



The 2023 ProcureCon CPO Report

Exploring the CPO's Role in Decision-Making,
ESG Leadership, and Technology Adoption

INSIGHTS

Worldwide Business Research





The
2023
ProcureCon
CPO Report

Exploring the CPO's Role in Decision-Making,
ESG Leadership, and Technology Adoption



Table of Contents

03

Executive Summary

04

About the Respondents

05

Key Insights

06

CPOs Play a Significant Role in High-Level Decision-Making

09

CPOs Make Efficiency and Cost Reduction Top Priorities

13

Procurement Departments Are Making Progress on ESG Monitoring and Reporting

16

Digital Transformation and Process Orchestration Are Important Areas of Investment

19

Conclusion: In 2023, CPOs Will Be Head Negotiators and Technology Leaders

20

Key Suggestions

21

About the Authors

22

About the Sponsor



Executive Summary

Procurement's role within the organization has only increased in importance. In recent years, most companies have faced waves of supply chain challenges and are still actively engaged in reaching a mature level of digital transformation.

According to Accenture, the top three barriers to building a more mature procurement operation over the past few years are structure, technology, and strategy.¹ Chief procurement

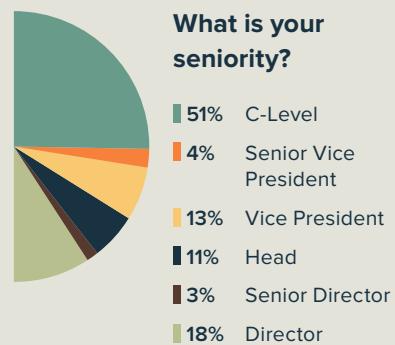
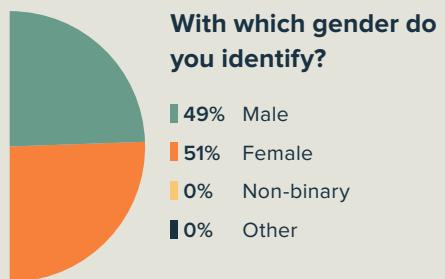
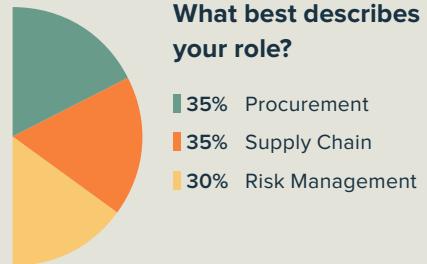
officers (CPOs) now stand at the forefront of companies' efforts to address these barriers and establish a more agile procurement process.

This report explores the CPO's role in shepherding changes within the procurement function and the rest of the organization. It contains key insights from CPOs and other procurement leaders, identifies trends based on changes since last year's report, and provides key suggestions for the role in 2023.

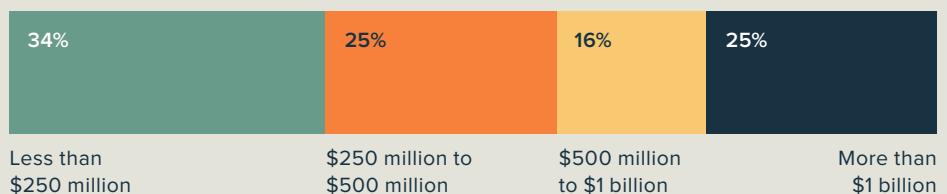
¹ Benvenuto, Michael and Gottesman, Chad. "The future of procurement." Accenture. November 22nd, 2021. <https://www.accenture.com/us-en/insights/operations/future-procurement>

About the Respondents

The WBR Insights research team surveyed 100 procurement, supply chain, and risk management leaders from across the U.S. and Canada to generate the results featured in this report. More than half of the respondents (51%) are C-level executives.



What is the total amount of spend under management within your organization?



What industry does your company represent?

- | | | |
|--|--------------------------------------|--|
| ⌚ 10% Pharmaceutical | ⌚ 9% Chemicals, plastics, & polymers | ⌚ 9% Aerospace & defense |
| ⌚ 9% Consumer products | ⌚ 9% Industrial manufacturing | ⌚ 9% Automotive |
| ⌚ 9% Manufactured goods | ✚ 9% Medical devices | ⌚ 9% Banking, financial services, and insurance (BFSI) |
| ⌚ 9% Telecom, electronics, & high-tech | ⌚ 9% Energy, oil, & gas | |



Key Insights

Among the respondents:

- **41%** say their CPOs have begun playing more of a role in high-level decision-making over the past two years, but 47% say their role has remained the same.
 - **50%** believe communication and interpersonal skills are necessary for their CPOs to be successful in 2023, while 47% say the same about regulation and compliance knowledge and 42% say the same about flexibility and adaptability.
 - The top-three focus areas for CPOs in the next 12 months are **mitigating the effects of inflation** (41%), **technology implementation or transformation** (39%), and **delivering bottom-line savings** (36%)
 - Only 38% say their 2023 procurement strategies are well underway. Most (52%) have only begun to make progress on their 2023 strategies.
 - 49% say their CPOs are directly involved in negotiations with only their most critical suppliers.
 - 66% say their CPOs play only a moderate role in ESG decision-making.
 - 59% say their procurement team's visibility into ESG metrics is "good." They are on par with their competitors.
-
- The high-priority efforts for the respondents' CPOs over the next 12 months are:
 - Enhancing the speed and efficiency of source-to-pay activities (81%)
 - Reducing operational costs (78%)
 - Reducing manual tasks from workflows (72%)
 - Generating actionable insights to support better decision-making (65%)
 - Freeing up time to explore new opportunities (64%)
 - 79% say their procurement KPIs are "somewhat closely" linked to enterprise ESG goals. Only 7% say they are "very closely" linked.
 - 49% say their CPOs have led initiatives to acquire, implement, or adopt new technologies in the past 12 months.
 - 37% say investment into digital transformation to reduce manual data entry would improve the efficiency and effectiveness of their procurement operations the most, out of four options.
 - Manual data entry (49%), poor or incomplete data (46%), and data enrichment challenges (42%) are the three biggest barriers to effectively evaluating supplier business practices.



CPOs Play a Significant Role in High-Level Decision-Making

The role of the chief procurement officer (CPO) has only increased in importance in recent years, as most companies search for ways to reduce costs. In the past, the CPO's primary role was to procure goods and services for the company while keeping costs low. These focus area

is still critical, but CPOs have also emerged as important contributors to the overall health of the business.

Many CPOs have begun to play a larger role in decisions beyond procurement, such as those related to finance, risk management, sustainability, and technology.

In the past two years, how has your CPO's role in high-level decision-making evolved?



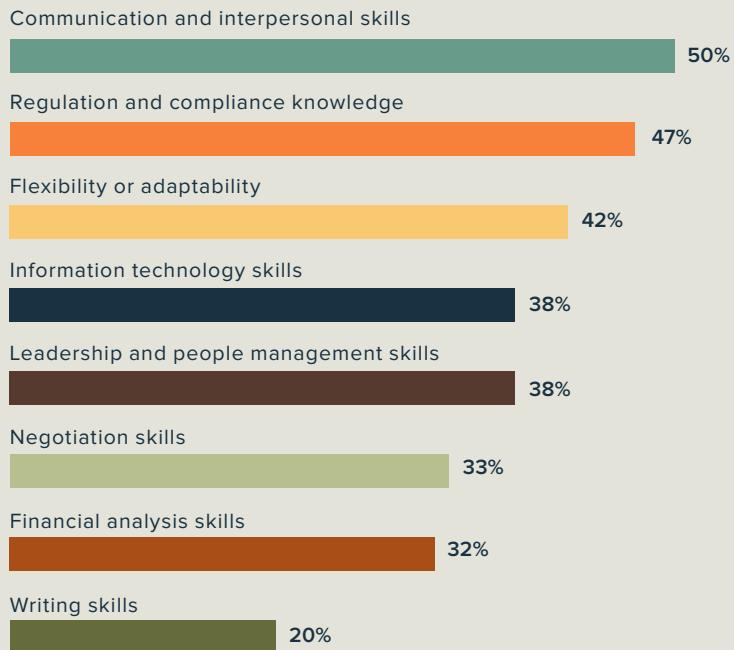
A significant portion of the respondents (41%) say their CPOs have begun playing more of a role in high-level decision-making over the past two years. This represents a significant change in the role, as it indicates CPOs' contributions to the business are becoming more recognized.

Nonetheless, almost half of the respondents (47%) say their CPOs' roles in high-level decision-making haven't changed, while 12% say their CPOs are playing less of a role.

Soft Skills and Compliance Knowledge Are Now a Must

The skills and core capabilities that are most important to the role have also changed. In last year's report, respondents said that financial analysis skills (47%), negotiation skills (42%), and flexibility or adaptability (42%) were core skills for CPOs to be successful in 2022.

Which of the following core skills do you believe will be necessary for your CPO to be successful in 2023?



Although 42% of the respondents this year also say flexibility or adaptability are important, fewer say that negotiation skills (33%) and financial analysis skills (32%) are core competencies for success.

Instead, 50% of the respondents this year say communication and interpersonal skills are core competencies, compared to just 38% last year. Furthermore, 47% of the respondents this year say regulation and compliance knowledge are important to success in 2023 while only 39% said the same of CPOs in 2022 last year.

If many CPOs' roles in high-level decision-making have increased, it means they must liaise with other departments to achieve company-wide objectives. This could pertain to cost reduction and efficiency, but also interoperability, sustainability, and ESG in general. Occupying this emerging role will require communication and interpersonal skills as well as regulatory and compliance knowledge.

Inflation, Savings, and Technology Implementation Are CPOs' Top Focus Areas

CPOs' focus areas have also changed since the previous study. Last year, process improvement (39%) and minimizing supply chain disruptions (38%) were two of CPOs' top priorities. Since then, these focus areas have diminished in importance, likely due to economic headwinds from inflation.

What are your CPO's top-three areas of focus in the next 12 months?



Currently, 41% of the respondents say mitigating the effects of inflation is a top focus area for CPOs, while 39% say technology implementation or transformation is a top focus area. Last year, only 32% of the respondents said inflation was a top concern.

Notably, 36% of the respondents this year say delivering bottom-line savings is a top focus area, compared to just 27% last year.

Although inflation likely peaked in the summer of 2022, financial analysts suggest it may not be

going away anytime soon.² This will make the cost of products and services more expensive in the long run, and it will make it more costly for the company to acquire financing for new initiatives.

Moving into 2023, CPOs are heavily focused on delivering cost savings to the organization as prices for common products and resources increase. They are likely focusing heavily on contract management as well as searching

for savings opportunities and discounts in negotiations with primary suppliers.

Technology implementation and transformation have been a constant in the function over the past few years. However, it has become more important in recent months due to high costs. CPOs and other procurement leaders need new technologies to improve efficiency and more easily identify savings opportunities.

CPOs Make Efficiency and Cost Reduction Top Priorities

As leaders of their departments, one of CPOs' most important roles is setting priorities for the department and developing a strategy for implementing changes and process improvements. These priorities can change year by year, even month by month.

Most of the respondents are still in the process of developing and implementing their procurement strategies for 2023. Although this status may have changed slightly since the time of the study, only 38% say their 2023 procurement strategy is “well underway.”

Most are only beginning to make progress on their procurement strategy planning (52%), while 10%

haven't started planning at all. Although this suggests that many companies could be falling behind in their strategy implementations, these numbers are similar to last year's.



What is the current status of your 2023 procurement strategy planning?

- 38% Our 2023 procurement strategy is well underway.
- 52% We've only begun to make progress on our 2023 procurement strategy planning.
- 10% Our 2023 procurement strategy planning has yet to begin at all.

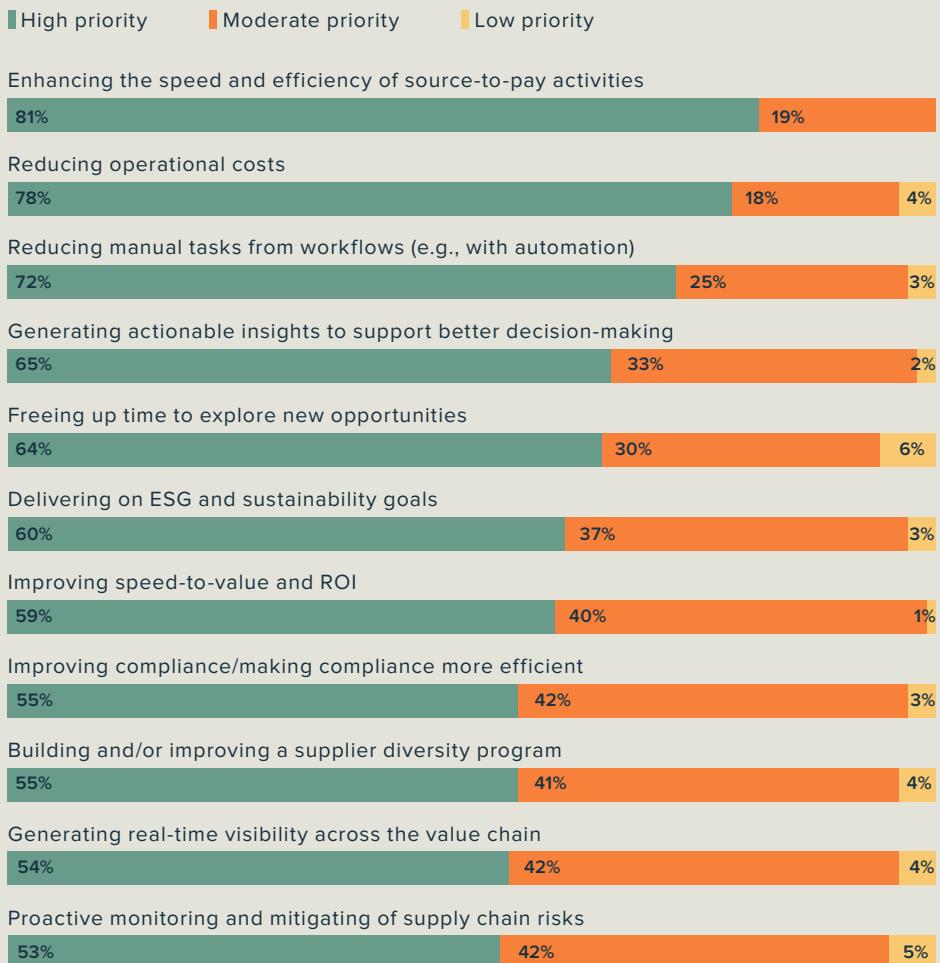
² Glover, George. “Sky-high inflation is here to stay — so brace for the Fed to stick to its guns on tightening, renowned economist says.” Markets Insider. August 17th, 2022. <https://markets.businessinsider.com/news/stocks/stock-market-outlook-investing-federal-reserve-interest-rates-inflation-economist-2022-8>

Efficiency and Cost Reduction Are Top CPO Priorities

In their planning sessions, CPOs will be laying out priorities for the year and developing plans of action for addressing key challenges and opportunities.

As we've learned, technology implementation will likely be a core component of procurement strategies in 2023, but cost reduction and inflation mitigation appear to be top-of-mind.

How much of a priority are the following efforts for your CPO in the next 12 months?



At 81%, a significant majority of the respondents say enhancing the speed and efficiency of source-to-pay activities is a high priority over the next 12 months. At 78%, reducing operational costs is also a high priority.

Both priorities could be achieved through a combination of technology implementation, contract negotiations, and supplier optimization. Likely, companies will either be implementing new

source-to-pay solutions this year or will be working to optimize their use of solutions already in place.

Procurement leaders will also be implementing ways to streamline communication, collaboration, and transactions with suppliers. In previous studies, we've learned that optimizing supplier relationships can be challenging when the company uses separate systems from suppliers, or when suppliers are hesitant to be onboarded onto the company's system.

Other important priorities include the reduction of manual tasks (72%), generating actionable insights to support better decision-making (65%), and freeing up time to explore new opportunities (64%). All these priorities can be achieved through the more efficient use of data and by optimizing processes.

CPOs Play a Significant Role in Contract Negotiations

In addition to setting the strategy for the department, CPOs also have an important role in setting strategy when it comes to negotiations with suppliers.

However, achieving the priorities mentioned above may require a more hands-on approach for CPOs if they hope to pursue them via supplier negotiations. If cost reduction is a top priority, a CPO's intervention in negotiations may be necessary if it could lead to a more valuable supply relationship for the company.

Indeed, only 11% of the respondents say their CPOs "set the strategy" but are "not directly involved" in negotiations. About half of the respondents (49%) say their CPOs are directly involved in negotiations with their most critical suppliers, while 39% say their CPOs are directly involved with both "major" and critical suppliers.

What role does your CPO currently play in negotiating contracts?

The CPO sets the strategy but is not directly involved in negotiations

11%

The CPO is directly involved in negotiations with only our most critical suppliers.

49%

The CPO is directly involved in negotiations with our major and critical suppliers.

39%

The CPO gets directly involved in negotiations with most or all our suppliers.

1%

BETTER ESG OUTCOMES REQUIRE LEADERSHIP, TOOLS AND DATA

The commitment to sustainability must come from the top to maximize its impact. While enterprises have made significant strides over the past several years, procurement leaders must do more to ensure that ESG targets are continuously monitored and aligned with business objectives.

In this latest ProcureCon CPO study, just 16% of respondents said that procurement leadership plays a large role in ESG decision-making in their organization. That's too many enterprises that lack a strong procurement voice at the table when it comes to ESG. But the mindset is shifting.

In 2023, leaders will be emboldened to use data-driven approaches to operationalize their targets, according to GEP's Outlook 2023. GEP's sustainability experts forecast that CPOs will embed these methods into meaningful policy action and link these to their supplier outreaches.

While spearheading internal ESG efforts is essential to curb the damage to the environment, it's not even half the battle. Direct control scope 3 emissions (emissions not produced by the company but occurring in its value chain) typically represent 70% of total emissions, depending on the industry.

As such, operationalizing ESG targets requires collecting and analyzing voluminous amounts of data from your suppliers — and potentially your suppliers' suppliers — to get a complete picture of the enterprise's environmental impact.

According to the ProcureCon CPO study, most enterprises need to partner more closely with their suppliers. With nearly one-third (32%) of respondents reporting that they need to improve visibility into their suppliers' ESG metrics, there is ample opportunity to improve.

While a supplier code of conduct can lay the foundation for better sustainability results, procurement leaders must develop and implement sustainable procurement policies, including contract clauses with sustainability criteria. Procurement must also be prepared to walk away from partners that don't share their commitment to improving ESG.

Why is procurement best positioned to lead the sustainability effort? Procurement operationalizes strategic initiatives developed by the business — serving as the engine for sustainable change. Procurement represents the most leverage an organization has with its supplier base — leverage to do good for the business and the environment.



More than 550 Fortune 500 and Global 2000 enterprises across more than 30 industries and verticals worldwide count on GEP to solve their most pressing business challenges and achieve ambitious goals. Learn how GEP can help your enterprise reach its sustainability and business objectives.

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.

Fresh thinking, innovative products, unrivaled domain expertise, smart, passionate people — this is how GEP SOFTWARE[™],

GEP STRATEGY[™] and **GEP MANAGED SERVICES[™]** together deliver supply chain solutions of unprecedented scale, power and effectiveness. Our customers are the world's best companies, including hundreds of Fortune 500 and Global 2000 industry leaders who rely on GEP to meet ambitious strategic, financial and operational goals.

Headquartered in Clark, New Jersey, GEP has offices and operations centers across Europe, Asia, Africa and the Americas.

To learn more, visit www.gep.com



Procurement Departments Are Making Progress on ESG Monitoring and Reporting

Procurement departments up until now played a part in launching and supporting environmental, social, and governance (ESG) initiatives. One of their primary responsibilities in this area is enforcing ESG guidelines among suppliers. Sustainable procurement is perhaps the most prominent form of ESG in the department, but social and governance issues are also priorities in terms of reducing risk.

At 66%, most of the respondents say their procurement leaders play a moderate role in ESG decision-making at the organization. This suggests that most CPOs and other procurement leaders have a hand in developing ESG strategies, but they may not be the key drivers of ESG decisions.

Only 16% of the respondents say their procurement leaders play a large role in ESG decision-making.

What role does your procurement leadership currently play in ESG (Environment, Social, and Governance) decision-making at your organization?





Most Companies Have a Good View of Supplier ESG Metrics

Still, procurement leaders are playing the primary role in implementing the organization's ESG policies within the department and among suppliers.

New developments in ESG monitoring tools have made it easier for companies to monitor how their suppliers, and even their suppliers' suppliers activities are impacting their overall carbon footprint. They have also made it easier to monitor and report on ESG metrics among the supplier base.

How would you rate your procurement team's visibility into the ESG metrics of your suppliers?

Excellent - We are ahead of our competitors.



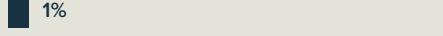
Good - We are at parity with our competitors.



Needs Improvement - We are behind our competitors.



Poor - We have little visibility, or no visibility at all.



In last year's study, in each case, only about half of the respondents said their procurement teams had the resources they needed to ensure compliance in areas like people (53%), technology (53%), and policy (44%). Although this question wasn't asked in this year's study, 59% of the respondents this year rate their procurement teams' visibility into the ESG metrics of suppliers as "good" — they are at parity with competitors.

Another 8% rate their visibility as "excellent" — they are ahead of their competitors.

These results suggest that procurement departments have made noteworthy progress in ESG policy enforcement among their suppliers. Visibility is essential for collecting data upstream in the supply network, and it enables companies to rely on hard evidence when negotiating with suppliers over sustainability and governance issues.

ESG KPIs Are Only Somewhat Aligned with Company Goals

Furthermore, last year, 55% of the respondents said their procurement KPIs were linked to enterprise goals at the company. However, about one-third (33%) said they were not, and 12% weren't sure.

The results of this year's study imply that companies made progress in linking KPIs with enterprise ESG goals. Most of the respondents (79%) say their

procurement KPIs are somewhat closely linked to company ESG goals. Another 7% say they are linked very closely.

Although there is some room for improvement, this implies that procurement leaders are at least working toward alignment between procurement's KPIs and the ESG goal of the company. This is a challenging process, as procurement must focus on business-critical KPIs first and foremost, and those don't always align directly with ESG objectives.

How closely are your procurement KPIs linked to enterprise ESG goals in your company?



“

Visibility is essential for collecting data upstream in the supply network, and it enables companies to rely on hard evidence when negotiating with suppliers over sustainability and governance issues.



Digital Transformation and Process Orchestration Are Important Areas of Investment

As a function, procurement is typically responsible for sourcing products, technology, and services. This includes managed services, SaaS products, and the items necessary for day-to-day operations.

These investments can have a significant impact on the entire company. For example, the adoption of a new procurement platform could alter processes relating to the company's finances as well as how it works with suppliers.

CPOs Are Pursuing Technology Investments and Leading Digital Transformation Initiatives

At 49%, about half of the respondents say their CPOs have led initiatives to acquire, implement, or adopt new technologies over the past 12 months.



Has your CPO led any initiatives to acquire, implement, or adopt new technologies in the past 12 months?

49% Yes

51% No

In verbal responses, many of the respondents who say their CPOs led initiatives to adopt new technologies also say their CPOs played a key role in negotiations with service providers.

"Our CPO has been relentlessly working on developing digital know-how and successfully struck a deal with a tech service provider by personally negotiating the terms and conditions of the deal," says a C-level risk management executive at a financial firm.

“Our CPO provided all the necessary assistance in terms of approvals and budget allocation to a tech acquisition which has been pending since the pandemic,” says a senior director of risk management at a consumer products company. “There was also some level of participation in the deal-making and negotiations factor of it.”

Indeed, other respondents describe their CPOs as “chief negotiators” and state explicitly that they did extensive research into technology before engaging in negotiations.

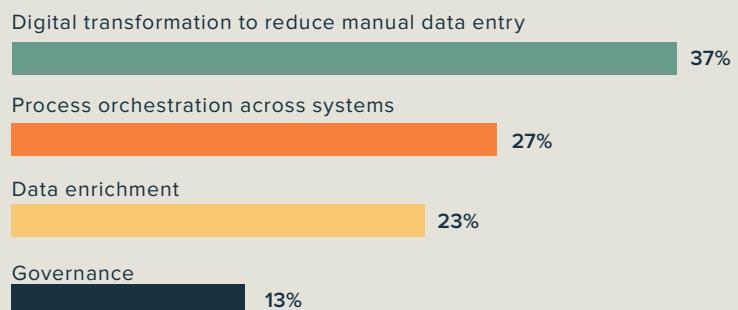
As for the technologies themselves, the respondents say their CPOs sought a variety of applicable solutions. These range from communications tools to order management platforms and automation solutions. Some respondents also say their CPOs

spearheaded overall digital transformation at their companies.

This result aligns with the result of the next question. Over one-third of the respondents (37%) say investments in digital transformation to reduce manual data entry would improve the efficiency and effectiveness of procurement operations. Over one-fourth (27%) say the same about process orchestration across systems.

CPOs will likely be leading in strategy development and negotiations to make key transformations a reality. Based on these results, many procurement leaders have already taken up additional leadership roles in what one respondent describes as “digital transformation units” at their companies.

In which of the following areas would additional investment improve the efficiency and effectiveness of your procurement operations the most?



Overcoming Data Barriers Will Also Be a Key Form of Transformation

The fact the respondents named “process orchestration across systems” an important investment priority is also noteworthy from a data perspective.

In last year’s study, 41% of the respondents described “trouble integrating with legacy systems” as “somewhat of a challenge,” while 27% described it as “a significant challenge.” Often, challenges associated with these integrations are directly related to data. Synchronizing data between systems is one of the most important steps in achieving efficiency across the department and the company.

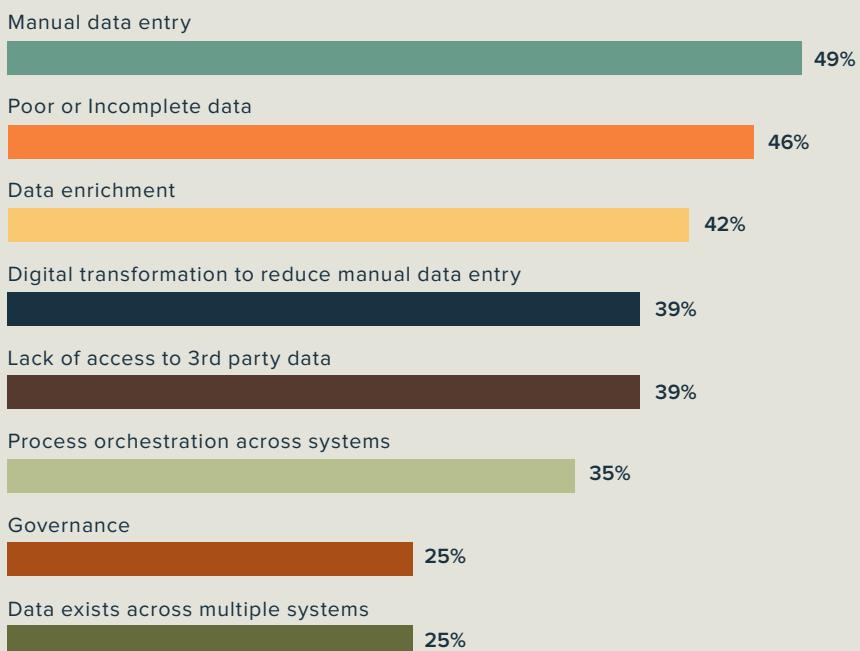
In addition to internal systems, procurement departments must align their data operations with

those of their competitors. Doing so is integral to improving efficiency and obtaining visibility into the supply network.

According to 49% of the respondents, manual data entry is one of the top-three biggest challenges they face in evaluating supplier business practices. This suggests that automation will be an important technology investment for CPOs moving forward.

Other top barriers include poor or incomplete data (46%), data enrichment (42%), and efforts relating to digital transformation specifically to reduce manual data entry (39%). CPOs may need to rely on external service providers or consultants to address these challenges, especially if the company’s technologies and processes don’t integrate effectively with those of suppliers.

What are your three biggest data barriers in effectively evaluating supplier business practices?





Conclusion: In 2023, CPOs Will Be Head Negotiators and Technology Leaders

The results of this study demonstrate that CPOs are still focusing heavily on goals like efficiency and cost reduction, but they are beginning to play a much larger role in digital transformation. Several respondents say that their CPOs played a leading role in the adoption and implementation of new technologies like communications tools and order management solutions.

The respondents also say their CPOs are playing a larger role in negotiations, especially with critical suppliers. This has made soft skills like communication more important than they may have been in the past.

Technical knowledge is also becoming essential as CPOs take on more responsibility in acquiring new solutions for the company.

A CPO who is knowledgeable about how a technology works will be in a better position to negotiate on issues like cost. They will also be in a better position to determine what capabilities they need from a solution and what can be left out of the purchase.

In 2023, CPOs will likely continue to take on leadership roles in areas like ESG. However, the results indicate that CPOs aren't setting ESG strategy as much as they are leading ESG initiatives within the procurement function. That said, there is a great deal that procurement leaders can contribute to the company's ESG initiatives through technology adoption, automation, data governance, and negotiations with suppliers.



Key Suggestions

- **Continue focusing on efficiency and cost reduction.** Companies are still struggling with inflation, so reducing costs will be a primary focus for the foreseeable future. Technology can play a role in making operations more efficient, and the CPO can negotiate with critical suppliers to reduce prices, where possible.
- **Empower your CPO to become a technology leader.** Multiple respondents indicate that their CPOs led negotiations in technology acquisition and that they are in a good position to help lead the company in digital transformation.
- **Develop communication skills and compliance knowledge.** CPOs are playing a bigger role in negotiations and inter-departmental coordination, so soft skills are now essential. They must also have a strong knowledge of regulation and compliance issues to help the company reduce risk.
- **Digital transformation and process orchestration should be key areas of investment.** Aligning processes across the company and with suppliers could improve efficiency and help reduce costs. Automating manual processes is one of the most important focal points within the respondents' digital transformation efforts.



About the Authors



WBR Insights is the custom research division of Worldwide Business Research (WBR), the world leader in industry-driven thought-leadership conferences. Our mission is to help inform and educate key stakeholders with research-based whitepapers, webinars, digital summits, and other thought-leadership assets while achieving our clients' strategic goals.

For more information, please visit www.wbrinsights.com.



For over 20 years, ProcureCon has helped companies develop and implement world-class sourcing programs through interactive workshops, innovative keynotes and intimate networking sessions. All designed to take you beyond cost savings. ProcureCon is built for practitioners, by practitioners - Whether you're a CPO or a rising star, a large or small spend company, ProcureCon has content and built-in connections to ensure your long-term sourcing success.

For more information, please visit procureconeast.wbresearch.com.



About the Sponsor



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.

Fresh thinking, innovative products, unrivaled domain expertise, smart, passionate people — this is how GEP SOFTWARE™, GEP STRATEGY™ and GEP MANAGED SERVICES™ together deliver supply chain solutions of unprecedented scale, power and effectiveness. Our customers are the world's best companies, including more than 550 Fortune 500 and Global 2000 industry leaders who rely on GEP to meet ambitious strategic, financial and operational goals.

A leader in multiple Gartner Magic Quadrants, GEP's cloud-native software and digital business platforms consistently win awards and recognition from industry analysts, research firms and media outlets, including Gartner, Forrester, IDC, ISG, and Spend Matters. GEP is also regularly ranked a top supply chain consulting and strategy firm, and a leading managed services provider by ALM, Everest Group, NelsonHall, IDC, ISG and HFS, among others.

Headquartered in Clark, New Jersey, GEP has offices and operations centers across Europe, Asia, Africa and the Americas. To learn more, visit www.gep.com.