



# New challenges and opportunities for finance and procurement

10<sup>th</sup> October 2024

■ ■ ■  
The better the question. The better the answer.  
The better the world works.



**EY**

Building a better  
working world



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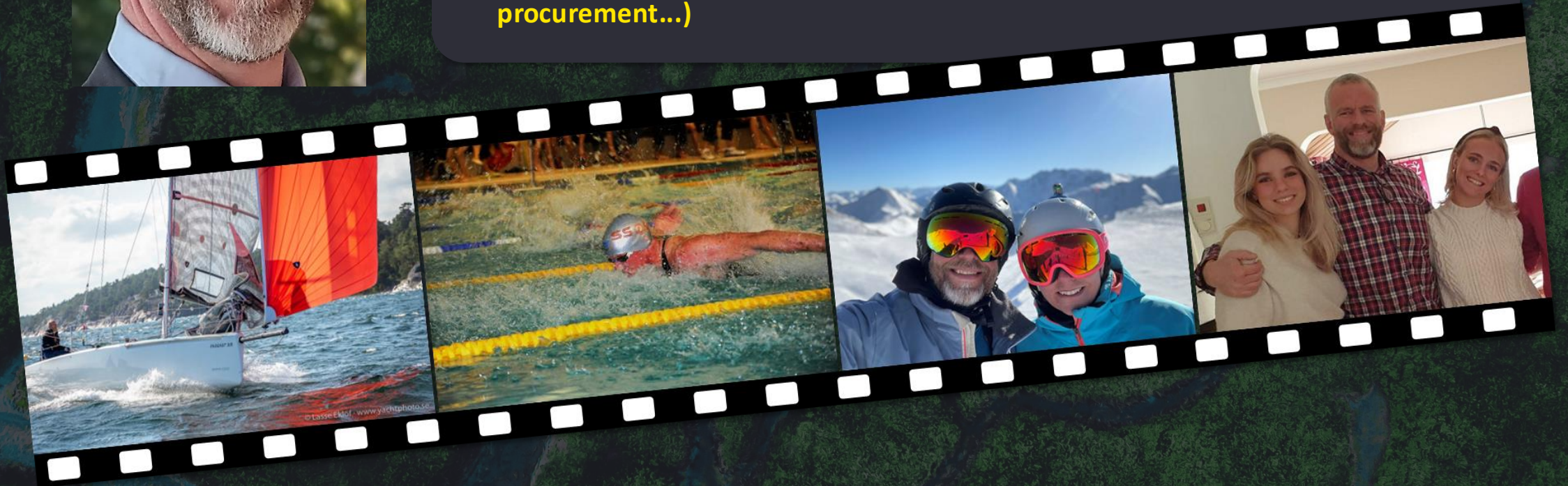
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- Partner at EY – responsible for all Sourcing & Procurement consulting across the Nordics
- 30 years professional career (10 years as CPO/category manager/production manager, 20 years as consultant)
- Passionate about sailing/swimming/skiing and spending time with family (and procurement...)





# EY is a global firm with the purpose of building a better working world for the benefit of our Clients, People & Society

## We facilitate client transformations globally across sectors with our comprehensive expertise

**400,000** people based in 700 locations in 150 countries

**26,750** Data Scientists

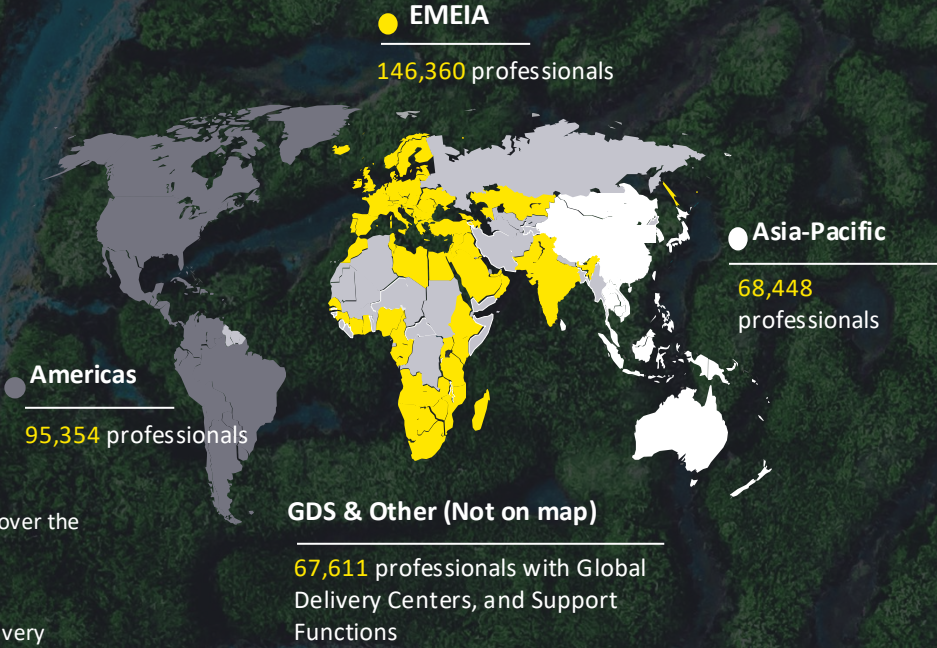
**30+** Tech and Industry Alliances

**140** Acquisitions

**80%** of our business on cloud

**US\$2.5B** Technology investment over the next 3 years

**67,611** professionals in Global Delivery Centers & Center of Excellence



- ### Industries
- Automotive
  - Advanced Manufacturing
  - Power and Utilities
  - Financial Services
  - Consumer Products & Retail
  - Technology, Media & Telecom
  - Government & Public Sector
  - Health
  - Private Equity
  - Energy & Resources
  - Real Estate, Hospitality & Construction

### EY has a leading procurement practise

**>160** More than 160 SCM consultants whereof more than 50 dedicated S&P consultants, including senior resources with strong consulting and line experience in the Nordics

**>50**

The Nordic procurement team is **tightly integrated** with EY's European and **global procurement practise** with:

- >500** procurement consultants in EMEIA
- >1200** procurement consultants globally

- Procurement-specialised delivery centres in Asia, Europe and Americas

EY's Procurement offering have been **recognized as the most integrated and end-to-end in the market** due to our **functional depth** across Procurement, Supply Chain, Finance, Risk, Tax, Law, Technology & Analytics

Service Lines	Assurance	Tax	Consulting	Strategy & Transactions
	Supporting organizations in promoting investor confidence, managing regulatory responsibilities and supporting long-term, sustainable economic growth	Navigating clients through technology enabled tax transformations. Helping clients develop / execute business strategies, blending local technical knowledge with regional and global tax insights	Enabling clients solve big, complex issues and capitalize on opportunities to grow, optimize and protect their business	Facilitating companies to drive inclusive growth by focusing on their capital and transaction strategy down to execution to drive fast-track value creation





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# The global economic outlook for 2024 is characterized by cautious optimism but also significant challenges

According to IMF in their report **“The Global Economy in a Sticky Spot”**, released earlier this year:

*“...while there are positive signs of resilience and gradual improvement, the global economy faces a complex landscape with both opportunities and risks...”*

## **Economic growth** →

Global growth is projected to be around 3.2% in 2024 and 3.3% in 2025. This steady growth is supported by resilience in advanced economies, although emerging markets may see a slight slowdown

## **Inflation** →

Inflation remains a significant concern, complicating efforts to normalize monetary policy. Global inflation is expected to decline but will still be higher than pre-pandemic levels

## **Interest rates** →

Central banks are likely to maintain higher interest (or slowly lowering) rates for longer to combat persistent inflation.

## **Supply chain and trade** →

Ongoing trade tensions and supply chain disruptions continue to pose risks. Companies are increasingly focusing on diversifying their supply chains to mitigate these risks

## **Geopolitical risks** →

Geopolitical issues, including the aftermath of the Russia-Ukraine conflict, China foreign policy etc add to the complexity of the global economic environment

## **Sustainability** →

The growing emphasis on ESG (Environmental, Social, and Governance) criteria, influences both investment decisions and corporate strategies



# EY CFO Survey: Short-Term Gains prioritized before Long-Term Investments

CFOs balance Long-Term value with immediate cost efficiencies and transformation of the finance function

# 50%

of respondents in EY CFO Survey states, they are **meeting short-term earnings** targets by **cutting funding** in areas seen as long-term priorities

## Key priorities and next steps for CFOs

# 1

Better understand internal and external drivers impacting the business and its forecasts including ESG regulations

# 2

Articulate a vision and strategy to maximize long-term value with agile operations including latest developments of tech, AI and sustainability demands

# 3

Set actions, align organization and measure progress, including the short- and medium-term goals, toward the long-term vision in easy to track and measure KPIs

**End to end Source to Pay implementations are unlikely in the coming years, rather quick fixes to existing solutions or niched solutions**



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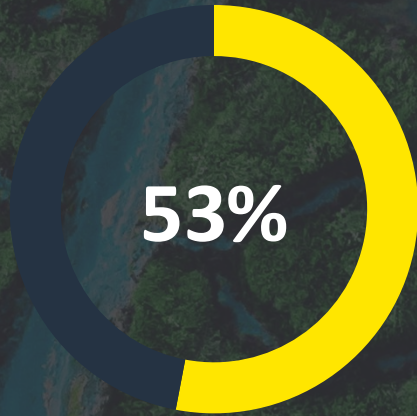
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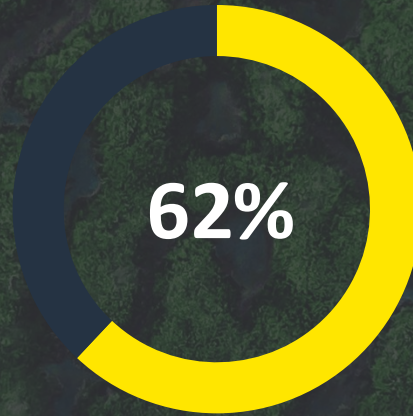
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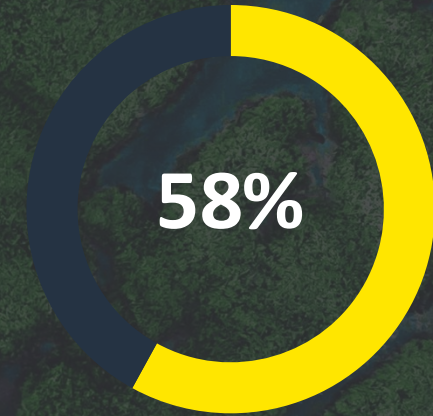
Many companies are transforming their global supply chains to increase resilience to the expense of increased complexity and number of suppliers



...have **near- or re-shored operations** in the last 24 months



...have made significant changes to their **supplier base**



...are investing significantly in **automation (not so much in AI just yet...)**



# Even more complexity is to be expected, where supply chains move from cost-optimized and linear flows, towards resilience and agile, networked ecosystems

**Resiliency = Visibility + Agility**



Embed end to end visibility, simulation & risk monitoring



Design omni-capable agile networks



Secure alternative sources of supply



Develop a resilient operating model & workforce



Increase visibility and transparency on cyber security





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# A global study show organizations increasingly see Tech partnerships as enablers for productivity increase, and put high value on scalability, speed and security

## Security and speed

The top attributes that enterprises are seeking in their technology providers

What are the most important attributes sought in your ICT vendors now?

2023	2024	
NEW	1	Security capabilities and credentials
1	2	Speed of deployment and execution
3	3	Sustainability capabilities and credentials
2	4	End-to-end solution capabilities
5	5	Competitive pricing or pricing model

What are the most important attributes sought in your ICT vendors in the future?

2023	2024	
6	1	Speed of deployment and execution
NEW	2	Security capabilities and credentials
8	3	Ability to co-create new products and services
1	4	Sustainability capabilities and credentials
2	5	Competitive pricing or pricing model



# Some key trends within digital procurement focuses on further utilization of current tools and solutions while exploring opportunities for AI and automation

1

## Focus on User Experience

Self service is increasingly becoming the norm, creating expectations on **intuitive, seamless, real-time interactions**, with a personalized experience, at speed

2

## Explore GenAI and Automation

Leveraging AI throughout the procurement process to **automate and streamline stale and cumbersome legacy processes**, with automated sourcing and guiding buying are currently attracting most interest

3

## Exploring Niche Solutions

Easily implemented solutions **for specific use cases** are increasingly explored. This rings even more true for SMEs without a large legacy procurement stack.

4

## CSRD/CSDDD/CBAM/DFA etc will create new functionalities

Emerging legislations, **reporting requirements and other stakeholder pressure** is creating a need for high quality sustainability data across the supply chain



We believe in an “appified” future, with high focus on improved and very intuitive user interface with obvious value – inspired by the mobile app development logic

### Intuitive Interfaces

Easy-to-use design, allowing users to navigate without expertise.

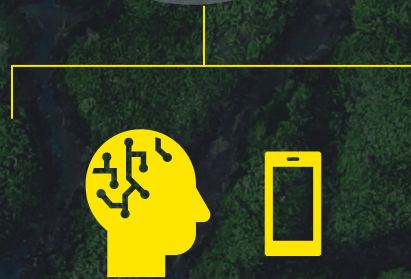
### Seamless Access

Access procurement tools from any device, anywhere, with no interruptions.

### Personalized Experience

Easy-to-use design, allowing users to navigate without expertise..

Focus on User Value  
before Functional  
value



### Self-Service Simplicity

Empower users to handle tasks independently, reducing reliance on others.

### User Empowerment

Provide tools that help users make informed decisions.

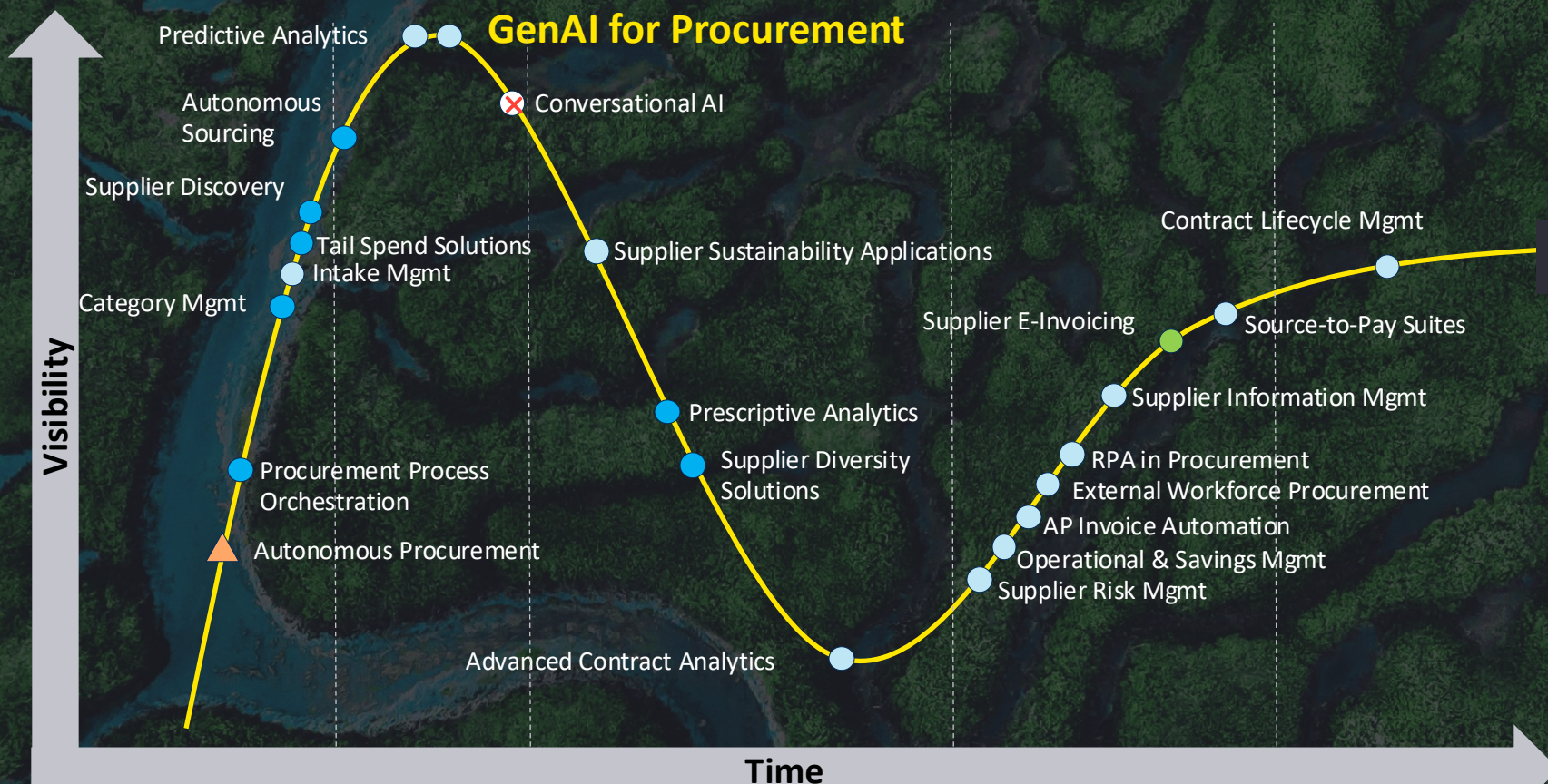
### Efficiency & Speed

Faster workflows and processes through smart automation.



# AI procurement tech is still at an early stage of development, but is expected to be the next true development leap in procurement technology

## Hype Cycle for Procurement and Sourcing Solutions



### Reflections

- ▶ The **true increase in productivity** from procurement solutions has yet to materialize on a wide scale
- ▶ GenAI for Procurement has reached **Peak of Inflated expectations**
- ▶ The future brings a **significant shift in human-machine dynamics**: AI technology executing processes, driven by data, and managed by people.
- ▶ Building expertise and organizational capabilities in procure-tech takes time, so **start now to gain experience.**



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Unifying sustainability polices in the EU will also have an impact on data throughout the procurement process – systems will likely develop towards more complexity and content

## The EU strives to be the first climate-neutral continent, with no net emissions of greenhouse gases by 2050

- ▶ The European Green Deal (EGD) will create foundations for a new European growth strategy, in which sustainability goals are driven by policies and regulations
- ▶ Moreover, it is expected to serve as a laboratory for innovative climate and environmental policymaking, paving the way for similar initiatives to be undertaken in other parts of the world
- ▶ Policy proposals amount to the largest-scale legislative reform that the EU has ever undertaken

### Evolving regulation:

- Non-Financial Reporting Directive (NFRD)
- Corporate Sustainability Reporting Directive (CSRD)\*
- Corporate Sustainability Due Diligence Directive (CS3D)
- Modern Slavery Act – UK
- Duty of Vigilance Law – France
- Transparency Act – Norway
- Supply Chain Due Diligence Act – Germany
- Child Labour Duty of Care Act – The Netherlands
- Carbon Border Adjustment Mechanism Regulation (CBAM)
- Deforestation- free products Regulation
- Regulation on Substantiating Environmental Claims

\*CSRD and CS3D are closely interlinked. CSRD outlines disclosures required related to company's management of sustainability risks. CS3D outlines the process companies must take to identify, prevent, and mitigate sustainability risks.



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# The AI adoption cycle is similar to other technology transformations, but the highs are higher and the lows are lower





# There are multiple implementation barriers when implementing AI to be aware of





# It is strongly recommended taking a holistic approach to workforce transformation to prepare for the AI transformation

## Skills & jobs



How can we anticipate how *jobs are changing*?

- Skills mapping, skills benchmark and skills gap analysis – impact on jobs
- Short/long term recruitment, retention, and reskilling needs – talent strategy
- Capability to continuously monitor job evolution, workforce planning and strategy related to AI workforce transformation – **a new HR capability!**

## AI learning



Support the workforce to be *able to adapt*.

- Learning strategy and learning needs analysis
- Immediate upskilling needs
- Develop and deploy AI Learning program
- Leaders to enforce prioritization of time dedicated to learning

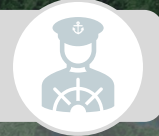
## Change mgmt.



Support the workforce to be *ready & willing* to adapt and adopt.

- KPIs and KBIs for measuring success
- Establish change networks
- Monitor & coordinate consolidated impact
- Ensure appropriate change management in each AI implementation

## Leadership transformation



Our leaders are those who *must drive this transformation and change*.

- Equip leaders to recognize and understand this ongoing transformation
- Set up support mechanism specifically for leaders
- Define and own their KPIs and KBIs



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# Six recommended dimensions to focus on when for organizations to remain adaptive through transformation

Today's environment is increasing pressure on organizations and the need to transform effectively, and at pace

This is an environment of constant transformation



## Care

Build a culture of psychological safety and provide the right levels of emotional support



## Build

Use technology to demonstrate quick wins and build momentum for the transformation



## Inspire

Create a vision that everyone can believe in



## Empower

Set clear responsibilities and be prepared for change



## Adapt

Adapt and nurture the necessary leadership skills



## Collaborate

Find new way to connect and co-create



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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