

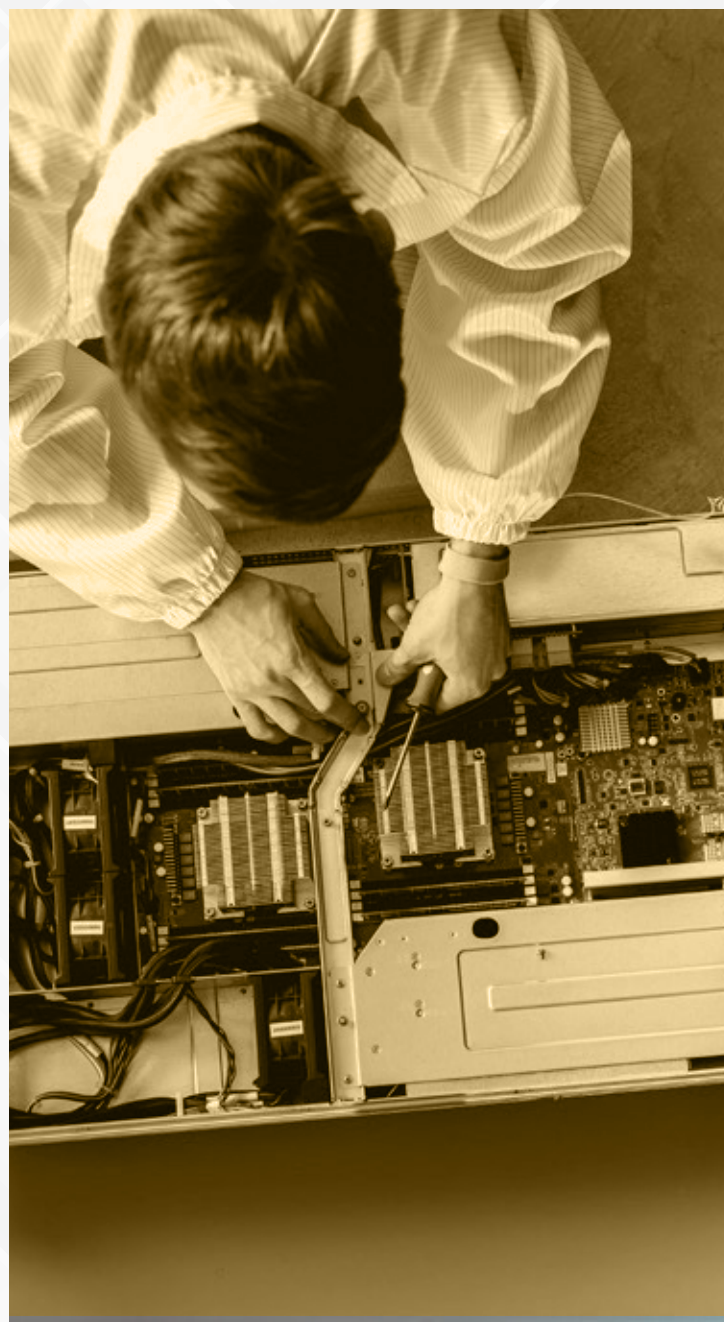
Top 10 Reasons Why Cloud ERPs Short-Change Procurement

Constrained budgets, leaner workforces, “do more with less” and the necessity to report on value contribution are all increasing the need for technology to effectively drive procurement innovation.

Cloud Enterprise Resource Planning (ERP) systems appeal to Finance and IT, but fall short of delivering buy-pay functionality that positions Procurement for strategic success.

Cloud ERPs have successfully penetrated multiple sectors, promising highly functional, more secure, and less complex solutions. While they show positive impact to core Finance and HR processes, their impact in the source-to-pay and supply chain processes is far less, and in many cases, forcing those who adopt them to take steps backward in process efficiency and strategic procurement. Companies rely on the procurement ecosystem to drive quicker turnarounds on bids and easier communication between the company and their supply base to increase efficiency. Organizations need technology to enhance transparency, drive sustainable cost savings, gain more supply base value, reduce supply chain risk and influence innovation. Cloud ERP tools have been shown to deliver surface-level purchasing, supplier, and invoicing tools, but have notable gaps in proactively helping procurement maintain its current service levels, not to mention its ongoing ability to deliver value.

Here are the top 10 reasons Cloud ERPs short-change Procurement:



1 **Overly Scoped ERP Implementation Destabilizes Procurement**

A new financial system is not merely a new system; it's a complete overhaul of core financial processes which is usually accompanied by changes to the fundamental chart of accounts structure. These core changes have rippling effects across the entire organization and take years for staff, often decentralized, to fully acclimate and align to. Financial reporting at every level is reengineered and becomes the utmost priority to ensure that an organization is financially accountable and sound in the new system.

This is exactly where we want our finance leaders to be focused - not on the many user complaints, gotchas, and setbacks (perceived and actual) of a new procurement process. Organizations that have taken the time to build a best-in-class source-to-pay experience should consider the double-pain of not only adjusting to a new ERP's procurement function amidst core financial architectural changes, but the reality that the functionality is likely to be less mature and less stable than the current state.



2 **True Supplier Network Services are almost Non-Existent**

Despite what they may label their supplier interfaces, cloud ERPs simply do not have scalable and sustainable solutions for your supplier base. This shows up in two key ways. First and foremost, suppliers do not have a central login, or portal, to manage all of their clients from one place. This is a major step back for how suppliers typically manage client data, catalogs, orders, and invoices. The increased steps and complexities will have downstream impacts to suppliers' resource management and could lead not only to errors and delays, but eventually additional costs. Many Cloud ERPs have underdeveloped interfaces with lacking usability for suppliers, making processes like loading invoices or reviewing orders cumbersome. And, many

Cloud ERPs do not offer robust functionality for suppliers to successfully maintain loading their own catalogs and price files, with the function tending to be managed internally by the client. However, one of the largest shortfalls is that Cloud ERPs offer no support services for the electronic/B2B connections between a supplier and client - meaning, punchouts/supplier connections, electronic order are on their own - between Procurement and IT - to distribution and electronic invoice intake. Customers establish and maintain supplier punchouts, cXML POs, and cXML invoices. Order and invoice failures along with malfunctioning punchouts rest entirely with the customer.

3 The Requisitioning Experience is Greatly Diminished

Cloud ERPs are a step up from their behind-the-firewall installation-based software predecessors, but their user interface for requisitions is nowhere near the established best practice that other source-to-pay providers have cultivated in response to client feedback over many years. While at first glance, the UI appears “friendly,” users are jolted back to reality when they don’t immediately see a line level field they are looking for and discover that, oftentimes, they must scroll horizontally to find it. Combine this with no custom field/additional fields being allowed on the screen itself,

and suddenly you are looking at an on-screen form reminiscent of the paper triplicate era. Some Cloud ERPs compensate by having add-on interfaces that gather more data about the requisition, leading to a confusing process whereby the user must first submit the requisition, then answer more questions about the requisition on later forms. This experience is a far cry from the static and/or dynamic forms that users have become accustomed to completing in source-to-pay solutions, and then adding those forms into a requisition for submission.



4 Approval Flows are not as Agile

While Cloud ERPs offer improved options for requisition, purchase order, and invoice routing in the past, they still do not match the agility and flexibility that a source-to-pay solution offers. If your organization rarely needs to make changes to an accounting string once the requisition is submitted, your users may not experience much of a difference in the approval flow process the Cloud ERP offers. However, most decentralized environments imply funding from many different sources. This funding complexity leads to a consistent requirement to edit/update pending

requisitions with the most up to date and relevant accounting string/funding source. This ability to edit a pending requisition’s account string and have the remaining approval steps real-time adjusted does not tend to exist in Cloud ERPs. Instead, requisitions must be returned to the original submitter. All kinds of shadow processes and systems can result from shortcomings such as this. As a result, organizations spend more time getting the virtual paperwork right, rather than fulfilling the institution’s mission.

5 Contracts & Sourcing Solutions are Mistimed in Context of the Broader Migration Effort

Some Cloud ERPs have decided that the way to demonstrate their investment in Procurement is to acquire contracts & sourcing technology and offer it as a package, in scope with a financial system implementation. While Procurement professionals will all agree on the relevance and importance of a mature contracts and sourcing tool, common sense begs the question: Why now? Why, when you are about to change literally hundreds of financial processes, and realign procurement, supplier, and invoicing functions to support the new ERP, why would now be a good time to also change sourcing and contract functionality? The reality is that the entire Procurement staff will need to engage at a new level to support the broader organization as they relearn how to do buy-pay processes in the

context of the new ERP.

No reasonable finance or procurement leader would expect their staff to learn the new system, support a broad population with their needs, learn a new sourcing & contracts system, and issue sourcing events and contracts. While the ERP Cloud sales team is prioritizing selling customers as much as possible upfront, it's important to recognize that some of these less core solutions can end up being deferred for implementation as the reality of the effort sinks in. This, in turn, results in organizations paying for solutions they are not using. ERP Migrations efforts are notorious for causing change fatigue and staff burnout. Stabilize the core processes first, then look to the market for processes you want to improve.



6 Supplier and Payee Registration is Burdensome

Cloud ERP solutions do not demonstrate much strength in the usability or strategy of the supplier registration process. That may come in the form of having less custom fields to work with or limitations in how custom fields map to the ERP; or, it may simply show up as limited flexibility in how various payee types are set up and managed over time. There's also the matter of a lacking interface for suppliers themselves to log in and manage their own data. The net result is that the functionality is

underbaked and there doesn't seem to be much interest in improving it beyond a baseline operational standpoint. Contrast this to source-to-pay solutions that understand the strategic importance of gathering key data at the time of registration and the connection of registration and preferred payment methods. Usability is paramount in guiding payees through a process that points to the ideal payment method, if and when the procurement function prioritizes payment automation strategies.



7 Loss of Strategic & Dynamic Catalog Management

Mentioned briefly above, Cloud ERP's do not tend to offer an interface for suppliers to load their own catalogs (or offer limited features which cause it to be underutilized), likely because with the limited resources they have allocated across HR, Core Financials, Student, and other modules they support, strategic Procurement functions are not invested in. Meanwhile, established source-to-pay solutions have always offered a series of tools for suppliers to load partial or full catalogs as well as associated price files.

Clients then have the ability to run standard reports to see exactly what catalog and price changes have been made from version to version, allowing for a fully transparent relationship between Procurement and Suppliers. By allowing suppliers to own their data and the process behind it, leverage in the relationship is distributed fairly between suppliers and Procurement, fostering a healthy dynamic.

8 Less Data Fields Driving Less Visibility

Cloud ERPs tend to offer less custom fields, and the bank of available fields is typically across all of finance, not just procurement. Other types of additional fields may be able to be created, but are not able to be placed on a specific screen or

don't always show up as an option to pull into a report. Leading source-to-pay solutions offer almost endless custom fields to be leveraged directly within the UI and to pass to any number of systems via integrations.



9 Misrepresentation of the Integration Effort

Cloud ERPs appeal to a prospective client's desire to simplify their current environment, and emphasize that everything can be done in one system. While a Cloud ERP implementation does offer the chance to reduce the number of point systems an organization relies on, it also tends to bring a much more sophisticated and mature integration framework. This means that integrations themselves can be

simplified, better maintained, more transparent, and more sustainable for both IT and Procurement. With a more robust integration toolkit and a leading source-to-pay provider's willingness to leverage standardized integrations, there should be no concerns with the possibility of integrating from a technical standpoint. The focus should be on the best buy-pay experience for the user population.

10 No Clear Vision or Commitment to Strategic Procurement

Procurement leaders strive to continuously elevate the buy-pay function from purely operational to strategic. Source & Contract functionality is one piece of the puzzle that is often viewed as the most critical support pillar for strategic procurement. While it features largely in the ideal Procurement toolkit, the supplier registration, search & shop, requisitioning, complex services procurement, and invoicing experiences must first and foremost function flawlessly amidst policy, risk, legal, and system constraints. Cloud ERP solutions do not seem to be built for complex buy-pay functions and introduce more clicks, more scrolls, more file uploads,

more approval steps while simultaneously delivering less real-time visibility (that doesn't also require many clicks and steps to achieve). Moreover, Cloud ERPs have a responsibility to support HR, Finance, and Student functionality. Procurement is bundled under Finance, which means that it gets a small fraction of attention with regards to product enhancements over time. As new Procurement trends emerge surrounding automation, supply chain transparency, and revenue-generating contracts and payables strategies, what is the likelihood that Cloud ERP solutions will be at the forefront of those innovations?



Overall, Cloud ERP buy-pay processes force Procurement to return to an era of fine-tuning operational processes that were already fine-tuned, but with less functionality options to manage their destiny. This, in turn, draws Procurement away from its strategic focus, such as spend analysis, savings

tracking, and supplier value management. Leading eProcurement solutions integrate both the strategic and operational (upstream and downstream) processes to provide visibility, accelerate performance and enable collaboration across all functions and roles.

So if you are considering putting a proper procurement solution in place, a best-in-class eProcurement platform should certainly be on your list to evaluate. But what if your organization has already made an investment in Cloud ERP? What can you do to enhance the capabilities that better serve Procurement?

1. Implement an eProcurement system as a front-end requisition-to-order tool, maximizing user adoption through a highly intuitive and user-friendly end-user experience. Best in-class eProcurement solutions offer seamless integration with any ERP solution. This will guarantee to drive adoption and compliance and enable end-to-end visibility.

2. One of the problems of ERP solutions is maintaining suppliers and managing supplier risk. The way to address this is to front-end your ERP with a supplier portal which will establish and control the process of onboarding, qualifying and segmenting your suppliers. This will provide confidence that your ERP solution has your preferred suppliers and they have met your compliance regulations. The supplier portal also cultivates social collaboration by enabling your suppliers to communicate online with your procurement team, not to mention providing more effective spend analysis.

3. Put a central repository in place to ensure contracts are used. Contract Management helps Purchasing departments increase both the proportions of spend “under management” and “on-contract” by supporting all the contract authoring, administration and compliance needs of your business. This way they will not be lost to be lost to your ERP users.

