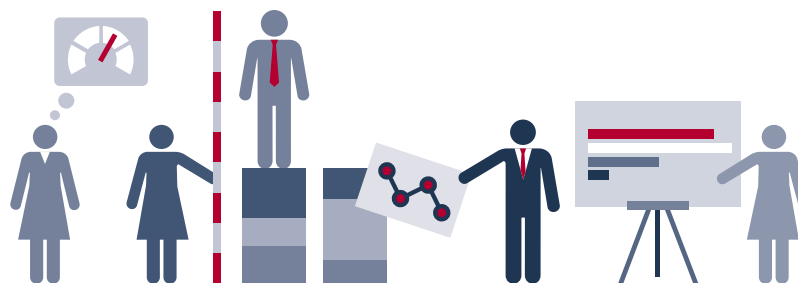




IACCM Benchmark Report 2019



September 2019

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IACCM Benchmark Report 2019

Contracting (the process) and commercial management (the policies and practices that define the process) are of major importance to business and society. Together, they set the framework for trading relationships and trade is fundamental to the human world.

It is in this context that IACCM undertakes research to better understand how organizations structure themselves to develop, deliver and perform on their contracts. Our areas of interest are primarily in the business-to-business and business-to-government categories and examine the topic from both buyer and supplier perspectives.

This report is based on input from 759 organizations and provides insights to the current state of contract and commercial management from both a buy-side and sell-side perspective.

“Modern economies are held together by innumerable contracts. As such relationships typically entail conflicts of interest, contracts must be properly designed to ensure that the parties take mutually beneficial decisions.”

Nobel Prize for Economics, Awarding Committee, 2016



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1. The Forces of Change: The Impact on Contract and Commercial Management

Many areas of business and government are transforming. Trading relationships are certainly not immune to these changes. Among major trends, some key examples we observe:

A continuing shift in commercial models and innovation

- As a service
- Agile
- Performance and outcome-based

Growing impact from automation

- Analytics providing business intelligence
- Obligation management raising efficiency and performance standards
- RPA and digital standards

Pressure for 'frictionless commerce'

- Simplification, designing for users
- Collaboration, relational contracts
- Internal empowerment or 'self-service'

Increased expectation of value

- Defining and delivering a return on investment
- Repositioning the role of contract and commercial resources
- Generating improved financial returns versus protecting through compliance



2. Priority Initiatives for 2019

We asked survey participants to highlight major initiatives they are pursuing in 2019. The answers show a sharp contrast in the priorities of the buying community versus the suppliers.

Overall, the findings imply that CCM resources on the sell-side see the focus as being more about personal skills and organizational structure, whereas the buy-side is more oriented towards data, process and measurable value. Perhaps the only common factor is a shared interest in greater efficiency through the greater use of standards.

1. Segment relationships or re-align the organization?

Relationship segmentation takes first place for those on the buy-side – and is 13th for the sell-side, who see a reporting line change as the top priority (5th for buy-side).

2. Revise measurements or expand the role?

For the buy-side, revising functional measurements is an important initiative, coming second. For those on the sell-side, this is of significance to just one in four. Second place is occupied by demands to expand their current role.

3. External benchmarks or upgraded skills?

Gathering comparative data and undertaking research is a high priority for buy-side organizations, but sits in 11th place for the sell-side, who place much greater importance on skills development (in 12th place for the buy-side).

4. Contract analytics or contract management tools?

For those in Procurement, analytics is a high priority, but is 12th for those in sales contracting. They are giving greater importance to contract management tools and systems – in part reflecting the much lower instances of past investment in sell-side technology.

Figure 1. Major initiatives for 2019

Buy-side

Relationship segmentation	59%
Revised measurements	54%
External benchmarks and research	49%
Contract analytics	48%
Reporting line change	44%
Contract simplification	43%
Reduced role	42%
Contract standards / new terms	42%
Improve risk management / governance	41%
Knowledge management systems	39%

Sell-side

Reporting line change	32%
Expansion of current role	30%
Skills development	29%
Contract management tools / systems	28%
Contract standards / new terms	27%
'Self-service' support	27%
Knowledge management systems	27%
Revised measurements	25%
Contract simplification	25%
Improve risk management / governance	23%



IACCM Observations

The priority initiatives clearly reflect some common ground when it comes to areas such as developing contract standards and deploying new or improved tools and systems. However, there are some very real differences in priorities that reflect quite different pressures on buy-side versus sell-side contracting personnel.

In general, Procurement groups are having to adjust further and faster than their sell-side counterparts. There appear to be several factors driving this:

1. Greater visibility

Procurement has more people and has historically received much greater funding and systems investment. Its performance is therefore subject to much more scrutiny than sell-side contract resources.

2. A changing role

Over 40% of those on the buy-side are facing a reduced role, at least in core process-based activities. They are under pressure to reduce the need for human intervention in many repetitive, traditional activities (the buying process) and to increase measurable business value, going far beyond compliance and, in particular, engaging more effectively in supplier relationship management and (potentially) a bigger role in post-award contract management.

3. A need for data

To respond to these pressures, Procurement groups require more data and a greater focus on analytics. Over time, this will increase the function's influence and status, but right now many are struggling to adjust.

On the sell-side, the percentage engaged in significant change initiatives is much lower, although other data (see next section) suggests that the amount of time being spent on these initiatives is similar. This may in part be because it is often more difficult for suppliers to develop and implement changes that affect their customers. However, given the volatility of today's market conditions, the relative lack of activity in areas such as analytics, segmentation, research and benchmarking represents a source for concern. It may indicate a

failure by functional leaders to appreciate the scale of change going on around them. Other data from the benchmark suggests that many groups have such a strong focus on operational support that they lack the time to develop or act upon strategic initiatives, which is potentially not only a threat to business competitiveness, but also to the on-going status and influence of the CCM function.

IACCM supplementary resources

- [Into the Future Research Report](#)
- [Supplier Led Innovation Research Report](#)
- [IACCM Process Capability Assessment](#)
- [IACCM Skills and Competency Assessment](#)
- [IACCM Training and Certification Programs](#)
- [Contract Automation and the IACCM Software Evaluation Tool](#)



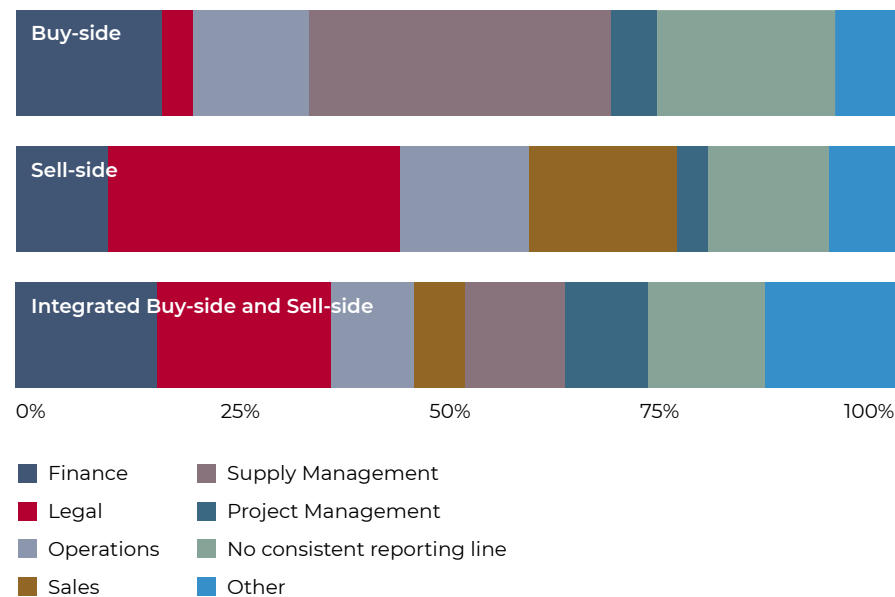
3. Reporting Lines

Reporting line remains influential on the focus of Contract and Commercial groups. For example, those operating within Legal often tend to spend more time on reviewing or drafting contracts and ensuring compliance, whereas those in the business unit are more engaged on bid responses, negotiation and overseeing issues such as scope or KPIs.

As can be seen in the section on [Priority Initiatives](#), organizational reporting line is a very active issue for a significant proportion of both buy-side and sell-side groups.

Figure 2 (left below) compares typical reporting lines for resources focused on procurement, those focused on sales and also those who focus on both. This third group currently tends to be found in smaller companies, typically with sales less than \$1bn annually.

Figure 2. Reporting lines



IACCM Observations

There has been some movement in reporting since 2015 – in particular, the seemingly unstoppable trend towards Contract Management operating within Legal has reversed, especially outside North America. Yet at the same time, we see some General Counsel operating as real leaders of change and innovation – pushing for not just efficiency, but also effectiveness. Overall, there remains no real pattern of movement and no clear answer regarding the optimum positioning of contract and commercial management. The critical issues are organizational design (with a center-led model delivering the greatest value, particularly within larger organizations) and quality of leadership and accountability (driving a strong focus on the delivery of value and proactive management of performance and change).

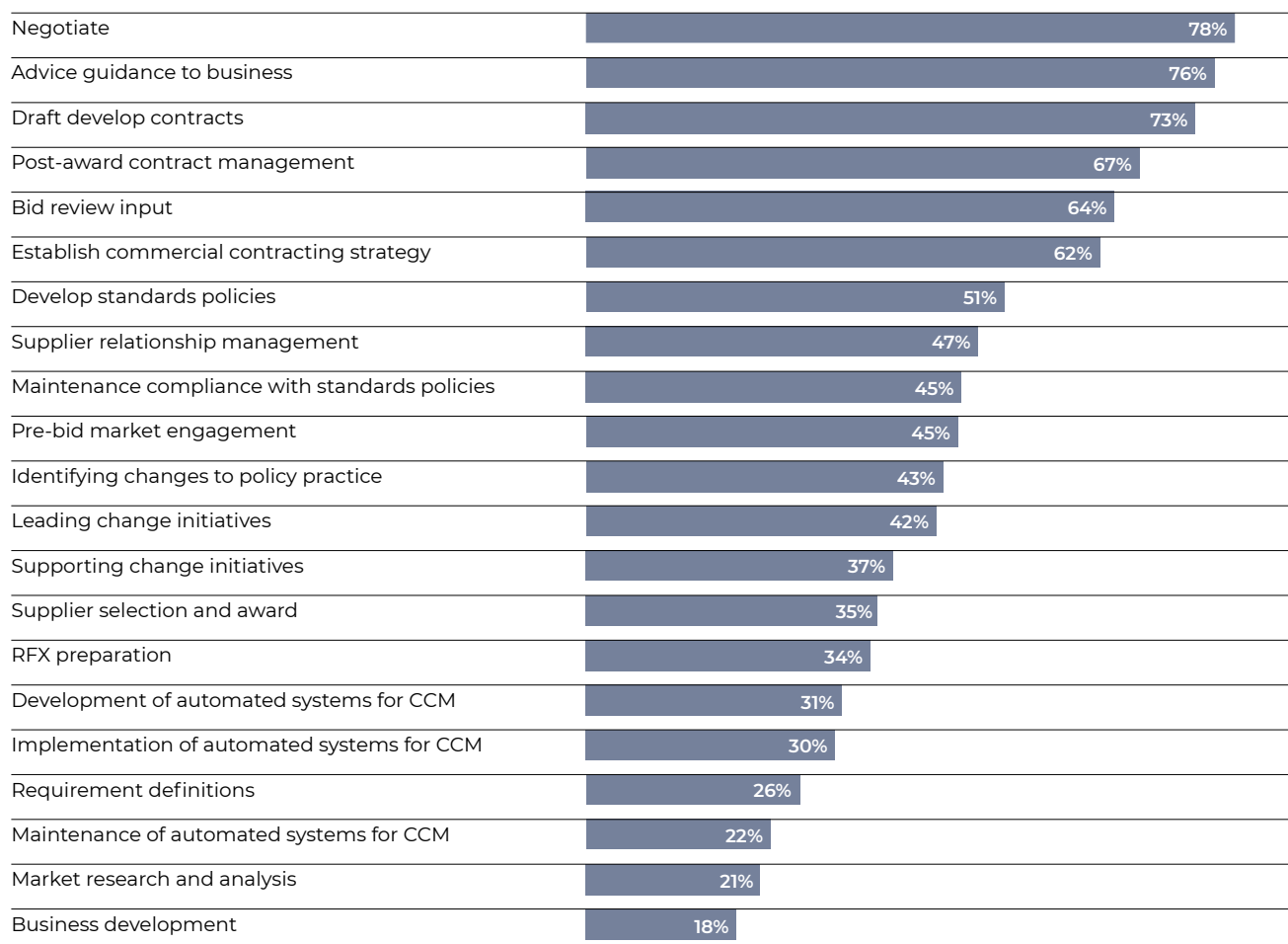


4. Major Responsibilities for the CCM Function

The primary responsibilities for both buy-side and sell-side are very similar, but the overall role being performed shows interesting contrasts.

Some are easy to understand – for example, RFX preparation, supplier selection and supplier relationship management. Others are less easy to explain. For instance, as noted in the previous section, buy-side groups are much more likely to undertake external research (33% versus 4%) and are also more involved in requirement definition (34% versus 20%), even though these ought to be critical areas for both (external research should inform commercial and competitive strategies for suppliers and better requirement definition is key to risk management and dispute avoidance). Sell-side personnel have greater engagement with business development (22% versus 12%), see Figure 4 on page 9, and in the implementation of change initiatives (new offerings, commercial policies and priorities).

Figure 3. Main responsibilities (consolidated average)





Where We Spend Our Time

Figure 4 (right) shows the primary areas of responsibility and their relative frequency of activity, comparing staff working on procurement and those supporting sales. The highlighted areas are the top 5. There is some regional variation in the numbers. For example, CCM personnel in Asia are significantly less likely to be involved in change initiatives; personnel in North America spend nearly double the amount of time on systems-related activities; personnel in the Middle East and North America are much less engaged in business development activities.

Industry-based variations to Figure 4 are interesting and typically map to the nature of the offerings or types of acquisition within that industry and their underlying complexity. Obvious examples would be the contrast between those contracting for capital projects versus industries such as financial services or software. Given the extensive nature of this data, it is not included in the report, but is available on request.

Figure 4. Primary areas of responsibility and relative frequency of activity as a percentage

	Buy-side activity	Sell-side activity
Pre-bid market engagement	48	34
Requirement definition	34	20
RFX preparation	52	10*
Supplier selection and award	56	7*
Bid review / input	62	65
Draft / develop contracts	72	76
Negotiate	80	77
Post-award contract management	68	68
Advice / guidance to business	75	81
Develop standards and policies	54	47
Standards / policies maintenance / compliance	49	37
Business development	12	22
Establish commercial / contracting strategy	64	65
Market research and analysis	33	4
Supplier relationship management	66	12*
Identifying changes to policy / practice	44	37
Leading change initiatives	43	45
Supporting change initiatives	41	29
Maintenance of automated systems for CCM	25	19
Development of automated systems for CCM	29	33
Implementation of automated systems for CCM	30	32

Top five

*Instances of these activities within sell-side organizations is typically in environments where sell-side CCM has responsibility for sub-contractors



How Does This Translate into Time Allocation?

Figure 5 (right) and Figure 6 (following page) shows the average percentage of time allocated to the different activities listed above, first across both buy-side and sell-side and then comparing the two. While there is a relatively strong correlation between primary areas of activity and time spent, it is not absolute. For example, while just over 40% state that 'Identifying changes to policy / practice' is a core activity, it represents only 4% of time allocated and while Negotiation is the most frequently mentioned activity (79%), it ranks fourth in terms of workload. Interestingly, the top two activities (Draft / develop contracts and Advice / guidance to the business) will be among the most affected by future automation. Right now, development, implementation and support of those automated systems is collectively absorbing some 14% of available resource, though this clearly varies substantially between organizations depending on the level of systems deployment.

Figure 5. Average percentage of time allocated

Draft / develop contracts	16.3
Advice / guidance to business	14.9
Post-award contract management	14.9
Negotiate	13.1
Bid review / input	11.5
Develop standards, policies	7.1
Establish commercial / contracting strategy	6.9
Supplier relationship management	6.9
Maintenance / compliance with standards and policies	6.4
RFX preparation	5.5
Supporting change initiatives	5.5
Implementation / roll out of automated systems for contract / commercial management	5.4
Business development	5.2
Supplier selection and award	5.1
Pre-bid / market engagement	4.9
Leading change initiatives e.g. introduction of new commercial models, new forms of contract	4.5
Development of automated systems for contract / commercial management	4.2
Identifying changes to policy or practice	3.9
Maintenance of automated systems for contract / commercial management	3.7
Requirement definitions	3.7
Market research and analysis	2.7



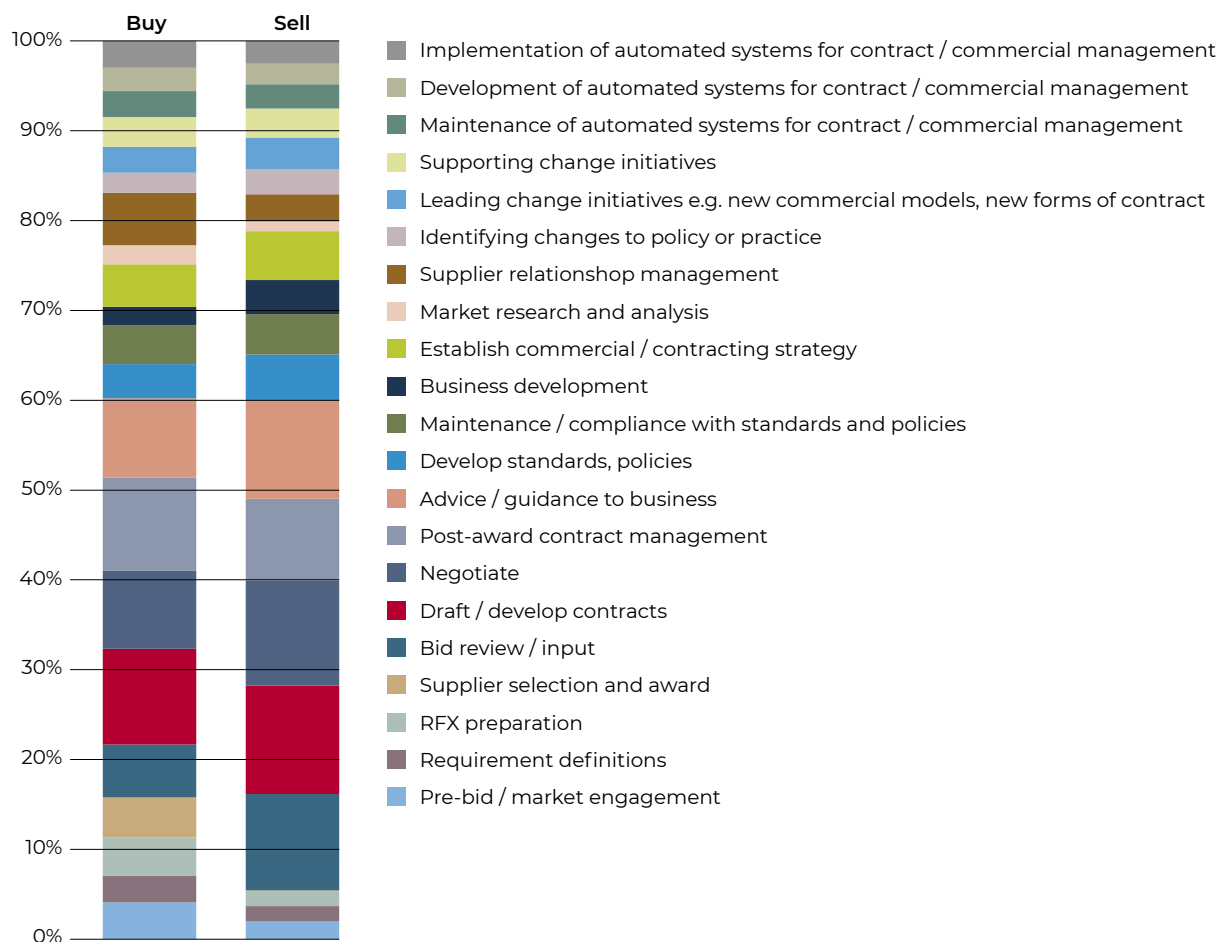
IACCM Observations

There have been a number of movements in the focus of activities since the last report. Both buy-side and sell-side have greater engagement with standards and policies, though more in their implementation and management than in their creation. In fact, time spent on establishing commercial and contracting strategy has reduced. More time is being spent on contract drafting and development and providing advice and guidance to the business, somewhat at the expense of direct involvement in post-award contract management. Overall, the range of work undertaken shows limited change; it is more about shifts in the allocation of time. In that context, there is no evident trend in terms of the importance or value of work being undertaken. If anything, it appears to have become slightly more focused on operational activities rather than strategic.

IACCM supplementary resources

- [Into the Future Research Report](#)
- [IACCM Contract Standards](#)
- [IACCM Contracting Principles](#)
- [IACCM Contract Design Pattern Library](#)

Figure 6. Average time allocation – buy / sell comparison





5. Key Activities: Who Takes the Lead?

At key phases of the contracting lifecycle, different groups or functions may take the lead. This is a major factor in driving complexity and potential inefficiency into the contracting process, resulting in additional costs, delays and potentially fragmented decisions.

Figure 7 and 8 (right) illustrate this lack of coherence and indicate the typical absence of any overall ‘contract owner’ at either a transactional or process level.

Figure 8 segments the data from Figure 7 to illustrate the areas where there is inconsistency between organizations. For example, while there is variation in who leads the negotiation team (as shown in Figure 7), the pattern of variation is relatively consistent between buy / sell, geography and industry, but is inconsistent when analyzed by size of company.

IACCM Observations

This data indicates the inconsistent scope of contract and commercial management job roles and associated levels of responsibility. While some variation is inevitable (it applies across all business functions), the differences here are not only at an industry or geography level, but often occur within an organization. Again, this is understandable when it is planned (e.g. low value commodity agreements do not require the same skills as an outsourcing contract), but in many cases it is not well planned or defined. This is indicative of the relative immaturity of the contracting process and the professional standards and competencies that organizations have deployed. It helps explain why many contracts suffer from value erosion and fail to set the framework for successful outcomes.

Figure 7. Who has responsibility for the following activities?

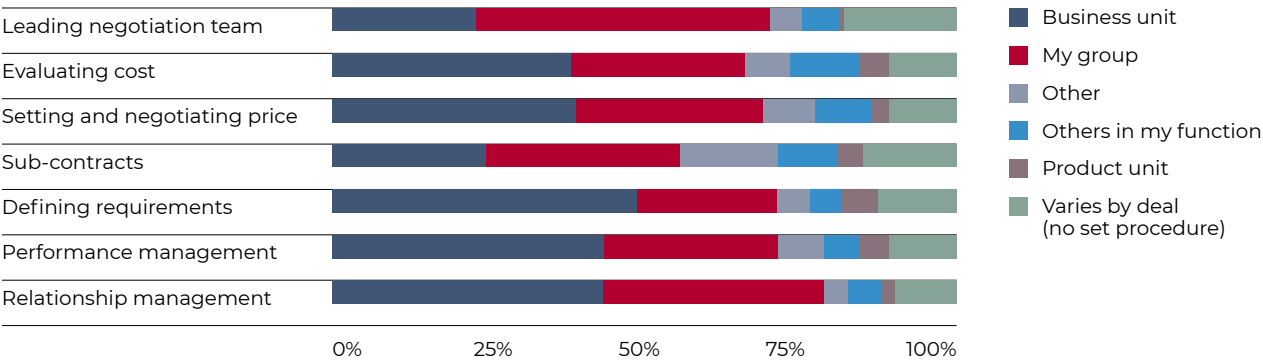


Figure 8. Consistency analysis

	Buy / Sell	Geography	Industry	Company size
Leading negotiation team	No	No	No	Likely
Evaluating cost	Likely	No	Likely	No
Setting and negotiating price	Likely	No	No	No
Sub-contracts	Likely	Likely	Likely	Likely
Defining requirements	Likely	Likely	Likely	Likely
Performance management	No	No	No	No
Relationship management	Likely	No	No	Yes

IACCM supplementary resources

- [IACCM Process Capability Assessment](#)



6. Types of Contract and Resource Utilization

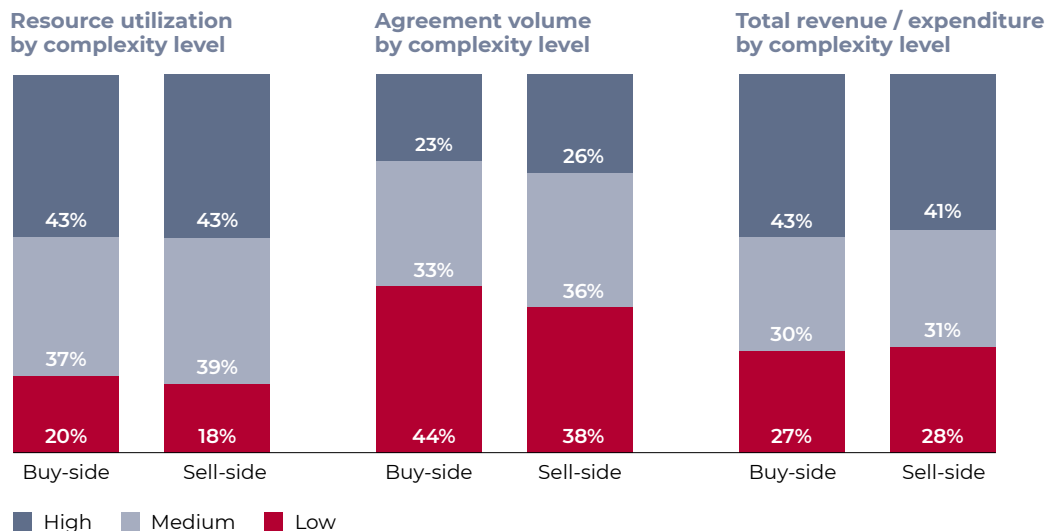
Previous IACCM research has indicated that most organizations are struggling to increase the extent of internal empowerment or 'self-service'. This benchmark data confirms those findings.

Some 65% of respondents state that they have regular engagement on low-complexity agreements, resulting in approximately 20% of resources being deployed in their support (see Figure 9, right).

While it is difficult to achieve complete consistency in the analysis of high / medium / low complexity, Figure 9 indicates the typical volume ratios of each type, and shows an analysis related to their value (percentage of total business revenue or expenditure).

As indicated elsewhere in the report, CCM and Legal groups are struggling to make meaningful progress in changing their workload mix. Over the last ten years, there has been remarkably little change and this is especially notable given current pressures to introduce Robotic Process Automation and digital / self-service process models.

Figure 9. Contract complexity and resource utilisation





In the context of this analysis, it is interesting to explore what types of contract or contractual document make up the typical workload. The input further confirms the variability that exists in the scope of role for CCM practitioners. It is also interesting to note the limited engagement in the preparation or review of key transactional documents (service level agreements, scope of work), especially considering the fact that these are the primary sources of subsequent disagreement and potential dispute.

Hidden within the averages shown in [Figure 11](#) (page 15) there are some notable differences between the activities of the buy-side and sell-side.

Areas of particular note are the significantly lower frequency for buy-side resources to engage in alliances, joint ventures, M&A and distribution channel agreements; and on the sell-side, the lower level of engagement on Statement of Work.

Figure 10. In the context of your organization's business activity, how frequently do you have substantial input to the following contract or relationship documents / offerings?

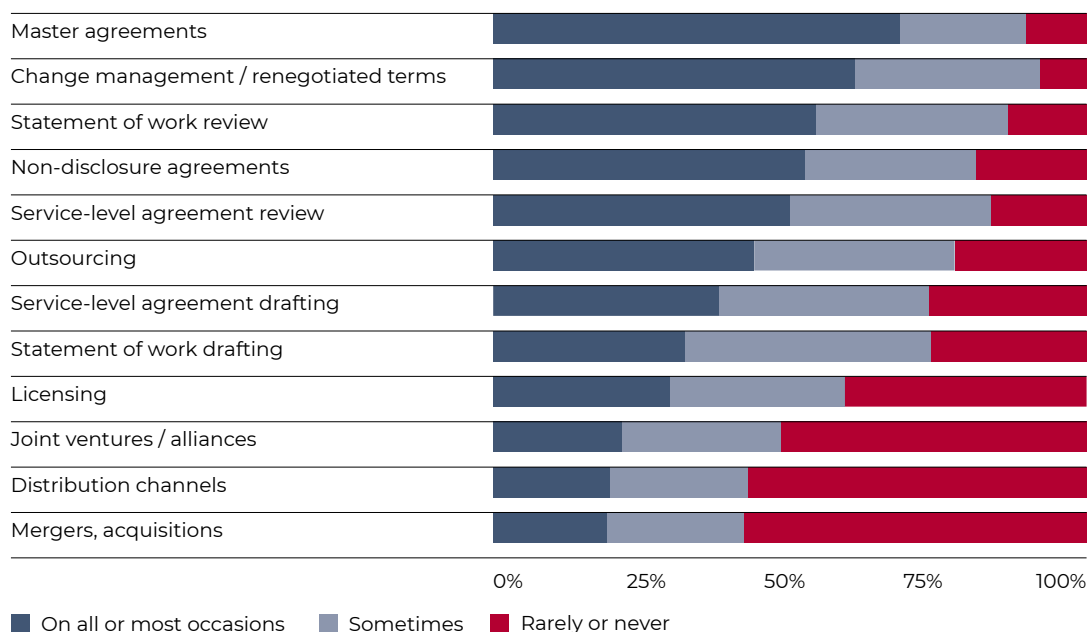
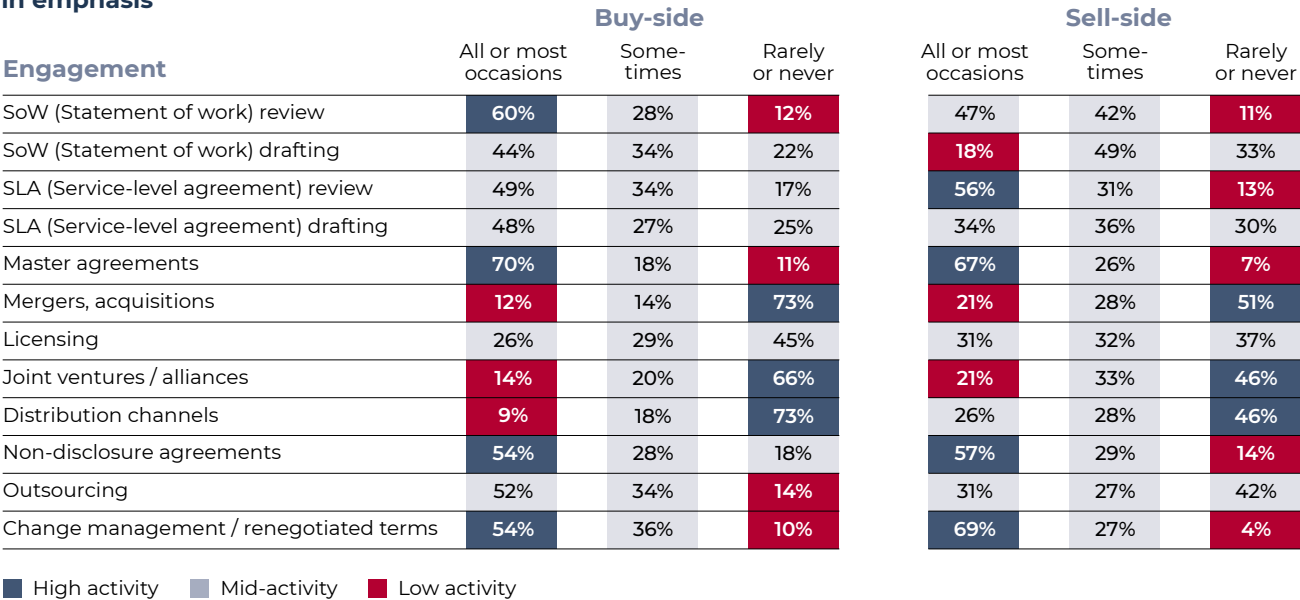




Figure 11. Buy versus sell: differences in emphasis



They benefit from faster closure rates and there is no evidence of increased risk exposure. Their approaches vary and some are without question more sustainable than others. In particular, those that stand out are deploying technology, but not simply as a way to automate today's processes. They are working to embed contracting competence across the business, developing systems to ensure easy access to market-appropriate terms, user-based contract design, on-demand knowledge and instructions embedded on mobile devices. These groups undertake regular market and competitive research, having grasped the point that contracting is a major source of value-add and key to ease of doing business. For them, self-service is becoming the norm and the question is reversed. Rather than starting from a perspective of 'When can we allow self-service?' they instead ask 'Is there any situation where we cannot operate self-service?'

IACCM Observations

Overall levels of engagement have increased slightly for both buy-side and sell-side personnel. On the sell-side, the most notable increase (and a reversal of a multi-year trend) is in the level of review and drafting of Statements of Work and Service Level Agreements. This is a welcome change since these documents are the source of many post-award disagreements and potential disputes. The most notable increases on the buy-side are in the more strategic areas of the business, such

as Joint Ventures and M&A. While the level of engagement remains significantly less than it is for sell-side personnel, it represents an important growth in value and overall business relevance. As observed in the introduction to this section, there is significant opportunity to streamline support for agreement preparation and review. In the conclusion to the report on self-service contracting, we commented: 'Some 12% of organizations stand out for their relative success in reducing legal review'.

IACCM supplementary resources

- [IACCM Contract Standards](#)
- [IACCM Contracting Principles](#)
- [IACCM Contract Design Pattern Library](#)
- [Top Negotiated Terms 2018 Research Report](#)
- [10 Pitfalls – Scope and Goals Research Report](#)
- [Performance and Outcome Based Contracting Research Report](#)



7. The Use of Standard Terms and Templates

Overall, 89% of agreements are transacted using one or other party's standard contract terms, either with (47%) or without (42%) amendment.

This is a clear – and unsurprising – confirmation that contracting parties prefer to use their standard and the input also confirms that the 'battle of the forms' is alive and well, with both buy-side and sell-side proposing use of their standard.

The underlying data on this topic contains few surprises. Buyers are substantially more likely than suppliers to succeed in imposing their standard

terms (54% 'often' or 'always', versus 33% for suppliers), although in a high proportion of cases (just over 60%) this is achieved with amendments. Figure 13 (below right) shows consolidated data for both buyers and suppliers.

There are variations within industries, in many cases reflecting a need either for more substantive negotiation or more rigid compliance. For example,

in aerospace and defense, the underlying complexity and long duration of many agreements is reflected in a culture of greater flexibility in establishing terms. In fact, this turns out to be the industry with the greatest likelihood of mutually agreed terms, closely followed by outsourcing and complex services. Perhaps surprisingly, even though it is again a relatively high-risk industry, oil and gas turns out to be one of the most inflexible sectors, with customers typically imposing their terms. In an industry like banking and financial services, it is the regulatory environment that demands greater compliance by suppliers to many of the customer's contract terms, though here again there is a relatively high degree of flexibility in other areas of negotiation.

Figure 12. The percentage attempting to use their standard terms (buy versus sell)

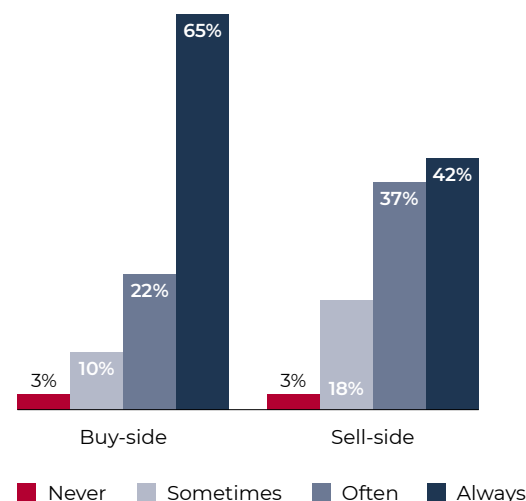
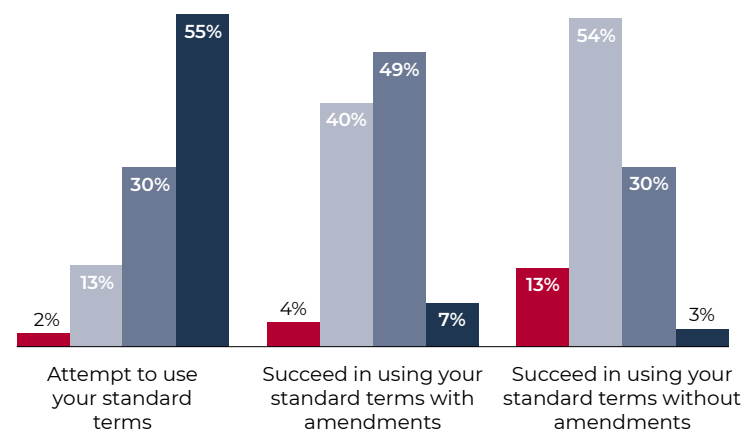


Figure 13. What actually happens (consolidated buy and sell)



What Form Do Standards Take?

Over the last 30 years, there has been a steady move towards the use of standard forms and agreements, typically through the development of 'contract templates'. These are clearly more efficient to produce and support the broader shift towards 'compliance'.

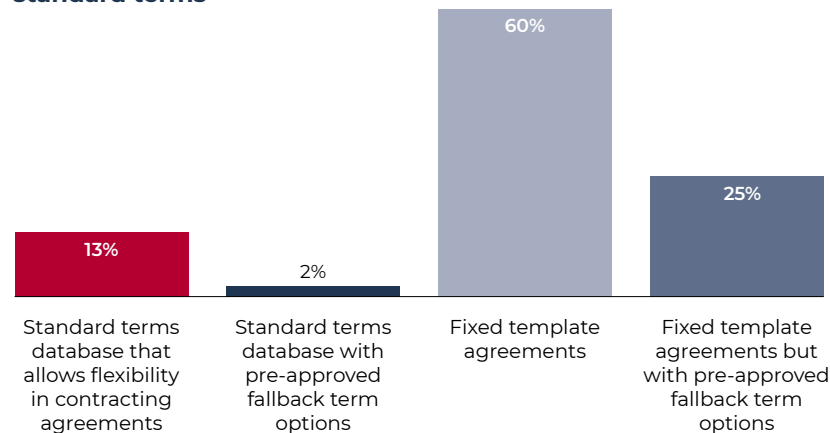


The prevalence of this approach is reflected in Figure 14 (below), which shows 85% of those who operate with standard terms deploy them through fixed templates.

A small proportion (5.3%) do not have standard terms or contracts, or have them only for a sub-set of their business.

A growing number are now moving away from the rigidity of templates and operating instead with clause libraries that allow greater flexibility in developing situationally-appropriate contracts. In all cases, this requires some level of automated systems support for document assembly.

Figure 14. Deployment of standard terms



IACCM Observations

This section addresses two issues that are key to business efficiency and also contract value. One relates to the traditional ‘battle of the forms’, where negotiations tend to be based on the relative power of the parties. These efforts to impose terms on the counter-party, often irrespective of whether they are necessary or appropriate, is reinforced by the common use of fixed template agreements, often accompanied by internal measurements over levels of ‘compliance’.

These approaches have been seen as both efficient (reducing the need for individual contract review and drafting) and effective at managing risk (preventing extensive negotiation or possible deviations from standard). While such assumptions may have validity for relatively low

value or commodity transactions, they can be highly damaging to more complicated and higher value relationships. In practice, they often result in extended lead-times and may impact organizational behavior, especially when risks are inappropriately allocated. Both these factors have significant financial impact to the contracting parties.

Overall, the data shows little change from the 2015 research. The only significant shift appears to be in the growing use of clause libraries and therefore more situationally appropriate agreements, rather than any change in traditional power dynamics. This move towards more dynamic clause libraries, supported by automated ‘play books’ and fall-back terms, appears to represent the next phase of ‘good practice’ in contracting. Such systems enable the creation of agreements that are appropriate to the nature of the sale or acquisition, as well as supporting increased ‘self-service’ at a business unit level. The fact that there are now almost 15% of organizations deploying such approaches is a clear indication of broad acceptance and growth of this method, which also results in shorter lead-times between bid and contract signature.

IACCM supplementary resources

- [IACCM Contract Standards](#)
- [IACCM Contracting Principles](#)
- [IACCM Contract Design Pattern Library](#)



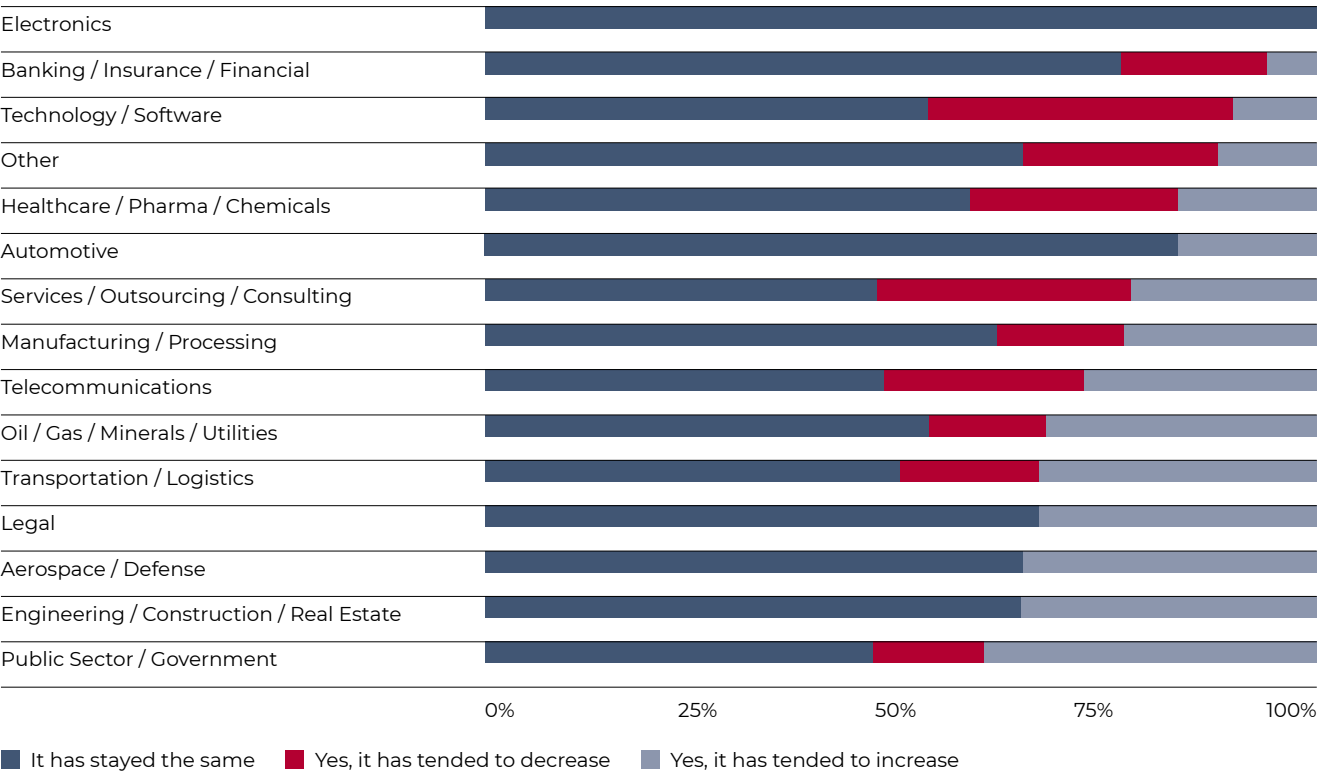
8. Is Contract Duration Getting Shorter?

Much has been written regarding the term or duration of contracts, with many commentators suggesting that the era of the long-term contract is over.

The data suggests that this is generally not the case, with the possible exception of outsourcing and technology agreements. Even in these sectors, there is an almost even balance between those reporting longer duration and those reporting shorter. In aerospace and defense, and construction and engineering, the only change has apparently been an average increase in the term.

High complexity agreements typically have a longer duration than those in the medium complexity category – 4.8 years compared to 2.5 years. This is frequently a factor of long production or sustainment periods – for example, in aerospace and defense, as well as other capital or mega-projects.

Figure 15. Contract duration by industry





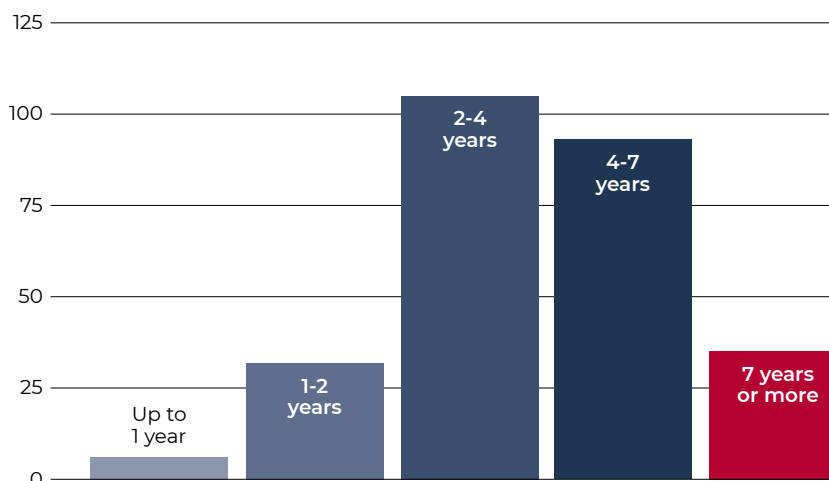
IACCM Observations

These findings show little change from the 2015 benchmark data. There is certainly evidence that the term of some agreements is reducing, but this appears to be in specific areas such as outsourcing and IT services and in instances where start-up costs are relatively low. The growth of 'as-a-Service' offerings is also influencing the market for this type of offering.

IACCM supplementary resources

- *'As a Service' Research Report*
- *Relational Contracting Whitepaper*

Figure 16. Typical contract term for high complexity agreements





9. What is the CCM Value Proposition?

As the subsequent section on performance measurements will confirm, contract and commercial management groups operate with a wide variety of goals, which are inconsistent in their application.

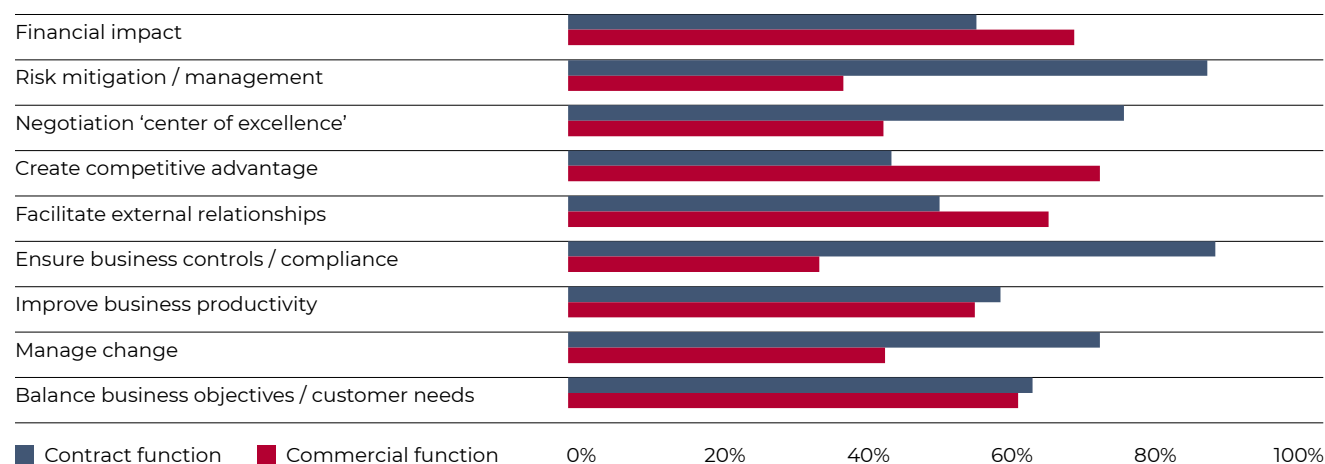
There are several ways that our data on this topic can be analyzed. One obvious division is between buy-side and sell-side, where the main differences are found in 'Financial impact' (a significantly greater focus for procurement groups) and 'Balance business objectives / Customer needs' (a somewhat weaker focus for procurement groups). Figure 17 (right) demonstrates an alternative analysis, comparing those who identify their role as 'contract management' with those who identify their role as 'commercial management'.

The question 'What's the difference between contract and commercial management?' is often asked. In some instances, these are simply viewed as alternative names and do not automatically imply a difference of role. However, as the chart shows, when viewed at scale there are some meaningful variations. In particular, Contract Management tends to be more transactional and operational, with a strong focus on risk and compliance. It is also more likely to focus on post-award performance and support (though this is not exclusively the case and in instances where contract managers report to the Legal or Finance function, they may work predominantly on pre-award activities).

As Figure 17 shows, Commercial Management is often more strategic in nature and typically more market-focused. Until very recently, the term 'commercial management' applied almost exclusively on the sell-side and was associated with groups that were typically required to be more creative in

negotiating terms and designing contract offerings, as well as influencing business policies and practices. Commercial managers tend to be more involved in pre-award activities, unless there are major changes or renegotiations in the post-award phase.

Figure 17. Which are the primary objectives for the contracts / commercial function in your company?





IACCM Observations

The benchmark survey findings support IACCM's standard definitions of contract and commercial management, which are:

Contract management is a discipline that supports commercial management through the preparation, negotiation, implementation and oversight of legally enforceable performance commitments and risk positions, both outbound (to the market) and inbound (from the market). It converts commercial policies and practices and technical capabilities into specific terms and conditions that are offered to or required from its suppliers, customers or business partners, ensuring compliance or gaining approvals for non-compliance. Through active monitoring of performance needs and outcomes, contract management informs commercial management with regard to actual and required commitment capabilities, together with their financial and risk impact.

Commercial management is the discipline that both informs and implements business strategy and policies. It informs in the context of testing and aligning market requirement with organizational capability. It implements through ensuring effective and efficient operational procedures that establish and maintain those capabilities.

In going to market, any product or service must be supported by performance commitments that are relevant to its customers and consumers. Those commitments may be specific to the product or service (for example, price, delivery, maintenance and support) or generic to the organization (for example, brand values, ethical standards or regulatory compliance). Commercial management is the process through which required performance commitments are gathered, assessed and reconciled, taking account of the needs and interests of all relevant stakeholders and ensuring their affordability and sustainability. A commercial manager is someone whose primary role is in the management or execution of such opportunities or projects.

IACCM supplementary resources

- [IACCM Contract Standards](#)
- [IACCM Contracting Principles](#)
- [IACCM Contract Design Pattern Library](#)



10. How Do We Measure Our Performance and Value?

The previous section examined the objectives of contract and commercial groups and these clearly should relate to the value delivered to the business.

So a key question is how that value is measured and reported. Figure 18 (right) shows the frequency with which different measurements are used. The data is on a scale zero to three, where a score of three would represent use 100% of the time. As can be seen, 'contract compliance' is the most frequently used measure (approximately 56% of the time) and 'time spent on customer relations' the lowest at approximately 22% frequency.

Given that the three top-scoring business objectives were business controls / compliance, risk mitigation / management and negotiation center of excellence, there is clearly some consistency in the measurements that are most frequently used. However, on closer investigation, two key points emerge:

1. Many of the frequently used measures are strongly focused towards efficiency indicators (though these would have limited meaning unless benchmarked against wider industry norms, which rarely seems to be the case). Data such as the number of contracts processed or the volume of enquiries received clearly offers no insight to effectiveness or value.
2. There is a significantly higher incidence of the use of measurements among buy-side groups. These frequently relate to cost and cost reduction, but also on a range of compliance issues.

Figure 18. Performance measurements

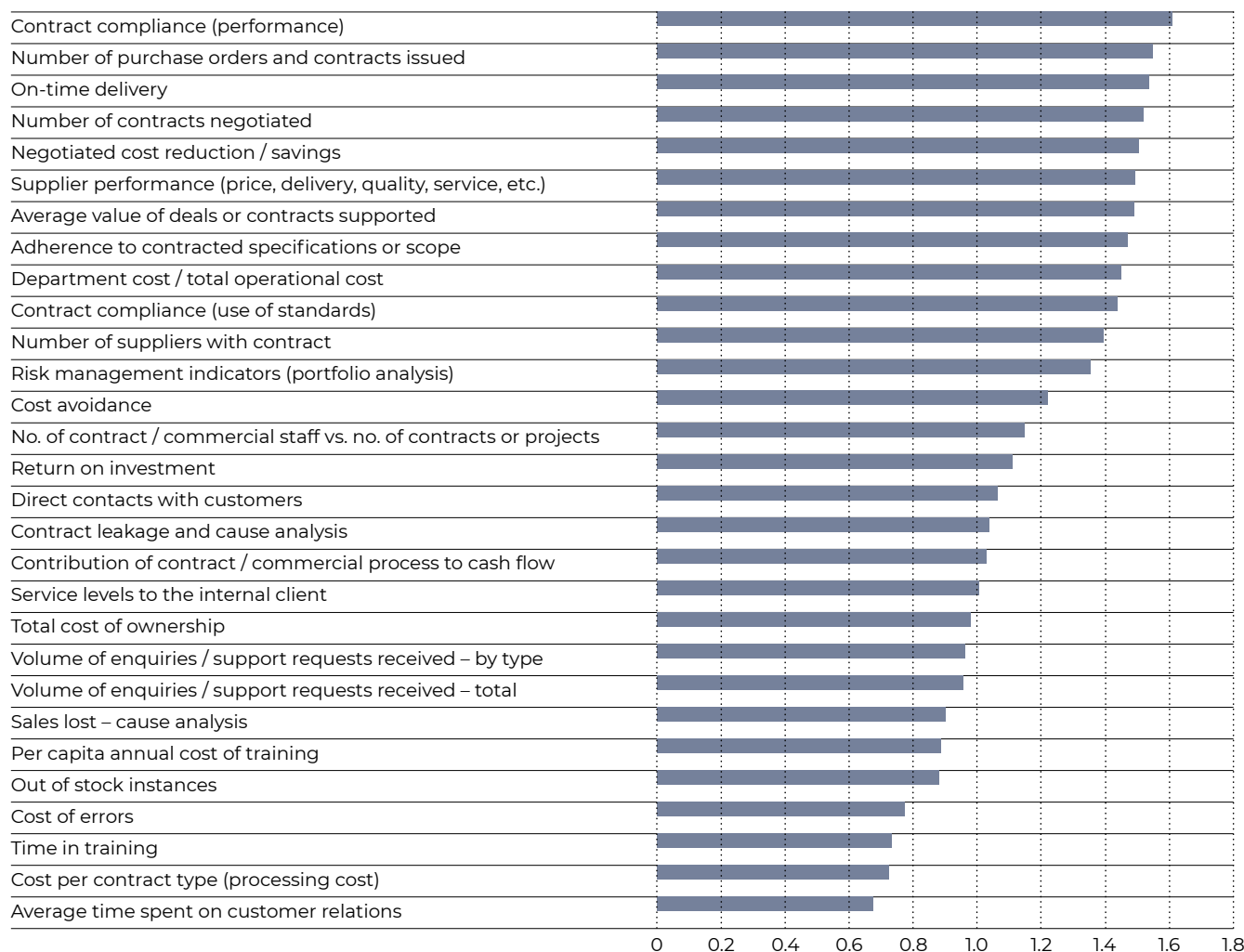




Figure 19 (right) examines the data from a slightly different perspective, again examining the frequency with which particular measures are used. These take a number of topics to a more precise level – for example, risk mapping and scoring, or frequency and source of claims and disputes. It is data such as this which is potentially actionable and can lead to direct value delivery, for example by proposing ways to better control or mitigate risks or to manage or reduce the impact of claims. However, as can be seen, the percentage of groups collecting this more valuable data is relatively low – risk scoring and mapping used by only around 25% and a similar percentage monitoring claims or causes of contract change and amendment.

The final chart in this section (Figure 20, following page) takes this same data and provides an analysis on the basis of three distinct groups – those supporting buy-side, those supporting sell-side and those who support both. It illustrates some interesting variations between these groups, some of which are easily understood (e.g. the buy-side focus on savings / cost reduction; the sell-side focus on margin improvement) and others less so (e.g. why would buy-side teams be so much more inclined to undertake risk mapping and risk scoring?).

Figure 19. What data do we collect?

Compliance with standards / scorecards by other parts of business or trading partners	29%
Compliance with standards / scorecards by your staff	32%
Cost reductions achieved	56%
Cycle times for process phases (e.g. bid to contract, purchase to pay)	35%
Cycle times to manage changes or disputes	17%
Frequency and nature of contract changes	25%
Frequency and source of disputes / claims	24%
Frequency with which specific terms are negotiated (or rejected by other side)	12%
Improvement initiatives (business value)	34%
Initiatives to improve user effectiveness	17%
Invoicing accuracy / errors	30%
Management reporting – strategy initiatives	38%
Margin improvements or deterioration	19%
Monitor satisfaction of customers	31%
Monitor satisfaction of internal user groups	25%
Monitor satisfaction of vendors	11%
Negotiated benefits (e.g. risk reduction, financial benefits)	28%
Performance benchmarks with similar groups in other corporations	14%
Revenue improvements / contribution	25%
Risk management indicators (management dashboards)	34%
Risk mapping	19%
Risk scoring	25%
Salary benchmarks (with external companies)	12%
Skill and knowledge improvements	20%
Skill levels: benchmarks / improvements	11%
Volume of contracts / deals / negotiations per professional	36%



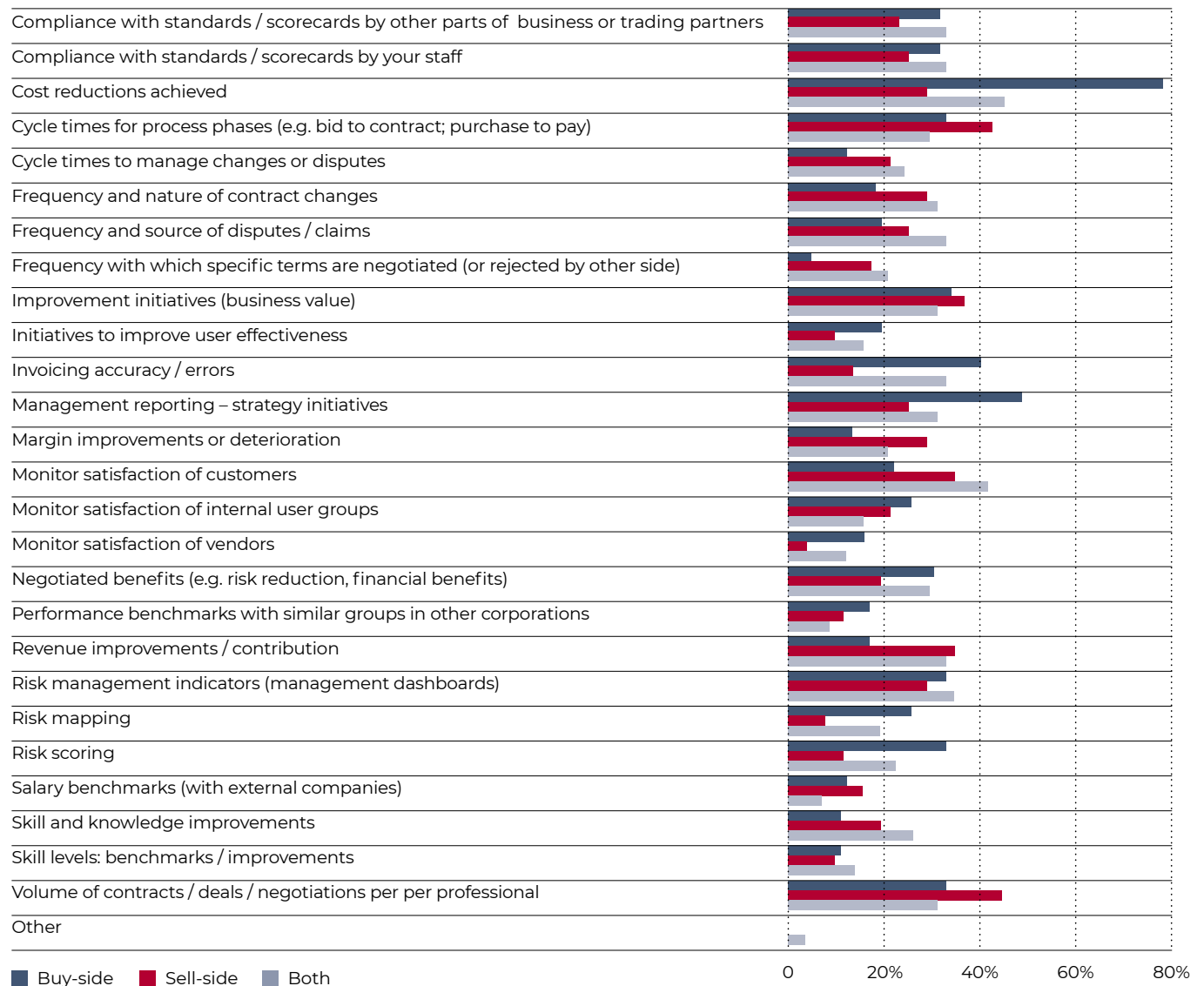
IACCM Observations

Measurements are important – and the right measurements even more so. For contract and commercial groups in general, this is an area of weakness. On the one hand, there is a risk that the frequently used measurements are actually driving the wrong behavior and damaging business results. Cost reductions or savings achieved is an example of this. At a time when commercial offerings are changing and there is growing emphasis on performance and outcomes, measurements which promote low price and rigid compliance are counter-productive. In spite of the many claims that Procurement measurements are changing and increasingly focused on value, this data does little to suggest that this is really happening on a large scale.

For many sell-side groups, the problem is more often either the absence of measurements, or the use of measurements that offer limited insight. Things like the volume of contracts per head or resource to revenue ratios mean very little. Measures of revenue or margin improvement clearly have much greater value, but these are notoriously hard to analyse and are often time limited. For example, some groups have succeeded in raising margins and revenue through improved monitoring and management of contract claims or amendments, but this:

- may have a detrimental effect on customer relationships and satisfaction and
- is not a sustainable source of value (the real goal should be to reduce the causes of those claims or amendments).

Figure 20. Measurements of performance segmented for buy / sell / both





11. The Major Challenges Facing CCM

Figure 21 indicates the areas of greatest challenge for buy-side, sell-side and also for integrated buy-side / sell-side groups.

The scores are percentages citing each issue and the totals provide a relative weighting or severity indicator. Hence we can see that 'Getting involved earlier in the process' and 'Improving internal processes' are, overall, the most significant challenges.

However, an especially interesting aspect of this data is the extent to which almost every challenge is more keenly felt by buy-side groups and, in several key areas, integrated groups appear to be operating more smoothly than either of the stand-alone functions. For example, 'Operational workload' is a notably less severe issue, as is 'Lack of career path'.

The data implies that Procurement groups are under greater pressure to drive change (e.g. improve internal processes, illustrate value, develop digital strategy), yet at the same time are struggling to gain recognition (e.g. getting involved earlier in the process, gaining executive attention). They are also relatively less satisfied with the quality of functional leadership.

The primary issues on the sell-side are similar, but less acute. This may once again in part be due to their much lower headcount and budget and hence reduced visibility. Also, unless they are perceived as a 'business prevention group', sell-side personnel benefit from the greater glamor that comes from association with winning contracts and revenue.

Figure 21. Major challenges

	Buy	Sell	Both	Total
Getting involved earlier in process	55%	30%	29%	114%
Improving internal processes	50%	30%	32%	112%
Operational workload	37%	35%	26%	98%
Role and contribution misunderstood / undervalued	31%	32%	27%	90%
Establishing data to illustrate value	30%	20%	20%	70%
Gaining executive attention / understanding of value	34%	16%	19%	69%
Lack of career path	23%	24%	16%	63%
Raising skills of current staff	30%	14%	18%	62%
Developing / implementing a digital strategy for contracting	29%	16%	17%	62%
Selecting, implementing and gaining adoption of CM tools and systems	24%	12%	15%	51%
Salary levels	13%	15%	11%	39%
Quality of functional leadership	17%	5%	5%	27%
Identifying / implementing effective training programs	8%	9%	6%	23%
Total	381%	258%	241%	

■ Buy-side ■ Sell-side ■ Both



Knowledge Management

To increase both efficiency and effectiveness, contracts and commercial groups must become better at knowledge management and re-use. Today, there is far too much ‘re-inventing the wheel’, as Figure 22 (below) indicates.

IACCM Observations

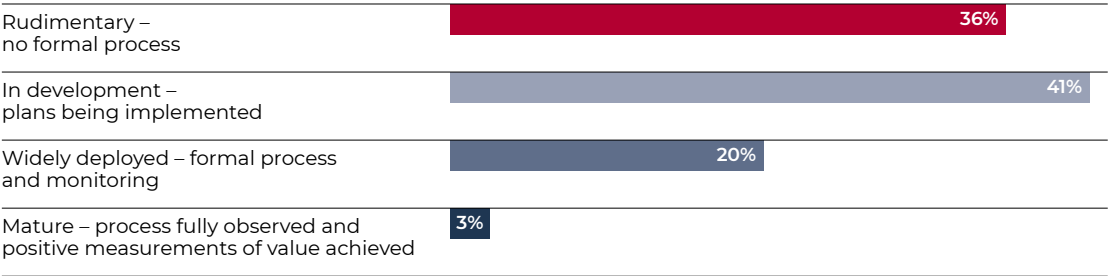
The challenge of ‘getting involved earlier in the process’ remains consistently and stubbornly at or near the top of the list. Some groups advocate that their participation should be mandated (one Procurement professional body even advocates ‘licensed professionals’ having a monopoly on the buying process), but this is clearly unrealistic.

Contracts and commercial staff need to establish presence through their contribution to value. Those who are succeeding have some common characteristics, each of which assists in building a reputation as ‘problem-solvers’:

1. They see themselves as business enablers and this includes steps to empower other parts of the business through improved tools and knowledge transfer.
2. They focus on opportunities where they can provide creative solutions to complicated or non-standard issues.
3. They are active in monitoring shifts in business goals or strategy and proactive in identifying the new approaches or shifts in commercial or contract offerings or terms that are required.

One area where sell-side groups need to increase their engagement is in the design and implementation of a digital strategy for contract and commercial management. The fact that just 16% see this as a current challenge is a cause for concern and represents a real risk of marginalization.

Figure 22. How would you describe the current level of knowledge sharing / reuse of past solutions within your contracts / commercial function today?



IACCM supplementary resources

- *Into the Future Research Report*
- *IACCM 10 Pitfalls Research Report*
- *IACCM Pitfall 2 – Time of Engagement*
- *IACCM Contract Design Pattern Library*
- *Contract Automation and the IACCM Software Evaluation Tool*



12. Deployment of Software Tools

Deployment of software has been a major challenge for most contract and commercial groups.

They have struggled to find the right solutions and struggled to make the business case for funding. Those who have deployed something (just under 60% of respondents) are frequently not satisfied and in many cases have achieved very limited deployment, as Figure 23 (right) indicates.

The chart reflects data only from those who have made some form of deployment. The most common implementation is a contract repository – and after that, all other functionalities show a marked decline.

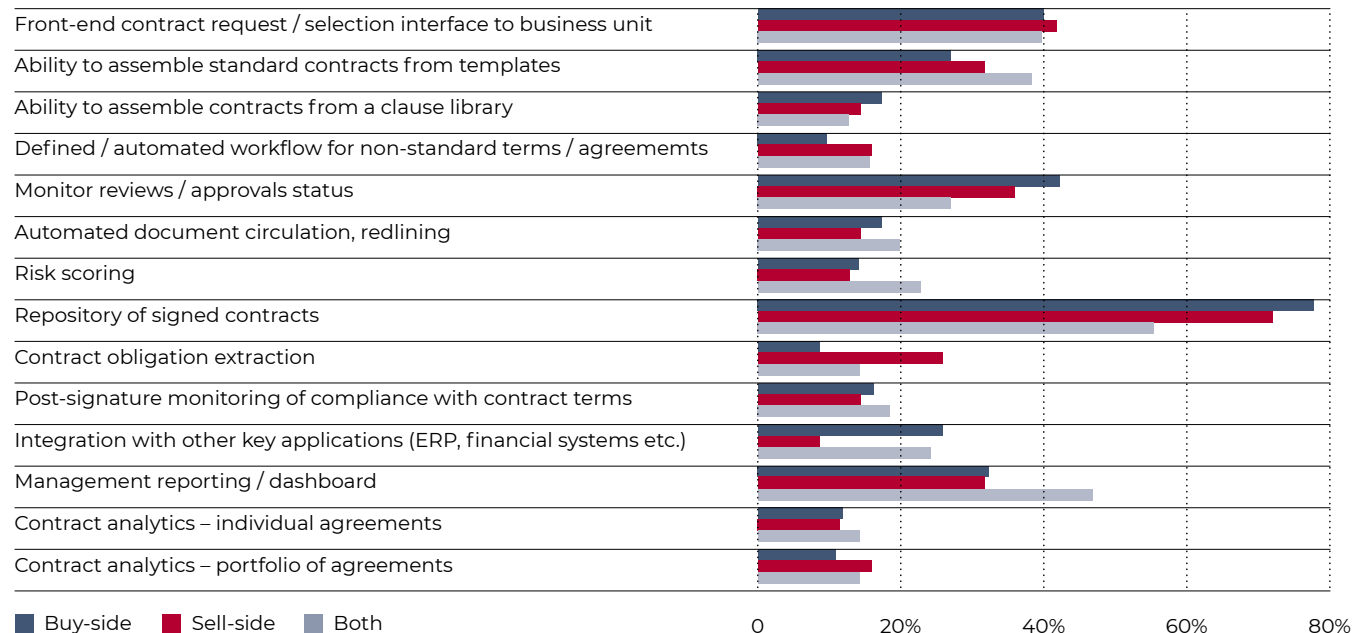
Research has shown several factors influencing adoption:

1. Failure to review and redesign business process. The fragmented nature of the contracting process, noted earlier in the report, makes alignment with software tools complicated, especially since it requires a multi-stakeholder commitment to change.
2. Failure to engage key stakeholders. Software has often been acquired to satisfy the needs of a particular function and without consideration of key user groups. This often results in low acceptance.
3. Weak data flows. Contracts are built using data and then generate data throughout their life. Today, much of that data exists in disparate systems. If the contract management solution does not effectively interface with all the relevant systems, it drives extensive manual intervention and typically fails to generate valuable information.

4. Many systems were not fit for purpose. A combination of poor understanding of requirements and limitations in software capabilities meant that many systems simply did not have the functionality needed for the contracting process.

New technologies, drawing on capabilities such as artificial intelligence, robotic process automation, the use of APIs, blockchain and natural language processing, are transforming the capabilities and value of software tools. In general, these are not yet reflected in the benchmark data since only now are they really coming into operation.

Figure 23. Deployment and functionality of software





Is the Pace of Automation Picking Up?

44% of survey participants say that selecting an automated system or replacing an existing system is a priority in the next twelve months, so this implies there will be rapid progress in adoption. However, obstacles remain. Top inhibitors to automation:

1. Budget and cost
2. Process changes and management
3. Time and resource

Organizations continue to struggle with developing the business case for investment. Traditional justifications, such as headcount reductions, are not typically on sufficient scale to justify the budget. Also, the absence of reliable measurements or estimates for improvement does not help. The real justification for automation is around the removal of friction points (reducing both cost and sources of delay) and the potential to drive increased revenue or cost reduction out of in-life contracts. The priority being given to

digitization is helping the case for contract automation, since existing methods are becoming inhibitors or roadblocks to wider business process improvement.

Industry Comparisons

Adoption levels also show significant variations between industries. Figure 24 illustrates this variability, but also reveals the limited use of CLM software functionality. Adoption is clearly proving highly problematic.

Figure 24. Industry adoption and use of automation

	Aerospace, Defense	Banking, Insurance, Financial	Engineering, Construction, Real Estate	Healthcare, Pharma, Chemicals	Manufacturing Processing	Oil, Gas, Minerals, Utilities	Public Sector, Government	Services, Outsourcing, Consulting	Technology, Software	Telecoms
Front-end contract request / selection interface to business unit	24%	47%	22%	25%	38%	31%	33%	35%	37%	48%
Ability to assemble standard contracts from templates	35%	12%	22%	25%	46%	17%	13%	50%	27%	40%
Ability to assemble contracts from a clause library	6%	0%	6%	8%	38%	14%	0%	18%	13%	20%
Defined and automated workflow for non-standard terms or agreements	6%	0%	6%	8%	23%	7%	7%	12%	20%	16%
Monitor reviews / approvals status	24%	41%	19%	50%	46%	26%	13%	18%	30%	44%
Automated document circulation, redlining	12%	0%	9%	8%	23%	17%	13%	21%	20%	16%
Risk scoring	18%	12%	13%	0%	8%	17%	7%	12%	20%	32%
Repository of signed contracts	65%	82%	34%	75%	62%	55%	33%	65%	67%	52%
Contract obligation extraction	12%	0%	0%	17%	15%	7%	0%	26%	23%	24%
Post-signature monitoring of compliance with contract terms	18%	6%	6%	8%	23%	12%	0%	18%	30%	20%
Integration with other key applications (ERP, financial systems etc.)	18%	18%	28%	0%	8%	31%	13%	12%	10%	12%
Management reporting / dashboard	29%	18%	28%	42%	31%	36%	13%	24%	53%	24%
Contract analytics – individual agreements	6%	0%	3%	0%	15%	10%	13%	21%	17%	12%
Contract analytics – portfolio of agreements	6%	0%	6%	8%	15%	12%	7%	24%	23%	12%



IACCM Observations

Automation has become critical, not only to support process efficiency, but also to support greater market intelligence and operational effectiveness. In general, technology deployment for contract and commercial activities is at best rudimentary, with many still considering the use of spreadsheets to be an advanced approach. In large part, this failure to automate is not due to innate resistance by practitioners, but is rather more a reflection of the real complexities associated with this discipline. While it may be relatively easy to automate simple transactions or to tackle specific elements of the contracting lifecycle, it is extremely challenging to introduce software across that lifecycle and to handle more complex agreements and relationships.

This is in large part due to the current fragmentation of process, the diversity of stakeholders and the multiple embedded systems with which contract automation must interface.

However, after many false starts, emerging technologies provide new solutions. Leading CLM providers are embedding advanced tools such as obligation extraction and analytics, as well as developing APIs to interface with existing systems. Such developments bring a new level of value and purpose and will in consequence accelerate adoption and use. Going beyond these more traditional applications, creative use of blockchain and artificial intelligence promises the potential for much more rapid and far lower cost deployments. Automation over the next few years promises a period of dynamic change for contract and commercial management, which we expect to be reflected in the next benchmark report.

IACCM supplementary resources

- *Contract Automation and the IACCM Software Evaluation Tool*

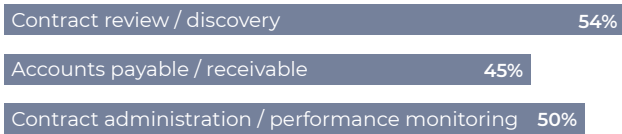


13. Is Outsourcing CCM an Answer?

Many functions have undertaken either outsourcing or offshoring of work. Contract and commercial management is no exception, although the diversity of the work and fragmentation of the process has proven challenging in making this a scalable solution.

Just 30% of participants report some level of outsourcing or offshoring and, as Figure 25 (right) shows, this varies significantly between industries. Where outsourcing / offshoring has taken place, it is more prevalent on the sell-side than the buy-side (Figure 26, right below). This may be because, on the buy-side, contract management can often be a sub-element of a broader job, so the data would not pick up those resources.

Comparative use of outsourcing / offshoring
Of those who have outsourced / offshored, the major activities that have been affected are:



IACCM Observations

For reasons similar to those limiting the adoption of software, extensive outsourcing and offshoring of contract-related activities has proved challenging. With overall processes either poorly defined or inconsistent, outsourced activity is typically limited to specific tasks and in many cases that limits scale and economic feasibility. There are exceptions to this, proving that it is possible to outsource / offshore, but the fact that it remains the exception is not surprising, given other results of this benchmark.

Figure 25. Use of outsource / offshore by industry

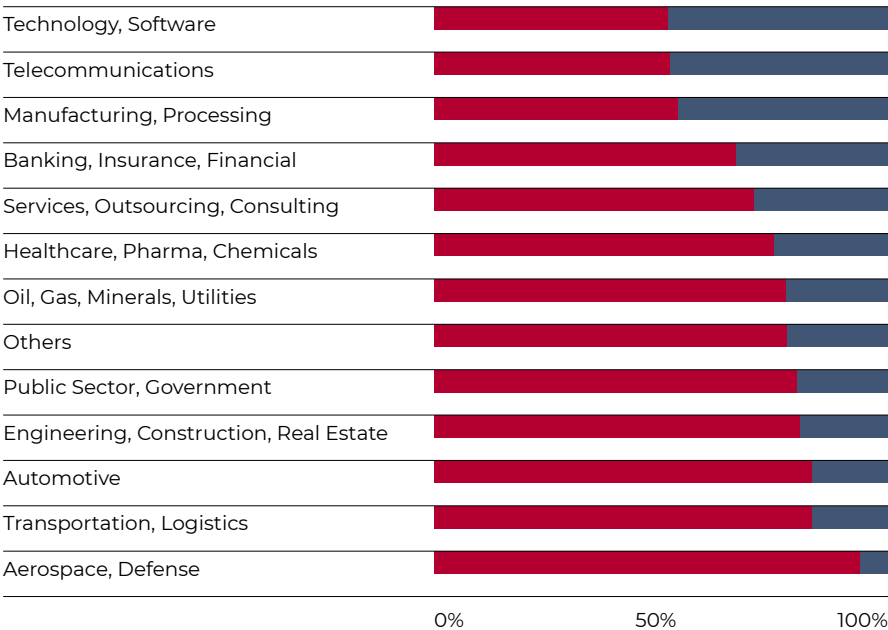
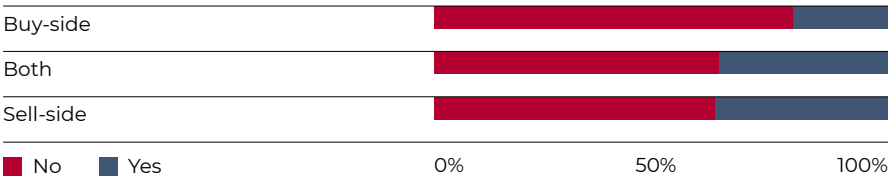


Figure 26. Functional comparison





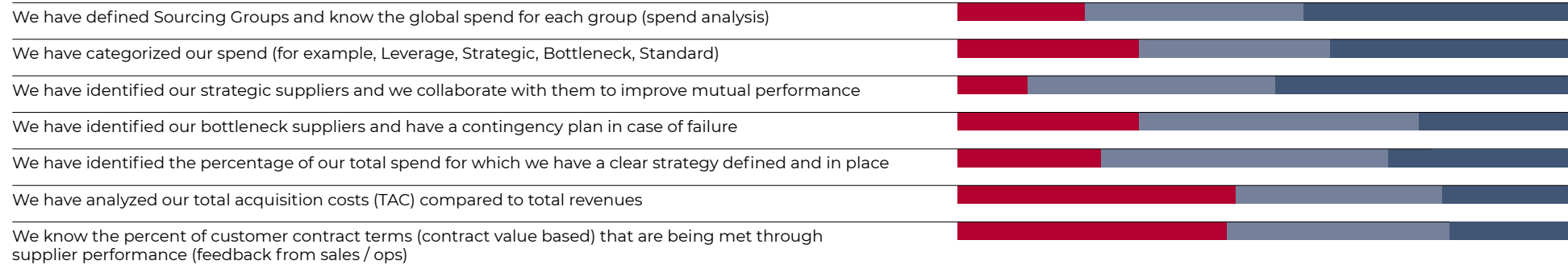
14. Segmentation and Analytics

Data is increasingly critical to business operations and supports decision-making through analytics.

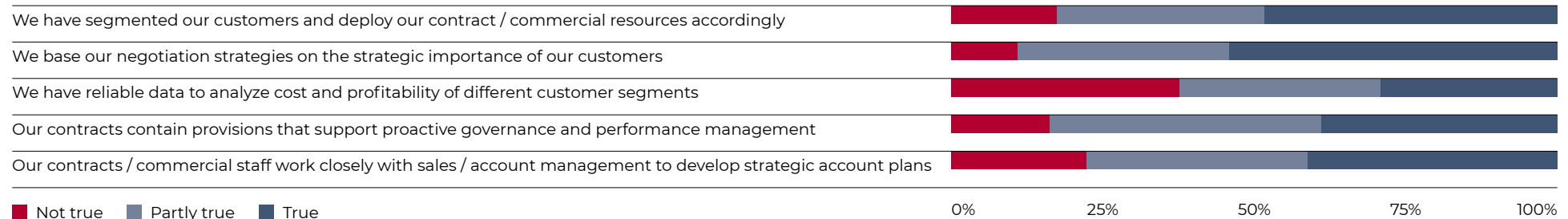
So to what extent and with what level of maturity does the contract and commercial community gather and analyze data? In this section, we compare buy-side and sell-side activity.

Figure 27. Maturity indicators

Buy



Sell



■ Not true ■ Partly true ■ True

0% 25% 50% 75% 100%



15. Skills and Learning

Just 36% of respondents feel that those in the contract and commercial role face significant future skill challenges. This will surprise many external observers, given the uncertainties facing most workers as a result of impending automation.

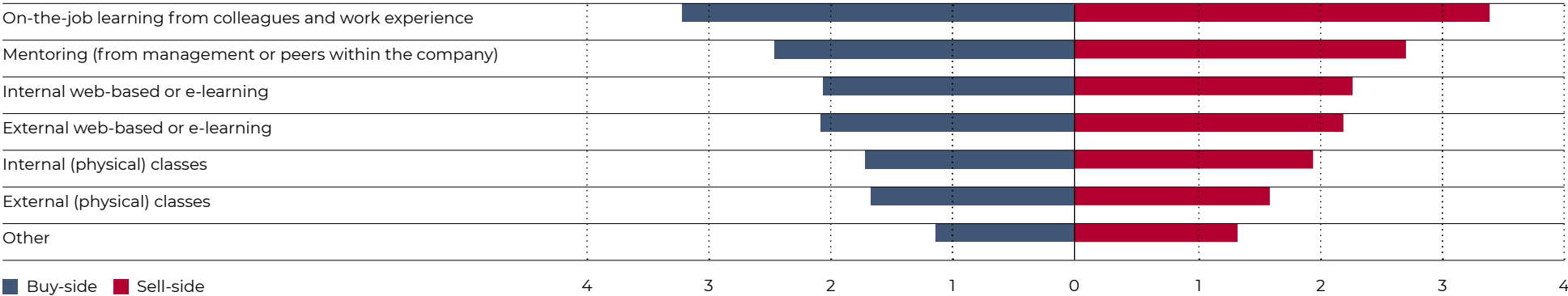
Certainly, skills assessments undertaken by IACCM as a component of its learning programs suggest significant deficiencies in areas such as analytics, use of advanced software, user-based design and simplification – each of which appears critical to future value. For the 36%, those challenges appear evident. They highlight the following areas, some new, some (like negotiation) requiring a new approach.

- Top additional skills**
- Negotiating skills
 - Digital skills and use of software, technology and AI
 - Data analytics
 - Contract drafting and simplification
 - Supplier relationship and risk management skills
- With regard to the remaining 64%, we may well be seeing an instance here of ‘you don’t know what

you don’t know’, or alternatively a confidence that new skills can easily be acquired. Either way, there may be a need to assist the current workforce in both understanding and accessing relevant training needs and materials.

Today, sources of learning remain very similar for both buy-side and sell-side personnel, with on-the-job experience still representing the primary method. However, mentoring has grown in popularity and there has been a slight recovery in the use of physical training classes.

Figure 28. How and where we learn: buy versus sell





When it comes to more informal sources of learning or information, the range of resources used also remains very similar for both buy-side and sell-side. Figure 29 (below) shows the relative importance and frequency of use of these resources.

There are several notable elements to these findings. On the sell-side, since our last survey, there has been substantial growth in use of the internet as a source of information, narrowing the traditional gap with the buy-side. Also, the use of professional associations has expanded – which for the sell-side presumably means predominantly IACCM, since

there are very limited options. The use of informal on-line networks, such as LinkedIn, remains relatively low, as does more formal research or survey groups.

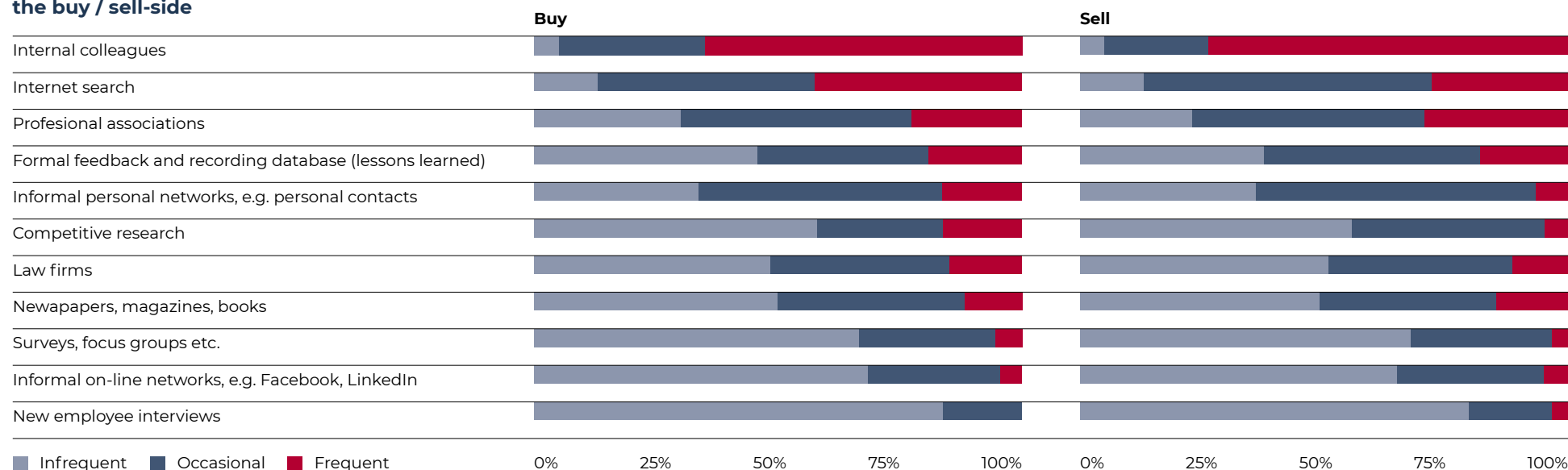
IACCM Observations

In a fast-changing world, it is important to expand information and knowledge sources. The extent of reliance on internal colleagues represents a potential source of weakness in terms of generating new ideas or approaches.

IACCM supplementary resources

- [Into the Future Research Report](#)
- [IACCM Skills and Competency Assessment](#)
- [IACCM Training and Certification Programs](#)

Figure 29. Primary sources of information on the buy / sell-side





16. Market Research

One executive recently observed that ‘my CEO used to value my opinion, but today she wants facts’. The importance of data is growing in part because of the need to keep pace with change, but also because it is much more readily accessible.

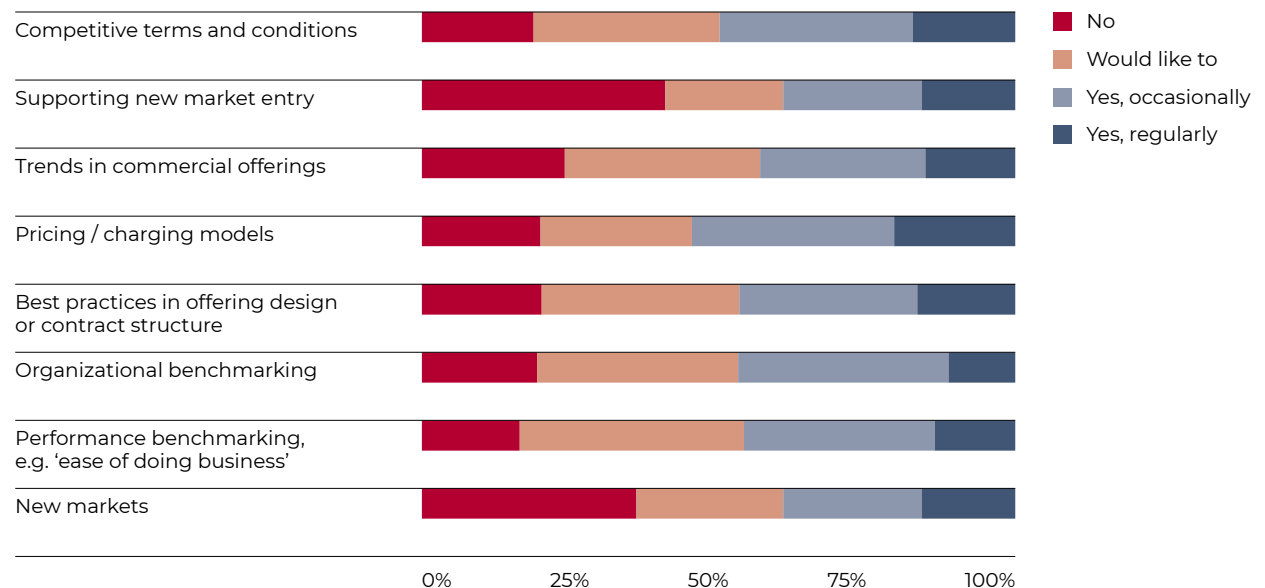
As this report has indicated in earlier sections, the contracts and commercial community is not currently making extensive efforts to undertake research, especially in areas such as competitive activity or benchmarking.

Figure 30 (right) confirms that regular research occurs in only around 15% of organizations and that there is virtually no research occurring in more than 50%. Approximately a third indicate they ‘would like to’ invest further in this area – a very similar finding to the last survey in 2015. The good news is that a number of the priority areas are becoming steadily easier to explore. For example, new technology has enabled extensive ability to benchmark competitive terms and conditions, or best practices in offering design or contract structure (both services offered by IACCM). This report – and the extensive data that lies behind it – mean that it is readily possible to undertake organizational or performance benchmarking.

IACCM Observations

The extent to which research is being undertaken shows very little change from the 2015 study which, given the tools now available, is surprising. There is a direct correlation between the organizations that are diligent in undertaking research and their feelings of being valued. For example, very few of these groups state that ‘timing of engagement’ is an issue and they are also more likely to have received greater investment in tools and resources.

Figure 30. In which areas are you undertaking market research?



IACCM supplementary resources

- [IACCM Process Capability Assessment](#)
- [IACCM Bespoke Market Research](#)



17. Metrics: Cycle Times and Contracts per Head

Cycle Times

Speed is deemed a critical factor in most organizations – and contracts groups are regularly under pressure to reduce cycle times. New technologies, such as Robotic Process Automation (RPA) are both exposing and enabling the potential for improvement. Figure 31 (below) is based on averages of cycle time for contracts of different complexity and shows the time from release (or receipt) of bid to contract signature. The table is further sub-divided into quartiles – that is, the 25% of companies with the fastest turn-round time, to the 25% with the slowest.

IACCM Observations

The variations in cycle time between organizations remain substantial. There is always a need for some caution when interpreting this data, especially in the higher complexity categories, since different industries will have varying views on what they consider 'complex'. However, the scale of difference in turn-round time is important and in part indicates significant variations in process efficiency.

Comparing this latest data with the inputs for 2011 and 2015, we find that there has been a significant reduction in cycle time within the low complexity category (approximately 20% on average), and much smaller improvements in the medium and high complexity categories (approximately 5% in each case). However, the improvement is primarily due to reductions on the sell-side. The averages for buy-side contracts show a relatively static position.

Figure 31. Bid to contract signature cycle times

	Low complexity				Medium complexity				High complexity				
	Transactions or relationships that use standard forms of contract and require little or no negotiation and limited oversight of performance				Transactions or relationships that require significant review and/or negotiation and continued oversight of performance				Transactions or relationships representing substantial risk, requiring skilled negotiators and dedicated oversight of performance				
	Domestic contracts		International contracts		Domestic contracts		International contracts		Domestic contracts		International contracts		
Fastest quartile	<2	<2	3	2	4	4	5	4	8	8	11	10	Buy-side
2nd quartile	3	3	3	3	7	6	9	7	18	17	21	20	Sell-side
3rd quartile	5	4	5	4	12	11	13	14	24	17	>25	23	
Slowest quartile	11	8	16	12	18	16	21	21	>25	>25	>25	>25	

■ Buy-side
■ Sell-side



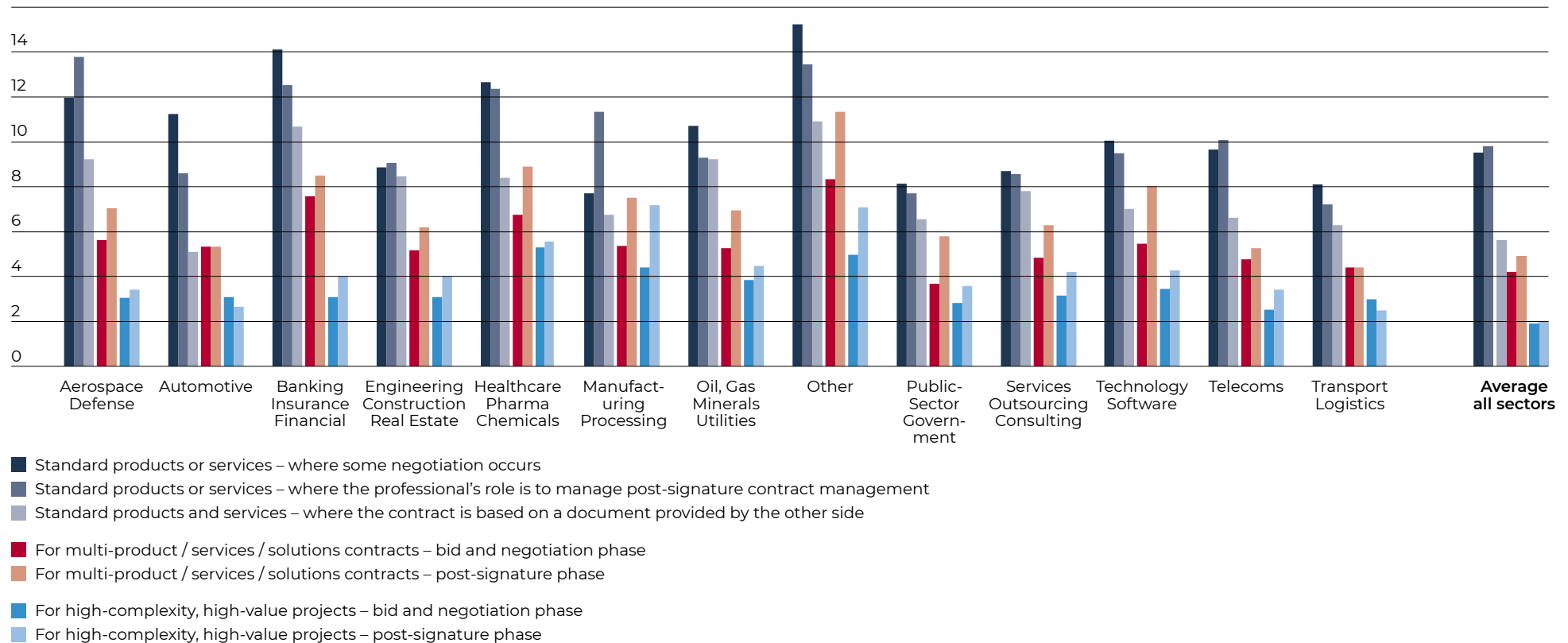
Contracts per Head – Ratios

One commonly used measurement is the ratio of contracts per head – essentially, how many contracts is it reasonable to expect a professional to handle at any one time? The answer to this question clearly has a number of major variables – for example, the

scope of activity being performed, the complexity of the agreement (which is itself a somewhat subjective judgment) and the experience-level of the individual. Figure 32 (below) shows the average numbers that are considered reasonable for an experienced practitioner.

A question that is commonly asked is whether these statistics vary significantly by industry and Figure 32 (below) indicates that this is a factor, but in general it does not lead to major variations.

Figure 32. Average volume of contracts per person





IACCM Observations

Compared to the data collected in 2015, every category shows a reduction in the number of contracts per head. A few interesting points emerge:

1. The gap between those with a fully automated process versus those without significant automation has grown. The latest systems are supporting greater productivity (on average 18%), and this is especially notable in the pre-award phase and for the more standard contracts.
2. There is some evidence that increased diligence regarding regulatory and reputational risk is having an impact on workload and the time spent per contract.
3. The shift is greater in post-award than it is in pre-award, perhaps indicating the growing focus on contract performance, together with the continuing movement from products to solutions and services, where greater oversight is required.

As a general comment, the headcount to contracts ratio is often used as a metric because the data is relatively easy to gather. However, when taken in isolation, it has little obvious meaning. Not only are there significant factors that cause variability, but such a measure gives no indication of the quality or effectiveness of work undertaken. Most times, the information is gathered without reference to external benchmarks or norms, making it extremely risky as a source of decision-making.

The data in this report can be used for comparative purposes, both against the market and over time. This allows any organization to review whether it is working within industry norms and market trends. To the extent it reveals a significant variation, it would be important to explore the possible reasons, such as relative experience / seniority level of staff; differences in their role or responsibilities; and the extent of support from automated systems.

IACCM supplementary resources

- [IACCM Process Capability Assessment](#)
- [IACCM Contract Standards](#)
- [IACCM Contracting Principles](#)
- [IACCM Contract Design Pattern Library](#)



About IACCM

IACCM is a not for profit association active in over 170 countries, with a mission to improve the quality and integrity of trading relationships. With more than 60,000 members representing over 17,000 organizations, IACCM is dedicated to raising individual, organizational and institutional capabilities in contracting and commercial management. It achieves this by providing research, benchmarking, learning, certification and advisory services to a worldwide, cross-industry audience of practitioners, executives and government.

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