



TRANSFORMING **PROCUREMENT AND FINANCE** TO FUEL BUSINESS GROWTH

Analyzing data and identifying trends to inform decisions



INTRODUCTION

A large swath of corporate processes are undergoing a digital transformation, but the procurement function is lagging far behind in that respect. A meager 3 percent of chief procurement officers (CPOs) said they believe their staffs possess all the skills required to maximize the use of digital capabilities, according to Deloitte’s [global survey](#) of 504 CPOs.

That said, how can CFOs work with their procurement counterparts to achieve common goals of streamlined processes and data visibility to improve decision-making? Companies need to take a holistic view of financial processes to target those areas throughout the procure-to-pay (P2P) process that can have the greatest impact on efficiencies, costs, and supplier relationships.

The procurement and finance functions are tightly intertwined and can be significantly enhanced through a collaborative and cohesive approach to transformation. Back office inefficiencies are often at the root of slow growth.

This ebook will examine some of the challenges of transforming the procurement and finance functions and how automation can deliver value.



CHALLENGES OF INEFFICIENT PROCUREMENT AND FINANCE SYSTEMS

There is a mindset that the procurement and finance processes don't generate revenue. While it is true that they are administrative necessities, performing them more efficiently can boost the bottom line with things such as early payment discounts and smoother supplier relationships.

"These processes are enablers of the business," said Joe Payne, Senior Vice President, Source-to-Pay, Corcentric. "They bring value through cost



reduction and improving the budgetary process. But they are also an asset when seeking higher-caliber suppliers.”

Another challenge: siloed, legacy systems that hamper collaborative efforts. Separate procurement and finance platforms have existed for decades, and there is no clear path to connecting the processes. Automation is often done in a piecemeal fashion, an approach that fails to capture all of the value that can be derived from a more cohesive transformation. Invoice workflow, payment, and procurement solutions are often deployed as independent tools, and not fully integrated with the organization’s finance and accounting systems.

“Procurement must engage with many stakeholders, so transforming the process in a vacuum is not effective,” said Chris Sawchuk, Principal & Global Procurement Advisory Practice Leader, The Hackett Group. He noted that according to The Hackett Group’s research, only about one-third of procurement functions leverage finance for third party validation of their organization value contributions such as cost savings.

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— Joe Payne, Senior Vice President, Source-to-Pay, Corcentric



BENEFITS OF ALIGNING PROCUREMENT AND FINANCE

A finance and procurement transformation presents opportunities to lower administrative costs when tasks such as invoice workflow and matching invoices to contracts are handled automatically. Free from administrative tasks, employees can now focus on higher-value initiatives that can improve finance-procurement collaboration for better decision-making.

Companies that revamp their procurement and finance processes will also have a clearer view of how much of their spend is being managed, which should increase compliance. “In addition, turnaround time — whether

it is requisition-to-purchase order or purchase order-to-pay — should improve,” according to Payne. By extension, having greater insight into the procurement cycle improves cash management capabilities.

While companies are bound to gain efficiencies, a key benefit of transformation is more harmonious and productive supplier relationships. It’s not just about the pricing. You need steady relationships to remain competitive. Faster and more accurate processing counts for a great deal in today’s world. You’re making decisions based on a blend of real-time and historical data to identify where you are and where you’re headed.

“One of the biggest opportunities that a digital transformation provides is positioning procurement as a source of innovation and value,” said Marisa Brown, Senior Principal Lead, Supply Chain Management, APQC. “You’re changing conversations to be stronger and more strategic with vendor relationships.”

Organizations need to be on the lookout for a better way to ensure that they’re partnering with the best providers. Transforming procurement as part of a finance system transformation is easier when all the systems are integrated for maximum visibility.

“When you have procurement and finance working together, you can also more effectively focus on the growing area of corporate social responsibility including diversifying the supply base, improving sustainability and eliminating the use of child labor in supply chains,” said The Hackett Group’s Sawchuk. As risk leaders of their organizations, CFOs need to address these issues.

Vendor consolidation is another key benefit of a finance-procurement transformation. Can you get a better deal by consolidating the procurement process among many offices and divisions? You won’t know if you don’t have the data as part of the financial and accounting framework.

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BEST PRACTICES FOR A COMPREHENSIVE TRANSFORMATION

Today's finance team has accounting expertise, but also data analysts and tech-savvy staffers. The wide range of backgrounds positions the finance function to lead a broad transformation that spans procurement.

While finance and procurement will be the key drivers of transformation, they can't do it alone. There has to be C-suite buy-in and leaders from business function areas that will be affected. "You never want to embark on a transformation project in a bubble," Payne said. "It is important to identify your biggest buyers and enlist those buyers to support the process."

Other stakeholders to include: IT, treasury, corporate audit, HR, and marketing. "Enlist marketing to help with communicating the benefits to internal and external partners," Payne suggested.



For a transformation to yield the desired results, you need the right people, particularly those with supply chain backgrounds, noted APQC’s Brown. “We’re beginning to see degree programs emerging in procurement, sourcing, and contracting.”

It is also essential to have agreement on what you are planning to transform. “Be clear on the goals and what you want to measure, and the metrics should be balanced between cost savings, quality, service, and value,” said Tom Willman, Principal, Global Practice Leader-Finance Advisory, The Hackett Group. “If you’re just measuring costs, that can create problems from a quality and service perspective.”

Improved customer satisfaction is one outcome of a successful transformation that that is often overlooked. “A transformation should make it easier to work with your company, especially if you’re a smaller player in a highly competitive market where competing on price alone won’t necessarily win the business,” Payne concluded.

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CONCLUSION

Organizations need high functioning procurement and finance processes to meet the needs of all stakeholders.

At the same time, modern finance and procurement functions recognize the need to align. As they undergo the necessary transformations, these areas need to not only improve efficiencies but also make better decisions about the end-to-end supply chain process. They will increasingly be working in synch to provide the mandated visibility and efficiencies, as well as to prepare for the new business models ahead.

Key takeaways:

- ▶ Procurement lags behind some other business functions when it comes to digital transformation. This gap can impede a company's ability to leverage all of the potential benefits from revamping its technologies and processes.
- ▶ There are some challenges when it comes to aligning procurement and finance, including siloed systems and cultural hurdles.
- ▶ The benefits of transforming finance and procurement don't end with more efficient processes. Visibility into data to drive better decisions leads to better business outcomes and a better experience for partners and stakeholders.

ABOUT THE SPONSOR

Corcentric is a leading provider of source-to-pay and order-to-cash solutions for businesses in the United States and Europe. Corcentric's procurement, accounts payable, and accounts receivable solutions empower companies to spend smarter, optimize cash flow, and drive profitability. Since 1996, more than 6,000 customers from the middle market to the Fortune 1000 have used Corcentric to reduce costs and improve working capital.

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