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Implementing AI in Source to Contract Operations: How Procurement Managers in a Global Organization Make Sense of AI Opportunities and Inhibitors

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Implementing AI in Source to Contract operations - how procurement managers in a global organization make sense of AI opportunities and inhibitors

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Summary

The purpose of the study is to develop knowledge on AI implementation processes in procurement operations with a focus on the critical first stages: planning and evaluation, start, and early implementation. Based on interviews with procurement and supply chain managers in a global organization the study analyses how managers make sense of the opportunities and challenges of adopting in source-to-contract operations. AI. Empirical data analysis identified three themes, central in AI implementation: RFP and RFP evaluation, contract handling, and IT integration. The potential value generated and the implementation challenges of AI in procurement operations are also discussed.

Keywords: Artificial Intelligence (AI), Source-to-contract, Value, Implementation challenges

Submission category: Academic working paper

Introduction

The field of Artificial Intelligence (AI) has undergone significant growth and development in recent years, becoming a crucial aspect of modern business operations. In light of the growing interest in AI implementation in procurement operations, this paper studies the initial stages of AI implementation in a global fashion retailer. How procurement managers perceive the key opportunities and challenges of introducing AI in existing procurement operations is in focus. The goal is to make a valuable contribution to the knowledge in the field of procurement research with a specific focus on the adoption of AI. Our literature review identifies a gap in the existing knowledge regarding the challenges of implementing AI in procurement operations. Previous studies highlight potential benefits of AI tools in procurement processes (e.g. Allal-Chérif et al.), emphasizing its potential to transform various procurement processes like cost estimation, auctions, risk management, etc. (Niyazbekova et al., 2021). There is limited research on the challenges encountered during the early implementation process. To address this gap, the study aims to investigate perceived critical points in the process of AI implementation in source-to-contract operations. The study employs a sense-making approach to analyze the motives behind the introduction of AI technology and its impact on procurement operations in a global fashion retail organization.

Purpose and Research Questions

Based on interviews with procurement and supply chain managers in a global fashion retailer organization the study describes and analyzes how managers in the planning and initial stages of implementation make sense of the opportunities and challenges of adopting AI. The empirical research question that has been constructed for this study is: *How do procurement*

managers engaged in the initial stages of implementing AI perceive the key opportunities and challenges of introducing AI in existing procurement operations? The purpose of the study is to develop knowledge on AI implementation processes in procurement operations with a focus on the critical first stages: planning and evaluation, start, and early implementation. The goal of the research is to make a knowledge contribution to the emerging procurement research focusing on the adoption of AI. This is to fill the gap of research of AI in procurement identified by e.g. Allal-Chérif et al., (2021) and Cui et al., (2022). To answer the research question, first a literature review is presented covering literature on the use of AI in procurement focusing on accounts of opportunities, inhibitors and challenges of AI implementation, including the underlying reasons and motives for its implementation. Next, a theoretical review is presented and is summed up in an analytical framework. A section on methodology is followed by an empirical case study of a large, global fashion retailer and how its procurement managers make sense of AI in source-to-contract operations. The case is analyzed and discussed based on the conceptual framework and a set of final conclusions are presented.

Literature review

As of today, AI is fairly new to procurement, but it has been proved as a key driver in digitalization of the procurement process (Batran et al., 2017; Viale & Zouari, 2020). Practitioners view AI as an area of Computer Science that create intelligent machines capable of imitating human behavior for planning, problem solving, speech recognition and learning (McCrea, 2019). Thus, the use of AI is expected to support daily business and operative tasks by taking control over decision making process and leaving room for the procurement managers to focus more on strategic activities (Bienhaus & Haddud, 2018). Practitioners hold a view that procurement by understanding and incorporating the use of AI can add value to the procurement processes and unveil new valuable sources (Kosmol et al., 2019). AI can play a major role in automating and optimizing the procurement processes (Chopra 2019). as well as taking procurement to a new maturity level, thus enabling organizations to seek new opportunities, innovative technologies, and collaborative missions to promote innovation (Rejeb et al., 2018). AI has two unique capabilities, smartness and automation, that can add value to the procurement process by pushing the limits of the buyers to achieve impossible missions and brining innovation to the organization (Cui et al., 2022).

Procurement professionals today see *automation* crucial to seeking benefits and they need to take cautious but optimistic approach to this new advanced technology as its use is still in infancy (McCrea, 2019; Cui et al., 2022). and opportunities and challenges for adoption of new technology come side by side (Hangl et al., 2022; Allal-Chérif et al., 2021). Procurement organizations produce a large amount of raw data out of the capability of human to handle and draw valuable outcomes out of it (Batran et al., 2017; Bienhaus & Haddud, 2018). Further, AI can be a tool in bidding, supplier identification, and supplier evaluation (Jahani et al., 2021) Another study highlighted that AI along with cognitive analytics can unveil the most potential within planning-to-strategy and source-to-contract layers of procurement process (Buchholz & Grabbe, 2022). Negotiations being the crucial part of procurement processes in source-to-contract can benefit from AI as AI simulations can support the design-based complex mechanisms to achieve the best outcomes and quotations from suppliers (Schulze-Horn et al., 2020), and make predictions on the evolution of costs over time using suppliers' data (Schulze-Horn et al., 2020). In investigating the impact of AI chatbots on supplier's price quoting strategies, a study posited that AI delivers most value when automation and smartness are employed in procurement functions simultaneously (Cui et al., 2022). Furthermore, AI can also

aid procurement in optimizing the forecasting capabilities and have been proved better than traditional methods (Kiefer et al., 2019).

Research on the implementation of Artificial Intelligence systems in procurement is in its infancy because procurement is still lagging in AI adoption as compared to other business areas (Spreitzenbarth et al., 2021). Possible reasons of lagging are challenges, barriers, and uncertainties in adoption or implementation. One of the biggest challenges for CPOs in the AI implementation is accessibility to data and quality of data that is often deemed poor and unstructured (Chopra 2019; Guida et al., 2021; Hazen et al., 2014). The starting-point here is that focus and emphasis on pre-adoption phase increases the likelihood of embracing a new technology (Wisdom et al., 2014). Moreover, pre-adoption is an important phase that requires a lot of sense-making of new technology because organization in this phase becomes aware of potential benefits and impacts of disruptive technology and after initial exploration decides to ignore or embrace the technology (Wang et al., 2019). Particularly important is understanding how managers develop assumptions, expectations and knowledge that shape their actions (Wang et al., 2019; Weick et al., 2005). Sense-making theory has been affectively adopted by information system researchers to observe the social aspects to new technology adoption (Hsieh et al., 2011; Lewis et al., 2011; Orlikowski & Gash, 1994). Our research uses this theoretical lens to explore how procurement managers make sense of AI capabilities, potential and challenges in pre-adoption phase for effective implementation.

Theory

Making sense of AI in procurement: matters or concern, affordances and valuation
In line with e.g Legenvre et al's (2020) study of the way different actors make sense of the impact of a new technology (Internet of Things) on purchasing and supply management our research embarks on an effort to conceptualize visions and ideas of how AI can impact certain procurement and supply management operations. Firstly, to analyze how managers make sense of the motives behind the potential use of new AI technologies we adopt theoretical ideas from interdisciplinary market studies research (e.g Geiger et al 2014), discussing the different *matters of concern* that arise in markets as a consequence of, for example, the introduction of new technologies. Different actors involved in procurement may have different concerns, i.e will perceive the importance of certain issues as more important, like here, regarding what AI will or can contribute to, solve etc. in procurement operations. These matters of concern can be related to both broad, general issues like sustainability governance, cost control and spend issues, and/or to procurement related, issues, and they can be differently ranked by different actors. Secondly, we build on the conceptual discussion of *technology affordance,* referring to an action potential, that is, to what an individual or organization with a particular purpose can do with a technology (e.g Majchrzak & Markus 2014). Different users of AI in procurement will see different action potentials in the new technology. In line with e.g. Blewett & Hugo (2016) affordances can be as an interwoven strand of action opportunities, Thirdly, different ideas of what economic, social etc. *values* that the new technology brings about will come to surface. Different processes of *valuation* (ref Helgesson & Muniesa, 2013) will be initiated also in the early stages of sensemaking. Different types of values, economic as well as non-economic will be associated with the new technology. In the case of AI in procurement these values can be associated with for example, increased efficiency through automation, time efficiency and saving, more efficient and effective monitoring of supplier sustainability, and more (e.g. Malacina 2022).

Making sense of latent and salient tensions when AI is introduced in procurement
The introduction of new AI technologies in procurement operations and organizations - as part of an ongoing digitalization process, can be expected to involve various challenges and *tensions* (cf Legenvre et al 2020) between existing principles and processes and the new emerging when AI is planned for and implemented. Legenvre et al identified tensions in procurement when introducing a new digital technology as being both technological and organizational, concluding that "the study of tensions should become more central to PSM research.....at the centre of a nexus of contradictory but intertwined forces." (p.11). Existing tensions preceding the introduction of new digital technologies in procurement will exist and need to be identified. Smith & Lewis (2011) argue that there are both latent and salient tension resulting from performance paradoxes when different stakeholders (e.g procurement and central management) have different competing goals and strategies: "Tensions surface between the differing, and often conflicting, demands of varied internal and external stakeholders" (p.384). Smith & Lewis' (2011) present four types of latent and salient tensions between old and new learning, organizing, goals/performance, and belonging, some of which will come to surface in sense-making processes.

Making sense of AI in procurement: focus on source-to-contract
Industry reports, procurement whitepapers etc. discussing the potential of AI in procurement, conclude that both strategic and operational procurement activities are predicted to be affected by a successive implementation of AI. While the common view seems to be that both types of activities will be affected, it is frequently claimed that the fastest effects of AI will be observed in operational procurement activities, resolving easily identified, more salient, efficiency problems. The three types of activities in focus of attention in the case and in our analysis are van Weele & Rozemeijer's (2022) tactical purchasing activities which consist of: 1) *define specifications,2) select supplier, and 3) contract agreement.*

Summing up: analytical and conceptual framework
We use the general source-to-contract (stc) framework based on van Weele & Rozemeijer (2022) to extract what activities in the three main stc process steps that are in focus the case company's attention when it comes to the employment of AI (and associated technologies). We extract three perceived matters-of-concern, emerging from the interviews on AI in stc. (Figure 1).

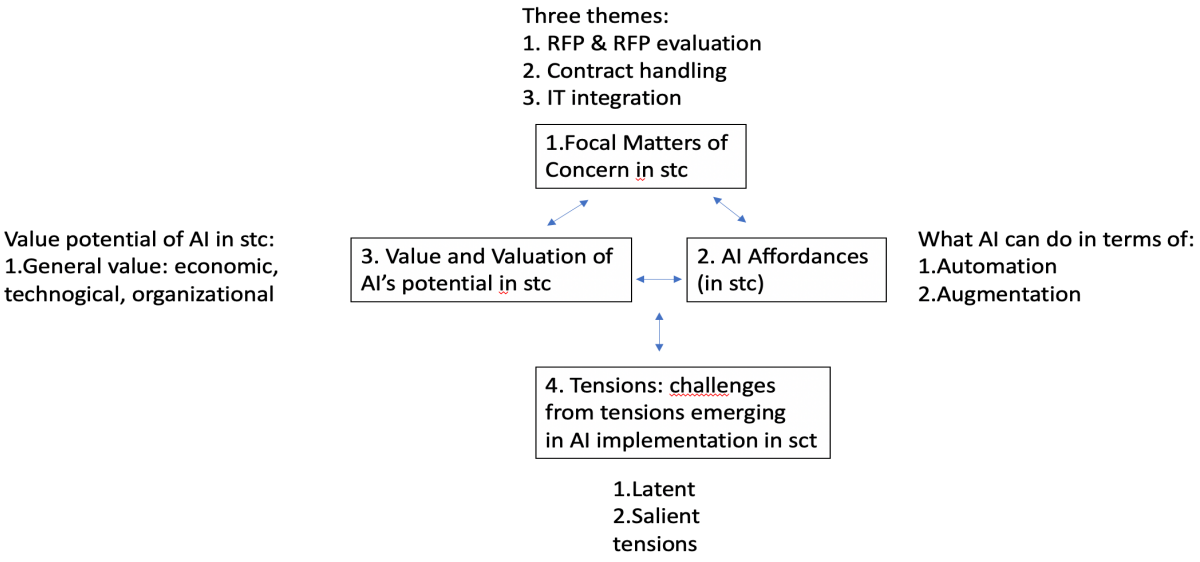

Figure 1: Analytical framework (stc=source-to-contract)

Secondly, building on the concept of affordances we extract how the procurement managers for each of these three themes make sense of the general technology enablers of AI in the stc processes in terms of automation and/or augmentation. Thirdly, although being in an early phase, we approach aspects of what value that can come from AI use in procurement. Finally, we extract from the case what existing problems/issues in the stc processes that are in focus of this attention, general enablers and/or inhibitors of introducing AI (Enholm et al 2021) and latent and salient tensions emerging (Lewis et al 2011) This is summed up in our analytical framework in Figure 1.

Methodology

The study focuses on the initial phases of implementing Artificial Intelligence (AI) in the transportation logistics procurement operations of a global fashion retailer. Since the study is of explorative character, a qualitative case study has been utilized to gain a holistic understanding (Yin 2014) of the sense making experience of logistics managers to the research question "How do procurement managers engaged in the initial stages of implementing AI perceive the key opportunities and inhibitors challenges of introducing AI in existing procurement operations?". An abductive approach of systematic combining has been adopted for the case study, where the theoretical framework and empirical results from the case study evolve simultaneously (Dubois & Gadde, 2002). The approach has been used to continuously be able to challenge research model assumptions, and to explore the sense making of the interviewees and reshape the theoretical framework accordingly (Dubois & Gadde, 2002).

Data collection: Firstly, a comprehensive literature study was conducted covering existing and growing literature on the use of AI in procurement focusing on accounts of opportunities, inhibitors and challenges of AI implementation in procurement, including the underlying reasons and motives for its implementation. Sense-making theory, value and valuation theory and recent technology acceptance theory have been explored to be able to investigate the perceived opportunities, enablers and challenges of AI in the procurement of transport providers. Secondly, twelve semi structured interviews were conducted with key stakeholders from the case company. The roles of the respondents included managers from the global logistic procurement team, the global head of transportation, a legal manager, as well as regional and market level transport managers. An interview guide with thematic questions was adopted to ensure that important areas were covered, while at the same time allowing the interviewees to elaborate on issues that they considered significant. All interviews were conducted digitally with a camera over Teams.

Data analysis: Based on the interviews a thematic analysis was done; themes and keywords were identified and coded through a conventional content analysis, where the themes and keywords were extracted directly from the data rather than from predefined ones (Hsieh & Shannon, 2005). Three themes of how managers make sense of the opportunities and perceived challenges of implementing AI in the procurement process was identified from the conventional content analysis: 1) RFP & RFP evaluation, 2) contract handling and 3) IT integration.

Case: Valuing AI in source-to-contract operations

The case company is a global fashion retailer that serves millions of customers in over 70 markets. The company is decentralized, with a global head quarter and regional head offices

which oversee the markets where it conducts business. The fashion company offers both instore and online shopping, and partners with transport providers to meet the customers with the products in store locations and through home delivery. Transport carriers are contracted to operate (1) the linehaul between warehouses and final injection points and (2) the last mile between the final injection point and the customers. The sourcing of transport providers is steered from a global level but operated on a regional and market level. The selection of transport providers is based on a variety of metrics including service levels (eg lead time promise, pick up points, business hours, compensation for lost or late deliveries, track and trace, proof of delivery), customer experience (eg NPS, CSAT) price and sustainability. The procurement process for source-to-contract basically follows the following steps:

Analysis and strategy (planning and kick-off): The regional offices set the strategy and goals and gather market research. This is presented to the central transport steering group and IT for alignment and sign off.
Request for information (RFI): The regional offices send RFI documents to identified transport service providers and select transport providers for the following stage.
Request for proposal (RFP): The regional offices send out request for proposal packages to selected transport service providers – including sustainability survey, service agreement (contract), business rate sheet, IT interface and security requirements.
Request for Proposal evaluation: The regional offices fill out the request for proposal evaluation, and involve the IT function to evaluate the transport providers' responses in regard to IT Security and service level agreements.
Negotiation: Regional offices host negotiation meetings with short listed transport service providers.
Approval and signing: Final proposal for chosen carrier is presented to the central steering group and the IT department is informed about the outcome. The regional offices secure the contractual agreement with the carrier and redraft if necessary. The signing package is sent for legal and business review.
IT integration: The region coordinates IT for seamless integration with the IT department for successful go live date.

The illustration below (Figure 2) describes some key takeaways of the perceived challenges within the source-to-contract process and opportunities for AI.

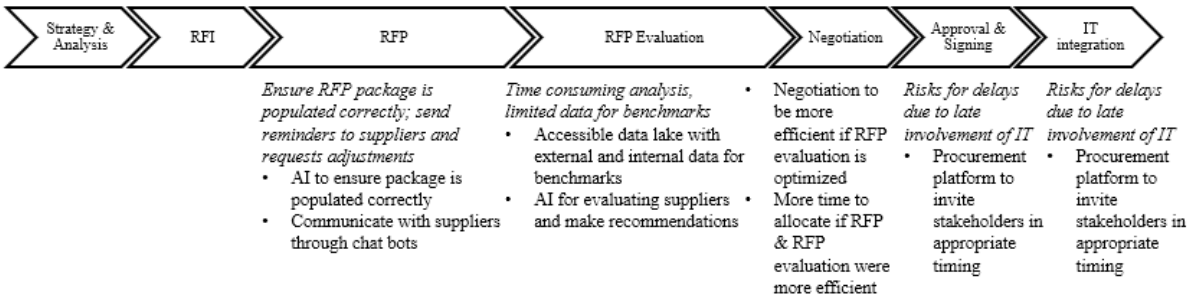

Figure 2 Identified current challenges and opportunities for AI application procurement
(challenges in cursive and potential opportunities summarized in bullet points)

Valuation of AI in source to contract
Based on the data collection, the value of AI in the source to contract process has been categorized into three major themes: *1) RFP & RFP evaluation, 2) Contract handling* and *3) IT integration.*

RFP & RFP evaluation: Most interviewees highlighted that the most time-consuming part of the source to contract process is the RFP and RFP evaluation phases and saw the most potential for AI to be used in these stages to decrease the level of manual work, increase efficiency and enhance decision-making. The interviewees further described that more time could be allocated during the following, more strategic phases and that the outcomes from these stages could be improved if the RFP and RFP evaluation stages were optimized. "We could focus more on the negotiation and contract signing if the RFP was more automated [...] The better the RFP evaluation is, the easier the negotiation process becomes" (Global Procurement Manager 2). The transport managers described that the signing package to be sent to the transport providers during the RFP stage is extensive, that communication with the supplier is required and that delays are common: "It's a lot of information for the carriers to fill in. You need to make sure everything is signed and correct and if something is missing you need to request again, delays are common" (Regional Transport Manager 1). The procurement managers suggested that these problems could be tackled by implementing an AI powered procurement platform that could verify correctly populated forms and introducing chat bots to manage the communication with carriers. The following RFP evaluation process was described as manual, time consuming and challenging: "There is room for automation in the RFP evaluation process, it's a lot of work and it's possible to make mistakes" (Market Transport Manager 1). To further improve the process of evaluating suppliers, better organization of internal benchmarks and access to external benchmarks was emphasized. Also, the current manual color coding ranking approach was suggested to be replaced by more sophisticated AI to identify and recommend top performing carriers. However, it was highlighted that AI should not be used to select suppliers but to provide recommendations.

Contract handling: Currently, the case company's contracts are stored on a cloud-based storage platform that is not optimized for procurement. The contracts are organized in regional and market specific folders without summarizing the data in an overview. The global procurement managers argued that a cloud-based procurement platform to handle the end-to-end procurement process would facilitate the contract handling - from source to contract to supplier management. The procurement platform was described to enable structured organization of the global documents and generate overviews for accessible benchmarks. The main challenges that were discussed were the justification of costs and the onboarding and new skills needed. For the contractual aspect, the legal team is mainly involved from the negotiation to manage the drafting and redrafting of contracts. The more adjustment requested, the more complex and time consuming the process becomes. To optimize the redrafting process, the legal team has started to include an amendment template where adjustments can be suggested rather than editing directly in the contracts. If the adjustments were made directly in the contracts as before, AI could have been adopted to detect differences between original and revised contracts. However, to evaluate the suggested contractual adjustments, the application of AI was argued to have its limitations given that the final decision making should be conducted by humans. Nevertheless, the signing process was suggested to be completely automated for contracting processes where no adjustments are needed. Another proposed potential for AI implementation in contract processing was to enable execution of contractual agreements. For instance, a procurement system could send reminders and enable signing for contracts with agreed potential for extension. Another issue that was brought to attention was that some suppliers hide information and conditions with detrimental consequences in other documents which are referred to in the contract. This unusual type of information could potentially be identified by AI. "Last year we detected a supplier stating they would have exclusivity as a supplier in a country in an excel document - that could have destroyed our network".

IT Integration: The main challenge raised for the last phases of the source to contract process, signing and IT integration, were delays. The interviewees described that the delays are partly created because the IT department is not involved at an earlier stage to evaluate the IT requirements and possibilities of onboarding: "Sometimes, we end up not having signed contracts on time, and then a delayed IT integration. This is due to two things. Firstly, we don't start tender early enough, and secondly, we involve the IT department too late. The IT department should be involved earlier to help with the selection by assessing the technical aspects and the potential integration" (Global Procurement Manager 2). It was suggested that a procurement platform would facilitate a seamless signing and IT integration by inviting key stakeholders in the IT department to the supplier assessment at an earlier stage. A procurement system with the functionality to invite people would improve the current situation as it is currently challenging to share documents of interest with various stakeholders. The suggested function of inviting stakeholders was discussed in other ways as well. The procurement managers envisioned that the future of procurement would allow the company to post jobs on the procurement platforms and enable carriers to apply directly online. "The next generation platform would likely allow us to send out services we want to tender to a marketplace of carriers and enable carriers to apply directly" (Global Procurement Manager 1).

Analysis and Discussion

In the analysis we build on the conceptual model, discussing the matters of concern and affordances, perceived value and perceived challenges in terms of tensions.

Making sense of matters or concern in source to contract and perceived affordances of AI
RFP & RFP evaluation and affordances of AI in terms of augmentation/automation: The most opportunities for implementation of AI were identified for the most time-consuming RFP and RFP evaluation processes. The respondents highlighted potential to both automate repetitive labour intense tasks as well as to enhance decision making though augmentative AI. This also corresponds to the prevalent literature on AI and procurement that identifies the most potential for automation and augmentation in operational/ tactical activities in the procurement process (Allal-Chérif et al., 2021; Herold et al., 2022; Nicoletti & Nicoletti, 2018). RFP creation and RFP evaluation being a routine business task and highly manual requires valuable and expensive resources from procurement staff, if fully automated can free up much time of procurement staff to focus on other challenging activities. Chat bots were suggested to replace supplier communication, which is also covered in contemporary research (Chawla et al., 2018). However, the literature also suggests to integrating chatbots with current IT systems to automate the processes in identifying and selecting the right suppliers (Sai et al., 2022), which was not discussed in the interviews. The argumentative opportunities were only discussed within the RFP evaluation stage, to enhance supplier selection. However, it was emphasised that AI should be limited to facilitate human decision making rather than replace it

Contract handling and affordances of AI in terms of augmentation/automation: Several different studies in exploring the adoption of AI in procurement have briefly cited the potential role of AI in automating the contracts handling and management for time consuming and repetitive tasks in reviewing contracts to creating, executing, monitoring, and negotiating (Flechsig, 2021; Khuan & Swee, 2018). However, the degree of involvement of automation could differ in contract handling activities. In our case, contract handling in terms of drafting and signing process mainly focused on applications for AI in terms of automation. By automating execution of contracts - for instance by issuing a new contract for contracts with the agreement to be prolonged after expiration. The signing process in cases where no changes

in the drafted contracts had to be made were seen to be potentially automated as well. However, in the cases where changes were to be evaluated and approved the possibilities for AI was discussed as somewhat limited given that the decisions should be taken by a human in the end. The human capabilities were discussed as more favourable than adopting AI capabilities.

IT Integration and affordances of AI in terms of augmentation/automation: To enable a seamless signing and IT integration the respondents highlighted that the IT department would need to be involved at an earlier stage. This was suggested to be enabled by implementing a cloud-based procurement platform which could store procurement related documents in an organised way, make it accessible to all and invite key stakeholders in a timely manner. Thus, this application was discussed both in terms of automation and augmentation, given that it would have an augmented way of organising and storing documents, and offer an automated sharing function. This further suggests that the AI systems cannot be implemented effectively without the collaboration between the different functions of the organisation. Collaboration of IT teams and key stakeholders and their involvement from early stages in implementing AI systems will not only help to understand the technology and readiness to adopt but to identify the potential challenges (Uren & Edwards, 2023).

Summing up: affordances of AI in source-to-contract: Most applications were discussed in terms of automation which is aligned with the literature, underlying the many possibilities to replace manual work and increase efficiencies (Bienhaus & Haddud 2018; Chopra 2019; Cui et al. 2022). Most respondents described the possibility to automate the manual and time-consuming RFP and RFP evaluation processes and stated that a more automated way of working would free up more time later for negotiations, signing and IT integration. This exemplifies how resources can be shifted, which corresponds to the literature that highlights the impacts of automation in freeing up procurement managers' time from repetitive tasks to invest their resources in more strategic tasks that requires human cognitive capabilities and communication (Flechsig, 2021; Spreitzenbarth et al., 2021). The augmented capabilities of AI were challenged at times by the interviewees. For instance, it was emphasised that AI can help to identify and recommend carriers in the RFP evaluation, but that the final supplier selection should be completed by humans. Similarly, suggested contractual adjustments were described to be approved by humans rather than by AI.

Making sense of AI technologies in relation to other technologies in source to contract
The connections between the affordances and values of AI technologies and other important technologies were forwarded as important for the potential value of AI. Literature suggests that IT infrastructure is one of the enablers of digital procurement practices and integrated IT infrastructures refers to back-end ERP systems and data warehousing systems (Kosmol et al., 2019). These systems together, combined with AI systems provide the 'nerve system' for digital procurement (Dong et al., 2009). However, literature shows that organisations make significant changes and often redesign their integrated IT infrastructures to take full advantage of AI technology (Themistocleous & Irani, 2001). To optimize the current procurement process, the respondents discussed similar technical enablers including *an integrated system of data integration, procurement/ERP system and AI.* The access to internal and external benchmark data was discussed as an opportunity to improve the RFP evaluation and enhance the supplier selection. A cloud-based ERP/Procurement system was suggested to be powered by AI to evaluate suppliers, handle contracts thorough natural language processing, and enable communication vis bots though robotic process automation. The technologies were discussed as intertwined and all required to realise the full potential of AI in source to contract

Making sense of economic and organizational values of AI in source to contract
From an organizational perspective, automation was suggested to increase efficiency, and allocate human resources differently to positively impact the later stages of the source to contract process including negotiation, signing and IT integration. Moreover, improved organisational collaboration was highlighted, which was suggested to be enabled by the implementation of a procurement system which could invite stakeholders, in particular the IT department in a timely manner to contribute with the supplier evaluation. The economic value could be seen as an effect of the organizational value of automating labour intense tasks and enhancing decision making to select more profitable suppliers.

Making sense of implementation challenges and latent or/and salient tensions
Since the case company has not yet introduced AI in the procurement process, only the possibility of tensions and challenges could be discussed. One of the main challenges that were raised as regards introducing digital procurement was the costs to be justified for the required technological enablers, especially the costs of a procurement system. This relates to tensions emerging from competing goals and strategies (Smith & Lewis 2011), which potentially could continue to rise during an actual implementation. Furthermore, the onboarding to the new systems and the potential new skills needed to work with the introduced technology was raised which aligns with learning processes (ibid), where efforts to adjust, renew, change, and innovate in procurement operations can foster tensions between building upon and destroying the past to create the future in these learning processes.. In general, the sentiment was that the benefits of AI outweigh the potential tensions and challenges.

Conclusions

The research question that guided this study was how procurement managers engaged in the initial stages of implementing AI perceive the key opportunities and challenges of introducing AI in existing procurement operations. Based on the empirical study we extracted three central problem areas in source-to-contract, three themes, indicating central matters-of-concern and AI technology affordances connected: RFP and RFP evaluation, contract handling, and IT integration. From an organizational perspective, the potential value was in automation, improving collaboration, increasing efficiency, and allocating human resources differently to positively impact the last stages of the source to contract process. The economic value was seen as an effect of the organizational value of automating labour intense tasks and enhancing decision making to select more profitable suppliers. Finally, the values of AI technologies were discussed to be realized in concurrence with a cloud-based ERP/procurement system and integrated data lake. Organizational tensions emerging from competing goals and strategies were perceived and potential tensions from learning processes were raised.

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