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A step-by-step guide to end-to-end Procure-to-Pay, in one platform

By Lucy Day, Senior Solutions Engineer at Proactis

The Procure-to-Pay (P2P) process – in the absence of a solution to manage, automate and streamline it – can be filled with a huge amount of paperwork, back and forths, process gaps, compliance issues, and manual, time-consuming tasks. All of which means an overall lack of control and visibility of spend.

Many organisations are turning to technology to drive automation across all aspects of the Procure-to-Pay process.

By 2025, an estimated 50% of organisations around the world will be using a cloud-based P2P solution, according to reports.

What is Procure-to-Pay (P2P)

P2P comprises several stages that make up the end-to-end process within an organisation ordering a product or service from suppliers, through to making the subsequent payment. The main stages are:

Buyer
- Establishes the need for a good or service
- Requisitions goods or services from selected supplier, if known
- Where necessary, submits for approval

Budget Holder / Approver
- Reviews requisition against available budget
- Approves or rejects
- If approved, a PO is issued to the supplier

Supplier
- Fulfils order and goods and services are delivered to the buyer
- Supplier raises invoice quoting customer PO number

Buyer
- Receipts successful delivery of the order

Accounts Payable
- Receives invoice and matches raised PO number to invoice
- Supplier is paid and departmental budget / cost centre is debited

Step 1.
Requisitions and Purchases Order (PO) Requests

The way in which people buy things within an organisation has changed significantly over the years.

While traditionally it was always considered a function to be carried out by Finance or Procurement. It is now expected that any user within the organisation should be able to buy the goods and services they need to do their jobs. Not only this, but all via a digital experience akin to buying online, that makes it simple and easy for the user, while ensuring they are buying from approved suppliers and against contracted pricing.

It is now far more common for users to raise a purchase request, where the system sign-posts the items / services and suppliers to buy from. This removes the need to raise a requisition to send to a specialist buyer, unless under certain conditions such as value of spend, meaning Procurement teams are only brought in when necessary. This not only lessens the burden on those teams and allows them to focus on projects needing their valuable skills and specialist knowledge, but it also streamlines the ordering process, ensuring that the order follows the appropriate approval process before the PO is generated and issued to the supplier.

Where this input is required, the solution should provide the appropriate means for users to identify their requirements, which could be through the appropriate procurement resources to collate high-level specifications for goods/products and terms of reference (TOR) for services, and statements of work (SOW).

After these are completed, a formal purchase requisition is created, ensuring that all necessary administrative requirements are met, so they can then be routed for approval in order to generate the PO to the supplier.

Step 2.
Requisition / Purchase Order Approval

Essential to any P2P solution is the ability to ensure order requests are routed via the correct approval workflow, allowing for flexibility to accommodate different process flows for different types of spend, value, or how potentially the order has been coded.

Approvers, upon being notified of orders that require approval, will then be able to view spend against budget, in order to verify it is available, and approve or reject as appropriate. Approved purchase orders are then dispatched to suppliers via email or a portal they, and their customers, are able to connect to. This ensures all necessary authorisers will have visibility of spend at all times, and appropriate approval decisions can be made taking into account the budgetary position at the time of order request.
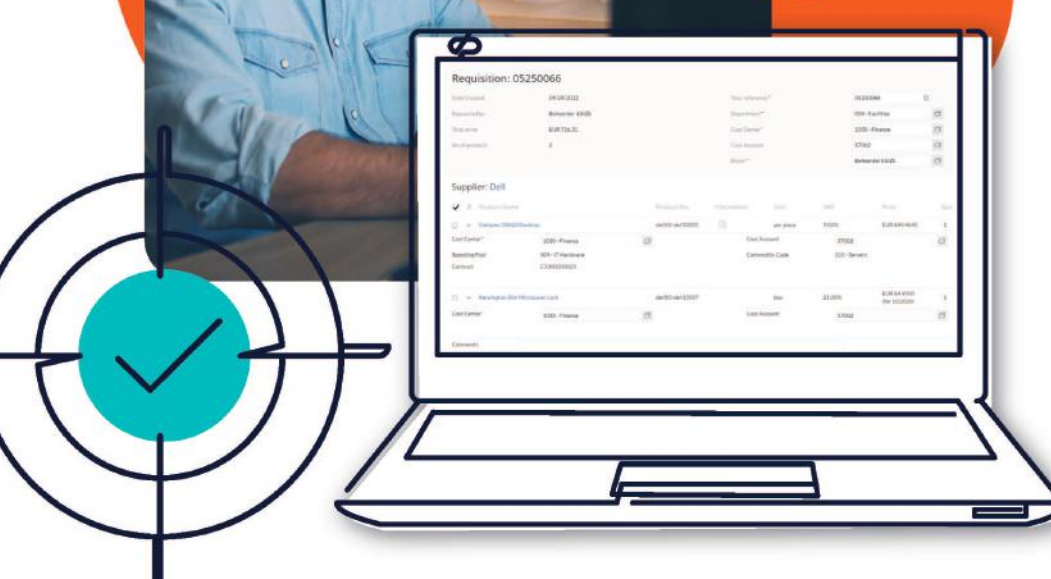
Equally with requisitions, the workflow ensures that approvers can either approve or reject a purchase requisition after evaluating the need, verifying the available budget, and validating the purchase requisition and the additional information provided to support the request – allowing for incomplete purchase requisitions to be rejected back to the initiator for correction and resubmission.

Step 3.
Goods Receipt / Invoice Acceptance

Goods receipting has always been a topic for debate, as it is potentially a task that, in the absence of a P2P solution, users will not have previously been required to do. However, it is an essential part of a robust P2P process.

The term also doesn't always resonate with organisations that have a far higher level of service spend as opposed to goods related spend. Therefore, the term "Invoice Acceptance" may be more appropriate to articulate why receipting a good practice.

This essentially informs the business that the goods or services ordered have been delivered or completed, and to a satisfactory standard, thus confirming to the Accounts Payable (AP) team that the invoice, when it arrives, is OK to pay – subject to a successful match/process. To ensure that users comply with this requirement, the process should be simple; notifications should prompt users when to do so, and provide multiple means of doing so, whether through the main application or via a mobile app. This process is necessary in order to protect the business from paying invoices before services or goods have been provided, or where they do not meet the requirements as specified.

Step 4.
Invoice Matching and Approval

Once issued, invoices should always be processed digitally, to remove any need to manually re-key and therefore potentially delay the invoice process and increase the risk of entry errors.

Once registered, and subject to a receipt having been completed, a three-way match between the purchase order, invoice and the goods receipt can take place to complete the transaction. The appropriate posting can be made into the ERP or Finance system, allowing the invoice to be paid. Efficient and robust invoice processing is key to ensuring that invoices are paid to terms, but also to ensure discrepancies are handled appropriately, and in a way that ensures any genuine overspend is approved before being paid.
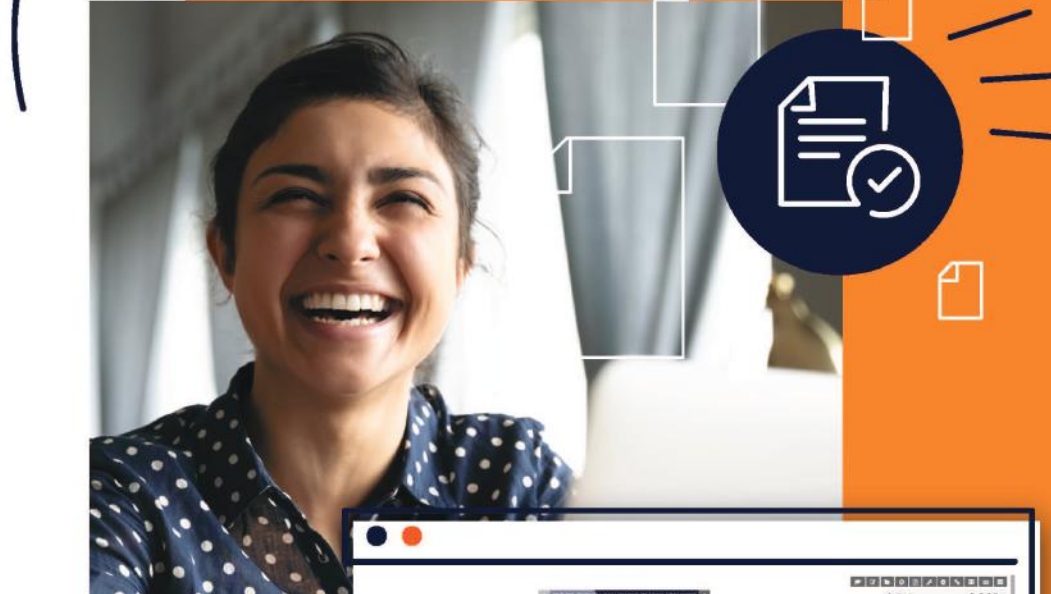
With all this in mind, it is interesting that so many organisations, when considering a P2P solution, still decide to process Purchase Orders in one system, and process invoices and matching in another. When you understand the interdependency of the process in terms of data flow, this can see the issue with this approach. Matching is dependent on receipting being completed (which is best practice), and that is always driven from the delivery date of the order, creating the appropriate tasks and notifications to users when necessary.

So, if receipting sits alongside ordering, how can invoices arriving in a separate system be matched without there being integration to provide that information, and what would happen if the receipt hadn't been completed, or if that integration failed? Simply, it would delay the whole invoice process. A seamless, end-to-end process managed through a single application removes these issues.

Summary

Put simply, the P2P process should be seamless, and should be housed within a single platform to ensure it can be managed fully end-to-end. This will not only help drive efficiency, but reporting and insights from a single source, provide visibility to enable organisations to make more effective buying decisions, and look towards where potential savings can be made.

Lucy Day
Senior Solutions Engineer, Proactis

"I actually first started using Proactis in 2005 via a partner, and it ignited what has become a long-standing passion of mine, Procurement. I loved using the solution, and now I am able to watch it develop and become even more sophisticated for our customers."

Procure-to-Pay is intrinsically linked to your operational procurement processes, from order requisitioning to the processing of the invoice. With Proactis Procure-to-Pay, also known as Purchase-to-Pay and P2P software, you can control the whole purchasing process – from order request and approval, to order creation and receipt – across all products and services, in one system. You can guarantee that your employees order within the defined procedures, policies and budgets. The solution takes the 'online shopping experience' for users to the next level, with features such as intelligent search functions helping the user to find the products and services even easier, across all buying channels.

The software displays the correct steps in the buying process (guided buying), so that even occasional users can complete the requisition flow without the order requisition process ensures that orders are placed with contracted (preferred) suppliers and as per the correct conditions (compliance).

Contact us for a personalised demo:

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