

**E-Payables Solution Selection:  
Your 2007-2008 Guide to A/P Transformation**

September 2007

## Executive Summary

Manual, paper-based Accounts Payable (A/P) departments are eroding the bottom-line of large and mid-market enterprises by an order of millions of dollars each year. While A/P automation offers compelling transaction cost savings and other strategic benefits, **only one-third of all enterprises** have any significant level of automation in place.

Demand for e-payables solutions is on the rise, as evidenced by the following:

- Enterprises participating in 2007 Aberdeen benchmark studies consistently rated accounts payable automation among the top enterprise technology investments prioritized over the next year.
- Aberdeen analyst discussions with A/P managers, controllers, and other finance executives point to increasing awareness that A/P is a brutally inefficient enterprise function.

This heightened interest has increased enterprise requests for advice on how best to evaluate available solution providers. In response, Aberdeen examined the criteria and approaches used by enterprises with the top-performing e-payables. We also assessed more than 20 e-payables solution providers.

Based on this research, Aberdeen recommends that enterprises assess e-payables application capabilities in four primary areas:

1. **Receipt:** invoice receipt may occur in any one of numerous formats
2. **Approval and inquiry:** once received, an invoice may be processed utilizing rule-based logic to define the proper routing and approval workflow
3. **Validation and reconciliation:** the verification of invoice accuracy and the resolution of any errors, discrepancies, etc.
4. **Settlement:** payment processing

Additional emphasis should be placed on reporting and analytics, integration, and usability which will influence deployment, adoption, and Total Cost of Ownership (TCO) performance. Enterprises should also diligently pursue conversations with other A/P managers who have implemented solutions and with specific solution providers' customer references.

This report should be used as a guidebook for effective assessment of accounts payable strategies and solution providers. It includes a framework to help enterprises assess their competence, scope solution requirements, and select the best-fit solution.

### E-payables defined

Aberdeen utilizes the term e-payables as the all-encompassing term to refer to the automated processes associated with the Accounts Payable (A/P) function, including invoice receipt and handling, reconciliation and approvals, disbursement scheduling, settlement (including confirmation and reporting), and internal and external service support

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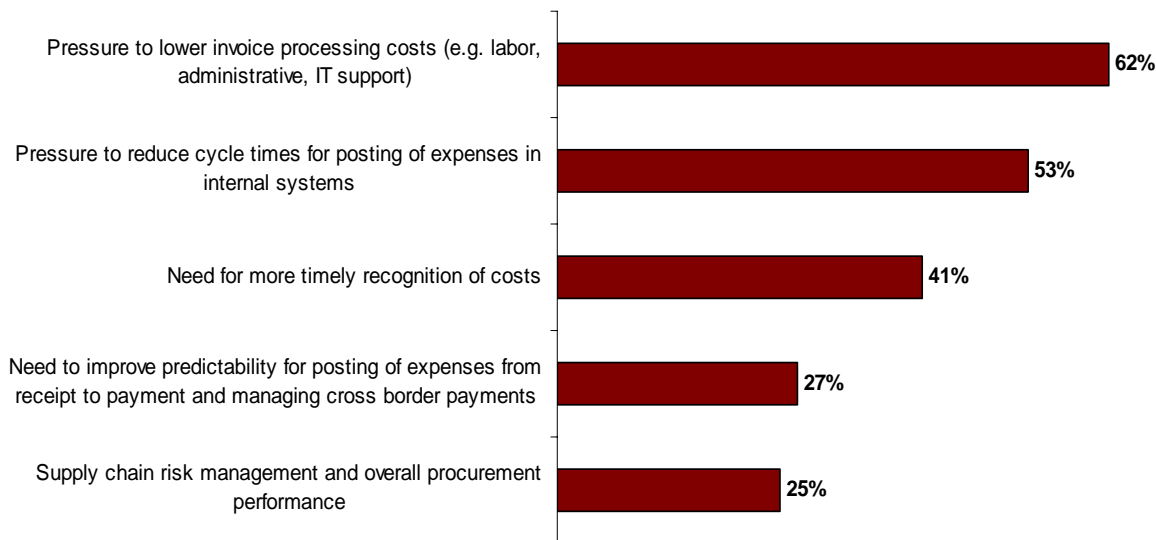
## Chapter One: Issue At Hand

The importance of the accounts payable function can no longer be underestimated. Long viewed as an antiquated back-office process, enterprises are now looking to A/P for increased visibility into payment transactions, maintaining a top spot on executives' agenda for both transformation and delivery of bottom-line results. With the current state of accounts payable stuck in the confines of manual and paper-based processes, now is the time for enterprises to dig deep into their current A/P systems and set the stage for a major financial makeover.

### Key Drivers for A/P Makeover - Time and Money

With additional pressure added to the already sore backs of accounts payable departments across the globe, Aberdeen has discovered the two key drivers for enterprises looking to transform their A/P department and reap the benefits of technology solutions: *time and money*. According to Figure 1, the top two pressures driving organizations to reassess the A/P function are to lower invoice-processing costs (62%) and reduce cycle times for posting of expenses (53%).

**Figure 1: Key Drivers for A/P Makeover**



Source: Aberdeen Group, September 2007

It is clear that accounts payable is no longer the wizard behind the curtain; enterprises are learning that this critical function has significant operational and financial impacts and are now looking for opportunities to drive improvements in program performance.

#### Fast Facts

- ✓ The top pressures driving enterprises to transform the A/P function are lower invoice processing costs (62%) and reduced cycle times (53%)
- ✓ Lack of visibility into transactions and manual / paper-based processes leads to a lack of centralization and alignment between procurement, treasury and suppliers / internal stakeholders

“It was very expensive for us to process invoices. We had to scan, archive, key in, and then code every individual invoice that came through.”

~ Director, North American-based Airline

## A/P Challenges and Impact

As organizations work to address the top pressures and challenges outlined in Figure 1, it becomes apparent that they lack the skill, technology, and standardization to successfully streamline the accounts payable process and gain control of time and money. As enterprises re-evaluate their current accounts payable processes and adapt to the ever-changing scope of globalization and market struggles, the effects of having a deficient accounts payable function are readily apparent. A lack of technology, centralization of oversight, and visibility affects processes and performance across other key functions of the enterprise (Table 1).

**Table 1: A/P's Impact on Enterprise Functions**

Issue	Impact on Procurement	Impact on Treasury	Impact on Suppliers
<b>Lack of visibility into transactions</b>	<ul style="list-style-type: none"> <li>•Billing errors</li> <li>•Overpayment</li> <li>•Poor compliance rates</li> <li>•Missed discount opportunities</li> <li>•Failure to track supplier performance</li> </ul>	<ul style="list-style-type: none"> <li>•Unable to accurately predict flow of funds into / out of enterprise</li> <li>•Limited ability to manage working capital levels to the advantage of the enterprise</li> </ul>	<ul style="list-style-type: none"> <li>•Duplicate billing / invoicing</li> <li>•Missed or lost payments due to inability to account for specific transactions</li> <li>•Poor performance ratings</li> <li>• Frustration</li> </ul>
<b>Manual and paper-based processes</b>	<ul style="list-style-type: none"> <li>•Increased cycle times</li> <li>•Higher processing costs</li> </ul>	<ul style="list-style-type: none"> <li>•Lower levels of liquidity because of higher processing costs</li> </ul>	<ul style="list-style-type: none"> <li>•Inability to track invoice processing status</li> </ul>

Source: Aberdeen Group, September 2007

- **Limited visibility into transactions.** Perhaps the most significant of challenges, limited visibility, poses a multiple-armed threat to the business. Without clear visibility into A/P transactions, payment processes can result in failure to identify billing errors, overpayments, unclaimed discounts; this ultimately leads to higher transaction costs and longer cycle times. Additionally, the lack of visibility into material liabilities that have not yet been entered impact the timing and accuracy of closing the period.
- **Manual and paper-based processes.** 2007 Aberdeen research found that nearly 80% of invoices are paper-based, a factor that indicates a lack of technology in A/P departments. Manual methods, as well, are extremely inefficient and contribute to transaction-processing costs that are 74% to 89% higher than automated methods.

- **Lack of centralization and fluidity between procurement, treasury, and suppliers / internal stakeholders.** Limited visibility also carries over to other sections of the enterprise. Treasury will be unable to make optimal capital decisions; procurement will be without the ability to identify and leverage negotiation opportunities with key suppliers (an additional pain that makes managing supplier relationships more complex); and suppliers and internal stakeholders will be unable to track invoice-processing status.

If sub-optimal performance can wreak havoc on other key functions across the enterprise, then accounts payable should no longer be pushed aside and hidden in the back-office. Action should be taken to update and automate the processes and tools utilized to more effectively leverage the cost savings and cycle-time benefits that can be realized from an automated, highly-functioning operation.

### **A/P Automation - Increasing Financial Performance**

In order to successfully transform the accounts payable department and overcome the obstacles brought about by manual and paper-based processes, enterprises must look to automation as the critical lynchpin to making the leap to optimal performance.

An automated A/P solution can streamline and drastically improve the facets of this function by utilizing e-invoicing, scanning and workflow, online tracking and reporting capabilities, electronic invoice dashboards and supplier portals, as well as supplier networks, payment services and spend analytics for all invoices. With an automated A/P solution, enterprises will successfully drive transformation of their accounts payable departments to overcome the challenges of manual and paper-based processes.

Aberdeen has benchmarked the accounts payable strategies of nearly 400 enterprises over the past year. Our research efforts have shown that while the average accounts payable department lacks automation, executive focus, and general alignment with the enterprise, leading enterprises are using their A/P function to drive considerable value. Table 2 outlines the benefits of that Best-in-Class enterprises achieve by developing efficient processes and mapping them to automated A/P solutions in comparison to all other companies.

**Table 2: A/P Performance Advantage - Best in Class versus All Others**

<b>Performance Area</b>	<b>Best in Class Advantage</b>
Invoice-processing costs	91% lower
Processing cycle time	46% shorter
Late payments	12% fewer
Staffer time responding to inquiries	30% less

Source: Aberdeen Group, September 2007

“Improved efficiency was certainly a major factor in our move to an automated system. We started down the A/P automation path because we had very manual systems and ended up losing invoices and needed more storage.”

~ Director of Payables, North American Gas and Oil Enterprise

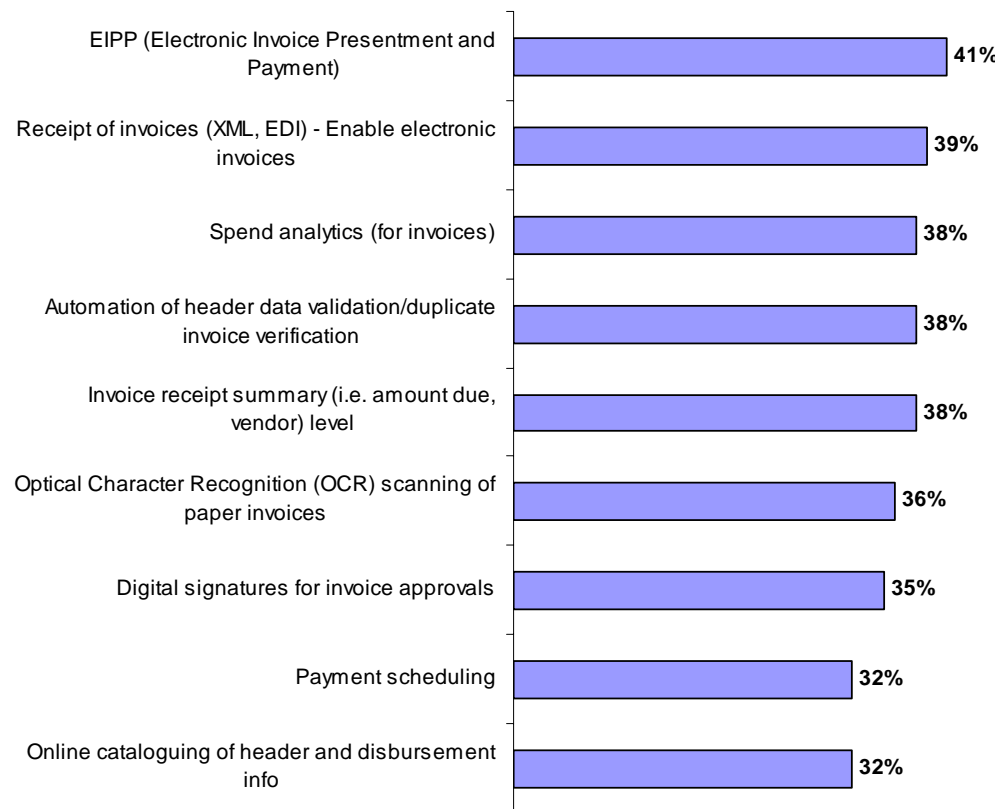
## Chapter Two: Investment in Technology

As part of their efforts to derive value from all areas of business operations, enterprises will continue looking at accounts payable as a key business function that requires and is ready for transformation. As the demand for improved performance metrics increase (such as cost savings and greater visibility into corporate spend), organizations must look to technology as the cornerstone of A/P automation.

### E-Invoicing - Automation at its Best

Aberdeen research indicates that accounts payable technology is a top investment priority of enterprises over the next year. However, which facet of the once back-end function are organizations looking to convert into a more streamlined process? Figure 2 shows that the top area of automation (41%) investment is Electronic Invoice Presentation and Payment (EIPP).

**Figure 2: Planned Investment in Automation**



Source: Aberdeen Group, September 2007

#### Fast Facts

- ✓ The top area of automation investment is EIPP
- ✓ Nearly 40% of enterprises plan on outsourcing distinct accounts payable processes
- ✓ The analytical and reporting capabilities of a spend analysis tool can be leveraged to establish improved visibility for A/P related information

“We were up and running in a matter of months. Even with having to push the roll-out off for a month we probably paid back our investment in six months.”

~ Director, Large North American-based Airline

EIPP holds the top spot for automation investment over the next year, proving that enterprises are eager to move away from the paper-based mess that comes with manual accounts payable processes. Other e-invoicing areas, such as Extensible Markup Language (XML) and Electronic Data

Interchange (EDI), are also a high priority for investment according to 39% of enterprises in our research studies. By utilizing these electronic methods, organizations can more easily transfer and receive important financial information in regards to payables, a far cry from the manual methods that have previously increased cycle times. EDI, in conjunction with Electronic Receipts Settlement (ERS), can effectively provide alignment between the enterprises and its suppliers to seamlessly connect the different steps in the requisition-to-payment process, effectively driving a stake through the heart of the manual A/P cycle.

### **Spend Analysis - Creeping into the Financial Sideshow**

Interestingly enough, we can see that spend analysis is crossing the line from procurement into the financial arena. In Figure 2, spend analytics was one of the highest priority factors for investment (38%). Although primarily used as a springboard to drive more effective strategic sourcing efforts, the automated classification and cleansing of spend data and the analytical reporting capabilities of a spend analysis tool can also be leveraged to establish improved visibility for A/P related information. Active analysis of invoices will allow an enterprise to pinpoint billing errors and overpayments, facilitating recovery of financial losses when these crucial mistakes are corrected.

### **Which Solution Type Makes the Most Sense?**

- **Electronic invoicing** solutions automate the invoice reconciliation and payment process and address the majority of invoice types. Many of these solutions provide a one-to-many benefit of supplier enablement via a network of participants. As with the procurement space, this type of solution blurs the line with offerings such as supplier networks and other supplier enablement initiatives, connecting enterprises to the supplier base in a virtual environment for transaction processing.
- **Workflow and imaging** solutions can manage all facets of in-house invoice scanning and documentation, as well as provide an effective electronic archival system. They are often part of a larger cross-functional enterprise solution.
- **Payment automation** platforms specialize in accounts payable and accounts receivable processing and offer relief in disbursements for payroll, benefits, regulatory and tax issues, as well as intra-company transfers. These solutions range from automated clearing house (ACH) and general payment processing to holistic A/P solutions.
- **Enterprise financial** solutions, which manage the budget and general ledger of an enterprise, consist primarily of Enterprise Resource Planning (ERP) providers. They typically offer basic financial fare, such as a general ledger, however, more advanced capabilities like supply chain auto-reconciliation and A/P workflow are among the newer features incorporated into some solutions. While these solutions have helped move accounts payable automation forward, most offer limited electronic transaction capabilities beyond EDI.
- **Outsourcing or managed service** providers can offer labor arbitrage, A/P expertise, and the ability to leverage licensed or

“It was pretty easy to get support for our A/P solution. We had a good idea of the number of people touching the paper trail and our average cost per invoice. But you can’t possibly measure the amount of touches in our remote offices. Between cost savings and efficiencies, it didn’t take much convincing.”

~ Director, Large Travel  
Services Enterprise



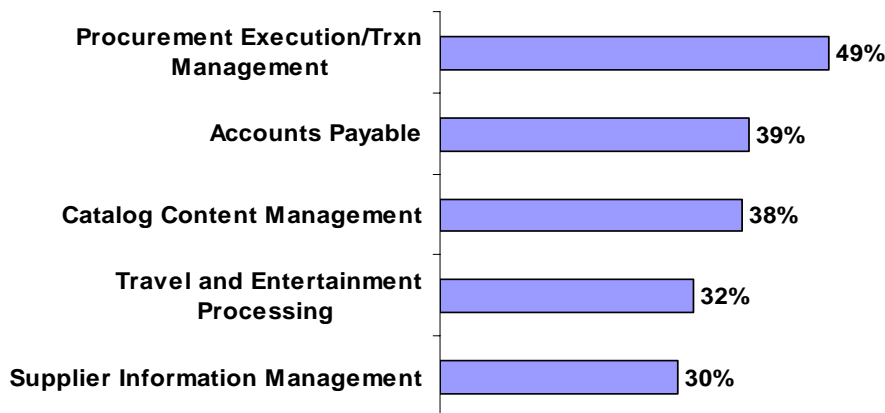
homegrown automation tools. Specializing in fulfillment services, outsourcing is an option that is readily available to many enterprises and can be leveraged as part of their A/P makeover.

- **Purchasing cards (p-cards)** were designed to streamline both the front (purchase) and back (payment and reconciliation) ends of the procure-to-pay process by introducing greater levels of control and visibility for management of low-dollar, high-volume categories. While the Best-in-Class place 22% of their indirect spend on their cards, overall averages are below 10% requiring, complementary solutions.
- **Supply Chain Finance** solutions provide full A/P invoice dashboards, allowing an enterprise to more easily manage their payables. With ERP integration and supplier portal capabilities, these solutions can assist in moving to an automated accounts payable platform.
- **Treasury management** services offer advanced forms of financial administration by consolidating cash forecasting and handling foreign exchange affairs. These services provide management for deals and trades, as well as providing analytics and risk management.

### Outsourcing - The Next Logical Step?

Recent Aberdeen research reveals that nearly 40% of enterprises plan to outsource the accounts payable function (Figure 3), a factor which could be the next logical step in concert with A/P automation.

**Figure 3: Process Areas Planned for Outsourcing**



Source: Aberdeen Group, September, 2007

As accounts payable is often still viewed as more of a highly tactical business component and not a strategic cog in the overall business wheel, enterprises are taking a tack similar to other business process areas such as IT or accounting and are seeking outsourcing partners for distinct A/P processes. Organizations can effectively outsource distinct accounts payable processes such as document archiving (scanning / imaging), invoice entry, invoice routing / workflow management and invoice reconciliation. They no longer fear losing control of this business function as part of an outsourced relationship and are willing to leverage third-party expertise to improve enterprise performance.

## Chapter Three: Required Actions

This chapter summarizes the framework enterprises can use to assess their accounts payable competence, identify the areas that could benefit from using an electronic solution(s), and build a business case for A/P automation, including cost savings benefits and, ultimately, the ability to establish a clear Return on Investment (ROI).

### Is A/P Automation Right for Your Company?

To identify and prioritize opportunities for A/P improvement, an enterprise must begin by conducting an internal assessment of its competencies across the key areas of the accounts payable process:

- Invoice receipt
- Invoice approval
- Invoice reconciliation
- Invoice settlement

Aberdeen advises enterprises to holistically assess A/P competencies across five areas: organization, process, knowledge, technology, and performance measurement.

There are many indicators signaling that an enterprise could benefit from implementing an automated accounts payable solution. Table 3 provides a first-pass assessment enterprises can use to determine the applicability of A/P automation tools for their firm. Aberdeen research suggests that organizations lacking capabilities referenced in Table 3 could achieve measurable benefit from automating their accounts payable function.

**Table 3: Accounts Payable Performance - An Assessment Approach**

Area	Action	Sample Assessment Criteria
<b>Organization</b>	Assess organizational structures, skills, and decision-making alignment across the enterprise	<ul style="list-style-type: none"> <li>• Do you have a central accounts payable group?</li> <li>• Does this group have direct reporting into the CFO? If not, then to whom does this group report?</li> <li>• Is there coordination / collaboration with the procurement department, or other departments?</li> <li>• Do you have controls to ensure that payments are made within the allotted time and late payments / fees are avoided?</li> <li>• Are any elements of the accounts payable process outsourced?</li> </ul>
<b>Process</b>	Assess process standardization and efficiencies	<ul style="list-style-type: none"> <li>• Do you have standard procedures for invoice receipt, approval, reconciliation, and settlement?</li> <li>• Do you have standard procedures for processing both PO and non-PO invoices?</li> <li>• Is there a structured workflow in place to manage the accounts payable process, including exceptions?</li> <li>• How efficient are your invoice processing and reporting activities?</li> </ul>

#### Fast Facts

- √ Assessing automated accounts payable competence requires examination of capabilities in the areas of organization, process, knowledge, and technology
- √ Truly assessing performance requires benchmarking against peers and best-in-class
- √ Building a business case for A/P automation requires both ROI and time-to-value assessments

Area	Action	Sample Assessment Criteria
<b>Knowledge</b>	Assess visibility into accounts payable processes, data and performance	<ul style="list-style-type: none"> <li>• Can you rapidly access a complete list of invoices by customer, supplier or category / product?</li> <li>• Can you immediately assess where an invoice is in the approval process?</li> <li>• Can you easily identify and assess the status of all invoices that are exceptions?</li> <li>• Can you compare and analyze the performance of processing different types of invoices (PO, non-PO, other)?</li> <li>• Can executives quickly develop reports on invoices outstanding and the effects on operational and financial performance?</li> </ul>
<b>Technology</b>	Assess level of automation and how well it is integrated across discrete accounts payable processes	<ul style="list-style-type: none"> <li>• Which elements of the accounts payable process have been automated and to what level of effectiveness?</li> <li>• Are automation investments aligned and integrated across the accounts payable process and across the enterprise?</li> <li>• Are current tools used extended beyond their current or designed capability?</li> <li>• What reporting tools does your accounts payable organization use and how effective are these at meeting your analysis and reporting needs?</li> </ul>
<b>Performance Measurement</b>	Assess level and consistency of measurement as well as actual performance against each metric	<ul style="list-style-type: none"> <li>• What metrics and procedures does your company use to measure the performance of the accounts payable process?</li> <li>• Are metrics and procedures consistent enterprise-wide?</li> <li>• Are invoices received, processed, and settled electronically?</li> <li>• Are invoices processed and payments made in a timely manner that take advantage of discounts offered and avoid late fees?</li> <li>• Is there a high rate of invoice discrepancies?</li> <li>• What are the organizations costs to process a single invoice?</li> <li>• How does actual accounts payable processing measure up to industry peers and the Best-in-Class?</li> </ul>

Source: AberdeenGroup, September 2007

## How Does Your Company Stack Up?

Once a company has an understanding of its internal accounts payable competence, it must benchmark its operations to determine the competitiveness of its capabilities and performance against industry peers and Best-in-Class performers. Table 4 provides a sampling of Key Performance Indicators (KPIs) for account payable based on Aberdeen's benchmark of more than 300 enterprises. Benchmarking delivers a clearer picture of capabilities and effectiveness, and provides fact-based detail for making a business case for accounts payable improvement and for securing support and budget for an A/P automation initiative.

**Table 4: Accounts Payable Performance - Metrics**

<b>Performance Area</b>	<b>Average Result</b>
Invoice processing cost (all invoice types)	<b>\$21.86</b>
Days payable outstanding	<b>39.9 days</b>
Exception rate	<b>7.8%</b>
Time to process invoice and schedule payment	<b>19.3 days</b>
Payments made on-time	<b>69.9%</b>
On-time payments that earn discount	<b>51.3%</b>
Invoices received electronically	<b>22.7%</b>
Payments settled electronically	<b>35.4%</b>

Source: Aberdeen Group, September 2007

### **Building the Business Case for A/P Automation**

Once capability gaps are identified, targets should be set for expected cost and performance improvements using measurable targets, including lower invoice processing costs; reduction in cycle times for invoice processing; improved days payable outstanding; increased discounts attained; increased invoice transaction volumes; reduction in the percentage of and the amount of time employees spend on inquiries (for reconciliation); fewer late payments; and lower associated fees.

Accounts payable can significantly impact many aspects of the organization, including financial performance (working capital and liquidity) and even procurement effectiveness (managing supplier relationships). As such, process and system investments in this area can be a politically charged and highly fractious issue. One of the quickest strategies to gain budget and alignment for an A/P automation initiative is to develop a sound business case for investment that targets the annual cost savings benefits, which can then be used to establish a clear ROI.

Utilizing Aberdeen benchmark performance metrics, an example of the immediate year one impacts of leveraging automated A/P tools to increase the percent of invoices processed electronically is presented in Table 5. The analysis identifies the quantifiable benefits of an investment in A/P automation, which can then be used to develop a compelling business case for presentation to enterprise executives. In the scenario below, the enterprise is focused on adopting automated tools to improve execution of accounts payable processes and reduce costs. This business case is based on a large company with revenues of \$1.5 billion whose current A/P activities are completely manual and paper-based for invoice receipt, processing, and disbursement.

**Table 5: A/P Automation Impact – Processing Cost Savings**

Total invoices processed	367,000
30% invoices processed electronically	110,100
Processing costs per invoice - manual	\$21.86
Processing costs per invoice - electronic	\$10.99
Cost savings per electronic invoice processed	\$10.87
<b>Total annual savings in year one</b>	<b>\$1,196,787</b>

Source: AberdeenGroup, September 2007

In this example if the enterprise moves 30% of its total invoices (110,100) to an electronic process, the average savings of almost \$11 per invoice translates into savings of nearly \$1.2 million in the first year of deployment.

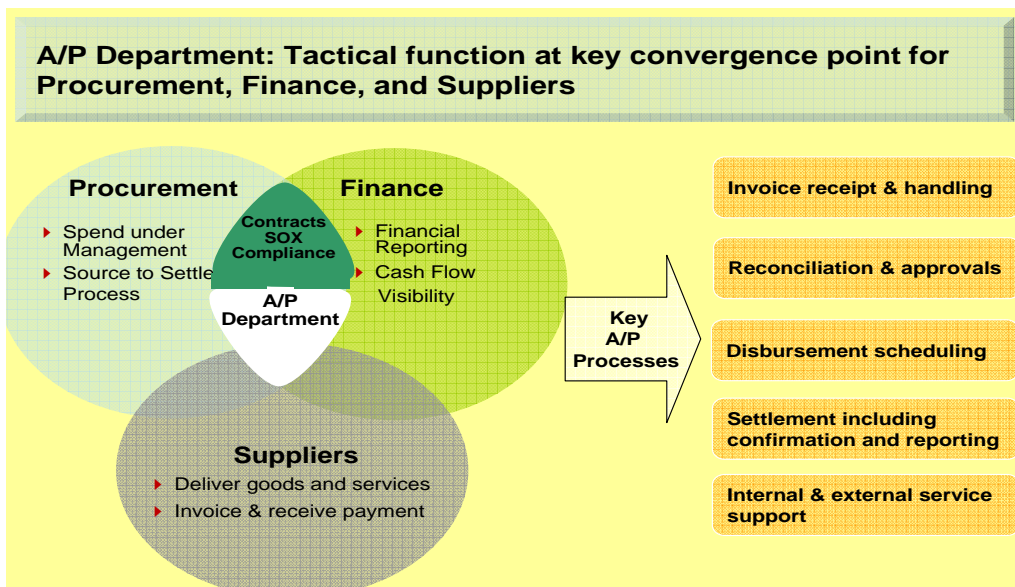
While significant savings can be generated for processing costs, automating the accounts payable process will also allow enterprises to improve their performance and deliver quantifiable benefits in other performance areas such as:

- Contract Compliance
- Improved on-time payment performance (cost reduction and avoidance of fees for late payments)
- Proper receipt of volume discounts and rebates
- Reduced payment errors and overcharges
- Working capital optimization
- Spend leverage that can be utilized to negotiate more favorable contracts with suppliers

## Chapter Four: Solution Selection

At the core, e-payables solutions refer to the combination of software and professional services to automate and streamline any and all aspects of the accounts payable function. Operational excellence within the source-to-settle process cannot occur without strong process and technology linkages between procurement and accounts payable. Best in Class A/P departments are clearly defining the scope of their activities (Figure 4).

**Figure 4: Accounts Payable - A Hub of Influence**



Source: AberdeenGroup, September 2007

### Solution Framework

Several years ago, Aberdeen established a four-part solution framework to help A/P managers better define their current state and identify logical areas for improvement (the June 2004 [Invoice Reconciliation and Payment Benchmark Study](#)). The framework remains highly relevant and useful in developing an approach to automate the function. The four areas are:

1. **Receipt:** invoice receipt may occur in any one of numerous paper or electronic formats – EDI, XML, or other file formats including credit card statements, evaluated receipt settlement, web-based order / invoice creation, or PO flip. A distinguishing characteristic for EIPP is that receipt (as with settlement) may be enabled via a supplier or trading network.
2. **Approval and inquiry:** once received, an invoice may be processed utilizing rule-based logic that analyzes certain invoice attributes

#### Solution Selection Checklist

- √ Define the goals and objectives for this initiative
- √ Document a formal scope of the project
- √ Engage other key stakeholders in the definition of solution requirements
- √ Understand the [solution provider landscape](#)
- √ Build business case (use benchmarks if actuals are not available)
- √ Set performance metrics and set ROI targets
- √ Include TCO analysis

(supplier, amount, buying entity, etc.) to define the proper routing and approval workflow. Notification / alert capabilities as well as direct integration to transactional systems are used to track invoice status and identify issues.

3. **Validation and reconciliation:** the verification of invoice accuracy and the resolution of any errors, discrepancies, or disputes prior to payment are accomplished by automated matching engines, collaboration with suppliers and internal end users, and integration to transactional systems. The information captured in this segment is used for audits (internal and external) as well as spend analysis.
4. **Settlement:** after the efficient capture, tracking, and approval of enterprise liabilities, the next step is payment processing, utilizing a payment method that may include Electronic Funds Transfer (EFT), ACH, card or supplier / trading networks. Capabilities like dynamic discounting, rebates, tax management, and trade financing are available in advanced solutions to optimize the management of cash flow.

Aberdeen accordingly recommends that enterprises assess e-payables solutions in six primary areas:

1. Receipt
2. Approval and inquiry
3. Validation and reconciliation
4. Settlement
5. Reporting and analytics
6. Integration and services

Additional emphasis should be placed on deployment model, integration, and usability, which will combine to influence adoption rates and impact the Total Cost of Ownership (TCO) of a solution. Enterprises must also thoroughly assess solution providers' customer references and financial viability.

## Receipt

Despite best intentions, an enterprise will be unable to migrate its suppliers to a 100% electronic invoice receipt environment in the near or medium term. Accordingly, an ability to handle both electronic and paper-based submission formats will be critical to drive user adoption and increase the ROI of your investment. Trade-offs between electronic data and electronic images must be evaluated to determine the optimal invoice receipt solution. It will be critical to establish repeatable processes for determining which invoices should be handled in an electronic versus paper-based format, and vice-versa. The ability to measure such filtering criteria – minimum invoice value, strategic supplier, etc. – will likely drive these decisions.

“Functionality was the most important criteria for us. We wanted to start with scanning and workflow and the solution we chose was the easiest to set up for that. Price wasn't a driver since what we chose was certainly not the cheapest.”

- Payables Manager, Private US-based Petroleum Enterprise

**Table 6: Solution Selection Criteria - Receipt**

Potential Invoice Formats, and Key Features and Functionality	
<p><b>Invoice Formats</b></p> <ul style="list-style-type: none"> <li>• Mail</li> <li>• Fax</li> <li>• .pdf</li> <li>• Text files (.txt or .doc)</li> <li>• Excel or .csv</li> <li>• XML</li> <li>• Electronic Data Interchange (EDI)</li> <li>• Web or portal entry</li> <li>• PO flip</li> <li>• File-transfer based electronic invoice</li> <li>• P-card transactions</li> <li>• Invoice image</li> <li>• HTML image</li> <li>• Billing data tapes</li> <li>• Industry specific formats</li> </ul>	<p><b>Capabilities</b></p> <ul style="list-style-type: none"> <li>• Business rule validation</li> <li>• Dispute resolution integration</li> <li>• Document history and tracking</li> <li>• Invoice data mining</li> <li>• Invoice file attachments and fax attachments</li> <li>• Invoice reversals</li> <li>• Multiple currencies</li> <li>• Purchase order validation</li> <li>• Vendor registration and enrollment</li> </ul>

Source: Aberdeen Group, September 2007

## Approval and Inquiry

The system capability to automate approval and inquiry often drives the overall productivity and improvements in the accounts payable process. Velocity and accuracy are the ultimate goals. During the approval process, it is critical that rules-based workflows are established to efficiently move the invoice through the processing cycle. Inefficiencies are eliminated or minimized when invoice attributes are readily recognized and the proper workflow logic is utilized to route it through the proper approval hierarchy. One area that should be reviewed, that often slows the cycle, is how the accounting details (cost centers, splits, line items, etc.) are entered into the system. Invoices that are reviewed and approved more quickly allow enterprises the opportunity to regularly make on-time payments.

Above all, though, is the accuracy with which invoices are processed. Any discrepancies in supplier, quantity, price, etc. must be quickly flagged and referenced for correction at the proper point in the approval process. Integration with other transactional systems will provide real-time or near-time views into invoice approval status and allow issues to be easily identified and tagged for rework or amendment.

**Table 7: Solution Selection Criteria - Approval and Inquiry**

Key Features and Functionality
<ul style="list-style-type: none"> <li>• Dispute resolution and collaboration</li> <li>• Document encoding</li> <li>• Document history and tracking</li> <li>• Document notes</li> <li>• Escalation time-out</li> </ul>



### Key Features and Functionality

- Forwarding and delegation
- Hierarchy administration
- Manual matching
- Multi-level process support
- Negative assurance (passive approval)
- Notification engine
- Out of office / vacation routing
- Rejection routing
- Routing of any document type
- Time-out tasks

Source: AberdeenGroup, September 2007

## Validation and Reconciliation

With disparate and manual A/P processes, enterprises are susceptible to overpayments, late fees, and lengthy disputes associated with manual and paper-based functions. For accounts payable processing, enterprises must seek to centralize functions and ensure they are standardized across the enterprise. Leakage occurs when errors in payment are overlooked; these instances can be avoided if an organization focuses on the administrative aspect of A/P processes and guarantees that other facets of this function include clearly defined roles and responsibilities.

**Table 8: Solution Selection Criteria - Validation and Reconciliation**

### Key Features and Functionality

- Dispute resolution and collaboration
- Document encoding
- Document history and tracking
- Document notes
- Escalation time-out
- Forwarding and delegation
- Multi-level process support
- Multiple PO types and pre-built forms
- Negative assurance (passive approval)
- Notification engine
- Out of office / vacation routing
- Rejection routing
- Routing of any document type
- Time-out tasks

Source: AberdeenGroup, September 2007

“We have quite of bit of transaction exchange with our suppliers as part of our procure-to-pay cycle. Because of that, we rigorously test the protocol and information exchange before embarking on any transactions with a new supplier. This has helped us get a ‘moderate’ return on our investment. It should be ‘high’ but we’re constantly learning how to drive more value out of these things.”

~ Procurement Manager, Large European CPG Enterprise

## Settlement

The final processing piece in the A/P puzzle is settlement. The efforts and advancements into receipt, approval and inquiry, and validation and reconciliation will all be for naught if payments are unable to be exchanged.

There are a myriad of options for payment and no single one is a one-size-fits-all. Each business partner possesses a different capability and / or preference for utilizing a specific payment method, thus, out of necessity, a solution must be flexible enough to remit payments in a variety of different ways.

Beyond multi-format payment functionality, solutions with advanced capabilities address payment issues that have additional effects on enterprise finances. Embedded with specific rules and logic regarding payments (whether by vendor, quantity, contractual agreement, etc.), these more advanced solutions enable enterprises to more readily capture discounts for early payments or for achieving volume thresholds, for example. Additionally, some payables solutions are also utilized to more effectively manage working capital levels and cash flow through payment scheduling and even withholding payments from under-performing business partners.

**Table 9: Solution Selection Criteria - Settlement**

Key Features and Functionality	
<p><b>Electronic payment capabilities:</b></p> <ul style="list-style-type: none"> <li>• Electronic remittance advice</li> <li>• Permanent on-line status</li> <li>• Document history</li> <li>• Associated documents</li> <li>• Payment notes</li> <li>• Payment search</li> <li>• Dispute resolution</li> <li>• Vendor self-service 24x7</li> <li>• Notifications</li> <li>• Multiple currencies</li> </ul>	<p><b>Discount management capabilities:</b></p> <ul style="list-style-type: none"> <li>• Comprehensive discount management programs</li> <li>• Discount optimization</li> <li>• On-the-spot payment</li> <li>• Variable discount calculations</li> <li>• Automated terms negotiation</li> <li>• One-step payment functionality</li> <li>• Supplier terms selection</li> <li>• Approver notification</li> <li>• Automatic escalation</li> <li>• Online discount calculator</li> <li>• Advanced analytics Reporting</li> </ul>

Source: Aberdeen Group, September 2007

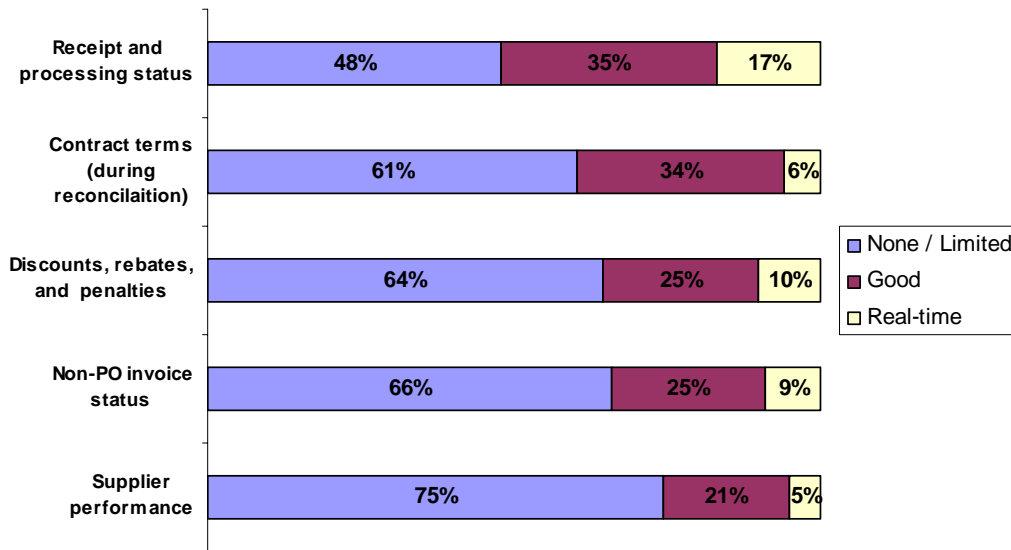
## Reporting and Analytics

Just as process and price visibility are keystones for the procurement function, A/P requires a high level of visibility into the stream of financial transactions of purchased goods and services in order to effectively manage and control the payment process. With a heavy influx of financial exchanges, A/P must ensure that reporting and analytical capabilities provide much-valued insight into charged expenses and the flows of cash out to suppliers. The inability to identify and then rectify mistakes could cost an enterprise millions of dollars in unnecessary and avoidable charges.

Automated accounts payables processes eliminate the overpayments and errors associated with manual and paper-based functions, allowing for increased visibility into corporate spend and more control over the management of treasury. Figure 5 shows the levels of visibility into A/P

management and associated processes. Such depressed levels are a key culprit in lost opportunities for savings and excessive charges.

**Figure 5: Visibility into A/P Processes**



Source: Aberdeen Group, September 2007

**Table 10: Solution Selection Criteria - Reporting and Analytics**

Reporting and Analytical Capabilities
<ul style="list-style-type: none"> <li>• Integration with ERP, financial, and purchasing systems to facilitate data exchange for more accurate reporting</li> <li>• Standardized reports that provide detail and aggregate information about transaction processing performance including, but not limited to: <ul style="list-style-type: none"> <li>▪ Processing status (i.e. workflow management and performance)</li> <li>▪ Cycle times</li> <li>▪ Volumes by group or user</li> <li>▪ Compliance</li> <li>▪ Discount performance</li> </ul> </li> <li>• Standardized reports that provide detail and aggregate information about transaction processing including, but not limited to: <ul style="list-style-type: none"> <li>▪ Grouping by PO</li> <li>▪ Grouping by vendor</li> <li>▪ Grouping by commodity / category</li> <li>▪ Grouping</li> </ul> </li> <li>• Configurable reports that provide customized detail and aggregate information as required by the end user</li> <li>• Searchable functionality to locate individual documents by PO or invoice number, or other non-PO based identifiers</li> <li>• Online viewing and management of reports that can be exported to different formats for use</li> </ul>

Source: Aberdeen Group, September 2007

## **Integration and Implementation / Deployment Services**

Accounts payable is not a stand-alone function. It relies on interaction with, and information from, several other business functions within the enterprise, including procurement, accounting, and treasury. There is also a significant amount of day-to-day contact with individuals at the business unit level who submit PO and non-PO requests for payment. Conversely, these groups also rely on the accounts payable group to provide them with the necessary level of detailed and accurate information about the status of their purchases and subsequent payments in a timely manner. It is therefore critical that the A/P system integrate with any ERP, accounting, procurement, or other transactional systems in such a way that data is exchanged in usable formats. This integration sets the stage for improvements in both processes and costs. Utilization of an automated A/P solution can facilitate the connection and provide key advantages and benefits:

- Minimizing the number of “touch-points” along the invoice journey can be a major factor in integrating an automated A/P solution. Utilizing electronic invoices instead of paper, as well as taking advantage of PO flipping and automated workflows / approvals, can greatly streamline the A/P function and seamlessly integrate automated procedures.
- Integration to an automated system will benefit compliance with government regulations and simplify A/P reporting capabilities. Transactions can be more quickly applied to the general ledger, resulting in fewer matching errors and greatly improving cycle times.
- Enterprises will see a reduction in costs as a result of decreasing matching time and the accompanying labor normally required. This will allow for more effective working capital management, increased contract compliance, and less pressure on suppliers for invoicing.

Although the benefits of integration outweigh the efforts behind the scenes, to be done effectively, this process will require a commitment of staff and money as well as a plan for ongoing maintenance (resources and fees). The balance of resources, support, and technology is also a factor in looking at the integration process and should be incorporated into a TCO evaluation.

## **Plan of Action**

As you begin to plot your course for A/P transformation make sure to:

- Comprehensively define the goals and objectives for this initiative and document a formal scope of the project – Is it global? Is it enterprise-wide? What is the timeline for deployment?
- Engage the other key stakeholders in the process to define your solution requirements:
  - **Treasury and finance**, to assess and / or validate the enterprise returns on a proactive working capital management program

- **Procurement**, to ensure alignment with existing procurement technologies
- **IT**, to help you develop a “portfolio” approach that seeks to optimize the usage of different platforms
- **Suppliers**, to identify the necessary tools and training that will be needed, and to properly set expectations
- Build a business case that includes quantifiable benefits as well as some of the softer benefits like visibility
- Agree on performance metrics and set ROI targets based upon internal baseline (industry benchmarks may be an acceptable proxy)
- Include a TCO analysis

Enterprises seeking to make a case for accounts payable makeover should assess their current status and gauge the best plan of attack, using this solution selection guide as a handbook for determining which method of A/P automation and which solution provider serves as best-fit for their organization. By utilizing the Aberdeen framework for solution requirements and internal assessment, enterprises can effectively implement accounts payable automation and move to seamless A/P transformation.

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## **Appendix A: Research Methodology**

This research effort draws on the following Aberdeen Group research activities:

- In 2006 and 2007, Aberdeen assessed the e-payables implementations of more than 200 enterprises. Selection approaches and criteria used by these enterprises are reflected in this report.
- Between July and September 2007, Aberdeen conducted demonstrations and assessments of more than 20 e-payables solution providers. Some insights from this research effort are reflected in this report.

Aberdeen supplemented these research efforts with more detailed telephone interviews and consultations with additional enterprises. These discussions aimed to identify best practices for e-payables solution selection.

Solution providers recognized as sponsors of this report had no substantive influence on the direction of this Solution Selection Report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report include:

- [E-Payables: Advancing Accounts Payable Automation](#) (March 2007)
- [Accounts Payable: Strategies for Success](#) (December 2006)
- [E-Payables - Solution Provider Landscape](#) (March 2007)
- [An A.P.B. for A/P Managers](#) (November 2006)
- [Working Capital Optimization](#) (June 2007)
- [Supplier Enablement](#) (May 2007)
- [E-Procurement Benchmark](#) (August 2006)
- [The Invoice Reconciliation and Payment Benchmark Report](#) (June 2006)

Information on these and any other Aberdeen publications can be found at <http://www.aberdeen.com/channel/procs.asp>.

Aberdeen's [2007 Global Supply Management Research Agenda](#) is also available.

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