ProcureCon INSIGHTS

THE STATE OF PROCUREMENT IN H2 2025

Procurement Leaders Share Their Plans
for Overcoming Strategic Challenges and
Driving Innovation in the Supply Chain

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EXECUTIVE SUMMARY

Procurement teams are embracing new technologies and artificial intelligence, but they still have a long way to go before reaching full maturity. Leaders feel satisfied with their core technology tools despite significant challenges, including limited budgets and a lack of strategic alignment within their organizations.

Recent supply chain disruptions continue to test procurement's resilience. As they plan for the future, leaders are shifting their focus toward digital transformation, agility, and sustainability to protect the business from shocks to the supply chain, unexpected costs, and other risks.

These priorities reflect a move away from traditional cost-cutting. The state of procurement over the next 12 months will be decided by stronger supplier relationships, innovative value-added practices, and the improvement of collaboration across functions.

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ABOUT THE RESPONDENTS

The survey respondents occupy roles in procurement, supply chain, and risk management. Most of them are either department heads or higher, with 18% occupying the C-suite.

The respondents represent a diverse set of industries, including aerospace and defense, automotive, chemicals, consumer products, energy, and industrial manufacturing, among others. Most of the companies represented in the study (64%) have $250 million or more in spend under management, including 34% that have more than $1 billion.

KEY INSIGHTS

Among the respondents:

72% consider their AI maturity "moderate."

65% experienced supply shortages in the past 12 months.

49% cite budget and misalignment as technology adoption barriers.

75% prioritize shared sustainability goals with suppliers.

47% say managing supply chain disruptions is their top 2026 challenge.

65% rank digital transformation as their top enterprise priority.

38% rate their cross-functional collaboration as only "fair."

36% are "not satisfied" with their AI-powered supplier and risk assessment technologies.

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LEADERS REPORT MODERATE TECHNOLOGY SATISFACTION & AI MATURITY

Procurement leaders show generally positive attitudes toward their technology investments. However, there are some disparities between the function's technology performance and the maturity of its systems.

For example, while most leaders have moderate to high levels of satisfaction regarding their standard procurement tools, their AI maturity is still moderate.

Organizations report that they are either "somewhat" or "very" satisfied with many of the disciplines' established platforms.

Specifically, 88% are at least somewhat satisfied with their spend analytics tools. Similarly, 85% say the same about their supplier relationship management tools, and 81% say the same about their digital marketplaces and catalogs.

Fewer respondents say they are "very satisfied" with the more advanced solutions they've implemented. For example, most are only somewhat satisfied with their predictive analytics (61%) and ESG monitoring (66%) solutions.

Procure-to-pay automation and automated contract management reveal more moderate results. Both technologies show low "very satisfied" levels at 31% and 30%, respectively, paired with dissatisfaction rates of 19% and 11%.

These findings suggest process automation delivers value but struggles with integration and implementation challenges.

Finally, more than one-third (36%) also say they are "not satisfied" with their AI-powered supplier selection and risk assessment technologies. This result likely stems from the complexity of supplier evaluation, which requires advanced algorithms and cleaner data than many organizations currently possess.

Satisfaction in this area will likely increase as procurement's AI strategies mature.

Technology Satisfaction Demonstrates Broad Acceptance

How satisfied have you been with your organization's implementations of the following procurement technologies over the past 12 months?

- ● Very satisfied
- ● Not satisfied
- ● Somewhat satisfied
- ● Not implemented

Spend analytics platforms
40%
48%
11%
1%

Supplier relationship management systems
40%
45%
15%
0%
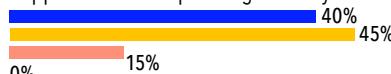
Digital marketplaces/catalogs
37%
44%
18%
1%
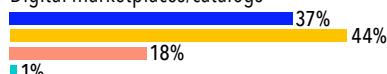
Predictive analytics for demand forecasting
36%
61%
3%
0%
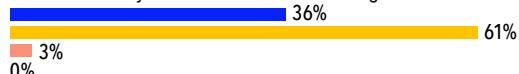
ESG monitoring and reporting tools
31%
66%
3%
0%
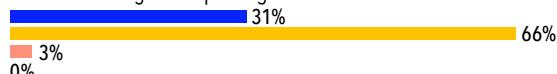
Procure-to-pay automation
31%
50%
19%
0%
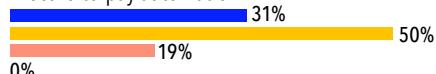
Automated contract management and analysis
30%
59%
11%
0%
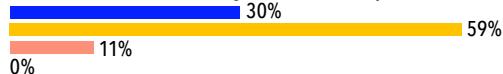
AI-powered supplier selection and risk assessment
27%
37%
36%
0%

AI Adoption Outpaces Maturity

How would you rate your organization's current level of AI adoption in its procurement processes?
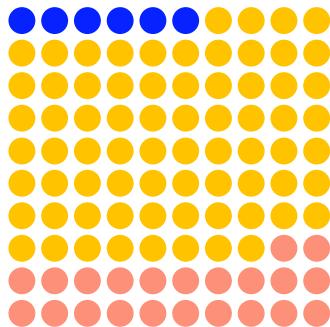
- **6%** Advanced: Widespread implementation across procurement functions with measurable results.
- **72%** Moderate: Successful use cases in some procurement functions with some efficiency gains.
- **22%** Early: Partial implementation or pilot testing.

The survey results suggest that AI adoption is now universal in procurement, with all surveyed organizations reporting some implementation. However, their AI maturity levels are mostly moderate (72%) or early (22%). Most procurement teams are either piloting AI technologies or are already using a handful of successful use cases.

This distribution underscores that while AI adoption has become essential for procurement, most organizations are still determining how to unlock the technology's full value. This aligns with what procurement leaders have said recently at ProcureCon events and what practitioners have noted during conversations with ProcureCon Insights.

Practitioner Perspectives: Iterative AI Adoption

Although they recognize AI as transformative, most practitioners are still using it for specific tactical applications like supplier discovery and process automation. Nonetheless, they are rapidly expanding their AI investments in areas like supply chain analysis and predictive analytics.

Most practitioners see AI as complementing rather than replacing human expertise. They believe there is a need for procurement professionals to familiarize themselves with AI tools and develop data literacy alongside traditional procurement skills.

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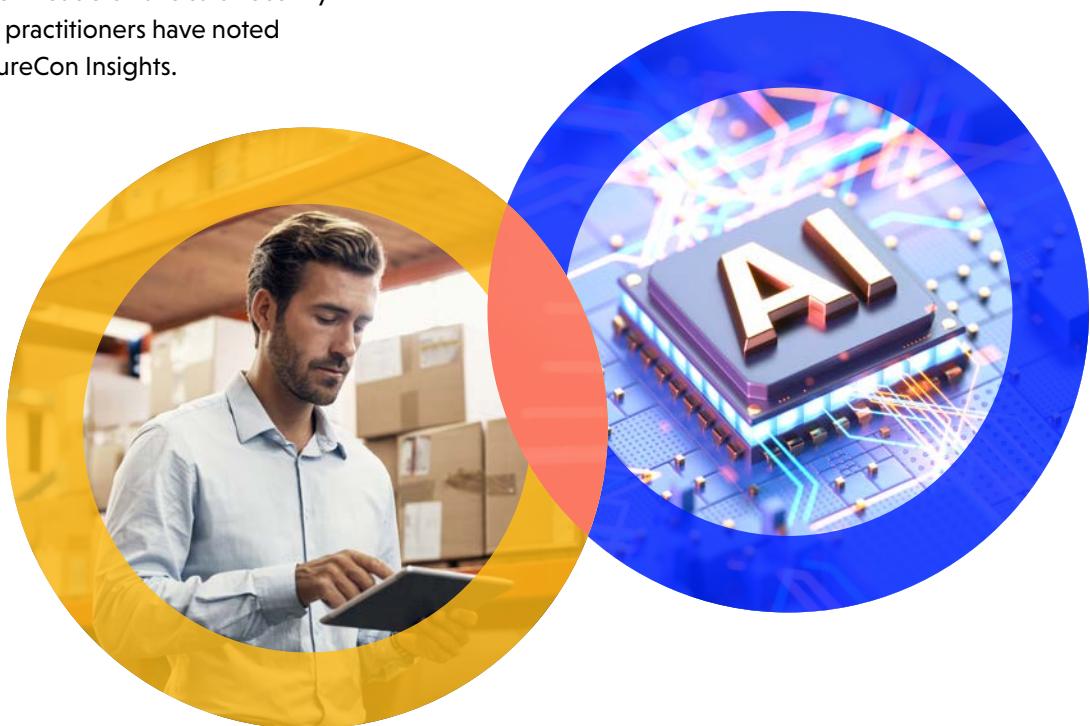
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AI IS EXPECTED TO SUPPORT FORECASTING CAPABILITIES & SUPPLY CHAIN OPTIMIZATION

If there is one insight to draw from the results of the study so far, it's that the AI implementation race is on in the procurement space. For many, 2026 may prove pivotal in their journeys toward AI maturity.

Companies that can't generate significant value from their AI implementations in the coming months may risk falling behind competitors.

To provide insight into what procurement's artificial intelligence future might look like, respondents shared how they believe the technology will impact procurement and supply chain functions.

From ProcureCon Indirect West 2025

"I'm a strong believer that you should always start with a problem, not with a solution. We've attempted to start with the solution in the past, and we've ended up creating what I call 'technology zombies'—the technology is there, but nobody is using it. Start by identifying what the problem is that you're trying to solve and then determine if it can be solved with an AI-enabled solution."

Senior Sourcing Manager, Consumer Product Brand

Automation Takes Center Stage in Operations

Leaders anticipate AI will fundamentally reshape daily procurement operations through widespread automation. Many expect to eliminate manual tasks across core functions, with applications ranging from routine administrative work to complex analytical processes.

"AI will automate the cumbersome tasks of benefits tracking for our strategic contracts," one respondent noted, reflecting the desire to free teams from repetitive work. Organizations plan to automate supplier performance reviews, contract analysis, and even dispute resolution processes.

The scope extends beyond simple task automation to intelligent workflow optimization. Teams expect AI to streamline invoicing processes, optimize internal approval workflows, and manage warehouse operations dynamically. This shift allows procurement professionals to focus on higher-value strategic activities rather than administrative duties.

Risk Management Becomes Predictive and Continuous

Procurement teams view AI as essential for transforming their approach to supply chain risk management. Leaders expect to move from reactive monitoring to predictive risk assessment across multiple dimensions.

Organizations plan to use AI for continuous supplier viability monitoring, early disruption detection, and real-time risk alerts. "Risk monitoring through AI will give us the ability to continuously assess supplier performance, the state of the market, market risks, and geopolitical conditions," explained one leader.

The technology promises to enhance forecasting accuracy for demand, inventory, and potential supply interruptions. Teams anticipate using AI to model supply chain disruption scenarios and develop faster response capabilities when unexpected events occur.

Strategic Decision-Making Gets Data-Driven Enhancement

Leaders expect AI to significantly improve strategic procurement decisions through enhanced analytics and insights. Organizations plan to leverage AI for spend analysis, identifying overlooked savings opportunities, and optimizing trade-offs between cost, speed, and sustainability.

AI will enable more sophisticated strategic planning, helping teams set realistic savings targets and make complex sourcing decisions. "I think AI can help us visualize and manage the second and third-order impacts of our decision making across the entire supply network," one respondent observed.

Teams anticipate AI will provide deeper insights into spending patterns, supplier performance trends, and market intelligence, ultimately enabling more informed strategic choices across procurement operations.

Practitioner Perspectives: Achieving Buy-In for AI Initiatives

Practitioners report that CPOs now have significantly more influence in decision-making within the organization. However, the key to securing buy-in for future AI projects is demonstrating clear business value, as well as potential benefits across functions.

For example, predictive capabilities that can generate forecasts of supply availability can have additional benefits to operations and even marketing. AI-generated insights derived from conversations with suppliers can be incorporated into a high-level strategy to avoid risk and waste.
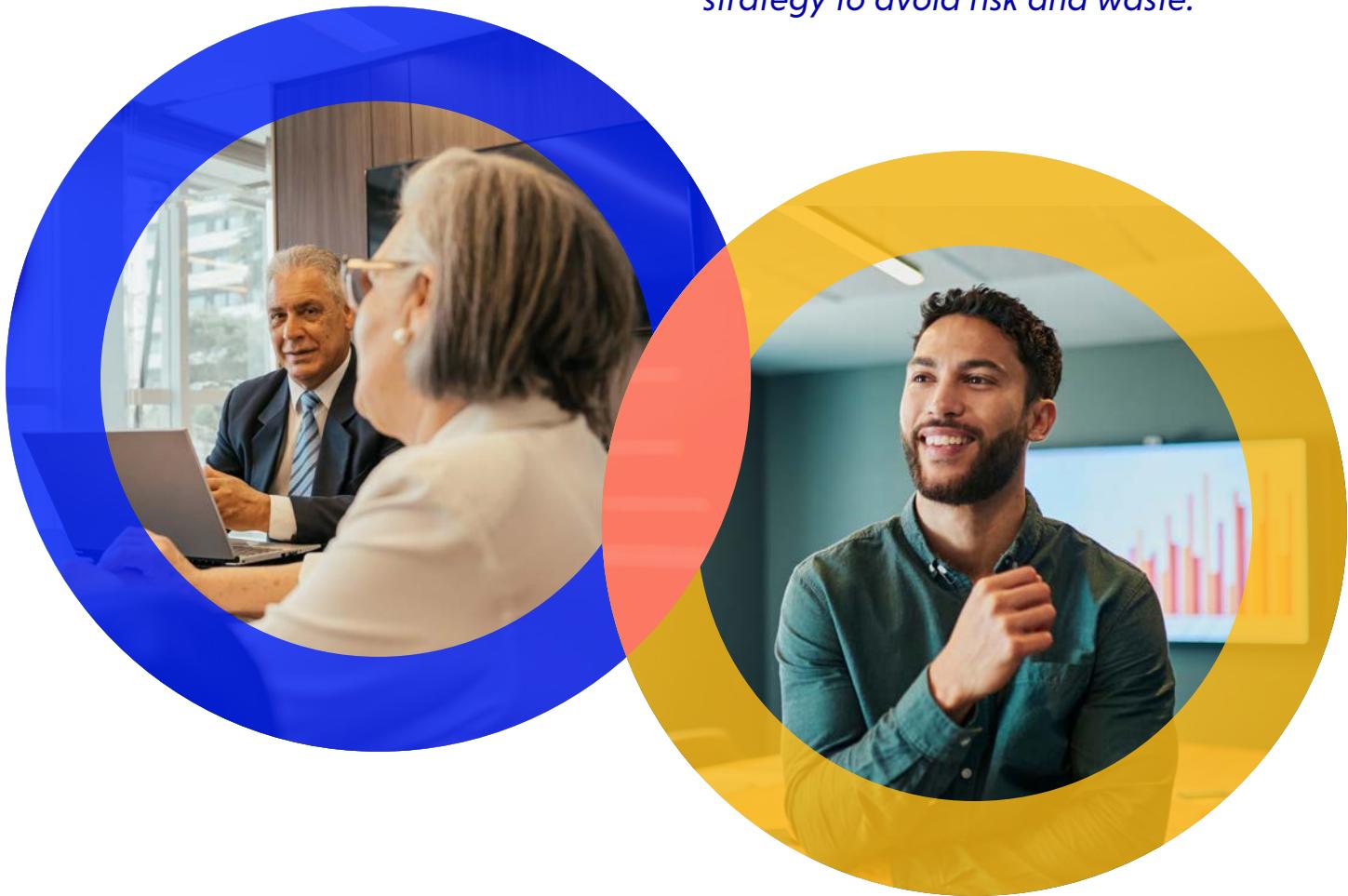
FINANCIAL, STRATEGIC, AND SUPPLY CHAIN RISKS ARE KEY BARRIERS TO PROGRESS

Procurement organizations face complex and interconnected challenges that span financial constraints, operational vulnerabilities, and strategic misalignment. While technology promises solutions to many supply chain issues, implementation barriers and external risk factors continue to test organizational resilience and adaptability.

Budget limitations and strategic alignment issues are organizations' top two obstacles to technology advancement in procurement. In each case, about half of the respondents (49%) rate these as top barriers.

These financial and strategic barriers significantly outweigh other concerns. Although security and compliance barriers are top challenges for 44% of teams, only 26% say technical challenges are top barriers, and only 22% cite human capital barriers, such as a lack of digital literacy or cultural resistance.

Strategic misalignment indicates that technology initiatives often lack executive sponsorship or fail to connect with broader organizational objectives. This highlights the importance of linking procurement technology investments to enterprise-wide digital transformation goals.

The prevalence of financial barriers reflects the continued pressure on procurement budgets despite technology's proven value proposition. Organizations may struggle to justify upfront investments even when long-term benefits are clear, suggesting a need for more compelling business cases that demonstrate immediate ROI.

Budget and Leadership Constraints Outweigh Technical Challenges

Which of the following are your organization's top two (2) barriers to technology adoption in general in its procurement function?

Financial barriers (e.g., budget constraints, high implementation costs, higher priorities for budget)
49%

Strategic barriers (e.g., lack of leadership support, absence of clear directives, objective misalignment)
49%

Security and compliance barriers (e.g., cybersecurity risks, privacy issues, regulatory complexity)
44%

Technical barriers (e.g., integration challenges, data quality issues, system complexity)
26%

Human capital barriers (e.g., lack of digital literacy, cultural resistance, talent shortages)
22%

Supplier-related barriers (e.g., resistance to new technologies, lack of digital maturity, third-party risks)
10%

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Supply Chain Adaptability Remains Limited Despite Rising Pressures

How effective has your procurement operation been at adapting to new tariffs and tax costs in its supply chain?

Very effective: proactive response planning
to avoid as much of a negative impact as possible.

3%

Somewhat effective: Reactive responses
to avoid the most significant risks.

59%

Not very effective: Few responses and ongoing
adjustments to stop additional losses.

38%

Not effective at all: Little to no responses
resulting in high costs.

0%

We have not been affected
by recent tariffs.

0%

Which of the following risks have impacted your procurement operations in the past 12 months?

Supply shortages

65%

Geopolitical instability

57%

Regulatory changes

54%

Talent shortages

52%

Inflation

32%

None of these apply.
0%

Other (please specify)
0%

Organizations show mixed effectiveness in responding to external cost pressures, with 59% describing their tariff and tax adaptation as "somewhat effective" and only 3% achieving "very effective" proactive planning. A substantial 38% report limited effectiveness, revealing significant gaps in supply chain cost management capabilities.

This limited adaptability is concerning, given the increasing frequency of trade policy changes and tax regulations affecting global supply chains. The low percentage of truly proactive organizations suggests most teams remain reactive rather than building anticipatory capabilities.

Enhancing supply chain resilience and agility will be particularly important considering the risks organizations have experienced over the past 12 months.

Supply shortages have affected 65% of organizations, followed closely by geopolitical instability (57%), regulatory changes (54%), and talent shortages (52%). These widespread impacts demonstrate that modern supply chains face simultaneous pressures from multiple risk vectors.

The high incidence of talent-related challenges is reflective of the human capital issues in procurement and supply chain functions. Although inflation has impacted only 32% of organizations, most organizations are still operating under ongoing economic volatility.

Which of the following do you believe will be the most significant challenge facing procurement and supply chain operations over the next 12 months?

Managing supply chain disruptions, risks, and uncertainties

47%

Attracting and retaining talent and leadership

29%

Balancing cost pressures with value creation

19%

Adapting to new technologies (AI, automation, etc.)

5%

Achieving alignment between departments and stakeholders

0%

Looking ahead, supply chain disruption management emerges as the top 2026 challenge (47%). Only 29% believe attracting and retaining talent will be their most significant challenge over the next 12 months.

This result is understandable considering that 65% of the respondents struggled with supply shortages in the previous 12 months. Supply chain risks also stem from tertiary issues, such as regulations and geopolitical conflict, both of which have impacted more than half of the organizations surveyed.

Notably, technology adaptation ranks as the top concern for only 5% of leaders. This suggests they have relative confidence in their current implementation capabilities and technology roadmaps.

Practitioner Perspectives: Extending Risk Management to the Entire Supply Chain

Practitioners emphasize that supply chain risk management must extend beyond tier-one suppliers to understand the resilience of entire supply chains. Organizations are moving away from sole-source arrangements toward supplier diversification strategies, recognizing that even seemingly simple products like envelopes can represent critical brand risks requiring robust supply chain backing.

When disruptions occur, the immediate response should be direct supplier consultation. This way, the organization and its suppliers can jointly develop solutions.

The focus has shifted toward building supply chain agility and resilience rather than just efficiency. For the most part, traditional approaches to risk assessment are insufficient due to the interconnectedness and volatility of today's supply networks.

FOCAL POINTS FOR 2026 INCLUDE SUPPLIER INNOVATION & CONTINUING DIGITAL TRANSFORMATION

Procurement leaders are positioning their organizations for deeper strategic integration and value creation as they prepare for 2026. The focus extends beyond traditional cost management toward collaborative partnerships, digital advancement, and sustainable innovation initiatives.

While 58% of organizations rate their procurement collaboration with other departments as "good," a substantial 38% describe it as only "fair," with collaboration happening on an as-needed basis. Only 3% achieve "excellent" fully integrated collaboration.

This gap represents a significant opportunity for procurement teams to enhance their strategic influence within organizations.

Although only 1% of the respondents rated their collaboration as "poor," they have ideas on how to improve that could apply to other organizations. Specifically, they say they plan to focus on deploying integrated digital tools, securing executive sponsorship, and aligning procurement strategies with business objectives.

Obtaining leadership buy-in may require new communication and data visualization strategies. However, these results reflect the fact that collaboration barriers often stem from structural and procedural limitations—issues for which there may be technical fixes.

Cross-Functional Collaboration Shows Room for Improvement

How would you rate the level of collaboration between procurement and other business functions at your organization?

Excellent (fully integrated strategic partnership)

3%

Good (regular collaboration on all important initiatives)

58%

Fair (collaboration on initiatives when they overlap)

38%

Poor (minimal collaboration on necessary initiatives)

1%

Very poor (siloed operations)

0%

From ProcureCon Indirect West 2025

"It's no longer a matter of whether you can throw numbers onto a spreadsheet and spit out a report, because that's going to look like hieroglyphics to most folks. The expectation is that you can tell leadership what's in the report, what trends you're seeing, and what your recommendations are."

Procurement Director, Pharmaceutical Company

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Supplier Engagement Emphasizes Innovation and Sustainability

How effective has your procurement operation been at adapting to new tariffs and tax costs in its supply chain?

Shared sustainability goals
75%

Joint innovation initiatives
56%

Long-term strategic partnerships
53%
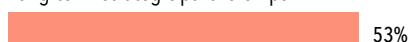
None of these apply.
0%

Other (please specify)
0%

Organizations prioritize shared sustainability goals with suppliers (75%), significantly outpacing joint innovation initiatives (56%) and long-term strategic partnerships (53%). This emphasis on sustainability reflects both regulatory pressures and market demand for responsible supply chain practices.

Nonetheless, more than half of the respondents in each case say they are engaging suppliers through joint initiatives and long-term strategic partnerships. Procurement leaders recognize that innovation in a variety of areas can occur within the supply chain, given the right support.

## Value Creation Targets Relationship Building Over Financial Metrics

Beyond cost savings, which of the following two (2) value creation areas is your procurement organization most focused on over the next 12 months?

Supplier relationship management and collaboration
45%

Process efficiency and cycle time reduction
43%

Sustainability and social responsibility
42%

Innovation and new product development
38%

Working capital optimization
22%

Supply chain risk mitigation
9%

Revenue growth support
1%

Finally, procurement and supply chain leaders are laying out their plans to enhance the function's value to the organization over the next year. The two most critical priorities are relationship management (45%) and process efficiency (43%). However, sustainability initiatives (42%) and innovation and new product development (38%) are priorities for significant portions of the respondents.

Notably, working capital optimization (22%) and risk mitigation (9%) receive lower priority, while revenue growth directly through procurement accounts for only 1%. This shift toward relationship-focused metrics demonstrates procurement's maturation from cost center to strategic business partner. It also suggests that supplier relationship collaboration and process efficiency could have secondary impacts on other areas, such as supply chain risk and revenue.

What are your top enterprise priorities for 2026?

Digital transformation
65%

Enhancing ESG initiatives
51%

Driving operational efficiency
35%

Cost reduction
28%

Innovation
21%

Other (please specify)
0%
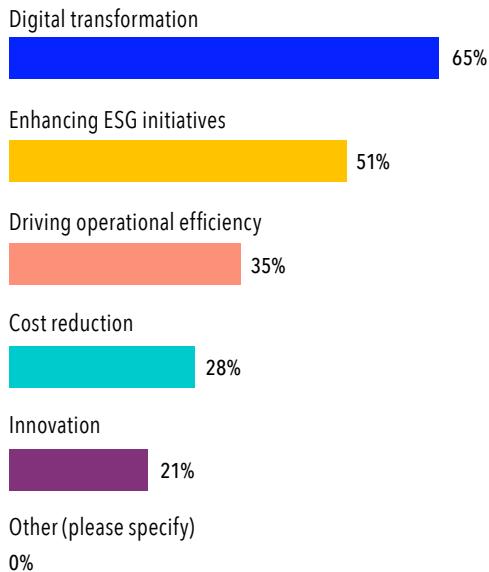
Given the option to select two, respondents rate digital transformation as their top enterprise priority at 65%. This aligns with previous results from the study, suggesting that organizations have confidence in their ability to implement technology, draw value from it, and reorient their process to leverage tools like AI.

However, enhancing ESG initiatives is the second biggest enterprise priority at 51%. This reinforces procurement's current trajectory as a function that sets the pace for the rest of the organization. It also aligns with broader organizational transformation efforts mentioned throughout the report.

Practitioner Perspectives: Supplier Partnerships

Practitioners stress that successful supplier innovation requires moving beyond traditional cost-focused relationships to trust-based partnerships. Suppliers should understand the business, but the organization must also understand the supplier's cultural context, even in global supply networks.

Many leaders advocate for treating strategic suppliers as partners who can provide market intelligence and innovation insights. Some have even hosted digital and in-person supplier "summits" where supplier representatives share recommendations through speaking sessions and presentations.

The focus has shifted from pure price negotiations to collaborative problem-solving, where suppliers are engaged early in the strategic planning process to leverage their expertise and innovation capabilities.

CONCLUSION: REACHING FOR TECHNOLOGY'S PROMISE AMID RISK AND DISRUPTION

The current state of procurement reveals a function ready to act decisively on technology, process optimization, and innovation. However, leaders must navigate external uncertainties and internal barriers to do so.

Organizations demonstrate a strong appetite for AI-driven transformation and strategic value creation, yet face persistent barriers in financial constraints, strategic alignment, and implementation capabilities that limit their ability to fully capitalize on available technologies. The gap between AI interest and advanced deployment, with only 6% achieving widespread measurable results, is indicative of how much momentum is required to fully leverage the technology.

Looking toward 2026, procurement's evolution depends on successfully bridging these implementation gaps while managing escalating external pressures from supply chain disruptions, talent shortages, and geopolitical instability. The focus on supplier innovation, sustainability partnerships, and cross-functional collaboration positions procurement teams as strategic enablers of broader enterprise transformation.

However, the stakes are substantial: organizations that fail to overcome current technology adoption barriers and strengthen their strategic procurement capabilities risk falling behind. The procurement and supply chain sectors are about to change significantly thanks to artificial intelligence, and the next 12 months will determine which organizations are prepared to embrace it.

KEY SUGGESTIONS

- **Develop an AI business case that includes immediate ROI, long-term strategic value, and measurable results:** To secure budget and buy-in on AI initiatives, procurement leaders must demonstrate how the technology can achieve "quick wins" as well as long-term cost savings.

- **Establish continuous supplier risk monitoring capabilities to prepare for future disruptions:** Few organizations were as prepared as they needed to be to overcome disruptions over the past 12 months. Implementing real-time risk assessment systems is critical for building supply chain resilience and agility.

- **Prioritize automation of high-volume administrative tasks to free teams for strategic work:** With AI expected to reshape daily operations through widespread automation, focusing on eliminating manual processes in contract management, supplier performance reviews, and workflow optimization will deliver immediate productivity gains while positioning teams for higher-value activities.

- **Build predictive analytics capabilities for demand forecasting and inventory optimization:** As organizations expect AI to enhance forecasting accuracy and enable proactive decision-making, investing in predictive capabilities will address the 38% of teams currently showing limited effectiveness in adapting to external pressures.

- **Implement integrated digital platforms that enhance collaboration between procurement and other business functions:** Deploying shared digital tools and data-sharing platforms will strengthen procurement's strategic influence and support the 65% of enterprises prioritizing digital transformation.

ABOUT THE AUTHOR

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ProcureCon Insights, the industry research and digital publishing arm of ProcureCon, delivers cutting-edge data and analysis on trends, challenges, and opportunities in the procurement and supply chain management sectors. Through comprehensive research reports, webinars, and thought leadership initiatives, we empower senior-level procurement leaders to make informed strategic decisions and stay ahead in the rapidly evolving procurement landscape.

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THE STATE OF PROCUREMENT IN H2 2025

Procurement Leaders Share Their Plans for Overcoming Strategic Challenges and Driving Innovation in the Supply Chain

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