

RACONTEUR

The AI revolution in procurement



HICX



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Publisher Richard Hadler

Project manager Tom Andrews

Editorial consultant Gren Manuel

Editor Lindsay O'Hagan

Designer Sara Gelfgren, Kelly Jerrard,
Harry Lewis-Irlam, Samuele Motta

Head of production Justyna O'Connell

Digital marketing manager Elise Ngobi

Contributors

Giles Breault

Co-founder of The
Beyond Group, a
procurement research
and advisory firm based
in Basel, Switzerland

Oliver Pickup

Award-winning journalist
who has reported on
technology, business,
and culture for publi-
cations including The
Times, Daily Telegraph,
The Guardian, and FT
Weekend Magazine.

Peter Smith

Managing director of
Spend Matters UK/
Europe with 30
years' experience in
procurement.

Costas Xyloyiannis

Chief executive of
HICX Solutions

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Finally... the revolution may be about to arrive

AI in procurement has great potential – once it starts to work on strategic problems

PETER SMITH, SPEND MATTERS

Those of us with good memories and many years in the business might view the current focus on artificial intelligence in procurement with cynicism. We've seen technology hype in the past fail to deliver real change or benefit; might this be another technology that fails to deliver, along with the personal jetpack and food-in-a-pill?

Well, there are clear signs that change is in the air. In Deloitte's 2018 Global Chief Procurement Officer survey, 45% of CPOs said they were using, piloting or planning to use AI. Many software firms in the industry are progressing with AI-driven tools such as chatbots that can help staff navigate the buying or ordering process without the involvement of human procurement experts – 'guided buying'.

Change cannot come soon enough. In truth, the way business between buyers and suppliers works is not terribly different from how it was 20 or 30 years ago. Certainly, communication is faster and easier, and we aren't sending purchase orders through the post or queuing at the fax machine to send specification documents to suppliers. Operational activities have been automated to a large extent.

However, the core procurement processes such as purchase to pay (P2P) or sourcing management have not fundamentally changed. The P2P process is automated – but is still executed really as it has been for generations, and even sourcing is not too different. An electronic tendering process still almost always follows the tendering ‘rules’ laid down years ago in the days of pen and paper.

So as discussion turns to the next generation of digitisation in procurement and supply chain management, and solution providers tell us that AI, machine learning, not to mention blockchain and robotic process automation (RPA), will revolutionise our organisations, it is right to be cautious. Will this just be more incremental gains around long-standing core processes and activities, or is it going to be different this time?

In reality, the use of AI in procurement and supply chain management (P&SCM) is still in the early stages. But again, even chatbots and guided buying are not transformational innovations in any real sense; they may have efficiency benefits, but do not fundamentally change the way procurement works. To do that, AI will need to start affecting the more strategic issues that underpin P&SCM.

Giles Breault, former CPO at Novartis and founder of advisory firm The Beyond Group, says: “Procurement is evolving towards a two-tier function; one where an enhanced set of operative activities is managed largely through digital technologies and another that is much more strategic, managing issues such as supply continuity, risk management, collaborative value creation and sourcing innovation”.

For example, how do organisations find the best suppliers globally that can help drive competitive advantage? Can we carry out supplier selection and even contract negotiation without formal requests for proposals (RFPs) and endless back-and-forth on draft contracts? How can opportunities to engage better with supply markets

The skills needed by professionals will be different in a post-digitised world to those prevalent today

be identified, given the mass of internal data and the even greater mass of external data that might be relevant to these questions? How can supply chain risk be managed better in a world that moves faster and faster every day?

Now, there are signs that innovators are developing AI tools that will indeed start to impact on these issues – strategic sourcing and supplier management, identifying innovation in the supply chain, and true supply chain risk management. If AI can really start making a difference in those areas, then we will see the next wave of digitisation change the nature of P&SCM.

However, as always, there are barriers. Procurement functions need clear strategies; as Breault says, “most procurement organisations are either unprepared or have taken a ‘wait and see’ approach to digital technologies, often adopting them in a haphazard or uncoordinated way”.

The skills needed by professionals will be different in a post-digitised world to those prevalent today. That is not just about having P&SCM executives who are well-attuned to the new world; we will also need those who build the AI algorithms and routines to understand procurement themselves to ensure the appropriate AI-informed recommendations, decisions and outcomes are generated.

The importance of data is also beginning to be understood better in the context of AI. For many years, we have known that ‘garbage in, garbage out’ applies in terms of procurement-related data, but consider how much more important that is when AI is going to be making or at least suggesting important strategic decisions about suppliers, contracts and supply chains. How can a business trust in AI if we cannot understand how and why the system is reaching its conclusions?

For any business, there is a long process ahead. But the benefits are clear. AI in procurement may not be as eye-catching as a personal jetpack, but for those in the industry it can be a lot more useful.

45%

Chief procurement officers using or piloting AI

Deloitte global survey, 2018

38%

CPOs having digital skills as a training focus

CAPS Research, Arizona State University 2017

Data excellence is the key to making AI work

The digitisation of procurement means data entry is now a mission-critical process

COSTAS XYLOYIANNIS

There are only two moments that matter in a piece of data's life: the moment it is created and the moment it is used. Problematically, those two moments are rarely connected.

The lack of that connection is one of the biggest stumbling blocks for companies wanting to reap the benefits of artificial intelligence (AI) and machine learning in the supply chain. In Deloitte's 2018 survey of chief procurement officers, more than 45 per cent of respondents believed that lack of integration and poor quality data were key barriers to the effective application of digital technology.

After procurement automation organisations report

54%

Improvement in visibility

CEB survey, 2017

37%

Improvement in spend compliance

This effective technology use is important as supply chain managers need to search ever deeper for value. Much of the focus in procurement has been on cost reduction – 78 per cent of CPOs in Deloitte’s report said cutting costs was a top priority.

But costs can only be cut so far. Undoubtedly price is an easy measure of value, a clear way to quantify worth; but it is a limiting strategy to follow. Ultimately, suppliers must be able to turn a profit, and once prices hit a floor, the low-hanging fruit of cost reductions are over. Instead, added value must come from improving supplier management (one study from research firm AMR estimated that technology could bring savings of up to \$848 per supplier) and increased supplier insight.

Technology is touted as the solution; 84 per cent of procurement organisations believe digital transformation will fundamentally change the way their services are delivered in the next three to five years, according to a report from consultancy Oliver Wyman on digital procurement.

In the brave new world of digital, it is argued, technology will create value through the cost reductions that come from a lower wage bill (with savings of up to 80 per cent, according to a 2016 report from Redwood Software) and an improved understanding of, and relationship with, suppliers.

Given that 52 per cent of the procurement organisation’s time is spent on transactional activities, according to Procurement 2025, a report from software provider SAP Ariba, procurement’s ability to harness the power of digital is critical. But that improved understanding can only be achieved through good source data. Machines can only learn if the data used by the technology is clean; accuracy and completeness are prerequisites for benefiting from AI. If your data is of poor quality, there is little advantage in spending money on the latest software.

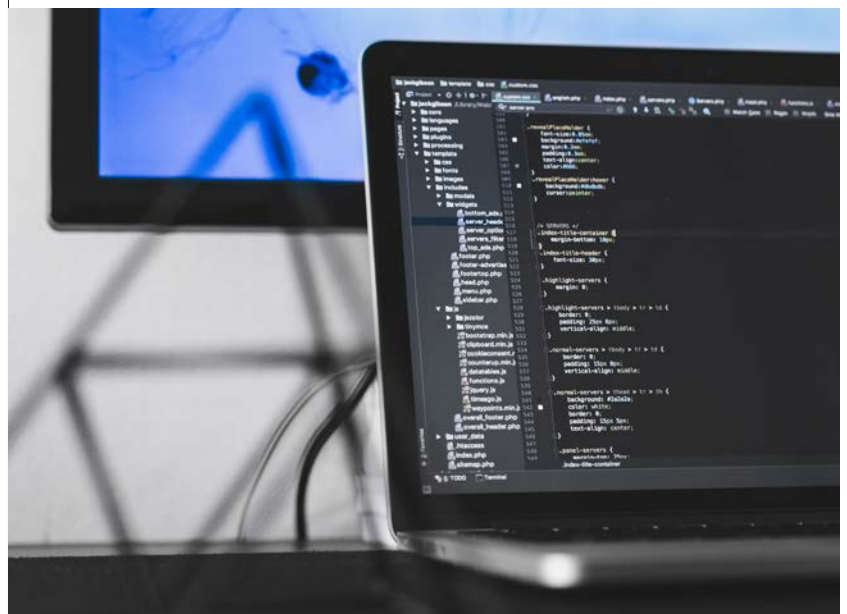
Yet for too long data has been the poor relation of the corporate world. Data input has been an administrative, back-office function – necessary, yes, but in no way part of the strategic agenda. Those who create the data don’t use it; those who use it have no means of altering it. Different departments demand different information from the data; accounts payable may simply need an address for invoices; the procurement officer wants to know how long the tail is; the auditors are looking for information about a specific facility. Nobody ‘owns’ corporate data.

It is precisely this attitude that is hampering the ability of many companies to reap the rewards of AI.

The rewards could be big; according to a 2014 report from IDG Research Services, companies with effective data grow 35 per cent faster. Improve your data intelligence by 20 per cent and you will see a 2.2 per cent increase in year-on-year profitability.

Companies need a new culture of data excellence, and that means creating a process of data governance that tasks one individual with understanding data usage among different departments, and co-ordinating data between different systems.

“Those who create the data don’t use it; those who use it have no means of altering it

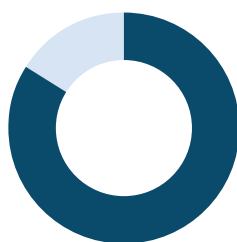




Data governance needs to become a strategic role, able to take an overview of the corporate data needs. Objectives need to be defined around business outcomes to prevent the issue being siloed by a single department such as IT. It needs to be set up so individual performance is measured by the quality of the data, but with a shared understanding among all stakeholders.

A first step towards data excellence may be cleansing and consolidating existing data to provide a firm foundation for future use. Technology can provide limited help for this critical step, which accounts for around 80 per cent of the time spent in machine learning projects – there is no substitute for human intervention to ensure there are no double entries, mistakes or oversights lurking in the source material.

Too many companies over-think this process. Of course, you need to spend some time establishing your data standards by thinking through what data you need, and why. But



84%

Procurement organisations believing in a digital transformation of service delivery

Oliver Wyman report, 2017

once those standards are set, it is simply a case of working through existing data, comparing piece against piece.

Key to this process is managing data centrally – only then can the one-off job of data cleansing become hardwired into the corporate culture. Make no mistake, data governance is an ongoing task since business databases can change and decay by up to 30 per cent a year; new information needs to be handled in a systematic way if it is to be of value. New suppliers will need onboarding, existing supplier details will need updating and redundant suppliers deleting. Only if there is a clear path in place, starting with effective governance and working through process and system, will that data be managed in a way that is useful for the future.

Data is a critical part of a company's future. As the search for competitive edge intensifies, technological innovation can help. But data is the foundation that empowers this. To understand your data is to understand your business.

Five ways AI will turbocharge procurement

From securing a better deal to early warnings on supplier risk, this is where change is coming

PETER SMITH, SPEND MATTERS

Purchase to pay

The basic purchase to pay (P2P) processes for managing and recording the procurement transaction are already automated to some extent in many organisations. Artificial intelligence will take this to a new level. For instance, it will help decision-making by staff who place orders through a catalogue-type tool – ‘guided buying’ will become standard. AI will also support in areas such as automated invoice processing, helping systems learn how to handle non-standard invoices or spot potentially fraudulent examples.

Sourcing

AI could support sourcing as it is done today, as well as driving new ways of choosing suppliers and awarding contracts. Under conventional ‘request for proposal’ (RFP) or ‘invitation to tender’ processes, AI-driven tools will suggest which suppliers should be invited to participate in the exercise. Using evidence from past events, AI will help design the process and documents and support the evaluation, which will be heavily automated. AI will check that suppliers have the accreditations or certifications they need to do the work. Eventually, AI could enable new processes that move beyond the RFP altogether.

Contract management

AI is likely to play a role at every stage of the contract management process. It is already being used to search the existing contracts in organisations for terms and conditions that may carry a risk for the buyer. It will also support the drawing up of new contracts, suggesting appropriate clauses and conditions. Then AI will identify the information needed from the supplier to manage the contract and performance, and ensure this is captured, recorded and reported. And there will be no risk of missing key dates such as a notice to terminate – AI will provide calendar alerts.

Risk management

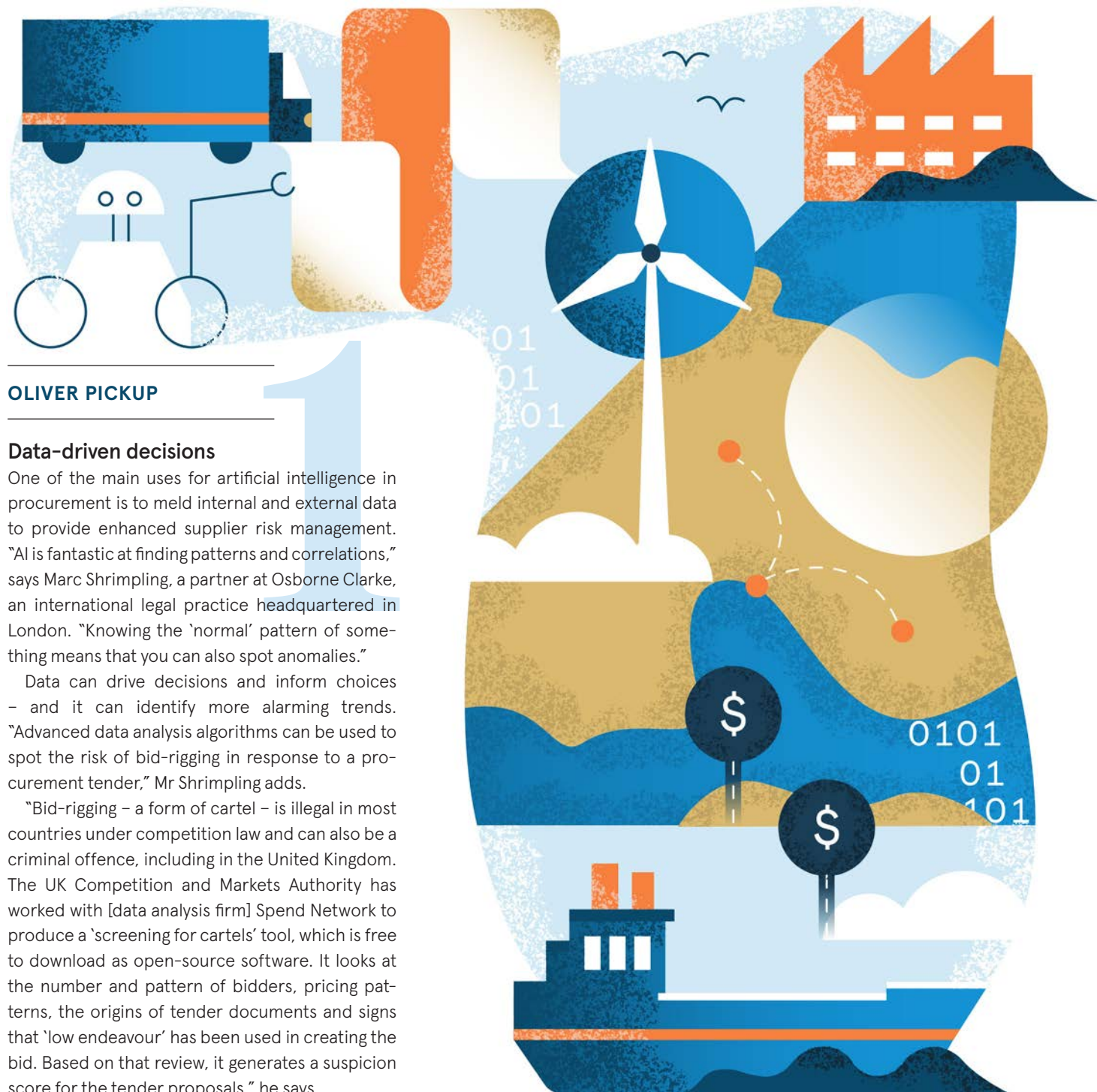
Supplier and supply-chain risk management has risen up the agenda as business has become faster moving, more complex and global. AI will help organisations to make sense of the huge amount of data and information available and that could help in terms of risk management. Understanding what is relevant for each organisation, putting the right information in front of the right people as quickly as possible, and ensuring that data is turned into actionable intelligence are all aspects of risk management where AI will play a central role.

Innovation

The concept of procurement as a key driver for innovation is relatively new, but many firms are realising that supply markets are potentially huge sources of ideas and competitive advantage, often more important or productive than internal innovation or product research. Finding suppliers that can provide real value is not always easy, particularly as many are likely to be smaller and younger firms. So AI-powered search capability will help organisations define and then identify the suppliers that are most likely to bring these advantages.

Getting to work: where AI can make a difference

Experts identify which steps in the procurement process are most likely to be of benefit



OLIVER PICKUP

Data-driven decisions

One of the main uses for artificial intelligence in procurement is to meld internal and external data to provide enhanced supplier risk management. "AI is fantastic at finding patterns and correlations," says Marc Shrimpling, a partner at Osborne Clarke, an international legal practice headquartered in London. "Knowing the 'normal' pattern of something means that you can also spot anomalies."

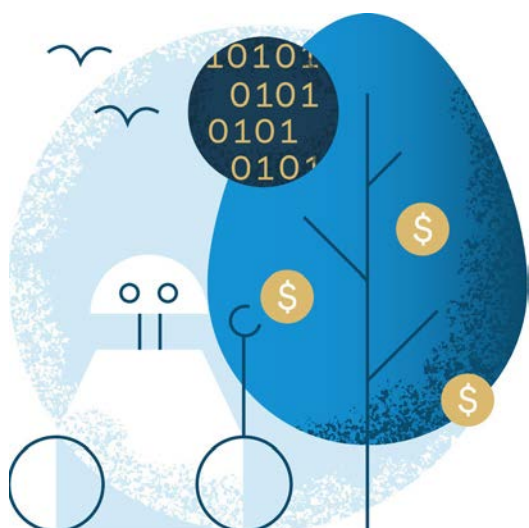
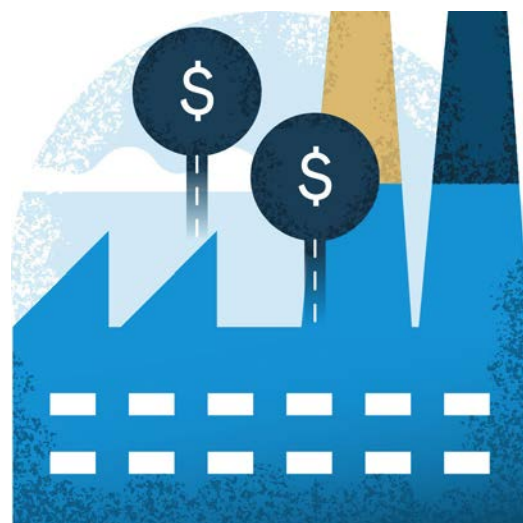
Data can drive decisions and inform choices – and it can identify more alarming trends. "Advanced data analysis algorithms can be used to spot the risk of bid-rigging in response to a procurement tender," Mr Shrimpling adds.

"Bid-rigging – a form of cartel – is illegal in most countries under competition law and can also be a criminal offence, including in the United Kingdom. The UK Competition and Markets Authority has worked with [data analysis firm] Spend Network to produce a 'screening for cartels' tool, which is free to download as open-source software. It looks at the number and pattern of bidders, pricing patterns, the origins of tender documents and signs that 'low endeavour' has been used in creating the bid. Based on that review, it generates a suspicion score for the tender proposals," he says.

Smarter sourcing

Nicholas Walden, a senior director at The Hackett Group, a business improvement leader for digital transformation, suggests there are two ways in which AI can be used for smarter sourcing in procurement. He explains: "The first is the automation and increased speed to execute low-to-medium value and risk market opportunities. For example, AI-powered auction and negotiation bots. In future these will become more advanced and we expect to see

bots on both sides of the buyer-seller relationship. The second – and more important – use relates to AI-powered tools helping to rapidly collect, present and even analyse commodity, market, and supply intelligence to inform market strategies. Early users report being able to react much faster regarding buying decisions, reducing time from weeks to days, as well as applying statistical analysis to recommend the number of suppliers to invite, the day of the week for best pricing, et cetera."



Pick that low-hanging fruit

Enhanced data analysis will greatly assist when it comes to detecting low-hanging fruit, or the easy pickings for procurement organisations, such as rate dispersion and working capital optimisation. "AI's use of advanced analytics like probability, pattern and predictive analytics will bring capabilities to assess business transactions for opportunity prediction, identification and prevention capabilities," says Mr Walden.

"Potential uses include identification and warning of early or late payment, missed discount

opportunity, or excess ordering or inventory on hand."

Mr Walden cites Microsoft as an example of a business using machine learning in procurement in three areas: "First, detection – for example, detecting similar orders or deals that can be consolidated. Then, forecasting – proactively predicting procurement actions through use of historic spend trends and asset information like refresh and predictive maintenance rates. Finally, personas – identifying different stakeholder groups and behaviours in order to create better engagement."

Reduce risk

"Digitisation has also opened the door to totally new levels of supply-chain transparency," says Marcell Vollmer, chief digital officer at procurement software provider SAP Ariba. "This will help to ensure procurement is acting in ethically responsible ways that make the world a better place. For instance, by combining historical and real-time purchasing data with supplier intelligence and data analysis, based on external information – such as social media, news, et

cetera – procurement can shine a light on the materials, regions, and industries that are most likely to have forced labour and take action to combat it."

There are other benefits from using AI to open up the supply chain and improve transparency, Mr Vollmer says. "Using business networks, organisations can connect with a wider pool of minority-, woman-, LGBT- and veteran-owned businesses and enable global supply chains that are more diverse, responsible, sustainable and inclusive."



The advantage of accuracy

BAE Systems' decision to add precision to its supplier database brought a long list of additional benefits

Procurement truly matters for BAE Systems. Operating across 40 countries, the defence, security and aerospace giant buys products' such as advanced materials and jet engines with a very high level of scrutiny both by internal teams and its government and commercial customers.

'Procurement' is mentioned no fewer than 23 times in its most recent annual report as BAE Systems explains how it seeks to balance value with environmental concerns and the need to ensure its suppliers match its high ethical standards.

The challenge

Starting in 2016, BAE Systems wanted to streamline and improve its supplier onboarding and master data management processes. Its objective was to have one central, global environment that also allowed local capability, and local workflow, where required.

BAE looked at its existing systems to see if they could be leveraged/expanded to meet the requirement. However, its main enterprise resource planning, Oracle, was an on-premise model and the cost of change was prohibitive. Its third-party data provider, D&B, lacked workflow capability.



92%

Procurement executives seeking to improve visibility over suppliers over the next year

Proxima global survey, 2017

"This was always going to be a big project but the potential payoff would be large too," says Jerry Grable, director, eBusiness at BAE Systems Inc.

"As such we needed to make sure we found the right partner and, importantly, technology that would be flexible to support the changing environment in the long term."

The key requirements for a new system were that it should be software-as-a-service, and it had to be flexible enough to handle global and local requirements concurrently.

BAE has multiple enterprise resource planning systems, including SAP, Oracle and Costpoint in North America alone. For each ERP, different processes were in place. Ongoing compliance checks were limited in nature and needed to be improved.

Furthermore, BAE has people in multiple geographies, each with different requirements. This meant that a full process harmonisation was not possible, or practical, even if it was desirable.

The third key challenge was that each BAE business sector wanted full autonomy over its suppliers. Any new system had to provide for sector-level authorisation and management, as well as global authorisation and management.

**Flying high:
BAE Systems'
requirements**

Apply a consistent process for onboarding new suppliers, ensuring timely collection of documents and information electronically from suppliers

Streamline workflows for reviewing and approving new suppliers, and the relevant documentation

The Solution

BAE selected HICX to be the single source of truth for all supplier-related information, and the starting point for onboarding all new suppliers.

Suppliers register through the HICX online supplier portal. After initial registration the portal allows suppliers to update their information with any future changes.

The data that is collected through the system is routed to different groups within BAE Systems to review and validate.

Data that is considered global is managed and approved through a central group, otherwise the ownership of approving suppliers, and compliance information, remains with the sectors.

Once information has been reviewed/approved, supplier records are automatically updated in the appropriate ERP systems. The result of this is one golden thread of supplier data throughout the business.

Learnings

BAE Systems learned that the core issue was supplier master data management. Once it realised what MDM was, and that it was not doing it, the starting point for the project was data supplier structure. Once the data structure was established, the company could create rules to onboard good data and, vitally, rules to maintain it in the long run.

Process definition is critical. BAE needed to define central and local processes, workflows, roles, responsibilities, authorisation, change control, etc. Without a sophisticated MDM team, it is not possible to complete all processes manually, so system automation transformed the way the project team could approach digitising processes.

Behaviour and discipline determine success: BAE learned that if you want success, behavioural change must take root both inside and outside of technology. This was

“Our primary focus was in finding a partner that could support us in the long run. This meant a flexible solution that could change over time

led from the top and made a big difference in the implementation of the software and the results that followed.

Post deployment, BAE realised it was asking too many questions of its supply base. It then rationalised information requests from across the business to establish what was really needed and asked four questions: do we need this data to search; meet policy needs; meet legislature; make a decision? If the answer is no, then don't gather it.

The final learning theme was around data quality. BAE realised that for success you must have resources to support ongoing data changes. Doing work upfront avoids inevitable rework downstream, which is far more expensive. Confidence in data drives or undermines the adoption of a system – you need to devote resources to ensure data quality.

Looking at the company's requirements (see 'Flying high' box below) the last point – putting it in a position to be ready for new technologies – is key. BAE Systems now has one central repository where it can find accurate data for its suppliers. In regard to the new technology that is swiftly approaching in the form of AI, robotics and blockchain, this puts the company in an excellent position to take advantage of any opportunities that may arise in the next couple of years.

Automatically track and alert BAE Systems, and suppliers, of required document and information updates

Provide a central repository of all potential and current suppliers, as well as all the related documents and information

Provide an enablement platform for collaborating with suppliers on custom processes, such as ad hoc surveys, communication with suppliers, etc

Put BAE Systems in a position to be ready for new technologies

Have you got the talent to survive the AI revolution?

Procurement professionals will need higher-level skills to stay relevant when low-level tasks become automated

OLIVER PICKUP

Early adopters who seize the opportunities of artificial intelligence are likely to generate real value for their company, but will they also risk half their procurement team being made obsolete? Worse, will their own role become redundant?

It is a very reasonable fear given that many prominent futurists have predicted that tens of millions of skilled professional jobs will be eliminated as the AI revolution gathers pace. And even if the high-level roles remain, who will be tomorrow's procurement leaders if junior roles are replaced by data-hungry algorithms?

"The AI future means that low-value administrative roles will be an unnecessary expense and procurement professionals will have greater productivity," says Claus Jepsen, chief architect at Unit4, an organisation that claims to have created the world's first business digital assistant, called Wanda. "Like other professions, procurement professionals need to realise this now and begin to forge their creative and people skills."

"Technology-wise, virtual digital assistants mean the days of learning how to navigate procurement screens and systems are



51%

CPOs believing their team has insufficient skills to deliver on strategy

Deloitte global survey, 2018

gone. Procurement professionals can simply interact with digital assistants using natural language: 'What are my best options to buy one hundred laptops? What was the company's spend on mobile phone contracts last year?' It is as easy as that, and what a difference it makes to procurement productivity."

But it is not as simple as that, argues David Hamilton of Liverpool University's computer science department. Dr Hamilton specialises in AI and machine learning and is working on a two-year knowledge transfer partnership with Inprova, a Warrington-based procurement services provider. "The focus of AI is to reinforce the work of procurement functions and not to replace staff," he says.

Dr Hamilton draws an analogy with healthcare, where AI can crunch thousands of data points to help doctors make quicker decisions: "These AI applications won't replace doctors, but they provide accurate, relevant output from different sources to help them make informed decisions," he says.

This suggests those able to 'speak data' in procurement – much like in other sectors – will flourish. Traditional leadership skills, including emotional intelligence, remain crucial, though. Leadership skills will also be in demand, especially as the procurement function undergoes upheaval.

Kasia Borowska, managing director of Brainpool, a worldwide network of AI and machine learning experts, says the skills mix needed to facilitate procurement is likely to change.

"A lot of companies think that they need AI to bring procurement processes on to the next level, but really what they need is a good data engineer and a data analyst to extract insights from the data that's available," she says.

Even when AI is introduced, the systems need nurturing, Ms Borowska adds. "Managing complex machine learning systems requires a lot of resources. In order to avoid becoming redundant, procurement professionals should make sure they keep up to date with the technology that's being introduced into their company."

To those procurement professionals worried about their future, Ms Borowska offers comfort in the form of a history lesson. "Similar concerns were being raised when the internet first came along, replacing letters with emails, fax with Messenger, paper

“The focus of AI is to reinforce the work of procurement functions and not to replace staff

ads with digital marketing. But for those who adapted, the introduction of the internet created even more jobs, which were difficult to imagine back then,” she says.

Either way, it's not time to panic just yet. Deloitte's Global Chief Procurement Officer 2018 survey found that only 2 per cent of CPOs say they have 'fully deployed AI or cognitive technology for use in procurement'. However, 66 per cent of CPOs agree that 'a key leadership trait of procurement leaders is leading digital and analytical transformation'. Change is coming, and quickly, but an open-minded, progressive and agile attitude will reap rewards.

Lance Younger, a partner at Deloitte who is responsible for the UK sourcing & procurement practice, says: “Far from creating a hollowing-out or removal of levels, AI will empower procurement and create new roles for procurement to deliver value to the business.”



The clear-sighted route to digital transformation

Comment: there is no shortcut to effective digitisation. It takes thought, careful investment, time and resources

GILES BREAULT, THE BEYOND GROUP

Much has been made of the transformation that digitisation will bring, but as time goes on and we understand more completely what it takes to become digitally enabled, the less glamorous it all seems.

It feels a bit like the dotcom euphoria of the early 2000s, when it was painful to wake up after the drunken party where we were promised the unending benefits of interconnection and universal collaboration on the back of technology that no one quite understood (and were incapable of delivering).

Hopefully, we are in a better place today as we realise that digitisation takes thought, careful investment, time and resources. In the words of one pundit, we are moving past the 'peak of inflated expectations'. So, what does this more sober and realistic perspective entail? Through intense discussions with The Beyond Group's Think Tank members we made some key observations.

To begin with, you need to understand the first step towards digitisation, and this is often the hardest. Identifying the basics that must be covered will ensure that digitisation investment bears fruit in the form of better decision-making and insights. Not surprisingly, high quality, structured data with solid governance for prescriptive and predictive procurement operations is fundamental.

Next, you should assess the overall technology landscape, sorting out the basic from the more advanced. Diving into technologies that are advanced but sitting on rickety platforms of disparate systems, uneven implementation, and fragmented and missing data in an ungoverned implementation environment gets you nowhere.

Tips for success

- Drive your process top-down. This seems the opposite of the hype about lighting a thousand candles and experimentation. Clear governance coupled with realistic expectations are the surest way to substantial benefits
- Accept that there will be failures, even in a well-governed environment
- Build cross-functional integration as a way to construct systems that extend beyond the confines of procurement, and get more people with 'skin in the game'
- Widen the talent net and hire tech leaders who are not bound by a procurement mindset
- Recognise the basics. Robust data, good governance and solid processes provide a foundation and can't be skipped over
- Start with a problem and focus on issues that you want to solve – don't try to do everything

Thirdly, it is important to build a step-wise decision process that ensures technology is fit for purpose. Technology must be in line with company objectives. An organisation that concentrates on supply-chain risk management may not need category management enablement on its technology radar. Conversely, if tight price control is critical, then category management is a top priority, leaving strategic-level supplier relationship management (SRM) systems until later. Investments in technology don't provide instant results – they can take three or more years to deliver real benefit.

There are certain traps to avoid. Number one is don't give away governance and technology decisions of purchase to pay (P2P) systems to other functions, such as finance.

"We see tremendous value in AI..."

There are many ways AI will positively impact the supply chain of the future. These include: augmenting staff functions such as voice assistants that can respond more quickly and with more information than traditional 'search' protocol; automating manual repetitive processes that create significant efficiency gains so procurement staff can focus on high-value activities; and understanding procurement patterns, abnormalities and trends that will better predict demand and build specific models to assist procurement or sales staff functions. The goal of any AI implementation is to help users make better, faster, more informed business decisions with confidence.

We see tremendous value in AI and have worked with our Dynamic Science Labs to build solutions that augment employees' abilities to predict inventory levels and provide optimised recommendations based on demand.

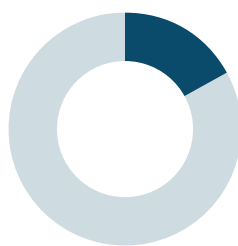
John Carrico, director of product management, enterprise software company Infor

"Our next step is to invest..."

There are so many possibilities in this area, it seems essential to not rush into using a solution that might not be a good fit. I have employed an expert to advise the organisation on how AI can be applied. In addition, I have also reviewed a number of machine learning solutions. These are freely available and have been applied retrospectively to client work, identifying how the solution compares to decisions we have made with tail spend data.

Incidentally, we managed to find a solution, through a little trial and error, that mapped 96 per cent to the decisions our team had made. Our next step is to invest in both people and technology to build our own in-house AI capability for an application focused on decision support in procurement. This is underway, and we expect to see progress as we move through 2018.

Ed Cross, executive director at procurement adviser Odesma



17%

US firms still creating manual or paper purchase orders

CAPS Research, Arizona State University 2017

Contrary to common wisdom, giving this away leads to technologies that solve process issues but often don't lead to better insight.

Secondly, don't rely on legacy systems and processes. Procurement functions have built up considerable knowledge and processes that are purely operational but not designed to provide insight. The continued use of these processes slows down the delivery of benefits.

The way forward

Getting the data right at the time it is input builds a foundation for efficient basic processes, which in turn are the foundation for effective digitalisation. We strongly recommend starting with data management and then moving quickly to the systems and processes that allow you to reach your goals. Most companies have been trying to do this for years, sometimes with limited success. Our experience shows that digitally empowering some fundamental processes not only yields benefits sooner but also gives the opportunity to use the expertise already in place. This progressive approach takes much of the confusion out of a market crowded with stuff that simply does not matter.

The consensus recommendation from our 2018 EU "Productivity Think Tank" was to focus on three main areas to kick-start the digital transformation process and gain benefits quickly.

First, fix the P2P processes as this uneven landscape is hampered by poorly governed data acquisition, accumulation and refinement. Robotic process automation (RPA) will be best applied in this context.

Next, build out the source-to-contract (S2C) systems in important category areas. Artificial Intelligence is the next technology that will help analyse the rich information environment that procurement teams have built up over years of strategic category management and where value can be extracted most effectively.

Finally, build advanced, effective SRM systems that truly help evaluate suppliers, markets and risk (and not just supplier scorecards). This market is full, so choose a system that helps you focus on what matters most in your supply chain.

"We are moving past the 'peak of inflated expectations'"

RACONTEUR

