

Contract and commercial management benchmark report

# Technology and software sector

One in a series of ten sector-specific reports



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# Preface

## Abstract

Many organizations in the technology and software sector are lagging other sectors in the performance of their contracting process. They could achieve cost and revenue improvements averaging 5-7% of contract value.

## About this report

From June to September 2021, World Commerce & Contracting gathered data from more than 800 organizations, providing in-depth visibility into their contracting and commercial capabilities. This report focuses on input from 68 companies in the technology and software sector, providing sector-specific analysis and comparison with cross-sector performance and trends.

## How to use the WorldCC benchmark reports

Benchmarking compares against four levels:

**Level 1**  
**Your own past performance**

**Level 2**  
**Others in your sector**

**Level 3**  
**World-class standards**

**Level 4**  
**Goals or vision**

This report should be used to make a direct comparison with the current state of others in your sector (Level 2). The *Benchmark Report 2021* (published September 2021) provides a cross-sector comparison, but more importantly offers insight to world-class performance, and can therefore be used to measure your current state against those world-class standards (Level 3).

Drawing from those standards of excellence, you may want to set a future goal or vision that represents an as-yet unachieved aspiration and would set you apart from others (Level 4).

# Forewords

“A truly resilient organization can both respond to and adjust effectively to external shocks and flex and stretch to seize new opportunities.”<sup>1</sup>

Contracting and commercial capabilities are fundamental to organizational resilience. This benchmark report confirms the pressure for change within the technology and software sector and reveals the steps being taken to drive improvement. It indicates the emergence of a new blend between people and technology, streamlining processes and orchestrating data flows to support faster, better business decisions.



**Tim Cummins**  
President,  
WorldCC



**Sally Guyer**  
Global CEO,  
WorldCC

Icertis is proud to be the sponsor of World Commerce & Contracting’s latest benchmark report – the most comprehensive survey of commercial and contracting professionals ever, featuring contributions from a diverse group of contract professionals from a multitude of sectors.

In addition to the cross-sector findings included in the [Benchmark Report 2021](#), published September 2021, the survey revealed deep insights into the unique challenges and opportunities faced by specific sectors – insights we will continue to explore in-depth to help managers chart a contract and commercial management course tailored to their needs and priorities.

In the pages that follow, you will learn how technology and software companies compare to the cross-sector average. For example, compared to other sectors, technology executives are more highly engaged in contracting excellence, and contracts are more complex and widespread in their organizations.

We believe this sector report represents the next stage in the maturation of contract lifecycle management – moving beyond an introduction to best practices to provide specific guidance on how CLM can improve contracting performance, reduce value erosion, and keep your organization out in front in an ever-volatile sector.

Thanks for reading.



**Samir Bodas**  
Chief Executive Officer,  
Icertis

1. A CEO guide to today’s value creation ecosystem, *strategy+business magazine*, issue 103.

# Executive summary

Executives in the technology and software sector are exhibiting high levels of interest in commercial and contract management (CCM) capabilities, with priority on tools and systems, contract analytics and simplification. Relative to many other sectors, past investment in CCM has been low. There is a tendency to view contract management as a transactional administrative activity, either fully decentralized or sitting within Legal or Finance.

As a consequence of past neglect, contract management automation and process re-design offer big opportunities to address innate inefficiencies and the likely levels of value erosion that are resulting from unclear roles and responsibilities.

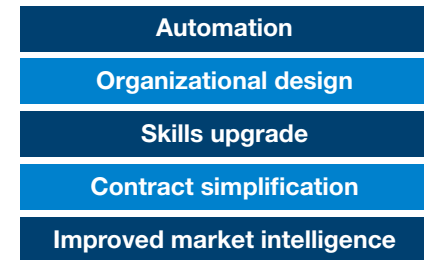
This sector is above the average on several key indicators of relative inefficiency – for example:

- More than 60% of agreements are to some extent negotiated
- There is above-average resource applied on low and mid-complexity agreements
- Approximately 32% of the workforce is somehow involved in contract management
- In almost 40% of organizations it is unclear who has responsibility
- Existing technology is in general rudimentary, providing little more than repositories and template management.

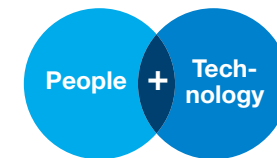
On average, we believe that organizations in the technology and software sector could generate improvements equivalent to 5-7% of contract value, largely through cost reduction or avoidance, but also with opportunities for revenue enhancement.

Facing a time of continued uncertainty and change, it is therefore unsurprising that 75% of the organizations in this sector are considering further technology acquisition and deployment. However, as this report highlights, automation is only part of the answer. Organizational design, upgraded skills, contract simplification and improved market intelligence are important areas for focus and improvement, combining to deliver a new blend of people and technology.

## Solution for improved CCM



Delivering a new blend of



# Technology and software sector findings

## Priorities for improving CCM

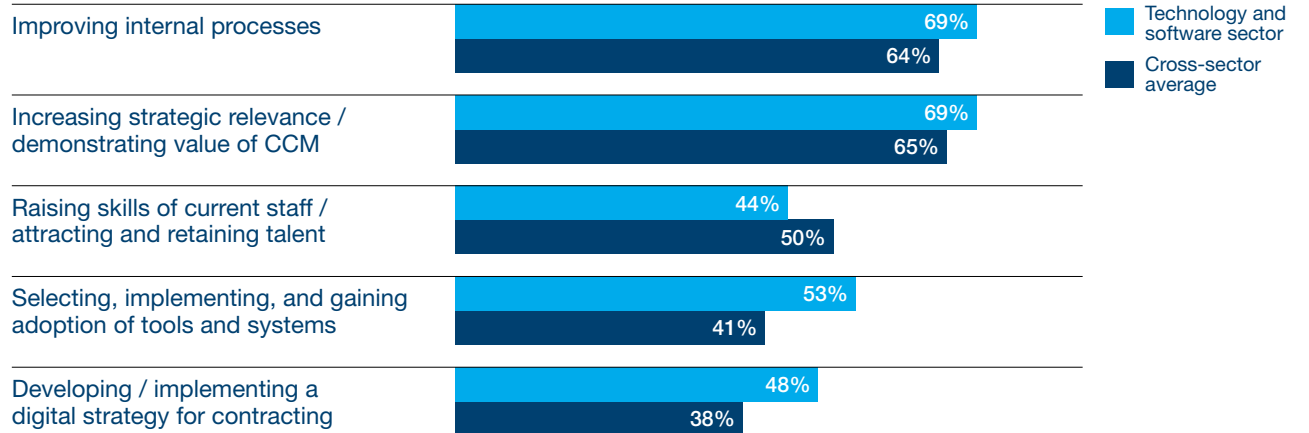
Since 2019, market uncertainty has forced many organizations to focus on maintaining revenue and controlling costs, resulting in a more tactical approach.

The disruption created by this uncertainty came at a time when the sector was already undergoing major change due to the extensive shift to an 'as-a-Service' commercial model.

In combination, these factors explain why the push for improving CCM is stronger in the technology and software sector than the cross-sector averages. CCM needs to play a greater and more visible role in streamlining business operations, supporting greater adaptability and anticipating and managing risks. This is reflected in the five areas which ranked highest in priority (see chart).

Improving processes and increasing relevance are each rated high priorities by 69%. Tools and systems are a high priority for 53% (versus cross-sector average of 41%) and digital strategy is selected by 48% (versus 38%).

### CCM priorities for teams or functions

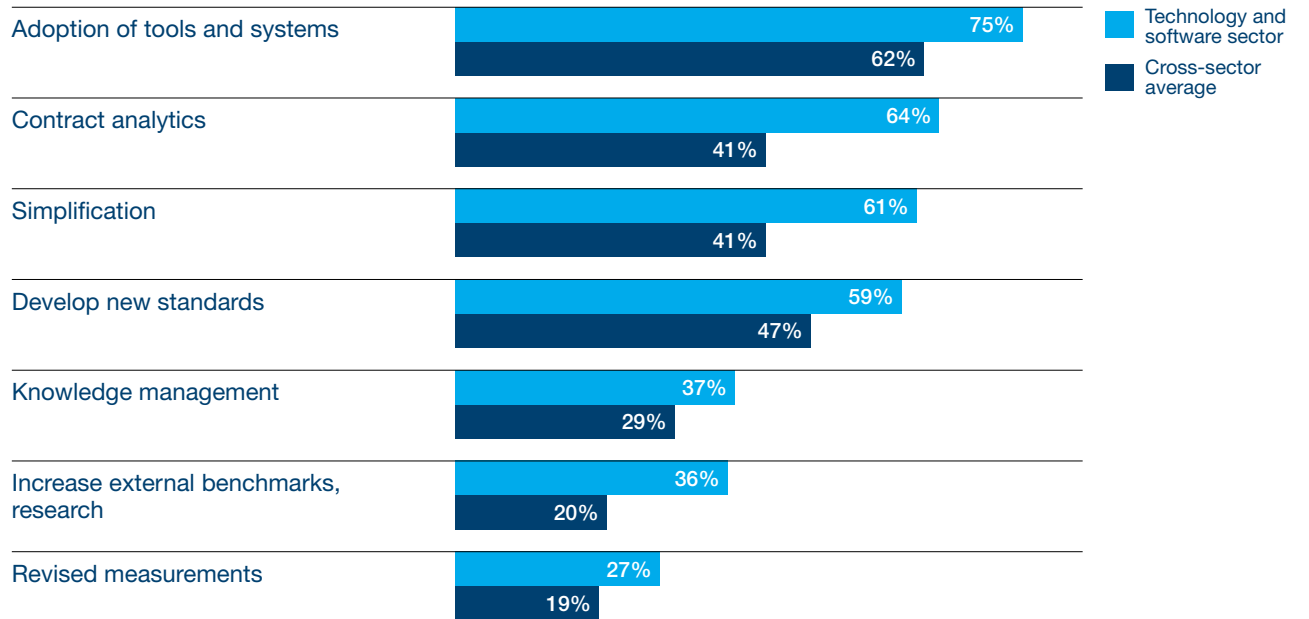


## The nature and extent of executive focus

63% of those responding from the technology and software sector report a heightened level of executive focus on CCM. Relative to other sectors, this is among the highest. None are experiencing a decline and just 5% say CCM is viewed as unimportant.

This focus is translating to higher-than-average attention to a wide range of improvement initiatives (see chart). However, many organizations appear ill-equipped to act on such an ambitious agenda. Factors such as current operational workload and the relative fragmentation of CCM resources are major factors likely to inhibit change.

### Initiatives that are being considered (in the context of CCM)



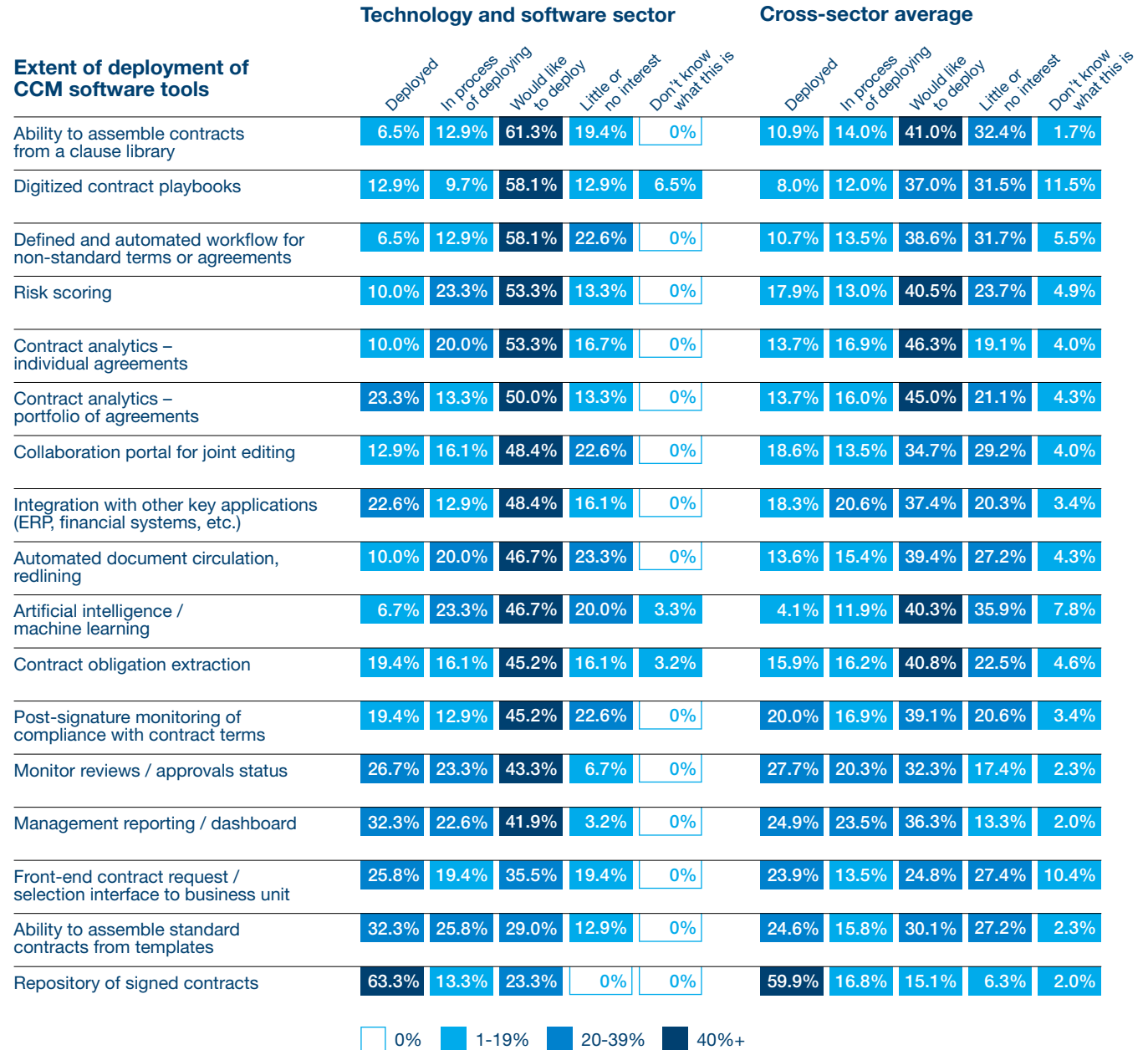
## The current state of CCM technology

Given the level of executive interest, it is not surprising that nearly 60% say that automation / deploying CCM technology is a priority.

The key drivers behind this (in order of stated importance) are:

- Overall visibility into contracts / contract data
- Achieving integrated data flow
- Being able to find and search contracts
- Reducing cycle times
- Improving operational performance
- Increasing revenue / value retention
- Reducing operational cost
- Reducing value erosion
- Audit trails
- Improving regulatory / legal compliance.

As this list implies, existing technology is for most rudimentary and in general below the cross-sector average. 76% say they have or are deploying a repository; 58% have or are in the process of deploying the ability to assemble standard contracts from templates (both broadly in line with the average); 50% can or will be able to monitor review and approval status (11% below average); and 45% have or are deploying a front-end contract request / selection interface to the business unit (14% below average). After this, deployed functionality falls away rapidly. So which tools would people most like to deploy? (see chart).



## Contracts and the contracting process

Contract duration in the technology and software sector is longer than average (3.9 years for medium complexity, 7.5 years for high complexity, versus averages of 3.2 and 5.8); unlike some others, the average duration (term) of contracts shows little overall change, though there is significant volatility since 31% are seeing increases and 27% decreases – changes that appear to be linked to issues around supply security (driving increases) and the shift to as-a-Service contract models.

The sector is in line with the cross-sector average in its use of templates; it is more successful in using its own template without amendments (31% versus 24%), though also often uses the counter-party template with amendments (30% versus 26%). The success rate in use of their own standard is largely attributable to software and as-a-Service agreements. Overall, however, this translates to more than 60% of agreements requiring some level of negotiation, which is a higher proportion than the average and is one factor behind the extensive push for greater use of technology.

The sector appears to be more aware than most of the benefits from contract simplification, with almost half on the sell-side saying they have conducted simplification initiatives in the last 2 years (20% incorporating some form of restructuring and visualization). A further 18% say that an initiative is being planned. Most commonly, the focus has been on Master Agreements (MSAs) and Statements of Work (SoW). On the buy side, 40% have undertaken some improvement, though only 2% include any visualization. 42% have done nothing and have no immediate plans.

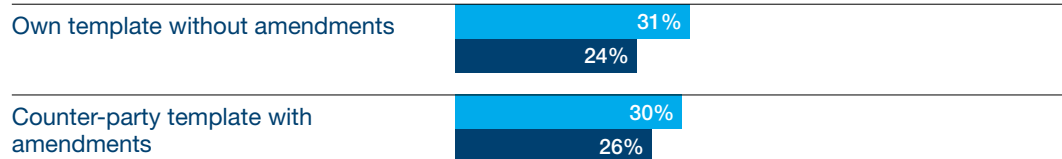
Picking up on the earlier point that some CCM groups may be more administrative in nature, 81% have significant involvement in low complexity contracts (against 67% average). They are also slightly below average in the number of contracts handled per head (pre-award) and marginally above average post-award (with a much narrower remit, this being focused on managing change rather than broader aspects of performance management).

The technology and software sector makes greater use of relational agreements (there is some use by 69% versus 60%); less use of performance or outcome-based (35% make no use at all), and more use of as-a-Service (49% versus 37%). However, a higher-than-average percentage say that use of performance and outcome-based agreements is increasing (approximately a quarter of respondents in each case). These changes are another factor in elevating the need for more advanced systems and tools.

### Contract duration



### Use of templates



### CCM groups involvement





## Resources, organization and reporting

CCM groups in the technology and software sector are less likely to operate under an independent reporting line – nearly half report to Legal or Finance, against the cross-sector average of 25% (though this may be in part distorted by a higher proportion of sell-side groups in the technology and software sector). This, together with a higher level of decentralization, gives the impression that some CCM groups remain largely administrative and are working to raise their profile and contribution. It is especially notable how little meaning there is in the measurements that are reported and how the tasks performed are narrower (for example, low involvement in statements of work; high involvement in NDAs).

Overall responsibility for CCM is much less clear and more variable in the technology sector, especially contract management (only 53% say responsibility is clear, versus average 63%) and 62% have dedicated resources versus 69%. For 32%, contract management resources operate purely at country or business division level and for 15% there is no clear responsibility or resource.

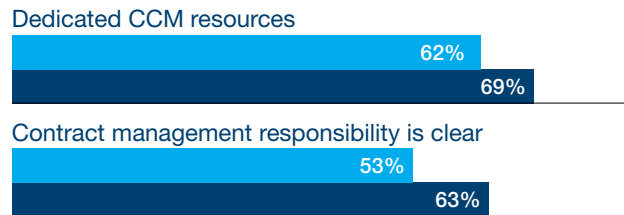
Overall, CCM activity is entirely part of a wider job role in 38% of organizations. Which jobs / functions take on the responsibility is highly variable – for example, on the sell-side, approximately 25% of the time it is within Sales, 13% Legal, 15% Project Management, 12% Operations and 35% of the time scattered in multiple places with no overall planning. This means that around 40% of organizations in the technology and software sector have no idea of how many people in the workforce are in some way engaged in managing contracts; however, for those that undertake some form of assessment, the percentage is 32, against the cross-sector average of 26%.

This variable picture is reflected in organizational design, where 31% are decentralized or operate by division versus average 24%. Only 9% are Center-led (19%). However, respondents indicate a potential trend towards greater centralization, often driven by an appreciation of the need for digitization and the opportunities that come from increased contract analytics. Approximately 15% expect or are in process of increased centralization of resources.

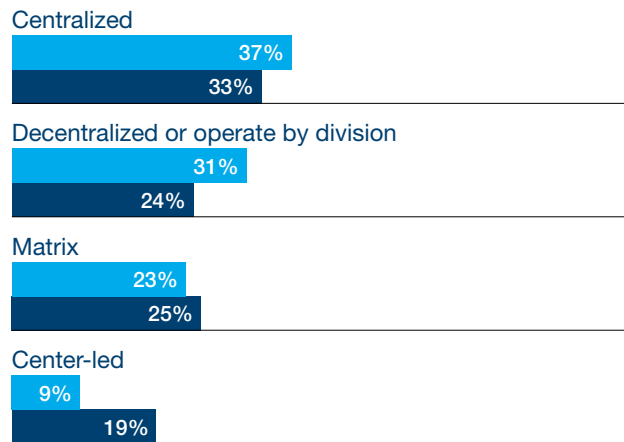
CCM reporting to either Legal (27% versus average 15%) or Finance (18% versus 10%) is far more common in this sector and there are signs that the percentage within Finance may increase. Only 11% have a distinct commercial function and reporting line (versus 20%).

Where there are dedicated resources, 59% have funding for technology within their budget.

### Responsibility for CCM

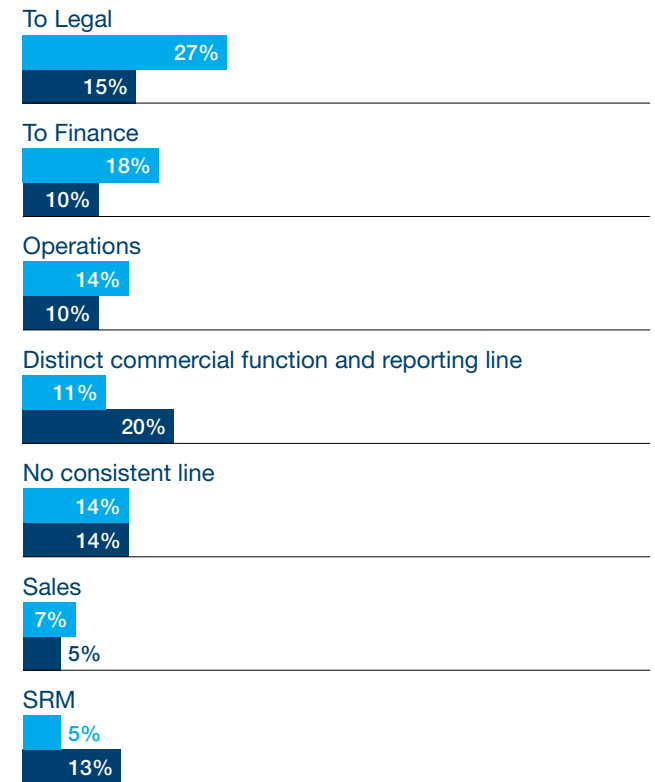


### Organizational design



Technology and software sector | Cross-sector average

### CCM reporting

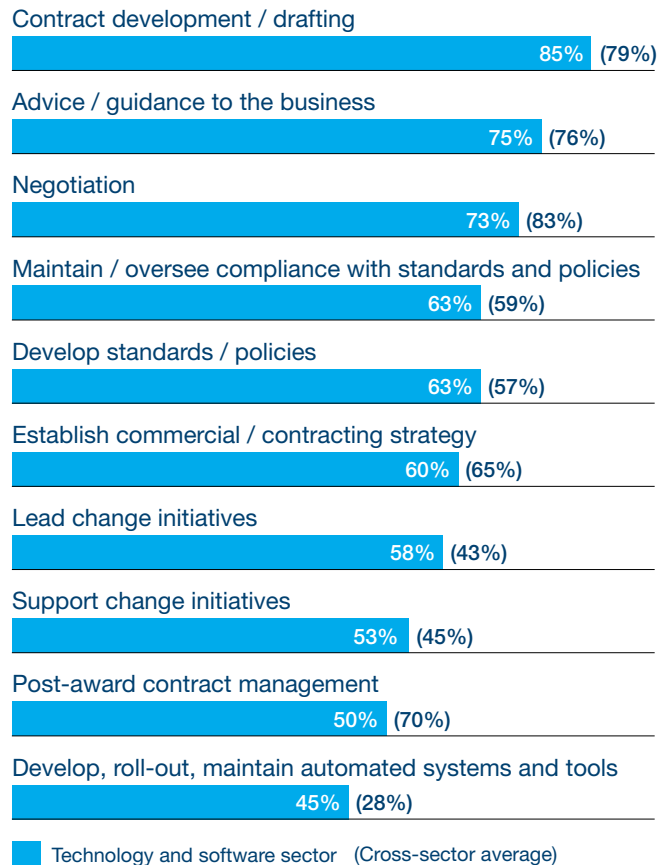


Technology and software sector | Cross-sector average

## Responsibilities and time allocation

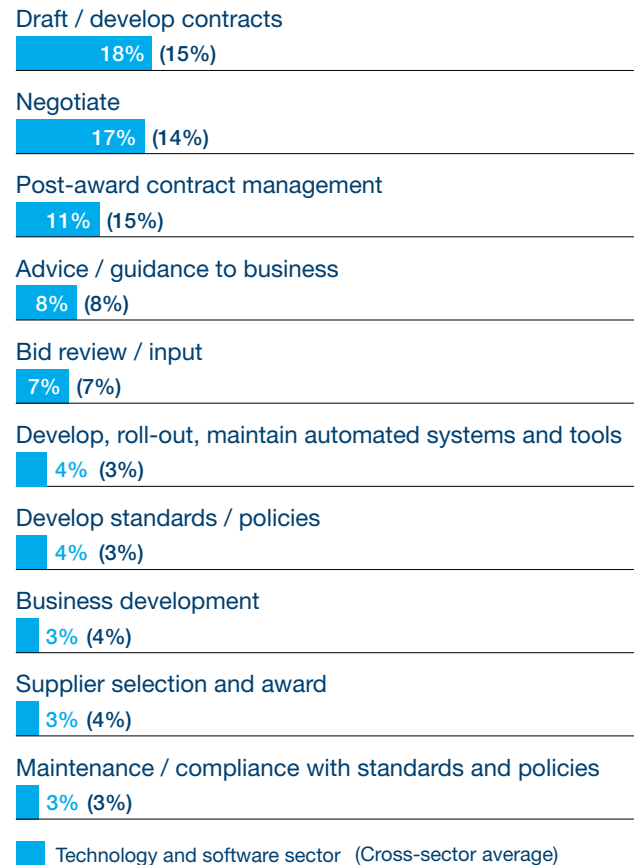
In terms of the top ten responsibilities identified by the technology and software sector, the major areas are similar to other sectors, though negotiation and establishing commercial and contracting strategy are notably lower, especially within sell-side teams.

### Top ten responsibilities



In terms of where time is allocated (workload distribution), the top ten reflects the higher-than-average focus on pre-award activities, again consistent with the dominant reporting lines in this sector.

### Where time is allocated (top ten)



Even though leading and supporting change initiatives feature in the top ten areas of responsibility, they absorb less than 5% of time. Similarly, developing commercial and contracting strategy accounts for just 2%. And at 0.5%, this sector expends minimal effort on market research (on average, this equates to approximately 0.35 of a head or a total of less than 600 hours).

The narrower role performed by dedicated CCM resources is likely to help account for the above average engagement of people elsewhere in the business. As stated previously, 32% of the workforce in technology and software has some involvement with the contracting process, against the cross-sector average of 26%. A key question is what impact an expanded role might have on overall business efficiency and cost reduction, especially within the Sales organization. There have been examples within this sector where the productivity of sales and related operational staff have improved by more than 20% as a result of additional dedicated CCM staff; clearly, this is also where technology can have a major impact.

## CCM objectives

The primary objectives identified by the technology and software sector for contract management are:

- Risk mitigation / management
- Ensure business controls / compliance
- Negotiation center of excellence

Financial impact and balancing business objectives / customer needs come in 4th and 5th place, but considerably behind the top three. Facilitating external relationships comes in last place.

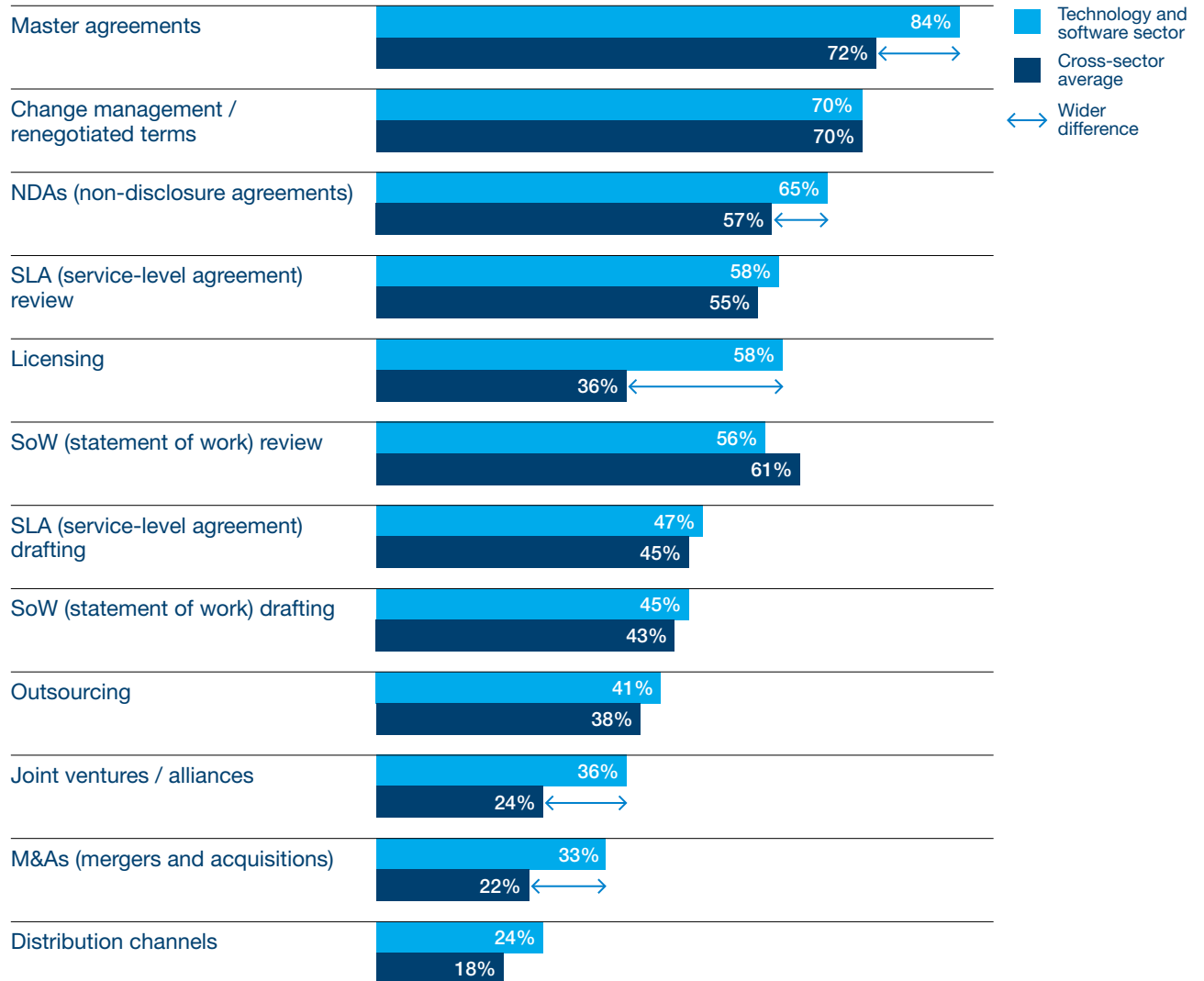
However, unlike some sectors, there is a clear divide between the objectives for contract management and those for commercial. For commercial, the priorities are:

- Financial impact (clear leader in terms of objective)
- Risk mitigation / management
- Facilitating external relationships
- Balance business objectives / customer needs
- Ensure business controls / compliance

As previously noted, the role of finance and business units in performing CCM tasks are far more pronounced in this sector than most others. Together, they typically evaluate cost and determine pricing – the business unit is predominant in requirements review, relationship and performance management. Equally, engagement by CCM staff in SoW and SLA review and drafting is below average, with just 17% always being involved (this could be due to better standards and systems, though there is no clear evidence of this).

Against this, handling master agreements (84% most of the time or always), NDAs (65%) and licensing (58%) are far more common, as is involvement with M&A (33%) and joint venture activity (36%). Some of these cross-sector variations are a consequence of a different balance between buy-side and sell-side resources, but reporting line is a bigger factor.

### Substantial input to contract documents / offerings, always or most of the time



## CCM objectives (continued)

The technology and software sector makes greater use of offshore resources (40% versus average 22%), captive centers (14% versus 7%) and outsourcing (21% versus 17%). Only 42% say that they use none of these, against the average 66%. The areas outsourced are broadly in line with sector averages – contract admin 63% (66%), contract review / discovery 63% (63%) and accounts payable / receivable 25% (33%).

Looking at responsibilities, the technology and software sector focuses less on post-award (50% versus 70%) and less on market research (13% versus 24%) – again influenced by the two main reporting lines of Legal and Finance.

The primary areas of market research that technology and software CCM groups would like to undertake are:

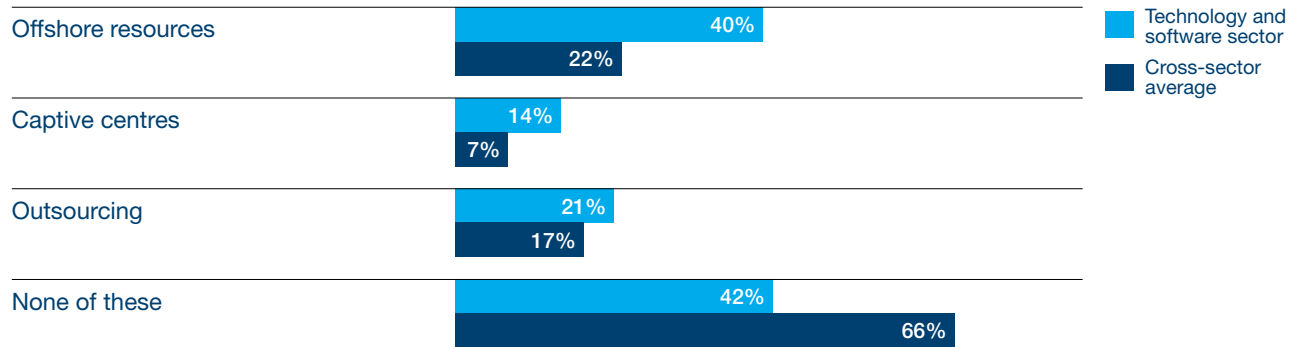
1. Competitive terms and conditions
2. Trends in commercial offerings
- 3.= Organizational benchmarking
- 3.= Pricing / charging models.

Ease of doing business is a focus for this sector – 52% versus 39% – linking to one of the major reasons for executive interest and also the areas where it is perceived that market research is needed.

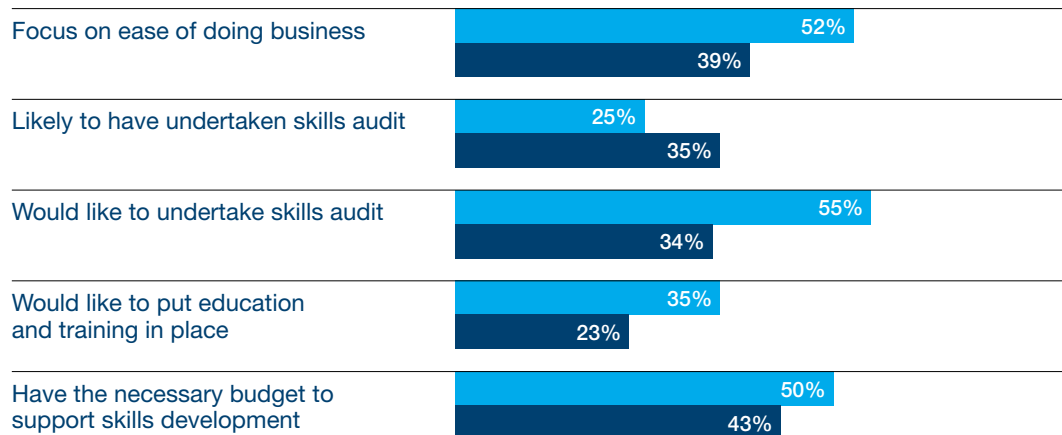
When it comes to responding to change, this sector is less likely to have undertaken a skills audit (25% versus average 35%) – this may be linked to the fact that CCM groups are more likely to be decentralized. 55% (versus 34%) say they would like to undertake a skills audit.

While 52% say they have necessary education and training available (in line with average), 35% say they would like to put it in place (versus 23%). 50% say they have the necessary budget to support skills development (versus 43%).

### Options that organization use to perform any element of the contract / commercial role



### Other notable variations from cross-sector average



## Measurements

As previously noted, 81% of CCM groups in technology and software have significant involvement in low complexity contracts (against 67% cross-sector average). They are also slightly below average in the number of contracts handled per head (pre-award) and marginally above average post-award.

Overall, the sector is approximately 20% better than sector average in cycle time, on all levels of contract complexity (see chart).

The top items measured by the technology and software sector are:

1. Number of contracts per head
2. Risk scoring
3. Negotiated benefits
4. Cost reduction
5. Management reporting
6. Improvement initiatives

The top measurements that are reported by the technology and software sector are:

1. Number of contracts negotiated
2. Average value of deals supported
3. Cost avoidance
4. Contract compliance (standards)
5. Ratio of staff to contracts

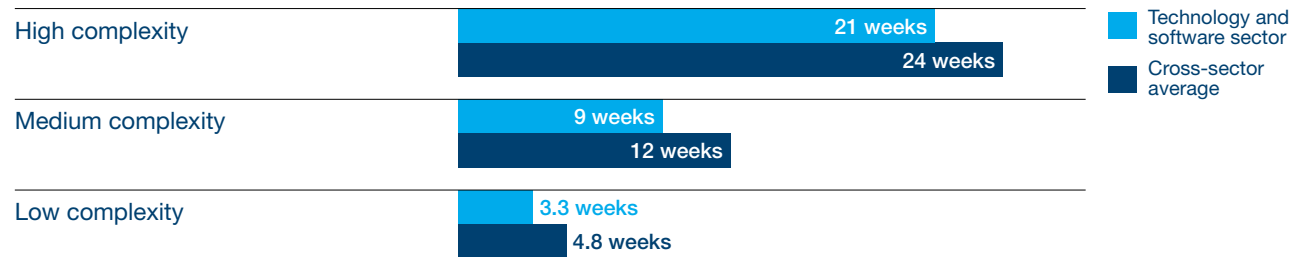
There is no immediate explanation for the inconsistency between the items measured and those that are reported, except perhaps that the first list is at this time more aspirational (for example, 53% place high priority on technology that would assist with risk scoring). Certainly, if the function is aiming to demonstrate and deliver business value, measures such as risk scoring and negotiated benefits are far more powerful than the items in the second list.

As mentioned in the introduction, groups in the technology and software sector are much less likely to provide input to SoW review (17% always doing this versus average 31%) and drafting (17% versus 22%). SLAs are similar – 22% versus 28% for review, 17% versus 24% for drafting.

Against this, 49% (versus 36%) are always involved in NDAs, with a further 23% involved most of the time.

They are also more engaged in activities such as licensing agreements (36% versus 21%), M&A (31% versus 15%) and joint ventures / alliances (19% versus 15%). Managing contract changes and renegotiations is a significant activity, with 70% involved all or most of the time (the data suggest that time on post-award is primarily in these areas, rather than performance management).

### Contract cycle time



## Barriers to improvement

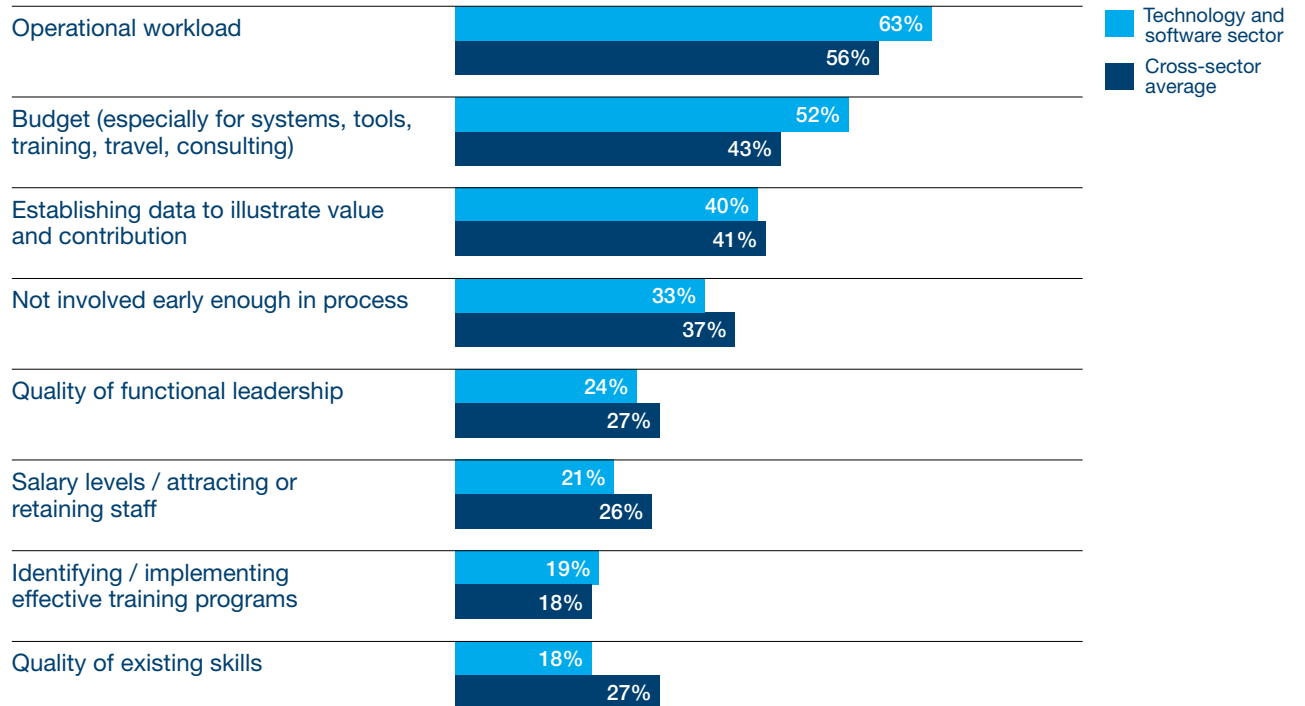
In terms of barriers, the technology and software sector puts operational workload (63% versus 56% cross-sector average) and obtaining budget (52% versus 43%) as the most significant items.

Even though raising skills and retaining talent is highlighted as an area that needs improvement, the quality of existing skills is not considered so great a barrier as it is in other sectors (18% versus 27%).

As previously stated, acquiring new or enhanced technology to support CCM is viewed as a top priority. However, this does not mean there are no barriers to moving ahead. These are shown in the chart, in order of significance. Of these, budget is by far the most significant.

Around 40% highlight building consensus and achieving IT alignment; only 16% say executive sponsorship is a significant problem.

### Significant barriers to achieving strategic priorities



# Conclusions

The technology and software sector has an above average opportunity to benefit from improved CCM performance. The data shows a higher level of workload fragmentation, creating inevitable inefficiencies in operational support and generating management information.

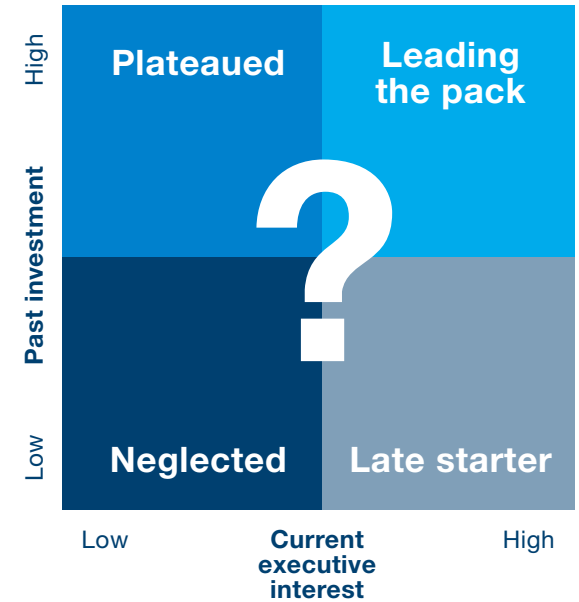
The strong growth in executive interest in CCM suggests some awareness of the problems and opportunities. However, many organizations face significant barriers to improvement. Freeing resources to lead on the necessary initiatives appears to be challenging, but an even greater obstacle is likely to be the lack of clarity over existing roles and responsibilities. In such an environment, gathering the data needed to support investment is difficult and building consensus across the multiple stakeholder groups frequently frustrates progress.

To succeed, an action plan must incorporate tangible benefits for all key stakeholders, recognizing that there are different interests to be served. Setting a vision and targets

for the CCM process that are based on speed, adaptability, improved margin, and greater visibility into business risk are typical elements that build consensus.

The plan itself should then consider a range of simplification initiatives – for example, moving away from contract templates to clause libraries; user-based contract design; creating AI-enabled playbooks and self-service tools – as well as establishing clear accountability for overall process quality and performance. Enabling this, a new blend between technology and human resource is critical – and can deliver the sort of improvements in both efficiency and effectiveness outlined in this report.

Where are you on the journey?



### About World Commerce & Contracting

World Commerce & Contracting is a not-for-profit association dedicated to helping its global members achieve high-performing and trusted trading relationships. With 70,000 members from over 20,000 companies 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 sector-specific reports

This report is one in a series of ten, based on data extracted from WorldCC's *Benchmark Report 2021*. Each report provides in-depth visibility into CCM capabilities for the following sectors:

- Aerospace and defense
- Banking, insurance and financial
- Engineering, construction and real estate
- Health and pharma
- Manufacturing and processing
- Oil and gas
- Public sector and government
- Services, outsourcing and consulting
- Technology and software
- Telecomms.