

AUTOMATING PURCHASING PROCESSES

--FROM SALES ORDERS TO BILL PAYMENT--

THE EFFECTIVE SOLUTION...

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--FROM SALES ORDERS TO BILL PAYMENT--

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➤ INTRODUCTION

Being able to easily access relevant information is a key priority for almost every organization; however, information is too often not as readily available as it should be. You have probably been in a situation in which you were urgently needing information on a previous business purchase but, had to wait too long to get it because maybe it came from different organizational departments; or because it had to be retrieved from an archive and photocopied; and perhaps because responsible parties were too busy to help at the time.

The good news is that there is a solution to these problems. Current information technologies allow you to access business information in just seconds!

Picture this scenario: you need to know how much your company has paid to vendor XYZ in the last three years. You type the vendor name in your system and, within seconds, it displays a list of all purchases and payments made to that vendor, as well as images of all related documents: sales orders, checks, etc.

Document Management Systems are made to help you access the information that you need, whenever you need it.

➤ THE PROBLEM

Problems related to the effective flow of information within the organization are mainly related to paper handling and processing. However, in most cases, business processes are highly manual and highly paper-based. Ironically, even though research and experience have widely shown that paperless processes increase productivity... many organizations are still reluctant to change.

Research conducted by consulting firms like Coopers & Lybrand, Nolan Norton Institute, Ernst & Young, Sandy Schiele and Betsy Delfosse, Lee Mantelman and Nucleus Research, among others, have shown the following results:

- ✓ 90% of the work load in an average business organization is related to search and retrieval of paper documents.
- ✓ 60% of employees spend at least 1 hour a day duplicating tasks that have been previously executed by others.
- ✓ 30% of the working time of an employee is spent gathering information needed to perform tasks.
- ✓ An average paper document is photocopied 19 times.
- ✓ 50% of archived documents are actually copies of other documents.
- ✓ 3% of archived documents are not properly stored.
- ✓ 7.5% of stored documents get lost eventually.

The issue is not only the waste of time in handling paper documents. For example, manual processes usually have to deal with a great deal of internal bureaucracy because information is not centralized, but scattered among different departments. As a result, access to information is difficult making the work process slow and unproductive.

On top of that, paper based documents can get lost or damaged and manual processes also generate unnecessary expenses related to photocopying, printing and archiving.

➤ THE SOLUTION

Process automation through a Document Management System is the most effective way to solve problems related with access to information, slow process times and lost documents, among others.

Document Management Systems enable a more efficient and productive information management by freeing up the data contained in standalone sheets of paper and transforming it into relevant electronic information readily available to many users simultaneously.

Document Management Systems are very versatile:

- + All relevant business information is centralized: paper based documents, electronic documents, databases, etc.
- + They enable organizations to create, capture, organize, track, distribute and store all relevant content.
- + They can handle any format type: text, email, digital images, pictures, voice, video or websites.

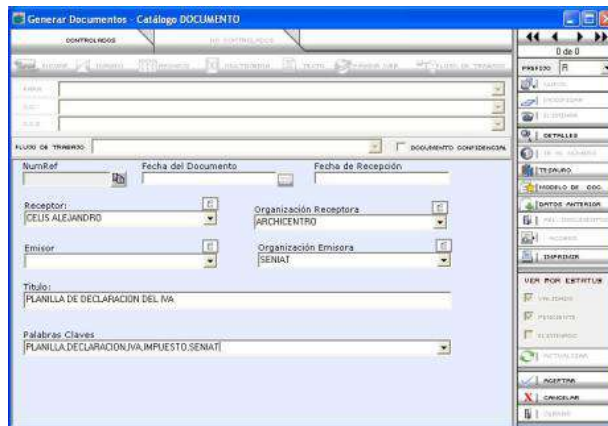
In the case of purchasing processes, in which usually multiple departments and people are involved, process automating is key. With a Document Management System your business will be able to control all stages of the purchasing processes, from order generation to payment.

Document Management Systems are easy to use. They are comprised of the following components:

Catalogs

Catalogs are databases that contain different file format documents with similar characteristics. In the case of purchasing processes, they can be used to record purchase orders, delivery notes, vendor databases and invoices, among others. Catalogs allow you to group documents that share common characteristics; and the system also allows a catalog to be linked internally to other catalogs.

Data recorded in Catalogs are displayed in *Index Cards* that shows the information that identifies each document.



Workflows

The Workflow component of the Document Management System will automate your business processes and enable you to control and monitor executed tasks. It is the perfect tool for processes in which multiple parties and approvals are involved. The Workflow graphically indicates tasks sequencing; a *blue* line indicates workstations where the workflow has already passed and a *red* line indicates the workstations that remain to be traveled through.



To summarize, efficiency research has shown that business process automation is the best option to tackle information access difficulties. Depending on the complexity of the problems, different solutions are available. In the case of purchasing processes, an effective process automation solution should have the following components:

- ✓ **Catalog Design**
- ✓ **Workflow Design**

➤ HOW TO DO IT

We'll show how the Purchasing Process automation model works in an organization. The objective of this model is to centralize purchasing operations, purchase related documents and related payments.

The solution is comprised of 3 linked Catalogs and 1 Workflow:

- ✓ **PURCHASING CATALOG**
- ✓ **PURCHASING DOCUMENTS CATALOG**
- ✓ **PAYMENTS CATALOG**
- ✓ **PAYMENTS WORKFLOW**

✓ **PURCHASING CATALOG**

Catalogs are databases that contain different file format documents with similar characteristics. In our specific example, the Purchasing Catalog will allow you to build a centralized repository to record and store all files related to each purchase process.

Information in the Purchasing Catalog is displayed in an Index Card that contains several fields. The Index Card design is very versatile because the fields are created based on the organization's specific needs. As shown in the following image, key information can be quickly visualized.



Functions of the Purchasing Catalog

The Purchasing Catalog has the following functions:

- Easily and quickly record all purchase information on a standardized way.

- Centralize all purchase related files, regarding of format (text, email, digital images, pictures, voice, video, websites).
- Enable the quick search capability using any field in the catalog.
- Relate a specific purchase to all its related documents and payments.
- Ensure information confidentiality and security through access passwords.

Purchasing Catalog Description

All files, documents, actions and processes related to each purchase are recorded in the Purchasing Catalog.

To standardize records and avoid data entry errors, the system allows the user to create “Validation Lists”, in which a series of predetermined entries are specified as options for pull-down lists. For example, a Validation List can be created to contain the name of the products or product categories that can be purchased by the organization, as well as the company’s vendors.



Index Card Structure and Data Entry

The Index Card is comprised of 4 types of fields: Field Name; Field Type (text, number or date); Field size (in characters) and; Fill-out type.

To easily fill out date fields, a Calendar is displayed to visually select the desired date.



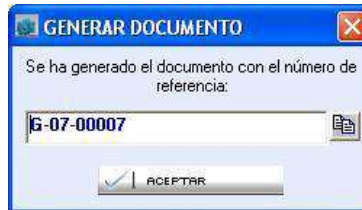
The “Memo” fields allow for up to 10,000 alpha numeric characters.

In this example of a **Purchasing Catalog**, the Index Card is comprised of the following fields:

<u>PURCHASING CATALOG</u>			
<u>Field Name</u>	<u>Field Type</u>	<u>Field Size</u> (Number of Characters)	<u>Fill-out Type</u>
<u>PURCHASING DATA</u>			
Reference Number (NumRef):	Text	10	Automatically generated
Purchase Order No.:	Text	20	Alpha numeric field
Product:	Text	200	Select from Validation List
Quantity:	Number	20	Key in information
Measuring Unit:	Text	10	Select from Validation List
Price per Unit (\$):	Number	10	Key in information
Shipping Date:	Date	15	Calendar
Delivery Date:	Date	15	Calendar
Documents:	Text	100	Key in information or select from Validation List. This field is linked to ' Purchasing Documents Catalog '.
Credit Line:	Text	10	Select from Validation List
Payment:	Text	100	Key in information. This field is linked to ' Payments Catalog '.
<u>VENDOR DATA</u>			
Vendor Name:	Text	100	Select from Validation List
Vendor Tax ID:	Text	20	Select from Validation List
Invoice Number:	Text	20	Key in information
Invoice Amount (\$):	Number	20	Key in information
Notes:	Memo	4000	Key in information

The information can be easily entered in the Index Card; for example:

Reference Number (NumRef): Identifies the purchase; it is automatically generated by the system when a new document is entered.



The Reference Number is comprised of:

- + Prefix that indicates the Catalog
- + Current Year
- + Document Number

Product: Indicates the name of the purchased product. A Validation List is displayed to facilitate data entry. Example:

Products List
Pen
Pencil
Manila Folders
Paper

Documents: Since a purchase can be related to several documents, this field is linked to the *Purchasing Documents Catalog*. For instance, if you want to see the Purchase Order, select the name of the document from the Validation List and automatically the system will show a scanned copy of the Purchase Order.

Vendor: Indicate the name of the vendor and its corresponding Tax ID. A Validation List is displayed to facilitate data entry. Example:

Vendor Name	Tax ID
Central Stationary Supplier	00000000
Italy Travel Agency	11111111

✓ PURCHASING DOCUMENTS CATALOG

The **Purchasing Documents Catalog** stores all documents related to a purchase (documents received or generated). This catalog serves two purposes: i) store every documents regardless its format; ii) link these documents with the corresponding Purchasing File created in the **Purchasing Catalog**.

The software links both Catalogs through the NumRef assigned to the purchasing file created in the **Purchasing Catalog**.

Functions of the Purchasing Documents Catalog

The Purchasing Documents Catalog has the following functions:

- + Record all purchase related files.
- + Centralize all purchase related files, regardless its format (text, email, digital images, pictures, voice, video, websites).
- + Enable the quick search capability using any field in the Catalog.

Purchasing Documents Catalog Description

This catalog's Index Card also contains many Validation Lists to facilitate data entry. For example, a Validation list could be displayed to show the document type:

Document Type
Purchase Order
Bill / Invoice
Credit Note
Debit Note
Shipping note
Product delivery note

Another Validation List can be displayed to show Credit Line information:

Credit Line
7 days
15 days
30 days
45 days

Index Card Structure and Data Entry

In our example, this catalog's Index Card is comprised of the following fields:

<u>Field Name</u>	<u>Field Type</u>	<u>Field Size</u> (Number of Characters)	<u>Fill-out Type</u>
Reference Number (NumRef):	Text	10	Automatically generated
Document Type:	Text	30	Select from Validation List
Document Number:	Text	30	Key in information
Document Date:	Date	15	Calendar
Credit Line:	Text	15	Select from Validation List
Due Date:	Date	15	Calendar
Notes:	Memo	4,000	Key in information
<u>THIS FIELD ENABLES THE SYSTEM TO LINK INFORMATION BETWEEN CATALOGS</u>			
NumRef Purchasing Catalog:	Text	10	(Please insert manually NumRef assigned to the file)

Documents register in the **Purchasing Documents Catalog** will show 2 reference numbers (NumRef): i) one assigned by the System when a document is registered in this *Catalog* and, ii) the NumRef generated in the Purchasing Catalog. When a search is performed with the NumRef of the Purchasing Catalog, they system will retrieve all files with that reference number, no matter which Catalog it is in.

✓ PAYMENTS CATALOG

The **Payments Catalog** contains all monetary expenditures related to purchases registered in the **Purchasing Catalog**. These 2 catalogs are linked through the Reference Number (NumRef) field.

Functions of the Payments Catalog

The Payments Catalog has the following functions:

- + Record the information of purchase related payments (checks, bank transfers).
- + Centralize all payment related files (text, email, digital images, pictures, voice, video, websites).
- + Enable the quick search capability using any field in the catalog.

Payments Catalog Description

This catalog's Index Card also contains many Validation Lists to facilitate data entry. For example, a Validation List could be displayed to show the banks list:

Bank
Citibank
Chase
PNC Bank
Bank of America

Index Card Structure and Data Entry

In our example, this catalog's Index Card is comprised of the following fields:

<u>Field Name</u>	<u>Field Type</u>	<u>Field Size (Number of Characters)</u>	<u>Fill-out Type</u>
Reference Number (NumRef):	Text	10	Automatically generated
Beneficiary:	Text	50	Select from Validation List
Beneficiary Tax ID:	Text	30	Select from Validation List
Purchase Description:	Text	100	Select from Validation List

(Cont.)

<u>Field Name</u>	<u>Field Type</u>	<u>Field Size (Number of Characters)</u>	<u>Fill-out Type</u>
Payment (\$):	Number	100	Key in information
Bill / Invoice Number:	Text	30	Key in information
Bill / Invoice Amount (\$):	Number	30	Key in information
Sales Tax (\$):	Number	20	Key in information
Freight (\$):	Number	20	Key in information
Bank:	Text	50	Select from Validation List
Payment Date:	Date	15	Calendar
Check No.:	Text	30	Key in information
Payment Voucher No.:	Text	30	Key in information
Notes:	Memo	4,000	Key in information
<u>THIS FIELD ENABLES THE SYSTEM TO LINK INFORMATION BETWEEN CATALOGS</u>			
NumRef Purchasing Catalog:	Text	10	(Please insert manually NumRef assigned to the file)

As with the previous catalog, documents entered into the Payments Catalog will have 2 reference numbers (NumRef). When a search is performed with the NumRef of the Purchasing Catalog, the system will retrieve all files with that reference number, no matter which Catalog it is in.

✓ PAYMENTS WORKFLOW

The workflow is a very useful and versatile tool because it adapts to each organization's particular business requirements. Workflows can be comprised by as many workstations as needed, and workstations can perform one or multiple tasks.

For example, a simple Payments Workflow can be comprised by six Workstations:

1. Payment Request
2. Payment Approval
3. Bookkeeping entry
4. Funds availability check
5. Check Issuing
6. Cashier

The image below shows the workstations decisions to be made throughout the Workflow. A *blue* line indicates workstations where the Workflow has already passed, and the *red* line indicates the workstations that remain to be traveled through.



The model shown below is an example of a Workflow for a simple Payments Processing:

<u>WORKSTATION</u>	<u>TASK</u>	<u>DECISION</u>
Purchase Dpt. (Initiator)	<ul style="list-style-type: none"> + Receives bill/invoice. + Verifies information and supporting documents. + Indicates Cost Unit. + Enters information into the Catalog. + Scans invoice and documents. Initiates Workflow.	

(Cont.)

<u>WORKSTATION</u>	<u>TASK</u>	<u>DECISION</u>
Manager (Approver)	+ Approves or denies the payment request. Sends Workflow to Accounts Payable.	Approves payment request (Workflow continues) Rejects payment request (Workflow ends)
Accounts Payable (Bookkeeping Entry)	+ Verifies supporting documentation. + Tax retention. + Enters payment date into Accounting System. Sends Workflow to Treasury.	Invoice OK? (Workflow continues)
Treasury (Funds availability check)	+ Checks funds availability. + Assigns payment date. Sends Workflow to Payments Dept.	Invoice OK? (Workflow continues) Reverse Expense / Review Approval (If payment is not valid, Workflow ends)
Payments Dept (Issue Check)	+ Issues Check. Sends Workflow to Cashier.	Invoice OK? (Workflow continues) Reverse Expense / Review Approval (If payment is not valid, Workflow ends)

(Cont.)

<u>WORKSTATION</u>	<u>TASK</u>	<u>DECISION</u>
Cashier (Delivers check)	+ Delivers Check. + Scans and archives Check and supporting documents. Workflow ends.	

Workflow Report

A workflow report is generated by the system to enable an auditing process. This report will show workstation performance and response times. It also can be generated in real time and exported to different applications.

Report criteria can be as specific as:

- ✓ Payment Reference Number (NumRef)
- ✓ Workstation Name
- ✓ Task
- ✓ Task Executor
- ✓ Response
- ✓ Entry Date / Time
- ✓ Exit Date / Time
- ✓ Status
- ✓ Date
- ✓ Check Amount
- ✓ Check Voucher No.
- ✓ Due Date

➤ THE BENEFITS

A Document Management System could bring multiple benefits to your organization's Purchasing Process:

- ✓ The use of digital files minimizes the need of paper-based documents.
- ✓ Enables complete control over enterprise documents.
- ✓ Enables process automation through the use of Workflows.
- ✓ Integrates with the company's ERP to work with already existing data.
- ✓ Minimizes risks related to process delays and lost documents.
- ✓ Enables collaboration.
- ✓ Enhances the flow of information within the organization.
- ✓ Reduces process delays and 'bottlenecks'.
- ✓ Ensures adherence to the company's policies and procedures.
- ✓ Maximizes the use of physical space.

➤ WE HAVE THE SOLUTION YOUR COMPANY NEEDS

GA Technologies, part of Grupo Archicentro, is a leader in Document Management Solutions with more than 30 years' experience. We integrate knowledge, technology, tools and consulting to help you implement automated solutions effectively.

We have developed our proprietary Document Management System, **SCAV®**. This powerful tool is a user-friendly software that can be completely adapted to the needs and requirements of your organization. It will allow you to manage and control your business information, regardless the format.

Some of the many advantages of **SCAV®** are:

- ✓ Ability to handle an unlimited number of documents in different formats.
- ✓ User-centric graphic interface that allows non-technical users to design Workflows and Databases directly.
- ✓ Keyword-enabled search engine capable of performing multiple searches simultaneously.
- ✓ Multiple keywords allowed for document indexing.
- ✓ Advanced image handling capabilities including highlighting, electronic notes and electronic stamps.
- ✓ Data-entry validation capabilities through an internal "Thesaurus".
- ✓ Graphic command bar to handle common functions.
- ✓ File compression algorithm to maximize disk space requirements.

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