

Artificial Intelligence (AI) is transforming o9solutions.com how enterprises handle supplier negotiations, procurement decision support, and risk management. Companies like Garrett Motion, PMI, and Pandora have begun integrating AI-powered tools—such as Large Language Models (LLMs) and retrieval-augmented generation (RAG)—to gain competitive advantages. However, this adoption brings inherent risks that can undercut AI's promised benefits.

In this article, we'll explore concrete methods to reduce AI risk in supplier negotiations. We'll highlight why **trust** remains the ultimate bottleneck for enterprise AI adoption and how explainability, consistency, and alignment with business logic drive real trust. We will debunk the common misconception that accuracy gains alone build confidence and uncover the dangers of hallucinations and fabricated certainty in AI outputs.

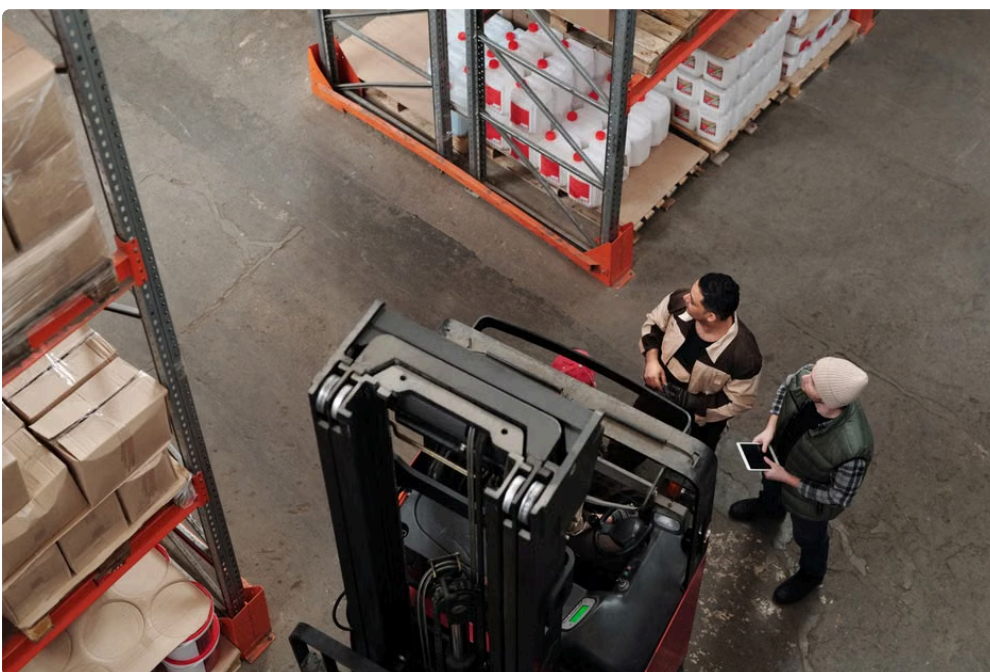
1. Trust: The Real Bottleneck in Enterprise AI Adoption

Businesses often focus on AI model accuracy improvement and overlook a bigger problem: trust. In procurement decision support, negotiators must rely on AI recommendations to make multi-million-dollar decisions. Yet, when the AI's inner workings feel like a black box, hesitation and skepticism quickly set in.

Garrett Motion, a leader in automotive parts, found that despite sophisticated LLM tools generating supplier insights, users resisted acting without clear explanations for AI's recommendations. Similarly, PMI (Philip Morris International) emphasized source verification to combat risks of fabricated certainty, building trust via transparent evidence.

- **Trust requires explainability:** AI outputs must be traceable back to data inputs and business rules.
- **Trust depends on consistency:** The same prompt should not randomly produce contradictory results.
- **Trust hinges on business-logic alignment:** AI suggestions should fit well within existing procurement guidelines and risk frameworks.

Without trust, adoption stalls regardless of model accuracy metrics.



2. Why Accuracy Improvements Are Not Enough

It's tempting to assume that if AI achieves higher accuracy in predicting supplier risk or cost savings, users will automatically trust and use it. This assumption ignores the "black box excuse":

"The model decided, so we can't really question that."

This excuse is a trust-killer. Even Pandora, which uses AI to forecast demand and optimize supplier contracts, stresses that procurement teams need better "risk flags explanation" to feel confident using AI-generated recommendations.

Two key points debunk the accuracy-trust myth:

1. **Accuracy doesn't ensure explainability:** An AI can be accurate but still inscrutable.
2. **Users need risk flags explanation:** Highlighting what specific data or supplier characteristics triggered a warning reassures stakeholders.

Explainability bridges the gap from statistical accuracy to actionable insight.

3. Hallucinations and Fabricated Certainty: The Hidden AI Pitfalls

One of the riskiest failure modes is *hallucination*—where the AI confidently delivers false or fabricated outputs. For supplier negotiations, a hallucination might mean: falsely asserting a supplier's certification status, fabricating a contract clause, or misrepresenting regulatory compliance.

Imagine an AI-generated report claiming a supplier has "ISO 9001 certification" when no evidence exists. Such fabricated certainty leads to faulty agreements, reputational damage, and compliance risks.



Garrett Motion tackles hallucination risk by integrating retrieval-augmented generation (RAG) systems that strictly pull in verified documents and supplier databases when generating responses. This **source verification** mechanism substantially reduces hallucinations and strengthens trust in AI tools.

4. Practical Steps to Reduce AI Risk in Supplier Negotiations

4.1 Utilize Retrieval-Augmented Generation (RAG)

RAG combines LLMs with a retrieval system that fetches relevant, verified documents—supplier contracts, certifications, audit reports—from indexed repositories before generating answers.

This approach counters hallucinations by grounding AI responses in factual data. Procurement teams can review the source documents cited, thus improving explainability and risk flags explanation.

4.2 Develop Transparent Risk Flags

Integrate explicit risk flags that explain why a supplier might be risky based on measurable criteria (financial stability, compliance history, delivery delays). Don't let AI just highlight "supplier risk" without clarifying the basis.

- Enable drill-downs on each flag by linking to data points or contractual clauses.
- Use consistent logic so the same inputs always trigger identical flags.
- Allow business users to customize risk criteria aligning with organizational policies.

4.3 Ensure Model Output Consistency

AI must produce stable outputs over time and across similar inputs. Random variation or shifting recommendations break trust. PMI has incorporated continuous validation tests comparing multiple AI runs on the same procurement scenarios to verify consistency.

4.4 Align AI Recommendations with Established Business Logic

AI should never contradict hard-and-fast procurement rules or risk policies. Pandora aligns AI suggestions with centralized procurement policies and requires human overrides for outlier recommendations.

4.5 Implement a Human-in-the-Loop (HITL) Workflow

AI should augment—not replace—experienced negotiators:

- Use AI proposals as inputs.
- Require human validation for critical supplier decisions.
- Capture reasons for overrides to further refine AI logic.

5. Measuring and Auditing AI Procurement Decision Support

To institutionalize trust, companies need rigorous auditing frameworks that evaluate:

Audit Area	Key Questions	Outcome	Explainability
Can every AI decision be traced back to data inputs and business rules?	Clear rationale documented for every recommendation	Source Verification	Are AI responses grounded in verified and current supplier data?
Minimal risk of hallucinated facts	Consistency	Are outputs stable and reproducible for similar prompts?	Trustworthy recommendations without random variance
Risk Flags	Explanation	Are any supplier risks clearly flagged and explained?	Users understand and can act on risk alerts
Business Logic Alignment	Do AI outputs respect existing procurement guidelines?	Aligned and compliant	negotiation strategies

6. Conclusion: Building Trust to Reduce AI Risk in Supplier Negotiations

AI holds great promise for transforming supplier negotiations—streamlining procurement decision support and surfacing nuanced risk flags. Yet, as demonstrated by Garrett Motion, PMI, and Pandora, the critical challenge is

building *trust*.

This trust depends on explainability, output consistency, traceability to verified sources, and alignment to business logic—far beyond raw accuracy. Avoid black box excuses by implementing retrieval-augmented generation, transparent risk indicators, and human-in-the-loop workflows. Finally, continuous auditing and source verification are paramount to prevent hallucinations and fabricated certainty from sabotaging enterprise AI efforts.

In procurement, where stakes are high and consequences costly, reducing AI risk is not optional—it's essential for success.