

# 2024 Procurement Agenda and Key Issues Study Results



# About this study

## BACKGROUND AND METHODOLOGY

For the 2024 edition of The Hackett Group's Procurement Agenda and Key Issues Study, procurement leaders at a global set of mid-sized and large enterprises were asked in late 2023 about their strategic priorities and initiatives for the upcoming year, including:

- Driving business trends and strategic priorities of the enterprise that are expected to shape the procurement agenda for 2024
- 2024 key objectives, transformation plans and challenges for procurement organizations
- Projected changes in procurement workloads, staffing levels, operating budgets and technology spending
- Must-do procurement improvement initiatives for enabling success in 2024

In addition, cross-functional input was gathered from executive management and leaders of finance, human resources, information technology, procurement and global business services (GBS) organizations to understand the overall business context shaping priorities for 2024.

**This report provides key insights into the following:**

- Enterprise and business contexts
- 2024 procurement priorities and resources
- Technology adoption, growth and value
- Service placement, analytics and performance

## PROCUREMENT RESPONDENT PROFILE

**72%** of respondents are at director level or above

**56%** of respondents have revenue greater than \$5B

**46%** of respondents are manufacturing companies

**54%** are services companies

**63%** of respondents are headquartered in North America

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# Executive summary

## Business environment and risks

- Entering 2024, the economic outlook remains uncertain, with projections that global economic growth could stall or slow in 2024. Executives across business services functions relayed concerns: 62% worry about the impact of interest rates on their ability to invest during 2024, while 57% fear a recession during the year. Nearly one-half (46%) expect labor and skill shortages to continue disrupting business during 2024.
- Margin improvement/protection and revenue growth top the enterprise priority list for 2024. To address this, businesses will emphasize strategies around process efficiency, process automation, working capital optimization and consolidation to shared services.
- Enterprises are starting to explore the potential transformative impact of generative artificial intelligence (Gen AI). While business functions are in the early stages of Gen AI, respondents expect mid-level enterprise funding for Gen AI to increase in 2024. A small but notable 16% of executives cited business transformation through Gen AI as a high priority for 2024.

## 2024 procurement priorities and resources

- Expectations indicate an 8% increase in procurement workload for 2024 with only modest increases of 1.4% and 1.6%, respectively, in procurement staff and operating budget. Procurement teams are also projecting higher levels of savings in 2024, compared to 2023. Technology spend is anticipated to grow by an estimated 4.6% in an effort to bridge the gap between higher increases in workload versus staffing and operating budget changes, as well as support expectations for higher savings levels.
- The top three priorities for procurement teams for 2024 include improving spend cost reduction, ensuring supply continuity and combatting inflationary price increases. While cost is king for 2024, procurement operating model transformation is a new entrant in the top five priorities.

## Technology adoption, growth and value

- There is a high level of adoption of end-to-end core procurement technologies with continued growth projected for 2024.
- Current adoption of supporting and emerging technologies is not as extensive as it is for core technologies.
- Critical development areas for procurement analytics include cost optimization and/or cost modeling, supplier performance insights, supply risk analytics, supply market analysis, and sustainability and/or ESG reporting.
- Digital automation is still not widely adopted, with limited large-scale deployment, but with significant piloting of different technologies as organizations explore the best ways to adopt these tools. Despite the recent emergence of Gen AI, it has already been adopted by 28% of teams.
- Of those organizations evaluating Gen AI, the most promising opportunity areas are spend analytics and contract lifecycle management which are areas where easy access to accurate data can greatly enhance the effectiveness of procurement personnel.

## Service placement and performance measurement

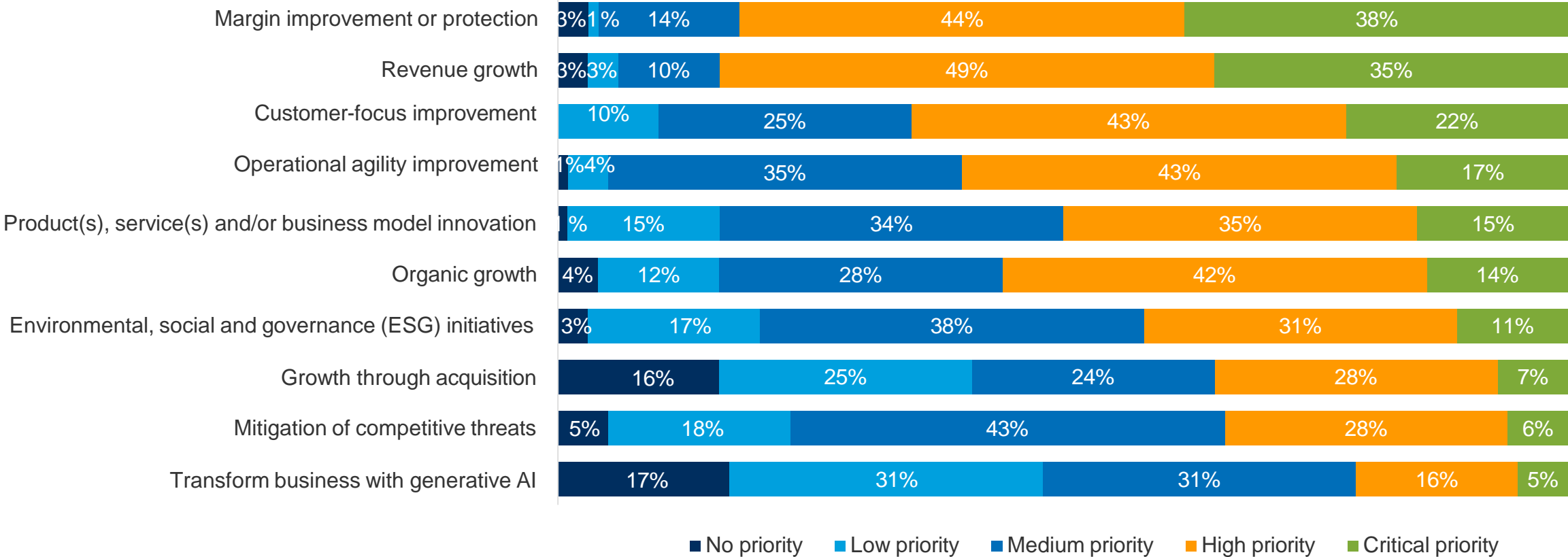
- More than half of the staff managing key procurement processes are based in the corporate procurement team for most processes, with the exception of more transactional processes, such as supplier information management, and PO processing and management. Business unit personnel play key roles in supplier relationship and supplier performance management.
- The most common performance elements to be included in dashboard reports to senior company management as well as procurement management teams' bonuses are year-over-year savings and cost avoidance.

Source: The Hackett Group 2024 Key Issues Study

# Organizations continue to emphasize top- and bottom-line growth for 2024

The goals for margin improvement and revenue growth may as well be etched in stone for publicly held companies, as they vie for the top spot in our survey, year in and year out. What's a little different this year is the increased emphasis on customer-focus and operational agility. This speaks to the desire to nimbly respond to shifts in customer expectations and business requirements. Innovation of products, services and business models require investments of resources and leadership attention. New to the list this year is transforming the business with generative AI.

## 2024 PRIORITY OF ENTERPRISE BUSINESS OBJECTIVES



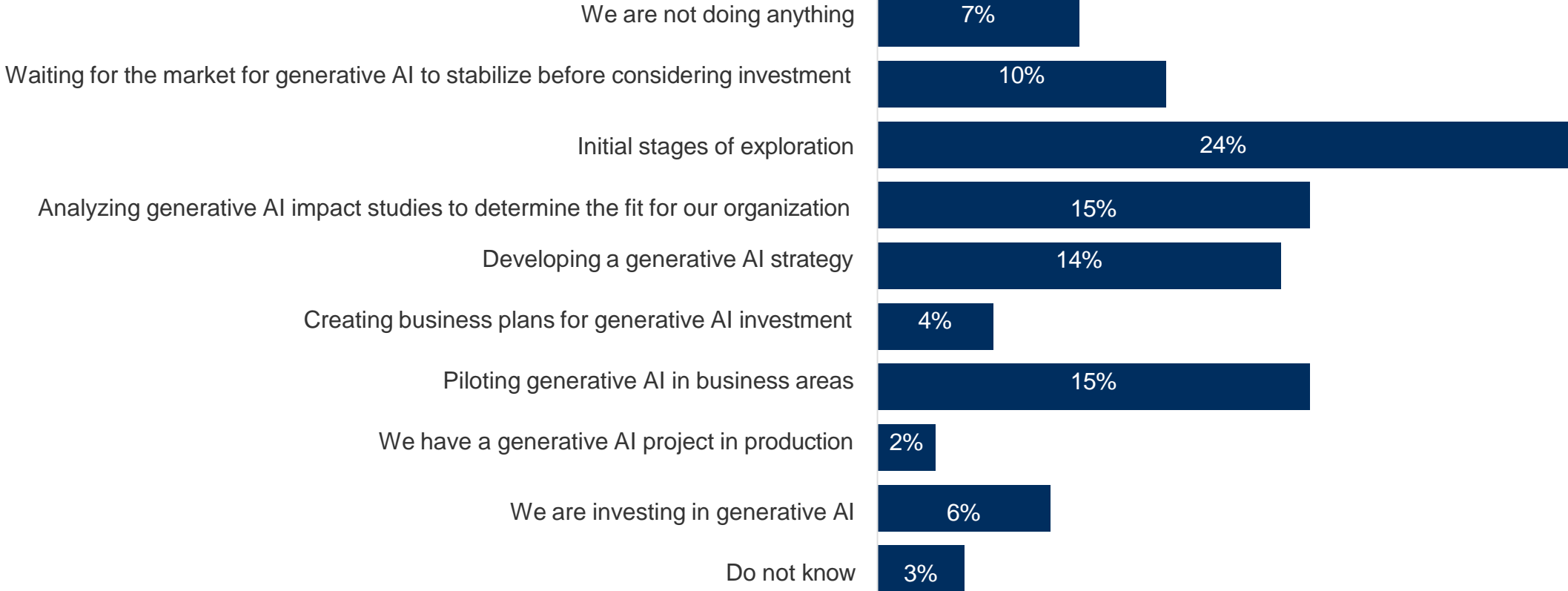
Q. Please rate the following business objectives for your enterprise in 2024.

Source: The Hackett Group 2024 Enterprise Key Issues Study

# It is still early days for generative AI implementation in business services functions

Most business services organizations are taking a measured approach to generative AI technology. While some are piloting projects, few have pursued deployment, indicating experimentation rather than structured enterprise-level adoption plans. Approximately 17% of organizations are either not proactively doing anything at this time or are waiting for the generative AI market to stabilize before considering investment.

## ENTERPRISE STATUS OF GENERATIVE AI ADOPTION



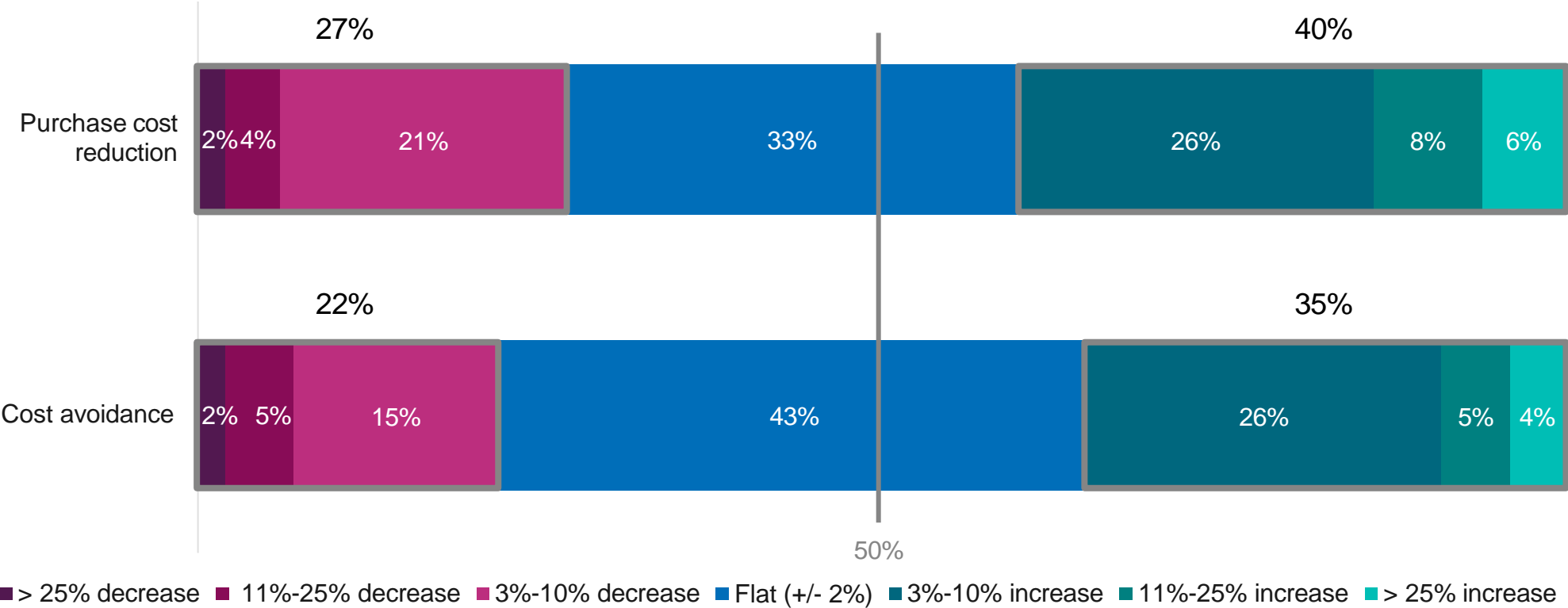
Q. Please describe the generative AI status for your enterprise.

Source: The Hackett Group 2024 Enterprise Key Issues Study

# Projected change in procurement savings for 2024

Procurement teams are projecting higher levels of savings in 2024 compared to 2023 for both purchase cost reduction and cost avoidance. For purchase cost reduction, 27% of participants anticipate a decrease in savings versus 40% who projected an increase. For cost avoidance, 22% of respondents expect a decrease in savings compared to 35% who foresee an increase.

**PROJECTED PERCENT CHANGE FROM 2023 TO 2024 FOR PROCUREMENT SAVINGS**



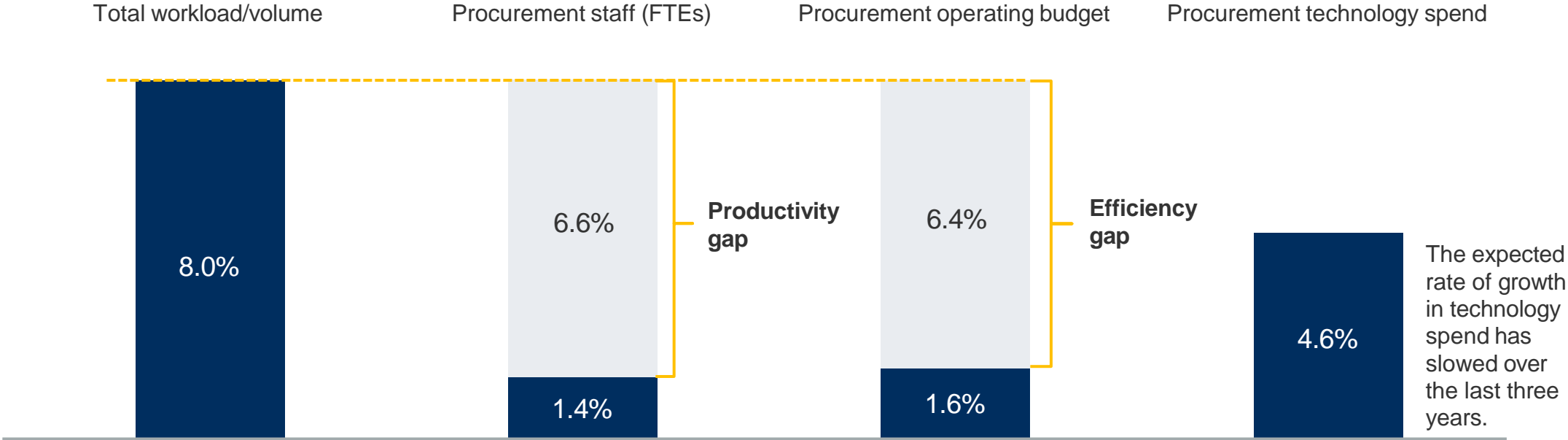
Q. What levels of savings are expected for 2024 compared to 2023?

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# Procurement’s workload is predicted to increase by 8% in 2024, but with lower increases in both headcount and operating budget

Expectations indicate a productivity gap of 6.6% coupled with an efficiency gap of 6.4%, implying high expectations for the performance of procurement technology. Technology spend is anticipated to grow by an estimated 4.6% in an effort to close productivity and efficiency gaps. Only small increases are expected in 2024 for both levels of staffing and operating budgets, both of which are projecting increases at lower levels than last year.

## PROJECTED PERCENT CHANGE FROM 2023 TO 2024 FOR PROCUREMENT WORKLOAD, STAFFING, BUDGET AND TECHNOLOGY SPEND



Q. What is the estimated expected percentage change in workload, staffing levels, operating budget and technology spend in the procurement function in 2024 compared to 2023?

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# 2024 top 10 priorities for procurement

**1 IMPROVE SPEND COST REDUCTION**  
Reducing the cost of supplier spend remains a core priority. While the top three priorities remain the same for 2024, the criticality has shifted with spend cost reduction featuring as the primary objective for procurement organizations in 2024.

**2 ENSURE SUPPLY CONTINUITY**  
Supply continuity has moved in second position after two years in the top position. Supply issues remain top of mind for many teams due to ongoing geo-political disruption. Reducing supply disruption is critical to protect revenue and profitability.

**3 COMBAT INFLATIONARY PRICE INCREASES**  
Although rates of inflation have stabilized, and eased in some cases, the economic outlook remains uncertain. As a result, combatting inflationary price increases, high on the priority list. Teams need to use the capabilities developed in this area to manage price inflation closely with suppliers in 2024.

**4 ACT AS A STRATEGIC ADVISOR TO THE BUSINESS**  
Expectations of procurement teams have been increasing as business stakeholders seek support on areas such as supply risk management, digital transformation, and corporate environmental, social and governance (ESG) objectives. Having a “seat at the table” is a key enabler of effectiveness.

**5 TRANSFORM THE OPERATING MODEL**  
Transforming the operating model (e.g., process, technology, people) is a new entrant into the top 10 priorities for 2024. As teams consider factors, such as the need to simplify, increasing business expectations and potential generative AI impacts, the operating model should adapt to meet evolving requirements.

**6 PURSUE PROCUREMENT DIGITAL TRANSFORMATION AND MODERNIZE LANDSCAPE**  
Digital transformation continues to be an essential enabler of procurement organizations’ ability to do more with less through better intelligence and increased speed, customer-centricity and competitive advantage.

**7 STRENGTHEN THIRD-PARTY RISK MANAGEMENT VISIBILITY AND CAPABILITY**  
The focus on third-party risk management remains as procurement teams have struggled to have sufficient visibility to risk and capability to react quickly to the rapidly changing business environment over recent years.

**8 IMPROVE ANALYTICS’ AND INSIGHTS’ CAPABILITIES**  
Procurement recognizes that success requires a data and insight-driven approach. A critical enabler is providing reliable and forward-looking data and intelligence to end users, including capabilities such as modeling and projecting the impact of inflation.

**9 EMBED SUSTAINABILITY (E.G., ENVIRONMENT)**  
The expectations and demands of procurement’s stakeholders (e.g., employees, customers, governments) regarding supplier sustainability (e.g., environment) has maintained this priority in procurement’s top 10 priorities for 2024, up one position from 2023.

**10 IMPROVE PROCUREMENT AGILITY (I.E., ADAPT QUICKLY)**  
Becoming an agile enterprise is increasingly important for businesses, but it requires developing agile behavior at the process level. Being able to pivot to support new stakeholder requirements is critical to effectively support business objectives and stakeholder satisfaction levels.

Q. Please select your organization’s top 10 procurement objectives for 2024. (Select up to 10.)

Q. Please rate the importance of the top 10 procurement objectives for 2024.

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study



# Spend cost reduction, supply continuity and inflationary price concerns feature as top priorities again for 2024. Operating model transformation is a new objective for 2024.

2020		2021		2022		2023		2024	
1	Improve cost-efficiency	1	Improve spend cost reduction	1	Reduce risk to ensure supply continuity	1	Ensure supply continuity	1	Improve spend cost reduction
2	Improve spend cost reduction	2	Reduce risk to ensure supply continuity	2	Improve spend cost reduction	2	Combat inflationary price increases	2	Ensure supply continuity
3	Act as a strategic business advisor	3	Act as a strategic business advisor	3	Act as a strategic business advisor	3	Improve spend cost reduction	3	Combat inflationary price increases
4	Accelerate procurement digital transformation	4	Accelerate procurement digital transformation	4	Corporate sustainability	4	Pursue digital transformation and modernize landscape	4	Act as a strategic business advisor
5	Increase spend influence with strategic sourcing	5	Improve procurement agility	5	Accelerate procurement digital transformation	5	Improve analytics' and insights' capabilities	5	Transform the operating model

Q. Please select your organization's top 10 procurement objectives for 2024. (Select up to 10.)  
 Q. Please rate the importance of the top 10 procurement objectives for 2024.

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# 2024 procurement improvement initiatives

Data analytics and reporting is the most popular planned transformation initiative for procurement teams in 2024. This capability is vital to allow procurement teams to unlock the full value potential of supply-side commercial opportunities and fully support the requirements of business stakeholders. The remainder of the priorities are predominately focused on service design and delivery, or in other words core procurement capabilities.

## TOP 10 IMPROVEMENT INITIATIVES ON PROCUREMENT’S 2024 TRANSFORMATION AGENDA

1	Data analytics and reporting	6	Core procurement technology
2	Talent management	7	Sustainable procurement (e.g., environment)
3	Category management	8	Third-party risk management
4	Strategic sourcing	9	Contract management
5	Supplier relationship management (SRM)	10	Strategic business partnerships

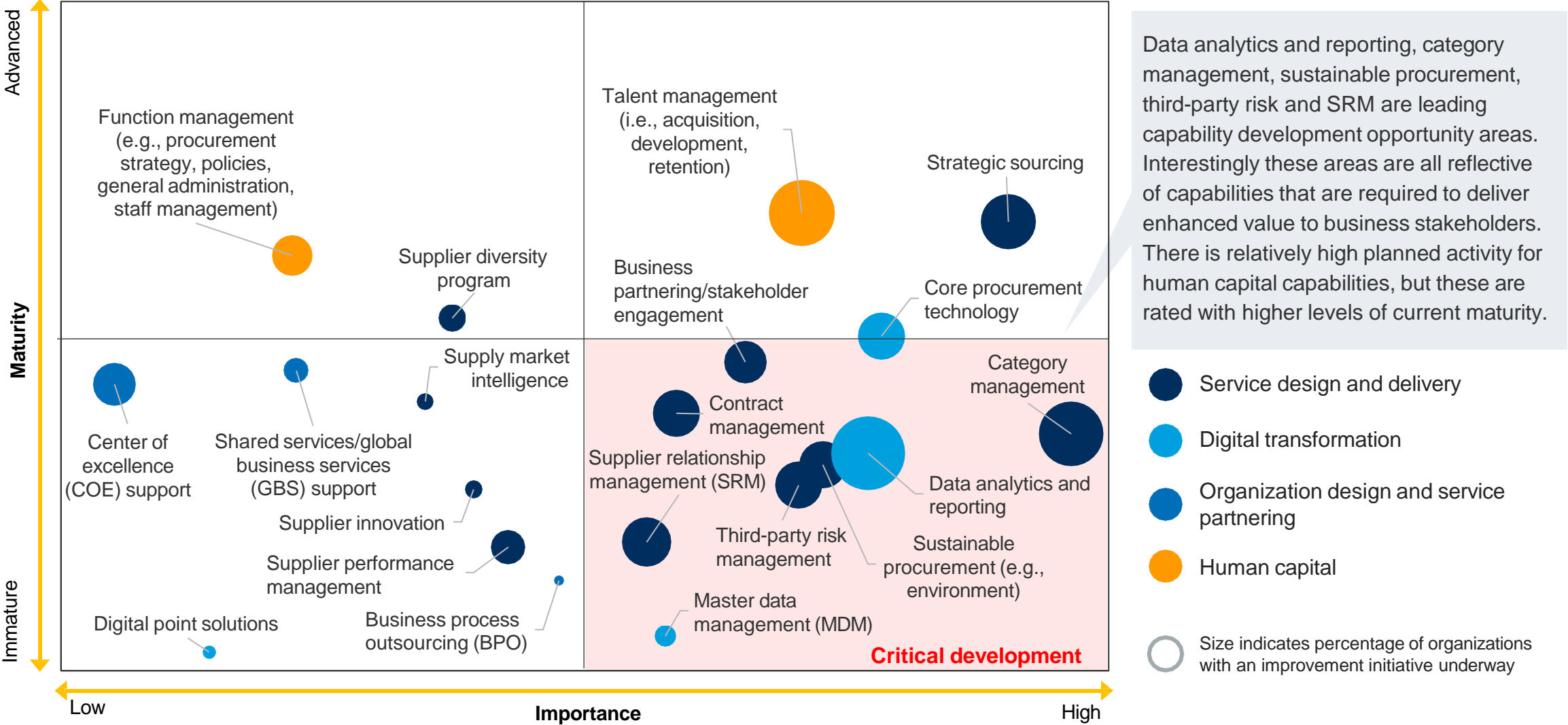
Service design and delivery
  Digital transformation
  Organization design and service partnering
  Human capital

Q. Please select the top 10 improvement initiatives on your organization’s 2024 procurement transformation agenda. (Select up to 10.)

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# 2024 procurement improvement initiatives: Critical development areas

## PROCUREMENT IMPROVEMENT INITIATIVES – IMPORTANCE VERSUS MATURITY



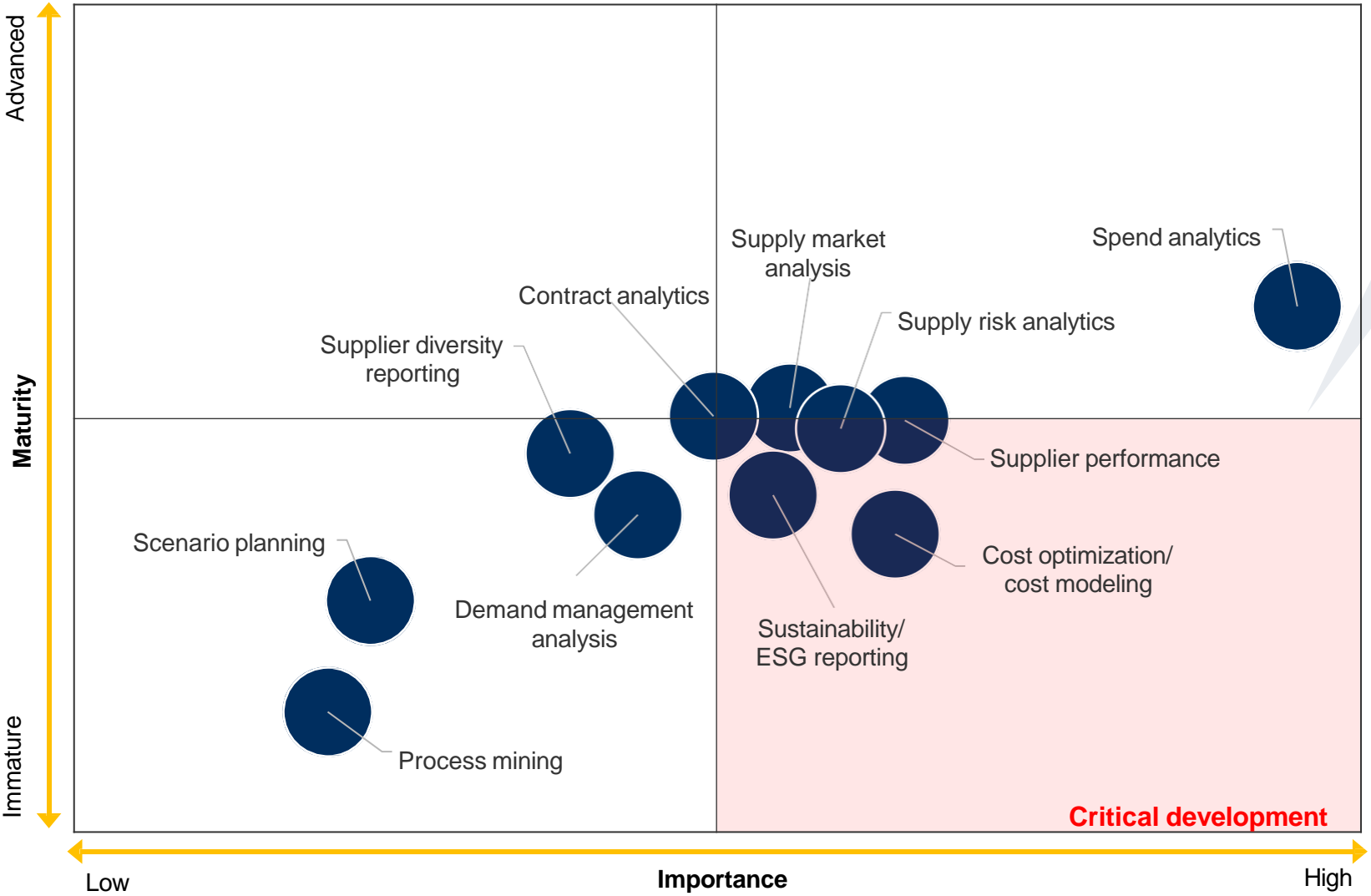
Q. Please select the top 10 improvement initiatives on your organization's 2024 procurement transformation agenda. (Select up to 10.)

Q. Please rate the importance and maturity level of the top 10 improvement initiatives on your organization's 2024 procurement transformation agenda.

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# Procurement analytics: What insights are required?

## PROCUREMENT ANALYTICS INSIGHTS – IMPORTANCE VERSUS MATURITY



Spend analytics was rated as the most important insight, but also has the highest level of current maturity. Other areas with relatively high importance but lower maturity include cost optimization and/or cost modeling, supplier performance insights, supply risk analytics, supply market analysis, and sustainability and/or ESG reporting.

Insights on many of these topic are required to enable the procurement organization to deliver enhanced value to business stakeholders.

Interestingly, process mining and scenario planning, which both support predictive analytics, are given a lower level of relative importance.

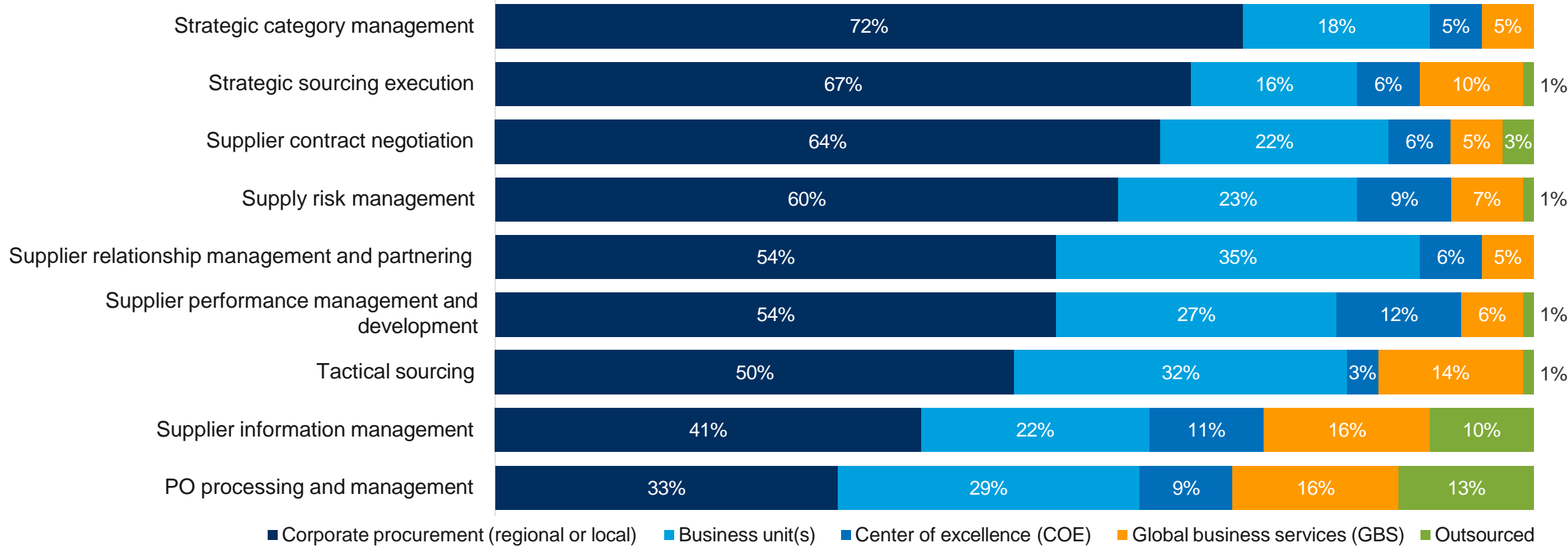
Q. Please rate the importance and maturity level of insights currently generated by procurement's data and analytics processes.

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# Service placement for key procurement processes

More than half of the staff managing key procurement processes are based in the corporate procurement team for most processes, with the exception of more transactional processes, such as supplier information management, and PO processing and management. Business unit personnel play a key role in supplier relationship management and supplier performance management. GBS and outsourcing are more likely to play a role in transactional rather than strategic processes.

## PROCUREMENT PROCESS SERVICE PLACEMENT



Q. Please enter the percentage of total full-time equivalents (FTEs) supporting the processes below by the different service placement options.

Source: The Hackett Group 2024 Procurement Agenda and Key Issues Study

# Conclusion

At the beginning of 2023, most organizations were focused on ensuring supply continuity and combatting inflationary price increases. As the year progressed, headline inflation levels decelerated and many supply markets stabilized to more pre-pandemic norms. The end of 2023 has, once more, seen a flare up in geopolitical concerns with volatility in the Middle East due to the outbreak of the Israel-Hamas war. This has the potential to cause significant economic shock if the region becomes further embroiled in the hostilities. Entering 2024, the economic outlook is, once again, uncertain – with projections for global economic growth to stall or even slow down in 2024. Against this backdrop, it is not surprising that procurement teams are shifting their primary focus to improving spend cost reduction for 2024.

## LOOKING AHEAD

As economic disruption and potential geopolitical risk remains a feature of the outlook for 2024, procurement teams will need to adjust their priorities to ensure that they are able to support their business stakeholders to be successful. How will you do more with less? How will you use technology to seamlessly enable your procurement processes? How will you transform your operating model to better support strategic business outcomes?

### **Ensure to fully consider the following aspects as you chart the course for success for your procurement team in 2024:**

- Enhance capabilities in the team to unlock the full value potential of supply side commercial opportunities and fully support the requirements of business stakeholders. Ensure the ability to support the higher expectations that are being placed on procurement by the wider organization with development of capabilities, such as data analytics and reporting, category management, sustainable procurement, supply risk management and SRM.
- Invest in developing the data analytics capability, especially to drive insights for cost optimization/cost modeling, supplier performance, supply risk analytics, supply market analysis, and sustainability and/or ESG reporting.
- Purposefully architect your technology landscape to get the right balance of the integration provided by ERP and suite solutions, versus the more specialized functionality available from point solutions. Explore opportunities to harness the potential of generative AI, especially in areas such as spend analytics, contract lifecycle management and category management.
- Evaluate how to transform the procurement operating model to reflect the changing nature of work that will be driven by the dual forces of generative AI deployment and the expanding expectations of business partners.

Source: The Hackett Group

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