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ODGERS BERNDTSON

The Deloitte Global CPO Survey 2016

Procurement: at a digital tipping point?

www.deloitte.co.uk/cposurvey2016



Contents

Introduction	1
Survey findings at a glance	2
Executive summary	3
Market outlook	6
Stakeholder engagement	8
Talent	10
Organisation	12
Technology	13
Conclusion	16
Industry summary	17
Regional summary	22
About the participants	24
Acknowledgements	25
Contacts	26

Introduction

Welcome to the fifth annual Deloitte Global Chief Procurement Officer (CPO) survey, which continues to provide a benchmark indicator of both historical and forward-looking sentiment in the procurement function.

Conducted in association with Odgers Berndtson, the 2016 survey is our largest sample yet: **324** of the most senior procurement leaders in organisations from **33** countries around the world took part, with the combined annual turnover of those organisations representing **US\$4.4 trillion**.

As always, this report covers the **state of play in key procurement issues** such as business engagement, talent, and market dynamics. In addition, we hope you'll enjoy this year's focus on the potential that emerging digital solutions could bring to the procurement value proposition.

In the report you will find:

- a summary of key, international insights into CPO sentiment
- infographics on results by industry sector and region
- observations and practical tips from fellow procurement leaders and Deloitte specialists.

Whether a procurement practitioner, partner or leader, we hope that you will find this report a valuable tool in further developing your procurement strategies.

Thank you for the time and insight of the many executives who have contributed. We look forward to continuing our dialogue with you.



Brian Umbenhauer
Global Head of Sourcing and Procurement
Principal, Deloitte Consulting LLP

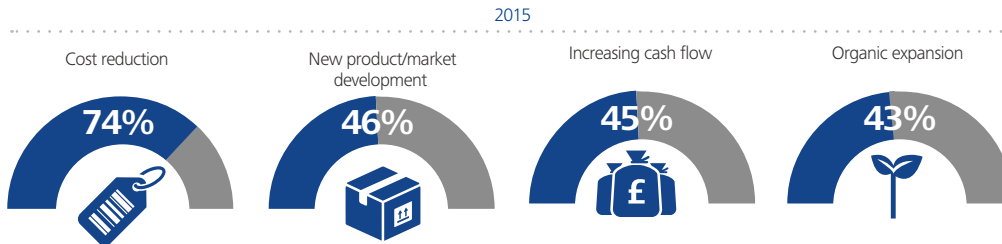


James Gregson
EMEA Head of Sourcing and
Procurement Partner, Deloitte LLP

Survey findings at a glance

Cost reduction is the top priority for CPOs as they look to sustain business growth in a slowing market

The top four corporate priorities for CPOs in 2016 show an appetite for growth but a slight shift back to a more conservative focus. Cash generation has risen again coupled with a 5 percentage point increase in the focus on cost reduction.

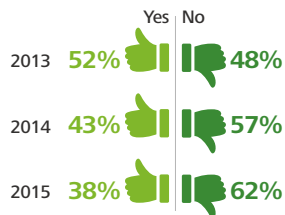


CPOs are primarily focusing on the following strategies to deliver value over the next 12 months

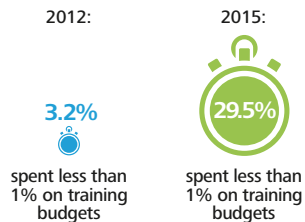
- Consolidating spend
- Increasing level of supplier collaboration
- Restructuring existing supplier relationships

Widening of the talent gap, with CPOs increasingly feeling their teams lack the skills needed to deliver their procurement strategy

62 per cent of CPOs do not believe their team has the skills and capabilities to deliver their procurement strategy, compared with 48 per cent two years ago

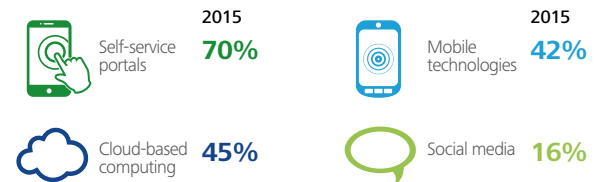


And yet investment in talent development has not been prioritised. Exemplified by the decline in spend on training over the past three years



Emerging technologies are presenting opportunities for improved value creation and better transactional efficiency

70 per cent focused on user engagement and experience through delivering self-service solutions.



40 per cent have a clear digital strategy covering solutions such as cognitive analytics, crowdsourcing and digital reporting.



Executive summary

A five year reflection on the economy

This year's survey triggers a moment of reflection – with five years passed since we first polled procurement's global leaders, we saw an opportunity to delve into not only the historical development of the function, but also to cast our minds forward to what the future could hold for procurement.

In 2011 the global economy was seeing a second year of growth as the world bounced back from the financial crisis. Yet uncertainties gripped financial markets, with speculation rife about the risk of Greek default and secession from the euro area, widespread fears about the US deficit and US business confidence, and of equities slumping. Japan, the world's third largest economy, was reeling from a devastating tsunami and resulting nuclear crisis. Meanwhile, emerging markets were running hot and became a key focus for corporate growth. The effects were rippling around the world as global supply chains were disrupted and restructured.

For CPOs, all this translated into weak supply markets as a result of low inflation, soft currencies in the Eurozone and US, and a lack of demand for credit. At the same time financial instability, increasing levels of outsourcing, and the demand for goods and services from emergent markets were driving a renewed focus on risk management. As a consequence, a position of aggressive cost control wrapped in risk protection had dominated most procurement strategies.

Some things don't change: At the time of publication, Greece continues to generate concern, and global financial uncertainty remains. The underlying causes are different, however. China's performance has weakened, with the Shanghai Composite having fallen considerably. Global commodity markets are considerably weaker with oil down at the US\$31 mark, and more broadly emerging markets excitement has abated. In Europe, Britain is reassessing its position in the European Union (albeit with a strong economic outlook) and the German economy has been rocked by questions of quality in its flagship automotive industry. In the US, the Federal Reserve is setting a cautious tone off the back of slowing job growth.

In parallel, internal pressure from CFOs and their boards sees a majority of our respondents expecting a drop in their operating costs this year, and a strict business focus on margin improvement. The drive for outsourcing continues, especially in larger organisations, but the focus on externalising more strategic activities has slowed for the first time since the survey began, perhaps reflecting a caution that hasn't previously existed or at least a tipping point in the perceived value of external support. Our report delves into these and other sentiment levels across the following pages, and discusses potential causes and courses of action.

Internal pressure from CFOs and their boards sees a majority of our respondents expecting a drop in their operating costs this year, and a strict business focus on margin improvement.

The future of procurement

Demand for impactful procurement continues to run high, both in terms of managing cost as well as unleashing the potential of the supply market to differentiate business performance. However the traditional constraints of manpower, expertise, and policy driven process are inhibiting.

Cycle times need to be shorter, insight needs to be richer and more agile, and performance needs to be more transparent and efficient.

In much the same way as sales forces, channel management and consumer engagement have been transformed by disruptive digital technologies over recent years, so we expect the same to occur for the supply market-facing assets of the business.

These technologies are emerging and in many cases already here to be leveraged: whether it's cognitive analytics to redefine scenario analysis, crowdsourcing to improve reach and creativity, or mobile analytics to unlock real-time performance management, the potential for these digital solutions to transform the procurement value proposition is considerable. Digital solutions should be embraced by CPOs and harnessed to greatly improve the function's accuracy, speed of execution, and relevance to the greatest business challenges.

In the back office, the rapid emergence of automation and robotics in process improvement will transform shared service delivery of the requisition to pay cycle, freeing up scarce resources into more value added activity.

It might be that soon the differentiation of leading procurement practice might be defined less by the war for talent, and more by the war for technology.

This appears to be indicated by the commentary provided by this year's respondents to the survey, who are investing more in innovation and digital technologies; and whether consciously or not, less in talent development.

We at Deloitte once described the emergence of cloud based technologies as ushering in an era of "procurement 2.0". We may already be on the cusp of a "procurement 3.0" that could ensure an impactful, dynamic and genuinely exciting future for the function.

Survey respondents hope to see a future with less process, more insight, more seamless engagement, and with demonstrable results.

Talent



62% feel their teams lack the skills needed to deliver their procurement strategy

Outsourcing



12% of CPOs are looking to increase outsourcing of category management/strategic sourcing and

26% of CPOs are looking to increase outsourcing levels of operational buying

Disruptive technology

CPOs are investing heavily in solutions to support their functions

Nearly half of respondents are investing in cloud based computing to support procurement activities



Cloud based computing

2015 2014

45% 26%



Mobile technologies

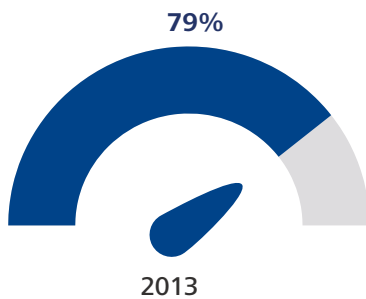
42% 23%



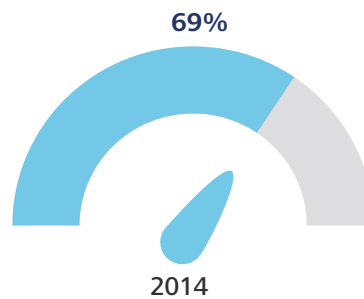
Social media

16% 6%

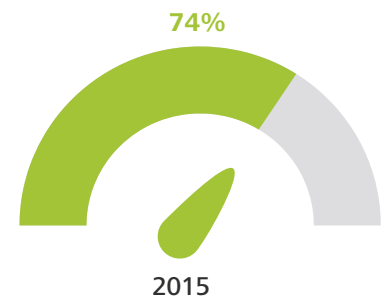
Cost focus



2013



2014



2015

CPOs view cost reduction as a key business strategy over the next 12 months

Market outlook

The economic background during 2015 and into 2016 is one of two major themes – weakness in global economic metrics, and heightened levels of geopolitical uncertainty.

While the outlook of our respondents varies greatly based on the geographic location of their operations, the goods or services they produce and the customers they serve, our respondents generally are more optimistic about prospects and growth than they were last year, and certainly more so than five years ago. However this trend is fragile and broader indicators show corporate confidence is has weakened in recent months.

In developed markets, rising incomes combined with falling prices for essentials, such as food and energy, have supported a growth in discretionary spending which is in turn creating positive GDP growth. At the time of publication, oil – a key price determinant of so many goods and services – is down at the US\$31 mark as a result of expanded US shale fracking, OPEC flooding the market with volume, and soft demand from China and elsewhere. This economic background has been something of a boost for CPOs – 90 per cent of our respondents claimed that soft markets in general, and falling commodity prices in particular, had directly contributed to savings delivery.

As a lever in this climate, cost reduction is even more prominent. After a temporary fall in popularity, three quarters of CPOs are now citing cost reduction as a strong priority for the coming 12 months. This is driven by a general trend of margin improvement and operating cost reduction, up 15 per cent to almost 50 per cent.

Prospects do vary greatly by industry. 91 per cent of life sciences CPOs are confident about their financial prospects, 83 per cent expect revenues to grow, and 77 per cent see a significant boost in cash flow (compared to 46 per cent across other industries). Compare this to financial services, or energy and resources, and the outlook is quite different, prompting alternative strategies and tactics from CPOs.

Reported levels of risk are up a further ten per cent from last year and CPOs identified volatility in emerging markets and rising geopolitical uncertainty (for the second year running) as the top risks affecting their supply chain. North American CPOs are considerably more concerned than their European counterparts, and also perceive greater levels of risk. No matter where they are located, the most concerned respondents are consumer business CPOs, many of whom are required to ensure availability of products in locations now affected by uncertainty, instability and even security risk.



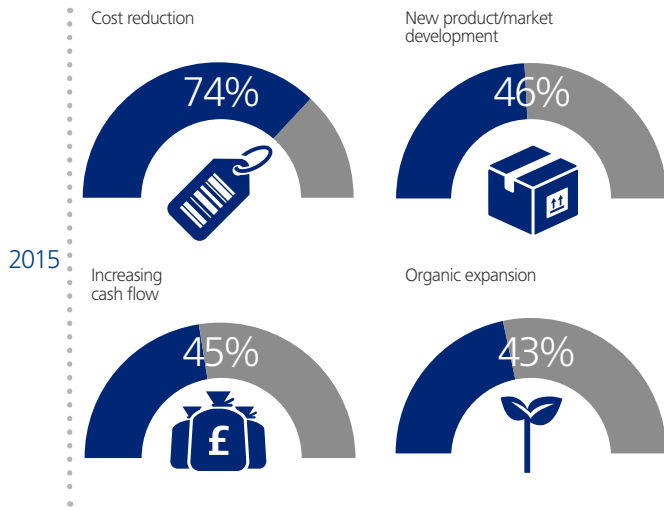
“The surge in CFO confidence and risk appetite that started in 2012 went into reverse in 2015. CFOs are upbeat about prospects for the US and UK economies, but pessimistic about the outlook in the euro area in emerging markets. CFOs have reacted by cutting back on risk-taking and sharpening their focus on cost control. This more defensive stance by the corporate sector points to slower growth in corporate hiring and capital expenditure in coming months.

Activity is likely to be de-synchronised across the world in 2016. The major sources of faster growth in the world economy are likely to be Europe and Japan among the advanced economies, and India, Indonesia and Mexico among emerging economies. Chinese growth is likely to continue its long-term deceleration and US activity is likely to stick around the 2.5% mark. The global recovery faces headwinds, but also some tailwinds – lower unemployment, low commodity prices and cheap money. The general consensus is that global activity may do a little better in 2016 than in 2015. But that would leave growth rates running well below pre-crisis levels, especially in the euro area and emerging markets.”

Ian Stewart, Chief Economist, Deloitte LLP

90 per cent of our respondents claimed that soft markets in general, and falling commodity prices in particular, had directly contributed to savings delivery.

Cost reduction remains a key feature for the near future
Business strategies seen as a strong priority for the next 12 months



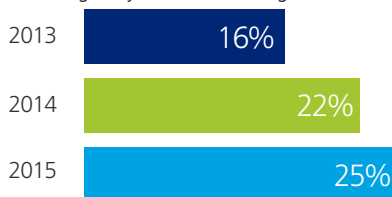
The net balance of respondents report a significant resurfacing of procurement risk

Level of procurement related risk

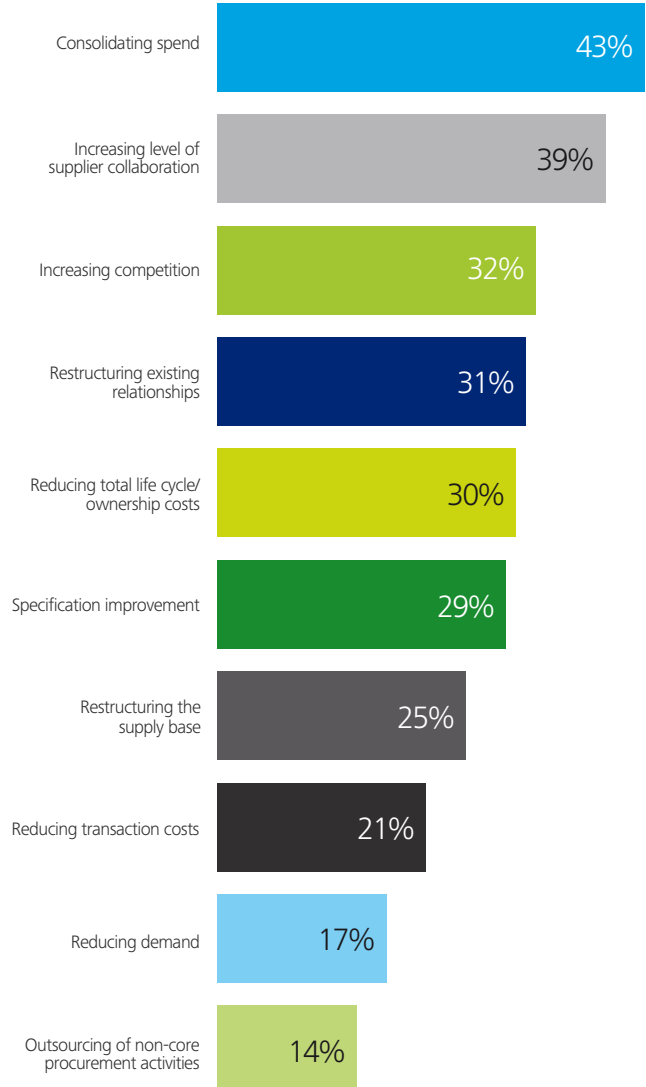


CPO participation in risk mitigation is growing each year

Percentage fully involved in management of risk



CPOs will continue their focus on generating value through traditional levers over the next 12 months



Stakeholder engagement

License to play

Internally, engagement across the business remains an area of focus but, for many, a development point. While there has been an increase since 2011 in those claiming strong relationships and understanding between procurement and the CEO and CFO, there remains a perception of lower levels of penetration and credibility in key business functions such as marketing and manufacturing. According to our respondents, procurement's role in the creation, manufacture and promotion of products or services could be more meaningful. As an example, only 18 per cent of our 320 respondents are always involved in new product development.

This year we have noted the positive impact of increased supplier collaboration, with those deploying these approaches rising to almost 40 per cent this year. But CPOs are also falling back on the traditional value levers of consolidation and relationship restructuring. The statistics do provide for some variation – life sciences organisations stand at the vanguard of those pursuing non-traditional procurement levers, as do those within the retail and consumer business industries. Perhaps this is driven by the dynamics of strong non-cost competition, heavy emphasis on new product development, and the ever-evolving need to penetrate new markets.

Generally, however, traditional approaches have featured prominently during 2015. One hypothesis could be that in the current economic climate, and with fellow executives calling for margin improvement and operating cost reduction, CPOs have been able to fall back on procurement's core competency to deliver value. Regardless of the tactics employed CPOs have continued to deliver the numbers for their businesses with less than 90 per cent meeting or exceeding their savings plans.



“Savings delivery means that organisations are able to realise the negotiated savings and there is a direct impact to their bottom-line. In order to do that, there needs to be a strategic and operational partnership with finance and accounts payable throughout the sourcing process including development of a savings model, validation of spend baselines and revamping of budgets to ensure that the negotiated savings and value is not lost after the contracts are executed. Additionally, there needs to be an executive buy-in and focus on change management and training as well as implementation of analytical tools to ensure there is visibility and governance throughout the process.”

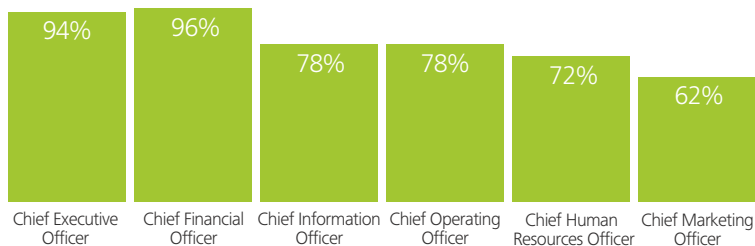
**Jeff Patton, Senior Vice President Procurement,
Brookdale Senior Living Inc**

“We are aiming to position ourselves as an integrated, value-creating component of the organisation. Our basis for doing so will be our deep knowledge of the group's services and products, with a focus on innovation and stakeholder management as well as heavy automation of transactional activities.”

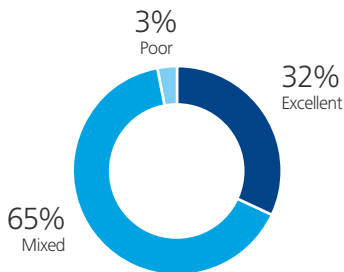
Dr Ulrich Piepel, CPO, RWE GBS GmbH

CPOs continue to emphasise the importance of relationships with the CEO and CFO

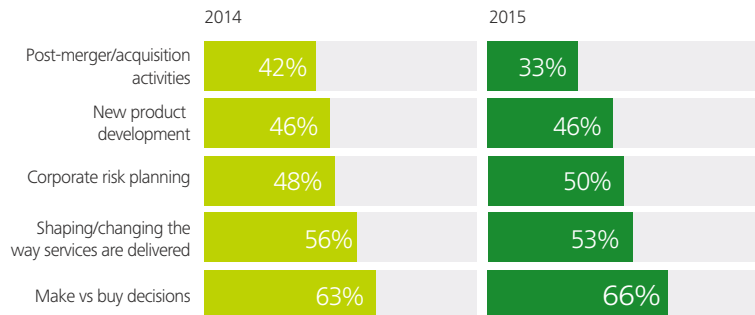
Importance of business partnering with other members of the C-suite



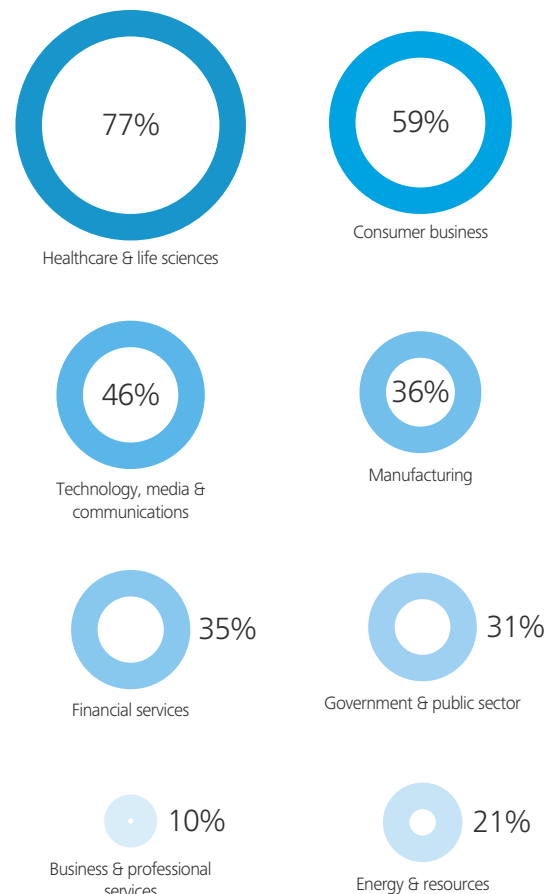
The majority of CPOs have mixed views on the effectiveness of their procurement function as strategic business partners



Procurement's involvement in decision making remains largely unchanged since last year



There are stark contrasts between industry groups where CPOs are actively driving innovation with suppliers



Talent

Playing to the team's strengths

In the past, the value proposition for a CPO was relatively simple: Give me more people and I'll save you more money. Years of double digit return on investment underpinned this case, and somewhat isolated procurement from the pressures felt by other 'back-office' functions. In a trend that has been emerging in recent years, but which is now a day-to-day reality, procurement is being asked to do more for less, or at least to do different things within the same team.

In 2014 57 per cent of CPOs responded that their teams did not have the skills or capabilities to deliver their procurement strategy. This year that number has further increased to 62 per cent, and sits at a majority in all industries – ranging from 57 per cent in government to 80 per cent in financial services. CPOs appear acutely aware of what needs to be done – better, more focused partnering with the strategic business functions; greater insights derived from analytics; and supplier relationships that are collaborative, innovative and sources of competitive advantage – but most feel they are unable to field a team (and perhaps the tools) that can deliver those activities.

Securing new talent to join the function remains difficult and training is underrepresented as a capability development mechanism. Just under half of CPOs felt that attracting talent has become even more difficult over the last 12 months, and in parallel over a third have had to face cuts to their recruitment budgets. Training and investment in existing capabilities is also underwhelming. Training budgets for 30 per cent of respondents are less than one per cent of total operating budgets – a quarter of which might be considered best practice. One positive trend is that for those investing in training, the balance between upskilling in core traditional procurement competencies and that training focused on softer skills (influencing, partnering, and leadership) has reached parity in this year's edition of the survey.

After five years of an observable downward trend in talent matters, is the mould broken? While recruitment efforts can always be bolstered, as can training, we question whether the challenge is more fundamental, and requires CPOs to look at ways of complimenting their talent pool with new assets and capabilities. Digital disruption may well be creating the opportunity for the deployment of new tools and ways of working.



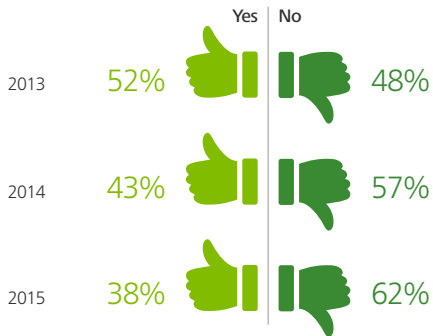
“The continued increase in the skills gap is worrying. This gap has been getting wider since we began the survey, at the same time as investment in training is declining. This is a huge missed opportunity for the procurement function since the board room door has never been more open to the profession. The skills gap in many cases is around broader business acumen rather than technical procurement competence. The next generation of CPOs will need to demonstrate a high degree of learning agility to tune in to the mood of their business stakeholders. If the procurement function fails to invest in such areas of development, companies will increasingly populate the procurement organisation from other areas across the supply chain and beyond as they become disappointed with the talent available to them. Collectively, steps need to be taken now to attract, train and retain the next generation of leaders for which the benefits will only come through in the medium term. It will be very disappointing if the results of the 2016 survey continue to show the gap widening and a similar low level of investment in training”.

Lucy Harding, Partner and Global Head of Practice,
Procurement and Supply Chain, Odgers Berndtson

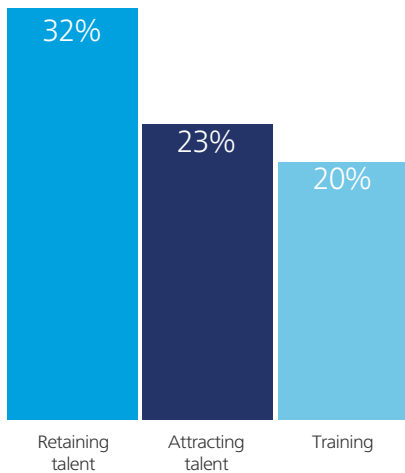
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There is a widening talent gap in procurement, with CPOs increasingly feeling their teams lack the skills needed to deliver their procurement strategy

Does your team have the necessary skills to deliver your procurement strategy?



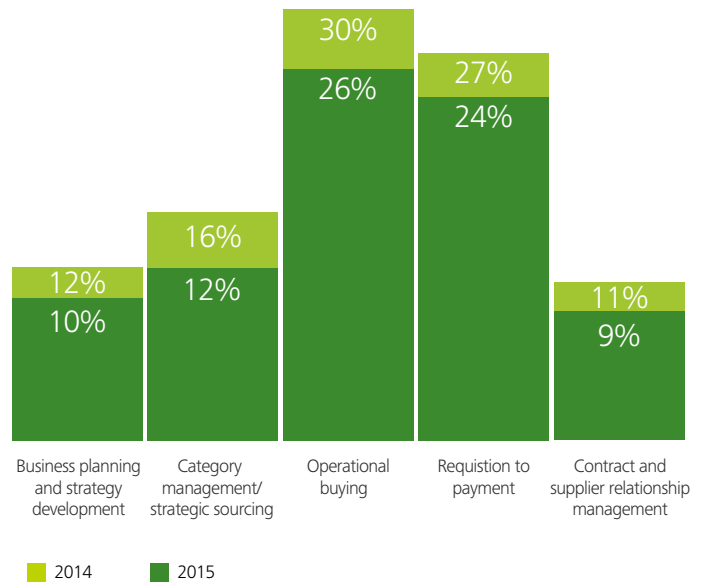
CPOs have a strong focus on retaining their existing talent



Overall, CPOs are less focused on outsourcing key activities



The number of CPOs looking to increase outsourcing in each of the areas of activity below has fallen since 2014



Organisation

Calling for backup

Over the past five years, we have seen a sustained push toward outsourcing as a way of plugging the capability gap. This has been particularly evident as we have tracked a historical shift from outsourcing solely for lower value tasks where the cost/value equation for internal resources was difficult to argue, to those considered more strategic and 'core'. In 2014, of the 19 per cent of CPOs looking to increase levels of outsourcing, 16 per cent were considering doing so in support of category management or sourcing, and one in 10 was looking for help with strategy formulation itself.

This year, the trend has slowed overall, and 17 per cent of CPOs now are no longer merely looking at outsourcing but are firmly under pressure from their executives to do so. This trend is most prevalent in the largest organisations – 40 per cent of CPOs from organisations with an annual turnover in excess of US\$10 billion are expected to pursue an outsourcing strategy for some element of their function. Clearly the risks and associated effort of outsourcing are a deterrent for smaller organisations, with those turning over less than US\$10 billion considerably more guarded despite what could be argued as the benefits of augmenting the capabilities of smaller teams to drive business objectives.

Outsourcing for procurement, along with a wider shared services strategy, is now well established as part of organisation-wide strategy, with most CPOs now part of a much broader play for back-office efficiency. 57 per cent of our respondents reported that their outsourcing or offshoring strategy was being shaped in some way by their organisations approach to global business services (GBS). The business case behind this holistic approach is clear – synergies from set-up costs, singular change management efforts, co-location benefits and the benefit of a broader business push behind a centralisation or outsourcing effort.

In other ways though, without considerate design, deployment of procurement as part of a GBS offering will restrict some of the flexibility CPOs have traditionally had in defining their service offering. For every benefit of scale, there remain challenges with service standardisation across functions, one business partnering or engagement model regardless of content, and the creation of harmonised metrics. The opportunity to leverage GBS is great, but CPOs must play an active role in articulating the unique value proposition they wish procurement to play when being considered for consolidation alongside other functions, such as payroll or account payable.



“We have successfully outsourced and offshored our accounts payable processes. It has been successful because we invested in building the level of trust and taken a cohesive approach with our outsourcing provider. In my experience, if an outsourcing contract fails it is never because the vendor failed or the client failed; it will be a combination of the two. But the reverse is also true – both need to work together to build a successful relationship. An outsourcing relationship is doomed if either party takes an adversarial approach because more energy will be spent on defending positions rather than delivering the core service.”

James Cay, Managing Director, Global Procurement,
Bank of New York Mellon

The opportunity to leverage GBS is great but CPOs must play an active role in articulating the unique value proposition they wish procurement to play when being considered for consolidation alongside other functions.

Technology

Time for a technology-led revolution

Disruptive technologies are emerging that have the potential to build capabilities and to provide procurement with the ability to navigate the key challenges faced by the function, through the opportunity to greatly improve accuracy, speed of execution, relevance to the business, and outcomes.

Satisfied customers?

Investment in procurement technology has traditionally focused on – spend visibility, eSourcing, contract management, and requisition to pay. These technologies initially emerged during the ecommerce revolution of the 1990s and have subsequently improved to an extent through the capabilities of cloud computing. Over these past five years, CPOs have been focused on ensuring these core capabilities are in place and appropriately integrated across the enterprise.

As consumers we have been provided with more instantaneous gratification through technology, and within organisations leading functions have embraced mobile applications, analytics and social media. Meanwhile, procurement has seemingly poured resources into the technology equivalent of bricks and mortar with a pre-occupation with control and compliance to process.

In this process and systems environment with the aforementioned challenges facing the function across talent, engagement, penetration and service delivery, it is little wonder that we sometimes hear procurement referred to as a bottleneck to value delivery. Even the largest businesses strive to be increasingly agile more effectively respond to volatile market trends and shifting consumer preferences. Having to engage with a rigorous process in order to buy something seems like a nuisance at best and a threat to profitability at worst.

Procurement 3.0

The message from non-procurement stakeholders to the CPO is clear and consistent: deliver more insight on demand to inform my most strategic decisions; and at the same time, make day-to-day execution ruthlessly efficient, lightning quick, and transparent.

Case study: Robots in action

At a Deloitte client, ten employees currently undertake work in progress (WIP) analysis as part of the record to report process. They use spreadsheets, email and their ERP to perform 2,000 cases on average per month. It takes one employee approximately ten to 15 minutes to process each case. This WIP analysis process was chosen as a proof of value project for robotics implementation.

A virtual machine and management platform were installed and access was granted to the client's systems. It took about four weeks to implement and test the process, and to present a working demonstration.

The robot is able to replicate the process steps with more accuracy and more quickly than the human team, on average four minutes per case. The robots currently have a defect volume of 0.2 per cent, which is typically the result of missing information in the original business request.

The robots are online and available to process cases 24 hours a day, seven days a week, subject to ERP uptime and the timing of batch processing.

Technology presents two parallel tracks of opportunity. The first sees the leveraging of technology to support the ‘upstream’ or strategic elements of procurement. Technologies like cognitive analytics, crowdsourcing and digital reporting are here to stay. Such tools could provide evidenced based options for decision making, using advanced artificial intelligence to greatly improve accuracy and speed of execution.

‘Downstream’, where procurement must deliver operational and transactional activities, the focus is trending toward greater levels of self-service and increased automation to drive efficiency and effectiveness. Where many are looking to decrease levels of investment in traditional technologies like sourcing, contracts and requisition to pay, almost half are now focused on cloud based solutions and mobile technologies. 70 per cent of our respondents are focused on delivering self-service solutions for the business, taking the strain off their teams and allowing the business to manage its own activity.

We expect that procurement will still be accountable for transactional activity. The development of technologies for supporting transactional activities and shared services has significantly accelerated in recent years, with more evolved workflow applications and robotic process automation.

Robots interact with existing IT applications to enable transaction processing, data manipulation, and communication across multiple IT systems. In effect, multiple robots can act as a virtual workforce – a back-office processing centre without the human resources.

How realistic is this? Well, in a recent Deloitte survey of 183 shared service leaders focused on robotic process automation, increasing the level of automation ranked as the second highest priority, just behind focusing on continuous improvement. Some 13 per cent were planning on investing in some type of robotics in the next 12 months. Further, the respondents felt like 56 per cent of roles in a typical finance function could be automated – even including purchasing managers.

Digital disruption and robotics could either reinvigorate or replace procurement’s value proposition. Together they could allow CPOs to rebalance their functions upstream, focusing on insight, while reducing the focus on operational and transactional activities downstream. Failure to do one, could mean that all that is left is the other.

Case study: Automated contract metadata capture saves clients time and money

Supply base consolidation is a primary value driver of M&A activity, and supply continuity is still a major challenge for divestitures. Yet analysing current supplier relationships requires insight into supplier contracts, and many companies struggle to gain insight into key contract commercial terms that are often buried in static electronic and paper files.

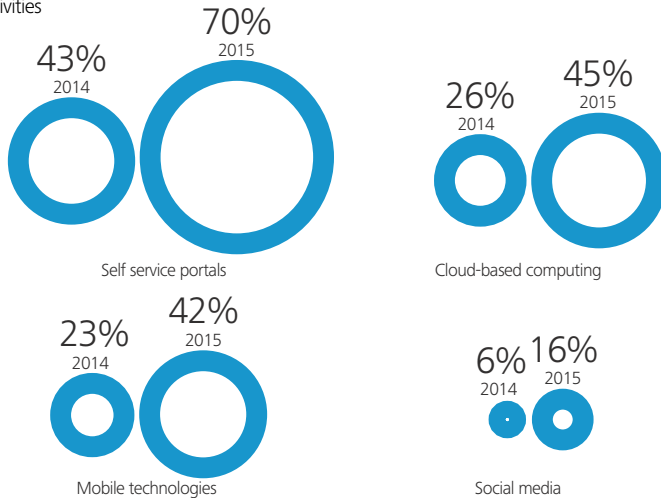
New technologies are changing the game. Next generation content extraction solutions like Deloitte Intelligent Contract Extraction (D-ICE) have streamlined contract discovery to help clients more quickly identify insights and achieve significant cost savings. Using technologies such as advanced optical character recognition, machine learning, and natural language processing, these solutions rapidly and securely identify key contract terms, which can be exported to analytical platforms such as Excel.

The efficiency improvement is truly impressive: What had once taken 10 weeks to capture 1,000 documents now takes less than two weeks, thanks to automated contract metadata capture.

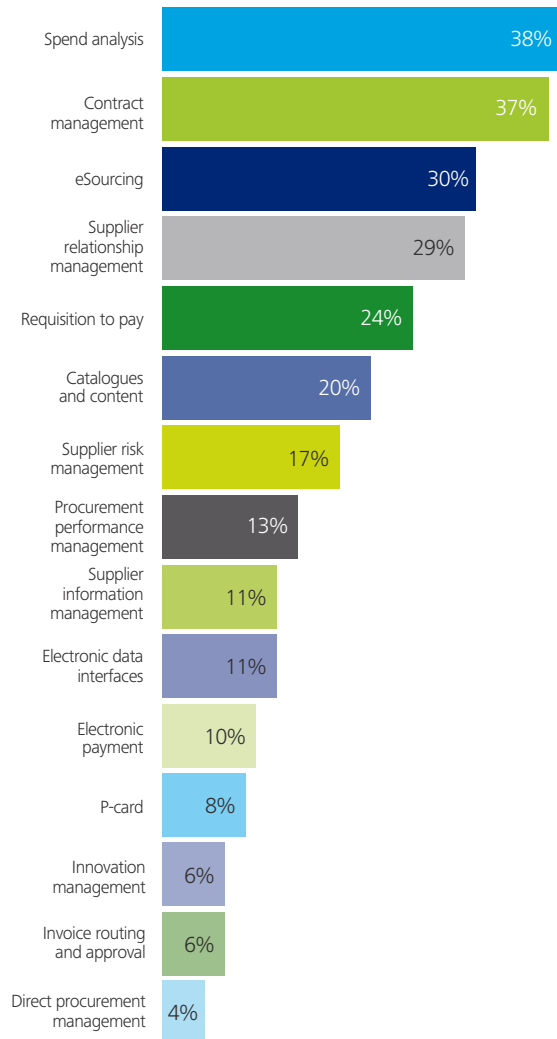
In a recent example, Deloitte professionals processed more than 30,000 agreements in four weeks for a Fortune 500 Tech company preparing for divestiture. This helped the client realise more than \$50M in cost avoidance and negotiated savings.

Digital disruption and robotics could either reinvigorate or replace procurement’s value proposition.

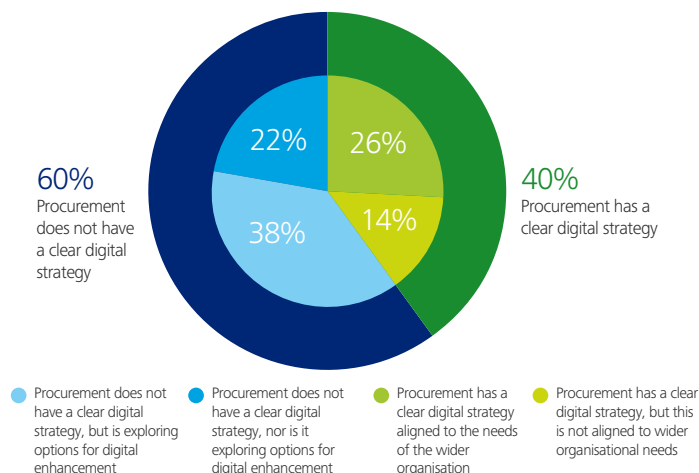
Many CPOs are now investing heavily in innovative digital solutions
Comparison of innovative technology solutions being invested into support procurement activities



Areas most likely to receive investment over the next 12 months



While only 22 per cent of CPOs have yet to start their digital journey



Conclusion

What does this all mean for procurement?

While much about both the function and the organisations it serves may appear the same as five years ago when this survey first began, much has also changed. Foremost among this is the role the digital revolution has played in changing the way we interact with the world we live in. Consumer businesses and customer facing functions have embraced this change and are bringing about a virtual revolution in the experience of how goods and services are researched, provisioned, transported, and received. The rapid evolution of the online shopping experience and the upcoming emergence of drone deliveries are just two examples of this phenomenon.

Procurement is effectively positioned to join the digital revolution. It can offer a radically different value proposition to the organisation – one that removes the traditional process-led bottle neck and the need to allocate significant human resource to still-essential transactional tasks. While embracing such technologies will not immediately or even completely resolve the challenges the function faces in terms of talent, standing in the organisation, or overall efficacy that we have identified in this report, it does present a significant opportunity for CPOs to leverage lessons from elsewhere and to tailor their application to the supply-side dynamic of procurement. Some CPOs are already grasping this opportunity, but many are not. What about you?

If you would like to discuss any of the issues found in this report or would like to share your thoughts, please contact your local procurement lead that can be found in the contacts section.

There is no reason why procurement cannot embrace the digital revolution to offer a radically different value proposition to the organisation. One that removes the traditional process led bottle neck, and the need to allocate significant human resource to still-essential transactional tasks.

Industry summary

Life sciences



Life sciences

Market outlook

- These CPOs are more likely to be confident about financial prospects than their peers.
- 82 per cent identify cost-cutting activity as a key priority for the next 12 months.
- The number looking to restructure their supply base has doubled since last year to 37 per cent.

Risk

- The majority report that procurement related risk has increased over the last 12 months, compared to last year when the majority reported a decrease in procurement risk.
- These CPOs are more actively involved in risk management and mitigation than their peers.

Technology

- These CPOs are more likely than their peers to have a clear digital strategy in place.
- They are less likely to see cost as a key consideration when adopting new technologies.

Talent and organisation

- Almost three quarters report that their team does not have the skills to deliver their procurement strategy.
- These CPOs report a sustained focus on outsourcing non-core elements of their functions.

Manufacturing



Manufacturing

Market outlook

- These CPOs are more uncertain about economic conditions than their peers.
- They are looking to focus much more heavily on supplier collaboration than they were last year.
- Seven out of ten are reporting an increased focus on cost cutting.

Business engagement

- Manufacturing CPOs are twice as likely to sit at the board level compared to their peers.
- These CPOs are much more likely to have a very good relationship with their CEO.
- Manufacturing CPOs play a more active role in decision making and are better informed of changing business requirements.

Technology

- These CPOs are less likely to be investing in digital technologies over the next twelve months, including cloud solutions and analytics.

Talent

- These CPOs have shifted their focus away from attracting new talent in a difficult market toward retaining their existing procurement teams.
- Almost two thirds identify training their teams on technical procurement skills as the priority rather than looking to develop soft skills.

Industry summary

Consumer business



Consumer business

Market outlook

- The financial outlook is more optimistic and CPOs are expecting organisational CapEx to increase.
- These CPOs are focused on entering new markets and developing new products in the coming year.
- However, they are significantly more uncertain about the market now than they were 12 months ago.

Business engagement

- These CPOs are typically better informed of changing business requirements than their peers.
- They are also more likely to be involved in shaping the way services are delivered when compared with their peers.

Technology

- Consumer business CPOs are more likely to be investing in new technologies, with the number looking to invest in self-service portals doubling since last year.

Talent

- CPOs are prioritising retaining existing talent more than ever since the survey began.
- These CPOs are also much more likely than their peers to be focused on outsourcing operational buying activities.

Public sector



Public sector

Market outlook

- Public sector CPOs are much more likely to have met their savings plans this year compared to last year. Almost half the CPOs are also expecting CapEx to increase over the coming year.
- These CPOs are much more focused on contract management than their peers.

Risk

- These CPOs are less concerned about procurement related risk than their peers.
- They are also much less focused on mitigating supplier risk than their peers.

Technology

- Three quarters of public sector CPOs are investing in digital technologies, a marked increase when compared with previous years.
- The number of CPOs planning to invest in mobile technologies has doubled since last year.

Talent

- Contrary to the widening skills gap across other industries, public sector CPOs report that the skills gap has actually narrowed since last year.
- These CPOs are much more likely to be looking to attract new talent over the next 12 months than their peers.

Industry summary

Financial services and insurance



Financial services and insurance

Market outlook

- These CPOs reported the most marked year on year increase in uncertainty of all industry groups.
- However, they are more optimistic about financial prospects than they were 12 months ago.
- They are almost twice as likely as their peers to be prioritising strengthening governance with their suppliers.

Risk

- Financial services CPOs are much more likely to report increasing levels of procurement risk than their peers.
- Only 14 per cent of these CPOs rate their procurement function as an excellent business partner – compared to a third of their peers.

Technology

- These CPOs are much more likely to be investing in self-service portals than their peers.
- They are also much more likely to have a unified IT landscape, with business units aligned to a single solution.

Talent

- The talent gap has widened significantly, with 79 per cent reporting that their team does not have the necessary skills, compared to just 47 per cent in 2013.
- Despite the talent gap, CPOs reported no significant increases in activity to attract, retain or train talent.

Energy and resources



Energy and resources

Market outlook

- The number of CPOs reporting worsening financial prospects has increased dramatically – from one in ten in 2013, to two in ten in 2014, to five in ten this year.
- Despite this, a third of CPOs report that they have leveraged falling commodity prices to generate significant savings over the last 12 months.

Risk

- These CPOs report low involvement in risk management, with 92 per cent indicating they are not embedded in risk management within their organisation.

Technology

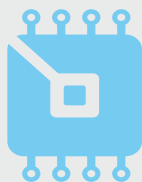
- Ahead of their peers across other industries, more than a third of CPOs reported they had a digital strategy aligned to the rest of their organisation.
- These CPOs identify data shortcomings, with 60 per cent not having access to high quality data.

Talent

- These CPOs have shifted their focus away from attracting talent, focusing instead on retaining existing talent and training.
- They are also focusing more heavily than in previous years on outsourcing operational buying activities.

Industry summary

Technology, media and telecommunications



Technology, media and telecommunications

Market outlook

- The number of CPOs reporting an increase in uncertainty has doubled since last year
- Half of these CPOs are now focusing on collaborating with their suppliers – up from one in ten last year.

Business engagement

- Technology, media and telecommunications CPOs are twice as likely as their peers to feel well informed of changing business requirements.
- These CPOs are also 50 per cent more likely to be involved in shaping the way services are delivered.

Technology

- These CPOs indicated a specific focus on investing in cloud-based solutions this year, with more than half looking to invest.

Talent

- The talent gap within Technology, media and telecommunications is much less profound – these CPOs were much more likely to report that their teams had the necessary skills to deliver their strategy.
- Only 33 per cent identified training as a key priority compared to 58 per cent across all other industries.

Professional services



Professional services

Market outlook

- These CPOs are significantly more optimistic about financial prospects than they were 12 months ago.
- Specification improvement is seen by these CPOs as the key lever to be deployed to deliver value over the next 12 months.

Risk

- Only a quarter of CPOs are fully involved in risk management, though this number is rising steadily each year.
- These CPOs are looking to drive innovation with their key suppliers much more so than in previous years.

Technology

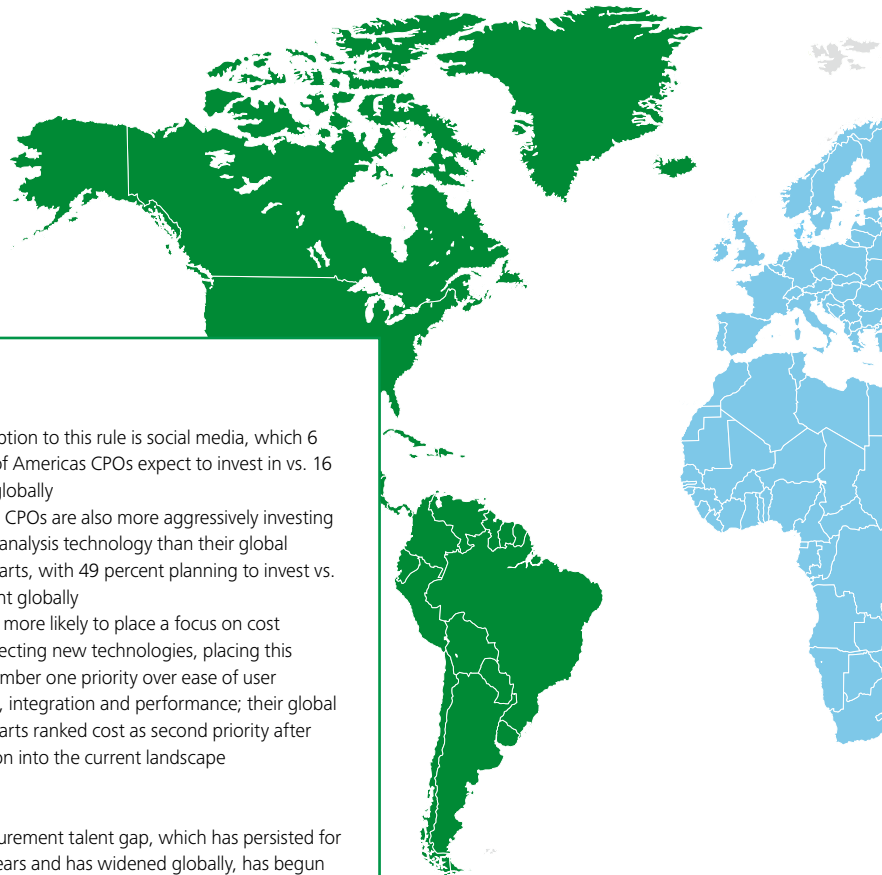
- 83 per cent of CPOs feel their teams have access to high quality market data, up from 40 per cent in 2011.
- These CPOs are twice as likely as their peers to be investing in social media.
- They are the least likely to have a digital strategy in place that is aligned to the rest of their organisation.

Talent

- Professional services CPOs are expecting their recruitment budgets to remain unchanged, whereas their counterparts across all other industries are expecting a decrease.

Regional summary

● Americas ● EMEA ● Asia Pacifics



Summary of Americas responses

Market outlook

- Optimism has declined over the last year, with 28 percent of CPOs reporting worse financial prospects for their organizations than 12 months ago, compared to 23 percent of CPOs globally
- Americas CPOs reported an increase in financial and economic uncertainty, with 63 percent reporting an increase compared to last year, which is nine percentage points greater than the global average
- CPOs are more likely to have leveraged softening commodity prices over the last 12 months, which may be a key driver in strong savings delivery, with six in 10 exceeding their savings target

Risk

- 40 percent of Americas CPOs report an increase in procurement-related risk over the past year, slightly fewer than the global rate of 42 percent; however, 18 percent of Americas CPOs believe the increase in risk is significant, vs. only 12 percent of CPOs globally

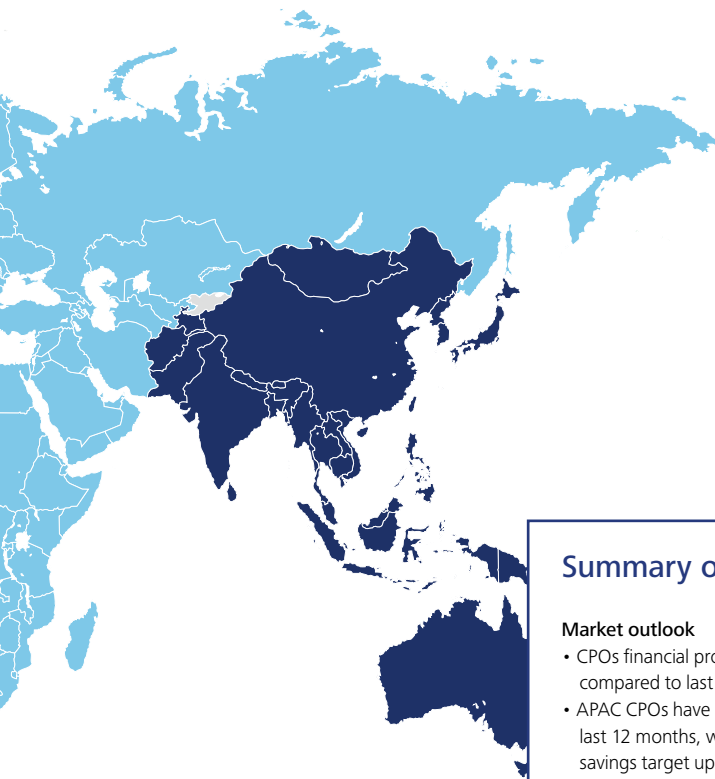
Technology

- Americas CPOs are more likely to invest in innovative technology, including self-service portals (73 percent vs. 70 percent globally), mobile technologies (53 percent vs. 42 percent globally), and cloud based computing (48 percent vs. 44 percent globally)

- The exception to this rule is social media, which 6 percent of Americas CPOs expect to invest in vs. 16 percent globally
- Americas CPOs are also more aggressively investing in spend analysis technology than their global counterparts, with 49 percent planning to invest vs. 38 percent globally
- CPOs are more likely to place a focus on cost when selecting new technologies, placing this as the number one priority over ease of user adoption, integration and performance; their global counterparts ranked cost as second priority after integration into the current landscape

Talent

- The procurement talent gap, which has persisted for several years and has widened globally, has begun to narrow in the Americas, with 39 percent of CPOs claiming that their team has the necessary skills this year vs. 36 percent last year
- In accordance with their relatively higher confidence in the skills of their teams, Americas CPOs report that retaining talent the key priority, in contrast to the focus on training in APAC and attracting talent in EMEA
- Outsourcing remains as an established tactic for Americas CPOs, with 19 percent planning to increase the level of outsourcing of procurement functions over the next year vs. 16 percent globally



Summary of EMEA responses

Market outlook

- Financial prospects are significantly better and more stable than across the rest of the world.
- Uncertainty levels have gone up, but to a lesser extent than across APAC and the Americas.

Risk

- Although a net balance of 38 per cent CPOs reported an increase in procurement related risk, this was markedly less than their Americas and APAC counterparts at 55 and 51 per cent respectively.

Technology

- EMEA CPOs are investing more in social media over the next 12 months, with 23 per cent looking to invest compared to 8 per cent elsewhere globally.

Talent

- The talent gap has widened, with the number of CPOs reporting their team does not have sufficient skills to deliver their strategy, rising from 50 to 63 per cent.
- This does not appear to have stimulated any significant moves to prioritise training, or to ramp up efforts to attract new or retain existing talent.

Summary of Asia Pacific's responses

Market outlook

- CPOs financial prospects were relatively unchanged compared to last year.
- APAC CPOs have performed very strongly over the last 12 months, with the number exceeding their savings target up from just two out of 10 in 2014, to over half this year.
- APAC CPOs reported a significant increase in levels of uncertainty over the last 12 months, with 64 per cent reporting that this has increased.

Risk

- 89 per cent of APAC CPOs feel their procurement function is kept well informed of changing business objectives, compared to 75 per cent elsewhere.
- APAC CPOs are less likely to rate themselves as an effective strategic business partner than their global counterparts.

Technology

- APAC CPOs are lagging slightly behind their global counterparts with digital strategies, only three in 10 reported that they have a digital strategy in place vs. four in 10 globally.
- APAC CPOs reported an increase focus on investing in all types of innovative technologies, including cloud and mobile technologies, as well as self-service portals and social media.

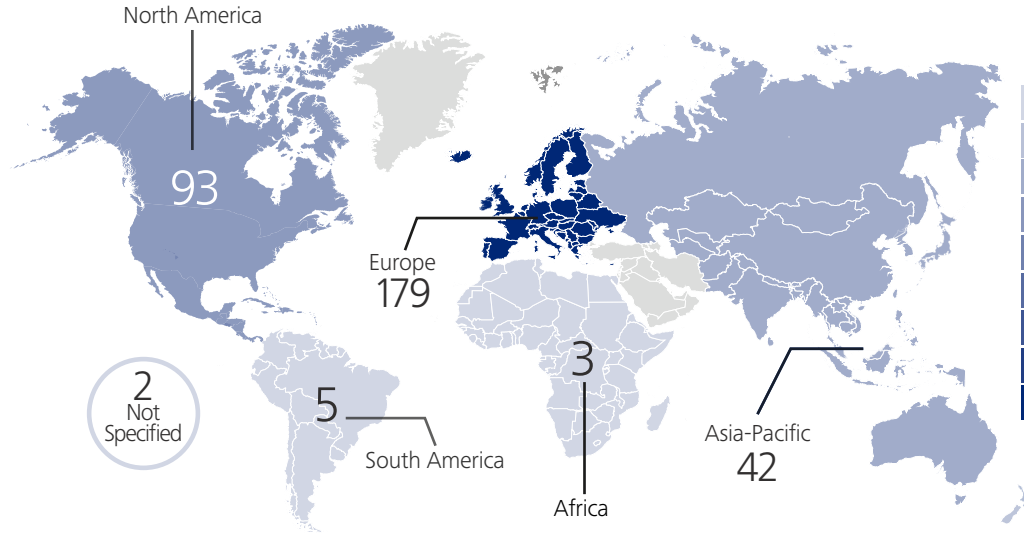
Talent

- In 2014, 81 per cent of CPOs reported that their team did not have the skills they needed; this figure has fallen dramatically to just 65 per cent this year.
- Over the past two years the number of CPOs indicating that attracting and retaining talent as well as training are key priorities has gone up dramatically.
- Outsourcing activity has increased much more significantly in APAC than across the rest of the world.

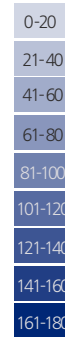
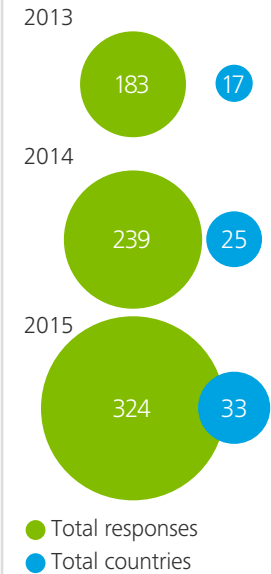
About the participants

Responses by geography

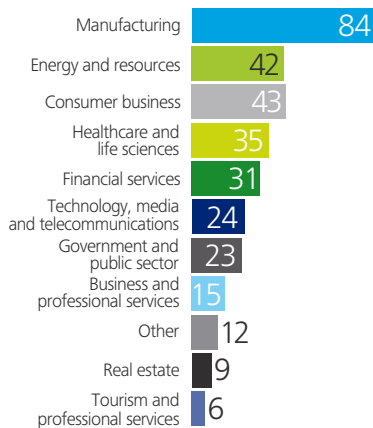
This survey combines opinions of 324 procurement leaders from 33 countries across the world



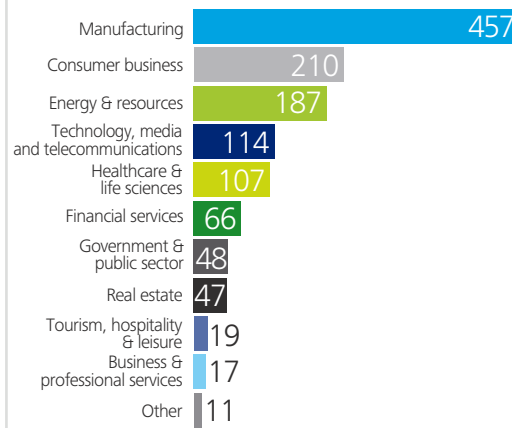
Response rate year-on-year



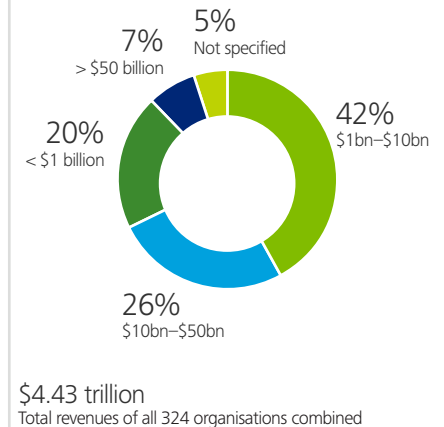
Responses by industry



Third-party spend managed by industry (\$bn)



Responses by organisation revenues



Acknowledgements

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A huge thanks goes out to Odgers Berndtson without whom we would not have been able to conduct the survey

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Notes

Notes

About the survey

Conducted in association with Odgers Berndtson, the Global CPO Survey is an annual survey of Chief Procurement Officer's across the world. Looking at the state of play of procurement, the survey comprises a benchmark indicator of sentiment in the industry.

This year's survey findings have been formed from a sample of 324 of the most senior procurement leaders from 33 countries, and is based on data received between 2011 and 2015.

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