

Unlocking the Power of Procurement: Smarter Strategies for End-to-End Control

Process mining standardizes, streamlines, optimizes, and automates procurement processes for better outcomes.

Although COVID-19 relief and other federal programs have channeled trillions of dollars into state and local government coffers, inflation and the potential of recession are creating new financial pressure. Many organizations will have to provide more services than ever with dollars that don't go as far as they did when they first planned their budgets.

State and local government procurement offices are the driving force for supplying goods and services to their organizations. To do more with less, they'll need to ensure every procurement process — from purchase request to invoice payment — is as efficient as possible.

End-to-end procurement is a complex set of processes with many moving parts. Traditional, manual approaches to fine-tuning procurement are no match for the volumes and complexity of data coming from multiple interdependent processes and systems in today's procurement lifecycle. Without clear visibility, objective metrics, and intelligent automated analysis, it is difficult to use data for decision-making and process improvement.

Advanced process mining solutions provide that foundation by automatically creating an X-ray of end-to-end procurement processes, and then enabling organizations to standardize, streamline, optimize, and automate those processes. By drawing on the insights that process mining provides, organizations can create greater value across the entire procurement chain — delivering goods and services when needed, at the right price and terms, from the right suppliers, in compliance with purchasing policies, and as efficiently and cost effectively as possible.

Top procurement priorities: Why process is a common denominator

The National Association of State Procurement Officials (NASPO) Top 10 Priorities for 2022¹ reflect the growing

importance of understanding and improving processes. Half of the NASPO priorities — continuous process improvement, e-procurement, analytics for data-driven decision-making, effective contract administration, and tracking performance metrics to achieve procurement goals — are centered on business processes. A focus on process helps procurement organizations meet goals for improving productivity, ensuring supply chain reliability, reducing spend, optimizing cash flow/working capital, and achieving compliance and sustainability. In addition, organizing five NASPO priorities under the umbrella of "process centricity" has a strategic advantage. It allows an organization to simplify down to one or two doable initiatives instead of attempting to address and invest in each NASPO priority individually.

Metrics that matter: Getting an objective understanding of processes

Although procurement professionals might envision a process being performed in one single, consistent way, the reality is that any process is usually performed in thousands of ways. To make the best decisions about process improvement, organizations need an objective view of processes. The right metrics enable organizations to evaluate existing processes, set a baseline of the current state, define goals, and track whether the changes achieve the desired outcomes.

Given all the moving parts in the procurement lifecycle, a procurement value tree provides a useful model for tracking, measuring, and understanding complex processes and setting a foundation for improvement. In general, it ties metrics and opportunities for improvement to the organization's top business objectives.

For example, to improve labor productivity, organizations may want to examine manual rework and use metrics such as purchase orders per full-time equivalent (FTE), cost per purchase order, and current automation rates to assess areas for improvement. To improve compliance and

sustainability, organizations may want to focus on free-text requests (i.e., manually creating a request vs. using the department's catalog to pick a pre-authorized vendor with pre-negotiated terms) and ordering from maverick spending (i.e., services and materials that are purchased outside purchasing and procurement processes) and track metrics such as spend compliance.

Using process mining to achieve strategic goals

To turn process data into clear action, procurement teams are adopting advanced process mining solutions that enable a data-driven approach to auditing, analyzing, and improving procurement processes. These solutions leverage existing systems and data and are faster, more accurate, and less costly than traditional (and often subjective) process mapping workshops.

Process mining solutions create a clear snapshot of end-to-end processes by automatically analyzing process data and metadata from the procurement system's events logs. By weaving together data from multiple procurement systems (e.g., purchase request, purchase order, receipt, invoicing, and payment), process mining provides a single source of truth for identifying inefficiencies, quantifying their impact, simulating potential changes and outcomes, and then leveraging artificial intelligence and automation to execute improvements.

"The procure-to-pay process represents the ideal place to begin an agency's process excellence journey," says Chris Radich, vice president of Public Sector Solution Engineering at Celonis. "It is the backbone of government service delivery and can be executed within weeks using existing process mining connectors. The 'aha' moment that always excites me is when agency leadership sees their data come to life as a process digital twin."

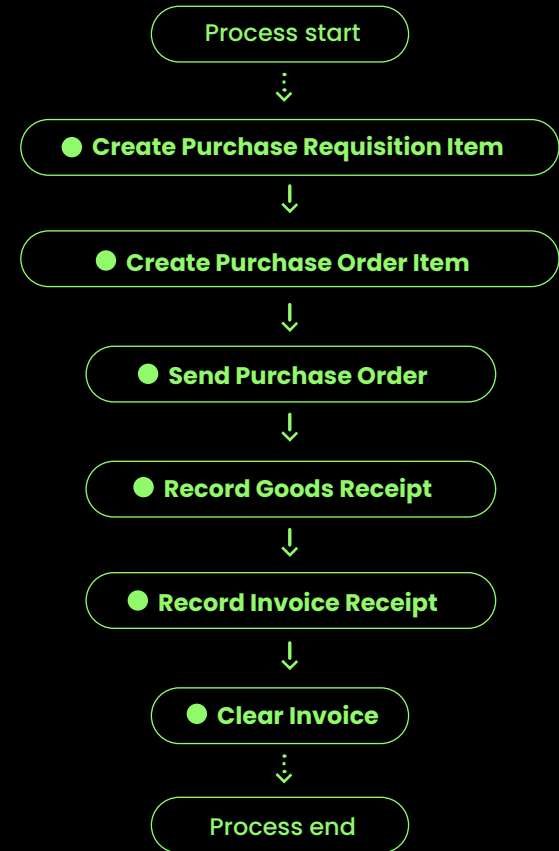
It's important to note that although automation is an important part of process improvement, it's not always feasible or even best to automate all manual tasks. Using data to model various automation scenarios and outcomes is essential for making good automation decisions.

1. National Association of State Procurement Officials. 2022 Top 10 Priorities for State Procurement. <https://www.naspo.org/2022-top-10-priorities/>



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The Procurement Lifecycle



Making procurement easier

Advanced process mining solutions provide a simple, impactful way of identifying leverage points that improve procurement processes. Process improvement initiatives should start with a robust value tree that provides a clear line of sight from goals and processes all the way down through improvement opportunities and then prioritizes the areas that matter most.

This piece was written and produced by the Center for Digital Government Content Studio, with information and input from Celonis.



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