

Implementing AI in procurement: A leader's guide for success

Building the foundation for AI success

TOC

This research paper will cover the following AI-related topics:

1. Addressing the barriers: What leaders need to do
2. From siloed workflows to connected systems
3. From automation to orchestration
4. From policy to practice: Governance that builds trust
5. From resistance to readiness
6. Next-gen architecture: Suite vs. best of breed
7. From investment to impact: Measuring and sustaining AI value

Introduction: Building the foundation for AI success

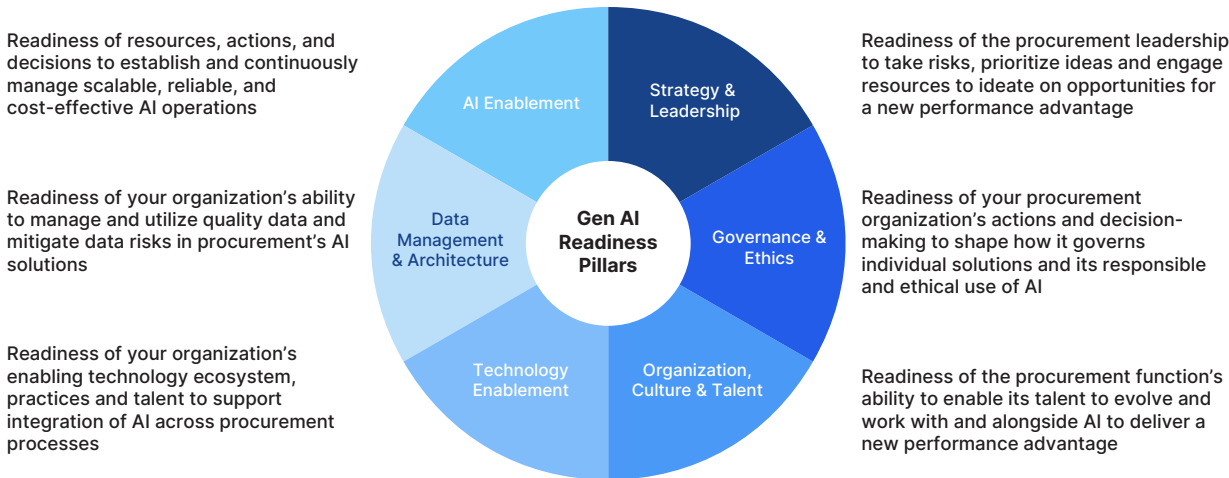
AI is becoming a natural part of how organizations manage spend, suppliers and decisions. **In procurement, the conversation has shifted from whether AI will matter to how it can deliver measurable value.** Many companies have already begun to experiment with AI for tasks, such as invoice matching, supplier risk alerts and contract review. Yet, turning those efforts into sustained, enterprise-level success remains difficult.

Across industries, executives are seeing the same pattern: early pilots work, but scaling results across business units, categories or regions proves much harder. As executive teams continue to prioritize financial impact and measurable returns, procurement is expected to demonstrate where AI drives real, quantifiable value. **The challenge is not that AI tools are ineffective. The issue is they depend on conditions many organizations have not yet established: clean data, consistent processes, shared governance and people who know how to work alongside technology rather than around it.**

This challenge is evident in recent market trends. According to the 2025 Economist Impact procurement study of C-suite executives,¹ digital drivers for procurement shifted from an even split between AI and spend analytics in 2024 (44% each) to a two-to-one preference for spend analytics in 2025 (67% spend analytics vs. 33% AI). This change points to executive awareness that clean, reliable spend data is the critical foundation for driving value, because AI cannot perform well without high-quality data.

Hackett research shows that successful implementations of AI in procurement are primarily driven by factors of readiness rather than mere access to technology. Organizations must prioritize readiness assessments to understand their current capabilities, identify gaps and align the procurement operating model with stakeholder needs.

Hackett AI readiness framework: Key pillars for accelerating AI success²



Source: The Hackett Group

Organizations that focus first on improving their structure and discipline are able to apply AI in ways that generate lasting impact, faster decisions, fewer errors and better business alignment.

This whitepaper explains how leaders can build those foundations for success. It explores the most common barriers that limit AI's effectiveness and shows practical ways to address them through data management, governance and leadership action. It also discusses how data-centric architectures and unified operating models are redefining the path toward AI-enabled procurement, where insight and action are connected and technology supports strategic outcomes rather than isolated efficiencies.

Addressing the barriers: What leaders need to do

AI projects rarely fail because the technology does not work. They fail because the organizations implementing them are not ready. At the root of it is a lack of prioritization for change management skills in procurement. According to the 2025 Economist Impact procurement study of C-suite executives,³ only 10% of C-suite leaders are prioritizing these skills over the next 12-18 months, and just 7% over the next 3-5 years. There's also a tendency to apply AI to immature processes instead of redesigning, digitizing and automating them first.

The following challenges are predictable, and so are the ways to overcome them, once leaders understand what readiness really means.

From data confusion to data confidence

AI depends on structured, reliable data. Procurement data is often scattered across systems and recorded in erratic ways. A supplier can appear under multiple names, invoices may use non-standard categories and contract details are frequently incomplete. These inconsistencies make it hard for AI to recognize relationships or generate trustworthy insights.

To fix this, leaders need to think of data as infrastructure. They should assign clear ownership, enforce definitive standards and measure quality with the same rigor as financial controls. Data governance programs covering supplier master data, spend classification and contract records create the foundation AI needs to learn, infer relationships and act confidently.

Key master data management best practices include:

Consolidate supplier master data

- Maintain a single supplier record per legal entity, link subsidiaries and third-party workforce providers and connect contingent workers to their supplier or agency. Deduplication and complete profiles improve supplier risk scoring, negotiations and payment accuracy.
- **Example KPI:** Duplicate supplier rate; percent of suppliers with complete profiles.

Standardize spend data across categories

- Map goods, services and contingent labor to a common taxonomy (e.g., unified category codes for direct, indirect and services/statements of work [SOWs]). This enables accurate aggregation, demand consolidation and visibility into maverick spend and SOW vs. PO spend.
- **Example KPI:** Percent of spend mapped to standard categories.

Digitize contract terms and make them searchable

- Capture contract metadata, clauses, rates, service level agreements (SLAs) and SOWs in a searchable repository. For services procurement, include SOW terms, labor rates and renewal triggers so systems can auto-enforce terms and speed onboarding.
- **Example KPI:** Percent of contracts/SOWs digitized and time to locate contract clauses.

Consistently track performance metrics

- Define and record standard KPIs for goods, services and external workforce engagements (on-time delivery, quality, time to fill, contractor utilization, SOW outcomes). Consistent metrics let AI correlate supplier performance with cost and risk.
- **Example KPI:** Supplier performance score coverage.

Build representative datasets for AI training for all areas

- Assemble datasets that include procurement transactions, invoices, contract outcomes, sourcing decisions and services/SOW results. Ensure samples cover contingent labor scenarios so models learn the full picture. Include data quality checks and privacy controls.
- **Example KPI:** Dataset coverage by spend category; model accuracy on services use cases.

Hackett research finds that poor data quality at the source, fragmented systems and weak governance continue to rank among the top challenges in financial and operational processes. These structural issues erode data reliability and limit the ability to apply AI with confidence across finance and procurement.⁴

Organizations that maintain strong data discipline can apply AI to the entire source-to-pay process rather than isolated steps, connecting what the company buys, from whom and under what terms and conditions.

From siloed workflows to connected systems

Procurement often manages processes that touch multiple systems, from sourcing tools to ERP platforms and payment gateways. When these systems do not communicate effectively, AI is limited to narrow use cases.

Connecting processes and using consistent data structures, such as shared identifiers and fields, give AI context to recognize patterns. For example, if sourcing events, purchase orders and payments share the same data structure, AI can automatically link supplier performance to cost outcomes or reveal opportunities to consolidate demand.

Similarly, when services procurement uses consistent identifiers across SOWs, contracts, timesheets and performance records, AI can recommend realistic timelines, appropriate SLAs and risk-mitigation language, speeding up the production of clearer, more effective SOWs with a human in the loop for validation.

Integration is not just a technical issue. It requires leadership alignment across procurement, finance and IT, plus shared objectives and data standards; otherwise, even the best technology remains fragmented.

From automation to orchestration

Many organizations equate AI with automation, or speeding up what already exists. Modern AI, however, focuses on enabling truly agentic orchestration, i.e., the ability to autonomously interpret a goal and decide how to achieve it. For a deeper look into the AI journey that has enabled this level of orchestration, [see Spend Matters' "Autogmentation" research series](#).

An orchestrated process connects relationships across events. For example, when a sourcing event closes, the system can update contracts, generate purchase orders and trigger budget checks automatically with human-defined rules while making intelligent, context-aware decisions.

This evolution depends on an architecture that supports reasoning, not just transaction flow. It is best if procurement systems connect events, data and decisions so that AI can recommend or execute the next logical step in the process.

Hackett research finds that Digital World Class® organizations in finance and procurement achieve up to 20% lower functional costs and substantially higher ROI scores – 82 and 79, respectively – by integrating automation with agile orchestration, strong data management and applied AI capabilities, such as predictive and generative intelligence.⁵

From policy to practice: Governance that builds trust

AI introduces distinct governance challenges. It can process thousands of transactions in seconds, but without clear oversight, it can also magnify errors or bias just as fast. Strong governance sets clear rules for when AI can act independently and when it must defer to human judgment.

For example, low-value, low-risk purchases may be fully automated, while high-value or strategic supplier decisions may require review and approval. Governance also ensures transparency through explainability, audit trails and monitoring, so employees understand how AI makes recommendations and how those decisions are reviewed. Ultimately, rules, roles and continuous monitoring balance efficiency with control and build user trust.

From resistance to readiness

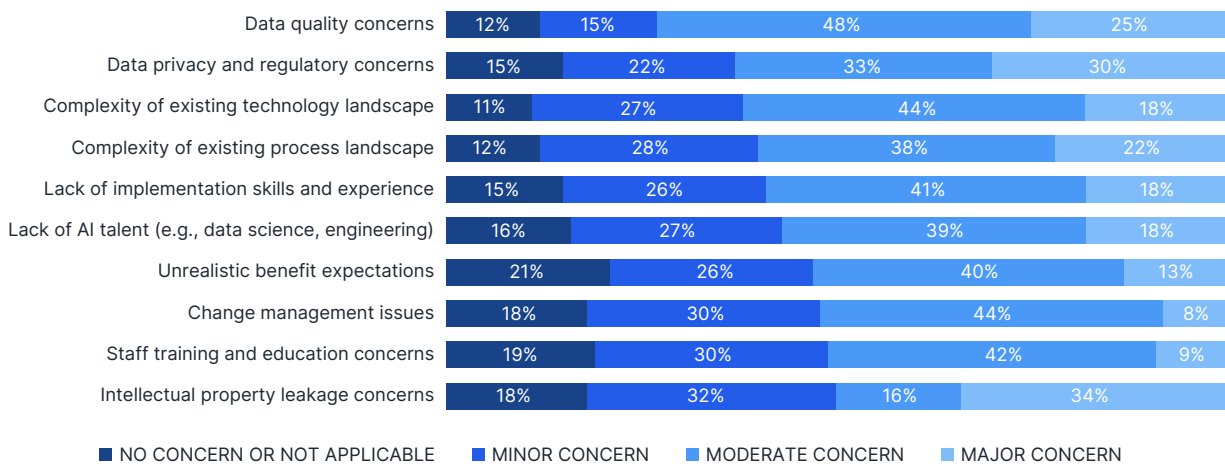
AI adoption is as much about people as it is about systems. Procurement professionals often worry about automation replacing their roles, yet AI's real value lies in amplifying human decision making.

AI is the next industrial revolution. Like past revolutions, it replaces old ways with more efficient, technology-driven approaches. That shift will phase out some jobs and create new ones, so helping people transition is essential if organizations are to capture AI's benefits rather than deepen workforce anxiety.

Leaders should consider prioritizing clear communication, education and engagement, explaining what AI does, where it helps and how workflows will change. Pairing that with training programs that teach employees how to validate data, interpret AI insights and manage exceptions will help transform fear into capability.

According to Hackett research, the top challenges in generative AI adoption extend beyond technology. Over half of organizations cite lack of AI talent, change management issues and concerns about staff training and education as moderate or major barriers, evidence that workforce readiness is now the defining factor in realizing AI value.

Top challenges in generative AI adoption⁶



Source: The Hackett Group

When organizations understand that AI handles repetitive tasks so workers can focus on oversight and strategy, adoption becomes a matter of opportunity rather than obligation.

Next-gen architecture: Suite vs. best of breed

The debate between best-of-breed tools and suite-based platforms is not new, but in the age of AI, it has taken on new significance. The question is no longer about which tool performs a task best; it is about intelligence. How can organizations ensure their systems reason across the business, learn from outcomes and improve together over time – rather than operate in isolation?

Best-of-breed systems can excel in individual areas, such as sourcing, analytics or supplier management. However, as AI models become more context-dependent, these disconnected systems create friction. Data is frequently siloed, process logic differs by application and each system maintains its own version of truth. This fragmentation limits how far AI can scale. It can automate isolated steps, but it cannot understand relationships.

Suite-based architectures unify processes, data and governance within a single model. In SAP's case, the **next-gen SAP Ariba source-to-pay suite** has been rebuilt on **SAP Business Technology Platform (SAP BTP)** to operate as one coherent environment that links sourcing, contracting, purchasing, invoicing and payments around a shared data foundation, so AI can interpret actions and outcomes as connected events rather than isolated tasks.

Within this environment, embedded analytics, shared data services and Joule orchestration agents act as the connective layer that lets AI not only automate tasks, but understand their context and know when to escalate, when to adapt and when to act autonomously. The underlying **SAP Business Data Cloud** and graph-based models give the system visibility into relationships between suppliers, contracts and financial events.

This is what makes a suite model more than a technical convenience. With unified data and orchestration, AI can learn from every transaction and improve decision quality across the enterprise.

The suite model also ensures effective governance and scalability. Open APIs allow integration with specialized systems, while keeping a stable, observable and compliant core. In an AI-enabled world, that combination of control and adaptability defines resilience.

Choosing a suite is about building an operational architecture where AI can scale responsibly, intelligence is not limited by fragmentation and innovation can build on a consistent, data-driven foundation.

From investment to impact: Measuring and sustaining AI value

Once AI is deployed, the question shifts from "How do we implement it?" to "How do we know it's working?" Measuring value requires both quantitative and qualitative signals like speed, accuracy, risk mitigation and decision quality.

To sustain value creation, organizations should focus on four core areas:

- Understand the dimensions of value and know what success looks like at operational, financial and strategic levels.
- Build continuous measurement, track metrics continuously and surface results in dashboards so users can spot trends.
- Embed value into governance and tie performance targets to roles, approvals and escalation rules to ensure AI outcomes are managed.
- Use transparency to build trust and scale; make output and audit logs explainable so users trust and adopt solutions.

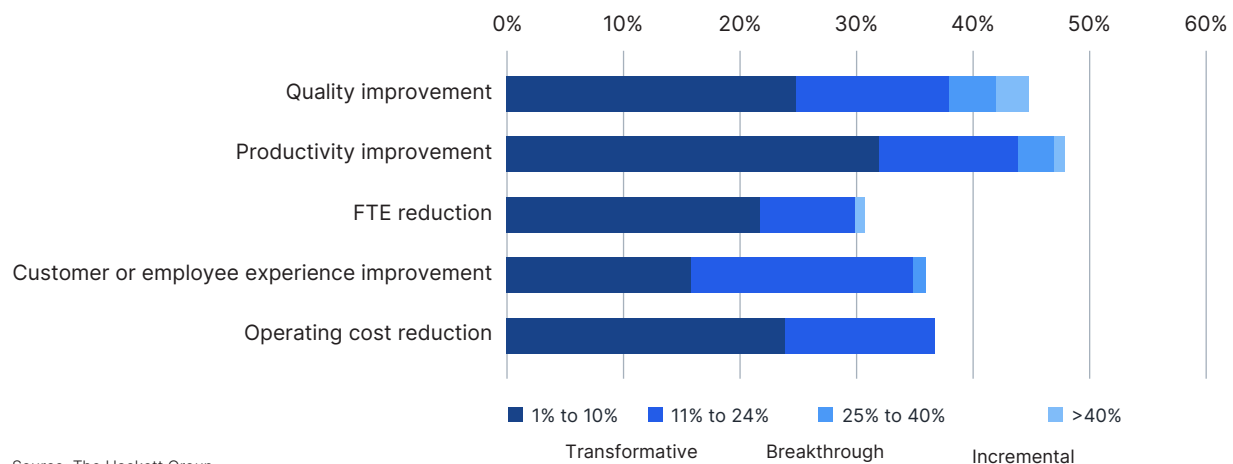
Understand the dimensions of value

AI delivers value in layers:

- **Operational value** emerges first through reduced manual effort, shorter cycle times and fewer exceptions.
- **Financial value** follows with better policy compliance, reduced leakage and improved working capital outcomes.
- **Strategic value** develops as AI starts connecting data across functions, forecasting supplier risks, identifying sourcing opportunities and optimizing payment timing.

Hackett research shows that organizations adopting generative AI are realizing incremental, transformative and even breakthrough levels of value, most notably in productivity, quality, operating-cost reduction and employee experience. The results confirm that AI-enabled impact is no longer theoretical but measurable across multiple business dimensions.

Value realized from GenAI adoption by organizations⁷



Build continuous measurement

Overall, about 20% of respondents to Economist Impact's research said they do not measure AI benefits, and 25% said they do not measure benefits from P2P automation.⁸ This gap makes it hard to understand AI's true impact.

Traditional ROI calculations often fail to capture how AI learns. Leaders may want to establish ongoing measurement frameworks that track adoption rates, data quality, exception trends and system recommendations that were accepted versus overridden. They should also monitor response time and downstream business outcomes tied to recommendations.

These signals create a feedback loop for continuous improvement. AI value compounds when models, data and governance evolve together.

Embed value into governance

AI performance needs to be part of the regular governance cadence. Organizations should review AI metrics alongside financial results. Leaders should assign owners, define KPIs and thresholds and require periodic performance reviews and audit logs. Embedding AI metrics in governance reviews creates accountability and ensures visibility and timely intervention if performance slips. It also reinforces the message that AI is a business capability, not an experiment.

Use transparency to build trust and scale

It is also critical to explain how AI makes recommendations. Leaders must show where it succeeds and where it errs, and they must share performance metrics to normalize the technology. Transparency turns AI from a black box into a business partner. Providing clear rationale and concrete examples helps users understand outputs and limitations. When AI performance is visible and understandable, teams are more likely to use it, which increases adoption and improves the accuracy of future predictions.

Conclusion: Turning intelligence into action

Procurement's next era will be defined not by technology adoption alone but by how organizations translate intelligence into action. AI is not an endpoint; it is a capability that must be nurtured, governed and aligned with business outcomes.

For leaders, this means approaching AI implementation as a transformation in how decisions are made and managed. Data quality, governance and collaboration are not preliminary steps; they are the ongoing conditions that sustain value.

To act on this opportunity, three imperatives stand out. Companies need to:

1. Elevate data and analytics strategies beyond traditional procurement use cases to the enterprise level for critical data on suppliers, spend, costs, contracts, purchased items/services and supply risks to enable visibility, decision support and context-rich, agentic AI – leading by example in enterprise use cases across finance, risk and the extended supply network.
2. Institutionalize feedback and learning by treating AI as a system that improves with every transaction and building processes for review, retraining and continuous refinement.
3. Link intelligence to measurable outcomes by defining success in terms of business impact, reduced risk, faster decisions and better working capital management.

AI will not replace leadership, but it will redefine what effective leadership looks like. Those who align strategy, structure and intelligence will not only implement AI successfully; they will also shape how their organizations think, act and adapt in a continuous learning economy.

Sources

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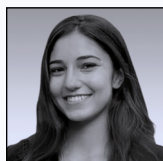


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Xavier Olivera is an IT Solution Provider Analyst with over 30 years of professional experience, specializing in Procure-to-Pay (P2P) technologies. He focuses on helping CFOs, CPOs, and COOs align advanced procurement and finance solutions with strategic business objectives, driving efficiency, reducing complexity and risk, and building resilience across procurement, finance, and supply chain operations.

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