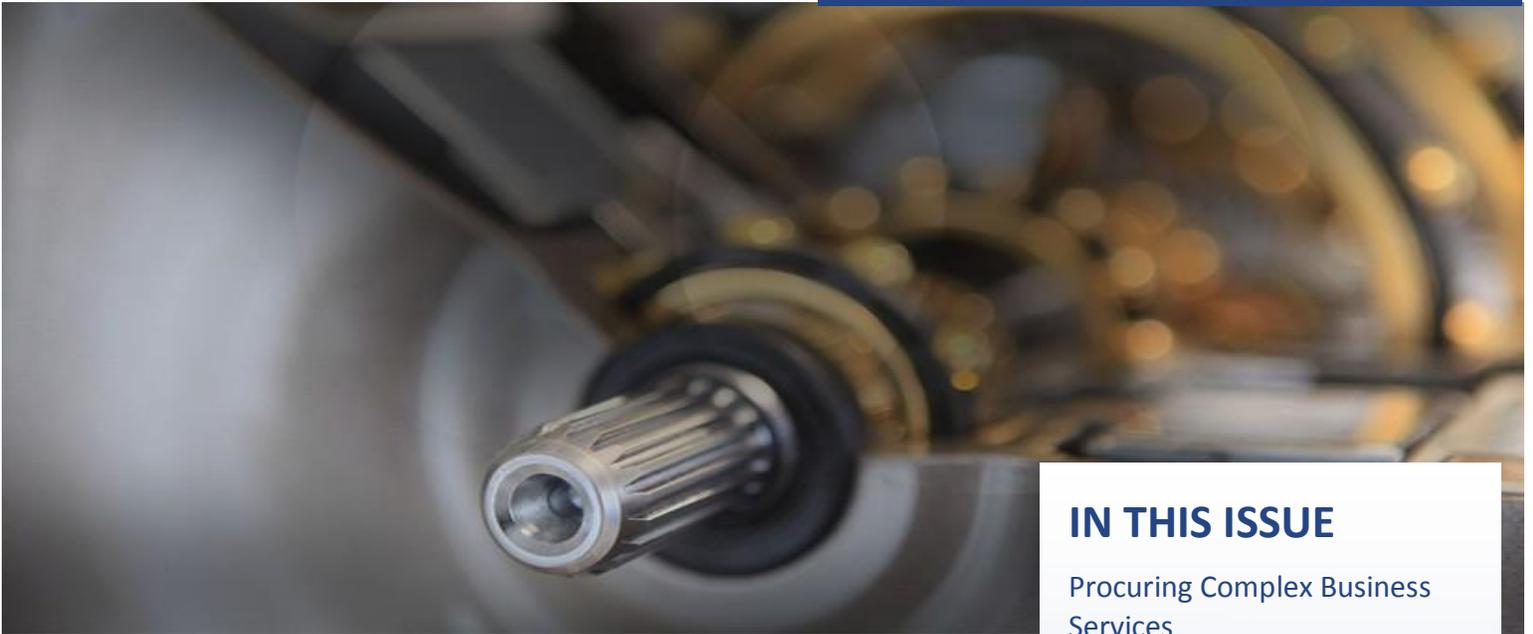


Informita

News

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WORKINGCAPITALCHANNEL

Introducing the Working Capital Channel

Together with our friends at DiscoverEdge, Informita have launched The Working Capital Channel. Our ambition is that The Working Capital Channel will be the ultimate resource channel to learn about working capital & cash flow management. Readers will benefit from the years of experience, across the globe and in many different environments. We will share experience, best practices, benchmarks, tools and templates without you having to spend considerable sums of money on consulting. Also it is our opportunity to share the latest big data tools, such as Working Capital Manager, that are changing the way companies can manage working capital on a day to day basis without spending vast sums in software. By combining the talents of both DiscoverEdge and Informita we have the ability to deliver the data mining tools that will continuously identify the particular working capital problem and the consulting expertise that designs the business solution that will translate into improved performance. Find out more at www.workingcapitalchannel.com.

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Procuring Complex Business Services

Comparing Apples with Oranges

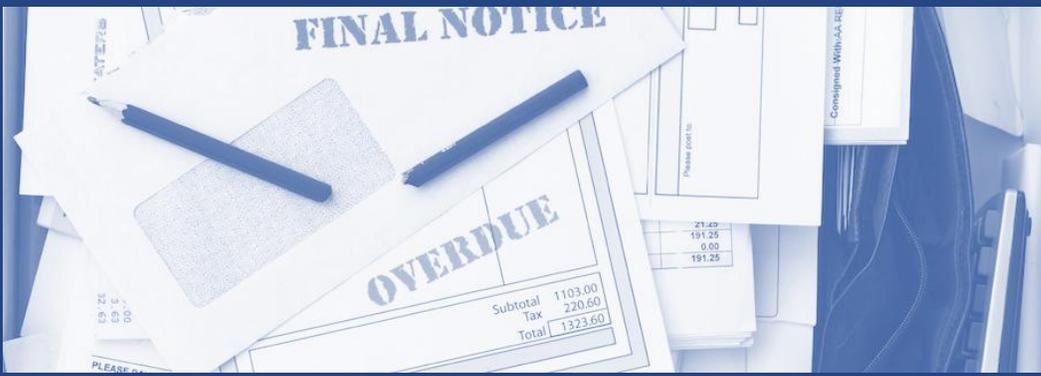
In procurement buying complex business services are expenditures like outsourcing, audit, ERP implementation and consulting services. In each case tenders can be quite difficult. The usual point of a tender is that you get the opportunity to properly compare one vendor's offering with another so that you can evaluate each offer to see what is best for your company. So you will want to know about pricing, risk, methodology etc. within a scope that has been set. The first problem can be the scope. Procurement is usually dependent on the business to set out the scope in sufficient detail. If this is not done correctly it gives the vendors the opportunity to overprice on what they will perceive as risk. From a procurement perspective we always want to know the rates that people are charged out at, their rank, capabilities and geographic base. The vendors equally do not like us having all this information, particularly if the contract is intended to be a fixed price. We will then be bombarded with methodology information that is

intended to persuade us that a particular vendor is unique for some reason when we know that all the major vendors in these areas do exactly the same thing. The real differentiating factor will be the experience and personalities of the individuals being proposed to perform the contract. So assuming that you manage to wade through all the "smoke and mirrors" you will try to evaluate the vendors on their various strengths and weaknesses. It is always good to have an objective scoring mechanism that is weighted based on the concerns and requirements of the stakeholders. And then you are at the most difficult stage - stakeholders. Many stakeholders will have their personal favourites before the tender process starts and there will always be a danger that the winning vendor is shoe-horned. In these cases it is procurement's role to use the tender process to highlight the pro's and con's of all the vendors not just to get the best price but also to challenge the stakeholders on their initial prejudices. No-one ever said it was easy!

There is no substitute for quality **Project Management**

There are many people out there that believe that project management is easy. The evidence of botched projects would suggest that this is not the case. In a world where we are increasing using technology to improve business processes project management skills are becoming even more vital. But this does not seem to stop many people being elevated to project management positions that they simply cannot do. This is another example of the Peter Principle at work. This is the reason many organisations will use outside consultants to provide these skills so that the project will be delivered on time, on budget and to a sufficient level of quality. But even in these situations we find poor project managers that send perfectly viable assignments down the drain due to their inability to plan out actions in sufficient detail, co-ordinate different phases of activity or skills within a team, communicate effectively to stakeholders on progress and escalate known risks before they become serious issues.





Procurement Structures

There have been many debates over the years to determine the right structure for procurement in different organisations. The real answer is that there is no right answer. The right structure will be determined by what your organisation does, in how many places is it done and with how many people is it being done. The top three that people usually go for are centralised, decentralised and centre-led. Often the right solution is a mixture of centralised and centre-led. Large complex big ticket items require direct procurement expertise for all purchase decisions, whereas regular repeat purchases do not require the same level of procurement scrutiny. For these repeat items procurement should be creating enabling processes where requisitioners can respond to demand quickly and procurement control pricing and quality issues. Ultimately the right answer will avoid the need for a large centralised bureaucracy, create synergies in data sharing and leverage of spending power and lead to a lean, cost effective and efficient purchase process.



Dunning Letters are key to good DSO performance

There are a lot of collection managers who believe that dunning letters are a waste of time. We would argue that this is not the case. While it is true that a telephone call is much more effective than any dunning letter, a well targeted and designed dunning letter can do a very good job to help collect money from small value accounts. But there are certain criteria that help to make dunning letters more effective. The first is that the language used should be direct. There should be no false promises made. If you threaten legal action or any other

sanction then it is essential that the threat is followed through. Otherwise debtors will learn that your threat will not be backed up and ignore further correspondence. The other point is colour. Lots of post is received everyday and a lot of it is junk. To make your letter stand out it needs big statements like "final demand" and they need to be in large red fonts so that it grabs the immediate attention of the reader. So follow these simple rules and create an effective collection tool for small value accounts.



Burma: Open for business?

Since the transition to a civilian government in 2011, Burma has been overhauling its economy. Economic reforms have included establishing a managed float of the Burmese kyat, independence of the Central Bank and enacting a new anti-corruption law. The government's commitment to reform, and the subsequent easing of most Western sanctions, has begun to pay dividends. Burma's abundant natural resources, young labour force, and proximity to Asia's dynamic economies have attracted foreign investment in the energy sector, garment industry, information technology, and food and beverages. The previous government's isolationist policies and economic mismanagement have left Burma with poor infrastructure, endemic corruption, underdeveloped human resources, and inadequate access to capital. The Burmese government has been slow to address impediments to economic development such as an opaque tax collection system and antiquated banking system. So for those that are intent on making quick profits Burma looks like a great prospect. But from a working capital perspective these emerging economies have all proved to be very difficult. Very long payment cycles and heavy restrictions on the movement of capital all mean that working capital management in Burma will be difficult for several years to come.



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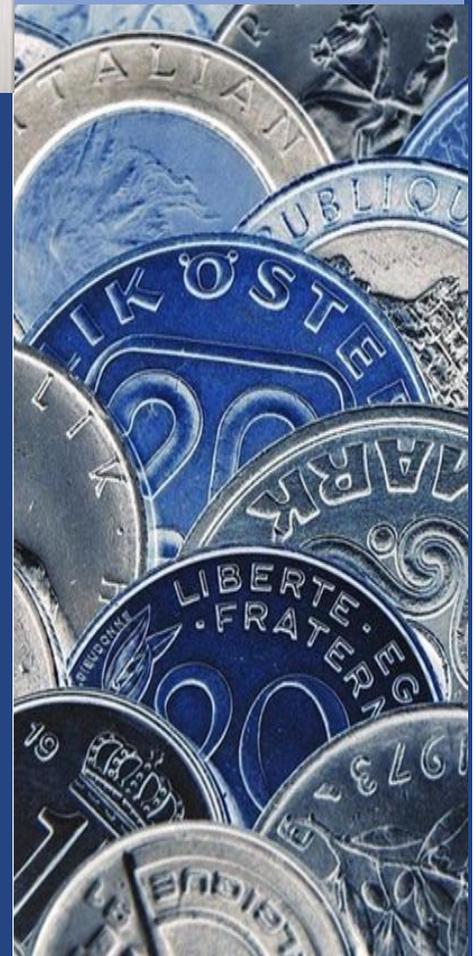
http://www.informita.com/working_capital_procurement8.html

Invoice Scanning

Good or bad for Accounts Payable?

Document scanning combined with OCR technology should mean the end of manual processing of physical invoices. But those who have implemented one of the numerous solutions available will tell you that it doesn't always work out that way. Even for those that are ultimately successful it can be disappointing to find out there will still be some manual processing once implementation is complete. The general range of success of invoice scanning is between 70% and 85%, i.e. every time I scan an invoice the OCR technology will successfully pick up all the relevant invoice details at least 70% of the time. But many who implement such solutions are given the expectation that all manual process will disappear. Even with the most advanced

and expensive scanning solutions the best success rate we have seen is in the 90%-95% range. So manual processing will still be required where invoice formats do not conform to the standards required. An example would be a hand written invoice or where the supplier does not display the purchase order number in the correct format. The only way to further increase the success of scanning is to change supplier behaviour and ensure that invoices received are fully compliant with the scanning process. Even then there will be a small number that may require manual keying but the expense saved can be considerable. Then your accounts payable focus can change from invoice processing to supporting supplier relationships.



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