

How Blockchain can bring Greater Value to Procure-to-Pay Processes

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Blockchain as a technology and concept continues to be hyped in the financial services industry. Experimental approaches and innovations like Accenture's redactable blockchain are emerging and are of great interest and appeal to the financial sector. As a disruptive technology platform, blockchain is impactful with the potential to redefine the operations and economics of the financial services industry.

Its purpose is to deliver transparency, security and efficiency in transactions. In our view, blockchain technology's strengths are well-demonstrated in supporting objective, distributed, evenly-balanced control in situations where this is difficult to secure, such as international payments. The technology also provides transparency in vital areas like anti-money laundering (AML) and can add efficiency, trust and reach to global financial markets where current processes are challenged in their ability to handle the volume and velocity of data that needs to be assessed in day-to-day operations.

Procure-to-Pay (PTP) is the multi-step process connecting a client with one or more service/product providers. Among other activities, it allows for the identification and authentication of stakeholders, budgeting, service provision, invoicing and payment settlement. Among the current challenges faced by PTP programs are generating sustainable cost reductions through disintermediation, efficiency improvement, fraud control and transparency enhancement.

Blockchain technology can disrupt PTP processes and more importantly provide huge operational benefits in terms of speed, greater security and decreased workload by facilitating the exchange of information. The following outlines how blockchain technology can bring value to key PTP processes.

Front-end system

A front-end interface is recommended to authorize vendors, define new catalogs, place purchase orders or sign contracts. This application can be an add-on to the blockchain or could be leveraged through existing procurement systems, if vendors decide to adopt this technology.

Improved validation and authentication

These would benefit from blockchain technology. A blockchain would support swift distribution of authentication rights along the PTP chain, thereby helping to prevent fraud and improve security across the PTP process.

Accelerated purchase order management

Purchase order and good receipt data would be exchanged on the blockchain at an accelerated pace when compared to current performance levels. As well, the blockchain could help identify the nearest and most cost effective vendor within the network. This would help decrease lead time and workload associated with vendor searches, the processing of purchase orders and goods/services receipts.

Reshaped invoice processing

Invoice scanning would no longer be required thanks to shared access to the database, with the exchange of invoices supported by the blockchain. This would also help render the reconciliation process far less cumbersome as all authorized parties could review the same transaction, eliminating the need for reconciliations. Blockchain hosted transactions would feed into the company's general ledger for general accounting and financial reporting purposes.

Accelerated settlements

These would be accelerated as reconciliations and vendor/end user enquiries would not be required due to complete transparency and real-time access to shared database. This could potentially disrupt in a positive sense business practices such as the standard D+30 days settlement deadline.

Streamlined enquiries management

Blockchain's greater transparency would diminish the need for enquiries and process status follow-ups, thus streamlining current enquiry management and control processes.

Reduced money laundering risk

By permanently retaining historical payment information, suspicious transactions can be more easily identified.

Greater trust among stakeholders

Blockchain technology would help increase trust among clients and vendors through shared public IDs, simple and fair referral mechanisms and ratings/scores assigned to all market players based on the quality of the goods, reliability in delivery and timely payment of invoices. The accumulated and stored history of transactions would also help build trust and transparency.

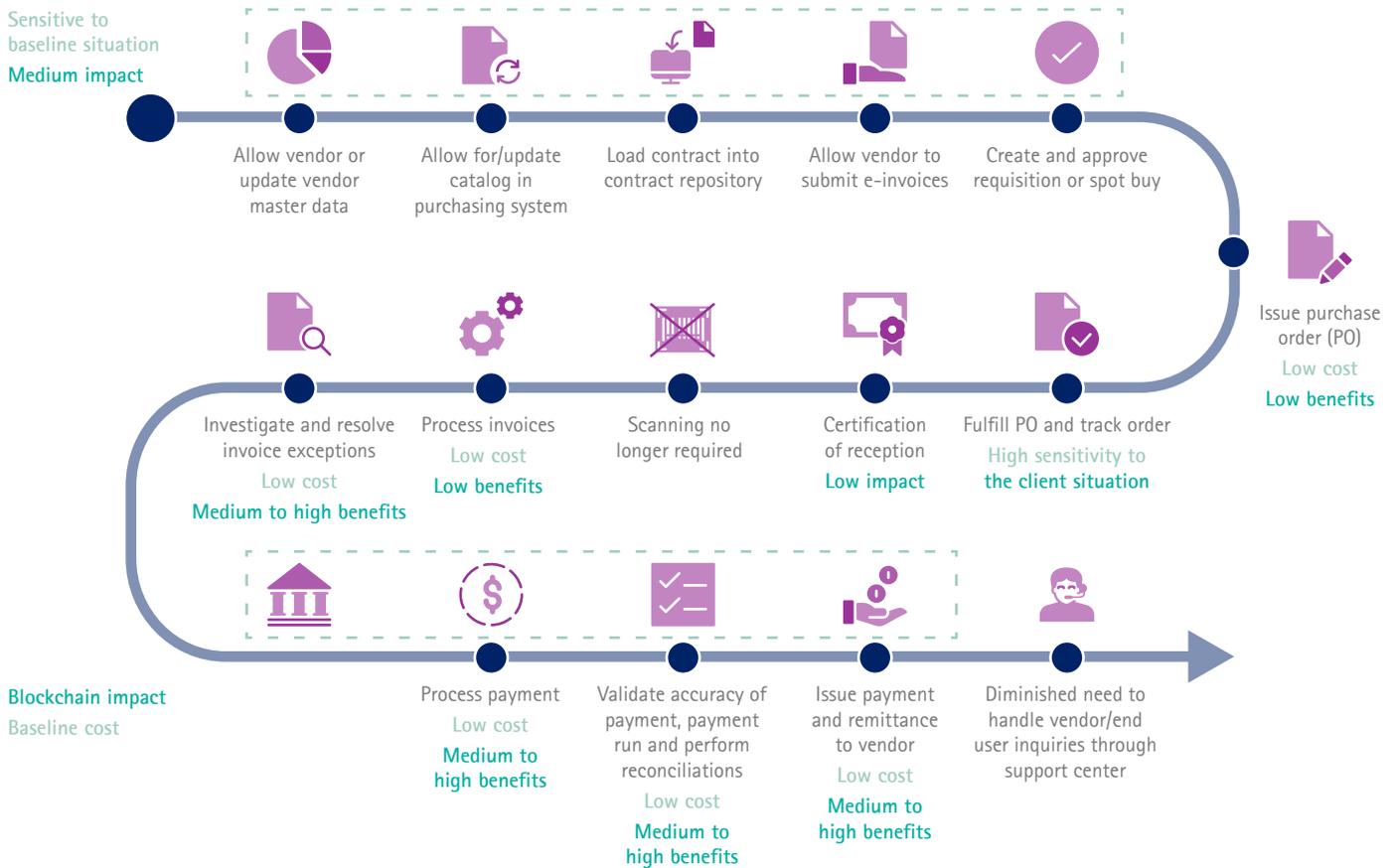
Strong audit trail

As all parties are registered in the ledger, transactions are stored and a tamper-proof audit trail is maintained. This type of end-to-end visibility into procurement is a well-established practice in the tracking of physical goods.

Greater security of transactions

This can be attained through cloud-based contract repository and an integrated e-sign feature that verifies signer identity and authorization.

Blockchain PTP Process



Source: Accenture, September 2016

Use of digital age cryptocurrencies

Blockchain technology allows firms to use this digital-based medium of exchange which is based on financial institution generated currency. It also offers users instantaneous transactions, near real-time logging and audit capabilities, thus providing borderless transfer of ownership.

procurement assets such as PTP cloud, enterprise resource planning, business process outsourcing (BPO) and people deployed to the PTP. It should also balance the benefits of adopting blockchain with the cost of integrating this technology to existing systems such as validation workflows, accounting system and the cost to address cyber security.

As in all its current blockchain engagements, Accenture can work with clients from ideation to design and through the prototyping steps in order to demonstrate blockchain's real world benefits in a PTP application.

Speed of execution

Blockchain technology provides a secured transaction ledger database, shared between vendors and client for additional efficiency gains. The database is immediately updated to reflect any new transaction, thus accelerating the consent and validation of work orders and invoices.

Before applying blockchain to a PTP business, there are a few decisions and actions that should be taken.

- A business case for adopting the PTP blockchain should be performed. It should encompass all pre-existing

- Adoption of a private or a public blockchain? A public blockchain would help reduce complexity and entry costs but would require a new certification process for all parties. Challenges to doing so include the fact that there are no global authorities entitled to perform this certification, and such actions might be considered infringements on transnational free trade agreements. As for a private blockchain, it could help increase security issues as well as disadvantaging the weaker participant(s) in the transaction (e.g. a vendor would have to handle multiple private blockchains).

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