INVOCUS
A Division of Zycus

THE CURIOUS CASE OF NON-PO INVOICES

A Introduction: The heterogeneous world of invoices

If you manage the AP function, you will vouch for the fact that there can be as many types of invoices as the number of complexities in your organization's purchase process, and every invoice is important!

In this white paper, we discuss and consider the types of invoices based on whether or not there is a pre-existing reference document for it. As such, there are the following types of invoices:

- **PO invoices** – invoices based on an existing PO
- **Non PO invoices**
  - Non PO contract invoices – invoices based on an existing contract but no PO
  - Non PO, Non Contract invoices – invoices based on no pre-existing PO or contract

Over 25% of spends among average performing organizations are Non-PO spends.
(Source: The Hackett Group)

Let's understand the essential difference between PO invoices and Non PO invoices. Typical P2P process will involve the buying company sending a purchase order to the supplier. Once a purchase order is sent to the supplier, he will know the exact requirement that the buying company is looking for and what they need. This legally binding document may be accepted or rejected by the supplier based on his stock levels and internal planning. Before the purchase orders are released to the suppliers, all the necessary internal approvals and acceptance is completed by the procurement department. Hence, cost that will be incurred is tagged to appropriate budgets and all the cost booking elements are already in place.

In Non PO based buying, the buying company has not released a formal order to buy. It is more to do with orally agreed order between both the parties. Since the whole of purchase order process is not completed in this case, no formal approvals and tagging is done before the actual transaction. In such cases from a managerial view of things, there is very limited visibility when it comes to planning of expenses. The more the buying organization has to deal with Non PO spends, the lesser visibility they are left with when it comes to planning of purchases in future. Nevertheless, Non-PO invoices continue to be a reality for most companies.

Most buying organizations have purchase contracts in place with their suppliers listing the price negotiated for yearlong purchases. Buying in such organizations both in terms of PO based and Non PO based spends may be tagged to the associated contract with the relevant negotiated pricing and payment terms. Many such organizations even prefer the Non PO way of buying since the terms have been pre-negotiated on the contract and because they would want to reduce the resources being used up in the purchase order process. However, this saving seems to be justified only in case of low value goods and is not preferred when it comes to high value contracted goods or services. Contracted Non-PO spends are preferred to Non-contracted Non-PO spends as they involves better control and visibility for the buying organization.

PO Invoices	Non-PO Invoices
Formal order to buy has been released	Orally agreed between trading parties to buy
Associated PO document exists	No associated PO document exists
Slower purchase cycle since PO approvals are involved	Faster purchase cycle since PO process is done away with
Increased visibility into the upcoming expenses	Poor visibility and planning w.r.t the upcoming expenses
Quicker invoice validation due to pre-existing cost center and budgetary tags on the PO	Longer invoice validation due to no pre-existing cost-center or budgetary tags for the expense
Shorter payment approval cycle since necessary approvals have already taken place at the PO release stages	Longer payment approval cycles since the approvals are handled post-facto and the reference PO document doesn't exist

B The Pain of Non-PO Invoice Processing

Why Non-PO invoices exist and will continue to exist for a long time

Though many buying organizations come up with policies and processes to maximize the PO based buying over the Non-PO based buying, the Non-PO spends cannot be eliminated. Some of the obvious reasons are as follows:

- The sheer amount of time and resources needed to release a PO acting as a deterrent
- Purchases which are time sensitive in nature and have to be sped up
- When supplier companies do not have a formal process in place in terms of how orders are received and completed

Despite all efforts that the buying organization makes, Non-PO invoices can only be reduced but not completely stopped.

Why Non-PO invoices are ineffective and a pain to AP departments

Whenever a PO Invoice is received by buying organizations, no matter what the medium is (supplier portal or paper or email) it always has the reference of the associated purchase order, helping to resolve any confusion that may have been introduced in the process of the supplier creating the document.

However, the same isn't possible for Non-PO Invoices where there is no reference PO. In a manual AP environment, for every clarification required, AP coordinators have to act as a human communication channel between the supplier and the employee requesting the purchase to get the correct data tagged to the invoice

C Smart solutions to Non-PO invoice processing pains

Since processing the Non-PO invoices becomes an additional headache to the AP departments of the buying organization and a different approach in the AP technology is required to minimize the manual burden of processing Non-PO invoices. Let's take a look at the below process problems and the Invocus approach of solving the same:

⚠️ PROBLEM 1: More complicated invoice creation process for suppliers

Creating a Non-PO invoice is a lot like guessing game for a supplier, and often involves lots of to and fro, to confirm what all details to include as also the order details but also the bill-to details, ship-to details, the payment policy details and so on. As such, it is fraught with inefficiencies and confusions, most of which end up as extra work for the AP team.

💡 INVOCUS SOLUTION

Auto-population of various fields to simplify Non-PO invoice creation

When using the Invocus supplier portal 'ZSN' to create a Non-PO invoice, much of the information based on the supplier data is auto-populated, such as - Supplier contact, Supplier shipped-from address, Supplier remit-to address, Agreed upon payment terms, Applicable invoice due date and so on. This lessens manual data entry and scope for error and provides a better experience to your suppliers.

Intelligent web-forms for Non-PO invoice to capture all essential details

E-Forms in the Invocus product contain on-screen field-level validations to ensure that all the necessary fields are captured in the first stage itself and that all the data which is entered is valid. For example: Payment terms stored in the supplier profile as agreed with the buying organization is used to calculate and validate the payment due date for the invoice as entered on the invoice web-form.

Linkage to contract for compliant Non-PO spends

Invocus solution enables the buying organizations and the suppliers to link invoices to existing contracts which are signed between the buying organization and the supplier from which purchase is being done. Enabling the AP manager to view the contracts up-front when dealing with Non-PO Invoices helps ensure compliance and visibility of spend against that contract; and saves the time in scouting for the relevant information.

Non-PO invoice creation at the AP Manager's end

Invoices can be added either by the supplier or the AP manager (from the buying organization). By giving the AP team an option of creating the invoice, much of the confusion and errors in a usual Non-PO invoice processing scenario is prevented.

Non-PO paper to eInvoice conversion

Invocus allows for easy invoice image capture and coding. Suppliers can log in to the Invocus supplier portal 'ZSN' to add scanned invoice images. Invocus' AI-based OCR technology extracts the right details to populate the same in the invoice E-Form. This saves the buying organization from bothering about allocating resources in manual data-entry.

 PROBLEM 2: Difficult for AP to verify and validate Non PO Invoices

Since the Non PO Invoices have no reference to purchase order for details of where the cost is to be booked, the department or the BU which initiated the purchase, there is no possibility of automating the validation of all such details. AP managers need to manually ensure that the coding of the invoice is done to the right account. This is extremely important to ensure that the right General ledger accounts are hit on the P/L accounts and the balance sheet.

 INVOCUS SOLUTION

Intelligent predictions for easy invoice validation

When tagging the cost to the requesting business unit, department, or project the validations done by the AP manager are accompanied by intelligent predictions by the system. Furthermore, for every department there are pre-configured cost centers that prevent the users from tagging the invoices wrongly. Since the cost booked is further reflected on the company P&L statements and balance sheets and has a far-reaching impact on financial management, such intelligent aids while tagging invoices come in handy.

 PROBLEM 3: Longer cycle-time to approve Non-PO invoices

Moreover, when the Purchase order was created all the necessary approvals were already taken to enable the purchasing. Thus a PO based invoice can be processed directly and requires no human intervention or approval unless it ends up as an exception in the matching stage. However, in the case of a Non-PO invoice, the organization's Account Payable department has to ensure that

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Cycle-time for processing Non-PO invoices is usually 40% longer than for PO invoices.
(Source: The Hackett Group)

the all the mandatory approvals are received before pushing the invoice towards payment.

Approvals to be taken on the Non PO invoices includes not just the payment approvals as in case of exceptions but also the basic approvals corresponding to the ones taken during the creation of the purchase orders in the PO-based spends. Due to this, time taken to complete the approval workflow is much larger than those required for the PO Invoices.

INVOCUS SOLUTION

Easy to use workflow configurator

Post the validation of invoice, the Invocus solution provides the workflow option for the Non-PO invoices. Invocus' easy to use workflow configurator enables the company admin user to drag and drop actors and conditional nodes to create a workflow.

Dynamic workflow for myriad Non-PO spends

Adding users from specified department, configuring it on the basis of the invoice amount and including various conditions such as – payment terms, payment methods, invoice currency, supplier, purchase type, general ledger accounts being tagged etc. – is all possible.

Mobility to ensure quick Non-PO invoice approvals

Email notifications and reminders help ensure that the approvers take appropriate action quickly and even on the go using the approvals on the mail functionality and the intuitive mobile apps. One can approve, reject or even delegate the approval.

> Average performing organizations are able to capture less than 70% of available early payment discounts.
> (Source: The Hackett Group)

Problem 4: Missed discounting opportunities in Non PO Invoices

For Non-PO invoices becomes difficult for the buying organization to ensure that the invoices are utilized for early payment offers and processed in time to capture the discounts early. This leads to many missed opportunities than those captured. This is due to the loss of control on invoice creation coupled with delayed approval cycles.

INVOCUS SOLUTION

Capturing early payment discounts

With the Invocus process, payment terms are populated and discounts and due dates are applied automatically on the supplier portal as per negotiated contract terms. All this ensures that discount opportunities are not missed from the AP team's sight. Furthermore, the faster validation and accelerated workflow cycles ensure the approvals in time to be able to tap the discounts and generate savings.

PROBLEM 1

More complicated invoice creation process for suppliers

INVOCUS SOLUTIONS

- Auto-population of various fields to simplify Non-PO invoice creation
- Intelligent web-forms for Non-PO invoice to capture all essential details
- Linkage to contract for compliant Non-PO spends
- Non-PO invoice creation at the AP Manager's end
- Non-PO paper to eInvoice conversion

PROBLEM 2

Difficult for AP to verify and validate Non PO Invoices

INVOCUS SOLUTION

- Intelligent predictions for easy invoice validation

PROBLEM 3

Longer cycle-time to approve Non-PO invoices

INVOCUS SOLUTIONS

- Easy to use workflow configurator
- Dynamic workflow for myriad Non-PO spends
- Mobility to ensure quick Non-PO invoice approvals

PROBLEM 4

Missed discounting opportunities in Non PO Invoices

INVOCUS SOLUTION

- Capturing early payment discounts

D Conclusion

Invocus understands that Non-PO Invoices cannot be completely eliminated and have to be dealt in a more advanced manner via technology. Whatever be the proportion of Non-PO invoices that your organization receives we help in ensuring that the processing is quick and requires minimal human intervention. Robust validations clubbed with many intuitive features enables the AP personnel using the Invocus product to focus on more important strategic processes than be bogged down by the Non-PO invoices coming their way.

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ABOUT INVOCUS

Invocus helps companies make the transition from paper to electronic invoicing. Our supplier eInvoicing network empowers your trading partners with self-services, mobility and visibility, so that you get rid of paper complexity and unnecessary supplier calls. Furthermore, we endow you with state-of-the-art matching and workflow configurator to enable touchless processing and easy exception handling. We are proud to have as our clients some of the best-of-breed companies across verticals such as Banking and Finance, Insurance, Electronics, Health and Pharma, Education and more.

We are the eInvoicing division of Zycus, a leading global provider of complete Source-to-Pay suite of procurement solutions.

THE INVOCUS ADVANTAGE

No paper, No calls

Higher Discounts

E-Invoicing In Your Pocket