5 Ways Poor Visibility Undermines Financial Shared Services Initiatives

An AP & P2P white paper

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More organizations are operating their accounts payable and accounts receivable functions as part of a regional or global shared services environment. These organizations are drawn by the promise of lower costs, better process efficiency, and improved service to stakeholders. But organizations will never achieve the full benefits of a shared services environment if they still rely on manual and paper-based accounts payable and accounts receivable processes. Paper-driven processes create significant information gaps that negatively impact cycle times, cash management, the delivery of information to downstream systems, compliance and control, and the financial close process. This paper explains the benefits of operating accounts payable and accounts receivable as part of a global or regional shared services environment, details the five ways paper-based processes undermine these benefits, and shows how enterprise information platforms close information gaps and enhance visibility in a shared services environment.

The Shared Services Promise

In a shared services environment, functions such as accounts payable and accounts receivable are centralized and standardized, and systems for processing invoices and incoming payments are consolidated, so that business processes become streamlined, more efficient, and less costly to run. A shared services organization differs from business process outsourcing, whereby functions such as data-entry that were previously carried out internally are handed over to an external third party outside the organization. With a shared services organization, a centralized separate group within the organization is established to do the work. The benefits of a shared services organization include economies of scale and standardized processes.

Twenty-four percent of accounts payable departments now operate as part of a regional or global shared services environment, according to the Institute of Finance and Management (IOFM).

Thirteen percent of businesses operate their accounts payable department as part of a regional shared services organization, while 11 percent of businesses operate their accounts payable department as part of a global or multi-regional shared services organization, according to IOFM's research. A stout 40 percent of manufacturers operate accounts payable as part of a shared services organization.

Nearly one-in-five receivables departments are part of a shared services environment, studies show.

But organizations will never achieve the full benefits of a shared services environment without addressing the poor visibility caused by paper-based payables and receivables processes.

The Need for Visibility

Financial shared services organizations need greater visibility into their information and documents.

Thirty-eight percent of controllers surveyed by KPMG say their finance organization is challenged by increasing demands for more data and analysis. Moreover, most accounts payable departments say their demands for real-time visibility into invoices and payables information has increased compared to two years ago, and half foresee higher demands two years from now, the Institute of Financial Operations (IFO) reports. And 21 percent of accounts receivable departments cite better cash flow visibility as a priority, IOFM finds.

Rising demands for financial visibility is no surprise when you consider that controllers rank cash flow analysis as their most important job function. Organizations are regularly tracking and reporting on cash flow against current and future expenses, as well as other critical financial metrics.

Organizations also want to leverage their finance function to influence business outcomes and help management and top stakeholders apply financial data to strategic decision-making. Finance is being tasked with identifying primary drivers of shareholder value and potential business opportunities. PriceWaterhouseCoopers (PwC) notes that best-in-class finance organizations already are increasing the percentage of time and resources their finance teams dedicate to planning, data analysis, and management activities. In response, information about the company's financial transactions must become more transparent.

Slow access to financial information is unsustainable, PwC warns.

Visibility into accounts payables and accounts receivables information also separates best-in-class companies from the also-rans. Aberdeen Group reports that best-in-class companies have more than four times the rate of visibility into daily organizational cash flow, compared to average companies.

But financial visibility is easier said than done in a paper-based shared services environment.

Some 45.4 percent of controllers surveyed by IOFM identify the lack of visibility into invoices and payables information as their top payables challenge. Another 42 percent of controllers pointed to difficulty handling, managing and finding invoices as their biggest payables challenge.

Similarly, senior finance executives cite a lack of visibility into invoices and payables documents among their top challenges, per Aberdeen Group. Nineteen percent of senior finance executives cannot effectively manage cash according to current needs, Aberdeen Group's research found.

But it's not just accounts payable that suffers from poor visibility. Less than 5 percent of accounts receivable functions are fully integrated across the order-to-cash cycle, IOFM reports. Worse, 13 percent of businesses report that none of their order-to-cash functional teams are integrated.

A lack of integration and visibility across the order-to-cash cycle keeps businesses from achieving their objectives. Decision makers across order processing, billing, collections and customer service cannot be certain that they are working with the latest information regarding an order or payment, especially if they do not all have access to the same applications or enterprise resource planning (ERP) system. This could create customer billing delays, for example, if delivery documents and information are not easily accessible. Conversely, delays in receivables reporting may delay shipments to customers. And treasury also cannot effectively manage cash flow without visibility into customer payment terms. What's more, staff outside of the accounts receivable department, who do not have an ERP license, may not be able to access information or participate in receivables processes when required.

An Unfulfilled Promise

Poor visibility into financial information and transaction documents undermines shared services initiatives in five ways:

1. **Long cycle times**: Paper documents can easily be lost, misfiled, misrouted or "stuck" on a decision-maker's desk, without the knowledge of shared services managers. And staff waste a lot of time searching for documents, such as invoices or sales orders, to respond to inquiries, which can further delay processing. Manual processes make it difficult for finance managers to track employee productivity. Without a view into the status of invoice payments or order processing, or even employee workloads, managers cannot identify bottlenecks and opportunities to improve or speed up cycle times. Also, if remote and field workers are required to approve transactions or documents, but cannot access the information for review unless they in the office or connected to an internal network, it can create significant processing delays. It is no wonder that 50 percent of accounts payable departments cite remote approves as a contributor to processing complexity, per IFO.

2. **Information silos**: Accessing all the information related to an invoice or incoming payment is impossible in a paper-based shared services environment. In most cases, key information is not captured, information is not timely or in sync across systems, and decision-makers do not have access to key variables. For instance, most ERP systems provide a limited content repository and cannot effectively manage supplemental documents such as packing slips, supplier correspondence and contracts. Fragmented systems result in needless discrepancy resolution and extra approvals.

Only 7% of organizations have a single order-to-cash process owner, per IOFM.

66% of controllers want to develop effective measures to gain visibility into the overall performance of finance and administration functions.

Moreover, 60 percent of finance operations rely on manual spreadsheet manipulation for reporting, per PwC. The inability to quickly access information related to an invoice or incoming payment makes decision-making difficult, complicates approval processes and delays exceptions and dispute resolution. Customer service staff must also dig through file cabinets or bounce from system to system to resolve inquiries. And fragmented systems make it difficult to update customer account balances.

3. **Poor cash management**: Managing cash in a paper-based shared services environment is a challenge for finance leaders. Finance leaders have little visibility into where invoices and incoming payments stand in workflows. Information on liabilities and receivables must be manually gathered. And reporting is largely dependent on spreadsheets and is not connected to budgeting and cash forecasting solutions. Not surprisingly, few businesses can forecast cash with a high degree of accuracy, Aberdeen Group reports. It also is costly to provide financial decision-makers outside of accounts payable or accounts receivable with access to documents and information stored in an ERP platform or other system. It is for these reasons that 68.9 percent of controllers indicate that improving visibility into cash flow and cash management is among their top priorities, IOFM reports.

4. **Weak control and tracking**: Paper documents are easily lost or misfiled. Moreover, it is difficult to ensure separation of duties or to determine which documents are missing, or whether a document has been routed to the wrong individual, stolen or destroyed ahead of pre-set retention cycles. Poor control over documents and information puts businesses at risk of hefty fines and penalties for audit and compliance violations. It is no wonder that 66.4 percent of controllers say that developing effective measures to gain visibility into overall performance of finance and administration functions is among their top priorities, per IOFM.

5. **Delayed financial close**: Nearly 60 percent of U.S. and European finance professionals are dissatisfied with the visibility into their financial close process, Adra Match reports. In a paper-based shared services environment, accounts payable and accounts receivable staff cannot easily locate the information they need to resolve an exception, or tell whether documents have been modified, misfiled or lost. These issues delay the financial close, putting a business at risk of compliance fines and penalties. According to Adra Match, fewer than one-third of the U.S. and European finance professionals surveyed are always able to meet their financial close date.

Two-thirds of businesses say that purchase orders, invoices, packing slips, supplier correspondence, supporting documentation and contracts are not easy to find, according to AIIM.

59% of controllers say that improving visibility to cash flow and cash management is among their top priorities

29% of average accounts payable departments can measure key accounts payable metrics, per Ardent Partners.

The Solution

Businesses cannot afford to have their shared services initiatives undermined by fragmented systems.

Therefore, more businesses are deploying enterprise information platforms to provide them with a more complete view of their critical payables and receivables information.

Enterprise information platforms deliver a full range of document management, data capture, workflow automation and case management capabilities with a single application. They can digitize paper documents, import electronic files in their native format (such as e-mail, fax, EDI and PDFs) from other applications, extract key data (such as order or invoice number, invoice details, amount, and due date), validate extracted data against existing data (such as purchase orders and proof-of-delivery documents) and share it with the ERP and other core applications, and index documents in an archive for access.

With an enterprise information platform, shared services staff can work electronically with all critical content, regardless of the format, while automating workflows, notifying approvers of pending documents, streamlining dispute resolution, and retrieving documents from a single interface.

The technology automates and accelerates accounts payable and accounts receivables processes such as:

Accounts payable

- Invoice capture
- Invoice processing
- Approval management
- Dispute resolution
- Supplier management

Accounts receivable

- Sales order processing
- Proof of delivery
- Billing
- Credit and collections
- Dispute resolution
- Payment processing

Financial close process

- Task and activity reporting
- Review and reconciliation
- Exception handling
- Progress tracking
- Compliance activities

What's more, the technology enables on-the-go purchasers and managers to use a mobile device to quickly upload images and content or approve transactions, while connected or offline in the field.

And enterprise information platforms integrate with any ERP system or other business application commonly used by shared services organizations, providing a single platform for managing front- and back-office information and processes. The technology syncs data between systems, with no duplication of content. Enterprise information platforms also connect an organization's structured data, such as data residing in an ERP system, with unstructured content such as remittances, check images and packing slips. Documents and information are electronically stored in a secure archive with a link back into the shared services center's ERP systems for retrieval as the information is needed.

How enterprise information platforms help

Let's look at how enterprise information platforms help businesses achieve the full benefits of operating accounts payable and accounts receivable in a shared services environment:

- **Faster cycle times:** Enterprise information platforms accelerate cycle times by providing visibility into staff workloads and the time spent processing transactions, enabling managers to more quickly identify bottlenecks and make necessary adjustments.

The real-time insights include:

- Accounts payable and accounts receivable specialist workflows
- Approver response times
- Number of invoices, remittances and checks processed in a specific timeframe
- Time spent on exceptions and/or disputes
- Remittances applied to customer open items
- Value of available early-payment discounts
- Percentage of early-payment discounts captured

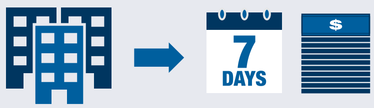
  Managers can review and track individual invoices and incoming payments and run reports on all open transactions. Information can be filtered by the customer, days outstanding, and other criteria.

The technology also reduces cycle times by automating the verification of captured data – such as products, quantities, item numbers, prices, and customer and billing data – against any information already in the system. Verified documents and information are automatically routed to pre-configured decision-makers or business units at each step of the accounts payable or accounts receivable process. With verified data, decision-makers no longer need to compare documents and information between systems. Stakeholders are automatically notified via e-mail when action is required. Dashboards enable shared services professionals to monitor the status of transactions. Some enterprise information platforms allow administrators to change document and information workflows in real-time, without burdening their IT department. They also provide the ever-increasing number of remote workers with access to documents and information from their mobile devices. Consultants, field agents and other stakeholders can approve invoices or resolve disputes on-the-go. And because all documents and information are stored in a single system, the same content is instantly accessible when on-the-go finance professionals are back in the office. Forty percent of accounts payable departments expect to use mobile devices to approve supplier invoices within the next two years, IFO reports.

- **360-degree information view:** Enterprise information platforms not only make it easier to access information across accounts payable and accounts receivable functions, the technology enables more informed decisions by providing a consolidated view of all relevant documents and data. The technology aggregates orders, purchase orders, invoices, packing slips, and remittances from any source – mail, fax, e-mail or EDI. – and extracts critical data such as purchase order or invoice numbers, product descriptions and quantities, shipping details, and due dates. Information and documents are automatically filed into a single database using a pre-defined file structure, ensuring that data is never lost, misrouted or misfiled. The technology also consolidates scattered data, tasks and activities occurring outside an ERP system into a single system where they can be connected and tracked. Consolidating documents and data onto a single platform eliminates data silos.

- **No data silos:** The ERP is the financial nerve center of the organization. Enterprise information platforms can be integrated with existing ERP systems or business applications to centralize content, connect it with data in an ERP, and display all related content within the ERP user interface. This provides staff with instant access to all relevant documents and information, including purchase orders, invoices, proof-of-delivery documents, packing slips, correspondence, contracts, remittances, and check images, without physically searching for information on paper.

Top-performing finance operations take just seven days to produce their cash forecasts, compared to 19 days for their peers, per PwC's financial operations benchmarking data.



41% of senior finance executives cite improved visibility into invoices and other payables documents as the biggest benefit of accounts payable automation, per IOFM.

Integrating an enterprise information platform with an existing ERP also provides users with instant access to remit-to address information, general ledger tables, payment terms, and policies. And the technology delivers validated information directly to existing ERP systems and business applications and automatically creates vouchers. What's more, integrations with e-mail applications such as Microsoft Outlook enable professionals outside of shared services to manage transactions directly from their inbox to keep accounts payable and accounts receivable business processes on track. Integrating an e-mail application with an enterprise information platform also eliminates the need for additional software or ERP licenses, and promotes greater user adoption since staff can work within their familiar e-mail application.

- **Enhanced cash management:** As globalization and competition increases, corporate leaders are asking finance to play a more strategic role in driving growth and achieving corporate goals. Real-time visibility into accounts payable and accounts receivable documents and information enables more accurate projections of cash flow, and better awareness of the financial health of the business. Enterprise information platforms facilitate easy and accurate reporting by delivering visibility into all invoices and incoming payments in the workflow, and quickly summarizing liability and receivables by account. The dashboards in enterprise information platforms detail key working capital information. What's more, enterprise information platforms enable accounts receivable staff to view up-to-date and accurate customer balances for a clearer picture of credit worthiness. The technology also improves cash management by enabling organizations to more accurately predict cash requirements, better manage the month-end accounting close and financial reporting process, resolve disputes more quickly with instant access to data, and capture more early-payment discounts through faster cycle times. It is no wonder that 25 percent of businesses surveyed by AIIM cite "sharper cash-flow predictions" as the primary benefit of accounts receivable automation.

- **Better service to customers, suppliers and internal stakeholders:** Relationships with customers, suppliers and internal stakeholders suffer when shared services staff cannot access the documents and data needed to quickly and accurately respond to inquiries. Enterprise information platforms provide customers and internal stakeholders with instant access to orders, invoices, shipping notices and other documents and information required to resolve disputes. The technology electronically connects invoices with related documents such as proof-of-delivery statements and automatically distributes them to customers via e-mail or secure access throughout the billing process to help eliminate potential confusion about billing.

Businesses rely on instant access to accurate and timely information to make faster and smarter operational and working capital management decisions.

Best-in-class organizations publish financial reporting results in 6.5 days while median companies take 13 days, PwC benchmarking data shows.

Linking all orders, invoices, payments and other documents related to a customer account also enables staff to respond more quickly to customer inquiries.

- **Streamlined compliance:** With checklist and workflow functionality, enterprise information platforms can create well-defined, consistent processes and impose a clear and systematic segregation of duties. Enforcing consistent business practices reduces process variance and associated risk. The technology also provides a complete audit trail for every touch of an invoice or incoming payment, including approvals and exceptions. And all documents are electronically filed in a single, secure database, providing consistent disposition. With all documents and data in a single, secure location, users can quickly identify missing documents to expedite the accounting close. What's more, enterprise information platforms promote accountability by providing a detailed auditable history to monitor security and employee performance. Document revisions are tightly controlled through user- and roles-based access. And the technology allows supervisors to manage electronic queues for accessing, prioritizing and distributing work, and offers faster access to documentation supporting invoice payments. All of this enables companies to reduce the chances of costly compliance penalties and fines. Organizations can even grant auditors web-based access to documents for auditing.

Conclusion

Initiatives to operate accounts payable and accounts receivable as part of a regional or global shared services environment are doomed to failure if organizations do not eliminate the information gaps caused by paper-based processes. It is for this reason that more organizations are deploying enterprise information platforms. The technology centralizes and processes all critical accounts payable and accounts receivable documents with extensive integration, and mobile capabilities for remote users and on-the-go stakeholders. With enterprise information platforms, accounts payable and accounts receivable professionals spend less time handling and searching for information on paper, and more time analyzing information to support the strategic goals of the enterprise. All this ensures that organizations achieve the full benefits of shared services initiatives.

25% of controllers cite the ability to use more sophisticated technologies for data gathering and analysis as a top benefit of finance automation, KPMG finds.

86% of businesses surveyed by Accenture report they can better manage risk because of their investments in digital technologies.

About OnBase

OnBase by Hyland is a single enterprise information platform for managing content, processes and cases. For more than 25 years, OnBase has transformed more than 15,000 organizations worldwide by empowering them with real-world solutions to business challenges. With OnBase, shared services organizations capture and digitize documents, automate finance and accounting processes, and manage important business content in one secure location. Extensive integration capabilities allow users to connect transactional data within ERP systems to supporting documents and content, and access that information whenever – and wherever – they need it. Whether deployed on-premises or in the cloud, OnBase gives you what you need today and provides the flexibility to evolve with you over time.

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 Orderto-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.