

Next Generation Procure-to-Pay (P2P)

Transforming P2P into
a strategic spend
management lynchpin



The next generation is agile

Agility is resilient, it's dynamic and is vital for managing change. It therefore makes sense that, as spend control is such a pivotal strategy within an organisation, it should be agile.

This guide makes the case that the route to maximum agility across Source-to-Pay sits with Procure-to-Pay (P2P) as the 'strategic lynchpin'. It outlines the journey from a place of manual processes to accelerated value, offering tips and advice to maximise the impact of your P2P transformation.

Is P2P 'the one thing' that makes everything else more effective?

The following all feature as key objectives in spend control projects:

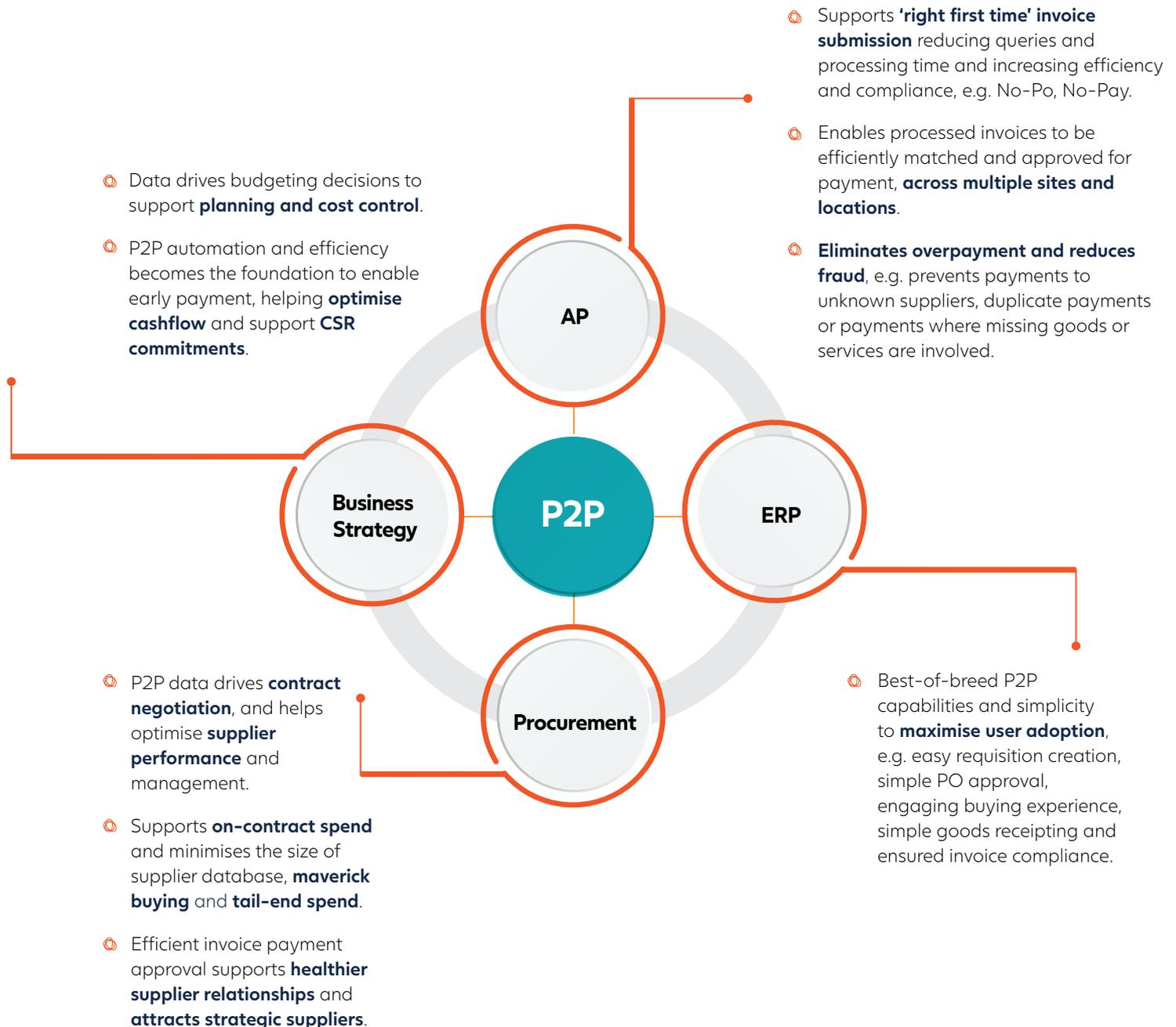
- ④ Visibility and control of cost against budgets.
- ④ Visibility of spend through commitment account.
- ④ Better cashflow management.
- ④ Maximum efficiency of spend management processes.
- ④ Effective use of employee time.
- ④ Optimised invoice processing.
- ④ Maximising the value created by procurement around pre-negotiated contracts and preferred suppliers.
- ④ Minimising fraud and risk across the supply chain.

However, there are many places an organisation may consider to start to address these. For example, tactical initiatives to implement contract management and/or supplier performance management, a commitment to supplier rationalisation to help to reduce tail-end spend, a drive for on-contract spend through tools such as a marketplace and/or a drive to streamline invoice processing significantly. But will individual efforts in part or in isolation deliver the results sought or is there 'one thing' that can offer the biggest initial impact and act as the core that makes the rest easier?

We think there is a case to say that's a well delivered P2P strategy. We consider it as the lynchpin that holds Source-to-Pay together and drives excellence across it. All other areas can then build off a single data set, an integrated technology stack and baseline workflows.

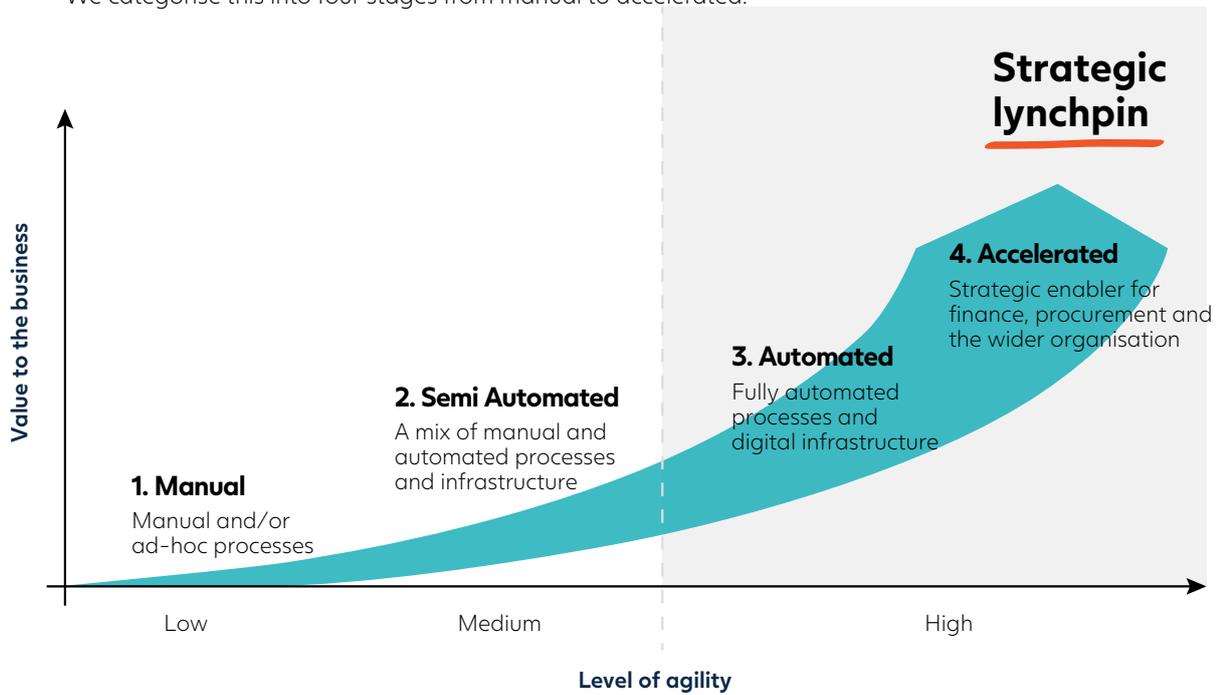
The impact of P2P

P2P bridges Finance, Procurement and the wider business and drives value into every corner. When we look at P2P's impact on each area, the idea of considering it as the centre piece to your spend control strategy become increasingly compelling:



A journey of increasing agility and value

It's important to say that even P2P has its own sub-journey within the Source-to-Pay process. We categorise this into four stages from manual to accelerated.



When we break P2P into four sub processes - Purchasing, Approving, Receipting and Invoicing - we can see the symptoms and value delivered at each stage of the journey:

	1. Manual	2. Semi Automated	3. Automated	4. Accelerated
Purchasing	<ul style="list-style-type: none"> Off-contract and uncontrolled maverick buying High fragmented tail-end spend and large supplier database 	<ul style="list-style-type: none"> Purchasing off pre-negotiated contracts 	<ul style="list-style-type: none"> Purchasing off pre-negotiated contracts (through a marketplace) Visibility of requisition status 	<ul style="list-style-type: none"> Data drives contract negotiation; supplier performance and management; minimising tail-end spend
Approving	<ul style="list-style-type: none"> Done verbally or via emails 	<ul style="list-style-type: none"> Requisition raised and approved through a central P2P system 	<ul style="list-style-type: none"> Can be approved on the move Visibility of key information for approval is available 	<ul style="list-style-type: none"> Data drives budgeting decisions to support planning and cost control
Receipting	<ul style="list-style-type: none"> None. AP have to chase for confirmation of goods or services being delivered 	<ul style="list-style-type: none"> None. AP have to chase for confirmation of goods or services being delivered 	<ul style="list-style-type: none"> Mobile receipting available Can easily attach supporting documentation 	
Invoicing	<ul style="list-style-type: none"> Manual matching and payment approval 	<ul style="list-style-type: none"> Automated matching and approval in finance system 	<ul style="list-style-type: none"> PO-flip in place No-Po, No-Pay policy active Associated documents visible, e.g. timesheets Automated discrepancy resolution by exception 	<ul style="list-style-type: none"> Early payment offers revenue and CSR opportunities

1. Manual

At their most cumbersome, these processes could include the manual raising and approval of POs for spend – perhaps on paper, or maybe via an email chain which could become lost across multiple inboxes.

This then continues through the labour-intensive process of adding suppliers to the finance system – often duplicating suppliers who are already on there. This could mean that an existing supplier, who could already serve the purchasing need, is missed. At best, it could look something like this: email the supplier a form, who prints and completes it, scans and emails it back and the details are painstakingly typed.

Invoices flood in from all directions and the manual processing effort is heavy and error-prone. It is likely that goods and services are not officially recorded as receipted and related documents, such as timesheets, are buried in the inbox, making it difficult to know if an invoice should be approved for payment.

2. Semi-automated

At this stage, several supplier quotes may have been gathered, existing suppliers have been contacted, or the wider buyers may be already buying off pre-negotiated contracts.

A requisition may be raised and spend approved before the order is made through a Procure-to-Pay system

If a new supplier is required, it is possible that its onboarding includes some self-serving elements around adding and editing its own information and accepting policies. In terms of matching and approving invoices for payment, related documents such as timesheets are more easily accessible and goods receipt are in place, if not always used proactively.

This stage shows early levels of agility where the speed of query resolution is faster, including some levels of audit capabilities and electronic invoice data can be more efficiently run through the P2P matching process because the earlier purchasing processes are in place. The P2P processes have matured well and there is an opportunity to progress by building more efficient and effective invoice processing capabilities, however the successful adoption of first-time ordering across the business may not yet be a focal point but is critical as a foundation.

3. Automated

By now, purchasing across the business is defined against categories which could involve a marketplace and punch-outs which make it easier to drive spend from pre-negotiated contracts and preferred suppliers. At this level, the purchaser can also see the status of their requisition as it moves through the process.

The approving process can be done through any device and through any required approval route and goods receipting is done. A well adopted No-PO, No-Pay strategy is in place and POs are flipped into invoices with digital focussed suppliers.

High levels of agility come through at stage 3

Fully automated P2P processes now drive agility as an organisation is in a position to:

- ① Manage changes in operating model, e.g. a move to more remote working.
- ① Handle multi-tiered approval workflows across changing and complex organisational structures.
- ① Respond to organisational spend initiatives and the ability to efficiently support purchasing driven from environmental and market needs.
- ① Quickly identify and resolve fraud risks.

4. Accelerated

Now that an agile platform is in place, additional value can be delivered as your P2P strategy becomes a strategic lynchpin for your organisation.

The visibility and richness of data helps:

- ① The Procurement team drives contract negotiations as spend has been driven on-contract so greater scale and break-points can be considered.
- ① Minimise the tail-end of spend and help Procurement to drive greater value through strategic suppliers.
- ① Drive budgetary decisions and support planning around organisational strategy.

User Adoption: the key to success

Most people could agree that well designed processes and technology are only valuable if well adopted - from the wider organisation buyers, through to approvers, suppliers and back-office staff.

Here are a few considerations:

1. "Not eating the whole elephant at once"

Many of the most successful P2P transformations we've seen have been those that took a category at a time and improved the purchasing, approval, receipting and invoicing before moving onto the next category.

The benefits of this approach are simply that it's more manageable for the project team, and also allows for a continuous improvement approach as lessons learnt can be carried forward into the next spend category. Another benefit is the organic 'internal marketing' that comes from the success - user adoption has a better chance if the users can see the value delivered to others.

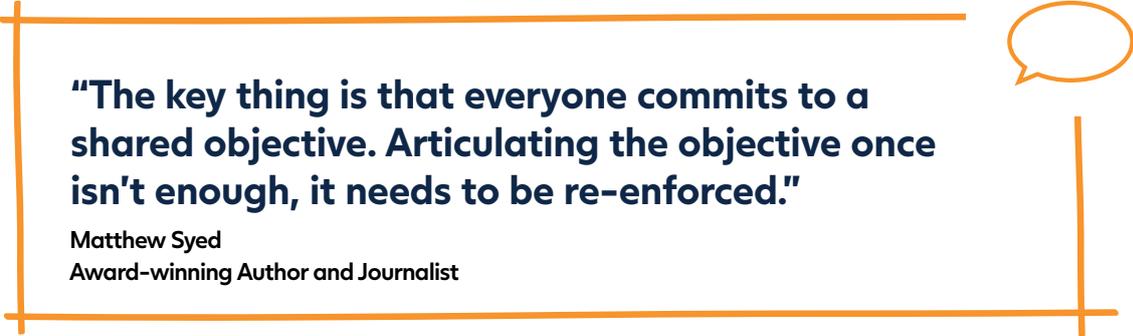
2. Simplicity

This principle can't be underestimated. We consider this the simplicity of both the process and the technology that enables it. In the busyness of work and life, we can all relate to not completing a task when something is difficult (and when we perhaps can't see the value yet).

If you break this down from a user perspective, it can be as granular as a simple user navigation with minimal 'clicks' to complete a process, i.e. accessing the system and having a guided experience through the process. Perhaps it is notifications alerting a user to an action they need to take, e.g. approve a requisition or mark their goods as receipted.

3. Planning and communication

It's a classic, but we had to feature it.



"The key thing is that everyone commits to a shared objective. Articulating the objective once isn't enough, it needs to be re-enforced."

Matthew Syed
Award-winning Author and Journalist

Here are just a few objectives you could consider

Objective	Value to P2P	Value to the organisation
Drive x% of spend on-contract	Less invoices and less supplier onboarding	Better spend control
Full self-service for suppliers	Faster query resolution, less administration	Maximising value from AP team
Implement a "No-PO, No-Pay" policy	Reduced missing information and faster processing	Tighter spend control
100% invoice capture	Efficiency around invoice processing	Stronger supplier relationships leading to greater value and lower supply chain risk
Generate revenue through AP function	Seen as a value-add function	Increased revenues and increased CSR through early payments

Awareness and engagement then become critical. How do you get the wider business and suppliers to listen, act and adopt?

Here are a few ideas which our customers have found to be effective:

- 🕒 Run an internal quiz to improve internal exposure and adoption and consider a top-down approach (initiated by Executives). For example, questions around why? How many invoices are processed, policies etc.
- 🗣️ Hold a launch event with key stakeholders and strategic suppliers to promote the new solution and answer user questions.
- 👂 Use listening groups to gather feedback from the front line and discuss proposed improvements and next steps.
- 🎓 Invest in training:
 - Use real-life scenarios in your training.
 - Create bitesize videos, no more than 2 minutes long, as well as short training guides where required.
 - Create FAQ's content for end-users.
 - Use the **Proactis Training Academy**, a dedicated space for mastering spend control.

Supercharge coding in your order and invoice processes

Proactis Rego Cai uses cutting-edge technology to revolutionise purchase order and invoice coding.

Engineered to enhance the AP Automation process through improved operational efficiency and accuracy, Proactis Rego Cai leverages predictive AI and machine learning to revolutionise order and invoice coding, helping:

- 🕒 Decrease time spent manually coding transactions and reduce the risk of human error.
- 🔢 Improve the accuracy of first-time coding and financial data.
- 📉 Reduce downstream adjustment of codes.
- 👤 Remove complexity from coding processes to deliver a simple and intuitive user experience.
- 👤 Free up your team to focus on higher-value tasks.

Learn more about **Proactis Rego Cai**.

Key considerations to take away:

Considerations	Proposed solution
Where should you start?	<ul style="list-style-type: none">⌚ P2P is a centrepiece to the Source-to-Pay process and enables value across it all. There is logic in starting here, and within that consider focusing on one spend category first and rolling out from there.
Process adoption is a critical success factor.	<ul style="list-style-type: none">⌚ Invest consistent time in communication and training.⌚ Where possible, automate, and where human engagement is necessary, make it self-serving and simple.
Technology is a key consideration.	<ul style="list-style-type: none">⌚ It must be agile enough to evolve with your organisation, across sourcing to payment.⌚ Integration with your ERP must add value without duplicating functionality.

Let's talk

Regardless of where you are on the P2P journey, we're always open to discussing your objectives and how we can help.

Please email: info@proactis.com or call: +44 (0)1937 545 070