ENHANCING THE EFFECTIVENESS OF YOUR AP PROCESSES

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About this eBook

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Process Used & Survey Demographics

The survey results quoted in this report are taken from the various AIIM Industry Watch reports listed in the references section of this paper. Responses were collected from individual members of the AIIM community using a web-based tool. Invitations to take the survey were sent via email to a selection of AIIM's 190,000+ registered individuals.

About the author

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Bob Larrivee is Vice President and Chief Analyst of AIIM Market Intelligence. Internationally recognized as a subject matter expert and thought leader with over thirty years of experience in the fields of information and process management, Bob is an avid techie with a focus on process improvement, and applying advanced technologies to solve business problems, improve business processes, and automate business operations.

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About AIIM

AIIM has been an advocate and supporter of information professionals for nearly 70 years. The association mission is to ensure that information professionals understand the current and future challenges of managing information assets in an era of social, mobile, cloud and big data. AIIM builds on a strong heritage of research and member service. Today, AIIM is a global, non-profit organization that provides independent research, education, and certification programs to information professionals. AIIM represents the entire information management community: practitioners, technology suppliers, integrators, and consultants. AIIM runs a series of training programs, which can be found at www.aiim.org/Training.

Introduction

Accounts Payable (AP) is at the core of your business, and how well the department's processes are managed can mean the difference between success and financial disruption. Just as an athlete must train and build up their core muscles, so too must a business tune and strengthen their AP processes to ensure smooth operations, fast response times, and fewer mistakes that could cause a breakdown or failure in business operations. Well established, streamlined AP processes help businesses overcome many hurdles, achieving substantial benefits that have a direct impact on the organization's bottom-line and overall performance.

These benefits deliver added liquidity needed to fund growth, which can have a direct impact on streamlining additional processes. This includes processes related to close periods, capitalizing on reduced costs through supplier discounts, and improving the accuracy of cash flow forecasts via enhanced financial intelligence. Additionally, process improvements in AP often lead businesses to find ways to extend these enhanced capabilities into other areas like Accounts Receivables (AR), procurement, and even departments outside of finance like Human Resources or Contract Management. Imagine the impact of being able to automatically process AR and procurement transactions faster, more accurately, and with fewer exceptions - or in some cases, without human dependencies altogether.

AIIM Research finds that 81% of businesses feel the finance areas of AP and AR are sensible places to begin when evaluating ways to implement process improvement. Additionally, 91% feel their review and approval processes are prime candidates for assessment and improvement.[2] (Figure 1)
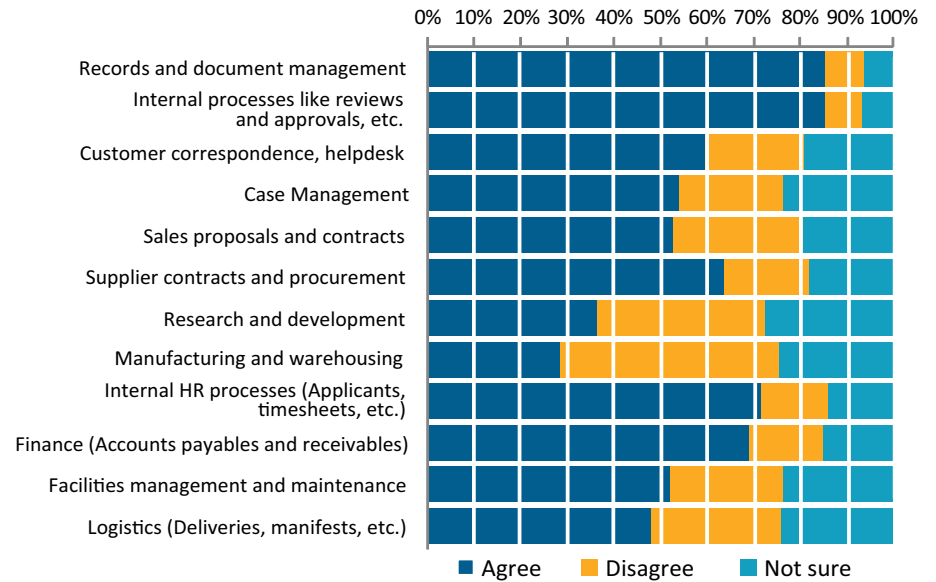
To achieve success and ultimately build a competitive advantage, focus and attention must be given to the intricacies of the AP process. Greater insight and a true understanding of how well the current process is functioning, thorough identification of areas for improvement, and assessing the best ways to implement automation will aid in ensuring consistent, defensible, and responsive practices well adapted for our modern business climate. Three primary areas where business organizations can find opportunities for innovation in AP are:

❶ **The review and approval processes**
❷ **Exception processing**
❸ **Increased visibility into payment data for invoking payment**

In this eBook, we present the challenges in these three areas along with relevant AIIM research data, emphasizing the importance and opportunity for AP innovation. We will also discuss conclusions related to these elements and reveal our recommendations, so organizations can take smart, strategic steps to advance their AP processes to adapt the competitiveness of their business to the demands of the modern marketplace.

Review and Approval

Generally speaking, the review and approvals process within AP departments can be a time consuming, burdensome task for staff to effectively maintain. This is especially true in relation to content intensive processes that rely on a combination of paper and digitally born information. This information tends to be siloed, difficult to find or access, and cumbersome to move without error. Often the content is contained within a scanned document, where vital data is locked within the image and is not readily presented to the reviewer, making it difficult to initiate the AP process without manual intervention.

Many review and approvals processes are reliant on email with scanned or digitally created files attached, which can add additional challenges. Typically speaking, without appropriate AP systems, digital files are difficult to properly manage in accordance with internal business rules and external information governance policies.

Best Practice:
Centralize AP processing activities and establish a single system or integrated series of systems for information management that is secure and accessible to all involved parties. Incorporate automated workflows and harness tools like electronic forms to improve operational efficiencies, increase staff productivity, decrease turnaround times, and reduce the potential for human error.

Benefit:
Accomplish more tasks with fewer resources, automatically record a complete full audit trail, reduce costs and delays associated with paper and electronic invoices, and readily access all vital business data that was once siloed, locked, and/or hidden.

The concept of a single source of truth in information management is not new, and can be achieved through a well-planned and maintained information ecosystem that utilizes tools to succinctly link data and information across the enterprise. By pairing this concept with process automation tools like workflow and BPM, business organizations can increase their operational efficiencies, unburden staff, and improve responsiveness

using automated and consistent processes to securely capture, manage, and interact with information while improving communication and transparency.

According to AIIM Research focused on the benefits of process automation, "one-third of organizations have seen a decrease in their review and approval cycles, and 62% say they have gained benefits from better routing to and between individuals."[1] (Figure 2)

Figure 2. We have seen benefits resulting from process improvement and automation in the following:
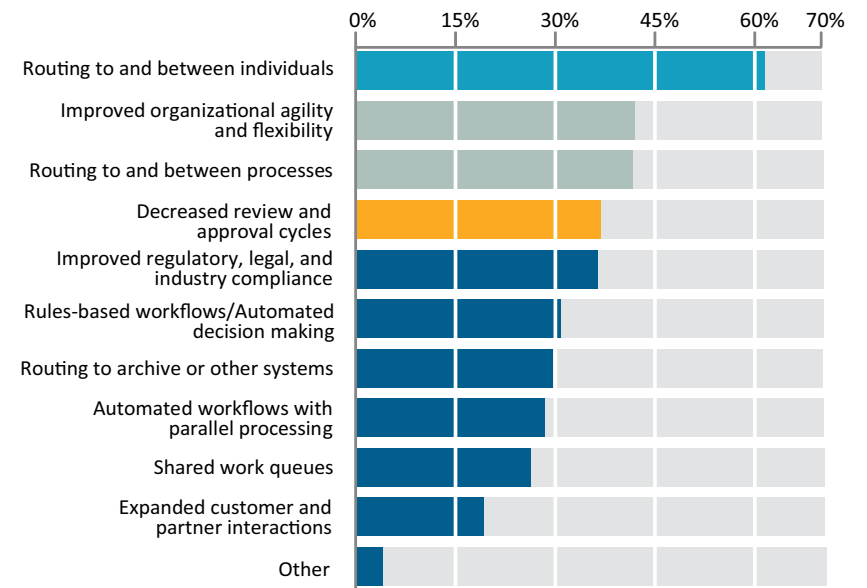
Exception Processing

There is tremendous opportunity for minimizing exception processing while incorporating automation into your AP system. Modern business practices capture AP information as close to the first touch-point as possible. The pertinent data is automatically identified and extracted using recognition technologies like optical character recognition (OCR), is classified and stored, and then initiates the appropriate workflow process, sending a notification for action to the appropriate personnel or department(s) for approval.

Within any business model, it's expected there will be some exceptions in AP processing – the numbers may simply not match up, or you may be in disagreement with your suppliers and reconciliation is required to complete a task. Exception processing is especially relevant for business organizations where AP is managed through several geographic locations (and potentially different currencies) across the enterprise, and where a variety of presentment methods might be used such as different invoice designs or formatting based on the location.

When exception processing is high, there may be a lack of standardization and automation leading to inconsistent practices and "one-off" rule sets. This increases the need for human interaction – and potentially, human error. The key to AP process effectiveness is standardized automation where possible, using technology that aids in the identification of captured content, data extraction and matching. By implementing automated processing based on business rules to identify true exceptions, businesses can more easily manage those few exceptions with the aid of meticulous human oversight.

According to AIIM research, "45% of respondents cite their biggest value from process improvement and automation is fewer errors and less exception processing." [1] (Figure 3)

Figure 3: Where have you seen the biggest value to be gained from process improvement and automation?
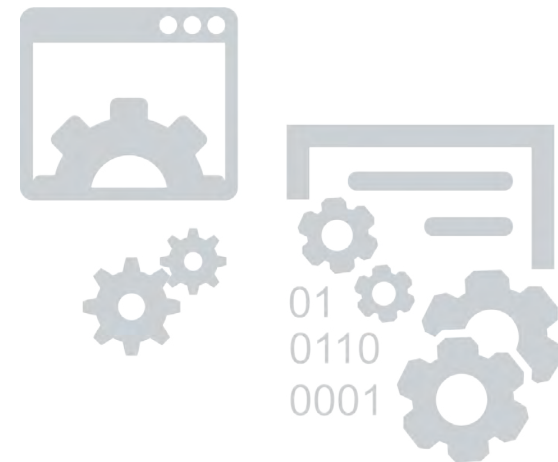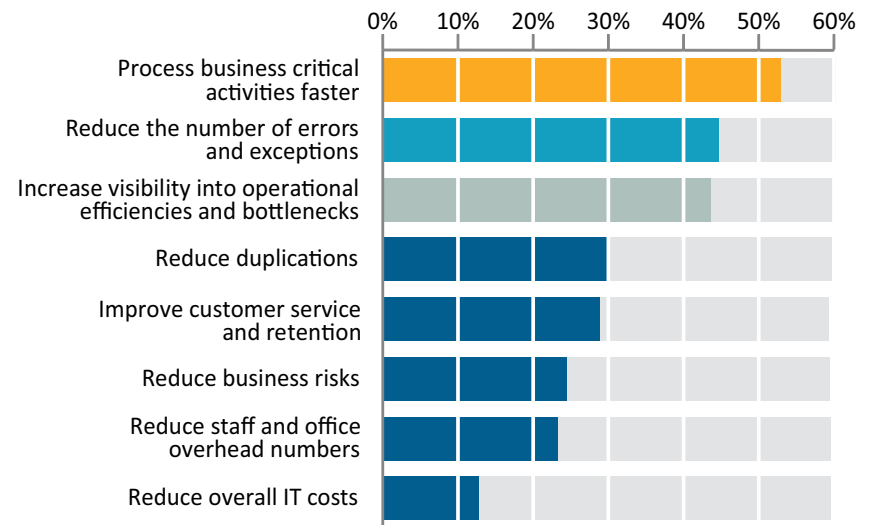

Best Practice:
Standardization and automation based on business rules when and where it is possible strengthens AP processes by establishing consistent automated practices, streamlining processes, and minimizing the need for thoughtful human intervention to only a few instances.

Benefit:
AP automated processes based on operational standards and business rules allow invoices meeting standard criteria to be automatically processed without human intervention. This method of automated AP processing decreases processing times, establishes consistent, compliant, and defensible practices, and decreases the potential for errors.

Payment Data Visibility

An integrated approach to AP aligns information sources using a simple interface, while allowing for real-time (or near real-time) access to all relevant information. From a user perspective, where information resides is irrelevant. What matters is the ability to securely store and easily retrieve information, anytime from anywhere. The modern user experience relies upon a simple premise: that all relevant data, documentation, or information should be easily accessible whenever they need it, regardless of where they are, in order to accommodate today's dispersed workforce.

This modern demand also means that mobile devices will continue to be used for business processes, with an expectation that reliable access is available 24/7 from any location around the globe. Simple accessibility is key here, as it is also expected that access can be achieved using a single secure interface with the ability to search and retrieve across multiple data sources and repositories, meaning that the content and records management, ERP, CRM, and other systems must be linked.

Poor visibility into AP processes limits the ability to invoke payment data, impeding good cash flow and responsiveness to partner/supplier inquiries. This creates bottlenecks as time is lost while searching for data or documents, confirming details, or presenting invoice and payment data from disparate systems. In simple terms, search does not always equal find, especially when you must comb through various systems independently. In fact, unless you know precisely where this information was stored and how it was classified, you may not find the data you're looking for at all. These goose-chase data search scenarios become even more nightmarish once a compliance audit comes into play and you are under strict timelines to find and present the requested information.

Supplementary technological enhancements like the addition of analytics technology (e.g. predictive analytics) can noticeably improve AP business process efficiencies by unlocking data already housed within various repositories across your enterprise. Once the correct tools are in place to bring data to the forefront, information can be strategically analyzed, which enables better decision making while evaluating user productivity or process efficiency. Standardizing AP processes helps to avoid errors or missing pieces that could be detrimental to your organization. Added visibility and insight also allows you to easily anticipate the effects of current trends on future productivity.

Best Practice:
The AP solution should allow data to seamlessly transition to and from existing or future applications users rely on to get their work done. An added benefit is having built-in analytics capabilities to make better business decisions based on actionable insights.

Benefit:
Elimination of duplicate efforts and information silos, predictive invoicing, identification of process bottlenecks, and optimized work for material impact.

AIIM Research finds that "46% of respondents say they have integration with their ECM and ERP systems, and 42% with data management in place." [1] (Figure 4)

Figure 4: Our BPM functionality includes:
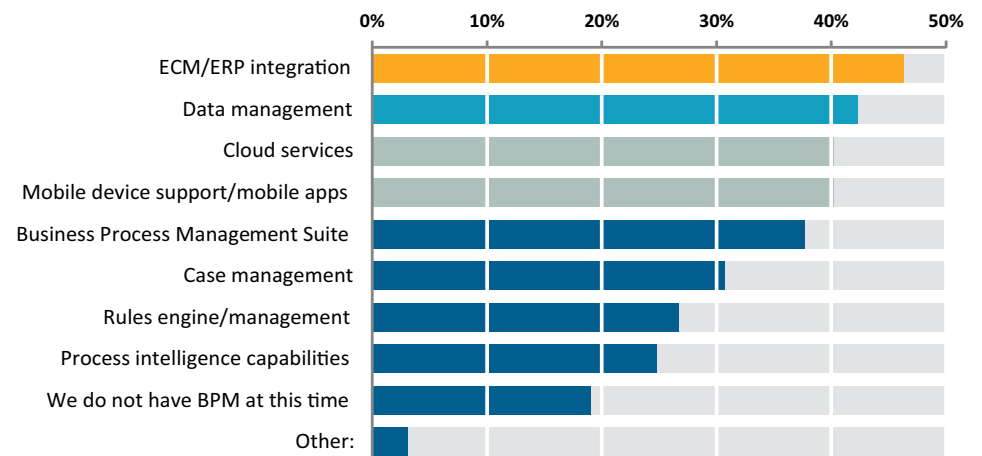
Conclusions and Recommendations

Enhancing the effectiveness of your AP processes isn't just a lofty ideal, it's a highly attainable goal that many organizations can readily achieve. With careful planning and forethought, your organization can harness the benefits of automating AP to streamline processes, increase productivity, and save money by reducing processing costs and taking advantage of early-payment discounts. Here are five points you can use today to get started:

❶ Incorporate the use of electronic forms to capture data directly from both internal and external parties. These could be for new vendor set-up, PO requests, and other forms based document types.

❷ Securely capture information as close to the source as possible using methods that include scanning, drag and drop, save to, and print to capabilities.

❸ Automate the capture process using recognition technologies to identify and classify inbound information that triggers workflows and notifications.

❹ Include the use of cloud and mobile device support that enables remote workers and third parties to access and interact with vital business information.

❺ Use analytics to help compare current performance against historical averages and even predict the future flow and progression of various processes.

Gaining Internal Buy-In: Calculate Your Cost Per Invoice

To get a sense of the impact AP automation could have for your organization, start by calculating the associated costs dedicated to processing each invoice. This is a great first step in showcasing the current, sometimes unnecessary, spend on your AP processes, while working toward gaining internal buy-in.

What are your costs? Take a few moments to calculate your estimated costs using the following equation. This does not have to be an exact figure, and is intended to help you understand how cost is associated with your organization's invoice processing efforts.

Number of AP Clerks: _____

Average Annual Salary of AP Clerk: _____

Total number of invoices processed per month: _____

$$\text{Cost per invoice} = \frac{\text{(Number of AP Clerks X Average Annual Salary)}}{\text{(Total Number of Invoices Processed per month X 12)}}$$

Example: A medium-sized healthcare facility employs 3 full-time AP clerks, who each have an average salary of $45,000 per year. The facility receives an average of 10,000 invoices per month, both electronically and via mail. This means in total, the healthcare facility spends approximately $120,000 on invoice processing per year, or $1.25 per invoice.

$$\text{Cost per invoice} = \frac{\text{(3 X \$45,000)}}{\text{(9,000 X 12)}} = \$1.25/\text{invoice}$$

For purposes of discussion, let's estimate each invoice costs your organization $1 to process (note: AIIM has found that this cost can actually vary between $1 and $15 for paper-based invoices). While $1 may not seem like much at the outset, when you add up time spent against volume processed, this number becomes significant. For example, an organization that processes an average of 10,000 invoices per month is spending at least $10,000 per month, or $120,000 per year, processing invoices alone. To complete the Return on Investment (ROI) scenario, you'll need to determine the costs associated with implementation and subscription fees (or license and maintenance fees) for the AP automation solution. These fees vary from provider to provider, and also differ within each provider depending on the model utilized (e.g. Are you charged per user or by volume? Is it a cloud solution versus on-premise? What features are included versus adhoc?).

Once you add in the additional costs associated with scanners or MFPs, exception processing, correcting errors, storage costs for physical files, and addressing additional procedural problems, you can see that quite simply, a great deal of time and money are tied up in the AP approvals process alone. The perceived expense of implementing an automated AP solution can be offset once an increase in productivity is achieved and the cost of processing invoices decreases. With that in mind, here is one more thing to consider in relation to automating your AP processes:

It is never too late to start.

Consider the scenarios presented in this eBook to relate how your organization measures up. Look for areas in your organization where you can improve and enhance your AP processes. If you are unsure of where to begin, seek professional advice and look to a third-party vendor for insights on best practices and to learn more about how they have helped other organizations achieve success. By implementing smart workflow and automation solutions into your everyday AP processes, you'll be creating long term solutions to help your organization achieve success, remain competitive, and excel in future business markets.

References

[1] Process Improvement and Automation 2016 – A look at BPM

[2] Business Process Automation in 2017: Designing an Intelligent Workplace

About FileBound

upland FileBound

Modern Solutions for Improving Accounts Payable Processing

AP departments using FileBound's accounts payable document management solutions dramatically increase their visibility and eliminate efficiencies. Paper-based and manual processes, lack of insight into business activities or project status, and inflexible solutions make goals hard to accomplish. FileBound battles those issues through intuitive AP automation solutions that make it easier for employees, management and executives to conquer their daily tasks quickly, easily, and efficiently.

Upon arrival, invoices are immediately captured and the relevant data extracted to begin the payment process. FileBound routes the invoices according to defined business rules, quickly providing the validated data to ERPs or other financial systems. FileBound can also manage associated tasks, such as creating e-forms for PO requests and managing vendor contracts. FileBound's Analytics, inclusive of dashboards and reports, are designed to offer process, user, system, and usage data to managers who are responsible for the day-to-day operations of departments, as well as those responsible to report on how efficiencies are affecting performance like cash flows and the bottom line.

Used by small to medium-sized businesses to large enterprises, FileBound is appropriate for nearly any organization, regardless of their industry. Easy-to-deploy, highly configurable, scalable, flexible and secure, FileBound provides customers all over the world with a user-friendly experience by integrating with other third-party line of business applications.

Real Customers. Real Results.

Using FileBound's e-form, document management and workflow capabilities, a stockholder-owned buying group reduced vendor invoice processing time from three days to eight hours and vendor adjustment request and credit memo processing from 60 days to one day.

Through a decade of impressive growth, a leading heavy equipment sales, services and rental company has held the line on accounts payable costs while providing a high level of service for more than 60 locations across nine states using FileBound.

An international agriculture machinery, truck and car dealership reduced their Accounts Payable process by 90 percent with FileBound.

A local chapter of one of the nation's nonprofit organizations helping the under-served streamlined their Accounts Payable process through FileBound automation to increase productivity and reduce costs – allowing staff more time to help the people they serve.

For more information, visit filebound.com or email filebound@uplandsoftware.com.

About AIIM

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AIIM (www.aiim.org) is the global community of information professionals. We provide the education, research and certification that information professionals need to manage and share information assets in an era of mobile, social, cloud and big data.

Founded in 1943, AIIM builds on a strong heritage of research and member service. Today, AIIM is a global, non-profit organization that provides independent research, education and certification programs to information professionals. AIIM represents the entire information management community, with programs and content for practitioners, technology suppliers, integrators and consultants.

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Accounts Payable

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