Procurement Revolution
"Getting the Board on Board"

Navigating Procurement 2030 and beyond

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Overview

"Looking forward, we anticipate the global business environment will continue to be volatile, uncertain, complex, and ambiguous. Development of operating models, investment in and access to the necessary talent, and enablement of digital capabilities to aid decision-making and execution will likely differentiate those who win from everyone else." - Deloitte [12]

Chief Procurement Officer (CPO) roles are fast becoming multifaceted within business to manage restricted and volatile supply markets, rapidly changing business requirements, impact of trade tariffs, and increasing complexity in sustainability and import/export legislation.

The function finds itself awash with data and complexity, whilst the efficiency and performance expectations from key decision makers and the Board continue to escalate, particularly with the panacea automation and AI has promised in recent years.

The gap in business expectations will continue to grow if CPOs do not introduce new procurement operating models to simplify the way forward, and to answer the perennial C-Suite question of "what is the value of procurement now and in the future, and how will it support our most pressing challenges?"

This paper debates the revolution of procurement reform from five key angles, to move forward its value and impact on bottom line contribution.

1 - Global Dynamics

How have markets changed in the last 10 years and what are the impacts on procurement?

2 - C-Suite Dynamics

How well does procurement communicate its value to executive teams and is seen as part of the solution?

3 - Stakeholder Dynamics

What are the key issues key decision makers face when it comes to interacting with procurement?

4 - CPO Dynamics

What are the day-to-day barriers to delivering high performance and what will the leading performers in this space be doing in 5 years time?

5 - Future Procurement Operating Models

How should procurement teams be organized and operate for success?

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Performance Inflection Points Drive Pivot or Perish Actions

The economic 'golden years' pre-pandemic supported growth and consolidation in supply markets, resulting in less competition, more globalization of supply chains, and far more sophistication in supplier's client management skills and strategies.

Global and economic instability, over the past two years in particular, combined with the boom in automation and AI, has driven significantly greater procurement remits and performance from the function, and the emergence of value chain entrepreneurs in leading procurement organizations.

The step changes from cost optimizers to supply chain risk managers have created a significant inflection point in procurement performance between procurement leaders and followers. This inflection point is exacerbated by an entirely different skillset requirement for the procurement function going forward. Business competitive advantage will pivot on whether CPOs can manage complexity, agility and automation in parallel.
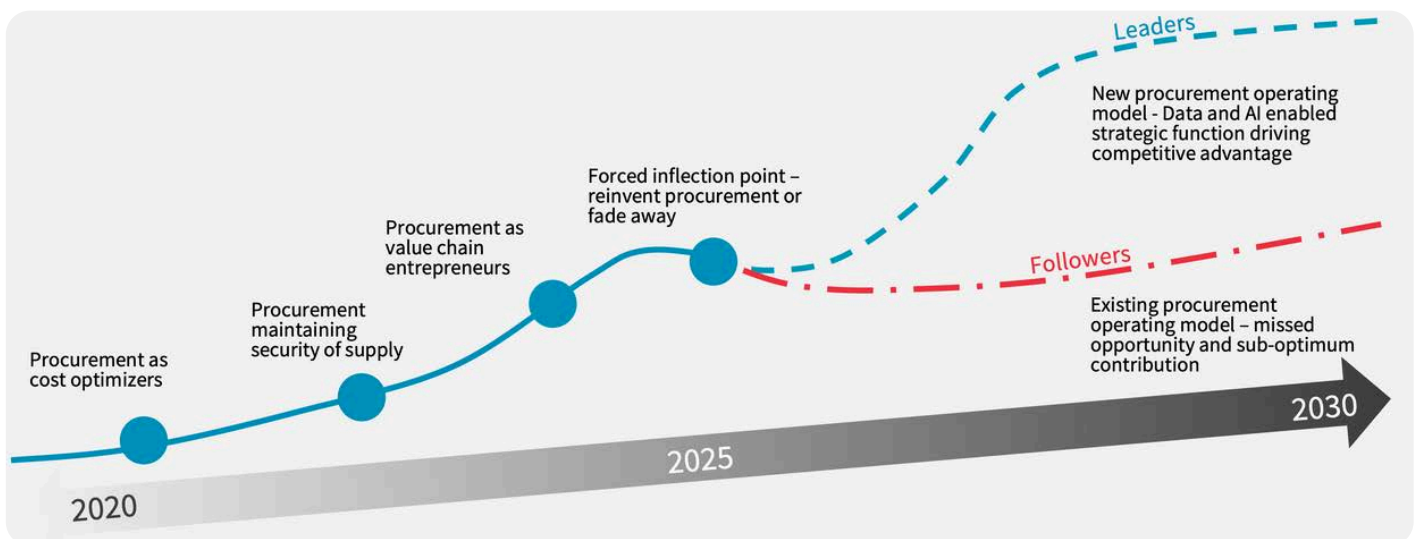

Figure 1.1 - The forced performance inflection point - pivot or perish

"The future of procurement is led from the centre, has ownership of the processes that add value, and serves as a hub for innovation. Fulfilling this promise will require developing an innovative operating model and advanced capabilities." - AT Kearney [3]

Four Dominant External Drivers Broaden the Procurement Remit

The following external factors have driven significant increases in breadth and depth in the procurement remit over the past five years:

1	**Advances in AI and machine learning**: Enabling the extraction of management information from previously unstructured data, enhancing spend transparency and acting on movements in supply markets.
2	**Geopolitical dynamics**: Creating supply disruption and forcing the need to nearshore and friendshore. Tariff policies deployed as geopolitical tools for border control, industrial strategy and economic influence.
3	**Increase in economic volatility**: Shifting focus from cost improvement alone toward supply chain resilience and agility in adapting to volatile market conditions after years of growth and stability.
4	**Regulatory demands**: Forcing greater transparency into a company's supply chain ethics, visibility and resilience alongside decarbonization and circular economy plans. Import/export legislation complexities rise.

Figure 1.2 - The four dominant external drivers for procurement change

Four Dominant Internal Barriers Create Complexity for Procurement

Businesses have generated either procurement leaders or followers, depending on sponsorship of four key internal dynamics:

1	**Talent shortages:** CPOs face significant competition for candidates who have advanced commercial skills, digital fluency and soft skills. There are gaps in the talent market for advanced category management, ESG management, project management, supplier management and team collaboration. Business functions are competing with procurement for similar fundamental skill sets.
2	**Internal complexity:** CPOs struggle with greater scope, cuts in headcount, and suboptimal ERP system upgrades and procurement software roll outs. Poor procurement policy compliance is often the result of end users not being able to access accurate, key data combined with difficulty in navigating procurement systems. Many functions have conflicting targets leading competition for system upgrade budgets.
3	**Misalignment with business risks:** Aggressive competition, market volatility, global crisis and increased regulations have shaped the Board risk agenda. Many CPOs have not aligned these current trends with the procurement business case, budget and operating model. Resource capacity models are not in place with the executive teams to trade off conflicting priorities as and when they arise.
4	**Shifts in procurement priorities:** The shift to a broad remit of cost improvement, new system implementation, supply chain management (e.g. agility, sustainability, nearshoring and resilience) decarbonization and circular economy plans has broadened the scope of procurement significantly. Many CPOs face challenges in deciding how to run business as usual with change programmes, whilst sourcing suppliers who meet their business' ESG criteria.

Figure 1.3 - The four internal barriers that create procurement complexity

> *"39% of decision makers agree that procurement is highly coordinated with finance, compliance, legal and technology" - Amazon Business [1]*

Procurement Capability is Set to Grow Exponentially Within the Next Five Years

Procurement pioneers will be differentiated from followers by implementing four key levers:

1	**Advanced hire and retain strategies:** Securing elite talent from highly competitive markets will be facilitated by showcasing a well sponsored procurement plan and operating model, underpinned by creative, innovative, and collaborative tasks. A strategy for optimal capacity from a combination of temporary and permanent hires, along with a change management project team will be the differentiator. Procurement staff will be encouraged to rotate from business functions to procurement and vice versa.
2	**Clear scope, KPIs and governance:** Clear business cases that align with the business' risks are agreed with the Board. All external spend is subject to centralized policies and processes, with non-compliance monitored and managed by the executive team. Incremental change management funding year-on-year is accepted as systems continue to rapidly upgrade in parallel with skills development and business as usual process improvements. KPIs align with the income statement performance and CFO language.
3	**Data and AI enabled strategic functions:** ERP and additional procurement software networks are fully optimized, providing fast processes and controls for stakeholders to adhere to policies and enforce compliance. Category management processes are automated with real-time, accurate client reports. Low value add, low complexity spends are fully automated, allowing teams to focus on the strategic, high complexity activities. AI coordination hubs will be managed by procurement staff to ensure integrity of master data sets.
4	**Democratized operating models:** Centralized procurement policy roll-out will be managed and shared between CPO and domain leaders, as automated systems and cataloguing processes allow stakeholders to self serve on low impact spends. Multi-disciplinary teams are established to focus on the high value, complex spends (with significant business impact) where the domain leads on specification and technical expertise. Shared goals and performance targets are signed off at executive level.

Figure 1.4 - The four differentiators for future procurement pioneers

Successful procurement leaders will continue to secure funding from simple, clear business cases for ongoing skills upgrades, automation and integration into the business. Many once leading procurement organizations may slip back into the "follower" category if continued change is not integrated into their operating models. Predictive analytics and AI agents will be needed to support the new breed of procurement professional to help make rapid, strategic and high impact commercial strategies. Procurement pioneers will strive for closed loop processes between SRM and CRM and begin to build far greater connections "business to supply market", in order to seize the opportunity gaps when they arise. One source of rapid, real-time, accurate supply market and supplier information will be provided to assist their stakeholders in creating competitive weapons to innovate, profit pool and rapidly scale up projects to market with preferred, reliable suppliers.
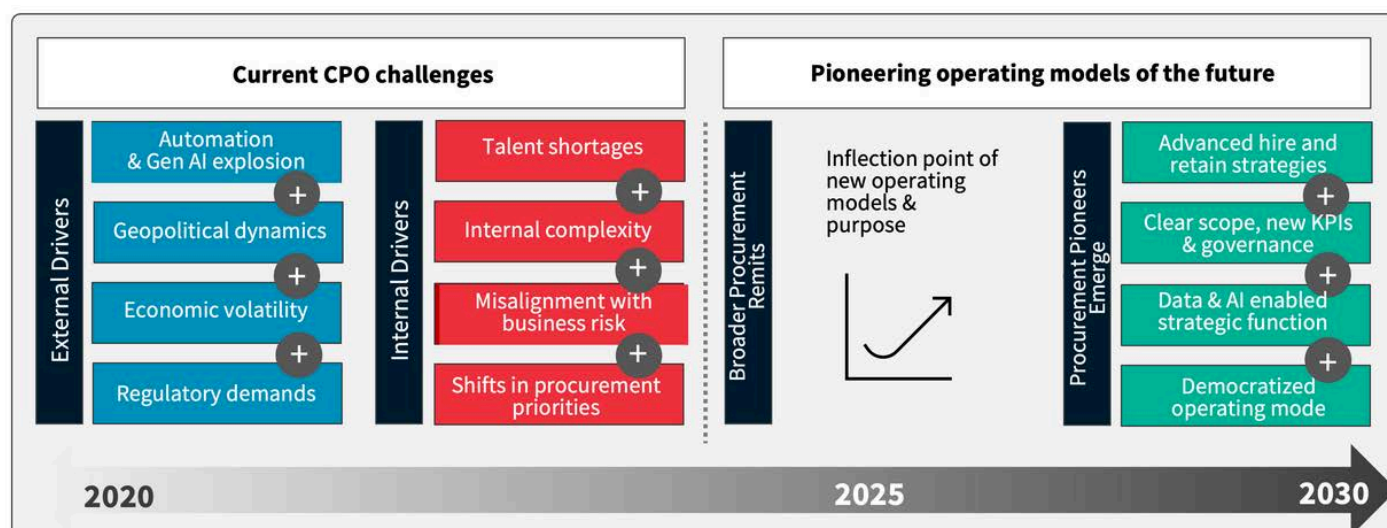

Figure 1.5 - Where the pioneers of the new procurement operating model are heading

Global Dynamics

The Perfect Storm After a Decade of Growth and Stability

Issue:	Inflation and volatility increases, AI Explosion, talent wars and greater ESG demands.
CPO focus:	The complexity and change curator within a broader remit who is profit oriented, risk aware, commercially focussed, and aligned with the company strategy.

Low Inflation Era Boosted Smart Buying

Many economies over the past decade have enjoyed low inflation rates coupled with solid domestic growth [8]. The era of "smart buying" was underpinned by low inflation rates which allowed year-on-year cost reduction, supported by spend category strategies running in parallel with developing ERP systems. Procurement became known as "cost optimizers" and created a reputation for contributing to budget certainty on external spends in scope.

This earned procurement the "save it and keep it" brand as experienced spend category practitioners deployed proven approaches for key areas of spend, and ever more sophisticated ERP systems became the first big step towards automation.

Transparency In Sustainable Supply Chains Pre-Pandemic

Growing customer preferences for sustainable products, coupled with improved ESG regulations, demanded detailed studies from procurement into the veracity of its' supply chains, to ensure environmental, social and sustainability business objectives were met.

Automating the ongoing audits of supply chains, down to tier 3 and 4, to minimize high risk human and environmental impacts, was an additional remit to the procurement agenda. This catalysed the emergence of new supplier selection criteria too.

Carbon accounting and offsets, combined with significant changes in import/export legislation across many borders, provided a perfect storm for change in procurement i.e., agility, risk mitigation and supplier relationship management for the business was necessary.

However, many years on, CPOs continue to report difficulties in this change within supplier preferencing e.g.:

Amazon Business [1] reports in a recent study that "85% of CPOs surveyed have difficulty in sourcing to the ESG targets and objectives of the business."

KPMG [12] reports that "43% of companies had no visibility or were "largely unclear" about the visibility of even their Tier 1 suppliers."

Pandemic and Beyond - Broader Procurement Remits Emerged

Notwithstanding the pandemic aftermath, significant global challenges have emerged (in the last 24 months in particular), with stark geopolitical tensions creating supply disruption, global economic growth softening and rises in inflation. New tariffs and trade policies are now deployed as geopolitical tools for border control, industrial strategy and economic influence. Energy costs are set to remain high and are interconnected with carbon offset and accounting policies.

Geopolitical conflicts and trade tensions are creating supply disruption and forcing a redefinition of entire supply chains. Globalization, once a method of unlocking potential and great value, is now problematic, forcing the need to nearshore/friendshore.

VUCA (Volatility, Uncertainty, Complexity and Ambiguity) is now the new norm. Demand is outstripping supply in many commodities and set to worsen as scarcity in many resources bites. Energy costs are set to remain high.

70% of CPOs see supply risk growing in the last 12 months." - Spend Matters [15]

The Global Talent War

Even the best of organizations, with solid procurement strategies, are struggling to attract skills. A recent CPO survey by Amazon Business [1] reported that **"84% of CPOs stated that talent attraction is a key issue for the future."**

Two recent board surveys [2, 12] show that skills shortages are a business-wide risk too, which leads to many businesses competing with the same talent pool from top business schools and universities worldwide.

Talent attraction, development and retention will be the key differentiator for pioneering CPOs going forward. Combinations of the following options will be required for success:

> a) Hiring new full-time and part-time staff.
> b) Commissioning consultants and contractors to assist in development and roll out of CPO business cases.
> c) Hiring category expertise experts (temporary and permanent).
> d) Procuring managed service providers to outsource specific low value tasks to.
> e) Hybrid models of temporary and permanent staff working in rotation to meet peak demands.

Leading CPOs will entice talent to join and stay within the function longer term through communication of clear, progressive roadmaps for their staff and stakeholders. Demonstrating the orchestration of a variety of processes in parallel to meet business targets, alongside board buy-in and connectivity which will also be a key lever.

According to several surveys [13, 4, 10] the top five skills gaps which need plugging to revolutionize procurement will be category management, supplier relationship management, ESG practices, data analytics and practical utilization of AI to drive better outcomes.

"Procurement professionals are going to need to be much more digitally fluent, so that they can learn from the data that is available to them." - McKinsey [13]

"The factors expected to drive the greatest transformational impact on the way procurement teams perform their jobs over the next five years are digital procurement and automation (64%), artificial intelligence and generative AI (64%), the changing profile of procurement skills (56%) and deep real-time data visibility (50%). AI and Gen AI are expected to deliver enhanced system functionality that will enable procurement organizations to super-power teams to deliver a broader value proposition." - The Hackett Group [17]

Automation: Scaling With Headcount Decreases

Current trends in automation and AI have peaked Boards' appetites to fund the implementation of such offerings within procurement, on the expectation headcount is cut.

This is a key challenge for CPOs in the next 2 years, as headcount reduction cannot be delivered until operational inefficiencies in the function's underpinning processes and practices are upgraded in parallel with the implementation of emerging technologies (e.g. source data accuracy, ERP legacy glitches etc.).

AI and automation capability continues to grow exponentially across all sectors year on year, thus creating more demand for IT and technical data science skills within procurement to accommodate the new market spend. This places procurement in direct competition with many other functions seeking such emerging talent from business schools and universities.

Leading procurement organizations such as AstraZeneca, have created dedicated AI category management roles to accommodate the complexity of the "software mosaics" emerging in their businesses, as the technology supply ecosystems are complex and rapidly evolving. The uncertainty of deployment of such interconnected systems is unprecedented, as is the new ways of evaluating the software founding teams.

Automation and AI will ultimately lead to the ability of procurement professionals to outsource low value-add tasks to stakeholders and thus focus on strategic high impact spends.

"The 'rise of the robots' was supposed to put people out of work. Instead, we are seeing humans and robots collaborate in new and innovative ways for more efficient and effective supply chains. Meanwhile, humans are increasingly turning to more strategic and value-adding tasks." - KPMG [12]

Board Risks Are a Language Bridge for the CPO

Recent board surveys [5, 11] have identified 9 risks which CPOs can hook into to support business performance e.g., managing inflation, supply chain uncertainty and new sources of innovation (see Figure 2.1). The pressure for CEOs to scale without headcount growth is emerging too, with expectations to invest in automation to replace operational and technical staff.

CPOs have a great opportunity to raise the profile and purpose of the function, from not just one of savings but to one of innovation and growth by aligning procurement operating models and KPIs with business risks.
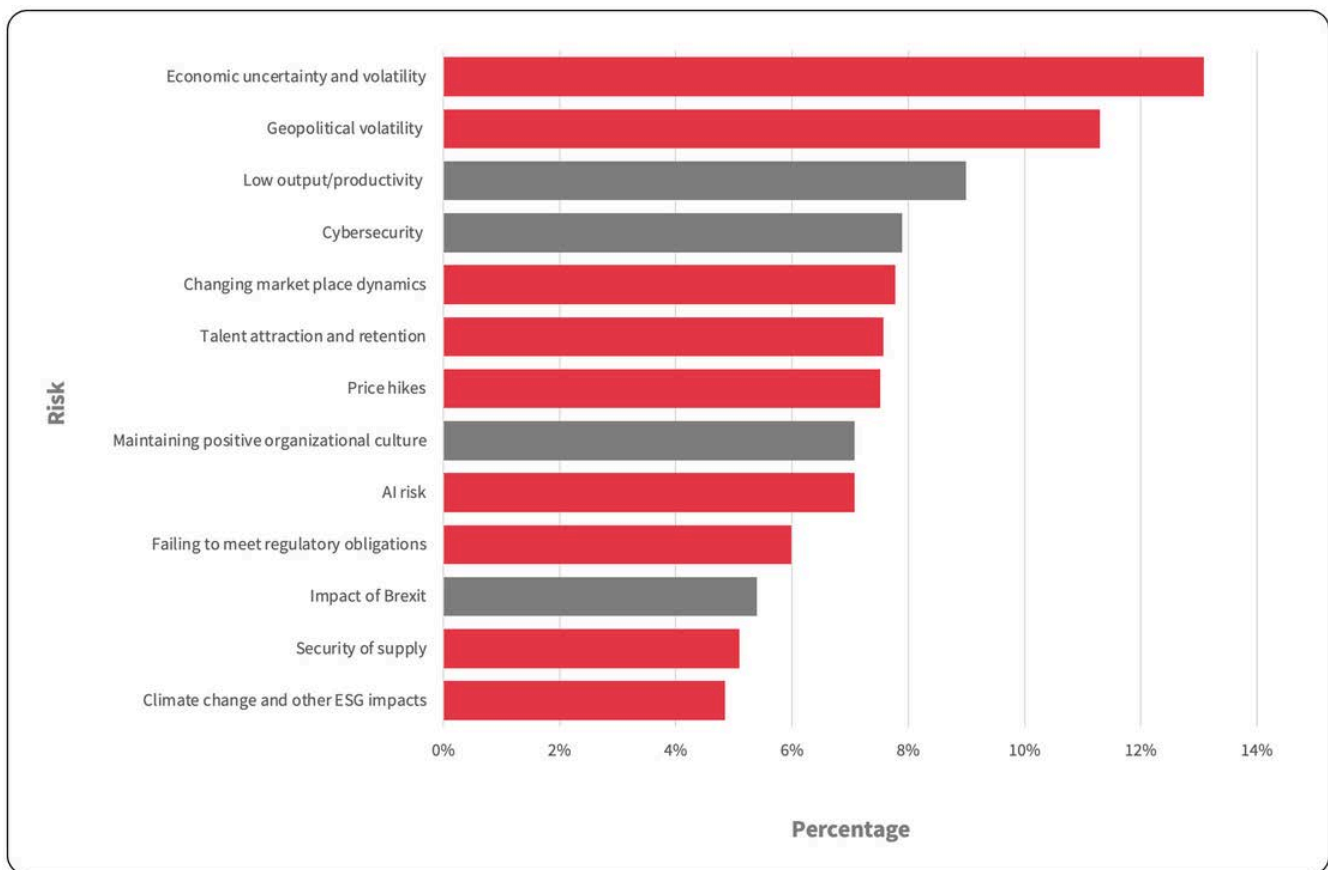
Figure 2.1 - Most pressing organization risks that procurement can influence (in red)

Based upon and adapted from Deloitte (2024) CFO survey and Heidrick & Struggles (2025) CEO & Board Confidence Monitor

Cost Reduction Stays Firmly on the CFO Priority List

The Deloitte CFO Survey 2024 [5] stated that *"CFOs continued to rate defensive strategies as their top two priorities. Cost reduction is their greatest priority for the 11th consecutive quarter, followed by increasing cash flow."*

Inflation and volatility increases, AI explosions, talent wars, and greater ESG demands, place procurement front and centre on its core offering of cost reduction. This also provides a unique springboard for CPOs to present their broad remit to the Board, aligned to the business risks, and underpinned by KPIs and a new operating model for success. Procurement pioneers have to learn to think like CFOs to gain traction in the business e.g. profit oriented, risk aware, commercially focussed and aligned with the company strategy.

C-Suite Dynamics

Procurement's Purpose: Turning Supply Market Capabilities Into Value

Issue:	Misalignment of procurement's role in the business.
CPO focus:	The decoder of Board risks and delivery of supply market value.

The Purpose of Procurement

Depending on the industry sector, external spends can be up to half of a company's cost base. Therefore, the procurement function exists to enable a business to turn appropriate supply market capabilities into value for its customers. Some sectors can be viewed holistically as managing operations that are procurement businesses in their own right, such as those that design, procure and outsource manufacturing e.g. High Tech, OEMs, Telecom, Automotive, Defence and Aerospace. They obtain preferential access to technology from the supply market, drive the right balance of power with their preferred suppliers and optimize short rapid new product development lifecycles, thus securing competitive advantage.

Procurement is also high on the agenda when there is a merger, turnaround, or when companies are under serious pressure from investors looking to improve bottom line performance. Cutting external spend and improving supplier deals are seen as levers to prevent deeper headcount cuts. These are simply short-term levers and tools, leaving CFOs to question the value procurement is delivering longer term, due to lack of data transparency and the connection to its own language and measures.

Executive Teams Focus on the Language of Competition, Top Line Growth and Margin

CEOs and CFOs focus on external market <u>outputs</u>: predominantly competition, bottom line results, and innovation to help grow the top line. Often procurement is focussed on outdated, traditional levers which are hard to connect to board KPIs, such as savings, commercial terms and legal remedies. This creates immediate disconnect between what CFOs and the CEO needs from procurement, and how CPOs approach the Board, particularly when savings do not always hit the bottom line.

What CEOs need from procurement	How CPOs approach the Board
1 — **No surprises** – Security of supply for the day-to-day	**1** — **Performance** – Savings, project buying performance, supplier etc
2 — **Compliance** – Legal, regulatory and internal policy supply side	**2** — **Risk management** – Security of supply and issue resolution
3 — **Bottom line improvements** – Price hike defense and sustained cost reduction	**3** — **Procurement project reporting** – Key tenders, support to business projects
4 — **Top line improvements** – Innovation, growth and competitive advantage from the supply base	**4** — **Contract management** – Using legal remedies where needed
5 — **Realize corporate goals** – Connect supply base possibilities with organizational aspirations	**5** — **Transaction management** – Maximize spend under management

Figure 3.1 - What CEOs need from procurement and how CPOs approach the Board

Recent CEO board risk studies by Heidrick & Struggles [11] show that top business risks are very much interconnected with procurement performance. The key to creating a bridge between the function and the business is to translate the business risk profile into a procurement strategy and tangible, compelling KPIs.

"Today's procurement expectations continue to shift from the supplier and category perspective to an activity that is driven far more by cost centre and financial reporting priorities and concerns." - McKinsey [14]

Board Cynicism Has to Be Tackled by The CPO

During and post-pandemic, there were increased expectations placed on procurement to respond to unprecedented levels of supply chain disruption and risk, and many teams rose to the challenge.

However, a recent survey from Deloitte [4] reports that despite the broader remit of procurement, many companies still seek to reduce the size of the function, and limit investment in it to gain operational efficiency. This ultimately leaves CPOs with the task of doing more with less and a vicious circle of lower performance will naturally follow.

Growth is key to Boards and procurement needs to be a key contributor to it. Board cynicism on procurement value is a main task for many CPOs to resolve. It is often founded on poor customer satisfaction feedback suggesting procurement impedes efficiency and progress. Automation and AI is perceived to rapidly displace low value repeat work and progress expectations are high within stakeholder communities.

Procurement is not alone, as other functions struggle with immaturity too e.g. finance focussed on bookkeeping rather than effective capital utilization, HR focussing on processes rather than motivating and enabling the workforce, and IT playing catch up with digital tools such as bring your own device (BYOD) to link into existing systems.

"Nearly $500 million of venture capital was invested in e-procurement start-ups over the past five years", and "nearly three-quarters of them are solving problems lingering from the early 2000s: spend visibility, supplier rationalization, and basic sourcing strategy." - AT Kearney [2]

Pithy, Punchy Procurement Business Cases Gain Board Buy-in

CPOs are increasing their voice with the executive team by spelling out:

a) <u>Budget Impact:</u> How to provide early indications of variances, and the drivers and deeper insights into price changes and mitigation plans.

b) <u>Hitting revenue targets:</u> How to continue to manage key product shortages, secure critical supply routes, and change in demand to meet revenue lines.

c) <u>Delivering on EBITDA:</u> How to reconcile savings into reported numbers and assess the contributions achieved. Measuring true cost reduction through a transparent value capture process with stakeholders.

d) <u>Fulfilling increased reporting requirements:</u> How to provide a curated single source of truth containing all the necessary data points e.g. compliance with the EU Corporate Sustainability Due Diligence Directive or diversity scores.

e) <u>Net zero:</u> How to issue high quality progress reporting on procurement spend and scope 3 emissions to assist in future financing decisions.

> *"71% of CFOs aspire to translate sustainability into monetary terms" - Deloitte [4]*

> *"64% of procurement organizations are aligned to organizational wide targets (e.g. sustainability goals, regulatory compliance, ethical sourcing) where leaders are actively integrating responsible procurement practices into their strategies." - EY [6]*

According to a recent survey by The CFO [16], CFOs understand that procurement needs to make the journey of automation and AI evolution and are willing to support it subject to understanding how each tool connects to the bigger picture of value for the business.

> *"For CFOs, the future of procurement is not just about leveraging new tools but about understanding the specific value drivers offered by each tool and aligning them with their company's unique needs." - The CFO [16]*

Procurement Cannot Deliver Value in Isolation

Willingness to engage with procurement must be a shared responsibility, baked into the SLAs and personal development plans of the executive in order to meet targets. Maverick behaviour in the functions must be managed at this level too, along with new compelling procurement KPIs that encourage collaboration. Instilling a culture of clear accountability for end results, top down, will embed cross-functional working.

"46% of decision makers agree that they follow mandated policies."
- Amazon Business [1]

CPO frustrations arise when all spend scope is not placed under procurement governance and procurement policies are not followed, resulting in spend and value leakage. Compliance from stakeholders, alongside service improvement from procurement, should be a key Board agenda item to ensure business targets are met. CPOs may often have limited control over the necessary P2P systems and policies, which can lead to poor performance and frustrated stakeholders too (see Figure 3.2 below).
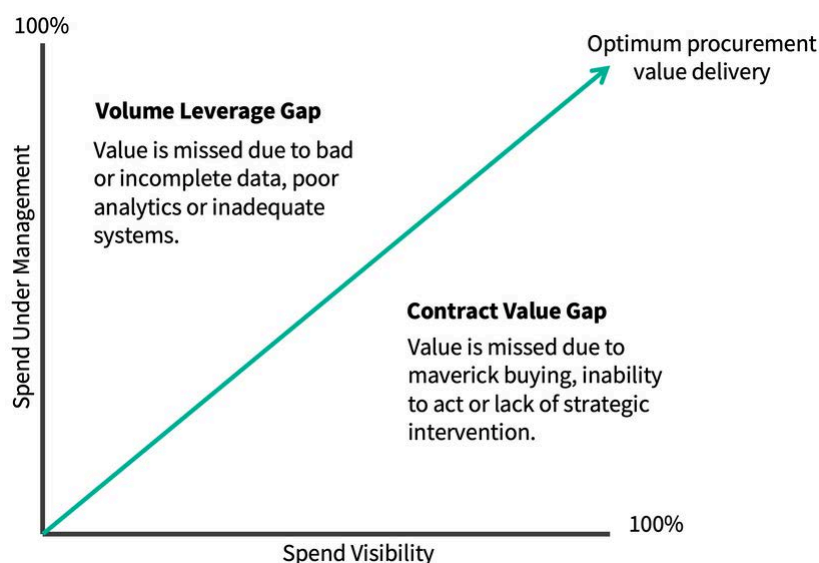

Figure 3.2 - Consequences of non-compliance to procurement policy

Shared Executive Targets – Procurement Works with the Business, for the Business

Supply related questions posed by Board members and stakeholders can often be very simple to decode and report on, to gain connection and confidence with the CEO (see Figure 3.3).

Focussing on tactical and operational routine tasks, rather than delivering innovation from the supply base and managing risk proactively, are common pitfalls for the CPO. Procurement leaders of the future are the ones who have, and will continue to secure, funding from simple, clear business cases for continued skills upgrades, automation and integration into the business, with clear KPIs that link to business strategy.

Sourcing Strategies - What and Where do we Buy From?	Supplier Management - How do we Mitigate Risks and Secure Agility?	Procurement and Data Management - Do we Have One Source of Data Truth?
Price: Do we have best price and total cost? Have we got the current and future total cost of the value chain embedded in the plan?	**Subcontractor:** What are the risks with subcontractor suppliers, and have we mitigated them?	**Spend:** Do we have accurate spend data per category and subcategory of spend?
Supplier Concentration: Have we diversified and limited our exposure to individual suppliers?	**Supplier Relationships:** Do we know who our most important suppliers are and do we have strong relationships with the best suppliers?	**Inventory:** Have we optimized inventory and working capital?
Geographic Concentration: Have we diversified and limited our exposure to individual countries?	**Market Intelligence:** Do we have access to real-time intelligence about potential supply chain shocks in their markets and sourcing locations?	**Customer Interface:** Are the systems fully complied with and easy to use?
Cost Mitigation Measures: Do we have projected cost reduction, avoidance and increases per budget line on zero based principles?	**Switch Over Times:** Do we have approved alternative suppliers in place?	

Figure 3.3 - Questions posed by the Board and stakeholders

SECTION 4

Stakeholder Dynamics

Procurement's Role: Securing Competitive Weapons

Issue:	Lack of competitive levers and simple procurement processes.
CPO focus:	Provider of a menu of automated services and agile strategic teams.

Demanding Times Yield Internal Tensions Between Functions

Economic challenges have naturally created internal tensions between finance, business units and procurement, due to reduction or restriction of both opex and capex budget targets levied by the Board to sustain EBITDA stability and growth. These tensions are compounded by substandard procurement services and fragmented systems.

A recent survey conducted by KPMG [12] reported that **"50% of decision makers cannot find alternative sources of supply quickly enough" and "77% of executives complain they cannot access good spend data in real-time."**

Root Causes of Disconnect

Perceived and real gaps in a procurement service will lead to a vortex of executive scepticism about the pace of automation and the clarity of value from procurement data and services. This is often fuelled by poor compliance to mandated procurement policies and suboptimal integration of P2P systems into the ERP backbone within the business.

"32% of decision makers report P2P is fully integrated into ERP." - Amazon Business [1]

Tense dynamics are often experienced around projects that involve procurement in domain teams where there is limited visibility of value add from procurement. CPOs who establish compelling business cases and KPIs at Board level, gain sponsorship from CEOs and CFOs to drive a culture of cross-functional working towards one shared goal, plus fair remuneration and reward schemes for all involved.
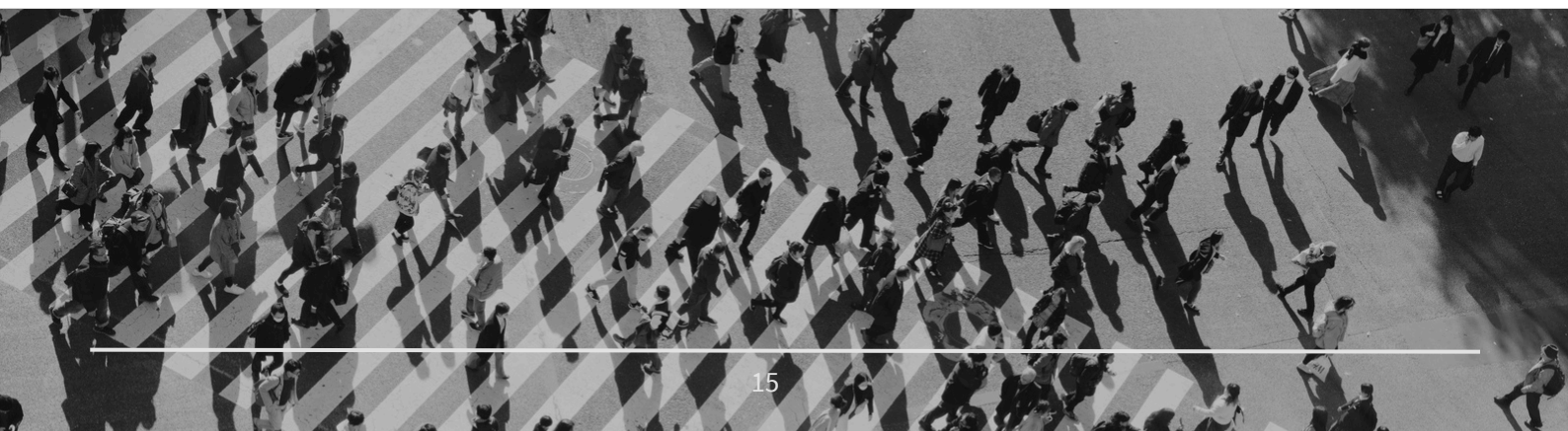
Stakeholders Want to Understand the Art of the Possible

Decision makers are looking for new ways from procurement to innovate, increase profits and manage multiple projects with preferred, reliable suppliers i.e.:

> a) Upstream value chains are scoped out and downstream supply chain margins are managed, with credible alternatives on standby.
> b) Current intelligence into available marketplaces and relevant supply-side possibilities to proactively mitigate shortages and disruptions.
> c) Proactive plans for key supplier management and dependability are active.
> d) Solid cost controls and zero-based budgeting support automated budgeting and forecasting processes. Accurate, real-time management information reports are available for liquidity data.
> e) Scenario planning and predictive tools create a single source of truth on a digitized self-service interface which is intuitive to use.
> f) A clear, lean organization structure which integrates itself into the business, with elite analytical and advisory talent in operation.

AI and Automation: One of the Top 3 Priorities for Leading CPOs

Stakeholders need simple and fast access points into procurement to catalyse decision making on simple and complex spends alike i.e.:

> a) A simple, intuitive and automated interface with procurement whereby all transactional and operational spends are managed well for their locations, and a clear rationale for alternatives is provided.
> b) Point solution specialists are provided for complex and strategic spends, to guide stakeholders to success against market competition and supply chain challenges.
> c) High visibility in supply chains facing ESG business targets is readily available.
> d) Predictive approaches to budget performance and demand management are automated and accurate.

> *"80% of global CPOs plan on deploying GenAI in some capacity over the next 3 years to accelerate what teams can deliver, with near term focus on spend analytics and insights along with enhanced contract management. Today, only 36% have GenAI deployed in a meaningful manner." - EY [6]*

Leveraging new procurement software tools will revolutionize the ability to meet these stakeholder expectations by freeing up headcount to focus on more strategic value-add activities.

However, a recent survey from Spend Matters [15] reports that **"talent is drowning in data and tools but starving for insights. Tech budget allocation has dropped and under-resourcing and poor data quality are the top two digital barriers."**

> *"41 % of decision makers find adoption of systems difficult." - KPMG [12]*

Integration of new systems at pace, alongside delivering business-as-usual services, will be the CPO challenge. Functionality of the new tools will need to be fully understood and their integration in the business sponsored and funded. Roll out training and funding is also vital to success. Simply papering over old, sub-optimized processes and systems will not deliver the results stakeholders demand. Even the fundamentals, such as legacy ERP system capability, needs to be acid tested for success.

The Procurement AI Revolution: Tackling the Systems Mosaic

CPOs will continue to be tasked with the orchestration of a mosaic of many procurement systems, connected to artificial intelligence hubs, to provide optimal services for stakeholders and suppliers. GenAI will progress and interpret data in far more sophisticated ways, allowing procurement professionals to focus on higher value-add tasks. However, the challenge will be auditing the source inputs and securing coder talent in the function. Indirect spend categories (that are often the least transparent and include a high degree of services and irregular one off spends) will be targeted by these offerings.
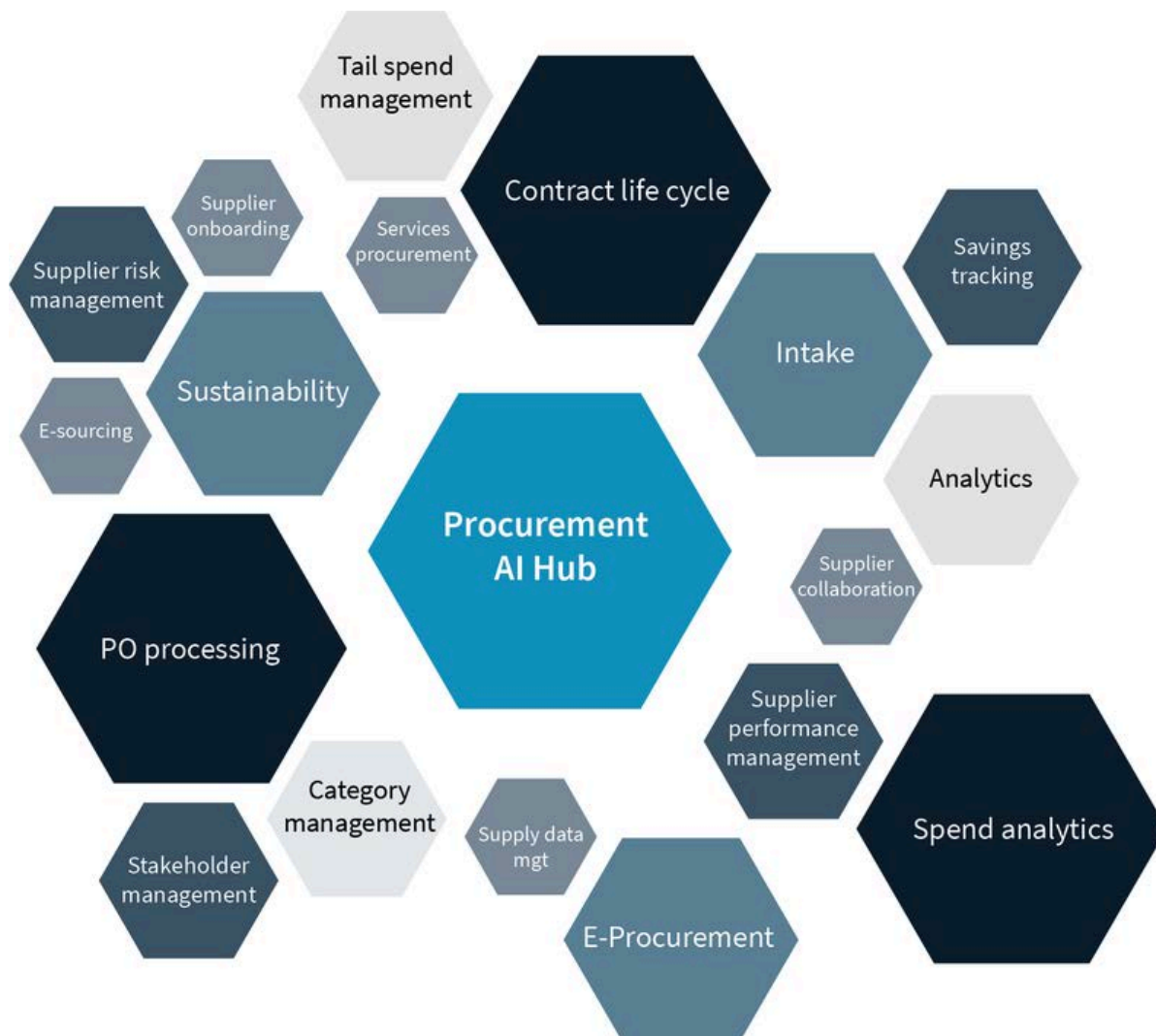

Figure 4.1 - Degree to which GenAI is 'powering' different procurement tech (the bigger the shape, the more GenAI is being used)

Based upon and adapted from The Hackett Group (2025) 2025 Procurement Agenda and Key Issues Study Results, published by The Hackett Group.

Keeping ahead of the complex patterns of connection and value add between and within systems is likely to be one of the most challenging tasks for procurement moving forward towards 2030. Dedicated teams which follow data and information value flows are an absolute necessity for progression.

> *"CPOs need to know what they don't know and understand the complex world of AI emergence." - Spend Matters [15]*

A Rapid Automation Cycle Emerges for Leading CPOs: Embed, Integrate and Revolutionize

Procurement pioneers are those that set clear digital roadmaps for the next 5 years. Such road maps will have in-built test and learn cycles for the business to provide clarity in complexity. The path of **Embed**, **Integrate** and **Revolutionize** will begin to emerge (see Figure 4.2).

Embed **2025-2026**	**Activities** Low value, low risk, repeat procurement tasks fully automated, with good accuracy and real-time data reports e.g.: • Purchase order creation • Invoice loading and matching • E-tendering of low value competitive items
Integrate **2027-2029**	**Activities** Predictive tasks, managed by AI agents, which may have machine learning capabilities typically include: • Cost reduction plans per category of spend • Demand forecasting and planning • Contract renewal pipelines and plans • Contract performance management KPI reports per supplier • Negotiation strategies and tactics for commodities and volatile spend markets • Supply chain audits • Carbon accounting within the supply chain • Border legislation coordination for imports and exports • Weighted supplier tender processes • Value chain mapping and engineering
Revolutionize **2027-2029**	**Activities** Integrated AI agent tasks, which talk between supplier and buyer organizations, are overseen by humans and rigorously audited. Tasks may include: • Price negotiations for all tactical and low risk spends • Supplier selection from tendering • Sourcing and category plan development • Innovation centres between supplier and buyer • KPI tracking and live risk assessments • Value chain mapping and cost predications • New supply market mapping and differentiators • Scenario planning across commodity markets

Figure 4.2 - Embed, Integrate and Revolutionize automation path for procurement

Exponential growth in AI and system language models will push boundaries within procurement services. It will continue be a complex, unknown landscape for CPOs to navigate to ensure they stay safely ahead of the disruption curve and exploit the latest technology alongside suppliers and stakeholders.

Language models will excel at universally translating any data language and interpreting it from multiple system sources. The role of the chatbot will become far more sophisticated in the future too. Spend Matters [15] reported that SAP's chatbot Joule "will know what you mean, not just what you say" in the near future.

All Functions Are on the AI Development Curve – Not Just Procurement

Simultaneously, all functions will experience bursts of AI development, and the effort to secure stakeholders' time and attention for procurement projects, software training and day-to-day interaction, will be a significant task for the CPO.

Clear SLAs carved out with executive team members will be crucial to make sure everyone is in lockstep with one another as they move forward with automation. Sequencing and planning to adapt, sustain and thrive in complexity will be a key agreement board members make with one another.

CPO Dynamics

Awash With Data, Doing More With Less

Issue:	Non-compliance, skills gaps and mosaics of ineffective systems.
CPO focus:	Focus less on function and more on strategy.

Pivoting to a Broader Remit in the Last Five Years

Procurement has pivoted in response to the new demands and significant macro environmental changes over the last 5 years. Cost reduction became cost increase mitigation, combined with equal billing on security of supply, risk management, sustainable supply base and value (see Figure 5.1).
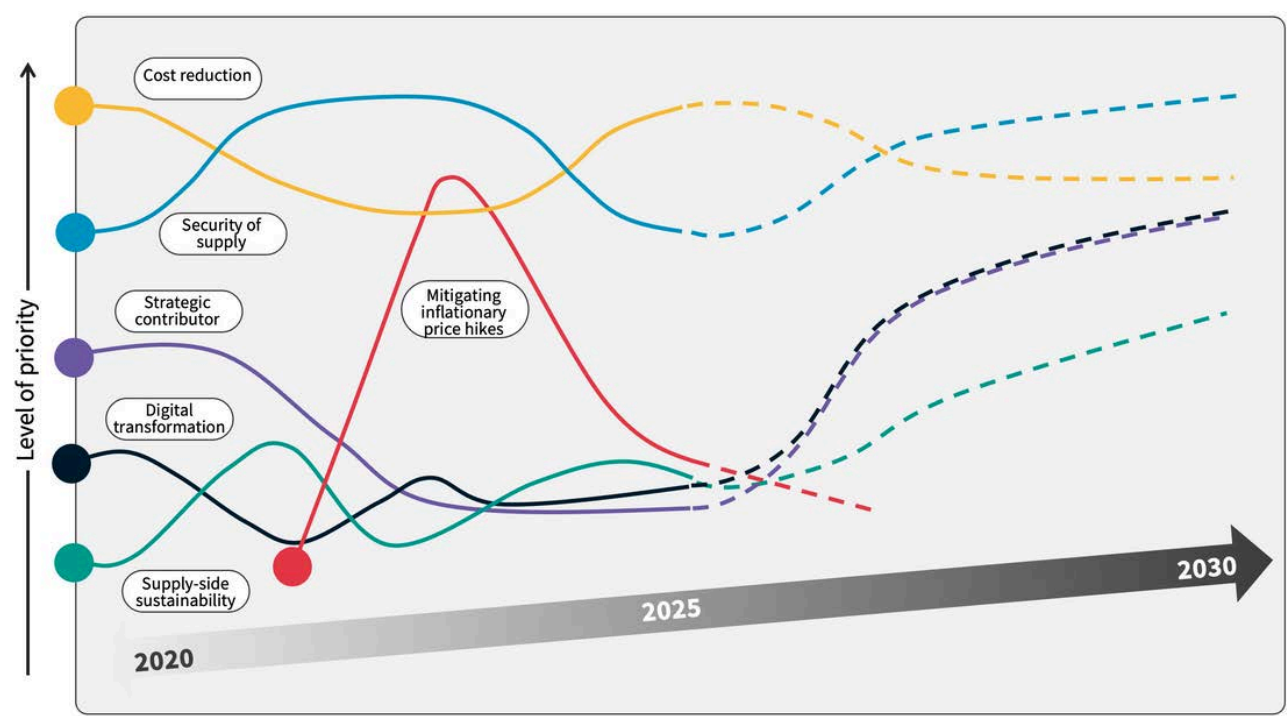

Figure 5.1 - Changes in procurement priorities over the last five years and anticipated future trends for leading procurement functions.

Based upon and adapted from The Hackett Group (2025) 2025 Procurement Agenda and Key Issues Study Results, published by The Hackett Group.

Procurement needed to look beyond immediate suppliers right back to original producers, farmsteads or raw materials. The new role of "value chain integrator" merged in some sectors. This approach, together with accurate, automated data sources underpinned by best practices, started to yield high quality spend and supply market strategies i.e.:

> a) New agile supply chains and alternative supply strategies.
> b) Supply chain tracking and visibility.
> c) Solid cost controls and zero-based budgeting.
> d) Proactive plans for key supplier risk management and dependability.
> e) Transparency of real-time supplier liquidity data and dynamic contingency planning.
> f) Scenario planning and predictive tools.
> g) Sustainability data for suppliers and supply chains.

Top Three External Challenges Across USA, EMEIA and Asia

The present global economic climate shockwaves will continue to present market and supply chain volatility for the foreseeable future, with increasing pressure on costs and budgets. Continual changes in regulation (ESG, CSR) may create limited supply pools for procurement, and the advent of more procurement technology upgrades may create wider gaps between suppliers and buyer digital capability.

See Figure 5.2 for the top three challenges cited across most recent CPO studies.

Figure 5.2 - The top three external challenges procurement must tackle

Top Four Internal Challenges: Complexity, Non-Compliance, Technology and Talent

Many CPOs feel the risk and distraction of internal complexity (functional silos and non-standard processes) and day-to-day activities (negotiating savings, managing risk, ensuring legal compliance and processing transactions). This takes their focus from the strategic picture and external risks (See Figure 5.3).

See figure 5.3 for the top four internal challenges SPOs face currently.

Figure 5.3 - The top four internal challenges CPOs face

GEP [8] reports *"80% of CPOs feel the pressure to roll out digital solutions to drive operational efficiency."* However, being awash with complexity may lead to procurement value destruction if not addressed in the next 2-3 years. CPOs struggling with change should therefore take a step back before further investment in systems is made and ensure the following dynamics, if present, are addressed:

> a) Procurement policies are not fully mandated by the Board, nor followed by the business.
> b) Purchase-to-pay (P2P) basics are not optimized, automated nor embedded in the business.
> c) ERP and multiple supporting software platforms have upgrade glitches and poor roll out legacies. Master data source errors and spend fragmentation are common as a result, which impacts spend analysis and category strategy accuracy.
> d) The procurement "menu of services" is not fully understood in the business and a simple automated "one stop shop" approach is often not offered to decision makers, forcing them to use complex and broken administrative systems.
> e) Irregular purchases i.e. one offs and complex specifications development are not optimized and systems struggle to cope with such requests.

"31% of CPOs have compliance to spending policies." - Amazon Business [1]

"39% of decision makers agree that procurement is highly coordinated with finance, compliance, legal and technology." - Amazon Business [1]

"70% of CPOs feel their effectiveness as a business partner has dropped due to multiple priorities." - Spend Matters [15]

CPO Priorities Going Forward: Talent, Operating Model and Automation

The CPO's task is to focus less on function and more on strategy. There will be a marked differentiation in procurement functions that succeed in creating strong automated capabilities, organizational structures and talent, and those who have no voice at the Board and continue to suffer headcount reduction targets.

Switched on Boards know that investment in the function is now vital to offset their major risks. Amazon Business [1] reports in its recent survey that 53% of their respondents said their procurement budgets in 2024 would be higher than in 2023.

CPOs must now change the traditional ways of working to bridge capability gaps as the function broadens its remit, whilst being challenged by talent capacity and skills gaps. Success now hinges on harnessing automation, data analytics and AI to assist in business decision making.

"With AI advancing the quality of planning decisions, human roles can focus on strategy, longer term decision-making, and managing alerts." - KPMG [12]

Pioneering CPOs recognize that whilst spend analytics is the baseline of capability, more sophisticated analytics are now needed to model supplier risk and total cost (see Figure 5.4 below).

Locate the Value	Capture the Value	Maintain the Value
Cost modelling	Automated contract KPI capture	Supply risk analytics
Spend analytics and classification	Automated spend policy compliance	Invoice compliance
Supplier and supply market intelligence	Supplier ESG data	Demand planning
Predictive analysis	Tail spend control	Working capital optimization
Contract renewal cycles	Contract negotiation levers	Fraud detection

Figure 5.4 - Key spend analytics for success

Amazon Business [1] report that *"the Tech sector followed by Telecom and Pharma sectors are leading the charge to adopt AI within the year, whereas the Health and Government sectors are the least likely to do so."*

Despite the explosion of technology in this space, the landscape remains complex and fragmented, as much of the technology is still embryonic. The balance between moving at pace and managing data security has to be struck, as well as good integration, roll out, and refreshed, accurate source data.

Whilst things are moving fast, there remains a mismatch between the expectations of a 'magic button solution' for procurement and what is available today. The challenge will be making sure the function does not lag behind those of competitors due to delay in technology uptake.

Shoring up talent to move through the necessary changes required over the next five years is a priority for the pioneering CPO. Attracting, retaining, and developing a talent pool will be difficult as many of the hard and soft skills for the future are in high demand (see Figure 5.5 below).
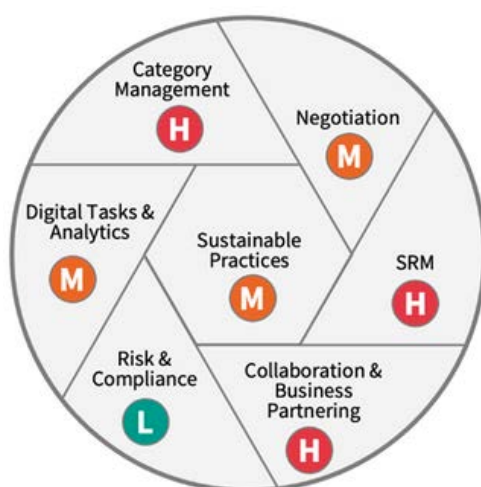

Figure 5.5 - Future priority of skills required in relative terms to one another ranked as high, medium and low

There is a strong correlation between sustainable practices, technology and skills to deliver innovation. These aspects are clearly interdependent.

"59% of all CPOs have ranked category management and strategic sourcing as key investment areas before standalone sustainability initiatives. These results confirm that while sustainability is integrated into category management and strategic sourcing, it is prioritized after cost management and supply chain resilience." - EY [6]

The future of procurement is one where staff have been freed up to focus on strategic decision making, and proactive, agile responses as a result of technology advancement.

This does not necessarily mean a reduction in headcount i.e. in pioneering functions there will be an optimization of the headcount with more advanced skills to support machine and human collaboration, along with better work life balance practices to offset burnout.

The CPO Playbook for 2030

Scaling Without Headcount Growth

Issue:	Suboptimal unclear operating models.
CPO focus:	Translate end-to-end value entrepreneurship.

Vision For 2030 – Becoming End-to-End Value Entrepreneurs

It's time for procurement to redefine its scope, mandate and playbook, by moving from cost reduction focus, to resilient, adaptive agility through sophisticated data analytics. Procurement revolution will emerge with end-to-end value entrepreneurs that provide a service based on an inclusive working culture, underpinned by an automated, lean organizational structure. These structures will work on a single source of accurate management information and strategic total cost of ownership (TCO) activities (see Figure 6.1 below).

Vision	Objective	Current State	Future State
End-to-end Value Entrepreneur	Redesign the upstream value chain.	Managing categories of spend and suppliers.	Shaping and creating new value chains.
	Optimize downstream margins.	Barriers and silos between revenue and cost.	Cross functional joint goals for margin improvement.
	Introduce strategic resilience.	Assuming security of supply in the supply base.	Fully assessed alternative suppliers ready to be activated. Regular market assessment cycles.
Create New Channels of Value	Volatility management.	Reactive cost management	Prediction of price changes to outperform the market. Use volatility to create more value.
	Optimize scope 3 activities upstream.	Breaking through on scope 3 transparency.	Actively transform and develop the sustainability capabilities down to tier 3 and 4.
	Management information and analytics.	Using inaccurate data. Using less than 20% of the available data.	Real-time accurate management reports are automatically generated to forecast risks and manage issues.
Build the 2030 Operating Model	Digitization.	Sub-optimized, fragmented processes and tools within functional silos.	Orchestrated updated systems and processes integrated into the business using leading digital tools and generative AI.
	Value managers of the future.	Category driven procurement teams.	Elite teams of point solution specialists to work with the business to create value and solve problems.
	Recruit, retain and develop talent.	Procurement seen as a back office support function.	A thriving community of professionals embedded in the business. Low attrition.

Figure 6.1 - Procurement revolution levers

CPOs Need to Position the Challenges

Obtaining a voice within the executive team comes from the ability to translate business strategy into a meaningful story about what is needed in procurement to keep up with key operational targets and business competitors, whilst delivering value and ROI.

However, it is beneficial for CPOs to come clean with the issues and challenges they face within current ways of working and play to the strengths of a plan for change. Laying out a new operating model, underpinned by good governance cascaded down from the Board, is key to ensuring that change will embed in the business at all levels.

Business Case Playbook – Translate the Menu of Services on Offer

Ultimately CPOs must be able to describe the current and future function capacity and its menu of services, to bring to life what is sometimes a distraction at the Board. Gaining access to the Board's risk chart can be a very effective way to align the procurement business case and set the scene for:

> a) A highly skilled strategic sourcing unit managing vital spends in the business, supported by new innovative software and AI tools.
> b) Embedded, highly skilled staff to help the business move from reactive to proactive working practices.
> c) Production of an opportunity based, prioritized roadmap of value, through automated next generation category management and supplier relationship management practices.

Compelling business cases can be structured on an **Embed**, **Integrate** and **Revolutionize** theme to segregate out the necessary headcount, skills, software and buy-in requirements per cycle of change. Succinct outputs that can be easily measured and showcased are vital for success.

Embed **2025-2026**	**Outputs:** • FTE remains stable with automation augmenting the staff capability • Procurement policy and practices are clear and mandated by the Board • ERP master data inputs are refreshed and monitored • Procurement team focuses on decision making and outcome-based processes • Headcount refocused to more strategic activities • Service levels and accuracy increases with high value reporting and transparency • Self-service interface for the majority of low value low risk spends, supported by audits
Integrate **2027-2029**	**Outputs:** • Tactical FTE roles reduce • Digital and strategic skills capability increases • AI replaces most staff managing low risk and low value tactical and operational tasks with a small compliance team monitoring output quality • Strategic teams focus on high-risk, high value spend strategies and suppliers • Procurement is embedded cross functionally into rapid response and innovation teams • More strategic, proactive roles emerge as AI manages work flow
Revolutionize **2027-2029**	**Outputs:** • 95% of tactical and operational tasks are performed by AI agents • Firefighting is limited to occasional operational issues • Procurement policy compliance is >98% • A smaller nucleus of high performing staff use AI to make strategic decisions • Contract management is fully automated • Supplier relationship management is embedded fully across the business to focus on innovation, partnering and risk • Service levels and accuracy at >90% compliance • A move to elite data analysts and advisors in the business • Real-time data with 95%+ accuracy is available • Procurement is a proactive, integrated advisor focusing on sustainability and ethics

Figure 6.2 - Future states of revolution

A compelling case will also outline The Chief Procurement Officer role that fulfils a range of roles in the future i.e.:

a) Chief Price Officer (supplier margins optimized)
b) Chief Procurement People Officer (strategic spend management skills)
c) Chief Procurement Projects Officer (agile procurement project teams)
d) Chief Partner Officer (supplier relationship and risk management)
e) Chief Prediction Officer (supply chain certainty and stability)
f) Chief Processing Officer (purchase order and invoicing services)
g) Chief Programming Officer (ERP and technology add-on projects

Business Case Playbook - Agree the Spend Scope with the Board

There are significant merits within a centre-led operating model, where procurement activities are managed by a CPO and skills are deployed to the most value adding areas.

Spend scope [direct and indirect] is an underpinning basic of any operating model to ensure that the ownership of necessary processes and systems lie with procurement to prevent value leakage i.e.:

a) Strategic sourcing for supplier selection.
b) Agreeing specifications and service levels and conveying them to the supplier.
c) Creating policies for demand management.
d) Deployment of the overarching supplier management framework for the business.
e) Purchase-to-pay front-end and back-end processes, plus segregation of duties with accounts payable.

Business Case Playbook - The Change Journey Runs in Parallel with Business as Usual

Leading CPOs deliver the message of a journey of change which will segregate "business as usual" (BAU) improvements from an underpinning change programme requirements in automation, new systems and policy. "New change" implementation needs to run in parallel with BAU improvements and can become complicated to manage and message to the Board, unless KPIs for each tranche of work are kept separate, and of course simple.

Business Case Playbook - Sell the Value of Procurement Data Assets

Highlighting and selling the value of new procurement data assets; plus, how they can be made available to the business, is a way to spark Board appetite. AI capability and software add-on applications should be front and centre in the procurement business plan, describing how AI agents and AI powered applications add value to the bottom line. A clear data and digital strategy roadmap, covering future and interim states, will be needed to clarify headcount reduction and greater points of access for users.

Seasoned practitioners, working alongside "AI smart individuals", are needed to develop the art of the possible, and unpick poor system basics, before new "add-ons" can be commissioned e.g.:

a) Master data set upgrades for ERP input, in order to provide accurate, real-time data cube analytics and reports.
b) Capability assessment for future application add-ons to existing system backbones.

Business Case Playbook – Democratizing Future Operating Models with Shared Strategic Cells, Automated Non-Critical Spends and Agile "On-Demand" Teams

Procurement operating models vary from sector to sector, however most processes, practices and policies are centre led (global overview) and are focussed on categories of spend, with flexibilities for local categories which are supported by user agreements. A back office takes care of the tactical sourcing needs and the administration of purchase-to-pay. This need to centralize in the past has stemmed from the benefits of leveraging group volumes and conditioning supplier power. This hard-won benefit and control is something which may have to be democratized (shared) with functional leaders in order to develop the function's value going forward.

Some organizations have already separated out their direct and indirect procurement processes to give direct spends a multidisciplinary team focus. Indirect spends are separated out into low value commodity automation and outsourcing, to focus on strategic and high value spends effectively.

In the future, procurement will align itself with the product/customer offer teams to shape categories (direct and indirect) that significantly impact the product offer. Specification and technical expertise will reside with the domain experts. The procurement focus will be on high value commercial input and orchestration of supplier behaviour to accommodate unique specification and one-off spends coordination.

Indirect categories of spend that have less direct impact on margin and regular spending patterns will be the focus of user enablement and automation. The challenge here will be to predict and allow for users wishing to purchase solutions that cut across classic categories.
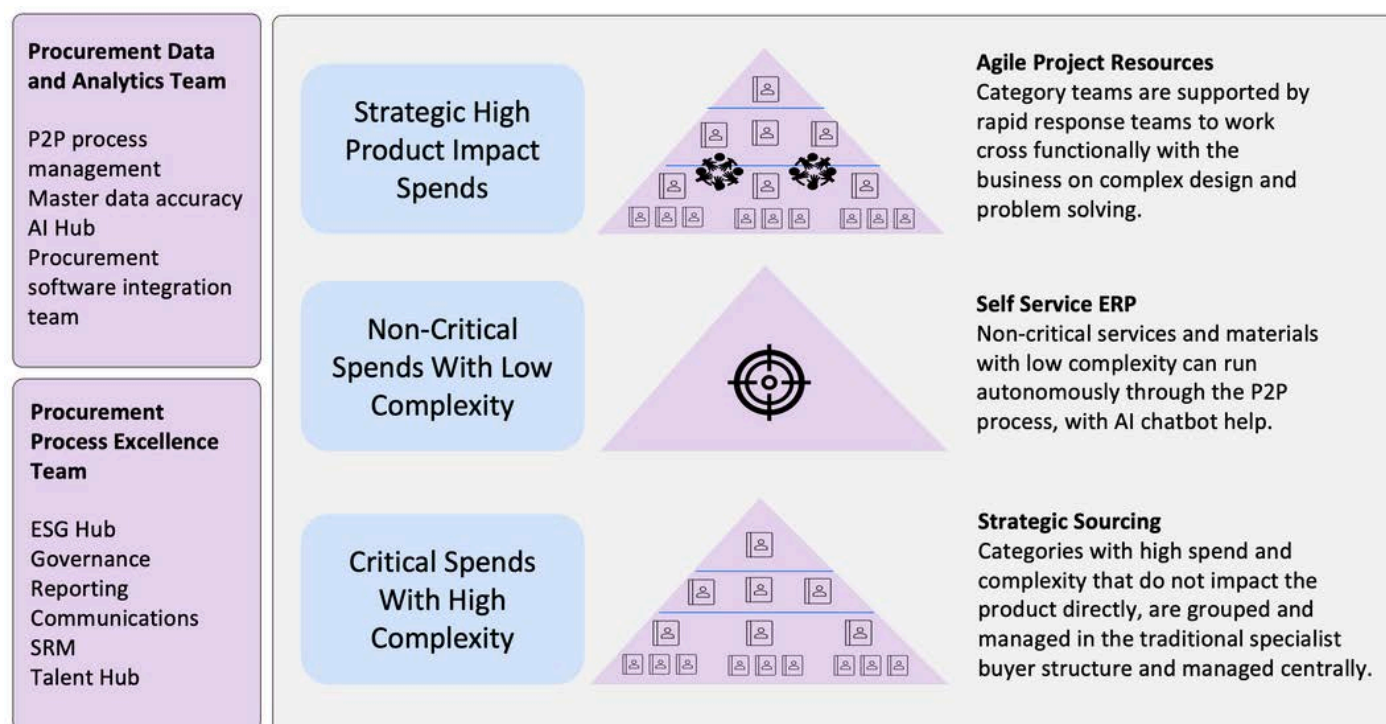

Figure 6.3 - Future operating models

Centre led indirect procurement, organized by category lines and supported by AI hubs, will report to the CPO. Direct expenditure management will be embedded into multidisciplinary teams, where the direct reporting line is with the function head, supported by a functional reporting line into the CPO.

As procurement leaders excel in digitization and catalogues, they can insert procurement guardrails that will allow key stakeholders to research and buy low value items, thus allowing the procurement team to refocus onto the higher risk and value spends.

Business Case Playbook - Elite Skills Will be Required to Embed Excellence

Hiring, retaining and developing skills is a key item on the CPOs agenda to compete with a shifting marketplace of elite supply market analysts who can project manage, influence, collaborate, and bridge the supply market and the business needs. Benchmarking such skills will be a bullet in the strategy gun.

Leading CPOs advocate the need for multi-functional teams with new skills including data science, systems management, business collaboration and entrepreneurial curiosity. Recruitment and learning and development plans need to be clear, as well as the costs of acquiring and retaining staff in the current market. Without this key lever, any change programme will fail and capital investments in automation will not be realized. Staff budgets are set to rise until the war on talent stabilizes.

Conclusion

A Call to Action

1 - Global Challenges

- Automate and embed category management processes and plans.
- Focus on complex spends with preferred suppliers to extract ongoing innovation and total cost plans.
- Continue to leverage simple indirect spend categories.
- Invest in qualifying ESG supplier pools.
- Establish a coherent AI and automation 3-year upgrade plan and secure a development fund that includes roll out and legacy system resolution.
- Introduce flexible and hybrid talent models to attract, develop and retain staff.

2 - C-Suite

- Base procurement strategies and plans on business risks, innovation and bottom-line results.
- Lock in KPIs with the Board that demonstrate full value across a broader remit.
- Be upfront with the Board about challenges in skills upgrades, stakeholder capacity for change and stakeholder non-compliance.

3 - Stakeholders

- Continually alert stakeholders to the ongoing market risks and have agile teams ready to respond to rapid decision making for complex high spends.
- Provide the menu of procurement services that is available now and in the future. Be clear on resource capacity limitations for projects.
- Showcase the art of the possible with AI and automation, whilst being clear about legacy systems challenges and roll out commitments.
- Provide one simple systems interface to engage procurement with.
- Ensure accurate data and analytics are available.

4 - Operating Models

- Create a 5-year business case that moves the focus from cost reduction to resilient, adaptive agility based on total cost of ownership.
- Gain sponsorship for lean, inclusive working culture from stakeholders.
- Engineer systems and AI procurement hubs that provide a single source of accurate category management information. Sell the value of such assets.
- Secure a 5-year skills development investment to onboard data science, systems management, business collaboration and entrepreneurial skills.
- Create a 3-year opportunity map of value across spends that significantly impact product/service offering.
- Deliver easy self-service options supported by chatbots and spend catalogues for lower value and risk items.

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SECTION 8

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