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ACCOUNTS PAYABLE

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TAKE STOCK OF YOUR AP – A 5-STEP CHECKLIST

Process improvement in accounts payable (AP) operations might seem complicated and overwhelming. You may even wonder where exactly to begin. It is at this point when a general assessment can be invaluable. Every AP organization is unique, so this quick-and-easy checklist will help you to see more clearly the strengths and weaknesses of your current system, and more importantly, where you might need to focus.

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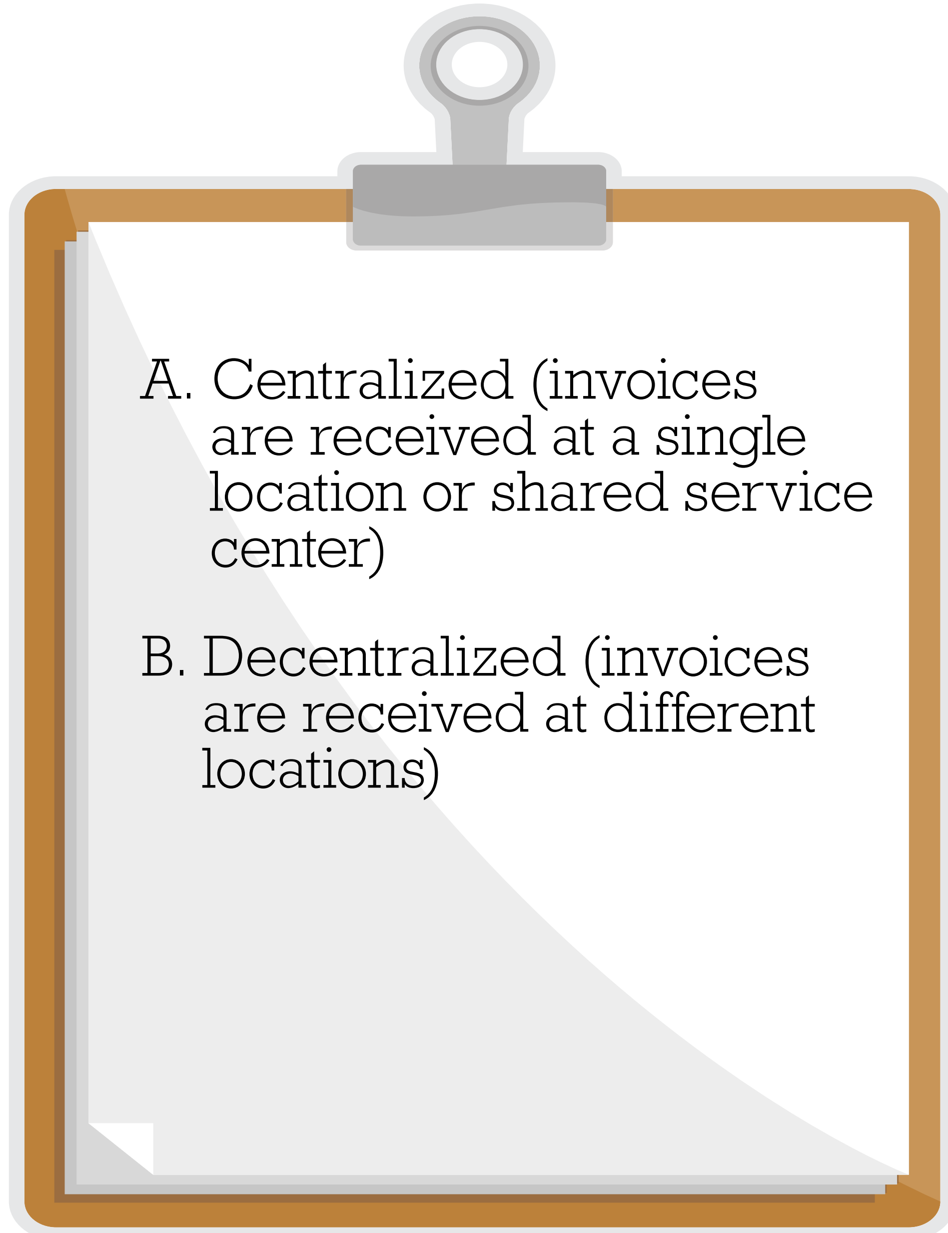
1. **Centralized**, or decentralized? That is the question.

If you haven't already centralized your AP organization, you're in the minority. Industry research confirms that 90 percent of businesses today already maintain a centralized AP department–30 percent of which are organized in a shared-services environment. The economies of scale that come with a centralized AP department are obvious: there is no need to replicate the same functionality at different locations or to invest in the same equipment at each location. The Accounts Payable Network makes clear that the single most important practice that should be implemented into a centralized AP department is the centralization of invoice receipt. By directing suppliers to send their invoices directly to AP, the delays inherent to manual handling are eliminated and the foundation is set for the standardization of processes.



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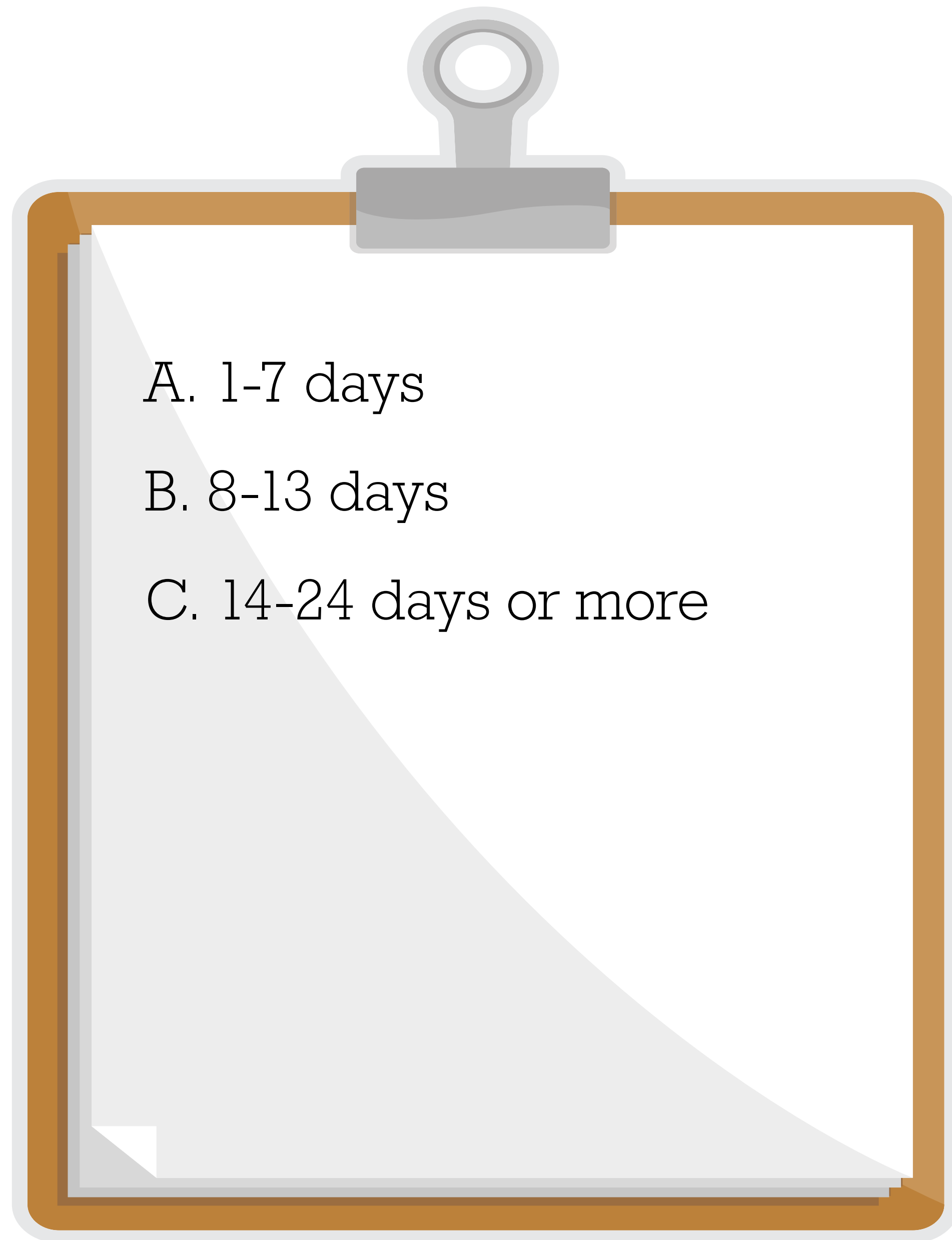
2. **How long** does it take you to process an invoice?

Time is money. And when it comes to the fees associated with late payments, and lost discounts, this old adage is especially true. From receipt to approval, does your organization's average cycle time resemble the performance of Laggards (C), the Industry Average (B) or the Best-in-Class (A)? There are many causes for delays during the invoice cycle–most notably are the bottlenecks associated with human touch points within manual, paper-based processes.

Oil and pipeline company TransMontaigne provides a real-world case that demonstrates the effects of an AP process improvement project on invoice cycle time. Prior to automation, its average cycle time was a debilitating 32-34 days. Of the 56,000 invoices processed annually, 85-95 percent were paid late. Within six months of implementing ReadSoft's data capture and workflow automation, TransMontaigne's average cycle time was reduced to less than seven days–a dramatic improvement.



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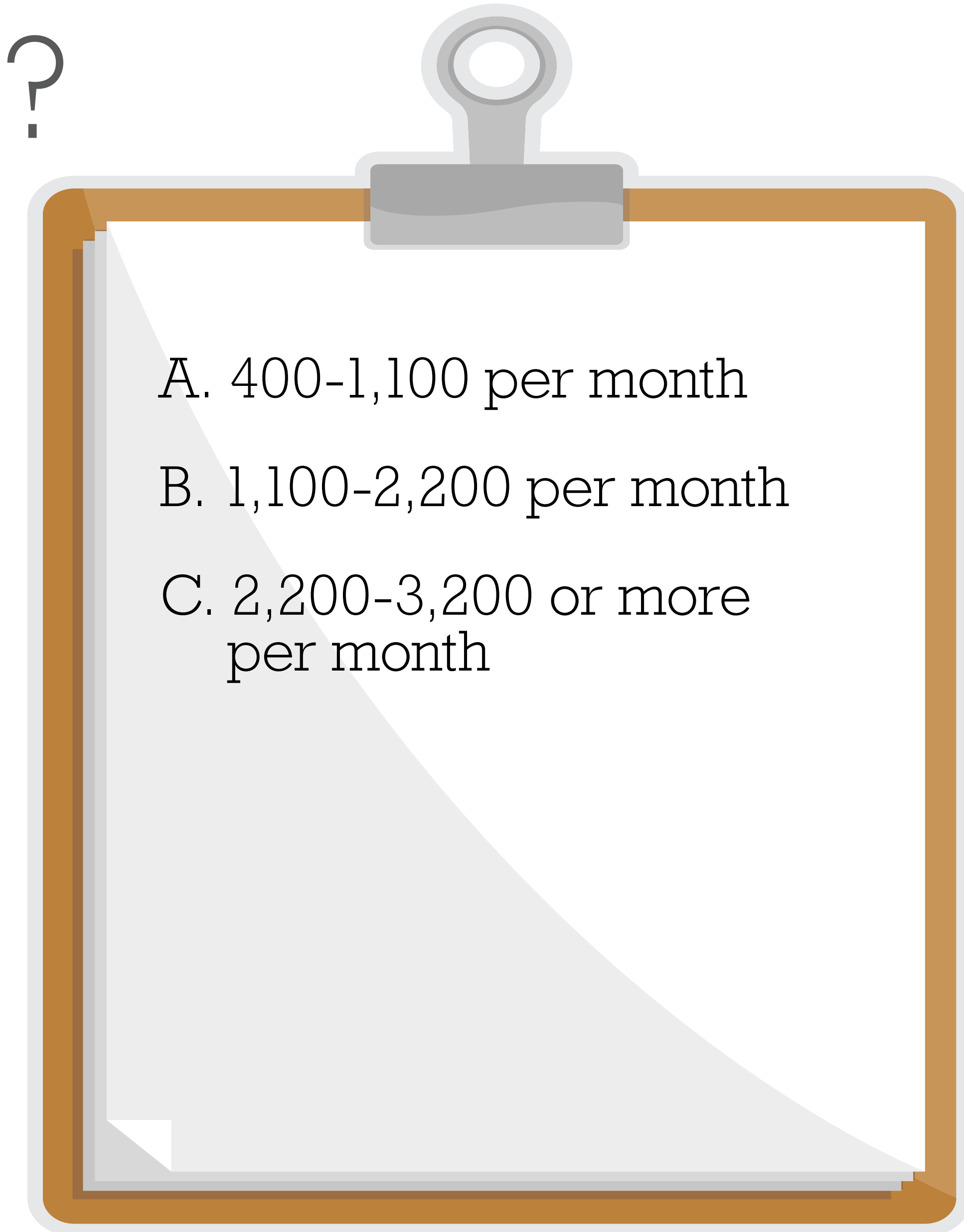
3. How many invoices are processed per **full time** employee (FTE)?

This easy-to-calculate assessment can provide valuable insight into overall productivity in AP. Industry expert and ReadSoft executive Steve Bennion, who has worked with hundreds of companies, reports that while employee productivity can vary by size and industry, the average processing rate in a manual AP organization is 50 invoices per day per employee–or a little over 1,000 per month. "After automation, companies on average realize two to four times more productivity," he says. Case-in-point is Jennifer Dolecki, a part-time clerk for AIT Worldwide Logistics who affirms that after the deployment of automated solutions for AP, she processed more than 1,300 invoices in a single day. Companies that have gained these levels of efficiency through automation have routed staff members to other areas of the business, or dedicated their time to more value-added tasks.

It is important to note that while employee productivity does indeed affect cost, it is only one of many variables that contributes to it. "Invoice per FTE" provides an excellent baseline when comparing performance over time such as "before and after" efficiency improvement projects like the standardization of processes and the deployment of automation.



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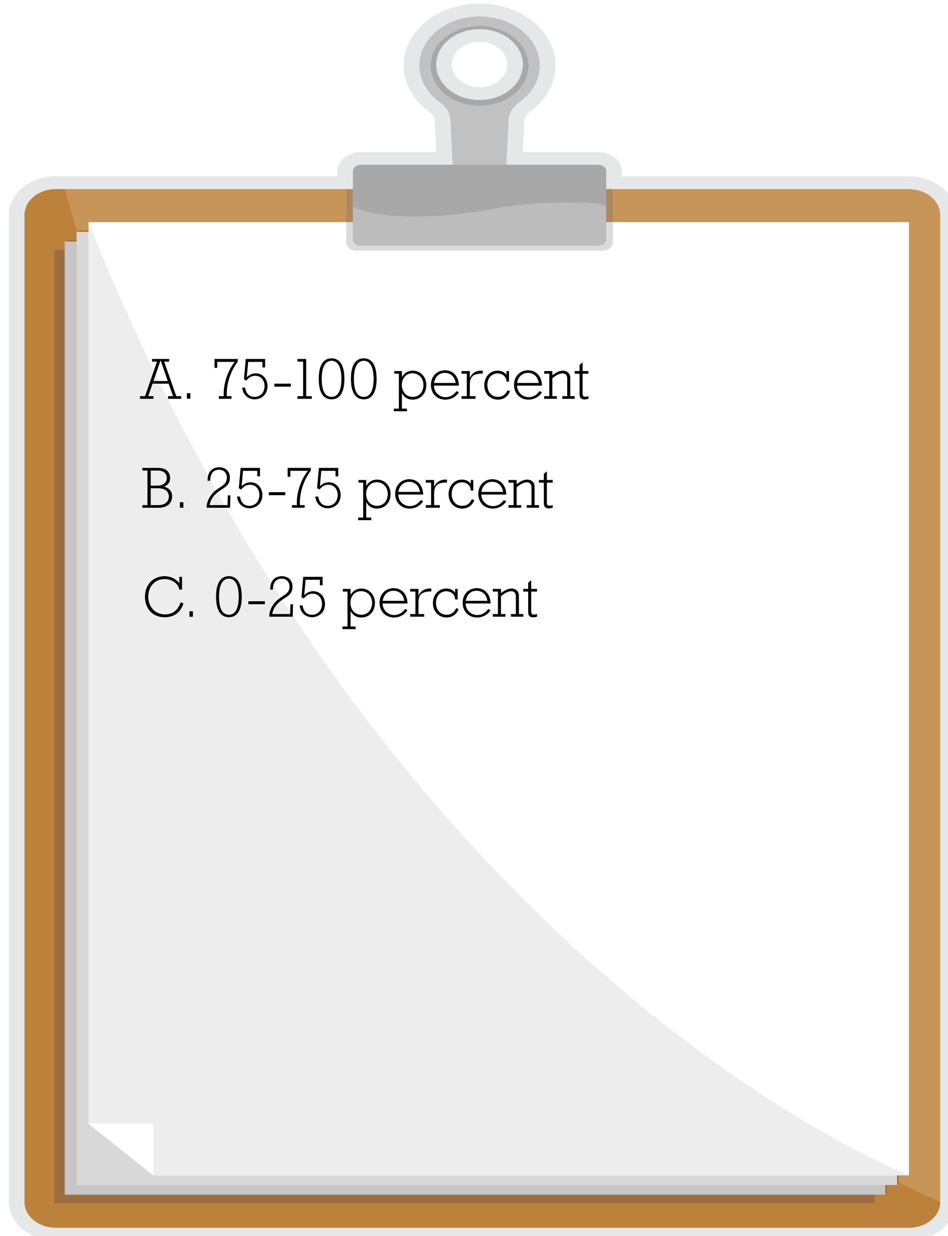
4. What percentage of incoming invoices is on **paper**?

Even today, paper is surprisingly still the norm for many organizations. According to a new report from the Institute of Financial Operations, nearly 80 percent of companies said that at least half of the invoices they handle are on paper. Of course, the problem with paper in the manual environment is that it gives rise to inaccuracies. Data entry mistakes, matching errors, duplicate or even disappearing invoices cause confusion, delay and associated costs of late payment fees, staffing, and the strategic decision-making implications of inaccurate accruals.

The fewer invoices received on paper, the better. TAPN reports, as the percentage of paper invoice decreases, the number of invoices processed per FTE increases. Best-in-class companies find ways to reduce the amount of paper through a variety of measures. The deployment of web-based vendor portals, for example, has become an increasingly popular way for suppliers to submit invoices electronically. Another best-practice measure is the use of a procurement card (P-Card) program, which reduces the amount of invoices altogether. Combined with capture and workflow automation, these paper-reduction tactics can garner substantial efficiency gains for your firm.



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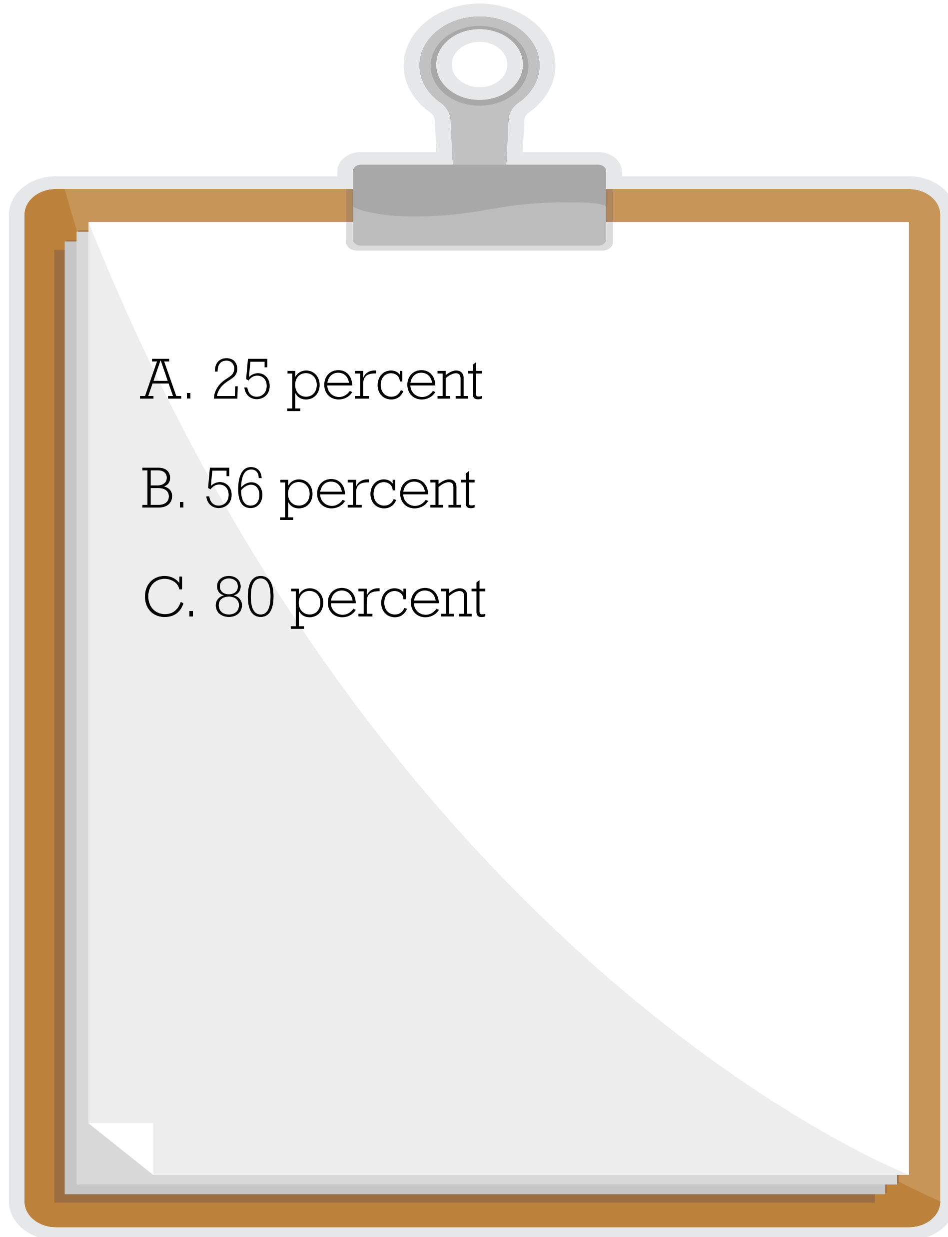
5. What percentage of incoming invoices is **PO-based**?

According to the Institute of Financial Operations, the majority of organizations report that half to three-quarters of their invoicing involve purchase orders. Depending on your industry, however, this may vary. Service organizations, for example, still manage 90 percent of their invoices as non-PO.

Due to the lack of visibility and spend control associated with non-PO invoices–and challenges with processing them accurately and with accountability–smart companies are finding ways to increase their percentage of PO invoices. PO-based invoices allow for faster processing and greater accuracy because the approvals occur at the front end and matches can be made between the invoice and the PO and the goods receipt. Compounded efficiencies are gained by automating the matching process of the PO-based invoices and directing them to payment–or, in the case of a discrepancy, the invoice is automatically routed to a workflow. As for the problematic processing of non-PO invoices, upfront workflow automation is particularly helpful. Within a day or two of invoice receipt, the image of the invoice is automatically routed directly to the business unit that ordered the services or products, and is visible, accessible and track-able to all stakeholders in the organization.



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