Procurement in 2025: The Future Looks Bright

Transcript of a discussion on how rapidly evolving technologies impact the future of procurement and the professionals who will drive it to a new plane of greater influence and impact.

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Dana Gardner: Hi, this is Dana Gardner, Principal Analyst at Interarbor Solutions, and you're listening to BriefingsDirect. Our next business digital transformation panel discussion explores the ways that rapidly evolving technology is impacting the future of procurement.

The advent of increased automation, data-driven decisions, powerful business networks, and the firepower of Artificial Intelligence (AI) and blockchain are combining to elevate procurement -- and the professionals who drive it -- to a new plane of greater influence and impact.

To learn more about how procurement is reaching an increasingly strategic position in businesses, I'm pleased to introduce our panelists, Julie Gerdeman, Vice President of the Digital Transformation Organization at SAP Ariba. Welcome, Julie.

Julie Gerdeman: Thanks, Dana.

Gardner: We're also here with Shivani Govil, Vice President of Artificial Intelligence and Cognitive Products at SAP Ariba. Welcome, Shivani.

Shivani Govil: Thanks, Dana. Delighted to be here.

Gardner: And we are here with Matt Volker, Vice President of Supply Chain at NatureSweet, based in San Antonio, Texas. Welcome, Matt.
Matt Volker: Thanks, Dana. My pleasure.

Gardner: Julie, SAP Ariba recently published a point-of-view on what procurement will look like in 2025, and it shows procurement as far different from how we know it today. Paint a picture, if you could, of what we should expect from procurement over the next several years?

Hyperconnected super networks

Gerdeman: We are on the brink of more change than ever before in procurement. We think procurement organizations are going to rethink everything -- from technology to resource allocation to talent and skill-sets. This all can entirely remake the function.

And how they will do that means a few things. First, they are going to leverage new and emerging technologies to automate the mundane tasks to refocus on more strategic-level work, and that will allow them to become key drivers of corporate goals and business innovation.

How are they going to do that? It will be through use of intelligent systems that are self-learning and that provide a consumer-like, highly personalized user experience that makes purchasing easy.

We also believe that procurement strategists will become ambassadors of the brand for their companies. Unlike in the past, all companies want to do well financially, but we believe procurement can help them also do good, and we are going to see more-and-more of that in the future. Procurement will become the stewards of the corporate reputation and brand perception by ensuring a sustainable supply chain.

In the future, procurement will become even more collaborative -- to achieve cost-savings goals. And that means companies will be connected like never before through leveraged networks. They are going to take the lead in driving collaboration and using networks to connect buyers, partners, and suppliers globally for efficiency. On the tech side we believe super networks may emerge that create value. These super networks will network with other networks, and this hyper-connected ecosystem will become the standard.

Finally, data is the new currency and buyers and sellers are going to leverage things that I believe Shivani will be talking about, like predictive analytics, real-
time insights, AI, blockchain, and using all of that to move the business forward. We are really excited about the future of procurement.

Gardner: The adoption and the pace at which people can change in order to acknowledge these technical changes -- and to also put in place the organizational shifts -- takes time, it’s a journey. What can companies be doing now to think about how to be a leader -- rather than a laggard -- when it comes to this procurement overhaul?

Gerdeman: That’s such a great question. Adoption has to be the key focus, and every company will begin at a different place, and probably move at a different pace -- and that’s okay.

What we see first is a focus on business outcomes. This is the difference for having successful adoption. So that’s focus -- on outcomes. Next comes supporting that through organizational design, resource allocation, and developing the talent that’s needed. Finally, you must leverage the right technology to help drive that adoption at the pace that’s desired. This is key. Those are some of the core components for improved adoption.

Gardner: Matt at NatureSweet, you are well on your way to making procurement a strategic element for your company. Tell us about your transformation, what your company does, and how procurement has become more of a kingpin to how you succeed.

Greenhouse growth with IT

Volker: We have more than 9,000 associates across our operations and we consider them our competitive advantage. That’s because people create the expertise at the greenhouse -- for the best growing and harvesting techniques.

With that said, our intention is to bring more innovation to the table, to allow them to work smarter versus harder -- and that entails technology. As an example, we currently have five different initiatives that are linked to automation and systems solutions. And SAP Ariba Snap happens to be one of those initiatives. We are creating a lot of change management improvements around processes. As a result, our people’s accountabilities are shifting from a transactional solution in procurement to a strategic sourcing play.
Gardner: Tell us more about NatureSweet. You are an innovative grower of vegetables and other organic produce?

Volker: Yes, we grow fresh-produced products, predominantly in tomatoes, cucumbers, and peppers; both conventional and organic. We service North America -- so Canada, Mexico, and the US -- with a brand of products across a spectrum of small and large tomatoes, varieties of peppers, and varieties of cucumbers.

Gardner: Now that you’ve put strategic procurement into place, what are the demonstrable benefits?

Volker: Being in the mid-market, we were in a position where the sky was the limit. In a transactional sense, we still had basic processes that were not fully in-place -- down to identifying item numbers and stock items across a broad range of purchases across 8,000 different commodity items.

That led us to do the due diligence to be able to identify what those items were, which then drove us to category management, siloing specific purchases into categories, and then applying our resources against those categories.

The net result was that we moved from transactional to strategic sourcing. We didn’t know what we didn’t know. But once we brought SAP Ariba Snap internally into our operations, we gained access to 3 million-plus vendors. It provided us the visibility into worldwide opportunities across each of those purchase categories. It was a benefit -- both on spend as well as services and products available.

Gardner: Just to be clear, SAP Ariba Snap is a new, packaged solution to help small and medium-sized businesses (SMBs) become purveyors of the top-line technology, processes, and networks when it comes to procurement. In this case size really doesn’t matter.

Shivani, SMB companies like NatureSweet want to be thinking about the top-line capabilities of AI and machine learning, but perhaps they don’t want to take that on as a core competency. It’s really outside of their wheelhouse. How can an organization like SAP Ariba tackle the complexities of these technologies, get the deep data, and then help companies like NatureSweet better accomplish their goals?
Govil: At SAP Ariba, we are enabling transactions across more than 3 million buyers and suppliers, and for more than $1.6 trillion in value across the network. If you think about that statistic, and you think about how much data resides across our network and in our systems, what we are looking at is applying AI- and machine learning-type technologies to unlock the value of that data and deliver actionable insights to companies, such as NatureSweet, so that they can perform and do their functions better.

Our focus is really looking at the technology and how can we apply those technologies to be able to deliver value to the end-user. Our goal is to bring together better connections between the people, the processes, the systems, the data, and the context or intent of the user in order to enable them to do their jobs better.

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Gardner: And looking to this initiative about predicting through 2025 how procurement will change, tell us how you see technology supporting that. What is it about these new technologies that you think will accelerate change in procurement?

The future is now

Govil: I see the technology as being a key enabler to help make the transformation happen. In fact, a lot of it is happening around us today already. I think some of us can point to watching science fiction movies or looking at cartoons like The Jetsons where they talk about a future age of flying cars, robot maids, and moving roadways. If you look around us, that’s all happening today. We have self-driving cars, we have companies working on flying cars, and we have the robot vacuums.

Technology has already become the enabler to allow people to think, act, and behave in very, very different ways than before. That’s what we’re seeing happening around us.

Gardner: For end-users who are not data scientists, or are even interested in becoming data scientists, the way mainstream folks now experience AI, bots, and machine learning is often through voice-recognition technologies like Siri and Alexa.
What is it about those technologies that allow us to educate people on AI? How can your average line-of-business person appreciate the power of what AI and a cloud business network can do?

**The conversational AI advantage**

**Gerdemar:** Alexa and Siri have become household names, and everyone is familiar with those types of technologies. Those are the conversational interfaces that enable us to have interactions with our applications in a seamless manner, as if we are talking to a friend or trying to get something done.

When we think about this whole space of technology, AI, and machine learning, we actually span multiple different types of technologies. The natural language processing, the speech-to-text, and text-to-speech -- those are the types of technologies that are used in the conversational interactions. You also have things like machine learning, deep learning, and neural networks, etc., that provide the insights that span across large amounts of data and deliver insights and uncover hidden patterns to enable better business outcomes.

Let me give you an example. We think about Siri and Alexa in our everyday life. But imagine an intelligent assistant on the business sourcing solution, one that is guiding a category owner throughout the processes of running a sourcing event. This can really help the category owner better understand and get intelligent recommendations as to what should they be doing -- all through conversational type of interactions.

Now, you can take that even further, to where I talk about some of the other types of technologies. Think about the fact that companies get thousands of invoices today. How do you actually go through those invoices and then classify them so that you can understand what your spend categories are? How do you do analysis around it to get a better handle on your spend?

We are now applying techniques like deep learning and convolutional neural networks (CNNs) to be able to automatically start classifying those invoices into the right spend categories. By doing so, we have seen that it saves people from what used to take days to less than 11 minutes to do the same task. We are applying techniques such as deep learning and convolutional neural networks (CNNs) … we see that it saves people from what used to take days to less than 11 minutes to do the same task.
Gardner: Matt, now that you have heard about some of these AI capabilities, does this resonate with you? Are you excited about it, and do you prefer to see a company like SAP Ariba tackle this first and foremost?

**AI for excellence**

Volker: Our long-term strategy is to become a consumer package goods company, and that places us in the same conversation as folks like Procter and Gamble, Hershey, and PepsiCo. That strategy is ambitious because if you consider produce traditionally, it’s been a commodity market driven on temporary workforces that are migratory by nature. But that’s not who we are.

We are a branded company. Our claim to fame in the marketplace is that we have the best products in the market. They are always the best products on the market, always at the same price, always available, 100 percent vertically integrated and in a direct relationship with the consumer. Why I mentioned that is for us to continue to excel at our growth potential, the need of automation, AI, and digitizing processes are critical to our success.

In my mind, from a supply chain perspective, we are building toward an end-to-end integrated supply chain, and we must have that link of a qualified tool in procurement to make that a successful transformation.

Gardner: Shivani, we’ve also heard that people are concerned that their jobs are going to get taken over by a robot. We don’t expect necessarily that 100 percent of buying is going to be done automatically, by some algorithm. There’s got to be a balance. You want to automate as much as you can, but you want to bring in people to do what they do best.

Is there anything about your view towards 2025 that addresses this idea of the right mix of people and machines to leverage each other to the mutual benefit of the business?

**Human insights add value**

Govil: We don’t think technology is going to replace humans. In fact, what we think is happening is that technology is augmenting the abilities of the humans to be able to do their jobs better. The way we look at these technologies is asking
are they really allowing the procurement professionals to be smarter, faster, and more efficient in terms of what they are doing? Let me give you an example.

We all know that digitization has happened. Paper invoices, for example, are a thing of the past. Now, imagine if you can, also adding in what's stored in many digital records? You’d get the insights from all of that together. Let’s say there’s a drop in commodity prices, you’ll be able to intelligently give the contract negotiator the advice that it’s time for them to negotiate a contract, as well as provide benchmarks and insights into what kind of prices they should be looking for.

The way we’re approaching this is looking at the type of user, the type of task that they are performing and based on that, evaluating different ways that these types of technologies can help. For example, if you have a casual user and the task is very repetitive, like a customer support-type activity, where the questions are fairly generic, commonly asked questions, can you look at automating those tasks? In this case, we would look at automation-type functions.

On the other hand, if you have an expert user doing a very deep, complex task, which is highly variable, such as a contract negotiation, how can you then best help? How do you then use these technologies to help that contract negotiator to amplify what they are doing and get even better results for the business?

Depending on the type of user, whether they are casual or an expert user, and the type of task, whether it’s a repetitive task or a highly variable unique customized task, we can look at these types of technologies to enable in very different ways.

**Gardner:** Julie, for organizations to prepare themselves to make that right call between what machines can do well and what people do best at a strategic level, requires a digital transformation of the organization, the people, process and the technology. Is there anything that you can offer from what you’ve seen in the Procurement 2025 vision that would help organizations get to a digital-first advantage?

**Gerdeman:** What we have seen in doing the research is that it’s at three structural levels. First, at the corporate procurement level, and addressing risk and security, and thinking about the experience of satisfaction. And then, at the business unit level, we’re seeing procurement get more embedded into the
business unit, and actually work more closely in a line of business, in a production or manufacturing facility to be closer to the line of business, and that then helps a transformation.

And then finally, at the shared services level, a lot of what Shivani was referring to, some of those more mundane tasks being digitized. They become more arbiters of satisfaction to the end users -- really to be overseeing the digitization rather than performing the task themselves.

To get on that journey at the corporate level, then the business unit, and then line-of-business level, procurement gets more embedded. Finally, shared services were viewed as things in the future as like complete lights-out facilities, which then would change the dynamic.

Gardner: It’s interesting to me that this can be quite easily customized. You could be a smaller organization, or a giant enterprise across different vertical industries with different geographies. You can enter this transformation on your own trajectory and begin to layer in more use of AI and automation. It can be done at your own pace.

But one of the things we have seen is the pace has been slower than we expected. Matt, from your organization’s experience, what can increase the pace of adoption when it comes to digital transformation, automation, and ultimately robots and AI and artificial intelligence benefits?

**Increase the speed of adoption**

Volker: As an organization we pride ourselves on being transformational. In our world, there are 9,000 people for whom we want to improve the living standards, and from that it develops a strategy to say, “How do you go about doing that?” Well, it’s about transformation.

So, through automation and system solutions we intend to get there by December 31, 2019. It was referenced earlier by Shivani that you move folks away from transactional to strategic sourcing through categorizing your vendor community and allowing them to say, “Now I can move away from requisitions and purchase orders to really searching globally for partners that will allow us to
accelerate our spend the right way, both from a cost, service and quality perspective.”

**Gardner:** Shivani, we have been looking at this in the future, but let's just go short-term for a second. In my experience with software development and moving from traditional software to the cloud, it's really important to demonstrate upfront the benefits that would then accelerate adoption.

While we are still looking several years out, what could be done around AI, machine learning, and data analysis now that would become a catalyst to the adoption and the benefits in the future?

**The value-add bucket list**

**Govil:** We are seeing the values of these technologies manifest in many different ways. I actually largely put them into four buckets. The first one is really around driving deeper engagement and user adoption. So, if you imagine having these types of conversational interactions, intelligent assistants that really drive the engagement and adoption by the end user of using the systems, that then means bringing more spend under your management, getting the better outcomes for the business that you are trying to deliver. So that's number one.

The second is in terms of being able to unlock the data and discover hidden patterns or insights that you don’t have access to otherwise. If you think about it, there’s so much data that exists today -- whether it’s in your structured enterprise systems or your unstructured systems out in the web, on social media, from different sources -- that by being able to bring those data elements together and understanding the context and what the user is trying to achieve, you can actually help discover patterns or trends and enable the user to do their jobs even better.

I talked about the sourcing, contract negotiations, you can think about it in terms of ethical sourcing, too, and how to you find the right types of suppliers that are ethically appropriate for your business. So, that’s the second one, it's around unlocking the data and discovering hidden patterns and insights.
The third one is around driving retention of talent and knowledge. A lot of companies are facing an ageing workforce where people are beginning to retire, and you don’t want the knowledge that they have to go with them; you want to retain that in your business and your applications.

These types of technologies enable that to happen. Also, being data-driven allows you to track new talent because everyone wants to work with the latest and greatest technologies, and so this becomes a way for new talent to get attracted to your business.

And the fourth, and the most important, is around driving better business outcomes. This can be in the form of efficiency, it can be in the form of automating repetitive tasks, or it can be in the form of driving increased accuracy. Together these all allow you to create strategic value for procurement as a function and become a value creator for the business.

**Gardner:** Julie, you had some other thoughts on accelerating adoption?

**Support at the top**

**Gerdeman:** Because so much of what we are about is amazing technology, it can only be successful through effective change management at the organization level. So, it’s in that process and the people side that if you embrace the technology, that’s fabulous. But structuring the organization and supporting and enabling folks -- whether they are users, category managers, sourcing managers -- to then adapt to the change and lead through that change -- and gain the support at the highest levels – that’s what we have seen be really effective in driving successful digital transformation. It’s through that high level of change management.

**Gardner:** We’ve often seen patterns where it takes longer for change to happen than we thought, but the impact is even greater than we anticipated.

So, looking out several years for an understanding of what that greater impact might be, my final question to you all is, what’s it going to be like in 10 years? What will astonish us in 10 years?
**Outstanding People and processes**

**Volker:** In our world of produce, it’s about the investment. As land and resources become more scarce, we need to be much more productive from the standpoint of being able to deliver a highly perishable mix of products with speed to market. Part of the solution is automation, AI, and digitizing processes, because it’s going to allow us the opportunity to consistently reinvent ourselves, just like any other organization. This will allow us to maintain our competitive advantage in the marketplace.

We are extremely well-suited to pull the consumer and customer along with us in an emerging economy where speed to market and flexibility are mandatory.

**Gerdeman:** I actually think it’s about the people, and I’m most passionate about this. Organizations will look completely different, and the people in them will be data scientists, strategic consultants, and people that we never had the opportunity to use well before because we were so focused on executing tasks associated with procurement. But how the new organizations and the people and the talent are organized will be completely astonishing to us.

**Gardner:** A workforce of force multipliers, right?

**Gerdeman:** Absolutely.

**Gardner:** Shivani, same question, what’s going to astound us 10 years out?

**Govil:** I agree with Julie on the people’s side of it. I also think that the technologies are going to enable new things to happen in ways that we can’t even imagine today. If you begin thinking about we talked a lot about -- AI and machine learning, blockchain and the possibilities that opens, you think about 3D printing, drones -- you can imagine sometime in the near future rather than sourcing parts and materials, you might be sourcing designs and then printing them locally. You might have a drone that’s delivering goods from a local 3D printer to your facility in an as-needed manner, with no advanced ordering required.

I think that it’s just going to be amazing to see where this combination of technology and skills will take the procurement function.

**Gardner:** I’m afraid we will have to leave it there. You’ve been listening to a sponsored BriefingsDirect discussion on how procurement is advancing to become a strategic force-multiplier for corporations as they seek a digitization of
their overall businesses. And, in examining the Procurement 2025 initiative, we've learned how modern procurement is emerging as a key component to overall digital business transformation.

So please join me in thanking our guests, Julie Gerdeman, Vice President of the Digital Transformation Organization at SAP Ariba; Shivani Govil, Vice President of Artificial Intelligence and Cognitive Products at SAP Ariba, and Matt Volker, Vice President of Supply Chain at NatureSweet in San Antonio, Texas. Thank you all.

And, a big thank you as well to our audience for joining this series of SAP Ariba-sponsored BriefingsDirect discussions. I'm Dana Gardner, Principal Analyst at Interarbor Solutions, your host. Thanks again for listening, and do come back next time.

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