The rise of intelligent procurement: leveraging AI to drive innovation

In large enterprises, the procurement function is responsible for sourcing and managing suppliers, negotiating contracts, and ensuring that goods and services are delivered on time and at the right price. These are processes that account for costs that often make up 50% of a company's revenue; for example, a procurement team of a company with €6B in revenue will manage approximately €3B in costs that go through the procurement process.

Procurement is a notoriously painful and fragmented process, which data-driven approaches have huge potential to transform, particularly with regards to costs, risks, and supplier relationships. With the help of advanced analytics and machine learning, procurement teams can gain valuable insights from vast amounts of data and use these insights to optimise their operations and drive business success. AI continues to be the topic at the forefront of the tech news cycle, and so it makes sense for businesses to leverage its benefits and improve the way they make decisions at scale.

The role of decision intelligence in procurement

Decision intelligence is the commercial application of AI to the decision making process of every area in a business. This includes the use of advanced analytics, machine learning, artificial intelligence, and data-driven insights to enhance decision-making processes within procurement activities and it has the potential to significantly accelerate digital transformation in businesses.

Through decision intelligence, businesses can leverage historical data, market trends, and supplier performance data to make better informed decisions regarding supplier selection, pricing negotiations, and contract terms. It can also help to identify potential risks and disruptions in the supply chain – _which are on the rise_ – and implement measures to mitigate them. Beyond auditing supplier reliability, this can also include the potential effects of geopolitical risks and black swan events (such as a pandemic). In short, decision intelligence is an approach which all businesses would do well to consider, in order to stay competitive in an increasingly unstable global context.

Decision intelligence also has a role to play in forecasting and demand planning. Leveraging advanced analytics and machine learning, businesses are better positioned to predict future demand and supply needs, helping them to make better strategic sourcing decisions and maintain optimal inventory levels. Contract management can also be automated; useful for upholding levels of compliance, helping to identify potential savings, and reducing legal risks.

Finally, by assessing and monitoring suppliers' adherence to environmental, social, and governance standards, decision intelligence supports ethical and sustainable procurement practices, which has risen to the top of procurement professionals' priorities list.

Challenges in implementing decision intelligence in procurement

Many businesses silo their data, and so the most immediate concern is how to integrate new technology with legacy systems and processes. Ensuring data quality and availability is crucial, as inaccurate or incomplete data can lead to suboptimal decisions, impacting procurement performance. There are also challenges with security and privacy, and businesses need to have the correct safeguards in place to protect sensitive procurement and supplier data from unauthorised access, leaks, or breaches.

There may also be a need to change the perception of decision intelligence, particularly at management level. Procurement professionals should educate leaders on the fact that relying on outdated approaches is significantly riskier than investing in new technologies and processes. All stakeholders in a business need to be aligned with this, there needs to be consistent investment in technology and infrastructure, and employees must continuously be offered training and support in order to maximise the benefits of decision intelligence in the procurement process.

The future of decision intelligence in procurement

As AI, machine learning, and big data analytics continue to evolve, so will the opportunities that they provide to businesses when looking to optimise their procurement operations. Environmental, social, and governance is increasingly becoming a major driver for change, and AI-driven solutions will enable businesses to assess suppliers' practices and make more responsible sourcing decisions. As a result, procurement professionals will be able to better align their activities with corporate sustainability goals and contribute to a greener, more ethical global supply chain.

There are, of course, wider implications for procurement as a whole – decision intelligence will create higher demand for a procurement workforce that is technically literate and, at the very least, we should see a race to upskill as those in the industry try to remain competitive. Decision intelligence has huge potential in creating a more streamlined and efficient procurement process, and those businesses that leverage the power of AI and data have the ability to significantly improve the way in which they do business.

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