

# **E-Payables: Invoice Receipt and Workflow**

Cut Invoice-Processing Costs and Time by Over 90%...Now

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## Executive Summary

The accounts payable function has risen to prominence in recent years as a back-office after-thought that can be transformed into a useful cash management mechanism. However, recent Aberdeen research has found that the majority of enterprises are still employing manual methods of invoice-processing, which has inflated both processing costs and cycle times. This benchmark study, encompassing the intentions and strategies of over 130 enterprises, found that **75%** of organizations are currently mired in a manual and paper-based rut in managing the initial phase of the accounts payable process.

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations.

### Best-in-Class Performance

Aberdeen distinguished Best-in-Class enterprises by a combination of two metrics: cost to process a single invoice and invoice cycle time. Best-in-Class enterprises in this study are notable for their superior performance and for their focus on the automation of the invoice lifecycle, as well as their ability to streamline the initial phase of the A / P process.

### Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics. These top-performing organizations are:

- **3.7-times more likely** to leverage complete accounts payable automation
- **2.4-times more likely** to include standardized invoice receipt and workflow processes as part of their A / P function
- **46% more likely** to hold enterprise-level visibility into A / P processes (including invoice receipt and approval workflow)

"We've seen a reduction in invoice cycle time with full traceability of status, as well as cost reduction due to electronic invoice and document exchange."

~ Director of Finance, Large European Utilities Firm

### Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Look to standardization as the first key strategy in streamlining the invoice receipt and approval workflow phase of the accounts payable process
- Institute clear policies for the invoice receipt-to-payment process
- Leverage complete accounts payable automation as a means of eradicating paper from the A / P process and reducing invoice-processing costs

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## Chapter One: Benchmarking the Best-in-Class

The accounts payable (A / P) department has begun its transformation from a back-office function to a group that has the potential to drive cash management opportunities. Even though recent Aberdeen e-payables research has found that *Cash is King* (February 2009), the A / P function is far from driving efficiencies and value. This benchmark study, comprised of data culled from over 130 enterprises, has discovered that A / P professionals must first become proficient in this initial phase of the A / P process to effectively avoid invoice-processing deficiencies in order to realize the values of reduced costs and quicker cycle times. The accounts payable professionals who master the first part of the A / P process set the stage for superior performance throughout the *entire* invoice process.

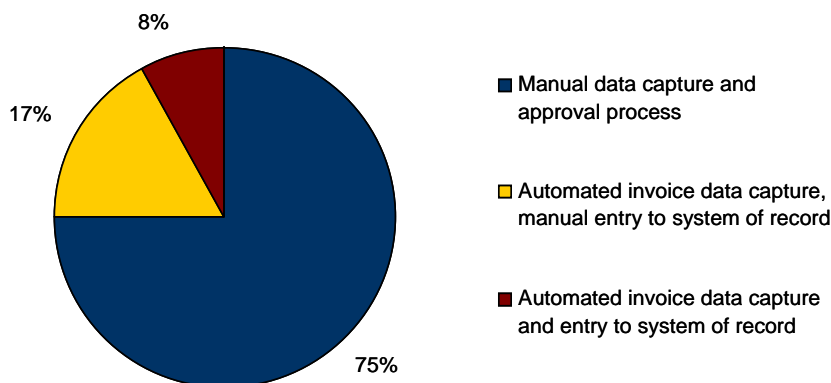
### Business Context

The initial phases of the accounts payable process – invoice receipt and approval – are the frontline of attack for an enterprise's A / P department. Proper invoice capture (and its eventual approval) is a critical factor in streamlining the invoice process; poor invoice receipt capabilities can derail the entire process, causing A / P staffers numerous issues, including payment errors, duplicate payments, mismatched invoice data, and inflated processing costs.

### Mired in Manual Processes

Despite a recent uptick in the overall level of automated invoices, the initial phases of invoice processing remains a largely manual game (Figure 1).

**Figure 1: Level of Automation in Invoice Receipt Process**



Source: Aberdeen Group, May 2009

Seventy-five percent (75%) of enterprises utilize a fully manual indexing and approval process to manage inbound receipts. Worse yet, 93% of organizations (Figure 2) are currently receiving their invoices in the most inefficient manner: through regular mail and paper.

### Fast Facts

- ✓ 75% of enterprises currently utilize manual methods for invoice receipt
- ✓ 93% of enterprises receive invoices via regular mail / paper

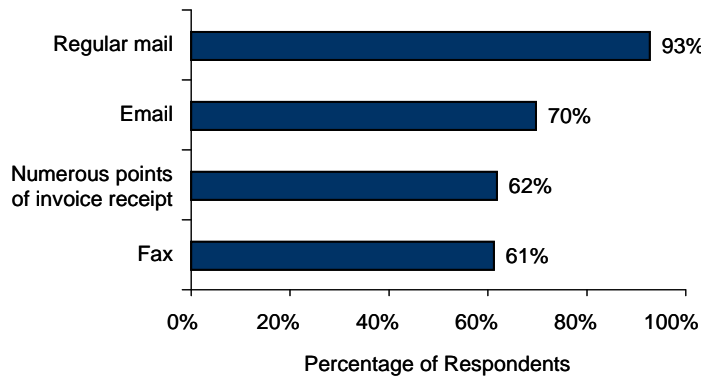
### Invoice Receipt Defined

Invoice receipt may occur in any one of numerous paper or electronic formats – EDI, XML, or other file formats including credit card statements, evaluated receipt settlement, web-based order / invoice creation, or PO flip.

### Workflow Defined

Once received, an invoice may be processed utilizing rule-based logic that analyzes certain invoice attributes (supplier, amount, buying entity, etc.) to define the proper routing and approval workflow. Notification and alert capabilities, as well as direct integration to transactional systems, are used to track invoice status and identify issues.

**Figure 2: Methods of Receiving Invoices**



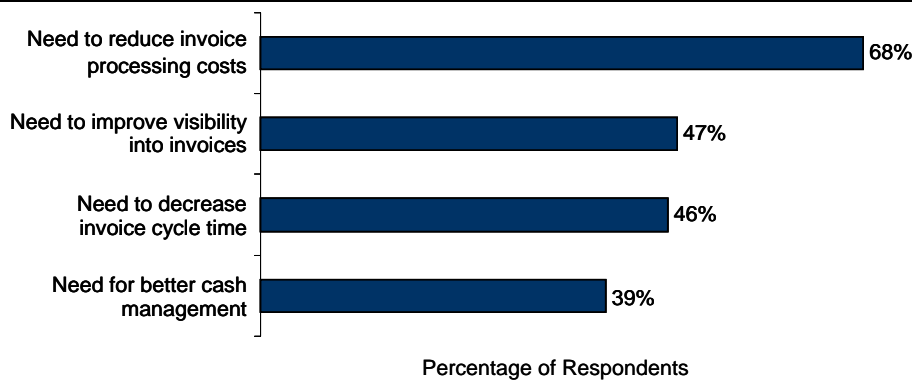
Source: Aberdeen Group, May 2009

Manual capture of invoice data (along with handling stacks of paper-based invoices) slows the A / P process by adding unwanted time to the process; A / P staffers must prepare invoice information for data capture by removing staples, photocopying, and manually sorting. Also, manual matching and indexing of invoices can cause costly errors on the approval side of the game. In fact, A / P departments utilizing manual invoice receipt methods spend nearly 22% more of their time responding to internal and external invoice inquiries than enterprises leveraging automation.

### Pressures: A Focus on Costs

In the current economy, cost containment is a top item on almost every enterprise's 2009 agenda; our February 2009 *CFO's View of A / P* study found that nearly 70% of CFOs stated this as their top challenge. It is no surprise, then, that 68% of enterprises and their A / P departments feel the pressure to be efficient by reducing invoice-processing costs (Figure 3).

**Figure 3: Invoice Receipt and Workflow: The Driving Factors**



Source: Aberdeen Group, May 2009

Enterprises are focused on cutting costs while maintaining performance. In the accounts payable world, the opportunity to do just so comes from

within; there are tangible benefits to transforming the A / P function from a manual process into an automated cycle, such as reduced costs and quicker cycle times.

Also on the A / P professional's mind is the improvement of visibility into invoices (47%) and reducing cycle times (46%). With a clear view into invoice status, A / P staffers can gauge when invoices will be validated, approved and paid, and improve their overall service to internal stakeholders and suppliers.

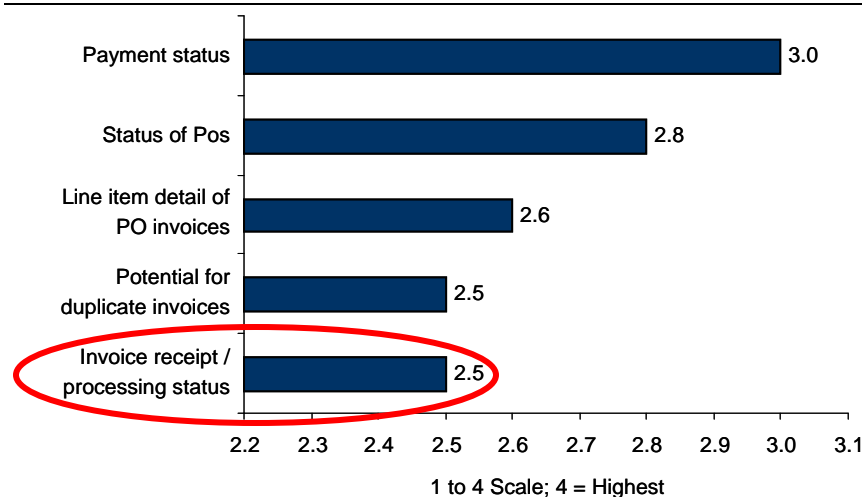
"Sending out hard copies [of invoices] to approvers takes time and resources to track and get them back."

~ Finance Manager, Mid-Market  
Insurance Enterprise

## Visibility into Invoices

With visibility high on the pressures list for survey respondents, enterprises must have proper view into the status of every facet of the A / P process. Figure 4 details the self-scored level of visibility (on a scale from 1 to 4, with 4 being the highest level of visibility) into specific invoice components.

**Figure 4: Visibility into Invoice Components**



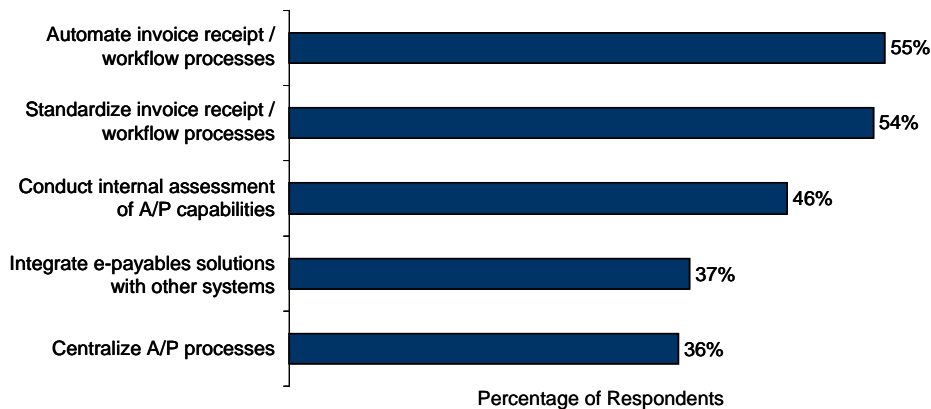
Source: Aberdeen Group, May 2009

Although enterprises hold respectable self-scored levels of visibility into the status of payments (3.0) and purchase orders (2.8), there is a worrying rate of visibility into invoice receipt and processing status (2.5), a factor which contributes to longer cycle times and confusion around approval workflow. Without a clear view into the status of incoming invoices, how can an accounts payable staff member effectively capture the correct data and route the invoice to the proper approving party?

## Actions: Automation and Standardization

As a result of manual / paper-laden processes and poor visibility into the initial phase of the A / P process, there are a key set of strategic actions that enterprises are employing in their quest to reduce costs and quicken invoice cycle times, as detailed in Figure 5.

**Figure 5: Invoice Receipt and Workflow Strategic Actions**



Source: Aberdeen Group, May 2009

The automation of invoice receipt and workflow is the top strategic action heralded by enterprises (55%). Aberdeen's e-payables research has historically quantified the benefits of automation, including reduced cycle times and lower processing costs.

By leveraging standardized processes (54%), enterprises can utilize a similar set of invoice receipt and workflow procedures across all business units, ensuring that there is a steady method of receiving invoices, capturing key invoice data, and leveraging a centralized system for routing of invoice approval.

### The Maturity Class Framework

Aberdeen used the following two key performance metrics to distinguish the Best-in-Class from Industry Average and Laggard organizations: cost to process a single invoice and invoice cycle time.

**Table 1: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class:</b> Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ \$3.47 to process a single invoice</li> <li>▪ 2.9 days to process an invoice</li> </ul>
<b>Industry Average:</b> Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ \$16.91 to process a single invoice</li> <li>▪ 14.6 days to process an invoice</li> </ul>
<b>Laggard:</b> Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ \$36.51 to process a single invoice</li> <li>▪ 32.9 days to process an invoice</li> </ul>

Source: Aberdeen Group, May 2009

Best-in-Class enterprises are noted for their superior performance across the scope of perhaps the two most crucial accounts payable metrics: invoice-processing cost and invoice cycle time. Top-performing enterprises have actively reduced their overall invoice-processing costs by **nearly 91%** (when compared to Laggard organizations), as well as lowered their invoice cycle time by **nearly 92%**.

With a large flux of invoices penetrating the A / P front line, there are serious cost containment opportunities by leveraging Best-in-Class strategies for the invoice receipt and approval workflow phase of the accounts payable process. Chapter Two will delve into the core strategies, capabilities, and technology enablers that these top-performing companies are utilizing to streamline the invoice receipt and workflow cycle.

### The Best-in-Class PACE Model

Using invoice receipt and workflow processes to achieve superior invoice performance requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows:

**Table 2: The Best-in-Class PACE Framework**

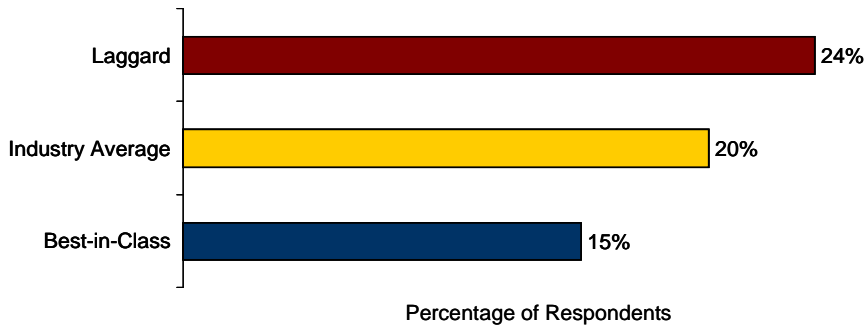
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Need to reduce invoice-processing costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Automate the invoice receipt and workflow processes</li> <li>▪ Centralize A / P processes related to invoice receipt and workflow</li> </ul>	<ul style="list-style-type: none"> <li>▪ Standardized A / P processes related to invoice receipt and approval</li> <li>▪ Centralized data capture operations</li> <li>▪ Enterprise-level visibility into A / P processes (invoice receipt and workflow processes)</li> <li>▪ Clear policies for invoice receipt-to-payment workflow</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complete A / P automation</li> <li>▪ EIPP (Electronic Invoice Presentment and Payment)</li> <li>▪ Optical Character Recognition (OCR) (invoice receipt-scanning and line-item capture)</li> <li>▪ Supplier networks (or open business exchange)</li> <li>▪ Electronic invoice enablement (XML / EDI)</li> <li>▪ Enterprise image repository and management system</li> <li>▪ Invoice receipt summary (i.e. amount due, vendor level)</li> </ul>

Source: Aberdeen Group, May 2009

### A / P Staff Time: Wasted on Inquiries...

The modern A / P staffer is tasked with handling and managing all phase of the invoice process, beginning with receipt and routing of invoices for proper approval. However, Aberdeen research has found that organizations' respective A / P staffs are spending an inordinate portion of their day responding to invoice inquiries. In fact, Laggard enterprises' account payable staffs are spending nearly a *fourth* of their total time responding to questions regarding invoices (Figure 6).

**Figure 6: A / P Staff Time Spent Responding to Inquiries**



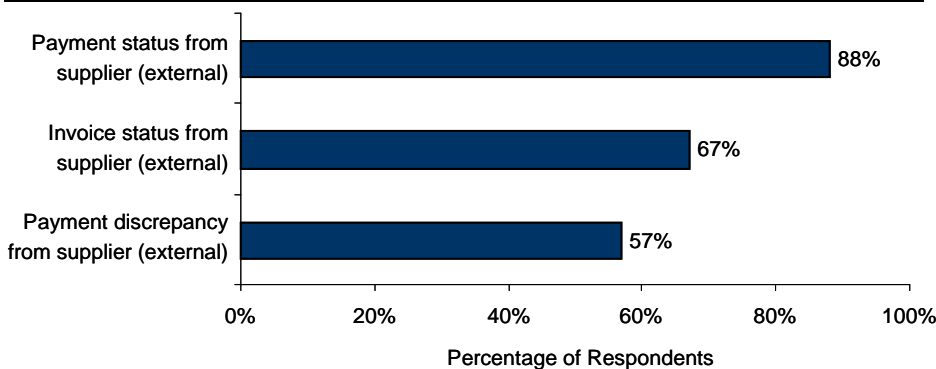
Source: Aberdeen Group, May 2009

Best-in-Class organizations have an advantage in this A / P battle; their A / P staff members are spending less time responding to inquiries (15%). This frees up time to focus on cost-implicating tasks, such as processing invoices for payment. The most frequent type of inquiry is an external one: payment status from suppliers (88%, Figure 7).

"The primary challenge is with vendors requesting an up-to-date status on invoices and payments. Ideally, we would provide them with a status update each time an A / P milestone was reached (i.e. received approval, check cut, etc.)."

~ Operations Manager, Mid-Market IT Enterprise

**Figure 7: Nature of A / P Inquiries**



Source: Aberdeen Group, May 2009

Suppliers are consistently curious about the status of their invoices and subsequent payment; this is an ineffective drain on an A / P department's time and contributes to inflated invoice cycle times and overall production setbacks. Many A / P automation and electronic invoicing solutions (including EIPP and supplier portals) allow suppliers a full view into invoice and payment status, resulting in better relationships, less A / P time spent on the phone (and email), and a reduction in invoice approval time.

**Aberdeen Insights — Standardization**

In the scope of the accounts payable process, there are a core set of capabilities that drive performance and ensure that the accounts payable function flows properly. Standardization ensures that all business units of an enterprise are leveraging the same set of guidelines and processes for the invoice receipt and workflow phase of the A / P process.

*continued*

### Aberdeen Insights — Standardization

Aberdeen has found that standardization bestows other crucial A / P advantages. Organizations with standardized invoice receipt and workflow processes have:

- Reduced their invoice cycle time by 51%
- Rated their visibility into invoice receipt and workflow status at a 30% higher level
- Lowered their invoice-processing costs by 12%

Best-in-Class enterprises are nearly 60% more likely to have standardized invoice receipt and workflow processes as part of their accounts payable function.

## Chapter Two: Benchmarking Requirements for Success

Accounts payable transformation begins with mastery of the initial phase of the accounts payable process. In order for enterprises to streamline the invoice receipt and approval activities within the A / P process, they must turn to a set of core capabilities, strategic actions, and key technology solutions to drive reductions in overall invoice-processing costs and improvements in invoice-processing cycle times.

### Case Study — Creating Visibility and Boosting Performance Through Technology

In the past, this particular large industrial manufacturing company would often take nearly 20 days to effectively approve and process a single invoice due to its lack of visibility into the invoice receipt and workflow process, as well as reliance on manual methods of invoice data capture.

“Approval time was an issue for us,” said the Finance Manager. “Incoming invoices often did not match purchase order (PO) numbers.”

With executive support in tow, as well as turning to a standardized and centralized invoice receipt and workflow model, the enterprise leveraged a mix of imaging technology in conjunction with electronic invoicing as a means of not only gaining visibility into the status of invoices, but also reducing cycle time.

“It has generated visibility for us into the invoice approval process,” the Finance Manager said. Although only in the first year of usage, the enterprise has already reduced its overall invoice-processing cycle time by **over 50%**.

### Fast Facts

- √ 75% of top-performing organizations leverage centralized invoice data capture operations
- √ 63% of Best-in-Class enterprises currently possess enterprise-level visibility into A / P processes

## Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily accounts payable operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing invoice data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate e-payables tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its A / P results to improve its business). These characteristics (identified in Table 4) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: The Competitive Framework**

	Best-in-Class	Average	Laggards
<b>Process</b>	Standardized invoice receipt and workflow processes		
	80%	36%	33%
	Clear policies for invoice receipt-to-payment workflow		
	69%	46%	27%
<b>Organization</b>	Centralized data capture operations		
	75%	39%	28%
	Executive support for invoice receipt and workflow automation		
	73%	45%	36%
<b>Knowledge</b>	Enterprise-level visibility into A / P processes		
	63%	43%	35%
	Ability to quickly retrieve stored images from repository		
	53%	36%	31%
<b>Technology</b>	E-payables technology currently in use:		
	<ul style="list-style-type: none"> <li>▪ 67% comprehensive A / P automation</li> <li>▪ 56% supplier network</li> <li>▪ 44% electronic invoice enablement (EDI / XML)</li> <li>▪ 40% automation of header data validation / duplicate invoice verification</li> </ul>	<ul style="list-style-type: none"> <li>▪ 24% comprehensive A / P automation</li> <li>▪ 24% supplier network</li> <li>▪ 30% electronic invoice enablement (EDI / XML)</li> <li>▪ 27% automation of header data validation / duplicate invoice verification</li> </ul>	<ul style="list-style-type: none"> <li>▪ 4% comprehensive A / P automation</li> <li>▪ 11% supplier network</li> <li>▪ 28% electronic invoice enablement (EDI / XML)</li> <li>▪ 24% automation of header data validation / duplicate invoice verification</li> </ul>
<b>Performance</b>	Performance-tracking capabilities:		
	<ul style="list-style-type: none"> <li>▪ 53% ability to measure invoice receipt-to-payment cycle time</li> <li>▪ 40% ability to measure data capture cost</li> </ul>	<ul style="list-style-type: none"> <li>▪ 32% ability to measure invoice receipt-to-payment cycle time</li> <li>▪ 21% ability to measure data capture cost</li> </ul>	<ul style="list-style-type: none"> <li>▪ 24% ability to measure invoice receipt-to-payment cycle time</li> <li>▪ 17% ability to measure data capture cost</li> </ul>

Source: Aberdeen Group, May 2009

## Capabilities and Enablers

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The Competitive Framework (Table 4) above reveals that Best-in-Class enterprises employ a series of core capabilities, skills, and technology tools to spur top-shelf accounts payable performance.

### **Process: Standardization and Clear Policies**

The *Aberdeen Insight - Standardization* in Chapter One detailed the benefits of leveraging standardized invoice receipt and workflow processes, which 80% of Best-in-Class enterprises have in place.

By setting clear policies for invoice receipt-to-payment workflow (nearly 70% for top-performing organizations), Best-in-Class companies are outlining a core set of guidelines for the entire A / P process, defining processes for handling exceptions, and steering an unblocked path for invoices to reach the settlement phase (after proper receipt, approval and validation) All parties handling invoices must follow these guidelines to reduce errors and drive optimal A / P performance.

"When our invoices are electronically sent, imaged and routed...they can be processed in 80% less time."

~ Finance Manager,  
Government Agency

### **Organization: Centralization and Executive Support**

Much like standardization, centralization is a strategy that pays huge dividends. By employing centralized data capture operations, top-performing enterprises (75%) are ensuring that all crucial invoice data is captured and funneled through a single system / group. This provides the most accurate display of invoice information in back-end systems and allows the workflow phase to be completed more quickly.

Executive support for invoice receipt and workflow automation has helped Best-in-Class enterprises (73%) successfully implement and leverage solutions in this crucial phase of the A / P process. They have effectively convinced their senior management groups of the benefits of automation, including lower invoice-processing costs and reduced cycle times.

### **Knowledge Management: Storage and Visibility**

Visibility begets a clear view into inner processes and key information regarding contracts and data. In the accounts payable realm, enterprise-level visibility into A / P processes (held by 63% of Best-in-Class organizations) allows an enterprise a full view into A / P operations and a means of assessing current capabilities to develop future strategies. A lack of visibility, however, can inflate cycle times and processing costs, as well as increase financial risk as a result of a poor ability to identify billing errors, overpayments, and unclaimed payment discounts.

Much like visibility, the ability to retrieve stored images from a central repository (53%) has more than a handful of benefits. Best-in-Class enterprises, by utilizing this knowledge, can identify and capitalize on early payment discount options while avoiding late payment fees. Invoice data, much like spend analysis data to the procurement group, is A / P's weapon

in understanding their base of invoices and acting (via settlement) according to that valuable intelligence.

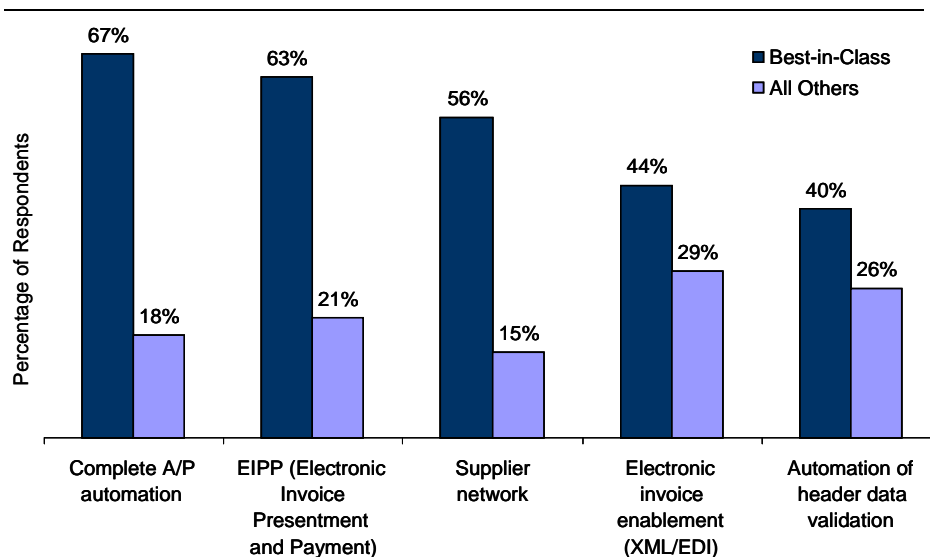
**Technology: Automation is Key**

Automation is a crucial strategy for an enterprise in need of significantly reducing the costs associated with invoice processing. Automated accounts payable solutions streamline invoice-handling and provide relief for organizations reliant on manual and paper-based A / P processes. Aberdeen research has found that Best-in-Class organizations are currently making use of e-payables and A / P technology solutions to a greater degree than all others, driving their superior performance (Figure 8).

"As a result of our technology tools, we've been able to recognize payment discounts and have achieved a faster cycle time due to electronic workflow approvals."

~ Burt Riediger, Finance Manager, Large Chemicals Enterprise

**Figure 8: Technology Utilization, Best-in-Class versus All Others**



Source: Aberdeen Group, May 2009

The solutions and functionalities in Figure 8 (above) automate labor-intensive accounts payable processes, such as receipt, indexing, approval trails, and processing of invoice data, and strive to eliminate errors associated with manual-based procedures while effectively driving desirable performance. In fact, complete accounts payable automation, utilized by a vast majority of Best-in-Class organizations (67%), has an astounding effect on A / P performance. This technology involves automating every phase of the accounts payable process, from automated invoice receipt and data capture to validation and payment. Aberdeen research has found that enterprises that have completely automated their A / P processes have seen, on average, a **50% reduction** in invoice-processing costs and cycle times.

Top performers are also leveraging other key solutions to spur performance:

- Supplier / payment networks, used by over half (53%) of Best-in-Class organizations, provide a single electronic gateway between an enterprise and its supplier base. This allows them to bypass manual and point-to-point solutions, thereby providing an automated access base that streamlines the entire procure-to-pay cycle.
- Electronic invoice enablement (via EDI or XML) presents top-performing organizations (44%) with the ability to receive invoices electronically from their vendors. Much like supplier networks, this automated procedure can streamline invoice receipt and invoice data capture, as well as move invoices through the approval workflow at a much faster rate. By utilizing electronic invoicing, enterprises have experienced invoice-processing costs that are **nearly 55% less** than those not currently leveraging this technology.

Also prevalent in the e-payables technology arena is imaging technology. Imaging solutions convert paper invoices into digital images that can be stored in a web-enabled data repository, and may include such functionalities as invoice data capture, indexing, validation and approval workflow, sometimes with seamless integration into ERP and other A / P systems. Aberdeen research has found that enterprises utilizing automated imaging solutions have significantly cut their invoice cycle times **by nearly 30%**.

### **Performance Management**

The ability to measure performance, especially in the A / P arena where costs and time are a top priority, is a crucial organizational capability. Best-in-Class enterprises (53%) are able to measure their invoice receipt-to-payment cycle time, a factor which allows a company to identify how long an invoice takes to work its way through the A / P system. By having the ability to measure this metric, enterprises are able to identify roadblocks in the A / P process and pinpoint areas for improvement that can be alleviated through additional capabilities, strategies or technology solutions.

#### **Aberdeen Insights — Technology: Supplier / Payment Networks**

Document exchange is the core process in the invoice receipt phase of the A / P process. Because of the high costs of handling, processing, and converting paper invoices, enterprises should leverage key technology solutions to automate the invoice receipt process.

Aberdeen research has [previously detailed](#) the cost benefits associated with supplier / payment networks, which are web-based connections that allow enterprises to easily transmit information to their suppliers. Although supplier / payment networks are often associated with the settlement phase of the invoice process, enterprises can leverage these tools to streamline the invoice receipt process.

*continued*

### **Aberdeen Insights — Technology: Supplier / Payment Networks**

Supplier / payment networks support key procurement and accounts payable transactions, allowing enterprises to quickly and seamlessly process invoices, track orders, and schedule payments. Aberdeen research has discovered that Best-in-Class enterprises are **69%** more likely to utilize these payment networks than all other enterprises.

## Chapter Three: Required Actions

Historically mired in the muck of manual and paper-based processes, the accounts payable function has an opportunity to transform itself into a value-add department. By seeking guidance from the following recommended actions, enterprises can spur performance and attain the success of Best-in-Class A / P organizations:

### Laggard Steps to Success

- **Standardize all processes related to invoice receipt and approval workflow.** For Laggard enterprises, standardization is the first step in streamlining the initial phase of the A / P process. Only 33% of Laggard enterprises are currently employing standardized processes, a factor which has assisted Best-in-Class enterprises (80%) in ensuring that all business units are utilizing the same set of guidelines and procedures for this invoice processing phase.
- **Measure invoice cycle time.** Accounts payable executives are focused on two core metrics: processing costs and cycle time. Only a fourth (24%) of Laggard enterprises currently hold the ability to measure the latter metric. With this ability in tow, organizations can identify bottlenecks in the invoice receipt and workflow process, and pinpoint areas for improvement.
- **Secure executive support and guidance for accounts payable automation.** Only 36% of Laggard enterprises have a senior champion in place for A / P automation; by educating executives on the benefits of A / P solutions such as e-invoicing and imaging (reduced cycle times and lower processing costs), these enterprises can begin the process of selecting the proper tool and deploying it across the entire scope of the A / P function.

### Industry Average Steps to Success

- **Centralize invoice data capture operations.** A factor in the mastery of the invoice receipt and workflow phase is centralizing core data capture operations, as 75% of Best-in-Class organizations have done (compared to 39% of Industry Average enterprises). This strategy funnels all invoice data capture processes through a singular unit or program, allowing faster access to key invoice data and quicker routing to the proper approvers in regards to workflow.
- **Institute clear policies for invoice receipt-to-payment workflow.** Clear policies for this phase of the A / P process will better handle instances of invoice exceptions and set the path for invoices to be approved, validated and scheduled for payment. Less

#### Fast Facts

- √ 80% of Best-in-Class organizations are currently leveraging standardized invoice receipt and workflow processes
- √ 67% of Best-in-Class enterprises are currently utilizing complete A / P automation

"Because of our A / P solution, we've increased A / P's control of documents, improved response time from approvers, and improved follow-up activities for validating expenditures."

~ CFO, Large North American  
Food Manufacturer

than half (46%) of Industry Average enterprises have instituted these hard-line policies for the invoice receipt process.

- **Look to complete A / P automation as an all-encompassing tool to streamlining the invoice receipt and workflow process.** Although all e-payables solutions can generate cost and time benefits in the A / P process, complete A / P automation technology can streamline the *entire* A / P process, from receipt-to-payment, and ensure reduced invoice-processing costs and quicker cycle times. Best-in-Class enterprises (67%) are heavily leveraging this solution, while only 24% of Industry Average organizations are currently utilizing complete A / P automation.

### Best-in-Class Steps to Success

- **Employ supplier / payment networks.** While Best-in-Class enterprises are currently drawing superior benefits in the scope of the invoice receipt and workflow process, there is still room for improvement. Supplier / payment networks are designed with the settlement phase in mind, helping to execute scheduled payments quicker and more efficiently. Only 56% of top-performing organizations are currently leveraging this web-based bond for their payment process.
- **Leverage spend analysis tools for deeper digging into invoice data.** Spend analysis capabilities and technologies can arm the procurement executive with the ability to deep-dive into key spend data; leveraging this tool to analyze invoice data can uncover spending patterns and trends and give Best-in-Class enterprises (25%) a proverbial "third eye" into their spend information.

#### Aberdeen Insights — Summary

The accounts payable process contains many moving parts; enterprises must grasp control over every phase of this process in order to fuel significant accounts payable benefits and move away from the deficiencies of manual and paper-based processes.

Although technology is one of the many solutions to A / P woes, enterprises at the bottom of our Maturity Framework must first gauge their current invoice receipt and workflow capabilities, such as data capture (and resulting quality of invoice data) and the routing of invoices for approval. Centralized data capture operations can streamline the first invoice touch-point, while ensuring that all invoice information is captured in the correct manner. Standardizing processes across the organization is also a recommended strategy; as detailed previously, standardization has such benefits as increased visibility.

*continued*

### Aberdeen Insights — Summary

For most organizations, the next step of transformation starts at the front: A / P automation is the lynchpin to success, and senior management must be educated as to the benefits of A / P automation solutions. E-invoicing secures end-to-end automation, while imaging solutions eliminate paper handling of invoices.

By mastering this initial phase of the invoice process, enterprises are ensuring that the latter half of the A / P process (settlement / payment), flows smoothly and is devoid of error.

## Appendix A: Research Methodology

Between April and May 2009, Aberdeen examined the use, the experiences, and the intentions of more than 130 enterprises using invoice receipt and workflow processes within their respective accounts payable departments.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on invoice receipt and workflow strategies, experiences, and results.

Responding enterprises included the following:

- *Job function:* The research sample included respondents with the following job function: finance (26%); procurement (21%); business process management (13%); IT (11%); supply chain / logistics (6%); and more.
- *Job title:* The research sample included respondents with the following job titles: manager (25%); C-level (22%); director (17%); EVP / SVP / Vice President (7%); and others.
- *Industry:* The following industries were represented in the research sample: manufacturing (9%); software / hardware (8%); finance / banking (7%); food / beverage (7%); mining / oil / gas (6%); and 25 others.
- *Geography:* The majority of respondents (68%) were from North America. Remaining respondents were from the EMEA region (17%), Asia-Pacific (11%), and South America (4%).
- *Company size:* Thirty-eight percent (38%) of respondents were from large enterprises (annual revenues above US \$1 billion); 32% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 30% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Thirty-nine percent (39%) of respondents were from large enterprises (headcount greater than 1,000 employees); 44% were from midsize enterprises (headcount between 100 and 999 employees); and 17% of respondents were from small businesses (headcount between 1 and 99 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

### Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which invoice receipt and workflow processes are deployed in their operations and the financial implications of the technology
- √ The structure and effectiveness of existing invoice receipt and workflow implementations
- √ Current and planned use of invoice receipt and workflow solutions to aid operational and promotional activities
- √ The benefits, if any, that have been derived from invoice receipt and workflow initiatives

The study aimed to identify emerging best practices for invoice receipt and workflow processes and to provide a framework by which readers could assess their own management capabilities.

**Table 4: The PACE Framework Key**

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, May 2009

**Table 5: The Competitive Framework Key**

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, May 2009

**Table 6: The Relationship Between PACE and the Competitive Framework**

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, May 2009

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*The CPO's Agenda: Smart Strategies for Tough Times\*](#); April 2009
- [\*The CFOs View of Accounts Payable: Cash is King\*](#); February 2009
- [\*The E-Payables Benchmark Series: A / P Strategies for Success\*](#); September 2008
- [\*The E-Payables Benchmark Series: Electronic Payments and Fraud Prevention\*](#); June 2009
- [\*Supplier Enablement: Converging Procurement and Accounts Payable\*](#); April 2008
- [\*The E-Payables Benchmark Series: Imaging and Workflow\*](#); March 2008
- [\*Accounts Payable Transformation: Better, Faster, Cheaper\*](#); December 2007
- [\*E-Payables Solution Selection: Your 2007-2008 Guide to A / P Transformation\*](#); September 2007
- [\*E-Payables: Advancing A / P Automation\*](#); March 2007

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

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