



# IN SIGHTS

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**How to make the really right decisions with AI**



*ChatGPT is currently prominent in the media and the use of artificial intelligence is also being discussed in many companies. But how should tools like ChatGPT be assessed in terms of corporate management? They can help automate, improve and execute processes faster. But can a large language model help executives and management make the right decisions?*

## ChatGPT as a Management Tool

Ask ChatGPT itself, and you'll get a confident answer:

"Yes, as an AI-based voice assistant, I can help executives and managers make more informed decisions by providing them with quick and easy access to relevant information and data and helping them analyze and evaluate it. For example, I can merge and visualize data from different areas of the business, answer search queries, and suggest which parameters should be considered to optimize a decision.

However, it must be emphasized that as an AI-based voice assistant, I should not have sole decision-making power, but rather serve as a tool to support and complement human decision-making processes."

The last paragraph in particular makes it clear that the answer also addresses the promotion of acceptance, because there is a great fear among users that the machine will eventually be more intelligent than they are. Also, the reference to informed, rather than correct, decisions shows that ChatGPT can indeed provide fundamentals and strategic approaches for guidance. It helps, of course, to use this sparring partner or idea provider. A - targeted - request will certainly provide a high level of good keywords and starting points. The following are two examples.

### Example 1:

We are an automotive supplier and 80 percent of our purchased materials are steel. What are the optimal procurement strategies to pursue further, taking into account security of supply, sustainability and costs?



There are several procurement strategies you can consider to meet your supply security, sustainability and cost requirements. Here are some options:

1. *Diversify suppliers:* you could identify multiple suppliers for steel and develop a relationship with them. This can help minimize the risk of supply shortages, as it is less likely that all suppliers will experience difficulties at the same time. It can also help reduce costs as you may be able to get better prices from different suppliers.
2. *Sustainable purchasing of steel:* You could try sourcing steel from suppliers that use sustainable practices to reduce their environmental impact. These might include recycling steel, using renewable energy, and minimizing waste. By purchasing sustainable steel, you can not only meet your sustainability goals, but also strengthen your brand reputation.
3. *Long-term contracts:* A long-term contract with a supplier could help increase security of supply, as the supplier

*will be more committed to meeting your needs. You could also get better prices or discounts if you commit for the long term.*

*4. in-house production: you could also consider producing some of the steel yourself to be less dependent on suppliers. However, this could be expensive and may require significant investment in equipment and personnel.*

*There is no "right" sourcing strategy that is suitable for all companies. You should carefully consider your own requirements and review the various options to develop a strategy that meets your needs.*

#### **Example 2:**

**We are a manufacturer of high quality and high priced footwear and our current loyal buyer base is on average over 60 years old. Currently, our share is 80 percent sales to retailers, 15 percent sales through our own brick-and-mortar stores and 5 percent sales through our e-commerce store. How can we reach a younger target group ideally and sustainably?**



*To target and reach a younger audience, you could take the following steps:*

*1. market research: conduct thorough market research to find out the needs and trends of the younger target groups. Also, consider which target groups you want to target in order to sell the shoes successfully.*

*2. rebranding: make sure your brand image is appealing and contemporary for a younger target group. Revising the logo and brand identity can be helpful in this regard.*

*3. marketing activities: develop different marketing activities that target the specific interests and habits of young audiences. These could include social media campaigns, influencer marketing, events/pop-ups, and newsletters and blogposts.*

*4. multi-channel distribution: offer your high-quality shoes on different channels to reach a larger target group. These include brick-and-mortar stores in urban areas or online marketplaces such as Amazon.*

*5. New product lines: Consider whether it makes sense to develop a new product line aimed at a younger target group. A suitable match could be sneakers or other sporty shoes that are comfortable to wear in everyday life.*

*6. cooperations: Collaborate with other companies that are targeting a younger demographic, which could generate new sales opportunities.*

*However, you should also keep in mind that sustainable buyer rejuvenation can be a longer process. A comprehensive strategy that aligns the brand with a younger target group over the long term is therefore necessary.*

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But as the self-assessment already shows, ChatGPT should be only one of several perspectives in decision making.

## **Artificial intelligence as an important factor, but not a panacea**

As - not only, but especially - the last few years have shown, companies, quite apart from






their own specific situation, are constantly exposed to complex and novel challenges and environments. The great strength of AI lies in processing large volumes of structured data, recognizing patterns and deriving rules. However, it will struggle in unpredictable scenarios or ambiguous information.

Human input is therefore indispensable in such situations, offering creative problem-solving skills, critical thinking, intuition, and contextual understanding and operational experience.

Accordingly, to make the really right decisions, AI should be used where it is strongest: it plays a crucial role in increasing the efficiency of data management systems.

## The main strength of AI



In addition to the capabilities already outlined above as sparring partners or idea providers, other key strengths of AI lie in the following areas.

**Data integration and cleansing:** AI algorithms can automatically integrate data from various sources, including structured and unstructured formats, e.g., using optical character recognition (e.g., OCR) to make data from physical invoices or delivery bills systematically processable. This reduces the manual effort and time required for data integration.

**Classification and categorization of data:** The content and context of data can be analyzed using pattern recognition and rule derivation to classify and categorize it into relevant categories in an automated way.

**Predictive analytics:** AI-powered predictive models can predict future trends and behaviors based on historical data patterns and hold scenarios. This enables companies to

proactively respond to emerging opportunities or mitigate risks.

**Natural language processing (NLP):** NLP techniques enable AI systems to understand and interpret human language. Data management systems equipped with NLP capabilities can extract valuable information from text documents, emails, social media posts, and customer feedback. **#Intelligent automation:** AI enables automation of repetitive and rule-based tasks, reducing manual effort and human error. For example, AI-powered robotic process automation (RPA) can accurately and quickly perform tasks such as data entry, data validation, and data transformation, freeing up human resources for more complex and strategic activities.

## With AI to the really right management decisions

There are certainly other important application areas for artificial intelligence, but the examples show the contribution it can make to companies in an overall increasingly data- and information-driven environment. It improves data quality, accelerates data processing and analysis, and enables predictive insights.

With the appropriate use of the technology, companies harness the full potential of their data assets.

And that's what leads to truly correct decisions and competitive advantages.

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As Adconia GmbH, we advise our customers with the experience of more than 250 projects from more than 18 years - in questions around purchasing, supply chain and the digitalization of processes. Our goal is always to increase the profit contribution of purchasing through cost reduction, process automation or the qualification of our customers' purchasing teams.

With a correspondingly broad wealth of experience, precise knowledge of everyday purchasing and a high level of professionalism, our consultants carry out training measures at eye level. We do this - depending on the requirements - both as a sparring partner for specialists and managers with many years of experience and as a trainer for seasoned purchasing professionals and young professionals.



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