AP Invoice Management in a Networked Economy

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~ Underwritten, in Part, by ~
Executive Summary

Accounts payable (AP) can drive enterprise value through two important avenues: lowering costs by increasing operational efficiency, and collaborating with trading partners to capture discount-based savings and improve supplier relationships. This study, conducted in March and April of 2012, is based on the responses of over 180 organizations to an Aberdeen survey exploring how Best-in-Class enterprises are improving both the internal and external facets of their financial operations. The Best-in-Class provide a clear example of the benefits driven by managing AP as part of a wider, networked economy.

Best-in-Class Performance

Aberdeen used the following three key performance criteria to distinguish Best-in-Class companies:

- 4.1 days to process an invoice from receipt to approval
- $3.34 average cost to process an invoice from receipt to approval
- 90% capture rate for available early-payment discounts

Competitive Maturity Assessment

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

- 46% more likely than Laggards to have centralized invoice management processes
- 38% more likely than Laggards to have standardized invoice management processes across locations or units
- 71% more likely than Laggards to have fully integrated AP systems with enterprise resource planning (ERP) or financials solutions
- 156% more likely than Laggards to measure AP performance on a monthly or more frequent basis

Required Actions

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

- Assess their current capabilities to establish an intelligent plan for improvement initiatives,
- Invest in AP automation, focusing on the gaps identified during the assessment phase, and
- Integrate their chosen solutions to ensure that data is shared between related solutions as well as procurement, finance, etc.
### Table of Contents

- **Executive Summary** ................................................................. 2
- **Best-in-Class Performance** .................................................. 2
- **Competitive Maturity Assessment** ....................................... 2
- **Required Actions** ................................................................. 2
- **Chapter One: Benchmarking the Best-in-Class** .................. 4
  - **Business Context** ............................................................... 4
  - **The Maturity Class Framework** .......................................... 5
  - **The Best-in-Class PACE Model** ......................................... 6
  - **Best-in-Class Strategies** .................................................... 6
- **Chapter Two: Benchmarking Requirements for Success** ........ 9
  - **Competitive Assessment** ................................................... 9
  - **Capabilities and Enablers** ................................................ 10
- **Chapter Three: Required Actions** ....................................... 15
  - **Laggard Steps to Success** .................................................. 15
  - **Industry Average Steps to Success** ................................... 15
  - **Best-in-Class Steps to Success** .......................................... 16
- **Appendix A: Research Methodology** .................................. 18
- **Appendix B: Related Aberdeen Research** ............................. 20
- **Featured Underwriters** .......................................................... 21

### Figures

- **Figure 1**: Top Two Pressures Driving Interest in AP Improvement............... 5
- **Figure 2**: Top Two Strategies for Combatting Current Pressures ............... 7
- **Figure 3**: AP Technology Choices of the Best-in-Class ......................... 12
- **Figure 4**: Best-in-Class Use of Collaborative Technologies ................... 13
- **Figure 5**: Future Plans for Emerging AP Technologies ......................... 14

### Tables

- **Table 1**: Top Performers Earn Best-in-Class Status .............................. 5
- **Table 2**: The Best-in-Class PACE Framework ..................................... 6
- **Table 3**: Gauging the Impact of Dynamic Discounting .......................... 7
- **Table 4**: The Competitive Framework ............................................ 9
- **Table 5**: The PACE Framework Key ................................................ 19
- **Table 6**: The Competitive Framework Key ........................................ 19
- **Table 7**: The Relationship Between PACE and the Competitive Framework ....................................................................................................................... 19
Chapter One: Benchmarking the Best-in-Class

Business Context

For accounts payable departments, invoice processing can be expensive—especially if it entails dealing with paper documents and manually-conducted approvals. From email to electronic data interchange (EDI), and self-service portals to software-as-a-service (SaaS) / cloud deployments, the current state of technology, and the ubiquity of the Internet, offer attractive alternatives to paper-based transactions that promise lower costs and faster processing. This study evaluates how Best-in-Class companies use these tools (on top of a solid process foundation) to control their payables processes, drive bottom-line results, and get the most out of the options available in our networked economy.

What is a networked economy?

A networked economy is a collection of buyers and suppliers who share common connections. These companies may not share any specific technology network, but each buyer is connected to their suppliers, and may overlap with other buyers' groups of connections. Decisions made regarding one supplier can impact not only the buyer’s trading partners, but the partners' partners as well. This document will start by addressing the day-to-day operations of invoice management -- but we will continue our discussion of networks and extended influence throughout, especially when we turn to technology implementations and supplier enablement.

Inefficient paper-based processes plague AP operations (Figure 1). They prevent visibility into the status of in-process invoices and make gathering required documentation difficult. These inefficiencies make their way to the bottom-line, increasing costs and spurring management to react with top-down cost reduction mandates. This is a familiar story to anyone who has been involved in AP. But as 61% of surveyed companies explore potential solutions in this area (and another 27% remain undecided), the time may be ripe for change.
If companies are feeling the effects of paper-laden processes, and want to cut cost, where can they improve? What can efficient processes yield?

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. The measures capture three quantifiable benefits of AP improvement: faster processing, lower costs, and improved discount-capture.

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

<table>
<thead>
<tr>
<th>Definition of Maturity Class</th>
<th>Mean Class Performance</th>
</tr>
</thead>
</table>
| **Best-in-Class: Top 20% of aggregate performance scorers** | - 4.1 days to process an invoice from receipt through approval  
- $3.34 average cost to process an invoice from receipt through approval  
- 90% capture rate for available early payment discounts |
| **Industry Average: Middle 50% of aggregate performance scorers** | - 6.1 days to process an invoice from receipt through approval for payment  
- $6.29 average cost to process an invoice from receipt through approval for payment  
- 47% capture rate for available early payment discounts |
## Definition of Maturity Class

<table>
<thead>
<tr>
<th>Maturity Class</th>
<th>Mean Class Performance</th>
</tr>
</thead>
</table>
| **Laggard:** Bottom 30% of aggregate performance scorers | - 16.3 days to process an invoice from receipt through approval for payment  
- $16.67 average cost to process an invoice from receipt through approval for payment  
- 18% capture rate for available early payment discounts |

Source: Aberdeen Group, April 2012

## The Best-in-Class PACE Model

Achieving Best-in-Class status for invoice management 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

<table>
<thead>
<tr>
<th>Pressures</th>
<th>Actions</th>
<th>Capabilities</th>
<th>Enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of visibility into invoices and AP documents</td>
<td>Invest in automation of invoice receipt and workflow processes</td>
<td>Ability to match invoices against purchase orders, receipt documents, and contracts</td>
<td>Electronic approval workflow</td>
</tr>
<tr>
<td>Corporate directives to lower cost</td>
<td>Conduct assessment of current AP process, technological, and strategic capabilities</td>
<td>Centralized invoice management processes (single location or shared service center)</td>
<td>Invoice image repository</td>
</tr>
<tr>
<td></td>
<td>Integrate payables with procurement, finance, or other back-end systems</td>
<td>Standardized invoice management processes across locations / units</td>
<td>Electronic invoicing network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AP systems fully integrated with ERP or financials solutions</td>
<td>Spend analytics / BI for invoices</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012

## Best-in-Class Strategies

If visibility and cost are pressuring companies to improve their accounts payable practices, what strategies can help them achieve these ends? The foundation of an AP strategy can be summed up in three words: assess, invest, and integrate. Figure 2 shows the top strategies respondents are using to improve AP. For Best-in-Class and Laggards alike, investment in AP automation technologies is at the top of the list. The two top-performing groups are also more likely to see assessment of their AP capabilities as a key piece of the puzzle. These groups are already achieving respectable results, but they continue to seek out ways to improve. Eliminating or reducing paper invoices is one opportunity to drive additional savings, since paper invoices still account for a slim majority of even Best-in-Class companies' transaction volumes (51%).

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Aberdeen Insights — Dynamic Discounting

If cost reduction is the current destination, discounts are the next frontier. Traditional discount terms are a great first step, and are fairly simple to manage: negotiate them during the purchasing discussion and capture them with efficient invoice processing. As long as current processes and technologies allow invoices to be paid within the set terms, all is well. But what if even earlier payment, or payment in between the discount and net term, would be valuable to a supplier?

Table 3: Gauging the Impact of Dynamic Discounting

<table>
<thead>
<tr>
<th>Measure</th>
<th>Users of Dynamic Discounting</th>
<th>Non-Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice volume with available discounts</td>
<td>31%</td>
<td>23%</td>
</tr>
<tr>
<td>Capture rate on available discounts</td>
<td>76%</td>
<td>49%</td>
</tr>
<tr>
<td>Effective APR of captured discounts</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012

"In the past we had primarily only focused on paying bills on time or early in order to maintain vendor relationships. In addition to that, we are now also focusing on taking advantages of early payment discounts in order to lower our COGS."

~ Finance Manager, North American Healthcare Devices Company
Aberdeen Insights — Dynamic Discounting

Assuming efficient channels for communications exist between the trading partners, the volume of transactions with the potential for discount capture should expand. Table 3, above, illustrates this pressure. Companies that have implemented a dynamic discounting program outshine their counterparts in three areas: they have a larger volume of available discounts, they capture more of what is available, and they see a larger average return on their use of enterprise cash for discount capture.

In the next chapter, we will see how top performers have distanced themselves from their lower-performing counterparts.
Chapter Two: 
Benchmarking Requirements for Success

Invoice management in a networked economy focuses on the connections that enable collaboration between trading partners. These connections offer suppliers visibility to the status of outstanding invoices, and support dynamic discounting arrangements beneficial to both parties. But without internal improvements and efficiencies, none of those collaborative benefits would be available. This chapter examines the characteristics of the Best-in-Class: how they achieve their superior performance, and how they take advantage of this greater degree of connectedness.

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 daily operations); (2) organization (corporate focus and collaboration among stakeholders); (3) knowledge management (contextualizing data and exposing it to key stakeholders); (4) technology (the selection of the appropriate tools and the effective deployment of those tools); and (5) performance management (the ability of the organization to measure its 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 4: The Competitive Framework

<table>
<thead>
<tr>
<th></th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to match invoices against the following:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Purchase Orders - 90%</td>
<td>Purchase Orders - 70%</td>
<td>Purchase Orders - 65%</td>
<td></td>
</tr>
<tr>
<td>• Receipt Documents - 82%</td>
<td>Receipt Documents - 63%</td>
<td>Receipt Documents - 57%</td>
<td></td>
</tr>
<tr>
<td>• Contracts - 74%</td>
<td>Contracts - 57%</td>
<td>Contracts - 35%</td>
<td></td>
</tr>
<tr>
<td>• Standardized invoice management processes across locations / units</td>
<td>77%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralized invoice management processes (single location or shared service center)</td>
<td>82%</td>
<td>68%</td>
<td>56%</td>
</tr>
<tr>
<td>Have implemented a moderate or strict &quot;No PO, No Pay&quot; policy</td>
<td>49%</td>
<td>32%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Knowledge</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete transaction audit histories available on demand</td>
<td>63%</td>
<td>51%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AP systems fully integrated with ERP or financials solutions</td>
<td>77%</td>
<td>51%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Fast Facts
√ Best-in-Class companies process invoices 296% faster than Laggards.
√ 38% more Best-in-Class companies can compare their invoices to purchases orders, as compared to Laggards.
<table>
<thead>
<tr>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of automated processes for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reminders - 46%</td>
<td>Reminders - 37%</td>
<td>Reminders - 23%</td>
</tr>
<tr>
<td>Exception Notifications - 45%</td>
<td>Exception Notifications - 33%</td>
<td>Exception Notifications - 23%</td>
</tr>
<tr>
<td>Extraction of header-level data - 38%</td>
<td>Extraction of header-level data - 38%</td>
<td>Extraction of header-level data - 25%</td>
</tr>
<tr>
<td>Extraction of line-level data - 38%</td>
<td>Extraction of line-level data - 38%</td>
<td>Extraction of line-level data - 15%</td>
</tr>
</tbody>
</table>

Performance

Use of dashboards summarizing current AP status and performance

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of dashboards summarizing current AP status and performance</td>
<td>42%</td>
<td>32%</td>
</tr>
<tr>
<td>AP performance measures monthly or more often</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012

**Capabilities and Enablers**

As shown in the Competitive Framework, Best-in-Class performance is closely correlated with specific process, organizational, knowledge management, technology, and performance-related capabilities. Some focus on internal operations, while others are oriented toward external collaboration. Excellence in both domains sets the Best-in-Class organization apart.

**Process**

Process capabilities focus on what organizations choose to do, and how they approach specific tasks. For approvals, evaluating invoice accuracy requires a method of comparison: purchase orders to determine what was ordered, at what price, and under what terms; receipt documentation to confirm what was actually received; and contracts to provide criteria for non-purchase order (PO)-based transactions. In all three categories, the Best-in-Class outpace lower-performing organizations in their ability to incorporate these documents into the process, and thus enable the required matching to ensure the accuracy of incoming invoices.

Best-in-Class organizations are also more likely to have standardized their processes across locations or business units. In a manual environment, this involves designing and disseminating a ‘playbook’ to guide AP tasks. Automated organizations can standardize by using a common set of business rules to guide how users interact with AP systems. Environments with system-enabled standardization have integrated enforcement, while manually-based organizations require ongoing monitoring (and after-the-fact review) to ensure accuracy.

**Organization**

Organizational capabilities are decisions made by individuals, teams, and departments on business structure and operational scope. A leading
organizational capability is centralization, whether within a corporate headquarters, shared service center, or regionally-consolidated location. Centralization is not required for all activities; the nature of a business may require invoice receipt or review by staff in the field. However, centralization can reduce duplicated operations, and eliminate—to a degree—the delays inherent in document-sharing between distributed locations.

Another Best-in-Class organizational capability is the adoption of "No PO, No Pay" policies. These policies call for the rejection of any incoming invoice that does not reference an existing purchase order. This requirement does not fit all situations, and enterprises have been flexible in their enforcement of these policies—with approaches ranging from loose rules akin to preferences, to strict requirements applied across the board. By adopting moderate-to-strict policies, the Best-in-Class have taken a leadership position—improving not only the availability of documents for the matching process, but also the conduct of the purchasing organization.

**Knowledge Management**

Knowledge Management capabilities are concerned with the recording and sharing of information within the enterprise. Best-in-Class organizations differentiate themselves by providing access to invoice transaction histories. As mentioned, policies are only valuable when followed and enforced, and enforcement requires review. Access to historical information helps top-performers evaluate staff adherence to policy, accuracy of invoice-related information, and error discovery. If this data is not available on-demand, staff must retrieve the digital (or physical) documentation necessary to reconstruct it. This capability is especially useful when conducting internal audits to identify areas of growing cost.

**Technology**

Technology capabilities are approaches to managing solutions and systems, and enabling technological functionalities. Two key technology capabilities are the automation of specific tasks, and the integration of disparate systems. Automation includes reminders (to bring attention to required steps not yet taken) and notification (to bring attention to exceptions that have occurred). Though these capabilities address different problems, both aim to keep the invoice review process on track.

Systems integration focuses on data accessibility. Invoices can arrive from multiple solutions, and purchase orders and contracts may reside outside core AP systems. Assembling all of this related information can be challenging. These difficulties are compounded in organizations that supporting multiple enterprise resource planning (ERP) implementations and separate financial solutions, which may vary by region, vendor, deployment model, etc. Best-in-Class companies are more likely to integrate systems, which can help alleviate these problems and allow them to focus on improving processes and consolidating relevant information.
Best-in-Class Technology Choices

Which solutions can provide the features and functionality used by the Best-in-Class? Figure 3, below, reviews a set of specific technologies with an eye toward how their current adoption levels differ between the Best-in-Class and lower-performing organizations. Beginning with electronic invoice submission, the Best-in-Class lead the way in adoption of multiple solution types: dedicated invoice networks, procurement networks capable of facilitating invoice transmission, and supplier portals to allow direct submission. Working through the approval process, these top-performers are more likely to employ an electronic workflow solution to guide invoices through all required steps based on predefined business rules. On the back-end, the Best-in-Class are also more likely than others to have technology in place to store invoices, and to leverage invoice information for further analysis (driving value back through the organization by supporting AP’s procurement colleagues with valuable spend-related data). In all these examples, technology is not the sole answer— but combined with the other capabilities discussed in this chapter, technology supports Best-in-Class efforts to improve AP performance.

Figure 3: AP Technology Choices of the Best-in-Class

Performance Management

Performance Management capabilities are approaches to tracking and managing operational efficiency. The two main elements to review are: how often is performance measured, and how are performance measurements presented to management. Best-in-Class and Industry Average organizations outpace Laggards by measuring AP performance on at least a monthly basis. Real-time updates on cost-per-invoice or invoices-per-full-time-equivalent (FTE) labor metrics may not be necessary, but performance appraisals with a quarterly or yearly lag time make iterative refinements of AP processes difficult.
Dashboards help when reviewing current AP operations, by providing a user-friendly graphical representation of the statistics contained in traditional reporting. These solutions emphasize the usability of management information: even the best data’s power is reduced if it is difficult to consume or interpret. Best-in-Class organizations have been quicker to appreciate this fact than their lower-performing peers.

### Aberdeen Insights — Technology

The value of a networked economy depends on connections between trading partners, and on the ability to leverage those connections to collaborate and create value. Collaborative technologies, then, are vital to such an economy. Figure 4 illustrates how Best-in-Class companies are more likely to adopt collaboration technologies—both between internal functional groups and with external partners. While these companies are leading the way, they still have room for improvement: over 70% of even Best-in-Class companies lack an internal collaboration tool, and 84% lack a tool for resolving supplier invoice disputes. The AP world is still paper-based, but these technologies provide insight into how invoice management will evolve in the years to come.

**Figure 4: Best-in-Class Use of Collaborative Technologies**

<table>
<thead>
<tr>
<th></th>
<th>Best-in-Class</th>
<th>Industry Average</th>
<th>Laggard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal collaboration tool for information sharing with purchasing, finance, etc.</td>
<td>29%</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>Online supplier collaboration tool for invoice dispute resolution</td>
<td>16%</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012

Continued
Figure 5 illustrates the growth potential for some emerging accounts payable technologies. Many companies are interested in implementing both internal and external collaboration tools. There is also strong interest in using mobile technologies (such as tablets or smartphones) for a range of applications, including enabling the approval process, providing visibility via dashboards, and capturing goods receipts and signatures. Respondents are also interested in moving information technology (IT) outside the enterprise, using externally-hosted solutions and cloud-based portals. The pace of change in AP can be slow, but as these new technologies become available, and companies get interested in using them to drive future AP improvement, the journey toward a true networked economy seems underway.

### Figure 5: Future Plans for Emerging AP Technologies

<table>
<thead>
<tr>
<th>Technology</th>
<th>Currently Have</th>
<th>Plan to Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal collaboration tool for information sharing with purchasing, finance, etc.</td>
<td>18%</td>
<td>38%</td>
</tr>
<tr>
<td>Externally-hosted scanning / data capture solution</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>Invoice review and approval from a mobile device</td>
<td>9%</td>
<td>35%</td>
</tr>
<tr>
<td>Online supplier collaboration tool for invoice dispute resolution</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>Cloud-based electronic invoicing portal</td>
<td>7%</td>
<td>29%</td>
</tr>
<tr>
<td>AP dashboard or performance monitoring via mobile device</td>
<td>6%</td>
<td>29%</td>
</tr>
<tr>
<td>Goods receipt and signatures captured via mobile device</td>
<td>4%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012
Chapter Three: Required Actions

Whether a company is trying to move its invoice management performance from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements.

Laggard Steps to Success

- **Increase the frequency of AP performance measurement.** It will be difficult to determine what policies are working — or creating difficulty — if their impacts are judged on a quarterly, annual, or ad hoc basis. Frequent assessment is critical. Companies that measure performance monthly or more often are far more successful in achieving their days payable outstanding (DPO) targets than companies with infrequent monitoring, reporting a variance of only 0.9% (0.3 days off of a 34.6 day target) versus 17.5% (5.6 days off a 32 day target).

- **Enable dashboards as another method of performance monitoring.** Improvement does not require measuring every conceivable metric. Well-designed dashboards can simplify the situation, focusing on a few key metrics, and allowing lower information intensity to drive more frequent updates. Companies using dashboards to monitor performance boast a 23% advantage in available discount capture (59% versus 48%, on average).

- **Implement some variety of "No PO, No Pay" policy** to begin the path to accuracy. Invoice processing is not just about paying bills — it is about paying the right amount, for the right products and/or services, under the right terms. Without a purchase order to match, incoming invoices lack a key component of accuracy evaluation. Companies that have a moderate or strict policy report higher PO-based invoice volumes (77% versus 55%) along with a 30% faster invoice processing cycle time (6.4 days versus 9.2 days).

Industry Average Steps to Success

- **Continue standardizing AP invoice management processes.** It may not make headlines, but standardization yields repeatable processes, and eases the difficulty of identifying root causes of the errors that do occur. Companies that have standardized their processes report invoice cycle-times 46% faster than those of others (6.1 days versus 11.3 days).

- **Integrate invoice-to-PO matching into the invoice approval process.** Building on the discussion of "No PO, No Pay" policies, having these documents in place offers a great opportunity — but without the related capability of integrating them into the invoice approval process, that opportunity is lost. Companies that match...
invoices to purchase orders report advantages in both processing speed (6.1 days versus 8.9 days), and processing cost ($6.96 versus $7.59) over those that do not.

- **Integrate existing and new AP solutions with ERP and financial applications.** Intelligently-chosen and properly-implemented technologies can go a long way toward improving AP efficiency, but unless a single technology handles the full procure-to-pay process, integration will be necessary. Companies that have connected their AP and ERP / financials solutions report straight-through processing (STP) volumes over twice that of other companies (24% versus 11% of overall invoice volumes).

### Best-in-Class Steps to Success

- **Work with suppliers to increase traditional discounting opportunities.** Companies with efficient invoice approval processes are positioned to capitalize on early payment discounts, but the full potential of this level of performance will be missed if there are no discounts available to drive further savings. Even Best-in-Class companies have only negotiated discounts with one-quarter of their suppliers, covering 26% of their total invoice volume.

- **Establish a dynamic discounting program to further expand savings potential.** Only one-in-five (22%) Best-in-Class companies have a dynamic discounting program. As highlighted in Chapter One, companies with these programs see higher volumes of available discounts, higher rates of discount capture, and higher average returns on cash used for discounts than those relying on traditional discount terms.

- **Expand existing automation with elements such as reminders and data extraction.** For some, this step requires simply using existing functionality; for others, it requires incremental additions. But for all, these features can offer further efficiencies and savings. Companies that have implemented automated reminders to keep staff on task report processing times 19% faster than others (7.2 days versus 8.9 days), while those that have automated data extraction report straight-through processing rates that are three-times as high as others (33% versus 11% for header-level extraction, and 35% versus 12% for line-level extraction).
A networked economy focuses on interconnections between groups of trading partners. These connections bring the potential for collaboration, and with collaboration the ability to tailor financial decisions based on long-term buyer-supplier relationships. Accounts payable is a great starting point for this discussion. The working capital flexibility provided by collaborative dynamic discounting programs and emerging supply chain finance solutions all begin with efficient invoice management. Without well-designed invoice management processes, those opportunities would not be available—and the ability of AP to move from a tactical function to a strategic contributor will remain unrealized. These themes will be explored further throughout 2012, with additional studies looking at the implications of technology advances for financial operations, and future integrations between enterprises' interlinked financial supply chains.
Appendix A: Research Methodology

Between March and April 2012, Aberdeen examined the use, the experiences, and the intentions of more than 180 enterprises processing invoices in a diverse set of environments.

Responding enterprises included the following:

- **Job title**: The research sample included respondents with the following job titles: C-Level / President (21%); Treasurer / Controller / EVP / SVP / VP (21%); Director (14%); Manager (27%); and other (17%).

- **Department / function**: The research sample included respondents from the following departments or functions: finance / administration (45%); procurement / purchasing (19%); corporate management (10%); and other (26%).

- **Industry**: The research sample included respondents from a variety of industries, including: education (8%); financial services (8%); IT consulting (8%); transportation / logistics (8%); software (7%); healthcare devices (6%); construction / architecture (5%); and healthcare services (5%).

- **Geography**: The majority of respondents (73%) were from North America. Remaining respondents were from Europe (13%), Asia-Pacific (11%) and other geographies (3%).

- **Company size**: Twenty-eight percent (28%) of respondents were from large enterprises (annual revenues above US $1 billion); 31% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 41% of respondents were from small businesses (annual revenues of $50 million or less).

- **Headcount**: Forty-four percent (44%) of respondents were from large enterprises (headcount greater than 1,000 employees); 26% were from midsize enterprises (headcount between 101 and 1,000 employees); and 30% of respondents were from small businesses (headcount between 1 and 100 employees).

### Study Focus

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

- The degree to which invoice-related technologies are deployed in their operations and the financial implications of the technology
- The structure and effectiveness of existing AP improvement initiatives
- Current and planned use of invoice-related technologies to speed processing and lower cost
- The benefits, if any, that have been derived from AP improvement initiatives

The study aimed to identify best practices for invoice management across industries, and to provide a framework by which readers could assess their own capabilities.

"The recent roll out of a P-Card program has aided in our efforts by taking the rebates earned to reinvest in technology for the department."

~ Finance Manage, North American Logistics Provider
Table 5: The PACE Framework Key

<table>
<thead>
<tr>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>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:</td>
</tr>
<tr>
<td><strong>Pressures</strong> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</td>
</tr>
<tr>
<td><strong>Actions</strong> — 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)</td>
</tr>
<tr>
<td><strong>Capabilities</strong> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)</td>
</tr>
<tr>
<td><strong>Enablers</strong> — 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)</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012

Table 6: The Competitive Framework Key

<table>
<thead>
<tr>
<th>Overview</th>
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<tbody>
<tr>
<td>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</td>
</tr>
<tr>
<td><strong>Best-in-Class (20%)</strong> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</td>
</tr>
<tr>
<td><strong>Industry Average (50%)</strong> — Practices that represent the average or norm, and result in average industry performance.</td>
</tr>
<tr>
<td><strong>Laggards (30%)</strong> — Practices that are significantly behind the average of the industry, and result in below average performance.</td>
</tr>
</tbody>
</table>

In the following categories: |
| **Process** — What is the scope of process standardization? What is the efficiency and effectiveness of this process? |
| **Organization** — How is your company currently organized to manage and optimize this particular process? |
| **Knowledge** — What visibility do you have into key data and intelligence required to manage this process? |
| **Technology** — What level of automation have you used to support this process? How is this automation integrated and aligned? |
| **Performance** — What do you measure? How frequently? What’s your actual performance? |

Source: Aberdeen Group, April 2012

Table 7: The Relationship Between PACE and the Competitive Framework

<table>
<thead>
<tr>
<th>PACE and the Competitive Framework – How They Interact</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, April 2012
Appendix B: Related Aberdeen Research

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

- **Optimizing Your Payables and Receivables**: March 2012
- **Common Concerns and Shared Strategies: AP and AR Lessons from the Best-in-Class**: February 2012
- **Cloud Invoice Management and the SMB**: January 2012
- **E-Payables 2011: Efficiency, Visibility, and Collaboration in the Financial Supply Chain**: September 2011
- **Liquidity Management: Leveraging Technology to Improve Cash Forecasting**: September 2011
- **Invoicing and Workflow: Integrating Process Automation to Enhance Operational Performance**: May 2011

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

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For additional information on Syncada from Visa:

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