CPO Summit 2022

The menu to procurement excellence

Results CPO Survey 2022

Silke Herold (Maastricht University) & Fanny Chen (Rotterdam School of Management, Erasmus University)

Dear summit participant,

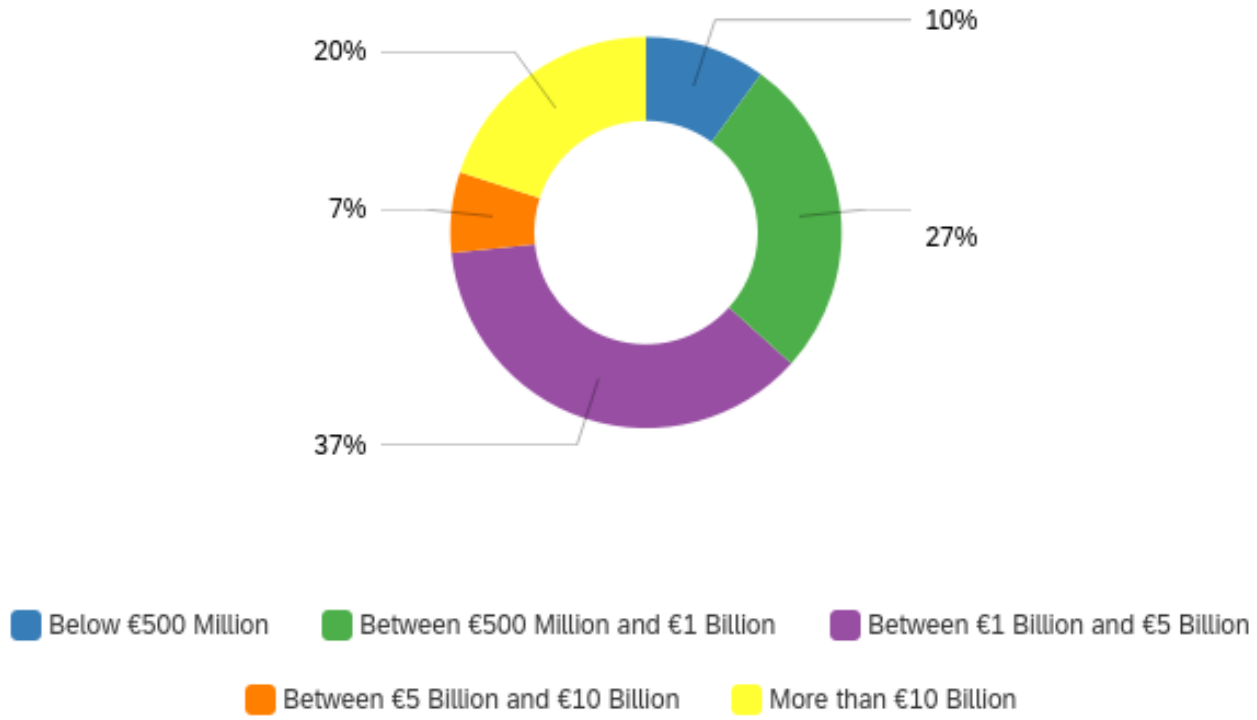
30 out of 36 participants have filled in the survey prior to the Nevi CPO Summit, supported by GEP. Please find the survey findings on the following pages.

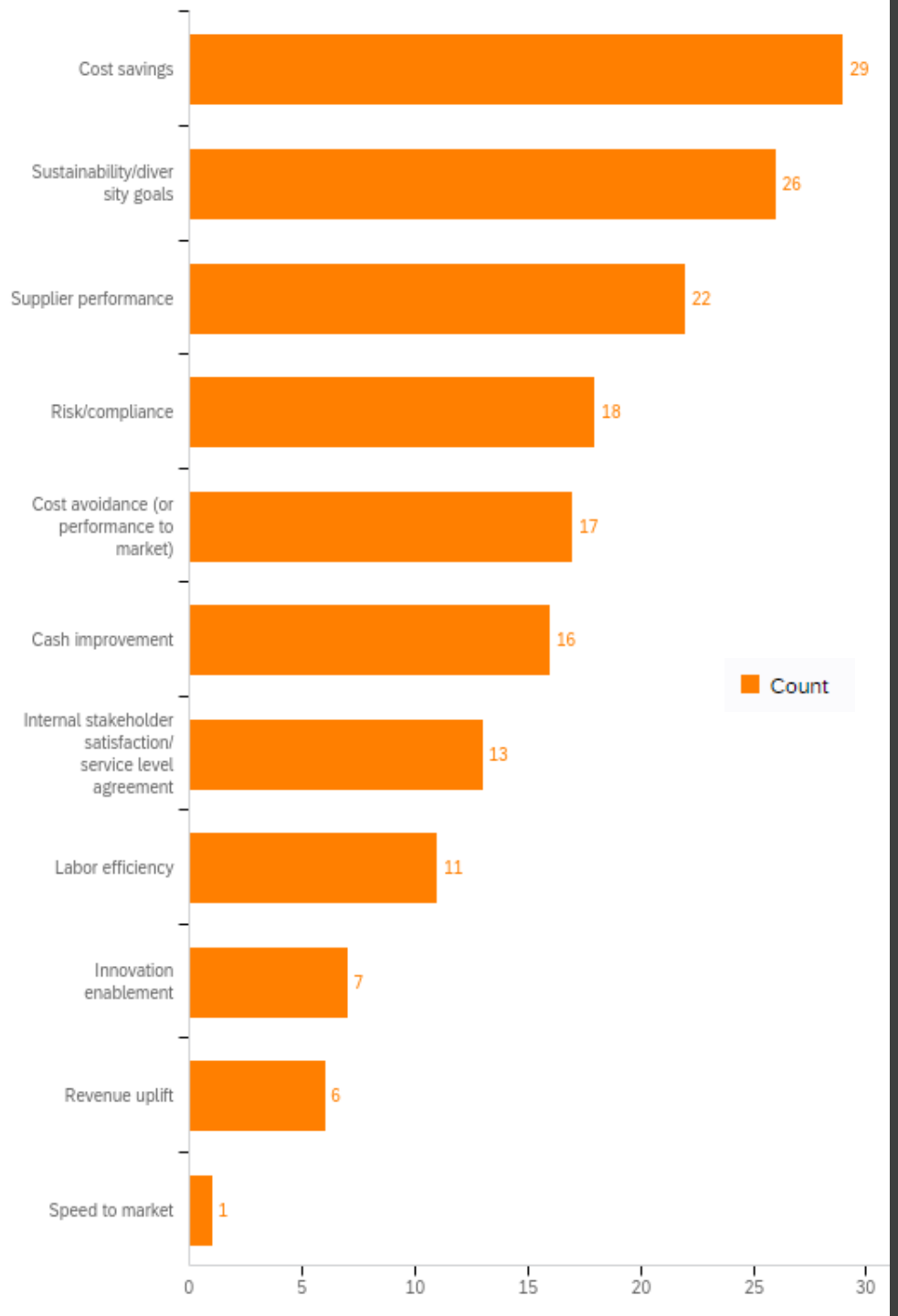
With kind regards,
Silke Herold (UM) & Fanny Chen (RSM)

1. What was your annual procurement spend in 2021?

63% of the respondents had an annual procurement spend of more than €1 billion in 2021.

The majority had an annual procurement spend between €1 billion and €5 billion in 2021.





2. Which of the following KPIs do you get formally measured on in your company? Please select all that apply.

Some insights…

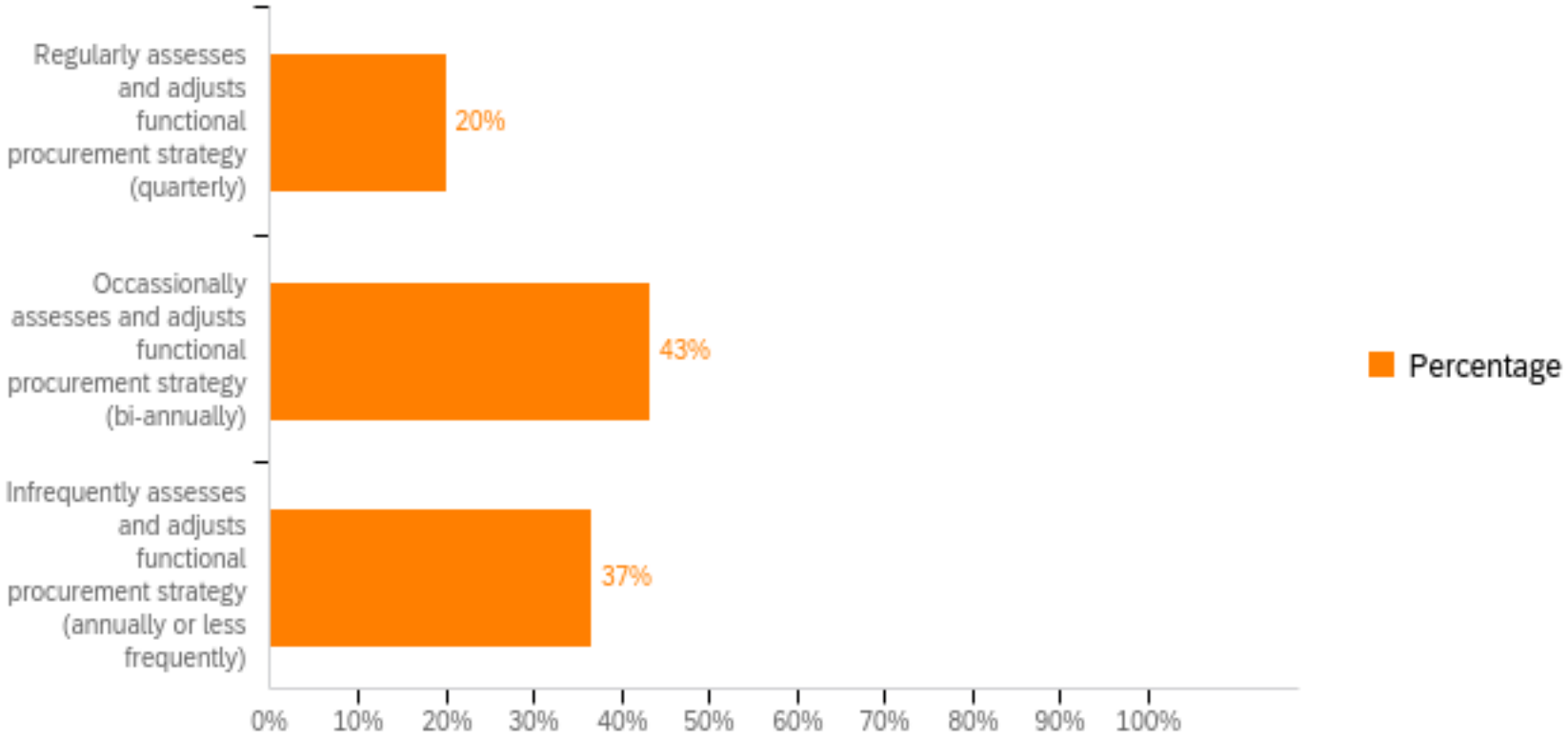
- Almost everyone gets measured on cost savings (97%).
- The majority also gets measured on sustainability and diversity goals (87%).
- 73% gets measured on supplier performance.

Other things some of you get measured on:

- Staff satisfaction
- Supplier base and supplier satisfaction
- Categorization
- Material availability
- On-time payment to suppliers
- Source-to-pay process
- Contract compliance

3. How often does the CPO and procurement leadership team assesss and adjust the functional procurement strategy?

Only the minority assesses and adjusts the functional procurement strategy on a regular basis.



4. Looking at the purchasing maturity model, at which stage would you place your procurement organization?

Purchasing maturity model

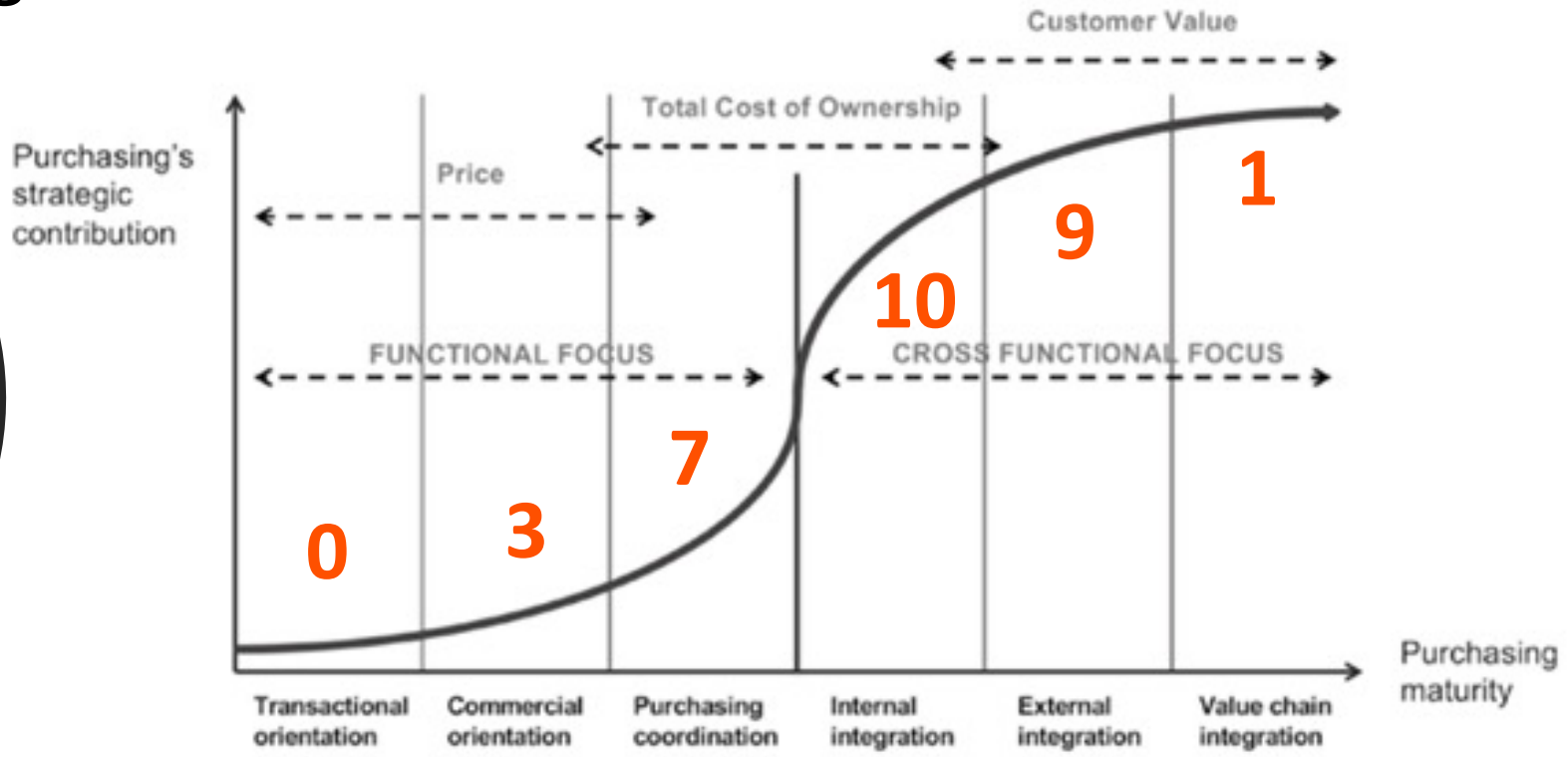


Figure based on Rozemeijer (2009) and Van Weele (2010).

T: The primary task of purchasing is to find appropriate suppliers for raw materials and supplied components. There is no explicit strategy in place.

C: Purchasing strategy is characterized by a sharp focus on low prices. The culture is that of playing hard negotiations with many suppliers.

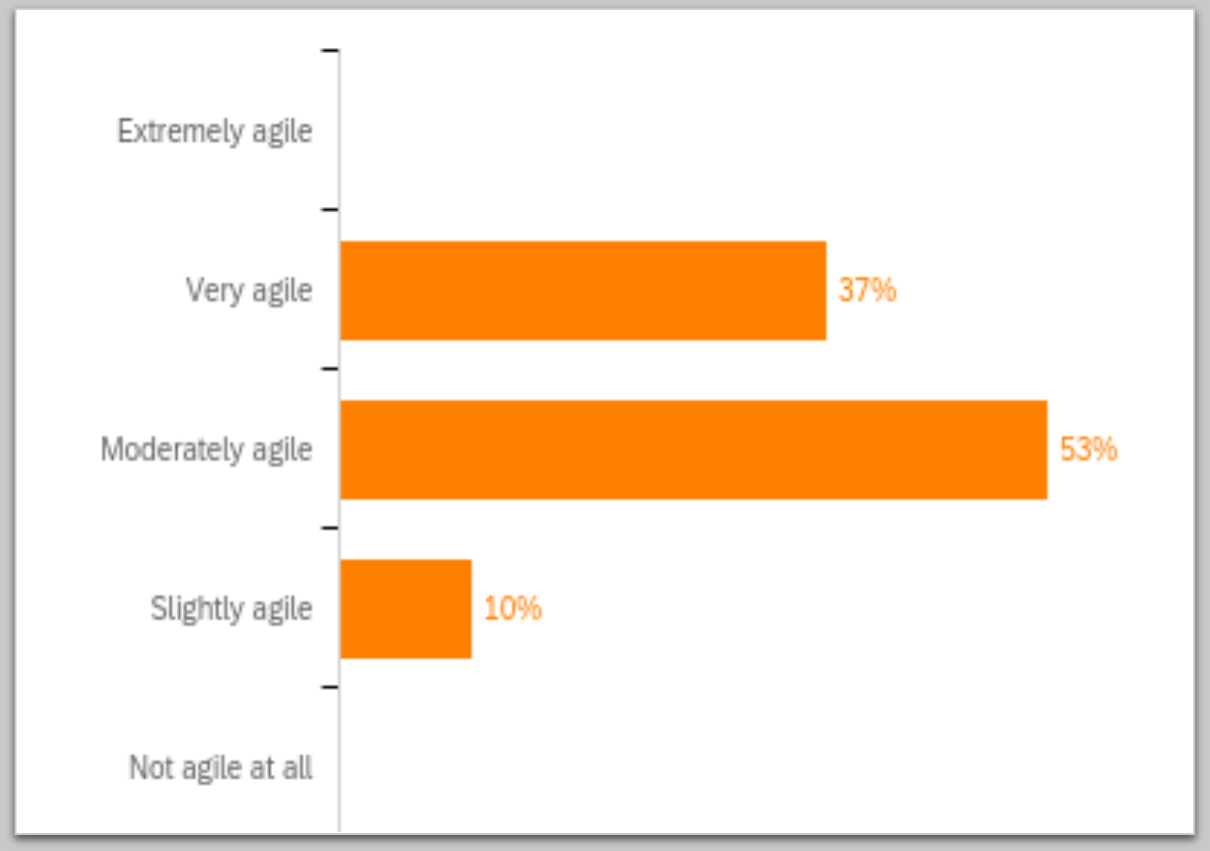
P: Led by a strong central purchasing department to implement uniform buying policies and systems, the emphasis here lies on cross unit coordination and compliance with nationally negotiated contracts.

I: The emphasis is on cross-functional problem solving with the objective of reducing total life cycle cost and not just the unit cost of components.

E: An explicit outsourcing strategy is combined with extra attention to collaborate with supply chain partners on product development and preproduction planning.

V: Delivering value to the end customer to satisfy the needs in end-customer markets. Here, subcontractors seek for support among their suppliers.

5. Please rate your procurement department's organizational agility.

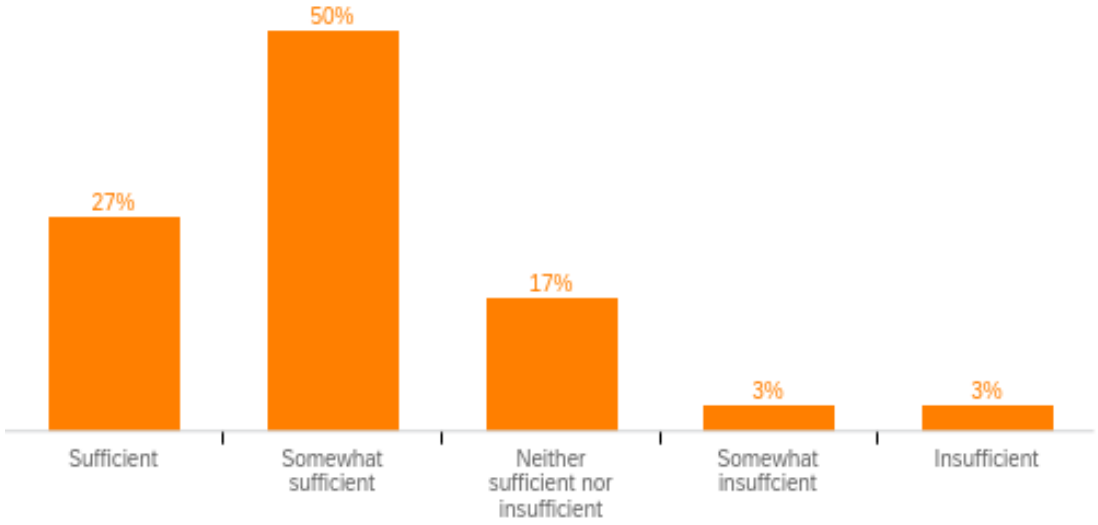


Organizational agility: the extent to which your procurement department connect its tools, resources, and expertise to support the evolving needs of the business.

The Ardent CPO report of 2021[1)] stated that…

- 27% of the responses rated themselves as *highly* agile
- 61% believe that they are *somewhat* agile

1) Ardent Partners (2021): CPO Rising 2021: The State of Procurement and the CPO



6. To what extent are the skills and capabilities of the current team at a sufficient level to deliver your functional procurement strategy?

The majority indicates that the skills and capabilities of the current team are at least **somewhat sufficient** to deliver the functional procurement strategy.

However, some CPOs also indicate that the skills and capabilities of the current team are **insufficient** or **somewhat insufficient**.

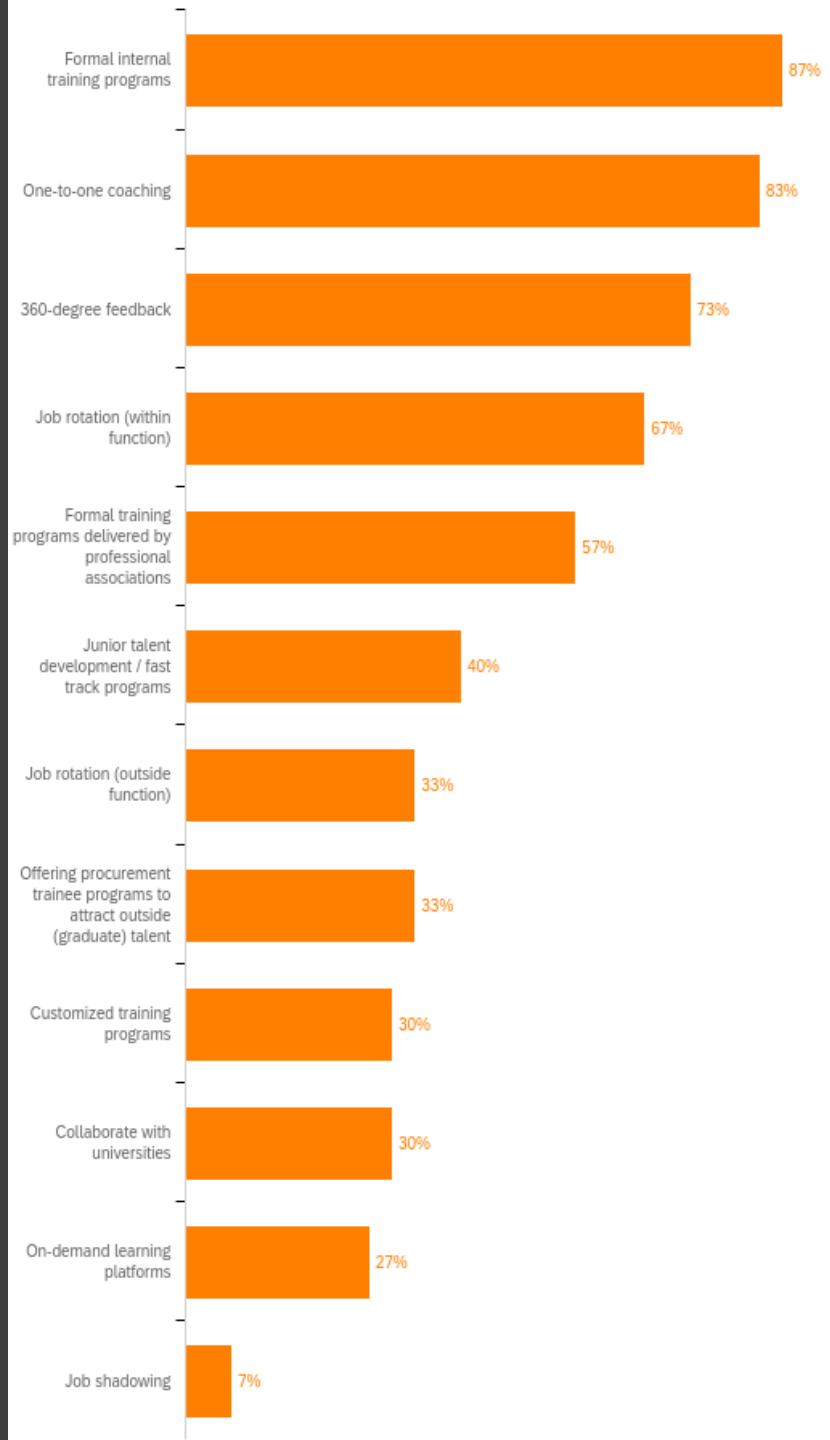
7. Please select all approaches that you leverage to develop procurement talents.

The majority uses formal *internal* training programs (87%).

However, more than 50% also uses formal training programs delivered by *professional associations*, such as Nevi.

Some other approaches used to develop procurement talents:

- Extensive people management efforts to personally engage with top talents
- Knowledge sharing sessions
- Buddy system/program
- Peer reviews
- External coaching
- MD program

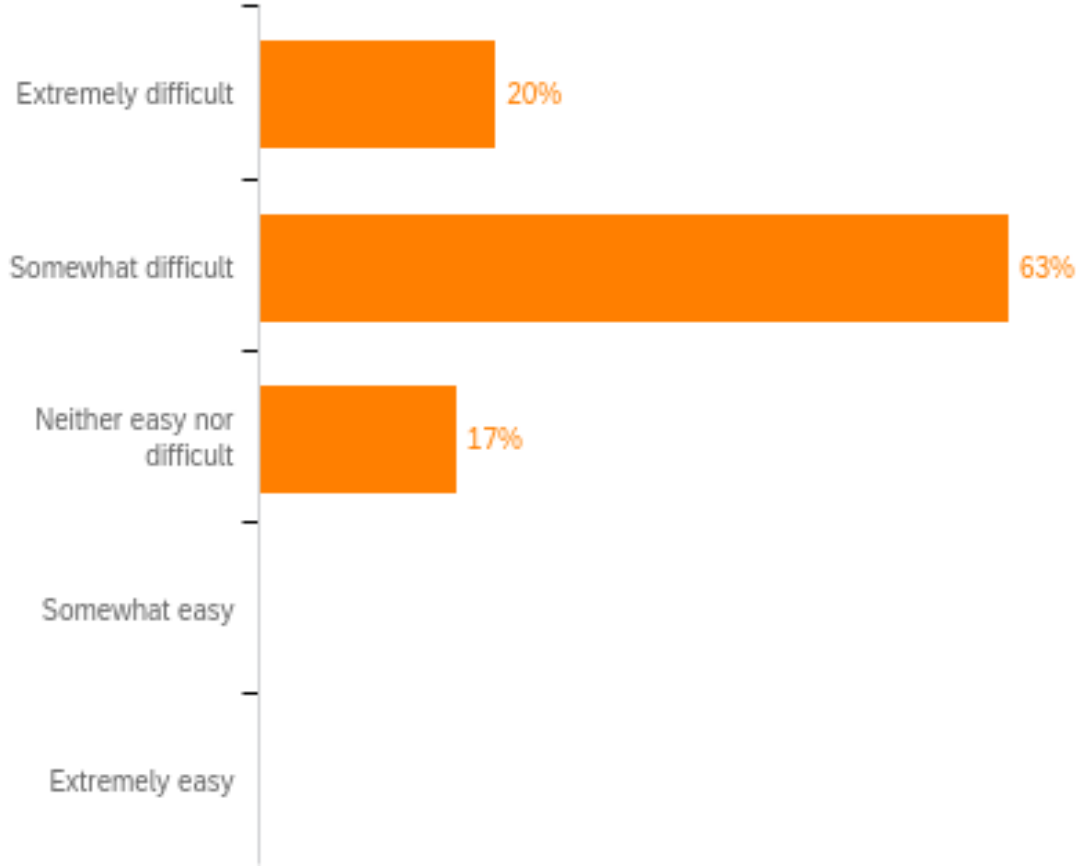


8. Please estimate the extent to which you have difficulties attracting procurement talents

Nobody seems to find it easy to attract procurement talents.

The majority (63%) indicates that it is *somewhat difficult* to attract procurement talents.

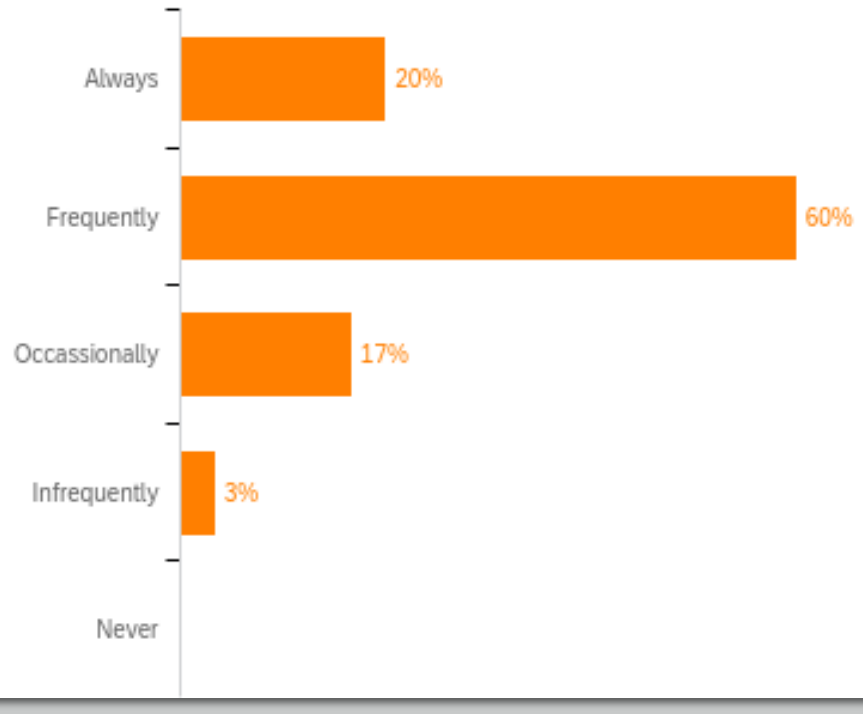
One-fifth even agrees that it is extremely difficult to attract talents.



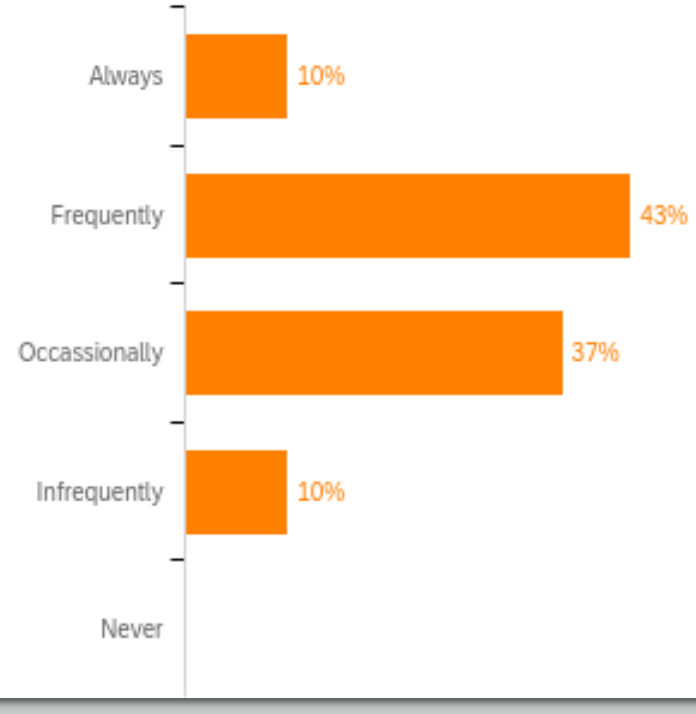
9. To what extent is your procurement department actively being engaged in your company's innovation program?

10. To what extent are suppliers actively being engaged in your company's innovation program?

Procurement department



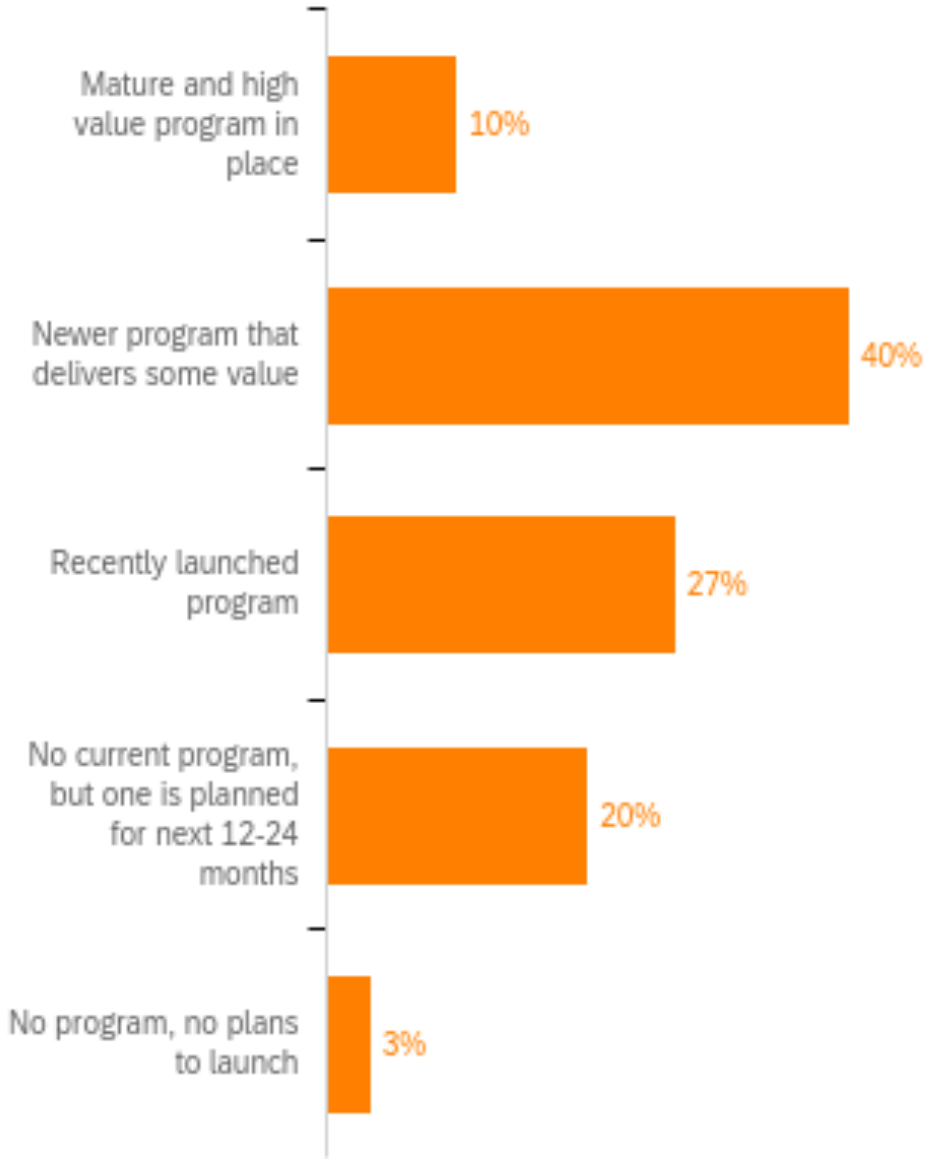
Suppliers



11. What best describes your current supplier relationship management program?

The majority has a SRM program in place (77%), of which more than half of the respondents agrees that their SRM program at least delivers some value.

Of those who do not have a SRM program in place (23%), the majority indicates that one is planned for in the next 1-2 years.



12. What steps have you and your organization taken to improve ESG performance within the supply chain? Please select all that apply.

Responses are in line with responses on Crowell & Moring LLP[1)] survey. Specifically, first four answers are in the same order.

Other steps:

- Eco Vadis / own circularity index
- Regular ESG related workshops with top 60 suppliers on content topics
- Working with customers to stimulate demand for ethically sourced content

Steps taken to improve ESG performance	Percentage	Count
Set organizational goals for improving ESG performance of the supply chain.	77%	23
Audited or measured the environmental and social performance of suppliers.	70%	21
Engaging new suppliers using environmental and social performance criteria.	67%	20
Adopted policies that go beyond legal compliance.	63%	19
Strengthened relationships between the organization and its suppliers, moving from auditing alone to more regular interaction.	60%	18
Considered the social and environmental policies and record of a supplier's host country government in making supply chain decisions.	57%	17
Asking supplier feedback through supplier satisfaction questionnaires.	30%	9
Eliminated non-compliant suppliers on ESG criteria.	23%	7
Seeking feedback and input from external stakeholders through satisfaction questionnaires.	23%	7
Implemented confidential grievance mechanisms so that suppliers can voice any suspected ESG breaches anonymously.	17%	5

1) Crowell & Moring LLP (2021). ESG Survey: Environmental Performance and the Stakes for Your Business

13. Which of the following supply chain challenges is your organization facing in improving its ESG performance?

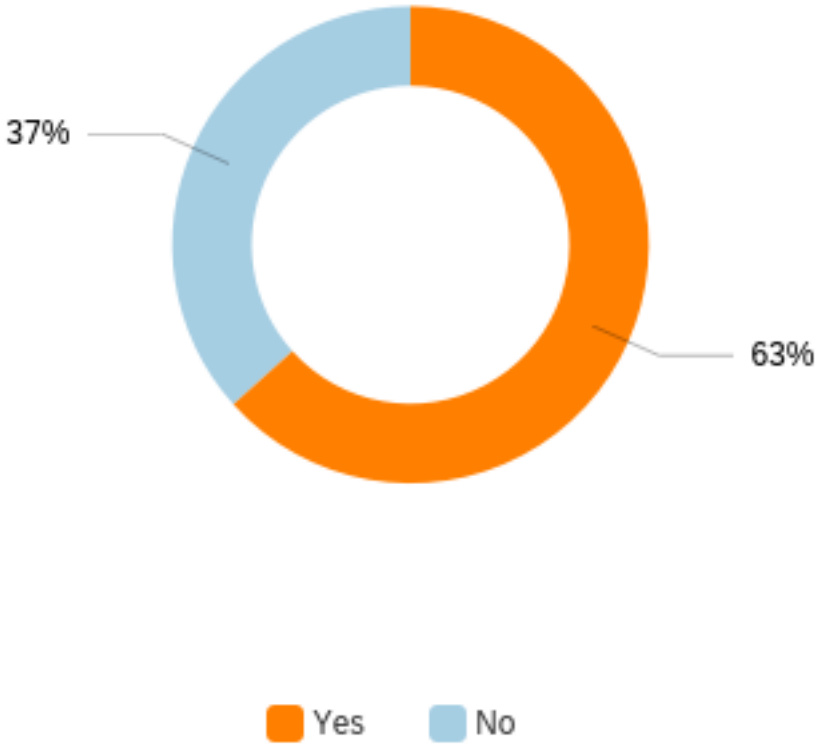
Responses are different from Crowell & Moring LLP[1)] survey (top three highlighted in blue).

Other challenges:

- Lack of engagement by business
- Dependency on suppliers in high-risk countries
- Trade restrictions and geopolitical sensitivity

Supply chain challenges	Percentage	Count
Difficulty in measuring and holding suppliers to verifiable standards.	60%	18
Securing cyber security and minimizing privacy risks.	60%	18
Ensuring worker health and safety at suppliers.	53%	16
Addressing human rights in the supply chain.	47%	14
Increased cost due to enhanced practices, such as due diligence.	43%	13
Reluctance by suppliers/third parties to adopt environmentally sustainable practices.	43%	13
Improving supplier workforce and executive diversity, equity, and inclusion.	43%	13
Lack of experienced employees to identify and manage ESG-related supply chain issues.	40%	12
Difficulty in identifying and keeping up with regulatory/compliance/legal challenges.	33%	10
Competitive disadvantage in the marketplace.	20%	6

1) Crowell & Moring LLP (2021). ESG Survey: Environmental Performance and the Stakes for Your Business



14. Have you articulated a detailed digital procurement strategy?

Roughly two-thirds has articulated a detailed digital procurement strategy.

→ **Positive Development:** Academic Research by Bienhaus & Haddud (2018) found that most companies have not articulated a clear digital procurement strategy

Source: Bienhaus, F., & Haddud, A. (2018). Procurement 4.0: factors influencing the digitisation of procurement and supply chains. *Business Process Management Journal, 24*(4), 965-984.

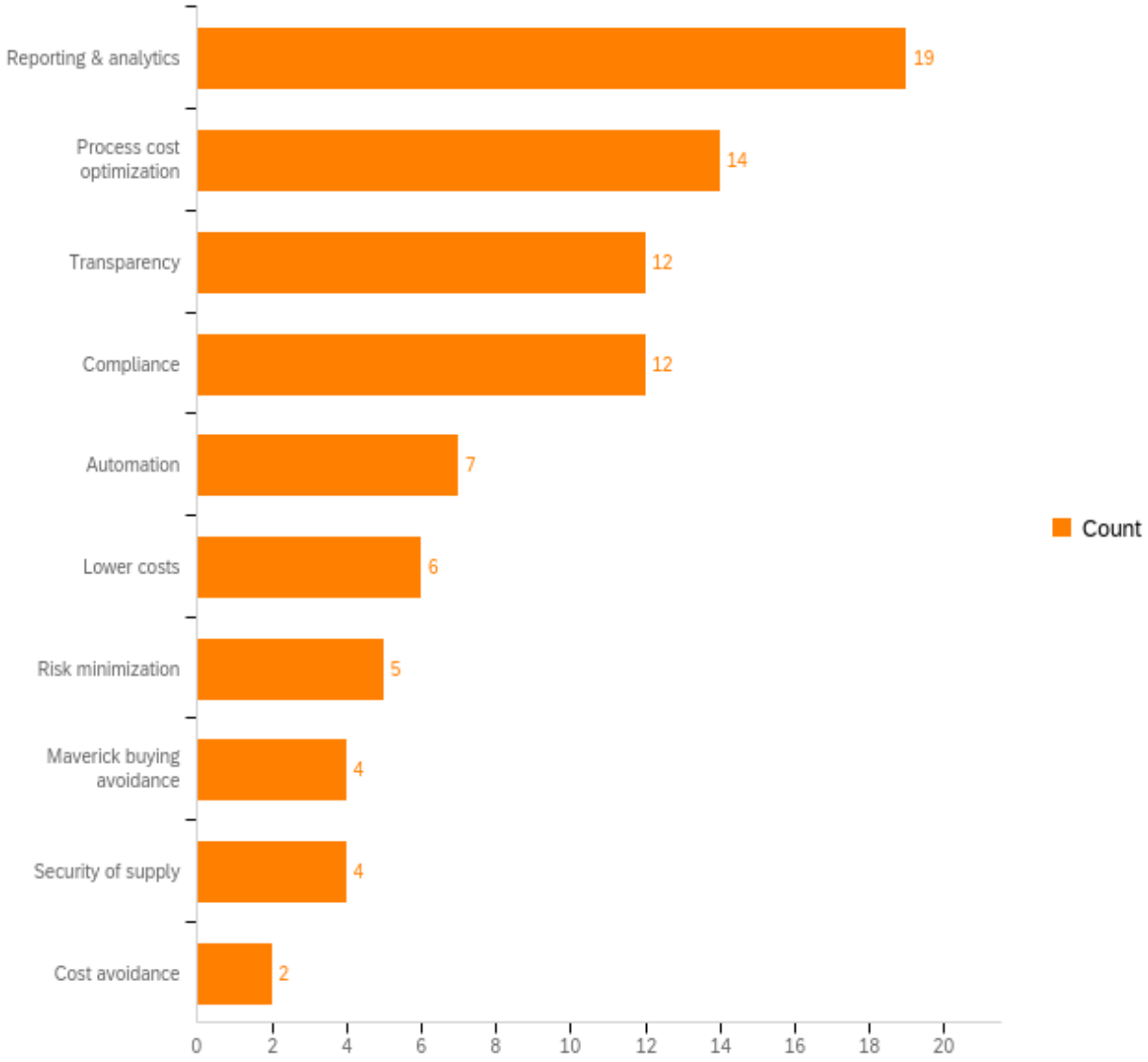
15. What are your main drivers for implementing digital technologies in procurement? Please select up to three drivers.

TOP 3

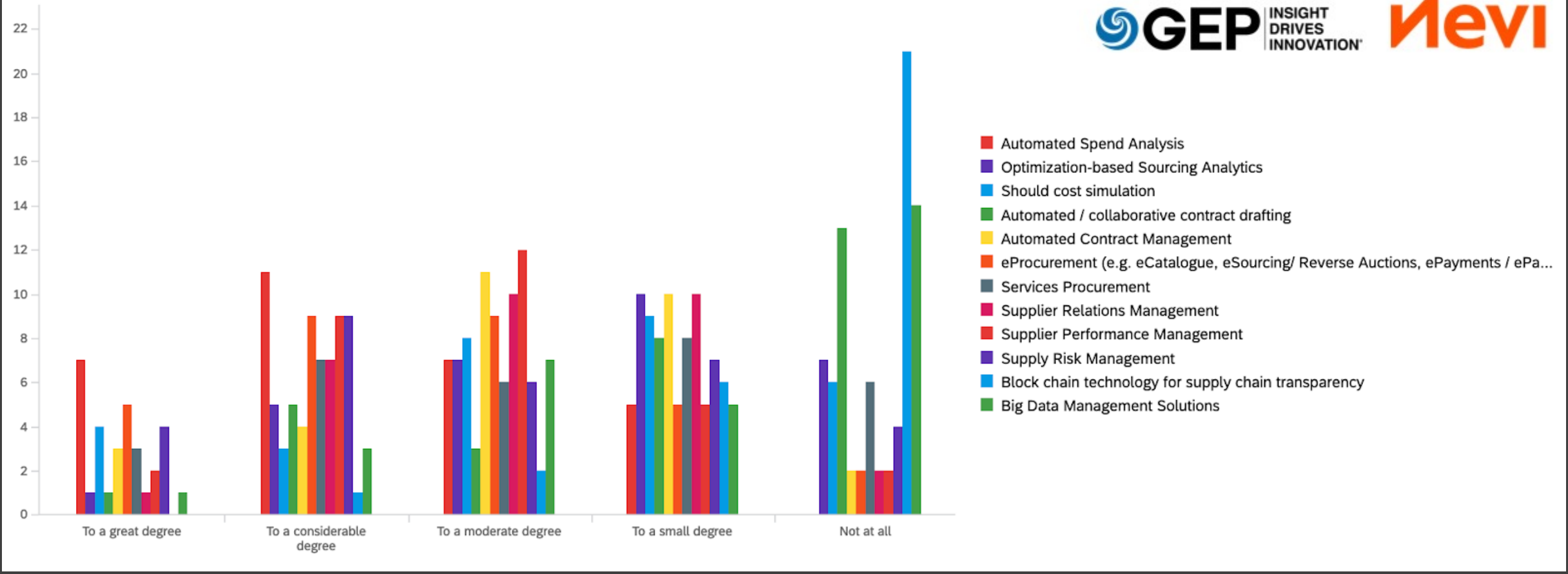
1. Reporting & analytics
2. Process cost optimization
3. Transparency
3. Compliance

Responses are different from Onventis (2020)[1)] responses:

1. Process cost optimization
2. Lower cost
3. Automation
4. Transparency



1) Onventis, ESB & BME (2020): Procurement Barometer 2020 - Digitalization, Artificial Intelligence & Co. What Makes Medium-sized Businesses Tick?



16. To what extent are the following technology solutions used by your organization to support its operations?

Some key insights…

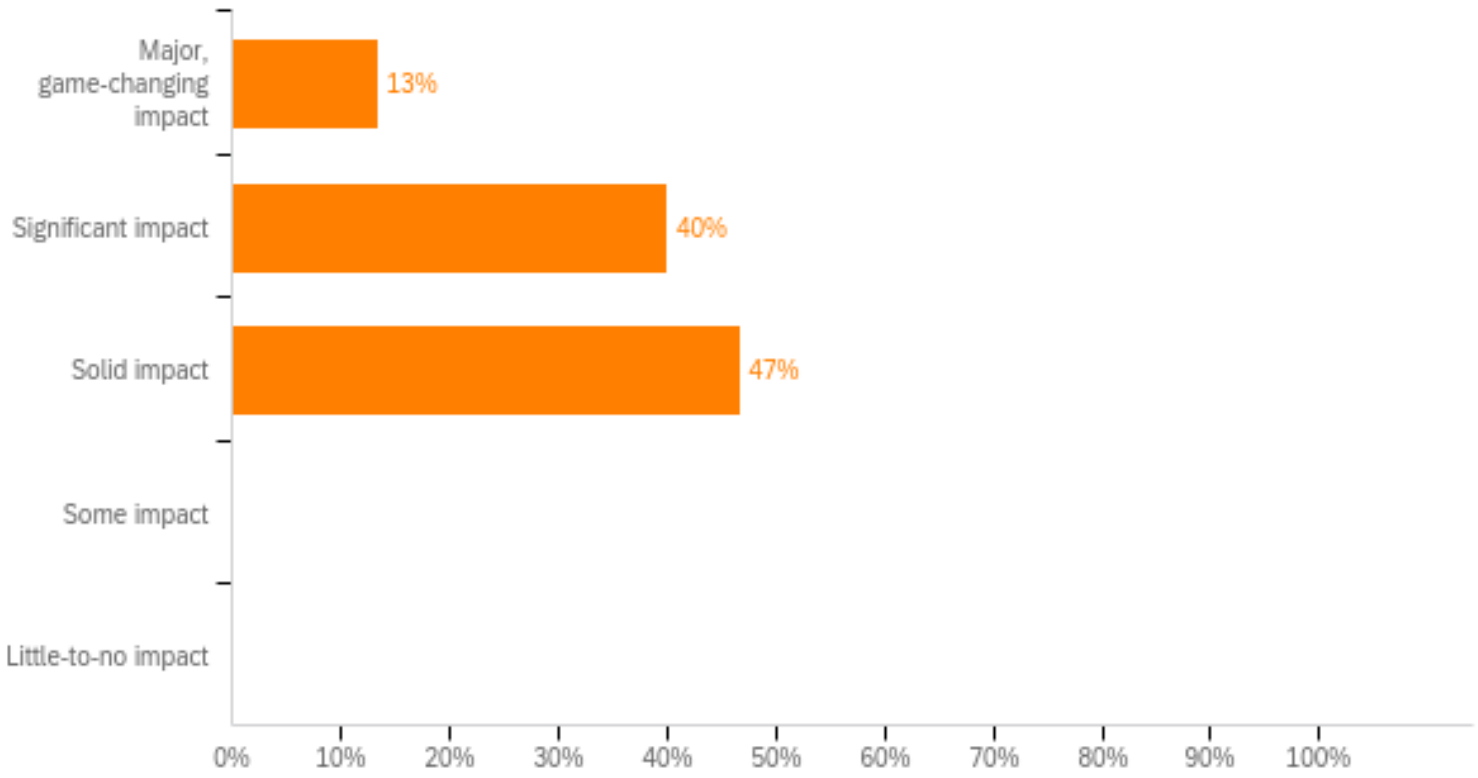
- Blockchain Technology for supply chain transparency not used/considered
- Automated Spend Analysis Tools most used technology

17. What are the five biggest challenges you face when adopting digital procurement strategies? Please specifiy.

Organizational		Technological	
People	**Business Case / Funding**	**Data**	**Tech Solutions**
▪ Digital Skills & Capabilities ▪ Training ▪ Change Mgmt. / Acceptance ▪ Complexity of Org ▪ …	▪ Budget ▪ Business Case ▪ Prioritization ▪ Top Management Support ▪ …	▪ Data accuracy ▪ Data availability ▪ Getting the basics right ▪ Multi-sources of data ▪ …	▪ Maturity ▪ Selection best of breed ▪ IT Architecture ▪ Selection due to fragmented market ▪ …



18. Please describe the level of overall impact that the procurement organization has had on the enterprise over the past 12 months.



All respondents indicated that their procurement organization had at least a solid impact on the enterprise over the past 12 months.

19. What are the five key achievements of your procurement department of the past 12 months? Please specify.



TOP 5 Key Achievements

1. **Secure Supply Risk**
2. **Ensure Cost Control**
3. **Realize Sustainability**
4. **Implement Digital Solutions**
5. **Enhance Supplier Relationship Management**

20. What is needed to get your procurement organization to the next level of performance? Please select the top five answers.

What is needed to get your procurement organization to the next level of performance?

1. 70% of the respondents indicated “Better data visibility and analytical capabilities”
2. A more talented staff (57%)
3. New (or improved) information technology (47%)

Need	Percentage	Count
Better data visibility and analytical capabilities	70%	21
A more talented staff	57%	17
New (or improved) information technology	47%	14
Awareness of potential impact of procurement professionalization with top and line management	43%	13
Earlier procurement engagement on sourcing opportunities	40%	12
Access to better suppliers that can contribute to improving the supply (e.g., reduce cost, risk) and value chain (e.g., improve business value)	40%	12
Increased agility across procurement operations	37%	11
A focus on innovation	33%	10
Better communication (to the rest of the enterprise)	33%	10
Larger budget and/or staff	30%	9
A more articulated procurement governance	23%	7
More/better executive support or mandate	20%	6

21. What are the five biggest challenges/hurdles to achieve the procurement organization's objectives over the next 12 months?

1. Managing supplier performance and/or supply availability (material shortages)
2. No access to specific supply or good alternatives (due to scarcity, geopolitical, post-covid etc.)
3. Not having enough (good) employees
4. Developments in the market / geopolitical consequences

Challenge	Percentage	Count
Managing supplier performance and/or supply availability (material shortages)	63%	19
No access to specific supply or good alternatives (due to scarcity, geopolitical, post-covid, etc.)	50%	15
Not having enough (good) employees	47%	14
Developments in the market / geopolitical consequences	47%	14
Challenges in aligning processes and systems	37%	11
Missing technology and/or poor use of existing technology	30%	9
Transportation / shipping issues (cost, timely)	30%	9
Comply with new laws and regulations (e.g., on sustainability)	30%	9
Budget constraints	27%	8
Difficulty engaging business stakeholders, budget-holders and executives	27%	8
Creating transparency in the supply chain	27%	8
Poor visibility into spend	17%	5
Increasing supplier power (monopolies)	17%	5
Managing a remote (or partially-remote) workforce	13%	4
Ongoing issues related to the COVID-19 pandemic	13%	4
Lack of executive support for the CPO and procurement operation	7%	2

21. With respect to the previous question: what are the five key leadership skills requires for you to tackle the challenges/hurdles that you are facing?

Technical Skills	Interpersonal Skills	Internal / External Enterprise Skills	Strategic Business Skills
Strategic procurement skills (1)	**Prioritization (6)**	**Stakeholder Relationship Management (12)**	**Strategic Thinking (9)**
Innovation sourcing (1)	Talent & Development (5)	**Communication (8)**	Business Acumen (3)
Negotiation (1)	Agility (5)	**Influencing / Empowering (8)**	Risk Management (2)
	People Management (4)	Change Management (3)	Digitalization Vision (2)
	Empathy (3)	Supplier Management (3)	
	Decision Making (3)	Collaboration (2)	
	Driving Results (3)	Cultural Awareness (1)	
	Remote Virtual Working (3)	Supply Chain (1)	
	Resilience (2)		
	Passion / Drive (2)		
	...		

Only three technical skills mentioned

More interpersonal skills found

Classification according to: Bals, L., Schulze, H., Kelly, S., & Stek, K. (2019). Purchasing and supply management (PSM) competencies: Current and future requirements. *Journal of Purchasing and Supply Management*, *25*(5), 1-15.