

The Value Creation Observatory

an EIPM Laboratory



AI-first Mindset

Including EIPM prompting guide



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About EIPM

EIPM is at the intersection of the business and academic worlds, with an approach to education grounded in the reality of business. Currently, with a global footprint, EIPM has developed a complete range of solutions to meet the training needs of its large base of international clients in all sectors of industry and service.

The Value Creation Observatory

EIPM has embarked on a major Research project to measure the progress of the Purchasing profession towards Value Creation.

The ongoing research project consists of a series of surveys, workshops, case studies and publications.

We thank all the interviewees and the participants in our events who provided inputs for this observatory report.

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AI first Mindset: A procurement imperative

Procurement is a knowledge-intensive domain where insights, intelligence, and automation dictate success. In this context, adopting an AI-first mindset is not a luxury but a necessity, as artificial intelligence (AI) fundamentally reshapes decision-making, risk management, and supplier collaboration.

AUTHORS

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As EIPM Research Director, Hervé leads the EIPM Value Creation Observatory. Hervé acts as a Jury for the EIPM-Peter Kraljic Awards. Hervé regularly speaks at in-company and public events. Hervé blends the best of the academic and practitioner thinking to create unique learning experience and engaging content. He continuously looks at the trends that will shape the business world in the future. He believes that the competitive edge of companies will increasingly be co-created with suppliers as innovation needs to be seized from outside.

Hervé builds on his wide knowledge of innovation and business excellence to create new tools. Hervé is also the author of two books, and he frequently writes articles and publishes research reports.

Manish Shanbhag

Manish is a program manager and a professor at EIPM. He specializes in core procurement topics like Sourcing, Cost management, Risk management and Sustainability. Over the years, he has explored different trends that have influenced the future of business. He believes that AI and specifically AI can enhance the performance of procurement professionals across various activities like Should Costing, Dynamic Strategy management, Negotiations, Contract creation and Supplier management. He integrates his research into his courses.

METHODOLOGY

The present report builds on the experience and past research conducted by the two authors. It is also the result of a research initiative and interviews that took place in 2023 and 2024.

In the present document we use the words AI to cover GenAI and more generic forms of AI



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EXECUTIVE SUMMARY

The AI-First Imperative

We present in this report a strategic framework for embedding an AI-first mindset within procurement functions. This evolution demands not only technological integration but a paradigmatic shift in mindset, culture, and capabilities. Through automation, augmentation, and data aggregation, AI enables knowledge workers to transcend human cognitive limitations, navigating volatility, complexity, and regulatory uncertainty with enhanced precision and speed.

Change management framework

To facilitate the transition toward an AI-embedded procurement ecosystem, the report introduces a Change Management Checklist, outlining key pillars: vision and strategy development, stakeholder engagement, AI literacy through prompt engineering training, AI-integrated workflows, and technical infrastructure.

Building an AI-First culture: the 3C framework

Beyond technology, the report underscores the critical role of organizational culture, advocating for the 3C Framework—Curiosity, Critical Thinking, and Capitalization. Curiosity fosters exploration and experimentation; critical thinking ensures vigilant evaluation of AI outputs; and capitalization focuses on institutionalizing successful practices via prompt libraries and AI-integrated workflows. This human-centred approach democratizes AI adoption and sustains long-term value creation by embedding AI into daily practices.

Prompt Engineering Guide

To support effective AI utilization, the report offers a comprehensive prompting guide. It delineates best practices for prompt clarity, context-setting, iteration, formatting, and constraint application. Advanced techniques such as sequential prompting, prompt refinement, and document association are discussed, providing a methodological toolkit for maximizing the utility of generative AI systems.

Conclusion: Toward AI-First Procurement

We believe AI is not a substitute for procurement professionals but a powerful tool that enhances their capabilities. By automating routine and repetitive tasks such as data entry, supplier analysis, and contract reviews, AI frees up procurement teams to concentrate on higher-value strategic initiatives. AI-driven insights provide procurement professionals with real-time data, predictive analytics, and market intelligence, allowing them to make more informed and proactive decisions. Procurement professionals can leverage AI to enhance supplier collaboration, optimize costs, and improve agility in responding to market disruptions.

Ultimately, the Value Creation Observatory outlines a roadmap for organizations to integrate AI seamlessly, fostering an ecosystem where human intelligence and artificial intelligence co-create value. This synergy enables procurement to become more innovative, resilient, and adaptive in an increasingly complex and dynamic global economy.

Hervé Legenvre and Manish Shanbhag
March 2025

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1. WHY CHANGE IS NEEDED

The modern procurement landscape is defined by volatility, complexity, and large data streams making AI an asset. AI-driven decision making enable companies to gain time and enrich their decision-making process. This transformation is critical in a dynamically evolving environment.

The Strategic Imperative of an AI-First Mindset in Procurement

Procurement has evolved into a strategic capability that directly influences competitive advantage, resilience, sustainability and innovation. Procurement is a knowledge-intensive domain where insights, intelligence, and automation dictate success. In this context, adopting an AI-first mindset is not a luxury but a necessity, as artificial intelligence reshapes decision-making, market intelligence, cost analysis, risk management, and supplier collaboration.

The modern procurement landscape is defined by volatility, complexity, and large data streams making AI an asset. AI-driven decision making enable companies to gain time and enrich their decision-making process. This transformation is critical in a dynamically evolving environment.



WHY CHANGE IS NEEDED

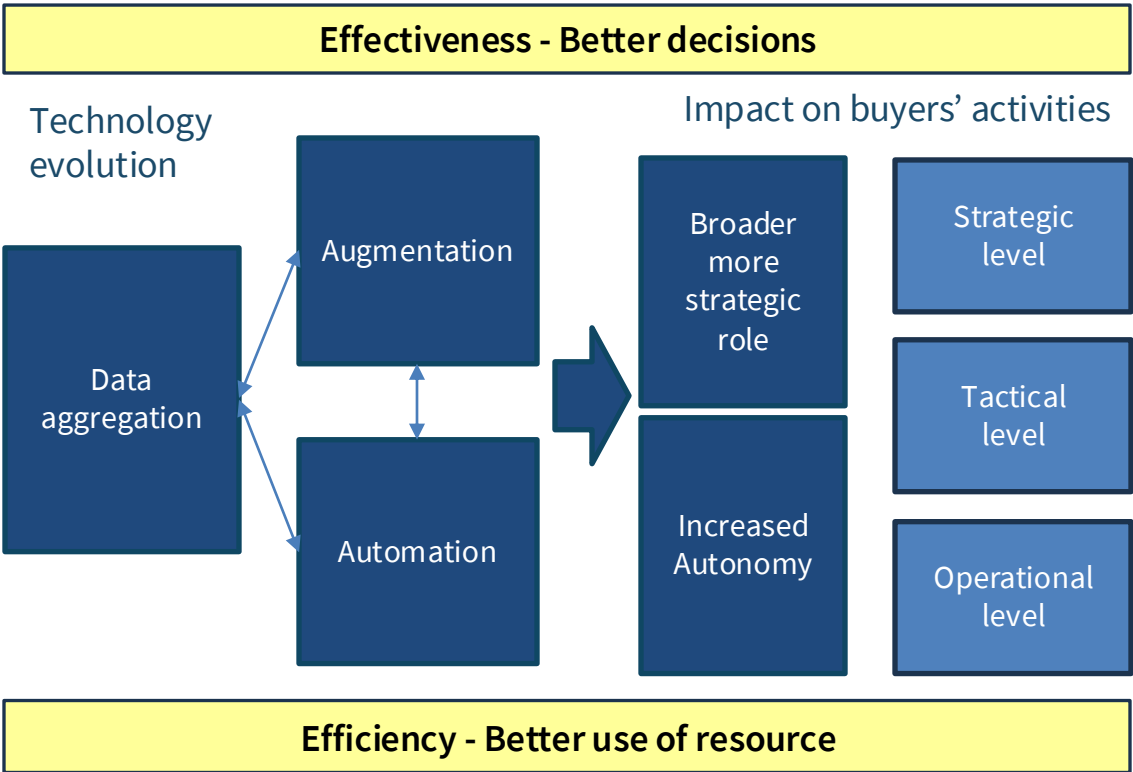
The procurement function depends on knowledge workers who apply their expertise, market insights, and relationships to achieve results. However, the sheer volume of data, supplier variables, compliance demands, innovation prospects, and geopolitical risks has surpassed human cognitive capacity. AI, combined with a robust procurement digital infrastructure that enables a single source of truth (data aggregation), bridges this gap by:

At the operational level, **automating tasks**, freeing knowledge workers to focus on higher-value activities.

At the tactical level, **providing insights**, allowing buyers to anticipate innovation opportunities, price fluctuations, supply chain disruptions, and regulatory shifts.

At the strategic level, **augmenting decisions**, where AI acts as a co-pilot, recommending optimal products, supplier selections, and risk mitigation strategies.

The AI-first mindset does not replace procurement professionals; rather, it broadens their strategic role while increasing their autonomy on tactical and operational activities. It elevates their role to strategic orchestration, where human expertise is amplified by intelligent systems, as illustrated in the figure below.



CHECKLIST

AI-FIRST : THE CHANGE MANAGEMENT

✓ Vision & Strategy

- ☐ Define clear AI adoption objectives.
- ☐ Develop a phased AI integration roadmap.
- ☐ Write AI usage policies and guidelines covering responsible AI practices, security, compliance, and ethical considerations.

✓ Stakeholder Engagement & Advocacy

- ☐ Appoint AI champions in various departments.
- ☐ Encourage leadership to demonstrate AI adoption.
- ☐ Conduct open forums to discuss AI usage.

✓ AI Literacy & Employee Training

- ☐ Organize prompt engineering training.
- ☐ Build a company-wide prompt library.
- ☐ Launch a prompt-writing competition.

✓ AI-Powered workflows

- ☐ Deploy an AI-powered chatbot for procurement policies.
- ☐ Implement more workflows powered by AI (legal clauses, taxonomy, supplier discovery).
- ☐ Benchmark AI adoption in other organizations.

✓ Technical Support & Infrastructure

- ☐ Ensure dedicated data science and IT support.
- ☐ Invest in secure and scalable AI infrastructure.

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CURIOSITY – CRITICAL THINKING - CAPITALISATION

The 3C framework comprising **Curiosity**, **Critical Thinking**, and **Capitalisation** provides a structured approach to embedding AI into an organizational culture. By encouraging exploration, fostering vigilance, and institutionalizing change, organizations can transition from experimentation to an AI-first mindset.

BUILDING AN AI-FIRST CULTURE:

THE 3C FRAMEWORK

As procurement organizations increasingly adopt artificial intelligence (AI) to enhance efficiencies and expand their capabilities, the primary challenge often lies not in the technology itself but in creating an environment that fosters its successful adoption. Building an AI-first culture requires a human-centred approach, grounded in the principles of **Curiosity, Critical Thinking, and Capitalization**

The potential benefits for knowledge workers are substantial. Some surveys have suggested that AI could reduce the workload of some knowledge workers by as much as 3 hours and 47 minutes in a typical workweek*. While the extent of these gains will naturally depend on the nature of the work and the specific context, such results are not theoretical. So, building an AI-first culture by adopting Curiosity, Critical Thinking, and Capitalization can be a game changer.

1. Embracing **CURIOSITY**: Nurturing a culture of exploration

Curiosity is the starting point for creating an AI-first culture. Employees must feel empowered to explore AI's potential without fear of failure or negative judgements. Cultivating this mindset requires to start with low-stakes experimentation, enabling teams to learn by doing.

Low-stakes experimentation

An effective entry point into generative AI is through progressive experimentation. For instance, encourage employees to test AI tools on different domain of activities, providing multiple options to solve specific problems or to challenge their ideas. Such initiatives build confidence while minimizing risk to operational integrity. Regular team discussions can reinforce these experiments by encouraging employees to share their experiences, insights, and challenges as the step into creating collective learning.

Gamifying prompt crafting

Prompt engineering—the art of designing effective requests for AI chatbots—is one of the key disciplines that help leverage AI tools. Organizations can foster engagement through internal prompt competition (or Promptathon) that motivate employees to develop prompts yielding accurate, creative, or insightful outputs. Recognizing and rewarding such signals to all employees that AI exploration is valued and celebrated.

*<https://www.freshworks.com/assets/resources/Freshworks-2024-Gobal-AI-Workplace-Report.pdf>

2. Exercising **CRITICAL THINKING**: Ensuring Responsible AI Use

While curiosity drives exploration, critical thinking safeguards against blind adoption. AI-generated outputs, while innovative, are not immune to errors or biases. Building a culture of critical evaluation ensures that the adoption of AI aligns with organizational values and objectives.

Guidelines and Ethical Frameworks

Organizations must also establish clear guidelines for AI use, particularly in areas susceptible to ethical risks or biases. Training session can help familiarize employees with these guidelines. Secure tools should be provided to users.

Monitoring AI Limitations

Exchanging on AI limitations is crucial for continuous improvement. Encourage teams to discuss instances where AI tools fail to meet expectations, whether due to inaccuracies, incomplete information, or biases. These lessons can inform future use and can build a feedback loop that strengthens the organization’s AI competence.

The Three C framework

Curiosity	Critical thinking	Capitalisation
Beyond the writing and summarizing assistant features	Critical thinking safeguards against blind adoption	Embed AI into daily practices and workflows
Explore AI's potential without fear	AI-generated outputs are not immune to errors	Reuse good prompts
Experiment and learn	Continuous critical evaluation is key	Continuous critical evaluation is key

3. CAPITALIZING on insights: Moving from exploration to integration

Curiosity and critical thinking are great foundations, but the goal is operationalising AI insights. To embed AI into daily practices and workflows, organizations must create systems that institutionalize learnings and sustain adoption.

Creating a prompt library

As employees experiment, the prompts that yield the most effective results can be made available in a shared library. For procurement, this might include prompts for common tasks. Regular feedback and updates to this library ensure it evolves alongside organizational needs and AI advancements.

Designing AI-Integrated Workflows and agents

Beyond individual experiments, organizations should then focus on integrating AI into end-to-end processes. For example, data scientists can build on prompts initially created by procurement folks to create workflows and automate repetitive tasks.

Conclusion: Building a Sustainable AI-First Culture

The 3C framework comprising **Curiosity, Critical Thinking, and Capitalisation** provides a structured approach to embedding AI into an organizational culture. By encouraging exploration, fostering vigilance, and institutionalizing change, organizations can transition from experimentation to an AI-first mindset.

EXPERIMENT

Encourage employees to test secured AI tools on activities they work on. Such initiatives build confidence while minimizing risk to operational integrity.

WORKSHOP

EXPERIMENTING WITH GENERATIVE AI IN PROCUREMENT

Objective:

Enable procurement teams to explore the capabilities and limitations of Generative AI in optimizing procurement activities. The goal is not to achieve perfect results but to experiment, assess AI-generated insights, and refine approaches.

1. Workshop Overview

Duration: 2,5 hours

Facilitator: Procurement lead with AI knowledge or external AI expert.

2. Workshop Preparation

Each participant should think of three procurement use case areas where AI-generated insights could help. The facilitator can suggest some use cases areas – See next page. For one use case area of their choice, participants create a structured AI prompt before the session.

3. Workshop Agenda

Phase 1: Introduction & Expectations (20 minutes)

Introduction to Generative AI - Why experimentation matters—Expectation setting.

Phase 2: Hands-on Experimentation (90 minutes)

Participants are split into groups, each working on 6 of the prompts prepared.

Input the Prompt into the AI tool and generate an output and analyse the Results:

- What insights did AI provide?
- What was useful?
- What was missing or inaccurate?

Refine the Prompt

- Change variables (e.g., specify industry, include more details).
- Try different wording to improve responses – apply prompting techniques people know of

Phase 3: Key Takeaways & Next Steps (40 minutes)

Summarize the lessons learned:

- What procurement areas seem most promising for AI?
- Where does human expertise remain critical?
- What are the classic improvements in prompt engineering?

Discuss how to apply AI in daily procurement tasks moving forward and on next steps.

Outcome:

By the end of the workshop, procurement teams will have:

- ✓ Experimented with AI-driven insights.
- ✓ Learned how to refine AI prompts for better results.
- ✓ Identified AI's strengths and limitations in procurement.
- ✓ Gained ideas on where AI can be integrated into procurement activities.



LIST OF POTENTIAL GENERATIVE AI USE CASES AREAS

These are not complete prompts but a few possible starter ideas

Many more ideas can be identified



1. Market Analysis & Industry Trends

- ◆ **Understanding industries**
“Identify key trends risks in the [industry], including geopolitical, environmental, and financial risks affecting procurement strategies.”
- ◆ **Understanding competitive dynamics in a market:**
“Provide an analysis of the competitive landscape for [product/service], including key players, market share distribution, and barriers to entry.”
- ◆ **Procurement lever**
“In this [market], we are facing this [situation]. Suggest some procurement levers we can use to reduce costs and secure good performance from suppliers.”

2. Product & Specification Optimization

- ◆ **Defining and Refining Product Specifications:**
“Draft a functional specification for [product] ensuring it meets industry standards, classic performance requirements, limits risks and optimise costs.”
- ◆ **Optimizing Product Design for Cost Efficiency:**
“Suggest ways to redesign or modify [product] to reduce procurement costs while maintaining quality and performance.”
- ◆ **Sustainability opportunities**
“Identify opportunities to reduce the environmental impacts of [products].”
- ◆ **Identifying cost drivers in an industry:**
“List cost drivers for [product] and suggest how they fluctuate based on economic and supply chain factors.”

3. Supplier Evaluation & Risk Assessment

- ◆ **Analysing a Supplier Proposal for Concerns and Issues:**
“Review the following supplier proposal and identify any risks.”
- ◆ **Comparing Supplier Proposals:**
“Compare two supplier proposals for [product/service] based on price, payment terms, warranty conditions, and potential risks.”
- ◆ **Detecting Contractual Risks in Supplier Agreements:**
“Highlight potential risks in a supplier contract for [product/service], including clauses that may lead to cost overruns or disputes.”
- ◆ **Supplier Performance Analysis Based on Past Data:**
“Analyse past performance data of [supplier] to identify patterns in late deliveries, quality issues, or contractual disputes.”

4. Commercial Model & Negotiation

- ◆ **Defining Commercial Models with Pros, Cons, and Conditions:**
“Compare the advantages and disadvantages of cost-plus, fixed-price, and subscription-based procurement models for [product/service].”
- ◆ **Help me prepare my negotiation:**
“I need to prepare a negotiation for [product/service], how can I best prepare upfront?”
- ◆ **Help me face a situation in a negotiation:**
“My forthcoming negotiation is characterised by [context], how can I best approach this negotiation.”



***“AI will not turn the ignorant
into knowledgeable people.***

***It will only make the curious
and knowledgeable people
more efficient.”***

AI - AN OVERVIEW

Generative AI is a type of AI that can create new data, such as text, images, or music. AI models generate outputs that sound plausible but that can be incorrect.

AI OVERVIEW

Some definitions

Artificial Intelligence (AI) – AI is a broad field of computer science focused on creating systems that can mimic human intelligence. It enables machines to perform tasks that usually require human cognition, such as problem-solving, decision-making, and understanding language.

Example: Back in the 1970s, expert systems were created for medical applications.

Machine Learning (ML) – This is a subset of AI that allows machines to learn patterns from data and improve over time without being explicitly programmed. Instead of following strict rules, ML models analyse large amounts of data, find patterns, and make predictions.

Example: Your spam filter is built using machine learning.

Deep Learning (DL) – This is a more advanced type of ML that uses artificial neural networks, inspired by the human brain, to process information in layers. It learns by passing information through multiple layers of processing, refining its understanding at each step.

Example: the Facial recognition in smartphones is built with deep learning.

Generative AI – Generative AI is a type of AI (often powered by DL) that can create new data, such as text, images, or music.

Example: ChatGPT generating text responses or AI tools creating realistic images.

Neural networks are a fundamental part of deep learning inspired by the structure and function of the human brain. However, at their core, they are **statistical machines** that perform **pattern recognition** by learning patterns from data using probability distributions; optimizing predictions using statistical techniques, Inferring new knowledge from observed patterns; generalising beyond training data

THE HALLUCINATION PROBLEM



Hallucinations: AI models generate outputs that sound plausible but that can be incorrect.

How AI models work for text? They generate text by predicting what words come next based on learned patterns from training data. They are ‘probabilistic’ models.

Why is your weather forecast inaccurate sometime?

We know that weather forecasts are sometimes inaccurate, we can use this as a parallel to explain why AI models hallucinate.

Model limitations

Mathematical models supporting weather forecasts have limitations. AI models also have limitations. Just as weather models rely on mathematical equations to predict the future, AI models rely on patterns in data. Both systems work well most of the time, but they aren't perfect because they make approximations.

Uncertainty / ambiguity

There is a lot of complexity in complex phenomena such as meteorological conditions; similarly, AI struggles with uncertainty and ambiguity. The weather is influenced by thousands of unpredictable factors (wind, pressure, temperature, etc.). Similarly, Gen AI doesn't "understand" reality and makes the “best guesses” based on patterns. If AI encounters something unusual or incomplete, it fills in gaps, just like weather forecasts do.

Lack of specific data

Weather models can miss tiny but important data points e.g., a sudden temperature shift that leads to a storm. AI models do the same—if they have not been trained with certain data or if they cannot access correct data, they generate plausible but incorrect information.

CRITICAL THINKING

You can review the output of a content provided by an AI system by checking several points.
Here is a list of control points

Relevance and Accuracy

- Is the information provided factually correct and up-to-date?
- Are there any inconsistencies or contradictions in the response?

Completeness

- Does the response cover all aspects of the query or task?
- Are there any missing key points or information gaps?
- Is the level of detail appropriate for the intended use?

Bias and Objectivity

- Is the response free from obvious biases or unwarranted assumptions?
- Does it present a balanced view when dealing with controversial topics?
- Are sources or references provided for factual claims, if applicable?

Overall Impact

- How effectively does the response achieve its intended purpose?
- Does it provide value or insights?
- Would the output be considered satisfactory by others?

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AI IN PROCUREMENT

AI in procurement has many applications. They could be divided in 3 broad areas: creating digital workflows, building teams with augmented capabilities and creating a personal assistant to enhance productivity.

THREE PRIMARY APPLICATIONS OF AI IN PROCUREMENT

There are three primary ways in which **Generative AI** is used in procurement.

Digital workflows

(Tell me the rules, find me a supplier, analyse legal clauses)

These are AI-powered processes integrated with e-procurement tools, which streamline and automate procurement operations. AI can answer questions about procurement rules, identify suppliers within an existing supplier database, or analyse legal clauses to ensure compliance.

Teams with Augmented capabilities (costing team – risk intelligence team)

These are specialized teams, such as costing teams and risk intelligence teams, that leverage AI, data analytics, and domain expertise to support procurement professionals within a company. AI assists in cost modelling, risk assessment, or scenario analysis, allowing teams to make data-driven procurement recommendations.

Personal Assistant (prompting)

This involves using AI prompting mechanisms in a secured platform, combining internal and external data sources. Procurement professionals use AI-powered assistants to query information, generate reports, and obtain insights in real time. This functionality enhances productivity by allowing users to interact with AI systems using natural language inputs while ensuring data security and compliance.

WORKFLOW ILLUSTRATION

The Procurement Dilemma: How an AI Chatbot Rescued a Buyer in Distress

Act 1: The Mystery of the Unclear Policy

James Parker, a procurement officer at OrionTech Solutions, had just finished his morning coffee when an urgent email landed in his inbox. The subject line read: “Special Procurement Request – Urgent Approval Needed.”

Curious, he opened the message. It was from Dr. Helena Carter, the head of R&D. She needed a custom-built microprocessor from a niche supplier in Taiwan for an experimental AI project. The request was unusual—outside of OrionTech’s usual supplier network, involving intellectual property concerns, and potentially exceeding the standard approval threshold.

James frowned. *What internal procurement policies applied here?*

He navigated to the company’s procurement manual, a massive document filled with layers of policies, sub-policies, and clauses that felt like reading ancient scrolls. He searched for terms like "custom procurement," "niche suppliers," and "IP-sensitive purchases," but the results were either vague or buried under legal jargon.

Frustration mounted. Time was ticking, and Dr. Carter was expecting an answer. There has to be a faster way!



WORKFLOW ILLUSTRATION

Act 2: Enter the AI Procurement Chatbot

Then James remembered: OrionTech had recently deployed an AI-powered procurement chatbot, nicknamed "PoliBot." It was designed to interpret policy documents, answer compliance questions, and guide employees through complex purchasing decisions.

He opened the chatbot on the internal portal and typed:

"What procurement policies apply if I need to buy a custom-built microprocessor from a niche supplier outside our approved vendor list?"

PoliBot instantly responded:

"Your request falls under 'Non-Standard Procurement (NSP)' per Policy 3.4. This means:

- ✓ A justification for supplier selection must be documented.
- ✓ Legal & Compliance must review the contract for IP risks.
- ✓ If the value exceeds \$50,000, Director-level approval is required.
- ✓ R&D purchases qualify for expedited processing under Section 3.4.2."

James raised an eyebrow. That was precise.

He followed up:

"Can this request be expedited?"

PoliBot replied:

"Yes. Per Policy 3.4.2, R&D-related purchases are eligible for priority review. You can flag the request as 'Urgent-R&D' in the system.

This will automatically notify the procurement director for accelerated approval."



WORKFLOW ILLUSTRATION

Act 3: Crisis Averted; Efficiency Achieved

Armed with PoliBot's insights, James structured his response to Dr. Carter:

"Your request qualifies for expedited processing under our Non-Standard Procurement policy. I'll initiate the supplier justification, send it to legal for review, and flag it for urgent approval. Expect a response in 48 hours."

Minutes later, Dr. Carter replied: "This is perfect! Thanks, James. I thought this would take weeks!"

Smiling, James leaned back. Instead of spending hours combing through policies or waiting for a legal response, he got his answer in seconds. The AI chatbot had streamlined the process, ensuring compliance while maintaining speed.

As he closed his laptop, James thought: This AI is making procurement look easy. Maybe I should let it handle my taxes too.

(Okay, maybe not.)

But one thing was certain—PoliBot had just earned its place as James's new best friend in procurement.



TEAMS WITH AUGMENTED CAPABILITIES

Summary of the Article: "Powering Costing with Artificial Intelligence – The Case of Vodafone Procurement“*

Vodafone Procurement Company (VPC) utilized artificial intelligence (AI) to enhance its procurement function through the Design2Cost initiative. VPC implemented AI-driven methods to automate and augment procurement processes, significantly improving cost efficiency, supplier negotiations, and strategic decision-making capabilities.

AI's Application within Vodafone's Procurement Process

Vodafone established a dedicated lab called Design2Cost, where AI was extensively employed for hardware and service procurement analysis. AI technologies were integrated to automate hardware teardowns by digitally scanning and recognizing hardware components with up to 92% accuracy. Leveraging machine learning algorithms, Vodafone built a continuously updated internal database capturing detailed cost information from multiple external sources, enabling rapid and precise cost modelling.

This approach transformed complex procurement tasks, reducing analysis duration from thirty to approximately ten days. AI provided clear and detailed "clean-sheet" costing models, enabling precise identification of inefficiencies and hidden margins. This facilitated stronger negotiation positions with suppliers, allowing Vodafone to challenge vendor costs transparently and propose collaborative, cost-saving redesigns.

Impact of AI on Procurement Outcomes

AI enhanced Vodafone's procurement outcomes by improving cost management, negotiation power, and supplier relationships. Through detailed and transparent cost analyses, Vodafone realized hundreds of millions of Euros in savings, making significant progress toward an ambitious initial target of saving one billion Euros over five years.

Supplier interactions transformed as AI-driven insights fostered collaborative dialogues and transparency. Suppliers began proactively addressing inefficiencies, collaborating with Vodafone on mutually beneficial cost optimization initiatives. Moreover, the ongoing accumulation of AI-derived data helped Vodafone address potential supply chain risks and regulatory issues proactively.

Conclusion

Vodafone's implementation of AI exemplifies the strategic integration of technology within procurement capabilities, illustrating clear advantages in cost efficiency, supplier collaboration, and competitive strategy. The Design2Cost initiative underscores AI's potential to establish teams with augmented capabilities and facilitating informed, data-driven decisions.

[*https://www.europeanbusinessreview.com/powering-costing-with-artificial-intelligence-the-case-of-vodafone-procurement/](https://www.europeanbusinessreview.com/powering-costing-with-artificial-intelligence-the-case-of-vodafone-procurement/)

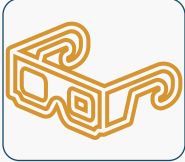
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PROMPTING GUIDE

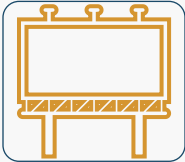
A prompting guide provides good practices for crafting clear, structured, and effective AI inputs. It covers techniques like context setting, iteration, formatting, and constraints to enhance AI-generated responses. Advanced methods include sequential prompting, document association, and refinement, ensuring accurate and insightful outputs for procurement and decision-making tasks.

IN SEARCH OF A GOOD PROMPT

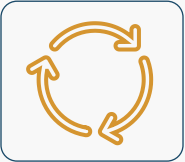
A prompt is an input that initiates a response from a generative AI chatbot. Good prompts have certain characteristics



Clarity and Specificity: Prompts should be explicit and well-defined to ensure accurate responses. Avoid vague or ambiguous wording.



Context Setting: Providing background information ensures the response aligns with user expectations.



Iteration: Effective prompting is often an iterative process, refining the request for improved accuracy.

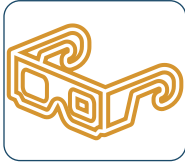


Formatting Requests: Clearly defining how information should be presented can improve readability.



Constraints and Instructions: Adding constraints (e.g., word limits, required sources, focus areas) ensures tailored responses.

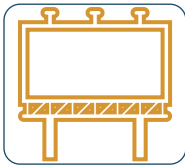
EXAMPLES



Clarity and Specificity

Bad Prompt: "Tell me about procurement."

Good Prompt: "Explain the procurement process detailing each step of the Procure-to-Pay cycle"

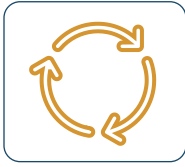


Context

Bad Prompt: "How do we reduce the maintenance costs for this equipment?"

Good Prompt: "As part of procurement strategy, we are looking for opportunities to reduce the cost of maintenance services provided by the supplier of the original equipment we have purchased two years ago. Can you suggest some ideas?"

EXAMPLES



Iteration

First Prompt: "Explain the procurement process detailing each step of the Procure-to-Pay cycle"

Refined prompt: "Explain the procurement processes in steps. For each step of the procurement process, detail the role of buyers and the role of the stakeholders who own the need"



Formatting request

Bad Prompt: "how to address bottleneck suppliers "

Good Prompt: "Build a table with 10 levers that can help us address bottleneck suppliers"

EXAMPLES



Constraints and instructions

Bad Prompt: “Explain quantum computing ”

Good Prompt: “Explain quantum computing to a 7th grade student in 200 words”

Additional Tips

- Define the AI's role (e.g., expert, assistant, consultant,...)
- Specify the perspective or expertise needed
- Outline expected tone and communication style

EXAMPLE

Example of a Well-Constructed Prompt

✗ Weak Prompt:

"Tell me about supplier risk."

✓ Strong Prompt:

"You are a procurement analyst assessing supplier risks. Analyze the financial, operational and compliance risks of Supplier X based on past 12 months of data (see file attached). Provide a structured response with three bullet points per risk category (Financial, Operational, Compliance). Use a formal tone and keep the explanation under 200 words."

Persona

Clear and
specific

Formatting

Constraints and
instructions

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ADVANCED TIPS AND TRICKS

USING A TABLE IS OFTEN USEFUL

You can create a table within a prompt. This ensures structured, clear, and easily comparable information, enhancing readability and decision-making efficiency.

Prompt	Help me build a table that will identify the levers that can help us decarbonize the transportation of goods at our company.
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Decarbonation Lever	Description	Estimated Emission Reduction Potential
Supplier Fleet electrification	Transitioning vehicles like trucks, fleet cars, forklifts to electric battery or fuel cell models. Requires investment in charging infrastructure.	Up to 30% through full electrification of suitable short-haul vehicles.
Supplier use of Biofuels	Drop-in fuels like biodiesel or renewable diesel provide lower-carbon alternative to diesel. Requires sustainable feedstock sources.	10-20% depending on feedstock and fuel type. Potentially higher with development of advanced biofuels.
Operational efficiency	Consolidation of routes, optimized loading, driving practices like eco-driving can lower fuel use.	5-10% through incremental efficiency gains. Greater with tech-enabled optimization.
Multimodal transportation	Shifting suitable freight trips from air/road to rail or waterborne modes which have better energy-efficiency.	Up to 25% shift possible depending on infrastructure and logistical constraints.
Load optimization	Strategies like stacked container loads, optimized trailer packing, can transport more cargo per mile.	5-10% increase in freight Ton-Miles per Gallon achievable.
Demand management	Techniques reducing empty backhauls, collaborative platforms optimizing deliveries.	3-5% reduction in total trips and miles through coordinated approaches.
Supplier use of other Renewable energy	Drop-in alternatives like renewable hydrogen or ammonia can fully decarbonize applications where electrification challenging.	Potential for near-100% reduction if sustainable fuels options are scaled. However, technology still in development.

ASSOCIATING A DOCUMENT TO A PROMPT

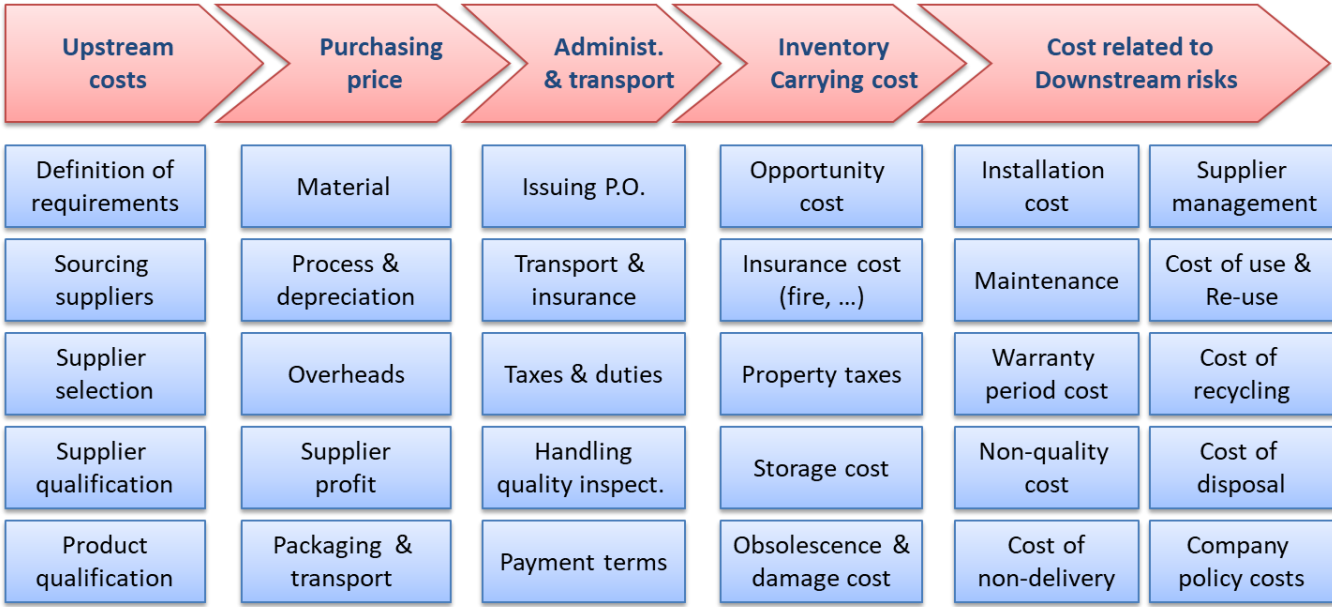
Associating a document with a checklist, a template or a tool with a prompt enhances precision, ensures comprehensive coverage of key factors, and standardizes the evaluation process for more reliable and actionable insights.

Prompt

Here, providing a standard Total Cost of Ownership (TCO) checklist helps systematically identify cost drivers, uncover for better decision-making.

You are a specialist of Product X and an expert in cost analysis.

Use the document attached to list all the costs impacted by the creation of a circular flow that will help refurbish the product x.



CREATE PROMPTS IN SEQUENCE

You can create a sequence of prompt that leverage each other

I want to create a workshop on decarbonisation with suppliers where we want to identify ideas upfront so they can be best discussed during the workshop itself. The prompt are illustrative and can be more sophisticated.

Prompt 1

Create options for decarbonising

“Could you suggest a long list of options for reducing the carbon footprint of xxx? You can use the 9R Circular economy framework to help you with this”

Prompt 2

Create the workshop agenda

For the agenda of the workshop, we want to have:

- A plenary where our VP explains the stakes
- A presentation by an expert
- Interactive sessions with suppliers that help focus on some specific options
- A session where we share ideas altogether at the end

Prompt 3

Create the facilitation guide for the interactive session

Create the facilitation guide for the interactive session

REFINING A PROMPT USING A PROMPT

You are iteratively refining a prompt by first generating an initial response and then using its insights to create a more detailed and effective version. This approach enhances prompt precision, leads to more accurate, context-aware outputs by leveraging successive refinement.

Prompt 1
Use a simple prompt

Your company buys xxx in Europe. Identify the cost drivers for this raw material

Run the Prompt

This helps pre-screen key parameters for the cost drivers

Create a better version of the previous Prompt

Create a better and more detailed prompt for this “Your company buys xxx in Europe. Identify the cost drivers for this raw material.

Run the Prompt

It uses the first prompt outcome to make a better prompt

BREAK A COMPLEX ISSUE IN STEPS

PART 1

Breaking down a complex activity into a structured series of steps enhances efficiency and clarity,. By distinguishing tasks that can be powered using prompts from those requiring human expertise, you can optimize your work and improve decision-making.

Below you will find some examples of prompts that can be used in such multi steps analysis.

Examples of prompts to be used as part of multi steps analysis

	Description	Example Prompt
Request Options and Alternatives	Ask for alternative solutions to widen the perspective.	“Could you suggest a long list of options for reducing the carbon footprint of office furniture ? You can use the 9R Circular economy framework to help you with this”
Evaluate Pros and Cons	Request a list of pros and cons to weigh options effectively.	“Provide a long list of pros and cons for outsourcing vs. in-house development for our new software.”
Prioritize and Rank	Prioritize or rank choices based on set criteria for clarity.	“Using the list of cost drivers suggested, rank the positive and negative cost impact of refurbishing emergency signs”
Identify and Assess Risks	Identify and evaluate risks to anticipate potential downsides.	“What are the main risks associated with the procurement of external workforce? For each risk what are “early warning signals”, the “list of impacts”, and “potential mitigation measures”

BREAK A COMPLEX ISSUE IN STEPS

PART 2

More examples of prompts to be used as part of multi steps analysis

	Description	Example Prompt
Challenge Assumptions	Encourage questioning of assumptions to avoid confirmation bias.	“Come up with a list of taken-for-granted assumptions we might have when we use two different suppliers to reduce supply chain disruptions risks”
Request Pre-Mortem & Post-Mortem Analyses	Conduct pre- or post-mortems to prevent and understand failures.	“Imagine that the use of recycled plastic in our product failed. Create a long and detailed list of what might have gone wrong, and how could we avoid it?”
Dialectical Reasoning	Consider opposing viewpoints to arrive at balanced conclusions.	“Explore both sides of the debate on the use of recycled plastics in our products.”
Red-Teaming (Devil’s Advocacy)	Challenge strategy by identifying weak points through devil’s advocacy.	“Play devil’s advocate for our supplier code of conduct.”

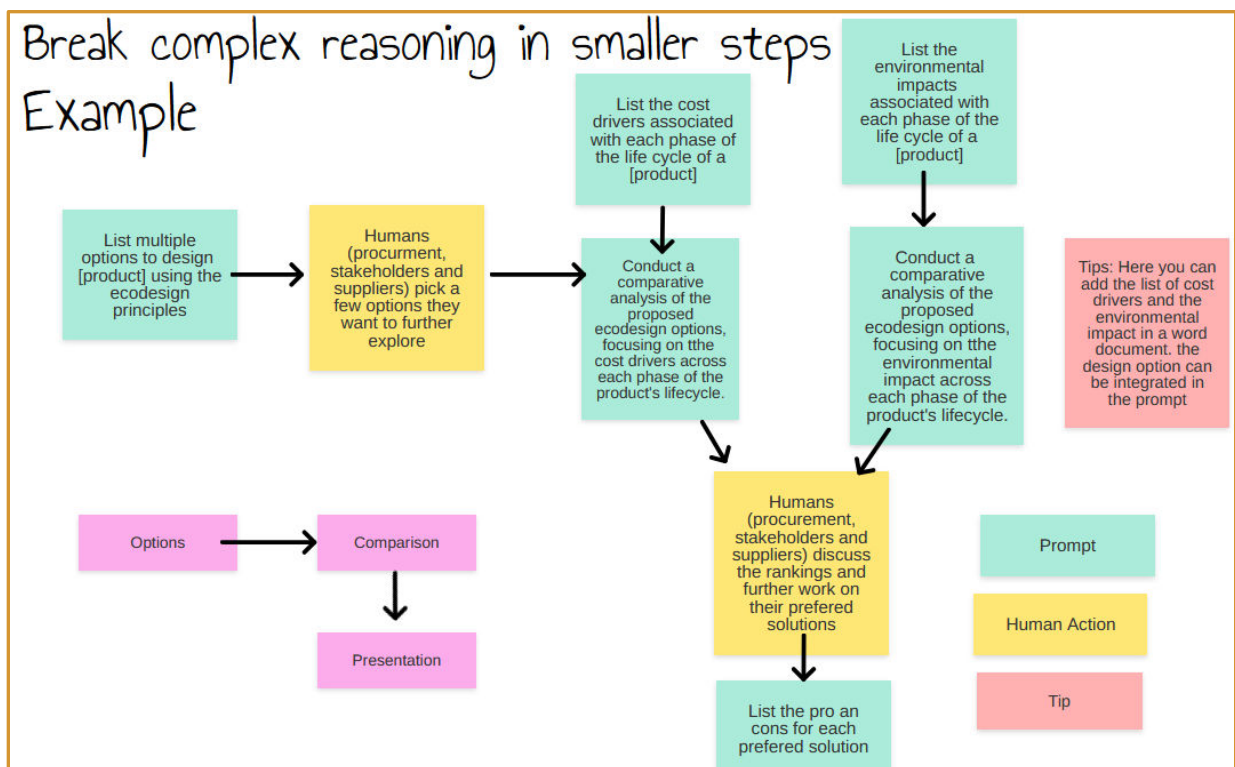
BREAK A COMPLEX ISSUE IN STEPS

EXAMPLE

You can alternate the use of prompts (in green) and human interventions (in yellow) to perform a series of steps that help you break down activities.

Typically, you should use humans when decisions needs to be made and agreed across teams.

Do not be afraid to say, we have used this tool to create options, but we need to see if something is missing and select the best options



Try this: Breakdown the procurement process for gardening services for the company headquarters into sub steps and provide suggestions for 2 to 5 useful prompt for each steps. Also suggest human intervention necessary in each steps.

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TAKE A TEST:

Are you ready to lead procurement in an AI-first world.

Find out which procurement animal best represents your approach to decision-making, innovation, and leadership in experiments and AI-first world where our leadership behaviours will dictate our success.

THE FUTURE OF PROCUREMENT

TAKE A TEST!

What's your procurement leadership emblem?

Find out which procurement animal best represents your approach to decision-making, innovation, and leadership in experiments and AI first world where our leadership behaviours will dictate our success.

Instructions

For each question, select the answer that most closely matches your behaviour or preferences. Keep track of your answers, and at the end, count how many times you selected each letter to determine your emblem in the form of your dominant procurement animal.

1. How do you approach decision-making in your organization?

- A) I analyse long-term trends, anticipate changes, and propose diverse options before others see them coming.
- B) I meticulously gather, analyse and share data on market opportunities before making a recommendation.
- C) I seek out new ideas by interacting with stakeholders or suppliers, I push for experiments and connect with others to drive innovation.
- D) I inspire and lead teams, ensuring everyone aligns with the bigger picture.

2. If your company faces a major disruption in the supply chain, what is your first instinct?

- A) Step back and evaluate the broader implications before making a calculated move.
- B) Gather intelligence on alternative suppliers and compile an emergency database.
- C) Quickly brainstorm alternative solutions and engage stakeholders for immediate innovation.
- D) Rally the team, communicate decisively, and lead a transformation effort.

3. Your ideal work environment is one where you can...

- A) Influence high-level decisions and help shape the strategic direction of the business.
- B) Dive deep into data, research, and insights to create structured recommendations.
- C) Constantly experiment, brainstorm, and implement fresh ideas.
- D) Drive major change initiatives and lead transformational efforts.

4. When working with suppliers, your priority is to...

- A) Align supplier relationships with long-term business strategy and goals.
- B) Document and track supplier capabilities to ensure they can be mobilised when needed.
- C) Encourage suppliers to co-innovate and explore new business opportunities.
- D) Push for industry-leading partnerships that create major shifts in value chains.

5. How do you typically share knowledge with colleagues?

- A) I contribute strategic insights and challenge conventional thinking.
- B) I create reports, databases, and structured intelligence for long-term use.
- C) I host creative brainstorming sessions and innovation workshops.
- D) I communicate big-picture transformations and inspire teams to act.

THE FUTURE OF PROCUREMENT

TAKE A TEST!

6. If given an open-ended problem to solve, how do you approach it?

- A) I assess the landscape, analyse various scenarios, and take a calculated approach.
- B) I research best practices, gather extensive data, and create a structured plan.
- C) I embrace uncertainty, prototype different solutions, and change when needed.
- D) I define a bold vision, get buy-in from key stakeholders, and lead execution.

7. Which phrase best describes your leadership style?

- A) “Insightful and strategic.” I anticipate change.
- B) “Detail-oriented and analytical.” I build and share knowledge.
- C) “Innovative and experimental.” I thrive on new ideas and disruption.
- D) “Bold and transformational.” I lead teams through change and inspire action.

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SCORING & RESULTS:

COUNT HOW MANY TIMES YOU CHOSE EACH LETTER:

MOSTLY A’S → YOU ARE A STRATEGIC OWL 🦉
MOSTLY B’S → YOU ARE AN INTELLIGENCE BEAVER 🦫
MOSTLY C’S → YOU ARE AN INNOVATION FOX 🦊
MOSTLY D’S → YOU ARE A TRANSFORMATIONAL EAGLE 🦅

WHAT YOUR RESULT MEANS:

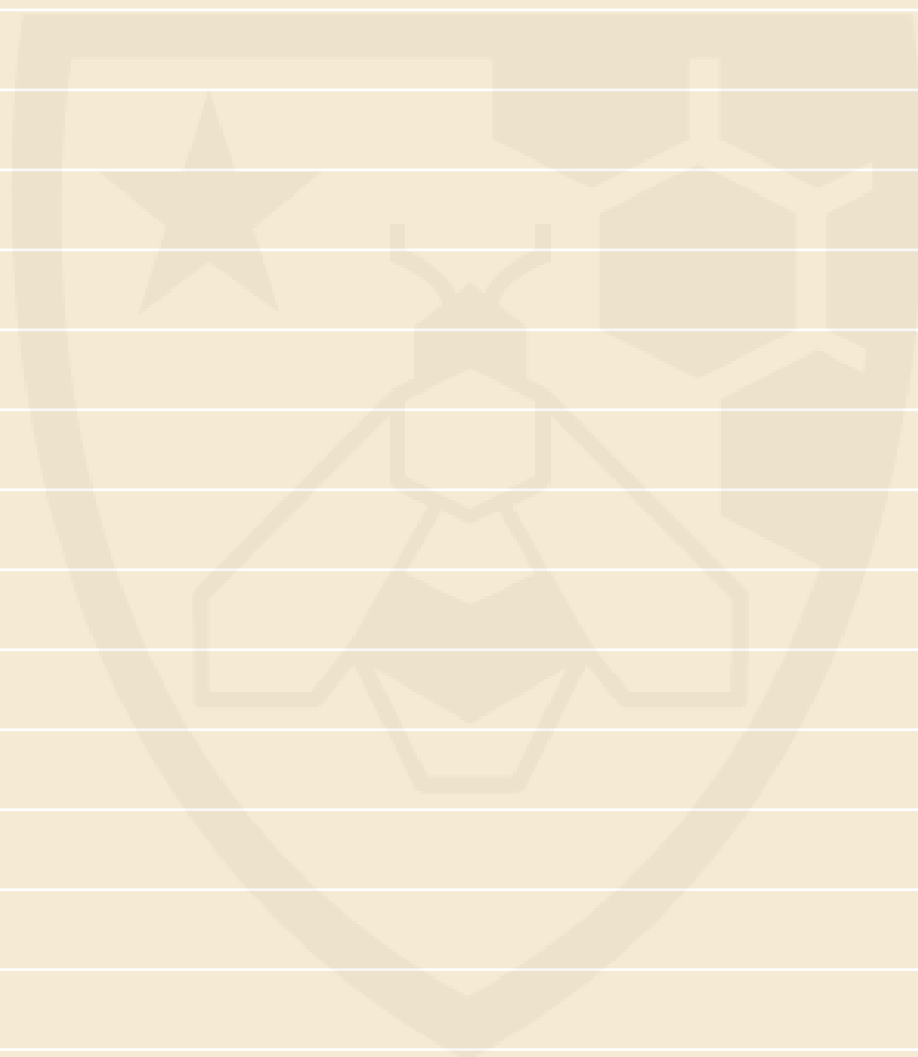
🦉 **STRATEGIC OWL:** YOU ARE WISE, STRATEGIC, AND INSIGHTFUL. YOU EXCEL AT SEEING LONG-TERM TRENDS, INFLUENCING KEY DECISIONS, AND SHAPING THE FUTURE OF PROCUREMENT.

🦫 **INTELLIGENCE BEAVER:** YOU THRIVE ON KNOWLEDGE AND STRUCTURE. YOUR METHODOICAL APPROACH ENSURES DATA-DRIVEN DECISION-MAKING AND WELL-DOCUMENTED INTELLIGENCE.

🦊 **INNOVATION FOX:** YOU ARE CREATIVE, ADAPTABLE, AND ALWAYS LOOKING FOR NEW OPPORTUNITIES. YOU PUSH BOUNDARIES, DRIVE INNOVATION, AND LOVE WORKING WITH DIVERSE STAKEHOLDERS.

🦅 **TRANSFORMATIONAL EAGLE:** YOU ARE A BOLD LEADER AND CHANGE AGENT. YOU INSPIRE TEAMS, LEAD MAJOR TRANSFORMATIONS, AND ENSURE PROCUREMENT IS AT THE FOREFRONT OF INDUSTRY EVOLUTION.

Your Key notes!



Publications from the EIPM Value Creation Observatory

Towards Edgeless Innovation with Suppliers

Welcome to the Internet of Things

Time to Partner With Start-ups!

Innovation Culture in Purchasing: Are we ready?

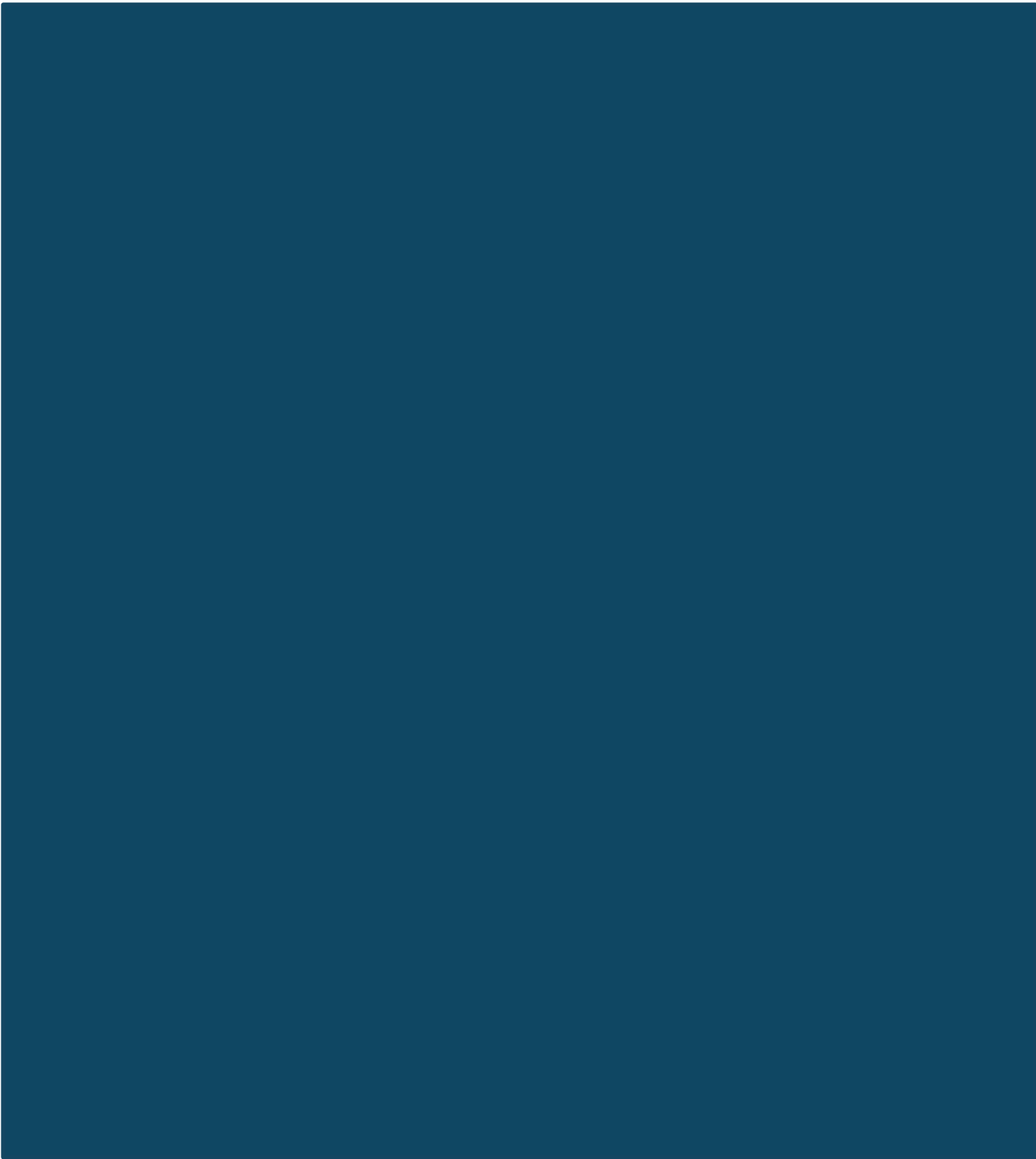
Risk Management: The stakes

Re-imagining supply management in a digital world

AI in Procurement

These reports are **downloadable from our website:**

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