

Schneider Electric powers up invoice processing

Schneider Electric Profile

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;
- Reducing paper handling & associated labor costs;
- Increasing controls and stopping renegade purchases;
- Reducing processing and payment errors;
- Enabling the growth of a shared services operation without adding new staff.

"OB10 insulates Schneider Electric from our supplier's technical environment (and visa versa). This provides us with the freedom, independence and control to evolve our systems whenever we need to. When we upgrade to SAP, there will be no impact on our e-Invoicing suppliers and no disruption to our e-Invoicing service."

*Pam Carper
Manager of Disbursements*

Schneider Electric



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.

Evaluating Options

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 10 suppliers had signed up; setup costs were high and it wouldn't enable Schneider Electric to significantly reduce paper.

The team needed a better approach and fortunately while researching OCR and Imaging, they were introduced to the concept of OB10 electronic invoicing and identified three important advantages:

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

Key Success Factors

- Close collaboration with Procurement and IT facilitated a rapid and seamless implementation
- Clear and strong call to action to Schneider Electric's suppliers resulted in rapid take up
- OB10 supplier enablement services offloaded a time consuming, difficult process and let Schneider Electric staff focus on their primary work
- Technical flexibility: any system, any format reduced implementation hurdles and costs.



The Winning 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 OB10 e-Invoicing. In addition to meeting the core requirement of eliminating paper, Schneider Electric identified the following OB10 benefits:

- Neither Schneider Electric nor its suppliers needed any new hardware or software: OB10 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 OB10, not Schneider Electric and OB10 can provide enrollment services globally;
- OB10 e-Invoicing is tax compliant in the EU, enabling other Schneider Electric operations to utilize OB10 as well;
- Schneider Electric receives a rendered image for each invoice, which expedites approval and resolution of issues when there are exceptions;
- OB10 insulates suppliers from Schneider Electric's specific technology environment (and visa versa). When Schneider Electric upgrades to SAP, there will be no disruption in the service for either Schneider Electric or its suppliers.

About Schneider Electric

As a global specialist in energy management with operations in more than 100 countries, Schneider Electric offers integrated solutions across multiple market segments, including leadership positions in energy and infrastructure, industrial processes, building automation, and data centers/networks, as well as a broad presence in residential applications. Focused on making energy safe, reliable, efficient, productive and green, the company's 114,000 employees achieved sales of more than \$23 billion in 2008.



Meaningful Results within First Six Months

Within the first six months, suppliers representing 38% of the targeted invoice volume had been converted from paper to OB10 e-Invoicing. Suppliers representing another 16% of the targeted invoice volume were in process of implementing OB10 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 OB10 was fully deployed.

With OB10 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. "OB10's pre-delivery validation transfers the burden of resolving errors to the supplier responsible for the error, not A/P" noted Carper.

OB10 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 OB10 e-Invoicing service, Schneider Electric uploads purchase order data to the OB10 Network. This enables suppliers to utilize the OB10 PO Flip service (e.g. automatically create an invoice using Schneider's purchase order data) and for the OB10 Network to validate that the supplier's invoices match the underlying Schneider Electric purchase order.

What's Next

Schneider Electric is now focusing on enrolling smaller suppliers. Additionally, Schneider Electric is embedding the OB10 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 OB10 e-Invoicing so that they can realize similar results.

About OB10

OB10 simplifies and streamlines the complex invoice-to-pay process. Neither client organisations nor their suppliers are required to implement any hardware or software, and OB10 is independent of the data file formats.

Operational across Europe, North America and Asia, OB10 is compliant with the requirements of VAT, tax and e-Invoicing legislation and exchanges invoices between thousands of customers in over 130 countries.

To ensure unrivalled and rapid supplier enrolment, each new customer's suppliers are supported by an implementation services team responsible for getting them up and running on the OB10 network.

Customers include: Agilent Technologies, Aviva, Barclays, BP, Cargill, DHL, DSG International, Fisher Scientific, General Motors, GlaxoSmithKline, Hertz, Hewlett Packard, IBM, Kellogg's, Logica, Deutsche Lufthansa, Mohawk Industries, Pfizer, SaraLee, Shaw Industries, Tesco and Xerox.

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