

COMMUNITY CHALLENGER REPORT / NETWORK EDITION

SUPPLY CHAIN TRANSPARENCY: ENABLING INSIGHTS INTO THE INVISIBLE

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EXECUTIVE SUMMARY

TRANSFORMING THE DEPTH OF INSIGHT PROCUREMENT CAN OFFER

PROCUREMENT TEAMS STRUGGLE TO KEEP UP WITH STAKEHOLDERS' DATA DEMANDS

The demand for more information, more insight and more detail about the deeper recesses of the supply chain is relentless.

While stakeholder, board and society expectations have grown, procurement teams' ability to deliver this data has not kept pace. Despite enormous investment in new technologies and specialist staff, CPOs struggle to meet these demands. However:

70%

Of survey respondents said they consider procurement the primary function within the business on supply chain transparency

DESPITE THE HYPE, TRANSPARENCY TECH HAS YET TO MEET ITS PROMISE

Unfortunately, despite the claims of many solution providers, the ability for new tools to sit at the centre of the supply chain, acting as an all-seeing eye is an oversold fantasy.

Suppliers remain reluctant to share potentially sensitive information with buyers and even the most advanced AI tools are constrained to reporting on public information.



Full tier-to-tier visibility is wishful thinking

Head of procurement excellence, manufacturing business

AI has no access to confidential information. It only produces noise

Head of procurement excellence, technology company

INVEST IN FUNCTIONAL CAPABILITIES TO HELP MEET RISING EXPECTATIONS

If procurement is to take a lead in providing realistic yet impactful insights from the supply base, it must invest in its capabilities.

With further shifts in business expectations and capability likely over the coming years, procurement executives must ensure their teams are data-literate, have the processes to convey deep insight from the supply base and collect a broad range of data that flows into procurement systems.



EXPERT CONSENSUS RANKING:
THREE-YEAR TRANSPARENCY HORIZON

The regulatory landscape: robust, cross-national legislation requiring deep supply visibility

Technology market: AI delivers greater visibility of supply information, vulnerabilities and sustainable practices.

Skills: Buyers will grow more digitally literate and develop soft skills such as collaboration and empathy.

INTRODUCTION

LEADERS SEARCH FOR A SOLUTION TO THE TRANSPARENCY PROBLEM

As supply chains have grown more complex and globalised, operational vulnerabilities have increased. This has placed more pressure on procurement teams to provide more timely and detailed insight into supply chain operations.

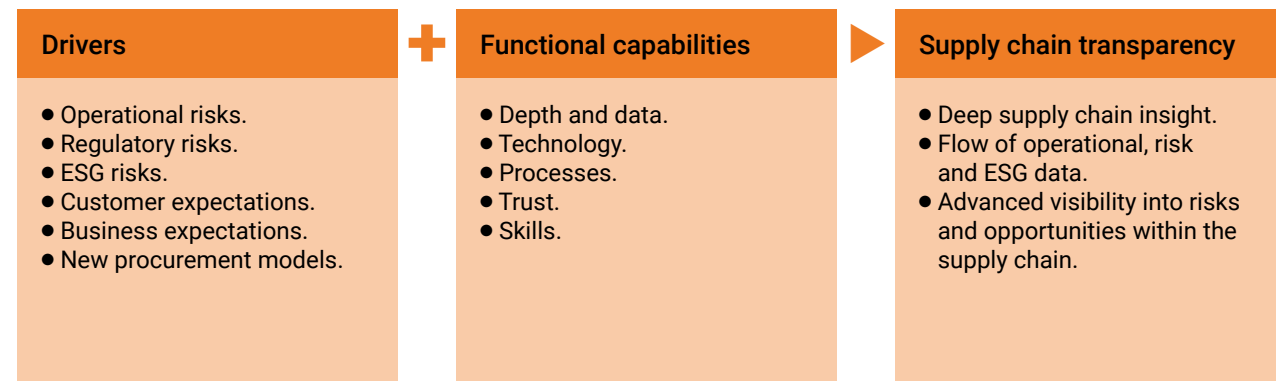
Procurement Leaders' 2022 report, *Data-enabled supply chain transparency*, found few organisations had the capabilities required to deliver on those expectations, however. The study revealed that less than one-third of executives were satisfied with their organisation's data transparency capabilities. Indeed, 7% of respondents said they had any meaningful insight into Tier-2.

Since Procurement Leaders published those findings, expectations of purchasing teams' visibility into the supply chain have only increased.

A number of increasingly stringent regulations that require businesses to report on decarbonisation and social sustainability issues – such as supplier diversity, modern slavery, and diversity and inclusion – have placed more pressure on procurement functions to deliver enhanced transparency.

But how can CPOs meet these demands despite resource limitations?

FIG 1: THE TRANSPARENCY EQUATION



The focus of this multimethod research is to explore the enhanced expectations – both internally within the business and externally among customers and regulators – for greater supply chain visibility, the limitations of current capabilities, as well as provide insights into best and next practice from pioneering organisations looking to elevate their capabilities.

RESEARCH METHODS

- Two meetings with a panel of supply chain transparency experts.
 - One meeting with 14 CPO participants.
 - Two rounds of Delphi studies with the panel of supply chain transparency experts.
 - One survey of the procurement community.
- See *about the research*, page 24, for more.

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / OPERATIONAL RISKS

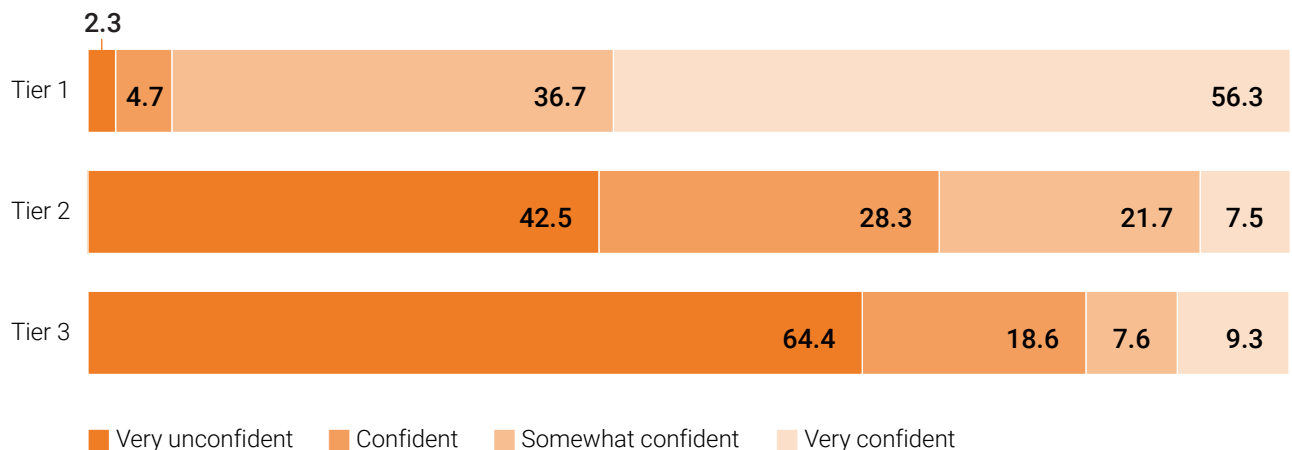
THE TRANSPARENCY CHALLENGE

- Many procurement teams lack information on Tier-1 suppliers – who they are, where they are based and even the number of vendors they have on the books.
- Business expectations of the both the depth and detail of supplier operational details that procurement teams ought to hold are continuing to grow.
- To provide visibility into risks in the lower tiers of the supply chain, procurement teams must first secure basic information on Tier-1 suppliers.

ACTIONS

- **Start with the basics:** The supply chain disruptions that cause the greatest shock are those that occur without warning. Focus on providing a clear overview of the supply landscape and understanding basic operational supply matters before investing in advanced predictive technologies.

FIG 2: CONFIDENCE IN SUPPLIER NUMBERS, BY TIER (% OF RESPONDENTS)



Both survey and interview respondents agreed that reducing risk was a major driver of supply chain transparency. However, few had the fundamentals in place to genuinely provide resilient supply.

Only half of survey respondents indicated they were 'very confident' of the number of suppliers at the primary level (see Figure 2, above), indicating the

extent of the challenge for many teams. Deeper in the supply chain, the data is almost entirely opaque. For procurement to deliver genuine resilience to the business, purchasing teams will need to ensure they possess key information for the existing supplier base.

The foundations of this will come from a more confident survey of the supplier operational landscape. ➤

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / REGULATORY RISKS

THE TRANSPARENCY CHALLENGE

- Legal risk and regulatory compliance is a major driver of transparency.
- Companies are struggling to comply with increasingly stringent legislation.
- Prospective laws are raising expectations of procurement's enhanced compliance role.

ACTIONS

- **Take a risk-based approach:** Legislators do not expect businesses to eradicate all risks, recognising scale and resource constraints. Concentrate compliance efforts on the critical regulations and focus mitigation efforts on suppliers in the highest-risk locations.

Supply resilience remains high on the agenda for many purchasing teams, with respondents to Procurement Leaders' *Strategic Planning Guide 2024* identifying it as the second-biggest priority for the function in the coming year. In part, this emphasis on resilience is driven by the proliferation of legislation placing more stringent demands on organisations to effectively police their supply chains.

In this study, it was clear that regulatory risks were a particular concern. One expert noted "our entire transparency approach is driven by legal compliance".

Given this growing body of legislation, the function is becoming increasingly focused on ensuring regulatory compliance.

One German CPO (half-)joked that his team has forecast that approximately half the team will be comprised of compliance specialists if it is to meet the requirements of all upcoming supply chain legislation. The relatively opaque nature of the supply chain will emphasise these third-party regulatory risks.



We're looking into one ESG directive, effective 2026, which covers 400 different dimensions. It's a huge reporting obligation

Risk management specialist, manufacturing firm

For primary suppliers, we need to do a risk screen, identify and remediate any risks identified and report on that each year. Below that, we only have to act on sub-tier if a risk is known or presented. We've set up a call line to enable whistleblowing and show they act on it

Sustainability lead, manufacturing organisation

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

THE TRANSPARENCY CHALLENGE

- Expectations of procurement ESG data have grown rapidly as sustainability continues to be a growing concern for consumers, regulators and shareholders.
- Both tech and technological capabilities have limitations, and sustainability data in the supply chain is still scarce.

ACTIONS

- **Move beyond reporting:** The procurement world has placed an enormous degree of pressure on the supply base to deliver transparency. Although necessary, reporting is not sufficient to deliver sustainability. To deliver sustainable supply, procurement must also look to meaningfully change suppliers' behaviour.

Sustainability is now a central procurement deliverable, with respondents to Procurement Leaders' *Strategic Planning Guide 2024* identifying it as the function's number-three priority for the coming year. However, organisations will not deliver progress in this area if buyers lack basic information on suppliers' social and environmental impacts.

Where such a knowledge gap exists, investigative journalists, NGOs and even regulatory authorities will fill the vacuum. As such, procurement teams must defend the business and seize the narrative around the ESG profile of the supply chain.

The business possesses an insatiable appetite for sustainability data. These insights feed into regulatory reporting as well as consumer-level data, both of which have a significant impact on the organisation's financial performance. Unfortunately, the practitioners who took part in Procurement Leaders' panel of supply chain transparency experts reported that such data is both scarce and mostly inaccurate. Although several third-party solution providers can provide reports based on publicly available information, they have limited ability to access the hidden reaches of the supply chain – and it is these dark corners in which ESG violations occur.



We want transparency on emissions and going beyond Tier-1 is a challenge. The World Business Council for Sustainable Development is setting a reporting standard that would require information about both who your supplier would be and the quality of data you use

Procurement sustainability lead, chemicals company

Some of the challenges relate to the team's skills – especially when we look at the sustainability aspects of driving transparency in the supply chain... People need to understand the social responsibility aspects of carbon, how it is generated, and so on

CPO, FMCG business

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / CUSTOMER EXPECTATIONS

THE TRANSPARENCY CHALLENGE

- Consumers increasingly expect companies to deliver more – and more detailed – information to help them understand the origin of the goods that they buy.
- Corporate customers are also requiring more detail in terms of the risk, operational and sustainability profiles of supply chains.

ACTIONS

- **Leverage procurement's competitive advantage:** Being open with data enables procurement to commercialise supply chain information to contribute to the bottom line.

As consumers become more educated about the nature of global supply chains, they increasingly expect more detailed information about the origin and the supply history of the products that they purchase. Much like food-delivery applications provide consumers with real-time visibility of their orders and key information such as the name and contact number of their delivery driver, a total and precise breakdown of all supply operations will be increasingly expected as norm. Within the B2B space, this high demand for insight will be cascaded throughout the supply chain. Those companies that cannot furnish their customers with the depth and detail of insight that they expect risk falling behind.

To meet this need, more progressive leaders in procurement are increasingly contributing directly to sales conversations. In fact, some perceive the delivery of end-customer insight as a major opportunity to enhance the function's organisational impact. "Revenue generation is key for us," said one CPO of a telecommunications business. "I help win deals. I communicate directly with the customer. They want to know about the supply base."



There's interest from customer groups on how we're performing on transparency. It's everywhere and coming at us from all angles

CPO, pharmaceutical company

Once we get past the baseline compliance requirements, our stakeholders are looking for us to allocate resources to the biggest risk to Ebitda

CPO, manufacturing business

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / BUSINESS EXPECTATIONS

THE TRANSPARENCY CHALLENGE

- Businesses are increasingly aware of its exposure to opaque supply chains and recognise transparency as a value driver.
- Stakeholders expect procurement to have immediate answers to their questions.

ACTIONS

- **Develop stakeholders' data literacy:** Sharing the ambiguities of supply chain data will enable stakeholders to plan more effectively and sharpen their thinking.
- **Never waste a burning platform:** If stakeholders truly require deeper supply chain transparency, this will strengthen procurement's business case for investing in dedicated solutions.

A combination of feverish hype surrounding the potential impact of AI and limited technological knowledge on the information infrastructure of the supply chain has inflated stakeholders' expectations of supply chain insights.

One CPO said their board expects "100% clarity and oversight of our strategic suppliers". Other procurement executives mentioned a demand for "full end-to-end transparency" and "total traceability" from senior stakeholders.

A considerable proportion of stakeholder demands – particularly from the board level – register concerns over risks. One CPO of a manufacturing company said their board has requested "full transparency with risk monitoring and a predictive early warning system".

This was also confirmed by survey respondents, with many also citing expectations from the board level that the function would deliver "full end-to-end disclosure". The cumulative impact of several years of polycrisis has encouraged many leaders to be more risk averse.

As with all aspects of customer management, meeting stakeholder supply transparency



My boss wants to know: "What's our risk position on x? And what's the so-what?" We can keep our bosses happy with a dashboard with mostly greens on and a couple of ambers. But what I really want is for my team to think: 'Right now I've got some new data and I need to do something about that'

CPO, utilities firm

expectations is largely a matter of prioritisation. The demand for data and insight is limitless, but the cost – both in terms of material and time – is not.

As such, procurement executives must prioritise stakeholders and their data requests against existing resources. ➤

FACTORS DRIVING DEMAND FOR SUPPLY CHAIN TRANSPARENCY

DRIVERS / ESTABLISHING PROCUREMENT AS A LEADER ON TRANSPARENCY

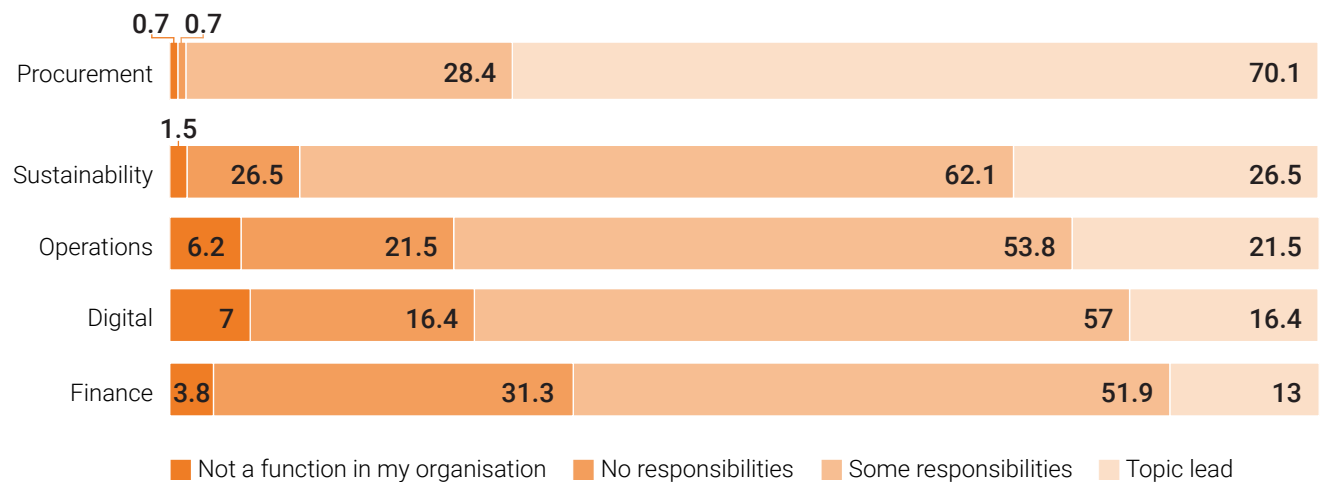
THE TRANSPARENCY CHALLENGE

- As buyers grow more data literate, the expectations of the depth and detail of supplier information increase; this is seen in pre-sourcing, negotiation and post-contractual review. Buyers, especially tech-savvy juniors, are driving enhanced expectations on transparency.
- Progressive procurement organisations are leading the charge in enhancing supply chain visibility. This is enhancing expectations cross-functionally as leading purchasing executives reset the norms for the function more generally.

ACTIONS

- **Be bold and take the lead:** In most organisations, procurement is responsible for supply chain transparency, providing the function with an opportunity to influence the business.

FIG 3: FUNCTIONAL RESPONSIBILITY FOR ENHANCING SUPPLY CHAIN TRANSPARENCY (% OF RESPONDENTS)



Increasingly, procurement is leading on supply chain transparency issues (see Figure 3, above) as companies seek to overcome the harm that a lack of governance and unclear responsibilities have caused in this area.

As the scope broadens to encompass more issues – and potentially vendors deeper in the supply chain – this muddies the waters further. However,

this uncertainty also offers an opportunity for entrepreneurial CPOs to step into the vacuum and position procurement to solve a pivotal business need.

Successful delivery will be key to maintaining procurement’s status as topic lead. The function needs to look to manage and meet business and customer expectations if it is to maintain that relevance. ➤

AMID UNCERTAINTY, BUSINESSES SEEK VISIBILITY TO HELP MANAGE RISKS

In its 2022 report on trends in procurement, *Shifting gears: procurement refocuses on risk and sustainability report on trends in procurement*, Economist Impact identified risk management as the top priority for C-level leaders looking to increase value in procurement.

Although it slipped to the second spot in 2023 – displaced by cost management – risk remained a significant concern for the C-suite. When asked which areas of organisational risk the procurement function should prioritise, supply chain visibility was ranked top – 30% of executives cited this as their organisation's biggest risk factor. That finding is echoed in the results of Procurement Leaders' survey; 70% of survey respondents said they consider procurement the primary function within the business on supply chain transparency. So, why is getting greater visibility into supply chains ranked so highly?

THE INCREASING NEED FOR RESILIENCE

For many years, organisations considered efficiency their key operational focus. This approach led to supplier consolidation programmes, lean inventory management procedures and contract bundling. It also led to subcontracting further down the supply chain, which increased efficiency but decreased



The most important expectation is a more resilient supply chain. There is always somewhere further upstream where we don't have the transparency. Industries need to come together

CPO, manufacturing business

visibility. When the Covid-19 pandemic hit, a lack of visibility meant that if an item couldn't be supplied, procurement teams had little knowledge of when it would become available. The immediate reaction was to increase stockholdings of critical items; however, this has had a negative impact both on working capital and costs.

THE NEED TO SEE POTENTIAL SUPPLIER RISKS

As the quote above implies, you can't manage what you can't see. While visibility into Tier-1 allows us to access to risk information at that level, many risks happen deeper in the supply chain. Gaining visibility deeper into the supply chain would allow

procurement professionals to understand where true risks lie – not just with the traditional supplier risks of financial stability. Organisations would also have visibility into concentration risks, where many supply chains have a single point of failure; or cyber risks, to which smaller suppliers are most vulnerable because they are usually not prepared for such an incident.

COMPLIANCE IS BECOMING A PRIORITY

With increasing legislation around human rights due diligence, and with multiple geopolitical conflicts, understanding exactly who is in your supply chain has become more important.

Effectively managing supplier risk is challenging because risk due diligence tends to be a sporadic process. Manual risk scoring, which is costly and time consuming, makes it almost impossible to stay well-informed about suppliers or market signals. And with risk information fragmented across processes and systems, the possibility of unintentionally engaging at-risk suppliers goes up, making serious supply chain disruptions more likely. Companies are striving to reduce overreliance on specific sources and build redundancy into the supplier base to gain ready access to alternative suppliers.

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / ASSESSING ABILITY AGAINST EXPECTATIONS

To access procurement's ability to meet the growing demand for supply chain transparency (see *Factors driving demand for supply chain transparency, pages 3–9*), we explored a range of the capabilities present within our sample. These relate to the following factors:

- **Depth:** The degree to which procurement can surface information from Tier-1, Tier-2 and Tier-3 on:
 - Supplier operations: Supplier production facilities, locations, etc
 - Operational risks: Critical physical and cyber risks to which the supplier is exposed.
 - Legal risks: Critical legal and regulatory risks to which the supplier is exposed.
 - Social sustainability: Forced labour, human rights, health and safety, and other community risks to which the supplier is exposed.
 - Environmental sustainability: Pollution, carbon emissions and other environmental risks to which the supplier is exposed.
- **Trust:** The degree to which suppliers trust buying organisations with their information.
- **Processes:** The perceptions of organisational effectiveness in managing processes to deliver supply chain transparency.



Use the right tools and technology to deal with complexity. We must also address people's skills. On one hand, we must have the right technology to collect all the necessary information. On the other, we need the right people to ask the right questions of the right suppliers and stakeholders

CPO, manufacturing business

- **People:** The perceptions of organisational effectiveness in managing people skills to deliver supply chain transparency.
- **Technology:** The perceptions of organisational effectiveness in managing systems and technology to deliver supply chain transparency. ➤



FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

ASSESSING ABILITY AGAINST EXPECTATIONS

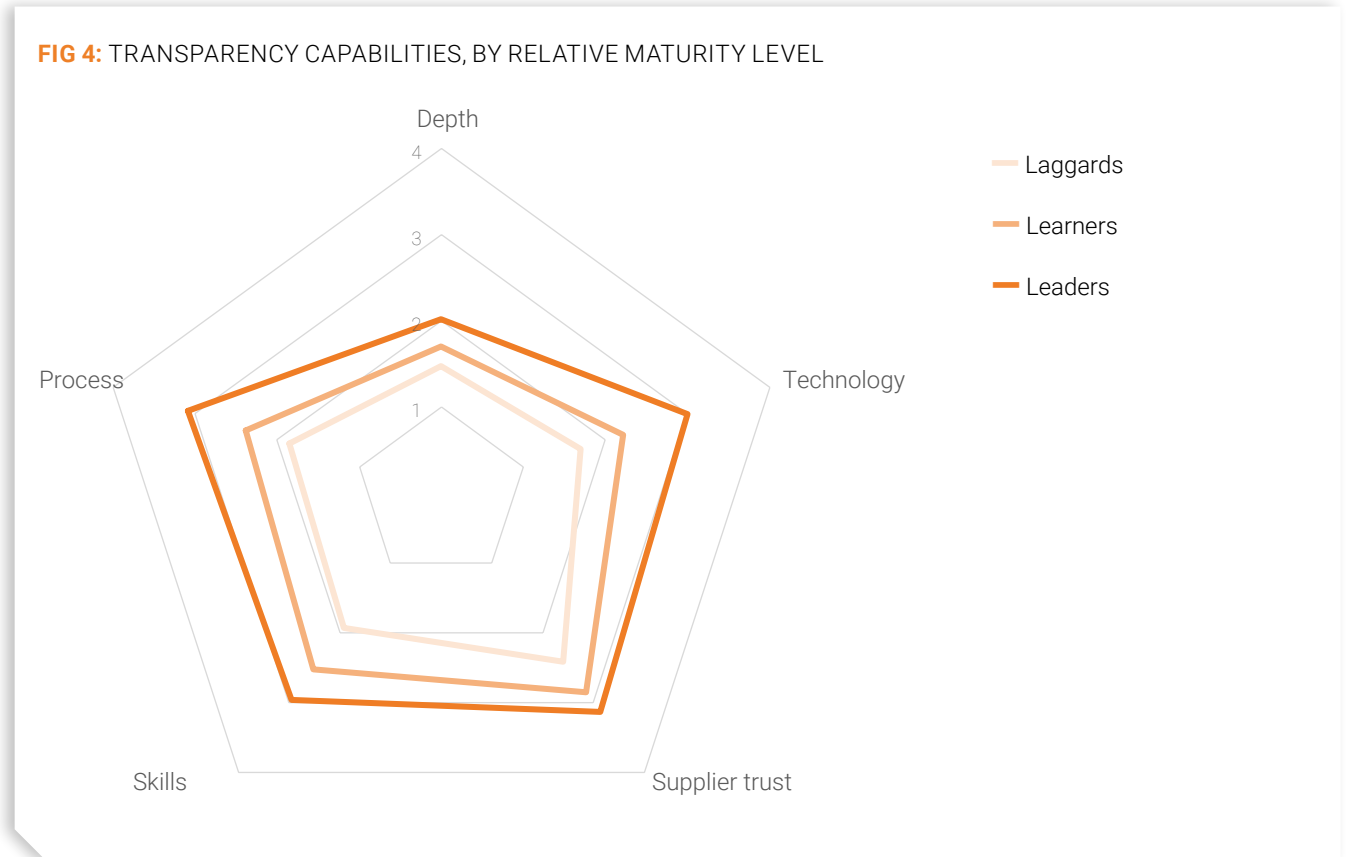
We split the sample into three groups:

- **Laggards:** Those with the lowest-rated capabilities.
- **Learners:** Those that are progressing their capabilities.
- **Leaders:** Those that possess the most mature capabilities.

We shall explore each of the five areas (see *Figure 4, right*) to provide insight into the activities leading organisations are taking to deliver supply chain transparency. However, in terms of initial observations of comparisons between the three groups, is that, although the behaviour is largely similar, investing in technological capabilities appears to be the factor that differentiates the leading organisations. More often than not, this means that organisations must invest in a suite of tools – not search for a single solution.

Where a data stack is in place, procurement functions can develop both processes and people skills on those foundations. That said, systems need sharp individuals to populate the tool with the right data and transform information into influential insight.

FIG 4: TRANSPARENCY CAPABILITIES, BY RELATIVE MATURITY LEVEL



FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / DEPTH AND DATA

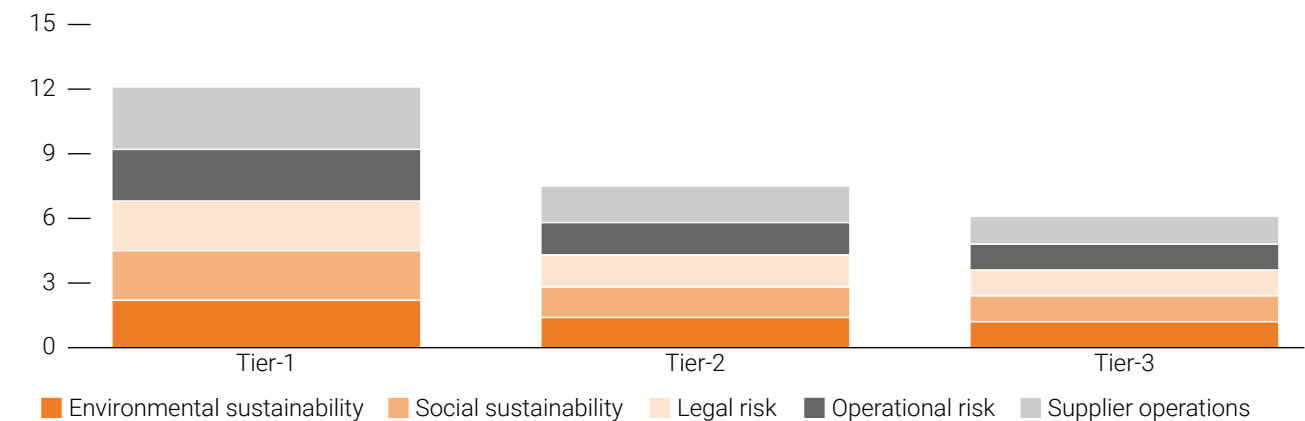
THE TRANSPARENCY CHALLENGE

- While the business is hungry for more data, purchasing teams do not necessarily have the skills to act on it.
- Although many procurement functions struggle to provide the visibility the business demands, teams are also overwhelmed by the volume of data that they possess, which is often too much to usefully analyse.
- Some experts believe that current expectations of procurement supply chain transparency – both in terms of functions’ depth of visibility and the degree of detail at their disposal – are so high that only technology can enable teams to meet these demands.

ACTIONS

- **Recruit data specialists:** Although comfortable with commercial information, the demands of surfacing deep-level supply chain data to deliver transparency may be beyond the traditional procurement skill set. Invest in dedicated individuals to gather and analyse data.

FIG 5: AVERAGE DEPTH OF DATA COVERAGE WITHIN THE SUPPLY CHAIN, BY TIER (MAXIMUM SCORE OF 20)



NB - The depth of each area was measured on a scale of one to four, with four being the highest and one being the lowest

Stakeholders within the business continue to expect more data on a broader range of topics. Traditionally, procurement has focused on core areas such as supplier operations and potential vulnerabilities (see Figure 5, above).

With functions facing growing legal, social and environmental reporting requirements, the processes for gathering such data have been largely

incorporated into pre-existing procurement processes. Buyers routinely use supplier quarterly business reviews, balanced scorecards and regular surveys to extract the necessary data from vendors.

However, procurement teams seem overwhelmed and many functions’ capabilities in the deeper tiers of the supply chain are modest, with the depth of insight for Tiers 2 and 3 decreasing markedly. ➤

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

DEPTH AND DATA: EXTRACTING ADDITIONAL INSIGHT FROM SUPPLIERS

Beyond basic operational data, procurement struggles to extract much additional insight from the supply base. Indeed, many less mature organisations lack even this much information as to Tier-2 and Tier-3.

While the most mature organisations appear to have the largest supply bases (see *Table 1, below*) the survey results indicate these companies have more confidence in their numbers. This is especially true of suppliers below Tier-2. The supply landscape balloons in number as the more mature organisations survey their lower tiers. For the less mature organisations, no pattern is discernible, which most belies the guesswork by which these figures were reached.

TABLE 1: AVERAGE NUMBER OF SUPPLIERS IN EACH TIER OF THE SUPPLY CHAIN, BY MATURITY

MATURITY	TIER-1	TIER-2	TIER-3
Leaders	14,069	15,333	26,294
Learners	23,975	6,614*	25,652*
Laggards	14,124	7,471*	25,358*

* indicates uncertainty



The data that we have to collect today is exponentially more complex than the data that we had to collect five years ago, or one year ago. We're going to have to build the capability to collect that information in order to be transparent

CPO, manufacturing business

We are investing far more in procurement systems, and we have a data scientist in our team, which we didn't need before. We really need them now to enable us to accelerate our transformation

CPO, professional services firm

Generative AI will help us now we are expected to deliver upstream transparency down to Tier-n. Nobody is satisfied with having a map of suppliers in the top three tiers; they want to understand everything, either from a risk management or a sustainability point of view. So that's where the capabilities required are more digital, rather than staff being able to analyse and understand data

CPO, mining company

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / TECHNOLOGY

THE TRANSPARENCY CHALLENGE

- The growth of best-of-breed applications, facilitated by cloud computing, has enabled a wave of specialist providers to plug into ERP systems.
- While AI tools will increasingly become the norm there are practical limitations to the capabilities of modern technologies. They can generate noise and their insight is drawn largely from publicly available information.

ACTIONS


- **Build capabilities beyond spreadsheets:** Excel was not designed to solve supply chain visibility issues, but most respondents use spreadsheets – or no tools at all – to aid their transparency efforts.
- **Prioritise key business expectations:** Most advanced companies operate a complex technology stack, using different data-collection methods to cover different topics. Where resources are constrained, focus investments on the topics that meet the top business needs.
- **Do not base your strategy solely on technology:** Technology is necessary to deliver transparency, but our expert panel warned tools alone are do not provide a complete solution.

Many procurement professionals are excited by technology’s potential to generate deeper degrees of insight. Indeed, the wave of investment and energy in this space has noticeably risen since the outbreak of the Covid-19 pandemic.

New tools, enabled by innovative technologies, have promised to provide ever-deeper insights into supply chains. Our panel of experts identified developments in artificial intelligence as the technology trend most likely to expand procurement’s supply chain transparency capabilities (see *expert consensus ranking, right*).

In addition, procurement professionals look to the greater volume of available data. One noted that “providing big data analytics for diverse data sets will provide transparency of sub-tier suppliers”. This can be delivered through specialist providers that are becoming more adept at providing insight into specific areas such as carbon emissions or supplier diversity.

Moreover, the wave of new tools will enable the more creative analysts to triangulate insights. One practitioner involved in our expert panel said they are currently working on analysing the “interconnectedness of supply chain nodes to provide simulations of the impact of risk events”.


EXPERT CONSENSUS RANKING:
TECHNOLOGY TRENDS

1	AI data analytics
2	TPRM tools with AI capabilities
3	AI for sub-tier suppliers
4	Scope 3 mapping tools
5	Blockchain

Increasingly, therefore, the tools that procurement use can better make sense of the large volume of data extracted from the supply base.

Lastly, procurement professionals are growing more hopeful that tools will elevate the quality of data at buyers’ fingertips. One expert said they are working on a technology project in which they looked to “verify each step of the supply chain to create more reliable data”. Third-party verification and other process checks will also help to deliver enhanced credibility. ➤

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

TECHNOLOGY: THE RIGHT TOOLS FOR THE JOB

Although survey respondents generally considered new solutions – especially those leveraging AI – to offer exciting prospects for major leaps forward, the supply chain transparency experts who informed our consensus rankings were more sceptical as to the potential for these tools to deliver radical advances. This view was drawn, first, from procurement organisations’ currently modest technological capabilities. Second, they felt, emerging technologies are unlikely to deliver the ‘end-to-end’ transparency to which many aspire.

Although respondents said that they use a wide range of tools to deliver transparency, companies are still largely reliant on spreadsheet-based solutions to manage supply chain data (see Figure 6, above right). Meanwhile, one-quarter of respondents indicated their organisation has no systems to provide visibility on legal risk, while one-fifth said the same of environmental sustainability.

There are limitations on the extent to which modern technology can deliver visibility as systems are reliant on publicly available information. If suppliers are reluctant to share their data with the buying organisation, they are unlikely to allow it to leak into the public domain. ➤

FIG 6: TECHNOLOGY USED, BY TRANSPARENCY AREA (% OF RESPONDENTS)

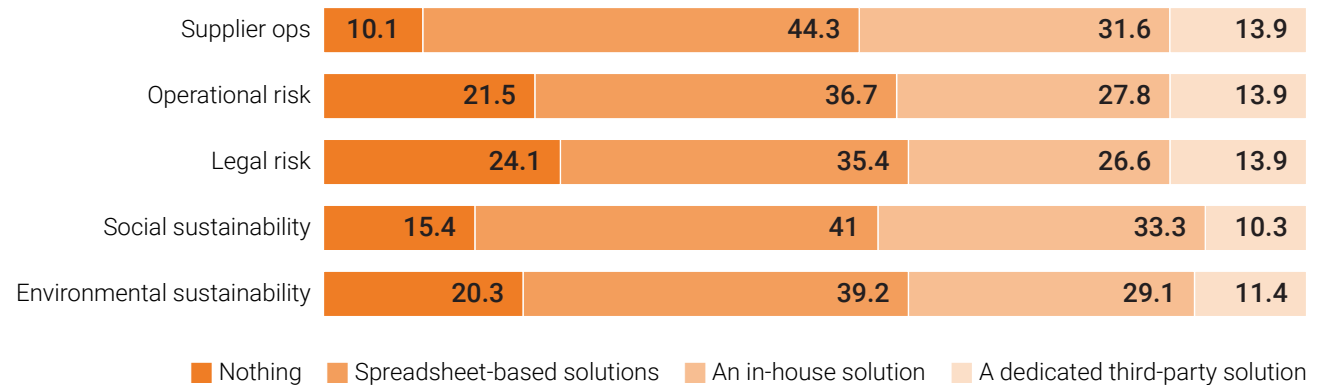
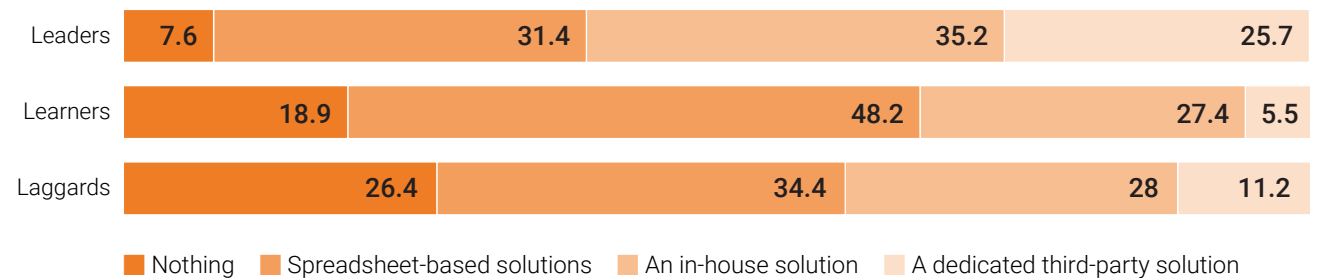


FIG 7: TECHNOLOGY USED, BY RELATIVE MATURITY LEVEL (% OF RESPONDENTS)



FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / PROCESSES

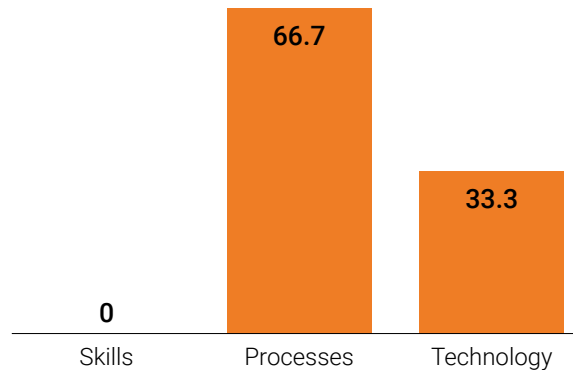
THE TRANSPARENCY CHALLENGE

- Experts believe process change will drive the most progress in enabling supply chain transparency.
- Processes within many companies are still immature, with data collection, governance and dissemination still largely in their infancy.

ACTIONS

- **Don't focus solely on implementing new tools and systems:** While technology is an important enabler of procurement, our panel of supply chain transparency experts identified process improvements as the most important driver of transparency. Digitising a bad process creates nothing more than a bad digitised process, so be sure to optimise your function's processes and the technology that supports them.

FIG 8: DRIVERS OF SUPPLY CHAIN TRANSPARENCY OVER THE NEXT THREE YEARS (% OF RESPONDENTS)



Source: Expert consensus forecast, Procurement Leaders, Q3 2023

EXPERT CONSENSUS RANKING: PROCESS TRENDS

- 1 Common industry-wide principles and processes
- 2 Data management and proactive risk mapping as part of the category management process
- 3 Processes for mandatory reporting
- 4 Legal requirements

Despite the enormous expectations of technology, our panel of supply chain transparency experts believed that process improvements will drive the most significant impacts in this area (see Figure 8, above).

For many of our experts, process capabilities were the most critical element in delivering visibility. “Do we have capacity to act on the information?” asked

one participant from a manufacturing company. “If you can’t act on it, is collecting the information the best thing?” A critical success factor for more advanced organisations is outlining clear processes for not only the gathering of data, but prescribing clear procedures for where that data flows and how it should inform decision-making. ➤

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

COLLABORATE TO MAXIMISE THE VALUE OF SUPPLY CHAIN DATA

Procurement Leaders' panel of supply chain transparency experts also stated the importance of incorporating cross-functional collaboration into procurement processes, enabling organisations to make full use of the data available to them. Procurement professionals who took part in our expert panel noted that enriching sales forecasts with supplier capabilities could prove highly impactful.

However, many participants warned of procurement building supply data stacks in isolation. Creating data is not sufficient, in and of itself, to cascade supply chain insights throughout the organisation. Many leaders who took part in our project described projects in which procurement created dashboards that were largely disregarded by stakeholders. Flows of data need to point to real business problems and enable collaborative processes between functions.

Although less than half of group-level CPOs that responded to Procurement Leaders *Ovation Pulse 2023* survey said their function is collaborating in new and different ways with competitors, many experts that Procurement Leaders spoke to for this report identified the value of businesses in the same industry working together.

Several industries have shown the benefits collaboration can deliver. The fashion industry better pools information regarding working conditions. Similar initiatives exist in automotive, chemicals and forestry. The potential to reach out and connect with others is high and many are likely to be receptive to such overtures.



It's a big job to map and apply risk management processes to Tier-n suppliers. It creates a monster that needs to be maintained over time. It's only going to be worth it if we keep it up and the platform is hard to maintain data with conventional tools

CPO, manufacturing business

Over the past few years, we have started to work closely with sales and finance when it comes to cost transparency. When customers are coming up for renewal, we have to stay ahead of how our costs are changing – or are projected to change – and how that will impact our margins, as well as the proactive pricing actions we need to take

CPO, FMCG company

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / TRUST

THE TRANSPARENCY CHALLENGE

- Although procurement teams depend on their suppliers to provide operational data, vendors do not trust buying organisations with this information.
- Buyers believe suppliers consider this knowledge to be commercially sensitive.

ACTIONS

- **Appreciate the value of supplier trust:** While many procurement functions undervalue supplier trust, this research underlines its importance. If suppliers do not trust you, they will not provide transparency into their operations nor into their supply chains.
- **Don't rely on supplier-specific data:** Aggregated information – such as country risk data – is an adequate substitute for primary data in low-trust environments.
- **Use anonymised lower-tier supplier data:** Ask suppliers to collect anonymised data and focus on its quality.

A key enabler of supply chain transparency is the degree of supplier trust in the buying organisation. If a supplier suspects its proprietary data – often viewed as critical intellectual property – is being misused, it may fear it is at a commercial disadvantage.

By investing in supplier relationships to build partnerships based on mutual trust, procurement teams could unlock a significant source of insight for the business.

To accomplish this, buyers must adopt a future-focused approach to building and maintaining relationships with partner suppliers – or potential partners. Developing these suppliers, investing in their businesses and supporting their initiatives is an impactful way of demonstrating the trustworthiness that will help distinguish to distinguish the buying organisation as a partner for the long term.

Despite this, procurement professionals who took part in this research demonstrated very different approaches to supplier trust. While survey respondents rarely considered trust when reflecting on their transparency capabilities, procurement professionals who took part in our expert panel underlined its centrality.

Building an understanding of the supply chain's current degree of trust in the procurement



Suppliers don't easily give up this information, which is their secret sauce

**Supplier risk management director,
manufacturing business**

Suppliers don't open up. They don't know what you're going to do with the data

**Head of procurement risk management,
pharmaceutical company**

organisation – either through aggregated buyer evaluations or, better still, anonymised voice of the supplier surveys – will provide a tangible measure to a real resource in the supply base.

Those procurement teams that actively monitor suppliers' trust in the buying organisation will have the most solid foundation from which to enhance that trust. ➤

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

INVESTING TIME TO BUILD TRUST YIELDS GREATER TRANSPARENCY

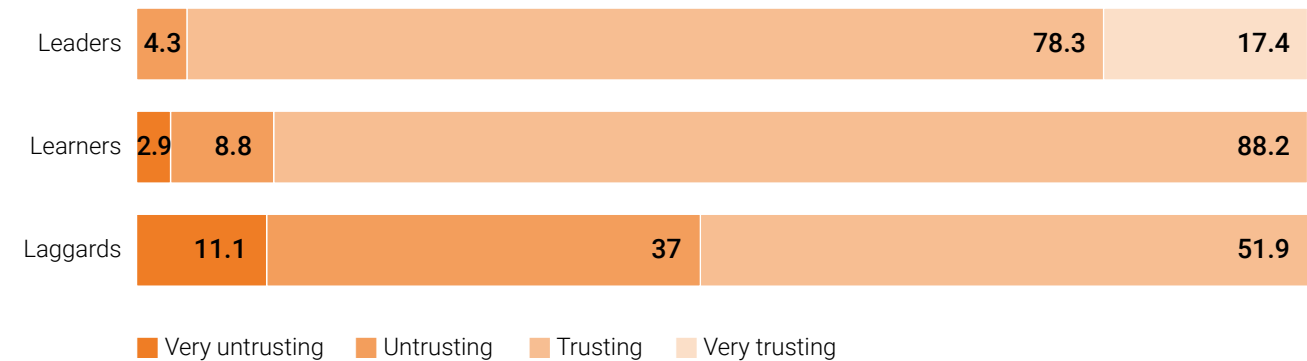
The survey results indicate that more mature organisations enjoy more trusting relationships with their suppliers (see *Figure 9, right*).

It is likely the low-maturity organisations overstate the degree to which their suppliers genuinely trust them. We generally observe that where supplier relationship management projects are launched with an anonymous review from the supply community, the first actual appraisal of the buying organisation can be a surprise. Again, this may also demonstrate the lack of visibility into the true nature of the supply chain.

The other priority for executives is delivering transparency in a low-trust environment. Many organisations have used practical measures to overcome this challenge. Where no supplier-specific data is available for lower tiers, for example, buyers may use more generic data to provide an estimate. In particular, some respondents noted the use of country risk information helps inform an assessment of the control risk environment in which sub-tier suppliers operate.

Moreover, working with suppliers on data quality has also helped buyers to gain greater insight in instances where vendors would not release exact or commercially sensitive information about specific partners. In such cases, developing a way to develop high-quality – albeit anonymous and aggregated –

FIG 9: THE EXTENT TO WHICH BUYERS TRUST SUPPLIERS, BY RELATIVE MATURITY LEVEL (% OF RESPONDENTS)



data on topics such as carbon emissions or diversity and inclusion, has proved effective to gaining a regular view of that information without jeopardising the supplier’s commercial position.

Building trust with suppliers, for more mature respondents, required focused and often patient commitment from buyers. Often, trust is easier to understand at the interpersonal level.

Encouraging buyers to build close, informal ties and cultivate relationships can solidify that trust.

Using these connections to share information such as product roadmaps and potential supply needs can provide a trusting environment in which supply data may naturally surface.

At the organisational level, build trust through behaviours such as meeting contractual agreements – especially in respect of payment terms – and offering resources beyond the contract. Developing suppliers through technical or financial investments also indicates a long-term commitment to the relationship.

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

CAPABILITIES / SKILLS

THE TRANSPARENCY CHALLENGE

- Commercial acumen and data skills are the most important competences to build in teams.
- Data skills are limited in procurement, reducing the function's ability to collate or act on supply chain data.

ACTIONS

- **Build a culture of transparency:** Everyone in procurement must drive the transparency agenda. Implementing function-wide KPIs for buyers and category managers will incentivise everyone in the function to hone their personal transparency capabilities.
- **Hire experts to drive results:** Adjust the operating model and invest in dedicated transparency resources, such as sustainability or third-party risk specialists.
- **Focus on data skills:** Enhance data literacy both inside and outside procurement as a matter of priority.

Talent is the final enabler of success in delivering supply chain transparency. Although it is arguably the most important enabler, procurement professionals offered mixed reports on the role and performance of individuals in enabling transparency. In terms of specific skills, respondents identified data literacy and commercial acumen as equally important capabilities. Collaboration skills – both internal and external – were also seen as key.

The importance of driving a culture of transparency is evident in this research. Using data to connect the dots and forge business insights will be an important skill that should be cascaded through the procurement organisation. Indeed, many respondents noted that they were raising awareness of data management and ensuring that their stakeholders are also confident in supplier insights. It is through these sorts of open conversations that procurement can generate a culture that embraces data. A spirit of openness with procurement data, will further encourage transparency. If procurement is considered a data hoarder working in a silo, other functions will be unlikely to consider it a champion of transparency. ➤

EXPERT CONSENSUS RANKING: SKILLS TRENDS	
1=	Commercial acumen
1=	Data analysis
3	Supplier relationship management skills
4	Stakeholder relationship management skills
5	Empathy



People must be able to draw conclusions from more substantive datasets. Generalist procurement staff must be upskilled in data analysis while being supported by dedicated data experts

FUNCTIONAL CAPABILITIES TO ENABLE SUPPLY CHAIN TRANSPARENCY

ENABLING TRANSPARENCY BY INVESTING IN SPECIALIST SKILL SETS

FIG 10: TEAM DISTRIBUTION BY TRANSPARENCY RESPONSIBILITIES, LAGGARDS (% OF RESPONDENTS)

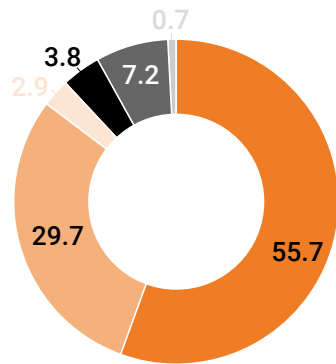


FIG 11: TEAM DISTRIBUTION BY TRANSPARENCY RESPONSIBILITIES, LEARNERS (% OF RESPONDENTS)

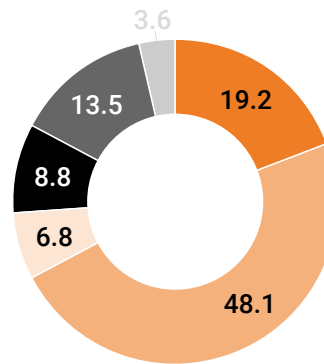
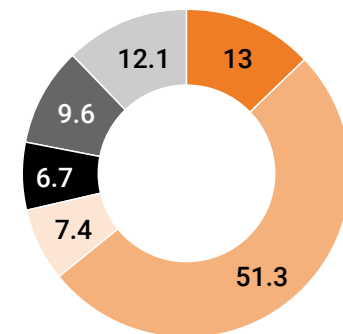


FIG 12: TEAM DISTRIBUTION BY TRANSPARENCY RESPONSIBILITIES, LEADERS (% OF RESPONDENTS)



■ No direct transparency responsibilities
 ■ General procurement with some transparency responsibilities
 ■ Sustainability responsibilities that include transparency
 ■ Digital responsibilities that include transparency
 ■ Risk management responsibilities that include transparency
 ■ Dedicated transparency roles

A key differentiator between the leaders and laggards is the organisation's appetite to invest in sustainability and risk management specialists (see Figures 10, 11 and 12, above).

Although the more transparent organisations typically have a lower headcount, these businesses are more likely to employ specialists. ➤

LEVERAGING TRUSTED RELATIONSHIPS AND TECH TO DELIVER VISIBILITY

In the 2023 Economist Impact report, *Building bridges: How to strengthen procurement/supplier relationships*, C-suite leaders were asked about their confidence in procurement's ability to manage internal and external risk. The survey found that while 73% of the C-suite views the function as playing a key role in supplier management, more than one-third of respondents were not confident in its ability to manage internal (36%) and external (38%) risks, including supplier risks.

BUILDING TRUSTED RELATIONSHIPS

It is no coincidence that supplier relationship management (SRM) has steadily increased in importance, according to the most recent Economist Impact studies. CPOs identified SRM as the top driver of digitisation for the function. Meanwhile, Procurement Leaders' panel of supply chain transparency experts considered SRM one of the most important skills to develop to elevate functional capabilities in this area. A foundational aspect of improving supplier relationships is increasing trust between buyers and sellers.

So, what are the prerequisites for trust? Are organisations capable of trusting each other and, therefore, able to evolve their relationships from the transactional to the collaborative?



Leading procurement teams are recognising the need to develop mutually beneficial relationships with suppliers – especially those providing resources critical to business continuity, where the interaction should be more akin to a partnership

Gordon Donovan, SAP

SAP sponsored research into the nature of buyer-supplier relationships with the University of Tennessee, *Unpacking trading partner trust*. It found that your cultural fit, strategic choices and business models are key factors in building relationships. Leading procurement teams are recognising the need to develop mutually beneficial relationships with suppliers – especially those providing resources critical to business continuity, where the interaction should be more akin to a business partnership.

APPLYING TECHNOLOGY

Technology could facilitate more comprehensive supply-side monitoring and evaluation. Analytics and intelligence focused technologies have the potential to facilitate real-time visibility. It's not surprising to see AI data analytics, and third-party risk management tools so

high in the expert consensus rankings (*see page 14*).

According to the 2023 Economist Impact study, executives are planning to deploy technology to improve user experience (28%) and supplier relationships (26%) to operationalise efficiencies, better manage data discrepancies, and reduce supply risks in the near term.

Digital solutions play a central role in helping procurement teams meet these goals. For example, automated processes make it easier to share detailed transactional data between supply chain partners, enabling more efficient tracking of materials availability, days of inventory, production status, delivery lead times, supply constraints, and other metrics critical to risk control. Integration of systems and stakeholders streamlines collaboration and drives faster, smarter response strategies.

ACTIONS

ACTIONS / ADOPT A HOLISTIC APPROACH TO DELIVER TRUE TRANSPARENCY

While technology has yet to offer a catch-all cure to the supply transparency challenge, by building internal and external relationships, setting achievable goals and developing the function's capabilities, leaders will be able to make tangible progress

COMMUNICATE AND PARTNER WITH THE BUSINESS TO MEET GROWING DEMANDS

Although procurement professionals consistently identify the elevated and even unrealistic expectations of stakeholders, these demands will only continue to grow.

Businesses are hungry for data but do not always have the skills to act on the information at their disposal. Sometimes, tools contribute to the confusion by overwhelming people with 'noisy' data. The first goal for procurement will be to agree attainable goals and work with the business to achieve them.

USE PROCUREMENT'S ROLE TO SPAN INTERNAL AND EXTERNAL BOUNDARIES

Many leaders mistakenly believe transparency challenges cannot be addressed by one function. However, there is a lack of internal coordination between relevant parties. CPOs must champion procurement's 'boundary-spanning role' – not only within the organisation, but potentially across the ecosystem to unite the disparate entities around the urgency of supply chain transparency.

For more pioneering purchasing executives, leading cross-industry-wide initiatives can help to deliver results at scale through collaboration.

VIEW TECHNOLOGY AS AN ENABLER OF PEOPLE AND PROCESSES – NOT A CURE

Another mistaken belief held by many procurement executives is that they can deliver Tier-n visibility purely by deploying a technological system.

Technology is an important enabler of transparency, but it requires processes and people for teams to deliver supply chain visibility.

Although transparency remains a major challenge for the function, leaders can break the issue down by plotting the various workstreams that comprise core capabilities.

ABOUT THE RESEARCH

ABOUT THE RESEARCH

This report is the output of a mixed method research project conducted during H2 2023.

The study combines qualitative insights from group workshops involving informed CPOs and leading thinkers in the transparency space with a survey of the procurement community, to which 135 people responded.

GROUP DISCUSSIONS

- Two transparency expert practitioners' groups: 12 participants, covering a wide range of participants and geographies.
- One CPO Connect Call: 14 participants, covering a similarly diverse firmographic profile.

INTERVIEWS

- Five calls with CPOs and functional experts

SURVEYS

- Two rounds of Delphi studies
- One survey of the procurement community

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With a background in risk and economic research, Jonathan has worked for the UK government, PWC and international thinktank Transparency International, as well as other commercial and research ventures across Europe and Africa.

FURTHER INFORMATION AND FEEDBACK

If you have enjoyed this report, would like some more information, or feel it has not met your expectations, please contact:

feedback@procurementleaders.com

ABOUT THE RESEARCH

ABOUT OUR PARTNER



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GORDON DONOVAN

VP of research for procurement and external workforce
SAP

Gordon has over 30 years' procurement experience, leading transformations and establishing functions to deliver enterprise-wide value. He is a recognised leader who has headed up procurement teams in health, rail, finance and the public sector in the UK and Asia. Gordon has extensive experience in developing frameworks, processes and governance ensuring world-class procurement outcomes are achieved. He is recognised as a thought leader within procurement, and a sought-after speaker, writer and presenter.

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