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Making the Case for More Advanced AP Automation Initiatives

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By Chip Martin

Lots of habits die hard. And, in accounts payable, none more so than the receipt of paper-based invoices. For anyone managing an AP department today, paper invoices continue to be a constant drain on productivity, chewing up resources required to re-key data while slowing down—and complicating—invoice approval and payment processes. Over the course of the last few years, however, the tide has begun to shift as adoption of electronic invoicing solutions has helped alleviate some of the pressure associated with creating more efficient financial processes.

Current Environment

While most of the attention surrounding electronic invoicing to date has focused on accelerating approval workflows through non-standard electronic invoice exchanges or costly ERP customizations, the notion of leveraging efficient outsourced services for converting paper into electronic invoice data streams is a leading driver of new approaches to both investment and adoption.

To no one's surprise, a recent study on invoice reconciliation and

payment released by Aberdeen Group shows that approximately 83 percent of all bills received in the United States remain paper based (internationally, the percentage is slightly higher). What the study revealed next, however, may astound you: in this heightened era of financial reporting, 69 percent of survey respondents report little or no visibility into spend.

The Issue

Given that paper invoices in general contain an enormous amount of critical business data, particularly at the line-item level, the findings are inextricably linked. The majority of businesses don't have the resources required to efficiently process paper invoices while simultaneously extracting the relevant data necessary to make informed, strategic business decisions.

When we talk about "spend management" then, just exactly what are we describing? To some, the term is a catchall phrase referring to an entire company's ability to control costs effectively, including processes involving sourcing and procurement. But for the purpose of this article, we're going to focus on how spend management relates to accounts pay-



able. Within the context of AP, we define spend management as the ability to analyze and report on spend in real time as it relates to contracts, individual cost centers, budget codes, approval status, and settlement terms.

The central component to this capability is, of course, an organization's ability to quickly and accurately capture invoice data at the line-item level. Without it, there's truly no way to gain the visibility and control required to manage cash flow. But when armed with that data, you've suddenly expanded the value of electronic invoicing far beyond eliminating paper and expediting the invoice review processes.

An Example

To illustrate the power of spend management through automation and line-item analysis, here's a quick, but relevant example. Much like their AP counterparts, corporate legal counsel and insurance claims departments have long been hampered by complex paper invoices for services rendered by outside legal counsel.

Not only did the volume of paper invoices (we're talking box loads) hamper efficient invoice processing but more importantly, simply not having the bandwidth to capture and analyze line-item data prevented general counsel from gaining a greater understanding

of the work they were actually being billed for. As is the case in AP, legal invoices contain a significant amount of contract-related detail that can be lost if the data is only collected at the summary level.

The Solution

Adopting electronic invoice management solutions has enabled some of the nation's largest property & casualty insurers and Fortune 500 companies to not only receive invoices electronically but also to use internal resources more effectively. Not insignificantly, it also helps shape new approaches to legal spend management that have shaved some litigation costs by up to 10 percent.

The ability to capture invoice data electronically allows these companies to verify that billing guidelines and litigation budgets are adhered to as a mechanism for controlling costs and creates an opportunity to benchmark the performance of their law firms for more informed business decisions.

From an AP perspective, data captured at the line-item level can be used in a similar fashion to deliver broader business value. Some of the ways in which better AP data can be used include improving negotiation leverage with suppliers, preventing overcharges and duplicate payments, and capturing

ing volume discounts and rebates.

Other Benefits

Capturing early payment discounts is a growing priority among AP departments. According to the Aberdeen report, 54 percent of respondents have limited to no visibility into their ability to capture early payment discounts. The capacity to analyze and report on invoice data opens the door for AP departments to take a much more proactive role in shepherding invoices through approval and payment cycles to help ensure that payment discount deadlines are met.

And let's not forget about compliance initiatives. Whether or not your organization is bound by Sarbanes-Oxley, customers and suppliers most likely expect your company to operate with the same level of transparency this legislation evokes. Automating paper-driven invoice management processes not only helps to reduce auditing costs but also will allow you to access pertinent data in real time.

About Chip Martin

Chip Martin serves as vice president of product management for Bottomline Technologies, and has domain expertise in payment systems, middleware integration, Web services infrastructure, and standards-based messaging protocols. He has a broad background within the technology industry, with more than 10 years' experience in sales, marketing and product management, and five years of experience in software product management and marketing.

As the entry point for electronic invoices, AP automation systems can act as a gatekeeper and manager of critical financial data concerning spend. From screening inbound invoices and routing to appropriate approvers, to logging each activity and providing archival records, systems designed to manage electronic invoice data at the line-item level can help preserve the integrity of your financial operations.

Concluding Thoughts

While the business case for invoice automation remains predicated on the vision of eliminating paper and streamlining labor-intensive processes to accelerate invoice approval and payment processes, the ability to master visibility and control of spend is equally and powerfully convincing. Even as the simple act of scanning incoming paper has delivered process improvement and bottom-line benefits, senior executives continue to seek an increase in AP's contribution toward overall corporate goals.

In light of this growing emphasis, understanding the impact of AP automation as it relates to spend management can go a long way toward making the business case for more advanced invoice automation initiatives. Only through its ability to accurately capture, manage and analyze invoice data at the line-item level can organizations optimize financial visibility and control. And arguably, that's a habit worth keeping. **AP N&T**

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