

Procurement Experts Outlook 2021 and Beyond



House of Cards: Strategies, AI and Preventing Failures

In times of uncertainty, CPOs are looking for predictability. Procurement practitioners and analysts share key insights to help you thrive in and not merely survive the new normal.

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**“It was the
best of times.
It was the
worst of times.”**

Introduction

While uncertainty still looms large, hopefully, the deepest pandemic pains are now behind us. Green shoots of economic recovery are on the horizon. A recent Bloomberg Opinion article highlights that while the economic data from the past couple of months point to higher inflation and less economic growth in the short term because of supply-chain bottlenecks and product outages that companies are scrambling to fix, there's a silver lining: It is brightening the outlook for economic growth in 2022 when companies will have had time to catch up.

As the economy slowly springs back to its feet, some aspects will never go back to the pre-pandemic era. Particularly, the way we work.



Specifically, in the source-to-pay cycle, the pandemic highlighted some aspects of our work life which we have pushed under the carpets for too long:

- “Somewhat digital” setups failed when we needed them the most
- “Better” is not the answer. We need transformation
- Procurement and Finance are expected to do more from less, which is only possible with AI
- Risk management will remain important with AI enabled solutions gaining popularity

From a procurement leader's vantage point, she needs to change gears of the procurement organization rapidly from having managed the supply disruptions during the pandemic to now supporting the demands arising from the post-pandemic growth, while still keeping an eye out for potential vulnerabilities. Certainly not a very enviable position to be in.



The pressure on procurement teams to be agile and deliver business outcomes by adapting to uncertain times is probably the reason why about **85%** of procurement professionals participating in the 2021 Pulse of Procurement Study stated that the C-Suite views **procurement as either important or critical** to enterprise strategy.

Agility is increasingly becoming a critical success factor as a majority of CPOs believe that it is time for procurement to focus on delivering business outcomes. But how do you predict outcomes in times of uncertainty? The answer lies in technologies like AI that can help procurement teams predict outcomes by enabling smarter spend analysis, maximizing customer value, and streamlining supplier management, among others.

This report is a compilation of deep insights from senior industry leaders and practitioners, which we believe will empower the procurement community.



Omid Ghamami

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The key focus areas for CPOs



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Omid Ghamami

Founder – Center
for Purchasing and
Supply Chain
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Short term

(September – December 2021)

Securing supply lines has to be the greatest objective and goal. Cost savings become irrelevant if you cannot secure supply. Every critical direct material or service needs to have dual sourcing or better, contracts need to guarantee supply, and clauses need to be added requiring specific performance instead of a simple return of funds by vendors during such events.

Midterm

(December 2021 – June 2022)

Establishing documentable and repeatable sourcing practices that mitigate risk for the future. We should not be responding to supply

shortages, we should be anticipating them and mitigating their impact. In addition, procurement needs to now be assessing supply chain materials availability instead of just their own, because there may be issues downstream with your supplier's suppliers that we must understand and address. New ways of sourcing should be assessed, and best practices from the companies that experienced the least impact from the pandemic need to be distilled and harvested.

Dawn Tiura

President and CEO,
Sourcing Industry
Group

Short term

(September – December 2021)

The focus for procurement needs to be on shoring up supply networks to ensure against stock-outs. As an example, for certain industries, the global chip shortage is going to drive up the delivery time for computers and other items. Because of this, procurement needs to encourage better long-range planning for these kinds of items.

We also have to be aware of logistics issues facing our supply chains, from driver shortages to containers not in their planned destinations to shipping shortages. We have to accept a longer lead time and plan for a more distributed supply chain to mitigate the risk of stock-outs. This will need to remain a priority until 2022.

Midterm

(December 2021 – June 2022)

We will be facing a possible cyclical inflationary period. I don't see it as a permanent issue. It's a matter of when the vaccine rollouts improve, "return to work" occurs and a new pattern of consumerism is unveiled.

There are mixed concerns about whether 2022 will be a period of inflation, but most indicators say that it will impact certain industries much more than others. For example, think of the hotels and restaurants that faced significant demand drops or airlines that struggle to get workers safely back to work because of a surge in demand. I also wonder if we're seeing a small revolution of frontline workers in restaurants and retail who have decided that they



The key focus areas for CPOs

want a living wage and won't return to those industries until there is more distribution to lower-income workers. It won't take executives long to realize that a small cut in executive pay could help lift their workers out of poverty with increased wages, more security, and benefits.

I think we've learned a lot about "people versus the economy," and the desire to have equality, equity, and inclusion at all costs, including not taking low-paying jobs.

Procurement's top priority for 2021-22



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Build resilience and manage supplier risk

44%

Adopt next gen solutions and AI to enable them to do "more from less"

22%

Ensure that the gains from strategic sourcing translate into procurement outcomes

22%

Transform the source-to-pay process

33%

A close-up photograph of a hand in a white shirt cuff, carefully balancing several light-colored wooden blocks on a white surface. The blocks are arranged in a row, with the hand positioned over them, suggesting a delicate task or a metaphor for risk management.

Jon Hansen
Global Thought
Leader

Holistically addressing risk & resilience

While each of the priorities that are part of this list is important and, in many ways, interconnected, building resilience, and managing supplier risks is critical. The real challenge though is not in the realization of the need to take action in these two important areas, but our interpretation or definition of what risk and resilience mean.

Take our definition of risk as an example. Do you realize that more than 50% of all enterprise security breaches occur through a third-party partner such as a supplier? As the “owner” of supplier relationships procurement is responsible for taking the lead in effectively managing cybersecurity efforts including

Procurement's top priority for 2021-22

shifting the focus from cost alone when selecting suppliers.

According to the Bomgar survey, we need to take a proactive stance regarding the security of the data in our supply chain, otherwise fines such as the \$886 million that Amazon had to pay for an “alleged data law breach” will quickly erode the procurement department's savings.

Tania Seary

Founder,
Procurious

Adopt next-gen solutions and AI to enable them to do “more from less”

There's no question next-gen solutions like AI will help us solve many of the biggest procurement challenges. The majority of our 40k+ Procurious community members say procurement now has to do more with fewer resources. That's why we all need technology that can free us up and inform our decisions. I mean, just look at how IBM's Takshay Aggarwal explains AI's power:

“Think of how long it would take you to analyze a million rows in a spreadsheet. A week? A month? Longer? Yet for new technology, like AI, a million rows in a spreadsheet is nothing. That means it will be quicker and easier to extract meaningful data.”

Technology won't fix every problem. But it will be an incredible asset to detect issues early, find patterns, and identify business opportunities.



Hervé Legenvre

Director, EIPM

Ensure that the gains from strategic sourcing translate into procurement outcomes

Procurement needs to find ways to anticipate some projects and to accelerate others. This requires shared strategies and their seamless execution.

Amy Fong

Vice President,
Everest Group

Transform the source-to-pay process

For many procurement organizations meeting the objectives above will entail transforming their end-to-end processes. It means adding automation and improving data governance. When these basics are addressed, they can offer more value to stakeholders and enable transformation.

Implementation at large global enterprises compared to mid-sized companies



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Dr. Marcell Vollmer

Director,
Boston Consulting
Group

The best-in-class Source-to-Pay system (suite) will not deliver the impact intended if it is not properly implemented and integrated. Further, even if the implementation is done in the best way, the adoption by the end-user is key. Therefore, **procurement needs to become Apple-easy and Google-fast.** It shouldn't be more difficult to order anything in a company than it is ordering from Amazon, eBay, or Alibaba. The key for the implementation of procurement systems is to implement the right system, improve the way source-to-pay can be operated from all angles: business stakeholders ordering goods or services, employees in need to order anything, but also suppliers to interact with a company to provide everything that is needed.

Larger enterprises might have a more complex setup of their system landscape and with that a more complex implementation and integration. Nevertheless, in the end, the ease of use for all parties involved in source-to-pay is key to be successful.

Smaller businesses might need a "lighter" setup of source-to-pay systems and want to focus more on catalogs, automation, or PO-Invoice processing. As all businesses want to prosper and grow, a leading solution with options to scale might be advisable for companies to consider for their process.

AI shaping procurement: 2021 and beyond



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Amy Fong

Vice President,
Everest Group

I think we'll continue to see AI integrated into procurement tools across the spectrum of source-to-pay activities. Rather than see standalone AI solutions, we can expect the **suites and purpose-built best-of-breed tools to get smarter, to enable better decision making**. I don't believe AI tools will completely

replace the human part of the function, but they will allow individuals to better prioritize their actions and relationships. We're in a phase of information overload right now, with the ability of AI to find patterns and guide forward-looking plans. These tools will elevate the value we can deliver to the business.

Chris Sawchuk

Thought Leader,
The Hackett Group

AI will continue to spread and grow. Over time, it will be embedded in all procurement tools and enabling all procurement activities. A great example is contract management. Early tools focused on process automation (authoring, approval workflow, and ongoing contract expiration management) while the newer AI tools leverage the existing

infrastructure and engage with the accumulated data to provide such insights as overall enterprise risk across all contracts. AI is still emerging especially in its application to procurement and supply management. There is a lot of **"we don't know what we don't know"**.



Jon Hansen
Global Thought
Leader

While there are functional advances brought about by the utilization of RPA and AI, I am inclined to agree with other industry pundits that AI's greatest benefit in the coming months is enabling organizations to implement an effective Data Modernization strategy.

I am not suggesting that AI's role is limited to this area alone. What I am saying is that its greatest and most immediate potential is to deliver actionable knowledge that empowers maximum agility to optimize the decision-making process. Or as the former Scottish Public Pensions Agency, Management Advisory Board member and chair of the Audit and Risk Committee put it in the previous Zycus eBook

AI shaping procurement: 2021 and beyond

"AI has not yet progressed beyond a narrow functional scope to a broader utilization across an organization. The reason for this constraint is the absence of clean data." I believe it is in this area that AI will shape or reshape procurement in the coming year and beyond.

Time taken by AI to start showing results



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Hervé Legenvre

Director, EIPM

Today you can apply predictive pricing models to some commodities and get some results very fast. The data exists, creating a predictive model is much simpler today than three years ago. You can buy this as a service, you can buy a platform to help you achieve it, or you can develop your solution rapidly if you have the right skills at hand. However, these models might work within certain boundary conditions. As the world goes through some unforeseen discontinuities, these models might make unreliable predictions.

At the other end of the spectrum, I have written an article this year on the Design2Cost lab of Vodafone Procurement Company. This uses AI to scan electronic PCBA, identify components and rapidly create a

Typically an organization needs a minimum of at least two years of continuous data to get strong supply chain results. Simple chatbot results

Time taken by AI to start showing results

reliable cost estimate. To establish this, they have put together a lab, hired cost engineers and data scientists, and now, after a few years, they have a very powerful in-house costing capability that delivers great results.

I would recommend procurement organizations to build a solid plan:

- First, get the foundations right by implementing an end-to-end S2P system.
- Then, create a roadmap with a mix of short and longer-term projects.
- Finally, to take on board a couple of data scientists that can experiment and develop business analytic capabilities.

are often easier and faster to attain but to make predictive analytics, we need a longer time frame and more variables to consider.

Dawn Tiura

President and CEO,
Sourcing Industry
Group

Key areas impacted by AI



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Tania Seary

Founder,
Procurious

Risk is a major area impacted by AI. In our research last year, we found that failing to invest in supplier risk and management technology pre-pandemic was the top tech regret during COVID-19. And 27% of those

surveyed said they didn't have the tools to respond fast enough. Companies want better ways of managing risk, and AI can help companies predict and respond to disruptions far quicker.

Jacob De Bruyn

Procurement
Practitioner, The
Dow Chemical
Company

Change management is currently a challenge when it comes to implementing an AI solution. AI will facilitate higher collaboration with suppliers. AI will help operations by automating routine tasks. It will also facilitate better visualization of data

and help us make the most of it. With this, teams will be able to present data that supports decision-making. This in turn will boost change management. The crux is to create awareness about AI and involve internal teams in design discussions.

Strategies that organizations implement



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Jon Hansen
Global Thought
Leader

Earlier I referred to the many articles and surveys indicating that most CPOs are not satisfied with the results of their digital transformation initiatives. Unlike years past the challenge is not with technology as today's by-the-drink solutions are user intuitive and far more advanced than any technology I have seen in the past 40 years. In short, the problem isn't with the technology but with the expectations that said technology is a silver bullet that will automatically address the pressing issues of a complex global supply chain and the absence of a sound strategy that extends beyond the traditional scope of a procurement practice being cost savings.

For example, the 2021 Deloitte survey of CPOs talks about the "changing business dynamics and increasing layers of complexity," and increasing

Strategies that organizations implement

expectations on the CPO that extends well beyond "cost savings and operational efficiency."

By continuing to structure their strategies around these older imperatives limits not only the scope of the greater demands being placed on procurement leaders but limits their agility to leverage technology to respond to emerging strategic priorities such as the introduction of new products and services and geopolitical stability. To sum it up, **you cannot implement a strategy based on the way procurement worked in the past. You must build a strategy that focuses on where procurement is heading in the future.**

Dawn Tiura

President and CEO,
Sourcing Industry
Group

Oftentimes, failure happens because results are expected too quickly. Other reasons include not having enough people trained as data scientists, being unwilling to invest in the talent to write the algorithms, and having unrealistic ideas about when and how people can be replaced with machines.

Strategies that organizations implement

An expert in the field, Google Futurist and Lead Engineer Ray Kurzweil predicts that AI will pass a valid Turing Test in 2029 and reach the “singularity” level in 2045.

Preparing a fertile ground for AI



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Jon Hansen

Global Thought
Leader

By recognizing that AI and digital transformation of the modern procurement practice are as much about transforming the way people think and work as it is about the technology.



Omid Ghamami

Founder - Center
for Purchasing and
Supply Chain
Management
Excellence

First, focus on a business case. Have some specific areas that you will focus on. For example, where is AI needed, and is the organization prepared to take advantage of it? This includes the talent that needs to engage with the technology, understanding what you will do with the insights, ensuring that there is ample data (volume, accuracy, etc.)



Amy Fong

Vice President,
Everest Group

Clean and complete data. That can require a lot of different actions including cleansing existing information, finding better systems for process automation, and also establishing new forms of governance.

Advice for procurement practitioners



Tania Seary

Founder,
Procurious

Step up and lead. For procurement to get the recognition it deserves, it needs better representation at the highest level. **You can be the answer to C-suite prayers if you can understand and harness new technology to provide the solutions they need.** But you do not need to be

an expert! As Professor Craig Carter from Arizona State University said, instead of worrying about mastering technology, procurement professionals should focus on using it to support their ability to analyze critically, think strategically, and build relationships.

Dawn Tiura

President and CEO,
Sourcing Industry
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AI is here and it's real. It comes with more pros than cons, but we must be responsible and cognizant of the harm that AI can introduce without careful study and application. It's an

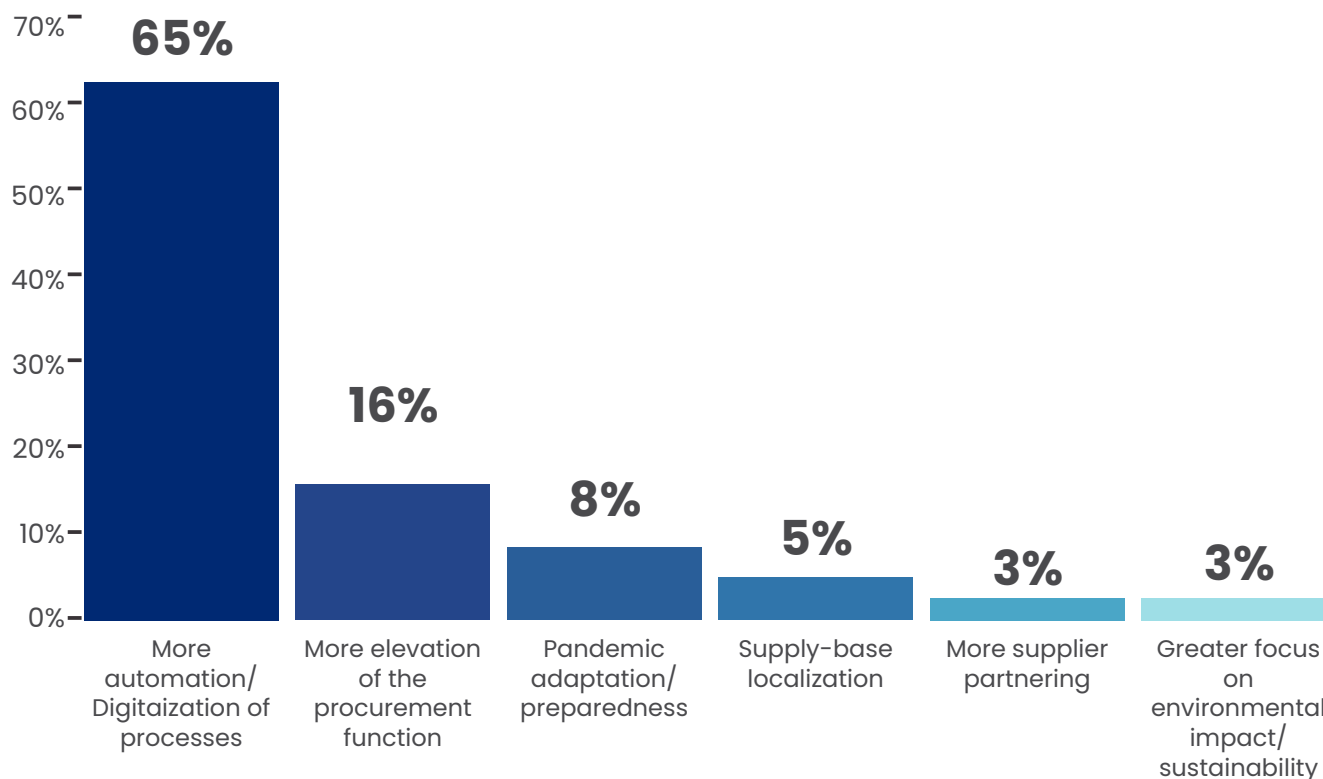
exciting time to be in our field and see the results of AI in our industry.

Sarah Scudder

President,
Real Sourcing
Network

Procurement practitioners must think beyond procurement to the entire supply chain when making any supplier decisions. Many

procurement leaders forget about this when negotiating the last dollar out of a deal. We need to figure out equity in a hybrid work model.



Source: Pulse of Procurement Study 2021

Asked to predict significant changes in store for procurement over the coming five years, visions of automation and digitalization continue to dominate the discourse. “[Procurement is] transforming into a technological function with data-driven actions,” says one participant from the recent Pulse of Procurement Study. “[Expect] faster procurement with less human interaction,” says another, noting a distinct move “in the direction of technology-dependent procurement, with higher savings rates and revenue increases.” Several see a future with “touchless procurement,” while some anticipate: “More automation of purchasing activities, adoption of intelligent sourcing solutions, and remote negotiations.”

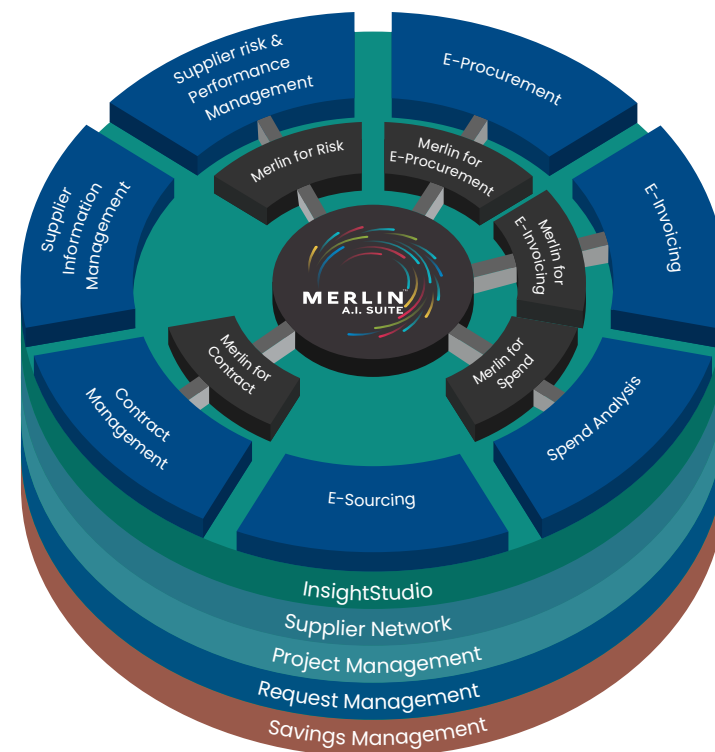


Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

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