Five Methods to Improve
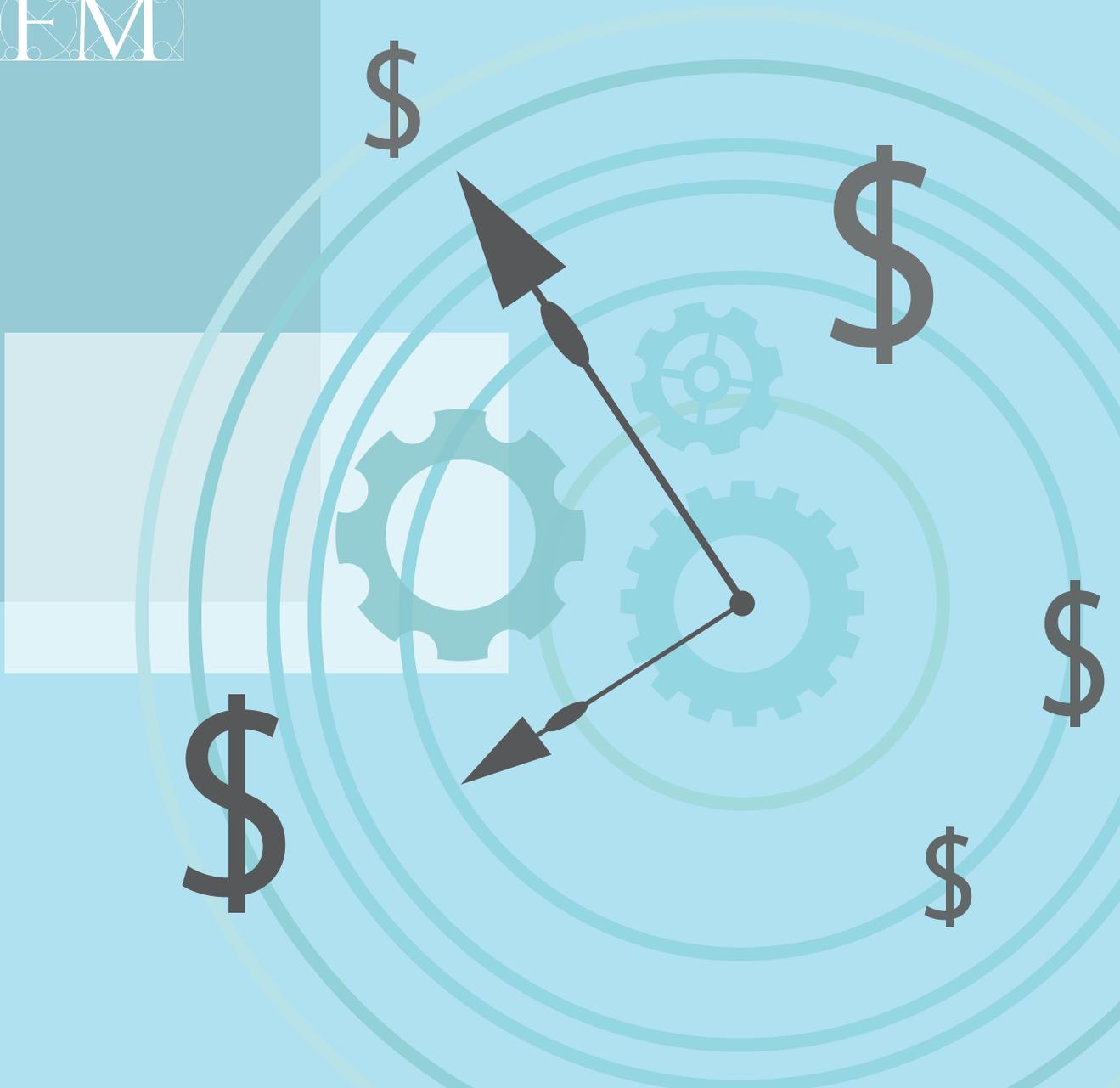## Accounts Payable Visibility and Reporting

an IOFM Whitepaper

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5 Methods to Improve Accounts Payable Visibility and Reporting

A 2014 IOFM survey found that a lack of visibility into invoices and payables documents was the top challenge of senior finance executives. Similarly, 19 percent of senior finance executives cannot effectively manage cash according to current needs, Aberdeen Group reports.

This study highlights the fact that a controller's job depends on fast access to accurate and comprehensive financial information.

But at most organizations, the accounts payable information that controllers require remains trapped on paper documents or locked in disconnected legacy systems. As a result, visibility into operational and financial performance is limited and reporting is labor-intensive, incomplete and out-of-date.

Not surprisingly, controllers are increasingly frustrated by the lack of visibility into invoices and related accounts payables information, and the difficulty handling, managing and finding invoices, IOFM reports.

The cause? Manual, paper-based processes.

A paper-based approach to invoice processing makes it difficult for controllers and front-line staff to gain visibility into financial processes: critical information is not captured, data is poorly organized, information is not timely, systems are not well-integrated, and decision-makers can't access key variables.

In fact, controllers view accounts payable as the most manual and paper-intensive finance and administration function, and the one that requires the most time and effort, IOFM research finds. With this in mind, it is no surprise that 63 percent of controllers surveyed by IOFM say that accounts payable is a priority for improvement in 2015, and that nearly two-thirds of them reported that accounts payable will receive additional investment for process improvement projects in 2015.

This white paper explores the visibility challenges created by paper-based invoice processes, how enterprise information management (EIM) solutions uniquely address these challenges, and how two organizations are currently using EIM solutions to increase visibility and reporting in accounts payable.

The Problem

Paper-based systems for processing invoices create five primary visibility challenges for organizations:

1. Costly and ineffective handling, management and storage of paper files: Despite the push towards electronic invoicing, invoice processing remains largely a paper-based affair for the majority of organizations. Nearly 60 percent of invoices still arrive as paper documents, IOFM reports. Worse, only 23 percent of accounts payable departments have a high level of automation, according to IOFM's 2013 AP Department Benchmarks and Analysis study. And one third of organizations receiving more than 25,000 invoices per month are still using paper-based processes, AIIM found in a 2014 study. Paper invoice processing makes it difficult for accounts payable departments to provide the timely and accurate information required to manage cash and prepare financial statements, identify potential misappropriation of funds, ensure suppliers are paid according to terms, comply with laws and tax authorities, and support spend management. Two-thirds of businesses say that purchase orders, supplier correspondence, supporting documentation and contracts are not easy to find, according to AIIM. In many organizations, paper invoices are handled multiple times during the approval process and are frequently lost or pushed to the bottom of an approver's "in-box." In fact, nearly 25 percent of organizations say lost invoices is one of their biggest challenges with non-PO based invoices, according to AIIM's 2014 study on accounts payable automation.
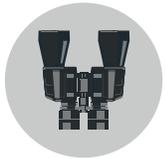
2. Lack of visibility into operational performance: Improving visibility into cash flow and cash management is the top priority of controllers, IOFM reports. Managing workflows for paper files make it difficult for payables departments to track the status of invoices and other documents, and to ensure that the appropriate individuals have approved documents in a timely manner. Paper invoices can sit for days on an individual's desk, or get stuck in inter-office mail, awaiting approval. Routing invoices via e-mail provides only marginal improvements, and often requires individuals to make decisions based on partial or outdated information. These inefficient workflows result in longer approval and exception resolution cycles, wasted time tracking documents, lost invoices, late payment penalties, and potential compliance and security risks. Paper- and email-based workflows also make it difficult for managers to measure the effectiveness of their systems, processes and staff, or to make quick adjustments.

3. Information silos: Businesses rely on instant access to accurate and timely information to make faster and smarter operational and financial decisions. But in a manual, paper-based environment, critical accounts payable information is strewn all over the place: in inter-office mail, filing cabinets, network folders, e-mails, and file sharing and sync applications. Complicating matters, massive amounts of information often reside within multiple, disconnected platforms, applications, locations and devices, such as an enterprise resource planning (ERP) and customer relationship management (CRM) platforms. For instance, a supplier invoice may reside within an accounting system while the related construction project documentation is stored in an ERP application. Linking information across systems is nearly impossible in a manual, paper-based accounts payable environment. As a result, accounts payable employees waste an enormous amount of time searching for the correct

versions of files they need, and organizations leave themselves vulnerable to compliance and security risks. It is no wonder that 21 percent of organizations identified integrating front- and back-end systems as a primary driver of their accounts payable initiatives, according to a 2014 study by AIIM.

4. Inefficient or ineffective security and compliance: Controlling, tracking and securing sensitive information is an increasingly important consideration for financial operations. Controllers surveyed by IOFM in 2014 identified "ensuring effective internal controls" as a top priority. What's more, 5 percent of organizations see "minimizing litigation impact" as a primary driver of their accounts payable automation initiatives, according to AIIM research. Organizations that operate in regulated industries must maintain reliable records and follow specific processes and procedures. Paper-based processes make it difficult to verify that specific documents have been reviewed by the appropriate people and that tasks have been completed according to regulatory mandates. As a result, accounts payable audit processes are time-consuming and labor-intensive. But noncompliance with laws, regulations or audit guidelines, or the exposure of confidential information to unauthorized individuals, can be expensive and time consuming to remedy, and create liabilities and a negative brand image.
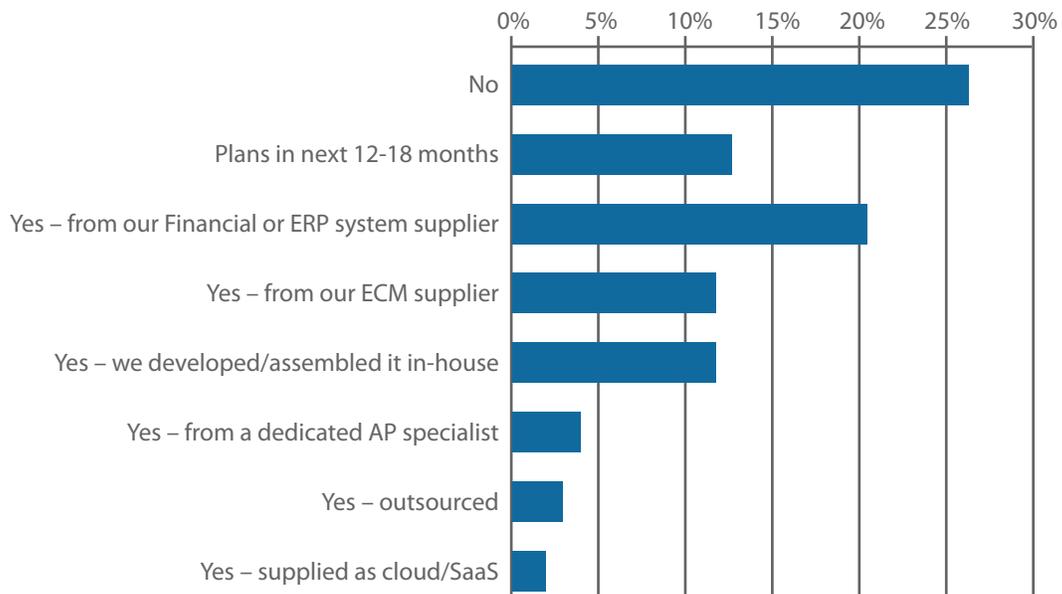
5. Lack of partner and supplier collaboration: Effective internal collaboration accelerates invoice approval cycles, reduces costs and errors, and strengthens employee morale. Similarly, strong collaboration between partners, vendors, suppliers and subcontractors can speed instances of exceptions resolution, reduce or eliminate inbound phone calls and e-mails, and improve relationships between all groups. Paper-based processes make it extremely difficult for accounts payable staff to share information internally, much less externally. As a result, approval processes involving multiple individuals are time consuming, resolving invoice disputes can take days, extending early-payment discount offers to suppliers is challenging, and accounts payable departments receive many phone calls from suppliers regarding invoice and payment status. More than 10 percent of senior finance executives identify difficulty handling high amounts of supplier inquiries as their top accounts payable challenge, according to an IOFM survey.

The Solution

More accounts payable departments are addressing these challenges with EIM platforms. EIM solutions manage all of an organization's documents and business processes and add intelligence by linking this information to their associated customer, contact and/or project objects in legacy systems such as CRM and ERP solutions.

Compared to traditional enterprise content management (ECM) solutions, EIM systems enable organizations to manage their structured data (data residing in CRM, ERP or other database applications) and unstructured content (accounts payable documents, images, videos, media files) residing in different business systems from a single unified platform. EIM systems not only provide fast and precise access to structured data and unstructured content, but they intelligently link content and context and provide a 360 degree view of the relationships that exist among all objects (structured data and unstructured content). For example, a non-document object in an EIM system for a project will show project team members, all documents associated with the project, tasks and assignments, and any other information associated with that project. EIM solutions integrate with Microsoft Office, SharePoint and Dynamics, as well as Salesforce CRM, SAP, NetSuite, Autodesk AutoCAD and AutoCAD LT, Autotask, Sage 200, Lotus Notes and other commonly used business applications. The ability to seamlessly integrate with existing business systems eliminates information silos and makes it easier for employees to access structured data and unstructured content from applications and platforms.

Do you have an automated AP (accounts payable) invoice processing system?

| Category	Percentage
No	~26%
Plans in next 12-18 months	~12%
Yes – from our Financial or ERP system supplier	~20%
Yes – from our ECM supplier	~11%
Yes – we developed/assembled it in-house	~11%
Yes – from a dedicated AP specialist	~4%
Yes – outsourced	~3%
Yes – supplied as cloud/SaaS	~1%

Source: AIIM: *Automating AP/AR Financial Processes – user feedback on the real ROI*

Business users can search and access the precise and current versions of files by client, project type, data, status or other important criteria. Information can be organized and displayed dynamically, according to the business user's needs. Workflow processes also can be created and displayed as graphical diagrams, providing the ability to better visualize and more easily manage complex workflows. In addition, for businesses with regulatory or quality mandates, diagrams and other pertinent information can be exported to support compliance requirements.

EIM solutions monitor each workflow step and notify users and supervisors of uncompleted tasks. The solutions verify that users follow every pre-defined step in the process, and a detailed audit trail is logged. Managers can easily track the review and approval of invoices, and reassign work as necessary. Workflow steps are tracked in the version history of each file.

Business users also can view, review and approve invoices and manage processes from anywhere using an EIM solution's mobile app. EIM solutions protect sensitive financial information by automatically and dynamically managing permissions. Managers can set access permissions for an entire class of documents and data objects, as well as for individual documents and objects and different versions of the same document or object. Roles can be assigned to provide different levels of access to different business users or user groups. If there is a management or organization change, changing the supervisor of the employee in the EIM solutions allows all related documents to become visible to the new supervisor.

## What have been the three biggest benefits from your AP automation system?
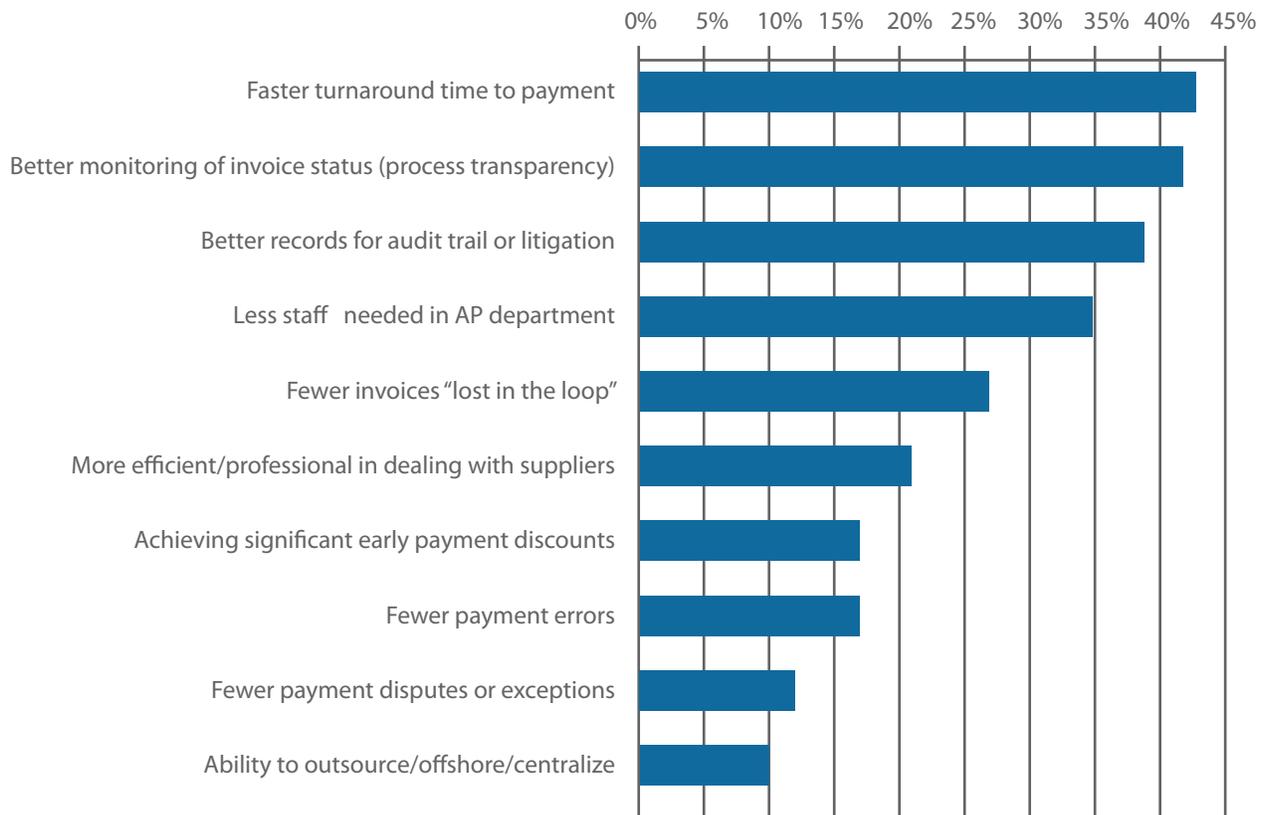
Source: AIIM: *Automating AP/AR Financial Processes – user feedback on the real ROI*

Solution Benefits

An EIM solution uniquely addresses the visibility challenges of accounts payable departments in several ways.

1. Automates document handling, management, storage and retrieval: Automation can reduce the average cost to process an invoice by approximately one-third, according to IOFM's 2013 AP Department Benchmarks and Analysis study. Leading EIM solutions organize financial information based on "what it is," rather than "where it is stored," providing business users with faster access to the precise information they are looking for. Business users do not need to remember or guess where information is stored. "Folders" are simply a dynamic product of metadata rather than a static location that classifies the data. Using this metadata-based approach to how information is processed, stored, searched and retrieved improves staff productivity, enhances employee collaboration, and speeds decision-making. Additionally, an EIM solution intuitively classifies, organizes and presents information in "dynamic views" that are generated based on business context or need. Users can control access to sensitive documents and manage sophisticated processes using simple and intuitive edits to metadata. Not surprisingly, 60 percent of controllers say their accounts payable department plans to deploy workflow technology in 2015, according to a survey conducted by IOFM. Businesses have a lot to gain by automating invoice handling, management, storage and retrieval: Gartner Group estimates that a 5 percent reduction in operating costs provides a bottom-line impact equivalent to a 30 percent increase in sales.
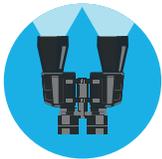
2. Visibility into system health and operational performance: Better monitoring of invoice status and improved record keeping are among the top three benefits of automation identified by accounts payable departments, according to AIIM. EIM solutions enable accounts payable departments to automate approval and exceptions resolution tasks with electronic workflows, the ability to track the individual who performed each review, edit or approval function, and ensure that staff always is presented with the most current version of a document. Managers can monitor progress, quickly reassign tasks, and approve completed tasks. The visibility provided by EIM solutions also enables managers to identify and correct ongoing process bottlenecks.

3. Elimination of information silos: EIM solutions provide a single platform for managing all front- and back-office information and processes. An EIM platform connects an organization's structured data (such as information residing in an ERP system) with unstructured content such as invoices, documents and images. Business users can easily access and sync information between various systems and devices, with no duplication of content. This enables users to locate the information they need, regardless of where it resides. Users can more effectively organize, manage, secure and share information, which leads to increased corporate agility, improved internal and external collaboration, fewer missed opportunities, and the highest levels of security and compliance. Eliminating data silos and aggregating financial information also allows companies to reduce costs, train new employees more quickly, and ensure that users always have access to the right content.

4. Streamlined security, compliance and audit processes: Nearly 40 percent of organizations surveyed by AIIM in 2014 identified "better records for audit trail or litigation" as the top benefit of accounts payable automation. EIM solutions enable accounts payable departments to easily define and enforce policies and processes for who is authorized to access, edit and approve invoices and other documents. Access permissions can be easily established by business user, group, role or any metadata property, according to regulations and standards or internal policies. EIM solutions also track all document access and revision activities. Additionally, the solutions organize, manage and track all quality and compliance related documents, processes and tasks required for financial audits and exceptions resolution processes.

5. Collaboration among internal and external parties: EIM solutions enable employees to easily and securely share information and collaborate with partners, suppliers and other external entities. Coauthoring capabilities enable multiple individuals to edit the same file simultaneously in a controlled manner. Check-in/ check-out and versioning features prevent data loss and the confusion associated with multiple outdated versions and security controls ensure that access to specific information is restricted only to those who are authorized to view it and make edits. The information sharing and collaboration capabilities of an EIM solution accelerates invoice approval and exceptions resolution, decreases paper handling costs, and reduces phone calls and e-mails from suppliers regarding invoice status

Each of these benefits delivers a compelling return on investment for accounts payable. Together, they fundamentally change the way that controllers manage and control financial information.

In general, what payback period would you say you have achieved, or are on track to achieve, from your scanning/capture/workflow AP solution?

More than 3 years, 3%
3 years, 2%
2 years, 16%
18 months, 17%
12 months, 13%
9 months, 28%
6 months, 22%
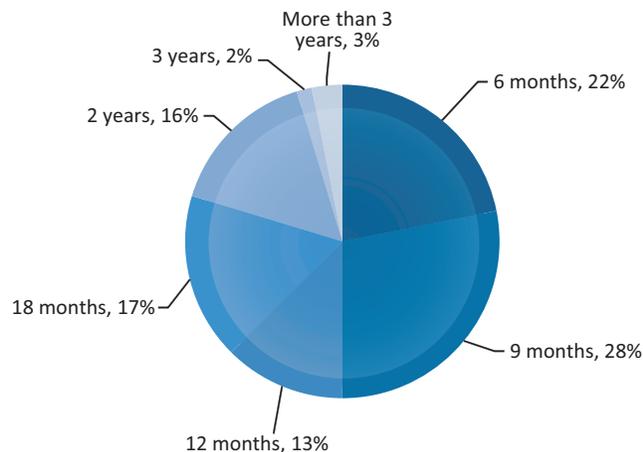
Source: AIIM: *Automating AP/AR Financial Processes – user feedback on the real ROI*

Case Studies

Below are two examples of organizations that have improved visibility with an EIM solution.

Orion Associates Orion Associates, a Minnesota-based management services company, significantly reduced its paper consumption and streamlined its accounts payable processes by deploying an EIM platform.

The company previously printed and stored a tremendous amount of paper documents across its enterprise. For instance, a department that manages 30 group homes for adults with developmental disabilities was generating and managing paperwork for each group home, including intake notes, meeting notes, monthly reports, and notes from physician appointments. The documentation for each group home was stored on-site in numerous file cabinets, which took up lots of valuable space and made it difficult for the department managing the group home to access important information.

In accounts payable, hard copies of invoices were manually routed internally for review and approval — a process that took several days and created the possibility that invoices could be lost.

Orion Associates streamlined its invoice approval process with an EIM platform. The platform enables the organization to store and manage all of its invoices and accounts payable documentation electronically. Employees can easily manage, sort and process invoices by due date, and route them electronically for management approvals. The workflow capabilities make it easier for departments across the organization to collaborate and communicate. And employees have centralized access to information regardless of where it was captured, or in which business application it resides.

"We are now able to process invoices in minutes instead of days, and we no longer have to worry about lost AP documentation," explained Mike Hardy, accounting director, Orion Associates.

Sinner Bros. & Bresnahan Sinner Bros. & Bresnahan (SB&B), a large agribusiness headquartered in North Dakota, also automated its accounts payable workflows and enhanced is CRM capabilities with an EIM platform.

Accounts payable workflows at SB&B previously consisted of staff in one office completing a task and then walking the document associated with the task to another person for review and approval.

SB&B's EIM platform automated this process by centralizing the storage of invoices, and enabling users to establish and enforce automated workflows, as well as assignments for ad hoc collaboration. Employees receive automatic e-mail notifications for new and modified documents. Invoices are electronically routed to managers for approval before being sent for final processing and payment.

Automating invoice processes with an EIM platform has provided SB&B with instant access to accounts payable files from the desktop, improved efficiencies through automated workflows, better collaboration among business users, and accelerated manager approval of invoices. The company also uses much less paper since it no longer needs to print invoices for its approval processes.

SB&B has expanded the use of its EIM system to include CRM capabilities.

The Bottom Line

Accounts payable departments are overrun and overwhelmed by paper. All of this paper impacts the ability of controllers to effectively manage the operational and financial health of their business. EIM solutions uniquely address the visibility challenges created by paper-based systems for invoice processing. The technology enables: automated document handling, management, storage and retrieval, visibility into system health and operational performance, aggregation of information from any system, streamlined compliance, audit and security, and collaboration among internal and external parties. It is for these reasons that controllers plan to invest in accounts payable automation in 2015. These solutions will deliver compelling operational benefits: 50 percent of accounts payable system users report payback of 9 months or less, according to AIIM. More importantly, they will provide controllers with the visibility and reporting they need to more effectively perform their jobs.

M-Files®   About the Sponsor

This white paper was sponsored by M-Files Corporation.

M-Files enterprise information management solutions (EIM) improve and simplify how businesses manage documents and other information in order to become more productive, more efficient and stay compliant. M-Files eliminates information silos and provides quick and easy access to the right content from any core business system and device. M-Files achieves higher levels of user adoption resulting in faster ROI with a uniquely intuitive approach based on managing information by "what" it is versus "where" it's stored. With flexible on premises, cloud and hybrid deployment options, M-Files reduces demands on IT by enabling those on-premises to the business need to access and control content based on their requirements. Thousands of organizations in over 100 countries use M-Files as a single platform for managing their critical business information, including companies such as SAS, Elekta and EADS. For more information, visit www.m-files.com