The Straight-Shooting Guide To Straight Through Processing
If you’re looking for a way to process more invoices without increasing labor costs, Straight Through Processing (STP) could be the answer. But it’s not right for every AP department. This overview and tip sheet highlight the key points every AP department needs to consider when making a decision about this cost- and labor-saving solution.

**STP: WHAT IS IT?**

STP allows AP departments to process invoices without any manual intervention. For instance, an invoice uploaded to the system might be matched to its purchase order and receipt documents automatically, and paid according to the most advantageous terms, without a single staff member having to look at it.

**BENEFITS: STP AT ITS BEST**

When STP is used to its full advantage, it benefits your AP department by:

- **Reducing costs.** By allowing for hands-off processing, you can save significantly on the costs of staffing your department.

- **Capitalizing on discounts.** Processing invoices automatically means shorter processing times and a greater likelihood that you’ll see optimal payment discounts.

- **Solving problems faster.** With less staff time devoted to simple, manual, and repetitive tasks, you’ll be able to identify and resolve exceptions faster, instead of allowing them to pile up.

- **Using staff more efficiently.** With fewer housekeeping duties, staff can be redeployed to higher-value activities such as reporting, fraud monitoring, supplier relations, and cost-saving initiatives.

**GETTING THE MOST OUT OF STP**

When used to the best advantage, STP’s benefits are clear. But to get the most out of this automated solution, companies need to:

- **Eliminate or significantly reduce paper invoices.** When companies put an STP solution in place, but continue to process a high percentage of paper...
invoices, they don’t see the full benefit in terms of cost- and time-savings.

**Make sure your invoice types suit an STP solution.** Some types of invoices are better suited to an STP environment such as three way matching or recurring invoices. If a large proportion of your invoices require multi-level approval, your ROI won’t be as high with STP.

**Define invoice processing and payment requirements.** STP works best when clearly defined business rules and thresholds are established. This facilitates a high volume of automated approvals while enabling manual intervention for any exceptions.

**IS STP RIGHT FOR YOUR AP DEPARTMENT?**

Your company is likely to benefit from an investment in STP if:

- **You process a high volume of three way match invoices or recurring payments.** PO invoices or predictable and regularly recurring transactions are ideal for STP. If your invoices are less predictable and more prone to fluctuation, it can be harder to set business rules that cover a wider range of transactions.

- **You process a high volume of invoices for small amounts.** If you process invoices for small dollar amounts regularly, STP is ideal for automating the processing and payment, and saving on the associated costs. If processing costs are more than 20 percent of the invoice value, you may see a significant ROI by switching to automated processing and approvals.

- **You have long-standing, trusted relationships with suppliers.** STP is a good choice for companies that maintain good relationships with suppliers they trust. If suppliers have historically submitted invoices with a low incidence of exceptions, these transactions will be good candidates for an STP solution.

- **You maintain strong communications with suppliers.** STP will have a much higher success rate if you are a company that is able to communicate effectively with suppliers to encourage the submission of invoices containing complete and accurate information. A high incidence of exceptions will undermine the cost- and time-savings possible in a smooth-running STP environment.

- **You establish clear business rules.** Taking time to establish clear business rules and thresholds is critical to STP success. Your STP provider will work with you to configure your system according to the logic and parameters that suit your business environment.

- **You have an audit system.** If you have, or are willing to invest in, an audit system that checks transactions to identify duplicate or fraudulent items, you are much more likely to see significant value from your STP system. Your audit process should also allow for periodic, random audits of
paid invoices to ensure that few invoices are falling through cracks in the system.

**WHICH TECHNOLOGY SHOULD YOU CHOOSE?**

For businesses considering an STP solution, there are a few options that you will need to consider for both the invoice input and application of business rules and workflows:

**Scanning and OCR.** This is a viable option for organizations that process paper-based transactions other than Accounts Payable or that have already invested in scanning and OCR technology. These technologies allow for the digitization and capture of critical invoice data from inbound paper or e-mail invoices. This approach requires labor to perform the scanning of paper invoices and validation of the captured data and therefore, is not the best option for organizations trying to achieve high levels of STP. The best practice with this scenario is to select a provider that performs the scanning and data collection as a service to eliminate these touch points.

**Electronic invoicing.** This option is the right choice for companies wishing to move towards total invoice virtualization. With an electronic invoicing solution, invoices are received in digital form either through a supplier portal or through an e-invoicing network and are automatically validated at the point of submission. Suppliers are immediately notified of any discrepancies by the system, and correct them before the invoice reaches the AP department. For most organizations a combination of electronic invoicing and outsourced capture will allow for invoice input without requiring any internal touch points.

**STP TECHNOLOGIES**

**Invoice automation or workflow solutions.** These solutions are configured outside of the ERP system to perform the business rules analysis, three way matching, and workflow on inbound invoices. The data for this process is configured and input directly into the solution, imported from an ERP/accounting system(s), or in most cases both scenarios will be utilized. Any exceptions that occur during this process can be sent to business users outside of the ERP/accounting system for resolution without requiring ERP access to do so. These solutions are designed to perform this process, are feature rich, and are easily configured by finance with no/minimal support from IT. This allows for finance to make changes to the business rules, thresholds and workflows without requiring a programmer or developer.
**ERP systems.** Market-leading ERP systems have varying levels of STP capabilities as options to their platforms. The configuration and management of the business rules typically requires a specialized developer and/or programmer and cannot be modified or managed by finance. Business rules and workflows change on a regular basis for many organizations making this option the most difficult and expensive to manage. As AP is usually the last one to receive ERP resource time, it can also be frustrating for finance to wait for resource availability.

**Hybrid systems.** Many organizations today are utilizing a hybrid system consisting of an invoice automation solution and ERP system. This allows for organizations to leverage their existing investment in their ERP system and any workflows/business rules that are already in place while augmenting it with the flexibility of an invoice automation solution.

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**About Corcentric**

Corcentric is a leader in financial process automation, specializing in Accounts Payable automation, PO requisitioning and imaging, and workflow solutions. More than 3,000 companies rely on Corcentric to automate their business commerce needs. To learn more call 888.525.7677 or visit [corcentric.com](http://corcentric.com).