IRON MOUNTAIN®

BEST PRACTICES

DOCUMENT MANAGEMENT SOLUTIONS

Achieve Best-in-Class Performance by Challenging Old Assumptions

5 MYTHS ABOUT ACCOUNTS PAYABLE AUTOMATION DEBUNKED

Contents

THE ACCOUNTS PAYABLE CHALLENGE

The economic downturn, tight credit, and declining margins have come together like a perfect storm, forcing companies to scrutinize their internal business processes as they seek ways to cut costs and bolster their bottom lines.

Accounts Payable is no exception.

For companies that carefully rethought the situation, cutting the costs typically associated with Accounts Payable emerged as a no-brainer – automate the process, and significant cost savings would follow. Surprisingly though, adoption has lagged, and frequently among enterprises most likely to benefit from automating the time-consuming and labor-intensive invoice matching and approval process.

It's a common misstep that begs the question – why would an established, experienced, and otherwise innovative organization forego an obvious and easily implementable business advantage?

The answer has to do with a series of myths and misconceptions relating to automation that often govern behavior. The reality is that CFOs, Controllers, Procurement Directors, and Managers can improve their internal processes with relative ease while contributing to the organization's overall mission to streamline costs.

If your company has been reluctant to embrace a service that could in fact deliver significant – even spectacular – cost savings, perhaps it is time to revisit the five myths that hold businesses back when they should be marching forward.

In the next few pages you'll not only learn why those myths are untrue, but you'll also become apprised of facts that will help you improve your Accounts Payable process.

5 MYTHS THAT NEED DEBUNKING

MYTH 1: AUTOMATION IS NOT REALLY MORE EFFICIENT

Consider the inefficiencies that stem from you remaining tethered to a non-automated, paper-based process:

- At the low end of the Accounts Payable spectrum, a 2010 Aberdeen Group study found that it can take anywhere from 3.5 to 2.3 days to process a single invoice. (The industry average for 50% of companies is 14.2 days to process a single invoice.)[1]
- The cost of processing can range from $5 to $25 for a single invoice
- This includes the costs associated with manual processing, shuffling invoices between individuals and departments, exceptions processing, accrual delays, failed audits, duplicate invoices, and late payments

By contrast, the efficiencies you gain by automating the Accounts Payable process produce results that are dramatic by any measure. These include a:

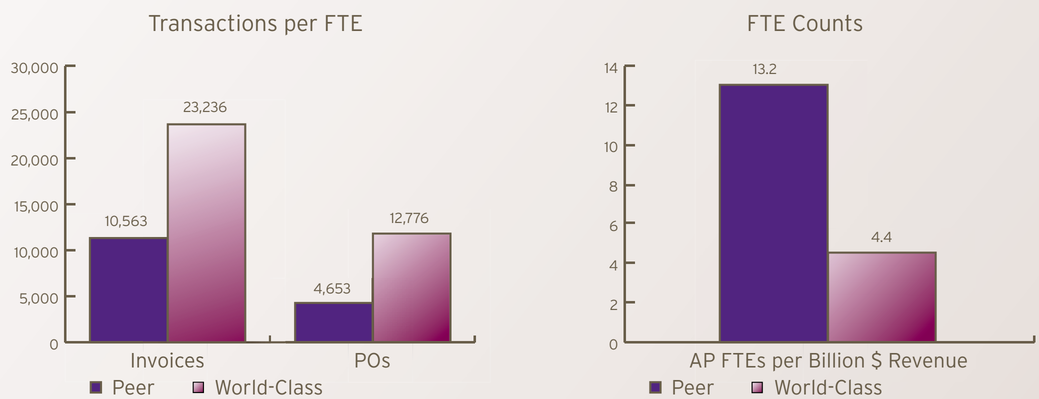
- 90-95% reduction in paperwork
- 25% improvement in labor productivity

Even with the benefit of an exceptionally dedicated data entry and email-processing staff, you can only, on average, manually process 1,000 invoices a month per full-time employee or equivalent (FTE). By contrast, automated and rules-based matching increases that number to 6,000-8,000 invoices a month per FTE.[2]

Conclusion: Automation not only brings significant efficiencies to your Accounts Payable process, it allows you the headroom to support business growth while maintaining existing staffing levels. In other words, you can do more with less.

WORLD-CLASS ORGANIZATIONS ARE MORE PRODUCTIVE SO THEY CAN LEVERAGE FEWER FTEs FOR LOW-VALUE TRANSACTIONAL ACTIVITY

WHAT'S BEHIND THE PRODUCTIVITY GAP?



Efficiency "Feeds" Effectiveness

World-class organizations pay more as they require individuals with higher-skill sets.

Source: The Hackett Group, "Purchase-to-Pay Process Advisory Key Metrics," Hackett Performance Metrics Report (2010)

MYTH 2: WE'D LOSE CONTROL OVER OUR PROCESS

Automation actually gives you greater control over and increased visibility into the process. Business rules automate the routing, matching, and circulation of invoices and are configured to your organization's specific needs. Not having to look at each transaction individually means that you will have the time to focus instead on the much smaller but crucial set of exceptions that require attention. For example, certain solutions offer rule-based, auto-approved features to accelerate the processing of straightforward invoices. This type of automation saves full-time employees time by requiring them to review and handle only those invoices that do not pass the pre-established system rules.

Automating the process also captures the document and metadata at the point of receipt of the invoice — so you have full visibility into the process. No more invoices hiding on individual users' desks without Accounts Payable knowing they exist. Accounts Payable and Finance now have a real-time view of their outstanding liabilities at any point in time.

Conclusion: Automation results in greater, not less, control over your internal Accounts Payable process.

MYTH 3: AUTOMATION IS TOO EXPENSIVE

Solutions that offer end-to-end Accounts Payable automation using Software-as-a-Service (SaaS) and the "cloud" require no upfront software or infrastructure purchases or recurring license maintenance. Choosing an Accounts Payable solution that is offered as a service allows all the users that are part of the business process to participate without having to pay expensive user-based license fees. And with a true multi-tenant SaaS solution, you should expect functionality upgrades periodically based on best practices and input from your peers sharing the same core application platforms. All of this implies that you will reach your ROI significantly faster than otherwise.

Conclusion: Automating the Accounts Payable process is more available to a wider range of budgets.

MYTH 4: WE'RE TOO SMALL FOR AUTOMATION

Cloud-based solutions coupled with a multi-tenant approach equates to a very low marginal cost to serve. With economies of scale and best practices, everyone benefits from automation. And, as explained earlier, automation enables your Accounts Payable staff to focus on more strategic activities, such as, sourcing initiatives, spend management, and supplier management.

Conclusion: You are never too small to save money.

MYTH 5: WE'RE TOO BIG FOR AUTOMATION

Cloud-based Accounts Payable solutions that are delivered as a service scale easily and can handle large volumes of transactions. E-invoicing supplier networks enable direct data integration to "skip paper" altogether. Supplier portals allow vendors with smaller invoice volumes a convenient avenue to create and submit electronic invoices. These channels aggregate inbound invoices, enable 2- and 3-way matching with business rules against purchase orders (POs) and receipts, and facilitate "straight through processing" with no human intervention.

Conclusion: The larger your enterprise, the more sense it makes to seek out automation and gain a better handle on your large transaction volumes.

5 MAJOR PROBLEMS YOU WILL SOLVE WITH AUTOMATION

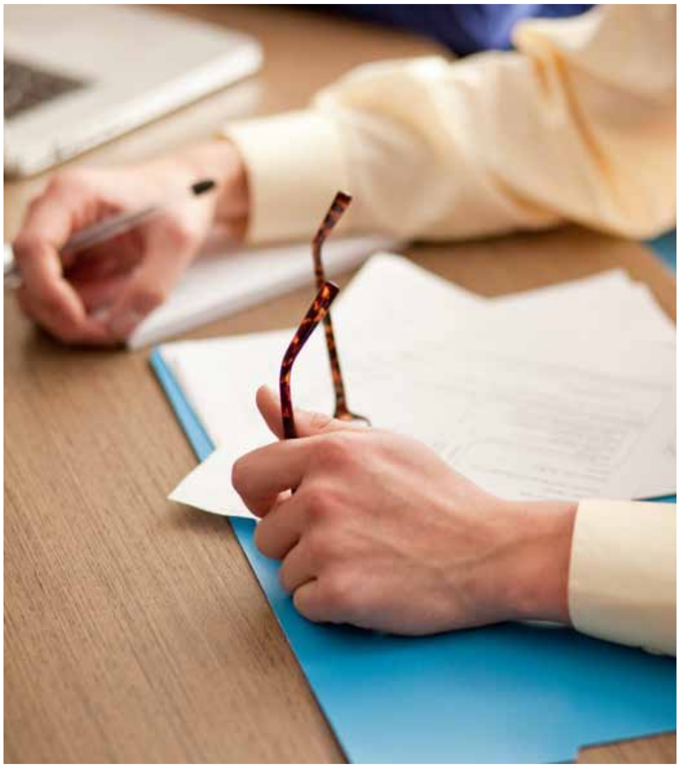
Now that those five myths are behind you, you can take steps to implement (and reap the rewards of) automation.

If you need any further incentive to do so, just remember this — today's global market is estimated to have 150 billion annual invoices.[3]

In other words, Accounts Payable departments are drowning in paper, and all that paper equates to some major headaches.

They don't have to be your headaches, though.

The five most painful can be successfully removed by automating the Accounts Payable process.



PROBLEM 1: LACK OF VISIBILITY AND CONTROL OVER THE PROCESS

Paper invoices sit on individual employees' desks until they are routed to Accounts Payable – there is no visibility into the liabilities until it is data entered into an Enterprise Resource Planning (ERP) system. Field management requests result in rushed payments because Accounts Payable can't provide adequate controls. Lost, missing, or duplicate invoices are all major risks within a paper-based process. Automation with front-end scan and capture, on the other hand, provides immediate, real-time visibility into the entire process.

Automation provides audit proofing and better controls. All actions on documents are automatically logged and tracked, and provide ready reporting on transactions to satisfy compliance obligations.

PROBLEM 2: DELAYS IN PROCESSING – LONG CYCLE TIMES AND PERIOD CLOSE DELAYS

Manual process implies data entry and resultant delays. Longer cycle times imply potential late fees. Paper-based processes with poor visibility lead to longer and inaccurate accruals, which in turn can lead to delays in period end closing of the books. Reconciliations prior to close can become a nightmare. Automation provides real-time, accurate visibility into all transactions with up-front invoice ingestion and digitization.

PROBLEM 3: LOW PRODUCTIVITY; NO RESOURCES TO ADDRESS OTHER KEY PRIORITIES

Filing, retrieving, and keying data into ERP systems is not the best way to leverage your accounting and finance talent. Manual processes are inefficient and time-consuming. Inter-departmental file requests, additional copies, and obscure reporting can further complicate matters. Vendor management and support to respond to, "Where's my payment?" inquiries can be a time sink. How then do you handle key priorities such as vendor risk management, fraud prevention and proactive monitoring, spend management, and sourcing initiatives support?

The answer: By automating your Accounts Payable process. With automation you can eliminate the "non-value added" tasks that your staff may have been mired in. Through exception-based management of the Accounts Payable process, you can free up your staff to focus on your higher value strategic priorities. Capturing invoice information in electronic format at the front of the process enables reporting and data visibility to answer key strategic questions around spend management.

[3] Bruno Koch, E-Invoicing / E-Billing in Europe and Abroad (Billentis Market Report 2011): 7.

PROBLEM 4: QUALITY AND ERRORS

Manual processes have a tendency to produce "exceptions are the norm" scenarios. When users are forced to touch and process every transaction, it is difficult to filter out and prioritize which need the most attention. Without clear prioritization and focus, user errors creep in — keying errors, matching errors, misfiled documents, and the like. Automation flips this on its head, with a focus on the exception and not the normal scenario. Robust business rules allow the system to streamline the process. Best practices-based workflows enable tighter process controls and minimize errors. With the bulk of the straightforward transactions handled automatically, a user can focus time and effort on managing the true exceptions — which improves process performance and quality metrics.

PROBLEM 5: NO SUPPORT FOR SOURCING/PROCUREMENT INITIATIVES

Spending not captured by a standard PO process is a challenge to manage due to the large number of suppliers and items involved. Manual, paper-based processes provide no support for sourcing initiatives. While procurement can structure central contracts with projected savings, these are not realized until Accounts Payable can enforce the spend control. Accounts Payable is the final gatekeeper to ensuring that what is contracted is what is bought. Paper-based processes provide poor visibility into overall spend on non-PO/indirect items. Automation provides clear visibility into these areas. "What gets measured, gets managed," and sourcing-led indirect spend control and savings can be attributed directly to Accounts Payable automation.

BEFORE AND AFTER

In weighing whether or not to move forward with a decision, particularly one with large implications, it sometimes helps to size up the situation in terms of before and after.

CONSIDER, FOR EXAMPLE, YOUR CHALLENGES BEFORE AUTOMATION:

- Endless manual touches — date stamping, copying, logging, data entry, check assembly, filing
- A sometimes painfully slow approval process
- An inefficient 3-way matching process
- Difficulties handling invoice exceptions
- Lost discount opportunities
- No payment status visibility

THEN CONSIDER YOUR BENEFITS AFTER AUTOMATION:

- Labor savings across the enterprise
- A big jump in straight-through processing
- Reduced cycle time
- Process gap elimination
- Discounts you could take full advantage of
- Improved transparency and visibility

SUMMARY

Once you've dismissed the myths and misconceptions that have been holding you back from automating your Accounts Payable process, you can implement a comprehensive solution that will address your main pain points.

When its architecture is cloud-based and delivered as an SaaS model, the solution will move you closer to your goal of becoming paperless. And with a paperless conduit between Procurement, Accounts Payable, Accounts Receivable, and Suppliers, you'll be able to manage nearly 100% of your invoices electronically.

Automating and streamlining your invoice processing will also provide you with a secure and serviceable archive for invoice data. The fact that you will be paying for it on a per-transaction basis makes it a cost-effective solution. It also makes it one that can be implemented quickly.

Finally, you will realize process improvements in days, rather than months, resulting in a rapid return on investment. You'll have an end-to-end Accounts Payable solution that increases compliance, cuts costs, and reduces cycle times.