

Don't throw out the baby with the bathwater: findings from the global contracting benchmark

THE LEADING EDGE

Executive summary

Worldwide, eighty-seven percent of organizations report that they are operating in conditions of heightened uncertainty. Market volatility, geopolitical tension, regulatory change and digital disruption now define the global business environment. Yet, as the Commerce & Contract Management Institute's new Global Benchmark reveals, most organizations remain ill-equipped to adapt to these challenging conditions. Quite clearly, US Federal agencies are no exception. They face unprecedented uncertainty - institutional, regulatory, and



and political – but the model constructed over many years also retains strengths many others lack: clarity, consistency, and defined process.

The problem facing the US Federal approach to contracting is not its structure but its focus. Quality has come to mean compliance rather than effectiveness. Reform should not dismantle what works but redirect it toward purpose, adaptability, and value creation. By building on its coherent foundation, Federal contracting can shift from control to learning, from risk avoidance to opportunity.

The task is not reinvention, but renewal - transforming a system of compliance into an engine of resilience and performance.

Uncertainty at the core of federal operations

Across sectors and geographies, perceptions of uncertainty vary. Manufacturers worry about supply chain fragility, financial institutions about compliance and regulation and technology firms about intellectual property and talent. However, for government entities, a peak source of uncertainty takes on a more institutional form.

Within the U.S. Federal environment in particular, uncertainty is not only about markets or geopolitics; it is embedded in questions of budget cycles, policy priorities, and the evolution of the Federal Acquisition Regulation (FAR). The future operational framework for federal acquisition, including how it will adapt to AI, cybersecurity, and sustainability imperatives, remains under debate. This regulatory uncertainty is compounded by funding constraints and unpredictable political oversight, creating an especially complex environment for acquisition and contracting professionals (and their suppliers).

Of all the sectors surveyed, our data shows that public sector organizations worldwide rate themselves as the most exposed to uncertainty. Not surprisingly, US Federal agencies top the list - yet they also report some of the highest levels of perceived contracting “quality.”

Quality - or compliance?

That finding clearly invites scrutiny. It is certainly true that Federal contracting processes are among the most detailed and mature in the world. Roles and responsibilities are generally well-defined, governance structures are codified, and adherence to established procedures is rigorously enforced. On the surface, this produces high scores for “quality.” But in truth, this quality tends to be measured by compliance, not by effectiveness. It reflects the consistency with which rules and policies are applied, not whether those rules lead to optimal outcomes. Efficiency, agility, and innovation are rarely part of the assessment - and this is a weakness shared broadly across the worldwide public sector.

This is not to criticize Federal contracting professionals, who operate under intense scrutiny and within highly constrained frameworks. Rather, it exposes a broader question: can a system built on control, compliance, and predictability also support adaptability, learning, and innovation? Can it deliver value and operate at speed? While not always expressed in these terms, these questions lie at the heart of current pressures for reform.

Our initial findings show that over 40% of US federal organizations do not measure process efficiency (e.g. cycle times) while a staggering 66% do not measure value loss. How do Federal contracting organizations track improvement in efficiency and value if they don’t establish baselines?

One more strand in the reform initiative is

the pressure for Federal contracting to become more ‘commercial’. It’s a sensible challenge, but the benchmark shows that seeking to emulate the average corporate approach will not provide the answer. Our data shows that around 70–80% of participating organizations lack clear ownership of the contracting process. Roles are fragmented, accountability for outcomes is blurred, and commercial and contracting disciplines remain trapped between functions, rather than managed as integrated business processes.

Fragmentation erodes ‘contract intelligence’. Instead of learning from experience, organizations tighten controls, multiply approval gates, and become more risk-averse – exactly the opposite of what resilience requires and what US politicians are seeking. This does not mean that there are no examples from which to draw: it just means we must be careful where we look. When we dig into “quality of contracting,” the contrast is striking. Those with clear governance, shared data visibility, and adaptive terms achieve faster cycle times, more consistent value metrics, and greater success in meeting strategic goals. They react to uncertainty with curiosity and creativity, not fear. They treat contracts not as shields, but as instruments of alignment and opportunity.

That shift in mindset is critical. A risk-focused organization views contracts as protection from loss. An opportunity-focused organization does not ignore their role in managing risk, but also sees them as tools to enable change – to address new markets, foster innovation, forge stronger

relationships, and share data in pursuit of common outcomes.

The adaptability challenge

If volatility is the new normal, then adaptability must become the new core competency. Contracts and contract management represent critical tools in handling uncertainty, but only if they are designed and managed as dynamic instruments of collaboration and foresight. That is where the Federal system, like many public sector frameworks, struggles. Defined processes deliver consistency but leave little room for experimentation. Governance tends to reinforce the status quo rather than enable recalibration when conditions shift. The very attributes that make the system stable also make it resistant to change. Yet compared with many other jurisdictions, U.S. Federal agencies may be better placed for reform and those pushing for change should be cautious – they must avoid confusing a push for new goals and objectives with wholesale destruction of a valuable integrated capability. The consistency of US Federal contracting practice provides a stable base from which modernization can occur. The opportunity lies in shifting the definition of quality, moving from compliance with process to achievement of purpose.

Building intelligent, adaptive contracting

The global benchmark underscores that high-performing organizations, whether public or private are distinguished by three interdependent elements: people, processes, and systems. Traditional legal

and financial expertise remains essential, but must now be paired with data literacy, digital fluency, and the ability to interpret AI-generated insights. Intelligent systems are transforming contracting efficiency and turning data into foresight - spotting risk patterns, predicting performance issues, and identifying opportunities to accelerate delivery. Federal acquisition already generates vast quantities of data, but its use remains limited due to inaccessibility and outdated systems. The next frontier is real-time contract intelligence which comes from linking data across the lifecycle to inform policy decisions, improve supplier performance, and strengthen mission outcomes.

The shift to Contract Intelligence demands world-class expertise and workforce development. The US Federal system has a lot of ground to make up. Our initial findings show that just over half report having sufficient training resources while only a third claim to have adequate training budgets. We see a majority lacking a concerted talent pipeline with only 35%

reporting that they conduct skills audits to determine if they are adequately positioned for contemporary market and technological changes.

From risk aversion to value creation

Ultimately, the Federal challenge mirrors the global one: shifting from a risk-focused culture where contracts are instruments of protection to an opportunity-focused mindset, where they become enablers of innovation and value creation. AI will not deliver that shift on its own. The transformation will depend on empowered people, reimaged processes, and systems designed for learning rather than control. The message of the benchmark is clear: elevating commercial and contract management is not administrative reform, it is strategic necessity. In the Federal context, it is also a matter of public trust and performance. Those agencies that are permitted to invest in capability now will be the ones turning uncertainty into advantage, ensuring that the public sector's contracting legacy is the delivery of resilience and results.

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