



GEARING UP FOR A HAUL

TOUCHLESS PURCHASE ORDERS IN THE MINING INDUSTRY

Abstract

Thus far, the mining industry has been slow in adapting technology to streamline tedious manual processes. However, driven by adverse market conditions, it is gearing up for better sustainability through bringing in automation. This paper discusses the transformative potential of one such initiative – ‘touchless’ purchasing.

Lagging behind

Since decades, mineral mining organizations have used processes that mostly involve manual effort. This not only makes them time consuming but also introduces the risks of serious manual errors and failures. Though technology has disrupted most manual processes and

functions across industries, the mining industry has been slow to keep in step with the pace of change.

However, with prices plunging drastically due to a crash in global commodities market followed by another hit due to the

global pandemic, the industry is gearing up for better sustainability with the help of technology. Today, many mining firms are taking baby steps in this direction through incorporating basic system advancements such as PO automation.

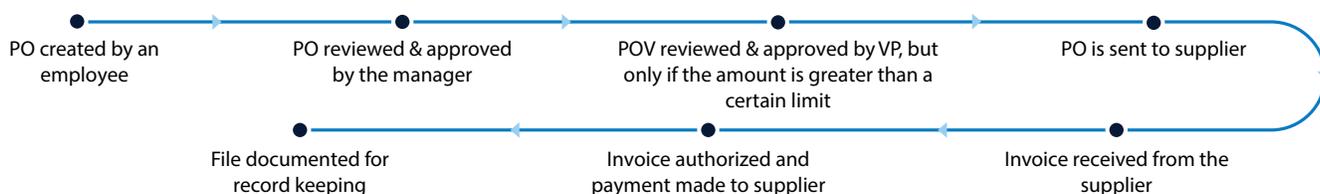
Tedious, complex purchasing

In general, the purchase order process — namely the conversion of a purchase request (PR) to purchase order (PO) — is often long and complex. End users generate the PRs using manual purchase requisition forms, or they are generated through a material requirements for planning (MRP) system based on pre-

defined rules. These requisitions are converted into POs by a procurement team following appropriate processes.

For those requirements where contracts and/or outline agreements (or price agreements) exist, the PO is created referring to the appropriate prices and pre-

agreed terms, while those requirements not covered under such agreements are processed manually based on the approved standard operating protocols – taking necessary quotations, conducting negotiations, and obtaining the necessary approvals.



As suggested by the above, the entire process while requiring a large amount of back and forth communication also demands considerable time and resources.

Despite this, the purchase process is prone to errors, inaccuracies, and at times even compliance issues. Also, more often than not, it conditionally requires the approval

of senior leadership if the amount exceeds a certain threshold, making it even more tedious. Thus the urgent need to bring in automation.

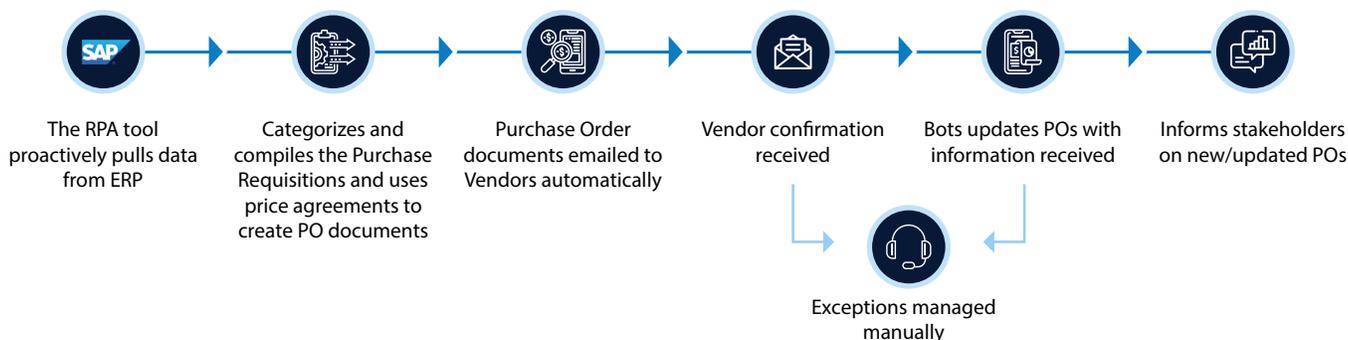
Going touchless with automation

PO automation uses centralized software such as SAP, SAP-Ariba, Oracle, Coupa, or similar systems to create a PO process that automatically sends a purchase requisition

to the appropriate staff member for approval. Once approved, the system automatically sends the PO document to the vendor. Thus, automation significantly

reduces human intervention and streamlines the PO process, while allowing for the setting up of rules and checks to ensure that the desired process is followed.

Robotic Process Automation



Some of the key benefits of touchless POs are:

- **Fewer errors** – if the rules are set appropriately, human errors can be eliminated
- **Time and money savings** – processing PO requires fewer human resources, reduces administrative costs, and is carried out in minimal time. Unlocked productivity – the Procure-to-Pay (P2P) team can spend more time on important tasks such as planning and executing rather than on manual processing tasks in SAP, communications, documentation, and manual reviews.
- **Better compliance** – the organization can set any desired rules, as and when necessary, such as which team members are allowed to request products, who has the authority to approve requests, and what criteria must be met before creation of the PO.

- **Increased transparency** – automation provides a 360-degree visibility of the ordering process with easy to generate reports.
- **More security/ease of audit** – data confidentiality is ensured with user-based access and audit trails

It can be practically difficult to process all of an organization's PRs through a touchless PO route, especially if its supply chain maturity is not very high. However, even a 30% to 40% rate of adoption can garner significant benefits for an organization in the early stages.

Therefore, transformation aimed at PO automation must focus on benchmarking the current procurement process maturity and bringing it up to best-in-class. Next, RPA and other cutting-edge technologies need to be leveraged to reduce processing costs and FTEs, and finally the spend under contracts or outline agreements can be increased and spend leakage reduced.

Having said this however, there are a few pre-requisites that must be met for PO automation, namely that the master data should be accurate and regularly updated. This includes:

- Material master data – for accurate details related to each material code
- Vendor master data – for up-to-date details on vendors and their readiness status for touchless processing
- Outline agreement data – information such as details of materials the vendor will supply, to which plants, at what price, and under what agreed upon conditions
- Source list – each material code must have one approved vendor

In time, all requisitioning can be shifted to touchless purchase orders through ensuring that existing outline agreements (including those based on contracts) are complete with all desired information.

Counting the gains

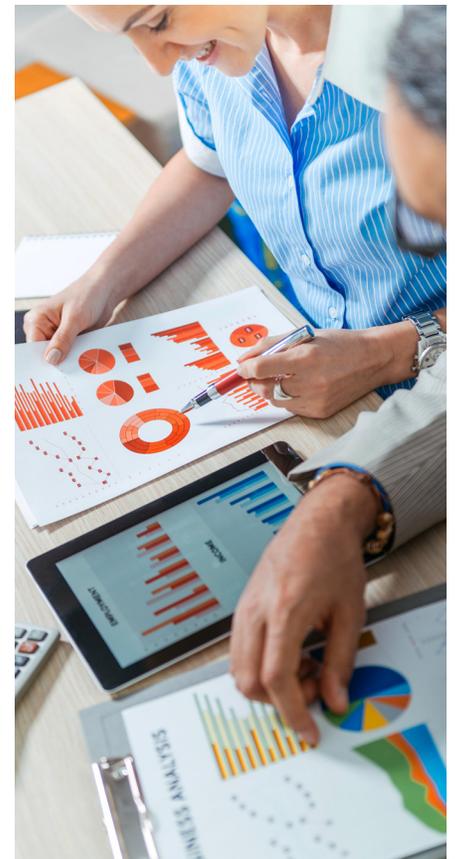
In the mining industry, touchless PO adoption can deliver significant benefits apart from the generic benefits of increased process efficiency, reduced human errors, enhanced visibility into the process, and greater flexibility and control.

Since the maximum benefit is for the low value high frequency purchase items, this category is usually the primary target for transformation. Organizations that have made the shift to touchless have realized over 30% reduction in manual labour as well as increases in contracted spend by as much as 80%. Also, by focusing on factors that lead to better control, compliance, and increased savings such as minimizing direct change buy, PO automation also helps in significant reduction of spend leakage.

Through adopting technologies like Ariba

deployed through an SAP ERP platform, mining firms have recorded a 40-60% increase in e-sourcing transactions. Additionally, with higher outline agreement coverage, the PO automation lever has helped with streamlining the vendor base by as much as 25% to 35%. In fact, increasing outline agreement coverage through the overall spend of the client further boosts the benefits for the organization through improved spend analytics and real time reports.

In sum, going touchless not only leads to an increased maturity of the supply chain, in turn it makes the organization even more efficient and leaner. In fact, along with cost and process time reductions, the increased transparency and compliance gained helps in developing more effective strategies and planning for further cost control.



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Debaprasad (DP) has over 25 years of experience in Strategic Sourcing, Procurement & Supply Chain Management in multiple industry verticals. He has been leading delivery for large S&P Projects in Infosys BPM since the last 8 years. He ensures the right resources for the projects, monitor them, interact with customers and ensure the customer gets the right value from the contract and domain perspective.

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Swapnil has over 10 years of experience in Sourcing and Procurement across mining, manufacturing, global sourcing and logistics, and EPC projects with exposure across wide variety of equipment, commodities, and services.

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