involved early enough is also a clear indicator that other functions do not perceive high levels of value-add.

	Buy side	Sell side	Integrated buy & sell
Not involved early enough in the process	39%	26%	32%
Operational workload	58%	57%	46%
Identifying / implementing effective training	19%	18%	27%
Budget	41%	41%	45%
Salary levels, attracting /retaining staff	27%	29%	31%
Quality of functional leadership	22%	18%	26%
Quality of existing skills	29%	18%	23%
Establishing data to illustrate value	43%	29%	39%
Lack clarity in roles and responsibilities	29%	19%	26%

Buy side versus sell side variations

Looking at the **strategic initiatives being considered for 2024** and beyond, all three groups place the adoption of new tools and software as the number one requirement. So, while there is consensus on the need to prioritize improved internal processes, it is a pre-cursor to the next big thing – improved technology and upskilling of the workforce.

	Buy side	Sell side	Integrated buy & sell
Adoption of tools & systems	1	1	1
Develop new / revised terms and templates	2	5	3=
Contract analytics	3	3	5
Contract simplification	4	4	2
Skills development, certification	5	2	3=
Expanded role	6	6	6

What are we measuring?

Since 2021, there have been significant changes. Some are linked to the continued volatility of the market; others are attributable to the capabilities created by investment in new systems. The table below shows the overall movements in the top ten metrics since 2021.

	% measuring in 2023	% measuring in 2021
Cycle times	60%	31%
Invoicing accuracy / errors	56%	35%
Compliance with standards / scorecards (external to function)	53%	36%
Internal customer satisfaction	47%	31%
Cost reductions / savings achieved	42%	52%
Risk indicators (management dashboard)	41%	32%
Compliance with standards / scorecards (within function)	41%	34%
Volume of contracts per professional	36%	36%
Negotiated benefits	33%	33%
Improvement initiatives	29%	32%

The measurements that are reported remain strongly oriented towards compliance, rather than added value. The top five are:

Negotiated cost reductions / savings

Contract compliance

Adherence to specification / scope

Number of contracts negotiated

Cost avoidance

What about cycle times?

Many CCM groups are reluctant to be measured on cycle times because they rightly observe the limits of their control. However, this is a key reason to welcome such a metric because it indicates the importance of greater collaboration, internal and external.

	Average # of weeks 2023	Average # of weeks 2021
Low complexity	4.4	4.8
Medium complexity	11.6	10.8
High complexity	24	26

Bid to contract cycle time (domestic contracts)

	Average # of weeks 2023	Average # of weeks 2021
Low complexity	6.5	6.9
Medium complexity	13.7	14.1
High complexity	29.6	27.3

Bid to contract cycle time (international contracts)

Handling volatility

If CCM groups are going to add value, they must be equipped to provide their organization with relevant insights and market data. This remains a source of weakness for many. The data shows the primary areas of interest.

	2023	2021
Pricing / charging models	62%	63%
Best practice contract design / structure	50%	55%
Competitive terms and conditions	59%	62%
Trends in commercial offerings	44%	48%
Performance benchmarks (ease of doing business)	39%	39%
Organizational benchmarking	27%	41%

Clarity of roles and ownership

Even in those organizations where roles and responsibilities are clear, the process of contracting generally remains confused, with multiple functions performing a variety of tasks and multiple systems containing related data.

Percentage saying there is clarity in roles and responsibilities

	Contract Management	Commercial Management
Buy side	59%	49%
Sell side	76%	65%
Integrated buy & sell	72%	68%

Percentage saying there is clarity in process ownership

	Contract Management	Commercial Management
Buy side	53%	42%
Sell side	59%	59%
Integrated buy & sell	62%	57%

Organization and reporting

Buy side organizations are less advanced in their development of contract management competency. They are significantly less likely to have clear ownership or accountability for contract and commercial management.

	Buy side	Sell side	Integrated buy & sell
Centralized	27%	35%	34%
Center-led	22%	8%	21%
Matrix	21%	33%	22%
Varies (eg division, country)	19%	22%	18%
Decentralized	12%	2%	5%

Organizational structure for full-time CCM resources

Organization and reporting

Reporting lines are always a contentious issue and have an obvious impact on the role and focus of the resources. Contract and Commercial Management continue to operate as itinerant activities, especially on the sell side. They tend to be moved in accordance with current business priorities and this is reflected in the diversity of reporting lines.

Function	Buy side	Sell side	Integrated buy & sell
Finance	9%	9%	13%
Legal	3%	26%	20%
Operations	18%	9%	12%
Sales	-	8%	3%
Supply management	22%	-	6%
Project management	7%	2%	7%
Commercial	12%	27%	13%

Organization and reporting

When these benchmark studies began almost 20 years ago, Finance was frequently the functional 'owner' of contract management: today, that is the exception. It is a surprising trend, given the financial and economic impact of contracting practices and competence.

Function	Buy side	Sell side	Integrated buy & sell
Procurement / Supply Management	29%	-	19%
Supplier Relationship Management	14%	-	12%
Legal	8%	18%	24%
Project Management	17%	24%	13%
Sales	-	17%	12%
Operations	17%	13%	12%
Finance	8%	10%	5%

CCM responsibility when not a dedicated function

Organization and reporting

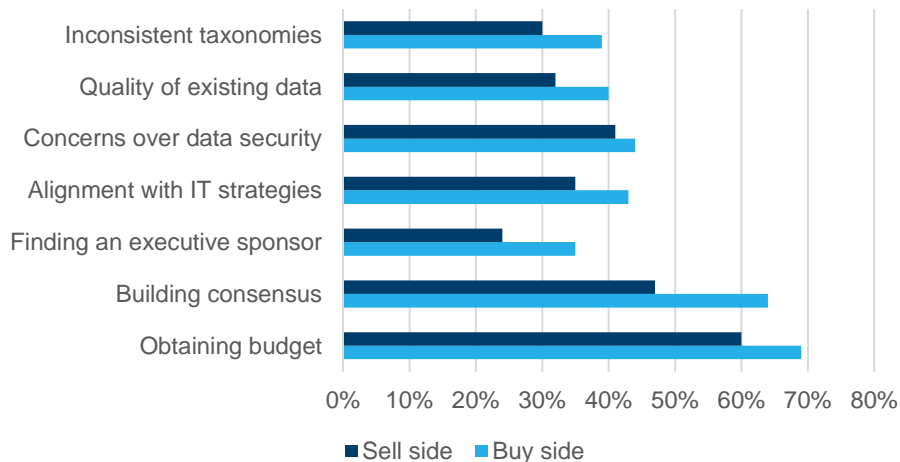
Variations in organizational structure and reporting have an impact on the approach to budgeting. Again, this is not consistent between buy side and sell side and leads to problems that go beyond immediate human resource – in particular, the funding of CCM technologies that drive corporate performance.

	Buy side	Sell side	Integrated buy & sell
Business unit / division	40%	17%	19%
Central budget	41%	51%	45%
Cost recovery	6%	12%	17%
Mix of approaches	13%	20%	19%

Technology and Software

This table shows the immaturity of technology within many organizations, as well as the contrasting priorities of buy side versus sell side contracts.

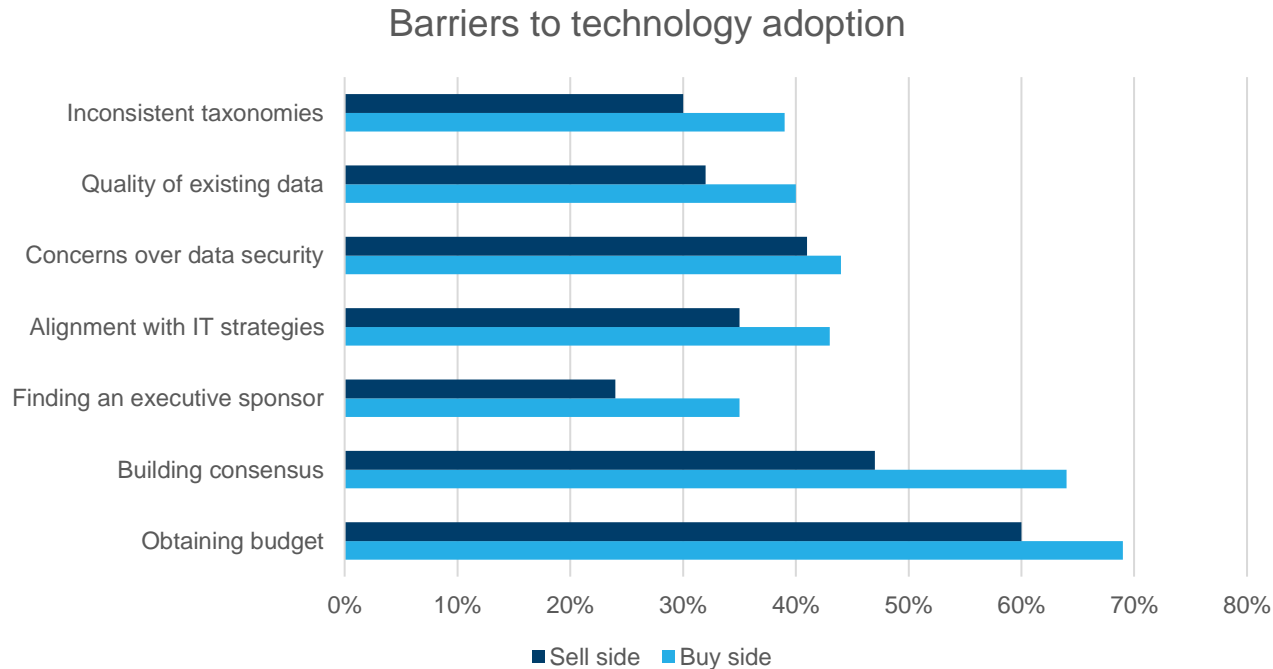
Drivers for adoption



- **Assembling contracts from a clause library:** 41% of integrated buy / sell functions have deployed or are in process of deployment, compared with 32% on the buy side and 34% on the sell side.
- **Digital capability:** on the buy side, 42% have deployed or are deploying, compared with 22% sell side and 37% in integrated groups.
- **Risk scoring:** buy side is also ahead with 48% implemented or in deployment, against 39% sell side and 30% for integrated buy / sell functions.
- **Analytics:** buy side has made much greater progress with 52% deployed or in process for individual agreements and 48% for portfolio analysis, against 33% and 28% sell side and 41% and 39% for integrated groups.
- **Obligation extraction, integration with other applications and management reporting / dashboards** are areas for a high level of investment by all groups.

Technology and Software

Even with the growth of management focus on CCM capabilities, there are continuing barriers to increased adoption. The table **tells** us that it is more difficult to move forward with CCM technology on the buy side - a composite view suggests it is approximately 25% harder to gain approvals.



What about AI?

The deployment of artificial intelligence and machine learning in contract management systems remains low, with only 6% on sell side and 4% on buy side (although the percentage saying that they have deployed analytical tools suggests that many may not realize that there is already embedded AI in their systems). Within integrated buy / sell functions, 11% have deployed. 21% of sell side say they are in process of deploying AI, showing the extent to which future market management is starting to rely on intelligent systems.

Primary uses of artificial intelligence in CCM

Buy side	Sell side
1. Contract creation / drafting	Contract creation / drafting
2. Reporting	Obligation extraction
3. Performance monitoring	Performance monitoring
4. Obligation extraction	Reporting
5. Contract review	Bid management

Conclusions

An aspirational shift in objectives represents the most positive and optimistic element of this report. They reflect a positive direction of travel, positioning contract and commercial management at the heart of the modern business – adaptive, flexible and securing value from trading relationships. Time will tell whether CCM functions achieve these objectives and whether the trend towards an integrated function will continue. The one certainty is that technology is the catalyst and enabler for transformation and its successful adoption will be a game-changer for delivering strategic value.

Primary objectives for Contract Management (top five)

Buy side	Sell side	Integrated buy & sell
Create competitive advantage	Balance business objectives & customer needs	Identify opportunities for added value
Financial impact	Manage change	Improve business productivity
Facilitate external relationships	Negotiation ‘center of excellence’	Support and implement changes in business goals & strategies
Improve business productivity	Facilitate external relationships	Negotiation ‘center of excellence’
Ensure business controls/compliance	Support and implement changes in business goals & strategies	Create competitive advantage