ZYCUS
COGNITIVE PROCUREMENT

Overcoming new Procure-to-Pay challenges in ANZ's Government and Commercial organizations

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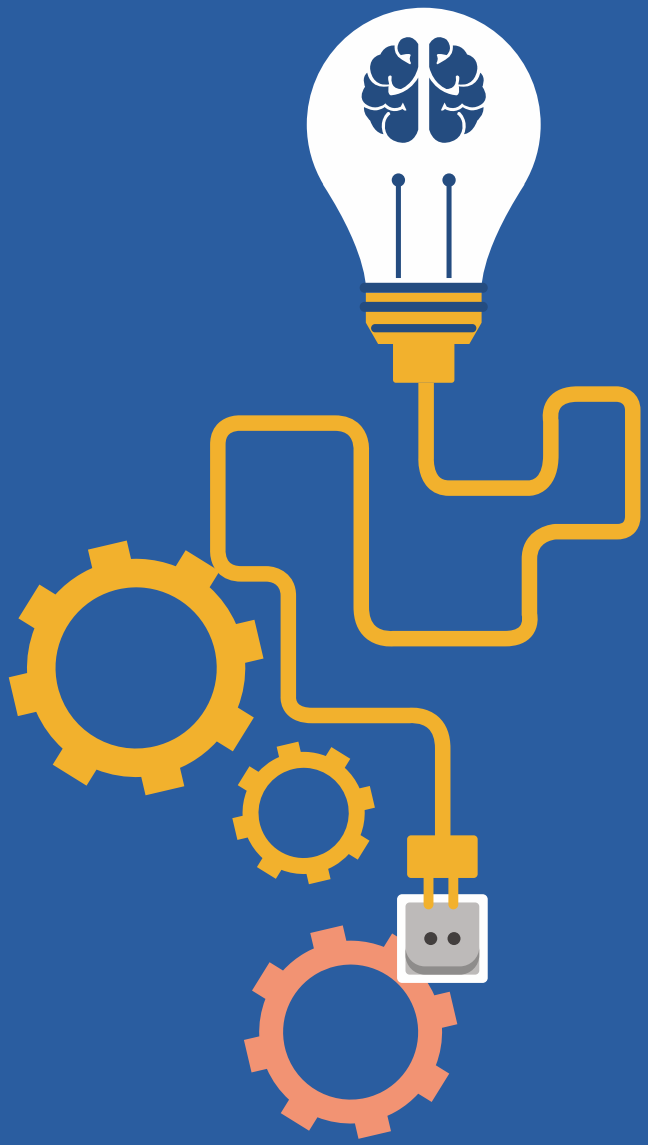


EXECUTIVE SUMMARY

COVID-19's disruptive new normal has taken its toll on global supply chains. Coming on the back of the recent natural calamities, the pandemic has severely hit Government and Commercial sectors.

Procure-to-Pay (P2P) processes in Australia and New Zealand (ANZ) region have been particularly affected due to the lockdown. As Governments and Commercial organizations tread cautiously, their in-house procurement teams are called upon to address P2P risks created by recent events.

For example, longer procurement lead times are on the rise, even as working capital pressure is a given. Yet another ask is the demand for rapid invoice processing as well as flexible supplier terms and conditions. In this context, today's CXO has to don a situational perspective, especially in Government-related procurement.

Government organizations differ from Commercial organizations on the P2P front due to the community-facing nature. Even as their priorities center around management of efficiency, effectiveness, and risk, the sustained focus is on aspects such as a reduction in job losses. These strategies extend to the P2P functions as well.

At the same time, the pandemic creates a need to remotely manage procurement. This is a tough ask for many of ANZ's Government and Commercial organizations.

Manual and semi-automated P2P processes are the order of the day across these essential services. Operational black spots arise as a result of paper-based ordering processes, on-premise dependent infrastructure, and disparate automation silos.

Lack of automation results in difficult to rectify dependencies, as Work From Home (WFH) and rapid procurement cycle re-engineering becomes the new de facto operating model. Insufficient supplier information visibility often results in procurement, invoicing, and Accounts Payable (AP) setbacks.

A proactive Procure-to-Pay strategy empowered by Digitalization is the need of the hour. In this White Paper, we take a look at how Government and Commercial organizations in ANZ can transform P2P operations using the intelligent transformation of existing P2P processes. This is essential to complete the transition towards that of an omnichannel service provider—for suppliers as well as employees.

The use of AI to revolutionize Government and Commercial Procure-to-Pay operations is imperative to become future-proof. The success stories featured in this white paper will provide valuable insights from peers who have already undertaken this journey.

CHAPTER 1: GOVERNMENT P2P IN TIMES OF COVID-19

The recent past has been tough for Australia and New Zealand. Right from the global slowdown's aftermath, to calamities such as the Australian bushfires and COVID-19, the respective Governments have been hard at work to restore normalcy.

These tumultuous times have taken a huge toll on the exchequer. Just the healthcare costs of Black Summer will be in the range of A$ 2 billion. Another example is Victoria's COVID-19-related lockdowns, which will cost the Australian economy to the tune of A$ 3.3 billion.

New Zealand has significantly fared better in comparison. Despite this, a recent S&P Global review indicates that New Zealand's economy will shrink by 5 percent this year. Fiscal issues such as these put significant pressure on Government organizations and procurement in the ANZ region. On the operational side, procurement operations are challenged due to the pandemic's restrictions on office operations.

Workplace to Homestead

Due to the inability to physically access offices, remote work facilities have become a de facto arrangement across the globe. With COVID-19 showing no signs of a letdown, WFH is expected to remain an operating model at least for the rest of FY 2020/21.

On the WFH front, many Australian commercial organizations realized the need earlier itself due to natural calamities. For example, sustained bushfires across Australia drove the creation of governance processes, committees, and task-forces at such businesses. That period also saw a rise in mobile technology investments.

After COVID-19 hit, ANZ's public sector (especially Australia) adapted to flexible working arrangements for its employees. New Zealand's government services have been no slouch in evolving to meet the current pandemic crisis either. Ranked eighth in the Global Open Data Index (GODI), New Zealand has a significant amount of automation across government departments. This helps the country stand in good stead in terms of WFH.

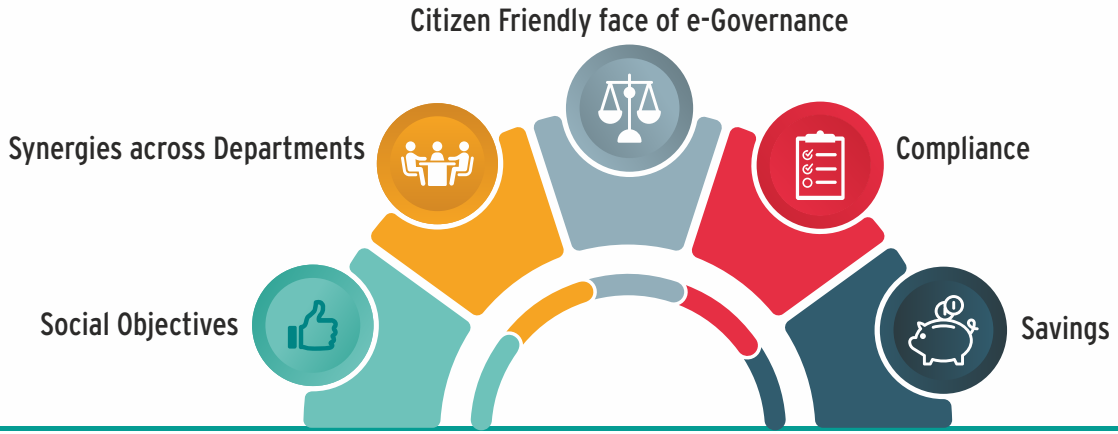
Yet, WFH challenges arise when government services come into the picture. Despite WFH being more practical and productive in many cases, it often introduces workflow bottlenecks in traditional procurement cycles (especially in manual paper-based processes). Unavailability of work infrastructure over mobile devices further hampers effective WFH. Most importantly, the innate characteristics that define government procurement call for different mandates.

P2P's transformation phase

Even though government processes resemble that of commercial organizations in many ways, differences arise on fronts such as the need for transparency and reaction to changes. By its nature, Government procurement is centered on communities, people, and jobs. For a government organization, its main shareholder is the electorate. Ethical and social aspects are the focal points of government procurement processes.

While commercial organizations focus on cash flow management during COVID-19, the government organization's focus is on supply continuity and job sustenance. The ANZ region is expected to emphasize local supply as part of community support and supplier risk mitigation objectives. This will manifest itself on fronts like funding and community initiatives. State purchasing agreements might also see a boost as the government distributes capacity.

Generic supplies and services will witness growth as a result of common agreements. This will provide opportunities to newer suppliers as well as existing suppliers. The Infographic: Government procurement priorities highlights aspects that come to play in such scenarios.



Digital goes default

Government's inherent nature places a significant emphasis on aspects such as probity, compliance, and transparency. Hence probity in procurement is built on end to end integrity, uprightness, and honesty.

According to the Victorian Government's Probity in procurement guide, probity needs to be anticipated as early as possible when planning a procurement (pre-procurement). It must be considered throughout the entire procurement lifecycle. This includes category management, early market engagement, market analysis, sourcing, and the entire contract lifecycle.

In this context, digital tools introduce the potential to transform government processes through the reduction of redundancies, ambiguities, and complexities. From a Government procurement process standpoint, this means to focus on stakeholder-centricity, information digitalization, and process automation. End to end digitalization of the Procure-to-Pay cycle ensures complete transparency, integrity, impartiality, accountability, and compliance. It ensures identification and mitigation of conflicts of interest at the onset itself. This is critical for ongoing enforcement, compliance, and audit requirements.

End-to-end value addition

The typical government organization's procurement objectives are achievable via user-friendly Procure-to-Pay rollouts. Zero (or minimal) manual intervention in P2P means that in-house teams can dedicate more time to citizen-facing services.

Government procurement mandates consistent and accurate buying decisions. To ensure this, guided buying capabilities must be part of shortlisted P2P solutions. Use of this functionality for requisitions optimally guide government stakeholders to approved catalogs, contracts, e-Forms, workflows, and suppliers. User-friendly mobile interfaces are essential to cater to the remote workforce as well as suppliers.

On the reporting front, Source-to-Pay (S2P) integration guarantees access to a single version of truth. This ensures the delivery of consistent information that is also accessible by end-users. A defining point of this pandemic season has been the shift away from on-premise IT infrastructure. With employees and partners stranded across the globe, cloud computing is the default enabler of choice for Procurement-to-Pay systems.

Digital P2P platforms powered by Cloud Computing are a great example of these capabilities, as we will explore in detail soon. With trends such as common agreements gaining ground, these systems significantly empower rapid onboarding, compliance enforcement, and optimal management of partners.

CHAPTER 2
COMMERCIAL SIDE STORY

According to the Reserve Bank of Australia (RBA) August 2020 figures, Australia will officially face its first recession in three decades if things don't look up soon. RBA's baseline scenario indicates that the Australian economy will contract by about 6 percent over 2020. Growth of around 5 per cent is expected over 2021, and 4 per cent over 2022.

This long period of subdued inflation creates high borrowing costs and a lack of ready credit for commercial organizations. Suspension of key contracts and relentless cost pressures compound these issues.

COVID-19 introduces further trouble into this fragile business atmosphere. Estimates indicate that Australia's A$2 trillion economy contracted by 0.3 percent in the first quarter of 2020 due to the pandemic. RBA's August meeting minutes indicate slow economic growth till the last three months of 2020. Victoria's COVID-19 outbreaks have significantly offset economic recovery elsewhere in the country.

Business is tougher than ever for Australian commercial organizations across industry verticals. Interestingly, hope is on the horizon going by the Australian Bureau of Statistics (ABS) figures. These preliminary figures indicate a retail turnover rise of 3.3 per cent across Australia (except for Victoria) in July 2020.

New Zealand's businesses fare better due to funding infusions driven by its local Government. While this alleviates certain issues, the decline is visible—especially in industries like manufacturing. With global supply chains affected by COVID-19, New Zealand is seeing a resurgence in the revival of the local supplier base.

Navigating supply webs

As disruption of global supply chains becomes the norm, procurement preferences favor near sourcing and local purchasing in the ANZ region. Globalization will witness a slowdown with the rise of regionalization and near-shoring. Dual sourcing and multi-sourcing will be significant beneficiaries.

This is evident from the BNZ–BusinessNZ Performance of Manufacturing Index (PMI) figure of 56.3, which indicates ongoing manufacturing expansion in New Zealand. Consistent order book performance and fulfillment are key to sustain this momentum over the next few months.

Since China is the largest trading partner of Australia and New Zealand, supply chains witnessed severe disruptions during the pandemic's early days. As China snapped back into action, ANZ businesses have been able to restore the status quo.

Recent geopolitical clouds between Australia, New Zealand, and China threaten to give more sleepless nights to procurement teams. Such disruptive ecosystems drive ANZ's businesses towards the adoption of a 360-degree situational management perspective.

Procurement's rapid makeover

Efficiency, effectiveness, and risk management are cornerstones of CXO strategies for the pandemic era. Hence cost reduction and risk management have become the business' primary expectations from procurement.

Procurement teams must focus on how businesses can move forward, even as it enhances customer satisfaction levels. These professionals need to stay nimble, innovative, and situationally aware. Today, Procure-to-Pay is expected to stay on top of aspects such as suppliers' financial health, employee conditions, and overall operational well-being to ensure business continuity.

Remote management of Procure-to-Pay processes has emerged as a key skillset. Disaster recovery planning skillsets are another must-have to proactively deal with business disruptions.

From a broader perspective, revenue maintenance has become an essential procurement KRA. Such environmental prerequisites will redefine P2P skillsets. For example, effective procurement digitalization calls for the application of a digital mindset in P2P processes.

Automation meets Intelligence

Manual procurement is in the midst of a shift towards integrated processes and intelligent transformation. Processes such as Supplier Resilience Monitoring will bolster such capabilities.

Procure-to-Pay solutions have significant levels of features that businesses can leverage to meet the new normal. Intelligent transformation ensures mitigation of risks on fronts such as Finance, Supply Chain, and Business Continuity Planning.

Guided Procurement functionality is a case in point that ensures consistent and accurate decision making by employees in Commercial organizations. Automated requisition-to-invoice processes ensure procurement agility and scalability as per market conditions.

Advanced analytical and reporting capabilities can be ushered in with the introduction of Procurement-to-Pay solutions. Centralized views and planning capabilities are facilitated by these tools. Data-driven procurement strategies rely on such insights for advanced decision making. Customizable scorecards provide efficiency, spending patterns, and cost optimization insights. Other salient capabilities include system generated event and trend dashboards.

Enablers of new normal

Digital transformation of Procure-to-Pay architectures has seen major changes during the pandemic. For example, the migration to Software as a Service (SaaS) platforms has been a major trend driven by COVID-19.

> "Over the next two years, digital transformation (DX) spending in Australia will grow to over 55% of all ICT investment from 45% today, with big growth in data intelligence and analytics to generate information-based competitive advantages."
>
> **Source: IDC FutureScape: Worldwide Digital Transformation 2020 Predictions – Australia Implications**

On-premise Procure-to-Pay architectures create multiple dependencies that can be eliminated using cloud computing platforms. High availability cloud-based P2P deployments help organizations to seamlessly manage remote P2P requirements during emergencies such as bushfires and lockdowns.

Employees can work from remote locations in cloud-based work ecosystems. Many commercial organizations in Australia and New Zealand have been beneficiaries of this trend. Yet another transformative advance involves AI's clear inroads into Procure-to-Pay automation and management. This is of great utility for Government and Commercial players, especially for risk mitigation.

A case in point involves advanced analytics in Procure-to-Pay processes, which revolves around established AI developments. Technologies of note among these include Robotic Process Automation (RPA), Big Data, Machine Learning, Natural Language Processing (NLP), Deep Learning, Neural networks, and Computer Vision. We will explore this trend in detail as part of the next chapter.

During the recent lockdowns, organizations across the world witnessed a flurry of COVID-19-related emails to Accounts Payable (AP) teams. These highly focused social engineering attacks planned to capitalize on the chaos in procurement processes brought about by the pandemic.

Thanks to the AI Bots integrated with Procure-to-Pay platforms, businesses were able to proactively defend themselves against these frauds. This is an example of how AI enables P2P processes to go beyond plain vanilla automation.

AI-powered invoice and contract management are revolutionizing traditional Procure-to-Pay operations. For example, these manual processes often involve Optical Character Recognition (OCR) based entry extraction approaches for PDF (or paper) invoices. Apart from time and resource-consuming nature, these processes also tend to be error-prone.

Self-learning Invoice Extractor bots can directly scan emails to capture key invoice information and fill this void. These AI-driven bots leverage existing knowledge sources and accordingly link client-specific data of historical invoices. Auto fetching of invoices from supplier emails is another functionality. It can even generate digital invoices by extracting details at header, line, and tax levels. This is just the beginning of AI's transformative power in businesses.

CHAPTER 3
AI- DRIVEN RISK MANAGEMENT

Exponential global footprints

McKinsey's Global AI Survey 2019 indicates a nearly 25 percent year-over-year increase in the use of Artificial Intelligence (AI) in standard business processes. Spend analytics and logistics network optimization were the key savings areas among organizations that leveraged AI on the Supply Chain Management front.

It is interesting to note that AI adopters in Supply Chain Management report revenue increases and cost decreases across the board. **Figure 1: Tangible benefits from AI use** presents a detailed look at the McKinsey survey's findings on the savings front.

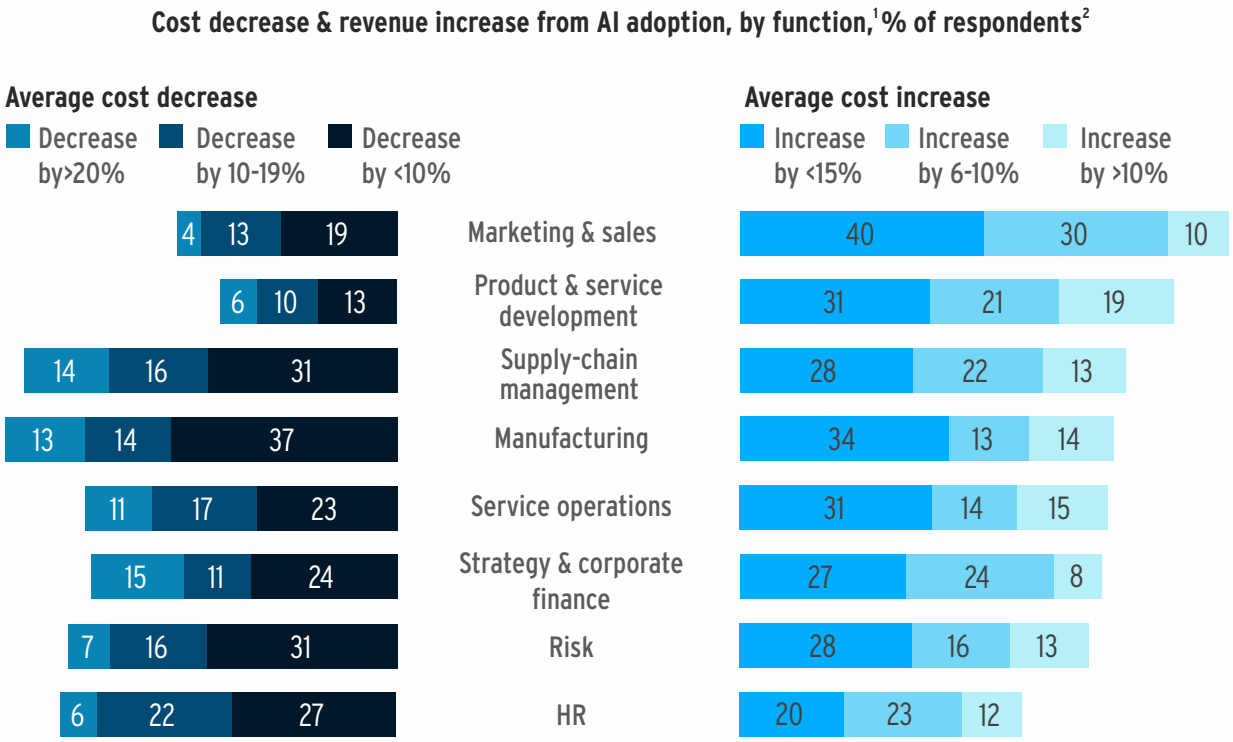


Figure 1: Tangible benefits from AI use

Source: www.mckinsey.com

AI-driven spend analysis delivers advanced reporting, even as it identifies saving opportunities. Supplier negotiations can be streamlined, and mutually beneficial contracts can be drawn up using such capabilities. A case in point is the analysis of global COVID-19-related spends. AI can identify supplier exposure to COVID-19 severity, suggest corrective action, and invoke suitable risk management mechanisms.

Another example involves the use of AI-based Spend and Supplier Data classification tools at a large Fortune 100 chemical giant. On-demand global spend analysis empowers continuous tracking, monitoring, and management of spends spread over more than 30 source systems. Category-specific information allows managers to finely slice and dice spend data.

Ultra intelligent edge

Contract Extractor Bots intelligently identify, extract, and analyze contractual text at unparalleled scales. On another front, Contract De-Risker Bots can auto-identify clauses in the contract from a repository. These can be benchmarked against organizational best practices.

USE CASE: UNLOCK HIDDEN POTENTIAL

The use case of a leading US-based business solution provider is ideal in view of how AI can transform P2P processes. Inefficient manual procurement and decentralized sourcing processes hampered this market leader's specialty manufacturing focus of home and office products.

With over 15,000 employees and a global presence, automation became critical to eliminate manual AP invoicing processes. A significant reduction of the invoice to payment cycle times became the need of the hour. The business solution provider required an end to end transformation of its Procure-to-Pay process for indirect goods and services.

Post-deployment of AI-powered BOTs and best in class solutions, the company optimally fulfills its business objectives using a fully automated Procure-to-Pay workflow. Efficient onboarding of suppliers, comprehensive analytics, and optimal process management are a given. All stakeholders have end-to-end visibility of data and KPIs.

In the first 60 days of its new system going live, the business solutions provider onboarded 6200 suppliers. User requisitions witnessed a 584% increase. It processed requisitions worth USD 49 million, even as it reduced cost per invoice by 62%.

Force Majeure De-risker Bots are worth a special mention at this point. Due to COVID-19-related disruptions, these bots have seen a rapid uptick in usage across the globe.

The primary use of Force Majeure De-risker Bots is to auto-identify and invoke Force Majeure clauses in contracts. Identification of Force Majeure clauses via traditional processes typically require a significant amount of man-hours, whereas these bots just require seconds.

Augment buyer mobility

Computer Vision is typically associated with autonomous driving technology such as self-driving cars. It is interesting to observe that integration of Computer Vision and AI into Procure-to-Pay architectures is an increasingly common application.

Incorporation of Computer Vision and similar technology allows digital procurement using a product's images or video footage. Voice-based assistants, chatbots, and Virtual Assistants that enable guided buying are other examples of mobility introduced by AI into P2P processes.

Advanced self-service capabilities are incorporated into the requisition process as a result of such developments. Optimal use of such AI functionalities streamline procurement processes, reduce turnaround times, and minimize human errors via the reduction of mundane tasks.

CHAPTER 4
DIGITAL PROCUREMENT SUCCESS STORIES

Government and Commercial organizations can get significant mileage from an end to end Procure-to-Pay implementation. Here are two procurement transformation examples that changed the way organizations operated.

1 Touching lives at The MENTOR Network

If thousands of your clients are unable to use their P-cards to access essential goods and services, it can be a debilitating experience. The MENTOR Network, a leading US-based health and human services provider, found itself in this dilemma due to ERP connectivity issues.

Many of MENTOR Network's 2,500 locations spread over 34 states were not on the intranet. The network-based Oracle ERP system regularly created operational issues for 28,000 of MENTOR Network's employees. Other issues included expensive licensing costs and support. Long lead times and need to engage the IT team for every workflow change instance further complicated matters. A cloud-based, user-friendly, and scalable P2P process became imperative for the home and community-based services provider's operations.

Deployment of Zycus' P2P solution ensured end-to-end supplier enablement at MENTOR Network. Due to the new cloud-based nature deployment, MENTOR Network's procurement team can manage purchases over the Internet–from the remotest of locations.

Automated data quality assurance guaranteed by the system delivers major time savings. MENTOR Network's team can identify saving opportunities instead of scrubbing data.

Key takeaways

With 28000 employees in 34 states spread across 2500 locations, The MENTOR Network is made up of four operating groups. It provides services for individuals with developmental disorders, behavioral disorders, as well as individuals recovering from brain and spinal cord injuries. The MENTOR Network also conducts programs for youth at risk.

1,000+
Active users

1,400+
Unique active requestors

1,548+
Created Purchase Orders

146,700+
Requisitions catered to

US$ 5
Million+ Value of invoices per month

95%
of total invoices submitted electronically from ZSN

2 Australia's trusted water provider

Maverick spends, a 50-year old legacy ERP, paper-based approvals, procurement category errors, insufficient specifications, and a lengthy list of other inefficiencies. This is the story of how Australia's trusted Water Utilities provider transformed its procurement operations.

To increase spends under management, the Utilities provider had to first route purchases through catalogs and contracts. Just 5% of the total spends passed via 18 catalogs and contracts numbering over 400 then. The services provider needed a holistic catalog repository that utilizes existing contracts.

A synergistic platform that unifies eProcurement and eInvoicing became the need of the hour. Contract and supplier management became a must-have for inventory as well as non-inventory goods and services. Today, Zycus' eProcurement solution facilitates seamless requisitioning, catalog management, PO processing, and approval workflow management for the Utilities provider. The organization can flexibly manage requests for inventory and non-inventory goods.

The Utilities provider banks on iContract as its Contract Management repository. This allows the organization to store procurement contracts and link each to purchases. The use of iSupplier enables a supplier repository to comprehensively manage vendor information. Integration of iContract and eProcurement increases the Utility player's visibility into supplier- and category-specific contracts for higher spends.

"Guided buying" enables purchases from catalogs or punch-outs for normal purchase requests. In case these are unavailable, guided eForms come into play. The system also supports project-based purchases.

Key takeaways

The Government-owned water and wastewater service provider is a lifeline for millions of Australians. It maintains and controls numerous critical civil assets. These include water treatment plants, water reservoirs, and water mains that manage fresh, sewer, and recycled water sources.

700+
Active users

252
Custom category-specific eForms

~550 Prs
Created per month

~600 POs
Created per month

25+
Catalogs created

CONCLUSION

Procurement has come a long way since its paper trail days. The increasing importance of Procurement to business in Australia and New Zealand's Government and Commercial organizations is evident in the way it has emerged as a strategic organizational function.

Leading procurement organizations are fully devoted to the delivery of superior business value. This is all the more so in COVID-19 times, as optimal Procure-to-Pay processes directly translate to increased savings, minimal supplier risks, and immediate cost reduction. As the Zycus Procure-to-Pay Benchmark Study 2019 reveals, three out of four procurement organizations across the globe leverage the power of P2P technology solutions.

Digital transformation has seen an unexpected boost as the result of this pandemic. We can expect the increasing momentum of this trend, especially on the Procurement and Finance fronts. Smart automation of procurement is the next frontier of this Procure-to-Pay transformation journey.

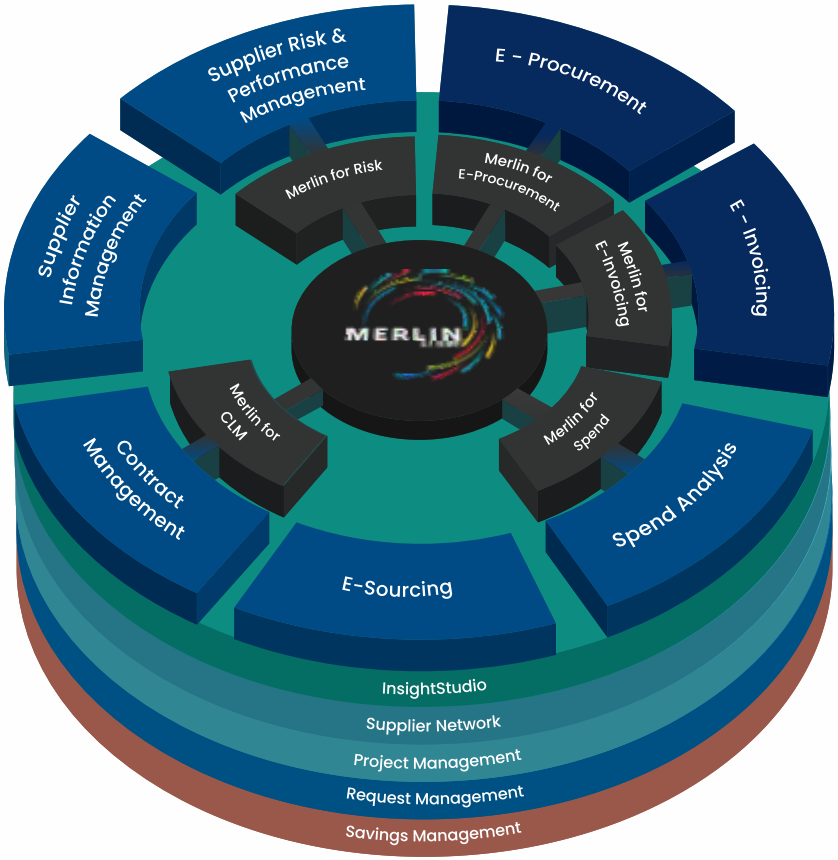
Irrespective of whether it is the Government or Commercial sector, Digital Procurement empowers CPOs with faster and more effective decision making. This makes a huge impact in terms of ensuring that it is 'Business as usual'—even as we pass through these trying times.

ZYCUS
COGNITIVE PROCUREMENT

Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite. Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

Start your #CognitiveProcurement journey with us, as you are #MeantforMore.



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