

FROM CYRILIC TO CATALAN

FIS/edc in international use at Kärcher



Customer

- Alfred Kärcher GmbH & Co. KG
- Year of foundation: 1935
- Headquarters: Winnenden nearby Stuttgart
- Employees: 7,452

Industry

- Manufacturing of cleaning equipment

Key figures

- Vendors: 11,500
- Incoming invoices: 220,000 per year

Challenge

Invoice processing at Alfred Kärcher GmbH & Co. KG used to be a tedious process. Due to the comprehensive release flow, invoices often came back late to the accounting department and the monthly settlement was falsified accordingly. To make processes faster and more transparent, Kärcher made a decision in favor of an SAP integrated solution for automated invoice processing in October 2008. A special challenge was the mapping of different accounting regulations for domestic and foreign invoices.

Solution

- FIS/edc – Electronic Document Center

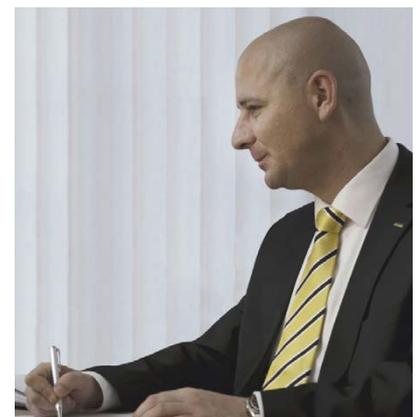
Benefits

Faster processing of incoming invoices and higher transparency in financial accounting, saving of manual activities, better overview of current liabilities, improved possibility of planning monthly settlements, central release with FIS/edc for all subsidiaries.

Vendor invoices from April that are still outstanding and even influence a company's operating result in December are pure horror for any accountant. If invoices or payment requests of foreign subsidiaries in Russia or Ukraine for instance are affected as well – as is the case with Alfred Kärcher GmbH & Co. KG, the world's largest manufacturer of cleaning devices – transparent invoice processing cannot be guaranteed any longer at the company's Financial Shared Service Center. Since 2009, this Financial Shared Service Center has consolidated the accounting activities of Kärcher's head office in Winnenden/Swabia and of its 19 (as at March 2010) subsidiaries all over Europe. Furthermore, the FIS/edc invoice workflow by FIS GmbH has provided for a fast and transparent invoice processing at all of Kärcher's foreign subsidiaries since October 2008.

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Thorsten Binkert,
Head of SSC Europe



Kärcher is constantly on course for growth: Even during the global financial and economic crisis, the family enterprise was able to create additional jobs, make substantial investments and increase its market shares worldwide and in almost all of its product lines. In 2010, 7.3 million devices were sold – more than ever before – and the company's turnover amounted to 1.5 billion Euro. With 7,452 employees, many of whom work at one of the 50 foreign subsidiaries worldwide, Kärcher is currently recording the highest number of staff in its company history. Since the first half of 2009, Kärcher has successively rearranged the accounting activities of its European subsidiaries

at its Financial Shared Service Center (SSC); since March 2010, all of Kärcher's 19 foreign subsidiaries have been connected.

Accounting at a high level thanks to SSC

The SSC consists of the departments Order-to-Cash (customers), Purchase-to-Pay (vendors) and General Ledger and acts as a service provider for all of Kärcher's European subsidiaries. It bundles capacities and renders accounting services for its "customers" according to their demands and with high flexibility. In case of lower demand, individual subsidiaries can make use of only 0.3% of an accountant position for instance and, consequently, pay less money than for hiring an additional employee for the extra work. Moreover, the accounting and SAP knowledge of the SSC is more comprehensive than the knowledge individual subsidiaries could provide at their locations.

Overview of all current liabilities

Even before the SSC was established, electronic incoming invoice processing had been an issue at Kärcher's location in Winnenden as the company's head office receives most of the invoices – approximately 800 invoices a day which adds up to 160,000 invoices per year. The overall invoice volume including that of all 19 European subsidiaries amounts to approximately 220,000 invoices per year. "Our main concern was to achieve

transparency in accounting by saving manpower in entering invoice data in SAP," Thorsten Binkert, Head of SSC Europe, points out. It was the underlying workflow in particular that was expected to provide a better overview of current liabilities.

"In the past, invoices were frequently returned to the Accounting Department with three or four signatures on them after their release approval procedure through the enterprise," Binkert explains: "There, they were posted, although it might not have been clear who had signed them because the signatures were unreadable." It happened quite often that invoices dated April or May, which had been forgotten, turned up again in December and distorted the month-end closing. Kärcher was determined to change this and decided to implement the FIS/edc invoice workflow by FIS GmbH. "In our estimation, the software integrated most deeply in SAP and, furthermore, provided the best value for money," Thorsten Binkert, Head of SSC Europe points out. Impressive live demos and references convinced Kärcher as much as the company size and stability of the software provider. "Above all, FIS was flexible enough to implement the entire project with an external provider for data scanning and entry," Binkert emphasizes.

Two processes for invoices from domestic and foreign subsidiaries

Today, all 5,800 active vendors of the Kärcher head office send their invoices to the scan service provider by mail to digitalize



Kärcher Museum, Winnenden



“By means of the time stamp, we know when the release approval process was started for each invoice and who is currently processing it. Via the FIS/edc history text, we can precisely track all movements of a specific document.”

Thomas Elsner,
Vice President Corporate Finance

them and extract the respective invoice contents. Afterwards, the scan service provider sends the data format and the images to Kärcher’s servers in Winnenden, where they are imported into FIS/edc via iDoc (intermediate document – an SAP format for transferring data into business processes). In parallel, a process exists for the foreign subsidiaries that scan their invoices themselves and only forward the image for data recognition. The original documents remain at the foreign locations for fiscal reasons. By the way, Kärcher has 11,500 active vendors throughout Europe.

In FIS/edc, the 28 employees of the Purchase-to-Pay Department check whether the invoice has been recognized correctly by means of imported basic data such as vendor, amount etc. Subsequently, the Europe-wide invoice release approval workflows are started. In addition to the employees in the SSC P2P process, the General Ledger Department uses FIS/edc as well. The employees of this department have read access and, as a consequence, can schedule and distinguish their month-end closings in a better way. The invoices are stored as PDF documents in the SAP-connected archive. The approver receives an e-mail that contains a link to this archive, opens it and can release the invoice by signing it or forward it immediately. According to the dual control principle, at least two persons are required to release an invoice; a third approval level will interfere if very high amounts are to be released for posting.

The psychological aspect

500 approvers all over Europe are involved in the FIS/edc workflow used by Kärcher - 300 at its head office and another 200 at its 19 foreign subsidiaries. “Nowadays, many approvers process invoices faster because they are subject to control. As a consequence, this system also has a psychological aspect,” Thorsten Binkert explains. Although there are some approvers who still take their time to release invoices, the SSC team has an eye on these employees at any time, can remind them of invoices that have not been released yet and, therefore, accelerate invoice processing.

For Thorsten Binkert, the complete transparency is a major advantage compared to the former invoice processing via “internal mail”. Now, Kärcher can track and monitor the processing status of each individual liability. “By means of the

time stamp, we know when the release approval process was started for each invoice and who is currently processing it,” Thomas Elsner explains. “Via the FIS/edc history text, we can precisely track all movements of a specific document.”

Most of the invoices received are purchase-order-related incoming invoices (SAP MM); the smaller part consists of invoices without purchase order reference (SAP FI). Purchase-order-related invoices have virtually been approved in advance via the purchase order. In case of such invoices, FIS/edc checks automatically whether price or quantity variances exist in comparison to the purchase order. If not, a “touchless” invoice posting will follow. At peak times, up to 30% of such invoices are posted in this way. In view of the different situations at the foreign subsidiaries, where virtually no invoices at all are posted in the background, this is a very high value. If variances are detected that might result from material extra charges for instance, the FIS workflow for manual release will apply.

An international team at the Shared Service Center uses FIS/edc

The FIS/edc workflow is able to map accounting regulations that, in part, differ considerably at Kärcher’s foreign subsidiaries and provides the language-matched user interface in each case. Thorsten Binkert has asked around his colleagues and has learned: It is very difficult to integrate countries such as Russia or Ukraine into SSC structures, because P2P processes are often completely different. In Ukraine and Russia for instance, there will be no goods receipt without payment in advance. This means that other documents as well, i.e. requests for payment, run through the workflow. Consequently, payments are approved, not invoices. In order to configure all of these specifics correctly in FIS/edc, Kärcher has gradually relocated the jobs of specific accounting clerks from all associated European subsidiaries to its SSC. In cooperation with the Kärcher and FIS project teams, they have helped to adjust the FIS/edc processes to the requirements at the foreign subsidiaries and to develop workflow versions in other languages.

Today, these employees, who now live in Baden-Wuerttemberg, work next door to each other at Kärcher’s location in Winnenden and, from there, centrally trigger the approvers’ release at “their” foreign subsidiaries via FIS/edc. Thorsten Binkert is enthusiastic: “People from Spain, France,

Ukraine, Russia, Bulgaria, Switzerland and Austria work at our head office - an international team that uses FIS/edc and can excellently handle the software due to its high adaptability.”



Alfred Kärcher GmbH & Co. KG

In terms of quality and technology, Kärcher is one of the world's leading providers of cleaning systems, cleaning products and services for recreation, household, trade and industry. The family enterprise was founded by Alfred Kärcher in Stuttgart - Bad Cannstatt in 1935. Kärcher made his breakthrough into cleaning technology in 1950 with the development of the first European hot-water pressure washer (the DS 350 steam blaster). Innovation continues to be the most important growth factor for Kärcher. Since 2008, Kärcher has brought three worldwide innovations to market in the field of pressure washers for end customers alone: the K HC 10 with hybrid technology, the K 2.20 with the 4-wheel concept and the world's quietest models K 3.00 and K 4.00. The worldwide leader in cleaning technology will continue to distinguish itself in future with



its inventive spirit, top-class performance and innovative solutions. With 7,452 employees, Kärcher is represented at approximately 36,000 sales offices and offers its customers excellent supply density and availability. This applies to maintenance, spare parts procurement, accessories and device sales.

FIS Informationssysteme und Consulting GmbH

FIS Informationssysteme und Consulting GmbH is an expanding, independent company and forms the umbrella of the FIS Group. Within this group, more than 800 employees work to make companies more modern, more economical and more competitive every day. The focus of FIS is on SAP projects and the development of efficient solutions that drive digitalization in companies. As one of the leading SAP system houses in the D-A-CH region, FIS is the market leader in technical wholesale with its complete solution FIS/wws. Together with its subsidiary Medienwerft, FIS covers the complete SAP range of topics for the Customer Experience (CX) area.

In the subsidiary FIS-ASP, more than 100 specialists operate and administer customers' SAP systems in their own data centers in southern Germany. The subsidiary FIS-SST is a competent partner for nearshoring projects. Collaborative solutions for the convenient and secure process handling of different companies on common platforms are developed at the subsidiary FIS-iLog.



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