

**OPINION
PAPER**

Redefining the Finance function by transforming Purchase-to-Pay

Join the quiet revolution in enterprise finance by elevating the role of P2P from transactional to strategic



Is your Purchase-to-Pay process broken? Let's fix it.

In many organisations today, Purchase-to-Pay (P2P) processes are broken or deeply dysfunctional, and therefore in need of re-energising. It's an under publicised issue that affects up to 70% of today's enterprise Finance departments.

This observation by Sopra Steria stems from more than 20 years' experience of working with leading enterprises. It's backed up by Finance Directors (FDs) and Chief Financial Officers (CFOs) who tell us these broken processes result in a lack of clarity around their cash position due to uncontrolled spending. Others report how they're struggling to deploy new technology solutions to drive added benefit from their buying and invoicing processes.

Further issues with current P2P practices include a failure to implement effective Purchase Order (PO) processes and a lack of predictive spend analysis, which make it hard to forecast accurately.

But how do you identify the broken processes that stand in the way of effective and efficient P2P operations? This paper identifies the primary indicators to look for, explains their impact on the business (see table, facing page), and offers an approach to transformation that will deliver a world-class P2P operation.

Tackling and remedying these issues gives FDs and CFOs a gilt-edged opportunity to drive deep and lasting improvements to the business by:

- Transforming the role of P2P from transactional and tactical to strategic with a role that's more aligned to a value-adding Source-to-Pay (S2P) model.
- Elevating the contribution and importance of the Finance function to the business.
- Enabling Finance to influence and drive business change with more accurate and trustworthy management information.

Defining Purchase-to-Pay, Source-to-Pay and Sopra Steria's approach

Purchase-to-Pay (P2P) is the business process that connects the Purchasing and Accounts Payable functions within an organisation. In many businesses, the process is dysfunctional because it doesn't cover the full scope of the process.

Source-to-Pay (S2P) is similar to P2P but goes a step further back into your supply chain to identify the optimum goods and materials for the business to procure, as well as providing all the services that fall under P2P.

S2P adds additional value over P2P by feeding rich and current information back into the Procurement department. This information typically offers analysis of supplier performance and effectiveness, value for money and so on, which helps the business continuously enhance its procurement operation.

Sopra Steria's approach offers all the rich insights described above, but enables the business to retain complete control of its sourcing decisions. Why? Because we understand that sourcing - especially in retail and manufacturing, but in many other industries too - is a key means by which businesses differentiate their lines and gain competitive advantage.

Sopra Steria's approach offers you the best of both worlds.

The symptoms and impact of sub-optimal P2P

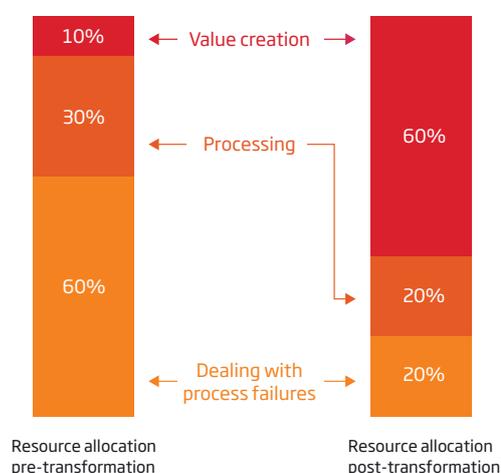
There are a number of indicators of a broken P2P process. The following table describes the symptoms to look out for and their impact on the business:

Symptom	Impact on the business
Non-PO and off-catalogue spend	Prevents traditional P2P solutions functioning and stands in the way of Finance being more open to e-invoicing and tail spend solutions.
Paper invoices sent to people other than Accounts Payable (AP)	Liability not recorded, significant exception handling costs for company and supplier, and extra delay and cost at the data capture stage.
Invalid invoices submitted	Costly and time-consuming exception handling with the company suffering from this bad practice; extra service desk/AP call handling when suppliers are not paid, and can jeopardise future supplies if payments to suppliers are put on hold.
PO raiser no longer works for the business	Can lead to truncated invoice receipt and processing.
Electronic Data Interchange (EDI) file interface issues	Inappropriate e-invoicing solutions undermining the move to an optimal solution.
Difficulty predicting working capital	The broken processes described in this table lead to tensions in working capital forecast and management, with Treasury often having to maintain balances to satisfy emergency or unplanned spends in each period.

Moving away from transactional P2P processing, and expanding towards a holistic S2P model, enables Procurement to make a greater contribution to the business, but without any loss of control over their vital role.

And by creating efficiencies in P2P processes, Finance can bring about a fundamental shift of resource away from repetitive tasks and towards value creation.

This example shows how, in Sopra Steria's experience, transforming P2P enables a dramatically higher proportion of Finance resource to focus on adding value to the business:



In our experience, the top levers for improving P2P are:

- Effective e-invoice solutions, including PO flipping and sourcing catalogues/contracts.
- Solutions for areas such as tail spend and effective sourcing management, to enable maximum matching of supplier invoicing to authorised spends.
- Spend analytics linked to strategic sourcing reviews to increase the value added by other tactics such as targeted supplier statement reconciliations.
- Overall process cost savings of up to 50-60% from a full e-invoicing implementation.

Identifying sub-optimal P2P

If any of the following conditions are present in your business, there are almost certainly opportunities for you to drive improvements by moving from transactional P2P to an enhanced approach:

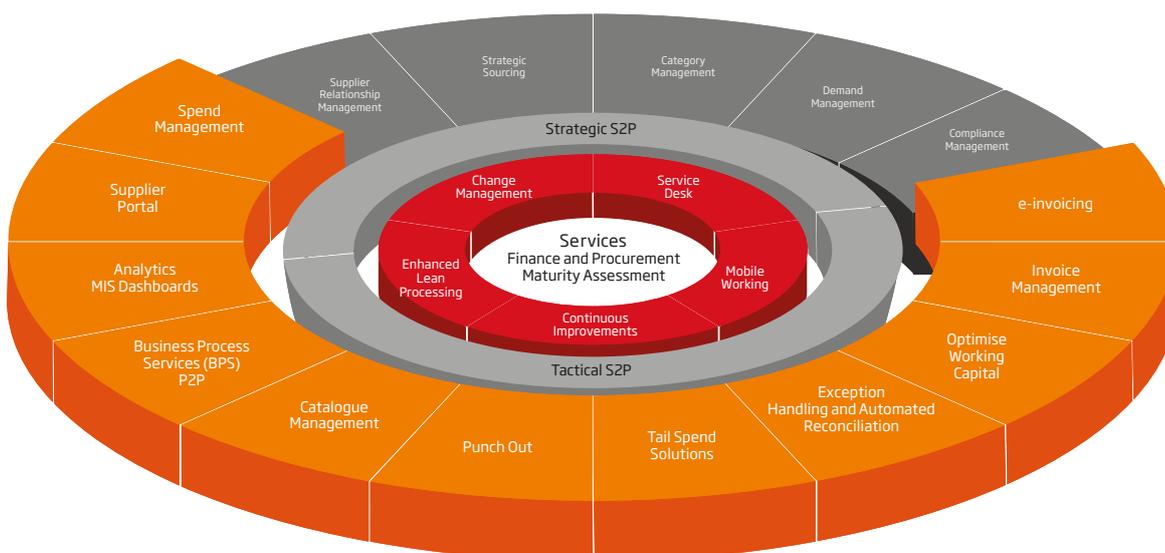
- Finance is unable to play a strategic board role and lacks the actionable insight needed to show a real-time picture of business performance.
- Control is lacking, with cash flow hard to manage, risk exposure hard to measure, and internal controls potentially weak.
- Finance is underperforming, for example being over-reliant on inefficient and labour-intensive manual processes.

What sets Sopra Steria P2P apart?

Sopra Steria offers a means to gain the advantages of a high-value S2P model while leaving you in full control of your procurement processes. This offers you the best of both worlds:

- You retain independence in your procurement choices, because we understand these are often core to the business, and a source of differentiation and competitive advantage. For example, it's essential for a retailer to sell precisely the type of garments its customers want to buy, so sourcing the right items is fundamental to the company's continued success.
- You determine your vision, strategy and policy, and we will make sure the supporting processes are executed reliably and efficiently - either as an optimised, technology-enabled in-house process or an outsourced service.
- Unlike regular P2P services, our enhanced P2P capability adds spend analytics, insight and intelligence to help you continuously improve your procurement and sourcing choices.

Where Sopra Steria adds value and helps mend your broken processes



Transformed P2P in action

The hallmark of Sopra Steria P2P is the provision of trustworthy management insight back into Procurement. This creates immediate opportunities to drive efficiencies, cut waste and maximise buying power - as well as giving the business a truer picture of its own position.

Our manifesto for better P2P

We believe that:

- Organisations can add 10% to profit before tax by managing sourcing more effectively
- No business should accept that 60% of staff time in Accounts Payable departments is spent dealing with process failures
- Suppliers should bear 100% of the responsibility for ensuring invoices are accurately presented and matched

Sopra Steria offers an unrivalled blend of expertise and delivery capability. This can help you both transform your P2P processes and deliver the insights that enable the Finance department to make a significant strategic contribution to the business.

We work in successful partnerships with some of Europe's largest organisations:



Insights into your current position are presented via a single authoritative portal that displays real-time information. This allows both you and your suppliers to gain an accurate and up-to-date view of activity, and to reduce the time and effort spent on chasing and remediation.

In addition, Sopra Steria adds performance-enhancing innovations to traditional P2P service provision, for example:

- **Self service** - Online purchasing catalogues minimise cases of staff ordering outside pre-agreed contracts and reduce the effort and complexity of the ordering process.
- **e-invoicing and supplier self service** - Many organisations have struggled to implement effective e-invoicing and rely too heavily on technology change. Sopra Steria recognises the cultural change that is required for both the organisation and its suppliers, and will focus attention on the uptake and use of the service. This reduces cost and improves the user experience.
- **Mobile and web access** - Dynamic organisations need the ability to approve, place and amend orders on-the-go. Mobile and web access are key features of modern P2P processes.

“Our relationship with Sopra Steria has evolved into a true partnership over the last 20 years, and we are extremely pleased with the quality of the existing finance and accounting BPO we have in place and the cost savings and service improvements delivered, particularly over the last 5 years. We are confident Sopra Steria will continue to actively support us as we continue to drive efficiencies across the business.”

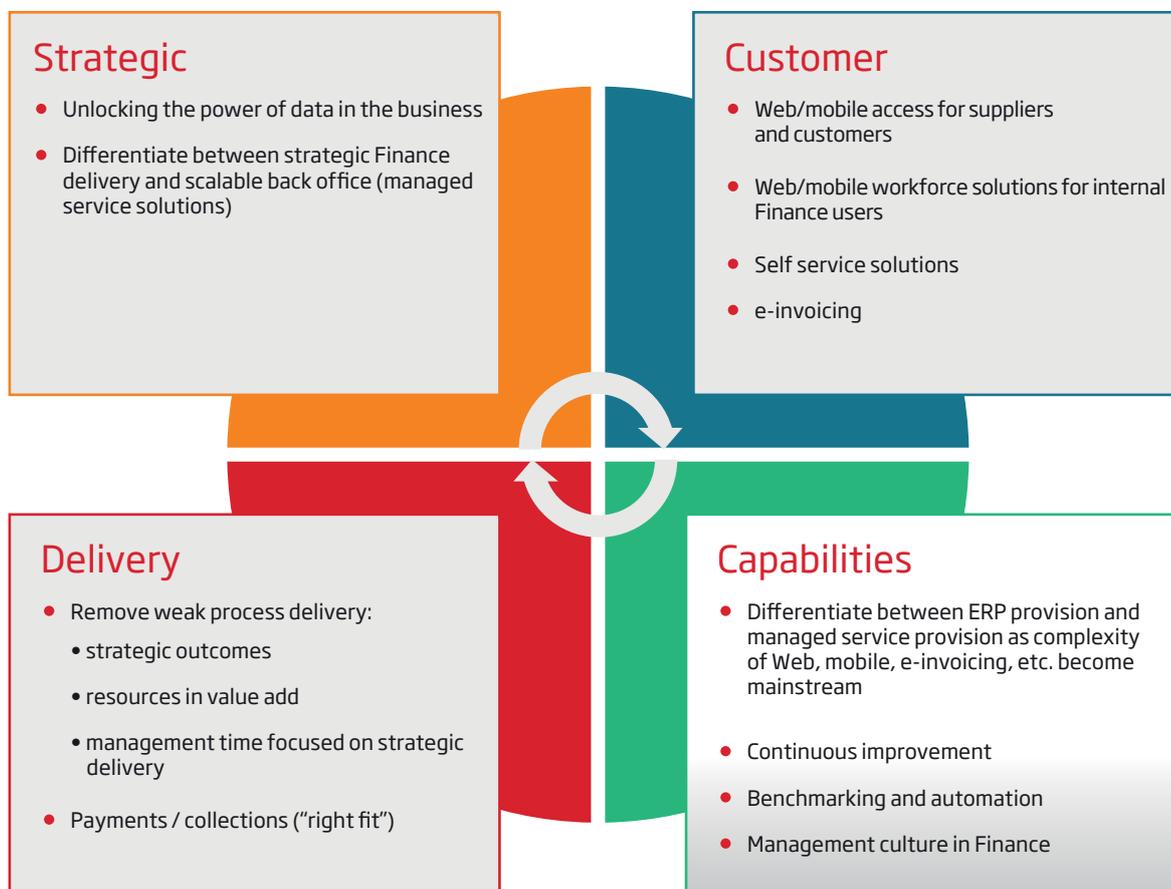
Bhavesh Mistry
Finance Director at Whitbread

Start your P2P transformation with confidence

For the estimated 70% of businesses in which P2P is sub-optimal, determining how and where to begin fixing P2P is often a challenge in itself.

Our formalised Finance Maturity Assessment (FMA) represents an ideal starting point. Using the FMA framework that's been successfully applied to assessing many aspects of enterprise finance for over 20 years, we apply the FMA methodology to evaluate your current P2P processes. The FMA considers four critical areas of your existing operation, with the goal of identifying where transforming your current processes will yield the greatest ROI.

Sopra Steria Finance Maturity Assessment



Flexible solutions, expertly delivered

What does Sopra Steria P2P look like? We offer you the choice and flexibility to adopt the best approach for your business - whether that's a blueprint for a re-engineered process or a wholesale strategic shift to outsourced Business Process Services (BPS).

Our enterprise-proven suite of expert consulting and systems integration - alongside a globally mature Business Process Outsourcing (BPO) offer - is simply unique, and brings you greater choice and flexibility than any other comparable provider.

Adding value, maximising results

We offer a range of services to help ensure the success of your project:

- **Education** - to ensure new processes are understood and have buy-in from the relevant teams
- **IT implementation** - to deploy any IT solutions that will be used to improve or automate P2P
- **Processes** - to formally create and define any new ways of working
- **Training and change management** - to ensure users are skilled and confident with new technologies and processes

“*Overnight, missing invoices have become a thing of the past. Also, having access to reporting has made a huge difference to the way that we strategically manage our finances.*”

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Jeff Deane
Director of Finance
Westminster Primary Care Trust

Proven on an industrial scale

Enterprises can choose Sopra Steria with confidence:

- 98% of our clients would recommend us
- We work in successful partnership with leading enterprises throughout Europe, including the:
 - Top 5 European retailers
 - Top 5 European telcos
 - Top 10 European banks

The leading independent BPO analyst Nelson Hall ranks Sopra Steria as the number 1 UK P2P BPO provider, the number 1 F&A BPO provider for Europe, and the number 2 overall UK F&A BPO provider.

For the public sector, we are the largest Shared Services provider in Europe, and the number one provider of Government Shared Services in the UK.

Enterprise-ready

Choosing Sopra Steria gives you confidence you're in safe hands:

- **Scale** - we have the depth, reach and experience to deliver on an industrial scale
- **Know-how** - as an outsource provider, we intimately understand business processes
- **Control** - you're assured we'll deliver the right balance of efficiency and control

Find out more

For more information about Sopra Steria's extensive range of services and solutions and our diverse portfolio of IT-enabled business services, visit: www.soprasteria.co.uk or email info.uk@soprasteria.com to request a call back from one of our consultants.

About Sopra Steria

Sopra Steria, European leader in digital transformation, provides one of the most comprehensive portfolios of end to end service offerings in the market: Consulting, Systems Integration, Software Development and Business Process Services. Sopra Steria is trusted by leading private and public organisations to deliver successful transformation programmes that address their most complex and critical business challenges. Combining high quality and performance services, added-value and innovation, Sopra Steria enables its clients to make the best use of information technology.



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