



Paper Cuts Can Ease Business Pain

Which processes can be restructured quickly to reduce costs and boost efficiency? ITESOFT's Bill Webb looks at how cutting out paper delivers benefits.

Right now, many organisations must feel as if they are suffering death by a thousand cuts. Sales revenues are down, cost bases are high, profit growth is stalling or turning to losses, cash flow is weak and credit is difficult to get.

The question is, what can those organisations do quickly to stop the pain inflicted by the business climate? What changes can be made to structures and business processes to reduce costs and deliver ongoing savings through improved efficiency – yet without ripping out and replacing existing systems?

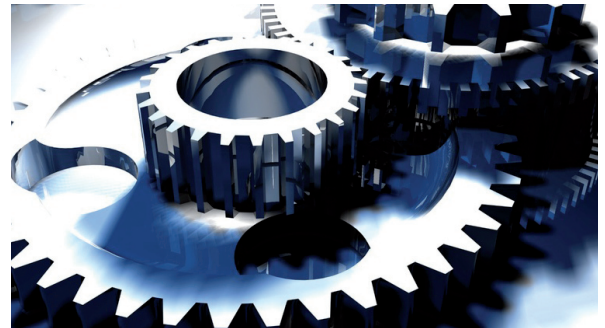
91% Lower Invoice Processing Costs

Inevitably, IT teams are finding themselves under intense pressure to deliver and support changes to infrastructure and processes, yet with static or reduced budgets and resources.

So it's no surprise that those projects that are getting short-term investments are the ones that can deliver significant, proven savings, quickly, by automating business processes.

Paper Jams

Where do you find the most resource-hungry, costly processes? They're usually in labour-intensive areas of the business, where skilled staff must devote time to relatively menial tasks. One such process is purchase-to-pay, which is traditionally very labour intensive with thousands of paper

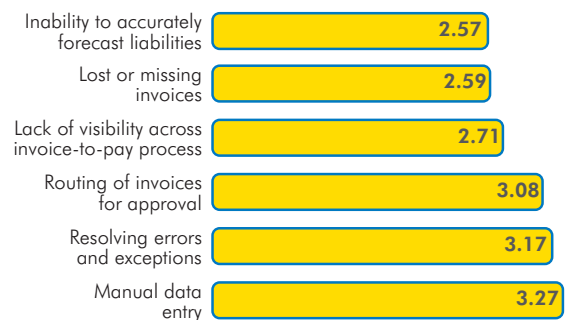


invoices being manually processed monthly by teams of AP clerks.

Pain Points In AP Operations

A survey conducted by *Paystream Advisors*⁽¹⁾ in the latter part of 2008, revealed valuable insight into the issues encountered by AP staff.

Respondents rate the pain associated with AP operations on a scale of 1 to 5, where 5 is the highest. Results are a weighted average of all responses.



The AP Department is historically ridden with issues that prevent organisations from optimising the AP Process.

The average processing cost per invoice is around £15 – an obvious target area for significant cost reduction. What's more, an average full-time AP employee can manually process around 15,000 invoices per year. Yet with full automation, advanced companies can process upward of 80,000 invoices per person, per year – a giant leap in efficiency.

1. Electronic Invoice Management, Your Passport to Paperfree Accounts Payable, Paystream Advisors, Q109

On average it takes an accounts payable clerk 12 days to process an invoice (*Byline Research*). Companies below average can take as long as 20 days to process an invoice⁽²⁾. The lengthy time taken results in a high cost of processing and the inability to take advantage of early payment discounts.

Building The Case For Automation



To address the issues commonly associated to manual invoice processing, many organisations are considering automating their purchase-to-pay process. Automated invoice processing solutions enable paper invoices to be scanned, checked, verified, matched and posted ready for payment to the back-end finance system with minimal human intervention: only exceptional invoices, such as invoices without purchase orders, need manual checking. Furthermore, such project implementations can be done quickly, in the region of 3 months, giving rapid 'time to value' for an IT project. Typical paybacks generated are within 18 months, with ROI well over 100% in 2 years.

Research conducted by the *Aberdeen Group*⁽³⁾ evaluated a number of AP Departments and distinguished 'Best in Class' departments who are notable for their success in utilising automation to drive performance.

Decision Support

Best in Class AP departments are overhauling their organisations by redefining the scope and focus of the function and gaining broader alignment with other departments. These leading departments indicate that automation has been their key enabler to bottom line improvement and the increase in the departments' visibility across the organisation.

Best in Class organisations outperform their peers on many fronts. They report:

- ▶ **91%** lower invoice processing costs
- ▶ **46%** shorter process cycle times
- ▶ **12%** fewer late payments
- ▶ **30%** less time responding to enquiries

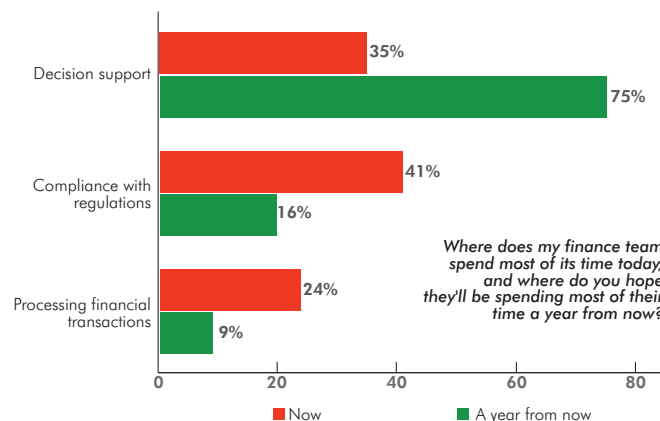
2. Electronic Invoice Management, Your Passport to Paperfree Accounts Payable, Paystream Advisors, Q109

3. The E-Payables Benchmark Report, Advancing Accounts Payable Automation, The Aberdeen Group, March 2007

The current economic climate has added further pressures to CFOs and their Finance teams. They are being called upon to provide more advice to the business, while enhancing the cost-effectiveness of performance analysis, reporting and transactional management. Therefore, as the role of finance evolves from a function that provides operational reporting to one that provides strategic insight, the importance of streamlining transactional processes becomes more evident.

Strategic Insight

A recent survey conducted by *PricewaterhouseCoopers*⁽⁴⁾ revealed that many CFOs have the desire to turn their finance teams into 'business partners'. In order to do this the finance teams need to re-focus their time away from manual tasks to ones that are more 'decision support'. The simplification and streamlining of processes is even more critical to ensure that finance teams can focus on more value-added tasks.



Accurate financial information is at the heart of any organisation. It is challenging for any finance function to provide business insight or decision support if it takes three weeks to process an invoice.

From Paper To Practice: Northern Rail

A company that is enjoying significant benefits from deploying an automated invoice processing solution is Northern Rail, the biggest train operator in Britain. The company provides 2,600 local and regional train services every day across the north

4. Management Information and Performance, Report prepared for PricewaterhouseCoopers by CFO Europe Research Services, June 2007

of England, serving a population of nearly 15 million and carrying 85 million passengers a year.

**85 Million
Passengers**

Northern Rail chose *ITESOFT.FreeMind for Invoices* to streamline its purchase-to-pay process and automate invoice processing into SAP®. Previously a manual, time-consuming and labour intensive task, the matching of the 90,000 supplier invoices Northern Rail receives each year to purchase orders and goods received notes is now streamlined, with minimal need for manual intervention.

**90,000
Supplier
Invoices**

The solution integrates with their SAP® accounting system. Invoices are scanned upon receipt, and through the use of OCR technology *ITESOFT.FreeMind for Invoices* captures key invoice information and images. Once scanned the software automatically analyses the data, validates it and matches it against the PO, before posting it into SAP® via the *ITESOFT.Balance* integration module.



This module ensures that any query invoices are automatically sent to the business for resolution prior to releasing for payment. This accelerates the invoice process, making it less labour intensive and far more accurate. Invoices are stored as electronic images, enabling financial staff to easily track the process, assisting query resolution and speeding up search and retrieval.

With its advanced image capture features, the solution is also removing the need for paper-based archives of invoices, giving further savings in storage costs and easier access to older documents.

Spreading The Benefits

The type of process automation described here can also deliver similar benefits in other transaction areas. For example, in customer services where it can automate receipt and processing of B2B orders, and processing of inbound customer documentation. This can shorten the time taken to process sales, leading to better customer service and improved cashflow. And as mentioned earlier, direct efficiencies from the automation of manual processes in the region of 50% are typically realised.

**Improve
Cash
Flow**

**Better
Customer
Service**

So if you're a hard-pressed IT, finance or customer services director looking to make an impact on costs in the next 12 months, it's well worth looking into automation of core paper-based processes. It's a paper cut that can relieve a lot of business pain.

About the author:

Bill Webb is the Managing Director of ITESOFT UK and has 24 years experience in the software industry. In this white paper Bill explores how the current economic climate is pressuring organisations and their IT teams to focus on those projects that can deliver significant savings, quickly. The automation of the purchase-to-pay process is one such example that can deliver rapid return on investment.



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