



ROBOTIC PROCESS AUTOMATION

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Case Study



RPA Enables 100% Process Efficiency and 45% Cost Reduction in AP for Global Plastic Manufacturer

Client profile

Global plastic packaging company and an established leader in the development, manufacturing, and sourcing of flexible and rigid plastic and paper packaging, as well as coatings solutions for various consumer and industrial end-use markets. Private equity owned, the company was formed through the combination of various similar businesses, resulting in a single entity with aggregate revenues of more than \$2.5B, and more than 60 manufacturing plants across North America, Europe, the Middle East, and China.



CURRENT SCENARIO

- ▶ 13 different ERPs
- ▶ 4 Purchasing Systems
- ▶ 4 Receiving Systems
- ▶ 21 FTEs for AP and 10 FTEs for AR spread out between 23 different plants

BUSINESS CHALLENGE

The company's North American operations (with revenues exceeding \$1B), had established a US-based shared services center and had migrated several functions into the SSC, but was challenged by the fact that the multiple operating entities/plants remained highly decentralized, and were running multiple operational systems.

Auxis was hired to help design an effective operating model to support the consolidation of the company's Accounts Payable (AP) and Accounts Receivable (AR) functions for the North American operation, which was currently being conducted at 23 distinct plant locations. Beyond the highly decentralized operation, some key challenges included:

- ▶ Across these entities, 17 different operating systems were in use, including 10 ERP systems, and 7 supporting systems (Purchasing, MRO, etc.).
- ▶ Most of these systems were old, legacy platforms with minimal integration, requiring significant manual work to process AP and AR transactions.
- ▶ The company had very lean operations with limited job specialization as resources in most plants were not dedicated to any one task, but instead worked on a wide variety of operational and administrative activities.
- ▶ Beyond AP and AR, there was limited visibility into the range of activities performed by staff at the plant locations, and it was critical to understand the other operational and administrative tasks being performed by these individuals to ensure that there was no disruption to the local plant operations once their positions were migrated into an SSC model.



The company recognized that this operating model was not scalable and created a high degree of risk due to the dependency on people, rather than processes and systems, and the potential for poor data integrity due to the amount of manual work required.





To gain the highest level of operational and cost efficiency, the company wanted to define an operating model that went beyond a “one-to-one” centralized FTE migration, and offered options for operational improvements to increase performed levels and lower labor costs.

THE SOLUTION

Auxis conducted a three month engagement to perform a baseline assessment of the company’s NA Shared Services operation for the AP and AR functions, as well as selected plant locations that were representative of the field operations across the region. Specific objectives of this engagement included:




- ▶ Identify organizational, performance and cost improvement opportunities and the ability to scale to support the future state NA Shared Services Operating Model for the AP and AR functions.
- ▶ Conduct an activity survey of the SSC and all plant operations for in-scope activities and FTE’s to identify and quantify all activities (inside and outside of scope) performed by staff in these locations.
- ▶ Provide a comparison of the “to be” SSC based operating model to a nearshore BPO scenario to better understand potential cost savings through labor arbitrage and increased operational efficiencies.
- ▶ Develop a high-level implementation roadmap for the migration and consolidation of the AP And AR functions, including a detailed project plan defining timelines, activities, resources, milestones and investments required, and a longer term vision for an optimized future state operating model.

Auxis followed its proven methodology to assess SSC operations, and performed the following key activities:

-  **STRATEGIC INTERVIEWS** - Conducted strategic interviews with key company executives to gain strategic alignment on the operating vision and guidelines. This first step is critical for the success of any transformation initiative, as it provides the foundation that the various business units will need to follow.
-  **PROCESS TAXONOMY** - Developed a standard Process Taxonomy, breaking down all of the key activities performed within the AP and AR functions and aligning these across all plant locations and the SSC to ensure that a common framework was in place to define “AP” and “AR” at the various locations.
-  **PROCESS WALK-THROUGHS** - Performed detailed process walk-throughs and interviews with functional subject matter experts at the SSC and the plant locations to gain a detailed understanding of existing processes, systems and organization. Auxis identified multiple process improvement and automation opportunities that could be implemented during the SSC implementation phase.
-  **FTE ACTIVITY ANALYSIS** - Based on the Process Taxonomy, developed a web-based survey to quantify the time and amount of FTEs dedicated towards the various activities, categorizing each employee based on their effort related to AP & AR functions, as well as identifying the other activities being performed which would need to be reallocated if the AP and AR functions were centralized.



Based on the activities identified as migration candidates, Auxis defined and analyzed three different operating scenarios, evaluating each for financial and operational benefits that could be obtained compared to the current, decentralized operation. The three scenarios included:

 <p>SCENARIO 1: Lift & Shift</p> <p>A “lift and shift” of the current operation, with no significant performance improvement beyond centralization, with some organizational redesign and re-leveling of current roles</p>	 <p>SCENARIO 2: Third Party Invoice Processing & Document Management Tool</p> <p>Centralization of the current operation, and incorporating a third-party invoice processing and document management platform to gain additional operating efficiencies. Three different industry solutions were considered.</p>	 <p>SCENARIO 3: RPA</p> <p>Centralization of the current operation incorporating a central data repository and an RPA solution for AP to “normalize” the transactions across the multiple systems in use, and eliminate most of the manual work being performed</p>
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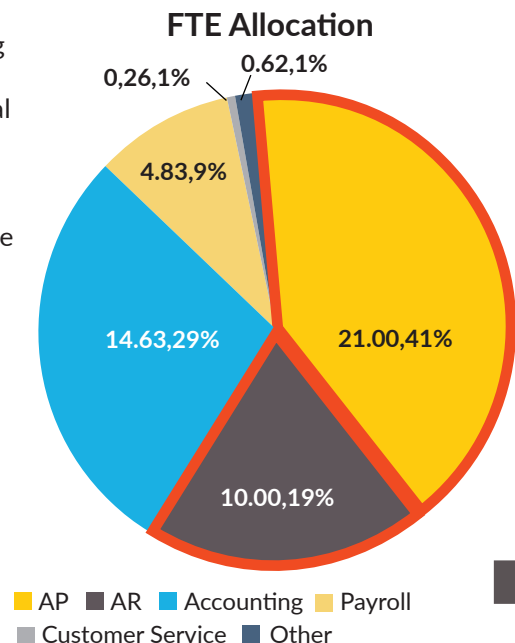
For both scenarios 1 and 2, cost comparisons were provided between centralizing in the captive US-based SSC and a nearshore BPO operation, to determine the level of labor arbitrage that could be available. For scenario 3, only the BPO option was considered, as it was determined that the level of investment and IT support required would not be feasible in the captive, US-based model.

To further define the benefits of each scenario, Auxis conducted an industry-based benchmark analysis to determine the performance of the current operation compared to industry peers, as well as projecting performance improvements based on the different “to be” operating scenarios.

THE RESULTS

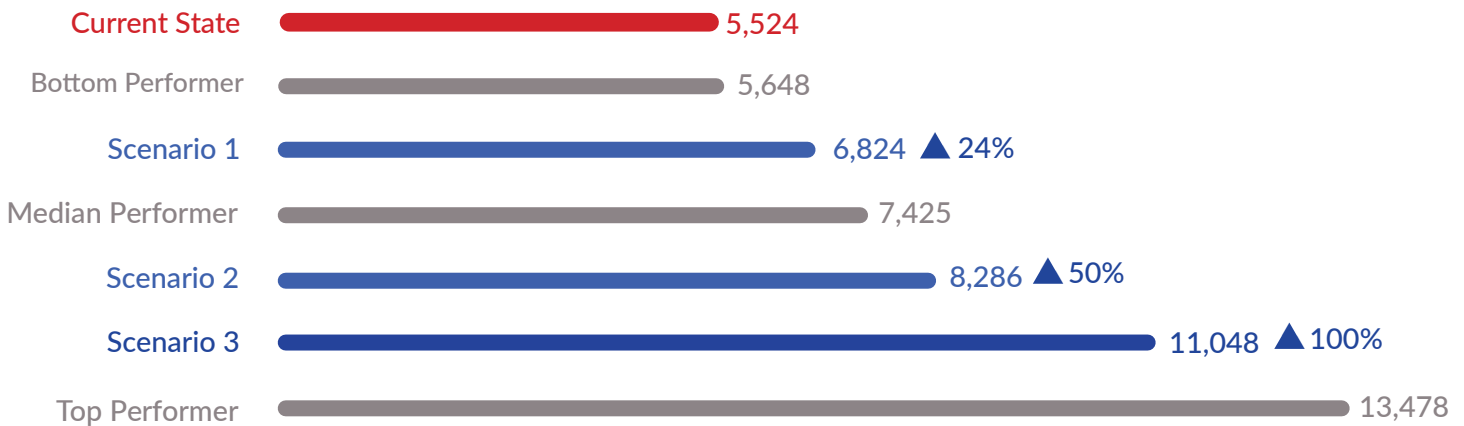
The activity survey identified that there were far more FTE’s performing the in-scope work than originally anticipated. More than 20 FTE’s were performing AP related work at the plants and the SSC, with an additional 10 FTE’s performing AR work.

Other identified activities performed by the plant staff included Accounting, Payroll and Customer Service work, as well as administrative tasks. The survey provided greater visibility to the scope and effort involved in conducting AP and AR in the company, and it served as the foundation for the subsequent cost savings that were identified.

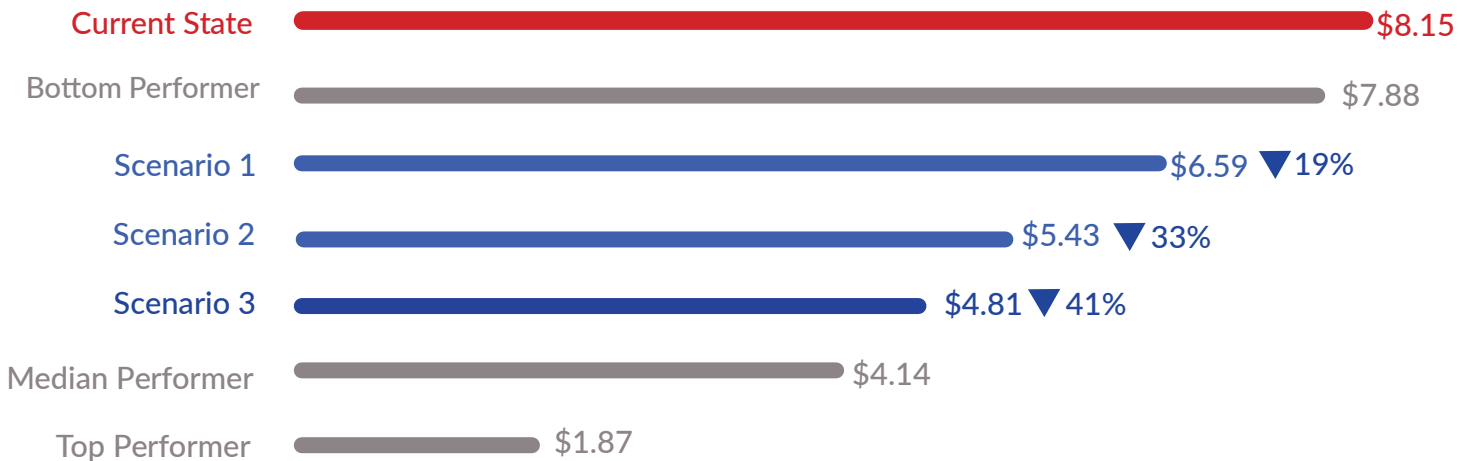


As part of the benchmarking exercise, it was determined that, due to the high degree of manual work and lack of systems integration, the current state operation performed at or below bottom performer levels (less than 25% of industry peers), in terms of volume of invoices processed per FTE. **Each of the 3 scenarios presented significant performance improvement over the current state, ranging from 24% to 100%.** In terms of cost per invoice, the current cost was almost double the median level performer (\$8.15 vs. \$4.14).

Invoices/FTE



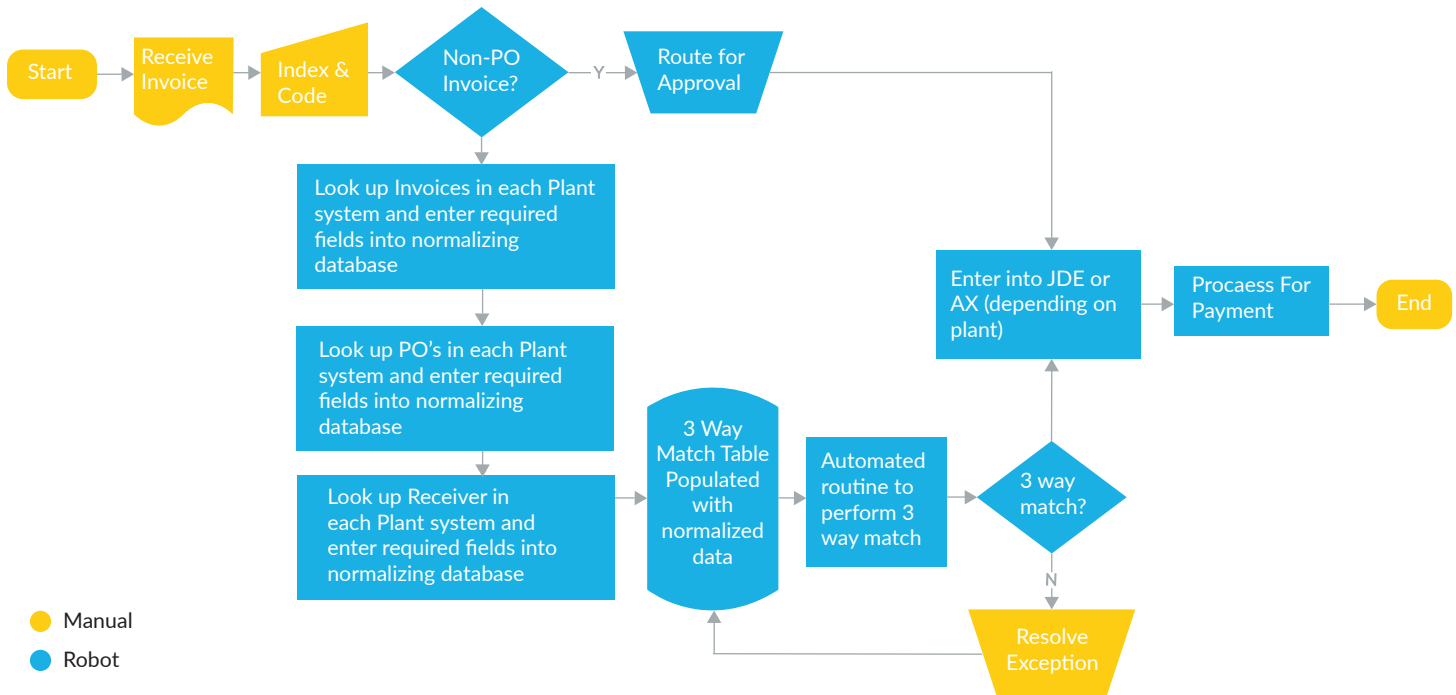
Cost Per Invoice



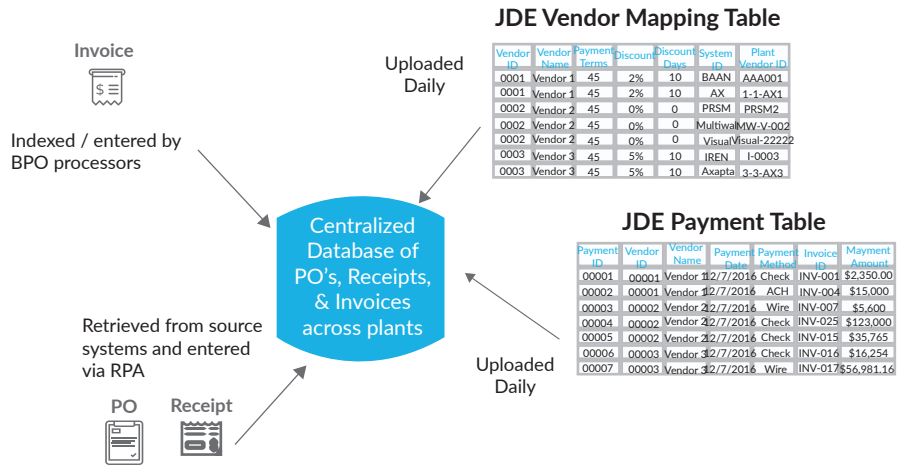
The third scenario, “Data Normalization with RPA”, provided the most significant benefits:

- ✓ 100% increase in process efficiency (invoices per FTE)
- ✓ 41% decrease in cost per invoice
- ✓ 45% decrease in overall operating costs (under Auxis Nearshore BPO model)

In this scenario, Auxis designed a solution to reduce the majority of the manual work by leveraging RPA to eliminate much of the operational complexity required from accessing multiple systems in order to process one transaction. In the process flowchart below you can see in blue all the steps that would be automated via RPA:



Auxis also designed a centralized data repository to house all of the disparate data elements (i.e., invoice, purchasing and receiving data) in one location, enabling the “robot” to seamlessly review all required data, and determine if a match existed, which would then be processed in the requisite ERP. In the case of exceptions, an alert would be issued to an experienced processor, who would review the transaction and perform the necessary research to resolve any discrepancies and then send the transaction back into the RPA queue for processing.



The RPA scenario decreased total AP headcount from 21 FTEs to eight FTEs plus one robot. The eight remaining FTEs would continue doing the indexing and coding, and managing exceptions. In a second phase, the indexing could also potentially be automated via RPA with an OCR (Optical Character Recognition) solution.

In addition, Auxis designed a multi-phased implementation approach to rapidly deliver cost savings and performance improvements across all plant locations, with no disruption to the local operations. By understanding the plant activities being performed, the company was able to effectively determine how to relocate the remaining work within the plant locations, providing additional cost savings and efficiencies.

As a result of the successful solutions designed and its corresponding business case, the company determined to move forward on the new operating model (Scenario 3) for its AP and AR functions, and Auxis is currently performing the implementation and migration of the AP and AR functions to its Costa Rica BPO Service Center.

