

The Definitive Procure-to-Pay Solution for SAP Environments

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Executive Summary

Automation of financial processes is no longer an optional step for organizations – it is essential for high performance. Many organizations automate financial processes and integrate with existing ERP systems in order to promote efficiency and improve bottom-line performance. This white paper details the exponential benefits that can be achieved by automating the procure-to-pay (P2P) process using a dedicated P2P system that integrates with SAP.

P2P refers to the entire process by which organizations buy and pay for goods and services including requisition approval, purchase order (PO) creation and invoice processing. It is possible to perform some of these using the SAP P2P modules, however many organizations find there are limitations within the SAP solution and the required investment in SAP license fees are prohibitive. Furthermore, the considerable time and effort necessary to successfully automate implement P2P using SAP can lead to excessive project and professional services costs. Due to the difficulty and cost involved in automating P2P using SAP P2P, as well as the SAP user interface (which is not intuitive and can be difficult to use), less than 30% of SAP ERP users choose to automate P2P using the SAP P2P module. Instead, finance teams often perform manual processes and maintain spreadsheets outside of the system which leads to inefficiency and a lack of visibility over the entire process. With SoftCo P2P, tightly integrated with SAP, it is possible to automate the full procurement cycle and provide finance leaders with the visibility they need without the same level of investment needed to do so in SAP.

SoftCo P2P is specifically designed to automate the procurement cycle with standard configurations to facilitate even the most complex of requirements and multi-entity environments. This white paper focuses on the drive for implementing SoftCo P2P with SAP integration, how it works, and the benefits that organizations have achieved in doing so, such as:

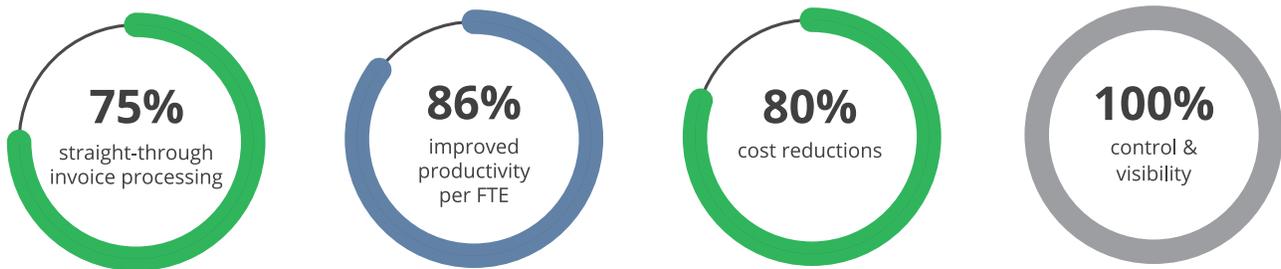


Fig. 1 Results that organizations typically achieve with SoftCo P2P

Introduction

ERP systems enable organizations to operate more efficiently. However, even the most comprehensive ERP systems have limitations that impact an organization's daily activities. When there is a high volume of manually-handled transactions, issues such as poor visibility over processes and delays in paying vendors can prevent an organization from achieving optimal use of its ERP, and ensuring the maximum return from its investment.

SAP ERP is enterprise resource planning software that incorporates the key business functions of an organization. SAP is the leading provider of ERP systems with 24% global market share (see Fig. 2). In an effort to optimize SAP performance, leading organizations look to a single external solution to automate financial processes. For SAP users, this type of solution offers more than integration with the system; it provides the exact same look and feel as the SAP GUI and any other SAP transaction. Automation of financial processes, such as procure-to-pay (P2P), is proven to help organizations become more cost efficient, improve control over company spend and financial processes, and reduce invoice processing times.

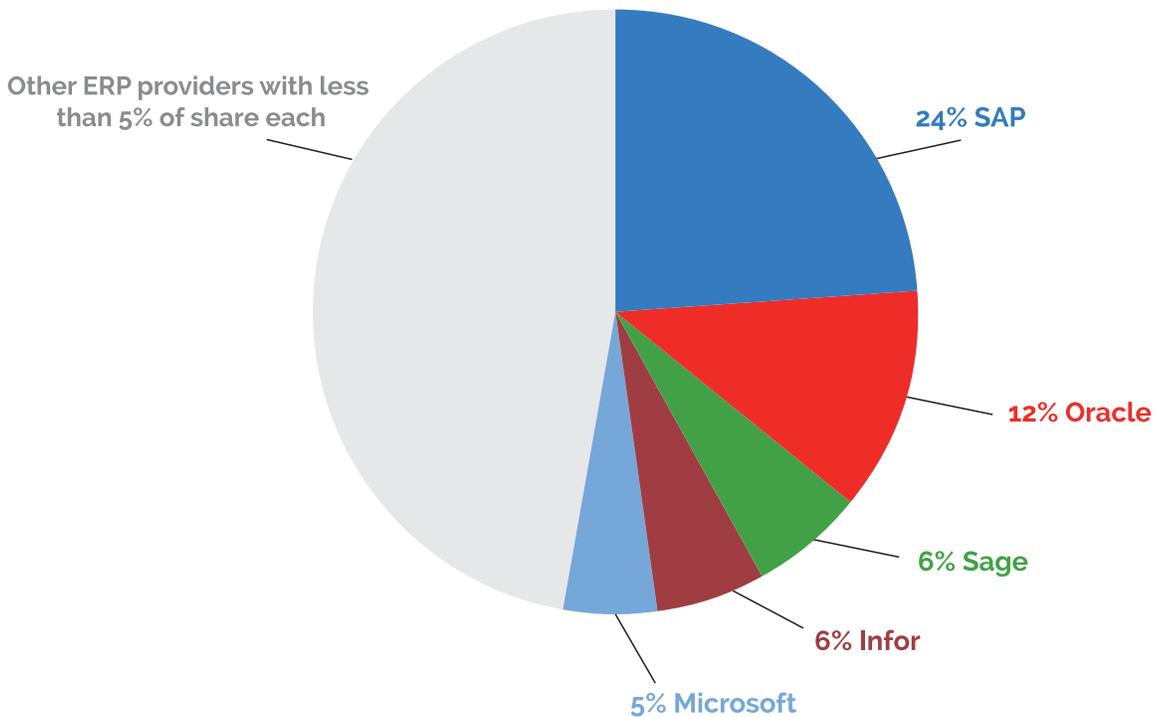


Fig. 2 A study carried out by Gartner shows SAP as having the largest share in the ERP market in 2014

Drivers for integrating P2P automation with SAP

Many organizations using SAP today find that they have implemented a lot of manual processes and spreadsheets in order to establish some control over their P2P cycle. This is typical for companies with more complex business requirements such as multi-entity structures, multi-ERP environments, distributed buyers and approvers, and also companies operating in regulated industries with specific coding and compliance requirements.

Despite already utilizing a SAP system in their organizations, decision-makers do not always opt to use SAP P2P. In fact, despite the fact that SAP has the largest market share (at 24%), adoption of SAP P2P is below 30%. The time and cost required to invest in the roll out of SAP P2P are often prohibitive, and the SAP user interface is not intuitive and can be difficult to use. Organizations therefore typically perform manual processes instead, leading to the following common issues:

-  **Manual entry of invoice data** once received, because SAP does not have optical character recognition (OCR) needed for capturing invoices in paper, PDF, and email format. This results in excessive overheads and high labor costs.
-  **Highly manual invoice processing** upon receipt, including coding and approval. In addition to increasing the risk of human error, manual processes are costly in monetary terms and significantly affect an organization's bottom line.
-  **Slow payment cycles** resulting in poor vendor relations and lost early payment discount opportunities.
-  **Problems with detection of duplicate invoices** and subsequent duplicate payments being made to vendors.
-  In organizations with multiple entities or distributed geographic locations, there is a **lack of visibility and control** over external processes and spreadsheets maintained outside of SAP.
-  Invoice **accrual reports are either non-existent or inaccurate** and result in month-end reporting problems, due to approvals being manually carried out.

The case for P2P automation

Research and consulting firm, PayStream Advisors, reports that “two glaring problems with ERP systems are that workflow often requires a high level of customization that can be costly and take a long time to roll out, and secondly, ERPs were not designed to handle unstructured content such as documents”. The report also notes that ERPs are typically implemented for fifteen years or longer.

SoftCo P2P allows organizations that use older versions of ERP systems, such as older versions of SAP, to benefit from the latest workflow technology. While process automation to some extent is possible in ERP systems such as SAP, the best method of ensuring optimum efficiency is by implementing a dedicated software solution that interoperates with SAP and delivers greater functionality and ease of use. These solutions have the capability to automate and optimize inefficient manual processes to deliver productivity improvements and significant **cost savings**. SoftCo P2P also delivers additional benefits, including enhanced **mobility** and full, end-to-end **vendor management**.

Cost savings

Because rolling out SAP P2P is time-consuming and costly to do, organizations across all industries often opt for SoftCo P2P in order to modernize the P2P process and achieve real savings without the need to commit to the same high level of financial investment and excessive implementation times.

Organizations can modernize P2P processes while maintaining SAP as the core ERP system and avoiding the cost and upheaval of a full ERP upgrade or replacement. Feedback from SAP customers who have implemented SoftCo P2P consistently show significant cost reductions by eliminating manual tasks, including manually raising POs and sending to vendors, matching and approving invoices, and posting the vendor invoices for payment. In addition to costs savings, the risk of human error is dramatically decreased and, in cases where the process is fully automated, eradicated entirely.

Mobility

Unlike SAP, which is available on-premise only and not mobile-optimized, SoftCo P2P can be hosted on-premise or in the cloud, and includes modern intuitive mobile and desktop interfaces. Vendors can upload relevant documents and data including invoices via the vendor portal, and AP teams can complete tasks and review information on the go, via mobile and other portable devices. SoftCo P2P supports an unlimited number of users, transactions, and processes, ensuring high availability.

Vendor management

SoftCo P2P enables finance teams to quickly on-board, validate, and maintain vendors. Preferred vendors can register on the vendor portal and, once approved by the procurement team, can perform self-service tasks including submission of W8/W9 forms, anti-money laundering (AML) forms, anti-bribery and corruption (ABC) documents, and VAT/EIN numbers. Automated alerts are sent to the procurement team if vendor profiles are incomplete or missing data and when time bound documents, such as vendor contracts, need to be renewed. Approved vendors can also submit invoices and supporting documents themselves which further reduces AP processing times and improves vendor relations.

How does SoftCo P2P work?

P2P refers to the entire process by which organizations buy and pay for goods and services, from the request for the product to the issuance of the PO, receipt of the goods, and finally the processing and payment of the vendor invoice. Successful organizations are modernizing their P2P processes by automating each of the steps involved. P2P automation can be achieved by transforming the following tasks:



Fig 3. Framework for SoftCo P2P automation



Requisition automation ensures that an organization is always in complete control of company spend from the start. Requisitioners can choose products and services from defined catalogs with approved vendors so full visibility is maintained over what is being purchased and why. POs are only sent to vendors after being fully approved which enables companies to enforce strict 'No PO, No Pay' policies once the invoice has been received.



All types of invoices including paper (using intelligent character recognition (ICR)), PDF, fax, EDI, XML, and email can be automatically **captured** in the system. Touchless processing for most invoices through capture, matching and approval means only exceptions need to be handled by AP team members. Other automated checks trap problems such as duplicate invoices, missing PO numbers, and unregistered vendors at source before they cause bigger problems and more work downstream.

-  Automated 2-, 3- or 4-way **matching** of POs, invoices, goods received notes, and quality control documents eliminates manual paper-based processing, which typically results in the straight-through processing of up to 80% of all invoices.
-  **Approval** automation allows for invoices to be routed electronically, reducing approval times. Complex rules based on roles, hierarchies, and varying approval limits can be configured to ensure adherence to company spend policies. Sophisticated workflow automation not only enables approval routing within a single entity, but also across multi-entity organizations.
-  Seamless **interoperability** between the SoftCo P2P system and SAP ensures full visibility of the end to end P2P process along with a complete audit trail for every transaction.
-  KPI dashboards and reporting **analytics** enable finance leaders to continuously monitor and improve the operational P2P processes while also delivering timely and accurate month end reporting.

Implementing & integrating SoftCo P2P with SAP

Standard SAP integration adapters are used to enable the bi-directional exchange of data between the SoftCo P2P and SAP systems. Key master data such as vendor information, general ledger codes, cost center codes, VAT tables, payment terms, and currency exchange data are passed from SAP to SoftCo P2P. User information is also synchronized with AD (active directory) or LDAP (Lightweight Directory Access Protocol), and associated with approval hierarchy rules in SoftCo P2P.

SoftCo P2P also transfers transactional data to SAP such as PO details, GRN details, and approved invoice data which may include matched line item details. These data transfers can be real time or scheduled for pre-defined times depending on the demands of a particular organization.

Additional attributes can also be utilized for cost accounting to accurately allocate costs across the organization. Other accounting attributes may also be used for improved reporting, such as asset codes, location codes, project codes, vehicle registrations, or any other business or industry-specific categorization. SoftCo P2P handles all standard attributes available in SAP, and also allows specialist attributes to be quickly added to meet the specific needs of any organization, without the need for coding.

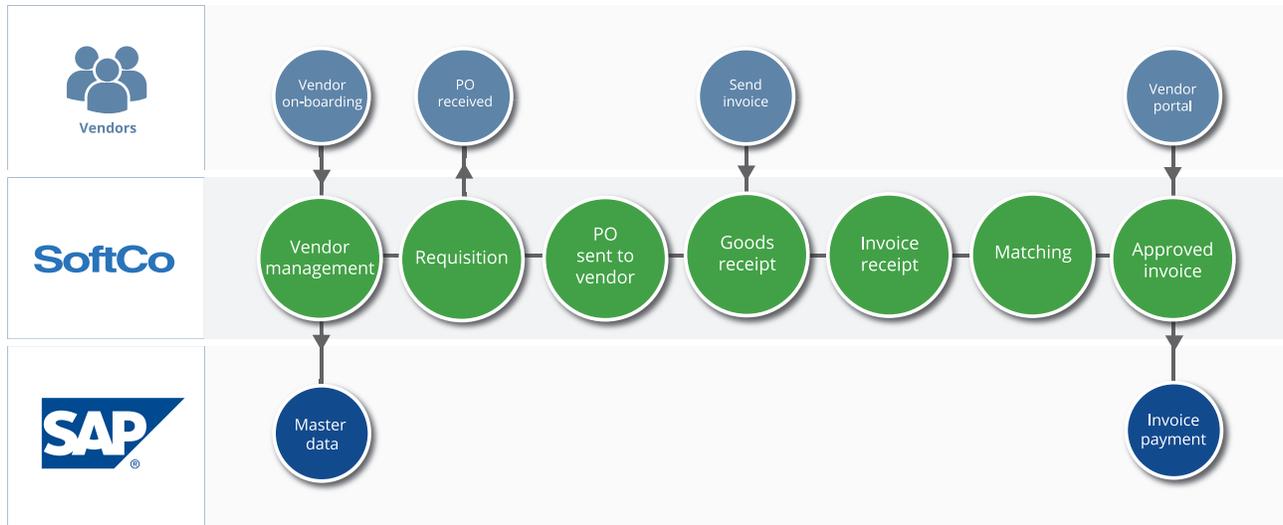


Fig 4. Interaction points between vendors, SoftCo P2P, and SAP systems

SoftCo P2P-SAP integration methods

One of the key factors to consider in order to achieve seamless interoperability between SoftCo P2P and SAP is the integration method.

The integration method refers to the ways in which SoftCo P2P and SAP transfer data between each other. Different data formats, including IDoc, CSV, XML, EDI, SQL views or stored procedures, may be used by each system or for each step in the P2P process. There are a number of dedicated SAP adapters that enable the two systems to exchange this data, including: file exchange, which is generally carried out over BAPI capability, SAP IDoc, SQL direct integration, SAP PI, and APIs.

BAPI (Business Application Programming Interface)

BAPI function modules enable access to SAP functions and data. SoftCo P2P can extract and transform data such as PO, accounting, and receipting information from SAP into SoftCo P2P using the SAP BAPI interface. Data files are then transferred in a readable format between the SAP system and P2P (and vice versa), typically on a scheduled basis.

SAP IDoc

IDoc (intermediate document) is a format for data transfer in and out of the SAP system. The data transferred between the systems is in IDoc format, which is a text format. Using IDoc is one of the most common and stable methods for integrating with SAP. Each business object has a specified IDoc format that can be used to import and export data between SAP and external systems. SoftCo P2P includes the ability to generate and consume IDoc files for a number of specific business objects.

SQL direct integration

This integration method allows SoftCo P2P to access SAP data via a standard SQL view/stored procedure against the underlying SAP database. . This direct integration method allows SoftCo P2P to seamlessly and securely communicate with the SAP system. SQL views supports both synchronous and asynchronous query methods and is utilized where servers are disparate and hosted off-site.

SAP Process Integrator (PI)

SAP PI is middleware typically used to transfer and map data between SoftCo P2P and SAP, facilitate API-based integration, and monitor and handle any errors that arise. Such integration is achieved via a web services interface (using HTTP / HTTP (SSL)) and can be additionally secured via a public / private digital certificate. The data exchanged can be done as a push or pull from either system, and such data can include master data, transactional data (PO, receipting, approved invoices), and SAP voucher numbers and payment references.

RESTful API

RESTful application programming interfaces (APIs) use HTTP protocols to view, create, post, and delete data from one system to another. A RESTful API typically transfers data in readable XML or JSON formats, or both. RESTful APIs are utilized when frequent, real time updates to data are necessary for business needs, regardless of the location of servers.

Customer references



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With SoftCo, we're paying our vendors faster, we can handle the process better, and our AP staff are not under as much strain.

”

European financial services provider, Mediolanum, employs 2,300 employees and boasts a network of over 5,000 financial advisors serving more than one million customers. It deployed SoftCo P2P to automate vendor invoice processing and increase efficiency across its finance department. Mediolanum required full visibility over the financial processes and needed to replace manual invoice processing. The finance department needed a more efficient way of handling invoice and payment queries, as the time taken to process an invoice was lengthy and delayed month-end close and accruals. SoftCo P2P captures, automatically routes, and compliantly archives invoices and supporting financial documents, including purchase orders and credit notes. Fully integrated with the existing SAP system, it enables instant online access to documents while delivering strict compliance requirements. Mediolanum has removed unproductive manual invoice processing tasks and ensures that the finance team has full visibility and control over every stage of the payment cycle, resulting in time savings and cost reductions.



“

We now have better access to data with full visibility and control at every stage of the payment cycle.

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Dublin Bus, is a wholly-owned subsidiary of the state-owned Córas Iompar Éireann Group, and operates the majority of public service obligation bus services in Dublin. Dublin Bus implemented SoftCo P2P to process 40,000 vendor invoices per annum and integrate seamlessly with SAP. Dublin Bus manually keyed in invoice data in SAP and handled a large volume of both internal and external queries, resulting in a lack of visibility over its AP process. SoftCo P2P ensures that invoices are scanned on receipt, data is validated, and immediately posted to SAP. All invoices and information is available centrally once the invoice is received, and it is subsequently stored in SoftCo P2P compliant archive. SoftCo P2P has enabled Dublin Bus to increase its same day processing of invoices by over 200%. Time has been saved and costs have been reduced as a result of automating manual tasks and paper processes, and queries are answered quickly which has improved vendor relations.

Conclusion

SAP is an increasingly popular option for organizations as an ERP system to gain control over their financials, and simplify operations. While SAP P2P supports some process automation, 30% of SAP users choose not to deploy SAP P2P for automation. For these organizations, manual-based P2P processes are typically performed and in these cases, a dedicated automation solution such as SoftCo P2P ensures maximum efficiency. For large or multi-entity organizations with a high volume of incoming vendor invoices to process, and organizations with complex rules and procedures with which to comply, making the most of SAP's capabilities is a complicated task. SoftCo P2P seamlessly integrates with SAP in organizations across every industry sector, and is proven to dramatically improve P2P processes, delivering cost savings, faster invoice approval and processing times, and transformed operational processes.

By integrating SoftCo P2P with SAP through BAPI capability, SAP IDoc, SQL direct integration, SAP PI, and APIs, organizations can carry out each step of the P2P process within two fully-integrated and interoperable systems. Files of all formats and structures are shared between the systems in real time, providing management with much needed visibility and control over company spend, and accurate and timely reporting. Without incurring the costs and disruption of replacing the entire SAP system, integration with SoftCo P2P delivers optimized financial processes, allowing finance teams to complete tasks quickly and accurately, and focus on strategy rather than spreadsheets.

About the Authors



SoftCo is a provider of financial process automation software that increase productivity, reduce costs, and ensure organizations meet their compliance obligations. SoftCo's solutions fully integrate with all major finance systems, databases, and ERP systems including SAP, Microsoft Dynamics, Oracle, JD Edwards, Lawson, and Exchequer, via an adapter called SoftCo Connect. SoftCo has offices in Ireland, the UK, the USA, and the Nordics. SoftCo is ISO 27001 certified, a SAP NetWeaver Partner, a Microsoft Gold Partner, and an AWS Advanced Technology Partner.



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