

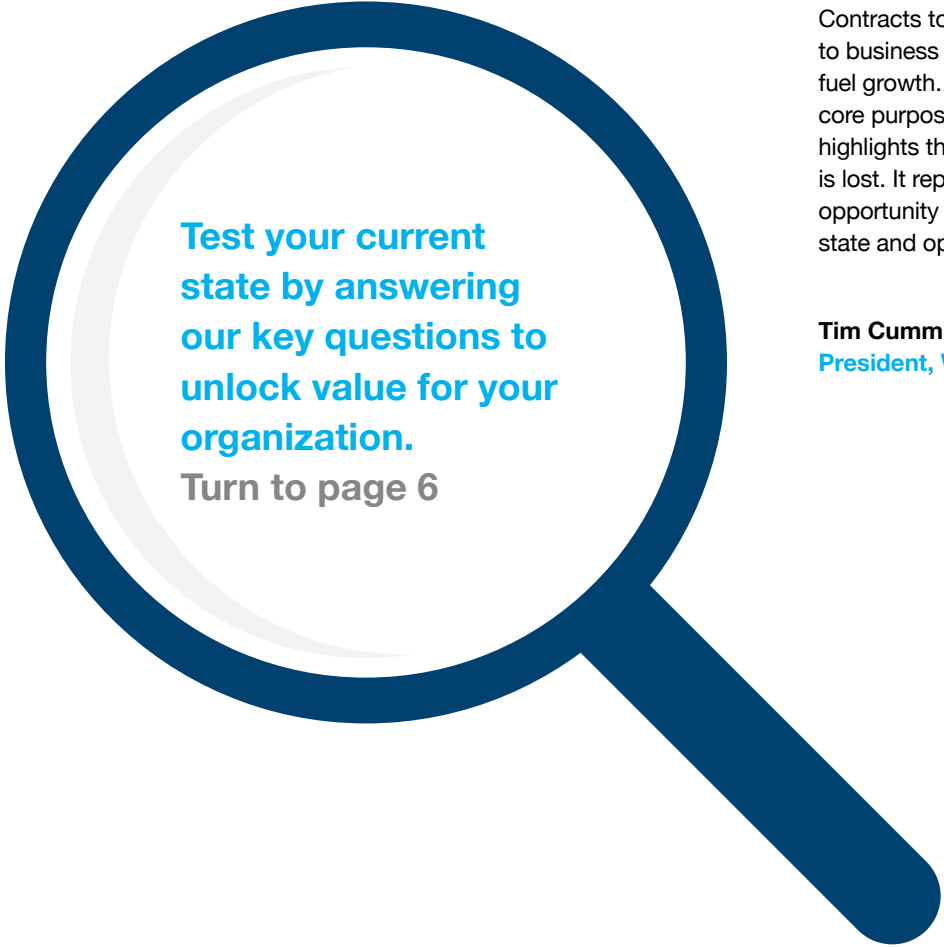
# Contract Management: An Overlooked Driver of Business Agility and Financial Performance



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# Foreword

Contracts today too often read like barriers to business - built to repel risk rather than fuel growth. This report reminds us that the core purpose of contracts is economic and highlights the cost when that connection is lost. It represents a call to action and an opportunity for you to reflect on your current state and opportunity for impact.

**Tim Cummins,**  
President, World Commerce & Contracting

## Is your business leaking millions - and you don't even know why?

Contracts touch every dollar of revenue and cost, yet in most organizations they remain a blind spot: fragmented, slow, rigid, and unintelligible to the people who should rely on them to do their jobs.

Our research shows the average business loses almost 9% of value annually through poor contract management. The best performers lose about 3%; the worst, 15% or more.

In today's unpredictable markets, where agility and insight are essential, this hidden drain on performance must be addressed, or it will become even worse. Think for a moment of all the changes you have led, yet through it all, your contracts most likely remain unaltered – instruments of illusory control, rather than frameworks for business enablement.

This paper lays out the evidence, the risks, and, most importantly, a roadmap for turning contracts into a source of speed, resilience, and competitive advantage. With the recent launch of a global Contract Management Standard, there is now a consistent framework that you and your cross-functional teams can use to shape a high-performing contracting lifecycle.

Please read this paper or at least assign someone to do so. Since you care about your business performance, you cannot afford to ignore it.

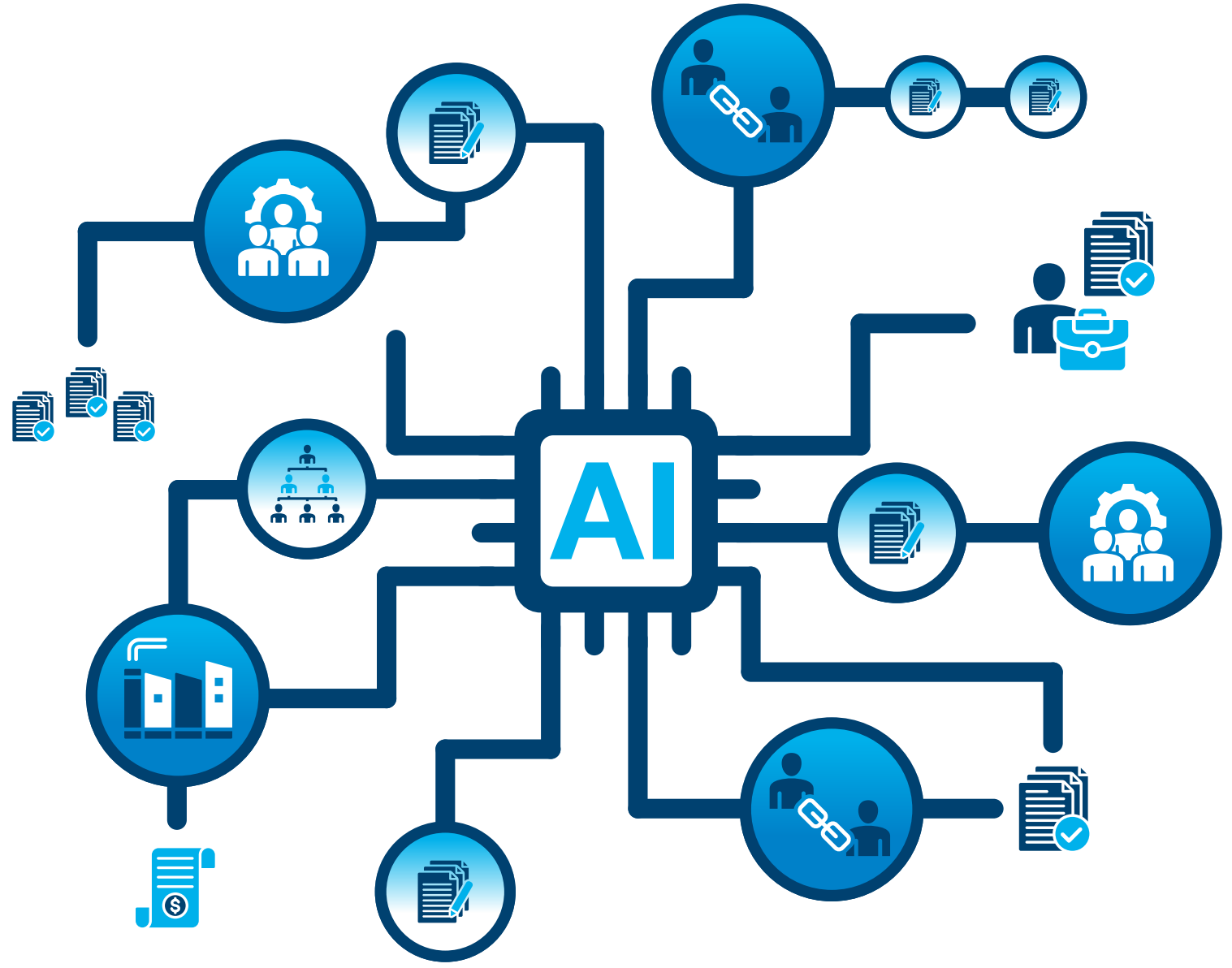


# The Hidden Constraint

In today's turbulent environment, your business is under relentless pressure to respond to shifting geopolitics, tariffs, market volatility and competitive disruption, while at the same time seeking to overcome the constraints of legacy systems and unlock value from emerging technologies like AI.

In formulating your response, have you considered the extent to which your efforts face a hidden constraint: the way you form and manage contracts.

Contracts govern your most strategic relationships, set the conditions under which you operate, and should be communicating critical information throughout the business. But in many organizations, contracting remains inconsistent, fragmented, and reactive - and the cost of these inefficiencies is staggering.



# The Evidence: How Contracting Fails to Deliver

## Consider these statistics:

- Average value erosion (the deviation from expected results) is 8.6%. Without action, market conditions will make this worse.
- Only 39% of commercial practitioners believe their contracts are effective in delivering the desired outcome.
- Only 16% of those practitioners believe that contract negotiations focus on the right topics.
- Almost 90% of business users say that they find contracts difficult or impossible to understand.

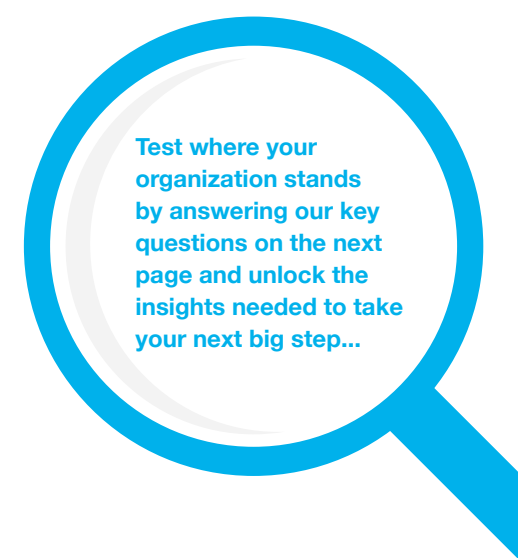
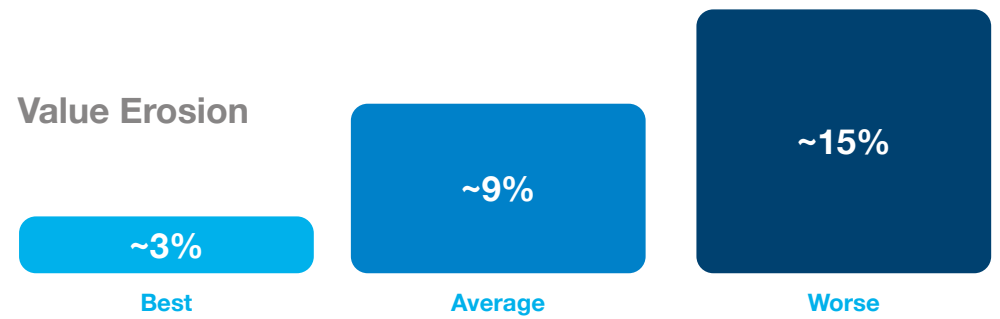
## Building on these findings, WorldCC's global research highlights the cost and consequence when organizations fail to pay attention to their contracting lifecycle:

- While poor contracting practices erode an average value equivalent to almost 9% of annual revenue, for those in more complex industries this is often 15% or more.
- Cost overruns, invoicing errors, delayed delivery, arguments over scope, missed entitlements, avoidable disputes - these are among the many contract-related factors contributing to value erosion and loss.

- On average, contract-related data is scattered across 24 different systems, making it nearly impossible to track commitments or optimize decisions on a timely basis.
- 83% of executives say their contracts are too rigid to adapt to change, locking them into outdated terms and preventing innovation or rapid adaptability when confronting challenging markets conditions or wanting to capitalize on new opportunities.
- The average contract cycle time varies enormously across organizations, with the best performers operating almost 4 times faster than the worst.

Instead of enabling performance, contracts often become a source of friction — an obstacle to agility rather than an enabler of resilience.

## Value Erosion



# Is Your Organization One of the Many?

## Predictability of Outcomes

- Can you accurately forecast revenue, costs, margins, and cash flow based on your contractual commitments?
- Do unexpected delays, disputes, claims, or missed obligations regularly affect your financial results?

## Contract Cycle Time

- Are you satisfied with how long it takes - on average - to get a contract from initiation to signature?
- Does this delay revenue, cost reductions, project start dates, or market initiatives?

## Responsiveness to Change

- When market conditions shift (e.g. tariffs, regulatory changes, supply chain disruptions), can you quickly identify impacted contracts and determine how to act?
- Or are you left scrambling because your contracts don't contain relevant terms, or you just can't get timely answers?

## Contract Performance Issues

- When you encounter performance failures, cost overruns, or missed service levels are the root causes clear, or do you lack visibility into where and why things go wrong?
- Do you have data to show how well your contracts and contracting process perform relative to others in your industry, whether they provide competitive advantage?

## Data and Insights

- Do you have a single, trusted source of truth for contracts, obligations, and risks which provides you with immediate, real-time answers to your questions?
- Or is your contract data fragmented across legal, finance, procurement, and operations, which means you are kept waiting for answers or left guessing?



# Why This Happens

There are some frequently observed structural issues which underlie this problem:



• **Siloed processes:** Legal, finance, procurement, and business teams often manage aspects of contracting independently, with limited coordination or cross-functional planning.



• **Inconsistent skills and practices:** Contract managers and negotiators lack standardized training and come from different functional backgrounds, creating unpredictable outcomes.



• **Data fragmentation:** The introduction of ERP systems brought efficiency and savings, but also created information siloes and rigidity, leaving critical data inaccessible, or sitting in spreadsheets and emails.



• **Mindset problem:** Many see contracting as about avoiding risk rather than managing it intelligently — which leaves value on the table and fosters adversarial behavior.



• **Management inertia:** Even though senior management may be frustrated, they often fail to take action. Historically, they lacked the data to appreciate the scale of the opportunity and, given the multiple stakeholders involved, change seemed too difficult.

**The result?**

Rigid contracts, slow responses, reactive risk management and significant value erosion.

# The Case for Change: A More Adaptive Approach

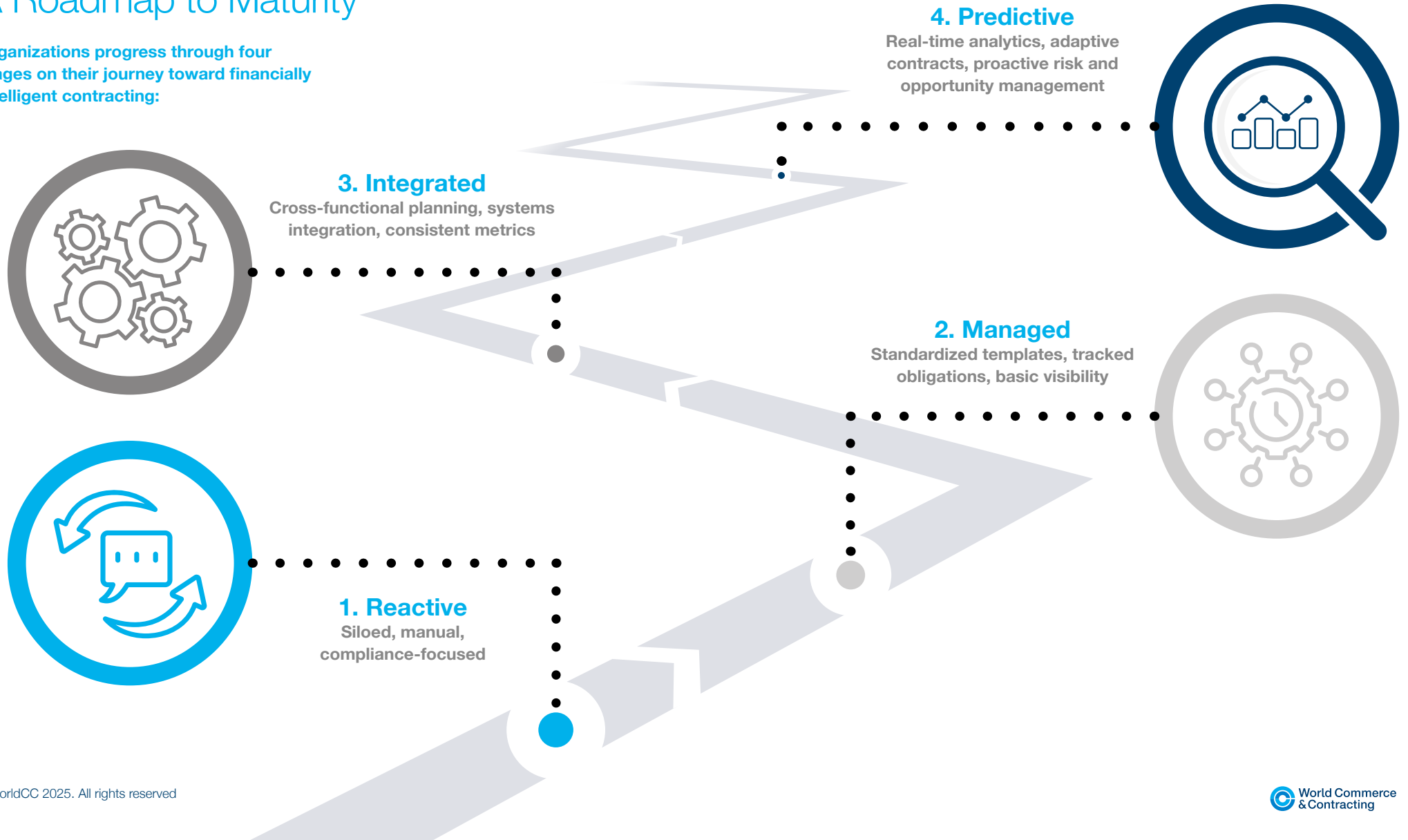
Dimension	Traditional Contracting	Adaptive Contracting
Cycle Time	Long, linear, approval-heavy	Streamlined, collaborative, accelerated
Risk Management	Focus on avoidance and transfer	Balance of risk and opportunity
Terms & Conditions	Rigid, one-size-fits-all templates	Flexible, event-driven, fit-for-purpose
Data Visibility	Fragmented, buried in documents	Integrated, real-time, actionable
Finance Integration	Minimal, post-facto reporting	Embedded in planning and controls
Value Realization	Untracked, leakage common	Monitored, optimized, shared outcomes

**Organizations adopting this model report:**

- Faster time-to-revenue and reduced working capital needs
- Improved margins and reduced leakage
- Enhanced supplier and customer relationships
- Increased resilience to external shocks

# A Roadmap to Maturity

Organizations progress through four stages on their journey toward financially intelligent contracting:



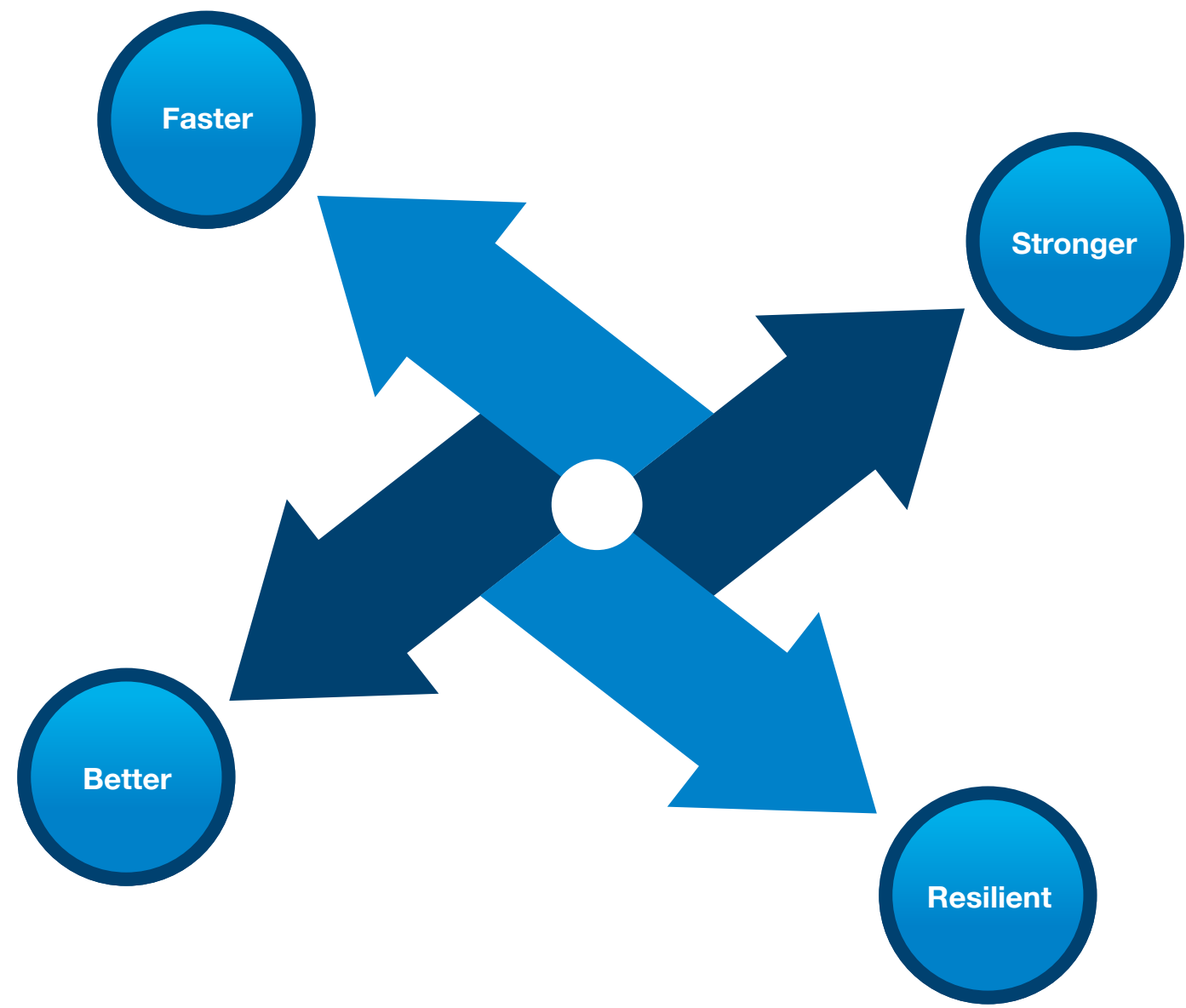
# The Call to Action

Executives who grasp the opportunity to address inconsistent and fragmented contract management are equipping their organization to compete and flourish in today's demanding business environment.

**By acting now you will unlock a powerful source of competitive advantage:**

- Faster, more agile responses to change
- Better use of emerging technologies like AI
- Stronger alignment between financial and operational goals
- Resilience and adaptability in uncertain markets

High-performing, integrative contract management is not just an operational improvement - it's a strategic imperative for modern markets.



## About World Commerce & Contracting

World Commerce & Contracting is a not-for-profit association dedicated to helping organizations achieve high-performing and trusted trading relationships. With 85,000 members from over 20,000 organizations spread across 180 countries, the association welcomes everyone with an interest in better contracting and commercial practice: governments, business leaders, practitioners, experts and academia. Our research and thought-leadership are independent, provocative and disciplined, contributing to members, the contracting community and society at large.

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