

Finance Transformation in Accounts Payable

by Finance Transformation Consulting

AP∞ONE[®]

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Key Learnings



STEP 1: Measure to Manage

Hello, my name is **Michael Ryan** and welcome to **AP One**. What I'm going to talk to you about today is about the first step of the 9 Step Program to transform **Accounts Payable (AP)** and it's the mantra by which I have delivered every single project across my career. Which is that you have to '**Measure to Manage**'.

I have always believed in the Peter Drucker maxim that if you can't measure it, you can't manage it. So, it's very, very important when we start off either a Project, a Program or a responsibility for managing Accounts Payable that we look at the numbers.

Now, a lot of people don't naturally do this unless they're faced with a Finance Transformation program. There are people who are watching this and engaging in Step 1 for the first time. Therefore, this may be something you need to go away and gather the information on before we formulate it into a Dashboard.

Do You Know Your Numbers?

Well, let me give you a feel for the type of things that I like to know when I go in to speak to my clients and that you'll be surprised to know, probably 60 percent of which don't know off the top of their heads, which does make me question how effective the management of the process is.

The Key Metrics

The very first thing we do is we note how many **staff** are involved in the process. That's almost step one. Let's say we've got 20 heads. Within the 20 heads, we will have permanent full time part time and temps. What I'm then really after is the **volumes of transactions**. This enables us to determine how efficient and how effective a process is.

So, what I always ask the Accounts Payable Manager is how many **Invoices** do you process annually? This, for me, really puts things in perspective. When I look at a business, size and shape, value of turnover, how many heads are in finance, how many heads are in the entire business, and how many actual invoices are processed.

The invoice is the primary reason for the **Accounts Payable** process existing. But beneath that, there are other documents we need to look at as well. So, we get the total number of invoices. Obviously, you can break that down to months and weekly and daily in terms of where you get them from.

We also need to know how many **Purchase Orders** you have, for example. Those of you that have Purchase Order systems. I'd just like to cover off one quick point here. It's not a given in the majority of businesses, particularly on the non-merchandise side, that Purchase Order systems exist. So don't be afraid to point out that potentially you don't have an effective Purchase Order system within your business. Feel free to share that with the members.

So, we know the number of **Invoices**. We know the number of **Purchase Orders**. What else do we need to know? We need to know the number of **Credit Notes**. We need to know the number of **Debit Notes**. We need to know the number of **Supplier Statements** you receive and we need to know the number of Payments that you actually make. As there will be a relationship between them.

How many **Purchase Orders**, drive **Goods Receipts Notes**, drive **Invoice Matching**, and then the other parts that go around the process when the process doesn't work, which means a **Debit Note** or a **Credit Note**, or indeed for verification and reconciliation purposes, a **Supplier Statement**. If we have these, we have the context in which we're going to work.

Breaking Down the Numbers

So, say I now know in our example that there's 20 Accounts Payable staff, and they process 60,000 Invoices in a year. In the 60,000, I'd want to know how many of them are **Merchandise** or **Non-Merchandise**, what the percentage breakdown is.

I then want to know the '**route**' into the business by which those invoices arrive, whether they come in by **EDI**, whether they come in by **Email**, whether they come in still by **Post**, or any other method by which that initial data capture is

performed. This Step 1 is actually crucial because the initial means by which the documents are captured drives the entire success of the process, and most critically, the ability for you to deliver the level of Payment Performance which is required.

So, to add to that context, we need to know the numbers related to some of the static **Master Data**. How many **Suppliers** do we have? How many Suppliers on average do we increase the Supplier master file by on a weekly or monthly basis? And again, this gives us context.

So, let's say we've got 20 FTE in Accounts Payable to process the 60,000 Invoices. We process that across 5,000 Suppliers. We know what country they're based in. We know what business unit they support.

Divisions Mask Problems

This comes on to one of the critical things. When you're trying to get to the bottom of a problem, it's important to realize and to have broken down your key stats across the **Business Unit**, the **Divisions** by which your business is organized. Because invariably, not all of the processes will be equal. They won't be applied equally, and they won't face the same challenges.

And so when you're looking at root cause analysis, you need to know, for example, that Division 1, 2, and 3 aren't a problem, but Division 4 is the source of your problem. And that's where you're going to improve your Payment Performance.

The Management Dashboard

And as you pull all this kind of data together, you need to present it in something to senior management, to Financial Controller, and Finance Director level, which is in a simple **Dashboard**. So, I always bring you back to the project management principles of plan on a page. I expect to see the Dashboard of the headline metrics of the Accounts Payable process on a single slide. If you can achieve that, we know where we started from.

Then you can actually start to assess your **Performance**. What's your **Match Rate** on Invoice to Purchase Order? What's your **1st time** Match Rate? What I'm really driving at then is beyond that how effective do you pay your Suppliers? Do you pay them on time? As we go through the 9

Steps, you're going to see just how important this is to do for you, for your business reputation, and for the process efficiency and effectiveness that you're responsible for.

So, for me, this initial piece, it's the **Baseline** of the 9 Steps. It gives us everything in a single, easy to absorb Dashboard, which if a Finance Director glanced at it on any given working day, they would know whether they do or don't have a problem. And that's what I'm driving you towards.

Don't Let System Limitations Stop You

Measure to Manage, it is the bedrock of the 9 Steps. When we come on through the latter Steps in order to show whether you've improved and to devise improvement roadmaps where required, the initial starting point is critical. So, **Measure to Manage**, folks. That's Step 1. That's the most important thing.

Don't allow system limitations to constrict you in doing this. If you can't get the answer out of the system, take a little step back, look at the type of business you're supporting, and make a best guess estimate at what your volumes are. Don't say that the system didn't give me the information, therefore I don't know. Apply a little bit of logic, and then we can stress test it further down the line.

Before you move on to Step 2 you should now have the basic Metrics of your Accounts Payable process and calculated your current standard of Performance, Efficiency, and Effectiveness in a Management Dashboard.

As with each of the 9 Steps there is an accompanying video and PowerPoint presentation to reinforce the key points. Please Read this Step in conjunction with the [Step 1: Measure to Manage Video](#) and the PowerPoint Presentation on the Finance Transformation Consulting Website.

STEP 2: Map the Territory

Welcome to Step 2, **Map the Territory**. In Step 1, you've baselined your project. Now what you're going to do is you're going to look beyond Accounts Payable to see the context in which it sits both within Finance and the wider Business.

At its highest level, this starts with the **Operating Model** of the Business. People get target fixated on what's known as the **Target Operating Model**, which is the **TOM**, which is what you want the future to be. However, you're still at this stage of the 9 Step Program in defining where you currently stand and what the problem is.

I always advise Clients not to focus on the TOM in Step 2, but to focus initially on the Current Operating Model (COM) as it always contains the Gold Dust!

At its easiest to follow nature, this is the **People, Process, and Technology** which underpin the end-to-end process that Accounts Payable sits into. Accounts Payable is only one part of the end-to-end **Purchase-to-Pay (P2P)** process.

The People Layer

You need to understand all the people involved in it. So, the **Community** involved, everybody from **AP** through **Procurement**, through the **Budget Holders** in the business, to those who can raise a Purchase Order, to those who can approve a Purchase Order, and to those eventually who can receipt a Purchase Order.

Then ask who's got a **Corporate Card**? Who out there can actually enter a **Purchasing Commitment** on behalf of the Business? Think of it like that. Who can buy? These are the people who are your **P2P Community**. These are the people you're going to need to influence if you want to improve this process. That's the people side of it.

And yes, it does involve an **Organization Chart** at its most basic level. If you want to go now and get the AP chart, the AP organization chart, the Procurement organization chart, the entire organization chart to Finance and understand

how all the Divisions are organized, yes, do that as a starting point.

And then start to explore what's within that. What are they doing? What is the **Headcount** within it delivering? How many **Suppliers** is it supporting? How many Invoices is it processing? How many Purchase Orders is it raising?

Is there a difference in the number of Purchase Orders per Division? Don't always think that the Business's overall problem will be the same. Once you get into a Division Business Unit breakdown, you'll find that not all the Business Units operate equally. Some are better resourced than others, but actually they won't operate the same processes either.

You'll generally find that one Business Unit could be a problem and another three can't. So, it's important to understand how the Business is structured. It's also important to understand why it's structured that way and then how best you can support it.

The Technology Layer

We've looked at the People, and we are going to look at the Process in more detail in Step 5 so it is now time to look at the Technology. What I want you to appreciate with the Technology are 3 main points.

1. The first is how many **ERP systems** are actually supporting the AP process and in large-scale businesses, you can actually have multiple ERP systems. What you can find, particularly in acquisitive businesses, is that there is an ERP system in each Business Unit or Division. This creates interface, interdependency issues, etc., etc. You need to map these fully so that you know what system is supporting which part of the process.
2. The next thing you need to understand is when you move beneath ERP level, what **Best-of-Breed point solutions** have you got in order to make your P2P process work? At its simplest level, this can be a Purchase Order Database, a Hierarchy of Approvals

Database, or it can be your scanning or your OCR software, which enable your process to work. These obviously can be, but not in every instance are they, part of the main ERP. They're generally bolt-on solutions. You have to identify all of them as well and who supports them.

3. Then the next question you've got to ask yourself is, where do I **NOT** have Technology? Where am I reliant just on the person or on the process, or even worse still, just on the Supplier? You definitely need to know this.

Building the Ecosystem View

This is what Mapping the Territory is all about. It's starting with the first layer, which is AP. We had 20 staff. It's then going to the next layer. How does that sit within the Business? Which parts of the Business support the process? What

Technology supports that? Then when we view all of that in the round, we have the **'Ecosystem of Accounts Payable'**.

Do not allow yourself to fall for the classic mistake, which is, we're going to adopt a global template. We're going to adopt a 'To-Be' model, which 'naturally' is best in class. This abdicates you from a responsibility to examine your current operating model. Don't skip that. I have seen people get to the end of major change programs and had they invested more time here, they would have saved time and money!

Look inwards first, then look outwards as to what Accounts Payable sits within, and you will accomplish mapping the territory. And that's what Step 2 is all about. It's a natural feed-on from the Baseline exercise you did in Step 1.



STEP 3: About the People

Welcome to Step 3. Step 3, it's *always* about the people. Congrats on reaching this stage. You've now **Baselined** your Accounts Payable function. You understand the **Ecosystem** in which it exists as you **Mapped the Territory** and now you're going to encounter the challenge which exists in every single change program that has ever existed.

The Technology is never the main problem. The Challenge is always in getting people to work effectively together as a Team.

In my opinion there are two aspects to that. The first is that you actually state what your **Expectation** is. So, I talk to many Accounts Payable teams, and they will say, oh, we have a problem with Purchase Order compliance. We can't get the Match Rate right. Budget Holders don't do what they need to do, etc. Now, we have influence that by setting our **Expectations**.

Setting Expectations

And the very first thing we need to do is we need to set out what everybody in the Accounts Payable Community is expected to do. We've identified who our Budget Holders are. We've identified who's allowed to raise a Purchase Order and we've identified who does the Receiving.

What we need to do is explain to them from an Accounts Payable perspective what our expectations are of them. What their **role** is in the process. What they need to do. How they need to do it and most critically when we need them to do it.

You'd be surprised at how many teams, they don't get around to doing that or they only address it when they're faced with a system change. So, when we discussed in Step 2 that you needed to appreciate the organization you existed in, that's for the purposes of building relationships. A process that starts in procurement and finishes in finance is only going to work if people talk to each other.

I'm going to say that again. Any Process which starts in one Department and finishes in another is only going to work if you talk to each other.

So, start the process. Don't believe that you exist in separate silos. You work for the same company so find ways in which to work together before you end up facing an actual problem. That's the first thing, set out clearly what everybody's role is. Set out your **Expectations** of what their expected to do. State your policies as to what it is you need them to do and make sure that you **Communicate** them in an effective manner.

Handling Conflict

What I want to move on to is the second element in this Step and that's where you end up with **Conflict**. Now, organizations by their very nature, don't all run smoothly. Not everybody has to like each other. Not everybody has to work well together. Many people go to work for the very simple reason that they need a job and they need to be paid in order to live their lives and that's fine. Other people are very well motivated, positive and proactive in what they do but not everybody gets on.

Where we face the real challenge in Projects is where that breakdown in interpersonal relationships screws up the process and the process doesn't work as effectively or as fast or as compliant as it needs to because two groups or more often two individuals have stopped speaking to one another.

This happens very often. Just look into your own families. I look into my own and you know we fall out with people from time to time. These things also affect business processes. It's all down to interpersonal relationships.

So how do we address that if we're not engaged in a Transformation Program with a full-blown change management team at our disposal? So, you're in steady state business as usual perspective. You've done steps 1 and 2 and deep down you know that there are challenges in the relationship across some of the middle managers concerned in different departments.

Your main route in order to do something about this is to sit down with the HR team and actually look for some coaching around a conflict resolution, team building, working together,

working across silos, all this type of thing and address the fact that there could be a challenge in the relationship.

Instead, what I tend to see happens is that people put their heads in the sand and ignore the problem and because they're not being held to account on the Dashboard Metrics which you pulled together in Step 1, there's no consequence to that.

There will however be a consequence at a certain point in time when you're expected to improve your performance, change the system or the personnel for whatever reason get changed or the business comes under pressure and then it has to perform. So, I suggest you address this now.

You've done your Stakeholder analysis as to who's involved in the process. When's the last time you

did any analysis as to who's actually potentially not helping the process and where the blockers are there in the relationships.

There could be some upskilling required, there could be some training required, but it could basically just be some investment in the people concerned to help them to work better together because let's face it, they didn't come in to work necessarily to do anything other than the job you gave them to do.

So that's where I think you turn to the professionals in HR and you go okay we've got this challenge, what's the best way for us to ensure that the process and the people work best together. That's how I deal with it internally in the first instance. That's Step 3.



STEP 4: Build on Firm Foundations

Welcome to Step 4. At this stage you have **Baselined** your project. You know exactly how many people are involved right across the business, not just in AP. You know all the key volumes. You know how many suppliers you have, how many invoices you have, etc. You know where the challenges are in the wider business in terms of communication and interpersonal relationships amongst the people involved in the process.

We now get to what is universally accepted as the **bedrock** of any attempt to change Accounts Payable. No matter how many people I've spoken to on this subject over the years, this is where they all start. This is where the rubber hits the road as they say.

This is where we examine the **Vendor Master file** or the **Supplier Master file**, whichever one you wish to call it. This is the point at which we create the **foundations** necessary to ensure that we can improve payment performance, guard against fraud, and ensure that we are more effective and efficient in how we deliver the overall process.

Validation, Not Cleansing

What do we need to do? We do what is generally referred to as the **Vendor Master Cleanse**. Now I don't like this phrase. I don't like the term cleanse because I don't think it actually gets to the heart of the problem at all. I think what needs to be done is a **Vendor Master Validation** and **verification** of the key master data.

Generally, I find that clients tell me that the size of their **Vendor Master** is the challenge. That they don't deal with it because they've anywhere between 10,000 suppliers and 130,000 suppliers and that this has grown in an ad hoc uncontrolled manner from day one.

Actually, as you will learn when we move on to Step 6, this actually cannot continue anymore for UK companies. Under the Economic Crime Act passed at the end of 2023, you have a 'Duty of Care' to make reasonable steps to ensure that you know your supply chain and your supply chain includes your suppliers. All of them regardless at what point they were onboarded, whether you consider it to be procurement's responsibility or finance's responsibility, that supplier master file is guard line number one against fraud in your business.

So, somebody take responsibility for it. I always prefer to think that an Accounts Payable team would own it. However, there can be challenges to that and Procurement can own it. It doesn't matter once somebody is declared as the owner of it, the data is reviewed, it's updated, it's verified, validated and is robust. If it isn't you're going to face challenges down the line.

One of the areas I don't want to labour the fraud element because that's what's dealt with in Step 6. Dormant businesses are a wide open door to your business being defrauded. I'll just give you one example from the vendor master file. If you invest the time and get in this step right, I think it will pay dividends all the way down the line.

Tackling a Large Vendor Master File

You need to extract as much information as possible about a particular supplier, you need to ensure that it's up to date, you need to validate key areas such as their **Bank Accounts**, and you need to ensure that what's there is something that is regularly reviewed.

Now this is a step which is also skipped over in my opinion because the vendor master file has been built over a number of years. There's nothing wrong whatsoever in taking a large-scale file and dumping it into Excel. I know a lot of people view Excel as almost a dirty word and we should be driving Excel out of well-run efficient finance functions. I don't. I pretty much reckon accountants will use Excel to double-check everything until I'm about 99.

It's not an acceptable excuse to say that your file is measured in tens of thousands. Download it into an Excel file and start running logic checks against it because when you've got that much data, no one has ever checked it fully. No one is reporting on it. No one is telling the Finance Director that we actually have 18,000 'Live' suppliers. It's not a debate. We don't have 22 or 24 or 28. We know how many it is.

We also know by what rate it grows, and we have a robust **Onboarding** process from this point on. Even if we didn't to this point, it doesn't matter. Install it now. These are the Foundations upon which your process will become effective and efficient. Take the time to do this and it will bear dividends down the line.

Payment Terms and Supplier Classification

Apart from verifying some of the master data, one of the key areas that you should go back and check are the terms. I always say when it comes to working capital, is your **capital working for you?** If you go back in and you check what your payment terms are, particularly if you have a large-scale supplier master file, you can pretty much reckon it's causing you a problem at the cash flow end of things.

Typically, suppliers can be set up on short payment terms for internal reasons within the business which are eventually surpassed when somebody leaves. You need to review this type of data on a regular basis and know what percentage of your supplier base is being paid on zero-day, five-day, seven-day, less than 14-day terms and revisit this in conjunction with your procurement team.

Obviously, one of the reasons for putting together a nine-step program to Transform Accounts Payable is to improve **Payment Performance** therefore the **Payment Terms** are critical to this. The second aspect which is important and which is related to the reputation of the business is can you identify successfully a small, medium and large business to ensure that you're not causing a smaller business a problem, something which should be reported on within your ESG reporting requirements.

It is perfectly doable these days to reference Companies House or any other external database to determine whether a business is small, medium or large. So there's no excuse at this stage. It's time to **'Master the Vendor Master'**. That's what Step 4 is all about.



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Communication
Tools**

**Cross Sector
Experience**

STEP 5: Our Way or the Highway

Welcome to Step 5, **Our Way or the Highway**. How many times have you heard somebody say, *we've always done it like this*? I'd say every single person reading this has heard that phrase at some stage during their career.

What relevance is it at this point? Well, this is the point in the project where we have **Baselined** the program, we've identified the **Challenges**, and we've started to create the bedrock and the **Foundation** for our success in the previous step. What we're now going to do is one of the most challenging areas and the ones that the Consultants don't like, I can tell you that from the inside, which is to Map the Process, which always comes down, to its **'My Way or the Highway.'**

Why Process Mapping is a Challenge

Now, how difficult is it to map a process? If you're not a Consultant, and this isn't the manner in which you normally think and go about your job, actually mapping a process is a **Challenge**. As the name suggests, everybody thinks of it in terms of a picture paints a thousand words, and they want the visual.

Whether the visual of a process flow comes in Visio, or it comes in any of the new software solutions you can use to derive it, it doesn't really matter. Because unless you're going to support it with a narrative that provides the context, explains where the bottlenecks are, etc., etc., etc., the flow itself is only of half value.

But the real **Challenge** in the flow is that nobody is versed in producing them. Now, you remember what this program is directed towards. It's not directed towards Consultants. How many people on this program naturally knock up process flows? Not that many I would say and they are slow, time-consuming and laborious, and then the teams understandably lose interest.

My No. 1 to you in this Step is actually to do it my way, which is to focus on the Narrative and *not* on the Picture. Slightly counterintuitive, I know, but try it.

The Narrative Approach

If I was to ask you to describe your job, you could do exactly what I'm doing at the moment, and you could talk. You could talk to the camera. You might find that unnatural or you could talk to your boss. Just explain what you're responsible for doing. And this starts the thought process because nobody comes in to work on any given day and decides, how am I doing this? How do I do this and am I doing it well? No. **They get on with doing it. That's what you naturally do.**

To stop, pause, reflect, and actually attempt to explain that to someone else, that's a **Challenge**. Therefore, if you're going to process map, whether you choose to produce the picture or, as I suggest, focus on the narrative, take the time out away from the desk in order to do it.

Take a workshop room, sit down amongst the team, brainstorm what it is you're doing and remember that this is an iterative process. Your first attempt at it will almost just be, I'm writing, I'm writing, I'm writing! Then you need to go away and reflect, come back to it and improve it.

You think of the amount of money that businesses spend on getting Consultancies to do this. When all they're doing is extracting the knowledge of what you do from your own teams and so this approach I always scratch my head over.

Do you know what actually I find client teams are best at doing? They're best at writing their own **Desktop Procedures**. They just don't know how to elevate that up a level which goes, this is the end to end **Process**. They can write down what John or Jane does on a day-to-day basis. They just need to lift that up a little bit and go, if I'm explaining this to the Financial Controller, what does it look like? If I'm explaining this to the Finance Director, what does it look like?

The fastest way to get to this is to ask your team member to speak and describe what they do. Then ask them to move to the next step and write it down. But write it down with the helicopter view. Yeah, that's what you need to do. It's a step up from **Desktop Procedures** and you will accomplish understanding your process far faster.

Applying the Numbers is Crucial

Then the next thing you do is you take that process, Step 5, and you take it right back to Step 1. Because what did Step 1 give you? It gave you the **Metrics**. Yeah, it gave you the **Context**, the **Baseline** of what you're doing. You don't know whether a particular process is a problem unless you apply the numbers to it. If there's very little throughput through a particular process, it's not really a problem, is it? However, it could be a bottleneck in the grander scheme of things.

After you put context around it, the next thing I suggest you do is you **Traffic Light** it.

- **Red**, it's going to cause us a problem or it's causing us a problem.
- **Amber** has the potential to. We need to keep an eye on it.
- **Green**, it's fine and we actually work it effectively and efficiently. Try looking at it through that lens.

That is a term that the Consultants use, which I'm just going to explain for a second, which I didn't lead off this Step with because I didn't want to confuse anybody. It's referred to as a **Process Taxonomy**. In Accounts Payable as an example, it goes like along these lines:

- What's the process for a **Supplier** take on?
- What's the process for a **Purchase Order**?
- What's the process for **Receiving** the Purchase Order?
- What's the process for **Matching** it to an Invoice?
- What's the process for **Paying the Supplier**?

Now, I believe regardless of whether you take the visual approach to process mapping, or as I suggest, the narrative, that you always need that top level picture of the process, the end to end view of what it is for your particular team. Because if you remember where we took you to in Step 2, I want you to think processes are in your team and they also extend into everybody else's.

When you go looking for improvements and the levers to pull to improve Payment Performance, you may find it in a process which exists in a team that isn't directly reporting to you. I'm looking at you, the Accounts Payable manager. It could actually exist in a different team.

So that's where I come back to. It's '**Our Way or the Highway**'. I suggest you write it down. In this instance, it's actually much better than a picture.



STEP 6: Finance is the Front Line

Welcome to Step 6, possibly one of the most critical steps in the entire process. **Finance is the Front Line.** What is it the front line against? It is the front line in the fight against fraud.

The Economic Crime Act

Basically, one of the things that an awful lot of people in finance probably may not have a deep enough awareness of is that the Economic Crime Act, the **Economic Crime and Transparency Act**, was passed at the end of October 2023. What does it mean for Finance?

The single most important thing it means for a Finance Director is that every business in the UK has to take reasonable steps to guard against fraud, and those reasonable steps include knowing your Employees, your Suppliers, and your Customers.

The piece that everybody focuses on, particularly in the Regulated Financial Services sector, is Know Your Client (KYC), and all the Anti Money Laundering (AML) procedures which go with it. Everybody else, they don't focus as deeply on it, but this Act will actually place an attention on it and force a far greater level of scrutiny all across the board.

You do need to know who's in your Supply Chain. You need to have taken reasonable steps to verify who they are. You should, by rights, take reasonable steps to verify everybody involved in your Accounts Payable process or anybody in your business who can touch a payment, inbound or outbound. **This is why I say 'Finance is the Front Line' against Fraud.**

Three Lines of Defence

I generally tell Accounts Payable teams that you need to make sure that you've validated and

verified your Master Data, so that's back to your **Supplier Master Data**, and that you need to ensure that your **Reconciliations** are up to date. You need to reconcile, at a minimum, I would say 60% of your suppliers, all of your top suppliers, highest volume, highest value.

You need to ensure within the finance function that the **Bank Reconciliations** associated with the payments process are performed regularly. The third part, which the AP team should take an interest, if not a lead in, is in reviewing with **Budget Holders** where the spend has taken place.

These three reconciliation layers, I like to refer to them as lines of defence, like a football team. If you put them in place, you have at least put in place sufficient steps to increase your success rate in identifying errors, overspend and potential fraud!

You won't, I'm sorry to say, in this advanced technical age be able to prevent a cyber attack on your business, or someone who deliberately goes after your **Payment** process. I'm afraid what this is facilitating you doing is only to identify it. **Identification** is however better ignorance.

If you look across the Accounts Payable software industry, you will see the extent to which **Payment Reconciliation** software exists, either to perform a payment audit on what it is you've done in the past, or to prevent payment errors on what you're about to do in the future.

If you make sure that your '**Lines of Defence Reconciliations**' are added to this, you're at least taking the reasonable steps that you can do on top of verifying your **Supplier Master Data**. As I said to you, finance is the first line of defence against fraud.



STEP 7: Designing the Future

Welcome to Step 7 and congratulations on having passed this far through the program. Step 7 is all about '**Designing the Future**'. In the previous steps we have **Baselined the project. We've seen the Ecosystem in which Accounts Payable exists across the business.**

We've identified some of the Challenges at a process and a people level and we've ensured that we have addressed the firm Foundations necessary to move this on by addressing our Master Data. We've touched upon the areas of Fraud and now what we're going to talk about is how we actually design what we want this to look like in future.

This is where we actually take a little step back to being how we typically approach a full blown Finance Transformation program from the very start. This is where I ask people who now finally have all the Baseline data in front of them to tell me what the problem is.

Defining the Exam Question

This is what's referred to in Consulting terms as the **Exam Question**. You look at how you're currently performing within the context of the volumes that you have quoted and the expectations of your business and what it is that you wish to achieve. Then you tell me where you think you have a **Challenge**. If you don't have a Challenge, everything's running smoothly, that's fine. Share your success with the rest of the members of the program.

However, if you do have a **Challenge** then we need to define it. Obtaining a succinct definition of the problem is crucial to designing what we want the future to be. It makes sense, doesn't it? So, we start with that and we do that by holding a **Workshop**, inviting all the relevant **Stakeholders** and we say to them look these are the facts.

Do you or don't you think that this currently performs well?

How do we help them do that? We provide some more Context. We can either Benchmark it into

the Sector or across other businesses but really and truly what I always find best as a Benchmark is an internal view.

For example, say you had 4 different Accounts Payable teams in your business all operating out of different Business Units. Compare and contrast how effectively they process an invoice. What's the cost per invoice in each of the 4? It may be that one of them is the gold standard and two of them are laggards and you get a feel then for the challenge that you're trying to address.

Either way the exam question definition must be reached by consensus. By its very nature it requires a workshop. I always recommend to people that workshops across teams are best facilitated by an independent facilitator.

You don't always need full-blown Consultant teams, but I suggest that you definitely do bring somebody in purely for the Workshop which defines where do we really think we're at and where do we want to go. In order to help you do that you need to have a good idea of what good looks like. That helps you set the **Vision** for what is you're attempting to achieve.

Setting the Standard

You might have Standards which are different to the next business. You might have Standards which say you want to be the best in your particular Sector, or you might want to have Standards to say you're the best in your particular Country, whatever it is or you're the best performing Division in a global business which you are part of. However, you actually need to set this Standard and define it in terms that everybody can understand, not just in finance.

Don't forget here that one of the key things we're going to have to do is to sell change so make it appealing. What is the challenge? I always hear the phrase no PO no pay. It's not the most exciting phrase to listen to. Think about that when you're selling the change further down the line.

Quantifying the Risk

This is what designing the future is all about. Baseline where you're at. Identify what you

think the problem is. Quantify the effect of the problem. What is the risk associated with this problem or can we just carry it and yes, we can carry it in certain instances. However, quantify what is the downside impact of it exploding?

Let me ask you this question. How many people suddenly had a problem during COVID because staff members couldn't come to the office?

How many people reading this at the moment identified a key person who was entitled to go into the office during COVID, who actually was the person who went in and opened your invoice

post? Possibly, I could fairly say that's the lowest level of activity that could be done in the entire finance chain. Yet they were the key person because your process isn't slick from end to end.

What could happen if we had another version of COVID? Can you carry the risk then or do you need to start addressing it and designing for the future now?

Design for the future based on collaboration. Bring in all the impacted stakeholders. Don't just tell them what the answer is. That's what step 7 is all about. We design the future together.



STEP 8: The Travel Show

Welcome to Step 8 and this is the really exciting one. This is the 'Travel Show'. This is where you actually get to leave your desk, leave your team and travel around the business. Why are we doing this at this stage? Because in Step 7 we designed the future.

Yes, I know we invited all the key Stakeholders to it but I guarantee you not every single budget holder attended and in large scale businesses I can assure you that several hundred purchase order raisers and approvers, they didn't attend the Workshops either.

This is where it's important to come out of Step 7 with a **Vision of the Future** which can be summarized and communicated easily across the business. It must be capable of being taken on board easily and succinctly so that people act upon it. There's no point having a **Vision of the Future** and what our new ways of working are if we can't actually get everybody within the great **P2P Community** to play their role in it and this is where the single most important Tool is the **Travel Show**.

Why Face-to-Face Matters

By now we have the 'Answer', we've envisaged the Future and I'll tell you exactly what people are like. If you sit in front of me to tell me what

I need to do and you sit in front of me to listen to the challenges that I might have in doing that and maybe adjust the Vision accordingly then I know that you're taking me seriously, that you're listening to me.

What I most importantly know is that you actually have sufficient respect for me to come out and explain it to me before asking me to do something different.

Which is mindful of the fact by the way that 90% of the people you'll meet in the process their job is not to process the invoice, their job is fundamentally something else. They just play a role in the P2P process, but it is not their primary role.

After years of doing this the only way to succeed is to visit them. We think in this day and age and we think certainly since the COVID lockdowns that we can accomplish this via all of the new media means for doing this. They're only weapons in the arsenal. They are no substitute for a face-to-face discussion particularly where you suspect apathy or resistance to the change.

Visit them. That's why it's called a 'Travel Show'. You will find it to be the most effective means whatsoever in order to deliver change.



STEP 9: Are We There Yet?

Welcome and congratulations on reaching Step 9 of the program to Transform your Accounts Payable process. What's it called? Well, in the words of Bart Simpson and probably every single one of your kids on a long distance journey:

**Are we there yet? Are we there yet?
Are we there yet?**

When it comes to any project, you define it to start where you're at and where you want to go, or you'll never work out whether you are there yet. This is where the **Control Loop** comes in. We started at one. We're now at nine and we look back to the **Management Dashboard** we created in the first Step, and we look and see what the **Performance** is like now.

Measuring Your Success

Have you improved? Did you define your Dashboard correctly at the start? Did you take that part seriously? Can you prove you succeeded? You can only tell from the numbers. There's no lying and getting away from that fact.

Bear in mind, this is a project that you have run. I haven't run it. We didn't send in consultants to do this. The only person you're lying to is yourself. So, record your numbers correctly at the start and now and take a good hard look at whether you arrived there yet.

Success is an Iterative Process

This is an iterative process. You're all familiar with the term continuous improvement. This is

actually what it means in very simple terms. You established the Standard, and you've measured your success in reaching that target. If you've fallen short, which many of us can do in our first attempts at anything, what do we do? **We go back and we start again.**

Naturally we will then go through some of the 9 Steps far faster than we did the first time and I pretty much reckon any team going through the Steps for the second time be saying, **'OK, I know what he meant now'.**

I now know what to look out for. I've got my learning points and I'm going to skip through some of the Steps. Perfectly normal and human nature that you would want to do that. However, I suggest you take the time and go through each of the nine steps again and by the time you're done, you'll have hit your target!

Sharing Your Success

Is a help to everybody! You, the team, your business and your peers. You are going to show them how you did it, because that's the only way that we can continue to improve this. Your company might be good enough to drop out of the program after a year. But actually, what you learn from it can help others to join the program in the second year.

Finally, are we there yet? I don't think we ever are fully there yet. But in continuing to strive to be the best that we can be, attempting to get there helps everybody else to improve.





Finance Transformation in Accounts Payable

by Finance Transformation Consulting

