CPOs Guide to Technology Investment Approval

Win Executive Buy-In

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Drive Adoption

levelpath

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Technology plays an important role in every business function, and procurement is no exception. However, it can be tricky to get the budget required, the internal resources allocated, and user adoption for technology investments, especially AI solutions. For procurement leaders, this presents a challenge: how can you overcome those issues and get financial approval from leadership?

Introduction

Technology is an essential part of how the modern world operates, as becomes clear when instances such as cyber-attacks or power outages occur. However, businesses inevitably have to prioritize where they focus their resources, and that means one of the biggest challenges for any function is getting approval for the investment they need.

Alex Yakubovich, Co-Founder & CEO at AI-native procurement platform Levelpath, says there are a wide range of objections that can cause projects to never get off the ground. “If there’s a big integration lift, IT will be hard to resource; if there is a big process or financial lift, it is going to be hard for finance or the risk team to make it happen; if there is a security complexity or sensitive data being passed to a vendor then that is always a concern,” he says.

Those working in the procurement space can often find themselves in line behind other functions when it comes to investments, says a senior procurement professional from the financial services sector, despite the tangible benefits that stem from digital procurement and other initiatives.

“A lot of technology implementations that we would do of meaningful size and scale tend not to be driven at the department level. They tend to be driven at a broader IT level, or there might be a project portfolio management group within a larger enterprise organization. It means we’re competing against a lot of other projects that have large return-on-investment numbers tagged onto them.”

Procurement is paying the price for failing to deliver on promises made in the past, according to Dr. Elouise Epstein, a partner at Kearney. **“We’ve only been around for 25 or 30 years as a formal organization, and in that time we have made a lot of promises and got big checks to put in systems that proved to be inadequate,”** she says. **“Part of the reason that we have budget issues today is because we have wasted millions of dollars, and we are almost no better off than we were before we started this journey. CFOs are rightly skeptical.”**

But it’s not just the money that can be a constraining factor. Dr. Elouise also identifies IT resources as a potential roadblock. **“Often they’ll want to go with the incumbent provider,”** she says. **“If they are an SAP user, they will want to go with SAP. If they are an Oracle user, they will want to go with Oracle. They want to contribute to the decision despite having no expertise in it, or ownership of the outcome. And then there is just the time to do the deployment. We have expended a lot of internal political capital to get IT onboard with the tool, only to come away empty-handed at the end.”**

Breaking Barriers to AI Investment

The arrival of artificial intelligence (AI), however, makes it even more important that organizations can make the case for investment, and are not hamstrung by internal restrictions. Michael Leiken, Vice President of Procurement Strategy at marketing data platform InMarket, believes most teams are now looking at how this can impact their business. "It is a real top-down initiative because they recognize that this is changing the future," he says. "People realize that if they do not use AI, they are going to be left behind, if not go out of business."

For procurement, the impact could be transformational, believes Dr. Elouise. "With AI, I can ask Alexa to buy me some trash bags and Alexa will tell me they will be here tomorrow," she says. "It is that easy. We do not have that in the corporate world yet but AI will be the driver that gets us there. Most procurement technology is way too complicated. AI will undoubtedly fix that."

Dr. Elouise goes on to say, "Solutions that are AI-native, meaning they are built with AI from the ground up, are a much better user experience. They simplify workflows and use artificial intelligence to handle routine tasks like contract analysis, spend categorization, and supplier risk assessment, allowing procurement professionals to focus on strategic decision-making rather than data processing."

Organizations need to be prepared for even more potential for internal constraints. McKinsey estimates a good rule of thumb for managing generative AI costs is that for every $1 spent on developing a model, companies must spend about $3 for change management. This compares with a ratio of around $1 for development to $1 for change management for digital solutions in general.

There are some ways in which procurement professionals can boost their chances of getting sign-off on technology investments, especially those involving AI, and ensuring high user adoption once live.

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> McKinsey & Company

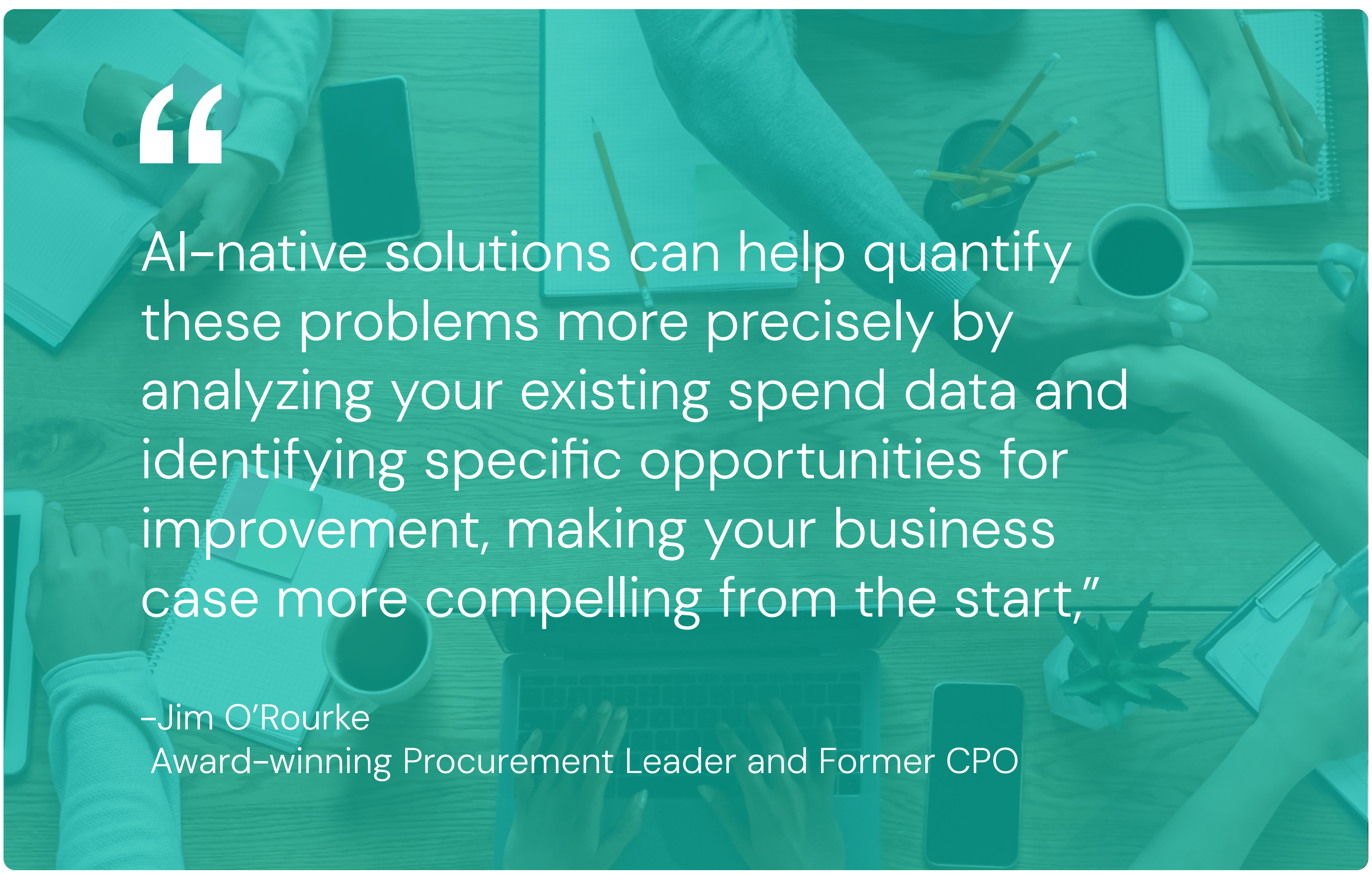
Start with Strategic Planning and Problem Definition

Every organization has the equivalent of a strategic plan or annual operating plan with corresponding budgets. Before diving into technology solutions, it is critical to define the specific problem or issue you want to solve and secure a placeholder in your strategic plan for initiatives like “procurement technology” or “tail spend management.” Declaring your intention to solve a specific problem in your annual plan puts stakeholders on notice and begins building organizational alignment.

“AI-native solutions can help quantify these problems more precisely by analyzing your existing spend data and identifying specific opportunities for improvement, making your business case more compelling from the start,” says Jim O’Rourke, an award-winning procurement leader and former CPO.

Be laser-focused on problem definition. Rather than presenting technology as a general improvement, clearly articulate the specific challenge you are addressing. What is even better is to identify and evaluate potential solutions early in the process. This approach helps overcome procurement’s historical lack of credibility when implementing technology by demonstrating thorough analysis and strategic thinking.

During this phase, remain solution-agnostic, even if you have a preferred vendor or system. Include IT and other key stakeholders in the evaluation journey from the beginning. Be willing to thoroughly vet suboptimal solutions like established players in the market, and ensure you understand exactly where they fall short of solving your specific problem. While this takes additional time upfront, it demonstrates openness and disarms IT resistance by showing you are not simply pushing a predetermined agenda.



Build Good Relationships With Stakeholders

Having strong relationships with key people in the business before making any investment, whether in time or money, is needed for a successful outcome. This is especially true when dealing with functions such as IT, whose buy-in will be required to ensure a successful rollout.

“The outcome of your ask is 85% resolved before it comes out of your mouth,” says the senior procurement professional from the financial services sector. “If I have taken the time previously to sit down with the networking team and understand their needs, the challenges that they have, and how the network is designed, then I get far greater service in return than I would just firing a ticket into the system and asking for help. The same goes for building an argument to acquire new technology.”

A Wall Street Journal report underscores the risk of going it alone: “Many companies fail to see returns on AI because they launch isolated experiments instead of building orchestrated, organization-wide initiatives.” Without early buy-in from IT, legal, finance, and business leaders, even the most promising technology can stall in “pilot purgatory,” approved but never adopted at scale. True progress starts with cross-functional alignment from the outset.

It is also important to be aware of how procurement itself is perceived, so an effective argument can be made that an investment will help to address this perception. The senior procurement professional from the financial services sector suggests asking stakeholders such as finance or IT questions to identify current perceptions, such as:

- **What is your perception of my team?**
- **What is our brand internally?**
- **Do we deliver on the promise of that brand?**
- **What feedback would you offer?**

This will also help identify whether a business case around finances or efficiency is likely to be more effective. “It is about aligning your argument with what the stakeholders care about because they’re the people that are ultimately making the decision,” adds the senior procurement professional.

The Power Framework

Envision
Identifies emerging opportunities and crafts a compelling vision of future possibilities that inspires forward movement.

Engage
Builds shared ownership by involving others in shaping the vision and strategy while fostering collaboration across organizational boundaries.

Energize
Motivates people and mobilizes resources through authentic leadership that demonstrates the behaviors and commitment needed to achieve ambitious goals.

Enable
Empowers individuals and teams by maximizing their strengths, providing necessary resources, and systematically removing obstacles to success.

Execute
Translates strategy into concrete action plans with clear accountability measures, ensuring individual contributions align with overall objectives and consistently delivering results.

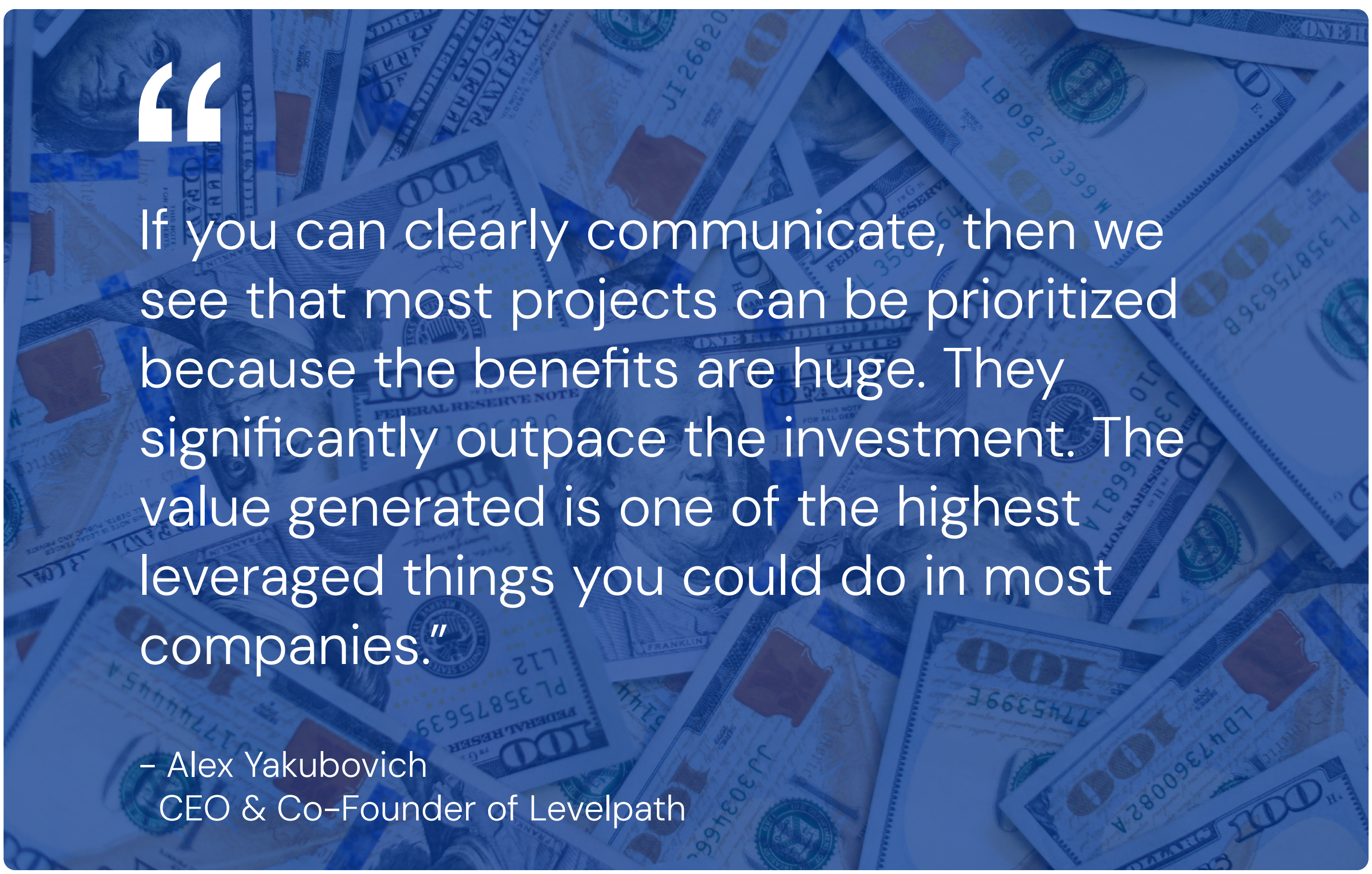
When engaging stakeholders, invite IT and other key players who will be involved with the new process to vendor demonstrations, allowing them to ask their questions directly. However, maintain control of the narrative during these sessions. Avoid prematurely discussing advanced features or integrations that might create unnecessary complexity or concern. Focus demonstrations on solving the core problem you have identified, saving broader capability discussions for later stages.

Improve communication skills

Being able to outline the benefits of any technology is vital, and that means those working in procurement functions must develop effective communication techniques. “Companies are always looking to invest in tools, processes, and people that help them save money and time but it needs to be clear how those initiatives do that and how they fit in with company priorities,” says Yakubovich.

“If you can clearly communicate, then we see that most projects can be prioritized because the benefits are huge. They significantly outpace the investment. The value generated is one of the highest leveraged things you could do in most companies.”

However, effective communication means speaking each stakeholder’s language, not just using procurement terminology. Finance teams, including the CFO, focus on ROI metrics, payback periods, and year-over-year cost implications for proper budget scoping. Be prepared to discuss ongoing maintenance fees and potential cost escalations.



With IT stakeholders, prepare for technical discussions around security requirements, including SOC 2 certifications, single sign-on capabilities, user licensing models, and ongoing maintenance requirements. IT teams will also be particularly concerned about vendor viability, especially with startup companies. The fact that a vendor is well-funded may not alleviate concerns about business continuity risk if they fail.

Be ready to address the inevitable question: "Why are we unable to do this in our existing Oracle/SAP/other ERP system?" Prepare a clear business case for why adding a new solution to the IT ecosystem is justified, focusing on specific gaps that existing systems cannot address.

When AI is involved, clarity becomes even more critical. According to McKinsey, only a small fraction of companies implementing AI initiatives track defined KPIs or map to their business strategy, two factors highly correlated with ROI. In other words: if you are not able to articulate impact, your project likely will not scale. However, AI-native platforms can significantly reduce this change management burden by learning user preferences and automating routine decisions.

Have a strong business case

As well as the need for strong relationships, it is also important that the numbers stack up. "People want to clearly see the benefits before they implement something," says Yakubovich. "No one wants to take a big risk on some complicated, expensive procurement technology." Levelpath, for instance, can help customers build a business value assessment and work with clients on a custom return-on-investment case study, based on other customers, he adds.

It is important to provide finance teams with the information they want to receive. "Be very precise," says Epstein. "Be very clear on what the benefits are, and take a layered approach. Make investments sequentially or in a step-change."

This also means avoiding complicated elements that add very little value. "A traditional source-to-pay technology business case typically lists benefits like control over internal processes, enforcement of best practices, or total cost of ownership. That means nothing. If I took it to a CFO, they would not understand it, and it is not real. Whereas I can go to that same CFO and say: 'We have 10 contracts worth over $1 billion, I want to take 10% out of those contracts, and I can do it if you give me 0.5% investment'."

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> **Partner at Kearney**

If the system has greater capability than what you are initially implementing, be patient. Focus your business case on solving the core problem first, with the potential for expanded capabilities serving as future upside rather than immediate justification.

Ask yourself:

- **What procurement task are we improving (e.g., intake routing, contract classification)?**
- **What procurement task are we improving (e.g., intake routing, contract classification)?**
- **How will we measure value (e.g., hours saved, dollar impact)?**

AI investments come with different expectations and different scrutiny, than traditional procurement technology. While the opportunity for transformation is real, so is the skepticism, especially from finance and IT stakeholders. To improve your odds of success, start with outcomes rather than features. As Stanford's Erik Brynjolfsson argues, the most successful AI deployments begin by targeting specific "atomic units of work" and defining performance metrics.

When building your business case, practice conservative ROI projections. Even if you believe the payback period is two months, present it as three or four months to account for implementation time and user adoption curves. Under-promising and over-delivering builds credibility and provides a buffer for unexpected challenges

Pro tip: AI-specific change management can cost 3x the tech itself, according to McKinsey. Bake this into your ROI forecast, being honest upfront builds long-term credibility and may quell some skepticism.

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McKinsey & Company

Quantify the Efficiency Gains

One thing that will resonate, though, is greater efficiency, which in turn should lead to financial wins. “There is obviously a purchase price, but what is the return?” says the senior procurement professional from the financial services sector. “The return is time savings if the tool automates elements, and that filters into user experience and the ability to improve processes. People inherently understand automation, efficiency, and time savings, and the value of reducing seven steps to two. They don’t have to turn that into a dollar amount.”

For procurement, the benefits from additional time can be significant. “If I’m going to get more time back, I can focus on more important, strategic projects which have a greater opportunity to deliver financial savings to the company,” adds the senior procurement professional. There is, though, a certain financial threshold that needs to be met, beyond which investment will not be sanctioned.

According to McKinsey, only 21% of organizations using gen AI have redesigned their workflows, but those that do report the biggest gains in EBIT. To gain support for your gen AI investment, tie your argument to workflow simplification, not abstract digital transformation. The AI that helps you make quantifiable efficiency gains now (like intelligent intake tools or contract OCR) is what will build credibility for larger-scale use cases down the road.

AI-native solutions like Levelpath can help quantify these problems more precisely by analyzing your existing spend data and identifying specific opportunities for improvement, making your business case more compelling from the start.

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Develop a Comprehensive Change Management Strategy

Understand that every organization has not just an overall culture, but distinct subcultures within different functions. Operations, regulatory, IT, finance, and individual plants or locations may each have unique characteristics that affect technology adoption. Use your internal network to identify thought leaders within these functions and develop targeted messaging about how the new solution specifically benefits their area.

O'Rourke's advice is to find allies for your new technology. "Look for peer leaders who could serve as early adopters and champions during demonstrations and rollout," he says. "Word spreads quickly when respected colleagues endorse a new process or tool, creating positive momentum for broader adoption."

Leverage reference calls strategically, connecting stakeholders from different functions with their counterparts at other companies who have successfully implemented similar solutions. These peer-to-peer conversations can be more persuasive than vendor presentations, especially when discussing real-world challenges and outcomes.

Drive User Adoption

Once any technology investment has the green light and has been implemented, it is essential that it is used as intended by employees. "You are not going to get the value that you have assumed and wanted out of it if it is not used as intended," points out Leiken. "You have to be able to deliver the product, set it up, communicate about it, and train people."

"They must have a good user experience, using it how you want them to use it," he adds. "Otherwise they will not use it, or they will only use it grudgingly, and then you will have relationship challenges or the views and opinions of procurement can deteriorate." With effective usage, however, it will be possible to monitor the impact the new technology is having and start to demonstrate a return on investment.

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Even the best AI solution fails without user adoption. And with AI, you must gain stakeholder trust, in addition to providing training. While stakeholders may have specific AI use cases for productivity, this will not necessarily lead to widespread adoption of a new tool. Stakeholders need to find the platform easy to use and trust it before AI can scale through the company.

Common Points of Failure

Digital procurement, done well, will optimize cost, reduce risk, drive innovation, and advance ESG efforts, says D.r Elouise Epstein, a partner at Kearney. There are various predictors of failure when it comes to digital initiatives:

- It Requires lots of Training: **This means that, whatever it is, it is too complex. It is destined for failure. People don't need to be taught how to use Google, Facebook, or Amazon, so why should we spend hundreds of thousands of dollars on "training" programs for technology and AI solutions?**
- It is a Feature Masquerading as a Product: **Some innovations are great ideas but not great as independent solutions. When evaluating new start-ups, ask yourself, "Is this a feature or a product?"**
- Middle Managers: **Managers, especially those closer to retirement, can be a big impediment to digital success. Often their perspective is self-preservation, making them risk-averse and can overcomplicate initiatives. These managers can often be uncovered by reviewing their activity on a project (calls, meetings, emails, and so on) and the output of productivity.**
- Organizational Turnover: **The problem with turnover during these implementations is that key stakeholders and sponsors often leave. This creates a gap in the project oversight that allows excuses to seep in. Plus, often the new people coming into the job will want to put their stamp on the project, which means changing orders, time delays, and cost overruns.**
- Trigger Words. **"Closed loop", "survey" or an abundance of buzzwords such as blockchain, RPA, machine learning, IoT, or predictive analytics. These words attempt to confer a level of sophistication using a lazy shortcut.**

For procurement, delivering an effective piece of technology can not only help drive efficiency and, ultimately, cost savings but can also lead to wider use of the function. "We want the business to come to us because we need engagement," says Leiken. "They cannot see us as a necessary evil, because if they do they are not going to come to us with enough time for us to do more than be an admin rubber-stamper. We need them to come to us so we can do our job of adding value."

He gives the example of having the time to conduct a thorough RFP exercise rather than having no choice but to auto-renew software subscriptions as one area where better relationships between procurement and the wider business could be delivered. "I do not want to just be reactive," he says. "I want to hunt and conduct spend analyses. The opportunity to take time back and do things that matter, which have not previously been done, will deliver pure new value. And it does not take a lot to turn that into dollars."

Yakubovich also makes the point that organizations that resist the opportunity to invest in technology that will deliver genuine benefits are putting themselves at risk. “There are companies that are either too busy or don’t have enough money to invest,” he says. “But they are costing their business time and money. Sometimes companies have such big dreams that they are waiting for a new, huge solution. But they can always start small now.”

To find out more about how Levelpath could help your business improve its procurement processes, visit www.levelpath.com/

To truly be digital, Dr. Elouise says organizations must be able to answer the following questions in the affirmative on completion:

- **Do we have a handle on our spend?**
- **Have we stopped using Excel as the default tool?**
- **Have we stopped using humans to cut and paste data from one system to another?**
- **Have we stopped spending tens of millions of dollars on a single closed-loop vendor?**
- **Have we enabled automatic cost savings on our transactional spend?**
- **Are we using our spend to drive our enterprise ESG goals?**
- **Are we enabling innovation with our digital capability?**
- **Are we enabling delightful interactions with the business?**
- **Are we avoiding risk, and is our crisis response helpful or obstructive?**

Source: Trade wars, pandemics and chaos, Dr Elouise Epstein