

Does AI Create the Opportunity for Procurement Reinvention?

THE LEADING EDGE



For years, Procurement has mulled over its reputation and influence, struggling to gain acknowledgment as a source of measurable value and strategic insight. A focus on savings, compliance and process was important throughout the era of globalization. Today, it's counter-productive and is contributing to increased levels of value erosion. Past efforts to elevate the role and status of Procurement have had limited impact; rebrands - "Supply Management," "Strategic Sourcing," "Commercial" - have failed to address operational limitations. Underpowered



systems, legacy processes, and a skills base rooted in control rather than collaboration are keeping Procurement on the margins.

Similarly, initiatives by bodies such as CIPS to 'mandate' procurement involvement or approval in decision-making have failed - not because procurement is unimportant, but because power can't be claimed through policy. It must be earned through relevance. And as section 2 of this paper illustrates, research shows the growing cost of failure to

change. But now, the instruments for that change are at hand. Agentic AI and autonomous systems are reshaping the very foundations of how organizations buy, contract, and manage external value. These technologies present both an existential threat and an unprecedented opportunity.

AI as a Force for Replacement

Agentic AI doesn't need instructions to run a tender, issue a PO, or compare pricing. It learns, predicts, recommends, and negotiates. It transforms many of procurement's core tasks from human-led to machine-driven.

This doesn't enhance procurement. In many areas of traditional activity, it bypasses it.

Where procurement functions are already operating on the sidelines, AI makes them invisible. Where they are strong on compliance and control, AI outperforms with scale and speed.

But AI also leaves gaps and creates opportunities - areas that need human evaluation, commercial creativity, ethical judgment, innovative solutions and business model design. These are not traditional procurement strengths, but they could be. They are certainly activities that must be undertaken somewhere.

Reinvention and Letting Go

Automating procurement is one opportunity and through a readiness to undertake 'self-surgery' procurement teams immediately achieve reputation gains – enabling others, rather than operating as a

barrier. But the bigger opportunity is to rethink the purpose and structure of how organizations engage with their external ecosystem.

That means letting go of:

1. The procurement silo, and embedding commercial skills within product, project, and mission teams
2. The focus on process ownership, and pivoting to orchestrate the delivery of outcomes
3. The illusion that procurement can lead from the margins, rather than from the center of strategy, innovation, and risk

AI doesn't solve procurement's brand problem, but it creates the conditions for a more radical transformation: the elimination of procurement as we know it, and the emergence of new commercial architectures, built around agility, intelligence, and co-creation.

From Gatekeeper to Enabler

For many organizations, this transition means retraining and reimagining procurement practitioners as embedded commercial advisors, data interpreters, and risk architects - a direction promoted by WorldCC for almost 20 years. Functional leaders must reflect on activities that represent true business value – not in their eyes, but in the eyes of those they serve and support. Through seeking to enable and equip others, we quickly discover the things that they need and consider important.

For some, the answer may be to dismantle the function entirely, redistributing its

capabilities into multidisciplinary teams supported by digital infrastructure and a shared governance model. Or it could be to create an integrated 'trading relationships' group providing cohesion across both inbound and outbound relationships.

AI enables that redistribution. It removes the need to protect turf and allows organizations to ask a more fundamental question: Where should commercial capability live, and how should it work?

Conclusion: Its a Choice

AI does not guarantee procurement reinvention. In some organizations, it may simply accelerate irrelevance. But for those willing to rethink their commercial architecture and to be honest about procurement's limitations, AI creates a rare opportunity - not to digitize the past, but to design something new.

Section 2: Summary of Research

Looking back 25 years, the shift from "purchasing" to "procurement" was more than a rebrand, it was a response to the logic of globalization. Organizations sought scale, efficiency, and leverage. Procurement consolidated spend, imposed structure, and drove cost out of long-established supply relationships. It was highly disruptive, and it served a strategic purpose - commoditizing supply and driving down input costs.

But it is widely understood that the design, systems, and culture that were built for that era are no longer 'fit for purpose'. As the external environment has changed, bringing volatility, interdependence, and

the need for speed, procurement has lacked the investment and the incentive to adapt. Strategic Sourcing and Supply Management were upgrades to the model, but they did not adjust the underlying design. In spite of calls for change, the overwhelming focus of both people and systems remains on inputs, not outputs and outcomes.

A recent study by the Commerce & Contract Management Institute confirms that attempts at substantive reform have rarely addressed the core problem: procurement has not been enabled to move beyond its control-based origins or to operate across the full acquisition lifecycle. As new technologies and expectations emerge, the gap between what the function is set up to do and what businesses need has widened.

A Growing Challenge

Procurement's role has often been justified on the grounds of protecting value and controlling risk. Yet the data from our survey suggests it is struggling to achieve either. The study looked at contracting and commercial performance from several angles, seeking to understand the extent of misalignment between legal and financial considerations, between risk and opportunity, and to contrast the role and impact of buy-side commercial resources with those supporting sales. As a powerful indicator of our findings, when asked to estimate the percentage of contract value lost due to ineffective contract management, buy-side respondents reported an average erosion of 11.8%. This compares with just 6.5% from the sell side - a gap of more than 80%, which didn't exist ten years ago.

This is not a marginal difference. It reflects structural weaknesses: poor visibility, fragmented responsibilities, limited financial accountability, and insufficient authority (or training) to shape the contract beyond template compliance. Essentially, what we acquire and the environment in which we are acquiring it has changed: value is won or lost post-award. Suppliers have grasped this point: buyers, in general, have not.

To make this point even more starkly, 37% of buy-side respondents said their organizations lose more than 15% of contract value, versus just 10% on the sell side. Those with dual exposure (both buy and sell roles in an integrated team) landed between the two, at 8.3% average loss, and 26% reporting high erosion. This suggests that integration across the lifecycle, while not a perfect solution, provides a material benefit in reducing risk and retaining value.

Reported Value Erosion >15%	Buy Side	Sell Side	Both Buy Side and Sell Side
% of respondents	37.10%	10.30%	26.50%

A further indicator is the fact that those reporting higher levels of erosion come (not surprisingly) from industries with longer-term, more complex contracts - engineering, construction, energy, defense, and also public sector agencies. This adds weight to the argument that siloed

procurement, focused on control and compliance, is not only underperforming, it is exposing the organization to unnecessary loss.

Legal Control Without Commercial Influence

The role of Legal also emerges as a critical factor in this underperformance. One of the clearest findings from the survey is that procurement rarely has the authority to shape contracts. Deviating from standard terms typically requires legal sign-off, a process that introduces friction and discourages adaptation. In many cases, contracts are dismissed as a ‘necessary evil’, rather than a source of value and an operational guide.

In the absence of strong commercial leadership, legal positions often dominate. The result is rigid, protection-oriented contracting that fails to consider financial opportunity, market conditions, or partner dynamics.

This disconnect is endemic. When asked whether they had observed disconnects between legal protection and financial opportunity during contract negotiation:

- 72.5% of buy-side professionals said yes
- 66.7% of sell-side professionals agreed - but are more likely to be in a position to overcome the problem.

This confirms a broader pattern. Without embedded commercial judgment, the survey reveals how legal functions tend to default to risk aversion, often at the expense of long-term value. This effect is

most acute on the buy side, where the lack of lifecycle accountability, limited authority and shortfalls in training make it harder to weigh legal trade-offs against commercial outcomes. To highlight the contrast, over the last 15 years the Sales contracting and commercial community has grown in number and influence. In many organizations, it aligns closely with the relevant business unit and operates across the entire contracting lifecycle. Many operate with a deep understanding of commercial models and contract terms, resulting in greater ability and authority to shape the type of agreement and negotiate its terms.

Structural Change is No Longer an Option

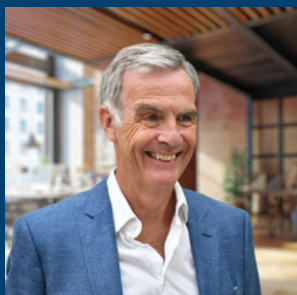
These findings reinforce the case for structural reinvention. Procurement, as currently configured, lacks the authority, insight, and adaptability to deliver the required levels of commercial value.

In contrast, those operating with a broader

lifecycle view, especially on the sell side, have greater visibility into risk and opportunity. They are better placed to align terms with outcomes, and to push back when legal control becomes counterproductive. They operate as integrators, not another silo.

The conclusion is clear: organizations must move from siloed procurement to distributed, commercially capable teams, equipped to engage across the lifecycle and to collaborate with legal, finance, and business units in real time. In some cases, that may mean creating an integrated buy-side / sell-side function to generate true market insight and capability.

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