

Globality

PROCUREMENT AT THE INFLECTION POINT

Digitization, AI, and the
Pending Disruption of
a Corporate Mainstay

In partnership with:



Contents

INTRODUCTION	3
METHODOLOGY	4
EXECUTIVE SUMMARY	5
SURVEY RESULTS	6
The Journey Is Just Beginning with Procurement Digitization.....	6
Digitizing Procurement Is Expected to Bring Significant Opportunity to Advance Corporate Goals.....	7
Vendor Management and RFPs Are Major Opportunities for Cost Savings and Efficiency.....	7
Service Sourcing Remains an Untapped Opportunity.....	8
Only 6 Percent of Organizations Are Actively Using AI in Procurement.....	9
Increased Efficiency, Transparency and Control, and Cost Savings Expected as Organizations Use AI	10
Strategy, Vision, and Organizational Alignment Are Needed for Successful Procurement Transformation	11
Cultural Fit with Providers Is Critical or Important to 93 Percent of Companies	12
Diversity Is a Mandate or Key Consideration for 84 Percent of Companies	12
What Is Procurement's Next Step?.....	13
ABOUT GLOBALITY	14

Introduction

The procurement landscape is about to experience tremendous change in the face of digitization and the increasing utilization of artificial intelligence (AI). This shift has been a long time coming; the established processes for scoping, sourcing, vendor selection, and other procurement responsibilities are straining under the pressures of growing spend, the expanding numbers of providers, elevated expectations by line of business stakeholders, and business demands for spend effectiveness combined with operational excellence.

A domain often overlooked for transformational aptitude, procurement is now poised for radical reinvention through the help of advanced technology. Digitization is the start of a shift that has the potential to truly make procurement a strategic factor in attaining corporate goals.

But the shift is still in its early days. In September 2019, Globality and Digital Procurement World undertook a study to gain a better pulse on market adoption, understand just where procurement leaders are in their current beliefs and aspirations for digitization, and identify their progress to date in that journey. This paper highlights what potential global leaders see in this space as well as budding opportunities on the near horizon.



Digitization is the start of a shift that has the potential to truly make procurement a strategic factor in attaining corporate goals.

Methodology

This study used quantitative research to understand the target subjects' underlying opinions and motivations regarding the digitization of procurement operations and assess how far along these market-representative organizations are with their digitization initiatives.

Respondents were senior-level procurement leaders from the United States and Europe, 79 percent of whom work for multinational organizations. They were identified from a highly qualified list of global procurement executives.

The respondents were asked to complete a survey that included opportunities to provide free-form input in addition to ranking and multiple-choice questions. For their participation, the respondents were offered a free copy of the survey findings report if they voluntarily opted to provide an email address where the report could be sent.

The survey was fielded in partnership with Digital Procurement World in September 2019 over a period of eight days. Overall, 101 leaders participated. A preview of some of the initial findings was shared at the Digital Procurement World Conference held in Amsterdam in September 2019. Our assessment of the full findings is presented here.

Executive Summary

Digital procurement is at an inflection point. The status quo of the complicated request for proposal (RFP) process, the increasing number and complexity of vendor relationships, line-of-business autonomy, and continued pressure from the top to reduce spend is unsustainable in the traditional procurement dynamic.

As a result, senior procurement leaders are looking to advanced technology to shift the balance in multiple areas—cost management, operational efficiencies, stronger control of the process, analytics, and plenty more. Many are now beginning the journey to apply digital technologies to accelerate topline growth, deliver operational excellence, keep pace with market acceleration, and provide strategic advantage to their organizations.

- Our respondents are grappling with myriad problems, and spend—especially for services—just keeps growing, adding to the complexity. In fact, 31 percent of our respondents reported that services comprise over half their company's spend.
- The digitization of procurement and sourcing functions has a way to go, but it is happening; 87 percent are in the early stages of utilizing technology to improve their procurement processes. Ninety-four percent are exploring or just starting to use advanced technologies such as AI, giving a strategic advantage to companies that are early adopters of the technology and already realizing some of its benefits.
- In pursuing digitization initiatives, respondents' expectations are high for technology to provide strong strategic value for the entire corporation. Procurement executives are looking for ways to achieve greater efficiency, increased transparency, and standardization of the procurement process. Additional priorities include extending influence into the broader organization, striving to achieve spend effectiveness, ensuring better integration with lines of business on purchasing needs, and achieving increased alignment with overall corporate strategy.
- Although 73 percent of respondents had limited experience and exposure to AI in the procurement realm, we believe this will change significantly in the coming months as more companies learn about AI's benefits and see their peers successfully using the technology as a strategic differentiator. Currently, only 6 percent of respondents said they are actively using AI in their procurement digitization initiatives, which highlights the significant opportunity ahead.
- In summary, procurement leaders are increasingly viewing digitization as the next needed step in accelerating corporate goals and gaining recognition with their senior corporate leadership as drivers of strategic company transformation.



Ninety-four percent are exploring or just starting to use advanced technologies such as AI, giving a strategic advantage to companies that are early adopters of the technology and already realizing some of its benefits.

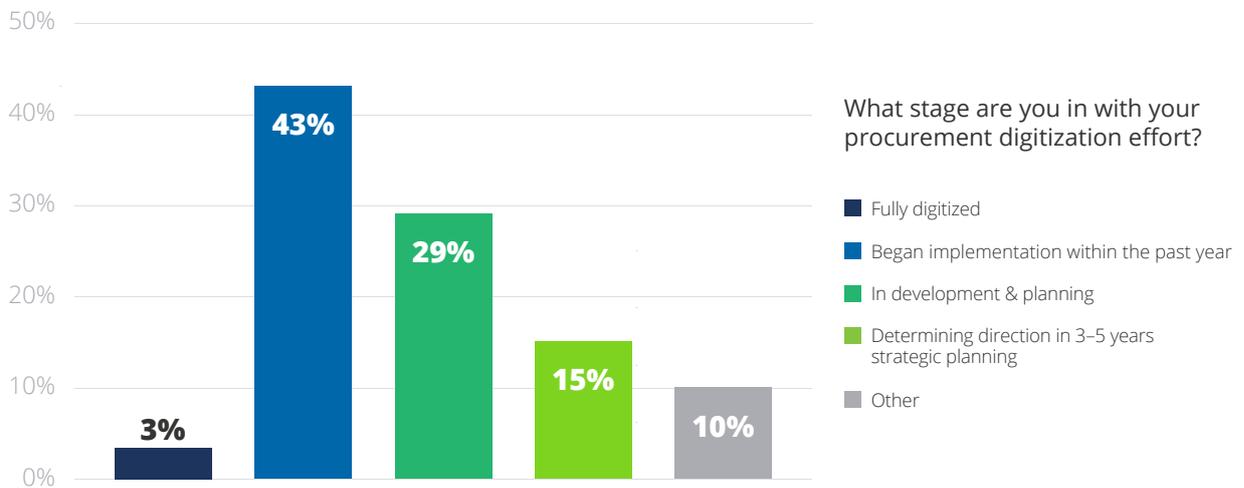
Survey Results

The Journey Is Just Beginning with Procurement Digitization

Digitization is still new, but 43 percent of respondents reported having just started their digitization journey within the past year. Another 29 percent said they are in the planning stages of their digitization initiative, or it is under development. The rest are deciding what to do but have not yet taken action.

Astutely, several respondents also mentioned that digitization is a never-ending journey. Companies looking to stay competitive are always seeking new and different ways to digitize, with procurement being one of the biggest opportunities to affect the bottom line.

Again, we see the largest companies (25 percent) and multinational companies (37 percent) as the furthest along. Surprisingly, the smallest companies (fewer than 1,000 employees) are nearly on par in their progress with mid-sized companies (1,001–20,000 employees), with the majority of both segments being either in development or first-year deployment.



“ Companies looking to stay competitive are always seeking new and different ways to digitize, with procurement being one of the biggest opportunities to affect the bottom line. ”

Digitizing Procurement Is Expected to Bring Significant Opportunity to Advance Corporate Goals

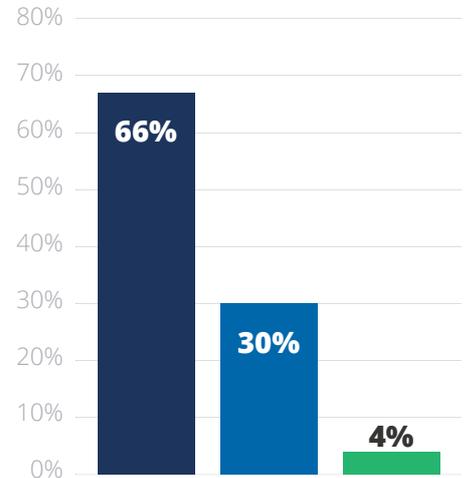
Respondents see significant opportunity to accelerate their corporate goals and priorities by digitizing procurement. In fact, 96 percent of respondents said they recognize this potential, with 66 percent feeling it could have a strong impact. Clearly, expectations are high.

Executives in the largest corporations as well as organizations with a multinational presence held the greatest expectations for digitization's potential. Thirty-eight percent of leaders at companies with more than 20,000 employees rated the potential as strong—as did 55 percent of respondents from multinational organizations.

Vendor Management and RFPs Are Major Opportunities for Cost Savings and Efficiency

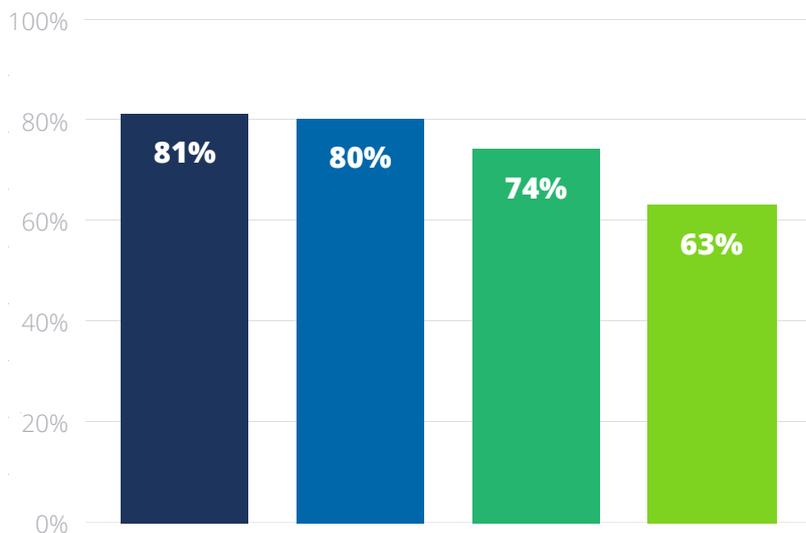
Respondents believed the greatest potential opportunities for cost savings and efficiency from a digitization effort would be found in how they manage vendors and the overall RFP process—two complex responsibilities with an ecosystem of vendors around the world.

Selecting vendors as well as collaborating and communicating with them are two operational responsibilities not far behind in respondents' rankings. This finding reinforces how much opportunity exists to improve the customer-provider dynamic by digitizing procurement and how dramatically the way companies work together is evolving.



Rate the potential you see in accelerating your company's strategic goals through digitization of your procurement process.

- Strong potential
- Some potential
- Limited potential



Where do you see the greatest opportunity for increased procurement efficiency and cost savings through digitization?

- Vendor management
- Request for proposals
- Vendor collaboration & communication
- Vendor selection

n = 101, multiple responses possible

Other areas where respondents reported (unprompted) they are seeing digitization opportunities include data and analytics, operational and process improvements, certification and compliance, and planning. The need is great and spans the breadth of procurement domains.

Service Sourcing Remains an Untapped Opportunity

As respondents confront highly complex procurement realities, spend—especially for services—continues to increase. Almost one-third of our respondents reported services comprise over 50 percent of their company's spend; another 40 percent reported services spend between 21 percent and 50 percent.

Given the large and growing share of spend that services represent, we asked respondents to tell us in their own words the greatest challenge they face with services sourcing. Although the answers were diverse, patterns emerged that indicate some consistency in those challenges as well as how leaders expect digitization to help.

- Transparency—of spend, of what is being purchased, and of the suppliers involved—was most mentioned. It is, after all, difficult to manage such a responsibility when lacking core information.
- Time to market demands and effective contract management are other leading challenges, as is the fundamental issue of controlling spend.
- Governance, analytics and measurement, policy compliance, and other elements of procurement control were noted, indicating the range of pressures on procurement leaders to oversee what often happens beyond their immediate domain.



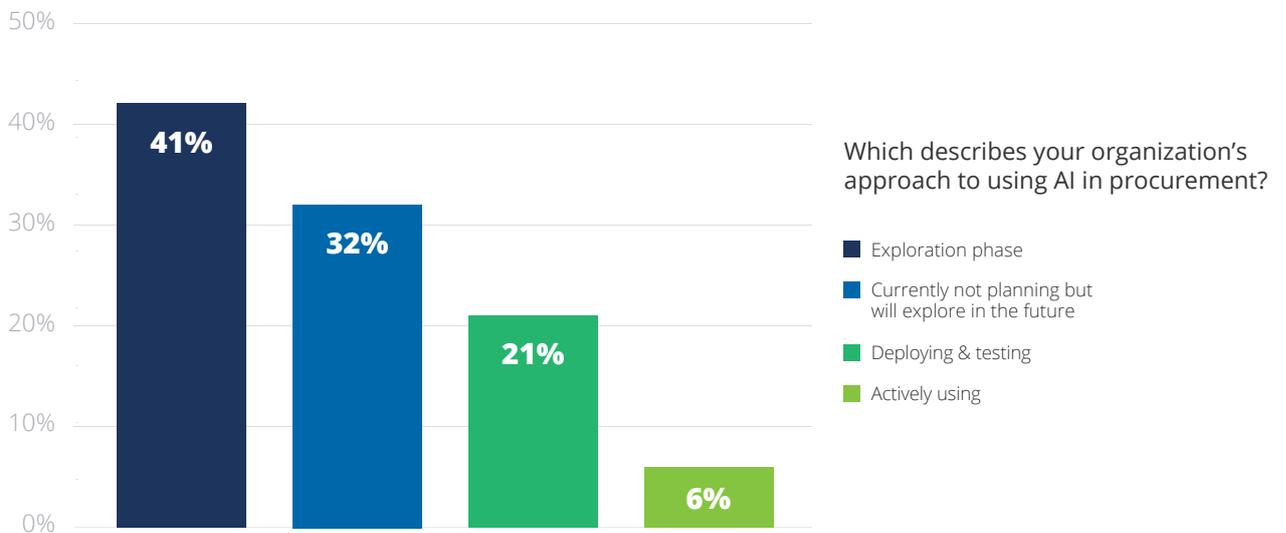
Respondents believed the greatest potential opportunities for cost savings and efficiency from a digitization effort would be found in how they manage vendors and the overall RFP process—two complex responsibilities with an ecosystem of vendors around the world.

Only 6 Percent of Organizations Are Actively Using AI in Procurement

When we look at how the most innovative technologies such as AI and machine learning are being used, the landscape is primed for adoption and utilization. Currently, only 6 percent of respondents said they are actively using AI in their procurement digitization initiatives, with another 21 percent just starting to use AI.

Furthermore, 41 percent of respondents reported they are in only the exploration phase of looking at how AI could benefit procurement—with the remaining 32 percent saying they would likely explore it in the future.

With AI already being deployed in consumer applications and increasingly applied in multiple business capabilities, the number of leaders utilizing AI to transform procurement and sourcing is anticipated to dramatically increase in the coming months.



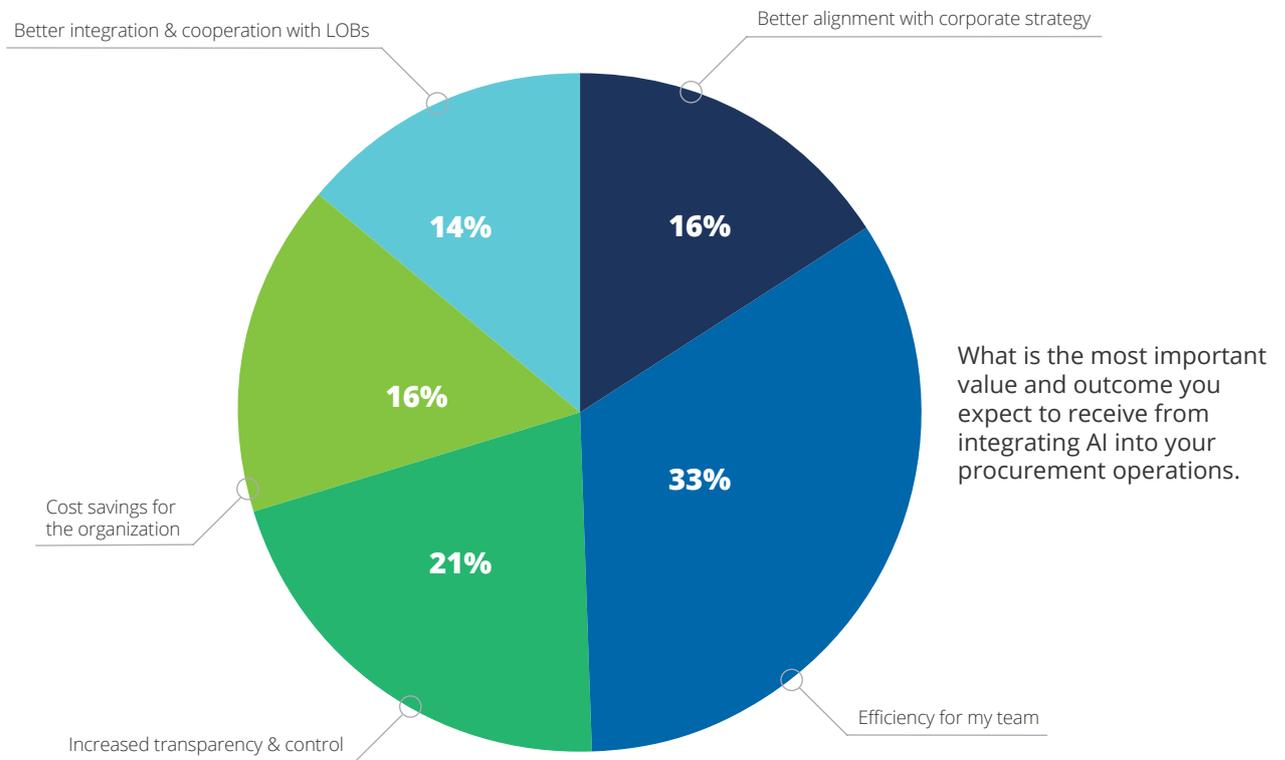
“ Currently, only 6 percent of respondents said they are actively using AI in their procurement digitization initiatives, with another 21 percent just starting to use AI.

Increased Efficiency, Transparency and Control, and Cost Savings Expected as Organizations Use AI

When respondents think about AI, they see the opportunity for multiple beneficial outcomes. Unsurprisingly, the top outcomes they expect to see are closest to home—54 percent ranked increased efficiency for their teams and increased transparency and control as the highest in terms of expected value. Given their insight into these benefits, it is somewhat surprising more companies are not already actively engaging in these initiatives.

Additionally, 16 percent ranked organizational cost savings as the highest potential outcome; another 16 percent chose better alignment with corporate strategy, and the remaining 14 percent chose better integration with lines of business.

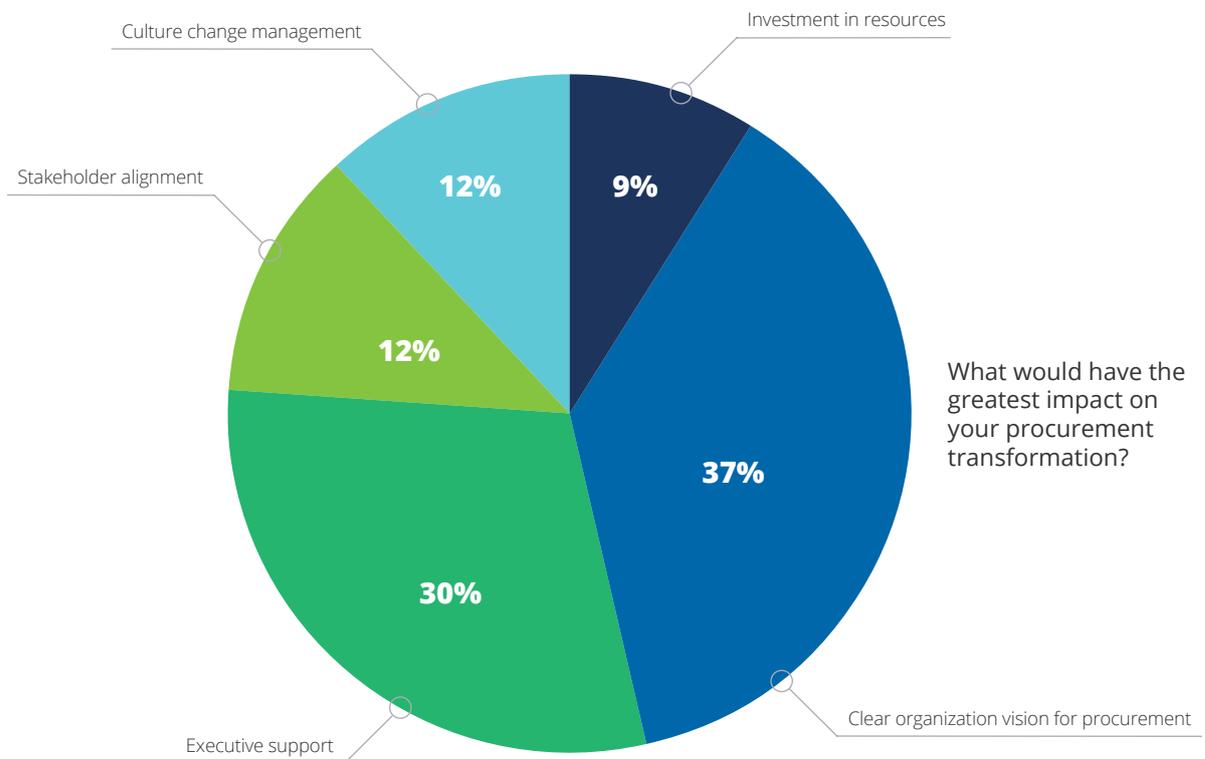
Global enterprises are looking to validate immediate cost savings that companies receive by integrating AI, including greater efficiency, spend effectiveness, and transparency.

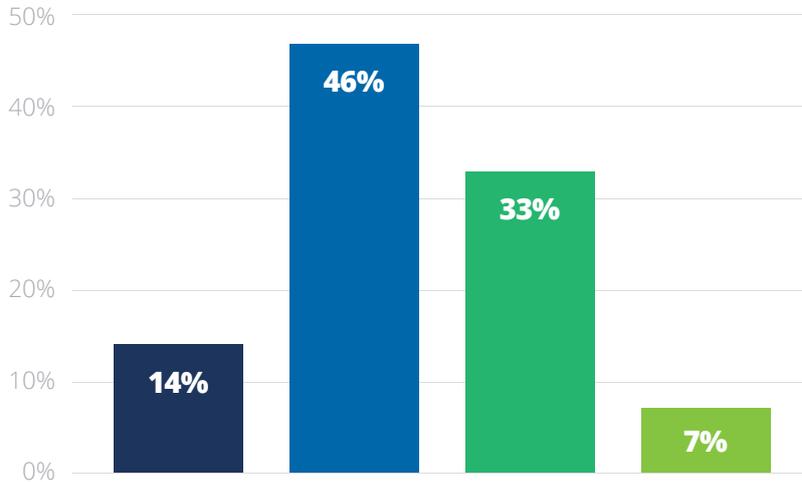


Strategy, Vision, and Organizational Alignment Are Needed for Successful Procurement Transformation

Procurement leaders recognize the strategic implications of digitally transforming their functions and leading transformation initiatives for their overall companies. When it comes to achieving successful transformation through these major initiatives, leadership support and strategy matter most—67 percent of respondents ranked having a clear organizational vision for procurement’s role, along with executive support of that vision, as the top factors making success attainable.

Ensuring people are on board with the change is further down the priority list; stakeholder alignment and culture change management rated equally at 12 percent, and resource investment ranked lowest at 9 percent. These findings suggest respondents see big-picture planning and support as the priority drivers, and perhaps they expect the other factors to follow suit once commitment is established.





How important is cultural fit to your organization when choosing a service provider?

- Absolutely critical
- Very important
- Somewhat important
- Not very important

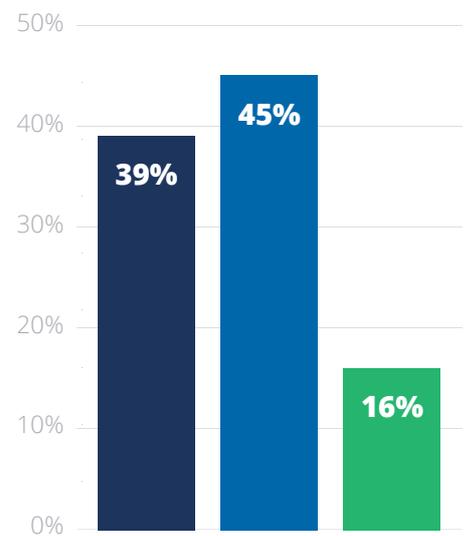
The People Side of Procurement: Cultural Fit with Providers Is Critical or Important to 93 Percent of Companies

Alignment with external service providers is critical as well. When it comes to sourcing the service providers they use, the majority of leaders (60 percent) felt cultural fit is critical or very important when choosing a provider to work with. Another 33 percent saw it as somewhat important. This preference crosses company size and geographic boundaries. People want to work with people complementary to their company's culture and values.

Cultural fit is a difficult dimension of services sourcing—and the reason many companies default to using the same providers they have worked with for many years. By doing so, the issue is they may not always apply the best talent at the right price for any given project. They may compromise those crucial factors in the interest of taking the path of least resistance. All can and will change that for the better.

Diversity Is a Mandate or Key Consideration for 84 Percent of Companies

Another data point on the people side is that diversity matters to the majority of companies when they source service providers or vendors. In fact, 39 percent acknowledged it as “very good to have.” Another 45 percent appreciated its value and would prefer to have a diverse supplier base, although they did not indicate diversity as imperative for them at the time.



How important is supplier diversity to you in sourcing service providers?

- Very important
- Good to have but not an imperative
- Not very important



People want to work with other people who are complementary to their company's culture and values.

Similar to cultural fit, this is another area that can be difficult for procurement leaders to navigate when looking to find the best provider that satisfies a project's precise needs. Again, if one has the right tools to clearly identify, assess, and interpret the correct data points, this is something with which digitization and especially AI can help.

What Is Procurement's Next Step?

Through digitization and AI, huge opportunities lie ahead for procurement leaders. Realistically, turning the ship from practices long integral to procurement—cumbersome RFPs, complicated vendor selection and management, and myriad sourcing complexities, among others—is a major undertaking both technically and culturally. There is thus no time to waste.

Procurement leaders can start by spearheading their organizations' transformation through advocating for the immediate digitization of procurement. As these findings show, prominent and informed leaders see the potential for procurement to become a strategic enabler of corporate goals. Sharing that vision with executive leadership and the rest of the organization can quickly help their positions at their respective companies.

Through research and learning about what is truly possible, procurement leaders can start identifying new and innovative ways to utilize technologies such as AI and machine learning to drive efficiency, transparency, and spend effectiveness.

Staying competitive in a global marketplace requires the best service providers and vendors for needed, goal-oriented work. The technology is available to help companies achieve this, and they can do so by using this technology to find providers that are best for each specific project, strongly fit with a company's culture, and represent the diverse nature of organizations and customers.

ABOUT GLOBALITY

Globality is a Silicon Valley-headquartered tech company cofounded by Joel Hyatt and Lior Delgo to connect multinational companies with the world's best service providers at the right price for every project.

Through its AI-powered Platform, Globality is bringing digital transformation to the sourcing industry. The Globality Platform replaces the archaic, analog request for proposal process and efficiently matches companies with outstanding service providers that meet their specific needs, cutting the sourcing process from months to hours and delivering savings of 20% or more for companies.

In January 2019, Globality raised \$100 million from the SoftBank Vision Fund, bringing to \$172 million the total investment it has raised since its founding four years ago.

For more information, visit [**Globality.com**](https://Globality.com).