

Advanced AP Analytics:

The Express Train to Higher Performance in Finance

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From Gartner ...

“The finance organization is continuously under pressure to **reduce costs**, while providing **more value-added services** through business processes. Add to that the increased role in enterprise compliance, and the finance organization is often stretched beyond capacity.”

-- John E. Van Decker
“Optimize Cash Management With Financial Value Chain Applications”
27 December 2006

Today's Agenda...

- Financial Process Automation Foundations
- Today's Analytics
- Advanced Analytics: The Visibility Opportunity
- The Path to Advanced Analytics

Financial Process Automation Foundations

Does This Sound Familiar?

- You've consolidated to a *Shared Service Center*, put in an *AP Automation* solution, and maybe even looked at *OCR or e-Invoice solutions*...
- In the past few years, you've *reduced your cost per invoice* significantly while also responding to *significantly increased regulations and controls*...
- You feel reasonably comfortable with the process that is in place...

Financial Process Automation



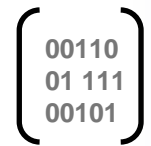
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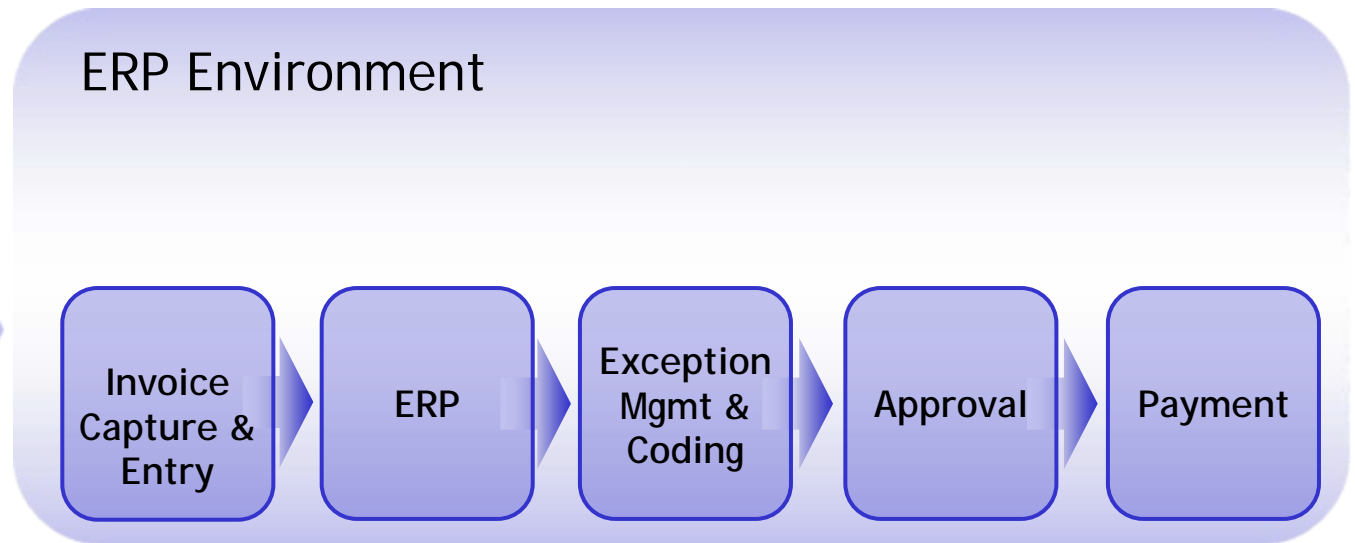


Online



EDI, XML

Outsourced
Entry
Service

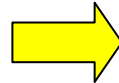


But, You're Still...

- *Missing discounts and other significant opportunities* as a result of bottlenecks and latency in your business process...
- *Lacking* the granular perspective on operations that enables you to meet SLAs
- *Looking* for ways to provide better visibility to Finance management

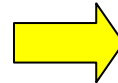
Advanced Analytics – The “Golden Spike” of AP Operations

Analytics



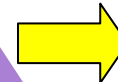
“**Advanced Analytics**” combine ERP data & workflow data to provide real-time, actionable and predictive views into a given business process.

Automated Invoice Entry



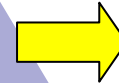
Drives reduced time and cost, and increased accuracy. *Should* provide incremental ability to manage working capital.

AP Automation (Imaging, Workflow, Etc)



Drive financial controls, business process, and timely payment of invoices. Provides “**Process Analytics**”

Shared Service Center



Addresses process and control issues, but in itself, is only a first step towards being a strategic operation

Transactional ERP System



“System Of Record” but does not address process issues. Provides “**Transactional Analytics**”

Today's Analytics

Analytics Enable Organizations To

- Understand what's working, what's not
- Address bottlenecks and productivity issues
- Achieve maximum efficiency and effectiveness
- Enforce compliance
 - Getting insight into potential conflicts
- Manage cash more effectively
 - E.g., discount capture
- Set thresholds & KPIs in order to ensure SLAs are being met

If You Remember Nothing Else From Today..

“That which gets measured gets improved.”

- Lean Institute

However, Many Organizations...

- Have only the most basic analytic capabilities in place, e.g., spreadsheets
- Have data in different repositories
 - Requiring import/export to common format (.xls)
- Have only transaction data
- Don't use the tools they have
 - Too difficult
 - Require IT support
- Are drowning in data, but don't have the information they need

Death by Data Includes...

- Too much data
- Data that isn't actionable
- Data that doesn't address problems or issues that need to be addressed
- Data that may drive the wrong behavior
- Data based on ERP transactions (not the process data)
- Attempts to measure something unclear or ill-defined
- Excessive data collection efforts

Barriers To The Next Level

- Most AP Analytics Focus Only On The AP Organization
 - Getting to the next level requires *expanding visibility* of the process beyond AP to include Controllers, Treasury, and Finance Managers
- Most Reporting Solutions Are Transactional
 - Transactional reports from an ERP system tend to be “point in time”, and *tactically oriented* (holds reports, ageing, etc)
 - Process reports from a workflow solution are generally also “point in time” and are process-related (throughput, owner, etc)
- Accessible, Advanced Analytic Capabilities Are Rare
 - Need an *executive workspace for monitoring, sensing, and responding* to daily events to optimize the process

Advanced Analytics: The Visibility Opportunity

Finance Managers' Analytics Needs

Recent research and requirements gathering among Global 2000 companies shows that Finance managers...

- Need meaningful **financial process intelligence** (whether operations are centralized, shared service and/or outsourced):
 - Historical data & trends
 - Operational data (SLAs & KPIs)
 - Discount management reports

- Want an enhanced ability to monitor, sense and respond to daily events and activities in AP business processes

- Believe that involving IT to develop an internal solution, or write reports in existing BI Tool, is a major hurdle

Shared Service Centers' Analytics Needs

- Ability to serve key business units is *critical to the success* of an Accounts Payable group
- Most *SLA's focus on the entire* business process
- Most *Shared Service Centers control a portion* of the business process
- Today's data and metrics provide only historical patterns
- AP managers & Finance executives need *actionable & predictive analytics* to get to the next level

Advanced Analytics Enable Organizations to...

- **Strategically manage** and optimize the effectiveness of their Finance resources
- **Derive meaningful process perspective** without requiring IT resources or custom-developed reports
- **Expedite** certain transactions (either for customer satisfaction or financial reasons)
- **Be alerted** to critical situations
- **Extend the value** of the financial process automation applications with real-time access to the most relevant details of the P2P process

Advanced Analytics



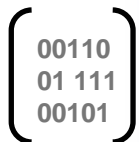
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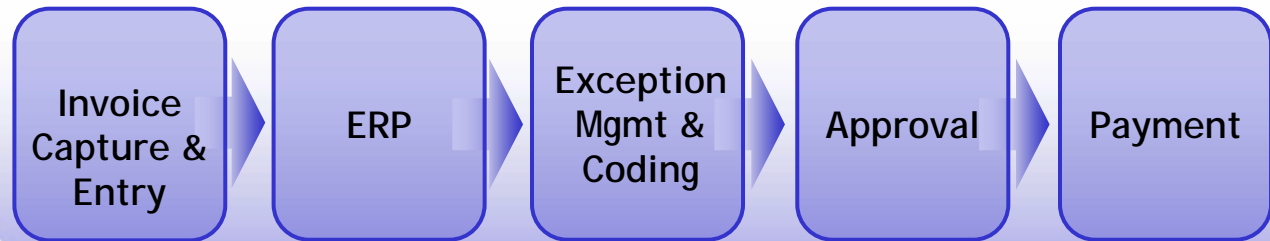


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Powerful management interface gives Finance managers unparalleled process visibility and actionable intelligence

ERP Environment



Self-Service User Interface for Finance Managers

Advanced Analytics

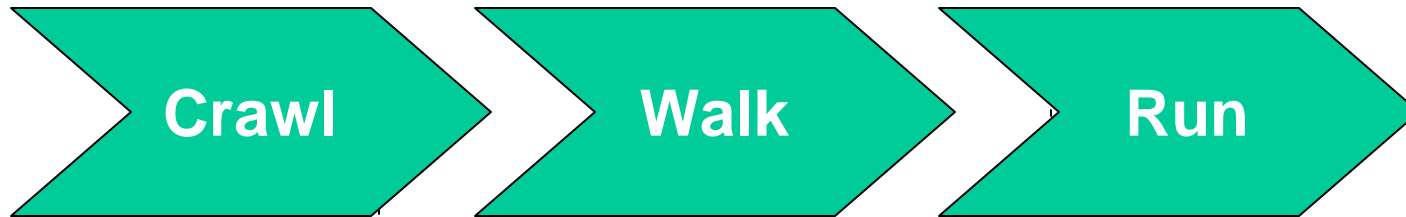
- Provide the most comprehensive and accessible insight into core Finance processes
 - Use both workflow and ERP data
 - Include daily, historical, trend, discount management and other interfaces
 - Simple, consistent interface presents information clearly and accessibly
- Enables Finance organizations to:
 - Improve cash management via automated escalations for discount capture
 - Clearly quantify process metrics to improve relationships with suppliers and business units
- Do NOT depend on IT resources to create highly meaningful and relevant reports

The Path to Advanced Analytics

Step 1: What Metrics Do You Need to Track?

Are you trying to:

- Establish and/or improve performance metrics?
 - Cost, Cycle Time, Error Rate, Productivity, Economic Return
- Benchmark your organization?
- Achieve World-Class status (for your department or SSC)?
- Measure process efficiency and/or effectiveness?
- Establish the foundation for KPIs?
- Monitor & track performance based on SLA terms?
- Charge back to business units based on accurate data?
- React to an organizational perception?



Crawl

Walk

Run

- How many PO and non-PO invoices do you receive?
- How many received into AP w/in X days?
- How many dates on PO are later than the invoice dates?
- How long does it take to process...
 - A non-PO invoice?
 - A PO invoice?

- How much does it cost to process an invoice?
- Are there any controls violations that you should be tracking?
- Do you have visibility into the invoice outside of AP?

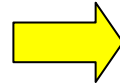
- Are you capturing all available discounts?
- Are you meeting your SLAs?
- Are you able to prioritize higher value invoices and get them paid first?
- Are you in a position to negotiate better terms with your suppliers?

Step 2: Consider the Available Solutions

- Custom-built
 - Typically a toolkit deployed by a third-party consulting organization or internal IT resource
- Packaged
 - Sold and supported applications from an ISV with expertise in the field
- ERP vendor tool
 - Typically provide a general set of options

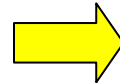
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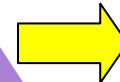
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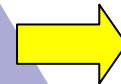
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