

# Ardent | Partners

RESEARCH WITH RESULTS

## THE NEXT GENERATION OF SERVICES PROCUREMENT: DATA-DRIVEN AND OPTIMIZED FOR THE FUTURE OF WORK

Christopher J. Dwyer | Senior VP of Research | Ardent Partners  
April 2023

Underwritten by:



**THE FUTURE OF WORK  
EXCHANGE** 

## REPORT SPONSORSHIP

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

### Sponsor:



### About:

Magnit™ is a global leader and pioneer in contingent workforce management. Our industry-leading Integrated Workforce Management (IWM) Platform is supported by 30+ years of innovation, modern software, proven expertise, and world-class data and intelligence. It enables companies to optimize talent and diversity goals while achieving operational and financial success. With Magnit, companies can adapt quickly to the evolution of work to grow their extended workforce with greater agility, transparency, and speed. Please visit [magnitglobal.com](http://magnitglobal.com) for more information.

# The Next Generation of Services Procurement: Data-Driven and Optimized for the Future of Work

*The large cost savings opportunities that exist for most enterprises in services procurement and the management of SOW-based services make it the next, big frontier for leaders of the extended workforce to tackle. However, a general lack of rigor, combined with issues such as global unrest and uncertain economic times, are limiting business leaders' ability to approach this complex area of spend in a more transformational way.*

*For enterprises to reimagine the approach to services procurement, they must follow a new model that blends Future of Work accelerants, dynamic data and intelligence, real-time automation, next-generation workforce management technology, and a willingness to adapt and adopt agile solutions.*

*This Ardent Partners and Future of Work Exchange research report will discuss how businesses can transform their services procurement and SOW ("Statement of Work") management programs by (1) modifying buying behavior with advanced automation, controls, and data, and (2) developing an impactful initiative that leverages expert services and solutions.*



## The Next Frontier

Businesses thrive on the expertise utilized from external sources including non-employee/contingent talent, freelancers and independent contractors, and core professional services. The vast majority of organizations around the world utilize regular, ongoing support for a broad spectrum of business services that range from the tactical (e.g., maintenance and repair services, facilities management, etc.) to the more strategic (e.g., financial services, technology consulting, software implementation, etc.). In essence, nearly every enterprise across the globe has to balance its internal talent with external expertise and professional services to be able to operate effectively.

Ardent Partners and *Future of Work Exchange* research has shown that, on average, professional services spending comprises between 45% and 65% of an organization's total non-employee spending (including staffing, freelancers, contractors, gig workers, etc.). Statement of work ("SOW")-based professional services, often the focus of procurement professionals and contingent workforce

management (CWM) programs, is the nexus of what is known as "services procurement" within the context of the overall extended workforce.

These complex, often intricate relationships are much more sophisticated than the standard agreements with staffing suppliers or vendors. However, cost miscalculations and low executive visibility can result in major complications regarding project milestones, work execution, project quality, and fees.

For years, services procurement has been considered "the next frontier" for contingent workforce programs as a means to extend influence and place more spend under management. As of today, however, less than a third (32%) of all professional services spending is *actively managed*. This current state of the market indicates that simply "borrowing" strategies and tactics from the world of CWM is no longer the path to success and innovation with services procurement. The market needs and is ready for a new approach.

## Current Challenges: Visibility Gaps and Lack of a Strategic Vision

The typical services procurement program today sits on the edge of both classic issues and newfound pressures. It is critical to note that, above all else, the main gap between a Best-in-Class services procurement operation and those in the laggard category is a lack of centralization.

There are many key functions across the average enterprise that rely on SOW-based projects and services to support their core operations. For example, a group like IT leans on professional services for technology implementations, data storage, data privacy, and intellectual property control, while finance and accounting routinely leverage tax services (and other types of financial services) on an annual basis. These are just a few examples of how businesses rely on professional services to get work done. The examples are endless.

Given the broad dispersion of consultants and projects across the enterprise, many business teams take an *“every team for itself”* approach to sourcing, procuring, and managing these workers and projects. Since many professional services revolve around specific expertise, each business unit/function feels it should maintain the relationships, and therefore, control the usage of such services.

Enterprises are starting to buy into the concept of omni-channel talent acquisition on the extended workforce side of the house by leveraging direct sourcing, digital staffing outlets, and talent marketplaces (as a way to “blend” total talent acquisition strategies).

Ardent Partners and FOWX believe that this type approach is directly applicable to the world of services procurement, as it not only represents more progressive strategies than traditional staff augmentation, but can also drive incredible value to the greater organization.

**Only 52% of businesses have centralized the management of services procurement under the banner of CWM programs, leaving a major challenge in regards to total visibility and control.** This large barrier of centralization is an easier one to cross if executives buy into the value of making a difference. Decentralized services procurement translates into a problem that is not equally felt by all functions; some units may feel the pain of higher costs and missed milestones while others might not experience a blip. Centralizing services procurement is, in essence, a necessary strategy for the greater good of the enterprise.

## Services Procurement Reboot: Intelligence-Led, Technology-Driven Strategies

The COVID-19 pandemic revolutionized the way enterprises think about their talent, their workforce, and how they ultimately get work done. And, the world of work will never be the same. Agility and flexibility paved the way for the Future of Work movement, which transformed the way enterprises perceived work optimization. Businesses became more focused on harnessing the power of artificial intelligence (AI) and data to make smarter decisions, many of which revolved around how to maximize extended talent to enhance total workforce scalability.



When applied to the world of professional services, these concepts can help “reboot” the contemporary services procurement program. For far too long, businesses have merely “copied and pasted” their staff augmentation models into their services procurement standards; it is no wonder, then, that they have not achieved their desired results.

Due to the recent forces/influences (COVID, etc.) on work, senior executives have seen the benefits of developing a vision and contemporary approach to services procurement. A reboot of services procurement must incorporate a series of new elements that include:

- **Complete spend AND talent visibility.** One of the main issues in services procurement programs is that the procurement-led focus can result in an archaic commodity-led approach that focuses on spend visibility (and savings). By broadening how this category is managed, the C-suite can gain a 360-degree viewpoint of the budgetary and financials of professional services, as well as the talent and workforce impact. This can help ensure that the larger business is enabled with true visibility into how SOW-based projects run from a financial sense *and* their impact on greater enterprise goals and objectives from a workforce perspective. This level of transparency will drive value creation within services procurement and SOW management, assuring that projects buoyed with professional services deliver on price, impact, and productivity — key benefits in today’s uncertain economic climate.
- **Powerful strategic sourcing principles applied to services procurement.** Surprisingly, not enough services procurement programs leverage classic strategic sourcing approaches and principles. Ardent Partners and the *Future of Work Exchange* found that less than 35% of today’s services procurement programs possess strategic sourcing capabilities, including category profiling, supply market analysis, advanced negotiations, etc. Strategic sourcing follows a classic approach designed to gain significant cost savings, better quality, and more collaborative supplier relationships ... attributes sorely needed in the services procurement arena.
- **A technology-driven foundation of repeatable/scalable processes.** The new world of work and talent runs on agile automation, plain and simple. Businesses require advanced technology that can help them automate and scale key processes. In services procurement, next-generation Vendor Management System (VMS) and integrated workforce management platforms can add value beyond the more tactical downstream elements, particularly the procure-to-pay processes inherent in such a program. These platforms offer a foundation of tech-led capabilities that infuse data into nearly every aspect of the request for proposal (RFP) process, augment how the business (and CWM program) tackles project management in real time, and creates a veritable nexus that centralizes services procurement activity, adherence to core SOW agreements, and concentration of spend and workforce visibility.

- **Decision-making that is augmented by real-time, expansive, on-demand total talent intelligence.** Enterprises do not have to imagine the impact of billions of data points going into every major decision ... it is happening at-scale today and offered by the industry's more advanced solutions. Real time, embedded analytics have long been absent from the world of services procurement; today, the industry's leading VMS, Managed Service Provider (MSP), and workforce solutions can capture and report this on-demand intelligence across the different aspects of SOW management and services procurement. Business leaders can better understand the key identifiers beyond rate and hours, getting to the core of where and how this work is performed. Those running CWM and services procurement can be much more strategic in pricing SOWs in a deeper and more profound manner if they have real-time intelligence to understand aspects beyond job titles and skillsets.
- **Integrating DE&I into services procurement.** While a diversity, equity, and inclusion (DE&I) program can greatly benefit permanent employees, it is equally imperative that businesses expand its focus to the thriving contingent workforce—now representing over 47.5% of most enterprises' total talent — when contracting for services procurement. Driving DE&I efforts for services procurement is beneficial on several fronts, including: opening opportunities to evolve the customer base, improving the alignment between the

greater organization's culture and that of potential candidates and services, improving supplier diversity initiatives, and enhancing the way the overall enterprise measures workforce diversity (and leverages that data to influence talent-based decisions).

- **Organizational agility that is supported by strong leadership.** Finally, there is one more significant element that plays into the rebooting of services procurement: leveraging an evolutionary mindset that is markedly different than in the past. Executive leaders (particularly procurement and CWM leaders) must step back and realize that *transformation* is what services procurement needs in 2023. Prioritizing archaic elements of services procurement can no longer occur. Rather, executives must move forward to address, implement, and execute on progressive and innovative ideas to revolutionize services procurement in the year ahead in order to address today's challenges.

## The Next Generation of Services Procurement, Part I: Tech-Enabled Capabilities Converge with Next-Level Expertise

Technology has always been a crucial piece of the greater services procurement puzzle. Many procurement executives leverage VMS platforms and Source-to-Pay (“S2P”) suites for sourcing activity, project management, and reconciliation/payment processes. While this has been effective for simple services projects and “general” visibility into the services procurement arena, today’s fast-moving world of work dictates that tactical, downstream automation serve as a simple foundation in relation to more strategic, upstream functionality.

This idea of “downstream” vs. “upstream” does not mean that traditional, VMS-led technology is ineffective in the pursuit of services procurement transformation. Rather, it is this foundation, buoyed by new and innovative functionality, which can propel this category to the next level. Typical contract lifecycle management, pre-SOW approval processes, and supplier relationship management functionality play critical roles in driving base-level visibility and control over professional services. However, it is the application of deeper technology and expertise that can drive additional value to the services procurement spectrum.

Going beyond S2P automation and driving services procurement to new heights does not revolve solely around technology; enterprises that can leverage subject matter expertise from their MSP, along with true governance and risk controls, are forging a blended approach that results in expanded value creation.

By leveraging the full arsenal of automation, enterprises can manage all facets of the services procurement lifecycle in real time: for example, RFI processes (development and capabilities for sourcing), service recommendations, quote/pricing reviews (and historical analysis), project tracking/project management, etc. And, by leveraging VMS-led mobile applications that support remote access, businesses can execute change orders and requisition management on-the-go.

A platform-oriented approach, in which specific integrated modules automate key aspects of the services procurement lifecycle under the same ecosystem or umbrella of solutions, has become a powerful way to harmonize the many complexities inherent in the procurement of professional services.

*Of course, the convergence of technology and expertise can only be impactful if executives embrace services procurement nuances and understand that this approach must be applied to all pieces of the services procurement lifecycle.*

In doing so, automation can be applied for tactical elements while, in parallel, strategic services-based support (via SMEs from an MSP or similar organization) augments decision-making and management as deep intelligence funnels insights into all services procurement activity.



## The Next Generation of Services Procurement, Part II: The Intelligence Factor

One significant factor that will differentiate the management of services procurement in 2023 from prior years is the application of artificial intelligence, machine learning, and advanced analytics. Ardent Partners and *Future of Work Exchange* research has found that businesses are “doubling-down” on services procurement by applying MSP-led expertise (SMEs, sourcing experts, MSP advisory services, etc.) and next-generation workforce management functionality, such as real-time, embedded advanced analytics. This investment has paid off, providing these leaders with multiple advantages including a 75% better level of visibility into their utilization of professional services and self-reported savings rates that are 68% higher.

Because the sourcing of professional services is a generally more complex process than it is for other categories of spend managed by procurement, businesses can benefit greatly from on-demand data to improve negotiations, increase leverage, and drive specific workforce initiatives (particularly diversity). And the opportunity for next generation approaches is significant, as Ardent and the *Future of Work Exchange* estimate the annual global professional services market in 2022 to be approximately \$525 billion. The proper insights, provided and utilized at key phases of the services procurement lifecycle, is how businesses will drive incremental value in 2023.

*“Applying MSP-led expertise to services procurement results in a 75% better level of visibility into utilization of professional services and cost savings rates that are 68% higher.”*

One of the major challenges that procurement teams face in negotiating large SOWs is developing a sensible and fair pricing structure. Deep, on-demand intelligence, fueled by AI, can transform the way business leaders develop their contracts and fee structures by leveraging billions of data points to:

- Redirect the “where” attributes of work by facilitating a more cost- and ROI-appropriate foundation (e.g., remote work, on-site consulting, etc.).
- Alter the value propositions of services agreements by leveraging real-time insights to shift funding models (for example: if more value is driven to the greater business, a fundamental shift towards a client-funded model is feasible).
- Drive 360-degree services procurement visibility from service agreement conception through negotiations, project management, and reconciliation.
- Track and benchmark milestones, supplier usage, performance and historical SOW contract effectiveness, thereby increasing quality; and,

- Revolutionize the inner conversations around the ultimate value of professional services and how this arena should be managed in a more optimized manner.

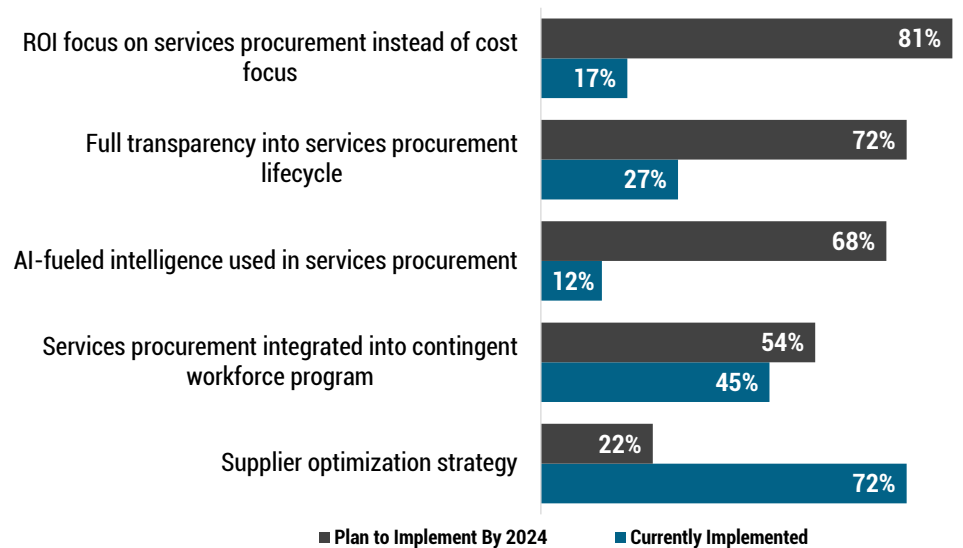
For far too long, there has been a binary pricing strategy at hand: time and materials or fixed price. For decades, this has been the only equation across the services procurement spectrum and paints both extended workforce and procurement executives into a corner. By leveraging data and next-level intelligence, businesses may be able to generate a hybrid-based approach that can, essentially, drive more value to the greater organization without being locked into an airtight agreement from the start that limits pricing flexibility. Not only does this approach allow executives to engage their suppliers in a new and innovative way (by formulating more dynamic agreements from the beginning of a project), but it ultimately creates exciting new business value from a category that, historically, was beholden to antiquated pricing and terms. This opens new opportunities for services procurement programs that desire more flexibility in how work gets done.

### The Next Generation of Services Procurement, Part III: A Maturity Model for the Future of Work

Many facets of extended workforce management have been transformed over the past three years in the wake of dynamic global business events. With the extended workforce (including professional services) comprising nearly half of all enterprise talent, more rigor, automation, and intelligence are needed to manifest a comprehensive Future of Work vision.

The strategic nature and massive size of this spend demands action. As shown in Figure 1, a large majority of businesses have plans to do just that over the next year.

**Figure 1: Planned Areas of Services Procurement Emphasis, Now vs. 2024**



© Ardent Partners - 2023

While less than 20% of organizations today place an ROI focus on services procurement in lieu of a traditional cost-oriented approach, a staggering 80% of businesses plan to adopt this mentality over the next two years. This is a clear example of the sweeping changes that are on the way within services procurement. As businesses continue to reboot the impact of professional services, they are realizing that approaching them from a “totality” focus (including ROI, business impact, ramifications on work execution, etc.) can be inherently more valuable over the long term.

Additionally, less than 30% of enterprises today hold full transparency into the services procurement lifecycle. However, 72% plan to expand their purview of all end-to-end components of services procurement within the next two years. While some organizations are adept in negotiations and various aspects of supplier management, the truth is that there is more beneath the surface of this category. For example, requisitioning, vendor profile assessment, governance and risk controls, total ROI and impact, etc. are all areas that require deep visibility.

And, while the use of AI to drive intelligence (12%) is still emerging today, 68% of businesses plan to infuse AI-led insights into their services procurement initiatives over the next 12-24 months. AI has the potential to be an incredible differentiator in the services procurement universe; data has essentially transformed the ways enterprises find, engage, source, and manage talent. It makes perfect sense, then, to apply these insights into the world of services procurement. By harnessing the relative power of billions of data points, businesses can transform the way they procure and manage professional services, understand the economic impact of these services, compare suppliers to their peers, and measure their influence on how and where work is done across the organization.

## Services Procurement's Pricing Model Problem (and How to Fix It)

For the contingent workforce management programs that centralize services procurement under its umbrella of processes and capabilities, there has too often been a reliance on outdated

funding models. Services procurement programs at large enterprises that utilize a supplier-funded model are leaving untold millions of dollars in value on the table each year.

The supplier-funded model simply entails markups on labor and pay rates as a means to fund workforce solutions and managed services; while this has been a longstanding foundation of the contingent workforce industry, there is growing momentum for change. Ardent Partners and *Future of Work Exchange* research has found that while nearly 80% of current workforce solutions' funding models are based on the supplier-funded model, nearly 85% of businesses desire a shift to subscription-based pricing for technology accompanied by fixed pricing on the service delivery side.

Given the outsized professional services fees that are paid by many enterprises, a "client-funded" or subscription model, rather than a percentage markup, is a more practical way to pay for support in engaging and contracting of professional services. It better aligns the third party with the procurement department on pricing and it matches the traditional model used for strategic sourcing support for other categories.

## Conclusion: The Next Generation of Services Procurement

Ardent Partners and *Future of Work Exchange* research over the past three years indicates that enterprises are at an inflection point as they enter 2023. As the global pandemic wanes, its disruptive influence is still impacting how and where work is done. With professional services playing a vital role in how businesses deliver their goods and service, and with the specter of an economic recession hanging overhead, executive leaders must embrace the global transformation of work and talent by implementing

innovative, data-driven approaches towards this spend and advance into the next generation of services procurement.

Success will be driven by a blend of new approaches, like a move away from traditional fee structures for professional services and the third-party experts who help engage them, and the high-adoption of the tools and technology that can help centralize services spend, provide visibility into it, and enable a more effective way to source and onboard it.

## About the Author



**Christopher J. Dwyer is the Senior Vice President of Research at Ardent Partners and the Managing Director of the Future of Work Exchange.** For 16 years, Christopher J. Dwyer has been the industry's preeminent contingent workforce management (CWM) analyst and an early Future of Work evangelist. His research

focuses on the application of innovative workforce and technology strategies that help businesses around the world optimize how work is done. Dwyer is the author of hundreds of research studies and briefs related to CWM, talent acquisition, human resources, and supply management, and the underlying technologies that enterprises can utilize to improve how talent is engaged and managed. This research has enabled thousands of organizations make smarter technology investment decisions related to their talent and workforce needs.

As the Senior Vice President of Research at Ardent Partners, Dwyer oversees all research programs related to talent and workforce management. His research and consulting in the digital and on-demand staffing space have helped revolutionize how businesses source talent and labor. Dwyer is also the architect behind the new [Future of Work Exchange](#) site, which has quickly become a

groundbreaking destination for HR, talent acquisition, procurement, and other key business executives as they seek the best strategies, solutions, and innovative tools for managing the arena of work and talent.

Dwyer is the voice behind *The Future of Work Exchange Podcast*, the industry's first podcast dedicated to both the contingent workforce and Future of Work spaces. Now in its seventh season, the podcast is one of the top Future of Work-oriented shows across all major podcast platforms.

Dwyer has been quoted/featured in *USA Today*, *Staffing.com*, *The Christian Science Monitor*, *Forbes*, *CNBC*, *The Recruitment Innovation Exchange*, and other major business publications. He has been honored multiple times by *HRO Today* (2013, 2014, 2015, and 2016) as an "Analyst and Advisor Superstar" and was twice recognized as a "Pro to Know" by *Supply and Demand Chain Executive Magazine* (in 2014 and 2019). And, in 2018, he was named as a "Top 100 Future of Recruitment Influencer" by Analytica. He welcomes your comments at [cdwyer@ardentpartners.com](mailto:cdwyer@ardentpartners.com). Connect with Dwyer on [LinkedIn](#).



## About The Future of Work Exchange

**The Future of Work Exchange** (powered by [Ardent Partners](#)) is the premier destination for those HR, talent acquisition, procurement, IT, and finance executives focused on the convergence of talent and innovation and the impact that the extended workforce has on business operations and bottom line performance.

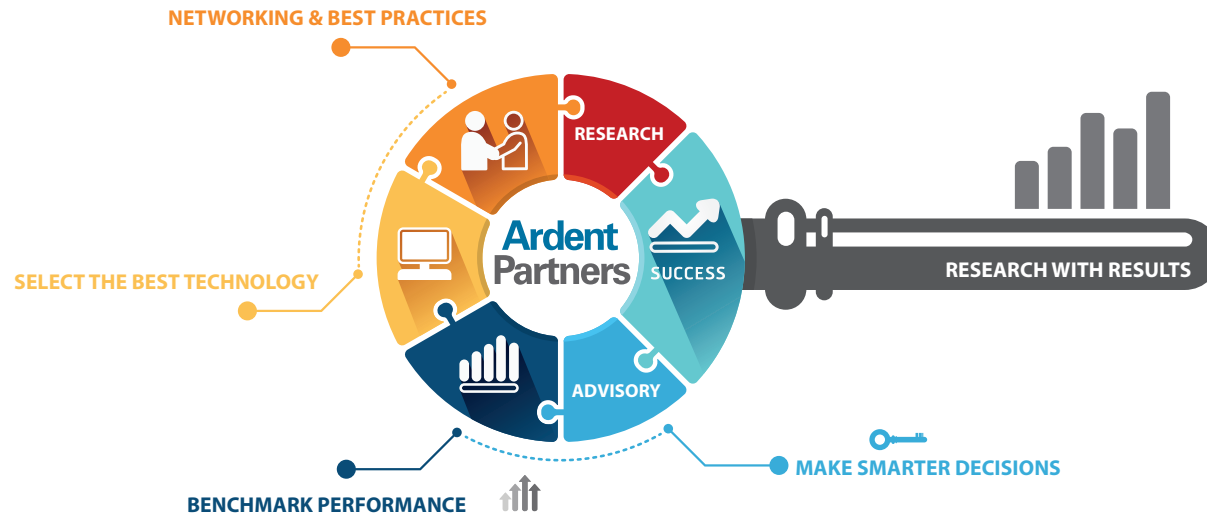
# THE FUTURE OF WORK EXCHANGE

Ardent Partners defines the Future of Work as the strategic optimization of how work gets done through 1) the evolution of talent engagement, 2) the advent of new technology and innovative tools, and 3) the transformation of business standards. Simply, the “Exchange” was built to provide innovative ideas, tools, and strategies to help business leaders reimagine their approach to workforce management and optimize how work gets done now and in the future.

Led by longtime industry analysts and Future of Work evangelists [Christopher J. Dwyer](#) and [Andrew Bartolini](#), the *Future of Work Exchange* is an exciting new venture designed to engage HR and procurement professionals and create an open forum for innovative dialogue and the “exchange” of ideas, strategies, and practices that business executives can use to transform both their talent and their talent management operations.

# Ardent | Partners

RESEARCH WITH RESULTS



**Ardent Partners** is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded by Andrew Bartolini.

**Ardent Partners** actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact [research@ardentpartners.com](mailto:research@ardentpartners.com) if you have any questions about this report or our research in general.

Industry Standard “Fine Print:” The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners’ best analysis at the time and are subject to change without notice.

© 2023 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.

Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

# Ardent | Partners

RESEARCH WITH RESULTS

[www.ardentpartners.com](http://www.ardentpartners.com)

Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

Index