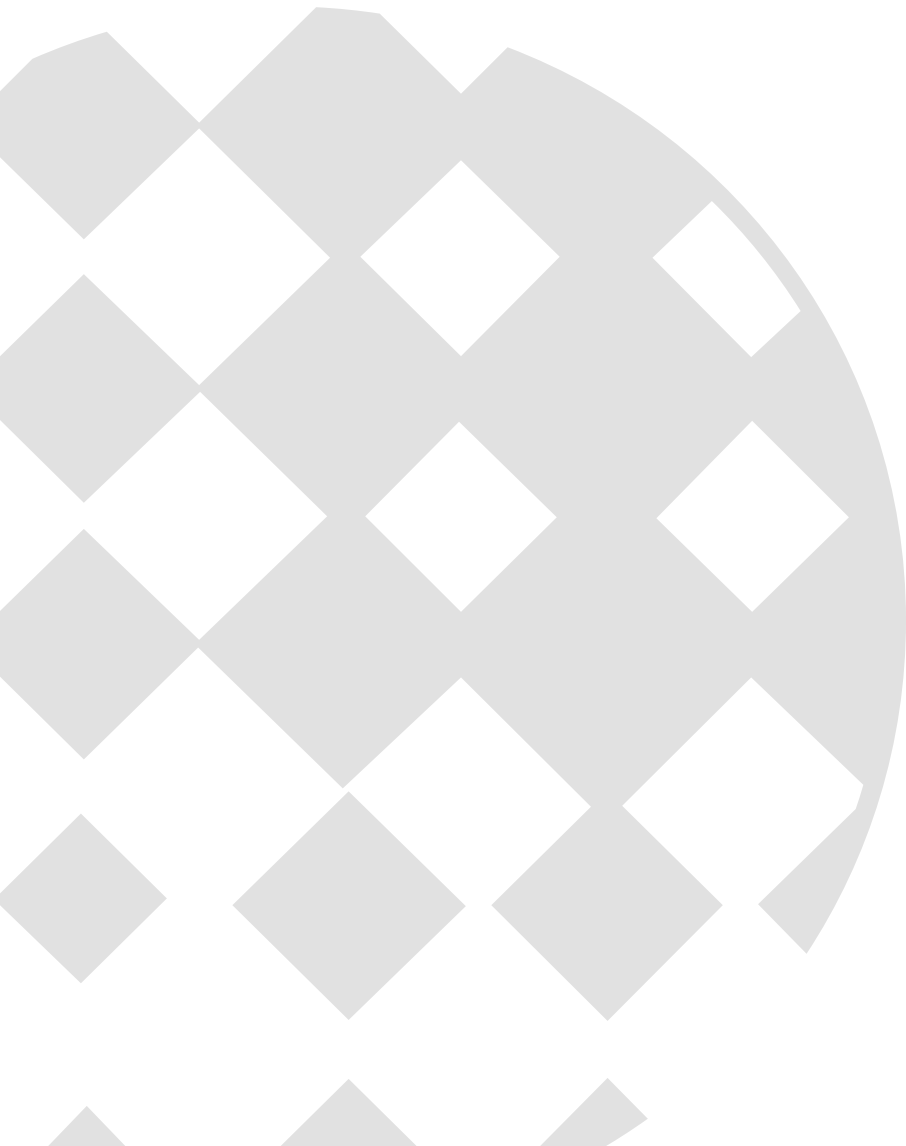




WHITE PAPER

The Benefits of Accounts Payable Automation

Facts and Best Practices From Leading Analysts



Compelling Evidence From AP Experts

Research shows that automation is yet again the way forward for cost savings and improved efficiency. Enterprises are increasingly aware that paper and people-based processes lead to high AP transaction costs and missed business opportunities. In a recent survey¹, 42% of the organizations interviewed stated that they were experiencing delays in receiving invoices and/or difficulties in information matching. Other issues were high processing costs, too many exceptions and delays in making approvals.

The research also has some exciting findings for AP teams who are following best-in-class processes. Not only are they making headway in reducing the time it takes to process invoices and lowering the associated costs, they're gaining recognition within their organizations as strategic partners.

This white paper examines recent findings from several independent business analysis companies, namely:

- ◆ The Hackett Group
- ◆ The Institute of Financial Operations
- ◆ The Institute of Financial Management
- ◆ Ardent Partners

It breaks down the AP automation issues faced by organizations and highlights the statistics that show there are major benefits to be gained in implementing an AP automation system. It also shows the criteria for selecting a solution provider and the importance of choosing an experienced provider such as Kofax to guide them through a proven process.

As exhibited in the chart below, best-in-class accounts payable performance significantly lowers processing cost and time per invoice, reduces the rate of exceptions, and raises the rate of straight-through processing, electronic invoice submissions and invoices tied to purchase orders.

AP Performance Comparison, Best-in Class vs. All Others

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.87	\$15.38
Time to process a single invoice	3.9 days	17.1 days
Invoice exception rate	11.2%	19.5%
Percentage of invoices processed "straight-through"	57.1%	16.1%
Percentage of suppliers that submit invoices electronically	47.3%	12.6%
Percentage of invoices linked to a Purchase Order (PO)	70.0%	52.3%

Source: Ardent Partners 2016

¹ Ardent Partners, (2015). Automating Accounts Payable: What You Need to Know.

Key Factors Driving Change

Time and money

Time and money are the key drivers for AP automation. Along with high paper usage, most AP departments still suffer with high AP transaction costs and cycle times. The top two pressures driving organizations to reassess their AP function are lowering invoice processing costs and improving and standardizing the AP process. Research has shown that best-in-class enterprises report²:

- ◆ Invoice processing costs that are about 81% lower than those of their peers
- ◆ Invoice processing cycle times that are around 73% faster than their peers

Other drivers

Other reasons why organizations focus on electronic enablement of AP transactions are²:

- ◆ The use of preferred suppliers when purchasing is easier to control
- ◆ Fewer exceptions and thus, less blocked payments
- ◆ An easier process for suppliers to follow when submitting invoices
- ◆ Less mistakes made during processing
- ◆ Better visibility into cash flow
- ◆ A more strategic positioning of the AP department within the organization

Top Automation Priorities

Based on survey results, the following emerged as top automation priorities³:

Projects related to imaging, capture and matching were at the top of the list in a 2015 AP technology survey by the IOFM, signifying that many companies are still far from transitioning to processing invoices digitally. IOFM reported that 78.4% of respondents employ straight-through processing on less than half of invoices.

Automated workflow and approval for invoices was another high priority for respondents to the IOFM survey. Solutions were either in progress or scheduled to begin implementation within three years for 88% of those surveyed.

² The Institute of Financial Management. (2015). Six Promising Trends in Accounts Payable.

³ Forrester. (2015). The Forrester Wave: ECM Transactional Content Services, Q3 2015.

AP Automation Elements for Success

In the current AP world there are four elements necessary for AP success: Visibility, Collaboration, Control, and Automation:

Visibility

Visibility into liabilities and operating expenses is the basic requirement for most major functions within an enterprise. It is used to give an overall view of operations and establish standards on which to base strategies for performance improvement. It's also a key factor in giving AP departments a higher degree of influence as a strategic partner in a business⁴.

It follows then that a majority of the finance professionals surveyed by the IFO in their 2015 AP Efficiency Study were experiencing an increased need for visibility into their companies' financial operations.

A high degree of visibility brings insights into⁵:

- ◆ Employee productivity
- ◆ The level of effectiveness of various processes, like capture, classification and validation
- ◆ Invoice processing time
- ◆ Cash-flow optimization, including improved forecasting and management of near-term cash management requirements
- ◆ Potential breaches of the company's policies and procedural requirements

Collaboration

Cross-functional coordination among key stakeholders, such as accounts payable, procurement, finance, treasury and suppliers, creates an environment where key information flows easily between these stakeholders. Without this, treasury can't make optimal capital decisions, procurement can't identify negotiation opportunities with key suppliers, and suppliers and internal stakeholders can't track invoice processing status. It will also be difficult to set up different approval and routing rules based on different types of invoices or supplier arrangements, such as PO-based, non-PO-based, preapproved and supplier maintenance.

Research shows that improved collaboration with procurement and suppliers is a top priority of AP teams in 2016. 31% of those surveyed in Ardent Partner's State of ePayables 2016 report said that a "better enterprise-wide communication plan" would raise the performance level of their AP department.

^{4,5} The Hackett Group. (2015). Using Advanced Document Processing to Improve the Financial Supply Chain.

In addition, best-in-class organizations are 11% more likely to use a business or payment network, 12% more likely to have an automated workflow for approval and routing, and 30% more likely to offer a self-service portal for suppliers. All of these are factors in improving internal and external collaboration with stakeholders and partners⁶.

Control

Good audit controls help organizations enforce corporate policies and achieve contract compliance. Audit controls ensure that AP transactions are processed in a way that complies with policies, procedures and regulations. They help reduce late payment fees, capture negotiated discounts and early payment discounts, eliminate duplicate invoice payments, and prevent fraudulent payments. Research has found the exception rates in top performing firms are 43% lower than other enterprises⁷.

Automation

Automation is a critical foundation to lowering costs and streamlining each of the four AP sub-processes: invoice receipt, approval and inquiry, validation and reconciliation, and settlements. Technology solutions to manage invoices and workflow and electronic payment methods reduce the inefficiency of manual and paper-based processes.

Best-in-class organizations have a 77% higher likelihood of employing an ePayables solution that is inclusive of the entire P2P process. Within the ePayables arena, the adoption of e-invoicing represents the largest gap between best-in-class (76%) and all other organizations (45%). Ardent Partners defines ePayables as the solutions that automate some or all of the AP process.⁸

Performance benefits

An automated AP solution streamlines and drastically improves performance by utilizing e-invoicing, scanning and workflow; online tracking and reporting capabilities; mobile solutions; electronic invoice dashboards and supplier portals; supplier networks; payment services; and spend analytics for all invoices. Smart automation solutions are also programmed for machine-learning, allowing the system to learn as it goes and more accurately capture data from differing invoice formats.⁹

Using an automated AP solution, organizations will successfully drive transformation of their accounts payable departments to overcome the challenges of manual and paper-based processes. Benchmarking research on AP strategies across 184 organizations revealed the benefits that best-in-class enterprises achieve by developing efficient processes and mapping them to automated AP solutions:

Performance Area	Best-in-Class advantage ¹⁰
Invoice processing costs	82% lower
Single invoice processing time	77% shorter
Invoice exceptions	43% fewer

^{6,7} The Institute of Financial Management. (2015). Six Promising Trends in Accounts Payable.

^{8,9} Ardent Partners. (2015). Automating Accounts Payable: What You Need to Know.

¹⁰ The Institute of Financial Management. (2015). Six Promising Trends in Accounts Payable.

Changing perceptions

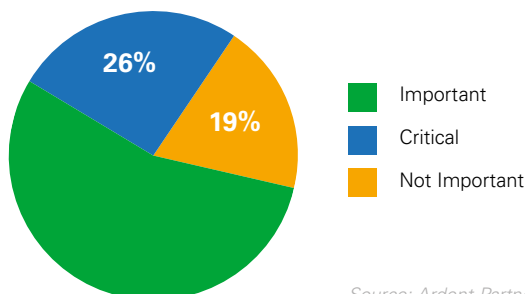
But the benefits of automation extend beyond these process-based drivers. The same research cited above shows that successful automation also changes the way companies view their AP teams, giving them more value as partners in the business. In fact, companies with best-in-class automation “are 89% more likely to view AP as either exceptionally or very valuable from a strategic perspective.”

Automation contributes to a shift in perception by:

- ◆ Enabling staff to focus on more strategic initiatives by removing manual, time-consuming tasks
- ◆ Giving AP access to deep, valuable insights into data that has previously been too difficult to tap and positioning the department as a key source for business intelligence
- ◆ Increasing collaboration with other business stakeholders

The data component of this equation is powerful. The information flowing in and out of an AP department can be a source of vital insights into key company metrics. 81% of enterprises gave input that visibility into data is either critical or important to its financial operations¹¹.

How Important is Data to Financial Operations?



Source: Ardent Partners 2016

What Are the Must-Haves?

Key focal points for AP departments to ensure that a solution both improves upon their current processes and puts them on a path for future success as business influencers include^{12,13}:

- ◆ **A solid foundation:** Standardizing AP workflows throughout the business and two or three-way matching are core capabilities that make accounts payable departments more strategic partners in the enterprise.
- ◆ **Removing roadblocks:** Handling invoice exceptions, high amounts of paper, and processing times that are too long are common problems that keep AP departments from reaching a higher level of success. Straight-through processing of invoices allows a faster, more accurate approval process.

11 The Institute of Financial Management. (2015). Six Promising Trends in Accounts Payable.

12 The Institute of Financial Management. (2015). Six Promising Trends in Accounts Payable.

13 Forrester. (2015). The Forrester Wave: ECM Transactional Content Services, Q3 2015.

- ◆ **An eye on innovative technology and trends:** A growing number of AP departments are using cloud-based solutions, implementing mobile capture and access for documents and putting automated workflows in place. As a result, they're reaping the benefits of faster cycle times, less risk and better relationships with suppliers.
- ◆ **Better visibility:** Automating processes isn't just about streamlining the tasks of an AP department. Comprehensive AP automation solutions allow an organization to view real-time analytics and gain insights into its finances, employee productivity, supplier relations and more.

An End-to-End Solution

Organizations obtain maximum value by selecting the broadest possible solution set that can change user roles from exception and problem handling to oversight, process management and strategy. This requires end-to-end solutions for automating AP processes in any major Enterprise Resource Planning (ERP) or financial system; from invoice arrival, through information extraction, validation and verification, to approval workflow.

So Which Types of Solutions Make the Most Sense¹⁴?

Electronic invoicing solutions automate the invoice reconciliation and payment process and address most invoice types.

Workflow and imaging solutions manage all aspects of in-house invoice scanning and documentation and provide an effective electronic archival system. They are often part of a cross-functional enterprise solution.

Payment automation platforms specialize in accounts payable and accounts receivable processing. They offer relief in disbursements for payroll, benefits, regulatory and tax issues, as well as intra-company transfers. These solutions range from automated clearing house (ACH) and general payment processing to company-wide AP solutions.

Enterprise financial solutions which manage the budget and general ledger of an enterprise, consist mainly of Enterprise Resource Planning (ERP) providers. They typically offer functions such as a general ledger and sometimes more advanced capabilities like supply chain auto-reconciliation and AP workflow.

Analytics and reporting enabled solutions provide a critical level of visibility into business processes and financial performance that can be leveraged by stakeholders across the enterprise.

Supplier portal solutions make the invoice approval process more transparent so that suppliers aren't left questioning the status of outstanding payments. Portals cut down on the amount of time staff spends replying to inquiries and make the process more collaborative.

¹⁴ Ardent Partners. (2015). Automating Accounts Payable: What You Need to Know.

Mobile solutions let AP teams work from anywhere in the world at any time and make capturing high-quality document images for accurate data extraction easy and convenient. With analytics built in, mobile technology is an important addition to automation strategies for many companies.

Selecting suppliers

When selecting an AP automation solution supplier, an organization should consider its customer base and market share, its strength in the AP environment, and its specific expertise in all aspects of the invoice-to-payment function. Does the supplier have experience with multinational installations and understand regulatory, procedural, and cultural differences between one part of the world and another?

Criteria that should be considered when selecting a supplier includes¹⁵:

- ◆ Reporting and analytics capabilities
- ◆ Integration and services
- ◆ Timelines for installing and setting up the solution
- ◆ Capture formats supported
- ◆ Accuracy of data capture
- ◆ Ease of use
- ◆ Licensing
- ◆ Languages and currencies supported
- ◆ Total cost of ownership (TCO)

Kofax, a global provider of invoice processing and AP automation solutions, has a depth of experience that covers many different fields of industry, public service organizations and governmental bodies in many countries with very specific legislation, rules and business practices. Accounts payable processes are very much the same across many different industry types. Kofax aims to standardize wherever possible to ease workflow between departments and organizations.

Automated AP Solutions From Kofax

Kofax's business strategy of developing and marketing a suite of software offerings for AP automation goes hand in hand with its vision of contributing to businesses' success by providing the ideal software solutions for automating document driven processes and transitioning to digital business practices.

Kofax has AP automation solutions that handle paper as well as digital documents according to the specific needs of AP departments. The Kofax product suite integrates with any major Enterprise Resource Planning (ERP) or financial system and provides full automation, from invoice arrival through information extraction, validation and verification, to approval workflow and final posting.

¹⁵ The Hackett Group, (2015). Using Advanced Document Processing to Improve the Financial Supply Chain.

Kofax combines flexibility with powerful features

Automated AP solutions from Kofax have been deployed for a wide range of organizations, and are proven for all major ERP and financial systems. Customized solutions can provide a combination of powerful monitoring and control features - flexible reports and graphs allow clear process tracking for document and data processing and provide performance monitoring for a wide range of parameters.

Kofax solutions are **Certified by SAP**: All required data can be accessed either through the normal SAP environment or through an easy-to-use web interface. They are also **Certified by Oracle**, whose functionality can be accessed either through the Oracle E-Business Suite or a simple web browser interface.

Results That Speak for Themselves

Kofax continues to bring success for clients across diverse sectors. Their invoice processing solutions have recently:

Made it possible for **Siemens** to automate up to 50 fields per invoice with the ability to find and validate all fields. Their Process Manager for Incoming Invoices said, "Perceptive Intelligent Capture was the missing link we needed, as the technology was really able to read documents the way a human being would."

Brought **DIRTT Environmental Solutions** substantial benefits by providing 100% visibility into invoice processing and allowing them to process almost twice as many invoices per day. Their Project Manager said, "For the first time, we can see what AP is doing. As soon as we have the data, we know where things are."

Enabled **W.R. Grace and Company** to reduce its cost per invoice from over \$7 to \$1.50 in Europe and Asia. In the U.S., cost was reduced from \$5 to \$2.25 per invoice. The automation project was "100% successful" according to the company's Global AP Manager.

Helped Sealing Devices, Inc. reduce their storage needs, manage documents electronically and process more invoices without adding more staff. Their IT Director says, "Perceptive Content is a key component of our business, it allows us to do more with the same personnel."

Made a significant reduction in paper storage and provided total visibility into invoice processing for **Arkema**. Their Accounts Payable Manager says, "All those stacks of invoices are now in Process Director as lists, so I can see the high-profile vendors, identify severely past due invoices."

With many best practices already in place, **DAK Americas'** automation project allowed them to move toward "a more nimble, cross-trained AP department."

Five steps to success

While the savings and strategic benefits of AP automation are compelling, many enterprises have yet to put any significant level of automation in place.

Implementing solutions that handle unstructured content alongside financial/accounting transactions and improve workflow/process management will bring efficiency to financial processes through reductions in administrative support and costs. Visibility into accompanying content of financial transactions will bring business improvements and vastly improve relationships with customers and suppliers.

Using Kofax's solutions, coupled with their vast consulting experience, small to very large enterprises can bring AP automation to the optimum level at a pace that matches their structure and resources and, just as importantly, where they are in the maturation process. Experts from Kofax help plot the course for AP transformation to make sure that enterprises can effectively:

1. Define all of their goals and objectives—is it global, is it enterprise-wide? What is the time for deployment?
2. Engage with other key stakeholders to define requirements (including treasury and finance, procurement, IT, suppliers).
3. Build the business case and agree on performance metrics and ROI targets.
4. Gauge current invoice receipt and workflow capabilities such as invoice cycle time, data capture (and resulting quality of invoice data) and routing of invoices for approval. This will assist decisions regarding centralized data capture, standardizing processes across the organization.
5. Match the AP automation solution that provides the best-fit.

By utilizing the Kofax framework for solutions, organizations of all sizes can effectively implement AP automation and move to seamless AP transformation.

Visit Kofax.com for more information.



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