

CASE STUDY

Schneider Electric powers up invoice processing



Schneider Electric

North America, whose parent company in France is traded on the Paris Stock Exchange, operates in 110 countries and traces its roots back to

1836. With almost 175 years of history, Schneider Electric has established a long and rich legacy of innovation and leadership. In 2008 however, Accounts Payable was looking at legacy from a different perspective; how could they get out from under the burden of processing hundreds of thousands of paper invoices using two legacy accounting systems?

At the time, Schneider was processing 650,000 invoices at three A/P locations. Paper based invoices accounted for 90% (585,000) of all invoices received. "First and foremost, we needed to improve the invoice-to-pay process" noted Pam Carper, Manager of Disbursements, "handling such a huge volume of paper naturally led to errors." If dealing with that amount of paper wasn't enough of a challenge, each North American A/P center utilized up to two different legacy accounting systems and multiple vendor master files.

Although Schneider Electric is in the process of implementing SAP for its accounting systems, the transition was still two years away. "We were stuck with the legacy systems, but A/P had process improvement goals that couldn't wait years," says Carper. Schneider Electric had already optimized payment processing and so the focus was on optimizing invoice processing, including streamlining the process, increasing controls, reducing processing and payment errors and reducing paper handling and associated labor costs. Schneider Electric North America wanted to address these goals ASAP but they had to do so in a way that they could easily carry forward to the new SAP environment.

TUNGSTEN NETWORK

CHALLENGE

The Schneider Electric team started with the assumption that they were limited to three strategies to address their goals: Outsourcing, OCR and EDI. Outsourcing: While the economics of this approach might make sense, the team didn't want to hand off control of the invoice-to-pay processing to a third party (and lose control over that aspect of the supplier relationship).

Optical Character Recognition (OCR): The team didn't favor this option for several reasons. Again, results of previous OCR projects had been mixed and the team was not confident that they could achieve their goals using OCR. "Additionally, with OCR, even after a substantial initial capital investment, paper would still be part of the process," noted Carper.

Electronic Data Interchange (EDI): The team dismissed this option based on historical results. Conceptually, EDI was an appealing option but after three years only ten suppliers had signed up; setup costs were high and it wouldn't enable Schneider Electric to significantly reduce paper.

SOLUTION

Having established that e-invoicing would provide the best strategy for improving the A/P invoice-to-pay process, Schneider Electric issued a well-constructed request for proposal that would enable them to evaluate all the options for e-invoicing and compare the benefits that each could bring to Schneider Electric. "There are two distinct components required for a successful e-invoicing initiative: the technical and the supplier enablement services," says Carper. "When evaluating options, it is critical to consider all of the capabilities and all of the costs for each option being considered." The answer for Schneider Electric was e-invoicing. In addition to meeting the core requirement of eliminating paper, Schneider Electric identified the following benefits:

- Neither Schneider Electric nor its suppliers needed any new hardware or software: Tungsten Network works with the client's existing systems.
- There are multiple e-invoice submission methods for suppliers, enabling all suppliers to participate, regardless of size or technical sophistication.
- Supplier enrollment is managed by Tungsten Network, not Schneider Electric and Tungsten Network can provide enrollment services globally.
- E-invoicing is tax compliant in the EU, enabling other Schneider Electric operations to utilize Tungsten Network as well.
- Schneider Electric receives a rendered image for each voice, which expedites approval and resolution of issues when there are exceptions.
- Tungsten Network insulates suppliers from Schneider Electric's specific technology environment (and vice versa). When Schneider Electric upgrades to SAP, there will be no disruption in the service for either Schneider Electric or its suppliers.



CUSTOMER

ORGANIZATION: Schneider Electric

SECTOR: Sustainable energy management and industrial automation

COUNTRY: International

GOALS

- Use e-invoicing to automate their large financial processes
- Reduce invoice processing costs while delivering better service
- Increase the quality of the invoices being received
- Enable the quick and simple process for onboarding their suppliers
- Implement a standard solution globally
- To insulate suppliers from Schneider Electric's specific technology environment (and vice versa)

CHALLENGES, CONT.

The team needed a better approach and fortunately while researching OCR and Imaging, they were introduced to the concept of Tungsten Network electronic invoicing and identified three important advantages:

- EDI required a costly implementation for both Schneider Electric and each supplier; Tungsten Network, built on OB10 e-invoicing would provide fast, low-cost implementations for both Schneider Electric and its suppliers.
- OCR didn't remove the paper; e-invoicing would eliminate paper from the process.
- Schneider Electric lost control with outsourcing; e-invoicing enabled Schneider Electric to lower its operating costs while still retaining full control over the process and the supplier relationship.

RESULTS

- Realized an annual savings of \$500,000 in the first year
- Enabled multiple submission methods for Suppliers to participate, regardless of size or technical sophistication
- E-invoicing is tax compliant in 48 countries, enabling other Schneider Electric operations to utilize Tungsten Network as well
- Enables suppliers to automatically create an invoice using Schneider's purchase order data with the PO Convert service

RESULTS

Within the first six months, suppliers representing 38% of the targeted invoice volume had been converted from paper to e-invoicing. Suppliers representing another 16% of the targeted invoice volume were in the process of implementing e-invoicing. By that time, Schneider Electric had already realized \$200,000 in annual operational savings and could project \$500,000 in annual operational savings when Tungsten Network was fully deployed.

With e-invoicing, Schneider Electric has experienced fewer errors, faster cycle time and a higher percentage of invoices processed straight through without requiring any manual intervention. "Tungsten Network's pre-delivery validation transfers the burden of resolving errors to the supplier responsible for the error, not A/P" noted Carper.

Tungsten Network routes each invoice to the correct Schneider Electric A/P processing center and transfers the e-invoice in a format that enables no-touch, automated input to each accounting system. In addition to the core e-invoicing service, Schneider Electric uploads purchase order data to the Tungsten Network. This enables suppliers to utilize

the PO Convert service (e.g. automatically create an invoice using Schneider's purchase order data) and for Tungsten Network to validate that the supplier's invoices match the underlying Schneider Electric purchase order.

FUTURE

Schneider Electric is now focusing on enrolling smaller suppliers. Additionally, Schneider Electric is embedding the Tungsten Network e-invoice service within its supplier sourcing process. "We are operationalizing e-invoicing so that there won't be any regression to paper invoices," says Carper. Other Schneider Electric locations outside of the United States are looking to implement e-invoicing so that they can realize similar results.



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