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Technology and Innovation

CFOs Want More AI, but Progress is Slow. Could the CPO Step in to Help?

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Biography

Seth Catalli is the Chief Revenue Officer at Globality (https://www.globality.com) and has held senior management roles at several market-defining technology companies, including twice driving new growth and launching new capabilities as part of the IPO readiness program at UiPath and Workday. Seth's teams achieved exponential growth in sales, channels, industry specialties, and value engineering.

Previously, as Senior Vice President at UiPath, he led global strategic engagement teams and played a pivotal role in the company's revenue growth from $100 million to $1 billion+. Seth also led successful sales teams at SAP and Oracle.

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Keywords Procurement, Autonomous sourcing, Artificial Intelligence (AI), Generative AI (genAI)
Paper type Research

Abstract

AI-powered technology to make more informed and intelligent sourcing decisions that optimizing costs, improving efficiency, and increasing speed-to-market, will help CFOs to unlock innovation across the organization. But to do so, the author of this article explains, the finance function will need to become the internal leader of AI adoption.

Introduction

As we start to look to a new year, there's a lot in the U.S. economic picture to be positive about. The Commerce Department's Bureau of Economic Analysis says third-quarter GDP increased at a 4.9% rate[1], the fastest growth pace in nearly two years, and Goldman Sachs says the probability of a U.S. recession is much lower than commonly appreciated[2], at just 15% over the next 12 months.

But even before inflation ended the era of free money[3], there are inefficiencies in the American economy, let alone in the global picture, where the IMF sees downward revisions[4] in 2024 for China and the Euro area. There's the persistent lack of action in finally optimizing indirect spend, for example, which can eat up 20%

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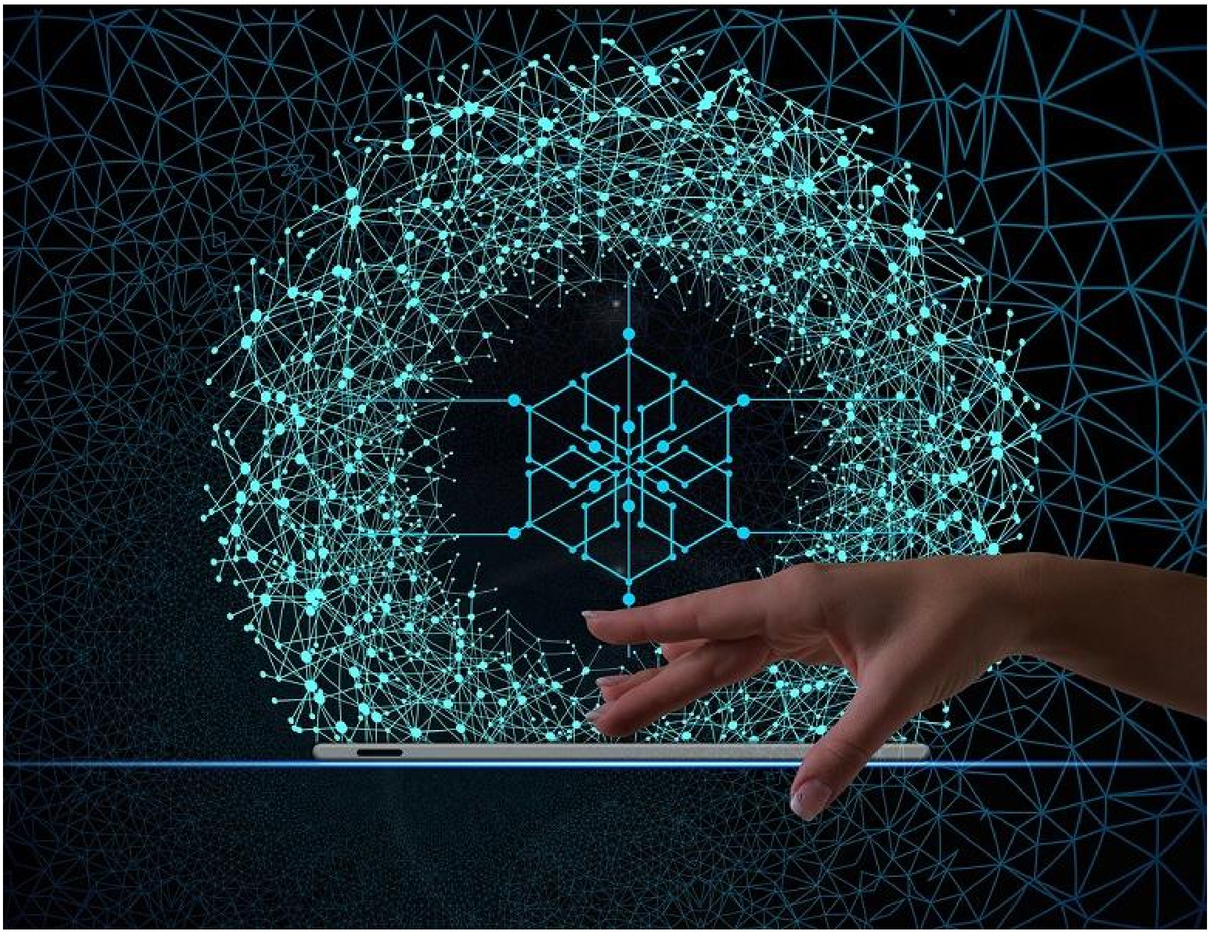
to 40% of revenue, but has always been viewed as too hard to get full visibility into (especially the sourcing of intangibles like professional services).

The good news is that finance knows it's time to finally use technology to address the indirect spend swamp. Global strategy and operations consulting firm Hackett Group reports[5] that 45% of executives surveyed said they are accelerating digital transformation as a means to address this challenge, for example. Deloitte agrees, singling out looking at procurement first[6].

When we talk to organizations, we find the same trend – and as a major part of any digital transformation of indirect spend, firms also want aggressive adoption of promising new enterprise tech, AI, machine learning and now ChatGPT-style generative AI (genAI).

Nearly two-thirds of procurement leaders we talked to, for example, in partnership with industry advisors Art of Procurement[7], specifically said they want their companies to adopt genAI-powered sourcing solutions. The remaining third want their companies to adopt the technology over a longer period. A mere 5% said they were opposed to the use of genAI-powered tech to improve their process for sourcing goods, materials, and professional services.



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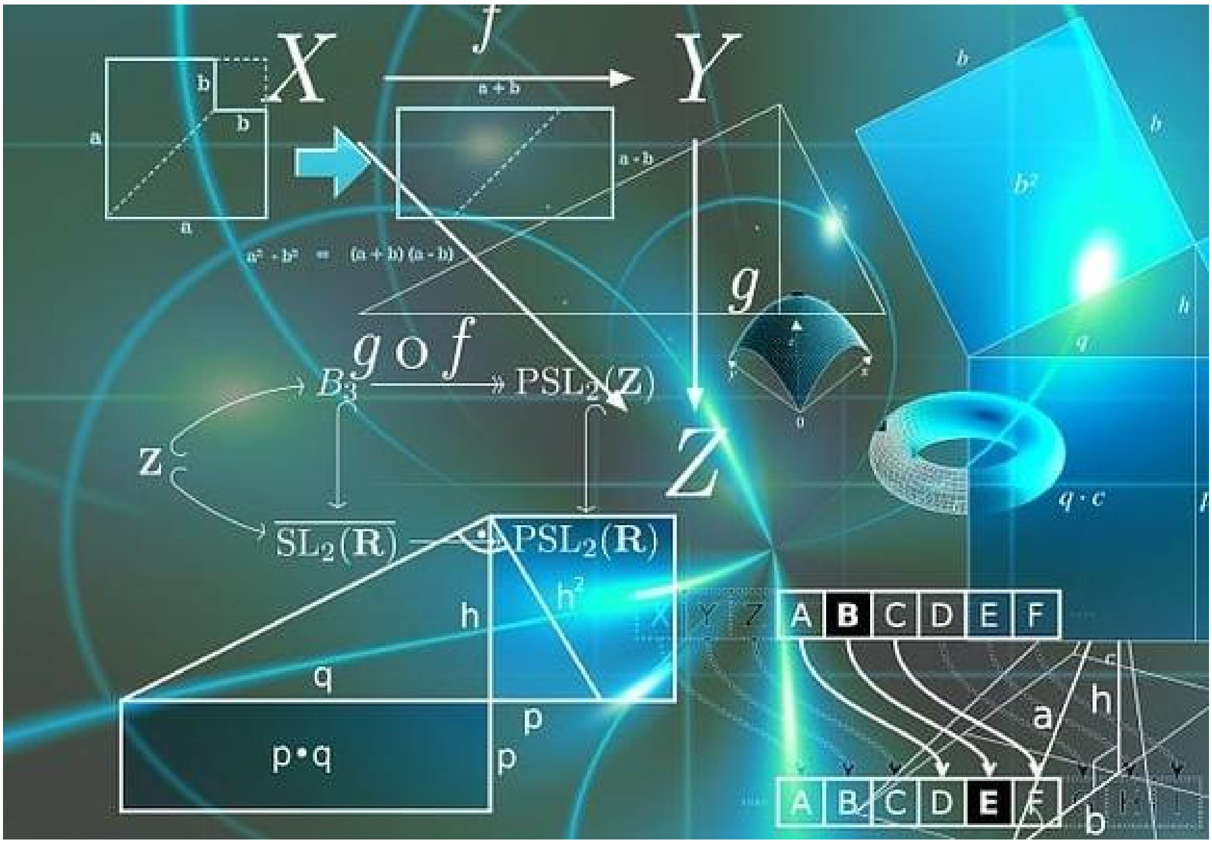

Surpassing procurement optimization business objectives

How do these practitioners think genAI could help? The primary business objectives the procurement leaders polled in the Art of Procurement research identified were reducing OpEx (34%), delivering faster speed to market (25%) and cutting supplier costs (18%). The study also found 92% of procurement leaders are already focused on maximizing savings from their indirect spend. Another very high ratio, 86%, identified the automation of their sourcing model as critical to their ability to cut overhead as much as possible.

So, there is clearly pent-up demand here for AI as a change-maker in the indirect spend optimization debate. But what's holding organizations back? In the Hackett survey, just 10% of CFOs said they has so far invested in advanced technologies like ML and genAI to help them get a better grip on the 40% of spend. But strikingly, for those who had, a remarkable 100% report that the implementation not only fulfilled but even surpassed their original procurement optimization business objectives.

Perhaps the headlines aren't helping. AI is perceived as a negative by a lot of employees[8], worried about potential job displacement by robots. Clearly, we need an open dialog about what is real and what is not about the "threat" of AI. My intuition is that this is best led by finance and the CPO, as they will be the ones with the strategic overview to present the many efficiencies and day-job benefits automation and AI will bring to the procurement function.

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These benefits are already being enjoyed by customers of ours. By introducing a user-friendly, intelligent, and autonomous sourcing platform, European finance leader Santander bank, for example, has championed a complete overhaul of its procurement operations, allowing the bank's procurement team access to multiple, best-fit supplier options from a preferred suppliers list.

This has radically increased Santander's overall competitiveness[9] and made the team's day-to-day much more interesting, with manual processes now a thing of the past. The reality is that a fear of change is the biggest barrier towards the positive change in finance that AI can bring. It's now your chance to open the conversation on how automation is not the procurement leader's enemy, but their biggest ally going forward.

Leading the internal debate here will position you in a favorable position when your CEO asks why the company isn't fully capitalizing on the potential of genAI-powered technology. Having the ability to confidently state that you're harnessing and integrating AI to your advantage is going to be a big mark in your favor.

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