The Procurement Maturity Model

How CPOs and their teams can level up and prepare for the future of procurement

UNITED BY THE POWER OF SPEND

The New Era of Procurement

After ushering companies through years of the pandemic that brought with it supply shortages, rising costs, global scarcity issues, and a demand to meet stricter ESG goals, chief procurement officers (CPOs) have earned their seat at the executive table. But while procurement has been recognized for its positive impact, dealing with these challenges has sometimes come at the cost of burning out procurement teams.
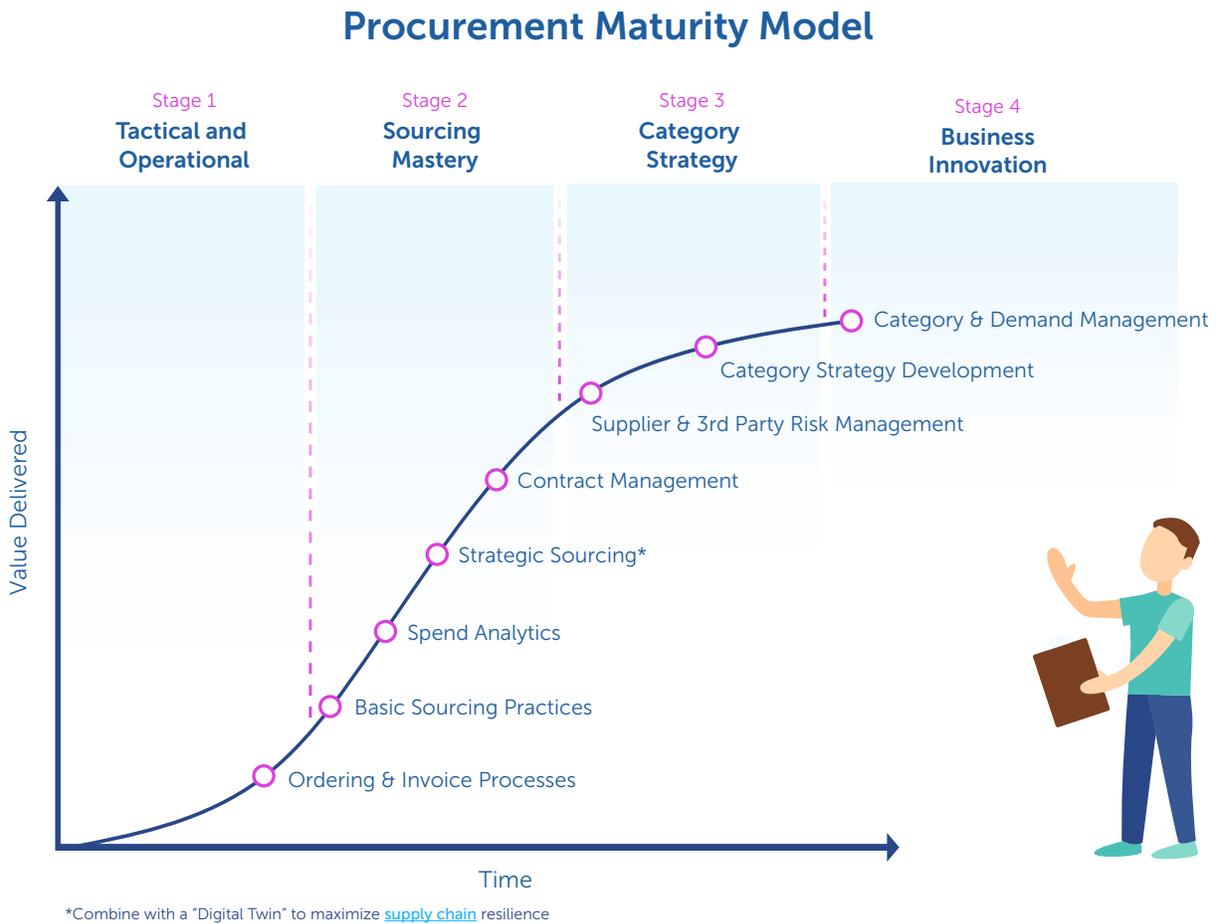
In this new era, procurement organizations with more advanced people, processes, and technology can reduce the impact of detrimental disruptions while adding value through smarter, more cost-effective, and more sustainable purchasing.

This report guides you through four stages of the Procurement Maturity Model to help you understand:

- **where your organization stands today**

- **how you can measure value at each stage**

- **when you can plan to move to the next stage**

There's never been a more relevant time for you to innovate and find a path to achieve best-in-class procurement.

The Procurement Maturity Model at a Glance

Procurement Maturity Model

*Combine with a "Digital Twin" to maximize supply chain resilience

As procurement teams mature over time, they can deliver more value in several different ways.

Companies in **Stages 1 or 2** of the model may not be in the best position to futureproof their businesses against uncertainty and risk. They're typically focused on more tactical ordering and invoicing tasks and may find it difficult to invest in sustainable, strategic procurement practices.

At **Stages 3 and 4** of procurement maturity, doing well for the business and doing good for the world (by meeting [ESG goals](#)) go hand in hand. Looking at each point along the model, you can see capabilities your organization can use to simultaneously increase resilience, drive greater value, and bolster ESG efforts. While more mature procurement teams can better manage spend to overcome supply issues and optimize the buying power of goods and services, they can also diversify their suppliers to support ESG goals. This results in both increased savings and improved sustainability. Additionally, Stage 3 is usually when organizations begin implementing the **7-Step Strategic Sourcing Process** (see page 11 for more details).

At the highest stage, best-in-class procurement optimizes lead times and builds resilience to better manage ongoing supply risk and business continuity risk. When a procurement team is operating at this stage, there is more optionality and improved governance, which provides suppliers with a better experience. This leads to high-innovation partnerships that can help an organization get ahead of their competitors.

> " Procurement professionals, armed with best-in-breed technology, best-in-class process and modernized policies and being supported by great leaders, are **best positioned to unlock the greatest value for their companies**, while simultaneously elevating to trusted advisors within their organizations. "
>
> — **Joe Canaday**, *Vice President,*
> *Global Procurement Center of Excellence, ADM*
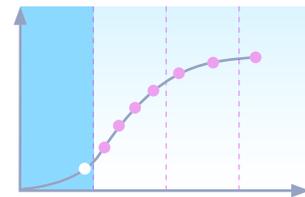> *and Coupa Spendsetter of the Year (2022)*
>
> **ADM®**

Who are Spendsetters?

They're Coupa customers who are revitalizing their organizations' processes in ways that make their companies stronger, smarter, and safer. Taking these actions create ripple effects of positive change, from maximizing business value to improving the world around us.

Explore Spendsetter Stories

coupa | SPENDSETTERS

Let's take a closer look at the people, process, and technology considerations that make up each of the four stages.

Stage 1:
Tactical and Operational

Successful procurement operations are activated with three key elements: people, processes, and technology. By refining each one, organizations can better manage spend and optimize the way they support the business — all while meeting ESG and compliance requirements.

In Stage 1, organizations are buying goods and services, but there is no strategy in place behind these purchases. The work is purely tactical and operational. Employees make purchases by sourcing their own solutions, while finance team members, in addition to managing budgets, are tasked to process invoices and pay suppliers. At this stage, finance team members usually don't ask questions about pricing, service levels, demand management, or quality.

People

Finance is responsible for managing a strictly administrative function. They make sure invoices are paid and don't ask too many questions. There is no team, or even an individual full-time employee, dedicated to sourcing goods and services.
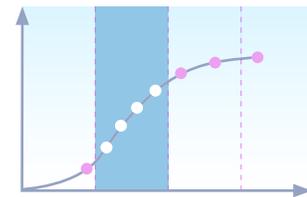
Process

There are few or no processes in place for managing suppliers. Any processes that do exist usually focus on ensuring that invoices are paid on time and matched, while making sure that accounting treatment is accurate.

Technology

With no formal procurement team members or processes, the organization does not have any Supply Chain Planning, Sourcing, Contract Management, Purchasing, AP, or Payments technology in place. It relies on the ERP for very limited spend analytics, mostly driven by general ledger expense accounts.

Stage 2:
Sourcing Mastery

In Stage 2, organizations begin to capture value from the purchase of goods and services. They start hiring full-time procurement professionals to support purchases, assess sourcing, manage contracts, and oversee contract negotiations. As procurement teams add formal sourcing to take advantage of large-scale buying power and negotiated contracts, the organizations can take more factors into account and balance price, sustainability, and risk. One interesting element of this is integrating supply chain planning technologies into the sourcing process. Companies in supply-chain-heavy industries will want to have a supply chain digital twin in place for performing supply chain planning and complex sourcing optimization at the same time.

Opportunities to drive value become more apparent through a formal sourcing process, such as holding formal sourcing events. Finance and procurement team members may reach out to help stakeholders run such events — building sourcing mastery and generating value for the business to free up cash for investments.

People

In Stage 2, organizations hire finance and procurement professionals to support the purchase of goods and services, as well as oversee contracts.

These team members ask key questions, such as when the last contract was negotiated, if a contract is in place at all, and which other suppliers exist for a particular business need. They also begin to support sourcing events for key business purchases.

Process

As finance and procurement team members begin running sourcing events, they put formal processes and SLAs in place to define what is needed from stakeholders when running an event. In order to prioritize time, organizations also divide their suppliers based on importance through a supplier segmentation process.*

*The supplier segmentation process is different in every company. Typically, criteria may include: percent of total spend, type of spend, criticality to the business, competitive landscape, etc.
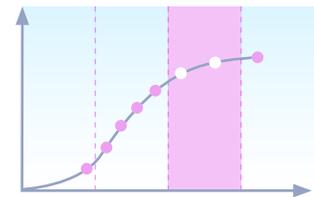
Technology

At this stage of maturity, it quickly becomes clear that organizations need more robust technology to scale the wins from early sourcing events and to manage multiple sourcing events per quarter.

To streamline processes across P2P, organizations may add a Business Spend Management (BSM) platform to streamline processes across sourcing, third-party risk, contracts, procurement, supplier management, invoicing, and payments.

Stage 3:
Category Strategy

In Stage 3, with more advanced resources and capabilities for procurement and sourcing processes, organizations can now add value by focusing on category strategy. Category managers play a critical role here, but they need the right technology to support scaling.

Limited technology creates ripple effects. Gathering information on spend and suppliers squanders time. Silos between supply chain planning, third party risk management, and sourcing lead to delays and rework. Sourcing events aren't run as often as they should be, and teams can't always model the scenarios they need to achieve the best results for the business.

People

Organizations hire team members to focus on specific spend categories. This enables procurement to be a true partner to the business by delivering benefits beyond savings and supporting a focus on value, total cost of ownership, spec rationalization, ESG and compliance, should-cost modeling, and fact-based decision-making.

This drives incremental value and allows procurement to secure a seat at the executive table as a strategic asset.

Process

Engagement models are defined with a clear ownership model, such as RACI (Responsible, Accountable, Consulted, Informed). Many organizations use a 5- or 7-step model (see page 11), which enables them to achieve maximum value from category management.

As true partners to the business, category leaders run quarterly business reviews to measure supplier performance and identify opportunities for continued value creation.
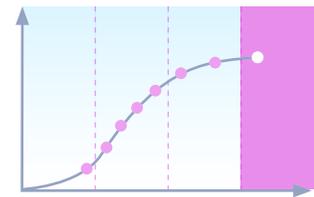
Technology

The best technology is delivered as part of an end-to-end process to optimize the supply chain and ensure compliance. This approach helps category managers quickly increase the value of the procurement organization to the business, and provides transparency and optionality when it comes to award scenarios, using various constraints.

Procurement is automated and uses community-powered sourcing programs to address tail spend and save time.

At this stage, it is important to invest in a BSM platform, managing all spend in one place to understand that spend and determine where to focus — for example, identify where there is leakage and which contracts are up for renewal.

Stage 4:
Business Innovation

In Stage 4, organizations have captured the maximum amount of value from each category. Procurement and sourcing leaders are partnering effectively with sustainability, compliance, and supply chain operators to empower the entire procurement process. This enables stakeholders to not only get the most value out of their purchases and ongoing supplier relationships but also identify opportunities to increase agility, do more good, and drive business innovation in partnership with suppliers.

People

The procurement organization includes category managers who understand the pain points of their business partners, as well as best practices for their categories.

The strongest sourcing professionals at this stage define and manage the sophisticated planning processes required to increase resilience and support business innovation. They identify possible supply chain constraints and opportunities while supporting mid- and long-term goals.

Process

Procurement leaders partner with business leaders to review strategic plans and research ways to support business goals with existing and new supplier relationships.

Quarterly business reviews may include a review of a supplier's roadmap and negotiation to obtain early (and possibly exclusive) access to new products, features, and/or services, ultimately helping the business get a competitive advantage, attract new customers, and explore new markets.

Technology

Best-in-class procurement organizations use one BSM platform to manage all of their spend and spend processes — including supply chain, third-party risk, sourcing, contracting, invoicing, payments, T&E, and treasury — in one place.

Organizations also are routinely leveraging the latest insights from AI and community data to continuously optimize their performance.

Best-in-class procurement organizations are not only selecting the best goods and services for their businesses while mitigating risk; they have also developed a true partnership with business stakeholders, understand their strategic objectives, and are key in driving agility and innovation.

The Power of Community.ai

Community.ai is a powerful Coupa capability that analyzes nearly $4 trillion of transactional spend data and applies AI to provide insights and actionable ways for companies to be more efficient, profitable, and sustainable. The Coupa community powers the insights — anonymous data from more than 2,500 customers and 8 million suppliers.

And this technology is accessible to every company on the path to procurement maturity — no matter where it is today. That's because Community.ai transforms three key areas present in any company, even those doing business at a mostly tactical and operational level:

- **Pricing —** Drive smarter negotiations with the ability to compare your spend on popular items against other organizations'. To secure the best price possible for items, organizations can view aggregated pricing analyses and get prescriptive recommendations.

- **Process —** Seize savings opportunities by benchmarking performance against industry leaders and resolving inefficiencies in your P2P (procure to pay) process.

- **T&E Spend —** Gain complete visibility into T&E (travel and expense) with data in one place, get intelligent cost-saving trip recommendations, and save even more with community-powered AI insights that provide recommendations for items other Coupa customers are procuring at lower prices.

Using Coupa community insights, USO was able to achieve:

75% decrease in invoice process time

$136K in process savings

86.6% PO-backed invoice spend

USO

Get the Full Story

Growing Smarter from the Community

Procurement teams will always want to know how and where to achieve the biggest cost savings. Procurement teams on the path to advanced maturity know that maximizing the value of every dollar spent goes beyond securing the lowest price. Risk management, fraud prevention, innovation, and ESG commitment — all these things need to be part of daily operations.

It sounds like a lot to handle, but you don't have to go it alone. Community.ai helps every organization benefit from the shared experiences of every other Coupa customer without having to write a single algorithm or invest in teams of data scientists to analyze their siloed business data.

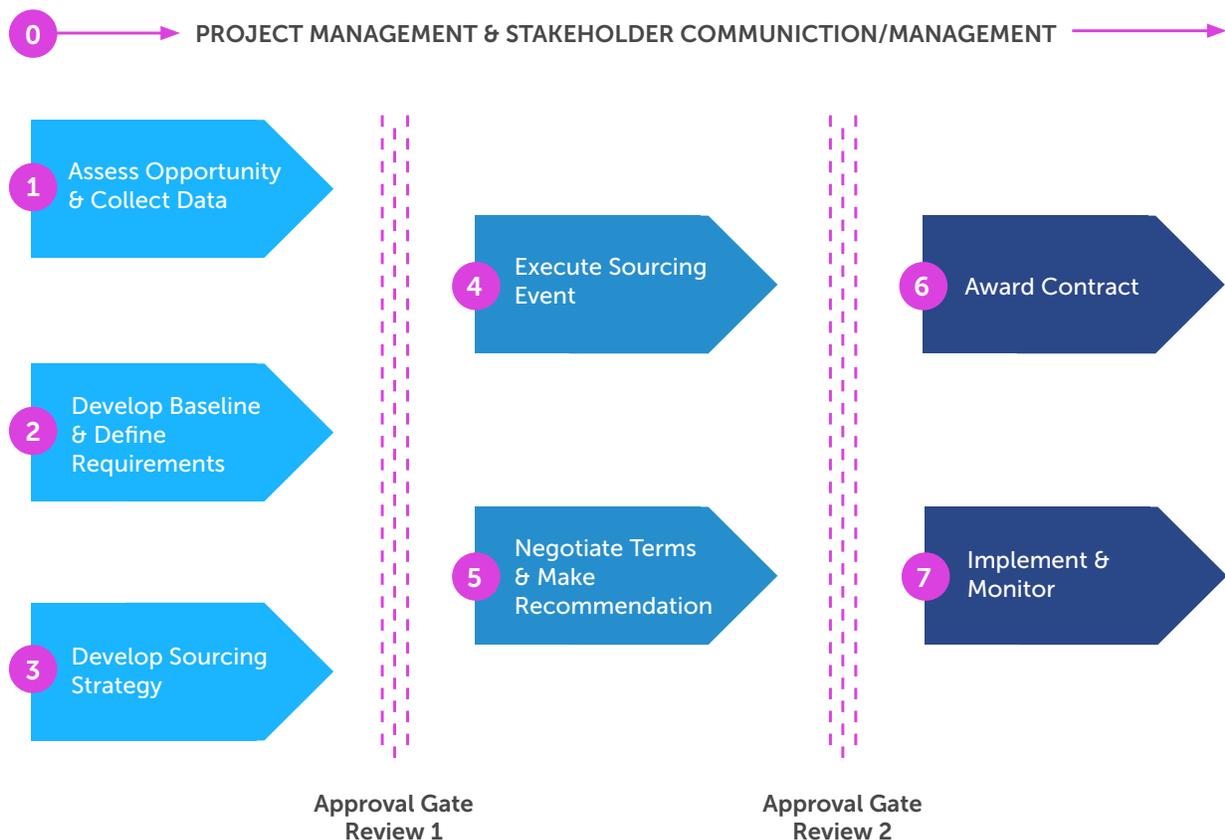| Capability	Community Outcome
Reduce risk — Community.ai detects risks in real time across an organization's entire supply base by monitoring supplier visibility and performance.	LEUKEMIA & LYMPHOMA SOCIETY® — Identified a high-risk supplier with financial losses and poor transaction history with other Coupa customers
Prevent fraud — Community.ai flags suspicious transactions and user errors that usually go unnoticed.	CBRE — Identified $1.5M+ of non-compliant spend in one year across requisitions, invoices, and purchase orders
Drive business innovation — Community.ai unlocks the strength of crowdsourcing to empower procurement teams to optimize performance and spend smarter through decisions based on facts, not opinions.	technicolor — Discovered that industry peers had 4-6x fewer suppliers for computer services, software, and computer equipment and accessories
Meet ESG commitments — Community.ai grows immediate impact through supplier diversity and guides goals and future targets through Community comparisons.	American Red Cross — Increased spend with diverse suppliers by 35% in three years

7-Step Strategic Sourcing Process to Maximize Value

Implementing strategic sourcing as a vital procurement process will enable you to achieve maximum value from category management. To do that, many companies follow the 7-step strategic sourcing process.
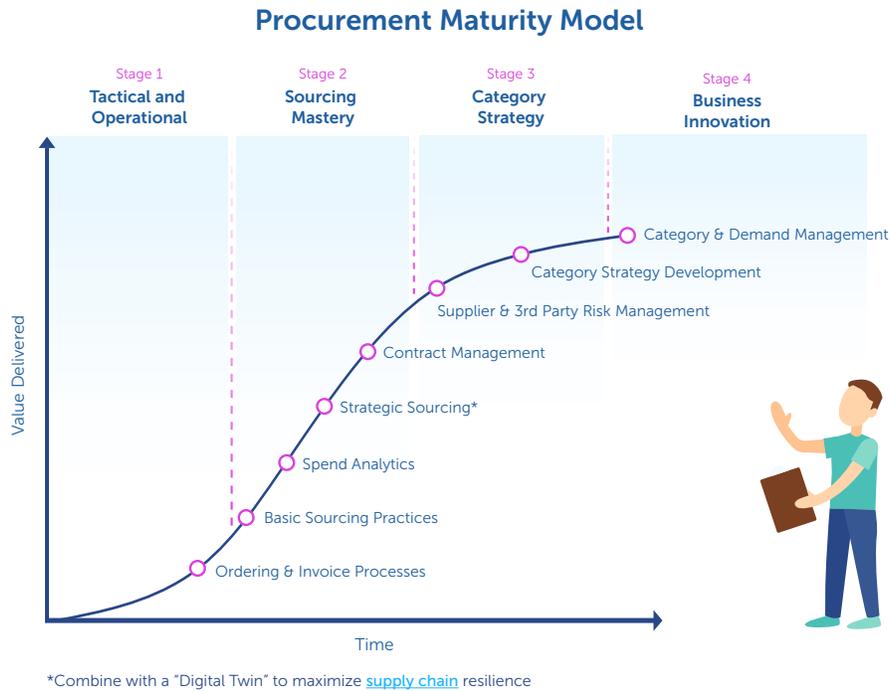
As you reach Stage 2: Sourcing Mastery in the Procurement Maturity Model, you can focus on formalizing steps 3 through 5 of the 7-step strategic sourcing process. This will add immense value to your organization.

Moving up to Stage 3: Category Strategy ultimately enables sourcing leaders to become true partners to the business by implementing the full strategic sourcing process. They do things like measure supplier performance and identify opportunities for continued value creation. And, in addition, they deploy end-to-end technology to enhance supply chain and compliance efforts.

0 ➝ PROJECT MANAGEMENT & STAKEHOLDER COMMUNICTION/MANAGEMENT ➝

1 Assess Opportunity & Collect Data

4 Execute Sourcing Event

6 Award Contract

2 Develop Baseline & Define Requirements

5 Negotiate Terms & Make Recommendation

7 Implement & Monitor

3 Develop Sourcing Strategy

Approval Gate Review 1

Approval Gate Review 2

The Time to Begin the Journey is Now

Investing in your people, processes, and technology at such a significant scale can seem daunting — especially if plans have gone through drastic change over the last few years. But making the commitment to advance your organization's procurement maturity is a decision you'll be glad you made, even in the years to come. **By taking a few straightforward yet critical steps now, you're setting up procurement to thrive.**

Procurement Maturity Model

| Stage 1 | Stage 2 | Stage 3 | Stage 4 |
| Tactical and Operational | Sourcing Mastery | Category Strategy | Business Innovation |

Value Delivered (y-axis) vs Time (x-axis)

- Category & Demand Management
- Category Strategy Development
- Supplier & 3rd Party Risk Management
- Contract Management
- Strategic Sourcing*
- Spend Analytics
- Basic Sourcing Practices
- Ordering & Invoice Processes

*Combine with a "Digital Twin" to maximize supply chain resilience

	If you're looking to:	Take these actions:
STAGE 1	• Make tactical and operational work more efficient and less prone to error	• Start automating and digitizing spend processes
STAGE 2	• Establish a procurement team and support sourcing events • Manage suppliers by using segmentation	• Continue to digitize and automate spend processes • Explore how a BSM platform can streamline processes across P2P
STAGE 3	• Run enough events and model enough scenarios for business success • Be regarded as a strategic asset	• Run quarterly business reviews to measure performance and identify opportunities • Invest in a BSM platform
STAGE 4	• Increase overall resilience and support business innovation • Partner with stakeholders to understand strategic objectives	• Manage all spend and spend processes on one BSM platform • Routinely leverage insights from AI and community data

Power Up Procurement at Every Stage

With supply shortages, inflation, and stakeholder focus on margins as well as responsibilities to manage cash flow and optimize working capital, it's clear that the core functions of procurement are more valuable than ever. At every stage of the Procurement Maturity Model, your people, processes, and technology are essential elements that not only reduce risk but also add value to your organization's bottom line. In addition, they must work together — not in silos — to drive true business innovation and futureproof your organization.
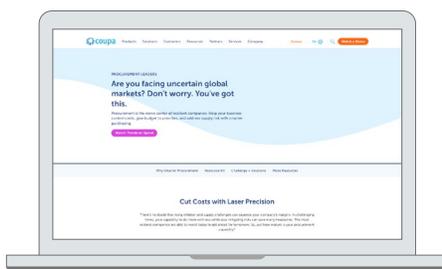
On your path to best-in-class procurement, you'll have to manage significant change, both within the procurement team and across the organization's many other functions. But the investment is well worth it, empowering CPOs and procurement teams to increase agility and enable their companies do well while doing good.

What are the top 5 priorities for modern CPOs? Get our report to find out.

Discover what it takes to be a successful procurement leader. Visit our content hub.

Benchmark your organization against best-in-class companies with procurement and finance KPIs.

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About Coupa

Coupa is the cloud-based Business Spend Management (BSM) platform that unifies processes across supply chain, procurement, and finance functions. Coupa empowers organizations around the world to maximize value and operationalize purpose through their business spend.

Coupa's community of 2,500+ customers use the platform to maximize the value of nearly $4 trillion of direct and indirect spend to date.

For more information, visit coupa.com.

✻ **coupa** | Business Spend Management