

WHITEPAPER

# Purchase to Pay

## One process, one solution

John Wallace, CEO  
Autumn 2015



---

# Contents

---

---

2	Purchase to Pay - one process, one solution Executive
3	summary
4	P2P - the rationale for one process, one solution
6	Implementing P2P for mid-tier enterprises
7	Features of a best of breed purchase to pay solution
9	Adding value - the whole is greater than the sum
11	About Documation

---

# Purchase to Pay

## One process, one solution

---

This white paper is brought to you by Documation Software, a leading provider of document management and workflow software with 25 years' experience supplying to clients across industry and markets.

With both the procurement and accounts payable departments concerned with improving the procurement to pay processing cycle and visibility across this cycle, as well as reducing processing costs, organisations are increasingly turning to implementation of one solution which solves these pain points better than two.

Until recently, purchase to pay solutions have been regarded as the preserve of the large enterprises and global conglomerates. Now the development of the design, flexibility and scalability of solutions means that small to mid-tier businesses and services are also increasingly taking advantage of the benefits of efficient and automated processing, and where the procure to pay process is concerned reaping even greater rewards by implementing a single solution to manage the whole cycle of procurement (or purchase) to invoice payment - 'P2P'

The white paper outlines:

- Purchase to pay – the rationale for a holistic process
- How P2P has become available to mid-tier enterprises
- Typical features of a digital purchase to pay solution
- The benefits of efficient streamlined processing in procurement and accounts payable individually, and how integrating the processes of procurement and AP through one single solution, brings even greater advantage to the organisation.

---

# Executive Summary

---

## Purchase to pay – the rationale for a holistic process

All organisations make purchases, and all suppliers need paying. So it is logical, regardless of where the responsibility for procurement and accounts payable lie, to consider the procurement to payment cycle as one continuous business process. Implementing a software based system for procurement brings purchasing under control, ensuring that expenditure is authorised and accounted for up front – before a commitment is made to the supplier.

Implementing software for accounts payable automation reduces costs by eliminating paper and reducing manual effort while improving supplier relationships by facilitating prompt payment. Implementing one system to join up both processes, whether purchasing and AP are managed by separate departments or by a single department, is likely to be simpler to implement while providing even greater benefit in both areas.

## How P2P has become available to mid-tier enterprises

Evolution of design and development of flexible, scalable, modular software along with cloud technology and use of a template approach to solution creation have seen traditional perceived barriers to automation progressively dismissed, particularly among mid-tier businesses where reservations were most prevalent. As a result, cost effective P2P systems can be implemented rapidly by organisations of almost any size.

## An outline of a P2P solution

An effective P2P solution allows for simple, efficient online creation of purchase requests by any approved user, across the organisation. Preferred supplier policies, budget checking and contract enforcement are built in. Approval is also completed online or by smartphone and orders are issued electronically to suppliers. Receipt of goods and services is recorded and invoices, received and processed without paper, are matched and issued for payment automatically with built-in facilities for effective management of exceptions. Reporting and enquiries allow process efficiency to be monitored and supplier performance analysed.

## Adding value – the whole greater than the sum

A P2P solution brings significant benefits. User adoption is high because raising purchase requests and receipting becomes simple while at the same time controls are embedded across the whole purchase to pay process. The benefits gained by taking control of purchasing drive further gains and cost reductions in accounts payable. Because purchases are approved up front the majority of invoice processing can become fully automated while exceptions can be efficiently managed.

Confidence grows that buying policy is followed, that contracts, budgets and approval rules are adhered to, that early payment discount is being taken up, late and duplicate payment avoided and that inefficient processing is no longer affecting the profitability of the organisation. Incorporating the purchasing and AP functions into one single digital process unlocks greater benefits than achieved by streamlining and automating the roles individually – as powerful as those are in stand-alone.

---

# P2P – the rationale for one process, one solution

---

## Efficient procurement and invoice processing

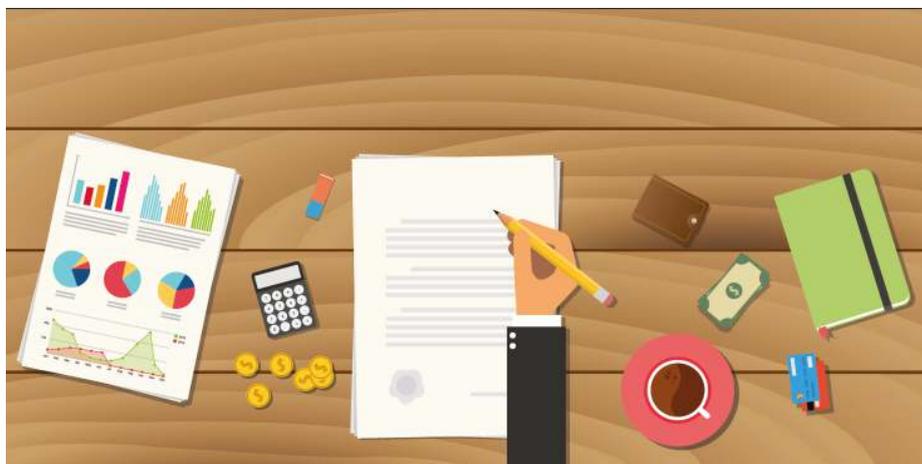
Integral to the working practice of most organisations is the policy of constant business development. An awareness of advances in technology is essential to implementing this strategy, and for many forward thinking organisations automating the manual workflow of paper-intensive processing such as purchasing and accounts payable is a major component of that development.

It's essential that products are of required quality, available when needed, and sourced at the most cost-effective price. Often decentralised and paper-intensive, with complex manual processes and a wide range of participants, traditional requisition and order processing can be inefficient and a barrier to achieving these three objectives.

A manual purchasing system can impose difficulties over control. It's not easy to ensure that only approved suppliers are used and that purchasing, budgetary and approval procedures are followed. Delivery of essential products can be held up due to bottlenecks in the authorisation process and valuable time is wasted.

In AP, paper invoices are expensive to process, can be misplaced and lost, and lack of visibility across the process result in an inability to answer supplier queries efficiently and leaving managers unable to determine current financial positions or access the BI and data necessary to drive the business forward. Complex manual processes leading to late payment penalties, duplicate payment and the inability to take advantage of early payment discount also has an effect on an organisation's profit margins and supplier relationships.

Implementing a digital purchase to pay solution is often seen as the perfect opportunity to define a comprehensive, holistic P2P strategy and efficient, streamlined process by those organisations which have grown – through merger, acquisition, business development and evolution – and find they have outgrown processes previously perfectly adequate for need.



# P2P – the rationale for one process, one solution

## The strategic role of procurement and AP

The supply management advisory firm Ardent Partners<sup>1</sup> cite figures from a recent survey:



“ Not so long ago, Procurement was considered to be an add-on service...Today however, many executives are increasingly looking to Procurement to engage the business in strategic conversations about how the supply chain can be optimised to deliver the greatest returns.

KPMG  
*The Power of Procurement*”

62%

of procurement departments report a 'good' or 'strong' level of collaboration with accounts payable.

71%

of procurement departments report a 'good' or 'strong' level of collaboration with the CPO or CFO.

69%

of accounts payable departments report that the development of a stronger AP and procurement partnership to be a top priority for the next two years.

Along with purchasing, the AP team is also no longer considered to be fulfilling a back-office function and has become a strategic player. Both departments need the cooperation and working collaboration of the other with information readily available spanning the whole process to be able to meet the requirements of this new focus. Indeed, there is a growing move away from looking at the procurement and accounts payable departments as separate entities.

In addition, with competitors implementing digital P2P, sourcing a solution to improve efficiency and reduce the cost burden has become a major priority for procurement and finance chiefs. Whereas there are limitations to the efficiency that can be achieved with a manual process bridging two departments and often involving participants in differing locations, geographical and departmental logistics have no bearing when implementing an online system.

## One process, one solution

A digital P2P solution will address issues of speed and control in the procurement department and high costs and slow payment in the accounts payable department - and by treating the process as a whole, incorporated into one single solution, there is even greater opportunity for streamlining, collaboration information sharing and strategic level focus.

Therefore - and despite responsibilities often being assigned to separate departments or delegated to the part of the business requiring products and services - it is logical and beneficial to consider the procurement to payment cycle as one business process.

1. Total Transformation: *Trends and Value Drivers for AP and Procurement*

# Implementing P2P for mid-tier enterprises

The benefits of P2P are clear and proven in many large enterprises and global conglomerates. Design evolution and the development of flexible, scalable, software means that small and medium sized organisations can now benefit from efficient, streamlined P2P processes and many are doing so.

Many solution providers employ a template approach to design, which reduces the cost to customers, while the software retains the flexibility to tailor specific elements to individual need.

Cloud technology, making it simpler and faster to implement P2P solutions and without need to invest in infrastructure requirements, has further broadened the range of organisations able to invest in digital P2P.

Ensuring return on investment is essential, and a good solution provider will prioritise the time to work with potential customers on cost justification exercises to determine whether implementing a solution will deliver a return on investment - identifying the cost of existing processing, reviewing alternative processes based on the customer's ideas and utilising industry experience to evaluate relative costs and feasibility.

Whether organisations are looking to automate P2P in order to eliminate processing issues or as part of a policy of continuous business development, efficient processing reduces costs, and the greater the efficiency the greater the cost saving.

Two key findings from the survey conducted by PayStream Advisors<sup>2</sup> looking into automating P2P for SMEs are:

1

“SMEs’ greatest pains are due to the high costs of long procedures, and decentralized processes.”

2

“SMEs seek benefits related to lowering these costs, speeding up processes, and building revenue.”

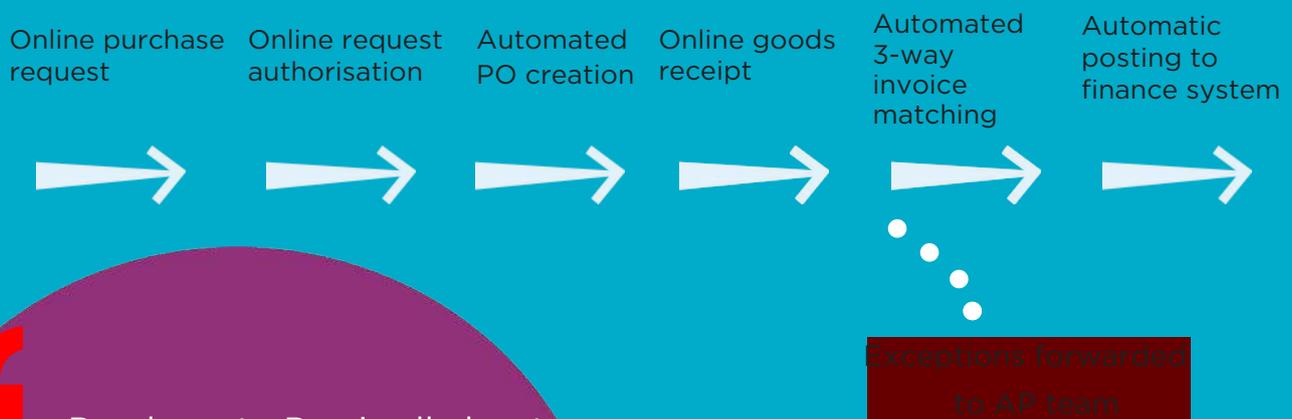
P2P systems now provide a cost-effective option which can be deployed rapidly to resolve these issues for SMEs, mid-tier and large enterprises alike.

2. Automating P2P for Small to Medium Enterprises - Leveling the Playing Field for Business Process Automation

# Features of a best of breed purchase to pay solution

With a purchase to pay suite organisations can streamline and control purchase selection, ordering and receipting, while automated invoice matching eliminates many of the issues preventing efficient processing in the AP department. The procedure is fully audited, with visibility across the process.

A typical solution will incorporate:



Purchase to Pay is all about helping to optimize the processes associated with purchasing and recognising that the process does not end at the purchase order but extends to include accounts payable and payment processes.”

Pete Loughlin<sup>3</sup>  
Purchase to Pay



3. Definition of Purchase to Pay

---

# Features of a best of breed purchase to pay solution

---

## Simplified, controlled purchase request and authorisation

A digital solution simplifies the purchase request and authorisation process, while ensuring that corporate buying policy is enforced.

eForm purchase request incorporating automatic field population and online validation is fast and efficient and requests can also be raised collaboratively. Approved suppliers can be enforced where apt, spend authorisation and delegation of authority controls are built in, budget and contract checking is automatic and general ledger coding is accurately applied. Based on business rules a request is routed to the relevant authoriser, buyer, or to order creation. An authoriser receives online notification of a request - eliminating a major bottleneck that can arise in purchase processing - and which can be approved, forwarded or rejected. Rogue purchases become a thing of the past.

Approved requests trigger the automatic creation of a purchase order (PO), customised to company standards and sent via email or post (depending on organisation/supplier preference).

## Streamlined, automated invoice matching

Received goods are recorded online with discrepancies noted and suppliers notified immediately.

Tools are provided to help the AP team deal efficiently with exceptions but for the majority of invoices processing becomes fully automated;

electronic invoices are captured, relevant data extracted, matching completed and posted to the finance system ready for payment with no manual intervention at all. P2P creates fast, efficient, straight-through - and paperless - processing.

## Visibility across the total procure to pay process

With audit trails, BI and dashboard reporting visibility is realised across the purchase and invoice management elements, and crucially across the whole process giving procurement, accounts payable and finance chiefs access to the data they need to analyse spend and monitor and improve process efficiency.



---

# Adding value - the whole is greater than the sum

---

With the procurement function increasingly expected to deliver value to the business, inefficient processing is costly in terms of staffing resource and money lost to the company - whether through the inability to negotiate supply deals or due to money lost through duplicate payment, late payment penalties, and the inability to take-up early payment discount. Inefficient processing affects not only the productivity of the individual departments, but the organisation as a whole.

With a digital P2P solution, the ordering process has been simplified, and buying policy, supplier selection and authorisation rules enforced. Processing bottlenecks in both the purchasing and invoice management process have been eliminated with approval notifications, reminders and escalation procedures, and out of office delegation features.



In any organization, procurement and accounts payable activities are inextricably linked. Becoming efficient in both types of activities should result in clear benefits to the entire procure-to-pay process, from the procurement function to accounts payable.

APQC has identified business drivers of an integrated procure-to-pay process that lead to improvements and business results.

One of these drivers is the automation of procure-to-pay activities.



Becky Partida<sup>4</sup>  
Scientific researcher  
APQC *Spend Matters*  
guest blog

---

4. *Automation Can Improve Procure-to-Pay Process*

---

# Adding value - the whole is greater than the sum

---

Automatic invoice capture and matching significantly reduces the manual charge for AP - enabling the team to focus on value-added, strategic tasks. The risk of duplicate and late payment is reduced, and the potential for take-up of early payment discount optimised.

With queries resolved faster through instant access to a complete set of relevant information and the ability to make payment on time, supplier relationships are enhanced and there's less risk of losing valued product sources.

But incorporating the purchasing and AP functions into one single digital process unlocks greater benefits than can be achieved by streamlining and automating the roles individually - as powerful as those are in stand-alone.

The whole is greater than the sum of its parts

Aristotle

With procurement and AP working collaboratively and integrated through working with one single processing solution, policies and programmes can be developed which have corporate-wide effect and benefit the organisation as a whole. Ardent Partners<sup>5</sup> report that "The procurement and finance executives that have working unions are able to provide their stakeholders with intelligence into enterprise spend that can be

leveraged for long-term planning, forecasting and budgeting."

A digital P2P solution creates a fast, efficient purchase to pay cycle, with control and visibility across the process. In her blog<sup>6</sup> Becky Partida reports that "top performers with e-procurement systems process over 2,000 more purchase orders per procurement FTE than their peers without these systems."

## Leveraging on investment

Where solutions are built on modular software, the platform provides the potential to leverage on investment and extend the benefits of digital document management and automated workflow to further finance functions.

Travel and expense and credit card statement processing are two particular business areas which benefit from automation.

Based on the platform, digital processing can also be implemented in separate corporate areas including, for example, HR and customer services, using the same software.

---

5. Total Transformation: Trends and Value Drivers for AP and Procurement  
6. Automation Can Improve Procure-to-Pay Process

---

# About Documation

---

## Every client is unique

At Documation, developing a partnership with customers lies at the heart of the way we work. We prioritise the time to understand clients' business drivers and requirements, and clients have the confidence in knowing that they are investing in 20 years' experience of delivering innovative and proven, compliant AP automation solutions, building on best practice.

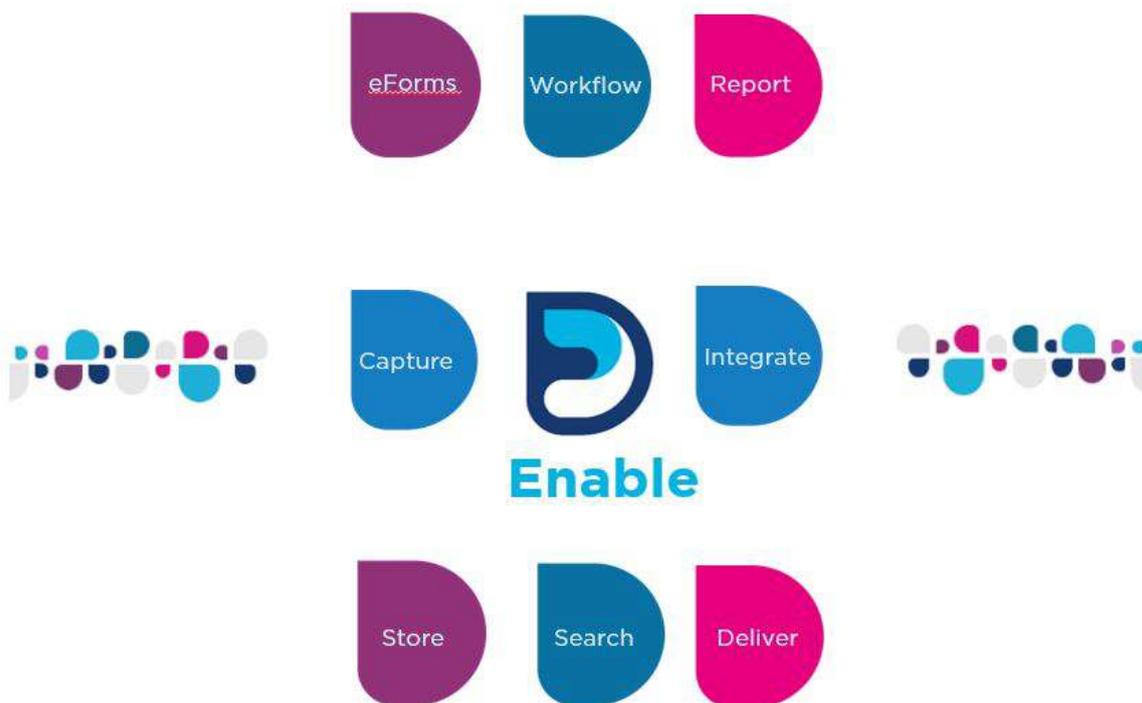
A Documation consultant can help assess priorities based on an organisation's current situation, identify best-practice solutions and work on a cost justification exercise which looks at options for alternative processes based on the organisation's own ideas and our experience, and evaluating relative costs and feasibility.

## Leveraging on investment

Documation's P2P solution is built on a flexible, modular software platform, Enable, providing the core processing components.

As well as taking advantage of the phased implementation approach, clients can invest in components as and when required, as the business and the organisation changes and develops. In addition to the P2P solution, Documation offers a portfolio of solution templates for common business areas, ranging from other finance related systems (including Accounts Payable and expense management) to automated solutions for Customer Services and HR. Investing in a Documation solution means clients open the door to extending processing benefits to other departments using the same core software

### ENABLE SOFTWARE PLATFORM





Plus many others...

Documation Software LTD  
Parkway Business Centre  
Campbell Road Eastleigh  
Hampshire  
SO50 5AD, UK

+44 (0)23 8064 7776  
enquiries@documation.co.uk  
www.documation.co.uk