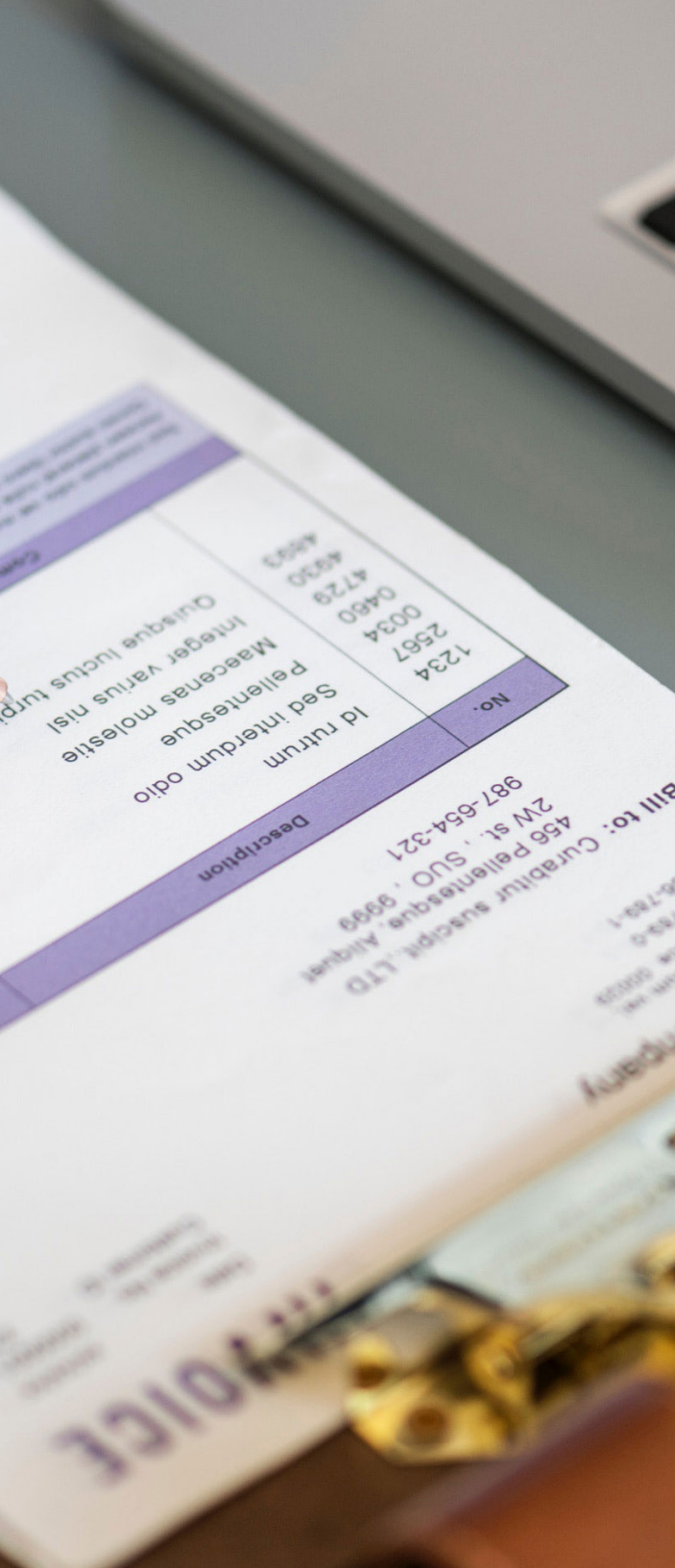


A FASTER, SMARTER WAY FORWARD.

A Complete Guide to Accounts Payable Automation





IMAGINE THE POSSIBILITIES

Imagine having every invoice automatically captured and coded for you. Data is effortlessly extracted from all your invoices. Billing errors and usage outliers are identified and tagged before they turn into a nuisance.

Invoices are digitally routed for review and approval. And best of all, decision-makers have the data they need to make decisions with confidence.

All this is possible with accounts payable automation.

If your accounts payable department is still relying on manual processes, then you know how tedious and frustrating this can be. But it doesn't have to be this way.

There's a better way.

Accounts payable automation will free up the hours you've been spending on manual tasks. It will eliminate the clutter from your workday and empower your team to work on strategic initiatives that move your company forward.

Automation will change the way your department is perceived by peers and vendors alike. It won't just pile more work on your plate; it will inspire your entire team to perform at a new level.




HERE, YOU WILL LEARN:

- 2** Current state of the accounts payable industry
- 4** Why the future is in automation
- 8** Getting started
- 11** Engaging stakeholders
- 13** Driving results!

A hand with dark nail polish holds a white pen over a calculator. The calculator is on a wooden desk. In the background, there are several invoices and a clipboard. The word 'INVOICE' is visible on the documents.

STATE OF THE INDUSTRY

The accounts payable process at most businesses is a hands-on affair.



In most businesses, invoices can be received in paper or electronic format by anyone, anywhere in the organization, including a branch office, centralized mailroom, finance department or a purchaser.

The invoices are then reviewed and forwarded (usually via inter-office mail) for approval and coding. Much of the invoice approval process resides in the heads of seasoned, trusted employees who can go on vacation, quit, or become sick -- significantly delaying payments. Any exceptions are chased through the organization, a process that typically takes two to four weeks.

Once invoices are approved, invoice data is keyed into an ERP, and the invoices are physically filed.

Sound familiar? If so, then your accounts payable department likely suffers from:

- Costly and error-prone keying of invoice information
- Lost or misplaced invoices
- Long approval and exception resolution cycles
- Compliance and security risks
- High paper storage and retrieval costs
- Delays uploading data on approved invoices to downstream systems
- Time-consuming supplier inquiries regarding invoice and payment status
- Difficulty implementing operational best practices
- Lack of opportunity to optimize payment scheduling – capture early payment discounts OR avoid late fees
- No visibility into performance / data analytics

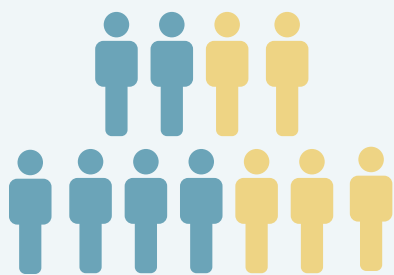
If you are looking for a more contemporary approach to accounts payable, you are not alone.

A low-angle, upward-looking perspective of several tall, modern skyscrapers with glass facades, creating a sense of height and architectural scale. The buildings are dark and silhouetted against a lighter sky.

THE FUTURE IS IN AUTOMATION

Businesses increasingly recognize the need to automate their accounts payable department. Organizations want to create a future where accounts payable is no longer a tactical, back-office function.

Accounts payable practitioners are eager to make that vision a reality. Here's the future of accounts payable that industry practitioners foresee.



FIFTY-ONE PERCENT

of accounts payable practitioners anticipate that their department will eliminate most of their paper invoice by 2021

LESS KEYING AND PAPER PUSHING

By 2021, 51 percent of accounts payable practitioners anticipate that their department will eliminate most of the paper invoices it currently receives from suppliers, per IOFM's *2018 Future of Accounts Payable Study*. Nearly one-third of practitioners expect that their accounts payable department will eliminate between 25 percent and 50 percent of the paper invoices it currently receives from suppliers, IOFM finds.

MORE DIGITAL TECHNOLOGIES

The wide array of technologies available for accounts payable automation can overwhelm the most tech-savvy individuals. So, which technologies will be most important to the future of the accounts payable profession? Accounts payable practitioners are placing their bets on image capture, intelligent data capture, mobile, cloud, and artificial intelligence, per IOFM's *2018 Future of Accounts Payable Study*.

DATA-DRIVEN

Sixty-three percent of accounts payable practitioners expect that the use of their department's data across the enterprise will increase "slightly" or "significantly" over the next three years, per IOFM's *2018 Future of Accounts Payable Study*. Automation will put critical data at the fingertips of authorized users, no matter where they are located. Users across the enterprise can track cost and consumption metrics, gain full visibility into working capital and spending trends, manage utility costs and consumption in a single location, filter reports, and benchmark performance and reveal opportunities with year-over-year reporting.

BETTER STAFF UTILIZATION

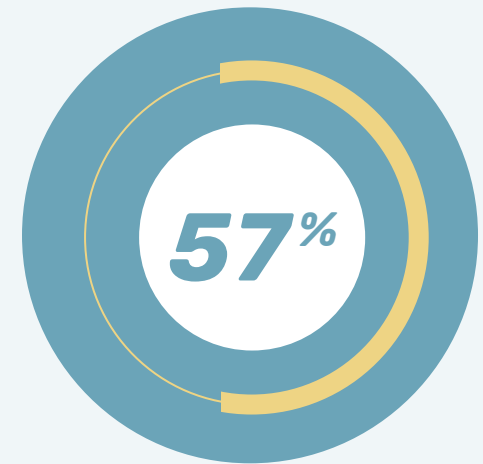
In the future, accounts payable staff will spend less time on manual tasks and more time on value-added activities such as data analysis and vendor master cleanup. Automation will eliminate most of the laborious steps associated with invoice processing including invoice receipt and validation, extraction of header and line-item data, matching of invoices and purchase orders, routing of invoices for approval or exceptions handling, and the upload of information on approved invoices to an ERP and payment application.

THE CHECK WON'T BE IN THE MAIL

Accounts payable departments expect to make less than half as many payments to suppliers via paper check within the next three years, per IOFM's *2018 Future of Accounts Payable Study*. Compared to electronic payment methods, paper checks cost over 30 times as much, are responsible for 10 times the fraud losses, and take longer to send. Businesses will use ACH and virtual card to pay more of their suppliers.

PROFITABLE

Automation will create opportunities in the future for accounts payable to deliver value to the business through cash-back card rebates, more early payment discounts, longer standard payment terms and better spend management. Fifty-seven percent of accounts payable practitioners expect to capture higher card rebates as a total percentage of spend within the next three years, per IOFM's *2018 Future of Accounts Payable Study*. Fifty-four percent of practitioners expect their organization to capture more early-payment discounts. One-third of practitioners will extend their standard payments. And nearly two-thirds of accounts payable departments will play a bigger role in helping to manage spending.



FIFTY-SEVEN PERCENT
of accounts payable practitioners
expect to capture higher card
rebates as a total percentage of
spend within the next three years



Do you want to be the AP hero and good corporate citizen that makes your department more automated, efficient and valuable to the business? **Read on.**

GETTING STARTED

WHERE DO YOU STAND?

Is accounts payable automation right for your organization? Yes, it is! The questions are when and how. And of course you'll need a solid business case to excite your organization's leadership.

The best way to find out is to take stock of where you stand and determine the potential savings.

Follow these four steps to get started.

STEP 01

The first step in taking stock of where you are is to document your accounts payable department's primary approval and exceptions workflows (involve front-line payables staff in this process). Be sure to capture unique workflows for different types of invoices, suppliers and business units.

Next, document the challenges resulting from your current workflows. Quantify issues such as:

- Lost invoices and duplicate copies
- Manual data entry
- Matching errors and other invoice exceptions
- Supplier inquiries and escalations
- Duplicate payments
- Late payments and lost discounts (dollar amounts)

STEP 02

The second step in taking stock of where you stand is to gather baseline operational data, including:

- Annual invoice volume
- Number of full-time equivalents (FTEs) in your department (don't forget temps!)
- Average value of compensation and benefits (C&B) per accounts payable FTE
- Total accounts payable cost (FTE * C&B) + (any allocations and overhead)
- Cost per invoice (Total accounts payable cost / annual invoice volume)

This information will be essential for building a business case for automation.

STEP 03

The third step in taking stock of where you stand is to compare your baseline operational data with industry benchmarks. This comparison will reveal what your department can achieve by automating.

Some key benchmarks to focus on include:

- Cost per invoice
- Cycle time for purchase order-based invoices
- Cycle time for non-purchase order-based invoices
- Invoices processed per FTE per month
- Rate of duplicate payments
- Supplier inquiries per 1,000 invoices
- Overall first-pass match rate (invoices to purchase orders)
- Early-payment discounts captured as a percentage of spend

STEP 04

Based on the review of the current state of your accounts payable department, you can begin to create a list of the processes that will be transformed through automation. Consider processes such as:

- Receiving invoices
- Extracting data from invoices
- Matching invoices to purchase orders
- Invoice approval workflows
- Invoice exceptions workflows
- Supplier account reconciliation and query resolution
- Reporting and analytics

Be sure to document how processes are currently handled, and the resulting issues.

Once you know where you stand, and what you can achieve, it's time to engage stakeholders.



ENGAGING STAKEHOLDERS

Engaging department staff and key stakeholders across the enterprise is key to a successful accounts payable automation project. Here are four proven strategies for successfully engaging stakeholder.

Following these strategies for engaging stakeholders will ensure a successful automation project.

01. IDENTIFY KEY STAKEHOLDERS

These will likely include front-line accounts payable staff, IT staff, purchasers (those who raise purchase orders), procurement, financial analysts and treasury. Your goal is to engage stakeholders who can help contribute to the success of the project.

02. ENGAGE STAKEHOLDERS EARLY IN THE PROJECT

Establish a team of stakeholders representing different functional responsibilities. This team will help you diagnose the current state of processes, identify areas for improvement, gather business requirements, define the scope of the project, develop business rules for configuring the system, make decisions regarding process changes, and monitor the progress of the project. Keep in mind that “bigger isn’t better” when it comes to establishing a project team: having too many people involved makes meetings unwieldy, delays decision-making, clouds goals and complicates communications. Limit the team to essential representatives from each of the key stakeholders in the project.

03. ADDRESS STAKEHOLDER CONCERNS HEAD-ON

Nothing good comes of ignoring a ‘check engine’ light. The same can be said about ignoring the concerns of stakeholders. Be proactive about addressing stakeholder concerns such as how current operational roles will change, how systems integration will be managed, and how the technology will be rolled out. One member of your stakeholder team should be designated to “champion” the project with constituents across the business and to keep senior-level management apprised of any issues.

04. ROLL UP YOUR SLEEVES WHEN IT COMES TO CHANGE MANAGEMENT

Taking short cuts when it comes to rolling out a new system can lead to deployment issues and poor adoption. Be sure to allocate or line up enough resources for IT support, systems administration, testing, training, and “go-live” tasks. Some departments use temporary staff to free up power users in the lead-up to system deployment to spend more time training their peers and testing the system.



EXPECTED OUTCOME

So, what has accounts payable departments so excited about automation?

The Institute of Finance and Management's (IOFM's) report, *Is Your AP Performance Top Tier?* provides a glimpse shows what accounts payable departments can expect to achieve by automating.



Automation eliminates many of the time-consuming tasks associated with processing supplier invoices and ensures 90 percent of suppliers are invoiced on time

PAY MORE THAN 90 PERCENT OF YOUR SUPPLIER INVOICES ON TIME

Automation eliminates many of the time-consuming tasks associated with processing supplier invoices. Invoices from any delivery channel, and in format, are received, digitized and standardized and aggregated into single platform. Header and line-item data is automatically extracted from invoices. Invoices then are matched with purchase orders and/or receipts. Invoices that require approval or exceptions handling are digitally routed based on preconfigured business workflows, eliminating the possibility that invoices will become lost, misfiled or “stuck” on someone’s desk.

Paying more invoices on time enables businesses to eliminate late-payment penalties, reduce supplier inquiries regarding invoice status, strengthen supplier relationships, gain leverage at the negotiating table, capture more early-payment discounts, and get better visibility into their cash and spending.

CAPTURE 97 PERCENT OF EARLY-PAYMENT DISCOUNTS OFFERED

Eighty-percent of the businesses surveyed for IOFM's *AP Department Benchmarking & Analysis* report receive invoices that offer discounts on the invoice due amount in exchange for early payment.

The savings from early-payment discounts add up. Top performers capture 7-times more early-payment discounts as a percentage of spend as their peers, per The Hackett Group. That means that a \$1 billion-revenue company that previously captured \$200,000 annually in early-payment discounts stands to gain \$1.4 million a year in additional early-payment discounts through automation.

7x

Top performers capture 7-times more early-payment discounts as a percentage of spend as their peers

14x

Highly automated accounts payable departments process 14 times as many invoices per FTE each month as their peers

PROCESS NEARLY 23,000 INVOICES ANNUALLY PER FULL-TIME EQUIVALENT (FTE)

Highly automated accounts payable departments process 14 times as many invoices per FTE each month as their peers with little or no automation, per IOFM's *Is Your AP Performance Top Tier?*

Automation eliminate many of the manual tasks involved in processing invoices. The technology extracts and validates invoice data, matches invoices with purchase orders and receipts, and posts approved invoices directly into an ERP platform. Any invoices that require review, approval or exceptions resolution are electronically routed to specific individuals based on preconfigured rules. Dashboards alert managers to bottlenecks and users to invoices approaching their due-date.

\$5.00

Highly automated accounts payable departments spend less than one-fourth as much as their peers

\$55,650

An accounts payable department that processes 5,000 invoices per month stands to save \$55,650 per month

SPEND \$5 TO PROCESS A SINGLE INVOICE

Highly automated accounts payable departments spend less than one-fourth as much as their peers with little or no automation to process a single invoice (\$5 per invoice versus \$20 per invoice), per IOFM's *Is Your AP Performance Top Tier?* report. Skeptical? Automated accounts payable solutions eliminate the manual processes that drive up the cost of accounts payable processing:

- Keying invoice information
- Matching invoices with purchase orders and receipts
- Tracking down purchasers
- Physically routing invoices for approval
- Back-and-forth phone calls to resolve exceptions
- Searching for lost or misplaced invoices
- Filing and retrieving invoices
- Setting up payments
- Reconciling payments
- Resolving payment issues
- Preparing reports
- Gathering information for auditors

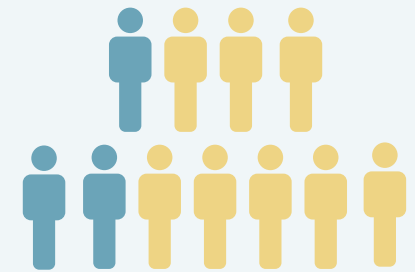
Based on IOFM benchmarks for invoice processing costs, an accounts payable department that processes 5,000 invoices per month stands to save \$55,650 per month (\$64,500 per month versus \$8,850 per month) and \$667,800 annually with an automated accounts payable solution.

MATCH 90 PERCENT OF INVOICES AND PURCHASE ORDERS ON THE FIRST-PASS

Matching invoice line items with data in a PO system is the top point of pain for 28 percent of accounts payable departments, according to IOFM's *2015 AP Technology Survey*.

Automation does the work for accounts payable departments.

Automated accounts payable solutions automatically capture invoice data, checking for duplicate invoices, validating supplier information, and calculating the line-item data on invoices. Extracted data is automatically matched with purchase orders. Information can be validated against data sources such as an ERP. Any unmatched invoices are electronically routed to a queue for inspection and data correction or electronically routed to approvers based on preconfigured business rules.



TWENTY-EIGHT PERCENT
of accounts payable practitioners anticipate
that their department will eliminate most of
their paper invoice by 2021

1%

Thirty-nine percent of businesses report that duplicate payments and over-payments represent more than 1 percent of their payments

CORRECT ONLY 1 PERCENT OF ALL SUPPLIER INVOICES PROCESSED

Thirty-nine percent of businesses report that duplicate payments and over-payments represent more than 1 percent of their payments. Worse, duplicate payments and over-payments account for 2 percent or more of all payments at 14 percent of businesses, IOFM's *2016 AP Key Performance Indicators Study* found. A rule of thumb is that a duplicate payment rate over 0.5 percent indicates weak controls, or that the master vendor file needs a good weeding out, per IOFM's *AP Department Benchmark and Analysis*. Top performers have a duplicate payment rate of less than 1 percent.

Automated accounts payable solutions eliminate errors by:

- Validating invoice data early in the process against information in downstream systems
- Eliminating the manual processes and paper handoffs that often result in errors
- Providing fast online access to supporting data
- Flagging duplicate invoices
- Facilitating collaboration between suppliers and internal stakeholders
- Using analytics to flag problem suppliers



RETHINK WHAT AP CAN BE

Start creating a better future for you and your department. Click the link below to access free educational resources on accounts payable automation, including white papers, case studies and articles.

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