



3 Ways Accounts Payable Automation Delivers Value in a Postmodern ERP Environment

An AP & P2P white paper

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The way that businesses use enterprise resource planning (ERP) platforms is undergoing a dramatic change.

The combination of new technologies, changing business needs, and tight capital budgets is bringing rise to the advent of what Gartner calls the postmodern ERP: an ERP strategy that integrates existing investments in ERP technology with third-party operational business capabilities such as accounts payable automation. Postmodern ERP strategies offer greater agility and flexibility to satisfy business needs compared to monolithic ERP approaches that depend heavily on expensive customization.

Many businesses already have migrated to a hybrid postmodern ERP scenario where third-party applications have replaced traditional ERP functionality in domain areas, or where ERP platform providers have re-architected their solutions to allow businesses to adopt third-party applications working in concert with their ERP platform.

Accounts payable automation is an example of the way technology can complement the ERP to dramatically increase its business benefit, in this case by including information that was traditionally out of reach of many monolithic ERP systems (e.g. invoice images, related content such as contracts).

To many, a shift in the fairly stable and predictable world of ERP technology is long overdue. ERP initiatives remain risky and complex undertakings, with a high perceived incidence of failure to deliver on time and on budget. Many businesses are stuck in the mindset of ERP project investments that can span a decade. Even worse for accounts payable practitioners, ERP projects rarely deliver on expected improvements in business outcomes. A big reason for this is that most ERP initiatives are seen as system replacements and left in the hands of IT. Businesses cannot count on much-needed business changes occurring as a byproduct of IT projects.

As the pace of business change increases, businesses can no longer afford to wait years to realize the benefits of ERP investments, or risk the (distinct) possibility that the benefits will never materialize.

The post-modern ERP extends the value of existing ERP investments, while reducing the time, cost and risk required for deploying applications. That's not to say that the postmodern ERP is without its challenges.

Migrating from a monolithic ERP application to a hybrid environment with multiple applications and technologies creates three potential issues that can undermine the benefits of the postmodern ERP:

- Data management
- Process integrity
- Application integration

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Unchecked, issues around data management, process integrity and application integration can create unforeseen complexity, risk and cost that businesses are not equipped to deal with, Gartner warns.

This white paper details the critical role of the ERP in today's business environment, the challenges businesses must overcome in a postmodern ERP environment, and how best-in-class accounts payable automation addresses these challenges to help businesses to increase agility and flexibility.

The Role of the ERP

The ERP is the financial nerve center of a business. Businesses rely on their ERP platform to govern financial information, administer the organization's policies, and manage transactions and invoice information.

Most businesses, especially large corporations and upper midmarket businesses, have made significant investments in ERP technology. Some large businesses have spent hundreds of millions of dollars to implement, globally deploy, consolidate, and optimize their ERP capabilities. On top of this, many of these businesses have purchased user licenses and created teams to run and maintain their ERP.

And there is no let-up in sight to corporate investments in ERP technology: ERP ranks as the fourth-biggest priority for new IT spending among CIOs, according to Gartner. In fact, 21 percent of CIOs surveyed by Gartner cited ERP investments among their top three priorities for new IT spending.

Today, businesses rely on a wide array of ERP systems. More than one-quarter of respondents to IOFM's 2015 Accounts Payable Technology Survey (28.4 percent) reported that their business has deployed the Oracle EBS application. Some 17.9 percent of businesses surveyed by IOFM use the PeopleSoft ERP application, while 16.4 percent of businesses use an SAP ERP system, 11.9 percent of businesses use the JD Edwards ERP application, and 10.4 percent use the Lawson ERP system.

Products from Great Plains (used by 6 percent of businesses), Epicor (6 percent), and Sage (6 percent), round out the most widely deployed ERP applications, according to IOFM's survey.

Against this backdrop, it is critical that businesses maximize their return on heavy ERP investments.

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The Solution

Businesses have too much riding on their migration to postmodern ERP environments to have it undermined by the challenges of data management, process integrity, and application integration.

This is why more businesses are automating their accounts payable processes with solutions that combine scanning and intelligent data capture, workflow automation, and middleware.

- **Scanning and intelligent data capture:** Scanning and intelligent data capture technology automates the processing of accounts payable documents received via mail (using desktop or high-speed scanners), fax transmissions, e-mail, an electronic invoicing portal, mobile capture and electronic data interchange (EDI), and at remote locations (using networked-attached multifunction peripherals or a web client). Document images are automatically cleaned up and categorized. Optical character recognition (OCR) technology extracts header and line-item information from invoices and other documents, and validates the data against information stored in downstream systems, such as an ERP system.
- **Workflow automation:** Accounts payable solutions digitize and automate invoice approval and exceptions workflows. Invoices requiring approval are electronically routed based on pre-defined rules. Rules can accommodate different workflows based upon elements such as invoice amounts, cost centers, organizational structure, tolerance levels, and staff vacations and business travel. Invoices can be approved in serial, parallel and ad hoc workflows. Exceptions are electronically routed to a queue for inspection and data correction. Notifications, configurable alerts and times, and user-based delegation and proxies further accelerate cycle times. Best-in-class accounts payable solutions also provide templates for configuring workflows, as well as tools for automatically gathering information on projects.
- **Middleware:** Middleware facilitates seamless communications between an accounts payable system and downstream systems such as an ERP system. The application integration provided by middleware provides business logic for the processing of invoices, eliminates the need for staff to rekey information on approved invoices, facilitates queries from the accounts payable system into data in the ERP system, allows for the contextual viewing of accounts payable documents within the ERP system, and enables businesses to quickly add capabilities that extend the value of the ERP system. Dashboards provide users with real-time 360-degree visibility into invoice metrics and projects.

Each of these capabilities is compelling. Together, they provide a foundation for taking accounts payable to the “next level,” while helping businesses reap the benefits of the postmodern ERP strategy.

91% of best-in-class accounts payable operations use imaging, and half of best-in-class accounts payable operations use data capture, research and advisory firm Ardent Partners finds.



Automatically capturing data from invoices and feeding it into an ERP system significantly reduces invoice processing costs. In fact, invoice processing costs the least efficient accounts payable departments **10 times** as much, and takes more than five times as long, compared to best-in-class organizations with a high level of automation, according to Aberdeen Group.



The visibility provided by workflow automation helps accounts payable leaders understand the productivity of staff, and the effectiveness of processes, the number of invoices processed or awaiting action for approval or dispute resolution, and average cycle times.



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The Benefits

Best-in-class accounts payable solutions that combine scanning and intelligent data capture, workflow automation, and middleware uniquely address the three challenges of the postmodern ERP:

1. Data management: The postmodern ERP is designed to bring agility to enterprise processes. But that is only possible if businesses are able to capture the data required by forward-facing applications. Deploying scanning and intelligent data capture in a postmodern ERP environment enables businesses to fully automate and accelerate the process of managing invoice data. With scanning and data capture, invoices are digitized, validated and matched against supplier and purchase order data in a postmodern ERP system, without the need for manual data entry. Automated accounts payable solutions capture invoice data, regardless of the format, language or currency. Any invoice exceptions are electronically routed to the appropriate approvers based on pre-configured business rules. Data on approved invoices is automatically uploaded to the ERP system. Moreover, captured data can be automatically cross-referenced to ERP and supplier master data to radically reduce errors and speeds exceptions resolution. All images and data are securely stored for instant access by authorized users. It is for these reasons that front-end imaging, back-end imaging and automated data capture are the top automation priorities of businesses, according to IOFM.

2. Process integrity: Best-in-class accounts payable automation solutions enable businesses to ensure process integrity by easily creating customized digital workflows to satisfy the most complex needs and to quickly adjust processes as requirements change, such as additional volume, new suppliers, the integration of corporate subsidiaries, and import or export changes. All invoice data, regardless of where it is captured, is aggregated into a central workflow and electronically routed to approvers and purchasers, no matter their location. Workflow automation enables buyers and managers to approve, comment on, reject or research invoices at any time. Configurable workflow rules ensure that invoices always reach the appropriate staff, while enforcing control policies and separation of duties. What's more, businesses can extend approval capabilities to non-ERP users such as procurement, include remote offices and on-the-go staff in the approval workflow, and share invoice data across business applications. Workflows can be easily developed and maintained using management adapters that allow authentication, content management, job management, settings management, and log management to be performed from a web services interface, without programming. And the workflow automation provided by a best-in-class accounts payable solution are unaffected by upgrades or other changes to an ERP system.

WITHIN THE NEXT TWO YEARS

87% of businesses will use document imaging as part of their invoice processing, according to a 2015 survey by Ardent Partners.



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This ensures the continuity of accounts payable processes through the inevitable changes to an ERP system. Integrating workflow automation in a postmodern ERP environment also provides an end-to-end audit trail for accounts payable processes. Accounts payable solutions also provide a robust foundation that can be readily extended for shared services or to automate functions such as travel and expense (T&E) management, accounts receivable or order-to-cash, and human resources. All of this reduces solution development complexity, lowers implementation time and cost, and significantly enhances processing flexibility. Most of all, workflow automation provides process integrity in a postmodern ERP environment.

3. Application integration: Integration is a cornerstone of postmodern ERP strategies, but integration is easier said than done for most businesses. A lack of a postmodern application integration strategy can result in integration disorder, complexity and cost. The middleware provided with best-in-class accounts payable solutions brings together information scattered across various applications and stored in paper or electronic documents. Cross-application navigation, such as with direct links via e-mail, not only connects accounts payables with a ERP system, but also with other systems and departments. The middleware also enables users to manage business processes that require the integration of information from paper and digital documents. Best-in-class accounts payable solutions create ERP vouchers, for instance, eliminating the need for manual entry of invoice line items, as well as manual label creation (to attach to incoming invoices). Agile approval workflows for incoming invoices also can be integrated with an ERP – something that cannot be done in a environment with fragmented accounts payable and ERP systems. Unlocking the data from hard-copy and electronic documents and disparate systems also delivers valuable business intelligence for cash flow analysis, liquidity management, spend and contract management, and more. The Institute of Financial Operations (IFO) reports that demand for real-time visibility into accounts payable information has increased for the majority of business over the past two years. Additionally, using middleware to integrate an accounts payable solution with a ERP system enables businesses to automatically consolidate information from multiple financial systems for auditing. And the 360-degree view of invoices, transactions and suppliers streamlines the audit process. Importantly, middleware enables businesses to add functionality (such as invoice processing) or customize processes far faster than in a traditional monolithic ERP environment. It is no wonder that IT managers surveyed by Photizo Group rank integrating accounts payable with enterprise applications such as postmodern ERP systems among their top priorities.

Addressing these issues helps ensure that businesses achieve payback from a postmodern ERP.

Better monitoring of invoice status and improved record keeping are among the **top three benefits** of automation identified by accounts payable departments, according to AIIM.



51% of businesses surveyed by IOFM said that their organization has either integrated their accounts payable and ERP systems, or plan to within the next three years.



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Conclusion

The postmodern ERP represents a fundamental shift away from a monolithic ERP platform toward an environment that combines existing ERP investments with new technologies (such as the cloud) and operational business capabilities (such as accounts payable processing) from third-parties. The postmodern ERP promises more agility and flexibility to meet business needs. But to reap these benefits, businesses must overcome three challenges of operating in a postmodern ERP environment: data management, process integrity, and application integration. Best-in-class accounts payable automation addresses these challenges with scanning and intelligent data capture, workflow automation, and middleware. These capabilities position businesses to optimize their investments in the postmodern ERP, while improving business outcomes from their accounts payable department.

About Canon Information and Imaging Solutions

This white paper was sponsored by Canon Information and Imaging Solutions, Inc.

Canon Information and Imaging Solutions, Inc., a wholly owned subsidiary of Canon U.S.A., Inc., was formed to bring together Canon's in-depth knowledge of information flow and world-class imaging technologies. Utilizing Canon's technology, experience and expertise in both digital imaging and business process automation, we transform organizations through digitization initiatives. Canon Information and Imaging Solutions delivers compelling market-driven services and solutions in the areas of accounts payable & procure-to-pay automation, order-to-cash automation, order management automation, field services automation, print management, document conversion and more.

About the AP & P2P Network

The AP & P2P Network is the leading provider of training, education and certification programs specifically for Accounts Payable, Procure-to-Pay, Global and Shared Services professionals as well as Controllers and their F&A teams.

Membership to the AP & P2P Network (www.app2p.com) provides comprehensive tools and resources to financial operations professionals who manage or are deeply involved in the Accounts Payable and Procure-to-Pay process.

Focus areas include best practices for every AP & P2P function; AP & P2P metrics and benchmarking data; tax and regulatory compliance (e.g. 1099, 1042-S, W-9, W-8, Sales & Use Tax, Escheatment, VAT, Canadian Tax, Internal Controls); solutions to real-world problems challenging your department; AP & P2P automation case studies; member Q&A networking forums, Ask the Experts, calculators, and more than 300 downloadable, customizable AP & P2P policies, flowcharts, templates and internal control checklists.

A membership to the AP & P2P Network provides tangible ROI to any organization – saving your organization time, money and keeping you compliant.

Over 10,000 professionals have been certified as an Accredited Payables Specialist or Manager (available in English, Simple Chinese and Spanish), and Certified Professional Controller through the AP & P2P Network and its parent company, the Institute of Finance & Management.

AP & P2P Network also hosts the Accounts Payable and Procure-to-Pay Conference and Expo (Spring and Fall), designed to facilitate education and peer networking.

The AP & P2P Network is produced by the Institute of Finance and Management (IOFM), which is the leading organization 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 F&A teams. With a universe of over 100,000 financial operations professionals, IOFM is the trusted source of information in the rapidly evolving field of financial operations.