Chaos to Clarity

Why Strategic CFO's Demand AP Automation

Written by Bottomline Technologies

Chaos to Clarity – Why Strategic CFO's Demand AP Automation

What's at the top of the modern CFO's priority list right now? According to executive surveys, the answer is a concern with cash flow, working capital, and strategic planning. But it's extremely difficult to address these priorities when you don't have complete insight into your spend-related liabilities.

6 out of 10

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The research suggests visibility is lacking. In fact, 6 in 10 treasurers think that their cash flow forecast has either "significant" or "major" inaccuracies.[2] As a result, CFOs are likely to lock up their cash reserves. They are unable to invest optimally or address strategic imperatives. They struggle to fund growth, pay down debts, or finance mergers and acquisitions.

This has consequences. In today's rapidly evolving markets, companies are either acquirers or those prone to acquisition – some on much better terms than others. To ensure outcomes are strategic and successful, CFOs must have the practices, processes and systems in place to drive productive and profitable growth.

However, financial operations teams are too often weighed down by an excess of manual and inefficient activity. They are unable to move at the speed business increasingly demands. They are unable to scale up in relation to the growing complexity and sophistication a globe-spanning enterprise requires.

One function that is particularly in need of reexamination is Accounts Payable. As this paper examines, forward-looking finance organizations recognize it's necessary to streamline and automate their AP operations in order to grow in a strategic fashion.

What it Takes to Optimize Cash Management

With these factors in mind, the strategic CFO expects and demands the automation of Accounts Payable.

While some companies might consider AP a far lower priority than Accounts Receivable and other aspects of the finance operation, it's now necessary to think systematically and automate a full spectrum of financial processes.

The strategic CFO is, first of all, concerned with cash flow optimization. But to optimize cash you need full visibility into Accounts Payable as well as Accounts Receivable. Only then are you in a position to make the right decisions with regard to investments, financing, and other factors that are critical to corporate performance.

When CFOs are unaware of their spend liabilities, they can overstate or understate their cash flow. What's more, they are forced to make decisions in the absence of necessary knowledge. They must take needless risks or become needlessly risk averse.

And as the economy grows, the workloads and uncertainties associated with AP grow with it. According to a 2014 study from the Institute of Financial Operations, 39% of organizations say invoices had increased as much as 10% from the prior year and another 24% stated that volumes had exceeded 10%.[3]

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1. CEOs Cash Flow, Working Capital: Survey, FEI Daily, November 2014.
2. Ibid.
3. 2014 AP Automation Study, The Institute of Financial Operations, September 2014. http://www.acom.com/pdf/IFO_ACOM_ap_automation_survey_2014.pdf

What's Undermining CFO Performance?

> Just consider three factors that now undermine CFOs in the absence of AP automation: insufficient visibility; operational inefficiency; & excessive costs.

While the impact of these issues can be subtle initially, they collectively restrain performance and only grow more problematic as invoice volumes increase and organizational complexity grows.

Insufficient visibility. Manual approaches make it impossible to quickly and fully assess your spend liability. With PO-based activities, you might have a series of spreadsheets proliferating within offices or at various locations to cover the exceptions that arise in the normal course of business. With non-PO-based activity, you simply have no ability to determine what has been procured and what remains to be paid. You have no way of tracking invoices. You might end up inundated with a huge batch of invoices at the end of the quarter when a reporting period nears and visibility is particularly important.

In addition, you may lack the ability to closely track spending patterns across multiple sites and locations. That prevents you from optimizing your spend with certain vendors -- even seeking discounts in relation to volume or payment terms. It hampers your ability to create predictable payment arrangements with suppliers, a critical step in terms of ensuring their loyalty, commitment and responsiveness while strengthening your supply chain overall.

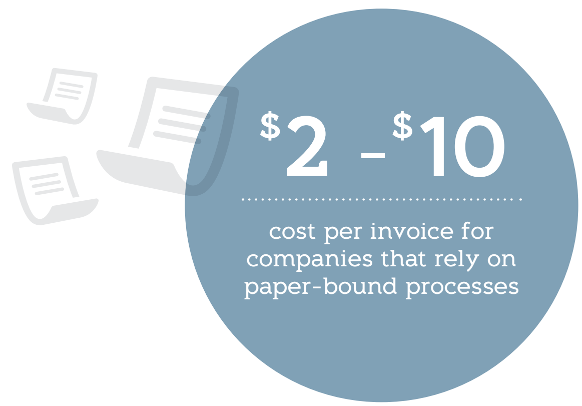
Sometimes companies follow storage practices that make it difficult to retrieve and assess invoices over time. This hinders your ability to comply with audit demands or regulations on data access. You may have scanned and stored your invoices, but you can't access them easily because you haven't fully automated the AP workflow. As regulatory demands grow, so do the demands for full documentation, audit trails, and security. But you can't meet these demands without full visibility and access. Audits that might prove relatively simple and painless with clear audit trails can turn into immensely expensive and time-consuming exercises as paid consultants rifle through filing cabinets and storage bins.

Operational inefficiency. In the workflow of Accounts Payable, there are several places in which manual and laborious activity reduces productivity. One factor is simply the manual keying in (or re-keying in) of data. It happens up front when invoices are received in the mail and opened up. While optical character recognition (OCR) technology is sometimes used to put data in digital form, the approach doesn't eliminate exceptions related to incorrect data capture. Nor does it spare you the frenzy of calls or emails necessary to reconcile invoices and purchase orders when exceptions arise.

Physical filing is another source of inefficiency, requiring personnel to walk to a cabinet and file documents appropriately. Not only does this step introduce opportunities for misfiling, the cabinets themselves take up costly space. While physical storage vendors will hold older documents off-site, you're still challenged to retrieve them in case of an audit or other types of requests.

And then there's the matter of approvals. Imagine you have managers that are geographically dispersed. To get an invoice from one party to another, someone must walk to a scanner, scan it, and email it. It's then opened, printed out, signed, re-scanned, and emailed back. Such practices are not unusual and only multiply as invoice volumes increase. These manual practices are a needless drain on personnel time that make it impossible to productively scale up your finance operations.

Excessive costs. Obviously, the manual handling, scanning, emailing, transporting, filing, tracking and storage of physical invoices (and other AP-related documents) comes at a cost.



According to the Institute of Financial Operations, it's typical for invoice costs to run between $2 and $10 per invoice for companies that rely on paper-bound processes. By contrast, companies that rely on e-invoicing tend to have invoice costs below $2. "Only 18 percent of those who rely on paper-based invoice processing could report that their cost was as inexpensive" as those who have automated invoicing, according to its recent research report.

It's also important to consider personnel costs. In the absence of automation, high invoice volumes simply translate into high labor expenses. While finance departments (like everyone else) are now charged to "do more with less," there's no way to accomplish this objective when efficiencies prove elusive. And the problem only escalates when new acquisitions occur or new offices must be brought into the operational fold.

AP Pain Escalates with Growth

When finance organizations are distributed and decentralized, all of these issues are painfully magnified. Companies now devote a tremendous amount of resources to laboriously managing paperbound activities. Costs, inefficiencies, and uncertainties expand as a company expands. In fact, each new acquisition brings new layers of complexity and unproductive work.

Not only are CFOs increasingly removed from the assets and liabilities they are charged with tracking, they are unable to fully manage and optimize their cash.

Indeed, it's impossible to act as a truly strategic CFO when you lack full visibility into your operations. And you can't scale up effectively when inefficiencies and expenses are dragging you down. You are impeded from taking the actions that will deliver optimal gains for your enterprise.

Get Strategic with End-to-End AP Automation

CFOs are seeking new levels of visibility, efficiency, and cost-effectiveness in their overall finance operations. They want to optimize cash management and strengthen their stance with suppliers. They want to be in a strong position to make acquisitions and other investments. They want to know where they stand at a moment's notice.

That's why progressive companies are embracing end-to-end AP automation.

Advanced solutions of this type should be expected to streamline everything from the initial receipt of invoices to the AP work-flow to integration with your ERP system.

Receipt & Capture

You automate the scanning and capture of invoice details, virtually eliminating manual and error-prone data entry in the process. While occasional exceptions still require manual attention, they are severely reduced.

Workflow

Adapted to PO- and non-PO-based workflows, you streamline process steps by ensuring documents are swiftly routed, approved, acted on, and stored. You automate voucher creation for invoices, reducing manual touch points. And automated exception handling allows invoices to be routed to the appropriate business users for review and/or approval – all on-line with complete auditing and reporting.

Integration

Through integration with your backend ERP system, you obtain real-time look-ups and validations while reducing errors, exceptions, and duplicate effort.

With such capabilities, you bring a new level of visibility and efficiency to AP operations. You gain full command of your cash position, strengthening your ability to optimize its use. You streamline operations and eliminate inefficiencies, ensuring your people are deployed effectively and productively. And you strengthen your relationships and arrangements with vendors – even gaining the opportunity to earn savings through early settlement discounts.

Many organizations are even moving to shared services centers which are centralizing processes across a dispersed and decentralized environment. By moving to a shared services model, they begin to address inefficiencies and reduce needless headcount. By centralizing the receipt of all invoices, they open by the opportunity to manage approvals and exceptions in a streamlined fashion.

4. Ibid.

Red Diamond Increases Visibility and Efficiencies

When Red Diamond, a manufacturer of 6,000 beverage and food service products with 2,000 monthly invoices, implemented the Transform AP solution, it dramatically increased the productivity of its finance organization. A 108-year old specialist in coffee and tea products, Red Diamond:

- Increased efficiency and lower costs. The AP team is now able to do more and keep up with growing business demands and invoice flow.
- Improved workflow and exception process. Utilizing defined workflow rules, invoices are automatically routed to appropriate users for online approval, including mobile approvals.
- Achieved better visibility to invoice status, audit history and reporting. With invoices scanned and available online, there is visibility to status of all invoices as well as accrual and productivity reporting.
- Improved PO match process. The 3-way match looks at the original PO, receiving document and invoice. Before, the team would look at 3 documents, but now the invoice gets scanned in, fingerprinted and matched up by Transform AP, reducing errors.

"Before automating, our AP Managers' desk was a disaster, and each Manager had to receive and comment on paper invoices," says Rolf Van Rijn, VP Information Technology, Red Diamond, Inc. "Now, with just a few clicks, invoices are routed and approved in a matter of minutes. This is a much better experience for the whole team."

– Customer Success Story: Red Diamond uses Bottomline Technologies to strengthen Microsoft Dynamics AX implementation

For more information on the transformative benefits of Transform AP, please visit us on the web, or by calling 800.472.132.

About Bottomline Technologies

Bottomline Technologies powers mission-critical business transactions. We help our customers optimize financially-oriented operations and build deeper customer and partner relationships by providing a trusted and easy-to-use set of cloud-based digital banking, fraud prevention, payment, financial document, insurance, and healthcare solutions. Over 10,000 corporations, financial institutions, and banks benefit from Bottomline solutions. Headquartered in the United States, Bottomline also maintains offices in Europe and Asia-Pacific. For more information, visit www.bottomline.com.

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