Consolidated accounts payable processing to increase efficiency and reduce labor costs

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Overview

To ensure that vendors are satisfied with their payment process, and that this process also meets internal productivity, accounting and overhead requirements, Amerada Hess Corporation (AHC), a global oil and gas company, recently implemented an automated accounts payable system that relies on software from SAP, as well as IBM FileNet's Application Connector for SAP R/3 (AC/SAP). A seamlessly integrated Enterprise Content Management (ECM) solution, AC/SAP enables AHC to scan, store, track and instantly retrieve any or all documents associated with each of 30,000 monthly invoices received at any of their district and field locations.

While it is an obvious fact that every company thrives on revenues, it is equally true, but less well accepted, that these revenues are often dependent on vendors who provide raw materials, components, infrastructural elements and support services. It logically follows that revenues could be negatively impacted if these vendors are not paid in a timely manner, with an efficient and cost-effective process.

The Challenge

AHC's legacy accounts payable solution was not delivering the efficiency the company required because it was paper-based, labor-intensive and prone to human error. Collectively, these drawbacks meant the invoice payment process took upwards of 30 days, leaving vendors unhappy that their terms were not being met, and the company was unable to benefit from discounts some vendors offered for early payment. In addition, receiving and processing invoices at various regional offices throughout the United States, prior to forwarding them to central headquarters in Houston for final processing and payment, was simply not a productive or cost effective process.

"In a nutshell, to meet our bottom line requirements, we needed accurate and timely accounting information, we needed to optimize the efficiency and productivity of our employees, and we needed to make sure we met the

payment terms that our vendors specify," says Martin Trevino, project manager for Amerada Hess. "Our legacy accounting system simply could not meet these needs as our company continued to grow."

The IBM ECM Solution

AHC realized they could solve many of their accounts payable issues with SAP software—provided they could also find a way of electronically entering and storing all documents associated with the process. While many software packages were available, only IBM FileNet's Application Connector for SAP R/3 met all of AHC's requirements. "IBM's ECM solution met our key criteria including out-of-the-box

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> **Martin Trevino**
> Project Manager, Amerada Hess

functionality, seamless integration with SAP, the ability to interface with other business applications, an extensive track record, and a support operation we knew we could count on," explains Trevino.

The Bottom Line

With AC/SAP now fully implemented, AHC is meeting their accounts payable needs. "Invoices are now being paid easily within the negotiated terms," Trevino says. "If vendors want to be paid in 15 days, then they get paid in 15 days. Whatever our vendors' priorities may be, we can now meet them, and we can also take advantage of discounts for prompt and even early payment of invoices when appropriate. And if a vendor calls us to resolve an issue, our representatives have instant access to any support documentation required to resolve the inquiry immediately."

In addition to enabling AHC to digitally store documents supporting the accounts payable and invoicing processes associated with SAP modules MM, FI and CO, AC/SAP is also used for tracking other documents required to support the SAP environment including those associated with material transfers and accounting corrections. In the future, AHC plans to use AC/SAP to store and track content associated with other SAP processes as well, including accounts payables processes for their International Exploration and Production Operations based in the United Kingdom. "When the conversion to SAP is complete in the

UK, we will be able to manage all content associated with global invoicing operations from a single AC/SAP server in Houston," Trevino says, "eliminating the management, maintenance and overhead headaches associated with other solutions that would have required multiple distributed servers."

AHC's content management process was also streamlined to better manage the growing volume of documents and data generated by its ERP system. Future applications are expected to include the integration of several R/3 document types, land records documents, and joint venture contracts.

"Simplicity is powerful," he continues. "IBM's AC/SAP out-of-the-box functionality and technical support have exceeded our expectations; our SAP processes are more effective and efficient with IBM FileNet products."

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