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CPO Rising 2023

CPO at the Crossroads

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CPO Rising 2023: CPO at the Crossroads

The role of the Chief Procurement Officer (CPO) has become both universal and critical to operations and outcomes, as business executives have recognized the strategic value of procurement in driving profitability and growth. However, the events over the last three years have dramatically altered the global supply chain landscape, creating unprecedented challenges for procurement professionals. As the pandemic recedes and businesses drive forward, CPOs find themselves at a crossroads, facing critical decisions that will shape the future of their organizations for decades to come: How and when to unravel their global supply chains? How and when to truly achieve a digital transformation?

This 18th-annual CPO-themed report is part of the ongoing dialogue that Ardent Partners' analysts have had with CPOs and other procurement leaders for nearly two decades. The report examines the general competencies and capabilities of procurement organizations today and highlights the management strategies and tactics that leading CPOs have utilized to drive their organizations forward over the past few years as well as their stated plans and priorities for 2023 and beyond.

This report also presents a comprehensive, industry-wide view of what is happening in the world of procurement and captures the experience, performance, perspective, and intentions of 341 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 Best-in-Class organizations, and ultimately improve their operations and performance.

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Chapter One: The State of the CPO

“Great deeds are usually wrought with great risks.”

~ Herodotus

In literature, the term “crossroads” refers to a significant moment or decision point in a character’s life or in the overall plot of a story. It is a pivotal moment where a character must make a choice or face the consequences of their actions, and this choice often determines the direction of the story or the fate of the character. The term is a powerful literary device that highlights the importance of choice and decision-making in storytelling. It serves as a reminder that the decisions we make can have far-reaching consequences and that every moment is an opportunity to shape our own destiny. In 2023, the CPO is standing at the crossroads.

The challenges facing CPOs today are numerous and significant. While the pandemic is no longer viewed as a major risk to business, it exposed vulnerabilities in supply chain processes and highlighted the need for greater resilience and agility. The well-documented supply chain disruptions over the past three years led to shortages of critical materials, delayed shipments, and increased costs, causing substantial financial impact on businesses in all industries and geographies.

At the same time, technology is rapidly transforming the procurement and supply chain landscape, presenting both opportunities and challenges. The adoption of technologies, both new and old, continues to offer great promise, yet most fail to drive broad adoption and great value. Digital transformation, such as it is, remains illusory for many, even as its potential grows larger with big data analytics gaining momentum across the enterprise.

In 2023, CPOs must manage near-term risks and challenges to the business but they must also start making larger and more impactful decisions regarding the long term. The CPO must now assess the effectiveness of their current supply chain strategies and determine whether to reimagine it or merely refine it. They must also decide once and for all how serious they are going to be about their use of technology. These major decisions, made at the crossroads, will shape the future success of their organizations and determine the course that procurement will take in the years ahead.

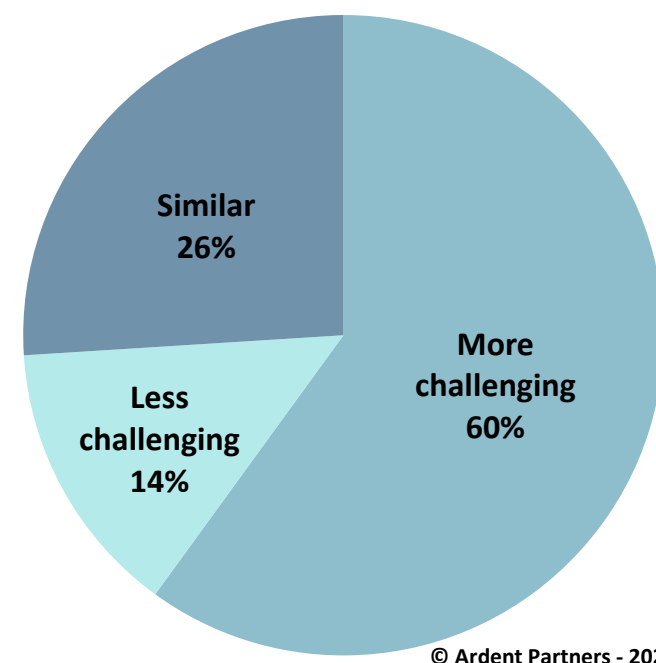


CPOs Have Mixed Views on 2023

The perpetual state of uncertainty for procurement leaders that began with the global pandemic three years ago, continues today. According to Ardent Partners' annual "State of Procurement" survey, almost half (44%) of all CPOs are feeling a "great deal" of uncertainty about what will happen in 2023 and most express at least "some" level of uncertainty. Market and economic factors contribute directly to this feeling of unease as does the continual unraveling of longstanding institutions and societal norms, which have opened the door for extremists, catastrophists, and bad actors to gain more attention and promote their narrow agendas.

While uncertainty heading into 2023 is their standard opinion, CPOs have mixed views on the year ahead (see Figure 1). Out of the 341 CPOs surveyed, 60% believe that this year will be more challenging than 2022. This reflects the ongoing challenges faced by procurement teams, such as supply chain disruptions and inflation, as well as the continuing economic uncertainty. On the other hand, 26% of CPOs believe that 2023 will be similar to 2022. This reflects the ability of many organizations to operate in a more fluid and agile manner, allowing them to pivot quickly in response to changing conditions. Meanwhile, 14% of CPOs believe that this year will be less challenging than 2022. This optimistic view of a small number reflects a sense of confidence among some leaders that they have weathered the worst of the inflation and supply chain disruptions and are now better positioned to handle the next set of challenges.

Figure 1: Will 2023 be More Or Less Challenging in 2023?



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Although opinions are divided, the survey found that most CPOs (58%) expect that their procurement teams will deliver more this year than they did last year. This suggests that numerous procurement teams have assumed a more strategic position within their respective organizations by implementing cost-saving measures, overseeing supply chain risks, and spearheading digital transformation endeavors. The positive outlook of these CPOs underscores the importance of adaptability, strategic planning, and investment in both personnel and technology.



Identifying the Top Risks Facing Procurement in 2023

Supply management is a science of uncertainty and an art of probability. In today's complex business environment, procurement executives are tasked with managing an ever-increasing array of risks. Procurement professionals are responsible for sourcing materials, services, and goods from suppliers that are located all around the world. These suppliers are often located in areas that are vulnerable to geopolitical instability, climate change, and other disruptions.

The level of general uncertainty that exists among the CPO contingent reflects a series of high- and medium-level risks facing procurement this year (see Figure 2). This multitude of risks threatens to disrupt their supply chains, impact their budgets, and hinder their ability to meet business goals. Inflation and supplier price increases, budget pressures on procurement, and a possible recession are identified as the top three high-risk issues. In addition, geopolitical issues, supply assurance, and production constraints were identified as high to medium risks.

Utilizing a weighted average analysis, the top five risks facing procurement in 2023 are:

1. **Inflation (and supplier price increases)** — 42% of respondents ranked it as a high risk and 49% as a medium risk. Inflation is the top risk facing procurement in 2023. While inflation has slowed in the United States, it continues to rise rapidly in many other parts of the world. It is important to understand that a large component of the overall price increases experienced over the last two years has been driven by corporations seeking greater profits, rather than pure economic inflation. In some industries, profits are reaching historical highs which means that there are and will continue to be opportunities for sourcing teams to push back and negotiate better pricing.
2. **Recession** — 18% high risk; 46% medium risk. While a deep recession feels unlikely today, market volatility, such as it is, means that it is not off the table. It is unclear if global monetary policies can thread the needle and impact inflation, while avoiding a recession. What is clear is that CFOs have braced for tougher times with budget cuts resulting in reduced resources for procurement teams this year.
3. **Budget pressure on procurement** — 15% high risk; 51% medium risk. Budget pressure is a major concern for procurement departments in 2023, as it was last year. Tighter budgets limit the resources available to procurement teams, making it difficult to meet the needs of the business and maintain quality standards across the operation. Utilizing non-employee talent in both a tactical and strategic way will be an important CPO strategy this year. In 2023, Ardent Partners and Future of Work Exchange research finds that 49% of the average enterprise's total workforce is comprised of external, non-employee talent.
4. **Supply chain disruptions due to geopolitical issues** — 20% high risk; 39% medium risk. Geopolitical issues over the last few years have caused many, many problems for global supply



chains. Today's global business environment is fraught with geopolitical risk and uncertainty that has been snowballing for many years. Europe is grappling with war, while leaders like Putin and Xi Jinping are defying the post-Cold War order and aggressively challenging many Western values. The West declared economic war on Russia, and East-West tensions are spiking. This is a new economic era and one that poses new and sizable challenges for procurement leaders in 2023 who sit at the crossroads.

5. Supply assurance — 17% high risk; 41% medium risk. Supply assurance is a major concern for procurement departments. Ensuring a reliable supply chain is critical for meeting business needs and maintaining operations. However, the preponderance of supply chain disruptions makes it challenging to push back against incumbent supplier price increases and surcharges.

The risks facing procurement departments in 2023 are numerous and complex and will require CPOs and their teams to stay vigilant and prepared, helping safeguard their organizations. In interviews with CPOs who participated in this study, several larger themes emerged when asked to discuss what they were doing to combat the top risks facing their teams and enterprises in 2023.

1. Supply risk management: Many CPOs are initiating formal risk assessment/management processes in 2023 while working to increase their sources of supply and generating alternative

designs/specs for key categories. Those with programs in place stated that they plan to enhance their supply chain risk management and monitoring.

2. Collaboration and communication: Most CPOs that were interviewed said that they are trying to build a more collaborative culture and open communication within the sourcing team and with internal stakeholders/functions and strategic supply partners. They want their teams to work proactively to prioritize the development of stronger relations with critical suppliers.

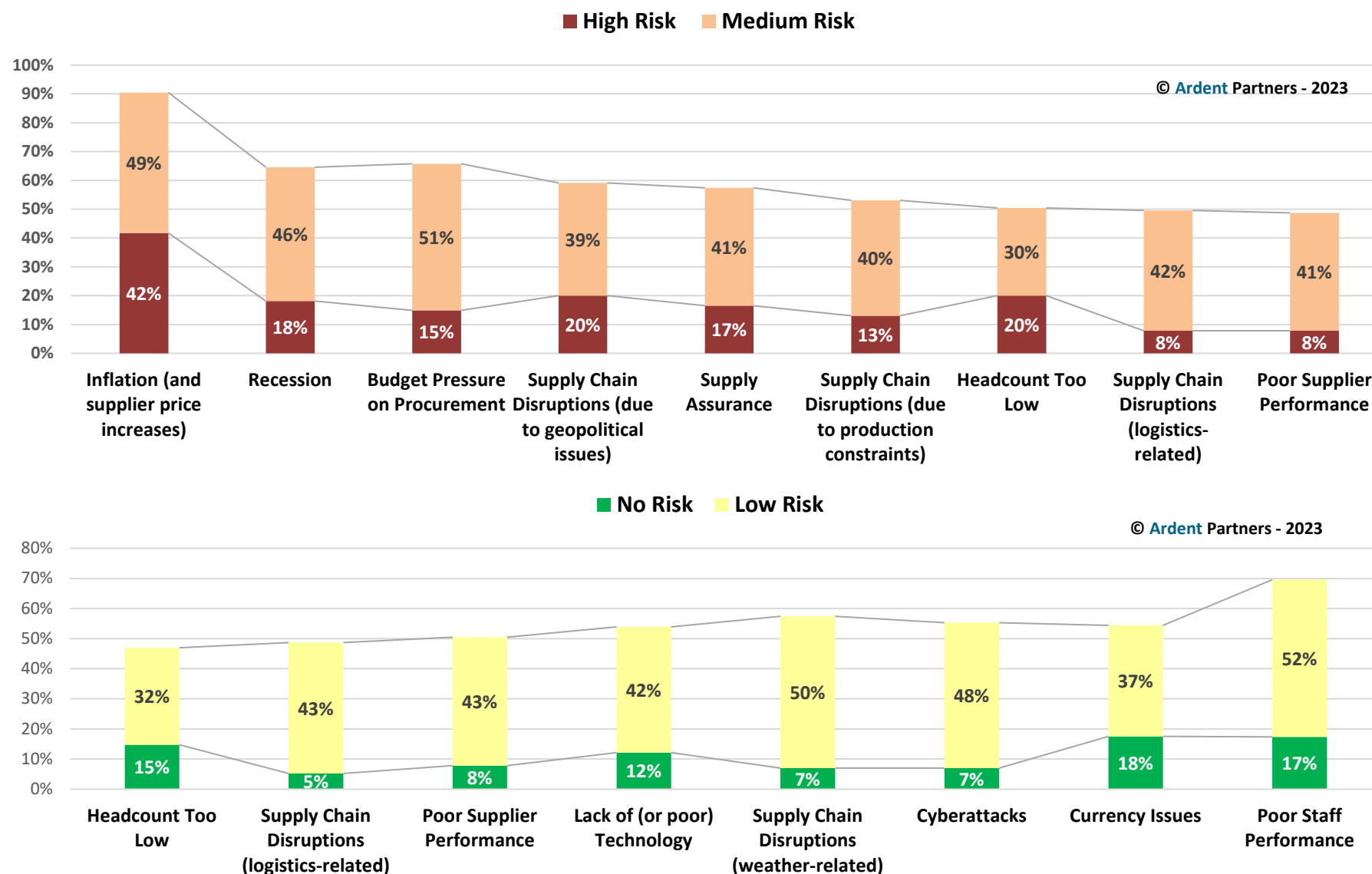
3. Supply diversification: Some CPOs are expanding supply localization plans to reduce imported goods, developing dual sourcing on important local projects/business, increasing supplier alternatives in different geographical areas, and diversifying suppliers in different zones of geography.

4. Staff development and training: Several CPOs are providing basic procurement introduction training to all senior staff and managers and setting higher expectations for their teams.

5. Strategic alignment and process improvement: CPOs are simplifying processes, removing waste, improving accountability, providing team training, developing new business continuity plans in light of evolving enterprise risks, and introducing more meaningful metrics and procurement policies.



Figure 2: All Procurement Risks, Great and Small



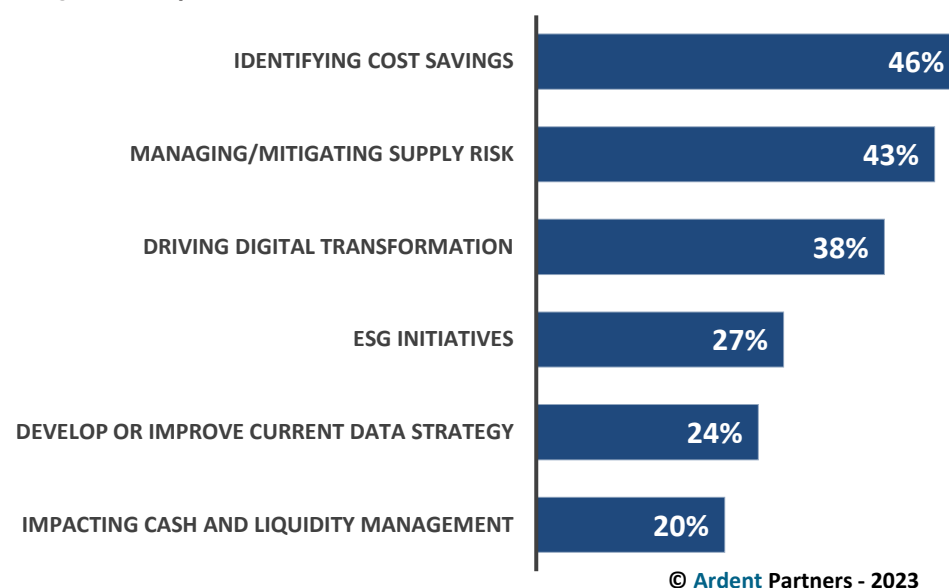


The CPO's Agenda for 2023

Guess who's back? Back again. Savings' back. Tell a friend. ~
Ardent's new spin on an old rap lyric.

In 2023, CPOs are prioritizing cost savings, managing and mitigating supply risk, driving digital transformation and ESG initiatives, developing or improving their data strategy, and impacting cash and liquidity management (see Figure 3).

Figure 3: Top CPO Priorities in 2023



Inflation and the pressure that many businesses feel to defend their profit margins have made identifying cost savings the top priority for 46% of CPOs. Last year saw a dramatic return to a focus on savings; this year will have more of the same. Sourcing professionals who have become accustomed to driving both innovation and cost reductions from their suppliers with each successive renewal are dealing with an entirely new market paradigm. The uncertain business environment is making it even more critical to identify cost-saving opportunities.

The second top priority identified by 43% of CPOs — managing and mitigating supply risk — is due to the major disruptions in the global supply chain during the pandemic and today. The pandemic exposed vulnerabilities in supply chains, with many businesses struggling to obtain critical materials and products. The global business environment is increasingly complex and uncertain, with geopolitical and economic factors impacting supply chains and pricing. This year, more procurement teams are prioritizing supply risk management and implementing strategies to safeguard the organization against future problems.

Driving digital transformation was identified as the third top priority for 38% of procurement professionals. Procurement teams can utilize cloud-based, digital tools to not only enhance existing corporate processes but also develop real-time abilities to better address dynamic market challenges. The term “digital transformation” pervades business, and yet, technology-driven excellence continues to elude procurement teams. Here too, the CPO sits at a crossroads.



ESG initiatives were identified as a priority for 27% of procurement professionals. Environmental, social, and governance (ESG) initiatives are becoming increasingly important for enterprises, and with more than half of the average enterprise's ESG footprint resting with suppliers, the CPO is on the front lines in the fight to create a more sustainable value chain.

Developing or improving the current data strategy was identified as a priority for 24% of procurement professionals. The pursuit of digital intelligence is becoming a CPO imperative as they push for systems that enable better decision-making and drive operational efficiency. The best time to capitalize on procurement's big data opportunity was yesterday. The second best time is today.

Finally, impacting cash and liquidity management was identified as a priority for 20% of procurement professionals. Rising inflation, tighter budgets, and an increasing cost of capital make cash and liquidity management a critical focus for many organizations this year, and procurement can play a key role.

CPO Priority Deep Dive: Once Again, Savings Is Job One

The role of the Chief Procurement Officer has evolved significantly over the last quarter century. For example, in 2009, the almost solitary focus of CPOs was on cost savings, but over the years, priorities have shifted towards supplier relationship management, digital transformation, and sustainability. However, recent supply chain disruptions and inflation have once again placed a greater emphasis on cost savings.

Cost savings have always been a key priority for procurement, and for good reason. By reducing costs, procurement can help their enterprises to maintain profitability, increase competitiveness, and invest in growth initiatives. However, over the years, the focus on cost savings waned as CPOs have sought to deliver value through other means, such as supplier relationship management, innovation, and sustainability.

As the pandemic recedes and businesses drive forward, CPOs find themselves at a crossroads, facing critical decisions that will shape the future of their organizations for decades to come.

The COVID-19 pandemic caused significant supply chain disruptions that triggered inflation, placing pressure on organizations to reduce costs. As a result, the number of CPOs who prioritize cost savings nearly doubled from the previous year. In 2023, cost savings remain the top priority for 46% of all CPOs.

The ongoing shift to prioritizing cost savings in 2023 will impact procurement teams in several ways. Teams will need to re-evaluate cost-saving strategies, be adaptable to changing market conditions, balance cost savings with supplier relationships, and explore cost-saving technologies that benefit the environment. This shift may also impact sustainable business practices in the near term as pricing will trump any "nice-to-haves" in the 2023 sourcing cycle.



Procurement teams can help organizations maintain profitability and competitiveness while investing in growth initiatives by taking these steps.

CPO Priority Deep Dive: Digital Transformation

Over the past few years, many CPOs have embraced digital transformation to drive operational efficiency and deliver strategic value to their organizations. Digital tools such as spend analytics, eSourcing, eProcurement, and contract management systems enable procurement teams to operate more efficiently, improving productivity and reducing costs. A digital transformation initiative should enable procurement to become more data-driven, leveraging analytics to gain insights into supplier performance, market trends, and spend management. This data can then be used to make more informed procurement decisions and support the overall business strategy.

Supply management is a science of uncertainty and an art of probability. In today's complex business environment, procurement executives are tasked with managing an ever-increasing array of risks.

Digital transformation enables procurement to better manage risk and compliance by providing increased visibility into the supply chain. This allows procurement to identify and mitigate potential risks, improving supplier risk management and regulatory compliance. It also empowers procurement to track and monitor supplier performance, ensuring that suppliers are meeting performance expectations and delivering value to the organization.

Overall, digital transformation is critical for CPOs to drive procurement performance and deliver strategic value to their organizations. By leveraging technology to automate processes, gain insights, and improve decision-making, CPOs can achieve cost savings, enhance supplier relationships, and improve risk management and compliance.

CPO Priority Deep Dive: ESG Is Here to Stay

ESG initiatives have become crucial for organizations and are expected to remain so in the coming years. Consumers, employees, and investors are becoming increasingly socially conscious and demanding transparency and accountability from businesses. Failure to address ESG issues could result in reputational damage and loss of market share, while prioritizing ESG initiatives can lead to a competitive edge and attract new customers and investors. Governments and regulators are also focused on ESG issues and are implementing new regulations and guidelines that promote sustainability and social responsibility. Compliance with these regulations and demonstrating a commitment to ESG initiatives can avoid penalties and legal action.



Moreover, ESG initiatives have the potential to drive long-term value for organizations by reducing costs, enhancing efficiency, and improving reputation. Procurement will play a crucial role in supporting these efforts by selecting and managing suppliers that align with the company's ESG goals, ensuring compliance with relevant regulations, and driving innovation in sustainable and ethical practices throughout the supply chain. This may involve collaborating with suppliers to identify opportunities for improvement, engaging with stakeholders to understand their expectations, partnering with internal teams to embed ESG principles throughout the procurement process, and tracking/reporting on ESG performance metrics. As investors and customers increasingly scrutinize companies' ESG performance, procurement's ability to manage ESG risks and opportunities will become a larger factor in the company's reputation and financial success.

While the pandemic is no longer viewed as a major risk to business, it exposed vulnerabilities in supply chain processes and highlighted the need for greater resilience and agility.



Procurement's Top Achievements over the Last 25 Years (Part 1)

In 2023, the CPO sits at a crossroads ... But the journey to get here has been dramatic and impressive. When business historians reflect on the first quarter-century of the new millennium, the broad-based transformation that occurred within the average enterprise's procurement department will be on the list of top trends and highlights.

Today, procurement organizations are not only responsible for managing the purchase of goods and services but also have a strategic role in helping businesses achieve their objectives. The adoption of new technologies, tools, and platforms enables procurement professionals to improve their processes, collaborate with suppliers, and drive value for their organizations. This year, 164 CPOs weighed in with their views on the top achievements of the procurement profession over the past 25 years. What follows is a summation of their ideas.

Transformation of procurement with the adoption of new technologies, tools, and platforms: One of the most significant achievements of the procurement profession over the past 25 years is the adoption of new technologies, tools, and platforms. The use of technology allows procurement professionals to streamline their processes, automate tasks, and gain greater visibility into their supply chains. E-procurement platforms, for example, have allowed organizations to centralize their purchasing, reduce costs, and improve efficiency.

Emphasis on supplier relationship management and collaboration to drive value for both businesses and strategic suppliers: Procurement professionals are now working more closely with their suppliers to drive

value for both businesses and vendors. This collaboration led to improved product quality, reduced costs, and better supplier performance.

Integration of sustainable purchasing into procurement processes: Sustainability has become a significant focus for procurement professionals over the past 25 years. The integration of sustainable purchasing into procurement processes enables organizations to reduce their environmental impact, improve social responsibility, and enhance their reputation.

Adoption of the Total Cost of Ownership (TCO) concept in procurement organizations: The adoption of the Total Cost of Ownership (TCO) concept in procurement organizations allows procurement professionals to evaluate the true cost of goods and services. This approach takes into account not only the purchase price but also other costs associated with the acquisition, usage, and disposal of the product. By considering these areas, organizations can make more informed purchasing decisions and reduce their overall costs.

Focus on non-disruptive business continuity, stronger customer-supplier relationships, and greater savings in supply and resource replenishment: By ensuring continuity in their supply chain, organizations can reduce the risk of disruptions and maintain their operations. Strong customer-supplier relationships, on the other hand, can lead to improved supplier performance and better product quality.



Chapter Two: The State of Procurement

“All life is an experiment. The more experiments you make, the better.”

~ Ralph Waldo Emerson

In 2023, the state of procurement remains strong. The function is continuing to drive operational efficiencies and cost containment in a tighter economic market, while more enterprises recognize its value following three difficult years.

Procurement's Biggest Challenges

While the barriers to success in 2023 are not nearly as large as they were during the pandemic, CPOs believe that there are sizable hurdles ahead. In this year's survey, respondents were asked to select the top three challenges to achieving their procurement department's objectives over the next 18 months (see Figure 4) and their answers are enlightening.

Budgetary constraints (38%) were the leading challenge cited by CPOs. Inflation and the cost of capital are hitting enterprise budget-holders, making procurement more important to them this year than in recent times. The somewhat counter-cyclical nature of procurement has not made the CPO's budget immune to these same challenges this year. As a result, hiring and investment decisions will be subject to increased scrutiny. CPOs will be smart to deliver clear, consistent communication to the enterprise leadership team, in general, and the CFO, specifically, about specific opportunities

that procurement could tackle, given additional investment in 2023. Create a compelling business case that explains what could be delivered if procurement had more resources. Remember that in tough economic times, investments in procurement become more attractive relative to other options.

The challenges managing supplier performance and/or supply assurance remained constant with last year at 35%, revealing both a hangover effect of the pandemic and the permanent criticality of supply chains for innovation and market competitiveness. According to the survey, more than half of all procurement organizations believe that their efforts have directly improved supplier performance. If there's value in the spend, there's value in managing it better. That said, supply assurance remains difficult for several industries that rely on semiconductors and similar components. While production and shipping delays are easing in some industries, others continue to face challenges with supply assurance, prompting more CPOs to consider secondary sources of supply or onshoring/nearshoring of suppliers for tighter integration and increased performance management.



Figure 4: CPO Hurdles to Success in 2023



To optimize the impact on supplier performance and innovation, internal collaboration and communication are table stakes. This year, one of the leading hurdles to procurement success is difficulty engaging business stakeholders, budget-holders, and executives (34%). Remote/hybrid workforces has added a degree of difficulty to normal collaboration and strategic planning. But for nearly two decades, CPOs have cited the difficulty of engaging stakeholders and executives as a persistent issue. The problem will not solve itself. Outbound marketing and communication, better video presentation training for staff, and an executive call for more collaboration with procurement are among Ardent's recommended strategies.

The need to scale procurement operations in 2023 should be the CFO's imperative, as the need for more savings has spiked. The clearest way to scale procurement is through the use of technology. Nonetheless, the difficulty in doing so is exacerbated by existing technology gaps, another CPO challenge (33%). In the same breath, closing tech gaps begins with aligning processes and systems, a challenge cited by 32% of respondents. It's the classic "cart before the horse" scenario. Enterprise-level process and system alignment is crucial for effective stakeholder engagement and strategic decision-making. While this is intertwined with the current budget challenges, a larger decision around technology is facing most CPOs (see Chapter 4).

While the pandemic was the major business hurdle in recent years, it appears that CPOs and their teams have turned the corner on

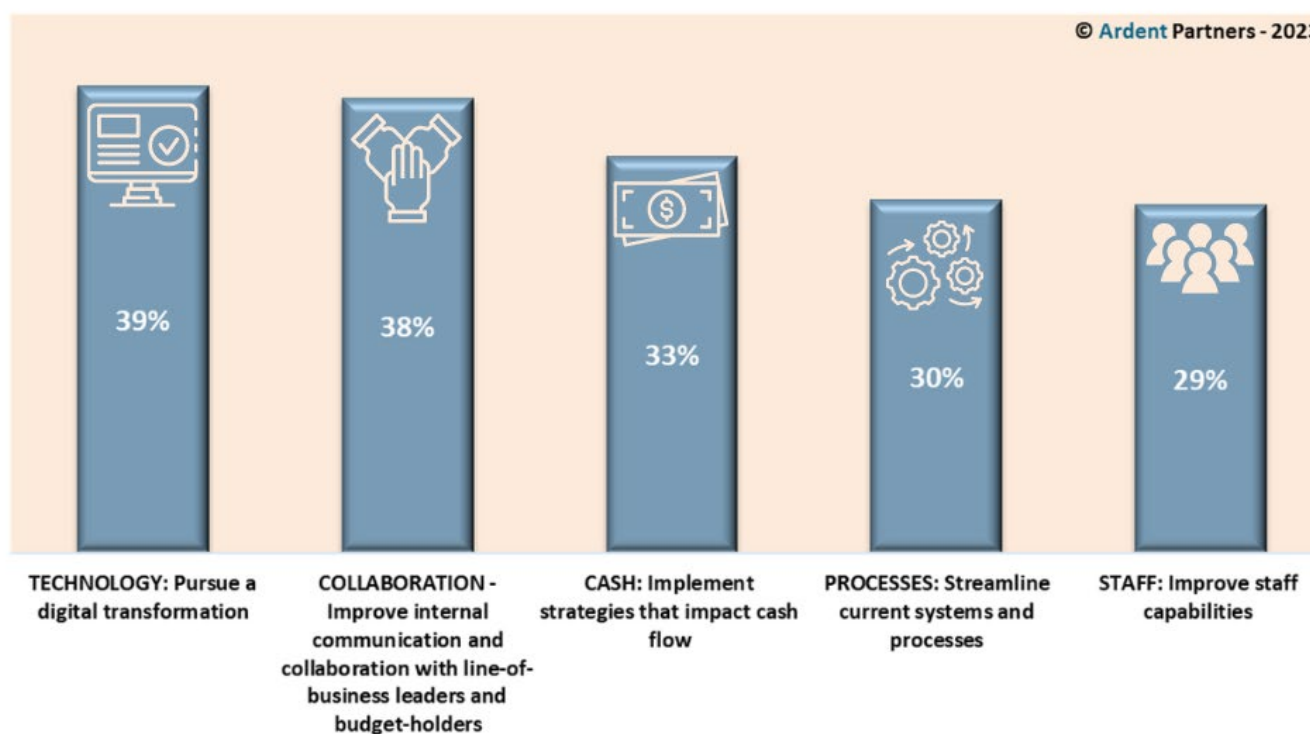


COVID-19 with less than 10% citing pandemic-related issues as a major challenge. COVID-19 is still lingering and thousands of people are still dying from it each week, but this has apparently been normalized and most Western enterprises are back to business as usual. Also in the rearview is the challenge of managing remote and hybrid teams (5%). Enterprises have embraced and operationalized remote and hybrid workforce models that became necessary during the height of the pandemic. CPOs are striking a balance between the need for employee flexibility and in-person collaboration.

Top CPO Strategies

The potential of procurement to unlock greater value hinges on the implementation of transformative strategies that effectively harness the collective resources and capabilities of a diverse array of stakeholders, organizations, and trading partners. While the business pressures facing procurement teams have shifted greatly since the pandemic, the top strategies that procurement leaders have prioritized have remained fairly consistent (see Figure 5).

Figure 5: Top CPO Strategies





For example, the top CPO strategy in 2023 is to pursue a digital transformation (38%). Since 2017, getting more from technology has been the top CPO strategy because it offers the clearest way to scale procurement expertise across a large enterprise. The industry's transition from manual processes and legacy systems to digital automation seems inevitable, and yet, progress has been generally slow and incremental. CPOs must take the next year or two to rethink their approaches (see *Chapter 4*).

Digital transformation needs buy-in from various internal business leaders for it to be successful. Likewise, securing procurement investments, communicating the value of procurement, and containing costs in sourcing and supplier initiatives cannot occur in a vacuum. Procurement and supply chain efficiency is a team sport and involves multiple business units. With the average total spend under management still below 70%, procurement's focus on communication and collaboration strategies is paramount. That is, in part, why 38% of respondents cited improve internal communication and collaboration with line-of-business leaders and budget holders as the second most important strategy.

A new leading strategy entrant in 2023 is implement strategies that impact cash flow (33%), including terms renegotiation, demand management, etc. Today's inflationary environment is placing greater pressure on margins. Enterprises are looking much closer at their bottom lines and going back to the negotiation table with suppliers if needed. Since the beginning of the pandemic, forecasting demand and balancing inventory remains a challenge. However, shipping and production delays are easing, providing for more accurate demand sensing and cash flow advantages.

Other top strategies also include improving staff capabilities through better training and retention practices (29%). Businesses and procurement need top-tier talent to thrive and more are doing that with skills-based hiring, direct sourcing of talent, and the use of an extended workforce which can be a pragmatic way to expand support without incurring permanent costs. Overall, these CPO strategies highlight the many challenges and opportunities facing procurement professionals in the coming year, and underscore the importance of staying agile, adaptable, and proactive in the face of changing market conditions and emerging trends. With the right strategies in place, procurement leaders can position their organizations for success in the years to come.

When business historians reflect on the first quarter-century of the new millennium, the broad-based transformation that occurred within the average enterprise's procurement department will be on the list of top trends and highlights.

Procurement's Capabilities in 2023

Despite the importance of developing standard procurement capabilities, many departments still lack them (see Figure 6). While a majority of teams report collaborating with finance, HR, and other functions (62%) and using spend data to identify sourcing opportunities (62%), it is troubling to note that 40% of teams



still lack these essential capabilities. Additionally, while half of procurement teams (56%) operate with an active sourcing program and pipeline, the other “half” is exposed to market volatility and huge price spikes, among many other risks.

However, 61% of teams report the capability to collaborate with suppliers, offering an opportunity to drive innovation, enhance competitiveness, and ensure supply assurance. CPOs understand the critical importance of supplier relationships as it pertains to innovation and competitiveness. Access to new innovations is only possible through a procurement and supplier partnership where trust and communication exist. The capability to collaborate is the entry point to such a relationship.

An important statistic to highlight is collaboration with the line-of-business budget holders (52%). While half of procurement teams are executing in this area, the other half lacks this essential capability. Why is this alarming? Despite the higher percentage of collaboration with multiple business units, procurement teams are not communicating and planning yearly budgets with the individuals who rely on the resources the most. Without budget knowledge, CPOs and their teams are sourcing in the dark, not knowing the accurate spend they’re sourcing against. Procurement should be viewed as a budget partner to ensure actual budget requirements are realistic. Ultimately, the more value CPOs and their procurement teams can generate cross-functionally, the more opportunity to increase their spend under management.

Figure 6: Half-full or Half-empty? Procurement’s Capabilities in 2023

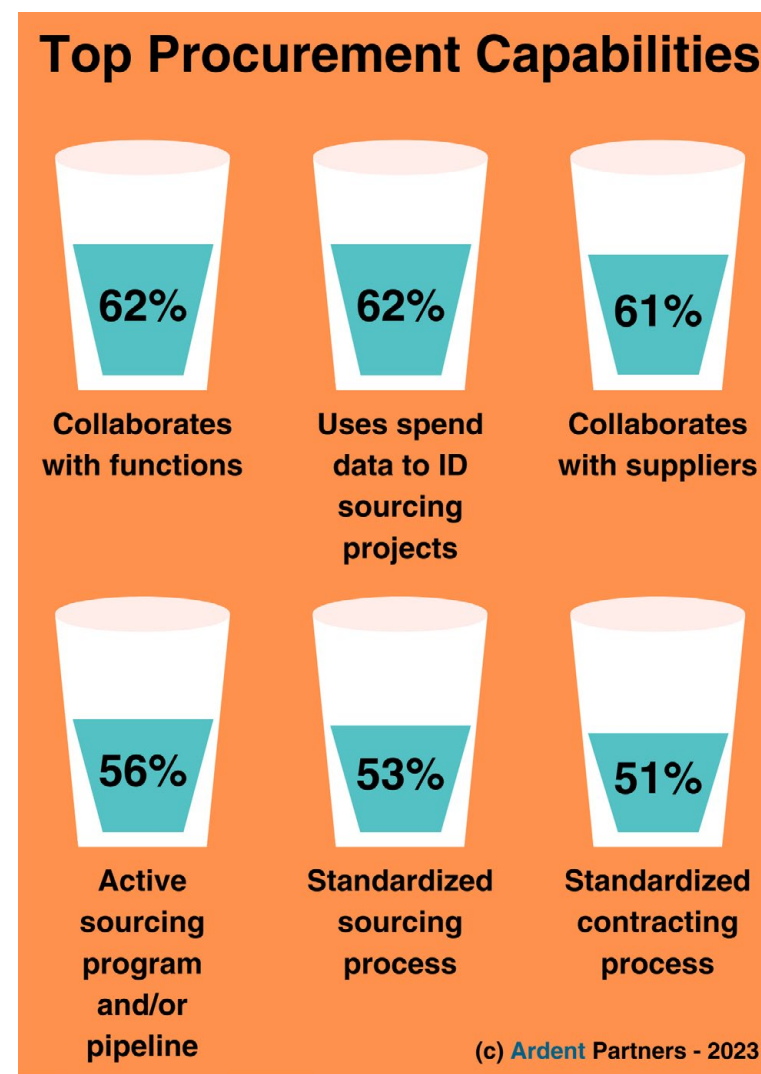
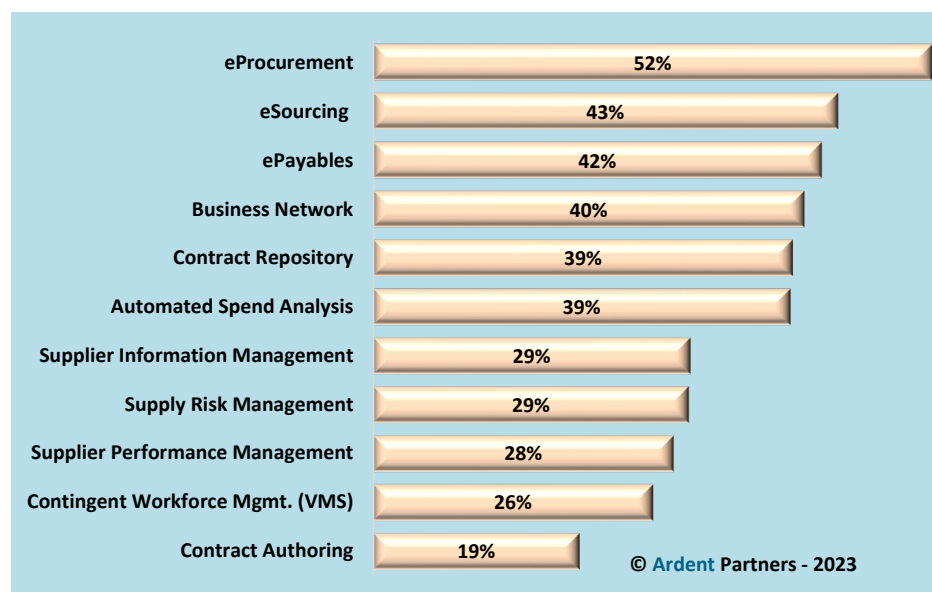




Figure 7: Procurement Tech Adoption Rates in 2023



Two other important statistics focus on standardization capabilities: standardized sourcing process (53%) and standardized contracting process (51%). Without a standard sourcing process, CPOs lack appropriate insight into quality and spend. Sourcing is a primary component of supply chain strategy and inventory efficiency. Similarly, a non-standardized contracting process opens procurement and the enterprise to unnecessary costs and risks associated with supplier performance and compliance.

Technology Adoption in 2023

Procurement technology continues to be important to the leaders in the space and those that successfully deploy and use technology claim clear visibility, efficient, yet dynamic processes, and deep data intelligence as a result. When these capabilities are sub-par within a procurement operation, a lack of technology is typically a primary reason. eProcurement, which touches the most users internally, is the leading technology solution utilized by organizations (52%). Similar to 2022, eSourcing (and/or reverse auction) solutions (43%) followed eProcurement as the second-leading adopted technology. Business networks (40%) that integrate multiple procurement processes from supplier information management to e-catalogs align with supporting procurement's reach across the enterprise.

The next few technology solutions are more tightly focused on specific processes. ePayables — accounts payable automation — (40%), automated spend analysis (39%), and automated contract management — repository — (39%) round out the most-adopted technologies in 2023.

Technology can unlock tremendous value for businesses and there are many forces driving CPOs towards automation, like the need to scale operations and best practices more efficiently and effectively and the opportunity to leverage value from big data. Nonetheless, procurement technology adoption and proficiency lag all reasonable expectations — this requires deeper analysis (see Chapter 4).



Tech Investment in 2023

The prioritization of digital transformation will translate into a high level of technology investment in 2023 with 57% of all procurement organizations purchasing new solutions. To fully execute a digital transformation and leverage the digital tools and automation for process efficiency and performance gains requires full adoption and proficiency.

A breakdown of top technology investments for 2023 reveals a focus on the upstream strategic sourcing areas that drive savings, efficiency, compliance, and risk management.

- 1. Contract Lifecycle Management:** Procurement teams rely on CLM solutions to automate and streamline the contracting process from contract initiation to execution to renewal. Ongoing management throughout stages of the contract helps minimize potential risks and ensures compliance with any regulations stipulated therein.
- 2. Supply Risk Management:** With a plethora of supply risks, business agility, flexibility, and continuity are table stakes. Globalization requires supplier monitoring across regions to ensure risk management protocols exist and to mitigate potential disruptions. Supply risk management solutions provide procurement with a proactive approach to risk.
- 3. Supplier Performance Management:** Supplier performance has never mattered more. CPOs depend on supplier performance management software to automate supplier

workflows and processes with quality at the core. The visibility achieved serves as another layer of risk mitigation.

- 4. eSourcing:** Many procurement departments are utilizing an eSourcing solution in their buying process. Through an online portal, procurement teams can collect multiple supplier bids in their quest to select a preferred supplier. Not only does eSourcing create cost savings but reduces the timeframe to find and select a strategic supplier.

However, the mere deployment of technology does not solve major issues for CPOs. In fact, with only 14% of procurement teams reporting high adoption rates of technology and only 10% reporting that technology drives great value for procurement, it is time to rethink the overall approach to technology (see Chapter 4).

Securing procurement investments, communicating the value of procurement, and containing costs in sourcing and supplier initiatives does not occur in a vacuum. Procurement and supply chain efficiency is a team sport and involves multiple business units.



Procurement's Top Achievements over the Last 25 Years (Part 2)

This year, 164 CPOs weighed in with their views on the top achievements of the procurement profession over the past 25 years. What follows is a summation of their ideas.

Digital transformation of work methods and processes: The digital transformation of work methods and processes is a significant achievement for the procurement profession over the past 25 years. The use of digital technologies enables procurement professionals to automate tasks, improve efficiency, and gain greater visibility into their supply chain. This transformation led to the development of new skills and competencies among procurement professionals.

Development and mentoring of the next generation of procurement professionals: Procurement organizations are now investing in the development of their employees, providing training and development programs, as well as mentoring opportunities to help them develop their skills and progress in their careers.

Automation and digitization of procurement processes, including e-procurement and P2P software: The automation and digitization of procurement processes, including e-procurement and P2P software, allows procurement professionals to streamline their processes, reduce costs, and improve efficiency. These technologies provide greater visibility into the supply chain, enabling organizations to make more informed purchasing decisions.

Focus on business partnership and transitioning from a support function to a strategic value-delivering contributor: Procurement organizations are increasingly focused on transitioning from a support function to a strategic value-delivering contributor. This approach involves partnering with other business units to identify opportunities to drive value, improve processes, and reduce costs. By adopting a business partnership approach, procurement professionals can demonstrate their value to the organization and provide a more strategic role. Procurement is now a role that resonates at the C-level.

Improved spend analysis, risk mitigation, and supplier relationship management through the use of data and commodity expertise: Procurement professionals have made significant progress in improving spend analysis, risk mitigation, and supplier relationship management through the use of data and commodity expertise. By leveraging data analytics and commodity expertise, organizations can gain insights into their supply chain, identify risks, and make more informed purchasing decisions. This approach also helps to improve supplier performance and reduce costs.

Successful development and management of supplier diversity programs: The procurement profession has achieved success in developing and managing supplier diversity programs. Organizations recognize the importance of promoting diversity in their supplier base, leading to improved supplier performance and better product quality. Supplier diversity programs also help to enhance social responsibility and reputation.



Chapter Three: Procurement Performance

“The only skill that will be important in the 21st century is the skill of learning new skills. Everything else will become obsolete over time.” ~ Peter Drucker

Businesses focus on measuring their revenues and profits because they matter. These numbers are critical to employees, shareholders, customers, and suppliers alike, and represent the final “score” of a game played last quarter or last year. As such, businesses play the game to win, and Chief Procurement Officers are no exception. Procurement results matter, and in 2023, they will matter more to the entire enterprise.

However, scoring procurement performance can be as complex and nuanced as the value that the function delivers. And linking that performance to overall business objectives and results can be even more challenging. It is incumbent upon CPOs to keep score of their team’s performance, develop a set of metrics that can help prioritize and focus procurement resources, track and improve performance, and communicate the value that procurement delivers in support of enterprise objectives.

To demonstrate clearly and unequivocally what procurement’s value proposition is to finance and the rest of the company, CPOs must play the game and play it well. Winning and advancing, while continuing to broaden the influence and impact that procurement has on the enterprise, is critical to the success of the function and the overall organization. This chapter explores the importance

of procurement performance in driving enterprise success, and provides insights into the tools and strategies that top procurement teams deploy to impact the bottom line.

Procurement Performance has Become a Moving Target

The aggressive push for procurement agility that Ardent Partners began advocating in 2012 continues to pay dividends for the overall industry. The unprecedented market shifts over the last few years led many enterprises to change how procurement’s overall performance is measured. In 2022 and 2023, many enterprises introduced new metrics or frameworks, such as financial value frameworks, Days Payable Outstanding (“DPO”) measurement, operational efficiency metrics, and ESG metrics — including sustainability, social impact, and supplier diversity metrics. Others have shifted their focus from transactional facets to more proactive aspects, such as agility in sourcing, negotiating better deals, and resilience toward disruptions.

With the spike in uncertainty this year, there is increased focus on savings, cost avoidance, and strategies that impact cash — like payment terms, cash flow, and better inventory management. In 2023, there will also be a greater emphasis on risk management,



such as supply assurance and risk-to-revenue forecasting. Of course, depending on the unique nature of their business, not all enterprises have made changes. What is important, however, is organizational agility that enables CPOs to adeptly shift focus and resources, as needed, to the critical initiatives of the quarter/year. To do so, CPO alignment with the C-suite is imperative.

Performance Results and Impact

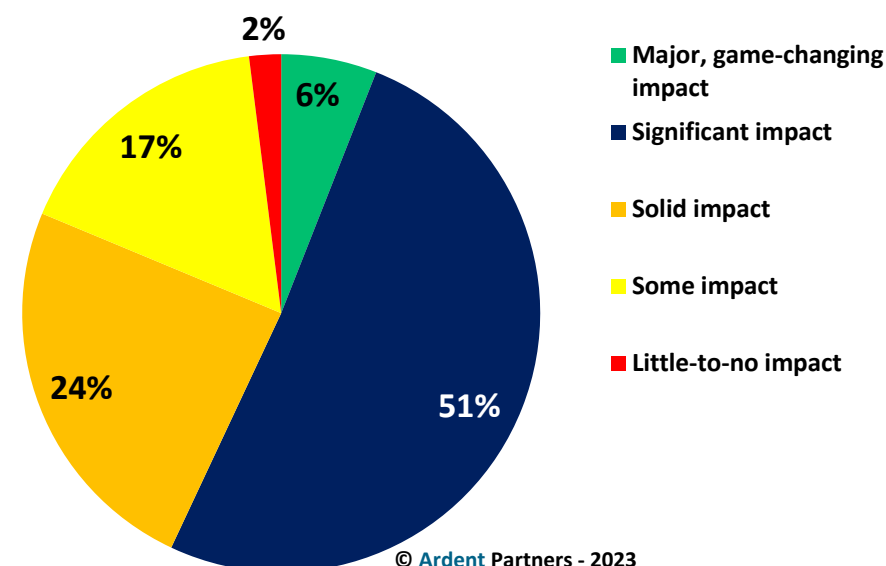
When asked to evaluate their procurement department's performance last year, the results showed that nearly three-quarters of respondents (78%) reported meeting or exceeding their procurement objectives for the year. Almost half of respondents (47%) reported that their procurement department met their objectives for the year, while 27% reported that they overperformed. Additionally, 4% of respondents reported that they significantly overperformed, indicating that their procurement departments had a major impact on overall business operations and results. On the other hand, 20% of respondents reported that they underperformed, while 2% were surprisingly unsure of their efforts. It should be noted that the 2022 objectives for many CPOs were adjusted lower, as an acknowledgment of the tough inflationary environment.

Today, most CPOs and other procurement executives are well aware of the impact their teams can make and the longer-term context of their influence. This year's survey results show that a majority (57%) believe that their departments had a "major" or "significant" impact on the enterprise over the last 12 months, while another 24% believe that their impact was "solid" (see Figure 8). These

results are slightly lower than in recent years but demonstrate that, even as times get tougher, procurement can be relied upon to deliver. To ensure this, procurement teams should be building out an aggressive set of projects to deliver in the second half of 2023.

While CPO respondents tend to see their cups as half full, it is particularly noteworthy that only 2% of respondents reported little-to-no impact, while no respondents reported a negative impact. This indicates that even those organizations with less mature procurement functions are delivering value and have a seat at the table in at least some key decision-making processes. That said, there is always room for improvement.

Figure 8: Procurement's Impact on Results





Complacency is Highly-Contagious. Also, it Kills.

Complacency is a dangerous pitfall that procurement leaders must actively avoid because it can lead to an absence of innovation, risk-taking, and growth. When individuals or organizations become complacent, they may stop pushing themselves to improve or challenging the status quo. This can result in missed opportunities for growth and improvement, as well as a loss of competitive edge. Despite generally positive evaluations from C-level executives, the reality is that the procurement landscape in 2023 remains fraught with challenges and uncertainty. Procurement leaders who become complacent and fail to adapt to the changing environment risk falling behind their peers and failing to meet the needs of their organizations.

Complacency is highly-contagious so CPOs must vaccinate their organizations with regular reviews and clear guidance.

Procurement leaders who rest on their laurels and become complacent risk losing their competitive edge and failing to deliver on organizational demands. Complacency is highly-contagious. It can lead to a decline in motivation and engagement, as employees may feel their contributions are not valued or there is no room for growth or advancement. This can lead to high turnover rates, lower productivity, and a negative impact on overall organizational culture. CPOs must vaccinate their organizations against complacency with regular reviews, constant feedback, and clear guidance.

In an increasingly competitive and uncertain business environment, procurement leaders must remain vigilant and proactive, constantly seeking new ways to improve their operations and deliver greater value to their organizations. This means staying abreast of the latest trends and best practices in procurement by [reading the latest research](#) and [attending networking events and webinars](#) as well as continually assessing and improving their own performance.

The 2023 Procurement Benchmarks

The 2023 Procurement Benchmarks (see Table 1, next page) reflect the current state of the average procurement department's performance and operational results. The average percentage of spend under management has decreased slightly from 2022 to 64.9% in 2023, indicating there is still room for improvement in terms of procurement's control over enterprise spend. As Ardent notes every year, enterprises see a significant return on investment from increasing this metric. Research shows that every new dollar of spend placed under procurement's control can result in savings between 6% and 12%, as well as improved quality and lower risk.

Savings is both the CPO's top priority and top performance metric, with the average actual savings achieved last year (2022) at 6.1%, essentially flat from the prior year but still down significantly from two years ago. The 2023 savings target (6.6%) is trending up slightly from last year, indicating that procurement teams are aware of the need to improve their savings performance. However, this target is still lower than before and during the height of the pandemic, suggesting that CPOs are anticipating continued challenges from inflation in the coming year.



Addressable spend that is sourced increased in 2022 to 47.1%, indicating that procurement teams are making progress in identifying and sourcing more spend categories. However, room remains for more sourcing. In fact, there should always be room for more sourcing, especially when a proficient centralized eSourcing team is in place. Spend that is contract compliant has increased slightly to 63.2%, suggesting that procurement teams need to focus on ensuring greater compliance with contract terms and conditions. The percentage of enabled suppliers jumped almost ten percent to 46.2% in 2023, an indication of the continued digital shift for procurement and its suppliers — a topic that will be revisited in Chapter 4.

Table 1: The 2023 Procurement Benchmarks

Metrics	Average	Trend
Spend under management	64.9%	Down
Savings 2022 (Actual)	6.1%	Flat
Savings 2023 (Target)	6.6%	Up
Addressable spend that is sourced	47.1%	Up
Spend that is contract compliant	63.2%	Up
Enabled suppliers	46.2%	Up

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Best-in-Class Procurement Performance

In this report, Ardent Partners has determined Best-in-Class procurement performance by analyzing the spend under management metric and identifying the top 20% of performers. This elite group achieved an impressive average of 91.5% spend under the management of the procurement organization, which is 60.3% higher than their peers. Ardent considers spend under management a crucial starting point in the development of its Best-in-Class Framework and a key driver of deeper analysis and discussions about strategies, capabilities, and results (see Table 2, next page).

There are real challenges that organizations face when trying to manage more than 70% of their spend, nonetheless, managing 50% or less of total spend is not enough. Ardent's research shows that Best-in-Class enterprises consistently outperform their peers across critical procurement, sourcing, compliance, and supply management metrics. For instance, they source 23% more of their addressable spend competitively and have 42% more electronically-enabled suppliers. The basic fact that they influence more than 90% of their spend shows that they have strong systems and processes in place and a full view into the scope of their activities.

The savings achieved by both maturity classes (Best-in-Class and All Others) were almost the same last year. However, the Best-in-Class group applies this savings rate to a much larger spend portfolio, leading to a significantly larger bottom line impact. Interestingly, the savings goals for the two groups in 2023 differ substantially, with the "All Others" aiming 7% higher. Meanwhile, the Best-in-Class

**Table 2: The 2023 Best-in-Class Procurement Framework**

continue to minimize their savings leakage by driving a significantly higher percentage of compliant spend (73.5% vs. 60.3%). In a high-inflation environment, maverick spending can be even more disastrous than usual, so it's essential to enhance communication regarding contracts and policies and remain vigilant.

Metrics	Best-in-Class	All Others
Spend under management	91.5%	57.1%
Savings 2022 (Actual)	6.1%	6.2%
Savings 2023 (Target)	6.3%	6.8%
Addressable spend that is sourced	55.2%	44.9%
Spend that is contract compliant	73.5%	60.3%
Enabled suppliers	60.2%	42.4%

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The Key Characteristics of the Best-in-Class

As we proceed deeper into 2023, Best-in-Class procurement teams maintain their position as leaders in a variety of hard and soft capabilities. These top-performers demonstrated exceptional organizational leadership, spearheaded technology adoption initiatives, provided better training and support to their staff, and utilized technology to drive critical business processes. The consistent display of such capabilities is not new, as Best-in-

Class groups have been setting benchmarks for high-performing procurement teams for several years. But with large and looming decisions on the horizon related to internal operations and the global supply chain, CPOs should look towards the Best-in-Class for guidance and inspiration, modeling key attributes where possible.

This year's survey reveals that Best-in-Class procurement teams are adopting key technologies at a much higher rate than their peers. This trend is observed in all major technology categories across the full Source-to-Pay process. Ardent Partners research shows that top-performing procurement teams are twice as likely to adopt Services Procurement for Contingent Workforce (VMS) technologies, 60% to 80% more likely to adopt Supplier Management technologies, and 40% to 70% more likely to adopt P2P technologies than their peers. The Best-in-Class also claims deeper levels of proficiency and faster returns on their tech investments as a result. Effective vendor management is critical to controlling spend and maximizing the value obtained from suppliers. Investing in vendor management can help organizations drive value in a more scalable way.

The aggressive push for procurement agility that Ardent Partners began advocating in 2012 continues to pay dividends for the overall industry.



In today's fast-paced business environment, technology adoption is critical for driving strong procurement performance, but it is not the only factor. User training and support that drive proficiency and consistently high levels of usage, are equally important to achieving business objectives. Best-in-Class procurement leaders understand the multi-dimensional nature of procurement technology and appreciate its ability to connect and enhance business processes.

It is incumbent upon CPOs to keep score of their team's performance, develop a set of metrics that can help prioritize and focus procurement resources, track and improve performance, and communicate the value that procurement delivers in support of enterprise objectives.

For instance, spend analysis is a crucial component of procurement technology, but it is not enough to simply understand enterprise spend behavior. By integrating spend analysis with other source-to-settle processes such as sourcing, contract management, and supplier management, procurement teams can leverage the resulting insights to make more informed decisions across the board. They can optimize sourcing decisions, control rogue spend

and errant suppliers, and mitigate a range of supply risks such as price fluctuations, savings leakage, and contract non-compliance. This is just one example of how Best-in-Class procurement teams use technology to achieve outstanding performance and drive business value.

When it comes to general operations, Best-in-Class procurement teams continue to outperform their peers by standardizing processes at a rate between 1.3 and 1.7 times, despite not having exceedingly high process capabilities. The most common capabilities of top-performing procurement teams are standardized contracting (70%) and sourcing processes (65%). While there is room for improvement even among the Best-in-Class, their process standardization provides a competitive edge, contributing to their commanding lead in procurement performance. This finding reinforces the importance of focusing on process standardization to achieve procurement excellence. Figure 9 (see next page) summarizes many of the key characteristics of the Best-in-Class.

Turning Data into Intelligence Starts with 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 9: Best-in-Class Procurement Characteristics

Best-in-Class Procurement Characteristics

Best-in-Class procurement departments, on average, manage 91.5% of enterprise spend and they do it more efficiently and to greater impact than their competitors. They align themselves more closely with executives, think about their processes more holistically, and adopt and utilize technology to a greater degree, driving better visibility and superior performance. Wherever possible, Ardent Partners recommends modeling these key characteristics as a direct way to improve performance.

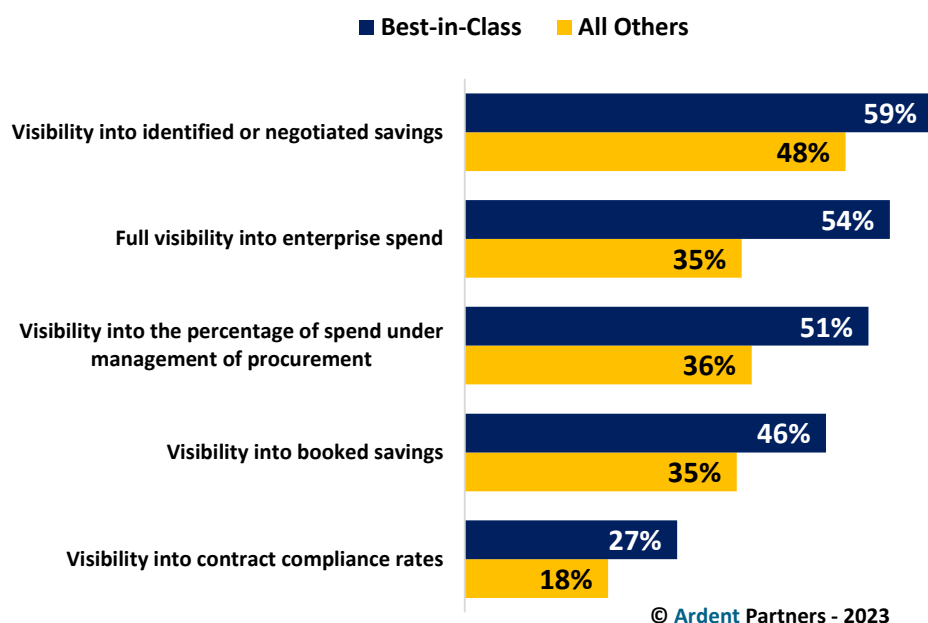




Figure 10 shows a striking contrast between the levels of visibility that Best-in-Class procurement teams have when compared to All Other procurement teams. Just as the Best-in-Class have dramatically greater process and technology capabilities than their less mature peers, they also have significantly 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.

What is important is organizational agility that enables CPOs to adeptly shift focus and resources, as needed, to the critical initiatives of the quarter/year.

Figure 10: The Best-in-Class Visibility Advantage





What Gets Procurement to the Next Level?

As we close out another year of examining the state of procurement, one question remains: What does it take for procurement teams to reach the next level? CPO responses provide some illuminating insights.

First and foremost, better data visibility and analytical capabilities are critical for next-level procurement performance. For 49% of respondents, this is the top attribute, and there is no surprise since better data visibility is essential for more strategic and competitive decision-making. As noted in Chapter 2, the percentage of procurement teams with visibility into overall enterprise spend remains quite low. To achieve next-level procurement performance, visibility into data will need to increase substantially and the use of big data coupled with artificial intelligence, machine learning, and predictive analytics will be game changers for procurement performance going forward.

Earlier engagement on sourcing projects is also critical for next-level performance. Currently, collaboration with line-of-business budget holders rests at 50%. But if procurement can participate in business-unit budgeting cycles, the function can better assess sourcing needs for upcoming projects. With that foresight, CPOs and their teams can make the strategic transition from order takers to value-added partners.

Finally, to reach the next level, procurement needs to communicate and collaborate better with business stakeholders and improve supplier management processes. Additionally, adopting new or improved technology, hiring more talented staff, and improving the use of current technology are also key capabilities that can elevate procurement performance.

The procurement function is at a critical inflection point, a crossroads, and the CPOs who focus on improving their analytical capabilities, building better supplier relationships, and communicating and collaborating more effectively will be well-positioned to drive enterprise value and achieve next-level performance.



Chapter Four: CPO at the Crossroads

“At every crossroads on the path that leads to the future, tradition has placed 10,000 men to guard the past.”

~ Maurice Maeterlinck

A “crossroads” is a pivotal moment in story telling where a character must make a choice that will permanently shape their lives. The term is a powerful literary device that highlights the importance of choice and decision-making and serves as a reminder that critical decisions can have far-reaching consequences and that these moments are opportunities to shape the future. In 2023, the CPO is standing at the crossroads, with several massive decisions to make. Procurement’s future hangs in the balance.

The Big Data Tipping Point

In its 2018 edition of this report, CPO Rising 2018: the Age of Intelligence, Ardent Partners wrote: *“Over the next few years, Ardent Partners predicts that a new type of intelligence is going to enable CPOs to view their operations differently and, by doing so, it is going to force these same CPOs to manage them differently. Procurement’s “Age of Intelligence” demands powerful analytics and deep insights. It demands agility. The ability to make better-informed decisions across an organization can and will be game-changing; this new intelligence coupled with agility are going to be the fundamental drivers that push procurement and supply chain to the next level. Intelligent procurement teams are both created and evolve over time. Chief Procurement Officers must*

hire new talent while developing their existing roster; institute new processes while refining existing ones; and invest in new technologies while enhancing existing tools. They must remember that Big Data is coming. They must ready their teams.”

Five years ago procurement professionals were aware of their challenges in managing big data, but also recognized the opportunities they had to improve the role technology could play in aiding them. In 2018, a majority of CPOs believed that supply management technology, predictive analytics, and data science would have a significant impact on their operations in the years to come.

In 2023, the world is very different and the importance of big data has reached a tipping point. The expanded usage and broad commercialization of AI tools have unlocked countless new possibilities for utilizing these potent analytical engines. While still emerging, it is clear that the growth and impact of AI tools for procurement over the next few years will be extraordinary. Chief Procurement Officers (CPOs) must recognize the crucial role that intelligence can and will play in shaping procurement strategy and execution and go all-in on big data intelligence.



Unfortunately, most CPOs have “not readied their teams” as a majority of CPOs have either no plans to invest (44%) in big data management in 2023 or are unsure about investments this year (11%). Meanwhile, only a relative few (7%) plan to make a significant investment this year. Linking data intelligence to direct decision-making is where CPOs should be focusing their efforts to create real value. Some of the immediate benefits from AI (and big data analytics) to procurement today include:

1. **Improved decision-making** including valuable insights into procurement trends, supplier performance, market conditions, and other factors that can impact their sourcing decisions.
2. **Increased automation** of some procurement processes, such as supplier selection, invoice processing, and contract management. This can save time and reduce errors, while also improving accuracy and efficiency.
3. **Greater visibility** to help monitor supplier performance, track spending patterns, and identify potential risks.
4. **Predictive analytics** can be used to forecast future trends, such as demand for certain products, supply chain disruptions, or changes in market conditions. This can help procurement plan ahead and make more accurate ordering decisions.
5. **Improved supplier relationships** by providing valuable insights into supplier performance, such as on-time delivery,

quality of goods or services, and pricing trends. This can help build stronger supplier relationships and negotiate better contracts.

6. **Personalization** can be used to personalize the procurement process for individual stakeholders and suppliers. This can help to improve satisfaction levels and increase the adoption of P2P and other tools.

Big Data's Big Picture

Beyond the near-term promise of AI, it is vitally important to understand that there is a bigger picture to procurement's big data opportunity. AI and data science have transformed various industries and professions in recent years. In healthcare, AI algorithms can analyze medical images to detect diseases, predict patient outcomes, and recommend treatments. In finance, AI algorithms can analyze financial data to identify fraudulent activities, predict stock price changes, and optimize investment portfolios. In marketing, AI algorithms can analyze consumer data to personalize marketing campaigns, recommend products, and improve customer engagement. Similar innovations are all but guaranteed for procurement.

Chief Procurement Officers (CPOs) must recognize the crucial role that intelligence can and will play in shaping procurement strategy and operational execution and go all-in on big data intelligence.



To make a real breakthrough, however, procurement leaders will need to embrace experimentation and adopt a mindset that redefines their field. This means following the lead of other industries and professions that have embraced data science and analytics to great effect. In less than a decade, data science has radically transformed professional sports management and medicine. The challenge for procurement leaders is not simply to think outside the box but to redefine the box itself. As “Modern artists” redefined art by introducing novel and innovative ideas and materials, procurement leaders are going to redefine their profession by embracing data science and analytics. In doing so, new intelligence will emerge that enables CPOs to take an entirely different view of their operations and the levers that drive value. This will, in turn, force these same CPOs to develop new strategies and industry best practices.

CPO at the Crossroads (Part 1): A New Approach to Technology

From a strictly enterprise software perspective, it is easy to understand why the big data opportunity has not been wholly attacked by CPOs. After all, it can be difficult to fully appreciate the potential for AI when an organization’s key processes are held back by poorly-used technology and inefficient workflows. After all, when a procurement team lacks visibility into spend, the lack of a big data plan can appear to be a “champagne problem.” But AI is on the cusp of major industry breakthroughs and CPOs can no longer ignore it. To unlock the full potential of AI in procurement, organizations must prioritize digital transformation and establish a robust technology infrastructure that enables AI-powered solutions to flourish.

Ardent Partners’ 2023 research reveals a significant gap between the importance of technology to procurement operations and its perceived value. When drilling into the data, a clear, but disappointing, picture emerges. While 94% of CPOs view technology as important, if not critical, to their operations and performance, only 10% of these same CPOs believe that their technology investments are driving great value. This gap is further compounded by the fact that only 14% of organizations have a high level of technology adoption. Low adoption rates are a primary reason why only 9% of organizations have generated an ROI that met or exceeded their original target.

The overall lack of progress is concerning, considering the industry is more than 25 years into the great supply management technology “experiment.” To achieve real value from technology investments, organizations must rethink their technology deployment strategies, prioritize effective change management, and relentlessly focus on measuring and tracking the impact of their technology. And, to improve adoption rates, organizations must invest in training and support to ensure that users are comfortable and proficient with technology solutions. They should also consider measuring and reporting user engagement and adoption rates to better identify areas for improvement and develop more effective adoption strategies.

In 2023, CPOs are standing at a technology crossroads and must decide to either continue on with the failed approaches of yesteryear or fully-embrace digital transformation. While the choice is obvious, results will not improve without an aggressively



different approach. The traditional digital transformation process is often linear, rigid, and focused on technology adoption rather than the overall business transformation. It assumes that a one-size-fits-all approach will work for every organization, which is not the case. This approach often results in a lack of alignment between business goals and digital transformation initiatives, which can lead to inefficient and ineffective outcomes.

The consequences of relying on a single supplier or a single region for critical materials or products has been front page news for more than three years. Maintaining the status quo, without rigorous analysis is a mistake.

Chief Procurement Officers (CPOs) must try new approaches as they pursue digital transformation to achieve better outcomes. Some of the innovative approaches they can try include:

1. Agile Transformation: CPOs can adopt agile methodologies to ensure that the transformation process is more iterative, flexible, and adaptable to changing business needs. Agile methodologies enable organizations to develop and implement new solutions quickly and efficiently, reducing the time to deployment.

2. Design Thinking: Design thinking is a human-centered approach that places the end-user at the center of the design process. By adopting this approach, CPOs can better understand the needs of their stakeholders and work with solution providers to design procurement processes that better meet their needs.

3. Digital Ecosystems: CPOs can also look at developing digital ecosystems that leverage data, analytics, and AI to create new value propositions for their organizations. By creating digital ecosystems that connect different stakeholders across the supply chain, CPOs can improve visibility, reduce risk, and optimize procurement processes.

4. Intelligent Automation: CPOs can also explore the use of intelligent automation technologies such as robotic process automation (RPA) and cognitive automation to automate repetitive procurement processes. This will free up procurement staff to focus on more strategic activities.

To achieve a digital transformation, CPOs must adopt new and innovative approaches to ensure that the procurement function is aligned with the overall business. Beyond the four strategies above, this requires a commitment to innovation, a culture of experimentation, and a willingness to take risks and embrace change. The introduction of AI has raised the stakes in solving the procurement technology problem. It cannot be ignored; rather, it must be attacked.



CPO at the Crossroads: Rethinking Global Supply Chains

"If you're having supplier problems, I feel bad for you son, CPOs got 99 problems, the supply chain is one." ~ Ardent's new spin on an old rap lyric.

The COVID-19 pandemic exposed the fragility of the global supply chain and the risks that come with relying on far-flung suppliers. In recent years, there have been numerous disruptions to the supply chain, including natural disasters, trade wars, and political instability. These disruptions have highlighted the need for more resilient supply chains that are less reliant on global suppliers. Over the next two or three years, CPOs must decide if in the face of ongoing supply chain disruptions, there should be more re-shoring and near-shoring of global production.

The global supply chain has grown rapidly over the past few decades, driven by advances in technology, transportation, and logistics. Procurement teams have been able to source materials and goods from all over the world, taking advantage of low labor costs, abundant resources, and favorable trade policies. While this has led to increased efficiency and reduced costs, it has also made supply chains more complex and vulnerable to disruption.

The COVID-19 pandemic helped highlight and intensify the risks of a global supply chain. As countries closed their borders and factories shut down, many companies found themselves unable to source the materials and goods they needed to keep their operations running. The pandemic has also exposed the risks of relying on a small number of suppliers and the need for more resilient supply

chains. Maintaining the supply chain status quo, without rigorous analysis is a mistake.

The Case for Re-shoring and Near-shoring

Re-shoring and near-shoring refer to the process of bringing production back to the domestic or regional market. There are several reasons why re-shoring and near-shoring can make sense in the current environment:

- 1. Resilience:** By bringing production closer to home, enterprises can reduce their dependence on global suppliers and reduce the risk of supply chain disruptions. This is particularly important in industries where disruptions can have severe consequences, such as healthcare and national security.
- 2. Sustainability:** Re-shoring and near-shoring can also reduce the carbon footprint of enterprises by reducing the distance that goods travel. This can help businesses meet their sustainability goals and reduce their impact on the environment.
- 3. Economic Benefits:** Re-shoring and near-shoring can also have economic benefits, such as creating jobs and boosting local economies. This can be particularly important in regions that have been hit hard by deindustrialization and job losses.
- 4. Quality Control:** By bringing production closer to home, enterprises can exert greater control over the quality of their products. This can help maintain their reputation for quality and avoid costly production issues.



CPOs and business and executive stakeholders must work together to reevaluate their supply chains, including the costs and potential risks of re-shoring and near-shoring different categories before making any large-scale changes to their supply chains. Once a decision has been made to re-shore or near-shore, an incremental approach should be taken to mitigate risks and minimize disruptions. This may involve working with existing suppliers to develop new capabilities or building new relationships with local suppliers. In addition, organizations should invest in the development of their procurement teams to ensure that they have the necessary skills and knowledge to manage an evolving supply chain. Ultimately, the goal should be to achieve a balance between short-term costs and long-term benefits when transitioning to more sustainable and resilient supply chains.

CPO at the Crossroads

Effective executive decision-making is not about making the perfect choice every time, but rather about making a commitment to the decisions made, and taking the necessary steps to turn those decisions into tangible results. In 2023, the CPO is at the crossroads, facing major decisions related to technology and the supply chain. Each has an element of risk, but deferring these decisions is far riskier.

Data-driven business intelligence is the new oil, given its immense potential to fuel business growth, support informed decision-making, and facilitate a competitive edge in today's market. Linking data intelligence to direct decision-making is where the rubber hits the road in value creation and where CPOs should focus their

efforts. The first step is a comprehensive AND successful digital transformation.

Likewise, supply chains have been under pressure for several business cycles. Now is the time to put them under the microscope. Building relationships with the right suppliers (in the right location) can help organizations unlock more innovation and value while creating more resilient and responsive supply chains. The arc and timeline of rethinking or reimagining a complex supply chain can be long and multifaceted, requiring careful planning and execution to ensure success. Rethinking the supply chain is not a one-time event but an ongoing process that requires constant evaluation and adaptation. CPOs should continuously monitor the performance of the supply chain and adjust their strategies as needed.

The true test of a CPO's leadership lies not only in making the right decision but also in preparing, leading, and navigating their teams towards success.

Making important decisions is akin to standing at a crossroads, where the path taken shapes the destiny that follows. Important decisions lie ahead. But the true test of a CPO's leadership lies not only in making the right decision but also in preparing, leading, and navigating their teams towards success. It is an important and exciting time to be working in procurement!



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 24 years in the industry and 14 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable.

As the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits.

Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com) and the host of the industry's exciting podcast, [Procurement Rising](#).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 575 times in nine different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply

management, and accounts payable operations and his research has been part of the Supply Chain Management curriculum at several US universities.

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

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

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



About Ardent Partners

Ardent Partners is a next-generation analyst firm that leverages its data-driven research to help business executives make smarter decisions and achieve better results. Ardent's clients (and global community) understand and appreciate that when we publish research and guide our clients, we do so based upon literally thousands of data points collected and analyzed over the past two decades. Our unique primary research methodology, high-impact research publications, and deep domain focus set Ardent apart from its competition. Our community is expansive, our influence is extensive, and our research is unrivaled. Register for exclusive access to Ardent Partners research at <https://ardentpartners.com/subscribe/>.

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the supply management market. The research in this report represents the web-based survey responses of 341 CPOs and other procurement and business leaders captured from January to March 2023, as well as direct interviews with multiple CPOs and procurement leaders. These 341 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class procurement performance and understand what levers the leading groups pull to obtain their advantage. More than 160 of the total participants shared some personal insight and commentary to help provide greater context to the results. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included below.

Report Demographics

The research in this report is drawn from 341 respondents representing the following demographics:

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

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

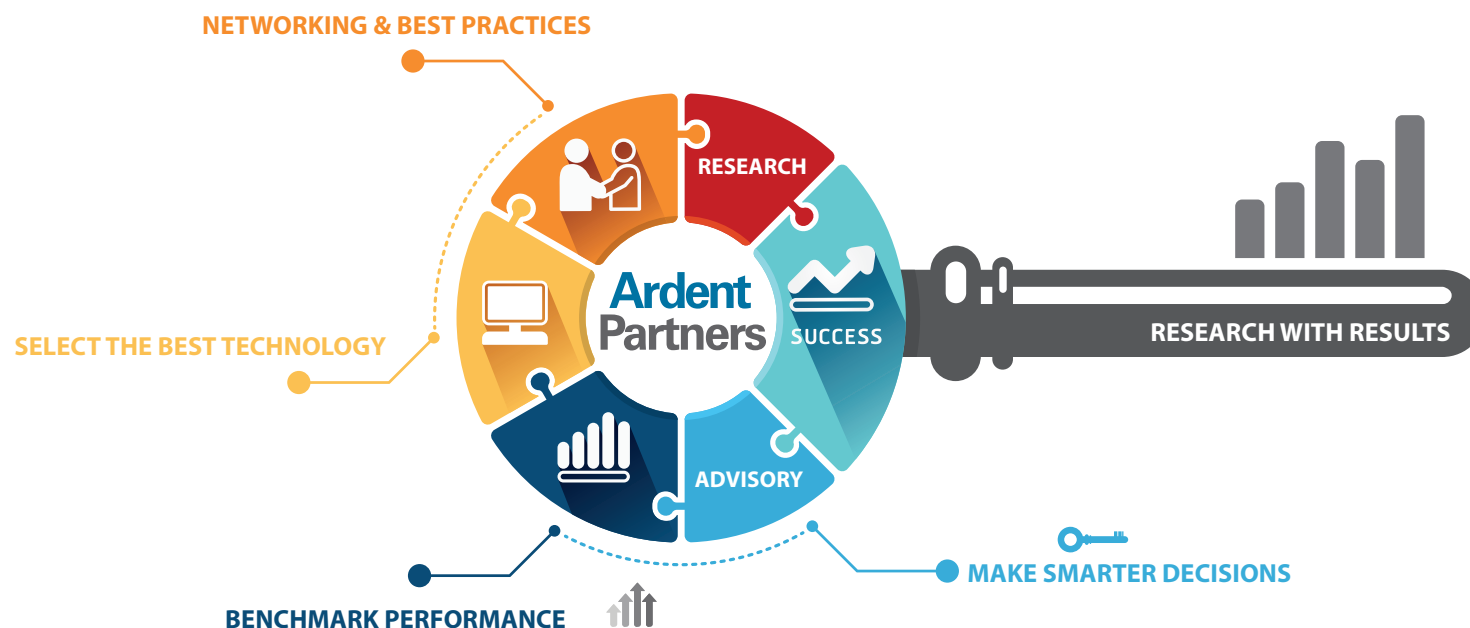
Company Revenue: 67% Large (revenue > \$1 billion); 20% Mid-market (revenue between \$250 million and \$1 billion); 13% Small (revenue < \$250 million)

Region: 70% North America; 25% EMEA; 5% Asia-Pacific

Industry: Twenty-five distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 13% of the overall survey respondents

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We deliver Research with Results™. Let us show you what we can do.

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