

CASE STUDY

E&P eInvoicing Selection and Implementation

The Challenge.

Automation matters where accounts payable (AP) are involved, and the business case in support of eInvoicing is a relatively easy one to make. Electronic processing of AP invoices can reduce administrative costs, reduce spending through better capture of early payment discounts, reduce spending through adherence to contract pricing, and ensure better control over cash flow and working capital. As convincing as these benefits are, they don't include the improved visibility and dramatic improvements in accuracy and financial analytics that an accounting department can realize through the deployment of eInvoicing. As is the case with any major software investment, companies must remember that savings and benefits are directly related to the level of planning and preparation put into the selection and implementation of new software and processes.

The Opportunity.

One of Magnum Forge's clients has grown through a series of acquisitions: it now processes nearly 30,000 invoices a month. Senior managers in the accounting department were disappointed that each acquisition resulted in a commensurate increase in AP staff, who were needed to manually process invoices; thus, they looked for a way to cap or slow AP processing costs while growth continued. Due to these concerns, a brief review of eInvoicing functionality was undertaken. The review easily showed the potential hard-dollar benefits in moving to an eInvoicing tool: namely, improved capture of discounts offered by vendors, better enforcement of catalog pricing, reduced G&A costs in accounting, and reduced costs in drilling new wells. Because of these main benefits, the accounting and operations departments ultimately sponsored an eInvoicing project.

The Project.

The first order of business sought to choose an excellent eInvoicing software vendor. The client chose Magnum Forge to run the selection because we thoroughly understand the eInvoicing market and the client's Enertia ERP solution. Magnum Forge worked with the project sponsors to narrow the list of vendors down to three who would do product demos, and the final decision would be based on software functionality, the vendor's track record (based on reference checks done with companies not offered by the vendors), cost, and the overlap of the vendor's supplier network with the client's existing vendor base. The client eventually chose ADP's (now acquired by Oildex) OpenInvoice solution.

Once the solution was found, Magnum Forge, along with the client and ADP, created a project plan to address software-configuration decisions, key interfaces into and out of the client's Enertia ERP system, and the daunting task of training hundreds of AP invoice coders and approvers across six states in three weeks. In addition, the existing AP staff had to be trained to manage the incoming batches of approved invoices, perform quality checks, and move the batches through Enertia's transaction-processing steps.

The client made key IT personnel available for the project to get a jump-start on managing the new software and interfaces then in production, and Magnum Forge worked with these personnel and ADP's resources to set up the solution for the entire company at one time. The client chose to have ADP handle any invoices that its vendors continued to submit on paper by entering them into the OpenInvoice software themselves, so the client itself stopped receiving paper invoices once the new solution was live. As the project neared the "go live" date, Magnum Forge worked with the client's internal audit team to demonstrate compliance with segregation of duty requirements and to ensure that key testing documentation was archived for future audits.

The Outcome.

The company noticed the first benefits when attrition in the AP staff did not require backfilling because the AP staff could handle a much larger number of invoices per month using the new software and processes. In the end, the client was on target to reach industry averages of 60 percent reduction in invoicing costs, a 90 percent reduction in invoice-processing times, and nearly 60 percent of additional savings through early payment discounts.

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The Outcome. Cont.

The client achieved benefits by moving from manual to electronic handling of receipts and invoices. The key to overcoming the cost hurdle in making this change is identifying the best software fit for a company and running a well-planned implementation procedure. With more than twenty-five years of combined experience automating solutions, optimizing workflow, and streamlining the AP process for oil and gas companies, Magnum Forge was an obvious choice to this client, in regard to uncovering added values across its financial operations: we essentially eliminated the client's inefficient, manual, paper-based approach, and we simplified key financial processes.

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