A photograph of a modern industrial manufacturing facility. Several white robotic arms are visible, positioned over a conveyor belt system. The arms are equipped with various tools and sensors, and some have green laser lines. The background shows a clean, well-lit factory environment with blue lighting accents.

CCM benchmark manufacturing and processing

A part of the Benchmark 2023/24 series based on the world's largest and most comprehensive study of CCM

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Foreword

Executives in the manufacturing and processing sector have grasped the critical role of commercial and contract management (CCM) in helping their business navigate the risks and uncertainties of unstable global markets and disrupted supply chains.

44% are placing increased importance on building CCM capabilities and none of the participating companies report declining interest. However, for most, considerable work remains to be done. Their CCM resources are often fragmented, and lack necessary investment in technology. In many cases, their role and purpose is not well defined, or covers only limited activities within the contracting lifecycle. In spite of the major market disruptions and shifts in commercial strategies, the average CCM function in the sector expends only 4% of its time on leading or supporting change initiatives.

Without investment or effective leadership, the CCM workforce remains focused on transactions and are constrained by operational workload.

As other sectors move forward in repositioning contracts and analytical intelligence at the heart of their business, manufacturing and processing needs to increase its pace of change. This report offers insights into the current state of the manufacturing and processing sector and points to areas for action.



Tim Cummins
President, WorldCC

Data for this report



Was collected from 56 companies



With average annual revenues of \$12bn



The survey was undertaken from July to November 2023



And there were interviews with experts in the first half of 2024

Introduction

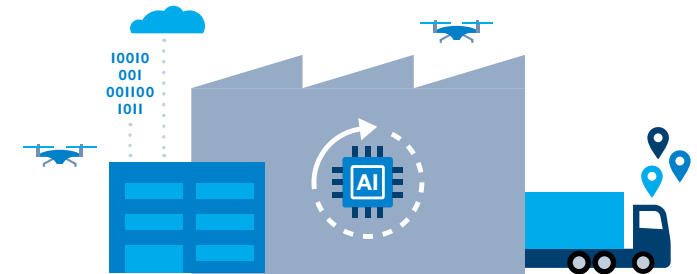
While there is tremendous diversity in the challenges facing different groups within the manufacturing and processing sector, adaptability and innovation emerge as consistent needs. They are driving shifts in strategy and operational capabilities, with digital technology as a critical enabler.

Market uncertainties demand increased flexibility, and this is causing a shift in commercial terms and relationships. The need for greater reliability of supply has resulted in changes in how activities are handled, with some being brought in-house, while others are being outsourced. Low-cost locations are in many cases giving way to nearshoring, and multi-sourcing is in many cases replacing single supply relationships. Services have become far more significant, both in production, for example in research and development (R&D), cloud, integrated support and in 'as-a-service'.

This digital landscape and volatile environment combine to make contract management an increasingly critical discipline.

Contracts are more varied and more dynamic, covering new and fast-changing risks and opportunities. The need for integrated data and advanced analytics has become urgent and can be met only through improved systems.

This report highlights the progress that is being made, though it also indicates that many companies remain at an early stage of their journey in raising commercial and contracting competence. The report reveals a high level of fragmentation in roles and responsibilities and limited moves towards more centralized or center-led functions. Factors such as these may explain the relative weakness of technology adoption and use in the sector.



Digital technology is a critical enabler for adaptability and innovation in the manufacturing and processing sector.

Strategic priorities

The strategic priorities for CCM teams in the manufacturing and processing sector show a high degree of consistency with the cross-sector average. There is one stand-out difference – a much higher percentage are placing priority on tools and systems. This reflects the fact that the sector is far below the cross-sector average in its deployment of technology to support contract management.

Our research and interviews revealed four major trends affecting the manufacturing and processing sector and these map closely with the priorities shown in Figure 1.

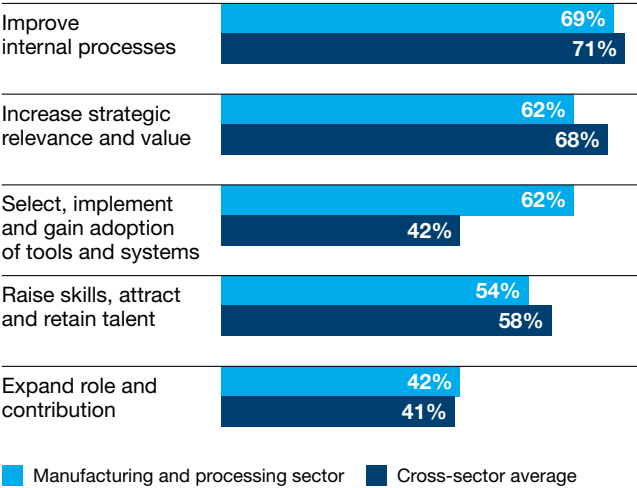
Digital transformation and Industry 4.0 are revolutionizing manufacturing processes.¹ They enable smart factories, predictive maintenance and real-time data analytics, which together improve efficiency and reduce downtime. Companies are investing heavily in digital infrastructure to stay competitive and meet the demands of a rapidly evolving market. This also leads to fresh thinking about contracting models, with steady movement towards more service- and outcome-based approaches.

Supply chain resilience and risk management are still priorities as market conditions continue to highlight the vulnerability of global supply chains. Manufacturers are focusing on building more resilient and flexible supply chains through diversification of suppliers, nearshoring and increasing inventory buffers. Advanced risk management strategies and real-time monitoring tools are essential to mitigate potential disruptions, and this impacts contract terms and the need for pro-active contract management.

Sustainability and environmental regulations continue to place pressure on this sector, with a growing emphasis on sustainable manufacturing practices and adherence to stricter environmental regulations. Companies are investing in energy-efficient technologies, reducing waste, and adopting circular economy principles to minimize their environmental footprint. This requires greater insight and oversight of supply relationships, sometimes through more onerous contract terms and sometimes through more focus on the quality of relationship management.

Labor shortages and workforce skill gaps are an inevitability in such a demanding environment. The skill sets needed in procurement and supply management are changing fast, while in fields like CCM there are simply not enough qualified practitioners.

Figure 1: Strategic priorities



1. In its *Global Machinery & Equipment Report 2022: Thinking Outside the Machine*, Bain states: "Industry 4.0 technologies are reshaping the business from one built around machines to one focused on services and integrated solutions. In some sectors, individual companies already generate more than 50% of revenues and 100% of profits with services. That trend is accelerating and will become the norm across the sector over the next few years."

The impact on contracts

As manufacturers continue to evolve their strategies and rethink the way they manage their service agreements, they are also creating new opportunities to implement resilient and sustainable business models, such as performance-based and outcome-based contracting.²

This report’s survey results confirm the broad impact of growing servitization as a business model. This combines with the need to better manage market risk through more flexible forms of commitment. Together, these factors explain why there is increased adoption of performance- and outcome-based agreements (up 32% since 2019), with ‘as-a-service’ models also showing a 29% increase in use or planned use. Agile contracting has recorded a more modest growth, with 16% using it regularly.

Each of these models introduces a need for greater skills, knowledge and active management, together with access to live performance data. From a commercial perspective, it is not easy to predict outcomes, assess risk-to-reward ratios, and then agree the right price, unless there is easy access to data on past and on-going transactions, service history and performance.

Performance- and outcome-based contracts bring significant benefits. These include stronger and more durable customer or supply relationships, increased potential to grow revenue over time and opportunities to identify cost savings through improved efficiency. However, those benefits occur only when contract management is an embedded area of competence and companies which lack AI-powered and IoT-enabled solutions struggle to measure and control outcomes.

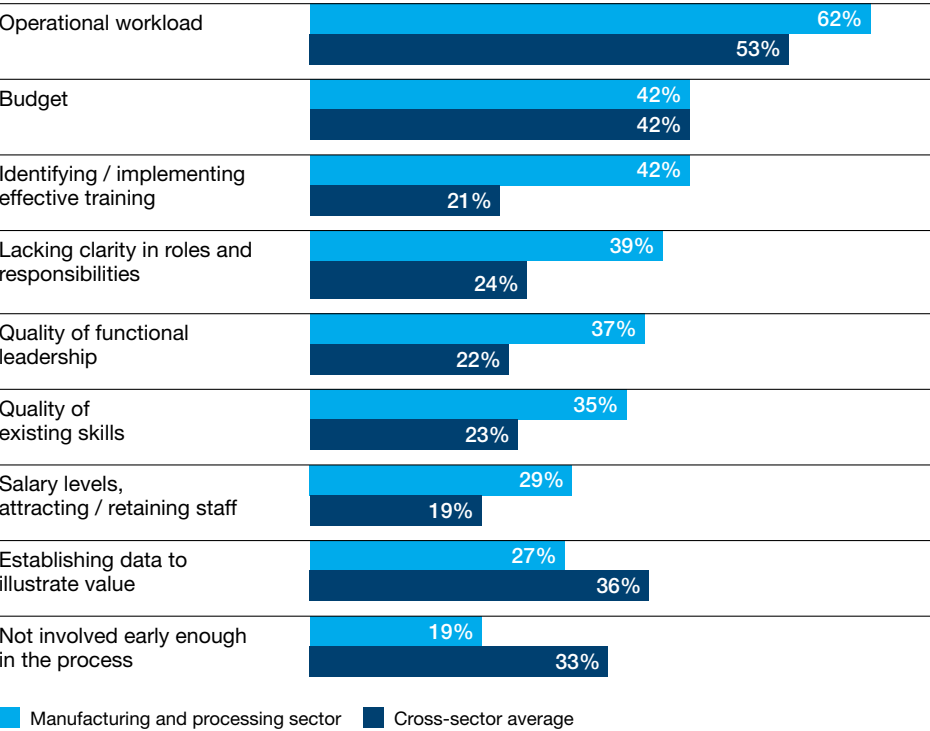
Navigating barriers

Commercial and contract teams are experiencing significant barriers in their efforts to achieve strategic goals.

These are shown in Figure 2, and in many respects they mirror the challenges already described in this report. The extent of market volatility, combined with efforts to master new forms of agreement, have led to ‘operational overload’.

In an environment of such rapid change, there are clear difficulties in re-defining roles and responsibilities, upskilling the workforce and implementing appropriate training. Each of these obstacles is significantly higher than the cross-sector average – and is doubtless a contributor to questions over the quality of functional leadership.

Figure 2: Barriers to achieving strategic priorities



2. Copperberg: Innovative Business Models for Manufacturers.

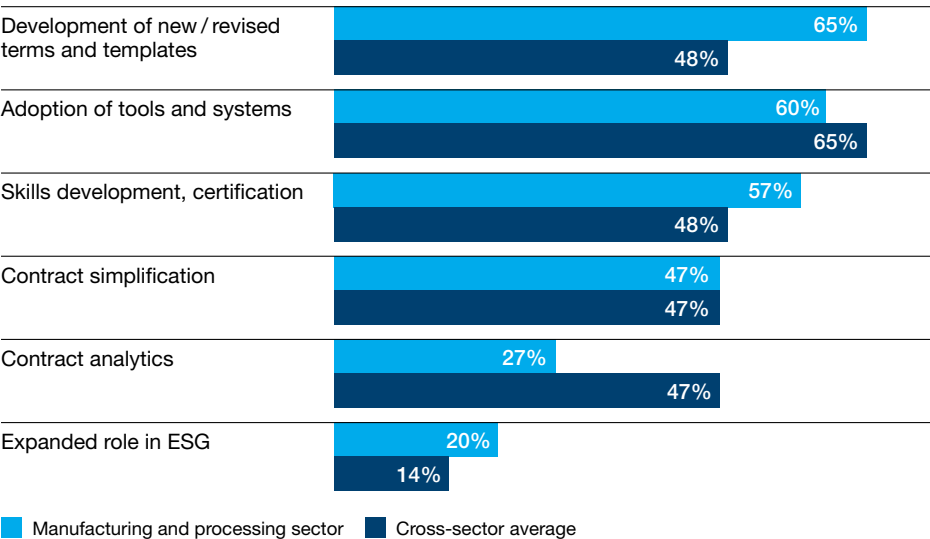
Strategic initiatives

Figure 3 focuses on initiatives that are under consideration (rather than Figure 1 where initiatives were in plan or underway) and these again align with many of the challenges and pressure points that have been identified.

The areas of greatest note, where this sector significantly exceeds the cross-sector average, are the need for new or revised terms and templates, the expanded role in Environmental, Social and Governance (ESG) and the focus on skills development. The only areas where the cross-sector average is higher are in adoption of tools and systems (but for many that is already in plan) and in contract analytics (which has a dependency on tools and systems).

Both manufacturing and processing and cross-sectors place a strong emphasis on contract simplification for several reasons. Simplified contracts reduce the time needed to draft, review and negotiate terms, accelerating the procurement and production processes. Also, clear, concise contracts minimize misunderstandings and disputes, ensuring all parties have a shared understanding of their obligations and expectations.

Figure 3: Initiatives under consideration

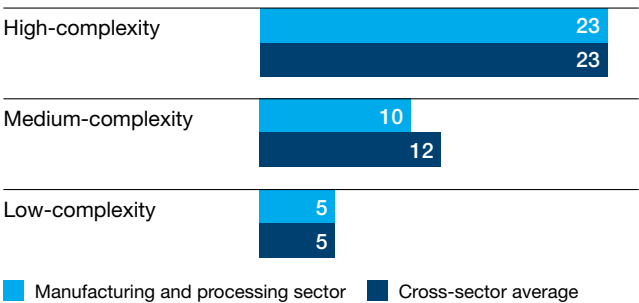


Bid to contract cycle times

Cycle times from bid to agreement for domestic contracts in the sector are the same as the cross-sector average for high- and low-complexity agreements, although slightly lower for medium-complexity.

This places the sector in approximately the 40th percentile of performance – but the position has declined as the contract portfolio changes. The shift towards performance- and outcome-based contracts, along with greater focus on risk terms, is complicating both planning and negotiation, resulting in a cycle time increase of approximately 20% since 2019.

Figure 4: Contract cycle time for domestic agreements (weeks)



For international contracts, the sector is close to the cross-sector average, with cycle times of 7 weeks for low-complexity, 12 weeks for medium- and 27 weeks for high-complexity.

While due diligence is essential, these delays matter:

- They represent a source of cost
- They represent a delay in product or service availability
- They are a source of frustration to many stakeholders
- They make procurements more vulnerable to change.

Survey participants place equal blame for the delays on the time taken by their counterparty, and their own internal review and approval. In today's digital age, streamlining is possible and appears to be on the agenda for many companies, with their focus on improving processes and simplifying contracts and templates.

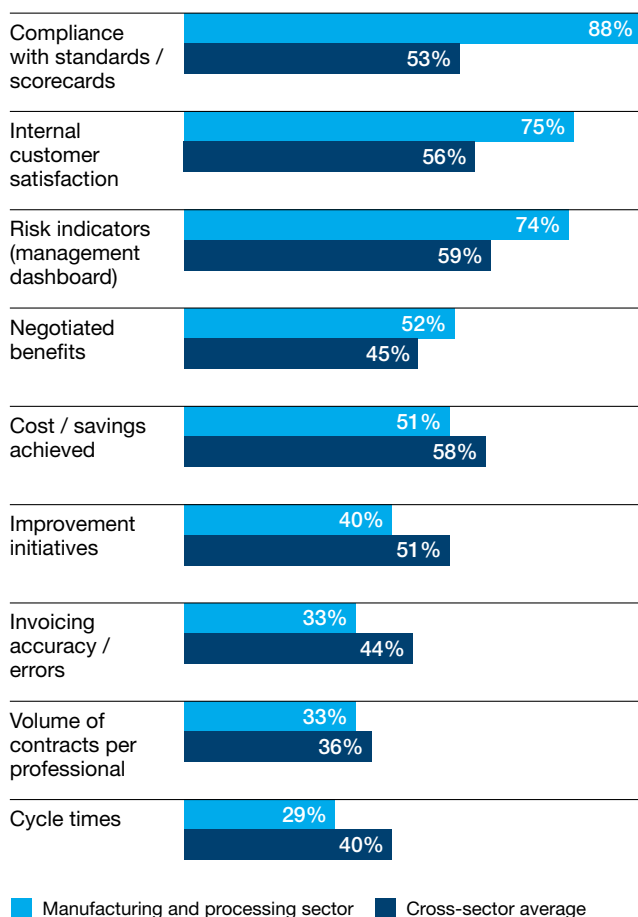
Performance evaluation

The performance metrics captured by CCM teams in manufacturing and processing show a mixed picture, once again reflecting the constraints imposed by limited access to technology.

Figure 5 provides confirmation of the overwhelming focus on risk, with compliance topping the list of measurements. However, the extent of focus on internal customer satisfaction and negotiated benefits is an encouraging indicator of the function's concern about value. The lack of focus on quantifiable metrics (cycle times, invoice accuracy, volume of contracts) is once again explained by the difficulty of gathering such data without underlying contract management systems.

Beyond the top performance measurements set out in Figure 5, the manufacturing and process sector is starting to monitor areas such as value erosion and post-award disputes – demonstrating a steady shift towards cost and value over time, rather than exclusively measuring the inputs achieved during pre-award. This shift is again essential as the use of alternative contracting models continues to grow.

Figure 5: Top areas of measurement



“Since 2019, there has been a 32% increase in the adoption of performance- and outcome-based agreements, with ‘as-a-service’ models also showing a 29% increase in use or planned use.”

Market volatility

Benchmark data indicates that teams in the manufacturing and processing sector exhibit a strong appreciation of the need for outward focus, most notably in external performance benchmarks and ease of doing business.

In every topic except organizational benchmarking, these teams are above the cross-sector average, see Figure 6. One reason why groups in this sector may be more interested in external data is to assist them in improving their status and performance.

As Figure 7 shows, the CCM teams in the manufacturing and processing sector are far less likely to operate as a centralized group. This inevitably makes the task of adjusting skills and contract offerings far harder and explains many of the barriers identified earlier in the report. Without coordinated leadership of their commercial and contracting activities, companies will struggle to respond to market pressures.

Figure 6: Handling volatility – market insights sought

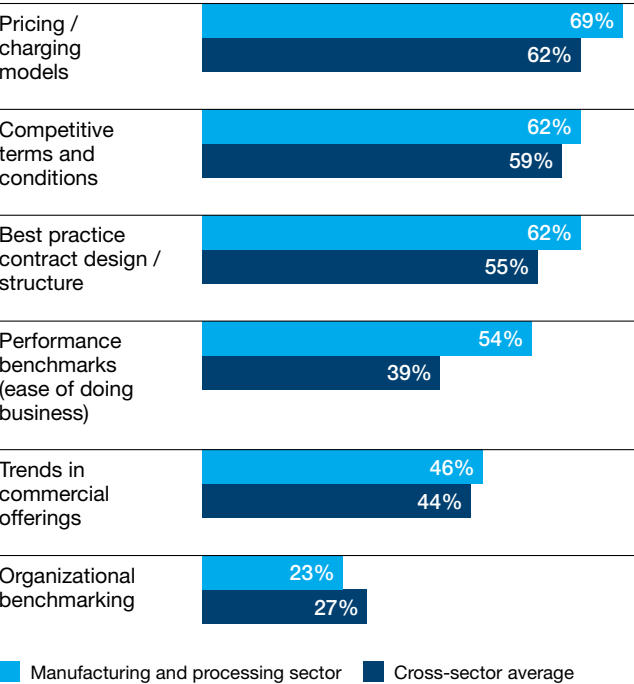
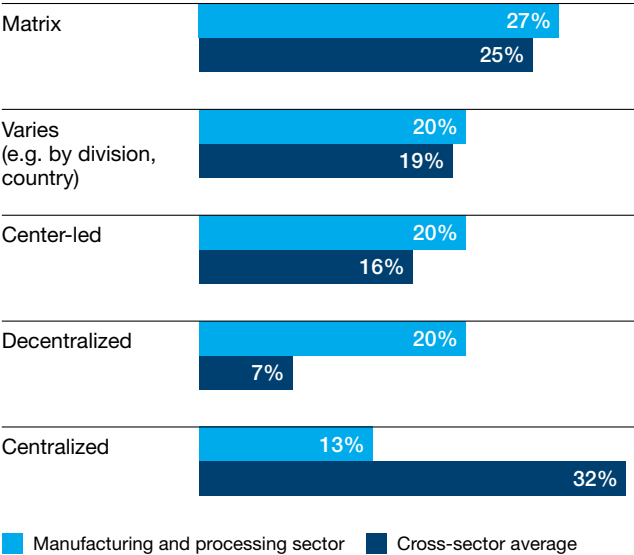


Figure 7: Structure for CCM resources



CCM reporting structures

Figure 8 shows the variations in reporting lines when compared to the cross-sector average and again reveals the relative inconsistency of the role that contract management plays in different parts of the sector.

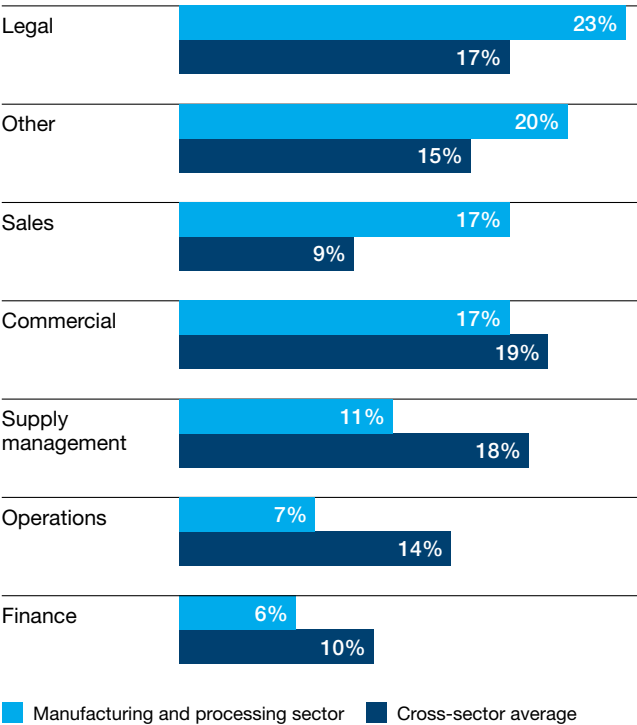
There is a greater likelihood of no consistent reporting line, or of contract management activities sitting within individual business units or sales teams. This suggests almost 40% of companies view the primary role of contract management as ‘business-enabling’ or providing performance oversight. At the same time, manufacturing and processing is more likely to position contract management within the Legal function, implying a stronger focus on pre-award risk management and compliance. Geographic location has a significant influence on this focus, with US headquartered companies significantly more likely to embed the role within Legal.

Decisions on company structure and reporting lines also affect the extent to which contract-related activities are integrated and whether any of them are undertaken offshore or outsourced.

Almost 56% of companies have either fully or partly integrated buy-side and sell-side contract management activities (43%) or are considering such a move (13%). Given overall market and supply insecurity, such alignment makes a lot of sense, especially when accompanied by a shared enterprise contract lifecycle management (CLM) system.

In general, this sector shows lower levels of outsourcing or offshore resources than the cross-sector average. Where it is occurring, the primary activities are contract review and discovery, general administration and performance monitoring, and accounts payable / receivable.

Figure 8: CCM reporting lines



Technology adoption

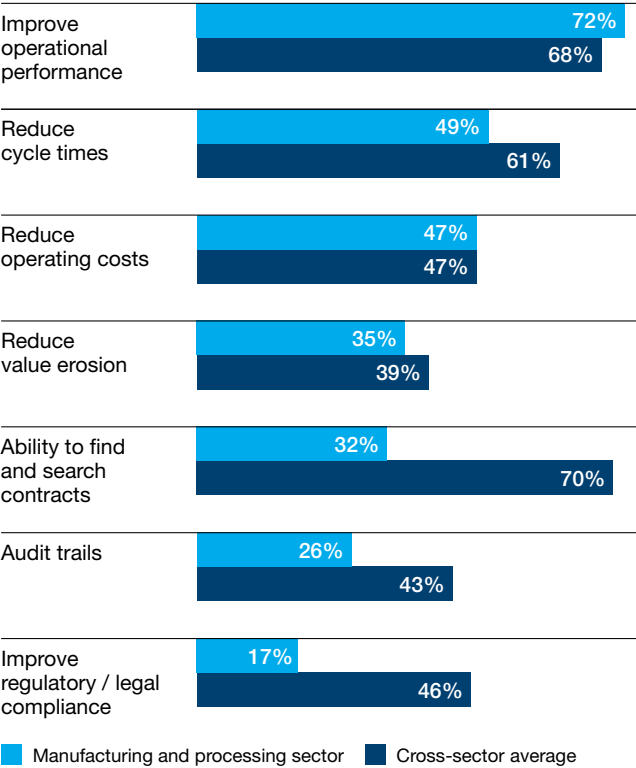
Artificial Intelligence (AI) has already shown its transformative potential in the overall operations of the manufacturing and processing sector, enhancing efficiency, accuracy, and decision-making.

The drivers for technology adoption in manufacturing and processing show significant differences from the cross-sector average. As shown in Figure 9, there is a strong focus on operational impact and a much lower emphasis on other factors. Once again, this may be due to organizational structure and reporting lines.

It is therefore not surprising that there has been early adoption in the contracting process, with 27% reporting some use. The top three uses are contract creation and drafting (17%), reporting (9%), and obligation extraction (7%).

Moving forward, there is an expectation of growing use in negotiation, contract portfolio analysis and contract review.

Figure 9: Drivers for technology and software adoption



“The need for integrated data and advanced analytics has become urgent and can be met only through improved systems.”

Defining responsibilities

Relative to many other sectors, the role of contract management in manufacturing and processing is quite narrow. For most, the business unit is responsible for price, requirements and sub-contracting.

Contract management personnel mostly engage in the preparation, review and negotiation of terms in Master Agreements and NDAs, plus re-negotiations. They have considerable involvement in drafting or reviewing Service Level Agreements and rather less for Statements of Work. Approximately 22% of their time is occupied in handling low-complexity agreements.

Responsibilities and time management

Figure 10 shows the primary responsibilities of CCM teams in the manufacturing and processing sector.

However, these primary responsibilities are not entirely reflected in where the most time is spent. Providing advice and guidance to the business absorbs 6% of resources, and developing standards and policies 4%.

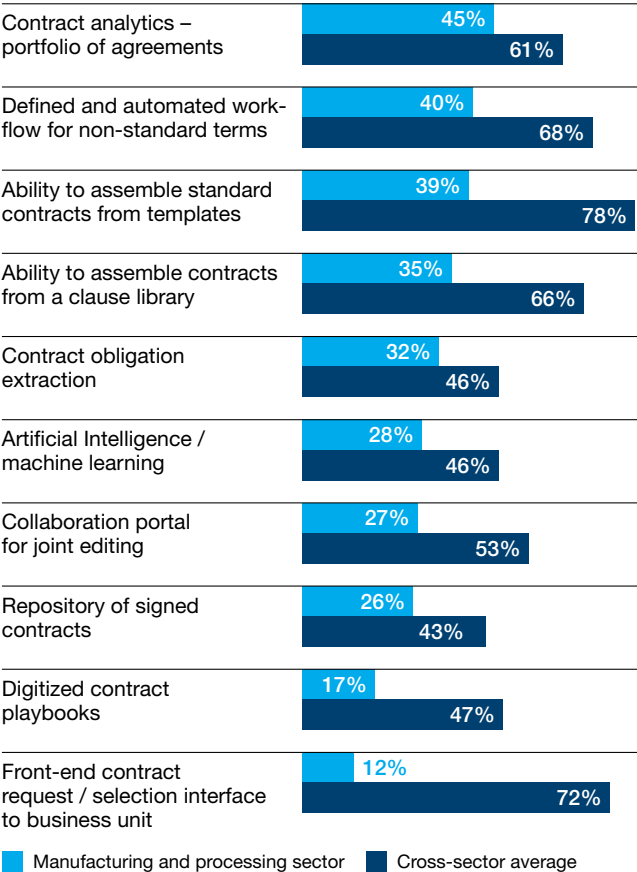
In reviewing the overall list of activities performed by the average CCM team, approximately 60–65% of their current activities are vulnerable to replacement by technology. With the advent of AI, many of these tasks will not only be done much faster, but also much better, due to the integrated data analytics.

Figure 10: Top five time allocation

Primary responsibilities		Most time is spent	
1	Drafting and development	1	Post-award contract management
2	Negotiation	2	Drafting and development
3	Advice and guidance to the business	3	Negotiation
4	Developing standards and policies	4	Bid review / input
5	Post-award contract management	5	RFX preparation

Figure 11 shows manufacturing and processing lagging substantially behind the cross-sector average in software tool deployment. It explains why CCM teams in the sector are so constrained in the role they are able to play and the value they can deliver. Without effective systems, the manual effort required to support this fast-changing sector is overwhelming and explains many of this report’s findings.

Figure 11: Extent of software tool deployment



Into the future

Based on the findings in this report, do CCM teams have a bright future in the manufacturing and processing sector? The honest answer has to be that they will not, unless they rapidly adjust their position and deliver greater value.

The nature and scale of the gap, relative to many other sectors, is shown by the view of critical metrics, as shown in Figure 12. In manufacturing and processing, these are strongly weighted towards controls and efficiency indicators, many of which will be delivered through technology and most of which are not indicators of any specific ROI.

Given the scale and nature of change facing the sector, there are many opportunities to add value. Commercial and contract management is a critical competency and discipline, a source of innovation and competitive advantage. The opportunities that arise from new technologies, the ability to develop integrated process, to eliminate friction points and to drive revenue and margin improvements are all within the sector's grasp.

The data has some encouraging signs. The growth of executive interest should provide an opening to create a new vision for CCM in the sector. The apparent enthusiasm for engaging with new technology and driving process simplification are good signs. Also, the extent to which contract design and simplification initiatives are being undertaken (43% of companies have already taken some action) is a positive indicator that many are challenging the limits of the past.

Figure 12: Top five performance measures

Manufacturing and processing sector		Cross-sector average	
1	Compliance with standards / scorecards	1	Risk management indicators
2	Involving accuracy / errors	2	Cost reductions achieved
3	Internal customer satisfaction	3	Internal customer satisfaction
4	Volume of contracts per professional	4	External benchmarks
5	Improvement initiatives	5	Improvement initiatives

About WorldCC

World Commerce & Contracting is a not-for-profit association dedicated to helping its global members achieve high-performing and trusted trading relationships. With 75,000 members from over 20,000 across 180 countries worldwide, the association welcomes everyone with an interest in better contracting: business leaders, practitioners, experts and newcomers. It is independent, provocative and disciplined existing for its members, the contracting community and society at large.

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About Icertis

With unmatched technology and category-defining innovation, Icertis pushes the boundaries of what's possible with contract lifecycle management (CLM). The AI-powered, analyst-validated Icertis Contract Intelligence (ICI) platform turns contracts from static documents into strategic advantage by structuring and connecting the critical contract information that defines how an organization runs. Today, the world's most iconic brands and disruptive innovators trust Icertis to fully realize the intent of their combined 7.5 million+ contracts worth more than \$1 trillion, in 40+ languages and 90+ countries.

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Benchmark report series

This report is one in a series based on data from [WorldCC's Benchmark Report 2023](#). Other reports in the series include a focus on:

- Public sector
- Buy-side and sell-side
- Geographic region.