UNLOCKING EFFICIENCY IN THE PROCURE-TO-PAY PROCESS

In this guide we look at how to unlock efficiency, control, and add strategic value to the procure-to-pay (P2P) process through automation
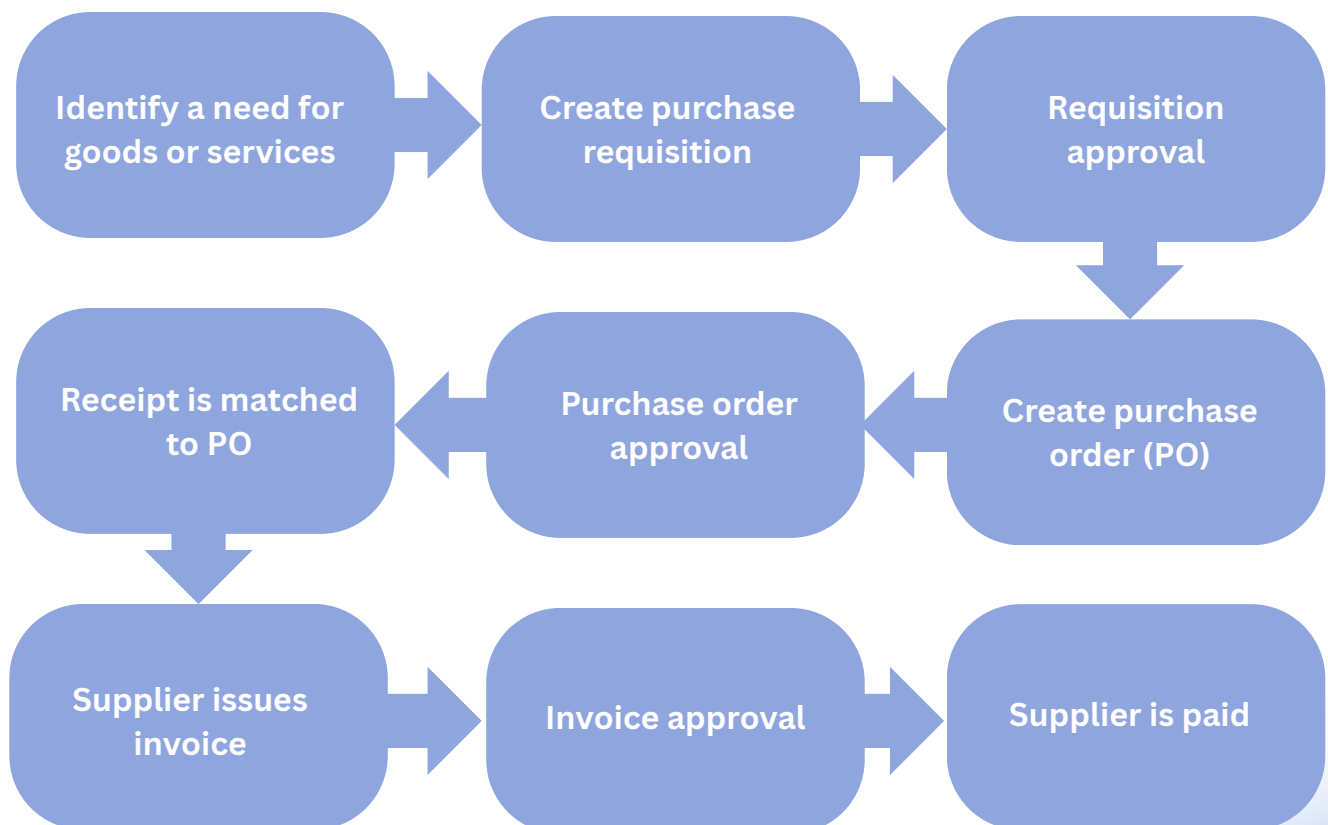
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INTRODUCTION

Procure-to-Pay (P2P) is a critical business process that combines purchasing with accounts payable (AP) and covers the end-to-end process of acquiring goods and services through to final supplier payment.

Despite its importance, many organisations continue to rely on fragmented or manual workflows, resulting in inefficiencies, human errors, long approval times, compliance risks, and higher operational costs.

This whitepaper explores the benefits, challenges, and best practices associated with automating the entire process-to-pay (P2P) process. It highlights how automation can be used to streamline operations, improve accuracy, provide full visibility into the procurement process, strengthen supplier relationships, and generate measurable ROI

MAIN STAGES OF PROCURE-TO-PAY (P2P)

| Identify a need for goods or services | → | Create purchase requisition | → | Requisition approval |

| Receipt is matched to PO | ← | Purchase order approval | ← | Create purchase order (PO) |

| Supplier issues invoice | → | Invoice approval | → | Supplier is paid |

WHY IS PROCUREMENT IMPORTANT?

Procure to pay (P2P) sits at the heart of most organisations and is a critical business function responsible for acquiring and paying for goods and services, whilst maintaining strict cost controls and driving organisational efficiency.

Approving invoices manually takes an average of 45 days

Procurement departments are facing growing pressures to reduce costs, improve transparency and develop stronger supplier relationships; the key to this is implementing clear automated processes and integrating the entire process from start to end. However many businesses are still using manual processes which come with their own challenges and setbacks.

MANUAL P2P CHALLENGES

There are a plethora of challenges that accompany manual P2P processing and these can all have detrimental consequences for business efficiency. Let's take a look at some of the greatest challenges associated with manual P2P processing:

Delays and errors
Lack of standardised formats, manual errors arising from data entry and missing critical details are common with manual processing.

Inefficiencies and delays
One of the biggest challenges is dealing with invoice approval delays. Bottlenecks occur when invoices get buried on desks, lost in inboxes and issues arise from mismatched invoice details. Inconsistent formats or workflow processes greatly slow down processing.

Lack of visibility
Poor visibility makes it difficult to establish the status of an invoice and a lack of accountability can occur as roles and responsibilities are unclear and confusing. Lack of visibility can create issues when it comes to compliance and auditing too.

Supplier management
Frequently delayed payments can cause poor supplier relationships and as a result, you can miss out on preferable pricing, and are at risk of being placed on stop, preventing future orders from the supplier.

PROCURE-TO-PAY 'PAIN POINTS'

With both procurement and accounts payable teams keen and under pressure to improve efficiency organisations are turning to automated procure-to-pay processes which combine the two functions seamlessly and offer a host of benefits.

Digitising Accounts Payable can cut costs by 50-75% and speed up processing times by 30%

There are particular 'pain points' in both the procurement and accounts payable process that can benefit from an automated P2P process.

Purchase requisition
Automation allows users to submit requisition requests digitally, speeding up the process by auto coding based on department, supplier or requestor.

Purchase order (PO) automation
Implementing the automation of PO creation ensures consistency and accuracy. Having a predefined approach also ensures all correct information is included in the PO.

Receipt automation
Having an accurate process to manage the receipt of goods and service is a vital yet often overlooked area. Receipt automation ensures received goods are seamlessly matched with the corresponding invoice to reduce discrepancies and for timely payment.
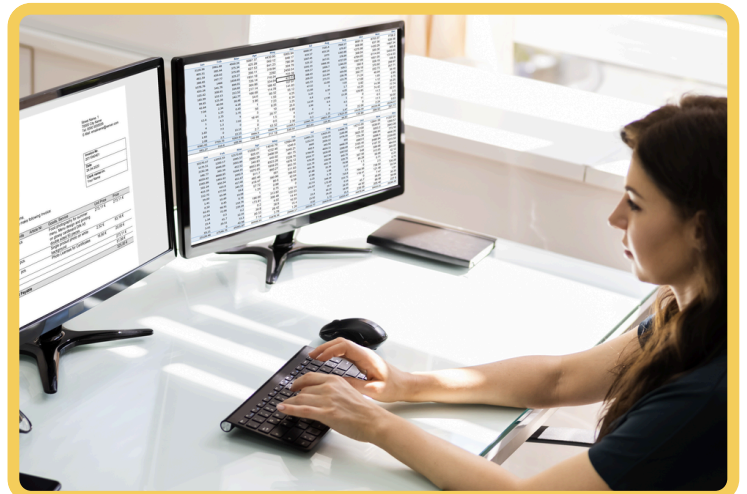
Invoice processing

Matching invoices to purchase orders and receipts can be streamlined significantly using automation, as the cost centre coding allocated at the purchase order creation stage is linked to the invoice for quick and easy manual-free invoice processing. What's more, if you are using solutions that integrate with your finance processing then the invoice can be paid seamlessly too.

Compliance management

Predefined rules guarantee compliance with regards to regulations, and irregularities can be flagged early.

Automated P2P sees supplier satisfaction scores increase by 25%

Document archiving

Automating the P2P process means that all invoices and documents can be stored for audit purposes and to ensure a full data trail for each supplier.

BENEFITS OF P2P AUTOMATION

Procurement and accounts payable are two business functions that have a direct impact on revenue and business operations. Digitising and combining these into a streamlined automated P2P process will ensure every step is integrated for ultimate efficiency leading to several benefits:

Streamlined workflows reduce procurement cycle time by 60%

Financial management and reporting
Artificial Intelligence (AI) and Machine Learning (ML) technologies are able to analyse procurement data and uncover deep insights that would be impossible to discover manually, providing real-time insight into spending patterns and procurement activity. This data helps predict trends, monitor spend and identify areas for cost reduction and optimise purchasing and financial decisions.

Improved efficiency and accuracy
Manual data entry is time consuming and error prone, but Robotic Process Automation (RPA) mimics human actions to reduce the manual effort involved in data entry whilst Optical Character Recognition (OCR) converts documents including PO's, receipts, invoices and more into a readable text that significantly speeds up invoice processing and cuts down on manual work which enhances accuracy whilst driving efficiency.

Improved supplier relationships
Paying suppliers quickly and maintaining clear lines of communication are key to building trusted relationships. Good supplier relationships in turn provide opportunities for better deals and preferable service agreements.

Cost savings
Automating P2P processes helps organisations develop cost effective procedures by reducing the costs associated with manual intensive tasks and delivering better cost controls.

Robust fraud prevention
Strict invoice matching and multiple approval levels significantly reduce the risk of fraud.
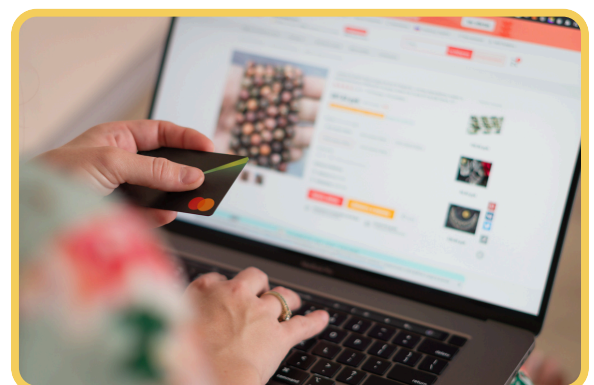
MEASURING SUCCESS AND ROI

It is one thing to implement an automated P2P process, but in order to maximise efficiency fully an organisation needs to be continually measuring results and ROI too. Key performance indicators (KPI's) are an effective way to measure how things are going and pinpoint areas of improvement. P2P success is generally evaluated using the following metrics:

- Full P2P cycle time from requisition through to supplier payment

- Purchase order processing time - long PO cycle times create delays in receiving goods or services which can disrupt operations

- Invoice processing time - long invoice processing times are more likely to lead to poor supplier relationships and late payment penalties

- Average cost per invoice processed - high cost per invoice figures highlight inefficient workflows

- Spend under management (SUM) - this figure relates to the amount of direct and indirect spend being management by procurement. It is tracked by measuring the total of all invoices processed, with special attention paid to invoices processed by approved suppliers and authorised purchases. Any spend that does not correlate to a PO or which is unauthorised is classified as 'uncontrolled spending' and poses a large risk to the organisation and steps should be taken to manage this.

78% of CFOs say cost reduction is a priority for their procurement department

Average invoice processing costs: Manual £15-£20 Automated: £1.50-£3

BEST PRACTICES

Since accounts payable and procurement involve a lot of repetitive tasks they are ideal to combine into an integrated and automated P2P process. When executed well, automating the P2P process can lead to many benefits, such as those discussed earlier in this whitepaper. There are several best practices to consider when implementing an automated P2P to help drive maximum success and ROI.

Centralise and integrate all systems
Integration is the key to avoid data silos and to maintain clear lines of communication and visibility. This is one of the most effective ways to improve efficiency and means using a central system to manage your requisitions, purchase orders, approvals, receipts and invoices rather than numerous tools. What's more, if you integrate your P2P with an ERP solution you can further combine finance, CRM and supply chain for a complete business-wide approach.

Standardise workflows
Standardising workflows ensures consistency and clarity and makes it easier for all employees to follow the same process. Using standardised workflows also makes it easier to extract data for KPI measuring and means it is less likely for key elements to be missed.

Futureproof
Carefully selecting scalable software that can grow with your business rather than hold you back is key to futureproofing.

Train employees
Regularly training employees is often overlooked but it pivotal to driving efficiency. Ensure all employees are confident in the systems and procedures involved in every step of the P2P process.

Conduct regular audits
Regularly reviewing the P2P process and the ongoing measurement of KPI's will identify areas for improvement and ensure policy and regulatory compliance.

Build supplier relationships and negotiate terms
Maintaining strong supplier relationships is pivotal to optimising cash flow and working capital. Negotiate favourable terms with suppliers such as early payment discounts.

Automation can achieve over 99% accuracy – this reduces discrepancies and streamlines approvals

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As organizations prioritise agility and cost control, automated P2P will become the standard. Integration with AI technology and real-time analytics will further elevate P2P's strategic role in driving operational excellence and financial performance.

Automating the procure-to-pay process is not just a technology upgrade—it's a strategic transformation. Organisations that embrace automation will unlock efficiencies, improve compliance, and gain a competitive edge through smarter, faster, and more transparent procurement practices.

Here at Pegasus Software we are leading the way with our unrivaled P2P automation software which can be fully integrated with our flagship ERP solution Opera 3 SE. To learn more visit the below link and contact us to discuss your business requirements.

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