



Oregon State University

Procure to Pay

Brett A. Miller, C.P.M.

Instructor

Oregon State University College of Business

brett.miller@oregonstate.edu

September 19, 2018

AGENDA

- 01 Common Terms & Definitions
- 02 What is Source-to-Pay?
- 03 What is Procure-to-Pay?
- 04 Symptoms & Risks
- 05 Benefits
- 06 Industry Trends & Challenges
- 07 Leading Providers

MY BACKGROUND

- Strategic Sourcing
- Supply Management / Procurement Operations
- Supply Chain Management
- Contract Negotiations

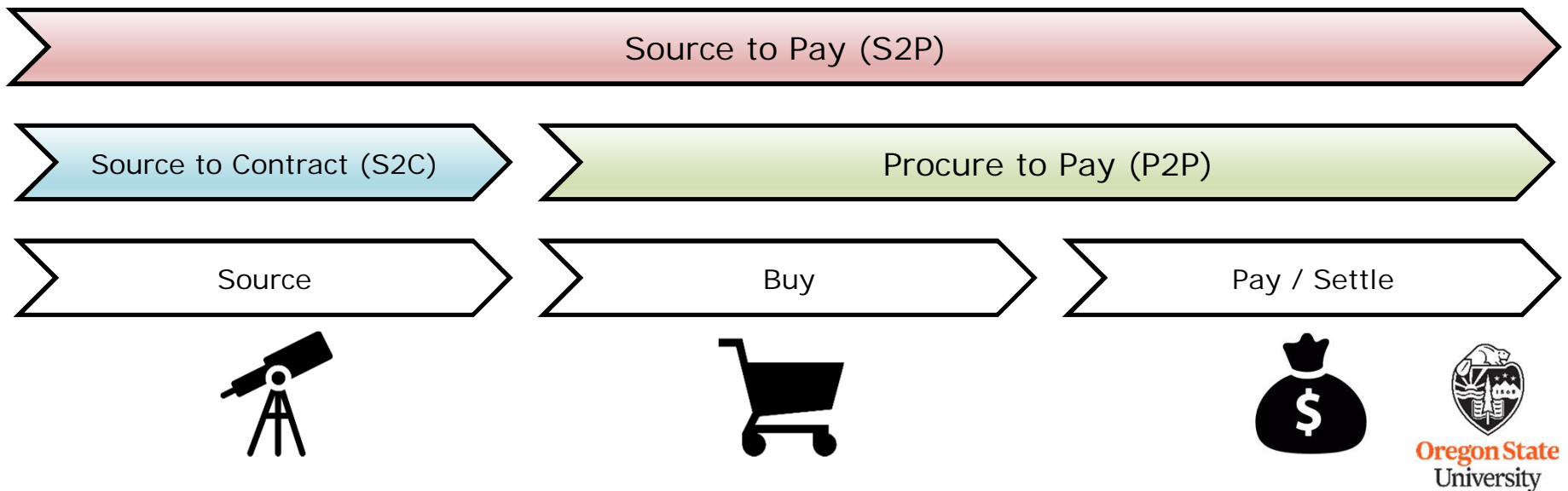


COMMON TERMS & DEFINITIONS

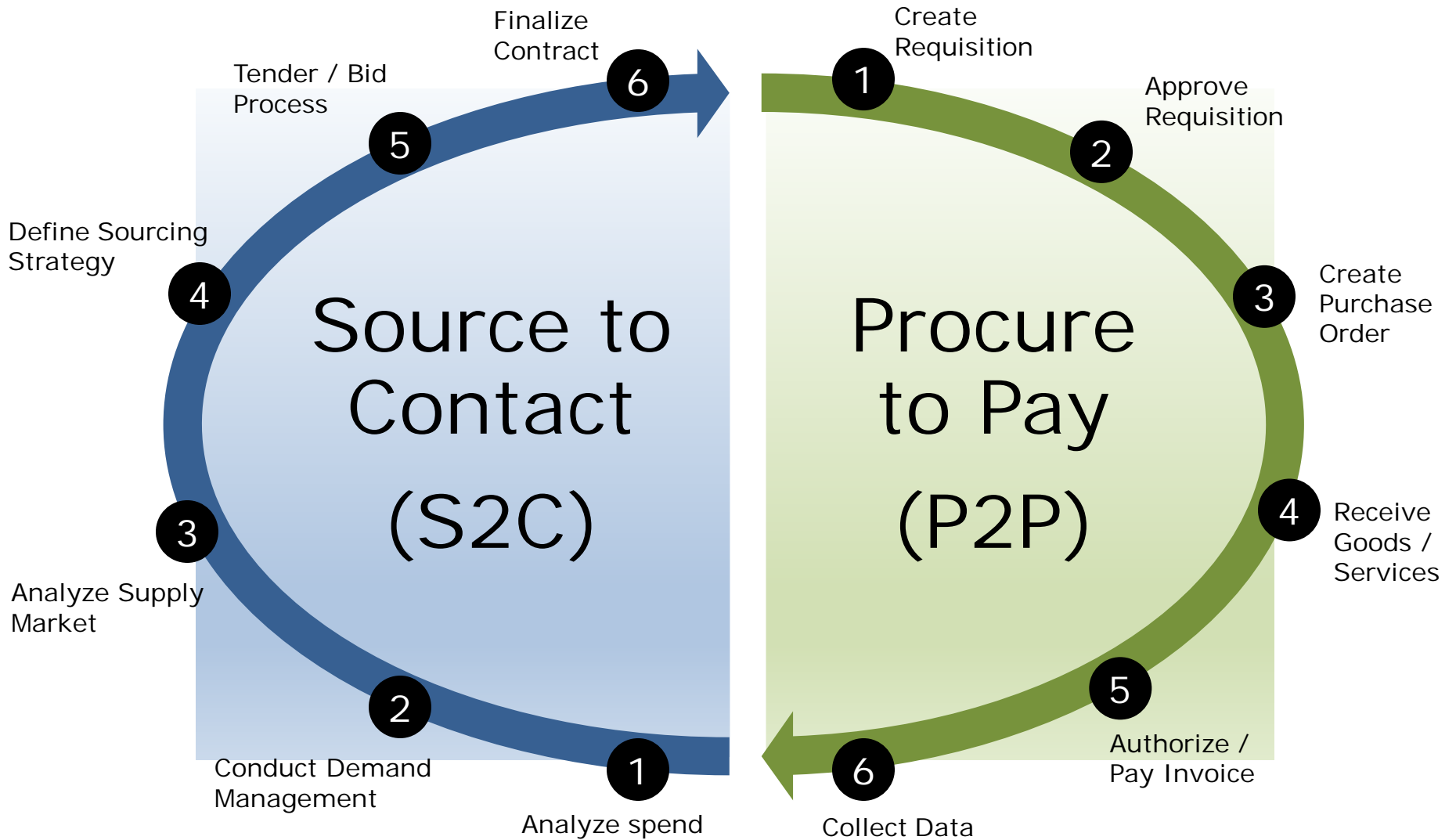
TERM	DEFINITION
Purchase Order (PO)	A written offer, issued by a buyer to a seller, expressing the consent to purchase goods at a set price, quantity and quality
Statement of Work (SOW)	A detailed description of specific services a contractor (seller) is required to perform under a contract. A SOW is usually incorporated as part of a master agreement.
Source to Pay (S2P)	The entire end-to-end process involving the procurement of goods or services, from identification of need through invoice payment
eProcurement	The process of conducting automated procurement transactions using electronic formats or internet-based applications
eInvoicing	The exchange of an invoice document between a supplier and a buyer in a structured, integrated electronic format (e.g. EDI, XML)

WHAT IS SOURCE-TO-PAY?

$$\text{Source to Pay (S2P)} = \text{Source to Contract (S2C)} + \text{Procure to Pay (P2P)}$$

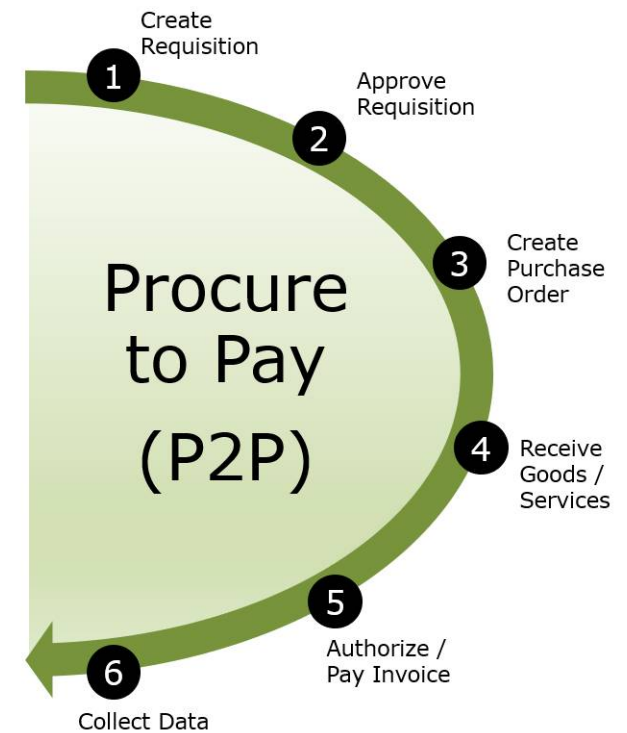


WHAT IS SOURCE-TO-PAY?



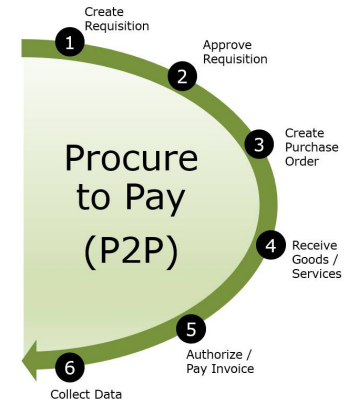
WHAT IS PROCURE-TO-PAY?

- **Definition:** The process of buying goods which includes the initial decision to make the purchase, the process of selecting the goods, and the transaction to pay for the goods purchased
- P2P may include the following:
 - Supplier Set Up
 - Item Catalog Management (including punch-outs)
 - Requisition Creation and Approval Process
 - Purchase Order Creation and Manager Approval Process
 - Purchase Order Transmission to Supplier
 - Invoice Collection and Processing
 - Advance Payment Notices
 - Dynamic Discounting Support
 - Asset Deposition
 - Savings Tracking / Reporting
- Potential P2P technology may include:
 - Vendor Portal (e.g. Aravo)
 - Time & Expense Systems (e.g. Concur)
 - eInvoicing (e.g. Kofax, Basware, Tradeshift)
 - Robotic Process Automation (RPA) (e.g. Kofax)



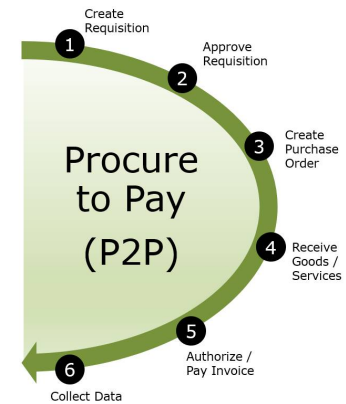
POSSIBLE SYMPTOMS

- Functional silos
- Highly manual processes
- Outdated systems
- Inconsistent data usage
- Limited reporting on spend analytics
- Policy gaps
- Limited policy enforcement
- Decentralized buying



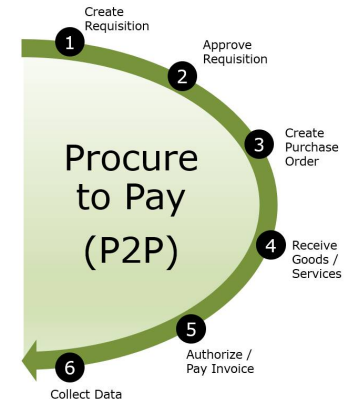
RISKS

- Maverick buying
- Spend leakage / limited visibility
- Internal controls and compliance
- Anti-corruption / anti-bribery
- Inability to scale quickly
- Stress on internal operations
- Budget management
- Supplier risk management



BENEFITS

- Increased compliance and spend visibility
- Cost savings through payment term optimization
- Reduced invoice processing cycle times, delays and errors
- Achieve higher first-pass match rates between invoices & PO
- Gain savings from reducing “maverick” buying, cycle times and cost of data maintenance
- Reduced overall invoice processing costs
- Reduced number of paper-based invoices and payments
- Improved on-time payments and first-pass match due to better invoice accuracy
- Managing volume by exception basis (not the rule)



LEADING PRACTICES

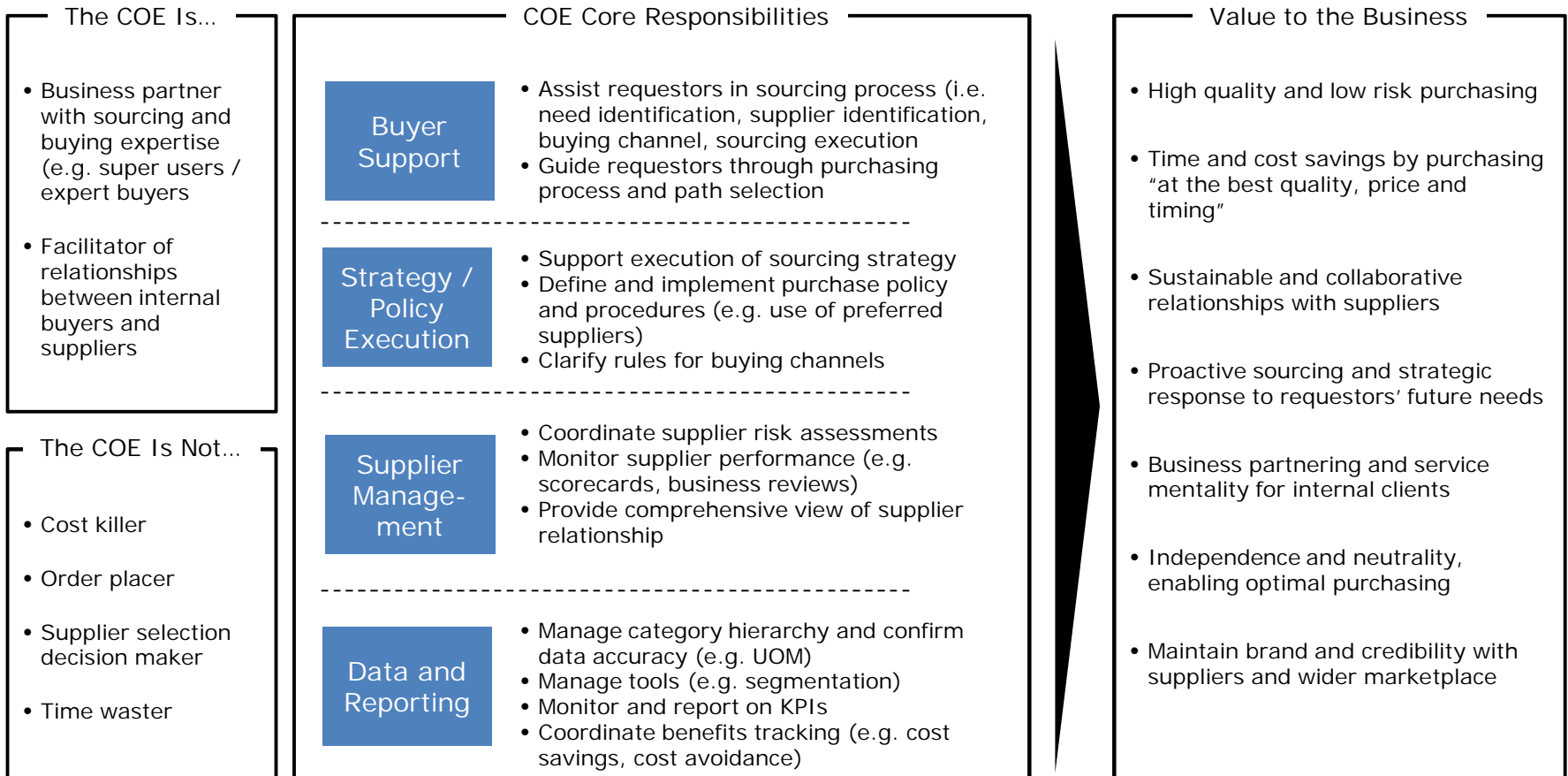
A best-in-class P2P capability is built in a way that reduces transaction work to enable increased focus on value-added activities

- Automation & Intelligence: Create an automated transaction process to capture “clean” information that allows data analysis
- Governance & Compliance: Create a common standard of company-wide policies, procedures and approvals that are integrated in the P2P workflow and tie to other functional systems to drive compliance and individual adherence
- Self Service & Connectivity: Create the system connectivity necessary to support user and supplier self-service, online catalogs, supplier portal, electronic document exchange, etc.

INDUSTRY TRENDS

Example of Leading Practice: P2P Center of Excellence

The P2P COE provides the governance and flexibility required to govern S2P processes, resources and technology in alignment with the needs of the business



IMPLEMENTATION CHALLENGES

Some project challenges are directly related to master data, a key area of focus and effort for any S2P cloud solution implementation project

Common Master Data Challenges

Category Taxonomy

- Category taxonomy not used consistently across systems
- Governance process for changes to taxonomy not defined
- Legacy transactional data tied to existing codes

Supplier Data

- Missing supplier data
 - Email
 - Fax
 - Relationship owner
 - Contracts
- Duplicate supplier data

Materials

- Pricing information missing for items
- Item level descriptions are not consistent to enable effective catalog search
- Duplicate items
- Source of supply not identified

Contracts

- Level of effort to migrate contracts underestimated
- Inconsistent metadata across systems
- Missing electronic copies of contracts

Unit of Measure

- Inconsistent use of UOM across systems
- Level of effort to normalize UOM, if required, is underestimated

Conversions

- Lack of plan on whether legacy transactional data should be converted
- Note: Typical recommendation is to not convert historical transactional data

Spend Data

- Agreement not reached on which source systems require integration
- Initial plan for determining approach to historical data not defined (i.e. cleanse normalize and load, or build as you go)

End User

- Incomplete or inconsistent HR data across systems
- “Levels” not part of HR record or inconsistent by system, business unit or geography

HOW TO MEASURE P2P

FOCUS AREA	STRATEGIC IMPORTANCE	POTENTIAL METRICS
Quality of Service	The quality of procurement service rendered to business with respect to results and timeliness	• Feedback from business units and functions
		• Vendor onboarding cycle time
		• Purchase Order (PO) cycle time
Control / Compliance	Manage contracted spend and compliance across business units	• % of spend managed vs. overall spend and per category
		• % of spend with preferred vendors
		• % of spend on Purchase Orders
		• % of spend on electronic catalog
Risk & Innovation	Support innovation of innovative products / services from suppliers. Balance innovation and risk through active risk management around supply interruptions and market / price volatility	• % of high risk or preferred suppliers
		• % of suppliers under contract
		• # of inflation adjusting / cost mitigating contacts in place
		• # of suppliers involved in product / service development
Cost	Deliver cost savings back to the business units through item price reduction and demand management	• Total cost reduction (price, volume, logistics)
		• % and \$ savings per unit / category (plus incentives)
		• % volume reduction
		• % and \$ cost avoided
		• % and \$ savings from improved processes

LEADING PROVIDERS

Traditional ERP

ORACLE[®]

SAP Ariba 

infor[™]

Cloud Solutions

 **coupa**

TRADESHIFT

JAGGAER 

basware

ZYCUS[™]

TECHNOLOGY TRENDS



SaaS Cloud Solutions

Subscription-based tools require less maintenance and have shorter deployment timelines



Touchless Procurement

Continuous focus on reducing number of touches and handoffs within workflows



User Adaption

Renewed focus on end user experience and ease-of-use



Mobile Devices

Strategy on enabling workforce mobility across platforms



More Data Analytics

Build capabilities to leverage power of analytics to enhance reporting



Dynamic Discounting

Turn AP into investment opportunities by optimizing early payment discounts



Category Specific Solutions

To fully address spend, organizations are configuring solutions by category



CONTACT INFORMATION



brett.miller@oregonstate.edu