



UHASSELT

KNOWLEDGE IN ACTION

Faculty of Business Economics

Master of Management

Masterthesis

Organization structure and recommendation on accounts payable process in a logistics and transport company

Daniela Barbu

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization Business Process Management

SUPERVISOR :

Prof. dr. Koenraad VANHOOF



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Summary

This master thesis project has been carried out in a logistics and transport company called as Flash logistics group which falls under Roberts Europe. The goal of this thesis project is to understand the company's organization structure, finance department and business model in depth, problems faced by carrier with the accounts payable department. Raw data analysis of the shipment order and the blocked shipment invoices and recommendations are given to improve the account payable process. This thesis is composed of ten chapters and each chapter deals with various aspects of this master thesis.

Chapter one opens with an introduction and describes the problem statement.

Chapter two describes the literature review on the business model canvas framework, B2B clients, Business process model notation and a short introduction about accounting subject.

Chapter three explains the research methodology used for this thesis project. The methodology followed is quantitative, qualitative and general observation. Whereas, the research is followed with raw data analysis acquired from the finance department and interviews with the carriers.

Chapter four is broken down into two parts, the first part gives the organization structure and detailed business model of the company. The second part describes the financial department structure of the company.

Chapter five describes the main business components of the company.

Chapter six describes the main process involved in the accounts payable department to process the invoices.

Chapter seven explains the problems faced by the carriers with the account payable department of the company.

Chapter eight gives the insight of the raw data analysis with respect to the shipment order processed and the blocked shipment.

Chapter nine gives the recommendations to the accounts payable department and the carriers to process smooth payment of the invoices.

Chapter ten gives the overall conclusion and limitations.

Acknowledgement

I hereby present my master thesis, “Organization structure and recommendation on accounts payable process in a logistics and transport company”. This thesis had been written to fulfil the requirements of the degree “Master of Management, specialization in Business process management” at University of Hasselt situated in Hasselt, Belgium, Europe.

The thesis had been carried out in a logistics and transport company called as “Flash logistics group” which falls under Robert Europe. There are several companies in the field of transport and logistics business all over Europe, which offers logistics and transport solutions. Working in the company for more than a year in the finance department, gave me an enriched experience in the logistics and transport business sector, accounting, customer service and several other fields in the company.

I am heartily thank-full to all the team members in accounts payable department, for providing me the required resources, processes and raw data to write my thesis. My sincere gratitude to the professor Dr. Koen Van HOOFF for his encouraging supervision and guidance for the thesis. With his constant feedback had helped me to finish my thesis in the right direction.

Also, I am grateful to Saud Khan, who helped me to rectify BPMN process and read my thesis for general feedback. I greatly admire the support from my family, friends Margo Alofs and Adriana Sechlman who encouraged and supported me for my master’s education. Finally, I thank the manager of the AP department Mr. Michel Blascetta, and my supervisor Mr. Harold Nijssen to provide me the right data and materials for my thesis.

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Hasselt, Belgium

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Chapter 1

1 Introduction

In the era of information technology, the introduction of various information systems in existing and new business scenarios is being implemented vastly. The increasing popularity of various information systems platform is being used extensively in business platform to gain maximum output to increase profit, efficiency and to gain competitive advantage in the different business field. Nevertheless, to implement information systems in to new or existing business platforms, the need of defining business process has become one of the important part to implement information systems. This practice has become common to describe organizations as sets of business process, that can be analyzed in detail and improved by approaches such as business process modelling concepts (Melão and Pidd 2000).

Managers and business owners are realizing that business could be improved by well documented process and that's why the Business Process Modeling is becoming a higher priority. Well documented processes are important to ensure an efficient, smooth functionality and is crucial for organizations with a hectic activity or with a rapid growing (Robson and Ullah 1996). A holistic business process modeling provides important benefits to company by align operations with their business strategy, improving communication, increasing control, efficiency and gaining competitive advantage.

Furthermore, to have a clear understanding of the organization's business, it is best to apply the principles of business model canvas, where this abstract conceptual model explains the business in nine building blocks. These nine building blocks of business model canvas are key partners, key activities, key resources, value propositions, customer relationships, channels, customer segments, cost structure and revenue streams. Identifying these blocks in the new or existing organizations will help to define the organization business in more structured way (Osterwalder and Pigneur 2010). Therefore, having a clear overview of organization business through application of business model canvas will give further understanding of the company's business.

The focus of this thesis is to improve the accounts payable process in the company. This is achieved through having a clear overview of the company's organization structure through applying the concepts of business model canvas, mapping the existing invoices validation process in the account payable department of the company, to find the problems faced by the carriers, data analysis on shipment orders validated, blocked and describe the processes involved in processing of the invoices in the AP department. Having a thorough understanding of the carriers' problems and account payable processes, improvements and suggestions are given.

1.1 Problem statement

The purpose of any business is to create financial resources to continue their activities by improving the qualities of their outputs, generating profits and ensuring the stabilities of their employees' jobs and to stay competitive in the market. Improving the qualities of their outputs means adding value to the existing business process, by ensuring that the process is effective, and efficient.

Flash group is a logistics company offering business to business logistics, goods movement service. As in Europe, the logistics service business is very competitive, the company must maintain high standards with their existing clients, carriers and other departments of the company. To improve the existing relations with the carriers, business clients and to keep the smooth running of the business with the clients and carriers in the future, it is necessary to improve and improvise in different segments of the Flash logistics group, whereas for this thesis accounts payable department is considered.

The function of accounts payable (A/P), which is the financial liabilities a company has for its suppliers, i.e. the money owed to suppliers that has not yet been paid. When an invoice is received for services ordered, it is put to the A/P process and removed when it has been paid. The invoice is received either in an electronic format or on paper. At Flash group, purchase invoice processing is performed in the Pricer IP system and Navision Microsoft system.

So far, invoices are handled manually in Pricer IP that required a lot of time and effort to be carried out. Therefore, invoice matching and workflow automation is considered useful to simplify the currently followed processes and to lessen the manual workload of AP specialists.

The Accounts Payable (AP) department are processing most of the invoices from all over Europe. With current staffing and organization, the center was having difficulty getting all the invoices processed on time. Eventually, these invoices began building up over time and the company had hundreds blocked invoices stacked up, waiting to be done. This led to carriers not being paid in a timely fashion.

Therefore, the research question is formulated as follow:

1.1.1 Main question:

“What processes can be improved in the accounts payable department of the company?”

1.1.2 Sub-questions:

The research questions are further broken down to sub question as follows:

1. What is the organization and finance department structure of the Flash group?
2. What are the main business components of the Flash group?
3. What are the general processes involved in processing invoices in the account payable department?
4. What problems do the carriers face with the Flash AP department?
5. How many shipment orders of the transportation were validated and how many shipments orders were blocked?
6. What recommendations can be made to the carriers and Flash group accounts payable department?

Chapter 2

2 Literature Review

Business is defined as : “A business in any organization whose aim is to create results of value for customers who cares about the results and value delivered,(Burlton 2001), (Laguna and Marklund 2005). Another business definition is defined as: “An organizational entity that deploys resources to provide customers with desired products or services” (Damij and Damij 2013). Through business, the company generates the requested and needed product or services in the market, but in the same time generates profit for owner and creates earnings for their employees.

In general, to understand company business it is crucial to understand, what type of business they are involved, whether it is B2B, B2C or both. As the strategies involved dealing with the clients are different for B2B and B2C. One such example is customer loyalty strategy is different for B2C compared with B2B (Narayandas 2005). Therefore, to map the company business model in to one conceptual framework, where it becomes easy to interpret and understand the whole company business model.

2.1 Business to Business clients

Broadly, there are two types of business defined as Business to consumers i.e. B2C and Business to Business i.e. B2B (Narayandas 2005, Homburg, Wilczek et al. 2014). B2C deals with the individual customers i.e. the end customer. Such kind of business are in found in retail, fashion, fast moving consumer goods also known as FMCG segment and many more segments where individual services are provided to the end user customers.

Whereas, B2B deals with the company to company services provided. Any service provided by the company to the other companies are said to be business to business clients. This is important

to identify because the whole strategy changes in all business approach when dealing with B2B environment. In simple word, this is also known as industrial market business approach.

2.2 General overview of accounting

Accounting is simply the measurement, processing communication of financial information. The business owners need to know how well their company is performing. Based on the measurement of performance, business decisions are made. Increasingly large part of accounting is concerned with subsequently presenting the resultant information to those who are interested in the welfare of the organization.(Britton and Waterston 2006). There are several entities in the field of accounting such as management accounting, financial accounting, accounts payable, accounts receivable and many more. Accounts receivable are assets and represent the resources of the company. By selling goods and services to customer on credit, the company has the right to collect that amounts. In contrast to accounts receivable, accounts payable belongs to the category labilities and are amounts which be paid by the company because it purchases goods or services on credit from the suppliers or vendors.

2.3 Business model canvas

In this competitive era of business in various field, exponential boom of the small size companies has given birth to many technologies, challenges and business opportunities. Nevertheless, with this explosion of small medium enterprises also had given rise to higher competition for new entrants in any business. Thus, for an entrepreneur, one of the key elements for the success is to have a thorough analysis of the market, high level planning and the proper development of the business plan. Even for the existing companies, it becomes a necessity to innovate and adapt by the time and environment to stay competitive in the business. There are many companies which fail to integrate and to stay in the business. To name a few companies such as Nokia, Kodak and many more companies which failed to stay in their business.

Business model canvas framework helps the startups and existing small, medium , large enterprises to explore the missed business opportunities, improvements, overview of the complete business model and to have a clear and better understanding of the business environment. (Osterwalder and Pigneur 2010). Basically, business model canvas has nine building blocks. The business model canvas can be referred from the appendix 1. It can be grouped in to four structures as Offering, Infrastructure, Customers and Finance.

1. Infrastructure: Building blocks such as Key activities, resources and partners, describes the infrastructure of the organization. Key activities are the most important activities executing an organization value propositions. Whereas key resources and partners describe the organization's resources that are necessary to create value for the clients and their strategic alliances, joint venture respectively.
2. Offering: Value proposition of the organization is the collection of services and products offered to the customer according to their needs. Organization value proposition defines the uniqueness of their business from their competitors (Osterwalder and Pigneur 2010). This is also known as "Customer jobs to be done".
3. Customer: The organization segments their customers accordingly based on their needs, characteristics and attributes. To serve the value proposition of the organization to their customers, proper channel is defined. An example for the channels could be online market, stores, distributors and middlemen. In order for the organizations to stay competitive in their business, they should define what type of relationship is established with their customers.
4. Finance: Cost structure defines the most important operating costs of the organization. Whereas revenue streams define the income generated from the business and customers.

2.4 Business process modeling and notation

The effective design and execution of business processes are becoming important for the new and existing business organizations (Aldin and de Cesare 2011). Many organizations focus on improving on getting the work done for the benefit of the management, employees, and customers. Business process management is a way of thinking and improving the operational processes of the organizations (White 2008). Process modelling provides a clear understanding of a process, defined by the organizations. It is the combination of set of activities within an organization describing their functionalities in a logical order (Aguilar-Saven 2004). BPM can be used to define in three organizational levels as strategic, operational and tactical level.

“BPM is a management discipline that provides support to organization process using different techniques and software in order to control and analyze organizational processes and activities”(Alotaibi 2016).

In the rapid development of the businesses and technology, the need for clear modeling language for business processes has become important for the simple end users. With an introduction of a standard language, which is Business process modelling and notation i.e. BPMN has become easily understandable by the simple end users. It is an expressive graphical way defining the processes occurring in any kind of organizations (Chinosi and Trombetta 2012). This can range from describing the pizza process, e-voting systems, travel bookings and many other scenarios.

BPMN provides understandable notations for the business analyst to sketch their draft of process for the end users to understand easily the given process. It has four general categories of graphical elements to build a diagram as follows:

1. Flow objects: It represents all actions that can happen in the business process. This includes events, gateways and activities.
2. Connecting objects: This has three different ways of connecting objects to each other, which are message flow, sequence flow and association.
3. Artifacts: These are used to provide additional information about the process.
4. Swim lanes have two elements which is called pools and lanes.

Currently, there are many BPMN software which are currently available in the market, which are used in academic, home and professional business environment. BPMN software such as Signavio, Bizagi, Oracle BPM, IBM BPM and many more. There are several literature and quick reference found on the topic of BPMN elements for the reference. (White 2008, Chinosi and Trombetta 2012). The quick reference to BPMN elements is given in the figure 2.1.

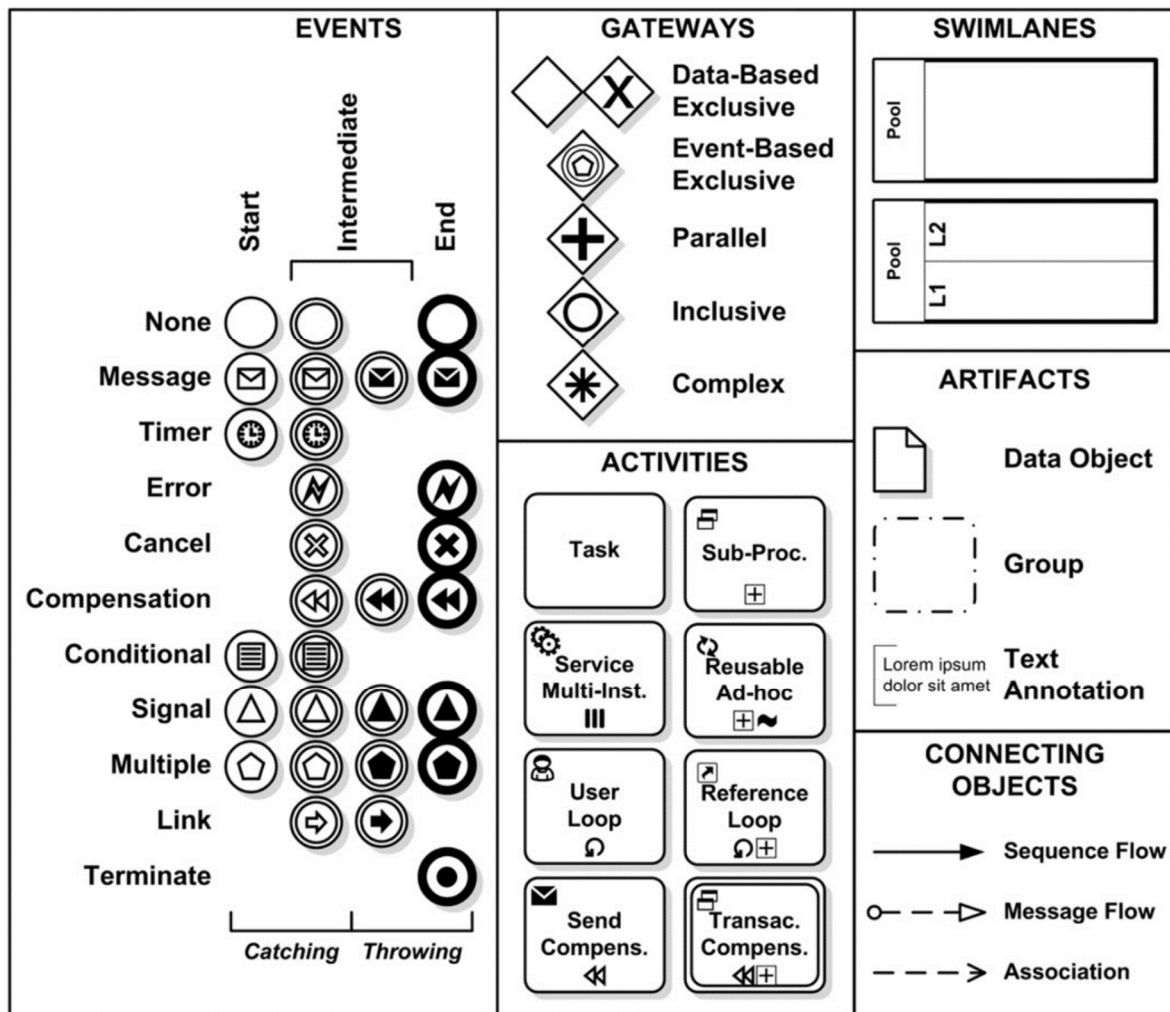


Figure 2.1: BPMN Elements(Chinosi and Trombetta 2012)

Chapter 3

3 Research methodology

Different research methods have been taken in consideration to answer the problem statement. There are two broad methods for data collection that is qualitative and quantitative analysis. These methods can be combined, or any one method can be used for the empirical research. Quantitative data is form of measurement in term of numbers. For an example, the analysis of sales order, transaction data and so on. Whereas qualitative analysis could be on focus group, structured or unstructured interviews and observation (Illikainen 2017). For this thesis, quantitative and qualitative research method have been used. This includes data analysis, general observation, practical experience gained, literature study and short interview sessions via phone was conducted with the carriers associated to the Flash group.

Literature review was done through the Hasselt university online library database. Several keywords were used such as “Business modelling”, “Transport and logistics”, ’Business components”, “Business model”, “Accounts payable process in companies”, “Logistics”, “Business process modelling notation”, “BPMN”, “Business model canvas” and many more keywords was used to gain knowledge in the field of business modeling, BPMN and their applications in various industries.

Working in the company for more than 17 months in the finance department, specifically in the accounts payable, through this practical experience had been developed. Several problems were encountered in the AP department and the carriers, while working in account payable department. The first three months working in the company, observation was made to understand the company structure, their business components and the general accounts payable process.

For the qualitative research method, interviews with three carriers were carried out and general observation was made. The context of each telephone interview with the carriers is outlined in Appendix 2. The interview question is unstructured and were based on the working scenario as problems were encountered while processing the invoice. The telephone interview was held with one exclusive carrier, one flex carrier and small carrier. These interviewers were selected based

on large unpaid invoices, availability of the carrier for an interview and to sort the problems out for AP department to make the payment of invoices as smoothly as possible. As eventually working in the accounts payable department, problems were identified with carriers through telephone interview, working in the company, general feedback, emails and face to face conversations with the carriers.

3.1 Data Collection:

Navision software is used by the company for the accounting and invoices payment work. The Navision software is from Microsoft. The data of the invoices processed and cleared are extracted from the software called as Pricer. This is standard customized inhouse application adapted by the company needs. This software is the main Backoffice software, that gathers all the data, which is used by all the departments. On average, thrice a week the invoices and other data are transferred to the Navision software. The invoices metrics is extracted from Pricer software to gain full insight of the invoices processed and blocked invoices.

For this thesis, various data field were extracted from the Navision and Pricer software. Both the raw data had been combined in Microsoft excel for further data analysis. The total period for raw data extraction was done from 1st March 2017 till 31st March 2018. The raw data extraction was only for one employee responsible for the invoices mainly for the Romanian carrier and other countries invoices too, which was done by me. The first three months that are March, April and May 2017 was observation period with respect to processing invoices and the interviews were followed through emails, telephones and meeting with the carriers.

Chapter 4

What is the organization and finance department structure of the Flash group?

The aim of this chapter is to describe the organization structure of the company and the finance department structure.

4 Organization structure of the company

This chapter is further divided in to two sub sections. First section describes the company structure in detail by applying the conceptual framework of business model canvas. The second section describes and gives the overview of the finance department of the company.

4.1 Flash group business model canvas

The company was founded in 1981 in Metz, France. The company was established as a local road logistics, providing services to the local customers. Gradually, overtime the company expanded its business in to various countries and provided step by step logistics solution. They added various transport solutions that includes road, air and sea transportation services worldwide. Initially, company business strategy was focused in B2C domain. As the company grew, it shifted its focus from B2C to business to business domain.

To have a quick overview of the current business, the framework of business model canvas is applied to the Flash group. According to the business model framework, nine building blocks are applied to the company as follows:

1. **Key partners:** Presently, the company have many key business partners. Some of them are unique, while others are mergers and contract partners. To name a few key partners such as, Schwerdtfeger transport solutions, Volkswagen, Scania, Volvo, and many other small independent contractors.
2. **Value proposition:** Offers on step solution for all logistics and transport related business. Offers ease of paperwork such as customs, border clearance, approvals and tax related issues. Provides highest quality assurance and is ISO – certified company. Ease of access

online through various online IT platform. Customers can easily track and order their shipments online and have up to date information on their consignments.

3. **Key activities:** IT department, which takes care of all the IT related problems and maintain the IT platform across the company. Finance department, which take cares of all the accounts related activities. Transportation and freight service center, which provide 24/7 assistance to long and short drivers across Europe. Customer service department, which handle customer' queries and information services. Business development department, which takes care of contract negotiations, identify new business opportunities and general business development activities.
4. **Key resources:** Ware house, provides storage for the goods. IT department, general management workforce, finance, customer service department and large fleets of vehicles ranging from small to large scale vehicles.
5. **Customer segment:** Focused on business clients such as, the automotive market. Individual business owners and large companies which require transport solutions.
6. **Customer relationship:** The relationship of the company with the customers is purely transactional based.
7. **Channels:** Company has many offices located in Europe and overseas. Some part of the small business is done online, but many are done through contacting the regional offices.
8. **Revenue:** The large part of the company's revenue is generated by offering the various transport solution. However, there are other revenue sources which contributes small part of the company's income. Examples such as, warehouse storage solutions, renting trucks and many more. Prices depends upon the business required by the customers.
9. **Cost structure:** The company has various costs to run their business. These includes maintenance of their fleets, IT and various building costs. Employee salaries, taxes, rents and various general costs.

The business model canvas of Flash logistics group can be found in the Appendix 1.

4.2 Flash group detailed business

The core business of the company is offering solution and services in transport logistics sector. It has 37 years of experience in offering transport and logistics service. The evolution of the company growth through the acquisition of major companies in Europe and expanded its business activities in various transport field such as small and express freight, healthcare, automotive sector and air freight. According to the European logistics market requirement, the company successfully acquired DIN-ISO 9001:2008 certification. Currently, it serves their value proposition to the customers both national and internationally. Services ranging from multi-mode transport (air, sea and rail), air charter to temperature-controlled freight. There are total 640 employees working in the company offices and 4031 professional drivers are working in the company and independent contracts. In the year, 2017 the company had around 682,500 shipments and 230 Million Euro turnovers. Their offices are spread around the Europe and overseas. Majority of their customers are from automotive industry and healthcare. Small part of the customers comes from the aerospace industry. Figure 4.1 gives the list of the company offices present in various countries, their important customers, business sector and the main services they offer.

Offices	Key Customers	Business and Services
<ul style="list-style-type: none"> • Germany • Poland • France • Romania • Luxembourg • Slovakia • Morocco • Spain • Portugal • Hungary • Tunisia • the Czech Republic • Russia • Turkey • United Kingdom, the Netherlands • Belgium • Italy 	<ul style="list-style-type: none"> • Volkswagen • General Motors • Renault • Continental • Hella • Caterpillar, • EADS • Tyco • Delphi • Faurecia • Bosch • BMW • Mini • Audi • Jhonson controls • Leoni • Valeo 	<ul style="list-style-type: none"> • Premium road freight • Premium air freight (trade lane service, Europewide same day service) • Air charter • OBC • Automotive • Healthcare • Aerospace

Figure 4.1: List of Key customers, Business sector, services and offices.

4.2.1 Transport solutions

The company provides three main broad transport services as road, air freight and 3 PL solutions. The road transport services are further broken down to 4 products offered by the company. They are premium, excellence, care and safety products. Flash premium service focuses on speed for mostly product related shipments. Flash excellence is a dedicated solution for the transport is custom made accordingly to the customer needs with dedicated customer service for the customers. Flash care offers proper handling of the sensitive shipments such as health care products which require extra attention while transporting the health-related goods across countries. Finally, Flash safety offers secured facilities for transporting high value goods. Customers can also enjoy advance GPS tracking (Easy2trace) digital solutions for transporting goods. There is a right vehicle available for every shipment based on the customer timing, insurance, dimensions and weight.

For the quickest delivery, the company offers air freight transport services. With a partner network in more than 80 countries, the company offers door to door deliveries for the goods. It also takes care of the customs related paper clearance in the designated country. For urgent and sensitive goods, a premium air charter transport solution is also offered. The company can land and process the goods at over 700 airports within Europe. There is a dedicated team to handle the goods and assists in various languages for the goods, imports and transport related issues.

4.3 Finance department structure

This department is split into five parts as account payable, account receivable, reporting, credit control and operation department. The operation department is an independent department, where this department exchanges on demand information with the other sub departments of the finance. Each sub department has their own role and responsibilities.

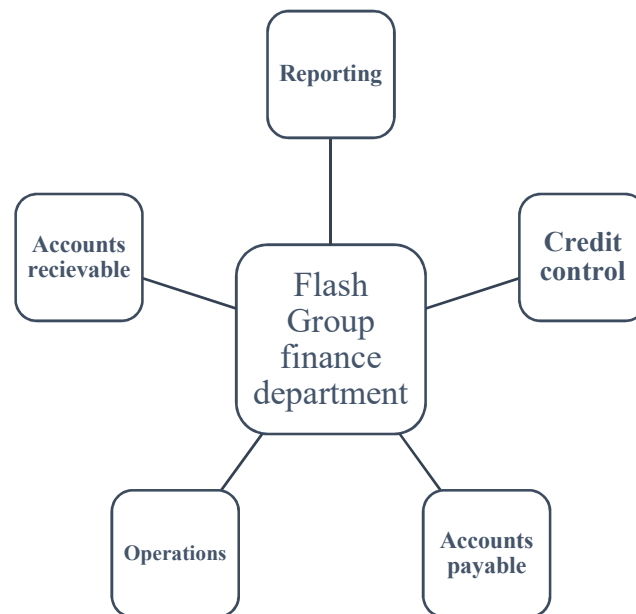


Figure 4.2: Flash finance department structure.

4.3.1 Reporting department:

All the necessary reports related to finances are produced from the reporting department. General accounting reports such as balance sheet, forecasting, monthly, quarterly, annually reports are generated here. This department is responsible for the final report to be submitted to the relevant stakeholders and managers in the company. It is also responsible for the relationship between the bank, carriers and the carrier companies. There are more than 600 drivers alone from Romania and Poland, and several companies and outsourced carriers are working with the company. All the costs associated with respect to the gasoline, border tax, service charge are handled by this department. The cost reports are shared with all the department of finance and the further work is handled with appropriate department.

4.3.2 Accounts payable department

This department is responsible for clearing the invoices which are submitted by the carrier companies. All the invoices which are due and owed by the company to the carriers are handled. The invoices range from small amount of money to large amount of money. Many of the invoices are sensitive and needs approval from the supervisor and the manger to make the payments. It is quite important to clarify and make the payments on time because if the carriers will not receive the payment on time then this will affect the transport and the business of the company. It also makes the services delayed which are offered by the company to their customers. If the payment of invoices is not on time, then this creates extra work for the customer service and the finance department to resolve and answer the queries of the carriers. Therefore, it is very important to sort the invoices from most sensitive to least sensitive invoices and to clear as promised by the department.

The carriers submit their invoices to the finance department. The invoices are sorted and forwarded to the responsible departments. In this case the carrier invoices are forwarded to the accounts payable department. The invoices are being checked by the employees and entered in the Pricer software. If the invoices are blocked and cannot be processed, the invoice needs an

approval from the manager or supervisor. Depending upon the issue associated with the invoices, if the remarks for the invoice is a big issue such as goods damaged, no payment and so on, the manager will handle the invoice. If the remarks for the invoice is a small issue which can be solved immediately but needs the approval, the supervisor will handle the invoice. In both cases cross check and clarification is made with the carrier and the operation department. If the issue is resolved, the invoices are then unblocked and are ready to process for the payment to the carriers. The general overview of the decision of accounts payable department is given in the figure 4.3 below.

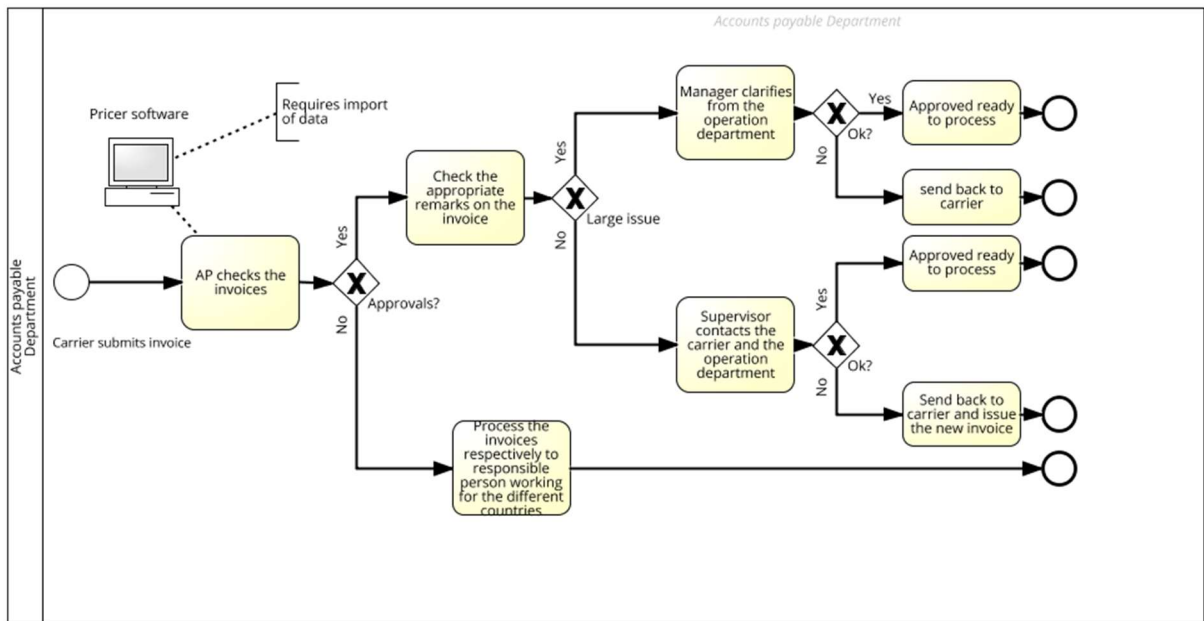


Figure 4.3: Accounts payable general decision for processing invoices.

4.3.3 Accounts receivable department

All the customers of the company must pay for the services used. The clients are classified in to three groups as small, medium and large. In general, 40 % are sensitive clients. These clients are stable, and they are large companies such as automotive and healthcare. These sensitive clients contribute in higher revenue to the company. The accounts receivable department is responsible for issuing the invoice to the customers. Through the coordination with operations department, accounts receivable the invoices are issued to the respective customers.

4.3.4 Credit/collection control department

The customers who did not pay the invoices on time or are overdue payments, the credit department is responsible to check if all the invoices are being paid on time. Their responsibility is to follow up the customers, resolve any problems, clarifications with the coordination of the operation department and the responsible managers. The updates are made accordingly, and the other department gets clearance. Finally, the reporting department prepares the necessary reports at the end of the month.

4.3.5 Operations department

Operation department is responsible for the prices for the services provided to the customers. They make use of the application called as “Pricer”, where it tracks the trucks, and based on the distance, size of the consignment the prices are set accordingly. They act as a middle man between the customers and the carriers. Based on the profit margin, the price is set and then issued to the customers. This department coordinates with account receivable to issue the sale invoice to the customers. Other functionalities of this department include, guidance to carriers and the drivers, assistance and various other services.

Chapter 5

What are the main business components of the Flash group?

5 Flash group business components

To stay functional and competitive in the transport and logistics business, there are four main business components identified in the company. They are credit control, operations, after market service and customer relations. Figure 5.1 gives the overview of the Flash company key business components.

Operations: This business component can be identified as the heart of the business. As in transport and logistic business, operations are very important to stay in the business and to promise the customers their delivery time. Over the time the increasing need of customer demand for convenience, efficiency and low prices, has become important to maintain and adapt new technology advancement in operations business components. The truck competence center/fleet management department offers the best improvisation of the transport of goods, GPS tracking, organization of various shipments from various countries to optimize costs for the company and the customers. The department offers 24/7 guidance and assistance to their long and short haul drivers and provides various information to other departments within the company. The information such as update of the shipments, problems encountered during the transport, up to date track of the goods, time to time real time information which can be accessed by various departments based on their business needs.

After market service: The two-major department in the aftermarket service are customer service and IT department. The customer service department offers legal assistance related to customs, border clearance, shipment problems, insurance, handling and general customer queries. Whereas the IT department deals with the information technology problems and solutions in the company.

Customer relations: To have a healthy revenue in the company, to keep up the existing clients as a customer and to find new business opportunities is the responsibility of the business development department. Their goal is to ensure contract negotiations, identifying new business

opportunities, introducing new clients, maintain existing relations with existing clients and many other tasks with can add value to the company in terms of profit and continuous development.

Credit control: One of the main goal of the finance department is to align with the strategy of the company and to maintain the smooth process of accounting, billing and various accounting activities. The main headquarters of this department is based in Maastricht, The Netherlands with a team of around 30 employees. This department covers the whole Europe accounting and invoices activities of the company. This department is also responsible for presenting accuracy of financial information to the higher to lower management. The finance department is further classified in to four main sub departments. These are accounts payable, accounts receivable, general ledger, and credit collection department. Accounts receivable main task is to issue the invoices to the large and sensitive clients. General ledger main task is to maintain and create financial reports. Credit collection department is responsible for the credit collection from all over Europe. Accounts payable department is responsible for the payment of carrier and supplier invoices. However, this thesis is focused only on accounts payable department.

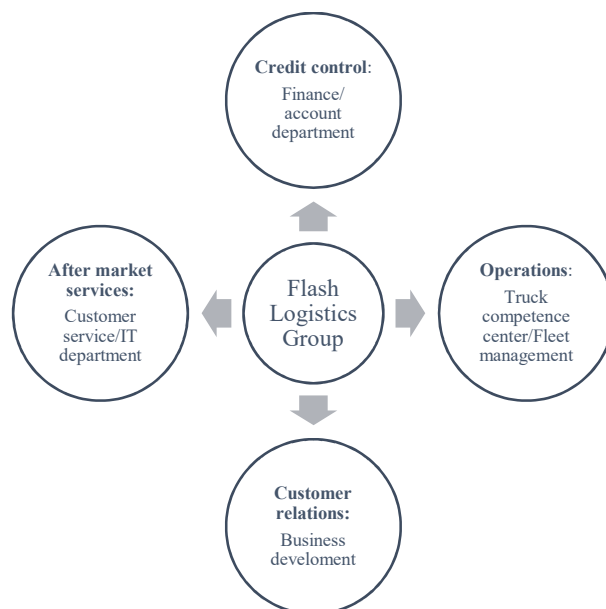


Figure 5.1: Flash logistics group important business components.

Chapter 6

What are the general processes involved in processing invoices of the account payable department?

6 Accounts payable process

Broadly there are three main activities involved in the Flash account payable process. These are sorting invoices, register the invoices in the Pricer software and preparing payment proposal in the Navision software. There are three department which are coordinated with the accounts payable department while processing of the invoices, there are accounts receivable, operations and traffic control department. Whereas, the carrier finance department is an external participant in the account payable process.

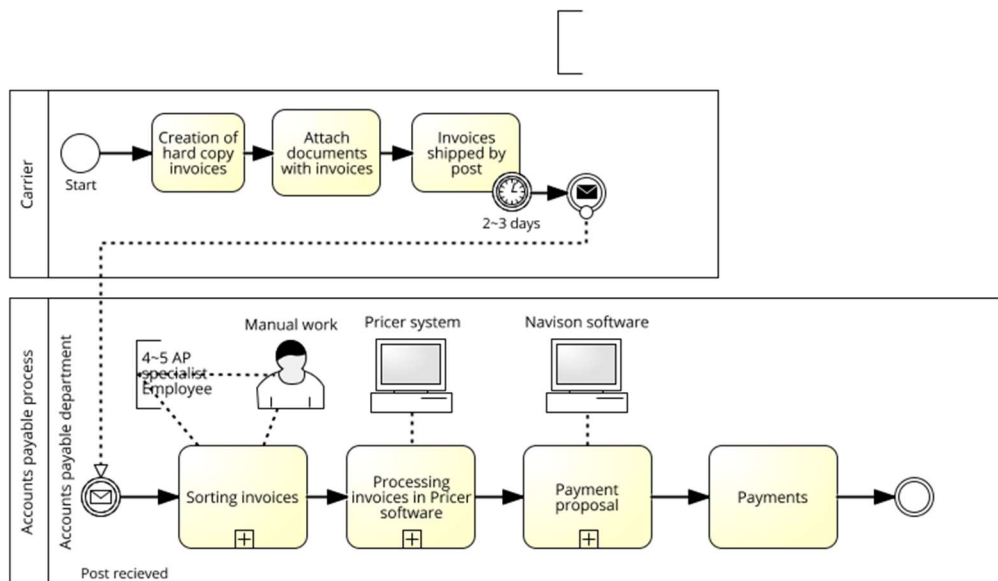


Figure 6.1: Account payable process

6.1 Sorting invoices

Every day at 03:00 pm, the accounts payable employees are sorting the invoices manually, which they are delivered by the different posts. For this activity, there are on average 4 to 5 account payable employees and it takes appropriately 1 hour and 30 minutes. Invoices are sorted in three piles accordingly to the payment dates, received dates stamped and type of the carrier. The first pile of invoices are flex carriers' invoices which are to be paid in 30 days and are arranged by weeks. The second pile of invoices are exclusive carriers, which are to be paid in 30 days and are arranged according to the date of received stamp. The third pile of invoices are exclusive sensitive carriers, which are to be paid in 14 days and are arranged according to the date of received stamp. Figure 6.1 gives the overview of the sorting process below.

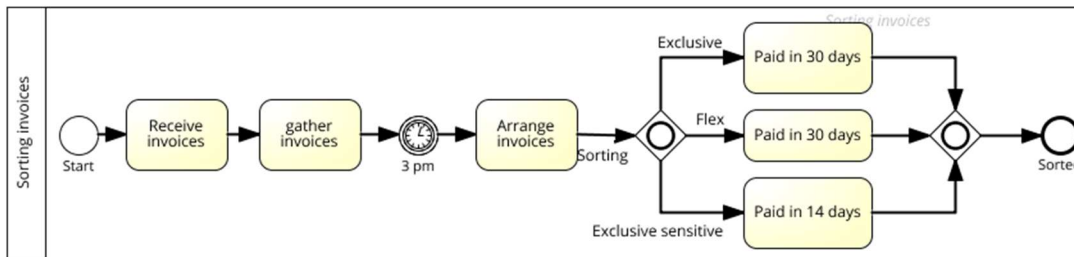


Figure 6.2: Sorting invoices sub process

6.2 Processing invoices in Pricer software:

Each invoice can contain several CMR, where each CMR mentioned in the invoice contain unique reference number. These unique reference numbers are issued by the Flash group every three weeks through a list which is called reimbursement list. The CMR reference numbers is checked and validated in the system. If needed, all the documents are scanned and uploaded in the system. While checking the CMR reference numbers in the system, if one CMR reference number displays blue color, then the invoice is completely blocked and cannot be validated. If all the CMR reference numbers are displayed in green color, then it can proceed for the validation of the invoice. If the total amount of the invoice is equal with the total amount displayed in the

system, the invoice is validated. If there is mismatch of the total amount, the invoice is checked manually for the price issue. If the price is less than in the system, the correction is done, and the invoice is validated. If the price in the invoice is higher than the system, an email is sent by the AP specialist to the operational department for the approval.

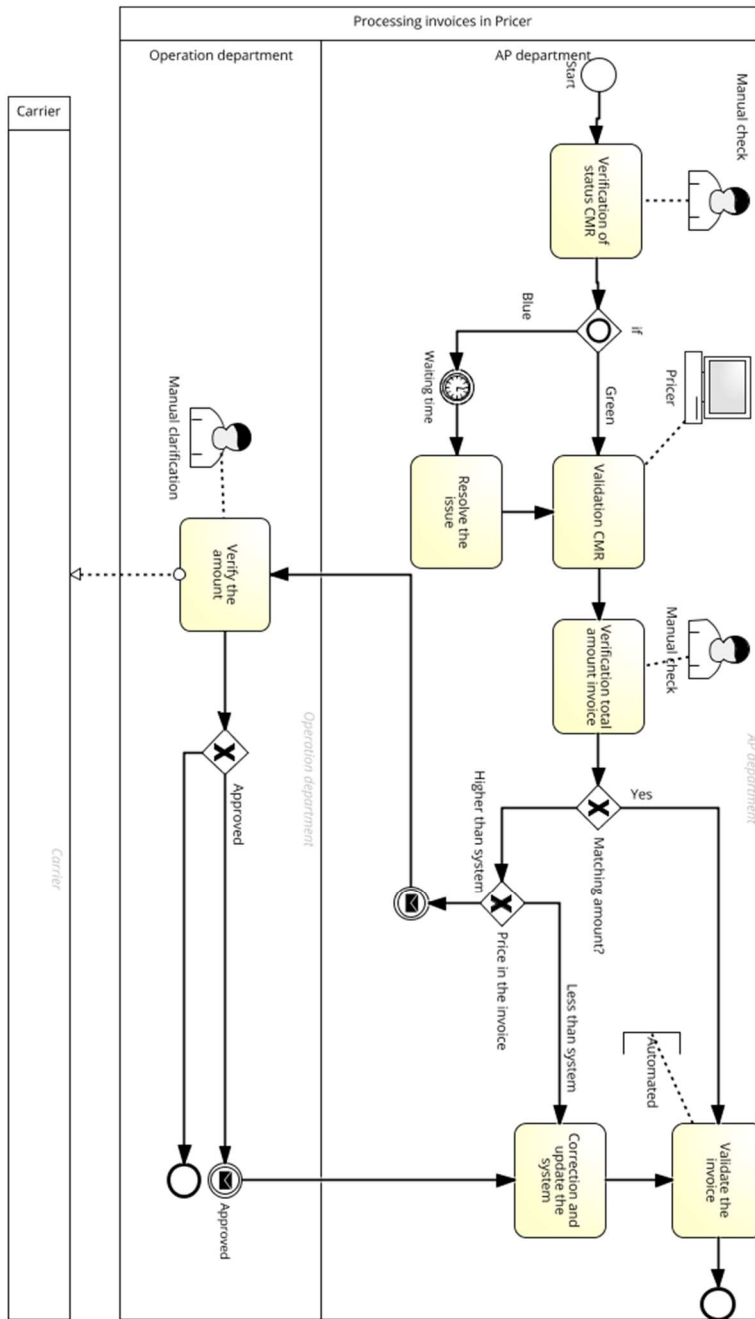


Figure 6.3: Processing invoices sub process

6.3 Payment proposal in Navision software

All the data from the Pricer software is transferred to Navision software. Then from the Navision software the carrier code is extracted in a report with all the overdue invoices and the prepayments for the fuel used by the carrier which is called UTA card. For every carrier the balance is verified accordingly to the UTA fuel used and deducted from the respective carrier invoices. After the calculation of the invoice against the UTA fuel used, the amount which should be paid to the carrier, it is added in the payment proposal in Navision software. Without the approval of the supervisor the payment list cannot be updated and proceed for the payments.

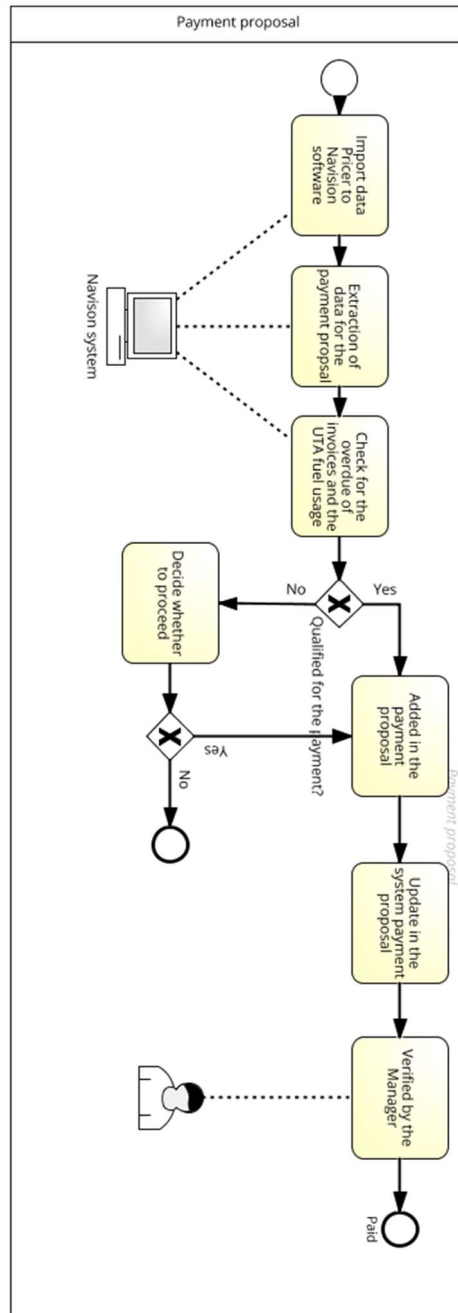


Figure 6.4: Payment proposal sub process

Chapter 7

What problems do the carriers face with the AP department?

7 Telephone interviews with the carriers

The participants for the interviews were from Romania and all of them were business owners of the carriers. These participants were selected based on large unpaid dues, complaints and experiencing problems while communicating with the carriers while working in the company. These interviews were conducted between April and May 2017 after the observation of the uncleared invoices in the Pricer software. The carriers varied from large scale business transaction to small scale transaction with the Flash Group. The details of the interview are given in Appendix 2.

However, there were many emails, telephone calls from different carriers for solving the invoices payment clearance in the company. Based on the interviews and the different problems encountered while working in the company, various problems were identified from the carrier to AP department of the company. The main problems identified is as follows:

1. Unpaid invoices:

This is the main problem where the carriers face with the AP department. Many complaints from the carriers are about the uncleared payments of their submitted invoices. Some of the carriers has a long history of unpaid invoices with the company. If the carriers are not paid on time, this triggers other problems for them such as their cash flows in their business. Additionally, this also makes a hurdle of the AP department, since receiving phone calls, emails from the carriers, AP specialist lose time to resolve their issues.

2. Communication between the AP employee and the carrier:

As invoices are booked manually, sometimes the employee of the AP department skip the full pages of the invoices due to the high volume of processing of the invoices and human

error. This in turn delays the full payment of the invoices. When the carrier notices mismatch of the payment after a month or so, they contact the AP department for further clarification. Since the hardcopy of invoices are in the archive, it becomes time consuming to find the invoices to be paid. Other factors such as processing high volume of invoices, answering phone calls and emails, delays the clarification of the problems associated with the previous booked invoices. This in turn delays to resolve the carriers issue.

3. Department coordination:

The priority is given to the invoices which are properly arranged and submitted so that they can be processed faster. The priority is also given for the sensitive and exclusive carriers too. This causes hurdles to other unprocessed and long invoices to be delayed for the payment because of unarranged invoices, blocked by the software, or submission of invoices by carrier in unorganized way. The invoices which are blocked in the Pricer system or they have the higher amount than in the system, those invoices are postponed until the further clarification or approval from the operational department or the manager. This causes discomfort for the carriers to be paid on time.

4. Language barrier

For the independent small carriers, there occurs a language barrier to resolve issues related to the payment of the invoices. Due to the limitation of the language, the employee is not effective to solve the issue of the carriers. This in turn delays the payment of invoices.

As, these above problems are identified the main problems with the carriers. This also triggers problems for new and existing AP specialists in the department.

Chapter 8

How many shipment orders of the transportation were validated and how many shipment orders were blocked?

8 Raw data analysis of the invoices

The raw data of the processed validated shipment orders had been extracted from the Pricer and Navision software. Each invoice submitted by the carries has one or many shipment orders attached along with the invoices. The fields extracted for the data analysis is given in Appendix 3. The first step is to manually sort the invoices and the CMR shipment orders. The shipment orders are entered in to Pricer software. Due to the restrictions on extraction of raw data, only the validated shipment orders are analyzed which is processed by me. Due to the confidentiality of the data of the other employees' validation of shipment orders is not possible to analyze and to extract the raw data. The raw data is compiled in Microsoft excel for further analysis of processed invoices. The raw data extracted is from 1st March 2017 till 31st March 2018. Due to restrictions only, the data from 1st March 2017 until 31st December 2017 has been analyzed. These data analysis gives us the useful insight of the shipment orders validated in total and further segmented into months. Apart from this further country wise analysis also gives us the insight which country shipment order is processed and the purchase amount. Figure 8.1 displays the total number of validated shipment order by countries are given below.

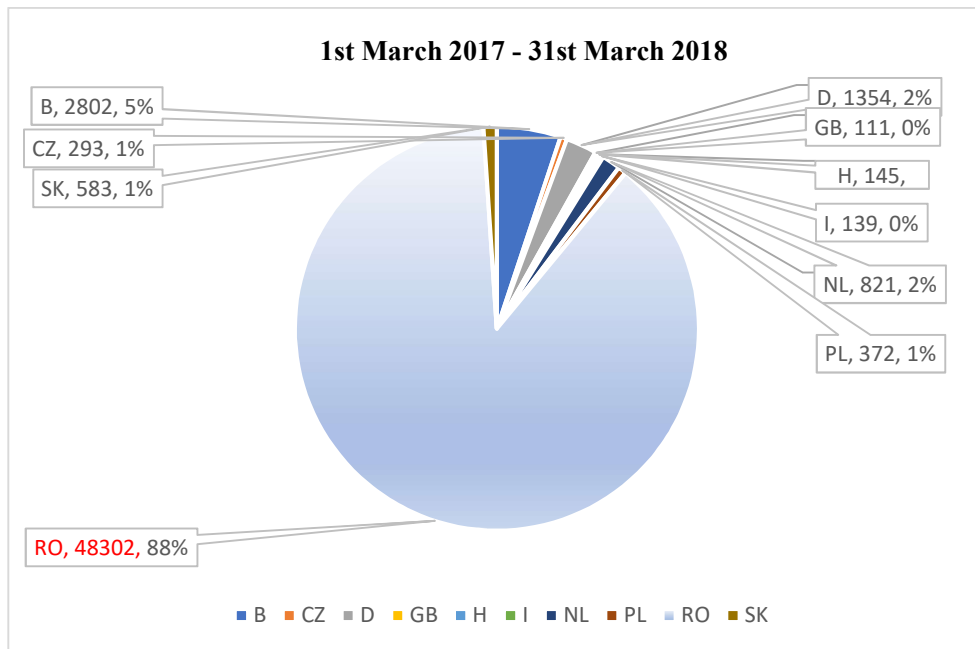


Figure 8.1: Total number of shipment orders processed

To analyze the raw data top 10 countries are taken in consideration. These top ten countries are Bulgaria(B), CZ (Czech Republic), Germany (D), Great Britain (GB), Hungary (H), Ireland(I), Netherlands (NL), Poland (PL), Romania(RO), Slovakia (SK). As from the pie chart given in the figure 8.1, Romania counts 88% i.e. 48,302 of total shipment orders validated/processed from the period of 1st March 2017 until 31st March 2018. The reason why the shipment order is higher for Romania because the shipment orders where processed only by me and most of the shipment orders are handled by Romanian carriers. I have been assigned to handle carriers and invoices from Romania mainly.

Since the number of shipment orders validated/processed is higher for Romania, further data analysis is segmented by months from 1st March 2017 until 31st December 2017.

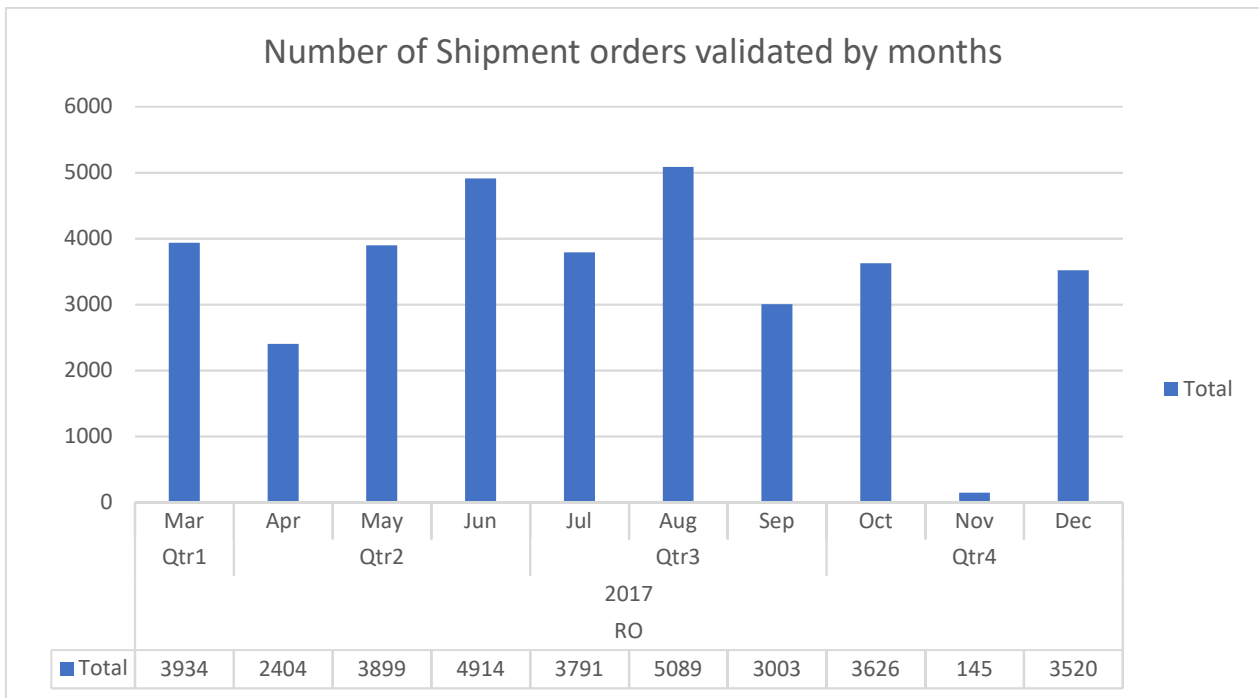


Figure 8.2: Shipment orders segmented by months for the year 2017.

By observation of bar chart in figure 8.2, the highest shipment orders (5089 orders) validated was in the month of August which is in Quarter 3. Whereas the lowest (145) is in November 2017. The improvement of the AP process for the invoices gradually started in Quarter 2. However other factors also depend such as less order received, invoices which are not input in the system, training period of the employees and many other factors.

It is also important to analyze the purchase amount of the shipment order. From the figure 8.3, For the Romania country the total amount of shipment was 19,196,893 Euro from 1st March 2017 till 31st December 2017. In general, it becomes clear that the Romania carriers contributes the large consignment of transport of shipments worth 19,196,893 Euros. Hence, this becomes important to maintain proper relationship and coordination with the carriers from Romania.

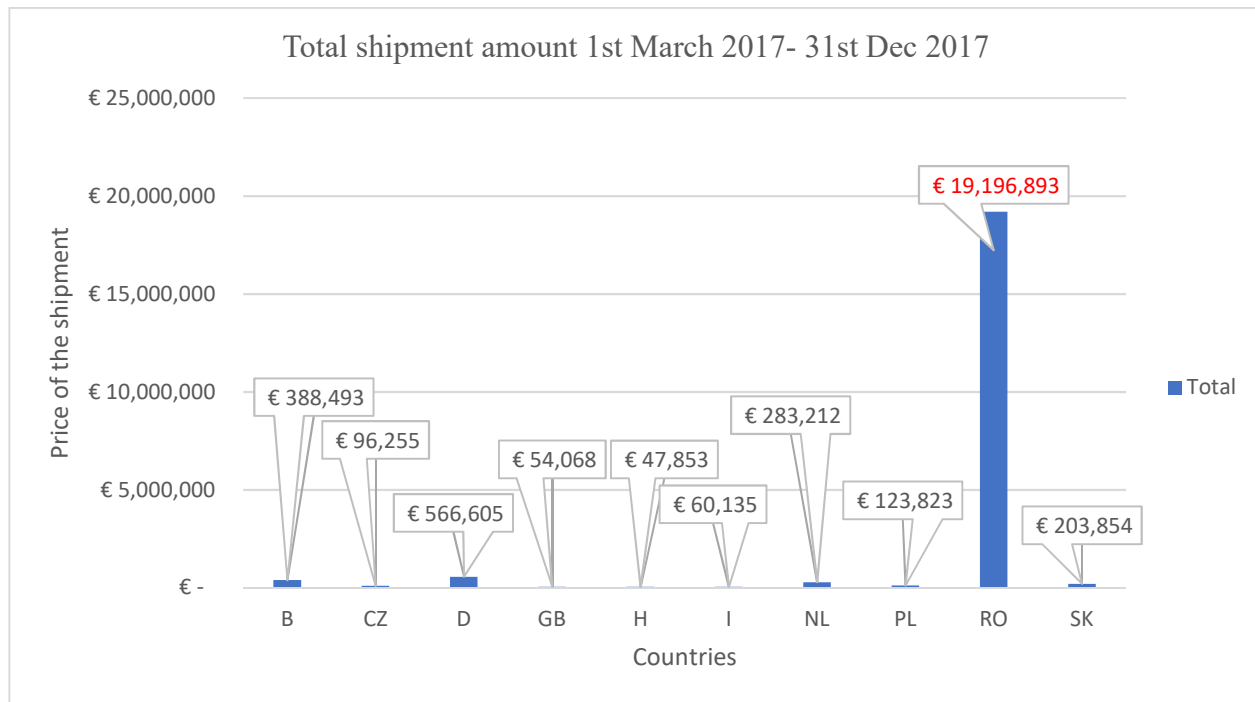


Figure 8.3: Total shipment amount March 2017 until 31st December 2017

8.1 Raw data analysis of blocked shipment

The invoices and associated CMR documents which cannot be validated are blocked by the system by displaying blue color. These invoices are completely blocked and therefore delays the payment of the carriers. The raw data is extracted and analyzed from July 2017 until April 2018. The figure 8.4 and 8.5 gives the total amount invoice in Euros from 3rd quarter till 4th quarter 2017 and 1st quarter 2018 respectively.

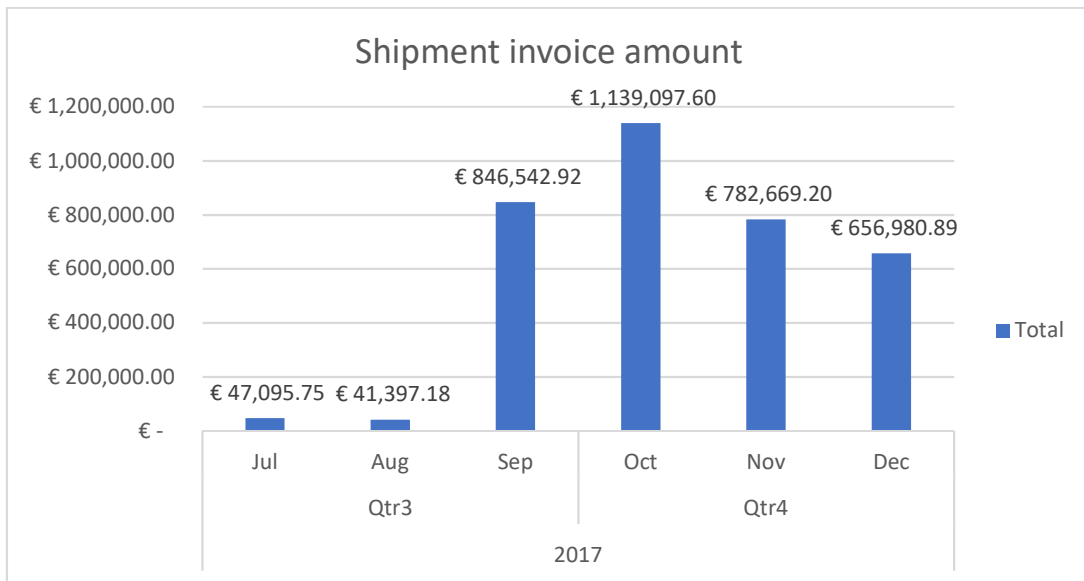


Figure 8.4: Shipment invoice amount July- December 2017

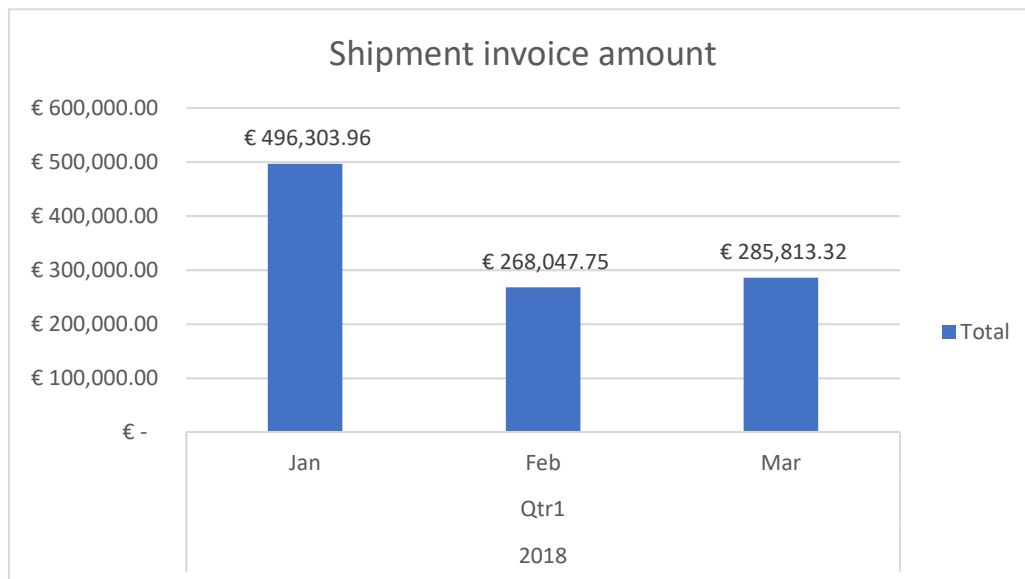


Figure 8.5: Shipment invoice amount January- March 2017

As from the figure 8.4 and 8.5, the total shipment invoice amount is 3,513,783.54 Euros and 1,050,165.03 Euros respectively.

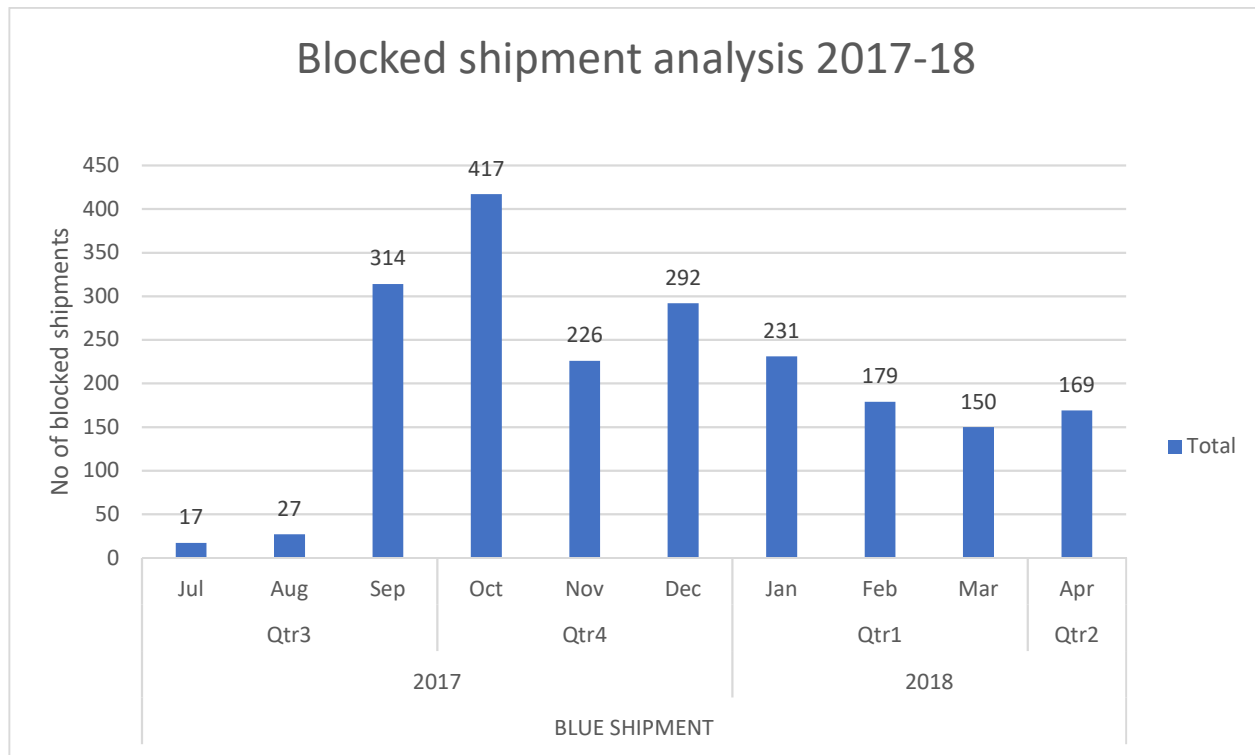


Figure 8.6: Blocked shipment analysis July 2017- April 2018

From the figure 8.6 the total number of blocked shipments are 2022. Starting from the month of September 2017, there are 314 blocked shipments and in October 2017 there are 417 blocked shipments. After that gradually we see the number of blocked shipment is reduced drastically. This is due to the application of process improvement in the sorting and processing invoices.

Chapter 9

What recommendations can be made to the carriers and Flash group accounts payable department?

9 Recommendations to AP department for account payable process

Accounts Payable focuses on prompt and efficient payment handling, dealing with massive volume of invoices, avoiding back locks and anticipated obstacles. It is important focus on improving communications, collaboration with the carriers' financial departments, seeking greater efficiencies in the process, and performing quantities analysis mentioned in the Chapter 8.

Hence it becomes important to maintain the relationship with the Romanian carriers' finance departments and becomes necessary to make the payments of transport services offered by the carriers. Therefore, general recommendations and accounts payable process improvements are given to maintain the relationship, proper coordination, and timely payments of the dues between the company and the carrier.

9.1 Accounts payable process improvement

During the first three months working in the accounts department, various problems were identified through the general observation and while interacting with the carriers' through interviews, emails and telephone conversations. Hence, the accounts payable process is improved as follows.

9.1.1 Sorting invoices process improvement

Due to the human error, invoices are occasionally mixed up and not sorted properly. This causes delay in the payments to the carriers and therefore costing a lot of time for the AP specialist and the carrier. Therefore, to increase the quality, reduce the cost and time, the improvement in sorting invoices process should be split by geographical location, overdue, date of invoice and shared among the accounts payable specialist responsible for each country. Through the standardization and specialization of the sorting invoice process the gains are as follows:

1. Time: The time is reduced because the AP specialist responsible for the country, could sort the invoices faster, since it becomes easier to recognize the invoices over the time.
2. Quality: The quality is increased because the AP specialist can now prioritize and register the overdue invoices in the system and makes easy to make the payment proposals.
3. Cost: The cost is reduced, because the AP specialist can book more invoices, thereby reducing to hire more AP specialist.

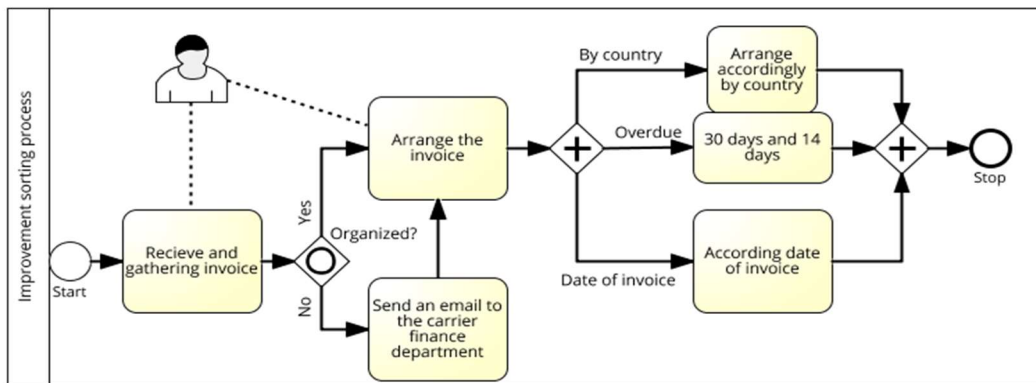


Figure 9.1: Process improvement sorting invoices

9.1.2 Processing invoices process improvement:

The process of the validation of the blue status invoices are blocked by different departments. The CMR could be blocked by operation department when there is a price issue, by accounts receivable department when they are missing some documents which are requested by the client or by the traffic control when the client did not accept the goods because they were damaged. If one CMR has a blue status, the entire invoice cannot be paid, and it is blocked. This causes a long waiting time depending upon the CMR issue and the AP specialist is unable to proceed with the validation of CMR and payment of the invoice. This causes hurdles for the carriers when they are not paid on time and they contact the AP department with emails and phone calls. Therefore, to eliminate the waiting time in the process of the validation of the blue status CMR, it is best for the AP specialist to communicate and coordinate with all the department and the carrier at the

start to resolve the issue. This will prevent the future issues on CMR from the carrier and the different department side, therefore optimization of the communication is an important factor for the process to be improve and effective. This also reduces the waiting time for the invoices to be cleared and eventually will have more time for the payment of the invoices smoothly.

The figure 9.2 give the overview of the improved process of validation of the CMR process. If the CMR is displayed blue status, instead of ignoring and waiting until the problem is resolved by the respective department, the AP specialist immediately acts to communicate to operation department, traffic control and carrier's finance department. Through a proper follow up with the departments and the carrier's finance department, the CMR can be processed for validation and payment of the invoice.

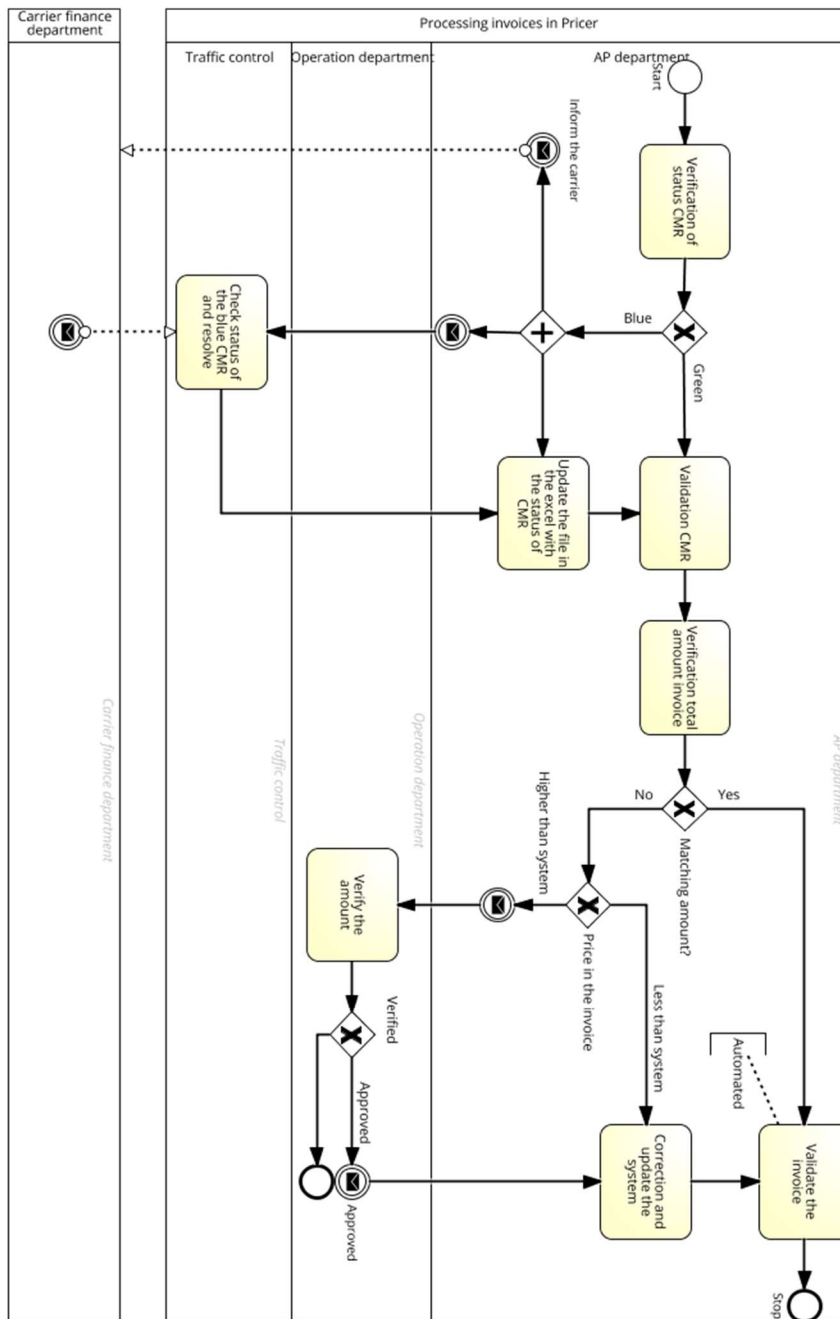


Figure 9.2: Improvement for processing invoices process

9.1.3 Payment proposal improvement:

In the Figure 9.3 is added the intermediate checks which ensure quality and human decision. By respecting the process, in case the carrier is not qualified for the payments the AP specialist will access the financial situation, its historical activity and the AP specialist will decide whether to deduct the fuel UTA expenses or not. Taking in consideration the right amount needed by the carrier to continue his activities for the next month. In this case the full responsibility belongs to the AP specialist, and will not need an approval from the supervisor. In this way the delay of the payments will reduce.

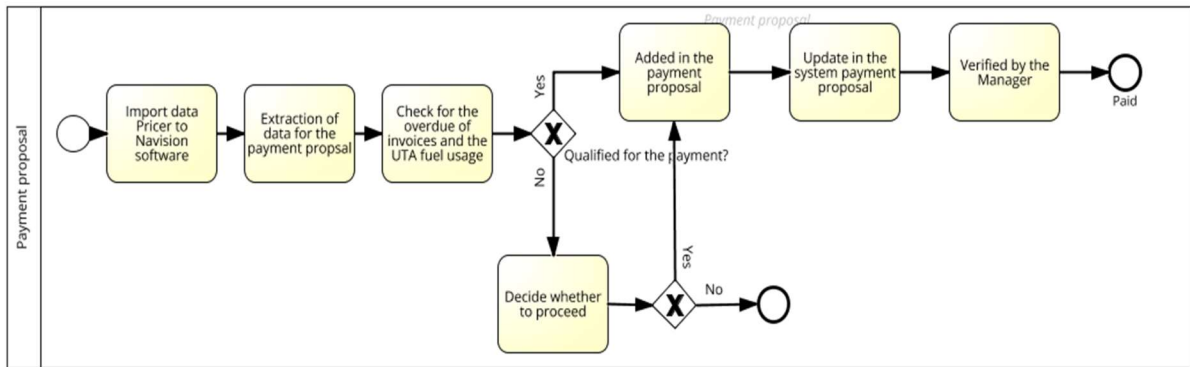


Figure 9.3: Payment proposal improvement

9.2 Recommendations

1. Communication:

Given the large number of the carriers, clear communication is critical. The carriers should get the information they need as efficiently as possible and the entire Accounts Payable department should be involved. To ensure a sufficient communication and accountability between accounts payable employees on action needed to clear invoices so that queries are effectively responded to and by the right person. The carriers received their information in their own language (Romanian, Polish, German, Italian, French, Dutch), if it is not any account payable employee available to reply in his native language

he will receive the information in English even the initial email was written in his own language.

2. Collaboration:

So, having a good communication provides us with opportunities to understand their needs and requirements, and to listen to their concerns as well. They were encouraged to contact Accounts Payable department for any inquiries. We are looking more closely to educate and support our suppliers and strive toward greater efficiencies by achieving conformity. If the carrier is guided correctly in their native language to submit the invoices in an organized way, it becomes less burden for the AP specialists to process invoices with less errors and the payments can be made in timely fashion. However, some issues for the blocked payments is beyond the issue of the AP specialists, where this requires other department coordination to solve the issue smoothly.

Steps to be followed by the AP department and the carriers:

1. Invoices should not have booked through the software until the proper sort of invoices done manually. As explained, in the sorting processing of invoices if the AP specialists properly sort the invoices and clarifies any mistake at the start of the sorting process then this will reduce the unpaid invoices in the software and will save time for both the parties the carriers and the AP specialists
2. CMR should be attached in chronological order to the invoices. If the carriers attach their CMR in the chronological order before submission of the invoices, this will save a lot of time for the AP specialists and the timely payments of the carriers. This is important because there are many CMR attached along with the invoices specially for the long invoices. If this happens generally AP specialists skips these kinds of invoices due to high time consuming.
3. Invoices should be clearly separated and stapled to each one at the start of the sorting process, if not done so, risk of being omitted and the invoices becomes unregistered. Hence, at the sorting step for the AP specialist, it is very important to separate the invoices properly, because if this is not done properly at the sorting process, then this

causes omitted invoices which in turn cause delays in the payments. When the issues arise from the carrier, it becomes hard to find the invoice hardcopies.

4. After booking of the CMR, the reference number generated from the Pricer software should be written on the CMR hardcopy by the AP specialist. Since CMR is identified by the unique reference number generated by the software. If the carrier has a problem with the payments, it becomes easy for the AP specialist to identify the hard copy with the reference number written on the CMR.
5. Carriers send invoices without the complete documentation, e.g. CMR or delivery note. It is important to educate carriers, particularly with the respect to invoices. For unorganized invoices, the AP specialist should send a remainder email to the carrier to organize their invoices in proper order when submitting the invoices by post.
6. Sorting of the invoices should be properly done by the respective countries by the AP specialists so that the responsible AP employee can process the invoices respectively according to the countries assigned.

Chapter 10

10 Conclusion

This thesis described the organization structure of the company and identified main business components of the Flash group. Problems associated with the carriers were the unpaid invoices, communication which in turn causes delay in their payments and lose time while answering and resolving their queries. Describing the process for payments of the invoices, and the given improvement for the process and the recommendations given, if properly followed then the process for the payments can be followed smoothly without delay in the payments to the carriers and will become easy for the AP specialists to follow the process This in turn will reduce complaints through phone calls and emails, thus giving more time for the AP specialist to process payments in smooth and orderly fashion.

As from the process improvement for processing the invoices, we have seen that there has been a drastic improvement thereby reducing the number of blocked invoices starting from the third quarter of 2017 and 1st quarter of 2018 as shown in the figure 8,2. The improvements were followed and implemented by me, through encountering various problems with the carriers. Through data analysis it become clear that the Romania carrier plays an important role here in the company and thus needs an improvement for processing the invoices in timely manner. Proper coordination between the carrier and the AP specialist is also important. Though there are some limitations, some data could not be extracted due to the confidentiality and the employees of the department keep changing on the regular basis. Thus, it is hard to conclude that the process improvement given in this thesis might affect accordingly to the employee dedication. However, in the broad view this improvement can be studied and understood by the various managers across the company organization. Through the proper understanding of the business and the business components the need of describing the process in detail is important to gain improvements and optimization in any organization.

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List of Appendices

Appendix 1

Flash group business model canvas

Business Model Canvas				
				For: <input type="text" value="Flash logistics group"/>
Key Partners Roberts Europe Scherdtfefer transport Volvo Scania VW	Key Activities IT deparment Finance department Customer service Truck competence center team Business development	Value Propositions Land,Air, Sea transport solutions Custom , border clearance Warehouse space	Customer Relationships Transacional relationship	Customer Segments B2B Clients Automative sector
	Key Resources Warehouse IT, HR, finance, Truck workforce Customer service Fleet mangement		Channels Global offices Online services	
Cost Structure Fleet managmeent, IT , HR , Assets Labour Tax			Revenue Streams Service based on transport , warehouse and logistics	

Appendix 2

Telephone interview conducted with the two-exclusive carrier and one flex carrier. Both the carriers were the owners and were from Romania.

Since the objective of this research was to understand the problems and to improve the process of payments with respect to the carriers to be paid in timely fashion, carriers were selected by analyzing the payments proposal and the mismatching balance accounts.

Interview carrier 1 – Ac Mobile, exclusive carrier

1. For how long have you been working with the Flash group?

I have been working with the company for more than 10 years.

2. Are you the owner of the Ac mobile?

Yes

3. What is your main business with the Flash group?

Logistic activity. My company have a long-term contract with the Flash group to provide trucks, drivers and goods mobility in the various parts in Europe.

4. What kind of services do you provide to the Flash group?

I only provide road transport. I have a large fleet of trucks and workforce, where some of them are reserved only for the Flash group. The Flash group gives us consignment and based on that, I organize and provide them delivery from point A to point B. My company can handle large to small shipments when required.

5. How frequent orders do you get with the Flash group?

I cannot say the exact figure, but on average in a month, the invoices submitted accounts somewhere around 200,000 Euro ~ 2,50,000 Euro monthly. It totally depends on the season, and the orders.

6. What are the main problems do you face with the accounts payable department of the Flash group?

There are many problems which my company faced. To start with, the clearance of my invoices. Payments were made not on time. We have many invoices range from small to big amounts of money involved. Most of the time, the price of the quotation received from the Flash group is higher when we submit the invoices. This higher amount could be associated with the waiting time of the drivers, extra fuel costs, the proposed shipment is higher than given in the CMR and many other reasons. This in turn we have to submit the amount to be claimed back from the Flash group. This results in the blockage of the payments due to poor communication of the Flash AP department. For us the only cheaper way is to contact by email or by phone. If the dues are too much, then a personal visit becomes necessary to the office of the Flash group. Apart from this, many of the invoices are not full paid which results in the minus transactions for us.

7. If the payments are not made on time, what are the problems do you face?

I am in a transport business. I too have to pay my dues. It blocks my cash flows which in turn also makes me a problem.

Interview carrier 2 -Urarom exclusive carrier**1. For how long have you been working with the Flash group?**

Around 6 to 7 years at least.

2. Are you the owner of the company?

Yes, I am one of the three partners of the company.

3. What is your main business with the Flash group?

We make transportation for the Roberts Europe company.

4. What kind of services do you provide to the Flash group?

Road transport, especially with the lorries.

5. How frequent orders do you get with the Flash group?

Over the years our orders are reduced with the Flash group. Currently 200-250 orders per month.

6. Is there a reason why your orders are reduced with the Flash group?

I cannot disclose why it has been reduced, let's say the Flash group reduced the number of shipment orders to us.

7. Currently what is the transaction amount based on monthly with the Flash group?

Around 100,000 to 1,50,000 Euros. It fluctuates time to time.

8. What are the main problems do you face with the accounts payable department of the Flash group?

Of course, the payments. Most of the time we contact the department to clear our payments and in return they answer the invoice cannot be register because some shipments are blocked without knowing the issue. Moreover, if further pressured on the issue , the department asks us to send the new invoice or the credit note. This eventually led to many credit notes and the increasing use of the UTA fuel cards. They asked us to many old documents related with the older invoice to be paid and stamps to provide the department. We have long overdue of invoices from the company.

9. If the payments are not made on time, what are the problems do you face?

This does not matter. We are in court against the company to solve the problems.

Interview carrier 3- Banaca flex carrier.

1. For how long have you been working with the Flash group?

2010 onwards

2. Are you the owner of the company?

Yes, I am self-employed, the owner and the driver. It's a family business of mine.

3. What is your main business with the Flash group?

I make transportation of the goods with the Flash group from time to time. Most of the shipments are selective because of my short resources available. I take long haul shipments from the company. When needed I also collaborate with other independent carriers from Romania.

4. What kind of services do you provide to the Flash group?

Road transport only with van. I usually take long haul shipments.

5. How frequent orders do you get with the Flash group?

I do not have long term contract with the company. Based on my needs I do not take too many orders from the company.

6. Currently what is the transaction amount based on monthly with the Flash group?

About 4,000 Euro – 6,000 Euro

7. What are the main problems do you face with the accounts payable department of the Flash group?

Usually, I get my payment of invoices on time but sometimes they are not paid in full. In general, I do not have any problems, if it happens to resolve a problem I simply make a call.

8. Do you know why are your invoices are not paid in full?

After one year when my accountant makes the calculation, informs me some of the invoices are not paid. When I call the department, they do not have an idea.

9. If the payments are not made on time, what are the problems do you face?

I receive the payments on time.

Appendix 3

Description of raw data fields:

Field	Description
1. Order	File reference shipment order number associated with the invoice.
2. Supplier	Supplier code responsible for the shipment order
3. Supplier country	Country of the supplier
4. Validated_by	The name of the responsible AP employee validated the order.
5. Validated_date	Date of the validation of shipment order
6. Purchase	Purchase amount of the shipment order
7. Green status	Blocked shipment
8. Invoice date	Date of the invoice

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Organization structure and recommendation on accounts payable process in a logistics and transport company

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Barbu, Daniela Paula

Datum: **30/05/2018**