PROCURE-TO-PAY
TRANSFORMATION GUIDE

CONTENTS

Procure-to-pay (P2P) is the process of obtaining materials and services required to run a business and making payments for the same. The P2P process is one of the core business activities and is required to run efficiently with the aim to manage vendors, optimizing cash flows and avoiding complicated process flows.

A P2P system that has been fully integrated can do much more than just obtaining goods and making payments. Procure-to-Pay needs to be looked as an effective and efficient solution that can seamlessly facilitate automation; which helps in error reduction and ultimately improving the organization's bottom line. Procurement organizations should always be on the look-out to spot any symptoms of inefficiencies and ineffective process that hampers the business.

This is the right time to assess whether an organization is evaluating the strategic benefits of automating its Procure-to-Pay cycle.

Current scenarios of organizations and their Procure-to-Pay system

Scenarios 1 – Traditional email based approach

CHARACTERISTICS

- AP and procurement working in silos
- Lags and delays due to bureaucratic processes
- Approvals become very complex
- Organization susceptible to maverick spending and fraud

Scenario 2- In-House ERP based systems

CHARACTERISTICS

- No inter-departmental harmony
- No defined process or workflow
- Non-compliance to spend guidelines
- High susceptibility to duplicate transactions

Scenarios 3 – One off automated solution but segregated AP and procurement

CHARACTERISTICS

- No strategic foresight or insight available
- Limited visibility on organizational spend
- Delays due to lack of a uniform platform for P2P cycle
- Capture of discounts not possible

Scenario 4- Fully automated Procure-to-pay cycle

CHARACTERISTICS

- One single platform for P2P cycle, enabling all departments to collaborate
- Better process control: streamlining and optimizing workflow
- Early payment discounts captured
- Fully visibility into spend and compliance with guidelines

The key imperative of re-thinking your existing P2P process is to move away from the siloed business functions. The strategic shift to the next phase of transformation will help organizations identify inefficient spend practices and predict payment life-cycle.

The transformation journey starts with a carefully laid out plan after through analysis.

CURRENT STATE

- ❖ Unintuitive user experience hinders adoption.
- ❖ Immature and siloed analytics restrict procurement's ability to identify bottlenecks and track its value.
- ❖ Disconnected or partly integrated modules result in inefficient processing and higher operating costs.
- ❖ Underdeveloped partner ecosystem and inflexible architectures limit P2P's ability to scale.

FUTURE STATE

- ❖ Streamlined user experience promotes greater adoption, resulting in higher value realization.
- ❖ Embedded analytics links strategic goals to operational metrics, supporting continuous improvement.
- ❖ Tighter end-to-end integration enables fully automated processes, lower operating costs.
- ❖ Mesh and service architectures pave the way for deeper functionality, vertical-and workstream-specific support.

GAP

- ❖ From data-intensive forms to virtual assistants and zero-touch Uis.
- ❖ From basic rearview reporting to complex, real-time and predictive insights.
- ❖ From manual, swivel-chair management to integration and, eventually, automation.

MIGRATION PLAN

- ❖ Define how P2P success is measured today and in the future.
- ❖ IT, procurement and finance can then collectively develop a P2P technology roadmap that best aligns the goals of the business.
- ❖ Assess whether the current P2P solution at your company can meet the future needs. If not, begin evaluating alternatives.

Many facets of the conventional Procure-to-Pay cycle is plagued with bottlenecks such as complex workflows, manual operations, and delays. For these reasons, it is imperative for organizations to build and implement efficient process flows. Some key areas that require automation in regards to P2P are as follows-

Purchase requisition and Purchase order approvals

Automating Purchase requisition and Purchase order approvals in the procure-to-pay cycle can save precious time of the procurement teams and requisitioners both. To go the automation route, first, the correct data needs to be gathered and then funneled through the necessary channels of approvals with an automated workflow.

- Undefined workflows and complex hierarchical structures can easily result in unwanted process delays in requisition and approvals.
- There are a lot of documents involved in procurement; organizations still keep soft along with hard copies of all of them. This practice creates redundant steps in the processes, and this also takes up a considerable amount of time.
- Approvals can be automated as per procurement and organization policy, taking administrative burden off the procurement function.
- Traditional time-consuming, email-based, manual processes can be replaced, that is far from seamless and often require constant follow-ups.

Invoice matching

One of the most time consuming and complex tasks for the procurement team is invoice approvals and matching them with the relevant Purchase orders (PO).

- Invoice extraction from emails and collecting hard copies, along with managing them is another cumbersome task. By setting guidelines, invoices can be processed once matched automatically.
- If an invoice cannot be reconciled, a trigger will require human intervention. Another added advantage of automating this function is that it facilitates three-way invoicing matching, which can help in avoiding businesses risks and prepare for audits.
- Three-way matching can help highlight any discrepancies in three main documents in the purchasing process; purchase orders, order receipts, and invoices. Invoice automation can help save businesses from overspending and save valuable time.

Vendor management

For the procurement team, managing a huge number of vendors becomes an extremely complicated and complex task. Automating this particular aspect of procurement has two advantages, first being able to manage vendors in a centralized manner, and second, it saves tremendous time of the procurement teams which can be devoted to more strategic aspects.

- Switching to an automated solution, procurement teams can streamline vendor selection and easily track their performance on pre-set criteria.
- Organizations can identify areas of problems or grievance facing the vendor and resolve them quickly.
- Supplier information, transaction history, and past orders can easily be mapped and enable better decision making.
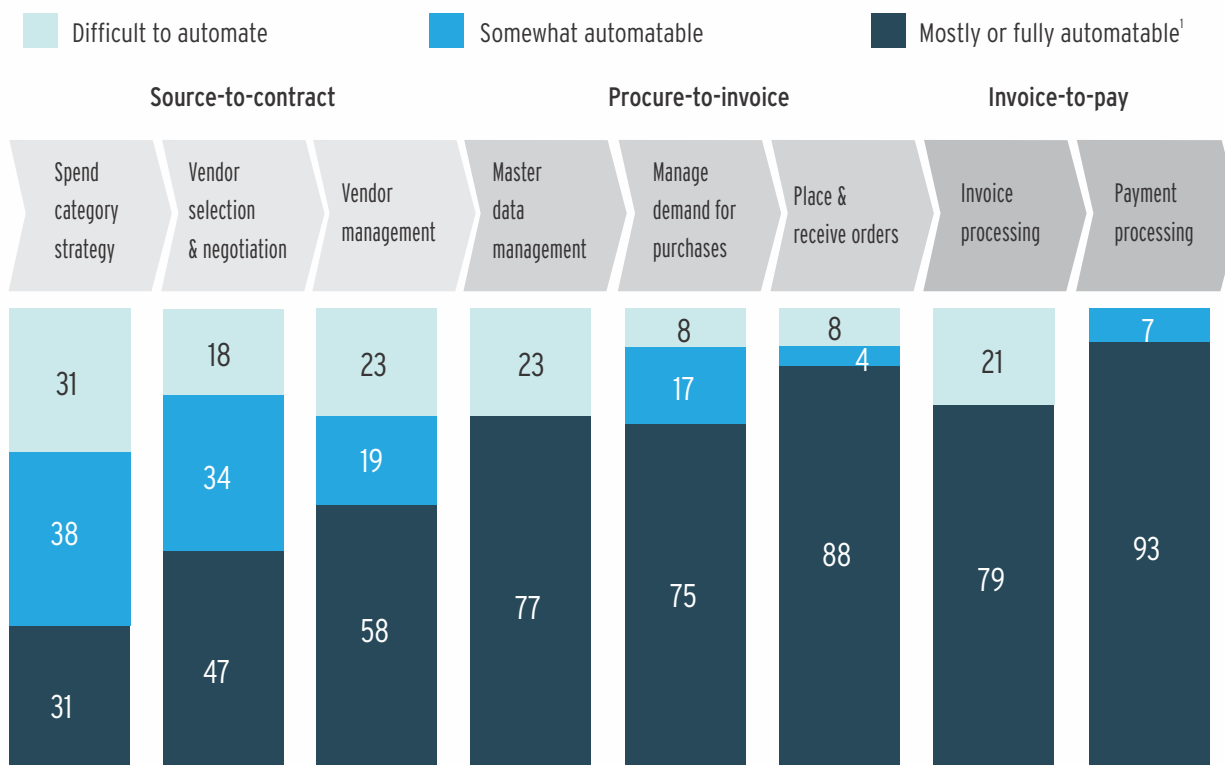
Account payables

The last aspect of the procure-to-pay cycle is the payment of the invoices to the vendors; this particular step involves finance as well. The payments aspect of purchases made has a strategic aspect to it, which are working capital optimization, exploring discounting options, and favourable payment terms.

- Automated solutions such as dynamic discounting can make the life of accounts payable department and procurement much easier by identifying discounting opportunities.
- One of the main objectives of finance and procurement is to optimize cash flows, automating this step gains a lot more importance. With the help of modern solutions, favourable payment terms could be made which are beneficial for both vendors and purchaser from overspending and save valuable time.

Potential for automation technologies by process stage

% of tasks within process stage

- ■ Difficult to automate
- ■ Somewhat automatable
- ■ Mostly or fully automatable[1]

Source-to-contract			Procure-to-invoice			Invoice-to-pay	
Spend category strategy	Vendor selection & negotiation	Vendor management	Master data management	Manage demand for purchases	Place & receive orders	Invoice processing	Payment processing

Spend category strategy	Vendor selection & negotiation	Vendor management	Master data management	Manage demand for purchases	Place & receive orders	Invoice processing	Payment processing
31	18	23	23	8	8	21	7
38	34	19		17	4		
31	47	58	77	75	88	79	93

*Tasks that can be digitized with minimal process changes using currently demonstrated technologies
("fully automatable" or "mostly automatable")
Mckinsey&Company

Streamlining Process

Every organization is different. Every organization has a set of policies, practices, culture, and hierarchical structure, which as a combination, is unique to that particular organization. The first step in the automation journey starts with organizations "defining" itself. Drawing out how things are done and what are the areas of improvement, with the objective of cutting down redundancies in the procurement process. This will serve as great enabler for implementing an automated Procure-to-Pay process.

Some key areas that need to be put under the scanner are:

- Access to relevant information
- How suppliers are assessed for their performance
- The sourcing process
- Consistency in the procedure for approvals and same kinds of purchasing
- Supplier information, transaction history, and past orders can easily be mapped and enable better decision making

Building clean data as a practice

Owing to the complexity of work undertaken by the procurement department, building a practice of having clean and reliable data becomes very difficult. Clean data is a non-negotiable pre-requisite; however, an automated process is an enabler to building clean and reliable data. The common bottleneck for having valuable data is the lack of a governance model in place that fixes the discipline of information input. Even a good governance model cannot be sufficient as capture, interpretation, and entry of data in a system may vary. Clean data is the responsibility of everyone in the organization. Some problems arising due to lack of quality data:

- Supplier information and tracking prices
- Compliance issues
- Maverick spending on account of inconsistent information
- One of the main objectives of finance and procurement is to optimize cash flows, automating this step gains a lot more importance. With the help of modern solutions, favourable payment terms could be made which are beneficial for both vendors and purchaser from overspending and save valuable time

Choosing the right technology

Automation strategy demands the right technology; it is the starting point in the execution leg of the transformation strategy. Choosing the right fit for an organization is the key in this step, considerations like the level of automation is another important aspect for the same. With advances in cloud-based solutions, these technologies have become accessible to almost all size of organizations.

Some considerations while choosing the right technology:

- Human capital and capabilities available
- Evaluation of all options
- On-premise vs cloud based
- ROI consideration
- Implementation and user adoption

On-boarding external stakeholders

Getting the existing processes and internal people on-board the automation train is just half the battle won. The procurement function has to interact with a lot of external stakeholders, mainly vendors and suppliers all the time. Getting these parties on-board is the key to having a successful strategy. The suppliers need to adhere to set procedure in terms of input and communication. The most effective way to achieve supplier support is to communicate the value proposition to them, which is:

- Effective grievance resolution
- Faster processing for orders and payments
- Beneficial payment terms
- Reduced work-load

Efficiency

Cost per invoice, purchase order and/or transaction

Invoice and PO cycle time

Number of invoices processed per FTE

Percentage of invoices process straight-through

Number of supplier inquiries and vendors Paid on-time percentage

Connectivity

Percentage of invoices received electronically – should not include email attachments, PDF, paper or fax

Percentage of suppliers submitting electronic invoices

Percentage of suppliers accepting electronic payment

Percentage of payments made via Check/ACH/Card/Wire

Cash management

Early payment discounts captured – Dollar amount or as a percentage of total opportunity

Percentage of suppliers participating in early payment program

Days Payable Outstanding

Compliance

Purchase Order compliance

e-Invoicing compliance

Non-compliant spend or Off-contract spend often called maverick spend

Percentage of spend compliant to contracts

Percentage of compliant transactions

The Procure-to-Pay process needs to move to a more intuitive and user-friendly process with the aim to enhance ease of use. As procure-to-pay function moves from an operational function to more strategic and tactical in nature, it becomes imperative to do away from the existing siloed approach filled with redundancies. The key is ease of use, and with that mantra, organizations can achieve real-time cost savings, and efficiency.

ABOUT ZYCUS

Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.
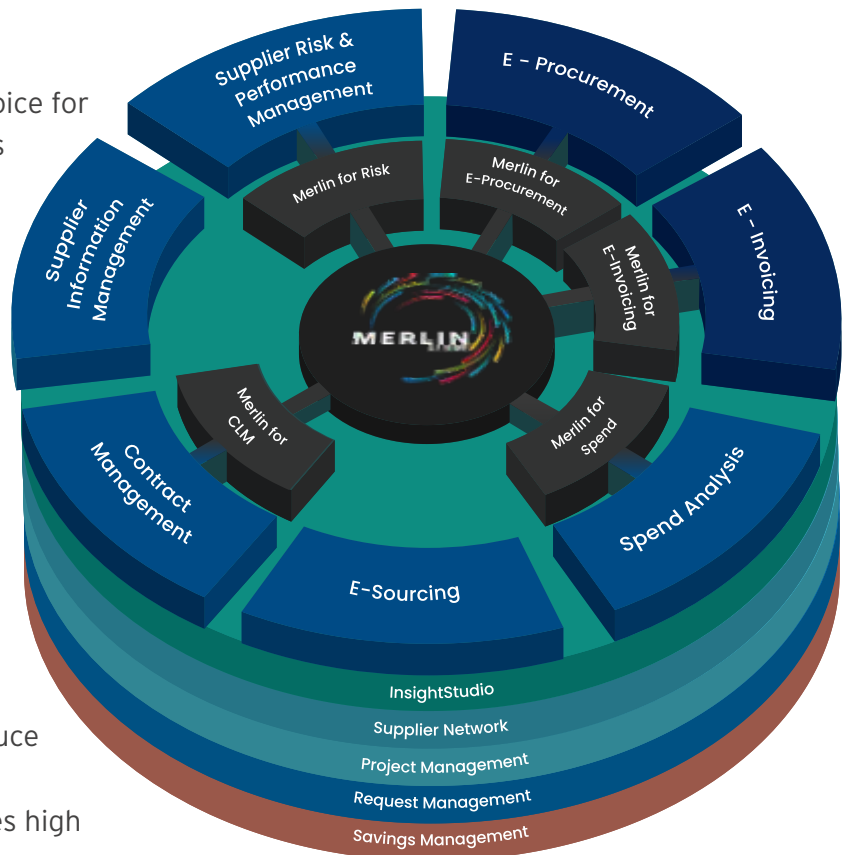
Start your #CognitiveProcurement journey with us, as you are #MeantforMore.

USA	Princeton: 103 Carnegie Center, Suite 321, Princeton, New Jersey, United States, 08540	Ph: 609-799-5664
	Chicago: 5600 N River Road, Suite 800 Rosemont, IL 60018 Ph: 847-993-3180
	Atlanta: 555 North Point Center East; 4th Floor, Alpharetta, GA 30022 Ph: 678-366-5000
UK	London: Regus - Reading, Office No 335, 400 Thames Valley Park Drive Reading, Berkshire, England, United Kingdom, RG6 1PT +44 (0)808 189 0327	+44 (0)808 189 1423
NETHERLANDS	Amsterdam: Zycus Infotech Netherlands B.V, REGUS, Herengracht 282, 1016BX Amsterdam, The Netherlands
ASIA	Mumbai: Plot No. GJ-07, Seepz++, Seepz SEZ, Andheri (East), Mumbai - 400 096 Ph: +91-22-66407676	Plot No. GJ – 03, Seepz++, Seepz SEZ Andheri (East), Mumbai 400 096	Ph: +91-22-66407676
	Pune: Pride Purple Accord, 2nd Floor 205/208, Above Vijay Sales, Next to Hotel Mahableshwar, Baner Road, Pune - 411045 Ph: +91-22-66407676
	Bangalore: 6th floor, Garnet Building, Bagmane Developers Pvt Ltd-SEZ II, Bagmane World Technology Centre, Mahadevapura, KR Puram Hobli, Marathahalli Outer Ring Road, Bengaluru (Bangalore), Karnataka, Bengaluru, 560048
AUSTRALIA	Melbourne: Zycus Infotech, 440 Collins Street, Melbourne VIC 3000
MIDDLE EAST	Dubai: Unit EX – 20 , Building No 12 , Dubai Internet City, Dubai , UAE , PO BOX No. 73000
SOUTH EAST	Singapore: 101 Cecil Street, #20-11, Tong ENG Building - 069533