

basware

White
Paper

A CFO's Guidelines for Streamlining Shared Service Center Operations

October 2009

Substantial Savings through Automated
Purchase-to-Pay Process

Part I - How to Best Automate Invoice Processing

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1. Executive Summary

Globalized competition generates constant pressure on company margins and at the same time increases customers' expectations of service and quality. Growing cost-efficiency demands drive organizations to aim at ever better performance - in practice, to improve quality with fewer resources. Given the circumstances, it is no wonder that financial Shared Service Centers (SSCs) have become an increasingly attractive solution for both global and local companies in their quest for more effective ways to produce high quality support functions and create cost savings.

When introducing an SSC, the role of the supporting IT solutions becomes essential. The SSCs are measured by their efficiency, cost efficiency and continuous development. Having the right tools enables both the monitoring and the achievement of these set targets.

In addition to enabling measurement of SSC operations and cost control, the selected IT solutions must also help with process development. Ideally, a solution would continuously streamline and unify your processes through the increase of process automation and built-in best practices. And, with truly user-friendly IT systems, it becomes significantly easier for an organization to adopt the chosen working methods.

Beyond doubt, the most critical IT systems are an organization's common ERP system, common electronic invoicing system, solution for receiving electronic invoices and common electronic archive; all seamlessly integrated. However, the current economic crisis seems to have significantly strengthened the role of eProcurement solutions as finance departments have come to recognize the lack of control and visibility the organization has had on indirect purchasing.

Electronic invoice processing solutions, which offer the opportunity to handle and archive financial transactions electronically, have made it possible for organizations to significantly reduce corporate expenses by removing time-consuming and error-prone manual steps. Additionally, these solutions not only provide a quick ROI, but incorporate best practices to ensure compliance with new legal requirements. Finally, selection of a best-of-breed invoice processing application moves responsibility over to the solution provider who is committed to developing the application to fulfill the specific needs of the market.

Basware sees an advanced invoice processing solution as the absolute cornerstone for today's SSCs with massive transaction amounts. We have been systematically assisting clientele worldwide towards a completely automated electronic workflow covering the entire purchase-to-pay (P2P) process.

For Basware customers, P2P actually extends from Sourcing and Contract Lifecycle Management through purchasing and invoice processing to archiving. From the onset in the mid-90s, Basware has been a thought leader, building tools specifically for SSCs. All Basware products support common SSC requirements such as: multi-company, multi-currency and multi-language support. And Basware products currently support almost 200 public and private sector entities who have structured their finance organizations as Financial Shared Service Centers (FSSCs). These customers include organizations running local, regional, continental and global FSSCs.

The objective of this white paper series is to help Chief Financial Officers and SSC Directors easily spot cost-saving opportunities by introducing today's possibilities for purchase-to-pay process automation. This white paper - How to Best Automate Invoice Processing will walk you through the most common SSC concepts with Basware experts offering best-practice examples of our customer cases worldwide.

And finally, to encourage you to start your SSC implementation project and to help you benchmark your solution, take a closer look at our Customer Successes, which introduce some real-life stories of Basware implementation experiences.

2. Making automated invoice processing the core of your Shared Service Center

2.1 What is automated invoice processing?

Through a number of customer projects worldwide, we have learned that the role of IT systems is critical to a financial SSC's success, especially for its continuous process development. The systems have to be user-friendly, reliable (because of the massive transaction amounts) and support autonomy.

In general, the first step for the new SSC is to align the necessary resources and carefully document the processes. After that, the focus is on implementing the actual centralized IT solutions.

Over the years, we have witnessed how automation of invoice processing has become a prerequisite to many of our customers' SSC operations, delivering significant efficiency improvements and clear cost savings by streamlining the purchase-to-pay process.

But what do we mean by *automation of invoice processing*? Specifically, it is defined as: *Managing invoice processing without any manual intervention*. This definition describes the ideal situation for an organization that has reached the ultimate level of process automation where only exceptions of the pre-set system rules and/or workflow will be handled manually.

We are encouraging every organization to be bold with their SSC implementation plans from the start and to adopt nothing less than the highest level of invoice automation as their ultimate goal.

Definition of Invoice Automation:

Managing invoice processing without any manual user intervention

2.2 What can you achieve through automation?

True cost savings can be achieved only if the majority of transactions are completely automated and manual intervention is employed only when handling exceptions. Typically, the first place to look for transaction automation is with manual, repetitive tasks. Automation of these tasks is not as easy as it sounds because the process of invoice handling involves many steps and considerations.

At Basware, our objective is to automate the handling of the majority of your invoices. We categorize invoices into two groups: those pertaining to purchase orders (a corresponding purchase order can be found in an ERP or purchasing system) and those that are orderless but reoccurring. Examples of orderless and reoccurring invoices would be: rent invoices, car lease invoices, mobile phone invoices, electricity invoices, etc. These are invoices that do not have a purchase order (PO), and are coming from the same supplier, with the same or similar amounts and have the same posting. By addressing both the PO-based and contract-based invoice matching, it is possible to automate all but a small number of an organization's total invoice volume.

By definition, the goal for most SSCs is to achieve consolidation, efficiency and service. Basware Order Matching provides an engine to drive these goals. By interfacing to multiple purchasing or ERP systems, it provides the SSC with an opportunity to match or attempt to match incoming invoices to purchase orders regardless of where they originate.

2.3 SSC invoice handling process - matching makes a difference

The following diagrams illustrate the typical process steps for SSCs without invoice automation and how the process is significantly streamlined through invoice matching.

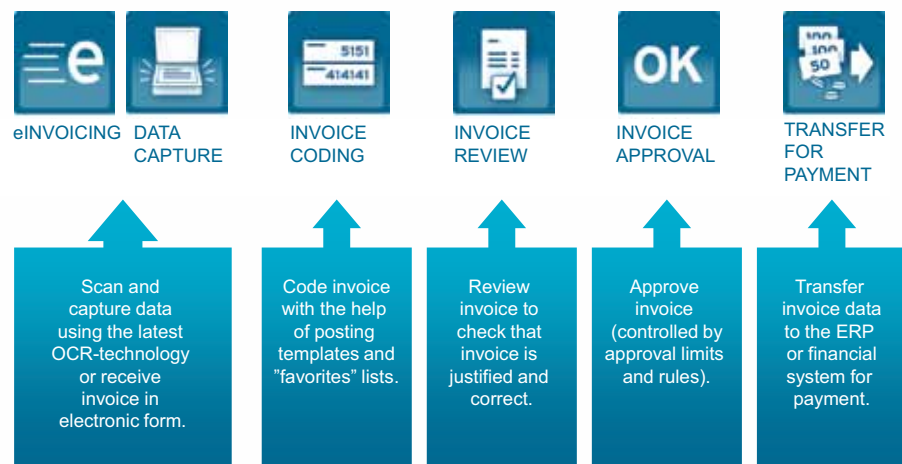


Figure 1. SSC process without invoice automation

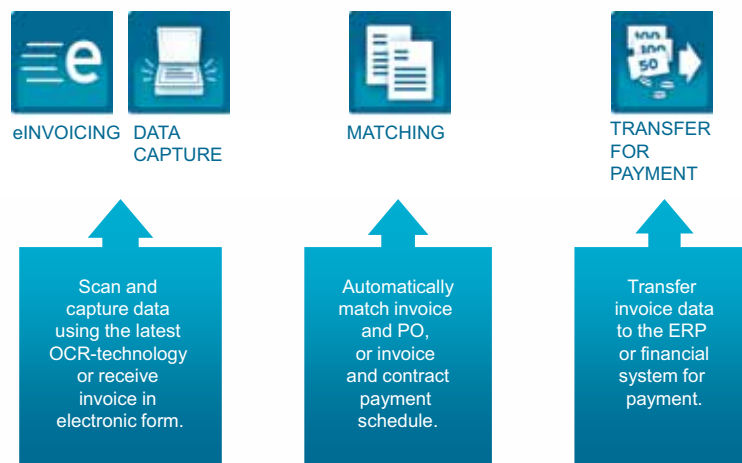


Figure 2. SSC process with invoice automation

Matching invoices to purchase orders

The typical scenario for automating invoice handling involves either a perfect match between the invoice and PO or alternatively, a situation where there is a discrepancy between the PO and invoice.

On a successful match, the posting is copied from the order to the invoice, and the approval is given for the invoice by matching to a previously approved purchase order. The

invoice is then automatically routed in preparation for transfer to payment. If desired, the invoice can also be automatically forwarded as a kind of 'FYI' (For Your Information) to another designated person (typically the person who made the purchase requisition or the approver). This entire process creates a single, complete audit trail that can include both order history and invoice history. When a discrepancy is found, the invoice is automatically routed to the most relevant person depending on the nature of the issue. Posting is still copied from the PO to the invoice and as the invoice proceeds through the workflow, a full audit trail is created.

Removing repetitive tasks such as invoice coding, reviewing and approval, greatly reduces the transactional cost per invoice. And the full audit trail, built and maintained by Basware Order Matching, will be invaluable to any SSC employee who is troubleshooting an invoice-related issue for a supplier.

While SSCs are all about efficiently handling large volumes, they are also just as focused on ensuring that details are considered. For example, correctly posting an invoice, the job of the AP clerk, is often very complicated. Basware Order Matching uses goods receipt-based invoicing as a method of allocating the invoice with a specific receivable (whether it is a single line or multiple lines on a purchase order). This level of automation allows multiple posting rows for a single invoice, producing highly accurate and efficient posting.

Before moving on, it is important to discuss what happens when there is something wrong and the invoice does not match. Dealing with discrepancies is often the most time-consuming and costly activity in an SSC. It takes time and effort to chase down a manager to get approval on an invoice or decide who to send an invoice to for review and/or approval. Basware Order Matching always tries to match the invoice to an order and when the invoice doesn't match, it is sent to a specific person based on the reason why matching failed. This proactive exception flow means the AP clerk doesn't have to be involved at all. If the invoice fails to match, it is automatically directed to an individual who is best positioned to deal with it. The posting can still be copied from the order to the invoice, only the approval remains and Basware automatically puts it in the right person's hands.

Matching invoices where there is no order

Beyond the process and benefits of matching invoices with orders, there's the issue of what to do about invoices that do not relate to orders? These 'orderless' invoices typically represent around 10-15 percent of an organization's total invoice volumes. To ignore this invoice segment would be to miss the potential cost savings associated with their automation. (Actually, the volumes of orderless invoices can be much higher but they cannot all be automated.) With Basware Contract Matching, we have seen companies manage up to 45 percent of their total invoice volumes. This is the case when mobile phone bills and home internet subscriptions are sent as individual invoices, rather than as consolidated invoices. Basware Contract Matching looks for invoices that have repetitive features such as the same supplier, same reference number, same amount, etc. The invoices may also arrive with regularity; on a weekly, monthly or quarterly basis. These invoices provide an excellent opportunity for SSCs to further improve their efficiency, especially as repetitive invoices are typically posted the same way every time they are received. Whether the invoices arrive with regularity or not, Basware Contract Matching supports SSC automation goals by matching these invoices against schedules or budgets entered into the system. When the invoice matches, it is posted according to instructions in the system and as the schedule or budget has been approved, and then we can safely approve the invoice. Similar to Basware Order Matching, when an invoice does not match the schedule or budget, the posting can still be copied and we can route the invoice to a specific person for review and approval.

As the name implies, an SSC is a service organization. Its customers are the suppliers and the different organizational units whose invoices it processes. As a service organization, there is an expectation of interaction with an SSC. Suppliers call in and want to know the status of their invoice. Someone from a business unit emails a question regarding an internal invoice sent to another unit. Ideally, the time spent handling these types of issues is an integral part of the value-add from the SSC. Basware Invoice Automation provides a single interface to the SSC's AP clerk who needs to track down an invoice. Regardless of the

status of the invoice, who it's from or what it's for, the clerk can quickly track it down. A full audit trail created and maintained by all Basware solutions will show the AP clerk exactly what is happening or has happened with the invoice. Flexible flow options and email alerts ensure the invoice can be routed directly to a person or persons and that they will be alerted to a new task requiring their attention. Efficiency at the transactional level is what will provide measurable cost savings, but effectiveness when interacting with customers cannot be overlooked as these are the individuals who will rate your success.

One final aspect of SSCs, which gets a special focus from Basware, is the need for continuous development and improvement. Experience has shown us that an SSC must be dynamic and continuously ready to change and improve itself. In order to do this, Basware has developed a reporting tool called Basware KPI. This tool has been developed with key input from the Hackett Group, a global consulting firm specializing in performance benchmarking. Basware KPI provides the final piece of the puzzle as it ties together Procurement and Finance into a single dashboard with a list of over 120 key indicators from which the SSC will select those they feel are most important. Setting goals, seeing trends, drilling into bottlenecks and resolving issues are all part of the daily operation of a world-class SSC - all of which is supported by Basware KPI and the full portfolio of Enterprise Purchase-to-Pay solutions.

2.4 Add true value to your ERP through best-of-breed applications

Today's global corporations inherit different processes and ERP systems through company acquisitions. In a worst case scenario, an organization might find it needs to operate with 10 to 15 different ERPs. Clearly, centralization and standardization of both systems and processes can be a real challenge.

In fact, organizations worldwide have learned that ERPs cannot be standardized without a time-consuming and expensive IT project. Given the best-of-breed applications available, there really isn't any need for doing that either.

"Along with the outsourced bookkeeping service, the automated invoice processing solution has been the first unifying element and an absolute cornerstone of a new SSC for many of our customers," states Eija-Elina Rovio, Senior Management Consultant at Basware. "A company may have 10 different ERPs and among them 5 different SAP versions with customer-specific customizations. Consequently, the data in them is not the same and the user interfaces all look different. One cannot just pick up and standardize the workflow, a prerequisite for any SSC, as it sits firmly inside the ERP package," Rovio explains.

As a result, workflow applications have become a pre-requisite to SSCs who need to be able to consolidate the data into one place and to distribute it across the organization. These applications support the much-needed process of harmonization and consistent management reporting to numerous business units in several countries. They also provide significant advantages by serving business processes and compliance with requirements driven by public (SOX) and private (operational excellence) sources when compared to ERPs.

The SSC does not exist without multiple inputs and outputs and as the invoice automation solution sits in the very center of the SSC, it stands to reason that it must have multiple interfaces with the stakeholder systems. There can be integration to a single system in the case of an organization using a single ERP for procurement and accounting. Alternatively, an SSC can have multiple ERPs (different make and model), purchasing systems (one Basware customer has 30 different purchasing systems) and a financial system. Easily getting data from or to these systems is an area where Basware has differentiated itself. Over the years, to integrate to more than 250 different ERPs, Basware has developed a middleware strategy and tool called anyERP (see our separate anyERP White Paper). With anyERP, it is possible to take and use master data such as supplier-related information from the customer's Master Vendor List, accounting data (cost centers, account codes, VAT codes, etc.) and organizational information (business units, users, ap-

proval limits, related cost centers, etc.). This enables Basware to copy the information to our system (by scheduled update, usually at night) or we can access it live.

Using this master data allows the invoice automation solution to automatically process incoming invoices with zero manual intervention. It allows the system to partly process even the failed invoices with only a minimum of manual handling required, i.e., coding and routing would be still done automatically by the system.

3. Considerations for choosing an electronic invoice processing system for SSC use

The following two chapters (chapters 3 and 4) introduce the main elements that SSC decision makers or purchase-to-pay process owners should be aware of when selecting a solution for their SSC.

3.1 Key success factors for continuous development of the SSC

Our numerous customer projects in SSC environments have helped us to define the following key success factors for continuous development of a financial SSC.

- Existing documentation of the key processes and roles
- Common IT systems to ensure coherent information
- Use of best-of-breed applications for key processes to maximize ERP performance and to ensure wide spread adoption of best practices
- MultiERP integration of standard applications
- Continuous efficiency improvements through increased transaction automation
- IT solutions providing transparency through the entire purchase-to-pay



The SSC scenarios can vary greatly, but in most cases we recommend to our customers to centralize the financial operations into a SSC and start by implementing the automated invoice processing solution and by outsourcing the entire scanning process. This forces the organization to document both the process and solution which then helps significantly in the later stages, for instance, when calculating the needed human resources.



Eija-Elina Rovio,
Senior Management Consultant at Basware Corporation

3.2 Criteria for solution benchmarking - A simple checklist

The table below lists the basic question areas a business owner should be able to answer when planning to implement an IT system for SSC use.

Questions to ask	Mark your answer
Is your SSC operating in a multinational environment?	What kind of language support is needed/ is in use? What kind of character support is needed (e.g. cyrillic)? What currencies are in use?
Security issues	How is the security and visibility of information between local businesses managed in the SSC environment? Are the internal customer units allowed to see each other's material? What kind of web/ internet access the customer organizations have/need?
Is the SSC a multi-company environment?	How is the organization structure supported? How are the different business units (maybe using different languages) created and maintained in the chosen IT system?
Level of harmonization in the SSC environment	Accounting codes (one or many)
Chart of accounts	Same to all, or different in separate customer organizations?
Cost centers	
VAT codes, tax practices and legislation etc.	Supplier register (one or many) Approval practices in different organizations
Personal approval limits	
Organizational approval limits	
Hierarchy-based approval limits etc.	
Reporting needs	An SSC usually offers a selection of recurring reports for customer unit's business support. Do the basic reports exist already? Are the reports for performance measurement and continuous performance improvement (such as reports for invoice circulation time, invoice quantities processed, invoices with/without orders, recurring invoices, meeting deadlines, etc.)? Are the reports for follow-up of error situations? Spend management? Potential ad hoc business unit reports (produced by business units or SSC)?
Reception of invoices (paper and electronic)	Centralized/decentralized? Outsourced/In-house? Invoice quantities processed? Data transfer capacity - ability to transfer large amounts of scanned invoices?
Compliance requirements	Local legal requirements (IFRS, SOX)? Organization's internal standards, policies and spend management? Best practices?
Centralized/ decentralized IT environment	If decentralized: how to synchronize information? If centralized: what are the capacity needs?

3.3 Further enhance your SSC operations by increasing process automation

The majority of today's SSCs are evolving through expanded functional scope, additional operating units and continuous productivity improvements. This expansion of functional scope can mean, for example, implementing an electronic purchase management solution for an organization's indirect purchases and offering that as a part of the SSC service. Growth through additional operating units equates to larger transaction amounts, which increase requirements for IT applications. And continuous productivity improvements are enabled by exploring the potential for IT systems to continuously increase automated handling of financial transactions such as through further automation of invoice processing.

Automation can be significantly increased in both ends of the purchase-to-pay process. In this first white paper, we offer guidelines for increasing the automation of the invoice handling process. The second white paper (Part II) in this series will reveal the cost savings associated with automating indirect purchases and bringing ownership of the solution over to the SSC.

4. Realize instant cost savings with electronic invoices

E-invoicing has become a rising trend for the past couple of years. Recently, government support in many countries, as well as the current economic crisis, has been further boosting the adoption of electronic invoicing solutions, especially among global corporations.

E-invoicing solutions bring instant cost savings to organizations and SSCs and play a leading role in process development. Today's global organizations can no longer afford to send internal paper invoices; simply in terms of the time spent sending invoices from one country to another, often from one continent to another.

Being able to receive electronic invoices significantly enhances an SSC's invoice processing capabilities with the number of processed invoices per FTE, per year easily attaining world-class numbers. But the key benefit of most advanced e-invoicing solutions is that they enable a truly automated and controlled process without any error-prone human intervention.

4.1 Frequently asked questions - how to implement e-invoicing?

We have put together the following set of frequently asked questions to help organizations choose the right e-invoicing approach and to guide them in initial strategic decisions and discussions before implementing electronic invoicing.

We have offers both from hub operators and houses offering point-to-point connections. Which approach should we choose?

The hub operator model allows you to build a connection once and then use that connection to send or receive invoices from companies connected directly to your hub operator or their partner operators. You should only consider point-to-point connectivity for your internal invoices if you have a capable internal IT organization that can manage the maintenance of a production environment for you. For your customers and suppliers, point-to-point connectivity limits your ability to reach a high penetration of electronic traffic and requires a lot of manual operations from your own organization, such as managing connections, including passwords, user ids, standards, etc.

How do we choose the best operator for us?

You should base your primary decision on the expertise and reach of your network as well as your partner's network. In addition, it may be beneficial to choose an operator that can offer you the ability to add additional fields, particularly the ability to transfer the invoice image. Do not be influenced by the operator's long customer list, instead, ask for amounts of traffic and active senders and receivers. Your decision should also consider the service level to ensure that your hub operator will still be in business after a few years.

What should we do with the EDI?

It is highly likely that EDI (EDIFACT) will be the major standard for connecting production systems to each other. To support further development of EDI connectivity, many customers will want to convert EDI invoices into XML invoices. As a result, you should ensure that your chosen operator can handle this conversion for you.

We already have an Invoice Automation system with scanning in place. Can we convert all the invoices into electronic format?

As scan and capture is not the core business of our customer organizations, many have decided to outsource their entire scanning process. The best outsourced scan and capture services enable the transformation to e-invoices from the onset. And it is actually possible to receive all invoices in electronic format into your invoice processing solution. For example, Basware scans and validates its customers' incoming paper invoices and delivers them as e-invoices to their invoice processing solution.

By outsourcing your scanning, you can completely cut investments in scanning software and hardware as well as in the personnel normally needed for scanning production or related software/hardware maintenance. This makes the scanning process more scalable and flexible to accommodate increases or decreases in invoice volumes at any point in the future.

To further support your shift towards larger e-invoice volumes and added cost reductions, your solution vendor should be able to assist you in activating your suppliers and helping them start sending e-invoices directly to your invoice processing system.

Despite the multiple benefits (clear cost reductions, improved quality and improved process efficiency) delivered by e-invoicing solutions, scanning will probably remain in operation for some years. If you use an in-house scanning organization, you will be able to reassign some of the personnel into more productive activities once the volume of electronic invoicing increases.

We have heard of OIOXML, TEAPS, UBL2, E2B, Finvoice and other standards, which one is right for us?

These various standards are mainly a concern for your hub operator, which is responsible for ensuring that your system connects seamlessly to other systems. In addition, there are limitations within standards. For example, if a sender is using E2B and Finvoice, they do not allow the receiver to receive a full invoice image.

We would like to send and receive the electronic invoice as an email - can we do that?

Yes, you can. Your solution vendor's platform should enable the conversion of emails into electronic invoices, whether you are sending or receiving them.

For instance, if your business sends up to 100 invoices a month, creating e-invoices couldn't be easier. Simply send your .pdf invoices to your vendor's e-invoicing service, and let them do the rest. They should be able to convert the attached file to a properly formatted e-invoice and assure delivery direct to your client. In the same way, your suppliers should be able to email their invoices directly into your invoice processing system.

For businesses that send more than 100 invoices a month, we recommend working with your vendor to explore alternatives to email and eliminate the manual work. For instance, one solution is to send the invoices directly from your billing system.

How do I maximize the conversion from paper to electronic?

You should draft a plan with your chosen hub operator outlining how to work with your customers or suppliers to ensure increased volumes for electronic invoices. Having suppliers with both tools and experience in this kind of project is essential for bringing you rapid return on your initial investment in enabling your company to send or receive electronic invoices.

I would like to start with internal invoices - can I do that?

Yes, internal invoices are an excellent way to start investigating the full potential of electronic invoicing. And because your end solution should not differ from what you will offer to customers or suppliers, you should consider the same hub approach for internal invoices as well.

Our IT department wants to generate an XML invoice; they say they can transfer that to receivers.

This is not advisable unless your IT department is willing to start providing the invoices in all the XML variations that are currently used by your partners and customers. Keeping up with the standards for various markets is a full-time job for anyone specializing in elec-

tronic invoicing. Additionally, authenticating users requires someone to manage the user ids and passwords and provide a helpdesk.

All these tasks would need to be assumed by your IT department should they start providing electronic invoicing in-house. While this is possible, many hub operators can perform these tasks for you more cost-effectively and reliably.

We could be ready to receive electronic invoices, but our suppliers cannot send them to us?

The best operators provide supplier activation programs that assist suppliers in their sending efforts, helping you increase your electronic invoice volumes and enjoy additional cost savings.

4.2 Outsourced invoice scanning - initial steps towards the future

For some time, every business consultant's advice to companies has been to: 'concentrate on your core business and outsource the rest'. Invoice scanning is rarely considered to be core business for a company. But once international compliance challenges have been resolved for electronic signature, VAT, etc., companies will be encouraged to more widely adopt electronic invoicing. This measure will also enable organizations, especially global companies, to free up their resources from invoice scanning.

"I think most of us agree when we say that scanning in-house is not the most cost efficient way to process purchase invoices. There are reasons why in-house scanning still takes place, but once a Shared Service Center is established, scanning most probably is the first task to be outsourced in order to gain cost reductions." says Eija-Elina Rovio, Senior Management Consultant at Basware.

So how does outsourced scanning actually deliver the promised cost savings? By outsourcing the scanning process to a scanning service provider, the cost per invoice can be reduced through increased processing volumes for the scan houses. The other significant benefits are data content accuracy, reduced invoice cycle times and related increases in efficiency for the entire accounts payable process.

The ultimate goal for every buyer organization is to gradually reduce the time and cost per processed invoice; keeping it to a minimum. Invoice scanning can be one step in this cost-effective, automated processing strategy. In true automation, the invoices arrive directly into the invoice processing system, include all relevant information and are automatically matched against orders without any manual intervention.

The fact remains that a scanned invoice is always more expensive than a true electronic invoice. It is important for the service provider to be committed to working with buyer organizations in converting these scanned paper invoices into electronic ones. This commitment helps buyer organizations reach their goal of making 100 percent of their invoices electronic to attain fully automated invoice processing. And when aiming for increased e-invoice processing, one of the biggest challenges for buyer organizations is supplier activation. Ideally, the service provider would take on this time-consuming supplier on-boarding on behalf of the buyer organization, making it possible to reduce the cost-per-transaction during the contract period.



The entire organization benefits when the SSC aims at receiving electronic invoices with a centralized solution. This enables the best process automation and delivers clear cost savings. That is why our customers view outsourced scanning as one step in their journey towards completely paperless and automated invoice processing. Along with the outsourced scanning service, we are constantly assisting customers with supplier on-boarding and at the same time, we support their suppliers in finding a proper solution to start e-invoicing.



Eija-Elina Rovio
Senior Management Consultant at Basware Corporation

5. Conclusions

Process automation can be significantly increased at both ends of the purchase-to-pay chain. This white paper offered guidelines for increasing the automation of the invoice handling process.

As discussed previously, financial SSCs are introduced as a means for achieving synergy in operational excellence, for creating cost savings and for improving quality. When choosing right IT systems, it is easier to offer real added value to the internal customers and thus justify the existence of the SSC.

As a whole, the SSC needs to consolidate data across business units and geographic boundaries. To do this, improved data accuracy and on-line access to the data become prerequisites. In addition, the core IT solution must contain built-in best practices, be easy to use and reliable, and offer further automation possibilities for transaction handling. And finally, the solution should provide complete visibility in the form of reports and include a full audit trail of the transactions resulting in incoming invoices.

Today's best-of-breed applications offer solutions that are developed to meet these specific requirements and vendors commit to constant development based on individual needs/requirements. By removing repetitive tasks such as invoice coding, reviewing and approval, the transactional cost per invoice is greatly reduced. The full audit trail, built and maintained by an automated invoice processing solution, will also be invaluable to any SSC employee who is troubleshooting an invoice-related issue for a supplier.

Of course, the SSC itself is all about efficiently handling the large volumes, but they are also just as focused on making sure the details are considered. Correctly posting an invoice is the job of the AP clerk and this is often very complicated. With invoice matching in place, the entire process becomes much more streamlined.

5.1 Criteria for best-of-breed invoice processing solution

The essential IT systems in a SSC are common ERP, electronic invoice processing system and electronic archive. When choosing an application for electronic invoice processing, the following criteria should be considered:

Package application designed for a specific purpose and process with extensive invoice processing functionality and ready for immediate use without comprehensive tailoring.

When the supplier has several SSC customers the SSC specific needs are already built into the application, thus, benefiting all new SSC customers. This saves costs significantly through shorter implementation time as the package application can be parameterized - even for a complex SSC environment (multi-lingual/ multi-currency/ multi-national).

Operational excellence with an application meeting specific needs and enabling fast process automation.

Contract based or recurring invoice matching, invoice autoflow and extensive business rules should be available as standard functionality (with basic data check, posting formulas, selection lists, checking rules, approval limits, authorization rules, etc.).

Scalability

The solution should be scalable to multi-company invoice handling, multi-lingual application and multi-currency processing - all these elements being essential to global SSCs.

Reports available

SSCs have limited sets of reports to offer and autonomy is encouraged. The best-of-breed application needs to have extensive reporting functionality as standard and capability to fulfill individual reporting requirements.

Transparency, control and compliance

Complete audit trail of the entire Purchase-to-Pay process is crucial in SSC environments with massive amounts of transactions. In addition, risk management and control can never be ignored. Centralized, secure policies, processes, procedures and systems are paramount.

Best end-user service possible

SSC sells its services to internal customers. The best-of-breed applications need to offer specific built-in functionality for invoice processing which is essential to the end-user e.g. personal invoice archives, posting templates, back-up person handling. This functionality is then automatically available to all users. Usually with ERP this kind of specific functionality is custom made for the specific customer environment.

Best workflow automation

ERPs often have a limited level of workflow automation and require an external consultant for instance to implement the automation and changes or to add functionality. In many cases the final functionality requirements are understood only after the implementation has already been "up and running" for a while.

Usability

In best-of-breed applications product usability is one of the key success factors supporting both customer service and autonomy. User-friendliness is mandatory to enable corporate wide successful solution adoption. Furthermore, a package application that has different user interfaces for individual needs (e.g. client use, master use) can provide also user interfaces for specific user groups.

Continuous development

The chosen application must be adaptable also to the future (mandatory) requirements. In ERP's many features that exist in best-of-breed applications have to often be implemented as a separate project requiring time and manpower.

5.2 Continuous development

So far, we have only discussed financial SSCs; we have not delved into the natural SSC evolution, which would include Procurement-related services. There is plenty of common ground between Procurement and Finance. As a quick example, consider contracts and contract terms. When a buyer negotiates a contract with a vendor for goods or services, items such as payment terms and invoicing are part of the agreement. Procurement may have no real interest in these issues, but Accounts Payable does.

Basware brings together these two, typically separate, parts of the organization and offers the opportunity to collaborate on improving the process and delivering better services both internally and externally. Accounts Payable is served when invoicing is consistent according to policy. Procurement and its vendors are served when fewer invoices are incorrect or require a phone call (or calls) to resolve. Working with vendors and Finance gives Procurement opportunities to negotiate early payment discounts or other preferential treatment based on shorter invoice cycle times.

Given the SSC's mission to optimize both costs and administrative management flow, obtaining a purchase management system seems like the logical next step in expanding the SSC concept towards management of the entire purchase-to-pay process.

With this expansion in mind, the second white paper in this series will focus on exploring the cost-saving opportunities associated with indirect purchases and provide customer examples on how to bring ownership of the solution over to the SSC.

As Eija-Elina Rovio, Senior Management Consultant at Basware, concludes, *"We see that indirect procurement has clearly started to shift under the ownership of SSCs. Traditionally, non-productive purchases have been ignored, but the recent economic crisis has forced companies to find tools for managing their indirect spend and to start optimizing their supplier base as well."*

6. Basware Customer Success

6.1 ADT & Tyco save £400,000 in first year with Basware

ADT Fire and Security Plc. and Tyco Fire & Integrated Solutions (TF&IS), both Tyco International companies, selected leading purchase-to-pay provider Basware for invoice automation services in a deal that has saved the company £400,000 the first year. These services were implemented across multiple locations in the UK, to provide a centralized point of processing.

ADT is the world leader in electronic security solutions with a number of locations throughout the UK and a staff of 5,000. TF&IS is the UK's leading provider of fire protection solutions with a staff of 2,000. ADT and TF&IS traditionally processed invoices at each local site through decentralized ERP systems. However, implementing the Basware solution enabled them to centralize the system. Now, it is hosted from a new Shared Service Center in Manchester, England, which unifies invoice processing at a national level, to enable complete visibility and control over spend and requisition.

The Basware Invoice Automation solution automates the entire invoice-handling process: from the data capture of paper-based and electronic invoices, right through to matching the invoices with purchase orders and contract information, to review and approve for payment. The business rule-based matching minimizes the need for time-consuming and repetitive invoice handling tasks and provides full invoice visibility. This implementation has enabled the introduction of service level agreements (SLAs) and KPIs into the Shared Service Center, while the immediate error feedback functionality allows issues to be resolved immediately. This increased processing efficiency, along with the visibility of invoices has helped ADT and TF&IS reduce the number of inquiries directed to their AP team.

"We had talks with a number of vendors but the Basware solution provided the best fit because of its ability to be customized according to the existing processes and ERP solutions in each of our UK locations. At the same time, we are part of a larger global organization, so we wanted to implement a solution that would be flexible enough to accommodate any future changes to processes across international operations," says Steve Katona, UK Accounts Payable Manager at ADT and TF&IS.

ADT and TF&IS process hundreds of thousands of invoices annually, so a centralized depository was vital to improving efficiency in its processes. Having everything in one place has saved the organization a significant amount of time, while reducing costs.

"The challenge for Basware was to centralize ADT and TF&IS' Accounts Payable function to provide visibility across what had previously been a hugely diverse system. At the same time, we had to ensure that the solution was flexible to changes within global operations," says Dr. Matt Lees, Country Manager for Basware UK.

"Cost-cutting is a huge priority for most businesses, especially at the moment, so it's great to see ADT and TF&IS realizing £400,000 worth of savings through our services. It really highlights the efficiencies and cost savings that can result from automating your processing and making the move from paper-based to electronic accounting," Lees adds.



Managing invoice processing is now much more efficient for the Shared Services Accounts Payable team. We're processing 70,000 invoices for each accounts payable employee, whereas before we implemented the system, we were only processing about 10,000. Basware has helped us to achieve a 75% reduction in invoice cycle time, down from four weeks to five days, so we are processing the 420,000 invoices we handle per annum much more efficiently.



Steve Katona
UK Accounts Payable Manager at ADT and TF&IS

About Tyco Fire & Integrated Solutions

Tyco Fire & Integrated Solutions, a Tyco International company, designs, installs and services fire detection, protection and suppression systems, and safety and control systems across Europe, the Middle East and Africa. With more than 6,000 employees, including engineering, design and service experts, Tyco Fire & Integrated Solutions serves oil and gas, marine, traffic and transportation, commercial, education, healthcare and other industries. For more information, visit www.tycofis.com.

About ADT

ADT, a Tyco International company, designs, installs and services fire and electronic security systems for residential, business and government customers. In Europe, the Middle East and Africa, ADT's products include intruder alarms, closed circuit television, access control, electronic article surveillance, radio frequency identification, fire detection, fire suppression, integrated solutions and monitoring. These products are used to deter thieves and protect people, goods and property. For more information, visit www.adtemea.com.

6.2 Metso journeys towards a global e-invoicing vision

Metso, a global supplier of sustainable technology and services for mining, construction, energy, metal recycling and the pulp and paper industries, operates in more than 50 countries and serves customers in over 100 countries.

With multiple business units interacting with thousands of suppliers worldwide, Metso made the decision to centralize accounts payable functions and implement a flexible invoice automation solution capable of supporting its entire global operations.

"Very early on, our senior management saw e-invoicing as the route to achieving world-class operational performance. This was six years ago and we were forerunners in this field. As a result, there were limited models to guide us." Soile Hiekkasalmi-Linna, Development Manager at Metso explains.

Centralizing accounts payable processes

As a first step, Metso wanted to establish a single Shared Service Center (SSC) in Finland that would become the blueprint for a series of centers serving its business units within a dedicated geographic area around the globe. This heralded the beginning of an ongoing partnership with Basware that has become stronger and much closer over the years.

According to Hiekkasalmi-Linna, the goal was to eliminate the various disparate manual and paper-based systems at numerous distributed local offices and centralize, streamline and standardize all the accounts payable processes. "We wanted to gain control of what

had been a time-consuming and error-prone paper-based process, replacing this with a tool that would give us more consistency and control over invoice handling.”

The key to enabling this change was the automation of Metso’s purchase invoice traffic using Basware Invoice Processing and Matching solutions. To deliver all-important interoperability, Metso needed the Basware system to interface directly to Metso’s SAP R/3, BAAN and later Lawson ERP systems, as well as several materials management systems.

Basware worked alongside Metso every step of the way, throughout the phased introduction of invoice automation. Following the initial introduction of electronic purchase invoices, Metso progressed to sending inter-company e-invoices. This was enabled by Basware’s Business Transactions service, an e-invoicing network that distributes outgoing invoices generated by Metso’s ERP systems.

After the successful inter-company experience, Metso very quickly began sending e-invoices to its external customers. And in order to continuously increase the share of both purchase and sales e-invoices, Metso and Basware have been assisting both Metso’s customers and suppliers in their own transformation to automated e-invoicing. Metso has already successfully completed pilot projects with suppliers in both Finland and Sweden.

Examining the gains

Alongside its SSC in Finland, Metso has established a second center in Sweden and a third center in Canada to serve business units in Canada and North America. Together these centers process around one million invoices a year – all of which are visible to all stakeholders within the organization and available for all accounting processes. Metso is continuing the rollout and further centers are planned to support the business.

Establishing the SSCs and the unification and electronic processing of both accounts receivable and purchase invoices has generated long-term advantage. As Hiekkasalmi-Linna confirms, “Alongside cost-savings and significantly reduced processing times, we’ve been able to steer our business towards more goal-orientated purchasing.”

To further enhance productivity and build better transactional relationships with its suppliers, Metso is moving forward with its implementation of Basware Connectivity services, using Basware Supplier Activation services with Basware’s Scan and Capture service to receive supplier e-invoices directly into the invoice processing system. At the same time, Basware is enabling Metso’s suppliers to connect to the e-invoicing solution to submit invoices electronically while also providing a scan, capture and conversion service.

This latest move looks to usher in a new era of streamlined interactions, as Hiekkasalmi-Linna explains, “This will enable us to further extend our e-invoicing strategy and increase the automation of many routines. It’s the next step on an exciting journey.”

A partnership for success

Making the move to automation was a fundamental strategic decision for Metso, and finding a software solution that offered peerless scalability and interoperability was the key to centralizing Metso’s composite accounts payable functions as it developed its SSC model.

But for Hiekkasalmi-Linna, Basware has delivered more than just a solution, “Very early on, our senior management saw e-invoicing as the route to achieving world-class operational performance. We wanted to work with a single partner that could help us enable and evolve that vision on a global scale. Basware has proved to be that partner – they listen and consult, and they have developed a deep understanding of our needs. Just as importantly, they have continued to develop their product and, like us, have international reach and capabilities.”



Alongside cost-savings and significantly reduced processing times, we've been able to steer our business towards more goal-orientated purchasing.



Soile Hiekkasalmi-Linna,
Development Manager at Metso Corporation

About Metso

Metso is a global supplier of sustainable technology and services for mining, construction, power generation, automation, recycling and the pulp and paper industries. Metso has about 28,000 employees in more than 50 countries. For more information, visit: www.metso.com

6.3 Crown Worldwide Holdings achieves savings through streamlined, automated purchase-to-pay process in a global Shared Service Center

With local accounting departments distributed across 50 countries, Crown Worldwide Holdings recognized the potential to gain significant benefits by centralizing and automating its purchase-to-pay operations.

"We realized that removing some of the mundane, repetitive accounting tasks from our regional offices would improve efficiency and enable our frontline people to focus on higher value tasks," says Chris Davis-Pipe, Group Vice-President, Information Technology with Crown Worldwide.

Crown Worldwide also wanted to establish more consistent, compliant and transparent financial processes to address problems such as duplicate or late payments, lost invoices and a lack of financial visibility. *"We evaluated several of the best-in-class applications, however after meeting the Basware reseller in Australia, we quickly made the decision that the Basware solution was the best choice for Crown Worldwide,"* Davis-Pipe concludes.

Global rollout from Asia

Basware Invoice Processing and Basware Purchase Management were implemented in Crown Worldwide's Hong Kong headquarters. The software was integrated with the company's eight regional Microsoft Dynamics ERP systems as well as a core cost-allocation database. It has proven flexible and powerful enough to manage Crown Worldwide's requirements for multiple companies, charts, currencies and languages. The Shared Service Center in Kuala Lumpur, Malaysia now processes invoices originating from Korea, Hong Kong, Indonesia, Malaysia, Thailand, Japan, Australia and the United Kingdom.

Faster processing, improved compliance and visibility

Invoices are received and scanned locally in each country. Staff in the Kuala Lumpur SSC then register the invoices into Basware Invoice Processing, where Basware Order Matching automatically matches incoming invoices with pre-approved purchase orders or cost estimates and no further approval workflow is needed. Non-matching invoices and those not related to purchase orders are sent through the electronic workflow for coding and approving by country managers - after which they are electronically posted to the appropriate AP system.

As Davis-Pipe notes, *"Eliminating the paperwork has significantly sped up our processes, streamlined our operations and delivered a more rigorous accounting process. Our cen-*

tral Accounts Payable group can now enforce our corporate procedures and standards. Once all the relevant information is in the Basware system, it is available for all other accounting processes. We now have visibility covering all invoices as soon as they arrive. This provides better accruals and more up-to-date information when reviewing invoices for payment."

Productivity benefits

The regional Accounts Payable resources have now been freed to concentrate on more productive functions. *"A major productivity benefit has been the automatic handling of invoices that match a pre-approved cost allocation. More than half our costs of sales invoices no longer need management approval,"* says Nevil Dadrewalla, Consultant at Crown Worldwide. Previously, the company's Accounts Payable staff had to assess each invoice and, depending on its type, enter it manually into one of several databases. Now, Basware Invoice Processing automatically integrates with all necessary systems, such as Job Costing, Basware Purchase Management and Microsoft Great Plains, and forwards invoices to Accounts Payable once processing is complete. As Chris Davis-Pipe concludes, *"We are extremely pleased with the results we've seen from the invoice automation solution. We're now continuing our global rollout for Basware Invoice Processing, and pushing forward with the implementation of a Basware Purchase Management system, which will build on the efficiencies we've already achieved."*



Eliminating the paperwork has significantly sped up our processes, streamlined our operations and delivered a more rigorous accounting process.



Chris Davis-Pipe,
Group Vice-President
Information Technology at Crown Worldwide Holdings

About Crown Worldwide Holdings

The Crown Worldwide Group, headquartered in Hong Kong, is a global leader in mobility management, relocations, records management and logistics services. Privately held since its establishment in 1965, Crown Worldwide operates more than 370,000 square meters of warehouse space with facilities valued at over EUR 125 million. For more information, visit: www.crownworldwide.com

6.4 South Australian government shared service streamlines invoice processing

The South Australian Government uses a Shared Accounts Payable Service to provide processing and payment services for the Department of Health, the Department for Families and Communities, and Disability SA. These departments have operations spread across the State, and between them generate approximately 20,000 invoices per month.

With paper invoices streaming in from vast government departments spread across South Australia, the Shared Accounts Payable Service could not meet the government's invoice processing targets. An automated purchase-to-payment solution was just what they needed.

The challenge of manual invoice processing

According to the Treasurer's instruction 11 'Payment of Creditor's Accounts', all South Australian government agencies are required to pay 90 percent of their invoices within 30 days of the invoice date. In 2005, the Accounts Payable department could not meet

that target. At the time, the paper invoices were sent manually from remote offices to Accounts Payable where they were matched to purchase orders. Once payment was approved and completed, the invoices were then sent to an external company for scanning. Unfortunately, the time spent sending invoices from remote offices all over the state to the Accounts Payable department varied greatly. Much too often, the paperwork got lost and didn't arrive at all. The manual processes were also time-consuming and inconsistent, offering large margins for error. In addition to stretching resources and increasing employee stress levels, the unmanageable paperwork was limiting visibility into departmental payment processes.

E-invoicing provides the solution

"We thought that an electronic invoice processing system might provide a solution for our accounts payable challenges. So we investigated some alternatives and then obtained approval to proceed," says Jeff Southgate, Manager of Operations and Systems Support at SA Health. The Department issued an open tender and finally selected Basware Invoice Processing from TAG Services. Today, all invoices are scanned directly into an electronic archive as soon as they are received. The invoices are then immediately available online for branch staff to check, approve and handle inquiries, and send to the head office for review and payment. The system is tightly integrated with two back-end Masterpiece ERP systems, and more than 70 percent of the invoices are electronically matched to a purchase order in these systems. Match failures and non-PO invoices are sent through an electronic workflow for exception handling. Southgate adds, "We were the first government organization in South Australia to implement an automated invoice processing solution. Since the implementation, our staff and suppliers have been nothing but positive. TAG Services' technical experts are responsive and generous with their time and knowledge, and with remote access to our system, their service is easy and efficient."

Realizing the benefits in time, cost and productivity savings

"All invoice transfers are now done electronically, so time delays have been greatly reduced, as has the risk of losing invoices," says Southgate. The system also speeds up the approval and cost code allocation process by sending branch officers automatic reminders when action is required. If no action is taken within three days, the system alerts an officer's manager. This function is particularly useful in alerting managers to possible bottlenecks that may occur if a staff member is on leave or has left the organization without nominating a back-up approver. As Southgate notes, "Many professionals in the departments we service didn't consider administrative duties a high priority, and invoices would regularly sit in their in-trays for a long time. Having this automatic reminder sent to their supervisor is an efficient and effective way to speed up the process."

And SA Health has realized productivity gains as well. According to Southgate, *"We now pay 94 percent of our invoices within 30 days and meet our payment targets every month. The automated solution has streamlined our processes and the productivity gains are remarkable. Currently, we are processing 44 percent more invoices with the same number of Accounts Payable staff. And where the accounts payable function used to be partially decentralized, we have now fully centralized the processing. Eliminating this distributed work has delivered additional productivity gains throughout the agencies."* Today, branch queries are also handled far more efficiently with approximately 95 percent of the queries answered through the system. By making the invoice location and status visible throughout the organization, the system enables officers to track the payment status of their own invoices. This frees Accounts Payable staff from the need to spend time on the phone answering payment queries from the departments.

As Accounts Payable scans invoices at the start of the process, the Department saves \$65,000 each year in outsourced archive scanning costs. *"This saving offset the purchase price of the system and gave us an advantage from the start,"* says Southgate. *"The system also saves us the work of preparing the batches for scanning. And physical archiving after processing is more efficient now that all invoices are electronically archived on the day of scanning,"* he adds.

From a transparency and compliance standpoint, this solution has consolidated the accounts payable function across two agencies, and provided transparency of all purchase to payment details. According to Barb Northway, the Accounts Payable Team Leader, *"We now have all the information we need at our fingertips. We can generate reports as required, and have total visibility into the accounts payable function at all times."*

Southgate concludes, *"The system has enabled us to pay invoices on time and meet our regulatory requirement, saving us time and money. We are now investigating its ability to automate part of the Goods and Services Tax (GST) assessment process, because Accounts Payable staff currently spend around 40 percent of their time assessing GST and other supplier compliance rules. Depending on how much of the process the system can automate, there may be further significant saving."*



The automated solution has streamlined our processes and the productivity gains are remarkable. We now process 44 percent more invoices with the same number of Accounts Payable staff.



Jeff Southgate
Manager of Operations and Systems Support
South Australian Department of Health

About SA Health

SA Health is a government organization aimed at ensuring healthier, longer and better lives for all South Australians through a comprehensive and sustainable health system. SA Health works to achieve these aims by strengthening primary health care, enhancing hospital care, reforming mental health care and improving the health of Aboriginal people. For more information, visit www.health.sa.gov.au.

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