

**Leading pharma
company saves \$1.6MN
post Accounts Payable
transformation**

Business Impact The Value Realized

- ➔ USD 1.6 million in cost savings
- ➔ 30% reduction in cycle times
- ➔ 35% improvement in FTE productivity
- ➔ > 95% on time payments
- ➔ 21% reduction in cost per invoice

Case Snapshot

Customer

The client is a leading multinational pharmaceutical company manufactures a wide range of affordable and high quality generic medicines. It has operations in 43 countries with 21 manufacturing facilities across 8 countries, and serves customers across more than 150 countries.

The Technology Partner

A comprehensive market evaluation led to the client choosing Newgen, to deliver its AP solution through its PROagile Implementation Methodology.

The BSG and Newgen worked together to create seamless integrations across SSC business systems leading to unified end to end F&A processes. The technological innovations have had astounding business impacts across departments and business functions.

Business Context

The company established a Financial and Accounting Shared Services Centre (F&A SSC) in 2006, focusing on Accounts Payable (AP) leading to cost savings and process improvements. The enterprise embarked upon a transformation journey to address business challenges and needs through strategic and technological initiatives of the SSC.

A steering committee comprising of members from the SSC and its Business Solutions Group (BSG) was tasked to identify a technology partner to execute technological initiatives.

Business Value Impact

In 2014, wanting to ascertain the business value realized through its SSC initiatives the company turned to Newgen to assess the business impact of the strategic and technological initiatives.

Newgen through its Value IMPACT Methodology assessed the business value realized by the SSC from 2010-15. The initiatives have resulted in direct and indirect costs savings of 94 million INR. Operational improvements have led to a 30% reduction in overall cycle time, 35% improvement in productivity, and greater than 99% on-time payments.

SSC F&A Transformation

In 2006, the company's strategic decision to set up a Shared Service Center (SSC) was aimed at reducing cost and improving processes by focusing on centralization, optimization and standardization of F&A operations.

Business Challenges and Need

The SSC endeavored to improve vendor satisfaction, process efficiency and control costs by ensuring on-time payments, reduced cycle times and improved resource productivity. However, these goals were impeded by growing business needs and multiple challenges.

→ SSC Business Challenges

- Elongated vendor payments
- Manual handling of documents, invoice processing, manual data entries across myriad business systems such as ERPs, e-approval system and other employee portals leading to duplication, erroneous inputs and elongated processing times
- Increased vendor queries and follow-ups for payments with no way to track invoices processing status
- No status for internal stakeholders on claims, travel allowance approvals etc
- Lack of an effective tracking, monitoring and reporting system for KPI management and performance based incentive handling
- Need to reduce the cost incurred per invoice
- Need to reduce the cost incurred per employee
- Streamlining audit cycles for faster and compliant audits

The Transformation Journey led by the SSC Steering Committee

A steering committee comprising of members from the company SSC and its Business Solutions Group (BSG) was established to chalk out strategic and technological initiatives to address these challenges.

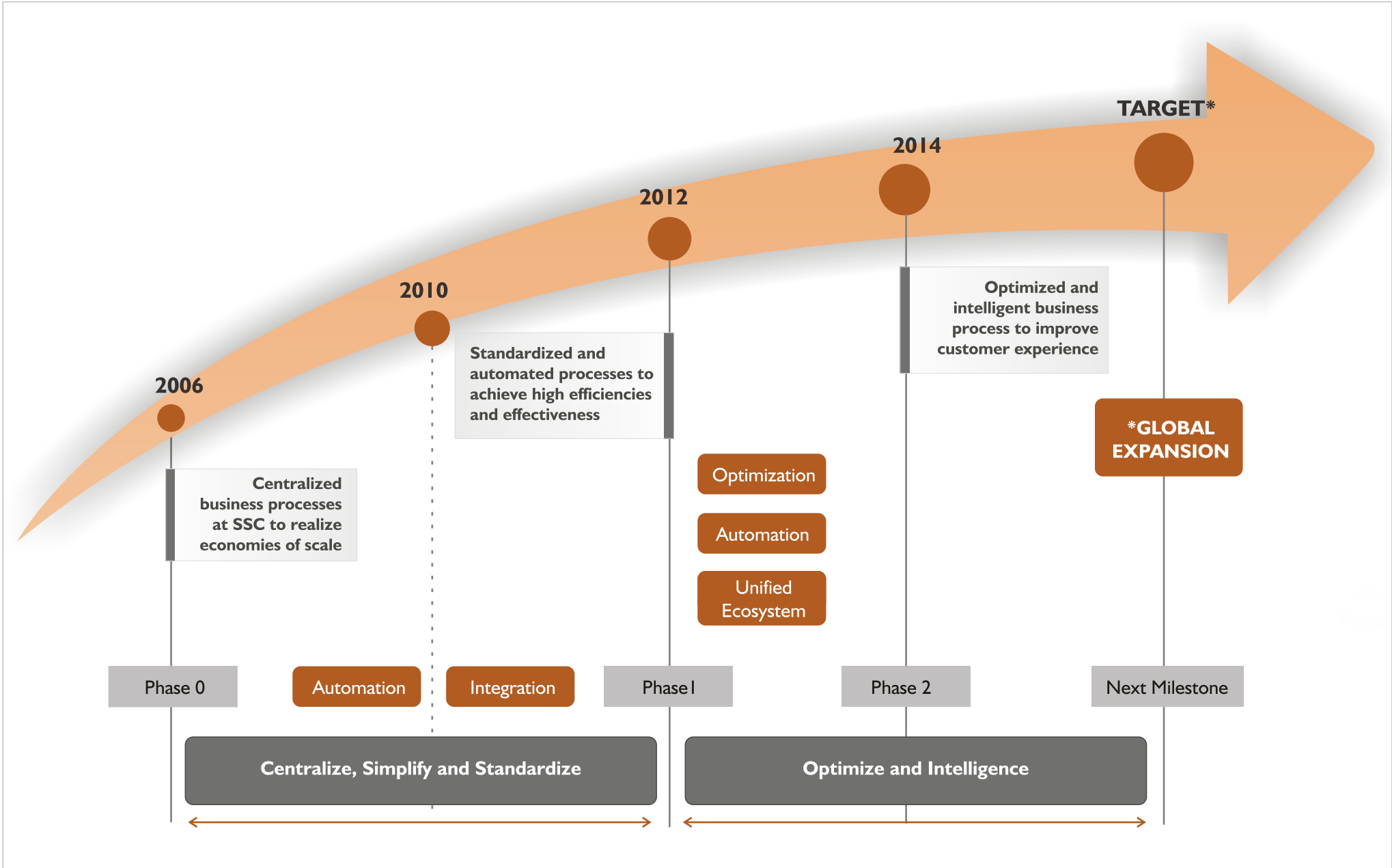
The committee embarked on a transformation journey introducing strategic and incremental initiatives across focused areas to automate, integrate and optimize its Accounts Payable process. These initiatives were introduced in different phases, timed to address evolving or emerging business challenges and needs.

→ Key Initiatives across Phases of Transformation

- Automating AP PO and integrate disparate systems with SAP
- Automating routing of receipt invoices to respective operations teams
- Develop single reporting system by synchronizing Newgen BPM platform OmniFlow and SAP after invoice postings
- Improve governance through implementation of audit trails
- Reduce inefficiency through alerts, escalation and validations
- Leverage R&R for productivity improvement
- Deploy a smart utility for claim status and audits
- Automate payments through HDFC aCMS system
- Integrate e-portals such as employee claims systems with AP and SAP

To deliver on the technological initiatives aligned to these strategic ones, the steering committee was tasked with identifying a technology partner.

The SSC's Transformation Journey



BSG identifies Newgen Technologies as the right fit

The committee led a comprehensive market evaluation and chose Newgen for its business transformation product portfolio and ProAgile Implementation Methodologies.

Newgen collaborated with the committee and enabled rapid technological innovations by systematically capturing the SSCs business needs and challenges. By doing so Newgen offered an AP solution built on its Business Process Management (BPM) and Enterprise Content Management Platform (ECM), which was scalable and future ready.

Newgen and BSG created transformations pertinent to different stakeholder requirements to ensure standardized outputs

F&A Executives

- Centralized scanning of F&A documents
- Automated data extraction from documents for error free processing
- Automated 3-way verification (PO, Invoice, GRN)
- Intelligent duplicity check
- Automated processing of purchase invoices
- E-invoicing and processing
- Rules driven process for handling PO / Non-PO Invoices
- E-Approvals
- Alerts and Notification on approvals / exceptions / resolutions
- Automated Payments
- Automated claims processing
- Document Management for structured archival and faster retrieval

Process Owners / Line Managers

- Rules driven allocation of tasks / invoices
- Automated reports & dashboards for visibility on process performance
- Visibility of overall cost metrics
- Automated reports and dashboards for employee vice KPI mapping
- Alerts and Notifications for approvals / exception handling
- Single click e- approvals
- Rules driven escalations
- Automated claims approval and processing
- Performance based Rewards and Recognition

Leadership

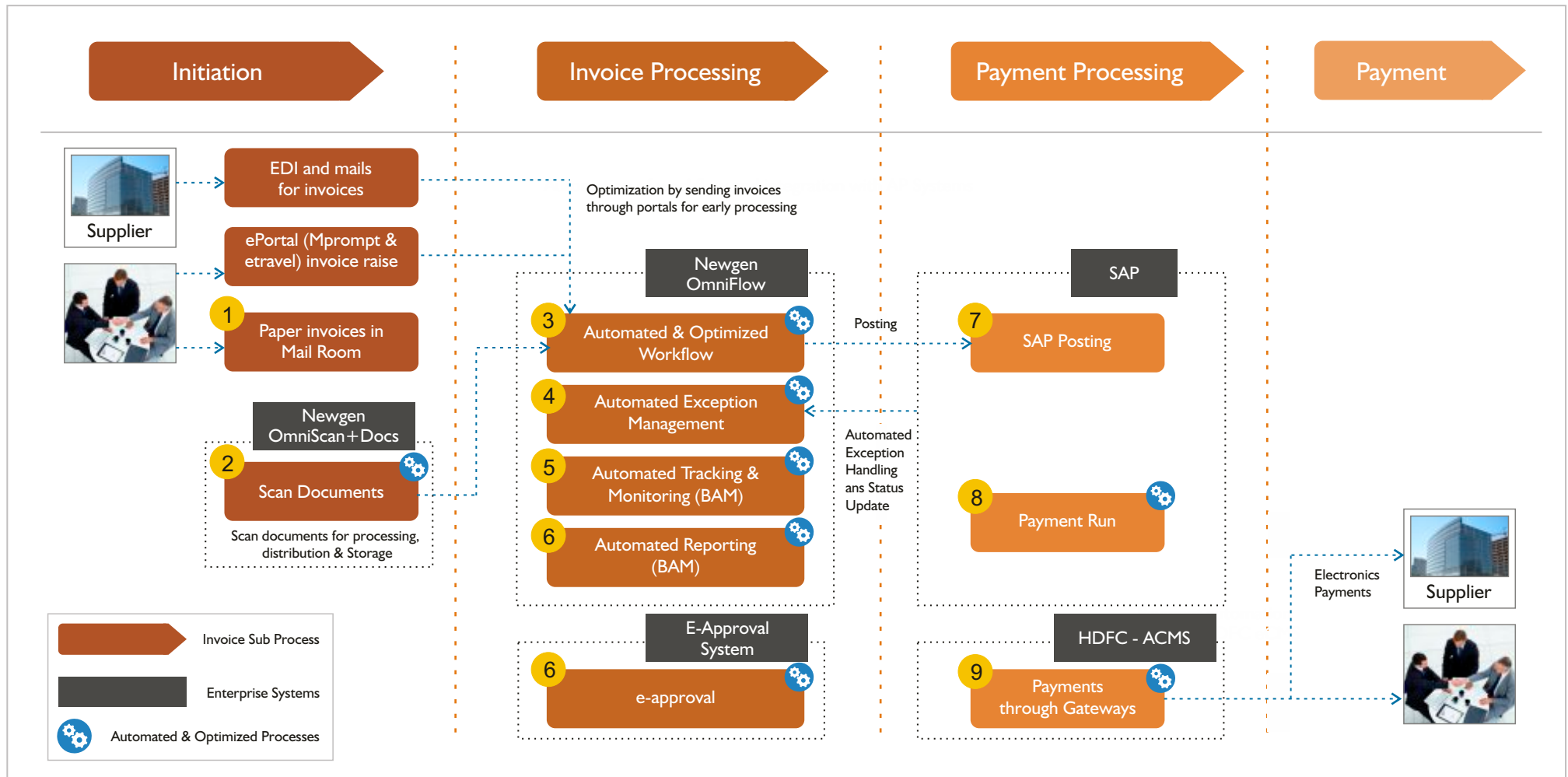
- 360 degree visibility on performance of SSC
- Cost and operational performance tracking & reporting
- Employee performance tracking & reporting
- Alerts & Notifications on exceptions/ escalations / approvals
- Rolling out performance based incentives
- Single click approvals
- Cash flow visibility
- Rules driven re-allocation or re-routing of tasks
- Ability to change process flows and structures to address evolving business needs and market scenarios

Fully Unified & Integrated AP Processes & Systems enabled by Newgen Implementation

Newgen delivers strategic technological imperatives

At the heart of the AP solution, Newgen leveraged its BPM platform's rules driven workflow to create a streamlined payables process, right from the time invoices are received till ERP postings. A consultative and collaborative approach was adopted to build a solution that acts as the underlying technological platform orchestrating end-to-end automated F&A transactions.

The Newgen solution's inherent architecture provided ease of integration with the SAP ERP and other legacy systems at the SSC. This resulted in Newgen delivering a single unified system for real-time access to F&A data and also managing other interdependent functions including travel expense management, field force expenses management and e-invoicing.



Business Impact

Deciphering the Business Value Impact

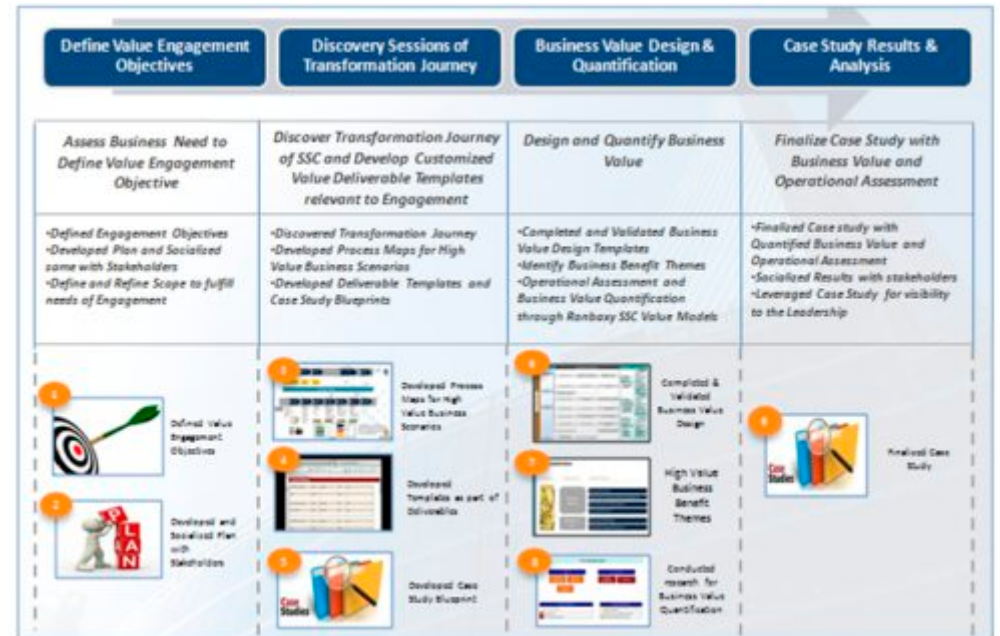
Initiatives run by BSG and Newgen have led to the SSC operating a state of the art F&A practice which follows global best practices. In 2014 the company's SSC was gearing up for expansion of operations. As an initial step, the SSC wanted to understand the value it had realized from the strategic and technological initiatives in order to have better visibility on future investment requirements.

The company engaged Newgen to conduct this value assessment. Newgen leveraged its Value IMPACT Methodology to evaluate the impact of the initiatives on the SSCs performance and operations.

Value IMPACT Methodology

The Newgen Value Impact Methodology consists of 4 phases. The first phase focuses on defining the IMPACT engagement objectives, the second on due diligence by Newgen's Value IMPACT consultants.

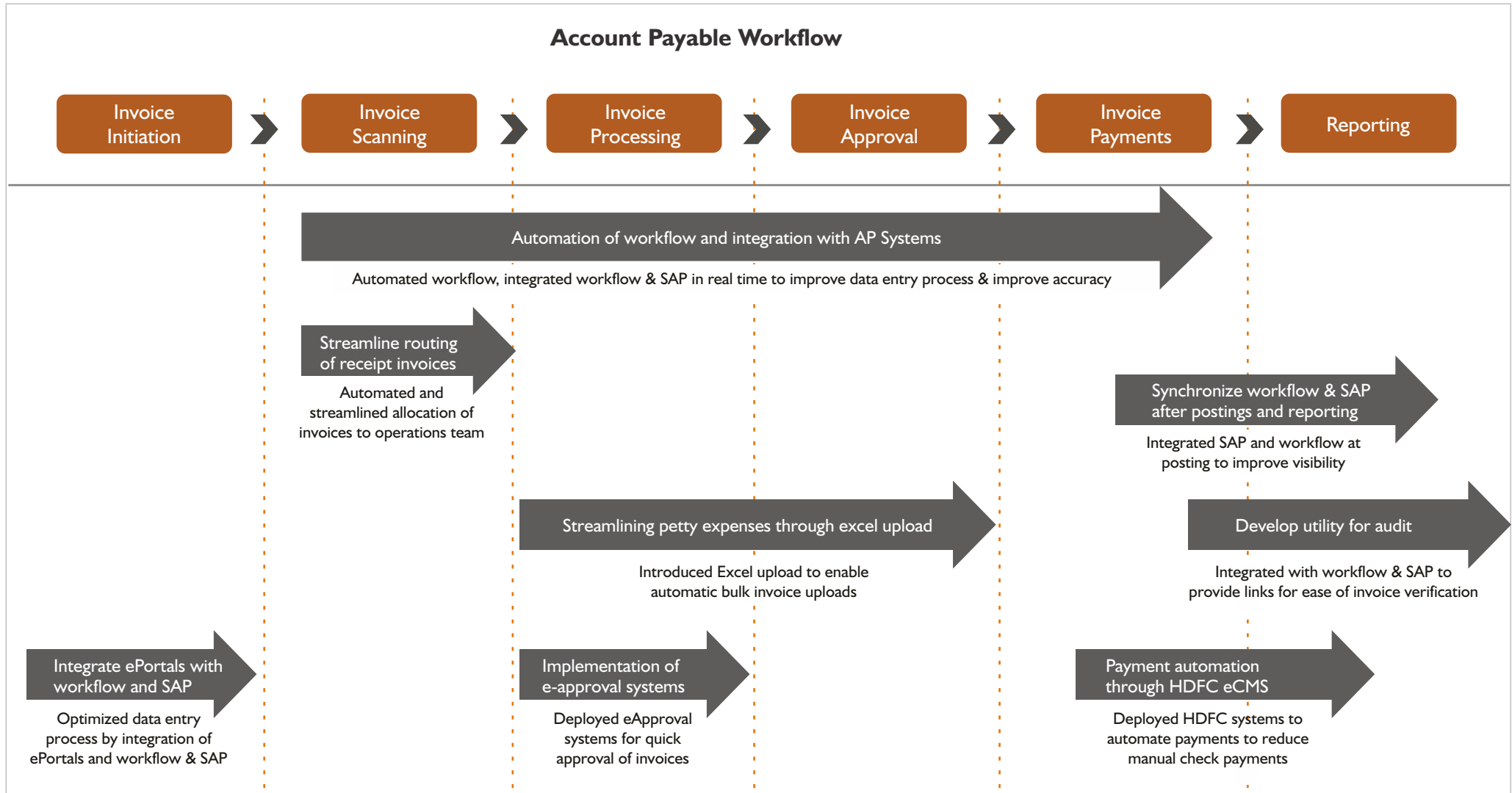
Newgen Value Impact Methodology



IMPACT Business Value Designs

Initiatives undertaken by the SSC steering committee were identified during the due diligence phase and leveraged to develop IMPACT Business Value Designs – tools to map the technology solutions enabling the SSC initiatives leading to positive operational changes which in turn generate business value.

Business Value Design Maps were developed for each phase to underscore the impact of every initiative.



Business Value Realization Themes

IMPACT Business Value Designs & Initiative Mapping assisted in identifying the business value realization themes across the transformation journey. These themes - automation, integration and standardization, were aligned to the pharmaceutical company's areas of focus across the phases.

→ Focus on Automation & Integration

Automation

- Reduction in document handling & retrieval effort of finance operations
- Reduction in external & internal audit & compliance effort of finance operations
- Reduction in non value added activities

Integration

- Reduction in data entry in multiple systems by finance operations
- Reduction in operations effort via BAM Reports

→ Focus on Optimization

Optimization through integration of multiple enterprise systems including integration of e-portals, e-travel portals etc assisted in direct and indirect savings further enabling

- Optimization of working capital through control on employee advances
- Reduction in data entry for employee travels and claims of finance operations
- Reduction in non value added activities

These value realization themes were leveraged to quantify the tangible business benefits reaped by the SSC.

Tangible Business Value Impact

Mapped to these Value Realization themes, business benefits were aligned to cost savings and process improvements with respect to the SSC's business needs.

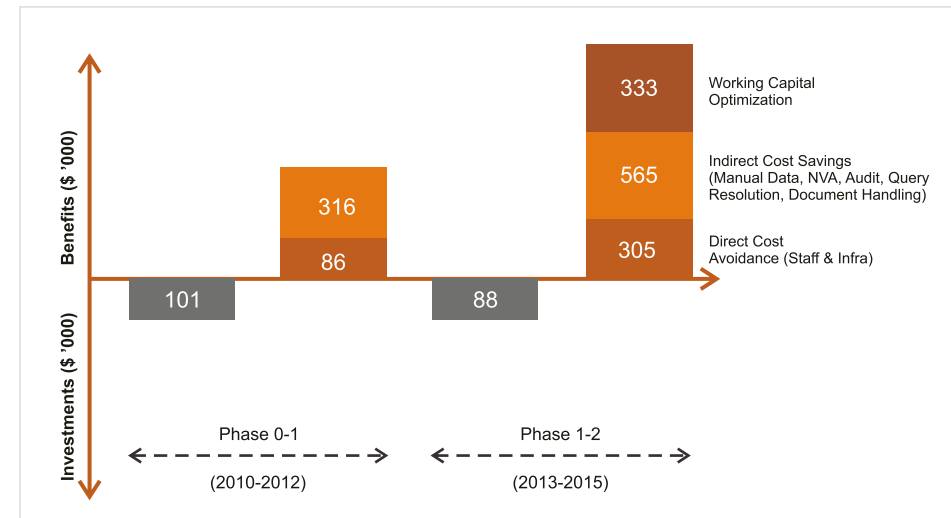
Operational Improvements

SSC has clocked substantial operational improvements which added up to considerable cost savings.

| Key Metrics | Measurement | Phase 0-1 | Phase 1-2 | Change |
|-----------------------|-------------|---------------------|-----------|--------|
| Annual Volume (k) | # | 240 | 460 | 91% ↑ |
| Average Cycle Time | Days | 13 | 9 | 30% ↓ |
| Resource Productivity | # | 4888 | 6591 | 35% ↑ |
| Internal Audit | Days | 45 | 30 | 33% ↓ |
| External Audit | Days | 90 | 45 | 50% ↓ |
| Manual Payments | % | 97 | 3 | 94% ↓ |
| On Time Payment | % | No well defined SLA | >99% | |
| Cost per Invoice | \$ | 1.75 | 1.38 | 21% ↓ |

Cost Benefits

Additionally, indirect savings were clearly categorized under financial parameters of working capital, cost avoidance and cost savings.



Benefits to Business Functions

The Value IMPACT study also captured the effect of the initiatives across F&A operational performance parameters to assess improvements.

| | |
|------------------------------|---|
| Customer Satisfaction | "Our external and internal stakeholders are satisfied – "Quick and accurate resolution of queries" – We don't need to retrieve physical documents at our desk to tell status – Upto 100% time saved" – NPO Manager |
| Audits and Compliance | "Our time has reduced upto 80% for a quarterly audits. We have been able to reduce statutory audit time from 90days to 45days - We now just provide permissions to Internal auditors for their audit requirements – We now get only completion reports" – Senior Manager |
| Process Efficiency | "Our SLA's have improved, both processing and payments >95% SLA " – All Managers |
| Resource Productivity | "Improved productivity upto 10 – 50% of different users through electronic documentation, reduced data entry, Separation of duties & higher visibility of invoices and resource productivity through reports" – NPO Manager |
| Decision Making | "Improved operations decision making for planning and cost reductions through higher visibility of reports & dashboards" – PO Manager |
| Manual Data Entry | "Able to reduce manual data entry by 50% across phases" – IT SPOC |
| Change Management | "Initiated "Reward & recognition" to reward 8 offshore employees to improve motivation levels and productivity" - HR |

The standardization and consolidation of Accounts Payable benefited business functions across – including Procurement, Sales & Marketing and Human Resource. Further, focus on automation, integration and optimization resulted in multiple benefits realized by these business functions. These benefits could majorly be attributed to improved efficiency, reporting & accuracy of operations.

- Improved visibility of Account Payable performance
- Improved decision making for process improvements

Leadership & Senior Management



- Improved satisfaction levels of Sales and Marketing employees through efficient claim processing
- Improved satisfaction levels of Sales and Marketing employees through trackable claim processing

Sales & Marketing



Procurement

- Improve vendor satisfaction through Invoice Payments SLA > 95%
- Improved vendor satisfaction through accurate query resolution enabled by BAM



Human Resource

- Improved Operations team motivation through Rewards and Recognition
- Improved productivity of Operations team resources



Summary

The SSC's transformation journey is a remarkable example on how the right initiatives and an intelligent technology investment can drive smart benefits, while also countering any arguments made regarding the cost incurred.

- **Organizations need to drive objectives through initiatives led on focused areas** - The SSC was established with the objective of cost control and process improvement. Changing business needs and continuous challenges could only be withered with the right governance and thought leadership. Driving initiatives aligned with well defined focus areas was instrumental in making the SSC initiatives a success.
- **Transformation requires right technology partner to ensure success** -The SSC transformation required technology capabilities to steer the initiatives. The BSG and Newgen played a crucial role by driving multiple initiatives while addressing growing business needs and operational challenges.
- **The aim has to be Continuous Process Improvement** - The BSG and Newgen didn't just stop at automating, optimizing or even standardizing procedures within the SSC. Working together, they developed standardized practices and then further kept working on innovations leveraging the BPM platform to ensure the highest level of service at all times.

In general SSCs are simply viewed as cost centers but enterprises that leverage the SSC model with the appropriate technology partner can drive critical initiatives with much success. However, the success of these initiatives needs to be measured and socialized within the organization to demonstrate the transformation of the cost center into a profit center.

About Newgen

Newgen Software is a vendor/provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM), Document Management System (DMS), Workflow and Process Automation software. The company has a global footprint in over 60 countries with large, mission-critical solutions that have been deployed in Banks, Insurance firms, BPO's, Healthcare Organizations, Government and Telecom Companies.

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