

# Freight and finance

Redefining a fundamental supply chain relationship

**C**onventional wisdom once held that in the process of logistics, finance processes and supply chain management consisted of two separate entities. While one controlled tracking and tracing functions and the movement of product, the other was responsible for overseeing the organization's day-to-day transactional activity and bottom-line financial procedures.

However, because of advances in technology and the innovation and integration of financial management processes, the metrics and landscape of that relationship have been redefined in recent years.

"The antiquated and archaic 'paper-pushing' processes of the industry have been eliminated, bridging the gap between channels of distribution and finance in recent years," says Joe Kayser, vice president of finance for AIT Worldwide Logistics. "The industry's maturation from paper to electronic, coupled with the effective implementation of forward-thinking ideas, has dynamically transformed the ways in which flows of capital and data are both reported and analyzed at every point along the global supply chain."

*Smart Business* asked Kayser to discuss the collaboration between finance and the supply chain in today's logistics business environment.

## What's the role of financial management systems in streamlining financial business processes?

There are several end-to-end business processes involved in making sound financial transactions along the global logistics pipeline — invoicing, creating purchase orders, processing payment, for starters — making it absolutely critical to foster an efficient financial environment providing customers with a 'one-stop shop' for their global trade and finance needs.

Financial settlements are integrated into all aspects of a logistics organization — beginning with the quoting process in customer service. When your company averages tens of thousands of shipments per month, each attached to approximately six or seven different transactions, you need a reliable system in place to accurately and



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efficiently extract and integrate your organization's data flow. Streamlining these operational and financial processes into one comprehensive system has resulted in tremendous gains in job efficiencies, cost-saving opportunities and profit potential for logistics organizations.

Technological advances, such as optical character recognition scanning software, have facilitated this process by taking redundant tasks and automating them, virtually eliminating manual data entry and covering every step of invoice processing, from capture to post.

You'll have reporting discrepancies today and you'll have them tomorrow, but automated systems absolutely keep your company's inefficiencies to a minimum.

## In light of the economic downturn, how does a logistics organization best deal with postponed or negligent payments?

The current credit crisis is just that — a crisis. Whether involving setting stricter budgets, altering your company's financial forecasting or finding additional cost-cutting measures, our industry is obviously

going to be impacted by the current financial state of the economy.

Luckily, logistics providers are increasingly challenging that 'ship now, pay later' mentality in order to protect the best interest and assets of their organization while eliminating disputes before they can materialize.

For example, at AIT, we have implemented a rather dynamic process through a function called the Agent Service Center. All financial charges and terms are settled upfront through the electronic system of checks and balances. Since the partners we select for this system have to go through a rigorous qualification process, including everything from credit history to industry reputation and our own experience with them, they are held financially accountable for the service they provide.

Because these relationships are ascribed by trust, we don't shut down our business with them at the first sign of a postponed payment — instead, we work with them toward setting reasonable and realistic expectations and timelines.

## What are the necessary factors in building successful financial relationships with vendors, partners and customers?

Communication is a critical component in building relationships with your network of partners — after all, a delay in payment is no different than a delay with a shipment. Both situations require immediate attention and an urgent resolution.

We are the so-called 'number crunchers' of the organization. But as with any other job in any other industry, it's the intangible attributes that truly drive success: innovation, customer service, interpersonal effectiveness, teamwork, and organizing and planning are all at the core of finance.

Systems can only take you so far. Without a talented team in place to strike that delicate balance between payables and receivables, your service can suffer. Ultimately, the financial flow of your business is only as successful as the people who analyze it. <<

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