Procurement and Intelligence

By Jeanette Jones, Author and Founder of Cottrill Research LLC

As information becomes increasingly accessible, intelligent procurement is becoming increasingly probable

Procurement, in its continuous effort to be transformative and achieve higher levels of strategic value, understands that it is essential to systematically integrate intelligence into its many functions. The term intelligence often gets bantered about in best practices literature, but what exactly is meant when it is used, especially in the context of procurement? Intelligence, after all, is an abstract concept. It has a different meaning in each situation where it is invoked.

Within procurement, external intelligence is driven by information from outside an organization and is considered relevant based on the company’s unique perspective. Internal intelligence comes from inside the organization and can be based on spend and budget data and corporate growth strategies. Defined below are four classifications of intelligence that help in understanding how intelligence, both internally and externally driven, is used for procurement strategic value.

Supply Market Intelligence (SMI)
Supply Market Intelligence is created when external information is collected and analyzed to form actionable conclusions that affect a company’s ability to strategically locate, secure and manage supply sources. SMI is often associated with strategic sourcing, category management, supplier relationship management and risk assessment and mitigation, but strategically improves all procurement efforts.

From the SMI perspective, procurement is uniquely qualified to create and push highly valued supply market intelligence to stakeholders and the organization as a whole.

Business Intelligence (BI)
According to TDWI (The Data Warehousing Institute), “Business intelligence unites data, technology, analytics, and human knowledge to optimize business decisions and ultimately drive an enterprise’s success. BI programs usually combine an enterprise data warehouse and a BI platform or tool set to transform data into usable, actionable business information.” With BI, integrated approaches to automating procurement’s key areas of concern, such as real-time spend analysis, supplier performance and purchasing process workflows can be achieved.

Competitive Intelligence (CI)
Competitive intelligence is a strategic, ethical business practice that allows an organization to stay ahead of the
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competition by gathering, analyzing and monitoring information. CI is about understanding your competitors better than your industry/market and understanding your industry/market better than your competitors. In procurement, CI can be knowing your competitors’ pricing strategies and understanding how they buy services and products.

Artificial Intelligence (AI)
Artificial intelligence is perhaps the most difficult to define. It is closely associated with the terms predictive analytics, machine learning and cognitive computing. Through the use of advanced technology, AI enables machines to learn, and thus think, autonomously by connecting and analyzing large amounts of data. The use of AI to predict future supplier compliance and supply chain risk scenarios, along with benchmark pricing for services and materials is just the tip of the procurement AI iceberg.

In the future, it is likely that procurement will be driven by competitive, business and market intelligence that comprehensively and accurately predicts outcomes and scenarios related to anything supply. Will procurement not only embrace predictive intelligence, but also proactively utilize it to achieve even higher levels of strategic value? That’s a question that not even the future Watson or Siri might be able to answer.

Jeanette Jones is founder of Cottrill Research LLC and has over twenty-five years experience providing supply market and competitive intelligence research services. In addition to corporate expertise, she has served as an adjunct professor and taught research and information literacy skills at three academic institutions. She is co-author of Market Intelligence for Procurement Professionals: Research, Process, and Resources and maintains the Cottrill Research blog, which provides analysis on the latest research resource offerings for procurement professionals.

Notes
2. Ibid.
3. Jones and Barner, 3.
4. Ibid., 19.
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