

CCM benchmark public sector insights

A part of the Benchmark 2023/24 series based on the world's largest and most comprehensive study of CCM





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Foreword

With data from 18 countries, this report reveals similarities and differences in the paths being pursued by Governments and public sector agencies in their approaches to contract management.

There are common themes and drivers, such as the pressure on defense spending, the demands on public health services and the focus on Environmental, Social and Governance (ESG), yet the political response to these is not always the same and therefore leads to different priorities.

There are also wide variations in the perceived importance and role of contract management resources and skills, leading to inconsistent approaches to organization and measurement. In jurisdictions such as the United States and the United Kingdom, the Federal and central government focus and investment in building commercial and contracting capabilities is extensive. In many European countries and within local government, dedicated resources and training are often notable by their absence.

An issue common to most is the difficulty they face in responding to change. Volatile and uncertain markets, along with game-changing technologies, demand an adaptive approach to market relationships, contracts and the outcomes they provide. The rules and regulations that surround public procurement often frustrate this adaptability: there is a clear and urgent need for a fresh approach that enables more flexible and dynamic contract management.



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In this report, unless referencing a specific entity, we use the term 'public sector' in a generic context to include Federal or Central Government, State or Local Government and other state-funded agencies.

Introduction

The key trends impacting public sector contracting are evident in the 2023 benchmark findings.

In some cases, while similar trends affect the private sector (sustainability and social value being an example), the degree of pressure is not the same. Four areas are particularly notable:



1. Transparency and accountability

Governments and public sector agencies are pressured to ensure transparency in their contracting and supplier selection processes. This includes the publication of contract or tender opportunities, clear criteria for selection and disclosure of contract details to prevent corruption and ensure fairness. Organizations such as the Open Contracting Partnership have increasing influence over standards and practices across diverse jurisdictions.



2. Digital transformation

The need for digital services and the associated efficiency gains that they offer is causing many public sector bodies to adopt them for contracting. These solutions streamline operations, reduce paperwork and, in many jurisdictions, make it easier for SMEs to bid for contracts. Digital transformation includes using big data and analytics to optimize spending and contract management. It depends on far greater process definition and data management – clear priorities that emerge from this study.



3. Sustainability and social value

The public sector has long taken a leadership position in integrating sustainability into procurement. Governments are increasingly looking at how their purchases can meet environmental goals, support local economies, and promote social values. However, policy priorities differ, with diversity and inclusion a much higher priority in countries such as Australia, Canada and New Zealand. This is a complex area and for many, progress is slow, not least due to reporting and performance oversight challenges.



4. Major projects

Infrastructure development is a priority in many jurisdictions. Yet contracting for infrastructure has a history of massive delays and cost overruns. To fund and manage large infrastructure projects, many governments continue to use Public-Private Partnership (PPP) models. Whilst PPPs often allow more innovative approaches and can leverage private sector expertise and efficiency, the public sector continues to seek alternatives and to meet the challenge of building their skills in contract management.

When considering these trends, it is also helpful to understand major challenges – the things that inhibit public sector progress and performance:

Complex regulatory environments often constrain options and set rules that limit the flexibility needed to cope with today's challenging and fast-changing market and technology. Concerns over probity have created complex and sometimes cumbersome regulations which are hard to adjust and update. The UK has had an opportunity to be more flexible due to its departure from the EU, but most other governments continue to struggle with rules designed for a different era. Navigating these is not only a challenge for public sector contracting teams but can be a significant barrier for smaller suppliers and often stifle innovation.

Budget constraints and volatility are perhaps an inevitability in the political world. Shifting patterns in priorities and spending significantly impact public sector contracting. Governments may delay or scale down projects based on fiscal priorities, impacting contracts and their execution, also creating an unpredictable and higher-risk environment for suppliers. One consequence of this instability is that in many sectors the number of suppliers bidding for longer-term opportunities continues to decline.

The risk of corruption and fraud is also at the forefront of concerns when public money is at stake. Rigorous audit regimes contribute to highly risk-averse attitudes and lead to pressure for processes that are not only transparent but also secure.

Capacity issues take two distinct forms. One is market capacity, and, as observed, public sector businesses have suffered a decline in supplier interest. This is compounded by the extent of infrastructure investment and the capacity limits of key sectors (e.g., construction, defense) to meet these demands. Then, there is the internal challenge many public sector entities face, including a lack of skilled personnel to manage and oversee contracts effectively.

Finally, resistance to change. While this is certainly not unique to the public sector, implementing new technologies or processes in public sector contracting often faces resistance due to established practices and the inertia typical in large organizations. When combined with budget constraints, we see this impact in the benchmark results.



Strategic priorities

Figure 1 shows the strategic priorities in the public sector and illustrates the extent of consistency with private sector contract and commercial management (CCM) teams.

A number of points stand out. First, in the public sector, there has been a significant uplift in the importance of improving internal processes. This links to several factors. Clarity of process is a prerequisite for automation and digitization, which are both seen as important areas for improvement. Equally, without clear processes, roles and responsibilities remain unclear, and data flows are compromised: we will discuss these topics later in the report.

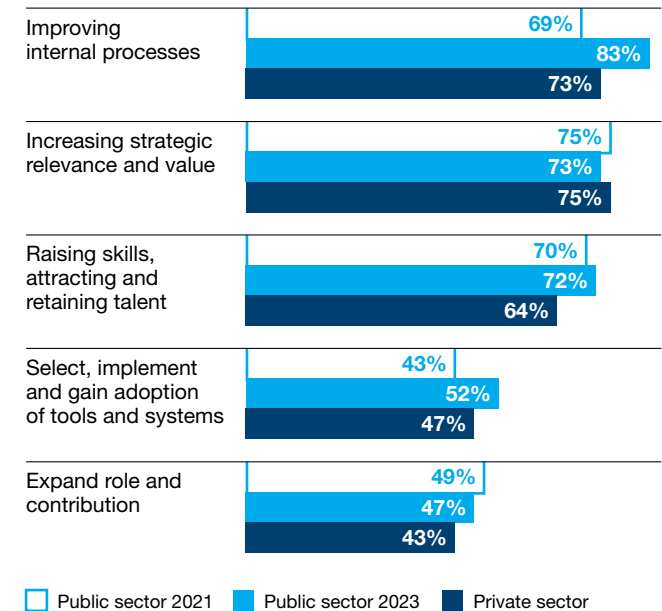
Second, the challenge of raising skills and attracting and retaining talent is also extremely significant at 72%. While the private sector, at 64%, is not far behind, this is not helpful because it means the public sector is competing for a constrained resource – and potentially losing staff to higher-paid opportunities.

Lastly, ‘Expanding role and contribution’ as a strategic priority is similar to the private sector and is driven by several factors:

- 1. Depending on the maturity of the organization, a continuing shift to longer-term service agreements and infrastructure initiatives that require extensive intervention in pre-award activities together with continued performance oversight and management;**
- 2. Clear evidence that other functional groups lack the resources and skills to provide consistent and effective oversight;**
- 3. The work on process definition highlighting the current gaps in roles and responsibilities for contract management.**

Overall, this chart confirms an environment of continuous change, driving the need to improve organizational competence and expand influence through efficiency, talent management, strategic alignment, and technological integration.

Figure 1: Strategic priorities



“Improving internal processes links to clarity of process as a prerequisite for automation and digitization.”



Navigating barriers

Figure 2 shows the hurdles faced in achieving strategic priorities. On every measure but one, public sector personnel are experiencing a greater level of barriers than their private sector counterparts. The exception is the challenge of establishing data to demonstrate value.

Operational workload remains a primary concern. In 2021, this issue was often attributed to the pandemic and the disruption that resulted not only in contract performance but also in working patterns. However, since then, it has increased and is identified as a critical barrier by 61% of respondents. To an extent, the key trends identified in the introduction are responsible for this, but continued market volatility and geopolitical uncertainty appear to be the major contributors.

The largest negative movement is regarding the timing of involvement, with 52% (an increase of 19%) complaining that they are ‘not involved early enough in the process’, by which they typically mean the definition of requirements. The severity of this issue is somewhat dependent on the rigor of the process – for example, it is less likely to be an issue in the defense sector – and is often linked to staff shortages. The picture varies across jurisdictions and also between central and local government. Interviews suggest

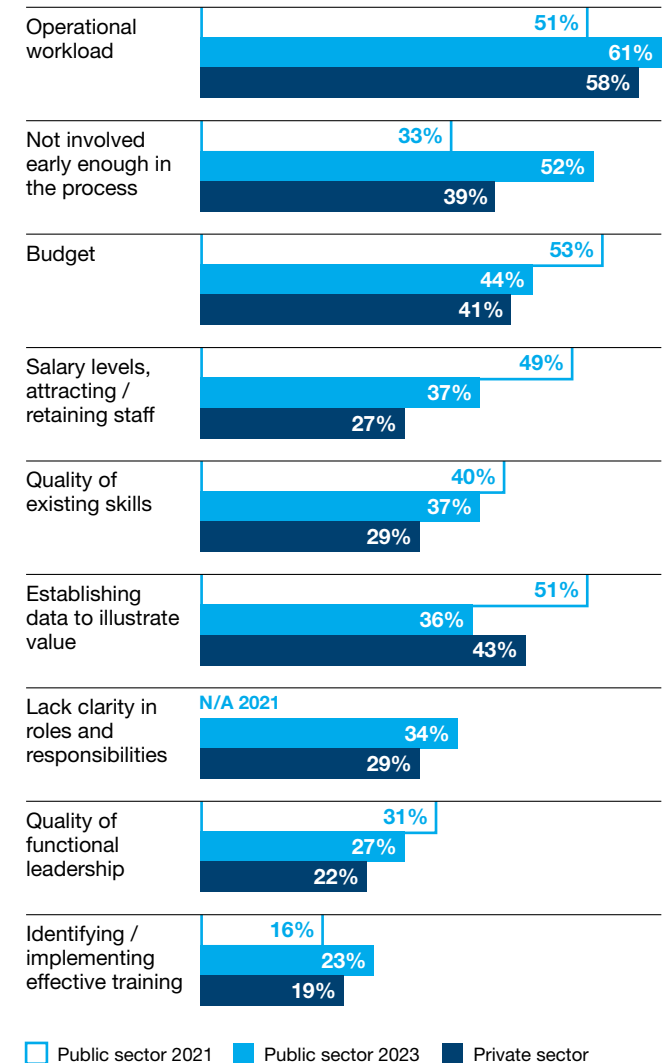
“Operational workload is identified as a critical barrier, exacerbated by market volatility and geopolitical uncertainty.”

that several factors are contributing to this issue – in part the problem of operational workload, in part the lack of clarity in roles and responsibilities, and in part a continued negative perception of procurement and contracts as risk-averse and bureaucratic.

On a more positive note, several barriers have been reduced since 2021, with greater budget availability and increased confidence in functional leadership the most notable.

Overall, there is a clear connection and logic between the barriers to performance and the strategic priorities identified in the previous section. Tackling operational overload and gaining earlier involvement will be achieved through some combination of process improvement, investment in tools and technology, and an uplift in skills and talent retention.

Figure 2: Barriers to achieving strategic priorities





Strategic initiatives

Figure 3 presents the strategic initiatives under consideration in the public and private sectors, pointing to some similarities but also distinct variations in the initiatives being considered to improve contracting practices and capabilities.

The fact that public sector personnel are expanding their role in ESG is unsurprising, given the regulatory and public policy focus in most jurisdictions. The surprise is perhaps that the gap is not wider. The extent of interest in contract analytics is encouraging and important for improved performance. It is an area where the public sector's past investment lags behind the private sector, as is the case with tools and systems more generally. It is a gap that shows no sign of closing, given that the private sector continues to lead on plans for technology adoption.

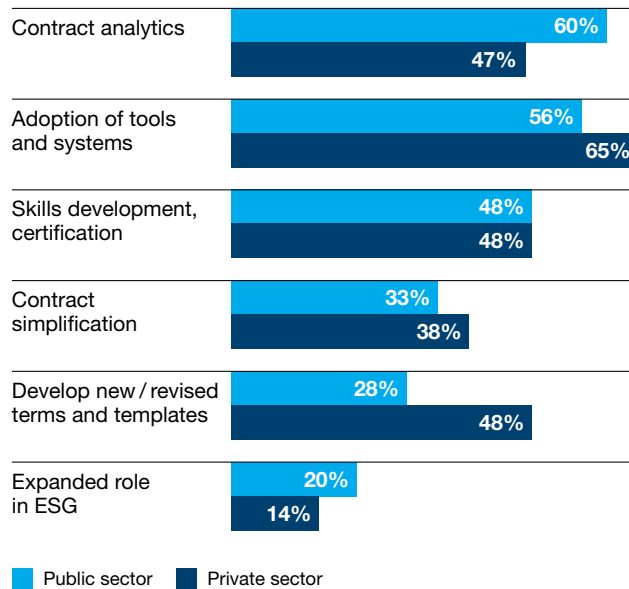
Both sectors emphasize skills development and certification, indicating a recognition of the critical role that enhanced capabilities play in achieving strategic outcomes. This is particularly relevant in light of the earlier point on the challenge of attracting and retaining talent. By focusing on upskilling, the public sector is likely aiming to bolster its value proposition for current and prospective employees.

Contract simplification and the development of new terms and templates are both key areas, but again receiving stronger focus in the private sector. Simplifying contracts leads to more efficient operations and clearer governance, contributing to reduced compliance risks. Revised terms and templates similarly contribute to more streamlined operations and greater 'ease of doing business', but this initiative is receiving less attention in the public sector.

In part, that is due to the slower pace of change within government, and particularly the speed of adopting alternative contracting models. It also reflects the limited support from technology, which constrains the ability to introduce approaches such as intelligent clause libraries or automated playbooks.

“Public sector personnel are expanding their role in ESG, focusing on contract analytics for improved performance.”

Figure 3: Initiatives under consideration





Performance evaluation

While private sector performance measurements are slowly evolving, those for the public sector largely remain focused on risk and savings.

Beyond the top 10 performance measurements set out in Figure 4, the private sector is starting to monitor areas such as value erosion and post-award disputes – demonstrating a steady shift towards cost and value over time rather than exclusively measuring the inputs achieved during pre-award. Invoicing accuracy is another example of this focus.

There is a variation between the US public sector, where the contract management discipline has a whole-of-life role and accountability, versus most other jurisdictions where, with some exceptions, post-award contract management often sits as a department responsibility, with few trained personnel.

The low percentage monitoring internal customer satisfaction suggests limited insight into business needs and perhaps helps explain issues such as late engagement.

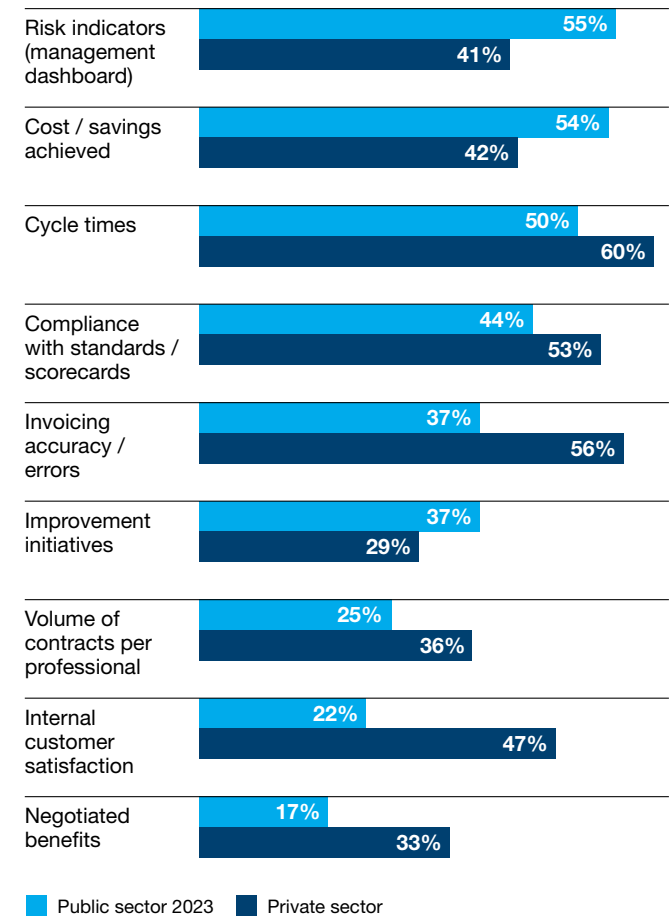
“Public sector measurements remain focused on risk and savings, with a growing focus on monitoring cycle times.”

The low score on negotiated benefits similarly implies limited attention to broader business value, although interviews suggest that there is greater focus on some high-value, high-profile acquisitions, especially infrastructure and defense projects.

An encouraging sign is the scale of increase in monitoring cycle time – an area of continued criticism and potential improvement. The data shows a major uplift in capturing this data.

Once again, public sector metrics and analysis is inhibited by the limited investment in technology. Much of the private sector focus is enabled by the digitization of processes and the application of systems and tools.

Figure 4: Top areas of measurement



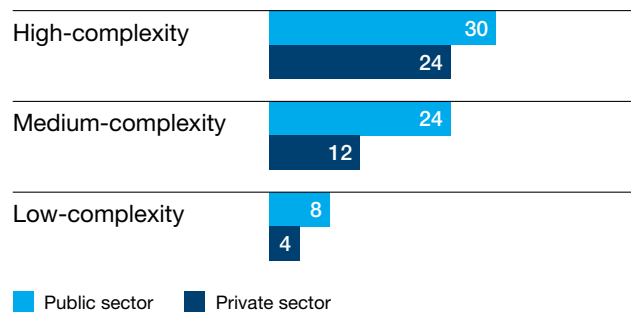


Bid to contract cycle times

Given the constraints and rules set by public procurement regulations, it is no surprise that cycle times from initiation of bid to contract signature are longer – essentially doubling the average for low- and medium-complexity acquisitions and adding 25% to the time taken for higher-complexity contracts.

While due diligence is essential, these delays matter. They represent a source of cost; they represent a delay in product or service availability; they are a source of frustration to many stakeholders; and they make procurements more vulnerable to change. The fact that public sector acquisition rules create friction is well understood: they result from a 'safety first' process influenced by the fear of scrutiny, a wish to safeguard information assets and avoid potential competitive challenges. In today's digital age, streamlining is possible. There are instances of this, such as initiatives by the GSA in the US and the procurement reform underway in the UK. However, these improvements remain sporadic and are not always backed up by the necessary changes in behavior or skill levels. And once again, they have a high dependency on implementing the systems and platforms needed for improved performance.

Figure 5: Contract cycle time for domestic agreements (weeks)



“Public procurement regulations often double the time from bid initiation to contract signature compared to the private sector.”



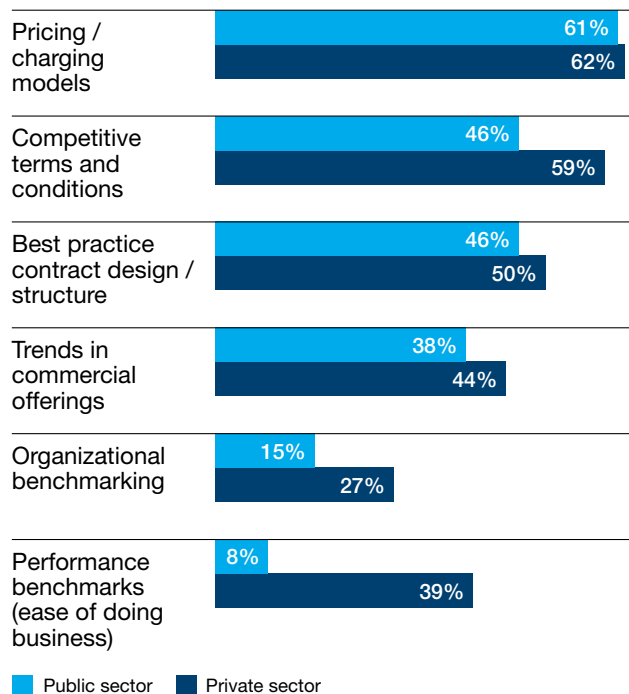
Market volatility

Volatility, uncertainty, complexity, and ambiguity – few will disagree that these market characteristics lie behind many of the challenges identified in this report. In such an environment, staying on top of trends and gathering market insights are critical for risk and opportunity management.

The benchmark data shows that public sector teams are more outward-looking than many might expect. The level of interest in emerging commercial offerings, contract design and pricing / charging models is very similar to the private sector and implies efforts to keep pace with the broader market. Making rapid use of this market data is often harder, due to stakeholder resistance. Notably, groups such as the Treasury and the public sector legal community tend to be highly risk-averse and traditional in their thinking, especially concerning risk management. This often impedes the introduction of new or alternative models such as outcome-based, agile or relational contracts.

In contrast to this open interest in the terms and form of contract, the research shows that most public sector groups spend far less time comparing their performance and overall capabilities. Benchmarking is very much notable by its absence, meaning there are few insights to drive or encourage self-reflection and improvement. While the data contained in reports such as this may help, they are generic in nature and easily ignored or dismissed. Benchmarks – especially when they look at a process rather than a function – can be invaluable in generating executive support for change. This failure to seek data fundamental to contracts and commercial capability is a glaring area of weakness in current practices.

Figure 6: Handling volatility – market insights that are sought



“Public sector teams show a keen interest in emerging commercial offerings to keep pace with the broader market.”

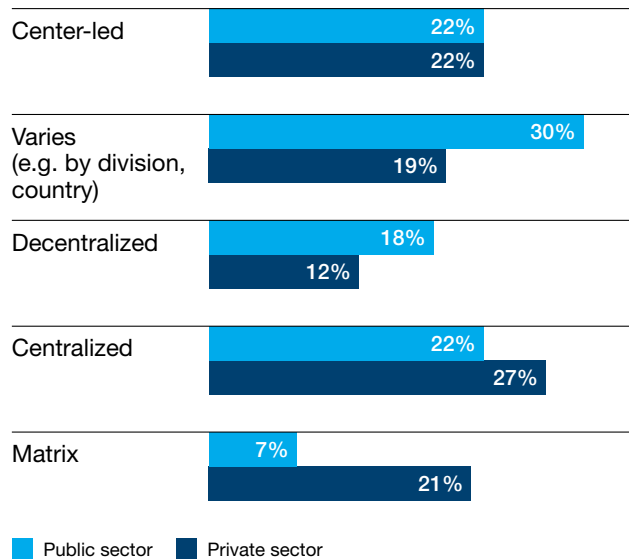


Structural dynamics

The data shows significant but largely understandable variations in organizational structures. The public sector input is diverse, not only geographically but also in terms of the size of the organization. Hence, in local government, there is a tendency to operate with a highly centralized model, whereas in central government, the norm is by department or division.

There is no absolute of 'right' or 'wrong' in respect of organizational model, except that developing and maintaining capability and competency requires a focal point. Without accountability for overall performance, contracts and commercial activities remain low-level and disjointed – essentially perceived as administrative tasks or the domain for inspired individuals. Therefore the fact that 48% of resources in the public sector are either decentralized or operating under a variable structure is a cause for possible concern. This is often linked to cost accounting models that operate with direct charging to programs, but a possible result is a lack of overall leadership and consequent absence of investment.

Figure 7: Organization and reporting – organizational structure for CCM resources



“48% of public sector resources are either decentralized or operate under a variable structure, indicating possible leadership concerns.”



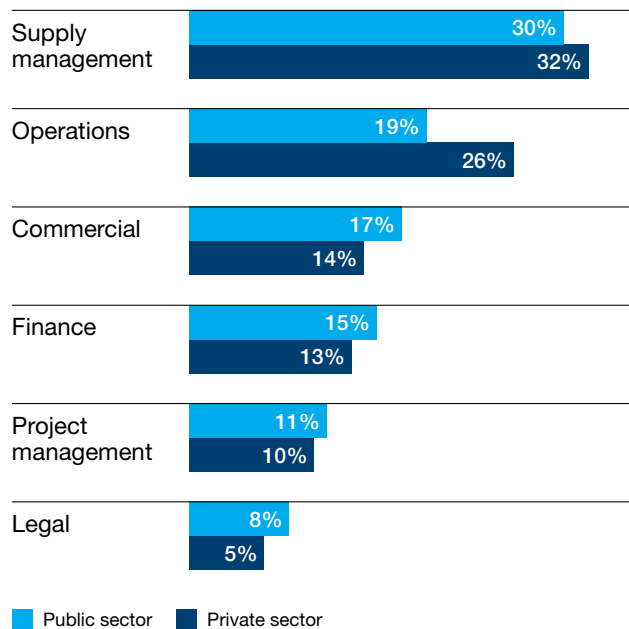
CCM reporting structures

From organizational structure, we turn to reporting lines. As with the private sector, there is considerable variability and a relatively high level of overall consistency. As before, the nature of the public sector agency has a significant impact, with the central government unlikely to report to Legal or Finance. Where this occurs, it is typically in the city or local government.

Figure 8 shows us that the overall link to Procurement is strong but not universal. Where contract management is viewed as purely or primarily a post-award activity, it tends to report to Operations or Program Management. In those cases, it is also most likely to be seen as an administrative activity, focused on individual projects or programs. That also leads to a far more decentralized model.

When contract and commercial management are viewed as inter-connected disciplines, they are far better positioned to deliver greater value and performance. These groups are more likely to have performance measures that focus on economic returns and delivery of business outcomes.

Figure 8: Organization and reporting – CCM reporting lines



“Contract management often reports to Operations or Project Management, indicating a decentralized model.”



AI's driving efficiency

The adoption and use of Artificial Intelligence (AI) is still in its infancy. Where it has been – or is being – deployed, there is broad consensus over the areas for immediate focus.

The top two applications in the public sector focus on pre-award, again consistent with traditional priorities and potentially helpful in accelerating cycle times. Obligation extraction and implementation support indicate an interest in assisting performance rather than taking responsibility or oversight for it.

However, the scale of use is small at this time – only 4% indicate deployment, and even for them, it is often in experimental mode. As with the private sector, concerns over security and accuracy are constraining adoption.

“AI in the public sector is still in its infancy, with a focus on pre-award activities to potentially accelerate cycle times.”

Figure 9: Top five uses of AI

Public sector

1	Bidding or selection
2	Contract creation / drafting
3	Reporting
4	Obligation extraction
5	Implementation

Private sector

1	Contract creation / drafting
2	Obligation extraction
3	Performance monitoring
4	Reporting
5	Bid management



Technology adoption

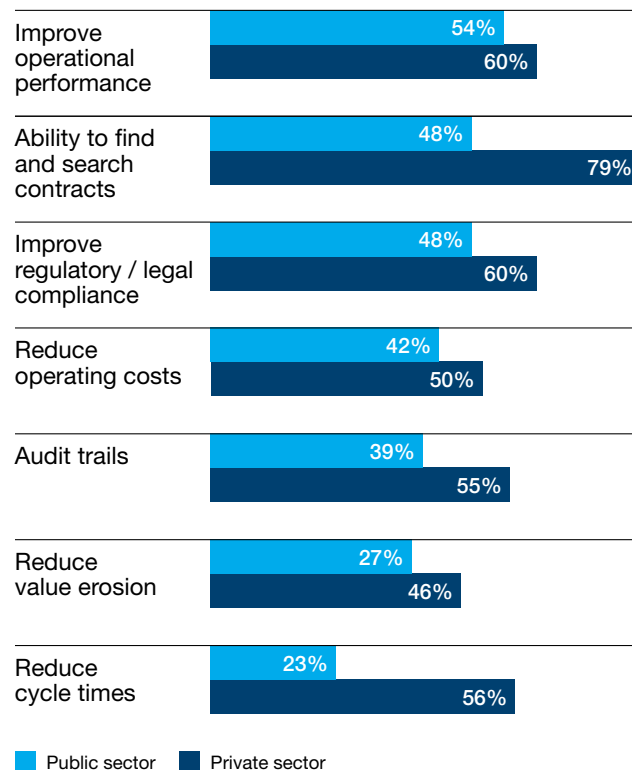
Technology adoption has been mentioned many times in this report, not least the extent to which many public sector agencies have invested in lifecycle management tools and systems.

The data shows that the hunger for technology is far lower than that in the private sector, perhaps because of a lack of understanding of the potential benefits or a skepticism that funding will be made available.

The drivers in the private sector are interesting and may cause some surprises. For example, if so many organizations already have contract management systems, why would 79% highlight the need to find and search contracts? The answer to this appears to be because, very often, the systems they have deployed are not enterprise-wide, so they want to expand to other parts of the business; in other cases, older systems lack the intelligent repositories that are now commonly available.

In the public sector, the dominant wish is to improve operational performance – perhaps an overall cry for help in better management of workload and value delivery, rather than a search for specific benefits.

Figure 10: Technology and software – Drivers for adoption



“Public sector’s dominant wish in technology is to improve operational performance, highlighting a need for better management tools.”



Time management

The areas where resources are focused show some distinct variations between the public and private sectors. The averages also mask significant differences within the public sector, particularly due to the wide array of goods and services that are acquired.

Figure 11 shows the top five areas where time is allocated. It illustrates the impact of public procurement rules. For example, the limited extent of negotiation and the fear of market engagement are reflected in the absence of both items from the public sector list. Equally, the diligence and workload required to ensure compliance with bid procedures is evident in time allocated to RFX preparation, bid review, and input.

These findings help in understanding the technology interests of public sector teams, with operational performance at the top of the list and bidding and selection being the primary interests for AI deployment. Post-award activities remain a lower priority than pre-award activities – post-award being absent from the public sector top five and only fifth in the private sector. Essentially, buy-side resources remain focused on inputs rather than ensuring positive outputs or outcomes.

This is an observation, not a criticism – as previously highlighted, roles and responsibilities for performance are frequently not well defined, and contracts and commercial teams have often not been granted the resources needed to take wider responsibility.

To illustrate this point, based on an analysis of 12 sectors, the public sector ranks last in terms of the clarity of roles in the contracting process, with 50% saying that this is unclear and confusing.

Figure 11: Top five time allocation

Public sector		Private sector	
1	Requirement definitions	1	Pre-bid / market engagement
2	Draft / develop contracts	2	Negotiation
3	Supplier selection and award	3	Requirement definitions
4	RFX preparation	4	Supplier selection and award
5	Bid review / input	5	Post-award contract management

“Public sector efforts in time management reflect the impact of strict public procurement rules.”

Is leadership the problem?

It is always tempting to blame leadership for all the problems. Given the market conditions and the stress they have placed on supply performance, it is not surprising that many procurement and contracts teams are unhappy – and point to inadequate functional leadership. That is the case for 73% of public sector teams, which puts them in the middle of the list of the 12 sectors we reviewed.

Market conditions are certainly not the fault of the functional leaders. Might they have handled them better? Should they be doing more to develop new strategies or obtain increased funding? In the end, especially within the public sector, achieving change is often slow, and resources are almost always constrained, often dependent on the funding of specific programs. It might be argued that there has been too little market engagement and that some leaders have failed to gather insights that might influence executives and key decision-makers. At the same time, the public sector has faced turbulent times, not least political uncertainty, which has often distracted from strategic initiatives.

And where should leadership come from? One of the findings from this benchmark study is the sense that procurement and contract management teams are on a journey, that upskilling is a critical need. While technology will assist, it is people who must lead – and increasingly, professionals must step forward and have the courage and confidence to act as agents of change. ‘Leadership with authority’ is an increasingly essential personal characteristic as we face the need for a far more adaptive capability and culture.

“73% of public sector teams are unhappy with inadequate functional leadership, underscoring a need for strong direction.”



73% of public sector procurement teams are unhappy with inadequate functional leadership.



The public sector has faced political uncertainty, distracting it from strategic initiatives.



Leaders must have the courage and confidence to act as agents of change.



Into the future

While there are clearly challenges to be overcome, let's end this report on a positive note. In looking to the future, our survey respondents clearly understand the need and opportunity for change.

When we asked them about how they see their performance measures evolving, there is a radical shift towards value. Yes, compliance remains at the top of the list for both the public and private sectors, but the quality of the outcomes achieved from supply relationships rises up the list. Reducing value leakage, understanding and eliminating the causes of disputes, and better-managing change – these are the focus areas for the future. They are all about delivering quality and ensuring positive results.

The emerging narrative is one of a sector proactively embracing change while navigating the inherent complexities of governance. Amidst this backdrop, this report has illuminated these key areas of emphasis:

- integration of digital platforms to streamline operations
- incorporation of sustainability and social value
- adoption of new commercial and contracting models
- incorporation of technology to drive efficiency and performance.

Yet, the journey will face challenges. Regulatory complexities and budgetary constraints continue to test the agility of public contracting. The imperative for clear role delineation, enhanced skills, and robust leadership is clear.

This drive towards organizational competence, as evidenced by the commitment to improving internal processes and skillsets, paves the way for a public sector commercial and contracting function that is not only more efficient but also more influential.

Figure 12: Top five performance measures

Public sector		Private sector	
1	Compliance with standards / scorecards	1	Compliance with standards / scorecards by other parts of the business or by trading partners
2	Contract value leakage and cause analysis	2	Compliance with standards / scorecards
3	Compliance with standards / scorecards by other parts of the business or by trading partners	3	Contract value leakage and cause analysis
4	Frequency and nature of contract changes; frequency and source of disputes / claims	4	Contribution to revenue or margin improvements
5	Monitor satisfaction of internal customers / user groups	5	Cost reductions achieved



About WorldCC

World Commerce & Contracting is a not-for-profit association dedicated to helping its global members achieve high-performing and trusted trading relationships. With 75,000 members from over 20,000 across 180 countries worldwide, the association welcomes everyone with an interest in better contracting: business leaders, practitioners, experts and newcomers. It is independent, provocative and disciplined existing for its members, the contracting community and society at large.

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About Icertis

With unmatched technology and category-defining innovation, Icertis pushes the boundaries of what's possible with contract lifecycle management (CLM). The AI-powered, analyst-validated Icertis Contract Intelligence (ICI) platform turns contracts from static documents into strategic advantage by structuring and connecting the critical contract information that defines how an organization runs. Today, the world's most iconic brands and disruptive innovators trust Icertis to fully realize the intent of their combined 7.5 million+ contracts worth more than \$1 trillion, in 40+ languages and 90+ countries.

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Benchmark report series

This report is one in a series based on data from [WorldCC's Benchmark Report 2023](#). Other reports in the series include a focus on:

- Buy-side and sell-side
- Geographic region.