



# 2023 Middle East Banking Procurement Study



# Introduction

“I am delighted to introduce the first edition of our Middle East Banking Procurement Study.

This study evaluates banks' procurement practices exploring amongst other: governance practices, automation levels and risk management effectiveness of the procurement function.

The results will provide the reader with valuable insights and a way to benchmark their performance against the market.

**Feel free to contact us if you would like to discuss any elements in detail, suggest inclusions or participate in our future studies.”**



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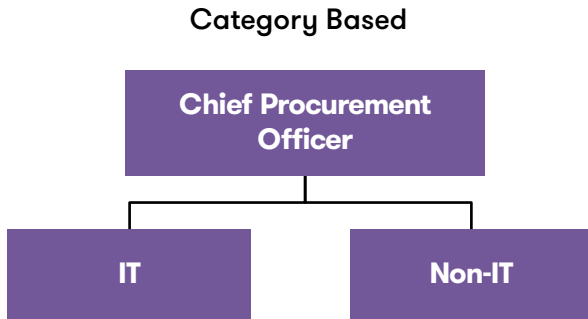
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Assessing procurement practices in banks operating in the Middle East:  
A comprehensive study of seven key pillars.



## Target Operating Model

Our survey results show that 50% of the participating banks follow a category-based operating model or a matrix operating model. The main categories being split between IT and non-IT or direct and indirect.



### Our Insight

Banks are focusing on driving efficiencies and cost savings in their procurement operations. Categorising items and suppliers can help banks identify opportunities for consolidation and better negotiation leverage, which can lead to cost savings. Additionally, the visibility provided by a category-based model can help banks identify areas where purchasing efficiencies can be gained.



## People & Skills

The banks emphasised the importance of SMEs contributing technical expertise to category management. They also pointed out that there is a skill gap in ESG initiatives, which SMEs need to address, and another skill gap was the need for a data analytics expertise. We have observed banks raised the challenge of limited manpower, requirement of training and resource allocation. To address the volume of business needs across different categories, one of the banks has trained its procurement staff in a cross-category manner.

### Our Insight

The procurement department has highly qualified workforce, with (37%) employees holding professional procurement certifications, which does not address the skill gaps within the team.



## Efficiency Levers

The procurement function has evolved from a largely decentralised model to further centralisation and usage of Shared Services. The most common shared services include information management, analytics, operations, and contracting. As a result, banks are looking for further efficiency and performance improvement through automation, strategic sourcing, and category management.

Some of the faced challenges include, inefficient technology, use of manual invoices, utilisation, and inadequate service provided by centralised procurement function model.

### Our Insight

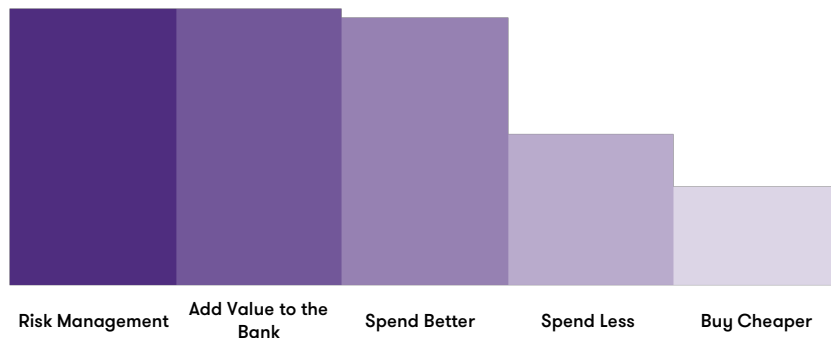
Though majority of the banks are heavily investing in offshoring and outsourcing, one of the participating banks is insourcing back some activities.



## Procurement Priorities

The majority of responding banks have Risk Management and Add Value to the Bank as the top procurement priorities, the graph shows that these are almost equally important as Spend Better, which demonstrates the role that the procurement departments plays in the strategic objectives of the banks.

Examples of Risk Management mechanisms include blocked payment for expired KYC vendors and No PO No Pay.



### Our Insight

Buy Cheaper is found to be 2.8 times less important than Risk Management to the Bank.

The banks' Risk Management mechanisms are enhanced by automated / system backed proactive compliance and third-party risk management.



## Systems & Automation

With the exception of two banks operating in a manual environment, the majority of the participating banks are using fully integrated ERPs and procurement systems for their source-to-contract process, the used systems are: Temenos module (T24), Oracle Fusion, SAP Ariba, Coupa, Archer and AMS (Asset management system).

### Our Insight

Most respondents appear to underestimate their current automation level considering their usage of fully integrated systems, AI enabled procurement systems and automated risk management procedures. This demonstrates a “not enough” perception and a continuous aspiration to unlock further automation opportunities.



## Methodology

Grant Thornton UAE conducted a comprehensive survey on the procurement function, ranging from practices and key trends among several banks in the region. To ensure accuracy and reliability, we have followed these steps:

- 1. Identification of Banks:** Some of the criteria used to identify the participating banks include the bank's geographic presence, size, number of branches, and product types (conventional vs Islamic).
- 2. Procurement Questionnaire:** We have developed a list of 22 questions around the following 7 pillars: Organisation, Performance Indicators, Governance, People, Process, Technology and Risk Management to understand the current operating model, key strengths and challenges.
- 3. Conducting Sessions:** Collaborative sessions were held with each bank to gather in-depth insights into their procurement activities based on the pre-defined questionnaire.
- 4. Outcomes:** Based on the information gathered, we have prepared a concise two-pager presentation outlining key pillars and takeaways for each bank.
- 5. Feedback:** The participating Banks have received and reviewed the presentation and provided feedback when applicable to refine it.
- 6. Consolidation of Results:** We have consolidated the survey results and prepared a study including an executive summary with key insights, challenges and best practice for the reader to benefit from.

## Disclaimers

### Data Sources & Limitations

The content of this report is based on the information provided by the participating banks and Grant Thornton's insights based on the gathered information. All identifiable information relating to the bank were redacted. While due care was given and every effort has been made to ensure the reasonableness of such data and information, no representation, warranty or other assurances are given on its integrity, accuracy and completeness.

### Limited Use

The report has limitations to its usage, and it is intended for a specific audience for specific purposes. Care must be exercised while interpreting the findings of the report for its intended purpose.

## Characteristics of Comparator Set



# Speak to our experts



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