



IWA

Imaging & Workflow Automation

A White Paper on ReadSoft's IWA Solution

Featuring Insights on...

Introduction to IWA

PayStream Survey Says

IWA Universe

Flavors of IWA

Invoice Handling
Best Practices

ReadSoft Profile

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Introduction

Doing more with less has become the mantra of the day. In the current recessionary economic environment, organizations are constantly being challenged get more done with fewer resources. Accounts Payable (AP) is no exception. AP departments now have to process more invoices and pay them faster, all with a smaller staff. The biggest stumbling block to accomplishing this has been our continued reliance on paper-based invoices and people-based processes. We have put men on the moon and we might even colonize Mars some day, but removing paper from the finance department appears to be out of reach in the near future. Until corporate America goes completely paperless, we need a better way to manage the tons of paper that we receive every day.

Report Highlights

Why are organizations interested in IWA solutions?

What did PayStream surveys around AP automation reveal?

What functionality is available as part of IWA solutions?

What best practices are companies using to complement technology initiatives?

How can the ReadSoft IWA solution help you streamline your invoice receipt-to-pay process?

How can your organization go about selecting the solution that best fits your needs?

Imaging & Workflow Automation

A significant shift is beginning to shake traditional AP operations, starting with the search for automation options that help them address the hassles inherent to people and paper-based activities. Our research indicates that Imaging & Workflow Automation (IWA) solutions that streamline the invoice receipt-to-pay cycle have matured and become mainstream technology. While the adoption of IWA solutions has mainly been limited to Fortune 1000 companies, we are seeing this trend trickle down to small and medium sized businesses owing to the following reasons:

- The evolution of hosted and Software-as-a-Service (SaaS) models has significantly lowered the up-front cost of implementing AP automation solutions and reduced the hassle of maintaining them;
- The convergence of electronic invoicing and front-end invoice imaging presents organizations with a single, comprehensive solution that can manage both paper and electronic invoices through a common process; and
- Value-added services delivered by AP automation solution providers around supplier recruitment have allowed buyer organizations to include suppliers in their automation initiatives and change supplier behavior more efficiently.

Given this interest in IWA solutions, PayStream Advisors has developed this report titled ***“Imaging & Workflow Automation (IWA): A White Paper on ReadSoft’s IWA Solution”*** for accounts payable managers, controllers, treasurers, and finance managers who are interested in exploring IWA solutions.

PayStream Research Library

For more information on AP automation, go to our corporate research library at www.paystreamadvisors.com, where you will find a number of reports, including:

- Electronic Invoice Management: Your Passport to Paperfree AP;
- Healthcare ePayables: A Buyer’s Guide to Paperless AP in the Healthcare Industry;
- Tax Compliance Automation: Cost Effective Technology and Managed Services Drive Accuracy; and
- Dynamic Payables Discounting and Supply Chain Finance: A Buyer’s Guide to Working Capital Solutions.

PayStream Advisors Survey Says!

PayStream Advisors conducted its "IWA Adoption Survey" in the last two quarters of 2008 to highlight the overall trends that are shaping the rapidly evolving AP automation space. Participants to the survey included more than 300 professionals in the accounts payable, procurement and treasury departments. Download a complimentary copy of the report at www.paystreamadvisors.com.

Feeling the Pain in AP

We asked respondents to rate the pain caused by certain AP processes on a scale of one to five, where five was the highest pain. Manual data entry, matching errors and exceptions, and routing invoices for approval all emerged as high pain points, each scoring more than three on our scale.

This is very similar to the responses from earlier surveys conducted by PayStream, indicating that there is tremendous potential for improvement by automating the front-end of the AP process - namely invoice receipt, matching and approval workflow.

Figure 1
PAIN POINTS IN AP OPERATIONS

The front-end of the invoice receipt-to-pay cycle causes the most pain for AP operations.

We asked respondents to rate the pain associated with each of the following activities on a scale of 1 to 5, where 5 is the highest. Results are a weighted average of all responses.



Automation Goals

The survey gleaned insight into companies' financial automation goals for 2009. The results revealed that getting rid of paper from the AP department - whether it is through front-end imaging or electronic invoicing - is a key component of organizations' automation strategy for this year. Percentages in Figure 2 do not add up to 100 percent as companies could select more than one option.

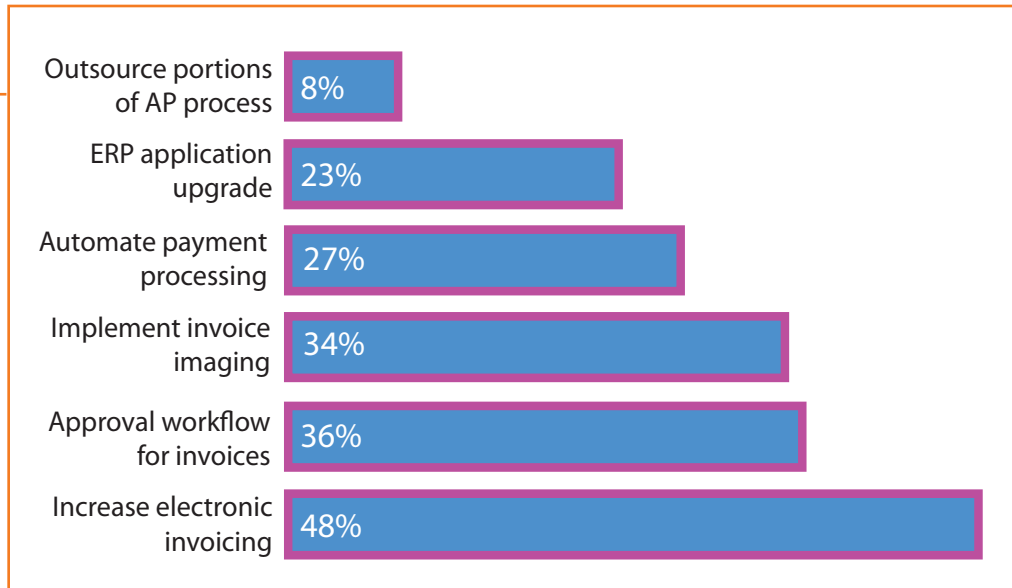
The following emerged as the top goals:

- Implementing or increasing electronic invoicing emerged as the most popular option with a majority (48 percent) of companies stating that this was the top priority on their 2009 automation plan.

- Invoice imaging and automated workflow were the followers with 34 percent and 36 percent of votes respectively.
- Automated payment processing and ERP application upgrade were chosen by 27 percent and 23 percent of companies respectively.
- Outsourcing portions of the AP process was not a popular option, appealing to only eight percent of all respondents.

Figure 2
TOP FINANCIAL AUTOMATION GOALS FOR 2009

Improving efficiency of invoice processing through e-invoicing, imaging and workflow emerged as the top goals.



Time Frame for Implementation

Almost half the companies (45 percent) have already started implementation of their top AP automation initiative. On the other end of the spectrum, almost a quarter of the respondents (21 percent) have a time frame for implementation that is greater than 12 months. The remainder of the companies are in between, with implementation schedules ranging from one month to one year.

Figure 3
TIME FRAME FOR IMPLEMENTATION OF AUTOMATION INITIATIVE

A lot of companies have already started implementing their top automation initiative.



What is Imaging & Workflow Automation?

IWA solutions compress the invoice receipt-to-pay cycle by enabling organizations to convert paper invoices into digital images, store them in a Web-based repository for rapid retrieval, and extract data from them to enhance approval processing. IWA solutions may provide document and data capture, workflow, or both, in order to create an end-to-end imaging and workflow solution that integrates with enterprise and line-of-business applications.

Components of the IWA Universe

The IWA universe can be defined as follows:

Invoice Receipt

This is the hands on process that is necessary to prepare paper invoices for scanning and electronic access. Steps may include sorting invoices into different batches (by cost center, business unit, vendor type, etc.), removing invoices from envelopes, removing staples, and making photocopies of smaller items, if required. Sometimes blank separator pages need to be inserted between invoices and their attachments. AP operators in the mailroom typically carry out this step.

Document and Data Capture

This is the process of converting paper invoices and other transaction related documents (e.g., proofs of receipt) into digital images and index data. Document scanning and data extraction could be centralized or remote based on the organization's needs. Specific steps include scanning, image enhancement, indexing, validation, and data extraction based on bar codes, optical character recognition (OCR), or intelligent character recognition (ICR), most of which are handled automatically by the solution being used. In some cases manual data entry or review of extracted data is required.

Figure 4
IWA UNIVERSE

IWA solutions improve the invoice receipt-to-payment cycle by streamlining how organizations receive and approve invoices and make payments.



Benefits of IWA

Reduce processing costs;

Increase efficiency and productivity;

Compress invoice receipt-to-pay cycle;

Reduce errors and accelerate discrepancy resolution;

Increase early payment discount capture;

Strengthen vendor relations;

Improve cashflow forecasting abilities;

Improve visibility and control;

Lower storage and retrieval costs;

Improve ability to audit invoices and spend; and

Enhance ability to comply with regulatory requirements.

Vendor Portal

Most IWA solutions come bundled with a vendor portal, which suppliers can use to submit invoices electronically. Suppliers have the option of selecting the method that best suits them from a range of electronic submission options; enter data manually in the portal, perform purchase order flips (convert a PO into an invoice), or browse and add documents from accounting systems. The vendor portals are also configured with validation checks and buyer defined tolerance levels to check invoices for missing information and exceptions. Suppliers are immediately notified about invoices that fail the validation criteria and are asked to correct the exceptions before the invoice is forwarded to the AP department.

Content Management

This refers to the delivery, storage, management, and disposition of electronic documents and index data. Some IWA solutions come bundled with a central repository that can store invoice images and data while others rely on third party content management solutions for this purpose. The content management system integrates closely with clients' existing ERP or back-end accounting systems to enable seamless retrieval of documents from within the client system to users with the appropriate access rights.

Workflow Management

The value of an IWA solution lies in its ability to route invoices for review and approval. Workflow management capabilities handle the electronic approval of non-purchase order based invoices as well as the resolution of any exceptions related to PO based invoices. Most solutions allow the creation and maintenance of workflows through a menu-driven, easy to use interface, which can be managed by business administrators, without the involvement of the IT department. Tasks and pending invoices can be routed to various individuals within the organization according to predefined business rules. Common features include automatic notifications to users when specific actions are required, reminder messages, and escalation procedures based on approval hierarchies.

Reporting and Analysis

Analyzing key invoice receipt-to-pay metrics and the ability to monitor individual users' actions for quality control and load balancing is a key part of implementing an IWA solution. Typical reporting and analysis tools include the generation of standard and ad hoc reports detailing invoices pending approval, past due invoices, and average invoice processing time. Some solutions offer robust reporting capabilities bundled with the IWA solution, while others only allow for download of transactional data to third-party reporting tools.

Different Flavors of IWA

All IWA solutions share the goal of improving organizations' management of their invoice receipt-to-pay processes. However, not every solution follows the same approach or provides similar functionality at each step of the process. Therefore, accounts payable professionals should understand the major forms that IWA can assume.

Back-End Document Capture and Archival

The simplest use of IWA is for back-end imaging and archival. Operators batch and scan paper documents at the end of the invoice receipt-to-pay process. AP staff then indexes the invoices manually by using a split screen view to key information from invoice images into electronic forms. Once indexing is complete, the document images are stored in an electronic repository for retrieval based on the searchable fields created.

Historically, AP departments have used IWA solutions in this manner to eliminate physical storage requirements, facilitate document retrieval for discrepancy resolution and audits, and improve responsiveness to supplier inquiries. Since scanning and indexing occur after approval processing, the invoice receipt-to-pay cycle continues to follow its current manual, paper-intensive course.

Front-End Document and Data Capture

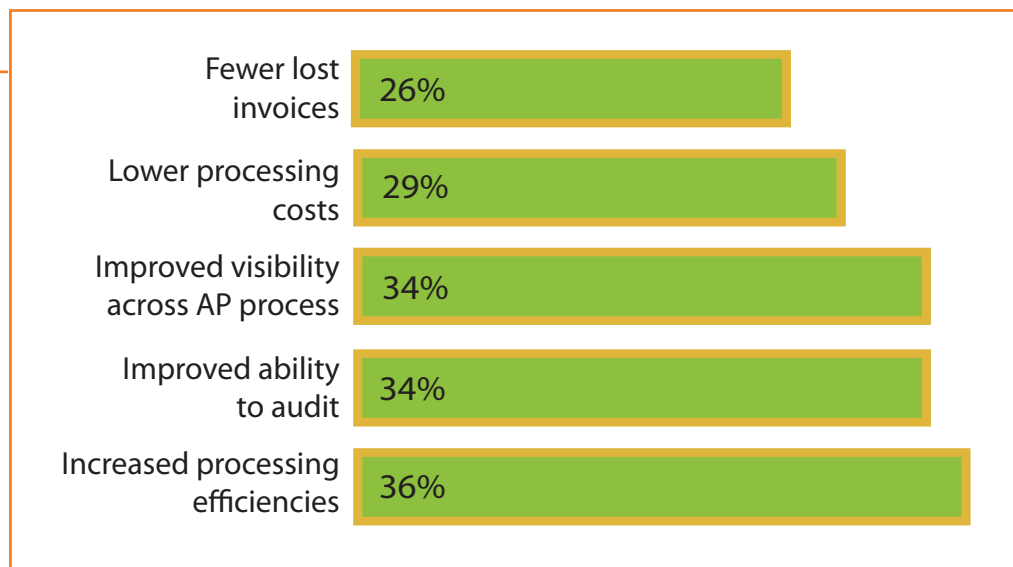
Going one step further, AP departments can deploy an IWA solution at the front end of the invoice receipt-to-pay cycle. In this scenario, paper invoices are scanned remotely or at a central processing facility upon receipt.

Once invoices have been scanned and images enhanced to optimize recognition, data is extracted from the documents using image recognition technologies like OCR and ICR. Front-end document and data capture represents a quantum leap over back-end imaging because it sets up genuine improvements to the invoice receipt-to-pay cycle.

Figure 5

BENEFITS OF FRONT-END INVOICE IMAGING

The IWA Adoption Survey revealed that front-end imaging delivers increased processing efficiencies at more than a third of companies.



Front-End Imaging with Workflow

In their most advanced form, IWA solutions combine front-end imaging, automated data capture and workflow capabilities to streamline the entire invoice receipt-to-pay cycle.

Workflow solutions allow administrators to define business rules that will determine how different types of invoices are routed for review and approval.

Approvers are typically notified via email about pending invoices, with embedded links within the email which take them to the appropriate invoices.

Validation rules ensure that the data extracted is valid and accurate by directing the solution to compare specific fields against the information held in the appropriate back-end system (e.g. purchase order numbers against the purchasing system). The final step is for an AP staff member to examine and validate the recognition results.

Many solutions display the invoice image and the data that the OCR engine has extracted side-by-side on a computer screen. If there is a failed validation or low confidence character recognition, then that field is highlighted for acceptance or correction by the staff member. When this is complete, the information is uploaded to the ERP or accounting system.

When used for front-end document and data capture, IWA solutions provide greater benefits than back-end imaging. Scanning invoices at their point of receipt – either in the field or at a central location – removes paper from the process and ensures that critical transaction-related documents are committed to secure storage immediately. Performing document and data capture at the beginning of the invoice receipt-to-pay cycle also minimizes the time required to enter invoices into queues for processing and payment.

Front-End Document and Data Capture with Workflow

In their most advanced form, IWA solutions combine front-end document and data capture with workflow capabilities to streamline and automate invoice receipt and approval processing. Workflow solutions enable AP departments to define how different types of invoices are processed. Simple invoices, such as utility bills, can be matched against the contract price, approved, and posted to the accounting system for payment automatically. Purchase order invoices can be matched against the purchase order and receipt documents and routed to the person or people who must approve them. All tasks are routed based on pre-defined business rules, and user roles and access rights can be set to match the organization's existing approval hierarchy.

Approvers are typically notified via email when invoices require their review and approval. Users click on the hyperlink contained in the email messages and log onto the system to view, code, and approve the invoices online. In the event that an approver does not act within a specified period of time, reminder notifications can be sent or the task can escalate to the next person in the approval chain. Similarly, most workflow solutions provide options to automatically forward tasks to backups when primary approvers are out sick or on vacation. Multiple approvers can be designated for invoices that exceed certain dollar thresholds or must be coded to multiple accounts.

Workflow-enabled IWA solutions automate more of the invoice receipt-to-pay cycle than standalone document and data capture solutions. They also deliver auditing, reporting, and management benefits that document and data capture solutions alone cannot provide. Workflow solutions track every action taken by every user on every invoice, providing a complete audit trail for every user and transaction. Users can respond quickly and effectively to supplier inquiries, while supervisors gain the ability to track the status of individual invoices, view the work of individual approvers, or monitor the entire approval process.

Invoice Handling Best Practices

During the late 1990s and early 2000s, owing to the astronomical growth of the Web to conduct business and the maturation of Internet technologies, almost every organization had “automation” on its corporate agenda, and invoice management appeared to be a good place to start. A plethora of automation solutions - imaging, e-invoicing, electronic payments - cropped up in the marketplace and organizations were rushing to implement these in hopes of achieving tremendous cost savings, enhanced spend management capabilities and improved supplier relations.

Unfortunately, not every adopter of AP automation saw the anticipated benefits materialize. However, organizations have learned a big lesson through the process. Technology is not the be-all-and-end-all of an automation initiative; it is just an enabler. The key to successful AP automation lies in the redesign of invoice and payment management processes and a strong strategy to leverage the available technology to meet each organization’s specific business requirements.

In this section, we take a look at some of the best practices innovators are following to complement their technology.

Invoice Receipt

There is no doubt that paper invoices are the enemy of efficiency in the AP department. This challenge is further compounded by the fact that invoices are rarely sent directly to the AP department. In a lot of cases, suppliers send invoices to buyers in the purchasing department or field approvers. Sometimes the invoice is sitting on an approver’s desk for two to three weeks, without even being entered into the accounting system. Worse, some companies don’t even have a formal policy that specifies where invoices should be sent.

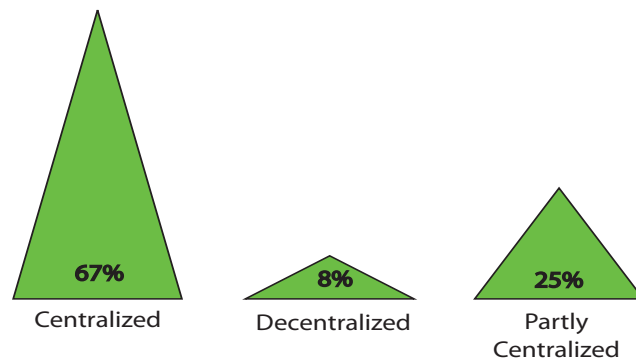
This results in a number of problems:

- Senior management does not have visibility to all the company’s outstanding liabilities when making investment and borrowing decisions.
- Invoices are beyond the discount period by the time they are entered into the accounting system and ready for processing.
- Suppliers could stop sending inventory or put your company on credit hold because invoices are not paid on time.
- This also increases the potential for duplicate invoices if the supplier sends a second invoice.

Figure 6

NATURE OF AP DEPARTMENT

Companies that have centralized AP operations dominated the survey.



Centralization is the Way to Go

A formal policy mandating that all invoices should be sent to the AP department is the first step in addressing this issue. Respondents to PayStream's "IWA Adoption Survey" understand the value of centralization, with more than two-thirds (67 percent) of respondent companies receiving and paying their invoices from one central location). The importance of centralization was also validated by the 2008 International Accounts Payable Professionals (IAPP) Member Benchmarking Survey. When IAPP members were asked to rank the importance of centralization, on a scale of 1 to 5, where 1 is low and 5 is high, more than two-thirds of the companies (67.4 percent) stated that centralization was of utmost importance to their AP operations, giving it a 5 on the scale.

When placing an order, provide the supplier with the address where the invoice should be mailed. Once invoices are received, they can be entered into the accounting system, with visibility to all the relevant parties.

Taking it Further With Imaging and E-Invoicing

Front-end imaging ensures that invoices enter the system quickly and are available to all the parties immediately, irrespective of where they are located. Combining imaging with automated data capture adds further benefits in terms of quicker entry of data and fewer errors.

An electronic invoicing solution goes a step further in streamlining the invoice receipt process. All invoices are submitted via a central solution and go through stringent validation rules – Is the PO number valid? Is the invoice number a duplicate? Does the invoice have an approver name on it? If any of the invoices fail to satisfy the validation criteria, the supplier is notified immediately and asked to correct the error on the invoices.

In addition to increasing visibility and access to the invoices, this also ensures that only clean invoices come into the AP department for processing. Another advantage of this is that the clock on discounts starts ticking only after all the exceptions on the invoice have been rectified.

Invoice Routing

The AP department typically deals with two types of invoices – purchase order (PO) based invoices and non-PO invoices. PO invoices go through a two or three way match before they can be paid whereas non-PO invoices need approval from the appropriate person in the organization. Sometimes PO invoices need to be reviewed by an approver if they fail the match process.

What happens in most organizations is that invoices that could not be forwarded to the appropriate user for review and approval end up in an "exception queue" or "red light area" and these exceptions have to be manually resolved by the AP staff. It can take days or even weeks for some of these exceptions to be resolved, which significantly lengthens the invoice receipt-to-pay cycle.

Formalizing the Process

Identify all the people in the organization who can approve invoices. The approvers can be classified by the types of invoices they can approve – invoices from a specific vendor, certain spend types, up to a dollar limit, for example. All AP employees who will route invoices for approval should have a copy of the list and be familiar with who should review what type of invoices. A similar list should be made identifying the appropriate persons who would be responsible for collaborating with the suppliers or buyers to resolve exception invoices.

Invoice Receipt Best Practices

Centralize invoice receipt;

Institute a formal policy;

Notify suppliers where to send invoices; and

Leverage front-end imaging and e-invoicing.

Invoice Routing Best Practices

Identify approvers by type of invoice;

Update approver lists periodically;

Train AP operators on approval chains; and

Leverage automated workflow solutions.

Make sure that these lists are updated periodically or when employees leave the organization and ensure that old lists are collected and destroyed when new lists are made.

Taking it Further With Automated Workflow

Organizations can further streamline this process by leveraging an automated workflow solution. In this case, the approver list is maintained and updated in the automated workflow solution itself. Invoices, once entered in to the solution, will be routed to the required approver automatically, based on pre-defined business rules. The business logic is typically configured at the time of solution implementation and can be updated as needed.

Employees who have invoices pending their approval receive email notifications with links to specific invoices. Users have the option of either approving the invoice directly from the email itself or they can log into the system to view more details about the invoice. Workflow solutions also come bundled with reminder and escalation features. If no action is taken on an invoice within a certain period of time, either a reminder can be sent to the employee or a message can be sent to the employee's manager. This ensures timely processing of invoices.

Payment Processing

There is no question that lack of proper procedures around invoice receipt and approval lead to profit leakage through duplicate and erroneous payments. This is one reason recovery audit services have grown into a billion dollar industry. Recovery audit service (RAS) firms are brought in by companies to comb through historical transactions and identify erroneous payments to suppliers, which they then try to recover. Anyone who has tried to get money back after the check has already been cashed knows how painful it can be. Sometimes, the supplier is no longer in business and that is just lost money.

Check Before You Pay

All invoices should be checked against previous payments to ensure no duplicate payments are made. This means not just checking invoice numbers for duplicates, but checking against a combination of criteria. For example, if the amount and date on two invoices are the same it might be a duplicate even if the invoice numbers are different. If it is not possible to check every single payment, the AP department should at least spot-check a certain percentage of transactions each time payments are made.

Taking it Further With Proactive audits

Taking it a step further, sophisticated invoice and payment audit technologies are now available as part of IWA solutions. Alternatively, a number of best-of-breed payment audit solutions that integrate seamlessly with numerous accounting applications are also available. These solutions run a variety of algorithms on the transactions to flag potential duplicates. Clients have the option of configuring the business logic, which will be applied to identify erroneous payments. On a periodic basis, a report is generated with potential payment errors, which needs to be resolved before the payments are made.

Invoice Payment Best Practices

Check invoices against historical data before making payments;

Leverage invoice audit functionality available as part of IWA solutions; and

Implement best-of-breed payment audit solutions.

ReadSoft Overview

ReadSoft's business strategy of "developing and marketing software for Document Process Automation and related management of information" is closely aligned with its corporate vision of "freeing businesses everywhere from manual handling of documents through Document Automation." Toward this objective, ReadSoft introduced ReadSoft DOCUMENTS to convert paper documents to an electronic format for the automation of business documents. The solution was then adapted to meet specific needs of accounts payable departments and ReadSoft DOCUMENTS for Invoices was launched, first in Europe in 1997 and later in the United States in 2000. ReadSoft's product suite delivers strong functionality around data extraction, integration with company ERP systems and workflow for routing invoices.

ReadSoft maintains SAP and Oracle competency/development centers, which provide integrated solutions for companies utilizing SAP or Oracle ERP technologies, respectively. ReadSoft delivers INVOICEIT, a series of modules providing invoice management and workflow functionality specifically designed for the Oracle environment. The company has the Invoice Cockpit Suite which delivers similar functionality for companies that are using SAP as their back-end accounting application. ReadSoft has interfaces that are designed specifically for SAP and Oracle. For other ERPs, ReadSoft goes to market with its scanning capture software through channel partners who have these interfaces and workflow solutions.

ReadSoft DOCUMENTS for Invoices is a highly scalable solution, which can easily accommodate the invoice processing needs of companies of all sizes. This is easily evidenced by ReadSoft's diverse clientele, which ranges from global enterprises to local companies. ReadSoft markets its solutions through a presales team assigned by ERP, and a direct sales team and a channel team that are assigned by geographical regions.

Table 1

**READSOFT
COMPANY AND
SOLUTION
INFORMATION**

Founded	1991
Headquarters	Helsingborg, Sweden; North American offices in Chicago, San Francisco, New Orleans
Employees	~450 (by 2008)
Revenues	~\$70.9 M (by 2008)
Total Customers	>6000 total in 70 countries
Key Industry Segments	Banking and financial services, insurance, government, manufacturing, medical, telecom, power & energy, retail, mail order, airlines, market research, and education
Key Accounts	LSI, National Semiconductor, Siemens, John Deere, Schneider Electric, DuPont, GSK, Sony, Kellogg's, Volvo, Tremco, Lockheed Martin, Pacificorp, Porsche, Fortis, Avon, Starwood, Boehringer Ingelheim, HSBC, Wachovia
Awards/ Recognition	ECM Connection ACE Awards Finalist 2008; ECM Connection's ACE Award Winner 2007 in the category of Compliance; LTC and GNO New Technology Product of the Year 2004
Partners	SAP, Oracle, Hyland, and HP
Average Implementation	2 weeks for invoice capture only; 12-16 weeks for SAP and Oracle capture, workflow and approval projects

ReadSoft DOCUMENTS for Invoices:

The ReadSoft DOCUMENTS software platform is designed to automate how organizations receive, validate, interpret, route, approve, and archive inbound documents. ReadSoft DOCUMENTS for Invoices consists of four production modules – Scan, Interpret, Verify, and Transfer – which provide the necessary scanning and data extraction functionality. The solution also delivers two administration modules, Manager and Optimize, which enable customers to configure the solution and specify control parameters. The product portfolio from ReadSoft for the AP market is broken down into image capture solutions and business workflow solutions:

Image Capture Solutions:

Invoice Receipt:

ReadSoft DOCUMENTS for Invoices supports both centralized and decentralized scanning and indexing depending on clients' needs. Invoices can also be captured at remote locations using such devices as multi-function printers and stored centrally for further processing. The solution can accept invoices from virtually any source and provide a direct feed into clients' ERP, accounting and workflow systems. ReadSoft integrates with a number of scanners available in the market today. While most scanners have built-in image enhancement features, ReadSoft also provides a number of features that allow AP operators to enhance images by de-speckling and de-skewing invoices.

Paper invoices are scanned and data is extracted by leveraging robust full-page OCR technology embedded in the solution. Invoices attached to emails or faxed invoices are stripped and made available for further processing automatically through ReadSoft's FAX MANAGER. Electronic invoices are received via ReadSoft's vendor portal called WEB BOARD. Invoices can also be submitted as data uploads, via EDI, XML and PDF or even in raw formats such as hand written invoices. INVOICES extracts information from all major image formats (TIFF, PNG, JPG, etc.) as well as the commonly used PDF document format.

Document and Data Capture:

The Interpret module of the solution automatically identifies and captures relevant data from the scanned invoice image. The solution uses OCR and ICR in addition to utilizing free-form recognition capabilities to extract information from invoices, including invoice date and number, vendor information, quantity and price as well as line item detail. The solution not only provides an efficient indexing capability but utilizes OCR to populate data fields even on invoices that it is seeing for the first time. As OCR accuracy depends heavily on image quality, ReadSoft works with clients to maximize OCR accuracy through DPI settings, enhancement software, etc.

We really liked the solution's ability to recognize multiple date formats and to convert them into a standard customer format, a very valuable feature for clients receiving invoices from geographically dispersed suppliers. AP operators can also "teach" the system how to capture line items by manually capturing data from just one line item. After that, the system automatically captures all line items in the current invoice as well as from any future invoices from that particular vendor.

Business Workflow Solutions:

Workflow Management:

Robust workflow functionalities are an inherent component of the ReadSoft solution. Clients that have an SAP back-end are served by ReadSoft's Invoice Cockpit Suite modules, whereas for Oracle clients, ReadSoft delivers the INVOICEIT module for

approval workflow. An undoubted strength of the solution lies in its ability to interact closely with customer's ERP or accounting system to validate the invoice information based on predefined business rules. The fact that these applications reside within the ERP systems and that they are also certified by the respective ERP vendors is an important value proposition for ReadSoft customers. Enhancement modules to automate check requests, travel and expense reporting, along with MOBILE APPROVAL for processing invoices through mobile devices, are keeping ReadSoft strongly entrenched in the SAP market.

Administrators can control individual user access rights via configuration tables and a user definable configuration tool. Tasks are routed using either the ERP's GUI or the email client. Routing parameters are controlled via user definable configuration. The solution automates most of the invoice and purchase order matching process through this process. Invoices that meet specified criteria for a two-way match are automatically posted, while those containing discrepancies are flagged for additional information. Invoices that do not have an underlying purchase order can be sent electronically for coding and approval by the appropriate users. The system's 'automatic registering' features enables the entire process to occur without operator intervention and eliminates the need to inspect invoices twice.

Vendor Portal:

ReadSoft has been serving the electronic invoicing needs of its clients for a number of years now. ReadSoft DOCUMENTS for EDI has the capability to automatically transmit business documents such as invoices, orders, consignment notes, between customers and suppliers via secure mail. Company representatives stated that every customer and supplier with an email address can handle electronic documents and that the process is easier to set-up and needs lower investment as compared to traditional EDI solutions. ReadSoft has further expanded the e-invoicing options it offers with a vendor portal in the SAP environment, called WEB BOARD. The portal facilitates invoice entry, invoice lookups and purchase order flips.

Content Storage and Management:

While ReadSoft does not provide a content repository, the products are certified with many content management systems being used by the client.

Reporting and Analysis:

ReadSoft provides REPORTER and ANALYZER for reporting and analysis. Both tools are self contained but have the ability to extract information to third party applications for individual data manipulation. These tools provide end-to-end reporting from scanning through posting. Reports are fully configurable and provide accrual and process flow information, cycle times, ABC analysis etc. For management purposes, the system also tracks key performance indicators such as the number of invoices scanned, accuracy levels, the number of approvers per invoice and the time taken by each approver to process a transaction.

Implementation and Pricing:

Implementation of a ReadSoft solution takes between two and sixteen weeks depending upon the solution selected and the complexity of requirements. Implementation is typically done in four phases: design, install/configure, integration testing and go-live. ReadSoft pricing contains three elements: software licensing, professional services and annual maintenance. The licensing model is largely based upon invoice volume (not per page) and is a one-time fee. Annual maintenance is a percentage of the software license. Professional services are charged on a daily blended rate.

ReadSoft Case Study

Starwood Maximizes ERP System Efficiency with ReadSoft

Starwood Hotels & Resorts Worldwide successfully manages and synchronizes luxurious properties around the world. Starwood Vacation Ownership (SVO) is the vacation ownership division with properties across the United States and Mexico.

The Challenge

SVO utilized SAP version 4.7 as its enterprise resource planning system. Approximately 145,000 invoices entered SVO's AP department annually, while the company anticipated the amount to increase over the coming months. The department included 11 full time employees. First, AP specialists manually input all incoming invoice information into the SAP system. The processors looked for approvals, general ledger codes and taxes and keyed this information into SAP. There was a three business day timeline for this work to be completed. Next, a bar code was placed on each incoming invoice and scanned at the time of entry; IXOS was used for scanning purposes. The bar code number then linked the documents within IXOS and information within SAP.

There were many problems with the process. No discounts were achieved through early payment of invoices. Invoices could be lost in the process. If there was a problem with an invoice, the paper had to be sent back to one of 16 resorts for problem resolution. Additionally, there was a corporate push to move to a shared service model to streamline the company's purchase-to-pay operations, and the success of SVO's accounts payable optimization project would play a crucial role in this move.

Starwood was looking for additional ways to maximize ERP system efficiency through AP automation. Starwood wanted the solution to be able to sort all payment requests as identified by the master vendor file for due date processing in order to take advantage of early pay discounts. Next, it needed better tracking of all invoices and check requests to alleviate the lost document problem. Third, the solution needed to relieve the staff from routine, manual tasks and use a scanned image to automatically complete the key fields currently being manually input into SAP. Starwood wanted the solution to automatically route the invoice back to the appropriate person that submitted the request for payment for problem resolution so that payment could be processed.

The Solution

Starwood selected ReadSoft due to its experience in optimizing AP operations around the globe, its ability to help Starwood achieve its project objectives, along with ReadSoft's SAP certification. Several components were purchased from ReadSoft to allow Starwood to achieve all of its goals.

ReadSoft DOCUMENTS for Invoices was first implemented to capture information from all incoming invoices, irrespective of format, automatically interpret the information, and send it directly into SAP. The INVOICE COCKPIT, a fully-certified SAP add on, was used as the control center for AP clerks. As well as being a single point of entry, the INVOICE COCKPIT provided Starwood with built-in checks and validations against SAP to ensure data accuracy and displayed it in an easy-to-read format for further evaluation. Within the INVOICE COCKPIT, the AP department would be able to adjust and complete invoice data, jump directly into the vendor data if necessary, directly access and view the most important SAP data for each invoice

easily, and see the current status of invoices.

WEB CYCLE is the electronic workflow component of Starwood's solution from ReadSoft. This software takes over after the INVOICE COCKPIT verifies the invoices in SAP. Invoices are automatically sent to the appropriate people responsible for approving Starwood's invoices in SAP. ReadSoft's WEB CYCLE allowed Starwood's SAP users to approve invoices right inside SAP or connect via a Web browser and approve invoices electronically wherever they were. ANALYZER is the statistical tool that Starwood used to create an accrual report that assisted in more accurate monthly financials.

The Results

Automation increased efficiency of the department and allowed Starwood to reduce cycle time, provide more accountability and process control, and increase visibility regarding cash flow. Invoice data no longer has to be keyed into SAP, as this is done through ReadSoft's OCR technology. Invoices are tracked in a more effective way; the routing of invoices to solve discrepancies and obtain approvals is now done electronically, which is a substantial time saver for the company overall.

Starwood also realized a bonus of reduction in shipping and paper storage costs. The company was able to reduce the accounts payable staff by two people and realize the elimination of future FTE's in operations in Mexico. Starwood's accounts payable department saw a reduction in overtime hours by over 10 percent, and the employees moved into more of a "generalist" role instead of "specialists" to give Starwood additional flexibility. Utilization rates increased substantially, and lost invoices are now at a minimum.

Starwood's IT department involvement was kept to a minimum, since ReadSoft's solutions were already certified to integrate seamlessly with the company's SAP system. The biggest benefit achieved was the fact that Starwood's accounts payable department was now centralized and truly evolving into a shared service business model. As a result, SVO's operations have now been consolidated with Starwood corporate and now operate under a global shared service center in Phoenix, AZ.

Selecting a Solution

Accounts payable professionals investigating AP automation solutions must consider whether a software solution or a Software-as-a-Service (SaaS) option would be more suitable to meet their requirements.

Software Solutions

A strong case can be made for software solutions, which are implemented inside the company's firewall, as ownership provides a high degree of control and flexibility.

Benefits of In-House Technology

- Maintaining all hardware devices in house allows management high control over its own equipment and operations.
- Organizations can modify or customize the solution to meet their business requirements, control the platform, and adjust its security parameters to its preferences.
- Data remains exclusively within the organization and is accessible only to authorized employees.
- Less resistance from internal users compared to outsourcing as they consider the outsourcing provider to be external to the organization.
- Better control over supplier relations when they are being taken care of by AP/procurement staff instead of a third party.

Software-as-a-Service (SaaS)

Another option available is a SaaS model, where the system is hosted and maintained by the solution provider. The pricing model for SaaS solutions is one of the major drivers for its popularity. Some technology vendors charge a small amount up-front to cover implementation costs and other professional services then charge recurring fees based on the transaction volume, while others operate entirely on a per-transaction pricing structure.

Benefits of the Software-as-a-Service Option

- SaaS solutions usually require minimal up-front investment because the buyer organization does not need to pay to license and install software.
- There is no client/server software installation or maintenance and no need for periodic upgrades, which makes deployment quick and maintenance easy.
- Immediate access to the latest features and functionalities as and when they are introduced without having to wait for the release of the next version.
- Functionality is available from any location instantly via a standard Internet connection and Web browser.

Accounts Payable Outsourcing

Organizations should keep in mind that most AP automation options, especially around invoice and payment management, are available through business process outsourcers. The rationale for outsourcing invoice receipt-to-pay functions is the same as it is for business process outsourcing in general. It may be better for an expert service provider to perform non-strategic activities than to manage these repetitive, low-value tasks in-house. In the service model, the customer leverages the outsourcing provider's technology and expertise to offload transactional functions and gains the ability to focus more sharply on higher value, analytical activities.

Benefits of Accounts Payable Outsourcing

- Outsourcing typically delivers lower up-front costs when compared to technology solutions.
- Companies that use outsourcing have the ability to leverage the provider's economies of scale to lower its processing costs.
- Outsourcing is an appealing option to growing companies that want to handle increasing invoice volume without adding additional staff.
- Companies with limited IT resources and skills will prefer outsourcing over in-house technology implementations.
- Companies might want to outsource certain functions that they believe are not critical to their core business to free up resources to focus on more important functions.
- Some companies that have to deal with complex government and tax regulations, which keep changing constantly, want to outsource these functions to an expert.

Compare Software, SaaS and Outsourcing

In the past, finance and accounting processes were viewed as poor candidates for outsourcing due to their complexity. Today, encouraged by the success of shared service centers and BPO initiatives, corporate managers are taking a hard look at outsourcing these functions. They are discovering that it can be a cost effective way to shed non-essential functions without making the investments in hardware, software, and services associated with technology solutions. Advances in Internet and telephone communications have further enhanced this value proposition by enabling the delivery of services from any geographic location without loss of control for the customer.

As a service delivered over the Internet, SaaS and outsourced AP automation solutions may be deployed more rapidly and cheaply than software solutions that require extensive integration with enterprise and legacy systems. This is an important consideration for buyers who are eager to bring the benefits of automation into their organizations as quickly and painlessly as possible. Another compelling advantage of SaaS and outsourced solutions is that the buyer is not burdened with the periodic expense and effort of upgrading to new versions of the solution and paying annual maintenance fees.

Each of the options outlined above has its advantages, disadvantages and associated costs. It would be narrow-minded to believe in the existence of a silver bullet to the questions around type of solution. The solution of choice depends entirely on the individual organization's requirements. However, two factors are critical when deciding on a solution, financial stability of the vendor and the total cost of ownership. The total cost of ownership includes implementation and integration costs, functionality fit, ease of use and the ability to adapt to a constantly evolving business landscape.

Conclusion

The AP automation landscape is constantly evolving. PayStream analysts believe the following factors will shape the evolution of this marketplace, and organizations contemplating an invoice automation solution will need to take them into account.

Convergence of Electronic Invoicing and Front-End Imaging

Electronic invoicing solutions were explicitly designed to facilitate external buyer-supplier interactions, while IWA solutions evolved to meet organizations' internal needs around invoice receipt and management. Over the last three years, we have seen a convergence in this market with both types of providers partnering or developing functionality to offer comprehensive solutions covering paper and electronic invoices while incorporating better options for invoice receipt, approval processing, and discrepancy resolution.

Organizations Will Seek Straight-Through-Processing

As automation moves to the front-end of the AP process, organizations will seek to leverage straight-through processing, so that AP staff and approvers can focus on more value-added tasks than reviewing invoices. Demand will increase for solutions that facilitate this by delivering strong functionality around automated invoice matching and automatic approval of "clean" invoices as well as strong functionality around approval workflow to manage exceptions and dispute resolution in a collaborative manner.

Advanced Data Capture Will Be a Catalyst for Adoption

Solutions that rely on template based OCR to find and extract data from invoices have experienced mixed success. Sufficient for an AP department that receives invoices in a just a handful of formats, they are inadequate for high volume operations that see a myriad of formats every day. As a result, the application OCR for data extraction has been limited in AP departments. Recent strides in advanced data capture technologies and the emergence of industrial strength solutions that can extract data accurately without having to rely on templates are the key drivers that are unlocking adoption of front-end imaging and data extraction solutions.

Impact of AP Automation on Working Capital Management

Until recently, automation efforts in AP were focused on the operational benefits of technology. However, all this is changing. Increasingly, savvy finance managers are considering the strategic impact of AP automation on the financial supply chain and the working capital improvements it can deliver. Innovative solutions are emerging to meet organizations' strategic objectives by offering solutions, which unlock significant value from the financial supply chain through advanced features like vendor self-service, supplier on-boarding and dynamic settlement.

Multiple Solution Models Will Co-Exist

There is not a single model for an AP automation solution. Solutions are available in software form, as well as via SaaS models. Likewise, some vendors emphasize a modular "mix and match" approach while others concentrate on providing a set solution. There is also tremendous variability in terms of solution focus. Some vendors focus tightly on specific aspects of the invoice receipt-to-pay cycle, while others strive to provide AP automation functionality as part of a larger procure-to-pay offering. Industry consolidation notwithstanding, this diversity will continue.

About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at www.paystreamadvisors.com.

About the Lead Analyst

As Research Director, Sush Koka manages PayStream Advisors' overall technology research effort. She writes research reports, leads client briefings, and participates in consulting engagements in the purchase-to-pay and order-to-cash functional areas. Her deep experience both as a market analyst and a consultant enables her to analyze trends in financial services automation, assess feasibility of products and drive research activities. Her areas of focus include invoice and payment management, travel and expense management and business process automation. She has extensively researched and written reports in the above areas and her work has been published in numerous trade magazines.

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