A P2P Implementation Guide: Avoid the "Dumb Ways to Die"

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While there are roughly two dozen “legitimate” eProcurement providers with solutions across the Global 2000 and middle markets, there are hundreds of ways that companies and individual divisions have found to reduce their potential spend under management through various means, often unintentionally. Yet unintended, suboptimal decisions sometimes beget further unintended, suboptimal decisions. And thus begins a cycle where eProcurement and broader P2P (eProcurement and e-invoicing together) technologies fail to deliver on their initial savings and efficiency promises.

The entire situation reminds us of the YouTube sensation, “Dumb Ways to Die.” Just as there are many dumb ways to die, there are an equal number of dumb ways to go about killing the value in your P2P implementations (systems and process/organizational aspects) and ongoing operations. And often, the death is from a thousand little cuts, so there is no single therapy (or catchy video to sing along to). But the disease is not terminal, even if P2P capabilities and results have been somewhat anemic.

One of the most important steps in maximizing spend under management is learning from others that have been successful. This is especially true for organizations deploying solutions that provide a broader support ecosystem (e.g., peer-to-peer knowledge sharing events, automated process/KPI benchmarking) to help continually set and achieve increasing performance levels: end-user satisfaction, system compliance (like the use of POs for appropriate spend categories).

This report will provide five composite “scenarios” examining both large cap and middle market companies that have been able to maximize spend under management through various traditional and non-traditional deployment approaches for eProcurement. Each of these scenarios begins by outlining a particular adoption challenge and suggests different solutions. In certain cases, these organizations switched from one approach to another to increase adoption or from one provider to another. In others, they combined multiple solutions. In still more, they pursued a very specific implementation and rollout path from the beginning.

Readers can learn strategies and out-of-the-box thinking that separates these innovators in eProcurement and P2P from the rest of the pack in terms of:

- Maximizing the quantity and quality of spend under management
- Improving organizational, transactional, and vendor compliance to practical (but compelling) levels
- Improving demand management to implement the above in new ways
- Tapping vendor capabilities beyond traditional feature-function provisioning

We also strongly recommend that readers peruse the broader Spend Matters research library for some additional insights on vendor selections and roll-out approaches for specific P2P technologies.

**Scenario 1: Finding the “Right Stuff”**

Consider the case of an organization that has an ERP and eProcurement system, complete with contracts for all vendors, and catalogs for SKU-based goods and items. Every employee has access to an electronic requisitioning tool with linkages to budget/cost-centers, appropriate workflow approvals and documentation, etc. But, they still can’t find what they
Helping end-users find what they are looking for – and what the company would like them to find (i.e., preferred suppliers and items/services with associate preferred rates) is the essence of what effective eProcurement is all about. It is about fail-proofing the process to guarantee that those needing something are directed to the right suppliers via the right ‘process path’ (e.g., a procurement buyer when no preferred catalog or supplier exists) and associated system. This makes the process easy to use AND easy to monitor/control.

This effective performance has a much greater value proposition than realizable eProcurement efficiencies...by literally an order of magnitude.

It also helps eliminate the endless chase of non-compliant “maverick” users – even though their malfeasance isn’t usually the root cause of non-compliance, but rather the inability of procurement (and IT) to create an environment where it’s very easy to do the right thing and not so easy to do the ‘wrong’ thing.

Yet, this top-shelf prize of eProcurement effectiveness is fairly hard to achieve and consistently underestimated by even the best-known procurement organizations.

This then raises the simple question: Why?

The primary reason for such poor adoption is that all too frequently, companies forget that ‘preferred supply’ is not just based on SKU catalogs that are overseen internally (regardless of whether they’re supplier managed or curated internally). The previously cited example of a poor feedback loop from a requisitioner searching for supply back to the sourcing process is one example.

But there are others. The items may already be in stock somewhere within the company, or there might be an equivalent substitute. Preferred items might also be outside of a catalog. For example, they might require a punch-out to a configurator hosted at the supplier website.

Then there is the case of services where tabular item catalogs aren’t as appropriate (there are many different ways to try to poorly implement even rate-based services into a product-oriented catalog structure). There will likely be a contingent labor requirement (which might be owned by procurement, HR, and/or shared services) supported by a services procurement VMS platform either overseen by an internal team or an external managed services provider (MSP) separate from the ERP and eProcurement environment.

Yet many organizations might not realize that they need more than a master services agreement (MSA) in a contract management system (CMS) and rate-cards in a narrow services procurement module. Services are broad, ranging from unskilled contingent staffing for warehouses to facilities maintenance to management consulting to legal services to geese herding! And each can bring its own unique set of challenges (which we won’t get into, pertaining to geese).

Perhaps the most important question at this stage is: what can be done to overcome these challenges?

One answer is to build a ‘virtual catalog’ that goes across locally hosted catalogs. This might include items that fall into what we might describe as “stackable MRO” that can...
be requisitioned and pulled from stores, punch out sites as well as and access to third-party marketplace, networks or sites. Several providers have attempted to solve this issue for customers in different ways, including the general buying interface overlays of a Coupa to more advanced cross-catalog/source search from specialists such as Vinimaya and Wallmedien.

Investing the time upfront to find out what users are looking for in the first place is of the utmost importance!

If items or suppliers can’t be found with keyword or attribute searching, then a good place to start is with spend categories to find preferred (or even just approved!) vendors by category. In one example, we have observed some companies that are explicitly mapping spend categories to P2P buy/pay channels and associated systems to send (“guide”) users down the right channel. But how do you find the right spend category? You auto-classify the search when it happens. Zycus’ real-time auto classification has numerous strong supporting scenarios here.

Of course typical indirect and services is only one area to apply this to. Wouldn’t it be great if the power of a corporate travel-planning app (flexible UI, permissions, workflows, etc.) could be extended to other categories? Such capabilities might include guidance for users to make the best decisions based on corporate policy as well as location (e.g., recommending restaurants based on GPS location that provide discounts back to the company). On the travel side, Rearden Commerce has dozens of strong scenarios to support this very example.

Also don’t forget to think about the overall shopping experience, including the importance of cached information and integrated punchout capabilities enhanced with in-solution comparisons. Additionally, capabilities to support depth of comparisons, forward looking-intelligence, granularity of categorizations and pivoted searches across for common features can all play roles in helping this scenario to maximize spend under management.

**Scenario 2: Finding Approved Suppliers That Don't Seem to Exist**

Strange, but true? No, common but true! At least in far too many eProcurement implementations we’ve observed over the years. The challenge in this case is that approved suppliers don’t seem to exist (queue *Twilight Zone* melody…)

This raises the obvious question for the end-user: now what?

Should they go off and find their own own supplier and have them send procurement (and A/P) an invoice? What if this happens, and the user sends it to procurement, but the commodity in question is not on the sourcing team’s ‘wave chart’ in the sourcing pipeline? And what if “Pat the generalist buyer” gets the request and wants to do a more efficient three bids and a buy – gotta’ justify his job, you know – rather than just going a Googlin’? We’re of course assuming that Pat is not just asking for a 5% price reduction from the supplier and moving on!

We’re 90% certain that the virtual head nodding from readers at this point suggests that this scenario is more common than not. But what can procurement do?

First, try to get some real-time intelligence on the population of suppliers that you have used somewhere at some time – or suppliers who have registered on the portal, or who you have
encountered in the sourcing process – or even have just assigned commodity codes to based on external information providers (or again by the supplier during registration). In other words, you’re creating your own private/internal ‘supplier network’. Establishing basic approved vs. preferred suppliers by category/commodity by supplier (or by supplier/item combination) in your ERP system is a good start – especially if your requirements are simple.

But, many leading organizations are starting to use supplier information management (SIM) tools find potential suppliers from a smaller universe of registered/approved suppliers rather than an uber-marketplace or world-at-large. The linkages with eProcurement can be invaluable. Moreover, this approach can help organizations direct spend to diverse suppliers (loaded, credentialed and managed by a common SIM platform). Yet before going down this path – or adding the SIM capabilities of your chosen P2P provider, if they exist – be sure to ask for references, as proven implementations are just starting to become more common.

Looking ahead, we believe that a universal supplier discovery search engine that understands and cross-references market taxonomies (and associated suppliers) of various supplier networks, including Amazon Supply, Google/Bing shopping, ThomasNet, niche B2B directories, will come into favor. Recent efforts by Ariba and ThomasNet, for example (and previously Rearden/Ketera and ThomasNet), to map cross supplier databases and network taxonomies prove such a universal effort is not that far out. Add in some component tools like virtual catalog agents and MDM tools with multi-dimensional taxonomy management – and things start to get very interesting!

But, for now, companies must realize that while just about every P2P vendor touts an ‘open supplier network’, they won’t expose their network beyond providing basic connectivity for transactions outside their own private customers. Cross-network “roaming” for search and discovery is akin to attempting to bring a CDMA-based iPhone to Europe from the US. Turn it on and it won’t work (that is, unless you can find a WIFI network and fire up Skype). Yet kludges don’t make for good procurement – let alone being able to pick up a call when someone rings you across the pond.

Fundamentally, a P2P process that can’t find preferred supply must feed back into a sourcing process, which will likely be tactical and go to a “buy desk” (although, depending on scope, could possibly re-sort and take priority in a strategic sourcing queue). Ultimately, this will then need to enable true process linkage with a super-efficient and effective sourcing and buying process and therefore a link to such a search engine or less optimally to a “business network.”

Of course, wouldn’t it be great if there were a “quick source” marketplace? There is, in certain cases. “Tail-spend” provider Fedbid is moving into the private sector (from previously serving only the public sector), although their approaches currently lack direct integration into eProcurement and sourcing systems. Some procurement BPOs could do it too – Procurian and Proxima, for example, already enable this for larger capital-type expenditures, but haven’t really brought it to the mass market (the India-based BPOs and/or market intelligence firms could also potentially enter into this space).

But ultimately, imagine sending a third party, through a single eProcurement front-end, your requirements. Then in turn, this third-party would respond with options based on timeline, depth, opportunity, gain-share model, etc. Ideally, this would essentially amount to a third-party buying desk in the cloud with no minimum commitments. Procurement’s stakeholders want this from procurement, right? So, why wouldn’t you want the same for yourself, and
embed that new capability as YOUR new capability? Hint to providers: there's a largely unmet need in the market for this today!

**Scenario 3: Massively Enabling Suppliers Without Massive Cost and Effort**

What organization does not have thousands of suppliers that they ideally want to onboard into a closed-loop, visible procurement environment? The answer is just about every middle market and larger entity ideally wants this level of supplier enablement. Yet one size never fits all when it comes to onboarding and enablement for a given supply base which is why the great majority of vendors are not linked into a closed-loop system.

For supplier enablement, companies must make tradeoffs about how quick and cheap they want a process to be. Further, they must consider what level of automation touchpoints they require: self-service supplier data management, eCatalog loading/maintenance, supply chain collaboration (schedule sharing, VMI, etc.) and P2P integration for POs, ASNs, invoices, and payments (p-cards can also be in the mix for settlement). They also need to consider whether they just want to use past vendors and their existing connections or new ones. The fundamental challenge then lies in trading off these requirements against the cost and effort required to support those requirements effectively.

One approach to meet this challenge is to gather insight on the suppliers for factors such as current connectivity capabilities and working capital intelligence (e.g., using enriched supplier data to compare supplier days sales outstanding to identify targets for payment discounts and SCF candidates) to then be able to actually execute these campaigns. This takes some work and actually requires some CRM-like functionality like segmentation analysis, enrichment/data mining and CRM campaigns – but applied to the supplier base rather than the customer base.

The good news is that supplier/payment networks can help with some of these areas. And supplier information management (SIM) vendors can complement these approaches to set up and execute campaigns. In addition, e-invoicing providers can help design the optimal offers for terms conversion and one-time 'pay me now' approaches for early payment discounting.

In short, the most effective scenarios for supplier enablement do not use a single kind of provider (e.g., an e-invoicing or transactional supplier network) but rather a conglomerate that might include a supplier management vendor, analytics provider and third-party content enrichment all combined at the time of a specific P2P on-boarding initiative. Over time, these vendors will inevitably converge as the market matures, and forward thinking organizations are encouraging their network providers to embrace true interoperability – not the type of lip service that passes for it today, even among many of the supposedly “open” providers.

Last, keep the supplier attitude to usability in mind. And think about it earlier rather than later. Most progressive vendors have diagnostics that can be used to help you engage your supply base early to formulate your business case, onboarding strategies, vendor selection, and detailed implementation planning.

**Scenario 4: “Globalizing” P2P**

For some economic and policy wonks (and NY Times columnists), the world may be flat. But for most procurement organizations, the notion of “think globally, but act locally” is a challenging proposition and far from reality. We still must find ways of delivering
a personalized and localized experience based on a range of criteria in the business. Geography-specific taxes/customs/duties; regulations; unique cross-border requirements; the list can be long!

For transactional systems, while local and personalized requirements may not map one-to-one with broader procurement globalization needs, the list of challenges can be just as long. And few, if any, first-generation approaches to eProcurement were truly geared to support a true global deployment.

Procurement also differs from other business functions in that it must have enhanced support for category-specific (and lower level commodity-specific) workflow and personalization. Implementing this level of detail has been a problem in the trenches, despite the claims of many providers. Technology vendors (and those implementing their solutions) need to realize that it’s not just a services procurement vs. catalog-based issue, but rather, an increasing sophistication and relevance of factors such as role-based screen tailoring, the lexicon of words (e.g., flexible data dictionaries for field names and help text) and advanced multi-lingual support in the realm of global captive processing centers – to name but a few areas.

More advanced procurement organizations have begun to parameterize their approval hierarchies by region, create sub-types of global/regional workflows, tailor field appearance/naming/sequencing, and tuning the workflow to the buy-pay transactional channels tied to the unique requirements for IT equipment, plant equipment, print, direct goods, logistics and more. Across many of these areas, the key lies as much in investing the time to configure the appropriately right-sized processes (e.g., not just force fitting a one-size-fits-all ERP-centric three-way match process for every P2P transaction!) as it does making sure that unique workflow requirements are supported during an implementation.

Some of this tailoring can be accomplished through better use of pre-existing capabilities, including rules-based workflow based on fields like monetary amounts, supplier type, spend category, region, etc. Unfortunately, in most organizations, such efforts are very crude and follow a one-size-fits-all model. Companies thinking about globalized deployments should hit the pause button on new or enhanced initiatives to consider optimal P2P buying and invoicing/payment workflow.

All too often, we observe either excessive transactional anarchy (i.e., 1,000 ways to buy) or the opposite, an ERP-centric three-way match “transaction job shop” that forces users down a single buy/pay process likely to create pain and workarounds rather than the promised efficiencies and compliance.

Of course, this problem pre-dates eProcurement, and reminds us of a procurement or AP manager that insists on doing a match for a $25 invoice in which the average cost to enable a match may be more than the monetary amount of the invoice itself. An online workflow and approvals mishmash is nearly as bad as an offline one, especially when the interface is less than intuitive. The value of a good user interface should never be underestimated, especially given an end-user push for increasingly intuitive ‘consumerized’ user experiences (including mobile experiences beyond workflow approvals). This is not just about checking the box around having a mobile UI or mobile app since essentially an alarmingly high proportion of mobile interfaces that are dysfunctional relative to local user requirements.

Finally, we recommend developing change-focused SWAT teams – your own “Delta Force” that jumps in, challenges the why/what/how assumptions to reconfigure the application to meet local needs. If you utilize a current SaaS solution, then you have some flexibility in how
you can “mass customize” the functionality to meet local needs while supporting a higher level process design based on best practices.

In concluding this scenario and business challenge, it is our strong recommendation to bring in the right outside experts for advisory and benchmarking to help your organization understand where it stands in terms of maturity and enablement around the procurement and payment process before pulling that next technology lever.

**Scenario 5: Elevating P2P Internal Performance With Emerging Analytics**

Historically, man reaped what he sowed. Without sunlight, however, nothing would grow. One of the many challenges lurking in the shadows of eProcurement and e-invoicing implementations is that processes and systems trudge ahead without sunlight. Reporting is periodic. Insight is low. And the effort is too much.

A new class of analytics is needed. And they shouldn’t only be layered on top of the process, but be built into the processes themselves. This can drive dramatically better end-to-end performance for existing implementations while helping new ones get started. In the case of P2P, including external content and intelligence to provide better visibility, hard data, business case inputs, guidance on compliance/controls, etc. is necessary.

Such insight should help formulate why to adopt, who needs to adopt, how it should work end-to-end, the money being left on the table, etc. Distilled to its essence, adoption is about a gap to a realistic ideal state. If you can’t measure as-is, or create a compelling to-be, nobody will really care if you’re adopting or not. You need a compelling case to adapt before you can adopt. With better analytics and visibility, it’s possible to build this case from the start.

Note, spend analytics and spend visibility are different from broader procurement analytics or analytics directly linked with an eProcurement system usable by those in the business – budget holders, controllers, frontline users, etc. – rather than just sourcing and category teams. This might include, spend against a master agreement in the context of recent orders, or top purchased items by contract with expiration dates highlighting exactly what needs to be resourced for transactional real-time reporting (not monthly data refreshes) in the procurement application itself.

This visibility could include the ability to drill down on vendor information, such as spend with specific suppliers on a PO, non-PO and invoice basis linked back to historic baselines to show savings to date (with information on SKUs/services, orders, invoices and other information readily visible). Additional contextual information, such as SKU price-based history information both in the context of a “buy” as well as from a reporting perspective, showing trend-lines, low-prices paid, high-prices paid in the context of current supplier pricing presented and contract prices can be invaluable in both informing frontline decisions as well as driving better compliance and re-sourcing on the back-end.

Finally, don’t forget about the supplier-facing side (in analytics and beyond). These solutions need to be just as slick or slicker for suppliers to provide feedback and enable vendors to become more strategic and relevant for you. This includes maintaining supplier access to catalog/product-price/other detail changes with a highly usable interface (with analytics at the fore) that in turn leverages integration and reporting cross-system in a manner that focuses on vendor self-service and vendor self-improvement.
In Conclusion

Smart people (and smart companies) often do dumb things. Whether it’s from default, neglect, ignorance, temporary aloofness or by habit, procurement (and A/P) organizations habitually fail to deliver on the types of eProcurement and e-invoicing results that original business cases and providers suggest is possible. In contrast to sourcing activities where some good behavior can make up for common ignorance or general poor form, the most challenging thing about P2P is that a single, poorly thought-out area can ruin an entire implementation.

Also, missteps and mistakes often create negative multipliers in eProcurement and broader P2P programs. Attempts to remedy these challenges with quick fixes can even cover up the right solution by decreasing overall transparency or creating a temporary “win” just good enough to draw attention away from the root cause of the problem.

While we may chuckle as our children (or we) watch and sing along to the terribly catchy “Dumb Ways to Die,” we should pause to think about the lessons learned from thinking ahead and taking extra precautions upfront when it comes to eProcurement. The wounds that hold back maximizing spend under management are often self-inflicted. Looking in the spending mirror and taking stock of the situation before taking additional actions and ideally answering the questions what we’d like to see and why is a great first step to take.

The good news is that it’s almost never too late to start.

If this analysis whets your appetite on the topic, we encourage you to subscribe to Spend Matters PRO (http://www.spendmatterspro.com) for significantly greater levels of analysis, use case examples and insight into how to overcome P2P hurdles and challenges.

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