

HOW TO

CHOOSE MEDIUM BUSINESS SOFTWARE

BALANCING ACT

EFFICIENT PAYMENT PROCESSES ARE VITAL IN TIMES OF RECESSION – AND THE RIGHT SOFTWARE CAN HELP YOU KEEP THE RIGHT BALANCE, SAYS **STEFAN FORYSZEWSKI**

One area of the business which may well be ripe for improvement is the accounts payable department. Outdated business practices are commonly found in the finance function – for instance, processing paper invoices takes, on average, over 25 days to complete.

This simple fact means that a high proportion of businesses often can't pay their suppliers on time. Being a 'bad payer' can be damaging to a company's reputation in the long run, leading to lots of fraught supplier relationships and an accounts payable department that spends its time fielding complaints and clearing backlogs rather than adding value to the business.

The phrase 'cash is king' is more relevant today than it's ever been. Good cashflow management is essential business practice during a recession. All companies are now looking to retain cash in their business for as long as

possible – but it's crucial to balance this strategy with the need to maintain good relationships with your suppliers by paying them within a reasonable timeframe.

But there are ways to speed up the payment process from 25 days, and areas the finance team can focus on to improve efficiency.

Stefan Foryszewski, co-founder & senior vice president, OB10
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TRAINING

Revising the payment process and adapting to become more efficient isn't the only thing you need to do. Training is just as crucial – everyone in the company needs to understand how the process has changed, and why. Investing in technology to streamline processes and improve efficiency is just one side of the coin – if those who are meant to be using the new system and engaging with the new processes aren't fully up to speed, the best processes and technology in the world will be a complete waste of time and money.

PAYMENTS TARGETS

To start with, focus on what your payment targets are. Look to your internal targets or, in the case of some businesses, external payment targets. These allow businesses to forecast and plan resource effectively – allowing the relevant manager to resource the finance department depending on the amount of work and timeframe in which it needs to be completed.

For example, public sector organisations have a payment target (which is set by the government) of paying SMEs within ten days. Once you know what your target is, you can start developing a plan to ensure that you meet these benchmarks. Similarly, private sector firms may need to hit payments targets for a variety of reasons; whether it's internal key performance indicators, building good supplier relationships or to negotiate better prices with suppliers. For example, agreements can be made whereby faster payments result in the organisation getting a discount price from the supplier. Companies that operate a shared service centre will also have to consider the targets to report against. Ignoring payment targets can often leave a company in a weaker position to negotiate price and build relationships in the future.

APPROVAL PROCESSES

Additionally, taking out the need for paper invoicing should result in much better visibility of where the invoice is at each stage of the approval process. Often, purchase orders or paper invoices land on the wrong desk, get lost within the organisation or are not filed away properly. This results in staff spending time searching for or reproducing an invoice – time that could be spent on completing other, more valuable tasks. Automating this process eradicates the problem of human error and means that companies can keep track of what point in the payment process any particular invoice is at, and prioritise it accordingly.

E-INVOICING

E-invoicing's short ROI period is due to its ability to immediately reduce invoice processing costs. It requires fewer employees to process the same volume of invoices, and when coupled with workflow and PO compliance the whole approval process is improved. In addition, because it cuts ten to 15 days out of the overall process, it improves cash management. Companies save money due to resource savings but also because they are better able to take advantage of suppliers' early payment discounts e payment penalties, and time their payments based on their cashflow.

STREAMLINE AND AUTOMATE

In order to develop a really efficient, robust payment process, businesses need to streamline and automate.

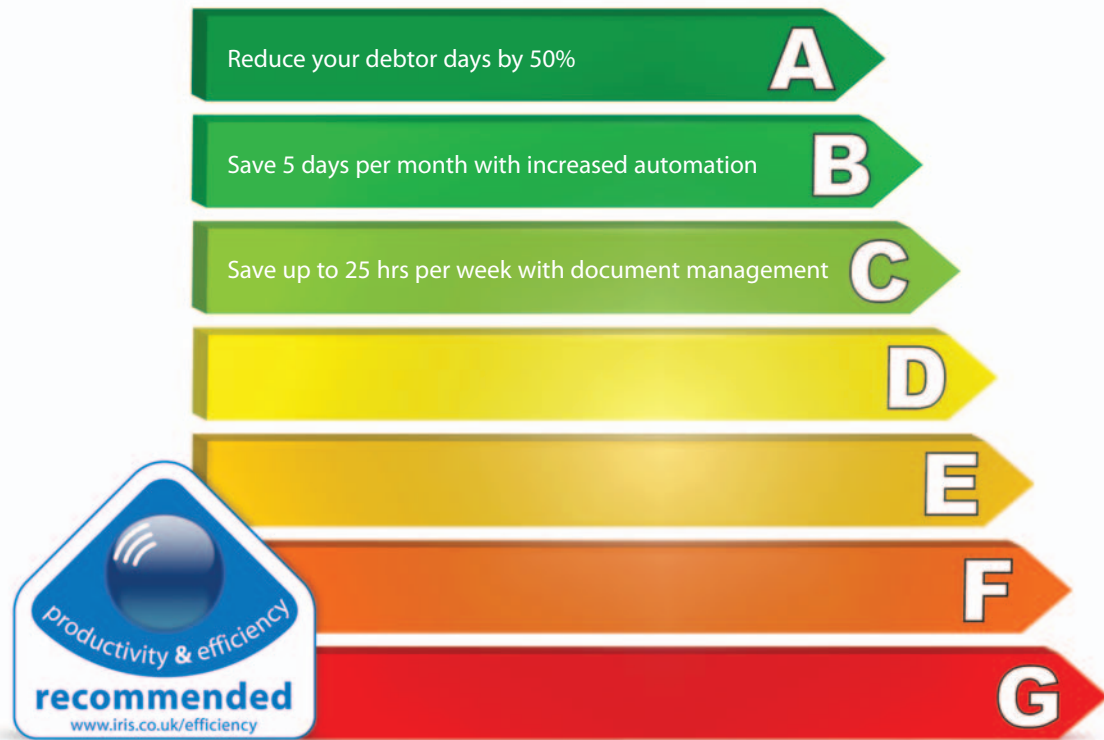
One way in which technology can support the payment process is by automating the purchase order and invoice approval processes. Vast

amounts of time can be saved by reducing the different levels of approval. All too often, when an invoice is received, a copy is scanned, then printed off and sent to the relevant people and departments for approval.

Sometimes this is simply a case of passing it across an office, but

in bigger companies it often needs to go to other departments, to different sites, or even across different countries. As a result, the whole process can take weeks to finish, and that's if no mistakes occur on the original invoice or during the approval process.

Automating these processes means that the whole approval process takes far less time, and the business has a clear audit trail for compliance checking. As a result, a process that would have typically taken a month to complete can now easily be done within a few days.



Double your efficiency

Enable your business to perform even better

It's always possible to do good things better. Assess your company's efficiency and productivity rating and you will identify important areas that can be easily improved.

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GROW WITH IT

AT A TIME WHEN EVERYONE IS LOOKING TO 'BATTEN DOWN THE HATCHES' GROWTH MAY WELL BE THE LAST THING ON YOUR MIND, BUT RUNNING THE RULE OVER HOW CRM TECHNOLOGY SITS IN YOUR BUSINESS MAY BE WORTH A LOOK, WRITES MARK HOLLAND

SALES

Does your CRM system really deliver value for money, or is it just a drain on valuable sales staff time?

A good sales support tool should provide lead management from initial identification of opportunities, through managing mail shots to lead tracking. But it should also allow management to measure the activity and effectiveness of sales staff. Where are new sales coming from? How effective is a campaign? How many leads come via your web site? Are you getting value for money from pay-for-click web leads such as Google Adwords?

Generally all the above, plus a great deal more, are available as core functionality or at least as add-ons to most CRM systems; but a great many are not implemented correctly or are not used to their potential. This represents not only wasted investment, but a lost opportunity that perhaps should now be revisited.

STOCK CONTROL

How accurate are your inventory systems? Are you really working to 'just in time'? How often are you unable to fulfil an order due to outages? How often do you lose a sale because you are unable to meet a customer's expectations or order time?

BUSINESS EFFICIENCY

One time input is the Holy Grail for many businesses but, frequently, data has to be manually re-entered. At best this is time consuming, but often leading to human error and the risk of incorrect information which in turn can lead to incorrect decisions.

ENGAGE WITH IT

In recession the IT function is frequently seen as a source of potential cost savings.

An overhead of the business with instances of failed IT projects abound – even in bad times. One of the fundamental causes of failure is not that the technology itself was flawed, but rather that the development objectives were not clearly aligned with those of the business.

By their nature IT staff are innovative. Invite them to contribute to share ideas on how to make the business more efficient. Can projects be simplified, deferred or even cancelled?

Are there operational efficiencies that they have not had the opportunity to raise with management? You may be surprised at what comes back.

SOFTWARE ASSET MANAGEMENT

Software licensing models are complex. Most organisations will have large

numbers of operating systems and office applications.

Sometimes these are site or company wide licenses as well as ERP and other systems that are licensed according to the number of users. Many businesses have made significant savings by reviewing their current licensing arrangements.

CREDIT CONTROL

Stating the obvious, but how quickly can you convert an order into a sale and so start to collect the cash? How often is a

sale held up because a customer is in default? Surely better to get the customer into the habit of paying promptly, thus avoiding unpleasant discussions.

An efficient, real time credit control application that can be seen by all customer facing staff is a valuable tool.

Furthermore sales staff will not generally be inclined to look in paper-based systems to see if a customer owes money, but if the information was available to them on screen as they speak to a customer, or available on their laptop, then they might take more notice. They might even collect some of that all important cash.

MANAGEMENT REPORTING

Few would argue that good management reports are among the most important outputs of business software.

Which products or services are your customers buying? Which customers have not purchased from you recently? Who are your top-performing sales staff?

You might also like to consider account management systems. If you aren't talking to your customers your competitors will be. When did your top customers last get a call from their account manager?

This sort of tailored reporting is critical to knowing what is happening to the top line of your business.

Mark Holland is a partner in Baker Tilly and the MD of Baker Tilly Revas Limited, Baker Tilly's web-based back office services division. revas.co.uk

WHAT NEXT?

Start by involving your staff and invite their contributions. This need not be a long, drawn out and time-consuming exercise – just a short summary of the issues and a request for short responses.

Talk to business process advisers – management consultancies and your auditors. Ask the partner responsible for suggestions. Right now all service suppliers are anxious to add value wherever they can.

Just don't give up and bring down the shutters. Innovative and creative thought are among the most potent weapons in dealing with recession.