OFFERING SUPPLIERS A CHOICE CAN MEAN THE DIFFERENCE BETWEEN P2P SUCCESS OR FAILURE

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The more options you offer suppliers, the easier it is for them to say yes to your program.

So you've decided it's time to launch a purchase-to-pay system, or upgrade your existing one. Congratulations! This will be a big step forward for your organization in many ways. It's also a big change, and we all know how much everyone hates change.

As hard as it is to manage change internally, at least with employees you can manage, (or mandate) a change in behavior. When it comes to driving compliance and adoption of your new system by your supplier base, you really don't have any control at all. Suppliers are usually overlooked in this process, but the supplier represents half the transaction, and can easily say no to your new system.

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If that happens then you will only achieve partial automation and everything that goes along with that--incomplete data, impaired visibility, and continued process inefficiency. Your project will not get the ROI that you set out to achieve and may even fail. On the other hand, if your P2P system actually makes it easier and less expensive to do business with you, you'll enjoy better supplier relationships and probably better pricing.

Remember suppliers rights

I'm not suggesting you directly involve your suppliers.in the decision process. Driving consensus in your own organization is probably hard enough. But you do have to remember that suppliers are people too and consider the impact your changes will have on them. They hate change too, and there are a lot more of them than there are of you. For most companies, there are ten times as many suppliers as internal people that will be interacting with your system. For example, if you are a company of 100, you probably have about 1,000 suppliers, each of whom has the right to say "no."

Make it easy for them to say "yes" by choosing a system that provides a variety of options for transacting with you depending on their size, what type of supplier they are and the sophistication of their technology and processes. For example, if you work with a large supplier with a lot of transaction volume and automated systems, asking them to start transacting with you via EDI is probably not going to be a big change for them. But, for your smaller mom and pop suppliers, complying with that request is going to be impossible.

Being able to offer these smaller suppliers something like supplier actionable emails, where they can create and submit invoices right from emailed POs, doesn't require them to significantly change their business process but still provides you the metadata you need to drive automation in your process.

These are just a couple of examples of different ways suppliers can transact with you. The key is to provide as many options as you can, so suppliers can pick the one that works best for them. Nobody likes to be forced to change or to be forced into someone else's way of doing things.

Will fees deliver value or create an obstacle?
You also need to think long and hard about supplier network fees, as these represent a significant hurdle for suppliers to say "yes" to your new system. If your company is like most, smaller suppliers make up about 90% of your supplier base. Charging them a fee for transacting with you through your system is going to be a non-starter, and you'll never get the levels of adoption you need to be successful.

The best solution is one that reduces friction rather than adding it, ideally making both your process and the supplier's process more efficient. There's benefit for you in making your suppliers' lives easier.

Achieving a win-win
Here's a perfect example. We have a customer that did 80% of their transaction volume with one supplier. There were multiple ways different people in the organization ordered from this supplier—by phone, through a sales rep, and online through the supplier's website.

It took a lot of resources for the supplier to service this customer in all these ways. Each way had a different invoicing process, and someone had to consolidate the invoices, print them out and mail them to the customer. The customer also had to devote a significant amount of AP resources to managing all this.

Through one integration, this customer automated 80% of their transactions, greatly streamlining their own purchasing process. By becoming easier to deal with, they also gained negotiating leverage with the supplier.

In this example, a disproportionate volume of transactions went through one supplier, so the benefit of streamlining their mutual process was glaringly obvious. But, it's possible to get the same benefits with suppliers across the board.

The problem is, it's hard to quantify the cost of transacting so there's a tendency to discount it. I think that's the wrong attitude.

There are all these little pieces of transactions that no one keeps track of--printing out a PO, emailing it, following up, finding out things are backordered—you know the drill. These interactions are so small and fragmented that neither buyer nor supplier understands the cost impact, but the impact is real and the net effect of reducing transactional friction across the board can be substantial.

That's why it's critical to think beyond your four walls when considering a P2P solution. Consider your suppliers and how can you better partner with them. Avoid introducing friction that costs them time and money, because ultimately that will cost you time and money too.

Try instead to make the supplier's process more efficient along with your own. Think about what that would do for your supplier relationships, and your ability to negotiate price. And think about what it would do for the adoption of your solution, the ROI of your overall project and its impact on your company's bottom line.