

# HOW TO MAKE SERVICES PROCUREMENT EFFICIENT AND COMPLIANT

In today's business environment, one of the biggest challenges for procurement professionals is to manage the purchasing of complex categories, especially services. Depending on the industry, services might make up the majority of a company's indirect spend. As increasing total spend under management has become a top priority in many organizations, procurement is looking for ways to expand control and compliance on services spend.

In this chapter, our focus is on explaining and solving the common challenges related to purchasing services. We will discuss how a modern e-procurement solution can support services procurement and bring benefits to the entire end-to-end purchase-to-pay process through saved time, lowered process costs, and increased compliance.



**POORLY STRUCTURED ORDERS CAUSE PROBLEMS IN THE ENTIRE CHAIN**

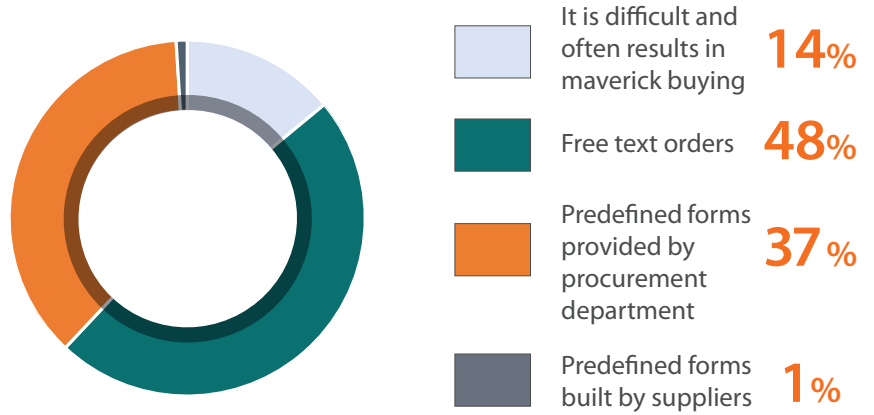
Purchasing services is one of the most challenging parts of indirect procurement. The nature of services can make it difficult to create structure and automation to the service requisition and order process in a similar way as to the purchasing process of commoditized, standard products. For instance, services, such as maintenance work, consultant services, catering or services related to marketing, are most often non-catalog items and in addition, it is difficult to define the exact scope and volume of services needed beforehand. In some cases, the actual service is under contract with a fixed price but there might be some added costs and variable expenses case-by-case.

The imprecise specifications at the time of the requisition make it difficult to place orders correctly, to track service fulfillment and to handle supplier invoices efficiently. Without structured processes and system support, organizations typically end up using free text orders and communicating with suppliers via email and phone. This also makes maverick buying a common problem in services procurement, and in addition companies struggle to ensure compliance – even when working with contracted suppliers.

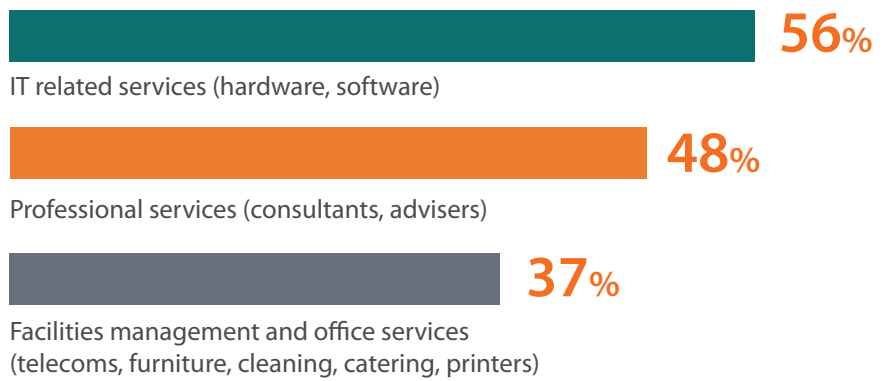
**FIRSTLY,**

requisitioning and ordering services is commonly a manual and time-consuming process. Unstructured communication with suppliers and the use of free text orders cause inefficiencies both for the business users creating the requisitions and the professional buyers handling the orders. The manual practices in ordering and the nature of service work that causes unexpected changes make it also difficult to monitor if the services are actually delivered as ordered. Without proper visibility and control, procurement struggles to guide their organization’s buying behavior and ensure that the prices and other conditions of established supplier contracts are met.

**HOW DOES YOUR ORGANIZATION MAKE REQUISITIONS FOR SERVICES AND COMPLEX PRODUCTS?**



**TOP 3 SPEND CATEGORIES BY SPEND VALUE**



Source : Indirect procurement: 2017 Market report by OpusCapita and SSON

**1** drawing a reliable spend analysis is a challenge, as there is a lack of visibility and control over the organization’s purchases. It hinders maintaining budget control and reaching savings targets. **2** In addition, the manual and unstructured ordering process also impacts the next phase of the purchase-to-pay chain, when the supplier sends the invoice for the services delivered. Determining whether the cost on the invoice is justified is cumbersome, causing delays in the invoice review and approval process and leading even to potential payment delays.

## SOLVING THE UNIQUE CHALLENGE

A closer look at indirect spend reveals that, in many companies, spend on services and related commodity groups exceeds spend on the other categories of indirect purchasing. In addition, it is not uncommon that the value of a purchase made from a catalog is a couple of hundred euros, whereas the non-catalog purchases are measured in thousands. When we asked procurement professionals<sup>1</sup> about the most challenging procurement categories, the most frequently mentioned ones

were all services-related. Getting a grip on the requisition of services can mean a significant increase in spend under management.

Services procurement comes with unique challenges and one of the keys to overcoming them is supplier engagement. Providing easy to use tools both for the business users inside your own organization and for the suppliers providing the service alleviates the need for procurement's hands-on involvement in the different stages of the purchasing process. It also helps to create

a structure in the first steps of the services procurement process. The orders, for instance, will better reflect the reality and help smooth out the typical problems later in the purchase-to-pay process.

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<sup>1</sup> Source: Indirect procurement 2017: Market Report by OpusCapita and SSON



## THE OPUSCAPITA SOLUTION: SUPPLIER ENGAGEMENT, SMART FORMS AND SERVICE ENTRY SHEETS

Engaging suppliers to collaborate with you is crucial when you want to create a streamlined, compliant and efficient process for purchasing services. The OpusCapita eProcurement solution supports the different stages of the services procurement process.

You can make the services available to your organization's business users via the OpusCapita **Online Product Catalog**, where a service order can be added to cart, and approved and ordered similarly as a catalog product. The service might be simply specified by an hourly rate, for instance, or they can be unspecified at this stage.

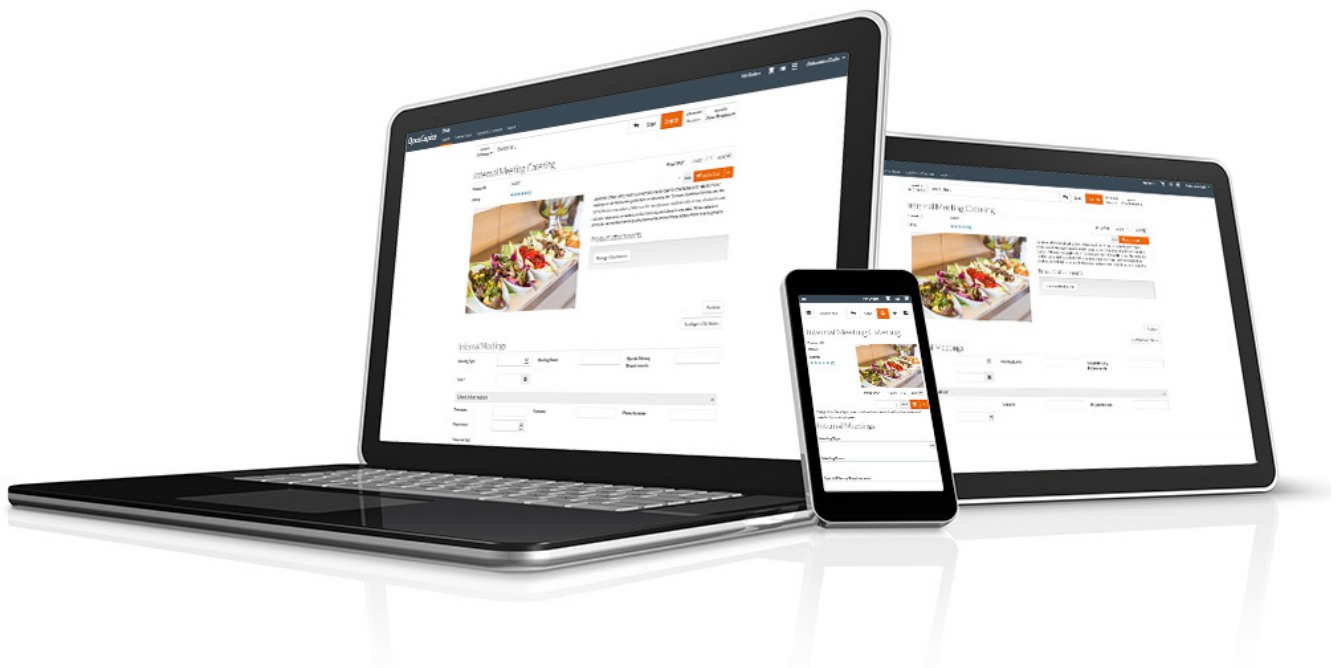
With the help of **smart forms**, specific requirements related to a service can be determined at the time of ordering. Smart forms are set up by the category manager or the buyer in OpusCapita Online Product Catalog. They can also bundle together services and products, so that everything that is needed to perform a certain service gets ordered at once and combined into a single purchase order. You can define and build the smart forms together with your contracted supplier and at the same time

make sure that the options available to the users are in line with your established contracts.

Another option is to collaborate with your supplier and allow them to initiate the order in the system. The need is specified in the requisition, and in the **RFQ process**, the supplier can define the service more precisely, complete with price and availability information and estimates on time and materials needed. The proposal by the selected supplier can be transferred into an accurate purchase order with all the needed tasks and materials.

With the Services Procurement module, you can increase the transparency in the services delivery process by enabling suppliers to report and record their efforts in service fulfillment through **Service Entry Sheets**. Service Entry Sheets are issued by the supplier in the system against an open purchase order. Depending on the service, it can be a simple timesheet to log the dates and times when the work has been performed, or the supplier can also add additional expenses such as materials or other services that were needed in completing the job. This helps to cater for the unexpected nature of services, when for instance a maintenance job turns out to be more complicated than what was originally ordered.

The Service Entry Sheet submitted by the supplier can either be automatically approved against the purchase order, if the value is within a predefined threshold, or it can be separately reviewed. The possibility to create **multi-level approval workflows** speeds up the process, for instance when additional costs need to be separately approved for the cost center in question. Only after the Service Entry Sheet is filled out and approved, the service can be marked as performed with goods receipt.



# 3 KEY BENEFITS OF STRUCTURED SERVICES PROCUREMENT

## FOR PROCUREMENT:

- ✓ System-supported service orders reduce the need for procurement involvement in purchasing.
- ✓ Savings on cost and time through faster, streamlined processes and contract compliance.
- ✓ Ability to track and manage service fulfillment transparently.

## FOR BUSINESS:

- ✓ An easy and clear way to order complex services.
- ✓ Work with contracted suppliers who offer high quality service.
- ✓ Improved invoice handling reduces payment delays, which harm business relationships.

## FOR FINANCE AND ACCOUNTS PAYABLE:

- ✓ Purchase invoices match the order and the goods receipt, which improves invoice handling.
- ✓ Faster invoice handling process cuts down late payment fees.
- ✓ Less unclear invoices and disputes to manage.

# CREATING A STRUCTURED WAY TO ORDER NON-CATALOG SERVICES

Business users need an easy way to order a marketing service without procurement involvement



## THEN

The procurement department in an expert organization deals with a lot of services procurement. One of the typical categories is marketing services, and for instance, ordering a photographer to a trade show event, in which the organization participates frequently. The business users typically send a free text requisitions for the photography service to the category manager, who then gathers the details and creates the order for the contracted supplier.

The process takes time and often there are misunderstandings, which mean that the order and, thus, the delivered service, do not exactly match what was originally requested. Due to this, the category manager needs to handle also a lot of extra inquiries and deal with changes both with the business users and the supplier. Later, when the supplier sends the invoice for the service, it rarely matches the order, which causes extra work when reviewing and approving the invoice for payment.

## NOW

The category manager has created a smart form in OpusCapita eProcurement solution for ordering the photography service. The form is created together with the contracted vendor, so that it includes all the information the vendor would ask at the time of the order. Business users can now order the service directly from the Online Product Catalog that they are accustomed to use when placing requests for catalog items. The variables detailing the photography service are predefined in the form, such as the time and the place of the event and the number of people at the event. Additionally, the form specifies the type of pictures needed (for example portraits or event pictures), and also possible additional services, such as the need for a make-up artist or a video photographer.

As a result, the supplier receives an accurate and clear order, and can provide high quality service that meets the actual needs of the customer without having to ask for additional information. With the smart form, procurement is able to guide the organization's buying behavior to the preferred supplier and ensure contract compliance. Purchasing process costs are significantly reduced, and additional savings are made in the AP process as the line items on the supplier invoice can be directly matched with the order.

# REPORTING SERVICE FULFILLMENT IN A CLEAR AND TRANSPARENT WAY

Procurement needs to be able to track and manage the provided maintenance service



## THEN

A global company operating in the escalator and elevator industry needs to manage contracted local suppliers providing maintenance services all over the world. When an escalator or elevator needs maintenance, the service order issued is typically quite general – either requesting annual or otherwise planned maintenance or an ad hoc order in case of a malfunction.

It is difficult to determine the scope and volume of services and materials needed beforehand. Monitoring the service delivery is difficult and gaining a precise understanding of the cost structure with both fixed costs and variable costs is cumbersome. The manual steps of the service order and goods receipt processes are reflected in purchase invoice handling, as the service and material rows on the invoice do not match what was originally ordered.

## NOW

The service order for maintenance is issued in the OpusCapita Online Product Catalog. The purchase order is then transferred to the supplier. The supplier is able to create a Service Entry Sheet in the system to report how they delivered the service. The sheet created includes a clear record of the time the maintenance worker uses on the job, and – as the portal is accessible also via mobile phone – the working hours can be logged in on site. The supplier can also add extra services and materials to the sheet, if those are needed to perform the maintenance.

After service fulfillment, the Service Entry Sheet is automatically approved or it is sent to the buyer for review and approval. Clear service delivery tracking and detailed information on the content of the service makes it easy to ensure contract compliance. The process to manage the supplier is streamlined and takes less time. Only after the Service Entry Sheet is approved, a goods receipt is created. In the Accounts Payable process, incoming supplier invoices will match the orders and the goods receipts, making it possible to gain further process efficiency and cost savings.

# ACHIEVING THE NEXT LEVEL IN SERVICES PROCUREMENT



## FIRST STEP APPROACH:

Make purchasing services easier for the business users by creating smart forms in the OpusCapita Online Product Catalog. Map the services and predefine smart forms with all the details needed for ordering a certain service. Use smart forms also to bundle services and products together and provide a compliant one-touch process even for the more complex requests.

Speed up the process by creating automation rules, so that purchase orders that have an end sum below a certain threshold will be approved automatically. Utilize structured purchase orders to save time and effort in the supplier invoice handling process by matching the items on the purchase order to the items on the invoice and increasing the automation ratio in posting.



## A LEAP FORWARD:

Enable supplier collaboration already during the RFQ process. Utilize the OpusCapita Request for Quote module for easy checks on price and availability and estimates on time and material needed. Take advantage of the possibility of turning the quote from the supplier into a purchase order, ensuring that it will match the services that will be provided.

Take control over the service delivery and enable Service Entry Sheets for reporting both workload and materials needed in fulfilling the order. Reduce manual work by automating the approval of the Service Entry Sheet within predefined thresholds.

**Learn more** about OpusCapita's eProcurement solution.

Get to know OpusCapita **Online Product Catalog**, the global portal for all your ordering needs.



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Dirk has over 20 years' experience of building and delivering enterprise solutions. With hundreds of opportunities to work directly with organizations under his belt, Dirk understands the key challenges faced by many companies and is uniquely positioned to deliver insight in the form of best practices and lessons learned.

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## OpusCapita

OpusCapita enables organizations to sell, buy and pay quickly and securely, with a real-time view of their business. Over 3000 customers in over 100 countries use our source-to-pay, cash management and product information management solutions to connect, transact and grow. OpusCapita processes over 220 million electronic transactions annually on its Business Network, which includes almost 1 million organizations and over 11,000 financial institutions worldwide. OpusCapita is headquartered in Helsinki, Finland. Visit us at [www.opuscapita.com](http://www.opuscapita.com)