



**Business case** for investing in a modern solution that manages the purchase to pay process



## **What is a Business Case?**

When we purchase new IT systems to support and streamline our processes, we often have an inclination of what we can make on the investment, what we can gain in terms of time, quality, and money. You use some kind of feasibility study or idea as a foundation for the initiative.

To clarify this inclination or idea, we create a Business Case to support our thoughts. We argue for our ideas in order to motivate an investment decision. The results of the Business Case guide us in what we can achieve, and it becomes our decision support when we purchase a new system. It's also something we can use in a possible new project. Setting up targets based on our Business Case ensures that we can recoup our investment. If we want to be able to measure and do follow up, we need to have clear targets in our Business Case.

It's not always easy to create a Business Case when you're making a new IT investment. To ease the creation of a Business Case that outlines a solution that manages the entire purchase to pay process, we have created this document to give you support and guidance.

In order to give you the best support possible, we have chosen to create a simple guide where we outline the most important arguments that every Business Case for these kinds of investments should contain.

Investments in IT solutions that manage the purchase to pay process (P2P) can be calculated and can often give quick ROI (Return on Investment). To rely solely on an ROI calculation, however, can be a trap as it is often difficult to calculate exactly what we will gain on the investment. It's best to also use other values that you can use to motivate the investment without needing precise calculations.

**"You are the experts in your organisation, and you are the ones who know how it works today"**

### **Define your current situation**

For a Business Case to be relevant, we have to identify how we currently manage our processes for purchasing and invoice management. A couple of questions that you need to ask yourself:

**Are we using time consuming processes?**

**What are the steps for each individual process?**

The amount of time needed to conduct an analysis for your current situation depends on how big the company is, the degree of complex processes in P2P, and the opportunities to define limits.

"You are the experts in your organisation, and you are the ones who know how it works today"

We can also do this together in a workshop where our experts, in collaboration with your business, analyse the current situation. When you are using us as your supplier, you can get the information and guidance to do your own reasonable assessment of what is possible for your organisation. This entails benchmarks for what is possible with an IT system on location. The aim of the benchmarks is to provide you with guidance so that you can create your own targets. However, there is no exact science for what is possible. The target should be based on the opportunities that a new IT system provides, but the ability to steer the organisation towards a change in behaviour should also be taken into consideration.

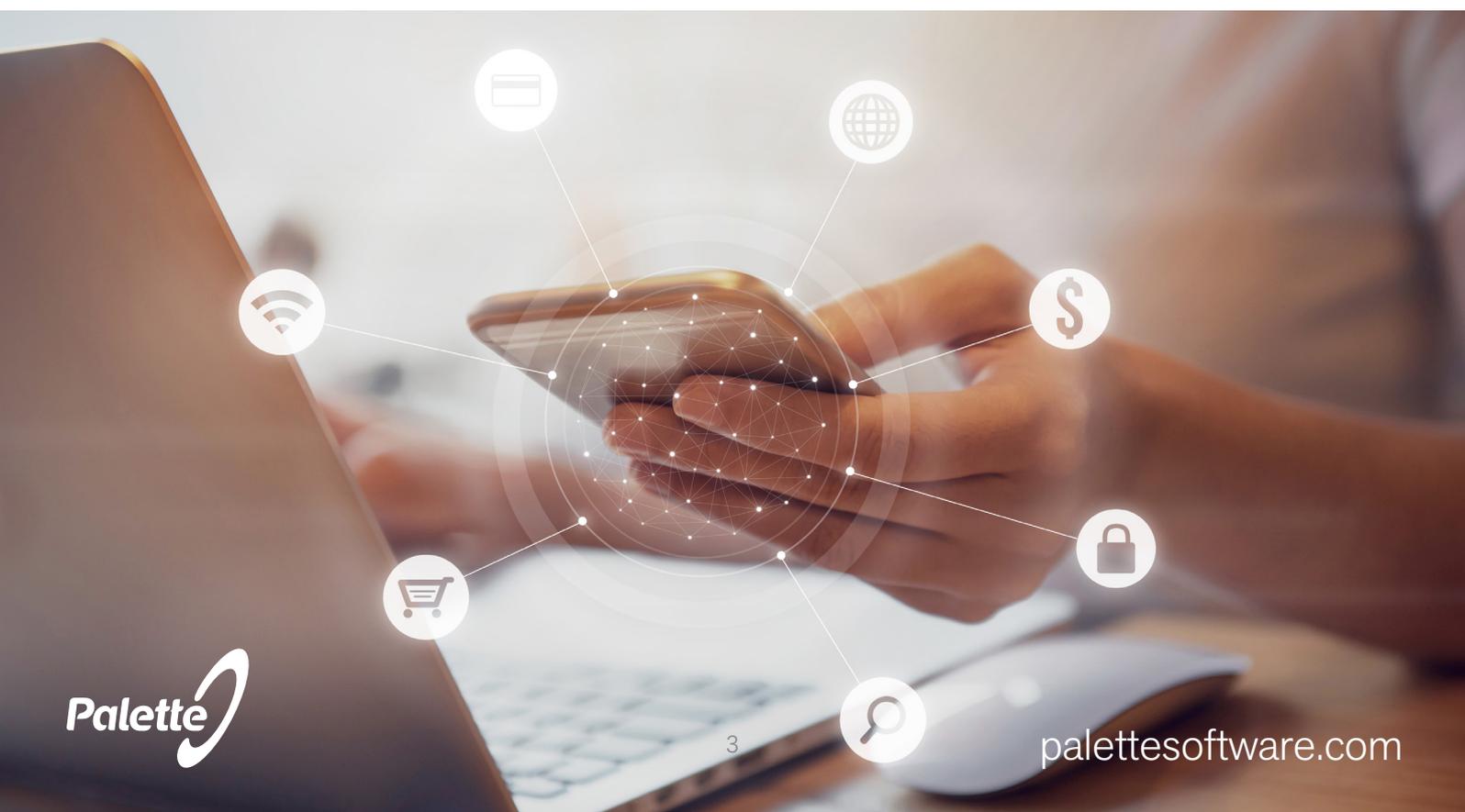
Moving from manual management to automation generally provides big profits. We have observed how businesses reduce the time for invoice administration by more than 60%. Average lead-times can be reduced to 5 days, where the management process previously was over 20 days. In the right conditions, you can take automation even further by simultaneously starting to match the invoices.

When it comes to P2P, there are several more areas that can be streamlined. In both administration and within the business there are potential time savings to be made. Often, processes can remain the same in the new IT systems, but sometimes it can be necessary to implement changes in the organisation, processes, strategies etc. in order to get the best possible effect. To make it easier for you, in this document we have chosen to show you concrete savings in the administration of invoices and purchases.

### **Streamline the administration**

In the P2P process, it's mostly in invoice management, and more specifically in the accounts payable, where we can make big savings in administrative work. By scanning invoices and automatically interpreting the information on the invoice, we substantially reduce the amount of work in terms of manual data entry. At the same time, we get a basis for an automatic posting of the invoices in the ERP system.

Digitally interpreted invoice data can also be used to automatically find the right receiver for review and approval, or to automatically match towards the underlying order or contract. If we want to further streamline the administration, we can implement e-invoices and thus we avoid traditional opening of mail, sorting and scanning.



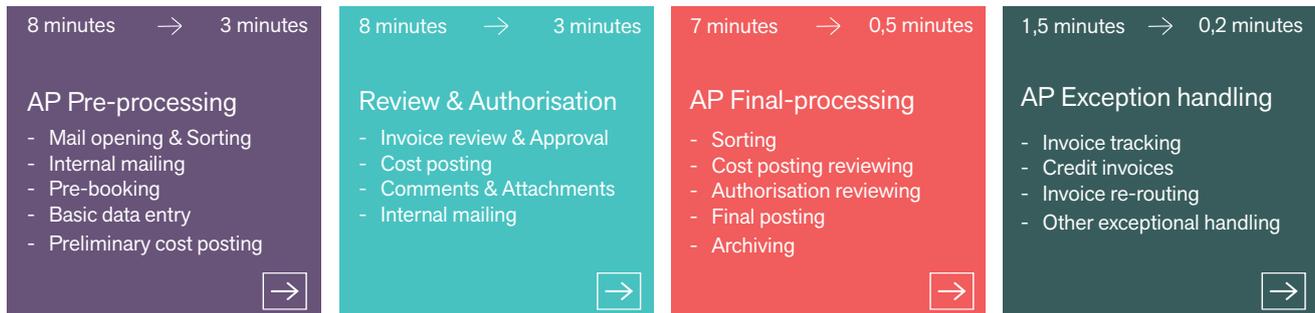
It is not difficult to see that there is great potential for saving both time and money. 50-80% is considered to be fully realistic levels when we move from manual management to a digital world. If you automate the entire P2P process, the chances are great that you can reach these levels of savings. Independent studies have shown that pretty much every business that has implemented system support for invoice management reach their project goals (Inspectum 2016). The same study reported that larger companies typically achieve positive ROI after 12 months.



### Time and cost savings for automated invoice management

Let's use an example to show what it can look like if we compare manual invoice management with an electronic work flow. How time consuming and costly different steps are differs depending on the business. The example below provides you with an indication of what it might look like in a company.

Figure 1



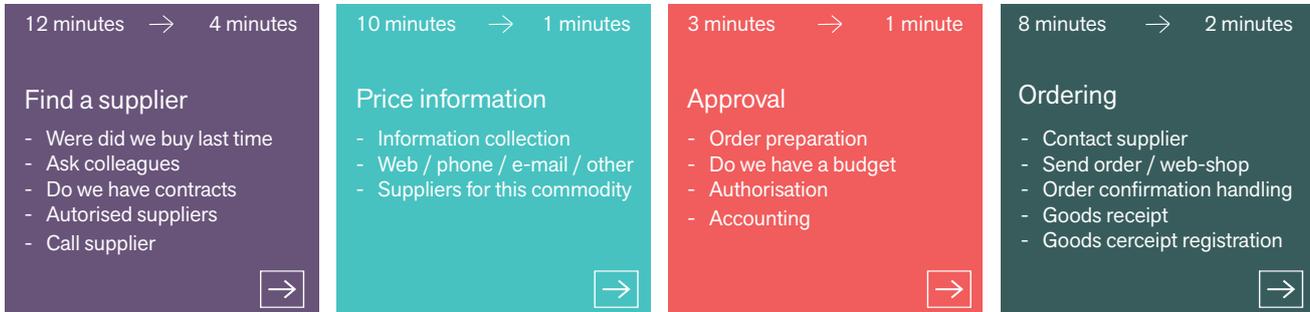
In the upper left part of the boxes, the time needed for traditional manual processes is indicated, and to the right you see the time needed for the corresponding step using an electronic support system for invoice management. In this example, the time gained for the management of an invoice would reach almost 18 minutes when using an electronic system, which corresponds to 70% time saved.

### Time and cost savings for automated purchases

For purchases, it's often easier to review costs and identify savings in the actual purchase prices. Traditionally, this is where we have been able to identify potential earnings rather than if we review our processes. Obviously, potential for savings, or opportunities to control purchases, should be added to the list of benefits in our Business Case. The easiest way to create the conditions for our savings targets is to make a Spend analysis. In this analysis, a window is created towards the supplier market, and this provides us with support for the activities we want to initiate. We can always expect there to be money to be saved, both for small, medium sized and large companies. In order to recoup an investment, it is sufficient to count on a savings target at an average of 4-6%.

However, it's also worth your while to review the purchasing process. Purchasing is one of our major time wasters and we can have a lot of untapped resources hidden in how we manage purchases. Uncertainty is usually the reason why we have time consuming processes for purchases. When we are making purchases, we have to gather facts about suppliers, contracts, prices etc., creating unnecessarily long lead-times for a purchase that in practice only takes a few minutes to complete. See figure 2:

Figure 2



### Examples of other savings

In the business case, it's easy to only consider economic benefits, i.e. what we ultimately translate into ROI. However, beyond purely economic savings, there are other benefits which strengthen the argument for an investment:

#### → **Efficient invoice management and reduced costs for the ledger**

In our invoice administration, we may have the greatest opportunities to save time from day one. See photo illustration figure 1.

#### → **Ability to control purchases**

With a purchasing system on site, it's easier to follow up and to ensure that rules are respected and that all employees are buying from approved suppliers. If we also add certification duties on the purchasing order instead of the invoice, we prevent all types of erroneous purchases in the organisation.

#### → **Increased security and fewer errors**

When manual input is digitised, the risk for errors is reduced. If this is supplemented with predefined templates for coding etc., the financial data is quality-assured, which ultimately leads to better decision making.

#### → **Better decision making**

A system that provides a complete overview of all purchase costs creates a good and secure base when we are facing rapid decisions. A system that supports the entire process provides control and full transparency in all areas and all transactions/processes, and the information is compiled on one line.

#### → **Shorter lead-times**

What we gain from automating the entire P2P process today depends on the support processes that are already in place in the organisation. Going all the way from manual management to an automated work flow for the entire process for purchase to pay leads to the largest savings.

→ **A better working environment**

Having more time for the core business is in this context highly relevant. When we free up time, we reduce stress and have more time for other things. In invoice administration, this gives us more time to manage errors, create reports and other administrative duties. For employees outside of the financial department, life is made easier when the purchasing process is centralised and when electronic support features are implemented in all the different processes; primarily search capabilities, ordering and approval. See photo illustration figure 2.

→ **Reduced environmental impact**

There is more talk than ever about environmental impact, and in the processes regarding P2P, we have the ability to influence paper consumption in all areas. If we fully digitalise our supplier relation, we can reduce the amount of paper significantly. Basically, this means that we send orders and receive invoices electronically.

”If we fully digitalise our supplier relation, we can reduce the amount of paper significantly”



## The size of the investment

The size of the investment depends largely on the extent of our administration regarding the flow from purchase to pay. Other factors that influence it are the current ERP system and the desire for other value-adding processes such as order matching. Added to this is also a cost for the project implementation. The installation of software or the setting up of a cloud service follow standardised processes, and as long as we as a customer don't have wishes outside of what is standard, the project can be delivered in a given number of days.

Having a dialogue with Palette is the best way to get a grasp of the level of the investment. We need you to answer a couple of easy questions, and from that we have the ability to quickly offer you a preliminary quote that serves as a basis for your Business Case.

## How should you prepare your business case step by step and what should it include?

A great Business Case for investing should contain the following parts:

- **Background:** Why are we doing this now? A description of your current situation and the goal of the investment.
- **Purpose/benefit:** It can be effective to adjust benefits to different interests, and if possible, measurable objectives should be set up. Benefits could be allocated to the following interest groups/areas:
  - **Operational**  
Process improvements, increased efficiency, cost improvements, shorter lead times.
  - **Benefits for management**  
Better decision making
  - **Strategic benefits**  
Able to grow in a simple and smooth way. Full control of our costs. Here you can put in actual savings targets from a previously conducted spend analysis.
  - **Organisational**  
Access to comprehensive, centralised, and easily accessible information.
- **Costs:** Obviously, there are costs associated with the investment. These costs come in the form of software, project, implementation, and on-going maintenance. However, it's also important to consider the internal cost for the change (indirect costs) and the resources needed before, during, and possibly after the implementation. Afterwards, we can have a greater measure of system maintenance that we as a customer have to manage. We also need to roll out the solution in the organisation, and maybe increase collaboration with our suppliers.
- **Project Delivery:** How will the project be delivered and is it feasible with existing resources?
- **Control & Follow up:** What control mechanics are in place to ensure that the project is completed and that you achieve the set goals? Tell us what you are going to do to ensure that the project will give you the calculated profits, and when the system should be put into use. Ensure that proper mechanisms will be available for monitoring and follow up.

## **Summary**

Good preparatory work in the form of an analysis of the current situation is the basis for a good Business Case.

The scope of the preliminary work is governed by the size of the proposed changes as well as the organisation's capacity for change. The conditions can vary a lot, and sometimes you have to take one step at a time.

Changes require time and resources, and we must carefully weigh our choices to be in line with the company's strategies, now and in the future.

**If you need help reviewing the processes, identifying savings opportunities, or creating an ROI calculation for a potential investment, we are here to help you with our expertise in P2P – the entire purchase to pay process.**

**Follow our blog**

to stay updated on  
purchase to pay  
related issues!

Palette is a market leading provider of financial process automation software with over 3 500 customers across 50 countries. We help companies transform and automate their Purchase to Payment Processes utilising their existing ERP and finance system investment.

[www.palettesoftware.com](http://www.palettesoftware.com)

