How to Turn Your Accounts Payable Department Into an Innovating Profit Center

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In response to the daily challenges you face this whitepaper explores how AP Automation solutions are a practical and pragmatic approach to cutting AP costs, boosting efficiency and reactivity, and speeding up processing time. You will also explore the performance indicators of the “top performers” in accounting, takeaway some simple and accessible best practices to help you gain a better understanding of AP solutions, and discover the fastest way to turn your AP department into a profit center.

Within this white paper you will learn about five key steps that are crucial to understanding, evaluating and implementing an AP Automation platform.
Introduction Overview

As an executive leader or AP power-user, do these statements resonate?

“The AP Department needs to get much more reactive and boost its productivity. No one could call it agile.”

“The AP department takes too long to locate, process, approve, and pay invoices.”

“The AP personnel spend a lot of time on non-value-added tasks, such as tracking down invoices, filing, and fixing errors.”

Intelligent automation finance, digital technology, and more specifically AP Automation solutions, facilitate the AP workflow and provide additional services to stakeholders, solving for the challenges above. AP Automation solutions are simpler than ever and are available from a variety of cloud-based SaaS providers on a pay-per-usage basis, making them accessible to all sizes of businesses. And they deliver a rapid and measurable return on investment (ROI).

Unanimously, indicators reported by companies using AP automation solutions improve performance levels that are two, five or even ten times higher compared to companies using manual invoice processing.

Despite these impressive results, AP Automation has not yet flooded the market. Per a Kodak Alaris study published early 2017, only 17 percent of companies say that they are paperless. A paper-based culture combined with built-in assumptions about the complexity of AP Automation solutions is hard to shake!

Below are five key steps to understanding, evaluating and implementing an AP Automation platform.

STEP 1: Understand the challenges and priorities accounting departments should consider when transitioning to AP automation.

Per a study released by the Aberdeen Group, AP departments list these three top priorities:

Reactivity: Obtain real-time data on all information related to reporting and decision-making.
Productivity: Enable employees to focus on value-added tasks, and process more invoices with the same headcount.

Agility: Reduce time spent handling and searching for paper documents in favor of more proactivity.

If you do not have the right financial information at the right time, it can be very costly. Spending more and more time performing tasks with little added value (keying and tracing that are still often in paper format, is counterproductive.

In addition to the direct costs linked to manual processing, consider the indirect costs, which are more difficult to calculate but are just as significant and detrimental such as:

- Loss/displacement of invoices
- Payment errors
- Lack of traceability, absence of a reliable audit trail
- Management of reminders and litigation with suppliers
- Storage costs
- Lack of interest for certain employees in administrative tasks that could easily be automated
- Offsite storage, chaotic filing, and accessibility

STEP 2: Understand how companies that leverage AP automation outperform those that do not.

A PayStream Advisors study\(^1\) compares two performance indicators of AP Automation providers by company maturity level. “Innovators” refers to companies who have highly optimized their AP workflow by introducing paperless automation. “Novices” are steadfast in manual processing.

The study showed that:

- Average invoice processing time from intake to approval varies from 45 days for Novices to just five days for Innovators.
- The cost of processing an invoice—whatever the format (paper or electronic) varies between $16.58 per invoice for Novices and $2.59 for Innovators, representing a profit contribution of $14.00 per invoice

A second study by Capgemini Consulting\(^2\) estimates that introducing paperless AP automation for purchase-to-pay results in a total 71 percent cost reduction.
These astounding figures are self-evident and demonstrate an obvious fact: AP automation has huge potential to increase company profits as a result of an improved source of productivity, savings, and agility within a company. It drives more than $13.99 savings per invoice and reduces invoice processing and approval workflow time by 50 percent.

In addition to these impressive figures that provide ROI measurement, AP users evolve to an elite group capitalizing on technology advancement in the Information Revolution. In summary, some of the benefits of activating AP Automation include:

- Significant cost reduction, turning AP into a profit contributor
- Better tracking and piloting activity.
- Fast and hassle-free management of account closing periods.
- Timesaving, since processing is mainly automatic and much quicker.
- More reliable and secure accounting processes with end-to-end traceability and transparency of interventions.
- Better budget monitoring and forecasting capacity thanks to tracking of commitments and expenditures.
- 24/7 access to digital invoices, account data and analytical data, using any network device, anywhere, anytime.

Customer Testimonials:

“After very rapid implementation, we found our invoice processing times were immediately reduced by 25 percent, while our data was more reliable thanks to memorized accounting allocations and automatic detection of duplicates.” Hakim Bellaouness, accounts payable, Gameloft

“The real strength of paperless Yooz is validation. The processing cycle is reduced by 25 percent. Paper circulation used to take a week compared to just a day with Yooz!” Lionel Jourda, financial and administrative director, Hôtel de Paris

“The partial rollout of Yooz has already resulted in a dramatic cut in AP cycle times. What used to take weeks now takes 2.5 days. That’s an 80 percent reduction! The improvements are due to capturing, automatically coding, and storing invoices in the Cloud instead of handling paper or sending around PDF files.” Bryan Schmidt, controller, Unite Here Health
These obvious and immediate advantages encourage many businesses to extend the scope of their AP automation initiatives beyond invoice processing workflow by activating a purchasing management module. The combination results in a seamless 100 percent digital Purchase-To-Pay workflow—from purchase management through supplier invoice payment approval.

**STEP 3: Now that you are ready for AP Automation, what do you do next?**

There are three key areas to explore when preparing to activate an AP automation platform: Understanding actual workflow and challenges, success measurements, and project planning execution.

A. **Fully understand the actual process, workflow, and challenges that need solving.** When considering an AP Automation proposal, it is vital to fully comprehend the operational needs in order to define the clear goals and expectations, and gain buy-in from all stakeholders. To accomplish this, take these three simple actions:

1. **Consult the various stakeholders throughout the process.** These stakeholders include: Department of Accounting and Finance, accounting, buyers/purchasers, suppliers, approvers, and senior management of the company. By engaging the impacted stakeholder, you will enable greater insight and understanding of the challenges they each encounter that the selected solution should resolve. Getting critical stakeholders to engage in designing the solution will strengthen their commitment to the project.

2. **List all primary stakeholder pain points.** With the different stakeholders, create a list of tasks that are: Time-wasters or potentially error-prone, pointless redundancies (e.g. multiple entries); shortfalls in the company (e.g. non-compliance); lost invoices and associated consequences; duplicate payments; processing delays; late closure due to lack of reliable data; lack of analytical information to determine costs per site or per product, etc. **Whenever possible, try to quantify the cost of the problem identified.**

3. **Describe the current situation.** What type and volume of documents need to be processed? What is the invoice workflow? Who are the key players at each stage in the process? What type of tracking and reporting is utilized or needed?

It is important to accurately identify the monitoring policy and any exceptions without losing sight of the goal to simplify. This saves time when activating AP automation by minimizing the risks of the final solution without being out of sync with company expectations.
B. Define quantitative and qualitative measurements.

Define your qualitative targets. These primarily arise from the pain points that you originally identified, such as:

- Compliance with legislation (i.e.: set up a robust audit trail)
- Reducing risk of fraud
- Better monitoring of expenditure
- Improving company image, negotiating strength and visibility with supplier
- Employee, stakeholder and supplier satisfaction

Define quantifiable (measurable) targets. Choosing appropriate (performance) indicators is crucial to calculate, monitor, and report ROI. For AP automation, there are four key indicators that are especially relevant. These may expand following stakeholder input.

- Time and cost of invoice processing, which can be separated into 6 stages:
  - Reception
  - Accounts entry
  - Approval
  - Management of Supplier Litigation
  - Payment
  - Archiving and storage
- Average invoice processing time, from reception to archiving
- Number of invoices processed per accounts clerk
- Number of supplier litigation and average associated processing time

C. Project Planning and Execution

Define a project plan to meet your ideal timeframe.

Prior to embarking, consider the following: When is the best period for accounting teams to manage organizational change? Should the company start the new fiscal year with the new solution? Will the project be coordinated with evolving or changing your accounting tool and/or system?

Beyond the individual needs of the company, to define your optimal agenda you should also keep in mind a sense of the timeframe needed to set up and implement this kind of project. There is a wide range of best practice estimates because the time allotted to each stage is heavily dependent on the type of solution installed and the AP Automation partner you select.
• A dedicated solution is easy to customize, including configuration of complex processes, available in SaaS (so that local installation is not necessary), and with preexisting interfaces with your accounting system and ERP, can be installed very rapidly.

• A generic solution that requires specific developments to answer specific needs and does not have interfaces compatible with your accounting system or ERP will be more time consuming and more complex to install. The scope, workflow, and level of complexity of your project will obviously impact the implementation timeline.

Timeline can range from as quickly as a few hours to >6 months, depending on the solution type and the level of customization.

Customer Testimonials:

“Yooz was operational in just 15 days and enabled us to divide our invoice processing time by three.” Alphan HADJI ALI, executive and financial director, Adopte un mec.

“Installation was really simple: the solution was up and running in two hours!” Emmanuelle Revillion, administration and finance manager, AFTE.

“Yooz was deployed in 3 weeks, across 200 sites with 500 users, and processes over 150,000 invoices a year!” Sophie Blahuta, project director, Domusvi.

“We had a major time constraint for implementing the project. Yooz is ultra–rapid to install. We were 100 percent operational in 15 days!” Maxime Nicolas, financial controller, Novotel Cannes.
STEP 4: Choose the Right Solution

Of course, solution performance, infrastructure security, level of automation provided, upgradability, durability, and capacity to assist the supplier are just some of the features to be considered as important decision-making criteria.

Although these are necessary criteria, they are not sufficient to guarantee the success of the project. The solution you choose should answer all your specifications in relation to the entire project, including: Types of invoices to process, accounting entry format, approval policy, management of delegations, communication with your accounting system and any other systems already in use. It should also guarantee that it will meet your set qualitative and quantitative goals.

To choose the “right” solution, you need to be familiar with all the functions and features that you are entitled to expect from an AP automation solution. Below are some recommended criteria guidelines to consider.

A. What Criteria to Apply

- **Easy Communication (Interoperability) with your ERP or Accounting Software Package**
  A solution that incorporates cross-overs with your accounting tool is a major timesaver. It is a prerequisite for ensuring data coherence throughout your information system. If your company uses a more specific accounting software, an option that allows you to easily develop customized connectors will ensure that you do not forgo this interoperability.

- **Omni-Channel Document Capture Process**
  Even if you currently receive a substantial number of paper invoices, within the next five years electronic invoices will be in the majority. Therefore, the solution you decide to adopt must be able to capture both paper (via any scanner or multi-function) and electronic invoices (PDF, EDI, office automation XML, etc.) that arrive via all existing channels including: Post, e-mail, and FTP. It should allow you to streamline processing the various invoice workflows in a consistent and industrialized way.

- **Efficient Invoice Recognition System that Requires No Special Settings, Offers a High Level of Automation, and Character Recognition**
  Quality AP automation data recognition allows you to greatly reduce employee intervention by automating order and invoice matching as well as accounting allocations and detection of duplicates. Thanks to innovative optical character recognition
technologies, companies do not have to intervene every time they add a new supplier or one of their suppliers change their invoice format. In other word, no templates needed.

► Powerful and Intuitive Search Engines
Users are accustomed to “Google-like” full-text search engines. They expect to find the same flexibility and intuitiveness in AP automation solutions that save time when searching for a document. The possibility of refined search options combining several criteria is also necessary to fulfil certain financial reporting requirements.

► Mobility
If some of your users that approve invoices are mobile, work occasionally or regularly from home, or frequently travel, the option of accessing the solution via a mobile app will be a prerequisite since it saves precious time. It is possible to access and research documents or validate them from any tablet or smartphone.

► Flexible Approvals Workflow
To adapt to the company’s approvals policy and its changing patterns, the workflow (technology that allows you to define approval flow paths) should be feature-packed and very easy to set up while being accessible to users who have zero technical skills. It should also permit management of supplier litigation, delegations and e-mail notifications to respond to different scenarios such as: alerts, reminders, escalation, etc.

► Monitoring Tools
Well-designed dashboards and reporting capacities are indispensable to allow the accounts department to monitor activity in real-time and track the evolution of performance.

► Total Traceability
An AP Automation system should enable you to track document workflow from end-to-end. From creating a purchase requisition, issuing a purchase order, processing reception, matching invoice to order, to the approval stages, traceability tools permit compliance with the regulations linked to a reliable audit trail and are effective for detecting fraud.

► A Unique Solution Covering End-to-End Purchase-To-Pay
To maximize benefits from your AP Automation project, it is preferable to opt for a single solution that covers the Purchase-to-Pay process from end-to-end. As mentioned earlier in this paper, businesses that install AP automated invoicing efficiently often
decide to automate the Purchase-to-Pay process as well. In this case, multiple solutions oblige the company to create cross-overs or connectors and thus entail additional integration costs. A solution that covers the whole invoice process, from Purchase-to-Pay, is not just quicker to install and faster to be adopted by users, but also ensures coherent management of accounts reporting standards.

▶ Emphasis on Simplicity and Intuitiveness
As well as being quick to deploy, the solution should also be simple to install so that it can easily be adapted to the changing needs of the company. Invoice approval workflows especially need to be able to evolve with time to adapt to company growth, development of new purchasing workflows or the advent of other types of suppliers. Easy configuration of these workflows, that do not require an expert, is therefore a factor of upgradability and economy.

▶ Certificates of Conformity or Guaranteed Quality of Service (SLA) company that wishes to install AP Automation needs to be able to count on a reliable partner who offers all the necessary guarantees to build a long-term relationship based on trust. This partner should offer a minimum of five guarantees:

1. Standards and certificates that attest to solution compliance, safeguarding the security and confidentiality of the client.
2. Commitment to continuity of service. And customer support.
3. The possibility of a free trial of the solution before committing to assess its ability to meet the needs of the accounts service.
4. Tailored assistance, that enables the company to become autonomous within a few
days, and attests to the simplicity of the solution.

5. Guarantee of reversibility.

B. Cloud-based or On-premise?

The rate of cloud powered technology adoption by businesses remains unprecedented with 25 percent progression in 2017, according to IDC France⁶. The Cloud craze is driven by several factors: The advantages of easy and rapid installation; savings linked to the fact that there is no need for IT investment to install the project; a pay-per-use billing model. Thus, cloud computing meets the three requirements of finance departments for the accounts payable process: Reactivity, user productivity, and agility.

One of the notable short-term benefits for companies choosing cloud-based technology platforms for AP automation is speedy installation. In the longer term, companies profit from an AP platform that evolves more regularly and transparently, and allows continued alignment with best practices.

<table>
<thead>
<tr>
<th>Cost Effectiveness</th>
<th>Cloud-Based Solution</th>
<th>On-Premise Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed</td>
<td>No IT cost to implement</td>
<td>High up front implementation cost</td>
</tr>
<tr>
<td>Security</td>
<td>Quick to implement, simple setup</td>
<td>Long implementation, complex setup</td>
</tr>
<tr>
<td>Customization</td>
<td>Private space for each customer, dedicated cloud provider + secured protocols / processes</td>
<td>In house data storage less equipped to reduce the chances of security breaches</td>
</tr>
<tr>
<td>Pricing model</td>
<td>Flexible in serving unique needs but has limits</td>
<td>Tailored solution</td>
</tr>
<tr>
<td>Updates</td>
<td>All inclusive, subscription based</td>
<td>One time fixed cost + annual maintenance &amp; support</td>
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<tr>
<td></td>
<td>Frequent new features included</td>
<td>Additional cost and time for routine maintenance and upgrades</td>
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C. Ensure the Appropriate Selection for Your Company

For this type of project, it is vital that the chosen solution is appropriate, given the structuring effect of its installation on accounting processes and potential impact on financial returns and efficiency for the company.
Some AP automation partners allow you to evaluate their solution free, offer pilot programs, or offer a reduced fee in your operational context. This is an excellent approach which allows you to:

- Assess the intuitiveness and simplicity of the solution, and how it appeals to key users.
- Validate to what extent the solution fits your operational constraints.
- Take stock of direct and indirect impact on costs, deadlines, agility, security, traceability.
- Launch your project calmly and efficiently with minimal risk.

**STEP 5: Calculate Your ROI**

AP automation projects offer the enormous advantage of enabling you to assess their benefits factually, in part thanks to automated processing.

Before implementing, benchmark current performance indicators and know how to compare them with the top performing innovators mentioned at the beginning of this white paper.

Now that you have assessed the cost of pain points and you know how to assess their resolution impact and contribution, you have what you need to calculate your ROI on AP automation.

Below are three pivotal points that establish the value of an AP automation solution:

- A tried and tested, state-of-the-art solution that can easily be aligned with the needs of your organization.
- The ability to test the solution very simply in a real-world situation (invoices, workflows, accounting connectors).
- Pay-per-Use invoicing that can be adapted to all kinds of issues and dispense with initial installation investment.

**Conclusion**

Becoming a “Top Performer” in the accounting processes is not an effort limited to a few brilliant financial directors, but the result of leveraging some high-quality, practical ingredients and steps that will guarantee the success of your AP automation implementation project, rapid ROI, delighted stakeholders, and turn your AP department from a cost center into a profit contributor.
About Yooz

Yooz provides AP Automation intelligence to more than 1,800 global customers, turning AP departments into profit centers by streamlining the invoice process workflow. Born in the cloud, it stays on the cutting edge of innovation by reinvesting 25% of its revenues into R&D. Yooz leverages the technology platform of its European sister company ITESOFT (Paris: ITE), a leader in intelligent document capture and process automation.

References


2. Digital transformation to empower CFOs. Capgemini Consulting. 2015.