



 Process Fusion 360

A Complete Guide to Invoice Processing Automation

Workflow
Reimagined

Introduction

If your accounts payable department is still relying on traditional methods and manual processes, they will know how frustrating and tedious it can be. But there is a better way.

Wouldn't it be great having every single invoice automatically captured and coded for you?

Imagine invoice data being extracted for all your invoices, billing errors and usage outliers recognized and tagged before they turn into an issue, invoice digitally routed for reviewed and approved, decision makers having access to the right data they need. All this can be made possible through invoice processing automation.

Invoice process automation will free up time the AP department has been spending on manual tasks, eliminate the clutter for their work day and give them better strategic insights to help move the company forward.

Automation will change the way your accounts payable department is perceived by peers and vendors alike.

The Invoice Processing Challenge

In almost every industry, invoices are received in paper or electronic format. The invoices are then reviewed and forwarded, usually through inter-office mail, for approval and coding.

The invoice approval process itself usually resides in the hands of seasoned accounting staff, who are not always available, which ends up delaying payments. Any exceptions are usually chased through the organization, a process which takes weeks.

Once invoices are finally approved, invoice data is then manually keyed into an ERP, and invoices are physically filed.

In most cases, with this traditional invoice process, the accounts payable department ends up suffering from:

- Costly and error-prone manual keying of invoice data
- Lost or misplaced invoices
- Long review, approval and exception resolution cycles
- Compliance and security risks
- High physical paper storage and retrieval costs
- Delays uploading data on approved invoices to downstream systems
- Time-consuming supplier inquiries regarding invoice and payment status
- Difficulty implementing operational best practices
- Lack of opportunity to optimize payment scheduling – capture early payment discounts or avoid late fees
- No visibility into data analytics

Why Automation is the Future

Businesses are increasingly recognizing the need to automate their accounts payable department. Organizations need to create a future where invoice processing is no longer a tactical, back-office function.

Accounts payable practitioners are eager to make that vision a reality. Below is the future of invoice processing that industry practitioners foresee.

51% of accounts payable practitioners anticipate that their department will eliminate most of their paper invoice by 2021.

Less Manual Paper Pushing

By 2021, 51 percent of accounts payable practitioners anticipate that their department will eliminate most of the paper invoices it currently receives from suppliers, per IOFM's 2018 Future of Accounts Payable Study.

Nearly one-third of practitioners expect that their accounts payable department will eliminate between 25 percent and 50 percent of the paper invoices it currently receives from suppliers, IOFM finds.

Data Driven

Sixty-three percent of accounts payable practitioners expect that the use of their department's data across the enterprise will increase "slightly" or "significantly" over the next three years, according to IOFM's 2018 Future of Accounts Payable Study.

Invoice processing automation will put critical data at the fingertips of authorized users, no matter where they are located. Users will also be able to track cost and consumption metrics, gain visibility into working capital and spending, manage utility costs and consumption, filter reports, benchmark performance and reveal new opportunities.

More Digital Technology

Accounts payable practitioners are placing their bets on image capture, intelligent data capture, mobile, cloud and artificial intelligence as per IOFM's 2018 Future of Accounts Payable Study.

Better Time Utilization

According to IOFM's 2018 Future of Accounts Payable Study, accounts payable departments expect to make less than half as many payments to suppliers via paper cheque within the next three years. Businesses will use ACH and virtual cards to pay more for their suppliers. As compared to electronic payment methods, paper cheques cost over thirty times as much and are most often responsible for fraud losses and delays.

Less Paper Cheque

According to IOFM's 2018 Future of Accounts Payable Study, accounts payable departments expect to make less than half as many payments to suppliers via paper check within the next three years. Business will use ACH and virtual cards to pay more of their suppliers. As compared to electronic payment methods, paper cheque cost over thirty times as much and are most often responsible for fraud losses and delays.

57% of accounts payable practitioners expect to capture higher card rebates as a total percentage of spend within the next three years.

Profitable

Invoice processing automation will create new opportunities for accounts payable to deliver value to the business through cash-back card rebates, more early payment discounts, longer standard payment terms and better spend management. As per IOFM's 2018 Future of Accounts Payable Study, 57 percent of accounts payable practitioners expect to capture higher card rebates as a total percentage of spend within the next three years. 54 percent expect their organization to capture more early payment discounts. One third of practitioners will extend their standard payments and almost two thirds of accounts payable departments will play a bigger role in helping to manage spending.

How Automation Gives ROI

So why should you and your accounts payable department be excited about automation? IOFM's report, *Is Your AP Performance Top Tier?*, provides a look into what accounts payable departments can expect to achieve through automation:

Pay more than 90% of your supplier invoices on time

The use of automation eliminates the time consuming, manual tasks related to processing supplier invoices. Invoices in any format, from any vendor channel can be received, digitized & standardized, and collected into a single platform.

Header and line-item data can be automatically extracted from invoices, which are then matched with purchase orders and receipts. Invoices that require approvals or exceptions handling can be digitally routed based on defined business rules and workflows, eliminating the chance that invoices get lost.

Keeping track and being able to pay invoice on time eliminates late-payment penalties, reduces supplier inquiries, improves supplier relations, and gives better visibility into cash and spending.

Capture 97% of early-payment discounts offered

According to IOFM's AP department Benchmarking & Analysis report, 87 percent of businesses surveyed receive invoices that offer discounts on the invoice due amount in exchange for early payment.

Top performers capture 7 times more early-payment discounts as a percentage of spend as their peers, according to The Hackett Group. So, this means that a company that previously captured \$100,000 annually in early-payment discounts stands to gain \$700,000 a year in additional early-payment discounts through automation.

Process around 23,000 invoices annually per full time equivalent (FTE)

According to IOFM, highly automated AP departments process 14 times as many invoices per FTE each month as their peers with no automation.

Automation eliminates many of the manual tasks associated with processing invoices, as it extracts and validates invoice data, matches invoices with purchase orders and receipts, and posts approved invoices directly into any ERP system.

Invoices that require review, approval or exceptions resolutions are digitally routed to specific users based on predefined rules. Dashboards are also set up to alert managers of bottlenecks and reminders for users of invoices approaching their due-date.

Spend \$5 to process a single invoice

Automated AP departments spend less than 1/4th (\$5 vs \$20 per invoice) as much as their peers who do not use automation, according to IOFM. They also found that AP departments that processes 5000 invoices per month stands to save \$55,650 per month and \$667,800 annually with automated invoice processing.

This is because automated invoice processing eliminates manual processes that drive up the cost of processing invoices. Challenges like manual data entry, invoice matching, tracking down purchasers, physical routing invoices for approval, manual phone calls, searching for lost invoices, setting up payments, resolving payment issues, preparing reports etc. all add up to time wasted and extra costs.

Match 90% of invoices and purchase orders on the first-round

According to IOFM, matching invoice line items with data in a PO system is the highest pain point for 28 percent of survey respondents.

This huge pain point is eliminated through automation by automatically capturing invoice data, checking for duplicates, validating supplier info, and calculating line-item data on invoices.

Extracted data is then automatically matched with POs and the information can be validated against data sources such as an ERP system. Any unmatched invoices are then electronically routed to a queue for review and correction or routed to approvers based on predefined workflows.

Correct only 1% of all supplier invoices processed

Industry standard is that a duplicate payment rate over 0.5 percent shows weak controls, or the master vendor file needs to be cleaned. Top performers have a duplicate payment rate of less than 1 percent.

IOFM found that 39 percent of business reported duplicate payments and over payments represented more than 1 percent of their payments.

Automating invoice processing will eliminate these duplicate errors by validating invoice data early in the process, eliminating manual human errors, flagging duplicate invoices, facilitating better collaboration between suppliers, and using analytics to review problem suppliers.

How to Get Started

If you are considering implementing invoice processing automation for your organization, the best place to start is by building a solid business case to excite your company's management team.

To get started, look over where your account payable department currently stands and determine the potential changes and savings. Follow these four steps:

Step 1

The first step in auditing where you are, is to document your AP department's (including front line AP staff) primary approval and exception workflows. Also, be sure to find out if they are using any unique workflows and challenges for different types of invoices, suppliers and business units.

Document issues such as lost invoices and duplicate copies, manual data entry, duplicate payments, supplier inquiries and escalations, late payments and lost discounts.

Step 2

The next step would be to gather baseline operating data from your AP department, which is crucial for building a business case. Document annual invoice volume, the number of full-time equivalents (FTEs) in your department, average value of compensation and benefits per AP FTE, total accounts payable costs, and cost per invoice.

Step 3

The third step is to document where you stand and compare it with industry benchmarks. This comparison will help you discover what your department can achieve through automation.

Some key benchmarks to consider include cost per invoice, cycle time for purchase order-based invoices, cycle time for non-purchase order-based invoices, invoices processed per FTE per month, rate of duplicate payments, supplier inquiries per 1,000 invoices, overall first-pass match rate (invoices to purchase orders), and early-payment discounts captured as a percentage of spend.

Step 4

Based on the first three steps of reviewing your current state of your AP department, you can then begin to create a list of processes that you aim to change through automation.

You should consider processes like invoice approval workflows, invoice exception workflows, invoice matching to purchase orders, extracting info from invoices, receiving invoices, supplier account reconciliation and inquiries, and reporting and analytics. Once you know where your AP department stands and what you can achieve, you will now be ready to engage stakeholders.

How to Engage Stakeholders

The key to implementing a successful accounts payable automation project, it is important to engage department staff and key stakeholders in your enterprise. Here are four proven strategies for successfully engaging stakeholder.

Identify Key Stakeholders

Your goal here is to engage key stakeholders who can help contribute to the project. These will include front line accounts payable staff, IT staff, purchasers, procurement, financial analysts and treasury.

Engage Stakeholders Early On

Establish a team of stakeholders early on, representing different functional responsibilities. Keep in mind, having too many stakeholders involved will over complicate and delay things. This team should help you diagnose the current state of AP department, processes, identify areas of improvement, gather requirements, define the project, develop business rules, make deflections regarding process changes, and monitor the progress of the project.

Directly Address Concerns

Always address concerns of stakeholders. Be proactive showcasing how current operational roles will change, how system integrations will be managed, and how technology will be deployed. One of your team stakeholders should be appointed to champion the project to keep senior level management acquainted of any issues.

Allocate Proper Resources

Always be sure to allocate enough resources for IT support, system admin, testing, training and deployment tasks. Consider hiring temporary staff to free up time for senior staff in the lead up to system deployment to spend more time testing and training their peers.



Contact Us

Headquarters

3280 Bloor Street West, Suite
1202 Centre Tower, Toronto, ON,
CA M8X 2X3

Telephone

(+1) 905-363-0118

North America

(+1) 844-746-4734

Toll-Free

Fax

(+1) 905-826-7520

Email

sales@processfusion.com