

## CFO Report

How CFOs build world class AP departments with AP automation





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Accounts Payable is a fundamental activity for nearly all businesses. Pick any enterprise and you can bet there is an AP function at the heart of financial operations. The obligation to pay off short-term debt is one that every company must satisfy. But more than that, the process to do it must be efficient and productive. If you get behind on your obligations you risk missing important financial discounts, defaulting with creditors, and damaging your reputation with suppliers and stakeholders.

CFOs face the challenges associated with Accounts Payable...and it's easy to lose sleep. As other areas of business and commerce have become more and more paperless, the accounts payable process in most organizations remains mired in paper copies and manual workflow. The result is an often costly and people-intensive process that leaves companies vulnerable to competitors and financial executives with a growing unease over the inherent inefficiencies.

### Automation opportunity

How can CFOs sleep a little better? One way is through accounts payable automation—a combination of hardware, software and business systems that work to reduce and eliminate the mundane and manual tasks that plague the AP process, allowing for revenue growth without the typical associated additional administrative expense.

By relieving the burden of manual data entry, stare-and-compare matching, and other routine and repetitive activities, automation helps your staff function in more productive and value-added activities. AP automation works to reduce costs and inefficiencies, but there is also great opportunity through automation and best practices to improve the productivity of the process and thereby turn AP into a competitive differentiator for your organization. The goal of AP automation is not to replace people with computers, but instead, to use advanced data capture and workflow techniques to make AP teams more productive and focused on adding value to the organization.

### What keeps you up at night?

- ▶ Is the AP process costing you more than it should?
- ▶ Does your team feel overwhelmed and short staffed?
- ▶ Are you capturing all the early pay discounts you could be?
- ▶ What are the current best practices in AP?
- ▶ Do your existing systems hinder you from processing invoices quickly?
- ▶ What happens if key staff members leave or retire?
- ▶ Are you doing all you can to increase accuracy and reduce errors?
- ▶ Are people spending time doing menial tasks instead of adding value?

The bottom line is that if you aren't automating your AP department, you could be missing out on substantial cost savings, efficiencies and business insight. Software systems to manage the entire AP process—including electronic invoice delivery and document management, workflow automation, and advanced analytical tools—are all readily available.

Automating your AP function can alleviate the time spent manually entering data and free up your staff to focus on more important tasks. You will reduce errors and double payments,

capture more discounts, and benefit by much greater visibility into the process. This allows you to invest money in revenue-producing opportunities vs. administrative expenses.

Not only will you rest easier, but find comfort in the knowledge that you are using best practices in both technology and AP that help increase efficiency and overall productivity.

## **Four important ways AP automation makes a difference**

### *Reduce procure-to-pay time*

AP automation systems accelerate productivity by capturing and routing invoices automatically—from one location. Invoices are indexed, classified, matched and directly transferred into your ERP or accounting system. As a result, you eliminate the need for double data entry, reduce the time employees spend on menial tasks, and allow stakeholders to access order and payment information a lot faster. By handling an invoice once, you automate the review process—saving time and ensuring your workflow is handled efficiently.

### *Capture early payment discounts*

Aberdeen Research\* found that organizations using AP automation capture 35% more early pay discounts. AP automation helps increase profitability by taking advantage of early pay discount incentives with greater predictability. Invoices are processed more quickly since all invoices and supporting documentation—including audit trails and notes—are stored in one database and accessed directly from your ERP system.

The result is that your AP staff has access to all records they need to pay promptly and capture more discounts. The reduction and elimination of late payment penalties and improved cash flow overall are also compelling reasons to automate.

### *Improve vendor and customer relations*

A happy customer is a repeat customer, and the same holds true for the vendors who help keep your business running. AP automation helps ensure customer and vendor satisfaction by both fulfilling orders and managing accounts payable faster and with more accuracy. Since information flows seamlessly between departments, vendor and customer inquiries are answered more quickly and more precisely. The result is that smaller issues are resolved before they become larger problems. When the entire procure-to-pay process is streamlined you benefit not only from increased profitability and a reduction in errors, but also from improved vendor and customer relations.

### *Gain greater business insight*

AP automation helps CFOs more accurately predict financial outcomes because it provides greater visibility into each step of the process. Since all the related content is stored, searched, and accessed from one centralized location, financial managers have a more complete and immediate view. You can identify demands and constraints, and directly analyze processing performance over time. As a result, CFOs have a clearer picture of where they stand financially and AP professionals are better able to eliminate invoice processing bottlenecks, focusing on those accounts that need attention and improve cash management overall.

\*Aberdeen Research White Paper: Invoicing and Workflow—Integrating Process Automation to Enhance Operational Performance.

## Moving forward—use a phased approach

You can quickly begin to realize the benefits of AP automation by using a phased approach that starts with the basics and then expands to more advanced techniques. While there are a great many capabilities and technologies available, the truth is that not everyone needs a fully-encompassing AP automation solution. And it is not realistic to expect to take a completely manual process and automate it overnight. You can keep your cost of entry low and your chances of success high by considering these three phases of AP automation.

### *Phase One | Establish a basic content management system*

This phase is characterized by the ability to scan paper documents and store them in digital form and is at the heart of relieving the burden of paper in the AP process. Commonly available scanning hardware and basic scanning software that is typically bundled with the scanning hardware captures document images and allows the user to manually title the scanned documents. Documents are typically saved to a local or network folder using Windows Explorer.

From there invoices are routed via e-mail as attachments for attention and approval. This phase one approach provides some basic insight, accountability, auditability, and visibility into the process that is simply not possible using a paper-based workflow. Many companies have already found this to be an easy first step to an electronic AP process.

### *Phase Two | Establish intelligent data capture*

This phase brings technologies into play that can “read” data from document images and allow you to leverage that information in new ways. Rather than manually enter the information, key bits of data—like PO number, amount or date, for example—are digitally captured and populated in a variety of index fields. Pre-set templates drive the process on commonly structured documents where information is automatically entered into the system that would otherwise need to be keyed in manually.

Other advances at this stage include the use of barcodes, which can be interpreted quickly and reveal a more extensive set of data and simple business rules can be applied that bring further automation to the workflow and eliminate redundant and menial efforts. Integration with ERP and accounting systems is also available to further automate the process.

### *Phase Three | Originate the process electronically*

This phase involves initiating the AP process electronically. In other words, instead of receiving paper invoices and scanning them into the system, companies embark on a strategy to compel vendors and suppliers to submit invoices electronically; usually in the form of PDF attachments. One fundamental benefit to this approach is that these electronic files have better quality than scanned documents, and this improvement in quality leads to fewer errors. Plus, the time and staffing required to scan incoming invoices and documentation are reduced or eliminated altogether. As an added bonus, savings from using and handling less paper and postage quickly add up.

The vision is one where all documents are captured, digitized and stored with the least amount of manual labor.

An approach based upon these three phases is the best strategy moving forward. The biggest hurdle that any organization faces with regard to AP automation is change management. Simply put, you don't break your current processes using a phased approach. It is important

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Not automating will cost you. According to Aberdeen Group, companies without AP automation spend about \$38 to process a single invoice. With automation, companies can spend as little as \$3.

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to consider how much change the process and your organization can adapt to in the desired timeframes to ensure a successful transition.

By starting in phase one, and growing and expanding toward phases two and three, you capitalize on immediate savings and efficiencies while avoiding the pitfalls of an undertaking that may be so complex and overwhelming that you'll miss the mark.

### Next steps

Taking the right steps today can bring lasting improvements in the process. At DocStar, we've led the way in AP automation since 1996 through our collaborative solutions that streamline business processes for organizations of any size.

DocStar AP Automation allows CFOs and AP departments to gain control over documents, workflow, productivity, and efficiency.

Visit the [DocStar website](#) to learn how your team will be empowered to make better business decisions with deeper insight into your accounts payable processes.

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Helping businesses translate vision into action for more than 20 years, DocStar delivers a flexible and innovative enterprise content management and process automation platform. Easy to implement and use—both in the cloud and on premises—DocStar proven technology and global process expertise empowers organizations to operate at peak performance, navigate change, and grow.



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