

AP CONTROL PANEL FINDS AUTOMATION DRIVES OPERATIONAL IMPROVEMENT



IOFM Institute of Finance & Management

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The Role of Control in AP

Few things are as unnerving as the feeling of being out of control.

This is especially true in accounts payable, where businesses have a lot riding on how efficiently and effectively they manage their invoice processing and supplier payments. Research from the Institute of Finance and Management (IOFM), “The Future of Accounts Payable,” suggests that accounts payable departments need to improve control in four areas:

- Operations
- Working Capital
- Compliance
- Security

Accounts payable departments that lack of control in any one of these areas are at greater risk for higher costs, errors, upset suppliers and fraud.

To more closely examine the relationship between control and invoice processing performance, Hyland and IOFM collaborated to create The AP Control Panel, a first-of-its-kind online tool to benchmark the levels of control across accounts payable departments.

The AP Control Panel

Hyland and the Institute of Finance & Management have partnered to create the AP Control Panel, a first-of-its-kind tool to evaluate AP departments’ level of control over operations, cash flow, compliance and security.

[Learn more here.](#)

The AP Control Panel: Can Automation Improve Operational Control?

Fifty-one percent of accounts payable professionals anticipate that their department’s business processes will become more complex over the next three years,

according to IOFM research. Increased accounts payable complexity is the direct result of high paper volumes, the diversifying mix of invoice delivery channels, new data capture demands, the growth of global and regional shared services centers supporting multiple currencies, languages and regulations, and the need to integrate with multiple enterprise resource planning (ERP) platforms. Without the proper controls, increased processing complexity can cause higher costs, more errors, slower cycle times, less visibility, and strained supplier relationships.

Can automating processes help overcome this complexity? Is there a relationship between accounts payable automation and operational control and improvement? To find out, IOFM analyzed AP Control Panel data submitted during the winter of 2018-2019. Survey participants ranked their capabilities and selected specific categories applicable to their operations to create a measurable self-assessment of their:

- Total invoice volume
- Degree of automation
- Ability to view and track invoices throughout the AP process
- Methods by which they can search for invoices
- Visibility into notes, correspondence and modifications associated with invoices
- Ability to acquire performance data to support AP operational improvement

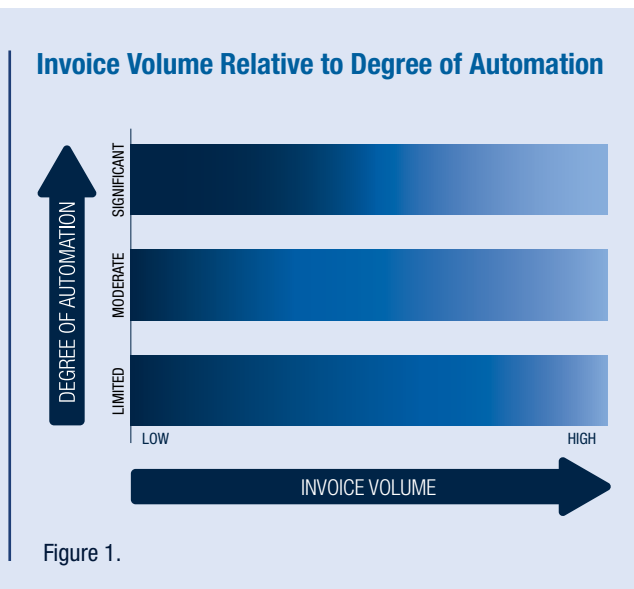
The overall objective of the analysis was to determine not only the relationship between automation and operational control, but to assess how successful automation is in providing deep visibility into payment processes and business intelligence that can lead to organizational improvement.

Invoice Volumes and Automation

A natural assumption is that high volumes of invoices would correlate to significant levels of automation. This is generally accurate.

As seen in Figure 1 below, the dark blue color represents low invoice volumes and light blue represents higher invoice volumes. Those respondents with more invoices tended to have more significant

degrees of automation by about two to one. The remainder of high-invoice respondents were about evenly divided between having limited and moderate automation.



Nearly half of respondents with low invoice volumes indicated they had limited automation, as one would expect; but the number of organizations with low invoice and significant automation was surprisingly high in this group, only 12 percent less than those with limited automation.

So while one would expect to find a dramatic difference in levels of automation among AP departments based on invoice volume, many AP departments with high invoice volumes still process many invoices manually, and contrarily, AP departments with low invoice volume may still have significant automation at their disposal.

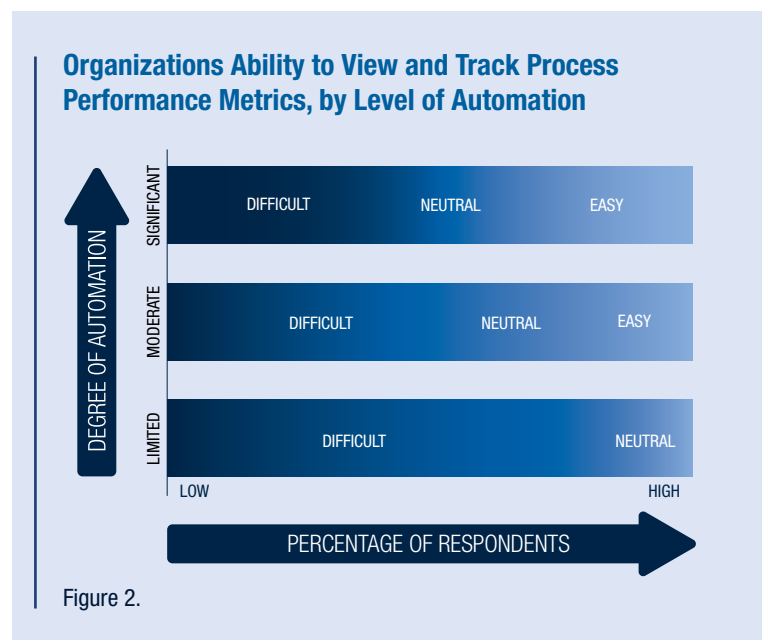
The question is, how effective are those automated systems at providing useful business intelligence?

Automation and Invoice Tracking Capability

One of the presumed benefits of most automated AP systems is the visibility they provide into process performance. These include such measurements as time to approve invoices, time to pay them and workload per accounts payable employee (invoice cost per FTE). These metrics track the overall efficiency of the department and can facilitate staff performance evaluations based on their output of work.

As shown in Figure 2 below, those organizations with significant automation have much greater insight into these performance measures than those without. No respondents with limited automation reported that tracking this information was easy, whereas nearly a third with significant automation responded that collecting this data was easy or extremely easy.

What's telling, however, is that even in the group with significant automation, more than 40 percent found this to be difficult or extremely difficult. Clearly, having automation does not guarantee visibility into transactional process efficiencies.



Methods of Sorting Invoices

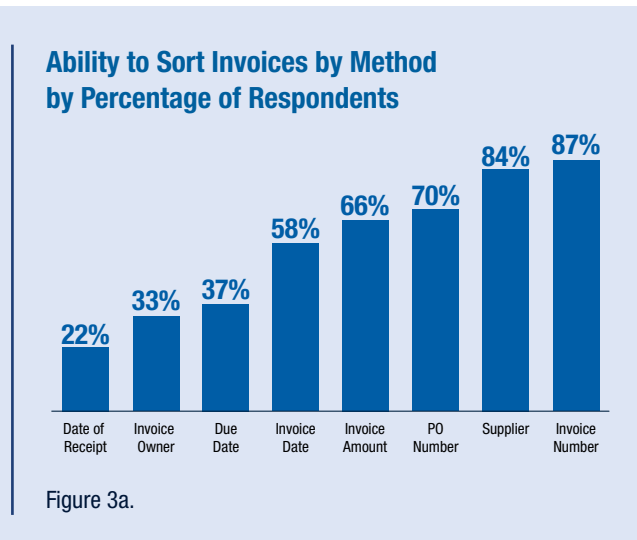
Some of the key functionality AP automation should provide is the ability to sort invoices by multiple methods. This is valuable for researching invoices from a specific supplier, performing lookups by amount or invoice number, finding out which invoices are oldest, and so on.

The survey tabulated the combined responses for the following sortation criteria:

- Date of receipt
- Invoice owner
- Due date
- Invoice date
- Invoice amount

- PO number
- Supplier
- Invoice number

Figure 3A shows the combined data for all respondents:

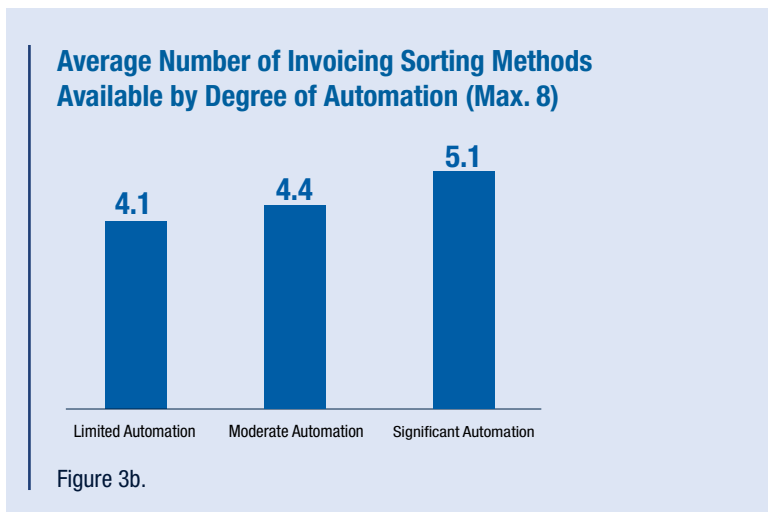


While most survey participants can sort by supplier and invoice number, far fewer can sort by key dates or invoice owner. Lack of access to this information can result in invoices being paid late and prevent the organization from being able to see who’s spending the most, for example.

Also note that information highly specific to particular invoices—invoice number, PO number, amount—are easier to sort for than more general, aggregated data like due date. For many, that means that the AP automation system is better as a research tool used in resolving one-off problems than it is in providing broader data about where processing backlogs are or who’s creating them.

When taken in the context of degree of automation, it becomes clear that those with significant automation do have more sorting options than those with limited or moderate information. Yet the average number of sort parameters accessible to even those with robust automation is just over five—far short of the eight possible responses offered in the survey. See Figure 3B.

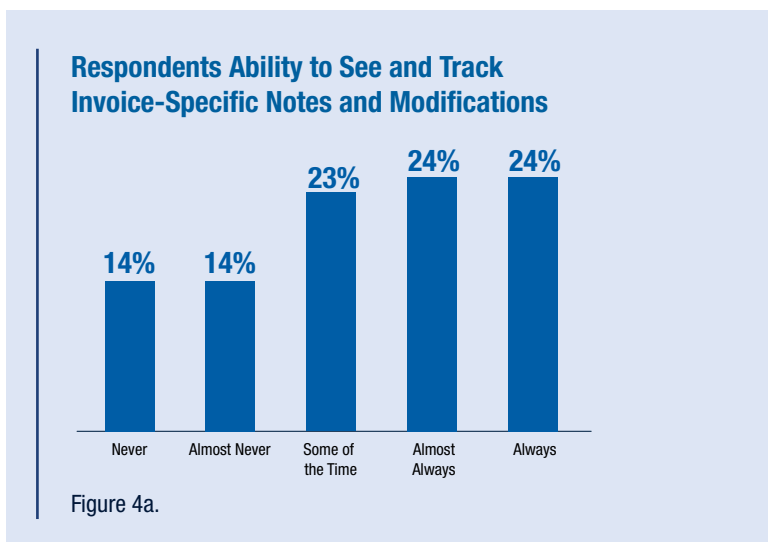
While those AP departments with more automation capabilities have greater visibility into their data, is it really enough?



Notes, Correspondence and Invoice Modification Tracking

How well respondents are able to view notes attached to invoices within their systems? These might alert the AP team that the vendor doesn’t appear to be in the system and may need to be entered in the vendor master file; that the invoice still needs to be routed to someone for handling or approval; that it is under dispute resolution—and the like.

Automation should provide a means to do this. It will save time and effort on the part of the team by telling them what needs to be done and prevent them from paying an invoice that’s still being investigated. It saves times that might otherwise be wasted by re-doing research that’s already been done by someone else.



While notes provide highly useful information to the AP team, fewer than half of respondents said they can see this information always or almost always; over a fourth of them said they could never or almost never see this. (See Figure 4A.)

How does this data look when it's categorized by degree of automation? See Figure 4B.

Here, the benefits of automation are more clear-cut. Those with significant degrees of automation were much more likely to be able to track invoice-specific notes and modifications than those with only limited automation. Those respondents who reported having moderate automation took a more middle ground, most often reporting that they could sometimes acquire this information.

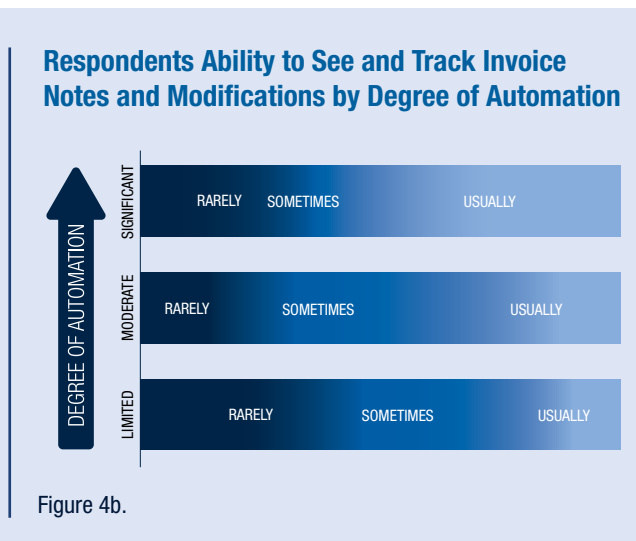


Figure 4b.

Process Performance Metrics

While being able to track details about individual invoices is important in day-to-day operations, having access to the aggregate data provided by any automation system is vital. Residing within that data are clues to inefficiencies and bottlenecks, business intelligence about how long it takes to get an invoice approved and paid, even metrics about how many invoices are being handled by each employee, both individually and on average.

Yet the survey reveals that more than half of respondents found obtaining this information difficult or extremely difficult. Fewer than one in five said it was easy or extremely easy. (See Figure 5A.)

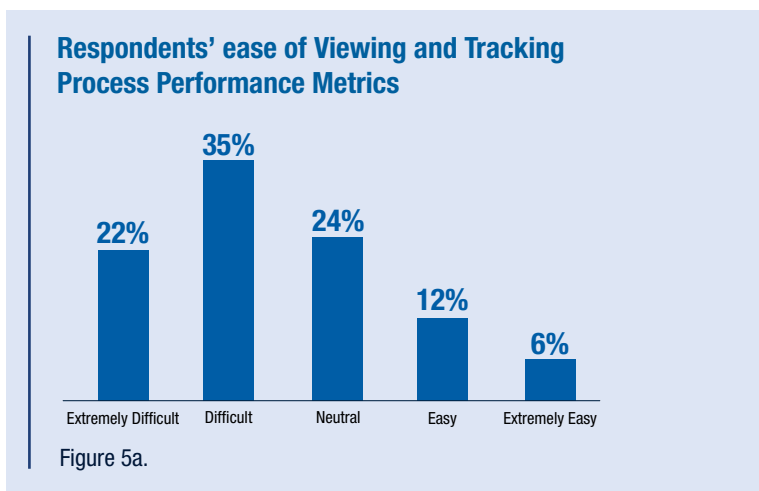


Figure 5a.

How does this correlate to the respondents' level of automation? Here, it's clear that the greater the degree of automation, the more insight AP has to its performance. No respondents with limited automation found this process easy. However, it's also important to note that even those participants with significant automation found this difficult more often than they found it easy. (See figure 5B.)

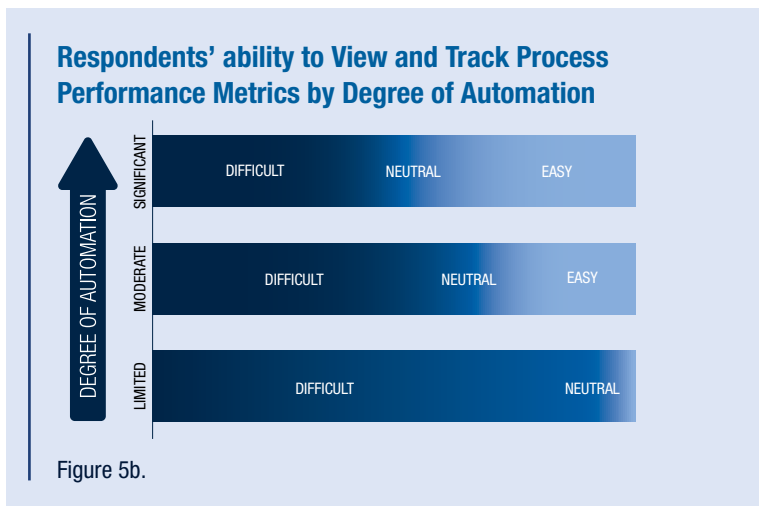


Figure 5b.

Overall Efficiency and Transparency

The combined picture of AP's efficiency and insight into the data available is consistent with what's been seen up to this point. Figure 6 shows how respondents fared on an aggregate scorecard in which all four measurements are weighted equally, with the best possible score being 100 percent.

While an increased degree of automation definitely improves overall business insight, even those

respondents with significant automation are far from that 100 percent efficiency mark—and fare just a scant 22 percent better than their peers with limited automation.

Efficiency of AP Operations Based on:

Visibility of Invoice status • Sorting Capabilities • Visibility of Notes and Changes • Ability to Capture Performance Metrics

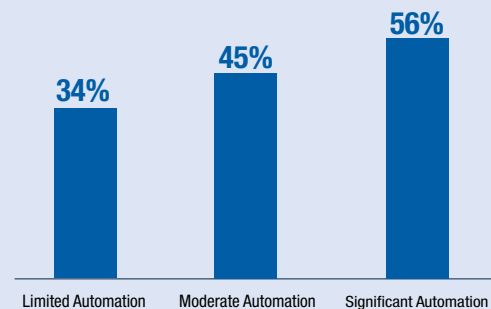


Figure 6.

AP Automation Provides Key Visibility Into Operational Controls

First, it's clear that having a significant degree of AP automation does not guarantee optimal operational efficiency. This might be due to one of two reasons, or a combination of both: Either the system does not collect and report the complete metrics it should, or AP doesn't know how to acquire and leverage the data the system does provide to help improve departmental operating efficiency.

Perhaps because accounts payable is considered a transaction-based processing operation, the focus of some solution providers and AP management may tend to emphasize the "one-off" aspect of entering, getting approvals for, researching and paying single invoices. While that's the traditional AP workflow, focusing on the processing engine of the solution without attempting to derive business intelligence from the aggregated data pool is wasting a priceless resource.

Optimized AP automation cannot rely on gathering only the data that's easy to collect. Hyland says that 80 percent of business intelligence resides within unstructured documents, which many automation solutions cannot find, much less analyze. While one goal of an automated processing solution is to get invoices paid quickly, doing so at the expense of losing key information contained within both paper and electronic invoices is a bad bargain.

It's this very untapped information that can lead accounts payable away from being a mere back-office, clerical function and down the path to becoming a

powerful partner that contributes to the organization's bottom line. A top-notch automation solution that collects and reports performance metrics and an AP team who knows how to leverage that information can move the department forward on that journey.

About Hyland

Hyland is a leading content services provider that helps organizations across the globe manage information, simplify processes, and connect systems. Our expertly tailored solutions for accounts payable intelligently automate manual tasks and approval workflows, while providing a complete view of the right information where and when it's needed. With intelligent data capture, workflow automation, and seamless integration with enterprise resource planning systems, Hyland solutions help improve visibility, gain control, and increase efficiency across each stage of invoice processing. Learn more at hyland.com/AP.

About the Institute of Finance & Management

Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

IOFM is proud to be recognized as the leading organization in providing training, education and certification programs specifically for professionals in accounts payable, procure-to-pay, accounts receivable and order-to-cash, as well as key tax and compliance resources for global and shared services professionals, controllers, and their finance and administration (F&A) teams.

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