



Smart procurement made smarter

*5 ways digital intelligence
drives value*

Experts on this topic



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Matthew has 30 + years of experience leading global teams and organizations, with a current focus on transforming clients' procurement outsourcing. As Vice President of Procurement Services for IBM and Director of IBM Procurement Services Delivery, Matthew helps IBM and its clients achieve procurement excellence. Prior to joining IBM, he worked as a consultant with the National Transportation Research Center, partnering with the Defense Logistics Agency (DLA) to improve their supply chain efficiencies. In his early career, Matthew served in the U.S. Army as an Infantry Officer. He earned an MBA from the University of Tennessee.

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Bob serves as IBM's Chief Procurement Officer, leading teams whose scope spans more than 170 countries and 13,000+ suppliers. Since joining IBM in 1978, Bob has served in various leadership positions, including Manufacturing Operations Director, OEM Systems Procurement Director, Vice President of Supply Chain, and Worldwide Materials Operations Director. He earned a master's degree in manufacturing sciences and engineering from the University of Strathclyde.



Executive summary

“We drove exceptional human experiences—leaving the frustrating and mundane ones behind.”

Bob Murphy, Chief Procurement Officer, IBM

■ Intelligent workflows turn procurement into smart procurement

Intelligent workflows orchestrate automation, AI, analytics, and skills to fundamentally change how work gets done—giving teams insight for real-time action. Decreasing operating costs by 40% to 70% within six months is not uncommon.¹

■ Intelligent workflows show results in 5 main procurement areas

They help transform procurement, not only fighting disruption to bring resiliency but also creating new value. For example, a global chemical company’s intelligent workflow effort resulted in early payments to suppliers, which improved the company’s working capital and resulted in \$50 million in cash flow.²

■ We’re sharing our own procurement transformation story to help Chief Procurement Officers on their smart procurement journeys

We transformed our own procurement with intelligent workflows, with operations in more than 170 countries involving more than 13,000 suppliers. For example, we now onboard suppliers 10 times faster and can conduct pricing analysis in 10 minutes instead of two days. We share our story to help other large companies learn how to infuse digital intelligence into their procurement.

Introduction

“We don’t need a seat at the table, we need to throw the dinner parties.” So said the Chief Procurement Officer (CPO) of a large financial services company, to his fellow CPOs at the World Procurement Congress several years ago.³

As Chief Procurement Officer and Vice President of Procurement Services for IBM, we couldn’t agree more. We’ve been throwing our own “dinner party” for the past several years. The main course? Smart procurement in the form of intelligent workflows, from source to pay (S2P).

Adding intelligent workflows to procurement infuses digital intelligence, turning procurement into smart procurement. Our process involved advanced contract analytics to manage contract authoring and risk, cognitive pricing to negotiate better rates using market insights of inflight deals, blockchain to seamlessly onboard new suppliers and eliminate disputes, and prescriptive analytics to enable self-service for buyers.

Before we delve into that story, let us share with you—peer to peer—why intelligent workflows are our entrée of choice.



What makes intelligent workflows different from standard variety analytics?

Smart procurement spins on the axis of intelligence, specifically on intelligent workflows. In simple terms, intelligent workflows orchestrate automation, AI, analytics, and skills to fundamentally change how work gets done. Intelligence isn't just infused within certain areas or domains, it's infused across them in an orchestrated way—so teams are working with greater insights to take immediate actions, with the advantage of digital intelligence.

Intelligent workflows can minimize friction through automation and drive insights for immediate action. Decreasing operating costs by 40% to 70% within six months by implementing intelligent workflows across the organization is not uncommon.⁴

“In our business process outsourcing work for 65+ companies in the procurement space, we are helping them reimagine workflows, adding intelligence. From order intake integration through accounts payable automation and more, intelligent workflows are driving huge efficiencies—changing the face of procurement. We see that intelligent workflows span industries and geographies successfully.”

Matthew Bounds, Vice President of Procurement Services, IBM

More integration. More visibility. Better results.

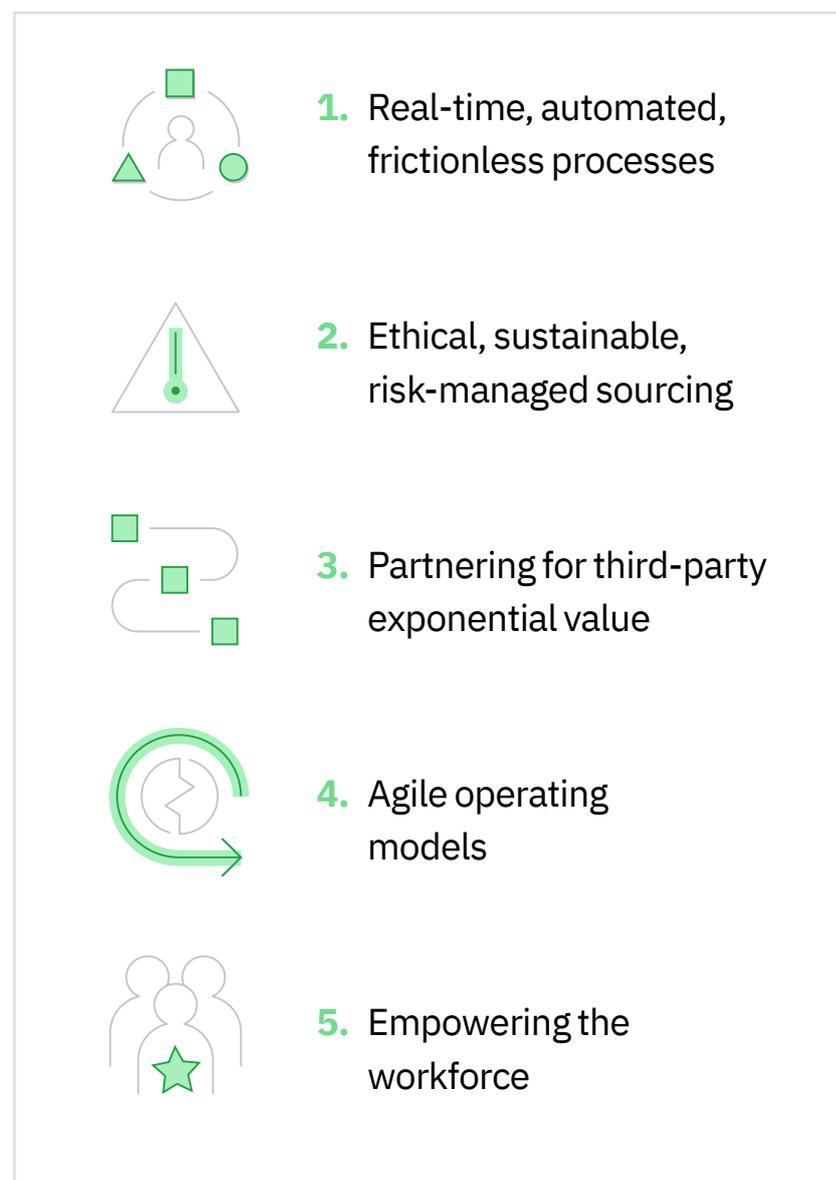
Today, by combining emerging technology and hybrid cloud infrastructures into processes and workflows, procurement professionals can do things that we couldn't just a few years ago.⁵ Why? Because adding automation and AI into source-to-pay workflows offers a high degree of integration and visibility that, historically, most procurement processes have lacked. Traditionally, enterprise applications deploy standardized processes siloed in their individual areas. They aren't transparent or integrated. Now, you can put a thin layer of technology over that enterprise application—using automation, AI, predictive analytics and other workflow orchestrators—and connect those processes, and data, into an integrated end-to-end workflow that gives you great visibility.⁶

It works. For example, a U.S. government agency implemented intelligent workflows, reducing average claims processing time from over 15 days to just five minutes.⁷



Intelligent workflows show results in 5 main procurement areas

We see five areas in particular where intelligent workflows help create a transformed procurement function, not only fighting disruption to bring resiliency but creating new value.





1. Real-time, automated, frictionless processes

One of the mind flips that helps when thinking about smart procurement: think about cost in terms of speed, rather than speed in terms of cost.

What does this look like? It's reinventing procurement processes for the digital era. Procurement must make the leap from a largely physical product and service landscape with physical inventory to one that is becoming fully digitized and supported by ecosystems. This dramatically changes the way buyers procure goods and services. For instance, a buyer's experience will no longer be filtered through a single system, website, or application anymore—but instead, through a variety of interconnected channels, internally and with their extended ecosystem partners.

Taking the friction out of a system can produce substantial results. For example, a financial institution in the Asia Pacific region standardized and automated its source-to-pay services process to improve its compliance and performance. It struggled with contract and regulatory compliance, on-time supplier payments, low visibility into spend, and nonstandard processes. All of this resulted in high operating costs. The institution addressed these issues by optimizing sourcing and supplier management; ensuring standardized, digitized, and automated processes; enhancing business controls; and introducing improved performance analytics.

\$20

million saved
in operating cost

>\$70

million prevented in duplicate
and mistaken payments

>99%

invoices paid
on time

>95%

queries resolved within
one business day

Source: IBM client experience.

Removing the friction from processes and using automation to standardize, while freeing your workforce to take on higher value tasks, are some of the top benefits of intelligent source-to-pay workflows.



2. Ethical, sustainable, risk-managed sourcing

Procurement is now on the front line of brand and reputational risk. It can play an outsized role in a company’s sustainability and inclusion practices—particularly because 52% of CSCOs are heading to carbon neutral more aggressively.⁸

From helping to ensure sustainable procurement practices are embedded across the value chain, to creating and maintaining diversity within supplier ranks, procurement teams should seize the moment to add increased value. For example, RCS Global Group, a technology-driven platform for responsible sourcing data, used a blockchain platform to help assure buyers that the raw materials going into electric-vehicle (EV) batteries are responsibly produced.⁹

Surprisingly, most companies still don’t consider Environmental, Social, and Governance (ESG) in their service provider selection and management.¹⁰ This is an area of opportunity where the transparency intelligent workflows bring can help create good change not only for companies, but also for the world. In a recent IBV supply chain study, we learned that most Chief Supply Chain Officers (CSCOs) expect transparency and visibility to be a key differentiator in the next three years, with 53% anticipating their digital supply chain transformation initiatives becoming the most significant competitive advantage during this time.¹¹ When organizations partner intelligent workflows with predictive intelligence, this visibility becomes possible. It also provides a view on ESG metrics, such as lower emissions, and higher representation for cognitive diversity/innovation.





4. Agile operating models

Reinvented procurement requires an operating model that will drive enabled multidisciplinary teams to focus on user outcomes across the portfolio, not in individual siloes.

Envision a matrixed, integrated organization, streamlined layering and span of control, and a comprehensive talent agenda to attract, develop, and scale new digital and data-savvy skills. It works; 54% more organizations with an integrated procurement and accounts payable team that reports to the same C-suite executive (CSCO, CPO), indicate that their organization has significantly outperformed competitors (or similar organizations) in revenue growth/effectiveness over the past three years (compared to other respondents that have separate teams).¹⁴

An operating model that allows this level of integration fosters procurement decisions based on real-time data through advanced analytics and predictive algorithms. Top performers have achieved 52% lower costs to order materials and services, as well as 60% lower costs to process accounts payable.¹⁵

Agile mindsets and operations are the way forward.

Case study

Global chemical company improves working capital with \$50 million in cash flow

A global chemical company, with suppliers in 21 countries realized the amount of manual intervention its invoices required was impacting its S2P performance. Using analytics, the team addressed the issue in simulations of the end-to-end S2P workflow. Dashboards exposed new insights in six process areas, with use cases for better process flow analysis and automated reporting.

Monitoring and more transparency in management of the invoice workflow resulted in early payments to suppliers, which improved the company's working capital and resulted in \$50 million in cash flow. As an added bonus, they positioned themselves to receive additional discounts equivalent to a \$300,000 increase in income.¹⁶



5. Empowering the workforce

Allowing machine intelligence to do what it does best while humans do what they do best frees procurement professionals from repetitive manual tasks. They can take on higher value work, optimizing opportunities rather than reacting and handling damage control in volatile times. Mike Gilfix, IBM VP Data & AI Product Management and Chief Product Officer Cloud Paks & SaaS, put it well: “Automation is the gift of time. It’s an opportunity for people in many different roles to use their time differently to create more value. It’s an opportunity to dramatically unlock the power of labor to focus on what matters most.”¹⁷

Combine that intelligent automation with intelligent workflows, and value can increase exponentially.

Getting there requires bridging skills gaps, through skills mapping and appropriate training plans. Procurement leaders will also need to address turnover, fight team disengagement, and more.



Taking our own medicine

IBM transforms its own procurement

At IBM, our procurement teams experience the same challenges as other large companies. Where we have gained advantage, however, is in creating the predictability necessary for a more resilient procurement function. From self-ordering replenishment products to dashboards and control towers that allow a level of transparency beyond what we've had traditionally, we're reaping the benefits of infusing intelligence throughout procurement.

We knew change was necessary due to constantly shifting external market and supply parameters, as well as internal frustrations with siloed systems and less-than-ideal user experiences. We're so glad we took the leap. Intelligent workflows took pricing analysis from two days to 10 minutes, and we now onboard suppliers 10 times faster.

We approached the transformation from end to end, source-to-pay (S2P), integrating historically disparate procurement and payables functions into a fluid intelligent workflow. Our teams, from across functions, reimagined procurement. They envisioned our "to-be" state, considering market requirements, end-to-end synergies, and technology integration. But it couldn't have happened without AI, automation, blockchain, and more, which enabled the transformation.

More specifically, we cemented our data strategy and took a closer look at management practices. Then we increased visibility into procurement data and market intelligence, breaking down the organizational siloes that were causing frustration and inefficiency.

The results were rewarding. We unlocked innovation, finding new ways to work. We created efficiencies. We drove exceptional human experiences—leaving the frustrating and mundane, ones behind. We achieved the better business outcomes that helped us continue to not just earn our seat at the senior executive management table—but to host the dinner parties.

“How did we get to smart procurement in a company with operations in more than 170 countries involving more than 13,000 suppliers? We began, as so many companies do, by facing the hard facts. While we have historically done a good job in procurement, we realized we needed to do a better job infusing digital intelligence, cloud, and more into our procurement operations.”

Bob Murphy, Chief Procurement Officer, IBM

Action guide

To become a competitive differentiator for the company, procurement teams must be in lockstep with the rapid adoption of digital-first experiences, AI-assisted workflows, and data-driven decision making.

It is sometimes hard to know where to begin, when looking at a change as big as reinventing procurement with intelligent workflows. We offer a few suggestions to help as your team continues on the procurement digital transformation journey begins:

01

Recognize the power of “co.”

When we created our S2P transformation, we were able to take our own medicine, using IBM Garage to help us transform. Debbie Vavangas, our global Garage lead, says that 75% of transformations fail to deliver impact.¹⁸ Working with our Garage teams, we charted a transformation journey with an iterative framework that guides us from ideation, to build, to scale. Using a methodology that includes design thinking, lean startup, and extreme programming (an agile methodology), as well as devOps, we got to our end goals faster and with fewer headaches. We cocreated to define our vision, co-executed to prove the value of that vision, and cooperated to scale the solution and our team’s capabilities.

02

Tap the power of your people.

Intelligent workflows are changing the way procurement professionals work—not just how they work but what the work is on a daily basis. Involve them in the change, tuning into their thoughts on everything from process flow to the higher value work they want to do when more rote tasks are automated.

03

Consider piggybacking on sustainability efforts.

Funding and other resources flow to corporate priorities. Given the urgency of sustainability goals, procurement leaders who can show the value of smart procurement to ESG efforts could stand a better chance of getting their efforts off the ground. The time is now—CSCOs are responding to sustainability pressures with other initiatives, including improving energy efficiency, water management, and using more organic and recyclable materials. Nearly 50% report sustainability initiatives will substantially change their supply chain models over the next two to three years--driving lower emissions, embedding ethical sourcing practices, setting targets for cognitive diversity, and much more.¹⁹

As smart procurement continues to mature, intelligent workflows will be key to helping ensure teams achieve the best value they can. Throw the dinner party. Just be sure you set the table first.



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