

Across the procurement-verse: Changing trends in the procurement function

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About the research

This paper analyses the key priorities and challenges facing the procurement function today. It spans critical themes including risk management, supplier engagement, external workforce management, collaboration and technology adoption. The paper also explores the impact of current business trends, notably macroeconomic uncertainty and rising expectations for environmental, social and governance (ESG) performance within procurement.

For a third consecutive year, Economist Impact conducted a global survey of 2,307 C-suite executives across organisational functions, including chief financial officers (CFOs), chief operations officers (COOs), chief procurement officers (CPOs), chief supply chain officers (CSCOs), chief human resources officers (CHROs) and chief innovation officers (CIOs).

The 2024 study is an expansion of the survey sample of 500 C-suite executives in 2023 and 430 in its initial year (2022). In the 2022 and 2023 iterations of The Procurement Imperative programme, the survey sample offered critical insights disaggregated at the regional level for the Americas, Asia Pacific (APAC) and Europe, Middle East and Africa (EMEA) regions. As a result of its substantial increase in 2024 to more than 2,000 responses, this executive survey provides more granular insights for each country and persona.

The research's objective has been to explore how businesses and industries are transforming procurement to meet existing and emerging challenges amid disrupted supply chains, rising costs and growing uncertainty. This most recent survey was conducted from January through March 2024.

Economist Impact gratefully acknowledges the writer, Denis McCauley, and the technical experts who provided guidance in their personal or professional capacities. The paper's findings do not necessarily reflect the views of the experts or their organisations (listed alphabetically by surname):

- Sally Guyer, global chief executive officer, World Commerce & Contracting
- Philip Ideson, founder, Art of Procurement

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- Roman Belotserkovskiy, partner, McKinsey & Company
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- Sami Naffakh, chief supply officer, Reckitt
- Matteo Perondi, CPO, Bulgari
- Andy Pharoah, vice president, corporate affairs and sustainability, Mars
- Raquel Pittella Cancado, CPO, ArcelorMittal Brasil
- Klaus Staubitzer, CPO & head of supply chain, Siemens

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

[Home](#)

Procurement Confidence Barometer 2024

As an outcome of the research for this report, Economic Impact created a Procurement Confidence Barometer designed to measure survey participants' perception of efficacy across various areas of procurement performance. This barometer uniquely takes into account the views of procurement leaders in addition to the function's stakeholders—highlighting the attention factors received within and outside of the procurement function. Here, we explore its high-level findings.

The barometer found that more than half of the surveyed executives are now gaining confidence in the improvements in procurement's performance on managing risks and relationships with stakeholders. However, this continues to contrast starkly with companies' abundant willingness to invest in digitalisation to enhance procurement.

The vote of confidence in procurement's capabilities—as shown in the barometer below—does not guarantee

that companies will improve procurement or even use this function at its full capacity in a crisis. As the barometer results indicate, greater attention and action are required to ensure that the procurement function evolves in a manner that aligns with organisational goals and delivers greater value.

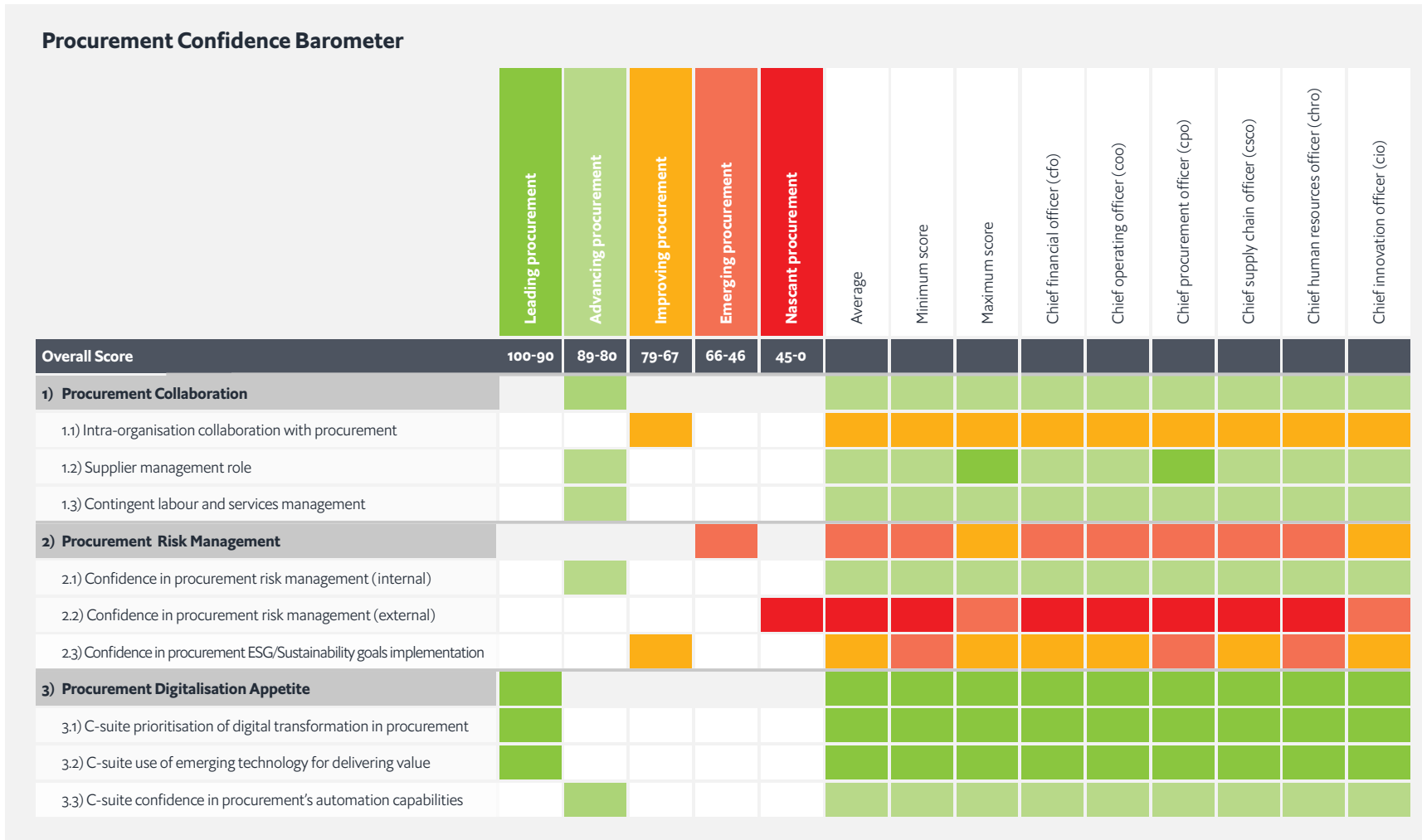
Click [here](#) to view the barometer methodology, data overview and past and upcoming research on the procurement landscape.



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

Executive summary

The procurement function operates in an increasingly complex environment. No sooner did the effects of the global pandemic begin to recede than the emergence of armed conflict further disrupted supply chains and sent energy and transport costs soaring. As procurement teams helped their businesses adapt to these shocks, commodity price inflation reared its head again after many years of relative price stability. This led executives to rethink some long-standing supply-chain relationships and assumptions. Procurement leaders are having to reckon with an environment of “permanent crisis”.

The upside of this situation is that CPOs and their teams are becoming increasingly indispensable to businesses. “Recent events, like the covid-19 pandemic and focus on sustainability, have given us the opportunity to establish procurement and supply chain as a key value function instead of a simple support function,” says Klaus Staubitzer, CPO and head of supply chain at Siemens, a technology and engineering company. However, limited cross-functional visibility into procurement’s commercial value can make it difficult for leaders to retain this reputation.

To deepen the understanding of how senior leaders view procurement and its evolving role in business, Economist Impact, sponsored by SAP, conducted a survey of 2,307 C-suite executives in January-March 2024.¹ The survey sample spans multiple countries, regions and industries. Now in its third iteration, the survey looks at how executives perceive procurement priorities and capabilities in risk management, internal and external collaboration, digitalisation and sustainability.

This paper analyses the research results through in-depth look at the data along with an extensive interview programme with procurement leaders from a range of industries, including automotive, chemicals, consumer goods, life sciences and manufacturing.

The report’s key findings are:

- **Procurement reporting is pivoting towards chief operating officers (COOs):** This year, 44% of procurement teams are reporting to the COO, compared with 26% in 2023 and 34% in 2022. By contrast, only 23% now report to the CFO, the typical reporting line. This shift in relationships opens avenues for procurement to align more closely with the strategic

goals of the organisation—by involving themselves in discussions on themes like innovation, rather than solely cost containment, for example.

- **The impact of inflation continues to make cost management a procurement priority:** C-suite executives view monetary uncertainty, including inflation, as the top risk over the next 12-18 months, for both procurement and the business as a whole. Around half (49%) cite it as their top priority compared with other procurement risks, a considerable jump from only 20% last year. Despite easing inflationary pressures, costs remain higher than in previous years, thus they remain a key executive focus.
- **Legal and regulatory non-compliance across business operations—a key external risk cited by 70% in 2024—is nudging procurement teams to align its priorities with business’ strategic goals:** Stakeholders have also become more socially and environmentally conscious, encouraging procurement teams to incorporate cleaner, more ethical practices within their KPIs. These ultimately contribute to procurement’s expanding remit, particularly around business’s ESG goals.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

[Home](#)

¹ This year’s survey sample size of 2,307 is considerably expanded from 500 in the previous year. The larger base of respondents helps to explain an increase in percentage response rates this year in some questions that have been repeated from the previous year.

- Despite making strides in how they interact with stakeholders, procurement teams have considerable room to improve their collaboration skills:** While 75% of executives agree that procurement collaborates effectively with the business on issues of strategic importance (up from 53% last year), only a fraction of these (18%) have high confidence in procurement doing so, and only 14% have high confidence in the application of procurement insights across the organisation. Procurement has yet to gain the full trust of stakeholders in this area.
- Perceptions of procurement’s ability to manage technology and spend reflect poorly on the function:** In 2024, only 32% of executives are highly confident in procurement’s ability to automate procurement and even fewer (16%) are highly confident in procurement’s ability to manage spend, compared with higher levels of confidence for other KPIs, such as strategic sourcing (39%) and category management (55%). Business stakeholders fixating on return on investment for technologies and skimping on innovation training are leading to the rejection of new capabilities and undermining confidence in procurement’s abilities to manage technology and influence spending.
- Procurement teams are seeking a balance between centralised and decentralised operating models:** Asked about procurement operating model changes in the next 12-18 months, companies’ intentions are roughly evenly split between two directions. One is increasing the role of centres of excellence (CoEs), which support best practices in strategic sourcing, knowledge management, performance tracking and other areas. The other is adoption of a centre-led model, in which the central procurement team makes decisions in key areas while leaving business units to decide on unit-specific procurement matters. CoEs complement and support a centre-led approach.
- Regulation is helping to draw organisations’ attention to how procurement can drive sustainability:** Meeting sustainability and ESG objectives is ranked second on executives’ list of procurement priorities in both the near and longer terms, an increase in importance from the previous year’s survey. The respondents make clear that regulatory compliance requirements are helping to focus procurement’s efforts on these objectives.

This is also evident from growing confidence in procurement’s ability to meet the organisation’s ESG goals, with 68% expressing a positive view of this compared to only 49% in the previous year’s survey.

- Businesses look to reduce supply chain risk in the long term by prioritising supplier diversification—a priority cited by 40% of surveyed executives.** In the shorter term, meanwhile, companies are putting stronger emphasis on supply-base consolidation (26% in 2024 v. 10% in 2023) given the push to build trusted relationships to overcome supply-chain challenges.
- Procurement’s success in digitalisation increasingly rests on its ability to adopt and master emerging technologies:** Accelerating digitalisation is the highest procurement priority for the majority of respondent organisations over the next 12-18 months, and AI adoption is a centrepiece of these efforts, cited by 44% as a top technology priority. The respondents make clear that AI should play a key role in improving procurement process automation.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

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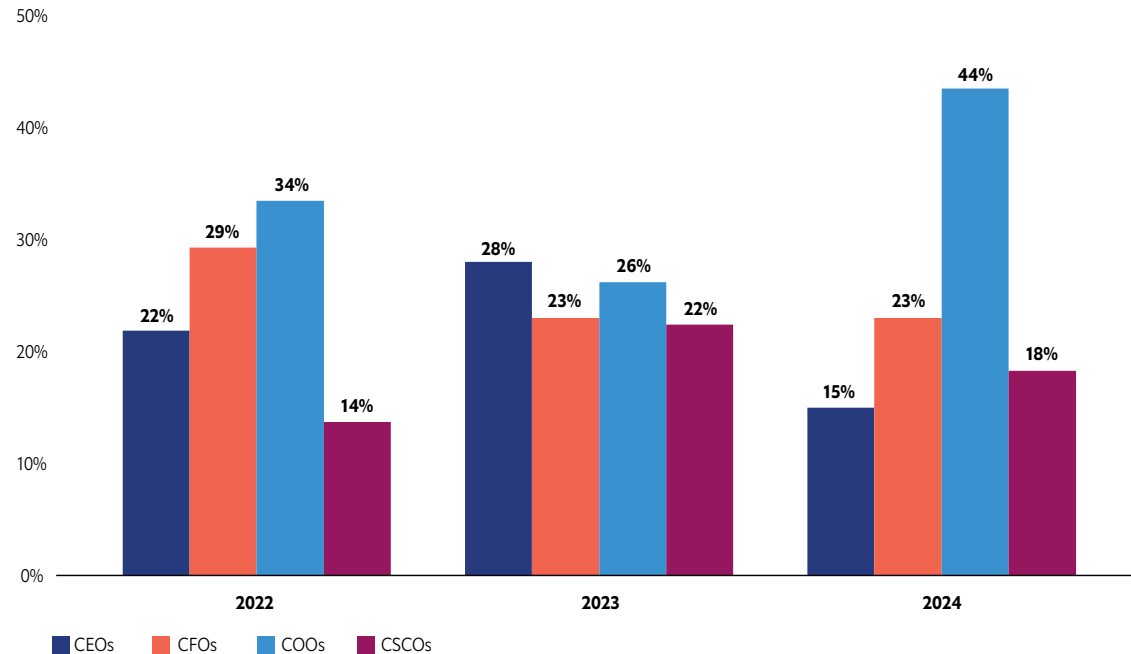
Introduction: No backward steps for procurement

The 2024 survey results unmistakably point to an expanding role for procurement in businesses and a growing perception of the function as a value generator. One indicator of this is a large increase in the share of respondents confirming that procurement now reports to the COO. In this year's survey, 44% state that this is the case, compared with 26% last year. The trend is particularly evident in the life sciences, oil and gas, mill products, and chemical industries, where 50% or more of respondents say that this is now procurement's reporting line.

This evolution in reporting lines will likely have a flow-on impact on the types of discussions in which procurement is engaged.

These include topics that would previously have been considered outside of the function's remit, such as taking a broader look at the entire value chain rather than solely at cost efficiencies and savings.^{2,3}

Figure 1: Whom does your procurement team report to?



Source: Economist Impact

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

² Kearney, September 7, 2018. "A procurement imperative for the CEO". [https://www.middle-east.kearney.com/procurement/article/-/insights/a-procurement-imperative-for-the-ceo] Accessed April 12, 2024.
³ Chief executive. "2024 CEO Strategic Roadmap: Elevating Procurement Excellence For Sustainable Growth". [https://chiefexecutive.net/2024-ceo-strategic-roadmap-elevating-procurement-excellence-for-sustainable-growth/] Accessed April 12, 2024.

“Procurement’s role has changed markedly in recent years,” says Sami Naffakh, chief supply officer at Reckitt, a provider of health, hygiene and nutrition products. “It has a more prominent role, for example, in helping business units drive innovation.”

Roman Belotserkovskiy, a partner at McKinsey & Company, a consultancy, says the inflation crisis in recent years has provided an opportunity for procurement to demonstrate its value and increase its prominence.

“CPOs who did well are those who went and found new sources of supply or who focused on protecting revenues or margin, rather than focusing exclusively on cost.” Mr Belotserkovskiy has also observed a rise in the number of CPOs presenting to their board of directors—another sign of increased prominence. “That was very rare two or three years ago,” he says.

No time for self-congratulation

This is not to say that CPOs have gained a firm place at the senior leadership table everywhere, or that the function has cemented a strategic role in the organisation. Studies suggest that, at many organisations, key business stakeholders continue to view procurement as predominantly playing an administrative or gatekeeping role, more so than that of a valued business partner.⁴

Cost management certainly remains high on procurement’s agenda, even as the function’s influence grows in other areas of the business. This manifests itself, for example, in the pre-eminent focus that 49% of survey respondents give to monetary uncertainty, including inflation, when asked about procurement’s short-term risk priorities.

Commodity and consumer price inflation pressures have eased from 2023 levels in much of the world. Nevertheless, geopolitical and macroeconomic crises, such as climate change and the Red Sea crisis, continue to put pressure on supply costs, reinforcing cost as a key priority for procurement leaders. Although surpassed as a priority in this year’s survey by digitalisation and

sustainability/ESG, cost management still ranks third on the priority list over the next 12-18 months.

Even with this ever-present focus on cost, the survey reveals that procurement’s remit is widening, that it is applying a strategic lens to the roles it is taking on, and that it has the support of other C-suite executives in doing so.



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

⁴ UNA, January 31, 2023. “Changing the face of procurement”. [https://una.com/resources/article/changing-the-face-of-procurement/#:~:text=There%20are%20several%20reasons%20procurement,buy%E2%80%9D%20signals%20from%20the%20business]. Accessed May 2, 2024.

The 2024 survey results unmistakably point to an expanding role for procurement in businesses and a growing perception of the function as a value generator.

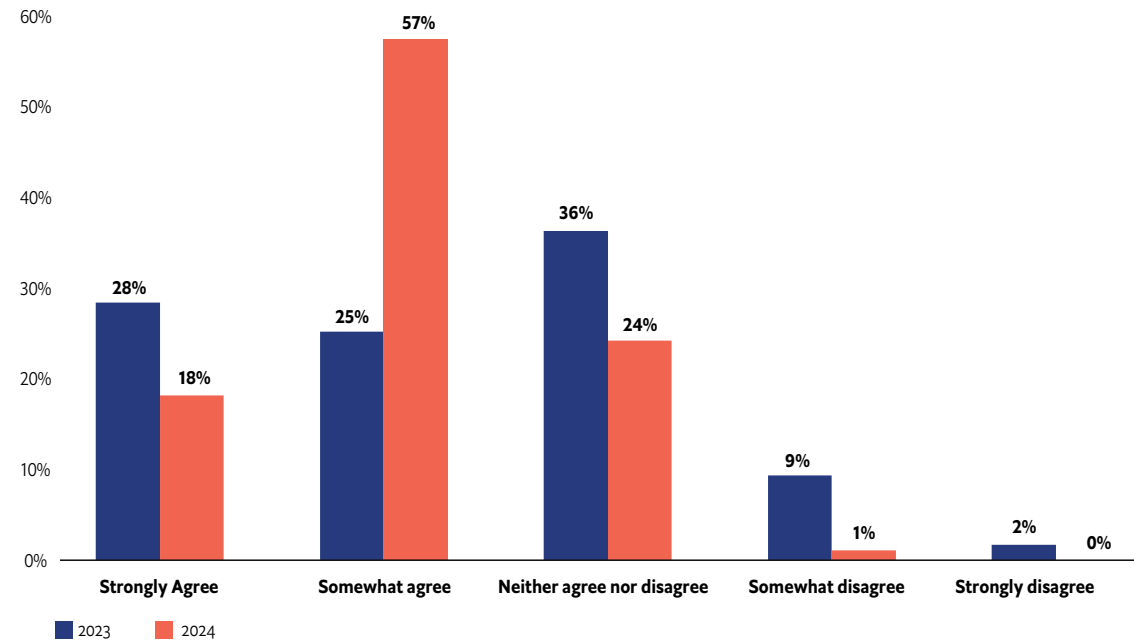


A growing appreciation of value

The Procurement Confidence Barometer details an improved organisational perception of procurement. Collaboration with other stakeholders in the organisation is a key factor contributing to this change. Such collaboration is vital to ensure that procurement fully understands the needs of different business units and departments when it comes to sourcing inputs, managing contingent labour, understanding key risks and other areas.

Over the past two years, procurement has increased its focus on improving collaboration. This year, three-quarters (75%) of respondents say that procurement collaborates effectively with the rest of the organisation—a 22 percentage point increase over 2023 (53%). Agreement on this point was strong across all C-suite executives, though interestingly, CPOs had a slightly less favourable view at 70%.

Figure 2: Procurement collaborates effectively with the rest of the organisation to help meet the company vision



Source: Economist Impact

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

[Home](#)

While an indication of procurement progress, there remains ample room for further improvement in how the function collaborates. Only 18% of respondents strongly believe that procurement collaborates effectively with the rest of the organisation—a 10 percentage point decrease from 2023 results.

Since the covid-19 pandemic, procurement executives have been reimagining procurement as a value creator instead of a cost controller. Mr Staubitzer explains, “In the past, it wasn’t uncommon for the organisation to just throw purchasing orders over the fence, and we had to fulfil them. The cost-cutting was the prevalent factor in these purchases. So we’re striving now to bring procurement and supply chain fully into the business and to the decision table.”

“Procurement has often operated in this bubble that was in service of its own goals as opposed to in service of the goals of the wider business,” says Philip Ideson, founder of Art of Procurement, a procurement consultancy. He believes this is one of the biggest gaps for procurement in bringing more value to the organisation. A recent study found that only around half of procurement teams

collaborate with line-of-business budget holders, preventing the former from being viewed as a budget partner that can ensure that spend requirements are realistic and adequate.⁵

Looking inwards has been important for procurement teams to assess their performance on critical and traditional tasks, such as category management, cost savings and risk reduction, while also exploring newer avenues to enhance the quality of its user experience and driving innovation for the business at large. Mr Staubitzer adds that this process must go on: “In two or three years, we might replace one value dimension with something else. But whatever happens, we have to be focused on increasing the value of our huge purchasing volume, because that will make a big difference to our business.”

Procurement as an insight generator

The growth of procurement’s influence is also visible when it comes to the perceived value of insights offered by the function. This year, 84% of executives say those insights are essential for implementing the organisation’s strategy and vision, compared with 70% in 2023.

Whether the business effectively applies those insights is slightly more in doubt, as only 64% of respondents agreed that it does. Interestingly, those who procurement has historically reported to—CFOs and COOs—are the least likely within the C-suite to say this.

According to Matteo Perondi, CPO at Bulgari, a luxury fashion house, receptiveness to procurement’s insights can be low in business units that have worked with the same suppliers for many years and which have built personal relationships in addition to professional ones. “These functions don’t feel the need for procurement’s help. In such cases, we need to show where there may be hidden risk or a missing opportunity in maintaining such long relationships.” Thus, procurement teams have considerable work to do to ensure that their voice is heard clearly across the business.

There is some question, however, about where procurement insights currently provide the most value. Take sustainability, for example. Further research shows that while most CPOs believe their teams’ insights are integrated into the organisation’s supplier sustainability metrics, a minority say they are involved in the sustainability decision-making process, where they could be more valuable.⁶

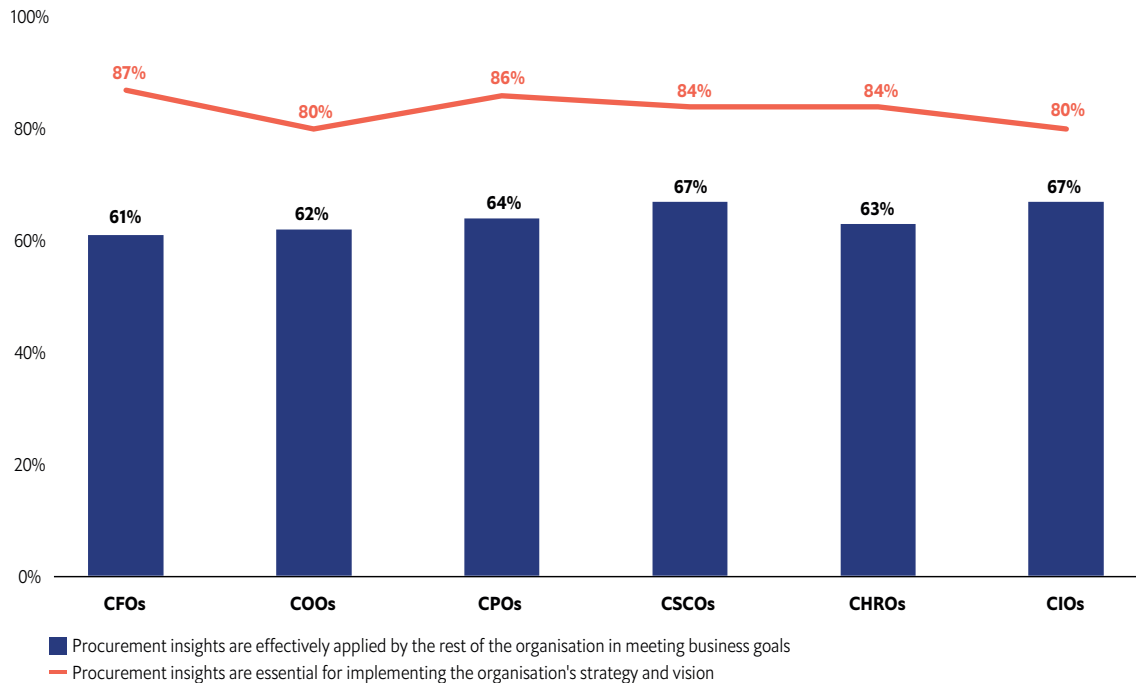
Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

⁵ Ardent Partners. June 2023. “CPO Rising 2023: CPO at the Crossroads”. [https://cporising.com/2023/06/05/cpo-rising-2023-cpo-at-the-crossroads/]. Accessed March 29, 2024.
⁶ Icertis. 2024. “2024 ProcureCon CPO Report”. [https://www.icertis.com/research/analyst-reports/procurecon-cpo/report/]. Accessed March 29, 2024.

Figure 3: C-suite perceptions of procurement’s insights generation



Source: Economist Impact

Combining the chief procurement and chief sustainability roles at Mars eight or so years ago was a deliberate decision, shares Andy Pharoah, vice president of corporate affairs and sustainability at the multinational confectionery and pet food manufacturer. “We’re only going to achieve our environmental and social targets with a fully engaged commercial [procurement] function, particularly when 95% of our emissions are scope 3.”

Improved communication between procurement and other business units could assist in reminding them of the relevance of procurement insights, which in turn better assures the CPO’s efforts to earn and keep their seat at the senior leadership table.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

Maintaining the core

Procurement’s track record of excelling at controlling costs, negotiating contracts, working with suppliers and most recently, minimising external risks to the supply chain has left few doubts among executives as to the function’s ability to perform many of its core tasks.⁷ In line with this, 87% express confidence in procurement’s handling of category management and ability to manage strategic sourcing, while 86% of respondents are confident in its potential to conduct supplier risk and performance management and deal with contingent labour and service providers. The expression of confidence is slightly less emphatic relating to strategic sourcing: 39% say they are “highly confident” in procurement’s ability to manage this.

Conversely, business leaders have relatively less faith in their procurement team’s ability to decide how capital is allocated to maximise operational efficiency and reduce unnecessary spending. Around one-third (30%) of all executives cite a lack of confidence in procurement on this metric, with significant concern from leaders based in the Middle East, Latin America and Asia Pacific.

Over a third of COOs, CPOs and CSCOs similarly express their lack of confidence in procurement’s spend management and cost control capabilities. The latter may help explain the respondents’ heightened attention to monetary uncertainty as an organisational risk and to cost management as a procurement priority, both of which are discussed later.

The results point to a deeper problem facing the function. Points of hesitation for the C-suite include gaps in procurement’s visibility into its external and internal stakeholders’ risks and priorities as well as limitations in creating comprehensive and accurate data on its organisational spend, developing clear roadmaps outlining its rationale and forging deeper relationships with its stakeholders.

Raquel Pittella Cancado, CPO at ArcelorMittal Brasil, a producer of steel products, explains collaboration as a critical gap for building trust: “Collaboration is key because procurement needs to work alongside its internal stakeholders for everyone to have a sense of total cost of ownership and competitiveness that impact the business.”

According to Mr Ideson, business stakeholders often chafe under procurement’s efforts to control their spend, believing they should have more purview to choose whom they buy from, for example. This could help explain executives’ slightly weaker vote of confidence in procurement’s spend management capabilities than in its other core functions.

Mr Ideson notes that procurement can have a bigger impact on the business by focusing on spend under influence. “Rather than increasing the spending it directly manages, procurement’s objective should be guiding and advising the business on how it should be buying things,” he says.

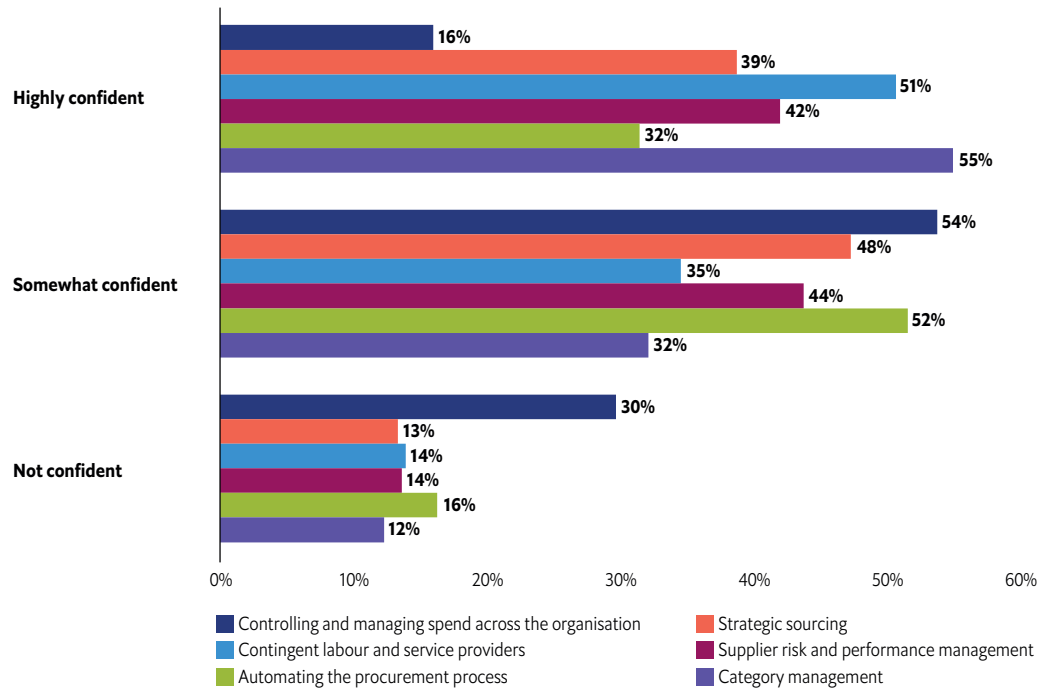
Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

⁷ KPMG. 2023. “KPMG 2023 Global Procurement Survey”. [https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/kpmg-2023-global-procurement-survey.pdf]. Accessed April 2, 2024.

Figure 4: C-suite confidence in procurement’s ability to perform its core functions



Source: Economist Impact

According to the Institute for Supply Management, spend under influence is broader than the more familiar “spend under management.” Where the latter captures an organisation’s spending under procurement’s direct control, spend under influence also captures procurement initiatives or activities—through process improvement or automation, for example—which indirectly impact supplier selection decisions and can result in increased savings, greater cost efficiency and lower risk.⁸

Procurement’s ability to influence rests partly on timeliness, says Pierre Mitchell, chief research officer and managing director at Spend Matters, a procurement technology and advisory firm. “We’ve found that a good predictor of procurement’s ability to demonstrate ROI is how early it interacts with business stakeholders when the latter are making key decisions,” he says. “For example, it means engaging with R&D when it’s designing [a new product] or with the C-suite when it’s starting to look at an acquisition. Procurement needs to get a seat at those tables early to be able to deliver value.”

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

⁸ Institute for Supply Management. October 19, 2020. “The Monthly Metric: Percentage of Spend Influenced by Procurement”. [https://www.ismworld.org/supply-management-news-and-reports/news-publications/inside-supply-management-magazine/blog/2020-10/the-monthly-metric-percentage-of-spend-influenced-by-procurement/]. Accessed March 29, 2024.

The evolving risk landscape

The C-suite may be highly confident about procurement’s ability to manage supplier risk, but the same cannot be said of its ability to manage external risk more broadly. Among respondents, 41% expressed such confidence, which is down from 62% who did so the previous year. A different trend is evident when it comes to internal risk (for example, workforce issues or alignment of major initiatives), where confidence levels rose to 83% this year, from 64% last year.

The consistent flareup of health, geopolitical and macroeconomic crises since 2020 has reminded executives that businesses, the procurement function included, have limited ability to forecast every type of risk and they can only try to manage those when they occur. “What has been called a ‘state of permanent crisis’ now involves procurement,” says Mr Perondi. Procurement can, of course, work with business stakeholders, suppliers and to an extent with the entire sector, to adapt to and mitigate such risks.

However, many procurement teams have experienced unfamiliar difficulties of late, according to Mr Belotserkovskiy, particularly when inflationary pressures began to mount. “We found that many teams did not have a clear grasp of the supplier risk they carried,” he says. “Some worked with a single, reliable supplier [of key inputs] for 20 or so years but were suddenly presented with steep price increases or delivery cutbacks due to the supplier’s capacity constraints. Businesses have been disrupted as a result.” Procurement needs to do a much better job of measuring supplier risk and understanding its exposures in this area, says Mr Belotserkovskiy.

Views on procurement’s organisational risk priorities have changed from last year’s study. Supply-chain visibility remains among the top risk priorities in 2024, ranking second on this list in terms of response frequency. This is unsurprising, as organisations experience four supply-chain disruption events every year,⁹ on average, which heavily impacts the bottom line.

Rising to the top of the priority list this year is monetary uncertainty, reflecting concerns about the impact that commodity price inflation has had on margins. This risk is cited by nearly half (49%) of respondents overall, compared with just 20% last year.

“Understanding the new pattern for prices is more important than dealing with inflation itself,” says Ms Pittella Cancado. “For example, natural gas prices are not coming back to pre-pandemic levels. This complete shift in relative prices can have a huge impact on strategic sourcing and the competitiveness of your business.” More CFOs (55%) than other executives voice this concern, but CPOs (52%) express it only slightly less frequently.

It is no coincidence that the same executives see macroeconomic risks as among the chief external risks impacting how their organisations’ strategic priorities change over the next 12-18 months—a view stated by 71% of them. Nearly as many, 70%, point to legal and regulatory risks in this context.

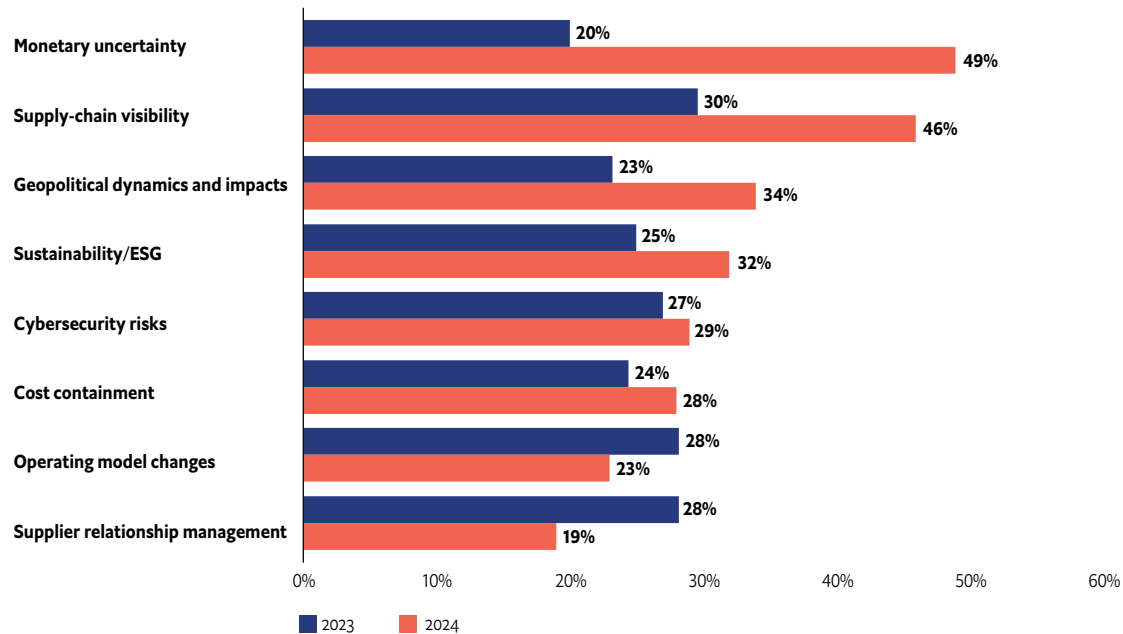
Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

⁹ Interos. “Invisible Threats: Resilience 2023”. 2023. [https://www.interos.ai/press/interos-annual-supply-chain-report-unveils-37m-benefit-to-organizations-taking-swift-action-on-supply-chain-disruption/] Accessed April 24, 2024.

Figure 5: Procurement’s top priorities for organisational risk over the short term (12-18 months)



Source: Economist Impact

Business leaders also express concerns around local and international geopolitical developments, including a historic election year for more than two billion voters in 50 countries and mounting physical conflict. Trade and trade routes are increasingly being impacted by politics, geopolitics, and events. So, in any global business that needs to be managed carefully and there need to be Plan B and C options. The prospect of borders and trade routes closing or being impacted is a short and medium risk for Mars, shares Mr Pharoah. “While we seek to source and manufacture as locally as we can as a matter of good business practice, we are reliant on global sourcing for many key raw materials and we cannot operate manufacturing in every country we sell in.”

The ongoing Russia-Ukraine war, mainland China-Taiwan tensions and more recently, the Israel-Hamas war are continuing to impact procurement directly through operational disruption and higher costs, according to Economist Intelligence (EIU).¹⁰ For instance, Houthi attacks on ships in the Red Sea caused shipping rates to rise by 4% by the end of 2023. This could significantly raise costs for global supply chains as major carriers look to reroute from the Suez Canal, which accounts for 12% of global trade.¹¹ Energy analysts also worry that further escalation of the recent Israel-Iran tensions could disrupt Persian Gulf oil shipments, potentially sending oil prices—and companies’ energy costs—considerably higher.¹²

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

¹⁰ EIU Viewpoint, December 13, 2023. “EIU Global Outlook (January 2024)—our latest views”. [https://viewpoint.eiu.com/analysis/article/1733710156]. Accessed April 3, 2024.

¹¹ Procurement leaders, December 21, 2023. “What procurement needs to know about the Red Sea crisis”. [https://procurementleaders.com/content/what-procurement-needs-to-know-about-the-red-sea-crisis/]. Accessed April 3, 2024.

¹² Center on Global Energy Policy, Columbia SIPA, April 17, 2024. “Iran Attack on Israel: Implications and Oil Market Concerns”. [https://www.energypolicy.columbia.edu/iran-attack-on-israel-implications-and-oil-market-concerns/]. Accessed April 23, 2024.

Mr Staubitzer believes that businesses can ultimately manage such risks, though with difficulty, and significant efforts are needed. Of greater concern to him at the moment is the prospect of another shift in the US political arena that leads to new executive orders, further inflaming US-China tensions. “Any presidential decree from a major country like China, the US or the EU can cause supply chain disruptions overnight, and these developments are not easy to manage.”

Organisations plan to respond to such geopolitical uncertainty with dual-sourcing and inventory buffering as their primary strategy.¹³ More than a third of survey respondents (40%) have a long term focus to diversify their supplier network and multisource (35%) to insulate supply chains from geographical concentration risks. However, diversifying from suppliers is not as easy, especially if the supplier is the sole provider of the goods or service, or if they are deeply embedded in the supply chain, says Mr Ideson. “In such an instance, organisations try to diversify from the supply chain facility they source from, as opposed to just the supplier.”

Interestingly, according to the 2024 Economist Impact Trade in Transition report, more than a quarter (26%) of businesses are seeing a push towards supply base consolidation in the near term, a 10 percentage point increase from 2023.¹⁴

Working with fewer suppliers provides greater visibility, increased information sharing and cost-efficiencies through favourable negotiations.¹⁵ Organisations are going through a consolidation phase particularly in the tail spend where associated risks aren't as prominent, explains Mr Ideson. This is quickly complemented by risk events that drive the focus back on diversification, especially for areas of strategic purchasing.

**“Consolidation and diversification don’t have to be mutually exclusive and can exist in tandem”
- Philip Ideson, founder, Art of Procurement**

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

¹³ McKinsey & Company. November 3, 2023. “Tech and regionalization bolster supply chains but complacency looms”. [https://www.mckinsey.com/capabilities/operations/our-insights/tech-and-regionalization-bolster-supply-chains-but-complacency-looms]. Accessed May 2, 2024.

¹⁴ Economist Impact. January 2024. “Trade in Transition 2024”. [https://impact.economist.com/projects/trade-in-transition]. Accessed May 2, 2024.

¹⁵ Proxima Group. 2023. “Supply Chain Barometer”. [https://info.proximagroup.com/hubfs/Supply%20Chain%20Barometer.pdf]. Accessed May 2, 2024.

“We found that many teams did not have a clear grasp of the supplier risk they carried, some worked with a single, reliable supplier [of key inputs] for 20 or so years but were suddenly presented with steep price increases or delivery cutbacks due to the supplier’s capacity constraints. Businesses have been disrupted as a result.”

Roman Belotserkovskiy,
partner, McKinsey
& Company

Procurement renaissance

An increasingly complex and uncertain business environment is driving the need for more agile and fast-paced solutions. Procurement officers view driving innovation as one of their function's chief objectives, to navigate risks and respond to a more conscious consumer environment.

**“A major part of my role [as the CPO] is to be an enabler of creativity and innovation within the business”
- Matteo Perondi, CPO, Bulgari**

In recent years, driving innovation has risen markedly on procurement's agenda at Reckitt, says Sami Naffakh. “As we move from the concept of the supply chain to the supply ecosystem, we're increasingly trying to leverage capabilities, know-how and expertise from suppliers in driving productivity. Procurement has a more prominent role in driving innovation, helping the categories and R&D by identifying, and then leveraging, supplier expertise.”

Coaxing new ideas out of suppliers, however, is not the only means by which procurement can drive innovation. For example, over two-thirds (70%) of the survey respondents agree (although only 18% strongly) that procurement is actively involved in the development of the wider organisation's digital transformation strategy.

Sally Guyer, chief executive officer of World Commerce & Contracting, a not-for-profit association, believes this may be overstating procurement's influence in this area generally, but she observes that some procurement teams indeed have an impact on digitalisation strategy.

“When procurement is being truly influential, it is demonstrating an understanding of the business needs for digitalisation and some insights on the technologies being acquired. It is also proactive in ensuring that those business needs are being met”. Less influential procurement teams, she says, tend to be reactive in this area, engaging with stakeholders on digitalisation strategy relatively late in the process and taking no responsibility for its outcomes.

Our research also shows that procurement is accelerating its own digitalisation, including through the adoption of emerging technologies. It is also seeking to drive innovation in other ways, such as its efforts to change the procurement operating model.

Calibrating the role of the centre

If procurement is to play a more integral role in businesses, changes to the function's operating models to facilitate this are likely to be in the cards in some organisations. The survey suggests this will involve striking the right balance between centralised and decentralised procurement decision-making.

Approximately one-third (32%) of respondents say their team plans to increase the role of CoEs in the next 12-18 months. Another 28% plan to adopt a centre-led approach, where major procurement decisions—involving, for example, sourcing of strategic commodities—are made centrally and tactical decisions are left to business units.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

[Home](#)

The two approaches are complementary, says Mr Ideson. “A CoE fits well in a centre-led model.” He explains that the CoE should provide the best practices and other guidance business units need in a centre-led model to make good purchasing decisions.

In a CoE approach, one such centre may focus on collaboration, another on supplier sustainability metrics and another on enabling innovation in procurement practices, to provide a few examples. Taken together, their purpose is to facilitate change across the team and help it play a more strategic role.

Having a formal support structure, like a CoE, can also help scale automated negotiations across business units, geographies and categories. This increases buyer productivity, resulting in cost savings, and benefits suppliers through shorter sale cycles, real-time feedback and transparency.

For Maersk, automating negotiations of approximately US\$1bn in annual spend helped the shipping and logistics company save 7-8% compared with manual negotiations.¹⁶ Maersk was also able to eliminate an inventory leakage issue (of 6% of goods on hand) by developing, testing and deploying autonomous drones and then using advanced analytics to locate the missing goods—a result of its innovation centre achieved in less than four months.¹⁷

Another manifestation of centralisation is the group purchasing organisation (GPO). A common mechanism in procurement to drive cost savings, GPOs can also deliver business value by streamlining sourcing processes and providing valuable analysis derived from aggregated spend data.¹⁸ An example is the GPO established by logistics company UPS in 2021. It leverages the function’s category expertise to offer discounts to suppliers, and it ultimately aims to become a profit centre for the business, earning additional revenue through an administration fee for every deal signed.¹⁹

AI to the forefront

Accelerating procurement digitalisation is vital if the function is to achieve its innovation agenda. Digitalisation of the function is seen as a top priority for over half of survey respondents (57%) and across all industries over the next 12-18 months. No other strategic priority attracts nearly as many responses.

Fully digitalising procurement operations has been on the function’s agenda for several years, but it is a continuous challenge, particularly as technologies advance at a rapid pace. “People are now realising that digitalisation is not a journey that ends,” says Mr Ideson. “What organisations could do with technology three years ago is nothing like what can be done today.” Ms Pittella Cancado likens today’s digitalisation challenge to the early adoption of personal computers. “Thirty years ago we in procurement were learning how to use Office applications like Excel. Today, staff must become adept with Python [for automation], with APIs [application programming interfaces] and with artificial intelligence.”

Contents

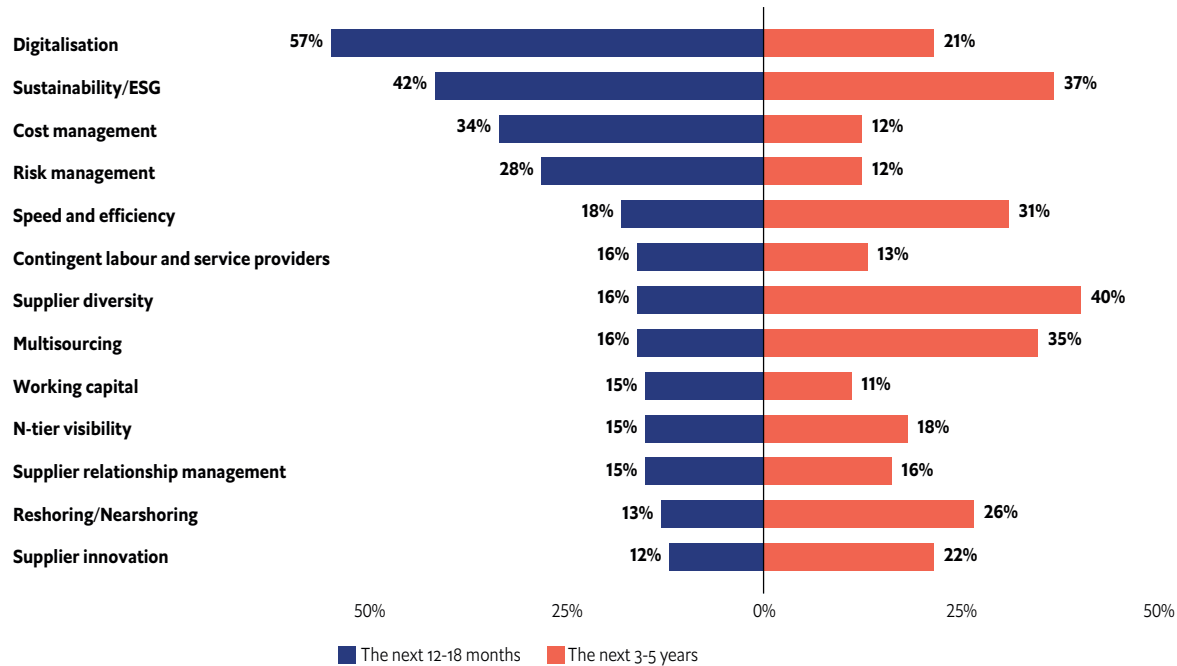
About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

¹⁶ MIT Sloan Management Review, August 31, 2023. “Procurement in the Age of Automation”. [https://sloanreview.mit.edu/article/procurement-in-the-age-of-automation/]. Accessed April 1, 2024.
¹⁷ Harvard Business Review, November 17, 2022. “How Maersk Designed a More Resilient Supply Chain”. [https://hbr.org/2022/11/how-maersk-designed-a-more-resilient-supply-chain]. Accessed April 2, 2024.
¹⁸ Art of Procurement, 2023. “Categorypalozza”. [https://resources.artofprocurement.com/hubfs/Categorypalozza%20-%202023%20Post-Event%20Paper.pdf?utm_campaign=Categorypalozza%202023&utm_medium=email&_hsmi=288620206&_hsenc=p2ANqtz-9Zygp3HTQsH4vNoNY-3j648cojXP6C1sT7OgfVhrloCVwIPXeMVdosb1BKxnnipF5oka-tTEubHERSaDuhs-3dwee-MbVorEHCKgNj2Eq5NPYTbw&utm_content=288619916&utm_source=hs_email]. Accessed April 1, 2024.
¹⁹ Procurement Leaders, June 1, 2022. “How procurement at UPS transformed itself from a transactional function to a strategic partner”. [https://procurementleaders.com/content/how-procurement-ups-transformed-from-transactional-function-to-strategic-partner/]. Accessed April 1, 2024.

According to Ms Pittella Cancado, digitalisation has freed procurement professionals to focus on value-adding activities. “Technology allows procurement to move from a functional area to an intelligence area,” she says. “It frees people up to work on intelligence and become commercial executives who know the latest market and competitor information, to collaborate with stakeholders, to make the right decisions in good time and thus get invited to the table to work on the core business.”

Figure 6: The procurement function’s top strategic priorities



Source: Economist Impact

Contents

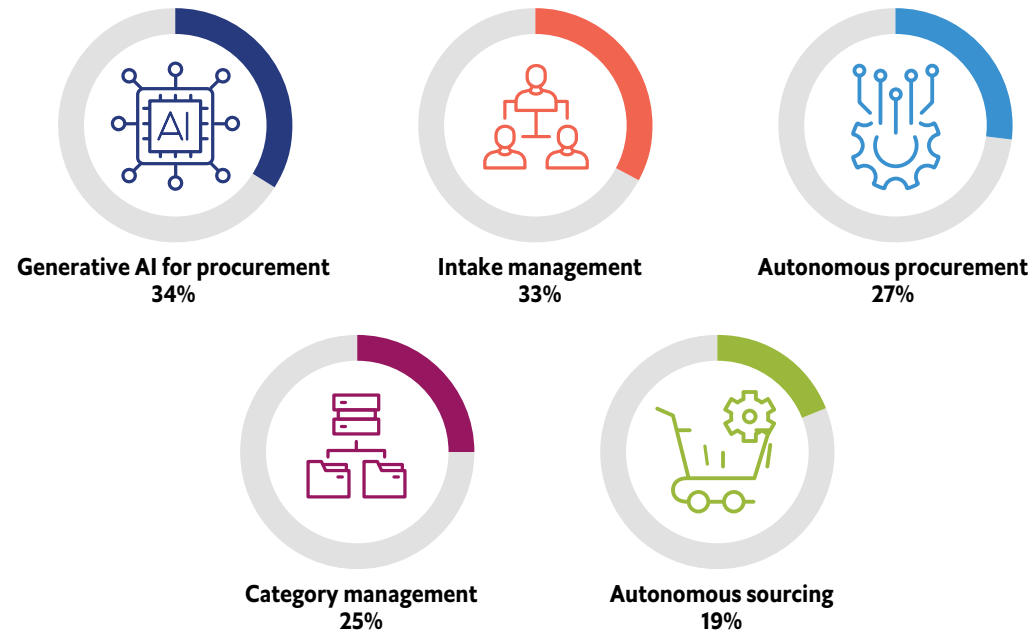
About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

The survey results clearly indicate where the digitalisation priorities lie for procurement. Approximately 84% of executives are confident in procurement’s ability to apply technology successfully to automate some procurement processes and shift their attention to more strategic tasks. Automation-focused technologies can help procurement fill labour gaps, increase productivity and free up labour from repetitive and mundane tasks for value-added work, reducing costs for the group.²⁰

The respondents’ emphasis on digitalisation as a key procurement priority may also be partly influenced by the excitement created in the past year by advances in AI, including generative AI—the top technology trend executives plan to implement over the next 12-18 months (see Figure 7).

Figure 7: The chief technology trends that procurement plans to implement or evaluate in the next 12-18 months



Source: Economist Impact

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

20 Procurement leaders. 2024. “CPO Compass 2024”. [https://marketplace.procurementleaders.com/partners/gep/resources/cpo-compass-2024] Accessed February 10, 2024.

Indeed, adoption of an AI strategy stands at the joint top of executives' list of digitalisation priorities for procurement, alongside spend analytics, both cited by 44%. Among executives, CIOs (59%) and CFOs (48%) are the most keen to pursue an AI adoption plan, while CPOs (49%) and CSCOs (43%) cite spend analytics as the main drivers for digital transformation in procurement, mirroring the different working remits and goals of the C-suite. Notably, spend analytics was also the top digitalisation driver cited in the 2023 survey.²¹

These two objectives are complementary. Mr Belotserkovskiy explains: "We've built AI tools that can read a contract and evaluate clauses [to determine if they're the right fit for each case] and how they can be improved. We've also used AI to build commodity forecasting engines that are beating forward curves continuously." It can also enhance data cleaning and master data management, he adds: "AI can shortcut a lot of these processes through synthesis because, in many cases, 80-20 data is good enough to make procurement decisions."²²

Over the next 12-18 months, 48% of executives aim to use AI to improve procurement process automation. In this context, high on the list (third and fifth) of technology trends that procurement will be implementing, or at least evaluating, are autonomous procurement (using AI to enable a source-to-pay process) and autonomous sourcing (AI-enabled spend management and decisions support).

Developing orchestration capabilities—the practice of connecting and coordinating people, processes and systems across an organisation—will help to advance procurement automation. By integrating various technologies, such as enterprise resource planning systems, advanced analytics and AI, orchestration can enable procurement teams to plan, execute and monitor their end-to-end processes. As a result, they will be able to identify friction and bottlenecks, conduct predictive analysis, reorganise the process and develop an optimal operational flow.²³

Orchestration in the procurement context describes both a practice and a set of tools designed to provide stakeholders with a unified experience across all stages and elements of the procurement process. According to Mr Perondi, procurement teams are increasingly using AI, including generative AI, to enhance orchestration.

Digitalisation is also likely to impact procurement's role in engaging contingent labour. With advanced skills in these areas in limited supply, many companies are turning to external specialists to help deliver on key digitalisation goals. This includes the adoption of AI, says Mr Ideson. "AI will require human assistance for most organisations to benefit from it, at least in the short and medium term," he says, and many will look to access specialised resources for short periods of time rather than contracting them for longer projects. In this sense, AI may drive a trend towards a larger contingent workforce as companies seek more targeted expert knowledge, says Mr Ideson.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

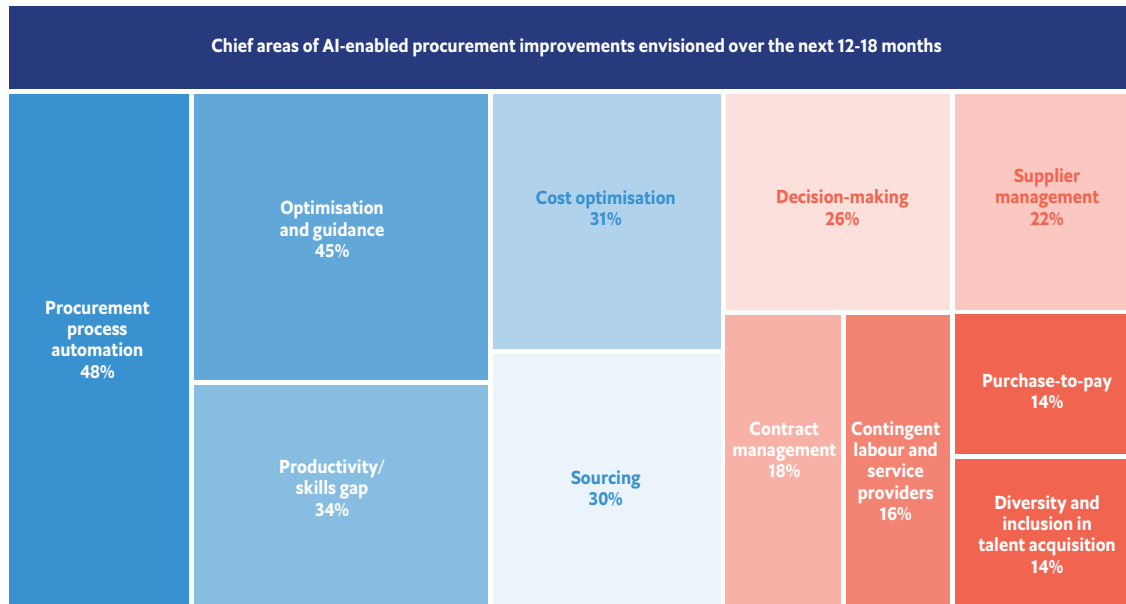
Home

²¹ "Adoption of an AI strategy" was not a response option in that survey.

²² The 80-20 rule, also known as the Pareto Principle, explains that 80% of outcomes result from 20% of causes for a given event. For a business, this rule helps identify and prioritise the inputs that are the most productive in generating the outputs.

²³ Cappgemini. November 13, 2023. "Supply chain orchestration – the quest for smart, integrated, end-to-end supply chain management". [https://www.cappgemini.com/insights/research-library/supply-chain-orchestration/]. Accessed April 2, 2024.

Figure 8: Chief areas of AI-enabled procurement improvements envisioned over the next 12-18 months



At the same time, such technologies will help to standardise and ease the management of contingent labour. This applies, for example, to most recruiting processes, including job advertising, resume scanning and scam prevention, expediting background checks, skill assessment, interviewing and communication.²⁴ The use of advanced analytics, meanwhile, should improve compliance with contingent workforce contracts, especially involving contractors who lack day-to-day oversight of their work.²⁵

A secondary driver of procurement digitalisation, cited by 31% of executives, is the desire to improve category management through real-time and accurate data that can be connected with strategy execution. The most prominent of the category management areas that executives hope will improve through digitalisation is scenario planning, cited by 41%, followed by market/industry analysis (27%), should-cost analysis (25%), strategy identification (25%) and process management (25%).

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

Source: Economist Impact

²⁴ CWS 3.0, January 3, 2024. "Must-have program improvements for 2024". [https://cwstrategies.staffingindustry.com/must-have-program-improvements-for-2024/]. Accessed April 19, 2024.

²⁵ Sapience. 2023. "Your contingent workforce is no longer a contingency plan". [chrome-extension://efaidnbmnbbpajpccglclefindmkaj/https://assets.sig.org/s3fs-public/srcDocs/Your_contingent_workforce_is_no_longer_a_contingency_plan_Sapience.pdf?file=1&type=node&id=20527&]. Accessed April 19, 2024.

A motivation for several of procurement’s digitalisation initiatives described above is the desire to improve the quality of data its tools and models analyse. Subpar data quality is a problem that hinders procurement’s ability to make good decisions. According to some studies, it also sometimes leads to pushback by business units against procurement recommendations and can weaken stakeholders’ confidence in the function.²⁶

Poor data could also undermine procurement’s best efforts to implement an AI strategy—one of the function’s foremost digitalisation priorities. The effectiveness of AI models as decision-making tools hinges on both data sufficiency and data accuracy. Model data does not need to be perfect to make good decisions, as pointed out by Mr Belotserkovskiy, but it must be largely error-free.

To some extent, procurement’s options for improving data quality are constrained, as ownership of the data it needs to use is often highly fragmented in organisations. This also impedes the function’s ability to generate higher quality insights.

“Data siloes and fragmented data ownership are a massive challenge,” says Ms Guyer. “Procurement gathers a lot of important data, but it too often has limited access to associated data captured by other functions in the performance environment,” she says. “Without marrying that data together, it is impossible to generate business intelligence that is really valuable.”

Procurement’s challenge in this context is to collaborate more effectively with other functions to gain more visibility into the data they gather, and to advocate for the greater integration of cross-functional data repositories relevant to purchasing.



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

²⁶ Procurious, June 2023, “From Insights to Impact: Driving High-Performance Procurement”, [https://www.procurious.com/resources/from-insights-to-impact-driving-high-performance-procurement-maximise-organisational-value-and-effectiveness]. Accessed May 1, 2024.

Using technology to move the sustainability needle

In procurement, as in other functions, digitalisation—and particularly the deployment of advanced technologies—is a strong driver of sustainability. Most survey respondents’ stated ESG objectives, including improved compliance, lower carbon footprint, reduced waste generation and energy consumption, are unlikely to be achieved without the application of AI, advanced data analytics, augmented and virtual reality (AR/VR), robotics, blockchain, and other technology capabilities. Across regions, the use of applications to track and monitor ESG performance is also of distinct interest for executives in the Nordics (21%) and North America (20%). Two of the CPOs we interviewed provide examples of digital technology in action in this context.

Siemens, for example, uses a digital twin (a digital model of a real-world product, object or process) to analyse, with precision, the material cost of the parts it purchases and how they are produced,

according to Mr Staubitzer. His team now also uses the tool to determine the CO₂ emissions of those parts as well as the carbon footprint of the supplier’s entire operations. A similar trend is seen in the survey, as 46% of CPOs prioritise carbon footprint mitigation, more than any of their counterparts. “Our suppliers are sometimes surprised that we have a better breakdown of these details than they have from their own calculations,” Mr Staubitzer says.

According to Mr Perondi, Bulgari, like other luxury brands, uses multiple technologies to unlock exclusive content for the customers. By scanning the QR (quick-response) code with a smartphone or with NFC code on their digital authenticity card, customers can access detailed information about their jewellery and see environmental details relating to the material inputs of their products. When advanced, this could provide a product’s total environmental impact and help customers make more environmentally sound decisions. A sustainable product design and recyclable

packaging are key components of reducing waste generation, a top sustainability priority for almost a third (32%) of the surveyed executives.

In the luxury goods sector where Bulgari operates, sustainability processes are highly automated, says Mr Perondi. “Everything [relating to sustainability] is digitalised. For example, the AURA blockchain network—developed by Bulgari in collaboration with a range of international luxury brands—enables consumers to trace the history and authenticity of luxury goods.”

The luxury sector has been committed to reducing its footprint over the next few years, according to Mr Perondi, who says, “this also helps [enable] digital collaboration in sustainability among major brands.”

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

[Home](#)

The challenge of change

The accelerating adoption of AI and growing attention being accorded to ESG and sustainability will entail considerable organisational and cultural change in procurement and across the business. This extends beyond the structural shifts towards centre-led models discussed above, necessitating the adoption of new ways of working and the development of new types of skills.

Mr Naffakh has doubts about the current ability of most organisations to accommodate such change. “We’re talking about massive change, which will require different structures, completely different operating models and completely different sets of skills and capabilities,” he says. “Not many companies are creating a roadmap yet to guide such change.”

The survey provides support for this view. When it comes to procurement transformation, 69% of respondents believe a lack of vision and business alignment poses a major change-management challenge.

CIOs—who are well placed to recognise internal barriers to change—are more likely than most other C-suite executives to express this view. A majority (61%) also feel that the current people strategy for procurement—to guide such areas as training and development—is inadequate. Moreover, 45% believe approaches to garnering stakeholder buy-in for the needed change in procurement are ineffective.

Without greater attention to change management, procurement teams’ investments in AI, among other advanced capabilities, are likely to be wasted, according to Mr Naffakh. “So often we see employees given powerful new technologies revert to older, more familiar ones, which means losing 99% of the value of the new tool. This is what will happen if organisations don’t devote adequate time to change management.”

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

[Home](#)

Business leaders view the achievement of sustainability objectives and ESG targets as among the top strategic priorities for procurement in this year's survey.



Procurement's green thumb

Business leaders view the achievement of sustainability objectives and ESG targets as among the top strategic priorities for procurement in this year's survey. It ranks second to digitalisation among procurement teams' 12-18 month priorities (cited by 42%), a marked rise from its fifth-place ranking the previous year. Business leaders assigned it both short- and long-term importance: it also ranks second when asked about 3-5-year priorities (see Figure 6), indicating a strategic commitment to more responsible business practices and long-term value creation.

Studies note that companies managing ESG issues in supply chains enjoy higher profit margins of 1-3% and stock market premiums of over 10%. This takes ESG beyond a reputational risk reducer to become a source of value creation.²⁷ Procurement's work at the convergence between the business and wider supply-chain ecosystem thus offers it a unique strategic opportunity to lead the sustainability agenda. Procurement's sourcing and supplier engagement activities are key for businesses in meeting their sustainability commitments.²⁸

Mr Naffakh elaborates on procurement's role in translating companies' green pledges into action: "Most companies are making CO₂ or biodiversity commitments with a direct material impact on what and how we buy things. So, we have to source more sustainable materials in a more sustainable manner."

As such, procurement remits continue to widen and become more strategic as the function has new standards for success. This could include biodiversity guarantees for natural ingredients, decent wages for local producers, and support for communities, suggests Mr Naffakh.

Regulation empowering sustainable procurement

Compliance requirements around sustainability standards, supply-chain transparency and emissions and resource efficiency are exerting pressure on companies, particularly procurement teams, to drive the necessary outcomes.²⁹ Regulations like the European Sustainability Reporting Standards (ESRS) and Corporate Sustainability Reporting Directive (CSRD) have created new reporting obligations for an estimated 50,000 companies in recent years.³⁰

Unsurprisingly, when asked about procurement's highest priority related to sustainability and ESG objectives, regulatory compliance and carbon footprint mitigation are top of mind for the C-suite, both cited by 39%. While more executives based in Latin America (50%), North America (41%), the Middle East (43%) and Asia Pacific (39%) prioritise regulatory compliance, those from Western Europe (42%) and Nordic countries (39%) were more focused on reducing carbon emissions.

For many businesses reducing scope 3 emissions is lower down the list of sustainability priorities, below waste reduction (scope 1) and cutting energy consumption (scope 2), which are easier for companies to influence. "For most companies, scope 3 emission is the largest part of their greenhouse gas emissions," says Mr Pharoah. "In our business, for example, a large amount of those emissions are concentrated in smallholder agriculture, where it's not easy to bring about change." However, some businesses, such as Mars, have been working significantly hard to reduce their scope 3 emissions to meet their target in 2030. "If you are serious about sustainability, it has to be done."

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

Home

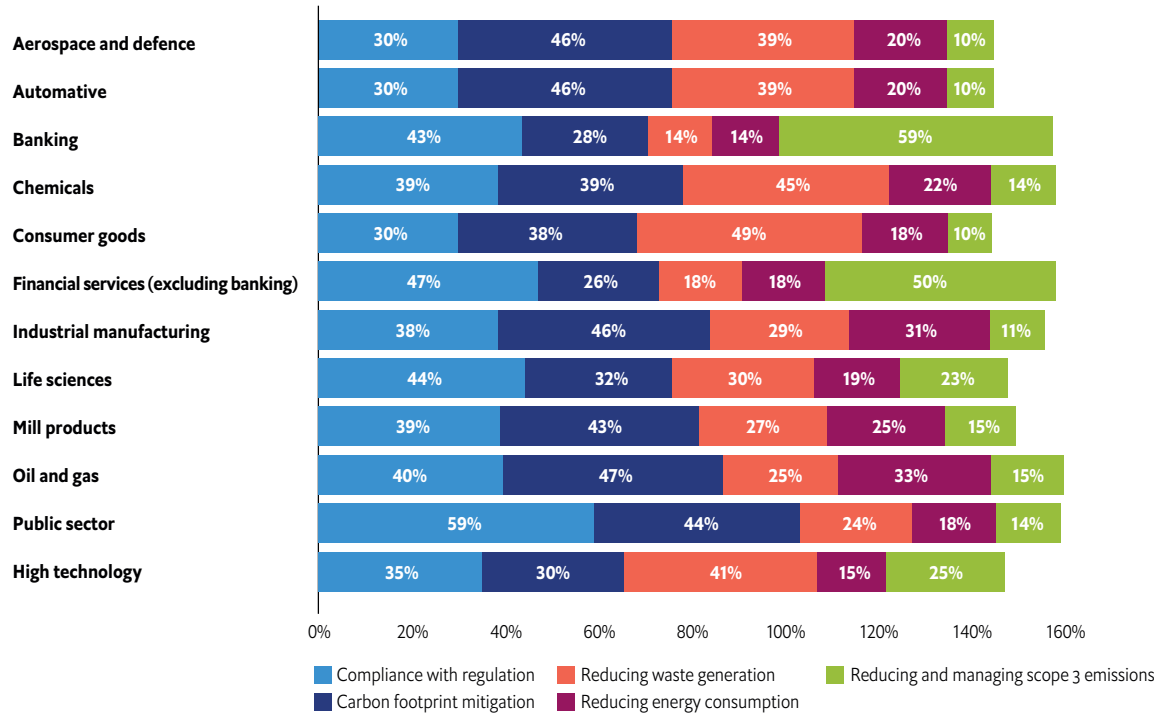
²⁷ Boston Consulting Group. October 30, 2023. "Bringing ESG Accountability to Global Supply Chains". [https://www.bcg.com/publications/2023/managing-esg-issues-in-global-supply-chains]. Accessed April 2, 2024.

²⁸ KPMG. 2023. "KPMG 2023 Global Procurement Survey". [https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/kpmg-2023-global-procurement-survey.pdf]. Accessed April 2, 2024.

²⁹ GEP. January, 2024. "CPO Compass 2024". [https://marketplace.procurementleaders.com/partners/gep/resources/cpo-compass-2024]. Accessed April 2, 2024.

³⁰ Harvard Business Review. December 28, 2023. "2023: A Strange, Tumultuous Year in Sustainability". [https://hbr.org/2023/12/2023-a-strange-tumultuous-year-in-sustainability]. Accessed April 2, 2024.

Figure 9: Top sustainability and ESG related priorities in industrial supply chains



Source: Economist Impact

To date, organisations’ scope 3 emission-reduction efforts have been concentrated on low-hanging fruit, like reducing employee business travel, improving waste management and reducing emissions from employees’ commuting.³¹ The real wins, however, will come from procurement adding emission-reduction requirements into supplier negotiations, especially for industries that are struggling with scope 3 emissions.

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

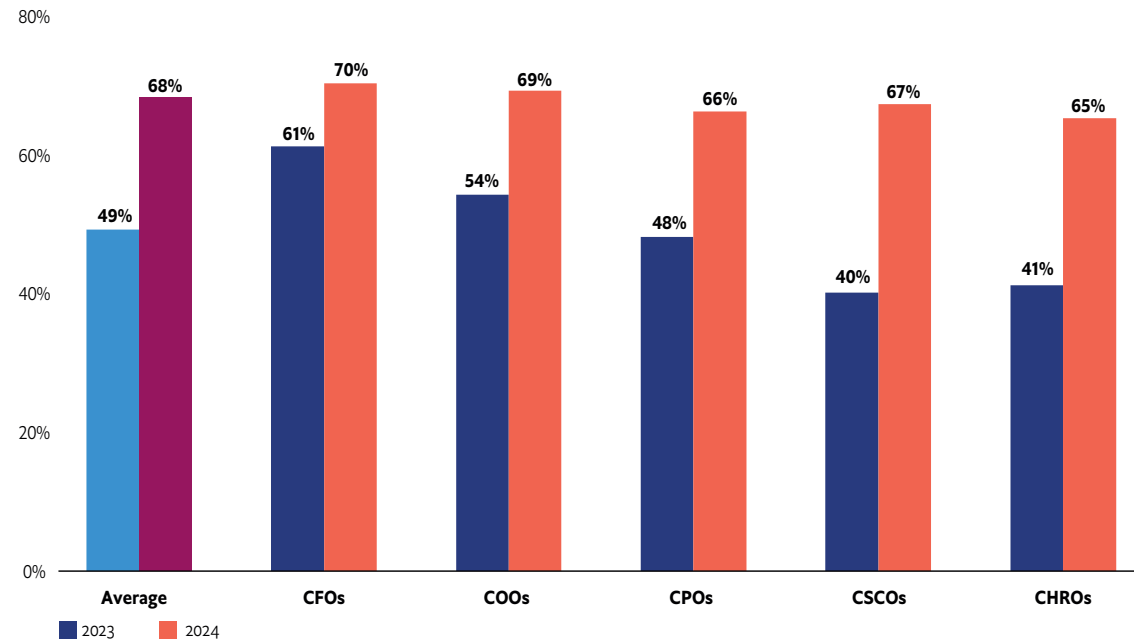
Home

³¹ Spend Matters, December 15, 2022. "Action beats inaction every time: Using supplier collaboration to reduce Scope 3 emissions". [https://spendmatters.com/2022/12/15/action-beats-inaction-every-time-using-supplier-collaboration-to-reduce-scope-3-emissions/]. Accessed April 2, 2024.

For instance, banking (59%) and financial services (50%) outperform other industries in prioritising scope 3 emissions and even put it ahead of regulatory compliance, since 99% of total finance industry emissions are scope 3.³² This contrasts with manufacturing intensive industries like aerospace and defence, automotive, consumer goods and industrial manufacturing, where less than 12% respondents focus on managing such emissions.

For most of the companies, improving visibility into supplier operations—especially second- and third-tier suppliers—is a preliminary step to making an impact on scope 3 emissions, according to Mr Perondi. “We’re trying to gain the maximum level of visibility along our supply chain, so we know exactly who our suppliers are, who their suppliers are and the goods or services we’re sourcing from them along the way.” Supply-chain visibility ranks second on the survey respondents’ list of top priorities for managing organisational risks in 2024 (see Figure 5).

Figure 10: C-suite confidence in procurement’s ability to meet the organisation’s ESG (sustainability) goals



Source: Economist Impact

Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

32 CDP, April 11, 2022. “CDP Technical Note: Relevance of Scope 3 Categories by Sector”. [https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf]. Accessed April 19, 2024.

These changes are not only helping procurement to more closely align to its business counterparts, but also to create accountability and trust by integrating sustainability criteria into procurement processes. Our survey shows a similar trend in improved C-suite confidence in their procurement team’s ability to effectively meet the organisation’s ESG (sustainability) goals, rising nearly 20 percentage points in 2024. In turn, this has led to sustainability becoming an important focus area to enhance procurement’s value overall (42%), up from 25% in 2023. Remarkably, CSCOs’ and CHROs’ view on this have tilted the scales this year, from just ~40% citing confidence in 2023 to 65% in 2024 (see Figure 10).

One area of concern in executives’ stated ESG priorities is the low placement of human rights issues on their list. Just 16% cite human rights due diligence—for example, prioritising the selection of suppliers with fair labour practices or consumer protection plans—as a top ESG priority. This apparent de-emphasis on the social element of ESG is curious given the high priority the respondents accord to regulatory compliance. After all, legislation mandating tighter due diligence on the treatment of labour in supply chains is high on policy agendas in some countries. An example is Germany’s 2023 Supply Chain

Due Diligence Act, which provides for fines of up to 2% of a company’s average annual turnover against enterprises that fail to prevent human rights abuses.³³

Nevertheless, C-suite executives’ elevated confidence in procurement’s management of ESG overall is pronounced. That partly reflects a growing capability within procurement to communicate with its internal stakeholders the importance and value of realising sustainability goals in keeping with its cost and risk goals.

Mr Ideson notes, “Procurement has an educational role to play. We are able to teach the rest of the organisation why sustainability is important, its impact and so on. Yet, few procurement organisations have taken the role.”

This further highlights the work required from procurement in deepening its relationships to meet its broader, more strategic goals.



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement’s green thumb	30
Conclusion	35

Home

³³ Business and human rights [German Federal Ministry of Labour and Social Affairs. 2023. “Supply Chain Act: Act on Corporate Due Diligence Obligations in Supply Chains”. [https://www.csr-in-deutschland.de/EN/Business-Human-Rights/Supply-Chain-Act/supply-chain-act.html]. Accessed April 19, 2024.

“All stakeholders must know that procurement’s role in this endeavour is decisive, and that without a sustainable supply chain, we’ll eventually go out of business.”

Klaus Staubitzer,
CPO & head of supply
chain, Siemens

Conclusion

The research indicates there is a shift underway: across industries, the procurement function is making good progress in improving organisational perceptions of its value to the organisation. This is visible in the evolution of CPOs' reporting lines, in the rising confidence that different parts of the business have in the function's capabilities, in the enhanced perception that business units have about procurement's insights and several other indicators. Now that CPOs and their procurement teams are more consistently gaining a seat at the decision table, their challenge is to keep it.

An ongoing state of disruption provides procurement with ample opportunities to continue evolving and demonstrating its worth. This includes the external risk landscape, which continues to present new challenges, making it critical that organisations can adapt quickly to emerging supply-chain threats, amongst others. Another is the probability that the age of continuously low inflation is past, meaning that cost management will be near the top of the business agenda for the foreseeable future.

Aside from building resilience in the face of continuous supply-chain risk, procurement must assert more of its influence in areas of strategic business importance. One is sustainability and organisations' commitments to helping manage and mitigate the impacts of climate change. "All stakeholders must know that procurement's role in this endeavour is decisive," says Mr Staubitzer, "and that without a sustainable supply chain, we'll eventually go out of business."

Technology-enabled innovation has a large role to play in helping the organisation meet its sustainability goals as well as its broader growth objectives, and procurement's effective management of technology enables the function to exercise greater influence in this area. Encouraging technology suppliers to provide more creative ideas and greener solutions is one way to do so. Encouraging supplier innovation is a long-standing remit of procurement, but the function can also impact decarbonisation through its use of advanced technology. Recommending or incentivising supplier actions to reduce their emissions would generate even greater value from technology capabilities, such as digital twins and QR technology.

Above all, continuing to improve communication and collaboration with other business stakeholders will fortify relationships and sustain receptiveness to engaging with and acting on procurement's insights. This is a requirement not just for the CPO but for the entire procurement function. To ensure acceptance of their insights, team members must be able to identify with the needs of their business unit colleagues and, often, speak their language. Technology adoption ought to ultimately provide users with the time and space necessary to develop relationships. Certainly, this is a human challenge much more than a technology one.



Contents

About the research	2
Procurement Confidence Barometer 2024	3
Executive summary	5
Introduction: No backward steps for procurement	8
A growing appreciation of value	11
The evolving risk landscape	16
Procurement renaissance	20
Procurement's green thumb	30
Conclusion	35

[Home](#)

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