Hyundai Motor Company Australia

Hyundai Motor Company Australia streamlined its accounts payable process with enterprise capture and business process management software from Kofax, meeting the challenge of an increasing volume of paper invoices and the demand for mobile access by approvers within the AP department. The rate for invoices approved within five days is now 99.9%.

Challenge

In 2009, HMCA found itself with a two-part problem: the volume of paper invoices coming in was growing significantly and an increasing percentage of HCMA staff who approved payments were not always on-site to provide timely invoice approval. As a result, the invoice payment process had become inefficient. With invoices being delayed by going desk to desk, action was needed—and AP automation was the clear answer.

Hyundai Motor Company Australia (HMCA) set out to improve its invoice processing. At stake was not merely improved efficiency, but also greater insight into a vital area of the business.

Because invoice processing is one of the most important day-to-day activities in any business, it’s imperative to have good management of the process and a clear understanding of the company’s vendor obligations. An inefficient process can cause a business to incur late fees, lose money by paying inaccurate invoices and miss opportunities for early payment discounts. Efficient, timely invoice processing is also important for building stronger vendor relationships.

“The problem was that vendors often sent paper copies to their contacts within the company,” said Bala Kothandaraman, General Manager Information and Communication Technology at HMCA. “These invoices might sit on that person’s desk for a while, and not reach accounts payable on time.”

The process also involved a great deal of paper: a single invoice could be routed to multiple people and locations before it was approved for payment.
“Nobody knew who had what invoice,” Bala said.

In addition, 50% of HMCA’s staff is mobile—individuals who were responsible for approving an invoice sometimes were not at their desk for several days after an invoice arrived. Sometimes, they were not aware an invoice was waiting for approval.

In focusing on improving its AP process, Bala saw an opportunity for significant savings and greater efficiency. The company’s three major project goals were improving accountability and transparency across the business of all the invoices coming in and going out, a reduction in the amount of handling of paper and less paperwork in circulation.

Achieving these improvements would also further the company’s larger goals of sustained profitability and agility, Bala said.

Solution

To improve its manual, inefficient AP processes, the company focused on two important capabilities: enterprise capture and business process management. After considering a number of software vendors, HMCA selected Kofax Capture™ and Kofax TotalAgility® solutions.

Capture is a powerful, enterprise-ready, production-level capture platform that automates capture-driven processes. TotalAgility adds process design, automation and workflow capabilities to improve process efficiency. These products enable businesses to streamline operations from the point at which information enters the organization and throughout the associated workflow processes.

In addition to these capabilities, Microsoft technology compatibility was a critical success factor for the solution. HMCA uses Microsoft SharePoint as its enterprise content management platform and an SQL database underpins other financial tools the company uses.

“The solution had to be integrated with SharePoint,” said Bala. “I was very particular about that because I wanted a single sign-on.”

TotalAgility fulfilled both requirements because it’s built on an SQL database. Both TotalAgility and Capture easily integrate with SharePoint.

Flexibility was also key. The ability to move quickly and respond to market changes is a central value of Hyundai—and that quality is especially important to its finance operations.

“Our finance department is very flexible,” Bala said, noting that business rules at Hyundai are not as rigid as they often are with other large organizations. According to a 2012 Bloomberg article, this rapid responsiveness is one reason Hyundai and its Kia Motors Corp. affiliate are among the most profitable of the world’s top-six automakers.

The business process management (BPM) system chosen for the company’s invoice processing had to not only meet evolving financial requirements, but enable Bala’s team to adapt it to other applications and document processes.

“We knew we would need to add more functionality down the road,” Bala said. “I wanted an application that is quite flexible and that we can mold to suit our requirements.”

With these requirements in mind, Bala and his team looked at several BPM and information capture vendors. All the solutions under serious consideration were built on Kofax technology. So why not work directly with the platform provider?

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Bala Kothandaraman, General Manager, Information and Communication Technology, HMCA

Results

Bala said his impression of Kofax and the implementation at HMCA was universally favorable.

“The technology is extremely good,” Bala said. “We had to get 100% of all invoices approved through the system, and we had to eliminate 100% of manual handling. We’ve succeeded in achieving both goals.”

At the time of deployment, the company processed 40,000 invoices per year. Today, with the addition of a subsidiary, an auto parts supplier that serves all of the Hyundai dealers across Australia, HMCA now processes from 55,000 to 60,000 invoices. Accommodating the increased workload following the acquisition was straightforward and nearly effortless, according to Bala.

Moreover, the approval time for each invoice has been cut to a mere two days, with a maximum of five days. Today, invoices do not languish on desks. Employees are notified electronically when their approval is required. If they don’t respond within the time limits, the invoice is flagged and escalated to the next approval level.
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Bala Kothandaraman, General Manager, Information and Communication Technology, HMCA

The system now is much more efficient because each invoice is matched automatically to its original purchase order. Invoices not associated with a PO are rejected—a business decision that the general manager of finance made upfront. This eliminates delays that previously resulted from manual tracking and verification of purchase orders.

After invoices are matched to POs, they’re authorized for payment and it’s simply a matter of getting an electronic approval from the appropriate employee.

“Every invoice is brought to a logical conclusion,” Bala said. “99.99% of them are paid. Those that aren’t go into dispute and then come to a logical conclusion.”

Before implementing the Kofax solution, HMCA could not track purchase orders and invoices to this degree of accuracy.

“Nobody knew what the liability of the company was, where exactly the spend was going,” said Bala.

Recalling a visit by executives from the head office, Bala said they were impressed when they saw the Kofax invoice processing system in action.

“This technology has greatly helped the company give the executive management a complete view of the state of its finances,” he said.

More importantly, the system provides leadership at HMCA with the visibility they need to make important business decisions.

“With total accountability and transparency, our executives can see exactly where the money is going, who is ordering what and who is paying what,” Bala said. “They are better able to manage the company.”

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