



AUTOMATING ACCOUNTS PAYABLE

Leaving the Paper Jam Behind

FROM PAPER TO ELECTRONIC – THE EVOLUTION OF AP PAYMENT PROCESSING

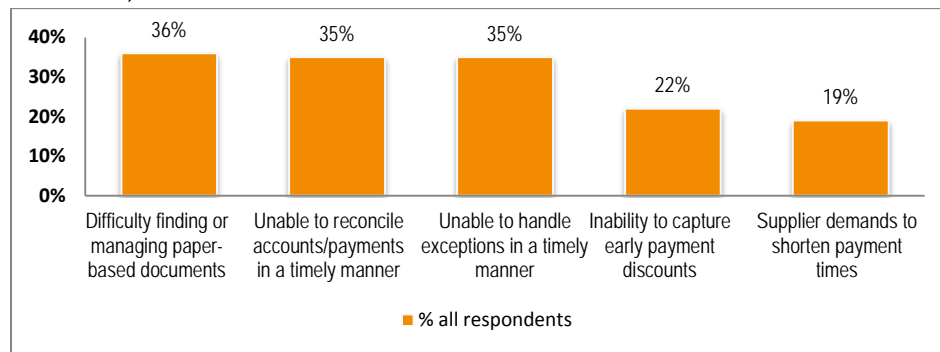
For years now, accounts payable departments have been hampered by a manual payables process that has become increasingly dependent on people and paper. The traditional dilemma faced by AP executives has been to try to gain better visibility and control of key financial data while holding down the line on operational costs. A manual system, bogged down by paper invoices and payments, makes that a daunting challenge.

There is little argument that paper-bound processes are clumsy and hard to track. Keeping an accurate paper trail or even finding key documents become major tasks, slowing down processing and increasing the risk of errors. The inability to reliably reconcile accounts with payments or to quickly handle exceptions can have a negative impact on customer and vendor relations and can affect your ability to accurately project and manage cash outflow. Add to that the cost of labor to accommodate mounting volumes, especially in companies that are growing, adding offices, or doing business internationally. For these businesses, low productivity, high invoice processing costs, lack of in-house international banking expertise, and the added risk of losses due to currency fluctuations or uncaptured early payment discounts are convincing reasons for automating as much of the AP business process as possible.

Key AP Automation Market Drivers

“Difficulty finding or managing paper documents emerges as the leading market pressure”

(Source: Aberdeen Group: *From the Shadows to the Forefront – AP Automation and the Strategic Vision*, October 2013)



THE RISE OF ACCOUNTS PAYABLE AUTOMATION

The move away from a paper-based process to an automated, electronic workflow is being driven by the need to improve accuracy and efficiency, to eliminate paper, and to simplify what is today an intricate and complex process. A fully-integrated approach to AP automation carries added benefits in the form of stronger trading relationships, improved visibility across the lifecycle of transactions, dynamic discounting, and the ability to strategically take advantage of favorable international exchange rates. There are tools in the market today that can deliver these advantages to your AP workflow and help

“AP automation continues to increase across the board.”
Paystream Advisors, Invoice and Workflow Automation (IWA) Benchmark Report, 2013

“The tide is clearly turning against paper-based AP business processes.”
The Institute of Financial Operations, 2013 AP Automation Study

AP departments speed the turnaround time to process invoices and payments, both domestic and international. The benefits of addressing the AP process with automation are clear, as documented by such organizations as the Aberdeen Group, Paystream Advisors, the Institute of Financial Operations, and other industry experts, who have published studies showing significant cost savings and performance improvement in businesses who take the plunge.

However, there are many companies who still view AP as a low value activity not worth the technology investment. In a recent survey conducted by The Institute of Finance and Management (IOM), 75.4 percent of respondents indicated some level of automation in place within their AP departments. Yet only 16.9 percent of respondents reported that they had a fully automated accounts payable solution in place.

To see what your firm might gain by implementing AP automation, these results from a recent (2013) Aberdeen e-Payables survey offer a compelling story of firms who adopt a fully integrated, electronic solution for AP business process automation (“Best in Class” firms) and who have reaped the following advantages over firms with partial or no automated solutions:

	Invoice Processing Time (Days)	Invoice Processing Cost (USD)	Early Payment Discount Capture Rate (%)
Best in Class (Top 20% of aggregate performance scorers)	3.7 days	\$4.00	65.8%
Industry Average (Middle 50% of aggregate performance scorers)	8.8 days	\$9.60	42.7%
Laggards (Bottom 30% of aggregate performance scorers)	65.8%	\$23.30	8.9%

2013 Aberdeen e-Payables: Payment Automation for Operational Excellence Survey

AUTOMATION APPROACHES

There are several ways to implement accounts payable automation that include features like integration with your financial management and/or ERP systems, “touchless” processing direct from your supplier, document recognition and scanning, e-invoicing and workflow. You can select an automation solution from an in-house application software system, or through an outsource partner, or via a software-as-a-service (SaaS) provider. As part of your due diligence, you’ll have to ask yourself some tough questions about which approach makes the best business sense for your company. But whichever approach suits your organization best, substantial benefits can be realized through an end-to-end invoice and AP process solution that integrates multiple steps into a single workflow, then sorts, processes, extracts and stores multiple fields in your firm’s internal data repositories as needed.

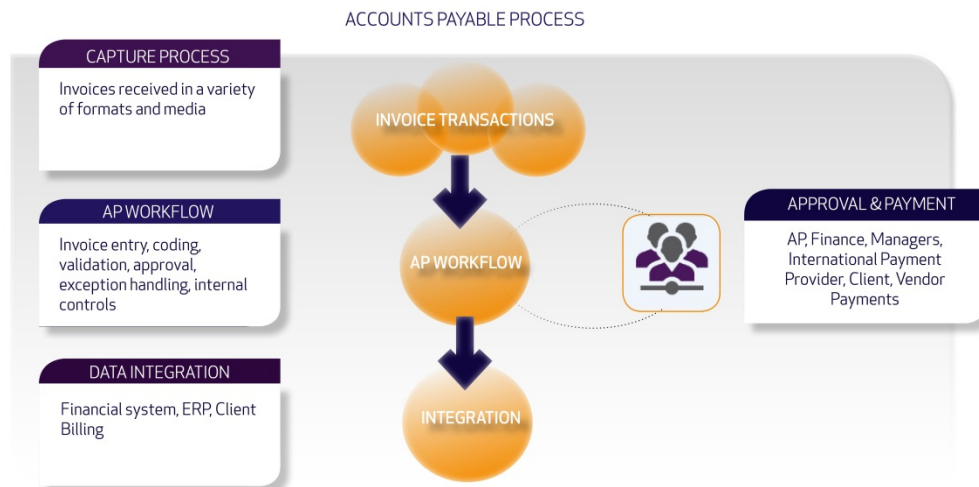
Only 16.9 of responding companies reported having a fully automated AP solution in place.
Institute of Finance and Management (IOM)

Selecting the right approach means asking some core questions:

- ✓ *Do we have the right staff and IT resources or should we consider outsourcing?*
- ✓ *Will we be confident in the security of our financial data?*
- ✓ *What control are we giving up, if any?*
- ✓ *Will we have to customize to accommodate our unique needs?*

THE BASIC SOLUTION

A complete, integrated solution should address the full range of functions across the accounts payable process. These include invoice capture (in all forms of submittal), single point of entry, scanning, data validation, extraction and integration, electronic routing for approvals and other workflow (exception handling and error detection/correction), e-payments, dynamic capture of discounts, and international payment processing.



BENEFITS

AP automation is a good investment. In the Aberdeen Study above, the difference between the Best in Class, at a cost/invoice of \$4 and all others, at a cost/invoice range of \$9.60 to \$23.30 represents available savings of \$56,000 or more to process 10,000 invoices. From this statistic alone, the business case practically builds itself. Other benefits include:

- ✓ Increased visibility to manage priorities, accelerate recognition of liabilities, and focus on positive cash impact
- ✓ Reduced processing and labor costs
- ✓ Better spend management and capture of early payment discounts
- ✓ Capitalizing on most favorable exchange rates for international payments
- ✓ Reduction in duplicates, errors, and time to process
- ✓ Increased operational flexibility
- ✓ Built-in internal controls and compliance with regulations
- ✓ Reducing paper on a large scale basis

A ROAD MAP FOR CHANGE

What does it take to get it done? Here are some tips to develop a strategy to justify the investment, gain approval, and, most importantly, to build in a methodology to measure the impact of the acquisition on cost, performance and turnaround.

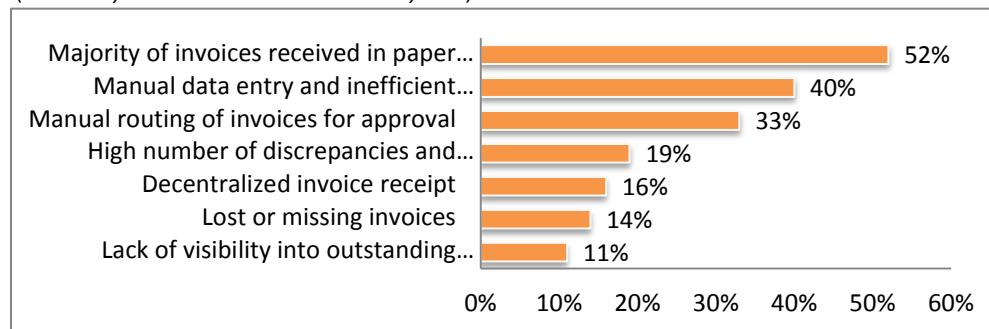
Where are you today?

In order to measure the impact of automation, you need to have a clear understanding of your organization's current situation, its key problem areas, pain points, opportunities, and constraints. To find the pain points in your current process, survey your internal team and vendors for satisfaction levels, suggestions for improvement, and comments and analyze the results. Ask for feedback where performance is inadequate. If practical, capture statistics that can help you determine any reported problems and their severity and/or scope. For organizations doing business internationally, you may also want to take into account factors like the availability of international banking experience within your company, the potential loss caused by the fluctuation of international exchange rates, and the capture rate for prompt payment discounts. Case in point: the 2012 AP Automation Survey by the Institute of Financial Operations revealed that 43.2% of their survey respondents were capturing less than 10% of early payment discounts. Are you in this category?

Some of the other challenges being reported by AP executives are presented in the chart below.

Challenges in the Invoice Management Process

(Source: Paystream Invoice Automation Survey 2013)



Document your business process

Understand your current AP business process, beginning with procurement – how are costs requested and approved? How are they tracked prior to invoice receipt? How do invoices come into your firm – are they delivered to personal mailboxes or individuals? Are they centralized? One of the most common

“Reliance on people and paper are the biggest problems plaguing AP departments.”
Paystream Invoice Automation Survey 2013

problems reported by AP staff are the invoices that languish for days, weeks, or even months on an employee's desk or in a field office while the vendor gets more and more unhappy. What happens to each invoice as it makes its way through the firm for review, approval, and payment? How are exceptions handled (incorrect items on the invoice, taxes calculated wrong, charges differ from what was approved, etc.)

Map the workflow

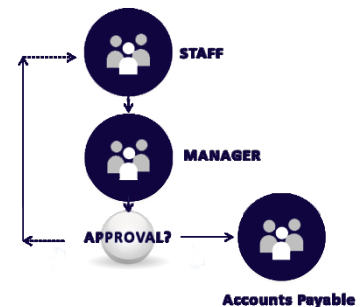
Diagram your procure-to-pay work flow, beginning with the initial need for a service or product, and ending with the vendor's receipt and posting of your payment. Where are the bottlenecks or leaks? What kinds of exceptional circumstances are occurring and how often? For example, what occurs if an invoice is received and the charges differ from the original request/PO? What about when the vendor information isn't in your master file? Is there a different process depending on the type of invoice (e-invoice, paper, email attachment, etc.)? You may have to create multiple flow charts, for different types of invoices or different routing based on characteristics of the invoices. Focus not just on the straight-through transactions but also on approvals, error processing, and exceptions, and include all the decision points and interactions required between AP and other departments or systems. Try to identify on potential improvements, unnecessary actions, or bottlenecks. You may find you can make some adjustments but hold off on big changes until you understand the entire flow.

Profile your vendors and employees

Categorize your vendors, your employees, and their invoice/payment preferences. For vendors, do they invoice electronically, on paper, or in email? Will they accept alternate forms of payment? What is the currency exchange process for international payments? How are you currently guarding against losses related to unfavorable exchange rates? For employees, what are their buying requirements? How do they want to be informed of payment processing activity? What about approvals? Do your managers want to be notified via desktop, tablet or mobile device?

Knowing where you are today will help you position where you would like to be and what is required to get there.

The next steps are all about what it takes to build a compelling business case. A good business case captures and documents the reasoning behind taking on an AP automation project and justifies the company's investment. It presents a well-rounded and clear understanding of the problem, and outlines alternatives, solutions, costs, benefits, strategic alignment, and the process to complete.



Review and Approval

Gain buy-in from peers and critical stakeholders. What is your company's process for selecting and approving an AP solution? Who should participate in the project? Who will approve it? No matter how diligent your analysis is, there will always be obstacles or internal roadblocks to overcome. Organizations have cited several reasons for not going forward with AP automation. Top among them, according to several research studies, are vendor resistance, limited resources, and tightened budgets. You can reduce the influence of these and other obstacles by ensuring that the right people are involved with the project from the start, particularly those who control the corporate purse strings and those who manage the IT infrastructure. With their participation, you can build a strong and solid business case that is not one-dimensional but takes into account the issues your process in its existing state is causing throughout the business and the financial and productivity impact of an automated solution.

Where do you want to be?

Develop a clear vision of the expected outcome. How do you see things after implementing a solution? What is the gold at the end of the rainbow for your firm? What's your destination? If your endgame is to have an efficient, streamlined, paperless Accounts Payable process that is essentially different, and better than the current manual and paper-bound process, then paint that vision as part of your business case. Be as clear as you can about your goals, and identify what needs to be done to transform your AP process.

What's your justification?

Analyze and present the benefits, the ROI, and the justification. How will this project impact invoice processing cost, limit losses on international payments, improve accuracy, and enhance visibility and controls? How will your desired results be achieved by moving forward with the project? What is the payback time, and how quickly will the benefits from this project exceed its costs? Illustrate how your proposed solution aligns with and supports your vision and your company's strategic goals. Be sure you back up your benefits by showing how the desired solution will change the critical metrics you discovered as part of your analysis.

Change management

How will the new technology be implemented and how will data be migrated from the legacy technology. Identify the resources, processes, or necessary services, technology requirements, project milestones, constraints and/or dependencies, and the metrics you will use to measure project performance and monitor deliverables and quality.

Mapping out a plan of action to move to an automated AP/international payments solution starts with a clear understanding of what you already have and what you ultimately want to achieve, then analyzing the benefits and cost effectiveness of automation and how you expect to achieve that. Success will mean increased visibility, enhanced performance, faster processing, and more control in ways not possible in a manual, paper-based process. With that will also come support for the changing role of the AP department, allowing it to grow from administrative cost center to watchdog for policy and regulatory compliance, quality assurance, and analysis.

THE GLOBAL EXCHANGE SOLUTION

In a recent survey, Global Exchange clients expressed how much time they saved on a given day using Global Exchange's automated system as compared to not using Global or utilizing another vendor. Here are some of the average responses:*

How much time do you save on **entry of voucher information/check creation** as compared to your system before using Global?:

40 % said .5 – 3 hours

24% said 4 – 7 hours

18% said 8 – 10 hours

18% said more than 10 hours

How much time do you save on **payment initiation to vendors** as compared to your system before using Global?

59% said .5 – 3 hours

23% said 4 – 7 hours

18% said more than 10 hours

How much time do you save on **record keeping/reporting** as compared to your system before using Global?

59% said .5 – 3 hours

35% said 4 – 7 hours

6% said more than 10 hours

How much time do you save on **communication with vendors** related to bank inquiries before using Global?

58% said .5 – 3 hours

18% said 8 – 10 hours

18% said more than 10 hours

6% said 4 – 7 hours

**Results from the annual Global Exchange Satisfaction Survey completed March, 2014*

"It's not every day you find service organizations willing to truly partner with you. I view GE as an extension of our accounting department. Very happy doing business with Global."

Merchant & Gould PC

"Expectations have been exceeded. Significant productivity improvement for our firm. High degree of accuracy from Global Exchange. Easy to use web portal with access to relevant data. Global Exchange has always been willing to adopt their workflow to our requirements."

Sheppard, Mullin, Richter & Hampton LLP

"The staff at Global Exchange are always helpful, friendly, efficient, and customer-focused. The service offered is very valuable to our firm, as it does save a lot of data entry time. Switching to Global Exchange from our manual process has been one of the best decisions we have ever made!"

Jackson Walker LLP

Global Exchange is a foreign exchange and international payments provider dedicated solely to cost effective business-to-business payment processing. Our customizable solutions include end-to-end international payment processing and outsourcing and management of accounts payable, both domestic and international. Our outsourcing AP services include:

- ✓ Both international and domestic invoices
- ✓ Direct-from-invoice processing, imaging & storage
- ✓ No depository requirements or contracts
- ✓ Easy international payments and settlements
- ✓ Line of credit solutions
- ✓ No multiple banking requirements, contracts, high fees, or minimum deposits

Our Automated Payables Solution (APS) enables your organization to implement an electronic payment strategy, using the combination of a highly secure virtual card and ACH payments, to deliver an outstanding reduction in manual check payment processing.

By leveraging your existing accounts payable system, the APS solution simplifies the payment process by enabling you to transmit a payment file. The system then automatically links vendors within the APS network. Payment is based upon whether the vendor has chosen, via a Global Exchange provided simple Vendor Enablement Program, virtual card payments – these are highly secure, single-use system generated numbers, with dollar limits equal to the approved payment – or ACH payments. The entire process is securely tailored to meet the vendor’s preferences for payment delivery and receipt.

The Automated Payables Solution furthers Global Exchange’s goal to simplify accounts payable via a straightforward six step process. Global Exchange does all of the heavy lifting by simply on-boarding the vendors, and vendors are satisfied as the payments come in the format they request.

To learn more about Global Exchange’s products and AP automation services, contact us at www.gexchange.com.