CPO Rising 2017
Tools of the Trade
Andrew Bartolini | Chief Research Officer | Ardent Partners | April 2017

Underwritten by:

DETERMINE®
Empowering Decisions
REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding our research sponsorship policy to Ardent’s Chief Research Officer, Andrew Bartolini, at abartolini@ardentpartners.com and/or 617.752.1620.

Sponsor:

Determine, Inc. (NASDAQ: DTRM) is a leading global provider of SaaS Source-to-Pay and Enterprise Contract Lifecycle Management (ECLM) solutions. The Determine Cloud Platform provides procurement, legal and finance professionals analytics of their supplier, contract and financial performance. Our technologies empower customers to drive new revenue, identify savings, improve compliance and mitigate risk.

The Determine Cloud Platform seamlessly integrates with major ERP or third-party systems such as SAP, Oracle, Sage, QAD and Microsoft. Modular solutions can be configured to add more as needed to provide additional value beyond spend management. Our unified master database and business process approach empower users at every level to make more informed and smarter decisions.

Contact:
English: +1.877.806.1932
International: +1.317.594.8600

English: sales@determine.com
French: contactfrance@determine.com
This November, you are invited to join a select group of Chief Procurement Officers and other business leaders at the Harvard Club (Back Bay) in Boston for the annual CPO Rising 2017 Summit, an executive symposium brought to you by Ardent Partners.

This exclusive event promises valuable networking opportunities and the interactive exchange of ideas for CPOs and other procurement executives. Attendees can expect to return home with a collection of new and innovative ideas and strategies that will help improve the performance of their organizations and increase the impact their teams have on business results.

From keynote presentations to CPO panel discussions, case studies, and breakout sessions, the unparalleled speaker panel will highlight the topics that matter most to those procurement executives driving value within the enterprise and across the supply chain.

CPO Rising 2017 is an event for CPOs by CPOs. The day and a half summit provides an intimate setting for delegates to connect, network, and share knowledge and experiences. Join an expected 125-150 CPOs and other procurement executives for this exclusive event.

Online registration now available with “Early Bird” Pricing available until June 30.

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

Interested in speaking at the show, click here to submit a nomination.

THE CPO IS RISING IN 2017!
CPO Rising 2017: Tools of the Trade

There is no profession where a true master tradesman intentionally lays aside the core tools and equipment of their craft – skill, creativity, and dedication cannot replace them. While budget and resource constraints as well as perceived complexity often hinder investment in supply management technology, it has been clear for some time that some Chief Procurement Officers (“CPOs”) simply do not consider these solutions to be essential to what they are trying to accomplish. These CPOs are predominantly from an older generation and, while mistaken, come to their views honestly with careers that began well before the solutions first launched twenty years ago. Nonetheless, just as today’s competitive market pressure and unprecedented innovation demand the constant reevaluation of supply markets, so too must these leaders rethink their technology strategies. Those CPOs that continue to resist automation and the other changes needed to enhance agility are manufacturing their department’s obsolescence. The time has come for many of these “old masters” to stop acting like apprentices and adopt a 21st Century approach to their business.

This twelfth annual CPO-themed report, CPO Rising 2017, is part of an ongoing dialogue that Ardent Partners’ analysts have had with CPOs and other procurement leaders for more than a decade. The report examines the general competencies and capabilities of procurement organizations today and highlights the management strategies and tactics that leading CPOs use to get the most from their teams. It also presents a comprehensive, industry-wide view into what is happening in the world of procurement and captures the experience, performance, perspective, and intentions of 313 CPOs and other procurement executives. The report includes benchmark statistics, analysis, and recommendations that procurement teams can use to better understand the state of procurement today, gain insight into best practices, benchmark their performance against the Best-in-Class, and ultimately improve their operations and performance.
# Table of Contents:

1. **The State of the CPO**
   Take a close look at the role of the CPO and the level of engagement and alignment this leader has within the enterprise today as well as the key drivers and challenges that have shaped and will shape CPOs’ priorities and plans in 2017 and beyond.
   
   6  Bridging the Gap  
   8  Complacency Kills  
   10 The CPO’s Agenda 2017

2. **The State of Procurement**
   Gain a detailed view of the typical procurement operation by analyzing the current capabilities in the areas of people, process, and technology. See how key strategies, processes, and technologies will enable procurement to improve its performance in the years ahead.
   
   14 The Procurement Mindset  
   16 Tools of the Trade  
   21 Procurement Hurdles

3. **Procurement Performance**
   Find procurement performance and operational statistics to use as benchmarks for your organization. Learn what defines Best-in-Class procurement performance, and get insight into the strategies, processes, and technologies that enable Best-in-Class performers to maintain their competitive advantage.
   
   24 The Procurement Campaign  
   26 The 2017 Procurement Benchmarks  
   28 Best-in-Class Performance

4. **Strategies for Success**
   Discover a series of recommended strategies and approaches for CPOs and procurement departments that want to improve their operations and results.
   
   36 Agility in Action  
   37 The Adoption Conundrum (End Users)  
   39 General Recommendations  
   42 Conclusion

5. **Appendix**
   44 About the Author  
   46 Research Methodology  
   46 Report Demographics
Chapter One: The State of the CPO

Without a shadow of doubt, major technological change creates the need for social and political innovation. It does make obsolete existing institutional arrangements. It does require new and very different institutions... To this extent there can be no doubt: technological change of a revolutionary character coerces; it demands innovation.” – Peter Drucker, Consultant, Educator, Author, and the “Founder of Modern Management”

Bridging the Gap

Major technological change does not simply pervade the modern world, it has come to define it. Today’s blistering pace of innovation makes it difficult to predict how citizens and businesses will communicate, collaborate, and transact twenty years from now, much less the tools that they will use to do so. Many find that future, one with uncapped opportunities, to be exciting and compelling. Others are more attuned to the level of uncertainty that exists when looking ahead and the level of fear and trepidation that is generates. Most people look at the technological advances experienced since their birth as something larger and more significant than anything seen prior. And, with few exceptions, their individual views are both factually and thematically true. It is important to note that those same views were also held by their ancestors born generations ago and will be held by their descendants born generations from now. Technology, after all, has always played a pivotal role in advancing society. What has changed over time are the tools, machines, and instruments that come to be defined as “technology.”

For example, bridges are not usually at the top of the list when discussing modern technology. Certainly many have complex and intricate construction and engineering requirements; but despite the impressive designs of the Brooklyn and Golden Gates Bridges, there are no TED-talks about them (or any other bridges for that matter). Today, most bridges only make news when they open or when they fail. But at one point in history, bridges were viewed as a new and innovative technology.

Architectural marvels like the Ponte Vecchio, the Charles Bridge, and the Si-o-se Pol have not only defined their cities for centuries, they have also helped to define the era in which they were made. Bridges were once a cutting-edge technology and civilization has advanced in no small part because of them. And while this example may be a bridge too far, the overall
point is that new technologies are always emerging; and the most successful ones over time are universally adopted and become part of a regular routine, no longer even considered a technology.

Supply management technologies have been successful, but they are not yet routine and they are certainly not universally adopted. During the heady days of the late-1990s to early-2000s B2B internet craze, supply management technology frequently topped the list of popular, modern technologies and a global revolution seemed imminent. The reality is that most new technology trends fall short of initial expectations and predictions on growth and adoption, and this market was no different. To start, new technology segments are usually created by a group of visionaries who have identified an opportunity or problem and a way for new technology to address it. Twenty years ago, the lag between the introduction of a compelling new idea or vision and the release of the technology product that enabled it was lengthy. And, there is almost always a gap between what can be imagined and sold and what can actually be built and delivered. Supply management technology fell into this same trap. An amazing vision and opportunity for procurement was not matched by the earliest solutions in the market and the first wave of this industry crashed. It took time, but the solution providers that survived and the new ones that emerged have been able to get the industry back on course. Although far from perfect, the supply management solutions today have advanced significantly since the early days and come much closer to modeling procurement’s common processes and supporting their desired outcomes.

To be sure, the supply management technology industry as a whole has been successful, as evidenced by the large number of procurement transformations that have been heavily enabled, if not driven, by the solutions. This upstart revolution may have faded, but it did not fail. More than any other factor, this industry contributed to the rebirth of the procurement function and helped set it on a new path forward.

The advances of the procurement profession and the rise of the CPO are among the most notable business achievements of the early 21st Century. And yet, the lack of process automation tools in place at the average procurement organization today represents an organizational blind spot that leaves many

CPOs must foster the organizational innovation that is needed to bridge any technology gaps and build agile organizations that are responsive to the changing needs of the business and shifts in supply markets.
procurement departments unnecessarily exposed to problems lurking around the corner with an inability to shift gears in response to new information or demands. It is incumbent upon CPOs to “adjust the mirrors” and pull all the levers that drive productivity and results. They must foster the organizational innovation that is needed to bridge the current technology gap and build agile organizations that are responsive to the changing needs of the business and shifts in supply markets.

While this is the first CPO Rising report with an overarching technology theme, Ardent Partners’ analysts have conducted several hundred research studies over the past decade that focused on the intersection of procurement people, process, and technology. In this research, a majority of CPOs have repeatedly stated that among the different competencies that their procurement organizations possess, “leveraging technology to drive business value” is one of the least-developed and lowest-rated. The problem with technology has been recognized and the road to recovery is open; but, it remains a road less-travelled. Most organizations have not truly hit rock bottom and as a result, they struggle on with their problem, never seeking a cure. The enablers of mediocrity must be challenged and a CPO intervention is needed to break the bad habits that have been taking a toll on the department and its corporate family. Start today, follow the steps, and take it one day at a time.

Complacency Kills

When discussing recent trends in procurement, the Great Recession of 2008 – 2009 remains an easy reference point to highlight the impact that a finely-tuned procurement operation can play. But almost a decade later, those tough times are squarely in the “rearview” of most procurement organizations.

The past few years have been good to the profession and CPOs begin 2017 on solid ground made firm by stable, if not rising, markets, and a growing level of influence and credibility within the enterprise. Business continues to change at an accelerating speed, as enterprises and their suppliers are forced to adjust to new, disruptive technologies, intensified competition, and a marketplace that continually resets its expectations. As a result, business requirements have become more diverse and dynamic, lead times are shrinking and getting shorter, while the definitions of performance and success have become moving targets.

Any concerns about procurement losing momentum in 2017 should be laid to rest by the shifting trade winds. The longstanding trends of globalization and open trade, which fostered global supply markets and pushed procurement towards the center of business, are being challenged by different political leaders around the world. New political actions like Brexit and the announced plans to change longstanding trade agreements in the United States are significant events that should require many sourcing teams to reevaluate current supply
chains and quickly model the impact of proposed changes. While the effects are not clear, it falls to the CPO and their teams to ensure that they are ready and able to act if, and when, policy changes are announced and implemented.

2017 is a great time for procurement leaders to refresh their standard, business-as-usual approaches, intensify their efforts, and sharpen their tools.

In 2017, savings remains an important piece of the performance pie, but the CPO’s spotlight on performance has expanded to include other key metrics like procurement’s impact on cash, internal feedback, contract compliance, and spend under management (see Figure 1). And, enterprise executives, including the Chief Financial Officer (“CFO”), have developed a better and deeper understanding of the overall value that a procurement operation can deliver. These business leaders also understand that procurement has a greater ability to directly impact enterprise results by finding and harvesting innovation in the supply chain and enabling business agility.

The potential rise of global trade wars notwithstanding, the stage is set for most CPOs to have another good year. But, procurement leaders must be wary of complacency and the risk of being left behind or caught unaware by the next market shift and the impact of newly proposed trade policies. Success breeds success, but success also breeds complacency. Complacency kills innovation and stifles the adventurous spirit; it is the companion of mediocrity. Yet, when everything is an emergency, nothing is an emergency. CPOs must find a happy balance to keep their teams focused and engaged but not burned out. 2017 is a great time for procurement leaders to refresh their standard, business-as-usual approaches, intensify their efforts, and sharpen their tools.

Figure 1: Spotlight on Performance - The CPO’s Top Metrics
The CPO’s Agenda 2017: Same Pressures, New Responses

Top Business Pressures
When CPOs were asked to identify the “top two” business pressures facing their organizations in 2017 as part of this research study, the responses were quite similar to those seen in last year’s edition of this report, *CPO Rising 2016: The Art and Science of Procurement*. The pressure to “find more savings” (39%) maintained its position as the CPO’s top business pressure this year, but that pressure remains much lower than it was just a few years ago, continuing a multi-year downward path. Conversely, the need to “better communicate the procurement department’s value and performance” (33%) and “increase procurement’s effectiveness and influence” (25%) are trending flat while remaining the second and third most common pressures facing CPOs this year. Actions speak louder than words, but from a prioritization standpoint, CPOs believe that they need better and stronger words to market and explain their actions. The two pressures are inextricably linked but belie the fact that strong leadership is needed from the CPO in the form of both marketing and execution.

Leading CPO Strategies
Transformative strategies designed to leverage the collective resources and capabilities of stakeholders, organizations, and trading partners will be the keys to procurement’s ability to unlock more value in the future. While the business pressures facing procurement teams have stayed remarkably static over the past twelve months, the strategies that procurement leaders employ in response to them have been more varied. For many years, collaboration has been the chief strategy used by CPOs to drive their annual agenda. CPOs understand that collaboration is a powerful strategy that can enhance savings opportunities and increase their level of influence within the enterprise and across the supply base. After all, procurement’s ability to place spend under its management or influence is greatly enhanced by its ability to engage budget-holders and functional peers in proactive conversations.

In 2017, internal collaboration remains among the top strategies in the CPO’s arsenal (identified as a top strategy by 41% of all CPOs), but this year it has been displaced by the drive to “improve the use of technology” (44%) by investing in new systems and/or improving current ones (see Figure 2). An element of the change may have been driven by the “self-selection” nature of the research topic, but a nearly 20% increase in this strategy is notable for several reasons. Over the past five years, the typical procurement department has been given more responsibilities, while also trying to influence more spend. Since headcounts have generally stayed flat for the past few years, CPOs have to seek other ways to gain scale. CPOs’ use of services to gain new expertise or augment current operations is on the rise and third-party services are becoming a larger part of procurement’s annual budget. One consistent challenge with leveraging outside help is that the knowledge that is introduced
into the organization during the engagement is hard to retain when there are no tools in place to capture it. Interestingly, several of the CPOs interviewed in this study described their planned investments in new technologies as an active attempt to develop and scale organizational expertise and support more projects.

The stage is set for most CPOs to have another good year. But, they must be wary of complacency and the risk of being left behind or caught unaware by the next market shift and the impact of newly proposed trade policies.

Similar growth is also seen with the next most popular strategy in 2017, “improve internal communication with stakeholders” (41%). Finding the right internal platforms to use and developing a messaging style that meshes with the larger enterprise can take time. Instead of seeking outside help, try to tap into internal marketing and communications resources for tips and guidance. Most professionals are happy to share their wisdom – flattery and a cup of coffee may also help.

One of the most unusual findings in this year’s study is that the expanded focus on the strategies noted above is coming at the expense of “supplier collaboration” (24%), which has been a major trend this decade. At this point, it is unclear if this is a momentary dip, driven by the deeper focus on technology and collaboration or a signal that the drive to expand supplier collaboration as a way to improve overall performance is waning. Over the next year, Ardent Partners will track this current de-emphasis on supplier collaboration to determine if this is a temporary shift or the start of a newer trend.

The New Order of Priorities
If once is a fluke and twice a pattern, then seven times in a row is definitely a trend and a strong one at that. The diminishing
The importance of savings is a clear trend for CPOs, who since 2009, have seen the need “to deliver more savings” consistently lower its intensity each year. Savings remains the top business pressure for CPOs in 2017, but its “lead” over the next closest pressures continues to shrink. As a priority for CPOs over the mid-term, savings is also becoming less important. In fact, for the first time in any Ardent Partners study, savings was not the top priority (CPOs were asked to list their top two priorities over the next three years) on the CPO’s multi-year plan (see Figure 3).

This year, CPOs are more focused on fixing in-house items, specifically “improving process efficiencies and effectiveness” over the next three years (Processes - 36%) than anything else. Challenges remain for procurement organizations to execute both well and efficiently so it is promising to see that CPOs are investing in ways to both codify and scale their processes over the next few years. Likewise, staffing constraints from both a headcount and ability standpoint continue to hamper procurement performance. As such, “improving staff capabilities and retention rates” (Talent - 33%) ranks second on the CPO’s mid-range “to-do” list. Innovation in a procurement context is no longer simply a buzzword with almost one in three CPOs actively trying to “increase the level of procurement-led innovation initiatives” over the next few years. When viewed more broadly, the expanding focus on non-savings activity signals a fundamental shift in the CPO’s purview. If years prior were spent in “survival mode,” then, the fresh approach on improving processes and embracing innovation is a clear indication of procurement’s desire to thrive in an increasingly dynamic business world.

Today’s procurement executives are not only driven by the traditional pressures facing the function each year, they are also driven by the overarching requirements needed to respond to changing market conditions and business strategies and the opportunity to make a larger impact. As such, the internal drive to spark more holistic processes signals the need to boost efficiency from within. And, linked directly to this notion is the focus on procurement talent; by bringing in new expertise (both young and veteran), the function can benefit from a burst of innovative thinking that can take it into a new era.
Technology’s Impact on Procurement Performance

Scoring procurement performance can, at times, be both complex and nuanced; linking that performance to overall business objectives and results can be even more difficult. But, understanding the drivers behind procurement performance is both fundamental and essential to running a procurement organization. Since the theme of this year’s CPO Rising report is technology or “tools of the trade,” Ardent Partners wanted to quantify the overall impact that technology has on the average procurement department’s performance by asking survey respondents to rate, on a scale of 1 (none) to 10 (transformational), the impact that technology has had on their department’s performance.

The results shown in Figure 4 below represent the entire distribution of responses. The average score of all responses was 6.2 which helps explain why technology has not yet been universally adopted in this industry. On the 1 to 10 scale, a 6.2 represents a score that is better than “satisfactory” but not quite “good” and that many procurement organizations struggle to get really good value out of their technology investments. This is a fact that a majority of CPOs have acknowledged. As the CPO of a Fortune 200 company said, “Too many CPOs implement the technology to do more of the same, and that’s a fundamental mistake. We don’t need more of the same. We need to automate the trivial, and the things that procurement has traditionally done so that we can have strategic discussions with the business.”

But there is reason to be optimistic as the median score seen below was exactly 7.0. This means that half of all procurement organizations see technology making a good or strong contribution to overall performance. As the Director of Supply Chain Strategy and Technology in the Oil Industry said, “Technology is critical to help us manage workflow, automate activities, accelerate transactions and visibility, improve data quality, improve compliance, reduce risk, and better align process execution. Many of the things we can do today, and are planning to do in the next 5 years, would not be possible without technology.”

Technology is not a panacea – “After all, you can have a great system, but if the information being input is not sufficient, it doesn’t fully assist you with strategies to better relationships with your suppliers.” said the Purchasing Director at a Mid-market Logistics firm – but its potential impact cannot be avoided or ignored. CPOs struggling in this area today are wise to take action… today.

Figure 4: The Impact of Technology on Procurement Performance

© Ardent Partners - 2017
Chapter Two: The State of Procurement

"Information technology and business are becoming inextricably interwoven. I don’t think anybody can talk meaningfully about one without talking about the other."
– Bill Gates, Founder, Microsoft Corporation

The Procurement Mindset
Recent studies of human behavior and thinking\(^1\) invariably show that there are a large number of natural influences or biases that can affect individual and organizational decision-making. It is a fascinating field and worthy of study, particularly for those leading procurement organizations today or those that aspire to in the future. One common takeaway from a quick review of the subject is that the human mind does not operate in a fully-rational way. For example, many studies have shown that individuals generally place more value on not losing than on winning. This is known as loss aversion and it frequently leads to risk aversion, which is a well-known concept in business. The point is not that the best business leaders are more rational decision-makers (although that is true) or that they are less risk-averse. The point is that it is helpful to understand the personal and organizational decision-making process in place and the factors that influence it to better understand the mindset of the procurement organization.

In 2017, the profession’s top hurdles (see Figure 8) – budget constraints, talent challenges, and process gaps – have given many CPOs good reason to question how aggressive they should be in attempting to expand the scope of their operations and influence. Except that in a risk-averse environment, challenges can quickly become major obstacles and the rationale for inaction. The tendency to favor decisions that lead to more predictable outcomes pushes many organizations to take more measured steps or simply stay in place.

Ardent Partners believes that the net effect of these behaviors is that in general, procurement organizations are not only less aggressive than they could be in driving change and transformation initiatives, they are less aggressive than they should be. For example, Ardent Partners’ research has shown that the added savings benefit for each new dollar placed under procurement’s management is, on average, between 6% and 12% during the first contract cycle. Those returns can easily
justify an investment in resources and tools.

Of course, being less aggressive may be the preference of the executive leadership and it may be the personal management style of the CPO. It is also possible that these topics have never been fully discussed or communicated by the executive team. The point is that being less aggressive can be ok if that approach is aligned with the larger enterprise. But, a deeper understanding of professional and organizational behaviors (and their associated decision-making processes) and how they relate to larger business strategies may encourage more CPOs to counteract organizational prejudices and more actively push boundaries, challenge limits, and rethink paradigms. The topic merits discussion and the opportunity merits effort.

There should be no doubt in any CPO’s mind that there is a big difference between stability and inactivity. Organizational stasis becomes stagnation very quickly. CPOs that are satisfied operating with an old school mindset are manufacturing their department’s obsolescence. Today, procurement’s role extends well beyond the need to control both spend and stakeholders; staff capabilities need to reflect that reality. Today’s hurdles still need to be cleared, but a plan to a vault tomorrow’s should also be in hand.

From Good to Great

Gordon Donovan, a procurement and supply chain executive based in Australia recently brought his leadership team together to rethink and transform the procurement function. Said Donovan, “My team and I sat down and brainstormed all of the potential end scenarios for procurement maturation. We didn’t have a fixed point, so we had to build strategies that allowed multiple scenarios based on how the organization will mature, and on what the future will look like.” The analysis of their organizational talent identified many gaps and a plan to fill them was developed. Donovan favored developing the current team versus hiring new staff, largely because the organization’s culture was well understood and he felt the necessary technical skills could be trained. “We’ve adopted the 70-20-10 model of learning, where most of it (70%) needs to be experiential, while 20% needs to be social, and only 10% needs to be from coursework.” Donovan feels that personal development plans enabled significant maturation of their procurement organization in a short period of time and that they are well on their way to achieving their objectives.

Transformative strategies designed to leverage the collective resources and capabilities of stakeholders, organizations, and trading partners will be the keys to procurement’s ability to unlock more value in the future.
Tools of the Trade

It is important to consider the organizational mindset for action and investment (i.e. risk) because procurement organizations, as a whole, and CPOs, in particular, frequently find themselves in the challenging position of having to improve their performance without an ability to increase their current stable of resources. The ability to scale processes and expertise across a growing spend portfolio is valuable, if not critical, to the procurement teams seeking to expand their influence and impact. Technology, when it is well-deployed and used proficiently, offers a multiplier effect on a procurement team’s efforts and remains a key factor in optimizing operations and performance.

With the rise of the “dot.coms” and the wave of technological innovation it created, CPOs and procurement teams began adopting digital tools to aid in the execution of key processes, like sourcing, procurement, contract management, and spend analysis. Whilst a boon for the enterprises with the maturity and resources to take advantage of the early platforms, the hard truth is that many groups could not tap into the real power of these solutions. The market stalled only to be rejuvenated a few years later by the innovation of cloud technology and an aggressive drive to improve solution usability.

Over the last five years, supply management tools have become more user-friendly, accessible, and easily integrated with the enterprise’s technology infrastructure. As a result, their level of usage is increasing, albeit slowly. In turn, users are driving more volume and ultimately more value from them. Digital, automated tools have enabled fewer hands to transact greater volumes of tactical work, which has allowed CPOs and teams to shift their focus to the strategic parts of the business, like relationship-building and long-term planning. They have also helped practitioners and leaders to extract more value out of their processes by capturing and managing procurement data and converting it into intelligence; and then leveraging that intelligence to make faster, more informed decisions across the source-to-settle process.

Adoption Levels

“The internal risk aversion and inertia to change at my company make launching a new technology implementation very challenging.” – Chief Procurement Officer, Financial Services Industry

The successful users of procurement solutions prove year-in and year-out the value that technology can play in helping scale a procurement operation and maximize its impact and performance. Yet, twenty years after the first procurement automation solutions were brought to market, a fully-automated procurement department remains the exception and not the rule (see Figure 5).

Across the full breadth of supply management solutions, the current adoption levels are highest for eProcurement (62%)
and eSourcing (53%). There is clearly an opportunity for more organizations to adopt these two and the other solutions seen in Figure 5. In 2017, the CPO’s holistic view of processes is finally matched by the suite-based approach in selecting technology. RFPs for full suites (or multiple applications) have become the norm. The benefits of standard navigation and user experiences, common data standards and integrations, and even single sign-on have helped the market for technology suites reach a tipping point.

CPOs indicate that they plan to increase their investment in technology solutions over the next two to three years. This would drive current adoption levels well past 50% for all applications in the survey and into the 80% or 90% range for some. It is worth noting that historically, procurement leaders

“A leader in the past looked to people, process, and technology when optimizing to meet the needs of the business. Today’s competitive environment and margin pressures require us to make the right investment in tools and then leverage same to optimize our people with simplified processes that drive value and the right business outcomes.”  
– Greg Tennyson, CPO, VSP Global

have been unable to fully convert their technology investment plans into action. Although there are significant opportunities available for procurement organizations to adopt some or all of these tools in the near future, the pace of adoption should continue to be incremental rather than meteoric.

That the average procurement department still struggles to adopt and drive business value from its technology investments is less than ideal; but the challenges that organizations face in

Figure 5: Technology Adoption and Plans

<table>
<thead>
<tr>
<th>Technology</th>
<th>Currently Use</th>
<th>Plan to Use (next 24 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>eProcurement</td>
<td>62%</td>
<td>28%</td>
</tr>
<tr>
<td>Contract Repository</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Supplier Performance Management</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>eSourcing</td>
<td>53%</td>
<td>30%</td>
</tr>
<tr>
<td>Automated Spend Analysis</td>
<td>38%</td>
<td>42%</td>
</tr>
<tr>
<td>Supplier Information Management</td>
<td>37%</td>
<td>43%</td>
</tr>
<tr>
<td>ePayables (AP Automation)</td>
<td>32%</td>
<td>47%</td>
</tr>
<tr>
<td>Business Networks</td>
<td>41%</td>
<td>32%</td>
</tr>
<tr>
<td>Contract Authority</td>
<td>21%</td>
<td>50%</td>
</tr>
</tbody>
</table>

© Ardent Partners - 2017
adopter enterprise technology are complex and not unique
to procurement departments. Most other business functions
struggle to automate their operations. That fact, however, does
not excuse any procurement individual and organization from
aggressively trying to change that. Ultimately, this all means
that the CPO’s technology strategy is more important than ever
and it should be both well-constructed and, given the level of
innovation in the market, regularly reviewed and refined.

Technology Mastery
“Generally, 95% of the people in your company will use just 5% of
the functionality in the technology. The first thing, and a big change,
is just getting people used to the new system, adapting to it and
the new, accompanying processes and procedures. Then comes the
real inflection point of how you really pull all of the levers to make
use of the functionality so that you’re not leaving 95% of it sitting
on the table.” – Howard Richman, Head of Worldwide Indirect
Procurement, Citrix Systems

There is a very clear difference between doing something and
doing something well. This concept rings true for the users of
supply management technology who, by and large, struggle to
use it well. As shown in Figure 6, getting a team to consistently
use technology to deliver dependable results (Good – 28%) is
more difficult than it would seem. When CPOs were asked
to grade their level of organizational proficiency in using
current technology, only a sliver replied that their teams were

sophisticated users with systems that are highly adopted (Very
Advanced - 4%). Advanced usage where most targeted users
use the solution well (Advanced - 11%) represent another small
group of procurement departments.

As is frequently the case with procurement, opportunities
abound for improvement with a large grouping of procurement
operations falling to the lower end of the scale. The combination
of groups possessing some expertise and decent adoption
levels (Adequate – 40%) and those who have both limited usage
and expertise (Poor – 17%) compose a clear majority of overall
organizations.

Figure 6: Procurement’s Technical Proficiency

© Ardent Partners - 2017
Over the past few years, enterprise solutions, in general, and supply management solutions, in particular, have become easier to use, placing more of the blame for these low grades on the users. Poor technical capabilities are a bad mark on the modern worker’s report card and must be improved before advancing to the next job grade. CPOs must ensure that their “students” have access to the right level of training and support but make clear that each staffer owns his/her own development and competency. It is also important to remember that when it comes to technical proficiency, a glass half full is better than no glass at all.

Many Hands Make Complex Work

If he could do it over, one Hi-tech CPO would take smaller steps in automating and transforming his department. “The competition for investment dollars at my company is so fierce, that business leaders frequently only get one opportunity to make a business case for transformation. As such, you really have to build a huge team and consortium to gain approval. But, what can happen is that projects end up with too many constituents with different business requirements. In trying to satisfy them all, our project became too complex and really bogged down. I’m not sure it would have been approved, but an incremental approach would have benefited my team.”
Supply Management Technology: Key Solution Selection Criteria

Recent technology trends and innovations, like cloud platforms, self-service applications, and the availability of feature-rich solution suites, have changed the technology marketplace while also placing greater control over technology investment decisions in the hands of the business process owner. This means that going forward, procurement departments will continue to gain more control over the solutions they select and ultimately use. Figure 7 shows the criteria most frequently rated as either most important or very important in the evaluation of supply management technology. Perhaps most notable is the fact that price is not a top consideration for most procurement teams when awarding supply management technology contracts. The reality is that the investment of political capital and team resources are far greater than the cash outlay for a technology project.

One of the main trends in supply management technology over the past few years has been that solution usability has taken precedence over other considerations including specific feature/functionality. Most procurement departments have come to the realization that the first step in transforming a process is getting the users to adopt the solutions. Robust functionality is still important, just not at the expense of usability.

Since technology can be a powerful enabler of the sustainable efficiencies and strategic value that can transform operations and improve performance, selecting the right technology has never been more important to a procurement department. Accordingly, CPOs should develop an approach to evaluating and selecting technology that clearly defines and quantifies the key selection criteria and stay focused on identifying the provider that is most likely to deliver it.

“When you start looking at these tools, their features all have slight variations, so it’s less a comparison of features and functions. It becomes a comparison of user interface, their willingness to partner, and where we’ll sit in the development cycles – how much influence we would have. It is also how well the application would fit with the business needs as opposed to how much of our business would need to change to fit with the application design.” — Gary Lambert, Assistant Secretary for Operational Services, Commonwealth of Massachusetts

Figure 7: Key Solution Selection Criteria

<table>
<thead>
<tr>
<th>Category</th>
<th>Most Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usability</td>
<td>53%</td>
<td>43%</td>
</tr>
<tr>
<td>Features and functionality</td>
<td>42%</td>
<td>49%</td>
</tr>
<tr>
<td>Expected results</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Reporting and analytics quality</td>
<td>24%</td>
<td>58%</td>
</tr>
<tr>
<td>Integration (to other applications and/or ERP)</td>
<td>38%</td>
<td>42%</td>
</tr>
</tbody>
</table>

© Ardent Partners - 2017
Procurement Hurdles

While the tech adoption and mastery issues are not unique to procurement departments, the major hurdles that CPOs face in pursuit of their objectives are. The competition for personnel and resources has spawned a talent war that requires a new way to engage workers. The prevalence of online staffing (i.e. online talent platforms, social networks, etc.) has allowed procurement leaders to better assess their current skill gaps, and, in an on-demand fashion, find and engage the best-aligned talent. As the function becomes more focused on innovation, it will behoove procurement executives (and hiring managers that work directly with these leaders) to ensure that they are tapping into the world of non-employee labor...not only as a supplemental source of talent, but also as a value-added driver of expertise, skillsets, and fresh thinking. As the procurement function continues to move forward and expand its reach, talent remains the spark for transforming the impact of the unit. As such, new, agile talent sources, like independent contractors and freelancers available in new talent networks, must be tapped to bring specific expertise to core initiatives and help procurement’s full time staff improve operations and performance.

The competition for talent and resources is also fierce inside the enterprise (see Figure 8). The CPO’s rise continues; most find it difficult to outshine the executives leading commercial teams. As a result, procurement budgets and headcounts can be less than optimal. This is not a new game for CPOs who must play the hand they are dealt and make smart bets.

Another ongoing challenge that procurement organizations face in 2017 is the difficulty they have when they try to map their current processes to the new systems. There is frequently a fundamental disconnect between the current legacy process (what steps are being taken to complete the activities today) and the future automated process (what steps are modeled in the system for end users). This is one major reason why the technology proficiency rates seen in Figure 6 are not higher and is an area that should be analyzed and addressed before new systems are deployed.

Figure 8: Procurement’s Top Challenges of 2017
One of the defining characteristics of a Best-in-Class procurement operation is the strong leadership that exists at the top. The rise of the CPO has come to symbolize all of the best elements of the profession for a reason. And, given the complexity of the business function and the broad range of constituents it must support, procurement success demands strong, visionary leadership that includes CPOs but also their lieutenants.

In 2017, the “State of Procurement” is generally strong. While many groups are exposed by real, and sometimes deep, fissures within their operations, overall momentum continues. The very real threat of complacency must be actively contested and subdued. The CPO’s journey continues forward in 2017. As they advance, CPOs must continue to challenge the status quo, increase procurement agility, and make the decisions needed to improve their operations, competencies, and performance.

Extreme Technology Adoption

This is not a “modest proposal.” This is a simple and direct plan to maximize solution usage and the returns generated from a procurement organization’s investment in supply management technology. High and strong usage of supply management technology is achievable by any organization. Full stop. Some of the respondents in this survey run thousands of eSourcing events and eAuctions each year. Some respondents have 90%+ of their spend based upon purchase orders that are run through their eProcurement systems.

To get a good return on technology investments, the CPO and procurement leadership simply have to make technology adoption a priority over other considerations. If they fail to do so, they are signalling to the entire organization that poor or mediocre user adoption is acceptable. Based upon direct work with organizations and years of research, Ardent Partners believes that high adoption levels of supply management technology can be achieved by any procurement organization willing to make it a priority.

Ardent Partners’ Extreme Technology Adoption Plan

This plan was developed because Ardent Partners believes that anything done by a procurement department should be done extremely well. Procurement professionals who do not ascribe to this view, should reconsider their careers. From the plan’s title, readers can surmise that the adoption plan is intense and disruptive. That is by design because it sets the proper tone for a technology deployment. Here are the main operating principles of the plan:

- **This is BIG CHANGE!** – The traditional technology roll-out strategy is for the project team to focus on minimizing and mitigating the “change” issues. This is a fool’s errand, for the most part anyway. Stop pretending that the new solutions are a slight variation of a “legacy process” that
is uniformly followed. In an offline environment, many staffers develop their own unique habits and approaches to their work. They have different views on what is important and take different steps to complete tasks. This means that for most, simply adopting the “standard, legacy processes” will require a fundamental change to their workflows. Beyond that, the reality is that almost any new technology requires a fundamental change in how a worker does a task… and, that is perfectly acceptable because the solution is introducing a new, streamlined, and standardized approach to an activity. The solution is also enabling other things that are important to the organization like visibility and reporting. Since this is a big change, big bold plans are needed and the organization has to be ready to execute them.

- **Organizational innovation** – Technology can no longer be an afterthought. It must become an organizing principle that demands departmental innovation and change. All users need access to peers and power users that are available to provide fast and practical guidance. But, different teams within procurement will be using different systems in different ways. These groups of users may need different types and levels of support. CPOs should consider the development of centralized technology operations teams that support the users of different applications, like eSourcing and Contracts. These professionals can be relatively junior while still serving as the “solution” experts needed to facilitate throughput.

- **Minimalist design** – Each step or action added to an automated workflow adds an exponential amount of complexity. The project team must ask itself daily “what is the absolute minimum number of steps or actions needed to complete an activity or task?” Then, design a system that reflects that answer. “Plain-vanilla” deployments are acceptable, just make sure to add an organizational “stamp” so users feel a sense of ownership.

- **CPO: “Yes, but we still need to use the system.”** – Counteract organizational complaints about and prejudices towards the new system with this simple, standard reply from the CPO… “Yes, but we still need to use the system.”

- **50 – 75 – 90 –** Mandate system usage at the following schedule: Month 1: 50% of every staffer’s activities must be completed in the tool. Month 2: 75% of every staffer’s activities must be completed in the tool. Month 3: 90% of every staffer’s activities must be completed in the tool. No exceptions.

- **Bonus eligibility linked to system usage** – Staff eligibility for their bonus is contingent upon meeting the 50 – 75 – 90 usage plan. Miss the plan, miss the bonus. No exceptions.

- **No exceptions** – Studies have shown that the age of a worker impacts their response to new technology. So what. Age cannot be used as an excuse to explain a lack of system usage. Until a staffer becomes too old to collect a paycheck, he/she needs to learn how to use new systems.

- **“There will be pain, but we will get through it.”** – Prepare the staff for an intense first quarter of system usage. Prepare the larger organization for potential disruption too. Use the procurement leadership team as an overlay to the project team and assign every leader a specific set of daily duties and responsibilities during the first quarter after system launch.

- **Reward the right failures; punish mediocre success** – New system users will make plenty of mistakes. Reward their efforts. Support and encourage their growth and development. Strive for excellence, not simply, competence.

- **Adopt, adapt, and improve** – When it comes to getting full value out of a technology investment, these three words boil it down perfectly. Adopt: Mandate usage. Adapt: Adapt the organization to the new systems. Improve: The staff is committed to using the solutions, management must be committed to making them better.
Chapter Three: Procurement Performance

“
What’s important is that you have a faith in people, that they’re basically good and smart, and if you give them tools, they’ll do wonderful things with them.”
– Steve Jobs, Founder, Apple

The Procurement Campaign
As noted earlier, the procurement “revolution” that kicked off in the late 1990’s has, in truth, been much more evolutionary in nature. And, while the occasional procurement patriot throws a long bomb to achieve a quick win, over time, procurement leaders know they must grind it out on the ground if they are to consistently move the ball forward. The proper blend of talented people, efficient processes, and enabling technology is needed to achieve a broad procurement transformation. But achieving the desired mix is as much an iterative process as it is an incremental one.

Operational excellence in procurement cannot be achieved in a vacuum. There are change issues that are much larger than any team or single department, making a receptive enterprise an organizational necessity. The enterprise must be open to the idea that procurement can deliver strategic value to its internal customers and to the enterprise at large. What was once a progressive concept has hit the mainstream. And, with more than half of all CPOs reporting directly to either the CEO (22%) or CFO (32%), plenty of procurement organizations have the opportunity to succeed or fail in plain sight. But, procurement leaders around the world must also understand that a fair number of business executives have never experienced a finely-tuned procurement operation first-hand. Unwilling to take a leap of faith, their tendency is to label procurement’s value proposition, such that it is, as “fake news” and avoid making investments in and commitments to the function. It falls to the CPO and the procurement leadership team to earn their executives’ vote of support through strong leadership, clear messaging, tight execution, and proactive support in areas that extend beyond the traditional scope of procurement operations.

Consider for a moment the extraordinary opportunity that a growing number of CPOs now have based solely on their proximity to the highest offices within the enterprise. The
obvious opportunity is to perform well in the spotlight and gain professional and organizational credibility and prominence. And, over the course of the past decade, there have been numerous examples of CPOs do just that. But, the CPO is also directly connected to a global network of partners that can serve as the extended eyes and ears of the business. When managed as an asset, the supply chain can become a tremendous source of business and competitive intelligence. The CPO can serve as a conduit, capturing ideas from smart and innovative suppliers to help the executive team make better decisions.

Organizational alignment with executive priorities will also help strengthen the CPO’s bond to executives and earn confidence. More importantly, it helps increase the impact that procurement can make on what is most important to the business. Unfortunately, a majority of procurement organizations lack tight alignment between what they are working on and the overall objectives of the business (see Figure 9). This is highly problematic because, as one Global CPO speaker so plainly stated at last year’s CPO Rising 2016 Summit, “It does no good to be great at unimportant things.” And, it does no good to be focused on the wrong things. Like a car, a procurement organization with poor alignment creates bigger internal problems by damaging other parts. The owner can pay now to fix a small problem or pay more later to fix a larger problem. The organizations that know that they are more focused on their own goals and targets than what is really important (Poorly aligned – 16%) should convene their leadership team and conduct an immediate reassessment of their 2017 plan. The groups that lend some support to the business but are, nonetheless, focused on procurement’s plan over everything else (Partially aligned – 46%) should schedule a series of meetings with business stakeholders and executives and build a list of projects that could use procurement’s support and reallocate resources accordingly.
“We create the most value with strategic sourcing, supporting projects and the development of the company. E-sourcing is far more important to us than supply management.”
– Michael Bitar, Head of Procurement, Julius Baer

The opportunities for these groups may be as simple as focusing the sourcing team on a different set of categories or providing resources to support a product team that is struggling with design and cost issues under a tight deadline. Procurement may be able to leverage its relationships with global suppliers in support of the team responsible for the launch into a new region or country. Treasury and finance could have pressing concerns that cash flow levels may trigger certain debt provisions that could be eased via supplier payment term renegotiations. The list of possible areas that procurement could support this year is immense; it could also be small. The point is that if the CPO considers the procurement department a strategic business function, the least they can do is ask if their agenda makes sense. A procurement department that operates on its own agenda, independent of any real input and oversight from either executives or business stakeholders does itself and the enterprise a disservice.

The 2017 Procurement Benchmarks
The 2017 Procurement Benchmarks (see Table 1) represent the performance and operational results of the average procurement department in the market today. The percentage of spend under management at the average enterprise remains relatively flat at 61% in 2017. After many years of consistent growth, the industry’s all-out drive to place more spend under management has started to slow with more and more procurement organizations seemingly satisfied to manage around 60% of total spend. Only 16% of all CPOs are focused on increasing this number over the next three years.

Table 1: The 2017 Procurement Benchmarks

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Market Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend Under Management</td>
<td>61%</td>
</tr>
<tr>
<td>Savings 2016 (Actual)</td>
<td>6.3%</td>
</tr>
<tr>
<td>Savings 2017 (Planned)</td>
<td>6.8%</td>
</tr>
<tr>
<td>Addressable spend that is sourced</td>
<td>44%</td>
</tr>
<tr>
<td>Spend that is contract compliant</td>
<td>54%</td>
</tr>
<tr>
<td>Transactions that are contract compliant</td>
<td>66%</td>
</tr>
<tr>
<td>Contracts stored in a central, searchable repository</td>
<td>62%</td>
</tr>
<tr>
<td>Enabled suppliers</td>
<td>24%</td>
</tr>
</tbody>
</table>
Spend Under Management
The measure that captures the percentage of total enterprise spend that a procurement organization manages or influences. Ardent Partners’ research has found that for every new dollar that is placed under management of the procurement department, the average enterprise realizes a savings benefit of between 6% and 12% during the first contract cycle.

Given the constraints that the average procurement department faces in 2017, it is understandable, to a degree, that CPOs are hesitant to make an aggressive push to start managing new categories and more spend; but the facts bear out the impact that procurement can make. From a value perspective, 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. There are other benefits beyond savings that also result from procurement’s influence including improved quality and lower risk.

From an overall influence perspective, procurement organizations should look at their spend “pie” and determine where the greatest impact can be made – either managing the current spend better or bringing new spend under influence. The reality for most teams is that there are opportunities in both areas. That said, in aggregate, the first-time impact a new RFP has on a category is almost certain to be greater than the refinements made to a category strategy that has been in place for years. Beyond spend under management, the Framework includes a series of key metrics.

- As discussed earlier, the CPO’s focus on savings has lessened. The enterprise’s focus on procurement savings has also lessened. Perhaps not surprisingly, the savings rates captured in Ardent’s annual CPO Rising reports have been trending downward for the past few years. The average annual savings rate delivered by a procurement department in 2016 fell to 6.3% while the average annual savings rate targeted or planned by procurement departments in 2017 is 6.8%. A few years ago, Ardent Partners determined that roughly half of all CPOs favor a savings definition that is focused on implemented savings, although debate continues on how to handle cost avoidance. Roughly one third of procurement departments lack a clear definition and should work this year to remove ambiguity around how savings is defined and tracked.

- The decrease in savings can also be attributed to a lower level of competitive sourcing in 2016, with procurement departments, on average competitively sourcing 44% of their addressable spend. There can be many legitimate reasons for lower sourcing volumes, but remember: complacency kills. 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 the relationship has been optimized.

- Average compliance rates track closely to those from last year and still lag the average percentage of spend under management. A procurement organization cannot claim that it is actually managing (or influencing) spend if it is only focused on sourcing; contract compliance is where the “rubber hits the road” for sourcing work. Thus, strong follow-through on the sourcing process should include contracting and compliance monitoring and a strong mechanism for managing orders. As such, it is also important to track the percentage of catalog and PO-based spend that goes through the systems.

- As procurement departments continue to think holistically about their systems and their processes, supplier management takes on a broader meaning that includes enablement. The large, successful procure-to-pay initiatives attribute their success in no small part to the percentage of suppliers they have enabled. The typical procurement department has enabled, on average, 24% of their suppliers, a number that beats Pareto, but falls short of being optimal.

**Best-in-Class Performance**

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, 87% of spend under the management of the procurement organization, a full 49% more than their peers (see Figure 10). 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.

![Figure 10: Spend Under Management: Best-in-Class vs. All Others](image-url)
The Best-in-Class Advantage
Managing more than 85% of spend is an accomplishment worthy of accolades and celebration. By surveying thousands of distinct organizations over the years, Ardent Partners has been able to clearly establish that the groups that manage very high levels of spend perform significantly better across the other key performance and operational metrics tracked by procurement departments. Ardent Partners’ 2017 Best-in-Class Framework for Procurement (see Table 2) continues to validate that point and is reason for all procurement departments to continue to try increasing their spend under management.

• The savings rate advantage for the Best-in-Class last year (2016) compared to All Others appears slight when looking at the Framework, 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 grow even larger in 2017.

• Of course, savings alone does not fully capture the value of procurement activity. For example, in an inflationary market, savings may not be possible on a specific opportunity. That does not mean that a sourcing team did not add value along the way. Speaking of sourcing, the Best-in-Class continue to source a significantly higher percentage of their addressable spend than their peers each year (56% vs 39%). But truth be told, there is no shame in competitively sourcing almost 40% of overall spend as the All Others group has done. Because many sourcing considerations are now global in nature, supply market leadership is much more difficult to maintain than in years past. It is certainly not critical to have the market leader in every category of spend as an active supplier, but it is wise to avoid the laggards and fading stars. Because the recent level of eSourcing activity has been historically lower than it ideally should be for most procurement teams, the reasons why a supplier was originally selected over other suppliers may not be known by the current sourcing and category teams. Active sourcing ensures that the enterprise is contracting with the highest-value suppliers based on the latest and most relevant award criteria.

• As they have for a decade, compliance rates for both maturity classes float comfortably between the range of “not
Strong Leadership AND Strong Management

One of the defining characteristics of a Best-in-Class procurement operation is the strong leadership that exists at the top. The rise of the CPO has come to symbolize all of the best elements of the profession for a reason. Having spent a career in the profession, the typical Best-in-Class CPO also knows the business of procurement inside and out. With that comes the functional experience to assemble and manage a team that can execute consistently and with precision. And, given the complexity of the business function and the broad range of constituents it must support, procurement success demands strong, visionary leadership that includes CPOs but also their lieutenants. It is critical to overall success that different functions within the enterprise coalesce around the most important.

Best-in-Class Levers for Success

Best-in-Class enterprises have shown that investments in improving internal systems and processes and enhancing external relationships with key partners are proven paths to better performance. The Best-in-Class have differentiated themselves with superior performance across the primary procurement metrics below (see Table 2) and have utilized the specific levers for success noted below to a greater degree and impact to gain their advantage in the marketplace. In this year’s report, Ardent Partners is taking a slightly different approach to this section, which traditionally presents a longer list of Best-in-Class characteristics across a range of people, process, and technology areas. This year, Ardent is narrowing the discussion to focus more intently on a few key factors responsible for Best-in-Class performance in 2017.

Table 2: The 2017 Best-in-Class Procurement Framework

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Best-in-Class</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend Under Management</td>
<td>87%</td>
<td>58%</td>
</tr>
<tr>
<td>Savings 2016 (Actual)</td>
<td>6.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Savings 2017 (Planned)</td>
<td>7.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Addressable spend that is sourced</td>
<td>56%</td>
<td>39%</td>
</tr>
<tr>
<td>Spend that is contract compliant</td>
<td>66%</td>
<td>45%</td>
</tr>
<tr>
<td>Transactions that are contract compliant</td>
<td>72%</td>
<td>62%</td>
</tr>
<tr>
<td>Contracts stored in a central, searchable repository</td>
<td>69%</td>
<td>58%</td>
</tr>
<tr>
<td>Enabled suppliers</td>
<td>30%</td>
<td>21%</td>
</tr>
</tbody>
</table>

© Ardent Partners - 2017
projects and goals. Aligning resources against the most important initiatives is one example where the Best-in-Class outshine the competition by a more than two to one margin (see Figure 11).

Figure 11: Tight Alignment with Business Objectives (Best-in-Class vs. All Others)

![Figure 11](image)

**Strong Visibility**

Having visibility into spend, process, and the supply base is the foundation upon which Best-in-Class procurement performance is built. Despite the statistical proof borne out over a decade of research from Ardent Partners’ analysts and the patently obvious idea that decisions made with full context will generally result in better outcomes, many organizations struggle to possess visibility. Multiple and diverse back-end systems, bureaucratic inertia, and the general complexity of the task itself can pose significant hurdles to gaining the desired visibility. But once attained, visibility pays big dividends in the form of better performance, higher credibility, and smoother operations. As shown in Figure 12, the Best-in-Class do not possess universal visibility, but the frequency in which they possess it compared to the others is compelling, ranging as high as nearly three times greater when looking at areas like compliance and supplier performance and risk.

Figure 12: The Best-in-Class Visibility Advantage

![Figure 12](image)
Standardized and Linked Processes
Many of the same procurement organizations who struggle with establishing visibility also miss a huge value opportunity by failing to properly link their sub-processes together. Organizations that lack any semblance of continuity and follow-through across their processes miss large opportunities and consistently, or in some cases, quite dramatically, erode the value of their work.

The Best-in-Class think more holistically about their operations and their processes. In the past two years, they are 2.2 times more likely to have launched a formal initiative to improve processes and close any gaps sometime. They report significantly higher levels of process standardization across their primary strategic sourcing and supply management activities. And, they also possess much tighter linkage with their P2P processes and systems. Interestingly, they are not only more likely to have a holistic P2P program in place, the Best-in-Class are also more than 1.8 times likely to have invested to make strategic improvements to the overall P2P program in the past two years.

Technology Adoption
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. A Best-in-Class procurement operation remains a competitive advantage with far-reaching results, and the role that technology plays in enabling top performance continues to increase.

One of the themes in this report is that there is a difference between simply doing something and doing it well. This holds true when it comes to using technology with Best-in-Class procurement teams reporting an overall technology proficiency of 7.0 compared to the 6.1 of their peers. These leaders are also much more likely to have generated either a good or strong ROI from their technology investments and they bring their projects in on budget more frequently. Interestingly, none of the Best-in-Class organizations in this study have taken a “big bang” approach to their recent deployments, instead choosing to take a phased approach when rolling out new applications.

The Best-in-Class are leading the larger industry trend of investing in suites or at least multiple applications at one time. The days of the best of breed specialist are waning. Ardent still tracks adoption at the application level, however, and in each primary application or procurement sub-process area shown in Figure 13, the Best-in-Class adoption rates are, on average, 30% higher than those of their peers (“All Others”). In aggregate, the technology advantage held by the Best-in-Class over their peers in 2017 is lower than in recent years, but the long arc of procurement bends towards automation. These technologies remain a hallmark of leading procurement organizations and a key enabler of Best-in-Class performance.
Ardent Partners believes that there are “four pillars” that should serve as the foundation for any strategic sourcing program. These are the primary sub-process areas that drive all sourcing activity – spend analysis, sourcing, contract management, and supplier management.

Conversely, on the downstream, P2P side, digital/automated strategies have helped to align procurement teams and processes with those of accounts payable (“AP”), close process gaps, and increase efficiencies. The primary technologies supporting P2P are eProcurement solutions, which are the most widely adopted of all procurement technologies, and ePayables (Ardent Partners’ term for AP automation) solutions.

“Within my team, we have bifurcation on how technology is used – we have the folks that will continue to manage the automated transactions and who will get more and more efficient. And there’s the emergence of what I would call ‘procurement professionals,’ who have agility, who have confidence in their skills so that they’ll know what to do even when they don’t know what to do. They’re building a very deep level of competence and confidence in how they go to market.”

– CPO, Pharmaceutical Industry
eProcurement tools drive greater visibility into existing contracts with suppliers and save enterprise buyers from recreating the sourcing wheel every time they need to procure a good or service for the enterprise. Many modern eProcurement tools are starting to resemble online marketplaces, like Amazon, and offer a seamless “requisition-to-order-to-payment” process, linking the first “P” with the last “P” in the P2P process. Buying via eProcurement systems leverages existing sourcing and supplier arrangements and saves the enterprise money and time. AP Automation or ePayables tools link procurement activities (like buying), with accounts payable/finance activities (like invoicing and payment), allowing for digital, paperless, straight-through processing. Linking procurement with AP and automating this process closes gaps between these two departments and results in many improvements, like reduction in invoice processing and payment errors, reduced time to payment, reduced total days outstanding, and increased opportunities to take advantage of any early-payment discounts.

Across the entire breadth of operations, the Best-in-Class are firing on most cylinders with clear advantages over their counterparts when it comes to process standardization and automation. Tight strategic alignment is another key characteristic of the Best-in-Class which allows these leaders to differentiate themselves in today’s market. And, of course, there is visibility, which remains the foundation upon which a Best-in-Class procurement department is built. Ardent Partners research has consistently shown that the competitive advantage generated by a Best-in-Class procurement department is significant and that the investment to achieve this performance is worth pursuing.

A procurement department that operates on its own agenda, independent of any real input and oversight from either executives or business stakeholders does itself and the enterprise a disservice.
Today’s Enabling Technologies for Tomorrow’s Innovations
Supply management solutions are starting to fully leverage many of the modern technologies and innovations that are popular in the consumer technology market. The convergence of consumer and business technologies sparks a new era of innovation in the world of supply management, assisting procurement executives in becoming more intuitive leaders not only within their own function, but also in how they influence other key components of the business. Some of the top technologies include:

- **Cloud computing:** Cloud-based, Software-as-a-Service (“SaaS”) solutions are typically hosted, maintained, enhanced, managed, and upgraded on the application and server side by the solution provider. They are generally paid for in some form of consumption or time-period basis; have faster time to deployment, lower initial investment, lower level of internal support required to maintain, and greater modularity for the integration of future apps.
- **Consumerization:** The emergence of consumer-like functionality embedded in enterprise technology has become the new battleground for solution providers as the industry increases its focus on the user experience and making solutions with high usability.
- **Social and collaborative tools:** Peer-to-peer communication and collaboration tools enable users to digitally connect and communicate with each other, particularly with individuals and businesses that have common interests, and then share information, like RFPs and bids. Users can also co-author and edit documents online and in real time, which has impacted the way that companies write proposals, contracts, memorandums, and other business documents.
- **Business networks:** These web-based platforms are a powerful means for businesses to connect with core partners, foster business relationships, automate key procurement and financial activities like P2P, and provide key stakeholders with the necessary visibility to help forecast and plan for the future. Business networks can also serve as the primary convergence point between different procurement, finance, and supply chain related initiatives.
- **Mobile solutions:** While the smart devices have not yet replaced PCs and laptops in the business world, that day will come eventually. When it does, many procurement teams will be ready, having already adopted mobile-ready or mobile-friendly solutions which enable a more mobile and more automated workforce. Today procurement professionals and stakeholders are able to access systems on the go, accelerating task completion for things like PO and invoice approvals. When enterprise mobile computing reaches a tipping point, procurement pros will begin to utilize supply management “apps” to drive their operations, a move that will force solution providers to brutally simplify their offerings.
- **Connected Devices (the “Internet of Things”):** These devices (e.g., sensors in manufacturing machines, remote devices, or warehouses) automatically transmit data to and from each other or to a central data repository for analysis, creating enormous and indefinite streams of structured and unstructured data (i.e., “Big Data”). They can help procurement teams and other stakeholders better understand their operations and markets, streamline decision-making, avoid/mitigate risk, and ultimately, improve performance.
- **Big Data analytics:** Structured and unstructured data generated internally, from connected devices, suppliers, and third parties comprise “Big Data for Procurement.” Many enterprises are “soaked” in it and lack the tools to effectively manage, analyze, and leverage it. But these tools, plus automation, machine learning, artificial intelligence, and sourcing optimization, can help enterprises find new business opportunities (for more information, see The Future of Procurement Analytics, Page 43).
Chapter Four: Strategies for Success

New technology, by itself, has little economic benefit… The economic benefits arise not from innovation itself, but from the entrepreneurs who eventually discover ways to put innovation to practical use — and, most critically, from the organizational changes through which businesses reshape themselves to take advantage of new technology.”

– Marc Levinson, Author of The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger

Agility in Action

More than five years ago, Ardent Partners introduced the concept of procurement agility as the defining characteristic of the next generation of procurement leaders. Since then, the idea has been almost universally adopted by professionals (and consultancies) as a key driver for future success. Procurement agility is not yet the standard for all groups, but leading procurement groups are making investments and building towards it. For example, strategic sourcing programs must work to become more agile and responsive vis-à-vis constantly changing external market conditions and supplier capabilities. The impact of the new approach can have a dramatic effect on operations and results and extends across the different constituencies noted below.

• For CPOs and department leaders, it means abandoning rigid “command and control” management structures and empowering trusted sourcing leaders and category managers to identify and respond autonomously to changing business needs and market conditions.

• For sourcing teams, this new definition means getting engaged sooner in sourcing events and collaborating more deeply with internal and external stakeholders. Earlier engagement increases the opportunity to positively influence the process and deliver more value as a result.

• It also means sourcing teams must keep abreast of market conditions, having alternative suppliers or commodities lined up in the event of sudden business or market changes, exploring shorter contract periods, or perhaps
adjusting Service-Level Agreements (SLAs) as needs and conditions change.

- Modern sourcing teams must also embrace the strategic sourcing technologies which underpin and automate the main strategic sourcing sub-process areas.

- For the budget-holders and stakeholders in the business, the demand for business agility means ceding project control (but not final decision-making) to experienced sourcing professionals and being more open-minded about rationalizing requirements and moving the business to new suppliers.

- Strategic suppliers must enter into customer relationships with an increased willingness to collaborate and to become enabled onto their client’s technology platforms.

A fresh approach on improving processes and embracing innovation is a clear indication of procurement’s desire to thrive in an increasingly dynamic business world.

The Adoption Conundrum (End Users)

“One reason technology is not used by more companies today is because there are too many legacy systems and homegrown systems. Another contributing factor is that as a profession, we do not have a set of supply management measures to categorically measure the procurement organizations contributions to the organization [which makes it hard to justify investment].” – John S Gundersen Director, Strategic Project Procurement Operations, Emerson Process Management

Procurement agility is dependent upon a technology infrastructure that enables scale and flexibility. Launching systems within the procurement department and across the enterprise takes an investment of time, money, as well as resources and strong focus and an ability to manage projects. But while launching a solution successfully is important, it is but one step in the larger process. User adoption is another fundamental determinant in the overall success of a technology initiative and an area worthy of examination.

There are many different theories and models that attempt to explain the complex riddle of how and why users adopt technology. One of the best known is the Unified Theory of Acceptance and Use of Technology (“UTAUT”) which was established by Viswanath Venkatesh and others and built upon many earlier studies. This model identifies four main factors that influence the likelihood of user adoption of a new technology:
1. Perceived usefulness: how helpful the system will be to complete work assignments
2. Perceived ease-of-use: how easy the system is to use
3. Social influence: the level of importance an individual user’s adoption is to people of influence
4. Facilitating conditions: the perceived level of organizational and infrastructure support that exists for the technology

The model also includes four considerations that overlay the above factors: A user’s gender, age, and experience, and the level of mandate or “voluntariness” that is associated with the technology.

While the practical use of the UTAUT for a procurement technology deployment team to model expected adoption rates seems unlikely to bear fruit, the model’s factors are worth understanding and influencing. For example: A system that accurately automates the key steps of a process with limited clicks and robust features may be perceived as both useful and easy to use (or) When the CPO sends out a weekly technology usage report, it is clear that adoption is important to the leadership team (or) When online training, help desk support, and a team of ‘local’ power users accompany a new technology rollout, the users see there is more support and have more confidence in trying the tool.

### Top Technology Goals

As CPOs consider the state of supply management technology today, including how it evolves and what it will look like tomorrow, they must also consider what their goals are for using the solutions in the first place. Table 3 below shows the top reasons why CPOs are investing in supply management technology in 2017. By and large, these goals are consistent with the CPO’s two-to-three year priorities as discussed earlier (see Figure 3). The reasons for investing in technology are fairly standard but can, nonetheless, be unique to an organization. Whether the team is looking to streamline processes, increase savings and effectiveness, reduce risk and/or other goals, it is important to clearly define and quantify the desired business outcomes and then align the team in the selection, launch, and usage of the tools.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamline processes to drive operating efficiencies</td>
<td>69%</td>
</tr>
<tr>
<td>Increase savings</td>
<td>57%</td>
</tr>
<tr>
<td>Improve procurement’s effectiveness</td>
<td>55%</td>
</tr>
<tr>
<td>Reduce risk</td>
<td>55%</td>
</tr>
<tr>
<td>Gain greater visibility into spend</td>
<td>54%</td>
</tr>
<tr>
<td>Improve ability to track and report procurement performance/results</td>
<td>53%</td>
</tr>
<tr>
<td>Improve compliance</td>
<td>51%</td>
</tr>
</tbody>
</table>

© Ardent Partners - 2017
General Recommendations

Best-in-Class procurement departments, on average, manage 87% 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. Beyond adopting the Best-in-Class’ “Levers for Success” (see Chapter 3), Ardent recommends the following strategies and approaches for CPOs and procurement departments seeking to improve their performance:

• **Adopt, adapt, and improve.** When it comes to getting full value out of a technology investment, these three words boil it down perfectly. Adopt: Just start using the solutions. Adapt: Configure the solutions to your processes (lightly). At the same time, users must adapt their work and general orientation to the new systems. Improve: Streamline the processes, extend the solution footprint, get user feedback (especially after a quarter or two of good usage). Whether a system has dozens, hundreds, or thousands of users, a single improvement cascades across all of their workflows. Eliminate that extra step or click. Show users that the procurement team is vested in making it better.

• **Strive to be a top leader AND a top manager.** Peter Drucker said, “Management is doing things right. Leadership is doing the right things.” A procurement department needs to be able to do both things well and it counts on its leader to set the path. The role of the CPO requires an ability to both lead and manage, so it is important to keep both sets of skills active and in shape.

• **Continue building better supplier relationships.** CPOs have a stronger inward gaze in 2017, but heightened competition in a global marketplace that is increasingly interconnected means that the decisions, operations, and performance made across an enterprise’s supply chain can have a more direct and lasting impact on the bottom line of the business than ever before. While opportunities to fix internal matters are more visible and will always appear more pressing, the team must ensure that it spends time focusing outward too.

• **Regularly seek outside counsel.** Computer scientist, Alan Kay said, “A change in perspective is worth 80 IQ points.” The challenge one CPO faces this year has been addressed by many others last year. There is no need to reinvent the wheel. Develop a network of CPOs and other colleagues, reach out to an analyst, and/or attend an event (like CPO Rising 2017 in November). There is a commonality to the role of the CPO that makes networking highly valuable and has helped create a burgeoning industry of experts and ideas.
• **Develop new talent engagement and sourcing strategies.** A new world of work has emerged, offering new and innovative ways to find, engage, and ultimately leverage new talent. There is a new worker landscape that requires new approaches and strategies to be able to tap into the right talent at the right time. Top procurement organizations should partner with HR and embrace this progressive evolution of talent as a way to drive the procurement department forward.

• **Adopt the eSourcing 2.0 Doctrine.** Many years ago, Ardent Partners developed an approach to eSourcing system usage that dozens of procurement organizations have since adopted. The name used for this approach was “eSourcing 2.0,” and while the name is a bit dated, the principles behind it are still highly relevant. eSourcing 2.0 stated that every negotiation that results in an executed contract should use an eSourcing solution. Use of the tool does not mean a bid must be competitive. Whether it is a competitive bid, an auction, or a one-on-one negotiation, use the tool to capture the evaluation criteria, requirements, and the general negotiation and bid information so the team does not have to start from scratch next time. The procurement departments that have adhered to this protocol report comprehensive eSourcing usage and uniform success.

• **Work aggressively to increase spend under management in 2017.** Somewhere along the way, some CPOs became satisfied with only managing between 50% and 60% of total spend. A reduced pressure to deliver savings does not create the excuse to deliver less value than possible. As a point of reference, many Best-in-Class procurement departments reach a tipping point in value creation when they reach the 75% to 80% level.

• **Avoid professional and organizational complacency in 2017.** Procurement organizations seem overly comfortable with their place, plans, and current trajectory. Continuous improvement is a virtue, while complacency is a vice: strive for the former, and avoid the latter. Manufacture a sense of urgency to awaken the giant performers within the department.

• **Continue developing a customized Agility Agenda for the department.** Continue the procurement department’s momentum by developing a forward-looking Agility Agenda that embeds the organization with agile and innovative characteristics while also maintaining discipline and efficiency. This must be done if the department is going to keep pace with the fast-changing needs of their enterprises and what will certainly be more volatile market conditions in the future. Consider this a perpetual recommendation from Ardent Partners.
• **Develop a Big Data strategy.** The potential for Big Data management is getting bigger. CPOs must make sure that their Big Data initiatives make them smarter. To do this, a plan is needed. Make sure to include technology, resources, and organizational capabilities. Procurement and supply chain operations should work to master process automation and Big Data management before moving onto “newer” technologies, like AI, cognitive, and machine learning.

• **Invest in building data science talent and capabilities.** In the “Age of Intelligence,” procurement teams should continue to extend and enhance their capabilities in order to maintain their momentum and accelerate to the next level of performance. The type of data modeling and analysis that will be critical in managing big data is not commonplace in procurement departments today. Look to hire data scientists into the procurement organization or develop an ability to tap into this expertise as needed.

• **Develop a clear solution selection strategy.** To accelerate and unify the solution selection, project leaders and the extended team should gain full alignment on the desired goals or business outcomes from the project as well as the main selection criteria (see Page 20).

• **Link systems and processes.** When it comes right down to it, a source-to-settle process that has its people, processes, and systems aligned and linked can be a highly-efficient savings machine. This stems from a holistic viewpoint in the source-to-settle workflow; when everyone is moving in the same direction, enterprises can find new process efficiencies and cost savings that were not previously apparent. The incremental gains achieved through each process linkage can, in turn, become somewhat exponential when taken as a whole. Value found in sourcing cascades to the larger procurement operation, which translates into efficiencies in accounts payable, and even down the line to the cash management needs of treasury.

• **Build a clear technology integration plan.** The way automation penetrates both the tactical and strategic attributes of the modern business, it is critical to understand the impact on how systems will run, how their “reach” will be affected, and the availability of information from these sources.

• **Develop and manage a multi-year technology strategy and road-map.** Budgets may not accommodate an investment in every technology that is needed this year so develop a multi-year technology strategy to ensure that ongoing investments build upon a foundation and towards the ultimate organizational goals.
Conclusion
As CPOs continue to establish more broad-based approaches to performance measurement, any evaluation of a procurement department in 2017 must necessarily include a review of technology usage and results. Today, many procurement teams struggle to draw value from their technology investments. But when the right approach in launching and managing technology applications is taken, the tools can be very powerful, particularly when used in combination. To be clear, instinct, logic, and experience in a manual procurement environment can drive great value, particularly in the early years of a transformation effort. But, the lack of automation across the source-to-settle process constrains procurement’s ability to maintain credibility and optimize operations and performance over the long-term. CPOs who expect to rise in the industry and drive procurement agility can no longer eschew technology.

Deploying the technology is only the first step – technology deployment and technology adoption are not the same thing. Having process automation tools in place does not mean that they are used well or used at all. “If you build it, they will come” is a movie cliché that does not apply to enterprise technology – high adoption rates of technology require focus, skill, and effort. Procurement teams, that prioritize the adoption of their solutions, position themselves to be more scalable and more agile since they can offload more of the “heavy-lifting” as well as tactical activities to software solutions and free its staff up to tackle higher-value tasks and planning. The good news for procurement organizations is that the solutions available in the market today are significantly more powerful, easier to use, and faster to deploy than they were just a few years ago.
The Future of Procurement Analytics

With the rise of business process automation tools, cloud-based applications, mobile solutions, connected devices (the so-called “Internet of Things”), and Big Data permeating the modern business environment, more data is being created each year than ever before. As the data sets get bigger, the challenge for procurement teams is to get smarter and find ways to manage the data and transform it into actionable intelligence. Here is a list of emerging technologies that have the potential to upend business processes and change the way CPOs and procurement teams drive value.

**Advanced Spend Analysis:** The next great path to procurement performance improvement will be blazed with the next generation of spend analytics and data-driven strategies. Advanced spend analysis is a leap forward in leveraging internal and external data streams, algorithms, automation, and data engines to make autonomous purchases based on historical trends and future predictions.

- Algorithms developed for Wall Street traders may soon be used to scan millions of historical spend data points, identify historical lulls in commodity markets (and other variables), and determine when it is advantageous to buy certain commodities or services.
- Real-time decisions and opportunity alerts will be triggered using preset parameters reflecting internal priorities, external market conditions, and third-party data feeds.

**Machine Learning:** Solution providers are developing tools that can learn user behavior patterns that can, over the course of multiple transactions, adapt to and improve the user’s experience. For example, the more that users interface with data management and analytics platforms, the more “intelligent” and adaptive the platforms will become and the more valuable it will be to the user.

- Machine learning tools will begin to combine spend, supplier, and customer data with third-party data and information to provide a holistic view of sourcing and procurement activities.
- Eventually, tools enabled with machine learning algorithms will be able to anticipate user needs, at which point, sourcing and procurement solutions will be able to load balance the network of goods, services, and capital and manage them in real time.

**Artificial Intelligence (“AI”):** AI leverages Big Data, machine learning, algorithms, and tools that ultimately make the system smarter. AI begins to process and understand cause and effect without human interface (beyond initial programming).

- AI-enabled tools can work with users to field queries and proactively “serve” their human masters by providing in-context notifications and options.
- AI will allow procurement teams to scale operations further by performing more of the tactical data management, analysis, and eventually routine ordering.

**Natural Language Processing (“NLP”):** Voice-recognition technology has advanced over the last half century so that computers can now recognize human speech and inputs. Developers are combining NLP with machine learning, AI, and advanced algorithms to make human-computer interfacing seamless and instantaneous.

- Increasingly, users are interacting with intelligent devices, asking questions, and getting immediate answers – think Siri from Apple or Echo from Amazon.
- These technologies will be able to process spoken or written commands and questions, quickly provide users with high-level answers, and provide push notifications and recommendations, further freeing up users to tackle more complex and pressing matters.
Appendix

About the Author
Andrew Bartolini is a globally recognized expert in sourcing, procurement, supply management, and accounts payable. For the last 17 years, Andrew has focused his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their procurement and finance 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).

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.

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/ and join its LinkedIn Group.
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 313 CPOs and other procurement and business leaders captured in January to March, 2017 as well as direct interviews with 21 CPOs and procurement leaders (18 of whom took the survey). These 313 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 to the right.

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

Job Function: 86% procurement; 8% supply chain; 6% other

Job Role: 43% VP-level or higher; 31% director-level; 21% manager-level; 5% staff-level

Company Revenue: 66% Large (revenue > $1 billion); 20% Mid-market (revenue between $250 million and $1 billion); 14% Small (revenue < $250 million)

Region: 72% North America; 20% EMEA; 8% Asia-Pacific

Industry: More than 25 distinct industries are represented. Manufacturing, Oil and Energy, Construction, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 12% of the overall survey respondents.
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 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.
Industry Standard “Fine Print:” The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners' best analysis at the time and are subject to change without notice.

© 2017 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.

Sources:

i While there are no direct references made to it in this report, Thinking, Fast and Slow by Daniel Kahneman was a helpful resource used in framing the Procurement Mindset and organizational decision-making discussions in Chapter 2.
