The Paperless Office
EXECUTIVE REPORT

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After reading some trade journals, the casual industry observer could be forgiven for thinking that companies have rid their offices of inefficient and messy paper in favor of electronic processes.

Of course, you know better.

Despite years of trying to convert their mission-critical business processes to electronic formats, most companies are still inundated with paper. And all that paper is as problematic as ever — if not worse.

Consider invoice processing. The accounts payable processes at most companies remain stubbornly paper-centric, according to the results of a new survey from IAPP-IARP-TAWPI and Basware. The survey found that the vast majority of businesses report that fewer than 20 percent of incoming invoices are electronic. Of the survey respondents that started an e-invoicing program in the past year, only 2 percent receive more than 40 percent of their invoices electronically.

Erin McCune, partner at Glenbrook Partners, a research firm that provided analysis for the report, observes that, “Despite broad adoption of e-invoicing solutions, paper invoices dominate most AP departments. Only 26 percent of the companies surveyed fully automated their invoice receipt and approval process, with data captured and loaded into the system of record without intervention.”

The survey also found that more than half (58 percent) of the companies surveyed continue to manually capture invoice data and have a manual review process.

As AP leaders know all too well, paper-based invoice processes like these result in lost productivity, lower efficiency and greater risk — at a time when AP departments are under tremendous pressure to help their organizations drive business process improvements and improve visibility into AP data.

In fact, AP professionals cited manual data entry as their top operations challenge in a survey conducted this summer by IAPP-IARP-TAWPI and US Bank — topping hot-button issues such as compliance pressures, fraud, payment processing costs, and avoiding late-payment penalties.

Here’s the good news: There are more technologies available than ever before for automating paper-based processes such as invoice processing. And their return on investment is compelling.

For instance, a new survey from IAPP-IARP-TAWPI and Brainware found that companies that use automated data capture technology in their AP departments report significantly lower costs to process their invoices than those that don’t. And more than 80 percent of respondents report that automated data capture has resulted in faster invoice processing cycle times, while nearly two-thirds of respondents reported that their number of errors has fallen since deploying automated data capture.

“Leading companies are adapting their organizations to the current economic climate by adopting technology that gives them the visibility, flexibility, and the underlying cost structure to compete in the global economy,” explains Charles Kaplan, vice president of marketing at Brainware.

For companies looking for ways to automate paper-based processes, and move closer to the paperless office, the articles contained in this executive report will provide a good starting point.
Liquidity has become more important than ever since the 2008 financial meltdown and the resulting crisis of confidence. Companies have a laser focus on optimizing their cash positions, which means that accounting organizations are under pressure to closely manage both their payables and receivables. Gone are the days when companies can overlook discounts, duplicate payments, or small value payment disputes. Grappling with increased regulation and reporting requirements, companies need better visibility and control of their all of their expenses, including travel and entertainment. In a recent cash management study conducted by Aberdeen Group, 82 percent of the companies surveyed indicated that they had increased their focus on cash management over the past 12 months.

Enterprise content management optimized for accounts payable and accounts receivable workflows enables organizations to manage cash at a granular level. By eliminating paper and streamlining processing, AP and AR automation software improves visibility and empowers organizations to make informed, timely decisions about their cash inflows and outflows. Aberdeen states that best-in-class companies are 69 percent more likely to implement straight-through processing than their peers. The top-performing companies in the Aberdeen survey accelerated their cash collection through electronic payments, while at the same time taking advantage of discounts and avoiding late fees for their own payables.

Without ECM, management of payables and receivables can be time-consuming and costly. Resolving a billing issue may be expensive for both sides of the dispute. Researching a transaction may well take hours or days if an employee has to find, compile, and review documentation from a variety of different files and archives. Associated documents may include a mix of faxes, e-mails, mailed paper documents, and digital images containing both structured and unstructured data. In addition to incurring labor costs, a protracted dispute resolution process can increase a biller’s days sales outstanding and weaken its balance sheet. The payer may risk losing a key supplier in a highly competitive business environment.

While AP automation is receiving greater focus of late, many companies have yet to take advantage of available technologies for end-to-end payment automation. A 2009 study by the International Accounts Payable Professionals revealed that nearly two-thirds of the AP departments surveyed reported using a minimal amount of automated invoice data capture. The lack of control and visibility associated with manual processing can result in missed discounts, late fees, and duplicate or inaccurate payments. Of companies participating in the 2009 PayStream Advisors e-Invoice Adoption Survey, 80 percent responded that capturing discounts was either a priority or somewhat important. In the same survey, 73 percent of respondents said that they were either sometimes or never able to capture discounts. Factors cited as driving late payments included missing information on invoices, lost and missing invoices, decentralized invoice receipt, lengthy approval cycles, and manual routing.

Clearly there is a strong business case for investing in AP and AR automation. ECM solutions for cash management enable organizations to implement straight-through processing of payments according to defined business rules, such as supplier payment terms. By eliminating manual handling, accounting organizations can optimize workflows and reduce costs. Best-of-breed ECM solutions allow integration of AP and AR integration for optimal visibility and control. They include front-end and back-end data capture from any document source, workflow management, including application of business rules, integrated archiving, records management, and seamless integration with ERP systems. AP and AR software that is at the same time purpose-built and highly interoperable is an ideal solution for controlling the flow of cash.

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Whatever happened to the paperless office? For years process-efficiency experts promised the “paperless office” as the future of a typical business environment. But the questions remain: Is it achievable? Should it be a goal of best-in-class organizations?

Despite these predictions, here we are in 2011 and companies are still awash in paper. At a recent AIIM conference, the following statistics were reported:

- Companies spend $20 in labor to file a document, $120 in labor to find a misfiled document, and $220 in labor to reproduce a lost document.
- The average document is photocopied 19 times.
- A single fax machine costs $6,200 per year; the average time to manually fax a document is eight minutes.

It’s no wonder that enterprises look for ways to reduce and eliminate paper — especially within their accounts payable processes, where the cost to process a paper based invoice runs upward to $25, according to a 2010 Aberdeen Group report on Invoicing and Workflow: Transforming Process Automation into Operational Cost Control.

But, taking paper completely out of the process simply isn’t a realistic option for many AP organizations. Any given enterprise will have accounts payable content coming in a variety of different forms. As an example, a utilities company might process more than 20,000 invoices a month. Five percent of invoices may arrive electronically in EDI or XML formats, 30 percent by fax and an additional 35 percent by e-mail as PDF, Excel, or Word attachments. The remaining 30 percent may arrive in paper format via “snail mail” into the mailroom.

Because the accounts payable process begins with the invoice receipt, payment approvals cannot start until the invoice is captured and any delay within that capture process can delay the approval cycles and delay the payment. These delays can result in a penalty or loss of an early payment discount — all of which spell trouble for companies operating in increasingly competitive business environments.

To help manage the invoice flow, consider a common document-centric process for accounts payable and invoices. An effective enterprise capture solution should be able to handle any type and format of invoice wherever it enters the organization. It should offer high classification rates on complex documents, providing accurate, reliable processes for sorting invoices to start the approval workflow.

The invoice capture solution should extract and normalize data and the appropriate metadata from the invoice content before the invoice is moved into the AP approval workflow. Capture solutions can even go so far as to perfect the image quality of any scanned invoice, decreasing errors and increasing the efficiency and accuracy of classification and extraction.

Once the invoice capture process is in place, a savvy accounts payable manager will continue to look for additional ways to cut the cost of invoice processing. One additional step is to establish a centralized location for invoice submittal and capture. Building upon centralization, stage three should deliver an automated process with embedded controls and reduced processing times (less than a week), which will result in significant benefits and further cost reduction.

Subsequent steps include the automation of routine supplier interactions, further increasing AP productivity and improving cash management, typically through a self-service portal. This portal provides a secure method of submitting invoices electronically and self-service supplier queries, further reducing costs and the dependency on paper. The Holy Grail for the automated AP department is an intelligent management interface with dashboard-type views of the AP process that enables managers to take real-time actions to expedite transactions and ensure that discounts are captured, cash is optimized, and suppliers stay satisfied.

As enterprises look to accelerate and improve the efficiency of their accounts payable processes, automating invoice capture, classification, and extraction as soon as the invoice enters the enterprise makes complete sense. Now is the time for enterprises to take a critical look at all the invoices they receive (paper, fax, e-mail, EDI, and other electronic means) and determine how to capture them at the source to improve supplier service, reduce costs, strengthen controls, and more effectively manage cash flow.

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Like a Connecticut street in the springtime, the road to the paperless office is riddled with potholes. Most U.S. workers generate anywhere from 45 to 15,000 sheets of paper every day, according to the American Records Management Association (ARMA). Federal government statistics echo this trend, finding that the average U.S. office worker uses about 10,000 sheets of paper a year. Moreover, the typical American office worker disposes of 100 pounds to 200 pounds of paper per year, other studies find.

All of this paper is taking a heavy toll on the corporate bottom line. ARMA and IDC estimate that the average company spends between 7 percent and 14 percent of its total costs on document processing in a paper environment. Look no further than paper handling and storage for the reason. Studies have shown that the average document in an organization is photocopied 19 times. What’s more, storage requirements for hard copy documents double every three years, according to ARMA and International Data Corporation (IDC). With paper storage costs averaging $1,400 per file cabinet, it’s easy to see how this expense can add up.

No wonder the concept of the paperless office is so appealing to corporate America.

But with business processes remaining stubbornly paper-centric, companies are rethinking the idea of the paperless office; they are discovering that the best way to automate paper processes may be to deploy shared services centers for the centralized capture, processing, and management of documents.

By centralizing tasks such as document imaging, data capture, and image and data storage, companies can eliminate redundant processes and systems, optimize their workforce, improve control and visibility over corporate information, and reduce costly overhead. What’s more, compared to the distributed scanning approach that frequently goes hand-in-hand with paperless office initiatives, shared services may deliver additional benefits, including elimination of redundant, underutilized scanners (and the issues of managing multiple support contracts); improved staff productivity (office staff can focus on the jobs they were hired to do); and better quality controls and document tracking.

More companies are recognizing the potential pitfalls of putting scanners on every desktop in their drive towards the paperless office. And they see that shared services can deliver a much better return on investment.

But don’t take our word for it.

One major insurer has reduced costs and accelerated turnaround on customer-facing transactions by implementing a document imaging and data capture shared services center for its new business and claims areas. Moving these functions out of its far-flung field offices (which previously scanned documents on multi-function devices) is already saving the insurer $4.1 million a year. And bigger savings may be on tap. For instance, digitally sorting documents in a single electronic depository continues to improve operator productivity and allows specialized transactions to be placed in a priority queue for departments to review -- in most cases, within four hours of document receipt.

Even the public sector is getting into the act.

About half (48.6 percent) of the government entities that responded to a recent TAWPI survey stated that they process another department’s work with their own, and 19 percent of the respondents that don’t use shared services stated it’s in their plans. County governments are leading the way, with 60 percent of those responding to the survey stating that they process work for multiple departments.

Shared services won’t turn back the overwhelming

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