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Procurement skills for the future

September 2024



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Looking ahead



Essential skills for procurement leaders



Background

- Procurement now goes beyond cost savings, focusing on technology, sustainability and global supply chains.
    - Leaders are incorporating advanced technology into procurement functions and increasingly focusing on sustainable and ethical sourcing practices.
- To stay competitive, expanding skills through hiring, learning and collaboration is essential.

Goals

- **Identify key skills** for procurement team members, covering traditional competencies and emerging trends
- **Assess strengths and gaps** in their skill sets, and **identify** areas for development
- Assess how organizations **structure access** to procurement skills and expertise
- Understand procurement team **resources and buy-in**

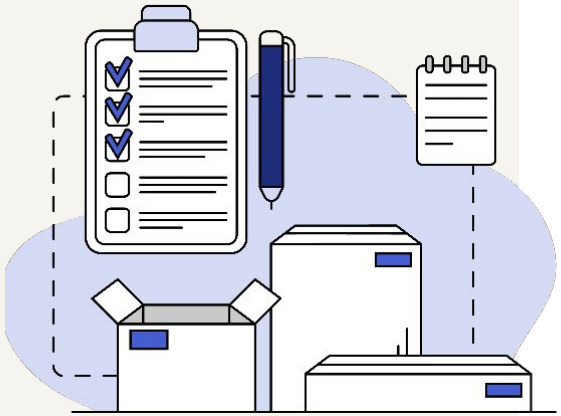
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Key research questions

- What skills do procurement leaders need for **effective decision-making** in a fast-changing environment?
- Where are the **capability gaps**, and how can they be closed?
- **How do skill needs vary** across industries, regions and company sizes?
- Should procurement leaders **refine existing methods or explore new ones** to strengthen their functions?



Executive survey program



Survey scope

n900, director+ procurement leaders at mid- to large-sized companies surveyed June to August 2024

Countries: US, Canada, Mexico, UK, Italy, Spain, Germany, France, Japan

Split:
- Under $250 million
- $250 million to under $500 million
- $500 million to under $1 billion
- $1 billion or more

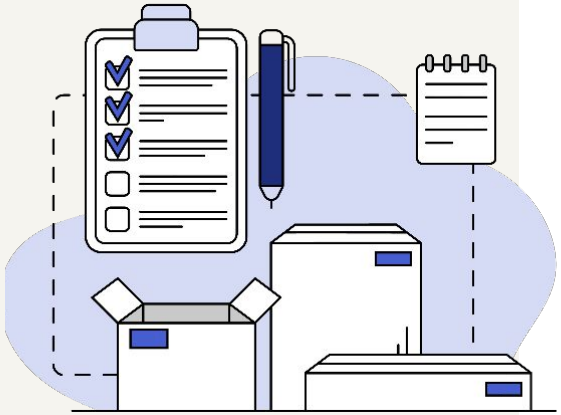
50% less than US$500m and 50% US$500m or more annual revenue

Industries

- Education
- Financial services, banking & insurance
- Government
- Healthcare & life sciences
- Manufacturing & industrials
- Non-profit
- Travel & hospitality

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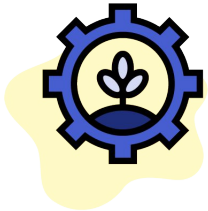
Expert perspectives



In-depth interviews with the following experts:

- **Dr Alexander Breitenbach**, head of procurement, Körber Business Area Pharma
- **Jacobo Pastor Garcia Villarreal**, senior specialist on integrity and procurement policies, OECD
- **Klaus Staubitizer**, chief procurement officer, Siemens
- **Sheri R. Hinish**, global consulting sustainability, technology and ecosystems leader, EY
- **Thomas Johnsen**, professor of procurement & supply chain management, Audencia Business School

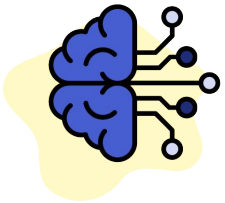
Big ideas



1

The future of procurement skills lies in sustainability and innovation

As procurement evolves, traditional priorities are complemented by an increasing focus on sustainability and digital transformation.



2

Gains from AI are already here

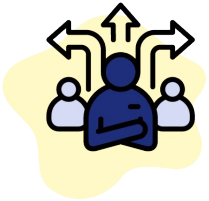
Technological proficiency and digital transformation skills are key. AI is already adding value (and replacing procurement tasks or roles), but standard data analytics remain foundational.



3

The gap between current skills and future needs is wide

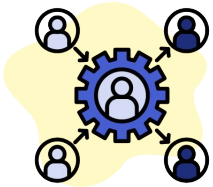
Misalignment between current skills and future needs hampers long-term strategic planning and skills development.



4

A disconnect between leadership and junior employees could hinder procurement effectiveness

Strong C-suite support contrasts with low support from junior employees and non-procurement buyers, revealing a collaboration gap.



5

Strategic success depends on balancing in-house capabilities with external expertise

Departments that look to other departments for support also tend to look outside the company. Firms should carefully consider how much they're relying on a core procurement team versus a more distributed procurement apparatus.

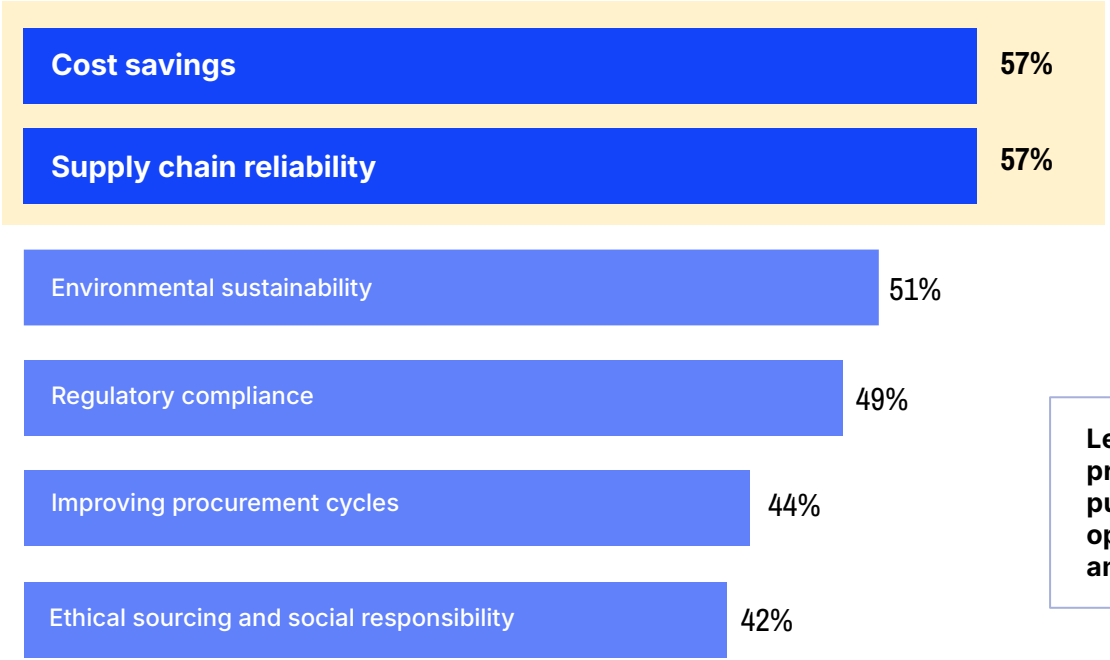
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Big idea 1

The future of procurement skills lies in sustainability and innovation

Procurement leaders are still prioritizing cost and reliability

More than half of procurement leaders say that **cost savings (57%) and supply chain reliability (57%) remain the top organizational priorities** related to procurement.



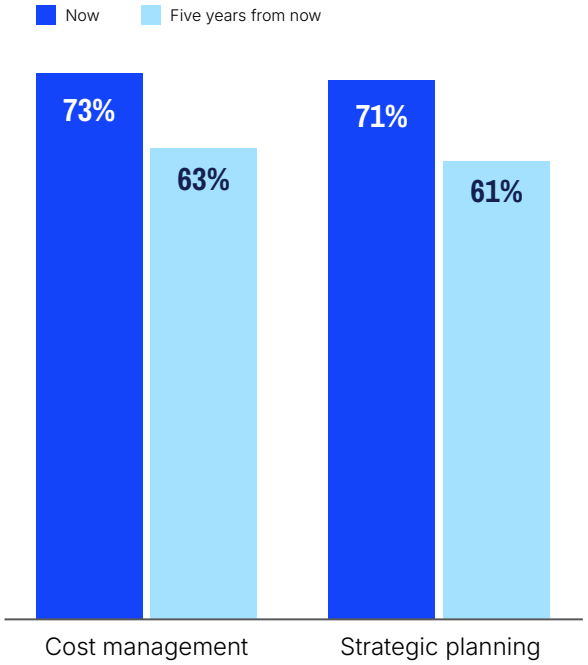
Leaders still see procurement's main purpose as ensuring operational efficiency and resilience.

Source: Economist Impact 2024. Procurement skills for the future survey

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Core capacities will remain essential

Traditional skills are likely to remain core to procurement. Nearly three-quarters of leaders name **cost management (73%) and strategic planning (71%)** as **the most essential skills for procurement professionals**, both now and five years from now.



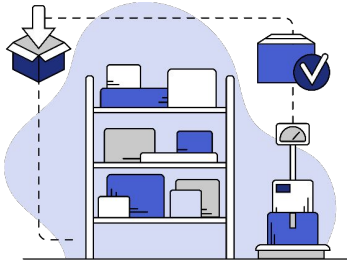
According to our survey findings, leaders that are prioritizing strategic planning, cost management and supplier relationship management now are significantly more likely to be doing so for the future, indicating **there is a set of leaders still rooted in a conventional vision of the procurement function.**

Source: Economist Impact 2024. Procurement skills for the future survey

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Old priorities are being joined by new ones

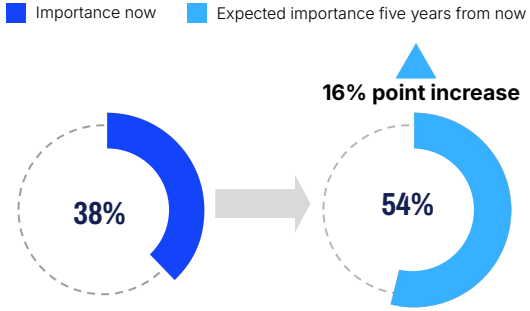
A significant strategic shift is under way as procurement becomes more prominent within organizations, complexity increases, and procurement teams prepare for **a future where technology and sustainability play more central roles.**



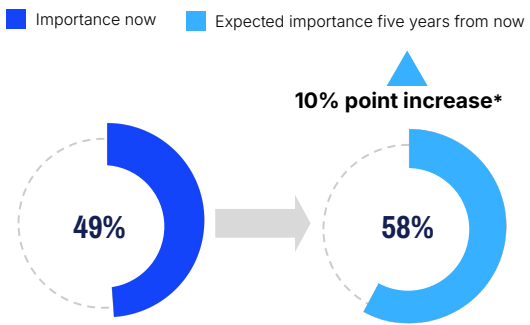
> **Procurement professionals are subject to more and more requirements and demands from the landscape. Value for money is still the primary objective, but now there are also environmental, social inclusion, innovation and economic objectives to consider.**
>
> **Jacobo Pastor Garcia Villarreal**
> *senior specialist on integrity and procurement policies, OECD*

Digital transformation and sustainability skills are set to become significantly **more important in the next five years**. This is especially true in Europe and Latin America when it comes to sustainability.

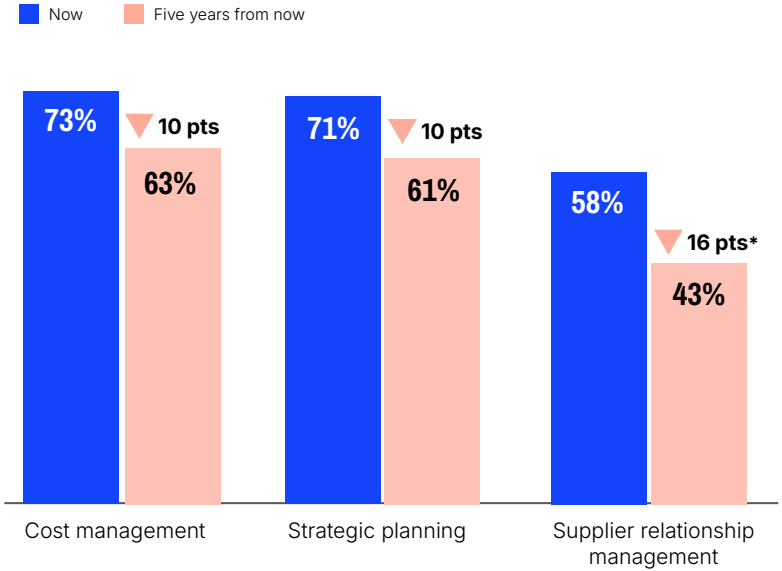
Digital transformation management



Environmental sustainability



Traditional skills remain essential, but they are being balanced **against a range of newer priorities**:



Numbers do not add up due to rounding

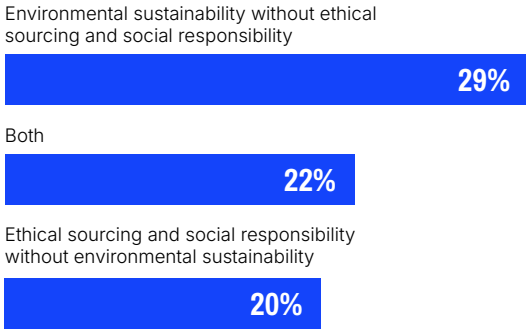
Source: Economist Impact 2024. Procurement skills for the future survey

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Impact-related skills are viewed as a package

Leaders are taking **a holistic approach** to responsible procurement.

Leaders that selected environmental sustainability as one of their top organizational objectives related to procurement were **more likely to select ethical sourcing and social responsibility as another top objective**.

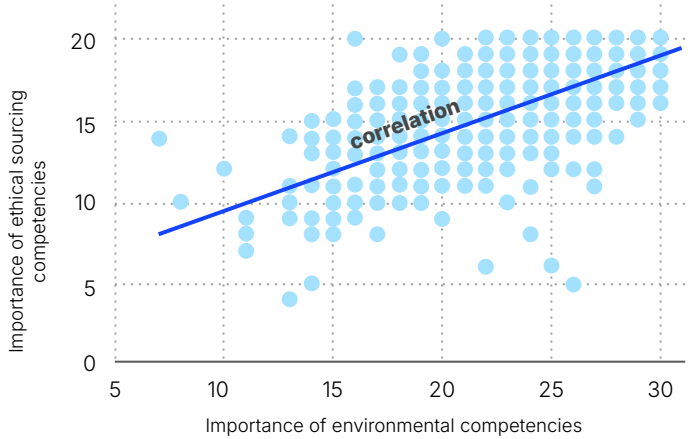


Source: Economist Impact 2024. Procurement skills for the future survey

Leaders that rated any of environmental sustainability, ethical procurement and compliance-related competencies as important were **much more likely to view the rest as important.**

Good matters

Relationship between the importance of ethical sourcing and environmental sustainability competencies



Scales represent sums of importance rankings for ethical sourcing and environmental competencies on 1-5 scale

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Next steps

- **Regulatory demands** and stakeholder expectations **for sustainable operations** are increasing.
- Fundamental skills still matter, but firms can differentiate themselves in the market if they **reframe sustainability and ethical sourcing as core procurement skills**.

> **Sustainability has moved from being a 'nice to have' to a 'must have.' It's now essential for companies to ensure that their procurement processes are not only cost-effective but also environmentally and socially responsible.**
>
> **Thomas Johnsen**
> *Professor of procurement & supply chain management at Audencia Business School*



- **Procurement leaders who don't have access to sustainability and technological expertise on their teams must develop these capabilities**. Procurement experts noted that competition for talent is fierce, so it is best to blend a few approaches. These can include internally training procurement team members, hiring skilled, senior procurement professionals and hiring individuals with technical expertise who can be trained in procurement.

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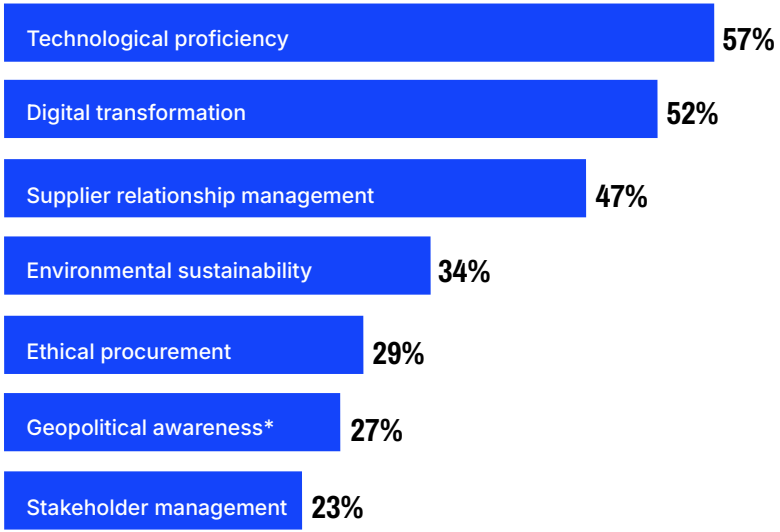
Big idea 2

Gains from AI are already here

Leaders are looking to technology to strengthen procurement capacity

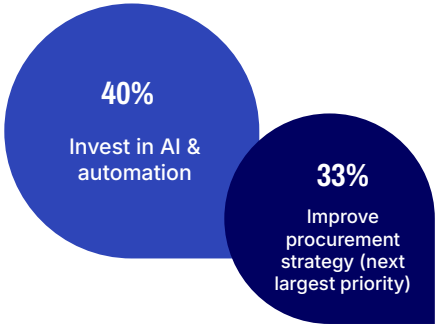
Firms are focusing the most time and resources on their technological proficiency and digital transformation efforts to improve procurement-related capacities, as compared to options such as internal stakeholder management, geopolitical awareness and risk management, and ethical procurement. This trend is particularly pronounced in Latin America.

Where does your organization invest the most time and resources to develop procurement-related capabilities?



*Includes risk management

In addition, **leaders are by far most interested in investing in AI and automation technologies** for strengthening procurement.



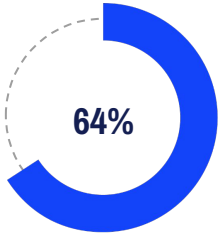
Large firms are slightly ahead on this trend, whereas **smaller firms are looking to prioritize stability and continuity**

Source: Economist Impact 2024. Procurement skills for the future survey

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AI tools are already driving value for procurement teams

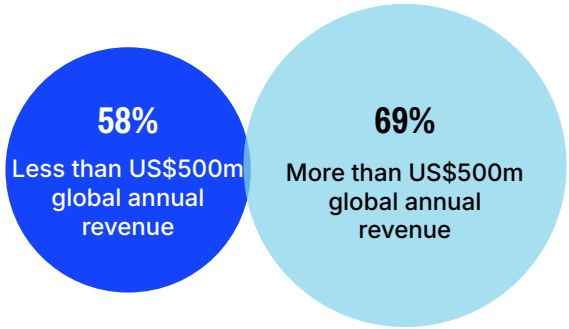
The AI hype is real in procurement. AI tools are already improving how procurement teams work:



of respondents agree that AI tools help procurement professionals at their organization do their jobs better

Large organizations report getting more value from AI tools:

AI tools help procurement professionals at my organization do their jobs better:



2/3

About two-thirds of procurement executives report personally using AI/machine learning tools for procurement activities at their organization.

AI tools are supporting areas like process automation and auditing.

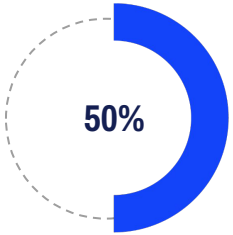
> **We see digitalization, and specifically AI, really makes a difference in how we are managing our processes. Maybe tomorrow, when we support them with AI, we will no longer need employees who are the best negotiators to do operational work, so they can focus more on the stuff driving real strategic value.**
>
> **Klaus Staubitzer**
> *Chief procurement officer at Siemens*

Source: Economist Impact 2024. Procurement skills for the future survey

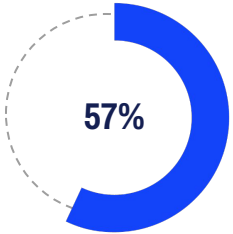
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As AI tools increasingly support procurement teams, soft skills will become more important than ever

AI tools have already taken on some procurement-related tasks:



of respondents agree that **AI tools have already replaced procurement tasks or roles** at their organizations.



of respondents agree that **AI tools will replace procurement tasks or roles** at their organization in the future.

These trends are the same regardless of organization size.

As AI tools develop, procurement leaders may need to refocus skill capacities.

> **The need for soft skills, interpersonal communication, relationship management, are more important than ever.**
>
> **Thomas Johnsen**
> *Professor of procurement & supply chain Management at Audencia Business School*

Source: Economist Impact 2024. Procurement skills for the future survey

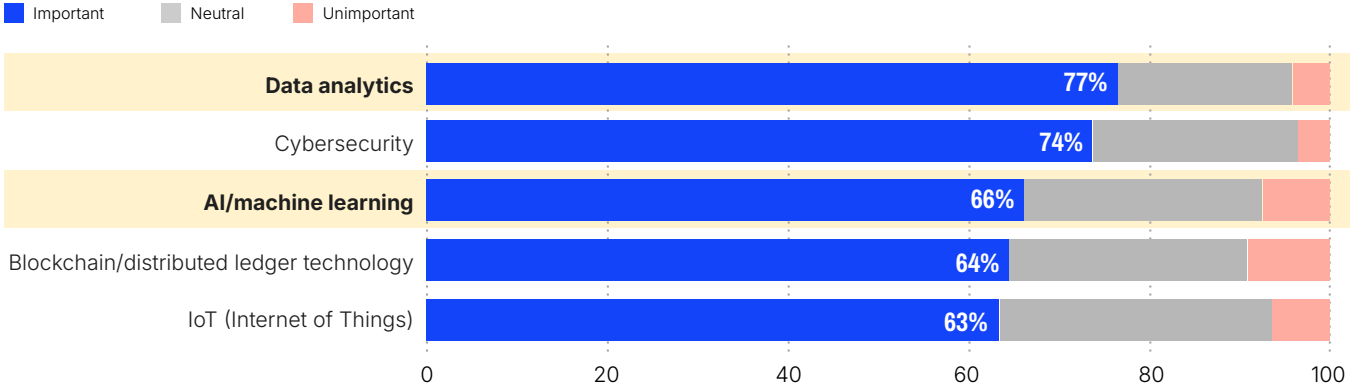
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Traditional analytics are still key, at least for now

Despite AI's rapid adoption, **it has not replaced traditional data analytics**. Procurement leaders say data analytics is the most critical technology for procurement (77% of respondents rate it as important, versus just 66% for AI/machine learning).

Cybersecurity follows closely, recognized as important by 74% of respondents, highlighting its significance in protecting procurement operations from digital threats.

How important are the following technologies for the procurement function in your organization?



Source: Economist Impact 2024. Procurement skills for the future survey

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Next steps

Traditional data analytics continue to provide significant benefits and should not be overlooked in favor of newer, flashier technologies.

Even so, procurement leaders that aren't already using **AI tools** to supplement capacity should explore doing so, as these tools are already delivering value to peers and **open staff up to focus on high-value, strategic work**.

- AI tools can be **particularly effective for routine, data-rich tasks** such as risk analysis, complemented with human expertise.

Leaders should consider rebalancing skills prioritization toward **soft skills**, as these will gain increasing importance as AI develops.



> **Even if you have the best technology in the world, it's still going to come back to people.**
>
> **Sheri Hinish**
> *Global consulting sustainability, technology and ecosystems leader, EY*

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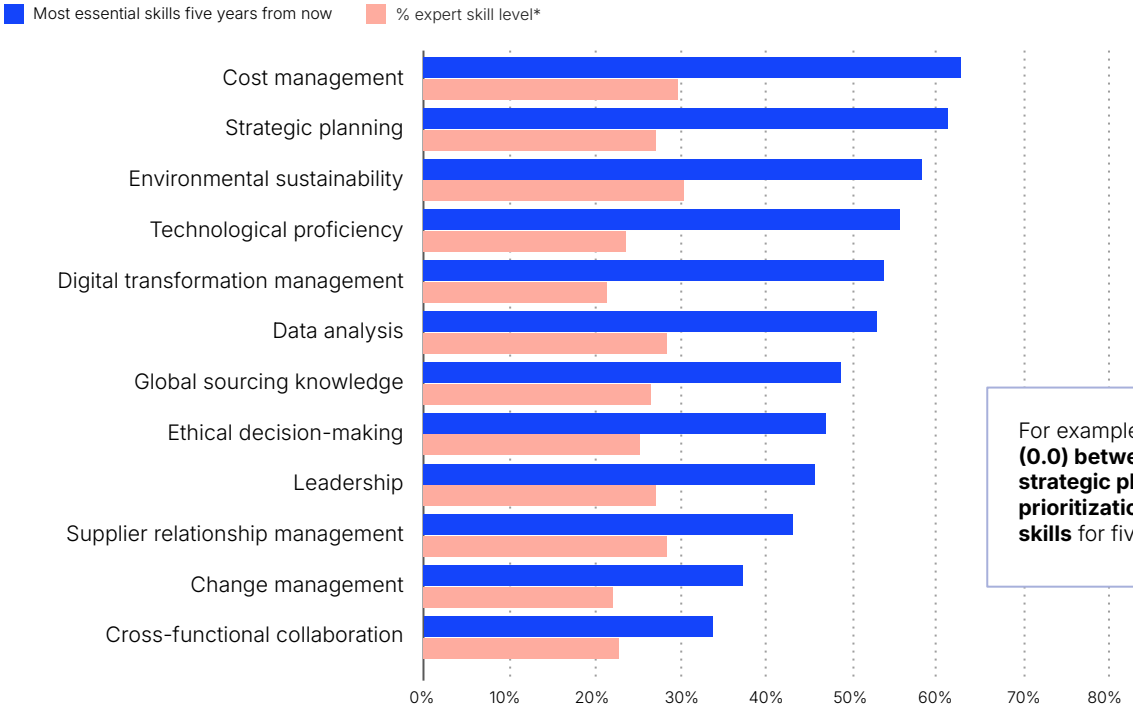
Big idea 3

The growing skills gap threatens future procurement effectiveness

There's a gap between current skills and future needs in organizations

There is a disconnect between the skills procurement leaders see as most essential for the future and current reported skill levels, but **they aren't yet aligning their training programs with these needs**.

Most future procurement priorities do not or only marginally match existing skill levels.



For example, **there is no correlation (0.0) between reported existing strategic planning skill levels and prioritization of strategic planning skills** for five years in the future.

*proportion of respondents who rated their skill level 4-5 (expert) on a 1-5 scale

Source: Economist Impact 2024. Procurement skills for the future survey

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Training is not addressing this skills gap

Despite this gap, organizations are not yet aligning their training programs with the skills they deem essential for the future: **training frequencies are not associated with these skills.**

There is no relationship between the skills that procurement leaders rate as important for the future and the amount of training opportunities offered to build them up.

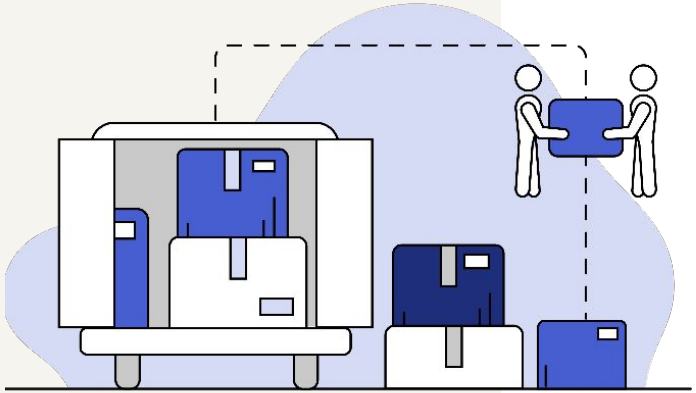


These gaps may be due to a lack of accurate audits of skill levels or a failure to link training to essential skills through strategic planning.

Source: Economist Impact 2024. Procurement skills for the future survey

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Next steps



Firms must **regularly evaluate procurement team competencies** to identify gaps.

- Skills can also be acquired through hiring, or turning to cross-organizational or external support, but an accurate self-assessment is the first step.

Leaders should also ensure that current priorities and training initiatives **align with projected future needs**.

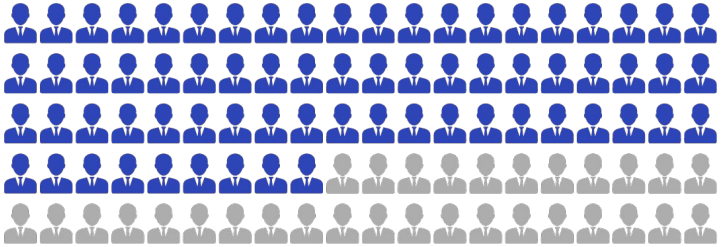
- Structured and regular training programs in areas of high strategic priority such as sustainability, working with AI and data analytics will provide long-term dividends.

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Big idea 4

A disconnect between leadership and junior employees could hinder procurement effectiveness

Top organizational leadership sees procurement as a critical function

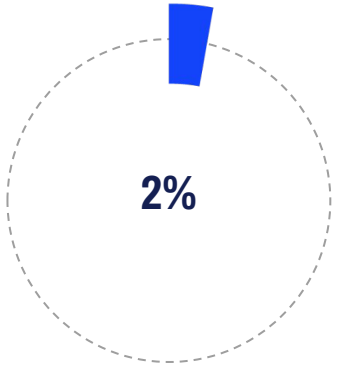


69%

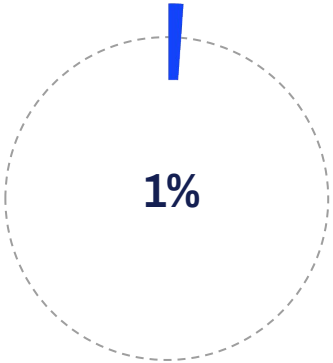
of procurement leaders report **strong support** from their CEO or equivalent.

> **We realised during the shortages that if we don't have an efficient supply chain or procurement, we are out of business. It became clear that procurement is critical, and this realisation has put us on the agenda of the CEOs and CFOs.**
>
> **Klaus Staubitzer**
> *Chief procurement officer at Siemens*

Support from junior employees remains limited, increasing the risk of rogue buying



Despite leadership support, only 2% of procurement leaders feel they have significant **support from junior, non-procurement employees**.



This figure is just 1% from **buyers outside the procurement function**—for instance, department managers or team leads responsible for function-specific purchases.

Junior employees who do not understand the procurement team's role and value **may circumvent procurement processes**. In combination with low support from non-procurement buyers, procurement leaders **risk rogue buying**.

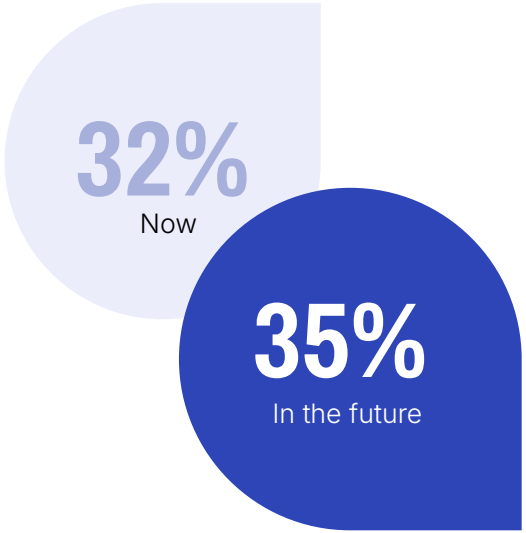
Source: Economist Impact 2024. Procurement skills for the future survey



Cross-functional collaboration is rated as the least important skill

Cross-functional collaboration plays a critical role in successful procurement strategies. It can help procurement leaders draw expertise from across the organization, better understand and co-ordinate whole-of-organizational purchasing needs, and reduce rogue spending.

However, leaders rate it as the least essential skill for now (32%) and in the future (35%)

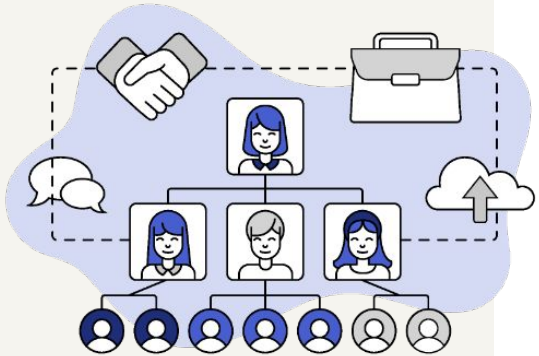


Procurement leaders must be able to lead and influence, requiring strong business skills and the ability to communicate effectively across the organization. This cross-functional engagement is key to their success.

Thomas Johnsen
Professor of procurement & supply chain management at Audencia Business School

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While top-level leadership support is strong, the **lack of engagement** from junior employees and non-procurement buyers **could hinder procurement's overall effectiveness**.

- Procurement leaders should ensure that they have **open and regular channels of communication with junior, non-procurement staff and non-procurement buyers**, such as through regular procurement updates to the broader organization, standing meetings, communities of practice or mandatory procurement-focused informational sessions.
- This communication should share information on the procurement team's role in driving organizational success.

Increased focus on cross-functional competencies **could help the procurement team build buy-in from more junior non-procurement workers and buyers from outside of the procurement function**.

- Leaders should support the development of these skills by offering explicit opportunities for cross-functional collaboration to junior staff and gathering feedback from these engagements, including from non-procurement team members.

> **Procurement is not just purchasing anymore… it's more relationship management, networking, and cross-functional teams, being the spider in the web connecting the supply chain and internal demands.**
>
> **Dr Alexander Breitenbach**
> *Head of procurement, Körber Business Area Pharma*

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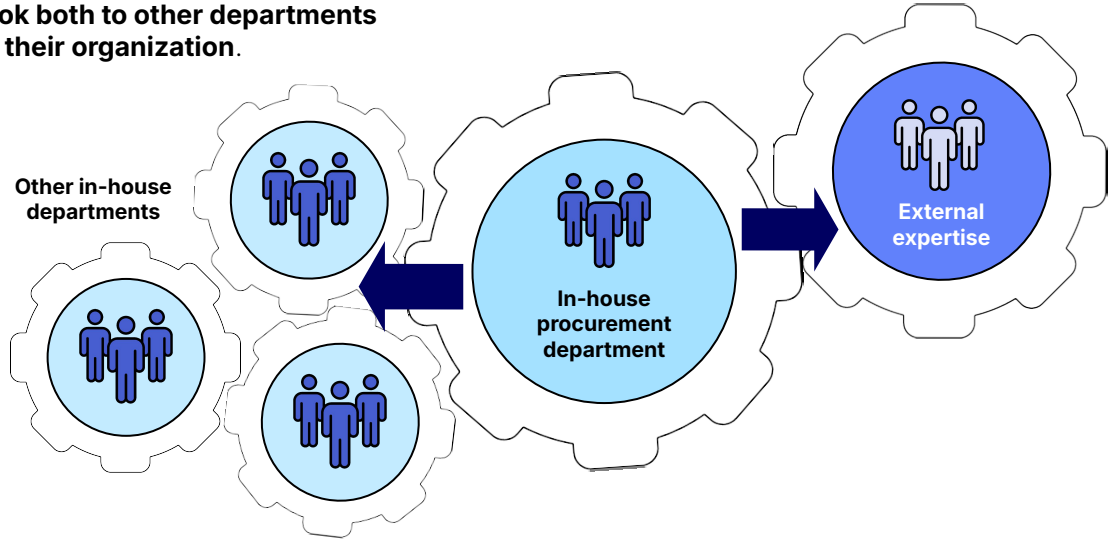
Big idea 5

Strategic success depends on balancing in-house capabilities with external expertise

When procurement teams supplement skills, they go both in- and out-of-house

Supplementing internal skills development with external expertise—either outside the procurement department or external to the organization—**is becoming the standard** for successful procurement skills strategies.

When procurement teams look externally, **they tend to look both to other departments and outside of their organization**.



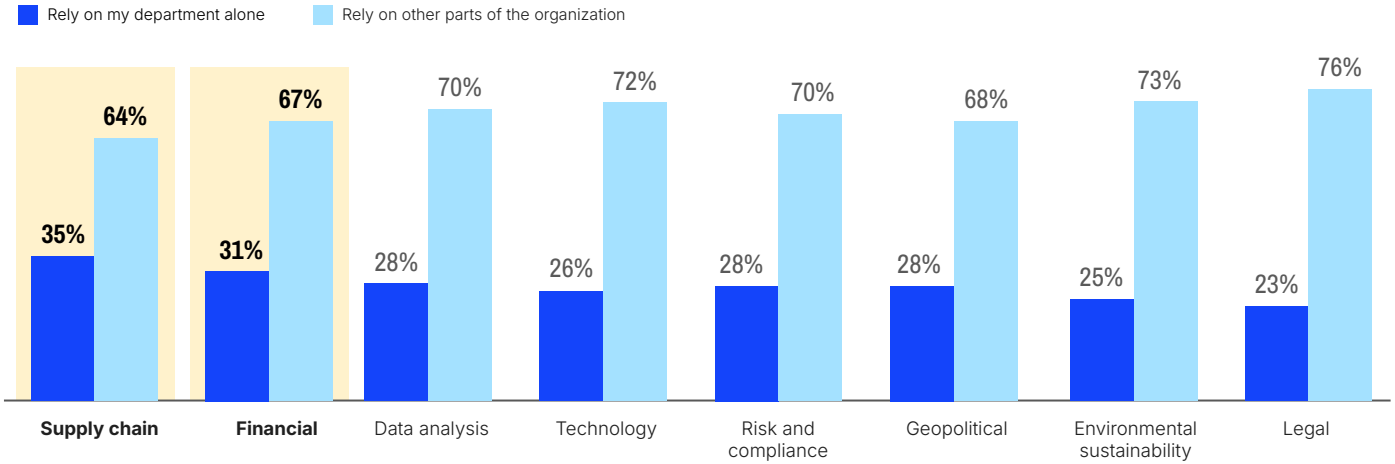
Balancing external expertise with in-house skill development

Regardless of firm size, organizations **do not supply sufficient in-house capabilities**.

In general, firms that turned to external partners for some needs were more likely to do so for others.

- The most common skills to keep **within the procurement department**, and within the organization, are **supply chain expertise** (35% keep this entirely within the department) and **financial expertise** (31% keep this entirely within the department)

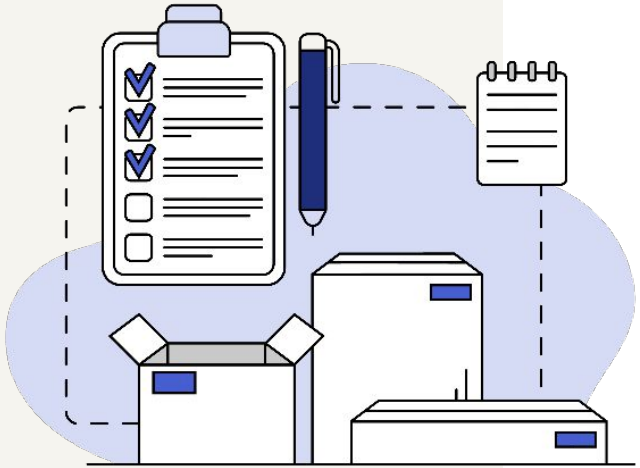
Looking externally can bring additional expertise, but procurement leaders should **continue to evaluate which skills—such as technology knowledge—are becoming more central** and thus worth improving in-house.



Source: Economist Impact 2024. Procurement skills for the future survey

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Next steps



Leaders should **develop a strategic plan** that delineates which skills to cultivate internally and which to outsource, ensuring a **balanced and robust** procurement function.

- In the short term, resources and immediate needs will dictate where organizations look to fill gaps.
    - When not already doing so, procurement leaders should **supplement areas of immediate need** with resources from other parts of the organization or outside of it.
- For the longer term, procurement leaders should look to **bring core business and procurement expertise in-house**, whether through a cross-organizational approach or directly within procurement. This consolidates knowledge and enables the procurement team to rapidly respond to market shocks and other challenges.
- Firms should **regularly review the effectiveness of their approach**, adjusting as needed to respond to changes in the procurement landscape.

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Looking ahead

Looking ahead



1 Evolve beyond traditional competencies

- Prioritize sustainability and ethical sourcing through a combination of internal upskilling and hiring talent.
- Focus on soft skills to complement AI's growing role.

2 Align skills prioritization with projections for future needs

- Assess current procurement skills in order to accurately map them to future needs.
- Implement regular and structured training programs for long-term benefits.

3 Embrace technology for a competitive advantage

- Equip procurement teams with the expertise to integrate AI and automation for routine tasks to streamline procurement processes and reduce costs.
- Prioritize skills in digital transformation to ensure procurement teams can navigate a tech-driven landscape and ensure long-term resilience.

Looking ahead



4 Develop essential in-house expertise

- Emphasize continuous learning and development in critical areas like AI, digital transformation and environmental sustainability to stay ahead of industry trends.
- Bring expertise needed for the long term in-house while addressing immediate needs with external resources.

5 Strengthen cross-functional collaboration and strategic integration

- Establish clear, regular communication channels between leadership and junior employees and non-procurement buyers to clarify procurement's role in organizational success.
- Foster opportunities for cross-functional collaboration between procurement and non-procurement staff to build mutual understanding, skills and buy-in.

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