

POINT OF VIEW

**Freedom within
fences: Autonomous
sourcing goes
mainstream**

Authors:

Ashish Chaturvedi, Practice Leader

Srini Vaddepalli, Practice Leader

Tony Filippone, Chief Research Officer

Business leaders frequently encounter delays when collaborating with procurement on sourcing requests, namely RFX—request for anything. Centralized procurement teams have historically handled the majority of RFX, given their specialized understanding of the process, market differences, and negotiation tactics plus an ability to create comprehensive evaluations. Some chief procurement officers (CPOs) have been skeptical about their businesses’ ability to conduct an unbiased RFP. However, this is because they are yet to fully understand how autonomous sourcing gives the best of both worlds—empowerment, but with guardrails and best practices built-in.

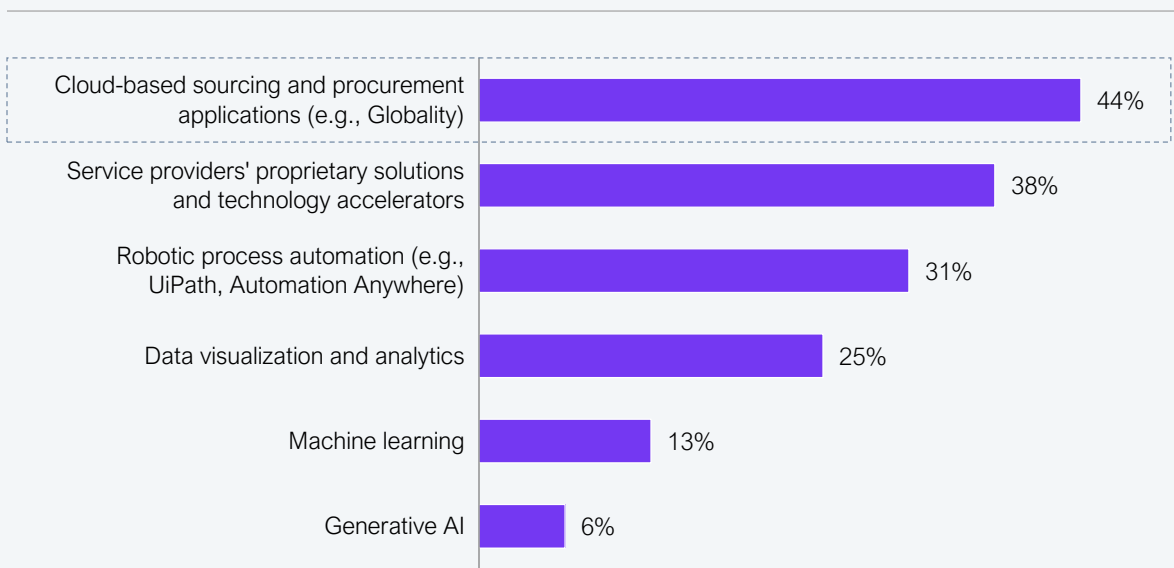
Despite the belief that competitive RFX is the best way to evaluate solutions, create negotiation leverage, and ensure the company receives fair market value for its spend, dissatisfaction arises from the long six-month RFX timelines. At the same time, CFOs’ push for savings has been driving the procurement influence across all spending categories, prompting procurement

teams to seek potential savings in overlooked areas, leading to a significant surge in incremental sourcing activity. As a result, procurement heads are considering alternatives to hiring, such as staff augmentation and the adoption of innovative technologies that make sourcing more efficient and sometimes enable self-service.

The inefficiencies of the traditional RFP process have spurred interest in innovative solutions. What if technology could streamline RFPs within the procurement framework while ensuring quality without prolonged timelines?

Enter autonomous sourcing, an entirely new generative AI-fueled capability that the big old sourcing suites from Ariba and Coupa lack. As outlined in Exhibit 1, the procurement industry is seeing a rise in the adoption of cloud-based procurement applications (platforms). Some of these applications now leverage GenAI to revolutionize the procurement function.

Exhibit 1: What emerging technologies is the service provider leveraging as part of the relationship to deliver their services?



Source: HFS Research, June 2024; interviews with 29 procurement leaders

Leveraging procurement platforms is becoming a de-facto element of enterprises' procurement strategy

In a collaborative effort, HFS Research and Globality conducted a comprehensive study, interviewing the procurement leaders of three prominent Global 2000 enterprises—Fidelity Investments, UCB, and T. Rowe Price. The aim was to gain insights into their experiences before and after adopting autonomous sourcing. The research also delved into how the latest advancements in AI are transforming the procurement function into a strategic asset that contributes to business growth and enhances outcomes.

Autonomous sourcing automates and speeds up the process, acting as a sourcing specialist

Autonomous sourcing solutions are not entirely autonomous (e.g., humans are key decision-makers and 'actors'). Instead, they enable stakeholders and procurement to run professional RFx much more efficiently and within the guardrails established by procurement.

The solutions enable customers to conduct online sourcing events, search a marketplace for potential participants, and establish bidding requirements according to company standards. This involves creating questions and pricing matrices for vendors to respond to and synthesizing, summarizing, and evaluating vendor proposals based on company criteria. It also entails setting appropriate thresholds and business rules involving procurement, legal, risk, and other key stakeholders during the sourcing process.

The critical element is to set category and dollar thresholds. An autonomous platform engages procurement professionals at crucial junctures in RFx. These boundaries allow the business to run RFx within guardrails established by procurement, which can be interjected into the process when necessary.

GenAI-enabled platforms transform sourcing events and professionals for faster solutions

The key to enabling non-procurement experts to manage RFx lies in leveraging GenAI in several essential ways. First, GenAI can generate detailed requirements through an interactive dialog with system users and by analyzing internal and supplier-provided documents. Second, it can draft RFPs based on the established requirements, company guidelines, and category standards. Third, GenAI can analyze unstructured supplier proposals to create evaluation matrices that can guide decision-makers. Fourth, it can write various contractual documents resulting from an RFx. Lastly, GenAI can adhere to company and procurement standards for specific purchases.

The solution can significantly enhance the work of sourcing professionals. It enables category managers to reduce manual effort and allows sourcing leaders to assign sourcing tasks to less experienced staff. Even untrained resources can benefit from this autonomous sourcing tool, as its advanced capabilities can improve the procurement process. Our research shows that businesses can go to market in just 23 minutes on average, and over 64% of projects are created in less than a day. This benefits organizations significantly, regardless of whether they extend the solution to business stakeholders.

Moreover, top-tier autonomous sourcing platforms can automate various aspects of the procurement process, significantly reducing the time required for sourcing and contracting. This allows procurement teams to shift their focus from transactional tasks to strategic ones.

Autonomous sourcing platforms are proving to be productive in multiple processes of procurement

Integrating GenAI capabilities into the sourcing platform transforms how they can be used. For example, UCB, a European biopharmaceutical company, uses a GenAI-driven agent functionality to receive cost management, risk assessment, and market analysis recommendations. These AI-generated recommendations were proven more effective than experience-based suggestions from technologists and procurement specialists. The new GenAI functionality also provides market intelligence, learning and development, and platform navigation with the ability to create RFX scopes. It includes seven or eight unique GenAI features related to cost savings, e-auctions, and e-negotiations. Essentially, the procurement platform serves as a category adviser, a process adviser, an analytics advisor, and more.

Procurement platforms utilize advanced AI-powered matching systems to help companies find the best suppliers for their needs, resulting in a more competitive and diverse supplier base. Fidelity Investments, an American financial services corporation, found their suppliers overcharged them after implementing a Gen-AI procurement platform. Surprisingly, their

relationship with suppliers improved after using the AI match-making feature of autonomous sourcing. Though their profits per engagement decreased, the suppliers appreciated the platform's ability to connect them with relevant RFPs they wouldn't have known (or would never have been tendered to begin with). Additionally, the suppliers can now quickly assess whether they will win or lose a bid without investing much time and resources.

AI-powered procurement platforms are delivering results across industries

Autonomous sourcing platforms automate many elements of the source-to-pay cycle, making it more efficient and user-friendly for companies. They help modernize procurement processes and drive improved strategic business outcomes by reducing the cycle time and seamlessly integrating with existing systems. Here are three client experiences that demonstrate the effectiveness of autonomous sourcing:

Fidelity Investments leverages AI-powered procurement for sustained competitive advantage. Initially adopted to manage the high volume of transactions handled through manual processes, the platform enabled the company to automate these processes, achieving significant cost savings and improving supplier rates. Fidelity Investments pointed out that the platform reduced the time to contract by about 50%, indicating a substantial improvement in process efficiency. In the professional services category, they experienced a 20% savings rate with little to no involvement of procurement professionals.

The platform's integration with existing systems, such as Ariba and Fieldglass, was seamless, enhancing operational transparency and efficiency. Its ever-evolving AI capabilities are aligned with current market shifts, particularly the integration of ChatGPT, and have refined the engagement process, resulting in better scoping documents and streamlined operations.

"We now require only 8 resources instead of 50. We have achieved over 20% savings compared to standard rates. It took about three months to break even, and after that, it was all pure savings that boosted the company's bottom line."

— Matt Prichard, Head of Procurement,
Fidelity Investments

AI-powered procurement has been critical to UCB's digital transformation journey. UCB was driven by the need to streamline sourcing processes and minimize involving the sourcing team in routine tasks. By implementing the procurement platform, the company saw a significant reduction in the contract cycle time and marked improvements in user satisfaction. The platform continuously improves AI functionality and maps suppliers based on their abilities, competence, and business needs. These changes have optimized UCB's procurement operations and aligned them with modern digital practices.

"Adopting a procurement platform reduced our contracting time by 50%, transforming our procurement with its powerful AI capabilities and ease of use."

— Elvan Akalin, Head of
Procurement (Europe), UCB

T. Rowe Price achieved its process velocity goal by leveraging an AI-powered autonomous sourcing platform. The platform's efficiency and responsiveness have significantly reduced procurement friction and improved process velocity. Although an investment was involved, the speed and magnitude of the return on investment have been compelling, showing substantial cost savings and enhanced sourcing operations. These results underscore the strategic shift to more automated and insightful sourcing and contracting processes, with the potential for exploring remarkable AI-driven enhancements in the future.

"The procurement platform streamlined our procurement processes significantly, enhancing efficiency and setting the stage for future AI advancements."

— Harold Wu, Chief Procurement Officer,
T. Rowe Price

Best practices to kick-start or continue your AI-powered procurement strategy

If you're on the fence about adopting a sourcing platform, consider streamlining technology and data requirements to speed up deployment. The good news is that sourcing tools don't require extensive integration into existing procurement technology stacks, making it easy to get started. However, integrating with P2P, CLM, and supplier risk systems can add value, and these integrations are some of the easiest to implement. Embracing cloud and data digitization is essential to fully leveraging the capabilities of an AI-driven procurement platform.

Establishing boundaries early on is crucial when extending a new model to stakeholders. Engage stakeholders, particularly those in the C-suite, in the decision-making process for selecting autonomous sourcing platforms and establishing the value case. Set clear boundaries and define key roles and responsibilities based on the purchase value, category, preferred suppliers, and situations that necessitate procurement engagement during RFx processes.

Autonomous sourcing solutions provide significant value to procurement professionals. Internally utilizing the capability for sourcing before extending it to stakeholders is a proven and well-used practice. Sourcing managers will benefit from GenAI capabilities like business partners would.

For organizations already using an autonomous sourcing platform, maximize its full potential by leveraging data analytics and AI-driven insights to continuously refine procurement strategies and processes. Focus on integrating additional modules or capabilities to address more complex procurement needs such as services procurement and capital expenditure. Utilize these platforms to build resilient supply chains and support sustainability goals amid changing market conditions.

Long-term mature clients should consider expanding their platform usage to new geographical regions or business units. The next step is replicating their success to extend the impact across the organization.

Fueling the move toward a Generative Enterprise

AI-powered autonomous sourcing platforms can transform organizations into what HFS Research defines as the 'Generative Enterprise.' These platforms use advanced digital technologies to automate procurement processes, reducing manual effort and directing human expertise to strategic decision-making.

In procurement, becoming a generative enterprise means going beyond cost savings to creating new value through innovation and agile responses to market changes. For example, Globality's platform uses AI to match business needs with the best suppliers, manage complex proposals, and facilitate real-time negotiations. This speeds up the procurement cycle and enhances decision-making by providing deep insights from data analytics.

The Bottom Line: While navigating the complex and competitive landscape, integrating a top-tier AI autonomous sourcing platform such as Globality offers substantial advantages, positioning the procurement function as a critical enabler of innovation, cost savings, and competitive differentiation.

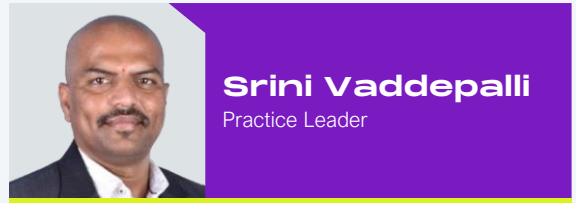
‘Freedom within fences’ describes how educators can explore, create, and learn within boundaries, perfectly capturing the essence of autonomous sourcing. GenAI can empower anyone using the toolset and has sufficient procurement discipline to improve purchasing outcomes, whether they are experienced procurement professionals or business stakeholders. By automating and optimizing procurement, these smart platforms enable enterprises to respond better to external changes, quickly seize emerging opportunities, and collaborate in a manner that embodies the essence of a generative enterprise.

HFS Research authors



Ashish Chaturvedi
Practice Leader

Ashish Chaturvedi is a Practice Leader at HFS, covering supply chain operations, the retail and CPG industry, and the quadfecta of AI, analytics, data platforms, and automation (AADA). He is an accomplished IT industry analyst regularly featured in various IT news articles and part of RetailWire BrainTrust. With more than 15 years of technology research experience, Ashish has authored more than 90 research reports covering retail technologies, enterprise modernization, platform economy, future supply networks, and digital transformation.



Srini Vaddepalli
Practice Leader

Srini Vaddepalli is a Practice Leader at HFS Research, covering information technology (IT) and business process (BP) service providers in finance, accounting, sourcing, and procurement. He brings more than 14 years of experience from three sides of the IT and BP industry, working with Capgemini, Information Services Group, and Eastman Chemical.



Tony Filippone
Chief Research Officer

A visionary leader in research and procurement, Tony Filippone is renowned for transforming strategic visions into measurable outcomes. As Chief Research Officer at HFS Research, he spearheads the strategic research initiatives that shape the future of enterprises and technology ecosystems worldwide. Under his leadership, the global analyst team delivers groundbreaking insights that drive innovation and efficiency, solving the complex problems our industry faces.

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