



Source to Pay: Transforming Invoice Processing and Document Management

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Major corporations spend billions of dollars on goods and services, and careful management of the ordering and payment process has the potential to deliver large savings—savings that can be channeled into developing the business.

Automation is a critical enabler in reducing costs and improving the quality of data transmission and entry in the Source-to-Pay (S2P) cycle. A large number of invoices from suppliers are received in paper form or through emails as PDF attachments, however, and these must be entered manually into ERP systems or through a semi-automated standalone platform. The result is a complex, labor-intensive process with a high processing cost, limited scalability across divisions, and a lack of business insights for optimizing cash outflow.

An automated invoice process management platform which is tightly integrated with an end-to-end S2P process can reduce costs, increase productivity, and reduce the time spent on issue resolution. The Document Management System needs to be able to process documents and invoices received as paper documents, e-mail attachments, faxes and scanned files, and the invoice management process should be linked to the AP workflows to ensure automated processing of the invoices. The solution should be scalable and secure, as well as predictable and affordable.

This document summarizes Wipro Consulting Services' point of view on a Target Operating Model and implementation roadmap for large global organizations to create a robust solution for their S2P Invoice Processing and Document Management system.

Target Operating Model

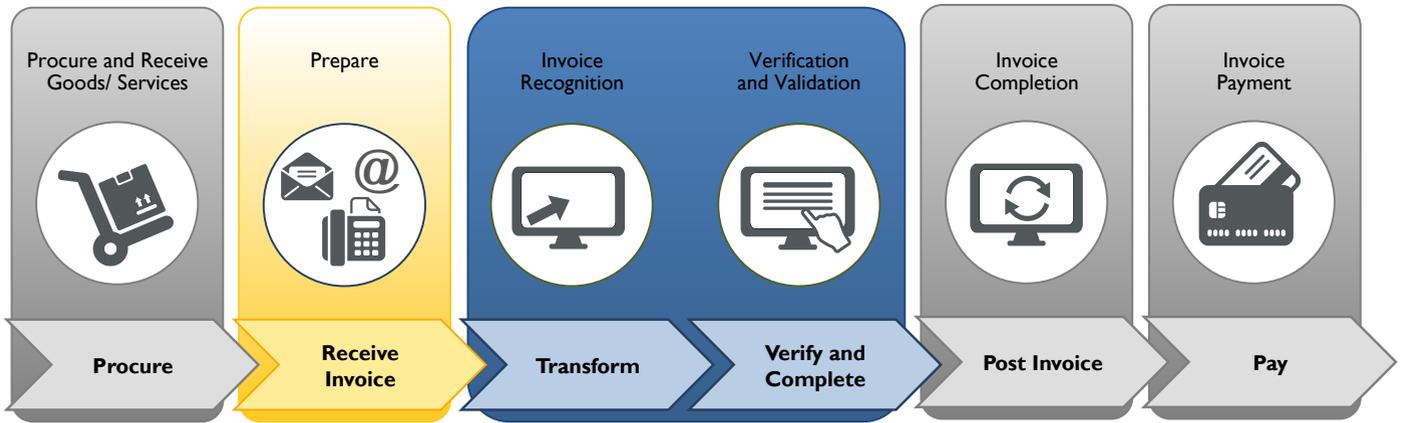
The Target Operating Model (TOM) comprises four integrated components: Business Processes, Organization Roles and Responsibilities, Enabling Technology, and Data and Reporting Requirements.

Component I: Business Processes

In the Target Operating Model, the invoice processing/document management process is integrated into the S2P cycle as shown in Figure 1.

Receive Invoice: At the start of the process, the invoices are received by mailroom via various channels and formats,

Figure 1: Invoice Processing and Document Management Process



including paper, fax, and email. The paper invoices are then scanned and batched for processing and transmitted to the Document Management systems along with e-mail invoices. The invoice is received at a central mailroom for a region and then prepared for further processing.

Pain Points:

- Incomplete invoices and missing data due to supplier non-compliance
- Poor quality invoices that do not meet the OCR standards
- Email invoices that do not conform to the defined standards

Invoice Recognition: The OCR system extracts the data from the documents and captures the defined data fields. It can match the extracted data with PO and vendor master data, as well as GL account data, and can enrich the extracted data. The

business rules can be defined to enrich the data, reject invoices, and trigger workflow for manual processing.

Pain Points:

- Process complexity can be introduced by data delivered across channels
- There may be a poor extraction rate or drops with time
- Limited automation due to lack of integration with the procurement and AP processes and data
- Vendor master and PO data quality

Verification and Validation: The extracted and transformed invoice data is verified and manually updated, and incomplete or incorrect data is corrected. The system extracts the data from the documents and captures the defined data fields. The verified and validated invoice data is then transmitted to the P2P platforms to post the invoices

after the invoices are completed and the approval workflow is executed.

Pain Points:

- Increased processing time due to complex workflows
- Reduced automation due to manual coding
- Limited scalability of the solution

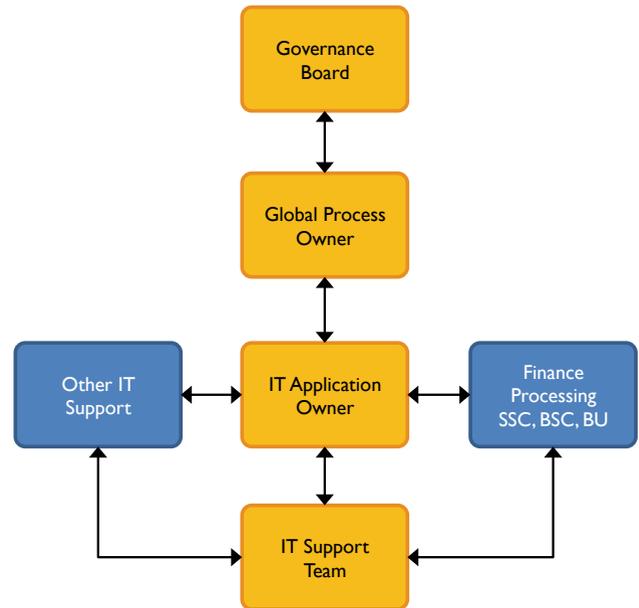
Key process design considerations for the Invoice Processing and Document Management Process:

1. Design invoice digitization to ensure seamless integration with workflow to enable automated creation and allocation of work items
2. Facilitate OCR enabled automated indexing, thereby reducing data entry time and improving the accuracy rate
3. Rationalize and define common invoice data elements and file formats in order to integrate invoices processing across channels (paper, PDF, fax)
4. Implement rule-based design to capture invoice data and automate invoice posting
5. Harmonize PO and Vendor Master data to improve extraction rate and auto-posting
6. Implement simplified and standard workflow design
7. Harmonize process and data across divisions and geographies with minimal localization

Component 2: Organization Roles and Responsibilities

To ensure the effectiveness of the Target Operating Model, a strong governance and clear definition of roles and responsibilities must be established. Roles and responsibilities must be defined for those who set and direct strategy, establish the processes, and actually run and support the system. The interdependence of these stakeholders with each other should also be defined, as shown in Figure 2.

Figure 2: Interdependence of Stakeholders



Governance Board: This global organization is responsible for the strategic fit and direction, policy, compliance, and change control, as well as management of the governance framework.

Global Process Owner: The owner controls process refinement, rollout, data compliance, and dispute resolution. The owner also manages the Change Board and leads issue resolution, SLA exception resolution, and financial close compliance.

IT Application Owner: The IT Application Owner ensures the smooth running of the system. The IT Application Owner is responsible for the support model, upgrades and improvement execution, issue resolution and testing, maintenance of SLAs, and reporting performance to other teams.

Finance Processing: The responsibilities of this group include initiating inter-company transactions, compliance,

reference data setup, issue resolution and testing through shared service centers, accounting units, and subsidiaries.

IT Support Team: IT Support Team's responsibilities include issue tracking and resolution, performance monitoring, system tuning, integration, and interface management. This element of the organization can be delivered as an offshored managed service.

Other IT Support: This group provides assistance with issue resolution, upgrades, and testing.

Component 3: Enabling Technology

There are a number of available standard Document Management applications that can meet the stated requirements with minimal customization and configuration. The deployment of the application could be accomplished in-house or through the SaaS or managed service model.

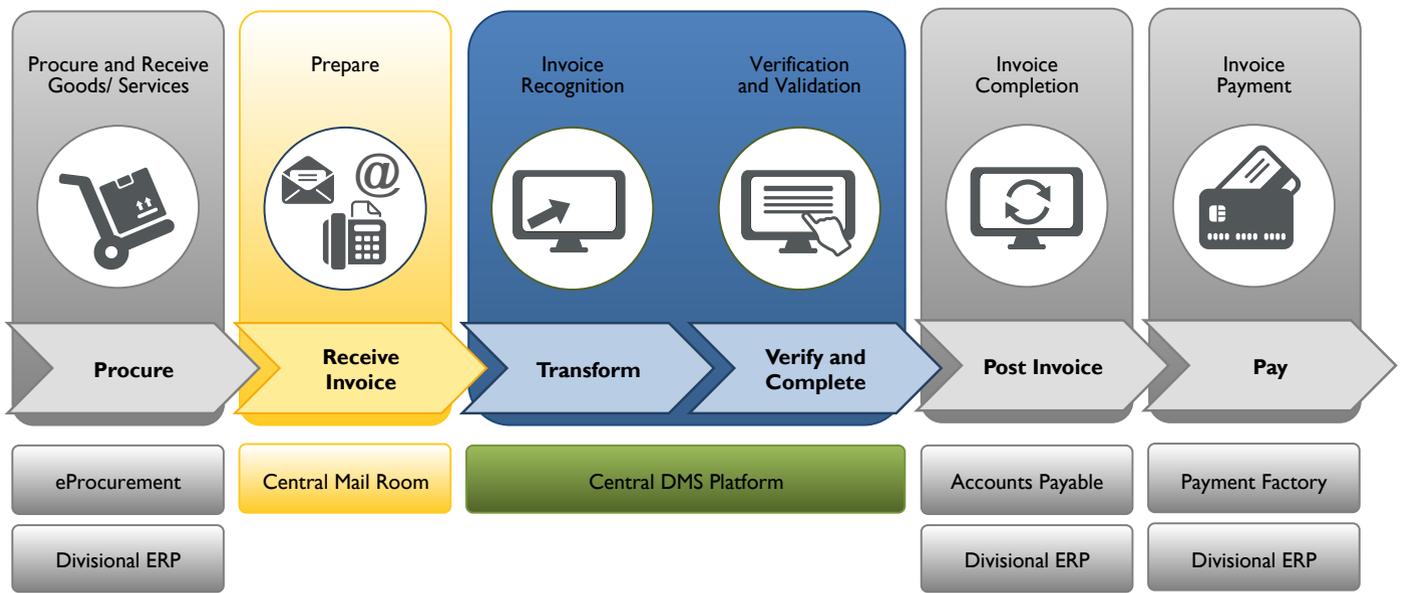
The in-house development of a Document Management tool may not be the best option, given the number of available off-shelf tools and their level of maturity and sophistication. Moreover, an in-house platform will give diminishing returns with decline in the volume of paper documentation. Figure 3 shows the platforms that could support the invoice processing and Document Management Process.

Technology Selection

There are a large number of OCR solutions available off the shelf, and a detailed assessment is required to choose the best option for the organization. The available tools are assessed to capture cross-functional and cross-divisional global requirements and determine the best fit for the organization.

The key considerations for the selection of the Document Management solution are:

Figure 3: Platforms supporting the Invoice Processing and Document Management Process



- Alignment with the cross-divisional requirements
- Cost effectiveness
- Scalability across divisions globally
- AP productivity improvement
- Single standard process across divisions and channels

Component 4: Data and Reporting Requirements

Data integrity and consistency are key requirements for the final integrated design and automation across the cycle in order to achieve efficiency and other benefits through the Document Management solution.

A common data structure and harmonized and cleansed data are vital to automating and implementing standardized processes and platforms. A single view of data will also enable improved reporting and accurate performance measurement.

Business Case for Large Established Countries and Emerging Countries

As an enterprise determines how the business case plays out across each one of its business environments, it must be acknowledged that there may be different existing models to consider:

- An outsourced model for the Source to Pay Cycle for all countries, including emerging markets, and
- An outsourced model for the Source to Pay Cycle for large established countries or regions (e.g. USA, U.K., Germany, or Australia) and in-country Source to Pay cycle teams which are not outsourced or centralized in emerging markets (e.g. Argentina, Colombia, South Africa, UAE, Indonesia, or Korea)

Fully Outsourced Model: The business case for this Source to Pay with Document Management solution may

fully impact a company's Business Process Outsourcing (BPO) partner. Companies in a first- or second-generation BPO contract may be locked into a 5- to 10-year agreement in which the partner may consider this type of solution a challenge to their revenue stream.

Most companies tend to engage their BPO partner early on to ensure that they are able to get the full benefit of this type of program.

Partly Outsourced or Partly Centralized Model:

The business case for this Source to Pay with Document Management solution may fully impact the BPO partner as noted above. However, most companies tend to have a mixed model of outsourced large established countries or regions and in-house centralized/de-centralized models across emerging markets. In this scenario, most companies realize that if they have a centralized operational model across emerging markets, they will benefit from these type of programs.

Companies with a decentralized operational model across emerging markets in which individual countries may not be fully standardized or fully centralized may decide to defer this type of program until the emerging countries have transitioned into a centralized model across a region or a number of countries to obtain the full benefit.

Roadmap

The Target Operating Model is the cornerstone of the solution, but how should it be implemented? A program of this magnitude requires the involvement of multiple stakeholders and changes to business processes and roles. To launch the solution effectively, you will need a roadmap that details the people and teams that are required, as well as the key steps that must be taken.

Before commencing work on the Target Operating Model, a small team of senior members should be formed to identify the fundamental shape of the proposed program. This team should address:

- Top-level sponsorship with an ongoing commitment to success
- Program goals, scope, quality regime, and success criteria and its alignment with corporate strategy
- Appointment of a Program Board and responsible stakeholder
- Development of a program brief outlining the objectives, benefits, risks, indicative costs, and timetable of the project
- An assessment of the current state and a comparison of the current state with the future vision
- Establishment of an independent review process
- Process to get an approval to proceed
- The implications of doing nothing

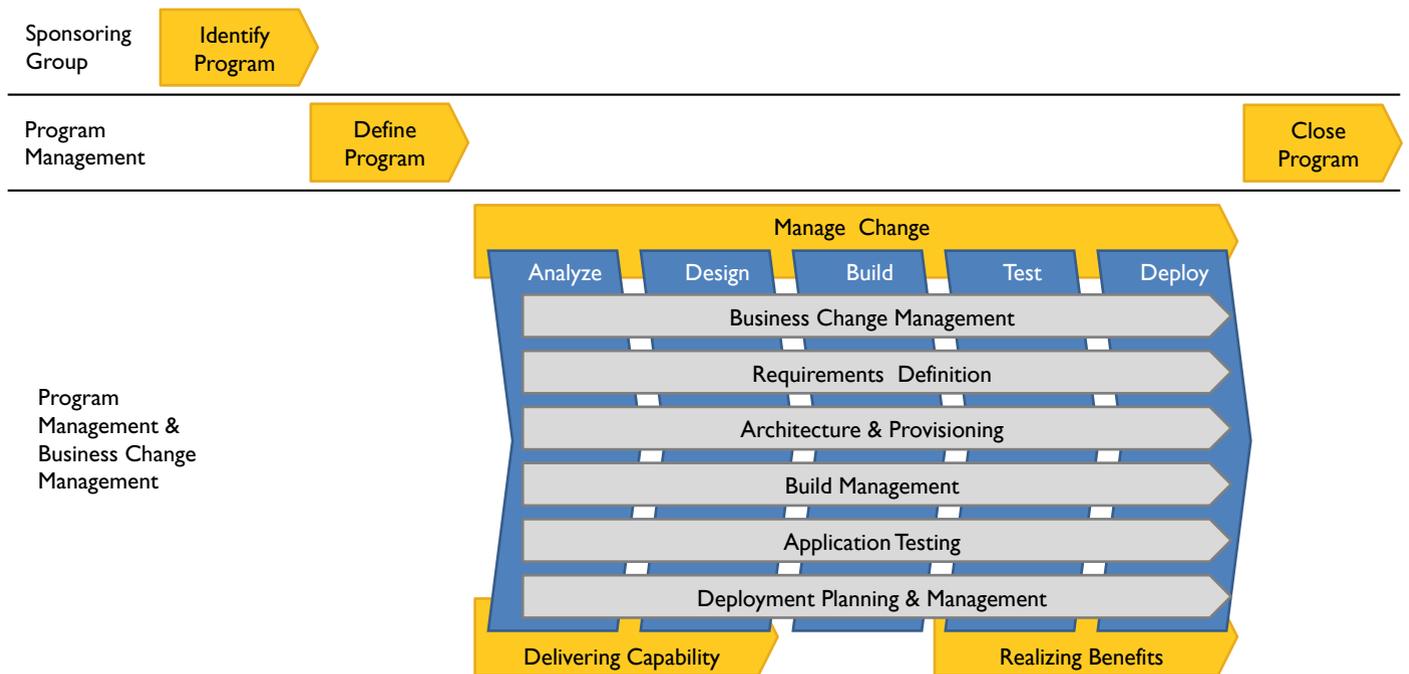
Once these basics have been established, several strategic decisions need to be made before the program roadmap can be defined in detail. These decisions include:

Internal to SaaS Model: A number of vendors offer a Document Management solution as a SaaS offering, wherein the capture, preparation and transformation of both paper and electronic invoices is done by a third party.

The SaaS model enables the organization to:

- Fast track the implementation and rollout
- Allow benefits to be captured as they occur (pay per invoice)
- Place the burden of improving the OCR technology on a third party

Figure 4: Target Operating Model Roadmap



Availability of Existing Functionality: Some components of the Document Management solution may already be available in the organization in the form of tools such as Kofax, Scan One, or insiders. These assets can be assessed and utilized to perform specific functions and integrated into an overall solution.

Once these major decisions have been made, the senior team should appoint a program management team to define the program as shown in the Figure 4 roadmap. At a high level, a combination of program and software development lifecycle management should be applied.

Sponsoring Group: The Sponsoring Group represents the leadership team responsible for making investment decisions, defining the strategic direction of the business, and aligning the business with the strategy.

Program Management: This wider group includes the responsible stakeholder (appointed by the Sponsoring Group) as well as the Program Manager and Program Management Team, both jointly responsible for delivering the program.

Program Management and Business Change Management: There is a fundamental difference between delivering a capability and actually realizing measurable benefits that result from implementing that capability. The Business Change Managers are responsible for embedding the capability into the business operations and facilitating business changes that will optimize the new capability to deliver the planned benefits.

Conclusion

While invoice processing is not complex, establishing a solution that is efficient, accurate, cost-effective, and manageable across multiple platforms, divisions, and regions has proved to be a common problem faced by large multinational enterprises. By adopting Wipro Consulting's Target Operating Model, organizations can establish the basis for implementing a Document Management system that is integrated with the P2P cycle and addresses their typical pain points.

With the model in hand, organizations will be better prepared to develop their vision for a solution and the roadmap to implementing it. The key decisions that will determine the cost, scope, and duration of the program include the choice between an in-house solution or a SaaS solution, and the decision between in-house or outsourced support for the solution.

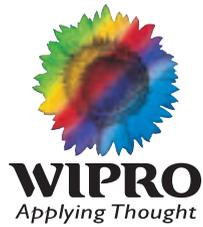
At a time when organizations are wrestling with a host of business issues around product or service development and sales, managing costs, and optimizing profits, the last thing needed is distraction caused by an ineffective Document Management system. This should be a part of the business that is humming along smoothly. With this key issue resolved, organizations can focus on making their businesses profitable and competitive.

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