

Accounts Payable: Building a “Lean and Green” Invoice-to-Pay Process

A Dolphin Best Practices White Paper

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ACCOUNTS PAYABLE IS GOING “LEAN AND GREEN”

Companies are tightening financial controls and automating business processes, but for many, the Invoice-to-Pay process remains stubbornly manual. Even in globe-straddling enterprises using rich ERP platforms like SAP...still, the invoices arrive, get keyed into the system and eventually are filed in cabinets and warehoused in boxes. The process is repetitive, wasteful and error-prone. It steals resources and time that could be spent on more strategic priorities. In most cases, the people responsible for managing the process cannot get the data needed to identify blocks and bottlenecks, and have little confidence that they can receive timely, accurate information on demand.

As the global economy slowly swings back to growth, executives responsible for financial and accounting process excellence must not only contain costs and optimize cash flows, but also control and mitigate risk.

The new rules are:

- **Optimize before you add.** The answer to higher work volumes, faster throughput, late payment penalties and loss of early-pay discounts is **to optimize the process before adding people**. The bottom line demands that Accounts Payable works faster and smarter to meet these challenges.
- **You can – and must – manage cash flow.** At the speed of business today, planning cash requirements and managing cash flow accurately seem impossible. But it must happen, and it can.
- **Time is of the essence.** Once upon a time, vendors checking payment status expected delays – getting answers required manually tracking the paper flow or waiting for IT to pull an older tape.
- **Low visibility means higher risk.** Processes that exist without visibility and access to critical information, records and process data – risks business, legal and regulatory non-compliance.
- **“Being green” is good business.** In many industries, establishing and pursuing sustainability goals is essential in competitive markets. Invoice automation that reduces paper contains costs and supports sustainability initiatives.

Business processes are expected to run *lean and green*. The Accounts Payable process that runs with optimal efficiency and accuracy will diagnose bottlenecks in seconds, generate minimal waste and keep vendors and partners happy with fast inquiry response and timely payments.

Getting there is a business issue. As the Aberdeen Group reports:

Aberdeen research has found that enterprises who have automated their invoice receipt and approval workflow policies have experienced 55% lower invoice-processing costs, as well as 30% lower invoice cycle times. With cost containment as a major focus for many enterprises in 2010, organizations should look to eliminate paper from the accounts payable process and provide strategic value

Dolphin makes a ‘lean and green’ Accounts Payable process possible with a combination of technology, best practices and expertise.

to the overall enterprise.

Aberdeen found **three top imperatives driving invoice automation** – lowering costs, reducing cycle times and improving visibility into the process. The study found that best-in-class AP departments achieve a number of benefits, including:

- 83% lower invoice processing costs
- 80% faster invoice processing cycle times

Clearly, Accounts Payable has much to gain from optimizing the process through automation and optimization.

Dolphin makes a ‘lean and green’ Accounts Payable process possible with an SAP-certified combination of *technology, best practices and expertise*, including:

- **Capture:** Integrating technology such as Optical Character Recognition (OCR), Imaging and e-Invoicing to ensure reliability, accuracy and timeliness of invoice data entering the process.
- **Processing:** Dolphin’s technology platform opens a host of opportunities to track and speed the process and control the workflow in line with the way you want your business to work. Dolphin’s applications for AP work within the SAP environment, rather than being bolted on from the outside, providing tighter integration and making them faster to implement and easier to use.
- **Analytics:** The imperatives of the process and continuous improvement require easily accessible and actionable intelligence on the Accounts Payable process. Dolphin delivers customizable dashboard views for user-controlled data access and in-depth reporting and analysis (see Figure 1).

Dolphin has been providing SAP best practice content management and business process optimization solutions for more than a decade.

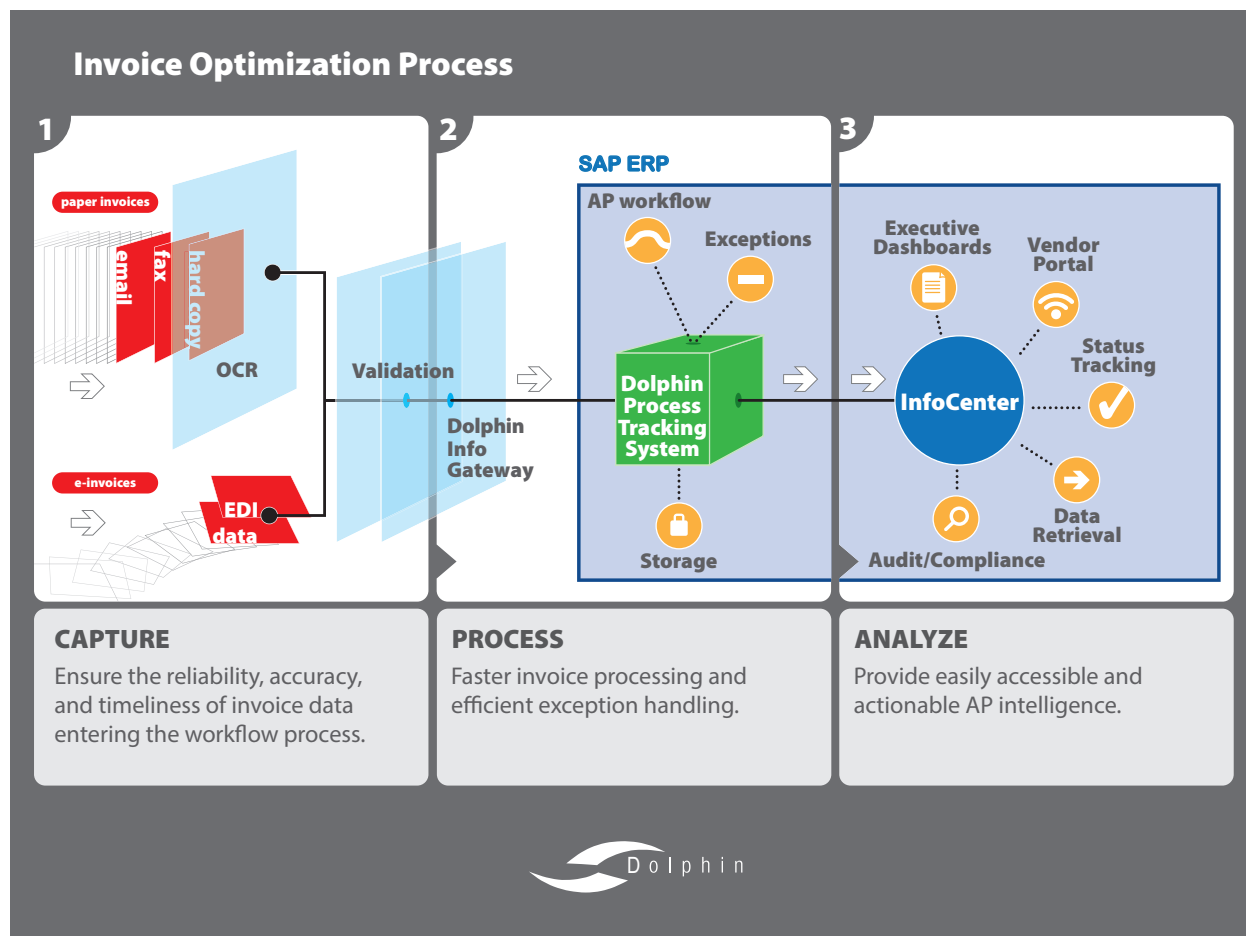


Figure 1: Dolphin Invoice Automation Process

Founded in 1995, Dolphin makes crucial business processes work better and smarter for customers using SAP solutions. Dolphin's sole focus on the SAP market has driven development of both a technology platform and delivery model that **delivers customer-centric business process optimization solutions faster – typically within four to eight weeks.**

This white paper discusses Dolphin's Best Practice approach and solutions for automating and optimizing Accounts Payable in SAP.

THE CASE FOR AUTOMATION

Businesses seek invoice automation first for hard ROI – to contain costs and for faster cycle times, fewer errors and less waste. They also seek benefits that are harder to measure but, in many ways, can offer even higher value. These include the ability to:

- Reduce storage costs
- Analyze and control cash flow
- Increase vendor satisfaction
- Achieve vendor on-time or early payment discounts
- Achieve corporate sustainability initiatives (reducing paper, waste)
- Meet regulatory requirements for tracking and accessibility

Dolphin's SAP certified solution, **Process Tracking System for SAP Accounts Payable (PTS-AP)**, opens a central point of access to all Accounts Payable invoice data in the SAP system. Containing continuously updated invoice status information, PTS-AP provides a holistic view into the Accounts Payable process, enabling business users to more effectively manage vendors, efficiently make decisions and confidently forecast cash flow – all from within SAP.

By combining scanning, OCR and process tracking with the *SAP Business Workflow Engine™*, SAP users can speed up the Accounts Payable process, improve accuracy and reduce costs. For example, it is possible to scan and process invoices as they are received, often on a same-day basis. Accounts Payable staff, and managers in the approval chain, can gain real-time access to documents and know where they are in the approval-handling process.

The result: When Dolphin works with customers to optimize their Accounts Payable process and implement solutions such as OCR software and e-Invoicing, customers typically:

- **Improve operational productivity in the range of 30–80%**
- **Reduce cost per invoice by 40–60%.**
- **Take days out of the cycle for basic processing and exception handling**
- **Reduce waste**
- **Eliminate human error from data entry**

THE DOLPHIN BEST PRACTICE SOLUTION FOR OPTIMIZING THE INVOICE-TO-PAY PROCESS

First, let's look at the typical manual process. For most companies, invoices arrive by mail, email or fax, and are keyed into SAP. If they make it successfully through the mailroom without being lost or incorrectly routed, AP processors can then either match an existing master vendor record or create a new one. Invoice data is parked, routed for approval via fax or inter-office mail, and later posted assuming no other action is required. If further research and/or approvals prove necessary, the invoice is once again manually routed until it is finally posted.

In each step, there is ample opportunity for error, lost documents and delays, even in the most refined manual process (see Figure 2).

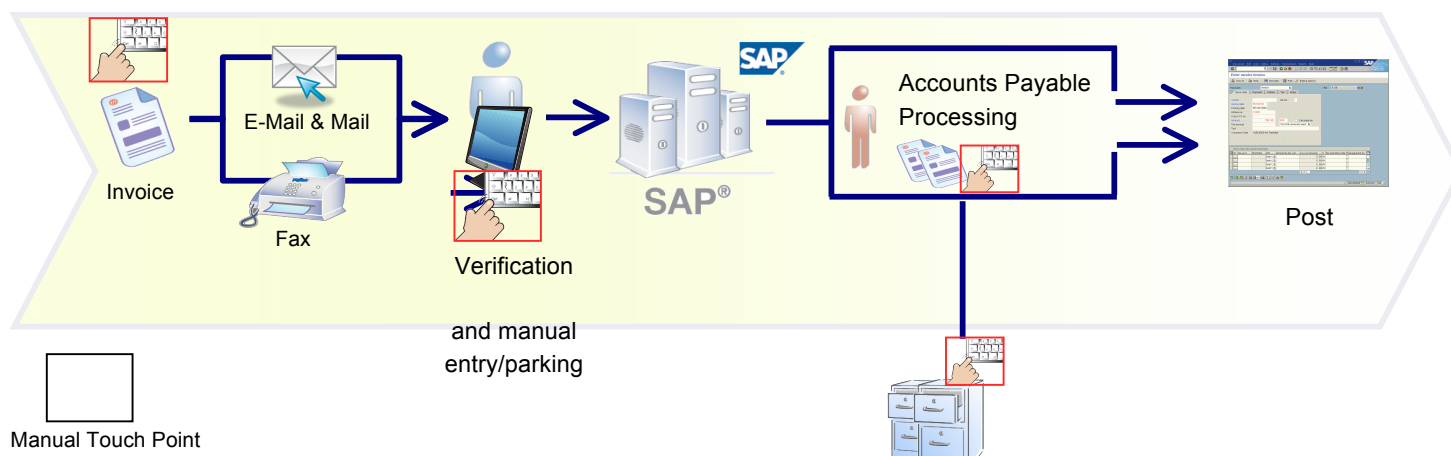


Figure 2: A typical Accounts Payable process in SAP

The Dolphin Best Practices approach addresses three core areas of the Invoice-to-Pay process:

- **Capture – Create digital invoice image archives; eliminate paper and wasted time**

At minimum, scan all paper documents and index the images within the SAP application. All image files should be connected to transactions and be easily searchable. Scanning provides an electronic image. Having an OCR or e-Invoicing option further removes manual steps from the AP process. These steps reduce human error, match purchase orders and vendor master records, and avoid multiple payments.

- **Processing – Manage all data and documents from start to finish.**

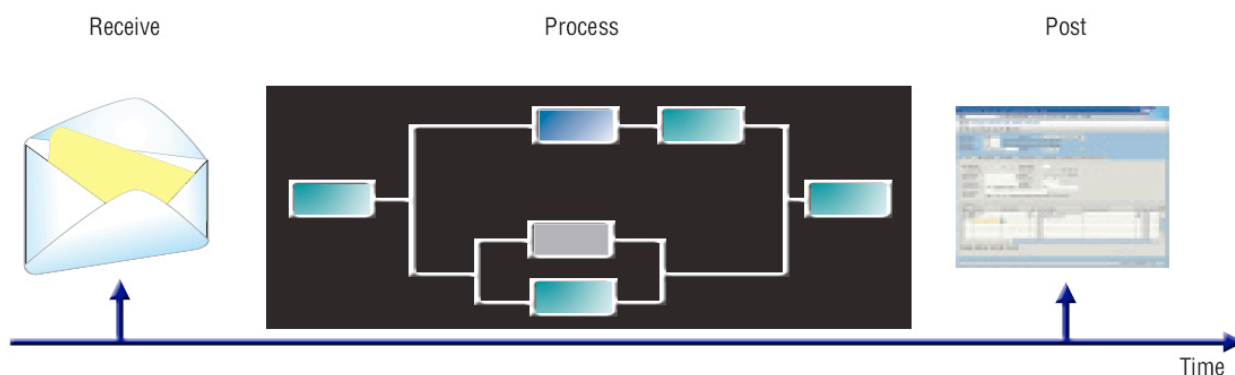
The solution must automate routine AP processes such as work assignment, invoice duplicate checks for all incoming invoices, exception handling control and opening visibility into the process. Moreover, the process should provide a complete audit trail.

- **Analytics – Deliver process transparency and control to the people who need it.**

AP processors and managers need to see and be able to impact the invoice workflow at every stage of the invoice-to-pay process. The Dolphin PTS-AP solution makes it possible to access and have real-time visibility of all invoices in process.

OPENING UP THE PROCESS: IMAGE SCANNING + PROCESS TRACKING

In the **SAP Accounts Payable process**, finding an invoice can be daunting. In fact, detailed information about what is happening in any document processing prior to invoice posting is either unavailable or not readily accessible in the SAP system. Receiving and entering the invoice, routing, and resolving problems require manual intervention, as illustrated in Figure 3.



*Figure 3: Without process tracking, any processing prior to invoice posting is a “black box”.
Process Tracking makes the process completely transparent.*

That is why the **combination of scanning invoices and opening visibility into the process** has an immediate and powerful impact on Accounts Payable productivity. It means that **Accounts Payable has real-time, one-click access** to:

- the image of the original invoice
- notes and history of the transaction
- access to other relevant SAP documents and master data
- status of each invoice in the approval payment process

As a result, **management gains control** over how and when invoices are reviewed, approved and ultimately paid.

The first step to optimizing Accounts Payable is turning paper invoices into electronic documents.

Process improvement begins by scanning paper invoices and attaching the image to the specific transaction in SAP. Once the invoice image and transaction are part of SAP, you can take advantage of Dolphin's use of the SAP Business Workflow engine and route the invoice for approvals or additional research. The document image is archived for future access, eliminating paper from the process.

Once the images are scanned, the Dolphin Process Tracking System for SAP Accounts Payable (PTS-AP) delivers on-demand visibility into the AP process. PTS-AP shines a light on the process from *within* SAP – both integrating with SAP Business Workflow and enhancing it. It opens visibility into where the invoices are in the routing process and provides fast access to the full invoice history, approval status and the original document images.

And exceptions are no exception. Dolphin PTS-AP streamlines and tracks the entire exception handling process – those time-consuming instances where the invoice cannot be matched to an existing vendor record, the invoice is over pre-set spending limits, or additional documentation is required in order to approve the invoice for payment. PTS-AP allows you to track the entire process within SAP. Exception handling is addressed in detail later in this paper.

CAPTURE PHASE: ACCELERATING ACCOUNTS PAYABLE WITH OCR AND E-INVOICING

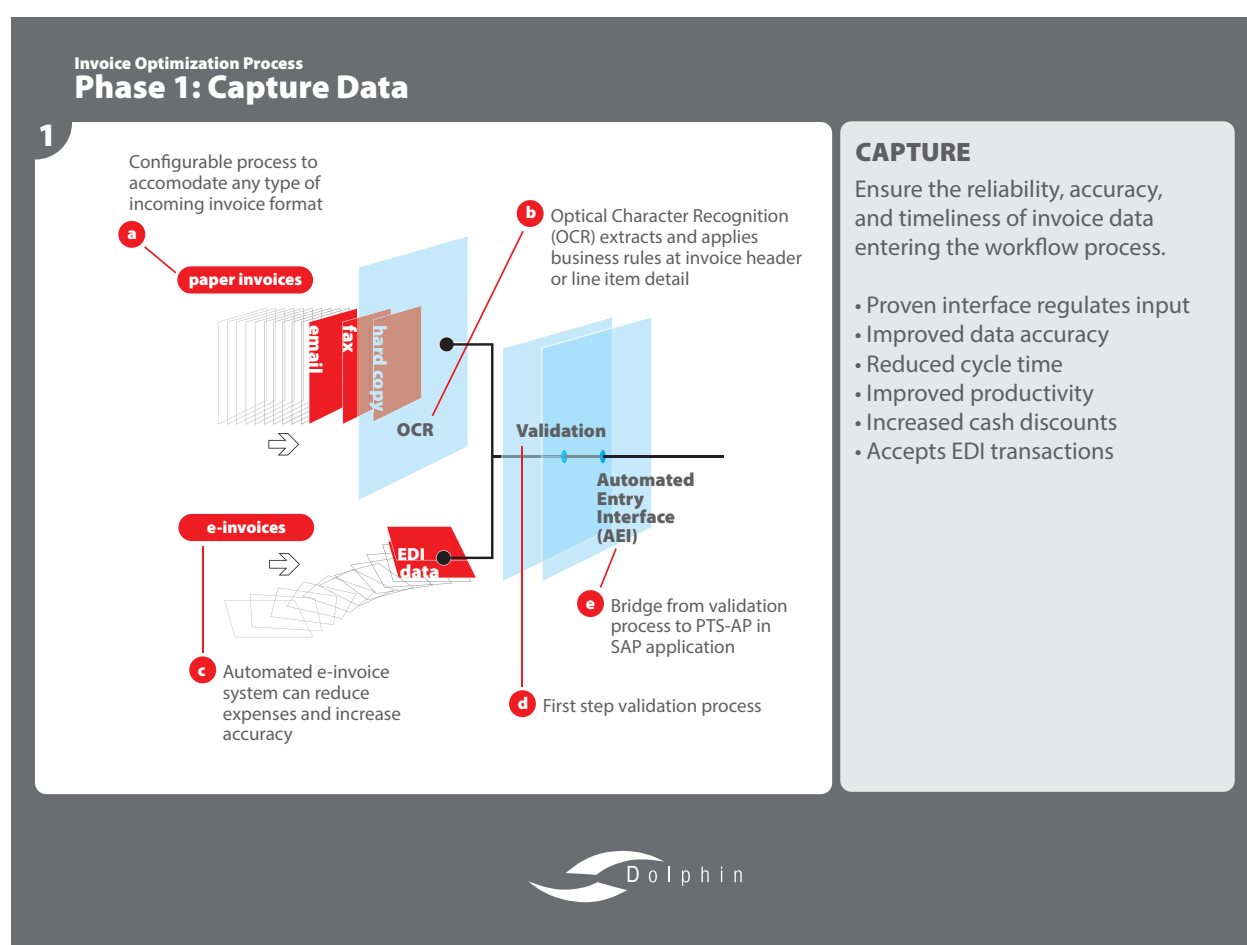


Figure 4: Dolphin's optimized invoice capture process

There is no one right answer for automating invoices into SAP. Most Accounts Payable departments will benefit from a mix of invoice capture and automation options.

Companies can accelerate their Accounts Payable process by automating how invoice information is captured and brought into SAP.

Scanning, OCR and web applications are proven commodities that are core to best practice-based Accounts Payable processes. Reading relevant vendor and purchasing information directly from the scanned invoice via OCR software is highly accurate and flexible. Web-based e-Invoicing systems are

gaining more traction. Companies also see the advantage of skipping the scanning process altogether and having vendors present invoices directly to their AP systems.

The goal is to have the business running *lean and green* – fast, efficient and no waste. Each element of the business process contributes to the solution. A highly automated Accounts Payable process can save from **50-90% of the cost** per invoice over a manual one. This adds up to significant dollars very quickly. *For example, if you process 5,000 invoices a month, at a cost savings of \$5 per invoice, you can save \$300,000 per year.*

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Optical Character Recognition

Optical Character Recognition (OCR) software can yield significant improvements in processing speed and accuracy. OCR reads the relevant information from the invoice as it is scanned, performs validations and resolution, populates SAP with the data, and links the invoice image to the transaction.

The ROI on OCR can be very rapid – as fast as 6-12 months. Rules-based OCR engines use proven logic to extract header and/or line information directly from the invoice. For companies with large invoice volumes, OCR systems are highly accurate, easy to administer and can be up and running quickly. Here, a small set of rules apply for all vendor invoices. Using Dolphin's certified interface platform, OCR systems can pre-populate SAP from the invoice and live look-up of document images.

e-Invoicing

e-Invoicing replaces a paper invoice with an electronic file submitted securely via the Internet. The e-Invoicing system creates an invoice image which is attached to the SAP transaction in SAP Accounts Payable via Dolphin's certified interface platform. The AP process begins almost as soon as the invoice is electronically presented – accelerating invoice processing and significantly reducing department costs.

And it reduces paper as well – in a typical implementation, e-Invoicing can eliminate up to 80% of a client's inbound paper invoices within two years.

Unlike direct vendor connection through electronic data interchange (EDI), e-Invoicing is a web-based service; there is minimal expense for setup or ongoing maintenance. And without paper invoices, there is no paper to process, maintain, mishandle or lose.

In addition, Dolphin makes EDI transactions flow more fluently through the process, from creating a human-readable invoice to facilitating a standardized exception handling process that does not rely on some technical document management, such as resolving cumbersome IDOC errors.

PROCESSING PHASE: DOLPHIN'S FLEXIBLE PLATFORM EMPOWERS UNIQUE SOLUTIONS

Dolphin's approach to optimization is based on best practices for each customer's needs, objectives and environment.

The "Dolphin solution" for Accounts Payable is the Dolphin technology platform and process, applied to meet individual customers' needs. We streamline the SAP workflow and mitigate the lack of visibility that is common during approval and exception handling workflow. It provides real-time information for accurately managing cash, forecasting cash flow and responding quickly to inquiries.

Regardless of how the information is captured into the system, Dolphin PTS-AP tracks and manages the process (see Figure 5).

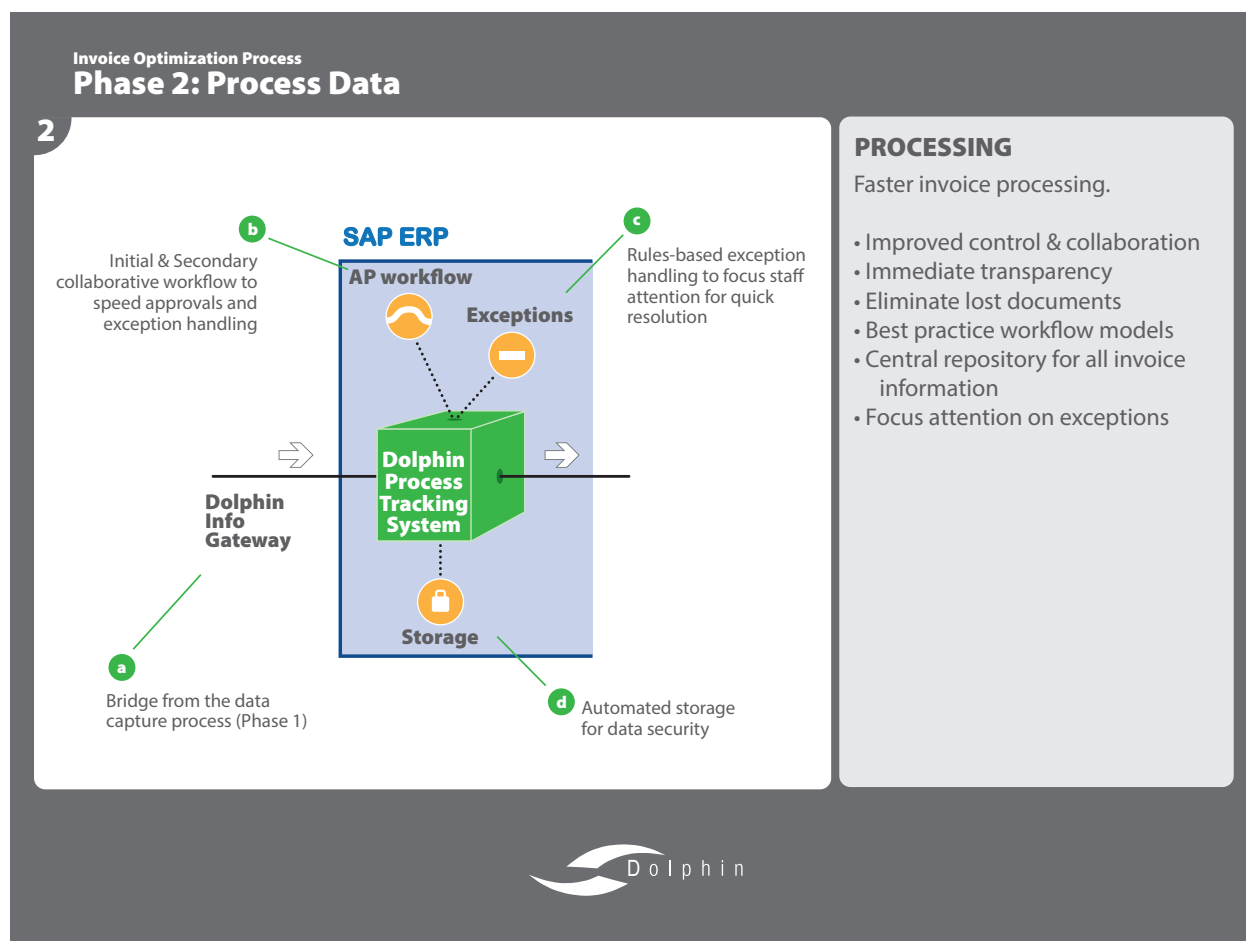


Figure 5: Processing Phase of the Invoice Optimization process

Once the invoice image and data are attached to a record in SAP, the index data and invoice image create a process tracking record within PTS-AP that allows invoice status queries at any point throughout the entire life cycle of the invoice. If line item details are captured during the OCR or e-Invoicing process, PTS-AP attempts to post PO-based invoices. If the invoice is a routine and pre-approved transaction, it can be posted for payment with or without any human intervention. For all other invoices, PTS-AP workflow assists AP processors with exception handling and posting.

What makes Dolphin PTS-AP unique is that it leverages a business' existing SAP investment.

EXCEPTION HANDLING WORKFLOW AND PROCESS TRACKING

It is a fact of business life that many invoices require special handling. They are too big to be pre-approved. Or they arrive without a purchase order number. Or the vendor hasn't been approved. For these and other exceptions, auto-posting is neither possible nor desired.

Dolphin's PTS-AP comes with "out of the box" functionality to address these fundamental exceptions and to create rules unique to individual industries and organizations. This allows customers to quickly deploy a robust, efficient AP solution.

Dolphin PTS-AP leverages the SAP workflow engine by implementing best practice workflows based on the standard SAP workflow table's tools and designs. These AP-optimized SAP workflows handle the entire invoice process by managing both work items and their corresponding transactions all within SAP.

What makes Dolphin unique is that it leverages a business' existing SAP investment by utilizing the SAP Business Workflow engine, ArchiveLink and NetWeaver web components instead of imposing a new platform on the IT infrastructure. Users never need to leave the SAP application to record or review a transaction record. At the same time, non-SAP approvers can access and approve invoices based on email and web interface, with complete validation and control from SAP.

ANALYSIS PHASE: REAL-TIME INTELLIGENCE

If you want to improve the process, plan ahead and manage for the short and long term, **you need real-time process intelligence.** When PTS-AP opens up the black box in the invoice process, managers and executives gain access to real-time information and control needed to deal with vexing issues, handle exceptions, remove bottlenecks, control cash flow and manage staffing.

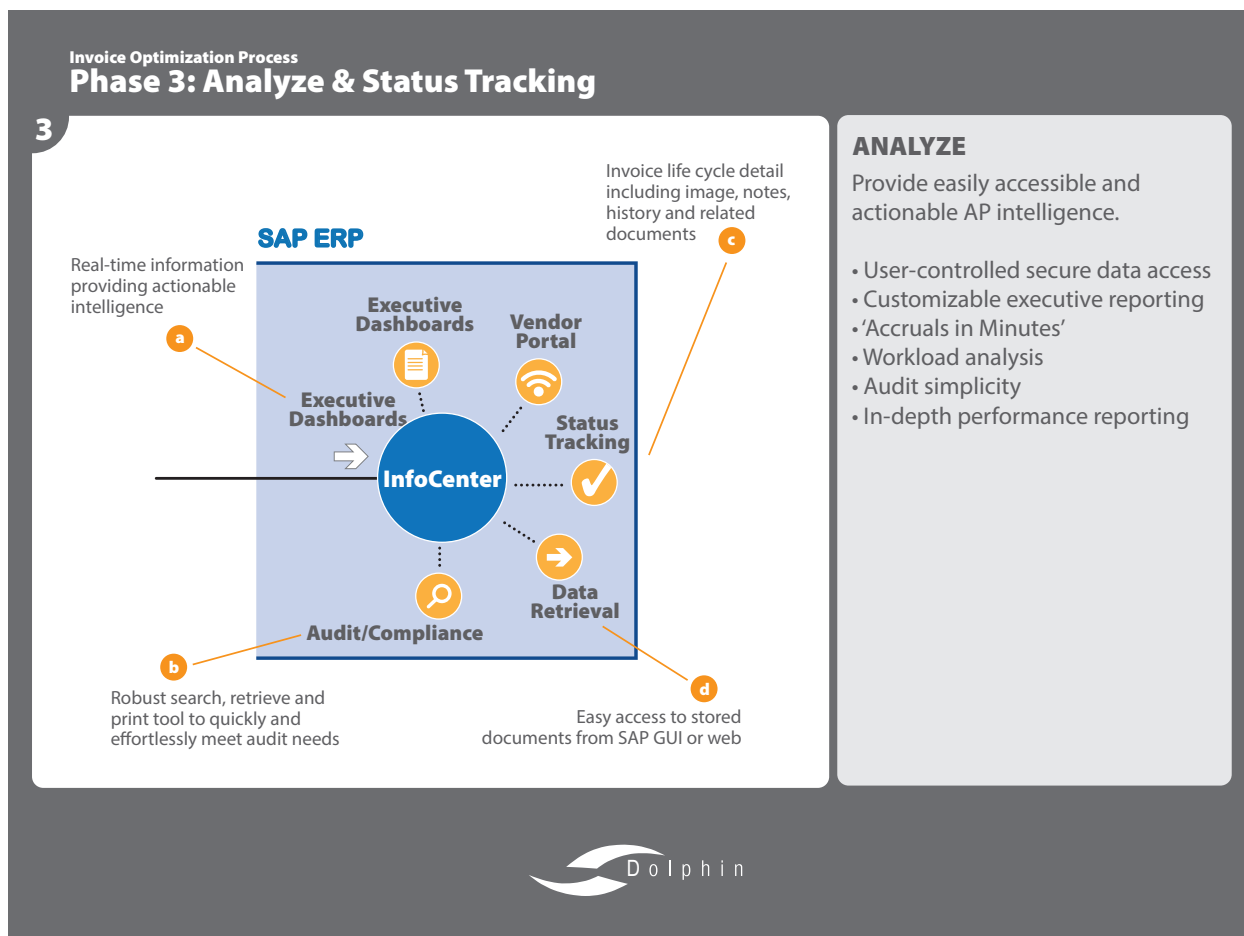


Figure 6: Analysis phase of Invoice Automation with Dolphin

Dolphin PTS-AP provides comprehensive data on transactions, business documents and process status for financial reporting and process analysis. All records are up-to-date and accessible online, enabling business users to review a complete process history. Immediate answers replace multiple call backs or email exchanges with an outcome of stronger vendor relations.

Using PTS-AP's InfoCenter dashboards, the business can identify issues and seek out data that can impact productivity and enable better cash management. For instance, the department might review invoices that have been received but not paid, or common issues that block payments for particular vendors. AP can use this information to pinpoint where items are in the invoice payment process, analyze the process for greater productivity and accurately predict cash requirements.

Analytics also facilitate benchmarking the process and policy review, so that the department can examine performance and identify trends in the department's handling of routine items and exceptions.

BRINGING IT ALL TOGETHER: BEST PRACTICES, BEST PEOPLE

Dolphin projects begin by working with our customers to determine the most efficient Accounts Payable optimization strategy for them to meet their specific criteria and objectives. Figure 7 highlights the way Dolphin's comprehensive approach focuses on optimizing the invoice-to-pay process from the start.



Figure 7: Dolphin's comprehensive approach to optimizing the Invoice-to-Pay process for Accounts Payable

Our process engages more than simply the Accounts Payable department. Perhaps surprisingly, **Invoice-to-Pay process automation often happens disconnected from other related processes such as Procure-to-Pay and Financial Management. This is a mistake** – connecting the needs of process segments such as Purchase Order integration, vendor master data maintenance, financial reporting and financial controls at the business process design portion delivers tremendous dividends down the road.

Our process calls for easy to follow, step-by-step instructions to ensure a high quality implementation and secure, reliable ongoing operation. And, of course, everything is completely documented.

Dolphin's goal is to enable our customers to maintain and extend the initial implementation using their own internal resources. Our process integrates customer stakeholders across the organization from the very beginning of the engagement.

We place a high priority on **knowledge transfer**, accomplished through hands-on training and classroom instruction. Ongoing maintenance and direct support are provided.

The proof is in the results. Dolphin's fast, efficient implementations continue to foster a growing list of satisfied customers.

"You are right in calling our implementation of PTS-AP a success story. We're wondering now how we could ever do without it."

Manager, Business Processes,
Global Chemical Corporation

MEASURING RETURN

There are significant opportunities to contain costs and mitigate risks in the Accounts Payable process. With businesses under pressure to work faster, smarter and greener, organizations can reap significant benefits by implementing best practices in Accounts Payable automation.

Dolphin's best practices solution delivers fast return on investment. **Companies can expect ROI in one year or less, and the savings will be significant and sustainable.**

For example:

- **Immediate bottom line impact.** Companies can take full advantage of storage savings and vendors' early pay discounts and eliminate late payment penalties.
- **Reduce costs.** Automated AP operations typically save 40–60% per invoice over those still doing manual processing and increase productivity by eliminating manual errors.
- **Cut corporate environmental impact.** Support corporate goals to reduce environmental impact by going paperless in the invoice process.
- **Control and manage cash flow in line with business objectives.** Greater visibility into the Accounts Payable process offers insights that open opportunities to negotiate better pricing with vendors and provides real-time reports and information to management on the financial pulse of the company.
- **Leverage investments in SAP Financials and Business Workflow.** Companies that implement a combination of technologies that is within the SAP framework ensures faster implementation, minimal user training and a streamlined infrastructure.
- **Mitigate risk.** Business process management with the Process Tracking System for Accounts Payable confirms adherence to business policy and regulatory requirements and greater transparency into the process. Additionally, standardizing the business process fosters flexibility and reduces process-based risk of manual, paper-based organizations.

With Dolphin, it all adds up to a business process that you can trust.



ABOUT DOLPHIN

Dolphin leads the way in SAP business performance improvement and is a unique partner that manages both data and processes. From data and information lifecycle management to end-to-end solutions for SAP procure-to-pay and order-to-cash processes, Dolphin delivers a competitive advantage that drives cost savings, optimizes cash flows and fosters a lower total cost of ownership. Leveraging SAP technology, Dolphin's data lifecycle and business process management solutions, and add-on applications with SAP-certified integration, have built-in flexibility and are designed to be tailored to each customers' specific business processes and IT environments.

The company was founded in 1995 and has offices in San Jose, CA, Philadelphia, PA and Toronto, Canada. Dolphin's smart, adaptable and proven solutions are implemented by hundreds of companies across North America and around the world. Among Dolphin customers are more than one-third of Fortune 100™ companies running SAP systems. To learn more, email us at contact@dolphin-corp.com or visit www.dolphin-corp.com.

