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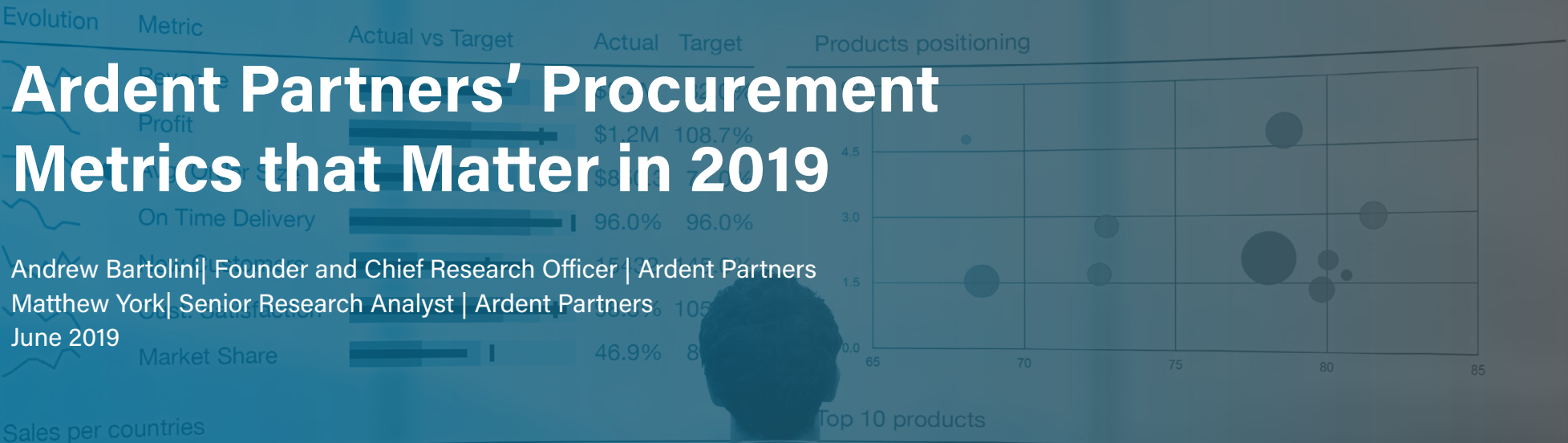
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Ardent Partners' Procurement Metrics that Matter in 2019

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About This Report

Over the past decade, Ardent Partners has conducted more procurement-themed market research studies 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 2019 is a compilation of the industry's best and most widely-used procurement industry benchmarks captured in Ardent's most recent state of the market report: **CPO Rising 2019: #ValueExpansion.**



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

Today, most CPOs and other procurement executives are well aware of the impact that their teams can make, and there is good news to report: in 2019, a majority of CPOs (57%) believe that their departments made a major or significant impact on the enterprise over the last 12 months, while another 32% believe that their impact was solid. Notably, only 11% believe that their impact was small, insignificant, or negative.

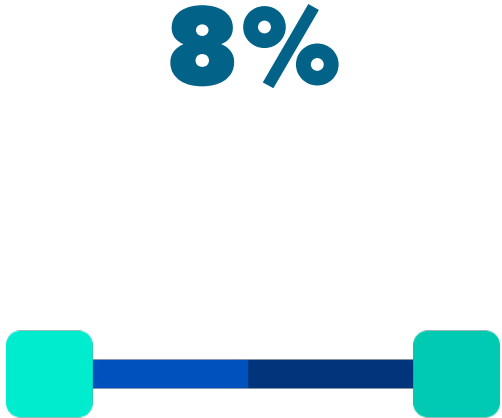


57%
of CPOs

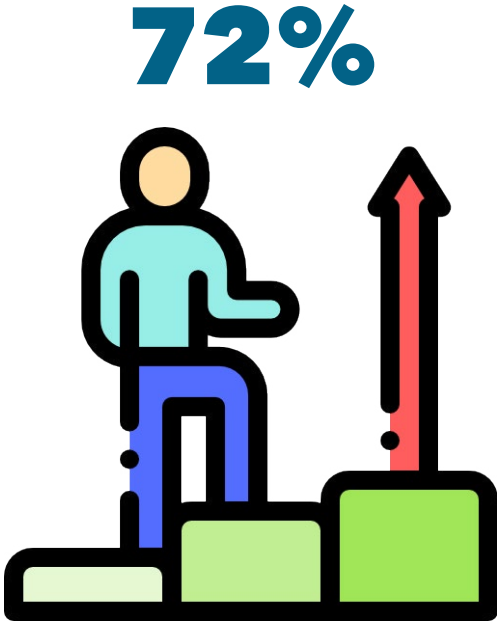
believe that their organizations made a major or significant impact on the enterprise in the past 12 months

Procurement's Momentum (Last 3 Years)

A majority of CPOs believe that their departments' impact is making a difference, and 92% believe that their impact has increased over the last three years. It is both curious and surprising that not a single CPO in this study felt that their momentum was trending in a negative direction. It is also unlikely to be true.



MOMENTUM:
FLAT



MOMENTUM:
UP



MOMENTUM:
UP SIGNIFICANTLY

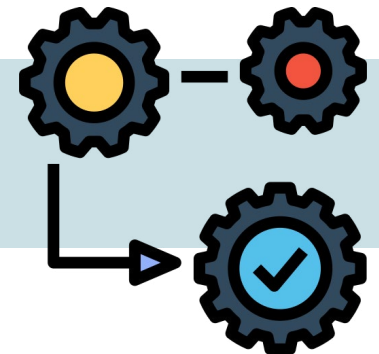
Top CPO Pressures in 2019

The pressure to automate processes and drive digital transformation (31%) for procurement is more urgent than any other business need in 2019. It tops the need to streamline and or improve processes for greater efficiency and effectiveness (23%), and the need to identify more savings (22%), which has steadily declined year-over-year as a business pressure.



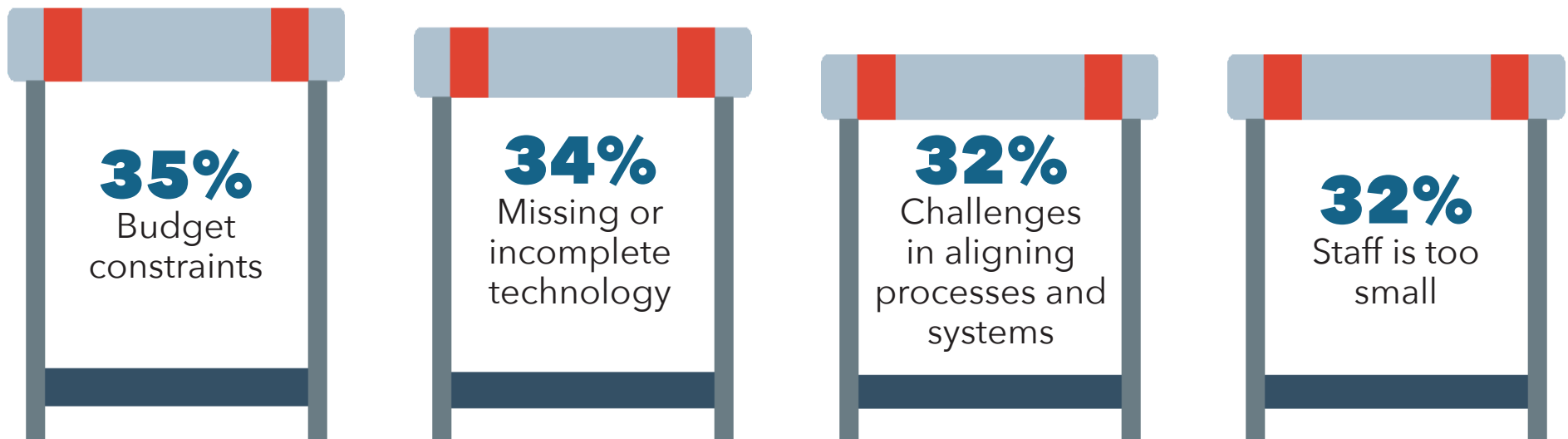
Pursue a digital transformation is a top business pressure for **31% of CPOs**

Streamline and improve processes is a top pressure for **23% of CPOs**



Top CPO Hurdles in 2019

Procurement's underdog story for 2019 casts itself opposite the proverbial usual suspects standing in its way as it strains to scale newer peaks, or perhaps retake lost ground. But, these obstacles are not insurmountable; there are plenty of opportunities for a Cinderella story to be told.



Spend under Management

Spend under management refers to the percentage of total enterprise spend (all direct and indirect spend – including capital and services spend) that a procurement organization manages or influences. Between 2012 and 2019, the average spend under management metric has barely moved. Over this same period, fewer CPOs have been focused on increasing this percentage despite Ardent Partners' research that shows this is a valuable pursuit. There are other benefits beyond savings that also result from procurement's influence, including improved quality and lower risk.



The average procurement department manages
63.2% of total enterprise spend

Savings

The average procurement team saved a bit more in 2018 than in 2017, and they have targeted slightly more savings in 2019 than they did in 2018. That said, these overall savings performance metrics reflect a “snapshot” of the market rather than a steady year-over-year trend.



7.5% average targeted savings for 2019

7.6% average realized savings in 2018

Addressable Spend that is Sourced

Procurement teams sourced more addressable spend in 2019 than in 2018 (51% vs. 46.9%), a modest year-over-year improvement and indicative of the fact that change in the procurement industry is evolutionary – not revolutionary.



Procurement departments competitively sourced **51%**, on average, of their total addressable spend

Enabled Suppliers

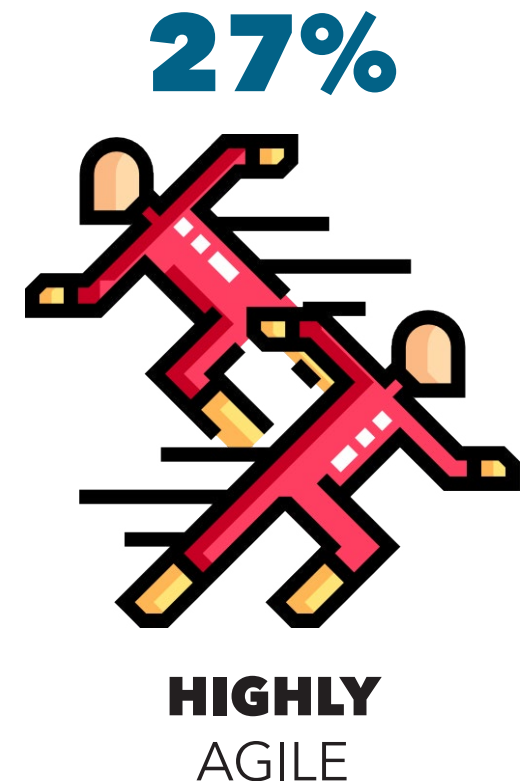
Procurement teams have more enabled suppliers in 2019 than in 2018 (35.6% vs. 32.4%) – which reflects the industry-wide struggle to migrate business relationships from paper to platform. Ardent Partners defines “enabled suppliers” as those who can transact electronically (i.e., Purchase Orders, Invoices, etc.).



35.6% of all suppliers are enabled

Procurement's Level of Agility (CPO Self-Rating)

CPOs and procurement organizations have seen a gradual, yet accelerating shift towards becoming more data-driven, more intelligent, and as a result, more agile. The procurement teams that adeptly connect their tools, resources, and expertise to support the evolving needs of the business will succeed above all others. It is Ardent's view that agility will define the next wave of procurement success. And in 2019, a good number are on their way as shown by the CPO assessments of their organizations' agility.



Procurement's Alignment with Enterprise Objectives

A vast majority of CPOs believe that their procurement organizations either have their procurement resources tightly-aligned with the most important business projects and initiatives (27%) or that their procurement resources are generally-aligned and are usually working in unison with the business (52%). The total of those two groups is nearly double the number that was captured by these two groups in 2018. These numbers strengthen the argument that procurement is as impactful as its leaders collectively believe.



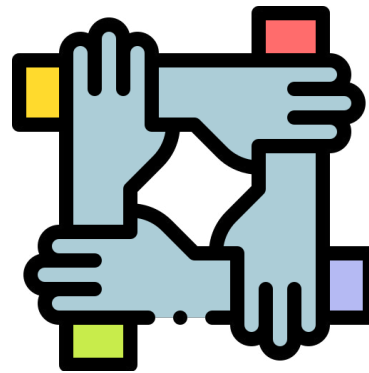
27% of CPOs believe that their organizations are tightly aligned to the business

52% of CPOs believe that their organizations are generally aligned to the business



Top CPO Strategies to Improve Performance

Mindful of where the function is today and where it needs to go, 47% of CPOs indicated that improving internal collaboration and communication is their top strategy for expanding procurement's value in 2019. Procurement leaders are placing their first bet on people – followed closely by technology. Procurement is, and will remain, a people-first business function that relies on strong and consistent communication and collaboration across and outside of procurement's four walls.



47% focused on improving collaboration with business



44% focused on improving use of technology

The CPO Game-Changers

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



37% Better Data Visibility and Analytical Capabilities

33% New or Improved Technology

'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, 89.1% of spend under the management of the procurement organization, nearly 36% 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 2018 (7.8%) and identified more savings opportunities in 2019 (7.5%) than their peers – and they improved upon their own performance from 2018.



1.2X more realized savings in last year

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

Best-in-Class procurement teams competitively source 70.9% of their addressable spend, considerably better than their peers. However, like spend under management, this number has not increased since the Great Recession; it has trended flat to down over the past five years.



Competitively source **64%** more spend

The Best-in-Class Framework: Enabled Suppliers

Best-in-Class procurement teams also report having a greater percentage of suppliers that are electronically enabled (49.7%) compared to their peers in 2019 and to themselves in 2018.



1.6X more enabled suppliers

'Best-in-Class' – Process Advantage

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



85% more likely to adopt standardized processes

The Best-in-Class Technology Advantage

One of the reasons why Best-in-Class procurement teams are able to employ superior process capabilities and drive much higher performance, is their consistently higher adoption of automated supply management solutions. Procurement skill, talent, and discipline shine through in process capabilities; but, technology adoption is truly where top procurement teams flex their muscles and scale their resources.



41% more likely to adopt technology solutions

The Best-in-Class Visibility Advantage

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.

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.

64% more likely to have visibility into key metrics



Procurement's Keys to #ValueExpansion

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



Summary

Procurement, in the new millennium, has been on a remarkable winning streak. But, truth be told, a good number of CPOs gained their acclaim by simply entering the industry. More recently, the stakes have started to rise, while a new set of rules and parameters are redefining the game. In 2019, having access to accurate, real-time metrics is a game-changer – perhaps now more than ever. Establishing and measuring relevant metrics allows an organization to understand its “current state” while laying the groundwork for its desired “future state.” After all, if a group is unclear on where it stands today, it cannot begin to make lasting enhancements that improve tomorrow’s performance. Thus, tracking metrics enables continuous improvement programs to take hold and provides organizations with a better opportunity to set proper goals and objectives and “course correct” when achieving them is in doubt.

For most business functions, the first step to tracking valuable performance metrics is access to quality data, typically delivered via process automation solutions. With such tools in place, a procurement department is significantly better able to capture performance metrics than in a manually-driven environment. While automation can be a critical step towards improving performance, it is the level of access and visibility into KPIs and the analytical capabilities to understand and act upon that data that enables intelligence and allows for continuous improvement. In other words: to improve performance, CPOs must have timely access to quality data, and measure and track that data in order to make optimal decisions to drive procurement performance.

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

Demographics

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 308 CPOs and other procurement and business leaders captured from January to March, 2019 as well as direct interviews with 11 CPOs and procurement leaders (all of whom took the survey). These 308 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. One hundred and eighty seven (187) 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 308 respondents representing the following demographics:

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

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

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

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

Industry: More than 20 distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 11% of the overall survey respondents.

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 20 years in the industry and 10 years leading the charge at Ardent, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 350 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

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

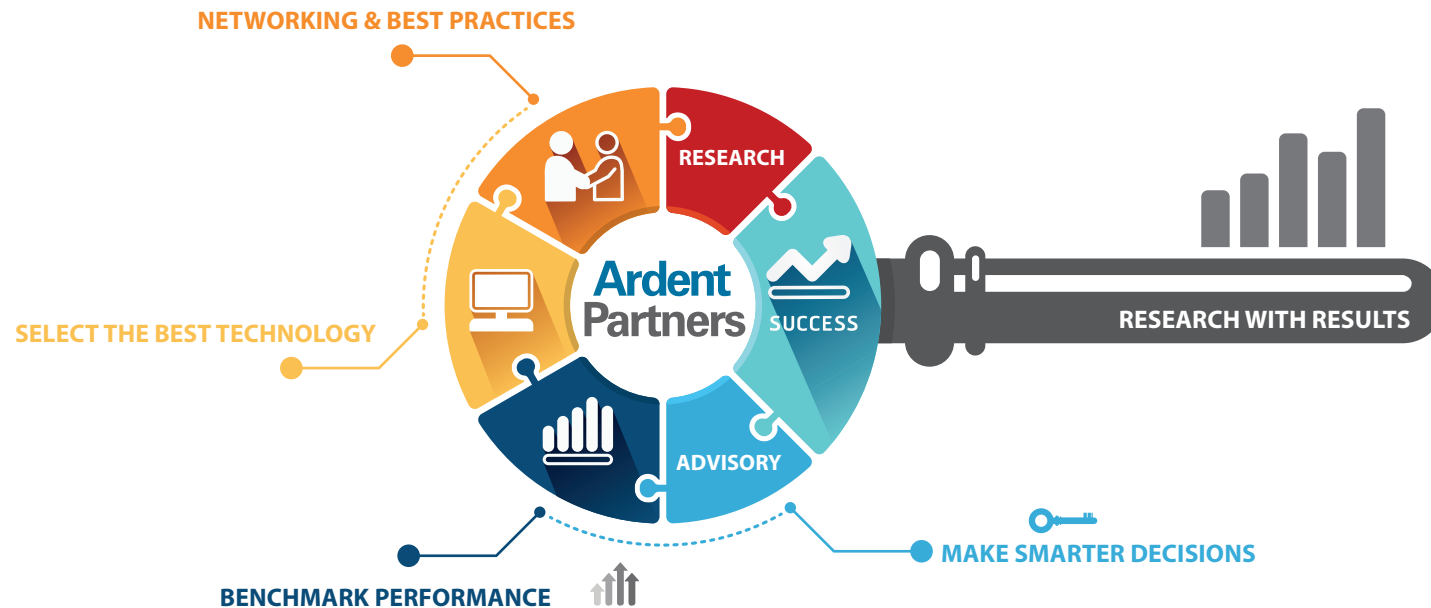
Andrew has been named a "Pro to Know" by Supply and Demand Chain Executive multiple times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.



**Matthew York, Senior Research Analyst,
Ardent Partners**

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

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 CPO Rising 2019 Summit

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For more details, visit: <http://events.cporising.com>

THE CPO IS RISING IN 2019!

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