

10X Series

Facilitating Differentiated Decision Making

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For procurement to realize its full potential as a trusted partner to the business, it must align with the organization's goals and help drive desired outcomes.

Evidence that procurement is able to navigate the intricate web of stakeholder objectives and constraints is often found in the decisions that are made with procurement support.

Differentiated decision-making is impossible without operational excellence. Procurement must evaluate the fitness of their operating model and embrace digital enablement to create mature strategies, tools, and templates – the backbone of procurement's success. In this paper, part of the 10X series, Art of Procurement partnered with the team at Sievo to explore the strategies, methodologies, and best practices that will empower procurement professionals to become trusted advisors, contributing to business success through data-driven approaches and impactful decisions. In the coming pages we will discuss:

- **How to account for volatility and risk in decision-making practices**
- **The evolving role that data and AI play in elevating decision-making across the business**
- **Why human relationships are ultimately at the core of successful decision-making**

Volatility in the Supply Chain: Navigating Risk Factors

Today's supply chains are characterized by an unprecedented level of volatility. Geopolitical conflicts, natural disasters, trade disputes, and a global pandemic have exposed the fragility of supply chains worldwide. This volatility directly affects procurement, as disruptions can lead to material shortages, increased costs, and supply bottlenecks.

Procurement professionals are increasingly tasked with managing these risks and ensuring business continuity. "Businesses have realized that stable times are gone and there's a lot of volatility that is related to supply chain and procurement that affects all aspects of your business," says Heta Ruikka, VP of Product Management at Sievo. "How to tackle those issues; how to be responsive and react fast... You're going to need procurement on your side. In the larger picture, what has happened is a positive change for procurement."

To move the needle for the business, procurement must learn to thrive in a shifting environment by prioritizing speed, understanding how to react under pressure, and making impactful decisions that mitigate risks and operational fallout.



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Heta Ruikka
VP of Product Management
Sievo

Efforts to mitigate risk must also be balanced with changing expectations about procurement priorities. Organizations are prioritizing environmental, social, and governance (ESG) programs, and procurement is expected to incorporate these considerations into their discovery efforts and supplier selection criteria. This shift incentivizes procurement to pro-actively engage with suppliers, gather relevant data, and assess the broader impact of spending decisions on sustainability and social responsibility, even in rapidly changing or volatile environments.

Leveraging Data for Differentiated Decision-Making

Data is the cornerstone of differentiated decision-making in procurement. The availability and analysis of vast amounts of data give procurement professionals valuable insights and actionable intelligence to identify trends, predict market fluctuations, optimize sourcing strategies, and enhance supplier relationships. Access to accurate, timely, and comprehensive data enables the business to make informed decisions and drive value across the entire supply chain.

By leveraging relevant data and synthesizing information, procurement professionals can move from a tactical support role to that of a strategic advisor.

Data Quality: The Foundation for Actionable Insights

To harness the power of data, procurement must ensure its quality and accuracy through a clean and reliable view of internal data. Utilizing a business intelligence platform or spend analytics solution can automate data management processes, enabling procurement to maintain an up-to-date understanding of spend. With a high level of data integrity, procurement can quickly respond to market changes and assess the potential impact on the business.

Proprietary, Third-Party, and Public Data: A 360-Degree View

To gain comprehensive insights, procurement needs to access a wide range of data sources. This includes proprietary data such as internal records and transactional data. External data sources like third-party enrichment services and publicly available information offer a broader perspective. By integrating different data streams, procurement can achieve a 360-degree view of their operations, market dynamics, and supplier landscape and improve the business' decision-making abilities.

Using Data to Demonstrate Knowledge and Gain Buy-In

Data serves as a powerful tool for procurement professionals to showcase their knowledge and expertise. By analyzing spend data, procurement can identify opportunities to improve product design or reduce costs.

Centralizing data in a single platform facilitates alignment among multiple stakeholders from different business units and functions. It is crucial to provide both individual data points and a holistic view to enable wider decision-making. Understanding 'stakeholders' needs, drivers, pain points, and KPIs allows procurement to present data in a language that resonates, leading to better collaboration and buy-in.

Automation: Empowering Strategic Decision Making

Automation plays a key role in enabling procurement to focus on strategic decision-making. Processes like data cleansing and interpretation, for example, can be streamlined through automation, freeing up valuable time and resources. By utilizing AI, fragmented and unstructured data can be transformed into reliable, actionable insights that are valuable across the business.

Automation also allows procurement to stay informed about global market trends, emerging risks, and industry dynamics, positioning procurement to make proactive recommendations rather than just reacting to external conditions.

Incorporating data-driven decisions in procurement processes empowers them to navigate the complex landscape of volatile supply chains and changing business conditions.

Turning Data into Decisions and Decisions into Action

The true value of data lies in its ability to drive informed decisions and meaningful actions. Organizations can effectively utilize procurement analytics and leverage AI-powered technologies and existing digital data footprints to ensure data is actionable.

Procurement Analytics: Bridging the Data-to-Action Gap

Procurement analytics is a powerful force multiplier, enabling organizations to make informed decisions quickly and seamlessly execute them across operational systems. By harnessing the capabilities of analytics, procurement can transform into a strategic function that drives operational excellence, cost optimization, and sustainable growth.

“Procurement needs to close the data-to-action gap,” says Sammeli Sammalkorpi, CEO and Co-Founder at Sievo. **“Increasingly, procurement analytics needs to trigger actions as well. I see analytics as a centerpiece that orchestrates actions across different kinds of operational systems.”**



*The future of
analytics for me
is driving actions.*

Sammeli Sammalkorpi
CEO & Co-Founder
Sievo

AI-Powered Decision Making: Agility in a Crisis

In times of crisis and rapidly changing circumstances, quick decisions are vital, and AI can play a key role in helping procurement generate fast responses. The ability to automate decision-making becomes particularly valuable when numerous choices need to be made quickly. Leveraging AI for support can expedite the retrieval of critical data and provide real-time support to aid decision-making.

Leveraging the Digital Data Footprint

Most organizations possess a wealth of digital data that can be used to make informed decisions. Procurement should explore their existing digital data footprint, identifying relevant data sources like internal transactional data, supplier data, and other relevant data sets. By linking separate data sets, such as supplier data, material data, and product data, a comprehensive

picture can be formed, enabling improved decision-making.

The ability to connect these data sets, particularly through the common thread of purchase or transaction details, allows for a more meaningful understanding of external supplier data and its relevance to the operation.

The Human Factor in Differentiated Decision-Making

While data and analytics play a crucial role in differentiated decision-making, the human factor is at the core of all value. Relationships between procurement and internal and external stakeholders are the ultimate determinants of successful outcomes.

Building Relationships with Suppliers: Going Beyond Transactional Interactions

Building strong relationships with suppliers requires more than just consistent interactions. By actively engaging with suppliers, procurement can gain a deeper understanding of the supply chain. This includes insights into suppliers' manufacturing processes, their relationships with second-tier suppliers, their global footprint, and how geopolitical tensions or weather conditions may affect their operations. These direct interactions provide invaluable contextual information that cannot be captured through data analysis alone.

Leveraging Supply Relationships for Differentiated Decision-Making

Nurturing strong relationships with suppliers opens the door to collaboration, innovation, and mutually beneficial outcomes. By establishing trust and open lines of communication, procurement professionals can gain access to supplier expertise, market insights, and emerging trends. This deeper level of collaboration allows procurement to make informed decisions that align with business objectives and drive supplier-enabled innovation, while also enabling them to proactively address any challenges that might arise.

Enhancing Decision Making Through Supplier Collaboration

The human factor in differentiated decision-making goes beyond individual relationships with suppliers and extends to collaboration and partnerships with suppliers to achieve mutually beneficial business objectives. It adds depth and context to a data-driven decision-making process. Engaging suppliers in strategic discussions, joint problem-solving, and discussions around continuous improvement enables procurement to tap into supplier knowledge and capabilities.

By taking this approach, procurement can gain a more comprehensive understanding of the supply chain, identify potential risks or opportunities, and develop proactive strategies to mitigate risks and leverage opportunities.

Conclusion

When procurement understands how to support differentiated decision-making, it can have an outsized impact, ultimately creating more value for the entire organization.

True differentiation lies in procurement's ability to bring relevant data and synthesized insights to the decision-making table. Without this capability, procurement will remain in a tactical support role, unable to make a lasting impact at the wider strategic level.

By embracing a holistic approach to decision-making that combines data-driven insights, supplier and stakeholder relationships, support from AI, and an awareness of external market forces, procurement can influence the way decisions are made throughout the organization and position themselves as a critical strategic partner for the long-term health of the business.

But the road to differentiated decision-making is not defined by a single event or action; it is an ongoing journey that requires continuous adaptation, learning, and alignment with the business' wider goals and vision. Procurement must understand the desires and motivations of internal customers and anticipate their evolving needs.

To put these principles into practice, procurement leaders need an agile mindset that is responsive to volatility and innovation. They must be prepared to commit to the cultivation of strong relationships in order to lead their team and the organization to better decision-making and, therefore, better outcomes.