

Procurement AI has a hallucination problem

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Executive Summary

The AI powered future that Procurement leaders envisage is being built on a foundation of Lazy Supplier Data (L.S.D). Their transformational AI tools are hallucinating as a result.

The recent *AI in Procurement Readiness Survey* from apexanalytix highlights a lack of integration across systems and workflows as the biggest perceived blocker for transformation initiatives.

From 37 years' experience, apexanalytix knows that the problem runs deeper than this – incomplete and inaccurate supplier data is a scourge on progress.

This report classifies the problem as Procurement's dependency on low quality, inaccessible supplier data – sharing some of the causes and symptoms as well as a journey to kicking the L.S.D habit and delivering true value across strategic projects.

Chapter 1:

The new urgency for data readiness in Procurement

GenAI copilots, agents, and analytics that sit on top of supplier data are reshaping expectations of the procurement function.

Boards and executives are asking for more agility, stronger controls, up to date reporting, and predictive insights that guide better decisions.

The AI in Procurement Readiness Survey from apexanalytix found that leaders are already investing in these capabilities. It also revealed a stark truth: the most common barrier to success is integrating procurement's broad range of systems and workflows.

From 37 years of working with procurement, finance, and supply chain teams, apexanalytix knows the problem goes deeper than integration alone. Supplier data is almost always riddled with duplicates, incomplete records, incorrect information, and siloed, inaccessible data. Each digital environment holds its own view of suppliers.

Procurement AI is expected to deliver clarity and foresight, but it is built on an unstable foundation. Without ending its reliance on L.S.D, Procurement AI will continue to hallucinate, eroding trust instead of delivering on its promise.

Chapter 2:

Procurement's dependence on bad data

After observing its impact across several global companies, apexanalytix has called this problem L.S.D (Lazy Supplier Data).

Procurement's dependency on bad data has been hampering efficiency for decades and will be the most common cause of failure across AI and transformation projects.

This is not one single failure. It is the cumulative effect of years of fragmented processes, local workarounds, acquisitions, and manual data handling. In a typical global enterprise, L.S.D shows up as:

- Multiple records for the same supplier across regions and systems
- Incomplete or inconsistent tax, bank, and risk fields
- Local spreadsheets used as shadow vendor files
- Supplier changes that are captured in one system but never flow to others

Every one of these issues creates gaps and contradictions that AI tries to bridge with guesses.

If your ERP says one thing and your procurement systems say another, automated processes will fail and AI tools will generate disruptive hallucinations.

The consequences of Procurement's data problem for AI transformation

Transformation failure and AI hallucinations

Leaders want to adopt new technologies but old problems are holding them back. AI, analytics, and automation only work when the data underneath them is trustworthy.

With Procurement's data problem, new AI models are trained on incomplete and conflicting information. Dashboards double count or miss spend. AI agents propose actions that do not match the real state of suppliers, contracts, or risk exposure. Instead of de-risking decisions, AI adds to disruption and erodes trust.

Risk blindness and compliance exposure

Bad data creates risk blind spots. Missing or outdated fields make it harder to screen suppliers for sanctions, ownership changes, ESG issues, or financial distress. Fragmented records hide links between related entities or locations.

False positives cause doubt and fatigue. Real risks are missed in the noise. In a disruption, it becomes hard to see which suppliers, sites, or tiers are actually affected and to evidence that due diligence was performed.

Risk scoring models and AI assistants may promise a resilient future, but their dependence on unreliable information means they misrank risks, miss critical warning signs, and generate false reassurance, increasing risk exposure instead of reducing it.



Operational friction and cost

Fed a diet of L.S.D, AI-powered technologies worsen their own data source. Each incorrect insight or ill-advised action puts more dangerous data in the mix.

When poor recommendations and ill-advised decisions impact the business, stakeholders lose trust and AI projects fail. Technologies that promised efficiency cause delays and spiraling costs.



Strategic underperformance

When Procurement AI projects fail, their teams lose leverage and credibility. They struggle to see total spend with a supplier, prove the impact of category strategies, or track progress on compliance, ESG, and risk management goals.

Lazy Supplier Data is not a cosmetic issue. It is the root cause of failed AI initiatives, stalled transformations, and weaker resilience.

Chapter 3:

How trusted data turns AI dreams into Procurement's reality

Ending dependence on Lazy Supplier Data is not simply a hygiene project. It is a strategic unlock. When enterprises build a trusted, connected supplier data foundation, Procurement AI behaves very differently.

✦ **AI, analytics, and automation (that actually work)**

Clean, standardized, analytics-ready supplier data transforms AI from experimental to dependable. Models get a consistent, complete view of suppliers, contracts, performance, and risk attributes. Dashboards align with financial systems. Automation can safely touch more of the process because the underlying data is stable.

The visible impact is fewer hallucinated insights, more consistency across touchpoints, greater user trust, and higher adoption. Leaders can finally rely on Procurement AI to support decisions instead of second guessing its output.

✦ **One trusted, connected supplier truth**

Supplier data is deduplicated, enriched, validated, and governed, then shared in real time with other systems across the business. Every stakeholder works from the same verified supplier reality.

This gives Procurement AI a single reliable view of every supplier so it can stop hallucinating and start reasoning.

✦ **Real-time risk intelligence**

With accurate, enriched supplier information, AI-powered risk signals become precise instead of noisy. Sanctions, ownership changes, cyber concerns, ESG indicators, and location risks are monitored continuously. Alerts are grounded in truth rather than inconsistent IDs and stale records.

Risk engines, AI copilots, and dashboards run on consistent supplier profiles, so risk is assessed in the same way across systems. Risk teams can demonstrate robust due diligence rather than relying on manual, one off checks.

✦ **Streamlined onboarding and collaboration**

Supplier onboarding becomes one AI assisted workflow rather than a trail of emails, PDFs, and spreadsheets.

Data is captured once at the source, validated automatically, and routed through clear approvals. Procurement, AP, risk, and the business all collaborate with the same trusted supplier profile, reducing friction and speeding time to transact.

Chapter 4:

The antidote to Lazy Supplier Data

Two core apexanalytix capabilities work together as the antidote to Lazy Supplier Data: Intelligent Data and Portal.

Intelligent Data - true supplier intelligence

The Intelligent Data solution is your foundation of trusted supplier information. It is the enterprise wide supplier data layer that continuously creates, validates, enriches, and maintains a single trusted supplier record.

Key capabilities include:

- Data acquisition and enrichment from thousands of authoritative global sources
- Cleansing, deduplication, and normalization of supplier records
- Global validation of tax IDs, bank accounts, and legal entities
- Continuous monitoring for sanctions, ownership changes, and status shifts
- Real time integration to ERP, P2P, S2P, TPRM, CLM, AP, analytics, and AI applications

The result is a verified supplier truth that stays accurate over time. Procurement AI, dashboards, and automation all draw from the same consistent, trusted data.

Portal – clean data at the point of capture

Portal brings that intelligence into every interaction with suppliers. It provides structured self service onboarding and change management, powered by Intelligent Data.

Capabilities include:

- Guided digital onboarding that enforces global and local requirements
- Embedded validation for tax, bank, sanctions, and identity checks
- Configurable workflows and approvals across procurement, AP, risk, and business stakeholders
- A single, controlled touchpoint for suppliers to update their information

Portal prevents L.S.D from creeping in. When supplier data is accurate from the source, people and AI make better-informed decisions that drive the business forward.

Together, Intelligent Data and Portal establish a single, trusted supplier truth that stabilizes automation, reduces risk, and speeds onboarding by minimizing manual effort.

The apexanalytix operating model aligns people, process and technology, meaning stakeholders trust their data and the business can look to the future.

Take action

Does your organization have a Lazy Supplier Data problem?

Data and integration challenges are now the number one barrier to AI adoption in procurement. If your programs are stalling, there is a strong chance Lazy Supplier Data is at the root.

Now is the time to confront that dependence.

- How often do your AI tools produce conflicting answers about suppliers, spend, or risk?
- Are AI pilots or copilots being blamed when the real issue is inconsistent, incomplete supplier data beneath them?
- Do stakeholders trust AI outputs less than they trust their own spreadsheets and workarounds?

If the answers point to L.S.D, apexanalytix can help.

By combining Intelligent Data and Portal, apexanalytix delivers a unified, continuously verified supplier master that every system, AI tool, and stakeholder can trust. That foundation turns Procurement AI from a risk into an advantage and allows procurement to deliver the transformation, resilience, and decision quality the business expects.

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