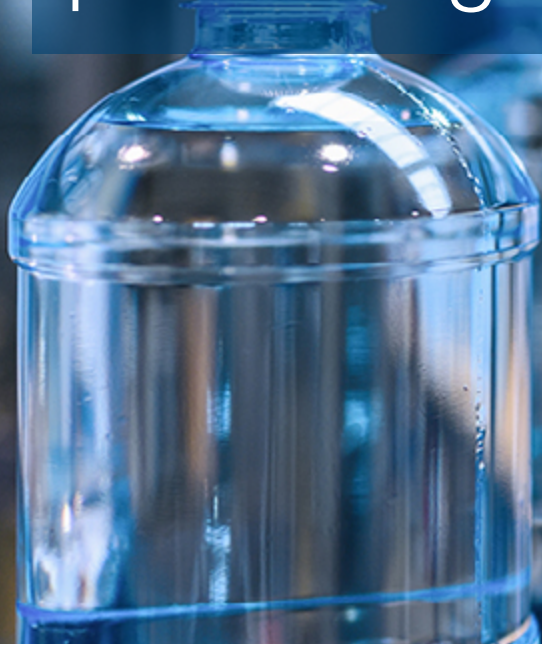


Contract and commercial management
benchmark report

Manufacturing and processing sector



One in a series of ten sector-specific reports



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Preface

Abstract

The manufacturing and processing sector lags significantly behind most others in its contracting and commercial management capabilities. There is a need for far greater integration and knowledge capture to support increased value and adaptability.

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 40 companies in the manufacturing and processing sector, providing sector-specific analysis and comparison with cross-sector performance and trends.

How to use the WorldCC benchmark reports

Benchmarking compares against four levels:

Level 1
Your own past performance

Level 2
Others in your sector

Level 3
World-class standards

Level 4
Goals or vision

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

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

Executive summary

Faced with on-going supply disruptions, trade disputes, geopolitical conflict and growing regulatory requirements, the manufacturing and processing sector is in urgent need of more intelligent and adaptive commercial capabilities.

This benchmark report reveals many organizations are ill-equipped to deal with the scale of the challenges and changes they face. While there is widespread executive demand for improvement, this sector lags most others in the way that it forms and manages its trading relationships. The contracting and commercial process is fragmented and in many cases roles and responsibilities are not well-defined. In consequence, skill sets are also disconnected, with a majority lacking coherent oversight of contract performance or reporting. Finally, there has been limited investment in the tools and systems needed to support integrated data flows and business information.

The current and emerging business environment means that these are serious shortcomings, creating a highly reactive environment and resulting in operational inefficiencies. Survey respondents in many cases appeared to lack an appreciation of the impact these are having, or a sense of urgency in their resolution. One reason for this – and a consequence of the lack of past investment – is the scale of operational workload falling onto those who undertake contract and commercial management tasks.

One of the weaknesses revealed by this study is that few organizations undertake regular benchmarks of their commercial processes against others in the sector. This report provides an opportunity to make that comparison and develop an action plan for change.



Those in the manufacturing and processing sector face supply disruptions, trade disputes, geopolitical conflict and growing regulatory requirements, urgently requiring intelligent and adaptive CCM capabilities.

Manufacturing and processing sector findings

Priorities for improving CCM

The manufacturing and processing sector typically operates with little or no integration between buy-side and sell-side contract and commercial management (CCM) capabilities. It is among the lowest in having dedicated contracts and commercial resources. However, there is recognition and executive focus on CCM capabilities and their contribution to business performance and the priorities for improvement are closely aligned with cross-sector norms.

The manufacturing and processing sector currently places the highest priority on improving internal processes, with 80% of respondents identifying this, compared with the cross-sector average of 64%. Linking to a growth in executive interest, 64% highlight the need to increase strategic relevance and demonstrate value, which in this sector is leading to a greater focus on the overall contracting lifecycle, with a particular emphasis on post-award. Raising skills and attracting and retaining talent is highlighted by 51%, very much in line with the cross-sector norm. There are similar levels of focus on selecting, implementing and gaining adoption of tools and systems (an area where this sector is significantly behind most others) and also on expanding the role and contribution from CCM activities. One in five are working on organizational change, in many cases looking at greater consolidation of currently fragmented resources.

As we will see in subsequent sections, CCM responsibilities in this sector are at present strongly oriented towards pre-award activities and are often a sub-element of another job role. Resources are also less likely to be centralized, which is consistent with a largely transactional role. Therefore, the potential for increased value from redefining and reorganizing CCM is substantial.

Based on the overall findings of this survey, it seems logical that organizations are placing such strong focus on improving internal processes. The results suggest that there is an appreciation of the need to better define activities – and associated responsibilities – across the contracting lifecycle. In many cases, roles are not well enough defined and it is clear that contract value is either eroding or not being maximized. Hence, the secondary priority around a more strategic approach and focus on value capture. With this shift of focus – and the need for new forms of commercial relationships and contract – there is inevitable pressure on current skills, which 51% rate a high priority. However, the deficiencies are often seen as lying elsewhere in the organization, a point we will examine further in the next section.

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

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

As a sector in which historic investment in CCM capabilities has been comparatively low, there is a clear need to re-engineer processes and equip the workforce with the tools and skills needed to manage the risks and opportunities created by today's volatile market conditions.

The nature and extent of executive focus

CCM is an activity that is considered important by executive management in the manufacturing and processing sector and interest has grown, with 46% reporting an uplift of focus and attention during the pandemic. This is slightly lower than the cross-sector average of 50%, but indicates the extent to which challenging margins and constant market volatility make advanced CCM capabilities a critical issue. None of the survey participants reported declining executive interest, though 12% say that their executives consider this discipline unimportant.

The priorities highlighted in the previous section represent clear indicators of this interest and of heightened expectations. However, the specific initiatives under consideration reveal a strong focus on improving the contracts portfolio and the underlying tools and systems. There is appreciation that the types of contract typically used today are too narrow and that the templates being used are too rigid; together, these factors are driving a high frequency of negotiation, and excessive time spent on contract review and drafting (see later section on contracts).

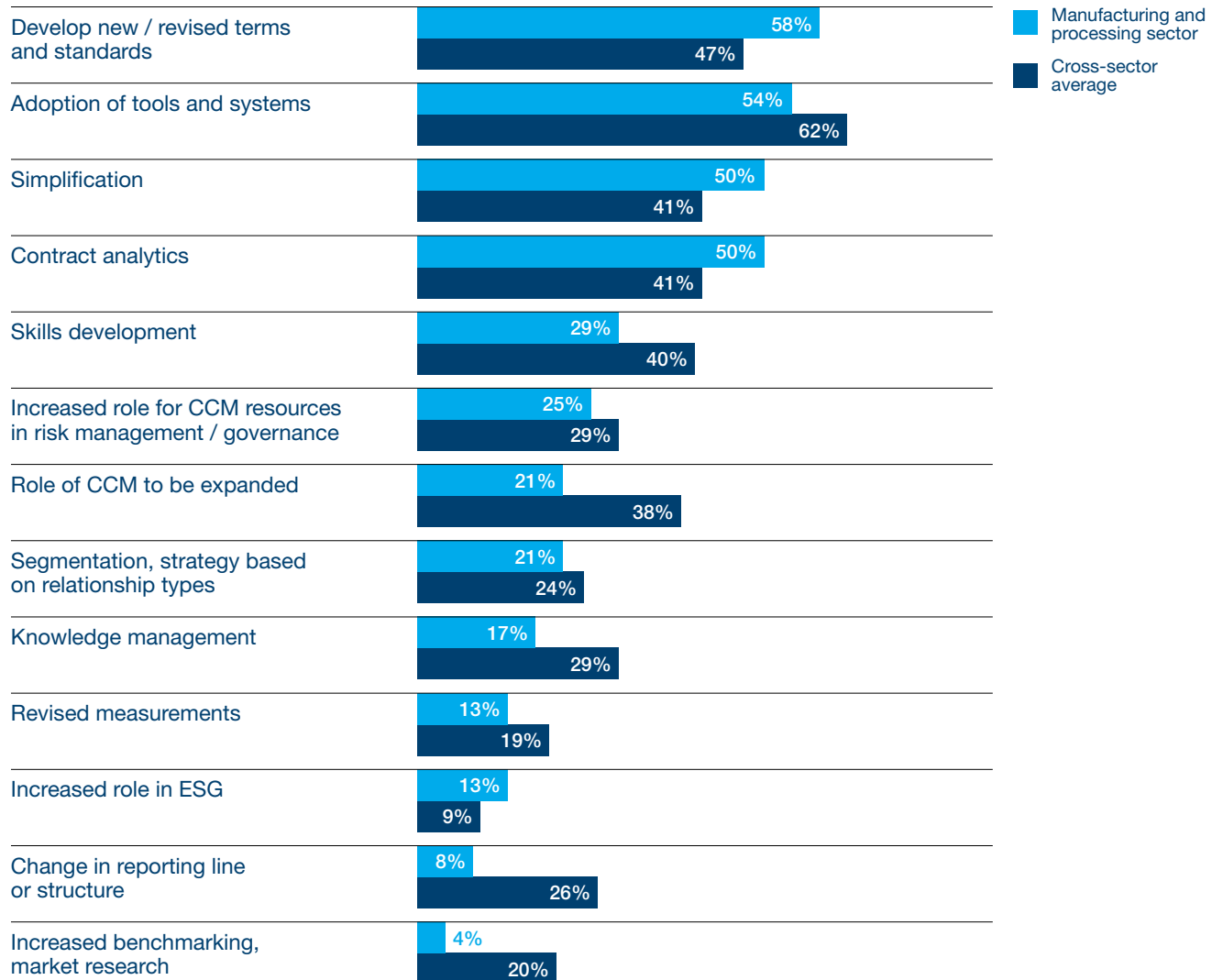
While work to simplify contracts and develop new standards is receiving greater attention than in most other sectors, other initiatives are lagging some way behind. For example, only 29% (versus a cross-sector average of 40%) view developing and certifying the skills of CCM resources as important and similarly only 17% (versus 29%) are concerned about the quality of knowledge management. There are indications that organizations in this sector may be rather inward looking – just 4% are considering increased use of external benchmarks or market research. Also, while 46% said that ‘expanding the role and contribution of CCM’ is a priority, only 21% are pursuing initiatives to make this happen – far below the 38% cross-sector average.

Other points that merit comment are the above-average percentage reporting an increased role in environmental,

social and governance (ESG) activities and the below-average percentage considering a change in reporting line or structure. Finally, if CCM resources are to deliver the greater

role and value highlighted as a priority, it is clear that functional performance measurements need to change, yet only one in eight are considering such changes.

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



The current state of CCM technology

The manufacturing and processing sector is behind the average in terms of CCM technology deployment. It is currently operating at 75% of the cross-sector level, with the largest gap occurring in post-award where there is an average gap of 45%. Although projects ‘in process’ will result in some catch-up, that is solely due to new investment in pre-award capabilities – the gap in post-award will actually increase further.

This weighting towards pre-award systems functionality is reflective of a similar weighting in where CCM resource is applied. As a sector, the technology focus has been concentrated on automating contract assembly and review, rather than assisting the wider stakeholder and user community. Even though 39% of respondents indicate an intent to acquire new or replacement contract management technology over the next 12 months (3% above the cross-sector average), the scope of planned functionality indicates either a lack of understanding of sources of value, or an excessively conservative approach to adoption.

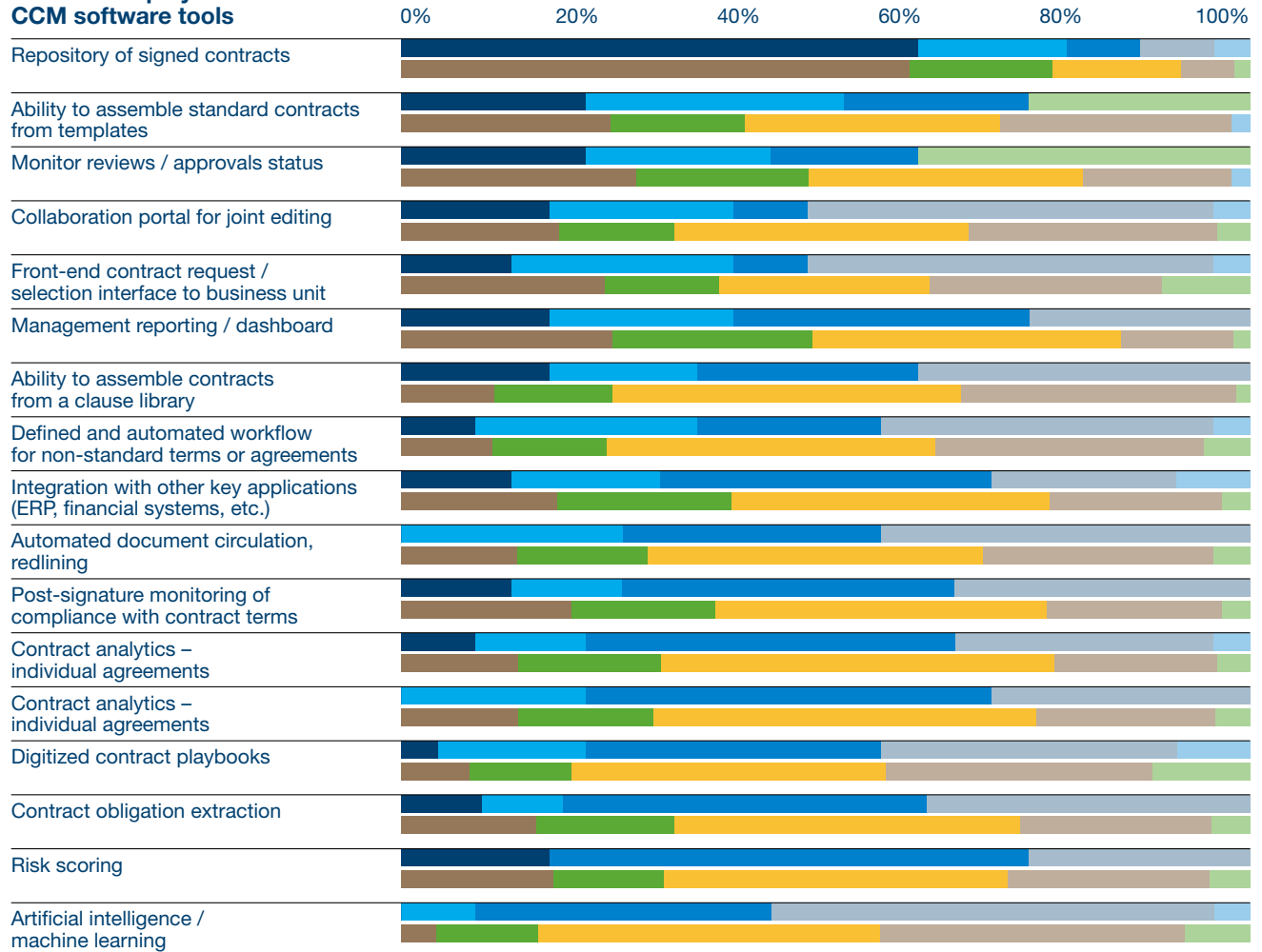
There appears to be some recognition of the deficiencies and missed opportunities in current technology deployment. This is illustrated by analysis of the areas of functionality that survey respondents would ‘most like to have’.

Future state: what is wanted

- Risk scoring (57%)
- Contract portfolio analytics (48%)
- Individual contract analytics (44%)
- Obligation extraction (43%)
- Post-signature compliance monitoring (39%)
- Integration with other systems (39%)

However, these are not the areas where investment is due to be made. The ability to assemble contracts from templates; a defined and automated pre-award workflow; automating front-end requests from the business; and automated circulation and redlining, are the current priorities.

Extent of deployment of CCM software tools



Manufacturing and processing sector Cross-sector average

- Deployed
- In process of deploying
- Would like to deploy
- Little or no interest
- Don't know what this is

The current state of CCM technology (continued)

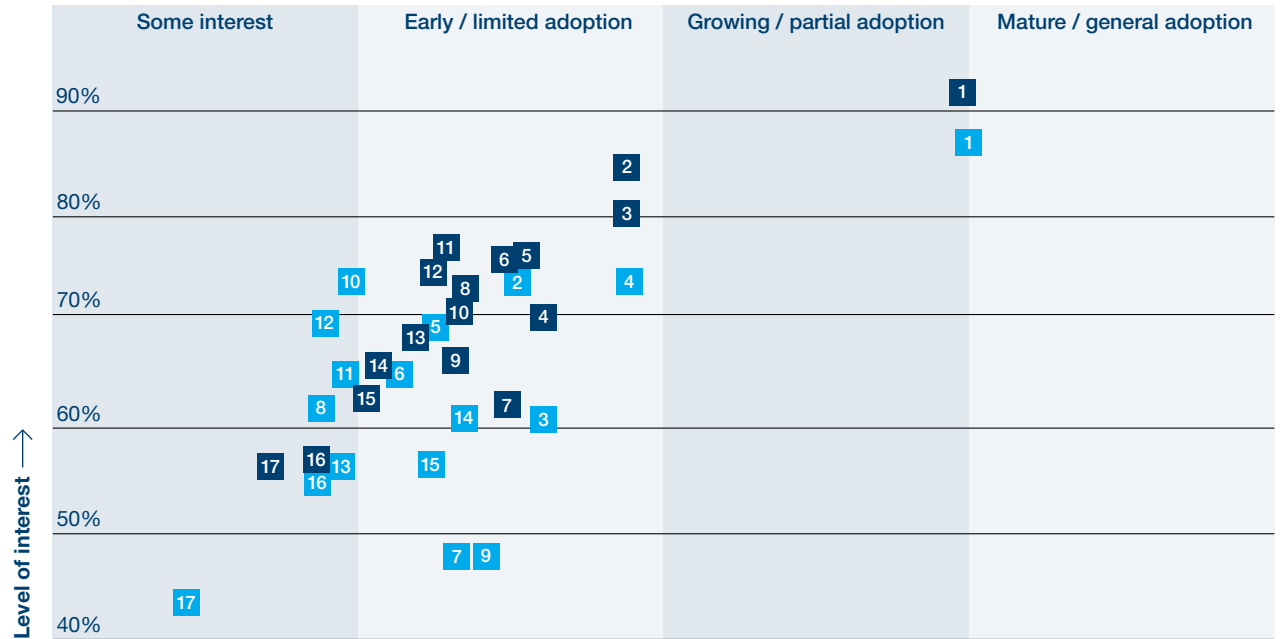
There are two factors which may explain this focus. First, as we will see in the section on organization (page 10), CCM responsibility generally sits within either Legal or Procurement – in each case a function that operates predominantly pre-award. Second, as previously mentioned, CCM operational workload is heavily weighted towards pre-award and hence viewed as the priority area to be improved. There is little evidence of visibility into overall process efficiency or value erosion, a point that is confirmed by the 64% who acknowledge that the state of knowledge management in their organization is currently ‘rudimentary’ – a worse performance than any other sector and some 23 points above the cross-sector average.

The situation with regard to technology symbolizes the problems that this sector has with CCM capability overall. It illustrates the fact that many organizations are not asking the right questions and have failed to appreciate overall contract life-cycle performance and value. This is shown by views of the major drivers or purpose behind technology acquisition:

Viewed as high priority by 75% or more	Viewed as high priority by 25% or less
Ability to find and search contracts	Reducing operational costs
Overall visibility into contracts	Increasing revenue / value retention
Reducing cycle times	

With this perception of the drivers, it is understandable that many are struggling to develop a compelling business case and return on investment. Indeed, the primary barriers to acquiring and deploying technology are viewed as ‘building consensus across stakeholders’ and ‘obtaining budget’ – both of which require a broader vision than seems currently to exist.

Levels of interest in and adoption of CCM technology



Progress →

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

Contracts and the contracting process

In terms of contract complexity, the manufacturing and processing sector has a greater proportion of low-complexity procurement contracts than most others (40% versus 32%) and is close to average on the sell-side (29% versus 31%). The volume of medium-complexity agreements at 33% and 34% respectively is in line with the average, meaning that for procurement 27% (cross-sector average 35%) and for sell-side 37% (average 37%) are categorized high-complexity. A further point to note is that average contract value (spend), and the lowest value where CCM resources remain engaged, are both significantly lower than the level in most other sectors. While in part this may be an indicator of inefficiency linked to the previously noted deficiencies in technology, it may also be a reflection of the relatively low number of dedicated CCM practitioners. For example, where Procurement professionals are undertaking the CCM role, they inevitably engage in a wider variety of contract awards, irrespective of value and complexity. This higher level of engagement in low-value contracts does not translate to a higher average level of resource used – 20% of resources are consumed by low-value agreements, versus the 21% cross-sector average. In this specific area, it is technology that enables greater efficiency through wide-spread deployment of procure-to-pay systems (which do not deliver corresponding benefit in more complex and longer-term agreements).

Even if they are in some cases dealing with a smaller proportion of medium- and high-complexity agreements, the typical contract term in this sector is longer than average at 3.6 years (medium) and 6.1 years (high-complexity), versus the cross-sector norm of 3.2 and 5.8 years. A slightly greater percentage (20%) of respondents report a trend towards increased duration is increasing, versus 13% saying it is decreasing. Given the extent of market change and uncertainty, this long duration should be resulting in much greater focus on post-award contract change

and performance management since amendments and renegotiations are almost inevitable. As previously observed, there is little evidence that this is a significant focus for most of the groups performing the CCM role.

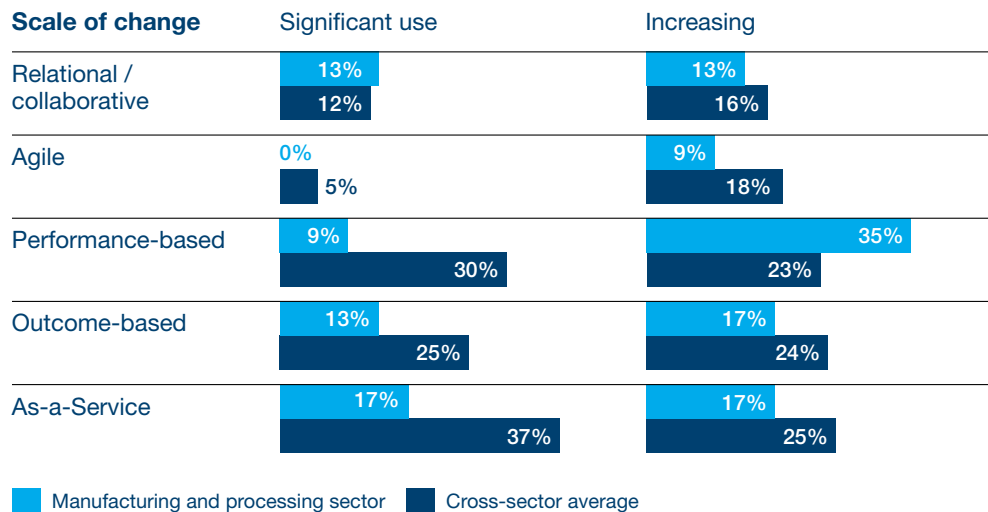
As with most sectors, manufacturing and processing sector contracts are dominated by templates with some elements influenced by sector standards. 83% operate with fixed templates and just 14% have moved towards technology-enabled assembly from clause libraries. Based on the frequency with which negotiation and drafting occur, it is clear that many of these templates are outdated and cause avoidable workload and delay, yet the desire for change is also lower in this sector than others – again, perhaps because in many cases there is no clear ‘owner’ of the contracting lifecycle.

Overall, 30% of agreements are signed without amendment, a similar proportion to the 31% cross-sector average. However, where amendments occur, they are resulting in

a higher proportion of resource applied to negotiation and contract development / drafting.

In looking at initiatives under consideration, this sector is less likely to be simplifying its contracts, especially on the buy-side where only 11% have undertaken a comprehensive effort to tackle language, structure and design (cross-sector average is 21%). On the sell-side, 25% have undertaken a similar initiative – ahead of the cross-sector average (also 21%).

In terms of the types of contracts in use, the manufacturing and processing sector is generally behind others in the diversity of agreement types, but there are signs that it will make up some ground over the next year. One in eight organizations indicate that they are making increased use of collaborative or relational agreements, already similar to the cross-sector average. However, as the chart indicates, they are behind others in frequent use of agile (with 74% saying they never use this form of agreement), performance-based (9%), outcome-based (13%) and ‘as-a-Service’ (17%).



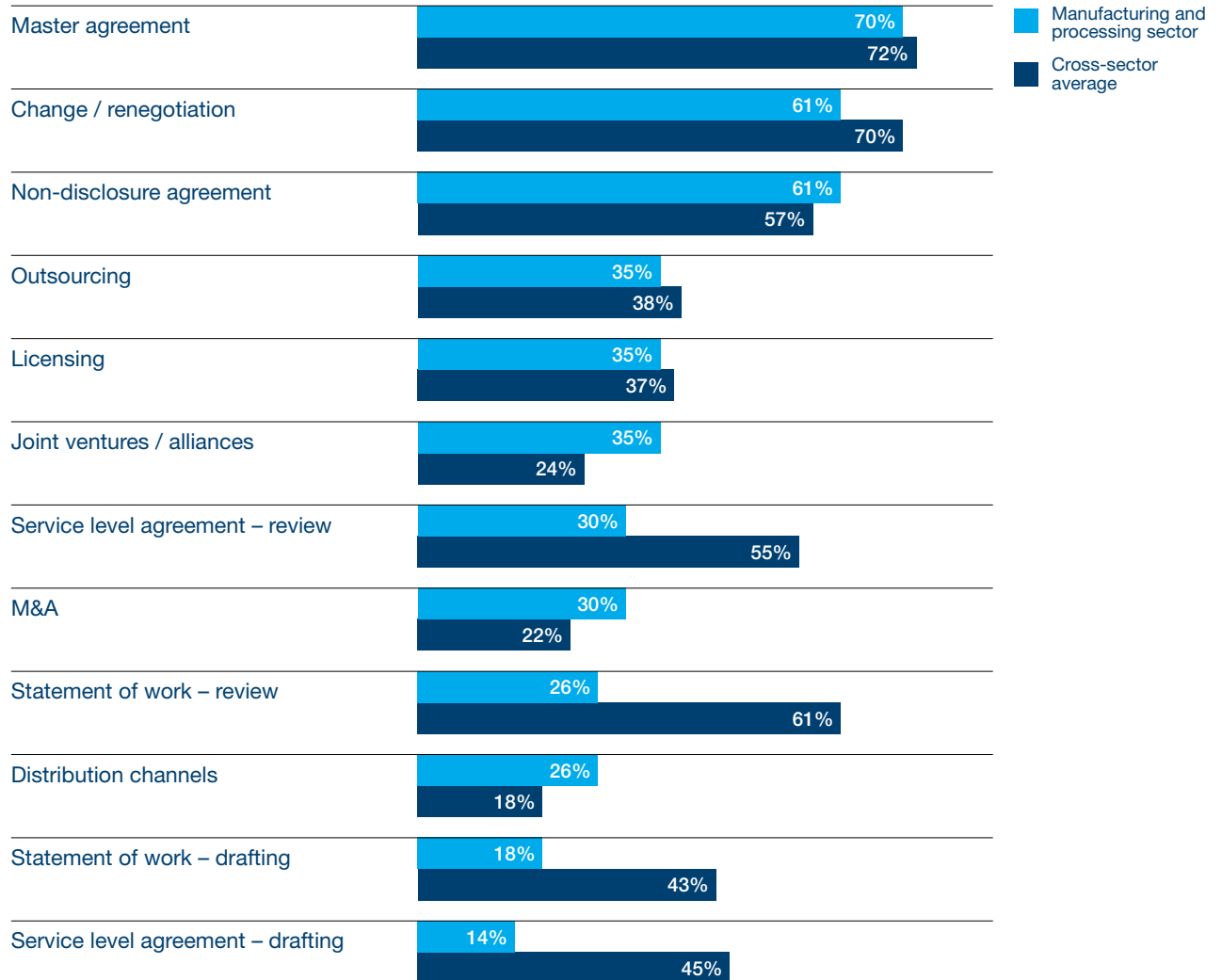
Contracts and the contracting process (continued)

While the percentage indicating a growth in use of various types of contracts is an encouraging sign, it is notable that this will still leave the sector significantly adrift of others. A big question for organizations in this sector is whether there are fundamental differences in their business or commercial model that reduce the need for alternative forms of contract, or whether this is once again a consequence of fragmented organization and unclear roles and responsibilities.

When compared with other sectors, engagement by CCM groups with particular types of transaction or agreement is variable, but it is notable that the frequency of involvement with Statements of Work (SoW) and Service Level Agreements (SLA) (sources of some of the major risks of disagreement and value erosion) is far below the norm. For example, SoW review only occurs ‘all of the time’ in 4% of organizations, versus the cross-sector average of 31%. It is similar with SLA review, where 4% compares with 28%. The disparity in drafting of these documents is also similar. There are factors that could account for this – for example, perhaps there have been efforts to train other resources to undertake this task.

The table (right) 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



Resources, organization and reporting

Compared with other sectors, CCM activities within the manufacturing and processing sector tend to be far more fragmented and – as the data in this section shows – there are few discernible norms in how capabilities are built and organized. This insight assists in understanding why the investment in technology and skills has been much lower than in other sectors and, unless it is addressed, it seems likely that many organizations will struggle to achieve strategic and operational improvements.

The previous sections indicated that, relative to other sectors, CCM responsibilities in the manufacturing and processing sector are more likely to be a component of another job role and are more strongly oriented towards pre-award activities. This is reflected in the extent to which survey respondents feel there is clarity over roles and responsibilities, with under half (48%) saying there is clarity at an enterprise level regarding contract management and exactly half feeling the same for commercial management. This compares with cross-sector averages of 63% and 58% respectively. Even among those where there is clarity, only 57% say that CCM is a dedicated job role.

The typical headcount in dedicated CCM groups is only half the cross-sector average, once again indicating the lower level of investment in CCM capacity and capability. When these dedicated groups exist, they are predominantly operating in support of sales and 55% are centralized or center-led, with 22% either de-centralized or inconsistent between business divisions.

When CCM activities are performed as part of another job role, this is most commonly (50%) part of the Procurement function, with only 8% identifying Legal.

When looking at typical organizational reporting lines, it is important to bear in mind that some 50% in this sector do not have clarity over who is responsible for CCM activity

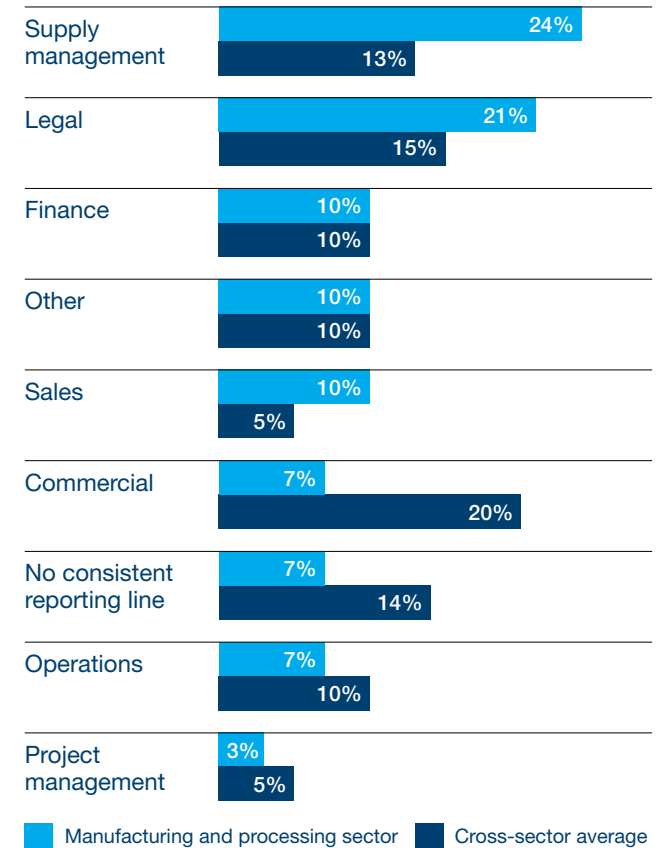
and of those where there is clarity, more than 40% operate without dedicated resources. Therefore, slightly less than a third operate with dedicated CCM staff and it is most likely that they will report to Legal or Finance. Only 7% operate with a separate commercial management function.

The apparent weaknesses in CCM capability are important. Survey input tells us that 37% of the total workforce in this sector 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 above the cross-sector average of 26% and suggests that improvements in contracting models, skills and technology will have a major impact on process and operational efficiencies, as well as generating margin and revenue improvements.

This sector has a slightly lower level of buy-side and sell-side integration of CCM activities than the average. 74% report no integration, versus 65% cross-sector. For 4%, CCM is a fully integrated activity (10% cross-sector) and 19% partial (21%). Integration is more likely in project-oriented organizations, rather than those in traditional manufacturing. In terms of impact, it is typically technology integration that offers the greatest value, allowing far more rapid analysis and evaluation of changes or disruptions in market conditions, contract requirements or performance.

Finally, this sector makes less use of outsourcing, especially in the use of offshore resources (12% versus 29%). This may represent an opportunity for cost reduction and increased effectiveness, but can most likely be achieved only after improved process definition and perhaps as part of a digitalization strategy. To the extent outsourcing has occurred, the primary area is contract review / discovery, with around 5% making use of offshore resources for contract administration / performance monitoring and accounts payable / receivable.

CCM reporting

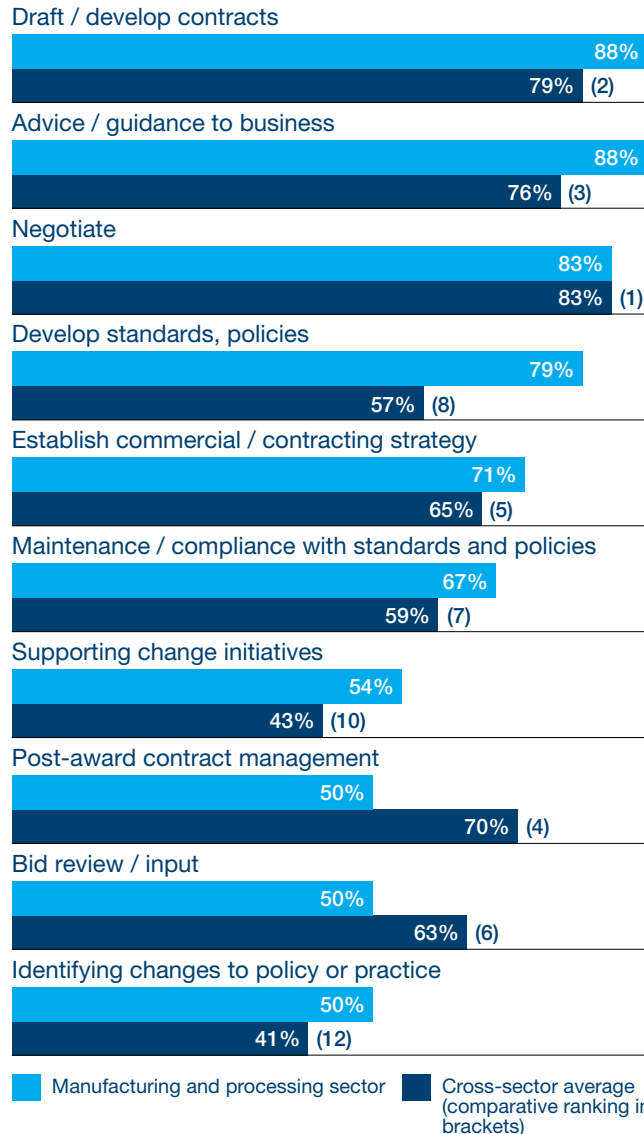


Responsibilities and time allocation

As previously noted, the primary areas of responsibility for CCM resources within the manufacturing and processing sector differ from those in other sectors, in particular with regard to activities related to post-award or relationship management. Activities are significantly more focused, especially in where most time is spent.

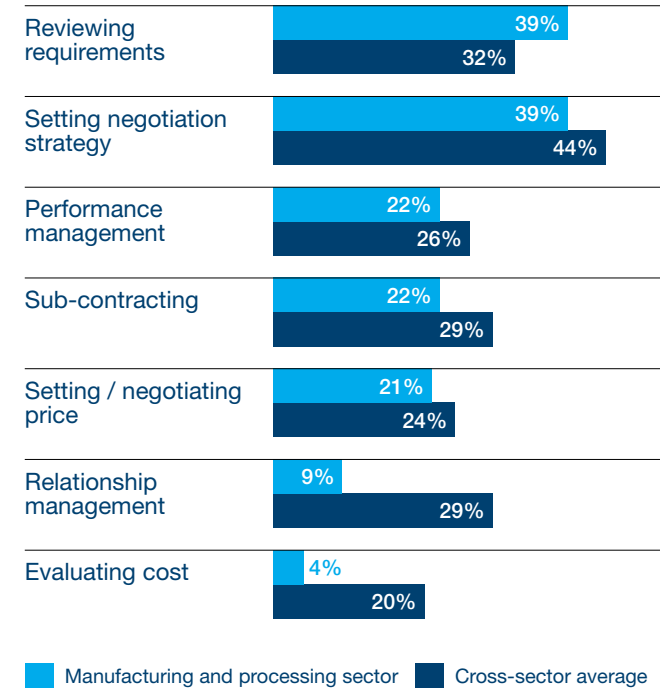
The table (right) shows the top ten areas of responsibility, by percentage and then also the comparative rank in the cross-sector average.

Top ten responsibilities



The table below shows responsibilities in a different form and reflects answers to the question “In the context of specific contracts, who has primary responsibility for the following activities?” The percentage represents those who answered “my team” (i.e. CCM). This shows a similar pattern to other sectors, except in the areas of cost evaluation and relationship management. Overall, responsibilities sit overwhelmingly within the business unit, except in the areas of sub-contracts (Procurement) and cost evaluation (Business Unit / Finance).

Primary responsibility for the following activities

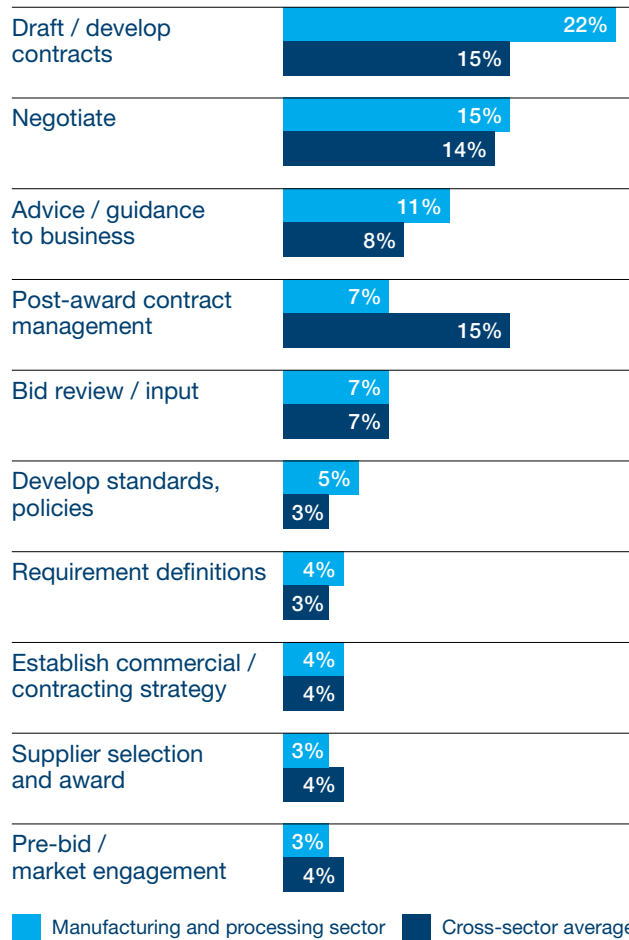


Responsibilities and time allocation (continued)

There is some alignment between the major responsibilities for CCM resources, and where time is spent. However, resource allocation is heavily weighted to several dominant activities, to a significantly greater extent than in most other industries. Drafting, negotiating and providing general advice to the business occupy almost half available time, against the cross-sector average of a little over a third. The scale of drop-off is also notable when compared with other sectors. Again, this concentration of activity supports the impression that CCM resources in this sector are far more focused on control and compliance than on performance and value.

In summary, these results suggest that many organizations operate with a relatively complicated approach to CCM, potentially involving multiple hand-offs throughout the process and perhaps typified by somewhat adversarial approaches, both internal and external.

Where time is allocated (top ten)



CCM objectives

Within manufacturing and processing, contract management objectives are strongly focused on risk mitigation and business controls, with negotiation in third place. Other factors, such as financial impact or managing change, are rated far lower. While consistent with the responsibilities that are being performed, these objectives are not aligned with the business priorities identified on page 4 of this report.

While the ranking of the leading CCM objectives in this sector is similar to the cross-sector average, it must be remembered that these are deployed in a much narrower context than other sectors. In addition, low levels of investment in full lifecycle tools and technology means that CCM resources have limited access to data and often lack insight to contract performance. Hence, the ability to truly mitigate risk or operate as a center of excellence in many cases unrealistic.

Overall, this means that unless objectives are re-defined – and result in a shift of time allocation and supporting technology – there is little prospect of CCM resources delivering the added-value that executives are demanding.

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

- 1** Risk mitigation / management (1)
- 2** Ensure business controls / compliance (2)
- 3** Negotiation 'centre of excellence' (3)
- 4** Financial impact (4)
- 5** Balance business objectives and customer needs (6)

For commercial management, there is an overwhelming focus on financial impact and less focus than in other sectors on customer needs or external relationships.

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

- 1** Financial impact (1)
- 2** Risk mitigation / management (2)
- 3** Improve business productivity (8)
- 4** Negotiation center of excellence (3)
- 4** Create competitive advantage (4)

One important indicator of a readiness for change is the extent to which market research is undertaken. Gathering these 'outsights' is invaluable in benchmarking and setting an improvement agenda. While current data gathering is limited (on average, a total of approximately 1,000 hours per year are allocated to market research), there is an appetite for improved levels of information.

The areas where CCM groups would most like to gather additional data are:

- 1. Best practices in offering design and contract structure**
- 2. Pricing / charging models**
- 3. Competitive terms and conditions**
- 4. Performance benchmarking**
- 5. Trends in commercial offerings**

The final indicator from the benchmark relates to skills and the extent to which the sector is identifying and addressing gaps. Raising skills and retention appears in third place among the strategic priorities and survey respondents indicate that there has been action in this area. 37% have undertaken a skills audit; 50% understand skill gaps relative to future needs; 42% have education and training resources in place to raise CCM skills; and 40% have adequate budget to support skills development. While these statistics are not an overwhelming indicator of progress, they are close to cross-sector averages in each area except the availability of education and training resources, where the average is 55%. However, while it is encouraging that the manufacturing and processing sector is taking action equivalent to others, it must be remembered that this is in a context of generally being behind others in the level of existing competence. There is a strong case to say that more needs to be done, and faster.

Measurements

The executive focus on streamlining processes and raising the value achieved from CCM is a clear indication that performance must improve within the manufacturing and processing sector. Measurements will be critical to change, both in the context of setting goals and in identifying and monitoring successful improvement initiatives.

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

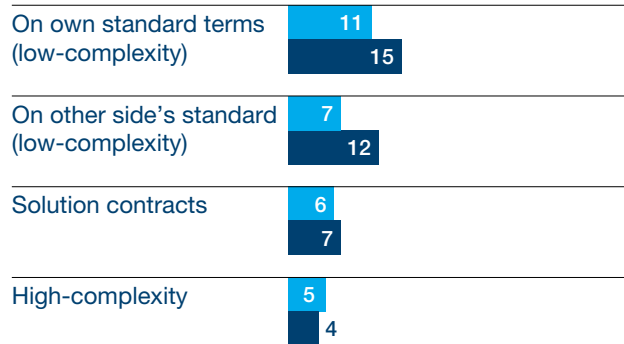
The first two tables (right) shows contracts managed per head. Overall, this sector under-performs against the average by 24% in pre-award and 13% post-award.

In reviewing these findings, allowance must be made for the fact that different sectors have differing views of what constitutes ‘complexity’ and, as we have noted, differing levels and extent of responsibility. In manufacturing and processing, for example, there is far more time spent on drafting and developing agreements and far less involvement in drafting or reviewing Statements of Work – suggesting a higher level of contention over core terms and conditions. This is one factor that may explain a lower-than-average volume of agreements handled in the pre-award phase. In post-award, the absence of technology relative to the sectors may explain reduced productivity, even though the extent of engagement is typically lower.

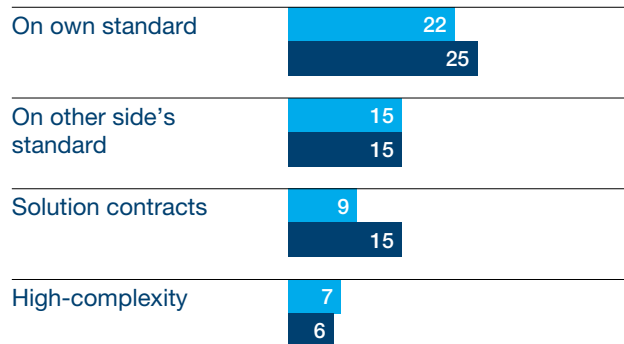
A second measure that assists in determining whether resources are operating at high levels of efficiency is cycle time and the two tables below explore this in terms of the average cycle time from inception of bid to contract signature.

On this measure, the manufacturing and processing sector performs much better, beating the cross-sector average in all but one category (although interestingly, that is the area of high-volume, low-complexity, and where the greatest investment in technology has occurred).

Contracts handled per head – pre-award



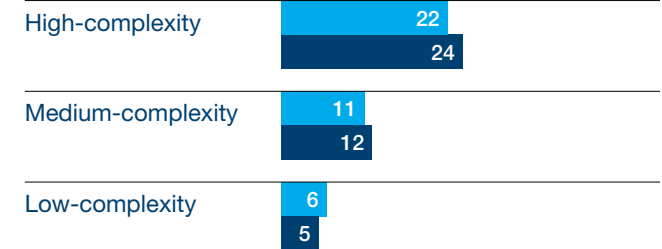
Contracts handled per head – post-award



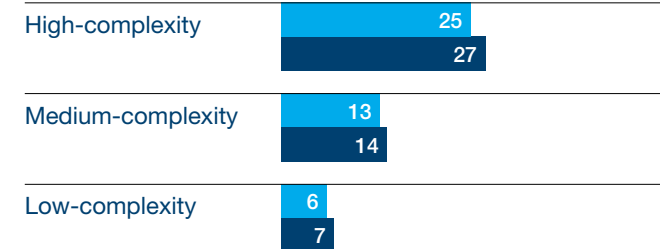
■ Manufacturing and processing sector ■ Cross-sector average

The superior overall performance is potentially explained by the much narrower and more focused areas where resource is currently deployed and may indicate that speed is being achieved at the cost of quality and outcomes.

Contract cycle time domestic agreements (weeks)



Contract cycle time international agreements (weeks)



■ Manufacturing and processing sector ■ Cross-sector average

Measurements (continued)

Looking at measurements more broadly, the top items that are monitored are: (cross-sector ranking shown in brackets)

- 1** Cost reductions achieved (1)
- 2** Compliance with standards, scorecards (internal) (5)
- 3** Compliance with standards, scorecards (external) (2)
- 4** Invoicing accuracy (4)
- 5** Management reporting on strategic initiatives (8)

The frequency with which these items are monitored is very similar to the cross-sector norms. However, there are several important areas where this sector undertakes measurements far less frequently than others. These include things like customer satisfaction; contributions to revenue or margin improvement; the frequency and nature of contract changes / amendments; the frequency of terms that are negotiated; and performance benchmarks with similar groups. Gathering data of this type is important for improving performance. It offers actionable insights to issues around quality, efficiency and ease of doing business, as well as tangible sources of value-add.

The issues with measurement continue when looking at the items that are typically reported. The strong focus on compliance is not unusual, but many in this sector appear to lack the insights needed to better understand and evaluate whether they are driving compliance with the right terms and whether they are gaining insight to the causes of poor performance.

The top items reported are: (cross-sector ranking shown in brackets)

- 1** Contract compliance (during performance) (2)
- 2** Number of contracts negotiated (4)
- 3** On-time delivery (8)
- 4** Number of suppliers with a contract (11)
- 5** Adherence to specification (3)
- 6** Negotiated savings (1)

Barriers to improvement

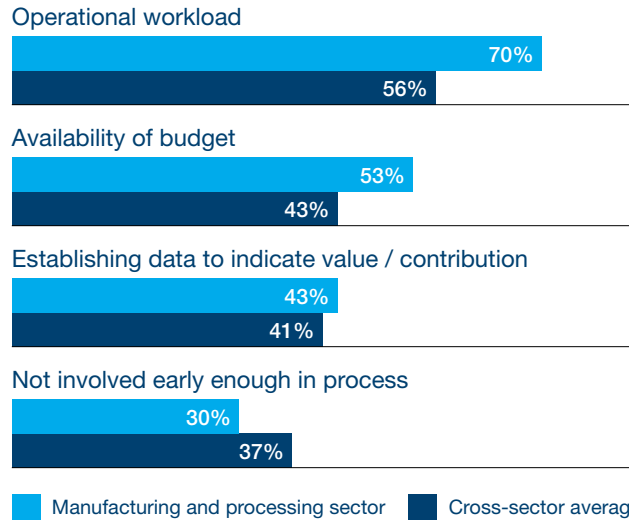
What factors are constraining CCM performance and the development of improved capabilities in the manufacturing and processing sector?

Operational workload is seen as the overwhelming factor, which is not surprising given the innate inefficiencies revealed by this study.

The next three issues (shown in the chart, right) are frequently linked. An inability to establish data to indicate value and contribution inevitably limits the potential to build a business case for budget. And similarly, it often results in late engagement because the business may not believe in the value of contribution by CCM resources. It is however worth noting that timing of involvement is less of an issue than the cross-sector average, partly because of the narrower view of role and responsibilities and also the greater likelihood that the business takes on the CCM tasks.

There was no other factor that scored more than 20%, meaning that this sector is far less concerned than others about issues with current skills, salary and talent retention or the quality of functional leadership.

Top four barriers

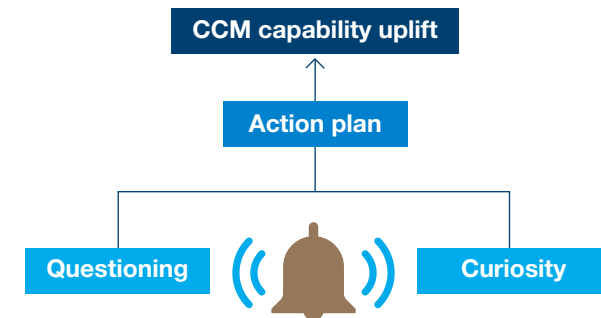


Conclusions

The manufacturing and processing sector emerges as perhaps the worst performing in terms of its contract and commercial management capabilities. In most organizations contributing to this survey, there has been a lack of historic investment in developing skills or adopting technology and this is reflected in the levels of inefficiency and the slow pace of creativity and innovation in its commercial practices and processes.

While the growing level of executive interest is encouraging, rapid improvement in this sector will require substantial and sustained initiatives. In many organizations, there is little evidence that the workforce responsible for CCM understands the importance and opportunity of improvement or has fully grasped the implications of the priorities identified in the introduction to this report. The narrowness of their role and the absence of actionable data appear to have resulted in a level of inertia and failure to question the status-quo.

We hope this benchmark report acts as a wake-up call and generates the questioning and curiosity needed to drive a major uplift in CCM capability. For many, asking critical questions appears to be the necessary first step in developing an action plan.



This benchmark report is a wake-up call to generate the questioning and curiosity to develop an action plan and drive an uplift in CCM capability.

About World Commerce & Contracting

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Benchmark sector-specific reports

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

- Aerospace and defense
- Banking, 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
- Telecommunications.