Accounts Payable Automation:
The Transition from Paper to Painless

ABSTRACT

This white paper takes a comprehensive look into how businesses can leverage AP Automation to reduce costs, enhance worker productivity and improve their ability to drive more to their bottom line. The white paper closely examines the benefits, value and ROI that AP automation can bring to an organization. The paper also ties in the advantages of leveraging KnowledgeLake technology and Microsoft SharePoint, and explains how our clients are doing more with less by implementing the low-risk, cost-effective solution.

1. The Paper Problem in the AP Process

Companies are continually tightening the reins on corporate finances and are turning to automated business activities to streamline processes and cut costs. Yet, for many organizations, Accounts Payable processes remain stubbornly manual, repetitive, error-prone and paper-based.

Paper is not only the greatest cost involved in the Accounts Payable process, paper-clogged processes can lessen an organization's ability to deliver timely, accurate information on demand. In our fast-paced and technology-driven society, the speed of information transfer between two businesses speaks to the characteristics of an organization's supporting infrastructure, which includes: how information is stored, accessed and retrieved, and how quickly critical business decisions are made.

While paper does feed mission-critical business systems, such as enterprise resource planning (ERP) systems, the root of AP's problems can be traced back to the industry's dependency on paper and the resulting lack of visibility.

Paper-based processes create inefficiencies and frequently result in:

- Significant time and money wasted on manual processes, such as filing, retrieving, copying and mailing paper documents
- A lack of defined, tracked Accounts Payable processes which can lead to: fraud, late payments, double payments, missed payments, process errors and misplaced documents
- Incorrect information and hidden costs associated with storing and manually processing all types of paper invoices
- The inability of CFO's and Controllers to leverage real-time metrics to better understand outstanding liabilities and optimize cash flow planning

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All of these road blocks caused by paper can prevent your company from capitalizing on early payment discounts and even cause late payment penalties, lower operational efficiency, create inaccurate or untimely financial closings, and damage important vendor relations. In addition, this lack of reporting visibility in the Accounts Payable process makes it incredibly difficult to meet regulations and measure overall performance.

The bottom line is: the key to streamlining any business process, including invoice processing, is to remove as much paper from the process as possible.

> PAPER CUTS DON'T HAVE TO BE PAINFUL

Unfortunately, truly automating paper-bound processes cannot be achieved as long as paper remains an essential part of the overall process. In 2013, we predict more AP departments will be doing what they can to automate AP processes and eliminate paper.

According to an Aberdeen Group study from April 2012, the top three pressures of automation are the lack of visibility into invoices and AP documents, corporate directives to lower costs and difficulty finding or managing paper-based documents. Beyond these top three pressures, the inability to effectively manage cash according to current business needs, risk of payment-related fraud and difficulty handling high numbers of supplier inquiries were also cited.

Many organizations are making significant strides in streamlining the overall management of their AP payables. This helps them increase the efficiency of their internal processes and gain greater visibility, while saving time and money. But with only 46% of AP departments having an actual workflow solution in place, the majority of AP departments are still manually processing paper-based invoices.

2. Critical Market Trends Today: The Case for Automation

According to the Aberdeen Group, streamlined, best-in-class Accounts Payable operations will process an invoice, on average, in about one-sixth the time, at about one-twelfth the cost, of so-called "laggards" in a similar situation. These forward-thinking, best-in-class organizations are realizing the value that comes with automating processes as they are fully experiencing the benefits and functionality it brings to their organization, as AP departments can now allow staff to focus more on strategic activities.

One of the most significant drivers of automation in today's business place is the fact that organizations are continually asked to "do more with less." The economic whirlwind of the past few years has forced even the most-successful organizations in their field to revisit exactly how and where their money is spent. As a result, rather than adding headcount or additional infrastructure, more and more forward-thinking companies are curbing the negative effects of paper-centric processes by leveraging automation solutions.

Another contributing factor of automation is that AP departments are tired of juggling between multiple ERP and financial applications. This leads to delayed approvals and lends to lost or misfiled documents, while increasing the chance for late charges. This lack of a defined, streamlined business process compromises quality and increases business costs.

Listed below are a few major trends we can expect to see continue and grow in Accounts Payable in 2013, as stated in the Financial Operations Matters' article: "Are you ready for lean AP? 4 trends to watch in 2012."

"With the KnowledgeLake ECM software, we no longer have to manually file copies of every invoice and check stub. Every invoice and check stub is scanned into SharePoint, providing our accounting department with quick access to payment records. KnowledgeLake helped us eliminate hard-copy file storage and gives us a very easy search and retrieval process that we never had before. It's providing a quick return on investment in man hours saved by dramatically cutting down on the time it takes to find invoices."

RICK VAN MATRE
MANAGER OF INFORMATION SYSTEMS
NOOTER/ERIKSEN

> PAPER REMAINS #1 ENEMY OF AP DEPARMENTS

As stated earlier, and can't be reinforced enough when it comes to the case for automation: paper remains public enemy #1. Paper is unwieldy and costly, and companies need to end its use in invoicing. Expect to see greater investment in solutions that help eliminate paper.

> THE COMPETITION HAS TURNED TO AUTOMATION

Not only do large corporations invest in Accounts Payable automation, but now smaller organizations are also starting to see benefits in eliminating a manual Accounts Payable process. Best-in-class companies are more likely to integrate systems so they can focus on business process improvement. In the past year alone, the use of paper to trade invoices has dropped ten percent (59 percent in 2012 from 69 percent in 2011.) As more and more of your competitors adopt electronic invoicing, the more streamlined, efficient and successful their business processes and overall business become.

> ON-PREMISES ECM DEPLOYMENTS ARE DOMINANT

On-premises ECM deployments continue to dominate the market in comparison to cloud-based ECM services. ECM has adopted cloud-based services at a slower rate when compared to other enterprise technologies. Customers most often cite concerns about reliability, security and migration as preventing them from deploying a cloud-based ECM service. Along with this idea, there appears to be a growing demand for Accounts Payable applications to be available via mobile device primarily for invoice approvals and purchase requisitions.

> EMPLOYEE NUMBERS CONTINUE TO DECLINE

As stated earlier, ever since the recession, companies have been putting pressure on their Accounts Payable departments to reduce staff. As people retire, leave jobs, etc., staffing positions are not being back-filled; but this doesn't mean the work load has diminished. Reduced employee numbers are leading more and more companies to leverage automation to handle any increase in invoices that need to be processed.

3. Benefits of Automation: Cost & Productivity

Technology can reduce bottlenecks in the AP process, as long as the initiative is taken to implement it. To help facilitate a seamless integration of payment processing with an automated process, AP-focused technology solutions designed to enhance an organization's current AP process have emerged. With the right solution in place, automation software can result in faster and less expensive AP process and contribute to an overall more productive work environment.

> COSTS

According to a study by the Aberdeen Group in April 2012, organizations that automate AP processes can shave more than 80% off the cost of processing and can decrease processing time from 17 days to less than five.

Businesses seek AP automation solutions first for hard ROI. Let's look at a sample business case:

> If 'Company A' processes 2,500 invoices per month at $6.29 per invoice – monthly cost is approximately $15,725.
>
> Reduce that cost through automation to $3 per invoice and you save $8,225 each month. That's more than $90,000 per year.

Cost savings benefits include:

DEEPEN VISIBILITY OF CASH FLOW - Automation provides higher visibility into an organization's cash flow. Drive more strategic procurement into invoice status and payment timing to better manage working capital and take advantage of early payment discounts.

ENHANCE RISK MANAGEMENT - Reduce or eliminate the costs associated with process errors that include: manual keying mistakes, late payments, double payments, and lost or incorrect payments.

MEET REGULATORY REQUIREMENTS FOR TRACKING AND ACCESSIBILITY - With tight document control capabilities and more complete audit trails, financial departments can enhance compliance with organizational or governmental regulations and agencies.

REDUCE PHYSICAL STORAGE & PAPER FILING COSTS - Minimize

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direct and hidden costs associated with managing, finding and storing invoices, packing slips, receipts, POs and other documents by substituting filing cabinets for an electronic repository.

> PRODUCTIVITY

In addition to the significant cost savings that can be realized, organizations also seek benefits that are harder to measure but, in many ways, offer great value. With automation, organizations can experience a measurable savings in overhead expenses and labor by centralizing AP processing and integrating business software. On average, AP departments spend between 26%-41% of their time responding to supplier inquiries – which can cost as much as $10 per call. Allowing staff instant, easy access to information or providing vendors self- service access to information can dramatically reduce this time spent on searching for documents.

Product-related benefits include:

ELICIT TRUST WITH SUPPLIERS - Feedback to the vendor at appropriate phases in the AP process is a critical aspect to providing a positive vendor experience. Identifying issues early, reducing inquiries from vendors and eliminating late payments will improve the overall quality of supplier relationships.

AUGMENT EMPLOYEE AND CUSTOMER SATISFACTION - Cutting the number of time-consuming, boring and repetitive tasks can lead to productivity and efficiency gains, as staff can shift their focus from low impact activities to more strategic, fulfilling projects. Immediate access to AP information can improve internal responsiveness and satisfaction when answering internal AP inquiries.

SPEND LESS TIME ON MANUAL PROCESSING - Significant time is saved when employees do not have to print paper invoices and mail them to their customers or spend time searching through an endless number of filing cabinets. Eliminating manual processes will free up time for employees to focus on more value-added activities.

ACHIEVE CORPORATE, GREEN INITIATIVES - Reduce the environmentally harmful processes associated with the manufacturing and maintenance of paper documents. Automation encourages an environmentally conscious work place, as it is a major contribution toward your company's green initiatives.

Even the smallest of improvements to your Accounts Payable process can have a substantial impact to your bottom line. Companies that apply automation can successfully manage Accounts Payable so that the process encourages cost-saving initiatives and supports internal and external productivity efforts.

4. KnowledgeLake: AP at the Speed of SharePoint

So, your organization has made the decision to jump onboard the AP band wagon ... but where do you go from here? Considering the vast number of Accounts Payable Automation solutions on the market today, this choice is no easy one. Choosing the right technology not only addresses performance goals, it also enables finance managers to monitor organizational performance for financial reporting and budgeting. It is important to find a flexible solution that allows for a high level of customization to ensure automation does not necessarily mean a complete overhaul of your existing Accounts Payable processes.

As a result of working closely with our clients to identify and heal key pain points in the Accounts Payable process, KnowledgeLake has created an Accounts Payable solution that delivers true value from the purchase to payment process. KnowledgeLake's Accounts Payable solution is a robust platform that facilitates paper and electronic data capture, workflow automation, search and retrieval, ERP integration, and real-time analytics. Powered by Microsoft SharePoint, the framework accelerates deployment time, enabling organizations to quickly reduce processing costs, improve operational productivity and achieve rapid ROI.

Our scalable solution is designed to change and adapt with your mission and your organization. With KnowledgeLake, you don't need to completely revamp your current process to be successful – we just improve the process you already have in place. The solution amends to an organization's unique business processes to ensure a pain-free transition to automation.

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There are a lot of AP Automation solutions on the market today...What makes KnowledgeLake different?

KnowledgeLake is recognized as the global SharePoint ECM solution provider with proven products and an enviable customer base. Our competitively priced, AP automation solution provides our customers with the unique opportunity to maximize their overall Microsoft investment (SharePoint, Hardware, Licensing, Office, Training, Knowledge, IT Staff and Community.)

Microsoft SharePoint is among the most widely deployed platforms for enterprise collaboration. With more than 100 million SharePoint users today, many companies naturally turn to the familiar platform to extend the use of their business applications. Over a third of organizations are using SharePoint to manage content across the enterprise and over half have the intention that SharePoint will become their primary ECM system. However, SharePoint is much more effective when used as an underlying platform and third-party solutions, such as KnowledgeLake's technology, are integrated with it to provide more advanced functionality.

Working with your organization to configure the best Accounts Payable solution for your individual needs, KnowledgeLake delivers key Accounts Payable automation benefits that include:

AN INCREASE IN ACCOUNTS PAYABLE COST SAVINGS - Our solution significantly reduces the costs of processing invoices, purchase orders, checks, receipts, packing slips and other paper-based documents. It removes hidden costs associated with storing, searching and finding paper documents located in storage rooms.

A BOOST IN STAFF PRODUCTIVITY - Our solution increases productivity by standardizing or automating repeatable tasks at every stage of the Accounts Payable process. It reduces risks and human errors from late payments, double payments, lost payments, etc.

A MAXIMIZED ROI FROM YOUR CURRENT MICROSOFT INVESTMENT - Using SharePoint for Accounts Payable drives user adoption and increases end-user satisfaction by deploying a cost-effective and low-risk solution that uses proven SharePoint ECM technology. Initial end-user training and ongoing solution support is minimal.

5. Conclusion

Control Your AP Processes Before They Control You!

Accounts Payable automation can have a positive impact on your company's bottom line, but the first step is always to identify current process issues and discover opportunities for improvement. Organizations that proposer in today's economy are the ones that continually evaluate their operational efficiency and look for new ways to drive productivity, cut costs and gain a competitive advantage.

While many organizations already have some level of automation in place, there are potentially more benefits to be achieved from a more sophisticated level of automation. Best-in-class organizations realize improving existing processes, decreasing transaction times and attaining more value out of limited resources is critical to success in today's economy. These organizations are turning to fully automated Accounts Payable processes and are reaping the cost-saving and productive benefits that follow.

At KnowledgeLake, we believe that Accounts Payable departments that rely heavily on manual processes have a remarkable opportunity to drive value not only within the walls of the AP department, but throughout their entire organization. We have witnessed first-hand the cost-saving and productivity benefits that come as a result of a well-executed AP automation strategy. It is our intention that the information provided in this paper will help justify and accelerate your AP department's journey to a more streamlined Accounts Payable process.

"With KnowledgeLake, we were able to achieve an all-in-one solution so our accounts payable clerks don't have to go through the cumbersome process of keying in information manually."

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