Finance and Procurement Operations Assessment Report
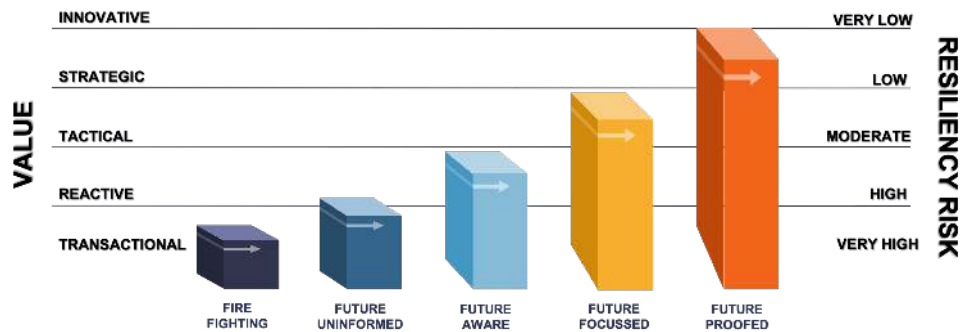
Prepared for:	Test Company
Industry:	Retail Trade
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Assessment Completed By:	David Watters

# Executive Summary

Your Maturity Rating:
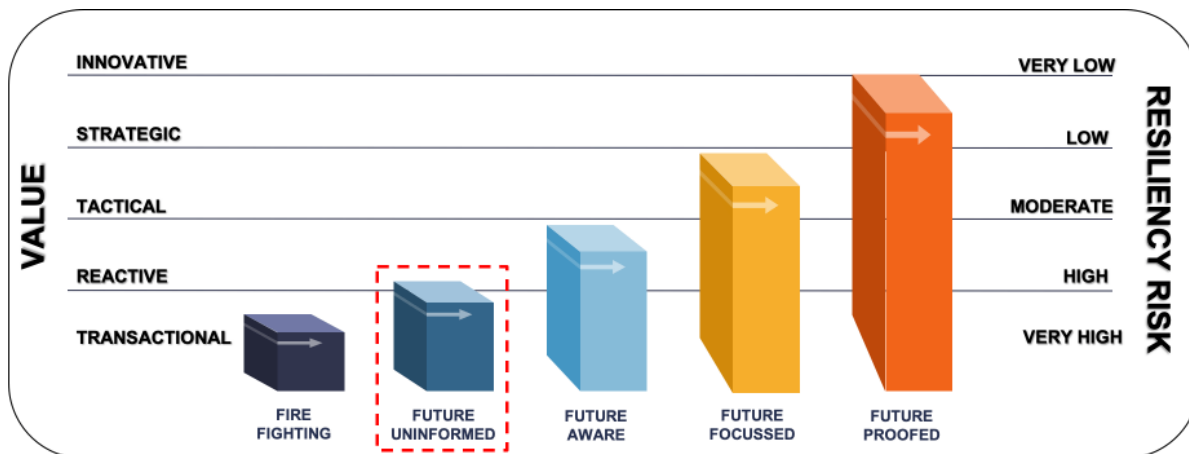
Your responses rated your organisations operations as **Future Uninformed**, 65.28% of organisations have a higher rating than yours.

Source to Pay Value Areas

Our Finance and Procurement Operations Online Assessment assesses three main aspects of your operations.
- **Procurement Operations -**how you source goods and work with suppliers.
- **Procure to Pay Operations -**how you buy and pay for goods and services.
- **Data Driven Insights -**how you utilise spend, accounts payable and supplier data to improve your business and operational efficiency.
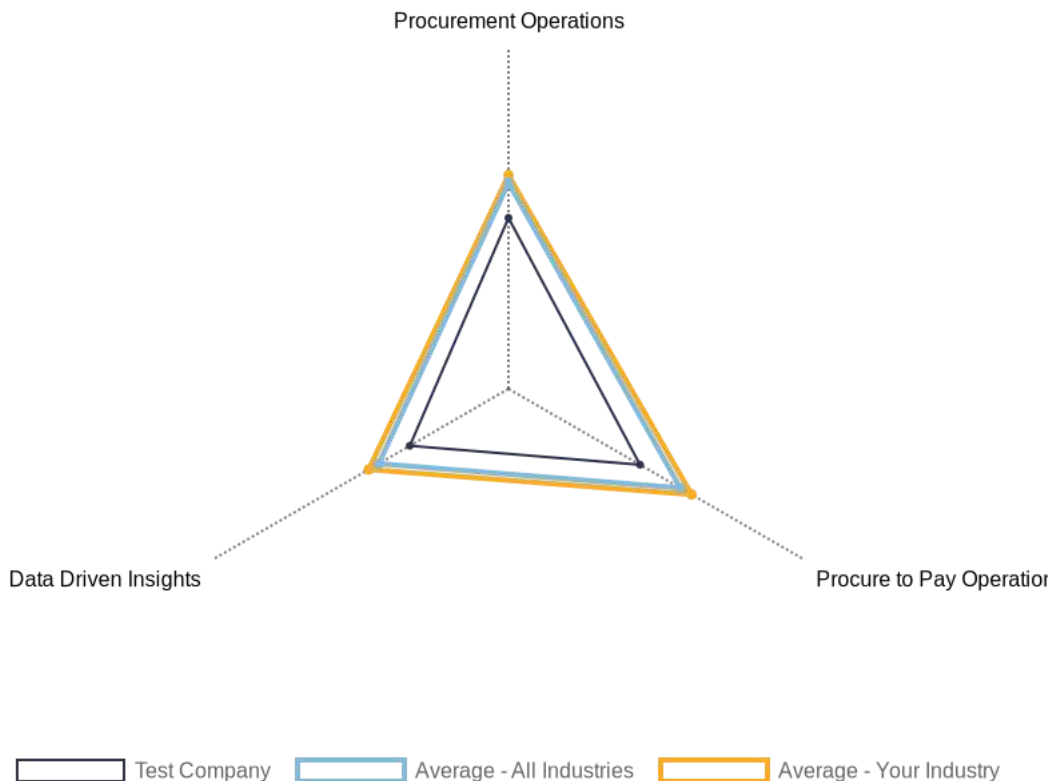
Summary of Your Responses

Value Area	Area Assessed	Response	Rating
Procurement Operations	Estimated number of suppliers you buy from	1000 to 5000	🟢
	Estimated total spend per year	$50m to $300m	🟢
	We actively use data to drive greater relationships with our suppliers	A little	🟠
	All sourcing is conducted via a single, unified platform used across the whole business	Somewhat	🟡
	We have a centralised procurement team that has complete visibility over all spend with our suppliers	A little	🟠
	Do you have clear policies and guidelines to define strategic vs tactical sourcing?	No	🟢
Procure to Pay Operations	Estimated total number of invoices received per year	2,000 to 10,000	🟢
	We have a unified and single platform to manage all corporate spend	Somewhat	🟡
	What percentage of your spend is pre-approved? (e.g. approved before the invoice arrives)	Less than 40%	🔴
	How do you currently receive your invoices?	Mostly via email some direct connection (e.g. EDI)	🟢
	Are your invoice approvals managed in a digital platform? (this does not include email)	No	🔴
	Are your new suppliers created before the first invoice arrives?	Sometimes	🟡
Data Driven Insights	Are you able to run a report detailing purchase order vs non-purchase order spend?	No	🔴
	Are you able to run real-time reports on different spend categories (e.g. marketing, IT, operations) pre and post-payment?	No	🔴
	Are you able to run on-demand spend analysis reports to negotiate better deals with your suppliers?	Yes	🟢
	Do you have and track KPIs for invoice approvals?	No	🔴
	Do you have and track KPIs for purchase order approvals?	No	🔴
	We have complete, on-demand visibility over our committed spend/outgoing liabilities	Somewhat	🟡
	Are you able to benchmark your source to pay processes against industry standards and best practice on-demand?	No	🔴

Legend

🔴 Poor

🟠 Unsatisfactory

🟡 Satsifactory

🟢 Very Satisfactory

🟢 Outstanding

Cost Savings Opportunities

Source to Pay Transformations are able to deliver cost saving opportunities through leveraging two main areas:
1. Reducing the cost of processing invoices that you receive
2. Greater control and insights across your spend

Invoice Processing Cost Savings:	$66,000 - $329,967
Procurement Cost Savings:	$875,000 - $5,250,000
Total Cost Savings Opportunity:	$941,000 - $5,579,967

Background

The Modern VUCA Business Environment

Businesses are finding themselves operating in an increasingly volatile, uncertain, complex and ambiguous (VUCA) environment.

The key question that we hear from businesses is how they position themselves to not just survive in this environment but actually thrive?

Business Resiliency and Future Proofing Your Operations

How well could your business deal with future disruptions? Valtatech have over 30 years' experience and expertise in best-in-class source to pay operations and have developed a future proof scale supported by an online assessment that identifies where you rank on this scale.

This helps businesses to understand how future-proofed their procurement and finance operations are, and more importantly, identify the most appropriate pathway to improve your business resiliency, improve operational efficiency and ultimately your profitability.

The Valtatech S2P Operations Future-Proof Scale
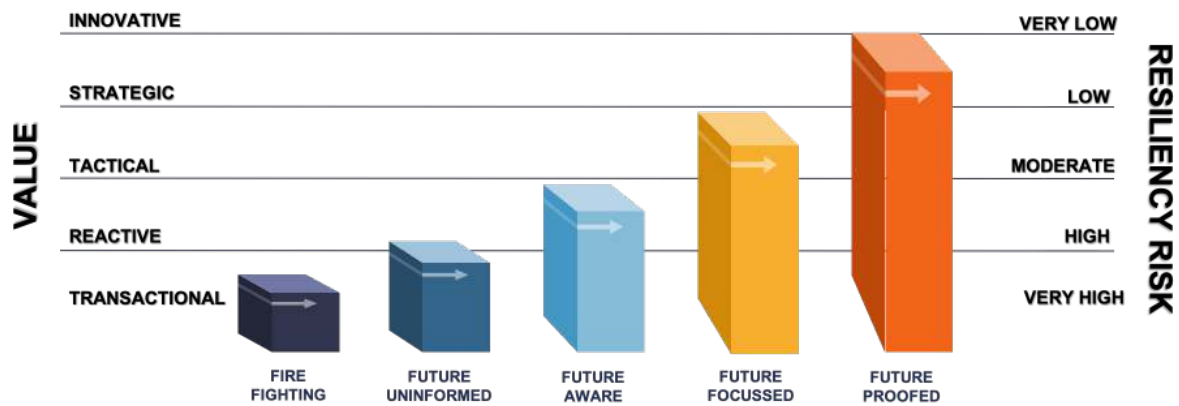
The scale has been developed based primarily on assessing your operations against two key areas:
1. The value that your operations deliver back to your business
2. The risk that your operations pose to your business resiliency

These factors are then combined to calculate an overall rating of how future-proofed your procurement and accounts payable operations are.

A high-level overview of each rating as well the distribution of the ratings across organisations is outlined below:

Rating	Description	Percentage of Organisations
FIRE FIGHTING	Source to pay operations are nearly all manually processed with staff spending all their time on undertaking high volume, low value transactional activities. Nearly all operational activity is focussed on solving immediate, short term business challenges.	2.78%
FUTURE UNINFORMED	Source to pay operations are mostly manually processed with staff spending most of their time on undertaking high volume, low value transactional activities. Operations lack the data and process visibility to undertake meaningful analysis of medium to long-term business challenges.	31.94%
FUTURE AWARE	Source to pay operations are generally digital with staff spending some of their time on high volume, low value transactional activities. Operations utilise available process and transactional data to support high-level analysis of medium to long-term business challenges but rarely implement changes to business processes in response to the analysis.	38.89%
FUTURE FOCUSSED	Source to pay operations are completely digital and unified in one platform with reasonable reliance on the spend and process related insights. Staff spend their time on high value activities to drive improvement in supplier relationships. Operations are able to utilise business-wide data to support analysis of medium to long-term business challenges. Systems and processes can support a level of agility and change in response to the analysis.	25%
FUTURE-PROOFED	Source to pay operations are completely digital and unified in one platform with fully operationalised automation. Spend and process related data insights drive executive level decisions and supplier relationships deliver high levels of strategic value. Staff spend their time on high value activities to drive innovation through supplier relationships. Systems and processes drive continuous improvement activities with staff empowered to spend time focussing on actively analysing and preparing for medium to long-term business challenges.	1.39%

Your Results In Detail

Current State of Operations

Source to pay operations are mostly manually processed with staff spending most of their time on undertaking high volume, low value transactional activities. Operations lack the data and process visibility to undertake meaningful analysis of medium to long-term business challenges.

Future Proof Analysis:

- Systems and people are likely to be impractical, complex, inefficient and rigid with a focus on 'going by the book' leading to quick fire-fighting fixes, reinventing the wheel and manual workarounds.
- Likely that little or no time is spent on process measurement or improvement
- Likely to be unable to identify and resolve root causes of problems due to high transactional workload
- Likely to be slow at decision-making due to poor availability and reliability of data.
- Signs of problems and opportunities are likely to be overlooked and little to no novel ideas generated due to a 'we've always done it this way' mentality engrained in the systems and processes

Impact on business resiliency:

- Very difficult to quickly shift your supplier management policies and procedures as social trends change
- Unlikely to be able to identify and quickly onboard new suppliers to support evolving business models
- Lack of spend visibility and control greatly impacts ability to enjoy financial flexibility to weather future storms
- Great difficulty in scaling the business up or down due to inflexible processes, duplication and fragmented technology landscape.
- Unable to action identified efficiency improvements
- Difficult to support new business models and products
- No supplier driven innovation
- Very poor visibility, control or diversity in the supply chain
- High value transactional staff a retention and replacement risk.

Your Business Resiliency Risk Profile

Our research and experience identifies that, based on your rating, your organisation is likely to have a **HIGH** risk profile as detailed below.

	Rare	Unlikley	Possible	Likely	Almost Certain
Insignificant					
Minor			1		
Moderate				1	3
Major				4	2
Extreme				1	1

Detailed Risk Assessment

#	Risk	Risk Severity	Risk Likelihood	Risk Level
1	Key processes not being able to be undertaken due to staff being unavailable or unable to get to the office.	Extreme	Almost certain	VERY HIGH
2	Accounts payable processing incorrect or duplicate payments.	Major	Likely	HIGH
3	Accounts payable processing fraudulent payments.	Extreme	Likely	HIGH
4	Business engaging with a supplier without conducting supplier risk assessment including adherence to government modern slavery and sustainability policies.	Major	Likely	HIGH
5	Difficulty in meeting financial and taxation reporting requirements.	Major	Likely	HIGH
6	Missed payments to suppliers.	Major	Likely	HIGH
7	Unable to spend time on corporate improvement projects due to heavy, manual workload.	Major	Almost certain	HIGH
8	Spend on non-business essential items.	Major	Almost certain	HIGH

#	Risk	Risk Severity	Risk Likelihood	Risk Level
9	Business engaging with a supplier without going through financial due diligence.	Moderate	Almost certain	MODERATE
10	Duplication of financial and operational data due to fragmented technology landscape.	Moderate	Almost certain	MODERATE
11	Duplication of effort and processes due to fragmented technology landscape.	Moderate	Almost certain	MODERATE
12	Late payments being made to suppliers.	Moderate	Likely	MODERATE
13	Accounts payable processing non tax compliant invoice.	Minor	Possible	LOW

Cost Savings Opportunities

Source to Pay Transformations are able to deliver cost saving opportunities through leveraging two main areas:
1. Reducing the cost of processing invoices that you receive
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Reducing the cost of processing invoices

There are three main areas that you can leverage through a source to pay transformation that will drive the cost of processing invoices down:

- **Reducing time spent on processing invoices through automation** - with the right technology and processes you can cut a lot of unnecessary manual work operations and button pushing through e-invoicing, purchase order matching and fraud detection.
- **Digitise and automate approval workflows** - through pre-approval of spend with implementing purchase orders makes the approval of invoices largely automated and where exceptions required, the approval workflow is automatically identified and routed.
- **Drive focus into process accountability and efficiency** - providing key efficiency insights into the whole invoice processing workflow you can baseline performance and improve over time reducing processing and handling time.

Based on your responses, we've calculated the following opportunities to reduce the cost of processing invoices:

Invoice Processing Cost Per Invoice	Number of Invoices	Estimated Invoice Processing Cost
Your estimated current cost to process an invoice: **$50**	2,000 to 10,000	$100,000 - $499,950
Industry leading cost to process an invoice: **$17**		$34,000 - $169,983
Total Cost Savings Opportunity		**$66,000 - $329,967**

Greater Control and Insights Across Your Spend

For a business like yours, a large portion of your corporate spend cannot be influenced or reduced through greater procurement control or spend insights, this covers things like:

- Salaries
- Tax
- Utilities
- Debt Services

Spend like this is what is classified as **non-negotiable spend**. A very conservative estimate for businesses is that around 75% of spend is non-negotiable. This leaves the remaining 25% classified as **negotiable spend.**
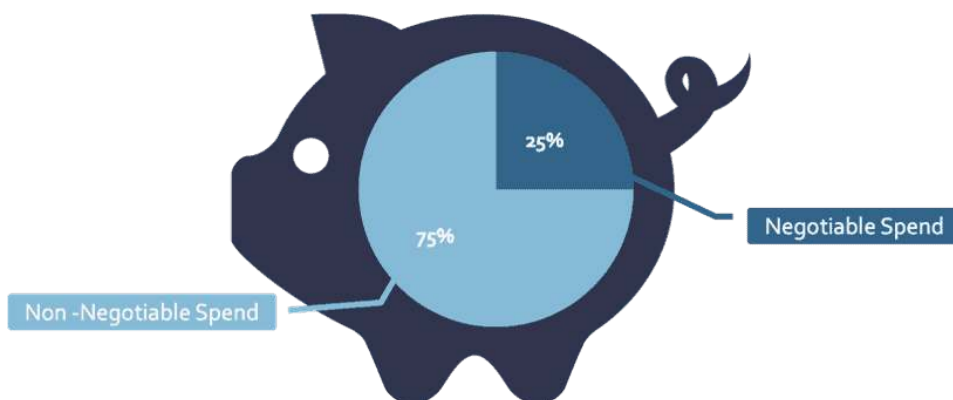
Impact on Profit

Reducing your negotiable spend through cost savings can have a big impact on your overall profit. In the example below, we assume you currently run at 10% profit margin. Based on the upper limit of your spend data and rating you should be able to acheive a 7% cost saving within your negotiable spend, this would result in a **15.75% increase to your profits** whilst keeping your non-negotiable costs the same.

To achieve the same increase in profits through additional sales you would need to generate an extra **$52,504,725 in revenue**.
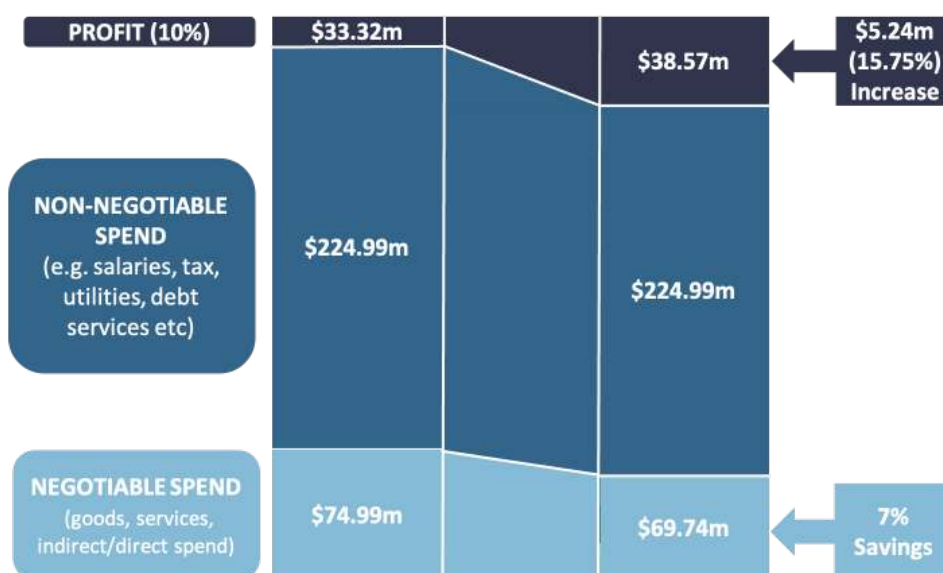
Your Cost Savings Opportunities

Research highlights that within your negotiable spend you should be able to achieve annual cost savings between **8-15%**.

For your cost savings calculations below we have assumed a conservative estimate of **7% annualised cost savings**.

Total Current Spend	Negotiable Spend	Potential Cost Savings
$50m to $300m	**$12,500,000 - $75,000,000**	**$875,000 - $5,250,000**

Levers to Drive Cost Savings

Improve Spend Under Management

- Increase savings through more contract spend and advanced sourcing capabilities
- Increase savings from improved pre-approved spend
- Savings from contract lifecycle management

Drives 60% of negotiable spend savings

Improve Compliance and Reduce Risk

- Reduce Off-Contract or Maverick Spend
- Avoid Unnecessary Spend
- Avoid Duplicate/Overpayments
- Leverage preferred supplier relationships

Drives 40% of negotiable spend savings

Recommended Next Steps

The findings from this assessment, whilst based on years of experience, data analysis and research, still only provides an insight into your current operations and the opportunity that a transformation can bring. These findings need to be validated, your business requirements understood and documented, the right technology identified to deliver the transformation and then a business case prepared based on a deeper analysis of your spend data.
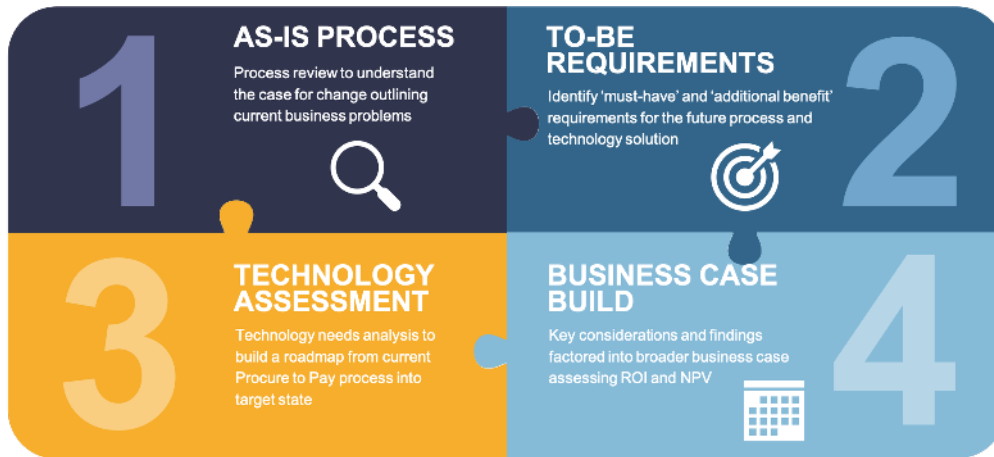
1. As-Is Process

An in-depth analysis of current business requirements through key stakeholder interviews and current process reviews. This delivers valuable insights and resources such as:
- Key insights into current procure to pay processes
- Identification of key pain points
- Identification of key levers to drive user adoption
- Identification of key areas and drivers for financial return on investment
- Identification of quick wins and longer-term development areas
- Current state technology landscape map across Source to Pay processes

2. To-Be Requirements

Utilising the insights and resources from the as-is process review, you can then be able to start pulling together a clear and articulated vision of what the future will look to inform resource and business planning processes. Additionally, from this process you should be able to produce clear and articulate technology requirements

3. Technology Assessment

Using the technology requirements garnered in the to-be requirements you then have a baseline to asses different source to pay technology platforms to deliver your to-be requirements. Typically, you should be assessing the following functionality:

4. Business Case Build

Bringing together your as-is requirements, your to-be requirements and your technology assessment the final piece is pulling together a business case that can be presented for approval. From the work completed so far you should have a more detailed view on your invoice processing costs, the next area of cost savings is analysing your current spend data. When analysing your spend data you should consider:

- Categorising your spend into purchasing categories
- Identifying which categories are negotiable and non-negotiable
- Applying category and business appropriate spend savings mapped out over a period of time

Combining these cost savings with your expected implementation and change management costs you can compile a clear view on the both the total cost of ownership and return on investment. To date all of the business cases we have prepared with our clients have been approved.

About Valtatech

Valtatech partner with frustrated financial and procurement business leaders who want to transform their business and regain control over their clunky, manual source to pay processes and deliver measurable value. We provide a simple and cost-effective partnership service to shift from focussing on costs going out the door to value coming in.

We collaborate with some of the market leaders in the Source to Pay space to provide cutting edge Procurement and Accounts payables solutions that are tailor made to suit the requirements of your business. We use our best practice implementation, integration and change management techniques to ensure that you experience a seamless transformation and achieve the best possible outcomes for your business.

With offices in Australia and the Philippines and having worked on several transformation projects around the world, Valtatech is well positioned to collaborate with customers whether it is around building a Source to Pay solution strategy, deploying S2P solutions, assisting with managed services, enabling supplier collaboration or helping with vendor data management through providing continual solution support.

Delivering Value as a Service

From our own operations to what we offer our clients, we are focused on one thing: business value. It's more than how much you paid for something or what a new solution saved. Value is the quantifiable, measurable improvement that a solution or process delivers. It's explicit, but it isn't a singular achievement or a moment in time.

Value is ultimately a common vision of what success looks like for you over the long term. It's visibility. It's savings. It's user adoption. It's compliance. It's all of that combined. It's what we define, together, as our shared objective. Value is what we measure, what we strive for. Valtatech's source to pay transformation and optimisation services are a means to an end. What you're really getting with us is Value as a Service.

Our Experience

Our team have been involved in over 70 source to pay transformations across the globe with some of the worlds leading companies.