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ARDENT PARTNERS' PROCUREMENT METRICS THAT MATTER IN 2024

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About this Report

Since 2010, Ardent Partners has conducted more procurement-themed market research than any other firm or consultancy in the industry. In that time, Ardent has benchmarked thousands of distinct organizations across all aspects of their procurement programs.

Ardent Partners presents the findings from its latest research effort in this eBook, which is part of the ongoing dialogue that Ardent Partners has with global CPOs and other procurement leaders.

The eBook highlights the key trends and issues facing CPOs in 2024 as well as the priorities and capabilities of procurement organizations around the world. Perhaps most importantly, this publication presents the procurement industry's "metrics that matter," including the latest Best-in-Class metrics.

This eBook's contents are based upon the survey results of 382 CPOs and other procurement executives captured by Ardent Partners between January 2024 and March 2024.

Introduction

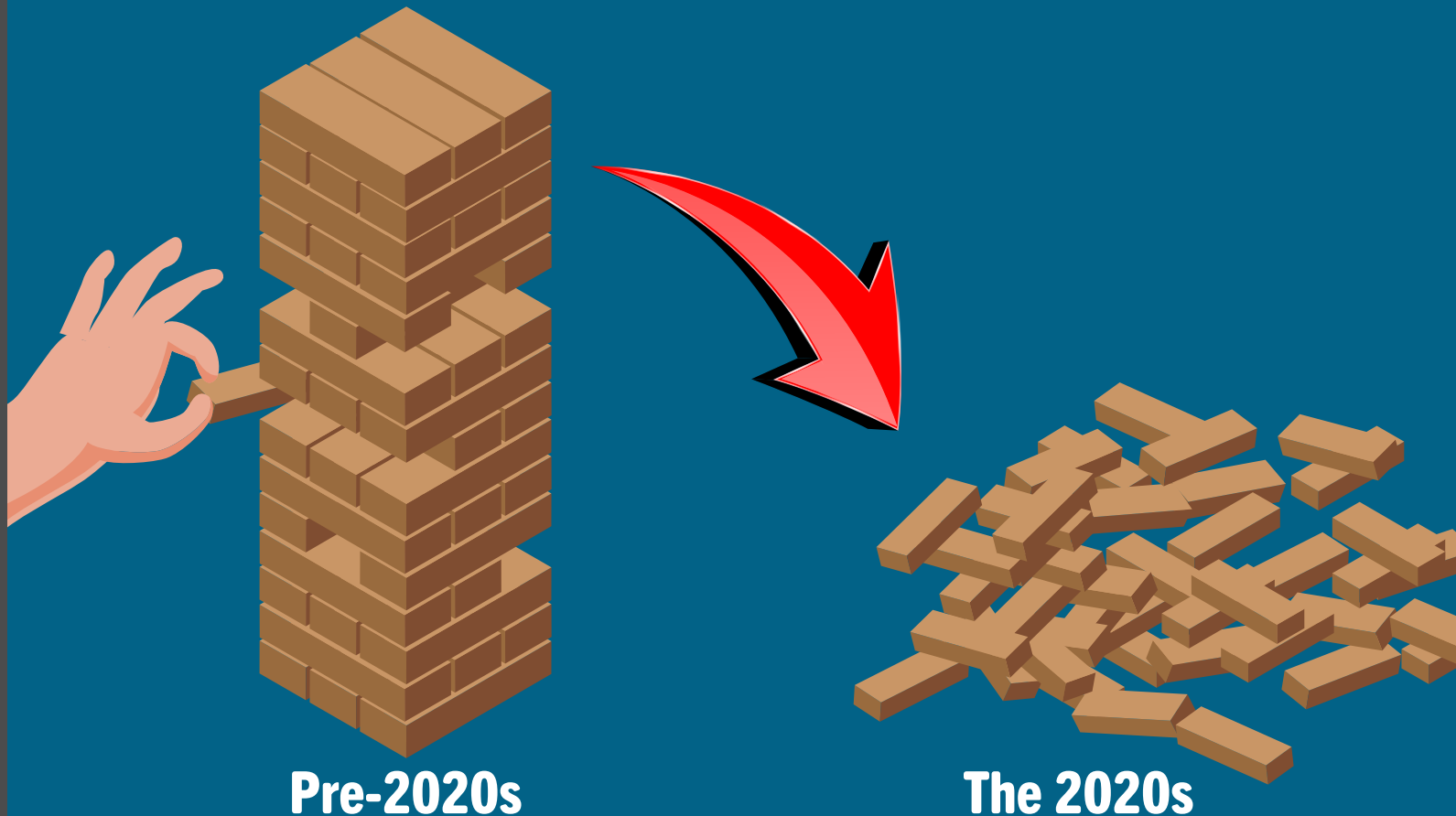
Businesses focus on measuring their revenues and profits because they matter. These numbers are critical to employees, shareholders, customers, and suppliers alike, and represent the “final score” of a game played last quarter or last year. As such, businesses play the game to win, and Chief Procurement Officers are no exception. Procurement results matter, and in 2024, they will matter more to the enterprise. Measuring metrics helps track results.

Ardent Partners' Procurement Metrics that Matter in 2024 is a compilation of the industry's best and most widely used procurement industry benchmarks captured in Ardent's annual State of Procurement market research survey.

Structural Change in the 2020s

The 2020s have been marked by profound structural change to the global business landscape, presenting unprecedented challenges for procurement teams across all industries and geographies.

While the pandemic is over, several global conflicts are causing challenges for global supply chains amidst a continuing battle against inflation. At the same time, Artificial Intelligence (AI) is starting to truly impact and strengthen those procurement organizations that can leverage it.



CPOs Continue to See Challenges Ahead

Uncertainty continues to be the only certainty. 68% of CPOs believe that 2024 will be more challenging than the already challenging 2023. Inflation and upward price pressures, in combination with geopolitical unrest, continues to test procurement organizations.

However, not everyone agrees. 25% of CPOs believe that 2024 will be similar to 2023, while 7% believe it will actually be less challenging than 2023.

68% of CPOs Believe 2024 Will Be MORE Challenging.

**68% MORE
Challenging**

**25% Similar
to 2023**

**7% LESS
Challenging**



CPOs Expect Their Teams To Step Up

Even if times are challenging, most CPOs have faith in their teams and expect them to step up in 2024. 65% of CPOs expect their teams to deliver more value than last year, while 27% expect about the same and only 8% expect less.

**65% of CPOs Expect Their Teams to
Deliver More Value in 2024.**



CPOs Are Turning To AI

Best-in-Class CPOs build their operation on a technology and talent foundation, delivering more value in technology. The rest of this decade will get very interesting as AI has captured the attention of CPOs. 28% are using AI in their procurement operations right now, while an additional 46% will be using it by year end.

AI has the potential to channel an entirely new level of innovation, enabling Best-in-Class CPOs and their teams to transform the tactical and strategic activities of the function (such as contract clause management, approval flow routing, supplier data validation, and fraud prevention), while also tapping into an underutilized repository of procurement information, data, and insights. With the rapid evolution of GenAI and other AI technologies, there will be significant opportunities for procurement to leverage AI.

74% of CPOs Will Be Using AI by the End of the Year.



AI



Legacy Tech

AI: Procurement's Force Multiplier

In its first innovation wave, AI technology is beginning to simulate human intelligence and problem-solving capabilities. This enables systems to execute tasks that would otherwise require human intervention.

Procurement teams, large and small, are starting to see real benefits from AI technologies like machine learning, deep learning, and generative AI.

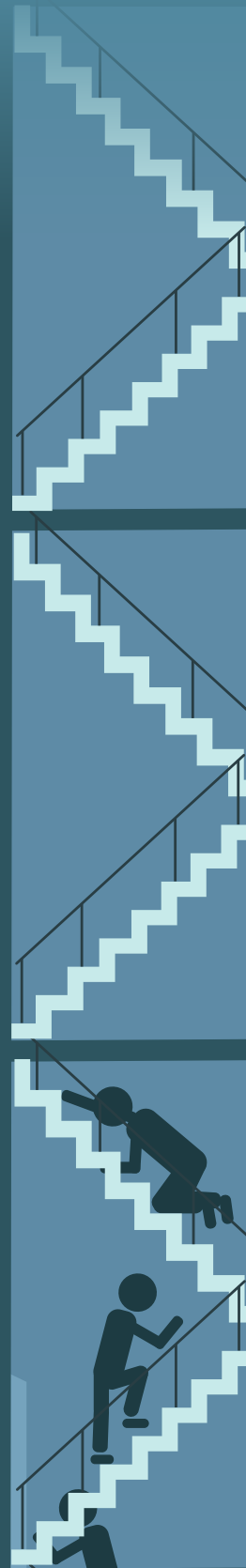
AI Delivers:



Expectations of AI Are High

CPOs are aware of the benefits AI can bring, and 17% believe it will have a transformational impact on procurement. Another 44% believe it will have a significant impact. 26% believe it will have a moderate impact, while only 10% believe it will have a minimal or insignificant impact.

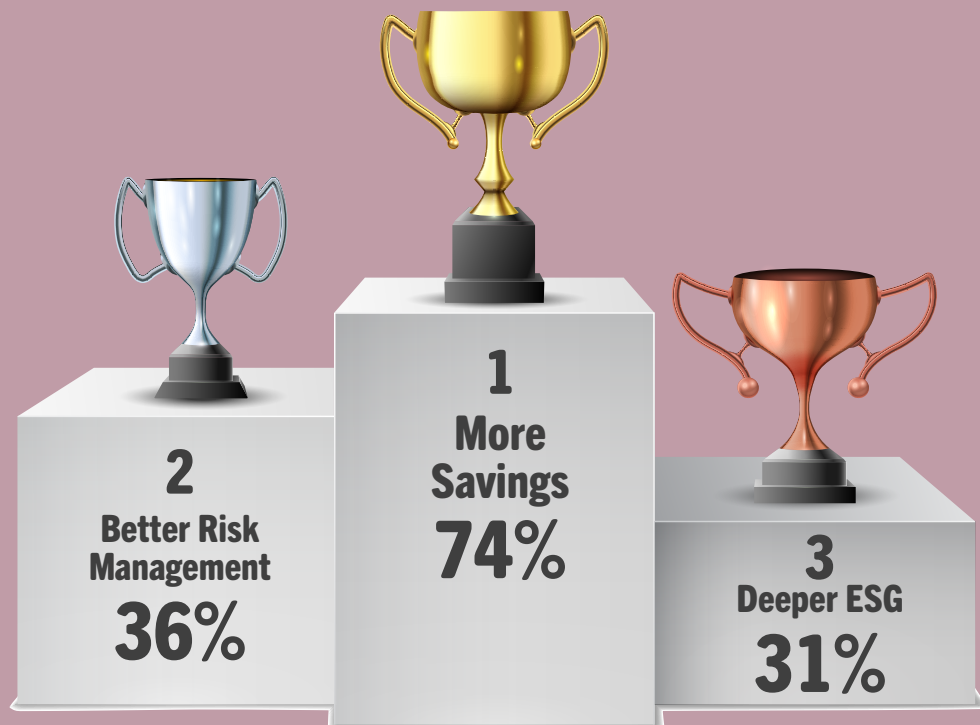
**61% of CPOs Think
AI Will Have a
Transformational (17%)
or Significant (44%)
Impact on Procurement.**



CPO Priorities Reflect Challenging Times

A corporate focus on efficiencies and the battle against inflation have procurement teams reverting to a focus on savings. The high percentage of CPOs prioritizing cost savings hearkens back to the days of the Great Recession. The second and third priorities, risk management (36%) and ESG (31%), respectively, are important but less critical this year.

CPO Priorities in 2024



Cost Savings is “Job One” in 2024

Inflationary pressures have receded but not disappeared, so CPOs are keeping the pedal to the metal in pursuit of savings. This year, an astonishing 74% of all CPOs have savings as a top priority, a 61% increase compared to 2023. Of note, 56% of Best-in-Class CPOs are prioritizing cost savings in 2024.

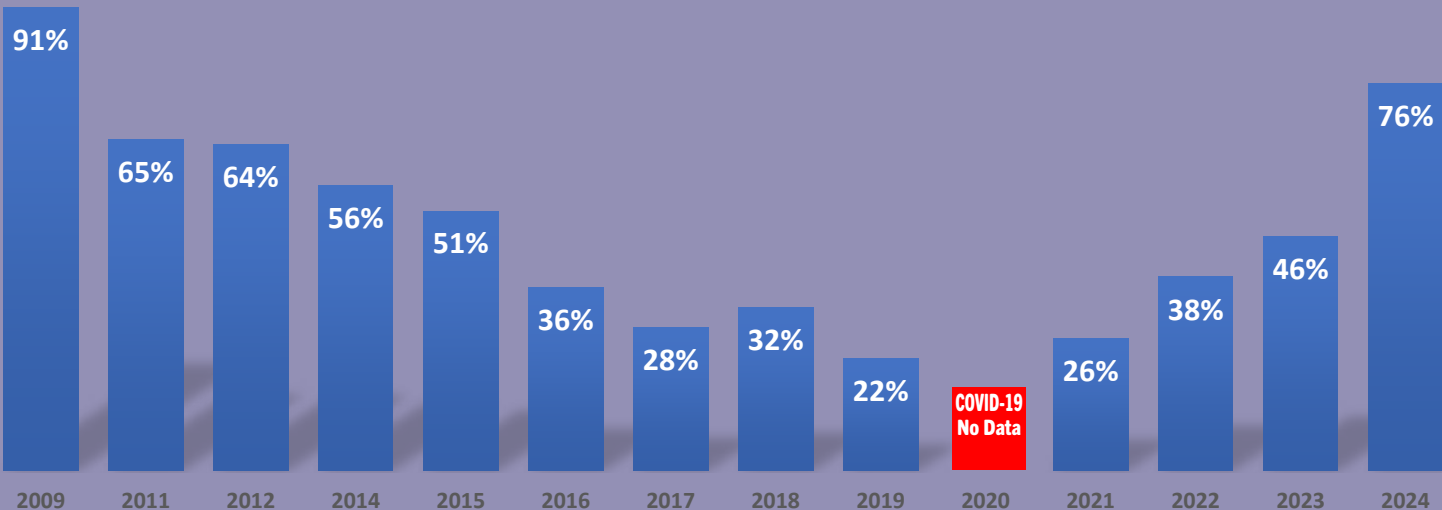
**Cost Savings is a Top
Priority for 74% of CPOs in
2024, up from 46% in 2023.**



The Importance of Savings Over Time

To paraphrase Winston Churchill, *Savings is the worst measure of procurement performance, except all the others.* When the economy and markets move steadily up and to the right, a focus on growth and quality extends to procurement and sourcing projects. When times get tough, procurement is expected to revert to its roots and find more savings.

The Percentage of CPOs Who Prioritized Savings Year by Year.



Managing Risk Is Top Of Mind Amidst Geopolitical Unrest

Although slightly down from last year, managing and mitigating risk remains a key focus area for CPOs, with 36% claiming it as one of their top three 2024 priorities (compared to 43% in 2023). To accomplish this, 40% plan to build out supplier and supply market intelligence capabilities.

Managing and Mitigating Supply Risk is a Top Priority for 36% of CPOs in 2024.



From Green Goals to Gold Standards: ESG Programs Are More Central

Continuing a multi-year trend, Environmental, Social, and Governance (ESG) reporting and programs are more important to CPOs in 2024 (31%) than last year (27%). Regulations and rising consumer sentiment drive greater interest and focus on ESG standards. 64% of all CPOs are planning to expand their programs.



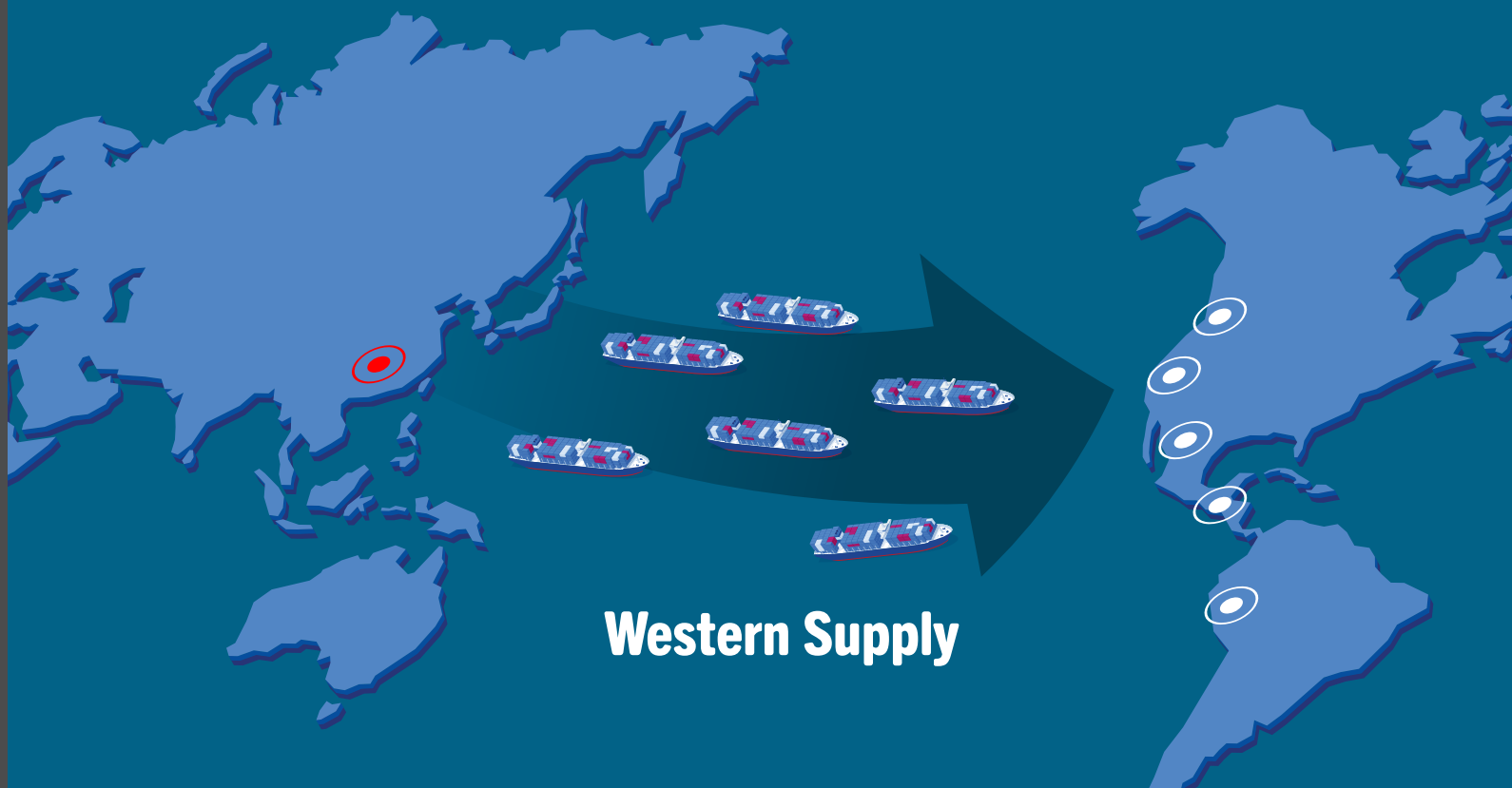
31%
of CPOs
Prioritize ESG

64%
of CPOs Plan
to Expand ESG

Supply Chain Changes

Dramatic supply chain overhauls are not part of most CPOs midrange plans, but onshoring and nearshoring are two popular strategies for risk mitigation. Over the next two to three years, **18%** are planning to **onshore** more supply while **22%** are planning to **nearshore** more supply.

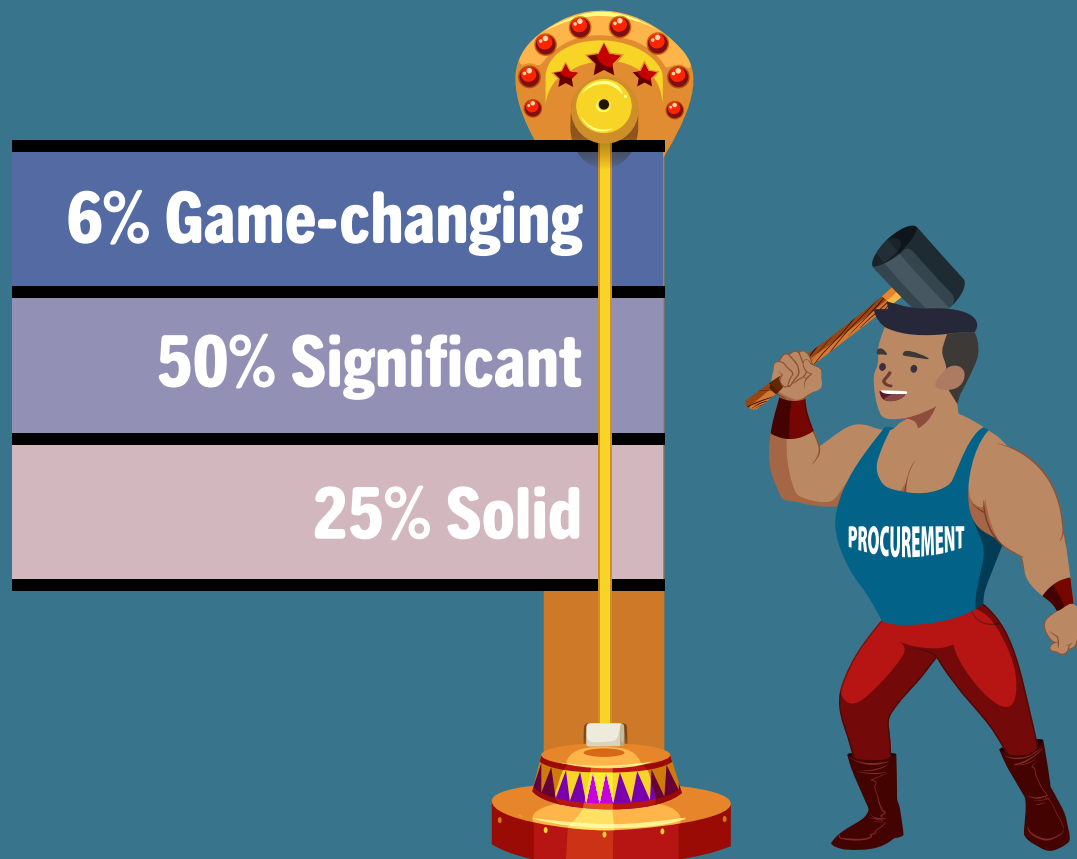
Given the Major Supply Chain Challenges this Decade, it is Surprising that More Supply Is Not Moving Closer to Home



Procurement Had Major Impact In 2023

When the going gets tough, the tough get going. In 2023, procurement teams delivered. Exactly half (50%) said they delivered a significant impact on overall business operations and results, while 6% defined their impact as “game-changing.” An additional 25% said they were solid contributors. Even in the tough times, procurement can be counted on to deliver.

Procurement Rang the Value Bell Last Year!



Spend Under Management



The percentage of spend under management at the average enterprise increased by 1% in 2024 to 66%. Ardent would argue this is solid, but with a third of all spend still not managed, sizable savings is being left on the table each year. More spend under management means less risk, better quality, and more savings.

With visibility into spend, the proper solutions to engage end users and to support procurement professionals can increase spend under management.

Procurement Teams, on Average, Manage 66% of Total Spend.

66%
Managed
Spend

34%
Unmanaged
Spend

Best-in-Class Metric: Spend Under Management

Ardent Partners has determined Best-in-Class procurement performance by analyzing the spend under management metric and identifying the top 20% of performers. These Best-in-Class performers managed an impressive average of 91.3% of spend. This is 59% better 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. 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 Best-in-Class Manage
91.3% of All Spend**



**BEST
IN
CLASS
BEST
IN
CLASS**

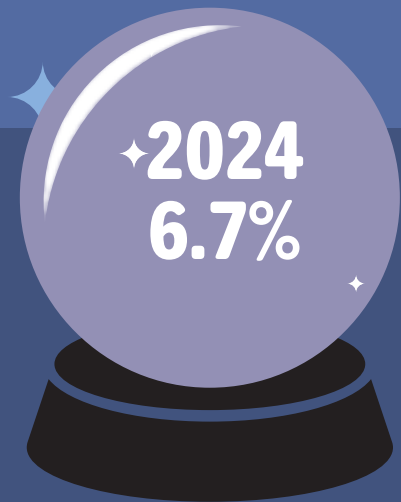
Savings Rates



Savings and inflation rates are linked. Inflation in the U.S. and Europe peaked in late 2022 and declined in 2023. The average savings rate achieved in 2023 rose to 6.4% compared to 6.1% in 2022. Despite the increase, delivered savings rates in 2023 were slightly below targets. In 2024, CPOs expect to deliver savings of 6.7%.



**Savings Delivered
in 2023: 6.4%**



**Savings Targeted
in 2024: 6.7%**

Best-in-Class Metric: Savings

When it comes to savings, at first glance, the difference between the Best-in-Class and their peers might not seem huge (6.7% vs. 6.3%). But the top performers delivered that higher average savings rate on a much larger spend portfolio. That results in a dramatic difference on the bottom line. This highlights the need to bring more spend under management.

**The Best-in-Class
Delivered 6.7%
Savings in 2023.**

Best-in-Class
6.7%
Savings Rate

All Others
6.3%
Savings Rate

Addressable Spend That Is Sourced



Addressable spend that is sourced is continuing its slow trajectory upwards. For 2023, CPOs report that 48% of addressable spend is sourced compared to 47% in 2022.

This leaves plenty of opportunity to improve, and while any significant increases in headcount to source more spend might be unlikely, there are interesting improvements in sourcing process automation using RPA-like technologies and AI.

**Addressable Spend That Was
Competitively Sourced in 2023: 48%**



Best-in-Class Metric: Addressable Spend that is Sourced

Not surprisingly, Best-in-Class sourcing teams attacked inflation in 2023 with an impressive amount of competitive sourcing. This group sourced a full 60% of their total addressable spend compared to 44% for all others.

**The Best-in-Class Attacked Inflation in 2023,
Sourcing Significantly More than Their Peers.**

**Best-in-Class
60%**

**All Others
44%**

Spend That Is Contract Compliant



When savings is a priority, procurement needs to source more and ensure contract compliance. Last year, CPOs reported a 63.4% contract compliance rate, similar to prior years. This metric should be in focus in 2024.

Contract Compliance (63.4%) Should be in Focus for All CPOs in 2024.

CONTRACT COMPLIANCE

Best-in-Class Contract Compliance

Best-in-Class performers outclass others in contract compliance as well, with 74.9% of spend being contract compliant vs. 59.5%. This suggests that the top performers are better at closing the loop between sourcing and purchasing, ensuring that end users are buying off of negotiated contracts.



**Best-in-Class Has
74.9% of Spend
that is Compliant.
This is 26% Better
than All Others.**

Enabled Suppliers



After a few years of steady growth, the percentage of enabled suppliers (defined as those who can transact electronically) has leveled off at 45.8% this year. This is surprising given the number of new Invoicing mandates seen globally. Ardent expects this number to continue growing in the years ahead.

The Average Percentage of Enabled Suppliers is 45.8%.



45.8%
Enabled
Suppliers



54.2%
Offline
Suppliers

Best-in-Class Enabled Suppliers

The Best-in-Class performers have realized the benefits of having electronically enabled suppliers. 60.2% of the top performers are driving efficiencies in collaboration and transactions with their suppliers compared to 41.2% for all others — a whopping 46% advantage!

**The Best-in-Class Have
60.2% Enabled Suppliers.**



Improvement Strategies

Building on their strong impact in 2023, CPOs are using a multitude of different strategies to drive their initiatives and improve performance in 2024. The most common strategy that 50% of CPOs are using is to improve collaboration with line-of-business leaders and budget holders.

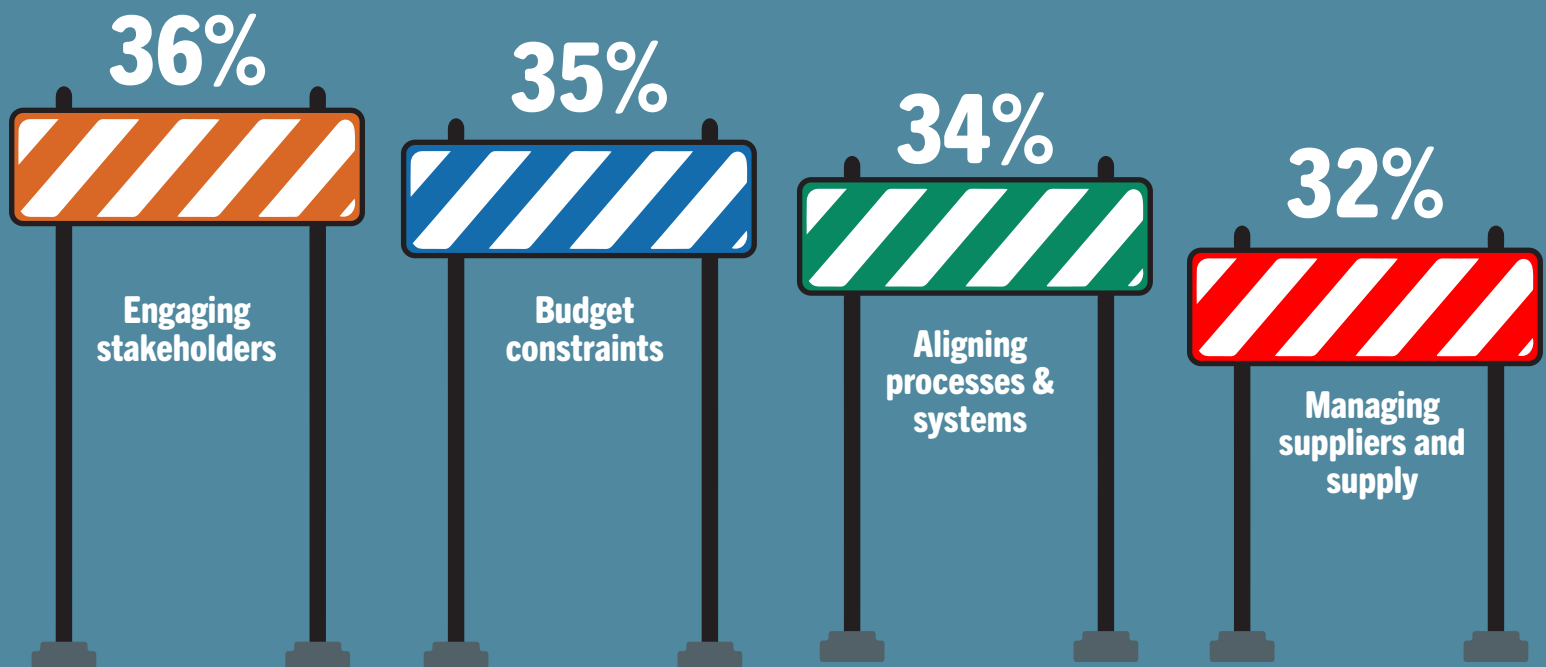
Meanwhile, 38% are implementing more or better strategies that impact cash flow, in line with the increased focus on cost savings.

About a third are looking to technology — 34% are streamlining current systems and processes and 31% are pursuing a digital transformation by adopting new technology and/or improving the proficiency of current tech usage. 21% are leveraging new AI technologies.



The CPO's Major Challenges

There is a connection between what CPOs consider their biggest hurdles and the strategies they employ to vault them. The CPO's top challenges include getting internal engagement (36%), managing external partners (32%), while budget constraints (35%) and optimizing systems (34%) also plague about one-third of all teams.



Alignment Can Improve

Procurement's alignment with the executive agenda should be unquestioned. Yet, only a quarter of CPOs have an agenda that is tightly-aligned to overall enterprise objectives. While cost savings and cash management are high on the CEO's 2024 radar, it falls to the CPO to ensure their teams are focused on supporting the business' goals.

**It is the CPOs Job to Ensure Their Teams
Are Focused on the Right Things.**



**25% of Procurement Teams are
Working on the Right Things**

**26% of Teams Are Partially or
Poorly Aligned with Management**



Digital Transformation on a Budget

Driving a holistic digital transformation remains high on the CPO agenda, with 32% reporting an increased technology budget for 2024. The emergence of AI will only increase the importance going digital.

For many businesses, however, 2024 is the “Year of Efficiency,” which means that budgets are tight. 54% of CPOs see no change this year (with inflation, this translates into diminished buying power) and 14% are facing decreases in their technology budget.



**Tech budget
increased
32%**



**Tech budget
unchanged
54%**



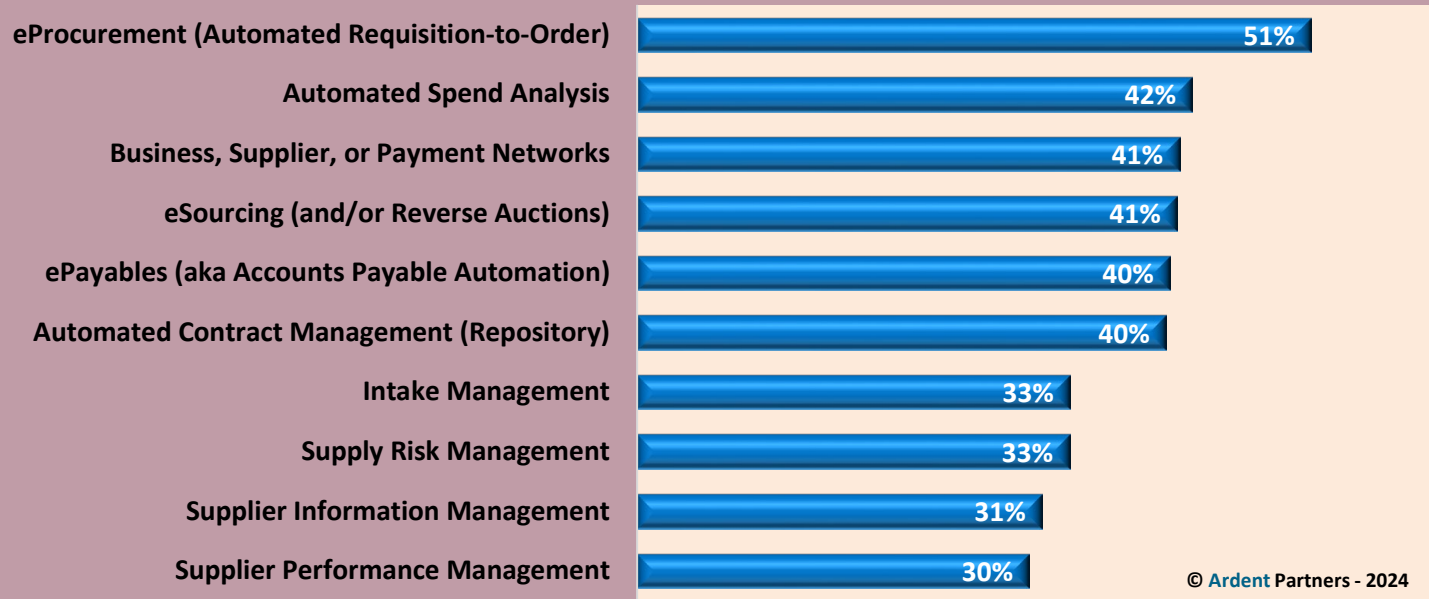
**Tech budget
decreased
14%**

Procurement Technology Adoption – More Work to Do

Procurement technology continues to be important to the leaders in the space. Those that successfully deploy and use technology claim clear visibility, as well as 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.

Technology adoption rates remain uninspiring with a majority of procurement teams using some but not much technology. The impact of AI will be transformational and the procurement teams that lack a technology backbone will have a huge disadvantage.

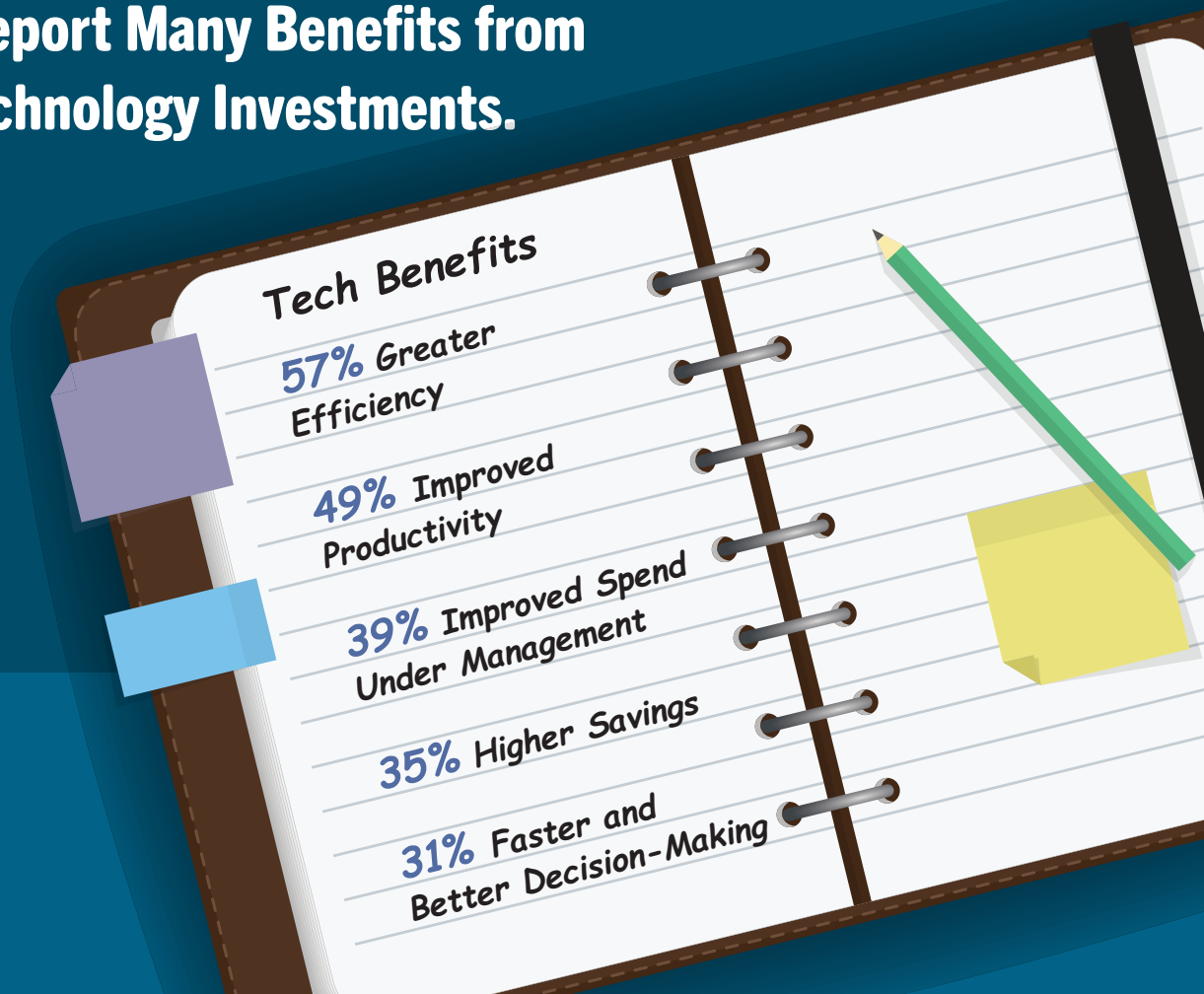
Percentage of Procurement Teams Actively Using Specific Technology



Benefits From Procurement Technology

The benefits from procurement technology when it is well-deployed and well-used can be compelling. Efficiency and productivity are listed as the top two benefits, with increased savings and more spend under management close behind.

CPOs Report Many Benefits from their Technology Investments.



The Best-in-Class Characteristics

Procurement's Best-in-Class set the standard for all others. These top performers are characterized by more active sourcing programs and the ability to link sourcing to drive compliance.

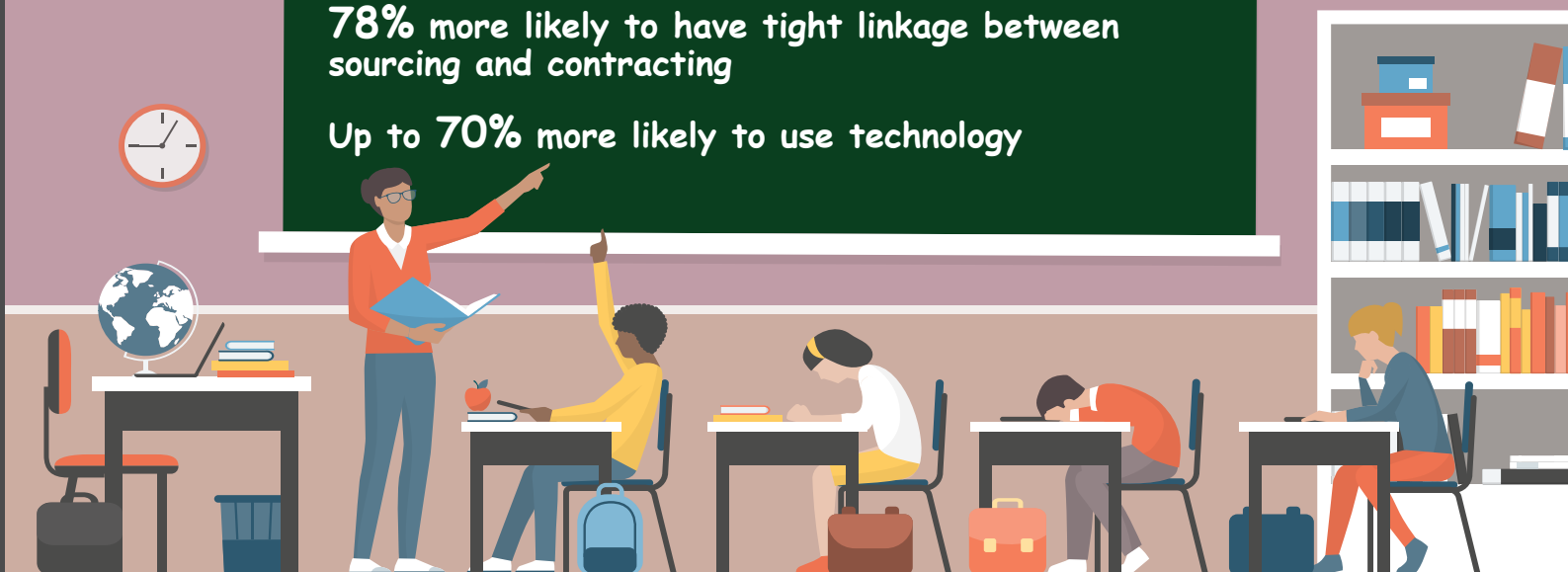
Best-in-Class Procurement Teams Are:

43% more likely to have an active sourcing program

52% more likely to have standard GRC processes

78% more likely to have tight linkage between sourcing and contracting

Up to 70% more likely to use technology



Best-in-Class

All Others

What's Needed To Get To the Next Level?

What will it take to get procurement operations to the next level? The answers are not new: 42% of CPOs say earlier engagement in sourcing projects is the key. The next three drivers are tied to data, technology, and skills. CPOs need better data visibility and analytical capabilities (40%), bigger and better sourcing teams (32%), and improvements in how they use current technology (29%).



Demographics and Methodology

Report Demographics

The research in this report is drawn from 382 respondents representing the following demographics:

Job Function: 89% procurement; 5% supply chain; 3% finance; 3% other

Job Role: 38% VP-level or higher; 31% director-level; 20% manager level; 11% all others

Company Revenue: 62% Large (revenue > \$1 billion); 30% Midmarket (revenue between \$250 million and \$1 billion); 8% Small (revenue < \$250 million)

Region: 56% North America; 34% EMEA; 9% Asia-Pacific; 1% South America

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

Report 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 382 CPOs and other procurement and business leaders captured from January to March 2024, as well as direct interviews with multiple CPOs and procurement leaders. These 382 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 to the left.

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 25 years in the industry and 15 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 600 times in ten different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

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

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

About the Authors



Magnus Bergfors is a Vice President of Research at Ardent Partners

Magnus is one of the most experienced analysts in the procurement technology space. With more than 20 years of procurement experience, most of it as an analyst at Gartner, he has authored hundreds of articles and reports and helped literally thousands of end-user organizations select the best-fit sourcing/procurement solution(s) to maximize value and returns. After a brief excursion to the solution provider world, he is back as an analyst leading Ardent's coverage of procurement and sourcing technology.

In his storied career as an analyst, Magnus advises solution providers to better understand the market and the opportunities that exist within it, as well as the key go-to-market and product marketing strategies that increase sales. Magnus has deep expertise in strategic sourcing, procure-to-pay, and other procurement software categories. He has a keen eye for identifying strengths and weaknesses in established solutions but also finding new innovative solutions given his extensive knowledge of the landscape. Plus, his technical acumen is instrumental in seeing through the hype and sorting out what actually delivers value.

Magnus is an appreciated speaker and has delivered hundreds of keynote presentations, breakout session presentations, analyst-day workshops, webinars, and roundtable discussions.

Before becoming an analyst, Magnus started as a practitioner who worked with both direct and indirect materials in a variety of industries. He also has experience working for leading procurement technology providers and consultants. Magnus holds the Swedish equivalent of a Master's Degree in Industrial Engineering and Management (civilingenjör Industriell Ekonomi).

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