Contract and commercial management benchmark report

Business services, outsourcing and consulting sector

One in a series of ten sector-specific reports

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Preface

Abstract

Many organizations in the business services, outsourcing and consulting 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

In the period June – 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 78 companies in the business services, outsourcing and consulting sector, providing sector-specific analysis and comparison with cross-sector performance and trends.

Please note, hereafter we refer to the ‘business services, outsourcing and consulting sector’ by the shortened name ‘business services sector’.

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).
Executive summary

“In an efficient market, it should always be cheaper to contract out than to hire.”

Ronald Coase, Nobel-prize winner, from The Nature of the Firm.

This quote from Ronald Coase lies at the very heart of the business services sector. The underpinning economic argument of lower cost, greater flexibility and reduced need for investment rings even more true now than when it was first written in 1937. The work and research initiated by Coase continues today and lies at the core of studies into the role, purpose and value of contracts.

The intangible nature of business services means that the contract may often be the only tangible component of the transaction. It therefore takes on an added level of importance and purpose. This study confirms that a disproportionate number of organizations from the business services sector occupy top quartile positions in advanced contract and commercial management (CCM) capability and maturity. To grow and to maintain margins, organizations in this sector depend on the quality of their commercial and contracting policies, practices and resources.

From rising inflation to market and supply network disruptions; from rising social expectations to geopolitical tensions, organizations face major macro-level uncertainties. The knowledge-based economies of today and tomorrow are underpinned and enabled by the business services sector. There is growing pressure to significantly enhance delivery and value to help offset and solve the challenges.

The business services sector rose in prominence with the rise of knowledge-based economies. As a sector, it recognized very early on the essential role of contracts and contracting. This recognition went beyond seeing the contracts and the contracting process as a legal requirement, with an appreciation of their role in building the relationships and the offerings that customers required. However, market experience also often led to unacceptable levels of complexity and delay, as the size of contracts and the debates over risk and reward multiplied.

The scale of investment in people, tools, and processes has placed many in this sector in the category of ‘leaders of the pack’. With the sector and market maturing over time, customers’ service and value expectations have increased, driving the need for higher levels of continuous improvement and innovation. In the next wave of improvement, there is urgent need for simplification, for streamlined processes and for adoption of the next wave of technology to support more dynamic risk and performance management at both a transactional and contract portfolio level. While a ‘leader of the pack’ in many respects, this is no time for executive focus and investment in CCM capabilities to ease off.
Business services sector findings

Priorities for improving CCM

Unlike some other sectors, the focus for commercial and contracting competencies in the business services sector is far more weighted towards sell-side operations and this is where there has been greatest investment in people.

Organizations in this sector are no strangers to moving at pace and providing support in volatile and challenging times, with their advice and services acting as important enablers of change for their customers. The CCM role in this sector is often not merely an internal role, but a significant enabler of delivery and performance, including frequent adjustments to the original agreement and the maintenance of a healthy relationship.

This is reflected in the benchmark which, while showing a ranking of priorities consistent with other sectors, reveals that ‘increasing strategic relevance / demonstrating value of CCM’ and ‘expanding role and contribution’ are a higher priority than the cross-sector average, 73% versus 65% and 49% versus 39% respectively.

The top five priorities for improvement are:
(with cross-sector ranking shown in brackets)

1. Increasing strategic relevance / demonstrating value of CCM (1)
2. Improving internal processes (2)
3. Raising skills of current staff / attracting and retaining talent (3)
4. Expanding role and contribution (5)
5. Selecting, implementing and gaining adoption of tools and systems (4)

Relative to other sectors, many in the business services sector indicate greater confidence in the quality of their CCM capabilities. This confidence is not something that has just appeared, but has developed through conscious and consistent investment over time. However, it is something that requires sustained focus as competitive capabilities and market expectations mature and grow.

While the need for the adoption of enhanced tools only ranks fifth on the list, the need to develop and implement a digital strategy for contracting is close behind it as a priority.

Considering the need for improved internal processes, the need for tools and systems, and the need for a digital strategy as a package, this sector stands out in consistently highlighting coordinated action across all three. However, for some, making progress is challenging when CCM resources and responsibilities are dispersed across the business.

Organizational change is perceived to be a relatively low priority, with only 21% ranking it important, and changes in reporting line are also viewed as unnecessary by most. However, as subsequent sections explain, these may be pre-requisite steps for some if they are to improve the value and performance of their CCM resources (see The nature and extent of executive focus, page 5, and Resources, organization and reporting, page 10).
The nature and extent of executive focus

While executive interest and focus has been historically high in the business services sector, there is no indication that it is plateauing. 66% of respondents identify that executive attention and interest in CCM capabilities is increasing (versus the cross-sector average of 50%).

This focus flows down to a below-average number saying that there is no real change in interest and activity, and just 4% reporting declining interest and attention. Given the nature of the sector, it is not surprising that no organizations reported that its executives consider it unimportant.

The business services sector shows a similar focus to others in terms of improvement initiatives, though the chart (right) shows some variation in levels of importance and attention. For example, the extent of activity to identify revised measurements is indicative of the push to increase and demonstrate value. There are also indications of the form that this value may take, with an above-average focus in both ‘expanding the role’ and ‘increased role in risk management / governance’, plus a focus on ‘developing new / revised terms and standards’. In combination, these initiatives should enable CCM groups to create a larger uplift in capability.

The chart shows the key initiatives that are either in process or under consideration, with cross-sector averages for comparison.
The current state of CCM technology

Driven in part by the size and complexity of the contracts and the importance of CCM in delivery, the business services sector has ‘lead the pack’ in relation to the adoption of CCM enabling technologies. These are often more focused towards supporting post-award delivery performance – repositories of signed contracts, obligations extracted and assigned, overlaid with an ability to track compliance. It comes as no surprise that the benchmark data for technology adoption shows this sector generally ahead of others, with a greater number of technologies either adopted or growing, including:

<table>
<thead>
<tr>
<th>Business services</th>
<th>Cross-sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General adoption</strong></td>
<td>Repository of signed contracts</td>
</tr>
<tr>
<td><strong>Growing adoption</strong></td>
<td>Management reporting / dashboard contract obligation extraction</td>
</tr>
<tr>
<td></td>
<td>Monitor reviews / approvals status</td>
</tr>
<tr>
<td></td>
<td>Post-signature monitoring of compliance with contract terms</td>
</tr>
<tr>
<td></td>
<td>Contract analytics – individual agreements</td>
</tr>
</tbody>
</table>

There are two additional areas of functionality that are almost at the tipping point between limited adoption and growing adoption – these are ‘Ability to assemble standard contracts from templates’ and ‘Contract analytics – portfolio of agreements’. It should be noted that the true leaders in this space are moving to a capability to develop agreements from clause libraries and to support business use through digitized playbooks and fall-back terms – these are critical steps on a journey to increased speed and streamlined contract acceptance through increased ‘self-service’ capability.
The current state of CCM technology (continued)

Other key areas where investment is occurring are 'Integration with other key applications (ERP, financial systems, etc.)' and alignment of technology and CCM digital strategy, as highlighted in the CCM priorities earlier in the report. In combination, this means the sector is likely to show continued leadership and potentially to pull away further from other sectors, where technology skepticism and aversion are in evidence.

For those planning investment in new or upgraded technology, the priorities they identify are:

- Visibility into contracts and contract data
- Improving operational performance
- Improving regulatory / legal compliance
- Being able to find and search contracts
- Achieving integrated data flow
- Improving cycle times.

As this list shows, the combined investments in CCM digital strategy and technology are focused on being able to extract, analyze and create impact from CCM data, potentially making this sector the one to watch in relation to Commercial / Contract Data Management (CDM). Such an approach underpins enhanced knowledge management, flows, and progress to date means 30% in the sector are saying their approach is mature or widely deployed, putting them ahead of the cross-sector average of 23%.

In line with the strategic priority of increasing the CCM role in risk management, there is a high interest in risk scoring with two-thirds of organizations either implementing or interested in doing so.

So what barriers do CCM groups face when trying to acquire and deploy technology? Budget (63%) and building consensus across stakeholders (59%) are the leading obstacles, in line with the cross-sector average. Identifying an executive sponsor is next (40%), slightly higher than the cross-sector. Achieving alignment with IT strategies and concerns over data security complete the list (34% and 25% respectively) – both lower than the cross-sector average.

While barriers remain, investment to date suggests that many in the sector have found ways to create business / value cases for technology investments and the scale of executive interest suggests that the door is open to future acquisitions and deployment. Given its dependence on contracts and contract performance, this sector more than many has a highly compelling business case for investment and the value that it represents.

Levels of interest in and adoption of CCM technology

<table>
<thead>
<tr>
<th>Levels of interest</th>
<th>Some interest (90%)</th>
<th>Early / limited adoption (80%)</th>
<th>Growing / partial adoption (70%)</th>
<th>Mature / general adoption (60%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repository of signed contracts</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Management reporting / dashboard</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Monitor reviews / approvals status</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Ability to assemble standard contracts from templates</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Integration with other key applications (ERP, financial systems, etc.)</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Post-signature monitoring of compliance with contract terms</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Front-end contract request / selection interface to business unit</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Contract obligation extraction</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Collaboration portal for joint editing</td>
<td>9</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Risk scoring</td>
<td>10</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Contract analytics – individual agreements</td>
<td>11</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Contract analytics – portfolio of agreements</td>
<td>12</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Automated document circulation, redlining</td>
<td>13</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Ability to assemble contracts from a clause library</td>
<td>14</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Defined and automated workflow for non-standard terms or agreements</td>
<td>15</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Digitized contract playbooks</td>
<td>16</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Artificial intelligence / machine learning</td>
<td>17</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

Progress

1. Repository of signed contracts
2. Management reporting / dashboard
3. Monitor reviews / approvals status
4. Ability to assemble standard contracts from templates
5. Integration with other key applications (ERP, financial systems, etc.)
6. Post-signature monitoring of compliance with contract terms
7. Front-end contract request / selection interface to business unit
8. Contract obligation extraction
9. Collaboration portal for joint editing
10. Risk scoring
11. Contract analytics – individual agreements
12. Contract analytics – portfolio of agreements
13. Automated document circulation, redlining
14. Ability to assemble contracts from a clause library
15. Defined and automated workflow for non-standard terms or agreements
16. Digitized contract playbooks
17. Artificial intelligence / machine learning
Contracts and the contracting process

When analyzed by complexity-level, contract portfolios in the business services sector confirm an interesting, but perhaps unsurprising, split between sell-side (where complexity is higher) and buy-side. This carries through also when compared against other sectors and highlights the role of many organizations in this sector as ‘business systems integrators’, bringing together a mixture of internal and external capabilities to service a larger customer requirement. This explains the earlier highlight in relation to the strategic priority of increased involvement in risk management.

Contract duration in the sector is reported as being shorter than the cross-sector averages, with medium-complexity contracts at 2.5 years (versus 3.2 years) and high-complexity contracts at 4.8 years (versus 5.8 years). There is no strong trend pattern in contract duration – 23% of respondents report an overall decrease (compared with 19% across all sectors), 29% (versus 30%) see them increasing, and 48% (versus 51%) say they are remaining static.

Given the diversity of contract types in this sector, shifts in contract term are not surprising. There is some indication that more complex forms of agreement, requiring significant investment to achieve long-term value, are among those where the term is tending to increase. For core services, reliability and value are starting to take precedence over regularly competing for lower cost.

When looking at how terms and conditions are deployed, this sector ‘leads the pack’ with 30% using a standard terms database and 14% including pre-approved fallback term options. This compares favorably with 20% and 8% respectively across all sectors. This is an example of where the sector has combined knowledge, skills, and technology to reduce friction and drive performance in terms of cycle times (as covered further in Measurement, page 15).

With its greater focus on sell-side contracting, it is not surprising that the sector is more likely than average to use the counter-party’s terms, 46% versus 34%, although these are subject to negotiated amendment in about 80% of cases. Across all contracts, about 64% undergo some form of amendment, which is a likely consequence of the often-bespoke or customized nature of the services provided. This aligns with the importance of negotiation in terms of the role and responsibilities of CCM practitioners in this sector (see Responsibilities and time allocation, page 12).

As one way to increase customer acceptance of supplier terms, and also to achieve greater efficiency in implementation and performance, the business services sector is investing in simplification. 35% of sell-side organizations have implemented some form of simplification versus the cross-sector average of 26%. A third of these implementations involve a complete redesign that includes language, structure and visualization, which is about 2.5 times the cross-sector average.
In terms of the types of contracts in use, this sector is largely in line with other sectors, albeit with a lower usage of performance-based contracts (26% versus 30%), but a significantly higher usage of both relational / collaborative and agile contracts (22% versus 12%, and 7% versus 5% respectively). As-a-Service and outcome-based contracts were broadly in line with the all-sector averages (43% and 26% respectively). This is an area where many seem aware of a need for change and hence the previously noted priority to develop alternative contract models, as well as the tools and systems through which they can be managed. This is also recognized as an important area for market and competitive research.

The subject of contract and commercial models goes to the heart of improved risk management and a more aligned approach between service suppliers and their customers. In this context, many in the services sector appreciate the need to better educate their customers and help them appreciate the merits of alternative models.

When looking at involvement of CCM resources across the portfolio of contracts based on complexity, there is a skew towards involvement on medium- and high-complexity contracts with only 56% (versus 67% all-sector) being involved in low-complexity contracts. This flows through to a below-average percentage of functional resource used to support them – clearly both of these being positive efficiency indicators.

Finally, while there is commonality with other sectors in relation to the engagement with particular types of transaction or agreement, there is a demonstrable increase in activity in relation to the Statement of Work and Service Level Agreements. This is driven by the service-based nature of delivery and the importance of CCM in delivery.

The table below shows responses to the question: ‘In the context of your organization’s business activity, how frequently do you have substantial input to the following contract or relationship documents/offerings?’ The percentages represent those who answered either ‘all the time’ or ‘most of the time’.

### Type of agreement

<table>
<thead>
<tr>
<th>Type of Agreement</th>
<th>Business services sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master agreement</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Change / renegotiation</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>Statement of work – review</td>
<td>69%</td>
<td>61%</td>
</tr>
<tr>
<td>Service level agreement – review</td>
<td>60%</td>
<td>55%</td>
</tr>
<tr>
<td>Non-disclosure agreement</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Service level agreement – drafting</td>
<td>53%</td>
<td>43%</td>
</tr>
<tr>
<td>Statement of work – drafting</td>
<td>52%</td>
<td>43%</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>Licensing</td>
<td>24%</td>
<td>37%</td>
</tr>
</tbody>
</table>
Resources, organization and reporting

While the likelihood of having dedicated CCM resources in the business services sector is in line with other sectors (71% versus 69%) the level of headcount is some 45% higher than the cross-sector average representing a significant investment.

There is also a significant increased clarity in who is responsible for both contract and commercial management (71% versus 63%, and 63% versus 58% respectively, compared to the cross-sector averages). Although models for support may vary, very few respondents report a lack of clarity in roles and responsibilities.

Where there are dedicated CCM resources, 27% report into the Legal function – almost double the cross-sector average – and a further 34% having no consistent or a variable reporting line. The greater role of Legal in the business services sector also impacts the frequency and type of engagement for CCM staff – often leading to greater emphasis on post-award activities.

Where there is no dedicated CCM resource, the capability is delivered through project or program teams in 43% of cases (versus 18%) and a mix of sources in 29% of cases, resulting in a ‘forward deployed’ capability with close proximity to delivery.

Overall, 32% of the total workforce is in some way involved in contract management activities – for example, stakeholders in pre-award review and approval; fulfilling obligations or overseeing performance; negotiating or managing change. This is substantially higher than the cross-sector average of 26%. The delivery focus of CCM in this sector and the ‘forward deployed’ nature of the organization increases the team-based approach to CCM capability.

This said, the higher number of people involved in CCM and the dispersed nature of the capability does not in general translate to a lack of co-ordination. In relation to organizational design, this sector is in line with the cross-sector averages of centralized, center-led, and matrix structures. It is higher (19% versus 13%) in relation to a variable structure depending on the business, but significantly lower in terms of the use of decentralized structures (6% versus 11%). Essentially, some businesses continue to place CCM capability at a business unit or business division level – and it is these that are primarily lagging in terms of technology and areas of added value. While they are close to the business, they inevitably operate at a more tactical and transactional level.

Perhaps not surprisingly, this sector is ‘leading the pack’ in relation to the use of both offshore and offshore captive centers (38% versus 22%, and 16% versus 7% respectively) with these being focused on contract review / discovery and accounts payable / receivable.

<table>
<thead>
<tr>
<th>CCM reporting</th>
<th>Business sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>27%</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>No consistent reporting line</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Commercial</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>Operations</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Sales</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Supply management</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>Finance</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>Project management</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Responsibilities and time allocation

In terms of the top ten responsibilities (i.e. those mentioned with the greatest frequency as core responsibilities), the business services sector is similar to the cross-sector averages in relation to the bid / supplier selection phases of the pre-award lifecycle (bid review / input, draft / develop contracts, and negotiate).

When we look at both the pre-bid / supplier selection and the post-award phases, we see an often-significant increase in responsibilities in areas such as, establish commercial / contracting strategy, pre-bid market engagement, and post-award contract management. There is also a higher level of responsibility in the area of supporting change initiatives, possibly driven by the closeness with operational delivery and the requirement for continuous improvement.

The chart (right) shows the top ten responsibilities compared to the cross-sector average.

While there is a wide range and level of responsibilities in this sector, the areas of specific engagement are more concentrated. They also split between pre- and post-award. The top three areas of activity occupy more than 50% of the CCM resources. This concentration of effort aligns with the scale of investment in dedicated resources, the greater clarity in roles and responsibilities and the importance they have to successful delivery. The areas of greater than average responsibility highlighted above, early in the lifecycle and during delivery, resonate with wider WorldCC research and insights as being areas that can drive increased value and reduce value leakage, while also increasing relevance at the business level – all elements identified in the report as areas of executive focus.
Responsibilities and time allocation (continued)

In the business and services sector, there is a greater alignment of responsibilities about where time is spent (workload distribution) with the top three responsibilities consuming about half of the time. Equally, there is a higher-than-average allocation of time to pre-bid / market engagement activity and leading change initiatives, both of which support the strategic objectives highlighted earlier in this report.

The top ten activities in terms of resource allocation, compared to the cross-sector average, are shown in the chart (right).

<table>
<thead>
<tr>
<th>Where time is allocated (top ten)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-award contract management</td>
</tr>
<tr>
<td>Draft / develop contracts</td>
</tr>
<tr>
<td>Negotiate</td>
</tr>
<tr>
<td>Advice / guidance to business</td>
</tr>
<tr>
<td>Bid review / input</td>
</tr>
<tr>
<td>Pre-bid / market engagement</td>
</tr>
<tr>
<td>RFx preparation</td>
</tr>
<tr>
<td>Establish commercial / contracting strategy</td>
</tr>
<tr>
<td>Develop standards, policies</td>
</tr>
<tr>
<td>Maintenance / compliance with standards and policies</td>
</tr>
<tr>
<td>New commercial models / forms of contract</td>
</tr>
<tr>
<td>Business services sector</td>
</tr>
</tbody>
</table>
CCM objectives

The ranking of the leading CCM objectives in the business services sector is similar to the cross-sector average. ‘Risk mitigation’ is the dominant factor for both contract management and commercial management. However, in relation to contract management, it stands well above the remaining objectives in terms of importance. In the context of commercial management, the top five objectives are more evenly distributed in importance.

Primary objectives for contract management (cross-sector average ranking in brackets)

1. Risk mitigation / management (1)
2. Ensure business controls / compliance (2)
3. Manage change (5)
4. Financial impact (4)
5. Negotiation center of excellence (3)

The higher ranking for ‘manage change’ relates to the service-based nature of the contracts that dominate this sector and which are likely to require higher levels of change in order to adapt to altered requirements and / or conditions.

The objectives for commercial management are again consistent with the cross-sector ranking, with the exception of ‘support / implement changes in business goals or strategies’ which aligns with the strategic priorities of increasing relevance and expanding the role of CCM.

Primary objectives for commercial management (cross-sector average ranking in brackets)

1. Risk mitigation / management (2)
2. Financial impact (1)
3. Negotiation center of excellence (3)
4. Balance business objectives and customer needs (3)
5. Support / implement changes in business goals or strategies (8)

As highlighted in this and the preceding section, there is greater alignment between the business and strategic goals, the CCM strategic priorities, investments in resources (human and technology), their deployment, and their objectives. This ‘line of sight’ pays dividends in terms of performance at the business level and the functional level.

In addition to the primary benefits and creating a position as ‘partner of choice’, there are also secondary benefits such as being seen as a ‘workplace of choice’.

As in any organization, maintaining this ‘line of sight’ in a dynamic and changing environment is a challenge that requires adaptability, agility and a mindset receptive to continuous improvement and innovation. At the core of all of these is upper-quartile communication and collaboration, which has to be embedded as a pervasive element of the organizational culture and team and individual behaviors.

In such dynamic conditions, there is a need to understand the wider environment, with market research another key underpin to excellence and often underlying key improvement initiatives.

The data shows that CCM organizations in the business services sector are undertaking about 30% lower levels of market research than the cross-sector average and, unless they are acquiring data from another source, this is an area of weakness that requires attention. Having market and competitive data is a source of influence and prerequisite to delivering the types of value that the business and executives expect form modern CCM.

The primary areas of market research that CCM groups in the business services sector see as important and would like to undertake are:

- Pricing / charging models
- Competitive terms and conditions
- Trends in commercial offerings
- Performance benchmarking
- Best practices in offering design and simplification.

Across the first four, there is a higher level of interest than the cross-sector average, while design and simplification is slightly below, most likely due to the higher levels of past or in-process actions mentioned earlier in this report.

The final indicator from the benchmark relates to skills and the extent to which the business services sector is focusing investment in this area. There is a significantly lower use of skills audits (19% versus 35%) and a correspondingly lower understanding of skills gaps (47% versus 51%). This could be due to the relative maturity of CCM in this sector where a baseline skills audit was done in the past, with updates occurring on an incremental basis. When it comes to the availability of education and training resources, the sector is ahead of others (60% versus 55%).

Skills development is an area where this sector has ‘led the pack’, but with a changing environment this could be an area that requires input of investment and activity to avoid decline.

As highlighted in this and the preceding section, there is greater alignment between the business and strategic goals, the CCM strategic priorities, investments in resources (human and technology), their deployment, and their objectives. This ‘line of sight’ pays dividends in terms of performance at the business level and the functional level.

In addition to the primary benefits and creating a position as ‘partner of choice’, there are also secondary benefits such as being seen as a ‘workplace of choice’.

As in any organization, maintaining this ‘line of sight’ in a dynamic and changing environment is a challenge that requires adaptability, agility and a mindset receptive to continuous improvement and innovation. At the core of all of these is upper-quartile communication and collaboration, which has to be embedded as a pervasive element of the organizational culture and team and individual behaviors.

In such dynamic conditions, there is a need to understand the wider environment, with market research another key underpin to excellence and often underlying key improvement initiatives.

The data shows that CCM organizations in the business services sector are undertaking about 30% lower levels of market research than the cross-sector average and, unless they are acquiring data from another source, this is an area of weakness that requires attention. Having market and competitive data is a source of influence and prerequisite to delivering the types of value that the business and executives expect form modern CCM.

The primary areas of market research that CCM groups in the business services sector see as important and would like to undertake are:

- Pricing / charging models
- Competitive terms and conditions
- Trends in commercial offerings
- Performance benchmarking
- Best practices in offering design and simplification.

Across the first four, there is a higher level of interest than the cross-sector average, while design and simplification is slightly below, most likely due to the higher levels of past or in-process actions mentioned earlier in this report.

The final indicator from the benchmark relates to skills and the extent to which the business services sector is focusing investment in this area. There is a significantly lower use of skills audits (19% versus 35%) and a correspondingly lower understanding of skills gaps (47% versus 51%). This could be due to the relative maturity of CCM in this sector where a baseline skills audit was done in the past, with updates occurring on an incremental basis. When it comes to the availability of education and training resources, the sector is ahead of others (60% versus 55%).

Skills development is an area where this sector has ‘led the pack’, but with a changing environment this could be an area that requires input of investment and activity to avoid decline.
Measurements

As described in the previous sections of this report, the business services sector continues to invest significantly in people, tools and processes. When combined with a good line of sight and ‘forward deployment’ of the capability, performance improvements maintain their momentum.

This section starts by examining two of the most commonly used efficiency / productivity indicators – contracts managed per head and cycle times. Both of these must always be viewed with some caution and allowance made for differences in roles and responsibilities, or perceptions of complexity.

Taking first the average number of contracts typically being actively managed per head, in the pre-award phase is between 15% and 30% lower than cross-sector averages. In the post-award phase, this rises to around a 50% difference. While the variation between the pre- and post-award phases can be explained by other insights such as responsibilities and objectives, the difference with the cross-sector average deserves further investigation.

This sector has invested in higher-than-average levels of dedicated CCM resource and technology; therefore the levels of contracts managed per head could as a single measure be assumed to indicate lower levels of efficiency.

This must be considered not only in terms of volume, but also recognizing relative complexity of the contracts being handled (for example, services agreements by their nature tend to be more complicated and time-consuming than product contracts). There is also the question of the role performed and the extent to which it is adding measurable value – for example, growing revenue or margin. The orientation towards sell-side agreements is definitely a factor in this. Looking at a second indicator of efficiency, the findings are very different and in terms of cycle times, CCM activities in the business services sector are delivering a far more impressive result.

### Contracts handled per head – pre-award

<table>
<thead>
<tr>
<th>Complexity</th>
<th>On own standard terms (low-complexity)</th>
<th>On other side’s standard (low-complexity)</th>
<th>Solution contracts</th>
<th>High-complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12</td>
<td>8</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Business services sector</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Cross-sector average</td>
<td>15</td>
<td>12</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

### Contracts handled per head – post-award

<table>
<thead>
<tr>
<th>Complexity</th>
<th>On own standard</th>
<th>On other side’s standard</th>
<th>Solution contracts</th>
<th>High-complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Business services sector</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Cross-sector average</td>
<td>25</td>
<td>24</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

### Contract cycle time domestic agreements (weeks)

<table>
<thead>
<tr>
<th>Complexity</th>
<th>High-complexity</th>
<th>Medium-complexity</th>
<th>Low-complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Business services sector</td>
<td>25</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Cross-sector average</td>
<td>24</td>
<td>27</td>
<td>7</td>
</tr>
</tbody>
</table>

### Contract cycle time international agreements (weeks)

<table>
<thead>
<tr>
<th>Complexity</th>
<th>High-complexity</th>
<th>Medium-complexity</th>
<th>Low-complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25</td>
<td>13</td>
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<tr>
<td>Business services sector</td>
<td>27</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Cross-sector average</td>
<td>14</td>
<td>14</td>
<td>7</td>
</tr>
</tbody>
</table>
Measurements (continued)

The cycle time data for different complexities of contracts in both domestic and international contexts shows this sector achieving some of the fastest times to closure across all categories. With contracts and the relationships they deliver seen as a critical element of the business offering, cycle times are critical enablers and creators of competitive advantage.

This combination of ‘velocity to deal’ and a focus on delivery unlocks value and savings faster and in a sustainable way, thereby creating business benefit for both the customer and supplier.

These performance measurements also need to be considered in the sector specific context where:

- Often the assets of the organization are the contracts they hold
- It is a services / knowledge-based sector
- It is ‘leading the pack’ as an early and high investor in CCM
- There continues to be high executive focus and value placed on CCM as a fundamental enabler of business value
- From WorldCC insights there are low levels of average value leakage, 4–5% versus cross-sector 9.2%.

When it comes to specific measurements and data capture, the items most frequently monitored are: (cross-sector ranking in brackets)

- Revenue improvements / contribution (12)
- Monitor satisfaction of customers / external (13)
- Improvement initiatives / business value (7)
- Margin improvements or deterioration
- Negotiated benefits e.g. risk reduction, financial benefits (6)
- Volume of contracts / deals / negotiations per professional (3)
- Cost reductions achieved (1).

The first five areas on the list are more external- and business-focused than any other sector, with internal / efficiency measures (e.g. contracts per head, frequency of negotiation) – which often reveal little about quality of results – coming at the bottom of the list. The areas being monitored align to a great extent with the measures in place at the highest-performing organizations.

However, it is clear that for many these measurements are not fully established because the top items reported are far less meaningful or impressive:

- Average value of deals or contracts supported (7)
- Number of contracts negotiated (4)
- Contract compliance (during performance) (2)
- Cost avoidance (5)
- Adherence to contracted specifications or scope (3)
- Negotiated cost reduction / savings (1).

Compared to the list of areas monitored, the areas reported are more aligned with CCM operational efficiencies. Due to the relatively dispersed nature of CCM it is possible that areas monitored are fed into other business areas and reported through them rather than as CCM measures. Equally, due to the nature of the sector and the closeness of CCM to delivery performance the areas reported are relevant as the efficiency / cost of CCM is seen as a direct cost and therefore viewed as a contributor to financial performance of a project or opportunity.
Barriers to improvement

What factors are constraining the performance of CCM groups and the development of improved capabilities in the business services sector? While there is some similarity between this sector and the cross-sector average there are some differences in the ranking and importance given.

**Top five barriers**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Business services sector</th>
<th>Cross-sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of budget</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>Operational workload</td>
<td>47%</td>
<td>56%</td>
</tr>
<tr>
<td>Establishing data to indicate value / contribution</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Not involved early enough in process</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td>Salary levels / attracting and retaining talent</td>
<td>29%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Two differences of note are that operational workload, while second on the list, is less frequently seen as an issue than in other sectors, perhaps driven by the higher adoption of technology coupled with the higher investments in dedicated CCM resources and processes.

The second area of difference relates to salary levels / attracting and retaining talent, which is ranked higher than the cross-sector ranking, making it to the top five list. This is in line with other sectors that were early investors in CCM capability. As the levels of executive interest grow across a wider number of sectors, the need for expertise also grows, creating a pull on resource from the more advanced sectors. While this is good to the extent that it raises the demand for CCM as a business-critical capability, it causes challenges for those ‘leading the pack’, such as the business services sector.

Finally, given the investment and the relative sophistication of CCM activity, it is disappointing to note the percentage still reporting problems with the timing of engagement. While the picture here is quite variable and correlates to the relative maturity of the CCM operations, it is clear that a significant proportion of CCM groups in this sector are still struggling to redefine their value and provide the proactive, adaptive capabilities and support that the business needs.
Conclusions

The business services sector, as an early adopter and significant investor in CCM capability, is a sector with a disproportionate number of organizations that ‘lead the pack’ in terms of their performance.

However, there are other organizations in the sector that are clearly among the laggards and where the CCM role remains largely administrative or transactional in nature.

As described in this report, there are indications that levels of executive interest and focus remain high and are growing, along with levels of investment. Targeting the focus and investment will be critical to sustain the ‘line of sight’ from the external environment, through customer needs, to business goals, and then down to the CCM contribution to delivering these.

In the area of adopting CCM enabling technology, the balanced approach that aligns technology acquisition with the digitization strategy should pay dividends for many organizations as they develop their approaches to commercial / contract data management.

In parallel with this, and to support the increasingly digital environment, there may be a need to re-baseline the mindsets and skillsets required within the CCM practitioner community. The sort of advanced capabilities discussed in this report require an evolving blend of people, data and technology working together.

Whether a member of this sector, a supplier to it, a customer of it, or looking in from another sector, there is much that can be learned and adapted from the business services sector as one of the early adopters and higher-level investors in CCM capability.

Targeting the focus and investment is critical to sustaining ‘line of sight’ from external environment, through customer needs, to business goals.
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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:

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- Banking, financial services and insurance
- Engineering, construction and real estate
- Health and pharma
- Manufacturing and processing
- Oil, gas and energy
- Government and public sector
- Business services, outsourcing and consulting
- Technology and software
- Telecomms.