PERSPECTIVE

# More Cash, Less Cost:
## Next-generation procure-to-pay

-Raja Bondada, Matt Wright


## Abstract

In recent times, Procure-to-Pay (P2P) operations have matured significantly with enterprises leveraging shared services and global delivery models to drive efficiencies. P2P processes have improved immensely with the use of lean methodologies, robotics and automation. And so have business metrics with analytics and six sigma techniques, giving rise to the question – what next?

This paper discusses how the forces today are creating a perfect environment for a comprehensive technology platform-based e-invoicing and supply chain financing coupled with strong P2P operations to unlock significant business value.


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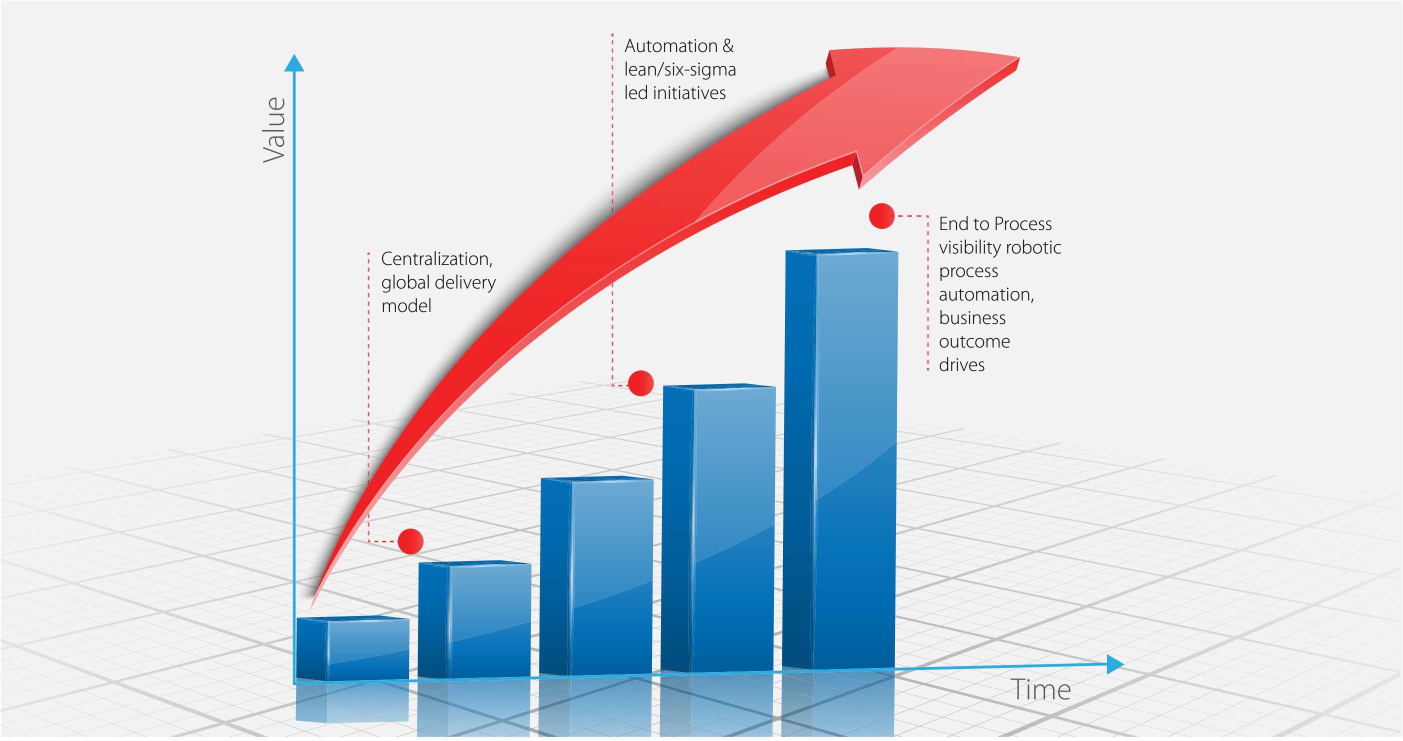
## Procure-to-Pay, in maturity ascendance

Over the last 15 years, P2P business processes in global enterprises have undergone significant transformation. Early adopters of the shared services model leveraged either the 'globally-centralized' or 'regional hub-and-spoke' model to bring standardization, efficiency, scale and end-to-end process ownership in their P2P operations. Over time, these P2P operations have unleashed the next wave of efficiency working closely with their shared services leaders or BPO / BPS partners in the form of robotics process automation, process re-engineering, rationalization, and improved visibility and control of both processes and business outcomes.




As we look at the current trends, P2P transformation has matured significantly with rising expectations of the business as the key driver. On the efficiency side, elimination has emerged as a grand narrative and theme. For instance, manual invoice process – scanning, OCR / ICR (data extraction) and workflow automation – has given way to technology-driven data exchange through supplier-buyer networks or electronic invoicing (e-invoicing) initiatives. An e-invoicing solution helps eliminate paper-based manual accounts payable (AP) process by bringing suppliers on an electronic business exchange platform to facilitate buyer-supplier transactions. This drastically reduces the effort involved in effectively managing a diverse supplier community with supplier platforms for near real-time visibility of transaction status. On the effectiveness side, the impact on business outcomes is more compelling – driving an on-time, every time operational metric is now more within the reach of line managers. And so are newer metrics to measure effectiveness such as 'yield' and 'spread' from early payment discount programs, which relied on upfront net-negotiated terms for discounting. P2P organizations are now eyeing the unrealized potential of early payment discounts within the addressable spend categories of suppliers. This is merely a start!

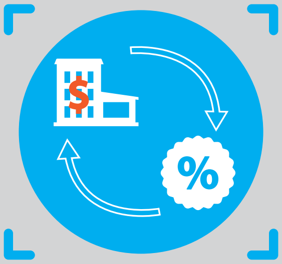
## Traditional efficiency and effectiveness measures are passé

As P2P transformation leaders look ahead, businesses are demanding next-generation value from them, given their earlier contribution to overall value from an efficiency and effectiveness perspective. Traditional efficiency is almost a passé and effectiveness shown with improved business metrics is fast becoming 'business as usual' for transformation leaders. So what lies ahead?

### Dawn of supply chain financing+

The P2P value chain can unlock significant cash flow, especially in this "cash is king" era where CFOs are looking at lighter balance sheets with lower net working capital. This can be realized by leveraging a robust technology platform to enable supplier financing across both dynamic discounting and supply chain financing. In such a scenario, supplier financing could be the solution to unlock significant cash flow and be the next-generation value differentiator in P2P.

### Supplier financing



Supplier financing is the process of paying approved invoices early in exchange for a discount. Supplier financing can be broken into two main categories: dynamic discounting and supply chain financing.

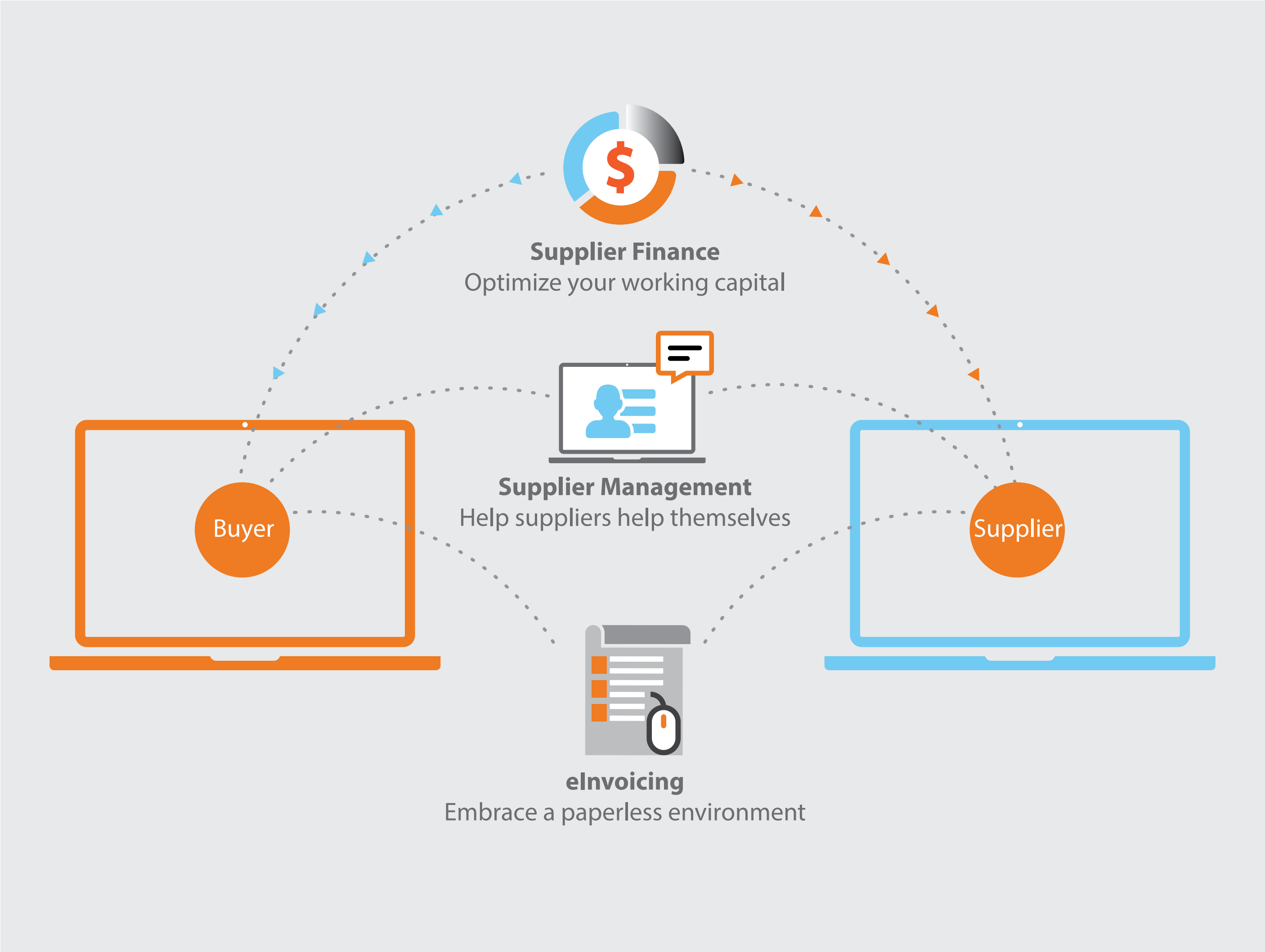
### Dynamic discounting and supply chain financing

Dynamic discounting is a business process where suppliers can "elect" to receive early payments for specific invoices (their master vendor terms remain unchanged) in return for giving up a small percent of payment (discount amount). For instance, supplier A supplies materials to company B regularly and has a 60 day term. With dynamic discounting, supplier A offers an option to get paid early in exchange for a discount. While the concept sounds simple, the real driver of successful dynamic discounting programs is the supporting process and technology to enable these transactions. Key questions to ask are: how will the supplier contact its customers about their financing need and what discount is the supplier willing to give in return for early payments? Structurally, answering these questions on a one-off basis is a big challenge. This is where technology plays a huge role.

Similarly, in supply chain financing, suppliers can get paid early on approved invoices in exchange for a discount. The difference is that a third-party financier funds the early payment, not the buying enterprise. The financier essentially "lends" money to the supplier based on their receivables as collateral. This works well for suppliers who can borrow money off the credit rating of their customers – a huge advantage for them.

A strong technology backed solution to drive supply chain financing is a big imperative for enterprises to realize next-generation value. Here's an illustration of a technology player which offers all three components of supply chain financing e-invoicing, supplier platform (to drive paperless process, increased self-help driving further efficiency), and dynamic discounting on a holistic and integrated technology and process platform.

This model offers three distinct advantages: self-service approach to dynamic discounting with supplier AR users' ability to click invoices for dynamic discounting.




A 'higher coverage' of spend across short tail, mid-tail and end-tail to ensure custom-fit solution based on the suppliers' financial needs. The financing arrangements are all "ready-to-use" and backed by providers' banking tie-ups and relationships.

Integrated supplier platform and e-invoicing suite: This solution is pre-packaged with an e-invoicing suite and supplier platform to drive self-service and reduce cost of AP operations whilst improving and automating processing times.

## Integrated transformation program: Critical success factors

At the outset, an integrated transformation program includes e-invoicing, supplier platform, dynamic discounting and supply chain financing.

While everyone agrees that the prospect of leveraging supply chain finance to achieve next-generation P2P transformation is bright, business leaders are inherently uneasy about predicting a successful program outcome, especially in a distributed enterprise with centralized leadership, delegated authorities, regional shared centers, and business process service partners. Success rests on the following important elements:

- An integrated delivery model with unified governance and ownership: "One neck to choke" – a popular adage is probably apt in driving this program. In our experience, we have seen that best results are achieved by ensuring one partner / delivery owner is designated who would take responsibility for all aspects of AP KPIs, committed supplier adoption, and meeting minimum business case from a supply chain financing and dynamic discounting perspective. This includes ownership for building the e-invoicing interfaces, supplier platform, and analytics support. Enterprises are now realizing that business process service providers are best suited to drive this program but need to provide holistic services with "skin in the game".
- Change management: In our experience, lack of focused change management across different stakeholders is a significant impediment to success of such transformation programs. With one team driving this initiative from operations and technology perspective, alignment is much stronger within the provider group. However, a much focused change management program becomes easier with teams aligned to one goal.
- SWAT teams: Investing in strong teams or deploying e-invoicing champions who come with deep domain expertise and extensive training in products as part of setting up the SWAT team is a critical element of success of these programs.
- Strong AP process capability: One building block and prerequisite for e-invoicing / dynamic discounting is a well-oiled, rigorous accounts payable process which can support the requirements of dynamic discounting and ensure payments are made on time to suppliers.

This solution addresses the CXO metrics of lower cost of operations, lower net working capital, and improved relationship and collaborative partnership with suppliers – truly, a winning proposition for all stakeholders.

## Conclusion

### Delivering results: Right supplier, right price, on-time, every time

To capture the full value of P2P, an integrated P2P service delivery backed by a technology platform for e-invoicing and supply chain financing is essential. This will make P2P the next value destination for procure-to-pay process owners, ensuring what is expected from a P2P operation – purchase goods and services from the right supplier at the right price, and deliver and pay for them at the right time.

## About the Authors

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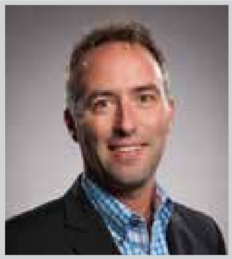
Raja Bondada leads Finance Transformation and CFO advisory services for Americas. He has over 18 years of experience in the finance domain. Raja is a Chartered Accountant from India and a certified six-sigma black belt. He is based in Dallas, TX.



### MATT WRIGHT

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Matt is a 15 year veteran of global P2P technology solutions. Beginning his career in the global eInvoicing network industry, Matt led several successful global eInvoicing conversion programs before joining Taulia as employee #7. As Taulia's Vice President of Customer Success, Matt collaborated with customers to uncover and maximize the full value of the Taulia Business Exchange, building and scaling the entire customer success team from 1 to 80 employees. Matt ensured the successful delivery of several Taulia programs, including managing the technical delivery, business consulting, and supplier support teams. Currently, Matt is the VP of Partner Solutions, working with Taulia's strategic partners to drive joint success. Matt serves as a member of the Executive Staff.

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