eProcurement & eSourcing: Let's Clear Up the Confusion
by Coupa Software

Procurement and Sourcing are two very closely related terms and can cause confusion if used loosely. However, in a business setting, the terms have specific meaning that denotes the roles of individuals in an organization and the functions they perform.

Let start by defining Sourcing. There are two ways in which companies spend money:

1. Approvals are taken prior to incurring expenses, or
2. Approvals are taken after the expense has been incurred.

In cases where prior approval is taken and the spend is significant or strategic, Sourcing professionals in the company get involved to select suitable suppliers and enter into contractual relationships to secure favorable pricing and payment terms. Sourcing professionals also continuously monitor the market to identify sources for pricing and supply chain stability. eSourcing simply means execution of Sourcing activities such as RFPs, auctions and tendering electronically by using technology. The usual sequence of eSourcing can be shown as follows -
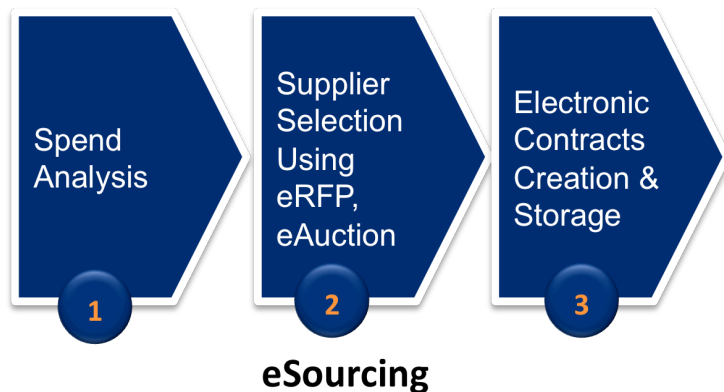

Figure 1

So what is Procurement then? At a high level, Procurement includes supplier management, driving spend through preferred suppliers, ensuring compliance with contract terms and controlling maverick spend in addition to the purchasing process (creating purchase requests, getting approvals and eventually issuing purchase orders).

Thus Procurement serves two main functions:

1. Execute on the supplier contracts entered into by Sourcing, and

2.   Manage the spend that fall outside of the Sourcing process.

Just like eSourcing, e-Procurement simply means electronic execution of purchase to pay processes and reporting.

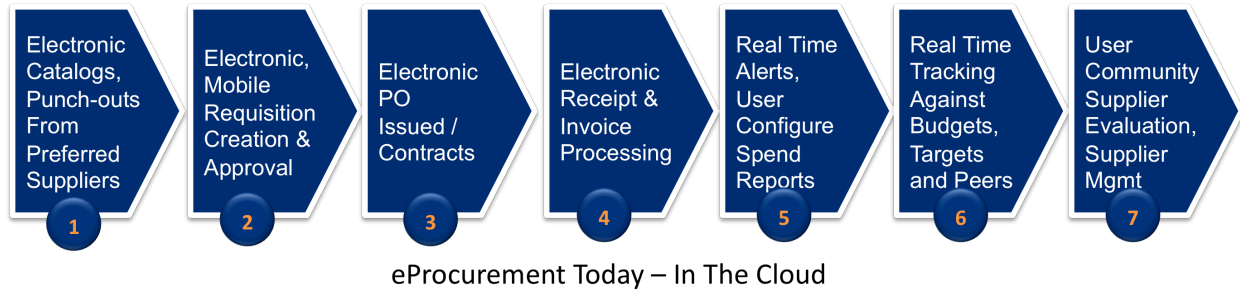The e-Procurement flow today can be depicted as follows:

Electronic Catalogs, Punch-outs From Preferred Suppliers **1**	Electronic, Mobile Requisition Creation & Approval **2**	Electronic PO Issued / Contracts **3**	Electronic Receipt & Invoice Processing **4**	Real Time Alerts, User Configure Spend Reports **5**	Real Time Tracking Against Budgets, Targets and Peers **6**	User Community Supplier Evaluation, Supplier Mgmt **7**

eProcurement Today – In The Cloud

Figure 2

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eProcurement and eSourcing: Let's Clear Up the Confusion - Summary

This leads us to a perennial chicken and egg question that haunts spend management practitioners across procurement and sourcing function - should we start with eSourcing or eProcurement? The answer is really not difficult – start with eProcurement. The company is already incurring spend, so why not put it through a solution that will enable you to streamline the procure to pay processes, give you a real time view of category spend so you can rationalize the supplier base, and enforce contract terms. Then, leverage eSourcing to rationalize the supplier base and reduce costs even further.