

The Procurement Imperative

A view from the C-suite

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As modern supply chains grapple with continuous economic and geopolitical disruptions, procurement teams are identifying new ways to innovate, stay resilient and drive long-term value beyond cost as they reconfigure and align with the broader organisation.

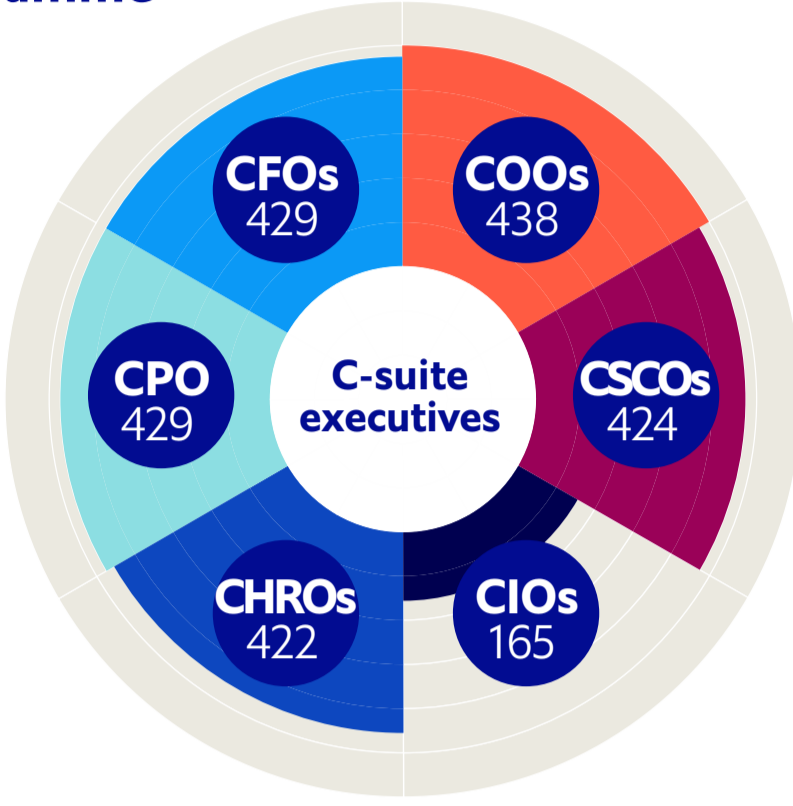
Proactive risk management and mitigation has become the primary value driver for leading procurement teams in 2024, and the lens through which non-procurement executives view the health of their supply chains

Philip Ideson, founder, Art of Procurement

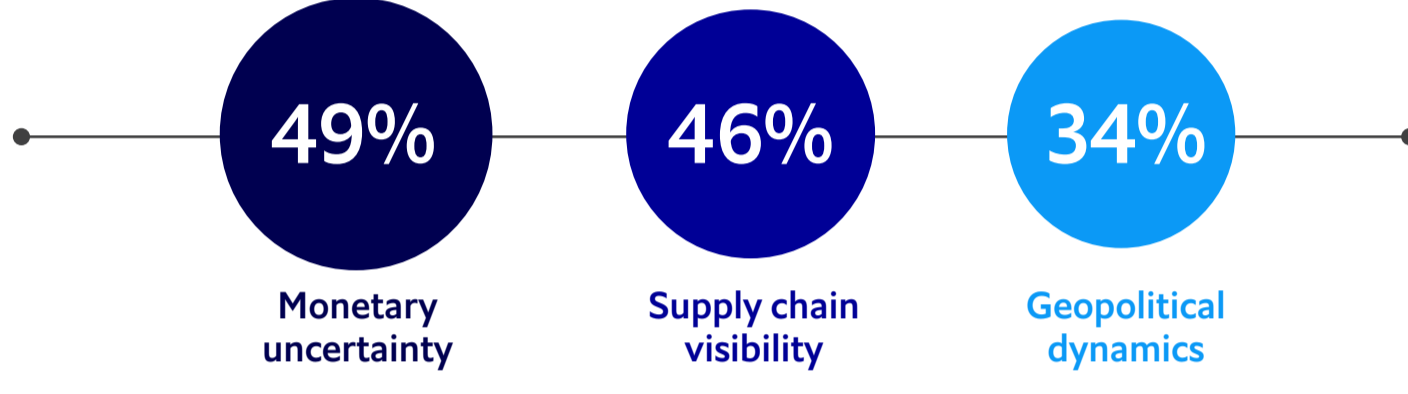
About the research programme

Economist Impact's research gauges the confidence of the C-suite in the procurement function and explores how the function has changed over three years (2022-2024). The research is centred around a survey of 2,307 C-suite executives:

- CFOs** Chief financial officers
- COOs** Chief operating officers
- CPOs** Chief procurement officers
- CSCOs** Chief supply chain officers
- CHROs** Chief human resources officers
- CIOs** Chief innovation officers



As businesses continue to navigate a challenging risk environment, executives focus on managing a range of risks key to the next 12-18 months



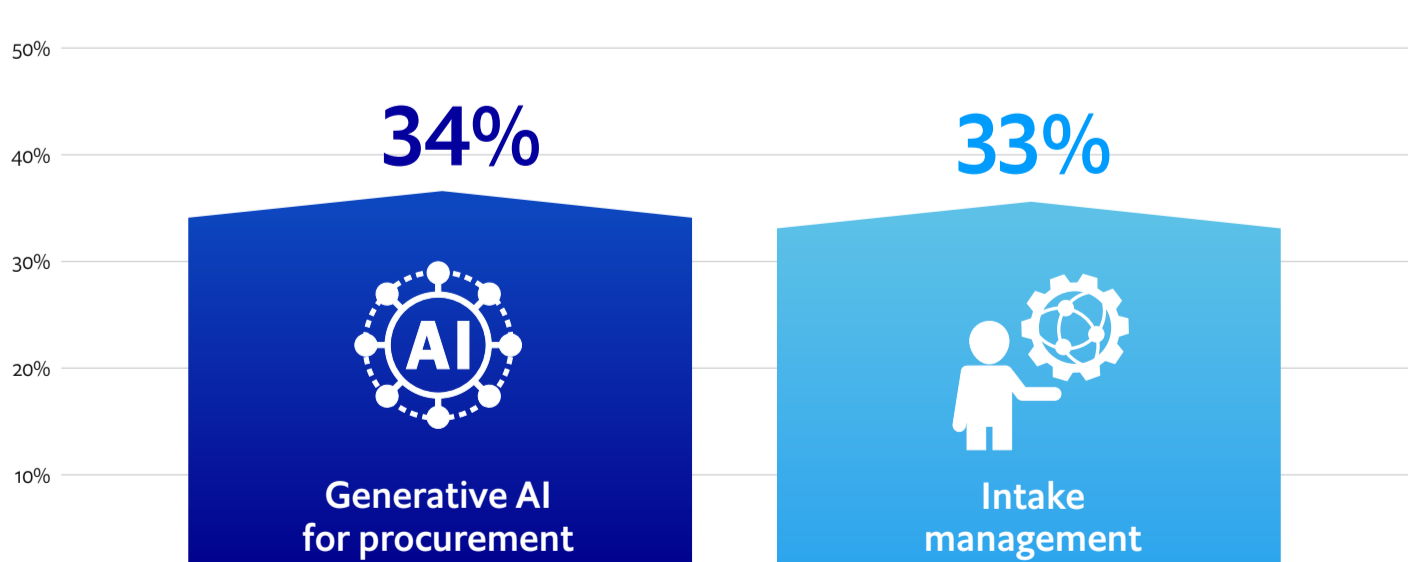
Strategic vs organisational risk priorities

Priority	2024-25	2027-29
1	Digitalisation 57% More than half (57%) of the C-suite cite digitalisation as the top strategic priority for their procurement teams in the upcoming 12-18 months. Digitalisation is the top priority across regions, functions, reporting lines and business sizes. Drivers <ul style="list-style-type: none"> The need to build real-time capabilities to better address dynamic market challenges and make existing procurement processes more efficient. The preference of data-driven insights in strategic decision making that allows for more actionable outputs. 	Diversification 40% Over 40% of respondents plan to focus on improving supplier diversity as a key strategic area for their procurement teams in the next 3-5 years. Drivers <ul style="list-style-type: none"> Organisations are trying to enhance competitiveness by fostering innovation and unlocking opportunities through market expansion by diversifying the supplier base. Reducing single-sourcing dependencies to mitigate against supply chain risks at the time of disruption.
2	Sustainability/ESG 42% Approximately 42% of C-suite executives quote having sustainability/ESG as their second top priority in the next 12-18 months. Drivers <ul style="list-style-type: none"> Both internal and external stakeholders becoming more socially and environmentally conscious and the increased demand for transparency and accountability as a result. Compliance scrutiny and tighter regulations around ESG requirements coupled with the risk of monetary penalties and restricted market access in case of non-compliance. 	Sustainability/ESG 37% More than a third (37%) of the C-suite continue to have sustainability/ESG as their second top strategic priority for the medium term. Drivers <ul style="list-style-type: none"> Renewed long-term focus on human rights and sustainability which impacts brand reputation, influences employee and investor preferences and mitigates against operational supply chain disruptions. The additional value-creation potential of ESG initiatives through improved profit margins and returns, going beyond just reputational risks.
3	Cost Management 34% Cost management as a focus area for procurement teams was the third most cited choice for over a third (34%) of the C-suite in the short-term. Drivers <ul style="list-style-type: none"> Pressure on procurement teams to identify cost savings and cost avoidance opportunities to protect profit margins given rising macroeconomic uncertainty (eg inflation, rising interest rates). Cost management being a top performance metric for the procurement function, given that its biggest impact over the last 3 years was on cost savings. 	Multisourcing 35% The third key focus area for procurement teams over the next 3-5 years is multisourcing, selected by nearly 35% of the C-suite. Drivers <ul style="list-style-type: none"> Focus on risk reduction and building supply chain resiliency amid growing vulnerability to external threats (eg geopolitical shifts, supplier threats, liquidity risks). Focus on building agility in the supply chains while ensuring quality, speed and optimal prices.

Procurement technology to watch for in 2024-25

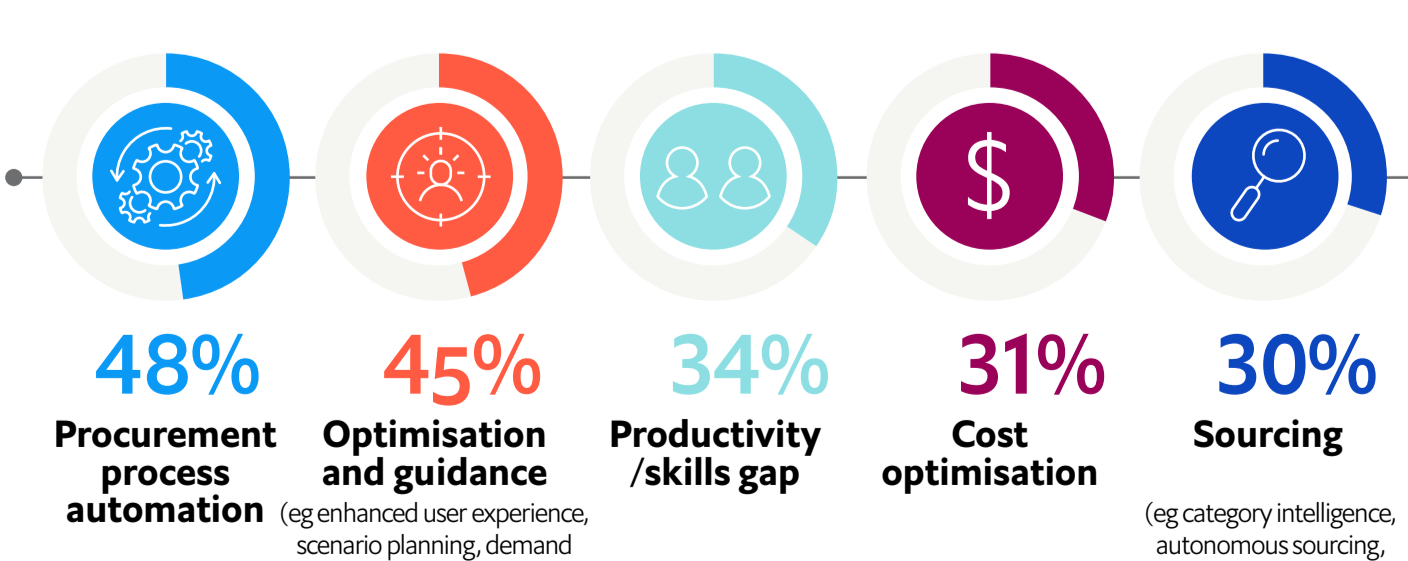
C-suite leaders are moving towards technology solutions that enable their procurement teams to be more efficient, cost-effective, and risk-averse than before.

Selecting up to two, which technology trends are you looking to implement or evaluate in the next 12-18 months?



Procurement teams can support organisations in realising their strategic goals and overcoming risks through a more streamlined use of emerging technologies.

In particular, the uptake of AI is expected to improve the following procurement processes:



Find out more at <https://impact.economist.com/projects/the-procurement-imperative/> about the changing procurement trends and how they may impact your organisation by reading our [full analysis](#)