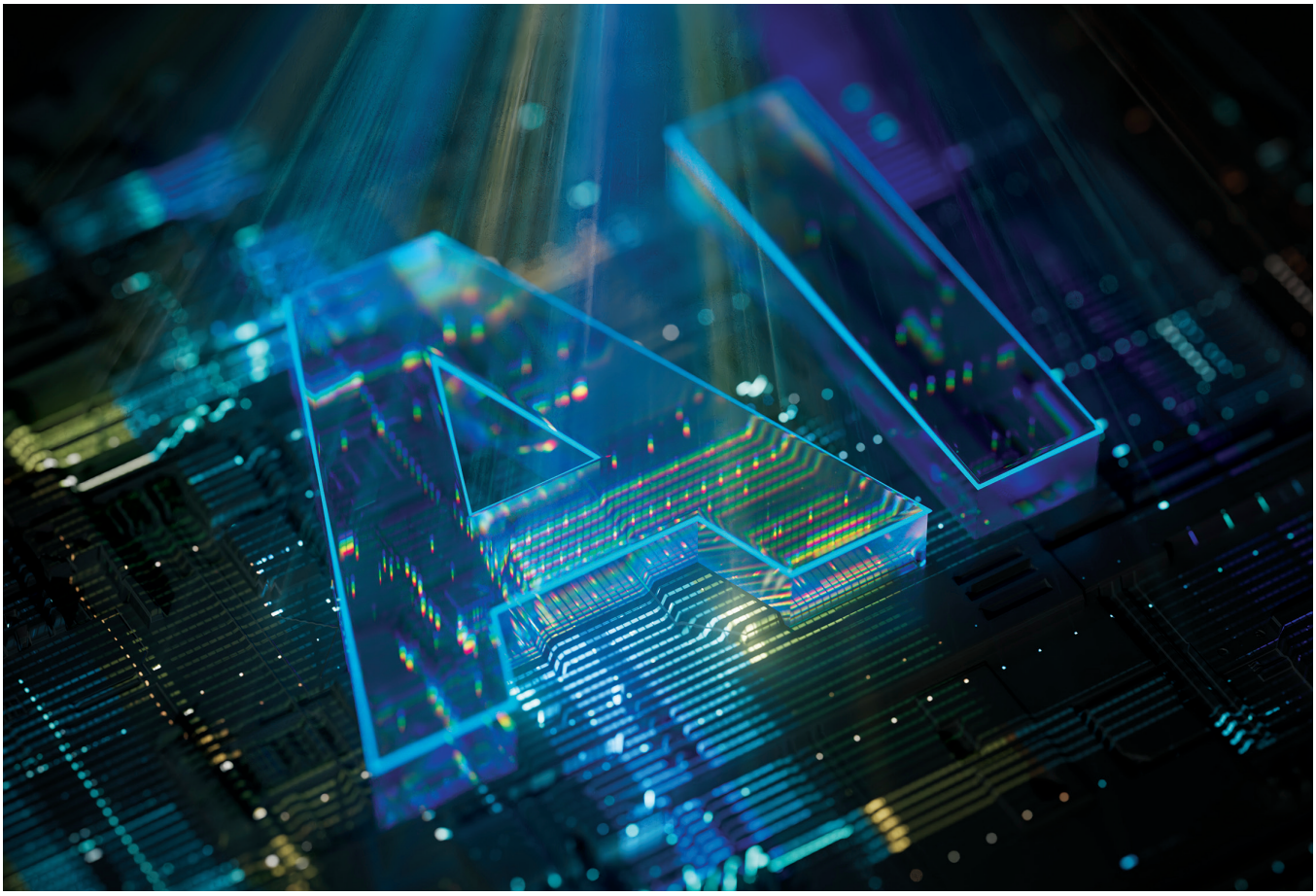
This AI Will Generate Innovation Beyond Business



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It's the dawn of the age of artificial intelligence (AI).

Big data was so last decade. Generative AI — a large language model that is able to create new data and content based on what it has learned from the content it's already absorbed — is the latest craze. And it's a game changer, says Nathanael Powrie, managing director, data analytics at SGS Maine Pointe, a global supply chain and operations consulting firm.

"Over the next 12 months, in my opinion, this will become the fastest technology in our recent lives," he says. "It's going to transform not only consulting, not only manufacturing, not only technology companies, but also will be adopted everywhere in our daily lives."

Pilots and Benefits

As the next evolution of technology, generative AI is something that all companies, no matter the industry, can benefit from. But first they need to develop a plan, Powrie says. To be most successful and competitive, it's critical to establish a timeline, determine where generative AI can make the most difference and set up a pilot to test the waters.

"Determine which areas within the supply chain are going to be the biggest ROI oppor-

tunities to harness this," he says. And ensure there is ample pertinent data — "because success is still hindered based on the quality of data," he says.

Powrie recommends spending no more than several weeks identifying where to set up pilots and the why behind them. Put boundaries on what you're trying to solve for using AI. Focus on one area at first.

"Accounts payable and purchasing are two of the hottest areas of opportunity," he says. "But we're also starting to use this in sales and operations planning," with companies focusing on ROI in such areas as inventory control. "There are a lot of tools coming to the marketplace that are set up for innovation," Powrie says.

Generative AI can help organizations reduce manual tasks, freeing employees for more valuable work. For example, let's say a company wants to use a business intelligence platform to learn more about the distances between its customers and its warehouses. The platform's AI assistant can determine which customer location is closest to a warehouse. But it doesn't give the average mileage from customers to all warehouses.

"Generative AI has access to create those mileage points," Powrie says. "You just type the question, and you could get a response that your average customer distance to a warehouse is 16 miles."

Generative AI also can increase data granularity and visibility. SGS Maine Pointe has found that Infusing AI into its total value optimization (TVO) model has offered valuable results. "In a project that involved sifting through more than 350,000 invoices, generative AI enabled us to efficiently extract and classify line-item level data," Powrie says.

"What would've been an enormously time-consuming task for our data analysts became significantly streamlined," he adds, and it resulted in comprehensive spend visibility. It eliminated manual coding and the need to construct ERP-based spend cubes, enhancing accuracy and boosting productivity in the accounts payable department, he adds.

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> SGS Maine Pointe

Integrating generative AI into a holistic approach like TVO "can bring transformative changes across the buy-make-move-fulfill continuum of the supply chain," Powrie says. "There is a lot of opportunity in the procurement space alone to boost productivity. That's a game changer."

Ensuring Quality Data

Generative AI, like any other game-changing innovation, is not without challenges and concerns. The trustworthiness of responses created by a model has been a caution flag. The model may not know the context of the questions asked or the data ingested. It may not be up to date on current laws and regulations. It's important to ask the right questions to generate the answers an organization needs.

Powrie says that by (1) establishing boundaries around what the model searches for and (2) ensuring that quality data is inputted, organizations should feel a level of trust in the outcome. "When you start to get into audits and putting this into financial or executive reports, the trustworthiness comes back to the quality of the data, more than anything else," he says.

The next layer of generative AI, with statistically driven models offering predictive analytics, including demand forecasting, is evolving quickly, Powrie says. Models have the ability to process data points both internally and externally, he says. For example, if an organization asks the model which sales region has the biggest opportunity for growth, the model will analyze data on the weather, financial markets, commodity markets and more against the organization's data to formulate a response.

The opportunities and benefits of the age of AI are endless across industries and professions, including manufacturing, procurement and even supply management consulting, Powrie says. But a company's success comes down to establishing boundaries, having quality data and asking the right questions. ISM