10 Steps To The Perfect Digital Process

Checklist Purchase Order/ Goods Receipt / Invoice

Digital processes may not be a cure-all for Procurement, but they do make it easier to increase efficiency, especially in key areas of transactional Procurement, such as ordering, booking goods receipts and invoicing. There are many factors that can influence the success or failure of your digital processes. Success can be measured by how much time went into the procedure and by how high the costs were. A failure to achieve the expected efficiency can be incredibly disappointing, because restructuring processes and trying to resolve problems usually requires a lot of time and resources.

The good news is that many mistakes can be easily avoided if you know what to look out for. With that in mind, here are our top 10 professional tips for the perfect digital process.

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10 Steps to the Perfect Digital Process

01 | **Know what the actual situation is! The first step before restructuring your processes is to collect information on current ordering procedures and channels, the current supplier base, and all of the signature regulations for approving invoices.**

○ How long does it currently take to process and approve a purchase order/invoice? What are the costs involved?

○ What percentage of order confirmations don't deviate from the purchase order?

○ Number of employees responsible for processing and approving (purchase order, goods receipt, invoice)?

○ Any non-compliance with internal or external rules? (e.g. segregation of duty, delegation of authority...)

○ What is the percentage of first-time matches for invoices? (invoices that pass straight through the procure-to-pay system the first time without delay or manual intervention)

○ What percentage of invoices need manual processing?

　　○ Because of maverick buying (invoice without a purchase order)

　　○ Because of missing goods receipts

　　○ Because of mismatch between PO and invoice

　　○ Because of data entry errors

02 | **Do you want to integrate multiple departments into the workflow? Then involve your colleagues from the relevant departments in the planning process and outline the goals of the project together!**

○ Cross-functional workshops to define mutual goals

○ Joint planning and implementing of change management

○ Keep everyone informed and up-to-date on the project's progress and milestones

○ Do they have specific pain points (or unfulfilled needs) regarding traceability and archiving of past communication with suppliers?

03 | Be bold! Question old, established routines, bundle resources and streamline your Procurement processes! Not implementing every single process 1:1 leaves room for additional savings.

○ Make an inventory of your current processes, including a SWOT analysis

○ Any areas requiring differentiated processes? (e.g. no PO/no pay rule may not be wise for all categories)

○ Introduce and discuss target processes, including the expected potential (% savings, process costs, order/order confirmation, goods receipt, invoice)

○ Number of current ordering channels?

○ Current vs. planned approval processes?

○ Percentage of suppliers digitally enabled?

04 | Automate simple process steps! Order confirmations, Advance Shipping Notifications (ASN), and invoice approvals usually take a lot of time, but the right procedure can change that.

○ What percentage of orders are sent digitally to suppliers?

○ What percentage of purchase order confirmations match the order?

○ What percentage of invoices match purchase orders?

○ What percentage of ASNs are digitally processed?

○ Planned potential ($/€) of digital vs. manual processing?

05 | Keep everything seamless! For example, in the long run, digital purchase orders without electronic invoices will prevent you from reaching the level of efficiency you need.

○ Is there duplication of work and synergy in process operations (upstream/downstream processes)?

○ Are there risks of fraud in the process that could be eliminated by a digital end-to-end process?

○ Would it be possible to have an end-to-end process from your ERP system to the supplier's ERP system?

○ Use of a supplier portal to share data, documents, KPIs, and real time status of liabilities (PO, invoices, etc)?

○ Have you looked at cash management improvements that enable supply chain finance (SCF)? (e.g. discounts against early payments)

06

Before you start, decide to what extent you want to integrate your digital process into your ERP system and find out what the technical requirements are for what you want to achieve. Making adjustments during or after implementation is expensive and is one of the main reasons for why projects take longer than planned.

- ○ Requirements and interfaces with your ERP system?
- ○ Required vs. available IT know-how and need for internal/external resources? Costs involved?
- ○ Initial and recurring costs of integration, middleware, and interface maintenance?
- ○ Optional: Requirements and interfaces with supplier ERP systems? Costs involved?

07

Be meticulous! A written blueprint with a detailed description of requirements is the basis of every digital process and will help you avoid misunderstandings during implementation.

- ○ Define requirements, range of functions, and goals of target processes
- ○ Identify gaps in areas related to people, process, and technology
- ○ Include an implementation/rollout strategy
- ○ Document all requirements and agreements

08

Make things easier for your co-workers! Colleagues from different departments and at different levels in the hierarchy should be able to work with the software solution easily and without too much training. Having a user-friendly interface is an absolute must!

- ○ Find out how many users there are from every department
- ○ What do they like/dislike in the current process?
- ○ Number of purchasers that are included in the process?
- ○ Number of co-workers in Finance for invoice checks/approval
- ○ Number of approvers in other departments?

09 | **Include your suppliers! A high rate of use and clear value for your suppliers will noticeably increase the acceptance of your new process.**

○ Include suppliers in every step of the project early on

○ Integrate all of your suppliers via EDI and WebEDI (not only the most important ones)

○ Also provide your suppliers with a digital process from ERP system to ERP system

○ Devote attention to improving communication and monitoring

○ Ensure that your process scales and will be used (e.g. little-to-no training required, no hardware installation necessary, no added costs, familiar SAP forms, etc.)

10 | **Evaluate your digital processes regularly! Requirements change, and even good processes can be improved.**

○ Is data (e.g. vendors, users, etc) still up-to-date and efficiently maintained?

○ Are there new responsibilities and/or rules within your company regarding approvals etc. ?

○ Are the defined process steps still adequate?

○ Have there been changes in the supply chain that require action on your part to stay agile?

○ Are users (internal and external) satisfied with the process?

○ Use your new reports and dashboards to identify further improvements:

  ○ Any bottlenecks?

  ○ Potential for simplification or rationalization?

Notes

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