

It's time to say goodbye to paper and embrace the e-commerce world



COST MANAGEMENT

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It always irritates me how the very process of spending money involves spending more of it. Prior to money changing hands, a series of seemingly ritual process steps has to be followed. Worse still, if either buyer or seller hinders the progress of the ritual, costs increase.

Managing costs is about controlling the cash that flows out from your business.

It is worth looking again at how the very mechanics of this relationship can affect your efficiency. Not all purchase-to-pay process costs are inevitable. Both the buyer and supplier have a shared interest in cutting such costs.

Review your payment process

There are ways to cut transaction costs, but automating an inefficient process gives only a fraction of the benefits.

A simple annotated diagram of your purchase-to-pay process provides a valuable and illuminating starting point.

Who does what? What forms or systems are used at each stage? Who authorises what? Are there controls on which suppliers you can use? How are deliveries confirmed? If you are really getting into this you could try to allocate costs, such as staff time and consumables.

Finally, review your findings with colleagues involved at each stage and get them to identify where they feel changes could improve things.

As a supplier of construc-

Running businesses with computers but retaining paper makes little sense"

tion materials, I remember the amount of staff time allocated simply to making sure we supplied the correct materials.

Processing delivery information, invoices, remittance advice and payments consumed yet more time. Such activities are too readily seen as an unavoidable cost.

Electronic trading

Costs are increasingly managed using computer applications. Running businesses with computers but retaining paper as a means of communication makes little sense.

✦ If we lived in a world where electronic business was the norm, try imagining convincing your chief executive that printing and posting transactions was a better way to run your business.

If you and your competitor incur the same cost the impact is perhaps not felt as keenly. This may partly explain why electronic commerce is one area where construction has lagged behind other sectors, such as retail.

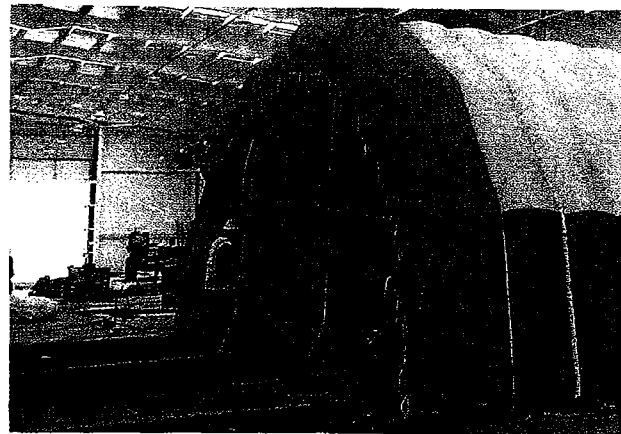
There are hundreds of thousands of trading relationships across the UK construction industry. At the same time, there are numerous procurement, cost management and accounting applications in use. This complexity poses a challenge to the adoption of electronic trading document exchange – for orders and invoices etc.

Electronic trading needs to be a part of your process rather than a bolt-on. Even if you decide to start with a limited number of partners, always plan for full adoption to avoid problems when you try to scale up.

Furthermore, if you are about to upgrade your back office system, include the ability to connect to electronic trading services as part of it.

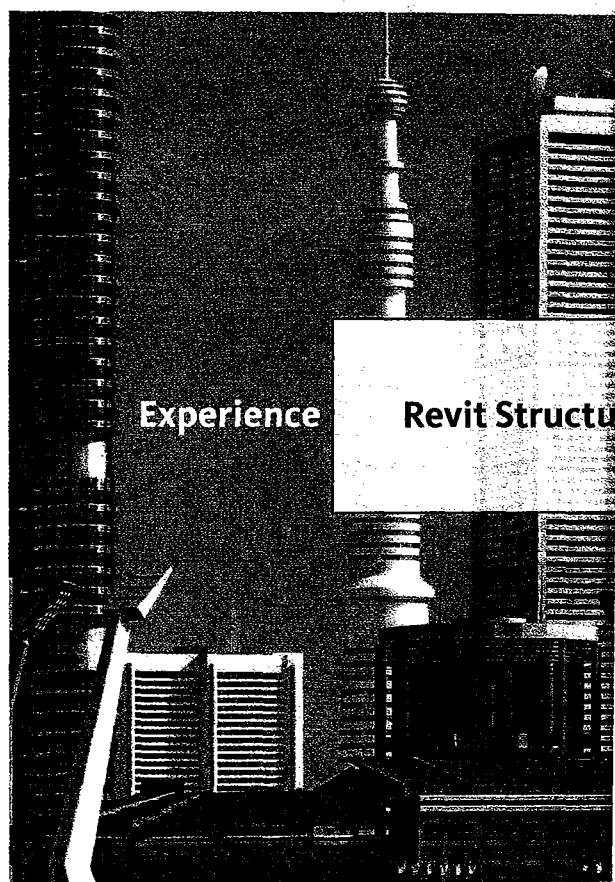
Retro-fitting is like adding a hands-free phone kit to a new car rather than a factory fit – it works, but is not as neat and probably lacks a few features.

Tim Cole is a director at Causeway Technologies and a regular columnist for *Doing the Job*



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