



Procurement for the Future: Understanding the Evolving Procurement Landscape

In recent years, the procurement landscape has weathered disruptions, economic shifts, and megatrends such as climate change and technological advancements, including the ongoing and ever-evolving AI revolution. Consequently, procurement requirements and priorities have changed, raising its significance as a strategic function.

However, many chief procurement officers (CPOs) are still facing significant challenges when it comes to leading their functions through the necessary transformations required to thrive in today's environment. To help organizations empower their procurement functions and those who lead them, we sought to understand how the procurement landscape is evolving, the leadership characteristics of those at the helm, and the human capital-related actions organizations should prioritize to stay competitive, finding that:

- Procurement priorities have shifted significantly in recent years, with sustainability and digital transformations now topping the list.
- Most procurement functions are still in the early days of their transformation journey.
- While the majority of CPOs have held their roles amidst the significant disruptions of the past four years, Hogan personality data shows that most procurement leaders appear well-equipped to weather this continued uncertainty.

The evolving priorities of procurement

Procurement priorities have clearly changed in recent years. In Deloitte's CPO survey in 2018, the top three priorities were reducing costs, new product/market development, and managing risks. By 2023, those top priorities had shifted to driving operational efficiency, enhancing ESG/CSR, and digital transformation. Interestingly, two significant transformations—ESG/CSR (ranked 6th in 2018) and digital (not listed as a priority in 2018)—have emerged as top priorities within the last five years.¹²



The role of procurement has definitely evolved in recent years. A few years ago, procurement was mainly about price and savings. Nowadays you are more strategically involved, more about agility and resilience... The question becomes how to bring innovation from your partners to Unilever and vice versa. It requires much closer collaboration with the partners, but also internally..."³

Willen Uijen

Chief Procurement Officer at Unilever



These shifting priorities are having varied impacts on CPOs, and this is dependent on their specific responsibilities. A CPO can manage indirect procurement, direct procurement, or both, and the scope and strategic nature of the role can vary notably across industries and firms. And these remits often define who the CPO reports to, as these real-life examples exemplify:



Large complex manufacturing firm

The CPO reports to the COO, manages over \$50B in direct and indirect spend, and leads a team of over 3,000 employees. This CPO focuses on digital capabilities, operational excellence, cross-functional collaboration, and partners with suppliers to co-design parts of the value chain.



Top 50 largest banks in the world

The CPO reports to the CFO, manages around \$5B in spend, and leads a team of 300 employees. Key priorities include cost optimization and handling of regulatory requirements. Additionally, this role leads real estate and facilities management.

CPOs that manage a larger indirect spend for companies that don't "make" something will typically report to the CFO. However, if the company makes products or components, and procurement supports a large network of facilities, the CPO typically reports to a COO or CEO. Furthermore, our

search and assessment work shows that CPOs reporting to the COO or CEO tend to be more strategic and value-based.

Hence, it is essential to benchmark procurement functions against comparable organizations when assessing priorities and related strategies.

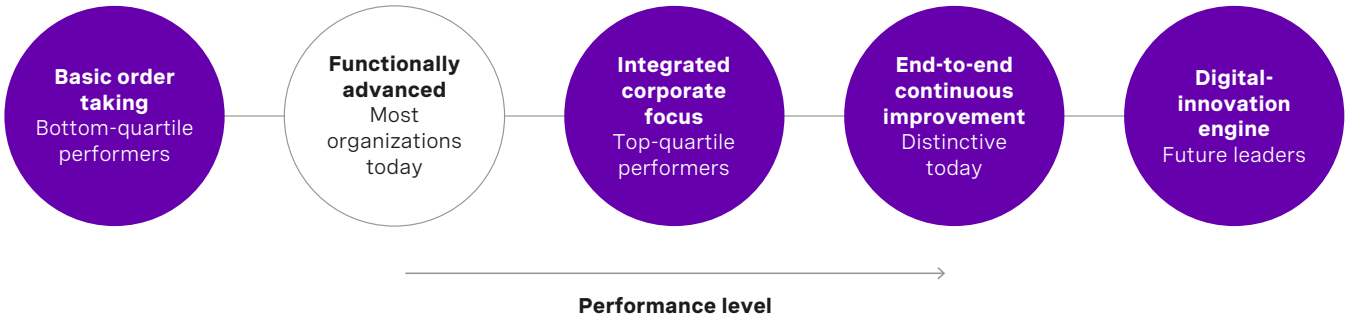


Addressing talent challenges in procurement’s transformation journey

While best-in-class procurement functions appear well-positioned to weather the changing environment, the majority are early in their transformations - in the “basic order taking” or “functionally advanced” stages (Figure 1). In these stages, digital tools may automate certain basic reporting tasks, but most processes still rely on manual efforts. As a result, for the

majority of procurement departments, priorities like digital and AI transformation represent substantial undertakings. Furthermore, the gap between leaders and laggards in this regard is widening rapidly.

Figure 1: The maturity of procurement organizations - five archetypes



Source: Delaney, Mary, et al. [Using M&A to transform procurement](#). McKinsey. March 1, 2023.

Yet, for many of these early-stage organizations, transformation is a significant challenge, with persistence of barriers like scarcity of [talent](#) and [skills](#) across organizational levels. A survey conducted by BCG among C-suite and board-level executives found that 39% of respondents identified

difficulties in attracting, developing, and retaining skills as one of the top five barriers to changing procurement.⁴ This survey was conducted before the AI revolution gained momentum, which has further exacerbated the knowledge and skills gaps.

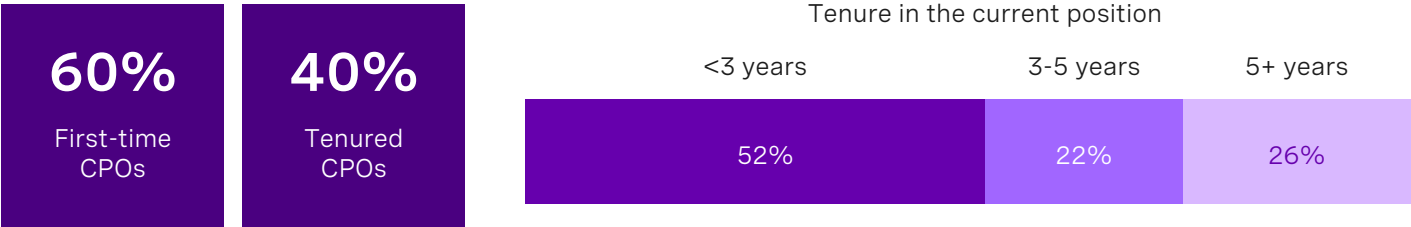


Insights from Hogan psychometric analysis: Five common CPO characteristics

The role of the CPO is vital for driving successful transformation within the procurement function. To gain a better understanding of these versatile leaders and their potential strengths and weaknesses in confronting the above challenges and opportunities, we analyzed the demographic data of 77 CPOs and examined personality traits and values through Hogan psychometric test scores of 122 procurement leaders.

Interestingly, around 60% of CPOs were in the role for the first time (Figure 2). Furthermore, around 58% of these first-time CPOs have been in the position for less than four years. Thus, a significant proportion of CPOs only held the role amidst significant disruptions and prolonged challenges. These are factors to consider when assessing coaching and development opportunities.

Figure 2: CPO demographics



Average tenure in the position: **3.8 years**

Source: Russell Reynolds Associates proprietary analysis, N = 77 CPOs, May 2024

However, our research shows that most CPOs have personalities that are well-equipped to weather this continued uncertainty.

Through our analysis of Hogan data, we discovered five common characteristics among the CPO population,

despite variations in the nature and complexity of their roles. These characteristics include high adaptability and optimism, a results-focused mindset, drive and determination, diplomatic and trust-building abilities, as well as a supportive and team-oriented approach (Figure 3).

Figure 3: Five common CPO characteristics

High Adaptability and Optimism	Diplomatic and trust-building abilities	A supportive and team-oriented approach	A results-focused mindset	Drive and determination
CPOs are frequently viewed as mature, commonsensical, and responsive to advice. These leaders tend to adjust well to fast-paced environments and maintain an optimistic outlook in times of pressure. They are typically seen as energetic, outgoing and fun.	These leaders are typically seen as diplomatic, trustworthy, and strong coalition builders. They show a propensity for making positive first impressions and are coming off as friendly and congenial.	CPOs may come across as honest, sympathetic, and concerned about others. They tend to enjoy work in which they can help others and promote staff morale. These leaders usually enjoy working in team environments.	These leaders show a strong tendency to be energetic, driven, competitive, and focused on achieving results. They are typically confident and ambitious and tend to be perceived as skilled at influencing others.	CPOs usually value environments that offer opportunities to get ahead, achieve, and succeed. They tend to be viewed as strategic about their careers. These leaders tend to value learning and will seek learning opportunities with varying degrees of urgency.

Source: Russell Reynolds Associates proprietary analysis of Hogan psychometric data, N = 122 CPOs

Considering the imperative for collaboration and adaptability in the current business environment, CPOs appear to possess many personality traits and values that can be seen as strengths. Additionally, CPO's supportive and team oriented approach can be beneficial in retaining, attracting and further upskilling talent - all critical activities for procurement functions in their transformation journey.

Deep Dive: Exploring the similarities between CPOs and COOs

Given the heightened strategic significance of the CPO role, we also wanted to understand how they compare to COOs, who often hold the highest-ranking position in operations and supply chain.

Interestingly, we found only a few notable differences between the two leader cohorts. In fact, on a global level, COOs and CPOs have more in common than COOs based in [North America](#) compared to those in Europe. We discovered that it tends to be more challenging for CPOs to trust others in pressure situations than for COOs. Additionally, COOs tend to prefer working environments that are productive and follow a no-nonsense mentality while CPOs tend to place a premium on a "work hard, play hard" mentality.

While skills and competencies may need to be developed and complemented through the right team, the findings suggest that CPOs possess personality traits and values that make transitioning to a COO role a viable career path. As organizations consider the future of their procurement teams and leaders, these learnings highlight both a potential career path and new development considerations, including cultivating the ability to trust others in pressure situations, harnessing the power of teams, and moderating the "play hard" mentality.

Unlocking procurement excellence: Prioritizing CPO development, talent focus, and career advancement

CPOs that effectively navigate the changing environment can play a critical role in differentiating their company against competition. These functions have a significant impact on top- and bottom-line growth, with procurement spend typically accounting for 30% of revenue for service firms and at least 50% of revenue for manufacturing companies.⁵ Furthermore, procurement plays a crucial role in establishing contracts and policies with numerous

suppliers that form the supply chain, ultimately exerting a significant influence on sustainability impact.

To effectively navigate the evolving priorities and advance the maturity of procurement, hiring teams should prioritize their CPO's personal development, as well as talent acquisition, retention, and upskilling across procurement teams. Furthermore, the current situation presents unique career advancement opportunities for CPOs to seize.

- **Prioritize development opportunities for CPOs:** Given the significant influence of procurement on the firm's overall performance, ensure your CPOs receive the necessary training and development. The success in procurement transformation requires leaders who can make educated strategic decisions and investments. Our previous research has identified potential skills gaps in priority areas such as AI and sustainability. Moreover, many CPOs are relatively new to their roles and have been grappling with disruption and change. These leaders could benefit from coaching and mentoring provided by seasoned procurement leaders.
- **Focus on talent across teams:** The evolving landscape of procurement demands new skills and capabilities that can be challenging to acquire. Additionally, losing existing talent is a material risk. Therefore, prioritize talent acquisition, retention, and upskilling across the entire function. Procurement functions that effectively execute these initiatives will be better equipped to excel and outperform their competitors. After all, procurement spend is a significant proportion of total revenue.
- **Present future opportunities:** The increasing strategic importance of procurement presents an excellent opportunity for CPOs to secure a real seat at the decision-making table and advance their own careers. Our analysis shows that CPOs exhibit competitiveness and a strategic mindset regarding their professional growth. Encourage CPOs to seize these opportunities and consider them in COO succession plans.

By prioritizing the above initiatives, organizations can position their procurement functions for success. This not only enhances the effectiveness of procurement but also contributes to the overall success of the organization. Advances in procurement can well be the company's biggest opportunity to transform business performance.

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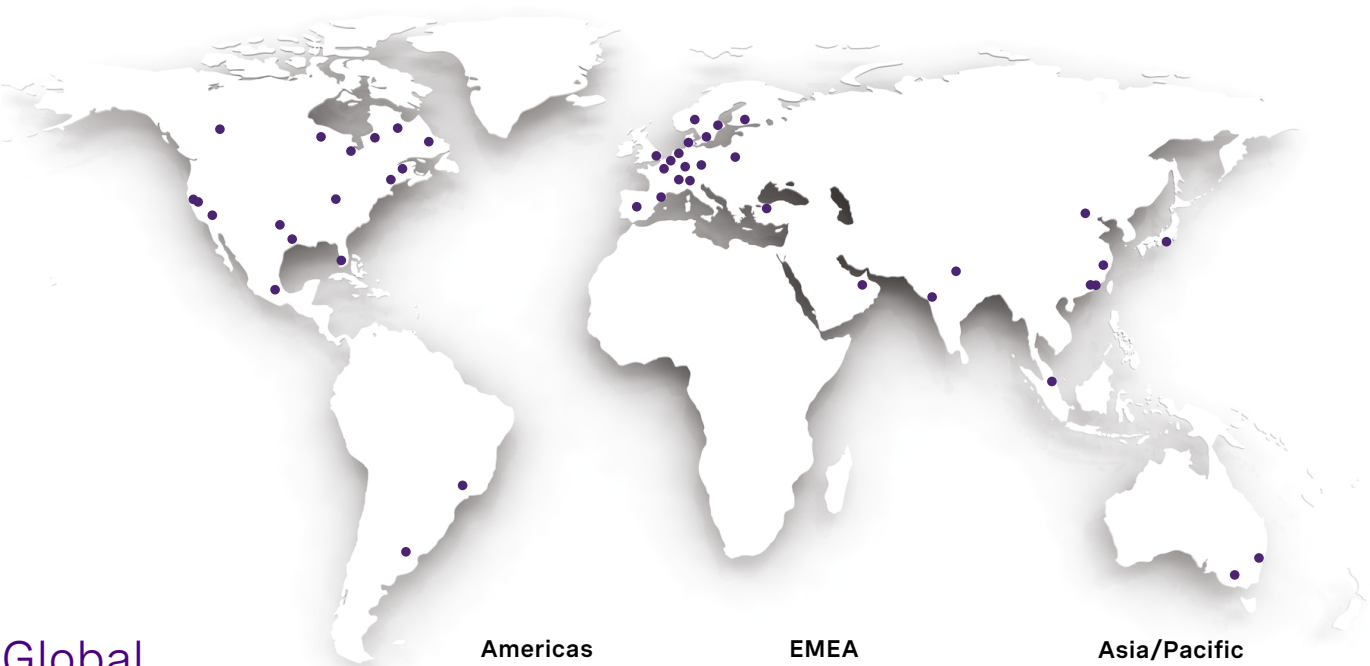
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