Secrets to Unlocking Next-Level Automation

Find and activate your catalyst for improvement

TUNGSTEN NETWORK

sharedserviceslink

Introduction

Our business landscape has changed: P2P must respond

Purchase-to-Pay (P2P) automation tools such as e-invoicing networks have been available for decades. However, current business conditions have triggered a "wake-up" among business leaders who now recognize that e-invoicing is one of the central cogs helping an organization thrive, regardless of the economic climate.

Business operations stress-tested:

The sudden need to work from home in 2020 and 2021 revealed the stark contrast between digital and agile businesses with easy access to accurate information about their financials and those companies swimming in paper who struggled to see ahead.

Governments in a fiscal hole:

Added to that, governments across the globe are determined and compelled to collect more tax. The pandemic has only served to exacerbate this. Global COVID relief programs have cost more than $11 trillion and weakened nations' balance sheets. Countries are in a race against time to recover, and one obvious "win" is VAT. Increasing VAT rates is unpopular, which leaves governments determined to close VAT gaps to increase revenue collection without increasing rates. The VAT Gap in Europe alone stood at €134 billion in 2019.

As a P2P or Accounts Payable lead, what can you do? What MUST you do?

The world is in flux. AP and P2P Leaders must mobilize the end of paper and usher in high levels of touchless transactions which champion data accuracy, business insight, organizational efficiency and tax compliance.

If you have yet to start your e-invoicing journey, or if your program has stalled below the 50% conversion mark, this whitepaper is for you. This document will equip you with the reasons why now is the time to act, and get to the root of what is holding you back.

3 Reasons to act and automate

1 Automation boosts operational resilience

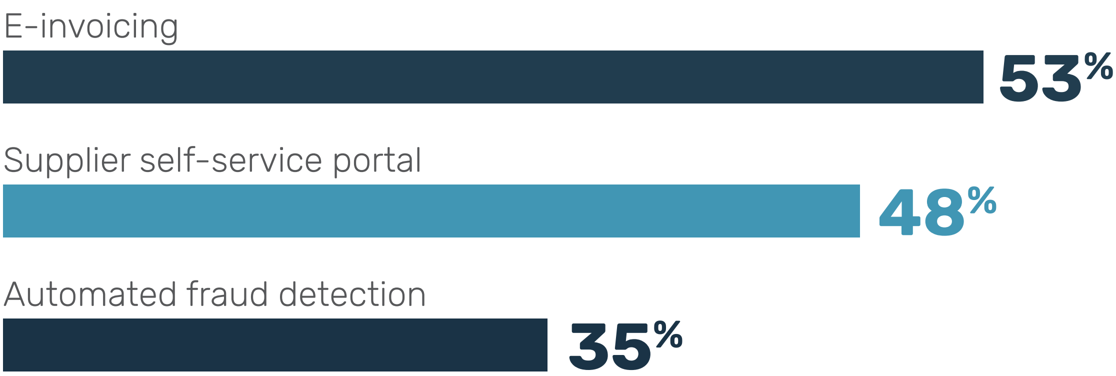
This won't surprise you: companies with higher levels of manual processes faced more disruption during the pandemic. While many AP and P2P departments managed the transition to working remotely relatively unscathed, those that were less reliant on paper managed the transition better.

Operational resilience and disaster readiness has moved up the agenda. Eliminating paper has moved from a preference to a key priority. Paper invoices in AP stops an AP team from being future-proof: it prevents an AP team from being disaster-ready. We all now have a role to play in keeping our company alive, and paper-based AP is not a sign of a "disaster– ready" organization.

How are companies preparing?

sharedserviceslink conducted a survey with AP and P2P professionals in August 2020. The results illustrated that electronic invoicing and automated supplier communication were the two top priorities.

As a result of the changes in your business and your procure-to-pay process due to Covid-19, what tools and technology are now a higher priority for you?



sharedserviceslink 2020. 3 Ways Covid-19 Changed Shared Services

Without question, electronic invoicing and supplier portals will assist a company in its quest to be more resilient against future disruptions.

Let's examine these top 3 priorities:

a e-Invoicing:

The survey found that companies still receiving paper invoices felt the effects of the pandemic the most. Many of these companies were receiving high levels of emailed PDF invoices. While emailed PDF invoices give the impression of improved efficiency, the touchpoints are still there with this method. PDF invoicing is not considered electronic invoicing. e-Invoicing means suppliers send invoices via EDI, an e-invoicing network or supplier portal that is received as a data file by the buyer and processed without touch. The electronic invoice is data entered without touch, matched without touch, workflowed if needed without touch, and posted without touch. Benefits are extensive, impacting cost, data accuracy, visibility, match rates, processing speed, fraud reduction, cashflow reporting accuracy, contract compliancy, scalability, data insight, discounting opportunity – and of course operational resilience.

b Supplier portals

Help Desks exist in Accounts Payable unnecessarily. Time is wasted and money is spent on talented people managing phone calls and emails from suppliers often asking the same question: "When will I be paid?" Look at the resource in your company today that currently manages supplier queries. Supplier portals can free up your team to focus on what they are qualified to do. Suppliers are also empowered with portals, enabling them to receive POs, accept POs, convert POs to an invoice, send an invoice, monitor the payment of the invoice, take a discount if desired and update banking information. If the supplier has a query or AP disputes the invoice, all can be resolved through a supplier portal.

c Automated fraud detection

Most businesses and individuals have experienced an increase in fraud attempts, particularly phishing and spoofing in the last two years. The FBI's Online Crime reports shows a 9 x increase in phishing attempts between 2018 and 2020.

AP automation technology often has built-in tools that can help you catch potential fraud before it occurs. AP automation software can detect discrepancies in invoices and reject invoices that fail to meet internal checks at a pace and scale that humans simply cannot. Automated controls are essential in standing up to daily fraud attempts on businesses.

2 e-Invoicing mandate proliferation

Governments around the world are implementing new e-invoicing and real-time reporting requirements at a rapid pace. While this has been a trend for years, the desire to close the 'VAT gap' has accelerated in the wake of unprecedented public spending during the Covid-19 Pandemic.

Regulations vary country to country, but most mandates require companies to submit invoices or transactional data in "real time" to the tax authorities. Some countries require that the tax authority has visibility of the invoice before the buyer. These complicated requirements which vary country to country are forcing tax teams to change processes rapidly in a way that is highly stressful and ultra-challenging. In addition, the mandates are constantly evolving. Being compliant today does not ensure indefinite compliance. Two things are clear:

- It will be extremely hard or impossible for enterprises to remain compliant with a manual or paper-based system.
- Compliance requires a global and business-wide approach. The AP and Procurement automation tools you choose will have a direct impact on how your business ensures compliance.

Assistance from a third party is needed to help you ensure compliance in a large, multinational company. Tax teams cannot manage this on their own; it requires a concerted effort from the entire business.

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A look at Italy's e-Invoicing Mandate Journey

- **In 2019, Italy mandated domestic invoices must be electronic**
- **Invoices must first be sent to the government (SdI platform). Invoices cannot be sent directly to the buyer. The government distributes these invoices to the buyer**
- **This gives the government full and early visibility of VAT payments.**
- **In 2019, they collected €4B more VAT (reducing its VAT gap with 11%)**
- **In 2022 they are extending the scope of the mandate to cross-border invoices**

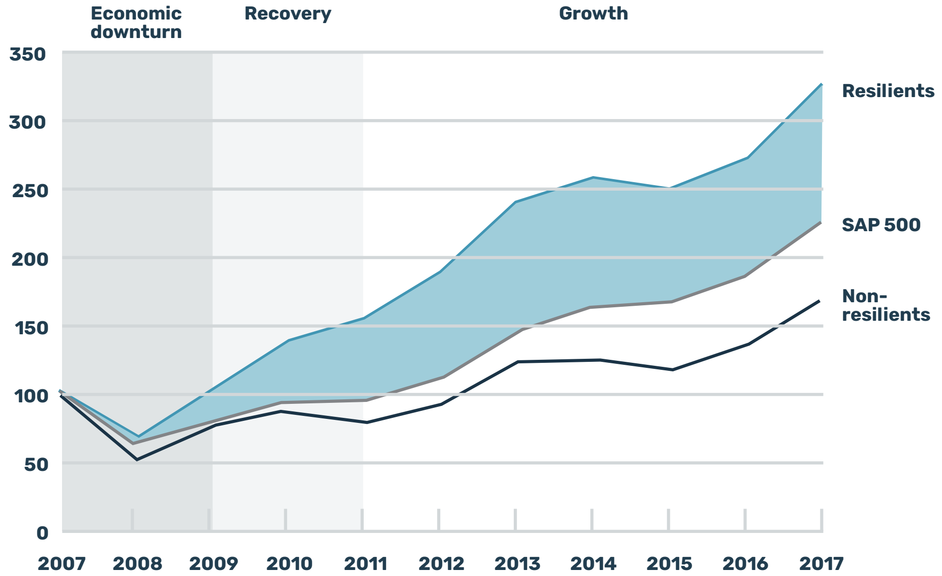
As more tax authorities see how successful e-invoicing mandate are at collecting more VAT and data, they will continue to be implemented in more and more countries.

3 Automation and resiliency give you a competitive edge

In times of difficulty or disruption, many organizations focus on keeping the "wheels turning," reducing costs quickly wherever possible, and just getting through the turmoil. But crises present opportunities, and, as evidenced in previous downturns, companies that continue to invest in themselves outperform others in the long run.

According to research by McKinsey, companies that continued to invest in their infrastructure ahead of the 2008 downturn outperformed companies who did not. How your organization responds to the crisis today will determine if you die, survive or thrive when we emerge from the pandemic and the economy recovers.

Cumulative TRS performance



"Bubbles pop, downturns stop," McKinsey Quarterly, May 2019

Between 2007 and 2017 the cumulative Total Returns to Shareholders (TRS) of the typical 'resilient' grew more than 150% over the 'non-resilients'.

McKinsey report that "resilient [companies] moved early, ahead of the downturn. They entered ahead, they dipped less, and they came out of it with guns blazing." The three defining factors of resilient companies, according to the report, were:

1. They kept healthy balance sheets which helped them move decisively and get acquisitive after the crisis.
2. They prepared earlier, reducing operating costs at early signs of turmoil.
3. For these growth sectors, resilient companies overdelivered significantly on revenue, while taking on higher costs.

During 2020 and 2021, many organizations relied on a combination of crisis management and recovery actions to keep running, including practices such as hiring freezes, or canceling or deferring investments. While these sorts of emergency actions are effective in the short term, they're not sustainable forever, and ultimately, they hamper financial recovery and growth.

Taking a longer-term view, there's never been a better time to build toward a more sustainable future. By making some simple but critical changes, finance leaders can optimize their organizations' financial health in ways that better equip them to navigate disruptions ahead.

How you can support resiliency?

AP and P2P leaders should remind themselves of the crucial role they play in determining the financial health of their business.

Data insight: AP and P2P teams hold business-critical information that can be leveraged to drive strategic decisions

Cost effectiveness: Micro cost savings per invoice can add up to millions saved when all invoices are touchless. Savings are perennial.

Fraud prevention: Fraud poses a risk not just to the financials of a company, but often to its reputation. Finance systems is a first line of defence against fraud.

Legal compliance: Tax compliance in today's landscape requires an active and robust response from Finance.

What is Stopping You from Automating Further?

> "I've not met any peer in my network of P2P contacts who has managed to get beyond 40% adoption"
>
> P2P Leader, multi-billion dollar manufacturing company.

While high levels of electronic invoicing conversion are certainly possible within an organization, it is not yet the norm. Most Finance and Shared Services professionals in large enterprises have automated to some extent and have achieved medium rates of automation.

So, what are the biggest factors holding companies back, and how do you move past them?

Problem 1: Many underestimate the continuous journey of change management

You have a vision, but staying on track and sticking to your long-term goal in "regular" times, let alone "turbulent" times, requires real skill. To drive a vision, you need leadership skills and change management skills.

Solution:

Proactive, tenacious, authoritative process owners are needed who will set a vision, meet a goal and keep the peace. Whether they are a process owner by job title or not, these individuals need to be process-aware, have credibility, understand the politics of the business (without being bogged down by them), understand the "as-is" of their process (and its limitations), be able to communicate the "will-be" process (and its opportunities), and alter the communication palette depending on who the listener is. This is your change agent. They will have a mix of leadership and change skills. They will love the detail of process, and relish standing toe to toe with your executive team if necessary if they undermine the project in any way.

e-Invoicing programs happen in 3 phases: Kick-off and start of the project (exciting!), followed by first 50% converted (fairly straightforward and rewarding), followed by the second 50%, or as close to, converted (hard!). To convert the first 40% to 50% of invoices to electronic is relatively easy. The second 40% to 50% requires a different approach, and this is where the project requires grit, tenacity, energy and focus.

Problem 2: Poor quality data creates more manual work

Solution:

There is no quick fix to improving data. Not everyone wants to hear this, but good quality data is the linchpin of a successful automation program. Conversely, poor data will impede your efforts to automate and digitize. It's not the most glamorous job, but cleaning your data is a crucial step on the road to digital transformation, and designing good data governance will help you maintain clean data in the long-run. Some good data practices are:

- Consolidate your suppliers: a reduced supplier base offers many benefits including fewer records to maintain. Ask your suppliers to update their details via your supplier portal. Also identify suppliers that you are happy to lose should they fail to subscribe to your e-invoicing program. This will help your consolidation efforts.
- Ensure that data is owned: Who owns your data? Data has long been the forgotten child of operations, lacking a parent. Does Shared Services own it? Is the owner senior and strategic and permanent, or is data owned by someone junior?

Problem 3: Suppliers don't get onboard

e-Invoicing programs are only successful if suppliers participate. This means suppliers need to do something different. To drive a change in behaviour, a supplier needs to realize that if they fail to change, bad things will happen, and if they do change, good things will happen. Pretty simple!

Here are some of the bad things:

a The buyer can decide not to trade
b Paper invoices will be processed slower
c Paper invoices will be sent back
d Paper invoices will be processed at a small charge (allowed in some jurisdictions)
e Paper invoices will continue to cost the supplier more in postage
f The supplier will not have visibility of the invoice status

Here are some of the good things:

a Electronic invoices will be posted and paid sooner
b The supplier will have access to discounts if desired
c The supplier will have guaranteed delivery
d The supplier's invoicing cost will be reduced through cost-per-transaction and reduced Days Sales Outstanding
e The supplier will have visibility of the invoice payment status, reducing phone calls and emails

Some communication techniques that work when onboarding suppliers are:

a Have your CPO and CFO sign the correspondence
b Make sure there is a clear date for the supplier to onboard by
c Communicate the benefits
d Tell them what will happen next
e Call your larger suppliers or meet them

- **f** Run a webinar for other larger suppliers
- **g** Have procurement involved and brief procurement on how to respond if they receive a phone call from a disgruntled supplier
- **h** Reference the discounting option if available
- **i** Have a timeline – how long will it take to onboard the first wave of suppliers, and what's your approach for suppliers who resist?
- **j** Work off clean and complete supplier data

There is a time and place for mandates, but it probably shouldn't be your first option.

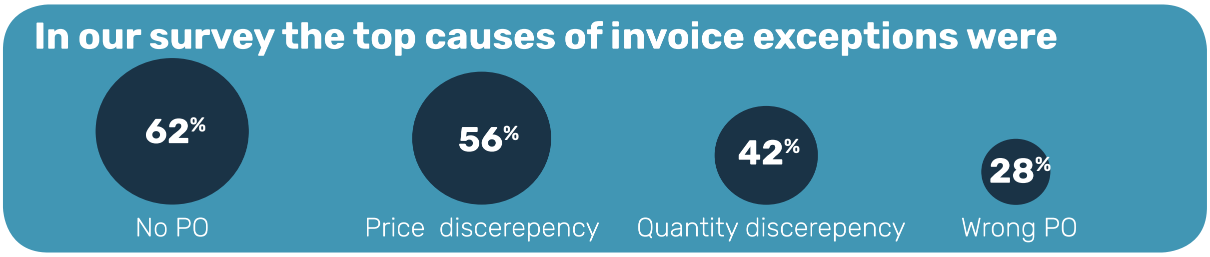
Problem 3: Your process is letting you down

Ardent Partners report[3] that while Best-in-Class P2P operations have 67% of invoices processed straight-through, outside of that the average is a weak 21%. Many large enterprises see over 50% of invoices arrive in PDF or paper formats.

Sometimes a process isn't ready for e-invoicing. (The PO rate is too low, or the match rate is too low.) The process needs to be fixed before it can be automated.

Solution:

When exceptions exist, it is nearly always related to purchase orders (POs). A sharedserviceslink survey found that PO issues and price and quantity discrepancies were the main causes of exceptions that required manual intervention.

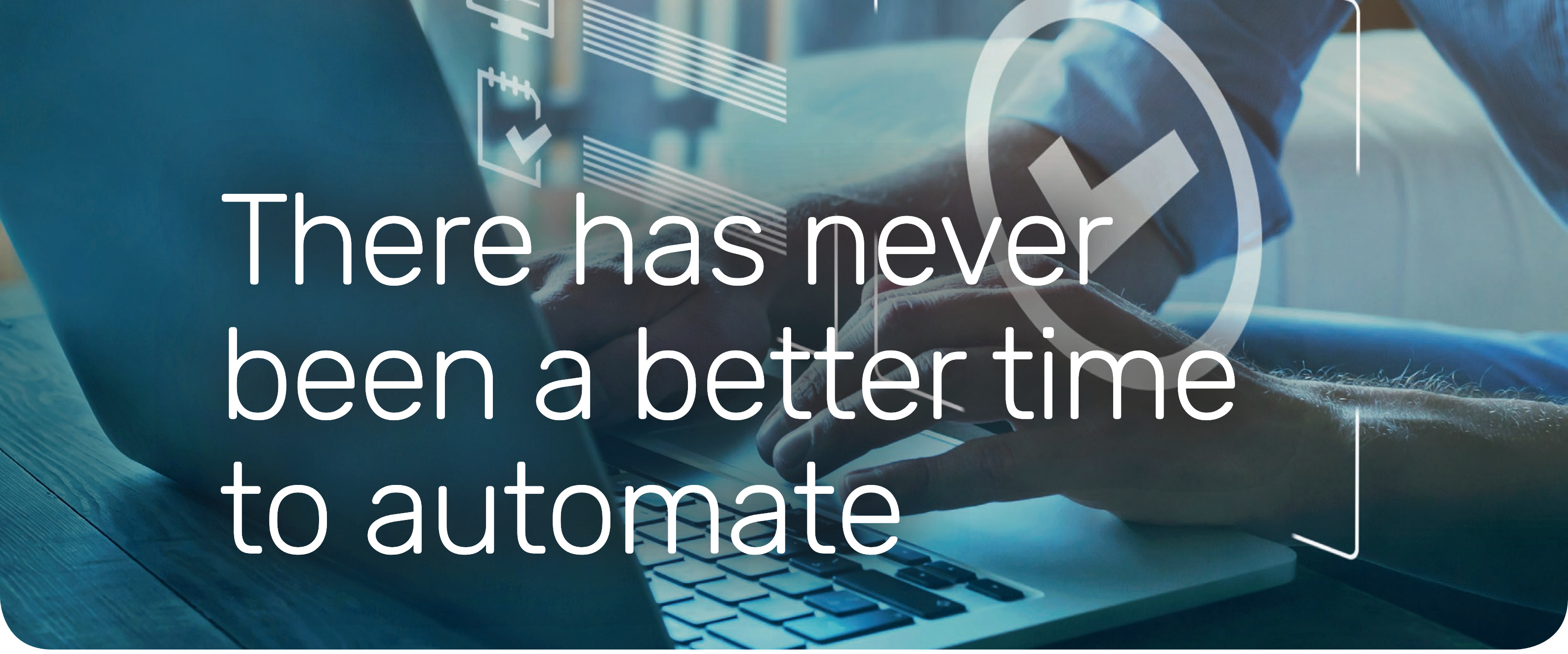


sharedserviceslink 2015 "How to Close the Loop in Source to Settle"

Most of these issues come down to an age-old misalignment between finance and procurement. It is improving, but Finance and Procurement have not always seen eye to eye. This is why companies that operate from a process perspective instead of a function perspective have an advantage. How can a company reduce its exceptions?

- **a** Measure all exceptions and log the issue
- **b** Report on the issues and numbers on a monthly basis
- **c** Make sure the CFO and country Finance Directors are on the report call
- **d** Make sure all buyers understand the importance of raising a PO (head start visibility on spend, more efficient and cheaper process)
- **e** Highlight the offenders and re-offenders during the calls
- **f** Change your shared services charging model so PO-backed invoices are charged out for a fraction of no-PO invoices
- **g** See that stakeholders understand the numbers – most shared services will say an exception invoice costs 15 x more to process than a PO invoice
- **h** Make sure that processes are owned end to end by a P2P Global Process Owner

[3]Ardent Partners, The State of ePayables 2021



There has never been a better time to automate

Before the pandemic, one of the major challenges of automation was convincing the rest of the business it was necessary. Now everyone knows a digital department is a more resilient one. A combination of factors, including the need to work securely and remotely, as well as the need to compliantly meet the raft of e-invoicing mandates, means there has never been a better time to automate. You have a crucial role to play to help guide your company to ensure organizational resilience and to navigate through a rapidly changing compliance and business landscape.

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Tungsten Network processes invoices for 70% of the FTSE 100 and 72% of the Fortune 500. It enables Suppliers to submit tax compliant e-invoices in 53 countries, and last year processed transactions worth over £195bn for organisations such as Alliance Data, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Mondelēz International, Henkel, IBM, Kellogg's and the US Federal Government.

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