

RDM Receivables Document Management

Using Imaging and e-Document Technology to Improve
the Order-to-Cash Process

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Introduction

Imaging solutions first entered the receivables sphere primarily focused on document capture. Replacing paper files with electronic files generated benefits centered on retention and easy access. As the use of imaging to support the order-to-cash process has matured, the distribution of e-documents has gained momentum. Today, a highly integral aspect of receivables document management is the associated workflow, which allows users to route documents for specific business purposes. Likewise, collaboration allows internal and external partners to view existing documents, upload additional items, and register approvals.

Given the strong interest in imaging and automated document management solutions, PayStream has developed the Technology Insight Series report titled ***Receivables Document Management: Using Imaging and e-Document Technology to Improve the Order-to-Cash Process***.

The Technology Insight Series report spotlights document capture and distribution and is designed for credit and collections, receivables, accounting, finance, treasury, shared service and IT managers who are interested in:

- Exploring document management solutions for the reduction of paper-based processes across the order-to-cash process
- Understanding the business case for expanded use of imaging and e-documents to improve receivables management
- Taking the next step toward receivables document management adoption

The report is designed for those organizations that have an active interest in document imaging and management solutions, but need help identifying appropriate strategies, vendors and solutions. This Technology Insight Series report describes the different imaging and document management choices and their benefits, profiles the leading vendors, and offers suggestions for technology selection.

Receivables Document Management is one of many reports in the PayStream Advisors corporate research library, including these titles in our Technology Insight Series:

- Receivables and Collections Management 2.0: Emerging Solutions and Increasing Automation (October, 2007)
- Consumer Collections Automation Solutions (August, 2006)
- Interactive Collections Communications: Automated Collections Solutions (December, 2007)

Today's Environment

Today's document management environment has moved far beyond standard archival by delivering automation protocols to replace dis-connected, paper-based processes.

Order-to-Cash

Document imaging vendors have become experts in the complex nuances of the order-to-cash cycle. These innovations have gelled into what PayStream's analysts call Receivables Document Management (RDM).

Receivables Document Management

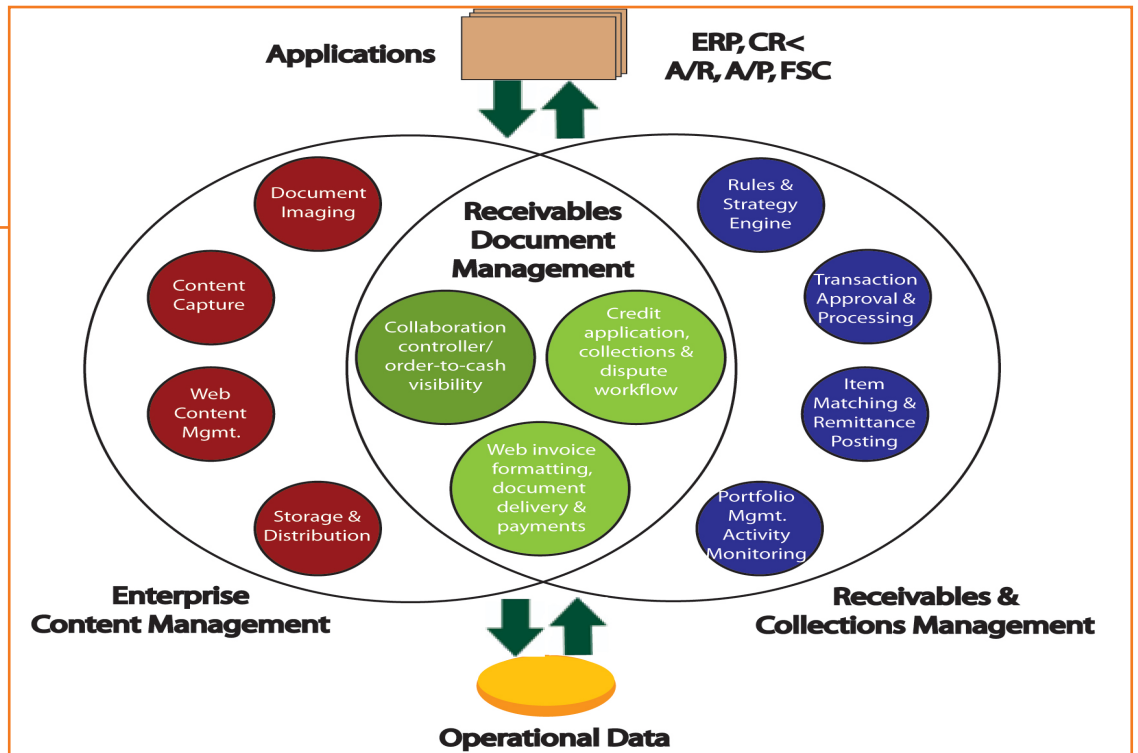
Although imaging technologies have been used in receivables management for over 20 years, it has only been over the past few years that they have been gaining traction as holistic solutions. The catalyst for this is the marriage of a workflow engine to imaging and e-document management technologies. The result is a solution set that is able to dramatically reduce both paper and manual processing, while providing much greater transactional transparency across the diverse elements of the order-to-cash cycle.

Historically, imaging systems have been used by receivables staff to archive the volumes of paper (e.g. orders, invoices, statements, remittance advice) integral to every transaction. Today's document management environment has moved far beyond standard archival by delivering automation protocols to replace disconnected, paper-based processes. Among other things, exception management is tremendously enhanced by the ability to deliver a complete set of documents related to a specific transaction. In the area of deduction and dispute management, this concurrent document access for all interested parties greatly speeds up resolution.

PayStream's analysts have been impressed with how the vendor community has expanded its understanding and offerings to deliver exceptional value to the receivables management community. The document imaging vendors have become experts in the complex nuances of the order-to-cash cycle and have adapted their solutions to serve the very specific needs of a diverse set of commercial enterprises. Over the last few years, these innovations have gelled into what PayStream's analysts call Receivables Document Management (RDM).

Figure 1
DEFINING RECEIVABLES DOCUMENT MANAGEMENT

RDM is found at the conjunction of Enterprise Content Management (ECM) and Receivables and Collections Management



Building a Case for Automation

Inefficiencies in the Current State of Receivables Management

Credit departments are swimming in paper. Computerizing receivables has resulted in not only more paper, but also more disconnected processes. For example, call notes are often recorded on an aged accounts receivables trial balance printout and then transferred to either a computerized notepad or the next aging that is printed. Moreover, if there is a dispute, invoice copies are often re-printed and held in a suspense file along with related order documents until the matter is resolved. Applying workflow tools in conjunction with imaging technologies can raise receivables management to a much more efficient level.

Key Point!

Applying workflow tools in conjunction with imaging technologies can raise receivables management to a much more efficient level.

Self Help

Collectors whom are not supported with automation are likely to evolve their own manual routines to cope with their daily workload.

Manual processes benefit from being automated:

- Eliminating manual tasks boosts productivity
- Automated workflow streamlines accounts receivable administration, eliminating the errors and loss of valuable time associated with re-keying data
- E-documents cost less to handle than paper documents (buying paper and then the printing and storage costs add up quickly)

Access to information boosts efficiency:

- Instant access to documents decreases employee time spent on retrieval
- Web-based access improves collaboration between internal and external partners
- Cycle times are reduced when there is information that is highly visible and workflow is automated
- Reporting tools allow management to reallocate workloads to ensure performance goals are achieved

Compliance is ensured:

- Information systems provide better security than manual/paper processes
- The automated logging (date and time stamp) of all actions taken and approvals made creates an audit trail that can provide evidence of control within the system

Key Drivers of Receivables Automation

The key obstacle to greater throughput in both accounts payable (AP) and accounts receivable (AR) operations is the exchange of documents between trading partners. The use of computers to record transactions followed by the explosion in fax usage combined to add even more paper to these already paper-intensive functions. In this environment, and lacking close supervision, individual staff members (particularly collectors) are likely to evolve their own manual routines to cope with their daily workload.

The ability to electronically deliver diverse sources of information to an employee's desktop and provide automated workflow routines to ensure systematic processing can dramatically improve AR performance.

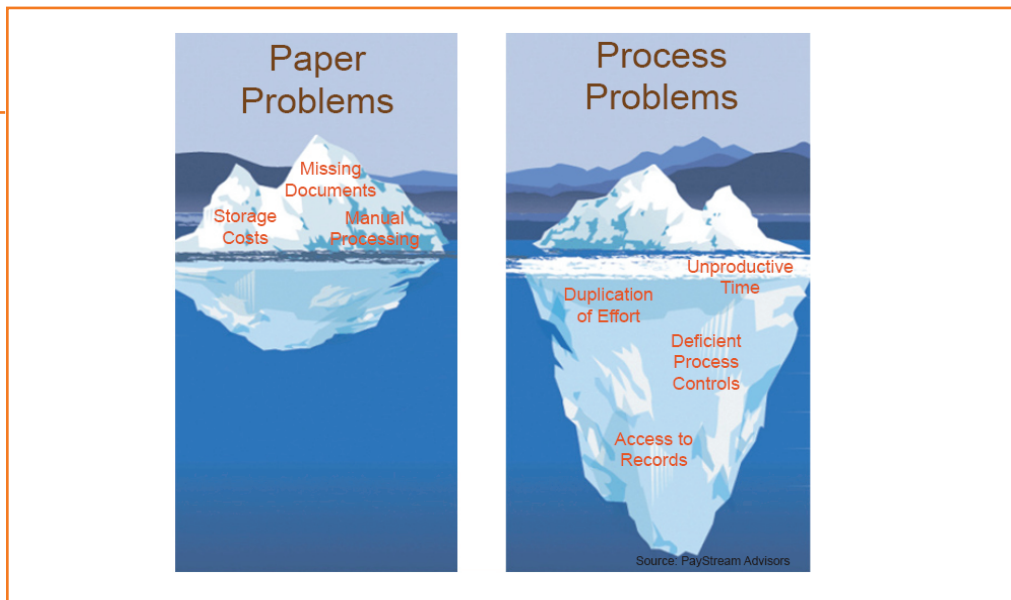
There are four key drivers of receivables automation. They are the growing demand for electronic settlement, the need for invoice accuracy, the pain of dispute resolution, and increased attention to compliance issues.

- **Electronic Settlement:** As electronic settlement gains in popularity, there is increasing pressure on receivables organizations to deliver invoices by electronic means that their customers' systems can 'read.' Similarly, it is advantageous for vendors to electronically capture customer orders. Electronic settlement is greatly facilitated when the data contained in order and billing documents is exchanged electronically, even if only in the form of a document image. Paper is very much an obstacle to progress.
- **Invoice Accuracy:** The benefits of electronic documentation, however, are severely degraded if inaccurate data is passed from one system to another. Consequently, invoice accuracy is another driver of receivables automation, and it is greatly facilitated when both structured and unstructured data can be captured electronically. Moreover, there is a very high correlation between invoice accuracy and prompt payment.
- **Dispute Resolution:** In contrast, dispute resolution causes a great deal of pain in both AP and AR organizations. However, access to all transactional documents coupled with workflow tools minimizes the burden of dispute handling. Additionally, automated dispute resolution provides metrics that can be used to identify the root causes of disputes, and thus act as a catalyst for addressing any system weaknesses that cause disputes.
- **Compliance:** Visibility and workflow ensure an environment with clear audit trails. The combination of documentation and automated processing can be utilized to provide clear 'evidence of control within the system,' which is critical to auditors and regulators. In addition, because of the sensitivity and confidentiality of credit data, greater security is facilitated in an electronic as compared to a paper-based environment.

Figure 2

THE PAPER TRAP

Paper problems are merely the symptoms of more critical underlying process inefficiencies.



The RDM Universe

RDM solutions are used throughout the order-to-cash cycle to capture credit, order, billing, shipping and remittance information; make all documents related to every transaction more accessible to authorized personnel; and expedite business process workflow by replacing paper with electronic images that are automatically routed to appropriate personnel. We delineate the specific components of the RDM Universe as follows:

- **Document Format & Delivery:** Before you can transmit documents or post them to the web, you must first address invoice and statement formatting, access rights and electronic storage.
- **Remittance Data Capture & Transmittal:** Having a lockbox image interface and/or remittance detail capture tools enables automated invoice and remittance reconciliation, dispute identification and payment mechanisms.
- **Credit Application Process:** Online applications and workflow that includes reference requests, reference capture, credit report acquisition, and decision tools automate credit application processing. Everything is then stored in a virtual credit file with well defined access rights.
- **Collections & Dispute Workflow:** Document capture, image linkage, image routing, task escalation and look-up capabilities facilitate both collections and dispute processing. All activities are then captured in a virtual collections file.
- **Collaboration Engine:** By providing process visibility that includes a contact database and linkages to external documents within a secure, common user interface/desktop, internal and external partners can easily collaborate.

Figure 3

RDM UNIVERSE

RDM solutions streamline and optimize the order-to-cash process. The use of sophisticated workflow with secure access gives creditors the ability to drive efficiencies in a paperless environment.



The New Receivables Management Paradigm

The key differentiator between RDM solutions and Receivables and Collection Management (RCM) automation is that whereas RCM is entirely data-driven, RDM is image driven. RDM is not synonymous with RCM, or even a subset of RCM. Instead, RDM seeks to solve distinct issues that afflict the order-to-cash process. Organizations are turning to RDM to bridge the gaps between the paper-intensive, legacy processes that define traditional receivables management: credit, billing, collections, account reconciliation and remittance processing. While facilitating the transition from pen-to-paper and filing cabinets to the now ubiquitous PC, RDM can maintain the same familiar forms that facilitate transaction processing or provide a launching point for comprehensive order-to-cash data capture and automation.

The RDM solution providers have adopted different approaches to the elimination of paper. Some vendors focus on specific costly functions such as invoice and statement distribution to provide in depth tools to deliver maximum return on investment. Other solutions are broader in scope, working to quickly move receivables management to an entirely paperless environment. The effectiveness of either methodology depends entirely on the user's culture and adaptability to change.

Many RDM systems available in today's market are a sub-set of full-featured, enterprise level imaging and document management solutions. These solutions not only address RDM, but also the purchase-to-pay side of the financial supply chain. When best practice document management capabilities are applied to revenue cycle management, the benefits in regard to RDM include end-to-end transactional transparency, including clear audit trails, increased visibility into customer risk and performance assessment, enhanced document security based on user permissions, document distribution for action (e.g. workflow automation), and increased collaboration between trading partners to resolve discrepancies and reduce interactive system weaknesses.

In concert with advances in electronic payment protocols, RDM promises to help transform the cash settlement process. Though receivables managers are just beginning to embrace the notion of a paperless environment, we believe that given the cost, complexity and variety of electronic data interchange (EDI) and other standards-based trading partner and banking protocols, RDM will continue to play a significant role in receivables automation for the foreseeable future.

Key Idea!

RDM solution providers have adopted different approaches to the elimination of paper. Many RDM systems are a sub-set of broader imaging and document management solutions.

Table 1:
**KEY BENEFITS
OF RDM**

Document Imaging	Content Management
Removes paper from the order-to-cash process and reduces manual data entry	Ensures records are accessible throughout the organization
Cuts costs associated with purchasing and storing paper	Provides secure access to and allocation of documents based on user permissions
Shifts to an electronic environment while maintaining familiar documentation conventions and forms	Distributes documents based on customized workflow processes
Eliminates mail float	Enables online collaboration to ensure compliance and resolve discrepancies

Hyland Software

About Hyland Software

With 2007 revenues in excess of \$100 million, privately held Hyland Software is among the largest independent vendors in the enterprise content management (ECM) software market. In developing OnBase, Hyland has focused on one of the major sub-segments of the ECM market known as transactional content management. OnBase encompasses document imaging, electronic document management, COLD/ERM, workflow, and records management all in a single application.

Launched in 1992, OnBase initially served the community banking and credit union spaces, but its use has since expanded across dozens of industries. OnBase primarily targets industries with operational and administrative processes that involve document-intensive, transaction processing. OnBase provides vertically tailored functionality for six specific industries: banking and lending institutions; healthcare providers; state and local governments; process manufacturers; property and casualty and life insurance carriers and agencies as well as higher education institutions.

Document imaging and workflow are core modules of the OnBase suite, and Hyland has been offering applications specifically targeted toward accounts receivable departments since 1996. In accounts receivable, OnBase increases operational efficiency and reduces costs by digitizing, standardizing and automating purchase orders, invoices, statements, correspondence, proofs of delivery, and remittance advice. Today, more than 1000 accounts payable and receivable departments leverage OnBase for document imaging and workflow automation. Hyland also targets accounts payable and receivable across industries.

Though it does engage in a small number of direct deals, Hyland primarily markets OnBase through a wide network of certified solution providers and OEM partners. Hyland Software's AR solutions range from departmental deployments to shared services implementations at both large and mid-tier enterprises. After establishing an impressive presence in the North American market, Hyland is seeking to extend its global footprint by recruiting and training local partners in international markets like Latin America, the United Kingdom, the Netherlands, Scandinavia, Germany, Spain, Portugal and Japan.

OnBase

Document & Data Capture

OnBase is an integrated ECM solution capable of handling almost any type of content—from scanned images, word processing files, and print and EDI streams from line of business applications to faxes, emails, HTML and XML-based forms, and even rich media. Paper documents can be scanned with a variety of scanners (Kodak, Fujitsu, Bell & Howell, Panasonic, etc.). Scanner interfaces supported include Kofax, ISIS, and TWAIN. Users have a number of options when scanning, allowing for scalable solutions with multiple choices when it comes to hardware, application or licensing.

Founded: 1991

Company Size:

850 employees

Headquarters:

Westlake, Ohio

Other Offices:

Sao Paulo, Brazil,

Tokyo and London

AR Installations:

1000

Industries Served:

Financial Services,

State & Local Govern-

ments, Insurance,

Healthcare, Higher

Education, Manufactur-

ing, Transportation,

Retail and Construction

The OnBase Document Imaging scanning interface offers advanced features such as distributed capture and indexing, image enhancement, bar code recognition (Kofax Adrenaline), blank page separation and automatic indexing. Batches of documents can also be indexed by keying from image. Scanned documents that are not auto-indexed reside in the Awaiting Index queue. From this queue, documents are viewed with the OnBase Image Viewer and indexed while on screen. Auto-Fill Keyword Sets is a feature that enables users to enter a unique primary keyword and have the rest of the related keyword values automatically filled. After indexing, documents are ready for further processing.

Document recognition and data retrieval are enhanced by the OnBase OCR module. Built on the ScanSoft OmniPage Capture SDK, it provides full-page OCR functionality and supports OCR in 18 languages, with output to ASCII Text, Searchable PDF, HTML, and MS Word file formats. Batches of scanned or imported documents can be automatically 'read' or scheduled for OCR. If the client requires more advanced automated forms processing – ICR and OMR recognition or zonal OCR for example– OnBase is fully integrated with associated products from Cardiff, AnyDoc, EMC Captiva, Kofax, and ReadSoft among others.

Document Format & Delivery

Relevant documents, whether scanned images, documents that have been imported using COLD/ERM, or seamlessly acquired from an integrated third-party application, can be included in the billing package generated using OnBase Image Statements. By aligning supporting documentation with the invoice, bills can be more accurate and are subject to less controversy. Documents can then be distributed via email, fax or electronic file transfer protocols.

Content Storage & Management

The OnBase Document Imaging module is an important aspect of Hyland's invoice automation solution. It stores documents in a repository shared by all the OnBase modules: users can retrieve documents based on variety of parameters such as document type or name, keywords and date. OnBase also offers a cross-referencing feature that allows users to double-click on an open document and retrieve any or all related documents regardless of file type. These links between documents do not need additional programming and can be created with a few simple clicks of the mouse. Given that OnBase is predominantly used in transaction-oriented business processes like accounts receivable where end-users spend a significant amount of time in a core line of business application (AR or accounting system), OnBase provides access to transaction data without users having to exit their core application.

Workflow Management

Workflows are defined in the OnBase Configuration application, the central administration center for the OnBase ECM Suite. Content imported into or created in OnBase can be configured automatically to enter specific workflow based on pre-defined criterion. In addition, content can be manually pushed into workflow at any time by those users assigned the privilege.

Users logging into the system are presented with a list of work items. If the queue is load balanced, different users will be shown different lists of items depending on the assignment rules. If the queue is configured for auto feed, each user is presented with a single item, according to the queue's ordering rules.

Once a user has finished processing the item and transferred it out of the work queue, they are presented with the next available item. For non-auto feed work queues, users can re-order their list of work items or filter them based on pre-configured filtering criteria.

The Workflow Simulator enables organizations to simulate existing or new workflow processes. Through process simulations, organizations have the ability to identify potential system bottlenecks and recognize possible processing issues. It also allows organizations to plan for future growth by increasing volumes to ensure process goals are still achieved. The OnBase Business Rules Engine allows OnBase Workflow users to quickly and easily modify the rules used to route work items through their business processes. The Business Rules Engine is designed to be used by those familiar with the business process; no additional technical or programming skills are required.

By implementing OnBase, AR departments can significantly improve the collection process. The OnBase Workflow module automatically routes documents through the appropriate steps, sending email notifications and reminders to internal and external customers. The innate audit trail within OnBase and Workflow proves business rules were followed in compliance with regulations such as SOX, and also provides insight into process timing and possible bottlenecks.

If a dispute does arise, WorkView provides agents with all relevant documents in a single interface. Should a dispute escalate, OnBase Collaboration allows organizations to create a space for multiple parties to interact, provide feedback, share documents and conduct web-based conferences with individuals outside their organization.

Reporting & Analysis

OnBase provides several levels of reporting. Standard features in all OnBase deployments include transaction reports that record document and application usage. For more demanding reporting and analytics, OnBase Report Services is an application that enables organizations to closely monitor their OnBase implementation, keeping track of all aspects of performance. Reports drill down to the document, document type, keyword and user level. Reports can be rendered in numerous presentation and export formats, including bar and line graphs and pie charts. Since the OnBase Report Services is an XML-driven application, output can be formatted via style sheets for custom presentation formats.

Implementation

Most large OnBase implementations take the form of phased deployments and can take anywhere between 3 weeks to 3 months. Hyland uses a variant of the project management methodology espoused by the Project Management Institute (PMI). Hyland Software has more than 130 full-time, professional staff dedicated to customer support and solution delivery services. For premise-based solutions, software and license fee structure are based on one-time charges. An annual maintenance component is charged post-implementation. Hosted solutions are delivered with monthly fees quoted as a percentage of the software license fee with a storage component separately calculated based on solution requirements.

Outlook

Hyland's OnBase provides wide range of content management functionality. Firms looking for an RDM solution, therefore, need to also consider whether acquiring a broadly-based solution content management solution offers a cost-effective form of future-proofing. OnBase's growing popularity also lies in its ability to support a comprehensive compliance management framework.

Although Hyland has more than 7,500 customers, this RDM vendor is constantly enhancing its OnBase functionality. Recently, it added a process modeling and simulation application, numerous business activity monitoring portlets, enhanced e-forms functionality via integration with Microsoft InfoPath, and multiple points of integration with Microsoft Office SharePoint Server. We believe that as Hyland continues to strengthen its solution functionality and introduce new modules, the value proposition of OnBase for credit, collections and receivables management will only grow.

Case Study: TCP, Inc.

By using imaging and workflow to remove steps from its order-to-cash process, TCP, Inc. supports its “green” philosophy while reducing days sales outstanding (DSO) by five days and increasing productivity to handle a 40 percent jump in orders. The global leader in energy efficient lighting, TCP manufactures nearly 1.4 million energy-saving CFLs every day, accounting for an annual reduction in carbon dioxide emissions of more than 118 million pounds.

Looking to improve its accounts receivable performance and continue its commitment to environmental responsibility, TCP sought to remove paper from its time- and resource-intensive order entry process. The paper took up a large amount of space, and TCP needed to improve customer service and document accessibility, which were hindered by the difficulties and time associated with retrieving documents.

To solve these issues, TCP chose the OnBase enterprise content management (ECM) suite from Hyland Software. “OnBase offered the best avenue to initially implement in a few key departments and then expand out as needed. It didn’t have to be an all or nothing implementation,” says Ed Frantz, Director of Finance and Reporting. TCP also appreciated that OnBase could be easily incorporated into existing processes, integrate well with applications already in place, and would be well received by employees.

Integration with TCP’s ERP system and the resulting automation encourage lean practices. The order entry process is now completely electronic using OnBase imaging and workflow. Faxed orders from sales representatives are automatically filtered to the correct order entry employee who enters information from the fax into the Oracle JD Edwards ERP.

OnBase also imports the ERP-generated invoice, sales number and acknowledgement and automatically indexes them. The sharing of information between the two systems ensures accuracy and consistency, eliminating redundant data entry and increasing productivity. Shipping manifests, bills of lading, shipping requests and other documents are also scanned into OnBase.

As TCP grows, the company has increased the number of orders processed from 250,000 to 350,000 but has not had to hire additional staff. “Despite the 40 percent growth in order entries, TCP has not had to add to the number of order entry staff because of the jump in productivity with OnBase,” confirms Frantz.

By automating the order entry process with OnBase, TCP has realized a five day reduction in DSO and is saving the equivalent of four full-time employees (FTEs) thanks to increased productivity slashing the time it take to get the work done. By no longer printing order entries, TCP estimates it is saving 125,000 pieces of paper per year, supporting corporate green values, decreasing its carbon footprint and reducing paper costs.

“TCP believes that executing efficiently and effectively are not mutually exclusive goals,” says Director of Information Technology Bill Cunningham. “In the process of going paperless, our AR staff spends less time looking for information and more time meeting the company’s cash flow objectives.”

Selecting an RDM Solution

While all RDM solution providers seek to deliver operational and strategic benefits to organizations through their solutions, they differ significantly in their approach. Some vendors offer solutions that address the entire order-to-cash cycle, sometimes within the context of a full scope Receivables and Collections Management (RCM) solution. Others focus their attention more heavily on the front-end data capture or the workflow management areas, or address a specific segment of the order-to-cash process such as sales tax exemption certificate handling or statement and invoice distribution. Moreover, some vendors offer their solutions in Software-as-a-Service or outsourcing formats, while others deliver their solutions via a software license model.

Each vendor in this space is pursuing a unique strategy calculated to enable it to shape the development of the market and adapt to changes taking place within it. To help readers distinguish between the diverse vendor strategies and identify solutions for further investigation, we now examine the factors that should be used to compare the offerings of multiple vendors in order to determine the solution of choice.

Imaging, Workflow, or Both?

“Where to start?” is one of the first questions to ask when investigating RDM automation. For example, when billing volumes are high, electronic invoice generation can be very attractive from purely a cost perspective. Not surprisingly, many firms start here. However, when a high percentage of remittances include payment deductions, there is a need to capture data from a wide range of document sources and support the resolution process with automated workflow routines. That requires a much more sophisticated set of RDM tools. Credit and collection professionals must decide whether a tightly focused point solution or a comprehensive end-to-end solution would best meet their needs.

There is a cumulative advantage from addressing as much of the order-to-cash process as possible. Financial supply chain optimization requires end-to-end processes to achieve exponential improvements. Partial solutions diminish potential returns because of the inevitable process gaps. For the most part, the more straight-through-processing (STP) there is the better.

In addition to evaluating how extensive a solution your circumstances require, technology buyers should also keep these factors when making an RDM decision:

Financial Automation Goals: There is a solution to meet every organization’s need, but identifying the ideal solution requires an organization to clearly understand what it hopes to achieve from financial automation. Organizations that have been slow to adopt other financial automation technologies but want to take an incremental step forward should look for a low-risk starting point such as electronic invoice generation. Others might want to consider adopting a solution that addresses a specific document set, such as might surround the credit application process or deduction handling. In contrast, organizations that are comfortable with technology and want to accelerate the pace of improvement in their order-to-cash process should think about an application that delivers full circle imaging and workflow functionality.

Adoption Readiness: Research indicates that over 4 out of 5 software implementations do not fully live up to their expectations. Differences in culture, financial resources and human capital all affect whether or not an organization will succeed with a new technology. Even if these factors are in place, an enterprise

may still find itself hobbled by a lack of senior management support or hemmed in by its prior technology investments. Individuals investigating AR automation should determine how their organizations stack up in each of these areas before determining what solution to implement. As a rule of thumb, a company's overall use of financial automation technologies relative to its peers provides a rough indicator of its readiness to adopt RDM.

Industry Norms: One of the factors that distinguish trade credit and collections from consumer credit or even other forms of commercial credit (such as lending or leasing) is the tremendous complexity of the vendor/buyer relationship. In some industries the relationship is relatively straightforward, while others involve unique selling and collecting environments.

Process Complexity: The more complex the order-to-cash process, the greater that payoff from an RDM solution. Credit and collection professionals should consider the number and types of customers in their AR portfolio and the idiosyncrasies of each distribution channel along with their approval and billing volumes when evaluating RDM solutions. The structure of their credit department (i.e. decentralized vs. centralized) and the steps required to resolve disputes will also have a direct bearing on the choice of a solution.

Credit Department Size: Large organizations can focus on the process improvements and resulting ROI an investment in RDM will deliver, regardless of the staff structure in terms of credit analysis, remittance processing, collections and dispute resolution. However, small and mid-sized organizations do not always have that luxury. Small credit departments, particularly those with five or fewer employees, often face budgetary constraints that limit their solution choices. In these cases, firms looking to automate the AP process should be looking for vendors that can deliver a foundational solution, or one targeted very specifically to their needs.

Accounting Software Infrastructure: ERP and accounting systems deliver varying levels of credit and collection functionality. One of the key reasons a market has developed for best-of-breed RDM solutions is the lack of sophisticated workflow and dispute resolution capabilities offered by ERP and accounting software. A major consideration for determining an organization's selection of an RDM solution should be the process gaps or system weaknesses that are inherent to the AR or ERP software currently in use.

Documentation Requirements: Many firms implement RDM to address one challenge at a time. If you take this approach, you should select a vendor that delivers the functions needed for the initial project, but also for subsequent projects you may undertake in the future. For example, you may only need a simple capture and archive solution to better manage your credit application process, but may require additional capabilities such as OCR tools if you expect to address remittance processing needs at a future date. The following table illustrates that wide range of documents that relate to the various segments of the order-to-cash process.

Table 2: Documents that Benefit from RDM

Key Document Sets	Related Document Sets
Credit Applications Order Processing Dispute Management	Bank & Trade References, Credit Reports, Credit Agreements & Other Contracts, Personal Guarantees
Order Processing	Purchase Orders, Order Acknowledgements, Resale Certificates, Change Notices, Vendor Compliance Agreements
Dispute Management	Proofs of Delivery, Service Tickets, Return Merchandise Authorizations, Sales Agreements, Warranties, Freight Bills
Remittance	Invoices, Credits and Debits, Check Images, Remittance Advice, EDI Transmissions
Collection/Legal Claims	Credit Reports, Account Notes, Activity Log, Statements, Invoices, Agency Reports, Legal and Agency Correspondence, Court Docs
Liens, Bonds and UCCs	Preliminary Notices, Financing Agreements, Invoices, Delivery Receipts
International Shipments	Letters of Credit, Trade Acceptances, Bank Correspondence, Invoices, Bills of Lading

Software, Software-as-a-Service or Outsourcing?

Accounts receivable professionals investigating RDM must consider whether a software solution or a Software-as-a-Service (SaaS) option would be more suitable to meet their requirements. A strong case can be made for software solutions, which are implemented inside the company's firewall, as ownership provides a high degree of control, flexibility, and security. For example, customers can modify or customize the solutions to meet their business requirements, control the platforms, and adjust security parameters to their preferences.

Another option available to organizations evaluating RDM solutions is a SaaS model, where the system is hosted and maintained by the solution provider. A major benefit of SaaS solutions lies in the fact that they usually require minimal upfront investment because the buyer organization does not need to pay to license and install software. Some technology vendors charge a small amount up-front to cover implementation costs and other professional services then charge recurring fees based on the transaction volume, while others operate entirely on a per-transaction pricing structure.

AR professionals should also keep in mind that RDM services are available through business process outsourcers. The rationale for outsourcing receivables management or discreet segments thereof is the same as it is for business process outsourcing in general. It may be better for an expert service provider to perform non-strategic activities than to manage these repetitive, low-value tasks in-house. In the service model, the customer leverages the outsourcing provider's technology and expertise to offload transactional functions and gains the ability to focus more sharply on higher value, analytical activities.

In the past, credit and collections were viewed as poor candidates for outsourcing due to their complexity and the possible customer impact. Today, encouraged by the success of early shared service centers and BPO initiatives, corporate managers are taking a hard look at outsourcing these functions. They are discovering that it can be a cost effective way to shed non-essential functions without making the investments in hardware, software, and services associated with technology solutions. Advances in Internet and telephone communications have further enhanced this value proposition by enabling the delivery of services from any geographic location without loss of control for the customer.

As a service delivered over the Internet, SaaS and outsourced AR automation solutions may be deployed more rapidly and cheaply than software solutions that require extensive integration with enterprise and legacy systems. This is an important consideration for buyers who are eager to bring the benefits of automation into their organizations as quickly and painlessly as possible. Another compelling advantage of SaaS and outsourced solutions is that the buyer is not burdened with the periodic expense and effort of upgrading to new versions of the solution and paying annual maintenance fees.

Each of the options outlined above has its advantages, disadvantages and associated costs. It would be narrow-minded to believe in the existence of a silver bullet to the questions around type of solution. The solution of choice depends entirely on the individual organization's requirements. However, two factors are critical when deciding on a solution, financial stability of the vendor and the total cost of ownership. The total cost of ownership includes implementation and integration costs, functionality fit, ease of use and the ability to adapt to a constantly evolving business landscape.

About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at www.paystreamadvisors.com.

About the Lead Analyst

As Research Director, Sush Koka manages PayStream Advisors' overall technology research effort. She writes research reports, leads client briefings, and participates in consulting engagements in the purchase-to-pay and order-to-cash functional areas. Her deep experience both as a market analyst and a consultant enables her to analyze trends in financial services automation, assess feasibility of products and drive research activities. Her areas of focus include invoice and payment management, travel and expense management and business process automation. She has extensively researched and written reports in the above areas and her work has been published in numerous trade magazines.