

ProcureCon 

# CPO STUDY 2022



# THE PROCURECON CPO STUDY 2022

Developing the Core Executive  
Skillset for Procurement





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# EXECUTIVE SUMMARY

The ProcureCon CPO study is an annual research report committed to highlighting the thought processes and strategies impacting top-level decision-makers within the procurement organization. Featuring responses from some leaders who are responsible for \$1 billion or more in annual spend under management, this paper provides an important glance into the world of high-level procurement at the vanguard of the profession.

Within our 2021 research paper, we explored the pursuit of speed within the function in the context of organizations in flux. The changes put into place during the workplace shifts created by the global pandemic prioritized speed and action. Thanks to the activities of CPOs, jobs have been saved and organizations have been allowed to pivot into strategies that work for the business despite a preponderance of risks within the global supply chain.

This year's installation explores how CPOs' focus areas have changed over the past year and what priorities they are setting for their organizations' continuing transformations. Here, readers will learn what challenges today's CPOs face in 2022 and what solutions they'll put in place to maintain an agile and valuable procurement function.



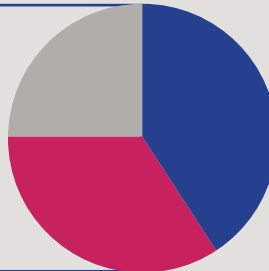


# ABOUT THE RESPONDENTS

The WBR Insights research team surveyed 100 procurement, supply chain, and risk management leaders from across the United States and Canada to generate the results featured in this report.

## WHAT BEST DESCRIBES YOUR ROLE?

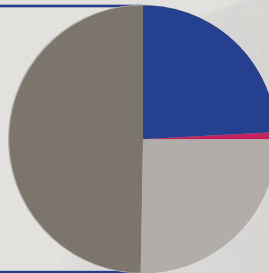
- 41% Procurement
- 34% Supply Chain
- 25% Risk Management



At 41%, a plurality of the respondents occupies a role in procurement. The remaining respondents occupy a role in supply chain (34%) and risk management (25%).

## WHAT IS YOUR SENIORITY?

- 25% C-Level
- 1% Senior Vice President
- 25% Vice President
- 49% Department Head

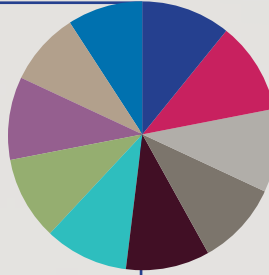


Almost half of the respondents (49%) are department heads. The remaining respondents are C-level executives (25%), vice presidents (25%), and senior vice presidents (1%).



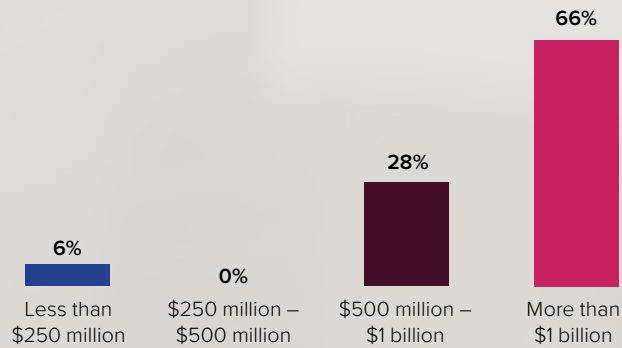
### WHAT INDUSTRY DOES YOUR COMPANY REPRESENT?

- 11% Telecom, electronics, & high-tech
- 11% Automotive
- 10% Consumer products
- 10% Chemicals, plastics, & polymers
- 10% Industrial manufacturing
- 10% Pharmaceutical
- 10% Medical devices
- 10% Aerospace & defense
- 9% Manufactured goods
- 9% Energy, oil, & gas



The respondents' companies represent a variety of industries, including telecom, electronics, and high-tech (11%), automotive (11%), consumer products (10%), chemicals, plastics, and polymers (10%), and industrial manufacturing (10%).

### WHAT IS THE TOTAL AMOUNT OF SPEND UNDER MANAGEMENT WITHIN YOUR ORGANIZATION?



At 66%, most of the companies in the study have more than \$1 billion in spend under management. The remaining respondents have \$500 million to \$1 billion (28%) or less than \$250 million (6%).

# KEY INSIGHTS

Among the respondents:

- + Their CPO's top-three focus areas in the next 12 months are **process improvement** (39%), **minimizing supply chain disruption** (38%), and **improving sustainability** (34%).
- + Most consider a **lack of buy-in from key decision makers** a significant challenge (40%) or somewhat of a challenge (24%) to their CPO's goals.
- + Most consider **problems with change management** a significant challenge (39%) or somewhat of a challenge (20%) to their CPO's goals.
- + 48% claim they have only **begun to make progress on their 2022 procurement strategy planning**, while 14% claim their planning has yet to begin at all.
- + 50% claim **cloud-based procurement platforms produce significant value for their procurement function**. Significant portions of the respondents claim procure-to-pay solutions (44%), tax technology solutions (40%), and workflow automation (40%) produce significant value as well.
- + The top-three core skills they believe will be necessary for CPOs in 2022 are **financial analysis skills** (47%), **negotiation skills** (42%), and **flexibility or adaptability** (42%).
- + 30% are **planning for a transformation of their procurement function in the next two years**. Among this group, staffing and recruiting assistance (50%) and assistance in identifying opportunities to generate additional value from procurement (57%) are among the capabilities they think would provide the most value to the transformation process.



# KEY INSIGHTS

- + 41% are currently **relying on a partner for business process outsourcing (BPO)** and are satisfied with that partnership. Meanwhile, 37% rely on a partner but are not satisfied, and 22% don't currently have a BPO partner.
- + 41% believe **compliance tracking as a managed BPO service** would best serve their procurement organization and make their jobs easier.
- + 55% claim their **procurement KPIs are linked to enterprise ESG goals.**
- + Most respondents claim **their procurement teams have the resources they need to achieve their ESG goals** and ensure compliance in terms of "people" (53%) and "technology" (53%).
- + 49% claim **their procurement team needs more resources to achieve their ESG goals** in terms of "processes and policies."





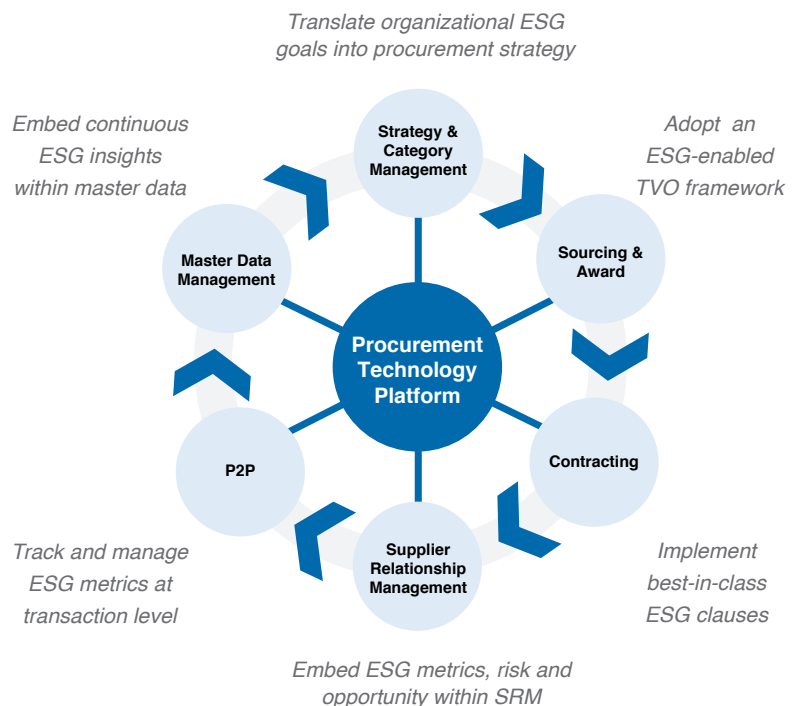
# WHY YOU NEED A SUSTAINABILITY FRAMEWORK FOR PROCUREMENT

## THE SUCCESS OF COMBINED SOLUTIONS

In many organizations, the C-suite's sustainability goals and procurement's approach are out of sync. Recent years have seen multinationals across industries establish or expand functions tasked with strengthening the business's wider sustainability credentials.

These functions commonly adopt a holistic understanding of sustainability, encompassing environmental, social and governance (ESG). However, this clarity of purpose towards ESG norms has permeated to relatively few procurement functions. Indeed, business pressures due to the COVID-19 pandemic again made cost savings a top priority for procurement and sourcing professionals in 2021.

To drive and enable ESG optimization, procurement needs to engage all parts of the business to redesign their processes and methodologies and recalibrate their target-setting. Procurement also needs an ESG focus into the full scope of its responsibilities. From strategy to execution to operational processes, procurement teams and systems need to be enabled with the right ESG insights to consistently make decisions in line with company goals.



Source: GEP

An ESG mindset should be embedded across the board to enable success. Each company's ESG framework for procurement is unique to its maturity level, existing capabilities and technologies. Developing it through cross-functional collaboration ensures alignment with the company's overall goals as well as with key stakeholders' targets and aspirations.

Are you ready to see what ESG-driven procurement looks like? It's time to reimagine the possibilities.

GEP delivers transformative supply chain solutions that help global enterprises become more agile and resilient, operate more efficiently and effectively, gain competitive advantage, boost profitability and increase shareholder value.

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# CPOs WILL FOCUS ON STABILITY, PROCESS IMPROVEMENT, AND INTERNAL NEGOTIATIONS IN 2022

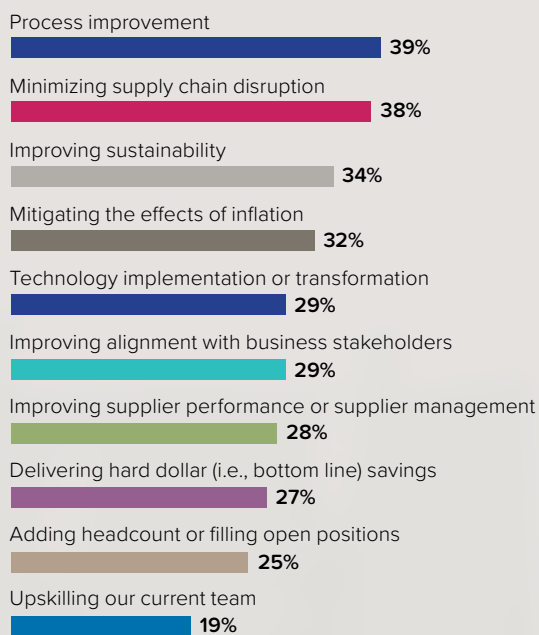
CPOs now occupy a strategic position within the organization, weighing in on everything from financial decisions to new technology upgrades. Many of today's CPOs have also transformed their procurement functions into operations that generate substantial revenue for the company.

These are significant gains for the position, but they don't come without challenges. Many CPOs still struggle to achieve buy-in from other decision-makers when it comes to major transformation initiatives. Companies are racing to implement the latest procurement technologies, but technology initiatives require a significant investment.

Furthermore, procurement leaders have been strained recently due to supply chain disruptions brought on by the COVID-19 pandemic. There is more urgency for CPOs to transform the procurement department into a lean, agile function that can adapt at a moment's notice to market changes.



## AMONG THE FOLLOWING OPTIONS, WHICH ARE YOUR CPO'S TOP-THREE FOCUS AREAS IN THE NEXT 12 MONTHS?

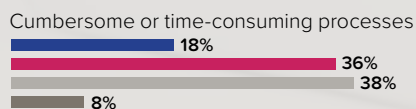
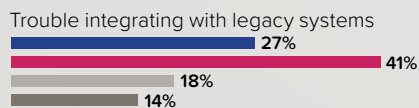
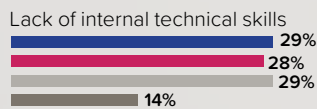
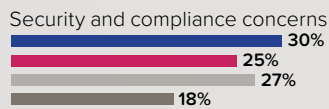
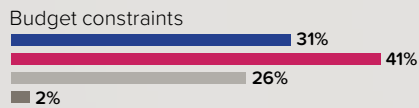
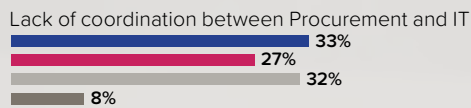
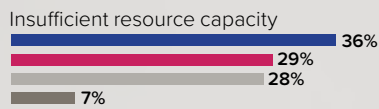
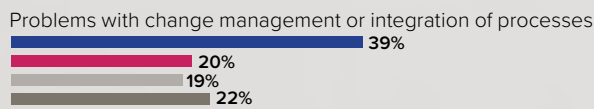
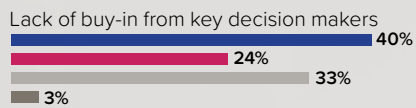


In 2022, CPOs will focus on a wide range of areas to improve the procurement function. Among the respondents to this study, over one-third of their CPOs will focus on process improvement (39%), minimizing supply chain disruption (38%), and improving sustainability (34%). Meanwhile, 32% say their CPOs will focus on mitigating the effects of inflation.

All these focus areas align with current overarching trends in the market and the supply chain.

### HOW SIGNIFICANT ARE THE FOLLOWING CHALLENGES TO YOUR CHIEF PROCUREMENT OFFICER'S (CPO'S) GOALS IN THE NEXT 12 MONTHS?

■ This is a significant challenge. ■ This isn't much of a challenge.  
 ■ This is somewhat of a challenge. ■ This is not a challenge at all.



Rising inflation is a new issue that has taken precedence in recent months. Supply chains are still struggling to overcome recent disruptions. There is still an impetus for procurement teams to improve their internal processes as much as possible, so they can take advantage of cost savings and ensure they can procure the goods, services, and resources the company needs.



But CPOs are also staying aware of oncoming challenges in the year ahead. Some of these challenges are new, but others have been ongoing for years.

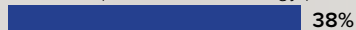
For example, 40% of the respondents say lack of buy-in from key decision makers will be a significant challenge in the next 12 months. As noted previously, this has been one of the most long-standing challenges for CPOs, even as they have obtained a more strategic position within the organization.

Other significant challenges include problems with change management or the integration of new processes (39%) and insufficient resource capacity within the function (36%). These two challenges align with other novel issues facing procurement teams around the world. Namely, they are still in the process of gaining agility by onboarding and integrating new technologies.

Indeed, 41% of the respondents say trouble integrating with legacy systems is somewhat of a challenge.

#### WHAT IS THE STATUS OF YOUR 2022 PROCUREMENT STRATEGY TO ACHIEVE YOUR CPO'S GOALS?

Our 2022 procurement strategy planning is well underway.



We have only begun to make progress on our 2022 procurement strategy planning.

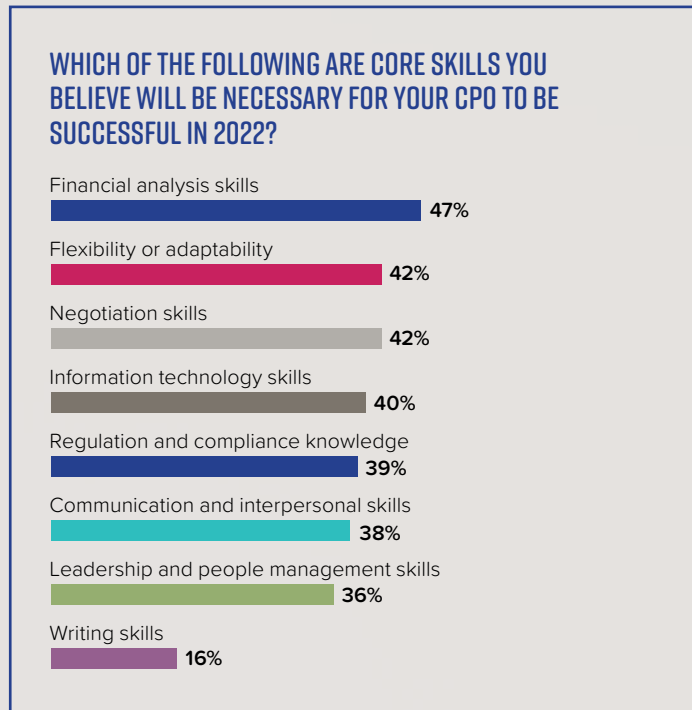


Our 2022 procurement strategy planning has yet to begin at all.



As a result of these challenges, only 38% of the respondents say their procurement strategy for 2022 is well underway. Almost half of the respondents (48%) say they've only begun to make progress on their 2022 procurement strategy planning, while 14% say their strategy planning hasn't begun at all.

As there is some time between when this survey was conducted and when the report was published, some of these organizations may now be well into their strategic planning for 2022. However, the fact that such a significant portion of the respondents hadn't even begun planning for the new year at the time of the survey suggests that at least some organizations are still struggling to complete their projects for 2021.



To move forward, CPOs will need a range of skills at their disposal. Some of those skills relate directly to their leadership abilities.

However, CPOs need both technical and people skills to be effective. For example, almost half of the respondents (47%) say CPOs will need financial analysis skills to be successful in 2022. Meanwhile, 42% say negotiation skills, and 42% say flexibility will be important for success in 2022.

Increasingly, CPOs must be able to create a bridge between departments within the business to reach a consensus on decisions and pursue their goals. Adopting a new procurement technology, for example, may require the sign-off of multiple leaders, including the chief financial officer, the IT leader, and others.

They must also be able to negotiate on behalf of the procurement department to secure funds and resources. In many cases, the CPO must present a business case for a new initiative, showing other executives that an investment or process change could yield positive results. Showing evidence of revenue growth, cost savings, or heightened efficiency are powerful strategies.

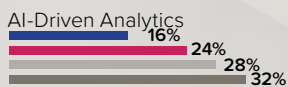
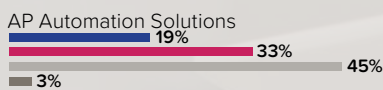
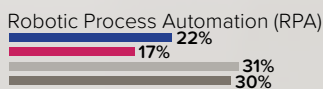
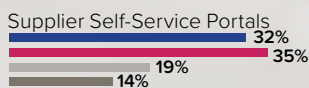
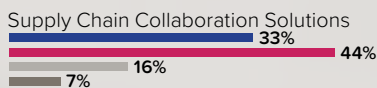
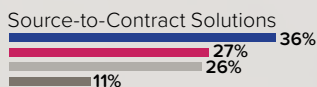
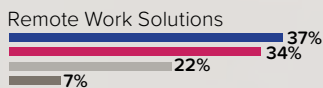
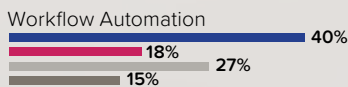
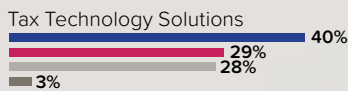
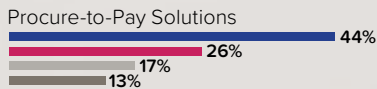
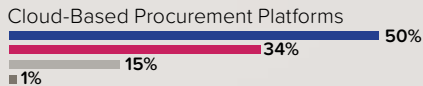
# PROCUREMENT TRANSFORMATIONS COULD BE AIDED BY STAFFING AND REVENUE OPERATIONS ASSISTANCE



Procurement teams deployed a wide range of technology solutions over the past several years. In 2021, many procurement functions adopted new automation tools, cloud-based technologies, and more.

## HOW MUCH VALUE DOES YOUR CURRENT DEPLOYMENT OF THE FOLLOWING SOLUTIONS PROVIDE YOUR PROCUREMENT FUNCTION, IF YOU USE THEM?

■ This produces significant value.    ■ This produces little or no value.  
■ This produces some value.        ■ We don't currently use this technology.



Now, procurement leaders are beginning to see the value of those investments or lack thereof.

Half of the respondents say cloud-based procurement platforms produce a significant amount of value for their organization. Another 34% say cloud-based procurement platforms provide some value.

Cloud-based tools often serve as central hubs for the function's data operations. They may also provide a suite of automation tools to make procurement and supply chain activities more efficient.

The respondents also say more case-specific tools provide value. For example, 44% say procure-to-pay solutions produce significant value and 40% say tax technology solutions produce significant value. Another 40% say the same about workflow automation solutions.

Based on these results, we can surmise that procurement teams value solutions that eliminate manual processes, make processes more efficient, and provide team members with powerful database resources.



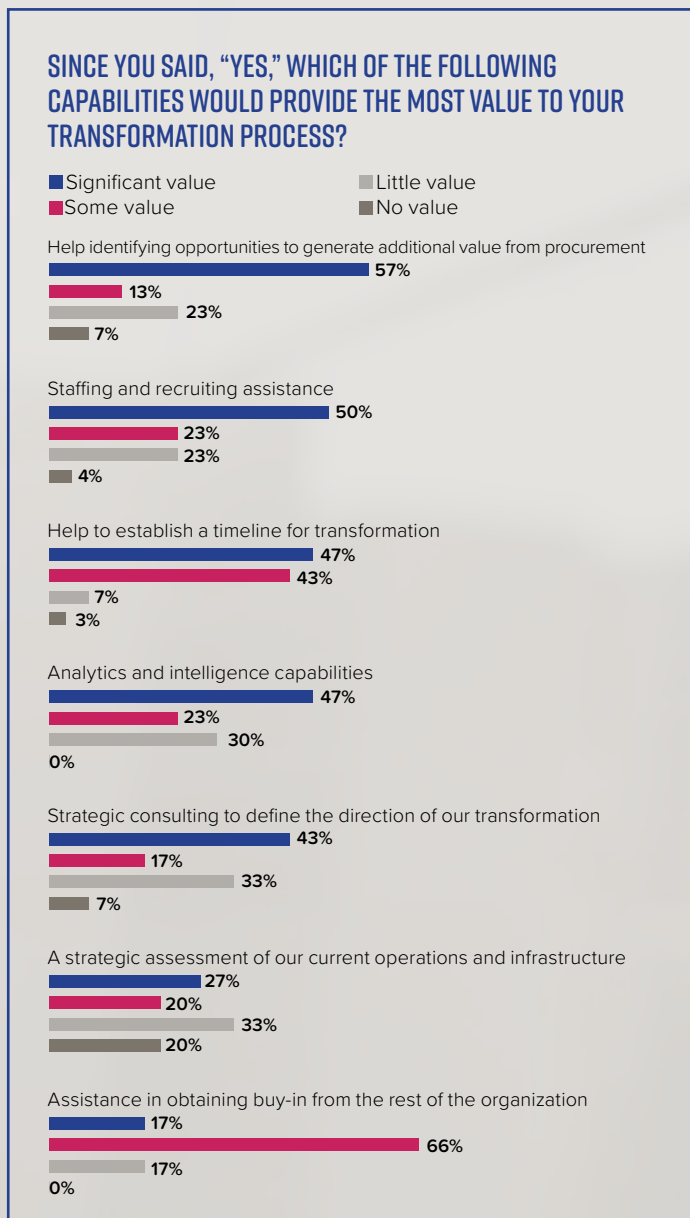
Nonetheless, not every respondent is currently satisfied with their current tools or the way their procurement department is functioning. At 30%, almost one-third of the respondents are planning for a transformation of their procurement function in the next two years. In this context, transformation can be categorized as a process in which major improvements are made to the function or when the procurement operation is changed significantly to produce more value.

Many of these respondents say they could use extra capabilities to pursue their transformations. These capabilities could come from new tools or solutions, or they could come from strategic partnerships with consulting firms and other third-party providers.

Most of these respondents (57%) say they'd get the most value if they had assistance identifying opportunities to generate additional revenue from procurement. Often, outside observations can provide clarity on where improvements can be made and where opportunities lie.

Meanwhile, half of these respondents say they'd draw the most value from staffing and recruiting assistance. Staffing has been challenging for companies of all types in recent months. With procurement becoming more digitized, many procurement departments are now in need of team members who have specialized technical and analytical skills.

It is significant to note that 66% of these respondents say assistance in obtaining buy-in from the rest of the organization would provide them with "some" value. This result reiterates the previous findings about CPOs: Many procurement leaders know what they need to do to transform their departments; they simply need help convincing others within the organization that their investments are sound business decisions.





# COMPLIANCE TRACKING AND SUPPLIER PERFORMANCE MANAGEMENT ARE KEY BPO SERVICES



As procurement departments strive to become more agile, outsourcing is becoming an important strategy as well. Business process outsourcing (BPO) has proven to be essential for procurement teams that are making major changes to their processes but can't risk any interruptions.

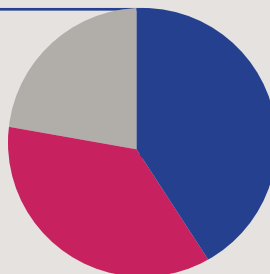
Some procurement-based BPO revolves around day-to-day procurement or back-office tasks. However, many procurement teams outsource tasks like securing and managing vendors to external firms.

## DO YOU CURRENTLY RELY ON A PARTNER FOR BUSINESS PROCESS OUTSOURCING (BPO)?

■ **41%** Yes, and we are satisfied.

■ **37%** Yes, but we are not satisfied.

■ **22%** We don't currently have a BPO partner.



At 78%, most of the respondents currently rely on a partner for BPO. However, only 41% of all the respondents both rely on a partner for BPO and are satisfied with their relationship. Over one-third of the respondents (37%) are not currently satisfied with their BPO partnership.

This could be due to several factors. For example, the procurement department itself could have changing needs that are no longer relevant to their current relationship. Of course, they could simply be unsatisfied with the speed, accuracy, or reliability of their BPO partners' services.

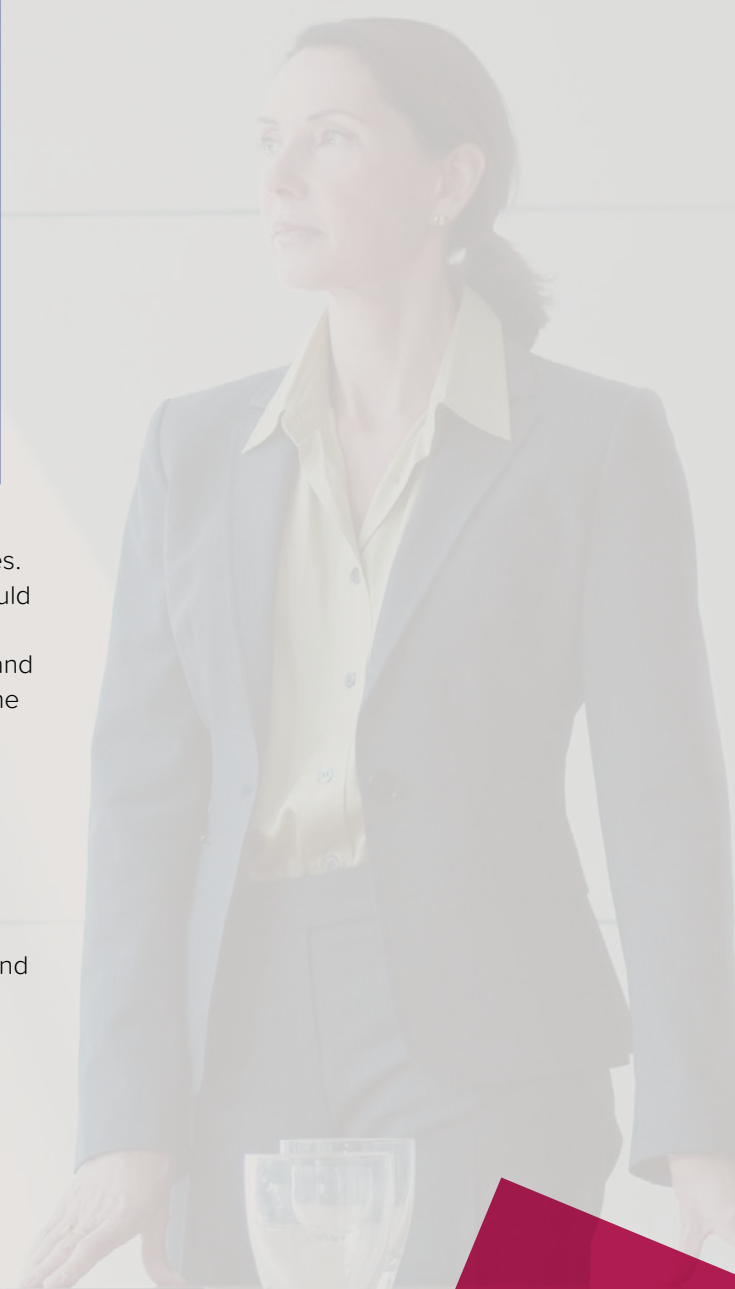


**WHICH OF THE FOLLOWING MANAGED BPO SERVICES WOULD BEST SERVE YOUR PROCUREMENT ORGANIZATION AND MAKE YOUR JOB EASIER, WHETHER YOU CURRENTLY RELY ON A BPO PARTNER OR NOT?**



Nonetheless, many procurement teams require BPO services. Specifically, 41% say managed BPO compliance tracking would make their lives easier. In each case, over one-third of the respondents (37%) say supplier performance management and eSourcing would make their lives easier. Another 36% say the same about sourcing support.

Procurement departments with ongoing BPO partnerships could conduct an audit of their partner's activities to review whether they still provide significant value to the business. Procurement leaders have demonstrated here that they value BPO services, but they may need to partner with BPO organizations that can align with their long-term strategies and transformation goals.



# SOME PROCUREMENT TEAMS NEED MORE RESOURCES TO REACH ESG GOALS

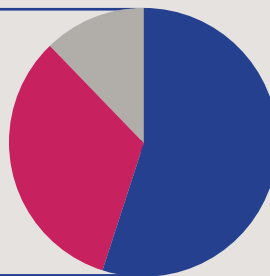
Every business is ultimately intertwined with the communities it serves. Procurement functions are no different. There is no action a procurement team can take that does not have a direct or indirect impact on the world around it.

As such, procurement teams must incorporate their organization's environmental, social, and governance (ESG) policies into their day-to-day operations. Most procurement leaders are now familiar with the concept of Sustainable Procurement. This business prerogative will be key to building trust and sustainability moving forward, and it must extend from the procurement department to its suppliers and vendors.



## ARE YOUR PROCUREMENT KPIS LINKED TO ENTERPRISE ESG (ENVIRONMENT, SOCIAL, AND GOVERNANCE) GOALS IN YOUR COMPANY?

- 55% Yes
- 33% No
- 12% I am not sure or this is not clearly defined.

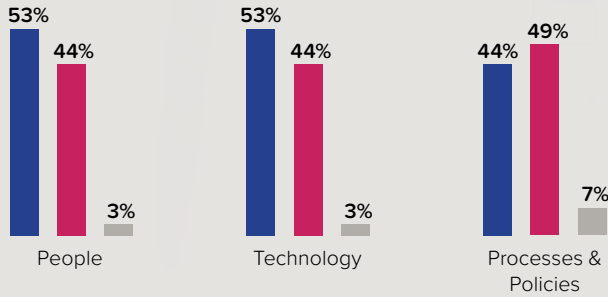


Thankfully, most of the respondents (55%) say their procurement KPIs are linked to their enterprise's ESG goals. They have incorporated those goals into their operations and extended them to the KPIs they use to manage their vendors and suppliers as well.

However, about one-third of the respondents (33%) have not done so.

**DOES YOUR PROCUREMENT TEAM HAVE THE RESOURCES IT NEEDS TO ACHIEVE YOUR ESG GOALS AND ENSURE COMPLIANCE IN THE FOLLOWING AREAS?**

- Yes, our procurement team has all the resources it needs in this area.
- No, our procurement team needs more resources in this area.
- I am not sure.



This could be due, in part, to a lack of resources. For example, although most respondents say they have the people (53%) and technology (53%) to achieve their ESG goals, significant portions of the respondents do not. Specifically, 44% need more people and technology resources, while 49% need more process and policy resources.

ESG is a project for the entire organization. CPOs must be able to approach other decision makers with their needs, especially if the procurement department and its supply chain have a significant environmental footprint.

ESG doesn't always take precedence at some companies because it isn't seen as a topic that's directly related to revenue generation. However, evidence suggests otherwise. According to McKinsey & Company, strong ESG policies correlate with positive returns for the business. Based on a review of over 2,000 studies on the topic, McKinsey found that 63% of ESG propositions yielded returns for companies.<sup>1</sup>

CPOs who can demonstrate the value of ESG investments will be more likely to secure resources for the procurement department. Demonstrating ROI, operational improvements, or even brand opportunities could be key to these negotiations.

<sup>1</sup>Henisz, Witold, et. al. "Five ways that ESG creates value." McKinsey & Company. Nov. 14th, 2019. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value>

## CONCLUSION: CPOS TAKE THE LEAD ON DIGITAL TRANSFORMATION

To gain a better understanding of where the CPO role is headed, researchers asked the respondents to describe how the role of their CPO has evolved alongside their organizations' long-term business strategies.

Several respondents note that the CPO plays a primary role in “reducing complexity,” both within the procurement department and the rest of the organization. For example, a VP of risk management at a consumer products company says, “With the long-term picture in sight, the CPO has been working on reducing complexity in different parts of the business and its operations.”

However, a much more significant number of respondents say their CPOs now work at the center of the organization, helping to drive its technology and transformation goals. As one respondent puts it, “the role has gone far beyond tactical operations.”

A senior supply chain VP at a telecom company says, “The CPO now has to work towards aligning the future on a digitized core. The future is all that matters to us right now, and it needs digitization capabilities more than ever.”

Similarly, a procurement VP at a tech company says, “Digital transformation is the future, and the faster we develop towards this, the longer the business will sustain itself. Our digital transformation is largely supported by the CPO.”

Other respondents note that the CPO is also responsible for sustainability, compliance, and achieving predictability within the function. But the overarching message is that the CPO now plays an essential role in most major business decisions. CPOs must pay close attention to how those decisions that will affect the department, but in the months to come, other leaders will rely on the CPO for sound judgment when it comes to decisions about technology, process, and digital transformation.



# KEY RECOMMENDATIONS

- + To improve the CPO's internal negotiations, **ensure they come to the table with evidence of why certain investments are of benefit not only to the procurement department but also to the rest of the organization.** Several respondents indicated that value creation was at the core of most strategic procurement decisions.
- + **Search for partners who can provide the procurement department with staffing and revenue operations assistance.** These are two capabilities that a significant number of respondents believe will be necessary to support their digital transformations.
- + **Conduct an audit of your existing BPO relationships if you have them.** When planning to use new BPO resources, search for partners who can provide you with compliance tracking and supplier performance management services. These are two capabilities many of the respondents say would best serve their procurement organizations and make their jobs easier.
- + **Ensure the procurement department has the resources it needs to support the organization's ESG goals.** Arm the CPO with evidence of why investments into procurement's ESG policies can not only align with the organization's strategy but also produce value.



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