Edited version

### Introduction

Hello, my name is Michael Ryan, and welcome to AP One. Today, I'll discuss the first step of the nine-step program designed to transform accounts payable. This program embodies the mantra I have consistently applied throughout my career: "You have to measure to manage." Adhering to the Peter Drucker maxim, "If you can't measure it, you can't manage it," it's crucial to start any project, program, or responsibility in managing accounts payable by looking at the numbers.

### The Importance of Measurement

Many often overlook the importance of measurement unless they are part of a transformation program. For those new to this approach, it may require gathering information to be analysed and displayed on a dashboard. I'll share insights into the types of data I find crucial when assessing a client's situation, which, surprisingly, many are unaware of off the top of their heads.

### Assessing Accounts Payable

The initial step involves noting the number of staff involved in the accounts payable process—we might start with 20 employees, including full-time, part-time, and temporary staff. The primary focus, however, is on the volume of transactions, which provides insights into the efficiency and effectiveness of the process. Key questions include the annual number of invoices processed, which helps gauge the scale of the business and the workload managed by the accounts payable team.

### Key Metrics to Collect

- \*\*Total Number of Invoices: \*\* Breakdown by day, week, and month.

- \*\*Purchase Orders: \*\* For businesses with a system, it's vital to acknowledge if it's not effective and communicate this openly.

\*\*Additional Metrics: \*\* This includes the number of credit notes, debit notes, supplier statements, and payments made. These figures are essential for understanding the overall workflow and identifying areas prone to issues like debit or credit notes.

### Analysing the Data

It is critical to understand the breakdown of invoices—how many are merchandise versus non-merchandise and their entry routes into the business (e.g., EDI, email, or post). This information helps determine the initial data capture's impact on the process's success and, ultimately, the organisation's payment performance.

### Supplier and Transaction Analysis

A thorough analysis includes:

- \*\*Number of Suppliers: \*\* How many are added to the supplier master file weekly or monthly?

- \*\*Divisional Breakdown: \*\* Identifying which divisions perform well and which do not, aiding in targeted improvements.

### Conclusion: Presenting Data Effectively

The culmination of step one involves presenting this data in a straightforward dashboard to senior management. This dashboard should clearly outline the metrics of the accounts payable process on a single slide, enabling quick assessment and decision-making. This first step sets the foundation for the subsequent steps in our program, focusing on measuring to manage effectively. By establishing a baseline of key metrics, we can move forward to step two, which involves mapping the territory and understanding the broader context in which accounts payable operate.

This systematic approach ensures that we understand and can improve the accounts payable process, enhancing efficiency, effectiveness, and, ultimately, the organization's financial health.

Unedited straight transcribe:

Hello, my name is Michael Ryan and welcome to AP one. What I'm going to talk to you today is about the first step of the nine step programme to transform accounts payable. And it's the mantra by which I. Have delivered every single project across my career. And that is that you have to measure to manage. I always believe in the Peter Drucker Maxim that if you can't measure it, you can't manage it. So it's very, very important, when we start off either our projects, a programme or a responsibility for managing accounts payable, that we look at the numbers. Now, a lot of people don't naturally. Do this unless they're faced with a transformation programme. So there are members who are watching this and engaging in step one for the first time. This may be something you need to. Go away and gather the information and bring it back and we're going to formulate it into a dashboard. Well, let me give you a feel for the type of things that I like to know when I go in to speak to my clients, and that you'll be surprised to know probably 50% to 60% of them don't know off the top of their heads, which does make me question how effective the management of the process is. So the very first thing we do is we note how many staff are involved in the process. That's almost step one. Let's say we've got 20 heads. Within the 20 heads, we will have permanent staff, full time staff, part time. Staff, etcetera and temps. What I'm really after is the volumes of transactions. This enables us to determine how efficient and how effective a process is. So what I always ask the accounts payable manager is, how many invoices do you process annually? This, for me, puts things in perspective when I look at a business size and shape value of turnover, how many heads are in finance, how many heads are in the entire business, and how many actual invoices are processed. The invoice is the primary reason for the accounts payable process existing. But beneath that, there are other documents we need to look at as well. So we get the total number of invoices. Obviously, you can break that down to month and weekly and daily in terms of where you get them from. We also need to know how many purchase orders you have, for example, those of you that have purchase order systems. I just like to cover off one quick point here. It's not a given in the majority of businesses, particularly on the non merchandise side, that purchase order systems exist. So don't be afraid to point out that potentially you don't have an effective purchase order system within your business. Feel free to share that with the members. So, we know the number of invoices, we know the number of purchase orders. What else do we need to know? We need to know the number of credit notes, we need to know the number of debit notes, we need to know the number of supplier statements you receive, and we need to know the number of payments that you actually make. And there will be a relationship between them. How many purchase orders drive goods, receipts, notes drive invoice matching, and then the other parts that go around the process when the process doesn't work, which means a debit note or a credit note, or indeed, for verification and reconciliation purposes, a supplier statement. If we have these, we have the context in which we're going to work. So say, I know that there's 20 accounts, payable staff, and they process 60,000 invoices across a year. In the 60,000, I'd want to know how many of them are merchandise or non merchandise, what the percentage breakdown is. I then want to know the route into the business by which those invoices are arrive, whether they come in by EDI, whether they come in by email, whether they come in still by post, or any other method by which that initial data capture is performed. This step one is actually crucial, because the initial means by which the documents are captured drives the entire success of the process and most critically, the ability. For you to deliver the level of. Payment performance which is required. So, to add to that context, we need to know the numbers related to some of the static master data. How many suppliers do we have? How many suppliers, on average, do we increase the supplier master file by on a weekly or monthly basis? And again, this gives us context. So we say, let's say we've got 20 FTE in AP, we process the 60,000 invoices, we process that across 5000 suppliers. We know what country they're based in, we know what business unit they support. This comes on to one of the critical things. When you're trying to get to the bottom of a problem, it's important to realise and to have broken down your stats across the business unit, the divisions by which your business is organised. Because invariably, not all of the processes will be equal. They won't be applied equally, they won't face the same challenges. And so when you're looking at root cause analysis, you need to know, for example, that division one, two and three aren't a problem. But division four is the source of your problem. And that's where you're going to improve your payment performance. And as you pull all this kind of data together, you need to present it in something to senior management, to financial controller and finance director level, which is in a simple dashboard. So I always bring you back to the project management principles of plan. On a page, I expect to see the dashboard of the headline metrics of the accounts payable process on a single slide. If you can achieve that, we know where we started from, then you can actually start to assess your performance. What's your match rate on invoice to purchase order? What's your first time match rate? What I'm really driving at then is beyond that is how effective do you pay your suppliers? Do you pay them on time? As we go through the nine steps, you're going to see just how important this is to do for you, for your business reputation, and for the process efficiency and effectiveness that you're responsible for. So for me, this initial piece, it's the baseline of the nine steps. It gives us everything in a single, easy to absorb dashboard, which if a finance director glanced at it on any given working day, they would know whether they do or don't have a problem. And that's what I'm driving you towards. Measure to manage it is the bedrock of denying steps when we come on through the latter steps in order to show whether you've improved and to devise improvement roadmaps where required, the initial starting point is critical. So measure to manage, folks. That's step one. That's the most important thing. And don't allow system limitations to constrict you in doing this. If you can't get the answer out of the system, take a little step back, look at the type of business you're supporting, and make a best guess estimate at what your volumes are. Don't say that the system didn't give me the information, therefore, I don't know. Apply a little bit of logic and then we can stress test it further down the line. When you move on to step two, you should have the basic metrics of your accounts payable process and your current standard of performance, efficiency and effectiveness. That's step one, folks, and we move on now to step two. Welcome to step two. Map the territory by this stage in step one, you've baselined your project. Now what you're going to do is you're going to look beyond accounts payable to see the context in which it sits at its highest level. This starts with the operating model of the business. People get target fixated, on what's known as the target operating model, which is the Tom, which is what you want the future to be. You're still at this stage of the programme in defining where you stand and what the problem is. So I always advise clients not to focus on the Tom in step two, but to focus on the which is the current operating model at its easiest to follow nature. This is the people process and technology which underpin the end to end process that accounts payable sits into accounts payable is only one part of the end to end purchase to pay process. You need to understand all the people involved in it. So the community involved, everybody from AP true procurement, through the budget holders in the business, to those who can raise a purchase order, to those who can approve a purchase order, and to those eventually who can receipt a purchase order, who's got a corporate card? Who out there can actually enter a purchasing commitment on behalf of the business? Think of it like that. Who can buy? These are the people who are your P two P community. These are the people you're going to need to influence if you want to improve this process. That's the people side of it. And yes, it does involve an organisation chart at its most basic level. If you want to go now and get the AP chart, the AP organisation chart, the procurement organisation chart, the entire organisation charts of finance, and understand how all the divisions are organised. Yes, do that as a starting point and then start to explore what's within that. What are they doing? What is the headcount within it delivering? How many suppliers is it supporting? How many invoices is it processing? How many purchase orders is it raising? Is there a difference in the number of purchase orders per division? Don't always think that the business's overall problem will be the same. Once you get into division business unit breakdown, you'll find that not all the business units operate equally. Some are more better resourced than others, but actually they won't operate the same processes either. And you'll generally find that one business unit could be a problem and another three can't. So it's important to understand how the business is structured. It's also important to understand why it's structured that way and then how best you can support it. If we then keep focused on that, we've looked at the people, we are going to look at the process in more detail. In step five, we look at the technology. So what I want you to appreciate with the technology is three things. The first is how many systems are actually supporting the EAP process. And in large scale businesses, you can have multiple ERP systems. What you can also find in acquisitive businesses is that there is an ERP system in each business unit or division. This creates interface, interdependency issues, etc, etcetera. You need to map these out so you know what system is supporting which part of the process. The next thing you need to understand is when you move beneath ERP level, what best of breed point solutions have you got in order to make your p two p process work? At its simplest level, this can be a PO database, a hierarchy of approvals database, or it can be your scanning or your OCR software which enable your process to work. These, obviously not in every instance. They can be, but not in every instance are they part of the main ERP. They're generally bolt on solutions. You have to identify all of them as well. And then the next question you've got to ask yourself is, where do I not have technology? Where am I reliant? Just on the person or on the process? Or even worse still, just on the supplier? You need to know this. So this is what mapping the territory is all about. It's starting with the first layer, which is AP. We had 20 staff. Let's then go into the next layer. How does that sit within the business? Which part of the business support the process? What technology supports that? And then when we view all of that in the round, we have the ecosystem of accounts payable. And that's what you need to get to. It is. I always say that the gold dust is in the current operating model. Look inward at what you've got before you become fixated on creating a target operating model, because you'll find the opportunities within it. Do not allow yourself to fall for the mistake, which is to be always looking at what. We're going to adopt a global template. We're going to adopt a two b model, which is best in class. This abdicates you from a responsibility to examine your current operating model. Don't skip that. I have seen people get to the end of major change programmes. Had they invested time here, they wouldn't have need to spend all of this money. So look inwards first, then look outwards as to what AP sits within and you will accomplish mapping the territory. And that's what step two is all about. It's a natural feed on from the baseline exercise you did in step one. So welcome to step three. Step three, it's always about the people. So, well done. On reaching this stage, you've now baselined your accounts payable function. You understand the ecosystem in which it exists as you map the territory. And now you're going to encounter the challenge which exists in every single change programme has ever existed. The technology is never the problem. The challenge is always in getting people to work together as a team. So there's two aspects to that. The first is that you actually state what your expectation is. So I talked to many teams and they will say, oh, we have a problem with po compliance. We can't get the match rate right, budget holders don't do what they need to do, et cetera, et cetera, et cetera. Now we have to take that from ground zero. Okay? And the very first thing we need to do is we need to set out what everybody in the AP community is expected to do. We've identified who our budget holders are, we've identified who's allowed raise a purchase order, and we've identified who does the receiving. What we need to do is explain to them from an accounts payable perspective what our expectations are of them, what their role is in the process, what they need to do, how they need to do it and when we need them to do it. And you'd be surprised at how many teams, they don't get around to doing that, or they only address it when they're faced with a system change. So when we discussed in step two that you needed to appreciate the organisation you existed in, that's for the purposes of building relationships. A process that starts in procurement and finishes in finance is only going to work if people talk to each other. I'm going to say that again. The process which starts in one department and finishes in another is only going to work if you talk to each other. So start the process. Don't believe that you exist in separate silos. You work for the same company. So find ways in which to work together before you end up facing an actual problem. So that's the first thing. Set out what everybody's role is. Set out your expectations of what they're expected to do. State your policies as to what it is you need them to do and make sure that you communicate them in an effective manner. Now, one of the later steps will actually deal how to ensure communication is delivered effectively so we won't labour that. What I want to move on to is the second element in this step and that's where you end up with conflict. Now, organisations, by their very nature, they don't all run smoothly. Not everybody has to like each other, not everybody has to work well together. Many people go to work for the very simple reason that they need a job and they need to be paid in order to live their lives, and that's fine. Other people are very well motivated, positive and proactive in what they do. Not everybody gets on. Where we face the real challenge in projects is where that breakdown in interpersonal relationships screws up the process. And the process doesn't work as effectively as it needs to, or as fast as it needs to, or in a compliant manner as it needs to, because effectively, two groups or two individuals have stopped speaking to one another. This happens very, very often. Just look into your own families. I look into my own. You know, we fall out with people from time to time. These things affect business processes. It's all down to interpersonal relationships. So how do we address that if we're not engaged in a transformation programme with a full blown change management team at our disposal? So you're in steady state, business as usual perspective. You've done steps one and two, and deep down, you know that there are challenges in the relationship across some of the middle managers concerned, across different departments. Your main route in order to do something about this, is to sit down with the HR team and actually look for some coaching around conflict resolution, team. Building, working together, working across silos, all. This type of thing, and address the fact that there could be a challenge in the relationship. What I tend to see happens is that people put their heads in the sand and ignore the problem. And because they're not being held to account on the metrics which you pull together in step one, there's no consequence to that. There will be a consequence at a certain point in time when you're expected to improve your performance, change the system or the personnel, for whatever reason, get changed or the business comes under pressure and then it has to perform? Right. So I suggest you address this now. So you've done your stakeholder analysis as to who's involved in the process. When's the last time you did any analysis as to who's actually potentially not helping the process and where the blockers are there in the relationships? There could be some upskilling required, there could be some training required, but it could basically just be some investment in the people concerned to help them to work better together. Because, let's face it, they didn't come into work necessarily to do anything other than the job you gave them to do. So that's where I think you turn to the professionals in HR and you go, okay, we've got this challenge. What's the best way for us to ensure that the process and the people work best together. That's how I deal with it internally in the first instance. That's step number three. Welcome to step number four. At this stage, you have baselined your project. You know exactly how many people are involved right across the business, not just in AP, you know all the key volumes, you know how many suppliers you have, how many invoices you have, etcetera. You know where the challenges are in the wider business in terms of communication and interpersonal relationships amongst the people involved in the process. We now get to what is universally accepted as the bedrock of any attempt to change accounts payable. No matter how many people I've spoken to on this subject over the years, this is where they all start. This is where the rubber hits the road, as they say. This is where we examine the vendor master file, or the supplier master file, whichever one you wish to call it. This is the point at which we create the foundations necessary to ensure that we can improve payment performance, guard against fraud and ensure that we are more effective and efficient in how we deliver the overall process. So what do we need to do? We do what is generally referred to as the vendor master cleanse. Now, I don't like this phrase, I don't like the term cleanse because I don't think it actually gets to the heart of the problem at all. I think what needs to be done is a vendor master validation and verification of the key details. Generally, I find that clients tell me that the size of their vendor master file is the challenge, that they don't deal with it because they have anywhere between 10,000 suppliers and 130,000 suppliers, and that this has grown in an ad hoc, uncontrolled manner from day one. Actually, as you will learn when we move on to step six, this actually cannot continue anymore. For UK companies under the Economic Crime act, passed at the end of 2023, you have a duty of care to make reasonable steps to ensure that you know your supply chain, and your supply chain includes your suppliers, all of them, regardless at what point they were on boarded, whether you consider it to be procurement's responsibility or finance's responsibility, that supplier master file is guard line number one against fraud in your business. So somebody take responsibility for it. I always prefer to think then an accounts payable team would own it. However, there can be challenges to that and procurement can own it. It doesn't matter. Once somebody is declared as the owner of it, the data is reviewed, it's updated, it's verified, validated and is robust. If it isn't, you're going to face challenges down the line. One of the areas I don't want to labour the fraud element, because that's what's dealt with in step six. Dormant businesses are a wide open door to your business being defrauded. I'll just give you one example from the vendor master file. If you invest the time in getting this step right, I think it will pay dividends all the way down the line. You need to extract as much information as possible about a particular supplier, you need to ensure that it's up to date, you need to validate key areas such as their bank accounts, and you need to ensure that what's there is something that is regularly reviewed. Now, this is a step which is also skipped over, in my opinion, because the vendom master file has been built over a number of years, there's nothing wrong whatsoever in taking a large scale file and dumping it into Excel. I know a lot of people view Excel as almost a dirty word and we should be driving excel out of well run, efficient finance functions. I don't. I pretty much reckon accountants will use excel to double cheque everything until I'm about 99. So it's not an excuse to say that your file is measured in tens of thousands. Download it into an Excel file and start running logic cheques against us. Because when you've got that much data, no one has ever checked it in the round, no one is reporting on it, no one is telling the finance director that we actually have 18,000 suppliers. It's not a debate. We don't have 22 or 24 or 28. We know how many it is. We also know by what rate it grows. And we have an actual robust onboarding process from this point on, even if we didn't, to this point, it doesn't matter. Install it now. These are the foundations upon which your process will become effective and efficient. Take the time to do this and it will bear dividends down the line. Apart from verifying some of the master data, one of the key areas that you should go back and cheque are the terms. So I always say, when it comes to working capital, is your capital working for you? If you go back in and you cheque what your payment terms are, particularly if you have a large scale supplier master file, you can pretty much reckon it's causing you a problem with cash flow into things. Typically, suppliers can be set up on short payment terms for internal reasons within the business, which are eventually surpassed when somebody leaves. So you need to review this type of data on a regular basis and know what percentage of your supplier base is being paid on zero day, five, day, seven day, less than 14 day terms. And revisit this in conjunction with your procurement team. Obviously one of the reasons for putting together a nine step programme to transform accounts payable is to improve payment performance. So the payment terms are critical to this. The second aspect which is important and which is related to the reputation of the business is can you identify successfully a small, medium and large business to ensure that you're not causing a smaller business a problem, something which should be reported in within your ESG reporting requirements. It is perfectly doable these days to reference companies house or any other external database to determine whether a business is small, medium or large. So there's no excuse at this stage. It's time to master the vendor. Master. That's what step number four is all about. Welcome to step number five of AP 1 hour way or the highway. How many times have you heard somebody say we've always done it like this? I'd say every single person in the member programme listening to this has heard that phrase at some during their career. What relevance is it at this point? Well, this is the point in the project where we have baseline the programme, we've identified the challenges and we've started to create the bedrock and the foundation for our success in the previous step. What we're now going to do is one of the most challenging areas and the ones that the consultants don't like. I can tell you that from the inside, which is to map the process which always comes down, as I said to you, to it's my way or the highway. Now how difficult is it to map a process if you're not a consultant and this isn't the manner in which you normally think and go about your job? Actually mapping a process is a challenge. As the name suggests, everybody thinks of it in terms of a picture, paints a thousand words and they want the visual. Whether the visual of a process flow comes in visio or it comes in any of the new software solutions you can use to derive it, it doesn't really matter because unless you're going to support it with a narrative that provides the context, explains where the bottlenecks are, etc, etc, etcetera, the flow itself is only half of half value, but the real challenge in the flow is that nobody is versed in producing them. Now you remember what this member programme is directed towards. It's not directed toward consultants. How many people on this programme naturally knock up process flows? Not that many. And they are slow and time consuming and laborious and then the teams lose interest. So my number one tip to you in this way is actually to do it my way, which is to focus on the narrative and not on the picture. Slightly counterintuitive, I know, but try it. If I was to ask you to describe your job, you could do exactly what I'm doing at the moment. And you could talk, you could talk to the camera, you might find that unnatural. Or you could talk to your boss and just explain what you're responsible for doing. And this starts the thought process, because nobody comes into work on any given day and decides, how am I doing this? How do I do this? Am I doing it? Well, no, they get on with doing it. That's what you naturally do. Yeah. So to stop, pause, reflect, and actually attempt to explain that to someone else, that's a challenge. So if you're going to process map whether you choose to produce the picture or as I suggest, focus on the narrative, take the time out away from the desk in order to do it. Take a workshop room, sit down amongst the team, brainstorm what it is you're doing. And this is an iterative process. Your first attempt at it will almost just be, I'm writing, I'm writing, I'm writing. Then you need to go away and reflect, then come back to it and improve it. You think of the amount of money that businesses spend on getting consultancies to do this, when all they're doing is extracting the knowledge of what you do from your own teams. So this part, I always scratch my head over and you know what actually, I find client teams are best at doing? They're best at writing their own desktop procedures. They just don't know how to elevate that upper level which goes, this is the process. They can write down what John or Jane does on a day to day basis. They just need to lift that up a little bit and go, if I'm explaining this to the financial controller, what does it look like? If I'm explaining this to the finance director, what does it look like? The fastest way to get to this is to ask your team member to speak and describe what they do, then ask them to move to the next step and write it down. But write it down with the helicopter along the line view. Yeah, that's what you need to do. It's a step up from desktop procedures. You will accomplish understanding your process far faster. Then the next thing you do is you take that process, step five, and you take it right back to step one. Because what did step one give you? It gave you the metrics. Yeah. It gave you the context, the baseline of what you're doing. You don't know whether a particular process is a problem unless you apply the numbers to it. If there's very little throughput through a particular process, it's not really a problem, is it? It could potentially be a bottleneck in the grander scheme of things, but if you put context around it, the next thing I suggest you do is you traffic lightly. Red, it's going to cause us a problem or it's causing us a problem. Amber has the potential to. We need to keep an eye on it. And green, it's fine, and we actually work it effectively and efficiently. Try looking at a trilat lens. That is a term that the consultants use, which I'm just going to explain for a second, which I didn't lead off this step with because I didn't want to confuse anybody. It's referred to as a process taxonomy. And in taking accounts payable as an example, it goes, what's the process for supplier? Take on what's the process for a purchase order? What's the process for receipt, the purchase order, and what's the process for matching it to an invoice? And what's the process for paying the supplier? And then there's a variation thereof. And then within that, you have sub processes. Now, I believe, regardless of whether you take the visual approach to process mapping, or as I suggest, the narrative that you always need that top level picture of the process, the end to end view of what it is for your particular team. Because if you remember where we took you to in step two, I want you to think processes are in your team and they also extend into everybody else's. When you go looking for improvements and the levers to pull to improve payment performance, you may find it in a process which exists in a team that isn't directly reporting to you. I'm looking at you, the AP manager. Okay? It could exist in a different team. So that's where I come back to. It's our way or the highway. I suggest you write it down in this instance, it's actually better than a picture. Welcome to step six in AP one. Possibly one of the most critical steps in the entire process finance is the front line. What is it the front line against? It is the front line in the fight against fraud. This particular step was so important that we actually pulled in the first of our subject matter experts to deliver a 60 minutes video on the topic. I invited in Robert Brooker, one of the UK's most well known fraud prevention specialists, and that video will be available as part of this step. Before that, though, I just want to actually set the context to it. Basically, one of the things that an awful lot of people in finance probably may not have a deep enough awareness of is that the Economic Crime act, the Economic Crime and Transparency act was passed at the end of October 2023 and will most likely come into effect at some point in the next six months. What does it mean? Well, the single most important thing it means for a finance director is that every business in the UK has to take reasonable steps to guard against fraud. And those reasonable steps include knowing your employees, your suppliers and your customers. And the piece that everybody focuses on, particularly within the regulated financial services business, is KYC. Know your client, know your customer and all the AML procedures which go with it. Everybody else, they don't get hung up on it, they don't focus on it, but the act will actually place an attention on it. You need to know who's in your supply chain. You need to have taken reasonable steps to verify who they are. You should, by rights, take reasonable steps to verify everybody involved in your AP process, or anybody in your business who can touch a payment inbound or outbound. This is why I say finance is the front line against fraud. And Robert will explore this in much detail in the 60 minutes video which accompanies this. I generally tell accounts payable teams that. You need to make sure that you've validated and verified your master data. So that's back to your supplier master data. And you need to ensure that your reconciliations are up to date. You need to reconcile, at a minimum, I would say, 60% of your suppliers, all of your top suppliers, highest volume, highest value. You need to ensure, within the finance function, that the bank reconciliations associated with the payments process are performed regularly. And then the third part, which the AP team should take interest, if not a lead in, is in reviewing with budget holders where the spend has taken place. These three reconciliation layers, I like to refer to them as lines of defence, like a football team. If you put them in place, you have at least put in place sufficient steps to ensure that you will catch a problem, you will catch an error, you will catch a mistake, you won't, I'm sorry, in this advanced technical age, be able to prevent cyber attack on your business, or someone who deliberately goes after your payment process. I'm afraid what this is, what this is facilitating you doing, is only to identify it. Identification is better than complete and total ignorance. If you look across the AP software industry, you will see the extent to which payment reconciliation software exists, either to perform a payment audit on what it is you've done in the past, or. To prevent payment errors on what you're. About to do in the future. If you make sure that your lines of defence reconciliations are added to this, you're at least taking all the reasonable steps that you can do on top of verifying your vendor master file. As I said to you, finance is the first line of defence against fraud. Welcome to step seven and congratulations on having passed this far through the AP programme. Step number seven is all about design and the future. In the previous steps, we have baselined the project. We've seen the ecosystem in which accounts payable exists across the business. We've identified some of the challenges at a process and a people level, and we've ensured that we have addressed the firm foundations necessary to move this on. By addressing our master data, we've touched upon the areas of fraud and now what we're going to talk about is how we actually design what we want this to look like. So this is where we actually take a little step back to being how we typically approach a finance transformation programme from the start. This is where I ask people who now finally have all the baseline data in front of them, to tell me what the problem is. So this is what's referred to in consulting terms as the exam question. So you look at how you're currently performing within the context of the volumes that you have quoted and the expectations of your business, and what it is that you wish to achieve, and you tell me where you think you have a challenge. If you don't have a challenge, everything's running smoothly, that's fine. Share your success with the rest of the members of AP one. If you do have a challenge, then we need to define it. And getting a succinct definition of the problem is crucial to design what we want the future to be. It makes sense, doesn't it? So we start with that. And we do that by holding a workshop, inviting all the relevant stakeholders, and we say to them, look, these are the facts. Do you or don't you think that this performs well? How do we help them do that? We provide some context. We can either benchmark it into the sector or across other businesses. But really and truly, what I always find best as a benchmark is an internal view. Say you had four different AP teams in your business, all operating out of different business units. Compare and contrast how effectively they process an invoice. What's the cost per invoice in each of the four. It may be that one of them is the gold standard and two of them are laggards. And you get a feel then for the challenge that you're trying to address. Either way, the exam question definition must be reached by consensus. So by its very nature, it requires a workshop. I always recommend to people that workshops across teams are best facilitated by an independent facilitator. You don't need full blown consultant teams, but I suggest that you do bring somebody in purely for the workshop, which defines where do we really think we're at and where do we want to go? In order to help you do that, you need to have an idea of what good looks like that helps you set the vision for what is you're attempting to achieve. You might have standards which are different to the next business. You might have standards which say you want to be the best in your particular sector, or you might want to have standards to say you're the best in your particular country, whatever it is, or you're the best performing division in a global business which you're a part of. But you need to set the standard and define it in terms that everybody can understand, not just in finance. Don't forget here that one of the key things we're going to have to do is to sell change. So make it appealing. What is the challenge? I always hear the phrase no po, no pay. It's not the most exciting phrase to listen to. Think about that when you're selling the change further down the line. So this is what design in the future is all about. Baseline, where you're at. Identify what you think the problem is, quantify the effect of the problem. What is the risk associated with this problem? Or can we just carry it? And we can carry it in certain instances. What's the downside? Impact of it exploding? Let me ask you this question. How many people suddenly had a problem during COVID because staff members couldn't come to the office? How many people listening to this at the moment identified a key person who was entitled to go into the office during COVID who actually was the person who went in an open jury invoice post? Possibly. I could fairly say that this is the lowest level of activity that could be done in the entire finance chain, yet they were the key person. Because your process isn't slick from one end of it to the other. So you need to bear that in mind as well. What could happen if we had another version of COVID Can you carry the risk then, or do you need to start addressing it and design it for the future now? Design for the future based on collaboration. Bring in all the impacted stakeholders. Don't just tell them what the answer is, okay? That's what step seven is all about. We designed a future together. Welcome to step eight of AP one. And this is the exciting one. This is the travel show. This is where you actually get to leave your desk, leave your team and travel around the business. Why are we doing this at this stage? Because in step seven, we designed the future. Yes, I know we invited all the key stakeholders to it, but I guarantee you not every single budget holder attended. And in large scale businesses, I can assure you that several hundred purchase order raisers and approvers, they didn't attend the workshops either. So this is where it's important to come out of step seven with a vision of the future, which can be summarised and communicated across the business and taken on board easily and succinctly so that people act upon it. Because there's no point in having a vision of the future and what our new ways of working are if we can't actually get everybody within the great purchase to pay community to play their role in it. And this is where the single most important thing is, the travel show. So we have the answer. We've envisaged the future. And I'll tell you exactly what people are like. If you sit in front of me to tell me what I need to do, and you sit in front of. Me to listen to the challenges that. I might have in doing that, and maybe adjust the vision accordingly, then I know that you're taking me seriously, that you're listening to me. What I most importantly know is that you actually have sufficient respect for me to come out and explain it to me before asking me to do something different, which is mindful of the fact, by the way, that 90% of the people you'll meet in the process, their job is not to process the invoice, their job is fundamentally something else. They just play a role in the process. After years of doing this, the only way to succeed is to visit them. We think, in this day and age. And we think certainly since the COVID lockdowns, that we can accomplish this via all of the new media means for doing this. They are only weapons in the arsenal. They are no substitute for a face to face discussion, particularly where you suspect apathy or resistance to the change. Visit them. That's why it's called a travel show. You will find it to be the most effective means whatsoever in order to deliver change. That's step eight. Welcome and congratulations on reaching step number nine of the AP one programme to transform your accounts payable process. What's it called? Well, in the words of Bart Simpson and probably every single one of your kids on a long distance journey, are we there yet? Are we there yet? Are we there yet? When it comes to any project, you define at the start, where you're at and where you want to go, or you'll never work out whether you are there yet. So this is where the loop comes in. We started at one, we're now at nine, and we look back to the dashboard we created in the first step and we look and see what the performance is like now. Have you improved? Did you define your dashboard correctly at the start? Did you take that part seriously? Can you prove you succeeded? You can only tell from the numbers. There's no lying and getting away from that fact. Bear in mind, this is a project that you have run. I haven't run it. We didn't send in consultants to do this. The only person you're lying to is yourself. So record your numbers correctly at the start and now, and take a good, hard look and whether you arrived there yet. And if not, what do we do? We go back to the start. This is an iterative process. Yeah. You're all familiar with the term continuous improvement. This is actually what it means in very simple terms. You establish the standard, you establish the target, you've measured your success in reaching the target, and if you've fallen short, which many of us can do in our first attempt at anything, we go back and we start again. We'll go through some of the steps. Far faster than we did the first time. And I pretty much reckon any team going through the steps for the second time will be going right. Okay, I know what he meant now. I know what to look out for. I've got my learning points and I'm going to skip through some of the steps. Perfectly human nature that you would want to do that. I suggest take the time, go through each of the nine steps again and by the time you're done, you'll have hit your target. And when you've done that, you're going to share it with the other members of AP one. You're going to show them how you did it, because that's the only way that we can continue to improve this. Your company might be good enough to drop out the AP one programme after a year, but actually what you learned from it can help others to join the programme. In the second year. So are we there yet? I don't think we ever are there yet. But in continuing to strive to be the best that we can be, us attempting to get there helps everybody else to improve. Thank you very much for going through the nine steps. We really appreciate your time and your effort. I thank you for the fact that you participated in the webinars, that you drove the webinars, you drove the meetups, you drove the videos. You suggested from me who the speakers should be. And we came in and brought them into this environment, and we all learned something from it. I've learned something from doing the nine steps. I hope you've learned something from doing it. And then as a team, we're just going to help someone else to do it better next time. So thank you very much, and congratulations on reaching the nine steps.