

Finance & Procurement: The Source-to-Pay Dream Team

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There's a new acronym currently gaining attention in the world of finance and procurement: S2P. Standing for "source-to-pay," it's not just a rebrand for procure-to-pay (P2P) like you might think at first glance. Rather, it's an expanded approach to managing and optimising the process of procuring goods and services by starting at the one step preceding procurement: sourcing.

While P2P starts with the requisition of a purchase — often from a pre-approved catalogue of suppliers — S2P begins the actual sourcing of goods, covering every step in the process from spend management, strategic sourcing and supplier management, through to purchasing, performance management and accounts payable (AP).

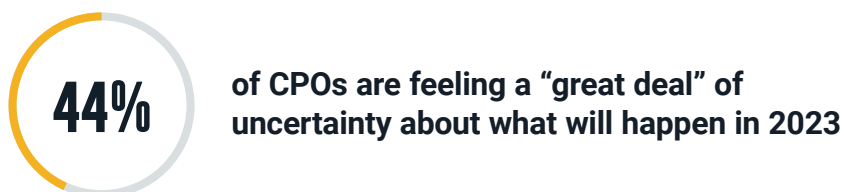
So, why does this matter?

By backing up one step, S2P solutions bring strategic sourcing into the mix, opening up a trove of new opportunities for maximising efficiency, lowering costs and building stronger, more beneficial relationships with suppliers. In addition, they present an opportunity for Finance and Procurement departments to knock down their silos and work in congruence to align procurement activities and financial decisions with company goals, thereby driving synergies and expanding value creation.

The evolving landscape of procurement

The state of procurement in 2023 remains strong and is continuing to grow its strategic value by driving operational efficiencies and cost containment. This also puts even more pressure on Procurement teams to be as efficient and cost-effective as possible — something that's hard to do without the right technology and proper collaboration between CPOs and CFOs.

A recent research report found that 44% of CPOs are feeling a "great deal" of uncertainty about what will happen in 2023, with 60% believing that this year will be even more challenging than 2022. That says a lot about challenges currently facing procurement leaders: budgetary constraints, supplier performance management, supply chain disruptions, staffing issues, etc.



S2P solutions can be transformational when it comes to addressing these key challenges and aligning finance and procurement objectives with overall organisational strategy.

Streamlining and integrating processes

S2P solutions have the ability to take procurement efficiency to a new level. Like any solution powered by artificial intelligence (AI) rather than human hands, S2P solutions enable faster, more accurate data entry and processes. By reducing the complexity of the procurement process and providing deep insights into spending analytics, an integrated S2P platform can help to ensure better collaboration between buyers and suppliers while providing instant visibility into all your contracted suppliers and performance metrics. Implementing an S2P solution is a powerful way to gain end-to-end visibility through a single, holistic lens.

Risk mitigation and compliance

S2P solutions are capable of identifying and mitigating the risks and compliance issues closely associated with procurement by enabling organisations to be prepared for compliance under changing regulations, lowered supplier risk with comprehensive risk assessments, and ensure a secure payment process. With an S2P solution, businesses can optimise and manage supply chains while streamlining supplier risk compliance and effectively closing the P2P loop.

Finance and procurement should collaborate closely on risk management. Procurement leaders can assess and manage supplier risks, such as supply chain disruptions, quality issues, and compliance concerns. Finance leaders can contribute their expertise in financial risk assessment, evaluate the financial stability of suppliers, and ensure compliance with financial regulations. Together, they can develop robust risk management strategies that protect the organisation and maintain continuity in operations.

Cost reduction and savings

The use of a S2P solution can result in substantial savings immediately, particularly through the use of strategic sourcing. Users can obtain quick insight into purchasing behaviours and supplier performance, making it easier to determine best values for every expense that is considered. Procurement teams can also leverage the visibility provided by S2P solutions to optimise contract management, reduce maverick spending, and identify areas of process improvement and cost optimisation.

Finance and procurement can — and should — work together to mitigate costs across the organisation. Procurement leaders can leverage their market knowledge and sourcing expertise to identify cost-saving opportunities, negotiate favourable contracts and select suppliers that offer the best value. Finance leaders can provide the necessary financial analysis and insights to support procurement decisions and measure the impact of cost optimisation efforts.

Supplier relationship management

Supplier management is a complex, multi-step process that happens to be a fundamental part of an organisation's success. However, S2P solutions can help facilitate effective supplier management by enhancing communication, collaboration and performance evaluation. By incorporating strategic sourcing into the procurement process and being able to thoroughly vet potential suppliers, businesses can also promote more sustainable and ethical supplier practices.

Bridging the gap between finance and procurement creates end-to-end S2P synergy

By recognising the shared objectives and synergies between finance and procurement, organisations can foster a strong partnership that enhances decision-making, optimises costs, mitigates risks, and drives sustainable growth. Collaboration between these functions is key to achieving operational excellence and delivering value to the organisation as a whole. To do so, they need to remove point solutions and move to a single platform that can manage the entire S2P process.

Esker's end-to-end AI-driven Source-to-Pay suite helps companies remove silos between finance and procurement, allowing them to be agile in an ever-changing world, building a reliable and sustainable business together.

