

Procure-to-Pay Challenges and Solutions: How Dedicated Software Helps Overcome Problems



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The procure-to-pay process is a complex process that creates challenges for many organizations. This leaves companies spending too much money on their process of spending money. Modern procure-to-pay solutions optimize this process and can solve the challenges it presents.

In this article, we'll discuss the challenges of the procure-to-pay process and how to use modern solutions to solve them.

What Is Procure to Pay?

Procure to pay is the process an organization goes through when purchasing the goods and services they need to conduct business and eventually paying for them.

It starts with finding the right suppliers, goes through the internal processes of specifying what they need to buy and getting approval for it, and ends with the payment.

Procure to pay, or P2P, is an end-to-end process that includes people from different teams across an organization, often with the procurement team at the center.

Teams involved with the P2P process must make sure that they aren't overpaying, are purchasing quality goods and services, and are able to process orders and payments in a timely manner.

Is Procure-To-Pay the Same As Purchase-To-Pay or Source-To-Pay?

In procurement, it's easy to get confused with terms like 'purchase to pay', 'procure to pay', and 'source to pay'. While 'purchase-to-pay' is another term for 'procure-to-pay' that means the same thing, 'source-to-pay' has some differences.

Procure-to-Pay (P2P) vs Source-to-Pay (S2P)

Source-to-pay covers a wider range of procurement activities than procure-to-pay. Essentially, it starts a little bit earlier in the procurement process. P2P begins with identifying needs for goods and services, S2P starts with strategic sourcing strategy.

The additional steps in the S2P process include:

- Identifying suppliers, evaluating them, and selecting the best suppliers based on price, quality, and availability.
- Negotiating long-term purchase contracts.
- Evaluating supplier performance and risk profile. What Are the Challenges of the Procure-To-Pay Process?

Think of P2P as the process of purchasing goods and services from suppliers that you're already familiar with.

S2P is the process of purchasing goods and services from new suppliers or for a new line of business where you don't have familiarity with your supplier pool.

Essentially, if you're strategically evaluating suppliers, it's S2P. If not, it's P2P.

Procure-to-Pay (P2P) vs Source-to-Pay (S2P)

	P2P	S2P
PROCESS	The P2P process usually begins with the requisition of goods and services and ends when the accounts payable team pays the vendor.	The S2P usually begins with identifying suppliers, negotiating deals with them, and ends with evaluating supplier performance and risk profile.
STEPS	1 Demand	1 Demand
	2 Requisition	2 Sourcing
	3 Purchase Order	3 Contract Management
	4 Receive Goods or Services	4 Order Placement and Tracking
	5 Invoice Processing	5 Invoice Processing

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What Are the Challenges of the Procure-to-Pay Process?

Procure-to-pay is a crucial yet complex process that is key to a company's performance. With that, there are several challenges that are important to overcome. Some of the common P2P challenges businesses face include the following.

The Challenges of The Procure-To-Pay Process



Collaboration
Between Procurement
and Finance



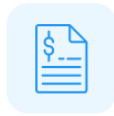
Tracking Supplier
Performance



Managing Budgets
and Controlling Spend



Ensuring Payments
Are Always Correct



Processing
Invoices on Time



Enforcing Internal
Controls

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• **Collaboration Between Procurement and Finance**

For efficient procure-to-pay operations, finance and procurement teams must be in sync with each other.

Siloed systems and tedious manual processes in procurement can create bottlenecks and throw off communication, leading to delays in several parts of the P2P process.

P2P software can break down silos between procurement and finance teams, streamline communication and workflows, and help teams collaborate faster and more efficiently.

• **Tracking Supplier Performance**

Ensuring that suppliers are providing high-quality goods and services is crucial to business success and risk mitigation, but many companies struggle with tracking supplier performance.

Again, this is a case where misaligned, manual, and siloed systems make creating and tracking performance records difficult.

Software like PLANERGY has built-in tools for evaluating and scoring suppliers based on quantitative information on KPIs.

These performance-tracking metrics can be combined with qualitative data, like that provided by supplier scorecards, to enable companies to make informed decisions on which suppliers to choose in real time.

You can also track realized cost savings on any contracts negotiated with suppliers to ensure you are getting best value and ROI.

They also help reveal which suppliers you should be investing in for better long-term relationships.

• **Managing Budgets and Controlling Spend**

Business budgeting and spend management are crucial to the procure-to-pay process.

Teams need to request purchases within their allocated budget. Managers and procurement teams need to make sure that they aren't any overspending or exceeding of budgets. Without proper tracking, this can get messy.

The spend management tools in P2P software give internal teams real-time visibility into their budgets and spending.

Lack of visibility into spending is a big challenge when purchasing data is a big challenge when spend management is decentralized. Getting everything tracked in one place gives spend visibility and automates the analysis of spend to identify savings opportunities.

They can see how much they have left for the month, how much they're projected to spend at their current rate, and what areas are costing them the most.

• **Ensuring Payments Are Always Correct**

All too often, and not necessarily on purpose, vendors will send invoices for the incorrect amount. What's billed doesn't always match what was ordered on the PO.

Accounts payable teams must catch this before sending payment but with purchase documents in different systems, spreadsheets, or stacks of

paper, this can be challenging.

3-way matching, where AP teams match the invoice, purchase order, and receipt to ensure that payments are correct, can solve this.

But to be efficient, these documents need to be ready and not difficult to find. Again, P2P software can help by linking POs, invoices, and order receipts all within one centralized system.

Additionally, PLANERGY offers automated 3-way matching so this process can be done automatically with discrepancies highlighted so you can manage by exception.

▪ **Processing Invoices on Time**

A common problem in the P2P cycle is an organization's ability to process invoices on time.

Not just within the payment terms, but also early enough to capture early payment discounts or avoid invoice late fees. Ensuring invoices are processed in a timely manner gives better visibility of planned outgoing payments to better manage cash flow.

Again, when siloed systems, spreadsheets, or papers are used to keep track of invoices and match them to their corresponding PO, payments are going to be slower.

P2P automation incorporates AP Automation software to speed up and automate tedious parts of invoice processing, such as 3-way matching, and ensure that you're not only paying on time but capturing deals.

Also, vendor relationships will be more cordial when you're consistently paying on time and increase the likelihood that you can negotiate more favorable contract terms in the future.

▪ **Enforcing Internal Controls**

Operations and procurement teams should enforce purchasing internal controls through the P2P process. While finance need to ensure accounts

payable internal controls are adhered to.

This might mean only buying from pre-approved vendors, making purchases through a guided buying system, or purchasing from suppliers that don't violate the company's ESG (environmental, social, and governance) strategy for procurement.

Disjointed systems and paper processes cannot be easily controlled. So just like the other challenges above, this is more difficult without a unified software system.

P2P software can automate internal controls enforcement through mandatory rules and approval flows that purchases and invoices must go through. This can eliminate rogue spending and ensure that policies are always enforced through the centralized system.

What Is a Procure-To-Pay Solution?

A procure-to-pay solution is a software tool that streamlines each step of the procure-to-pay process using business process automation, AI, and other technologies. Integrating purchasing and accounts payable workflows is a central goal of these solutions.

We outlined the many procure-to-pay challenges above. P2P solutions look to address those challenges while providing automated and streamlined tools for every procurement, purchasing, and accounts payable need.

Before P2P solutions became standalone products, they were extensions of enterprise resource planning (ERP) tools such as SAP or the company's accounting software.

These were parts of on-premises solutions with limited functionality that became outdated fast.

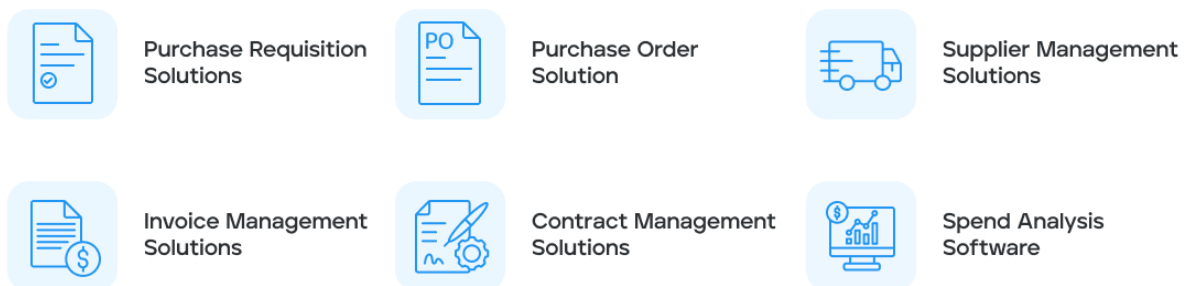
Today, P2P tools have evolved into dedicated systems that capture the entire P2P process. Instead of being an extension of accounting software or ERP, they can integrate with those systems to instantly send data back and forth when needed.

Because of the enhanced functionality, integrating these systems has become a better option than using them for P2P.

Procure-to-pay suites help organizations manage purchases, eliminate wasteful spending, streamline accounts payable, enforce procurement policies, and improve supplier relationships.

However, within procurement solutions there are many different functionalities. In order to understand how these solutions work, it's helpful to understand six key parts of P2P solutions.

■ Key Parts of a Full Procure-To-Pay Solution



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1. **Purchase Requisition Solutions**

P2P solutions help companies process purchase requisitions (an internal request to make a purchase). With software, companies quickly fill out requisition forms, streamline the approval workflow with automation, and automatically send approved requisitions to the procurement department.

Using one system for requisitions, POs, and invoices makes it easy to check the status of a purchase requisition throughout the entire procure-to-pay cycle.

2. **Purchase Order Solutions**

After a requisition is approved, P2P solutions can use them to automatically generate purchase orders. Software dedicated to just this

part of the process is usually called purchase order software.

The system can auto-route POs to the right people for a final stamp of approval, then automatically dispatch POs to vendors and manage communication with them. Essentially, POs are created automatically from approved purchase requests.

With e-procurement software, organizations can track PO status throughout the purchasing process. At any time, a company can instantly view:

- Purchase requisitions and purchase orders being processed
- Order status
- List of orders placed with vendors
- Approximate delivery time
- Agreed upon cost and purchasing terms

3. **Supplier Management Solutions**

Procure-to-pay systems can help onboard, maintain, and manage vendors throughout the entire supply chain.

Vendor management software helps by preventing the exposure of confidential vendor information and providing visibility into vendor data and performance. Supplier performance data can be analyzed by procurement for better strategic sourcing decision-making.

Supplier's electronic catalogs and PunchOut catalogs can be integrated into the purchasing process to guide the buying habits of staff.

Every aspect of vendor performance and contractual obligations can be tracked, such as product quality, delivery timelines, and availability rates.

These solutions can also help with vendor compliance through rule-based process flows that raise red flags when policies are violated.

4. **Invoice Management Solutions**

P2P solutions also help approve and process invoices. The main benefit of using P2P software is automated three-way matching, which automates

the process of matching receipts, invoices, and purchase orders.

Incorporating AP automation into the full-cycle accounts payable process, instead of starting when the invoice is received like many AP Automation tools, ensures that invoices for the incorrect amount do not get paid, and can track how often a vendor sends an incorrect invoice.

Automated three-way matching saves time throughout the payment process in several ways: less time spent on manual invoice matching and data entry, faster document retrieval, and less time spent chasing down exceptions or errors.

It saves labor hours and stops you from overspending on incorrect invoices—and also helps avoid late payments.

5. **Contract Management Solutions**

Procurement software helps companies end manual vendor contract management, which saves a lot of time dealing with paperwork and filing cabinets. It also makes it easier to monitor and enforce the contract.

Storing contracts in a single cloud-based system that is tied to each vendor makes managing contracts much easier. It allows multiple stakeholders to view, edit, and access contracts as needed, which improves efficiency, productivity, and accuracy.

This provides a new level of visibility and efficiency when it comes to the contract management process.

6. **Spend Analysis Solutions**

Spend analysis software takes the spend data processed through procurement and analyzes the data for trends, opportunities for savings, and bottlenecks in the purchasing process.

What Are the Benefits of P2P Solutions?

There are many benefits to using procure-to-pay software, including faster processing times, reduced labor hours, reduces costs, improved supplier relationships, better collaboration between finance and procurement teams, and increased ability to negotiate better contracts.

These benefits combine to improve procurement operations and financial performance.

The benefits of using a P2P solution come from the ability to centralize all procure-to-pay data, automate manual tasks, gain real-time visibility into spend data, and gain efficiency across all procurement processes.

These tools can also help ensure compliance with internal and external policies and adhere to environmental, social, and governance (ESG) strategies.

■ The Benefits of P2P Solutions



Centralize All Procure-To-Pay Data For Spend Visibility



Automate Manual Tasks



Real-Time Visibility into Spend Data



Efficiency Across All Procurement Processes



Improved Collaboration Between Procurement and Finance



Better Supplier Relationships



Increased Cost Savings



Improved Compliance with Internal Controls and ESG Strategy

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Having a robust procure-to-pay software eliminates the need for manual processes, improves productivity, reduces maverick spend, and promotes profitability.

Comprehensive P2P Solutions Are the Future

Procure-to-pay software solutions are designed to solve the challenges in each step of the procure-to-pay process.

Rather than individual apps for parts of the process or using the limited functionality of an ERP or accounting system's P2P module, comprehensive procure-to-pay software is the future.

In the digital age, your employees, vendors, and other stakeholders expect a smooth and streamlined process.

It reflects poorly when a new employee is introduced to a broken, inefficient system or when a vendor is wondering why you still send Word or Excel POs.

Not only that, a comprehensive, streamlined, and automated P2P process helps your organization stay competitive in a tough market.

It shouldn't cost you huge sums of money just to spend money on purchases, and with a comprehensive P2P system you won't have to. You will reduce the cost of processing purchase orders and greatly reduce invoice processing costs.

If you haven't yet switched to a dedicated procure-to-pay system, you may be hurting your bottom line. In an environment where every dollar counts, making the switch could give you a new competitive edge. Speak to PLANERGY today.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Procure-to-Pay Software page to see how PLANERGY can

digitize and automate your P2P process saving you time and money.

- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide “Preparing Your AP Department For The Future”

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