



CPO Rising 2022

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RESEARCH WITH RESULTS

CPO Rising 2022: The Data Revolution

UNDERWRITTEN BY:

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CPO Rising 2022: The Data Revolution

Chief Procurement Officers ("CPOs") working in 2022 have been first-hand witnesses to "The Data Revolution" that began in recent years with an explosion in the volume and production of data matched by a growing demand for it from all parts of the enterprise. Now is the time for CPOs and their teams to rise up and join this brave fight for greater intelligence and the ability to drive smarter decisions and better outcomes.

This 17th-annual CPO-themed report is part of the ongoing dialogue that Ardent Partners' analysts have had with CPOs and other procurement leaders for nearly two decades. The report examines the general competencies and capabilities of procurement organizations today and highlights the management strategies and tactics that leading CPOs have utilized to drive their organizations forward over the past few years as well as their stated plans and priorities for 2022 and beyond.

This report also presents a comprehensive, industry-wide view into what is happening in the world of procurement and captures the experience, performance, perspective, and intentions of 369 CPOs and other procurement executives. The report includes benchmark statistics, analysis, and recommendations that procurement teams can use to better understand the state of procurement today, gain insight into best practices, benchmark their performance against the Best-in-Class, and ultimately improve their operations and performance.



Chapter I

The State of the CPO

Emerging from the pandemic amidst great uncertainty.

To Everything There is a Season

The fact of the matter is that almost everything written about the pandemic and its impact has been understated. COVID-19 has been far more pervasive and globally devastating than anything experienced in our lifetimes and the full scope and breadth of its impact cannot be accurately gauged in real-time. Ardent Partners expects the long-term impact of the pandemic will play out for a generation in ways that cannot be defined or understood today. Now in year three, COVID-19 continues to linger and its near-term outlook remains unclear. For now, it remains a fact of life (and business) that CPOs and their teams must manage and mitigate the pandemic as it plays out amidst a very challenging business environment wrought with sizable operational and supply chain challenges and inflationary pressures unseen in decades. And, that is before getting to the Russian invasion of Ukraine, an utterly devastating event that is redrawing the post-Cold War geopolitical landscape in real time with tragic human consequences and severe economic ones.

The culmination of these major global events and an aggressive, multi-year, multi-pronged attack on globalization which includes greater trade and immigration restrictions as well as a deepening sense of nationalism (often driven by autocratic leaders) has altered the global trade landscape and procurement's role within it. As heightened uncertainty and the actions of an increasing number of unpredictable actors continue to de-stabilize the

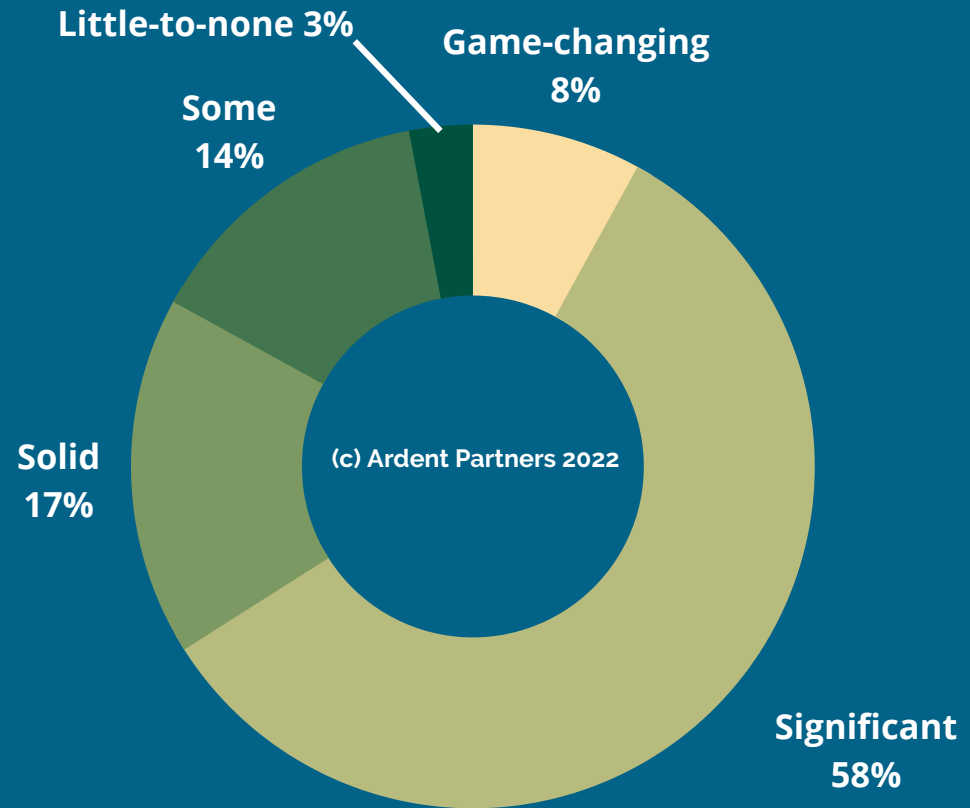
geopolitical and economic world order, the work of procurement has simultaneously become more complex while growing in importance. And though a difficult season for procurement professionals is here, optimism remains, with good reason, that they will navigate it well – "it's not too late." Increasingly, the supply chain impacts every business and most categories (including indirect and services), and many new factors of growing complexity must be considered to develop an optimal sourcing strategy. But in 2022 more CPOs (and their teams) than ever before are equipped to tackle today's challenges with agility, grace, and aplomb. And they will do so while also starting to build the next-generation of procurement departments, using data in many new and unforeseen ways.

Since this CPO Rising research series began in 2006 (this is not a typo!), enterprise executives in every industry have faced tough times and uncertain market conditions, and they have seen how procurement success can serve as the driving force to bridge the gap until the market strengthens and volatility recedes. Whether it is a pandemic that impacts the global population, a risk event with a devastating impact on a single industry, or competitive pressures that drive a single business to the brink of bankruptcy, the extraordinary impact that strong procurement results can have on operations and the bottom-line can help the enterprise forge through difficult waters, ensuring continuity, driving resilience, and enabling a recovery.

Deep Impact

Nearly 370 CPOs and other procurement leaders (72% are C-Level, VP, or Directors) have weighed in on the past twelve months, and the message is clear, procurement is more fundamental to core operations and more critical to business results than at any other time this century. Despite sizable challenges over the past 12 months, the role of procurement has expanded during the pandemic and its impact has not gone unnoticed. Two-thirds of all procurement teams made either a “significant” (58%) or “game-changing” (8%) impact on their enterprise last year (see Figure 1).. The other third of procurement departments also made a generally positive, albeit more subdued impact.

Figure 1:
Procurement's Impact on Operations



The CPO's Agenda in 2022

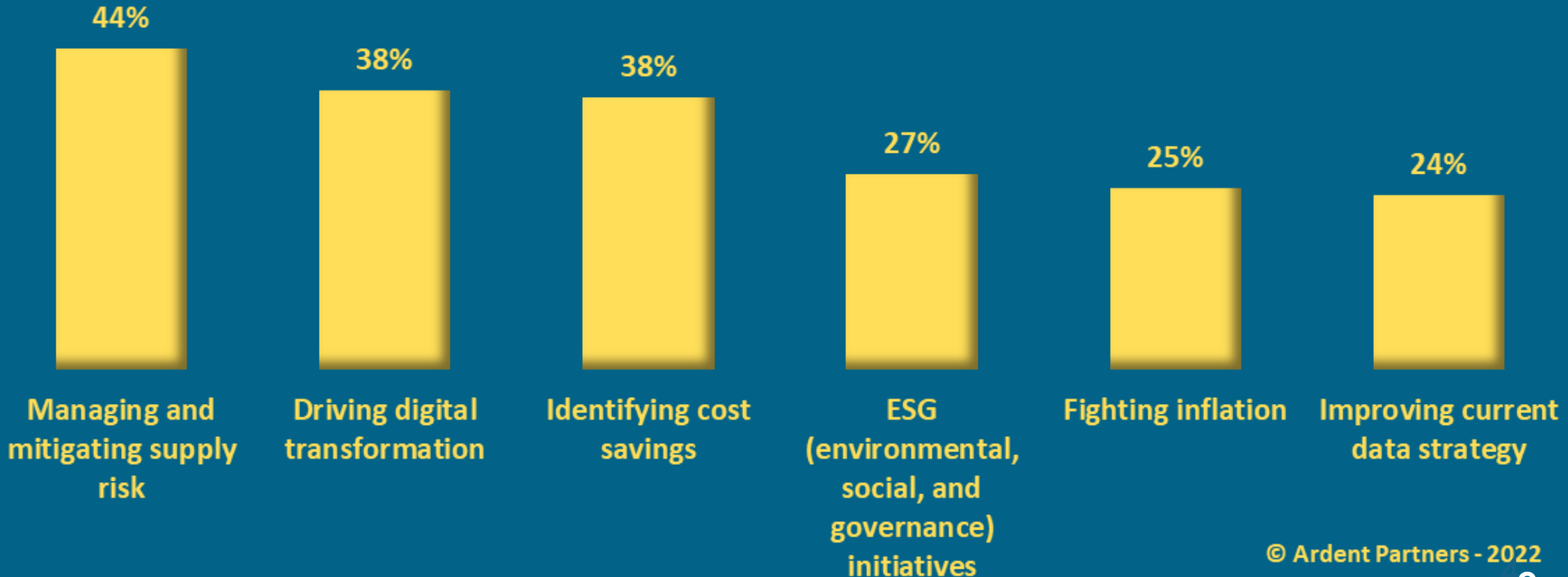
Given the simple fact that the average enterprise's fortunes are directly linked to that of their key suppliers, it is no surprise that the CPO's Agenda in 2022 (see next page) starts with a big focus on the supply chain. **Forty-four percent of all CPOs have identified managing/mitigating potential risk within and across it as a top priority for 2022.** This is more than four times the number of CPOs looking to mitigate supply risk immediately prior to the pandemic. Global supply chains were created because enterprises prioritized lower costs over security, sustainability, and risk. Now the supply chain "chickens" borne of these decisions are coming home to roost (more on the supply chain below). Be that as it may, the importance placed upon managing suppliers and assuring supply will not be transitory and Ardent Partners expects an influx of new graduates to actively seek positions in procurement (and supply chain).

Beyond the supply chain, **CPOs are going "all in" on digital transformation this year and more CPOs (38%) will prioritize these initiatives over all other programs.** A digital transformation provides an opportunity for procurement teams to use technology as a means to reimagine the organization's entire scope of operations and how it performs. In 2022, these projects have become table stakes and a majority of CPOs plan to be "dealt in." The path to becoming a top department in 2022 starts with strong leadership and top talent, but is ultimately impossible without well-adopted systems in place to support key operations.

What's on The CPO's Agenda?

CPO's Agenda

FIGURE 2: THE TOP CPO PRIORITIES FOR 2022



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Supply Risk Rising

With supply risk, the question is not why it is the CPO's top priority in 2022, but why it was not a bigger issue for CPOs in 2021. For two decades, the risks associated with moving supply offshore, like increased lead-times and holding costs, reduction in quality control, and poor supplier communication and visibility, were mitigated by the dramatic cost savings that could be achieved by simply "lifting and shifting" production to low-cost locations. Essentially, the expansion of global supply chains traded supply security and sustainability for lower prices. Unfortunately, many businesses also ignored the costs of being unprepared for risk. The United States has ended up with brittle supply chains that are actually quite expensive, when risk-adjusted. While some supply chains have had to manage minor risk events over the last two decades, the global pandemic has served as the first real test for a majority of global supply chains.

Supply Chain problems are exacerbated by fragmentation and the general complexity created by the expansion of many supply chains this century to include many countries and many firms. This phenomenon has made it difficult for manufacturers to trace the root causes of bottlenecks. For example, a key item may be designed by one firm, manufactured by a second firm, embedded into a component by a third supplier, and only then delivered to the manufacturer's assembly plant. In many cases, neither the manufacturer nor the item supplier can trace what goes on in these intermediate tiers of the supply chain, due in part to lack of trust among parties in supply chains, who fear that the information might be used to replace them or to bargain for a price reduction.

Savings is Much More Important in 2022

In the [2021 edition of this annual report](#), Ardent predicted that the need to "identify cost savings," which has steadily declined year-over-year as a CPO priority since the Great Recession of 2009, would reverse course and become a top priority for many more CPOs in 2022. **In one year's time the percentage of CPOs that have prioritized savings has nearly doubled (38% in 2022 vs. 22% in 2021).** This rise is in direct response to the turbulent market caused by the pandemic, broad-based supply chain disruptions and challenges, and the emergence of rapid inflation, a force unseen in a generation.



Sourcing professionals who have become accustomed to driving innovation AND cost reductions from their suppliers with each successive renewal are dealing with an entirely new market paradigm. Many customers will only bear some of the impact, so CPOs and their teams will need substantial sourcing pipelines and fast and decisive execution to salve inflation's burn on enterprise financials. "Fasten your seatbelts, this ride will be bumpy."

Unprecedented Times, Unprecedented Change

Since the inception of this series in 2006, the key CPO themes each year, as well as the industry's top priorities, challenges, and benchmark metrics, both individually and as a whole, have shifted very slowly from year to year. It has become an accepted fact that market shifts and patterns in the procurement market emerge over a number of years, not just one and certainly not overnight. But that may no longer be the case as three of the top five items – managing supply risk, driving ESG initiatives, and fighting inflation – on this year's agenda have risen at an unprecedented speed over the past 12 months and become top priorities for the first time since the series began. And, as noted above, for the first time in more than a decade, more CPOs are prioritizing savings in the current survey year than the preceding one. Ardent's approach to large single year shifts in its market data has traditionally been to take a longer term view, but these are unprecedented times, so it stands to reason that the market will experience unprecedented change and high volatility. Let's examine a few of these new priorities more closely over the next few pages.



THE CPO'S WAR ON INFLATION

The increased demand for savings is directly connected to the high inflationary environment that began in 2021 and continues today. In January of this year, the consumer price index for all items rose faster than in any month in the last 40 years. Even when adjustments are made for energy and food costs, inflation is the highest it has been since the early 1980s. Inflation is a global phenomenon and 24% of CPOs have made fighting it a top priority. There are many causes of inflation, but many goods and services are experiencing sharp price increases without a clear market explanation or rationale. To combat this, sourcing teams will have to act with greater vigilance and stretch their sourcing capabilities, supply market intelligence, category expertise, and core instincts to capacity as they try to manage and/or avoid major price increases across many categories. (Note: Chapter 3 includes a series of inflation-busting recommendations).

THE CPO'S WAR FOR SUSTAINABILITY

Customers are no longer the lone stakeholder promoting ESG (environmental, sustainable, and governance) initiatives. During the pandemic, employees and investors began gravitating to businesses with stellar ESG credentials. Following up on its extensive new mandatory climate disclosures, the SEC issued in March, 2022, the SEC has now announced that "ESG" will be an enforcement priority during 2022. This means that it is intent on making sure that firms that state they are following specific ESG principles are accountable to their commitments. Seemingly everyone (including the 27% of CPOs who have made it a top priority in 2022) is taking ESG more seriously this year, and with more than half of the average enterprise's ESG footprint resting with suppliers, the CPO is on the front lines in the fight to create a more sustainable value chain.

It's ALL about the Supply Chain

While global trade has existed for centuries, globalization is a relatively recent phenomenon. In fact, today's global supply chains are a largely 21st century phenomena, driven by the demand for lower-cost sources of supply and production and bolstered by the rapid advances in technology and communication. These global supply chains delivered extraordinary value to the Western-based corporations that initially moved supply off-shore in the pursuit of lower costs. Over the ensuing two decades, manufacturing capabilities expanded rapidly across traditional low-cost regions (Asia, Eastern Europe, as well as regions within Africa and across Central and South America), spawning the current age of globalization and innovation.

As the reliance on global supply chains dramatically increased, so too did the size, scope, and complexity of these supply chains. Indirect and services spend categories are more likely to be part of a global supply chain today than not. For example, call centers are no longer staffed by full-time employees sitting in back office warehouse space, they are located half a world away.

The global nature of business is now better understood by professionals working outside of procurement today because of the in-depth coverage of the supply chain, a once-abstract concept made all too real by the widespread production shortages and delays of the products and services that executives rely on in both their professional and personal lives (more on this later). In fact, more has been written about the supply chain over the last two years than in the entire history of humankind. According to the coverage, the supply chain is now central to seemingly everything, and procurement's proximity to it has helped even more executives understand the impact procurement can have on operations and results.

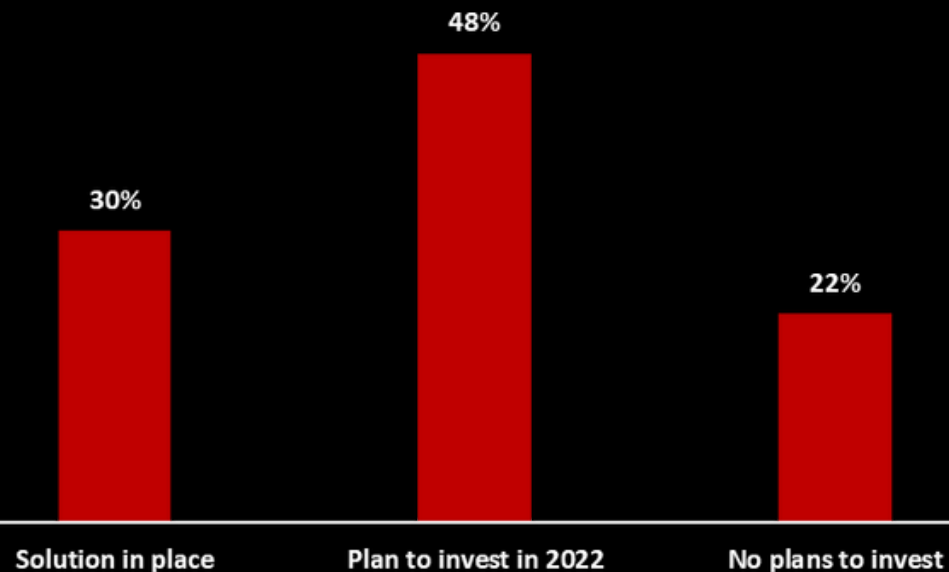
While this coverage often oversimplifies the nuances and complexity of a global supply chain, it has helped underscore one of Ardent Partners' main themes this decade: the rising importance of suppliers (and therefore, of procurement) to operations and results. Simply, in this age of globalization and innovation, supplier performance continues to have an increasingly more direct and immediate impact on revenues and customer satisfaction. Finding and engaging with the highest value suppliers and managing their performance in 2022 is table stakes; doing it well can be a strategic business differentiator.

Ready or Not, Here Risk Comes

Despite the growing importance of the supply chain and the current CPO focus on risk today, a relatively small percentage (30.1%) of the 369 procurement departments included in this research effort have made the required technology investments. These groups lack the visibility needed to enable successful supply risk management. As we have seen during the pandemic, the consequences of supply risk events can be disastrous. Ardent Partners research has shown that supply chain issues can erode customer relations and brand perception, depress earnings, and time-to-market cycles. More than a third of all groups (37.7%) state that they are planning to invest in this area this year, making it the most popular technology category in 2022.

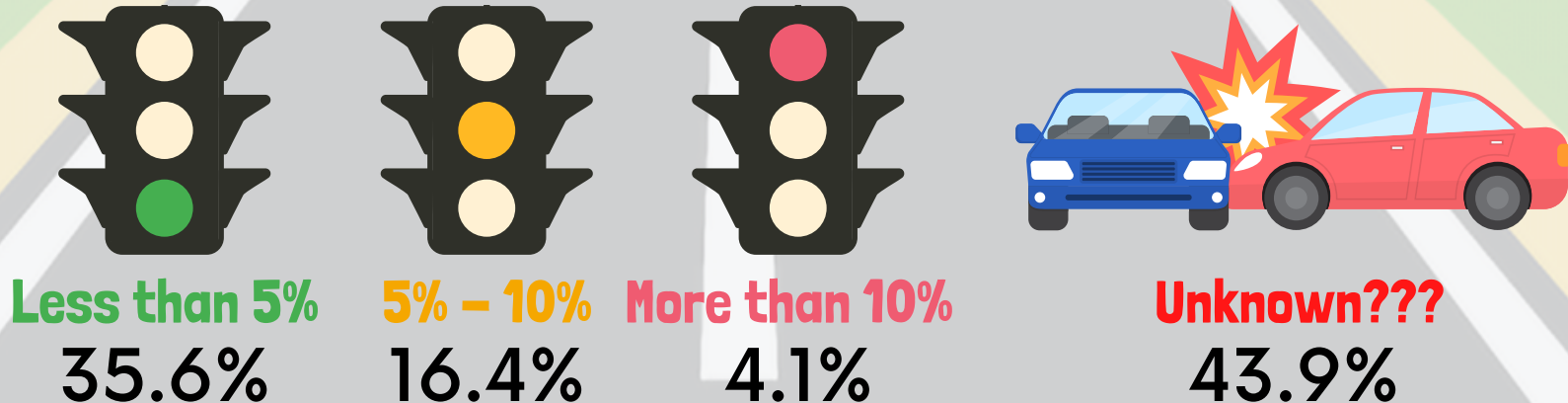
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Figure 3: Supply Risk Solution Adoption



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Figure 4:
Quantifying Supply Risk
 What percentage of your suppliers are high risk?



Roughly one-third (35.6%) of all CPOs have rated less than 5% of their suppliers as “high-risk,” while 16.4% have flagged between 5% and 10% of their suppliers. Very few groups (4.1%) have more than 10% high-risk suppliers which is an overall positive. Unfortunately, a significant number of CPOs lack the visibility and capabilities to rank the risk levels of their suppliers. This represents a major organizational blind spot, and CPOs looking to avoid a supply risk crash in 2022 will need to do much more than simply “adjust the mirrors.”

The CPO's Report Card

The past few years have introduced a series of business and procurement challenges unlike anything seen in this lifetime. This is not hyperbole. All told, the net result is that the Chief Procurement Officer has been simultaneously elevated within the enterprise and placed under much greater scrutiny. When C-Level executives evaluated their CPO's performance over the last year, the grades were good. A majority of CPOs either exceeded (47.3%) or far-exceeded (14.3%) expectations, while only a handful failed to meet them (see Figure 4).

There remains great room for improvement and it will be needed this year and for the next few. One thing that has not changed during the pandemic is that the CPOs who utilize smart strategies to address short-term enterprise needs while pressing forward on longer-term initiatives position themselves and their organizations to play an increasingly strategic role going forward.

Figure 5:





Each fall, Ardent Partners presents the CPO Honors awards for outstanding performance and execution in the last year to a variety of high achievers including Chief Procurement Officers, and other procurement leaders, procurement teams, and solution providers.

THE CPO HONORS 2021 WINNERS ARE

The Leadership Award (CPO of the Year): TIE Len DeCandia, CPO, Johnson & Johnson AND Jose Turkienicz, Chief Procurement, Real Estate and Global Business & Customer Services Officer, UPS

Best Team Performance Award: Vodafone Group (led by Ninian Wilson)

The Innovation Award: Jean-Michel Dos Remedios, Sourcing & Supplier Development Sr. Director, Bel Brands USA

The Technology Excellence Award: Juan Ahmad Del Vecchio, Sr. Director, Strategic Sourcing – Global Procurement, Ralph Lauren

Innovative Solution of the Year: GEP – Guided Buying Tool

Best Technology Partnership: Booz Allen Hamilton and Ivalua

Future of Work Visionary: Andreas Hettwer, Vice President – Group Procurement Category Director, Capgemini



Chapter II

The State of Procurement

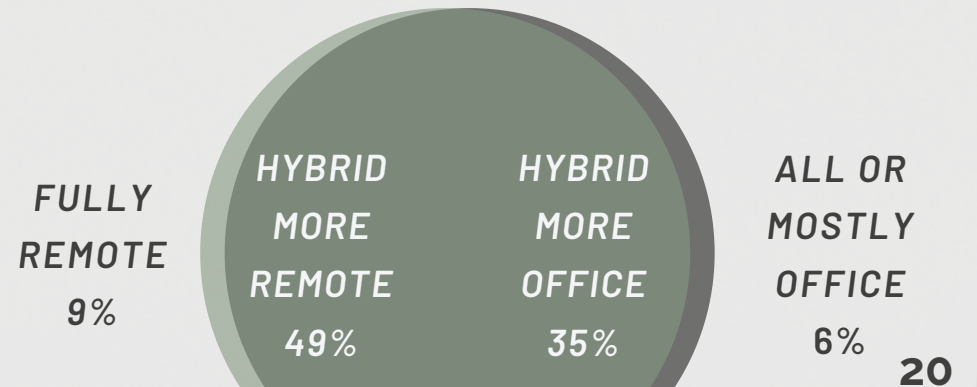
Playing a more critical and impactful role.

Business As Usual?

As of this writing, procurement's long-term future remains bright, even if things look challenging in the near-term. The COVID-19 pandemic has cast a long shadow over business and society, and CPOs and their teams will have their work cut out for them if they are going to climb out from under it. For procurement, 2022 will be a more demanding year as teams deal with the ongoing pandemic, inflationary (and budgetary) pressures, as well as greater supply chain risk, and an evolving team staffing model. Greater stakeholder support and the emergence of game-changing technologies will help counter some of those challenges. Preparation, agility, and an ability to drive value from data will be central to many procurement organizations as they advance through the year.

The procurement profession, like most others, has been broadly impacted by the COVID-19 pandemic. As discussed in Chapter 1, the core supply management work of finding, sourcing, and transacting with the highest-valued suppliers has entered the standard business lexicon – so too has “working from home.” Ardent Partners research (see Figure 5) reveals that post-pandemic, “business as usual” for most (84%) procurement pros will mean some version of a hybrid work. Less than 10% of procurement teams plan to return to the office full-time, while only 6% plan will be fully remote.

FIGURE 6:
WHERE WILL PROCUREMENT TEAMS
WORK AFTER THE PANDEMIC



Time-Tested Strategies

In a remote or hybrid environment, collaboration has never been more important for procurement organizations seeking to build value-based partnerships both inside the enterprise and beyond it. Business leaders uniformly understand that while collaboration is but one of several links to success (technology is another one), it can be the most accessible and cost-effective means to elevate the enterprise to the next level of performance. As procurement groups seek to expand their influence and impact over spend, they rely upon internal budget holders for partnership and engagement; the top strategy for CPOs in 2022 is to “improve internal communication and collaboration” with executives and line-of-business leaders, identified by 37% of all procurement heads (see Figure 7).

Thirty-seven percent (37%) of all CPOs have identified the pursuit of “digital transformation” by adopting new technology and/or improving the proficiency of current tech usage as a top 2022 strategy. Likewise, another 29% of CPOs seek to streamline their current systems and processes. And, with the talent wars raging in every sector, improving current staff capabilities (34%) remains an important way to “do more with same” resources. As the supply chain has become even more critical to business success, procurement has had to rethink the approach it takes to relationship management for at least the strategic/critical subset of its supply base. Despite inflation and supply assurance challenges, “improving external communication and collaboration with suppliers” (31%) and not “sourcing more” (24%) is the strategy preferred by more CPOs this year.



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Procurement's Barriers to Success

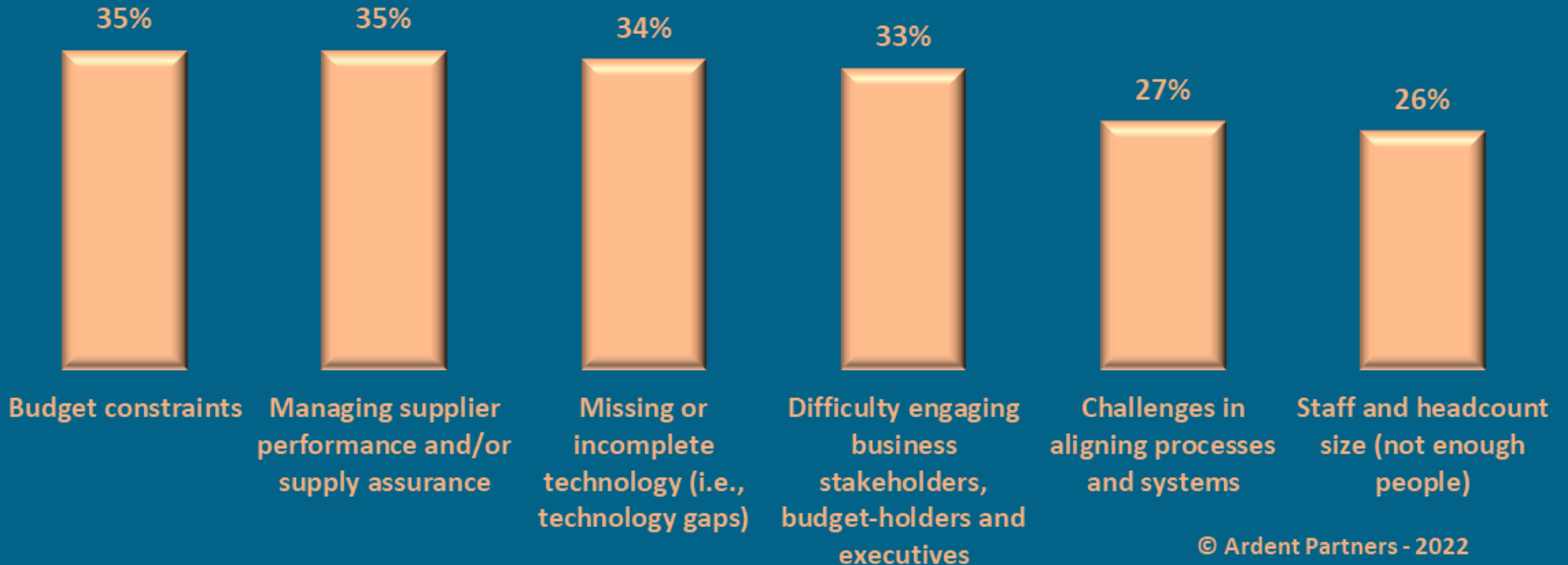
In 2022, the state of procurement is strong, bolstered by increasing proficiency, expanding engagement, and what is now more clearly understood within the enterprise as a direct impact on overall operations. That said, the average procurement department's path to success is rarely easy and clear. In fact, the hurdles for procurement departments in 2022 remain sizable (see Figure 8). In this year's survey, respondents were asked to select their top three barriers to success over the next 18 months.

With rising inflation, CFOs are tightening their belts so budgetary constraints is the top challenge for more CPOs (35%) than anything else. Procurement is rarely at the front of the line when it comes gaining new investment and resources so, it falls to the CPO and the procurement leadership team to communicate the value generated by the department in a clear and consistent manner. Doing so will help bolster executive confidence that an investment in procurement can generate good returns. Of course tighter budgets should also mean that procurement's value to those that manage them should increase. But, one-third of CPOs see their team's difficulty engaging business stakeholders, budget-holders, and executives as a major hurdle.

Top Barriers to Success

FIGURE 8: THE CPO'S TOP HURDLES FOR 2022

CPO's Top Hurdles



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The challenge of managing supplier performance and/or supply assurance more than doubled since last year rising from 16% to 35%. It is clear that the stakes have been raised in the supply chain game and that procurement teams will benefit from clear team strategies and decisive leadership. Thorough preparation and tight execution will also improve the odds of winning.

The CPOs who have placed “digital transformation” at the top of their 2022 agendas have done so to attack a few of the top hurdles to their overall success. One of the most common challenges to the CPO's ability to achieve their 2022 objectives is the need to close existing technology gaps (34%) and improve operations and performance as a result. Those participating in this study have shown a higher interest in adopting more process automation tools in 2022 as technology becomes a more central part of the entire operation. That said, many teams (27%) still struggle to align processes and systems within the organization.

Finally, the war for procurement talent, amidst the pandemic and the Great Resignation, is one of the larger shifts that we have seen during the pandemic. For almost two decades, CPOs have decried the talent challenge as the primary hurdle to achieving departmental objectives. This year 26% of procurement executives noted a lack of headcount as a top barrier to success.

As the function becomes more focused on innovation, it will behoove procurement executives (and hiring managers that work directly with these leaders) to ensure that they are tapping into the world of non-employee labor...not only as a supplemental source of talent, but also as a value-added driver of expertise, skillsets, and fresh thinking. The prevalence of digital staffing (i.e. talent marketplaces, social networks, etc.) has allowed procurement leaders to better assess their current skill gaps, and, in an on-demand fashion, find and engage the best-aligned talent.

As the procurement function continues to move forward and expand its reach, talent remains the spark for transforming the impact of the unit. As such, new, agile talent sources, like independent contractors and freelancers available in new talent networks, must be tapped to bring specific expertise to core initiatives and help procurement's full-time staff improve operations and performance. Strong hiring (via direct sourcing of talent) and staff retention capabilities will become more important for procurement teams as they push deeper into the 2020s.

Procurement's Key Capabilities in 2022

When it comes to capabilities, the majority of procurement teams today are able to leverage spend data for their sourcing events (69%); many also maintain an active sourcing pipeline (63%). These two complementary capabilities top the list of organizational capabilities according to those surveyed by Ardent Partners this year (see Figure 9).

The fact that a majority of procurement teams can leverage their spend data to drive sourcing events through a standardized sourcing process is a net positive for this cohort and stark reminder for those that cannot yet do this that they are laggards.

Collaboration remains a critical capability for procurement because it is the bedrock of innovation because it helps accelerate the proliferation of ideas. Innovation academics and investors believe that the speed in which interdisciplinary ideas can cross-pollinate is a powerful determinant to the pace of innovation within an enterprise and across a supply chain. This is doubly true when managing a distributed workforce.

Figure 9: Procurement Capabilities

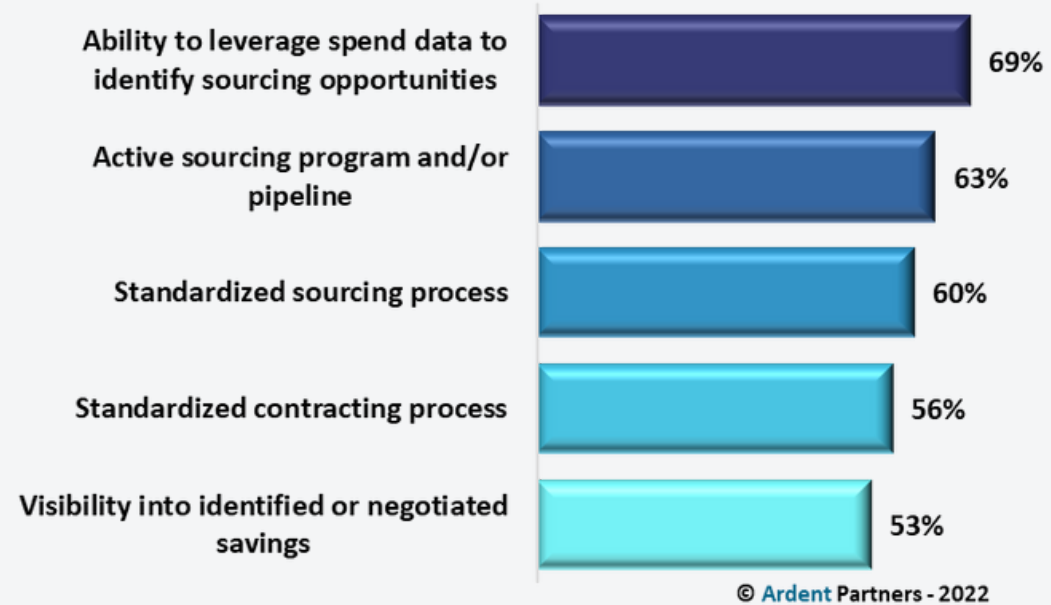
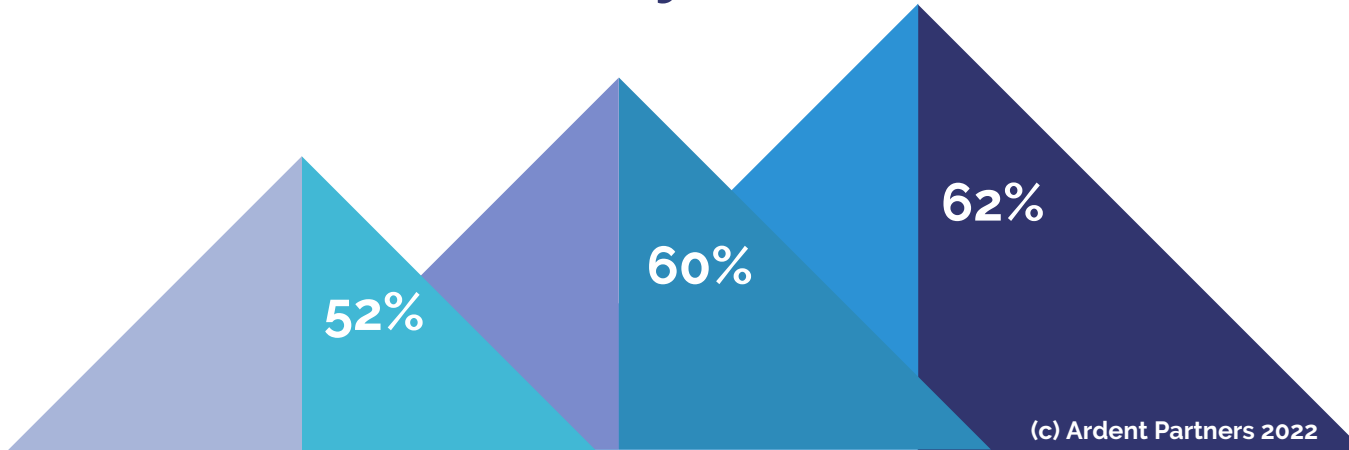


Figure 10: Procurement's Levels of "Quality" Collaboration



Budget-holders

Work with key stakeholders to source and order supply

Suppliers

Build relationships to drive performance and innovation

Business Functions

Partner with the groups that drive and support day-to-day operations

With its linkage to so many different internal and external stakeholders, the procurement department has more opportunities than most functions to broadly impact operations and results. And, if procurement's essential remit is to influence stakeholders to make smart decisions, it needs two things: (1) engagement with the stakeholders and (2) intelligence and context to guide wisely.

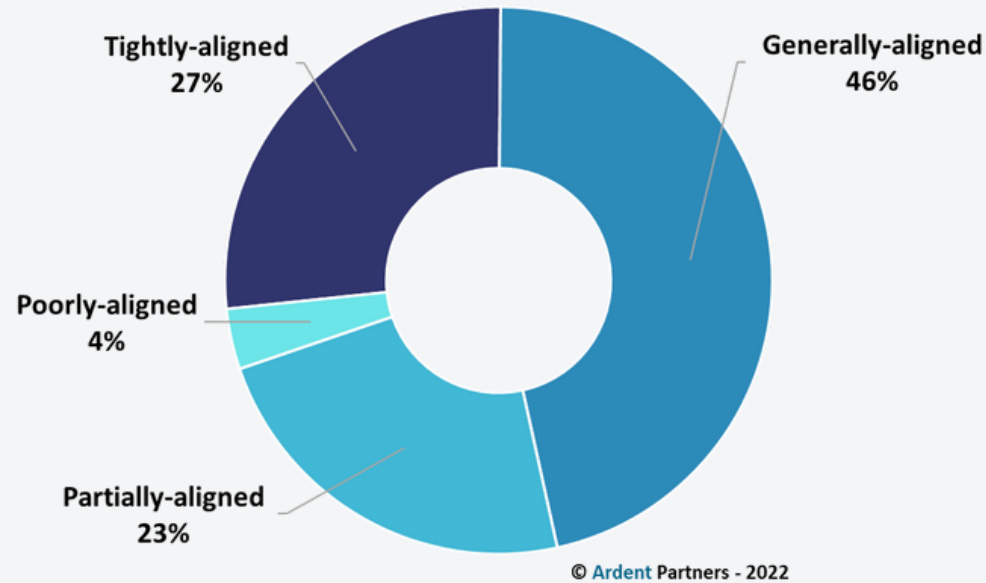
Collaboration and visibility are the critical enablers of these two areas and thus serve as the foundation upon which procurement success is built. The connections between the enablers and the opportunity to make an impact are quite clear. Figure 10 shows the percentage of procurement teams that have good collaboration with different stakeholder groups

Align and Conquer

Procurement's ability to create value and influence results is greatly enhanced by its ability to engage budget-holders and functional peers in proactive conversations. And, when procurement resources are focused on the most important business projects and initiatives, overall results are optimized. This year's survey (see Figure 11) shows that a high percentage of procurement departments are both engaged and optimized with 27% of all groups stating that they are tightly-aligned and another 46% stating that they are generally-aligned (46%) with the CEO's Agenda.

Today's leading CPOs must be able to identify the best opportunities quickly and execute them just as fast. They must also have a clear vision, be able to garner support for it, and then drive it forward. It is critical that the CPO validates exactly what the best opportunities are because a department that operates on its own agenda, independent of any real input and oversight from either executives or business stakeholders does itself and the enterprise a disservice. As such, all CPOs should make it a habit to regularly interact with key executives and constituents to understand how the business is changing and what the organization needs to do to be ready for that change.

Figure 11: Procurement Alignment



The Agility Agenda - 2022 Update

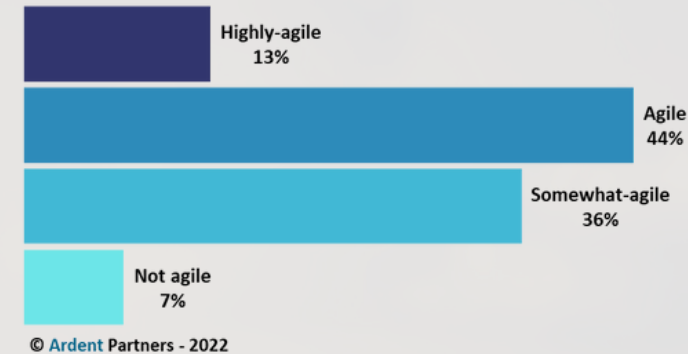
In its State of Strategic Sourcing 2013: Speed is Good, Agility is Better report, Ardent Partners introduced the idea that "procurement agility" would be the defining characteristic of the next generation of procurement leaders. By 2015, Ardent had become a major evangelist for procurement agility, delivering the first detailed discussion of what makes a procurement department agile and a blueprint for how to build one (CPO Rising 2015: The Agility Agenda). In the ensuing years, the speed and complexity of business continued to accelerate, forcing procurement departments around the globe to adapt to new market conditions and react to new opportunities while maintaining discipline and efficiency. And, as the demand for procurement agility heightened and CPOs and other C-level executives took notice. Today there is no doubt that procurement's ability to impact business processes, relationships, and results will continue well into the future, but the depth and breadth of an individual organization's impact will depend on each group's ability to master its processes and technologies and upon the ability of its leader, the CPO, to maintain the department's focus and ensure fast, but assured, decision-making and crisp and agile execution.

The drive for innovation that has collapsed most product lifecycles means that the sourcing needs of a company are more apt to shift significantly within a business cycle than in any previous time. Managing and mitigating supply risk has become the top priority of the CPO in 2022 because missing a sales window because of short or poor

supply can shake an enterprise from the top down to its core. And, in a business world that is increasingly focused on the short-term, sourcing results are under much greater scrutiny by executives and in some cases, external analysts, media, and investors. Ironically, after years of arguing that what happens in procurement and the supply chain is front page news, coverage is consistent, particularly when it comes to supply disruptions and failures. The perception that a business cannot execute hurts its reputation and ultimately its overall value, which in turn, means that an enterprise's level of "procurement agility" is directly linked to its brand and overall value.

In this instance, the procurement market has moved fast and by 2019, "procurement agility" was de rigueur, a key part of most CPO's agendas and their public discussions. In 2022, it is more important than ever and a record number of procurement organizations claim they possess it (see Figure 12). with 57% of the respondents in this year's survey rating themselves as highly-agile (13%) or agile (44%). Another 36% believe that they are somewhat-agile and just seven percent (7%) do not believe their procurement departments are agile at all. And so it remains that the procurement teams that adeptly connect their tools, resources, and expertise to support the evolving needs of the business will succeed above all others. And, as we will discuss [chapter four](#), it is a procurement team's ability to become utilize its data to become more intelligent and therefore more agile that is the next great frontier.

Figure 12:
Procurement Agility





AGILE ORGANIZATION

An agile procurement organization is one that has a fluid organizational structure and prizes skills over experience. The organization is regularly aligned with the strategic plan and objectives of the enterprise and operates with an open flow of information and communication. Individuals and the organization they comprise are adaptable, responsive, and looking for the next challenge or threat. Above all, an agile organization has fluid resource allocation, enabling it to get the right talent focused on the right opportunities at the right time.



AGILE PROCESSES

Agile procurement processes are standardized, automated, streamlined, and scalable, but they are also managed in a cohesive and holistic manner by a procurement team that is continually looking to improve them by reducing and/or eliminating complexity as well as any barriers that impede progress. Agile procurement processes can be robust (but, not a requirement); but they are always pragmatic and adaptive and, above all else, effective at accomplishing desired tasks expeditiously and with a minimum investment of resources.



AGILE STRATEGIES

Agile procurement strategies focus on regular and proactive management and operational improvement. These strategies interlink planning with execution to ensure that the procurement organization's decisions and practices are responsive to the changing needs and requirements of the business' customers, stakeholders, suppliers, and partners.



AGILE TECHNOLOGY

Agile supply management technology is cloud-based, easy-to-use, and easy to adopt. The solutions are robust but also intuitive, adaptable, and easy to deploy. The solutions support collaboration and advanced communication and offer strong reporting and analytics.



Chapter III

Procurement Performance in 2022

Procurement performance and operational benchmarks plus the Best-in-Class metrics for 2022.

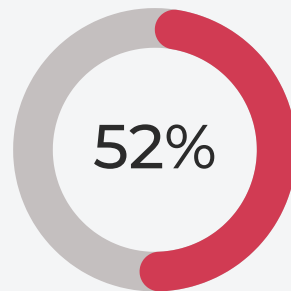
The Balancing Act

Best-in-Class CPOs have the serenity to manage through uncertain times, the courage to make tough choices, and the wisdom to make a difference. They are also highly adept at managing the present without sacrificing the future. It is of particular importance during times of great stress and change to balance the attention and resources needed to manage both today's requirements and tomorrow's possibilities. It is a balancing act to be certain, but a mandatory skill for any business executive hoping for career advancement. For many CPOs, figuratively anyway, "the future is now," so an all-in approach to today is needed, But the future does not lie on some nebulous horizon, so work on building it should start immediately (even if slowly). Those CPOs who are not empowered (or simply lack the resources) to allocate time and energy away from current projects and demands must, nevertheless, find the time to build a vision for the future. As Lincoln said, "the best way to predict your future is to create it."

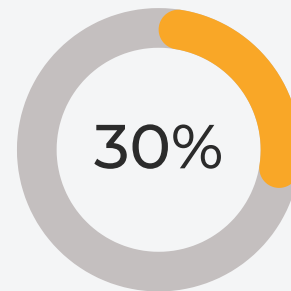
One great way to improve the future is to improve today's performance. A majority of CPOs (52%) surveyed in this year's study (see Figure 13, next page) agree that the best way to take their current performance to the next level is with "better data visibility and analytical capabilities." This has been the most popular approach for CPOs since 2018. With the rise of business process automation tools, cloud- based applications, mobile solutions, connected

devices (i.e., the Internet of Things”), more data is being created each year than ever before and business leaders are capitalizing on this. As a result, the world has become increasingly data-focused, and businesses around the globe are investing significant resources in analytics and data science to build the capabilities and intelligence that will propel them to the next level. Of course, those opportunities are only made possible technology and the CPOs next-level performance levers – deploying new or improved technology (30%) and making better use of the technology (25%). When viewed together, a simple and fairly straightforward formula for CPOs and their teams to enhance their performance and drive greater enterprise value appears – the key ingredient is technology.

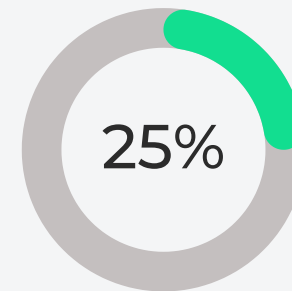
Figure 13:
Next-Level
Performance Levers



**BETTER DATA
VISIBILITY AND
ANALYTICAL
CAPABILITIES**



**NEW (OR
IMPROVED)
TECHNOLOGY**



**IMPROVED USE OF
CURRENT
TECHNOLOGY**

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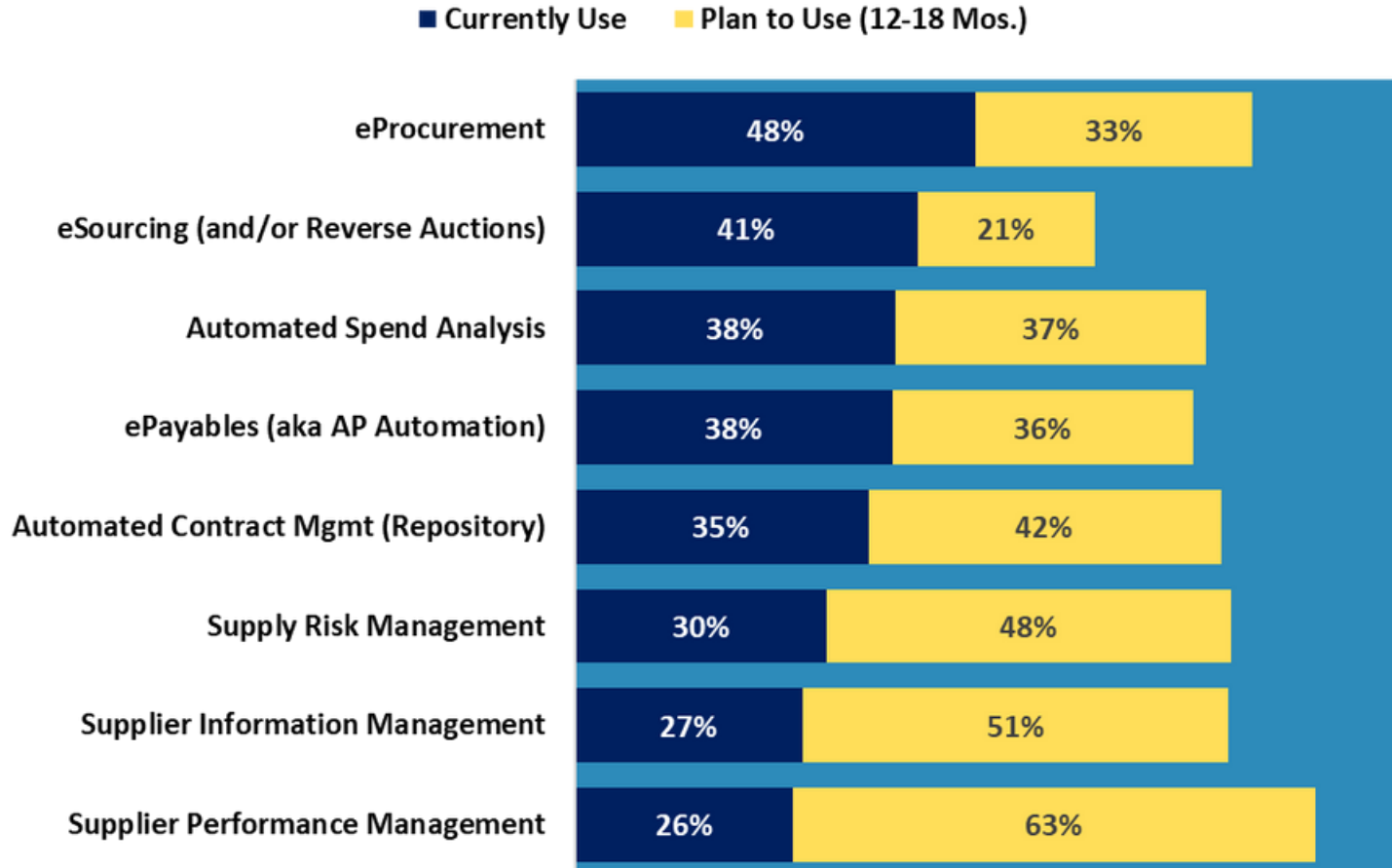
Technology Adoption

For many years, CPOs were fairly hesitant to dive headfirst into a large technology deployment. Around 2015-2016 that started to change in part due to the advances on the solution provider side in usability, integration, and functionality. Today, a majority of CPOs look at technology as a key part of their overall operation, particularly as they are managing a more transient team (shorter tenures) that is likely to be working remotely. They also understand that gaining sizable investment to grow staff headcount remains difficult and competitive. It is why driving a digital transformation was the second most common priority for CPOs this year (see Figure 2, page 10).

When approaching the procurement technology adoption section for the 17th time (see Figure 14, next page), many of the themes in the earlier editions continue today – (a) overall adoption continues to increase, albeit slowly; (b) organizations have budgets and intentions of investing more (c) technology proficiency levels remain mixed; (d) the most widely-adopted solutions (eProcurement and eSourcing) are not yet universally used.

Of course, some things have changes. Top among them in this year's study is the high interest in the Supplier Management solutions, including Supplier Information, Performance, and Risk Management. In the past, these technologies were viewed as solutions for more mature procurement departments or those that had just

Figure 14: Technology Adoption in 2022



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experienced a recent shock to their supply chain. The past few years of intense supply chain focus may have changed the way that some procurement organizations in the future think about building out their technology and focus on the supplier relationship management earlier in the process. What is certain is that a majority of procurement departments are relying on far too much manual activity. Since the hybrid model has become the standard for procurement teams, CPOs will need to rethink their budgets and find ways to drive more activity online.

The 2022 Procurement Benchmarks

The 2022 Procurement Benchmarks (see Table 1, next page) represent the performance and operational results of the average procurement department in the market today. The percentage of spend under management at the average enterprise sits at 67.4% in 2022, a 7% increase over last year's number. Ardent Partners continues to believe that tracking this metric is important, and trying to increase it makes sense because the research shows that enterprises realize a savings of between 6% and 12% on every new dollar of spend placed under procurement's control. There are other benefits beyond savings that also result from procurement's influence, including improved quality and lower risk. Over time, the gross amount of spend being managed by procurement is less important than the overall impact of procurement's efforts on results. Approximately 5% of CPOs rank this number as one of the "Top Three" metrics that they track each year, which explains why this number has not risen in any significant way for the last decade.

Despite the difficulty in measuring procurement's true impact on it, savings remains the top metric for CPOs to track. Ardent Partners has written extensively about the problems that can arise when savings is over-weighted in the evaluation of a procurement organization; but it has always been key. As discussed earlier, it has risen as a priority for many more CPOs this year reversing a long trend. Last year's "actual" average savings (6.04%) was down 18%, a significant number when compared to the 2021 value (7.37%) (see Table 1). The savings target for procurement teams for 2022 (6.12%) is almost 19% lower than what organizations planned last year (2021 – 7.51%). These are very significant drops year-over-year and are a clear indication that inflation impacted performance in 2021 and is expected by CPOs to do so again in 2022. The numbers also show that many CPOs missed their 2021 savings targets by a sizable amount.

Table 1: The 2022 Procurement Benchmarks

Metrics	Average	Trend
Spend under management	67.4%	Up
Savings 2021 (Actual)	6.04%	Down
Savings 2022 (Target)	6.12%	Down
Addressable spend that is sourced	44.3%	Down
Spend that is contract compliant	61.2%	Down
Enabled suppliers	43.2%	Up

Many CPOs appear to have the confidence of their executives considering the reasonably good grades shown on the CPO's Report Card (see Figure 5, page 19).

With an increased focus on savings and a higher average annual target, one would assume that competitive sourcing would increase. In a somewhat counter-intuitive finding, competitive sourcing has tracked downward this year compared to last (44.3% vs 47.9%). Prices are on the rise and suppliers in many markets are gaining power. CPOs, however, must remember that sourcing and eSourcing in particular provides many important benefits beyond price discovery and savings. Contract compliance and compliance-related metrics are tracking as a strong second most utilized CPO metric. Despite this, the average compliance numbers in the market remain uninspiring, with 61.2% representing the amount of spend that is contract compliant in 2022.

One critical area of growth over the past year is within the realm of supplier enablement: on average, 43.8% of the average enterprise's supplier base is electronically-enabled to transact (i.e., receive orders, send invoices, etc.) compared to 38.1% last year. This number has almost doubled since 2017, when the value was 24.1%. This is an interesting metric in the greater discussion of digital transformation, as the "digitized enterprise" is one that leverages seamless and holistic process workflows for maximum efficiency and knowledge-sharing. With a newfound focus on the "smart" procurement function that holds the ability to influence other key areas of the business, this higher level of enabled suppliers is a positive signal.

Best-in-Class Procurement Performance

Ardent Partners' analysis in this report determined Best-in-Class procurement performance by identifying the top 20% of performers in the spend under management metric. As a group, they have placed, on average, 91.2% of spend under the management of the procurement organization, 53% more than their peers. Ardent continues to use spend under management as a starting point in the development of its Best-in-Class Framework and to drive additional discussion and deeper analysis of strategies, capabilities, and results.

Ardent's thinking about the "spend under management" metric has evolved, somewhat, in the last few years. It remains an important and highly useful metric, but Ardent also understands the difficulties that organizations have in placing more than 70% under their influence, and that driving this number higher should not be a singular goal at the cost of other initiatives. That said, if an organization is managing around 50% of total spend, it is missing out on a large number of opportunities. As shown in Table 2 on the next page, Best-in-Class enterprises achieve top-tier performance across a series of critical procurement, sourcing, compliance, and supply management metrics. For example, they competitively source 38% more of their addressable spend and 46% more of their suppliers are electronically-enabled.

Savings numbers last year between the two maturity classes were nearly identical. But, and it is a "big" but, the Best-in-Class apply that savings rate on a much larger spend portfolio. Net-net, the Best-in-Class deliver expansively more to the bottom line. Interestingly, the savings goals for the two groups in 2022 are quite divergent with the All Others aiming at a higher target. Meanwhile, the Best-in-Class continue to minimize their saving leakage by driving a significantly higher percentage of compliant spend. The impact of maverick spend in a high inflation environment can be devastating, so now is the time to increase communication regarding contracts and policies, while also being more vigilant. The levers that drive the Best-in-Class advantage are discussed next.

Table 2: The 2022 Best-in-Class Procurement Framework

Metrics	Best-in-Class	All Others
Spend under management	91.2%	59.7%
Savings 2021 (Actual)	6.05%	6.04%
Savings 2022 (Target)	5.55%	6.30%
Addressable spend that is sourced	56.6%	41.1%
Spend that is contract compliant	74.9%	56.9%
Enabled suppliers	57.4%	39.4%

Best-in-Class Advantage, Part 1

Alignment

The Best-in-Class CPOs understand the importance of executive support and engagement. They also understand that this is a two-way street and that it is critical for their departments to support the executive agenda. They are 57% more likely to be tightly-aligned with the business and working to support its goals and objectives.

Strategic Sourcing Technology

Best-in-Class sourcing teams run significantly more competitive sourcing events because they are 51% more likely to have an eSourcing solution in place. These leaders show a dramatic advantage in their use of Advanced (optimization-based) Sourcing solutions, deploying them 2.3 times more often.

Sourcing & Contracts Linkage

One area of great disparity between Best-in-Class and All Other procurement teams is in how tightly their sourcing and contracting processes are linked. While nearly three quarters of the Best-in-Class (71%) report tight linkage between the two, just 32% of All Other teams report the same – a whopping 220% difference.

P2P Technology

The level and quality of procurement/AP collaboration varies dramatically among enterprises in the marketplace today. Best-in-Class organizations are effectively linking their P2P operations and systems nearly twice as often and to a much greater impact. The result is that a Best-in-Class P2P team is a competitive weapon that helps gain an advantage over rivals.

Best-in-Class Advantage, Part 2

Supplier Management

Best-in-Class procurement departments understand that suppliers should be viewed as a source of knowledge and expertise that can be leveraged to competitive advantage and mutual gain. The Best-in-Class extend their advantage to all areas of supplier management with solutions in place to manage information, performance, and risk between 2 and 3 times more frequently.

Compliance, Tax, and GRC

Best-in-Class teams are nearly 60% more likely to have standardized their governance, risk, and compliance processes including tax management, which helps mitigate risk and ensure regulatory compliance. Tax automation enables buyers to see, in real-time, the tax component of an order and perform a total cost of ownership calculation.

Performance Visibility

Having visibility into spend, process, and the supply base is the foundation upon which Best-in-Class procurement performance is built. The Best-in-Class do not possess universal visibility into key performance metrics, but the frequency in which they possess it compared to All Others is compelling, ranging as high as nearly 2.4 times greater when looking at areas like savings, compliance, and supplier performance.

Data Intelligence

While data is valued equally across maturity classes, Best-in-Class CPOs are putting their money where their mouth is and are 73% more likely to have an active data strategy in place. The Best-in-Class are also more than twice as likely to be developing data science capabilities today.



Chapter IV

The Data Revolution

Big Data will fundamentally change procurement.

The Data Revolution

The unanimous Declaration of this seventeenth annual CPO Rising report.



We hold these truths to be self-evident that all procurement departments are created equal, that they may be endowed by their Chief Procurement Officers with Best-in-Class characteristics including top talent, technology, and the pursuit of intelligence. But, to secure these capabilities in the future, procurement leaders must enable their teams with agile strategies and robust technology tools and they must empower them with the resources, data, and intelligence to drive innovation and value across the enterprise.

The Data Revolution has begun!

A Call to Arms

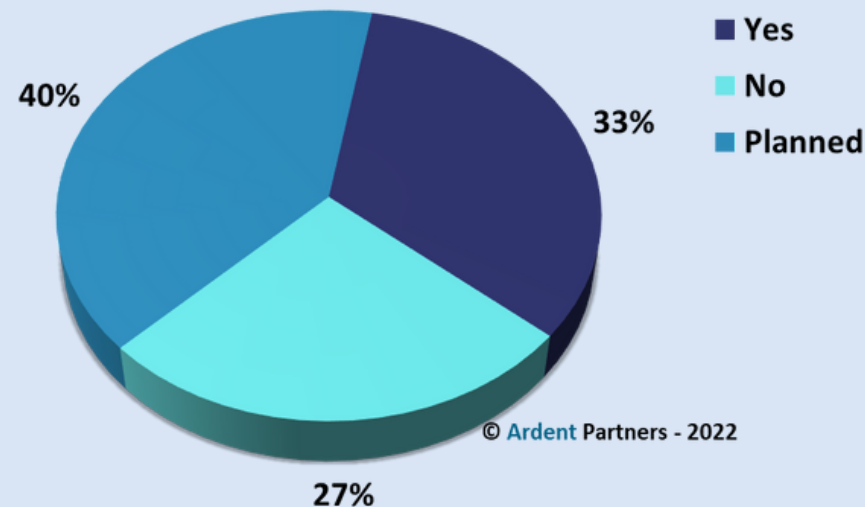
Business professionals working in 2022 have been first-hand witnesses to The Data Revolution that began in recent years with an explosion in the volume and production of data matched by a growing demand for data from all parts of the enterprise. Businesses now analyze massive amounts of information in near real-time, and business intelligence has become a primary driver of decision-making on strategic, tactical, and operational levels within most enterprises. Beyond that baseline use, a truly revolutionary use of data has radically transformed a select group of professions and industries by redefining “common knowledge” and the inputs and capabilities that create value and enable success – the use of advanced data analytics has fundamentally changed how many business functions groups operate. There have been no major breakthroughs in procurement yet, but CPOs can look to any number of functional peers within the enterprise for inspiration and the key inputs to make a business case for investment in a big data strategy (every revolution needs funding). For example:

- **Sales and marketing teams** use data to improve customer targeting and engagement. By tracking a user's online activity, these teams can deliver customized marketing and advertising messages that lead to higher sales.

- **HR teams** use data to better target and recruit potential candidates. By leveraging algorithms that match the capabilities of their top-performing staff with those of potential job candidates, recruiters can find better candidates faster and increase their odds of success.
- **Product teams** use data to inform and influence product decisions in their organizations. By tracking and quantifying customer behavior data, they are able to improve product design and streamline product roadmaps.
- **IT Teams** are using data to manage risks caused by hacking and user noncompliance to policies. By tracking cybersecurity activity, IT analysts can instantly observe, detect and block irregularities from hindering a network.
- **Finance teams** are using data to increase profitability and reduce fraud. Some AP teams are using systems to identify unusual invoice and payment activity.

Procurement teams have similar and, in many cases, larger opportunities; but only 33% have an active data strategy in place today (see Figure 15). Now is the time for more procurement departments to join the fight.

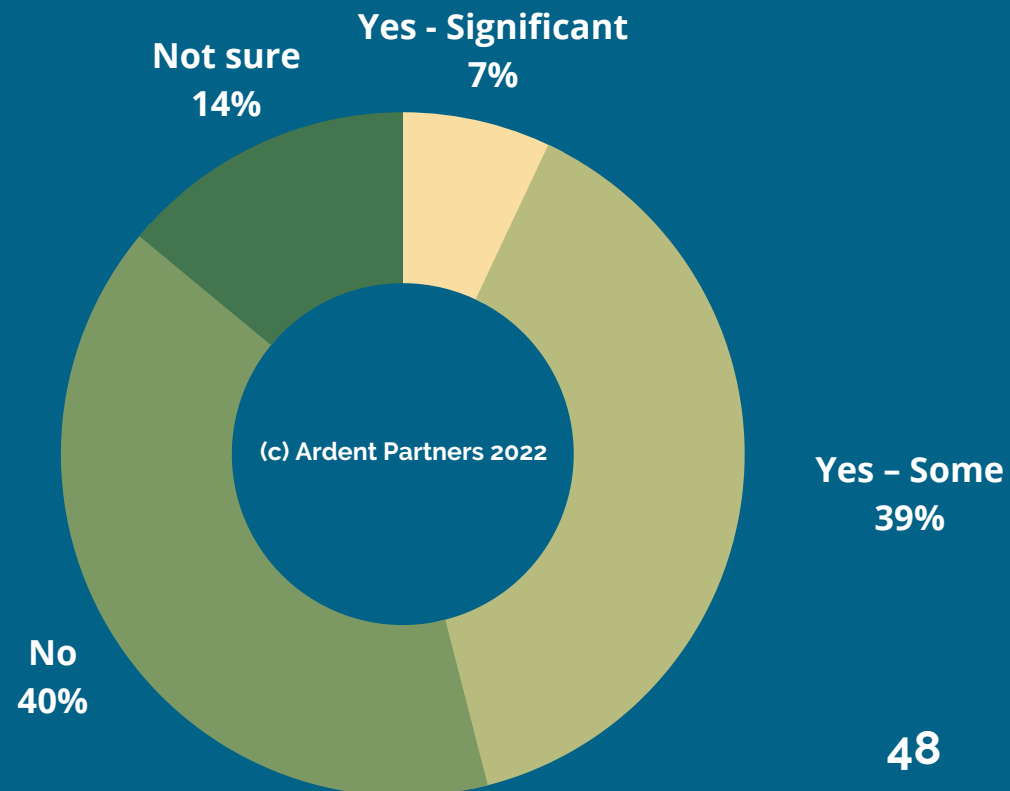
Figure 15:
Does Your CPO Have a Data Strategy in Place?



The State of Big Data in 2022

The vast majority of CPOs know there is inherent value and tremendous opportunity in procurement data. In fact, 84% say that this data is either “extremely” or “very” valuable in helping a CPO develop their annual plan. But if a procurement organization is struggling to process POs, has little traction with budget-holders, and/or is the major bottleneck to finalizing contracts, it is unlikely to make a major investment in a larger big data management project. To many struggling CPOs, a lack of data science capabilities is a “First World” problem, something they would love to be able to focus on, but only after they address more pressing matters. At the same time, 46% of all CPOs have committed specific budget and resources to big data management in 2022 (see Figure 16).

**Figure 16:
Has Your CPO Committed
Budget/Resources to Big Data Mgmt in
2022?**



Walk Before You Run

Data analytics/science and the resulting intelligence is the major game-changing opportunity for procurement organizations this decade. Over the next few years, a new type of intelligence is going to enable CPOs to view their operations differently and, by doing so, it is going to force these same CPOs to manage them differently too. There is no need to offer more evidence on the subject because the opportunity is understood by a clear majority of CPOs today.

The question for CPOs in 2022, is not “if” an investment should be made in big data management, but “when?” and “how much?” The obvious answers would appear to be “right now” and “as much as can be budgeted.” But the truth is, a strong data and technology infrastructure should exist before any serious investments in ‘big data’ are made. Accordingly, CPOs need to start thinking about intelligence in the context of their organization’s current state of maturity and work to identify the areas of greatest leverage. At the same time, all CPOs need to ensure that there is a foundation in place to take advantage of the Data Revolution because opportunities will continue to emerge. For example, with the surplus of new data from procurement systems comes a dearth of real expertise in how to analyze it and extract true intelligence. While many procurement professionals have strong analytical capabilities, the next generation of analysis falls within the arena of “data science.” New data science roles within

procurement will start to appear. However, it will be important that these data scientists are partnered with procurement experts who can identify the critical business problems that need to be solved. There will be many paths to success and many more approaches taken, Here is how one **CPO from a publicly-traded biotech company** described his Big Data strategy. "When it comes to Big Data, it is our 2022 goal to improve data accessibility, governance, sources, and breadth to facilitate better data-driven decisions for improved measurements and outcomes in nearly all aspects of sourcing and operations like P2P. We are partnering with our IT team to invest in both our infrastructure and people to develop a data lake, front-end applications (BI/dashboards), sourcing tools (Spend Analytics, eSourcing), integrations with key data sources, and personnel/staff development to support the effective utilization of such tools."

Over time, Big Data best practices by company size, industry, and back-end system for CPOs will emerge. For now, these leaders must continue to extend and enhance their teams' capabilities in order to maintain their momentum and accelerate to the next level of performance. To get there, CPOs must not simply think outside the box, they must redefine the box. Every revolution seems impossible until it happens; then, it was inevitable. Now is the time for procurement to join The Data Revolution. It is inevitable!



Appendix

Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners



With 23 years in the industry and 13 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. Andrew is also the publisher of CPO Rising (www.cporising.com) and The Future of Work Exchange (www.futureofworkexchange.com).

Andrew is the host of the popular Procurement Rising podcast and works as an advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 525 times in nine different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations.

He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for several prominent spend management solution providers. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.)

Andrew's post-MBA work started in management consulting and investment banking where he structured, managed, and advised on large capital market transactions. Andrew began his professional career running a homeless family shelter in Los Angeles. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the supply management market. The research in this report represents the web-based survey responses of 369 CPOs and other procurement and business leaders captured from January to March, 2022 as well as direct interviews with multiple CPOs and procurement leaders. These 369 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class procurement performance and understand what levers the leading groups pull to obtain their advantage. Nearly 110 of the total participants shared some personal insight and commentary to help provide greater context to the results. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included below.

Demographics

The research in this report is drawn from 369 respondents representing the following demographics:

Job Function: 86% procurement; 5% supply chain; 5% finance; 3% operations; 1% information technology

Job Role: 41% VP-level or higher; 31% director-level; 19% manager-level; 9% all others

Company Revenue: 64% Large (revenue > \$1 billion); 25% Mid-market (revenue between \$250 million and \$1 billion); 11% Small (revenue < \$250 million)

Region: 61% North America; 31% EMEA; 8% Asia-Pacific

Industry: Twenty-five distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 12% of the overall survey respondents.

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Since 2010, Ardent Partners has delivered Research with Results™ to business executives working in procurement, finance, and HR on multiple platforms and in multiple formats. Ardent advises clients and publishes research that helps business decision-makers understand:

- Industry best practices and how to improve performance
- Technology landscapes and how to select the best-fit solution(s) based upon their specific budget and unique business requirements

Ardent publishes a network of high-traffic sites, manages a large, global community of business executives, and hosts a series of exclusive in-person conferences and online events. Ardent also works with solution providers to expand their reach, improve their products, and increase sales.

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