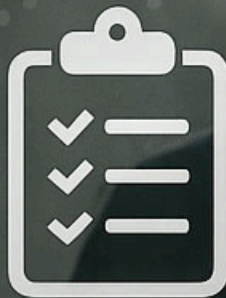


BEYOND COMPLIANCE

Building Procurement Resilience in 2025



COMPLIANCE



How Mid-Market Enterprises Can Safeguard Continuity
and Growth Through Resilient Indirect Spend Management

Executive Summary

In 2025, mid-market procurement leaders are facing a simple, unavoidable truth: **passing audits is necessary — but not sufficient**. Compliance remains the baseline. The strategic advantage now lies in **resilience**: building procurement systems that anticipate shocks, limit operational damage, and enable rapid adaptation to inflation, supplier disruption, and geopolitical volatility.

Mid-market firms ($\approx$ \$100M–\$750M revenue) are uniquely exposed. They operate with lean procurement teams, fragmented ERPs and point solutions, and limited negotiating leverage. Indirect spend — including IT services, marketing, facilities, logistics and professional services — typically makes up 25–30% of total spend but is the least visible and most prone to leakage. Recent industry research highlights the urgency:

- **Deloitte - Global CPO Survey 2024¹**: 72% of procurement leaders name inflation as their top external risk.
- **Ardent Partners - CPO Rising 2025²**: 90% of CPOs expect 2025 to be more challenging than 2024.
- **KPMG - Procurement Risk Survey 2024³**: 80% of firms lack visibility beyond Tier-1 suppliers.
- **Hackett Group - 2025 Tail Spend Management Study⁴**: Unmanaged tail spend erodes 10–20% of savings annually.



This paper argues procurement must move from a compliance-centric function to a resilience architect. It presents a compact, actionable Resilience Playbook built on four pillars:

1. Risk-scored supplier onboarding — prevent high-risk suppliers from entering the estate.
2. Modular, intelligent intake — route requests by context (category, urgency, risk), not just dollar thresholds.
3. AI-driven compliance and autonomous control — automate monitoring, contract enforcement, and tail negotiations.
4. Resilience KPIs — measure continuity and realization, not just policy adherence.

Adoption of these capabilities — sequenced for quick ROI — lets mid-market procurement reduce leakage, plug disruption risks, accelerate cycle times, and demonstrate measurable financial impact. The result: procurement becomes a strategic safeguard for continuity, EBITDA protection, and competitive agility.

1. The New Procurement Reality: Why Compliance Isn't Enough

Structural change in risk environment

The shocks of the past decade have hardened into persistent operating conditions. Inflation, trade realignments, sanctions, regional conflicts and supplier insolvencies are cyclical no longer — they are structural. Indirect categories have been particularly affected: logistics, IT and professional services saw sharp pricing pressure and volatility. Deloitte's 2024 Global CPO research identified inflation as the primary external concern for procurement leaders; Ardent Partners' 2025 report shows an overwhelming majority expect worsening conditions.

Compliance: a rear-view mirror

Traditional procurement assurance emphasizes audit readiness: documented contracts, PO-to-invoice controls, and post-hoc reviews. These controls prove you followed procedures, but they generally detect problems after value has already leaked or the disruption has hit. PwC's State of Compliance (2024) summarized this succinctly: "Audit success does not equal operational security." Compliance detects the past; resilience protects the future.

Indirect spend: the blind spot

Indirect spend is the Achilles' heel for many mid-market organizations. Gartner and Hackett benchmarks show indirect categories account for a large share of spend but are the least governed. Zycus and sector studies repeatedly show that indirect and tail spend harbor the greatest portion of maverick purchasing and unmanaged contracts — where leakage, regulatory exposures, and supplier fragility accumulate.

Mid-market exposure

Mid-market firms are constrained on three fronts:

1

People:

McKinsey benchmarks show mid-market procurement teams commonly operate with 1–2 FTEs per \$100M spend, forcing prioritization of transaction processing over strategic risk work.

2

Technology:

Many rely on spreadsheets, email or ERP bolt-ons that do not provide unified spend or supplier risk visibility.

3

Scale:

Lack of buyer leverage means mid-market firms are often deprioritized by suppliers during constrained supply windows.

These constraints create a resilience gap: the functional shortfall between what procurement needs to do to ensure continuity and what it can do with the status quo.

2. The Mid-Market Resilience Gap — Components and Consequences

Component 1 — Operational capacity constraints

Lean procurement teams can't perform continuous supplier health monitoring, category scenario modeling or orchestration across business units. Time is consumed by manual approvals, exceptions and audit prep. This reactive posture delays risk mitigation.

Component 2 — Fragmented information architecture

Without integrated spend, contract and supplier risk data, procurement cannot surface concentration risk, phantom suppliers, or overlapping contracts. Fragmentation amplifies the time to detect and remediate issues.

Component 3 — Process misalignment

Legacy approval flows route based on dollar thresholds. That approach misses the fact that risk is not always correlated with spend. Small, off-contract SaaS subscriptions can introduce outsized cyber or compliance risk — while larger purchases may be lower risk if sourced through approved catalogs.

Component 4 — Financial leakage and realization failure

Negotiated savings are only valuable if realized. Hackett and McKinsey data show significant delta between contracted savings and P&L realization because of non-compliance, maverick spend and weak invoice controls.

Consequences

Left unaddressed, the resilience gap produces measurable harms:

- Increased supplier disruptions and service outages.
- Eroding negotiated savings and higher procurement cost of goods/services.
- Heightened regulatory and ESG exposures.
- Reduced CFO confidence and reduced capital allocation to procurement initiatives.

Bridging this gap requires a calibrated approach tailored to mid-market realities — scalable, fast to adopt, and ROI oriented.

3. The Resilience Playbook: Four Practical Building Blocks

The playbook is intentionally modular: implementable in phases so mid-market firms can secure early wins that fund further investment.

3.1 Risk-Scored Supplier Onboarding

GOAL

Stop risky suppliers from entering the ecosystem and focus oversight where it matters.

APPROACH

Replace checklist onboarding with a multi-dimensional risk score that evaluates financial health, ESG practices, cybersecurity posture, and regulatory exposure. Scores are dynamic — updated with market signals (credit alerts, litigation mentions, sanctions lists) and internal performance (delivery, quality, invoice disputes).

WHY IT WORKS

Organizations that add structured, prioritized onboarding remove major tail risks early. Deloitte data suggests structured onboarding materially reduces supplier disruption frequency.

Implementation tips:

- Integrate third-party data (credit agencies, ESG registries, cyber posture platforms).
- Define clear risk thresholds and corresponding controls (e.g., executive approval, escrow, dual sourcing).
- Automate re-scoring triggers for material events (bankruptcy filings, legal actions).

Outcome metrics

% of new suppliers scored, time to flag critical suppliers, reduction in supplier-related incidents.

3.2 Modular, Intelligent Intake

GOAL

Route each procurement request to the appropriate review path based on risk and context — not just dollars.

APPROACH

Deploy an intake layer (forms + workflow) that captures key risk signals (category, supplier risk score, data access needs, urgency) and routes requests using configurable business rules and AI-assisted recommendations. Provide consumer-grade UX to ensure adoption.

WHY IT WORKS

Contextual routing reduces unnecessary approvals for low-risk purchases and ensures high-risk items receive appropriate scrutiny. Gartner evidence shows intelligent intake cuts approval times and reduces maverick purchases.

Implementation tips:

- Start with a few high-volume indirect categories (IT, marketing services, facilities).
- Use pre-built connectors to ERP and chart of accounts for budget validation.
- Embed policy guidance at point of request (e.g., “This category requires security review”).

Outcome metrics

Intake-to-approval time, maverick spend percentage, user adoption rates.

3.3 AI-Driven Compliance & Autonomous Control

GOAL

Move from periodic checks to continuous, automated enforcement and harvest tail spend savings programmatically

APPROACH

Introduce layered AI capabilities:

- **Contract intelligence:** auto-extract clauses, flag deviations, and drive obligation tracking.
- **Invoice and PO reconciliation:** machine matching to catch pricing or scope leakage.
- **Autonomous Negotiation Agents (ANAs):** run frequent, rules-based negotiations for tail categories (e.g., MRO, indirect services).
- **Real-time policy enforcement:** inline prompts and automated holds for non-compliant requisitions.

WHY IT WORKS

AI scales enforcement beyond human capacity and turns reactive audit tasks into proactive prevention. IDC forecasts rapid uptake of AI in contract management; Hackett data indicates ANAs can reclaim a significant portion of tail spend leakage.

Implementation tips:

- Pilot on a single high-leakage category to validate ROI.
- Integrate contract intelligence with supplier master and PO systems to connect the contract to execution.
- Govern ANAs with clear guardrails and human oversight at thresholds.

Outcome metrics

Realized savings from ANAs, reduction in contract leakage, time saved on audit prep.

3.4 Resilience KPIs — Measure What Matters

GOAL

Shift focus from compliance end-states to continuity outcomes.

KEY KPIS

- **Contract compliance rate:** % spend executed under negotiated terms (>85% target).
- **Maverick spend:** % spend outside approved channels (<10% target).
- **Intake-to-approval time:** average decision time for routine indirect purchases (<24 hours target).
- **Supplier risk coverage:** % of critical suppliers with active risk scoring (100% target).
- **Savings realization rate:** % of negotiated savings realized on P&L (>80% target).

WHY IT WORKS

Resilience KPIs tie procurement actions to business outcomes and CFO metrics (EBITDA protection). McKinsey indicates procurement resilience can deliver significant EBITDA upside when measured and managed.

4. Proof in Action: Three Mid-Market Examples

These real-world examples show the playbook in practice — and why mid-market outcomes can be rapid and material.

Retail: Recovering Indirect Leakage

CONTEXT

A North American retail chain with \$250M revenue estimated 12–15% leakage in indirect spend (~\$30M).

ACTIONS

Implemented modular intake for marketing and facilities, deployed ANAs for vendor rate renegotiations, and integrated contract intelligence.

RESULTS

\$8 M recovered within the first year; contract compliance improved from the low 60s to the high 80s; user adoption increased due to simplified purchase experience.

Chemicals Manufacturer: Stabilizing Supply & Savings

CONTEXT

A \$400M chemicals manufacturer faced 22% maverick spend and frequent supplier exceptions.

ACTIONS

Rolled out risk-scored onboarding for critical indirect suppliers (logistics and maintenance), introduced modular intake for MRO and services, and deployed AI invoice matching.

RESULTS

Maverick spend halved, realized 15% cost savings, cycle times shortened by 50%, and procurement became a recognized risk mitigant in earnings calls.

Healthcare Provider: Rapid Compliance & Continuity

CONTEXT

A \$300M healthcare provider had 30% unmanaged indirect spend and fragmented contracts across departments.

ACTIONS

Centralized contract repository, instituted risk-scored onboarding for vendors handling PHI, and launched intake with mandatory privacy checks for IT and clinical vendors.

RESULTS

Unmanaged spend dropped to 9% within six months; audit preparedness improved; procurement surfaced and mitigated multiple data privacy risks before they became incidents.

Lesson:

Mid-market firms can deliver sizable, quantifiable outcomes within months — not years — by sequencing interventions that align with core pain points.

5. A Practical Roadmap: How to Move from Compliance to Resilience

Transformation should be staged to minimize disruption and maximize short-term ROI.

Phase 1 — Quick Wins (0–90 days)

- Launch intelligent intake for 2–3 high-leakage indirect categories.
- Begin supplier risk scoring for all new suppliers and critical existing suppliers.
- Establish baseline resilience KPIs and an executive dashboard.

Immediate benefits:

Reduced approval time, quick visibility into supplier risk, and early pound-for-pound savings.

Phase 2 — Scale & Automate (3–6 months)

- Deploy AI contract intelligence and invoice matching.
- Pilot ANAs in one or two tail categories.
- Integrate resilience KPIs into finance reporting; present early ROI to the CFO.

Benefits:

Automation reduces manual overhead and demonstrates tangible P&L impact.

Phase 3 — Institutionalize (6–12 months)

- Expand dynamic risk scoring across strategic tiers and integrate with business continuity planning.
- Embed resilience KPIs into performance management and vendor SLAs.
- Form a cross-functional Resilience Steering Committee (Procurement, Finance, IT, Legal).

Benefits:

Automation reduces manual overhead and demonstrates tangible P&L impact.

6. Getting CFO & Board Buy-In: Framing Resilience as Financial Protection

Procurement leaders must translate resilience into CFO language: **protecting EBITDA and lowering operational loss probability**. Use three dominant narratives:

1

Savings realization:

Show the delta between negotiated and realized savings and the incremental improvement expected from compliance automation.

2

Loss avoidance:

Quantify expected losses averted from supplier failures, regulatory fines, or service outages (use industry incident averaging to model conservative scenarios).

3

Operational leverage:

Demonstrate how faster intake and higher compliance reduce working capital drag and invoice cycle anomalies

A credible finance case uses early ROI from the pilot (Phase 1) to fund Phase 2, and projects a conservative EBITDA uplift based on realized savings plus modeled loss avoidance (McKinsey guidance suggests 15–20% upside for fully resilient procurement).

Conclusion

In 2025, mid-market procurement leaders cannot be content with audit cleanliness. The world of supply and spend is more volatile, opaque and interconnected than ever. Compliance remains necessary; resilience is now mission-critical.

The Resilience Playbook — risk-scored onboarding, modular intake, AI-driven compliance, and resilience KPIs — gives mid-market organizations a pragmatic path to protect operations, secure realized savings, and build executive trust. The approach is modular, fundable and fast: early wins unlock subsequent investments and, critically, shift procurement's perception from a rules enforcer to a strategic architect of continuity and growth.

Adopt the playbook, measure what matters, and you'll move procurement from a checkbox exercise to a competitive safeguard.



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Zycus, recognized by Gartner and Forrester as a leader in procurement technology, empowers teams to unlock deep value through its comprehensive Source-to-Pay (S2P) solutions. At the heart of our S2P solution is the Merlin AI Agentic Platform, which orchestrates intelligent AI agents to deliver simplified, efficient, and compliant processes. The Merlin Intake Agent offers business users unparalleled ease of use, increasing adoption rates and significantly reducing non-compliant spending. For procurement teams, Merlin Autonomous Negotiation Agent handles tail spend autonomously, securing additional savings, Merlin Contract Agent helps draft compliant contracts and reduces risks by actively monitoring them, and the Merlin AP Agent further enhances efficiency by automating invoice processing with exceptional speed and accuracy.

With the flexibility and autonomy of Merlin AI agents, teams can seamlessly guide workflows or delegate routine tasks for autonomous execution. Uncover the full depth of value and achieve procurement excellence with Zycus' AI-powered S2P solutions.

