

**From Invoice Capture to Archive:  
How to Achieve End-to-End AP Automation**

The Institute of  
**Financial  
Operations**

**OnBase**<sup>®</sup>  
by Hyland

## About The Institute of Financial Operations



The Institute of Financial Operations is a membership-based professional association serving the entire financial operations ecosystem, with a particular focus on the accounts payable and accounts receivable disciplines and the related fields of information management and data capture. The Institute grew out of the merger of four associations: International Accounts Payable Professionals (IAPP), International Accounts Receivable Professionals (IARP), the National Association of Purchasing and Payables (NAPP), and The Association for Work Process Improvement (TAWPI).

Based in Orlando, Fla., with affiliates in the U.S., Canada, and the UK, The Institute serves as a global voice, chief advocate, recognized authority, acknowledged leader, and principal educator for people in financial operations. The Institute has a community of nearly 70,000, which includes 9,000 members and customers, and an additional 61,000 financial operations professionals.

The Institute's members have access to benefits and leading-edge resources such as the award-winning Financial Ops magazine, a dynamic, content-rich website, educational and networking events, online educational offerings, certification and certificate programs, career resources, and volunteer opportunities.

## About OnBase by Hyland



By solving business needs that rely on documents, content and people, OnBase helps organizations run better, smarter and faster. OnBase focuses solely on ECM, combining deep document imaging, workflow and business process management functionality with features purpose-built and delivered by people with proven industry expertise in Financial Services, Higher Education, Healthcare, Insurance, Government and Manufacturing markets.

For more information about Hyland Software's ECM solutions, please visit [OnBase.com](http://OnBase.com).

## EXECUTIVE SUMMARY

Accounts payable has been talking about end-to-end integrated automation for at least 40 years. Today, the technology exists, but resources are limited and end-to-end AP automation is still not standard. Some AP departments have automated pieces of the AP process, but an end-to-end solution should include the ability to capture, integrate, measure, process, store, and access information.

AP executives who are looking to automate face a daunting task. They need to present a compelling business case for automation with measurable outcomes — specifically: cost savings, improved visibility and control of expenses, improved compliance, and higher returns on investment.

Forces of change are at work as AP departments process more transactions with fewer staffers and AP managers face increasing scrutiny from C-level executives under pressure from stakeholders and regulators demanding operational transparency, accountability, better cash flow and compliance. Even the spread of automation is making accounts payable more complex for companies with manual processes as they struggle to reconcile evolving invoicing and payment technologies with old and rigid systems.

Many companies have started down the road to automation, but few have implemented fully integrated, end-to-end systems. This white paper outlines the process for transforming AP departments from cost centers into profit centers through data capture and end-to-end automation.



## Current AP processes

Paper processes consume time and space. The typical paper invoice must be created on a seller's enterprise resource planning (ERP) system, printed, folded, stuffed into an envelope, and mailed. After several days in transit, it arrives at the buyer's office, or branch office, where it must be opened, sorted, and routed to the AP department. An AP employee must validate the information and retype the information into the buyer's ERP system, a process known to be fraught with errors. Even those invoices received via fax or email as a PDF attachment must be hand-keyed, and those received computer-to-computer through electronic data interchange (EDI) still require validation.

**ROI TIP #1:** The simple act of eliminating paper file archives could reduce your office space needs by 8 percent over five years, according to a 2012 study by the Association for Information and Image Management (AIIM).

Exceptions and discrepancies are handled via time-consuming phone calls and written memos. Even after payment, the invoice continues its offline odyssey as it is filed away in a cardboard folder and stored in a cabinet until needed once more for financial reports and compliance. The only way to increase the speed of processing under this system is to hire more staff, creating additional costs per invoice.

Each step in a manual process increases the likelihood of further delays, especially when an invoice goes missing. A lost invoice must be replaced, a process that can take weeks or months, making it impossible for a company to take advantage of early payment incentives. Worse, it can result in late-payment charges. It's no wonder that paper processes and employee stress are highly correlated. Paper processes also make it difficult for management to track and review an invoice's progress or get a true fix on cash flow. Invoice automation can relieve these headaches.

## Invoice automation — capture, integrate, measure

A state-of-the-art, automated AP solution can handle invoices arriving in any format — paper, email, EDI, or even fax. Data capture systems using a combination of optical character recognition (OCR), data extraction algorithms, and electronic data processing create a homogeneous data stream.

**ROI TIP #2:** Although OCR technology is fairly standard, data extraction quality varies widely. When selecting a data capture solution, it pays to begin with the end in mind. The most versatile solutions will accurately process stacks of unstructured documents with little preparation, using fuzzy logic and sophisticated pattern recognition to extract both summary and line-item detail. Even more advanced systems will incorporate memory technology to remember a specific invoice format, further speeding processing the next time that vendor's invoice is received. OCR solutions that are not as advanced require users to set up templates, or “train” the system to recognize specific vendor invoices, and to physically separate documents by manually inserting page breaks.

Once invoice data has been extracted, or “captured,” an end-to-end automated solution can search the buyer's ERP system for purchase orders, packing slips, requisitions, contracts, receipts, or other proof that the invoice is valid, and transfer funds to a vendor's account according to user-established business rules. Automated validation means employees become involved only when there are discrepancies and exceptions.

End-to-end integrated data also provides management with a 360-degree view of spending, helping senior management spot trends, and allowing treasury to more effectively manage cash.

The late quality guru Peter Drucker famously said, “You can't manage what you can't measure.” Document capture systems combined with AP automation solutions enable AP professionals to manage the process end to end, including:

- Reviewing and measuring accruals.
- Identifying and eliminating bottlenecks.
- Accelerating approval and payment.
- Reporting key metrics instantly.
- Auditing the system in real time and at any stage of the process.

## Cost savings and compliance — process, store

Automation creates efficiencies up and down the financial supply chain. Instead of spending time filing paper, indexing documents, and entering data, AP staff can concentrate on planning, analysis, trouble-shooting, and other functions that add value.

**ROI TIP #3:** Document capture combined with an automated solution can significantly reduce the average cost of processing. For example, the cost to process a vendor payment via an automated process is a little more than \$5 per invoice, compared with \$22.75 per invoice processed manually, according to 2010 data from AIIM. And if a paper invoice is lost? Locating it can cost as much as \$120.

Automating even part of the process, such as matching invoices to POs, helps reduce chances for mistakes or fraud. Heightened visibility via an automated process quickly brings issues or exceptions to light, allowing for greater scrutiny. Best-in-class solutions ensure easy access to data necessary to meet regulatory requirements. Unlike paper files, electronic data is typically in a format that meets records management laws, can be stored for as long as necessary, and is instantly retrievable.

Because businesses have different needs and demands, an automation solution should be customizable and still remain flexible enough to handle all anticipated AP processes. This reduces the approval cycle time from weeks to days or even hours.

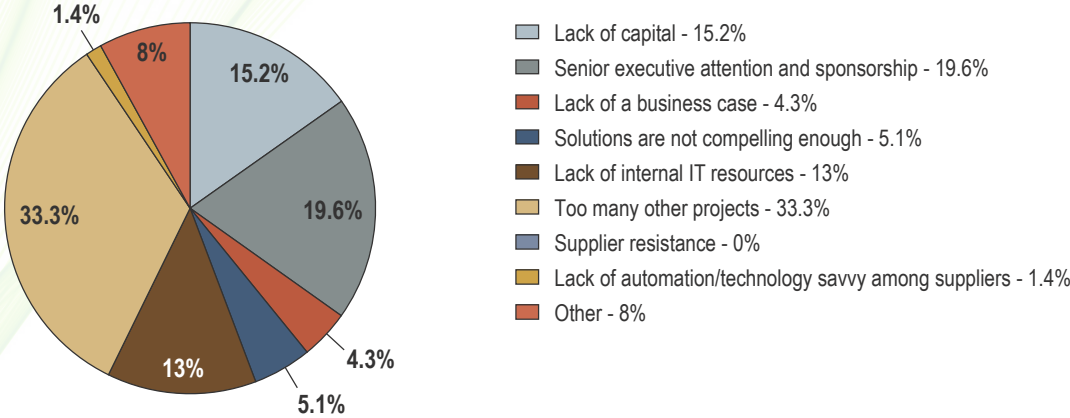
In addition to the operational relief automation offers over paper-based systems, automated processes provide companies with easy-to-follow audit trails and process controls required for compliance with increasingly complex and demanding government regulations, including Sarbanes-Oxley and the Foreign Corrupt Practices Act.



## Easy user experience — access, integrate

If AP automation systems save so much time and money, why hasn't everyone adopted them? The biggest reason is competition from other projects competing for executive time and attention, according to The Institute of Financial Operations' 2013 AP Automation Survey. That, and capital. Put simply: It's about making the case.

What is your #1 obstacle to getting AP automation projects approved?



The trend is positive. The percentage of companies that say they're adopting or considering adopting an AP automation system continues to rise each year.

The most successful installations are those that have taken a holistic approach, involving all stakeholders from the earliest planning stages, anticipating and mitigating potential challenges and concerns.

An automated software solution should enable users to work in a familiar environment. It should provide access to data directly to and from existing ERP systems, adding value across the board. The solution also should be compatible with other office systems and, ideally, offer mobile capabilities. If the solution is intuitive and the home page is customizable for the user, then training will be smoother, go faster, and win employee acceptance.

With enhanced mobile capture solutions, users can continue to work and make business decisions no matter where they are at the time. The technology notifies mobile workers when they need to make a decision and allows them to instantly access data. They can even retrieve and update supporting documents offline, continue to work on them, and then automatically synchronize with the system once they're back online.

Additionally, direct integration with the user's email program, such as Microsoft Outlook, enables occasional invoice reviewers to approve or reject documents without requiring the full licensing or training on the automation platform an AP knowledge worker would be granted. Invoice reviewers can make decisions directly from their email that trigger automated workflows.

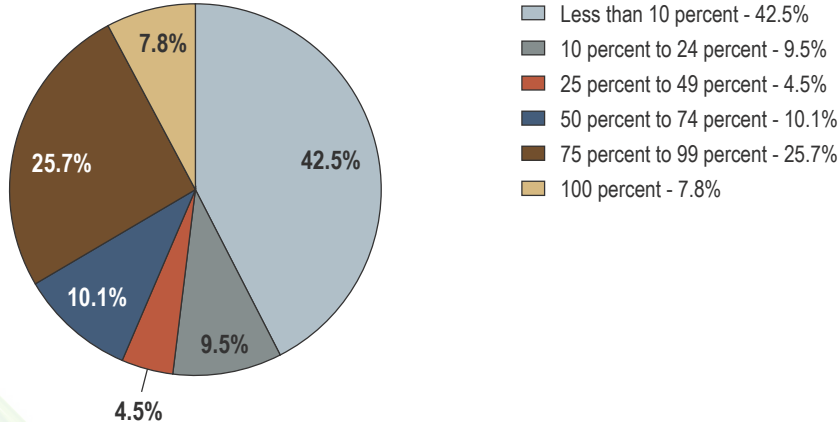
To calm IT fears, many providers offer cloud-based software-as-a-service (SaaS) solutions, which do not require new servers and require only a minimal IT time commitment, primarily in the integration and implementation phase. Cloud-based solutions combined with a familiar software environment can get an AP department up and running on an automated system in just a few weeks.

## Game changer

Although AP managers are primarily concerned with the operational benefits of automation, it's important to note that CFOs and other C-level executives are more interested in strategic benefits and return on investment. To that end, AP practitioners looking to elevate AP automation to the top of a company's capital projects list would be well-advised to highlight companywide benefits including improved spending control and visibility, fraud reduction, and improved cash management.

**ROI TIP #4:** Accelerated invoice processing increases a company's ability to take advantage of early payment discounts. A plurality of companies surveyed by The Institute of Financial Operations captured less than 10 percent of available discounts offered by vendors. Consider that even the standard early payment terms of a 2 percent discount for payment within 10 days translates into an annualized return of almost 37 percent on available cash — an amazing return, considering there is virtually no downside risk.

What percentage of early payment discounts do you typically capture?



Indeed, the best solutions create visibility at every step in end-to-end processing. Custom dashboards streamline employees' efforts and allow management to track workflow and efficiency. Real-time productivity reports help management more easily identify system bottlenecks and improve processes. They also can help identify those employees who would benefit from additional training and management interaction.

These solutions offer users the ability to make adjustments to the process without paper changing hands. A discrepancy can easily be routed to the appropriate manager for approval, and once approved, routed for prompt payment. This empowers the user to address issues quickly, while also allowing management to weigh in when necessary.

Best-in-class systems are easily configurable and provide users a feeling of ownership. SaaS means maintenance and upgrades are handled seamlessly by the software company without straining a subscriber's IT resources. These solutions also can support multiple locations, a must for large and midsize enterprises, and data can be centralized but still allow for access from anywhere in the world.



## Trends

Despite apprehension by some and a lack of full implementation by many companies, expectations are that AP processes will become increasingly automated and mobile during the next few years. The advantages of AP automation and the ease of installing SaaS will eventually overcome most, if not all, internal obstacles to implementation. Top-line solutions already offer mobile applications that speed up processing by permitting approvals no matter where employees are physically located. Outsourcing, particularly for data capture and invoice scanning, should also increase as companies take advantage of the economies of scale offered by dedicated image-management companies.

## Conclusion

After 40 years of searching for a profitable and reliable alternative to paper-based manual AP processes, companies are starting to embrace the operational and strategic benefits of end-to-end AP automation.

The benefits of implementing a solution that combines data capture and AP automation include:

- Elimination of time-consuming manual processes, such as sorting and data entry.
- Increased accuracy.
- Fewer bottlenecks and accelerated approval cycles.
- Improved compliance.
- The ability to earn significant, risk-free returns on cash via early payment discounts.
- One record per invoice plus complete transactional records.
- Fewer lost or misplaced documents and resulting routing delays.
- Reduced costs and simplified processes.
- Better cash management and visibility of cash flow.
- Improved productivity.

AP managers are learning to align automation funding requests with companywide goals. In most cases, ROI can be achieved in one year or less.