Four Ways Shared Services Organizations Can Extend the Value of their ERP Investments with Accounts Payable Automation

An AP & P2P white paper

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Enterprise resource planning (ERP) applications lie at the heart of financial operations. They manage an organization's payment terms, supplier data, policies, invoice information, and financial data.

Yet many ERP applications are not optimized because the accounts payable processes that feed them rely on manual, paper-based processes. As a result, data fed into the ERP is incomplete, incorrect or not timely, processes are inefficient, and decision-makers do not have access to key variables.

The impact of relying on manual, paper-based accounts payable processes is especially pronounced in the growing number of shared services centers, where invoice processing is more complex, and businesses are more likely to use multiple ERP applications in an operation, region, or worldwide.

In today's increasingly volatile and regulated business environment, shared services organizations cannot afford the data challenges of poorly integrated payables and ERP systems and processes.

It is for this reason that more regional and global shared services organizations are deploying enterprise content management (ECM) systems that provide one platform for capturing, validating, routing, and managing accounts payable data across multiple ERP applications.

This white paper details the growth of accounts payables departments operating as part of a shared services organization, the challenges of manually processing invoices in a shared services environment with multiple ERP applications, how an ECM solution works, and the benefits of integrating an ECM solution with multiple ERP applications in a shared services organization.

The Shared Services Challenge

Twenty-four percent of accounts payable departments now operate as part of a regional or global shared services organization, according to IOFM's 2015 Accounts Payable Automation Survey.

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.

In a shared services environment, functions such as accounts payable, accounts receivable and human resources are centralized and standardized, and systems are consolidated, so that 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 company is established to do the work. The benefits of a shared services organization include economies of scale and standardized processes.

While a shared services approach to accounts payable processing clearly delivers significant long-term benefits, it creates complexities for businesses that rely on manual, paper-based processes.

Overall, 53 percent of businesses describe their invoice processing as slightly or significantly more complex compared to two years ago, according to the Institute of Financial Operations (IFO).

Nearly three-quarters of the manufacturers surveyed by IFO (70 percent) described their accounts payable processing as slightly or significantly more complex compared to two years ago.

What's more, businesses are bracing for more complexity. Forty-eight percent of businesses expect their accounts payable processing to become more complex over the next two years, IFO found. An eye-popping two-thirds (66.7 percent) of businesses with more than $5 billion in annual revenues anticipate that their accounts payable processing will grow in complexity over the next two years.

For one-in-five businesses surveyed by IFO, operating accounts payable as part of a shared services organization is the biggest reason for increasing accounts payable complexity. There are several ways that a shared services approach can drive the complexity of accounts payable processing:

- Multiple submission channels
- Multiple locations with support for multiple currencies, languages and tax regulations
- Lack of visibility across systems and processes
- Lack of spend management

But the biggest challenge for many accounts payable organizations that operate as part of a regional or global shared services environment is integrating their payables processes with their ERP system.

Importance of ERP Applications

Eleven percent of businesses surveyed by IFO in 2015 identified multiple ERP integrations as a major contributor to increasing complexity of accounts payable processing.

An ERP platform is the system of record for accounts payable. An ERP fulfills three key functions:

1. **The source of data**: purchase orders, supplier master files, accounting/general ledger tables

56% of respondents to IOFM's 2015 AP Technology Survey said their organization processes less than 6 percent of its invoices straight-through. Over three quarters of respondents to the IOFM survey said they process less than half of their invoices straight-through.

2. **The encoding of the organization's policies**: payment terms, approval hierarchies

3. **The management of invoice data**: invoice number, invoice amount, invoice due date, approvals, final purchase order and non-purchase order invoice posting for payment

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 application.

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.

Despite the importance of the ERP to financial operations, and the tremendous upfront and ongoing investments that businesses make in their ERPs, many ERP systems are not fully leveraged because the business processes that touch these expensive systems have not been optimized. As a result:

- **The same volume of back and forth e-mail, faxes and paper shuffling continues well after an ERP implementation is complete, reducing payback on ERP investments**: Manual processes make it difficult for shared services organizations to track the status of invoices and other payables documents, and to ensure that the appropriate individuals have approved documents in a timely manner. Paper invoices can sit for days on an individual's desk, or get stuck in inter-office mail, awaiting approval. Routing invoices via e-mail provides only marginal improvements, and often requires staff to make decisions based on partial or outdated information. Paper processes also make it difficult for managers to measure the effectiveness of their systems, processes and staff, or to make quick adjustments. These problems are compounded in an environment with fragmented systems and processes.

- **Staff must manually rekey data into the ERP system**: Reducing invoice processing costs was the second-biggest driver of accounts payable automation identified by organizations that responded to IOFM's 2015 AP Technology Survey. Manual keying is a major contributor to the cost of invoice processing. 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.

Paper invoice processing makes it difficult for accounts payable departments to:

- Provide the timely and accurate information required to manage cash
- Prepare financial statements
- Identify potential misappropriation of funds
- Ensure suppliers are paid according to terms
- Comply with laws and tax authorities
- Support spend management.

- **Information in the ERP system is delayed, incorrect or incomplete**: In a shared services environment with manual, paper-based accounts payable processes and fragmented systems, information pertaining to a supplier, purchase order or invoice can be scattered across applications and databases, and buried in electronic or paper documents. Meantime, the demand for real-time visibility into the accounts payable data has increased over the past two years for most businesses. Forty percent of businesses report a slight increase in the demand for real-time visibility into accounts payable information over the past two years, while 18 percent of businesses have experienced a significant increase in the demand for real-time accounts payable visibility, IFO finds. Two-thirds of businesses with more than $5 billion in annual revenues have experienced a slight increase in the demand for real-time visibility into their accounts payable data over the past two years, while one-third of these businesses report a significant increase in the demand for real-time accounts payable visibility.

- **Users cannot easily access the data required for day-to-day operations or cash management**: Shared services organizations need to understand the productivity of staff, and the effectiveness of processes such as capture, classification, extraction, validation, the number of invoices processed or awaiting action for approval or dispute resolution, and the average time it takes to process an invoice. Similarly, treasury and finance needs insights into which high-value invoice payments are due, which early-pay discounts are about to expire, and a forecast of accounts payable's cash requirements for the next period.

What's more, linking invoices and related accounts payables documents such as purchase orders is nearly impossible in a shared services environment that relies on manual, paper-based processes. Frequently, staff wastes an enormous amount of time searching for the payables documentation that they need, and businesses leave themselves vulnerable to compliance and security risks. And auditing in this fragmented environment requires businesses to consolidate information from multiple financial systems, which is a time-consuming and error-prone affair. Complicating matters, many of the enterprise applications that need to be linked use different databases, reside on different operating systems, and use different computer languages, Photizo Group notes. In some cases, legacy applications or systems are not supported by the original technology vendor who created them.

The challenge is more daunting for shared services centers that operate multiple ERP platforms.

Most businesses use a single instance of the same ERP application, IOFM's *2015 Accounts Payable Technology Survey* found.

Two-thirds

of businesses say that purchase orders, supplier correspondence, supporting documentation and contracts are not easy to find, according to AIIM.

P.O.   SUPPLIERS   CONTRACTS

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

However, 12 percent of businesses operate multiple ERP applications in a single location, 12 percent of businesses operate multiple ERP applications in multiple locations nationwide, and 14 percent of businesses operate multiple ERP applications in multiple locations worldwide. The use of multiple ERP systems is typically the result of mergers or acquisitions.

Organizations with multiple ERP systems are prone to inconsistent data and processes.

For organizations that use multiple ERP applications, the objective should be to integrate their front-end systems and processes with their ERP applications (Oracle, SAP, Microsoft, JD Edwards, etc.) to allow for the consolidation of invoice processing, approval workflows, and information management.

In fact, more businesses are integrating an automated accounts payable solution with their ERP applications. Fifty-one percent of business have either integrated an automated accounts payable solution with their ERP applications, or plan to within the next three years, IOFM research finds.

And it's not just payables professionals that are keen an on increasing integration. Many IT managers want to integrate accounts payable with enterprise applications, Photizo Group notes.

The Solution

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

This is why more regional and global shared services organizations are automating their accounts payable processes with ECM platforms that are seamlessly integrated with their ERP applications.

ECM solutions provide one platform for digitizing paper documents, importing electronic documents in their native format (such as e-mail, fax, EDI and PDFs) from other applications, extracting key data (such as invoice number, header and line-item detail, and invoice amount), validating extracted data against existing information (such as purchase orders and proof-of-delivery documents) and sharing it with other systems, and automatically indexing documents in an archive for instant access.

With an ECM solution, users can work electronically with all critical content, regardless of the format, while automating approval and exceptions workflows, automatically notifying staff of invoices that require attention, and easily searching for documents from a single interface.

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 invoices, while connected or offline in the field.

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

Importantly, ECM solutions 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 automatically syncs data between various systems, with no duplication of content. ECM systems also connect an organization's structured data, such as data residing in an ERP system, with unstructured content such as invoices, documents and images. Documents and data are electronically stored in a secure archive with a link back into the shared services center's ERP applications for fast and easy retrieval as the information is needed.

ECM solutions provide three methods for seamlessly integrating with ERP applications:

1. **Purpose-built integrations**: Specifically built for widely adopted ERP applications, these integrations seamlessly feed documents and information downstream to other applications.

2. **Screen-level integrations**: A point-and-click configuration tool that enables users to access documents and begin some ECM processes directly from the screens of ERP applications.

3. **Data-level integrations**: Instant and guaranteed exchange of data between applications.

All of these integration methods bring together information scattered across various systems and processes in the typical shared services organization, and stored in paper or electronic documents.

The Benefits

ECM platforms extend the value of ERP systems in a shared services environment in four ways:

1. **Reduced operational costs**: By integrating an ECM platform with multiple ERP applications, shared services organizations can fully automate and accelerate the process of managing all invoice data. With an ECM platform, invoices are digitized, validated and matched against supplier and purchase order data in the buyer's ERP or accounting systems, without the need for manual data entry. ECM solutions capture invoice data, regardless of the format, language or currency. Electronically capturing content eliminates the costs of printing, shipping and storing paper. Any invoice exceptions are electronically routed to the appropriate approvers based on pre-configured business rules. Data on approved invoices is automatically uploaded to an ERP system. Integrating an ECM platform with multiple ERP systems also is a fast and cost-effective way for a shared services organization to add functionality such as invoice processing and archival.

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

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And deploying an ECM system helps businesses reduce the need to add ERP seats for accounts payable automation, which can potentially add tens of thousands of dollars in overhead for an accounts payable department. Moreover, cross-referencing invoice data capture to ERP and supplier master data radically reduces errors and speeds exceptions resolution. The integration of an ECM platform with an ERP application also enables shared services organizations to more quickly integrate subsidiaries or business units (existing or newly acquired) without the need to duplicate workflow rules. And integrating an ECM system with multiple ERP applications simplifies user training by eliminating the need for users to learn multiple complex ERP interfaces to perform daily accounts payables tasks, which can cost thousands of dollars and require the commitment of staff to train new users.

2. **Enhanced visibility**: Forty percent of businesses identified improving accounts payable reporting and analytics as their top priority for 2015, according to a survey by Ardent Partners. Visibility is even more challenging for shared services centers which may have to manage information for: multiple sites across the world, multiple currencies and languages, multiple tax regulations, and multiple freight and shipping rules. By managing all front- and back-office information and business processes on a single platform, an ECM system makes it easier for shared services organizations to access the data they need, regardless of where it resides. Users can retrieve invoices, goods receipts, and vendor contracts directly from familiar ERP applications. ECM solutions also provide visibility and insight into every stage of the accounts payable process, from receipt through validation, approval and posting. Interactive reporting dashboards – available via web-browser, Microsoft SharePoint and mobile devices – provide shared services managers with real-time visibility into the status of invoice approval and exceptions resolution, enabling them to monitor progress, identify bottlenecks, quickly reassign tasks, approve completed tasks, and determine areas for improvement. The technology also provides audit reporting on the individual who performed each review, edit or approval function. Auditors can access content through a web portal provided with some ECM systems. What's more, authorized users can view archived invoices and accounts payable information, as well as transaction audit trails, outside of the ERP system. An intuitive interface in some ECM systems enables shared services staff to run the reports they need (e.g. process status, outcomes, the health of the ECM system), without burdening IT or compromising security. All of this empowers users to more effectively organize, manage, secure and share information, which leads to increased corporate agility, improved internal and external collaboration, and fewer information gaps. Standardizing accounts payable workflows across multiple ERP applications with an ECM solution also tightens control.

37% of businesses surveyed by CFO Research cited better budgeting and forecasting as one of the top benefits of automating their financial operations.

3. **Greater flexibility**: Integrating an ECM platform with an ERP system also provides shared services organizations with greater workflow flexibility than leveraging a tool inside an ERP system. For starters, an ECM platform requires a fraction of the cost, time and risk of a tool inside an ERP system. Workflows can be easily created to satisfy the most complex needs and to quickly adjust processes as requirements change, such as additional volume, new suppliers, the integration of corporate business units or subsidiaries, and import or export changes. What's more, using an ECM system in lieu of the workflow tool inside an ERP system enables anyone to approve and manage invoices, including non-ERP users. 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 information across business applications.

And the workflow capabilities provided by an ECM platform are unaffected by upgrades or other changes to an ERP system. This ensures the continuity of AP processes through the inevitable changes to an ERP system. The workflow capabilities of an ECM system also can be used across multiple ERP systems. Conversely, a shared services organization must maintain the workflow tools inside each instance of an ERP system, creating costs, inefficiencies, and potential consistency issues over time. Integrating an ECM solution with an ERP application also provides an end-to-end audit trail for accounts payable processes. What's more, having a single platform that supports multiple ERP systems simplifies the setup of a shared services organization, and addresses the unique business requirements of far-flung centers (e.g. languages, currencies, tax regulations).

4. **Faster cycle times**: Accurately capturing all invoice data as early as possible and integrating it with an ERP application enables organizations to achieve true end-to-end automation of the accounts payable process. For instance, all invoice data, regardless of where it is captured, is aggregated into a central workflow and repository and electronically routed to approvers and purchasers, no matter their location. ECM systems enable buyers and managers to approve, comment on, reject or research invoices at any time, via any computer, laptop, smartphone or tablet. Users can review and approve invoices directly from Microsoft Outlook or mobile devices. Configurable workflow rules ensure that invoices always reach the appropriate staff, while enforcing control policies and separation of duties. What's more, integrating an ECM platform with ERP systems enable organizations to validate invoices against ERP supplier and purchase order data, affirm that general ledger coding concurs with the ERP, and ensure correct invoice posting. Cross-referencing invoice data capture to ERP and master supplier data radically reduces errors that extend cycle times.

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.

Using an ECM system in lieu of the workflow tool inside an ERP system enables anyone to approve and manage invoices, including non-ERP users.
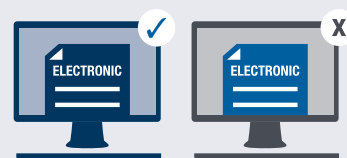
ECM solutions enable accounts payable staff to use one application and interface for validating invoice information and initiating workflows.
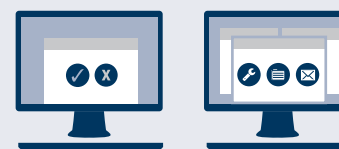
And properly maintaining transaction-level backup by associating all pertinent information with the ERP record speeds decision-making, reviews and audits. Finally, some ECM platforms provide shared services organizations with the ability to securely share invoices, purchase orders and other documentation with suppliers and creditors to speed processing even further.

Each of these benefits is compelling to shared services organizations. Together, they fundamentally change the way that shared services organizations manage and control financial information.

It is for this reason that 21 percent of businesses identified integrating front- and back-office systems as the primary driver of their accounts payable initiatives, according to a 2014 study by AIIM.

Conclusion

Businesses rely on access to accurate and timely information to make faster and smarter operational and financial decisions. But in a shared services environment with manual, paper-based processes, massive amounts of information often resides within multiple, disconnected platforms, applications, locations and devices. This is especially true for shared services organizations that operate multiple ERP systems on a regional or global basis. Linking information across systems is nearly impossible in a manual, paper-based shared services environment. As a result, staff wastes a lot of time searching for the data that they need, and organizations leave themselves vulnerable to compliance and security risks. ECM systems integrate with ERP platforms and other business applications to provide a single platform for managing information and processes. As a result, shared services organizations can reduce costs, enhance visibility, improve flexibility, and accelerate cycle times. All of this extends the value of ERP systems, enables non-ERP users to perform accounts payable functions without the need for licenses and training, and strengthens the case for shared services.

About OnBase

For more than 25 years, OnBase by Hyland has helped more than 15,000 lifetime customers by providing real-world solutions to everyday business challenges. By solving business needs that rely on documents, content, and people, OnBase helps organizations run better, smarter, and faster. With OnBase enterprise content management, you capture invoices electronically – whether fax, mail, email, EDI, etc. – and automatically deliver them to the appropriate people for review, approval and coding. Extensive integration capabilities allow you to connect the transactional data within single or multiple ERP systems to supporting documents and content that drive AP processes, helping you maximize the benefits of fast and accurate invoice processing. Whether deployed mobile, cloud, or on-premises, OnBase gives you what you need today and evolves with you over time.

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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.