

/ 22%

Increase in on-time payment

# Achieving Peak Health for Accounts Payable

## Biopharmaceutical Company Teams with Canon to Transform Accounts Payable Process



A leading research-based biopharmaceutical company discovers, develops and markets innovative medicines that help improve the care of patients suffering from life-threatening diseases around the world. The company's accounts payable (AP) operation, however, was ailing due to inefficient processes that resulted in late payments. This strained vendor relationships, which in turn threatened to disrupt the pharmaceutical company's supply chain and delay its ability to deliver much-needed medicine. The company—convinced that Canon Business Process Services had the right expertise and approach—tapped Canon to turn the situation around.

### THE CHALLENGE

The pharmaceutical company faced three key problems. One was that its AP process was inefficient. Challenges included a very high cost per invoice, numerous errors in processing and an excessively long cycle time from invoice receipt to payment (average of 15 days for exception invoices). Additionally, the company was unable to continuously improve the quality of its operation due to lack of comprehensive process monitoring and reporting systems.

Secondly, many of the company's internal groups responsible for manufacturing the medicines were dissatisfied. They were aware of the problems and complained that the situation, with the AP department paying bills late and in some cases paying them incorrectly, was jeopardizing their ability to deliver medicines to healthcare providers in a timely fashion.

The internal dissatisfaction was based on reason number three. Vendors, which provide components that are used in the medicines that the pharmaceutical company manufactures, were

threatening to withhold shipments due to late or outstanding invoices. This scenario had the potential to significantly disrupt the supply chain processes supporting the company's research and manufacturing activities.

The company, needing to bring its AP operation back to peak health quickly, wanted to reach outside for expert help. The pharmaceutical leader, however, was hesitant. This was due to a previous negative experience with a service provider that had implemented an approach lacking the rigorous process expertise and controls that were required to drive significant improvements.

After a series of detailed discussions with Canon Business Process Services, the pharmaceutical company was convinced Canon could get the job done. A major factor in the company's decision was Canon's proposed methodical, comprehensive approach to transforming the AP process. This approach included mapping out the AP system's current state and documenting the changes and best practices needed to bring the operation to its desired state. Canon

# Canon's solution helped the pharmaceutical company stay committed to its goal of manufacturing its innovative medicines that improve the care and lives of patients around the world.

## THE RESULT

- + Currently processes 15,000 invoices per month
- + Achieved a 22 percent increase in on-time payment of invoices
- + Lowered the invoice rejection rate by 10 percent
- + Reduced average non-exception invoice cycle time from 5 to 1.5 days
- + Reduced average exception invoice cycle time from 15 to 7.5 days (50 percent reduction)
- + Due to the 50 percent reduction in invoice cycle time for exception invoices, relationships with vendors that support the company's supply chain significantly improved
- + Increased satisfaction of internal groups associated with manufacturing processes
- + Implemented the company's first performance management methodology, which measures the quality of AP processing activities such as accuracy in capturing inbound invoice data

would then implement the changes, continually monitoring results, providing detailed reports and taking action when needed to ensure ongoing process improvement. With the Canon plan and team in place, it was time to take action.

## THE SOLUTION

Canon's solution for the pharmaceutical company is comprised of end-to-end invoice processing. The Canon team receives the invoices and scans them into the pharmaceutical company's image capture/workflow system. Canon's offshore Business Processing Center in the Philippines then accesses the invoices remotely by VPN and provides several important services. These services include invoice validation, such as ensuring that invoice data is extracted correctly into the image capture system. The Canon team also verifies invoice purchase order (PO) numbers and rectifies wrong numbers when needed; matches the correct supplier to the corresponding PO and also matches invoice line items to those on the corresponding PO. Additionally, the team codes and routes non-PO invoices for approval.

Canon also manages a help desk operation, as well as a team located at the pharmaceutical company's main facility, dedicated to handling PO-related issues such as invoices that have been placed but are on hold. The reasons for this vary and could include placing an invoice on hold because the purchased components have not yet been received. Canon recently assigned a global manager to the team in response to the pharmaceutical company's plans to expand Canon's AP services in European locations.

The pharmaceutical company is committed to improving the care and lives of patients around the world. Canon's solutions, which support the supply chain that enables the company to manufacture its innovative medicines, help support this important goal of patient well-being.

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## Advancing Business Performance to a Higher Level

Canon Business Process Services, a wholly owned subsidiary of Canon U.S.A., offers managed services and technology for information and document management, business process outsourcing and specialty workforce services. We help clients improve operational performance while reducing cost and risk. Canon Business Process Services has been named a Global Outsourcing 100 Leader by IAOP for the past eleven years and recognized in the Gartner Magic Quadrant for Managed Print and Content Services for five consecutive years. We have also been acknowledged by CIOReview magazine as a "20 Most Promising Legal Technology Solution Provider."

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