

Procure-to-Pay Automation for Oracle ERP

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Executive Summary

According to research from Deloitte, a top priority for 75% of finance leaders is to reduce costs. In order to improve profitability, more than 80% of finance leaders plan to implement productivity and efficiency improvement initiatives. As a result, an increasing number look to modernize their procure-to-pay (P2P) processes.

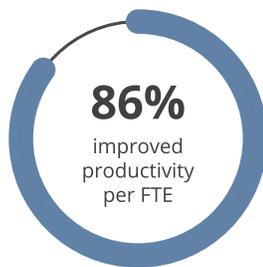
Automation of financial processes is no longer an optional step for organizations – it is essential for high performance. Many organizations automate their financial processes and integrate with existing ERPs and core accounting systems. These integrations promote efficiency and improve bottom-line performance. This white paper details the exponential benefits that can be achieved by automating the procure-to-pay process using a dedicated procure-to-pay system that integrates with both Oracle Financials and Oracle Retail.

The procure-to-pay process ranges 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 procure-to-pay processes by automating each of the steps involved.

It is possible to perform some of these using the Oracle iProcurement modules, however many organizations find that there are functional and usability limitations within the Oracle solution and the required investment in Oracle license fees can be prohibitive. Furthermore, the considerable time and effort necessary to successfully implement iProcurement in Oracle can lead to excessive project and professional services costs.

Due to the difficulty and cost involved in automating procure-to-pay using Oracle iProcurement, 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 Procure-to-Pay, tightly integrated with Oracle, it is possible to automate the full procurement and accounts payable cycle and provide finance leaders with the visibility they need without the same level of investment needed to do so in Oracle.

SoftCo Procure-to-Pay 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 Procure-to-Pay with Oracle integration, how it works, and the results that global organizations have achieved in doing so, including:



Introduction to Oracle

Enterprise Resource Planning (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 therefore, ensuring the maximum return from its investment.

Oracle ERP is comprised of a number of different modules including Financials, Retail, and iProcurement which are offered on-premise as well as in the cloud. These solutions offer a complete, innovative, and proven solution for organizations of all sizes.

Oracle manages accounting, financial planning and analysis (FP&A), revenue recognition, risk management, governance, compliance, procurement, project planning, tax reporting, and much more. Due to its broad and deep financial management capabilities and its international capabilities, Oracle is consistently a leader in Gartner's Magic Quadrant.

Drivers for Integrating Procure-to-Pay Automation with Oracle

Many organizations using Oracle 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.

The following are some common indicators that Oracle customers have identified as key drivers for implementing an integrated P2P solution with Oracle:

-  **Manual entry of invoice data** upon receipt, including coding and approval. In addition to increasing the risk of human error, manual processes are costly and significantly affect an organization's bottom line.
-  **POs are raised and approved independently** of Oracle and then approved POs are manually sent to the vendor outside of the Oracle system.
-  **Slow payment cycles** resulting in poor vendor relations and lost early payment discount opportunities or even late payment penalties.
-  **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 Oracle.
-  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 workflows 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.

In a recent study by Ardent Partners, 71% of finance organizations said that their top priority was to reduce cost and headcount within the finance function. 55% said that they wanted to redeploy capacity to more value-creating activities and 44% said that they wanted to improve finance’s analytical modeling and reporting capabilities.

As the pressure to drive cost and time savings intensifies, finance leaders realize they need to be agile. As a result, an increasing number look to modernize their Procure-to-Pay processes. Traditional P2P processes are very manual. This leads to lengthy invoice approval times, late payments and an insecure process. Automation technologies have allowed Procurement and Accounts Payable leaders to reduce costs, save employee time and increase visibility.

Cost savings

Because rolling out Oracle P2P is time-consuming and costly to do, organizations across all industries often opt for SoftCo Procure-to-Pay 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 Oracle as the core ERP system and avoiding the cost and upheaval of a full ERP upgrade or replacement. Feedback from Oracle customers who have implemented SoftCo Procure-to-Pay 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.

Improved Approval Times

In many organizations, invoice approval can be a bottleneck in the P2P process. Approvers often allow invoices to ‘sit’ on their desk for days and in some cases weeks. In many cases, it can take some time for the invoice to get fully approved as it will have to be physically brought to and signed off manually by a number of different people. With SoftCo Procure-to-Pay, invoices and requisitions can be automatically routed to the appropriate approver for them to approve with a couple of clicks in the platform or through email. Based on our experience, this typically saves 3% of a senior business approver’s time (about 1.5 weeks per annum).

Early Payment Discounts / Late Payment Penalties

It is often the case that suppliers will offer a discount for buyers who pay their invoice early. Due to an organization's lack of visibility into invoice lifecycles, these discounts are often missed. In fact, one-half of organizations only capture discounts some of the time and 16% never do. Organizations who are using SoftCo Procure-to-Pay to automate and speed up their invoice lifecycle are saving anywhere from 5% to 35%. Depending on an organization's invoice volume and size, the financial savings could be millions of dollars.

Controlling Non-Trade Spend

Non-trade spend is spend on goods and services that will not be re-sold. Products and services such as stationery, electricity bills, and cleaning services all fall into this bracket. In a lot of organizations, these products/services are paid for with a company credit card or petty cash. This can lead to the organization missing out on bulk discounts and potentially over-paying. We have found that when an organization adds a PO process to non-trade spend, they will typically spend 2% less. Again, within larger organizations, financial savings could be millions of dollars.

Mobility

SoftCo Procure-to-Pay 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 Procure-to-Pay supports an unlimited number of users, transactions, and processes, ensuring high availability.

Supplier Management

SoftCo Supplier Portal enables finance teams to quickly onboard, validate, and maintain vendors. Preferred vendors can register on the vendor portal within SoftCo Supplier Portal and, once approved by procurement, can perform self-service tasks including submission of W8/W9 forms, anti-money laundering (AML) and Know Your Customer (KYC) 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 Procure-to-Pay Work?

Procure-to-Pay 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.

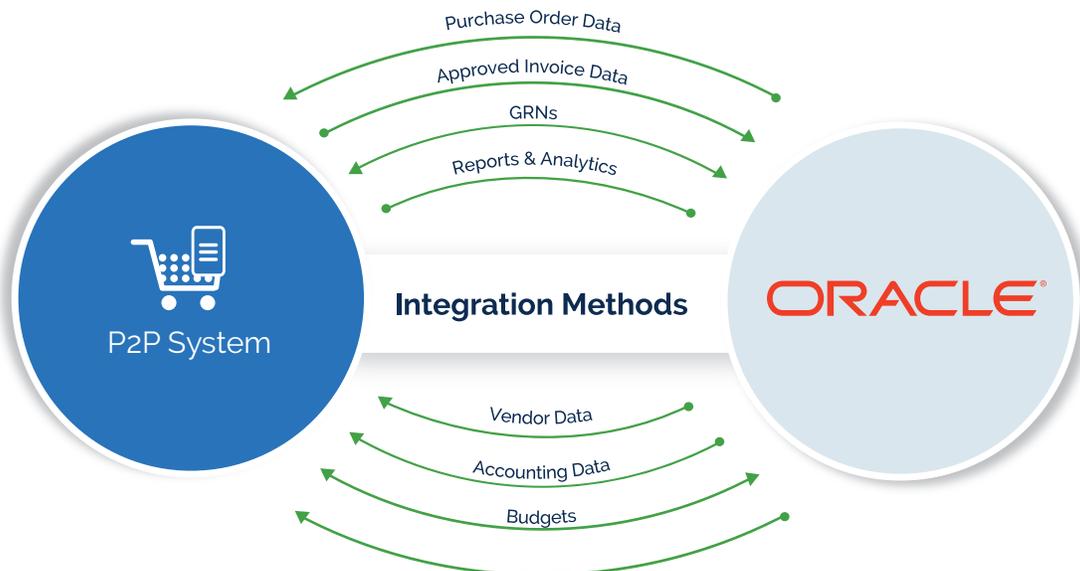


All types of invoices including paper (using intelligent character recognition (ICR)), PDF, fax, EDI, XML, and email can be automatically **captured** in the system. Touchless processing for most invoices through capture, matching and approval means only exceptions need to be handled by AP team members. 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.

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 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 Oracle 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 Procure-to-Pay with Oracle

Standard Oracle integration adapters are used to enable the bi-directional exchange of data between the SoftCo Procure-to-Pay and Oracle systems. The graphic below demonstrates the key master data that is exchanged between data are passed from Oracle Financials to SoftCo Procure-to-Pay. User information is also synchronized with AD (active directory) or LDAP (Lightweight Directory Access Protocol) and associated with approval hierarchy rules in SoftCo Procure-to-Pay.



Sample data exchanged between SoftCo Procure-to-Pay & Oracle (Method 1)

SoftCo Procure-to-Pay also transfers transactional data to Oracle 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 Procure-to-Pay handles all standard attributes available in Oracle, and also allows specialist attributes to be quickly added to meet the specific needs of any organization, without the need for coding.

Oracle users often choose to raise their purchase orders (POs) within Oracle. SoftCo Procure-to-Pay also offers the option for users to continue doing so but also benefit from SoftCo Procure-to-Pay's functionalities. Organizations that have invested in Oracle iProcurement often lack in-depth visibility into their P2P process and invoice matching functionality. It is possible for these organizations to create POs and Good Receipt Notes (GRNs) within Oracle and pass them to SoftCo's P2P System to match.

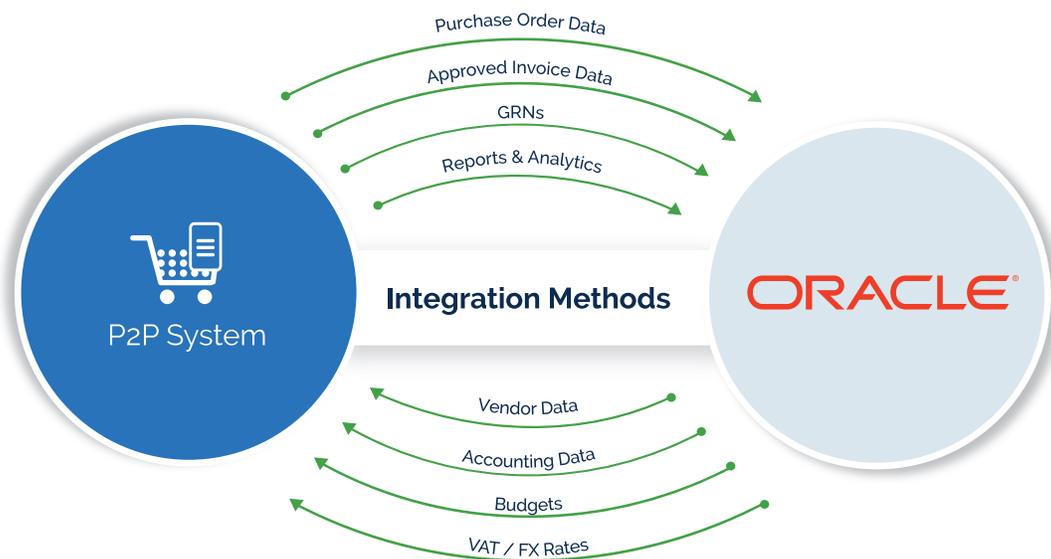


Image Caption: Sample data exchanged between SoftCo Procure-to-Pay & Oracle (Method 2)

SoftCo Procure-to-Pay-Oracle Integration Methods

One of the key factors to consider in order to achieve seamless interoperability between SoftCo Procure-to-Pay and Oracle is the integration method.

The integration method refers to the ways in which SoftCo Procure-to-Pay and Oracle transfer data between each other. Different data formats, including CSV, XML, EDI, SQL views or stored procedures, may be used by each system or for each step in the P2P process.

Direct integration to the Oracle staging tables for the Open Interface

This integration method allows SoftCo Procure-to-Pay to insert data directly to the Oracle staging tables via a standard procedure against the underlying Oracle database. This direct integration method allows SoftCo Procure-to-Pay to seamlessly and securely communicate with the Oracle system. These staging tables support both synchronous (real-time) and asynchronous (batch mode) query methods and are utilized where servers are disparate and hosted off-site.

RESTful API

RESTful application programming interfaces (APIs) use HTTP protocols to view, create, post, and delete data from one system to another (with the correct pre-determined access/permissions.) 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.

File exchange via sFTP

sFTP is a file transfer method that enables data files to be securely transferred between the P2P system and Oracle, typically on a scheduled basis. All data sent via sFTP is encrypted using an agreed upon encryption cipher. sFTP sessions can be further protected through the use of public and private keys, which offer an alternative form of authentication. sFTP should be utilized for file exchange where an organization has disparate servers that are not all hosted on-site or on a common network.

Web Services Security (WSS)

A standard set of web services are available for direct integration which allows both systems to pass data to each other in real time. Secure Socket Layer (SSL) encryption may also be added to web services to increase the level of security. WSS supports the synchronous view of data and is used for file sharing in real time, regardless of the location of servers, in organizations where development resources are available.

Customer references



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From the time when the paper invoice left the office to when it is received back authorized, we had little visibility of its status, or whereabouts.

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Sharon Bessell, Distribution Financial Controller, Argos

Argos is a leading UK retailer, has annual sales of more than £3 billion and employs over 6,000 staff.

The company faced substantial challenges in moving information around its enterprise in a timely and efficient manner. Accounts Payable staff needed to route invoices to the right part of the business for approval, but this process could sometimes take many days. Invoices often needed to be sent to a number of people for query or authorization which added complications. What's more, AP staff had no visibility into where a particular invoice was at any given time. The AP team of 25 personnel combined with a larger number of temporary staff needed an automated way to deal with over 140,000 invoices from 33,000 suppliers.

Results experienced by Argos from implementing SoftCo Procure-to-Pay with Oracle:

Argos has reduced its invoice processing time by 86%, from 3 weeks to 3 days.

There has been a reduction in costs with a reduced dependency on hiring temporary staff.

The company has achieved a 50% decrease in supplier queries and the AP team has full visibility of all invoices throughout the AP process.



“

It was a paper nightmare with lots of scope for manual error. By automating the process we have made it quicker and more accurate.

”

**Jason Montgomery, Head of Business
Process Transformation, CRH**

CRH is a leading global diversified building materials group, employing over 80,000 people at 3,800 operating locations in 31 countries worldwide. With a market capitalization of \$31 billion (March 2017), CRH is the largest building materials company in North America and the second largest worldwide.

ISAC CRH is a shared services center supporting finance, IT, and administration services to the leading global building materials group. The center was dealing with a substantial amount of paper and needed to come up with a solution to handle paper-based processes in an efficient way. The 3 main areas that used significant paper were AP Invoices, Sales Dockets & the AR receipting processes.

Results experienced by CRH from implementing SoftCo Procure-to-Pay with Oracle:

Intelligent Character Recognition (ICR) software was implemented to extract data from cheques and remittance slips and match them with a customer's account details. Previously, all these line items had to be manually keyed. This allows staff to reallocate their time.

The Accounts Payable process has been streamlined. All supplier invoices are now sent directly to the Shared Services Centre for processing. The invoices are scanned in bulk and automatically passed through a series of validation routines where the data is then posted into the Oracle financial system.

Using SoftCo's Customer Self-Service component all customer documentation such as delivery dockets, invoices and statements etc. are now replicated to a secure dedicated repository. Using a simple web browser, customers can now log on to the self-service portal and access their own documents only at their own convenience.

Conclusion

Oracle is an increasingly popular option for organizations as an ERP system to gain control over their financials and simplify operations. While Oracle iProcurement supports some process automation, for organizations who use this infrastructure, manual-based P2P processes are typically performed. In these cases, a dedicated automation solution such as SoftCo Procure-to-Pay 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 Oracle's capabilities is a complicated task. SoftCo Procure-to-Pay seamlessly integrates with Oracle 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 Procure-to-Pay with Oracle through 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 Oracle system, integration with SoftCo Procure-to-Pay 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.

We have worked with



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