



Medtronic

Further, Together

Success Story

From Zero to Hero:
Automation Rates for
Customer and Cash
Accounting Flows
as High as 96%



About Medtronic

Medtronic is a medical technology leader offering therapies and solutions that enable greater efficiency, access, and value – for healthcare systems, providers, and the over 75 million people they serve. Headquartered in Dublin, Ireland, the global company has +90,000 employees plus over 10,000 scientists and engineers in 150+ countries.

Challenges in Cash Application – and Medtronic’s Approach to Optimization

Two years ago, Medtronic announced a global Finance Optimization program with the vision to have a best-in-class Finance team. The team would operate with a global mindset and serve as valued business partners, providing innovative and impactful contributions to further the Medtronic mission. Amongst many other elements, this vision involved moving to a new operating model and a re-alignment of the company’s global transactional finance activities. To support this significant change, Medtronic required state-of-the-art technology that would improve its global process efficiency, controls and centralization.

In the area of accounts receivable, Medtronic decided to upgrade its cash application solution from Serrala, which it had implemented a few years earlier successfully in EMEA, and to roll out the 100% SAP embedded solution **FS² AutoBank** globally to North America, APAC/Greater China and Latin America.

A global deployment to 250+ entities, 4 regions, covering two value streams over a period of approximately 1.5 years was completed in 2021. During this time, the team defined the project scope and negotiated contracts as well as implemented the solution across all four regions.

Medtronic has 750+ bank statements, which leads to approximately 800,000 bank transactions that the team must handle each quarter in a shared service center. For most countries, the legal entities are on a single global instance of SAP. With the new Serrala solution in place, the bank statements are imported daily into SAP and automatically processed by **FS² AutoBank**. The Serrala solution also automatically processes the remittance advices which reduces the amount of manual work involved in the accounts receivable reconciliation process.

Automating Intelligently with FS² AutoBank – an SAP-integrated Solution

As **FS² AutoBank** was a proven solution that had been used in EMEA since 2007 with automation rates in the 80%+ range, it was on the short-list of vendors Medtronic considered for the Finance Optimization program.

The company wanted to find a solution to automate the processing of bank data so it could minimize manual tasks and enable its staff to focus on credit and collection management and on improving the audit trail.

What definitely set **FS² AutoBank** apart from other solutions is that it is fully embedded in SAP and provides very innovative ways to automate the reconciliation process. Finance teams are able to set up and update the reconciliation algorithms and filter functions without IT support. This way, any updates or improvements to the solution settings can be applied immediately to incoming payments, leading to continuously high automatic cash application rates.



The Results Speak for Themselves

Since Medtronic finished the global project, the automation rates have improved significantly reducing manual tasks, accelerating processes, enhancing visibility for liquidity planning, and saving the company time and costs. This project, along with other initiatives in the organization, has resulted in a significant decrease of unallocated cash and lowered the overall Days Sales Outstanding (DSO).

Just taking EMEA as an example

- 90% of cash transactions are now auto-allocated to a balance sheet or a profit & loss account. Consequently, allocations are now 'first time right' and financial statements are always up-to-date
- 85%+ of customer collections are auto-allocated to outstanding invoices. As a result, customer account statements are updated in real time, meaning no blocked orders and fewer disputes, leading to increased customer satisfaction.

KPIs for Cash Accounting (Record-to-Report)

- 96% EMEA
- 96% US
- 84% Canada
- 86% APAC
- 88% LATAM

Automation Rates for Invoice-to-Cash

- 81% EMEA (SmartEye still to be implemented)
- 84% US
- 70% Canada
- 53% APAC
- 22% LATAM (still WIP)

90% of cash transactions are auto-allocated to a balance sheet / P&L account



Success Factors that Make the Project Stand Out

The Serrala solution delivered impressive results in two value streams: invoice-to-cash (cash application) and record-to-report (cash accounting). After successfully upgrading EMEA to FS² AutoBank in March 2020, the team of project managers and subject matter experts went completely virtual because of the COVID-19 lockdowns. Nevertheless, they managed to implement FS² AutoBank in a relatively short timeframe across North America, Asia Pacific and Greater China. The team closely collaborated with the software vendor, internal IT and regional finance stakeholders - all in remote work settings. Despite the great challenges caused by the pandemic, Medtronic was able to achieve outstanding automation rates of greater than 80% in record to report and greater than 80% for invoice-to-cash in both EMEA and the US.

Through the solution's innovative functionality, which is fully embedded in SAP using OCI recognition and machine learning, the customer and cash accounting flows at Medtronic are now highly automated, resulting in "first time right" cash accounting (financial performance) and immediate customer account updates (no blocked orders, greater client satisfaction, etc.).

The global platform allows the regional Medtronic teams to support each other and collaborate on ways to use FS² AutoBank to deliver even higher automation rates.

"Optimizing the working capital is a core focus for Medtronic, and this is, what FS² does. By applying cash before having breakfast, the solution streamlines the bank reconciliation and cash allocation processes thereby improving our overall liquidity planning. FS² allows the Medtronic teams to focus on the exceptions and delivering higher automation. The journey to automation really starts now."

—John Murray - Director of Business Transformation/Enterprise Excellence, and Paul Miseré - Treasurer EMEA



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