

2015 Invoice Workflow Automation Report

Exploring the Efficiency and Value of Invoice Workflow Automation (IWA) Technology

Q4 2015 | Featuring insights on...

- » Current Market Trends in IWA Software Usage
- » Benefits of IWA Software
- » Functionalities of IWA Software
- » A Leading IWA Solution Provider

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Introduction

A fundamental challenge for the Accounts Payable (AP) professional is managing the lifecycle of supplier invoices in a way that is both secure enough to ensure compliance and fast enough to increase savings and promote good supplier relationships. Manual invoice processing rarely affords the opportunity to meet these goals—instead, it results in high processing costs, lost and error-ridden documents, late payments, and dissatisfaction from both external (suppliers) and internal (administration) parties.

With invoice workflow automation (IWA) solutions, AP departments can combat and greatly reduce inefficiency. IWA software's secure, transparent, holistic functionality fills in the gaps left by manual procedures. These solutions do not only reduce processing times and lost or duplicate invoices; they also increase organizations' ability to capture early payment discounts and reallocate AP staff to more strategic tasks.

PayStream Advisors' research shows that IWA is one of the most important tools for back-office efficiency, as it consistently provides substantial ROI. This 2015 Invoice Workflow Automation Technology Insight report offers a summary of PayStream's latest market research related to IWA usage trends, and highlights the most recent developments in IWA functionality.

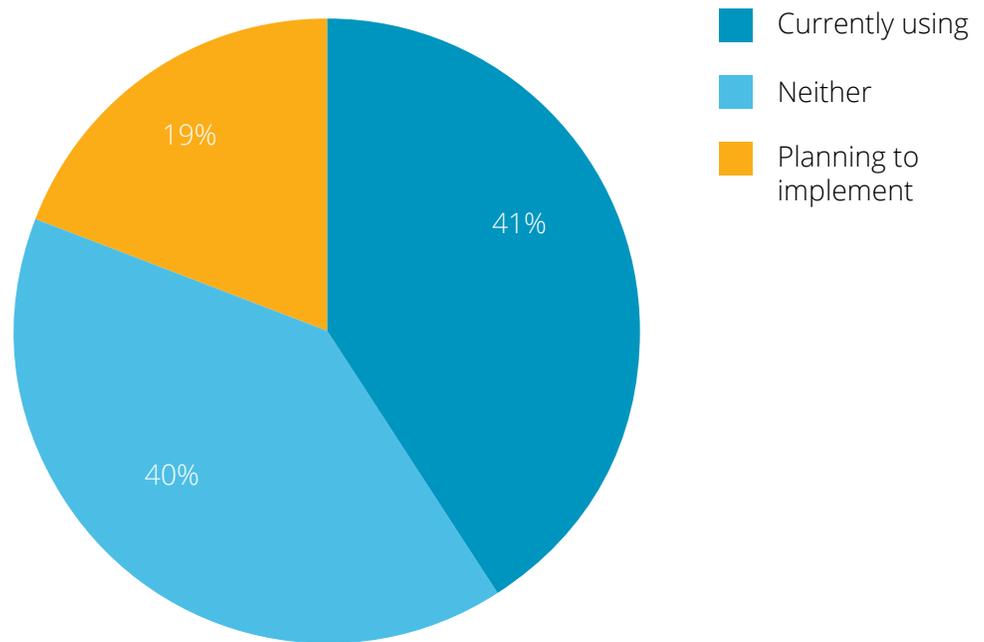
IWA Today

PayStream Advisors surveyed over 200 individuals employed in many different industries, compiling data reflecting current attitudes towards and usage of invoice automation software. According to research results, 41 percent of organizations are currently using an invoice workflow solution, while 19 percent reported that they are planning on implementing a workflow solution in the next year, see Figure 1.

Figure 1

More Than Half of Organizations Are Using or Have Plans to Implement an IWA Solution

“Are you currently using or planning to implement an automated workflow solution in the next 12 months?”

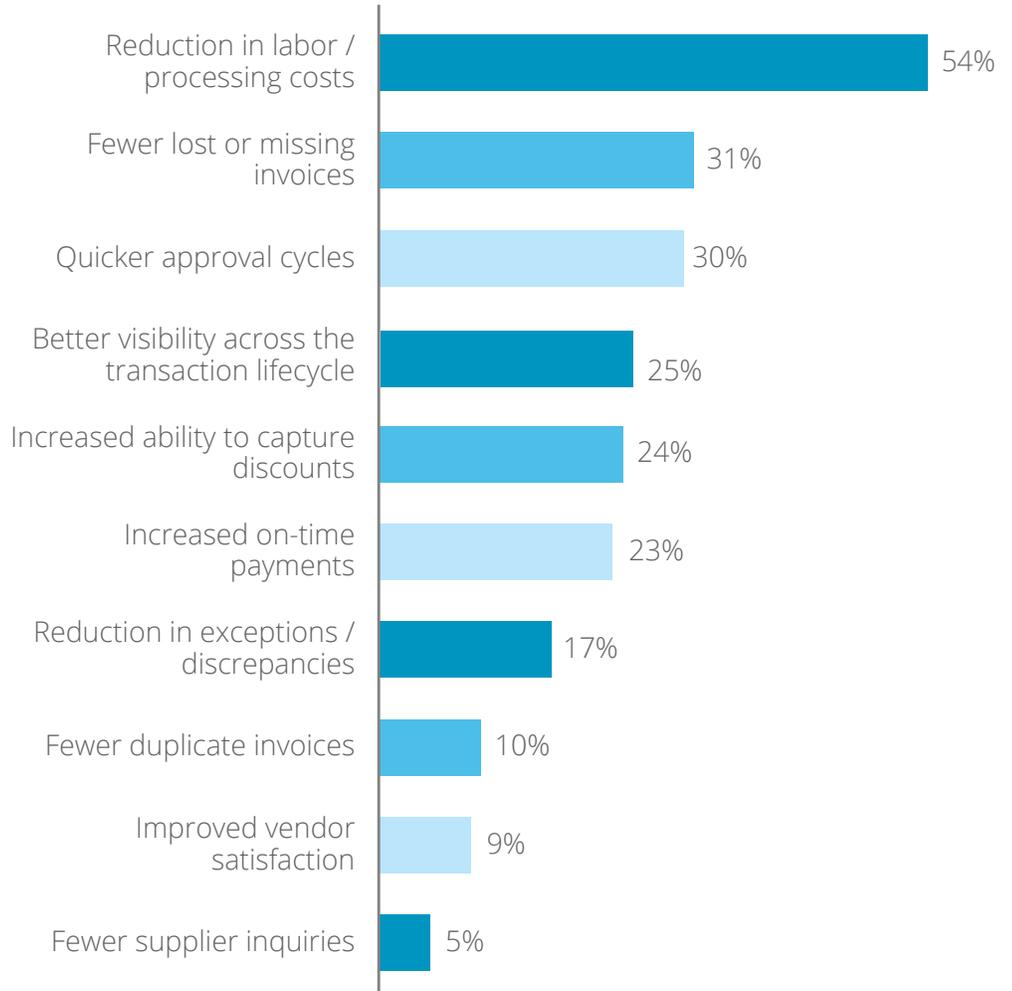


There are many common factors that drive organizations away from manual invoice management. When asked why they are planning to automate, most organizations reported that they hope to reduce costs, reduce lost or missing invoices, and/or save time in the invoice approval process, see Figure 2.

Figure 2

Cost, Process, and Time Control Are Great Concerns for Many Organizations

“What factors are driving your organization to consider an electronic invoicing solution?”



Invoice workflow automation goes a long way in controlling issues of time, accuracy, and cost—especially when considering the fully-loaded processing cost per invoice. This amount, which includes spend for AP staff salaries, managerial overhead, facilities, and IT support, can vary greatly depending on the level of automation in the AP department. According to data gathered from PayStream Advisors’ consulting engagements and benchmarking groups, the average fully-loaded cost with manual invoice processing is \$40.70 per invoice. With an IWA solution, AP departments can potentially reduce their fully-loaded cost per invoice substantially.

It is important to note that most organizations (84 percent of those surveyed) do not track their invoice processing costs, which prevents them from properly identifying and correcting process inefficiencies. Invoice workflow solutions track invoice movement as well as costs,

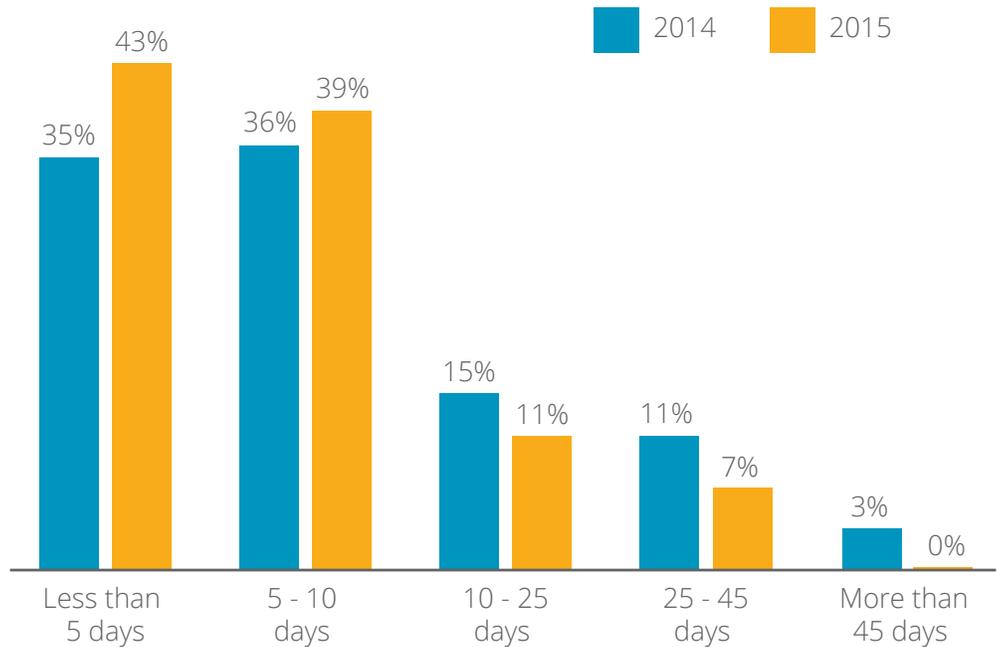
granting organizations more control—and the ability to fine-tune, strengthen, and shorten the workflow process.

Research shows that most organizations (43 percent) are able to process their invoices in under five days, while 39 percent process them in five to ten days, see Figure 3. However, 11 percent report an approval process between ten and twenty-five days. Fortunately, research results show an overall reduction in approval times when compared to last year's data, and PayStream expects this trend to continue as IWA adoption grows in the market. More organizations are recognizing the potential of IWA software to shift an organization from a 45-day approval process to same-day approvals.

Figure 3

Approval Times Have Shortened Between 2014 and 2015

"On average, how long does it take your organization to approve an invoice from the time it is received?"



The IWA Universe

Because businesses' infrastructures can be complex and require careful management, the functionalities of invoice workflow automation technology are by no means simple tools. An IWA solution is designed to adapt precisely to existing business structures, diverse supplier bases, and complicated approval hierarchies. In order to meet these requirements, the software must be highly advanced, customizable, and versatile—from beginning to end of the invoice lifecycle. This section highlights the basic and leading features in advanced IWA solutions.

Invoice Receipt

Before an approval workflow solution can operate successfully, invoices must be entered into the organization's system in an efficient, timely, and accurate manner. There are two primary ways to input invoices electronically into a workflow system—through the use of a scanning and OCR data capture process or an eInvoicing network.

OCR Data Capture: Optical Character Recognition (OCR) is the electronic conversion of scanned images or text to a machine-encoded document. OCR extracts the relevant data from scanned paper or PDF invoices and sends it through validation and routing. OCR technology can be used in several invoice receipt methods, including mailroom services, email extraction, and online portals.

After invoice data is extracted, the OCR-converted documents are verified against a set of validation rules; the solution compares specific fields against the information held in the appropriate back-end system (e.g., purchase order numbers against the purchasing system). Validation technology is a second round of checks and balances for invoice consistency and compliance—after the initial capture of data, it re-affirms the integrity of business documents before they are assimilated into the main workflow system.

The use of an advanced OCR technology ensures a high level of precision, consistency, and compliance. Advanced OCR technology provides capture capabilities that have excellent pass-through rates when scanning paper documents, and some technologies are able to extract data from the subject and body of emails rather than only

the attachments. In all, the more advanced the OCR software, the more streamlined the routing process becomes down the line.

eInvoicing: The electronic submission of invoices eliminates all manual data entry by the buyer. There are three methods of electronic invoicing:

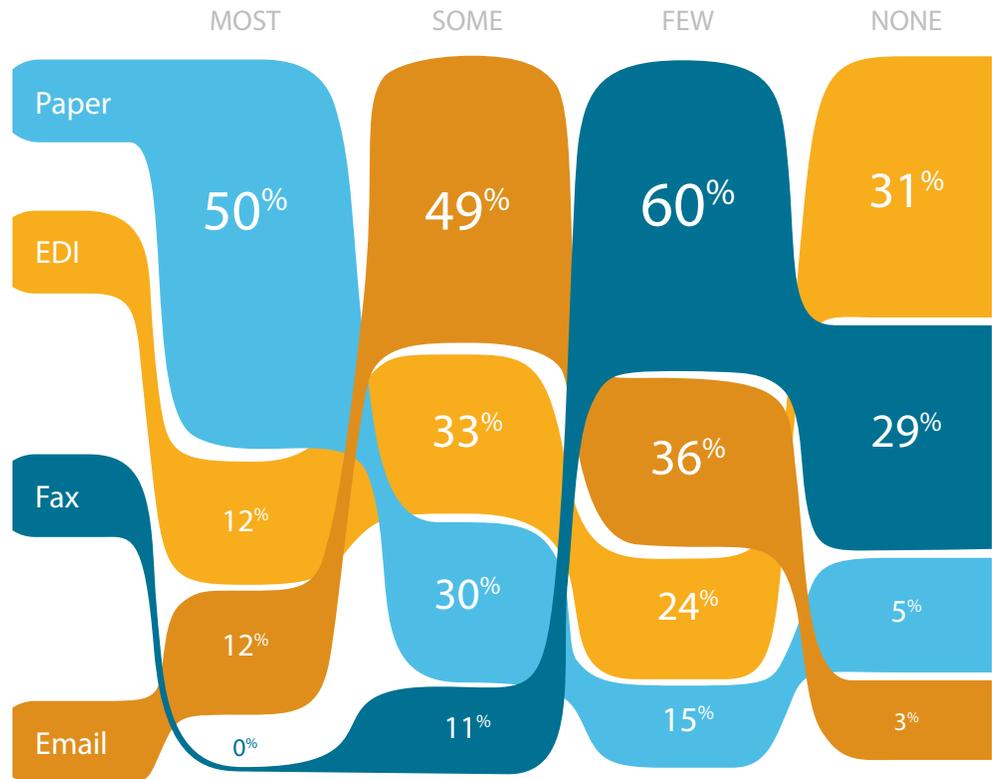
1. Traditional direct integration with the supplier's back-end AR system, typically done via Electronic Data Interchange (EDI) or XML files.
2. Online fillable forms (usually as part of a supplier portal), which ensure that a uniform invoice is submitted every time
3. A print-to-cloud solution that validates PDF elements instantly and notifies suppliers in real time that their invoice is missing necessary elements.

Advanced eInvoicing solutions are free for suppliers, and many feature advanced global capabilities for complex invoice requirements in Europe, Asia, and Latin America. The greatest advantage of eInvoicing is the ability to send invoices straight to the approver and then straight to payment (i.e., straight-through processing).

Invoices can be put into the approval workflow system using either of the above methods, but organizations need not choose only one. PayStream has found that most companies receive their invoices in a wide range of invoice formats, see Figure 4. Therefore, the most effective way to efficiently input invoices into a workflow system is to employ a strategic mix of electronic invoice receipt methods.

Figure 4
Organizations Receive Invoices in a Wide Range of Formats

“What amount of invoices does your organization receive in the following formats?”



Matching and Routing

Workflow solutions enable AP departments to define how different types of invoices are processed. Invoice matching and routing involves linking invoices to POs and other receiving documents, then sending them through the appropriate approval chain based on terms identified within the invoice (such as PO number). PO-based invoices can be matched against the purchase order and receipt documents automatically, while non-PO invoices are routed to the appropriate approvers.

All invoices are routed based on predefined business rules, and user roles and access rights can be set to match the organization’s existing approval hierarchy. Many solutions give client administrators control over individual user access rights. Administrators can then delegate the types of approvals for each employee, their level of visibility, and their authorized dollar thresholds.

Advanced technologies provide field-level matching, meaning that they match specific characters in invoice line items with their counterparts in POs. Some solutions create notifications or workflows driven by fields with invalid or missing data, and some feature the ability to dictate workflows for non-PO invoices based on invoice contents. Users may also assign non-PO invoices to specific categories within the general ledger, and advanced solutions allow specific line items to be assigned to multiple cost centers or multiple POs.

The accuracy of some rules-based matching engines, in combination with eInvoicing, allows many companies to automatically pay invoices that meet all validation rules shortly after receipt, letting AP staff focus only on exceptions. This pass-through feature can be used for low-value or recurring invoices (such as utility bills).

Invoices that fail validation and matching undergo a pre-established workflow and routing procedure, also called exception management. Invoice exceptions could be a discrepancy between an invoice and a PO or missing information such as PO number, approver's name, or location code. The exception management process lets users re-route invoices and fix errors by viewing the original invoice to identify handwritten, printer, or OCR errors. Advanced exception management software allows for the creation of custom workflows depending on the type of exception present. These solutions also enable users to set thresholds for non-PO invoices to identify potential errors or fraud, such as an invoice for snowplow services in July. In addition, many systems put the responsibility of exception and discrepancy resolution back on suppliers, returning the document to them for correction before allowing it to enter the main workflow system.

Approval

Once invoices have been validated, matched, and routed into the appropriate queue, a variety of approval workflow capabilities ensure that they are approved in a timely manner. Most invoice workflow solutions are highly configurable; they are built to adapt to an organization's existing approval hierarchies and even enable more complex routing (e.g., between different departments and cost centers). During and after initial setup of a solution, organizations can easily adjust workflows according to their own business rules, legal requirements, and the invoice type, amount, or other content. Advanced solutions facilitate this customization through visual workflow editors with detailed process flows and drag-and-drop functionality.

When invoices require review, approvers can typically be notified via email or mobile alerts. Most solutions come bundled with alerts and reminders for approvers, out-of-office delegation rules, and escalation procedures for overdue invoices. Prioritization capabilities allow organizations to move invoices with discounts to the top of the processing queue, ensuring that they are approved in a timely manner. In addition, some solutions feature workload-balancing features that redistribute the invoices in an approver's queue to different employees if that approver's workload exceeds a certain number of invoices.

AP interfaces make approvals easier and more transparent. Dashboards allow users to navigate in-progress invoices, providing complete histories of the documents. Supervisors can track the status of individual invoices or approvers, reorganize and prioritize unapproved invoices, and access audit trails at any time.

Some solutions offer approval capability directly from within emailed notifications; in other situations, users can click on the hyperlink contained in the email and log onto a system to view, code, and approve invoices online. Many solutions also offer mobile approval capability through native apps. Offering multiple methods for approval keeps invoices moving through the system when approvers are on the go.

Payment and Reconciliation

After an invoice has been approved, it is sent forward to payment. Basic solutions create a payment file that goes to the ERP (which then initiates payment or sends a message to AP). These solutions also facilitate the input of ACH information and integration with back-end AR systems.

To complete the invoice lifecycle, leading solution providers offer an in-house or partner-provided electronic payments solution. For advanced solutions, this entails integration with virtual card solutions and active supplier onboarding services. Some solution providers even cut checks on behalf of the buyer if they fail to onboard suppliers to virtual cards or ACH.

Some IWA providers offer a web-pay portal for vendors to log in and view invoice and payment transaction status in real time. These portals can also support different payment types and delivery format of remittance information based on supplier preferences.

IWA Extras

A leading benefit of IWA solutions lies in the efficiency they bring to many other AP activities. The three main areas that become more efficient with invoice automation are working capital management, supplier management, and spend management.

Working Capital Management

With the proper capture and automated workflow solution, a large volume of invoices—along with their discount and penalty information—can be entered into the AP system within hours of their receipt, then approved and processed in time to capture all discount opportunities. Leading workflow solutions give organizations access to additional working capital management tools such as dynamic discounting, supply chain financing, and virtual card accounts (and other electronic payments). These tools all increase companies' savings and bottom line, either through sliding scale discounts, third-party financing, or payment rebates. Moreover, working capital management tools benefit the supplier through quick invoice payments, thus improving business relationships.

Supplier Management

Most invoice automation solutions, especially those with an eInvoicing offering, provide a vendor portal with supplier self-service capabilities that speed up and streamline invoice processing. These portals also facilitate better supplier-buyer communication and dispute resolution.

Basic supplier portals allow suppliers to upload invoices, check on the status of invoices, and communicate with buyers about exceptions and errors. Advanced solutions permit buyers to create custom business rules at the point of supplier portal invoice upload. These rules create instant error notifications and allow PO flip from within the portal. Solution leaders also enable suppliers to input payment preferences, upload payment information, and verify payment information in real time.

Spend Management

Most IWA solutions combine process transparency with robust reporting and analytics tools, greatly improving an organization's ability to audit, analyze, and improve procedures. Basic generated reports can be exported to a spreadsheet tool, and include first-pass success rates, exception rates, and open invoices for any defined period of time. Advanced solutions feature internal benchmarking, allowing users to review how their organization compares to other end-users of the solution. Leading solutions also offer a drag-and-drop functionality and exceptional drilldown capabilities from within a reporting dashboard.

Many IWA systems additionally offer sophisticated invoice and payment audit technologies. Audit solutions can integrate seamlessly with numerous accounting applications, and can flag potential duplicates. Clients have the option of configuring the business logic that will be applied to identify erroneous payments, and the solutions generate reports on a periodic basis highlighting potential payment errors for resolution.

IWA Adoption Best Practices

Invoice workflow solutions are among the most cost-effective and efficient financial process automation tools in the market today. However, there is a great number of IWA solutions available in the market, and choosing the right one can be a daunting task. The following best practices are useful for organizations that want to select the most suitable and value-enhancing solution.

- **Cloud Vs. ERP Software:** Today's AP professionals are very familiar with the capabilities of common ERP systems like SAP, Oracle, and Microsoft Dynamics. If the professional's organization relies on the ERP for its native invoice automation software, they are also well-acquainted with the inefficiencies of ERP-native IWA applications.

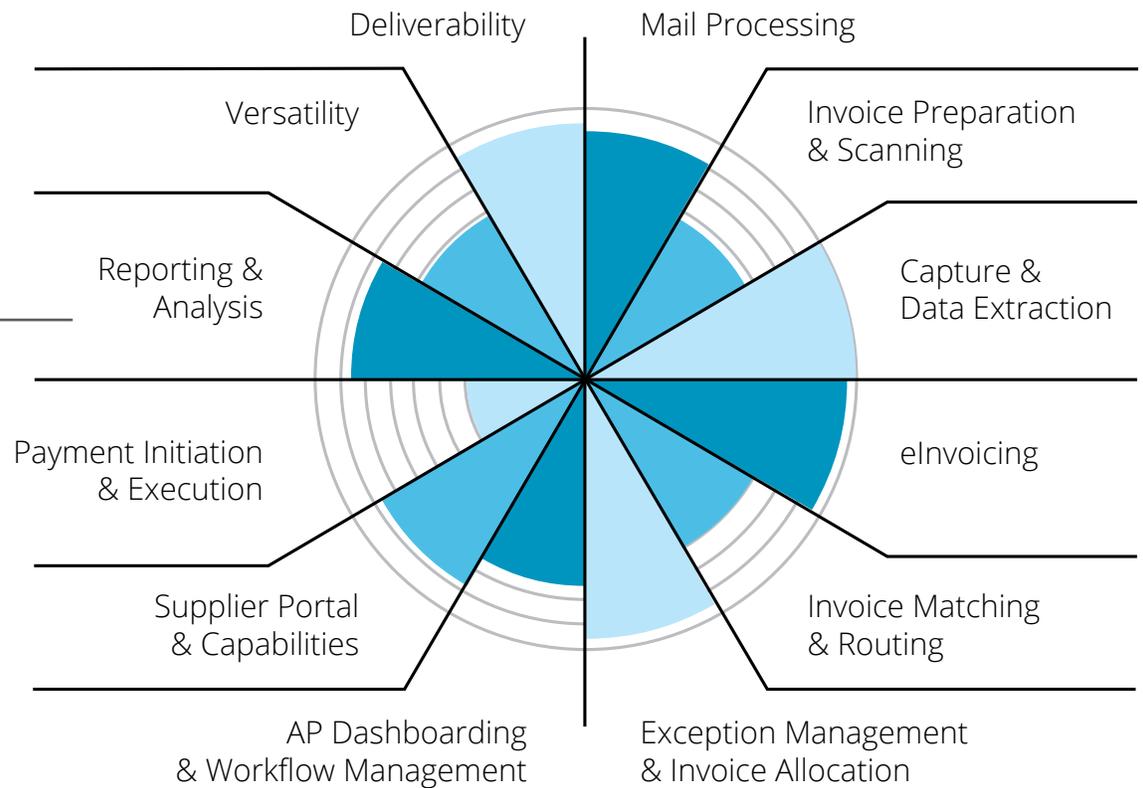
PayStream's research indicates that IWA solutions offered by ERP providers function much less efficiently than cloud-based, bolt-on solutions. When selecting an IWA solution, organizations that are heavily dependent on their ERP's applications should evaluate cloud-based offerings' abilities to integrate with their ERP. Leveraging a combination of appropriate, cloud-based solutions in conjunction with existing ERP processes can greatly improve organizations' invoice management.

- **Metrics:** One way to select an appropriate solution is to evaluate current invoice metrics, such as processing times and costs, supplier information, or business structures. When an organization fully understands its own unique business requirements, it is able to make a more secure buying decision. PayStream offers a variety of process measurement tools to help organizations identify areas for AP improvement and determine which solutions would best fit their needs. Appropriate tools for IWA solution selection include the Cost Per Invoice (CPI) Calculator and the Perfect Payment Index.
- **Invoice Automation Navigator:** Another effective selection strategy is to use PayStream Advisors' Invoice Automation Navigator (available in the [2015 Invoice Automation Navigator report](#)). This unbiased evaluation and scoring model was developed to promote and assist in a careful, informed solution selection process. The model scores AP automation solutions in twelve different categories on a scale of one to ten. Ten of the categories are a measure of functionality, while two categories— Versatility and Deliverability—

focus on solution breadth and customer experience. The visual representation of the Navigator is similar to a radar chart—the higher the score in a category, the closer to the outer ring the corresponding wedge will be, see Figure 5.

Figure 5

The Navigator Model



- Peer Benchmarking:** Beyond the use of online tools and analytical reports, organizations can also learn about technology adoption from their peers. Attendees of PayStream Advisors' yearly learning conference, INNOVATE, are able to hear from leading organizations that have already overhauled their manual AP processes with automation. The focus of 2015's INNOVATE, held in New Orleans, Louisiana, will be on creating more cost and time efficient AP practices in changing economic and business environments. For more information, [click here](#).

The aforementioned adoption best practices not only promote a better purchasing decision—they also increase the possibility of timely and substantial ROI for organizations. With this in mind, PayStream invites readers to explore the following solution profile of a leading IWA provider.

Corcentric

Founded in 1998, Corcentric delivers accounts payable imaging and workflow automation solutions. Corcentric's accounts payable automation solution, COR360, incorporates best practices, multiple invoice receipt and capture capabilities, configurable workflows, automated invoice matching, and strong reporting functions. The AP solution helps companies increase efficiency and reduce costs associated with invoice processing and payment management.

Founded	1998
Headquarters	McLean, Virginia
Other Locations	Cherry Hill, NJ; Fairfield, NJ; Atlanta, GA; McLean, VA; Downers Grove, IL; Coral Springs, FL
Number of Employees	220
Target Verticals	All Verticals
Awards/Recognitions	SSAE16 Type II SOC 1 certified, PCI Compliant

Solution Functionality

Corcentric's COR360 solution is a multi-tenant Software-as-a-Service (SaaS) platform that requires no software or hardware to buy, install, or maintain. The AP solution includes electronic purchase order creation and delivery, electronic invoicing, invoice scan and capture, invoice matching, approval workflow dashboards, and ad hoc reporting capability. COR360 adds new features and functionalities in monthly product releases, which are immediately available to all clients at no additional cost. The solution also has multi-lingual and multi-currency capability.

This system can integrate with any ERP or accounting system. COR360 seamlessly transmits data to and from a client's financial system through proprietary ERP Business Connectors. In addition, the COR360 solution offers mobile invoice approval functionality through any smartphone or tablet, keeping invoices moving through the workflow even when approvers or managers are on the go.

Corcentric also has a feature called U-Call that allows users to search and retrieve invoice images directly from within their ERP or other legacy systems. The search links back to the COR360 enterprise content management repository.

Invoice Receipt and Validation

Corcentric supports invoice receipt directly from suppliers in a number of ways, including a managed post office box for paper invoices, an email address, direct invoice image upload to COR360, eInvoices, fax, or an online invoice submission form via the supplier portal.

Clients can choose to use Corcentric to perform data capture and validation as an outsourced option, or they can continue to perform the data capture themselves within the COR360 solution via the indexing feature. All data is captured through a combination of optical character recognition (OCR) technology and manual data validation, with a 99.8 percent accuracy guarantee.

Approval Workflow

COR360 SmartRouting analyzes captured invoice data after scanning to automatically route the invoice to the first-level approver without manual intervention. Corcentric's solution has advanced workflow functionality that routes all invoices for approval and exception handling. Client administrators have complete control over user access rights, invoice approval authority, workflow routing hierarchy and rules, invoice visibility, and any action that may be required of the user. The system's ease of use and flexibility allows clients to set up their own business rules and configure the workflow process as needed. Routing and user approval is electronically recorded in the audit history for each invoice. Escalation notices can be configured to alert both users and their supervisors of invoices that are aging and need attention.

COR360 automates the 2- and 3-way matching, as well as the matching process for blanket purchase orders, by using straight-through processing to automatically match invoices to POs and receipt lines using the client's matching rules. When matches fall within predefined matching rules and tolerances, COR360 can complete the transaction straight through to the ERP system without AP processor involvement. Invoices that fail the matching process enter COR360's automated exception handling workflow, which can route the exception to the appropriate user (e.g., purchasing, receiving, AP) based on the reason the invoice failed the match.

Supplier Services

Corcentric's COR360 solution includes a supplier network where suppliers can connect and transmit invoices electronically as well as see payment status.

Corcentric handles all aspects of supplier onboarding and participation in eInvoicing and EDI submission, including directly reaching out to suppliers to connect them to the Corcentric Supplier Network. There are no supplier fees to connect to the Corcentric Supplier Network for electronic invoices or to use the COR360 supplier portal. Clients control which suppliers have access to the portal and exactly what each supplier can view.

Reporting and Analytics

Corcentric includes robust reporting and analysis tools in the COR360 solution, available through drill-down, graphical dashboard reporting on key performance indicators; standard reports like accrual, user metrics, and system administration; and ad-hoc reporting. The ad-hoc reporting tools allow any user to create custom reports for further invoice analysis, with no IT experience required. All COR360 reports can be exported to Excel or CSV file formats.

The audit history report tracks and maintains all actions for each invoice processed, including opening, routing, suspending, approval, and any internal notes entered. The COR360 audit history report was designed by a public audit firm to meet all SOX requirements. Additionally, COR360 provides a reporting feature called Audit RE-view. This feature creates online audit folders for external access so that internal users can provide auditors with access to audit requests by placing invoices and other related documents into the respective secure audit folder for review.

Pricing and Implementation

The average COR360 implementation time is between 6 and 12 weeks, depending on system complexity and client availability to meet and gather requirements for system configuration. There is a one-time configuration fee, as well as recurring fees based on the number of invoices processed through COR360. There are no per-user fees, as COR360 allows for unlimited users, approvers, reviewers, and suppliers at no additional cost.

All client implementations are managed by employees with upwards of 20 years of AP experience, including experience implementing the solution at their former companies. Corcentric provides support including a 24/7 hotline available to all clients for post-implementation support.

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.