

# CASE STUDY:

## Simplified Spending for a Distributed Workforce

### THE SITUATION:

Contract research organizations (CROs) provide discovery and development services, market development expertise, and compound partnering programs for clients in pharmaceutical, biotechnology, medical device, and academic and government organizations. These CROs apply innovative technologies, therapeutic expertise, and a commitment to quality to help their clients and partners maximize returns on their R & D investments and accelerate the delivery of safe and effective therapeutics for patients.

One of the world's largest CROs has offices in several countries and thousands of worldwide employees who help coordinate clinical trials for drug manufacturers at a lower cost than if they conducted and managed the trials themselves. In addition to employees in United States offices and clinical laboratories, the company also has hundreds of regional employees based out of their homes to conduct testing and manage projects. Over the past five years, the company has experienced immense sales increases and increased profits.

With this rampant growth and so many employees dispersed across the country, the CRO needed a way to streamline its company spending and consolidate its accounts payable processes. Corporate headquarters had a purchasing department, but the U.S. offices were autonomous in their purchasing. In addition, there were no budget controls or purchasing standards for the regional employees who had been using expense reports to set up and maintain their home offices. Time spent processing payments through thousands of invoices and expense reports hindered the company from focusing on and devoting more company resources to its core business objectives.

In 2002, Lonesource met with the com-

pany's management to develop a corporate-wide initiative to consolidate invoicing and establish product and purchasing standards. Lonesource introduced a spend management strategy to streamline and consolidate the company's accounts payable processes for all departmental spending. Executives and members of senior finance quickly recognized Lonesource would produce the benefits they were seeking.

### THE SOLUTION:

Lonesource provides a hosted, Web-based technology for companies to optimize and manage corporate spending across all departments to increase profitability and dramatically simplify procure-to-pay processes. Lonesource offers "centralized" management with real-time visibility of every transaction, enhanced enterprise coordination, and improved controls and service levels that dramatically reduces the workload for finance teams.

The solution features a single user interface (buyer platform), a single set of processes (based upon custom configuration), a single invoice (pre-coded, pre-approved, pre-reconciled, electronically interfaced to customer accounts payable system) and a single point of contact for customer service (the Lonesource call center). Within a few weeks, the solution is implemented to quickly establish procurement standards, control

spending on specified categories and allow companies to refocus internal resources on core business, mission-critical processes, and strategic spend initiatives.

### THE IMPLEMENTATION:

To implement the solution, Lonesource performed a detailed analysis to evaluate the CRO's suppliers and year-to-date buying trends, analyzed its total cost of acquisition, and developed a set of processes and benchmarks to manage and streamline the company's supply chain. Members of senior management and corporate finance met with Lonesource to establish project milestones and a timeline. Lonesource configured all data and began development of a branded solution for the company. Several custom processes were created to define billing protocols, define location codes, and define user protocols.

In designing the CRO's customized, private catalog, Lonesource formed a collaborative partnership with the corporate purchasing office and procurement teams to develop standardized practices and product selection throughout the company. Purchasing from Lonesource through the company's intranet creates only one monthly invoice that is electronically audited, coded, uploaded into the company's financial system, and paid with one check, creating significant cost savings across the corporation.

The buyer platform is the primary interface for all users. It delivers not only the custom catalog but also predetermined general ledger code reconciliation, approval routing, real-time reporting, budget and workflow management, automated purchase order management, and invoice consolidation. The CRO's buyer platform manages expenses from multiple departments including administration, human resources, sales and marketing, facilities, information technology, manufacturing and research and development.

The CRO provides access to the Web-based Lonesource platform to its hundreds of regional employees, which has eliminated thousands of expense reports annually for the finance department. Regional employees are trained in the buyer platform and have a monthly budget ceiling that they cannot exceed, and their orders are routed for approval.

"Regional employees are trained to purchase from the Lonesource catalog to set up and maintain their home offices, which gives them more guidance and assistance on what they need to support their business," explains David Ryan, executive vice president at Lonesource. "This has had a dramatic effect in the reduction of hundreds of monthly expense reports from regional employees, which greatly alleviated the workload for the company's finance department. By making the buyer platform available to its regional employees, the CRO ensures that accounts payable practices are standardized across its geographically dispersed organization. As a result, regional employees are less distracted by supply procurement and are now spending more time on client projects."

Another unique Lonesource provision for the company is a system to automatically bill back expenses incurred on behalf of sponsors and clients. Lonesource devised special activity codes in the CRO's secure site that are updated weekly so charges are only made to open and active projects and never to expired activities. The system

instantaneously passes client-incurred expenses through billing and has re-captured revenue for the company.

"This is a major gain," adds Ryan. "The volume of work, invoices and expenses generated by the CRO's sponsors and clients is huge. This special system streamlines the reconciliation process, and matches the consumables ordered from Lonesource to client projects and appropriate general ledger codes."

Lonesource also has an employee on site in the CRO's corporate purchasing office to help source products, add and delete users and locations, and monitor projects. This employee's presence has increased the level of collaboration and integration between the CRO and Lonesource with great results.

Implementation of the project began with roll out to corporate headquarters, then to the regional employees the following year, and finally to the U.S. office locations during the next year. Today there are 2,758 active users in the system. Concurrently, Lonesource trained all company employees. Much of the training used Web-based tools, and follow-up training was available by phone. A custom branded training guide was created for all users at every location.

## THE BENEFITS:

Because of its corporate wide initiative with Lonesource, the CRO can now devote more time and effort to growing and managing its business. The company's monthly invoices and vendors have been dramatically reduced from thousands to one, which is paid with one check, creating substantial soft cost savings throughout the company. The detail received from Lonesource's database allows the CRO's corporate purchasing department to analyze spending patterns down to the individual employee. This data and its monthly order limit have resulted in a significant reduction in monthly expenditures. These savings have been duplicated throughout the company at each location and among regional employees.

As a result of working with Lonesource, one of the world's largest CROs...

- Streamlined its accounts payable process for non-strategic purchases
- Established up-loadable billing format that directly links into existing software
- Created a customized, private catalog with standardized product offerings
- Reduced the number of monthly invoices from several thousand to one
- Increased the efficiency and spending accountability for its regional employees
- Devised a secure site system with activity codes for charging client-incurred expenses back to its sponsors and clients
- Gained total visibility of company spending with detailed analysis and reporting

Recently the company has rolled out the Lonesource solution to the sales and marketing department. This initiative has provided a new company store for all employees, providing direct access to apparel and other branded merchandise.

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