

Procure-to-Pay Transformation Guide



In searching for cost-effective ways to get the goods and services your company needs to do business, your procurement team has a serious role to play in the financial health and longevity of your business. This search—the *Procure-to-Pay process*, often abbreviated to *P2P process*—is a core business process, connecting accounts payable with procurement. And in order for it to provide maximum cost savings and value for your business, your procurement department needs to understand the best ways to optimize vendor management, internal workflows, and cash flow management.

Procurement professionals from CFOs to buyers understand that accomplishing these goals in the modern global economy means moving beyond traditional paradigms and embracing digital transformation to achieve *procure-to-pay transformation*. And in order to do so, it's essential to understand the limitations of traditional P2P processes and learn more about the procure-to-pay software tools your procurement team can use to enhance efficiency, reduce risk, improve collaboration and communication, and establish the procure-to-pay function as the foundation for a larger organizational implementation of digital transformation.

Why You Need Procure-to-Pay Transformation

From the instant a team member creates a purchase requisition to the moment the vendor invoice is paid, the process of purchasing the goods and services your company needs to thrive is positively packed with opportunities to trim waste, locate cost savings, and add value. The Procure-to-Pay process connects two natural partners—procurement and accounts payable—and tasks them with meeting business needs while maximizing return on investment (ROI) and avoiding needless expenses.

In days gone by, the entire process was completely paper-based and manual. Today, companies have more options and, depending on their corporate culture and comfort with emerging technologies like artificial intelligence, process automation, and data analytics, generally rely on one of five approaches to tackle the P2P process:

1. **The Manual Approach**
2. **The Email-Based Approach**
3. **The In-House Enterprise Resource Planning (ERP) System**
4. **The Isolated Automation Solution.**
5. **The Comprehensive, Fully-Automated Procure-to-Pay Solution**

Each of these approaches has distinct characteristics and, for the first four options, limitations that can keep the organizations using them from achieving maximum productivity, profitability, and value.

1. The Manual Approach

This approach is the slowest, least accurate, and has the highest potential for excessive risk and waste.

- Both accounts payable and procurement are siloed (i.e., data is not organized and shared between them)
- Physical documents require more time and resources to generate, manage, store, and protect, and are susceptible to loss, damage, and destruction.
- Lack of centralized data management and limited visibility into spend

data mean maverick spend and invoice fraud are virtually unchecked.

- Manual workflows are slow, susceptible to human error, and make it difficult to capture discounts.
- Approval workflows are also slow, susceptible to human error and document loss/destruction, and may create bottlenecks that lead to serious supplier relationship issues due to late payments.
- Every downstream process, from invoice matching to forecasting, cash flow management, and financial reporting can be compromised by incomplete, erroneous, or duplicate information.

2. The Email-Based Approach

This method improves communication and provides at least some digital documentation related to spend, but still retains many of the issues that accompany manual, paper-based methods.

- Procurement and AP are siloed.
- Disconnected workflows and a lack of centralized data management slow the P2P process to a crawl.
- Shuffling spreadsheets, purchase orders, invoices, and other essential documents back and forth through the system can lead to lost orders, duplicate payments, and lost discounts due to delays. Maverick spend and invoice fraud remain serious issues.
- As with manual workflows, email-based approvals can create serious bottlenecks if a single approver is out of the office or not checking their mail. No reminder systems or automatic routing of approvals to circumvent potential problems exist.
- Human error and overall inefficiency sap both savings and value as staff must dedicate time to low-value tasks like data entry and manual three-way matching.

3. The In-House Enterprise Resource Planning (ERP) System

This approach introduces some basic tools for tracking and optimizing spend, but suffers from a lack of process automation and other digital tools necessary to collect, organize, manage and analyze data for optimal efficiency and

performance.

- One system, but no way to track and enforce crucial workflows and processes. Both purchase order and invoice lifecycles are difficult to monitor and streamline.
- No closed system to automatically connect buyers with suppliers offering the best price and terms for goods and services; no effective way to combat maverick spend or invoice fraud.
- Lack of interdepartmental collaboration and data management creates risk of duplicate, incomplete, and fraudulent transactions.
- High-volume, low-value tasks remain in human hands.

4. The Isolated Automation Solution.

In adopting a one-off or customized automation solution, companies take an important step toward digital transformation and optimal spend management along with a well-tuned Purchase-to-Pay process. However, accounts payable and procurement remain separated, ironically limiting the potential for peak procurement performance *and* overall organizational adoption of digital transformation.

- Important processes become faster and more accurate, but are limited with regard to contingency planning and overall business process optimization.
- Spend visibility remains incomplete without the creation of a closed buying environment and comprehensive supplier relationship and supply chain management.
- Data travels through multiple sources and applications in the company's software environment, slowing essential P2P processes and preventing the capture of discounts. The need for local IT storage and management increases overhead and risk.
- The lack of a centralized data management and analysis system makes it difficult or impossible to achieve strategic insights.

5. The Comprehensive, Fully-Automated Procure-

to-Pay Solution

In choosing to implement a complete, cloud-based and centralized procurement solution like PLANERGY, companies are able to fully leverage the potential of emerging technologies like artificial intelligence, data analytics, and process automation to create a centralized software environment that connects stakeholders, provides total spend transparency, and moves the procurement function into a new role as a value creation powerhouse.

- A complete and centralized data management system connects all business units and departments to capture and organize all spend data in the cloud. Collaboration and communication are greatly enhanced, and made simpler by multi-platform, mobile-friendly access.
- Both internal processes and approval workflows can be fully automated, with contingencies and iterative improvement “baked in” thanks to machine learning. Shorter processing cycles for purchase orders and invoices mean you get the goods and services you need, when you need them, and can capture early payment discounts while maintaining strong, positive vendor relationships.
- Crucial P2P processes are automated (including automatic three-way matching), improving speed and accuracy with every iteration. Staff are freed from tedious, time-consuming work and focus on strategically valuable tasks.
- Spend visibility and compliance are both optimized, eliminating rogue spend and invoice fraud while making sure every purchase is made with the correct vendor at the best price and terms.
- Complete and accurate data, available on demand in real time, makes generating accurate and strategically useful forecasts, budgets, and financial reports much easier. Cash flow management is both easier and more accurate, ensuring your company can direct capital where it’s needed most, whether to cover expenses or invest in innovation.
- Going paperless eliminates the costs and risks that accompany paper document management.
- Transforms procurement into a value generator through lower total cost of ownership (TCO), elimination of large-scale inefficiencies, and gains created through more strategic sourcing decisions.

Just as the Procure-to-Pay process bridges procurement and accounts payable,

procure-to-pay transformation integrates the P2P process with digital transformation.

Companies who want to focus on value rather than strictly cost savings and take advantage of the newest technologies are ready to implement the fifth solution; they're ready to begin the process of procure-to-pay transformation.

Just as the Procure-to-Pay process bridges procurement and accounts payable, procure-to-pay transformation integrates the P2P process with digital transformation. It represents a fundamental shift in the way an organization approaches not only procurement, but leveraging important technologies like Big Data, advanced data analysis, and process automation to streamline critical procurement processes like strategic sourcing, supplier relationship management, invoice processing, and contract management. This, in turn, lays the groundwork for a company-wide adoption of digital transformation in other systems, eventually integrating concepts like continuous improvement into *every* business process.

Charting Your Course to Effective Procure-to-Pay Transformation

Breaking free from the disjointed and inefficient paradigms of procurement past begins with eProcurement as a foundation for digital transformation. The goal is not simply to "throw technology at the problem." Rather, the goal is to take a proactive and strategic approach to centering procurement as a value creation center and set the stage for a competitively effective company that can turn data into actionable insights and use digital tools to develop the agility and resilience necessary to maintain business continuity in a global market haunted by natural disasters, epidemics, and international conflict.

Consider these factors when developing your own approach to P2P transformation:

Develop and Implement a Plan to Avoid "Culture

Shock”

1. Evaluate your current P2P system.
2. Identify the areas most in need of improvement (e.g., automating high-volume processes, gaining spend visibility, improving average invoice processing times, eliminating approval delays, etc.).
3. Identify “soft” roadblocks, such as corporate cultural resistance to significant change.
4. Invest in the education and training necessary to obtain total buy-in from your organization (including management and the C-Suite, who will be instrumental in achieving full user adoption).
5. Research and evaluate potential software solutions. Prioritize providers who will provide assistance with education, training, and review as well as customer support.
6. Implement the integration in stages, with as much education, review, and additional training as necessary to ensure a smooth transition.
7. Establish and monitor key performance indicators to verify improvements and provide insight into areas where additional gains can be made in efficiency, productivity, accuracy, etc.
8. Leverage the digital transformation tools used to optimize your P2P workflows in other areas of your business.

Choose the Right Digital Tools

The procurement solution you choose will ideally be the one that best fits your needs, as defined by your own analysis and assistance from your provider. Not every business needs the same set of automation, analysis, and artificial intelligence tools to optimize their procurement, but for best results, make sure your eProcurement system:

- Simplifies and automates high-volume, repetitive tasks.
- Allows you to measure and track performance and integrate continuous improvement into all your workflows.
- Allows for human intervention when needed, but doesn't require lots of “hands-on” maintenance.
- Is cloud-based, mobile-friendly, and designed to enhance both collaboration and communication between not just your teams, but your

company and its suppliers. These three features can provide substantial value of their own by eliminating hard-to-track costs that come with damaged relationships, lost opportunities for innovation, and delays created by miscommunication and human error.

- Generates the right ROI based on your long-term organizational goals.
- Offers training and education tools to help smooth user adoption and buy-in.
- Leaves room for future enhancements as your business grows and your needs evolve.

Track the Right Key Performance Indicators (KPIs)

Having total visibility into spend data, and the ability to analyze it on demand, makes it much easier to mine that data for valuable insights.

Some KPIs to consider:

Compliance

- Total maverick and off-contract spend.
- Amount of contract-compliant spend.
- Percentage of compliant transactions per vendor.

Cash Flow Management

- Early payment discounts captured.
- Days Payable Outstanding.

Purchase Order Management

- Average cost per purchase order.
- Average PO cycle times.

Invoice Management

- Total number of paper invoices.
- Total percentage of payments made electronically.
- Number of suppliers providing eInvoicing and electronic payments.
- Invoice exceptions.

- Average invoice processing times.
- Number of straight-through invoices processed.
- Average cost per invoice.
- Number of vendors paid on time.

Over time, these KPIs will provide the information you need to further refine your workflows for even greater savings and value. They'll also help you identify new areas in need of improvement and opportunities to modify your supply chain, vendor relationship management, and internal workflows to accommodate your evolving business needs.

Transform Your P2P and Create a Foundation for Full Digital Transformation

Your Procure-to-Pay process is the bedrock on which your company's financial health rests. By streamlining and optimizing all your P2P processes, you'll generate significant and ongoing cost savings—both direct and indirect—for your business. You'll boost your bottom line and provide a firm foundation for the rest of your organization to embrace the power and potential of digital transformation tools, creating lasting value with every automated process, actionable insight from advanced analytics, and improved forecasts, reporting, and budgets.

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 "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide “Indirect Spend Guide”

Download a free copy of our guide to better manage and make savings on your indirect spend. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

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