ECONOMIST IMPACT

The resilient edge: procurement in an era of polycrisis



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About the research

This paper analyses the evolving role of the procurement function in a complex and fast-changing world. It explores procurement's expanding mandate across themes, such as risk management, collaboration and supplier engagement, technology integration, sustainability and workforce transformation. The paper examines how leaders position procurement to drive resilience, deliver strategic value and meet rising expectations across the business and beyond.

The fourth consecutive global survey, conducted by Economist Impact, included 2,026 C-suite executives across organisational functions, spanning chief procurement officers (CPOs), chief financial officers (CFOs), chief operations officers (COOs), chief supply chain officers (CSCOs) and chief human resources officers (CHROs). The 2025 survey covers 23 countries, providing a broad and comparative view of how procurement priorities, risks and capabilities are shifting around the world. It was conducted from December 2024 through February 2025.

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

- Philip Ideson, founder, Art of Procurement
- David Loseby, professor, Leeds University Business School and editor-in-chief, Eurasia Academic Publishing Group Limited

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The survey findings are supplemented by interviews with executives and experts across regions and sectors. Economist Impact would like to thank the following for their time and insights (listed alphabetically by surname):

- Richard Gardner, senior director of advisory market intelligence, The Hackett Group
- Jon Hansen, founder, Procurement Insights
- Philip Ideson, founder, Art of Procurement
- Rachael Legg, fractional procurement executive and business advisor, The Praesto Partnership
- Binny Mathews, chief procurement officer, Accenture
- Pierre Mitchell, chief research officer and managing director, Spend Matters
- Chris Sawchuk, principal and global procurement advisory practice leader, The Hackett Group
- Kate Vitasek, distinguished fellow, Global Supply Chain Institute at the University of Tennessee, Knoxville
- Procurement executive at a leading global food processing and packaging solutions company

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Executive summary

Procurement is undergoing a profound transformation. Faced with economic headwinds, geopolitical shocks, technological disruption and rising sustainability expectations, the function is being called to deliver far more than cost savings. The path forward demands strategic clarity, operational agility and new capabilities.

Economist Impact's *The Procurement Imperative*, now in its fourth year, surveyed 2026 C-suite executives on the key challenges, priorities and expectations for the function. Combined with expert interviews, the research points to positive trends, including ever-closer ties with and collaboration across the business and with external stakeholders, and stronger confidence in the function's ability to manage risk and master technology. It also points to recurring challenges, including readiness for technology, managing geopolitical risk and building a future-proof workforce.

Key findings:

- **Risk is on the rise, but the procurement function is more confident in its abilities to navigate uncertainty.** Risk exposure, particularly from geopolitical events such as supply chain reconfigurations and conflict, has increased significantly, a development highlighted by the 64% of respondents rating such exposure as the top focus for organisational risk in the next 12 to 18 months, up substantially from 34% last year. Positively, 78% of respondents said they are confident in their ability to manage global external risks, up appreciably from 41% last year.
- **Cost savings and optimisation remain, by far, the primary value that procurement delivers to the organisation, as indicated by 43% of respondents.** At a time of stubborn inflation, rising taxes and escalating tariffs, cost management continues to be a leading talent priority, with the commercial expectations of the procurement function, especially for smaller companies, focused strongly on cost control. A majority (75%) claim AI is improving cost optimisation. But C-suite leaders are also concerned about resilience, indicating some tradeoffs.
- **Internal and external collaboration is strengthening cost control and sustainability performance.** Internal collaboration has improved markedly, with 90% of respondents saying procurement collaborates effectively with the rest of the organisation and supports them in meeting the company's vision, up from last year's figure of 75%. Cost savings are quoted as the leading benefit followed by improved digital adoption. Externally, over 90% of executives report benefits from increased supplier partnerships, notably in sustainability and supplier innovation.
- **The procurement function is embracing AI.** The AI revolution offers broad benefits for procurement teams, including early detection of demand signals, risk mitigation, scenario planning and document automation. On the talent and skills front, our survey found AI proficiency and ethics, which covers areas like predictive analytics, demand forecasting, natural language processing, and managing risks such as bias and data privacy, is the top skill (68%) organisations will prioritise over the next 12 to 18 months.

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Chapter 1: Procurement and the polycrisis

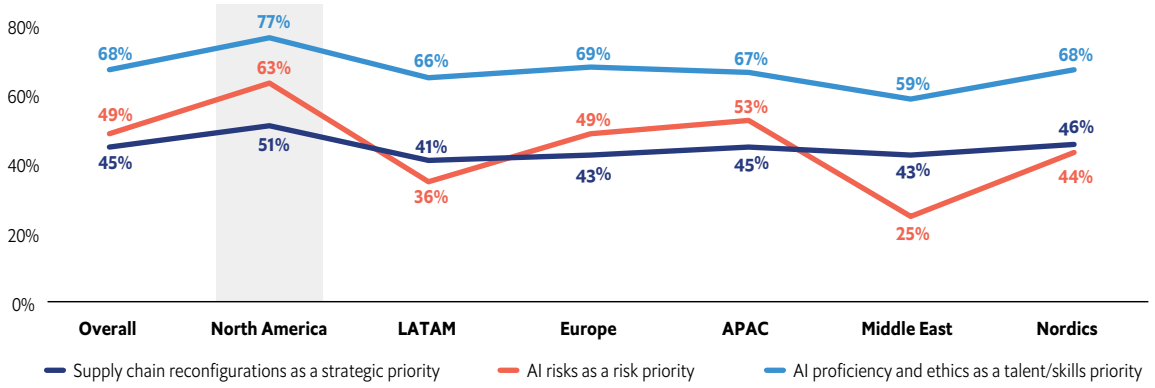
After the upheavals of the covid-19 pandemic and the ongoing Ukraine conflict, companies are now grappling with a new seismic shift: a radical turn towards protectionism in the world's largest economy, once the bulwark of the international rules-based order and now among its most unpredictable states.[1] Tariff wars, maritime disruptions in shipping routes such as the Panama Canal and the Red Sea, and trade tensions with China, a provider of many inputs, from pharmaceuticals to electronics, are forcing procurement and supply chain professionals to balance cost, resilience and flexibility to respond to interlinked and escalating pressures.[2]

"Right now, uncertainty, along with tariffs impacting our cost and driving inflation, is front and centre," says Kate Vitasek, distinguished fellow, Global Supply Chain Institute at the University of Tennessee, Knoxville, who has worked with organisations including the United States Air Force and the Department of Defense. "Six months ago, I would have said driving costs down was key, but now the focus has shifted. Even though everyone's always trying to lower costs, the current environment keeps pushing pressure onto procurement," referring to expected rises in inflation from tariffs and the costs of hedging against different scenarios.

The Economist Impact survey of C-suite executives on procurement 2025, commissioned by SAP, bears this out. Geopolitics, such as supply chain reconfigurations and conflict, was by far the top organisational risk focus area forecast for the next 12 to 18 months, named by 64% of respondents, followed by AI-associated risks (49%). This ranking is up substantially from last year, when only 34% of respondents prioritised geopolitical risk.

Positively, our survey also found that procurement leaders are more confident in their risk management capabilities in 2025. Just over a quarter (28%) said they are highly confident in their ability to manage global external risks, up from 14% in last year's survey. The same number (28%) are also highly confident in their ability to manage and mitigate AI risks such as data privacy and cybersecurity. The majority feel some level of confidence to manage both risks.

Figure 1: North America places a stronger emphasis on trade and technology risks compared to regional averages



Source: Economist Impact 2025 executive survey on procurement

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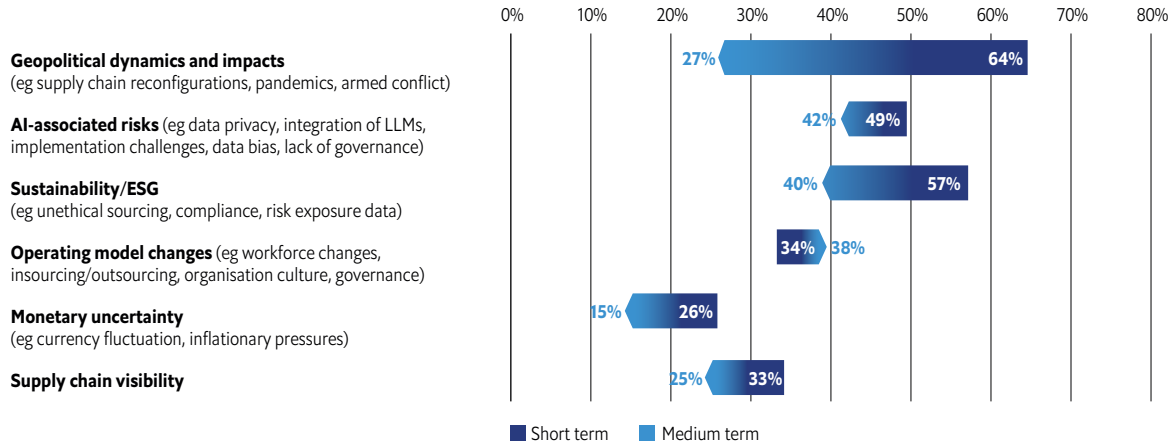
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2 The Hackett Group. January 2025. "Beyond Cost Savings: Leveraging Emerging Outsourcing Trends to Drive Innovation and Agility". [https://www.thehackettgroup.com/insights/]. Accessed April 20, 2025.

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On a regional basis, both trade and technology risks are most prioritised in North America. Supply chain reconfiguration such as reshoring/nearshoring/offshoring, regionalisation, supplier diversification and dual supply chains, was the second top priority for the function over the next 12 to 18 months at 45% on average, but the figure rises to 51% among North American respondents. They were also more likely at 63% to cite AI risks as a functional priority compared with a survey average of 49%, and again to prioritise AI proficiency and ethics in their talent strategy at 77% compared with a survey average of 68%.

Concentration of AI innovation in certain geographies brings a perception of increased risk. For the procurement function, this could include reliance on flawed AI-generated outputs, accidental compliance breaches or the use of AI tools by suppliers in ways that may create imbalances in negotiating power, such as by accessing historical or competitor pricing, according to Binny Mathews, chief procurement officer at Accenture. Technology risk is a flashpoint due to the rapid acceleration of data and analytics capabilities combined with evolving regulatory systems in areas like data protection, AI and cybersecurity, with competing frameworks and enforcement mechanisms emerging across jurisdictions.[3]

Figure 2: Changes in organisational risk priorities for procurement over the short (12-18 months) and medium (3-5 years) terms



Source: Economist Impact 2025 executive survey on procurement

While organisations are prioritising geopolitical instability and AI risk in the near term, reflecting concerns about supply chain disruptions and the governance of emerging technologies, the picture shifts over the longer time horizon. Over the next three to five years, business leaders anticipate a transition towards sustainability, ESG compliance, and supply chain visibility as risk priorities, indicating an expectation of higher regulatory pressures, ethical considerations and systemic shifts. Attitudes differ across functions: CFOs and CSCOs are preparing for climate-related financial and supply chain disruptions, whereas CPOs and CHROs are looking to manage political and economic instability.

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Experts counsel procurement teams to stay focused and avoid "paralysis" from the undoubted risks they confront. "You can't chase every single risk—it has to be an 80/20 approach—focus on those risks with the highest probability and impact," says Ms Vitasek. "Instead of trying to capture risk down to the nth degree—which is expensive—prioritise." Although this recommendation is oft repeated, it is even more salient in a time of political, economic and technological upheaval.

Organisational relationships and power dynamics may also have to evolve. The procurement function is often lumbered by responsibility without power; it is typically not a leading voice in risk decision-making but is among those most affected by volatile events. "Procurement's role is increasingly risk-based, where cost is just one of several risk factors we manage. However, our influence in risk mitigation is limited by the risk tolerance of our stakeholders—organisations often wait until a major risk event occurs before investing in protection," says Philip Ideson, founder of *Art of Procurement*, a procurement media and advisory business.

"It is hard for procurement to be proactive and predictive in risk management. We can easily build out several 'what-if' scenarios, but we lack the insights and data to effectively model and act on these scenarios before it's too late."

Philip Ideson, founder of Art of Procurement



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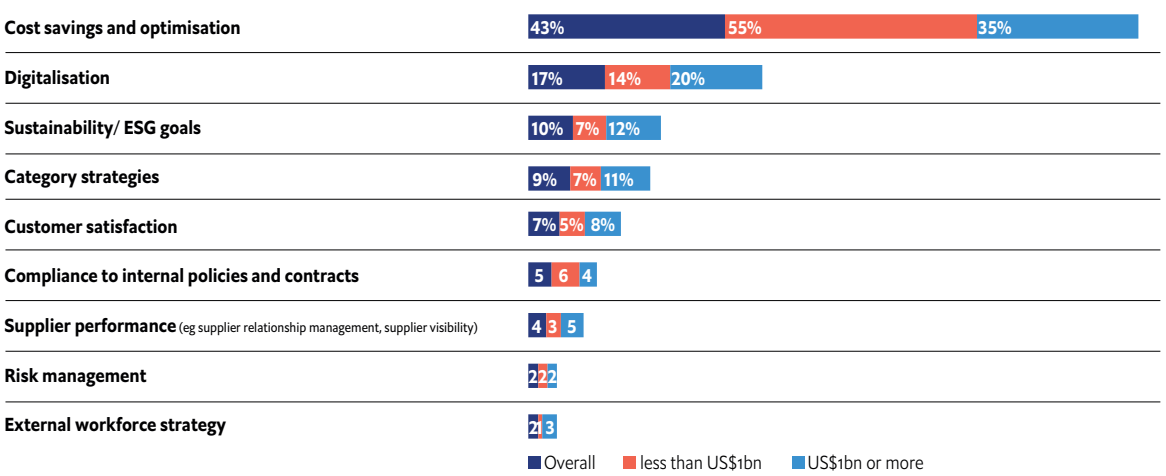
Chapter 2: A holistic cost control strategy

While the procurement function has sought to articulate its contribution beyond cost control, cost remains the primary signifier of value, reflecting the pressures of stubborn inflation, slow growth and tepid consumer spending.[4]

Cost savings and optimisation remain, by far, the primary value that procurement delivers to the organisation, as indicated by 43% of respondents, followed by digitalisation (18%) and sustainability (10%). This is unsurprising at a time of stubborn inflation, rising taxes and escalating tariffs. "Inflation isn't going down—so that adds more pressure on cost. All these little things keep accumulating, and ultimately, the buck stops with procurement," says Ms Vitasek. Cost savings, cashflow and cost avoidance understandably are persistent priorities.

Smaller companies are more likely to view procurement's value through a cost control lens; firms with revenues of under US$1bn were far more likely to consider cost savings the priority value, selected by 55% of respondents in that category compared with 35% from companies with over US$1bn of revenue, emphasising the more limited budgets and buffers of the former, especially in a high-cost environment. "Cost savings are not just a value lever, they are a survival strategy [for firms under US$1bn]," shares Rachael Legg, fractional procurement executive and business advisor at The Praesto Partnership. Cost management also continues to be a priority when seeking worker talent, including competencies like contract lifecycle management, negotiation and price optimisation.

Figure 3: Primary value that procurement delivers to the organisation



Source: Economist Impact 2025 executive survey on procurement

While cost savings are simply how procurement is commonly valued, CFOs say the function's medium-term priorities in the next three to five years will be sustainability (62%), AI (41%) and supply chain reconfiguration (37%), with cost management selected by just 17%.

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Procurement's evolving role must reflect this shift to maintain strategic alignment with C-suite expectations, not just to manage cost but also to respond to an evolving risk, regulatory and technological environment. This could mean grappling with and communicating the tradeoffs that come with prioritising resilience, such as higher short-term costs from resilience-boosting tactics like dual sourcing or increasing safety stock[5]. Changing location to move beyond tariff walls also brings inefficiencies if new geographies lack the necessary business environment, supply chains, skills and infrastructure.



According to Richard Gardner, senior director of advisory market intelligence at The Hackett Group, there is a strong overlap of key priorities between CFOs and procurement leaders, "whether it's spend intelligence, cost containment, scenario planning, risk management or working capital management. There is more understanding and acknowledgement from CFOs about procurement's importance in enabling organisational success."

Cost control and spend analytics are benefiting from enhanced technologies, with spend analytics the leading driver for digital transformation by far, selected by 67%. One global manufacturing company reported a 30% reduction in procurement cycle time and 15% savings on supplier contracts through digital solutions.[6] Our survey finds a strong embrace of AI year-on-year in this domain. In 2024, just 31% of respondents said cost optimisation was the area of procurement they planned to improve through AI. This year, a majority 75% claim AI improved cost optimisation over the last 12 months.

But experts warn against a myopic approach to cost which could create perverse incentives and supplier adjustments. "If procurement is measured solely on reducing price—say, achieving a 2% year-over-year savings—suppliers will simply build that back into their prices. We need to move beyond short-term metrics to a total cost of ownership framework," says Ms Vitasek.

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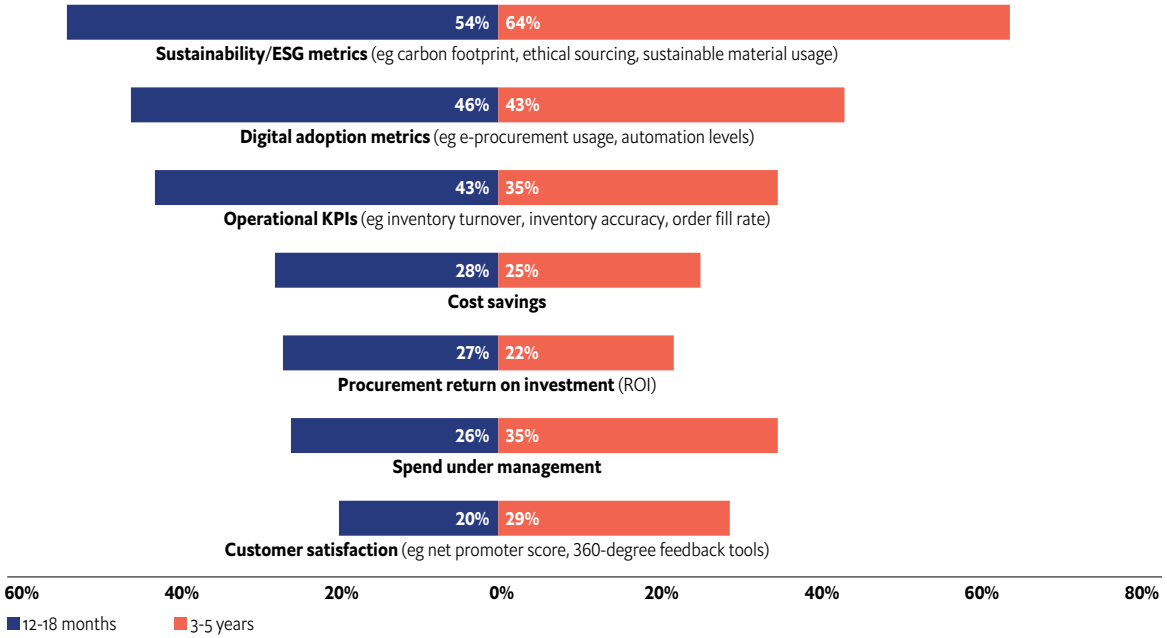
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The procurement function has frequently struggled with a misalignment of KPIs and actual metrics, and many organisations have not broadened performance metrics to reflect the new value equation. Historically, the focus was on the total cost of ownership (TCO) or procurement savings. The concept is well understood but becomes even more critical as those calculations have to factor emerging threats like trade barriers. In 2025, success must be measured across multiple dimensions such as resilience, sustainability and supplier performance.[7]

Robust TCO calculations can shed important light in areas like decarbonisation[8] and help unlock value by informing smarter decisions on sourcing, supplier evaluation, category management and risk, including data security.[9] [10] Sustainability and digital adoption feature in the top three KPIs in both the near and medium terms.

Procurement can also support cost objectives through more strategic engagement on decision-making, but that requires internal support and recognition.

Figure 4: Top KPIs that procurement is prioritising when reporting its performance



Source: Economist Impact 2025 executive survey on procurement

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Ms Vitasek calls for procurement teams to be part of the spending conversation as early as possible. "Procurement can do really good things, but often the business doesn't bring us in until it's all about the numbers. In strategic deals—those big outsourcing, high-dollar arrangements—you can't simply buy on price. Instead, you need to work on building relationships and transparency so that the supplier is rewarded for reducing costs without squeezing their profit. In other words, we must focus on total cost of ownership, not just the sticker price."



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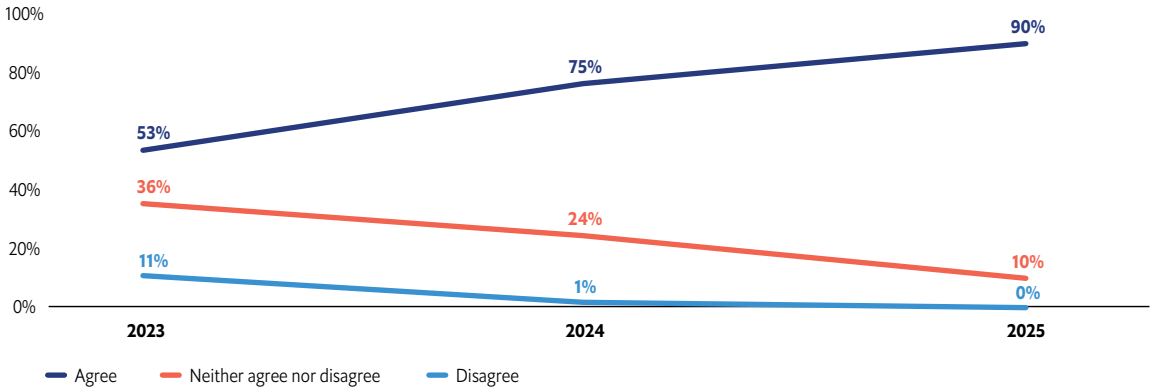
Kate Vitasek, distinguished fellow, Global Supply Chain Institute at the University of Tennessee, Knoxville

Chapter 3: The collaborative dividend

Since the beginning of The Procurement Imperative initiative by Economist Impact in 2022, procurement experts and survey respondents have sought out stronger collaboration internally across functions and outwardly with ecosystem partners. Weak or unstructured collaboration leads to information asymmetries, silos and inefficiencies that impinge the ability of procurement teams to deliver on their mandate. Working together has proven benefits everywhere, from innovation and cost control to environmental excellence.

Positively, the procurement function reports continued improvements in internal collaboration, and the vast majority have taken steps to increase collaboration with external stakeholders too. Nine out of ten respondents agreed that procurement effectively collaborates with the rest of the organisation and supports them in meeting the company's vision, up significantly from last year's figure of 75%. This indicates rising trust and clout internally. Insights from the procurement function, such as market analysis and spotting risks and opportunities, offer strategic commercial value.

Figure 5: Procurement effectively collaborates with the rest of the organisation to meet company vision



Source: Economist Impact 2022, 2024 and 2025 executive survey on procurement

Procurement teams are weaving into the wider organisational fabric by using programmes, for example, to embed personnel within other business units, giving them a deeper understanding of stakeholder needs. There has also been a rise in specialised procurement orchestration teams focused on process design and stakeholder experience, treating internal satisfaction as a key metric for success.[11]

Yet overall, our survey found customer satisfaction to be a low priority, selected by just 13% of respondents as a near-term (12-18 months) strategic priority and only 19% citing it as a medium-term priority over three to five years. The disconnect between strategic intent and action suggests that the function may be undercutting its own transformation goals by failing to prioritise stakeholder satisfaction, even as user experience is recognised as a top driver of digital transformation.

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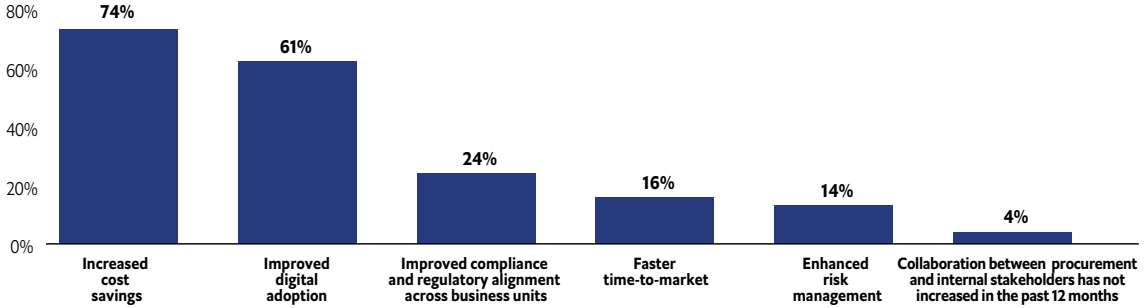
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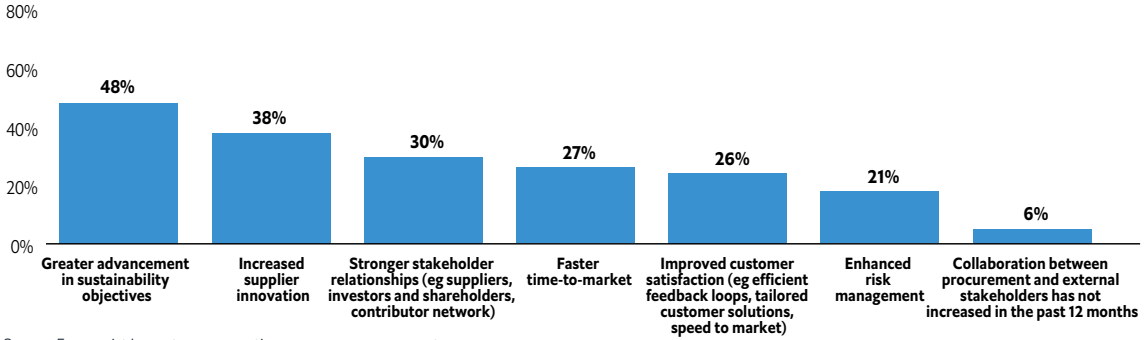
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Figure 6a: Benefits of increased collaboration between procurement and internal stakeholders



Source: Economist Impact 2025 executive survey on procurement

Figure 6b: Benefits of increased collaboration between procurement and external stakeholders



Source: Economist Impact 2025 executive survey on procurement

According to our survey, cost savings, cited by 74%, are by far the main benefit of internal collaboration with other business functions, followed by improved digital adoption at 61%. There were sizable regional variations. Greater cost savings were a top benefit from increased internal collaboration for 85% of Latin American respondents versus 51% from the Nordic region. In contrast, improved digital adoption was a benefit enjoyed by 82% of Nordic respondents versus just 56% from Latin America. "In the Nordic region procurement is often integrated into business strategy, with advanced digital adoption and ESG embedded in the value narrative," observes Ms Legg. "Latin America may be earlier on that journey, so collaboration is still seen through the cost lens. It's a question of both context and evolution."

Stronger collaboration dynamics are evident in the ongoing alignment between category strategies and wider business goals, which requires procurement to collaborate closely with stakeholders to understand evolving priorities.

Technology and "360 visibility" will be key to supporting the category management function to spot risks, negotiate effectively and understand market shifts in a fast-moving economic environment.[12 13] From the covid-19 pandemic

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to the regional geopolitical hot spots, volatility tends to underscore the importance of category management, observes Chris Sawchuk, principal and global procurement advisory practice leader at The Hackett Group, a digital transformation consulting firm, and that underscores the need to deploy technology to stay ahead.

"The tools, data sources and technologies available to category managers are much better, such as category planning, spend analytics and autonomous agents that can continuously scan the market and see what's new or follow regional trends," adds Mr Gardner. "The biggest challenge for category managers is now interpreting the mass of information, whereas it used to be a lack of data."

While category management may be less visible as a standalone priority, it remains a core procurement capability that is evolving, as organisations wait for technology investments to fully deliver on their promise. Confidence in procurement's category management abilities has strengthened (from 87% in 2024 to 97% in 2025), and with few organisations yet linking technology and category strategies to business outcomes, this remains a key area for future development.[14]

Stronger outward engagement is also delivering tangible gains; over 90% of respondents report benefits from increased external collaboration over the last year, led by improved sustainability performance (48%) and increased supplier innovation (38%). As the sustainability agenda has become mainstream, an ecosystem of partners has emerged to help firms with everything from emissions tracking and reporting to decarbonisation strategies and technologies. Our survey found that supplier innovation was a top benefit of external collaboration, selected by 38% of respondents. Suppliers can contribute ideas to bring a product to market more quickly, or innovations to reduce cost, adds Mr Sawchuk.

There is a provable economic upside to accelerating sustainability performance in the supply chain. Companies that aggressively pursue Scope 3 reductions can capture greater cost savings and revenue upside, according to research from PwC. Lower Scope 3 carbon embodied in a product often means less energy and materials needed for that product, which can translate to lower costs and improved margins. The higher the Scope 3 emission footprint, the more critical supplier engagement becomes, notably in sectors like agriculture, healthcare and construction.[15]

The balance for the procurement function is how to raise ESG standards among suppliers without imposing other excessive administrative overheads. Supplier fatigue is an emerging issue, with companies implementing different third-party risk management (TPRM) programs asking the same questions of their suppliers.

While pushing for excellence in areas like environmental responsibility or social performance is laudable, companies could reduce unnecessary hurdles in overall contracting to further strengthen their outward partnerships. "If your contracts are too short term, like a 60-day termination for convenience, your strategic suppliers won't invest in long-term value," argues Ms Vitasek. "We should view supplier relationships on a continuum: automate the low end (the 80,000-supplier level) and collaborate strategically with the top 10 or 20 suppliers where real value is created."[16]

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Chapter 4: The digital frontier

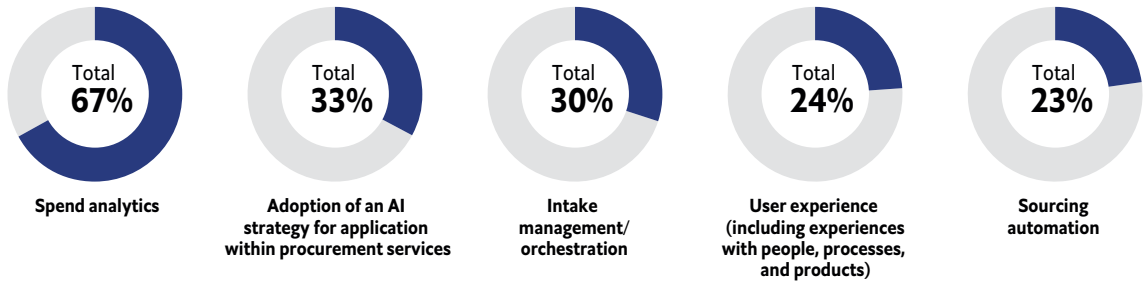
Faced with growing costs, a volatile business environment and operational pressures, as well as the desire to contribute to overall strategic goals, the procurement function has always embraced novel technology platforms, from enterprise resource planning (ERP) and software-as-a-service (SaaS) systems to today's AI revolution. Digitalisation has been a consistent priority for the function as measured through The Procurement Imperative annual survey. Digitalisation was the number one short-term (12-18 month) strategic priority in last year's survey, selected by 57% of respondents. This year, it was a top four priority, chosen by 38%, but AI strategy, which has significant operational overlap, was selected by 44%.

Spend analytics has been a leading driver of digital adoption for the last three years of our survey, selected by 67% in this year's poll, far above the next most common option; AI strategy adoption.

Pierre Mitchell, chief research officer and managing director at Spend Matters, says that companies cannot fully leverage the power of tools like AI without a strong foundation in spend analytics, including data aggregation and harmonisation.

There is some optimism that emerging AI tools can support the function at every junction, from executing transactional and routine work and identifying inefficiencies to risk mitigation and scenario planning[17] [18] [19] "I see investments in areas such as procurement intake and orchestration-improving processes, guided buying, and the stakeholder experience. There's also progress in spend analytics and contract management, where AI helps extract metadata, monitor contract adherence and expirations and provide actionable insights," adds Mr Ideson.

Figure 7: Top drivers of digital transformation in procurement



Source: Economist Impact 2025 executive survey on procurement

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Agentic AI—systems that can autonomously execute tasks and interact with other AI systems—is set to be a major theme for 2025.[20] It could prove especially useful in areas like continuous evaluation of supplier performance, real-time market intelligence to predict price fluctuations and scenario analysis for category planning, and reducing the overall cognitive load on procurement professionals. "There's a lot of time spent on analysing goods and services that a company buys to understand the sources and macroeconomic factors that impact availability, pricing and equality," says Mr Mathews. "There's an enormous amount of time spent in conducting the RFP process [and] contracting. AI is going to play a big role in all of these."

Our survey found the procurement function is confidently embracing AI. The majority of respondents (89%) expressed reasonable confidence in their ability to leverage AI for efficiency and productivity gains. Companies report significant gains from AI over the last 12 to 18 months including supplier management, contingent labour and service provider management, and source-to-contract automation. And in nine out of ten categories,

Figure 8: Planned vs resulted improvement in procurement outcomes through the use of artificial intelligence

	Planned areas of improvement	No improvement	Some improvement	Significant improvement
Optimisation and guidance (eg improved compliance, higher spend under management)	45%	16%	37%	27%
Cost optimisation (eg cost savings, improved profit margins)	31%	12%	50%	25%
Productivity and efficiency	34%	12%	45%	30%
User experience		15%	38%	27%
Source to contract process automation		16%	38%	29%
Decision making	26%	15%	29%	21%
Supplier management (eg supplier information management, supplier performance monitoring, supplier selection optimisation)	22%	19%	29%	24%
Contract management	18%	12%	44%	31%
Contingent labour and service providers management (eg predictive workforce planning, increased work visibility, onboarding/offboarding)	16%	18%	24%	22%
Procure-to-pay process automation (eg guided procurement, tail spend elimination, fraudulent activities identification)	14%	18%	29%	26%

Source: Economist Impact 2024 and 2025 executive surveys on procurement

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at least half of respondents said that AI had improved procurement outcomes over the past 12 to 18 months, with productivity and efficiency, cost optimisation, and contract management the highest at 75%, followed by source-to-contract automation at 67%, optimisation and guidance as well as user experience at 64%, procure-to-pay process automation at 55%, supplier management at 53%, and decision-making at 50%.

Experts believe the function's adoption of generative AI could be more strategic and systematic. "In my experience, [usage] is mostly ad hoc. It's individual team members experimenting with tools like ChatGPT or Copilot, rather than a fully integrated, scalable solution," says Mr Ideson.

"An intent-to-action gap exists where most CPOs have AI on their radar, but fewer than 40% are currently experimenting or deploying procurement specific generative AI tools,[21]" Mr Ideson notes.

Ms Legg agrees. "AI has gone from hype to pilots, but many still struggle to scale use cases or embed them in daily procurement operations."

Procurement teams are planning to be more systematic in measuring outcomes from technology initiatives. Digital adoption metrics (46%) are the second-highest top KPI prioritised by procurement teams over the next 12 to 18 months, selected by a similarly large share (43%) for the next three to five years, suggesting the procurement function expects to grapple with measurement of digital adoption for the foreseeable future. AI strategy and integration was named the top priority over the next three to five years by 43% of respondents, the second highest after sustainability and ESG.

"Technology is not just a tool – it is fundamentally redesigning how processes and people are doing the work, through operating models and agentic AI especially," says Mr Mitchell. "More and more, tech and adoption are increasingly critical and predictive of the performance you're trying to get, so you'd better be measuring the right things. And the right things are capabilities and within that, technology."

The prioritisation of digital adoption metrics reflects the ongoing challenges the function has faced in delivering technology transformation initiatives smoothly.

"Digitalisation is still largely seen as an enabler, not a strategic outcome," observes Ms Legg. "Many CPOs are under pressure to deliver hard savings and haven't been empowered to fully redefine value. Until organisations adopt new KPIs —around risk, ESG, innovation— AI and digital will continue to be underleveraged and under-recognised."

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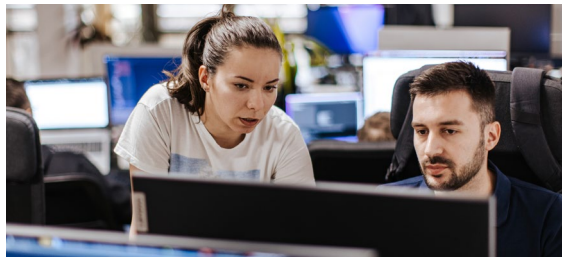
Experts argue that successful adoption must come alongside wider change management reforms, in turn requiring strong collaboration and the necessary skills. "Key change management skills include empathy, patience, and being a driver of change – being able to navigate the winds of what's happening internally," says Mr Mitchell. At the organisational level, he also advocates for procurement drawing from the agile philosophy. "Start small, work iteratively, demonstrate value and make sure you're getting engagement and adoption."

Yet this remains a gap, with 10% or fewer respondents prioritising change management skills in their short- and medium-term talent development strategies. No individual point solution can make up for internal fragmentation or misalignment, and indeed, technology itself has been one source of escalating complexity and confusion when adoption lacks overall orchestration. "The evolution of procurement technology has been piecemeal; people picked up best-of-breed technologies in different parts of the chain and have either not stitched it together or it's not seamless. There's a lot of work to be done here," notes Mr Mathews. Figure 6a further underscores this point, with over 60% of executives highlighting closer internal collaboration as a key enabler of increased digital adoption.

Organisational silos could mean that new digital solutions actually worsen overall outcomes. Jon Hansen, founder of *Procurement Insights*, cites an example of a department incentivised to make calls during working hours, leaving the filing of purchasing forms until the end of the day, when prices were typically higher. "It's about vision, seeing the whole chain. If I had gone in and automated the procurement function and made it faster, but orders still came in at 4pm, it would not have had a positive impact. The problem isn't the technology or data. It's the siloed thinking and operations that are isolated from each other."

Our survey found the wider C-suite is increasingly worried about technology risk, for example, 49% named AI as an organisational risk priority for procurement in the next 12 to 18 months. This figure is up significantly from just 15% setting AI as a near-term priority in last year's poll. Over 80% of respondents anticipate cyber and emerging technology risks like data breaches, ransomware, third-party technology failures and market disruption to have a high or critical impact over the next 12 to 18 months, far higher than macroeconomic, climate or political stability risks.

One driver of rising risk concern is that, despite improvements in cybersecurity software, the number and impact of cyber incidents continue to grow, with the average cost of a data breach in 2024 reaching US$4.88 million and the number of confirmed data breaches hitting a record high. The July 2024 CrowdStrike incident demonstrated the need to develop capabilities to assess the downstream impact of cyber events.[22] AI brings new risks for the function, including reliance on flawed outcomes, introduction of bias, and accidental compliance breaches from the use of AI platforms. AI-powered cyberattacks are also proving more subtle and effective, such as phishing communications that more closely resemble typical writing styles of customers or colleagues or realistic deepfakes and voice clones.[23]

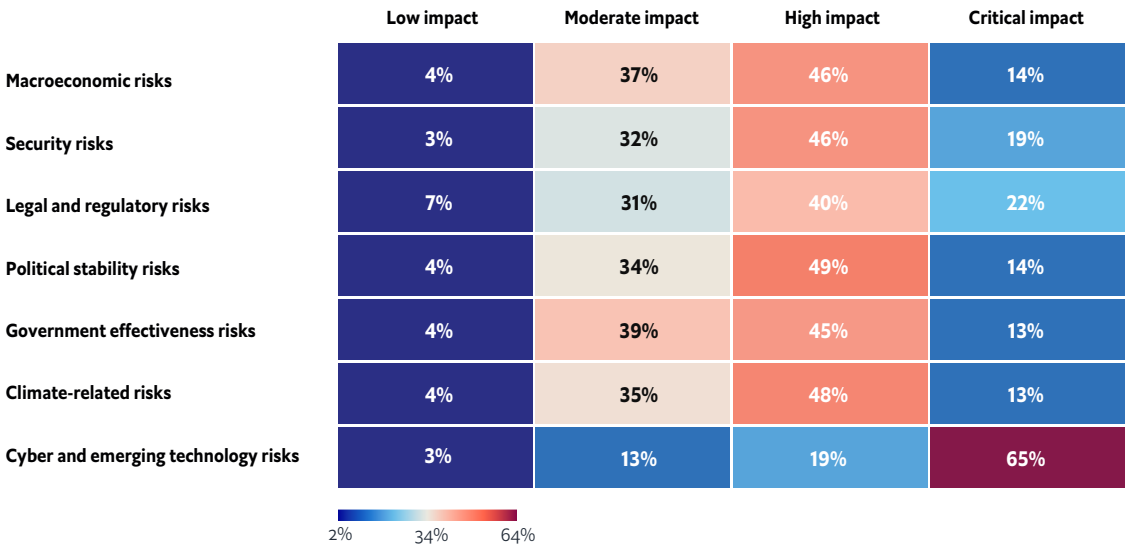


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Figure 9: Expected impact of external risks on organisation's operational strategy over the next 12-18 months



Source: Economist Impact 2025 executive survey on procurement

Companies may also be exposed to technology risks they never even know about. AI could, for instance, be used during contract and price negotiations, giving suppliers the ability to access data that a firm might prefer not to reveal in their procurement decisions, argues Mr Mathews. This speaks to the procurement function's need to focus more closely on the wider governance and organisational guardrails required to deploy powerful emerging technologies safely in a tough operating environment.

More positively, technology can also help procurement leaders respond more efficiently and effectively to other organisational risks. For example, emerging tools can scour thousands of trusted data sources and introduce cross checks to flag potentially fraudulent transactions, reduce risks and spot vulnerabilities which, according to Mr Gardner, are a particular challenge in decentralised companies with fragmented purchasing systems.

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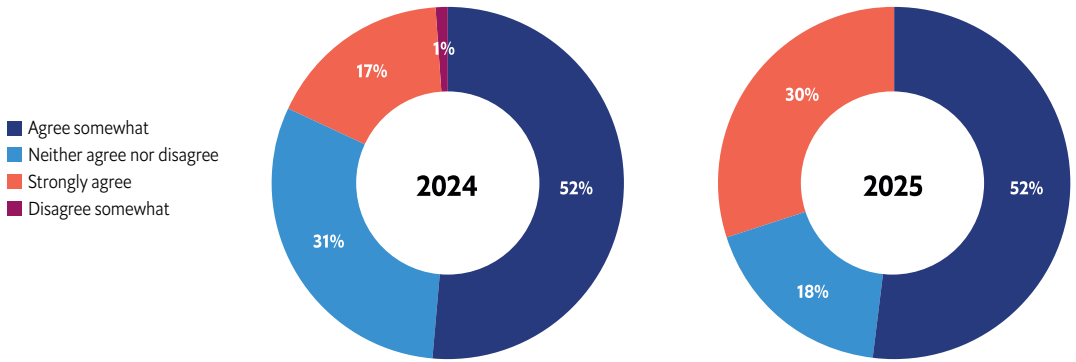

In the US, social performance indicators, like spend directed to small businesses or investment back into local communities, might remain a priority for firms based on corporate values, but those who looked at social performance as a tick box exercise will eliminate their spending now that the political spotlight has shifted.

Chapter 5: Sticking with sustainability

The procurement function plays a lead role in delivering on sustainability performance, an area the function will continue to prioritise in the coming years. Sustainability and ESG metrics, including carbon footprint and sustainable material usage, were ranked the top KPIs that teams are prioritising both in the short term (the next 12 to 18 months) and medium term (three to five years). CFO engagement has made sustainability transitions more tightly integrated into the business, and the economic upsides are clear. Products featuring sustainability attributes can achieve a revenue increase ranging from 6% to more than 25% over products without such emphasis, according to research from PwC.[24]

While ESG considerations may recede in the US under the current administration, they remain prominent in many other jurisdictions, which means multinational companies must still invest in and improve their monitoring and performing. Standards are continually rising through measures such as the European Union's Corporate Sustainability Reporting Directive (CSRD) and the Carbon Border Adjustment Mechanism (CBAM). Similarly, national-level reforms such as Germany's new Supply Chain Due Diligence Act, or Lieferkettengesetz, together with wider consumer expectations are also driving improvements.[25] [26]

Figure 10: Procurement is effective in meeting organisational ESG/sustainability goals



Source: Economist Impact 2024 and 2025 executive surveys on procurement

Eighty-two percent of respondents say they are confident in meeting organisational ESG objectives such as Scope 3 emissions, resource efficiency and waste reduction, up from 68% in last year's survey.

Companies are looking to deepen external partnerships to drive their sustainability transition; acceleration towards sustainability objectives was the number one benefit from increased external collaboration, selected by 48% of respondents. The vice president of supplier management of a consumer goods packaging company interviewed by Economist Impact says sustainability is one of three pillars or building blocks that it uses when engaging suppliers, together with cost and innovation. For each pillar, it

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assesses where suppliers bring value and where they need to start a development journey. The company then focuses its efforts on its key suppliers to drive impact. "I don't need 13,000 suppliers to reduce their carbon footprint by 2030 but if I can get 160 to meet the target, I can meet my target."

Companies can create practical support plans to help partners. "In one organisation I worked with, we co-designed supplier decarbonisation plans and held joint ESG scorecard reviews," recalls Ms Legg. "At another company, we introduced a supply chain sustainability 'academy' to uplift capability with key suppliers. These collaborative models built trust and started to open avenues of innovation and cost saving—from closed-loop recycling to lower-emission logistics solutions."

Internally, say experts, there is still some confusion about who leads ESG. "Procurement is still trying to determine whether we should be the drivers of these initiatives or simply enablers for a top-down strategy," says Mr Ideson. Only 10% of respondents think sustainability is a primary value that procurement offers to the organisation, suggesting the function might not feel positioned to advocate for policies or decisions beyond compliance requirements.

There is also confusion about the separate priorities within ESG, with environmental performance showing higher international alignment as compared to social considerations, says Mr Ideson. "Environmental standards are a global movement—any organisation playing in the global market has to build infrastructure that meets the strictest requirements. In contrast, social initiatives are very regional, so they don't have the same global push." In the US, social performance indicators, like spend directed to small businesses or investment back into local communities, might remain a priority for firms based on corporate values, but those who looked at social performance as a tick box exercise will eliminate their spending now that the political spotlight has shifted, Mr Ideson argues.

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Chapter 6: Talent in transition

Figure 11: Talent strategy development is aligned to procurement strategic priorities



Source: Economist Impact 2025 executive survey on procurement

Skilling strategies align with the short- and medium-term procurement priorities. AI proficiency and ethics is the top skill priority for the next 12-18 months (68%) followed by sustainability skills (55%), mirroring the focus placed on AI integration and meeting sustainability objectives. Over the medium term, sustainability becomes the most cited skill (59%), reflecting its growing strategic importance. Digital and data capabilities also remain prominent, underscoring the function's shift toward technology-enabled procurement.

The procurement function continues to focus on building a future-ready workforce that can adequately handle the suite of digital capabilities now available. The infusion of technology into all aspects of supply chains and procurement will raise the standard on workers entering the field. "Looking ahead, I expect new entrants to be those who are comfortable with technology and data, moving away from the traditional procurement negotiator profile to roles that embrace digital tools as a friend rather than a foe," predicts Mr Ideson.

Today's graduates see procurement as a "cool, legitimate supply chain career—quite a shift from the old notion of 'just taking orders,'" says Ms Vitasek. The higher education

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sector needs to update curricula to reflect the realities of modern-day procurement. The evolution of industry certification programs could improve entry routes for talent. But the function itself must remember that the best talent wants to work for organisations that push the envelope, says Mr Mitchell.

AI proficiency and ethics, covering skills like predictive analytics, demand forecasting, natural language processing and managing AI-associated risks such as bias and data privacy, was the top skill that organisations will prioritise over the next 12 to 18 months, selected by 68%, followed by sustainability such as ESG reporting, circular economy expertise and regulatory and compliance knowledge (55%).

Companies place a much lower premium on business acumen and commercial skills, selected as a priority by just 23% of respondents, and change management selected by only 10%. The latter point could prove ill-advised, since change management was identified as a top barrier to digitalisation (2023); 61% of respondents in last year's survey cited an inadequate "people strategy" as a top challenge for procurement transformation. Mr Mitchell advocates for procurement hiring in talent from the wider business and the supply chain to ensure the function fully understands the ecosystem and broader business, as well as measures like job rotations.

Overall, there is a consensus view that procurement leaders could do more to attract and retain talent.

"It is consistently flagged as a gap by CPOs, yet we rarely see corresponding budget increases or investments in training and empowering their teams," argues Mr Ideson. "With flat budgets and a shift toward technology investments, procurement organisations may become slimmer and new operating models being deployed. This means many in traditional roles or who focused on technical procurement skills alone may find themselves displaced."

A recently published poll by The Hackett Group found that very few respondents say they plan to use a dedicated procurement talent development team this year, despite the importance of talent management on the 2025 transformation agenda.[27]

Mr Hansen points out another problem: high churn rates. Data tabulated by Mr Hansen, from sources including LeadershipIQ, the US Bureau of Labor Statistics, McKinsey, Deloitte and interviews with recruitment executives, indicate the average new hire changes jobs every 18 months, the average senior manager every 20 to 24 months. "There's a lack of stability there." Training budgets are low and falling further, he adds. "Surveys over the last five years indicate that CPOs think their teams don't possess the necessary skill set. The talent is out there but it's about how you acquire, retain and evolve talent."

Organisations are tapping into the external workforce for specialised skills overall. Respondents say access to specialist skills is one of their top reasons (62%) for using an external workforce. Banking and financial services were among the most likely to experience a specialist shortfall, and on a regional basis, respondents in the Middle East were the most reliant on outside help to bridge the skills gap. The speed of technological advancement (23%)

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was the third most common rationale for increasing the external workforce, and here again, financial services and banking were significantly more likely than average to cite this.

Economic pressures were among the other reasons for using external workers, including hiring restrictions and workforce "right-sizing" and macroeconomic uncertainty. Higher reliance on outsourcing and contingent labours explains why the top priority for managing contingent labour and services in the short term was improving statement of work management (46%). In three to five years, expanding talent networks was by far the top priority, selected by 64% of respondents. The next top priority for the medium term was improving the visibility of the overall workforce, selected by 43%.

Thirty-four per cent of respondents said operating model changes, including workforce changes and insourcing/outsourcing, is a top organisational risk priority for procurement in the next 12 to 18 months, and slightly more cite this as a priority for the next three to five years (39%). The figure was highest in consumer goods (42%). Thirty-eight per cent of respondents plan to prioritise increased outsourcing in the next 12 to 18 months as part of their contingent labour and services strategy; this is especially likely in the banking sector (49%). As such, long-term success hinges on workforce visibility and network expansion, with a need to orchestrate holistic talent ecosystems to enable innovation and resilience.

Importantly, experts advise procurement teams not to allow headcount and cost alone to determine outsourcing and contingent workforce use. A vice president of supplier management at a consumer goods company told Economist Impact they are implementing a contingent workforce management system because its current approach was getting "a bit out of control. The headcount discussion has driven us to a point that we are depending on external capabilities. You end up realising you depend on an external company or consultants and you have lost that capability internally."



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“The evolution of industry certification programmes could improve entry routes for talent. But the function itself must remember that the best talent wants to work for organisations that push the envelope.”

Pierre Mitchell, chief research officer and managing director, Spend Matters

Conclusion: Procurement at the crossroads

The procurement function stands at a critical juncture. As organisations navigate a complex interplay of geopolitical instability, technological acceleration, regulatory shifts and evolving workforce dynamics, procurement is playing a role in—and bearing responsibility for—major aspects of strategy. No longer confined to cost containment, it now plays a pivotal role in resilience, innovation and long-term value creation.

While cost optimisation remains the primary value proposition of procurement, executives increasingly expect procurement to deliver outcomes such as risk mitigation, sustainability, digital transformation and supplier innovation. This expansion of expectations presents both an opportunity and a burden.
The function must advocate for greater influence in strategic decision-making in areas like risk management, where it is held accountable yet often lacks authority.

Technology adoption will define the next wave of procurement. While enthusiasm for AI and automation is strong, effective deployment requires more than tools; it demands orchestration, change management, increased internal collaboration and integration across systems. The rise of agentic AI, embedded analytics and advanced automation points to a future in which procurement can operate with far greater speed and intelligence, but only if governance, talent and data quality keep pace.
The talent pool is increasingly data- and digital-savvy and beginning to see the function as a desirable and intellectually rewarding industry. The need to create attractive, forward-looking procurement career pathways—rooted in digital fluency, strategic influence and cross-functional collaboration—has never been greater.

Sustainability and ESG remain top of mind, with procurement teams under pressure to achieve environmental and social outcomes amid uncertain regulatory environments and rising stakeholder scrutiny. Supplier collaboration, data transparency and aligned incentives will be key to delivering progress. Procurement cannot shoulder these responsibilities alone; these efforts must be embedded in the wider organisational strategy. Organisations also lack clarity over who should lead sustainability initiatives, especially at a time of regulatory flux.

Looking ahead, procurement's future lies in its ability to act as an orchestrator: aligning internal functions, enabling supplier ecosystems and integrating technologies and data to drive resilient, ethical and cost-effective operations. Achieving this will require more than operational excellence; it will demand vision, adaptability and a seat at the strategic table.

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