

ACCELERATE INVOICE PROCESSING AND IMPROVE SPEND VISIBILITY

Drilling Contractor Digitalizes Invoicing With OpenInvoice



SUCCESS AT A GLANCE

CHALLENGES

- Supplier's legacy system relied on scanning in paper invoices
- Supply chain manager looked to upgrade to a modern digital system to reduce costs and improve efficiency for the whole organization

SOLUTION

- OpenInvoice, a cloud-based accounts payable software for oil and gas, offered price reconciliation features, an expansive supplier network and a proven track record of success in the industry

RESULTS

- Better visibility on spend
- Faster invoice processing time
- Significant improvement to internal reporting



OpenInvoice was originally designed and developed for oil and gas operators. After two decades of solution enhancements, the platform evolved into a very flexible and robust system. POs, field tickets, goods receipts, contracts and ever more customizable workflows were supported as it became the primary invoice management platform for the industry. With the maturity of the system, the benefits of using the application for invoice processing became evident to suppliers as well as buyers. Also, the same supply chain that serviced E&P companies was providing support to large drilling contractors and complex service companies. Over the course of 2018, an increasing number of suppliers adopted OpenInvoice.

THE SUPPLIER

The supplier is a well-known service provider to the upstream industry. The company has a long history, developing from its origins in the early 1970s. Through mergers and acquisitions, it became one of the largest contract drillers in the industry.

The company has evolved into a multi-service line supplier. Its primary businesses are land drilling rigs and pressure pumping services in North America. Also, it has a conglomeration of smaller service lines, including directional drilling, rig equipment and rentals.

THE CHALLENGE

Unlike E&P operators, this supplier had a relatively small IT department and typically outsourced special project work to third parties. A third party was brought in to manage the integration process between OpenInvoice and the ERP. The project started in July 2018 with an anticipated “go-live” of October 2018. For several reasons, the actual “go-live” was pushed back to January 2019.

One significant issue was the lack of operational business knowledge at the third-party vendor. While quite proficient at developing the routines to move data back and forth between the two systems, the lack of understanding of business requirements led to delays and rework. An analyst with business knowledge was brought in to support the project, which helped the supplier overcome the issue.

Another challenge was related to the unique requirements of the different business units in the organization. Each had some very particular needs that were not foreseen in the RFP. For instance, the pressure pumping division wanted to ensure that freight costs related to sand shipments were covered by the same purchase order. This involved two independent suppliers on the same PO. Also, the company self-assessed tax and the various business units used different calculations to determine withholding values.

Once these issues were resolved, the team worked to ensure all scenarios were covered in the end-to-end process. A test environment was created that emulated the production environment as closely as possible. Approximately 500 invoices representing different cases were tested end-to-end to cover various scenarios.



PRODUCTION IMPLEMENTATION

During the fourth quarter of 2018, the supplier trained all accounts payable personnel, approximately 100 employees, in the system. They had training sessions at their five major operations centers throughout North America. Staff from smaller offices were brought to the major centers.

The system was put into production the first week of January 2019. For the first three-day period, ten invoices per business unit were processed. Once those invoices were processed successfully, all invoices went through the approval workflow. By the end of June, the system was handling 23,000 invoices per month.

The initial implementation used a scan and index process. This process will be replaced in the immediate future with suppliers directly sending digital invoices to the company. A team of three internal employees interact with their vendor community. The suppliers that are already transacting on the network were brought on first, followed by those with no OpenInvoice exposure.

LESSONS LEARNED

- Ensure personnel on the project team understand all aspects of system integration between invoice process systems and ERPs. In cases where IT development work is typically outsourced, ensure any third-party providers understand both technical and business components of the implementation. Supplement the project team as required, particularly with integration resources.
- During the RFP or scoping process, determine all possible workflow scenarios. There might be unique aspects of individual business units that aren't obvious to the planning team. Identifying stakeholders that provide coverage for most workflow processes is vital.
- If the project stalls due to a lack of shared understanding, gather all the newly found subject matter experts in one meeting and work the issues. Resolving problems in isolation leads to a lack of cohesion in the overall process.

BENEFITS

Even with the scanning and index process, the supplier saw direct benefits from implementing the system. There is far better spend visibility throughout the company, at every level of the organization. Invoices are processed much faster and internal reporting is significantly improved.

Now that suppliers are transacting digitally, more benefits such as the ability to compare pricing terms directly to PO values or contracts, automatically matching a PO to an invoice and less overall error, have led to significant time and cost savings.

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