



NEW TRENDS IN SOURCING AND PROCUREMENT POST THE WAVE OF DIGITAL TRANSFORMATION

Abstract

Digital transformation has revolutionized business operations, including sourcing and procurement. Technology and sustainability have shaped new trends in this field. AI, blockchain, and sustainability initiatives are key trends. AI tools analyze supplier data, predict disruptions, and negotiate contracts. Blockchain ensures transparency and reduces fraud in the supply chain, enabling ethical sourcing and authenticity tracking. Sustainability is a crucial focus, benefiting the environment, reputation, and attracting socially responsible customers. Embracing these trends enhances sourcing and procurement strategies, boosts efficiency, and drives growth for businesses. Staying informed about sector-wide changes is essential to stay ahead in the rapidly evolving landscape.



It's a joke during the Covid times that the digital transformation was done by Covid-19. This joke among Sourcing and Procurement (S&P) wags has almost become a cliché now, but it's a truism in many organisations: the pandemic dragged many a digital laggard kicking and screaming, into the 21st century.

Digital transformation is not a horn to toot in pride. Rather, it is imperative for survival as companies jostle in the post-pandemic marketplace, with recessionary forces buffeting them in many geographies. First, a bit of context. Digital transformation typically follows a three-step process: digitisation, involving the conversion of

analog or paper-based business processes into digital formats; digitalisation, involving software, analytics and other technologies to streamline the digitised processes; and ultimately, transformation, wherein new digital-native products, processes and services are birthed in the organisation.

How then are these transformed organisations faring? Has the first wave of digital transformation led them to a state of nirvana where business as usual is roaring? How, in particular, is the Sourcing and Procurement division faring in these enterprises? Here are some trends that are ruling the roost in post-transformation organisations in the Sourcing and Procurement function:

1. Increased use of AI/ML and RPA: Along with the rest of the industry, Artificial Intelligence and Machine Learning are being heavily integrated into S&P operations, from invoice processing to data entry and beyond. For example, inventory management systems with threshold alerts and automated reordering mechanisms

ensure that stockouts are a thing of the past. Similarly, payment automation systems pay vendors in a secure fashion when material receipt is sensed in warehouses. The use of Robotic Process Automation (RPA) is a natural fallout of such integrations: software robots help speed up the efficiency of repetitive tasks such as invoice processing. The Human in the Loop is only present to train models and robots during initial rollouts, and later on, to intervene in case of edge cases or escalations.

2. Blockchain in procurement: One of the use cases of blockchain that can revolutionise business as we know it is in mitigating procurement fraud: when

deployed right, blockchains can track products from source to warehouse, before, during and after shipping. This affords companies unprecedented levels of control and transparency, building trust between suppliers and customers, and enhancing purchase order management. Blockchain also allows S&P personnel to track raw materials and parts as they move between subcontractors, giving them the ability to give accurate forecasts to management and customers. Gartner predicts that we are five to ten years ahead of the blockchain 'plateau of activity' but the impact of blockchain on supply chains, and by extension, into S&P, is being felt in the POCs and pilot deployments.

3. Tracking and tweaking the digitisation strategy:

When it comes to procurement, the name of the game is optimisation. With digital tools, spend analytics and predictive analytics on their side, S&P teams are looking beyond digital transformation, into making changes in their procurement processes, streamlining vendor lists and saving more money for the company. Such activities may involve looking at even paring down the number of people in S&P groups –with a digital S&P organisation, fewer people are needed to perform procurement activities. It may involve leveraging the power of the gig economy - something that got a lot of momentum during the pandemic – to flexi-hire contractors to cope with seasonal demand, rather than maintaining a larger permanent workforce. A lean, mean, virtual procurement office can be a game-changer for global enterprises.

4. Cybersecurity and business continuity concerns:

With the almost relentless march of technology, including AI/ML, cybersecurity continues to be a major concern for organisations. The mainstreaming of AI/ML adds new levels of uncertainty – hackers could weaponise AI and instruct subsystems to devise innovative ways to hack into networks. AI

within organisations could also expose new forms of endpoint vulnerabilities for hackers to exploit. The threat landscape post-digitisation is far wider and deeper than ever before, posing concerns about business continuity for the board. If there is any post-digital transformation ‘trend’ that keeps CxOs up at night, it is surely this one.

5. Renewed emphasis on sustainability:

With world bodies pushing sustainable goals to nations, and national governments in turn mandating them to corporations, sustainability is an increased imperative for businesses. The strange weather patterns seen across the globe underscore to business leaders that our planet cannot be taken for granted and must be nurtured better. This starts with setting sustainability goals in sourcing and procurement for all businesses: whether auditing suppliers for their sustainability practices, ensuring sustainable procurement, or participating in organisational business objectives towards sustainability, this is a focus area for S&P leaders.

6. Greater momentum on Cloud: Whether with cloud-based SaaS vendors in procurement, or API access to storage and related technologies, the relentless push towards cloud-based solutions continues.

The first wave of digital transformation usually pushed organisations towards digital procurement processes: this may have involved first-gen technologies such as spreadsheets, e-mail, or EDI. Now, businesses are looking to leverage cloud-based digital procurement platforms to increase efficiency and eliminate manual intervention in many sub-processes.

7. Supplier relationship management:

With digital transformation, enterprises’ relationships with suppliers have transformed as well. Suppliers can no longer operate in black boxes and just produce ‘y’ given an input of ‘x’ – their internal processes, technologies and tools come in for increased scrutiny. It is increasingly necessary for suppliers to integrate tightly with customer platforms to harvest the benefits of automation. This move may require streamlining supplier lists and moving those who are unwilling to or cannot spend budgets on disruptive technologies to a tier-2 status. The post-transformation shake-ups are percolating down the supply chain, making it mandatory for entities up and down the chain to participate in the digital transformation initiatives of apex enterprises.



* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision-making** automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, [Live Enterprise](#) is building connected organizations that are innovating collaboratively for the future.

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