Contract and commercial management benchmark report

Aerospace and defense sector

One in a series of ten sector-specific reports
Preface

Abstract
Contract and commercial management (CCM) have a longer history in aerospace and defense than in any other sector. While this brings certain strengths, it can also result in a periodic need for reflection and re-invention. For many, that need is now.

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 59 companies in the aerospace and defense 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), as well as providing cross-sector averages.

The Benchmark Report 2021 (published September 2021) provides detailed insights across all sectors, but more importantly offers an analysis of 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).
Executive summary

There are findings in this study which suggest executives need to ask some tough questions, in particular whether CCM truly has unique complexities, or whether there is a tendency to cite complexity as an excuse for resisting change.

Relative to other sectors, corporations in aerospace and defense are significantly more likely to have dedicated CCM resources, frequently operating as an autonomous business function. They are also more likely to be well-funded and to have made investment in the skills and training of their people. However, there is a tendency to operate through matrixed or distributed organizational models, leading to some fragmentation of resources and responsibilities. This, combined with a lower-than-average level of executive focus and below-average investment in technology, can result in inefficiencies and constraints on the value delivered.

The sector has one of the highest head-to-revenue ratios. Resources are often deployed in support of relatively low-value, low-complexity contracts, resulting in a high ratio of contracts handled per head and operational cycle times well above cross-sector averages. The sector is also struggling to identify and adopt the types of automation that would drive not only efficiency, but incremental sources of value and risk mitigation.

Contract and commercial models in aerospace and defense are changing and require new and deeper commercial skills. The sector faces continued volatility and market conditions demand greater adaptiveness and agility. Bogged down by operational workload, it is clear that current contract and commercial resources are struggling to adjust and to shift focus and capabilities away from risk and compliance, and onto value and performance. There is a need to distinguish the development of CCM as a business discipline, from its development as a business function.

To an extent, past history and resulting perceptions of role may be acting as a constraint on the necessary actions, including an appreciation of the potential value of technology. Some executives have recognized this and are pushing investment – but at 37%, the percentage of organizations where executive interest is increasing is significantly below the cross-sector average of 50%.

While there are definite bright spots, for many in the aerospace and defense sector, the time for reflection and re-invention of CCM is now.
Aerospace and defense sector findings

Priorities for improving CCM

It is no coincidence that the term ‘VUCA’ (volatility, uncertainty, complexity and ambiguity) originated in the defense sector. If it was true 30 years ago, it is certainly true now, as the aerospace and defense sector continues to wrestle with the impacts of the COVID pandemic, the pressures of geopolitical uncertainty, the emergence of new and disruptive technologies, and the fragilities of its supply chain. Add to this the needs for, and pressures from, continuous innovation and new business offerings and it is easy to see why operational workload has become such an issue.

The need to respond to these demanding market conditions is causing many to question the role and contribution of the CCM discipline. It is also translating to a shortage of workers with the right skills, a shortage exacerbated by difficulties in retention.

The top five strategic priorities identified by benchmark participants from the aerospace and defense sector are:

1. **Increasing strategic relevance / demonstrating the value of CCM**

2. **Raising skills of current staff / attracting and retaining talent**

3. **Improving internal processes**

4. **Developing / implementing a digital strategy for contracting**

5. **Expanding role and contribution**

Items 1 and 5 are prerequisite to developing the business case for investment in items 2 and 4. Item 3 is essential to achieving all other items because it is the current fragmentation of process – and consequent disconnects in commercial data flows – that constrains the value that CCM can provide and prevents deployment of effective technology.

Priorities in the aerospace and defense sector are broadly the same as the cross-sector averages, except that ‘Improving processes’ is a higher priority in other sectors and ‘Raising skills’ is seen as more important (50% cross-sector versus 64% in aerospace and defense).
The nature and extent of executive focus

While only 2% (versus cross-sector average 6%) say that executives consider CCM to be ‘unimportant’, a further 13% (versus 4%) report that interest is declining. In the aerospace and defense sector, 37% confirm increasing executive interest, which compares with 50% for the cross-sector average.

Given the challenges facing this sector and the extent to which their resolution requires commercial change and innovation, these statistics are in a sense surprising, but may reflect the historic focus on engineering skills and excellence. In looking at the initiatives under consideration, aerospace and defense companies are far more likely than others to see skills as the key to improvement in CCM, reflecting continued doubts over the extent to which technology can address the complexity of their contracts.

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

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Aerospace and defense sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills development / certification of those engaged in CCM¹</td>
<td>40%</td>
<td>67%</td>
</tr>
<tr>
<td>Adoption of contract management tools, repositories, software</td>
<td>63%</td>
<td>62%</td>
</tr>
<tr>
<td>Development of new or revised term and contract standards, templates</td>
<td>37%</td>
<td>47%</td>
</tr>
<tr>
<td>Knowledge management systems to improve CCM capabilities</td>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>Contract simplification</td>
<td>33%</td>
<td>41%</td>
</tr>
</tbody>
</table>

¹ There is a notable divide between organizations that perceive this need in the context of their existing CCM resources, versus those that see a need for a wider ranging uplift in commercial awareness and contract management competency.
The current state of CCM technology

While selecting, implementing and gaining adoption of tools and systems is receiving high priority in 33% of organizations within the aerospace and defense sector, this is among the lowest (cross-sector average is 41%). The sector is also behind most others in terms of current levels of technology deployment (on average one-fifth less likely to have tools and systems deployed or in process of deployment).

There is skepticism – in some instances backed by experience – that contract management applications can handle the complex forms and contracts along with the demanding regulatory environment of the sector. This belief is examined in more detail in the Sector-specific challenges section, page 14.

The data shows existing functionality provided by technology is, for most, extremely limited. Investigation suggests that even in areas where the responses indicate capability – for example, the 51% for Management Reporting – it is often based on rudimentary tools such as Excel spreadsheets. For most, a belief that contracts in this sector are ‘too complex’ for automation has inhibited technology deployment. Until recently, this view was in general valid. However, as indicated elsewhere in this report, success will remain constrained unless organizations tackle the issues created by process fragmentation and poorly aligned roles and responsibilities.
The current state of CCM technology (continued)

There is growing interest in deploying tools and systems within the aerospace and defense sector. So what do people most want?

• Repository of signed contracts 93% (92% cross-sector)
• Management reporting / dashboard 88% (85%)
• Monitor reviews / approvals status 81% (80%)
• Post-signature monitoring of compliance with contract terms 80% (76%)
• Risk scoring 73% (71%)
• Integration with other key applications (ERP, financial systems, etc.) 73% (76%)
• Collaboration portal for joint editing 70% (67%)
• Contract obligation extraction 70% (73%)
• Ability to assemble contracts from a clause library 68% (77%)

Much of the focus on automation is directed at the issues associated with perceived complexity. This ties to the initiatives of simplification and knowledge management highlighted in the previous section. Arguably, to address these challenges, the sector needs to focus on better understanding and managing of contract and commercial data flows.

For deeper insights on these challenges for the aerospace and defense sector see the Sector-specific challenges section, page 14.
Contracts and the contracting process

Contract duration in aerospace and defense is longer than the cross-sector norms, with medium complexity agreements averaging 4.3 years (versus 3.2) and high complexity 9.1 years (versus 5.8). Approximately equal numbers – around 30% in each case – report that the average duration is increasing versus decreasing.

High complexity agreements in this sector also account for a greater proportion of spend (38% versus cross-sector average 35%) and revenue (44% versus 37%). The gap in low complexity is even greater – 25% versus 32% on spend and 23% versus 31% on revenue. As the the Sector-specific challenges section (page 14) points out, this weighting towards more complex agreements has a significant influence on attitudes towards deploying technology.

The sector is broadly in line with the cross-sector average in its use of fixed contract templates, though less likely to operate with pre-established fallback terms (22% versus 32%) and twice as likely to operate without any form of standard agreement (16% versus 8%). There is no question that these variations are in part driven by the extent of business undertaken with government – 47% (versus 33%) of agreements are based on the counter-party’s terms, almost a quarter of these without amendment. Overall, just over two-thirds of contracts undergo some level of negotiation.

On the sell-side especially, the sector lags behind others in its work to simplify contracts. Just 14% (versus cross-sector average 26%) have made any progress, with 6% focusing on language only, and 8% on both language and structure. The buy-side, with 22% having acted, is closer to cross-sector levels of 30%. More positively, a little over 20% on both sides indicate that action to simplify is in plan.

There are indications of possible opportunities to improve resource utilization and productivity. Relative to other sectors, aerospace and defense has a smaller proportion of low complexity agreements (24% versus 32%), yet these absorb a higher proportion of CCM resources (24% versus 21%). CCM professionals are far more likely to be involved in reviewing, drafting or negotiating these low-complexity contracts (82% of situations, versus 67% cross-sector average). It is also notable that, relative to other comparable sectors, they engage in supporting many low-value agreements. The proportion of high-complexity agreements is greater (41% versus 36%), but not enough to account for the scale of comparative shortfalls on pre-award indicators – for example, in this phase of the process CCM resources in aerospace and defense handle some 25% less contracts per head and report almost 40% longer cycle time from requirement to signature. From a purely CCM perspective, this reflects the worst performance of any sector and surely merits investigation to understand root cause.

CCM resources in aerospace and defense are typically around 10% more likely than those in other sectors to have substantial input to every type of agreement and take the lead in negotiation almost 60% of the time (cross-sector average 44%). The frequency of involvement may go some way to explaining productivity shortfalls. For example, within aerospace and defense CCM resources are involved with 80% of non-disclosure agreements ‘always’ or ‘most of the time’ (cross-sector average 57%); with licensing agreements 50% (37%); Statements of Work 66% (61%); with change and renegotiation 77% (70%).

The sector is ahead of average in its use of performance and outcome-based contracts. It makes significant use of these about one-third of the time (against average 27%) and around a quarter expect usage will increase. Against that, the sector makes less than average use of agile, relational or as-a-Service agreements.
Resources, organization and reporting

CCM groups in aerospace and defense are far more likely to operate with an independent reporting line than in other sectors. 53% (versus cross-sector average 20%) report to a Commercial function, with 15% reporting to Legal (in line with average) and 9% Finance (10%). Only 6% (against 14%) have no consistent reporting. These findings are consistent with typical reporting lines found in the sector, in particular the tendency to operate with a matrixed (50%) or center-led (17%) model, meaning that in most organizations, CCM resources operate at a business unit level.

Given its relative maturity, it is not surprising that responsibility for both contract and commercial management is clearer in aerospace and defense than the cross-sector averages. However, even here, almost a quarter say that contract management responsibility is not always clear and only two-thirds feel there is clarity regarding commercial management. To the extent that contract management activities are formally embedded in other job roles, Project / Program Management is the group most likely to be performing these activities (50%), followed by Operations (25%) and Procurement (23%). Overall, some 28% of the total workforce is estimated to have some role in contract management.

Returning to the question of productivity, this sector operates on average with approximately 60% greater CCM headcount than cross-sector norms and consequently the overall budget is among the highest, yet relative to others, there is insufficient difference in the scope of role and responsibilities to account for these variations. Through comparative analysis of those which operate with a centralized organizational model, it seems that productivity is negatively impacted when there is no central co-ordination and CCM resources are located at a business unit level, with a loss of efficiencies of scale and constraining efforts to simplify and to automate.

It should be noted that the aerospace and defense sector is far more likely to have full (11%) or partial (34%) integration of buy-side and sell-side resources (cross-sector averages are 10% and 21%). There is a sector logic for this, given the volume of complex programs and projects, and it appears to raise operational effectiveness, and enhance flow down and integration – although again can add to fragmentation and reduced standards or common tools if occurring at a divisional or business unit level.

Finally, the sector has also taken far fewer steps to utilize low-cost resources through offshoring or outsourcing. 76% have taken no action, against 54% cross-sector. Just 7% operate with offshore CCM support (cross-sector 22%); 2% with captive centers (7%); and 11% with outsourced services (17%). The argument for this low uptake is usually based on security issues, yet it may also be because of the lack of standard procedures and the absence of centralized decision-making authority. To the extent that offshore or outsourced capabilities exist, 70% perform contract administration / performance monitoring tasks, 50% undertake contract review and 40% accounts payable / receivable.
Responsibilities and time allocation

In terms of the top ten responsibilities and where aerospace and defense CCM resources spend their time, the major areas are similar to other sectors, though responsibilities are in many cases cited with greater frequency:

### Top ten responsibilities

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Aerospace and defense sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-award</td>
<td>89%</td>
<td>70%</td>
</tr>
<tr>
<td>Contract development / drafting</td>
<td>87%</td>
<td>79%</td>
</tr>
<tr>
<td>Negotiation</td>
<td>84%</td>
<td>83%</td>
</tr>
<tr>
<td>Advice / guidance to the business</td>
<td>80%</td>
<td>76%</td>
</tr>
<tr>
<td>Establish commercial / contracting strategy</td>
<td>78%</td>
<td>65%</td>
</tr>
<tr>
<td>Bid review / input</td>
<td>76%</td>
<td>63%</td>
</tr>
<tr>
<td>Maintain / oversee compliance with standards and policies</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Develop standards / policies</td>
<td>60%</td>
<td>57%</td>
</tr>
<tr>
<td>Lead change</td>
<td>56%</td>
<td>42%</td>
</tr>
<tr>
<td>Support change</td>
<td>47%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Except in post-award support, this has little impact on how much time is spent on each activity. The top ten account for approximately 80% of time; these activities (with comparative cross-sector percentages) are:

### Where time is allocated (top ten)

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Aerospace and defense sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-award</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>Draft / develop contracts</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Negotiation</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Bid review / input</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Advice / guidance to business</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Establish commercial / contracting strategy</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Develop standards / policies</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Maintenance / compliance with standards and policies</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Lead change</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Support change</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

These findings suggest that the current and planned strategic initiatives are struggling for resource, with headcount overwhelmingly consumed by operational tasks. Even though 'leading and supporting change' feature in the top ten areas of responsibility, they absorb only 4% of time. Training and skills development and adoption and support of automated tools and systems top the lists of priorities, yet do not feature in the top ten areas of responsibility or time allocation. On average, 1.6% of headcount is working on development of systems or their implementation and roll-out, less than half the cross-sector norm. And at 0.2%, this sector expends the lowest effort on market research of any sector (on average, this equates to approximately 0.28 of a head or a total of less than 500 hours a year).

A big question for the aerospace and defense sector is the extent to which a diversion of resource onto more strategic tasks would benefit overall business efficiency and costs. As stated previously, 28% of the workforce has some involvement with the contracting process. Based on experience in other sectors, process simplification and digitization can have substantial impact on overall organizational performance. There are also some indicators of this when comparing results of the aerospace and defense contributors to this survey.
CCM objectives

The primary objectives for contract management in the aerospace and defense sector, with a percentage indicating relative importance, are:

**Primary objectives for contract management**

- **Risk mitigation / management**: 61%
- **Ensure business controls / compliance**: 58%
- **Negotiation ‘center of excellence’**: 42%
- **Financial impact**: 26%
- **Balancing business objectives / customer needs**: 23%

Except for business controls / compliance (which leaves the list), the objectives for commercial management are similar, but with a different level of priority:

**Primary objectives for commercial management**

- **Risk mitigation / management**: 53%
- **Balancing business objectives / customer needs**: 43%
- **Financial impact**: 40%
- **Facilitate external relationships**: 27%
- **Negotiation ‘center of excellence’**: 27%

Relative to other sectors, ‘financial impact’ is significantly lower as an objective although this is not entirely consistent with the typical functional performance measures (see Measurements section on next page). This may be because individual business units have greater power in aerospace and defense than in most other sectors. Commercial teams are interested in financial issues. When asked about market research, there is a strong desire to have more information (even though, as previously noted, minimal resource within the CCM groups is applied to undertaking research). The areas where more research would be most valued are:
- Pricing / charging models
- Organizational benchmarking
- Best practices in offering design / structure
- Performance benchmarking
- Trends in commercial offerings

As previously observed, refreshing and developing skills is viewed as a top priority in this sector and respondents are equally divided between those who have undertaken a skills audit and those who would like to do so (41% each). 50% are confident that they understand the skills gaps that they need to fill and 62% say they have the necessary education and training in place. 47% have the necessary budget to fund their skill development activities. In each of these areas, except understanding gaps, this sector is ahead of the cross-sector averages.
Measurements

82% of CCM groups in the aerospace and defense sector have significant involvement in low complexity contracts (against 67% cross-sector average). In terms of the number of contracts handled per head, they operate at a similar level to comparable sectors in pre-award and as much as 40% above the average in post-award. While the higher level of involvement in low complexity, low value agreements may partly account for this performance, this finding is consistent across all contract types – i.e. irrespective of whether on own or counter-party paper, or the level of complexity.

With regard to cycle times (measured from initiation of bid to contract signature), the sector performs substantially below cross-sector averages on all levels of contract complexity. The graph, right, shows cycle times for domestic agreements, followed by international agreements. Cycle time under-performance is significant when compared with every sector except public sector. Given the extent of engagement with governments, this goes some way to explaining longer cycle times, but questions remain over why the overall average is so high and what factors may lie behind it (for example, security considerations, export controls).

The items for which CCM groups collect measurement data most frequently are:

1. Monitoring external customer satisfaction
2. Frequency / source of claims
3. Cost reductions achieved
4. Revenue improvements
5. Compliance
6. Cycle times (pre-award)

Among the areas where this sector is far less likely than others to collect data are frequency of negotiation (3%), improvements to user effectiveness (6%) and cycle times for handling claims (8%). It is this type of data that can give the insights needed to raise functional productivity and contribution.

The top measurements that are reported are:

1. On-time delivery
2. Average value of deals supported
3. Function / department cost
4. Number of contracts negotiated
5. Impact on margin

There is no immediate explanation for the inconsistency between the items measured and those reported. A number of the measures are important because, if they are accompanied by effective analysis of cause and effect, they should lead to an environment of continuous improvement. Against this, several of the items reported have no tangible bearing on quality or value.

If there is truth in the statement ‘We are what we measure’, the aerospace and defense sector could benefit from a thoughtful evaluation of the most meaningful CCM measurements that would lead to enhanced capability and value. By focusing on desired outcomes, current questions related to roles and responsibilities, organizational design and priorities for technology investment to enhance data flows, availability and standards could also be addressed.
Barriers to improvement

Strategic priorities
What factors are constraining improvements in CCM performance or capabilities? Overall, the aerospace and defense sector is close to the cross-sector average on most factors and where there are significant variations, they are positive. For example, only 33% cite budget as an issue, against 43% cross-sector. Similarly, timing of involvement is identified by only 27% against the average of 37% – this perhaps a consequence of so many operating within business units. The primary barrier – identified by 59% of respondents – is operational workload, a finding very consistent with the cross-sector view (56%).

At 36%, establishing the data needed to illustrate and measure value is seen as the second-placed inhibitor, followed by budget and salary levels / retention of staff (30%). Even though upgrading skills is viewed as a strategic priority, only 28% identify the quality of existing skills as a significant barrier.

Significant barriers to achieving strategic priorities

<table>
<thead>
<tr>
<th>Operational workload</th>
<th>59%</th>
<th>56%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing data</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Budget</td>
<td>33%</td>
<td>43%</td>
</tr>
<tr>
<td>Salary levels / retention</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Quality of existing skills</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Timing of involvement</td>
<td>27%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Adoption of tools
It is difficult to see how large-scale improvements will be achieved without the deployment of tools and systems, so what are the barriers to this adoption?

1. Budget
2. Identifying an executive sponsor
3. Concerns over data security
4. Building consensus across stakeholders
5. Alignment with IT strategies

As previously stated, acquiring new or enhanced technology to support CCM is viewed as a top priority by 33% and this rises to 63% when asked about initiatives ‘under consideration’.

To an extent, these factors reflect the de-centralized organizational models that are common in the sector. This inevitably makes it harder to build consensus, develop an agreed business case and identify a high-level sponsor. Added to these, there is the sector-specific concern over data security, driven by the jurisdictional demands for secrecy.

Barriers 1-5 above have particular relevance to the adoption of technology and this is highlighted further in the Sector-specific challenges section, page 14.
As sectors adapt to, and leverage, the opportunities of an increasingly digital world, each of them encounters a mix of common and sector-specific issues.

Based on discussions with sector leaders, WorldCC has identified three big sector-specific challenges that many aerospace and defense organizations are working through:

1. **Technology and commercial data management**

   Organizations, across all sectors, are considering the role and adoption of technology in the CCM space (see chart). A significant barrier to adoption can be making the business case, and this is possibly more so in the aerospace and defense sector due to the complexity of the average contract portfolio at both an individual and consolidated level.

   Clarity of the goals that underlie a technology investment is core to any decision, whether these focus on efficiency, effectiveness, ease of doing business, or supporting agility and / or adaptability. There is also a need to take account of the broader developments in the external environment, the wider organization, and in relation to other CLM developments such as contract simplification.

   These considerations allow an organization to ask the question ‘where’s the ROI’, before establishing ‘what’s the ROI’. This supports the need to ensure that both direct benefits (reduction in cycle time, effort expended, delivery performance, etc.) and indirect benefits (enhanced risk & uncertainty management, portfolio visibility and management, reduction in staff turnover, etc.) are developed and included.
Ensuring alignment not only with cost / efficiency aspirations but also with executive / strategic goals is critical, whether this is around better speed, value, risk, and profitability, or more targeted into areas such as revenue forecasting and risk management.

While the focus is predominantly on CLM systems, being the most likely technology to be deployed, the ability to make the business case becomes increasingly challenging when exploring other potential technologies. This might include investment in creating 'quality' data pools to support an integrated Commercial Data Management (CDM) Plan, which identifies the key data set and flows on which all systems feed. While this is likely to be very beneficial in the longer term, it requires extensive cost / benefit analysis to generate the business case.

There is often a desire, as with ERP systems, to view contracting as another functional competence and therefore to adopt a single CLM solution to sit alongside the application portfolio. While this can have significant benefits, organizations run the risk of 'lock in' to that system and may find the adoption over time of alternative additional tools and technology more difficult. The ease of, and ability to, extract data from such systems to avoid 'lock ins' needs to be considered.

### 2. Access versus security

By their nature aerospace and defense organizations operate in an environment with complex organizational / customer / security-driven boundaries. These create a need to balance access to data and information with security. Technology can be a great enabler of portfolio level insight for businesses, however, this often requires that aggregation across boundaries is undertaken in accordance with security and export control considerations.

Different data sets are likely to require different levels of access and security and therefore a CDM Plan is an important enabler to unlocking the benefits, while ensuring security compliance.

Increasingly, this challenge is not unique to the aerospace and defense sector. As the definition of critical national infrastructure expands, it becomes a challenge for organizations in sectors such as the utilities, telecoms, and IT and software. This may provide the opportunity to leverage developed practice from other ‘adjacent’ sectors.

### 3. Culture, behaviors, and capabilities in a digital organization

WorldCC research consistently identifies the critical role of ‘communication’ is seen as a cornerstone in commercial practice, whether in relation to value leakage, relational contracting, supplier relationship management, or stakeholder engagement. In the absence of supporting CCM technology most organizations rely on general business technology to communicate. As organizations move to digitize and digitalize, communication will increasingly be by and between machines, exchanging, sharing, and using of shared single points of truth (SPoT).

The ‘quality’ of the underlying data becomes critical to decision-making and a fundamental source of business advantage. However, there is a counter tension since data entry and maintenance is seen as an administrative task and therefore undervalued. As organizations move to a more digitally enabled model there is a need to ensure that the human component of the capability moves with it. While there should be an aspiration to automate as much of the data entry and maintenance as possible, that should not detract from the need for someone to be responsible for its ‘quality’.

In the current environment many organizations use RACI matrices to identify roles and responsibilities. As they move towards the digitally enabled world, consideration of the development and deployment of Digital RACIs to capture the roles and responsibilities in relation to CDM could be a mechanism of value.
Conclusions

There is no question that the aerospace and defense sector faces some unique challenges and demands. The duration, sensitivity, technical complexity and volatility of many of its programs inevitably impact the contract and commercial function and its performance. However, these factors also render CCM as critical capabilities in ensuring the sustainability of the business.

As stated in the opening of this report, the aerospace and defense sector was an early mover in the development of contract and commercial management capability for these very reasons and has historically been seen as ‘leading the pack’.

This benchmark report indicates that many CCM teams are becoming overwhelmed by operational workload, with little relief in sight. Budgets are constrained, there is little available talent to supplement existing resources and technology does not offer a quick fix, yet its adoption is urgent. In too many cases, top management does not appear to recognize the benefits that will flow from streamlining their commercial operations and utilizing contracts as a key data source for business and risk management.

This potentially creates a risk that, with capability evolving over time and requiring continued investment, capabilities are drifting towards becoming plateaued and possibly neglected.

Areas of opportunity link to the need to operate at levels of adaptability and agility commensurate with the rapidly changing demands of the market. This means a shift from being primarily transactional and tactical in nature, to being increasingly at the forefront in contributing to business strategy and providing the management data and analysis essential to effective handling of market risks and opportunities. In some of these areas aerospace and defense are arguably ‘late starters’ and therefore there is an opportunity to learn from other sectors in order to accelerate progress.

The aerospace and defence sector can shift CCM to create opportunities.
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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 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.

Benchmark sector-specific reports
This report is one in a series of 10, 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.

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