

Is procurement digitisation, and AI more specifically, an existential threat to procurement jobs of the future?

AI has already speeded up the procurement category management process and is significantly improving the quality of gathered market intelligence, which in turn leads to better fact based decision making for competent strategic category managers, but it will get faster and more efficient still, as Gen-AI beds into the marketplace further – and some.

Gen-AI, or Generative-Artificial Intelligence to give it its full name for those still to come to this party, is the creation of systems or machines to do things that historically required human intelligence. These systems learn from data inputted to them or that they are otherwise given access to – and then in simple terms – they create new intelligence or content based upon their acquired knowledge and experience, but at much faster speeds and on much bigger scale than human beings are capable of.

The leading multi-national enterprise software companies, and the procurement systems, and/or spend management digitised system players, already have, and carry on continuously developing their next generation Gen-AI tools for businesses to buy, licence or hire.

More readily available AI for all comes from the likes of OpenAI's ChatGPT-4o, Microsoft's Copilot, and Google's Gemini. These tools trawl the internet, the whole internet globally, for knowledge and data. They learn from the content swept up, and then create new content based upon their learnings and experience from the internet.

Some procurement profession commentators estimate that only 2 of every 5 current category managers will be needed in the future, Gen-AI will free up 3 “spare” ones in every current 5 to work on what they loosely describe as “more strategic” procurement matters.

Hmm? What strategic work will that be then for the “spare 3”, are they not simply just at risk?

Let us go deeper - is there even an existential threat to the lucky “retained 2”, or are they at risk as well?

I do not for a single second claim to be an AI trailblazer here, I personally, have only been using Gen-AI tools since early 2024 (the first commercially produced and sold one happened in the 2010s, but Open AI's ChatGPT introduced a new level of capability and one open to all in Nov22). For personal use, some of the time, I respond to the ever-present prompt on my laptop from Microsoft's Copilot, but most regularly, I use OpenAI's ChatGPT-4o, it is these days one of the Apps on the first page of my iPhone.



Source: ChatGPT-4o

If you do not have access to proprietary or bespoke Gen-AI tools, then the allcomers versions are immeasurably better than any other informative source of procurement data and knowledge I have ever had access to in my career so far – in 40 years.

I continue to read up into rapidly improving generative AI capability and its potential is fascinating, genuinely exciting – but also frightening in equal measures. As I read more and more, my excitement grows, but then that stomach churning fear for my livelihood strikes again, so I use the tools more to get more comfortable in doing that, and I read more to learn more, and I then get back ahead of that curve, that fear, I feel the excitement, and see the growing opportunity for Gen-AI in procurement to outpace the fears again.

Read up, if you don't already, on the next generation Gen-AI tools being developed by the multi-national enterprise software companies (e.g. SAP and Oracle), and the procurement systems and/or spend management companies (e.g. Coupa, GEP, Ariba and Jaggaer) and you will see what I mean about the fear and the excitement.

Excitement then; readily “available to all” Gen-AI tools, just for example, breath rocket boosting life into procurement category management and into follow-up supply chain management capabilities, but if you don't use these tools already and therefore know, then beware – they are not always 100% accurate – there is still procurement skill and experience needed here to validate the outputs.

Experienced, professional procurement people will spot occasional errors in these tools that use the internet as their search engine, or they will tweak outputs to suit their particular business or industry, or they will be able to add further intelligence of their own, but as a base to start an AI journey in procurement from, their capability is already utterly game changing, and indescribably so. The better proprietary and bespoke systems raise the bar and the potential for AI in procurement even higher still.

Fear - the lucky “retained 2” in every 5 category managers will I think have to develop into even more highly skilled and informed super agents in procurement category management, but surely the “spare 3” who to repeat, according to some will become “more strategic”, I would suggest are actually at risk already.

For the “retained 2”, their AI proficiency skills will enhance their appeal to forward thinking CEOs and CPOs, and they can take comfort for the future in the fact that more important, more strategic, higher value deals are after all, and for the time being at least, done between people. In addition to successful overall contract delivery levels, the strength and sustainability of any deal is dependent upon the quality and mutuality of relationships, and upon the skill of procurement professionals and their counterparts to build and use leverage in all their product or service negotiation cycles - starting with early market and suppliers (or buyers) conditioning, right through to eventual contract exit or renewal negotiations.

Is there though a role in procurement for the “spare 3” in the future? There is no doubting in my mind that there is a significant reshaping of the procurement workforce already underway, and that the pace of change will accelerate as time continues forward. Rather though, than go on to become “more strategic” as some people say, maybe they actually mean that some of the “spare 3” will get involved in the consequences of the “retained 2” actually becoming more and better informed, and with that, more strategic?

Bigger and better top and bottom lines are clear opportunities provided by Gen-AI integration into procurement, excitingly so, and some of that incremental resulting profit can potentially, and arguably at last be channelled more widely and more deeply into the business management pyramid to fund more of the “Human-Critical” activities referred to in the chart below – which perhaps is the new home for the “spare 3”?

This is what ChatGPT-4o itself thinks will happen in the reshaping of the procurement workforce – for the time being at least.

Will Generative AI Replace Procurement Jobs?

AI Can Replace or Automate:

- Routine tasks (data entry, PO creation)
- Basic decision-making (rules-based approvals)
- Spend analysis & reporting
- Generating RFQs, contracts, supplier emails

AI Won't Replace (Human-Critical):

- Strategic supplier relationship management
- Complex decision-making with trade-offs
- Stakeholder alignment & change management
- Sustainability & risk leadership

Source: ChatGPT-4o

So maybe there is hope for the “spare 3” after all?

Time is another key factor. How long will it take for UK Plc and the rest of the world to embrace and become proficient in AI in procurement, how long will that reshaping exercise take?

J Lyons & Co are credited with using the first computer for actual business operations in the UK and in the world in 1951, so nearly 75 years ago. In the 1970s, IBM, SAP and JD Edwards came to market with MRP, Materials Requirement Planning, and in the 1980s MRPII emerged before it itself evolved in the 1990s into ERP and eventually on to today of course where we have Cloud ERP.

The demand for procurement systems from procurement people gathered pace in the mid-eighties, but adoption by comparison to finance and materials replenishment systems was slow, and early entry systems – a personal view – I will be polite, they were not great. Arguably, it was not until the mid-noughties this Century that more reliable and efficient procurement systems genuinely came to market.

So what? The points being, 1) procuretech has not been the burning priority for the big tech companies, its development has typically lagged rather than led, and 2) the general business market has historically had bigger investment opportunities and therefore priorities than it has had for procuretech.

So, will history repeat itself with AI adoption rates in global and UK procurement?

The big enterprise players who are selling procurement digitisation and AI into that sector would have us believe that as many as 80% of large UK companies will be AI proficient in the next 2 years!

Now they are selling their products, so of course they are pushing and aiming high in the big enterprises market, but what about the mid to the lower end of the upper sized companies market which is where Mike Jones Procurement predominately targets for its services?

We are using and are tactfully encouraging adoption and proficiency in AI in procurement in our sector of the market. We will not be alone in that task, but I am yet to be convinced that this is now widespread normal behaviour, anywhere for that matter, let alone in our sector of the market. At the minute, in our experience, it is very much a market-push rather than a market-pull environment.

To use a football analogy as I am often prone to doing; in September 2009, the great, great Sir Alex Ferguson is quoted as having been asked whether his team would ever start a Manchester derby match as underdogs. “Not in my lifetime” came the reply. In May 2012, his arch city rivals had burst well, well, past that milestone when they won the English Premier League for the first time, and they have subsequently finished higher every year since Sir Alex’s retirement after he yet again won the league in 2013.

It took less than 3 years for an almighty step-change in those football outcomes, and I suspect that the big enterprise digitisation and Gen-AI solution suppliers will be closer to the mark with their 2

years adoption targets than it will be likely that historical procuretech adoption rates repeat themselves for AI in procurement. At the current pace of evolution in procurement technology, and in AI in particular, it could even be a lot faster still – at least – that is on the supply-side of the equation, and in its sales into larger organisations.

The buying side of that equation across the board will inevitably be slower, but will it take the 45 years that it took for the non-Gen AI procurement systems market to mature? There are after all nearly 6m private sector businesses in the UK with only 8,250 of them defined as large, and with that, potentially having big enough resources and mindsets to want to lead on Gen-AI adoption in procurement, and that's before we consider the challenge of the public sector.

So, in working towards a conclusion, and this of course is a personal view based upon the evidence of my experience and research so far, there is already a re-shaping of the procurement job market going on. Procurement digitisation experience is increasingly finding its way higher and higher up the list of skills recruiters are looking for, and its next step, procurement AI proficiency is invariably quoted in the same line requirement for increasing numbers of jobs. That said, based upon a simple poll of business people I know, friends and family too, very few business people admitted to using AI yet, and most did not reply which I have taken to mean that they too are not using it, and are either too busy, or more likely; too embarrassed to admit it. The reaction was similar amongst friends and family in demographics older than Millennials where there is patchy, but still little take-up so far.

If my simple poll is indicative of a countrywide malaise when it comes to AI, then whilst the producers are developing fast and pushing hard for take-up, the market largely still has its head in the sand when it comes to AI, and specifically procurement AI, but call it gut feeling, something tells me that situation will not be allowed to last for long. The procurement market landscape is already reshaping and the “retained 2” and the “spare 3” will define themselves by their own speeds of uptake, training and personal re-invention – but the technical competence required, and the quality of the technology available will lead in my opinion to an inevitable shrinking of the size of the procurement population – unless there is a significant increase in the size of the economy.

Exciting times for some!

MJJ
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Wherever you are on your procurement digitisation and AI journey, Mike Jones Procurement can provide insight and guidance.