



# CPO BRIEFING REPORT

## What's next for procurement?

Simon Geale, CPO at Proxima



# INTRODUCTION

## Six themes for 2024

A recent survey reports that, globally, over 45% of CEOs expect their current business model to cease to be viable within the next ten years. The stats are not uniform, with UK CEOs seemingly more optimistic than their US and EU counterparts. However, almost all (97%) of those surveyed confessed to having taken some steps to change their underlying business model, with three-quarters confessing to having made substantial changes.

**This suggests that a significant transformation of offering and operating is a priority, most likely with digital and sustainability at its core, which, as we know, both cost money. All heads, well, at least some, turn to procurement.**

There is a lot of optimism around procurement at the moment. We are relevant to many of the challenges that businesses face, and despite having some enormous cost challenges, many markets have shifted sufficiently for high cost and cash gains to be realistic prospects.

So why the pessimism at the CEO level? Despite the optimism surrounding inflation, there are some significant headwinds facing businesses and, in particular, procurement right now, which will crystalize over the next year. Here, we have picked out six themes that we should all have in the back of our minds for now and in the mid-term.

While some point to risks and others to opportunity, they all look set to influence what we are doing and how we are doing it.







1

# GEOPOLITICAL CHANGE

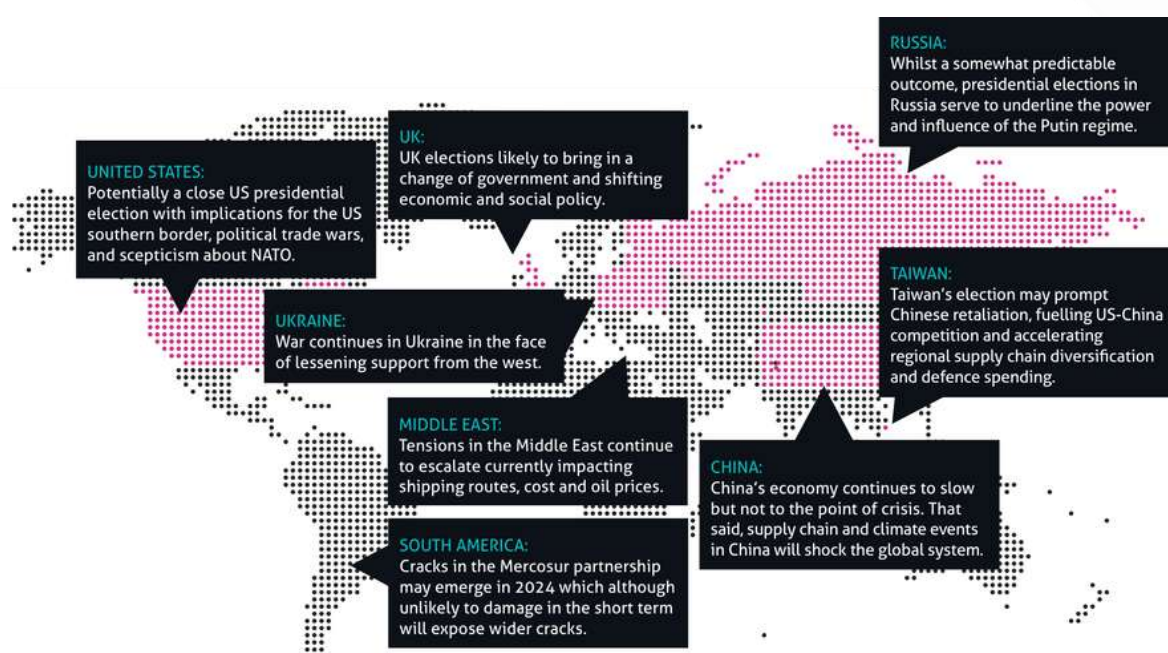
One of the most used soundbites this year will be that **2024 will be the biggest election year in history.**

In fact, around 60 countries, representing half the world's population, go to the polls in some form of presidential, legislative, or local elections. That's four billion people in countries such as South Africa, the UK, the US, India, and even Russia and North Korea, although perhaps the outcomes of those two are somewhat more predictable than the others.

Recently, Taiwan elected pro-democracy candidate Lai Ching-te a candidate China described as "pro-war." If this is the shape of things to come, we could be in for turbulent times with respect to Geopolitical posturing and tensions. But will this really affect me? If you are asking that question, that's why you should be profiling risk and building resilience right now.



## MANY GLOBAL TRADING RELATIONSHIPS ARE FRAUGHT. THIS SHOWS NO SIGNS OF ABATEMENT



### 2024 WILL BE THE BIGGEST ELECTION YEAR IN HISTORY.

- 60 countries - half the world's population go to the polls.
- 4 billion people voting in presidential, legislative, and local elections.
- South Africa, UK, US, India, Russia and North Korea all go to the polls.
- Taiwan elected pro-democracy candidate Lai Ching-te.
- Will democracy pass the test in 2024?





2

## REGIONALIZATION OF TRADE

Deglobalization has been coming around for some time, but this doesn't mean a return to self-sufficiency. Rather, global trade in goods is forecast to increase by nearly 3% between now and 2024, but who will be the winners and losers?

Firstly, and perhaps most obviously, the trading relationship between the US and China is predicted to be fraught, and reciprocal trade will decrease. The battleground will be high-value supply chains like health, technology, and defense, but expect lower value, cost-sensitive trade patterns like furniture, consumer electronics, and textiles to be far less of a focus area with cost a much more prominent driver of location strategies.

The US will increase trade with its North American partners, and also notably with India, EMEA, and the ASEAN region, giving a hint of growth to come in those regions. It will be interesting to see how these locations are able to balance relationships with the EU, North America, the Middle East, China, and Russia. They look set to become strategic locations globally.

If new specialist supply locations are popping up, other existing ones may continue to be impacted by conflict in particular, but also increasingly by climate. These should be on every risk register, and we will cover them in point 4 below.



3

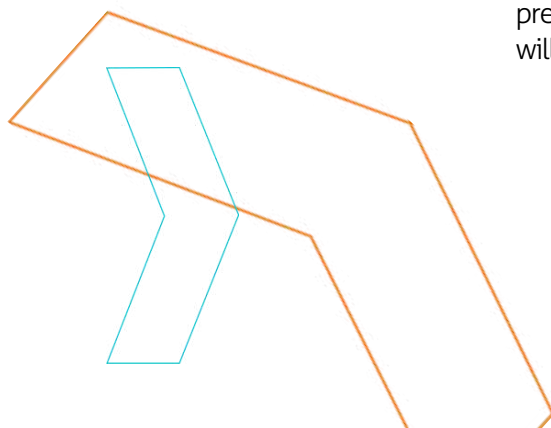
## SUSTAINED HIGH INTEREST RATES

Inflation may be abating, but interest rates are forecast to remain high for some time, or at least at levels not seen in the last few years of "golden times." But what are the negative effects of this?

Firstly, consumers themselves will face higher borrowing costs on high-value purchases such as houses and cars, for instance. In the UK, around 1 million people will be renewing a mortgage in 2024 that is currently running at under 2.5% interest. The implications on consumer spending across Europe, the US, and the global economy will be felt.

Extrapolate this up to a business level, and the effects are similar. After a few years of financial battering, many businesses are looking to refinance in 2024 or set up financing programs for suppliers. According to a report in Business Insider, almost 9% of the outstanding investment-grade debt is poised to mature in 2024, and unless companies reduce their capital requirements, this debt will need to be rolled over at higher interest rates. 2,3,4% financing rates are going to be replaced by those multiples higher.

The impact for procurement? It's going to be important to understand the financial positions of current and future suppliers. Further, many of us will come under pressure to achieve big shifts on the cost base, shifts that will require bold and creative solutions!





# EMERGING RISKS INFLUENCE COMMERCIAL STRATEGY

Every year the World Economic Forum (WEF) publishes its risk report. It's comprehensive and is well worth a read or, at the very least, a firm scan. It highlights the thoughts of an informed peer group in concerning the risks we face in so far as likelihood and severity. The conclusion?

The peer group is forecasting an unsettled couple of years ahead, with around 30% expecting it to be "stormy" or "turbulent," but even more so the decade ahead. This short-term outlook is driven by concerns around misinformation, cyber, societal unrest, and conflict, with longer-term considerations around climate and AI adding to the long-term view.

## WHILST CLIMATE DOMINATES THE LONG-TERM VIEW, NEAR TERM INSTABILITY IS A KEY CONCERN



What does this mean for procurement? While the report is all about perception, it adds to the notion that risk should be a golden thread running through any and all procurement strategies and that every decision should reflect the "risk appetite" of the business.

Effective and comprehensive risk management is not currently going to be delivered by a single solution for most firms and it comes at a price. So expect to see the more risk-averse fusing multiple approaches and also industry-wide collaboration to spread the cost and load of monitoring common suppliers and chains.



# DO THE HEADWINDS DIE DOWN ON SUSTAINABILITY?

Few topics are more emotive than sustainability, but still (according to research by Bain and Company), 75% of executives believe that they had not yet effectively embedded sustainability into business strategy. Why? Perhaps because of all the talk of regulation, investors, customers, and employees willing them to do so, the pressures had not been quite enough to prompt action and critical investment. Further, their Sustainable CEO Report highlighted the mismatch between what consumers were prepared to pay and the premiums businesses wanted to charge.

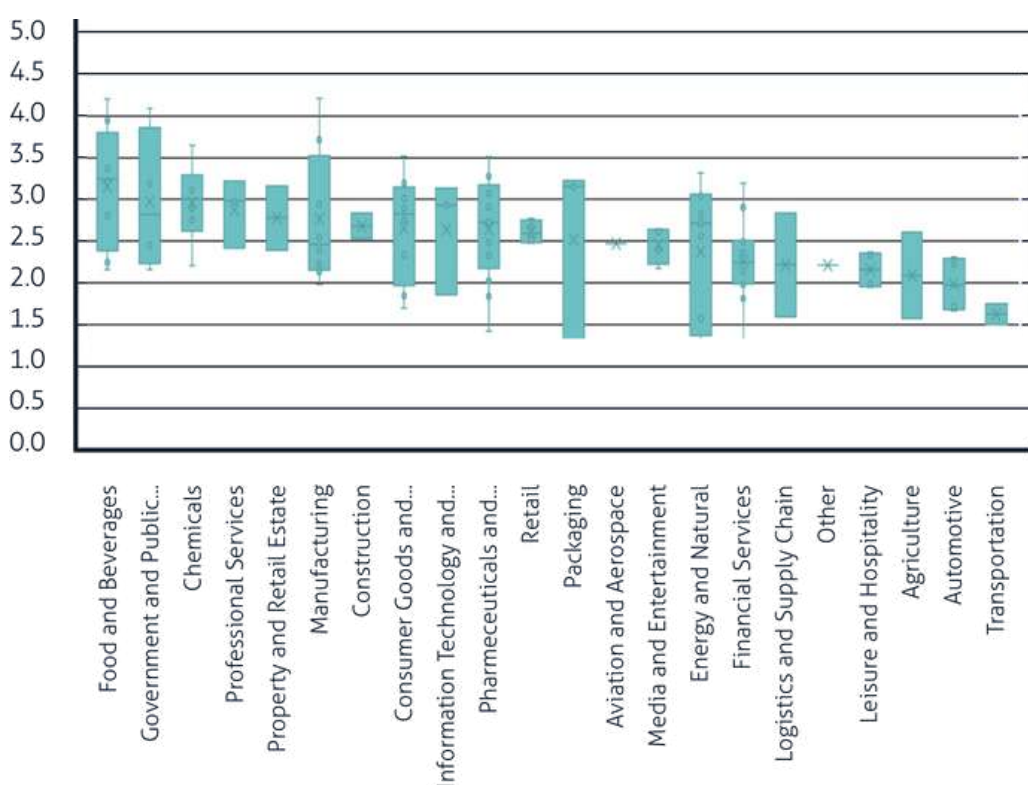
But will 2024 be the final tipping point? There is some compelling evidence in the yes camp. Firstly, 2024 is a critical year for regulation, notably in the EU, for businesses based there or trading there. Secondly, numerous businesses will be seeking finance, which may be linked to purposeful current and future performance, and thirdly, the collaboration movement continues to march on. Indeed, early 2024 saw a

cohort of CPOs come together to commit to embedding carbon pricing into commercial decision-making (once we have worked out exactly how).

On decarbonization, our Scope 3 Maturity Benchmark now covers revenues of over \$2 Trillion, quite an astounding spread. Insights from over 150 organizations point towards the continued disparity between the targets that are set and the underlying structural investments required to hit them.

The benchmark points towards low maturity in areas like talent, procurement strategy, data, sourcing, and supplier frameworks as the counter to high commitment from executives and target setting. However, collaboration with peers at least does seem to be accelerating learning on "what to do," if not yet freeing up budgets to actually do it. For procurement, once more, this points towards winning on cost to invest in sustainability.

## MOST ORGANIZATIONS ARE RELATIVELY IMMATURE ON EMISSIONS BUT COLLABORATION IS DRIVING IMPROVEMENT



**INSIGHTS**  
from >150 large organisations highlight a gap between target setting and the investment needed to hit them.

- Lowest scoring elements include talent, procurement strategy, data, sourcing and supplier framework.

- Highest scoring include Exec buy in, target setting and collaboration.

- Several cross-sector initiatives are gathering pace.



# THE GREAT BIG DIGITAL DESIRE...

Finally, it wouldn't be 2024 without mentioning the transformative potential of digital and the danger that diving in head first may pose. Indeed, one of the reasons "AI may take your job" is if you neglect to do it properly today, preferring instead to bury yourself in Generative AI applications in search of gold. The noise is deafening around digital tools, and while some offer significant productivity and quality gains, it's important to look at practicality and possibility together.

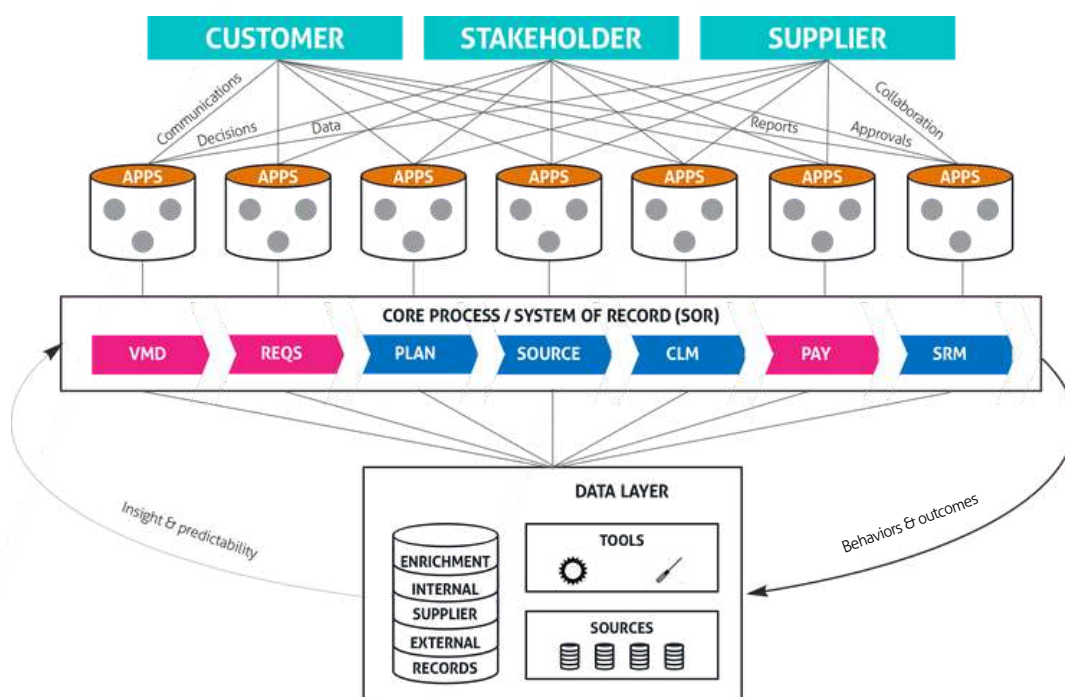
Many of the challenges that we face today are going to be substantially advanced by digital tools, but many digital tools are not going to significantly advance us, if that makes sense? It's hugely important to be focused on what is practical today as well as what is possible. Let the possible inspire, but the practical guide on the problems you can solve now, bridges you can build, and impact that you can make.

Businesses and procurement functions will need to invest more in tech this year and will need an AI strategy, of which step one should be to start understanding what AI is before talking about what AI can (realistically) do. AI advances in procurement will, beyond the pioneers, be most likely driven by the supplier base, some existing, some new, focussed in particular on optimizing the experience and connecting data.

Technology noise is going to continue thick and fast. Action on tech must be deliberate to ensure a balance of speed and cost.



## DIGITAL IS RESHAPING BUSINESS AND PROCUREMENT BUYERS AND SUPPLIERS ARE IN THE SPOTLIGHT



- CO-PILOTS  
Experience or orchestration layer - Digital workspaces

- ENABLERS  
Functionality layer  
'Best of Breed' applications

- AUTOPILOTS  
Connectivity layer  
Core system/hub

Insight layer  
Core system/hub





# IN SUMMARY

2024 is shaping up to be an exciting year whereby, again, the supplier contribution to businesses will be firmly in the spotlight. There will be multiple competing priorities and several headwinds, including but not limited to those mentioned above. The cost will be front of mind for most organizations, a debate that we must reframe as value for money and measure against various indicators.

## PROCUREMENT FOR THE BOLD

Proxima are a consulting business specializing in procurement, supply chain and supplier sustainability. We share an ambition to be the world's best procurement consulting firm for our clients and our people. We work collaboratively with our clients taking accountability for results and making change happen. If you'd like to discuss any of the issues raised in this paper, please get in touch at

[simon.geale@proximagroup.com](mailto:simon.geale@proximagroup.com)



**Proxima**  
PART OF BAIN & COMPANY

[proximagroup.com](http://proximagroup.com)

