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CATEGORY INSIGHT E-INVOICING AND FINANCE



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IN THE process of researching this white paper I was struck by a comment made

by Pete Loughlin, a procurement consultant specialising in purchase-to-pay (P2P) systems. Loughlin has often seen for himself just how dysfunctional relationships can be between procurement and finance.

He said: "Finance and procurement only ever speak to each other when there is a problem. If you only ever interact with somebody when there's a problem, you don't really get to like them."

He's right. Apart from creating an unpleasant workplace experience, it's also unnecessary – and is the progenitor of countless missed opportunities. As this white paper shows, there are ways to streamline the P2P process that can help bring the two functions together, make life easier for suppliers and provide a platform for more value-adding initiatives such as supplier finance.

Andrew Sawers

Special projects editor,
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The engine room

Driving the business forward means that procurement and finance have to work together, writes **Andrew Sawers**



AMONG ALL the talk of the importance of building relationships in business, one tie that is increasingly in the spotlight is that between procurement and finance. It can be pivotal in the quest to get the cylinders in the corporate engine firing in harmony with each other, rather than being mismatched and blowing out the gasket.

Every firm already has a relationship between procurement and finance: procurement spends money, finance tries to impose budget limits. Procurement buys from suppliers, finance pays them.

Andrew Nichols, head of procurement at Tungsten

Network and product lead for the Tungsten Analytics product, explains the conceptual framework of the relationship: "Procurement is there to help get best value out of the spend and finance is there to make sure that the spend is well-controlled and governed," he says.

But it's not that easy. Pete Loughlin, managing director of procurement consultancy Purchasing Insight, says: "Most of the time, that relationship is dysfunctional." The problem, he notes, is the two functions often only interact when there is a problem: finance demands spending cuts leaving ➔

E-INVOICING AND FINANCE

procurement with little insight as to how best to achieve them; or finance isn't prompt in paying suppliers, who complain to procurement.

The roots are essentially cultural, says Loughlin, even though the focus may be on technology. "People claim they want to share information, but they don't, really – and finance doesn't fully appreciate what procurement's needs are. If procurement asks finance for a load of data, they get given a cut of data that makes sense to finance people, but it makes no sense to procurement people because some of the data is excluded or just not relevant," he says. Moreover, he adds, enterprise resource planning (ERP) systems often don't record things that matter to procurement.

Cradle-to-grave processes

Better purchase-to-pay (P2P) systems go a long way to giving both functions the tools, clean data and information they need and can help drive an improvement in the relationship between the two functions. "A system that is aimed at better managing P2P is always going to facilitate shared knowledge because you're managing the whole flow of a transaction from cradle to grave," says Loughlin.

An electronic invoicing (e-invoicing) system is essential to achieve best practice in P2P. Loughlin says paper invoicing is "an anachronism in the modern world."

It's also fraught with opportunities for errors, mismatching against purchase orders (POs) and inordinate queries from finance, which are

all too often left to procurement to sort out. Add to that the process inefficiencies that arise from (in the worst cases) scanning printed invoices that arrive in the post – or even scanning print-offs of emailed PDFs. "In 2016, how absurd is that?" exclaims Loughlin. "Using paper as a transport mechanism for digital data."

Instead, e-invoicing makes it possible to have auto-matching against POs and straight-through processing. Mondelēz International, a snacks group known for its Nabisco, Toblerone and Cadbury brands, with revenue of around \$30bn, has been using Tungsten Network's e-invoicing portal for its suppliers for the past three years.

"We got rid of the paper and we ended up having more accurate invoices which we are able to post into our ERP system, untouched by human hand," says Mark Boswell, European procurement business process manager for Mondelēz (see box: *Hands off*). "There is still this belief in the marketplace that things such as OCR [optical character recognition] and scanning engines will do just as good a job – but I've yet to see that in reality."

He adds: "We can say without a shadow of a doubt that the Tungsten process is more efficient than a paper process or an email process. We measure that."

Achieving success with any financial system requires finance and procurement to pull together. GSK procurement director Sam de Frates arrived at the pharmaceutical giant in 2013 during a major IT project to rationalise more than 150 separate enterprise resource planning (ERP) systems down to just one version

HANDS OFF

"We've come a long way with e-invoicing in three years," says Mark Boswell, European procurement business process manager for global snacks group Mondelēz International. In Europe, the leading region within Mondelēz for electronic invoicing (e-invoicing), more than half of invoices come in electronically via Tungsten Network, with around 58% of those being dealt with without human handling.

Process efficiencies and more accurate data are two obvious advantages. But the next step could be even more advantageous, Boswell says. By capturing the purchase order data that leaves Mondelēz and the invoice data that comes back from the suppliers, "they're able to do some smart, quick and effective analysis on that data," he says.



Send P

Make a

“One of the issues we’ve had is in trying to get good data visibility. What Tungsten has managed to do for the invoices on e-invoicing is capture all that data more effectively than we’ve done before,” says Boswell. Moreover, it can provide useful information – for example, spend information by vendor or by category such as packaging or ingredients – while enabling finance to quickly drill down into specific invoices.

“It’s early days, we’re looking at the analytics tool, but I see big things for it because the restrictions we had before [with our electronic resource planning system] were lack of accuracy and lack of speed.”

Expansion of e-invoicing is a goal shared by both procurement and finance. The target for 2016 is to get 65-70% of invoices onto e-invoicing, with 70% of them on straight-through processing. “Everyone is pushing in the

same direction,” Boswell says, “but it’s procurement that owns the process, end-to-end. Inevitably, however, it’s more difficult for procurement people to understand what goes into receiving an invoice and paying a vendor, so that’s one of our challenges we’ve had to get a lot closer to.”

The closer working relationship between procurement and finance has also generated other opportunities to extend the partnership, such as the introduction of supply chain finance tools. That helps finance to optimise cash and working capital management, but again “it’s procurement that’s been having the conversations with the vendors, explaining the technical details about supply chain finance and what it can do for the vendor’s company and ours.

“A healthy supply chain is good for procurement.”

of SAP. While the country-by-country rollout initially proceeded at a rapid pace, opportunities to make improvements surfaced. It was difficult, for example, for employees to set vendors up in the new system and to know how to use preferred buying channels. Keeping up-to-date with data also proved challenging and there was a lot of manual intervention in invoice processing as simple errors created discrepancies between purchase orders and invoices.

“The system was deployed but the processes and operations weren’t fully aligned,” de Frates says. “A pause in the deployment enabled our global P2P process owner, Kevin Oliver, to take a step back and reflect on the global SAP template.”

An end-to-end review was undertaken involving procurement, finance and IT. “Every step of the P2P process was mapped out and assigned at least one key performance indicator (KPI),” says de Frates. “Then we worked out what we needed to do to our systems, processes, and policies to deliver a step-change in our overall service performance.”

Gaining momentum

GSK’s senior leadership team was briefed on the nature and the scale of the challenges. “That drove momentum behind the project,” de Frates says. Everyone appreciated the importance of getting this right and what they needed to do in order for every function to help achieve the business’s strategic goals. There is now even a single monthly report sent to the whole of the corporate executive team demonstrating progress against a single set of procurement, finance and compliance P2P targets. ➔

E-INVOICING AND FINANCE

“Procurement’s objective is to increase our value delivery while also making the buying process simpler for our employees and improving our relationships with our suppliers. This can only be achieved if we have a user-friendly P2P system that allows the business to easily find what they need from preferred sources, so it benefits from the best deals that procurement has negotiated,” de Frates says.

“Our P2P ambition is to make the buying and paying processes simpler and efficient for our employees and suppliers, with the right controls in place to manage risk.”

An important point that de Frates makes is that “while finance and procurement have their own KPIs, we cannot be individually successful without the success of the other.”

That fits with what Andrew Nichols at Tungsten Network has found: “The organisations where procurement and finance work closely together create the most value for their businesses,” he says.

In other words, the corporate engine works best when the cylinders fire together. ■

SUPPLIERS’ DEMAND

Encouraging suppliers to adopt e-invoicing can be one of the more significant challenges for buying organisations, but that can be addressed if the benefits to suppliers are explained:

- They can be sure their invoice has been submitted properly.
- They can track progress of their invoice, making it easier to find out when it will be paid without having to phone their customers.
- If the buyer so chooses, it can be a platform on which to base an early payment supplier finance offering.

There is a complication for suppliers in that, while buy-side organisations only have to use one e-invoicing system, suppliers may have to become familiar with a number of systems if their key customers are all using different platforms. Even so, suppliers using Tungsten Network, for example, will typically find that a number of their customers are already on that platform. If anything, therefore, it helps suppliers streamline their own processes if as many of their customers

as possible ask them to use the e-invoicing platform.

Similarly, buying organisations coming onto Tungsten Network, or rolling it out to new territories, may well discover that many of their suppliers are already using it with other customers.

However, some supplier resistance is to be expected. “That’s why we need the procurement organisation to buy into this journey as well,” says Mark Boswell, European procurement business process manager at Mondelēz International. “What you’re looking for is to have more of a mutual partnership [with suppliers] over the longer term. That’s what you strive for. [E-invoicing] is a benefit for us both.”

A longer-term partnership with suppliers certainly includes the relationship with the e-invoice service provider. “If you’re going to chop and change from one platform to another every couple of years, you’re going to have a rough time,” says Boswell. So will your suppliers. “When you sign up you’ve got to be in it for the long term.”

ABOUT OUR PARTNER

TUNGSTEN CORPORATION aims to be the world’s most trusted business transaction network by using data intelligently to strengthen the global supply chain.

Tungsten Network is a secure e-invoicing platform that brings businesses and suppliers closer together with unique technology that revolutionises

invoice processing, maximises efficiency and improves cash flow management. The network also provides users with real-time spend analysis through Tungsten Analytics, and offers access to Tungsten Early Payment, a form of alternative finance for businesses.

Tungsten serves 56% of the Fortune 500 and 67% of the FTSE 100.



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