

# Northrop Grumman Optimizes Accounts Payable Operations

OpenText™ Vendor Invoice Management *for SAP® Solutions* improves invoice-handling process with more automation and control

Northrop Grumman Corporation is a global defense and technology company whose 120,000 employees provide innovative systems, products, and solutions to government and commercial customers worldwide in four main business areas: information and services, electronics, aerospace, and shipbuilding.

A company that has reached the size, scope, and complexity of Northrop Grumman needs reliable systems to manage internal processes in an automated and efficient manner. Nowhere is this more important than in Northrop Grumman's accounts payable (AP) department, where hundreds of thousands of invoices are processed each year.

Northrop Grumman wanted to introduce more automation, controls, efficiency, and visibility into its invoice-handling process. AP personnel wanted to eliminate non-value added activities and reduce the manual effort that was previously involved in the process. Equally important for Northrop Grumman was finding a solution that would work seamlessly with its current SAP systems to provide enhanced functionality and integration.

## Business Challenges

Previously, Northrop Grumman used an AP processing solution that did not meet its needs in a number of important areas. AP personnel had little control over the automated workflow process used for routing invoices for approval, and any user could make changes to documents with AP staff having no tracking mechanism in place to let them know who made those changes. The AP staff wanted the ability to lock down annotations and control the level of access users had to documents. This was an important function that would ensure visibility and controls were present in the approval process.

Additionally, the previous AP processing solution was not fully integrated with SAP, forcing users to work with two different systems. This caused additional problems as users that were working within SAP would have to open up another application to access the AP processing features that they needed.

## INDUSTRY

Government Contractor

## CUSTOMER

Northrop Grumman

## CHALLENGES


- Manual invoice-handling process
- AP solution not integrated with SAP
- Lack of process visibility and controls
- Technical issues

## SOLUTIONS

- OpenText™ Vendor Invoice Management for SAP® Solutions
- OpenText™ Document Access for SAP® Solutions

## BENEFITS

- Automated and efficient workflow process
- Process visibility and compliance controls
- Improved relationship with suppliers
- Secure and reliable AP processing solution



**OpenText™ Vendor Invoice Management for SAP® Solutions has provided a level of system stability, process automation, and SAP integration that Northrop Grumman simply didn't have with its previous accounts payable solution.**

There were also some significant technical problems with the former solution. AP personnel sometimes had problems locating and viewing scanned documents in the system. A larger issue was invoices inexplicably dropping from the system altogether, forcing AP personnel to spend extra time restoring them.

The significant shortcomings of the previous AP solution led Northrop Grumman to switch to OpenText, a software solution vendor that has shared more than two decades of partnership and co-development with SAP. Northrop Grumman purchased OpenText™ Vendor Invoice Management for SAP® Solutions (VIM). The VIM application serves to optimize and simplify the process of creating, managing, monitoring, and routing purchase orders and invoices for AP personnel and others. Fully integrated with the SAP enterprise resource planning system, the VIM solution resides inside the SAP software environment and provides a level of reliability and security that Northrop Grumman simply didn't have with its previous solution.

### **Improving AP Operations with Increased Automation**

The implementation of the VIM application has been a key factor in Northrop Grumman's ability to process higher invoice volumes and move its AP operations to one centralized environment. Over the past few years, Northrop Grumman has moved from a dispersed, decentralized system to a centralized Shared Services Center based in Irving, Texas. Invoices are processed in two main areas in AP: a Purchase Order (PO) department and a non-PO department where check requests are handled. An estimated 8,000 invoices are processed each week in the PO department, and 1,500 invoices are processed each week in the non-PO area.

To efficiently input all incoming AP documents into internal systems, Northrop Grumman uses additional functionality, including an Optical Character Recognition (OCR) tool and OpenText™ Document Access for SAP® Solutions.

The OCR data capture tool has eliminated manual data entry for most invoices, helping Northrop Grumman to save time by electronically inputting all paper invoices that flow into the organization. The OCR tool is used in Northrop Grumman's centralized scanning and imaging room where hardcopy invoices from suppliers are received. These invoices are scanned and key metadata is captured using the OCR tool.

Once validated, the image is exported into the OpenText™ Archive Server, a key component of the OpenText™ Document Access for SAP® Solutions. Integrated with most of Northrop Grumman's SAP applications, the Archive Server allows multiple departments to have access to electronic images. Scanned invoices are exported from the Archive Server into the VIM application where they are easily accessible at every stage of the automated workflow process.

### **An Optimized Invoice-Handling Process**

Previously, AP had to touch every invoice in a very labor-intensive and manual system that was time-consuming and bogged down the efforts of not only AP processors, but also approvers and buyers. The VIM application has provided the automation needed to optimize its entire process and significantly reduce the time and efforts of everyone involved.

The VIM application uses the SAP Business Workflow tool to run predefined invoice workflow processes. Using Northrop Grumman's own defined business rules, the application can systematically manage the resolution process based on the specific reason identified, allowing invoices to be routed without the heavy involvement of AP staff. As an example, if a PO is not released, there is nothing that an AP analyst can do with it, so using predefined business rules, the invoice will automatically be routed to the proper approver. Using automation features in the VIM application, Northrop Grumman is able to get invoices to the applicable group without having a multi-step process and the manual involvement of AP staff.

Additionally, VIM provides a simple navigation menu that's customized based on a business user's role. When a workflow request is sent, users are shown only a narrow list of options in a customized drop-down menu based entirely on their role in the approval process. Rather than scanning through an unwieldy list of options, this feature saves time and eliminates user errors to move the process along more quickly.

The VIM application also provides Northrop Grumman users with a one-click view of all the applicable data they need at any stage of the approval process, including the invoice status, invoice image, and other important information. As an example, when a discount is being applied to an invoice, approvers can easily see when the discount was applied, when the payment due date is, and the next steps involved.

This helps approvers respond more quickly and get documents back to AP a lot sooner.

The improved automation provided by the VIM tool has also led to an improved relationship with Northrop Grumman's suppliers. AP can now support its supply base and sectors at a much higher level. Northrop Grumman has a call center where suppliers can receive statuses on invoices. The VIM solution provides real-time data that has significantly increased the speed and capability to provide these suppliers with accurate, up-to-date information. Most importantly, they can support these groups with fewer resources than had previously been necessary when the former solution was used in AP.

### Improvements in the Non-PO Area

The VIM application has helped the processing of non-PO invoices at Northrop Grumman in a number of important ways, including providing better access to documents and real-time validation of data. AP processors are able to conduct research more quickly to respond to customer inquiries, improving relationships and confidence in the process. Previously, the process was far less efficient where AP personnel were even required to sort through physical files to find the correct documents. With the VIM application, they now have better access to documents, and the real-time validation of data has meant that issues can be resolved much more quickly. Not only has this saved time for AP processes, but it has also meant being able to significantly speed up the processing time to get checks out the door. Where it used to take five to eight days to release a check, it now only takes an average of three days.

### Process Visibility and Security

With the VIM application, Northrop Grumman has a clear audit trail, allowing AP to trace where a document is throughout every step of the process. Notes and annotations to documents are

protected so that only the approver who is specified on a PO or check request will receive the document and have the ability to make changes to it. Routing procedures are controlled, and full visibility is available to ensure that the right document is going to the right person at the right time.

With its former AP processing solution, Northrop Grumman had very little visibility into its invoice-handling process, forcing AP personnel to spend too much time in the resolution process when discrepancies arose. With the OpenText VIM application, AP personnel can now easily provide invoice status updates and access where an invoice is, who has responsibility for it, and what the next steps are for resolution. With complete visibility into the invoice-handling process, Northrop Grumman now has the ability to keep an electronic, historical log of everything that occurs at each step.

AP can also generate metrics to show the actual number of invoices that each different area is currently responsible for, such as AP, procurement, approvers, and so on. Using this data, AP can run reports to show upper management where bottlenecks are occurring in the routing process, allowing for continuous improvement in internal processes by pinpointing where specific problems are occurring.

### Future Goals

OpenText™ Vendor Invoice Management for SAP® Solutions has provided a level of system stability, process automation, and SAP integration that Northrop Grumman simply didn't have with its previous accounts payable solution. A long-standing customer, Northrop Grumman has implemented a number of solutions from OpenText and continues to look for new ways to improve its internal processes and expand upon this important relationship.