Case Study: Automating Invoice Processes

Anadarko Canada Corporation

In June 2006, Anadarko Petroleum Corporation sold its wholly owned subsidiary, Anadarko Canada Corporation. Anadarko Canada was an ADP customer for 5 years. During that time they operated mainly in Alberta, British Columbia, Saskatchewan and the Northwest Territories of Canada. At the time, the company’s Canadian production accounted for 18% of Anadarko Petroleum Corporation’s total production volume.

Introduction

How to Streamline Business Processes
Anadarko began investigating ways to best leverage Internet technology to streamline business processes.

Assessing Current Procurement and Purchasing Trends
Anadarko recognized that the oil and gas industry is unique with its significant complex services spend. Typically, more than 60% of an operating company’s annual spend consists of complex services – drilling, completions, well services, field operations, and plant and facilities maintenance. These types of services account for a majority of Anadarko’s spend. After assessing their current procurement process and purchasing trends, it was determined that most of these complex services purchases would not benefit from automation of a requisition to purchase-order process. That is because most complex services are not procured through purchase orders. Rather, streamlining the field ticket-to-invoice pricing reconciliation process, and capturing detailed spend data simultaneously promised significantly more value. This prompted Anadarko to evaluate the potential of Internet-based technologies in automating their invoice approval processes.

Automating Financial and Operational Processes
Anadarko undertook a rigorous analysis of available invoice reconciliation/spend capture solutions. They made the decision to standardize and automate financial and operational processes with their suppliers through the ADP® Invoice solution.

Situation

Problems with Existing Invoicing Process
Anadarko detailed and analyzed their existing invoice process. They discovered that errors occurred on up to 25% of invoices. An invoice could be miscoded, misrouted and difficult to categorize. Invoices were often mishandled as they were passed through many departments and personnel before even getting to the accounts payable department for payment. This resulted in approval cycles of weeks, or even months.

The process was manual, work intensive and ultimately very costly. When further information was required from the supplier, the interaction required to determine resolution would add even more time to the process.

Spend Spectrum Analysis

Greater than 60% of energy company invoices are for complex services and are not specified in advance through a purchase order. Rather, field-tickets are generated and approved in the field, and the quantities on the field-ticket are used to create the invoice after the job is completed.

In addition to the direct problems associated with routing and approval of invoices, the existing process provided little detail of Anadarko’s spend with their suppliers. Opportunities to improve operational efficiencies were being missed as a result, putting at risk significant strategic objectives that Anadarko had identified.
Automating Invoice Process Improves Bottom Line
After research and evaluation, Anadarko concluded that automating and streamlining the invoice process would have the largest impact on the bottom line in the shortest amount of time.

Anadarko determined the following requirements were necessary for a successful solution:

- Automate and streamline the invoice receipt, coding, routing, adjudication and approval process
- Integrate the solution fully with their financial system
- Dramatically reduce invoice cycle time
- Reduce personnel time involved with invoicing processes
- Reduce errors in routing, coding and approval
- Capture more detailed spend information
- Take advantage of early payment discounts through a speedier process
- Allow for supplier participation and feedback throughout the implementation process

Solution
ADP Invoice Chosen
Once Anadarko’s requirements had been defined, they undertook an exhaustively researched campaign of available commercial solutions. The ADP Invoice application was selected.

ADP Invoice is an Internet-based software application that allows suppliers and buyers to collaboratively create and process invoices and field tickets. The process automation results in significantly reduced costs, while the spend capture and analysis capabilities allow companies to work toward better relationships with their strategic suppliers.

Implementation
The first task at hand was to determine a phased approach to the implementation of ADP Invoice. Anadarko analyzed their annual spend for the most recent calendar year, by supplier and by invoice volume. They also polled their business units directly to determine the perceived need and their reception to change. Based on the results, Anadarko opted to begin roll-out in selected operational areas, and then increase take-up after absorbing lessons learned from the initial implementation phase.

Supplier Integration Strategy
In addition to the implementation plan, a supplier integration strategy was also developed. On-ramping began with a small, select group of suppliers that represented the range of typical upstream services. These suppliers provided valuable feedback throughout the engagement process, and ensured the requirements of the suppliers, as well as Anadarko, were being met.

Anadarko partnered with other operating companies employing the same technology to maximize supplier on-ramping benefit. The system "went live" with its first electronic invoice transaction processed through the ADP Invoice tool. The electronic invoice was automatically uploaded to Anadarko’s financial accounting system, Qbyte.

Manageable Pace of Implementation
Anadarko was able to stay close to any issues by keeping the technology implementation to a slow pace at first. They began implementation in a region of Alberta and have now deployed to all operating divisions throughout Western Canada. Supplier on-ramping was taking place simultaneously with the implementation of the technology. The pace increased significantly by automating the training and on-ramping process.

Results
Significant Benefit in Electronic Invoicing
Since implementation of ADP Invoice, Anadarko has seen a marked increase in the growth rate in the number of invoices processed per month. The growth rate now averages 40% per month.

- The volume of spend capture has grown to approximately $12 million per month
- Roughly 6,000 Anadarko invoices have been processed and approved using ADP Invoice since the project kicked off
- Total spend captured since inception is over $70 million
- Average invoice approval time is 10.5 days
- On average, 4% of invoices are disputed by operations personnel
- Based on a recent user survey, overall supplier and operator satisfaction is very high

Observations
Proven Successful
All of the requirements of an eInvoicing solution identified by Anadarko were satisfied and several important observations made:

- Senior management support and sponsorship is very important for a successful implementation
- Supplier involvement is a very valuable part of the strategy
- Establishing a steering committee is important to ensure appropriate stewardship and focus within the company. The steering committee includes a cross-section of operating company representatives (senior management from finance, operations, and information technology)
- Vendor training can be accomplished with a one-hour telephone session for the majority of the users, keeping implementation costs very manageable
- Internal product champions and good roll-out organization are essential to keeping the average time to approve down and suppliers pleased