

LOCI SOLUTIONS

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MODERN AP AUTOMATION: DRIVING PRODUCTIVITY AND PROFIT

INTRODUCTION

Accounts payable (AP) automation has been helping finance departments across the world streamline invoice payment processes for over a decade, delivering cost reductions, improved efficiency and productivity gains.

However, many real estate organisations across Australia and New Zealand continue to use manual AP procedures, which create a number of challenges that hamper performance and needlessly complicate payments.

These issues can lead to slow and expensive processing, approval bottlenecks, poor transparency and frustration for payees and staff.

In today's competitive commercial landscape, where many businesses are operating on narrow margins, boosting the efficiency of core back-end processes can make a critical difference.

This white paper will highlight the common hurdles organisations face when making payments in an increasingly fast-paced environment, as well as detailing the benefits of investing in modern AP automation software.

This paper will also explore the wider topic of best-practice methods of implementing new technologies such as AP automation platforms into existing operations to achieve optimal outcomes.

TACKLING INVOICE INSANITY

Businesses that rely on manual paper-based processes are missing out on huge opportunities to reduce overheads, by saddling finance departments with an ever-growing invoice burden.

A [recent Loci Solutions infographic](#) shows that the average company takes approximately 45 days to pay an invoice, with each one costing between \$25 and \$50 to process.

This means organisations could be spending \$2.5 million or more a year if they handle 100,000 invoices annually - and this is just the tip of the iceberg.

There are a number of other costs and problems associated with a paper-based approach that can drastically affect a company's cashflow, relationships with vendors and employee productivity.

PAPERWORK OVERLOAD

One of the most underestimated costs of a decentralised invoice environment is the expense of processing, handling and moving around paper invoices.

Faxing, printing, mailing and photocopying invoices can be a significant drain on the office supplies budget. Typically, an invoice has used 10 pieces of paper by the time it has been processed, including five photocopies.

Furthermore, an ever-increasing mountain of paperwork requires office space for storage, which can be an expensive commodity, particularly in inner-city areas.

PRONE TO ERRORS

Mistakes can be commonplace when manual processes are the norm in AP environments, resulting in costly and time-consuming efforts to rectify the situation.

Invoices may be paid twice or not at all due to disorganisation and a lack of transparency. In extreme cases, invoices may not even make it into the system, as they can end up lost or missing.

This is frustrating for vendors and an organisation's bottom line and cash flow can take a substantial hit if errors are frequent and rarely resolved within a reasonable timeframe.

PRODUCTIVITY BOTTLENECKS

Paper-based AP processes are often characterised by unclear approval paths, undocumented procedures and poor visibility of the company's overall financial position.

A lack of accountability can also make it difficult for finance departments to actively monitor invoice delays, potentially bringing payments to a standstill.

Not only does this create issues with budget management, there are a number of knock-on effects in terms of remaining compliant and being well prepared for audits.

POOR ALLOCATION OF HUMAN RESOURCES

One of a business's most important assets is its people, but manual processes can tie up multiple members of staff by requiring them to perform laborious, time-consuming tasks.

Whether it's data input, retrieving and storing documents by hand or chasing up approvals, these duties are rarely interesting and can take up a significant portion of an employee's day.

Automating AP processes means staff can be switched to value-add tasks, which are growth-oriented and more likely to result in higher job satisfaction and morale.

BREAKING THE CYCLE WITH AP AUTOMATION

Clearly, the challenges posed by manual AP systems can prevent accounting and finance departments from achieving maximum operational efficiency.

Introducing technology is an effective way of overcoming these issues, with AP automation having become increasingly sophisticated over the last few years.

With the right software solutions, organisations can see drastic improvements almost overnight, resulting in a return on investment timeframe of between three and six months on average.

HOW DOES AP AUTOMATION SOFTWARE WORK?

When investing in AP automation, it is optimal to purchase an end-to-end solution that streamlines the entire process flow, from invoice scanning and approvals through to integration with ERP systems.

State-of-the-art optical character recognition (OCR) software enables organisations to quickly and efficiently scan invoices and create electronic copies.

Solutions can easily be designed to extract key pieces of information from each invoice, including:

- The vendor name / ABN
- Invoice number
- Invoice date
- Total amount
- Financial entity responsible for the expense

This data, along with an image of the invoice itself, is then passed on electronically to workflow software for processing.

OPTIMISING APPROVAL PROCESSES

Once an invoice is scanned, workflow solutions can use the extracted information to automatically send the document through to the right person for approval.

How this function works will depend on a number of different variables and the system's configuration, but businesses can set approval authorities to ensure invoices only reach those with the right level of clearance to process them.

For example the solution can identify correct workflow paths based on vendor, entity/building, actuals, user, budgets, GL codes or relevant combinations of all these data types.

High-end systems can be seamlessly integrated with a company's ERP software, allowing the data from an approved invoice to be easily transferred to the general ledger. When a payment is made, the paid information is passed back to the AP Automation software ensuring an efficient, two-way interface.

THE BENEFITS OF AP AUTOMATION

AP automation can bring a number of benefits to your business, enabling you to streamline existing financial processes and enhance payment capabilities.

Here are the main advantages of upgrading from manual AP processes:

- Makes paper redundant, eliminating the associated costs
- Reduces mistakes and instances of human error
- Establishes a consistent and predictable AP framework
- Achieves full transparency and accountability
- Tackles productivity bottlenecks during approvals
- Optimises the audit process
- Guarantees compliance
- Ensures end-to-end efficiency through ERP integration

AP automation technology is now extremely sophisticated and increasingly cost-effective to purchase, making it not only an attractive investment for many businesses, but an essential one.

MAXIMISING AP AUTOMATION OUTCOMES

A key factor to remember when considering any technology investment is how prepared your business is for the implementation - and AP automation software is no different.

For organisations to enjoy the maximum benefits of IT projects, the appropriate systems must be underpinned by detailed strategies, efficient processes and educated, motivated staff.

Even the best software solutions can fall short of expectations when the surrounding business environment fails to support change. In other words, technology can't make bad processes better.

Instead, you can significantly improve the performance of software by conducting a detailed change management initiative before, during and after implementation.

Business process re-engineering: Assessing, cleansing and re-engineering your existing business processes is a vital step when introducing new technologies.

Otherwise, AP automation efficiency can be hampered by out-dated and cumbersome procedures running alongside the software.

It is worth taking the time to engage with your software provider to help you understand the capabilities of the software and how this allows you to change your processes. Business Process re-engineering ideally should not be done in isolation from the software. A good software provider will be able to offer best practice high level process flows to assist you with this and to avoid extending the timeline of the project unnecessarily.

Engage vendors/suppliers: AP automation platforms are designed to make paying invoices as easy as possible, but communicating these changes with vendors can make the process even simpler.

This may involve altering the way you have historically dealt with creditors, such as asking them to email rather than post invoices. However, once they recognise this will result in faster, more accurate payments, they will quickly come on-board.

Invest in training: Don't underestimate the power of effective training. Become fully immersed in embedding best-practice behaviours to get the most out of IT projects.

Poorly trained employees often do not take advantage of the full functionality of software, resulting in costly shortcuts and potentially falling back on bad habits.

To keep costs lower you can take a train the trainer approach and invest in training a few key users, who will be responsible for training the remainder of your staff and who will become your Super Users. They will take the responsibility for the software/processes to ensure the success of the implementation and provide ongoing internal support to users going forward.

HOW LOCI SOLUTIONS CAN HELP

As we can see, the accounts payable department can become a challenging environment when organisations are relying on manual processes for invoice management and payment procedures.

Businesses risk costly mistakes, poor transparency, a heavy paperwork burden and disgruntled staff and vendors using a paper-based system.

AP automation can resolve many of these issues by streamlining the payments process for optimal performance, better accountability and a substantial reduction in costs.

However, investing in technology is just one step in a wider strategy for effective IT system implementation - but what is the best way to approach a change management strategy?

This is where Loci Solutions can help. We are an experienced and dedicated property technology consulting company that can provide the whole suite of services required to achieve the successful completion of an IT project.

Our consultants have core skills in project management; systems analysis, selection and development; business process re-engineering and training. We ensure that the software provided is the best fit for your organisation, while benefiting from an ever-expanding network of key strategic partners.

If you would like to learn more about AP automation or are interested in hearing how our suite of services and products can revitalise your real estate IT set-up, please [click here](#).

Alternatively, you can call directly on +612 9251 3877 or email us at info@locisolutions.com.