Procurement P2P implementation

The following Knowledge piece has been generated by Mike McAdam, Procurement Director at Deloitte Touche Tohmatsu Ltd, following extensive development and implementation of P2P into the organisation.

CIPS members can record one CPD hour for reading a CIPS Knowledge download that displays a CIPS CPD icon.
Introduction

To support spend management within Deloitte Touche and Tohmatsu Ltd the procurement team were tasked with researching the most effective method of delivering a global approach to purchase order and spend management.

The process of new system implementation needs to meet the needs of the company and also support as seamless integration process that will minimise disruption to users through a training and development and stakeholder engagement plan.

Assessing the benefits to a new operating system
The following factors should all be considered and factored into a business case.

01 Control of spend – International and Local
02 Savings
03 Governance and compliance
04 Process efficiency and improvements
05 Cash management benefits

The new business case should consider areas of mapped out initial spend and further cost implications that may be incurred for system development over a five year timeline, this area of analysis should look to identify the financial support required for implementation and the overall return on investment.
A mocked up financial profile over a five year timeline is provided as guidance.

**The main drivers for the business case are shown below.**

- Self funding after the initial investment
- Control of spend before it occurs, not afterwards
- Governance and control of suppliers to be used
- Process efficiency in AP space
- Further cost savings in the future
- Tactical buying

It is a very large task if you assume full control and responsibility for a Purchase to Pay (P2P) solution. P2P is relatively low value transactional work and a P2P system is designed to support lower value areas of spend within the organisation often giving users autonomous order generation within set parameters.

The P2P system should support spend being undertaken on company business cards or adhoc, without consideration of a formalised process, which by return, can generate invoice queries, additional workflow for the purchase ledger team in finance and lead to various queries internally. P2P should support a streamlined process for purchase order generation that highlights and logs areas of spend against a financial ledger.

A P2P system should be implemented with a clear user spend limit, so that users can generate a purchase order with a financial ceiling e.g. £1000 subject to sign off limits or £20,000 with clear instruction that any areas of spend that exceed the spend limit will require procurement support. P2P is not designed to replace or take the source to contract process out of operation, but should free up the procurement team to dedicate resource to support large scale contract and supplier management relationships.

**Key areas for P2P consideration**

- Consider solution design and spend management, will the P2P system deliver what is required for the organisation and alleviate resource challenges?
- Identify key stakeholders, project sponsors and the training requirements, develop a communication plan and take stakeholders on the journey by offering staged updates on project development.
- Identify the implementation process; will the system be implemented via a phased, parallel or full roll out?
- Identify timelines to the project and sub elements of the project. This will give a clear target date for all stakeholders to prepare for and work towards.
- Identify core tasks that require commitment of resource from each department. Procurement, for example, may utilise the opportunity of a new system implementation to undertake supplier assessments and evaluations also to conduct a system data cleanse prior to any data being transitioned to the new system.
- Ensure the expectations are realistic.
- Set SMART objectives.

**Challenges to P2P implementation**

The procurement team within Deloitte Touche and Tohmatsu Ltd have been able to identify several challenges that they may have given greater to consideration to if they were to re-run the P2P implementation project, so the following should be of consideration if you were to take your organisation through a similar process.

**Bespoke in-house processes**

There may be areas of your organisation that operate on independent systems that may not be widely known about, prior to building a specification or a business case, undertake a research and discovery stage within your organisation to attempt to process map all of the operating systems that may be in use, this will help to uncover any ambiguities and additional challenges being uncovered during the implementation stage.

**Ownership, Ownership, Ownership**

A critical element of implementing any new system is to assign key tasks to stakeholders, to clearly identify their objectives and timelines so ensuring that they deliver on time and to budget. Clear ownership of the task should be fully explained and understood, this will ensure that all team members contributing to implementation are working towards the same end
goal, a fall down in just one area of deliverables can result in a delay to the project and increase time and costs.

**Integration**

There are significant challenges when integrating a P2P solution. It is useful to establish a pilot steering group to evaluate some of the challenges that you will encounter. Challenges can usually be planned through and this then allows a more focus to be applied to those items that are “not the norm”.

Should the opportunity exist to run test groups with a reduced number of suppliers and end users this is also very worthwhile. It will permit you to validate that the integration is working as intended and during this phase you can test your plans around the following areas:

- The criteria deployed to include suppliers in the P2P solution is correct e.g. does the system being deployed target all suppliers or just spend over a threshold of £x’s with lower spend being supported by a corporate credit card?
- How agile are the systems and the support being used for implementation? E.g. how quickly can you set up new suppliers to allow POs to be raised?
- Are any exemptions permitted?
- Do the exemptions work in practice?
- Do your suppliers systems accept formal purchase orders?
- Are there any barriers to compliance?

**Differing Agendas**

Identify prior to spec build all stakeholder needs from the system to ensure that as many needs as possible can be met, but be prepared to reach a compromise with stakeholders and identify why some of their objectives can or can not be met and the potential impacts this may have on other areas of the business, a new system should not be dominated by just one area of the business if the workflow eases for that department but then bottlenecks into another area of the business, the P2P system needs to meet many stakeholders needs yet work for the overall greater good of the company.

**Keep existing parameters stable**

One of the challenges that many organisations face when implementing a P2P solution is that it is delivered as part of a larger finance transformation. This leads to complexities for both users and the developers, as the knock on effects from changes to either system can be large. No amount of process mapping will discover some of the system integration challenges that are likely to become apparent as the P2P roll out progresses. Protecting the status quo for all other integrated finance systems does minimise the changes that users face and can assist in adoption of the P2P system chosen.

Wherever possible it is recommended that any P2P solution is delivered as a project under its own banner. Whilst integration with existing finance systems is essential to obtain optimum benefit, implementations can become highly challenging if there are too many systems changing at the same time and this can often be a turn off for end users.
Training

Think about how you will implement training programmes in the run up to system launch, establish a clear training programme, you may need to identify super users for each department that can undergo an intense training period and then filter information to their colleagues or be on hand to support their department during the system go live stage.

Consideration should also be given to how the training will be delivered, a quick bite sized user video walk through or clear process mapped visual for example are often more effective than a printed book of scripted text, especially when new learning fatigue is setting in.

Market your success

Once the project is operational, review statistical analysis and report to the organisation on key objectives that have been met and delivered through the new system implementation, this will support credibility for the procurement team.

Areas to report on could be:

- The total number of purchase orders being processed via the P2P system
- Total spend being directed via the P2P system
- Cost savings generated based on reduction of invoice queries and double handing/processing of information
- No P/O, No Pay, conversion with approved suppliers

At the final stages of implementation, it would be beneficial to identify any ongoing activity linked to the P2P system that may require further support from key stakeholders. Ask stakeholders to feed back on any further training that may be required so teething problems with the system can be addressed.

Author

Mike McAdam
a) Pitch. Look inside your organisation and define a scope you're confident will support your organisational needs.

b) Good chemistry between Marketing and the Agencies, and the people who will actually be handling the account, not just the senior members participating in the pitch process. Ask who will be handling your account and push to meet face to face, as part of the pitching team maybe? Ask the question 'Can I form a collaborative relationship with this individual to discuss business on a regular basis?'

c) Don't set agencies up to fail, a successful marketing pitch should clearly define and communicate SMART objectives. Seek understanding and input from agencies involved, utilise their core skills and specialist knowledge. Your expectations and ideas of success may be different to theirs, so work to align KPI measurements with a contract, ensuring ways of working and review process are all clearly defined.