

# How to Make the C-Suite Stark-Raving Fans of your Accounts Payable Automation Proposal

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An IOFM white paper, sponsored by

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by Hyland

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Despite the well-documented benefits of technologies such as invoice data capture and enterprise content management (ECM), many accounts payable (AP) professionals remain frustrated that they can't get their automation projects approved by senior management. In fact, only 22.8 percent of AP departments currently have a high level of automation, according to IOFM's 2013 AP Department Benchmark & Analysis. While tight capital budgets are frequently cited as the culprit for stymied automation projects, the problem likely lies in disconnects between the tactical departmental benefits typically outlined in invoice automation proposals and the strategic enterprise priorities of senior management. With 61 percent of best-in-class companies currently using full AP automation, according to a 2012 study by Boston-based research and advisory firm Aberdeen Group, it is imperative that AP departments find a way to win approval for their automation projects. This white paper shows AP professionals how to frame their automation proposals to make senior finance executives stark-raving fans of automation initiatives.

## The Priorities of Finance Executives

Understanding the C-suite's priorities is the first step to getting AP automation projects approved.

Research shows that accounts payable typically reports to the CFO, controller, or finance director. More than one-third of AP departments (34.4 percent) report to the controller, according to IOFM's 2013 AP Department Benchmark and Analysis study. Approximately one-quarter of AP departments (23.6 percent) report to the finance director, while 16.6 of AP departments report to the CFO.

Similarly, most AP departments (59.5 percent) have their budgets prepared for them, typically by the position to which it reports (36.7 percent), according to a 2013 IOFM study. Moreover, only 16.9 percent of AP departments set their own goals; some 41.6 percent of AP leaders surveyed by IOFM report that their department's goals are set by the position to which the department reports.

Misaligned goals are why many AP automation projects stall.

While operational matters are the chief priority of most payables leaders, the senior finance executives to which they report are focused on more strategic matters. Seventy-five percent of CFOs at best-in-class companies identify liquidity management as their top job priority, according to 2013 research by Aberdeen Group. Seventy percent of CFOs at best-in-class companies cite cash flow analysis as their top job priority, while 62 percent of CFOs in top organizations identify compliance and risk mitigation as their top priorities, Aberdeen finds.

Tellingly, only 40 percent of CFOs at best-in-class organizations identify accounts payable, accounts receivable, or payment management as one of their top job priorities, according to Aberdeen Group.

Against this backdrop, it's no surprise that Aberdeen Group's research into the expectations that senior finance executives have for AP skews heavily toward strategic, rather than tactical, goals:

1. Help optimizing working capital
2. Improved payment performance
3. Lower overall AP department costs
4. Improved compliance with negotiated contracts
5. Improved or standardized processes

AP leaders recognize that their priorities are disconnected from those of the finance executives to which they report. While most AP leaders say their senior executive would describe their AP department in glowing terms from an operational perspective (e.g. "accurate," "efficient"), just 6 percent of AP professionals surveyed by IOFM in 2013 believe that their senior executive would describe their department as "real strategic partners who are constantly adding value." Incredibly, 3 percent of AP leaders said their senior executive would not be familiar with their department.

Reframing AP automation proposals to address the needs of senior finance executives will do more than help AP leaders get their projects approved; it also repositions AP as a strategic partner.

## The Operational Benefits of Automated Invoice Processing

Automated invoice processing delivers a 5-step process to eliminating traditional AP inefficiencies:

1. **Scan paper documents:** Paper documents are converted to digital format.
2. **Import electronic documents and information:** Electronic documents are captured in their native format, directly from enterprise applications such as an electronic invoice portal.

3. **Extract data from documents:** As documents are captured, relevant data is pulled off the page and shared with other systems, saving the time associated with manual data entry.
4. **Route documents based on pre-established rules:** Allows business users to configure rules to evaluate documents and dynamically assign approvers. Ad-hoc approval assignments can also be made at runtime and approvers can delegate their own assignments when unavailable or out of the office.
5. **Integrate with systems of record:** Documents and information are seamlessly delivered to ERP and other financial systems to accelerate posting and streamline research.

Automating invoice processing—regardless of whether the invoices arrive via mail, e-mail, fax, a web portal, or electronic data interchange (EDI)—delivers tremendous operational benefits:

1. **Lower invoice processing costs:** “Reduced cost of processing AP transactions” is the top factor justifying the cost of AP automation projects, according to the Institute of Financial Operations (IFO) 2013 AP Automation Study. Automated invoice processing eliminates the costs of handling, routing, and storing paper, and manually keying invoice information. The technology also allows staff to automatically generate letters, statements, and documents based on business decisions and distribute them electronically to customers and constituents. And consolidating all invoice information in a single system eliminates the expense of managing content across a variety of databases, systems, and physical storage locations. Automated invoice processing is saving manufacturer Leggett and Platt, Incorporated \$1.5 million annually. Additionally, the Allegheny County Controller’s Office saves up to \$20,000 annually in postage, paper, and ink by sending and receiving invoices electronically.
2. **Increased staff productivity:** Some 58.3 percent of AP professionals surveyed by IOFM in 2013 identified AP automation as the single most effective way they have increased productivity in their department. Automated invoice processing eliminates the manual tasks associated with paper processing, while providing instant access to invoice information and processes from anywhere, including a mobile device. And documents can be retrieved by searching for any word or phrase within them. Staff no longer has to wait for files to be pulled and delivered, and there is less chance of lost, misplaced, or stolen invoices. What’s more, suppliers can research invoice status online, without burdening a company’s call center. For these reasons, invoice automation enables companies to manage increased invoice volume without requiring additional staff. Fastenal Company increased staff productivity 60 percent, which enabled the company to process 6,000 additional invoices per day, without adding staff. Similarly, the technology enabled Leggett and Platt, Inc. to boost invoice volume by over 200

percent without adding staff. Automated invoice processing also enabled Affinity Federal Credit Union to re-allocate 30 full-time employees. And Clicks Group Limited immediately accesses more than 99 percent of its invoices electronically.

3. **Faster invoice approval:** Glenbrook Partners reports that “improved processes” is the top benefit of invoice automation identified by accounts payable professionals. Automated invoice processing eliminates the time-consuming and error-prone process of manually verifying documents and keying data. The technology automates predictable decisions and provides useful tools to manage all surrounding tasks, activities, and case work. Automated invoice processing further accelerates the process through centralized storage of invoice information and real-time visibility into processes, including notifications of volume thresholds and aging content, providing accounts payable departments with the ability to identify and eliminate bottlenecks and make more timely decisions. Suncoast Credit Union, headquartered in Tampa, Florida, decreased invoice approval time to mere minutes from three days with an invoice processing solution. Faster invoice approvals enable organizations to prevent late-payment penalties and capture more early-payment discounts.

Together, these operational improvements deliver a compelling return on investment for AP organizations. For example, Berner Food and Beverage realized payback on its automated invoice processing investments in only six-and-a-half months, and is saving \$125,000 annually.

## The Benefits of Invoice Automation to the C-Suite

Importantly, invoice automation also delivers benefits that address the top priorities of CFOs:

1. **Growth:** Senior finance executives are charged with helping their companies cost-effectively manage their growth. With labor expenses representing a median 67 percent of the costs of accounts payable, according to research and analysis firm APQC, the inefficiencies associated with paper invoice processing are a tantalizing target. Capturing and processing invoices electronically automates predictable decisions and provides tools to manage all surrounding tasks, activities, and case work, allowing finance departments to increase productivity and/or volume without increasing staff. Similarly, work can be load-balanced across groups of people by name or role—ideal for the global financial shared services environment in which more companies operate. Multiple people can work on the same document at the same time, eliminating bottlenecks from a linear process. Processes can be altered on the fly when workloads or needs change. Optimizing the financial supply chain with automated invoice processing provides additional benefits that drive corporate growth:

- Lower inventory requirements
  - Improved cash positions
  - Reduced borrowing
  - More competitive pricing
  - Improved customer satisfaction
  - Increased revenues
  - Higher net margin
  - Increased net profit
  - Higher earnings per share
2. **Costs:** Beyond the considerable operational cost savings described above, automated invoice processing enables organizations to reduce their overall cost of goods. For instance, Aberdeen Group reports that the average company captures 42.7 percent of available early-payment discounts, while best-in-class companies capture 65.8 percent of available discounts and laggards capture 8.9 percent of available discounts. But users of document management solutions have reported capturing 75 percent of available discounts—far above Aberdeen Group’s best-in-class results. These benefits are not lost on senior finance executives: 39.9 percent of AP professionals identify “taking advantage of discounts” as a factor justifying the cost of AP automation projects, reports IFO’s 2013 AP Automation Study. What’s more, the technology helps companies reduce costs through the reduction of duplicate payments. Calor Gas used automated invoice processing to reduce duplicate payments by nearly 50 percent.
3. **Cash Flow:** Nearly half (45 percent) of senior finance executives surveyed by Aberdeen Group in 2012 identified “lack of visibility into invoices and AP documents” as their top AP challenge. Similarly, 19 percent of senior finance executives surveyed by Aberdeen Group cited an inability to effectively manage cash according to current needs. Automated invoice processing provides total visibility into processes, documents, and information, including liabilities and the status of transactions and orders. For instance, directly integrating an automated invoice processing system with a company’s ERP solution allows senior finance executives to instantly view documents and supporting information while still working in the ERP system. Not surprisingly, 49.7 percent of AP professionals cite “increased visibility” as a factor justifying the cost of AP automation projects, according to IFO research. This improved visibility enables senior finance executives to make more informed working capital decisions. In fact, companies with full AP automation report that they have an 87 percent rate of visibility into

overall organizational cash flow on a daily basis, according to 2012 research by Aberdeen Group. What's more, automated invoice processing systems enable senior finance executives to run reports whenever they need them, without involving IT or a database administrator; finance executives simply use an intuitive reporting interface to generate pre-configured reports or create, manage, and run the reports they need. Senior finance executives also can access report dashboards from anywhere, including web sites, SharePoint portals, or from a mobile device. And senior management can execute decisions wherever they are, from a laptop to mobile device. Automated invoice processing solutions also makes AP information available through a web portal, allowing auditors to perform an audit without coming on-site.

### **Addressing C-Suite Priorities with Invoice Automation**

Detailing how automated invoice processing can help the enterprise manage growth, reduce cost, and optimize cash flow is paramount to addressing the priorities of senior financial executives. Below are examples of three companies that addressed these priorities with automated invoice processing.

#### **Growth: Leggett and Platt Incorporated**

Manufacturer Leggett and Platt, Inc. used automated invoice processing to better manage its growth.

Leggett & Platt, Inc. produces products for home, office, automobile, airplane, and retail stores. The Carthage, MO-based manufacturer has over 19,000 employees and partners and 140 manufacturing locations in 18 countries. Managing cash became increasingly difficult as the manufacturer grew. AP staff manually processed more than 2,500 invoices daily, representing 55,000 vendors and approximately \$3 billion in annual spend. Processing each invoice required AP staff to print documents and manually enter all of the required data into the company's PeopleSoft ERP system. The data would then be transferred from the ERP system to a mainframe application for payment.

Leggett & Platt, Inc. eliminated these manual processes by deploying an automated invoice processing solution. The manufacturer's solution captures data such as the amount due and the PO number from invoices, validates the information, and transfers it to PeopleSoft and the mainframe application.

Deploying an automated invoice processing system enabled Leggett and Platt, Inc. to reduce its cost per invoice by 69 percent over five years, from \$3.88 per invoice to \$1.21 per invoice. The increased efficiency provided by the system also enabled the manufacturer to reduce the staff required to process invoices by more than 40 percent—representing \$1.5 million in annual labor savings—while processing 232 percent more invoices—a critical capability as the manufacturer grew worldwide.

Additionally, the seamless integration between the manufacturer's automated invoice processing solution and its PeopleSoft system enables Leggett and Platt, Inc. to post approximately 90 percent of its invoices the same day they are processed, making the information available the next day for buyers.

Leggett and Platt, Inc. also lowered its AP department's supplies budget by 73 percent by reducing its need for paper files, storage boxes, copy paper, printer ink, and equipment maintenance.

All of these improvements better position Leggett and Platt, Inc. for future growth.

### **Cost: Clicks Group Limited**

Clicks Group Limited has used automated invoice processing to reduce its costs.

Clicks Group Limited is a Cape Town, South Africa-based retailer with 600 stores, 320 in-store pharmacies, and more than 4 million loyalty card members. The retailer previously struggled with the cost of managing paper AP documents, while maintaining compliance with various regulations. The retailer's dedicated team of "archive divers" only found the correct invoice half the time.

Clicks Group now scans all invoices into an ECM platform tightly integrated with its ERP system from SAP. Bar codes with information from the retailer's SAP merchandise management system (MMS) automatically index documents without human intervention, while connecting documents and information in one secure, central location. Invoices, documents, and information are automatically stored, managed, and retained in accordance with South African laws and regulations. Staff members access documents instantly with a simple mouse-click within their familiar SAP system. Employees can only access documents and information with the proper rights.

Automating invoice processing enabled Clicks Group to eliminate the high costs and risks of storing paper and finding documents, while improving visibility into AP information. The solution also provides stronger security and tracking, improving compliance with multiple regulations.

### **Cash Flow: Invacare**

Automated invoice processing has made the monthly financial close at Invacare more manageable.

Headquartered in Elyria, Ohio, Invacare is a more than 30-year-old manufacturer and wholesale distributor with over 6,000 employees and healthcare products available across 80 countries.

With more than 100 employees worldwide contributing to Invacare's financial close each month, paper processes made it difficult for senior finance executives to gain visibility into employee activities.

To provide managers and team members with better visibility into the status of all activities required for the close each month—including journal entries and tasks—Invacare deployed a financial close solution. Invacare's solution connects all documents, procedures, and activities related to the monthly close to make them instantly available from a central location. Additionally, the solution links related entries and reconciliations across months.

When the monthly close draws near, the company's director of financial planning and analysis now can use a dashboard to see, and communicate, the number of posted entries. This improved visibility also helped

expose some of the bottlenecks in the company's close process, allowing Invacare's corporate finance team to identify key delays and address the underlying issues.

By eliminating paper-based processing, Invacare's finance teams also have more time to focus on analytics, rather than filing and searching for documents, which helps the company grow.

Whether it is managing growth, reducing costs, or improving visibility into cash flow, automated invoice processing has addressed the top priorities of senior management at these three companies.

## **The Bottom Line**

Despite the clear departmental and enterprise benefits provided by automated invoice processing, many AP professionals have trouble getting their projects approved by senior management. While it is easy to attribute delayed approvals to tight capital budgets, the real problem is likely the way that AP departments are presenting the benefits of invoice automation to the C-suite. More than ever, the C-suite wants technology projects to deliver more than the operational improvements that make AP professionals swoon. CFOs, controllers, and other senior finance executives are most concerned about ways to manage growth, reduce costs, and optimize cash flow. Reframing AP automation proposals in these terms will improve the odds of winning the enthusiastic approval of the C-suite.

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Hyland's enterprise content management (ECM) solution, OnBase, is one of the most flexible and comprehensive ECM products on the market today. OnBase empowers users to grow their solutions as needs change and business evolves. OnBase is tailored for departments, but comprehensive for the enterprise. The solution gives you what you need today and evolves with you over time.

## **OUR FOCUS**

### **Our Software**

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

OnBase maximizes the benefits of fast, efficient and precise AP and AR automation. Regardless of how documents are received – via fax, mail, email, EDI, etc. – OnBase captures and validates the relevant data and then delivers it to the appropriate individuals for review, approval and coding, and seamlessly updates your ERP or accounting system.

With OnBase, users quickly access invoices, remittances and supporting content, as well as make decisions, from the applications and devices that are most convenient for them. For example, employees can quickly retrieve invoices, goods receipts, check images, vendor contracts, and even historical correspondence directly from their line-of-business applications, including ERPs like AFS, SAP, PeopleSoft, and Lawson.

OnBase also allows users to access and approve invoices directly from mobile platforms like Apple, Android, and BlackBerry devices, letting them quickly respond to requests and inquiries from anywhere at any time. With integrations for phones and tablets, OnBase presents information to users within their familiar work environment, allowing them to make better decisions, faster.

And, by automating manual processes, OnBase increases transparency, providing users with audit trails, reports, and dashboards that give insight into every stage of the invoice approval or payment application process. In addition, OnBase identifies missing documents and automates document retention, helping organizations meet compliance standards and regulations. OnBase also helps users manage auditing processes quickly and easily, granting auditors secure online access to the documents they need, significantly reducing the time it takes to prepare for an audit.

Accelerate invoice and payment processing by adding OnBase to your AP and AR departments. OnBase promotes faster processing, increases transparency, and reduces costs associated with paper. And, because OnBase is both affordable and easy to configure, it's a financially sustainable solution with a return on investment that can be realized almost immediately.

## **Our Services**

Hyland provides a wide range of Professional Services including data conversion, ECM consulting, training, and document imaging services, allowing customers to fully maximize their existing technology investments.

The flexibility of OnBase allows customers to choose the deployment option that's right for them, including on-premises, subscription-based, and cloud offerings. OnBase customers can also move between those options as their needs change or as their business grows.

## **Our Customers**

Our customers are our partners. It's not just something we say, it's how we do business. From the moment a customer decides to work with Hyland, they have access to OnBase professionals that will help them simplify existing processes, deploy OnBase, and provide support for the life of their ECM solution.

To learn more about OnBase by Hyland for accounting and finance, visit [OnBase.com/AF](http://OnBase.com/AF).