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Ardent Partners' Procurement Metrics that Matter in 2020

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Underwritten by:



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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' Procurement Metrics that Matter in 2020 is a compilation of the industry's best and most widely-used procurement industry benchmarks captured in Ardent's upcoming state of the market report: **CPO Rising 2020: Continuity, Resilience, Recovery.**



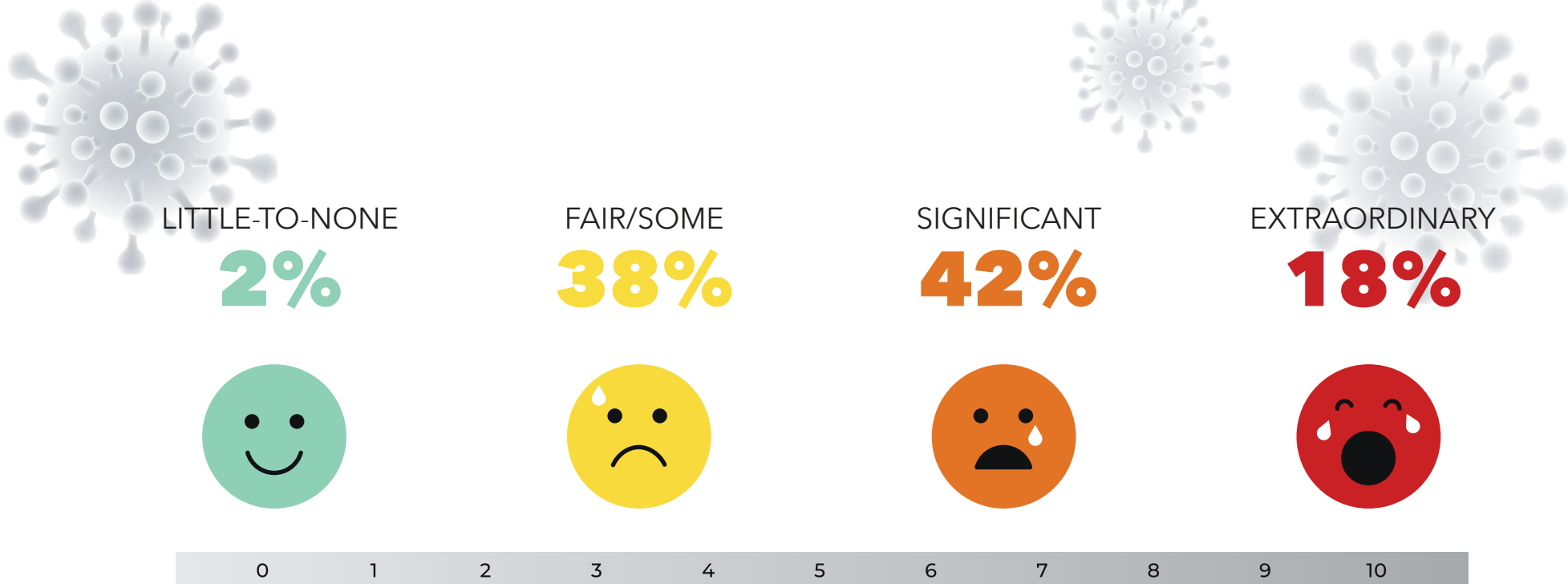
Introduction

Since 2000, the global economy has been increasingly driven through its supply chain. Now, the global supply chain is under attack. Once again, CPOs have been called to the front lines to defend their businesses, lead their teams, and ensure continuity. Attacks and threats are coming from all angles. But, the challenge of each day presents opportunities within it. And, as we continue to navigate these disruptive days, it is clear that many of an enterprise's best opportunities (and most critical priorities) will play to the strengths and expertise of its procurement department. Until then, resiliency is the order of the day. It is a global imperative and it serves as a call to procurement leaders and professionals around the world to respond with agility and poise – a call that many have spent years preparing for... a call that will be answered.

This eBook presents Ardent Partners latest market research on the state of procurement, sharing the intentions, strategies, and performance of more than 300 CPOs plus supplemental survey responses regarding the pandemic from more than 950 others. That said, most of the data was captured between January and March of 2020, before many procurement teams had begun to feel the impact of the coronavirus pandemic. This eBook also includes the responses from 954 procurement professionals who participated in Ardent Partners' CPO Rising 2K20 Virtual Series held between March 31 and May 7 of 2020.

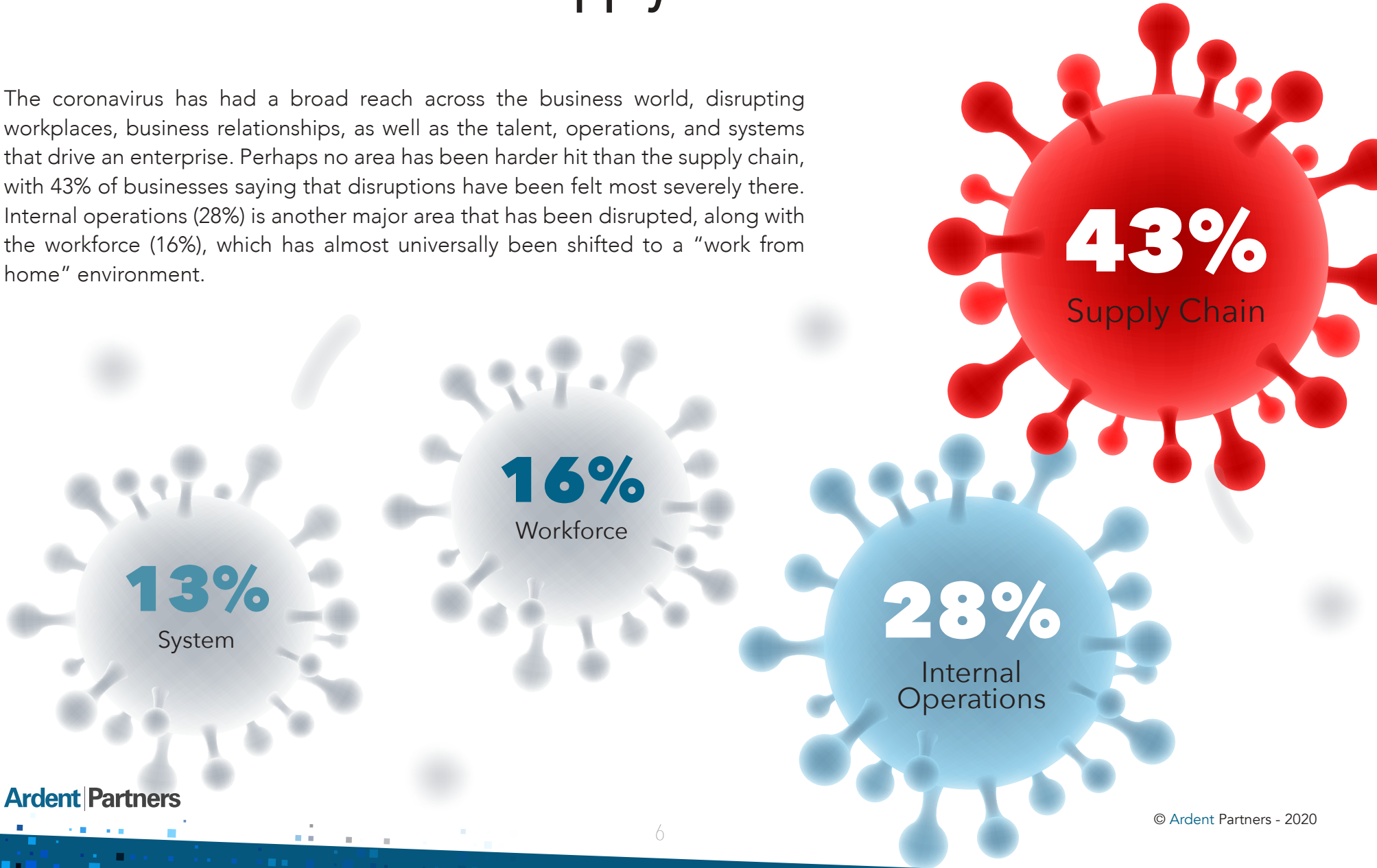
The Impact of COVID-19 is Very Real

While the coronavirus pandemic is taking no prisoners on the home front, it is picking business winners (CPG, Pharma, eCommerce, etc.) and losers (Travel, Hospitality, etc.) in real time. More broadly, the business operations within many enterprises are facing unprecedented changes, extreme threats, and entirely new challenges. After less than two months, 60% reported that the impact of COVID-19 has been "extreme" (18%) or "significant" (42%) on business operations, while nearly all businesses (98%) are dealing with some level of change. Until the pandemic clears, the impact on all enterprises is expected to increase.



The Pandemic Hits the Supply Chain Hardest

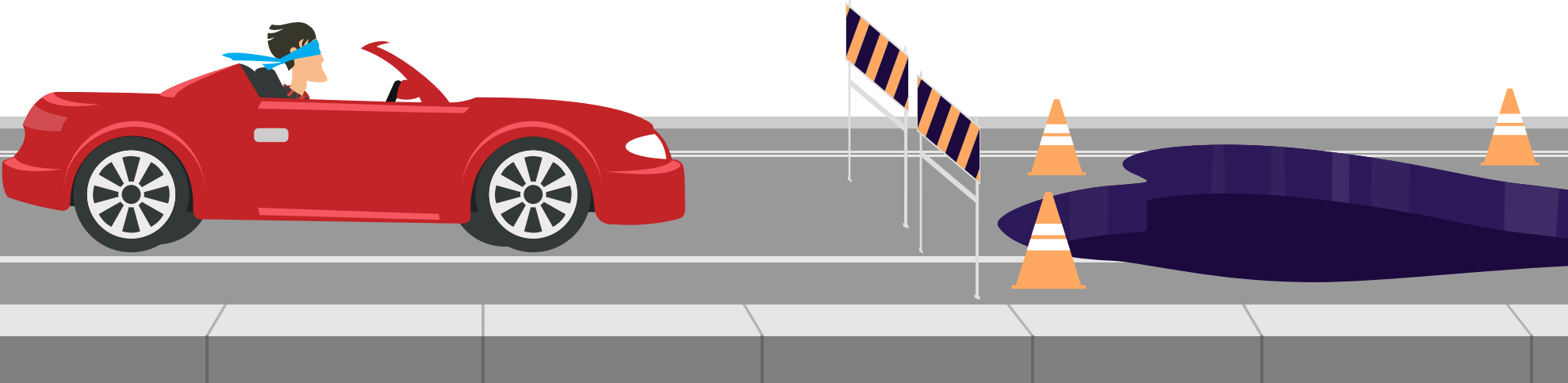
The coronavirus has had a broad reach across the business world, disrupting workplaces, business relationships, as well as the talent, operations, and systems that drive an enterprise. Perhaps no area has been harder hit than the supply chain, with 43% of businesses saying that disruptions have been felt most severely there. Internal operations (28%) is another major area that has been disrupted, along with the workforce (16%), which has almost universally been shifted to a “work from home” environment.



The State of Supply Risk in 2020

As the reliance on global supply chains dramatically increased over the last 20 years, so too did their size, scope, and complexity. Despite this, most enterprises remain ill-prepared and ill-equipped to respond to a large global risk event, much less a series of risk events. To be sure, gaining visibility into and control over supplier and third-party risk can be challenging even for sophisticated enterprises with dedicated risk-management teams. Nonetheless, Ardent Partners identifies supply risk as a massive blind spot for the vast majority of companies today.

Only **34%** of all businesses have an active supply risk program



The State of Supply Risk in 2020, Part 2

The consequences of supply risk usually go far beyond impacting supply chain operations. In fact, Ardent Partners' research has shown that supply glitches traditionally pose great risk to customer relations, earnings, time-to-market cycles, sales, and overall brand perception. Under normal circumstances, insufficient risk management is cause for concern. In today's wildly unpredictable global market, the pervasive inadequacies of corporate supply risk management programs are cause for outright alarm.



Only **21%** of procurement teams have a comprehensive supply risk program targeting strategic suppliers.



Only **9%** of procurement teams were focused on improving their supply risk management capabilities.

The CPO's Top Three Pressures: Before and After

Before the coronavirus impacted procurement teams around the world, the CPOs' top three pressures were the need to (1) drive a digital transformation, (2) improve processes, and (3) increase agility. In the immediate aftermath of the global pandemic, business needs and the CPO's focus quickly shifted to (1) prioritizing cash management, (2) increasing savings, and (3) improving supply chain visibility.



Procurement's Impact on the Enterprise (Last 12 Months)

Procurement has played a major role in helping modern businesses grow and expand – sometimes leading, but always supporting the journey forward. Procurement's transformation from a largely administrative function to a more strategic function that has a seat in the executive suite has been an exciting and impactful journey. A majority of procurement departments continue to make a "game-changing" (11%) or "significant" (41%) impact on enterprise operations and performance.

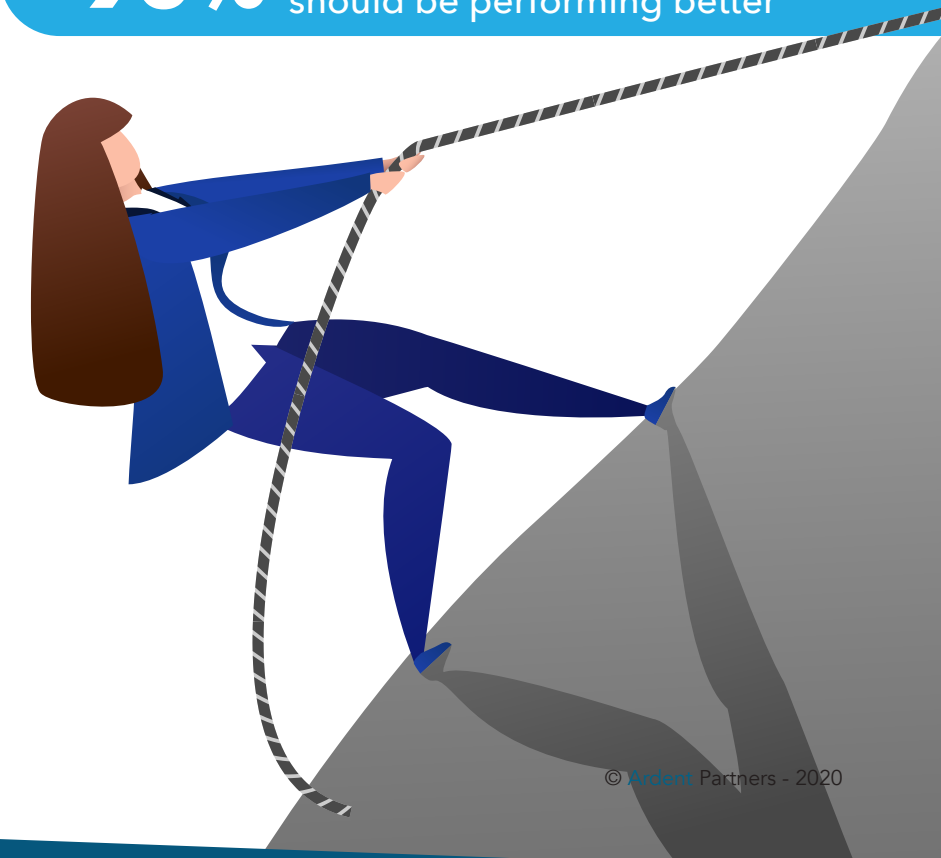


Procurement Must Continue To Innovate

While 90% of CPOs believe that the impact of their department on the overall enterprise has consistently risen over the last three years, the exact same percentage of CPOs see room for immediate improvement and believe that their organizations should be performing better. What worked well in the past will not be enough to succeed in the decade ahead. This means that CPOs must take new steps if they are to maintain their momentum, otherwise they risk falling back.

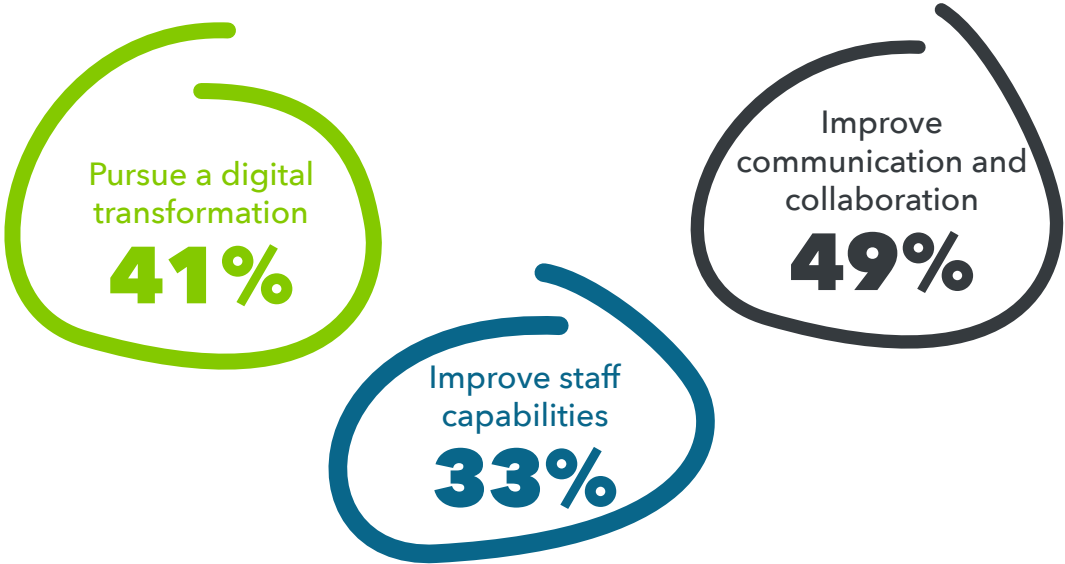
90% of CPOs say their departments should be performing better

90% of CPOs say their impact is accelerating



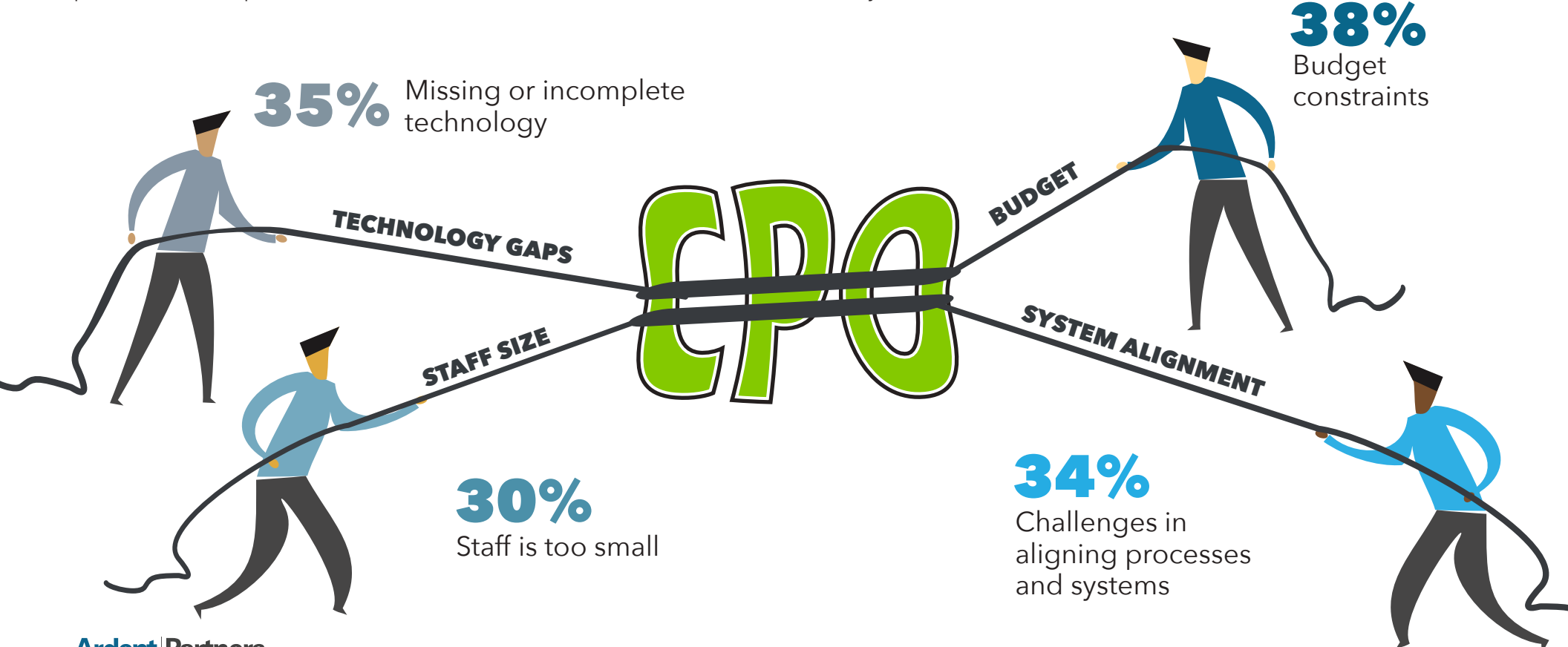
The CPO's Agenda for 2020

While many procurement departments are facing high levels of uncertainty, 49% of CPOs indicated that improving internal collaboration and communication is at the top of their agenda in 2020. This ranked higher than pursuing a digital transformation by adopting new technologies or enhancing existing ones (41%). Additionally, 33% of CPOs regard improving staff capabilities with more or better training, and better hiring and retention practices as a top strategy. Note that in the second half of 2020, Ardent Partners expects sourcing volumes to increase dramatically and become a more important CPO strategy.



Top Challenges Holding Procurement Back

In 2020, the state of procurement is strong, bolstered by increasing proficiency, expanding engagement, and an increasingly important impact on overall operations. That said, the average procurement department's path to success is rarely easy and clear. In fact, the challenges for procurement departments in 2020 remain sizable (and have been remarkably similar since 2016).



Spend under Management

Spend under management refers to the percentage of total enterprise spend (all direct and indirect spend including services and capital spend for some groups) that a procurement organization manages or influences. The percentage of spend under management at the average enterprise sits at 63.1% in 2020 (essentially flat over the past few years). While it appears that the average procurement organization is satisfied with managing slightly less than two-thirds of the enterprise's overall spend, Ardent's research has shown that enterprises realize a savings benefit of between 6% and 12% on every new dollar of spend placed under procurement's control. There are other benefits beyond savings that also result from procurement's influence, including improved quality and lower risk.



The average procurement department manages **63.1%** of total enterprise spend



Savings

The average CPO's focus on savings has lessened steadily over the past decade. The enterprise's focus on procurement savings has also lessened. That is about to change in a very real and significant way. The average procurement team saved 7.3% in 2019 and originally targeted slightly more savings for 2020 (7.4%). Ardent expects that these savings targets will be adjusted higher for the second half of 2020.

7.3% average realized savings in 2019

7.4% targeted savings in 2020*



Adjusted 2020 Target



Original 2020 Target



2019



**Ardent Partners expects that most procurement companies will readjust their savings targets for 2020 at least 20%-60% higher*

Addressable Spend that is Sourced

Ardent Partners believes that a low volume of competitive sourcing activity indicates complacency, or worse, poor judgement. Removing the competitive pressures from an RFP can create a more pleasant supplier relationship, but it can also lull the buying organization into a false sense of security that their categories have been optimized.

Procurement teams sourced exactly half of their addressable spend in 2019. Over the next few years, many procurement teams will rethink and ultimately redesign their supply chains and their strategic supplier relationships. This will place a premium on global sourcing experience.



Procurement departments competitively sourced **50%**, on average, of their total addressable spend



Enabled Suppliers

One critical area of growth over the past few years is within the realm of supplier enablement. In 2020 the percentage of the average enterprise's supplier base that is electronically-enabled has grown to 36.2%. This is an interesting factor in the greater discussion of digital transformation, as the "digitized enterprise" is one that leverages seamless and holistic process workflows for maximum efficiency and knowledge-sharing. With a newfound focus on the "smart" procurement function that has the ability to influence other key areas of the business, the higher number of enabled suppliers, especially in the face of globalization, will be an advantage for businesses in the decade ahead.

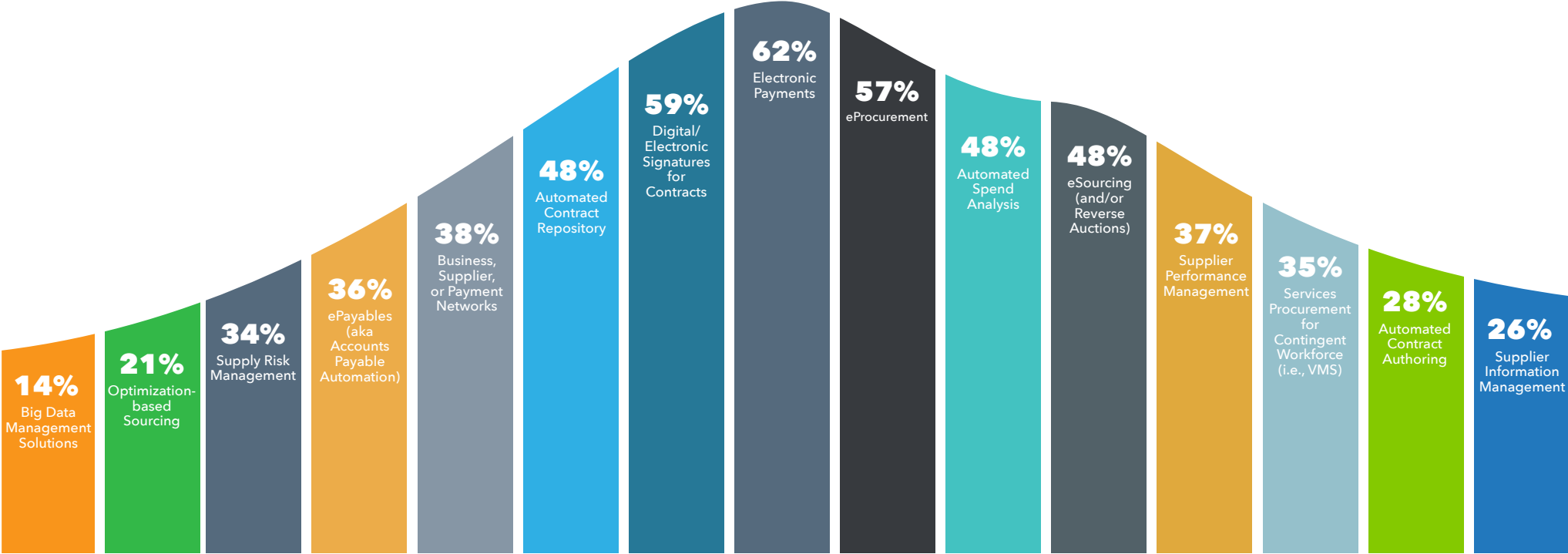


36.2%
of all suppliers
are enabled



Procurement Technology Adoption Rates

While this year's technology adoption numbers remain consistent with recent years, albeit slightly improved, the scope of technology projects and the number of business processes considered as targets for process automation continue to grow. If the emergence of supply management technologies nearly 20 years ago helped spawn a new age of procurement and the rise of the Chief Procurement Officer, high adoption and strong usage of these solutions have become fundamental characteristics of today's market leaders.



The Future of Procurement: What's Needed to Get to the Next Level?

Perhaps more than ever, CPOs will need catalysts to drive their teams to the next level of performance. Ardent Partners' 2020 procurement research asked CPOs to identify the "game-changers" that will propel them forward this decade. The answers tell a familiar, logical, and ultimately reassuring story for procurement: better data visibility can be gained from enhanced analytic capabilities (40%), made possible with new or improved technology (32%), and employed by more talented and technically-capable staff (30%). When viewed this way, a straightforward formula for CPOs and their teams to enhance their performance and drive greater enterprise value emerges.

25%

Earlier engagement on sourcing opportunities

28%

More/better executive support or mandate

30%

A more talented staff

32%

New (or improved) technology

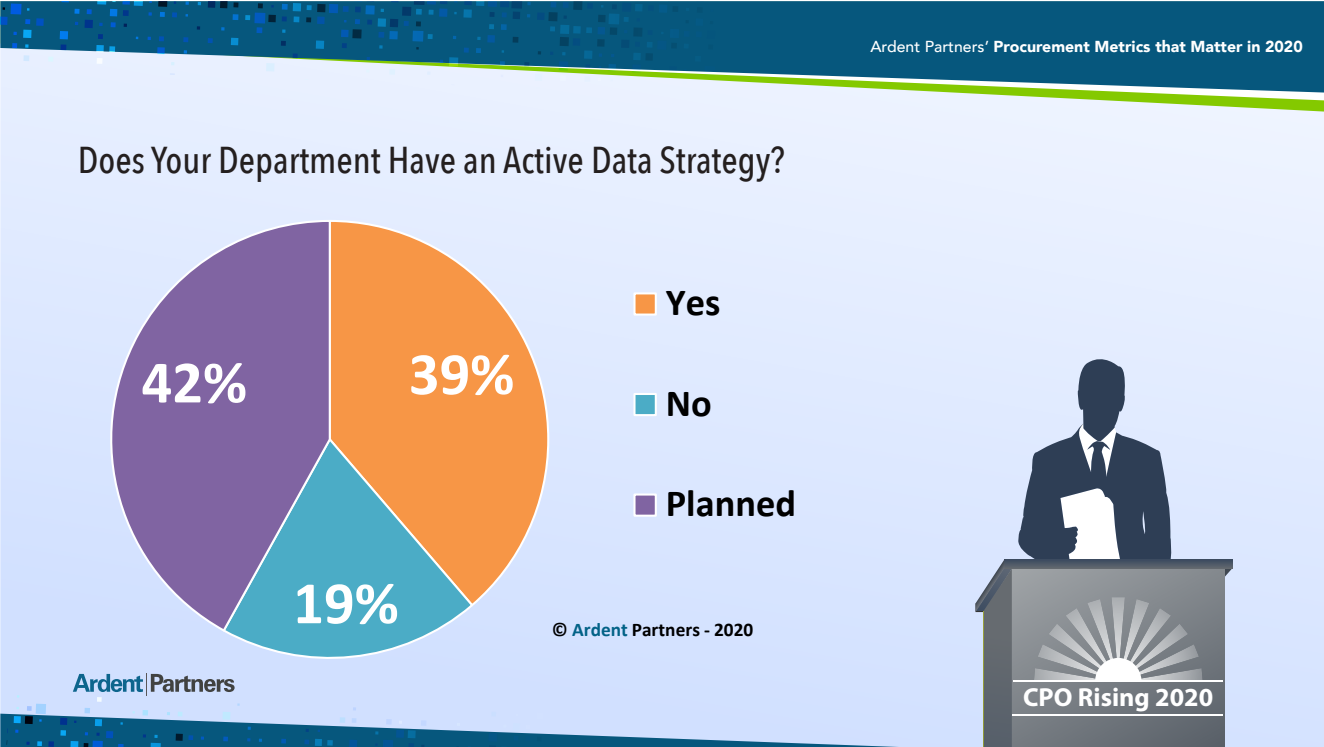
40%

Better data visibility and analytical capabilities



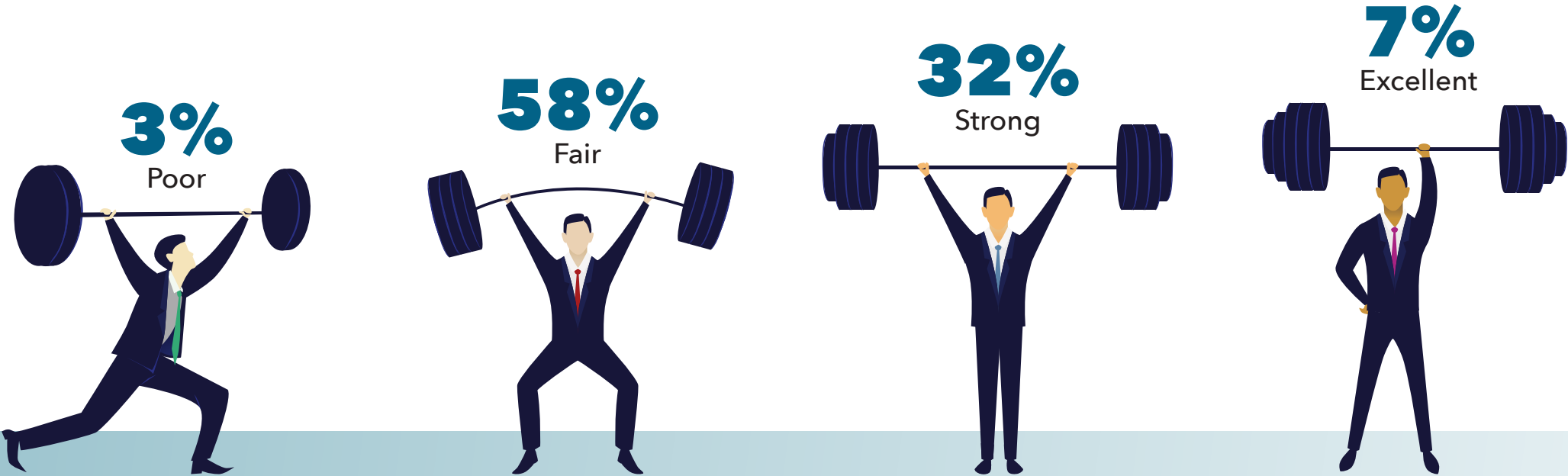
~~Big~~ All Data = Big Opportunity

With the rise of business process automation tools, cloud-based applications, mobile solutions, connected devices (i.e., the "Internet of Things"), and data permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and procurement teams around the globe have an extraordinary opportunity to capitalize on it.



~~Big~~ All Data = Big Opportunity, Part 2

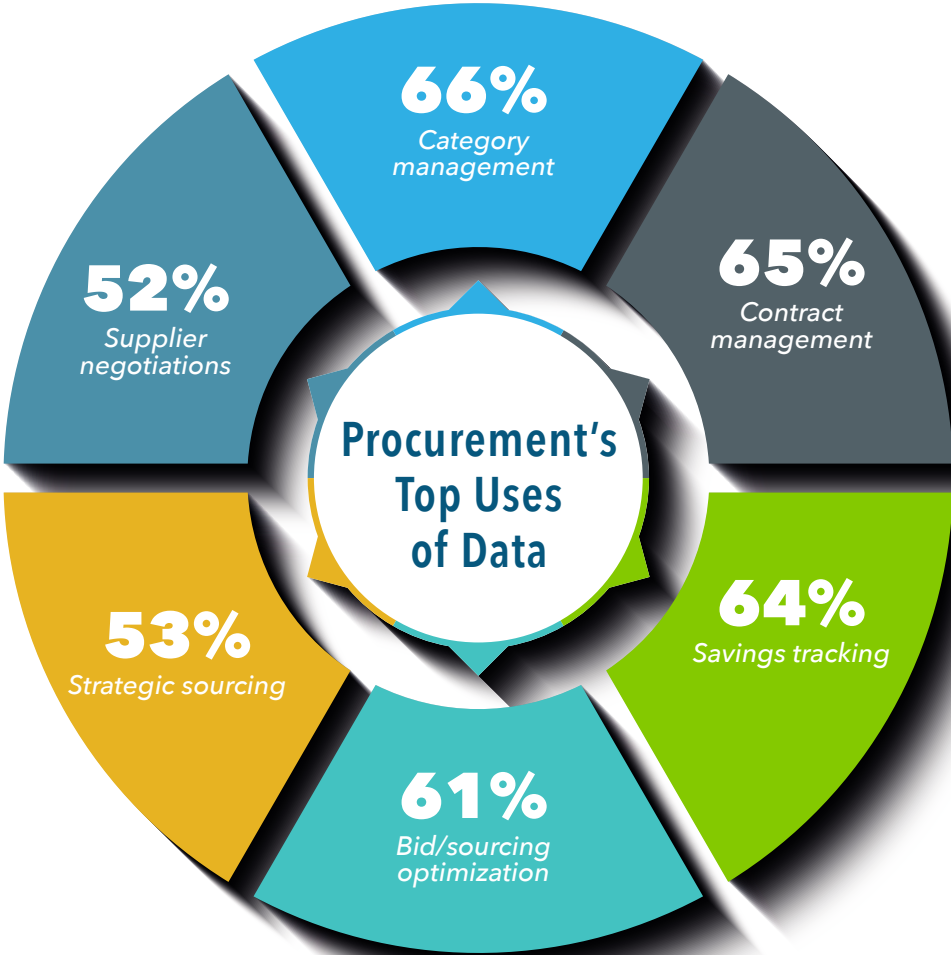
In the "age of intelligence" nearly every aspect of the contemporary business will be tracked and monitored in some fashion. However, with a surplus of new data comes a dearth of real expertise in how to analyze it and extract intelligence. While many procurement executives/professionals have strong analytical capabilities, the next generation of analysis falls within the arena of "data science." A majority of procurement teams should be focused on improving these capabilities.



Rate your organization's proficiency in analyzing data and gaining value and intelligence from it.

Converting Data Into Value: Procurement's Top Uses of Data

Today, many enterprises struggle with the fundamental ability to manage its data and transform it into actionable intelligence. The same holds true for procurement and supply chain organizations. Procurement departments are saturated with data, information, and inputs from multiple internal and external sources. Managing this information, much less extracting value from it all, can be challenging. Here are the top uses of data by procurement organizations (note that the values indicate the percentage of procurement teams that use data for each activity).



'Best-in-Class' - Spend under Management

Ardent's analysis in this report determined Best-in-Class procurement performance by identifying the top 20% of performers in the spend under management metric. As a group, they have placed, on average, 89% of spend under the management of the procurement organization, nearly 70% more than their peers. Ardent uses spend under management as a starting point in the development of its Best-in-Class Framework and to drive additional discussion and deeper analysis of strategies, capabilities, and results.

1.7X More spend under management



'Best-in-Class' - Savings

Best-in-Class procurement teams realized more savings in 2019 (7.6%) than their peers (6.5%). They also drove this larger savings number across a much larger spend portfolio, generating a huge competitive advantage.

1.2X More realized savings in last year



'Best-in-Class' - Addressable Spend that is Sourced

Best-in-Class procurement teams competitively source 66% of their addressable spend, considerably better than their peers. However, like Spend under Management, even for the Best-in-Class, this number has not increased significantly since the Great Recession more than a decade ago. Ardent Partners expects this number to rise substantially for most procurement teams over the next 6 to 24 months.

Competitively source **1.5X** more spend



The Best-in-Class Framework: Enabled Suppliers

Best-in-Class procurement teams report having a greater percentage of suppliers that are electronically enabled (52.3%) compared to their peers in 2020. All procurement teams should push their strategic suppliers to become enabled onto their technology platforms.

1.6X More enabled suppliers



The Best-in-Class Technology Advantage

One of the reasons why Best-in-Class procurement teams deliver superior performance is their consistently higher adoption of automated supply management solutions. Procurement skill, talent, and discipline shine through in process capabilities; but, technology adoption remains a primary competitive advantage for the top-performers.

43% More likely to adopt technology solutions



'Best-in-Class' - Data Management Capabilities

Best-in-Class procurement departments, on average, manage 89% 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. They are also more likely to have an active data management plan in place, which supports smarter decision-making, and ultimately, better results.

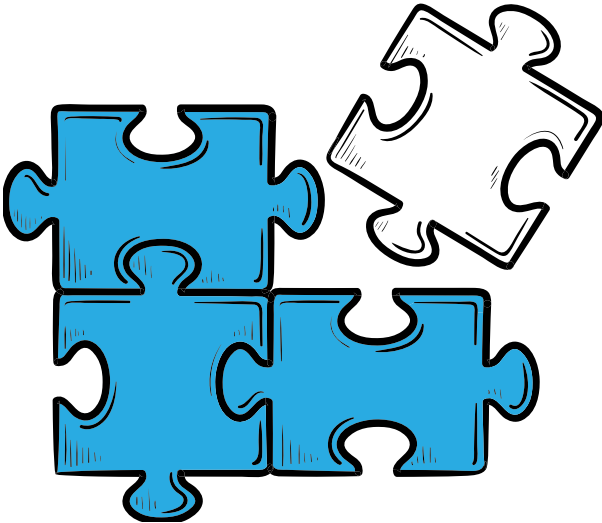
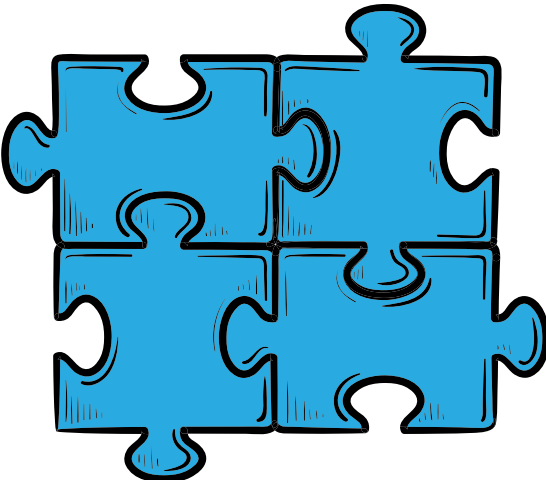
60%

More likely to have an active data management plan in place



The CPO's Alignment with the Executive Suite

Given the complexity of the function and the broad range of constituents it must support, procurement's success demands strong, visionary leadership from both CPOs and their lieutenants. It is critical to overall success that different functions within the enterprise coalesce around the most important projects and goals. Aligning resources with the most important initiatives is even more critical in periods of great uncertainty and volatility like today's market.



26% of CPOs believe that their agendas are "tightly-aligned" with the executive team's plan

51% of CPOs believe that their agendas are "generally-aligned" with the executive team's plan

Summary

The coronavirus is taking no prisoners, leaving families, communities, regions, and countries in its wake. The economic impact has been deep and far-reaching. In a matter of weeks, many companies with strong 2020 growth projections have shut down. Supply chains across all industries have been disrupted, while most customer demand has dissipated, if not completely disappeared. The immediate future is uncertain and the mid-range is entirely unknown. The tough times are here again.

But, all hope is not lost. Let's not forget that procurement has been here before. When the Great Recession hit, many CPOs went above and beyond the call of duty to drive value for their enterprises when it was needed most. Their superior leadership and managerial skills were put on full display, as they, and their teams, executed smart strategies. As enterprises (and business cycles) recovered, it was only natural that some of those high-performing CPOs were rewarded with roles that commanded greater responsibility and control.

Business will eventually recover and return to a steady state. Until it does, the drive to survive and eventually thrive again that is embedded in our core will propel procurement teams forward. As individuals and professionals, we are, by nature, resilient. Smart, agile companies are too. The toughest of times takes the strongest of leadership. And, at a time when the needs of the enterprise are supported by core procurement activities, there is, perhaps, no more important executive than the CPO. While procurement in a post-COVID-19 world may look very different, its role in business will remain vital to business operations and bottom line performance.

Appendix

About Ardent Partners

Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the CPO Rising and Payables Place websites. Register for exclusive access to Ardent Partners research at ardentpartners.com/newsletter-registration/

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 328 CPOs and other procurement and business leaders captured from January to March, 2020 as well as direct interviews with multiple CPOs and procurement leaders (all of whom took the survey). These 328 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. 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 right.

Report Demographics

The research in this report is drawn from 328 respondents representing the following demographics:

Job Function: 92% procurement; 2% supply chain; 2% finance; 4% other

Job Role: 37% VP-level or higher; 32% director-level; 21% manager-level; 5% staff-level, 3% consultant, 2% other

Company Revenue: 64% Large (revenue > \$1 billion); 21% Mid-market (revenue between \$250 million and \$1 billion); 15% Small (revenue < \$250 million)

Region: 68% North America; 22% EMEA; 8% Asia-Pacific; 2% South and Central America

Industry: More than 25 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 12% of the overall survey respondents.

About the Author



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 21 years in the industry and 11 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).

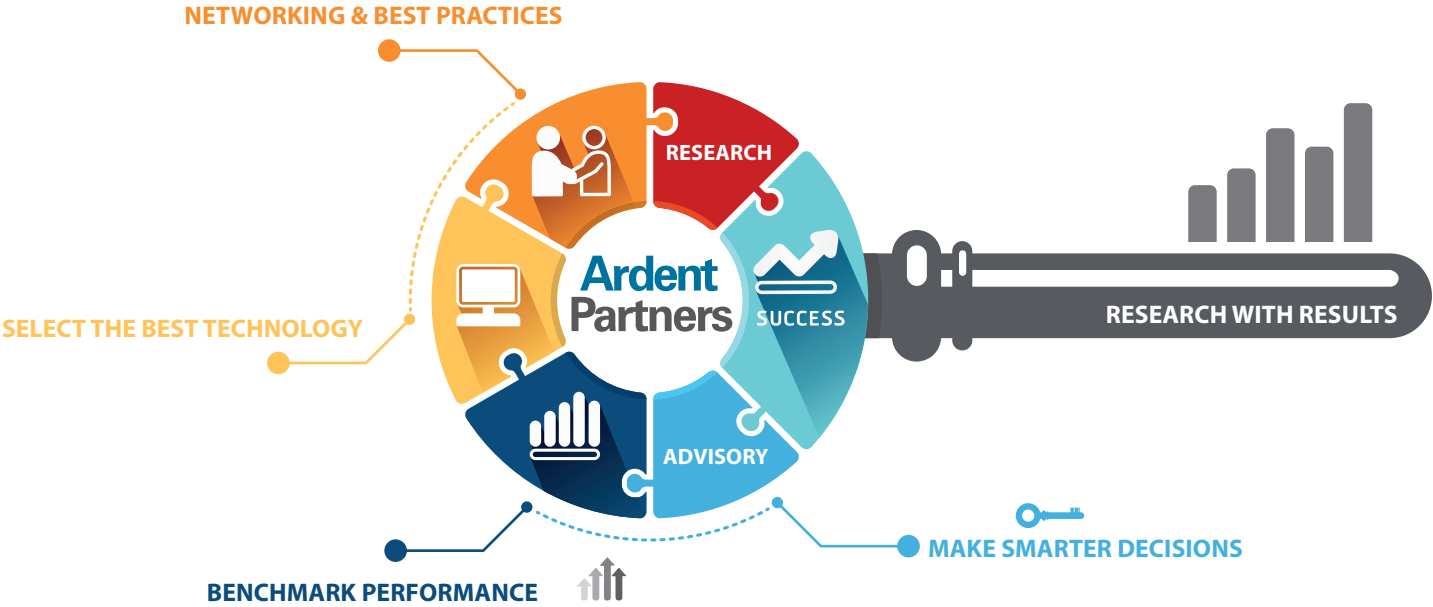
Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 420 times in nine different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers

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

Ardent Partners: Research with Results



Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded in 2010 by Andrew Bartolini.

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

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

Nominations for CPO Honors 2020 are Now Open!

The fifth annual CPO Honors Gala is an opportunity to celebrate the procurement profession and recognize excellence in the field. At the ceremony, Ardent Partners will present awards for outstanding performance and execution in the last year – “The CPO Honors” – to a variety of high achievers including Chief Procurement Officers, and other procurement leaders, procurement teams, as well as procurement solution providers and other experts. A new class of Chief Procurement Officers will also be inducted into the CPO Rising Hall of Fame based upon career achievements.

The CPO Honors winners are selected from the pool of external nominations. So, if there is a CPO, procurement leader/team, or solution provider that you think is deserving, make sure to submit your nomination before September 15 at www.cpohonors.com!



Visit www.cpohonors.com for details

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Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

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Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

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