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# Procurement 2025: The Journey to a New Value Proposition

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No. 1 value proposition for CPO is cost reduction

Procurement value propositions in 2025
Sum of top 3 ranked and rank 1

Legend: ■ Sum of top 3 ■ 1st choice

Value proposition	Sum of top 3
Cost reduction	52%
Risk management/resilience	43%
Sustainability (e.g., environmental and/or social)	37%
Innovation	35%
Revenue enablement	29%
Quality	26%
Improve working capital	26%
Speed	20%
Compliance	17%
Advisory support (e.g., business-led buying support)	12%

X-axis: 0%, 35%, 70%
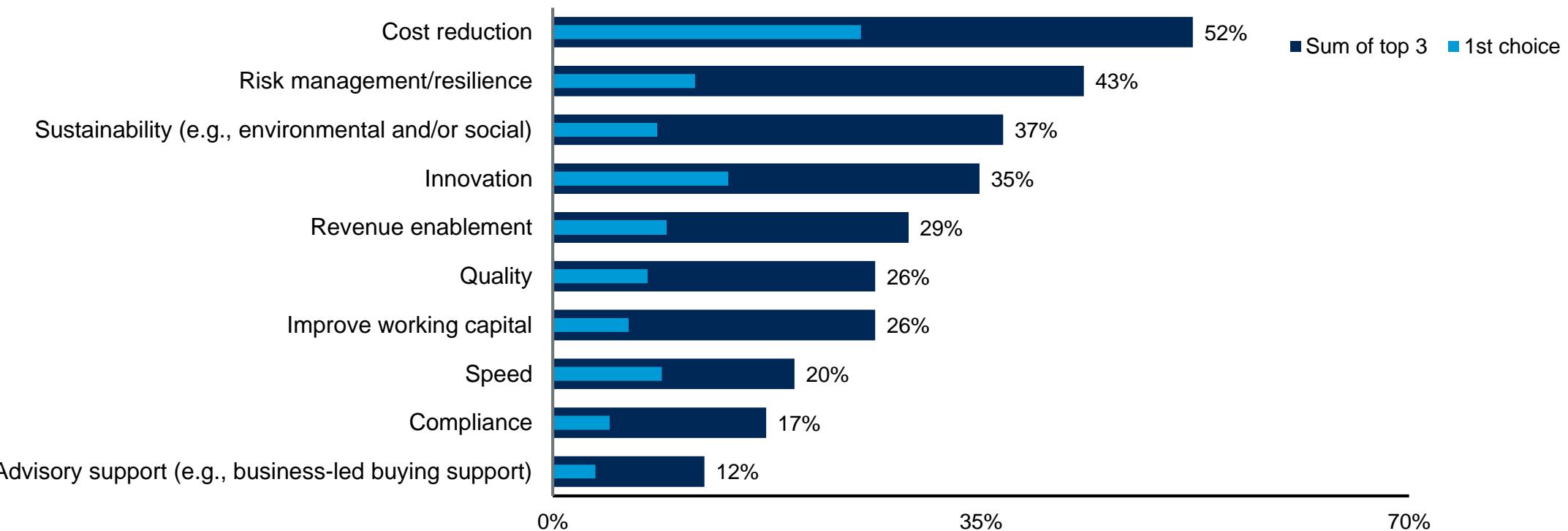
n=258; all respondents
Q04: What is the procurement's top 3 value propositions that you anticipate having in the year 2025?
Source: 2024 Gartner Chief Procurement Officer Survey

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But ... Did you see it? Risk and sustainability are at the top.

Cost reduction

Risk management/resilience

Sustainability (e.g., environmental and/or social)

Innovation

Revenue enablement

Quality

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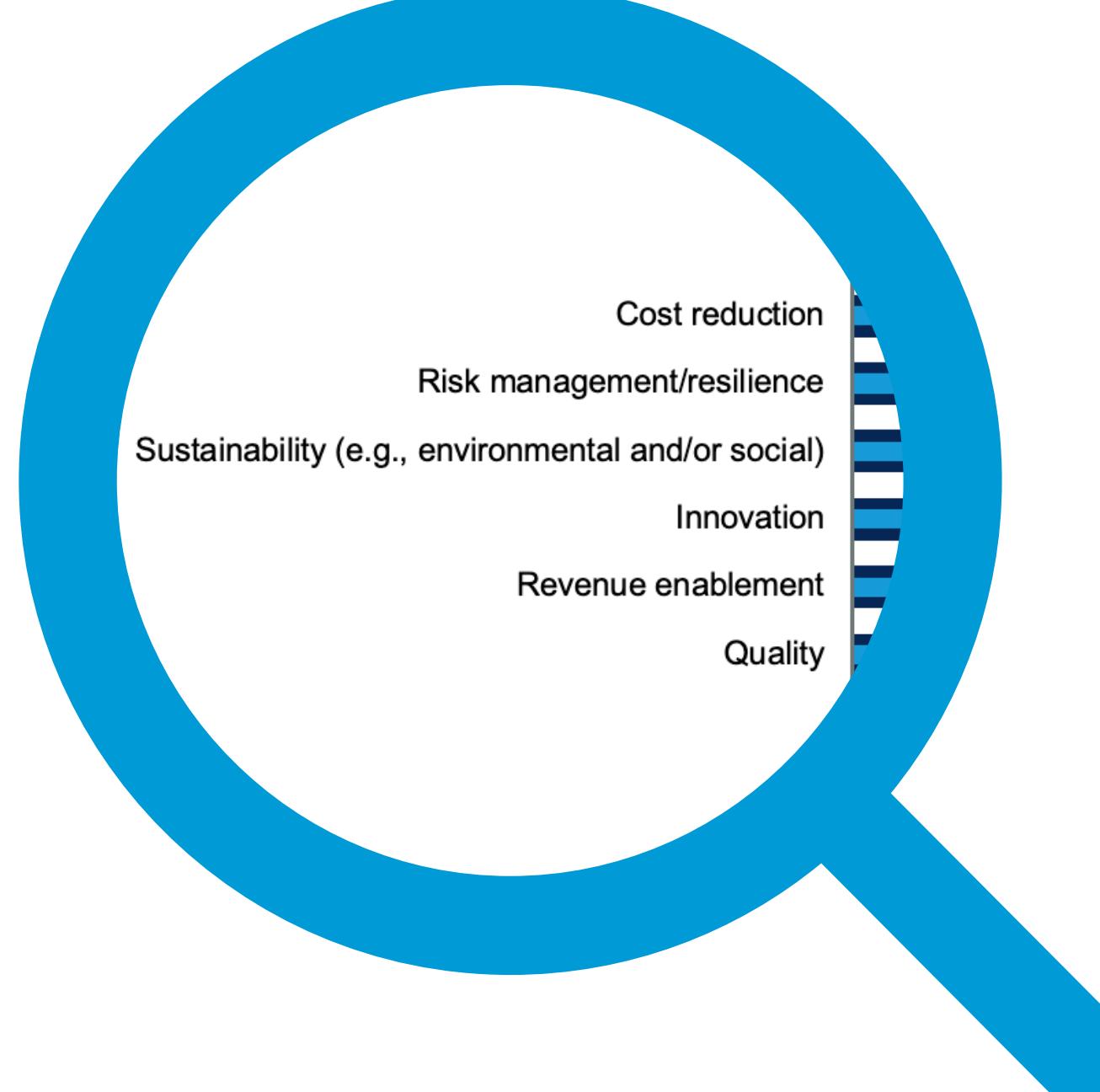
How the No. 1 value proposition is expected to shift

Procurement value propositions in 2025 and 2030
Sum of top 3

2025

 No. 1 Cost reduction to

 No. 4 Innovation to

2030

No. 5 ⬇ 23%

No. 1 ⬆ 19%

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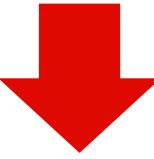
Will innovation always be just out of reach?

Chart risks and capabilities to get to the future

Moving from current state to future state

2030
No. 1 Innovation
or
<Insert Your Value
Proposition Here>

2025
No. 1 Cost
reduction

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🚀 Prioritize capabilities

✓ Navigate risks

✓ Getting started

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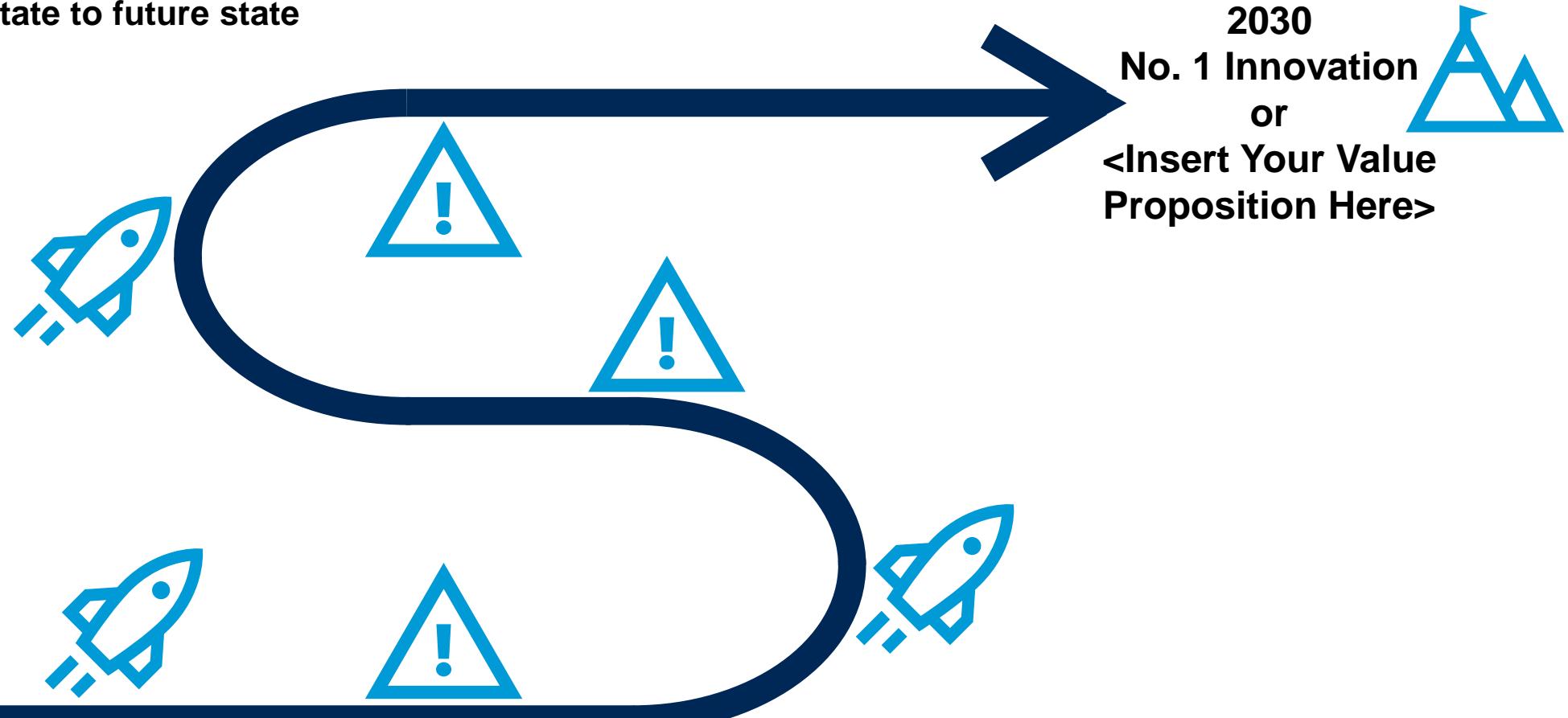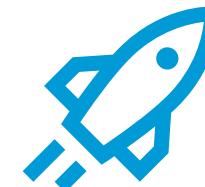
Confirm your future value — innovation? Y/N

Defining future value proposition

Aligned capabilities to support future value proposition

Business aligned
Does this capability align with our company goals?

Procurement aligned
Do we want this capability? Can we build this capability?

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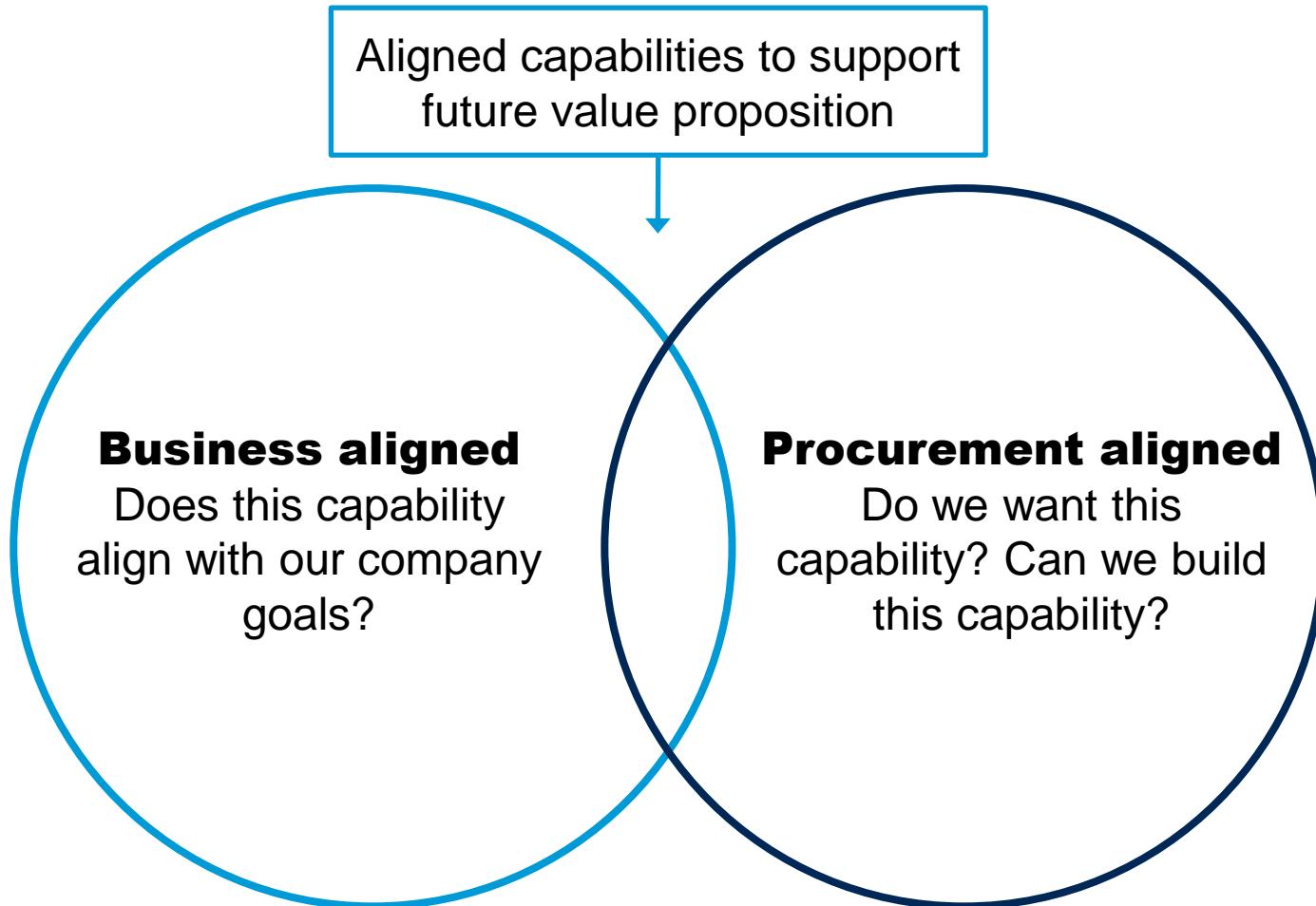
Capabilities leaders are focused on ...

Top 3 capabilities for procurement leaders

1 — Sustainable procurement

2 — Supplier innovation

3 — Operating model optimization/redesign

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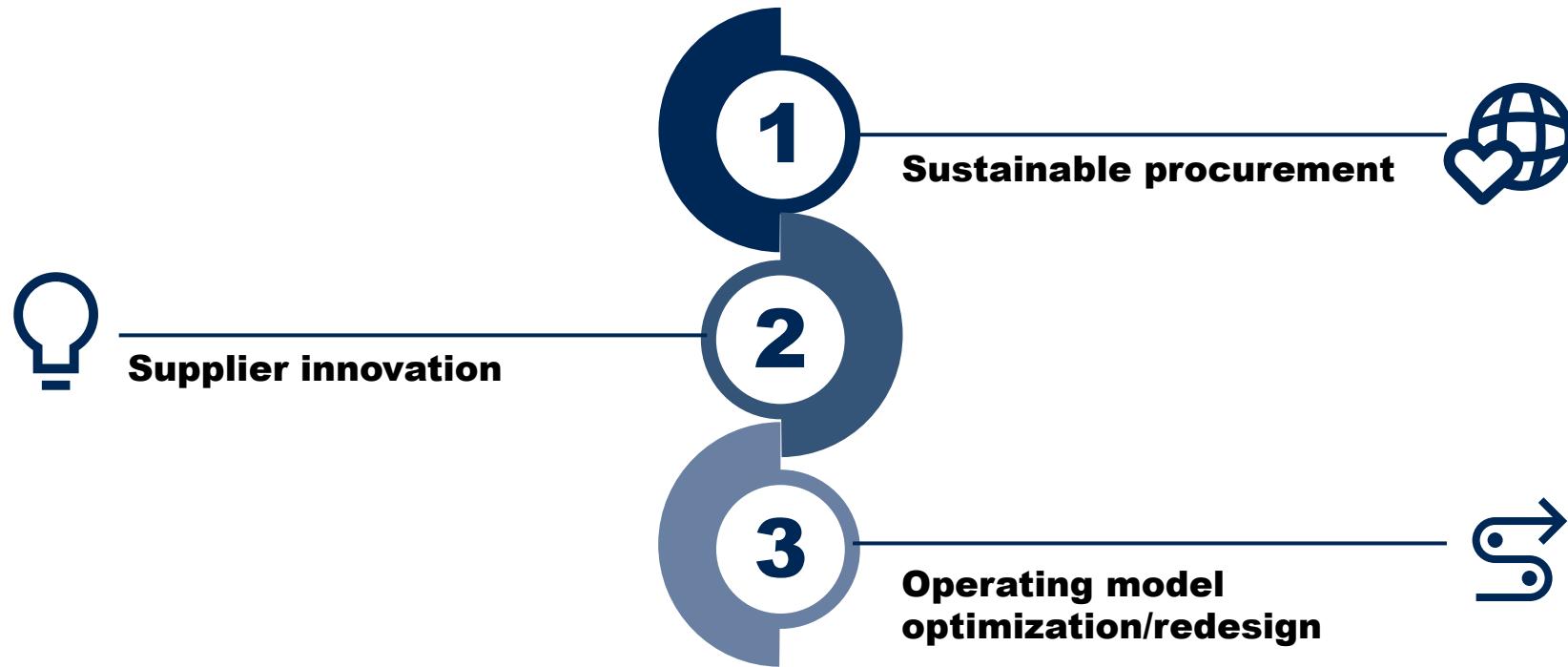
Prioritize your material issues

Most important sustainability issues for procurement (6/7 ratings)

| Issue	Percentage
Greenhouse gas emissions	79%
Child labor and modern slavery	77%
Responsible business conduct	77%
Diversity, equity and inclusion (DEI)	59%
Worker well-being and fair pay	53%
Waste management	43%
Water conservation	36%
Biodiversity loss and deforestation	34%
Supply chain circularity	29%
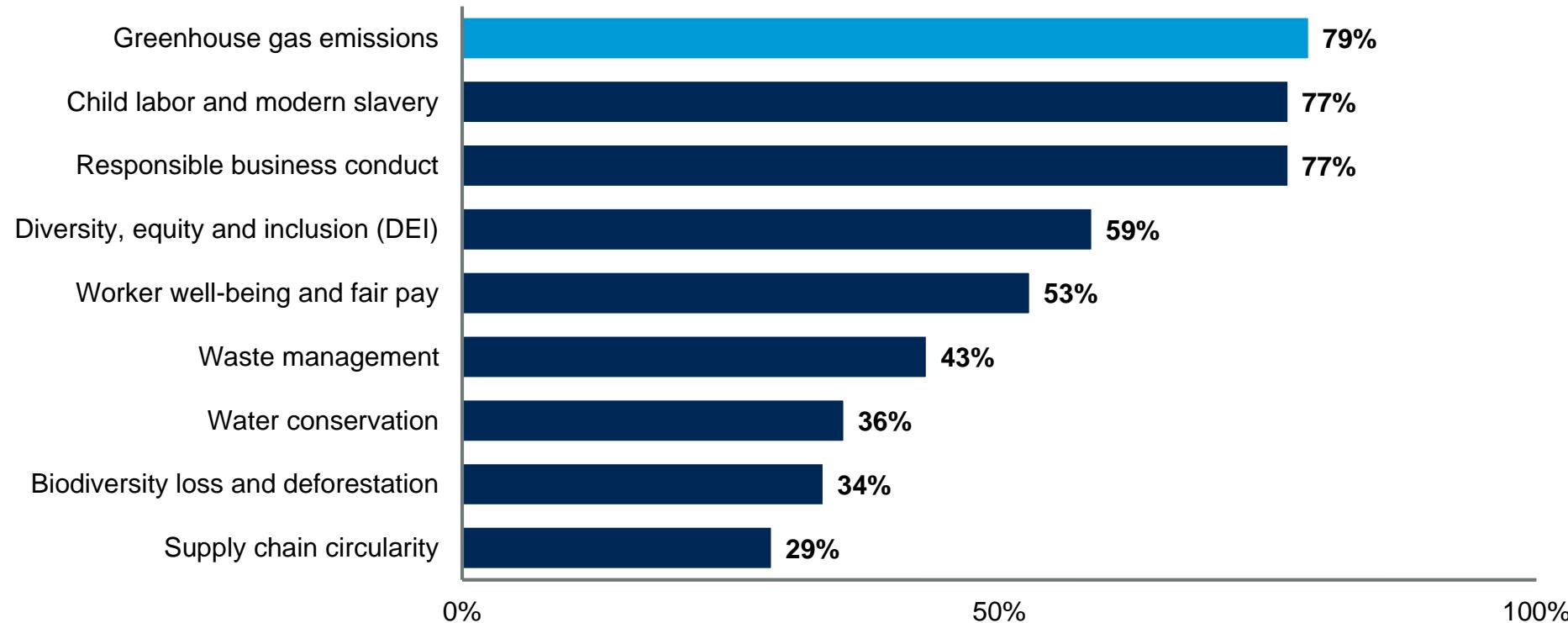
n = 104; sustainable procurement professionals

Q02. How important are each of the following ESG topics to your company's sustainable procurement strategy?
Source: 2024 Gartner/SPP Sustainable Procurement Pulse Survey

pp denotes percentage point difference meaning Final Value – Initial Value

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Embed sustainability into existing processes

Percentage of respondents who have embedded sustainability into specific processes

■ Currently integrated ■ Planning to integrate in the next 2 years ■ No plans to integrate in the next 2 years

| Process	Currently integrated	Planning to integrate in the next 2 years	No plans to integrate in the next 2 years
Procurement policies	71%	29%	0%
New supplier onboarding	60%	36%	4%
Supplier contractual agreements	53%	45%	2%
Ongoing supplier performance evaluations (scorecards)	53%	45%	2%
Supplier tenders and quotation process (RFI, RFP, RFQ)	51%	46%	3%
Spend category strategies	47%	50%	3%
Procurement staff metrics	43%	45%	12%

0%　　　　　　　50%　　　　　　　100%
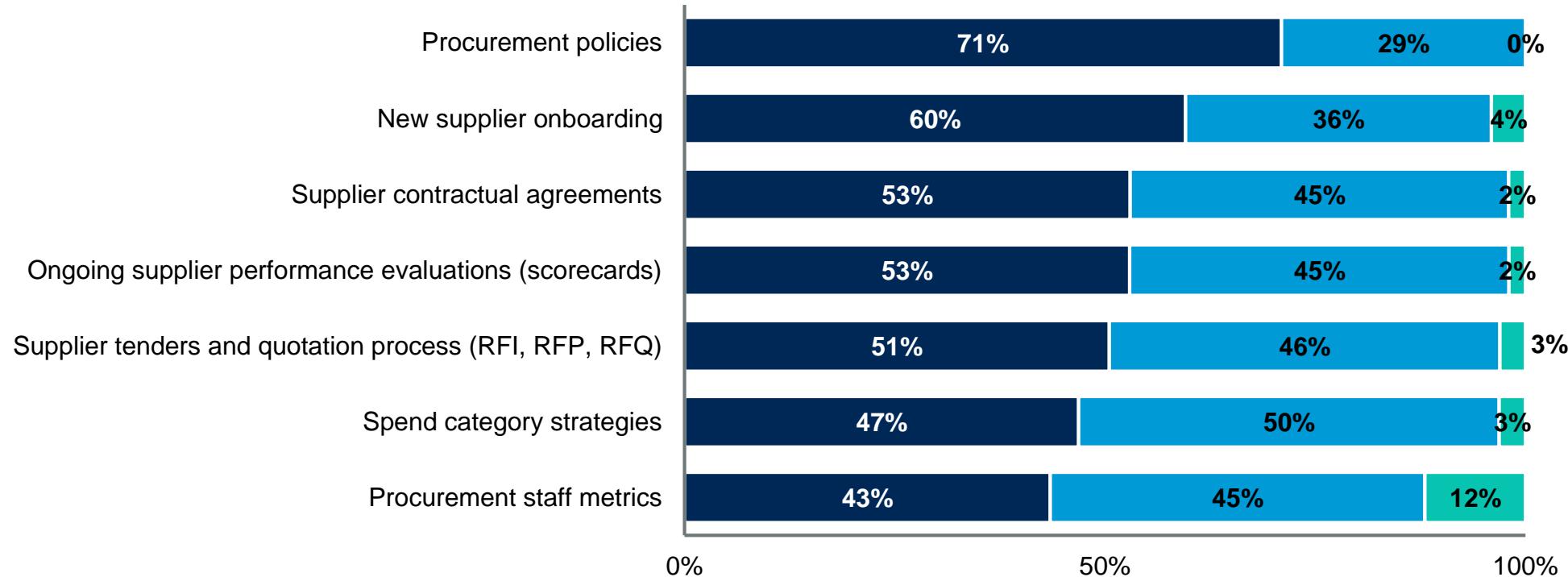
n = 92-102; sustainable procurement professionals, excluding don't know/not sure

Q04. In which of the following procurement processes are you currently integrating sustainable procurement goals/requirements?
Source: 2024 Gartner/SPP Sustainable Procurement Pulse Survey

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Define the desired future state

Innovation maturity model

Inflection point

Continuous innovation

Disruptive innovation

Safe/comfort zone

Stretch zone

Unchartered territory

No innovation

Cost savings

Quality and process improvements

Incremental product features

Breakthrough technologies
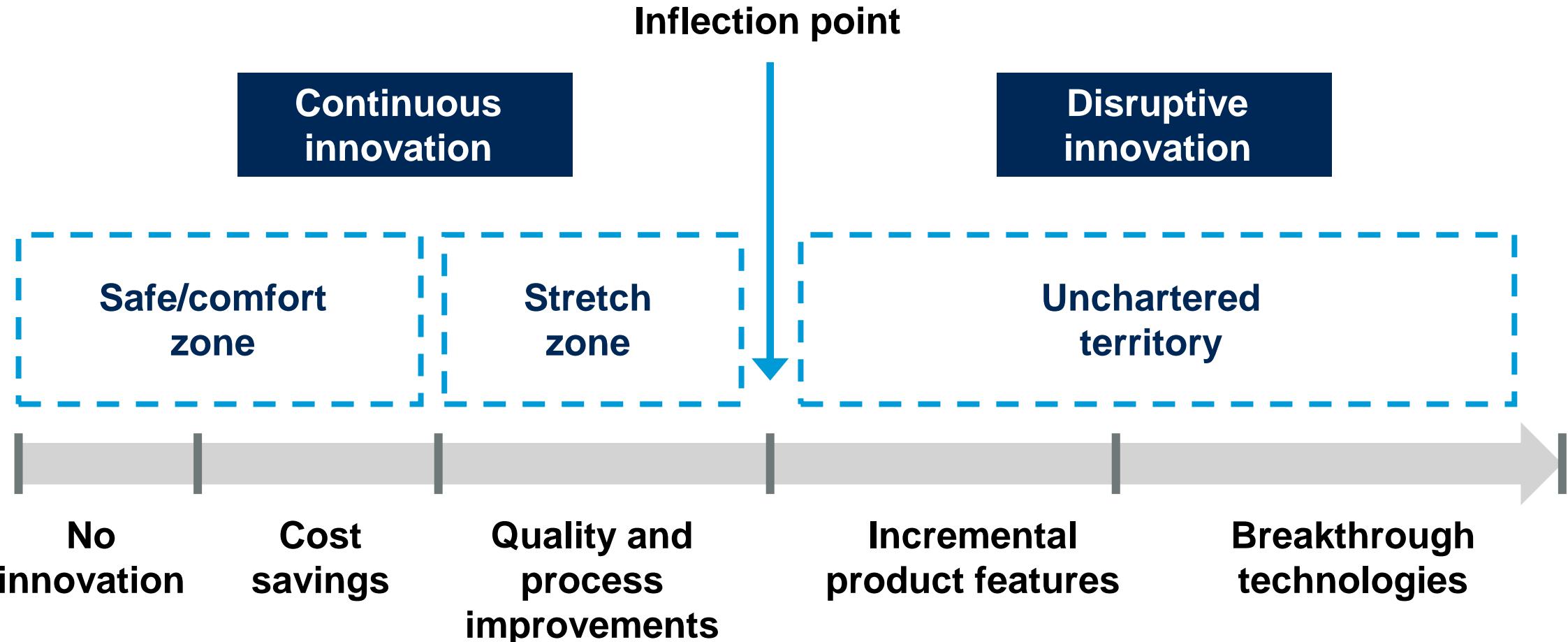
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Identify sources of supplier innovation

Willingness-weighted partnership potential

DSM engineering materials applies a willingness filter to assess suppliers' likelihood to share quality ideas and commitment to collaboration, ensuring scarce resources are deployed on fruitful projects with willing and capable partners.

Pool of potential suppliers

Supplier capability

- Technical capability
- Strategic competence
- Financial capacity
- Innovation track record
- Production and service

Supplier willingness

- IP sharing
- Culture fit
- Communication
- Supplier priorities

Suppliers with good partnership potential

Source: Adapted from DSM Engineering Materials

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Operating model streamlines structure

Challenge to organizational structure

```
        ┌─────────────┐
        │     CPO     │
        └──────┬──────┘
        ┌──────┴──────┐
┌──────────┐   ┌──────────┐
│ Indirect │   │  Direct  │
└──────────┘   └──────────┘
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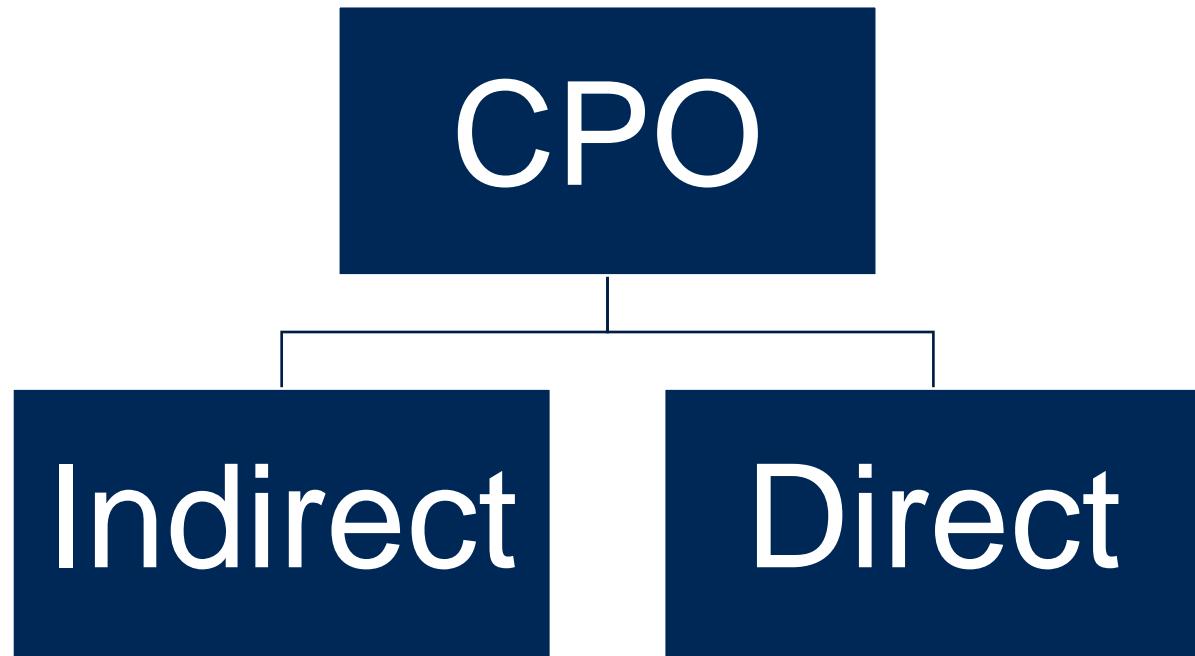
❌ Why aren't we advanced in sustainability?

❌ What does regional versus global work on?

❌ How can we invest in digital capabilities?

❌ Who is accountable for risk?

❌ How do we collaborate on <category>?

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Investments to streamline operations

The 3 components of organization design
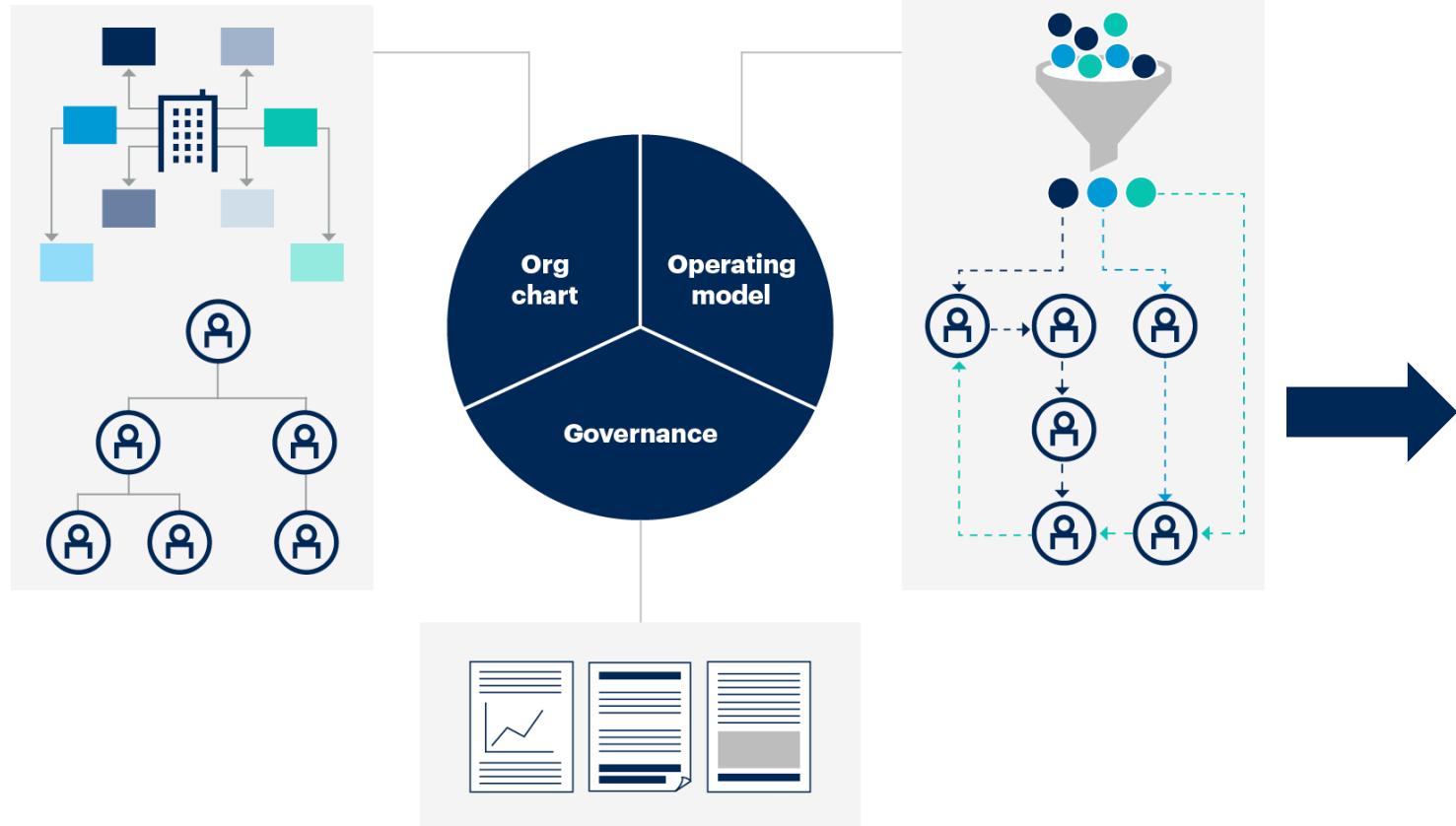
Evaluate levers to improve effectiveness:

- COE (center of excellence)
- Collaborative technology
- Cross-functional | Topic-related cohorts
- BPO (business process outsourcing)
- Shared services
- Intake and orchestration

Source: Gartner

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Action:

- Determine your future value proposition.
- Backcast the capabilities that need to be built to get there.

- Prioritize capabilities
- Navigate risks
- Getting started

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Supply disruption is No. 1 risk to procurement

Top risks to procurement's future success
Sum of top 3

Risk	Sum of top 3
Supply disruptions	42%
Macro-economic factors	33%
Geopolitical trends	32%
Compliance issues	32%
Supplier capability and capacity	30%
Cyber-attacks and data security	29%
Procurement talent capabilities	24%
Poor data quality	19%
Overly manual slow processes	16%
Inability to influence business partners	15%
Fluctuating company priorities	15%
Energy availability/cost	13%

■ Sum of top 3
■ 1st choice

Procurement leaders are more likely to view energy availability and cost as a risk to their future success. In contrast, followers are more likely to see cyber attacks and data security as risks to their future success.

n = 258, All respondents

Q. What are the top 4 risks to Procurement's future success?
Source: 2024 Gartner Chief Procurement Officer Survey

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Top 3 risks by spend type (Direct/Indirect)

Top risks by spend type
Sum of top 3

Primarily **direct** spend companies:
1. Supply disruption
2. Supplier capability and capacity
3. Geopolitical trends and macroeconomic factors

Primarily **indirect s**pend companies:
1. Compliance issues
2. Supply disruption
3. Macroeconomic factors
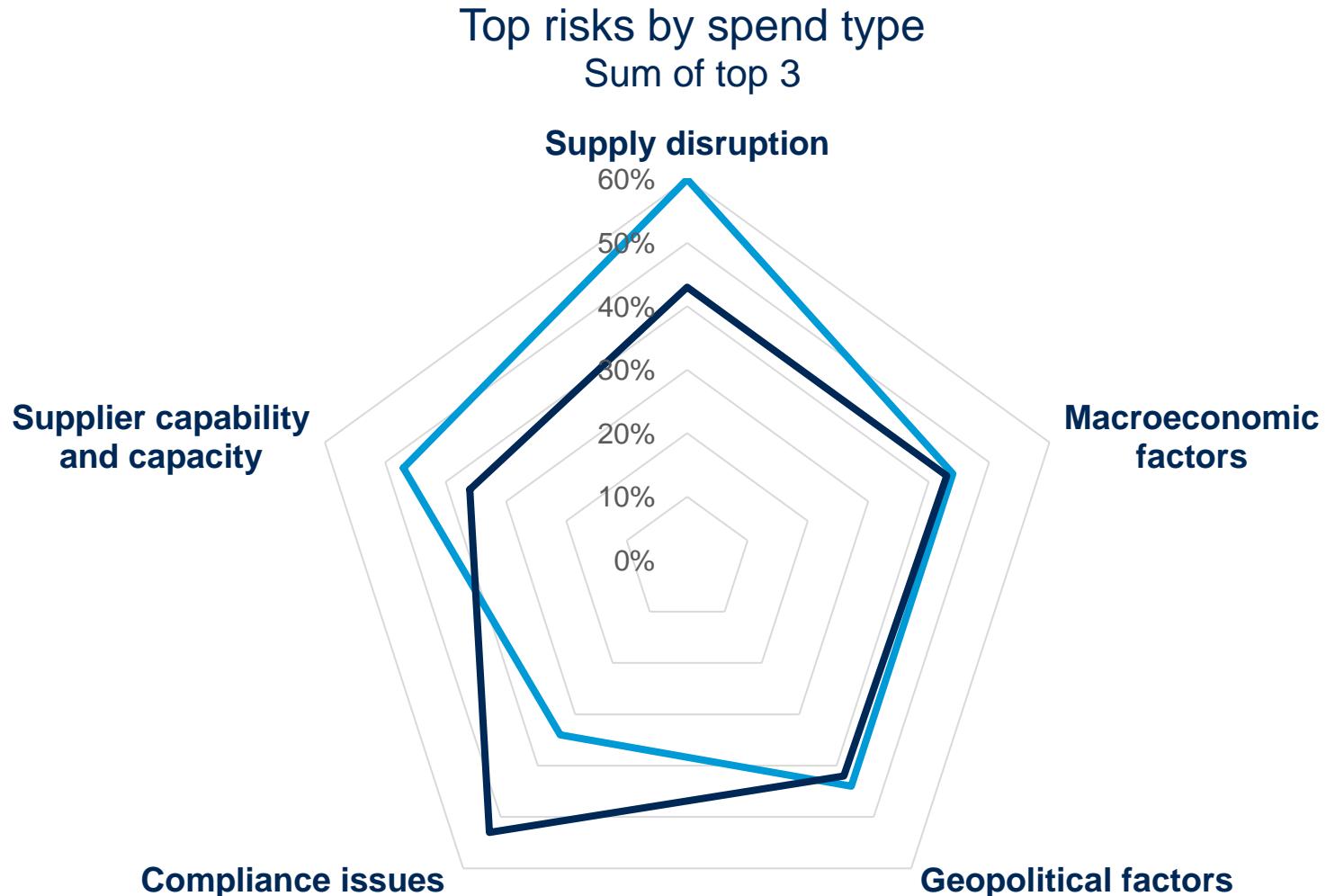
n = 151 companies with a large portion of direct spend (i.e., manufacturing, retail, transportation and logistics; n = 107 companies with a large portion of indirect spend (i.e., banking, financial services, insurance, communications, media, education and services)

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For primarily …

DIRECT | **INDIRECT**

… spend companies

Supply disruption

Compliance issues

SAME SOLUTION

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U.S. Rail Labor Dispute (2022)

Neuralink First Human Trial (2024)

U.S. Banking Crisis (2023)

EAW Strike (2023)

EU Port Congestion (2022)

Massive Flooding (2020-2021)

Russia Ukraine War (2022-TBD)

Nord Stream Pipeline 1 & 2 (2022)

Record Wildfire Season (2020)

Trade Wars (2018-2019)

Brexit (2018-2021)

China Energy Crisis (2021)

Colonial Pipeline Cyberattack (2021)

U.S. Elections (2020-2021 & 2024)

Japan 7.3 Earthquake (2022)

U.S. Port Congestion (2022)

Record Hurricane Season (2020)

Massive Protests (2019-2020)

European Gas Crisis (2022)

Continued China Closures (2022)

The Israel-Hamas War (2023-TBD)

Mexico Martial Law (2022)

Mexico 7.6 Earthquake (2022)

Texas Freeze (2021)

COVID-19 (2019-TBD)

ChatGPT 3.5 (2022)

Panama Canal (2023-TBD)

Suez Canal Obstruction (2021)

China-Taiwan Tensions (2022-2023)

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Balance risk exposure with cost over time

Events, shipping disruption, freight availability

Imbalance between risk exposure, cost over time and resilience
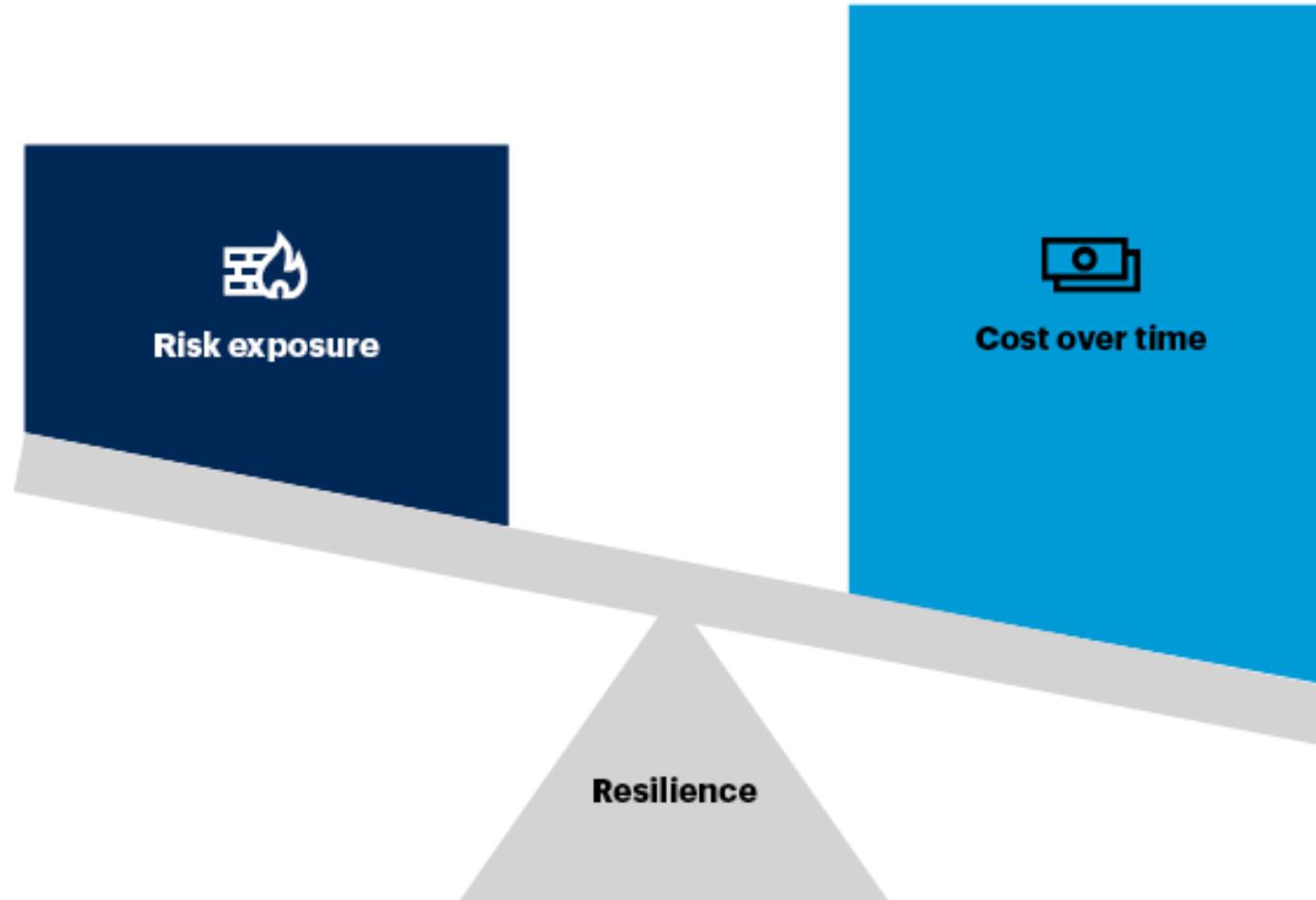
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Risk-based issues are growing

Recent changes in third-party risk management for procurement
In the past 3 years

Category	Percentage
Increase in the scrutiny of third parties' business continuity and recovery practices	91%
Increase in number of third parties	90%
Increase in level of oversight placed on critical third parties	87%
Increase in the amount of questions on a due diligence form	78%
Reduction in the scrutiny of third-party information management practices	0%
Reduction in the level of third-party oversight by senior leadership/board	0%

n = 104

Source: 2022 Gartner Third-Party Risk Management Governance, Activities and Technology Survey

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There is aligned No. 1 owner of third-party risk

Primary owner of third-party risk

- Quality 1%
- Legal 4%
- Supply chain 5%
- Privacy 5%
- Audit 6%
- Compliance 6%
- There is no primary owner for TPRM 6%
- Information technology 7%
- Information security 8%
- Finance 8%
- Procurement/sourcing 9%
- Risk (ERM) 12%
- Third-party risk management office 23%

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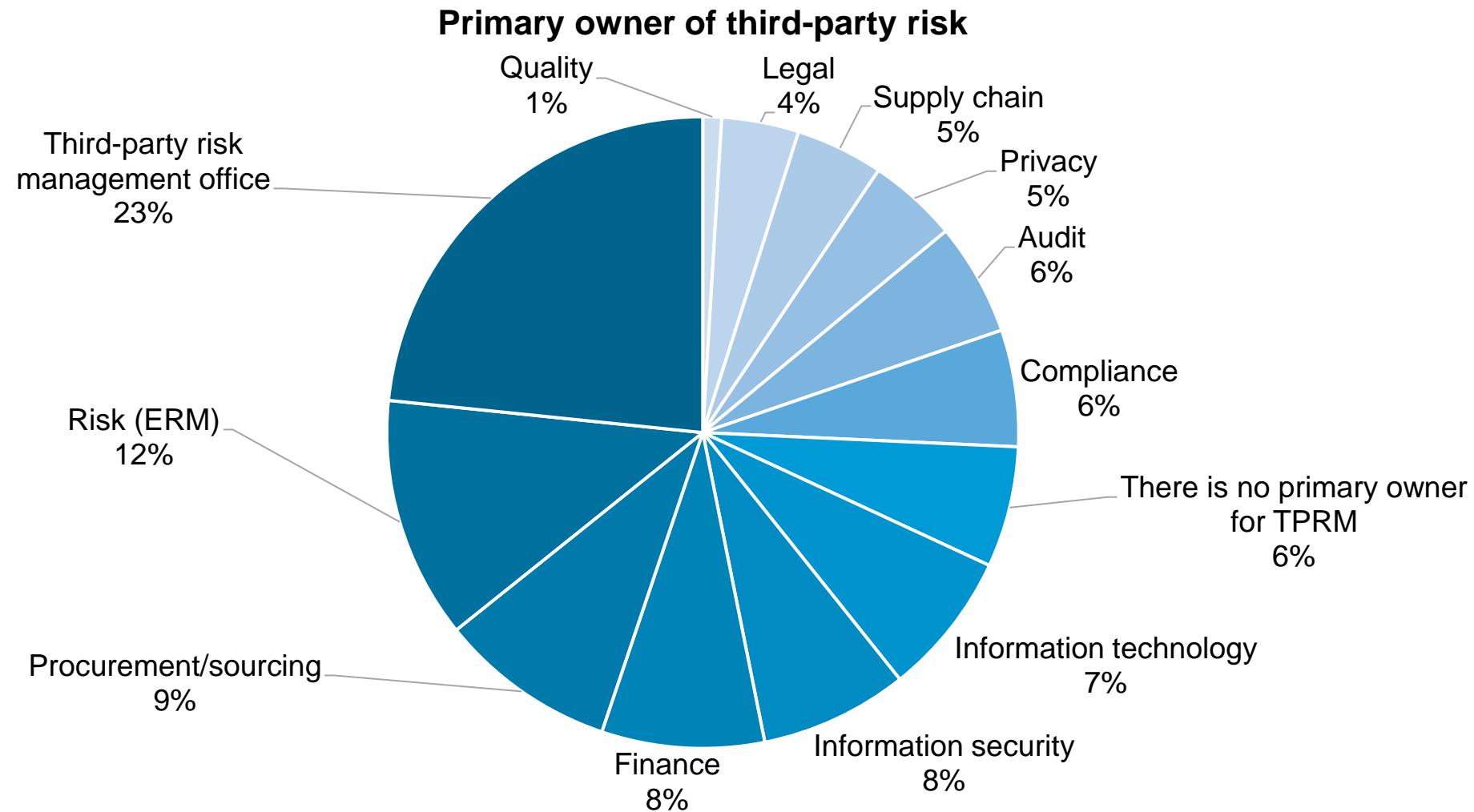
Action: Build a proactive supplier risk program

What am I trying to protect?
(Prioritization)

What do I need to protect it?
(People and technology)

Resources

Strategy

Governance

How am I going to protect it?
(Process)

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What does that mean? Intentionality.

From (Reaction)	To (Proactive)
Generalized identification	→	Prioritized risk classification
Spend-based segmentation	→	Criticality-based supplier segmentation
Blanket monitoring	→	Purposeful risk monitoring
Reaction solution management	→	Planned management levers
Ad hoc review	→	Built-in evaluation

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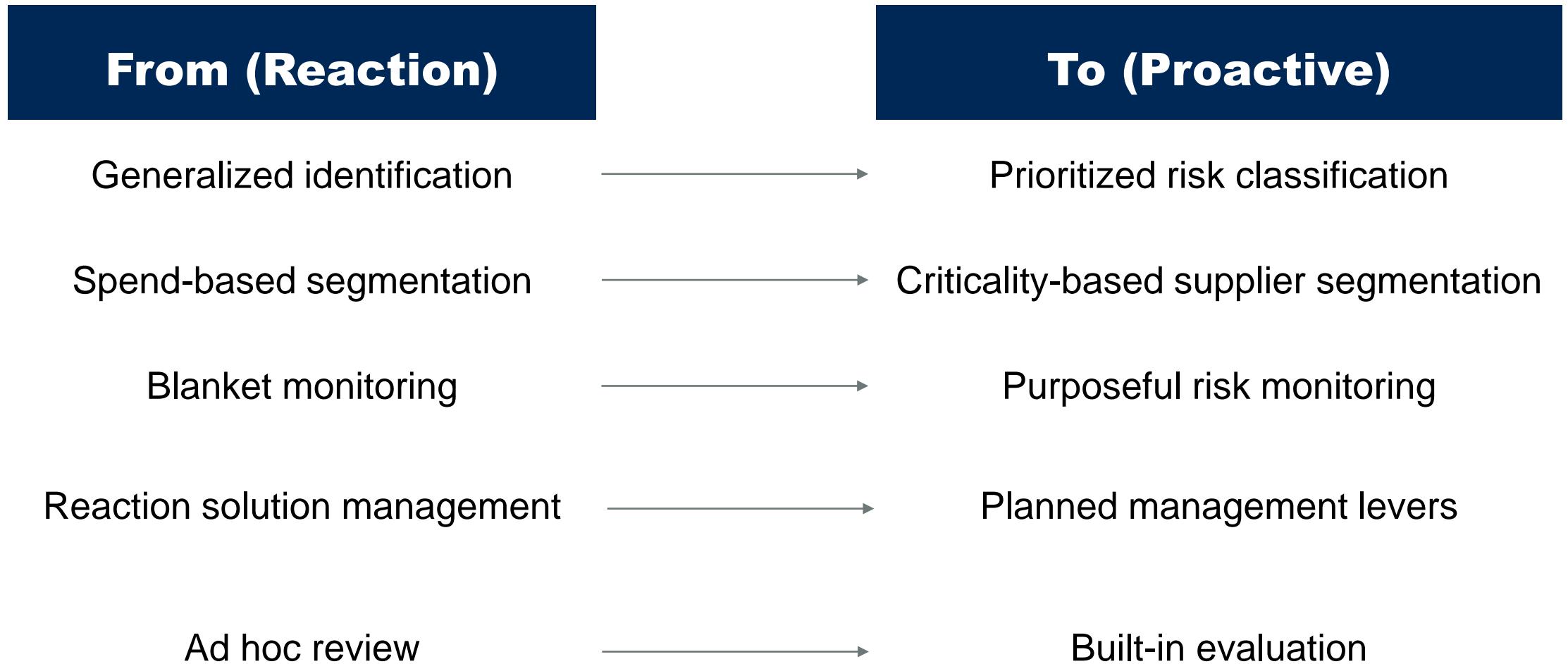
Action:

- **Prioritize the risks to your procurement function**

- **Move to intentional proactive risk management over reaction**

Prioritize capabilities

Navigate risks

Getting started

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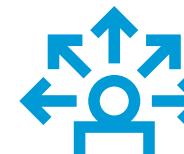
Accountability drives success
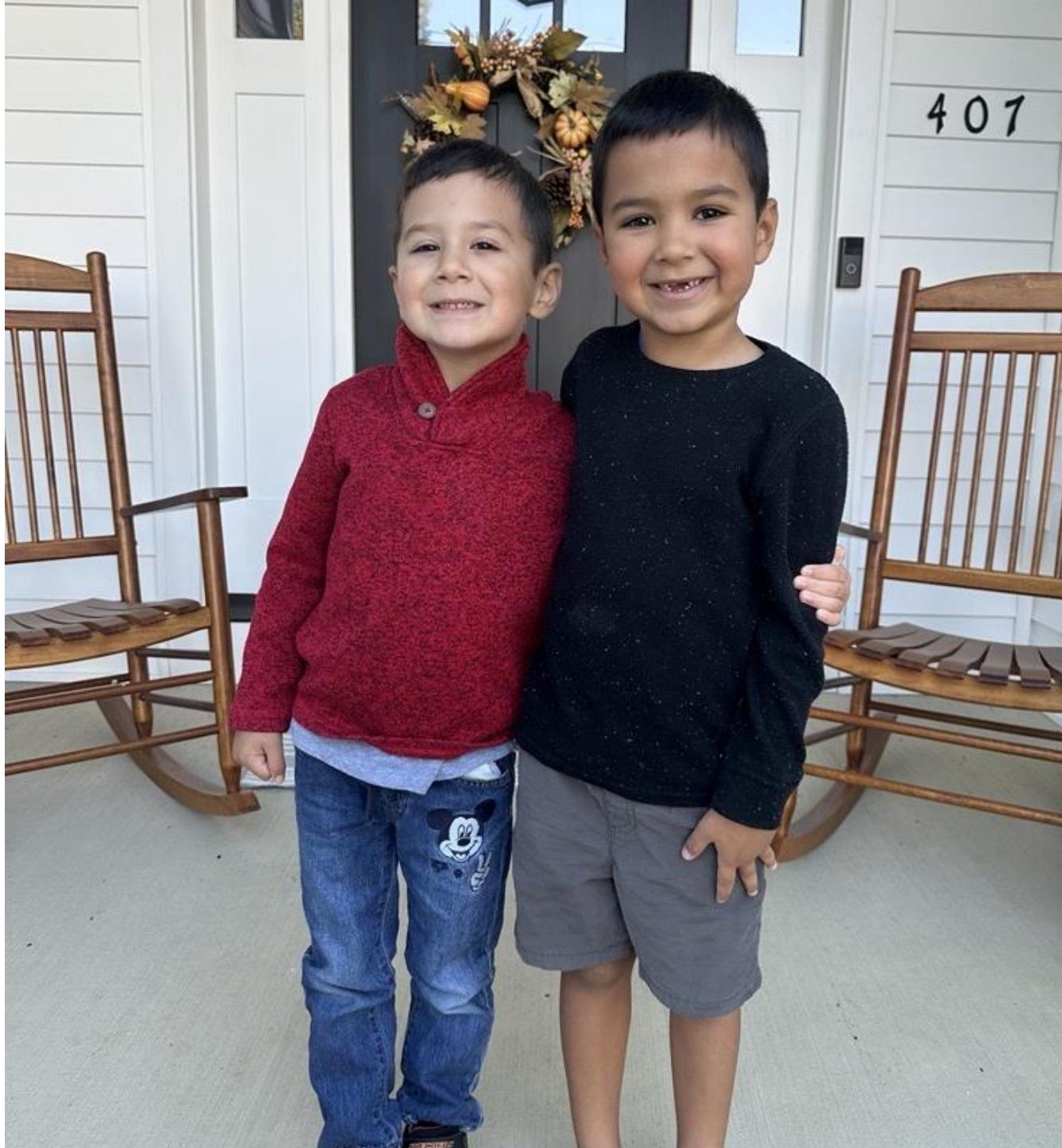
Create capacity in roles ...

Let staff choose strategic activities that motivate them

Motivational staff activities

1 Create strategic activities

Put guardrails around the types of work staff may do with their bandwidth gained by defining various groups or activities that drive strategic behaviors.

■ **Special interest communities:** Staff can join project groups oriented around various strategic topics (sustainability, digital, etc.).

■ **People development lead:** Coach peers or new employees on career and skill development.

■ **Skill catalysts:** Staff who excel in a particular skill or competency can be brought into sourcing projects to lend their expertise when needed.

Customizable role design

2 Let staff choose

Let staff choose any of the groups or activities they'd like to make a dedicated portion of their role based on their personal interests and motivations.

Percentage of role

0%   100%

Required core work

Required core work

Required core work
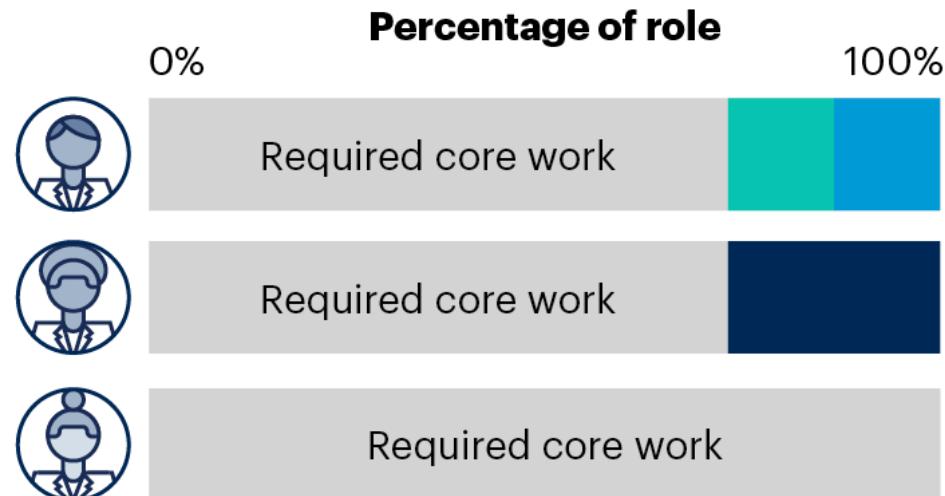
Source: 2021 Gartner EVP Employee Survey

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Incentivize the accountability ...

Customized role descriptions solidify choices

Customized role description

Formal responsibilities: Include responsibilities specific to each position and activity staff perform.

Relative effort: Designate the portion of their role dedicated to each activity to ensure motivational activities do not become "off-the-side-of-your-desk" tasks.

Create accountability: Hold people accountable to their self-selected activities through KPIs.

Customized role description for person 1

Required core work: supplier relationship management — 65%

Responsibilities: Develop ongoing supplier performance improvement plans
KPIs: Top-quartile NPS score

Special interest group for sustainability — 20%

Responsibilities: Develop report on market research on trending sustainable sourcing practices
KPIs: Identify 2 new suppliers with ISO 14001 certification

People development lead — 15%

Responsibilities: Create skill development plan with mentee to discuss quarterly
KPIs: Rating of at least 7/10 or above by mentee on coaching and support abilities

Source: adapted from ucb

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Prioritize capabilities by defining the future and backcasting.

Navigate risks by creating an intentional risk program.
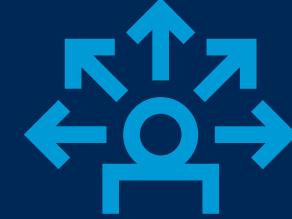
Actualize change by creating accountability.

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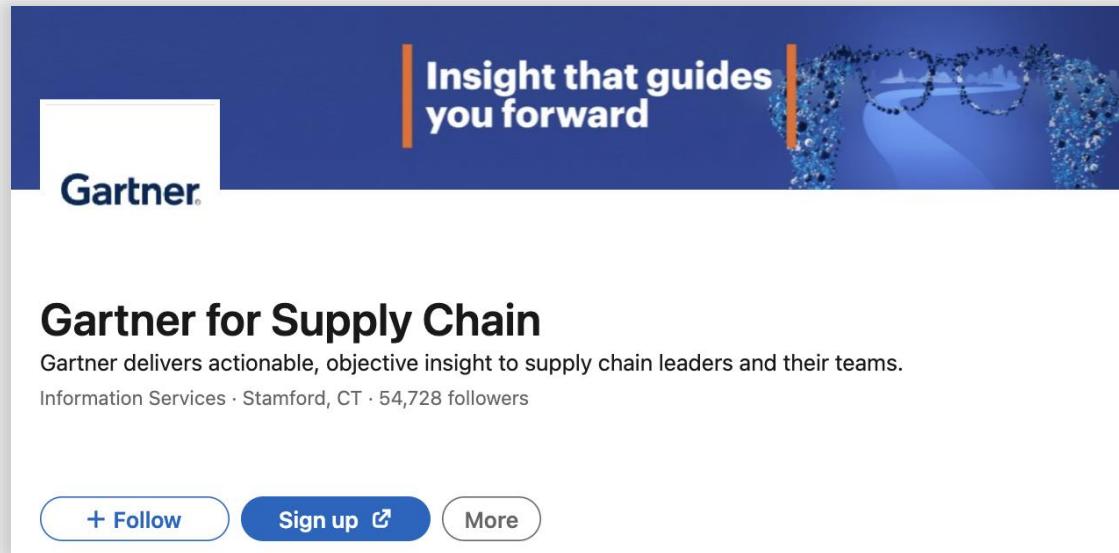
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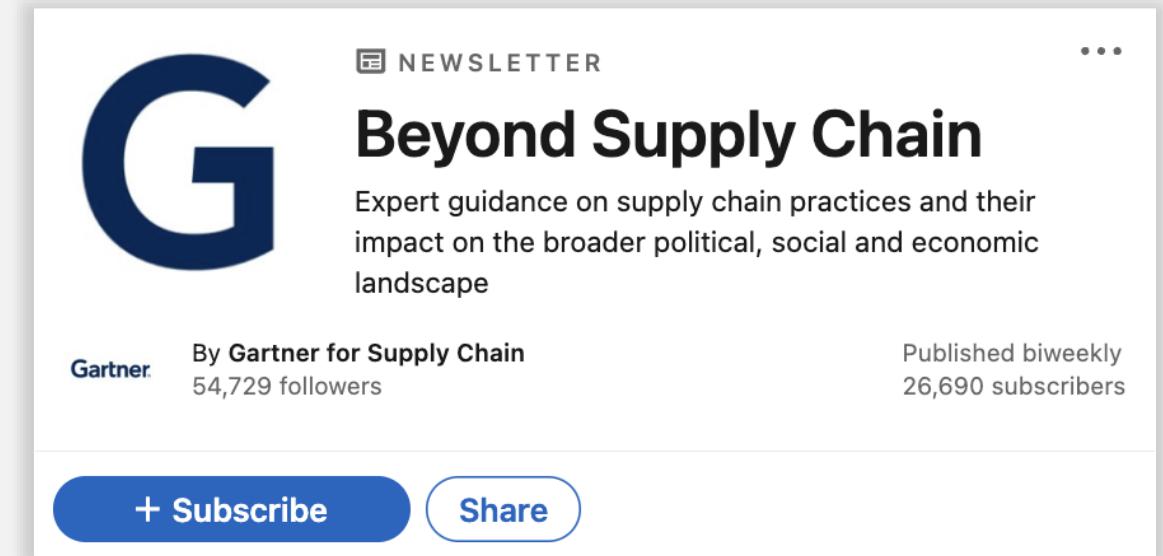
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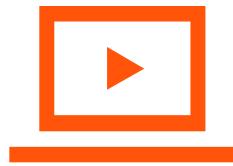
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