# Procurement is getting its digitized act together

*While supply chain managers have been slow to integrate digitization in the procurement function, the trend may finally be gaining traction, says a new report.*

"The Future of Digital Procurement," a new report released by Accenture, maintains that many supply chain managers are seeking to modernize this function, but may not have the tools to get started.

"The digital revolution has largely overlooked procurement," the consulting firm declares. In its report, analysts examine how artificial intelligence (AI) and analytics add to the equation, thereby expediting digital procurement to produce better informed buying decisions, open new channels for engaging suppliers and drive new efficiencies through smart automation.

Art Nourot, vice president of Carrier Procurement, at UNYSON, notes that as the industry becomes increasingly digitized, new demands are being made on the suppliers and service providers, such as 3PLs in North America, that interact with the procurement function. "More transparency leads to greater efficiencies," he says. "But at the same time, we must all be building better firewalls and find ways to keep our data secure."

## Stepping up

In today's economy, many companies are racing to embrace digital to transform key areas of their businesses. These include "customer-facing" functions such as marketing, sales and service. To date, procurement hasn't commanded the same kind of attention or investment, according to Accenture. "True, companies have enthusiastically embraced eProcurement systems and even cloud-based procurement tools," writes Managing Director Kristin Ruehle. "But it's time to move beyond simply replicating the same tedious procurement processes with new software. Leading companies are taking the next step to create a true digital procurement organization."

According to Ruehle, a true digital procurement organization automates repeatable tasks to boost efficiency and potentially drive down costs. It equips stakeholders across the business with real-time access to easy-to-use online tools. It deploys new and smarter ways to infuse data models to enrich daily operations and decision-making. And it transforms how buyers interact with suppliers and other third parties by serving as a platform for new levels and types of collaboration.

## New upstart

Accenture is not alone in identifying the need for new levels and types of collaboration. Adrian Gonzalez, president of Adelante SCM, argues that today's businesses expect the same experience that consumers get from their online vendors with full visibility in real time, regardless of mode. "The need to convert data into actionable insights is more important than ever," Gonzalez says. "Industry business networks, which enable trading partners to connect, communicate, and collaborate in more scalable and efficient ways, are responding by innovating their platforms with machine learning, artificial intelligence and predictive analytics capabilities."

Gonzalez and other analysts have recently identified Elemica as a new upstart in this arena, having recently introduced real-time predictive visibility from customer order to supplier delivery and the complete order-to-cash and procure-to-pay process.

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In essence, digital procurement enables the "Amazon-like" experience employees now want—but currently aren't getting—in the workplace. "This is easier said than done," observes Rich Katz, chief technology officer of Elemica. Katz notes that Amazon has a relatively closed system—it controls the majority of the process from search to delivery—and where it doesn't have direct control it can dictate how partners will interact with their customers. Procurement organizations are in a very different spot—they deal with thousands of suppliers and carriers operating in their own unique ways.

"Digitization provides a path to get there," he says. "By fronting the supplier ecosystem with a common user interface (UI and) backing that up with real time information exchange with suppliers and logistics providers, procurement can create a sort of 'virtual' Amazon for their users."

In other words, while supply chain visibility is not new, the ability to gain deep visibility with embedded predictive analytics is. "Gleaning historical data from disparate enterprise systems including the customer, supplier and logistics providers is what businesses have been needing for a long time," Katz says.

Elemica, a leading business network for process industries, recently introduced an extended end-to-end supply chain visibility service called "Elemica Pulse" for the procure-to-pay function. Accenture maintains that this trend, too, is gaining traction.

Stakeholders expect the ease and elegance from the "procurement" tasks they do at home as consumers on Sunday to apply to the work they do for the company on Monday. But current procurement policies and tools are geared toward driving a process—with a lot of rigor and controls—versus an experience or outcome.

So it's not a surprise that stakeholders find the procurement process too cumbersome, slow and rigid. In their minds, procurement is an obstacle to be avoided rather than a useful tool.

Conversely, digital procurement is defined not by a rigorous process but by deep and rich data. It assumes business controls are built into AI models so users can do what they want to do without having to go through many painful steps.

## Embracing the process

By streamlining and simplifying how people make and execute buying decisions, digital procurement encourages stakeholders to "embrace the process" instead of circumventing it in favor of the experience they prefer. In other words, users aren't necessarily fully aware of procurement's influence and guidance, and they don't feel like they're "going through a process." They simply see valuable information presented that they can act on. Compliance and controls are inherent and embedded in the model instead of being visible obstacles to be overcome.

"It's critical to increasing the procurement organization's influence over the half of the company's

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spend it doesn't control—and, by extension, increasing the effectiveness of how that spend is managed," says Accenture's Ruehle.

She concludes that "digital is the foundation of procurement 3.0," whereby digital procurement isn't just the next phase in IT's evolution, but rather the genuine step-change—a dramatic departure from both procurement's use of technology and its operating model of the past few decades.

Today, the vast majority of companies have what Accenture calls "a Procurement 1.0 organization." This is characterized by a focus on using technology to automate processes and record what has happened: a transaction executed, an invoice paid, an item purchased, a contract signed. And, unfortunately, it's also marked by systems of record that generally have made the procurement process overly complex.

The encouraging news, add analysts, is that some leading procurement organizations are making strides toward 2.0, in which they're using technologies to dig deeper to get much more contextual information about what happened and why.

Such information is critical: It's foundational to building AI-enabled predictive models that help improve future decision making, and are at the heart of a Procurement 2.0 organization. The next advance will represent a true digitized "revolution."