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The Procurement Confidence Barometer 2024

Methodology report

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The Procurement Confidence Barometer 2024: Methodology

In its second iteration, the Procurement Confidence Barometer assesses and compares the level of interest in improving the procurement function for collaboration, risk management, and innovation. The barometer outlines the current state of confidence in the procurement function across Chief financial officers (CFOs), Chief operating officers (COOs), Chief procurement officers (CPOs), Chief supply chain officers (CSCOs), Chief human resources officers (CHROs) and Chief innovation officers (CIOs). It aims to help these C-level executives gain a clearer understanding of the factors that receive attention and vice versa.

This document contains Economist Impact's methodology for the barometer. The research results will be made available on a dedicated content hub.¹

This Procurement Confidence Barometer remains one of a kind as it takes into account the internal views of procurement leaders in addition to procurement's internal and external stakeholders, with a changing lens to highlight trends in different years.

This year's barometer includes a total of six senior leadership functions. These roles are selected on the basis of desk-based research identifying key stakeholders involved in procurement enhancements.

The barometer showcases three key metrics for enhancing the procurement function - collaboration, risk management, and innovation. As the remit of the procurement function changes over time, the indicators in the barometer will adapt to measure new phenomena in future iterations to ensure that the barometer remains a relevant benchmark of organisational confidence in procurement. This is particularly true as we've continued to see procurement evolve throughout the recent changing global dynamics, including the covid-19 pandemic, climate change, the war in Ukraine and ongoing disruptions to global supply chains.

The barometer is underpinned by an Executive Survey, which focuses on the relationship between the procurement function and its stakeholders in developing and enhancing procurement capabilities.

¹ The content hub is currently under development

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Economist Impact drew on the expertise of highly respected experts in the field of procurement and supply chains to provide input on the methodology, data sources and modelling options for the barometer. This series of expert discussions were held in March 2024.

Programme manager

Harsheen Sethi harsheensethi@economist.com

Programme director

Elizabeth Mackie elizabethmackie@economist.com

Programme advisor

Charles Ross charlesross@economist.com

Scoring criteria and categories

Categories, indicators and weights used in the barometer were selected based on a comprehensive Economist Impact analysis of the procurement landscape between 2022 and 2024. This was complemented by a series of consultations with industry experts and specialists from think tanks and the private sector conducted during the 2022-2024 time period. Economist Impact conducted primary research and analysis for indicators.

The barometer contains eight indicators and three sub-indicators organised across three categories:

- 1) Procurement collaboration:** This category captures the breadth of relationships managed by procurement professionals, their experience of collaborating and their perceptions of managing stakeholders. Studies indicate that poor perceptions of relationship management and working in silos give procurement teams low credibility among stakeholders. This category gauges the extent to which executives believe that procurement is effectively managing relationships within and outside of the organisation and the extent to which business leaders trust procurement to manage these relationships.
- 2) Procurement risk management:** This category examines the procurement function's ability to navigate a rapidly changing risk

environment. Risk management is a critical responsibility held by the procurement team, though the scope has expanded over recent years. This category includes factors focusing on external and internal risks to supply chain management as well as relatively new ESG priorities and requirements of the organisation.

3) Procurement digitalisation appetite:

This category considers the innovation landscape for procurement and the organisation. Specifically, innovation in terms of deploying digital technologies to reduce inefficiencies, manage risks, and meet overall organisational goals. If the C-suite does not find value in digital transformation, then procurement innovation is less likely to occur. The category measures the extent to which executives plan to use and increase the uptake of digital technologies and includes a measure for the uptake of emerging technologies in the organisation.

Each category receives a score, calculated from the average of the underlying indicator scores. Scores are then scaled from 0 to 100, where 100 represents the strongest inclination of C-suite executives to improve the procurement function. The overall C-suite function score for identifying the level of confidence in improving procurement is an average of the category scores.

Economist Impact Executive Survey on Procurement 2024

The 2022 programme on new paradigms in procurement, sponsored by SAP, introduced a novel survey, evaluating the emerging trends in procurement from the C-suite perspective across all functions included in the barometer. Repeated for the 2023 and 2024 barometer on procurement confidence, the “Executive Survey on Procurement” explores the ways in which the procurement function adds value to the organisational strategy, from senior leadership and internal teams to suppliers, external workers and their own procurement team. The 2022 programme Executive Survey on Procurement spanned 430 C-suite executives, growing to 500 in 2023.

In 2024, this survey was expanded to 2,307 C-suite executives, including insights from chief innovation officers (CIOs) and incorporated new questions surrounding emerging technologies and contingent labour and services in advancing the effectiveness of the procurement function. The 2024 survey was also expanded from 12 countries in 2023 to 23 countries (Australia, Bahrain, Brazil, Canada, China, Denmark, Finland, France, Germany, Iceland, India, Italy, Japan, Kuwait, Mexico, Norway, Qatar, Saudi Arabia, Singapore, Sweden, United Arab Emirates, United Kingdom and United States of America) and new areas (Middle East and Nordics) in 2024.

An online survey methodology was employed for the market. Quotas were set at the C-suite function to ensure consistent

sampling and representation and to allow for reliable comparisons.

The following quotas were required:

- Minimum sample size: 2,000 complete respondents;
- Geography (respondent location): Minimum of 600 responses from APAC, 600 from EMEA and 600 for the Americas;
- Industry: Aerospace and defence; Automotive, Banking, Chemicals, Consumer goods, Financial services (excluding banking), Industrial manufacturing, Life sciences, Mill products, Oil and gas, Public sector, and High technology;
- Company size: less than US\$1bn and US\$1bn or more.

The main findings of the survey are captured in the Global briefing paper, including the executive summary, which will be available on the content hub upon launch.

The research team used certain survey data to build several indicators related to all three pillars, focusing on user perceptions of factors such as procurement’s capabilities in managing internal and external risks and interest in the use of technology for procurement advancement. Such data were not easily available through desk research and an existing survey with comparable data could not be found for all C-suite functions included in the barometer.

Sources and definitions

In creating the Procurement Confidence Barometer, Economist Impact relied heavily on publicly available sources. This research approach has the benefit of creating a fully transparent and repeatable methodology.

The main sources used in the Procurement Confidence Barometer are internal reporting by The Economist and research by Economist Impact on trade and supply chains and technology integration as well as studies by external sources, including The Purchasing Chessboard, Capgemini, The Hackett Group, Harvard Business Review, Future of Sourcing, Proxima, Art of Procurement (AoP), Spend Matters, World Commerce & Contracting, Boston Consulting Group, Sourcing Industry Group (SIG), Chartered Institute of Procurement & Supply (CIPS), GEP Worldwide, Supply Management, International Data Corporation (IDC), Supply Chain Digital, Gartner, PricewaterhouseCoopers (PwC), RFP360, APQC, the European Commission (EC), Massachusetts Institute of Technology (MIT), World Trade Organization (WTO), Procurement Magazine, McKinsey

& Company, National Institute of Standards and Technology (NIST), International Journal of Physical Distribution & Logistics, Journal of Purchasing and Supply Management, and the Government of the United Kingdom (UK).

Data availability is a critical issue in this barometer and this field of study. The secondary, publicly available data are not always up to date or disaggregated by relevance to C-suite functions. In addition, much of the insights generated by secondary sources are qualitative in nature and cannot be translated into measurable and actionable insights. This led to the development of a new set of perceptions-based insights for each edition of the barometer by Economist Impact.

The barometer uses the latest year of survey data as the reference year for all indicators.

The research team hopes to improve the breadth and type of data provided to aid the understanding of procurement evolution and welcomes comments and suggestions to this end.

Data modelling and aggregation

Survey data are prioritised for key indicators of executive confidence in procurement improvements from the long list of questions on the basis of relevance. Survey data is transformed into indicator scores and then aggregated across categories to enable a comparison of broader concepts across C-suite functions. The process of transforming involves rebasing the raw indicator data to a common unit so that it can be aggregated. All indicators in this barometer were on a 0 to 100 scale, where 100 refers to the strongest C-suite inclination for procurement enhancement and 0 indicates the weakest inclination for the same.

The Procurement Confidence Barometer also employs a traffic light methodology to distribute scores in three categories reflecting the extent to which the C-suite is invested in procurement advancement. Based on the desk-based review of literature and consultation with experts, the Procurement Confidence Barometer scores are classified to detect and identify areas that are of key importance to the C-suite and those that do not receive adequate attention. The table below summarises the composition of confidence in a traffic light distribution.

Label	Colour	Distribution	Relevance
Leading procurement	Dark green	100-90	This reflects confidence levels among 90% or more C-suite executives, reflecting high levels of confidence in the procurement function and its abilities to work across the three pillars of the barometer.
Advancing procurement	Green	89-80	This reflects confidence levels among 80% or more C-suite executives, indicating high levels of confidence in improving the procurement function for overall success.
Improving procurement	Yellow	79-67	This reflects confidence among 50 to 67% of C-suite executives, signalling moderate levels of confidence in procurement enhancement and a growing interest in procurement development and improvement.
Emerging procurement	Red	66-46	This reflects confidence among 46 to 66% of C-suite executives, highlighting a potential lack of awareness and general confidence in the procurement function.
Nascent procurement	Dark red	0-45	This reflects confidence among less than or equal to 45% of C-suite executives, highlighting a potential lack of awareness and little confidence in the procurement function.

Given the difficulties in assigning weights, many composite indices resort to an equal weighting scheme, allowing all variables to enter uniformly. The advantage of an equal weighting approach is transparency, while the clear disadvantage is the lack of an underlying theoretical justification for equal treatment of all variables and sub-dimensions. On the

other hand, qualitative determination of weights may reflect the biases or suppositions of the researchers and experts involved in the programme. As such, the current barometer maintains equal weighting (33%) for all categories, not impacting the overall scores. Notably, the 2024 Executive Survey on Procurement is also equally weighted by country.

Appendix: Detailed indicator list

The categories, indicators and sub-indicators are:

No.	Indicator	Unit	Description
1	Procurement collaboration	0 - 100	This category captures the confidence among internal and external stakeholders in procurement's ability to manage relationships. The score for the category is an aggregate of 1.1, 1.2, and 1.3.
1.1	Intra-organisation collaboration with procurement	0 - 100	This indicator assesses whether executives think procurement effectively collaborates with the rest of the organisation in meeting the company vision.
1.2	Supplier management role	0 - 100	This indicator assesses whether executives believe procurement plays an important role in supplier management.
1.3	Contingent labour and services management	0 - 100	This indicator measures the procurement-contingent workforce relationship by assessing the level of C-suite confidence in procurement's ability to manage contingent labour and services.
2	Procurement risk management	0 - 100	This category captures executives' confidence in procurement's ability to navigate the dynamic risk environment. The score for the category is an aggregate of 2.1, 2.2, and 2.3.
2.1	Confidence in procurement risk management (internal)	0 - 100	This measures the extent to which the C-suite is confident in its procurement team's ability to manage internal risks (eg workforce issues from insourcing/outourcing, internal relationships, forward views on projects, organisational visibility, quality risks).

No.	Indicator	Unit	Description
2.2	Confidence in procurement risk management (external)	0 - 100	This measures the extent to which the C-suite is confident in its procurement team's ability to manage external risks (eg geopolitical shifts, supplier threats, liquidity risks).
2.3	Confidence in procurement ESG/Sustainability goals implementation	0 - 100	This measures whether executives believe that procurement teams are effective in realising the organisation's ESG/sustainability goals.
3	Procurement digitalisation appetite	0 - 100	This category captures stakeholder confidence in leveraging technology to improve procurement for meeting organisational goals. The score for the category is an aggregate of 3.1, 3.2 and 3.3.
3.1	C-suite prioritisation of digital transformation in procurement	0 - 100	This measures whether executives perceive digital transformation in procurement to be a priority the next 12-18 months.
3.2	C-suite use of emerging technology for delivering value	0 - 100	This measures whether executives plan to use emerging technologies (eg Artificial Intelligence, Internet of Things, Machine Learning) to deliver increased value for the organisation.
3.3	C-suite confidence in procurement's automation capabilities	0 - 100	This measures the extent to which executives are confident in their procurement teams' ability to manage the automation of procurement processes

While every effort has been taken to verify the accuracy of this information, Economist Impact cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

LONDON

The Adelphi
1-11 John Adam Street
London WC2N 6HT
United Kingdom
Tel: (44) 20 7830 7000
Email: london@economist.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@eiu.com

AUSTRALIA

Level 14, Unit #138,
5 Martin Place
Sydney
Australia
Tel: (61) 2 8551 0023

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@eiu.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@eiu.com

HONG KONG

1301
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@eiu.com

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore
048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@eiu.com