



## Working Capital Optimization: Not Just Board-room Conversation

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### Reality Check

- Most invoice settlement processes are paper-intensive and manual
- Invoice-to-pay cycle: 60-120 days (approximately)
- 2 percent 10 net 30: Remains a dream, as most invoices get stuck in internal approvals by the time they get to accounts payable
- 20 – 40 percent of invoices involve exception processing: Double or sometimes triple the transaction's timeline and cost

As credit markets tighten and earnings are squeezed, finance functions are applying ever greater scrutiny to the efficiency of their back-office processes. The smart application of technology is helping build agility into the hitherto tardy manual processes, increase cash flow visibility, improve the relationship between the buyer and supplier organization, and most importantly, enable working capital optimization.

The financial supply chain, if not managed efficiently, can be a major pain point in optimizing your working capital. Accounts payable constitutes the biggest drain in the working capital management of most organizations. In other words, if an organization can manage its cash, its accounts receivables and accounts payables well, it can rein in the invincible operating costs. If it can improve its processes and free cash from the balance sheets, it can put the working capital to more productive use.

### Problems with Legacy

Traditionally, buyers have not been able to effectively manage their working capital for various reasons. Manual, error-prone processes have been perennial road blocks in allowing buyers any flexibility with payment terms. Buyers could hardly take advantage of any discount offers that the supplier made on the invoice against early settlement of dues. Instead, buyers consumed valuable accounts payable resources to deal with supplier inquiries and dispute resolution. The traditional

processes involved costs of printing and mailing paper checks and stop payments as well as re-issue costs for lost checks and frauds. Buyers were unable to help the supplier remove process inefficiencies that translated into incremental cost of goods and services for the buyer. And thus, it was never unusual to find suppliers that refused to do business with customers who were 'too expensive to do business with'.

From the supplier's point of view, the lack of visibility and uncertainty around payments hindered cash flow forecasting efforts. The supplier had to maintain excess cash unproductively as 'hedge' against uncertainty, thereby tying up working capital in the order-to-cash cycle. Suppliers needed to rely on expensive financing options like factoring and asset-based lending to deal with limited access to capital.

### Technology: The Enabler

Technology is today playing a significant role in helping both buyer and supplier organizations streamlining the cash flow and bringing about cost reductions. Tightly integrated workflow tools are known to reap visible results.

WNS offers its customers various financial transformation and process optimization solutions and services. The solutions we provide enable organizations to leverage their enterprise solutions to establish automated financial processes. Through streamlined processes, the solutions enable cost-saving efficiencies and working capital optimization.

### The WNS Solution

The WNS Working Capital Optimization solution comprises four core offerings: Accounts Payable Workbench (APW), Purchasing Cards (P-cards), Dynamic Discount Manager (DDM) and Supplier Self Service Portal (SSP).

**Accounts Payable Workbench:** It automates the processing of purchase invoices by providing clear visibility of all exception invoices; Web-based workflows for resolving invoice issues; automated processing of electronic invoices and

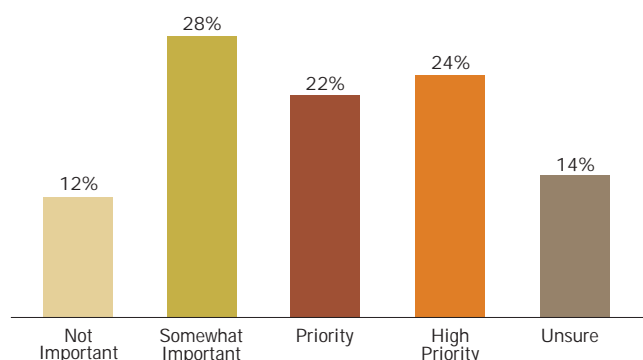


comprehensive reporting. Clients have typically achieved 70–80 percent automatic posting of e-invoices, and have moved to a position where early payment discounts can be realized.

**Purchasing Cards:** They have been in the market for over 30 years now. WNS enables organizations to maximize rebates, increase the purchasing card program, and improve controls and visibility of spend by integrating these innovative payment methods into their enterprise solutions. The WNS P-Card solution supports lodged cards, embedded cards, single-use cards and cards-in-hand. When purchase cards are used to procure from a level 2 or 3 merchant, they effectively deliver low-cost, standardized electronic invoicing. The periodic transaction file produced by the card provider contains expense lines with associated purchase order numbers. The WNS solution can then automatically match and post these expense lines as invoices in the client's enterprise-wide solutions.

**Dynamic Discount Management:** Traditionally, suppliers had been offering discounts on the invoice as an incentive for early settlement of dues. But most organizations were unable to utilize the discount offers because of paper-intensive, manual invoice receipt and payment processes. Exhibit 1 below shows how the importance of capturing early payment discounts for an organization.

Exhibit 1 - How important is capturing early payment discounts for an organization?



Source: A Buyer's Guide to Working Capital Solutions, Paystream Advisors

But, buyers now have the tools to proactively propose discounts as an incentive for early payment.

DDM is a sophisticated working capital optimization tool that is an emerging concept in financial transformation and process optimization. It is a collaborative and adaptable Web-based tool. Simply put, when the buyer establishes an efficient payables process, it offers the supplier an early settlement of dues at a buyer-determined discount. Acceptance by the supplier automatically adjusts the terms of payment in the enterprise solution. The supplier has visibility to the invoice status through an integrated vendor portal. The automated processes enable the buyer to compress the order-to-cash cycle by 70 percent or more, thereby making it eligible for attractive, dynamic discounts from the supplier. It has been estimated that buying organizations can realize five times the benefit from DDM than from invoice automation efficiencies. Customers across industries are using this transformational tool to get dynamic discounts from suppliers, make informed decisions, and leverage significant cost reductions in the accounts payable.

**Supplier Self-Service Portal:** It allows suppliers to submit invoices, check status of invoices, manage disputes and download remittance advices. It is estimated that, on an average, accounts payable staff spend 20 percent of their time answering supplier queries — the portal deflects this workload. DDM, a key component in helping organizations achieve procure-to-pay optimization, is part of this portal. When an invoice gets free for payment, the treasury receives a proposal for payment. Thereafter, the supplier can track the progress of the invoice through the portal, and directly negotiate / accept discounts. DDM also supports discount offers initiated by either the supplier or the buyer.

The WNS working capital optimization solution is an end-to-end accounts payable automation solution. It comes into play from the stage of invoice capturing and line-item matching to dispute resolution and discount management. The two key benefits arising out of the solution are: Increased visibility into the cash flow and the ability to make timely decisions. Automated workflows provide increased visibility into accounts payable and accounts receivable to both the supplier and the buyer through the integrated vendor portal. These workflow tools also enable faster procurement and supplier payment, through streamlined procure-to-pay, and order-to-cash processes.

The WNS working capital optimization solution is helping organizations across industries put cash where it should be. Away from the balance sheet into more productive use.

To learn more, please write to us at [info@wns.com](mailto:info@wns.com)