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THE CPO IS RISING IN 2019!
In 2019, the procurement profession still has momentum and is more critical to business operations and results than ever before. But, a decade of Ardent Partners research shows that the profession is also approaching a performance plateau. The truth is that the average procurement department has already picked the low-hanging fruit and most of its easy work has been done. The teams that continue to do the same things over and over again will actually get different results (as in increasingly worse). In this context, procurement’s new definition of insanity is for a CPO to stay the course and make no changes.

Breaking plateaus and launching into a new performance trajectory demands new and innovative ideas and approaches. It also requires a broad, multi-faceted approach since no single ingredient can alter the overall procurement recipe. To avoid a frustrating and momentum-killing plateau, CPOs must work to elevate their organization’s capabilities and gain improvement across a host of areas in a deliberate attempt to rethink what is possible. They will also need catalysts to ignite a new sense of urgency and new sources of value so that their departments can work smarter, expand their mastery, and raise their commitment. Identifying these new catalysts and sources and framing the different ways that CPOs can leverage them is the focus of this CPO Rising 2019: #ValueExpansion report.

This fourteenth 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 leverage to get the most from their teams. 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 308 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.
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Chapter One: The State of the Chief Procurement Officer

“You cannot swim for new horizons until you have courage to lose sight of the shore.”

– William Faulkner, Author

In 2019, the procurement function, as a whole, and CPOs, in particular, have become bellwethers for their businesses and in many ways, for the overall state of the global economy. After all, when an enterprise’s fortunes and opportunities rise, the CPO’s team is focused on helping businesses accelerate agility, find and harvest supply chain innovation, and enable better returns on investment. Likewise, when the business falls or contracts, executives rely on procurement to bail out an overleveraged or underperforming operation by driving cash to the bottom line. But, no matter which way the economic winds blow, an experienced CPO can be an invaluable resource, possessing a unique perspective that can only come from leading a team that operates at the intersection of critical business decisions, operations, and results.

**Land and Expand**

Much as the rise of railway travel enabled the westward expansion of the U.S. by early settlers in the late 1800s, procurement has played a similar role in helping modern businesses grow and expand – sometimes leading, but always supporting, the journey forward. After a century of slow progression, procurement has become a strategic business function in roughly a generation’s time. The move from the back office was not trivial, and the transformation from a largely administrative or even bureaucratic function to a strategic, executive-level function that now has a seat in the literal (and figurative) executive suite has been exciting and impactful. Consider the following proof-points in 2019:

- CPOs (or their equivalents by role and title) now exist in 91% of large enterprises today, compared with less than 50% 14 years ago.

- Procurement teams are significantly more likely to be organized as centralized business functions rather than as ad-hoc groups of buyers loosely populated across the organization.

- In 2019, almost every (97%) procurement department has some type of annual or multi-year strategic plan in place, up from just over 40% in 2006.

- CPOs and their teams now have unprecedented visibility into business operations, performance, and risk, thanks in large
Procurement, like many other business functions, including sales, marketing, and human resources, underwent a first wave of digital automation that began almost twenty-five years ago as part of the internet/dot.com phenomenon that forever changed the B2B (“business-to-business”) landscape. The advent of enterprise-level software for procurement was also part of the Third Industrial Revolution (Industry 3.0), which, in the last few decades of the 20th century, saw the development, advancement, and proliferation of computer hardware and software and its widespread application to business processes. Procurement’s first wave of automation began with a focus on sub-process digitization, which replaced paper-based processes and operations with computer-based ones. Many of these projects then progressed to a broader-based scope that not only streamlined many of the repeatable and scalable tasks inherent in the source-to-settle process that required human interfacing, but also enabled a basic-level of insight and reporting. This first wave of automation generated efficiency and productivity gains and provided a level of visibility into spend, suppliers, and internal processes that gave CPOs the foundation to build a more strategic operation. With new tools that generated some momentum, and a rising profile in hand, the CPO had landed... in the executive suite and, in the minds of many key budget holders. The next frontier for procurement to cross is how to expand this value in a new era of business commerce.

- More than 70% of all CPOs have a direct reporting line (and direct accountability) to key enterprise executives such as the CEO (22%), CFO (32%), and COO (19%).

None of this is news to the readers of this report. Today, most CPOs and other procurement executives are well aware of the impact that their teams can make and the longer-term context of that impact. Ardent Partners’ annual (2019) CPO Rising survey of more than 300 procurement leaders and professionals shows that a majority (57%) believe that their departments made a major or significant impact on the enterprise over the last 12 months, while another 32% believe that their impact was solid. Notably, only 11% believe that their impact was small, insignificant, or negative.

![Figure 1: Procurement’s 12-Month Overall Impact on the Enterprise](chart.png)

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**Same Neighborhood, Different Views**
While the CPO was able to move into the same “neighborhood” as the other C-level executives, the procurement chief’s residence was often found on “the other side of the tracks” when compared to their other higher-profile neighbors. Due to the broad impact of procurement’s many efforts, such as cost savings and efficiency gains to name a few, many executives raise the question of just how much “farther” the function can go when looking at future investment in the procurement operation. This inquiry, today, is easily satisfied because of the average company’s overall desire to become more digital, providing the CPO and the entire procurement team with the exciting new potential to push the boundaries of enterprise value. The opportunities that sit before procurement to drive more value as a result of digital transformation and data intelligence are sizable and, more importantly, attainable. And, though the other executives may not be giving the CPO the keys to a new castle anytime soon, by continuing to make an impact, CPOs may be able to move to a nicer part of town.

A majority of CPOs believe that their departments’ impact is making a difference, which has been a part of a larger three-year trend, as illustrated by Figure 2 to the right. What is perhaps most interesting is that no respondents see a downward trend in impact over the past three years; 72% believe that they are trending up, while 20% believe that they are trending up significantly. At worst, just eight percent (8%) see a flat three-year trend. It is both curious and surprising that not a single respondent of the more than 300 who answered the question feel as though their momentum is trending in a negative direction. It is also unlikely to be true.

*Figure 2: Procurement’s Overall Impact on the Enterprise - Three-Year Trend*

An important follow-up is whether or not this view is shared by the rest of the enterprise, or simply wishful thinking on the part of today’s CPOs. What is certain, however, is that a procurement department’s momentum will not be sustainable unless new elements are added to the mix. In fact, it is Ardent’s view that most procurement departments have not yet added important new
innovations and have either hit a figurative wall or will soon see one approaching.

**Performance Plateau: The Results Are In**

The results are in… and the procurement industry is starting to plateau. Despite the many significant innovations that have emerged to propel procurement’s first wave of transformation (as well as the fact that procurement leaders and their teams rate their impact on the enterprise pretty highly), recent year-over-year performance data tells a different story. The average percentage of spend under management by a procurement department has stayed generally flat for the past eight years and is not likely to rise significantly any time soon. In 2018, only 15% of all CPOs had placing more spend under management as a top priority looking out over the next two to three years. This year, only 6% of all CPOs feel pressure to place more spend under management. For the past decade, spend under management has been and continues to be a great leading indicator of the potential value that procurement has to influence results. It has been a key metric used to define Best-in-Class procurement performance by Ardent Partners for years in its research. This is not to say, however, that placing more spend under management has to be a top goal or priority. To the contrary, there can be many other, more important targets than improving this metric. Nevertheless, the fact that such a small percentage of procurement departments seek to increase this number, when the benefits of doing so have been quantified, indicates that the industry is evolving.

**Spend Under Management**

The measure that captures the percentage of total enterprise spend that a procurement organization manages or influences. Ardent Partners’ research has found that for every new dollar that is placed under management of the procurement department, the average enterprise realizes a savings benefit of between 6% and 12% during the first contract cycle.

Average savings rates are also trending flat to down over the same time period, but these metrics are more closely tied to the economy. And, as has been discussed and explained many times in the CPO Rising series, the amount of savings delivered by a procurement department on an annualized basis has so many different inputs that fall beyond the influence of the department. Evaluating procurement performance based solely on savings can fail, by a significant margin, to capture the full value that the procurement group delivered in the period. To be clear, savings is important but its trend line is not a strong indicator of the profession’s progress.

Two metrics that are good indicators, the “percentage of addressable spend that is sourced” and “compliance rates” have not increased since the Great Recession, and have trended flat to down over the past five years. All of this data suggests that procurement’s
momentum is actually slowing, and that its performance is at risk of slipping – despite the current level of innovation found in the supporting technology market, and despite procurement’s own perceptions of its impact. But why?

One answer is that the proverbial low-hanging fruit has been picked; CPOs cannot extract more juice from the same berries without further investment – as the law of diminishing returns dictates. Like body builders that need to periodically change their workouts in order to continue to strengthen muscles, CPOs and their leadership teams need to rotate their “fitness regimens” and regularly introduce new (or modify existing) strategies, solutions, and capabilities if they hope to expand their impact.

After all, conducting spend analysis to identify and realize cost savings, outsourcing tactical work to low-cost countries, automating processes, identifying strategic suppliers and reducing tail spend, leveraging eSourcing, eProcurement, and other business tools, and many other strategies have all become table stakes. These are no longer considered innovative strategies and capabilities. They have become part of the modern procurement paradigm – of operating in a business environment where enterprises, CEOs, shareholders, staff, and the public at large expect more, even if (or when) it is not known exactly how procurement should proceed and what it should do next in order to expand the value it delivers.

Driving automation and digital transformation, streamlining and improving processes, and increasing efficiencies and overall effectiveness are the strategic drivers CPOs are focusing on this year to achieve results.

As the speed and complexity of business continues to accelerate, executives must adapt to new market conditions as they fight to retain market share and market relevance. Procurement departments, their operations, culture, systems, and the way in which they transform knowledge into strategies and those strategies into performance, must all keep pace. The procurement profession needs a catalyst or, in all likelihood, a series of catalysts to push it through to the next wave of value creation. Chief Procurement Officers and their teams need to reach higher for larger and sweeter fruit; and if they cannot grasp it, they need to start using new strategies, tools, and approaches to help stretch their reach, expand their influence, and increase their impact. The good news for CPOs and their teams is that they will not have to journey to some magical land to meet the wizard. In fact, most will not have to look any further than their own backyard; they can harness the leading business innovations and ideas already at work within the industry (and within their enterprise) and start to pave their own yellow brick road.
Becoming More Agile, Data-Driven, 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 view that agility will define the next wave of procurement success. And in 2019, a good number are on their way with more than a quarter of respondents in this year’s survey rating themselves as highly agile (27%), while 64% believe that they are somewhat agile (see Figure 3 below). Just nine percent (9%) do not believe their procurement departments are agile at all.

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 – that is what makes them leading – procurement departments must do the same. They must also become more intelligent by leveraging their data.

A surge in data produced across the business world, due in large part to the spread of technology and enterprise software, the ubiquity of mobile devices, the rise of the Cloud, and the distribution of connected devices, is driving this shift. Business data is growing exponentially; and every year it becomes more challenging for procurement teams to wrangle it, let alone to properly analyze it and derive meaningful insights from it. There are, however, exceptions to the norm in the form of those procurement teams that not only manage Big Data well, but also leverage it to draw valuable business intelligence (BI) that improves performance.

Based upon survey data and a series of CPO interviews from 2019, Ardent Partners has found that progressive, high-performing CPOs utilize the following:
1. A trust-centric operating model with pre-delegated authority: Leading CPOs hire smart, trusted people and empower them to make informed decisions without mandating manager approval. They value agility, efficiency, and independence, and they trust their staff to exercise good judgement and discretion – specifically with regard to sourcing and purchasing decisions.

2. Big Data and predictive analytics: Resourceful and innovative CPOs have adopted a data-driven approach to making sourcing, buying, and risk management decisions. They have adopted “Moneyball”-type analyses as well as automated, more predictive purchasing tools. Although not all of these methods have been completely borne out, some of them have and continue to deliver enhanced value to their users.

3. Augmented intelligence/cognitive computing: Many organizations today, including procurement organizations, use some form of augmented intelligence to automate their processes and systems in a more intelligent manner and reduce human interfacing. While artificial intelligence (“AI”) is still some years away, augmented intelligence (aka AI-light) is here; and it is taking over tactical, scalable, and repeatable work and enabling business users to focus on more strategic, value-adding efforts.

4. Augmented talent/Future of Work: Procurement leaders are striving to create an “agile” operation that enables direct responses to changes in a volatile market and overall pivots in business and procurement strategy. In 2019 leading CPOs are more inclined to rely on augmented talent and tap into unique pools of non-permanent talent and execute on any technology-, process-, or talent-led strategy in a dynamic manner.

The Future of Work

Ardent Partners defines the Future of Work as the ultimate optimization of work via the transformation of business processes, operations, and its workforce through digitization, seamless and holistic solutions, and flexible enterprise thinking.

Despite indicators that the procurement industry’s overall performance is plateauing, Ardent Partners believes that the function’s best and largest opportunities are ahead of it. A majority of procurement departments have completed the move from a more tactical operation to that of a strategic business partner. But, with greater power comes greater responsibility and higher expectations. To be certain, the next decade will be more challenging for procurement than the preceding two. To thrive, CPOs will need to execute today’s best practices at a high
level simply to maintain production. To transcend the current procurement operating paradigm, CPOs will need to combine new and innovative ideas and approaches with a high-functioning workforce in a post-digital transformation environment. Today’s best practices should not be discarded, they should be innovated and regularly reevaluated. In the next decade, procurement’s opportunities will be far too expansive to allow for complacency and the continuation of business as usual. To properly pursue them, CPOs must start placing bigger bets, and work aggressively to relaunch their departments onto a new and higher performance trajectory.

Manufacturing and Driving Value: Taking a Page from Industry 4.0

Procurement is not alone in its decade-long quest to “do more with less” – an expression borne out of the Great Recession and championed by CPOs and procurement teams ever since. The response in the manufacturing industry has given rise to advanced “Industry 4.0” techniques and technologies. These include additive manufacturing (3-D printing), connected devices (“the Industrial/Internet of Things”), “lights-out manufacturing,” “smart factories,” robots, robotic process automation (RPA), and “smart” shipping pallets, plus the proliferation of commercial drones and driverless vehicles. Some Industry 4.0 technologies are instructive for procurement. Consider the following:

- **Fully-Automated Factories:** For nearly two decades, manufacturers have been able to run completely digitized, automated, networked, and robotically-driven assembly lines and factories for as long as a month at a time, intervening only to provide quality assurance/control.

- **Driverless Delivery Vehicles:** Advances in data science (i.e., algorithms, analytics, robotics, and RPA), plus a healthy dose of consumer trust and intrigue, have given rise to driverless cars, delivery trucks, and even delivery robots and drones (next bullet). They are trackable, traceable, and reprogrammable; and they are generally safer, more efficient, and more transparent than human drivers.

- **Commercial Drones:** Unmanned aerial vehicles (i.e., drones) can also deliver small parcels, food, and medical supplies, particularly to remote locations during natural disasters, or along extended supply chains; and/or they can collect and transmit real-time BI from these locations.

- **Additive Manufacturing (3-D Printing):** This is an innovative method for manufacturing companies of all sizes to quickly design, prototype, test, perfect, and produce a custom part or product compared to traditional manufacturing processes and technologies.
These and other Industry 4.0 technologies enable manufacturing companies, as well as retailers (brick-and-mortar and eCommerce, alike), and shipping and logistics providers to realize a host of benefits – including, but not limited to:

- Increasing speed-to-market with a positive impact on revenues.
- Decreased costs associated with down time, headcount/overhead, and errors.
- Reduced risks, risk events, and inventory/profit losses.
- Increased visibility, intelligence, agility, and control.
- Greater efficiency, productivity, and quality.
- Higher savings, revenue, and ultimately, profits.

Critically, the rewards for adopting Industry 4.0 technologies need not be exclusive to the manufacturing, retail, and shipping and logistics industries. Procurement teams across all industries can borrow the ideas and Industry 4.0 tools from their peers in manufacturing and adapt them to better scale their resources and realize greater value. They can also look to leverage capabilities and technologies that other teams within their enterprise are utilizing to gain intelligence and improve operations. Either way, over the next few years CPOs must task their teams with finding the catalysts of innovation and intelligence.

The Catalyst for Business Change

Procurement need not take such a radical leap from where it is now in order to get where it needs to go. After all, business transformation is measured in evolutionary steps – not revolutionary paradigm shifts that seem to occur in quick succession. Moreover, procurement began its long and steady march towards digital transformation a quarter century ago, and has already begun this next phase by adopting some Industry 4.0 tools, like RPA, Cloud-based infrastructures and solutions, and augmented intelligence. Adopting and integrating these and other technologies into procurement’s operations is an innovative way for it to leverage Big Data, extract actionable BI, become more agile, scale resources, broaden its internal and external reach, and ultimately drive more value to organizations.

The evolution of business technologies will help procurement ascend to a new performance trajectory and help create a digital, data-driven, and automated network of interconnected actors and applications along extended supply chains – from raw materials’ point-of-origin all the way to consumers. It will illuminate more business processes and transactions, foster greater trust among trading partners, and give CPOs and procurement teams more agility and control over more of the value chain.

But technology adoption, alone, will not be the silver bullet that punches through procurement’s obstacles in order to drive continued performance and expand its value. Steady leadership,
executive-level support, strategic vision and planning, smart and innovative staff, trial and error, and sheer persistence will all contribute to procurement’s success in this next wave of digital transformation.

_CPOs must start placing bigger bets, and work aggressively to relaunch their departments onto a new and higher performance trajectory._

**Is Self-Perception Reality?**

Over the arc of this research series that began in 2006, CPOs and other procurement leaders and practitioners have generally given their departments high marks for short- and longer-term impact on the overall enterprise, as well as for how agile they are in operating and executing upon goals and objectives. But, recent benchmark performance data strongly suggests that procurement’s self-perceptions are not borne out in reality. It also suggests that procurement’s momentum has indeed plateaued, and that its performance has even begun to slip compared to a half decade ago. This year’s data, described in detail in Chapter 3, will test these assumptions. It will shed new light on the state of procurement today – how it really performs, what influence it really has, and what impact it really makes across the overall enterprise.

**Digital Transformation: An Overdue Approach**

When the first twenty years of the supply management technology industry are viewed as a whole, it should be rated as a success. This is evidenced by the large number of procurement departments that have been heavily enabled, if not driven, by the solutions. Truth be told, more than any other factor, this industry contributed to the rebirth of the procurement function and the rise of the CPO, both notable business achievements in the early 21st Century.

But, a disconnect remains – the lack of process automation tools in place at the average procurement organization. This technology gap represents an organizational blind spot that leaves many procurement departments unnecessarily exposed to problems lurking around the corner with an inability to shift gears in response to new information or demands. It is incumbent upon CPOs to “adjust the mirrors” and pull all the levers that drive productivity and results. They must foster the organizational innovation that is needed to bridge the current technology gap and build agile organizations that are responsive to the changing needs of the business and shifts in supply markets.

Today, the leading trend with enterprise technology projects is to approach them as holistic “digital transformations,” something significantly more impactful than simply process automation. 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 fundamental process going forward – it is the alpha and omega and everything in between.

A successful digital transformation requires many things including sponsorship, effort, collaboration, vision, expertise, and a supporting technology infrastructure; superior program design also remains a critical element in the speed and impact of the initiative. But more than anything, it requires the entire procurement organization to embrace change and go “all in.”
Chapter Two: The State of Procurement

“Management is doing things right; leadership is doing the right things.”
– Peter Drucker, Consultant, Educator, Author, and the “Founder of Modern Management”

In 2019, Chief Procurement Officers and their teams are standing on the shoulders of giants, watching the Fourth Industrial Revolution disrupt global commerce and beginning to feel the effects. The business world is transforming itself through data-driven innovations and insights, but procurement has lagged behind many of its functional peers within the enterprise. But, as the average age of a procurement staff (and their leaders) has decreased over the last decade, more CPOs continue to view technology investments as a top strategy. In truth, most CPOs see room for immediate improvement and believe that their organizations should be performing better. What has worked in the past is no longer good enough in 2019; it will be even less so in the future. This means that CPOs must take new steps if they are to maintain their momentum or risk falling back. More specifically, procurement teams must continue doing what they have been doing, while also finding newer, more innovative, and more impactful ways to expand the value they create within their enterprise and across their supply chain.

Despite indicators that the procurement industry’s overall performance is plateauing, Ardent Partners believes that the function’s best and largest opportunities are ahead of it.

A decade ago, Ardent Partners wrote in depth about the need to stay ever vigilant and on the lookout for the new, game-changing ideas in CPO Rising 2011: Innovative Ideas for the Decade Ahead. A few years later, in CPO Rising 2014: Convergence, the growth of procurement’s influence and its subsequent convergence with other business functions and units illustrated how innovative, effective, and widespread the procurement function had become. But as has been discussed, procurement’s success in driving value – measured by the total spend under its management, the savings it realizes, and the addressable spend that it sources, among other ways – has started to slip. And although respondents to this year’s survey feel quite assured with procurement’s impact on the organization and the positive trend of that impact, they also provided indicators to the contrary.

Managing the Right Things

While procurement’s overall performance metrics have been stagnant this past decade, their impact is being felt to a greater degree by their businesses. As Figure 4 shows (next page), a vast majority of CPOs believe that their procurement organizations either have their procurement resources tightly-aligned with the
most important business projects and initiatives (27%) or that their procurement resources are generally-aligned and are usually working in unison with the business (52%). The total of those two groups is nearly double the number that was captured by these two groups in 2018. Additionally, 20% of CPOs believe that their procurement resources support the business, but are also strongly focused on its own goals. Almost no CPO considers their team as poorly-aligned and siloed off from the rest of the enterprise. These numbers strengthen the argument that procurement is as agile and impactful as its leaders collectively think it is.

### Different Year - Different Pressures

The specific business pressures that procurement teams face this year suggest that many groups now feel the need to commence a digital transformation, automate and link processes to make them more efficient and effective, and mine Big Data. Unlike in 2018, when the top business pressure for procurement was to communicate its value and performance to the rest of the organization, 31% of respondents stated that they feel most pressured to drive digital transformation by increasing and or enhancing the level of automation (see Figure 5 on the next page). Digital transformation has morphed from a buzzword to a high-leverage strategy. As noted both earlier and below, procurement departments are not aggressive users of technology and by and large, struggle to keep pace with the level of innovation available in the solutions market.

Year after year, Ardent Partners sees sub-par adoption numbers for automated supply management solutions across the source-to-settle value chain; it is no wonder that CPOs and their teams feel downward pressure to automate, transform operations, and align themselves with the rest of the enterprise in the process.
increasing efficiencies and overall effectiveness are the strategic drivers CPOs are focusing on this year to achieve results.

**Achieving Next-Level Performance**

A logical extension of the business pressures facing procurement in 2019 is an analysis of the resources and catalysts identified by CPOs to reach their next level of performance (or expanded value). The levers they believe are needed to drive their initiatives and improve performance; the strategies they intend to execute upon in order to achieve results; and the challenges or hurdles they encounter or expect to encounter along the way, are significant.

Figure 6 on the next page identifies the primary game changers for procurement, as identified by more than 300 procurement leaders and practitioners in this year’s CPO Rising 2019 survey. The research also tells a familiar, logical, and ultimately a reassuring story for procurement: better data visibility can be gained from enhanced analytic capabilities (37%), made possible with new or improved technology (33%), and employed by more talented and technically-capable staff (30%). When viewed this way, it is a simple and fairly straightforward formula for CPOs and their teams to enhance their performance and drive greater enterprise value.
The Intelligence Dividend from Digital Transformation

Over the next few years, a new type procurement intelligence is going to enable CPOs to view their businesses differently and, by doing so, it 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. 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.

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.

It is unnecessary (and likely impractical) for CPOs and procurement teams to adopt a digital transformation model where its entire bench-strength is comprised of bots and virtual assistants that all but remove humans from the value chain. Procurement remains, and will remain, a people-driven, people-first function where knowledge workers leverage "smart" technologies to enhance business processes, user interfacing (UI), and user experiences (UX). Remember that the goal of a digital transformation extends beyond baseline efficiency and effectiveness gains to enable the workforce to discover and scale its intelligence. To this end, emerging innovations will allow procurement to:
• Execute on voice commands, like providing status updates on supply chain risk events.

• Overlay supplier, spend, risk, and category data onto video feeds, enabling procurement teams to remotely conduct supplier-site inspections (augmented reality).

• Automatically and intelligently aggregate, cleanse, categorize, and enrich spend data from internal and external sources to conduct a proper spend analysis; then pivot from historical spend and market analysis to predictive analysis and forecasting.

• Automatically transmit data between connected devices and platforms (e.g., from “smart” factory equipment to an ERP or MRO system), and enable procurement teams to proactively replenish stocks, schedule maintenance, or repair/replace equipment.

• Connect buyers and suppliers via Blockchain-distributed digital ledgers; enable them to sign “smart contracts;” attach trade documents to shipments; establish product provenance; and gain end-to-end, real-time supply chain visibility.

These examples of analytic and data-driven technologies are not radical; in fact, they are operational today and represent use cases for how procurement teams can adapt Industry 4.0 technologies to enhance operations. Some of these are even “plug-and-play” tools (like virtual assistants), and do not require lengthy training or special skillsets. And the truth is, these analytic technologies just scratch the surface; Ardent Partners anticipates a rash of procurement technology innovations will emerge in the next decade that will help the function ascend to the next level of performance.

Procurement’s Underdog Story: Rewritten for 2019

Most good stories need balance in order to become great ones: heroes and villains, protagonists and antagonists, or a troubled protagonist that overcomes his/her own demons to achieve success (and redemption). That is the appeal of the underdog story. Most people can relate to the “Little Guy”, and are pulling for him/her to cast off the invisible hand of adversity, get back on their feet, and have another go at it. Procurement’s underdog story for 2019 casts itself opposite the proverbial usual suspects standing in its way (Figure 7 on the next page) as it strains to scale newer peaks, or perhaps retake lost ground. But, these obstacles are not insurmountable; there are plenty of opportunities for a Cinderella story to be told.
although less so in 2019 than in previous years. Remember that procurement 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 their digital transformation efforts complement each other, or at minimum, are compatible. It is easier to plan and prepare for technology adoptions with internal partners and select a business solution or solutions that both partners can work with, than to adopt a solution that, in hindsight, is incompatible, and then develop and implement a custom integration or process workaround. Chief Procurement Officers and their teams need to engage earlier, seek input earlier, and better prepare for technology deployment projects in order to overcome the lack of process and systems alignment.

What is also interesting is that procurement teams are slightly more challenged by the lack of staff (32%) than by the talent constraints associated with not having enough good people (28%). Perhaps the “intelligent” nature of new Procurement 4.0 technologies, with their “turn-key,” touchless, and self-service features, are making procurement software more accessible to a wider array of staff and end-users, which makes it less critical for CPOs to hire candidates with advanced or niche skill sets.

Lastly, roughly a quarter of respondents (26%) regard the lack of internal engagement and/or a procurement mandate to be a major challenge for procurement: it still struggles to align its processes and systems with the rest of the organization (32%) –
headache for the function – and understandably so. With little or no engagement with other internal stakeholders and nary a mandate, it can be difficult – if not impossible – to successfully implement a digital transformation effort for the reasons described above. Procurement has too many moving parts that need to connect to other business functions along the supply management value chain for it to not engage early and often with stakeholders. Procurement teams that continue to operate in business silos, have adversarial relationships with other internal business units (plus their supplier base), only respond to mandates, and only engage when they feel they need to, if at all, are setting themselves up for failure. There is simply too much innovation and market potential for procurement to not engage, communicate, and collaborate. Procurement must do all three.

**Procurement’s Triumvirate: Strategies, Processes, and Technology Adoption**

The subtitle of CPO Rising 2019 is #ValueExpansion in large part because it is Ardent Partners’ view that the procurement function must increase both its influence and performance in order to stay relevant. Chief Procurement Officers and their teams simply cannot continue to execute as they have on strategies, goals, and objectives without adjusting them for the changing business world and the pressures that act upon them. The business world is different in 2019 than it was in 2009, when a whopping 90% of CPOs and procurement teams felt most pressured by the need to cut costs and increase savings. Today, that pressure barely hits the radar screen (22% see Figure 5, page 18), as new pressures (e.g., the need to automate and drive digital transformation) coupled with legacy challenges (e.g., lacking data, good data, technology, and talent) are compelling CPOs to reexamine their business strategies for 2019 and beyond.

**Procurement Operations: Strategies**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve collaboration with business</td>
<td>47%</td>
</tr>
<tr>
<td>Improve use of technology</td>
<td>44%</td>
</tr>
<tr>
<td>Improve staff capabilities</td>
<td>35%</td>
</tr>
<tr>
<td>Streamline systems and processes</td>
<td>29%</td>
</tr>
<tr>
<td>Innovate across the supply chain</td>
<td>26%</td>
</tr>
<tr>
<td>Increase sourcing activity</td>
<td>25%</td>
</tr>
<tr>
<td>Develop Big Data skills and strategies</td>
<td>25%</td>
</tr>
</tbody>
</table>

Mindful of where the function is in 2019 and where it needs to go, 47% of respondents to Ardent’s survey indicated that improving internal collaboration and communication is their top strategy for expanding procurement’s value (Figure 8 above). Procurement leaders are placing their first bet on people – not on processes or...
technologies. This should reassure those wary readers that they will, in all likelihood, not be automated out of their jobs. Procurement is, and will remain, a people-first business function that relies on strong and consistent communication and collaboration across and outside of procurement’s four walls.

Greater communication and collaboration rated slightly higher than pursuing a digital transformation by adopting new technologies or enhancing existing ones (44%), suggesting that although procurement remains a people-first function, practitioners need new or improved tools in order to maximize their potential. Business platforms and applications are to procurement as tool boxes and tools are to tradesmen: they enable skilled people to execute on strategies, goals, and objectives, and transform raw materials into something tangible, practical, and even artistic.

Moreover, 35% of CPOs regard improving staff capabilities with more or better training, and better hiring and retention practices as their third top strategy. Like all tradesmen, procurement practitioners need solid training, continuous refinement of their skills, an exposure to new and innovative techniques and tools, and a career ladder that incentivizes them to continue their climb up the ranks. This is especially true as the “War for Talent” rages with 4% unemployment in the U.S.: hiring and retaining experienced, skilled, and talented staff is harder today than it was ten years ago when the unemployment rate topped 10%.

Procurement leaders, like all business leaders, need to think strategically about their staff and their staffing needs – both short-term and long-term. Take for example finished carpenters. They did not wake up one day, pick up a hammer and nails, and go to work; they began, probably, by helping their parents make repairs or build structures on or around their own homes. Maybe they took a shining to wood shop in high school, or went to a technical or trade school, graduated and became an apprentice carpenter. Maybe they stuck with the trade for a few years, worked and learned under a mentor, and became a full-fledged carpenter themselves. From there, they might have went on to become a master carpenter or a finished carpenter, mentoring young apprentices of their own. The point is that continuous learning and training, and opportunities for growth in the role and in the profession, are necessary in order to reach the next level-step in many different careers – not the least of which is procurement.

Procurement Operations: Process Capabilities

The majority of procurement teams today have a standardized sourcing process (60%) and also have the ability to leverage spend data for their sourcing events (59%). These two complementary capabilities are the runaway leaders of a group of process capabilities polled by Ardent Partners this year. The fact that a majority of procurement teams can leverage their spend data to drive sourcing events through a standardized sourcing process is a net positive for this cohort.
Unfortunately, the levels of process capabilities drop off sharply from there (see Figure 9 above).

- Less than half of respondents (44%) indicated that their teams have strong business and financial analytical skills. This calls into question how well they can leverage spend data for sourcing and how well they can engage new stakeholders.

- 38% of procurement teams have tightly linked their sourcing and contracting processes in order to plug savings leakage and drive compliance.

- 34% of teams have an active supply risk management (“SRM”) program, which is worrisome considering the wide range of risks facing most businesses.

- 34% of CPOs have an active marketing or communications plan for procurement to spread awareness of its mission, mandate, and success. This gap can constrain future efforts to win a bigger slice of the budgetary pie.

- Only a third of respondents (33%) have a standardized supplier performance management (“SPM”) program, which exposes the enterprise to additional financial, operational, and public relations risk vis-à-vis their supplier base.

- 31% of procurement teams reportedly have a high degree of technological proficiency across their operations, which is another proof point that a minority of procurement departments have achieved a real digital transformation.

### Figure 9: Procurement’s Top Process Capabilities

![Figure 9: Procurement’s Top Process Capabilities](image)

- Standardized sourcing process: 60%
- Ability to use spend data for sourcing: 59%
- Strong business and financial analytical skills: 44%
- Tight sourcing and contracting process linkage: 38%
- Active SRM program: 34%
- Active procurement marketing and comms: 34%
- Standardized SPM process: 33%
- High tech proficiency across procurement: 31%
- Active supplier innovation program: 18%

Procurement Operations: Technology Adoption

Process capabilities are always a prelude to a discussion on technology adoption across the supply management spectrum – either as a year-over-year comparison, or current versus planned adoption (or no plans to adopt). Process capabilities tend to mirror the corresponding technology that digitizes and automates the process; and so it can be fairly easy to identify where the gaps are in the market’s technology adoption trends.
Figure 10 compares the adoption of automated supply management business solutions in 2019 with respondent’s plans to either adopt or not adopt them in the next two years. Looking at Figure 10, the greatest opportunities for procurement to deploy automated business tools and expand its value beyond its four walls lies within supplier performance management, which relies on both human and machine applications to do its job effectively. Big Data Management Solutions, although still low on current adoption, reportedly have 47% of respondents indicating their plans to acquire these technologies. Another future adoption trend to watch: automated contract authoring tools, which are steadily growing in popularity, are up a few percentage points from last year.

In looking at one of the top strategies for procurement in 2019, technology investments and enhancements, it is clear that the average CPO and its team are currently extracting value from a range of “standard” supply management solutions that have driven an impact, historically. “Standby” solutions like eProcurement, eSourcing, and automated contract lifecycle management have long been the platforms that eased the tactical burden faced by many a procurement executive; thus, it is no surprise to see strong adoption of these technologies. However, when analyzing the relative, short-term future of procurement technology utilization, there is something that reveals just how the function plans its next era of value-driven success: harnessing the power of spend and supplier intelligence.
Ardent Partners anticipates a rash of procurement technology innovations will emerge in the next decade that will help the function ascend to the next level of performance.

Nearly 50% of enterprises plan to adopt deeper, information-led platforms like supplier information management and Big Data management over the next two years. This factor speaks volumes about the headspace of the modern Chief Procurement Officer: in order to drive a new era of value for its stakeholders and peers (and the greater organization at-large), the relative power of data and intelligence must be a long-term strategy. The “next generation” of spend and supplier data will not merely provide the procurement world with insights into current financial patterns and spending trends, but rather the necessary, action-led intelligence to make more informed business decisions about tomorrow based on the data of today. In essence, it is this realm of predictive analytics and scenario-building which will allow the 2019 procurement function one of its strongest paths to #ValueExpansion.

The State of Procurement is...
Despite the pressures and challenges that procurement continues to face, and the lackluster technology adoption numbers it reports, the state of the CPO and of the procurement function is strong, and it will continue to strengthen in 2019 and beyond. A robust set of strategies and game-changing elements (not just technology, but also people and processes), hitched to procurement’s existing processes and technology capabilities will enable the function as a whole to overcome its plateau and ascend to new performance levels.
Supply Risk Management: A Best-in-Class Value Driver

While cutting costs, increasing savings, and pulling more spend under management is, collectively, a well-worn path for procurement to drive performance, a road less-traveled is through effective supply risk management (SRM). Risk is prevalent in procurement and supply management – economic factors; political and geopolitical events; man-made or natural disasters; acts of war, terrorism, or piracy; environmental, social, and governance issues; contract/legal compliance; and supplier-related risks. Standardizing an SRM program and outfitting it with ultra-modern analytics and reporting tools can help procurement teams gain greater visibility into the different types of supply risk. And with greater visibility comes earlier warning, greater control, and more agility in managing, minimizing, or ideally avoiding performance issues and risks with suppliers or within markets.

Procurement teams that deliberately and proactively manage supply risks uniformly outperform teams that manage risks incidentally and or reactively. Unfortunately, most procurement teams today are neither focused enough on managing supply risk, nor are they equipped with modern business tools to effectively and proactively manage supply risk. This year’s CPO Rising survey research bears this out such that:

* Thirty-four percent (34%) of procurement teams have an active SRM program, while
* Thirty-eight percent (38%) of teams boost their programs with a digital or automated SRM system

For perspective, these numbers lag most other process standardization and automation levels (e.g., 60% of all procurement organizations use a standardized sourcing process across their organizations; 56% of all procurement teams use eProcurement tools).

Best-in-Class Supply Risk Management

When broken down by maturity class, Best-in-Class procurement teams report comparatively greater process standardization capabilities, but only marginally better technology adoption rates than their peers.

* Forty-seven percent (47%) of Best-in-Class teams have an active SRM program, while
* only 40% of these teams have a digital, automated SRM solution.

Clearly, there is significant opportunity for even Best-in-Class procurement teams to enhance their supply risk management programs and take them to the next level — with good reason. The data shows that even modest adoption of SRM solutions correlates with having slightly more visibility into supplier performance and risk. Compared to all other procurement teams, the Best-in-Class report:

* 30% greater visibility into supplier performance and risk
* 66% greater spend under management
* 16% greater savings realized last year

Final Thoughts

As Chief Procurement Officers and other procurement leaders seek to overcome an overall performance plateau, they can look to supply risk management as a lever to advance to the next level. They can also begin to explore other supply risk management technologies that provide greater downrange visibility and situational awareness, enabling better supply risk identification, mitigation, and management.
Chapter Three: Procurement Performance

“You miss 100% of the shots you don’t take.”  
– Wayne Gretzky, NHL Hall of Famer

The Agile Procurement Organization

In 2019, the tried and true procurement strategies still work. But, fourteen years after the first report in this series was written, the procurement profession needs new, more adaptive strategies and approaches to propel it to the next level of performance. The winners in procurement will be the agile organizations that can leverage their strategic prowess and fluid resources to anticipate and support dynamic business requirements amidst the more rapid changes in industry, supply markets, and customer behaviors. Agility is the characteristic that will help procurement departments advance and thrive in this new age, when innovation continues to expand beyond mere products and services to core business processes and entire business models.

CPOs and procurement teams need to have honest conversations with themselves, their stakeholders, and their executive teams if they are serious about expanding their value.

In the context of procurement, agility requires enterprise sourcing and procurement teams to be highly responsive to any changes in stakeholder needs, supplier capabilities, and market conditions. For example, agile sourcing may now also require shorter contracts and thusly, more iterative sourcing. A CPO can develop an agile organization by blending together the collection of key resources, activities, tools, and capabilities to create better coordination and responsiveness. Agility takes training and discipline, especially as procurement executives balance the opportunities at hand with process rigor, investments in technology, and the proper strategic outlooks in a shifting, dynamic market.

Adaptation as Agility’s Precursor

While many procurement leaders will obviously point to the desire for business agility as a starting point for transforming their function, the truth is that adaptation should be the precursor for the agile procurement department. Nearly every business function faces some sort of organizational pressure, whether it is the impact of new and innovative technology, market fluctuations, internal challenges, or major economic events. This necessitates a CPO-led
cycle of assessments designed to accelerate the team into an agile business function. The more understanding a procurement team has in its current inner workings from both internal (collaborative) and external (suppliers) sources, the more educated it will be in regard to how it should approach the future. Thus, it is critical that CPOs and their teams consider these potential agility drivers and measure them using these methods and metrics:

- Adaptation to budget dynamics (the ability to do more/better with less).
- Proactive engagement with external stakeholders (i.e. suppliers).
- Responsiveness to disruptive market/regulatory events.
- Adoption/incorporation of supplier innovation.
- Net Promoter scores (NPS) for stakeholders.
- Other types of customer satisfaction surveys.

As discussed, the need to continuously monitor and assess key procurement activities and results is absolutely crucial in adapting to evolving market conditions. In 2019, 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 new Ardent Partners research. True agility requires continuous monitoring, reassessment, and the adjustment of strategies and approaches.

At the end of the day, there is a delicate balance to the realm of “adaptation:” procurement executives must not only execute continuous assessments of relationships, performance, and other key factors, but must also weave in the power of intelligence to truly understand what the future may hold. Becoming a truly agile procurement function does not just entail the mere measurement of its current and expected performance, but rather true assessments of the relative experiences of its collaborative partners and key stakeholders, as well as how these relationships will impact the future.

**The 2019 Procurement Benchmarks**

Every year, this report presents the results of hundreds of procurement teams’ performance across several standard performance metrics and key performance indicators (KPIs). These metrics and KPIs help to tell a story about the state of procurement overall, and then enable CPOs and their teams to benchmark their performance against two maturity classes – the Best-in-Class and All Others. One of the goals of this benchmarking is to provide CPOs and procurement teams with insight into where they stand in relation to their peers and how they can improve in the year ahead.
Spend under management refers to the percentage of total enterprise spend (all direct and indirect spend – including capital and services spend) that a procurement organization manages or influences. At 63.2%, Spend under Management for all respondents in 2019 is largely the same as it was in 2018. In fact, between 2012 and 2019, the average spend under management metric has barely moved. Over this same period, fewer CPOs are focused on increasing this percentage despite Ardent Partners’ research that shows this is a valuable pursuit. There are other benefits beyond savings that also result from procurement’s influence, including improved quality and lower risk. More broadly, procurement teams have plateaued in their performance here and other major areas of performance and they must do something to compensate.

Although the average procurement team saved a bit more in 2018 than in 2017, and they have identified slightly more savings in 2019 than in 2018, procurement’s overall savings performance in 2019 reflects a “snapshot” rather than a steady year-over-year trend. Procurement teams sourced more addressable spend in 2019 than in 2018 (51% vs. 46.9%), while they have more enabled suppliers in 2019 than in 2018 (35.6% vs. 32.4%). And, like spend under management, spend and contract compliance rates continue to hover around 65%, suggesting that there might be more than a correlative relationship between the two.

### 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, 89.1% of spend under the management of the procurement organization, nearly 36% more than their peers (see Table 2, next page). 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.

Best-in-Class enterprises are known for their top-tier performance across a series of critical procurement, sourcing, compliance, and supply management metrics; and the metrics presented in Table 2 bear this out. Best-in-Class procurement teams are clearly superior to All Other teams in every performance measurement.

### Table 1: Procurement Performance Metrics for 2019

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>Spend under management</td>
<td>63.2%</td>
</tr>
<tr>
<td>Savings 2018 (Actual)</td>
<td>7.55%</td>
</tr>
<tr>
<td>Savings 2019 (Target)</td>
<td>7.49%</td>
</tr>
<tr>
<td>Addressable spend that is sourced</td>
<td>51.0%</td>
</tr>
<tr>
<td>Enabled suppliers</td>
<td>35.6%</td>
</tr>
</tbody>
</table>

© Ardent Partners - 2019
• They realized more savings in 2018 and identified more savings opportunities in 2019 than their peers – and they improved upon their own performance from 2018.

• They competitively source more addressable spend and a greater percentage of suppliers that are electronically enabled – compared to their peers in 2019 and to themselves in 2018.

• There is still quite the performance gap between the two maturity classes (89.1% vs. 53.6%). Although the percentage of spend under management in the average organization has plateaued over the past several years, the Best-in-Class rely on this critical benchmark to reinforce its value.

• Although the Best-in-Class tend to save more than others and have more savings targeted, at some level the largest savings opportunities remain with less-mature companies.

Still, Best-in-Class procurement teams are able to outperform their peers due, at least in part, to superior process capabilities (Figure 12, page 34) and enabling technology solutions (Figure 13, page 36). Together, process standardization, linkage, and automation create business conditions that can often result in powerful visibility into many different aspects of a typical business (Figure 14, page 37) – from operational, tactical drivers to strategic big-picture measures, and procurement-centric KPIs and performance metrics. Each one of these Best-in-Class advantages will be discussed in greater detail here.

**Trust the Process - It Works**

Best-in-Class procurement teams tend to standardize their processes to a greater degree than their peers, despite the fact that their process capabilities, while superior to All Other teams, are not exceedingly high. Figure 11 on the next page shows that the most prevalent process capabilities for the Best-in-Class are standardized sourcing processes and the use of spend data to identify and execute on sourcing projects. The research also shows that while even the Best-in-Class have room for improvement, their process advantages are a key reason for their performance lead.

Four of five Best-in-Class procurement teams (80%) reportedly have the ability to not only conduct standard sourcing projects (including eSourcing, eAuctions, and reverse auctions), but also leverage actionable spend intelligence to make more informed sourcing decisions and improve sourcing outcomes (79%). A little
more than half of All Other teams, 54% and 53%, respectively, have these capabilities which help explain the Best-in-Class’ higher savings rates and larger sourcing throughput.

The greatest disparity between Best-in-Class and All Other procurement teams is in how tightly their sourcing and contracting processes are linked. While nearly three quarters of the Best-in-Class (73%) report tight linkage between the two, just 27% of All Other teams report the same – a whopping 270% difference. As a result, Best-in-Class procurement teams are better enabled to capture the value they negotiated with suppliers during the sourcing event (i.e., identified savings), and codify it in a legally-binding contract. In turn, this can lead to greater realized savings, less savings leakage, and less financial and supplier risk.

If a procurement teams’ sourcing process is not tightly linked or not linked at all to its contracting process, then it becomes more likely that pertinent information will fall through the proverbial cracks. Terms and conditions could be omitted; SLAs could be overlooked; delivery schedules could be missed; performance criteria, including supplier codes of conduct, could be ignored; contract expiration/renewal dates could be misstated or misplaced, and the wrong pricing could be charged and paid. Any number of undesirable business outcomes could occur as a result – service upcharges, supplier poor/non-performance, missed production schedules, operational downtime, fines and legal fees, and reputational damage. Maverick/off-contract spend can also occur if/when procurement teams find other suppliers or vendors at the last minute to fill gaps. All of these outcomes ultimately lead to savings leakage – the difference between savings identified during a sourcing event and savings subsequently realized in downstream purchasing.
Best-in-Class procurement teams also reportedly standardize supplier performance management (SPM) processes to a significantly greater degree than All Other teams (64% vs. 24%) – almost nearly as much as sourcing-contracting process linkage. Collaboratively engaging suppliers, setting performance criteria and expectations during the sourcing event, regularly monitoring and assessing performance, employing supplier surveys and scorecards, and having honest and direct conversations with strategic suppliers are all ways that Best-in-Class procurement teams manage supplier performance to drive the very best performance and innovation from their supplier base. Failing to do so can result in almost all of the same outcomes as loose linkage between sourcing and contracting processes.

It seems intuitive, but Best-in-Class procurement teams reportedly have much stronger business and financial analytic skills than their peers (62% vs. 40%) – more than one-and-a-half times so. It is fair to say that those staffs that have better business sense and analytical skills will generally outperform those that lack them. They will generally manage data better, find more and better business opportunities, make better, more informed decisions, and use the data to drive auditing and compliance to ensure that they are capturing and realizing savings opportunities.

From there, significant disparities remain between Best-in-Class and All Other procurement teams in terms of process capabilities:

- **Nearly twice as many Best-in-Class teams** have high tech proficiency across their departments, which bodes well for their ability to employ applicable Industry 4.0 technologies, like advanced analytics, AI, AR, and others.

- **Best-in-Class teams are 1.5 times more likely** to have a supply risk management (SRM) program which should enable mature procurement teams to identify and proactively manage or avoid risks.

- **Best-in-Class teams are 1.34 times more likely** to have their own marketing and communications plan – important for communicating the function’s mission and value and for driving greater collaboration across the typical enterprise.

- **While not prevalent, nearly twice as many Best-in-Class teams** have a supplier innovation program, enabling more mature procurement teams to adopt and then adapt supplier innovations.

Solid process capabilities can provide major lift to procurement operations as seen in Best-in-Class teams. But, it is when they are combined with a higher level of technology adoption that a competitive advantage is realized.
Flexing Their Muscles: Best-in-Class Technology Adoption

One of the reasons why Best-in-Class procurement teams are able to not only employ superior process capabilities and drive much higher performance, is their consistently higher adoption of automated supply management solutions (see Figure 12). Procurement skill, talent, and discipline shine through in process capabilities; but technology adoption is truly where procurement teams can flex their muscles and scale their resources.

Figure 12: The Best-in-Class Technology Advantage

Compared to All Other procurement teams, the Best-in-Class more frequently:

- Deploy eSourcing tools to conduct sourcing events, which enables them to process more throughput and place more enterprise spend under their management.

- Employ digital, automated contract repositories to enable procurement to have enterprise-wide access to contacts for easy retrieval, review, and auditing, and to help drive on-contract spend, compliance, and realize savings.

- Leverage automated spend analysis solutions, which automatically collect, categorize, cleanse, enrich, and analyze spend data to inform sourcing decisions, enrich financial reporting, and boost governance, risk management, and compliance (GRC) efforts.

- Manage downstream payments with “ePayables” solutions that automatically receive and process digital invoices and submit electronic payment to vendors. This ultimately can reduce the costly time to process invoices and enable procurement to take advantage of dynamic discounting, early-payment discounts, supply chain financing, and other cash management opportunities and techniques.

- Tap into the wide-ranging benefits of business/payment/supplier networks, which include enabled and vetted suppliers,
community business intelligence, sourcing and payment infrastructures, communication and collaboration tools, and wider, faster access to supplier innovations.

The evolution of business technologies will help procurement ascend to a new performance trajectory and help create a digital, data-driven, and automated network of interconnected actors and applications along extended supply chains.

These are only the most prominent examples of how Best-in-Class procurement teams can benefit from greater use of digital, automated supply management solutions that cover end-to-end process execution. One invaluable byproduct of digital transformation data, can provide CPOs and their teams with multidimensional visibility into a wide array of business processes and performance, and help them drive processes and performance to higher levels.

Turning Data into Intelligence - Step One: Visibility

When procurement teams begin to transform their end-to-end processes, particularly when they digitize and automate, they begin to create significant quantities of structured and unstructured data that can either overwhelm or enrich their business processes.

Teams that have the tools and skillsets to harness that data can gain significant visibility into many dimensions of the business – like spend, savings, performance, compliance, risk, and so on.

Figure 13 (next page) shows a striking contrast between the levels of visibility that Best-in-Class procurement teams have when compared to All Other procurement teams. Just as the Best-in-Class have dramatically greater process and technology capabilities than their less mature peers, they also have significantly greater visibility into a host of operational and performance metrics. These rates can define an organization’s maturity, signal its resiliency, and demonstrate its unique ability to ascend to the next level of performance.

Curiously, Best-in-Class visibility into spend and savings metrics does not correlate with automated spend analysis adoption (51%), suggesting that some Best-in-Class procurement teams are able to gain visibility without the automated tools to match. Recall that 80% of Best-in-Class procurement teams can reportedly use spend data to identify and execute sourcing projects, which roughly tracks with their ability to gain total visibility into enterprise spend (87%), identified or negotiated savings (80%), and spend under management (73%).

The evolution of business technologies will help procurement ascend to a new performance trajectory and help create a digital, data-driven, and automated network of interconnected actors and applications along extended supply chains.
While technological prowess and pure functional and process standardization are the typical Best-in-Class hallmarks, another area in which top-tier CPOs and their teams shine is in regards to its stranglehold on spend, supplier, and risk visibility. In the Age of Intelligence, the contemporary procurement department sits on a veritable goldmine of insights; it cannot be overstated just how crucial the visibility advantages detailed in Figure 13 are to the greater success of today’s procurement function. The main takeaway of the “Best-in-Class visibility advantage” does not just revolve around the specific elements of spend visibility, but rather the totality of intelligence that the Best-in-Class procurement team has achieved in 2019. The ability to maintain (or develop) agile competencies is dependent on true intelligence derived from robust reporting and analysis capabilities; a truly dynamic response to new and challenging market pressures is tightly-linked to predictive insights gleaned from the totality of spend, supplier, and risk data.

#ValueExpansion: CPOs Must Rise to the Challenge

Moving forward, CPOs and procurement teams of both maturity classes need to have honest conversations with themselves, their stakeholders, and their executive teams if they are serious about expanding their value. They can start by making an honest assessment of their current operation (by performing a SWOT or similar analysis) and surveying stakeholders on the overall impact their department is having on the enterprise today. They can continue by framing out the near-term and mid-range capabilities that will be needed to support business strategy and overall operations while positively impacting results. While the items most needed to propel procurement ahead (and their prioritization) will be unique to each individual department, certain key characteristics must shine through in all cases:
• **Agility** – Top performing procurement teams must be able to adeptly manage their operations in support of the fast-changing needs of the business to compete in a volatile and highly-competitive market.

• **Intelligence** – 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. Truly intelligent procurement teams rely upon a few common elements: collaboration, communication, best practices, automation, data, data management hubs, algorithms, and analytics.

• **Innovation** – While most procurement-led innovation today focuses on the incremental; the reality is that many of the enterprise’s larger, longer-term opportunities will depend on how well procurement identifies and drives innovation within the enterprise and across the supply chain. This is not hyperbole. This is fact.

• **Boldness** – In a risk-averse environment, challenges can quickly become major obstacles and the rationale for inaction. The tendency to favor decisions that lead to more predictable outcomes pushes many organizations to take more measured steps or simply stay in place. The net effect of this behavior is that in general, procurement organizations are less aggressive than they should be in driving change. CPOs must work to counteract organizational prejudices and more actively push boundaries, challenge limits, and rethink paradigms. Failing fast is more acceptable today and the opportunities merit taking greater chances. Rise up, rise up, it’s time to take a shot.

*Figure 14: Procurement’s Keys to #ValueExpansion*
Chapter Four: Strategies for Success

“Success is not final; failure is not fatal. It is the courage to continue that counts.”
– Sir Winston Churchill, former British Prime Minister

Innovation is both a powerful word and a broad concept. Innovations can be complex; and they can also be simple. Some innovations are market-driven while others are engineering-led. Innovation can create new markets and innovation can create new dilemmas. Whether it results in an industry “game-changer” or a simple, incremental improvement, innovation is generally in the eye of the beholder.

Innovation is also a process, not an idea. Peter Drucker, the prolific management theory expert, defined innovation as “change that creates a new dimension of performance;” a positive change, something that creates new value or increases current value. Drucker’s definition is useful in explaining the real truth about innovations – that most are incremental in nature and build upon earlier work – most do not happen overnight.

Procurement needs a reboot. To expand value creation in the decade ahead, the modern CPO will need an open and intellectually-curious mindset that has a capacity to thoughtfully consider new ideas and actively push them forward. CPOs must follow the courage of their convictions as they start to reframe the procurement function and how it engages and operates.

For example, consider today’s iPhone XS – Apple’s flagship smart phone. It did not suddenly appear – it is the product of nearly two decades of incremental innovation by Apple, beginning with the development and introduction of the iPod Classic in October of 2001. Some developers have even argued that the idea of the iPod originated decades before, in the movie, 2001: A Space Odyssey, and in patents. The point is that one of the world’s most innovative products may have originated 40+ years ago when only science fiction writers and enterprising techies could conceive of the technology and its impact on the business world and society more broadly.
House of Procurement: When Innovation Knocks, Answer the Door

Given the level of organizational maturity, it is no surprise that most procurement-led innovation today focuses on the incremental; but, the reality is that many of the enterprise’s larger and longer-term opportunities will depend on how well procurement identifies and drives innovation within the enterprise and across the supply chain. In 2019, essentially half (49%) of all procurement teams report that they proactively work with their business stakeholders to understand innovation and their R&D needs (see Figure 15); and that they also work to bring relevant suppliers to the table to discuss innovative ideas. After all, procurement neither operates in a vacuum, nor has it cornered the market on innovation. Internal stakeholders and progressive suppliers all have innovative ideas to contribute to the larger discussion on driving more value through procurement and throughout the enterprise. Chief Procurement Officers not only have to reach across the hall to spark innovation, they also have to open their door when innovation knocks.

But as Figure 15 above illustrates, 35% of all procurement teams still reactively respond to changing business needs and only occasionally tap their relevant stakeholders for their advice and input. And 16% of all procurement teams rarely, if ever, work on innovation and R&D initiatives with the rest of the enterprise or their supplier base – a missed opportunity to innovate and incrementally improve performance.

In 2019, overall procurement performance has leveled off; and the teams that continue to do the same things over and over again will actually get different results (as in increasingly worse). In this context, procurement’s new definition of insanity is for a CPO to stay the course and make no changes.

Procurement-led innovation is less of a formality in 2019 than it is dependent on organizational culture and business priority. Figure 16 (next page) shows that just 14% of all CPOs and procurement teams have a formal supplier innovation program wherein they prioritize working directly with their supplier base to develop and integrate innovative ideas and technologies. This is generally considered a Best-in-Class approach and a proven method to
identify more market opportunities and drive greater value. After all, supplier innovation does not simply “happen” – it is not a “light-bulb idea.” Rather, it takes continuous effort over an extended period to incrementally improve operations, processes, products, and services.

Slightly less than a majority (49%) of procurement teams have only an informal supplier innovation program – meaning that these teams possibly drive supplier innovation, but it is accidental, ad hoc, or not by design. And an astonishing 37% of all procurement teams have no supplier innovation program at all – and practically shut the door on any innovation emanating from across their supply chain. Comparatively, Best-in-Class numbers are not much better; just 20% of high-performing teams report that they have a formal supplier innovation program, while another 53% have an informal plan, and 27% have no plan. What to make of these numbers?

One way to contextualize procurement’s overall lack of formal supplier innovation programs is that so few CPOs, procurement leaders, and practitioners consider focusing on innovation necessary to take them to the next level of performance. Indeed, just 15% of all procurement teams view innovation as a game-changing driver in 2019.

While having an informal supplier innovation program is better than having no program at all, this is nonetheless a missed opportunity for procurement to find and harvest innovation from the supply chain. Luckily, opportunities still exist today and will exist tomorrow for CPOs and their teams to open the proverbial doors to their supply base, which can share innovative ideas for products, processes, manufacturing methods, and even new market opportunities. This should also enable procurement to push line-of-business users and suppliers to continuously improve operations– in effect, to expand their value.

**General Recommendations**

Best-in-Class procurement departments, on average, manage 89% of enterprise spend and they do it more efficiently and with greater impact than their competitors. They align themselves more closely with executives, adopt and utilize technology to a greater degree, and standardize their processes more consistently, which combine to drive better visibility and superior performance. Besides adopting the core strategies and tools of the Best-in-Class procurement teams presented in Chapter 3, Ardent recommends...
the following strategies and approaches for CPOs and procurement departments seeking to improve their performance:

- **Digital transformation (for beginners):** For the procurement teams that are stuck with predominantly manual and/or inefficient processes and systems, it is time to think holistically about introducing technology into the source-to-settle process. Adopt the mindset and approach required to achieve a digital transformation (see end of Chapter 1 page 15), then simplify processes before mapping them to technology. Make sure to prioritize supplier enablement to drive system throughput and the Cloud to more regularly and rapidly access innovations. Also prioritize visibility into data, processes, and suppliers; and above all else, remember to engage key stakeholders early and throughout the process.

- **Digital transformation (for continuing success):** While starting a digital transformation project has its unique challenges, continuing down this often long and winding road takes vision, determination, and patience. The most important thing to remember is that incremental change is better than no change; and that incremental change can in itself lead to innovative and game-changing results. If budgets, time, and staff/talent do not allow for rapid, large-scale investment in new technologies, adjust timelines and opt for a smaller, multi-phased initiative.

- **Digital transformation (for advanced procurement teams):** Progressive, innovative CPOs and procurement teams that are agile, data-driven, innovative, and proactive change agents and value drivers continue to lead the way using solutions to reimagine the possible in procurement and supply management. These procurement “rock stars” are playing a tune that should be copied.

- **Embrace agility as a strategy, and as a value driver:** The days of “command and control” procurement operations are waning. Markets shift too fast; news cycles are too short; and innovation moves too rapidly to spend months or even weeks deliberating over basic decisions. Procurement needs to respond faster to market dynamics and business challenges. Chief Procurement Officers need to hire smart, talented, and resourceful staffers whom they can trust, and then empower them to make snap decisions based on data, intelligence, and the opportunities they present.

- **Develop and implement a Big Data strategy:** Procurement organizations need a systematic approach to capture, process, analyze, and respond to the different internal, supplier, and third-party data streams that can impact their work and decisions. Without such a strategy, procurement teams will be hard-pressed to manage and monetize the steady streams of data that continue to pour into their units and remain unable to uncover hidden insights and maximize opportunities.
• **Stop, collaborate, and listen:** Perhaps the “poet,” Vanilla Ice was referencing the famed English poet, John Donne who wrote that “No man is an island.” The same can – and should – be said for business units: they are all in this together. Chief Procurement Officers and their lieutenants need to break down the four walls of their organizations, establish relationships across the enterprise, and develop those relationships to ensure alignment and focus on the things that matter most.

• **Stop, network, and listen:** On a related note, CPOs need to leverage peer relationships to share and learn best practices in overcoming (or ideally, avoiding) performance plateaus. This is pertinent for procurement leaders working within the same industry verticals, as they experience identical or similar challenges and may have unique strategies and solutions to overcome these challenges. But this is also true of all CPOs and why industry events, like Ardent Partners’ annual CPO Rising Procurement Executive Summit, are so valuable.

• **Manage more spend AND manage it better:** While the average percentage of spend under management has stayed flat for the past seven years, Ardent Partners believes there is still value in expanding procurement’s influence on spend. Procurement should also actively attempt to improve its spend management by developing deeper category strategies and improving supplier relationship management.

• **To mitigate supply risk, first, manage supplier performance:** To stay ahead of supply risk and ideally avoid it, procurement needs to regard its suppliers as its biggest asset, its biggest liability, and one of its biggest stakeholders. Regularly monitor operations, assess performance, and do not shy away from terminating harmful supplier relationships that are not worth the risks they impose.

• **Draft data scientists onto a multi-disciplinary team:** The changing nature of procurement work brings with it changing workforce requirements. In today’s data-driven world, CPOs would be wise to have data science capabilities to begin to take greater advantage of advanced analytics.

• **Incrementally incorporate Industry 4.0:** Industry 4.0 business solutions are making it possible to remove human interfacing from a significant part of many processes. Procurement teams should begin to explore the solutions that can boost their teams’ user experience, situational awareness, and ability to rapidly respond to sudden events.

• **Take more (educated) risks that seek higher reward:** Given the relatively short procurement job tenures, CPOs (in place on average for less than 4 years) and their teams should feel emboldened to bring their most innovative ideas, practices, processes, and solutions to the table. While some of these ideas may fall flat (in that case, try to fail fast), they could also be the
catalysts that spawn a new business model or fundamentally change the department’s operations. When no risks are taken, rewards are fleeting. Chief Procurement Officers need to start taking educated risks, plain and simple.

**Recommendations for #ValueExpansion**

The following recommendations are tailored to help procurement expand the value they create and break through their performance plateaus. They contain more innovative and progressive ideas, and are meant to help CPOs and procurement teams that have been “doing the basics” step up their game and take it to the next level.

**Talent**

- **Improve organizational intelligence by retaining staff longer:** Workers today want to have more control, independence, and ability to make more executive decisions. They are not content to merely “salute and execute,” they crave empowerment. This is especially true for Millennial workers, who by virtue of market dynamics, practically demand more responsibility (or else they will leave). To keep workers and their knowledge around longer: trust them, enable them, challenge them, and make them feel part of the team’s proverbial brain trust.

- **Focus on upskilling the team:** Another way to retain top talent and realize more of their inherent potential value is to help them become smarter and more productive. Establish in-house “expert” meetings where subject-matter experts share best practices. Invest in resources that can help centralize and distribute institutional knowledge – like core supply management technology templates or SharePoint. Assign mentors and protégés. And help staff, in ways that are unique to each staff member, identify productivity traps, tasks that add minimal value, and roadblocks to taking on and completing more strategic, value-adding work.

**Systems**

- **Expand the basic usage of current tools:** Procurement teams should capitalize on existing investments in source-to-settle business tools and seek to drive more throughput via these applications, since research shows that the more throughput that is processed through digital, automated tools, the greater benefits are created.
• **Close gaps between existing processes and technologies:** Business tools like spend analysis, eSourcing, and contract management systems do more than perform their intended functions; they can and should be used to close any process gaps between them. For example, link spend analysis with eSourcing to ensure that sourcing teams have actionable spend intelligence before launching a large sourcing project. Link eSourcing tools with contract management systems (pre- and post-execution) to ensure that sourcing awards are captured in a legally-binding document.

• **Augment current technology with new, innovative capabilities:** Remember that digital/procurement transformation does not have to be radical or total; incremental improvements via technological innovation can add significant value. For example, updating spend analysis software with intelligent automation and machine learning algorithms can significantly boost spend analytics capabilities in the form of automatic data collection, categorization, cleansing, enriching, and analysis.

**Operations**

• **To drive agility, cut, streamline, and repeat:** Being agile is more than just acting on current intelligence and quickly making informed decisions vis-à-vis sudden opportunities. It means working within an organization that has simplified its processes, streamlined its reporting lines, and encourages its staff to make executive decisions and take educated risks. Bureaucracy, red tape, and duplicative management layers do not encourage agility – they discourage it, while also creating risk aversion. Simplify processes, reward initiative and ingenuity, and forgive mistakes.

• **Foster a holistic procurement culture:** Like a race car, high-performing procurement teams will find it difficult, if not impossible, to reach next-level performance if one part of its organization is grossly out of alignment. Chief Procurement Officers need to ensure that their staff, leaders, processes, strategies, and technologies are all aligned and working in unison to propel organizations forward and upward.

• **Go beyond basic collaboration – strive for total alignment:** Procurement teams need to align themselves with outside departments and budget holders, including: product departments, contract management teams, AP, finance, legal/general counsel, enterprise risk management, and other business units. Close alignment allows for processes to flow fluidly through all stakeholder departments, preserve quality and savings, and unite enterprise stakeholders behind a common mission.
Data Management and Analysis

- **Create a data-driven culture that values objective analysis:** Procurement teams, like other business units, are awash in Big Data. If organizations have the skills and tools at hand to analyze it, there are significant opportunities to find hidden value. Resist the urge to continue making decisions based on anecdotal evidence, past experience, or “gut feel,” and foster an environment in which decisions are made based on empirical analysis of the data available.

- **Enable procurement data fusion and analysis:** Work to aggregate the procurement and supply chain data from all relevant sources into centralized dashboards (e.g., supplier, spend, risk, contracts, etc.) for faster and better analysis. These dashboards collect, categorize, cleanse, and enrich structured and unstructured data together under headers, provide drill-down capability for more in-depth information, visualize data, and automate alerting and reporting to present procurement leaders and practitioners with an end-to-end, real-time look at operations.

- **Tap into new technologies for global, real-time data:** For procurement teams that require real-time supply chain monitoring, consider employing connected devices (Internet of Things) and possibly even drones to gather and transmit critical supply chain intelligence from virtually anywhere and at any time. When dispatched to sites around the world, drones can transmit real-time, multi-source intelligence to procurement teams to better understand what is happening along the supply chain during risk events. Sensors embedded within shipping containers, pallets, and parcels can ping Blockchain distributed digital ledgers to provide end-to-end track-and-trace capability. And commercial or industrial equipment embedded with sensors and transmitters can ping and update MRO and ERP databases to help procurement teams stay ahead of regular product replenishment and equipment repair or replacement.

Innovation

- **Make procurement a collaboration and innovation hub:** Collaboration is not simply the reason to call a meeting; it can become an operating principle. While innovative ideas need time to incubate, they also benefit from a collision of perspectives and expertise. With an ability to support and impact the lines of business and most business functions, procurement is uniquely positioned to bring interdisciplinary groups together on collaborative projects. And from that collaboration, procurement will emerge a more innovative business unit.

- **Proactively work with the business and supply base to define innovation and R&D requirements:** Procurement teams of all shapes, sizes, and maturity classes need to work
proactively with their internal stakeholders and their supply base to understand innovation from each perspective; and then use that knowledge to inform how procurement can expand the most value for its constituents. Procurement teams should not wait for business partners and suppliers to approach them; CPOs and procurement teams should make the first move.

- **Establish a formal supplier innovation program**: Define (or redefine) “Supplier Innovation” for your team and to your suppliers – how it is defined will largely define what types of innovations will be realized. Establish trust and open communication with key suppliers. Provide clear and unambiguous incentives and rewards to suppliers for their innovations. Develop separate project teams for supplier innovation. Develop a deliberate and robust process to source, vet, and drive supplier innovation ideas. Vary the approach based upon type of supplier and potential opportunity. And, develop a set of supplier innovation metrics to help track program performance.

**Conclusion**

Procurement, in the new millennium, has been on a remarkable winning streak. But, truth be told, a good number of CPOs gained their acclaim by simply entering the competition. More recently, the stakes have started to rise, while a new set of rules and parameters are redefining the game.

In 2019, overall procurement performance has leveled off; and the teams that do the same things over and over again, will get different (as in increasingly worse) results. In this context, standing idly by is the new procurement definition of insanity. Even those that more broadly adopt today’s best practices will eventually start to lose ground while their best competitors race to build both a bridge to the future and the means to transport everyone across it. Their vehicles will be fueled by agility, data-driven intelligence, and innovations both game-changing and incremental; but they will need savvy stewardship and steady guidance to reach their destination.

Procurement needs a reboot. To expand value creation in the decade ahead, the modern CPO will need an open and intellectually-curious mindset that has a capacity to thoughtfully consider new ideas and actively push them forward. CPOs must follow the courage of their convictions as they start to reframe the procurement function and how it engages and operates. Where courage does not exist, it must be manufactured. Remember that in business, the meek inherit nothing. Tomorrow’s best CPOs must develop new ways to break through inertia and drive better outcomes. They must inspire change, even as they execute it. Above all, they must unflinchingly see procurement as a competitive advantage and then work relentlessly to realize their vision.
CPO Counterpoint: What Plateau?

While Ardent Partners believes that the market data it has captured in its CPO Rising series indicates that the procurement profession is starting to plateau, many of the CPOs and procurement executives interviewed for the 2019 report disagree. No matter their answer, there is universal agreement that procurement can create more value and that its best days are ahead of it – #ValueExpansion.

Below are the answers received to the following questions “Do you believe that the procurement profession has plateaued in its quest for higher performance? Are you now seeing diminishing returns for the same level of effort invested by you and your staff?”

“I do not believe the procurement profession has plateaued in its quest for higher performance. Continued global economic expansion, regulatory complexities such as tariffs and IP, increased focus on social/ethical corporate initiatives, and strategic imperatives to outsource more and more non-core competencies are all becoming increasingly complex. As such, Procurement has the opportunity to leverage their expertise and lead in creating increased returns for their organizations.” -- Christopher Silva, Vice President, Procurement & Strategic Sourcing

“I do not believe that the profession has plateaued. It has changed quite a bit over the last two decades, however that evolution has been in response to meeting the needs of the organization. The next “golden age” of procurement, in my view, is moving the profession to a strategic leadership role utilizing AI and technology to run the transactional activities allowing procurement leaders to address other aspects and challenges.” -- Dennis Silva Chief Procurement Officer BCNET

“No, but performance is a never-ending story… what is a saving, etc.? As long as the overall approach, effort, and out-of-the-box thinking is there, I am satisfied. There is always room for improvement but we shouldn’t hunt the savings ‘ghost’ too much.” -- Eric van der List, Senior Director, Global Procurement & Sourcing

“No. Continuous improvement is everyday and everywhere. You take it and run with it.” -- CPO, Higher Education

“I believe we are going through a generational shift. Old school, slow moving purchasing leaders are retiring and the next generation is taking the reins.” -- CPO, Utilities Industry

“[I] don’t believe it has plateaued, just picking fruit takes more effort and better approaches. Traditional cost reductions are primarily based on material changes. We are investing our efforts in eliminating waste and sharing cost benefits, with a focus on improvements within our suppliers’ four walls. When savings are shared, there is motivation for the supplier. Plus, if we can help them improve their processes, they recoup additional savings from the improvements with other customers that they don’t have to share.” -- Jim Klotz, Vice President Global Supply/GM Asia Douglas Dynamics, L.L.C.

“No, digital opportunities offer improvements in getting the basics right, and a solid foundation to improve sourcing and buying activities. Plus, reducing supply chain risks and better data insights. No diminishing returns in the near-term.” Mat Langley, Vice President and Global Head of Operations and Technology

“On the contrary, I am seeing renewed interest from most procurement professionals to further their knowledge and skills in the field, especially as we – as procurement professionals – are facing major challenges in transforming our organizations to cope up with the digital transformation revolution. I think there will be no place for low-performing procurement organizations in the very near future.” -- Khalid Mohamed Abdel Wahab Strategic Sourcing & Supply Executive Director, Savola Foods

Wise words from wise leaders. To be sure, none of the answers above are wrong. Nonetheless, Ardent Partners stands by its analysis of the overall market and hopes that this report serves as a call to action for CPOs and other procurement leaders to start developing a new series of plans that will unlock greater value.
Appendix

About the Authors

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With 20 years in the industry and 10 years leading the charge at Ardent, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. 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 350 times in eight 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 Ariba and Commerce One. 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 has been named a “Pro to Know” by Supply and Demand Chain Executive multiple times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.
Matthew York, Senior Research Analyst, Ardent Partners

Matthew York is a Senior Research Analyst at Ardent Partners who for more than a decade has been fascinated by emerging technologies like artificial intelligence, Blockchain, and connected devices, and how they can enrich business operations. At Ardent Partners, Matt researches, analyzes, and writes about the intersection of people, processes, strategies, and technologies in supply management and how they are changing the business landscape of tomorrow. He has been lead author on data-driven, thought leadership reports ranging from advanced analytics to contract management to strategic sourcing to supply risk management. Matt has twice been named a “Pro to Know” by Supply and Demand Chain Executive magazine and is a sought-after speaker. Previously, Matt served as an analyst with the U.S. Department of Justice and the U.S. Intelligence Community. He earned a B.A. in Political Science/International Relations from Stonehill College and an M.A. in Political Science/International Politics from the University of New Hampshire. Matt can be reached via Twitter (@MattYork_Ardent), LinkedIn, and at myork@ardentpartners.com.
The research in this report is drawn from 308 respondents representing the following demographics:

**Job Function:** 89% procurement; 3% supply chain; 3% operations; 2% finance; 3% other

**Job Role:** 41% VP-level or higher; 27% director-level; 23% manager-level; 3% staff-level; 3% consultant, 2% other

**Company Revenue:** 50% Large (revenue > $1 billion); 24% Mid-market (revenue between $250 million and $1 billion); 26% Small (revenue < $250 million)

**Region:** 64% North America; 27% EMEA; 7% Asia-Pacific; 2% South and Central America

**Industry:** More than 20 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 11% of the overall survey respondents.

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Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.
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