

GlaxoSmithKline

Improving Compliance and Invoice Management with Smart Invoicing

“With Ariba, we reduced our paper invoice volume by 33 percent in nine months, and that was a tremendous accomplishment. We have also placed additional controls up front, created a system where invoices flow through better, and, in the end, reduced the actual cost of our operations.”

Al Barbee
Director, GSK North America
Shared Financial Services

GlaxoSmithKline (GSK), the world’s third-largest pharmaceutical company, manages its accounts payable (AP) operations through a Shared Financial Services group, which delivers services to 95 percent of GSK businesses in North America. As an early adopter of EDI, GSK was able to convert its large suppliers to an e-invoicing process, but that still left nearly 50 percent of its invoice volume on paper.

Extending EDI coverage to the bulk of its suppliers and integrating EDI with its existing ERP system were cost prohibitive. As a result, GSK faced excessively high invoice processing costs for paper invoices, along with longer cycle times and on-time payment challenges. GSK sought a more efficient and effective invoice process that would lower processing costs, reach more suppliers, and enforce PO compliance.

Key issue for GSK: How can we effectively transition suppliers submitting paper invoices to an electronic invoice process, and ensure compliance by driving more purchases off POs?

Solution

GSK realized that e-invoicing was the key to driving down the costs of processing paper invoices and enabling collaboration with thousands of suppliers. It became a strategic initiative, and GSK outlined the following objectives for the program.

- Embrace an electronic process that would enable real-time supplier collaboration
- Expand use of purchase orders to enforce compliance and better manage spend
- Extend the value of its ERP system

GSK chose Ariba’s e-invoicing solution featuring smart invoicing and integration with the Ariba® Network to deliver the next wave of corporate finance transformation.

Benefits

In less than a year, GSK enrolled more than 1,800 suppliers for electronic invoicing and today there are more than 2,300 GSK suppliers on the Ariba Network. The Ariba Network match helped to rapidly on-board these suppliers, as close to 60 percent of GSK's list of targeted vendors were already participating on the network.

One factor driving these suppliers to an electronic process was the flexible invoice submission options. They include the PO-Flip® service option, where suppliers receiving an electronic purchase order from GSK can, with a few keystrokes, "flip" the PO into a pre-validated electronic invoice that is sent back to GSK for touchless processing. "Ensuring PO compliance on the front end makes the back end of invoicing that much simpler," said Al Barbee, director, North America Shared Financial Services, GSK.

Suppliers also benefit from a self-service portal offering real-time visibility into invoice and payment status, which isn't available to GSK suppliers transacting via GSK's in-house EDI solution. The supplier portal has contributed to a reduction in invoice status phone calls to GSK by 30 percent. "It's easy for suppliers on the Ariba Network to go online and see the exact status of their invoices at any time," said Barbee. "You would be surprised at how many calls actually go away."

For GSK, the ability to configure business rules—the key to smart invoicing—enables automatic validation of invoices. Invoices that don't pass the validation rules are returned to suppliers for correction and re-submission, eliminating a time-consuming task that had been managed by AP.

Streamlining the invoice process also has a dramatic positive impact on cash management. With an invoice approval cycle of seven days and falling, GSK can take advantage of many more early payment discounts. In addition, e-invoicing with Ariba was a major contributor to GSK achieving a 20 percent savings goal in its Shared Financial Services group.

Motivated by its first-year results, GSK is planning to roll out e-invoicing to other divisions within the Shared Financial Services group. And, since Ariba offers a more flexible, lower-cost e-invoicing option than EDI, GSK will expand the Ariba solution as the legacy, in-house EDI suppliers drop off.

"Getting to an electronic invoicing process, especially in today's global environment, makes a whole lot of sense," said Barbee. "It eliminates all of those manual steps in the process, and reduces the chances that things will go wrong."

About GlaxoSmithKline

GlaxoSmithKline is the world's third-largest pharmaceutical company. Headquartered in London, GSK employs over 96,000 people in 100 countries across the world. GSK produces medicines that treat major diseases and has a large consumer healthcare division, which produces oral healthcare, nutritional products and over-the-counter medicines.

About Ariba, an SAP Company

Ariba is the world's business commerce network. Ariba combines industry-leading cloud-based applications with the world's largest web-based trading community to help companies discover and collaborate with a global network of partners. Using the Ariba® Network, businesses of all sizes can connect to their trading partners anywhere, at any time from any application or device to buy, sell and manage their cash more efficiently and effectively than ever before. Companies around the world use the Ariba Network to simplify inter-enterprise commerce and enhance the results that they deliver. Join them at: www.ariba.com

Within a year of its e-invoicing implementation, GSK achieved the following results:

- 60% reduction in invoice processing costs (\$4.47 to \$1.72/invoice)
- 90% reduction in time to receive invoices (21 days to two days)
- 85% invoice volumes managed electronically
- 94% on-time payment performance, with a goal of high 90% level