



Beware ERP: Expense & Regret Purchasing

10 Reasons Why ERP Can't Deliver Smarter Spending and Savings

A Coupa eBook

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Introduction

There is a reason why 65% of ERP implementations fail. ERP solutions are complex, require an obscene amount of resources, are difficult to deploy and even more difficult to use. Now don't get me wrong, ERP software does have its place in the technology ecosystem – it's absolutely terrific for managing transactions and general ledger – I'm just saying its place is not in purchasing.

Every procurement professional knows ERP systems aren't much help when it comes to turning businesses on to smarter spending practices. Chances are you're the victim of an IT-led project team that convinced the powers that be to spend hundreds and thousands of dollars on an ERP system that would "solve all their problems and save them millions." Now you're forced to model your procure-to-pay process on what your ERP system can support – and not necessarily on what is best for the company.

Now here you are, stuck with a purchasing process that is time-consuming, costly to support and avoided at every turn by the people you need to use it. Rather than follow the process, employees purchase what they need and expense the items later, confident they will be reimbursed for the purchase. Managers have limited insight into spending as it occurs and often regret what they've approved once they find out just how much they went over budget.

You've had enough of this ERP madness and are ready to sell your vision for e-procurement but know the ERP defense will come up. So how do you make your case for e-procurement? Here are 10 reasons why your ERP system can't deliver smarter spending practices or the savings that come with them:

Top 10 Reasons Your ERP's Purchasing Module Can't Deliver Smarter Spending

10. No one can figure out how to use it
9. It is too slow and unproductive
8. It is inconvenient for managers
7. It can't prevent over-spending
6. It promotes a bureaucratic work environment
5. It isolates your business from the outside world
4. It blocks employees from saving money
3. Your suppliers hate it too
2. It is completely stagnant
1. It is built for accountants, not procurement

Number 10. No one can figure out how to use it

In an era for downsizing, rightsizing, doing more with less, and wearing multiple hats, procurement groups no longer have the resources to support every purchasing need in the organization. Employees are becoming increasingly responsible for managing their own requisitions and supplier relationships, and don't have the time or patience to navigate a complex system, or research policies and procedures to purchase office supplies. If the system is not intuitive and easy-to-use, your employees will simply work around it. Let them expense it, and you'll regret it!

Know Your Users and What They Need

ERP systems were built to be sophisticated enterprise systems for certified experts and professionals. As a professional accountant or buyer, you attend some in-depth training classes, put on your thinking cap, and figure it out. But if you are an average employee, it's unacceptably complicated.

Don't risk a revolt (or your career) - complete with graffiti written on the bathroom walls about your failed rollout - by forcing employees into a system you know is too complicated to use! Know your users, know what they are capable of and give them a system that let's them easily get what they need and get on with their day.

Give Them Amazon.com-like Ease-of-use

It's no contest; e-procurement solutions are the hands down winner when it comes to ease-of-use. From online catalogs to supplier punch-out sites, it's as familiar as purchasing something from your favorite website. In addition, you can search for specific products and services, review relevant buying policies, comparison shop and view supplier ratings and buyer feedback making it infinitely easier to complete your purchase.

In many cases, employees find that an e-procurement system is "easier to use than avoid." So say good-bye to spending surprises and unapproved expense statements. By getting employees to "buy in" to the system and use it, you maximize your opportunity for savings and your ability to control spending company-wide.

Make Your Case for e-Procurement

Help them understand how negativity toward your ERP system will cost you dearly!

- If you can't use the system, how on earth do you expect everyday employees to figure it out? Make it easier than expense reporting, and watch adoption go up. No one wants to shell out from their own pocket and track paper receipts if there's a better way to buy.
- While everyone end-earns the system, we'll suffer: decreased productivity, lost leverage with suppliers, higher prices, and increased non-payroll costs by 15%

Number 9. It is too slow and unproductive

For most employees filling out a paper form is faster than submitting a requisition through your ERP system. What's more, most employees would rather just go down to the local store, get what they need then and there, and submit an expense report later to account for the spend. Plus, most ERP tools take 30-45 seconds to log into and to navigate around the endless menus to the right form for the right request. Not to mention the time it takes to process, get approvals and actually receive the item you need. No wonder employees try to avoid the process at all costs.

Understand the Pains and Obstacles

A common misconception about changing employee spend habits is that if you make the process difficult enough, full of forms, reviews, approvals, tap dancing and hoop jumping, employees will not spend anything because it's just too darn hard. Not true. It only appears that you are achieving results because all of your spend is not under management.

But don't be mistaken - employees are spending, you're just not seeing it until a month or two later when they submit their expense statements and you are wondering how you went over budget again. They are buying outside of the system, outside of the approved process and outside of the approved suppliers and pre-negotiated prices.

Empower Productivity

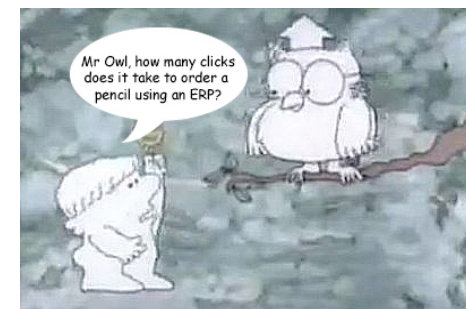
Let's face it, your employees were not hired to manage a purchasing process or understand how your complex ERP system works. So make it easy for them to follow the process, or they will find an easier way to get what they need to get the job done

Rather than forcing employees to purchase through a foreign ERP system, simplify! Use familiar conventions, and use e-procurement to incorporate everything they need to comply with purchasing guidelines, solicit competitive pricing, and provide the right information for ordering and billing.

Make Your Case for e-Procurement

What type of work environment does your organization's leadership want?

- Do you really want people to be spending an hour trying to figure out how to buy a stapler?
- Can you risk negative morale by forcing employees to jump through time-consuming and mindless hoops instead of doing what it is they are hired to do?



*We once counted the number of clicks and field entries it took to buy a pencil through an ERP. **The answer? 37.***

Number 8. It is inconvenient for managers

It can be argued that ERP systems are really the ideal tool for managers. After all, it is a powerful data and reporting engine with access to every conceivable metric and statistic needed to make informed business decisions. It's sophisticated, it's expensive, and it's completely inconvenient for managers to use!

Today's managers are firefighters, handling escalating priorities and dealing with the problem du jour. Though connected 24 x 7 through their iPhones and Blackberries, they still can't get their email backlog under 100. The last thing they need is yet another system to access, another administrative task to remember, and another process to adapt to.

Your managers are busy enough

Flexibility is essential for successful managers who are juggling multiple priorities, projects, employees and meetings. And unfortunately ERP systems often require managers to approve purchases only through the system and in a very particular way. The problem is, it's rarely a convenient time for managers to drop what they are doing to log into the ERP system to process requests.

Forcing managers to use a rigid ERP system to approve purchases and manage spend will only cause frustration, dissatisfaction, and people ultimately going around the process. And before you know it, your managers have lost all spend control and visibility – a lose / lose situation for everyone.

The right tools make all the difference

Effective spend control means speedy and efficient review and disposition of spending requests. Otherwise, you risk delays and bureaucracy that slow down the business. But to maintain this control, you must provide employees with the tools that work with how they work and not ones that force them into a rigid construct. That's where the value of e-procurement comes in.

With an e-procurement platform, managers can easily stay on top of spend requests and budgets through email alerts and even approve or provide feedback on requisitions straight from their email, Blackberry, iPhone or other mobile device.

Make Your Case for e-Procurement

Explain why ERP software lets managers down!

- People won't ask permission before they buy unless approvals happen fast
 - Managers deserve the convenience of approving straight from email or mobile phone
 - On average, you should be able to complete the approval process in under 12 hours vs. the typical 2-3 weeks required to complete the approval cycle in ERP procurement modules
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Number 7. It can't prevent over-spending

When your ERP package was first implemented, there is no doubt everyone in the organization had the best of intentions and the hope that it really would solve all the problems you thought it would. And while it has delivered on the promise of managing information and possibly enforcing some policies and procedures, now that the solution is deployed you have discovered its ability to help manage spend and prevent off-contract, wasteful, maverick spending leaves much to be desired.

ERP delivers bad spending news only once it's too late

Every quarter, the accounting department performs a "close" and runs reports from the ERP system to see what happened. Did we over-spend compared to our goals? Too often, the answer is yes. But your ERP system can't prevent over-spending – it simply reports it.

Finding out that you over spent, two or three months after the spend has occurred does very little to help the organization. You have no opportunity to course correct, no way of knowing when you approved that \$10,000 purchase that you just pushed your spend \$8,000 into the red. The money has already been spent and there is very little chance for you to recover that spend once it happens. And that's why you deserve better!

e-Procurement warns you ahead of time so you can act!

Imagine if you knew in real-time that you were dangerously close to being over budget and approving those next projects was going to put you \$25K over, would you do something about it? Would you delay the other three projects or find a more cost effective way to conduct the projects? Absolutely you would!

With e-procurement, you can track spending against targets in real-time and even be alerted when spend reaches certain levels. Since you have the information you need when you need it to make the best spend decisions possible, you are able to course correct, delay additional expenses and ultimately save the company money.

In addition, you have a view into recent spending patterns and predict or forecast where spending will fall for the remaining months allowing you to be prepared and plan for longer-term spend and save initiatives.

Make Your Case for e-Procurement

Help them see the future so you can shape it!

- Wouldn't we run the business better if we could accurately forecast non-payroll spend?
- Shouldn't we be setting specific spending targets for our business and tracking against those targets to maintain margins?

Number 6. It promotes a bureaucratic work environment

It's no secret – when given the option people will take the path of least resistance every time. Who wants to spend the time jumping through hoops, filling out forms, chasing down approvals and calling purchasing every other day to see if their item has been ordered and when it will arrive. Why do all of that when you can simply go to a retail store, instantly purchase what you need and just expense it later? But this is exactly what employees tend to do when they are forced to purchase through a complicated ERP system, making it impossible to effectively manage and control spend.

Employees want to do it themselves, but are blocked at every turn

The internet has removed the boundaries of business. Now a small business in Georgia can supply peach preserves to a Parisian café. There is increased competition, improved global infrastructure and a completely new way of doing business. Companies that will survive must be able to adapt and use the full potential of the online world to operate more efficiently.

ERP systems, however have failed to move into the 21st century. They continue to copy 20th century business processes where information was placed in silos and accessible only to “those who need to know.” This means that whenever an employee wants to create or check on the status of a requisition or purchase order, they have to rely on phone and email to contact those in the know to find out the information they need. Not only is this method inefficient and time-consuming, it also causes increasing frustration and disruption for your purchasing team and employees.

Help employees help themselves

The new generation of employees have never been without a computer. Their lives are online and the lines between their personal and professional lives are starting to blur. They know how to shop online. They know how to look for a good deal but are unable to use that skill for the company's benefit. With archaic technologies like most ERP packages, employees' hands are tied. They are often powerless to make a positive contribution to the organization.

An e-procurement platform empowers employees with the information they need – from real-time approval status to a direct copy of issued PO's to being able to rate suppliers on the quality of the goods and services received – to effectively manage their purchases and complete their day-to-day tasks.

Make the Case for e-Procurement

Get them to understand the difference!

- Wouldn't we be better off getting employees' help in understanding the who, what, when, and why of ordering and how to get things done with greater efficiency?
- Shouldn't our dedicated purchasing professionals be maximizing their time on negotiating great deals and steering purchasing policies vs. re-keying orders and answering status questions?

Number 5. It isolates you from the outside world

Your most recent ERP reports show that you were able to shave 3.5% off your quarterly spend and you think “not bad, saving something is better than saving nothing”. And maybe it is, but what if there was the potential to save even more?

With your ERP system, your view of the world is limited. You can only compare your performance against your historical data and all that will tell you is how you are doing based on past performance. What it does not provide is insight into whether or not your performance is in line with the market, which is essential in order to get a leg up on the competition.

How do you know if you are doing a good job?

You know why benchmark data costs thousands of dollars to acquire? Because it is difficult to get and when you have it the value it provides is immeasurable. Getting an inside glimpse of the competition provides you the critical information necessary for strategic planning and being able to stay ahead of the market.

When your ERP package is hosted on your dedicated servers with only your information, you are isolated and alone. You are unable to know whether your procurement practices are competitive or lagging. So how can you be expected to take the right actions that will deliver greater efficiency and savings for your business?

You need to compare your organization's performance to the market!

One of the biggest benefits of a SaaS procurement solution is that there is a singular platform that all transactions are processed through. And while the platform still keeps data separate and secure, having a centralized system standardizes the way data is collected and provides a way to easily benchmark performance metrics.

This aggregated information empowers you to constantly assess improvement opportunities by benchmarking your procurement processes against the market average. By knowing how you compare, you can quickly set goals and target particular parts of your procurement process for immediate improvement.

Make Your Case for e-Procurement

Help them understand great procurement is about more than guessing!

- How will we set aggressive yet attainable improvement goals?
- Wouldn't you like to use market comparisons where we are lagging to motivate the organization to change?

Number 4. It blocks employees from saving money

With the onset of the internet and new technologies, global competition has exploded leading to the rapid development and release of new products and services – driving prices down and increasing the opportunity to find a better deal. Prices can change weekly, and in some cases even daily. It would be impossible for any purchasing organization to keep up with these price fluctuations for every category of spend. And being locked into a six, nine or twelve-month contract will not increase your chances to take advantage of lower available prices and the savings you could achieve.

ERP and e-Commerce don't mix

Before every supplier on the planet had a web store and everybody started shopping online, the way to buy something was to page through a thick catalog, find the items you need, fill out your order form with all the things you needed, get the order approved and fax it over to the supplier for fulfillment.

ERP systems are just a step up from this ancient way of doing business. Sure, you can use your ERP solution to maintain a list of “Approved Suppliers” for different commodities. You could even input contracts for items at preferred pricing. But for categories where products and prices change quickly you need a different approach! That’s especially true in this knowledge economy, which is increasingly characterized by services businesses and indirect spending.

Empower employees to find savings opportunities

There are a few categories of spend where you repeatedly order the same items time and again, and prices fluctuate little - centralized purchasing contracts with preferred pricing makes sense for those types of expenditures (like parts for an assembly line or supplies for the office). But more and more, what employees need will change day-to-day depending on an organization’s short and long-term goals and objectives.

e-Procurement goes beyond the time-honored “approved supplier” mentality to leverage crowd sourcing to find the best deals. With a crowd sourcing approach, your employees “do at work what they do at home”. They shop around. They check out a variety of vendors. They find bargains and deals that your purchasing team isn’t exposed to and they purchase at the lowest price. And the best part, you’re still in control and you’re spend is still under management, all while saving far more money and staying on top of the market.

Make Your Case for e-Procurement

Give them examples they know are true!

- How many times have you personally found deals online that were way better than an old contract price?
- Sneak up on them: did you see that fantastic deal on Overstock? No way we’re saving that kind of money when purchasing through our ERP package!

Number 3. Your suppliers hate it too!

You can probably think of a hundred better uses of your time than duplicating efforts, rekeying information and pushing paper. Guess what, so can your suppliers. The more time that they have to spend manually processing paperwork, the less time they have to spend on strategic initiatives that will ultimately provide you with better products and services. Not only that, but the more resources they need to dedicate to manual tasks, the more you will end up paying.

Your ERP system makes you a costlier customer

As a general rule, the more hands that have to touch a product or service in order to deliver it to an end customer, the higher the cost. So when your suppliers have to manually re-key every PO you send because you are using an ERP solution that does not allow you to automatically transmit the information they need to fulfill your request, how do you think they recoup those costs?

Chances are those additional costs are being passed onto you. And as your purchasing team is negotiating new contracts and more preferable pricing to deliver savings, they are finding it is much more difficult to get the price down if working with you is inefficient, complicated and requires a lot of high overhead resources.

You want suppliers to love doing business with you

With e-procurement, suppliers can electronically receive orders and submit invoices. No need for manual re-keying, high volumes of phone calls or faxes. Using an out-of-the-box API connector or some simple XML you can easily enable these efficiencies and take advantage of the savings they bring.

In addition, many e-procurement solutions provide a way to tap into supplier networks where you can further improve your ability to work seamlessly with your suppliers.

Through these networks suppliers can access an online portal where they can maintain their contact information, publish contract items and prices to you, and even connect their online store.

Make the Case for e-Procurement

Help connect the dots between ERP software, the purchasing or procurement organization, and poor supplier relations

- Aren't we tired of lost orders and crisis phone calls with suppliers?
 - Wouldn't it be better if suppliers could receive orders electronically and avoid any re-keying mistakes in their order management system?
 - Don't we destroy our leverage in contract negotiations when we regularly pay late due to documentation and process problems?
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Number 2. It is completely stagnant

When ERP software first burst onto the scene its singular purpose was to organize, manage and report on large volumes of data for planning purposes. And through the years as new technologies have been released and older technologies have received a facelift and been enhanced to meet changing business needs, ERP systems have essentially stayed the same. It hasn't gotten any easier to use nor has it truly expanded its ability to handle other functions such as purchasing. So while marketing might repackage your ERP system's capabilities to seemingly address a specific need like requisitioning or invoicing, it's essentially just layering a different UI on top of an out-dated, archaic ERP technology.

As solid as a stone, and as unchanging

Accounting is a tricky business and one that relies on accuracy and consistency to be effective. Once you've built a system that balances credits and debits correctly, it's best to leave it alone. And that's precisely what ERP vendors do.

Every few years your ERP vendor will reach out to you about upgrading your system. And while in many other software applications that might mean adding new features, enhance existing capabilities or even make the UI a bit more user friendly. But in the world of ERP these upgrades typically consist of bug fixes and not much else.

How we buy is changing, and you need a system that adapts

If one thing is clear in today's "new" economy it's this, business as usual is no longer business as usual. Technology has dramatically changed the way we do everything, from how we communicate with one another to how we get the information we need to how we get the goods and services we want.

e-Procurement continuously adapts to modern business practices and challenges. And it's delivered as a hosted solution via SaaS, you are always up-to-date with the latest innovations e-procurement has to offer without the need of getting your upgrade on your IT department's calendar since e-procurement does not require any hardware to maintain or software to install.

Make Your Case for e-Procurement

Have an honest conversation about the Purchasing capabilities of your ERP system

- When was it last updated with a new feature you cared about?
 - How different was the system 3 years ago?
 - How has it transformed your business?
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Number 1. It is built for accountants, not procurement

Let's be clear, ERP software does have its place in an organization; it's just not in purchasing. ERP's strengths – managing large quantities of information and transactions and pulling sophisticated reports and trends – make it an ideal solution for finance. Just like you wouldn't use a spreadsheet to build your website, you shouldn't use ERP software to manage your procure-to-pay process. It's not what your ERP package was designed to do, and does not provide you the right foundation to empower smarter spending and long-term company savings.

ERP purchasing is about checking a box

ERP vendors have to offer all sorts of modules to win business. They have sales force automation modules, marketing modules, HR modules, and even procurement modules. However, those modules are rarely the reason anyone purchases ERP software - they aren't competitive and never will be. And as long as an ERP salesperson can "check the box" and say they do procurement, they're fine.

But why leave something as important as managing purchases and saving your company money to a simple check box on a long order form? Don't you and your company deserve something better; something guaranteed to get you on the right track to smarter spending and savings?

Transforming procurement requires a best-in-class platform

Procurement leaders have ambitious goals that include sustainable multi-year savings. And when procurement succeeds, businesses thrive, plain and simple. But when you are building your processes upon the wrong foundation, it is hard to transform your procurement efforts into something that will have a substantial and sustainable impact on your business.

Unlike ERP, e-Procurement systems are developed with one goal in mind: make it easy for the company to control spend and save. That's it. Every feature and function, from the way you work with suppliers to how you buy to get the best prices possible, are all designed to deliver savings for the company. So why not invest in the right platform from the start and really see where your procurement efforts can take you.

Make the Case for e-Procurement

Help the organization avoid being penny-wise, pound-foolish

- Look for examples in other areas (i.e. HR, CRM, etc.) where the company has moved beyond ERP software to best-in-class solutions – highlight those areas and draw parallels
- Ask yourself what you want to accomplish for the organization over the next 1-2 years and whether you're willing to risk your reputation and career on your second-rate ERP purchasing module
- Organize a pilot / bake-off between Coupa and your ERP purchasing module and generate a chorus of cohorts

Summary

In this e-book we have compared and contrasted many of the differences between managing your procure-to-pay process through your ERP's purchasing module and using e-procurement. We have talked about where ERP systems work (i.e. accounting) and how there are many nuances of purchasing (like the ability to crowd source better prices and greater savings; or true, market-wide benchmarking) that it generally does not address. But if there is only one thing you should take away from this e-book, it's this:

ERP systems were designed to organize, manage and report on mass quantities of information – not to empower smarter spending and savings. If you are serious about savings, you need to seriously consider e-procurement.

So, no matter how many modules your ERP vendor offers, or all the compelling arguments you hear from the vendor (and maybe even your IT department) on why you should “standardize” on them, be wary! ERP is the wolf in sheep's clothing when it comes to how companies manage their purchasing. While it might look like a purchasing system and they might say it's a purchasing system, it is most certainly NOT the purchasing platform you need to practice the type of smarter spending that will have a real impact on your business.

Learn More

ERP & Procurement Systems

- Inside ERP: [Midmarket ERP Solution Comparison Guide](#)
- Sourcing Innovation: [What is a Successful ERP Implementation?](#)
- E Sourcing Forum: [The Age of the e-Perp](#)
- Spend Matters: [Is SaaS Really Cheaper than On-Premise? Maybe, Maybe Not ...](#)
- Coupa TCO Calculator: [Compare the Cost of On-Demand vs. On-Premise Procurement](#)

Compare Coupa to the Competition

- [Ariba](#)
- [Bellwether Corp](#)
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- [Ketera](#)
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Coupa is the leading on-demand provider of solutions that control and streamline purchasing for organizations beyond the Fortune 500. Coupa e-Procurement delivers an easy to use, fast to deploy and affordable solution for requisitioning, purchase orders, RFQs, inventory and invoicing, with no hardware to buy or software to license. With deep domain knowledge in e-procurement, a best-in-class software-as-a-service platform, a network of more than 2,300 suppliers, and a fast-growing community of customers, Coupa enables smarter spending practices that allow companies to save money quickly. For more information please visit, <http://www.coupa.com> or call +1.650.931.3200.