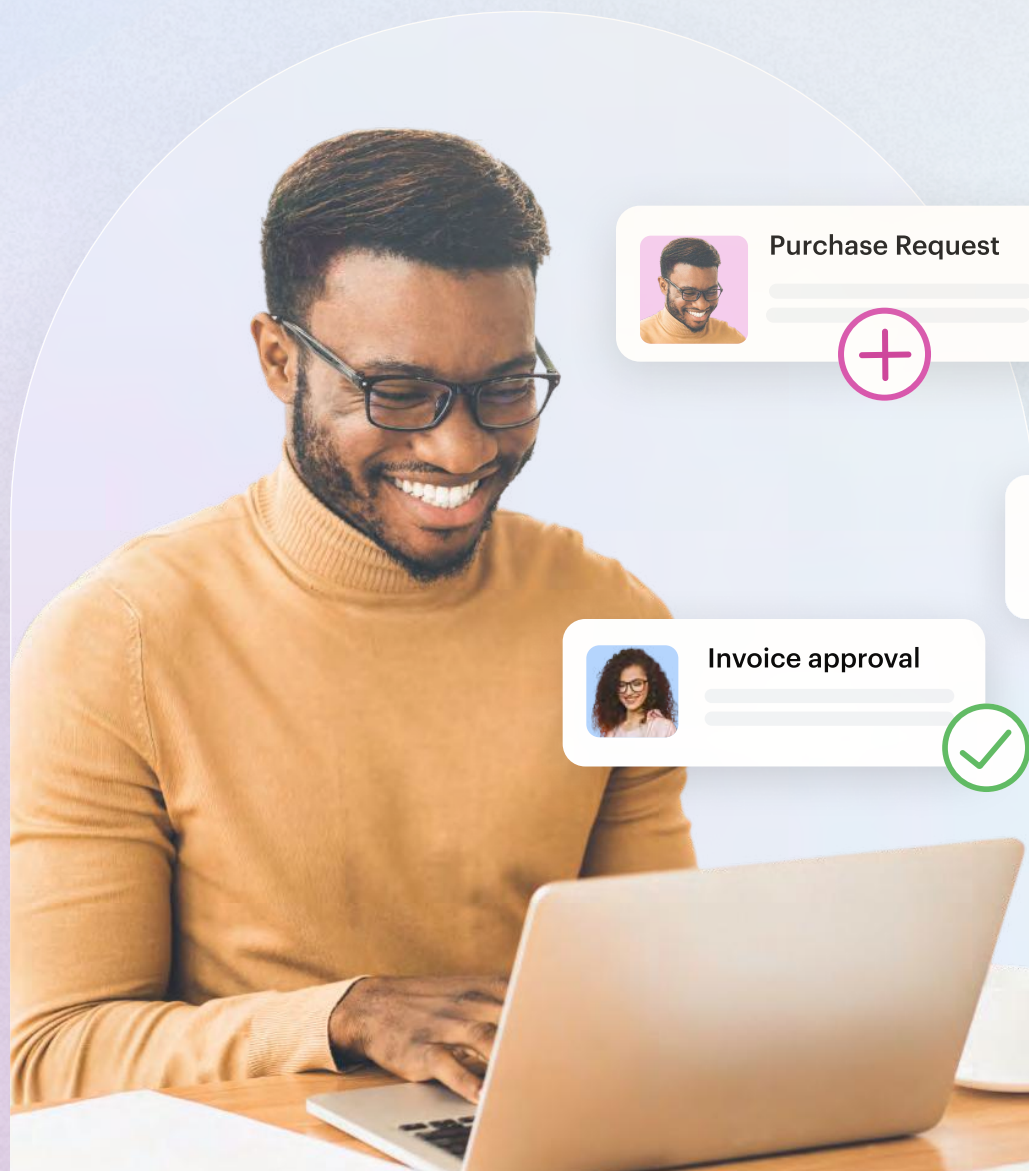




**Procurement
Cloud**

The P2P automation playbook for successful eProcurement



**Purchase Request**





**Purchase order**

**Invoice approval**



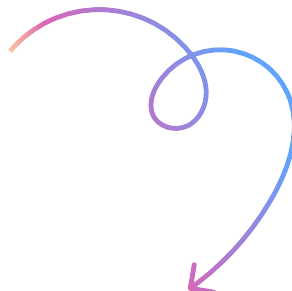
Markets have turned extremely competitive as companies integrate newer, sophisticated automation techniques into their production and management processes. At this point, organizations need every advantage they can get to keep up with the pace of an ever-changing digital landscape. Within businesses, certain strategic departments have traditionally been burdened with mundane and repetitive tasks. These time-consuming processes are detrimental to organizational efficiency, so it is necessary to manage them to increase productivity. One such department is the procurement department.

Automation has now paved the path for highly intelligent P2P software that transforms traditional procurement processes. This concept of automated procurement, known as eProcurement, took birth with the advent of the internet and continued to gain popularity throughout the years. Now, it has become fundamental to many businesses, though many continue to postpone the operation.

In 2019, the [EMEA Digital Procurement Survey](#) revealed that 60% of procurement departments had initiated digitalizing their strategic processes, whereas 74% had begun digitalizing their transactional processes. Even though the numbers comprise a majority, a considerable number of firms continue to resist taking the initiative. The hesitation to implement digital technologies is among the primary factors limiting the capacity and efficiency of procurement departments.

Through this playbook, we aim to lay down the case for eProcurement and help your organization transition smoothly into the digital world of procurement.

Let's begin with the basics.



What is eProcurement

eProcurement is the process of digitalizing the procurement workflow. It enables organizations to purchase products and services from suppliers online. eProcurement supports and concludes operation and strategy management in the P2P workflow by integrating cloud-based data management and eliminating the need for manual processes.

By enabling automation, eProcurement has enhanced the efficiency of the procurement workflow and has helped organizations effectively reduce the costs associated with the procure-to-pay cycle. It provides users with insights, analysis, and forecasts. eProcurement software also eliminates repetitive manual processes, collects, connects, and tracks data, eases communication, and facilitates collaboration and integration of departments.

In fact, [research](#) had proved as early as 2003 that the extent of electronic procurement an organization incorporated within itself directly impacted the savings and benefits it obtained.



Manual vs. eProcurement

The procurement workflow consists of several steps that automation can streamline. Below is a side-by-side comparison of how the key parts of the procurement process look before and after automation.

Process	Manual Procurement	eProcurement
Looking for Suppliers	• Going through multiple supplier catalogs individually • Looking for information on discounts • Making one on one phone calls to confirm availability of products and to place orders	• Enables comparison of multiple logs of different suppliers instantaneously • Access to real-time information on available quantity, discounts, and sales • Online, fast communication
Order Requisition	• Leaving handwritten notes about items required, their amount, and their prices • Waiting for their acknowledgment and approval	• Entering the demand on a digital platform • Preset conditions approve requisition automatically or route it to the managers for approval
Placing Orders	• Manually creating and approving purchase orders and faxing them to vendors	• Automatic creation of PO from authorized purchase requisitions • Digital sending and confirmation of purchase orders
Tracking Orders	• Placing multiple phone calls to get information on the status of the order	• Easy online tracking through order tracking systems

Benefits of eProcurement

Automating procurement processes not only makes management straightforward but can also deliver benefits that will empower your organization.





Ease of Data Access

Going digital gives you access to a large amount of dynamic, real-time data. Data on purchase requisitions, purchase orders, and information on product quality, costs, bargains, and suitable suppliers can be recorded and retrieved by anyone across multiple teams.

Furthermore, by automating your processes, you can make your audit trails visible, increase transparency, and strengthen control over the entire procurement process.



Seamless Communication

The procurement process requires collaboration between departments ranging from purchase to finance. Even if your business has a separate centralized procurement department, multiple people need to manage and work in it actively. The large number of people involved makes standardization and communication chaotic. Traditionally, communication has been through one on one phone calls, emails, and numerous time-consuming meetings. Shifting to eProcurement enables multiple departments to corroborate information and decisions and communicate instantaneously online.

Internal collaboration and functioning are enhanced by automated workflows that route requests through preset channels. A central procurement platform allows for effective standardization of processes, further simplifying communication. Purchase Order acknowledgments, supplier data updates, requests for quotations and their responses, inquiries about payments, etc., can all be managed and shared easily through an effective e-procurement software. Therefore, communicating with suppliers becomes trouble-free as well



Cost Savings

The cost of handling a single paper document can be approximated to \$4.82. Corporations spend about **\$8 billion yearly to manage paper** alone. A shift to eProcurement can allow for a considerable amount of savings just from cutting out paperwork. Digitalization allows for better inventory management, which provides for an unexaggerated need identification, ensuring efficient utilization of the existing stock. The probability of encountering costly human errors is also significantly reduced.

Manual procurement processes hardly allow for oversights on authorized vendors. This blind spot can make managers approve procurement requests without proper information, thus leading to rogue spending. Automation of approval workflow eliminates this risk. The ease of approval routing and tracking ensures that no money is lost through buying from unauthorized suppliers. Through transparency and oversight, dark spending is bound to get reduced as well. All this can help you reap substantial savings.



Time Savings

Manual procurement processes cost a lot of time. The superior speed at which information can flow and be retrieved in eProcurement can cut down lengthy, time-consuming processes with ease.

Automating tasks saves teams from collecting invoices and performing menial, repetitive tasks. This freed-up time can be invested back into the company, especially on tasks that require human interaction such as building relationships with suppliers, negotiating, setting strategic goals, and enhancing customer support.



Vendor Relation Management

eProcurement allows third-party information to be stored and updated within a single, detailed record. This provides easy access to suppliers' operational performance statistics, history, reviews, and current financial health. Insulation against data corruption is ensured through a network of computers. The performance tracking abilities enabled by P2P automation can reveal invaluable insights, allowing an organization to negotiate terms of contracts with its suppliers effectively. It provides a round-up of well-reputed suppliers known to offer quality goods and timely deliveries. Product quality and prices can be compared without complications.

Relations with well-reputed vendors can be facilitated by allowing them visibility into the status of payments through Vendor Portals. Such technology lets suppliers raise invoices, track purchase orders, and manage payments with ease. These features allow for consistent payment processing, which can help strengthen relationships with suppliers.



Risk Management

eProcurement facilitates risk management right from inventory management to prevent incorrect order estimates, helps keep an eye on the supplier chain, minimizes human error, and can be deployed for analytics on forecasting. Risks can be mapped, visualized, and the efficiency of operations increases through access to improved analytics, tracking facilities, and insights.

As eProcurement improves the visibility of spending patterns, the risk of overspending is mitigated. Increased transparency leaves no room for fraud either. With automation, delays in payments leading to bad terms with good suppliers are effectively eliminated. The risk of human errors is also minimized. Furthermore, it is ensured that no talent gets wasted on menial work.

The P2P Process Flow

The Procure to Pay process is the entire procedure that starts after a need for a requisition is identified. It covers the steps from requisition to payment. Here is the detailed process flow.

Step I: Requisition

When a need is identified, a purchase request is initiated by filling out a purchase requisition form. All requirements are stated, and preferred vendors (if any) are mentioned. The form is then screened to ensure completeness of the information and is then forwarded ahead.

Step II: Approval

Procurement officers evaluate the requisition form by assessing the need, availability of budget, and validity of the form.

Step III: Purchase Order

Data from approved requisition forms is used to generate the purchase order, which is then approved again and sent to the supplier. If the supplier accepts the order, a contract is created after which the goods are shipped.

Step IV: Receipt

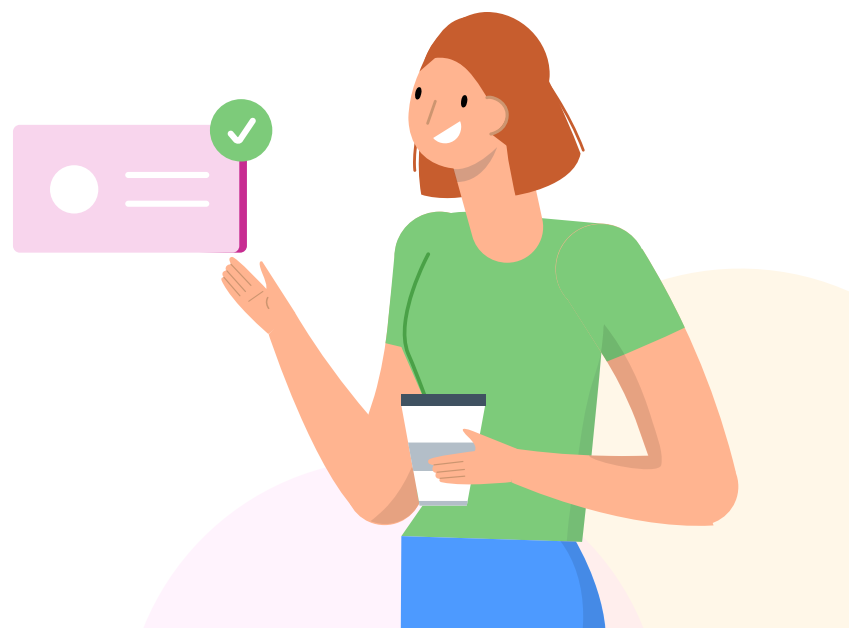
The order is received by the organization and examined to ensure compliance with the terms of the contract and the standards specified in the purchase order. The assessment determines whether the receipt is approved or rejected.

Step V: Invoice

The purchase order, receipt note, and the supplier's invoice undergo a three-way matching process. After ensuring parallelism, the invoice is approved and sent to the finance team. In case of discrepancies, the invoice is rejected and sent back to the vendor, along with a statement about the reason for rejection.

Step VI: Payment

The accounting team receives the invoice and disburses the payment to the supplier per the contract terms. A record of the transaction is then generated and stored for record-keeping.



Before automation vs After automation

Within the P2P workflow, certain processes are dominated by repetitive work or lag behind because of slow communication. These processes need automation to evolve beyond the use of age-old techniques. Digitalization of these processes entirely transforms them by cutting out all manual work involved. The efficiency visibly increases, and the workflow is effectively streamlined. Here's how the procure-to-pay process looks before and after automation.



Purchase Requisition to Order



Before

Purchase requisitions and orders go through multiple approval stages to ensure compliance and accuracy. When manually performed, this process can be unreasonably lengthy. Furthermore, manual procurement may be dominated by poor communication between departments. As they serve as legally binding contracts, mistakes and inconsistencies can have costly consequences. Manually handling purchase requisitions and orders leaves a lot of room for human errors.

After

As employees enter their demand on the purchase requisition form through software, it automatically checks for compliance against the predefined rules. Then the requisition is routed to the managers present in the software as approvers. The approvers can then simply accept, send back, or reject the requisition. Once approved, the buyer validates the PR, and a supplier is chosen. The purchase requisition automatically gets converted into the purchase order. The PO is then routed again for internal approvals and then to the supplier. The supplier acknowledges the order and can immediately start working on it.

eProcurement enables automated routing of purchase requisition forms for approval and digital creation of purchase orders; therefore, it considerably quickens and standardizes the process. Errors can be screened automatically, and departments can communicate instantaneously. Therefore, the process becomes visibly transparent and straightforward.

Invoicing to Payment



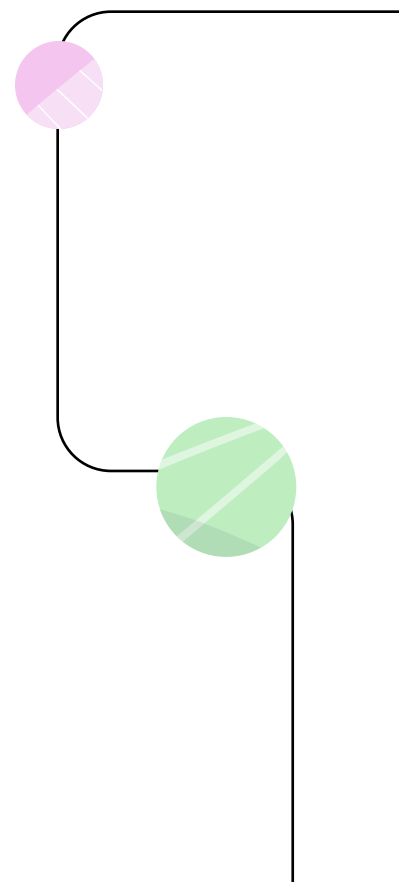
Before

Tracking and paying invoices manually leaves opportunities for errors in data entries and the purchase requisition, good receivable note, and supplier invoice matching process. Receipts can end up misplaced, invoices may be submitted late, and data can be incorrectly entered. Furthermore, the poor visibility of the process can also lead to off-contract spending, multiple submissions of invoices, etc., making businesses susceptible to fraud.

After

As soon as supplier invoices are received, their data is scraped and automatically entered into the accounting software. Automated three-way matching ensues, and any discrepancies are noted. Invoices are then routed for approval. They are forwarded to the finance system and processed for payment if authorized. Records are generated and maintained.

Automating the invoicing process cuts out manual data entries and excess communication. Preset routing quickens the process, and digital matching ensures that there are no errors. Moreover, multiple submission of invoices is made impossible, mitigating any risk of fraud.



Supplier Management



Before

Segmenting suppliers and creating different strategies to deal with them is necessary for procurement departments. Approving and shortlisting suppliers based on past performance has traditionally been lengthy and cumbersome. Storing, tracking, and retrieving this information can prove to be even more difficult.

After

eProcurement simplifies the entire vendor management process by automatically creating vendor profiles based on the rules your organization sets. Automation allows for a centralized supplier database to actively be created, maintained, and updated with real-time data on orders, pricing, delivery, past performances of vendors, etc. RFQs are gathered and verified by software and digitally compared amongst preferred vendor profiles.

With automation, supplier management and vendor comparison become uncomplicated, AP risks are effectively mitigated, and informed choices can be easily made.

Contract Management



Before

Manual management of contract workflow is complex at all scales. When orders are placed, contracts have to be created and managed, and compliance with their terms must be ensured. Communication gaps further bog down the process, and errors can greatly cost companies.

After

In eProcurement, contract workflow processes become automated right from contract creation. SAP and ERP systems ensure that the information in your contracts stays linked to the actual data. This allows for quick, automatic creation of consistent purchasing contracts, which are then routed through a predefined management loop. Concluded contracts are then stored digitally. Following this, the processes of retrieving, updating, renewing, or terminating contracts become straightforward. Management terms can be set digitally as well, further simplifying the process.



7 Steps to a successful eProcurement Journey

eProcurement is undoubtedly the future of the P2P process. If you are convinced this is the way to optimize the performance of your organization, below is a step-by-step guide for you to initiate a successful eProcurement journey:



- Create a Business Case
- Build a Solid Digital Strategy
- Educate Benefits to Drive Change Management
- Identify Internal Champion
- Kick-Off Pilot
- Train the Workforce
- Monitor and Measure Success



Create a Business Case

The first step is laying down a business case to convince the C-Suite to move towards automation.

What Your Business case Should Have

- The context that shows the need for change
- An economic analysis that predicts the ROI
- The commercial approach required to put the plan into action
- The financial case showing costs and affordability
- The management approach required to execute the plan

Why You Need One

You will need to present a business case to justify your opinion on why to automate your procurement department and what are the costs, benefits, and risks associated with it.

How to Go About Your Case

Before beginning, you will need to ensure that you possess a thorough understanding of the goals for the company. Identifying the key stakeholders and understanding their expectations from the transformation is crucial. All of this groundwork will allow you to tailor your case to your company's aims. Within the case, problems with the current procurement processes must be identified with precision, and the need for your organization to solve them must be explained. Also, whether you aim to lower costs or strategically improve supplier relations, your goals need to be clearly defined. Furthermore, you will need to accurately describe your proposed methods of measuring business objectives, costs, and risks.

Example

Consider the following approach

I: Context

Highlight statistics like PO cycle time, supplier defect rate, cost per invoice and PO, etc., and show the projected KPIs after automation to add substance to your case. Quote the expenditure a company loses through dark spending. You can further present the economic risk associated with not shifting to eProcurement, e.g., losing market share/ customers if the transition is delayed or not implemented.

II: Economic Analysis

Show ROI calculations. Consider the following table:

Benefits (5 Years)	Cloud (5 Years)	
Activity	Low Estimate	High Estimate
AP Automation FTE Savings	• \$400,000	• \$600,000
AP Automation Efficiency Gains	• \$400,000	• \$600,000
Request to PO Savings	• \$30,000	• \$90,000
Printing Cost Reductions	• \$43,750	• \$175,000
Invoice Processing Cost	• \$700,000	• \$2,100,000
Total Projected Benefits	\$1.57M	\$3.5M

Show your organization how the total projected value of the hard and soft benefits of eProcurement lies between 1.57 and 3.5 million dollars.

III: Commercial Case

Highlight how the shift will facilitate customers through the provision of goods of a consistent quality, quick service, etc.

IV: Financial Case

Show the costs of different types of popular procurement software along with their affordability to your organization

V: Management

Mention the extent of the involvement of the IT, Procurement, and Finance departments.



Build a Solid Digital Strategy

A solid digital strategy ensures that your plan gets implemented with ease.

What Is It

Your digital strategy will constitute your plan on how to incorporate digital tools within workflows to help achieve company goals.

Why You Need One

Building and presenting a clear digital strategy will let you demonstrate to the stakeholders how digital tools will act as enablers to the more efficient working of the organization.

How To Lay The Strategy Out

Show how automation will fill in the existing gaps in your organization and how you aim to integrate it within the current processes. The inclusion and participation of the IT Department would be necessary to understand the current software ecosystem. Finally, you can nominate a leader to drive the initiative and facilitate collaboration with stakeholders.



Educate Benefits to Drive Change Management

Making the stakeholders aware of the advantages the organization will derive from the change is a critical part of convincing them to take the initiative.

Why It Is Needed

Communicating goals, benefits, and values can help mitigate potential resistance and accelerate the shift.

How To Go About It

You will have to map out how each stakeholder benefits from the outcomes of automation. Showing how the shift to eProcurement facilitates and creates synergy between Procurement, AP Finance, and IT will help your case. Make sure to have an open channel to receive feedback and discuss concerns.

Example

Let the workforce know about the menial activities like lengthy data entry processes that will go redundant after automation.



Identify Internal Champion

Choosing a person to lead the initiative would streamline the transition, allowing easy management.

What Your Champion Should be Like

You need to nominate a person who possesses technical and practical knowledge and management skills.

Why Do You Need One

Having a champion will ensure that your organization makes solid progress in its transition process.

How To Collaborate With Them

Present your market research findings to your chosen champion to work together to identify and understand the available solution providers. You will have to determine the best fit for your procurement process by qualifying and evaluating your selected software providers. Deliver proof of their efficiency to the stakeholders.

Example

Your nomination can be a prominent member of the IT department, a technology/IT procurement buyer, your digital transformation officer, or your procurement transformation consultant.

Kick-Off Pilot

After you have chosen a solution provider, testing your solution with a pilot run is necessary.

What Is It

The pilot run will include test-running the software to observe and analyze the results.

Why Do You Need One

Pilot running can let you check the compatibility of your solution with your organization's current workflows. It also allows you to identify any potential problems and gaps beforehand so that you can work with your solution provider to fix them.

How To Go About The Process

Analysis of current processes will help you nominate a suitable solution provider for a pilot run. You need to:

- Select a group of users and suppliers who can participate in the pilot run.
- Make your business requirements known to the solution provider.
- Work with them and the IT team to set up the required infrastructure.
- Configure, test, and go live with the built solution.



Train the Workforce

Once a platform is finalized, the workforce will have to be trained to work through it.

Why Training Is A Must

Familiarizing the workforce with the software is crucial to ensuring that employees can use it properly. This way, you will be able to ensure that the transition to automation goes as smoothly as possible.

How To Go About The Process

Your organization can create training materials, or obtain them from your automation service providers, for different user segments. These can include self-help guides on

- How to raise a request
- How to raise a support ticket
- How to set up a process
- How to define approval workflows
- Establish the dos and donts in the process

Training drives will have to be conducted to familiarize every user with the platform. You will have to define the roles and responsibilities of different user groups in your guides. Arranging customized demonstration sessions for each user group will help the organization transition smoothly. Platform training will have to be mandatory for any new employees you hire.

You will also have to enable and encourage users to report any issues or challenges they may face. Facilitate the users by following the reported challenges swiftly to instill confidence among them.



Monitor and Measure Success

After your solution has been integrated into the system, you will have to carefully monitor its performance.

Why Monitoring Is Necessary

Tracking and measuring improvements will be necessary to gauge your organization's performance pace and the software's performance.

How To Monitor Properly

Monitor how quickly the reported issues get resolved. Compare your organization's post-implementation performance against its aims and close any gap between expected and actual results. Measuring KPIs like Purchase Order Cycle Time, Cost per Invoice, Spend Under Management, and Procurement ROI will give you a clear picture of the changes in the organization's operations.

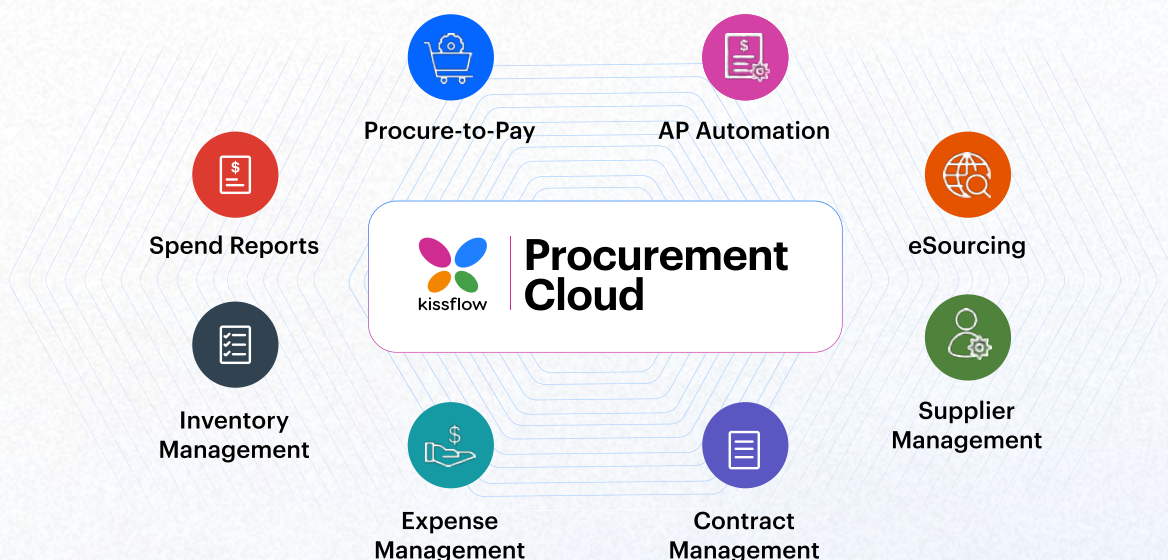
Once success is confirmed, do a phased rollout for the rest of the organization to optimize its performance to the maximum.

Endnote

Procurement is at the core of an organization's financial strength and in today's world, the need for automation is evident. Transitioning towards eProcurement promises long-term value and high ROI. Initiating a digital revolution for your organization should no longer be a question of 'If' but how soon.

About Kissflow Procurement Cloud

Kissflow Procurement Cloud is a flexible procure-to-pay software that enables businesses of all sizes to streamline their procurement processes. It has everything, including purchase orders, purchase requisition, vendor management, purchase invoicing, analytics, and integrations, all in one unified platform. If you're transitioning from manual procurement management tools or replacing disparate point solutions, look no further than Kissflow Procurement Cloud.



Take control of your source-pay process

Request a free demo

