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P2P, What's new?

Best practices for finance process efficiency

Agenda

1. Methodology and best practices

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Finance Process Efficiency (FPE) diagnostic provides proven global approaches, leading techniques into underperforming Finance Processes

FPE allows quick and simple comparisons of current performance with leading practices. Leading techniques are appraised for suitability, designed and implemented to reduce costs, and to promote effectiveness and efficiency.

How can we assist?

What are the drivers behind FPE projects?

- Transactions, Mergers and legacy issues
- Demand to increase value from Outsourcing
- Regulatory and compliance requirements
- Increased cost pressure
- Succession and long term planning

What are the typical symptoms that require FPE?

- Duplication of tasks, lack of centralisation, consistency or outsourcing
- Manual intensity, intervention or poor levels of automation
- Inability to meet or exceed regulatory targets or reporting requirements
- Control issues or failures
- Delays on reporting time scale
- Key resource dependencies

What benefits / quick wins FPE could bring?

- Integrated, automated workflow enabled processes
- Focus on high value outputs
- Cost reduction and Increased efficiency
- Regulatory compliance with the necessary control levers
- Sustainable Process Improvement

What do we bring and how do we differentiate?

- Deep finance and industry knowledge and experience leading practice knowledge
- Establish sustainable process improvements
- Objectivity
- Ability to execute at speed
- Knowledge of SBFE organization

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How can we assist?

By taking into account aspects of finance operating model, we delivers Performance Improvements that are Sustainable

Process and Policy

- Streamlined finance processes
- Value-added processes
- Common global finance processes
- Reducing errors/defects
- reduce of effort
- Established policies and procedures
- Automated controls

Technology and Data

- Integrated systems (link to general ledger)
- Single source of data
- Improved data quality using analytics tool Automated processes (approvals, p-cards, e-catalogue ,etc.)
- Digital platforms (P2P and invoice matching automation)
- Flexible, powerful reporting tools

People and Organization

- Centralized finance function
- Relevant skills linked to roles
- Improved communication between stakeholders
- Having the right people in the right locations to support the business
- Improved staff retention

Performance Management

- Designed metrics aligned to business strategy
- Established sustainable performance improvement
- Increase of operational margin

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How can we assist?

We have a clear understanding of underlying process issues and what is required to address these for dimensions of your finance operating model

Dimensions	Client Issue	Business consequence	Challenge
Process and Policy	▪ Duplication of tasks, lack of centralization, consistency or outsourcing ▪ Lack of necessary controls ▪ Manual operations	▪ Inability to share knowledge and best practice ▪ Increased costs ▪ Increased need for reconciliation	▪ Streamline process across organization ▪ Implement controls ▪ Deal with the regulatory issues
People and Organization	▪ Key resource dependencies ▪ Resources tied up during closing ▪ Lack of clarity between roles and responsibilities	▪ Breakdown of procedures, processes leading to increased inefficiencies	▪ Build an effective training plan ▪ Implement change management to deal with resistance
Performance Management	▪ Inability to meet or exceed regulatory/ corporate targets or reporting requirements	▪ Loss of investor confidence ▪ Potential financial penalties and other sanctions	▪ Define continuous improvement ▪ Metrics to monitor sustainability
Technology and Data	▪ Manually intensive and inefficient processes, poor levels of automation, information availability and accuracy	▪ Reduced financial control and performances ▪ Increased cost & risk for audit & compliance, resources consumed by non value-add work	▪ Disconnection between IT and Finance/Business, lack of funding, executive sponsorship (ineffective project prior) and adequate technical competency

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FINANCE – DIGITAL TRANSFORMATION - INNOVATION - DATA STRATEGY

Issues, business consequences and challenges

Accounts Payables

Dimensions	Client Issue	Business consequence	Challenge
Process and Policy	• Manual matching • Payment by check/credit rebates errors • Manual authorization/multiple approvals • Missing or incomplete data on invoices • Duplicate payments or over payments	• Overpay of suppliers/ higher working capital costs / early payments • Lost prompt payment discounts • Late payment penalties and/or interest • High costs (FTE)	• Implement purchase orders • Implement 3-way match • Create awareness of importance of AP on his contribution to efficiency • Create awareness of importance of WCM
People and Organization	• No integration between AP and other departments • Inability of AP to change RACI of AP unclear	• Missing commercial opportunities • No ownership of invoice (payment) process	• Attract the right people • Define RACI • Implement Governance • Model Plot AP in the right place within the organization
Performance Management	• Lack of KPI's for quality measurements • Lack of control of AP process • Inability to set targets because of unclear/insufficient RACI	• Under performance of process • Differences between actual and target performance figures • Increase risk	• Consider, establish and follow up regularly quality measures • Establish balanced target settings
Technology and Data	• Fragmented systems to process A/P, manual matching	• High cost of fixing errors for incorrect and delayed payments. • Low customer satisfaction rates	• Complexity of underlying technical architecture, lack of resources and sponsorship

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Leading practices

Accounts Payables

Dimensions	Client Issue	Business consequence	Challenge
Process and Policy	▪ Blanket purchase orders for non-requisitioned services and utilities ▪ Integration with General Ledger, Purchasing, Fixed Assets and Project Accounting ▪ Multi-channel thinking applied ▪ Automated (re-)ordering of stock goods	▪ Production of forward payment entry schedules to aid cash flow management ▪ Facility to suspend payments ▪ Automatic accruals postings from PO's with GRN's	▪ Evaluated Receipt Settlement (ERS), systematic invoicing based on PO, GRN and payment terms ▪ Single supplier database ▪ Automated 3-Way matching of invoices
People and Organization	▪ Centralized purchasing ▪ SLA's in place between AP and other involved departments/third parties ▪ Motivated people within AP who understand impact of P2P process	▪ Help desk functionality for suppliers ▪ Help desk functionality for business/buyers	
Performance Management	▪ Business case drawn up for early payment/late payment based on applicable supplier's payment discounts and late payment discounts compared to own capital cost	▪ Automatic matching of invoice to order and goods received note (GRN) (3 Way-matching) [note: see 'process and policy'] ▪ Invoices are not paid before due date ▪ Up-to-date insight into accruals	▪ Periodic management reports on performance of purchasing & accounts payable process
Technology and Data	▪ Use of workflow software to resolve queries and monitor process ▪ Purchase invoices transacted with major suppliers wherever possible ▪ Automated direct interface to major suppliers and three-way matching with liberal tolerances	▪ Electronic payments via interface from ERP to banking system ▪ Single supplier database	▪ Electronic validation and approval of invoices / ERS log sent to vendor as evidence of settlement ▪ Integration of T&E policy and expense reporting system. ▪ Automated policy compliance and monitoring

Where a company falls within the maturity model can help identify improvement opportunities

Procure-ment

		Stage 1 – Non-Existent	Stage 2 – Developing	Stage 3 - Defined	Stage 4 - Advanced	Stage 5 - Leading
Process		• No formal sourcing strategies developed.. No categorization or analysis of spend. Economies of scale are not leveraged • Purchase orders /contracts are rarely used, if ever; Policy is not established • Product categories not established or standardized; No analysis on spend • Purchase cards are not used • Vendor master data is scattered locally and not centralized; VM lacks control, and data is not reliable and up to date • Performance tracking does not exist	• Groups are defined but not standardized. Information collected but not used to plan only to keep score • Purchase orders/contracts are used occasionally or for limited transaction types. • Product categories established for certain type of purchases; Spend analysis exists for certain purchases but is inconsistent • P-cards are used occasionally but policy does not exist • Multiple vendor masters exist, although some locations within the region have a consolidated database. • Metrics are established but not tracked or reported on regular basis	• Spend data used to support direct business unit buys; Indirect spend and market analysis is limited; Little cross business unit visibility • PO Usage Policy is established; Purchase orders are used for certain type of transactions • Product categories exist only for items purchased through centralized purchasing • P-card policy is established and clear; P-cards are used for certain purchases • Vendor master is centralized by region VM Control is defined and established • KPI are defined and established and reporting Is available and accessible	• Cross functional sourcing teams exist. Spend & market analysis are key component of strategies. Clear methods for value tracking identified • Purchase orders are used for a majority of transactions regardless of transaction types; Policy is well communicated • Products categories are established for all major spend areas with standardized commodity coding; Spend allocation is tracked and categorized • P-card policy is communicated and understood; P-cards are widely used • Vendor master is centralized by region Data is cleansed and up to date; Tight control exists • KPI are reported to management and effectively utilized	• Well documented strategies; Cross functional and cross business unit involvement. Strategic partnership exist with select /preferred suppliers • Purchase orders and/or contracts are used for a majority of transactions; Blanket PO are used for repetitive buys • Standardized categories for all spend and reporting to facilitate analysis; Spend analysis a regular and consistent part of the process and drives decisions • Purchase cards are used for low value/high volume purchases • One centralized vendor master for the whole company ; centrally administered and controlled • Performance tracking is a key part of management and is effectively utilized
People		• A centralized purchasing group does not exist	• A centralized purchasing group is developed but has no visibility to field buys	Centralized purchasing group has visibility to field spend but no control	Centralized purchasing group has visibility and control over field spend and is focused on strategic activities	A centralized purchasing group focused on strategic activities; Cross function al involvement and communication exists
Technology		• Majority of transactions follow a manual, and paper based requisition process • Multiple purchasing and payable systems Organization lacks system strategy • Approval s are manual or not captured/tracked	• Requisition tools used for some purchases • Organization is in process of consolidating into few systems • Significant effort required to capture approvals; Approvals are obtained via email	• Requisition tools are used for some purchases however requisition tools are not standardized and are not integrated to the ERP • Migrating purchasing and payable systems to strategic platforms • Electronic approval workflow exists but is not streamlined and integrated to purchasing and payable systems	• Electronic requisitions with electronic approval workflow used for majority of purchases; E-catalog established and integrated to the system • Purchasing and payable systems are separate but integrated • Streamline electronic approval workflow integrated to the purchasing system	• Standardized Requisition Tools are used for the majority of requisition purchases and are integrated to the ERP • One integrated system to manage purchasing, payables and inventory to increase visibility and reduce cost of system maintenance • Standardized approval routing workflow with auto-generated notification; Approval workflow is integrated to purchase and payables systems

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Where a company falls within the maturity model can help identify improvement opportunities

Accounts Payables

	Stage 1 – Non-Existent	Stage 2 – Developing	Stage 3 - Defined	Stage 4 - Advanced	Stage 5 - Leading
Process	• Manual invoice validation; Manual invoice processing • Supporting documentation is not stored or retained • Receipt s are not consistently captured in the system; Significant delays in logging receipts in the system • Performance tracking does not exist	• Manual invoice matching; Laborious discrepancy research and resolution; Multiple layers of manual approval; Paper filing system • Supporting documentation is retained and centralized but dispersed and not easily accessible • Receipts are logged for all direct purchases but indirect purchases are not logged in the system • Metrics are established but not tracked or reported on regular basis	• Three way match w/ human intervention. Streamlined automated/layered approval. Utilization of recurring invoices; Contracts requiring vendor # on invoices; Scanned filing system. Integrated with tax rates system • Electronic document storage exists but is not user friendly and not integrated to payable system • Policy established requiring system receipt for indirect buys • Policy not consistently followed • KPI are defined and established and reporting Is available and accessible	• 2/3 way matching requires little human interventions; Business rules for handling discrepancies are defined and automated Document storage is digitized • Electronic document storage (imaging) and routing; Documents can be easily accessed • Receipts logged for all direct and majority of indirect purchases into the system on a timely basis • KPI are reported to management and effectively utilized	• Integrated Purchasing & AP Paperless processing; Fully automated approvals; Interface with GL, fixed assets, cash management and project accounting • Electronic document storage (imaging) and routing and integrated to payable system to increase processing efficiency • Utilize material and service receipt functionality to facilitate reporting and downstream processing • Performance tracking is a key part of management and is effectively utilized
People	• A/P function is decentralized and done at the entity level • Accounts payable policy and procedure documents do not exist	• AP function is being centralized; A/P of more than one entity is centralized Invoices are largely mailed to the field • AP policy and procedure are documented but not up to date. Documents are not easily accessible	• A/P function is centralized by region but not standardized; Invoice s are mailed to a regional central location AP policy and procedure documents are defined and up to date; Documents are available in centralized location. Changes are communicated	• A/P function is standardized and centralized by per region (e.g., Americas, NEMIA, etc.) • Policies easily accessible to organization and up-to-date; Regular training is provided on policies and procedures. Clear roles and responsibilities is established	• A/P function is outsourced / performed by banking network; AP centralized into one location for entire company • Polices and procedures are standardized across the company; Documents are centrally located and easily accessible. Regular training and communication is provided
Technology	• Cash or check used for payment; Check runs not optimized • All invoices are manual with no electronic invoices used; Invoices are keyed in manually • 2/3 way matching is manual	• Electronic payment used for a small percentage of vendors; EDI not used Check runs optimized • Invoice automation solution exist to scan and process manual invoices; Some electronic invoicing is used • Payable system has 2/3 way match but requires frequent manual intervention	• EDI is being tested; Electronic payment is required and set up for majority of spend. • A good percentage of invoices are electronic (e.g., EDI, email, fax) • Payable system has 2/3 way match but requires frequent manual intervention. Manual intervention required for tax and freight	• EFT used in payment of invoices; includes reverse payment; Payment optimization in place. Multiple invoices are consolidated into one payment • Majority of invoices are submitted are electronic • Majority of transactions flow through automatic 2/3 way match; Business rules and exception handling well defined and established	• Majority of payment s are electronic ,via EFT/ACH; Automatic reconciliation and integration with fixed assets, cash management and GL; Multiple payments to one vendor are consolidated • Majority of invoices are submitted via EDI A robust supplier portal exists for PO flip • Automated 2/3 way matching with automated workflow to handle discrepancies

Key benefits and value drivers

Benefits

Reduced cost

- Reduced operating cost
- Automated processes
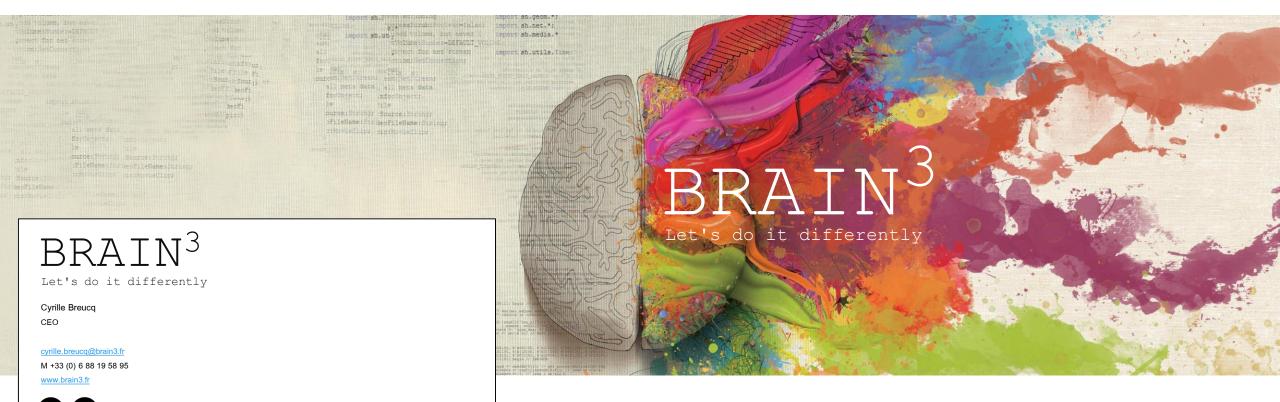- Increased utilization of existing resources

Improved effectiveness and Quality

- Standardized processes
- Integrated system
- Created structured processes
- Online-matching
- On-line approval
- Established sustainable process measurement culture
- Reduced cycle time

Improved controls

- Improved ability to mitigate risk
- Improved compliance supported by necessary controls

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