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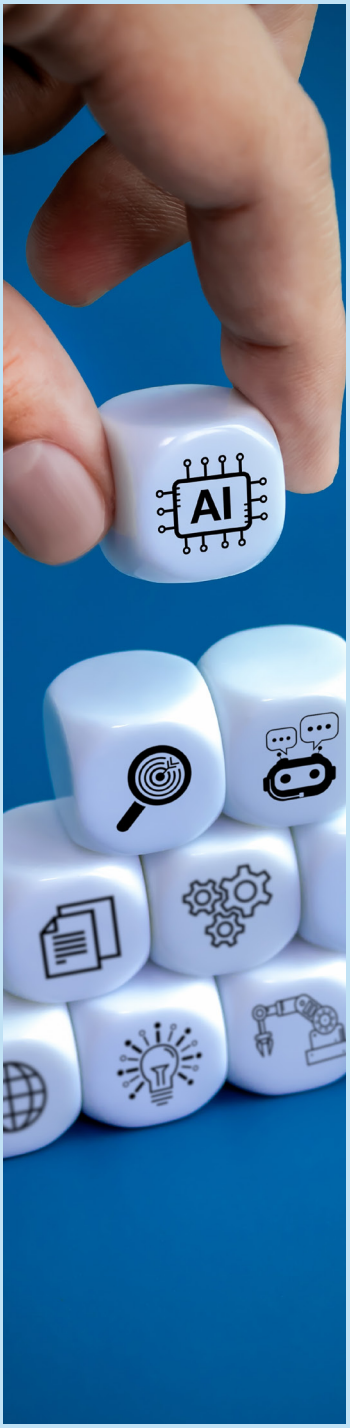

CREATING SELF-DRIVING S&P OPERATIONS WITH AGENTIC AI

Abstract

In the rapidly evolving landscape of sourcing and procurement, the implementation of agentic AI is revolutionizing traditional practices, driving efficiency, and enhancing decision making. Agentic AI, characterized by its ability to act autonomously and make decisions, is becoming a pivotal tool for organizations to optimize sourcing and procurement. Organizations that embrace agentic AI will be better positioned to navigate the complexities of the modern supply chain and achieve sustainable competitive advantages.

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Agentic AI: an overview

What is Agentic AI?

Agentic AI refers to artificial intelligence systems that can perform tasks without continuous human intervention. These systems can analyze data, learn from patterns, make informed decisions and take relevant actions to achieve business objectives, thereby acting as autonomous agents within an environment. Usually, multiple AI agents work in tandem to execute a business process yielding improved efficiency and effectiveness.

Key features of AI agents

Reasoning

Demonstrates cognitive ability to analyze data, extract insights, and make informed decisions for problem-solving.

Acting

Executes tasks based on decisions, plans, or external inputs to achieve defined objectives.

Observing

Collects and interprets information from the environment to understand context and support decision-making. This includes perception through computer vision, natural language processing, and sensor data analysis.

Planning

Develops strategic plans to accomplish goals by identifying steps, evaluating options, and selecting the most effective course of action.

Collaborating

Works seamlessly with humans and other AI agents through effective communication, coordination, and mutual understanding.

Self-refining

Continuously improves performance by learning from experiences and incorporating feedback.

Types of AI agents

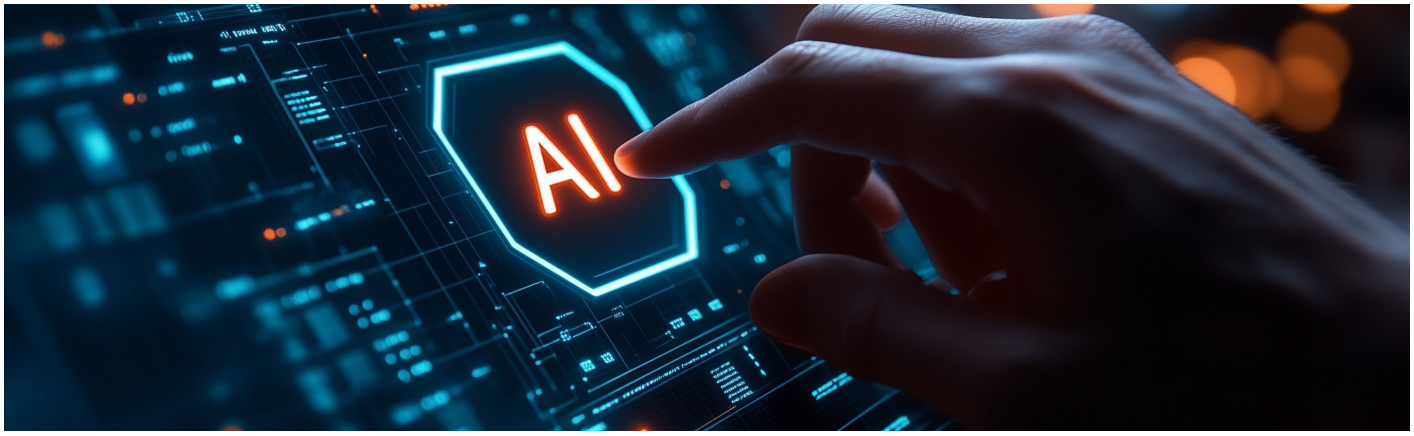
Simple reflex agents:
These agents receive input from the environment and execute relevant actions based on a set of predefined rules (e.g., FAQ bots).

Model-based reflex agents:
These agents receive input from the environment and execute informed and adaptable actions based on current input, past experiences, and predefined rules (e.g., virtual assistants like Siri).

Goal-based agents:
These agents make decisions to achieve specific goals. They evaluate different actions and their possible outcomes, and plan the best course of actions to reach their objectives. They continuously evaluate their current state against their goals and adjust their actions accordingly.

Multi-agent systems:
These include multiple agents work in tandem and collaborate to achieve their goals.

Applications



Agentic AI is being adopted across industries and processes for intelligent automation of operations, and to enhance customer experience. In S&P, there are multiple use cases; some prominent ones are: Spend analytics, intelligent spot buy optimization, automated contract management, proactive supplier risk management, master data management (material & vendor master), market intelligence, autonomous sourcing, supplier performance management, and category strategy formulation. Agentic AI can analyze procurement data, make informed decision and execute appropriate actions to achieve business goals, thus making S&P processes efficient in terms of TAT and efforts while delivering cost savings and ensuring enhanced user experience.

Agentic AI use cases in S&P

Two of the popular and very impactful agentic AI uses cases in S&P are explained below.

Agentic AI-powered contract management (CLM)

Even though firms use legacy CLM tools, a lot of manual effort is involved in contract drafting and review. Also, usage of unfavorable clauses leads to increased risk exposure. Furthermore, high volume of contracts and low visibility to clauses lead to leakage of negotiated contract benefits like volume rebate, etc. Also, timely contract renewal remains a challenge.

Agentic AI can revolutionize contract management in the following manner:

Drafting AI agent can draft contracts based on past contract data, user inputs, etc., using a Gen AI layer

Reviewer AI agent can autonomously perform contract review and redlining. It includes intelligent recommendation of favorable clauses.

Also risk analysis can be conducted at the clause, contract and enterprise levels by an AI agent.

Contract benefit management can be automated i.e., analyzing and preventing contract benefit leakage such as:

- **Volume rebate claims:** Compare supplier spend with threshold spend agreed in contracts. In addition, if a client is eligible for a rebate, the agent can claim the rebate.
- **Price fall claims:** Track market indices as agreed in contracts for price revisions. If a client is eligible for a price fall, the agent can claim it.
- **LD claims & penalties:** The agent can claim LDs and penalties in accordance with contract clauses, in case of contract breaches.

A contract renewal AI agent can track and provide reminders on upcoming contract renewals. The AI agent can even initiate and execute necessary steps for contract renewals.

Automated agentic AI-powered contract management will yield efficiency gains through reduction in manual efforts on contracting (drafting, reviews, renewals and benefit management). The contracting cycle would be faster. Also, clients would reap contract benefits such as volume rebates, price falls, etc. This will lead to realization of agreed contracted benefits to hard savings. Furthermore, the contract risk would be reduced through effective contract reviews and risk analysis.

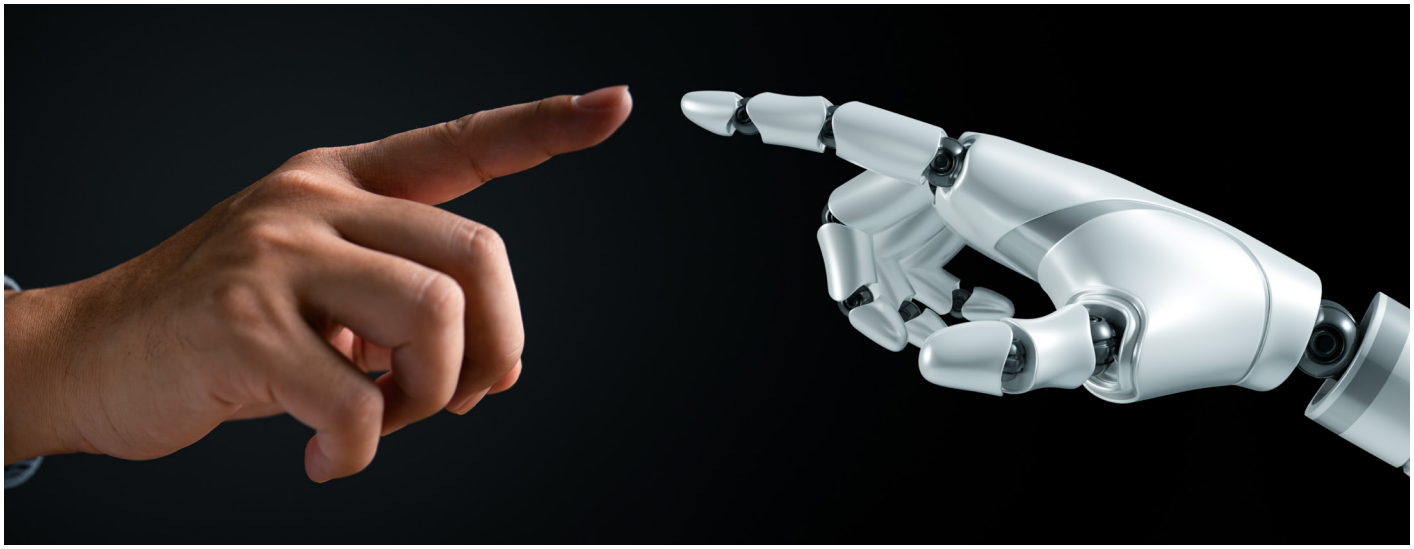
Intelligent category strategy formulation

Delivering savings across categories is a top priority for the S&P teams. Each category has its own nuances, making it more complex to get customized category specific actionable insights.
Agentic AI can mine internal spend data and external market intelligence to formulate effective category and sourcing strategies. Category and sourcing strategy will be formulated by the AI agents in the following manner:

- **Spend Analysis:** Analytics AI agent will analyze category spend and identify savings opportunities using different strategies like supplier rationalization, demand aggregation, payment term rationalization, increasing preferred supplier usage and catalog usage, etc.
- **Market intelligence:** MI agent analyze supply market for industry trends, commodity price trends, supplier discovery, and price benchmarking.
- **Category strategy development:** The AI agent defines category objectives such as cost reduction, risk mitigation, etc. The identified savings and improvement projects are aligned by AI agents based on their priorities, considering the savings amount and complexity to achieve category objectives. Creation of sourcing projects are automated and pushed to autonomous sourcing platform to execute the project. AI agents can recommend sourcing strategies like sole supplier sourcing, competitive bidding, etc. Using autonomous sourcing tools, AI agents can execute category strategy by running the sourcing projects.

Agentic AI-powered category strategy formulation delivers several benefits. It significantly boosts savings by crafting effective category strategies. Additionally, it mitigates supply risks and enhances supplier performance, ensuring reliability and efficiency in supply chain. Moreover, it expedites the sourcing process by providing clear and well-defined category and sourcing strategies, facilitating quicker, better informed decision-making.

Benefits of agentic AI in S&P



Enhanced process efficiency

One of the primary benefits of agentic AI in S&P is its ability to streamline and automate routine tasks with minimal human intervention.

Improved decision making

Agentic AI, with its reasoning ability, can assist in critical decision-making like supplier selection in strategic sourcing. Agentic AI can make informed decisions autonomously to reduce the burden on S&P teams.

Effective risk management

Agentic AI systems can continuously monitor various risks associated with suppliers, providing early warnings and can take mitigation actions to manage risks proactively.

Increased cost savings

Organizations can achieve significant cost savings by identifying hidden savings opportunities, optimizing their sourcing strategies and negotiating better contracts with suppliers by using agentic AI.

Challenges and considerations

Data quality and integration

Agentic AI relies heavily on clean, high-quality AI-ready data. Inaccurate and incomplete data can lead to inaccurate insights and decisions. Ensuring seamless integration with existing procurement systems and data sources is crucial.

Responsible AI considerations

Ensuring the ethical use of data and algorithms is essential. It should be ensured that agentic AI systems are fair, transparent, accountable, and ethical. Data privacy and security should be taken care of.

Change management

With the introduction of agentic AI systems, the existing roles and workflows in organization have changed significantly. This can result in employee resistance. Hence, effective change management is required.

Machine approach to supplier relationships

Agentic AI can automate most of the activities involved in supplier management, thus eliminating human intervention. This lack of human touch may impact the relationship with strategic suppliers. Hence, to maintain strong long-term relationships with suppliers, it's important to not rely solely on automation and that the human touch is preserved.

Conclusion

Agentic AI is transforming sourcing and procurement (S&P) by enabling autonomous decision-making and execution powered by advanced reasoning and analytics. In today's competitive landscape, where rising costs and supply risks challenge organizations, agentic AI offers a smarter, self-driving approach to procurement operations. Just as autonomous vehicles use sensors and algorithms to make real-time decisions, agentic AI leverages data, Gen AI, and machine learning to navigate supply chain complexities, analyze market trends, and optimize buying strategies, without the need for human intervention. This leads to greater efficiency, reduced errors, and significant cost savings. By reimagining S&P through agentic AI, organizations can enhance decision-making, streamline processes, minimize risks, and stay ahead in a dynamic market.

For more information, contact infosysbpm@infosys.com

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