

CPO Rising 2021: The State of Procurement and the CPO

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Executive Summary

More has been written about global supply chains in the last 12 months than in the preceding 12 years. In the age of globalization, a pebble tossed halfway around the world can have a rippling effect that builds across the oceans and lands as a tidal wave. The coronavirus is a global pandemic with enormous implications; it has been devastating. But its near-term impact on procurement and the supply chain may drive lasting changes that affect future generations of Chief Procurement Officers.

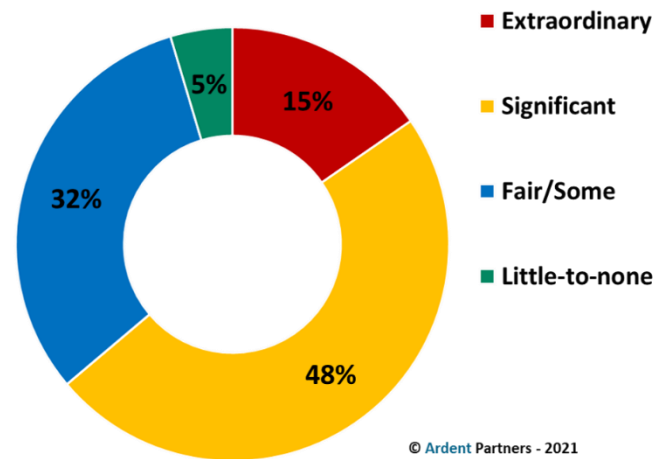
This sixteenth annual CPO-themed report is part of an ongoing dialogue that Ardent Partners' analysts have had with CPOs and other procurement leaders for more than a decade. The report examines the general competencies and capabilities of procurement organizations today and highlights the management strategies and tactics that leading CPOs have utilized to navigate the pandemic and the prevalent uncertainty it has fostered. It 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 351 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 1: The State of the CPO

This 2021 version of the report picks up 24 months after the last edition in the 16-year series, CPO Rising 2019: Value Expansion, was published in early April of 2019. Covering the state of procurement and the CPO at the outset of the pandemic in 2020 seemed trivial, because in most regions, the state of procurement was the state of business was the state of the community. Nothing mattered, and yet, everything mattered. The state of procurement was the state of the world and it was changing every day. Chief Procurement Officers and other procurement leaders were facing an entirely new set of challenges, accelerated by a global pandemic that has disrupted an interconnected business world and its supply chain. More than a year into the pandemic, a majority of businesses (see *Figure 1*) feel either an extraordinary (15%) or significant (48%) impact from COVID-19 that continues to be felt today.

When the COVID-19 pandemic hit and initial lockdowns were put into place, one of the first areas impacted was the supply chain. More than 12 months later, businesses are still managing the fallout from supply chain disruptions and 19% rank that as the area hardest hit by COVID-19. This also means that the other 81% of businesses have felt the pandemic's effects more intensely in other areas, including the workforce, internal operations, and IT (and related systems). In fact, 35% of all enterprises say that the most significant impact of COVID has been on sales and overall cash positions.

Fig. 1: The Impact of COVID-19 on Businesses

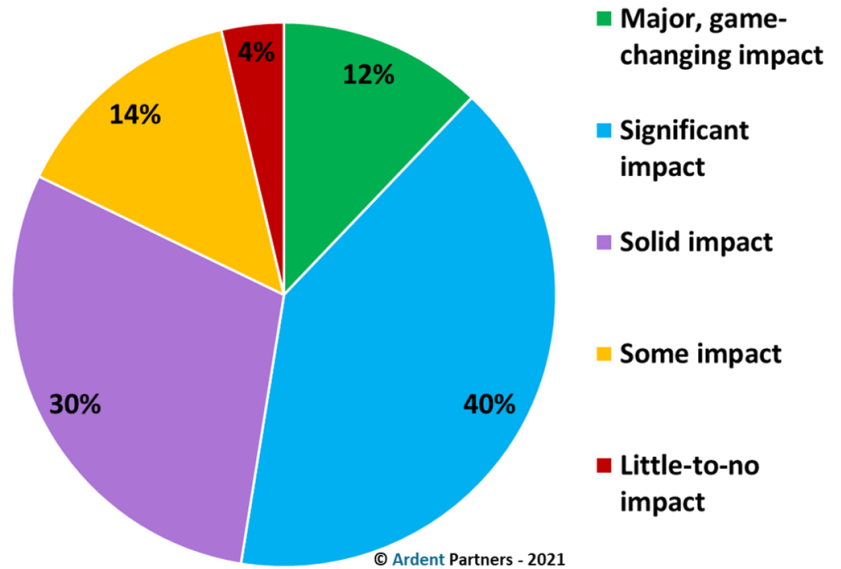


Procurement's momentum, however, was not thwarted by the global pandemic. Instead, the crisis has provided yet another example of how critical the procurement function is to many enterprises, particularly those with global supply chains. In this business environment, many of an enterprise's best opportunities and top priorities played to the strengths and expertise of its procurement department. For example, as top-line revenues stagnate or fall, cost containment, a major focus for any procurement department, gains in significance as a business lever for profitability. Strategies like extending supplier payment terms can provide valuable liquidity when other, traditional sources of cash dry up. In some cases, this strategy can be the difference between liquidity and bankruptcy. *"In response to our customers' nearly uniform payment term extensions, my procurement leadership team has spent the past two months focused on how to best extend our supplier payment terms. This is our CEO's top priority."* said the Vice President of Procurement Operations at a mid-sized CPG company.

This tried and true strategy has become a standard CPO tool since the Great Recession (2008-2010) when executive leaders pushed procurement teams to defend profit margins and balances sheets as sales tumbled and cash tightened. CPOs with well-run procurement departments responded admirably and helped set the stage for a very important decade in the profession's overall development and expansion.

Today a majority of procurement departments are well-positioned to reevaluate existing supplier relationships, identify opportunities for short-term savings, and put a plan of action in place to spark the internal "stimulus" needed to keep the business humming. And, over the past year, these teams have made a difference. During the pandemic, procurement's impact has been defined as either "game-changing" (12%) or "significant" (40%) at a majority of enterprises (see Figure 2); another 30% reported a "solid" impact while less than 20% found procurement's help to be negligible over the past year.

Fig. 2: Procurement's Impact During COVID-19



Same Song, Different Dance

In many organizations, the procurement department has been thrust into a "hero" role within their enterprises. But, while the needs of the larger enterprise have been very familiar, the situation has been entirely different with stay-at-home orders, social distancing advisories, and the vast majority of employees working from home. It has taken time for most business teams to adjust to the new, distributed workforce model. "Our company was ill-prepared to work from home on a large scale. We didn't have strategic alliances with IT and PPE suppliers and, as a result, had a difficult time sourcing the supplies necessary to effectively/quickly transition the workforce into a more agile/mobile team," said the CPO of a Global Financial Services firm. But businesses and teams alike have been resilient and have adjusted to the new style of work, with procurement teams developing more nuanced, strategic, and, most importantly, direct approaches to facilitate collaboration. The distributed workforce also highlighted the need for procurement teams to have and harness better tools to drive projects, improve visibility and execution, and enable multiple project members to collaborate and communicate. The market for supply management technology has been very strong; the job market for procurement professionals has been stronger still. In 2021, many CPOs appear cautiously optimistic after an intense year focused on ensuring business continuity, building resilience, and supporting the business in myriad ways.

Ardent Partners research has shown that **only 19%** of all enterprises identified its supply chain as the area hardest hit by COVID-19.

CPO Priorities in 2021

The past year has underlined the point that the procurement function is universal. Most Chief Procurement Officers around the globe manage similar processes, share similar goals and challenges, and leverage similar tools and strategies to drive value. If procurement's future points towards intelligence, agility, and innovation, many CPOs have prioritized the tools, strategies, and talent needed to get them there.

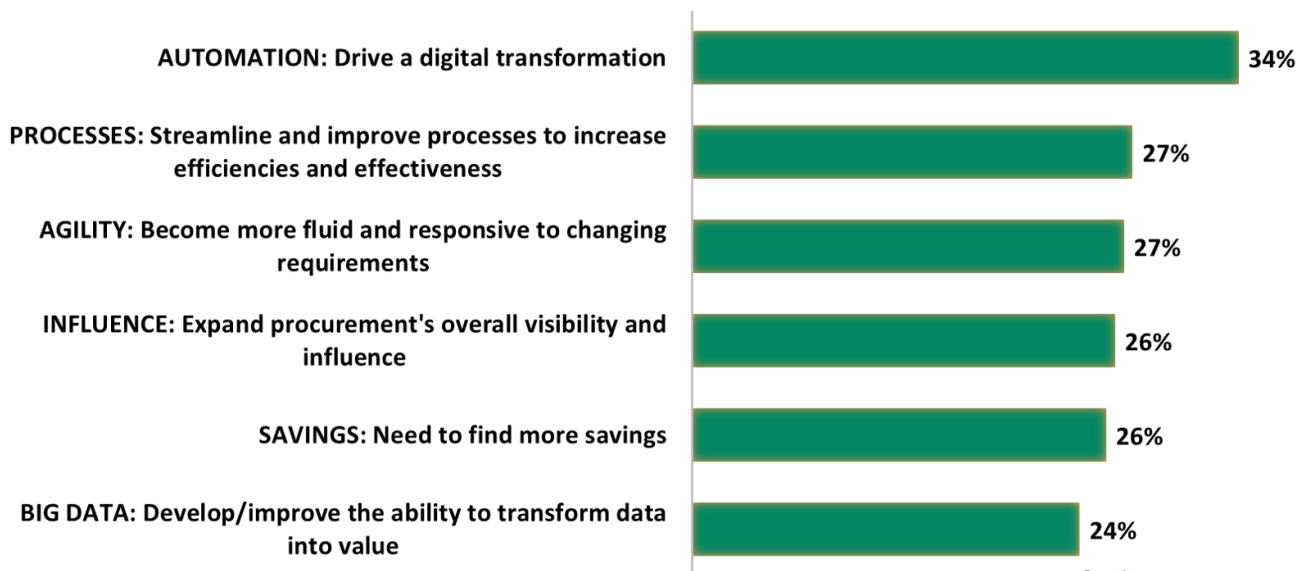
Technology is a common thread in 2021, with more CPOs (34%) prioritizing automation than any other area (see Figure 3). The digital transformation of a procurement department is an opportunity to use technology as a means to reimagine the organization's entire scope of operations and how it performs. Unlike the process automation initiatives that preceded it, a digital transformation does not view technology as a process enabler, but rather, as THE default process going forward. As with any technology deployment, a successful digital transformation requires many things, including sponsorship, effort, collaboration, vision, expertise, and robust, usable solutions.

Superior program design is critically important to the overall speed and impact of any transformation initiative. Not surprisingly, the second most common priority among CPOs this year is linked directly to design - streamlining and improving processes (27%).

Above all, Figure 3 is a clear indication that CPOs are not standing pat with the major strides taken by the procurement industry since the first edition of this report was authored more than 15 years ago. Procurement departments continue to impact business operations and business results, but their leaders see other opportunities. These industry leaders aspire for greatness in the form of agility (27%), intelligence (with Big Data - 24%), and expanded influence (26%).

Savings is likely to rise in importance over the next year for many groups. But more and more procurement teams are becoming highly-effective at multi-tasking, showing that it is possible to execute against the immediate needs of the business (i.e. cash, savings, etc.), while building for the long-term. The profession's largest opportunities to make an impact on business operations and results lay before it.

Fig. 3: Top CPO Priorities in 2021



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The CPO's Hurdles in 2021

In 2021, the state of the CPO is strong, bolstered by high-impact performance, expanding engagement, and a more direct impact on overall operations. That said, the average procurement department's path to success is rarely easy and clear. In fact, the top hurdles for procurement departments in 2021, while generally lower in intensity than the pre-pandemic market, remain significant (see Figure 4).

The CPOs who have placed "digital transformation" at the top of their 2021 agendas have done so to attack the top hurdles to their overall success. The most common challenge to the CPO's ability to achieve their 18-month objectives are the struggles to align processes and systems within the organization (37%) – a value that higher than in 2019. For procurement, a transformation does not occur in a vacuum – it occurs in parallel with other business units' transformation projects. Thus, it is even more crucial for CPOs and their teams to communicate and collaborate early with their partners, particularly in accounts payable/finance, to ensure that digital transformation efforts complement each other, or at minimum, are compatible. It is

easier to drive adoption of a new solution when it has been selected as part of a collaborative process that incorporates the views and requirements of all key stakeholders. Chief Procurement Officers and their teams should to engage earlier, seek input earlier, and better prepare for technology deployment projects in order to overcome the lack of process and systems alignment.

Those participating in this study have shown a strong interest in adopting more process automation tools in 2021 to close existing gaps, improve operations and address the problems created by a lack of technology, which is a serious challenge for 33% of the market. And, once again in 2021, budget constraints continue to hamper procurement's efforts to achieve its multi-year objectives – yet only 33% of respondents rate it as the chief hurdle to success (down from 46% in 2018). At first glance, it appears to have gotten easier for CPOs to secure adequate funding for their teams to invest in new technologies or technology enhancements.

Finally, the CPO faces a series of ongoing people-related challenges – engaging them (29%), hiring





them (27%), and finding the right ones (26%). Of course, it is the rare industry or enterprise that has an abundance of staff and is not pressed to meet its goals. In 2021, the competition for headcount and the right expertise has spawned a talent war that requires a new way to engage workers. The prevalence of digital staffing (i.e. online talent platforms, 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 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. 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.

The Top CPO Strategies

With work-from-home restrictions in a majority of developed nations, leading CPOs know that in order to remain competitive, it has never been more critical to be able to have strong business and trading partners with shared or aligned interests, and develop a coalition of willing parties who can leverage their collective strengths for both individual and mutual gain. For the CPO, collaboration has never been more important as their legacy "command and control-based" relationships continue to yield to value-based partnerships both inside the enterprise and outside 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 CPOs 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 this research study is to "improve collaboration with line-of-business leaders," which was identified by 49% of all procurement leaders.

The CPO's top strategy in 2021 is to "improve internal communication and collaboration with stakeholders" pursued by 49% of CPOs.



CPO HONORS 2020

Last November, Ardent Partners presented awards for outstanding performance and execution in the previous year – “The CPO Honors” – to a variety of high achievers including Chief Procurement Officers, and other procurement leaders, procurement teams, as well as procurement solution providers and other experts. Below is a list of the winners:

THE INNOVATION AWARD AKA “INNOVATOR OF THE YEAR”

[Stuart Caborn](#), Chief Procurement Officer, Nomad Foods

Stuart’s fast and innovative response to the pandemic capitalized on several major shifts in his company’s supply markets.

TECHNOLOGY EXCELLENCE AWARD

[Namejs Kins](#), Head of Supply Systems, Roy Hill

Namejs leveraged his strategic sourcing technology to deliver the insights and agility needed to create valuable cost-savings.

FUTURE OF WORK VISIONARY AWARD

[Martin Thomas](#), Head of Total Workforce Management, Philips

Martin launched a holistic, total workforce management approach and adapted his company’s talent strategy to encompass its entire workforce (both internal and external).

BEST TECHNOLOGY PARTNERSHIP

[Eaton Vance](#) with [SAP Ariba](#) / [EY](#)

Eaton Vance in tandem with SAP Ariba and EY designed a best-in-class risk management process.

BEST TEAM PERFORMANCE – Tie!

[Lending Tree](#) led by [Michael Leiken](#) and [Baylor Scott & White Health](#) led by [Pamela Wiseman](#)

The Lending Tree team, led by Michael Leiken was able to standardize processes, build strong relationships, and drive a major technology deployment. The Baylor Scott and White Health team led by Pamela Wiseman executed a comprehensive digital transformation.

INNOVATIVE SOLUTION AWARD

[Keelvar](#)

Keelvar’s intelligent sourcing automation solutions offer AI-driven recommendations on award options for highly complex bids.

THE CPO OF THE YEAR

[Alejandro Gusic](#), Global VP of Indirect Procurement & Real Estate, [Univar Solutions](#)

Alejandro drove the digital transformation of his procurement organization while delivering tens of millions of dollars in annual savings.

Congratulations to the winners of these prestigious awards. Ardent Partners was thrilled, once again, to honor an amazing group of Best-in-Class procurement leaders and companies at the CPO Honors ceremony. Visit the [CPO Honors](#) site to learn more.

Chapter 2: The State of Procurement

The proper blend of talented people, efficient processes, and enabling technology is needed for procurement to deliver full enterprise value. Achieving the desired mix can be an iterative process and is, most often, an incremental one. Finding and retaining the right talent will remain a top challenge for CPOs throughout 2021 (see *Figure 4, page 6*) in part because a procurement department's talent needs can evolve as the operation (and business) matures, expands, and/or changes. Technology needs also change, as do the underlying capabilities available in the supply management solutions market. This means that CPOs must regularly evaluate on-hand resources to determine (1) if they are equipped to support their annual and multi-year strategic plans and (2) if they are the best talent that the department can afford.

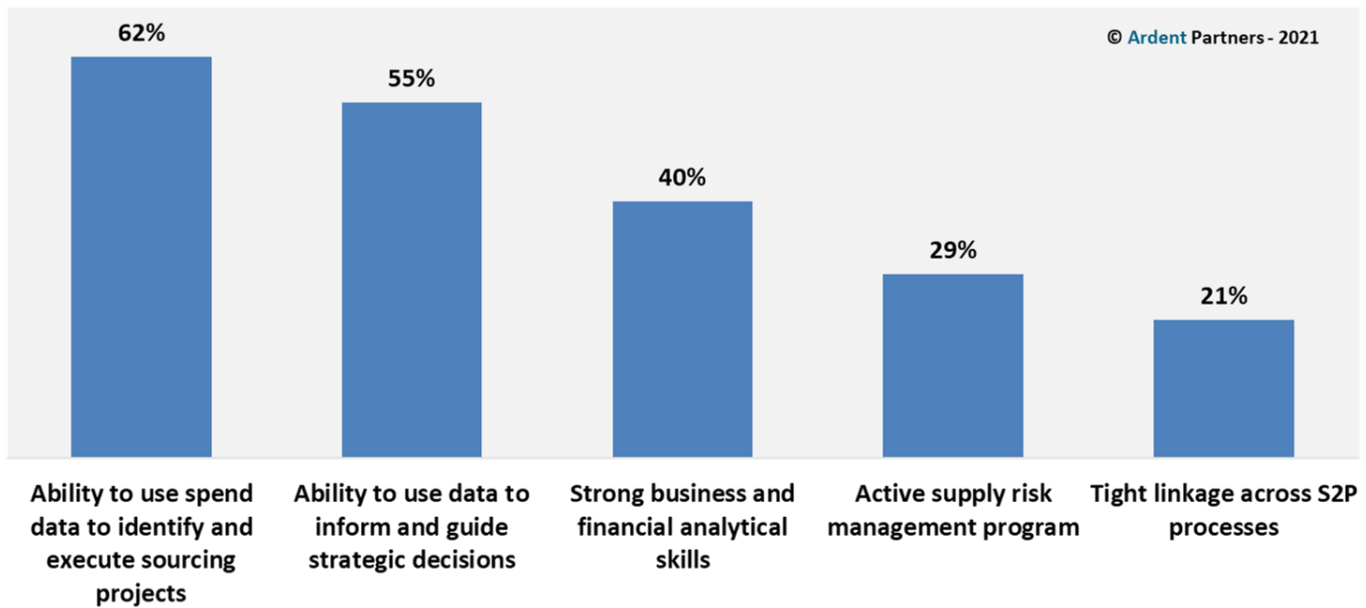
One of the things that makes procurement such a fascinating profession is that when a procurement team is fully engaged, it touches nearly everything within the enterprise. It also regularly connects with suppliers and prospective suppliers. Procurement responsibilities can range from the highly strategic and complex to the highly tactical and straightforward. With almost unlimited access to the enterprise, there are many unique opportunities to create value. To capitalize upon them, teams need to draw upon a wide range of creative and technical skills and experience. Some roles and projects within procurement require broad skills while others benefit from specialization and/or repetition.

Consider the broad problem-solving skills a sourcing lead needs to use when working with a product team. The collaboration might start with early-stage prototyping and continue through the launch of a highly-technical product that requires tight supplier collaboration. Those are very different than those needed on a project that partners with HR in the development of a 360-degree contingent workforce management program. That project collaboration might involve reshaping how temporary workers, including independent contractors, freelancers, and professional services teams are engaged, sourced, and ultimately managed. These two example projects require very different skillsets and capabilities as do core activities like PO processing, running low-value, single-price auctions, or tracking contract compliance.

Procurement Capabilities

If CPOs have seen an improvement in their staffs' talent and general capabilities in recent times, their process capabilities in 2021 seem remarkably similar to the results in Ardent's earlier studies where a majority, generally around two-thirds of procurement departments, have standardized distinct sub-processes. In 2021, sourcing (67%), contracting (64%), and spend analysis (57%) are frequently standardized and also linked to each other in roughly half of all businesses. Only one in five (21%) of all procurement departments have tightly-linked the full Source-to-Pay process (see *Figure 5*). As the maturation of procurement departments around the globe continues, it becomes clear that many procurement organizations will first need to standardize, streamline, and automate their processes before linking them to become very agile.

Fig. 5: Procurement Capabilities



Key Capabilities

Beyond process capabilities, procurement’s ability to use data to make better decisions and drive greater value continues to expand. The concept of an intelligent procurement department is not dependent upon a single technology, process, or strategy but rather an ecosystem of interconnected and interdependent plans, solutions, and innovations whose whole is greater than the sum of its parts. Whether in procurement, supply chain, or another business discipline, truly intelligent teams rely upon a few common elements: collaboration, communication, best practices, automation, data, data management tools, algorithms, and analytics.

With the rise of business process automation tools, cloud-based applications, mobile solutions, connected devices, and Big Data permeating the modern business environment, more data is being created within procurement each year and organizations have an extraordinary opportunity (and responsibility) to capitalize on it.

In 2021, a majority of procurement organizations (see *Figure 5*) are using data to drive and execute sourcing projects (62%) and otherwise guide executive decision-making (55%). Linking data intelligence to important decisions is where the rubber hits the road in value creation within systems today and where top-performing organizations focus their efforts. Processes and outcomes can be improved when key information or intelligence is presented to the professional directly in the context of that person’s specific activities, responsibilities, and decisions.

In 2021, 46% of all procurement teams have an active Big Data strategy/program. Yet, most CPOs acknowledge that more work and investment is needed before the huge opportunities that exist in this area can be realized. More specifically, a majority of these leaders believe that supply management technology, predictive analytics, and data science applied to procurement’s Big Data will have a significant impact on their operations.

Using Data to Become More Agile and Intelligent

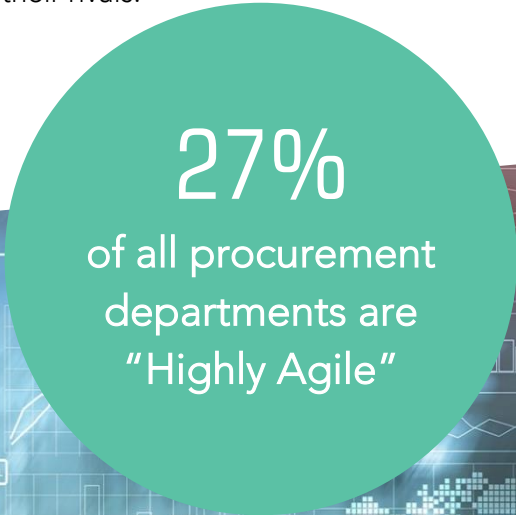
CPOs and procurement organizations have seen a gradual yet accelerating shift towards becoming more data-driven, more intelligent (i.e., more informed by data analysis and empirical evidence and less by “gut feeling”), and as a result, more agile. The procurement teams that adeptly connect their tools, resources, and expertise to support the evolving needs of the business will succeed above all others. It is Ardent’s long-held view that agility will define the next wave of procurement success. And in 2021, a fair number are on their way with more than a quarter (27%) of respondents in this year’s survey rating themselves as highly agile, while 61% believe that they are somewhat agile. Unfortunately, these figures have barely changed in the last three years.

The need to develop systemic agility within the procurement function does not mean that activities like spend analysis, sourcing, and procure-to-pay become any less important. To the contrary, executing efficiently and effectively are critical to procurement’s success now and in the future, particularly as CPOs continue to gain additional responsibilities and attempt to place more spend under management. Agility should

not be pursued at the expense of core capabilities; all areas must be sharp and competitive. Leading enterprises and functions can multi-task and layer in new elements upon their strong foundations (which is what makes them leading); procurement departments must do the same. They must also become more intelligent by leveraging their data.

Resourceful and innovative CPOs have adopted a data-driven approach to executing sourcing, buying, and risk management decisions. They are performing “Moneyball”-type analysis and starting to leverage AI-driven predictive tools. Although the methods and tools are still early in their development, it is clear that procurement’s “Big Data” has the potential to become the next major catalyst for the profession.

Given this, data-driven intelligence is no longer an aspiration, it is a necessity in today’s competitive landscape. Procurement departments, their operations, culture, systems, and the way in which they transform knowledge into strategies and those strategies into performance, must keep pace with their rivals.



Visibility

Deliberate processes powered by rich insight that is drawn from clear context seem much more likely to succeed than other methods. As shown in Figure 6 below, enterprise-level visibility into savings, spend, and performance is not universally held today. The simple fact is that it is more difficult to manage projects and allocate resources when faced with poor visibility into final results and uncertainty as to overall enterprise objectives. Beyond that, the difference between identified savings (63%), booked savings (42%, not shown), and implemented savings (41%, not shown) has the potential to create a gap between procurement's perception of its impact and reality. In the past these breaks have undermined procurement's credibility, most notably with the CFO.

These findings highlight a tremendous need for many procurement organizations to improve their visibility into spend, savings, and other key metrics. Fortunately, this necessity requires no invention. This is because over the next few years, a new type

of procurement intelligence is going to enable CPOs to view their businesses differently and, by doing so, is going to force these CPOs to manage it differently as well. For procurement, the real catalysts of this intelligence are hiding in plain sight: better data analytics capabilities for greater visibility, better technology, and a more tech-savvy roster of procurement professionals including data science abilities. Procurement does not need to completely transform the way it sources, purchases, and manages supplier relationships and risk for the enterprise in order to scale its next peak. After all, digital transformation is relative and specific for each business function; what works well for sales and marketing probably could not, or *should not*, be replicated exactly as procurement's own digital transformation model.

The focus should be on systems that increase intelligence and, in turn, identify the best opportunities, manage and support smarter decisions, and improve performance and agility across the value chain.

Fig. 6: Visibility into Savings, Spend, & Impact



Identified Savings – 63%



Total Enterprise Spend – 57%



Spend Under Management – 57%



Executive Goals – 43%



Procurement's Financial Impact – 41%

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Technology Adoption

Procurement visibility, process, and data intelligence capabilities are frequently a prelude to a discussion on technology adoption across the Source-to-Settle spectrum. This is because these capabilities tend to mirror the corresponding technologies that automate and enable them. When these capabilities are sub-par within a procurement operation, a lack of technology is typically a primary reason.

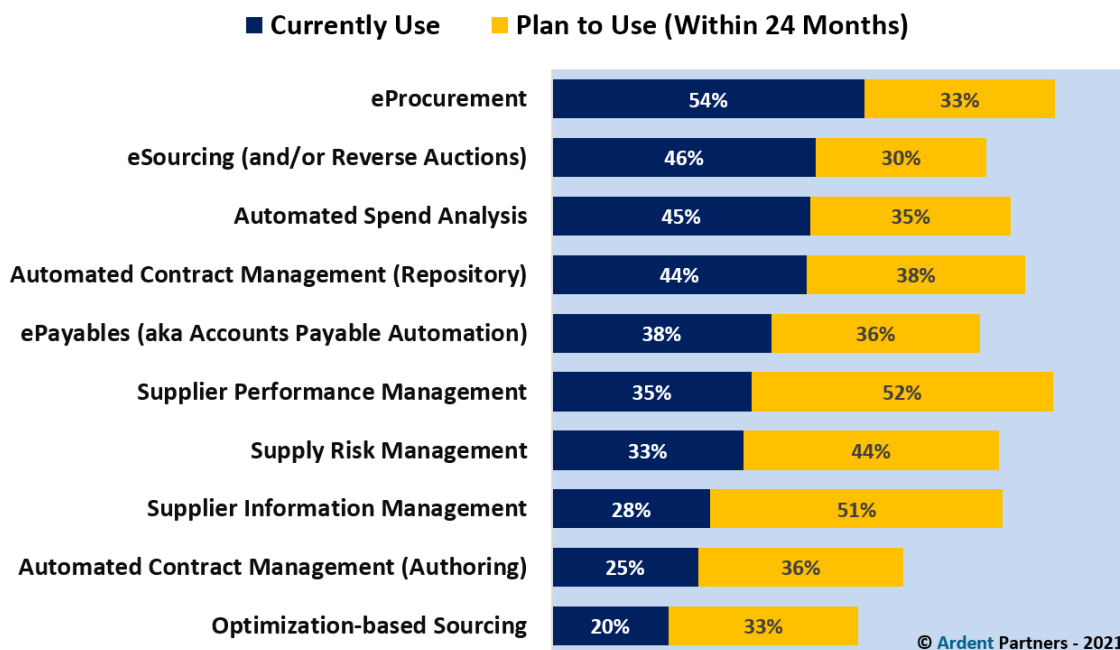
Conversely, the successful users of procurement solutions prove year-in and year-out the value that technology can help scale a procurement operation and maximize its impact and performance. Another driving force for CPOs and their teams to continue to invest in technology is the fact that procurement teams, on average, are becoming more proficient in using the technology.

That the global pandemic has required a majority of businesses to institute “work from home” mandates is another argument for a fully automated procurement operation. Against that backdrop, the procurement technology market has been very strong (although the trend towards

more, smaller investments has emerged during COVID-19). Nonetheless, overall adoption rates (see *Figure 7*) remain generally uninspiring. CPOs indicate that they plan to increase their investment in technology solutions over the next two to three years. This would drive current adoption levels well past 50% for all core applications and into the 75% or 90% range for most. It is worth noting that historically, procurement leaders have been unable to fully convert their technology investment plans into action. Although there are significant opportunities available for procurement organizations to adopt some or all of these tools in the near future, the pace of adoption should continue to be incremental rather than meteoric.

One emerging trend is the high interest in investment in supplier management solutions (which include supplier performance, risk, and information management). Additionally, the adoption of optimization-based sourcing tools has risen sharply over the past two years, becoming a more standard tool for sourcing teams.

Fig. 7: Tech Adoption Rates by Procurement Departments



Chapter 3: Procurement Performance

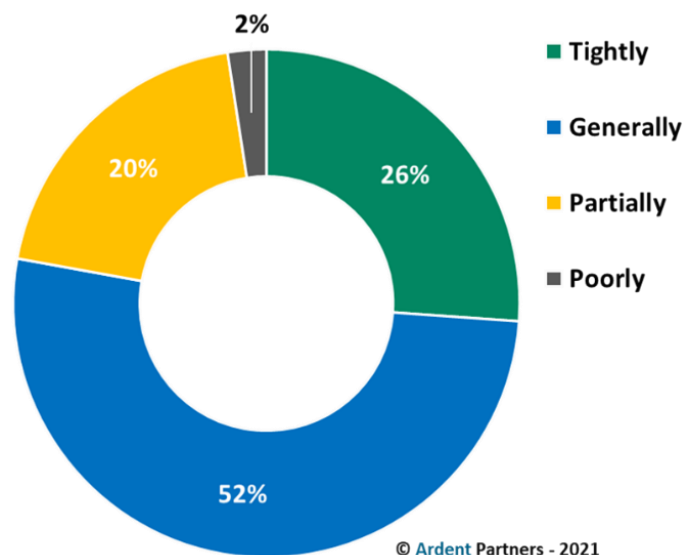
If intelligent leadership is critical to a procurement team’s success, intelligence is equally important at the organizational level. Accordingly, CPOs know that they must develop and expand the organization’s intellectual capacity and invest in ways to fully leverage it across the entire scope of operations. But while intelligence can be a great asset, if it is not applied or applied correctly, its value is considerably lessened. The same thing can be said of an organization’s resources, efforts, and focus.

Organizational alignment with executive priorities strengthens the CPO’s bond to executives and earns confidence. More importantly, it helps increase the impact that procurement can make on what is most important to the business. After all, it does no good to be great at unimportant things; it does no good to be focused on the wrong things. Like a Formula One racing car, a procurement organization that operates with high precision and tight alignment can be the difference between winning and losing (or finishing and crashing). It can be what separates the Best-in-Class from their competitors. Poor alignment creates bigger internal problems over time, damaging other car parts. Even with a superior driver (i.e., the CPO), teams that leave small problems unaddressed can be forced to invest more later to fix much larger problems.

In many ways, the CPO’s strategic agenda is emblematic of procurement’s evolution over the past 15 to 20 years as well as its current state. When the first edition of this annual CPO report published in 2006, less than half of all procurement organizations used an annual strategic plan as a blueprint to execute its operations. Many of these departments were poorly organized and essentially working on things in an ad-hoc manner – tackling projects in no particular order and for no particular reason. Fast forward to 2021 and almost every procurement organization operates with at least a single-year strategic plan, and a vast majority utilize a multi-year plan.

This is a positive step forward for the industry, and yet, not enough.

Fig. 8: CPO Alignment with Executive Agenda





Peter Drucker said the difference between management and leadership is “doing things right” (i.e., management) and “doing the right things” (i.e., leadership). The procurement profession needs more and stronger leadership. Today, 26% of CPOs have their teams working on the right things, with strategic plans that are “tightly-aligned” with larger business objectives (see *Figure 8*). And while another 52% are “generally aligned,” many procurement organizations have room for improvement which is problematic for many reasons. In today’s highly competitive market environment, resources must be allocated to optimize their impact; a majority of procurement teams fail this test.

The organizations that know that they are more focused on their own goals than what is important to executives should convene their leadership team and immediately redesign their current plan. The groups that lend some support to the business but are, nonetheless, focused on procurement’s plan over most other things, should schedule a series of meetings with business stakeholders and executives and build a list of projects that could use procurement’s support and reallocate resources accordingly.

The opportunities for these groups may be as simple as focusing the sourcing team on a different set of categories or providing resources to support

a product team that is struggling with design and cost issues under a tight deadline. Procurement may be able to leverage its relationships with global suppliers in support of the team responsible for the launch into a new region or country. Treasury and finance could have pressing concerns that cash flow levels may trigger certain debt provisions that could be eased via supplier payment term renegotiations. The list of possible areas that procurement could support this year is immense.

To perform at a consistently high-level, the need to continuously monitor and assess key procurement activities and results is absolutely crucial in adapting to evolving market conditions. In 2021, 48% of all CPOs and procurement teams assess and adjust their strategies regarding team and department management on a quarterly basis; 35% of CPOs do this on a biannual basis, according to this research study. True agility requires continuous monitoring, reassessment, and the adjustment of strategies and approaches.

At the end of the day, becoming a high-performing procurement function does not simply entail a smart strategy and tight execution, it must comprehensively incorporate the needs, requirements, and perspectives of its key stakeholders into its actions to optimize its impact and maximize results.

The 2021 Procurement Benchmarks

The 2021 Procurement Benchmarks (see Table 1) 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 63.3% in 2021, staying essentially flat over the past three years. This confirms a theory presented in the 2017 edition of the CPO Rising research study: the average procurement organization is satisfied with merely managing less than two-thirds of the enterprise's overall spend. A fading goal, this disheartening factor represents a sizable, lost opportunity for the typical enterprise. Ardent's research has shown 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.

The decades-long reliance on savings (be it identified or implemented) is continuing to diminish as the procurement function itself provides a new range of value to the greater

organization; nonetheless, it remains important. Although last year's (2020) "actual" savings (7.37%) is exactly what was targeted by procurement teams at the start of the year. The average savings target for procurement teams this year (2021) is up slightly (7.57%). Ardent's expectation is that the savings target and the intensity in which it is pursued could both increase if the stock market stumbles.

One consistent area of growth over the past few years is within the realm of supplier enablement. On average, 38.1% of a business' supplier base is electronically-enabled (up from 32.4% since 2018). This is an interesting factor 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. In an age of global commerce, connectivity between buyers and suppliers that is enabled by technology will be a critical piece of the global business networks and supply chains that unify the world's enterprises. That said, the reason to enable more suppliers is as simple as significantly lower transaction processing costs.

Table 1: The 2021 Procurement Benchmarks

Metrics	Average	Trend
Spend under management	63.3%	—
Savings 2020 (Actual)	7.37%	—
Savings 2021 (Target)	7.51%	↑
Addressable spend that is sourced	47.9%	↓
Spend that is contract compliant	65.1%	—
Transactions that are contract compliant	76.0%	↑
Contracts stored in a central, searchable repository	73.0%	—
Enabled suppliers	38.1%	↑

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The other 2021 Procurement Benchmarks resemble their prior year predecessors. Sourcing programs, on average, continue to show consistent activity, with 47.9% of addressable spend sourced last year. Only a few years ago, sourcing was consistently a top strategic priority for CPOs; but with sourcing pipelines generally flush and teams engaged and executing consistently, CPOs have turned their focus to other areas. Ardent Partners expects that sourcing activity will increase sharply when the post-COVID “new normal” period for business inevitably commences.

Compliance levels remain low, but are improving. It should, however, be an area of focus for CPOs since only 65.1% of all spend and 76% of all transactions, on average, are compliant with contracts. As this report notes every year, Ardent’s research on contract compliance has shown that every non-compliant dollar of spend costs the enterprise an extra 12% to 18%. The hard cost of non-compliance adds up fast. From an operational perspective, catalog-based spend and PO-based spend give procurement departments certain assurances about the supplier source and the decision-making process involved in the purchase.

From an overall influence perspective, procurement organizations should look at their spend “pie” and determine where the greatest impact can be made – either managing the current spend better or bringing new spend under influence. The reality for most teams is that there are opportunities in both areas. That said, in aggregate, the first-time impact a new RFP has on a category is almost certain to be greater than the refinements made to a category strategy that has been in place for years.

Ardent Partners’ Predictions for 2021:

- The Vaccines Work and Countries Slowly Gain Control over COVID-19
- The U.S. and Global Economies, Overall, Hold Steady
- Procurement Drives Critical Business Strategies in 2021-2022
- Procurement Performance Management More Important than Ever
- Enterprises Begin to Rethink their Global Supply Chains
- CPOs Begin to Push Control to the Regions
- Big Data Will Demand Big Action and Big Investment
- AI Begins to Make a Major Impact on Procurement Value



Lewis Hamilton, Mercedes: Formula One
Seven-time Champion

Best-in-Class Procurement Performance

Ardent's 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, 89.8% of spend under the management of the procurement organization, nearly 60% more than their peers (see Table 2). Ardent uses 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.

The Best-in-Class Advantage

A Best-in-Class procurement operation remains a competitive advantage with far-reaching results, and the role that technology plays in enabling top performance continues to increase. Managing nearly 90% of spend is an accomplishment worthy of accolades and celebration. By surveying thousands of distinct organizations over the years, Ardent Partners has been able to clearly establish that the groups that manage very high levels of spend perform significantly better across the other key performance and operational metrics tracked by procurement departments. Ardent Partners' 2021 Best-in-Class Framework for Procurement

(see Table 2) continues to validate that point and is reason for all procurement departments to continue to try to increase their spend under management.

The savings rate advantage for the Best-in-Class last year (2020) compared to All Others appears small when looking at the values, but it is important to remember that the average savings rate of the Best-in-Class was applied to a significantly larger spend portfolio. The result is that the Best-in-Class impact on total savings is significantly larger than their peers, making it clear that the development of a Best-in-Class procurement operation is well worth the investment. Based on early estimates, the Best-in-Class savings advantage is expected to flatten in 2021.

Of course, savings alone does not fully capture the value of procurement activity. For example, in an inflationary market, savings may not be possible on a specific project. That does not mean that a sourcing team did not add value along the way. Speaking of sourcing, the Best-in-Class continue to source a significantly higher percentage of their addressable spend than their peers each year (63.7% vs 43.9%). But truth be told, there is no shame in competitively sourcing more than 40% of overall spend as the All Others group has done. Because many sourcing considerations are now global in nature, supply market leadership is much

more difficult to maintain than in years past. It is certainly not critical to have the market leader in every category of spend as an active supplier, but it is wise to avoid the laggards and fading stars. Because the recent level of eSourcing activity has been historically lower than it ideally should be for most procurement teams, the reasons why a supplier was originally selected over other suppliers may not be known by the current sourcing and category teams. Active sourcing ensures that the enterprise is contracting with the highest-value suppliers based on the latest and most relevant award criteria.

For the first time in sixteen years, the compliance rates for the Best-in-Class are notable and substantially strong. After years of mediocre rates, the Best-in-Class procurement departments report spend compliance rates that range between 78% and 85.6%.

The All Others group has also seen a sharp increase in compliance rates. As noted, Ardent’s research has shown that the cost of noncompliant or maverick spend is significant. That means there has been real value generated by improving these contract compliance rates across all procurement teams. Finally, the Best-in-Class have enabled 59%

more suppliers, on average, which is a huge advantage that helps drive greater efficiencies.

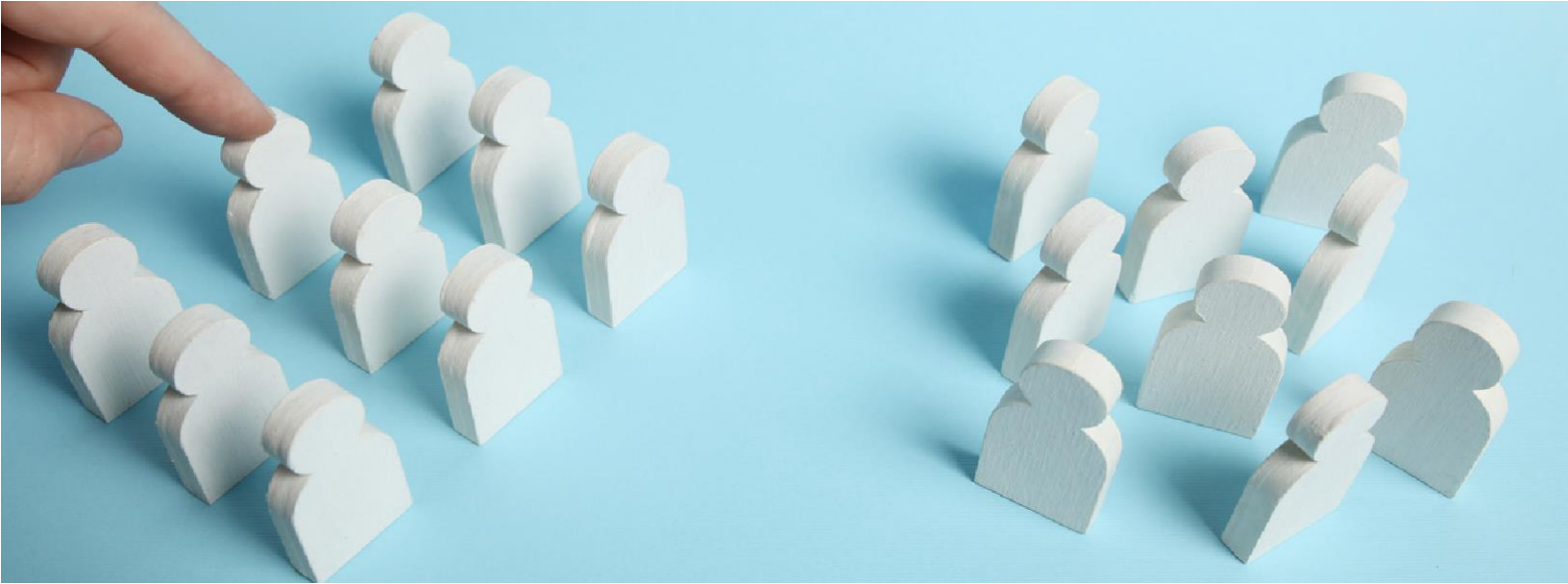
Best-in-Class enterprises have shown that investments in improving internal systems and processes and enhancing external relationships with key partners are proven paths to better performance. The Best-in-Class have also differentiated themselves with superior performance across the primary procurement metrics seen in Table 2 below. These leaders have utilized specific levers for success like higher levels of automation and greater technology proficiency, a focus on visibility into data and processes, and strong and decisive leadership to a greater degree and greater impact. The result is that they have generated a sizable, competitive advantage in the market.

Make sure to read [Ardent Partners’ Procurement Metrics that Matter in 2021](#) eBook (publishing in June, 2021) that will dive into the Best-in-Class Levers of Success.

Table 2: The 2021 Best-in-Class Procurement Framework

Metrics	Best-in-Class	All Others
Spend under management	89.8%	56.7%
Savings 2020 (Actual)	7.5%	7.3%
Savings 2021 (Target)	7.5%	7.5%
Addressable spend that is sourced	63.7%	43.9%
Spend that is contract compliant	78.0%	61.9%
Transactions that are contract compliant	85.6%	73.6%
Contracts stored in a central, searchable repository	83.5%	70.4%
Enabled suppliers	54.1%	34.1%

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Recommendations

In 2021, many CPOs and their teams will be asked to deliver sizable results in the face of both new and ongoing challenges caused by the pandemic and the uncertainty it has created. To succeed, procurement leaders must follow the courage of their convictions as they start to reframe a “New Normal” procurement environment and how it engages and operates amidst change and uncertainty – bold ideas and approaches will be needed. Ardent Partners recommends the following strategies and approaches for CPOs and procurement departments seeking to improve their performance:

- **Be proactive** – Most enterprises have big challenges in other parts of their business. Now is the time to engage your CFO and key business leaders and offer support.
- **Accelerate your digital transformation** – The digital transformation of a procurement department is an opportunity to use technology as a means to reimagine and scale operations, drive efficiencies, broaden expertise, and codify best practices.
- **Go all-in on Big Data** – Become one of the new “breed” of resourceful and innovative CPOs who have taken a data-driven approach to making sourcing, buying, and risk management decisions.
- **Source more aggressively** – Sourcing is not a bold strategy; but any time there is a greater focus on cash and savings, it is time to source more aggressively.
- **Partner with the business to attack supply risk** – The impact of supply issues hits multiple stakeholders. Supply risk is best managed by cross-functional teams, led by procurement but including others in finance, operations, and the line-of-business.
- **Revamp and rethink your contracts** – Market events create inefficiencies that smart organizations can exploit. What are the immediate and longer-term shifts caused by the pandemic? Have the length and duration of your contracts exposed you to unnecessary market risk?
- **Reexamine, and where possible, reimagine the supply chain** – Most procurement leaders inherited their current supply chain. The pandemic has provided ample reason to examine the why, what, how, and with whom businesses trade. Now is the time to determine if existing supplier relationships make sense or if there’s a better approach.
- **Empower your team** – Keep your team engaged by giving them greater control. Words help...but actions are important.



About the Author:

ANDREW BARTOLINI, FOUNDER & CHIEF RESEARCH OFFICER, ARDENT PARTNERS

With 22 years in the industry and 12 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, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 500 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 and his research is currently part of the Supply Chain/Management curriculum at several US universities.

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 351 CPOs and other procurement and business leaders captured from January to April, 2021 as well as direct interviews with multiple CPOs and procurement leaders. These 351 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 140 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 351 respondents representing the following demographics:

Job Function: 87% procurement; 5% supply chain; 3% finance; 3% operations; 2% information technology

Job Role: 37% VP-level or higher; 40% director-level; 18% manager-level; 5% all others

Company Revenue: 67% Large (revenue > \$1 billion); 20% Mid-market (revenue between \$250 million and \$1 billion); 13% Small (revenue < \$250 million)

Region: 70% North America; 25% EMEA; 5% 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 13% of the overall survey respondents

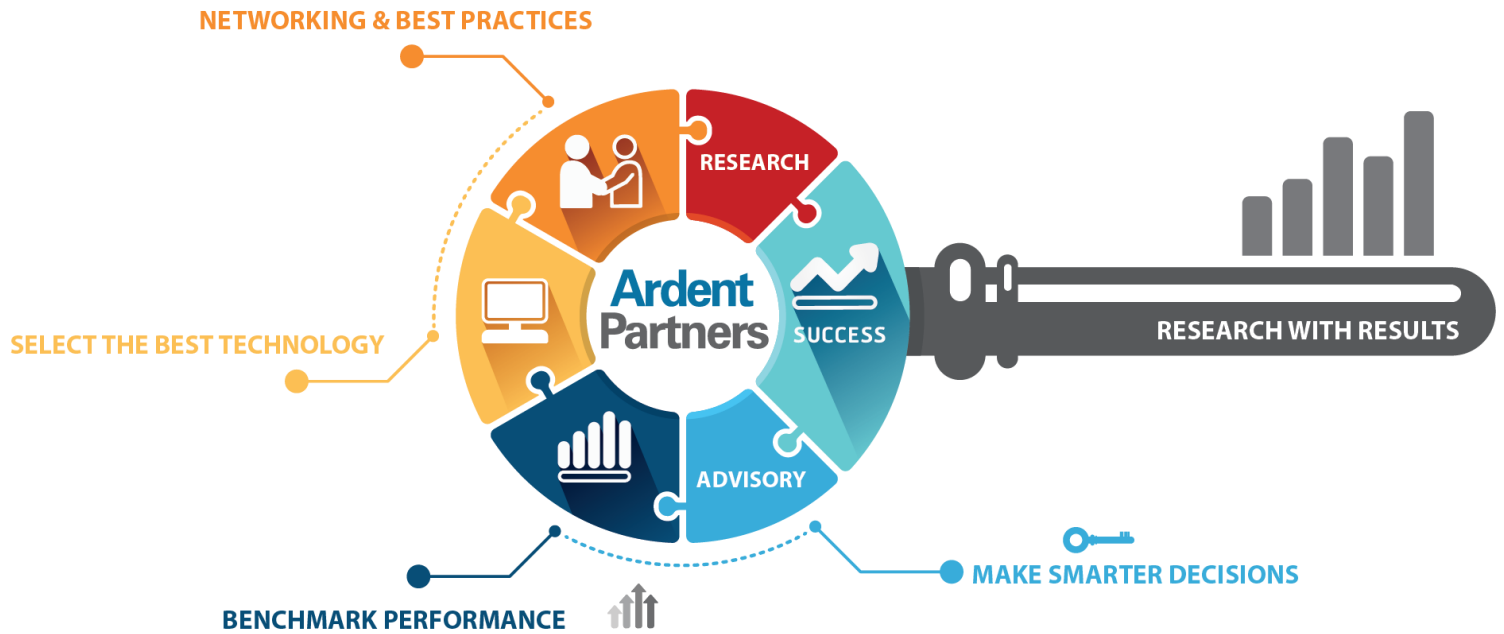
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- Industry best practices and how to improve performance
- Technology landscapes and how to select the best-fit solution(s) based upon their specific budget and unique business requirements

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