

Not Your Grandfather's Filing Cabinet:

Four ways document management solutions
optimize accounts payable, accounts receivable
and human resources

An IOFM whitepaper



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Businesses run on information. Today's enterprise systems and processes require:

1. Rich information capture
2. Consistent information workflows and business processes
3. Tracking of information across its lifecycle
4. Seamless integration of information into legacy systems

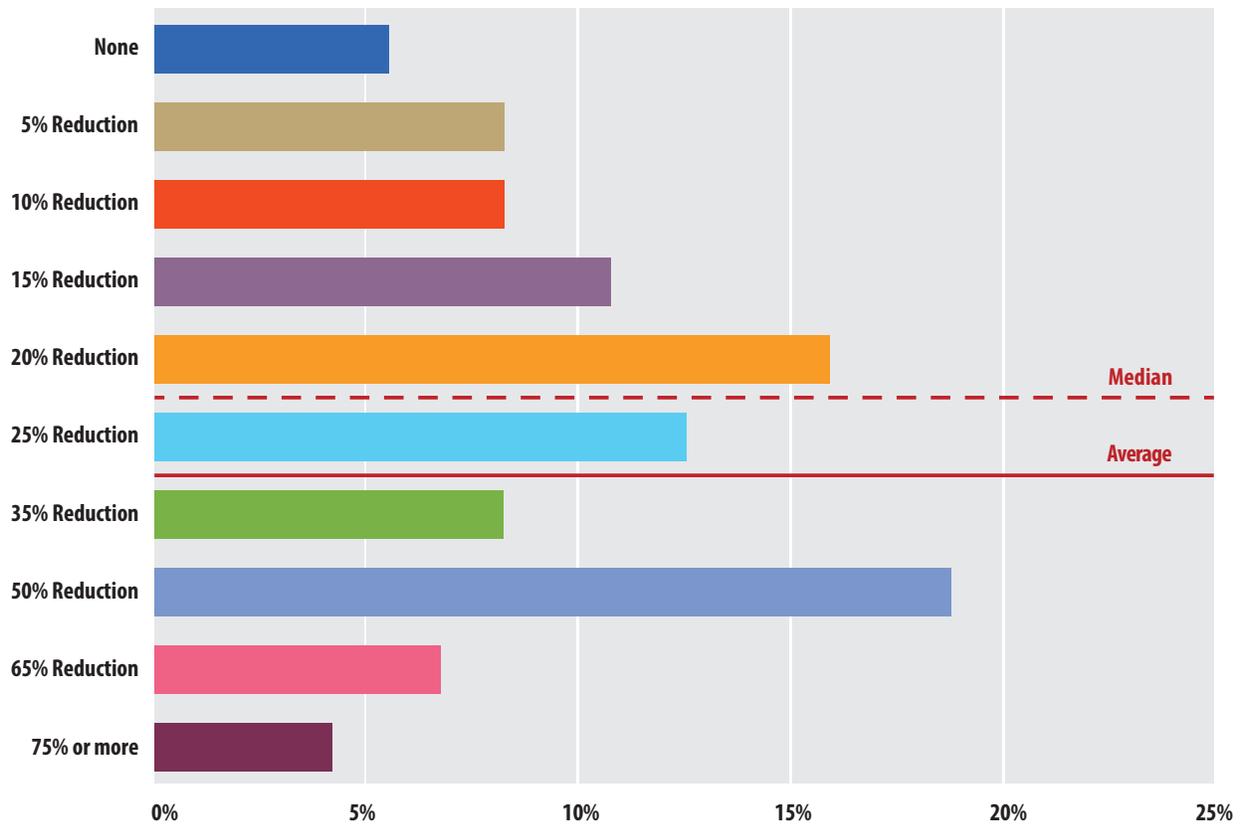
But Aberdeen Group finds that managing information is a major headache for businesses:

- 39 percent of businesses say document-driven processes take too long;
- 29 percent of businesses say document-driven processes cost too much; and
- 29 percent of businesses say their volume of information is growing too quickly.

The root of the problem is the high volume of paper that Corporate America must manage. Forty-nine percent of basic business processes rely on paper documents and/or unstructured digital data, according to research from Aberdeen Group. What's more, 51 percent of business data is stored in these formats.

Overall, 23 percent of organizations have no paper-free processes, according to the Association for Information and Image Management's (AIIM's) "Winning the Paper Wars" report. Surprisingly, 29 percent of mid-sized companies are completely paper-based, and 13 percent of companies with more than 5,000 employees have no paper-free processes.

By how much would you say you have reduced your processing costs per invoice by adopting a scanning/capture/workflow AP solution?



Paper is especially pervasive in accounts payable (AP), accounts receivable (AR) and human resources (HR).

Fifty percent of organizations have not deployed any automated accounts payable systems, according to AIIM's 2014 report, "Automating AP/AR Financial Processes." And it's not just small businesses that are relying on paper-based invoice processes. The research found that one-third of organizations that receive more than 25,000 invoices per month are still using paper-based processes.

Similarly, half of all businesses rely on paper-based accounts receivables processes.

In the meantime, 65 percent of businesses have implemented capture-enabled or paper-free processes for human resources processes such as expenses, timesheets and employee onboarding, AIIM reports. But human resources departments are still overrun by paper resumes, government forms and more.

All of this paper creates costs and inefficiencies for AP, AR and HR departments. Document management solutions address these issues to deliver immediate return on investment, while laying a solid foundation for ongoing incremental benefits.

This whitepaper describes the key functions of a document management solution, the benefits of the technology and how one company has successfully deployed a document management solution. This is the first of a series of three whitepapers on document management for financial operations professionals.

Blame the File Cabinets

From the point they are created until the time they are destroyed, paper documents create a wide range of problems for accounts payable, accounts receivable and human resources departments:

- **High costs:** Manual paper processing requires lots of data entry; handling and routing; exceptions resolution; calls and e-mails from internal and external stakeholders; document filing and retrieval; and searching for lost documents. What's more, approximately 40 percent of businesses surveyed for AIIIM said the on-site (file cabinets!) and off-site costs associated with storing paper documents is a big issue with paper-based processes. In fact, the average proportion of office space taken up by paper is now 15.3 percent, but it would drop to 7.4 percent with an all-electronic filing policy, a savings of nearly 8 percent in overall office costs. Not surprisingly, 44 percent of businesses have set a goal of lowering invoice processing costs, reports Aberdeen Group.
- **Revenue leakage:** Twenty percent of businesses surveyed by AIIIM estimate that they lose 3 percent of their invoiced income due to short-payments, late-payments, out-of-time discount claims, contract disputes and unrecoverable debts. The culprit is paper-based processes that extend cycle times beyond the window for early-payment discounts, or worse, beyond a contracted due date, and make it onerous to track and resolve unauthorized deductions.
- **Processing delays:** Business agility is an important metric these days. But nearly half of all businesses surveyed for the "Winning the Paper Wars" report cite time spent keying data and searching for documents as the top issues caused by paper-based processes. According to a Prism International study, an average of 2-7 percent of documents are misfiled, resulting in handling costs of \$120 per document. Executives and their staff spend 150 hours per year looking for these misplaced documents. At an average of six square feet per file cabinet, the floor space required to accommodate paper storage represents another "invisible" and ongoing cost to the organization. Moreover, approximately 40 percent of businesses said the inability to monitor workflow progress is the biggest issue caused by paper processes. The inability of staff to work remotely and delays introduced by the postal service, couriers or the mailroom were other issues businesses identified with paper processes.
- **Poor visibility into financial information:** Paper is a barrier to gaining visibility into business data: key information is not captured, data is poorly organized, information is not timely, systems are not well-integrated and decision-makers do not have access to critical variables. What's more, in today's dispersed organization, the distance to a file cabinet or worse, a colleague's desk, can be long and disruptive. In a paper-based environment, managers often assume work is being processed, or guess at its status. It is for these reasons that 65 percent of businesses report that key documents are not easily found or linked to the accounts payables system or workflow, AIIIM reports. A lack of financial visibility also undermines accounts receivables processes. Sixty-six percent of businesses state that they struggle to find receivables documentation such as original purchase orders, customer correspondence, contracts and supporting documents (e.g. bills of lading). Nearly 40 percent of businesses say lost files are the biggest issue caused by paper processes.
- **Time-consuming audit and litigation processes:** Nearly 30 percent of businesses cite compliance and audit issues as the top challenge caused by paper-based processes, according to

AIIM. Mis-keyed information and lost or misplaced documents also open the door to compliance violations with the potential for significant fines or penalties and reputational damage.

- **Lack of analytics:** The McKinsey Global Institute estimates that data volume is growing 40 percent annually, and will grow 44 times between 2009 and 2020. Not coincidentally, "Big Data" is generating more attention. Businesses are eager to use the insights provided by "Big Data" solutions to drive decision-making. One of the targets is enterprise transactional data, such as information from a customer relationship management (CRM), enterprise resource planning (ERP) or general ledger (GL) system. But to derive real value from "Big Data," businesses need better tools to capture and organize a wide variety of information types from different sources, and to be able to easily analyze it within the context of all their enterprise data. Manual paper processes make it nearly impossible for businesses to tap into their "Big Data."

These challenges not only impact the day-to-day operations of an AP, AR or HR department, they also impact a company's profitability and agility.

The "Paperless" Solution

Facing unrelenting pressure to improve operational efficiency, speed decision-making and enhance customer service, companies of all sizes are searching for ways to streamline their document-driven business processes. They are discovering a solution in document management technology.

Document management solutions combine four key capabilities that improve upon filing cabinets and other traditional paper document management processes:

1. **Fully automated document capture:** Harvey Spencer Associates estimates that businesses spend up to \$30 billion annually capturing information. Document management solutions automate the capture of paper and electronic documents from any channel. Information from electronic documents, such as invoices or orders, is automatically captured, bypassing the scanning process. For documents that are received in paper format, document recognition technology, such as full-text optical character recognition (OCR), eliminates manual data entry.
2. **Intelligent workflow:** Document management solutions automatically route documents for review and approval based on defined business rules. Workflows can be easily adjusted depending on the priority of a particular document, staff workloads and time-in-queue.
3. **End-to-end monitoring:** Document management solutions enable users to monitor processes end-to-end, in real-time, eliminating the reporting "blackouts" that are common in a paper-based environment. Web portals also allow authorized internal and external stakeholders to view documents and status updates online, reducing inbound inquiries to front-line staff.
4. **Integration with legacy systems:** Document management solutions can fully integrate with legacy systems such as CRM, ERP or GL solutions, eliminating the need for staff to learn a new system. Integrating a document management system with a CRM, ERP or GL system also provides consolidated access to all financial documents—indexed, cross-referenced and organized by transaction "folder"—according to a company's standard business processes.

In an accounts payable environment, a document management solution automatically captures data from invoices and other payables documents that arrive in any paper or electronic format. The technology can capture header and line-item information, depending on pre-defined business rules, and automatically send an electronic acknowledgement to the vendor that submitted the invoice. The document management solution then matches and links all documents related to a specific transaction—from purchase order to invoice—and electronically appends a general ledger code to the documents for posting to an ERP system such as Microsoft Dynamics. Documents that require approvals are routed to the appropriate staff. Managers can see the status of each document in real-time, to identify bottlenecks and other issues.

Document management solutions provide accounts receivable departments with enhanced processing, tracking, control and reporting for documents such as purchase orders, bills of lading, payments and remittances. A web portal can allow invoices and other documents to electronically flow between a business and its customers, while facilitating real-time status updates, online document review and streamlined dispute resolution. E-mail capture automatically monitors a designated inbox to identify, electronically process and index any orders submitted via e-mail.

Full-text print capture technology streamlines the handling of proof-of-delivery documents. With this approach, every word, number or phrase on a proof-of-delivery document is electronically captured, prior to the document being printed. The document is automatically indexed based on all captured fields. Signed proof-of-delivery documents are scanned and electronically associated with the indexed original document based on a unique data field, such as an order number. Users then can find the original and signed proof-of-delivery documents using any information in the document.

Document management solutions also provide benefits for human resources, where resumes, job applications, benefits forms, government documents, employee reviews and payroll stubs have traditionally been mired in paper. Document management solutions automate the workflow required to validate resumes or review the electronic or paper-based forms completed by job applicants. The technology also automates the indexing and storage of employee documents such as performance reviews. Additionally, payroll stubs, 401K documents and other documents can be electronically captured by a document management solution and distributed securely via e-mail to the appropriate employees.

The Benefits

Document management solutions eliminate the challenges associated with paper-based accounts payable, accounts receivable and human resources processes to deliver a range of benefits:

- **Reduced costs:** Document management solutions deliver savings through the elimination of sorting, keying, routing, delivering, storing and retrieving paper documents. Document management solutions automatically classify and identify documents and capture data from any electronic and paper-based documents to eliminate repetitive processes and make information available to downstream users and systems more quickly. AIIM finds that 38 percent of businesses with automated payables systems process at least 50 percent of their accounts payable transactions straight-through, without operator intervention. AIIM also reports that organizations that automate accounts payable reduce their invoice processing costs an average of 29 percent. In fact, 29 percent of businesses reduced their invoice-processing costs in half as a result of automating accounts payable. The American Institute of Certified Public Accountants reports that the average billion-dollar company annually processes 12,500 invoices per accounts payable employee at a cost of \$3.55 per invoice, totaling \$44,375. In contrast, best-in-class finance and

accounting departments (which typically have higher levels of automation) process invoices at a cost of only \$0.35 each, for a total cost of only \$4,375. The difference between good and great is a 98 percent cost reduction that amounts to \$40,000 in savings per accounts payable employee.

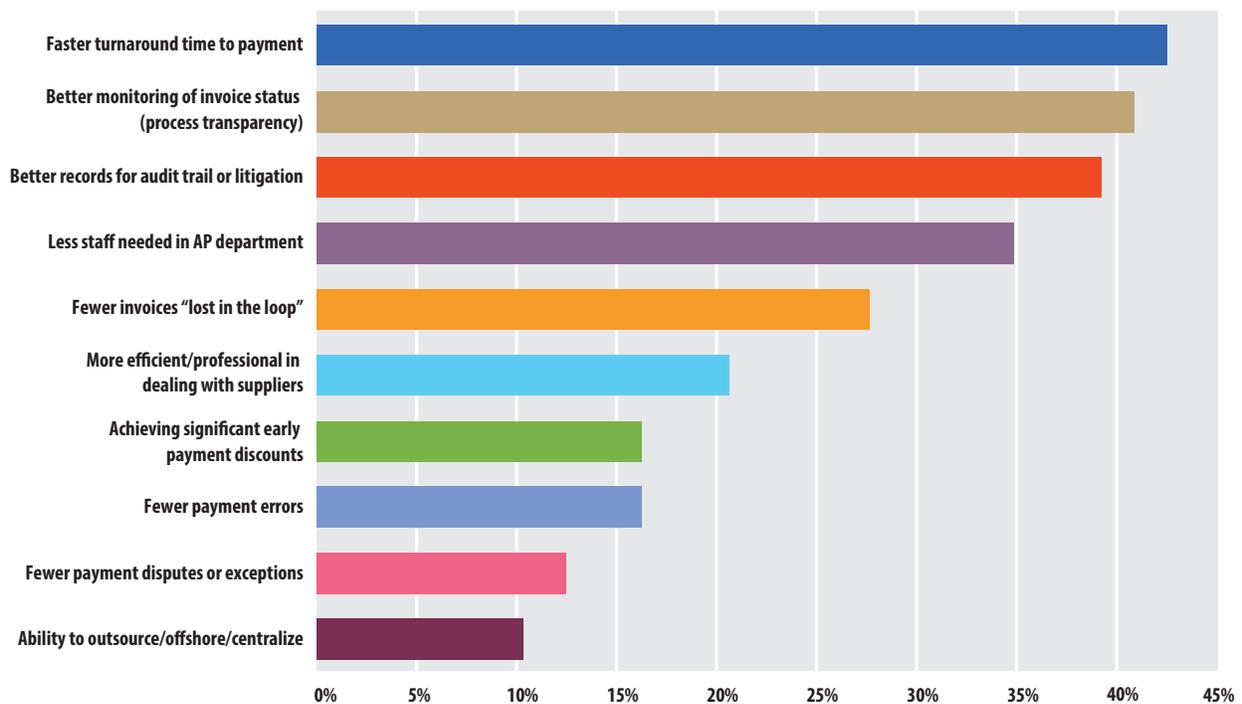
- **Less revenue leakage:** Document management solutions eliminate the friction in document-driven business processes that chip away at revenues. For instance, Aberdeen Group reports that it takes businesses with workflow systems 4.4 days to process an invoice compared to 14.4 days for average companies and 34.4 days for bottom-tier companies. Faster cycle times enable businesses to capture more early pay discounts, eliminate late payment fees and optimize working capital management. Document management solutions also enable businesses to schedule the optimum payment date, rather than paying invoices too early. In AR, document management solutions help businesses quickly identify short payments or unauthorized deductions so billers can take the appropriate action.
- **Streamlined workflows:** Nearly 50 percent of businesses surveyed by AIIIM cite “improved customer response times” as the biggest benefit of paper-free processes. Paper-free processes can improve customer response times by a factor greater than four times. Research has also shown productivity gains of as much as 82 percent in companies that automate their ERP solution, such as Microsoft Dynamics, with a document management and workflow solution (Paperless ERP). Whether for invoice approval or dispute resolution, document management solutions keep AP processes organized and consistent, ensure necessary steps are completed and provide tracking to reduce delays and lost, misplaced or stolen invoices. For instance, automating invoice processing reduces average payment cycle times from 23 days to five days, reports Ardent Partners. Faster payment cycles results in fewer late-payment penalties, more opportunities to capture early-payment discounts and the ability to negotiate dynamic discounts with suppliers. Similarly, businesses cite “reduced time spent on collection” as the second-biggest benefit of automating accounts receivables processing, according to AIIIM research.
- **Improved visibility:** Document management solutions provide users with full visibility to all related documents. The technology can alert users when documents are overdue, nearing a deadline or stuck in someone’s workflow queue. The enhanced visibility of a document management system accelerates cycle times and provides users with greater control over their document-driven business processes, the ability to quickly identify bottlenecks and adjust workflows and enhanced tracking and reporting. One-quarter of businesses surveyed for the “Winning the Paper Wars” report indicated “visibility and access by non-processing staff” as the biggest benefit of paper-free processes. Seventy-eight percent of organizations surveyed for Aberdeen Group’s “Beyond Payables” report said their goal was to improve visibility into cash flow and cash management. Similarly, businesses cite “better records management” as the top benefit of automating accounts receivables processing, AIIIM finds.
- **Streamlined audits and compliance:** Most businesses note “better records for audit trail or compliance” as the biggest benefit of paper-free projects, according to AIIIM. In AP, 38 percent of businesses claimed “better records for audit or litigation” as the top benefit of paper-free processes. The workflow routing in a document management solution helps ensure compliance with a range of regulatory requirements such as Sarbanes-Oxley and the Health Insurance Portability and Accountability Act. Document management solutions create an electronic audit trail for each transaction, and track each time a document has been changed, and by whom.

A document management solution also enables users to instantly retrieve documents requested by auditors, eliminating the need to search file cabinets.

- Enhanced analytics:** Today's typical business environment involves a large number of internal and external stakeholders, systems, transactions, documents and data. Paper processes make it difficult for AP, AR and HR departments to access, monitor, track and take action on this information in a timely manner. It is no wonder that 35 percent of organizations surveyed for Aberdeen Group's "Beyond Payables" report want to develop effective measures to gain visibility into performance. Document management solutions capture the information required for "Big Data" initiatives, flag processing bottlenecks, identify areas for improvement and provide the comprehensive information required for operations executives to adjust staff and rebalance workloads.

Each of these benefits are compelling to accounts payable, accounts receivable and human resources executives who are overwhelmed by paper processes. Together, they solve the top challenges faced by line-of-business owners, and create a powerful platform for immediate and incremental benefits over time.

What have been the three biggest benefits from your AP automation system?



Case Study

Genoa Healthcare is one business that is benefiting from document management technology.

Twelve-year-old Genoa Healthcare is the largest behavioral health pharmacy provider in the United States, with more than 125 full-service, on-site pharmacies in 31 states and the District of Columbia. Before automating, Genoa Healthcare was like many businesses: it had a small payables staff (in Genoa Healthcare's case, a single employee) using manual and undocumented processes. What's more, printing, scanning,

e-mailing and filing invoices decreased the department's efficiency and made it difficult to track the status of invoices. Anticipating a merger with QoL meds, another pharmacy chain, Genoa Healthcare recognized that its manual processes would not scale.

Genoa Healthcare addressed these challenges by deploying a document management platform.

Today, Genoa Healthcare uses its document management system's automated approval process to enforce approval rules, reduce the number of times that each invoice is handled and eliminate the mistakes that are common in a manual environment. The system escalates approvals if an invoice is not acted upon right away. Additionally, the company no longer needs to print and file invoices.

The document management solution also provides managers in geographically dispersed sites with greater visibility into pending and approved invoices for their location, as well as the ability to search invoices. Additionally, the document management system is integrated with Genoa Healthcare's Microsoft Dynamics GP system, providing access to invoices from within the GL system.

Deploying a document management solution has provided Genoa Healthcare a range of benefits:

- **100 percent automation:** Genoa Healthcare's accounts payable department is now completely paperless—exceeding its original goal of automating 50 percent of its invoices. QoL meds also went paperless in accounts payable after completing its merger with Genoa Healthcare.
- **Improved financial visibility:** Using indexing and fields, the document management system enabled Genoa Healthcare to set up unique viewing rights for its general managers, regional managers, corporate officials and other staff in geographically dispersed locations.
- **Increased efficiency:** Genoa Healthcare's document management system automatically adjusts its workflow to route invoices to the previous approver for a pharmacy location.

The automated system also has made it easier for Genoa Healthcare to train new payables staff.

The Bottom Line

Document management solutions address the challenges of paper-based business processes, especially in accounts payable, accounts receivable and human resources applications.

Importantly, the technology delivers a compelling return on investment.

More than 60 percent of all businesses surveyed by AIIM either met or exceeded return on investment on their document automation investments. In fact, 39 percent of businesses reported payback on their document automation investments in 12 months or less.

Additionally, half of the businesses that automated accounts payable achieved payback in nine months or less, according to AIIM's research. Twenty-two percent of organizations achieved payback on their automated accounts payable solution in just six months, and an eye-popping 80 percent of organizations received payback on their accounts payable automation solutions in 18 months or less.

Similarly, 41 percent of users of automated accounts receivables systems report payback in nine months, while 82 percent of organizations received payback in 18 months or less, according to AIIM.

Document management technology also makes businesses more competitive.

For instance, compared to average companies, best-in-class organizations—which have high levels of automation—report more than four times the rate of visibility into overall organizational cash flow on a day-to-day basis, and a 13-day improvement in Days Payable Outstanding, Aberdeen Group finds.

Additionally, document management solutions enable businesses to speed corporate agility, stop revenue leakage, enhance responsiveness to stakeholder inquiries and make better use of “Big Data.”

In conclusion, the information capture, intelligent workflow, end-to-end monitoring, legacy system integration and many other benefits make document management a big step up from your grandfather's cold metal filing cabinets.

About Metafile

Founded in 1979 and headquartered in Rochester, Minn., Metafile is an established, independent and efficient provider of paperless document management software applications supporting accounts payable, accounts receivable and human resources departments in middle-market and large businesses nationwide. More than 3,500 organizations have translated Metafile's content management solutions into enterprise-wide value and a competitive advantage. MetaViewer is Metafile's flagship paperless document management solution, offering paper and electronic invoice capture, web-based workflow, two and three-way matching, real-time graphical visibility and full ERP integration. Today, more than 15,000 financial professionals worldwide are efficiently processing more than 15 million paperless transactions per week with the MetaViewer solution. For more information visit www.metaviewer.com.

About The Accounts Payable Network

With a network of more than 50,000 AP process owners in the U.S. and around the world, and a host of membership benefits, The Accounts Payable Network (TAPN) is the world's largest AP-focused organization. TAPN's deep, comprehensive resources for executives and managers who oversee accounts payable give you point-and-click access to exclusive accounts payable knowledge base help. Focus areas include best practices for every AP function; AP metrics and benchmarking data; tax and regulatory compliance; solutions to real world problems; AP automation case studies; member Q&A networking forums, calculators, and more than 300 downloadable, customizable AP policies, flowcharts, templates and internal control checklists. To learn more, visit www.tapn.com.