Seven Ways an AP Shared Service Center Can Improve Profitability

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Judy Bicking is a 27-year veteran of Johnson & Johnson.

Her career has been focused on Procure-2-Pay, Order-2-Cash, and developing Shared Service Centers in the U.S. and Europe; earning high recognition for process improvement and major cost savings. She led the first departments to earn IOFM AP & AR Departmental Certification designation.

Today she is a Public Speaker, does consulting in P2P and O2C. She participated as co-founder and played a major role in writing and conducting certification training in these fields. She is a strong believer in “raising the bar” in these areas.

Encourages Women through Facebook: called: Women-at-Work
She also owns and operates a retail department store along with her passion in doing mission work at home and abroad.
Key Learning

- Develop a Mission & Vision Statement that will move your SSC from ‘overhead’ to profitable
- 7 Ways to Improve Profitability
- Gaining senior management and organizational support to successfully implement best practices
- Develop and motivate the SSC Staff by Raising the Bar
- Building a case for automation and straight-through processing that drives internal controls and profitability
- Tracking key performance indicators (KPI’s) that will support and validate your business case
- Overcoming resistance to change while creating an environment of continuous improvement
Mission & Vision

? What is your current Mission & Vision?
? Does it match your company’s Mission & Vision?
? Why is your company in business?
? Why are you in business?
? Why does your staff show up every day?

AP example:
- To pay invoices accurately, timely, in compliance to all laws and reg’s

AR example:
- To process payments, accurately, timely, in compliance
- To collect monies due within DSO
Mission Vision Values

VISION: To be the world's most loved children's brand.

MISSION: To bring smiles to kids of all ages and to create warm memories that last a lifetime.

By our actions:
R elentless commitment to build a great team.
A wesome kids products that inspire active play.
D eliver breakthrough results.
I mprove our world by acting sustainably.
O utstanding LRR customer service.

VALUES:
We follow the “Little Red Rule:” Every time we touch people’s lives, they will feel great about Radio Flyer because of our passionate commitment to the FLYER code:

FLYER Code:
F UNomental Cust Experiences
L ive with Integrity
Y es I Can
E xcellence in Everything
R esponsible for Success
CFO’s Mission for SSC

• Cost Reduction
  – Less People (eliminate redundancies per locations)
• Compliant: Tight controls: Prevent errors and fraud
• Achieving best-in-class process status (end-to-end)

Above-n-Beyond
• Bottom line savings
• Remove silo’s
• Thinking end-to-end (R2R, P2P, O2C etc)
  From In-Put to Financial Statements
• Benchmarking: Ford: moving production line. Turning office work into a production line
• TODAY: not one touch but NO TOUCH - Process mapping
• C+1 closing
SSC Mission & Vision: s/b BIG Picture

• Current Missions & Visions are nearsighted:
  Too focused on the task

• Big Picture

• How can we help our company make a profit?

• How can we change the perception that these functions are ‘over-head’
Develop a Mission & Vision Statement
move from ‘overhead’ to profitable’

New Mission for AP

To build a cohesive relationship with procurement and suppliers to develop a compliant purchasing strategy for goods and services to meet the needs of the organization while making a positive impact to the bottom-line while protecting the cash, supporting the cash management strategy with timely, compliant, accurate financial statements.

- J. Bicking

AR focus should be on protecting the cash while supporting sales to grow the business.

J. Bicking
7 Ways to Improve Profitability

“Your idea to stop paying our bills was pure genius.”
#1: People: Number One

- Develop and motivate the SSC Staff by Raising the Bar
- How? when they feel ‘snowed under’
  - Doing more with Less
  - Budgets frozen
  - Acquisitions
  - Don’t have time to
  - Resolve, but we have time to solve
Make them feel **important**: staff n clients

- **Meet n greet**: Get out there and greet them
  - Curbs lateness
  - No business agenda
  - Learn what’s happening

- **Breakfast with....**
  - Rules: process only, not about people
  - No agenda: Open ended questions
    - If I could change one thing what would that be…

- **Monthly meetings**
  - What is being worked on (future plans)
    - Let them present (make them part of the process)
  - Goals
  - Special Guest (VP, Controller, Purchasing)
#2: Paper
Known as the money card

- Automate
- Consolidate
- Eliminate
- Simplify
#3: AI & Robotics

- Straight-through ~ ~ NO TOUCH
  - Drives internal controls
  - Cuts Cost
  - Real-time accurate data:
  - Informed business decisions
  - Time to work on issues & Savings
  - Staff satisfaction
#4: Process

- Philosophy: "if it ain’t broke, don’t fix it"
  - Expertise Level: Little if any: rely on past not future
  - Laws & Reg’s changing frequently: Gov’t doesn’t notify
  - Fraudsters are good at what they do. Stealing your money

- Example: paying via paper check for payroll & A/P
#5: Business Partner

- Breaking silo’s
- Jump out-of-YOUR-comfort zone
- Thinking end-to-end
  - Not: O2C, P2P... T2FS
- Gaining senior management and organizational support to successfully implement best practices
- C-suite will begin to see you as a Business Partner
- Choose your Champion / Advocate
Stop and talk about Resistance: How do you move forward?

- We have to change our response
  - From: defensive
  - To: Fact based
Currently: Forced to Work Together

- Forced to work together
- Different C-Suits
- Opposite Positions
- Different Goals
- Different Objectives
- Different Locations

Focus should not be on people
Disagreement doesn’t have to be negative!

Strong Attitudes/Perceptions: [Belief] You People never.....

Should be focused on the **PROCESS**.....
SSC need to negotiate with clients

Move from:
Winner / Looser

Move to:
Winner / Winner
Metrics: Move to a fact-based approach

- Study KPI’s “Routine”
- Metrics will highlight the ‘right’ areas to focus

APP2P Spring

IOFM Institute of Finance & Management
Overcoming resistance

• SSC tend to have many projects and goals that nothing is getting done?
  – People are confused about what you want
  – YOU are spread too thin

• Do you have folks who say “can’t”; “it won’t work”...
Build a Dashboard
Performance through: Collaboration

• Goals that don’t align

• Choose metrics that:
  – Aligns the organization
  – Break down Silo’s
  – Everyone can see how the work impacts the metric
Create a Baseline

Invoices Paid On Time
Current Year

- Process Improvement
- Shared Service
- Acquisitions

Baseline: no matter how bad, show real number
*If you don’t measure it, you can’t manage it.
#6: Charge Back: ABC

- Resistance at it’s finest
As Easy as ABC?

- Activity Based Costing
  - Not ARGUMENTATIVE!
  - Not defensive
  - Factual

- Charge Back for your services
#7: Think like a CEO

• Benchmark competition
• Need to make a profit
  – Gartner Group: a 5% reduction in operating costs equals a 30% increase in sales in terms of effect on the bottom line

– AP Examples:
  • Discounts: Take all discounts when interest rates are low
    – A 2% early payment discount is equivalent to 36% annual interest rate!
  • Spend Management: GOLD
Common Mistake

- Reducing headcount
  - One time hit
- Create a list of jobs that would attribute to savings
Key to Success

• There’s no magic
• It’s hard work and takes
  – Dedication
  – Upper Management CHAMPION
  – YOU to set example
• Communicate/Communicate/Communicate
• Report Metrics
• Continuous Benchmarking
• Re-engineering
• Change Acceptance Culture
Use of Business Partners vs Outsourcing

Pre 1980:
- Single AP departments at each company location (various sizes)

1980’s:
- Internally centralized AP departments known as Shared Service Centers

Early 2000:
- Partial outsourcing working with internal Shared Service Centers
- Outsourcing / Offshoring

Early 2000:
- Business Partner

Today:

Types of AP departments and outsourcing models illustrated in a flowchart.
The road to success is always

You, Staff, Partners, Clients
Education
Benchmarking
Conferences
Webcast
Change YOUR Perception

• Best transaction processor or Business Partner
• Cost effective & efficient and bottom-line savings
• Surprises to Compliant and Preventing Fraud
• Low reputation / valued, knowledgeable
• Listen to Internal & External
• Invest in
  – Staff: training and skills
  – Systems
Hidden Figures: Best Change Management

Dorothy Johnson Vaughan
played by: Octavia Spencer
Q & A

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