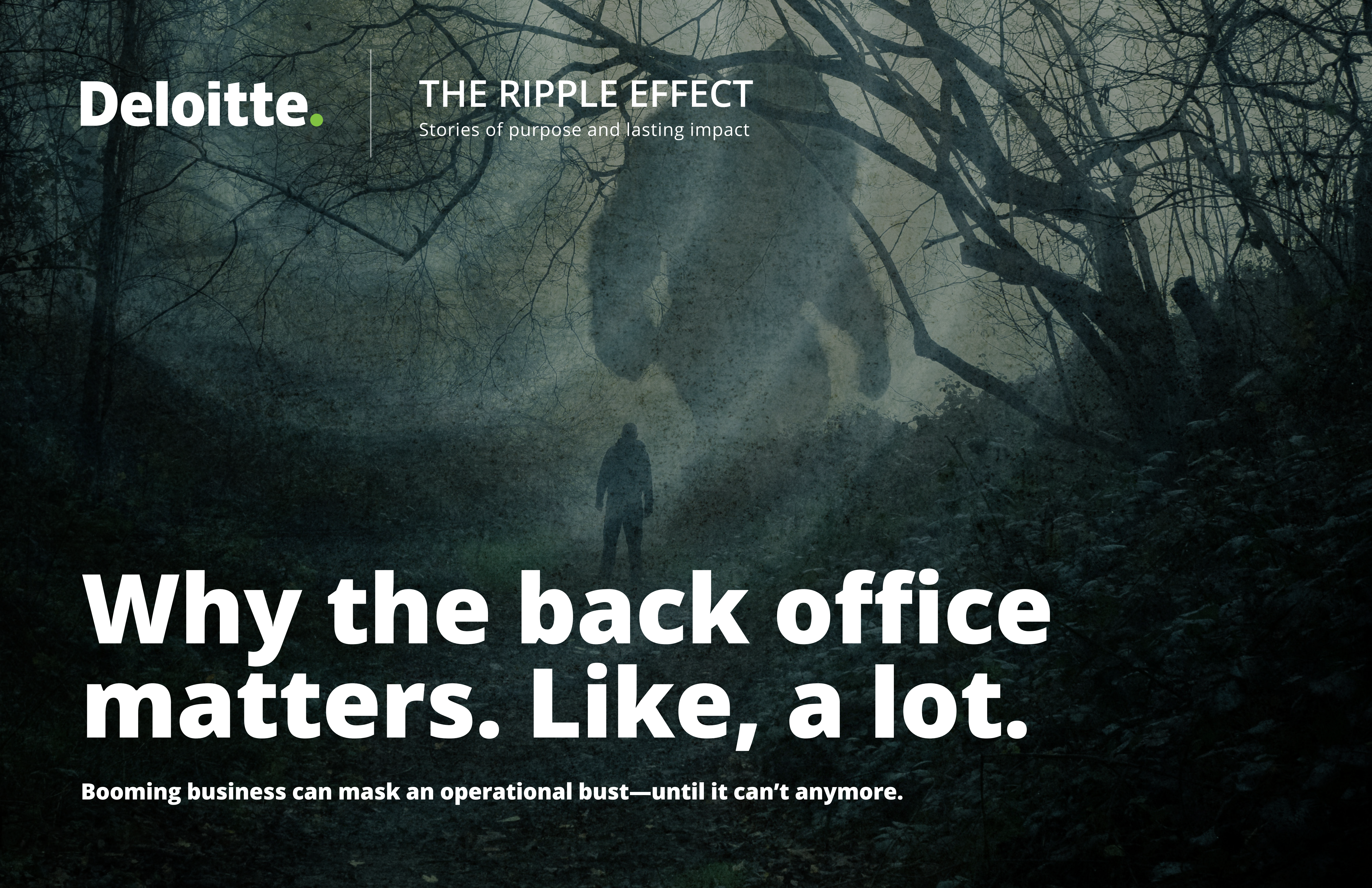


Deloitte.

THE RIPPLE EFFECT

Stories of purpose and lasting impact

Why the back office matters. Like, a lot.

Booming business can mask an operational bust—until it can't anymore.

WERE THINGS IN **ACCOUNTS PAYABLE** REALLY THAT BAD? **(NO. WORSE.)**

THE SITUATION

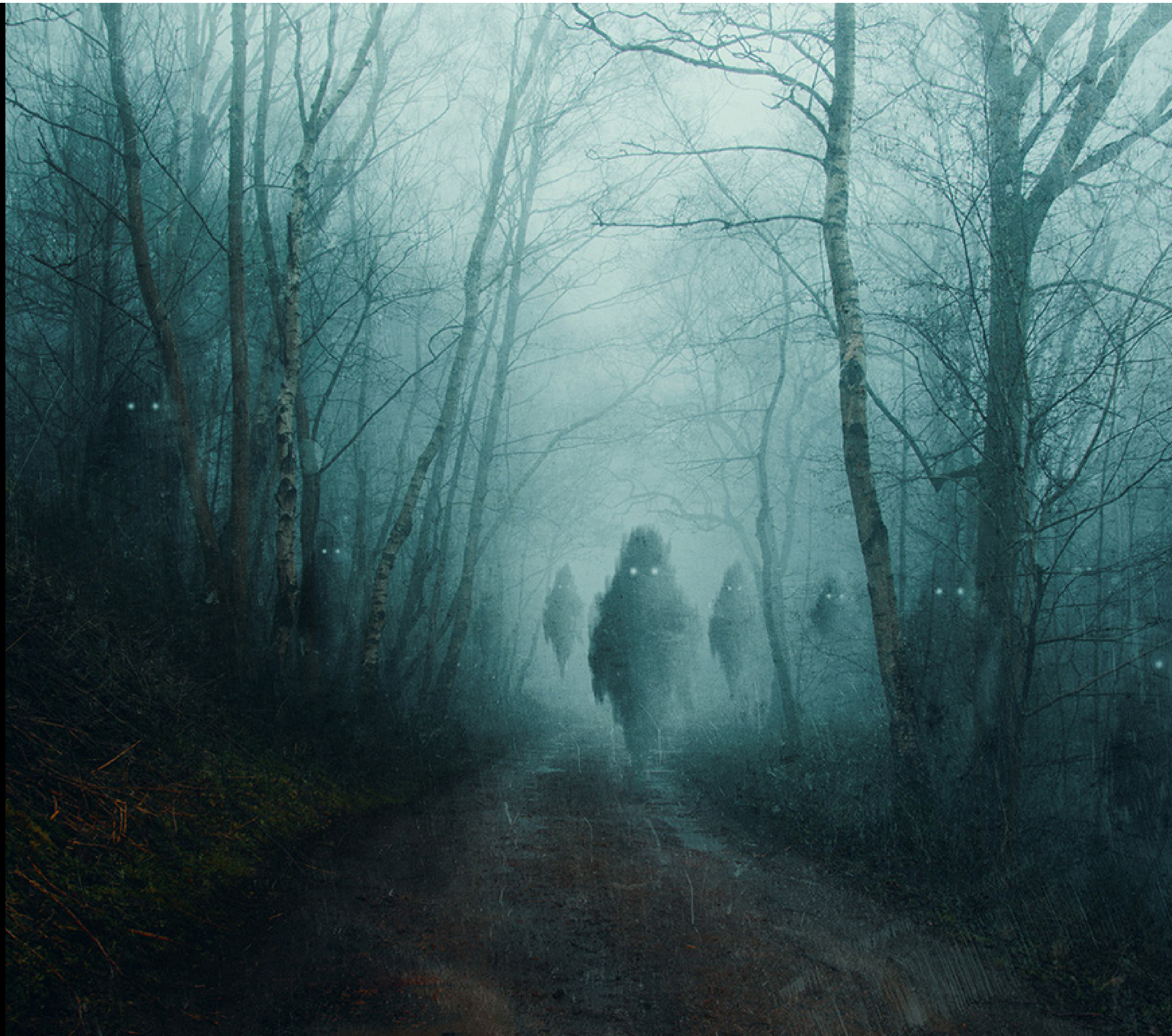
There are a couple lines in a Hemingway novel that work to illustrate why some organizations seek outside help. Paraphrasing: *How did the trouble happen? Two ways: Gradually, then suddenly.*

And so happened the troubles at a global consumer product company; organic growth had long masked underlying issues with organization structure, finance tools, and processes—until one day, suddenly, it couldn't. In fact, it was the growth that finally tipped the scales … maybe because a pandemic spiked consumer demand for products or maybe because it was just time. In any case, more and more vendors were sending invoices to the company's accounts payable (AP) department, and because AP's structure, tools, and processes weren't built to handle the load, they couldn't pay them on time.

Some weren't getting paid at all—no one knew to pay them. The vendors started getting frustrated—emailing, phoning, asking for meetings with the CFO. Chaos. Morale in AP spiraled. Fingers were pointed. Key veteran AP employees left. AP had a backlog of 40,000+ invoices when the holidays arrived, bringing even more pressure from vendors trying to close out their books for the year's end.

Finally, the company's major suppliers—all of them—issued a credit hold, significantly compromising the company's ability to produce and sell product. And suddenly, what was left of the AP team crumbled.

This is what Deloitte professionals encountered when leadership asked them to look into helping the AP department. Their assessment? Even standard industry processes and controls were missing. "We were *shocked*."



THE SOLVE

Business growth means change for any organization; *rapid* growth requires that these organizations proactively transform both the way they do business and the technologies supporting these processes. Transforming the company's AP department would be a challenge—like many heritage companies, its culture was resistant to change. Fortunately, the Deloitte team had leadership's approval to redefine the team's org structure, invoice and payment processes, and policies. They set to work.

They did so by deploying Deloitte professionals from multiple disciplines: Deloitte's Operate Services, which provided the talent to get caught up and keep the lights on—literally—as well as Deloitte Finance Transformation to assist in transforming and operating critical functions like accounts payable. With these services, the company would be able to create a scalable resourcing model, diagnose the root cause of issues, bring their tools and processes up to date, and reduce the cost of their finance department overall.

To fill the AP gap and bring the company out of credit hold, the team assembled a hybrid mix of Deloitte resources—both onshore and offshore. Their first order of business: Identify and settle the accounts of the mission-critical suppliers needed to bring production back online. This done, the team took a hard look at the full life cycle of payments; learned the company's current tools, org structures, processes, governance, and controls; identified where process breakdowns had led to delayed payments; and then redesigned those processes according to the company's size and volume of payments.

Deloitte's Robotic Process Automation (RPA) team was tapped to support this effort and helped develop automations to improve invoice payment accuracy. In parallel, a specialized triage team was set up to manage supplier questions, escalations, and any urgent payments that would stave off additional credit holds.

It was a bumpy road at first. The client's AP employee turnover continued until finally bottoming out (at one point Deloitte trained several different people from the client's organization for the same role). And calming the waters with vendors was neither simple nor immediate (they, too, needed to buy in to new tools and processes). But the triage team was able to successfully resolve issues within 48 hours and prevent repeating similar issues in the future.

Gradually, then suddenly, the company was back in business—and ready to grow some more.

MAINTAINING RAPID GROWTH MEANS
TRANSFORMING HOW BUSINESS IS DONE.

THE IMPACT

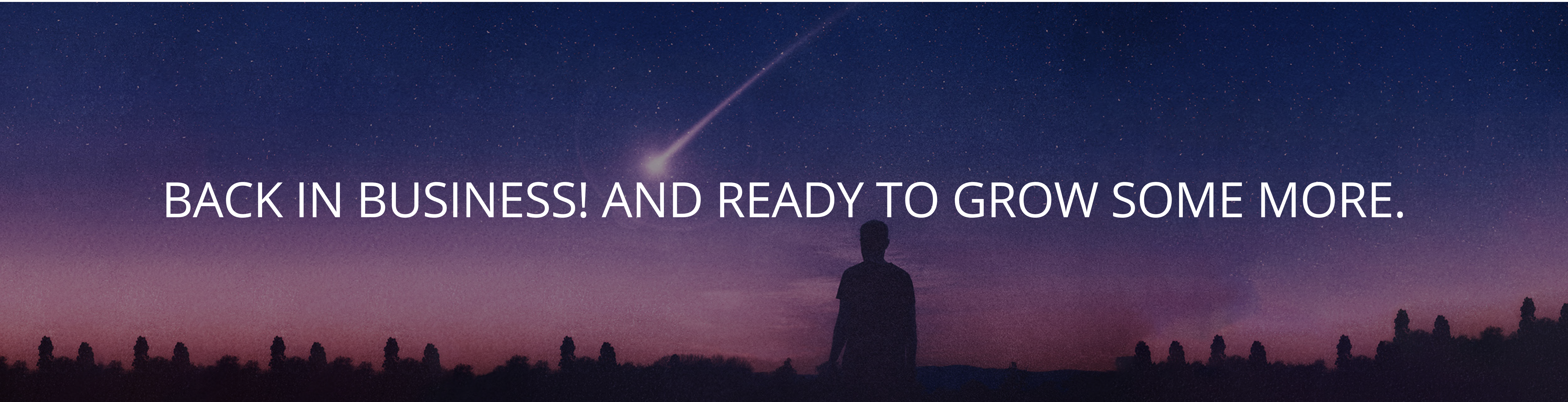
The first breakthrough in stabilizing AP operations came when the team brought the company's top 100+ vendors current—lifting the credit hold and bringing production back online. The next boost came when invoice-to-processing dates were reduced from 50+ to five days, meaning suppliers could be paid on time. This in turn reduced the volume of emails about past-due invoices still in backlog from ~350 to ~25, which in turn allowed team members to spend less time on crisis management and more time on improvement initiatives.

To wit: Deloitte redesigned the company's AP department to handle future growth and business, creating new processes and building a strong foundation within AP so that the company can migrate to more modern tools.

Cash forecasting accuracy is now 1–2%, with payment accuracy steady at ~99.9%. While the RPA automation decreased payment errors to less than 1% per week and reduced the AP team's workload by 16 hours per week, centralizing and standardizing processes have reduced the company's costs overall.

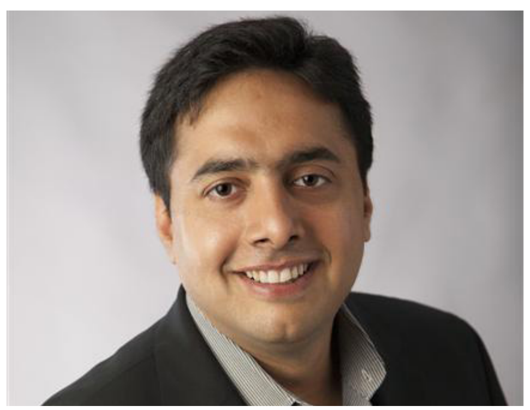
For example: by supporting the company with nearshore and offshore resources, Deloitte improved controls and improved working capital by 5%.

And with accounting stabilized, the company can move forward with bringing in new technologies, automation, and processes to improve operations overall.

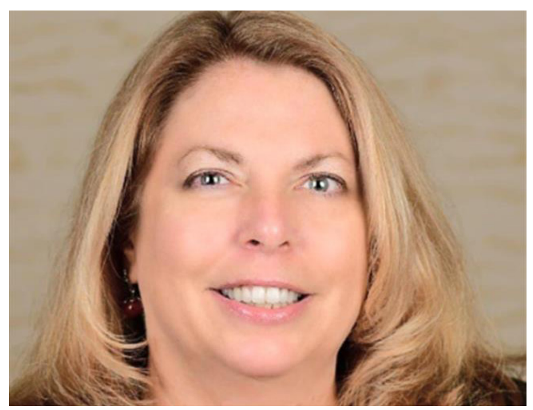


LET'S CONNECT.

Do these challenges sound familiar?



SRIVATS SRINIVASAN
Principal
Deloitte Consulting LLP
srisrinivasan@deloitte.com
+1 408 704 4722



DIANA SWEETWOOD
Managing Director
Deloitte Consulting LLP
disweetwood@deloitte.com
+1 404 234 7313

Deloitte.