

White Paper

An Integrated Source-to-Settle Platform Brings Unparalleled Benefits to Supply Management



A White Paper by



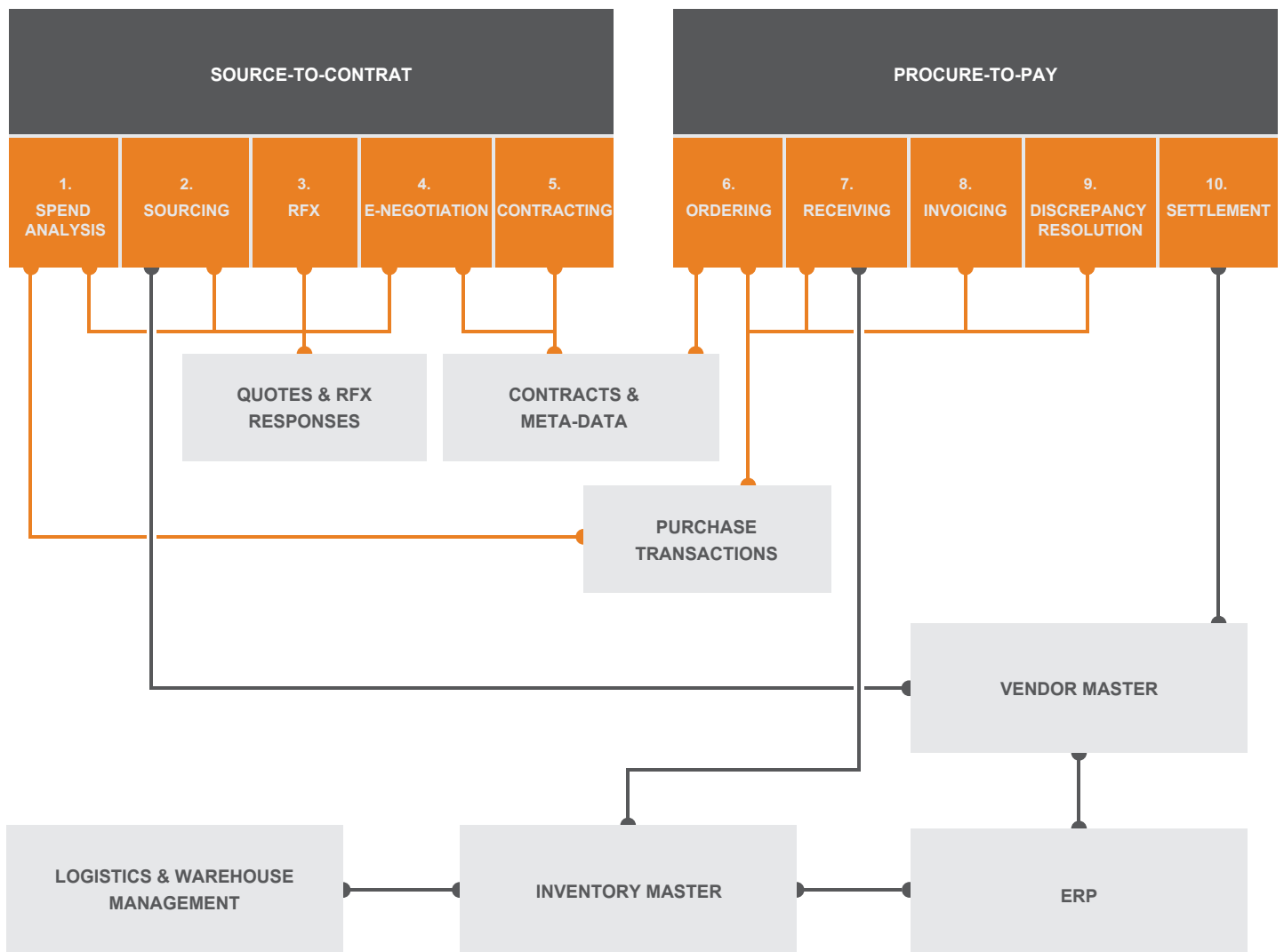
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INTRODUCTION

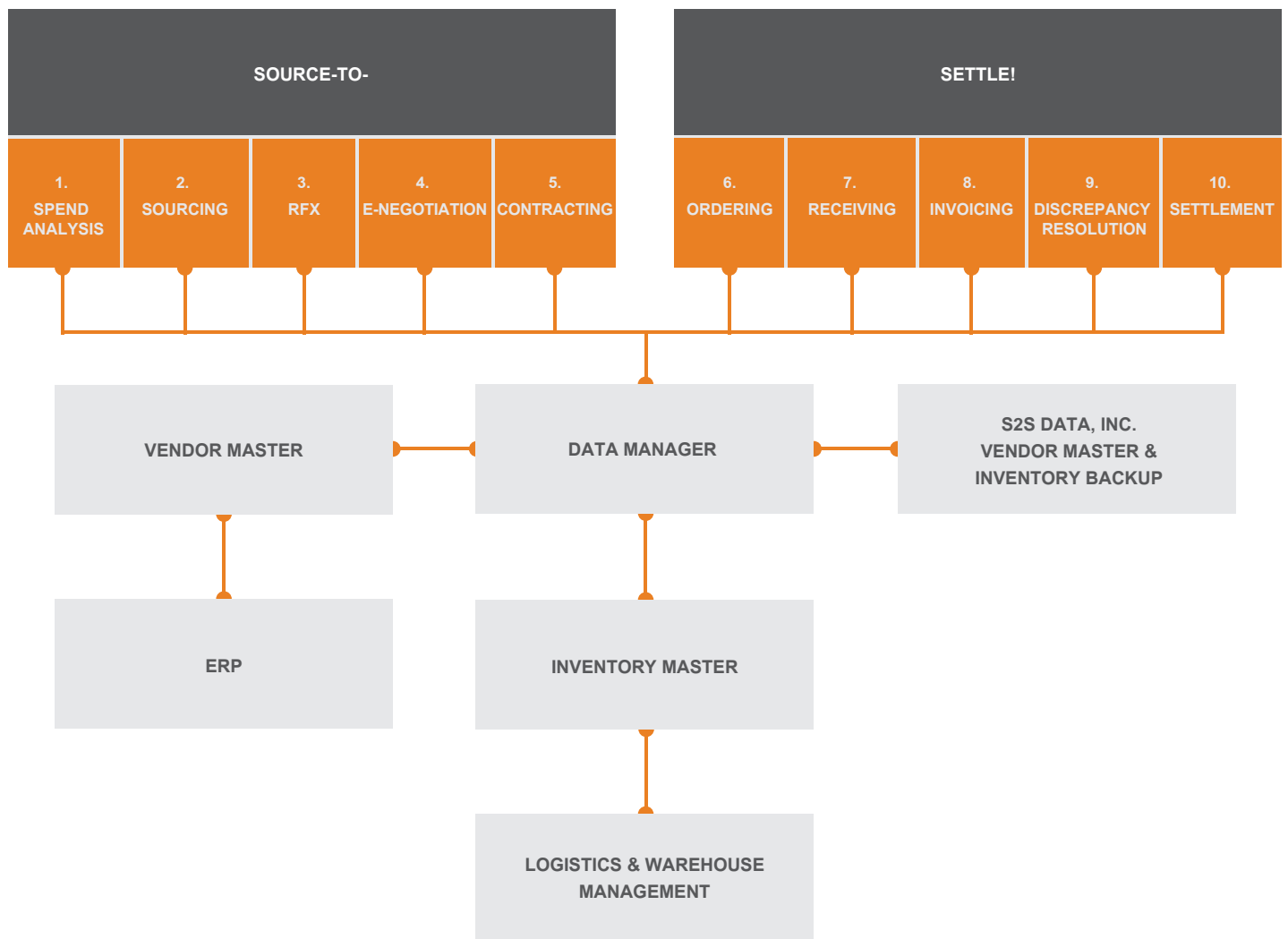
We all know the **importance of having both Sourcing and Procurement solutions** as neither solution on its own is sufficient to enable an organization to extract the savings and value inherent in each sourcing and procurement project. For example, the savings that result from the best negotiated contracts in the world as a result of an intense strategic sourcing project will never be realized when a **lack of good procurement processes and systems results in over 30% maverick spend**. Similarly, the best procurement processes and systems in the world are useless if the organization is unable to take advantage of the data and inherent efficiencies to source better contracts next time around.

If an organization wants to achieve the best results, **just having both solutions is not enough. Certain categories of savings and value only materialize when the solution is integrated end-to-end.** What do we mean by this? Consider the situation that occurs when an organization has separate Source-to-Contract (S2C) and Procure-to-Pay (P2P) solutions. In this situation, what typically happens is there are two code-bases, relying on three separate databases, that rely on the ERP, the Vendor Master database it controls, and the Inventory Master database the ERP connects to, which is generally under the control of the Logistics and Warehouse Management solution, as exemplified in the following diagram.



In comparison, an organization that has a single, native, integrated end-to-end Source-to-Settle solution has a single solution that is built on one codebase

that uses one database instance and such a solution can be represented with a much simpler diagram.



In this scenario, there is only one code-base that relies on only one database. It can also integrate with the ERP and Logistics & Warehouse Management solutions, and the databases they control, but does not rely on them.

It should now be clear that two separate Source-to-Contract and Procure-to-Pay systems that use two instances of an Oracle database are not integrated, nor are two systems that are connected by third party middleware that attempts to automatically push and pull data as needed. As a result, **only an end-to-end Source-to-Pay solution, also known as a Source-to-Settle solution, can provide an organization with the**

full range of abilities that may be needed for the organization to truly achieve best in class Supply Management results.

This paper will outline a set of sixteen benefits that can only be fully realized by an integrated Source-to-Pay solution, grouped into the five categories of performance, accuracy, compliance, efficiency, and value generation. While not every integrated solution will have all of these benefits, as there is still no perfect solution on the market, one can be sure that these benefits will never truly be found in a solution that is not an integrated end-to-end Source-to-Pay solution built on one codebase and on one database instance.

ACCURACY

Software that has gone through good quality assurance processes is much more accurate (and scalable) than humans as software doesn't make transcription errors, unlike humans who can make a lot of errors. So **how is it that an integrated Source-to-Pay (S2P), which is also commonly referred to as a Source-to-Settle (S2S), system can be more accurate than a state of the art Source-to-Contract (S2C) system and a state of the art Procure-to-Pay (P2P) system? Aren't two state of the art systems better than one? If one thinks about it, shouldn't a provider that only does sourcing have the best Source-to-Contract system and shouldn't a provider that only does procurement have the best Procure-to-Pay system?** They should, but there are two problems with this manner of thinking.



First, even though Sourcing is very strategic and Procurement is very tactical and it's uncommon for smaller providers to have true expertise in both areas, this doesn't preclude a larger provider from building a team focused around sourcing expertise, a team focused around procurement expertise, and a team focused around the proper workflow integration. As a result, **there's nothing that prevents a Source-to-Pay provider from providing a system with Source-to-Contract and Procure-to-Pay functionality that is just as good as the Source-to-Contract and Procure-to-Pay solutions from any stand-alone sourcing and procurement solution providers.**

Second, if the two systems are not fully integrated, then a human will have to re-key or manually import output from one system into the other. Every time a human has to re-enter, migrate, or export data, there is a risk of human error. As a result, **a single, integrated system that does not require any data to ever be re-keyed, migrated, or exported is going to be more accurate than two systems, even with the best third-party integration that money can buy.** Furthermore, such an integrated system can even increase a supplier's accuracy. For example, at least one in ten invoices has errors or missing data. Aberdeen Group's 2011 report on Invoicing and Workflow sees an incoming invoice error rate of 11%. An integrated Source-to-Settle system can allow a supplier, through their portal or the system API, to flip a PO into an invoice once the goods have been shipped.

Only with a native Source-to-Contract solution that is fully integrated end-to-end can an organization achieve:

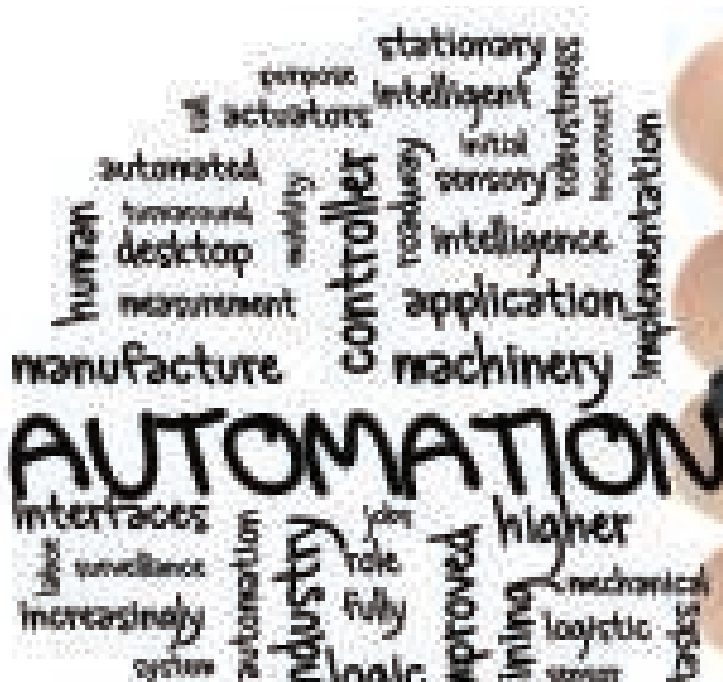
NO MANUAL ERRORS DUE TO DUPLICATE DATA ENTRY

When data has to be manually re-entered into other systems or selected for export and import to other systems, human error always creeps into the process. The average error rate for keystroke entry is approximately 1%, as tabulated by Raymond R. Panko at the University of Hawaii, and this human error can be very costly.

For example, let us assume that the contract pricing has been erroneously entered in the procurement system. Let us also assume that the contract was for laser cartridges, and the agreed to price was \$60 a unit. Let us further assume that the data entry clerk mistakenly enters a price of \$70 a unit and that the organization buys 1,000 of these cartridges a year. Finally, let us assume that the supplier does not adhere to the contract and continues to charge the old rate of \$69.95. The procurement system, which sees that the price is within the tolerance of error of 0.1%, allows this and over the course of the year the organization, which increases its usage to 1,200 units, over spends by \$11,940. All this from one numeral miskeyed by one data entry clerk. Now imagine this multiplied by 100 or 1,000 times as

tens of thousands of pieces of information have to be re-keyed, migrated, or exported between the systems in a large organization every month.

As another example, consider the task before a property management company or a business services provider in the geographically large United States which needs localized services across the country. Without an integrated system, multiple sourcing events will be initiated and tie up dozens, and maybe hundreds, of agents and landlords. Since many property management and business services providers will operate across a region, they will be included in multiple events, some of whom will already be in the system servicing a different region. This is how Supplier Master Data gets quickly out of hand. But with an **integrated Source-to-Pay system, the invitation and on-boarding process can do an automatic check** to verify that a supplier is not already in the system, and if it is, simply add the new region and quote data to the master data file. Better yet, **a supplier's RFI responses can be used to update and improve information about the supplier in the master record automatically.**



100% CURRENT, ACCESSIBLE, DATA

With two separate solutions, the data in each solution will never be completely up to date or in sync. With an integrated solution, **at any time a user can determine spending to date against a contract, whether or not all spending is at contracted rates, determine total volume of a commodity or category, whether or not spend on the commodity or category is increasing or decreasing, and, more importantly, determine if required supplier information is still current.** For example, if current compliance information is required for a product being imported, and the compliance certificate is stored in the Source-to-Contract System, but purchases are being made through a separate Procure-to-Pay system, by a floor manager not familiar with the contract or the compliance requirements, how is the floor manager to know that the compliance certificate is out of date and that all orders should be held until an updated compliance certificate is provided?

With an integrated Source-to-Pay solution, **the solution can automatically inform a buyer before an order is placed that the supplier's compliance certificate is out of date** and that orders need to be held until the supplier provides an updated certificate or supervisory permission for an exception is given. In addition, the

system can **automatically detect when compliance certificates are out of date and if the supplier still has active contracts or was selected for recent purchases,** the system can automatically alert the supplier that an updated compliance certificate is required. Furthermore, the supplier will not receive future orders until this certificate is provided.

In addition, with an integrated system, contracts can be made available to all parties involved in the Supply Management process that need them. Not just the buyers who negotiated the contracts or the filing clerks who have access to the printed contracts in the paper files. Fine-grained access control gives each party access to just the information that they require. If all a buyer needs to know are items under contract and agreed upon prices, IP agreements, resource rate schedules, and future commitments can be kept hidden.

ONE VERSION OF THE TRUTH

If an organization has separate Source-to-Contract and Procure-to-Pay systems, which is the master? And if neither system is capable of serving as a Master-Data-Management solution, then there is likely an ERP system in the mix. So if data is out of sync, which system is right? The Source-to-Contract system, the Procure-to-Pay system, or the ERP? It's not as simple as defining one system as a Master Data System for each type of data. Chances are that not everyone will be aware of the rules, remember the rules at all times,

or obey them. When an average user gets updated data, he'll put it in whatever system he is using at the time. But it won't be as straight-forward as looking at the time-stamp. For example, the right data might be in the system with the oldest timestamp because the user might have overridden the sourcing system with the warehouse address, and not the head-office address. Oops!

COMPLIANCE

In the last section, which discussed accuracy, it was noted that an integrated system can not only check if compliance certificates from a supplier are up to date before an order is placed but automatically detect when these certificates are out of date. If the system determines that compliance certificates are out of date, it can then request updates from the supplier on the organization's behalf. But this is just the beginning of what integrated Source-to-Pay systems can do that separate Source-to-Contract and Procure-to-Pay systems cannot.



FORCED SUPPLIER COMPLIANCE WITH INSURANCE AND REGULATORY REQUIREMENTS

An integrated system is not limited to detecting when compliance certificates are out of date and enforcing updates before the supplier can receive more orders. It can also be used to detect non-compliance with insurance requirements, financial update requirements, and even regular verification of contact information.

Unlike a stand-alone Procure-to-Pay system, it can automatically reject invoices that do not properly reference a contract, that contain product or service line items not covered under a contract, or that include line item pricing that is outside of a tolerance range with respect to contracted or quoted rates. The integrated Source-to-Pay system can also track all issues associated with a supplier from initial contract creation to final order delivery and combine them into a monthly performance report that is automatically delivered to the supplier as well as automatically updating the supplier's internal risk ranking.

Forced supplier compliance is a critical must-have in services organizations, such as homeowner services and real estate management, where there is a lot of

manpower being employed in a space with the potential for accidents. It's critical in hospitals where one slip-up can mean the difference between a patient getting better and a patient dying. In both cases, insurance and regulatory compliance certificates will be needed across hundreds, or thousands of suppliers, and their personnel, and the collection and management of this information with respect to a sourcing event will be a real-world nightmare without an integrated system.

With an integrated system, alerts can be created that monitor the validity and effective dates of certificates of insurance and suppliers can be reminded to update them when they are about to expire. If renewal certificates are not received within 7 days of expiry, the system can alert a buyer's agent to take action to get a new certificate from the supplier or suspend the supplier until the supplier's insurance is up to date.

The importance of up-to-date insurance and certifications cannot be overstated. For example, Menu Foods had to settle their class-action lawsuit for the importation of melamine-tainted pet food for 24 Million. A

company that imports products that turn out to be harmful, and that sicken or kill animals or people, can quickly find itself as the defendant in a multi-million dollar lawsuit. If that company did not take the proper steps to insure the supplier had the proper insurance and compliance certificates, it would have no recourse to pass those losses back to the supplier or to make a claim against its Supply Chain insurance.

Furthermore, if goods are found by customs to contain banned materials or to be counterfeit, they can be seized and the importing company, in addition to losing the shipment, could be hit with a large fine. As reported over on Global Sources, the US Customs and Border Protection and Immigration and Customs Enforcement conducted more than 22,800 seizures in 2012, seizing goods valued at nearly 1.3 Billion!

FORCED BUYER COMPLIANCE WITH CONTRACTS AND PRICING

Even more important than forced supplier compliance with insurance and regulatory requirements is forced buyer compliance with contracts and pricing. As per a ground-breaking AMR research series by Mickey North Rizza on Reaching Sourcing Excellence back in the late noughts, between 30 and 40 cents of every dollar of negotiated savings never materialize in an average organization. In every organization where this occurs, a significant amount of this loss is due to **maverick spend**. Sometimes this is because the buyer does not know there is a contract, sometimes this is because the buyer can get what he believes is an equivalent product somewhere else for a lower price, sometimes this is because another supplier gives the buyer a lower price on the same item in return for making another purchase from the supplier, and sometimes it's because the buyer just wants to place the order with his preferred supplier. But the reason doesn't really matter -- what matters is that the buy is off contract and the negotiated savings, which often come by way of volume discounts or rebates, never materialize.

With an integrated solution, the system can **easily check to see whether a requisitioned item, or equivalent substitute, is covered by a contract and, if so, if the order is going to the contracted supplier**. If not, the system can prevent the order from being placed until the buyer specifies the right supplier or gets managerial override in an emergency situation.

Moreover, the system can **automatically identify invoices for contracted goods and services where the billed amounts are outside of an acceptable error tolerance** and prevent payment until the supplier corrects the pricing, or, if the pricing is correct, is approved by an appropriate manager.

There's a reason why audit recovery firms recover, on average, 1% of total spend and that is because an average organization overspends by at least 1% each year, and often 2%, as a result of overpayments, duplicate payments, and fraudulent payments. Considering that, on average, at least 1 in 10 invoices has an error and that many companies will resubmit invoices when not paid on the agreed to schedule, this should not be surprising. But with an integrated end-to-end Source-to-Settle system that can match each invoice to a goods receipt, purchase order, and/or contract and do automatic 3+-way matching, **overpayments and duplicate payments are easily prevented. Invoices that do not have associated purchase orders or contracts, or that are from suppliers that have not been vetted and approved, can be automatically detected and blocked from payment until the invoices are verified as real, accurate, and due for payment.**

But if one Source-to-Pay system controls the end to end supply chain process from a financial and information perspective, if that system is fully integrated, and each step maintains a full audit trail, the company has **both internal controls and complete, accurate, financial information in one system of record.** With complete, accurate, financial information in one system of record that is appropriately controlled and capable of being audited at any time, the company can meet all of the requirements for SOX compliance. For example the auditor can easily trace the invoice to the goods receipt to the PO to the contract to the bid, and even see all the information on one screen if the system includes the right reports. End-to-end visibility delivers end-to-end compliance.

The importance of good SOX compliance cannot be overstated. While SOX compliance is expensive for many companies, often in the Millions for a company with over a Billion in revenue, the cost of non-compliance is even greater. As reported in “The High Cost

of Non-Compliance: Reaping the Rewards of an Effective Compliance Program”, an Open Pages white paper, an average 1 Billion revenue company having just one compliance failure incurs approximately 82 Million in costs, consisting of 64 Million of settlement fees, 14 Million of lost business, and business interruption costs of 4 Million. Ouch! The cost of an end-to-end integrated Source-to-Settle system, which will lower the organization’s SOX compliance cost, is pocket-change in comparison (since these start in the six figures)!



EFFICIENCY

At this point, dear reader, you should be convinced that **integrated Source-to-Pay systems are quite efficient.** Automatic m-way matching, identification of erroneous invoices, and automatic requests to suppliers to provide corrected information is quite slick and quite efficient. But are these systems really more efficient than stand-alone best-of-breed Source-to-Contract and Procure-to-Pay systems? Even if a third-party integration connects these systems? Yes. This section describes three examples of efficiency not possible with separate systems (and these are just a few illustrative examples of what an integrated system can do), as an integrated solution can go further in each instance.

AUTOMATIC PRE-POPULATION OF SUCCESSIVE EVENTS WITH CURRENT PRICING DATA

In most Source-to-Contract systems, when a user goes to re-source a category, they can initialize the new sourcing event with pricing data quoted by the supplier from the last event. This sounds helpful, but if the last event was two years ago, it is almost a certainty that most of the pricing data is out of date. Unless the most recent pricing data is used to initialize the event, this feature is mostly useless. Mostly harmless, but mostly useless.

However, **if an organization is using a true Source-to-Pay system, then the most recent pricing data from the very last invoice from each supplier for a given (set of) product(s) or service(s) can be used to pre-populate a sourcing event**, including a new sourcing event on a category that was never sourced before. This makes it easy to do sourcing on a wide-spread basis and extend the organization's spend under management year after year.

This may sound like a trivial feature, but if a buyer needs to manually import dozens of transaction sets on a supplier-by-supplier basis to populate an event, that buyer will spend hours setting up the event which could be set up in minutes using an integrated-system.

In an integrated solution, a buyer just has to select the suppliers, the products, and the option to pull in the most recent pricing data to set up an event. Hours add up fast. It can mean a 20% to 30% increase in sourcing events, which could increase the savings that the buyer identifies by 20% to 30%. Every minute wasted on tactical data processing counts.



AUTOMATIC PROPAGATION OF DATA AND TASK CREATION AGAINST PRE-DEFINED WORKFLOWS

Data propagation in native Source-to-Pay systems is not limited to compliance, insurance, and pricing information. Every piece of **data can be instantly propagated from initial event creation through to payment of the final of invoice wherever, and whenever, it is needed by the system.** For example, last year's spend can automatically be referenced in the budget module for an initial budget suggestion, all informa-

tion related to purchased equipment and electronics can be linked to the asset tracking module, and all supplier information collected in any step of the process is visible through the interactive analytics in the Supplier Master Data Management module. The options are almost limitless.

MANAGE BY EXCEPTION, NOT BY ELECTION

Most sourcing and procurement projects are managed according to a well-defined process that usually involves a lot of manual creation, verification, and propagation of data. In particular, a lot of creation, verification, and propagation of data that is without value. For example, without automated m-way matching, at least 8 out of every 10 invoices that are manually reviewed will be accepted as is. The responses to the majority of RFI's sent to suppliers with regards to insurance, certification, and financial status will be properly completed and manual review will not add any value to the process. The majority of requisitions for contracted products or services within budget, even if they exceed a user's spending limit, will be valid and supervisory review will just result in a rubber stamp.

However, a fully integrated Source-to-Pay system can prevent any of this effort from being wasted. With automated m-way matching and automated requests for correction or completion, only invoices with errors that require supplier intervention, responses from suppliers that do not have required fields completed or that do not provide certificates in a format that can automatically be verified as up to date, and requisitions that exceed a user's, manager's, or department's budget or that are for an off-contract product or service need to be manually reviewed. **When the system**

has been appropriately configured, the user only has to deal with exceptions -- anything that can be processed automatically, is. This is a huge efficiency gain.

Going back to the invoice example, an average organization is only able to review in detail one in ten invoices. As a result, only 10% of the erroneous invoices are caught, and the organization still has an invoice error rate of 9%. This is why most organizations overspend by way of duplicate payments and overpayments by at least 1% and why audit recovery firms are still in business.

However, with an integrated system, **only invoices with errors need to be checked**, and since the number of invoices that need to be manually reviewed will be about equal to the number of invoices AP and Procurement staff have time to review, no error goes unnoticed and **duplicate payments and overpayments become a thing of the past.** This means that if the organization also has good fraud prevention procedures in place, it can show the audit recovery firm the door and save tens (or hundreds) of thousands in recovery fees!

PERFORMANCE



The simple fact that integrated Source-to-Pay solutions can give an organization a big efficiency boost indicates that these systems can increase organizational performance as management by exception alone can eliminate a large amount of unnecessary tactical work, allowing the Supply Management team to instead focus on more strategic undertakings. However, this is just the tip of the iceberg where performance is concerned. A properly integrated Source-to-Pay platform will also provide an organization with the following benefits.

TRUE 360 VIEW OF SUPPLIERS

They say there's three sides to every story, and this holds true in Supply Chains. There's the organization's. There's the supplier's. And there's the truth that is often somewhere in the middle. **With an integrated Source-to-Pay system, the organization gets both sides of the story**, and, with a proper supplier portal, so does the organization's supplier! Not only does the organization get full pricing, compliance, insurance, and financial information, but it also gets an **integrated view of performance data** (with respect to error free-invoices, on-time deliveries from goods receipts, reliability data from returns, etc.). The organization sees a complete, full, accurate view of its supplier, which it can share with the supplier. Both parties can see the same data,

get on the same page, and come to an agreement on what the truth of the situation really is.

This capability is absolutely essential for government contractors that must manage hundreds, or thousands, of other contractors to deliver their multi-million, and sometimes multi-billion, dollar bids that revolve around the creation of complex, customized, IT and defense systems. Since it's the signatory to the dotted line that is responsible if a ball is dropped somewhere along the supply chain, having complete, up-to-date, transparent views of the organization's supply base is absolutely essential as the signatory.

INCREASED COLLABORATION

With separate Source-to-Contract and Procure-to-Pay systems, the strategic sourcing team is on one system and the tactical procurement team is on another system. There's not a lot of collaboration between the sourcing and procurement teams, which can lead to misunderstandings between interpretations of contract intent, especially where services are involved. In this situation, a buying organization may end up using a vendor selected primarily for IT services for project management, or vice versa, and this will result in lost value.

However, **if everyone in Supply Management is using one system**, everyone will not only be able to see all of the relevant data, but **will be able to collaborate through the system**. As more users become familiar with the system, collaboration will increase naturally. As a result, misunderstandings will be prevented.



TRUE WORKFLOW-BASED PROJECT MANAGEMENT

While it's true that most modern Source-to-Contract and Procure-to-Pay systems contain decent workflow engines, it's also true that these workflow engines don't typically sync up. The Source-to-Contract workflow engine is typically tailored to the strategic sourcing process and the Procure-to-Pay workflow engine is typically streamlined for tactical procurement -- and never the two shall meet.

But in an integrated system, **an end-to-end project-based workflow that covers the complete Source-to-Pay cycle can be defined at project conception and each step of the workflow can be tailored to the task**

at hand. If the task is tactical, the system can enforce that the task, such as review of an exceptional invoice, is done in a proper way and goes through a proper review and approval process. If the task is strategic, and needs to be governed by subject matter experts, the system can simply require that the outputs be entered, and approved, when the task is completed and it's time to move on. And, most importantly, one can be sure that **no step of a well-defined process is missed**.

VALUE GENERATION

Accuracy, compliance, efficiency, and performance all deliver value to the organization, but it's typically in the form of process savings. In other words, the only value that is being unlocked is the value that already exists in the organization. While the value that already exists in the organization will typically pay for the system many times over, this value is limited and the majority will be realized within a year or two. In order to get a large ROI year-after-year, the system that is acquired has to allow the organization to identify new sources of value.

While good Source-to-Contract systems and good Procure-to-Pay systems will allow an organization to identify new sources of value, a good Source-to-Pay system will allow the organization to identify these sources of value better, faster, and cheaper than either system could separately. This section discusses four areas where a properly implemented and configured Source-to-Contract system can provide an organization with more value than the separate systems can deliver on their own.

COMPLETE, ACCURATE, ALWAYS ACCESSIBLE REPOSITORY FOR SPEND ANALYSIS

A good Source-to-Contract system has a complete bid and analysis history, a good Procure-to-Pay system has a complete transaction history, but neither system has a complete record of all data related to a transaction. As a result, it's hard to do an analysis of quoted versus actual spend over the course of a year if the spend analysis module is in the Source-to-Contract system, which is where it typically resides. Without integration, one cannot compare actual spend for off-contract items with current market rates, and this makes it hard to identify new sourcing opportunities, which is the second value generation mechanism that will be found in an integrated system.

Spend analysis is a huge value-generation engine for the enterprise. Not only is it an enabler of advanced sourcing, but it is capable of delivering savings in excess of 10% year after year. In back-to-back studies in 2005 and 2007, Aberdeen found that spend analysis was an advanced sourcing tool that could deliver incremental savings of 12% above basic, price-focused auctions. In addition, A.T. Kearney has also performed

studies that found that spend analysis delivers savings in excess of 10% on an annual basis. For example, in their 2010 Indirect Procurement study, A.T. Kearney found that best in class organizations with an appropriate procurement organizational model were able to achieve savings greater than 10% in 47% of indirect categories, a savings that was a direct result of spend visibility.

Moreover, **the value of spend analysis is not in canned reports, but in the ability to analyze organizational data at any time in any way an analyst can imagine.** Saving opportunities are identified by repeatedly analyzing data in new ways, and re-running the analysis on new data until new, exploitable, patterns emerge. **Without access to all of the data, there will be limits to what an analyst can do.**

EASY SOURCING OPPORTUNITY IDENTIFICATION

With an integrated system, one can easily compare current prices in a given transaction to current market quotes obtained through an RFX or e-Auction and determine if there is an opportunity to put another category under contract. Without an integrated system, data will have to be pushed from one system to another and verified before a comparison can be made. It can be done, but it limits the number of cate-

gories and commodities an analyst can look at, which is why sourcing opportunity identification is a lot easier in an integrated Source-to-Pay system than in separate Source-to-Contract and Procure-to-Pay systems.

OVERPAYMENT ELIMINATION AND FRAUD REDUCTION

With all of the data related to a transaction in one system, including supplier data, contracts, rate cards, purchase orders, and goods receipts, each invoice can be subjected to an m-way match and if any data cannot be confirmed, the invoice can automatically be taken out of the payment queue and payment prevented until it, or the associated data, is corrected. This **prevents overpayments, duplicate payments, and even fraudulent payments from non-suppliers submitting invoices for goods and/or services they didn't deliver.** The only way an invoice without a matching good receipt can be paid is if someone with sufficient level of authority manually approves it -- which means that if fraud does occur, the auditor knows how, or at least knows who didn't do a good job keeping their account secure or where the hack originated.

Not only can an integrated system prevent overpayments and duplicate payments as discussed in the previous section on management by exception, but it can also eliminate entire categories of fraud. Fraud is usually a result of payment for goods not delivered (when AP can't confirm the delivery with a goods receipt); overpayment on shipping, handling, or other charges (such as the \$998,798 fraudulent shipping

charge to the Pentagon for two \$0.19 washers); or payment to non-existent suppliers. **With an integrated system, payments can be prevented for goods without receipts and services without multiple approvals;** rules can be put in place limiting fees for shipping, handling, or non-product or service hours (and that can force manual review and approval); and invoices from non-approved suppliers can be instantly rejected. While fraud can never be eliminated (as collusion between a sufficient number of parties can always override the system), it can be greatly reduced and significantly deterred (as the effort will often exceed the potential reward, which will divert the fraudsters away from the organization to greener pastures in the competition).

LOWER OPERATIONAL COST

Since an integrated end-to-end Source-to-Pay solution is a single solution that is built on one codebase and one database instance, **the ongoing operational costs will be lower for this Source-to-Pay solution than they will be for two separate Source-to-Contract and Procure-to-Pay systems.** This is because, where software is concerned, there are two types of costs to consider: the up-front acquisition and integration costs and the ongoing maintenance, upgrade, and support costs — the year-over-year operational costs. While it might be possible to acquire and integrate separate Source-to-Contract and Procure-to-Pay systems at a lower up-front cost than an integrated Source-to-Pay system, the long-term operational costs of maintaining two separate systems are going to be higher .

The reason for this is that with separate Source-to-Contract and Procure-to-Pay systems, there are going

to be (at least) three different software systems and databases to maintain: the Source-to-Contract, the Procure-to-Pay, and the ERP solution that acts as the master data store (assuming the organization doesn't have a separate SRM system). Each of these systems will have ongoing maintenance costs because data will get out of sync and the integrations will need to be updated each time the provider pushes out an update. In addition, separate training events will need to be scheduled each time an individual system is updated. In order to maintain three separate systems, triple the manpower will be required, and this could drive up the cost and support time requirements, due to the communication complexity, nine-fold.



CONCLUSION

Performance, Accuracy, Compliance, Efficiency, and value generation – without an integrated Source-to-Settle solution, it's hard to keep PACE and deliver the value that only a truly integrated Source-to-Settle solution allows. What other solution can deliver the sixteen benefits summarized in the figure 1?

Performance

- 360° view of Suppliers
- Increased Collaboration
- Workflow-based Project Management

Compliance

- Forced Supplier Compliance
- Forced Buyer Compliance
- 100% SOX Compliance

Accuracy

- Manuel Errors Eliminated
- 100% Data Currency
- One Version of the Truth

Value Generation

- Easy Spend Analysis
- Opportunity Identification
- Overpayment Elimination
- Lower Operational Cost

Efficiency

- Event Data Pre-population
- Automatic Data Propagation
- Manage by Exception

The Benefits of Source-to-Settle: Set the PACE for Value Generation!

ABOUT SOURCING INNOVATION

Sourcing Innovation, which started in June of 2006, is a leading resource for sourcing, procurement, and supply management professionals who are interested in improving themselves and the overall performance of their supply management organizations. Sourcing Innovation is education about, and in-depth analysis of, technologies and approaches that can have a

profound impact on the way an organization conducts supply management and creates business value. More information about Sourcing Innovation can be found on the blog itself, at

<http://blog.sourcinginnovation.com/>

ABOUT IVALUA

Established in 2000, Ivalua is one of the leading global vendors in Cloud/SaaS Spend Management software. Ivalua is used by Procurement and Finance for all supplier interactions including Performance and Risk tracking, Sourcing, Contracts, Procure to Pay, Invoice Automation and Analytics.

Leveraging one consistent platform and robust out-of-the-box functionality, Ivalua's clients benefit from quick deployments addressing key Spend categories and Business processes. Clients then can increase their adoption, coverage and savings with the industry's widest range of configurability and integration capabilities. Ivalua has successfully implemented more than 200 customers worldwide (most among the Fortune 500) and is used daily by more than 300,000 users and millions of suppliers from over 70 countries.

With quicker adoption by users, more Spend under Management and a lower Total Cost of Ownership, Ivalua provides a unique technology experience and a highly differentiated value proposition to Procurement and Finance organizations.



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