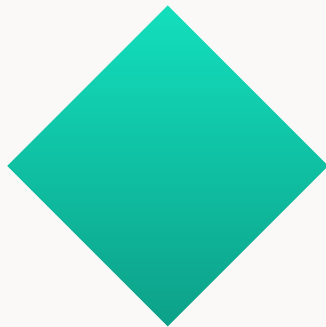


THE SOURCE-TO-PAY TECHNOLOGY BUYER'S GUIDE

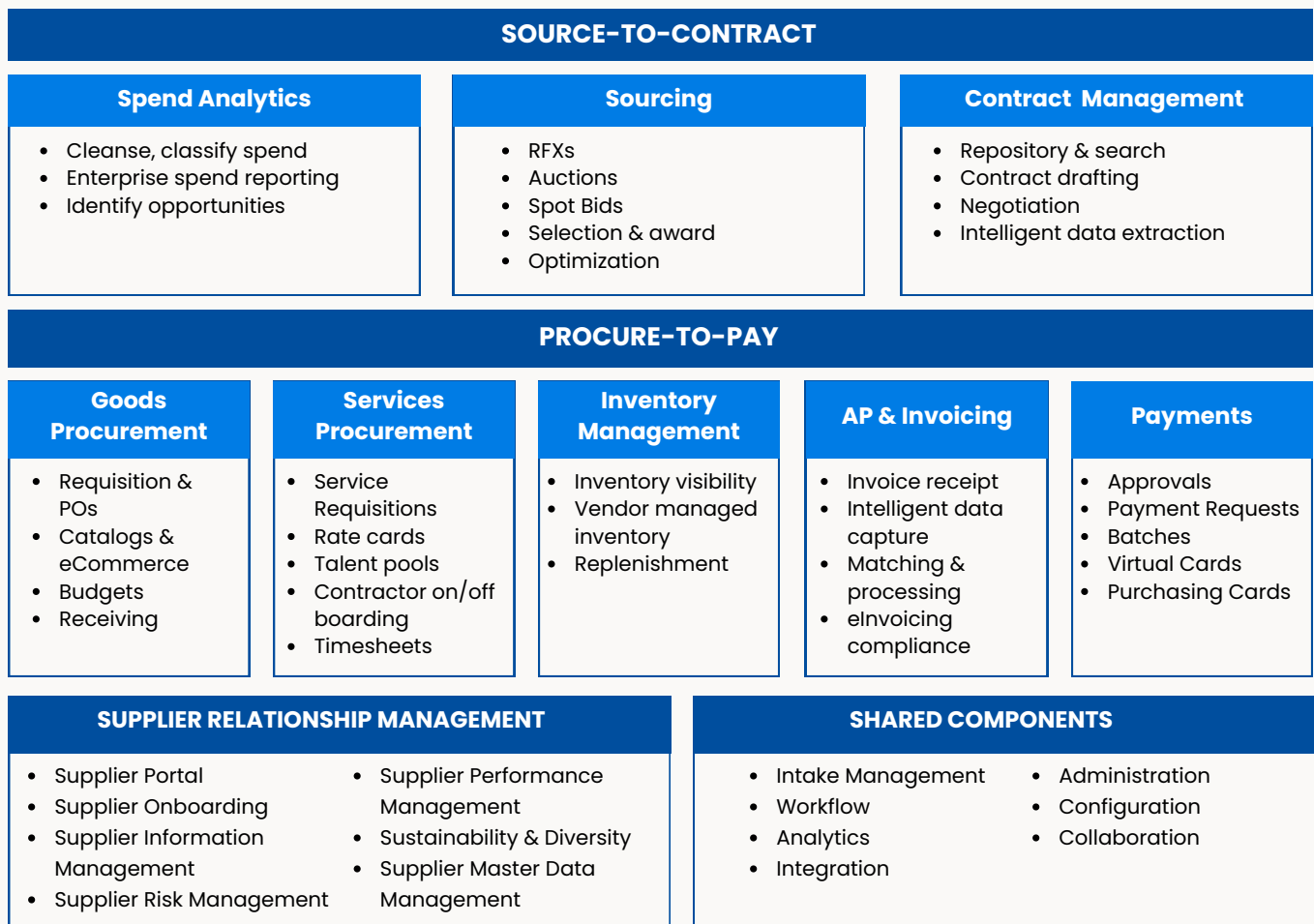


Introduction to Source-to-Pay

Source-to-Pay (S2P) is a comprehensive process for managing all the procurement and supplier-related processes and activities of an organization. From the initial stages of need identification, to strategic sourcing and supplier and contract management, through operational procurement, risk management, invoicing, and payment, S2P technology can provide an integrated approach.

As procurement's remit has grown, the number of competing objectives has increased. This makes maximum efficiency and improved decision-making essential. Effectively digitizing the S2P process streamlines and automates the end-to-end procurement lifecycle, helping organizations achieve greater efficiency, visibility into risk, cost savings, and transparency. Ideally, S2P does for suppliers what a Customer Relationship Management (CRM) platform does for customers.

Figure 1 – End-to-End Source-to-Pay Components



Some common trends can be observed among industry analysts. Gartner moved from publishing separate Strategic Sourcing and Procure-to-Pay Magic Quadrants to a single [Source-to-Pay Magic Quadrant](#) in 2024. According to Gartner, by 2027 the S2P market is projected to reach \$18 Billion as companies around the world look for tools that offer enhanced visibility and bring together fragmented workflows, data, and solutions into one unified platform. Similarly, Forrester transitioned to a full suite evaluation in 2022, and their first [Supplier Value Management Platforms Wave report](#) is being updated in 2024. As many companies look beyond traditional ERP systems and towards more specialized providers, S2P technology providers are evolving to meet procurement's growing demand for a comprehensive solution.

This shift is not just about efficiency, though; it is about enabling procurement – and their organizations, employees, and suppliers – to make better, data-driven decisions and build or maintain a competitive advantage. As preferences shift towards tightly integrated S2P processes and the visibility required to break down siloed data and workflows, the current market landscape for S2P solutions is experiencing a complementary transformation. This creates an opportunity for procurement while complicating the process of assessing the differences between providers and understanding what features and capabilities are truly important to each organization.

To help cut through the marketing haze and increase your odds of successful digitization, we partnered with the team at Ivalua to develop a comprehensive guide on how to select the right S2P solution for your business while avoiding the most common pitfalls.

What To Consider Before Initiating a S2P Process

When procurement is evaluating S2P solutions, they need to consider several critical factors, such as organizational goals, current pain points, desired outcomes, and the need for process optimization. They should do this within the three typical categories: people, process, and technology.



1. People

Identifying and engaging key stakeholders – such as sourcing, category managers, IT, accounts payable, legal, risk management, casual users, etc. – is vital to successful S2P solution deployment. Understanding stakeholders' unique requirements and gaining their buy-in early in the process is key to achieving high

user satisfaction and desired adoption rates. Gather their feedback proactively and often to ensure that their needs are addressed by the selected solution. Keep in mind that involving multiple stakeholder groups may result in competing or conflicting requirements. It is not possible to please everyone, so overarching business objectives should be prioritized.



2. Processes

Procurement should assess their organization's current processes, identify pain points, and prioritize areas for optimization before selecting a S2P solution to support them. They should also consider the specific needs of different subsets or divisions within the organization, especially if the company is global, since requirements and regulations vary across countries and regions. Aim to implement global standards with local adaptations.

Developing an effective change management strategy is also key to initiating a S2P project. Making this investment up front will allow procurement to support the transition to new processes and ensure seamless integration across teams, individual stakeholders, and functional areas.



3. Technology:

Technology is certainly not the most important part of S2P, but it is a critical part of procurement transformation. Procurement must ensure the needs of the business, stakeholders, and distributed users are met. Having a clear business case in support of technology investments is critical, as is messaging around the expected outcomes and benefits. Create excitement for the new technology and how it will help. Of course, when it comes to selecting S2P solutions, the devil is in the details. Procurement must be an advocate for big picture vision and detailed execution at the same time.

Key Criteria to Look for within S2P Solutions

Evaluating the existing technology landscape is a crucial part of the buying process. Providers often sound similar when, in reality, there are significant differences when one looks “under the hood.” Particularly when it comes to S2P suites and platforms, expected benefits such as automation and transparency depend on platform architecture. As part of their analysis, procurement should consider the following factors, aside from specific features and functionality:

Data

A digitized S2P process should deliver increased transparency in support of faster, more informed decision-making. Data is too often an underestimated component of a successful S2P implementation. Less than 10 percent of leaders consider data quality and architecture as a top 3 criteria when selecting S2P technology, according to Ardent Partners' *State of Source-to-Pay Digitization 2024* report, one of the lowest scores of all options provided in the survey. At the same time, data quality and access consistently rank as one of the top obstacles to realizing the expected ROI on S2P technology investments.

This lack of emphasis combined with a lack of understanding of how to assess technology from a data perspective exacerbates the problem. When considering the data capabilities of S2P technology, there are several specific criteria to evaluate:

-  **1. Data Quality:** Most organizations struggle with data quality, especially when it comes to supplier records. S2P solutions typically address part of the issue but often create new problems. The most common issues are duplicate records and incorrect mapping of information to specific records. These result from disparate data tables with new suppliers or new supplier details added or deleted from one table but not another. Procurement must assess whether the data model is truly unified. The ideal situation is one where a single record exists, and all information is appended to that record in real time whether it is provided by suppliers, the result of activity in the S2P technology, or as enrichment from third party information providers (i.e. D&B, EcoVadis). This ensures information is current and complete and avoids duplication as well as “zombie” records.

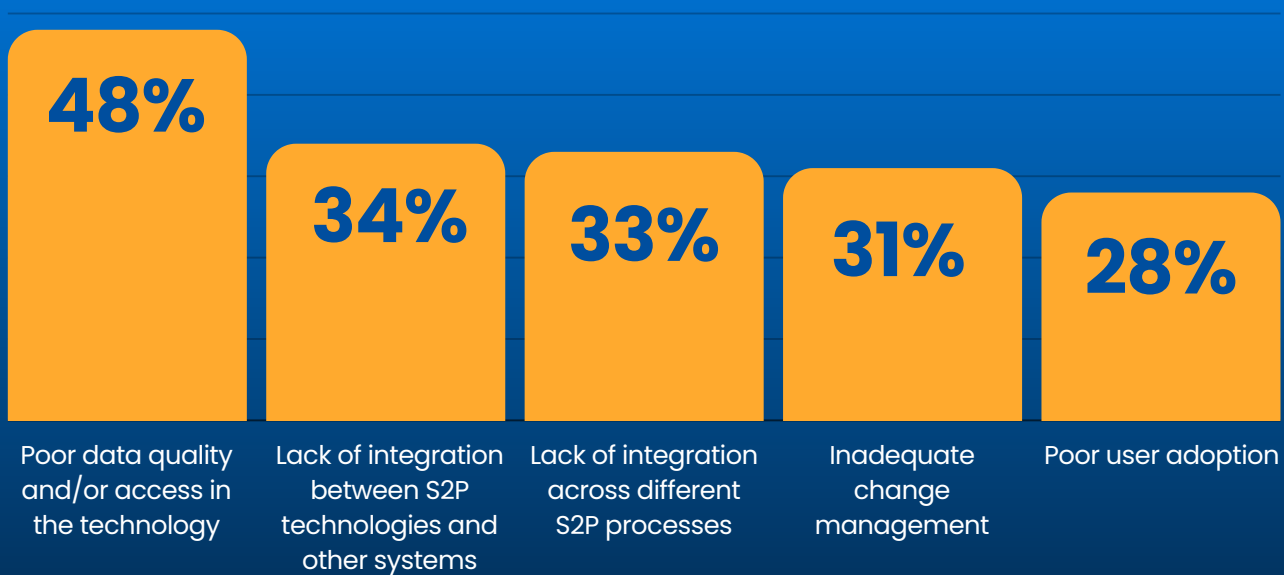
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2. **Data Access:** It is important to understand what data users can access (and from where) throughout the S2P process. Any data structures that prevent 360-degree visibility should be considered an issue. For example, users in a supplier risk management solution may be unable to see transactional information tied to a supplier, and users in a P2P solution may not be able to see details regarding risk or sustainability when selecting among catalog options. This is particularly problematic when optimizing across multiple priorities. A data lake layered upon distinct solutions, either built by the provider in the suite or as a separate warehouse implemented by an organization, can provide all information in one place, but users may not have that data at their fingertips where they work. Assess whether users can access all information about a supplier from any point in the S2P technology. A single source of truth is the desired goal. A truly unified data model addresses this and the quality challenge above, but is uncommon among S2P platform providers due to most having been built in silos or via acquisition.
 3. **Data Synchronization:** Consider whether the technology enables bi-directional data synchronization, keeping multiple systems up to date with supplier master data. This ensures that changes made in one system are reflected in others (e.g., ERP), maintaining accurate and synchronized data. Certain S2P platforms include master data management capabilities and can even serve as a vendor and/or item master. This is particularly useful for companies that have multiple ERP instances and can address historical issues such as supplier duplicates while generating higher quality data for new suppliers or items going forward.

Integration

A lack of integration between various parts of the S2P process and between S2P technology and ERPs systems ranked as the second- and third-highest issues limiting the return on S2P technology in the same Ardent Partners survey referenced previously. When considering the integration capabilities of S2P technology, procurement should evaluate several types of criteria:

1. **Seamless Integration:** Assess whether the technology can integrate seamlessly with existing enterprise systems, such as ERPs or finance systems. This will ensure a smooth flow of data and processes across the business, eliminating manual data entry and reducing errors.
2. **Integration Flexibility:** Consider whether the integration capabilities are flexible enough to adapt to varying situations and business process changes. Also consider third party systems: can the technology integrate with any third party system or only those that are existing partners of the provider?
3. **Transparency:** Evaluate the level of transparency provided by integration flows and data exchanges to spot errors and issues.

Figure 2: Top 5 Issues Limiting the Returns on an S2P Investment
(Top 5 responses shown)



Source: State of Source-to-Pay Digitization 2024, Ardent Partners

User Experience

Procurement should prioritize solutions that provide an intuitive and user-friendly experience for all stakeholders, even those that will only use the S2P system periodically. This increases the likelihood of high adoption rates and enhanced productivity, ultimately making it easier for procurement to deliver against business expectations. The user interface should adapt to different user profiles and also adapt to varying regional or business unit level needs.

Besides the user interface, another factor to evaluate is whether the system can support all types of spend. If select suppliers are not enabled, or complex or tail spend categories are not supported, users will have an excuse to bypass the system, lowering adoption.

In organizations with the need to support distinct processes across business units, the flexibility to tailor workflows can play a key role in driving user adoption.

Agility

Business requirements can be counted on to change and evolve, potentially even on an annual basis. Procurement should strive to find a technology that not only supports today's requirements, but can also evolve with the business and allow them the requisite control without having to rely on the S2P provider for changes. While standardization is appropriate for most processes, as procurement departments mature and requirements evolve, the need for greater technological flexibility becomes more apparent. In a [2023 Forrester study](#) of over 400 procurement leaders across the globe, technology rigidity in the face of evolving requirements or unique business processes was ranked as a top obstacle to procurement agility.

True agility means more than just being able to change a few fields on a screen. It means being able to simplify complexities with no-code/low-code capabilities. Users should be able to create new data tables in a new screen that is linked to a workflow and reports. For example, if regulations or company policies evolve to require tracking in-depth data on product life cycles, it would be necessary to add a new table and then leverage that data in smart workflows that populate catalogs with preferred items to automatically drive compliance.

Collaboration

Being able to collaborate internally (and externally with suppliers) is key across the entire S2P scope. Organizations are sharing more information with suppliers and engaging with them throughout processes such as new product introductions, sustainability initiatives, and supply risk mitigation.

Any platform must go beyond messaging suppliers and also facilitate the ability to incorporate suppliers into workflows, projects, and plans such as quality, performance, action plans, innovation plans, etc.

Generative AI

Generative AI has garnered tremendous excitement in procurement, but the technology is still in its early days. Models will only improve, and procurement use cases can be expected to expand widely. Nearly every technology provider will claim to have embedded generative AI capabilities, but these solutions and capabilities are not made equal. Procurement must take the time to understand what use cases the provider has live, what applications are coming next, and what they will be able to create on their own. Several factors to consider, explained in more depth in this guide to building your roadmap for Generative AI in Procurement include:

- **Agility:** While providers will likely offer pre-packaged use cases, these may need to be refined for your organization. Each team is likely to come up with new use cases where generative AI can help. Ideally, no coding should be required by any party to accelerate value realization and minimize cost. Also ensure technology is large language model (LLM) agnostic, as these capabilities are rapidly evolving.
- **Adoption:** Assess whether users can access AI where they work in the application and through either chat (optimal for complex use cases) or through buttons (optimal for structured, simple use cases) to optimize the experience. When accessed via chat, ensure the technology guides users to enter all information needed to return the optimal result.
- **Quality:** The output quality of generative AI is driven by multiple factors. Be sure that technology can leverage internal data (i.e. suppliers), documents (i.e. contracts), and the internet. For example, in a supplier discovery use case, the system should match potential new suppliers against existing suppliers before making recommendations. Additionally, solutions should include orchestration capabilities that check LLM responses for quality to minimize the risk of “hallucinations,”

a legitimate issue with generative AI. Also consider whether the orchestration intelligently processes user prompts, optimally structuring and routing the final prompt to the optimal LLM.

- **Security:** There have been well publicized leaks of sensitive data through generative AI, either due to malicious breaches of LLM provider databases or careless employee prompting. Clearly, procurement must check and enforce any company security policies regarding generative AI. At a minimum, ensure user prompts are never stored by or used to train third party LLMs and are never shared with other LLM customers. Assess provider technology architecture and their specific agreements with third party LLMs.

Tip: Don't allow the application of AI to be limited by what the provider has already thought about. Generative AI is powerful and applicable in numerous ways. Procurement will want to be able to create their own use cases without any code within the S2P provider's platform.

Solution Depth

S2P solutions are broad by definition, but procurement must also ensure that the solution they implement has the required level of depth as well. Many providers have huge gaps in certain parts of the S2P continuum, especially in functionality areas like contract lifecycle management, supplier risk and performance management, and accounts payable automation. Gaps widen when more specialized processes are considered such as carbon emissions reporting, bill of materials management, inventory management, or supply chain collaboration.

Technology Strategy

Procurement must weigh the pros and cons of a best-of-breed solution strategy across S2P versus a unified S2P solution. For example, best-of-breed solutions might offer specific functionality but require additional integration efforts and reduce overall automation and transparency, while platform-based solutions often provide a more comprehensive user experience, despite having limited depth in specific areas. Multiple best-of-breed solutions also require more resources to maintain and extract data from, thanks to necessary integrations.

Other Considerations for S2P Success

Selecting the right S2P provider will have a significant impact on the ultimate ROI of the project. It is common practice to consider the features offered by each provider, but this is not the only decision-making criteria that procurement should evaluate.

Procurement should also consider the following factors for S2P partner value creation:

Provider Roadmap: Procurement will naturally assess current features to ensure they align with what the business needs, but it is important to think longer term as well. Review each provider's roadmap to ensure that their priorities are aligned with procurement's and that the alignment is likely to continue well into the future as the program grows and matures.

Provider Stability: Consider the provider's financial stability, reputation, quality of customer support/success, and customer retention rate. Is the company cash flow positive, or will it require further external financing? Is the company driven by short term earnings, private equity investors looking to flip their investment, or management? Such factors are likely to impact their ability to offer long-term support and maintain their technological advantage.

Think beyond short-term needs when considering an S2P solution, even if starting in a sub-process area like Source-to-Contract (S2C) or Procure-to-Pay (P2P). Consider the solution's strength and the provider's business health, their ability to meet procurement's evolving needs, and their level of commitment to ongoing product development and innovation. Assess the solution's ability to scale and adapt to changing business needs so that procurement is confident it will be able to accommodate any future growth or additional business requirements.

Company Culture and Values Alignment: Evaluate the cultural fit between your organization and the S2P provider's, considering things like shared business values, security standards, and their approach to collaboration. There will be ups and downs, but the collaboration is key to making it through them.

Your company is unique, and any solution implemented must meet your needs. Don't succumb to pressure to select the same solution used by others just because they use it. Ensure that the fit is there to set your procurement team and organization up for success.

What **NOT** To Do When Starting an S2P Project

Choosing the right S2P solution for your organization is a high-stakes endeavor that can impact all corners of the business. While evaluating and implementing a solution, procurement should also keep their eyes open for common pitfalls or challenges that could derail the project or prevent it from delivering the desired ROI.

Here is a quick guide on things to avoid when implementing S2P:

- 1** Don't underestimate the importance of data integration and data management.
- 2** Don't wait too long to engage stakeholders, especially IT and finance. Engage them early and often so you are sure of their buy-in before implementing the solution.
- 3** Don't choose a solution only based on its features without considering other factors.
- 4** Don't neglect the supplier experience – their interaction and adoption of the tool matters, too.
- 5** Don't forget to organize a comprehensive change management plan to socialize and train the team on the new solution.
- 6** Don't think short-term about the solution, think about long-term partnerships as well.

Conclusion

Implementing a comprehensive Source-to-Pay solution can be a transformative undertaking for any organization. These projects can yield significant impact across the entire business. Beyond the tangible benefits associated with cost savings, process optimization, and enhanced visibility and efficiency, a successful S2P implementation has the potential to fundamentally reshape the way an organization approaches spend management and give procurement a competitive advantage.

As procurement manages the selection process, it is important to realize that a S2P solution isn't just another routine addition to an already robust tech stack. It is a strategic enabler for driving cultural change and fostering a more agile, data-driven approach to procurement with transformational benefits that improve stakeholder and supplier experiences.



Selecting the right S2P provider isn't just about evaluating features and functionality; procurement should look to cultivate a long-term partnership with the right provider, and strengthen that partnership through shared values, alignment on vision, and a steady commitment to continuous improvement.

Ultimately, the true value of a S2P solution is in its ability to bridge the gap between strategic sourcing and operational procurement, allowing procurement to unlock new levels of agility, collaboration, decision making, and cost savings for the business.

