SAP Receivables Management Implementation
Best Practices Compiled from over 20 Implementations

Sashi Narahari, President & CEO, HighRadius
Agenda

- SAP Receivables Management Overview
- Key implementation lessons learned
- List of potential enhancements for advanced business transformation implementations
Who is HighRadius?

- SAP Partner that exclusively focuses on SAP Receivables Management implementations (formerly FSCM)

- We also provide Accelerators (ABAP Add-on’s) that extend SAP Receivables Management functionality for large business transformation initiatives

- Recognized thought leaders in the A/R and credit space. Platinum Partner of Credit Research Foundation

- Ranked among fastest growing technology companies in Houston in 3 years in a row
Summary of lessons learned from implementations at the following companies
Before Project
During Project
Go-Live!
Agenda

- SAP Receivables Management Overview
- Implementation best practices
- List of potential enhancements for advanced business transformation implementations
**Receivables Management in ERP Financials**

- **Sales and Distribution**
  - Sales Order
  - Delivery
  - Goods Issue
  - Billing

- **Receivables Management**
  - Enhanced functionality
  - Optimized processes
  - Credit Mgmt
  - Biller Direct
  - Collection Mgmt
  - Dispute Mgmt

- **Accounting**
  - *FI-CA = Contract Accounting for Business to Consumer, i.e. Telecom, Utilities, etc*
  - FI-AR
  - General Ledger

- **Treasury**
  - Cash Mgmt

**Incl. Credit Limit only**
SAP Receivables Management

Introduced in 2002

Previously known as Financial Supply Chain Management (FSCM)

Now re-branded as Receivables Management

Over 1000 licensees worldwide

Now version 6.x

- Reduced DSOs by three days
- Reduced bad debt write offs by 10%

- Reduced the number of dispute cases by 17%
- Shortened time to resolve disputes by 29%

- Achieved and maintained a 100% Customer retention rate
- Experienced a corollary 5% productivity improvement in credit and receivables

- Achieved 20% to 50% reduction in bad debt risk, and 20% to 40% faster access to information
- 10% to 20% reduction in time needed to collect credit information and enter data prior to a sale
Collections Management

- Define collection strategies / rules
- Define work item assignment to users / groups
- Monitor and reallocation of workload

Collection Supervisor

- Incoming / Outbound collection calls
- Process daily worklist based on prioritization
- Record customer contact and follow up

Collection Specialist
Priority is determined by the valuation of each collection rule.
Dispute Management

- Dispute Case Attributes, Notes Management
- Correspondence: Send dunning letters, invoice copies, statements etc
- Cross-departmental workflow
## Credit Management

<table>
<thead>
<tr>
<th>Description</th>
<th>SAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Checking</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Integration platform to third-party credit bureaus via SAP PI</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Credit rules engine for automatic customer risk scoring and credit limit calculations</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Workflow for any credit events</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Multiple credit limit categories to capture owned risk, personal/bank guarantee, insurance etc</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Credit limit approval and automatic updates to master</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Standard BI content and Portal Access for reporting and analysis</td>
<td>![Checkmark]</td>
</tr>
</tbody>
</table>
Credit Management

Define Credit Scoring Formulas for various scenarios

Real Experience. Real Advantage.
Biller Direct

- Online Electronic Invoice Presentment & Payment (EIPP) solution from SAP
- Enables customer self-service
  - Review account status (invoices, credits, payments, balances)
  - Download invoice copies, statements
  - Dispute invoices
  - Make payments via credit card or Bank Debit
<table>
<thead>
<tr>
<th>Bill</th>
<th>Due Date</th>
<th>Billed Amount</th>
<th>Open Amount</th>
<th>Action</th>
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<tbody>
<tr>
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<tr>
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<td>EUR 30.60</td>
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<tr>
<td>Invoice 0090038090 from 05.10.2005</td>
<td>Nov 19, 2005</td>
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<td>Invoice 0090038009 from 05.11.2004</td>
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Agenda

- SAP Receivables Management Overview
- Implementation best practices
- List of potential enhancements for advanced business transformation implementations
Summary of Key Implementation Best Practices

1. Cost/Benefit analysis alignment to scope
2. 1 week workshop to determine scope (Vanilla versus advanced implementation)
3. Deployment Options: ERP single versus multiple instance
4. Project Structure/Staffing
5. Requirements gathering pitfalls
6. Know what you are getting early in the project
1. Cost/Benefit analysis - Alignment to scope

- Share the business case with the project team and consulting vendor
- Get commitment from IT, Business & Consulting Vendor to meet the ROI objectives
- Break the business case into details versus high level
- Align key project decisions such as scope, requirements, budget increases to ROI
1. Cost/Benefit analysis – KPI’s

- Reduce Days Sales Outstanding (DSO)
- Write-Off Reduction
- Reduce Days Deductions Outstanding (DDO)
- User Productivity Increase (FTE)

To Align ROI to project ‘What’ is not enough. You have to define ‘How’.
Days Sales Outstanding (DSO) Reduction – How?

- Prioritize Customers to follow-up On
  - What specific criteria compared to current should the new system have that would enable this?
    - Example: Customers with bad payment history should be elevated for the follow-up compared to a good paying customer

- Contact More Customers
  - Automated Correspondence? If yes, what types of correspondence and what is the criteria for each?
    - Example: Send automated past due letters for all small balance past-due accounts
User Productivity Increase – How?

- Identify specific clerical tasks that Collectors do that you think should be automated
  - **Example**: Collectors spend a 15% of their time on downloading data into excel and slicing & dicing to analyze accounts for follow-up
  - **Example**: Of all the outbound calls made, 25% result in the customer requesting an invoice copy which takes on an average 4 min to retrieve and send
  - **Example**: Collectors have to periodically read all notes across past-due accounts to identify a specific follow-up activity versus an automated system reminder
2. Vanilla or advanced implementation?

- Expectations disconnect between IT & Business means clearly lack of detailed planning upfront!

- During the planning phase perform a Assessment (1 week workshop) to do a high-level scoping

- ‘Philosophically’ everyone needs to agree if the project ‘Vanilla + BaDI’s’ or ‘customization’ is required
## 3. Deployment Options: Single SAP ERP Instance

<table>
<thead>
<tr>
<th>Current SAP ERP Versions</th>
<th>How are you’re A/R departments organized?</th>
<th>Options</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7</td>
<td>N/A</td>
<td>SAP 6.0</td>
<td>SAP RM 6.0 (independent instance)</td>
</tr>
<tr>
<td>ECC 5.0</td>
<td>N/A</td>
<td>SAP RM 3.0, 6.0</td>
<td>SAP RM 6.0 (independent instance)</td>
</tr>
<tr>
<td>ECC 6.0</td>
<td>N/A</td>
<td>SAP RM 6.0</td>
<td>SAP RM 6.0 (install on ECC 6.0 instance)</td>
</tr>
</tbody>
</table>

### Independent Instance

- **Accounts Receivables (A/R)**
  - **SAP ERP** or 5.0
  - **SAP FSCM 6.0**
  - **SAP ERP 6.0**
  - **SAP ERP 6.0 (ECC 6.0)**

### Install on ECC 6.0

- **Accounts Receivables (A/R)**
  - **SAP FSCM 6.0**
  - **SAP ERP 6.0 (ECC 6.0)**
### 3. Deployment Options: Multiple SAP ERP Instance

<table>
<thead>
<tr>
<th>Current SAP ERP Versions</th>
<th>How are you’re A/R departments organized?</th>
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</tr>
</thead>
<tbody>
<tr>
<td>ECC 4.7, 5.0, 6.0</td>
<td>N/A</td>
<td>SAP RM 3.0, 6.0</td>
<td>SAP RM 6.0 (independent centralized instance)</td>
</tr>
<tr>
<td>ECC 6.0</td>
<td>Several independent A/R departments in countries or business units. IT is also decentralized</td>
<td>SAP RM 6.0</td>
<td>SAP RM 6.0 (install on each ECC 6.0 instance)</td>
</tr>
<tr>
<td>ECC 6.0</td>
<td>Currently shared-services like or objective is to go there. IT is mostly centralized</td>
<td>SAP RM 6.0</td>
<td>SAP RM 6.0 (independent centralized instance)</td>
</tr>
</tbody>
</table>

**Centralized Instance**

- **AR**
  - SAP ERP 4.7
  - SAP ERP 5.0

**Install on each ECC 6.0**

- **Accounts Receivables (A/R)**
  - SAP ERP 6.0 (ECC 6.0)
  - SAP FSCM 6.0

Real Experience. Real Advantage.
## 4. Project Staffing/Structure

<table>
<thead>
<tr>
<th>Modules</th>
<th>Timeline</th>
<th>Internal IT</th>
<th>Business</th>
<th>Vendor - Functional</th>
<th>Minimum Technical ABAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collections &amp; Dispute management</td>
<td>4-6 Months</td>
<td>• Project Manager (30%)</td>
<td>• Collections SME (50%)</td>
<td>• Solution Architect (Blueprint )</td>
<td>• BaDI’s/User exits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business Analyst (50%)</td>
<td>• Manager (25%)</td>
<td>• Functional Consultant (100%)</td>
<td>• 4 Person-weeks</td>
</tr>
<tr>
<td>Credit Management Only</td>
<td>• 3-6 Months</td>
<td>• Project Manager (30%)</td>
<td>• Credit Risk SME (50%)</td>
<td>• Solution Architect (Blueprint )</td>
<td>• BaDI’s/User exits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business Analyst (50%)</td>
<td>• Manager (25%)</td>
<td>• Functional Consultant (100%)</td>
<td>• Credit Scoring Customization</td>
</tr>
<tr>
<td>Collections, Dispute, Credit Management, Biller Direct</td>
<td>• 6-9 Months</td>
<td>• Project Manager (100%)</td>
<td>• Collections SME (50%)</td>
<td>• Solution Architect (Blueprint )</td>
<td>• BaDI’s/User exits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business Analyst (100%)</td>
<td>• Credit Risk SME (50%)</td>
<td>• Functional Consultant (100%)</td>
<td>• Credit Scoring Customization</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Manager (50%)</td>
<td>• Techno-Functional Consultant (75%)</td>
<td>• Biller Direct web front-end</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Java (50%)</td>
<td></td>
</tr>
</tbody>
</table>
4. Project Staffing/Structure (contd..)

- **Internal IT Resources**
  - Project Manager: Experience with SAP. Not just a PM
  - Business Analyst: Prior FICO Experience

- **Business Resources**
  - Collections/Credit Risk SME: Deploy your best resource
  - Manager: Do not delegate 100%

- **Vendor Resources**
  - Solution Architect: At least 4-5 full-life cycle SAP RM implementations experience
  - Functional Consultant: At least 2 full-life cycle SAP RM implementations experience
5. Requirements pitfalls – From ‘Business’ team

- List a set of needs based on what you currently do
  - ‘AS-IS’ will end up being the requirements
- ‘The new system has to be way better than what I currently do’, so I will just go with what it has
- Take a current pain point you have and assume a ‘How-to-automate’ and translate that into a requirement
  - ‘TO-BE’ design has already been performed
5. Requirements pitfalls – From ‘IT/Vendor’ team

- ‘Please clearly write down all of your requirements and turn it over to us and we will take it from there’
- Constrain the discussion to ‘Standard system capabilities’. ‘Well that is not out-of-the-box’.
- ‘Well that is not a business best practice, so lets not include that in our requirements list’
- Not spending enough time to ‘immerse’ themselves into the business operations
- Too much IT and SAP jargon!
How best to gather requirements?

DO NOT make it a sequential process! i.e. Give a list of requirements and then IT goes and put together a design.
5. Requirements pitfalls – Example of a Requirement Flaw

- **Requirement Definition**: Automated outlook email from SAP Dispute Management to sales personnel with backup attachment of Debit Memo, Invoice Copy, Dispute Summary for Deduction Review & Approval

- **Background**: Currently Deductions Analyst spend a lot of time typing deduction details in the email body following by printing a copy of the invoice, debit memo and scan and attach to that email
5. Requirements pitfalls – Ripple Effect!

- Business gave a requirement to automate a ‘AS-IS’ process
- IT/Consulting Vendor blindly took it for granted. Analyzed and defined a RICEF object with a design and cost to perform this
- Stakeholders not happy because ‘custom’ means budget overruns
- Moreover, project timeline risk due to RICEF customization
- Project teams spends additional time during testing cycles
- Potential Go-Live stabilization issues
Different Approach for Gathering Requirements

- **AS-IS**
  - Currently Deductions Analyst prints and scans a copy of the invoice & debit memo and keys the deduction details in an outlook email and manually sends this to Sales Rep for review & approval

- **ROI Validation**
  - How many deduction analysts and what % of their time they spend doing this? (20 Analysts, 10% of time = 2 FTE)

- **Business Requirement (Define ‘What’, Not ‘How’)**
  - Enable Collaboration of Dispute Analyst with Sales Personnel to resolve a deduction. Sales personnel require access to deduction details, original invoice copy and debit memo backup to review & approval the deduction

- **System Requirement (‘How’)**
  - Ability to assign a Dispute Case to a sales analyst for review & approval via Dispute Workflow. Notify the sales person via email since he is an occasional user. Sales person should have the ability to view the invoice & debit memo associated with the deduction
6. Know what you are getting early in the project
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- Get product/solution demos during blueprint phases
- If possible, send key SME’s to SAP RM training to get familiarized with the modules
- For key design decisions/requirements, review detailed solution mockups with project team
- Network with ASUG, CRF SAP User Group peers and arrange for meetings/demos of their implementation

Do not wait till Integration Test Cycle 1 to find out what you are getting!
Agenda

- SAP Receivables Management Overview
- Implementation best practices
- List of potential enhancements for advanced business transformation implementations
Collections Management Enhancements

- Smart Forms: Correspondence Letters such as Gentle Reminders, Past Due letters, Legal Letters
- ‘Customer Level’ Promise to Pay
- ‘Clean Past-Due Receivables’ calculation
- Collection Strategies to include credit data such as Risk Class if SAP RM Credit Management is not activated
- Proof-of-Delivery (POD) Integration
- Custom Reports (Major enhancement if you are not using SAP BI/BW/BOBJ reporting system)
Dispute Management Enhancements

- Create new fields on dispute case such as Check Number, PO Number, Chargeback Number etc
- Auto-coding deduction reason codes
- Custom logic for determination of Processor, Coordination & Person Responsible fields
- Correspondence letter templates: claim denial form, request for additional information form
- Proof-of-Delivery (POD) Integration
- Deduction backup (debit memo) Integration
- Custom Reports (Major enhancement if you are not using SAP BI/BW/BOBJ reporting system)
Credit Management Enhancements

- Credit Scoring Formulas
- Approval Workflow
- Pro-active Alert Workflow
- Integration with External Credit Bureaus like D&B, Experian, NACM etc
- Custom Reports (Major enhancement if you are not using SAP BI/BW/BOBJ reporting system)
Biller Direct Enhancements

- Look & Feel, Branding & Layouts
- Search criteria for finding invoices if volume is high
- Credit Card Integration
- Future Payments via ACH or Credit Card
- Website Usage Analysis
Summary of Key Implementation Best Practices

1. Cost/Benefit analysis alignment to scope
2. 1 week workshop to determine scope (Vanilla versus advanced implementation)
3. Deployment Options: ERP single versus multiple instance
4. Project Structure/Staffing
5. Requirements gathering pitfalls
6. Know what you are getting early in the project
Key Learnings

- Get commitment & alignment by sharing a detailed Cost/Benefit Model with the project team
- Perform an Assessment Workshop to determine Vanilla versus advanced implementation
- Vendor Solution Architect responsible for design and Business SME can ‘make or break’ the implementation
- Challenge the delivery team to provide Solution Mockups of key deliverables
Thank you for participating.

Please remember to complete and return your evaluation form following this session.

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