

Case study:

Purchase to Pay

Background

A client operates ten manufacturing sites across Europe with the following characteristics:

- Site-by-site procurement and accounts payable activity.
- No overall procurement or payables strategy.
- No forecasting of spend and poor historic data.
- Varied and inefficient transactions, with each entering data in a different way.

The client required an integrated Procurement and Accounts Payable approach across the region, with:

- Regional Procurement Strategies
- Highly aggregated sourcing
- Forecast demand
- Highly efficient transactions
- Robust Management Information.
- Regional, not site by site, view.

The client was also standardising their ERP systems across the region.

Approach

Initially we reviewed the annual invoices from all the systems across Europe and categorised the spend into different channels – directs, maintenance materials, strategic in-directs (travel, mobile phones etc.) and non-strategic low value materials.

With the client we agreed that that the directs and maintenance materials would be transacted in the ERP system, the strategic in-directs would be procured over the web and be paid via procurement card and the non strategic low value materials would be outsourced to a 3rd party provider.

The ERP system was configured with catalogues and the vendor list significantly trimmed down to facilitate buying with preferred vendors. Vendors were paid either by Evaluated Receipt Settlement (ERS) if a catalogue existed or via a traditional invoice which had to contain a minimum level of information prior to the invoice being accepted by accounts payable.

We developed a web front end for the strategic in-directs, along with a strategy for the use of procurement cards and we configured the procurement cards providers software to integrate back into the ERP system to provide spend analytics.

We engaged with two 3rd party providers across Europe to transact the low value spend. Additionally, we developed an electronic invoice system so that they could submit 1 monthly electronic file which would be 3 way matched within the ERP.

With the client we developed a robust set of business rules to frame the processes that we developed, and iteratively refined these Business Rules during the post go-live period.

We project managed the development, implementation, change over, communications, and post go-live period for the client.

Outcome

Procurement personnel were released from transactional work to 'value-add' procurement activity. An accounts payable centre was created, and accounts payable personnel were reduced from 42 down to 12.

The spend analytics (Management Information) allowed European wide contracts to be negotiated with lower pricing.

The savings run rate from reduced headcount, contract compliance and European wide contracts was estimated at \$8million / year.

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