2025 Procurement Agenda and Key Issues Study Results

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PROCUREMENT EXECUTIVE ADVISORY

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About this study

BACKGROUND AND METHODOLOGY

For the 2025 edition of The Hackett Group's Procurement Agenda and Key Issues Study, procurement leaders at a global set of midsized and large enterprises were asked in late 2024 about their strategic priorities and initiatives for the upcoming year, including:

- Key trends that will have a transformational impact on the procurement agenda over the next five years.
- 2025 key objectives, transformation plans and challenges for procurement organizations.
- Projected changes in procurement workloads, staffing levels, operating budgets and technology spending.
- Operating model trends and analytics capabilities.
- The use of generative AI and technology to enable procurement capabilities.

This report provides key insights into the following:

- 2025 procurement trends, priorities and resources
- Technology adoption, growth and value
- Generative AI (Gen AI) journey, concerns and value delivery
- Procurement operating model evolution and analytics capabilities

PROCUREMENT RESPONDENT PROFILE

81% of respondents are at director level or above

57% 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

27% of respondents are headquartered in Europe

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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Executive summary

Executive summary

2025 procurement trends, priorities and resources	▪ The factors expected to drive the greatest transformational impact on the way procurement teams perform their job over the next five years are digital procurement and automation, artificial intelligence and generative AI, the changing profile of procurement skills and deep real-time data visibility. ▪ Critical trends include digital procurement and automation, the ability to generate deep real-time data and insights, changing skills requirements, and the use of AI and Gen AI. All of these trends highlight the need for procurement teams to embrace digital transformation while upskilling procurement resources to deliver greater value to business stakeholders. ▪ Procurement teams are projecting higher levels of savings in 2025 compared to 2024 for both purchase cost reduction and cost avoidance. ▪ Expectations indicate a productivity gap of 8.8% coupled with an efficiency gap of 8.9%, implying high hopes for procurement technology investments. Technology spend is anticipated to grow by an estimated 5.6% in an effort to close productivity and efficiency gaps. ▪ The top three priorities for procurement teams for 2025 include improving spend cost reduction, ensuring supply continuity and transforming the operating model. Both inflation and digital transformation are top five priorities – lower in the list than prior years. ▪ The most popular planned transformation initiatives for procurement teams in 2025 include data analytics and talent management. There is a clear focus on service design and delivery projects, which comprise seven of the top 10 initiatives on the 2025 transformation agenda. Gen AI and/or AI technology initiatives entered the initiative list this year in eighth place.
Technology adoption, growth and value	▪ There is a high level of adoption of end-to-end core procurement technologies with continued investment planned over the next three years, demonstrating the importance of technology enablement. ▪ The adoption of supporting and emerging procurement technologies is strong for project pipeline and savings tracking, category management, supply risk management and sustainability/ESG. The level of planned investment over the next three years is generally not as high as those for core procurement technologies. ▪ Gen AI and robotic process automation (RPA) are the most widely deployed intelligent automation technologies. Strong deployment of Gen AI technology is being reported, with more focus on pilots than large-scale implementation. The level of planned investment in new technology is highest for Gen AI and predictive AI.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Executive summary (cont.)

Generative AI journey, concerns and value delivery	▪ Many organizations are still in the early days of Gen AI adoption and implementation, and a key consideration is how to best approach the deployment governance across the enterprise. The most popular methodology is a business-led approach with delivery teams reporting through the CIO followed by deployment through a centralized organization. ▪ The concerns that organizations cite as being moderate or high for the adoption of Gen AI include data quality, data privacy and regulation, and complexity of existing technology and process landscapes. IP leakage features as a major concern. ▪ The most popular areas for implementation of Gen AI are PO processing, spend analytics and e-procurement. There is notable pilot activity for CLM, advanced analytics and category management. ▪ At an overall level, there is a preference for using embedded Gen AI (47%) followed by custom-developed Gen AI (30%) and general staff productivity tools (28%). ▪ Gen AI deployment is still in its early days, so the true value realization potential remains to be determined. Initial deployments are realizing less than 10% improvements across all benefit areas.
Procurement operating model evolution and analytics capabilities	▪ Common procurement operating model characteristics for spend management include high use of enterprise-wide category management teams, having a clear split between strategic and operational activities and using dedicated sourcing teams. Adopting dedicated SRM teams is the biggest expected change in the next three years. ▪ For procurement excellence teams there is high use of third-party capabilities (e.g., market intelligence), dedicated data analytics teams and procurement COEs. Adopting dedicated risk management teams and centralized excellence teams are the biggest expected changes in the next three years. ▪ For enabling and supporting teams, there is high use of supplier support teams, digital enablement teams and centralized shared service/GBS teams. Adopting dedicated buying desks to support low-value purchases and increasing the use of digital enablement teams are the biggest expected changes in the next three years. ▪ There is a strong preference for centralized procurement resources. The current allocation is for 69% centralized resources and 31% decentralized resources. This is expected to persist into the future. ▪ Analytics, performance measurement, savings and value tracking, knowledge management, and supplier negotiations are the activities most often included in procurement centers of excellence (COE). ▪ Currently respondents report wide-ranging use of descriptive analytics, which is the most basic type of analytics. More advanced analytics approaches are being used for sustainably/ESG reporting, cost modeling and supply market. Spend analytics is a key area with expected growth in capability levels.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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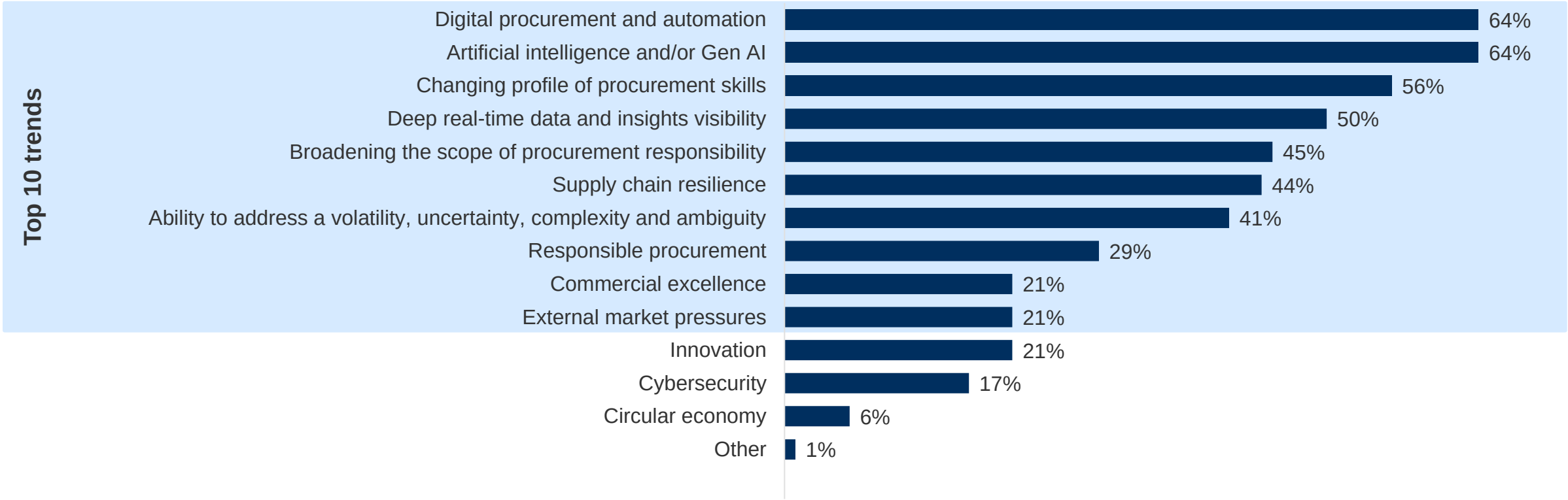
2025 procurement trends, priorities and resources

Procurement trends with a transformational impact

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

PROCUREMENT TRENDS WITH A TRANSFORMATIONAL IMPACT

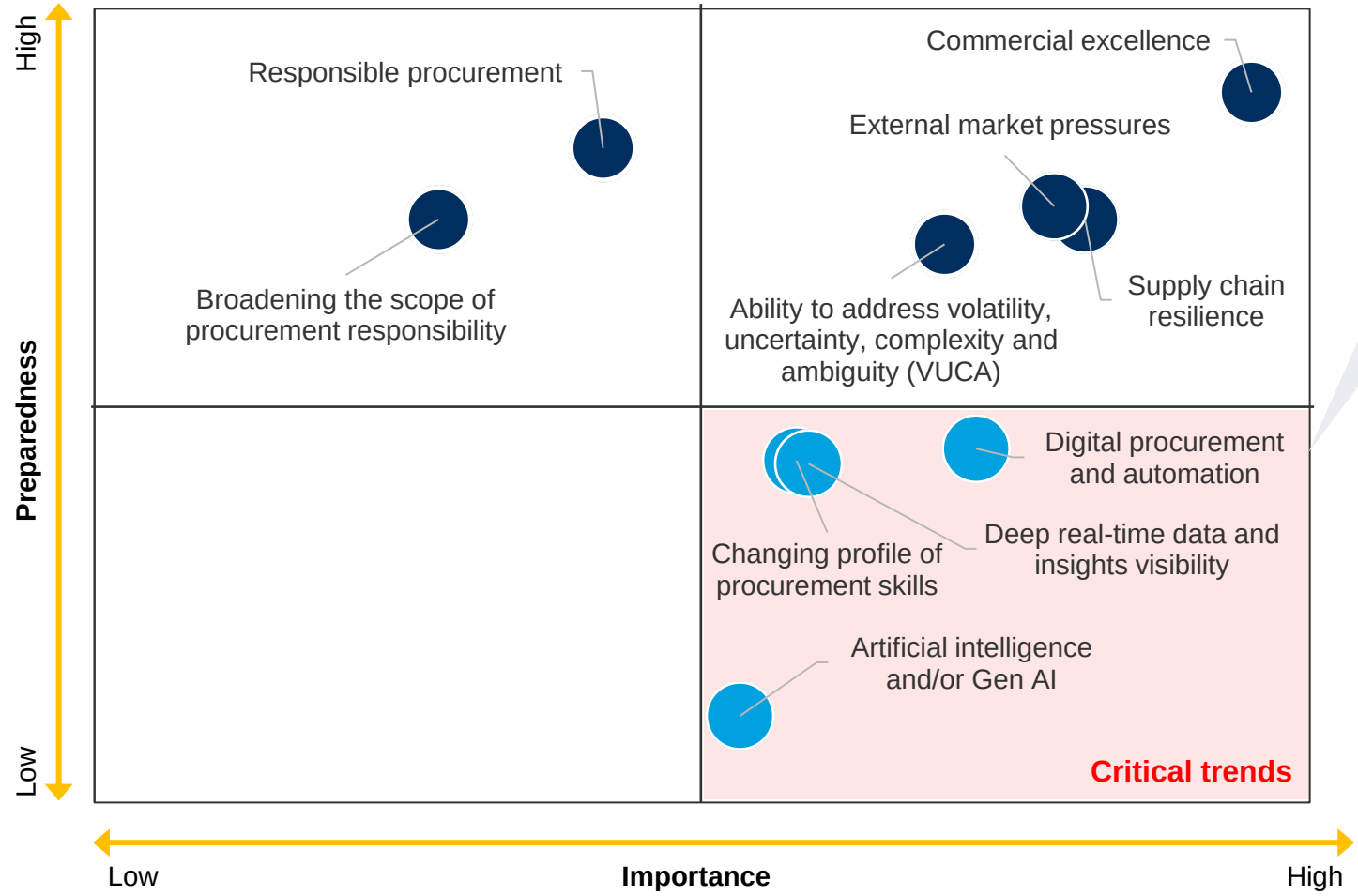


Q. Which key issues and challenges will have the greatest transformational impact on the way procurement performs its job over the next five years? (Please select 5 trends.)

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Digital transformation, analytics and deeper expertise are key procurement trends

TOP 10 PROCUREMENT TRENDS – IMPORTANCE AND PREPAREDNESS



Critical trends are those that are rated by respondents as being of high importance with a low level of preparedness. This includes trends such as digital procurement and automation, the ability to generate deep real-time data and insights, changing skills requirements, and the use of AI and Gen AI. All of these trends highlight the need for procurement teams to embrace digital transformation while upskilling procurement resources to deliver greater value to business stakeholders.

Respondents felt better prepared to address other important trends such as commercial excellence, external market pressures, supply chain resilience and VUCA operating environments.

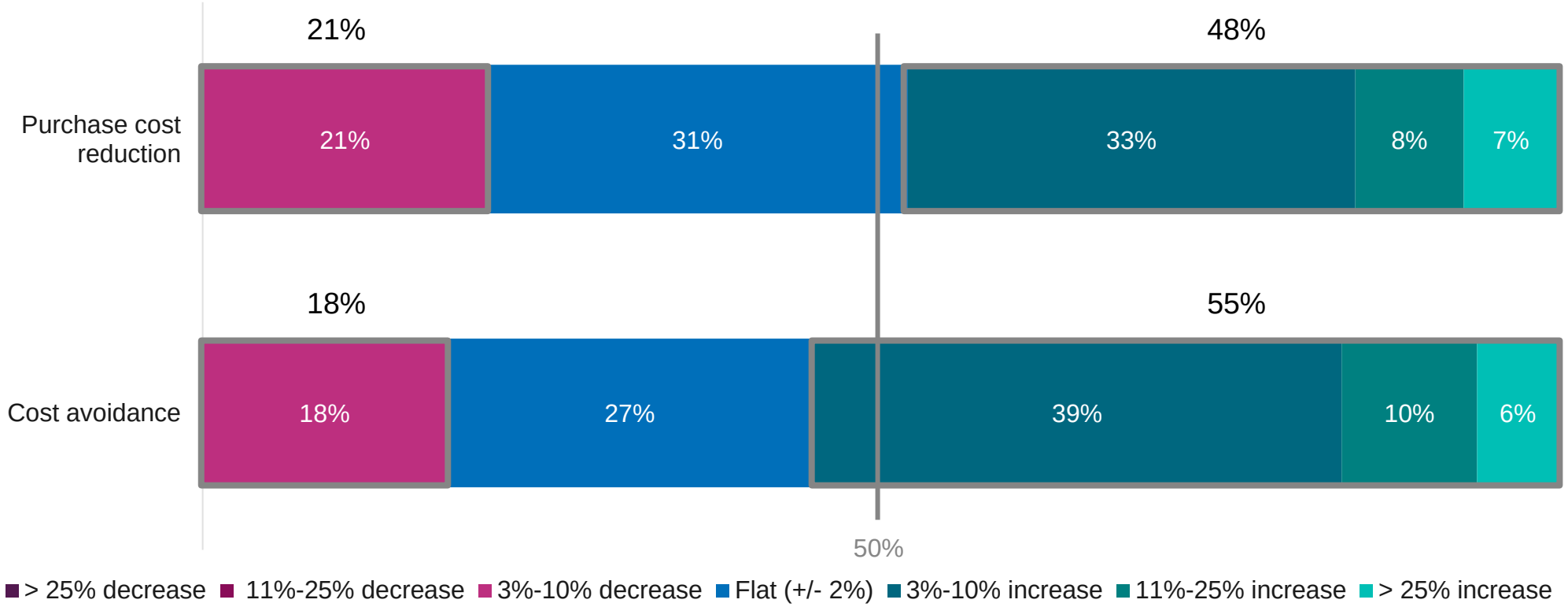
Q. Which key issues and challenges will have the greatest transformational impact on the way procurement performs its job over the next five years?
Q. Please rate the importance and how well prepared your organization is to manage the selected transformational procurement key issues and challenges.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Projected change in procurement savings for 2025

Procurement teams are projecting higher levels of savings in 2025 compared to 2024 for both purchase cost reduction and cost avoidance. For purchase cost reduction, 21% of participants anticipate a decrease in savings versus 48% who projected an increase. For cost avoidance, 18% of respondents expect a decrease in savings compared to 55% who foresee an increase. Savings expectations for 2025 are more optimistic than they were for the 2024 study.

PROJECTED PERCENT CHANGE FROM 2024 TO 2025 FOR PROCUREMENT SAVINGS



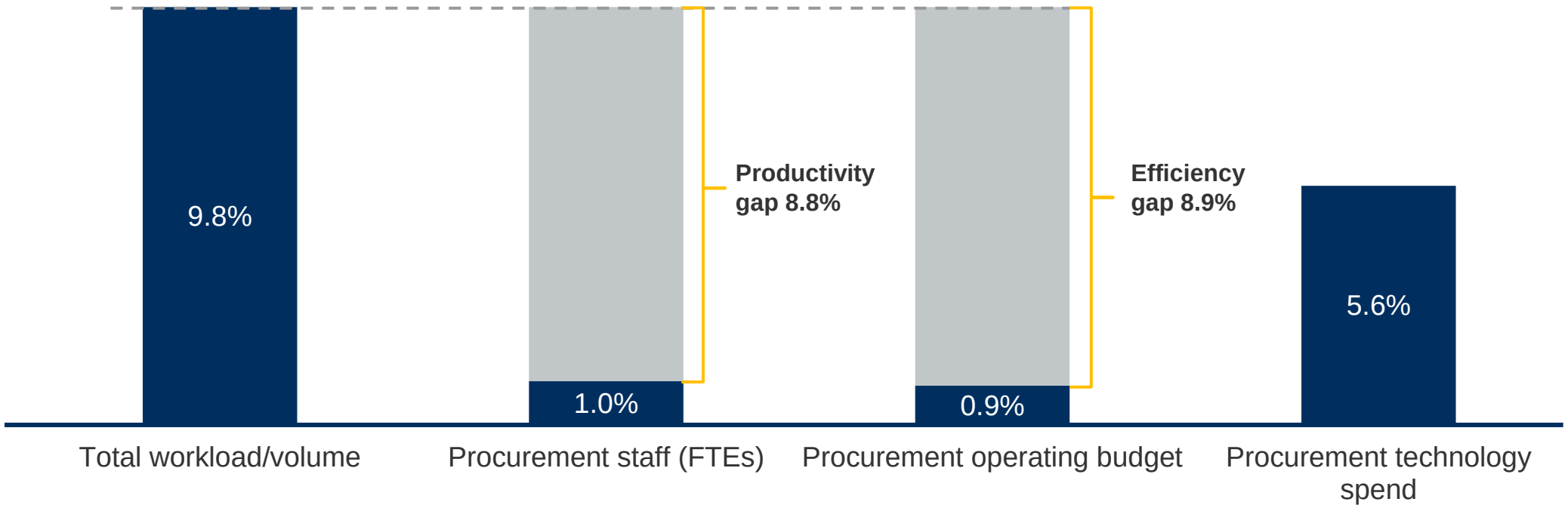
Q. What levels of savings are expected for 2025 compared to 2024?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Procurement's workload is predicted to increase by 9.8% in 2025, but with only a marginal increase in headcount and operating budget

Expectations indicate a productivity gap of 8.8% coupled with an efficiency gap of 8.9%, implying high hopes for procurement technology investments. Technology spend is anticipated to grow by an estimated 5.6% in an effort to close productivity and efficiency gaps. While marginal increases are expected in 2025 for levels of staffing and operating budgets, they are much lower than anticipated workload increases. Projected technology spend is higher than the 4.6% growth projected for 2024.

PROJECTED PERCENT CHANGE FROM 2024 TO 2025
FOR PROCUREMENT, 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 2025 compared to 2024?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

2025 top 10 priorities for procurement

1 IMPROVE SPEND COST REDUCTION

Reducing the cost of supplier spend remains a core priority. Spend cost reduction features as the primary objective for procurement organizations for the second year in a row, likely due to an uncertain economic outlook.

2 ENSURE SUPPLY CONTINUITY

Supply continuity has remained in second position for the second year in a row. Supply issues remain top of mind for many teams due to ongoing geopolitical disruption and expected shifts in trade relations as the US government transitions in 2025. Supply continuity is critical to protect revenue and profitability.

3 TRANSFORM THE OPERATING MODEL

Transforming the operating model (e.g., process, technology, people) has moved up from fifth place in 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.

4 COMBAT INFLATIONARY PRICE INCREASES

Although rates of inflation have stabilized and eased in many cases, the economic outlook remains uncertain. Combatting inflationary price increases remains as a key priority. Teams need to use the capabilities developed in this area to manage price inflation closely with suppliers in 2024.

5 DIGITAL TRANSFORMATION AND MODERN 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.

6 ACT AS A STRATEGIC ADVISOR TO THE BUSINESS

Expectations of procurement teams have increased as 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.

7 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 for 2025, up from ninth place in 2024.

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 cost modeling and projecting the impact of inflation.

9 ENHANCE SUPPLIER RELATIONSHIPS

Developing stronger relationships with suppliers is a key enabler of other important procurement priorities for 2025, such as improving spend cost reduction, ensuring supply continuity, combatting inflationary price increases and embedding sustainability.

10 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.

Q. Please select the top 10 procurement objectives for 2025. (Select up to 10.)
Q. Please rate the importance of the top 10 procurement objectives for 2025.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Trends in procurement priorities

Improving spend cost reduction and ensuring supply continuity have consistently featured in the top three priorities for procurement teams since 2021. Transformation of the operating model has moved into third position for 2025, demonstrating the need to critically examine the best approach to influence more spend and better serve business stakeholders. Both inflation and digital transformation persist as a priorities, but with lower importance than prior years.

2021	2022	2023	2024	2025
1 Improve spend cost reduction	1 Reduce risk to ensure supply continuity	1 Ensure supply continuity	1 Improve spend cost reduction	1 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	2 Ensure supply continuity
3 Act as a strategic business advisor	3 Act as a strategic business advisor	3 Improve spend cost reduction	3 Combat inflationary price increases	3 Transform the operating model
4 Accelerate procurement digital transformation	4 Corporate sustainability	4 Pursue digital transformation and modernize landscape	4 Act as a strategic business advisor	4 Combat inflationary price increases
5 Improve procurement agility	5 Accelerate procurement digital transformation	5 Improve analytics' and insights' capabilities	5 Transform the operating model	5 Pursue digital transformation and modernize landscape

Q. Please select the top 10 procurement objectives for 2025. (Select up to 10)
Q. Please rate the importance of the top 10 procurement objectives for 2025.

Source: The Hackett Group 2021-2025 Procurement Agenda and Key Issues Study

Procurement initiatives for 2025

The most popular planned transformation initiatives for procurement teams in 2025 include data analytics and talent management. There is a clear focus on service design and delivery projects, which comprise seven of the top 10 initiatives on the 2025 transformation agenda. Gen AI and/or AI technology initiatives have made it into the top 10 planned initiatives for 2025 at eighth place.

TOP 10 IMPROVEMENT INITIATIVES ON THE 2025 TRANSFORMATION AGENDA

1	Data analytics and reporting
2	Talent management (i.e., acquisition, development, retention)
3	Category management
4	Strategic sourcing
5	Supplier relationship management (SRM)
6	Contract management
7	Third-party risk management
8	Generative AI (Gen AI) and/or AI technology
9	Sustainable procurement (e.g., environment)
10	Supplier performance management

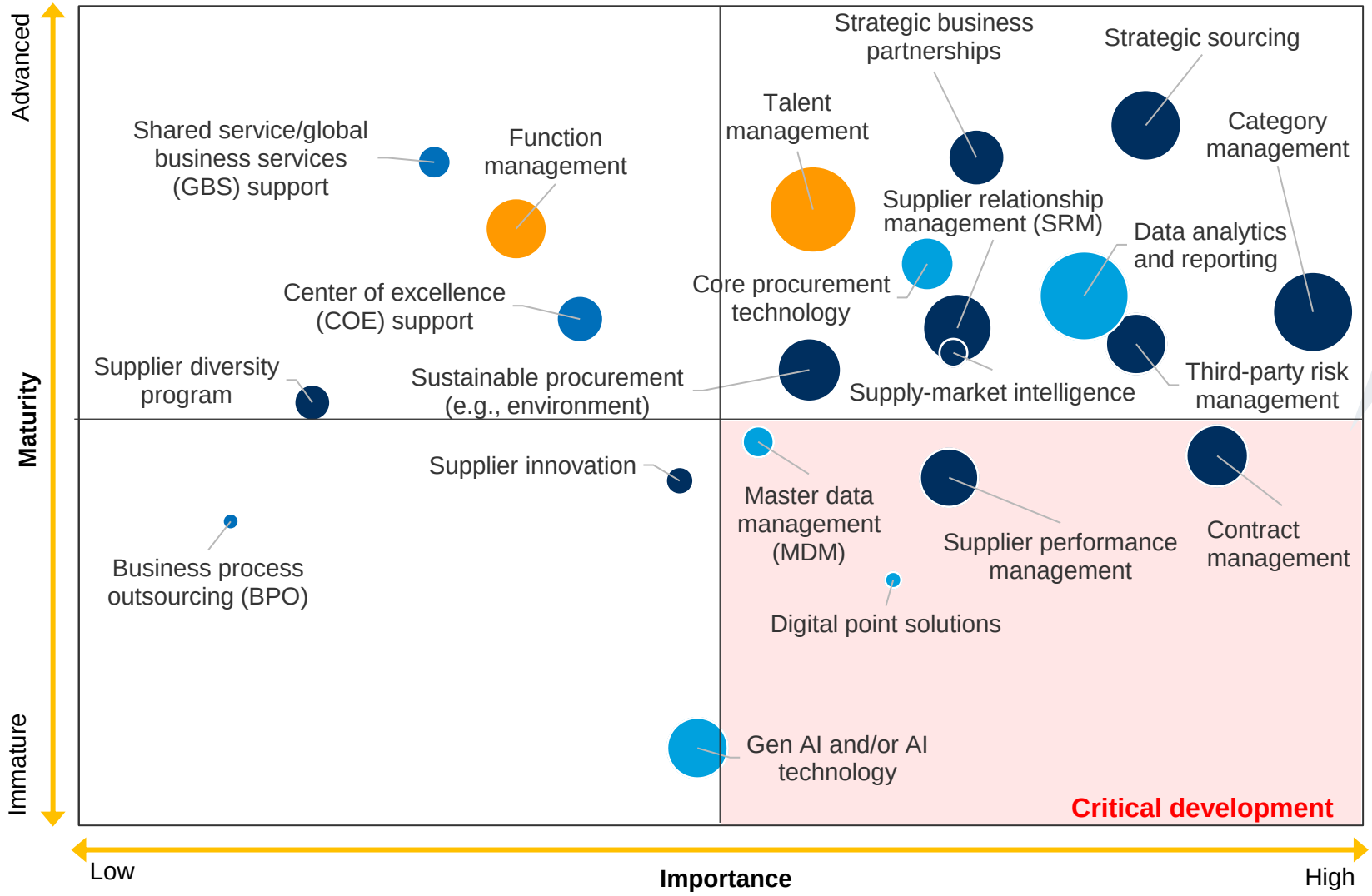
Service design and delivery | Digital transformation | Organization design and service partnering | Human capital

Q. Please select the top 10 improvement initiatives on your organization's 2025 procurement transformation agenda.
Q. Please rate the importance and maturity level of the top 10 improvement initiatives on your 2025 procurement transformation agenda.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

2025 procurement improvement initiatives: Critical development areas

PROCUREMENT IMPROVEMENT INITIATIVES – IMPORTANCE VERSUS MATURITY



Contract management, supplier performance management, MDM, digital point solutions and Gen AI and/or AI technology are leading capability development opportunity areas.

Respondents report higher maturity for other important initiatives (e.g., category management, data analytics and reporting, talent management and strategic sourcing).

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

Size indicates percentage of organizations with an improvement initiative underway

Q. Please select the top 10 improvement initiatives on your organization's 2025 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 2025 procurement transformation agenda.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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Technology adoption, growth and value

Myriad options exist for technology enablement across the source-to-pay landscape

SOURCE-TO-PAY TECHNOLOGY ECOSYSTEM

END-TO-END CORE PROCUREMENT TECHNOLOGIES

Upstream procurement tools

Spend analytics

- Identify category opportunities
- Aggregate and report on enterprise spend
- Cleanse and rationalize spend data

E-sourcing

- Define requirements
- Conduct RFx
- Evaluate suppliers
- Optimize bids
- Conduct e-auctions

Contract lifecycle management (CLM)

- Create and store contracts
- Maintain standard templates
- Manage negotiation workflow
- Milestone alerts

Downstream procurement tools

Services procurement

- Manage requisition workflow
- Benchmark rates
- Maintain service agreements
- Track time and approval workflow

E-procurement

- Maintain e-catalogs
- Search approved suppliers
- Punch-out to supplier catalogs
- Create requisitions

E-invoicing

- Input/upload invoices
- Match invoices
- Manage discrepancy resolution
- Approve payments

E-payables

- Electronic payments
- Third-party payment programs
- Dynamic discounting solutions

Supplier onboarding/portals

- Master data management (MDM)
- Supplier self-service
- Supplier registration
- Certification maintenance

Supporting and emerging procurement technologies

Supply risk management	Supplier performance management	Supplier collaboration and innovation	Category management	Project pipeline and savings tracking	Intake and orchestration	Tail spend management and marketplaces	Sustainability/ ESG	Advanced analytics	Data marketplace/data feeds

Intelligent automation

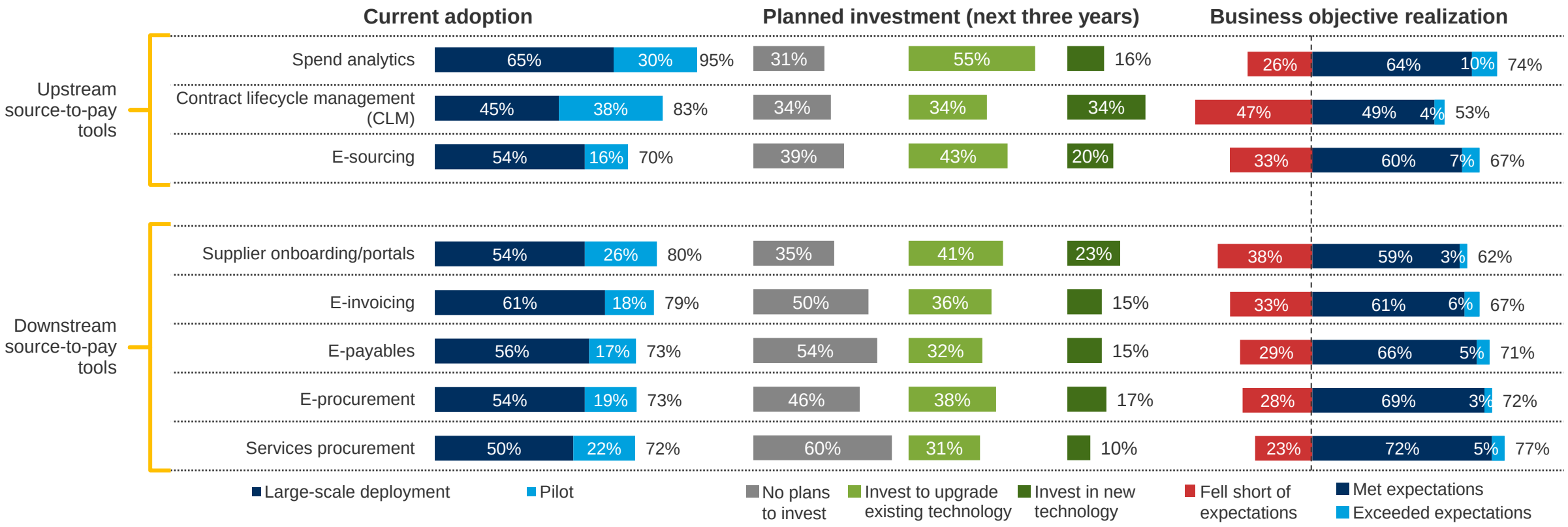
Generative artificial intelligence (Gen AI)	Predictive artificial intelligence (AI)	Robotic process automation (RPA)	Agile orchestration	Intelligent data capture (IDC)	Conversational assistants

Source: The Hackett Group

Technology adoption and objective realization: End-to-end core procurement technologies

There is a high level of adoption of end-to-end core procurement technologies, with continued investment planned over the next three years, demonstrating the importance of technology enablement. Spend analytics, CLM, supplier portals and e-sourcing solutions are key planned investment areas. CLM solutions and supplier portals fell short of expectations for more respondents. Services procurement, spend analytics and e-procurement tools had the highest level of objective realization.

TECHNOLOGY ADOPTION AND BUSINESS OBJECTIVE REALIZATION



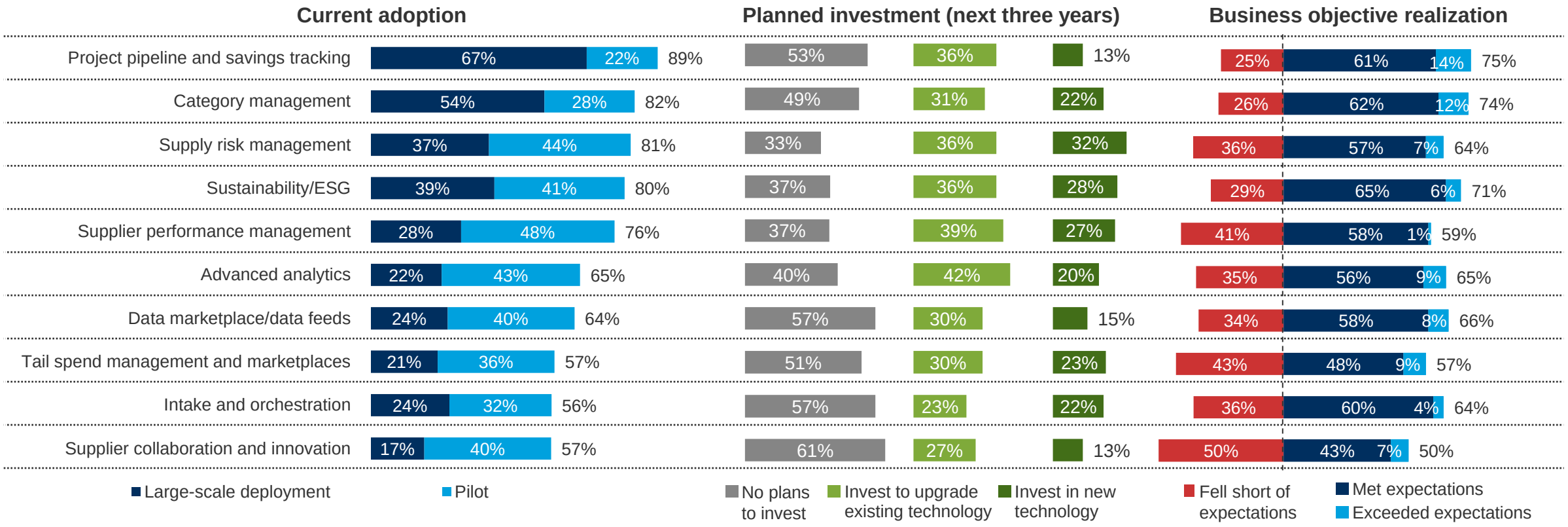
Q. What is the current level of adoption in system functionality to support your procurement function?
Q. What is the planned investment in system functionality over the next three years to support your procurement function? (Select all that apply.)
Q. Indicate the extent to which realization of business objectives met expectations for the following technology projects executed in the procurement function over the last two years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Technology adoption and objective realization: Supporting and emerging procurement technologies

The adoption of supporting and emerging procurement technologies is strong for project pipeline and savings tracking, category management, supply risk management and sustainability/ESG. The level of planned investment over the next three years is generally not as high as those for core procurement technologies. Supplier collaboration, tail spend management and supplier performance management solutions fell short of expectations for more respondents.

TECHNOLOGY ADOPTION AND BUSINESS OBJECTIVE REALIZATION



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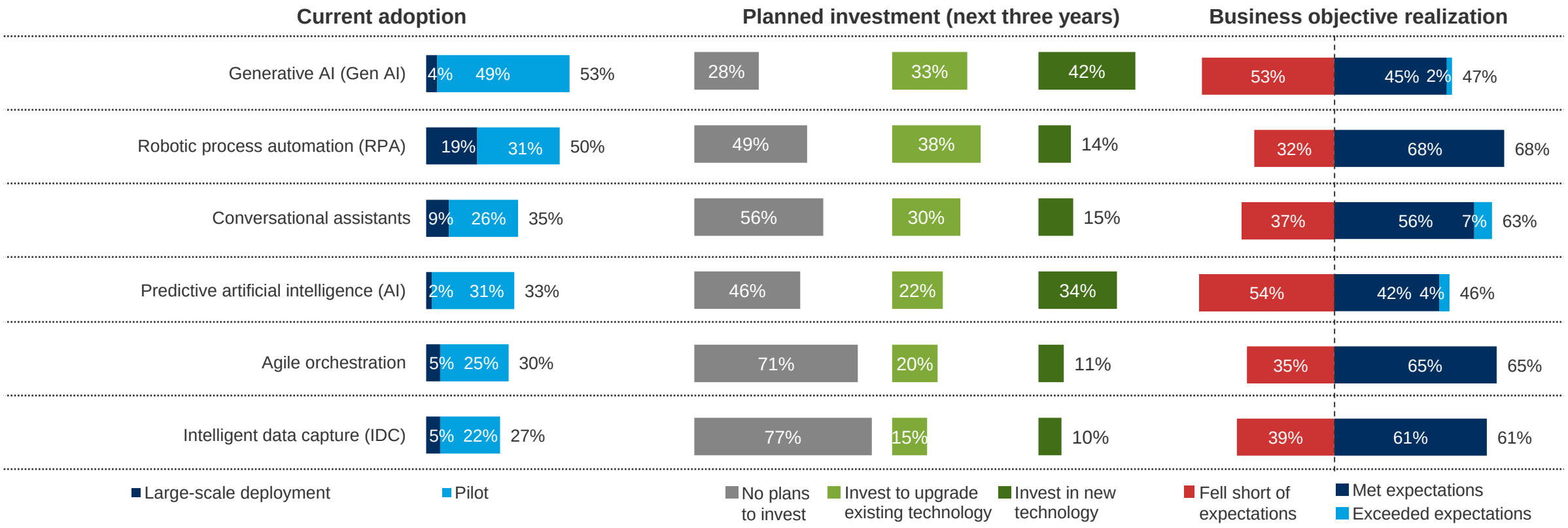
Q. Indicate the extent to which realization of business objectives met expectations for the following technology projects executed in the procurement function over the last two years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Technology adoption and objective realization: Intelligent automation

Generative AI and robotic process automation are the most widely deployed intelligent automation technologies. Strong deployment of Gen AI technology is being reported, with more focus on pilots than large-scale implementation. The level of planned investment in new technology is highest for Gen AI and predictive AI. Predictive AI and Gen AI fell short of expectations for more respondents, which reflects the early stage of adoption of this technology.

TECHNOLOGY ADOPTION AND BUSINESS OBJECTIVE REALIZATION



Q. What is the current level of adoption in system functionality to support your procurement function?
Q. What is the planned investment in system functionality over the next three years to support your procurement function? (Select all that apply.)
Q. Indicate the extent to which realization of business objectives met expectations for the following technology projects executed in the procurement function over the last two years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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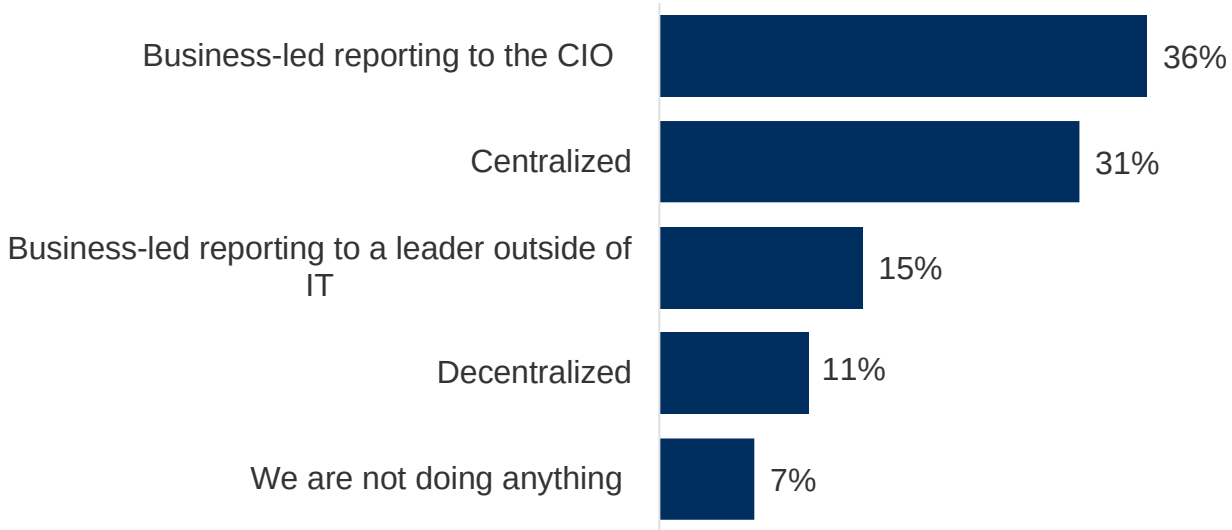
Generative AI (Gen AI) journey, concerns and value delivery

Gen AI governance approach

Many organizations are still in the early days of Gen AI adoption and implementation, and a key consideration is how best to approach the governance of this relatively new technology across the enterprise. The most popular methodology is a business-led approach with delivery teams reporting through the CIO (36%) followed by deployment through a centralized organization (31%) with strategy, prioritization, execution and governance managed through a central team.

GENERATIVE AI GOVERNANCE APPROACH



Definition of approaches:

Business-led reporting to the CIO: Business-led (strategy and prioritization); supported by delivery teams reporting to the CIO

Centralized: Our approach is highly centralized: strategy, prioritization and execution are centrally governed

Business-led reporting to a leader outside of IT: Business-led (strategy and prioritization); supported by delivery teams reporting to a leader outside of IT (e.g. data/analytics, global business services)

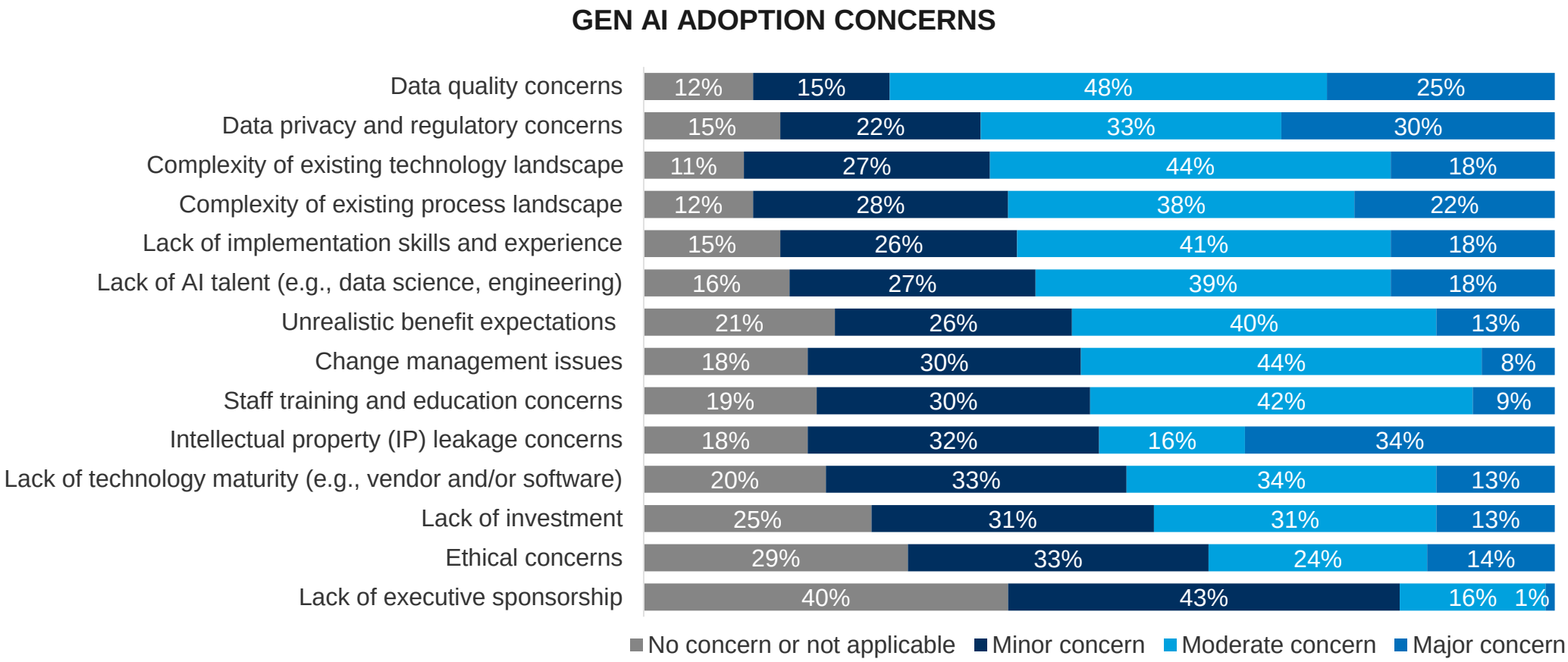
Decentralized: We have AI teams (e.g., data science, data engineering) directly aligned or embedded within business units/functional teams to define and implement AI strategies

Q. How would you best categorize your enterprise's approach to supporting generative AI?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Gen AI adoption concerns

The concerns that organizations cite as being moderate or high for the adoption of Gen AI in their organization include data quality, data privacy and regulation, and complexity of existing technology and process landscapes. Lack of implementation skills and experience as well as AI talent are also key challenges. IP leakage features as a major concern. Gen AI deployment initiatives should proactively address all of these concerns to ensure successful implementation.



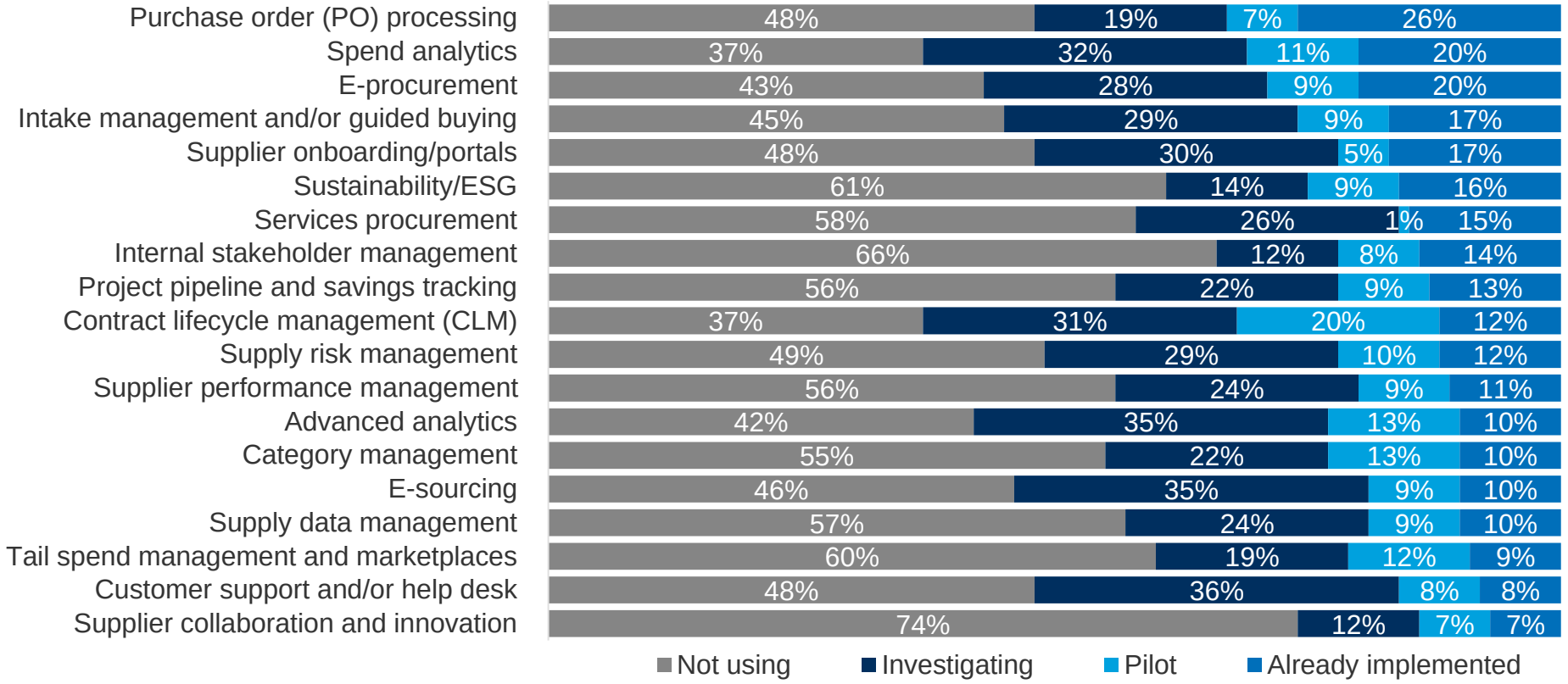
Q. To what degree are the following items a concern for your organization's adoption of Gen AI in 2025?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Gen AI use case deployment

Organizations have already implemented generative AI for PO processing (26%), spend analytics (20%) and e-procurement (20%). There is notable pilot activity for CLM (20%), advanced analytics (13%) and category management (13%). Popular areas for investigation include customer support and/or help desk (36%), e-sourcing (35%) and advanced analytics (35%).

STATUS FOR APPLYING GENERATIVE AI TECHNOLOGIES



Status definitions:

- **Investigating:** Currently exploring or researching the application of generative AI for this activity.
- **Pilot:** There is an ongoing pilot project testing the application of generative AI for this activity.
- **Already implemented:** Generative AI has already been implemented for this activity.

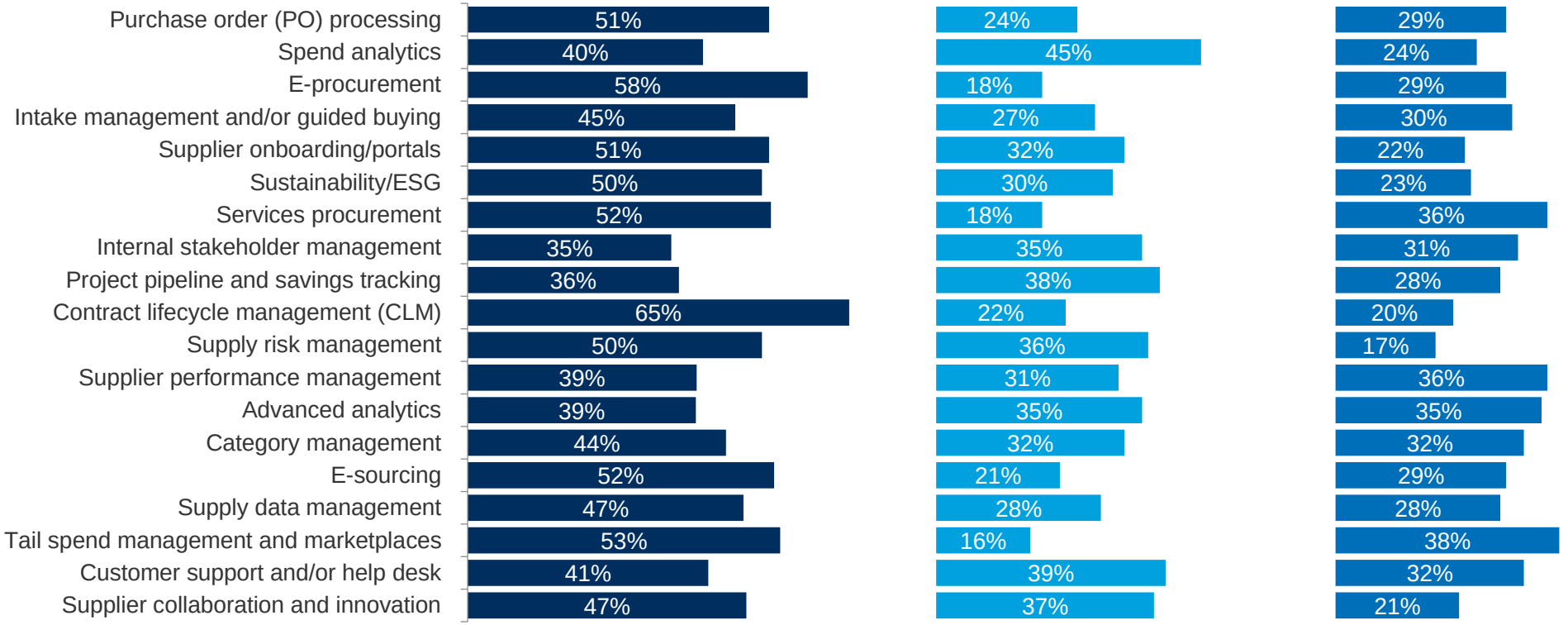
Q. Please indicate the progress made in pursuing the following potential procurement use cases for Gen AI. (Select the most appropriate option for each process area or activity.)

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Gen AI deployment approach

At an overall level, there is a preference for using embedded Gen AI (47%) followed by custom-developed Gen AI (30%) and general staff productivity tools (28%). Using an embedded approach is most popular for CLM (65%), e-procurement (58%), and tail spend management and marketplaces (53%). Custom-developed solutions are being pursued for spend analytics (45%) and customer support and help desk (39%). Staff productivity is most common for tail spend management and marketplaces.

GEN AI DEPLOYMENT APPROACH BY USE CASE TYPE



Deployment approaches:

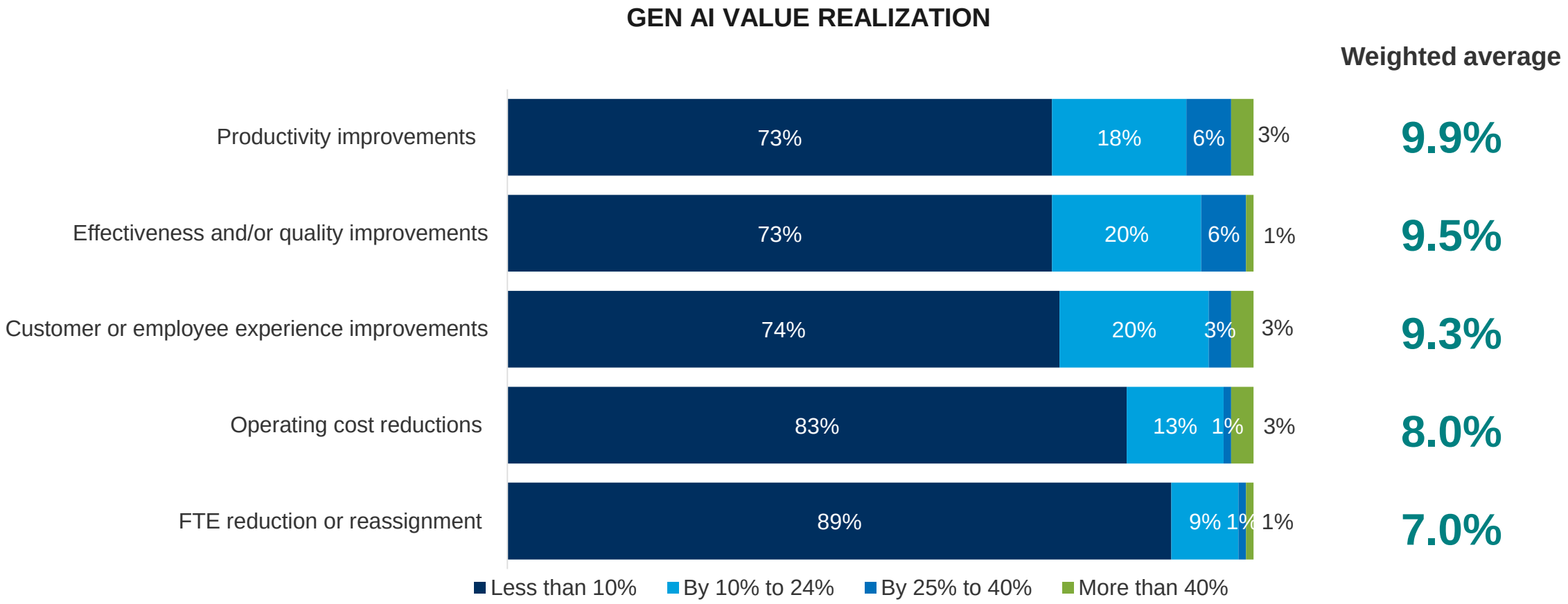
- **Embedded Gen AI:** Gen AI functionality embedded into existing software solutions (e.g., Coupa AI Classification, SAP Joule Copilot).
- **Custom-developed Gen AI:** Gen AI solutions custom developed and designed for specific functional use cases.
- **General staff productivity:** General purpose Gen AI to improve staff productivity across activities such as team meeting notes, email writing or text summarization (e.g., Microsoft Copilot).

Q. Please indicate how the following potential procurement use cases for Gen AI are being deployed or will be deployed. (Select all that apply.)

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Gen AI benefit potential

Gen AI deployment is still in its early days, so the true value realization potential remains to be determined. Initial deployments are predominately realizing less than 10% improvements across all benefit areas. The highest level of weighted average benefits reported are in productivity improvements (9.9%), effectiveness and/or quality gains (9.5%) and customer or employee experience (9.3%). Some respondents are reporting improvements greater than 25% across all areas.



Q. What value (real or perceived) has your organization begun to realize through its Gen AI use?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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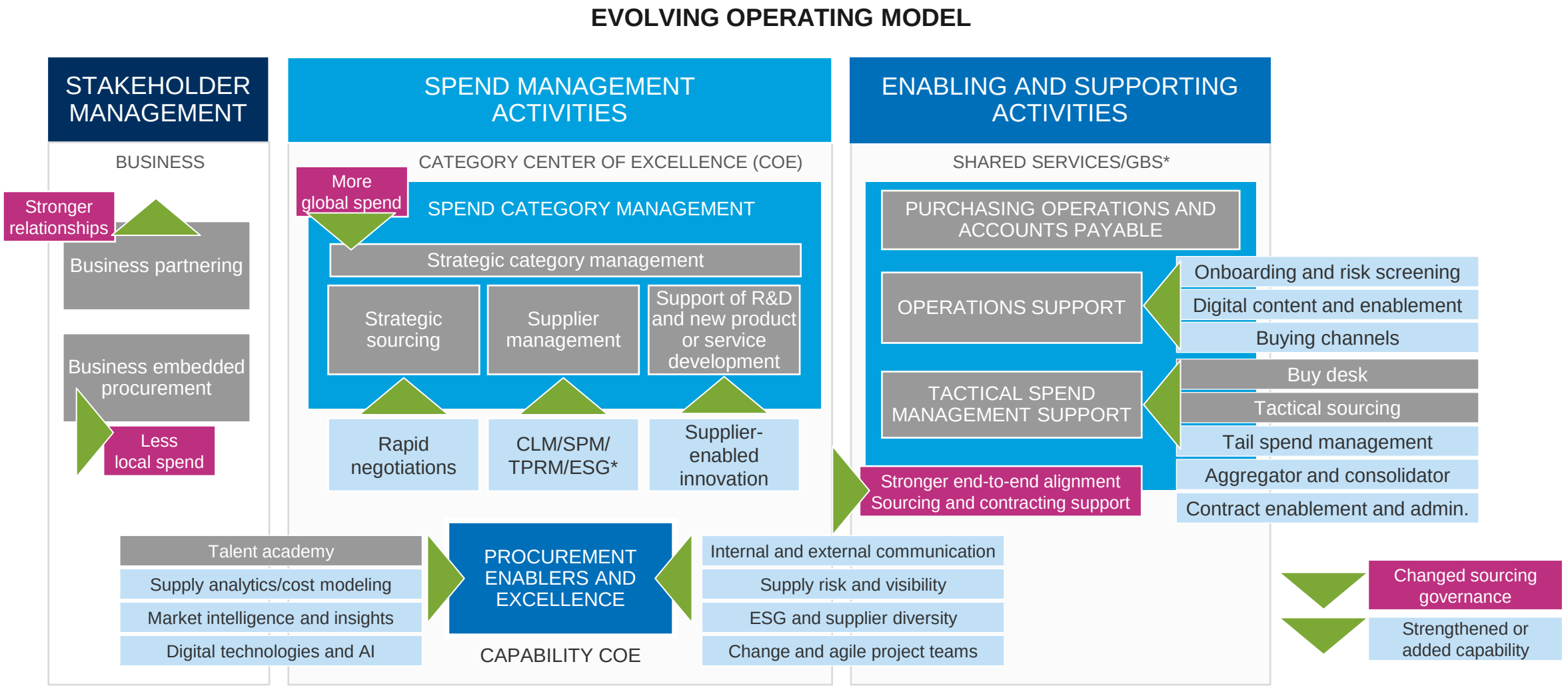
Procurement operating model evolution and analytics capabilities

Internal and external trends are changing operating models



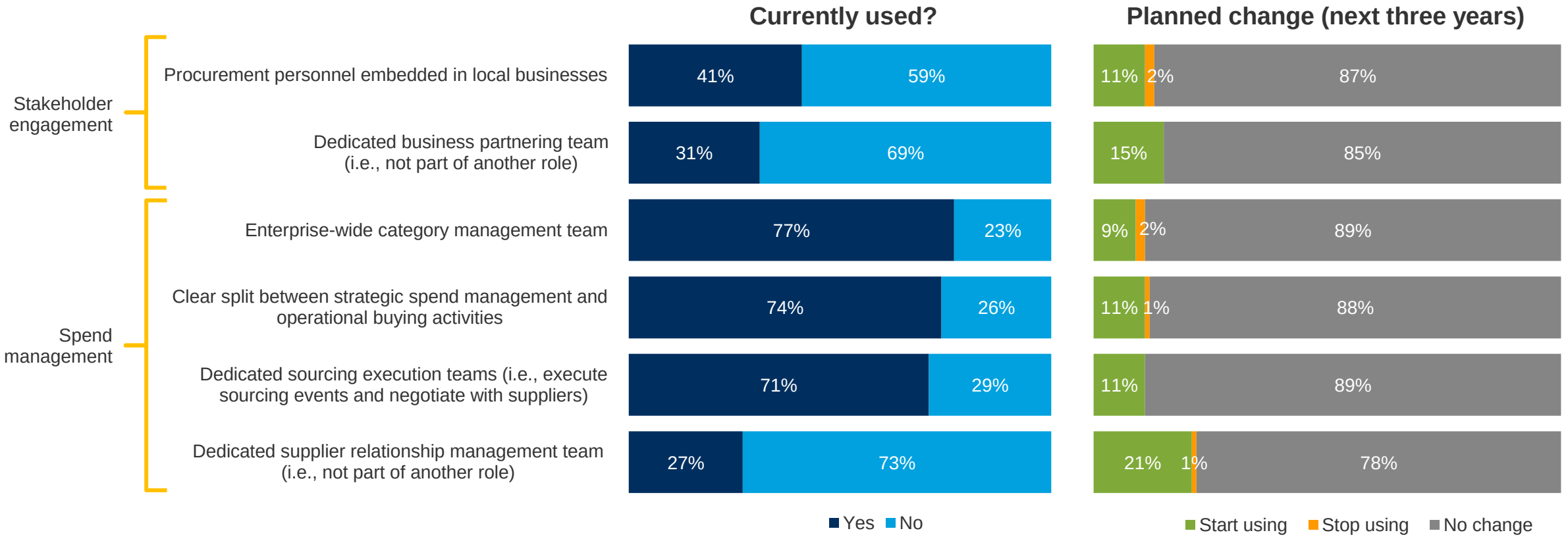
*Definitions: GBS = global business services; CLM = contract lifecycle management; SPM = supplier performance management; TPRM = third-party risk management; ESG = environmental, social and governance

Source: The Hackett Group

Operating model evolution: Stakeholder engagement and spend management

There is low current adoption of key stakeholder engagement operating model characteristics such as embedding procurement personnel in local businesses or creating a dedicated business partnering team. There is high use of enterprise-wide category management teams, having a clear split between strategic and operational activities and using dedicated sourcing teams. Adopting dedicated SRM teams is the biggest expected change in the next three years.

PROCUREMENT OPERATING MODEL CHARACTERISTICS



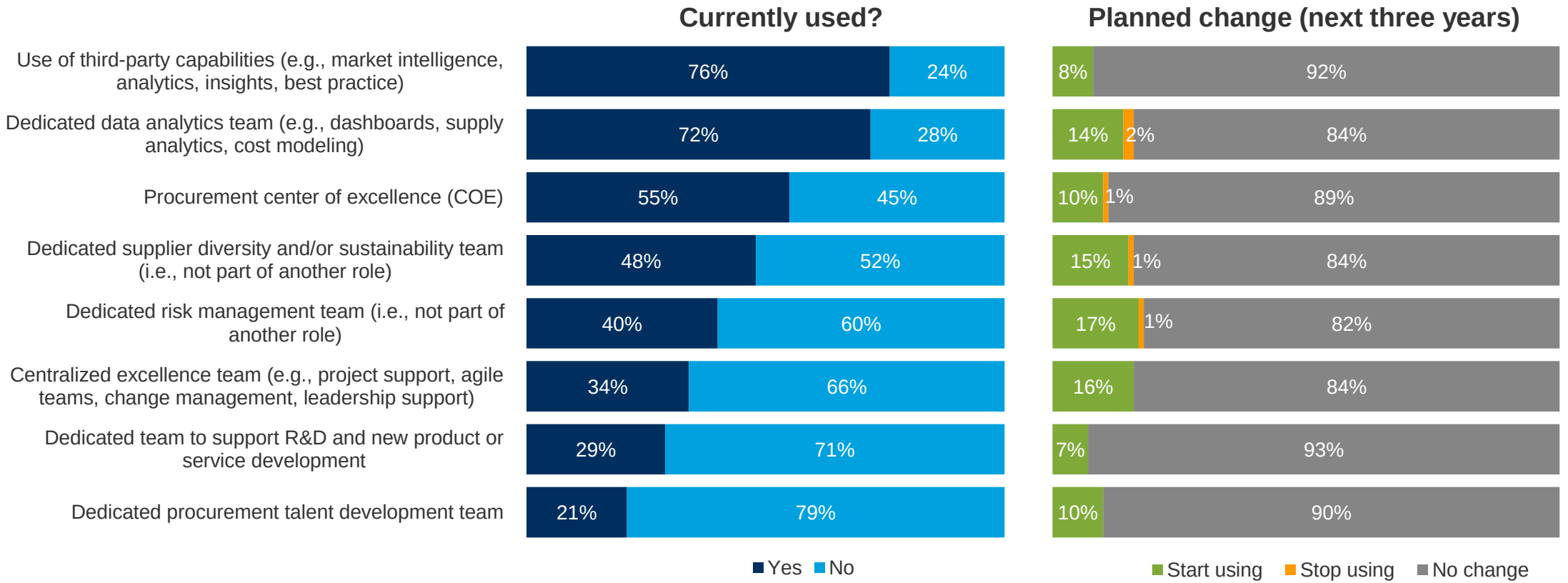
Q. What operating model characteristics does your procurement organization currently use?
Q. For each of the following operating model characteristics, please indicate if you plan to start using them, stop using them or leaving them unchanged over the next three years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Operating model evolution: Procurement enablers and excellence

There is high use of third-party capabilities (e.g., market intelligence), dedicated data analytics teams and procurement COEs. Adopting dedicated risk management teams and centralized excellence teams are the biggest expected changes in the next three years. Surprisingly, very few respondents are using dedicated procurement talent development teams despite the importance of talent management on the 2025 transformation agenda.

PROCUREMENT OPERATING MODEL CHARACTERISTICS



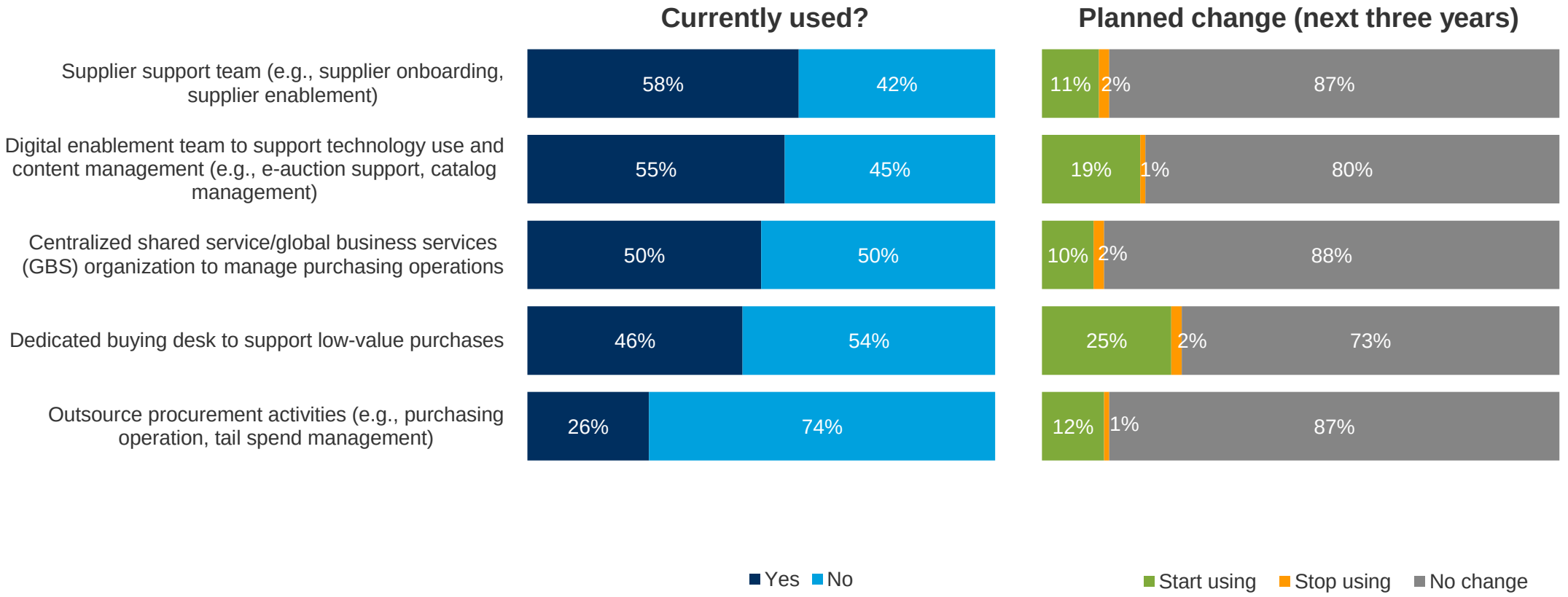
Q. What operating model characteristics does your procurement organization currently use?
Q. For each of the following operating model characteristics, please indicate if you plan to start using them, stop using them or leaving them unchanged over the next three years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Operating model evolution: Enabling and supporting activities

There is high use of supplier support teams, digital enablement teams and centralized shared service/GBS teams. Adopting dedicated buying desks to support low-value purchases and increasing the use of digital enablement teams are the biggest expected changes in the next three years. There is relatively low use of outsourcing of procurement activities.

PROCUREMENT OPERATING MODEL CHARACTERISTICS

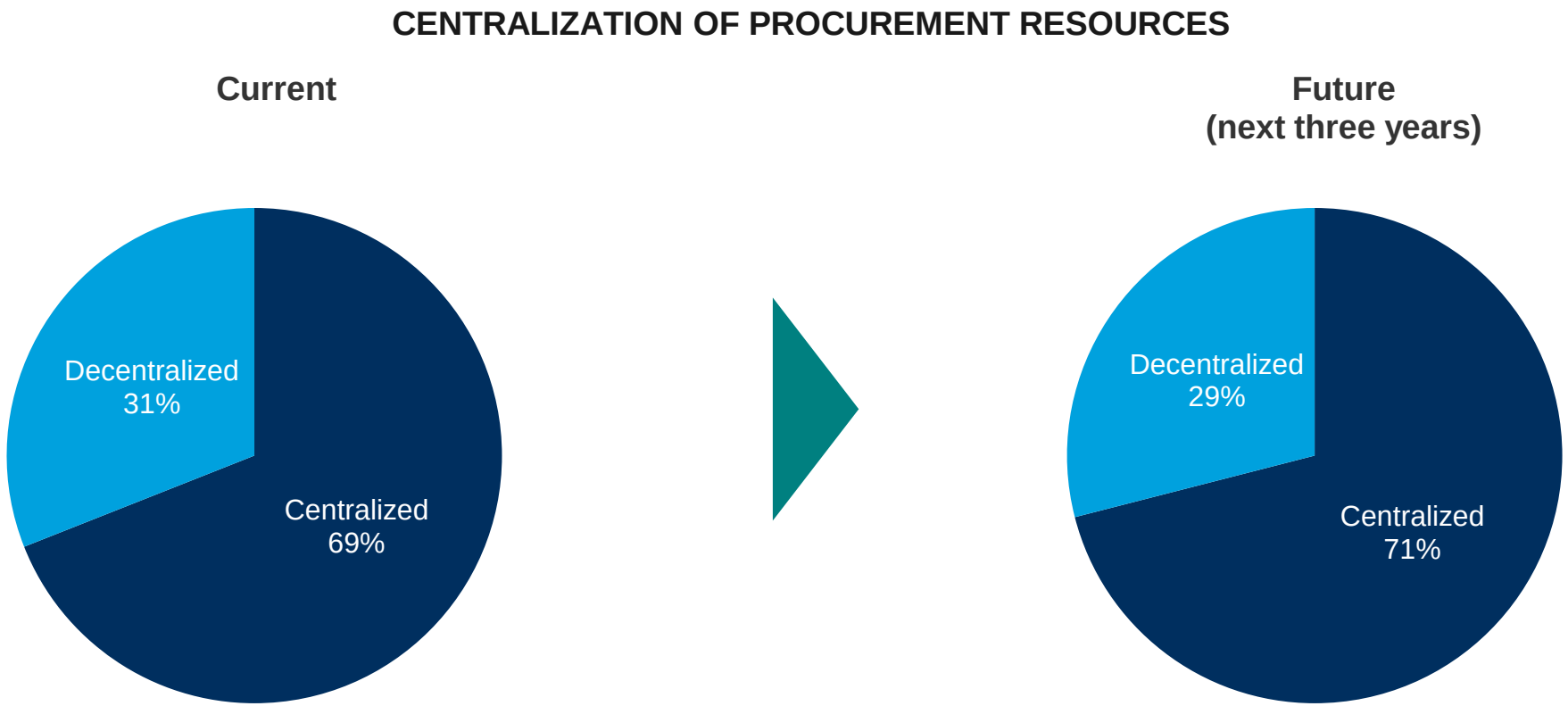


Q. What operating model characteristics does your procurement organization currently use?
Q. For each of the following operating model characteristics, please indicate if you plan to start using them, stop using them or leaving them unchanged over the next three years.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Centralization of procurement resources

Respondents were asked to allocate the total procurement FTEs between centralized and decentralized resources both currently and in the next three years. The current allocation is weighted towards centralization (69%) of resources. The expectation is that in the future the proportion of centralized resources will continue to grow to approximately 71%.

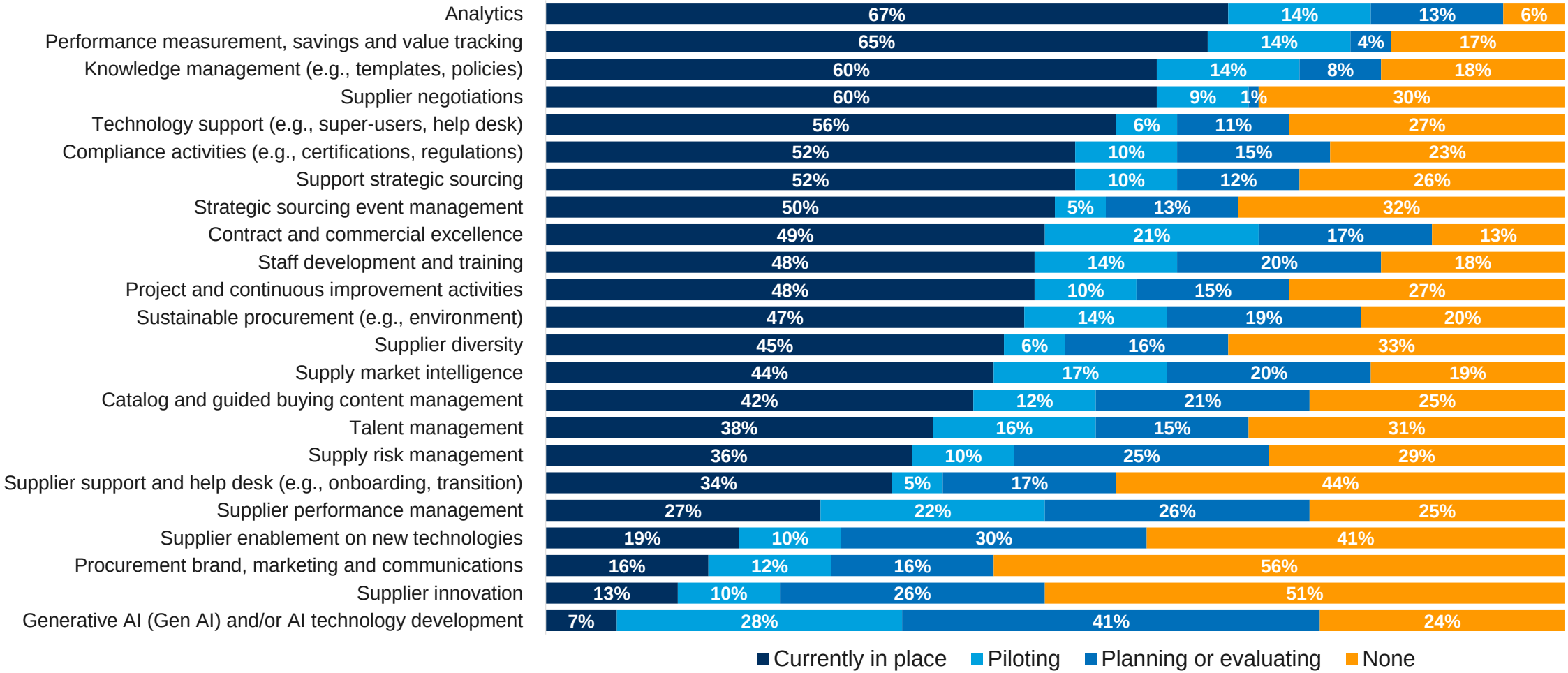


Q. For the total procurement FTEs, what is your best estimate of the current percentage allocation between centralized and decentralized resources, and are there plans to modify this split in the next three years?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Center of excellence (COE) activities

ACTIVITIES PROVIDED BY A PROCUREMENT COE*



*COE: An entity, either physical or virtual that consolidates activities requiring critical and/or specialized skillsets with a focus on developing as a core competency. For procurement this includes dedicated COE teams as well as sourcing and operations hubs.

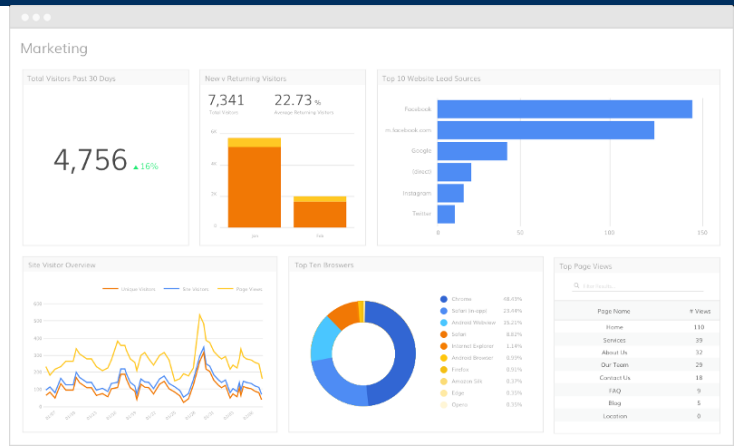
Q. Which of the following procurement activities are provided by your procurement center of excellence (COE) or similar team?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

The analytics continuum

1 DESCRIPTIVE ANALYTICS

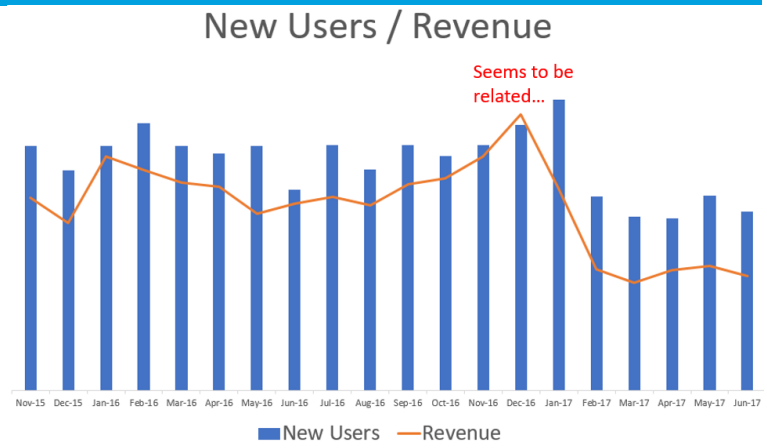
- Shows data as it is to present facts and real data about the past
- Uses no assumptions, extrapolations or derived measures



What happened?

2 DIAGNOSTIC ANALYTICS

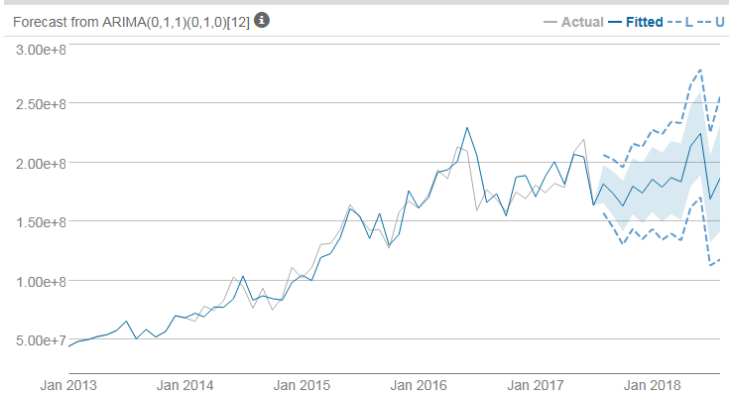
- Defines relationships between data, outcomes and drivers
- Often leverages external data to enrich insights



Why did it happen?

3 PREDICTIVE ANALYTICS

- Predicts future values using historical data
- Uses trends (e.g., time series) or drivers and relationships (e.g., attribute learning)



What will happen?

4 PRESCRIPTIVE ANALYTICS

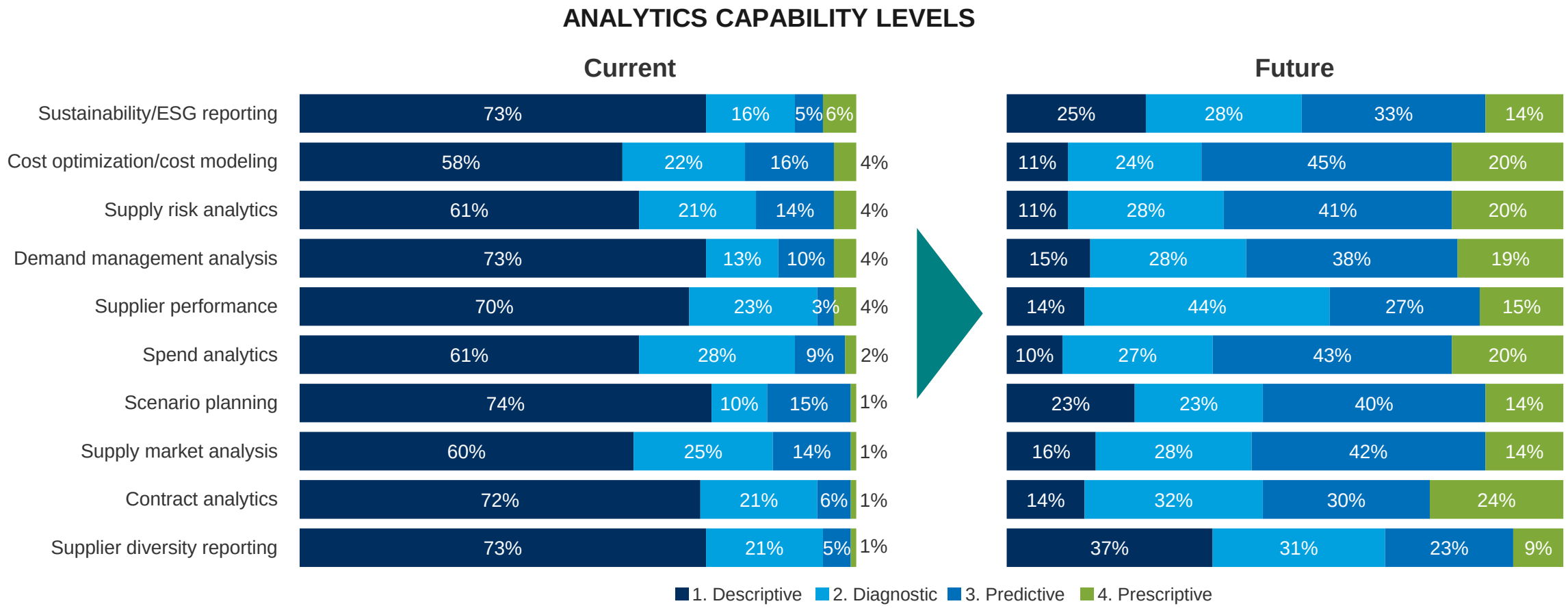
- Suggests an action, or improve the outcome, in the future
- Automates decisions via simulation and/or optimization

How do we make it happen?

Source: The Hackett Group

Current and future analytics capability levels

Currently respondents report wide-ranging use of descriptive analytics, which is the most basic type of analytics that makes no use of advanced techniques. The highest level of prescriptive analytics is being used for sustainably/ESG reporting. Cost modeling and supply market analysis make the highest combined use of methods beyond basic descriptive analytics. Spend analytics is a key area with expected growth in capability levels.



Q. What is the current level of analytics capability and desired level of future capability within the next three years to support procurement decision-making?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

The Hackett Group®

Conclusion

Conclusion

The factors expected to drive the greatest transformational impact on the way procurement performs its job over the next five years are digital procurement and automation, artificial intelligence and generative AI, the changing profile of procurement skills and deep real-time data visibility. All of these trends will require procurement teams to maximize the value realization from technology investments, develop deeper skills and expertise within the procurement team, and redesign the operating model to support changing requirements and expectations from business stakeholders. AI and Gen AI are expected to deliver enhanced system functionality that will enable procurement organizations to develop super-powered teams to deliver a broader value proposition.

There is also an expectation that workloads will increase in 2025, but staffing levels and operating budgets for the function will not keep up. Technology expenditure is also expected to grow to assist teams in closing the productivity and efficiency gaps created by the gap in resource levels and operating budgets as compared to workload expectations. Effectively deploying technology and seizing opportunities presented from Gen AI and AI functionality are key to ensuring competitive procurement performance in the upcoming year.

LOOKING AHEAD

As technology and digitalization is a feature of the outlook for 2025, procurement teams will need to adjust their priorities to ensure they are able to support their business stakeholders to be successful in the upcoming year. How will you do more with less? How will you use technology to seamlessly enable your procurement processes and drive more value? Are you meeting the needs of your end-user stakeholders? Do you have the required skills and capabilities in the team?

As you chart the course for success for your procurement team in 2025, ensure that you are giving full consideration to the following aspects:

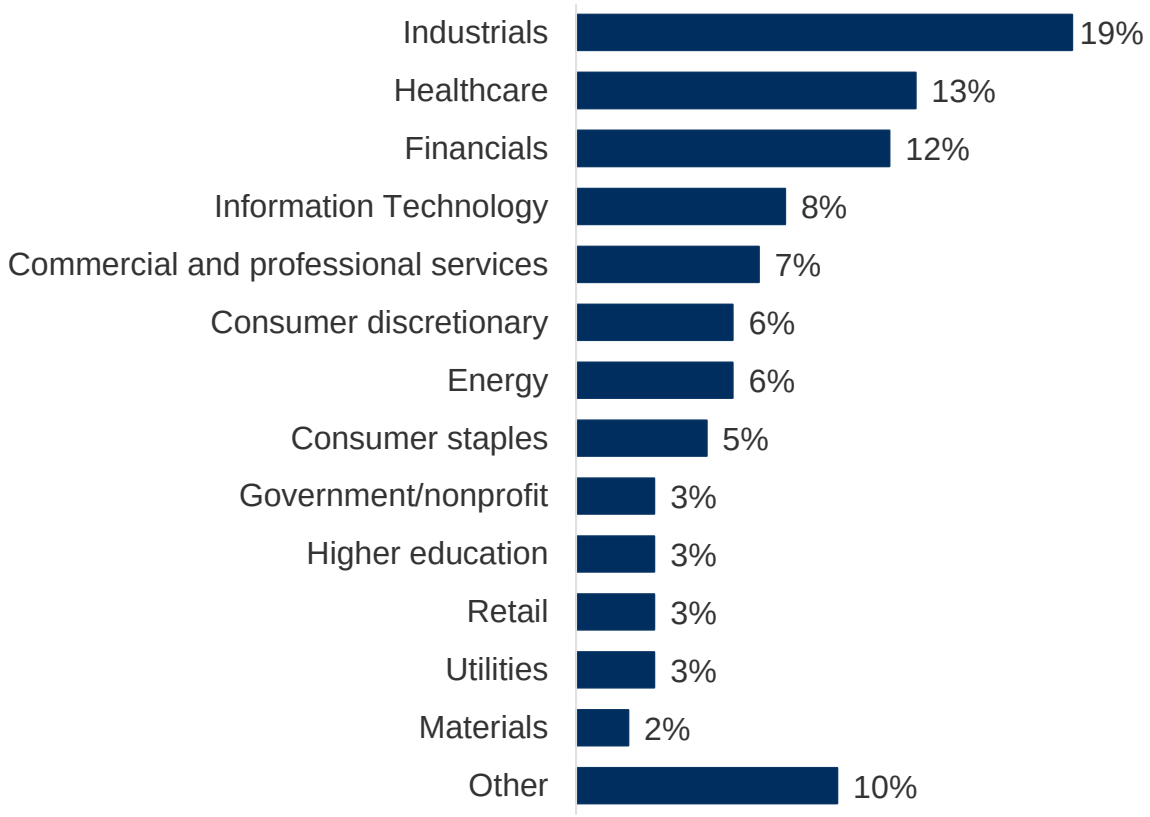
- Use digitalization to automate as much as possible as well as taking advantage of opportunities to unlock additional value, such as advanced analytics and real-time data visibility. Explore the potential to implement AI and Gen AI technology to transform the way procurement delivers value to the organization.
- 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.
- Orient your procurement operating model to meet the needs of end-user stakeholders. Make tools easy and intuitive to use with technology solutions, providing a seamless user interface. Provide self-service options backed up by easy-to-access live support.
- Invest in proactively managing talent and upskilling the procurement team to meet the future requirements of the organization.

Source: The Hackett Group

Appendix: Participant profile

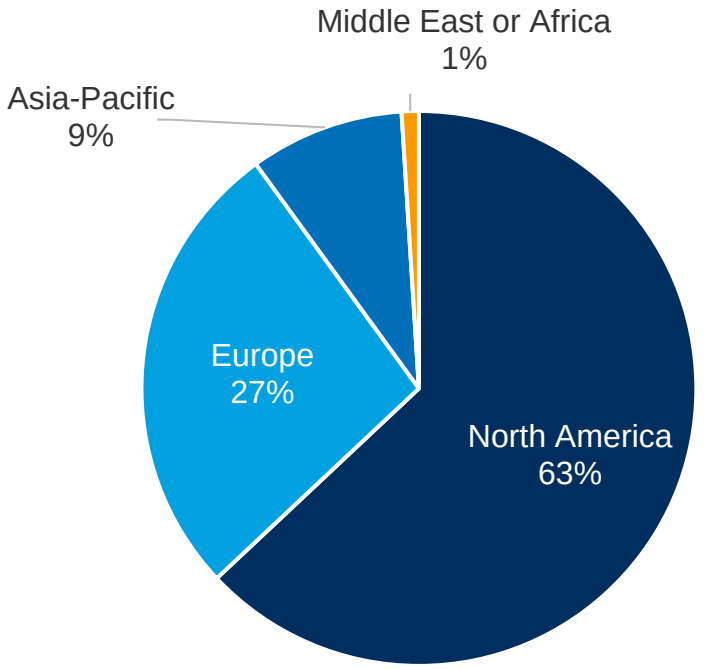
Overview of poll participants

INDUSTRIES



Q. What industry classification(s) best represents your organization? (Multiple selections allowed.)

COMPANY HEADQUARTERS

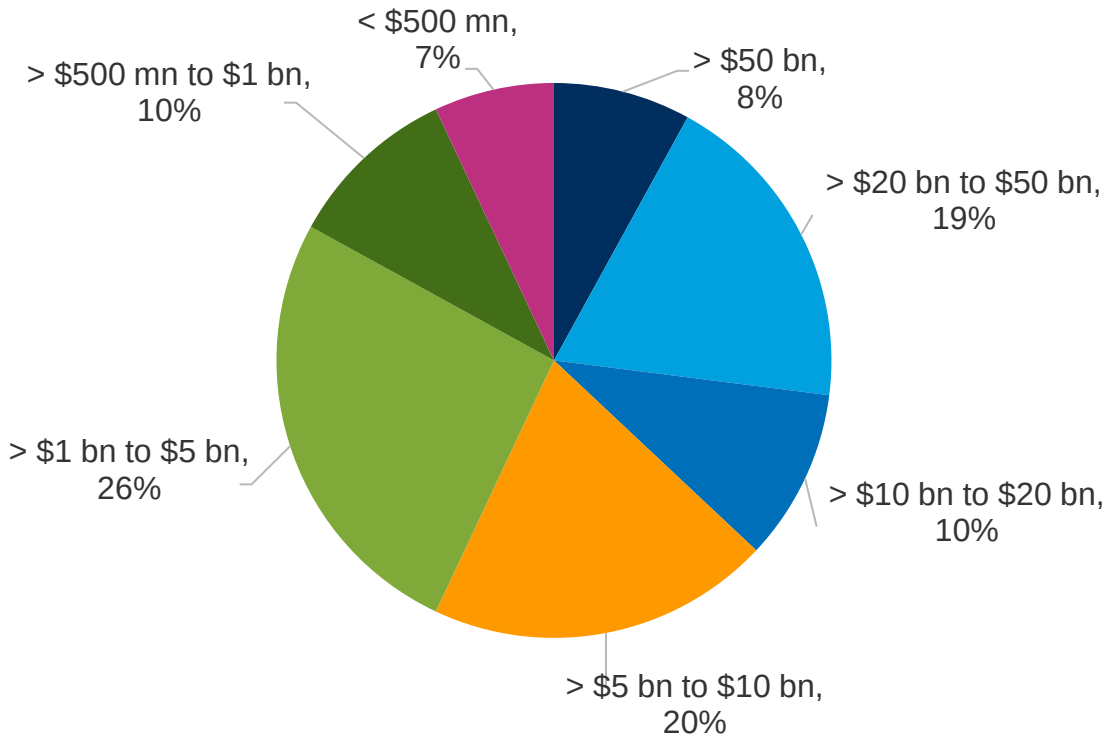


Q. In which geography is your company headquartered?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

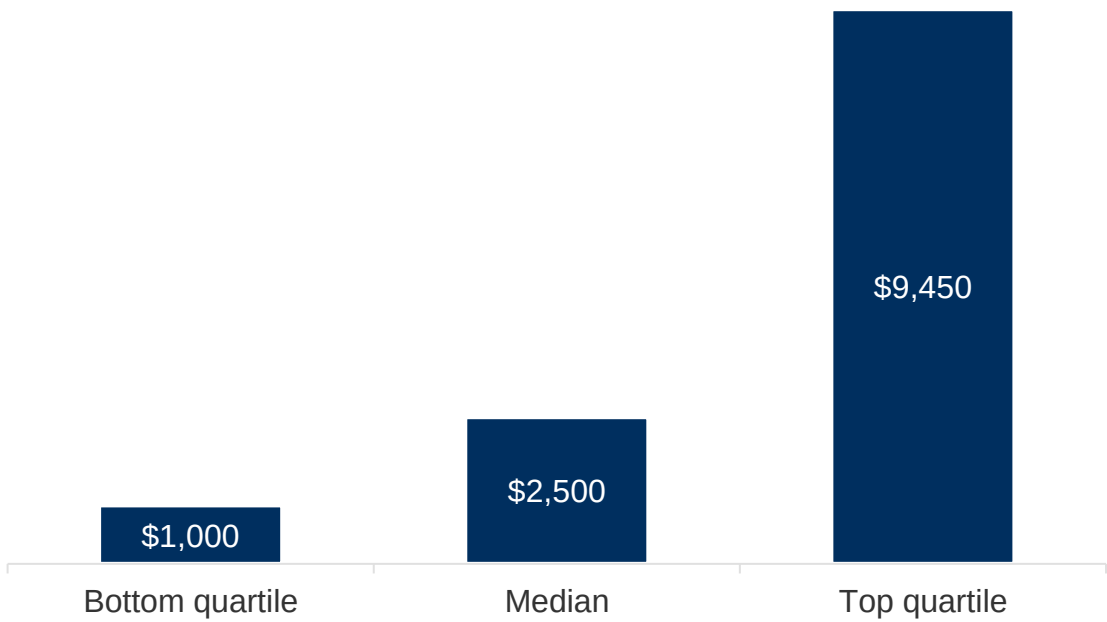
Overview of poll participants (cont.)

ANNUAL NET REVENUE (USD)



Q. Please estimate your company's annual net revenue (USD).
Net revenue represents externally reported revenue less returns and allowances.

ANNUAL THIRD-PARTY SPEND (millions $)



Q. Please estimate your company's annual supplier spend (in USD)?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

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