

6 Top Procurement Trends



Here are six top trends that McKinsey & Co., says are impacting procurement teams in 2024.

Today's procurement teams face multiple, simultaneous demands. They have to mitigate the impact of inflation while managing the supply and supplier risks that can damage a reputation or threaten business continuity.

"That's driving a change in approach," McKinsey & Co. says in its most recent procurement benchmarking report, "with companies abandoning old approaches to globalization and supplier consolidation in favor of a new model that prioritizes supplier diversification and risk management."

A lot of procurement departments are also managing increased price volatility with fast, dynamic approaches to "hedging against future cost increases or taking advantage of savings opportunities in favorable markets," the company adds. Finally, procurement teams also stand at the forefront of their organizations' "sustainability transitions," and are often tasked with identifying, qualifying and developing future sources of resource-efficient, low-carbon inputs.

Clearly, both procurement teams and their leaders have a lot on their plates right now. Here are some of McKinsey's predictions on how these trends will play out over time and what's coming next for the procurement function:

1. CPOs step up. McKinsey says most CPOs are embracing these challenges and the more "strategic roles" that they've been given within their respective organizations. This trend will likely continue as procurement departments'

missions become even more intertwined with broader organization goals.

2. Technology and digital transformation keep CPOs up at night. McKinsey says the modern procurement environment can expose weaknesses in an organization's processes, tools and digital infrastructure. "Some executives worry that they don't have the information they need to make effective decisions," it says. "They have a limited view of the organization's total spend, too much data that is inaccurate or of poor quality, and difficulty integrating data from multiple sources to create a comprehensive and accurate category view."

3. There's no shortcut to procurement excellence. High-performing procurement functions don't excel in just one or two maturity dimensions—they excel in many of them, McKinsey says. In fact, it says leaders achieve twice the maturity of laggards across six broad dimensions: procurement strategy, category management, digital, data and analytics, organization and skills.

4. Digital infrastructure is a differentiator. When McKinsey compared top procurement organizations to their mid-tier peers, it found that top performers have maturity scores at least 40% higher than average players in strategy, digital, and data and analytics. "The best procurement organizations understand that success in today's complex and fast-moving environment requires mastery of data-driven decision-making," it says. "They have invested in the digital infrastructure and analytical tools and capabilities needed to achieve this goal."

5. Sustainability goals are leaving some organizations in the dust. Environmental, sustainability and governance (ESG) is another area that separates the leaders from the laggards on the procurement front. It says leading procurement organizations achieve sustainability maturity scores that are close to their average scores for other dimensions. “These companies have integrated sustainability goals into their overall performance strategy and are developing the tools and capabilities they need to assess and continually improve sustainability performance,” it says. For lower-performing companies, sustainability maturity tends to lag far behind most dimensions, suggesting that these companies haven’t yet grasped the challenge (or value of) sustainable sourcing.

6. Technology is leveling the playing field for smaller organizations. McKinsey says changes in the technology landscape are eroding the advantages traditionally enjoyed by larger organizations. For example, sophisticated analytics tools and data platforms are increasingly accessible through lightweight, cloud-based or modular deployments. “From enhanced digital capabilities to integrated sustainability strategies, leading procurement organizations are using innovative approaches to stay ahead,” McKinsey adds. “While larger companies have historically led the way, advances in technology are leveling the playing field and creating opportunities for smaller players to improve their procurement practices.”