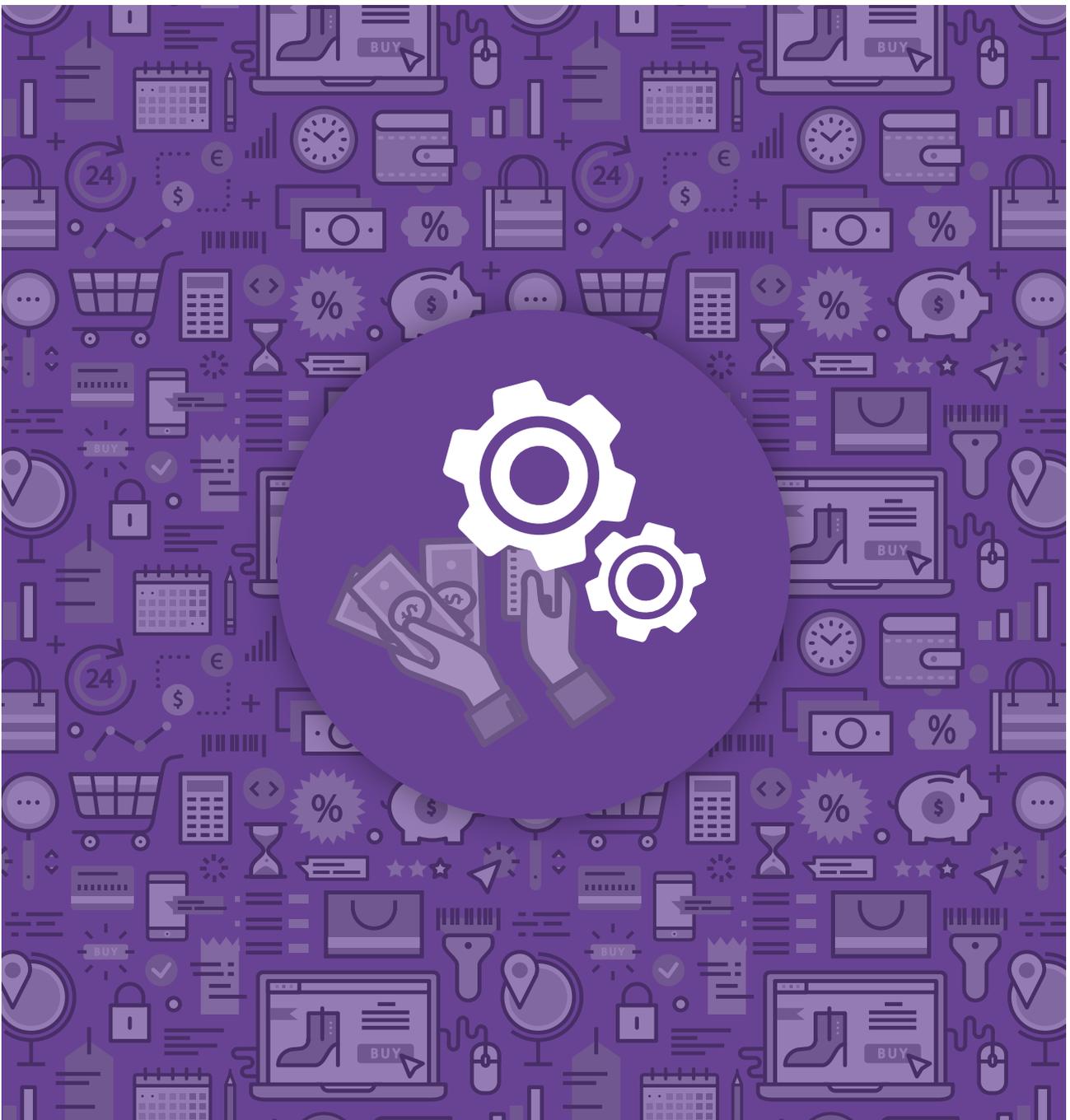


7 reasons why manual purchasing systems are a waste of time and money



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All manual purchasing processes are slow, laborious, prone to error and impossible to control, but automation of the process offers a awful lot more than just productivity gains.

7 Reasons why automating the purchasing process saves both time and money.

1. Full commitment accounting

To deliver faster, more accurate management information and cash flow reporting that reflects the facts, not an estimation (through accruals).

2. Complete control over all company staff that raise orders

To eliminate maverick spend.

3. Centralised and automated budget control

Delivering total control over corporate spending on demand and be able to flex budgets to meet short and midterm business needs.

4. Consolidation of suppliers to negotiate better prices and terms

Achieved through enforced purchasing “lockdown” of available suppliers, products and services that delivers significant and sustainable savings instantly to the bottom line.

5. Detailed supplier performance analysis

To negotiate improved purchase price and terms.

6. Automation of the purchasing process

It is not just about productivity, it enables the business to become proactive in improving the performance of the day to day activities of the business.

7. Automation of your purchasing process

Delivers 100% return on investment usually in less than 6 months from going live – because the cost is considerably less than you think.

This Executive Summary explains how senior management can not only take control of purchasing deliver very significant and, sustainable savings.

Introduction

Businesses are missing out on the significant benefits available from the automation of their purchasing processes, predominately because they are “missing the Big Picture” of what is both possible and easily financially justified.

This document summarises how a strategic approach will deliver increased productivity, centralised financial control and more importantly, the ability to make substantial and sustainable savings through better and smarter purchasing.

The big picture

Everyone knows that manual purchasing systems are cumbersome, labour intensive and slow, so it is not surprising that when a company looks to automate the process the initial reaction is how to automate the most painful parts, usually starting with purchase invoice approvals.

However, addressing the burden of manual processes is just the tip of the iceberg, and in reality this will do little to either improve the way organisations purchase goods and services or generate real savings.

The automation of your purchasing process should be founded on the recognition that it offers the opportunity to deliver significant savings through controlling what is being spent, who it is being spent with, what is being purchased and when suppliers need to be paid.

If a business can save, for example, a £100,000 in a year through purchasing automation, the saving represents cash that never leaves the bank account and is delivered directly to the bottom line. To achieve the same increase in corporate profit through sales will require an increase in turnover of up to £1m pounds and often that will reflect a reduction in working capital to fund the cashflow implications.

To achieve these savings, the management must be able to take complete control over the actions of all of the staff involved in the purchasing process.

Once achieved, the organisation can continue to improve the effectiveness of corporate spend and the saving made become sustainable, year on year.

In effect, the first £100k saved becomes £500k or more over five years – equivalent to more than £5m in additional revenue.

Purchase automation projects should focus on how they can deliver real hard cash savings through improved financial control whilst automating a cumbersome manual process.

Productivity

Increasing productivity starts with the 100% removal of paper. Every purchasing process is electronic, giving everyone involved real-time access to the current status of every request to purchase (requisition) through to final purchase invoice approval, together with the history of what has happened to date, with proactive notification at each step, if required.

As important is the automation of the workflow that moves a transaction through the process. It is seamless and fully automated, each step being dictated by preset rules with electronic notification to the next in line that action is required.

However, the greatest benefits of purchase automation are only achieved if two fundamental activities can take place during the process of requisition generation, a critical point often missed by many organisations when selecting their first purchase automation solution.

The majority of staff that raise orders do not understand a chart of accounts, but that does not stop each line on a requisition being automatically and correctly coded to the relevant general ledger account including sub analysis for specific project costs.

This delivers fully automated commitment accounting and fully automated budget control. It is the foundation stone of a purchase automation process that centralises control of corporate cash and dramatically improves the accuracy of both cashflow forecasting and management accounts.

The productivity gains achieved by this unique feature are immense whilst significantly increasing the speed of the purchasing process. Every requisition is automatically checked for budget availability on creation and at the time of order creation without any manual process. Commitment accounting shortens the time it takes to process purchase invoices and produce month end accruals for the management accounts. And both are considerably more accurate than with a manual system.

Whilst there are applications that address purchase requisitions and others that automate purchase invoice approval, they do not deliver on either financial control or maximising spend.

The question that needs to be answered is how the productivity gains can be best deployed. The most productive answer is corporate focus on buying better, smarter and cheaper.

Financial control

If the finance department has to wait for a purchase invoice to be posted to the ledgers before they are aware of the spend, then they are not in control of spend.

The introduction of commitment accounting means that every purchase is tracked from the moment the financial commitment was made, so cashflow forecasting can be based on the actual cash requirement. Taking the creditor terms into account, the cash requirements of the business can be quantified on a daily basis as far into the future as every purchase order commitment made.

But it is the ability for the business to take instant action to reduce spend on demand that provides the real cash control and this is delivered through budget management.

The core of budget control is the real-time use of the budget and expended costs within the general ledger, plus commitments and accruals within the system. Any change to any budget in current and future periods instantly impacts every purchase requisition's approval process. Over budget requests are automatically either rejected or escalated for higher level approval. The ability to reduce spend on demand puts the board back in control of cash.

Month end management accounts do not have to wait for purchase invoices to be posted, as the

commitment or accruals are already reflected in the accounts. The management accounts are far more accurate and can be delivered faster after month end – giving maximum visibility to the board of the financial situation at the earliest time possible. However, the most significant benefit to the business comes from the control of who the money is spent with, what products and services can be purchased, the price paid and the credit days received. Every company suffers from an ever growing number of suppliers, reflecting the buying habits of individuals and departments built up over time, and they are very hard to change with a manual system. Purchasing automation changes that. The company now has the ability to consolidate suppliers to improve purchasing terms, then enforce it companywide. This control is extended to what is being purchased, ensuring that the quality and cost of goods and services can be optimised for the purpose, and it is managed centrally. The board is back in control and the finance director has the tools to exercise the board's decisions on demand.

Maximising effectiveness of spend

Saving money is at least ten times more effective than selling. Not spending, or spending less on equivalent lower cost goods and services, instantly impacts the bottom line and cash in the bank.

The ability to “lock down” what and where the company buys makes the hard-earned corporate cash work harder, and almost every company will concede that savings of between 2% - 5% are readily achievable.

The control of over budget spend requests also contributes to real savings made.

Whilst a tactical approach to purchase automation will improve productivity, it rarely if ever delivers savings as the productivity gains usually fail to deliver any headcount reductions.

A fully automated purchase automation solution will usually pay for itself within the first 6 months from “going live”, whilst delivering the desired productivity savings across the business.

Summary

The availability of “end to end purchase” automation solutions to small and medium sized businesses has been limited, as the solutions have been expensive to purchase, implement and maintain. Compleat is a next generation product that addresses both cost and ease of use making automated purchase to pay software available to the masses.

COMPLEAT

Compleat Software is a leading provider of powerful spend management solutions for SMEs that eliminates paper and unites finance, procurement and budget holders, providing an accurate, real-time picture of company finances. Offering the next generation of purchasing and budget management automation at an affordable cost, its P2P software comprises solutions for e-invoicing, purchase invoice approval, purchase order and receipting, employee expenses, contract management, and report generation. For further information about our capabilities please visit and to learn how we empower results for clients, please visit our website.

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