

Procure to Pay Optimization

As more companies are seeking to move beyond procurement into fully deployed supply chain systems, a key challenge for many companies is in the area of improving efficiency in their procure to pay cycle for many of their contracted services, especially in the area of facilities maintenance and on-site contract management. Multiple challenges exist in environments where field associates are working from manual or electronic systems, requisitioning on-site services for maintenance or other activities, and ensuring that this information is captured effectively.

In addition, significant challenges exist to ensure that the proper service level agreement is fulfilled, the correct price is charged, the purchase order is transmitted correctly, the invoice matches, and finally, that the supplier is paid the correct amount for the actual services delivered. While many enterprise systems claim that these elements are simply defined within their structural logic, the truth is that there are many opportunities for error, and that without a planned process for managing the procure to pay cycle, your organization may be bearing significant costs due to non-compliance to system or process requirements.

Procure to Pay

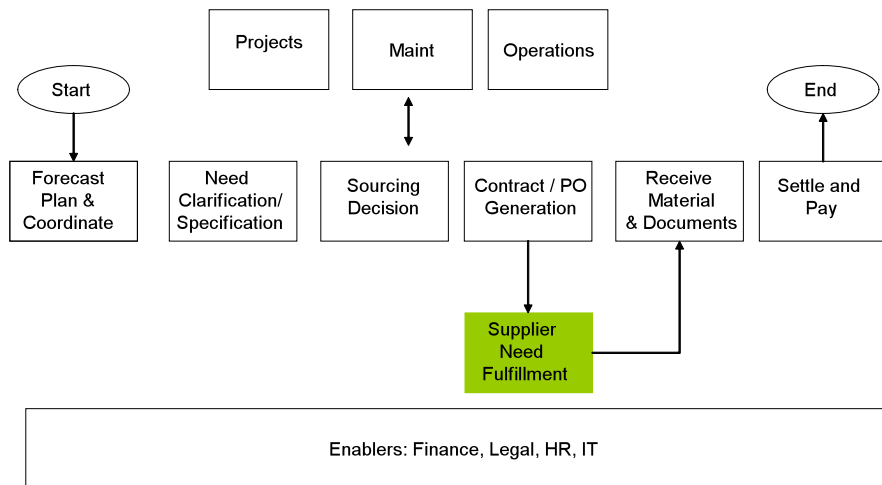


Figure 1. The Procure to Pay High Level Process

A major issue of most organizations is also determining, defining and using appropriate Buying Channels depending on the situation in which the materials or services requirement occurs. All purchase are not the same. A “buying channel” is a process to specify a need, locate the supplier of that need, determine the terms of acquiring the need and executing an agreement for the supplier to fulfill the need. An efficient and effective procure to pay process contains processes and buying channels that are designed to “fit” different situations and circumstances encountered by end users of the P2P process.

The overall objective of a buying channel strategy is to:

1. Ensure that internal customers are satisfied, with the right materials procured from the right supplier for the best overall value and delivered to the right place at the right time,
2. Accomplish this at the right operating costs balanced by the value and importance of the goods / service purchased.
3. Enable effective efficient communication between requester, buyer and suppliers,
4. Enable and high level of data integrity to enable accurate tracking of costs,
5. Provide usable leverage for sourcing and negotiating material contracts.

The multiple buying channel strategy allows a procurement organization to gain greater transparency and control over its external spend while providing maximum flexibility to ensure the diverse needs of the organization are met.

DRK Research (DRK) can provide a Procure to Pay (P2P) assessment with the key objective to identify opportunities to improve transactional efficiency such that the procurement staff could shift their efforts from “pushing” transactions through the system to strategic sourcing and contracting activities. DRK team members interview employees, suppliers and subject matter experts and develop process maps for the areas under review. Disconnects (issues or opportunities) are identified and cataloged and process changes identified. In addition, transaction data are reviewed, buying channel and spend concentration analysis are also conducted. In most cases, P2P efficiency can be increase 20-30% and transactional cost reduced by 30-50%.

DRK Research is a focused provider of business services using advanced analytical models developed through our rigorous research and application programs and targeted at high value business opportunities. We also deliver education services to large and mid-size companies that help put the models to use. DRK's global research team has a strong history of commitment and success in serving clients in North America, Europe and China.

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