

# INIV Invoice Automation

Automating AP Processes through Imaging and Workflow

## Featuring Insights on...

Case for Automation

Invoice Automation Universe

Flavors of Invoice Automation

Benefits of Automation

Invoice Management Best Practices

Key Performance Indicators

Selecting a Solution

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## Executive Summary

In the current economic climate, organizations are constantly being challenged to get more done with fewer resources. Doing more with less has become the mantra of the day. And accounts payable (AP) is no exception to this. AP departments now have to process more invoices and pay them faster, all with the same or sometimes even a smaller staff.

The biggest stumbling block to accomplishing this has been a continued reliance on paper-based invoices and people-based processes. More than half the organizations that participated in PayStream's "Invoice Automation Benchmarking Survey 2010" stated that the biggest challenge plaguing their AP department is the fact that a majority of invoices are received in paper format.

The idea of a paperless corporate America has filled the heads of futurists ever since information technology began to make big strides. In the 1970s, many people looked ahead to the year 2000 and theorized that by then businesses would exchange information in a fully electronic manner. The evolution and wide acceptance of the Internet further validated this theory.

However, this has not come to pass in the business-to-business (B2B) landscape, particularly in the accounts payable world. No one ever imagined that removing paper from the AP process would be so challenging. But all is not lost. A significant shift is beginning to shake traditional AP operations, starting with the search for automation options that help them address the hassles inherent to manual and error-prone activities. Our research indicates that invoice automation solutions - which combine front-end imaging, automated data capture, electronic invoicing and approval workflow - that streamline the invoice receipt-to-pay cycle have matured and become mainstream technology.

These new technologies have been given further impetus by the fact that the AP department is no longer considered just a cost center. Innovative financial managers are now recognizing AP automation as an area offering tremendous potential to generate bottom-line improvements with processing acceleration and discount management abilities, better ability to monitor and manage spend, strengthen working capital positions, and build stronger trading relationships.

Given this interest in AP automation solutions, PayStream has developed this Technology Insight Series report titled "**Invoice Automation: Automating AP Processes through Imaging and Workflow**" for those organizations that have an active interest in invoice automation but need help identifying appropriate strategies, vendors and solutions.

### Report Highlights

What challenges are organizations facing in their AP operations?

What factors are driving an interest in invoice automation?

What did PayStream surveys around invoice automation reveal?

What imaging and workflow functionality is available as part of invoice automation solutions?

What best practices are companies using to complement technology initiatives?

Who are the key players in this market and what solutions do they offer?

How can your organization go about selecting the solution that best fits your needs?

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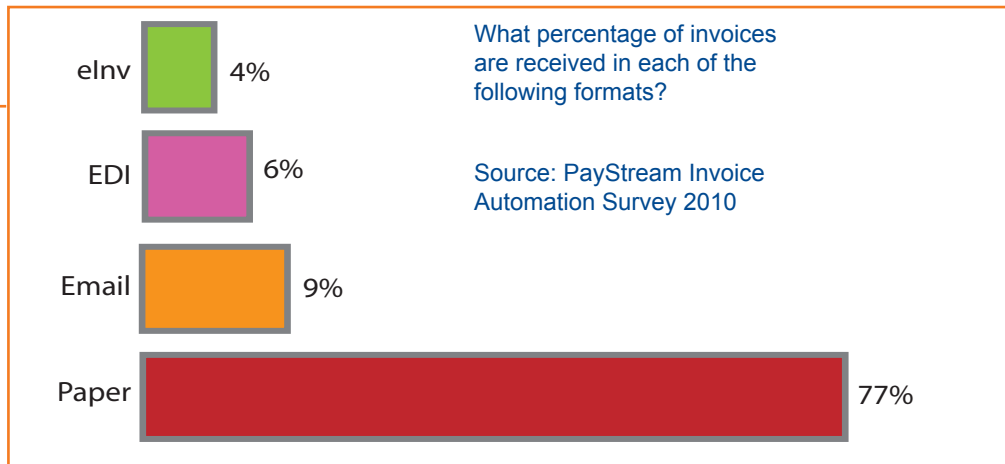
# Building a Case for Automation

## Challenges Inherent to Manual Processes

Organizations today are swimming in paper, and the accounts payable department is no exception. PayStream’s “Invoice Automation Survey 2010” revealed that in spite of the widespread availability of accounts payable automation solutions, paper remains the rule, not the exception, when it comes to trading invoices and payments between buyers and suppliers. Figure 1 indicates that a typical AP department still remains mired with paper-based invoice processing.

**Figure 1**  
BREAKDOWN OF INVOICES VIA RECEIPT METHOD

Most companies still rely on error-prone and costly paper methods when it comes to receiving supplier invoices

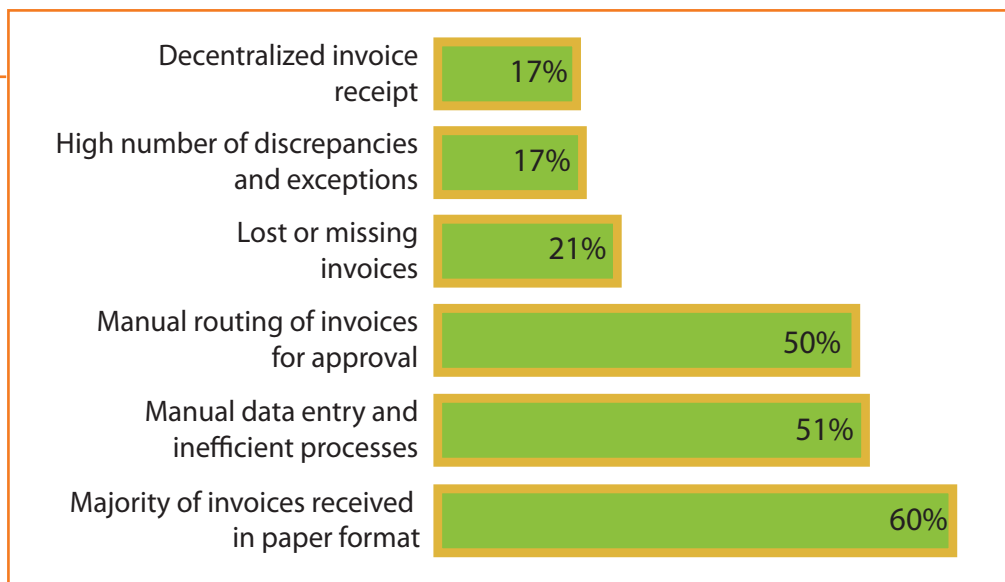


Given this over-reliance on people and paper-based processes, it is not surprising that AP departments are facing a number of challenges in their invoice processing cycles. Figure 2 leaves no doubt that paper invoices are the enemy of efficiency in AP operations. Receipt of invoices in paper format leads to a horde of other problems downstream, including lost or missing invoices, high number of discrepancies and exceptions, lack of visibility into outstanding liabilities and inability to capture all discounts offered by suppliers.

**Figure 2**  
CHALLENGES IN THE INVOICE MANAGEMENT PROCESS

The reliance on people and paper emerged as the biggest problem plaguing AP departments

Source: PayStream Invoice Automation Survey 2010



## Increasing Interest in Automation

Automation solutions that enable AP departments to automate the invoice receipt-to-pay process are dramatically changing the invoicing and payment landscape. A new crop of invoice automation solutions - that combine invoice imaging, automated data capture, electronic invoicing and automated workflow - are making significant inroads into reducing inefficiencies and driving costs out of companies' financial operations through the elimination of paper.

We are seeing a renewed interest in these innovative technologies owing to the fact that the AP department is no longer considered merely a cost center. Increasingly, financially savvy managers have started viewing the AP department as having tremendous potential to not only deliver tactical benefits like cost containment and productivity enhancements, but also strategic benefits around supplier relations and working capital improvements.

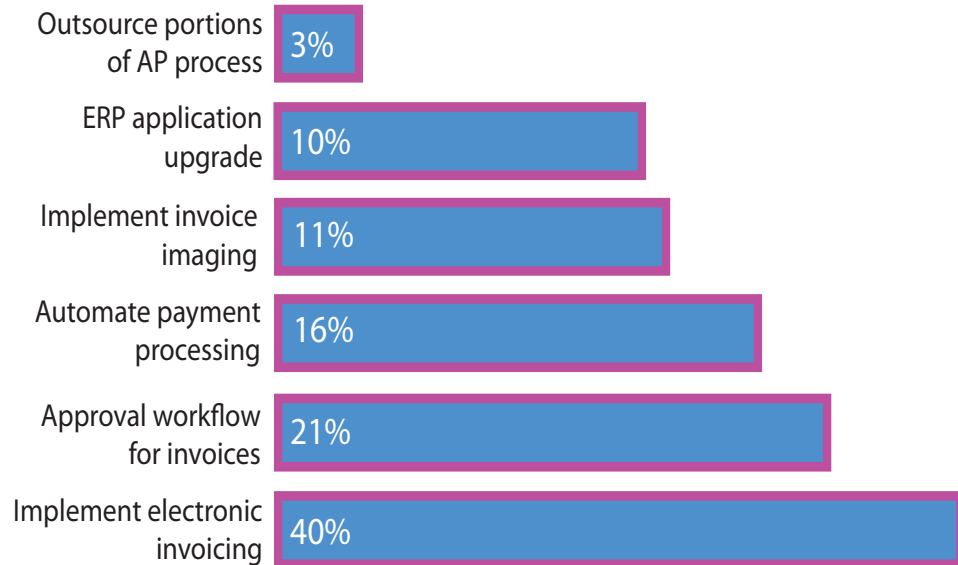
Research by PayStream analysts suggests that these forces have done wonders to raise the profile of invoice automation solutions. Given these factors, it is not surprising that a number of organizations are taking a hard look at AP automation tools and technologies. Results from the "Invoice Automation Survey 2010" reveal that the top four automation goals for 2010 for a majority of organizations revolve around improving their invoice and payment management processes.

### **Figure 3**

#### **TOP FINANCIAL AUTOMATION GOALS FOR 2010**

Improving invoice and payment management processes emerged as the top priorities for this year

Source: PayStream Invoice Automation Survey 2010



## Factors Driving Automation Initiatives

While numerous AP automation options have been available for many years, a number of organizations, especially small and medium sized ones, are just now starting to dip their toes in the automation waters. What factors are driving their interest in automating AP operations? Why does it make sense to automate now?

- Organizations that were initially skeptical about automation are learning from the experiences of their counterparts that have already automated and now see the tremendous potential of automating AP operations.

- An interest in transforming the accounts payable department from a cost center to a profit center is driving organizations to seek out innovative means to achieve this objective.
- A competitive business environment is prompting organizations, especially smaller companies, to focus on reducing processing costs and increasing efficiencies associated with invoice and payment processing.
- Streamlining the AP process has become extremely important in a tough economy where adequate cash flow and greater control over payables are critical in maintaining liquidity and sustaining business operations.
- An increased interest in early payment discount capture is driving companies to investigate tools and technologies that enable them to compress their invoice receipt-to-approval cycles.
- The evolution of on-demand and Software-as-a-Service (SaaS) delivery models has significantly lowered the upfront cost of implementing AP solutions and reduced the hassle of maintaining them.
- SaaS solutions that defer solutions costs over a longer period of time are becoming appealing to companies that find it easier to get budgetary approval for operating expenses than capital expenditures.
- The convergence of electronic invoicing and front-end invoice imaging presents organizations with a single, comprehensive solution that can manage both paper and electronic invoices through a common process.

### The Time to Act is Now!

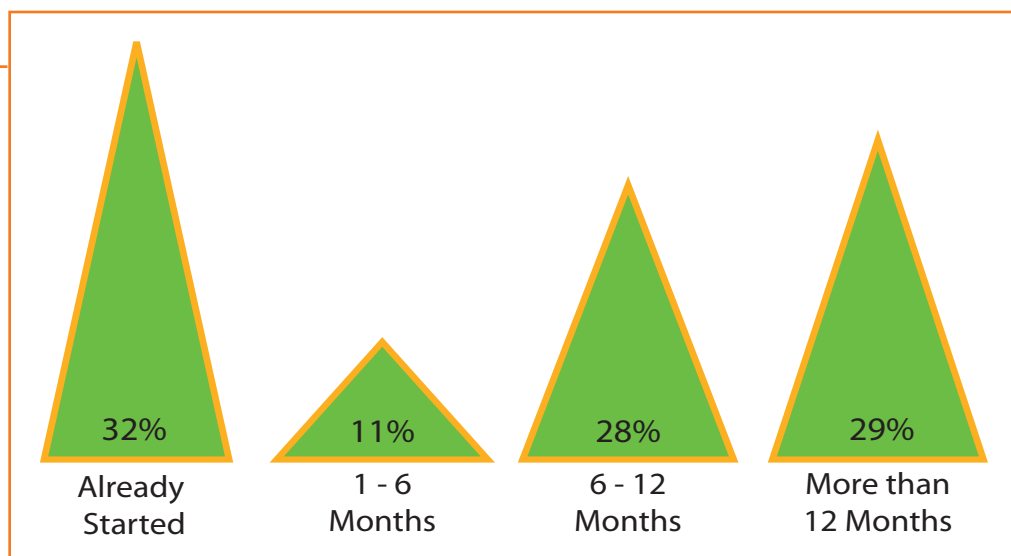
It is encouraging to note that organizations are not just understanding the value of AP automation but a number of companies have already started acting on their automation initiatives in order to overcome the challenges they are facing in their AP departments. Almost a third of the companies (32 percent) that participated in PayStream’s survey have already started implementation of their top AP automation initiative.

**Figure 4**

**TIMEFRAME FOR IMPLEMENTATION OF TOP AUTOMATION INITIATIVE**

A lot of companies have already started implementing their top automation initiative

Source: PayStream Invoice Automation Survey 2010



## Defining the Invoice Automation Universe

Invoice automation solutions compress the invoice receipt-to-pay cycle by enabling organizations to convert paper invoices into digital images and extract data from the images or receive invoices electronically, store all invoices and associated images in a Web-based repository for rapid retrieval, and leverage automated workflow to enhance approval processing.

### Components of the Invoice Automation Universe

The invoice automation universe is comprised of a number of different functional components. Some vendors deliver all the functionality in an integrated, end-to-end solution, while other focus on some of the components.

#### ***Paper Invoice Receipt***

This is the hands-on process that is necessary to prepare paper invoices for scanning and electronic access. Steps may include sorting invoices into different batches (by cost center, business unit, vendor type, etc.), removing invoices from envelopes, removing staples, and making photocopies of smaller items, if required. Sometimes blank separator pages need to be inserted between invoices and their attachments. AP operators in the mailroom typically carry out this step.

#### ***Document and Data Capture***

This is the process of converting paper invoices and other transaction-related documents into digital images and index data. Document scanning and data extraction could be centralized or remote, based on the organization's needs. Specific steps include scanning, image enhancement, indexing, validation, and data extraction, most of which are handled automatically by the solution being used. In some cases manual data entry or review of extracted data is required.

**Figure 5**

#### **INVOICE AUTOMATION UNIVERSE**

Invoice automation solutions improve the invoice receipt-to-payment cycle by streamlining how organizations receive and approve invoices and make payments.



### ***Electronic Invoicing***

Most invoice automation solutions come bundled with a vendor portal or can be integrated with an electronic invoicing network, which suppliers can use to submit invoices electronically. Suppliers have the option of selecting the method that best suits them from a range of electronic submission options; enter data manually in the portal, flip purchase orders into invoices, or browse and upload documents from accounting systems. The electronic invoicing component is also configured with validation checks and buyer-defined tolerance levels to check invoices for missing information and exceptions. Suppliers are immediately notified about invoices that fail the validation criteria and are asked to correct the exceptions before the invoice is forwarded to the AP department.

### ***Content Management***

This refers to the delivery, storage, management, and disposition of electronic documents and index data. Some invoice automation solutions come bundled with a central repository that can store invoice images and data while others rely on third party content management solutions for this purpose. The content management system integrates closely with clients' existing ERP or back-end accounting systems to enable seamless retrieval of documents from within the client system to users with the appropriate access rights.

### ***Matching and Workflow***

This includes the matching of PO-based invoices as well as the electronic approval of non-PO based invoices and the resolution of any exceptions related to PO invoices. Most solutions allow the creation and maintenance of workflows through a menu-driven, easy to use interface, which can be managed by business administrators, without the involvement of the IT department. Tasks and pending invoices can be routed to various individuals within the organization according to pre-defined business rules. Common features include automatic notifications to users when specific actions are required, reminder messages, and escalation procedures based on approval hierarchies.

### ***Reporting and Analysis***

Analyzing key invoice receipt-to-pay metrics and the ability to monitor individual user's actions for quality control and load balancing is a key part of implementing an invoice automation solution. Typical reporting and analysis tools include the generation of standard and ad hoc reports detailing invoices pending approval, past due invoices, and average invoice processing time. Some solutions offer robust reporting capabilities bundled with the solution, while others only allow for download of transactional data to third-party reporting tools.

## Different Flavors of Invoice Automation

All invoice automation solutions share the common goal of improving organizations' management of their invoice receipt-to-pay processes. However, not every solution follows the same approach or provides similar functionality at each step of the cycle. Therefore, accounts payable professionals should understand the different forms that invoice automation solutions can assume.

### Back-End Document Capture and Archival

The simplest form of invoice automation is the usage of scanning technologies for back-end imaging and archival. Operators batch and scan paper documents at the end of the invoice receipt-to-pay process. AP staff then indexes the invoices manually by using a split screen view to key information from invoice images into electronic forms. Once indexing is complete, the document images are stored in an electronic repository for retrieval, based on the searchable fields created.

Historically, AP departments have used imaging in this manner to eliminate physical storage requirements, facilitate document retrieval for discrepancy resolution and audits, and improve responsiveness to supplier inquiries. Since scanning and indexing occur after approval processing, the invoice approval process continues to follow its current manual and paper-intensive course.

### Front-End Document and Data Capture

Going one step further, AP departments can deploy an imaging solution at the front end of the cycle. In this scenario, paper invoices are scanned remotely or at a central processing facility upon receipt. Once invoices have been scanned and images enhanced to optimize recognition, data is extracted from the documents using automated image recognition technologies.

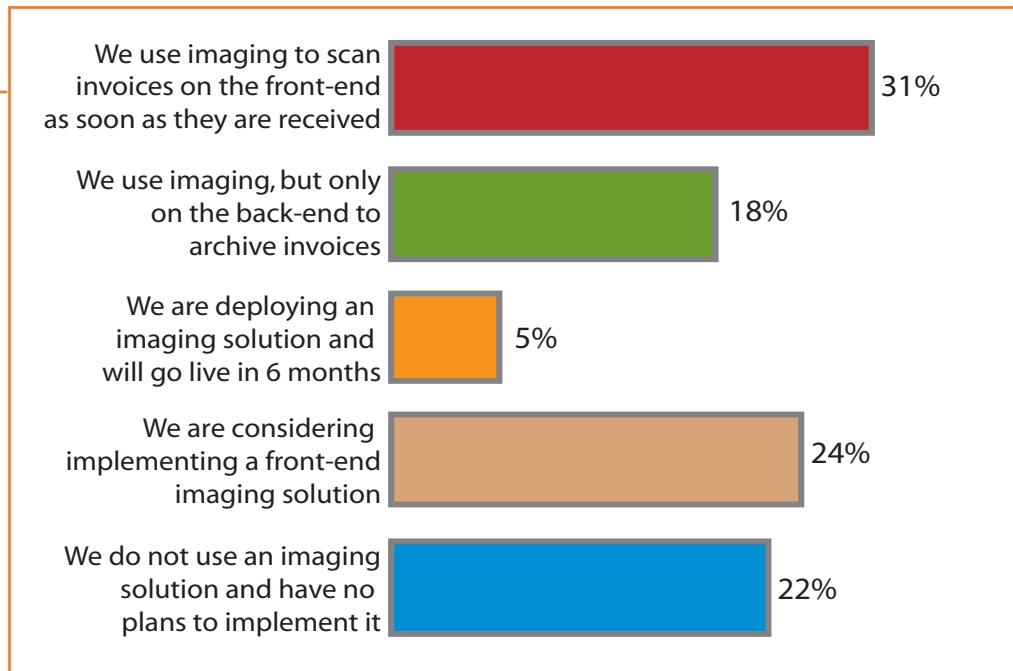
Front-end document and data capture represents a quantum leap over back-end imaging because it sets up genuine improvements to the invoice receipt-to-pay cycle.

**Figure 6**

**ADOPTION OF IMAGING TECHNOLOGIES**

Almost half the organizations have already implemented an imaging solution

Source: PayStream Invoice Automation Survey 2010



Validation rules ensure that the data extracted is valid and accurate by directing the solution to compare specific fields against the information held in the appropriate back-end system (e.g. purchase order numbers against the purchasing system). The final step is for an AP staff member to examine and validate the recognition results.

Many solutions display the invoice image and the data that the image recognition engine has extracted side-by-side on a computer screen. If there is a failed validation or a low confidence level for character recognition, then that field is highlighted for acceptance or correction by the staff member. When this is complete, the information is uploaded to the ERP or accounting system.

When used for front-end document and data capture, invoice automation solutions provide greater benefits than back-end imaging. Scanning invoices at their point of receipt – either in the field or at a central location – removes paper from the process and ensures that critical transaction-related documents are committed to secure storage immediately. Performing document and data capture at the beginning of the invoice receipt-to-pay cycle also minimizes the time required to enter invoices into queues for processing and payment.

### Leveraging Automated Data Extraction Tools

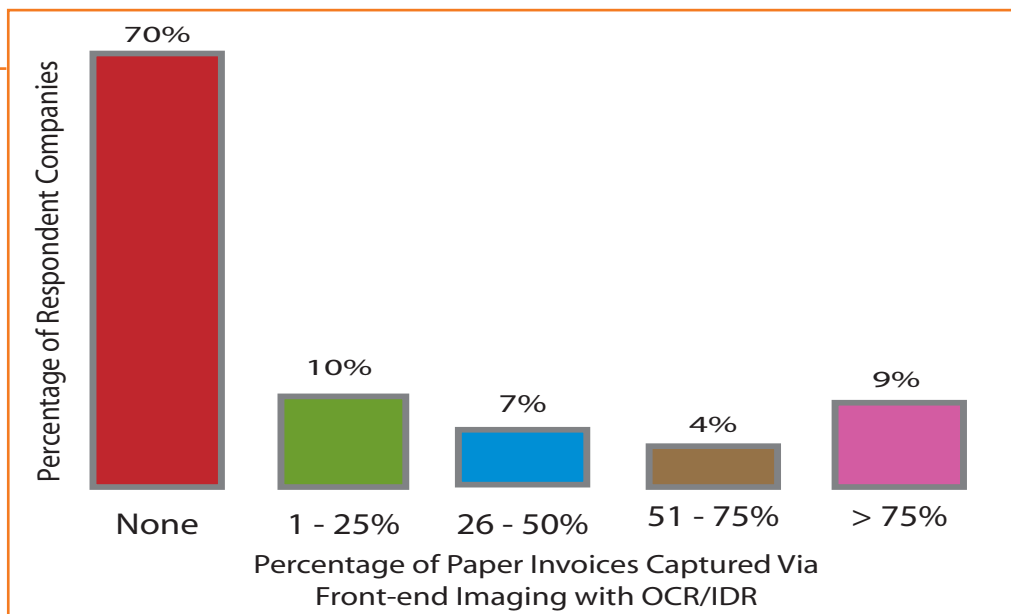
Tools and technologies that facilitate the extraction of information from scanned invoice images have had an interesting life cycle, starting from template-based optical character recognition (OCR) to free-form recognition and more recently, intelligent document recognition (IDR).

IDR systems enable end users to extract content from invoices without the system having to learn the layout of the invoice. Some intelligent engines are able to correctly sort batches on the fly, locate data fields such as invoice and PO number, as well as line item information, and then extract the desired content from those data fields. Intelligent solutions do not require the coding of rules or design form templates. Rather, the systems learn by reviewing a relatively small number of invoice samples. This helps the system scale to large invoice volumes and widely varying document layouts without requiring a human operator to specify a template for each one, or to explicitly create and tune an extensive library of keywords.

**Figure 7**  
FRONT-END IMAGING WITH AUTOMATED DATA CAPTURE

Only 13 percent of companies use automated data capture on more than half their invoices

Source: PayStream Invoice Automation Survey 2010



Embedded fuzzy search methods improve the extraction results by using other known data sources to automatically validate the information before exporting it to the ERP and document management systems. The benefit of this is that more invoices can be processed straight through, whereby documents can automatically flow from scan to post in the least amount of time and with a minimal amount of manual intervention. Fuzzy logic can also make the IDR solution language-agnostic, allowing global organizations to process high volumes of invoices in multiple languages.

### Front-End Capture with Matching and Workflow

In a more advanced form, invoice automation solutions combine front-end document and data capture with matching and workflow capabilities to streamline and automate invoice receipt and approval processing. Workflow solutions enable AP departments to define how different types of invoices are processed. PO-based invoices can be matched against the purchase order and receipt documents automatically, while non-PO invoices can be routed to the person or people who must approve them. All tasks are routed based on pre-defined business rules, and user roles and access rights can be set to match the organization's existing approval hierarchy.

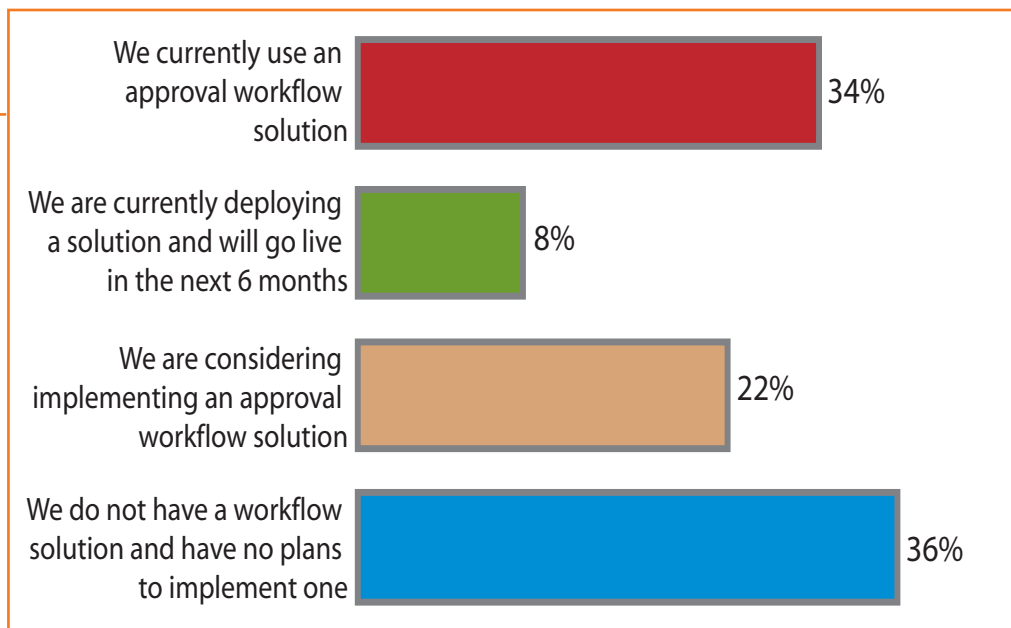
Approvers are typically notified via email when invoices require their review and approval. Users click on the hyperlink contained in the email messages and log onto the system to view, code, and approve the invoices online. Most solutions available today come bundled with alerts and reminders, out-of-office delegation rules and escalation procedures to ensure that invoices are processed in a timely manner.

Workflow-enabled invoice automation solutions automate more of the invoice receipt-to-pay cycle than stand-alone document and data capture solutions. They also deliver auditing, reporting, and management benefits that document and data capture solutions alone cannot provide. Workflow solutions track every action taken by each user on every invoice, providing a complete audit trail for all users and transactions. Users can respond quickly and effectively to supplier inquiries, while supervisors gain the ability to track the status of individual invoices, view the work of individual approvers, or monitor the entire approval process.

**Figure 8**  
ADOPTION OF  
WORKFLOW  
TECHNOLOGIES

More than a third of the organizations have already implemented an automated workflow solution

Source: PayStream Invoice Automation Survey 2010



## Combining Electronic Invoicing with Imaging and Workflow

The most sophisticated invoice automation solutions combine front-end document imaging and data capture with electronic invoicing and automated workflow. This enables organizations to process all the invoices - irrespective of whether they are submitted in paper or electronic format - through a single, common process.

Under this scenario, AP staff work with the technology provider to transition suppliers from paper to electronic means of invoice submission, usually a stand-alone portal or a shared supplier network. Most solutions offer suppliers multiple options when it comes to submitting electronic invoices - direct integration with ERP and billing applications to transmit invoices in a hands-free manner without manual intervention, flipping purchase orders into invoices and Web forms and templates that can be used to generate electronic invoices.

Once invoices have been submitted, they can be subjected to a range of validation criteria based on buyer-defined rules - check for mathematical integrity and duplicates, ensure completeness and accuracy of information provided on invoices, apply business rules and tolerances etc. Invoices that do not meet any of the specified criteria are flagged as exceptions and suppliers are asked to correct them. Clean invoices are then forwarded for further processing.

For suppliers that continue to send paper invoices, organizations can use front-end imaging and data capture to extract information from the invoices. After the data extraction step, these invoices are also processed using the same matching and workflow rules as the electronic invoices.

Another practice that is gaining popularity is the outsourcing of the scanning and data capture function in conjunction with electronic invoicing. In this case, a third party service provider takes on the responsibility of receiving invoices, scanning them and extracting the requisite data.

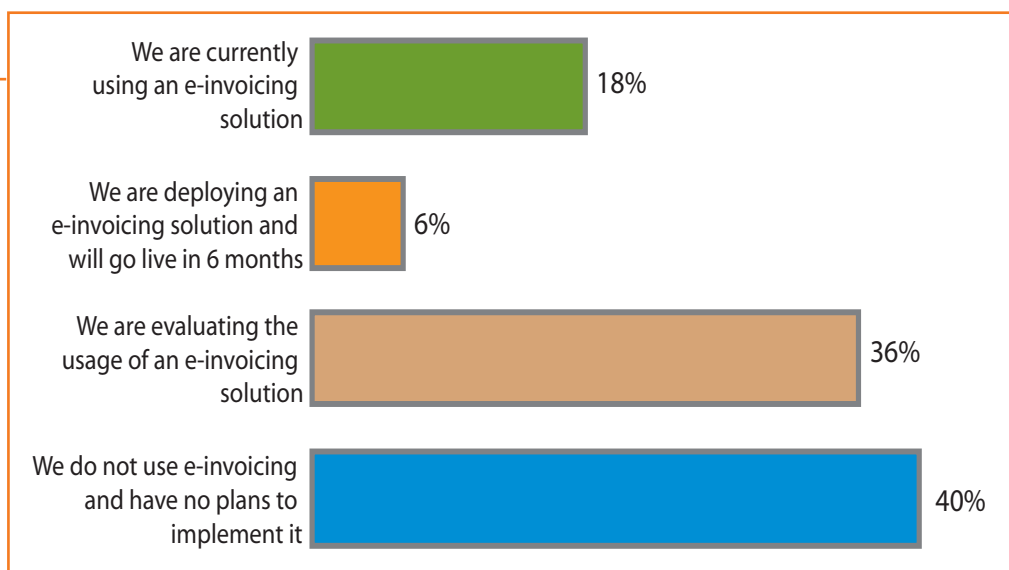
These advanced invoice automation solutions enable organizations to process and approve all invoices from a common, integrated platform, irrespective of the channel of entry.

**Figure 9**

### ADOPTION OF E-INVOICING SOLUTIONS

Less than a quarter (only 18 percent) of companies are currently using an e-invoicing solution

Source: PayStream Invoice Automation Survey 2010



## Tangible Benefits of Invoice Automation

It is clear that the benefits of invoice automation are tangible and achievable. Depending on the type of solution implemented, organizations can achieve a wide range of benefits.

The biggest benefit of automating the invoice receipt process is **fewer lost or missing invoices** for a majority of organizations. Invoice automation facilitates immediate visibility and makes invoices actionable to all relevant parties, irrespective of where they are located geographically.

Another significant benefit of invoice automation is **quicker approval cycles**. Our research shows that automating invoice receipt, combined with automated matching and approval workflow, can shrink approval cycle times from 23 days or more to as little as five days, through the elimination of manual data entry and by ensuring that invoices are reviewed and approved in a timely manner.

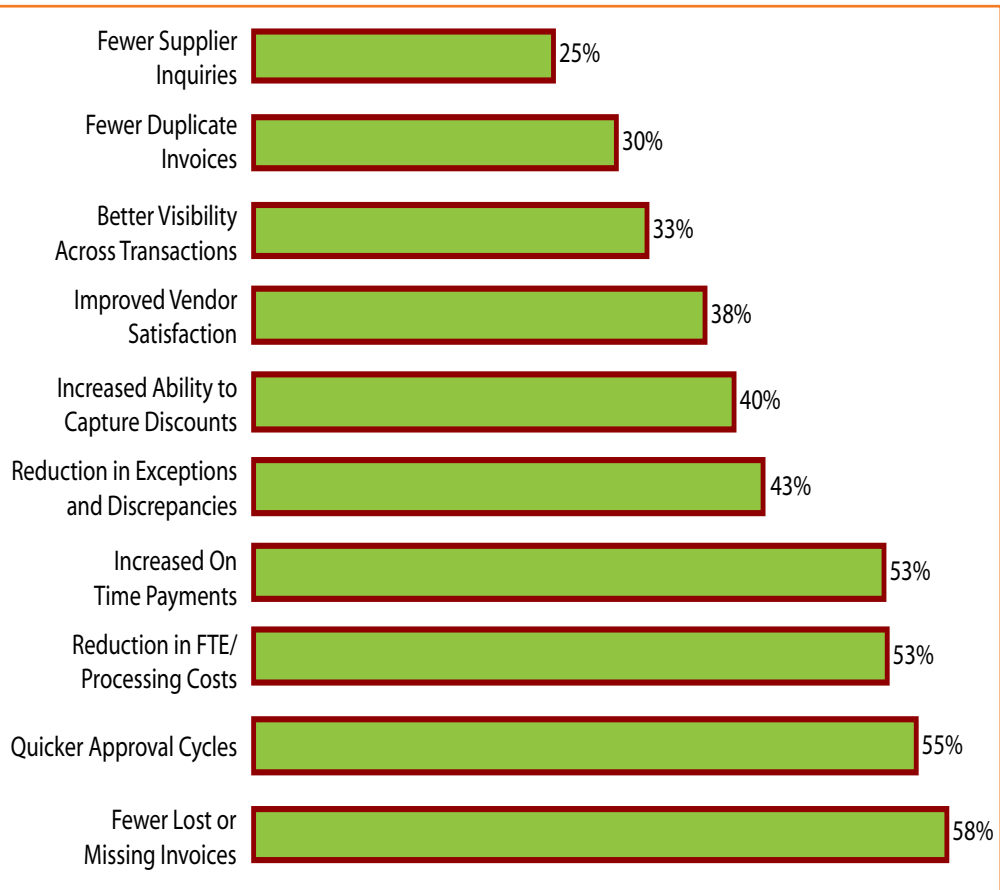
The ability to accelerate approval times has allowed organizations to **increase their on-time payments** as well. Elimination of manual data entry and paper-based routing of invoices along with the reduction in discrepancies and exceptions brings another benefit to the equation, the ability to **reduce staff and processing costs**.

The ability to redeploy staff from low value-adding activities to more strategic tasks like vendor relations, spend management and incremental discount capture is an added bonus.

**Figure 10**

**BENEFITS OF INVOICE AUTOMATION**

The benefits of invoice automation are numerous including fewer lost invoices, quicker approval cycles and increased on-time payments



## Invoice Management Best Practices

During the late 1990s and early 2000s, owing to the astronomical growth of the Web to conduct business and the maturation of Internet technologies, most organizations had “automation” on their corporate agenda, and invoice management appeared to be a good place to start. A plethora of solutions - imaging, workflow, e-invoicing and electronic payments - cropped up in the marketplace and organizations were rushing to implement these in hopes of achieving tremendous cost savings, enhanced spend management capabilities and improved supplier relations.

Unfortunately, not every adopter of AP automation saw the anticipated benefits materialize. However, organizations have learned a big lesson through the process. Technology is not the be-all-and-end-all of an automation initiative; it is just an enabler. The key to successful AP automation lies in the redesign of invoice and payment management processes and a strong strategy to leverage the available technology to meet each organization’s specific business requirements.

In this section, we take a look at some of the best practices innovators are following to complement their technology.

### Invoice Receipt

There is no doubt that paper invoices are the enemy of efficiency in the AP department. This challenge is further compounded by the fact that invoices are rarely sent directly to the AP department. In a lot of cases, suppliers send invoices to buyers in the purchasing department or field approvers. Sometimes the invoice is sitting on an approver’s desk for two to three weeks, without even being entered into the accounting system. Worse, some companies don’t even have a formal policy that specifies where invoices should be sent.

This results in a number of problems:

- Senior management does not have visibility into all of the company’s outstanding liabilities when making investment and borrowing decisions.
- Invoices are beyond the discount period by the time they are entered into the accounting system and ready for processing.
- Suppliers could stop sending inventory or put your company on credit hold because invoices are not paid on time.
- This also increases the potential for duplicate invoices if the supplier sends a second invoice.

#### **Centralization is the Way to Go**

A formal policy mandating that all invoices should be sent to the AP department is the first step in addressing this issue. Respondents to PayStream’s recent survey on electronic invoicing understand the value of centralization, with more than two-thirds (67 percent) of companies surveyed stating that they were receiving and paying their invoices from one central location.

When placing an order itself, provide the supplier with the address where the invoice should be mailed. Once invoices are received, they can be entered into the accounting system, with visibility to all the relevant parties.

#### **Leveraging Automated Technologies**

Front-end imaging ensures that invoices enter the system quickly and are available to all the parties immediately, irrespective of where they are located. Combining

### Invoice Receipt Best Practices

Centralize invoice receipt;

Institute a formal policy;

Notify suppliers where to send invoices; and

Leverage front-end imaging and e-invoicing.

imaging with automated data capture adds further benefits in terms of quicker data extraction and fewer errors.

An electronic invoicing solution goes a step further in streamlining the invoice receipt process. All invoices are submitted via a central solution and suppliers receive immediate confirmation that their invoices have been received.

### Invoice Validation

#### Invoice Validation Best Practices

Leverage electronic invoicing to validate invoices at the time of invoice submission;

Configure robust business rules against which invoices are validated;

Notify suppliers immediately about exceptions and ask them to correct them.

Another challenge that ties up AP resources and results in lengthy approval cycles and late payments is a high number of exceptions and discrepancies. In many cases, invoices that are sent to the AP department for approval have missing or inaccurate information, which can take days or even weeks to resolve before the invoice can be processed and paid. The exception resolution process itself can be quite painful and involve a number of calls and/or emails between AP staff, field approvers and suppliers.

#### **Leveraging Business Rules and Tolerances**

Invoice automation solutions can greatly alleviate this problem through a variety of stringent business rules and tolerance levels built into the systems. At the time of invoice receipt itself, the solution can apply multiple validation checks to ensure that the invoice has all the required and correct information. Is the PO number valid? Is the invoice number a duplicate? Does the invoice have an approver name on it? If the invoice fails to satisfy any of the validation criteria, the supplier is notified immediately and asked to correct the error on the invoices.

This ensures that only clean invoices come into the AP department for processing. Another advantage of this is that the clock on discounts starts ticking only after all the exceptions on the invoice have been rectified.

### Approval Workflow

The AP department typically deals with two types of invoices – purchase order (PO) based invoices and non-PO invoices. PO invoices go through a two or three way match before they can be paid whereas non-PO invoices need approval from the appropriate person in the organization. Sometimes PO invoices need to be reviewed by an approver if they fail the match process.

What happens in most organizations is that invoices that could not be forwarded to the appropriate user for review and approval end up in an “exception queue” or “red light area” and these exceptions have to be manually resolved by the AP staff. It can take many days for some of these exceptions to be resolved, which significantly lengthens the invoice receipt-to-pay cycle.

#### **Formalizing the Process**

Identify all the people in the organization who can approve invoices. The approvers can be classified by the types of invoices they can approve – invoices from a specific vendor, certain spend types, up to a dollar limit, for example. All AP employees who will route invoices for approval should have a copy of the list and be familiar with who should review what type of invoices. A similar list should be made identifying the appropriate persons who would be responsible for collaborating with the suppliers or buyers to resolve exception invoices.

Make sure that these lists are updated periodically or when employees leave the organization and ensure that old lists are collected and destroyed when new lists are made.

#### Invoice Routing Best Practices

Identify approvers by type of invoice;

Update approver lists periodically;

Train AP operators on approval chains; and

Leverage automated workflow solutions.

### ***Taking it Further With Automated Workflow***

Organizations can further streamline this process by leveraging an automated workflow solution. In this case, the approver list is maintained and updated in the automated workflow solution itself. Invoices, once entered in to the solution, will be routed to the required approver automatically, based on pre-defined business rules. The business logic is typically configured at the time of solution implementation and can be updated as needed.

Employees who have invoices pending their approval receive email notifications with links to specific invoices. Users have the option of either approving the invoice directly from the email itself or they can log into the system to view more details about the invoice. Workflow solutions also come bundled with reminder and escalation features. If no action is taken on an invoice within a certain period of time, either a reminder can be sent to the employee or a message can be sent to the employee's manager. This ensures timely processing of invoices.

### **Supplier Management**

The biggest barrier hindering AP automation initiatives, especially when it comes to electronic invoicing, is supplier adoption. Persuading suppliers to change their processes to align with buyer's needs is a costly and time-consuming process, and success depends largely on the buyers' ability to present a compelling value proposition to suppliers.

Many buyers have failed to effectively communicate the value of AP automation initiatives to their suppliers, and as a result, struggled to generate the results they expected from implementing e-invoicing solutions. In order to ensure the success of their AP automation efforts, buyer organizations need to be more proactive in demonstrating the benefits of AP automation to their supplier base.

#### ***Involve Suppliers from the Start***

When implementing any automation technology that will involve a change to the supplier process - whether it is around invoice receipt or payment - communicate this initiative to your suppliers as early as possible. If it is not possible to keep all your suppliers involved, at least notify strategic suppliers about imminent changes. And keep suppliers in the loop as much as possible about any changes that are expected on their part. Supplier conversion and management should be a key component of any AP automation strategy and not an after thought to the technology implementation process.

#### ***Value Added Services from Invoicing Vendors***

Given that supplier adoption is a critical component of any electronic invoicing solution, many technology providers deliver strong value-added services around supplier recruitment and enablement. This includes segmenting vendors based on different criteria to identify those most likely to adopt, developing mail/email/phone activation campaigns for different suppliers types and actually contacting suppliers to bring them onboard the automation solution. Organizations that do not have the in-house resources to tackle these tasks should leverage the expertise and experience of their technology provider for supplier onboarding.

### **Discount Management**

One of the major drivers for AP automation has been senior management's emphasis on improving visibility to payment liabilities. This has come to bear along with a strong push toward increasing discount capture from suppliers. In today's economy, where interest rates are virtually zero, an early payment discount term of 2%10

### **Supplier Management Best Practices**

Keep suppliers in the loop from the start of a technology implementation;

Notify them of any imminent changes to the invoice and payment process;

Leverage the value-added services delivered by AP automation vendors.

net30 translates to an APR of almost 36 percent, which is very appealing to buyer organizations. However, the biggest hindrance to discount capture is paper invoice receipt and processing. Research from PayStream shows that the average invoice cycle time is 23 days from receipt to approval, while best-in-class companies have succeeded in compressing this cycle to as little as 5 days.

### **Learn from the Innovators**

What are these innovators doing that you can also adopt in order to maximize discount capture?

## **Discount Management Best Practices**

Develop close communication between procurement and accounts payable;

Leverage automated technologies like front-end imaging, automated workflow and electronic invoicing to compress the invoice receipt-to-pay cycle.

- Communication and integration between procurement and accounts payable ensures that AP processors are aware of available discounts.
- Front-end imaging, combined with automated workflow, makes invoices available to the approvers quickly and shrinks the approval cycle.
- Electronic invoicing can further compress the invoice receipt-to-pay cycle by as much as 10 days by eliminating mail and desk float.
- Validation capabilities that are provided in conjunction with e-invoicing place the burden of submitting a clean invoice on the supplier, instead of tying up valuable AP resources.
- Prioritization capabilities available as part of approval workflow solutions allow organizations to move invoices with discounts to the top of the processing queue, ensuring that they are approved in a timely manner.
- Alerts, reminders, out-of-office delegation and escalation procedures keep the invoice approval process moving smoothly.

## **Payment Processing**

There is no question that lack of proper procedures around invoice receipt and approval lead to profit leakage through duplicate and erroneous payments. This is one reason recovery audit services (RAS) has grown into a billion dollar industry. RAS firms are brought in by companies to comb through historical transactions and identify erroneous payments to suppliers, which they then try to recover. Anyone who has tried to get money back after the check has already been cashed knows how painful it can be. Sometimes, the supplier is no longer in business and that is just lost money.

### **Check Before You Pay**

All invoices should be checked against previous payments to ensure no duplicate payments are made. This means not just checking invoice numbers, but checking against a combination of criteria. For example, if the amount and date on two invoices are the same it might be a duplicate even if the invoice numbers are different. If it is not possible to check every single payment, the AP department should at least spot-check a certain percentage of transactions each time payments are made.

### **Taking it Further With Proactive audits**

Taking it a step further, sophisticated invoice and payment audit technologies are now available as part of invoice automation solutions. Alternatively, a number of best-of-breed payment audit solutions that integrate seamlessly with numerous accounting applications are also available. These solutions run a variety of algorithms on the transactions to flag potential duplicates. Clients have the option of configuring the business logic, which will be applied to identify erroneous payments. On a periodic basis, a report is generated with potential payment errors, which needs to be resolved before the payments are made.

## **Invoice Payment Best Practices**

Check invoices against historical data before making payments;

Leverage invoice audit functionality available as part of invoice automation solutions; and

Implement best-of-breed payment audit solutions.

## Key Performance Indicators for AP

“What gets measured gets done” is an old adage, which is still very applicable to any business, or for that matter any task. The accounts payable process has a number of moving parts and people and unless certain metrics are identified and performance measured against these indicators, it is quite likely that something will fall through the cracks.

To ensure the smooth functioning of an AP department, key performance metrics (KPIs) should be measured periodically - at least once every quarter or six months. These metrics become all the more critical when a company is going through a merger or acquisition, new technology implementation or organizational restructuring. Measuring and comparing KPIs before and after any of these initiatives is a good indication of the impact it had on the AP process.

Here are some key KPIs every accounts payable department should track on a regular basis.

### ***Number of Invoices Processed Per Day Per Operator***

This metric can help an organization understand the invoice efficiency of each AP operator. If some operators are way ahead of the curve, they might be able to share tips or train others that are lagging behind. Invoice efficiency also enables you to try different ways of allocating invoices to specialists – PO vs. non-PO invoices, by spend type or by geographic location/business unit – and determine the one that works the best.

### ***Average Cost to Process an Invoice (By Invoice Type)***

Calculating processing costs can provide valuable insights into the factors driving the costs and ideas on reducing total costs. Include salaries and benefits, facilities and hardware, software and IT support and managerial overhead in cost calculations. Also calculate processing cost by different types of invoices – eg: clean vs. exception – and by steps involved in each process – eg: data entry vs. exception resolution – to address the expensive invoice types and processes.

### ***Exception Invoices as a Percentage of Total Invoices***

It is a well known fact that exception invoices cost way more to process than clean invoices and drive up the overall processing costs for the AP department. Track the number and dollar value of invoices that end up in an exception queue and log details such as expense type, vendor information and type of exception. Understanding the source of exceptions and addressing them is critical to reduce the occurrence of exceptions.

### ***Average Time to Approve an Invoice from Receipt to Payment***

Knowing how long it takes an invoice from the time it gets to the AP department to the time it is ready to pay can help AP managers identify where it spends the most time – data entry, approval or exception management – and take the appropriate steps to compress the invoice receipt-to-pay cycle. Accelerating the processing cycle can help reduce late payment penalties and increase capture of discounts offered by suppliers.

### ***Electronic Invoices as a Percentage of Total Invoices***

Electronic invoices are quicker and cheaper to process as there is no mail float, desk float or data entry involved in the process. Track the percentage of electronic invoices as well as the percentage of suppliers sending them. Increasing the percentage of invoices that come into the AP department in electronic format had a beneficial

impact on the other two metrics you are tracking – average processing times and costs.

**Suppliers Onboard Invoicing as Percentage of Total Suppliers**

The best electronic invoicing solution will not deliver a payback, unless a critical mass of suppliers have been onboarded. Develop a supplier recruitment and enablement plan along with solution implementation itself and periodically track the percentage of targeted suppliers that have been migrated from paper to electronic invoicing. If the percentages are too low, then it is time to change the activation campaigns and supplier communication methods.

**Discounts Captured as a Percentage of Discounts Offered**

While a lot of suppliers may offer a discount for paying early, most companies are unable to capture all the discounts that are offered to them due to lack of visibility into the existence of discounts or lengthy approval cycles. Track the invoices where discounts are missed with reason codes as to why the discount was missed so that invoices with associated discounts can be prioritized and processed as quickly as possible.

**Erroneous Payments as a Percentage of Total Payments**

Duplicate payments, missed discounts, unreconciled returns and other errors in payments are a huge drain on the bottom-line. Tracking dollars lost to payment errors promptly can help recoup the monies from suppliers quickly. Keeping a log of error codes can help understand the source of errors and address the problem at the root itself, instead of trying to recover the funds after the fact.

**Developing the Paper Invoice Quotient (PIQ)**

The Paper Invoice Quotient (PIQ), a score developed by PayStream from a standardized survey that represents dependency on paper in accounts payable, is fairly representative of processing efficiency. An organization’s PIQ is determined by dividing the percent of electronic invoices (those invoices that do not need any manual data entry, whether EDI, invoice network, p-card, or conversion of paper invoices by automated data capture) by the average number of approval days, from invoice receipt to approval, as shown in Table 1.

PayStream counsels its clients to work towards a PIQ ratio of at least three or more, either by increasing electronic invoice receipt to drive efficiency or accelerating processing speed to improve organizational effectiveness.

**Table 1**  
CALCULATING YOUR PAPER INVOICE QUOTIENT

<b>PERCENTAGE OF ELECTRONIC INVOICES</b>	10%	24%	40%
<b>APPROVAL TIME (NUMBER OF DAYS FROM INVOICE RECEIPT TO APPROVAL)</b>	28	24	14
<b>PAPER INVOICE QUOTIENT</b>	0.4	1.0	2.9

## ReadSoft Overview

ReadSoft's business strategy of "developing and marketing software for Document Process Automation and related management of information" is closely aligned with its corporate vision of "freeing businesses everywhere from manual handling of documents through Document Automation". Toward this objective, ReadSoft introduced ReadSoft DOCUMENTS, a solution to convert paper documents to electronic format for the automation of business documents. The solution was then adapted to meet specific needs of accounts payable departments and ReadSoft DOCUMENTS for Invoices was launched, first in Europe in 1997 and later in the United States in 2000.

ReadSoft maintains SAP and Oracle competency/development centers, which provide integrated solutions for companies utilizing SAP or Oracle ERP technologies, respectively. ReadSoft's market strategy includes a direct and channel part for SAP and Oracle and a channel only strategy for capture products. The company's objective is to provide its unique experience to the SAP and Oracle segment for companies with annual revenues in excess of \$500 mn, while leveraging partners to service the under \$500 mn market.

**Table 9**  
READSOFT  
COMPANY AND  
SOLUTION  
INFORMATION

<b>Website</b>	www.readsoft.com –International; www.readsoft.net – North America
<b>Founded</b>	1991
<b>Headquarters</b>	Helsingborg, Sweden – International; New Orleans – North America
<b>Other Locations</b>	London, Paris, Madrid, Sao Paulo, Sydney, Copenhagen, Oslo, Frankfurt, Chicago, San Francisco, Atlanta
<b>Employees</b>	489 world wide; 72 North America
<b>Customers</b>	6600
<b>Key Clients</b>	Lockheed Martin, Sony, Time Warner Cable
<b>Target Verticals</b>	All
<b>Partners/ Resellers</b>	SAP, Oracle, Knowledge Lake, Hyland Software, Altec, Microsoft, and IBM
<b>Awards/ Recognitions</b>	ERP Executive's Best of SAP SAPPHIRE® NOW award for Best Green Initiative, ECM Connection's ACE Award Winner in compliance

### Solution Overview

ReadSoft DOCUMENTS for Invoices consists of four production modules – Scan, Interpret, Verify, and Transfer – which provide the necessary scanning and data extraction functionality. The solution also delivers two administration modules, Manager and Optimize, which enable customers to configure the solution and specify control parameters. ReadSoft delivers INVOICEIT, a series of modules providing invoice management and workflow functionality specifically designed for the Oracle environment. The company also has the Invoice Cockpit Suite which delivers similar functionality for companies that are using SAP as their back-end accounting application.

**Invoice Receipt**

The solution can accept invoices from virtually any source and provide a direct feed into clients' ERP, accounting and workflow systems. It has multiple capabilities for receiving invoices into the organization and supports both centralized and decentralized scanning and indexing. Paper invoices are scanned and data is extracted by leveraging robust full-page OCR technology embedded in the solution. Invoices can also be received as attachments to emails, via fax servers, network scanners, digital senders or any third party image generating scanning applications. Electronic invoices can be submitted as data uploads, via EDI, XML, HTML and Web-based or supplier portal inputs.

**Data Extraction**

Paper invoices are converted into bi-tonal OCR-friendly images, using image enhancement features built into the scanner to maximize accuracy of data extraction. The solution uses OCR, a combination of free-form, advanced logic and learning capabilities, to extract information from invoices, including invoice date and number, vendor information, quantity and price as well as line item detail. We really liked the solution's ability to recognize multiple date formats and to convert them into a standard format specified by the customer, a valuable feature for clients receiving invoices from geographically dispersed suppliers. ReadSoft DOCUMENTS also delivers a validation interface to confirm or correct extracted data. Operators have the ability to improve on the solution's learning capabilities by drawing around the desired data, which is then stored for later use with that particular supplier.

**Vendor Portal**

ReadSoft has been serving the electronic invoicing needs of its clients for a number of years now. It provides a vendor portal that is hosted within the customer's environment that allows the exchange of business documents such as invoices, orders, consignment notes, between buyers and suppliers in a secure manner. The portal enables clients to configure business rules and tolerances, such as price and quantity checks, to validate all invoices that are submitted via the portal. Valid POs can be selected and then "flipped" into invoice transactions with validations applied prior to submission. On the supplier side, the portal allows suppliers to log in to access real-time updates to invoice status.

**Content Management**

While ReadSoft does not provide a content repository, its products are certified with many content management systems being used by the client. For example, in the SAP environment, any ArchiveLink compliant archive may be used. ReadSoft leverages the search and retrieval capabilities of the archiving system in use.

**Approval Workflow**

Robust workflow functionality is an inherent component of the ReadSoft solution suite. Clients that have an SAP back-end are served by ReadSoft's Invoice Cockpit, whereas for Oracle clients, ReadSoft delivers the INVOICEIT module for approval workflow. An undoubted strength of the solution lies in its ability to interact closely with customer's ERP or accounting system to validate the invoice information based on pre-defined business rules. The fact that these applications reside within the ERP systems and that they are also certified by the respective ERP vendors is an important value proposition. ReadSoft recently added a mobile approval component to its solution that allows users to review and approve or reject invoices from their smart phones and mobile devices.

Administrators can control individual user access rights via configuration tables and

a user definable configuration tool. Tasks are routed using either the ERP's GUI or the email client. Routing parameters are controlled via user definable configuration. The solution automates most of the invoice and purchase order matching process through this process. Invoices that meet specified criteria for a two-way match are automatically posted while those containing discrepancies are flagged for additional information. Invoices that do not have an underlying purchase order can be sent electronically for coding and approval by the appropriate users.

### ***Reporting & Analytics***

ReadSoft delivers reporting capabilities through its REPORTER tool, which provides detailed analysis over all aspects of the invoice processing, starting from imaging and data capture to workflow and payment processing. The tool comes bundled with dashboards for high-level visibility into the AP process coupled with detailed reporting on transaction status, cash flow analysis and payment details. For management purposes, the system also tracks key performance indicators such as number of invoices scanned, accuracy levels, number of invoices per approver and time taken by approvers to process transactions. While REPORTER comes with its own set of standard reports, it also makes data available to clients so they can load the information into third party reporting tools for additional analysis.

### **Implementation and Pricing**

Implementation of a ReadSoft capture only solution takes one to two weeks, while a full capture and workflow solution inside of SAP or Oracle can between 12 and 16 weeks. Implementation schedules vary with the breadth of solution functionality and the complexity of requirements. Implementation is typically done in four phases: design, install/configure, integration testing and go-live. ReadSoft pricing is typically based on the number of transactions processed in system. The solution can be purchased on a perpetual or subscription (rental) basis.

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## ReadSoft Case Study

As an oil pipeline and terminal company, TransMontaigne manages the acquisition, distribution, transportation, price risk, and administration of refined petroleum products throughout the supply chain. With a cost focus approach, the Fortune 500 company delivers maximum efficiency and supply to large fuel consumers such as FedEx and PepsiCo. But the dynamic efficiency of its distribution was missing in its AP department as processors suffered from low visibility and limited processing control.

### ***Business Challenges***

Fulfilling the vastly different supply chain requirements of its customers is simple with TransMontaigne's diverse and vertically complete services. But while ensuring the utmost efficiency and supply to its customers, TransMontaigne found itself desperate for efficient upgrades to its AP processing. Processing 56,000 invoices annually, TransMontaigne's AP associates were undoubtedly suffering from processing pains as each terminal managed its own invoice receipt, but ultimately shared the common constraints of manual document handling. With low visibility of the process, the average cycle time of invoices was bogged down at 32-34 days. Inevitably, as the company's AP processing suffered from prolonged cycle times, 85-90 percent of its invoices were paid late.

### ***ReadSoft Solution***

As a company that strives for excellence in everything it does, TransMontaigne enlisted ReadSoft to eliminate the debilitating constraints of its AP processing. With a dedicated vision to streamline operations and increase productivity, ReadSoft centralized TransMontaigne's processing with its invoice automation solution. Creating instant visibility into the AP processing cycle, the solution enables prompt scanning of all incoming invoices, followed by automatic routing for coding and approval. The solution ultimately allows for faster payments to maximize vendor discounts and stronger controls throughout the process.

### ***The Results***

Within six months of implementation, TransMontaigne's processing was propelled to record speeds as the cycle time on an invoice dramatically dropped from 32 days to 7 days. With invoice processing speeds accelerating, 1099s were processed in two days versus half a month, and faster payment cycles ultimately allowed the company to begin taking discounts for the first time.

As processing speeds continued to set company records, TransMontaigne began managing its cash flow with ease, and drastically reduced the amount of accruals for outstanding invoices. With expanded visibility into the process, company personnel had views of total liabilities and were able to file dispute invoices immediately and had a better understanding of their cash position. With its new AP automation solution, TransMontaigne redefined its accounts payable parameters, ultimately expanding its potential for growth and success. With an efficient use of resources and clear visibility into its AP process, TransMontaigne can focus on its core business - the intelligent growth of its assets and the on-going use of technology to bolster its long-term commitment to optimize the fuel supply chains of its customers.

## Selecting a Solution

Accounts payable professionals investigating AP automation solutions must consider whether a software solution or a Software-as-a-Service (SaaS) option would be more suitable to meet their requirements.

### Software Solutions

A strong case can be made for software solutions, which are implemented inside the company's firewall, as ownership provides a high degree of control and flexibility.

#### ***Benefits of In-House Technology***

- Maintaining all hardware devices in house allows management high control over its own equipment and operations.
- Organizations can modify or customize the solution to meet their business requirements, control the platform, and adjust its security parameters to its preferences.
- Data remains exclusively within the organization and is accessible only to authorized employees.
- Lesser resistance from internal users compared to outsourcing as they consider the outsourcing provider to be external to the organization.
- Better control over suppliers relations when they are being taken care of by AP/procurement staff instead of a third party.

### Software-as-a-Service (SaaS)

Another option available is a SaaS model, where the system is hosted and maintained by the solution provider. The pricing model for SaaS solutions is one of the major drivers for its popularity. Some technology vendors charge a small amount up-front to cover implementation costs and other professional services then charge recurring fees based on the transaction volume, while others operate entirely on a per-transaction pricing structure.

#### ***Benefits of the Software-as-a-Service Option***

- SaaS solutions usually require minimal upfront investment because the buyer organization does not need to pay to license and install software.
- There is no client/server software installation or maintenance and no need for periodic upgrades, which makes deployment quick and maintenance easy.
- Immediate access to the latest features and functionalities as and when they are introduced without having to wait for the release of the next version.
- Functionality is available from any location instantly via a standard Internet connection and Web browser.

### Accounts Payable Outsourcing

Organizations should also keep in mind that most AP automation options, especially around invoice and payment management, are available through business process outsourcers. The rationale for outsourcing invoice receipt-to-pay functions is the same as it is for business process outsourcing in general. It may be better for an expert service provider to perform non-strategic activities than to manage these repetitive, low-value tasks in-house. In the service model, the customer leverages the outsourcing provider's technology and expertise to offload transactional functions and gains the ability to focus more sharply on higher value, analytical activities.

### ***Benefits of Accounts Payable Outsourcing***

- Outsourcing typically delivers lower upfront costs when compared to technology solutions.
- Companies that use outsourcing have the ability to leverage the provider's economies of scale to lower its processing costs.
- Outsourcing is an appealing option to growing companies that want to handle increasing invoice volume without adding additional staff.
- Companies with limited IT resources and skills will prefer outsourcing over in-house technology implementations.
- Companies might want to outsource certain functions that they believe are not critical to their core business to free up resources to focus on more important functions.
- Some companies that have to deal with complex government and tax regulations, which keep changing constantly, want to outsource these functions to an expert.

### **Compare Software, SaaS and Outsourcing**

In the past, finance and accounting processes were viewed as poor candidates for outsourcing due to their complexity. Today, encouraged by the success of shared service centers and BPO initiatives, corporate managers are taking a hard look at outsourcing these functions. They are discovering that it can be a cost effective way to shed non-essential functions without making the investments in hardware, software, and services associated with technology solutions. Advances in Internet and telephone communications have further enhanced this value proposition by enabling the delivery of services from any geographic location without loss of control for the customer.

As a service delivered over the Internet, SaaS and outsourced AP automation solutions may be deployed more rapidly and cheaply than software solutions that require extensive integration with enterprise and legacy systems. This is an important consideration for buyers who are eager to bring the benefits of automation into their organizations as quickly and painlessly as possible. Another compelling advantage of SaaS and outsourced solutions is that the buyer is not burdened with the periodic expense and effort of upgrading to new versions of the solution and paying annual maintenance fees.

### **Functions to Keep In-House and Functions to Outsource**

Most companies that move toward outsourcing prefer to outsource the following functions:

- *Invoice capture and data extraction:* This is not a core function for most companies and they might not have the in-house resources and expertise require to manage the OCR process in-house.
- *Supplier recruitment and enablement:* Bringing each supplier onboard an automation solution typically requires multiple touches and companies cannot spare the resources to bring a bulk of their supplier onboard. Further, organizations want to leverage the expertise/best practices of a third party provider for this process.
- *Payment processing:* Companies looking for a single platform to manage all their payments – check and electronic, domestic and international – will find outsourcing this process appealing.

Typical functions that are retained in-house are:

- *Approval and exception management:* This process is usually more core to the functioning of the AP department and delays in payment can result in more than just interest and penalties; they can severely impact supplier relations.
- *Discount management:* Finance departments want to keep this process in-house to be able to exert more control over the process and determine when to offer discounts, the supplier pool to make discount offers to and control the discount rate.

### Questions to Ask Before Making a Decision

- **Process** – Is the process a core component of our business?
- **Skilled Staff** – Do we have the required staff or can hire the needed people to manage the process or are we better off leveraging the expertise of an outsourcing provider?
- **Security of Data** – This becomes extremely important when dealing with financial processes. How comfortable are we about handing over our data to an outsourcer?
- **Ability to Customize** – Are our processes unique and cannot be handled by a one-size-fits-all approach?
- **IT Resources** – Do we have the IT staff needed for hosting and maintaining an in-house solution?
- **Financial Resources** – Do we have the budget to cover the upfront costs associated with a technology solution?
- **Control** – Are we giving up any control if we decide to use an outsourcing partner?

Each of the options outlined above has its advantages, disadvantages and associated costs. It would be narrow-minded to believe in the existence of a silver bullet to the questions around type of solution. The solution of choice depends entirely on the individual organization's requirements. However, two factors are critical when deciding on a solution, financial stability of the vendor and the total cost of ownership. The total cost of ownership includes implementation and integration costs, functionality fit, ease of use and the ability to adapt to a constantly evolving business landscape.

## Conclusion

The accounts payable automation landscape, particularly around invoice receipt-to-payment is constantly evolving. PayStream analysts believe that the following factors will shape the evolution of this marketplace, and organizations contemplating an invoice automation solution will need to take them into account:

**Convergence of electronic invoicing and front-end imaging.** Electronic invoicing solutions were explicitly designed to facilitate external buyer-supplier interactions, while imaging & workflow automation (IWA) solutions evolved to meet organizations' internal needs around invoice receipt and management. Over the last three years, we have seen a convergence in this market with both types of providers partnering or developing functionality to offer comprehensive solutions covering both paper and electronic invoices and incorporating better options for invoice receipt, approval processing, and discrepancy resolution.

**Front end solutions will prevail.** Accounts payable solutions are beneficial in all of their forms. However, front-end solutions preserve the benefits of back-end imaging and archival while providing additional advantages in the form of lower costs, higher processing efficiency, and enhanced visibility and control. They can be used to replicate and accelerate existing work patterns or to design entirely new electronic processes. Organizations will continue to use accounts payable automation solutions in both back-end and front-end forms, but the latter will eventually prevail.

**Organizations seek 'straight-through-processing'.** As automation moves to the front-end of the AP process, organizations are seeking to leverage straight-through processing, so that AP staff and approvers can focus on more value-added tasks than reviewing invoices. Demand is increasing for solutions that facilitate this by delivering strong functionality around automated invoice matching and automatic approval of "clean" invoices as well as strong functionality around approval workflow to manage exceptions and dispute resolution in a collaborative manner.

**Advanced data capture will be a catalyst for adoption.** Solutions that rely on template based OCR to find and extract data from invoices have experienced mixed success. Sufficient for an AP department that receives invoices in a just a handful of formats, they are inadequate for high volume operations that see a myriad of formats every day. As a result, the application OCR for data extraction has been limited in AP departments. However, recent strides in advanced data capture technologies and the emergence of industrial strength solutions that can extract data accurately without having to rely on templates are the key drivers that are unlocking adoption of front-end imaging and data extraction solutions.

**Impact of AP automation on working capital management.** Until recently, automation efforts in AP were focused on the operational benefits of technology. However, all this is changing. Increasingly, savvy finance managers are considering the strategic impact of AP automation on the financial supply chain and the working capital improvements it can deliver. Innovative solutions are emerging to meet organizations' strategic objectives by offering solutions, which unlock significant value from the financial supply chain through advanced features like vendor self-service, supplier on-boarding and dynamic settlement.

**Multiple solution models will co-exist.** There is not a single model for an AP automation solution. Solutions are available in software form, as well as via SaaS models. Likewise, some vendors emphasize a modular “mix and match” approach while others concentrate on providing a set solution. There is also tremendous variability in terms of solution focus. Some vendors focus tightly on specific aspects of the invoice receipt-to-pay cycle, while others strive to provide AP automation functionality as part of a larger procure-to-pay offering. Industry consolidation notwithstanding, this diversity will continue.

**Impact of regulatory compliance on interest in automation.** As organizations are beginning to realize that regulatory compliance is an ongoing rigid process and that everything they do going forward will be subject to close scrutiny, they are turning to technology and automation to alleviate some of the pain. We believe technology solutions that can facilitate the compliance process and reduce its cost, by providing comprehensive audit trails and simplifying the auditing of internal controls, will gain popularity.

## About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at [www.paystreamadvisors.com](http://www.paystreamadvisors.com).

### About the Lead Analyst

As Research Director, Sush Koka manages PayStream Advisors' overall technology research effort. She writes research reports, leads client briefings, and participates in consulting engagements in the purchase-to-pay and order-to-cash functional areas. Her deep experience both as a market analyst and a consultant enables her to analyze trends in financial services automation, assess feasibility of products and drive research activities. Her areas of focus include invoice and payment management, travel and expense management and business process automation. She has extensively researched and written reports in the above areas and her work has been published in numerous trade magazines.

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