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RESEARCH WITH RESULTS

Ardent Partners' Procurement Metrics that Matter in 2021

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June 2021

Underwritten by:



ivalua

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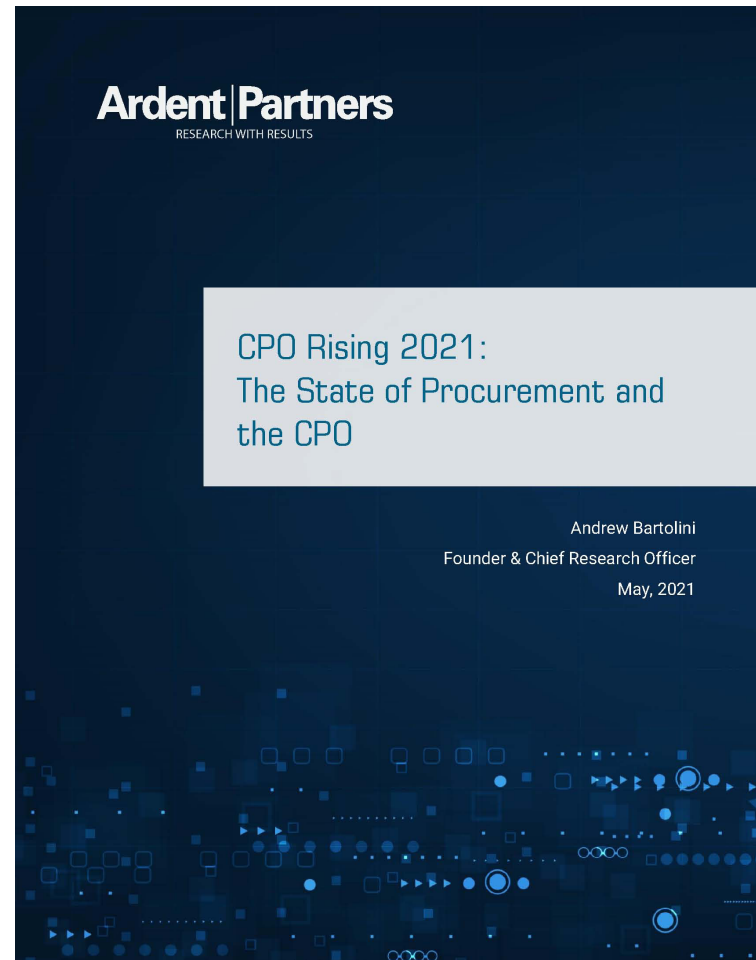
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About This Report

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 2021 is a compilation of the industry's best and most widely-used procurement industry benchmarks captured in Ardent's annual state of the market report: **CPO Rising 2021: The State of Procurement and the CPO.**



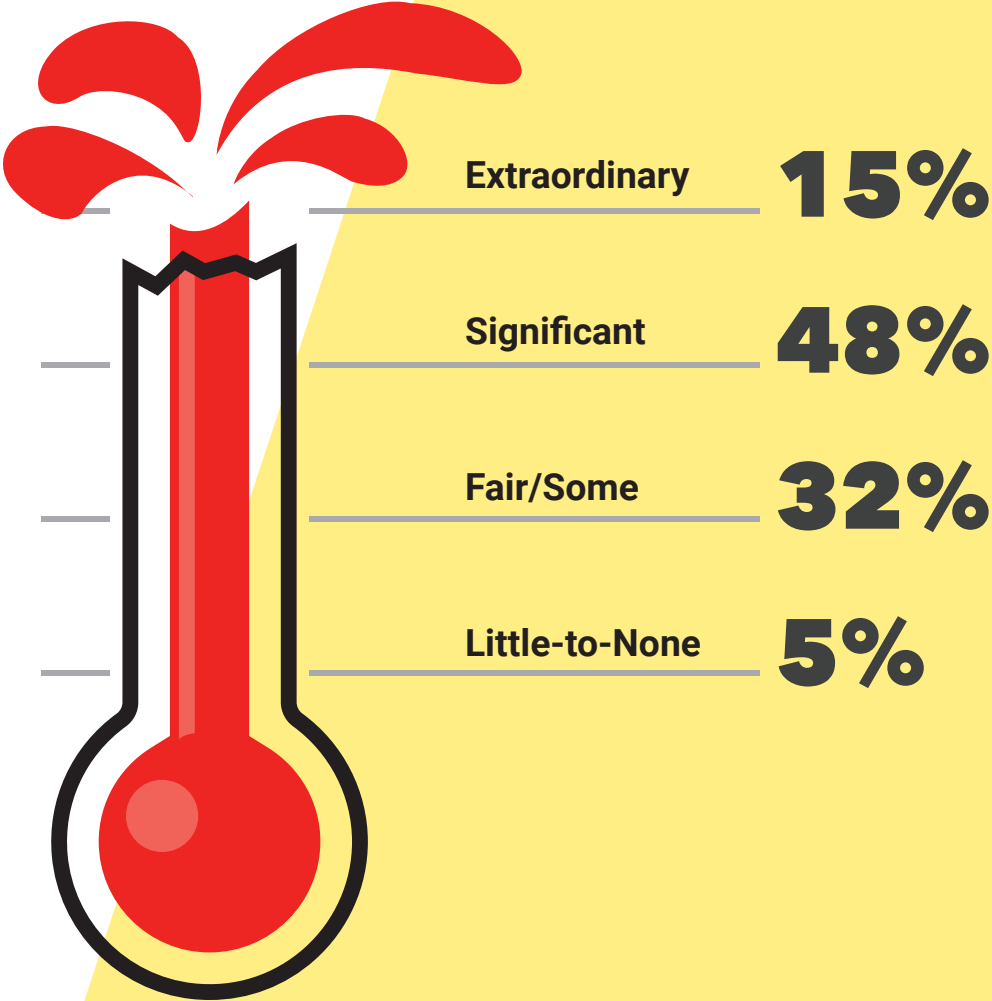
Introduction

More has been written about global supply chains in the last 12 months than in the preceding 12 years. In the age of globalization, a pebble tossed halfway around the world can have a rippling effect that builds across the oceans and lands as a tidal wave. COVID-19 has been a global pandemic with enormous implications; it has been devastating. But its near-term impact on procurement and the supply chain may drive lasting changes that affect future generations of Chief Procurement Officers.

With that context, Ardent Partners presents the world premiere findings from its latest research effort in this eBook., which is part of the ongoing dialogue that Ardent Partners has had with CPOs and other procurement leaders for the last 12+ years. The eBook shares the general competencies and capabilities of procurement organizations today and highlights the top strategies and tactics that leading CPOs have utilized to navigate the pandemic and the prevalent uncertainty it has fostered. Above all else, it debuts the procurement industry's "metrics that matter," including the world premiere of the latest Best-in-Class performance metrics and their defining characteristics. Finally, the eBook shares the experience, performance, perspective, and intentions of more than 350 CPOs and other procurement executives captured between January, 2021 and April, 2021.

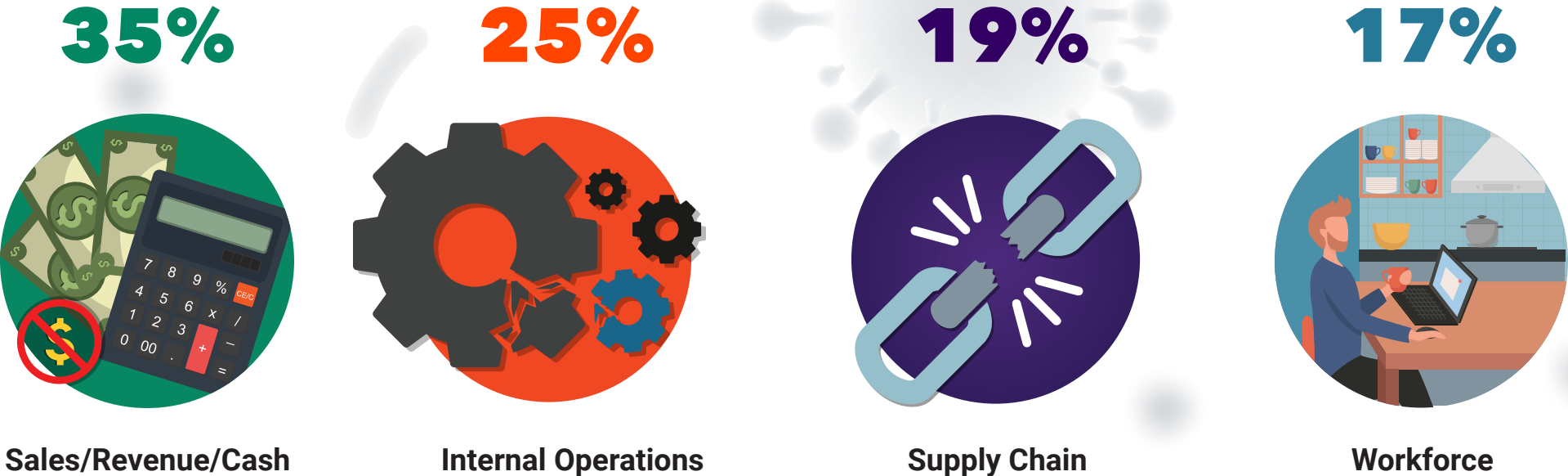
The Impact of COVID-19 on Business

For the past 15 months, Chief Procurement Officers and other procurement leaders have had to face an entirely new set of challenges, accelerated by a global pandemic that had disrupted an interconnected business world and its supply chain. More than a year into the pandemic, a majority of businesses have seen either an extraordinary (15%) or significant (48%) impact on their business as a result of COVID-19, while only five percent report little-to-no impact.



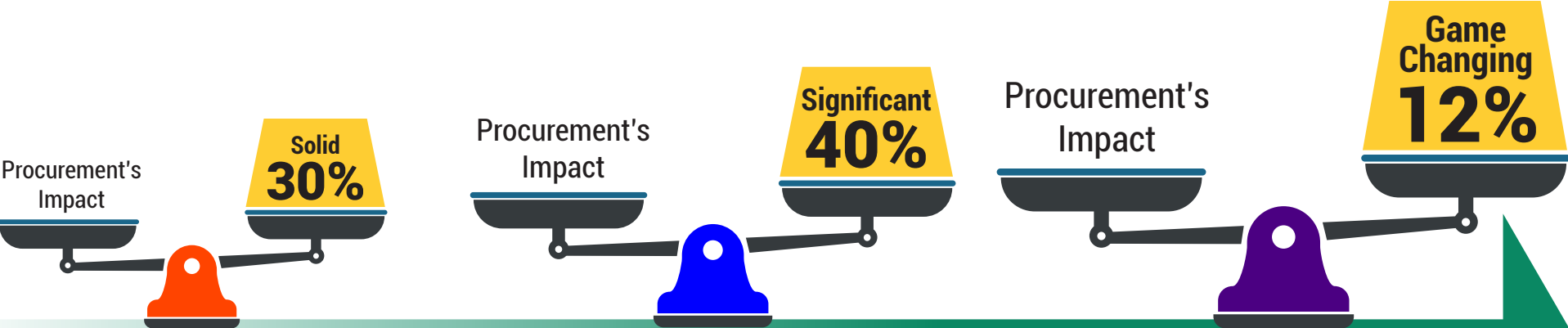
What Area Has Been Impacted the Most by COVID-19?

When the COVID-19 pandemic hit and initial lockdowns were put into place, one of the first areas impacted was the supply chain. More than 12 months later, businesses are still managing the fallout from supply chain disruptions and 19% rank that as the area hardest hit by COVID-19. This also means that the other 81% of businesses have felt the pandemic's effects more intensely in other areas, including internal operations (25%) and the workforce (17%). In fact, 35% of all enterprises say that the most significant impact of COVID has been on sales and overall cash positions.



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

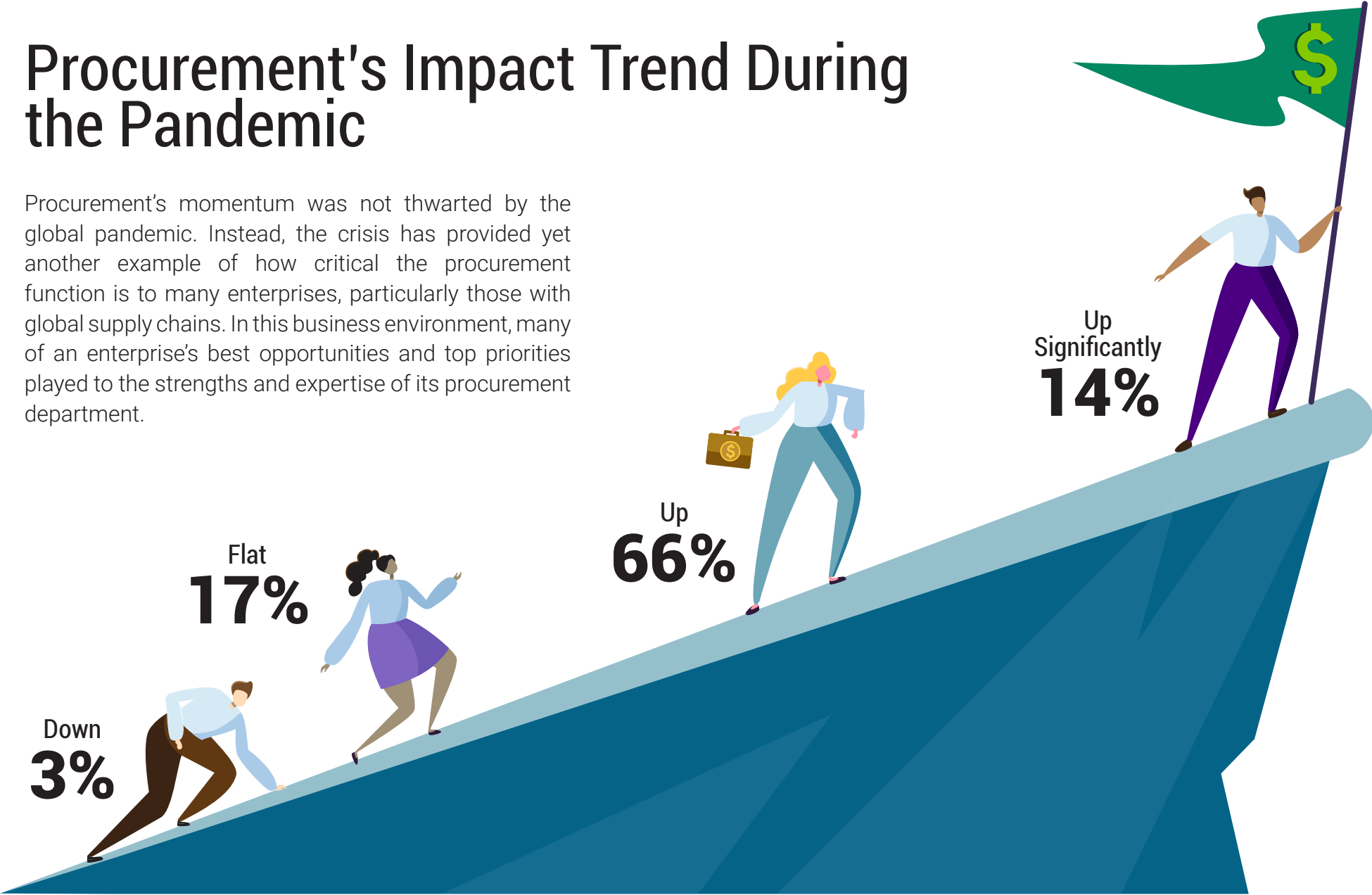
Today a majority of procurement departments are well-positioned to reevaluate existing supplier relationships, identify opportunities for short-term savings, and put a plan of action in place to spark the internal "stimulus" needed to keep the business humming. And, over the past year, these teams have made a difference. During the pandemic, procurement's impact has been defined as either "game-changing" (12%) or "significant" (40%) at a majority of enterprises; another 30% reported a "solid" impact while less than 20% found procurement's help to be negligible over the past year.



82% Say Procurement Has Made a Real Impact

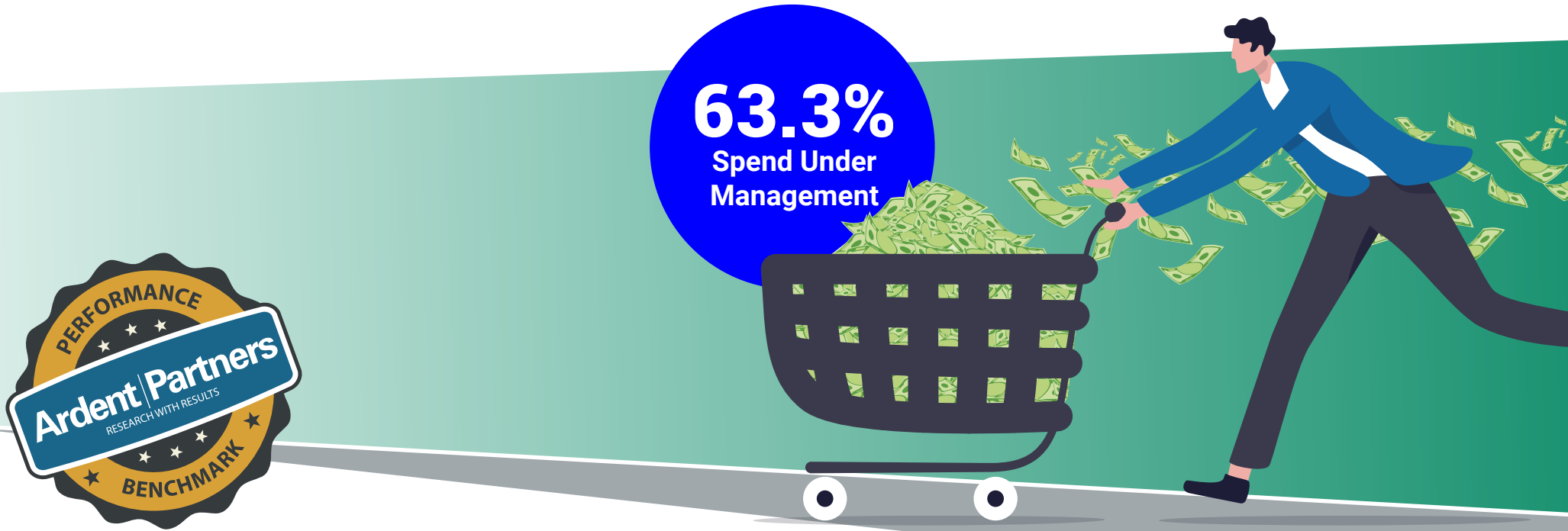
Procurement's Impact Trend During the Pandemic

Procurement's momentum was not thwarted by the global pandemic. Instead, the crisis has provided yet another example of how critical the procurement function is to many enterprises, particularly those with global supply chains. In this business environment, many of an enterprise's best opportunities and top priorities played to the strengths and expertise of its procurement department.



Spend Under Management

The percentage of spend under management at the average enterprise sits at 63.3% in 2021, staying essentially flat over the past three years. This confirms a theory presented by Ardent Partners in 2017 – the average procurement department is satisfied with managing slightly less than two-thirds of the enterprise's overall spend. This disheartening trend represents a sizable lost opportunity for the typical enterprise. That is because Ardent's research has shown that enterprises realize a savings of between 6% and 12% on every new dollar of spend placed under procurement's control. While there are many other benefits beyond savings that also result from procurement directly managing more spend, there is no reason to expect this number to move significantly over the next few years.



Savings

The focus on savings continues to diminish as the procurement function itself provides a new range of value to the greater organization. Nonetheless, savings remains very important. Although last year's (2020) "actual" savings (7.4%) is exactly what was targeted by procurement teams at the start of last year. The average savings target for procurement teams this year (2021) is up slightly (7.6%). Ardent's expectation is that the savings target and the intensity in which it is pursued could both increase if the stock market stumbles.



Addressable Spend that is Competitively Sourced

One of the hallmarks of overall procurement performance is the ability to influence a huge spend portfolio while consistently delivering high savings. Part of this larger savings production is driven by competitive sourcing activity. Last year, Procurement departments competitively sourced 48%, on average, of their total addressable spend.



Spend that is Contract Compliant

Greater influence, savings, compliance, and visibility are all tangible, measurable benefits of standardizing and automating contract management processes to close the loop between identified and realized savings. Today, the average procurement team reports that just under two-thirds (65%) of their total spend is contract compliant. Ardent's research on contract compliance has shown that every non-compliant dollar of spend (also known as maverick spend) costs the enterprise an extra 12% to 18%. Get these rates up!



Contract Compliant Spend:
65%

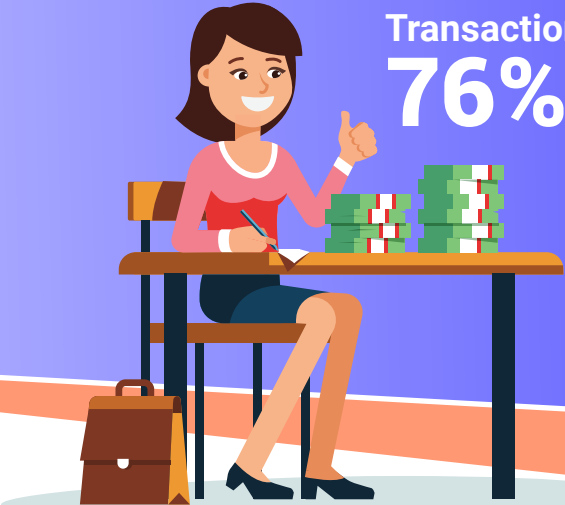


Transactions that are Contract Compliant

Chief Procurement Officers and enterprise procurement teams have been responsible for achieving and maintaining compliance to supplier contracts and corporate policies for many years. This has not changed and will not change; particularly as greater internal compliance correlates with superior financial and operational performance and reduced risk. If anything, the CPO's responsibility to drive compliance and reduce risk, in many forms, will continue to increase during this period of uncertainty. This is highly-warranted and as a result, overall industry average compliance levels have started to rise in recent years.



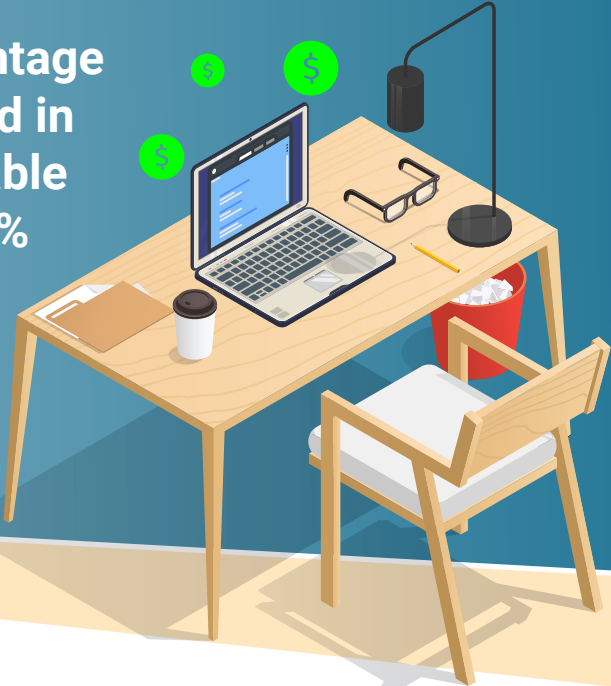
Contract Compliant Transactions:
76%



Contracts Stored in Central Repository

Sourcing teams leverage automated, digital contract management repositories at a much greater rate than automated contract authoring tools. Contract repositories can save time spent searching for paper contracts and related documents and can allow teams to consult these documents before making significant decisions. Despite these benefits, sourcing and contract teams have not universally adopted these solutions and are thus not maximizing their potential.

The average percentage of contracts stored in a central, searchable repository is 73%



Enabled Suppliers

One consistent area of growth over the past few years is within the realm of supplier enablement. On average, 38.1% of a business' supplier base is electronically-enabled (up from 32.4% since 2018). In an age of global commerce, connectivity between buyers and suppliers that is enabled by technology will be a critical piece of global business networks and supply chains that unify the world's enterprises. That said, the reason to enable more suppliers is as simple as significantly lower transaction processing costs.



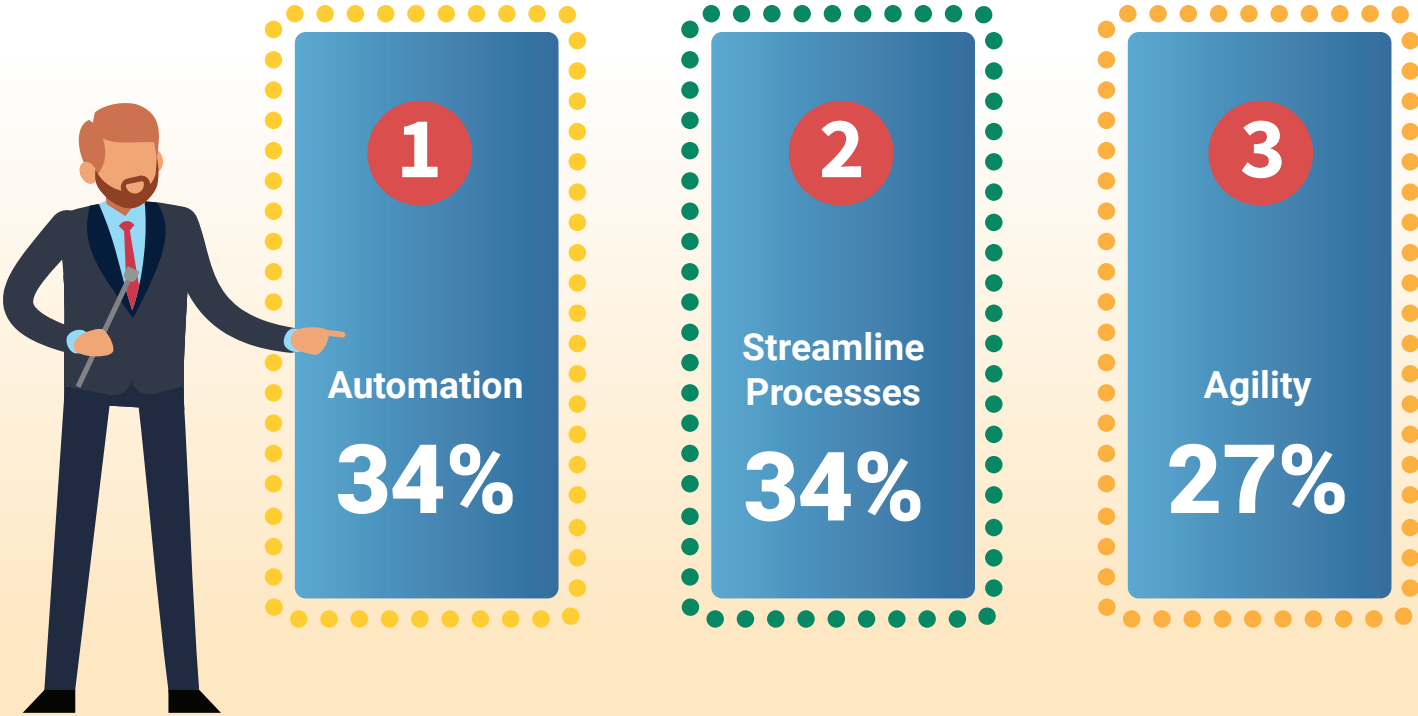
38.1%
of all suppliers
are enabled

An illustration showing a group of business professionals climbing a large blue staircase. At the top of the stairs, three people are celebrating with their arms raised. One person is holding a red banner that says "Efficient B2B Transactions - \$\$\$". The background features stylized mountains and a blue sky.

**Efficient B2B
Transactions - \$\$\$**

The CPO's Top Priorities for 2021

The past year has underlined the point that the procurement function is universal. Most Chief Procurement Officers around the globe manage similar processes, share similar goals and challenges, and leverage similar tools and strategies to drive value. If procurement's future points towards intelligence, agility, and innovation, many CPOs have prioritized the tools, strategies, and talent needed to get them there.



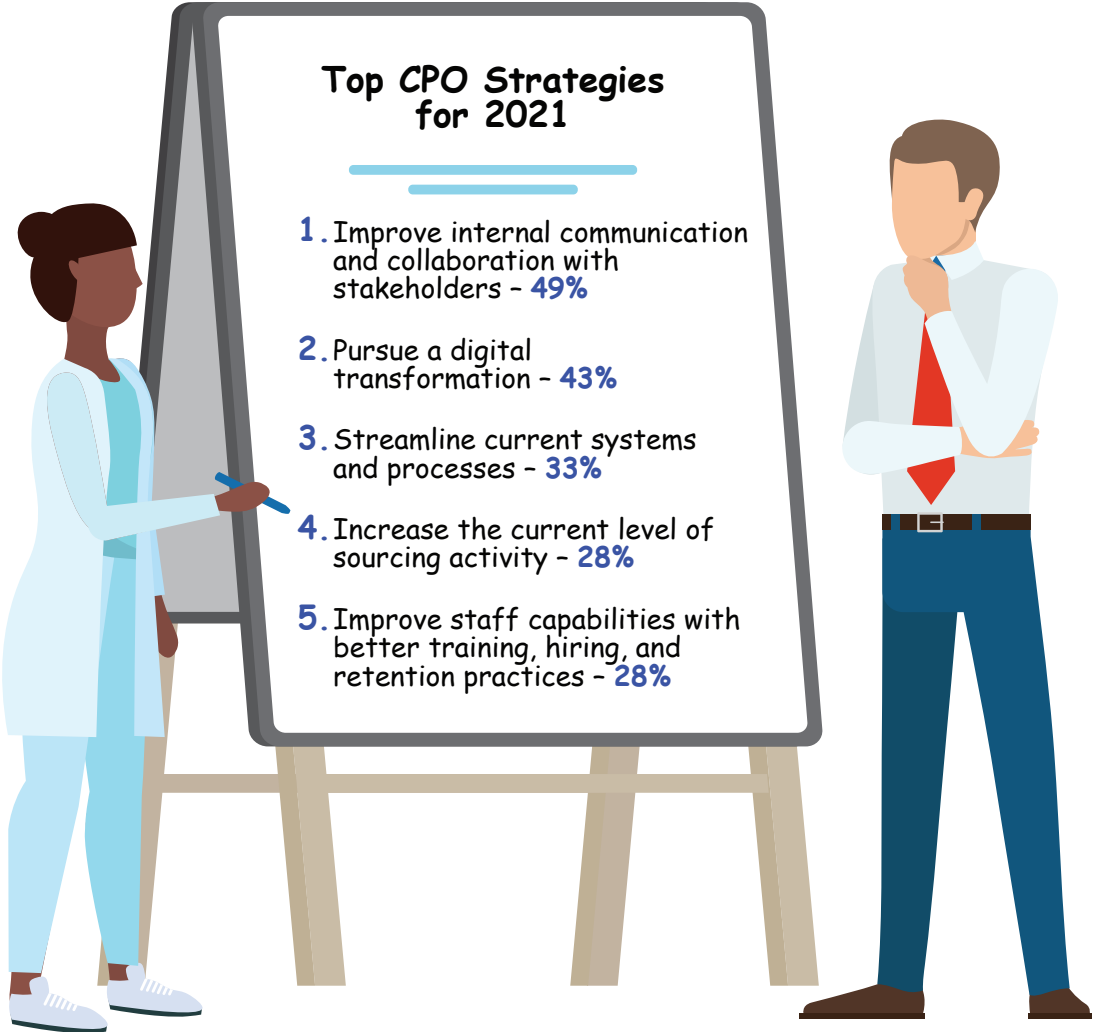
The CPO's Biggest Hurdles

In 2021, the state of the CPO is strong, bolstered by high-impact performance, expanding engagement, and a more direct impact on overall operations. That said, the average procurement department's path to success is rarely easy and clear. In fact, the top hurdles for procurement departments in 2021, while generally lower in intensity than the pre-pandemic market, remain significant.



The CPO's Strategies for 2021

For the CPO, collaboration has never been more important as their legacy “command and control-based” relationships continue to yield to value-based partnerships both inside the enterprise and outside it. These leaders uniformly understand that while collaboration (49%) is but one of several links to success (digital transformation (43%) and streamlining operations (33%) are two others), it can be the most accessible and cost-effective means to elevate the enterprise to the next level of performance.



Current Supplier Management Program

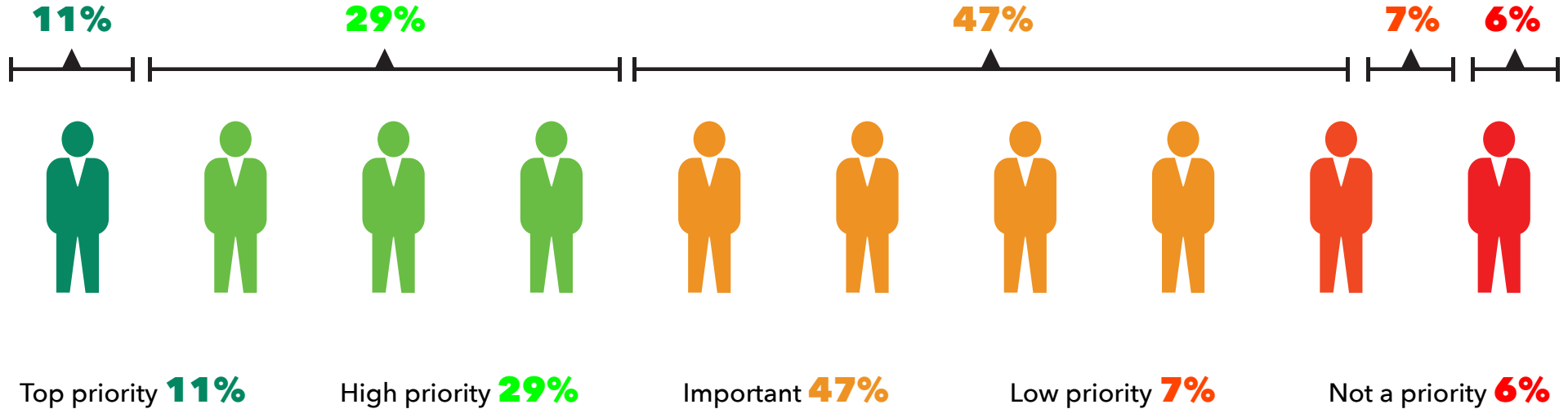
CPOs know that procurement departments understand that suppliers should be viewed as a source of knowledge and expertise that can be leveraged to competitive advantage and mutual gain. How procurement departments approach their 360° supplier relationships, and the results derived from them, will have an increasing impact on enterprise operations and overall performance in the months and years ahead. Genuine supplier collaboration requires a change in mindset for most procurement teams and professionals who must reclassify key suppliers as business partners and begin to invest time and resources in improving their partners' capabilities.



Mature (and high value) 5+ yrs	8%
Mature (and high value) < 5 yrs	18%
Less mature, delivers some value	18%
Recently launched	27%
None currently, planned in 12-24 months	21%
No program, no plans	8%

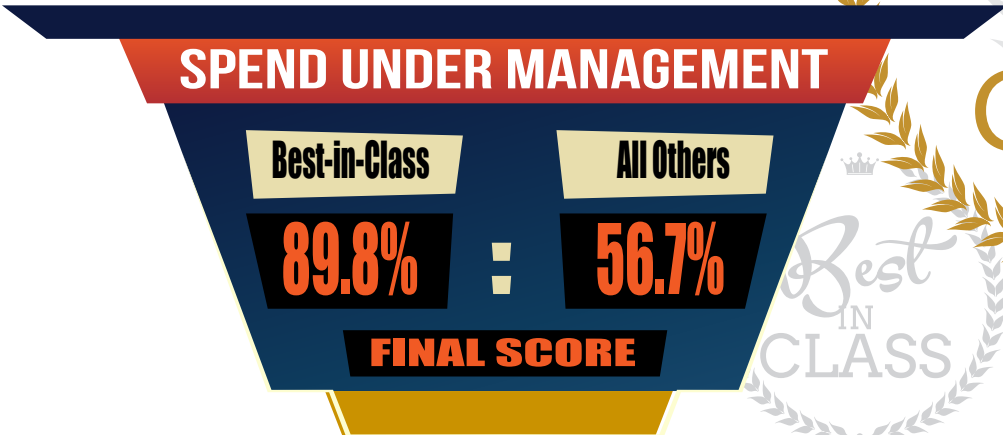
Rate the Importance of Supplier Management Program

Supplier management broadly refers to several individual processes meant to manage and improve supplier information and performance, as well as identify and manage risk. This is an underserved area that is increasing in importance because of the increasing impact that suppliers have on business results, the large number of suppliers that a typical enterprise works with, their geographic location, the volume of data associated with suppliers, commodity and market volatility, regulatory bodies, and other variables.



'Best-in-Class' – Spend under Management

Ardent Partners 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, 89.8% of spend under the management of the procurement organization, nearly 60% more than their peers.



'Best-in-Class' – Actual Savings in 2020

The savings rate advantage for the Best-in-Class last year (2020) compared to All Others appears small when looking at the values, but it is important to remember that the average savings rate of the Best-in-Class was applied to a significantly larger spend portfolio. The result is that the Best-in-Class impact on total savings is significantly larger than their peers, making it clear that the development of a Best-in-Class procurement operation is well worth the investment. Based on early estimates, the Best-in-Class savings advantage is expected to flatten in 2021.



Best-in-Class
7.5%
Savings Rate



All Others
7.3%
Savings Rate

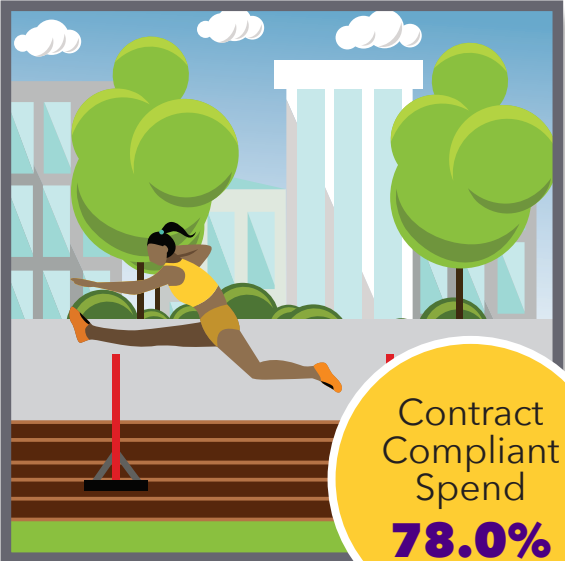
'Best-in-Class' – Addressable Spend that is Sourced

The Best-in-Class continue to source a significantly higher percentage of their addressable spend than their peers each year (63.7% vs 43.9%). But truth be told, there is no shame in competitively sourcing more than 40% of overall spend as the All Others group has done. Active sourcing ensures that the enterprise is contracting with the highest-value suppliers based on the latest and most relevant award criteria.



'Best-in-Class' – Compliance Rates

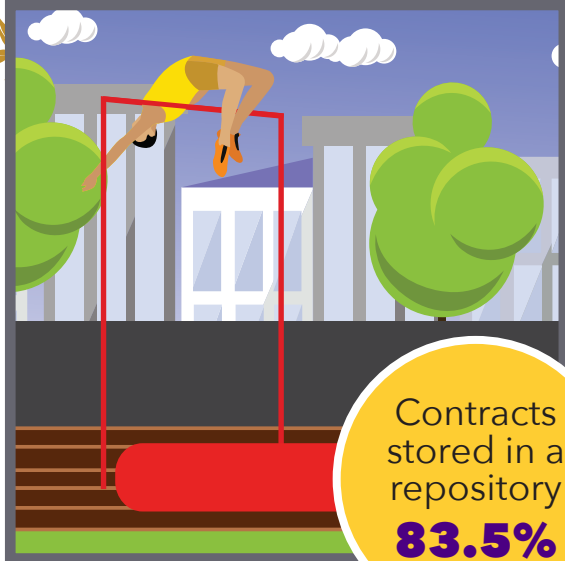
For the first time in sixteen years, the compliance rates for the Best-in-Class are notable and substantially strong. After years of mediocre rates, the Best-in-Class procurement departments report spend compliance rates that range between 78% and 85.6%.



Contract Compliant Spend
78.0%



Contract Compliant Transactions
85.6%



Contracts stored in a repository
83.5%

The Best-in-Class Framework: Enabled Suppliers

The Best-in-Class have enabled 59% more suppliers, on average, which is a huge advantage that helps drive greater efficiencies. Against the backdrop of rapidly evolving (or devolving) supply chains, how organizations communicate, collaborate, and transact with their trading partners and the enabling platforms that they utilize take on increasing importance to business operations.

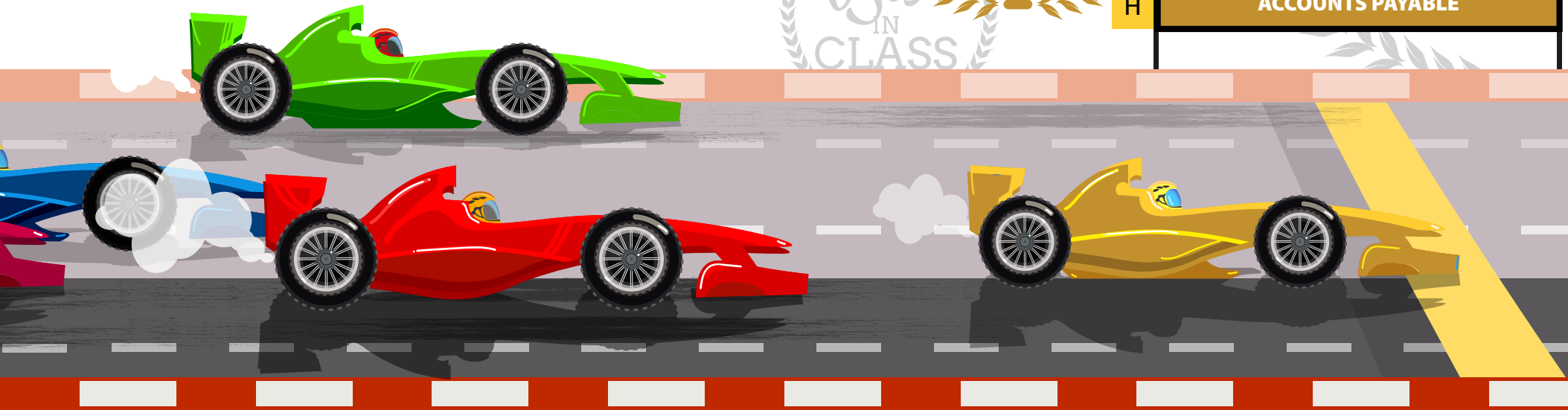


All Others team → Enabled Suppliers - **34.1%**

Best-in-Class team → Enabled Suppliers - **54.1%**

The Best-in-Class Technology Advantage

Across the board, Best-in-Class procurement teams report greater adoption of automated business applications compared to all other procurement teams, **by an average of up to 92%**. For these market leaders, Spend Analysis, eSourcing, and eProcurement tools rise above all other applications and solutions. But even these leaders have room for greater technology adoption. Nevertheless, these technologies remain a hallmark of leading procurement organizations and a key enabler of Best-in-Class performance.



'Best-in-Class' – Data Management Capabilities

Procurement organizations need a systematic approach to capture, process, analyze, and respond to the different internal, supplier, and third-party data streams that can impact their work and decisions. Without such a strategy, procurement teams will be hard-pressed to manage and monetize the steady streams of data that continue to pour into their units and remain unable to uncover hidden insights and maximize opportunities. Having a data strategy is a CPO imperative!

The **Best-in-Class** are
41%
more like to have an
active data strategy



The Best-in-Class Menu for Success

Best-in-Class procurement departments, on average, manage nearly 90% 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. Best-in-Class procurement departments have been able to improve their operations and drive significant gains as a result. The returns these leaders have generated warrant the investment dollars needed to transform the average procurement department, and their examples should be modeled.



<i>BEST-IN-CLASS</i>	<i>Menu</i>	<i>PROCUREMENT</i>
<i>Talent</i>	<i>Operations</i>	<i>Systems</i>
<i>Strong Leadership</i>	<i>Strong Focus on Agility and Innovation</i>	<i>High Adoption Rates</i>
<i>Executive Alignment</i>	<i>Holistic Approach to Operations</i>	<i>Heavy Usage</i>
<i>Business Leader Engagement</i>	<i>Standardized Processes</i>	<i>High Proficiency</i>
<i>Better Staff Training and Support</i>	<i>Robust, yet Flexible, Processes</i>	<i>Strong Visibility and Reporting</i>
<i>Well-Defined Job Roles and Career Paths</i>	<i>Actively Capture, Track, and Improve the Metrics that Matter</i>	<i>Tightly-linked</i>
<i>Staff Objectives Linked to Key Goals</i>		<i>Data-driven</i>

Summary

Procurement's momentum has not been thwarted by the global pandemic. Instead, the crisis has provided yet another example of how critical the procurement function is to many enterprises, particularly those with global supply chains. In this business environment, many of an enterprise's best opportunities and top priorities played to the strengths and expertise of its procurement department. For example, as top-line revenues stagnate or fall, cost containment, a major focus for any procurement department, gains in significance as a business lever for profitability. This has thrust many procurement departments into the "hero" role within their enterprises.

To perform at a consistently high-level, the need to continuously monitor and assess key procurement activities and metrics is absolutely crucial in adapting to evolving market conditions. In 2021, 48% of all CPOs and procurement teams assess and adjust their strategies regarding team and department management on a quarterly basis; 35% of CPOs do this on a biannual basis, according to this research study. True agility requires continuous monitoring, reassessment, and the adjustment of strategies and approaches. At the end of the day, becoming a high-performing procurement function does not simply entail a smart strategy and tight execution, it must comprehensively incorporate the needs, requirements, and perspectives of its key stakeholders into its actions to optimize its impact and maximize results.

Over the next year, many CPOs and their teams will be asked to deliver sizable results in the face of both new and ongoing challenges caused by the pandemic and the uncertainty it has created. To succeed, procurement leaders must follow the courage of their convictions as they start to reframe a "New Normal" procurement environment and how it engages and operates amidst change and uncertainty – bold ideas and approaches will be needed.

Now Accepting Nominations for CPO Honors 2021

Ardent Partners is excited to announce that it is now accepting nominations for the [sixth-annual CPO Honors](#).

The CPO Honors is an opportunity to celebrate the procurement profession and recognize excellence in the field. On Day One of The CPO Rising 2021 Digital Summit, 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 will be selected based upon external nominations. So if there is a CPO, procurement leader/team, provider, or expert that you think is deserving, now is the time to submit your nomination!

[Submit Your Nomination Here!](#)



CPO HONORS 2021

Visit www.cpohonors.com for details

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 351 CPOs and other procurement and business leaders captured from January to April, 2021 as well as direct interviews with multiple CPOs and procurement leaders. These 351 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. Nearly 140 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 351 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

About the Author



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 22 years in the industry and 12 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).

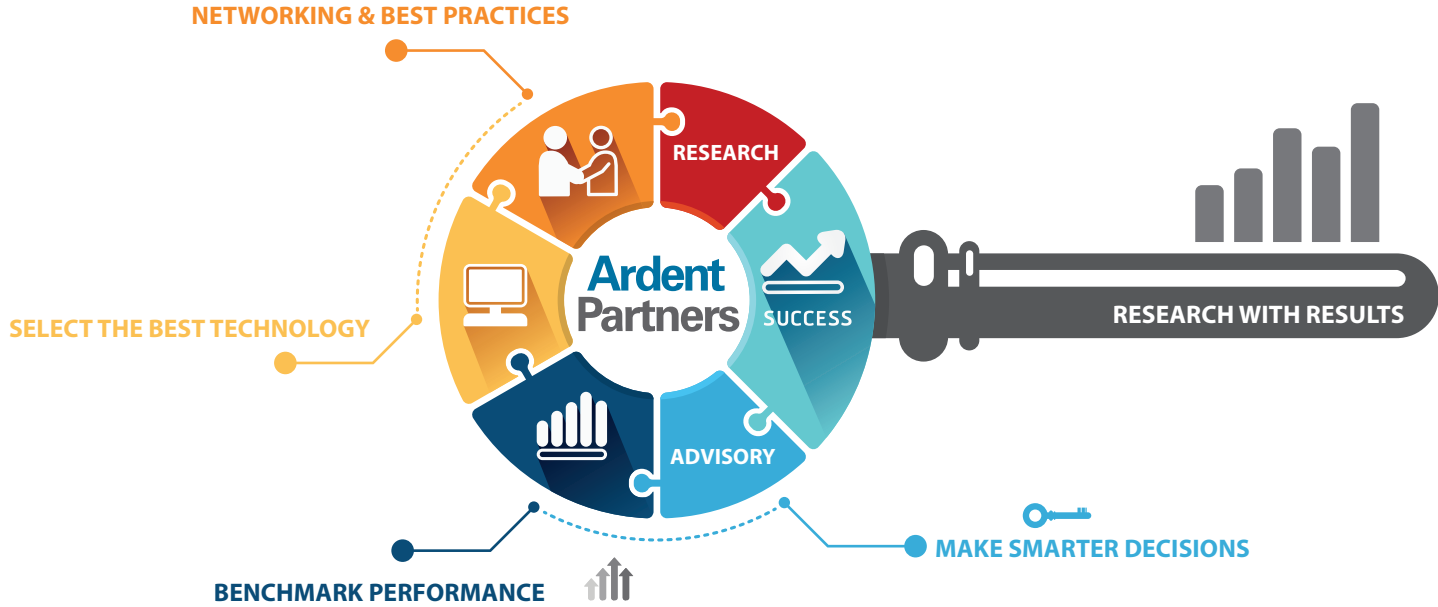
Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 500 times in nine different countries. Under his leadership, Ardent has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and has developed research that is currently part of the Supply Chain/Management curriculum at several US universities.

Andrew 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 (Ariba & Commerce One). Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.

Andrew's post-MBA career 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 for four years. He welcomes your comments at abartolini@ardentpartners.com and 617.752.1620 as well as your [LinkedIn invitations](#).

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.

The Procurement Rising Podcast

Listen to Best-in-Class CPOs share their insights and wisdom on the industry's hot, new podcast.

Available on [Apple](#), [Spotify](#), [Stitcher](#), [Google](#), [CPO Rising](#), or wherever you get your podcasts



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Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

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