Procurement & Payables: A Strategic Partnership
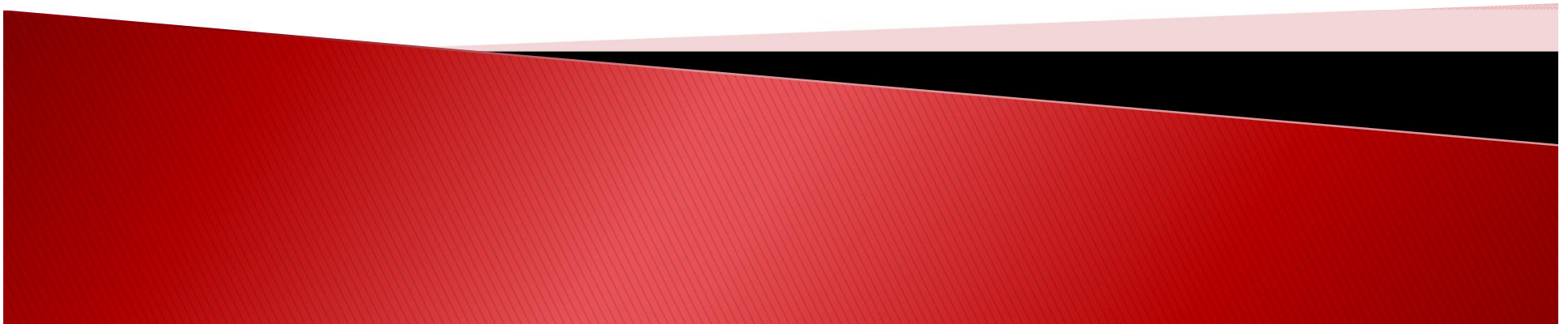
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▸ **Trends are now focusing on the entire Procure-to-pay process. <u>E-procurement technology</u> provides an opportunity to develop a <u>strategic partnership</u> between Procurement and Accounts Payable. <u>Streamlined processes</u> lead to efficient solutions and as a result, leads to <u>cost savings</u> and an improved end-user experience.**

▸ Procure-to-pay systems like SciQuest, Ariba, or Zycus have assisted organizations in a seamless process. In these systems, transactions are highly visible from the point where they are procured, to receiving, and finally to payment. In order for these organizations to succeed the various components (vendor services, purchasing, contracting, accounts payable) must be able to interact and work as a team.

Procure to Pay

Considerations

- Must have a separation of duties by role/department (ex. ability to create a vendor in ERP, ability to create a PO, and ability to make a payment).
- Must cross-train all purchasing and AP departments so each has a strong understanding of the entire P2P process.
- Need strong customer support center(s). Single point of contact is a key to success.

History of TTU

- Originally there were two departments:
  - AP which consisted of: AP, Travel, Pcard, Vendor Services
  - Purchasing which consisted of: Purchasing, Contracting
  - Resulted in division, lack of coordination, no strategic initiative, lack of common goals
- Currently:
  - Payment Services, Contracting, Purchasing, Travel, Pcard, Surplus Property, Vendor Services all report to Director of Procurement Services
  - Resulted in joint effort on contract negotiation, policy development, supplier implementation and management, and common strategic initiatives

History at TTU

- TTU Purchased Banner & SciQuest in 2008.
- In 2010, saw a reorganization of department as a result of increased efficiencies:
  - Staff of 52 reduced to 38, currently 40
  - Added more strategic positions: Attorney and Spend Analytics Manager
  - Began in-house analytics program
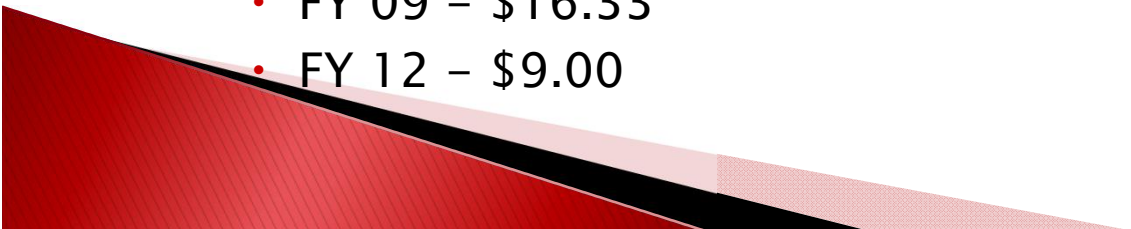 - Began e-invoicing

History at TTU

- Requisitions
  - FY 08 – 18,334
    - Had 20,761 non-compliant direct payments
    - Had 53,158 pcard transactions
  - FY 09 – 98,378
  - FY13 – 101,859
    - Had 1,371 non-compliant orders
    - Had 3,465 direct payments (compliant)
    - Had 49,467 pcard transactions
  - Average # of days to complete FY 09 – 3.0105
  - Average # of days to complete FY 13 – 2.169

History at TTU

- Payments
  - FY 08 – 57,646
    - Had 20,761 non-compliant and/or direct payments
  - FY 09 – 98,378
  - FY13 – 59,805
    - Had 1,371 non-compliant orders
    - Had 3,465 direct payments
  - Invoices processed per staff
    - FY 10 – 775.538
    - FY 12 – 1210.14
  - Cost to complete an invoice
    - FY 09 – $16.33
    - FY 12 – $9.00

System Capabilities

- 26 E-invoicing vendors
- Use PO Flip functionality for additional efficiencies
- Require electronic receiving
- The system serves as a repository for ALL documentation throughout the procure-to-pay process (quote, contract, insurance certificate, receipt, packing slips, invoices)

Strategies

- Weekly joint manager meetings
- Shared initiatives
- AP sits in on key vendor meetings and contract negotiations
- Monthly Procurement Services forum for campus with topics from all procurement areas.
- Shared goals and strategic plans
  - What licenses to use (purchasing and E-Invoicing)
  - Where to dedicate department resources
  - Joint statistic analysis

Positive Outcomes

◦ Eliminated 11 positions for annual cost of $497,657 (4 were attrition, 2 retired, 1 was transferred to another area)

◦ Hired two more strategic positions at $120,000 combined (attorney and spend analytics manager)

◦ AP assists with negotiating contracts (payment terms and types, payment discounts, E-Invoicing use)

◦ Team effort on vendor implementations and contracts

◦ Positive work environment

Benefits of a Strategic Partnership

- Identify duplicate payments, unused credit memos, lost of missed discounts
- Reduce transaction costs
- More controlled vendor process
- Ability to create spend review – true cost savings from P2P cycle (efficiencies, contract savings, payment discounts)
- Ability to take a proactive approach on sourcing opportunities
- Transformation to a paperless process across the board

How to make this work?

▸ Support from administration

▸ Teamwork – cooperative spirit

▸ Progress of moving to an automated environment

▸ Vendor "partnership"

▸ Spend analytics to show us where we were and where we need to go

▸ Optimization of payment strategies

Support from Administration

- Prepare a plan for cost (up-front and ongoing)
- Show management initial cost savings projections
  - Cost per transaction projections
  - Staffing – Rather than a reduction in staff, call for an optimization of staff (ex. this payer can better serve as a contract analyst)
  - Contract Savings (drive spend to best value contracts)

Teamwork – Cooperative Spirit

- Develop improved process flowcharts
- Revise policies/procedures
- Lead team by example
- Regular strategy meetings (management and staff)
- Training (for staff and end-users)
- Good customer support center

Automated Environment

- Identify all processes
- Identify which processes are paper driven
- What automation can your agency afford initially?
- Automation can occur gradually
- Not everyone is competent at technology – prepare for the struggle
- Choose vendors that are technology capable

Vendor Partnership

- Get vendors on-board with your strategies
- Identify vendors with capabilities or be prepared to train vendors
- Conduct regular meetings with key vendors
  - Statistic analysis
  - Review contract requirements
  - Identify areas to improve
  - Get vendors involved with your agency

Spend Analytics

- Identify KPI's necessary to gauge your improvement
  Cost per PO/invoice
- Pricing comparison between similar commodities/.com pricing/previous contracts
- Analyze what spend is "off-contract"

Optimization of Payments

- Prompt payment discounts
- Electronic invoicing
- Pcard use
- ACH
- Virtual card payment programs

Resources

- http://www.supplychainredesign.com/publications/p2p_benchmarking.pdf
- http://usa.visa.com/download/corporate/mid_size/program_optimization/global_best_practices_executive_summary.pdf?sym
- http://www.purchasing.upenn.edu/news/ag_bpe_0512.pdf
- http://www.sharedserviceslink.com/article/six-best-practices-for-procure-to-pay-in-a-recession

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