

Realizing the Benefits from Accounts Payable Optimization in SAP®



DOLPHIN WHITE PAPER

BUSINESS PROCESS MANAGEMENT

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Introduction

The economic recovery has begun. But it is moving slowly. For many businesses, the key to success in the upswing will be to retain the lean efficiency forced by the downturn, while investing in strategic programs that improve process efficiency and contain costs.

Standardizing and automating business processes such as Accounts Payable will ensure that your organization is ready for the upswing. Efficiency is critical to keep ahead of your competition in a gradual recovery.

While many factors – from a struggling economy to demand for cost containment – dictate that companies tighten financial controls and automate business processes, Accounts Payable remains a stubbornly manual and disconnected business process for many organizations. Companies with ERP investments like SAP still receive paper invoices, sort and distribute the documents, key them into the system, and eventually file away the paper in cabinets, or perhaps send them to off-site warehouses in boxes.

These manual processes are costly, time-consuming, repetitive and error-prone. The people responsible have no visibility into the process and cannot be assured of getting timely, accurate information on demand. Lack of quality information from inflexible, paper-based processes in today's recovering economy is like swimming in choppy waters with an anchor tied to your leg.

There is a better way.

This white paper discusses best practices options and a solid approach to implementing solutions for **automating and optimizing** Accounts Payable in the SAP environment.

Why Optimize in an Economic Recovery?

1. **Process optimization can be game-changing** for an organization in containing costs and improving controls.
2. Reducing administrative costs can **offset increased sales and marketing expenses** that drive growth.
3. Optimized systems and processes help **corporate finance to unlock cash flows** – and Accounts Payable can contribute.
4. Business process standardization and automation means an **easier transition in a merger or acquisition**.
5. External regulators and the internal auditors demand **better controls and compliance** that are only possible with an optimized process.

The Case for Automation

It's not a technical issue; it's a business issue. Accounts Payable is a business process that:

- **plays a critical factor in cash flow**, important in a time when credit remains tight.
- **can support cost containment initiatives and help to minimize risk** to your organization from fractured business processes or fraudulent activity.
- **can be standardized and automated in weeks**, and can return real value on the investment in months.

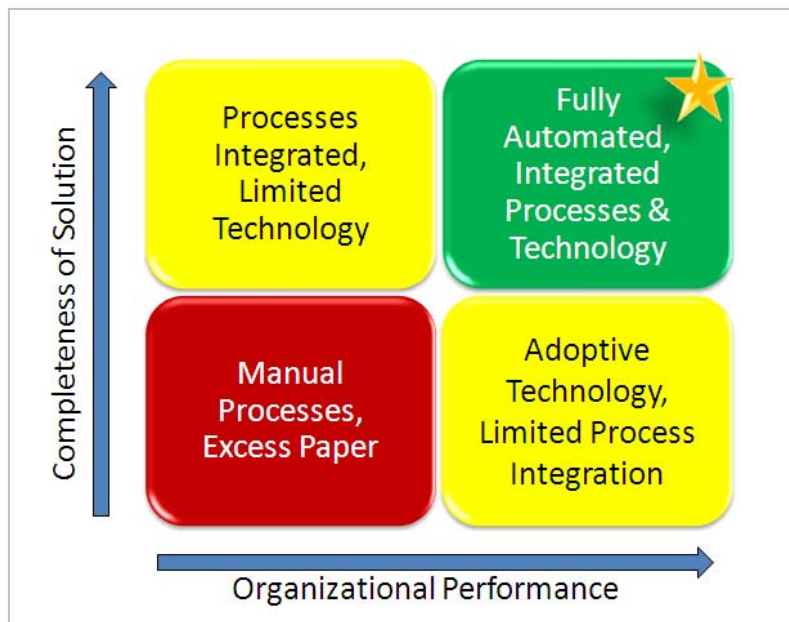


Figure 1: The more automation that is brought to the business process, the more it is optimized, enabling the organization to reduce costs with less risk, and do more with less.

The most basic of business processes must be included as part of your cost containment strategy. The Accounts Payable Invoice-to-Pay process in particular is ripe for automation and optimization.

Standardizing and automating the Accounts Payable process has direct impact on controlling organizational costs, payment cycle times and providing significant analytics and intelligence. Realizing a payback on AP process optimization projects within the first year is possible, so why wait to put your organization in the right quadrant?

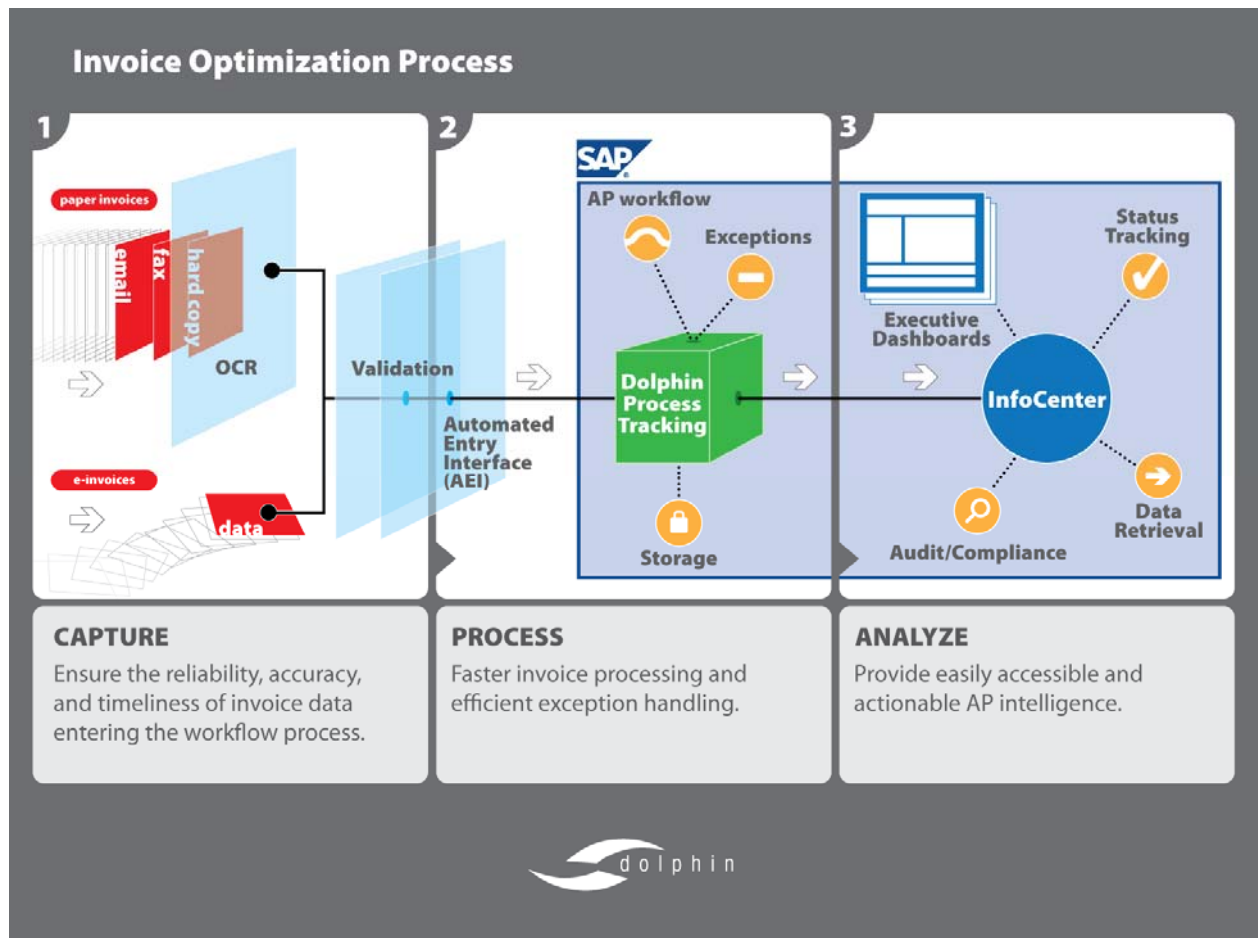


Figure 2: Dolphin combines its expertise, best practices and technology that works inside the SAP application to optimize the Invoice-to-Pay process for its customers.

Integrate key processes. The significance of the Invoice-to-Pay process also resonates in the integration with two other primary business processes – **Procure-to-Pay and Financial Management**. While standard SAP MM/FI/CO solutions are widely known and accepted, Accounts Payable often happens in a vacuum, leaving purchasing and financial teams with ongoing process challenges. In both of these instances, it is important to ensure that the Invoice-to-Pay process is designed with seamless integration.

For example, invoice optimization does well to consider the purchasing process. Areas such as Purchase Order integration and Vendor Master Data maintenance can impact the Procure-to-Pay process significantly if Purchasing and Accounts Payable are not aligned. It is always better to deal with these during business process design, rather than post-implementation.

Similarly, Financial Management processes such as financial reporting and appropriate controls are important integration touch-points with Invoice-to-Pay. The Finance and Audit organizations must be included up-front in the design phase of the project.

The solution is not simply to automate how you receive the invoice. A more impactful, long-term solution ensures that all aspects of the Invoice-to-Pay business process support strategic and tactical objectives for the AP Department, and for the other process owners who are dependent upon timely, transparent data.

To gain a detailed understanding of the Invoice-to-Pay process and the steps involved in order to automate and optimize it, see white paper, "Accounts Payable: Building a 'Lean and Green' Invoice-to-Pay Process," at www.dolphin-corp.com.

Measuring Impact on Cost Containment and Cash Flow

With shorter, highly focused implementation cycles, Dolphin has helped its customers implement Invoice-to-Pay optimization solutions within weeks, and experience the benefits from the moment it goes live.

Dolphin's advanced ROI analysis proves that Invoice-to-Pay directly supports the customer organization's strategic mission and many tactical financial directives, such as **reducing paper** or **improving throughput**. Most importantly, the opportunity to standardize business processes opens the door to successful

transition to other business models, including **process outsourcing**, **creation of shared service environments** and smooth **integration of merger partners**.

Calculate your benefits. A typical AP optimization project returns benefits that span three primary categories: **Cost Containment**, **Cash Flow Optimization** and **Risk Mitigation**. The relative weighting of the benefits depends on the project's focus, corporate strategic objectives and technical scope.

The value is the sum total of a number of incremental benefits. These benefits include cycle time reduction due to flexible workflow models; managing organizational knowledge via transparency to business-critical information; and neutralizing non-core tasks in favor of promoting value-added activities.

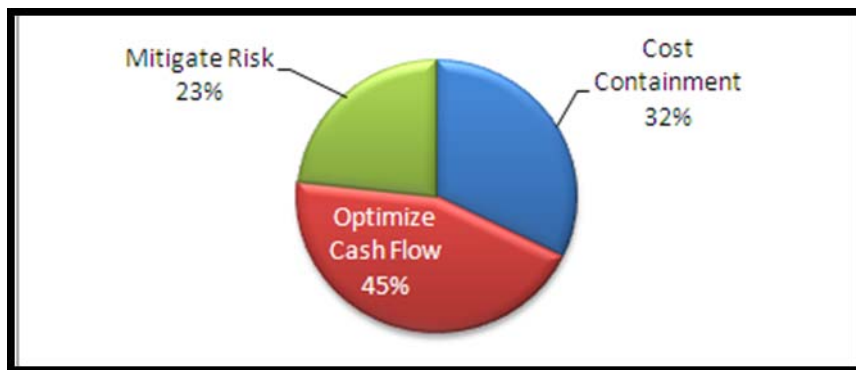


Figure 3: A typical AP Optimization project benefits three primary categories: Cost Containment, Cash Flow Optimization and Risk Mitigation.

Scope Defines Benefits. Fractured business processes often stand in the way of integrated approaches to cost savings and staffing reductions. Dolphin's solution helps Accounts Payable departments 'do more with less,' delivering benefits along the entire process landscape. Dolphin takes a cross-functional approach to defining and evaluating objectives. As a result, the points in the process chain where the organization will see benefits become clear from the outset of the project.

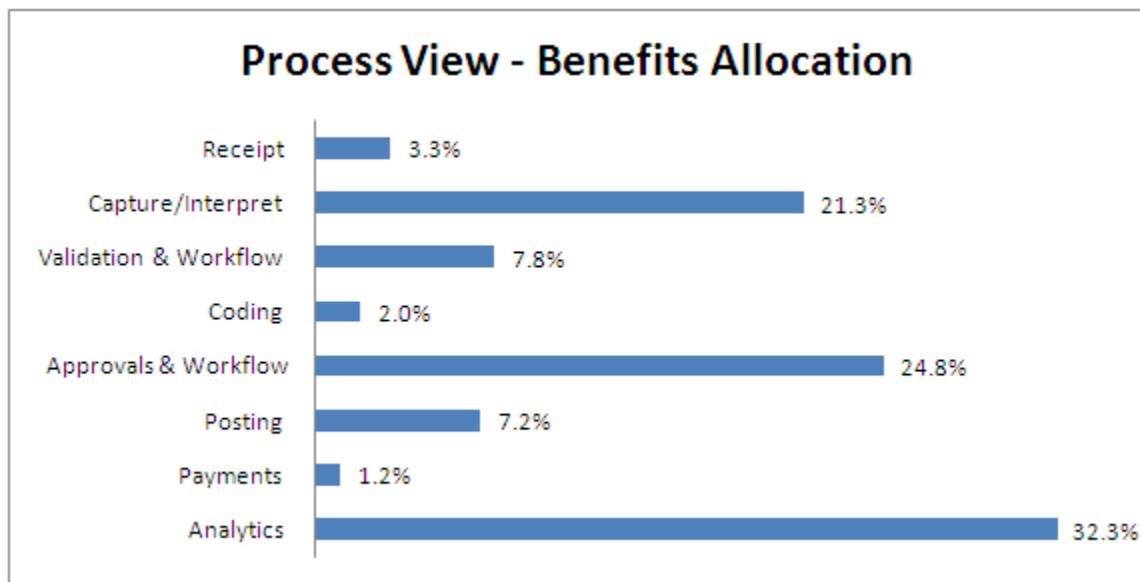


Figure 4: Benefits grouped according to business process step shed light on anticipated savings and relative value of different parts of the solution.

Don't Halt Progress. If the mantra for the economic downturn was "do more with less," the mantra for the recovery is, "do more with what you have."

These days, every project has to prove itself. Sponsors of Invoice-to-Pay automation projects, like every process optimization project, must prove their value in terms all stakeholders can understand and support. The key is making the business case to the finance executives.

The typical invoice automation project generates economic benefit quickly. Even if the project is cost-neutral over the first twelve months, a well-planned invoice automation program will accelerate the organization's progress toward "process optimization."

Aligning the Delivery Model. Dolphin delivers solutions that simply make sense for customers' business imperatives. We begin with assessment of your current environment and processes and then tailor the solution to your unique business requirements. Gaps are addressed collaboratively. There is often advanced planning so that the invoice-to-pay solution is integrated into larger projects, and Dolphin is in lock-step with related project teams. If a rapid, 'out-of-the-box' implementation is what your organization is seeking, we can deliver that as well, using our extensive project expertise to deploy a speedy, best-practices solution. Whatever form the solution takes, return on your investment remains an active priority for the deployment team.

Cost Containment

Every CFO understands cost containment. In spite of the risks with what seems to be short-term decision making, it's what organizations are being forced to do to survive. However, as you approach Accounts Payable optimization, you add real value to your organization's cost containment initiatives.

For example, it is possible to improve throughput of invoices with fewer resources when capture tools are utilized that reduce manual data entry tasks and corresponding errors. Making the business process more straightforward and less complex translates into fewer hands touching each transaction, lowering your cost of a critical back office function.

Enabling a self-service InfoCenter that provides data, notes and images of transactions to internal constituents – Audit, Purchasing – saves considerable time and opens up resources for deployment on other mission-critical, value-added tasks. A more limited view of the InfoCenter allows vendors to check the invoice status, freeing up valuable AP time which results in still more cost savings. Processing reams of paper documents every month is not only environmentally antagonistic, it is very expensive when considering the cost to handle, store, retrieve and re-file such documents. And these are sustainable cost reductions.

Control Your Costs. Typical projects offer cost containment opportunities throughout the process chain. Depending on your organization and project scope, the benefits may vary as a result of introducing or optimizing workflow, better knowledge management, streamlined processes, reduced process complexity and elimination of non-core tasks.

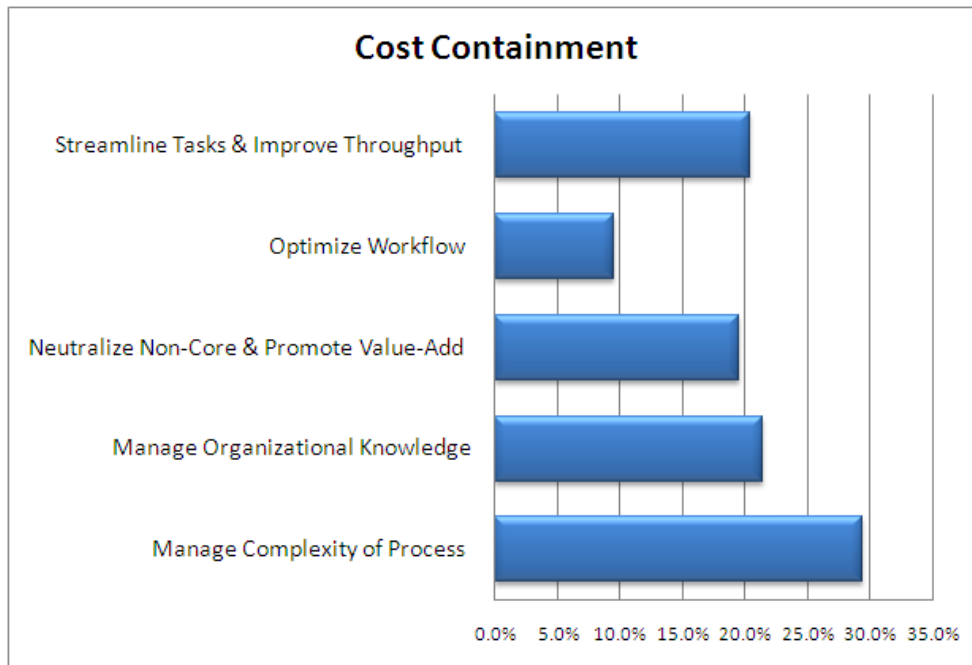


Figure 5: Benefits grouped according to business process step show anticipated savings and relative value of different parts of the solution

Cash Flow Optimization

As Corporate Finance teams seek opportunities to leverage liquid assets and current liabilities, they should be able to look for support from activities such as Accounts Payable optimization. An optimized Accounts Payable process will deliver **insight into your near-cash positions** and **accelerate invoice processing** to enable proactive payment management on your terms.

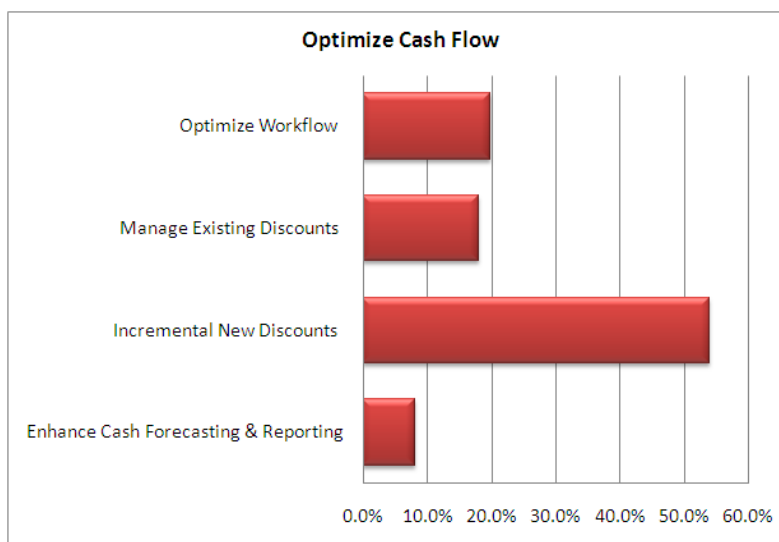


Figure 6: Shorter cycle times and enhanced analytics lead to improved Early Pay discount take-rates and flexibility in managing payment timings.

Maximize Cash Flow. Processing vendor invoices more efficiently doesn't mean you will pay them earlier. Reducing the cycle time from Receipt to Post puts your organization in the driver's seat to manage discounts proactively so that you can pay your vendors early to take advantage of discounts, on time to keep them happy, and manage cash flow.

Optimizing the Invoice-to-Pay process delivers better control and increased clarity over cash forecasting. For example, consider this present-day analytical requirement: **'How much cash can we preserve by extending Days Payable Outstanding (DPO) by 5 days?'** Can your organization answer this basic cash forecasting prediction request easily? Or is it a cumbersome exercise that yields little confidence due to limited degrees of accuracy and incomplete information?

Using Dolphin's InfoCenter dashboard and What-If Cash Analyzer, organizations easily can calculate cash implications for modifying payment terms. Additionally, advanced analytics can point to missed or approaching payment deadlines and highlight the value of realizing discounts where they are not presently offered. The impact to cash flow can be far-reaching when all invoices are managed in line with the organization's objectives.

Process Risk Mitigation

Accounts Payable optimization projects must address two aspects of organizational risk:

- **Business Process Risk:** The ability of the organization to quickly adapt to changing economic environments.
 - Too many resources for slowing volumes or too few resources performing manual tasks for expanding numbers of transactions.
 - Non-standardized processes across business divisions in decentralized models also pose risk to the efficiency of the organization.
- **Corporate Risk:** The risk that potential or real liabilities pose to the organization from fraud, lax oversight or uncontrolled business processes.

Quantifying the benefits of reduced risk is challenging – often, the value is in cost avoidance over tangible savings. Regardless, there is a real organizational cost in time spent on non-compliance audits, legal challenges, internal audit requests, unmitigated errors and faulty workflow.

7 Steps to Embracing AP Optimization with the Constrained Organization

1. Engage 'support' constituents: stress integrated process view that includes Procurement & Finance
2. Demonstrate a grasp of reality: take off rose-colored glasses when observing the 'as is'
3. Understand your metrics: vendors, PO's, invoices, costs, lost discounts, and opportunities
4. Enlist a strong senior project sponsor/executive
5. Accept change: demonstrate a willingness to standardize the process & fit to 'best practices'
6. Automate, Automate. Automate: accept new technologies
7. Prove the worth: calculate and boldly publish cost containment, cash flow and risk mitigation benefits

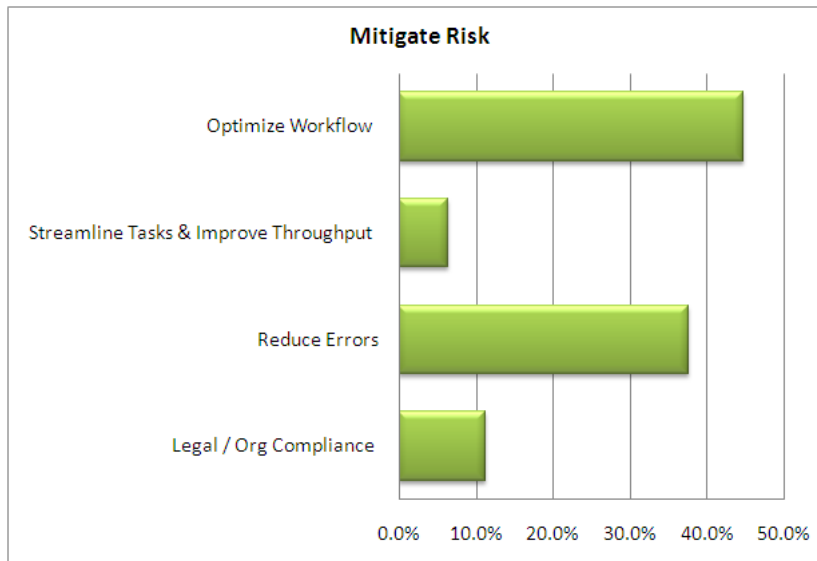


Figure 7: AP Administrators spend considerable time addressing audit & compliance requests. Manual and uncontrolled process models offer opportunities for fraudulent behavior or increased time spent on manual verifications. Errors often lead to overpayments or duplicate payments.

Mitigate Business Process Risk. Manual data entry and processing require higher resource levels and are prone to error and fraud. More resources are required when transaction volumes are high and fewer when the invoice numbers drop. This limits process adaptability at a time when a volatile business environment requires it.

On the other hand, automating manual tasks, digitizing images and introducing smart workflows harmonize processes across business units and geographic locations. These standardized process improvements support integration for mergers and acquisitions and migration to new business models, such as centralized shared services teams or outsourcing. Optimized global processing is only possible with a business process that minimizes manual, paper-based processes.

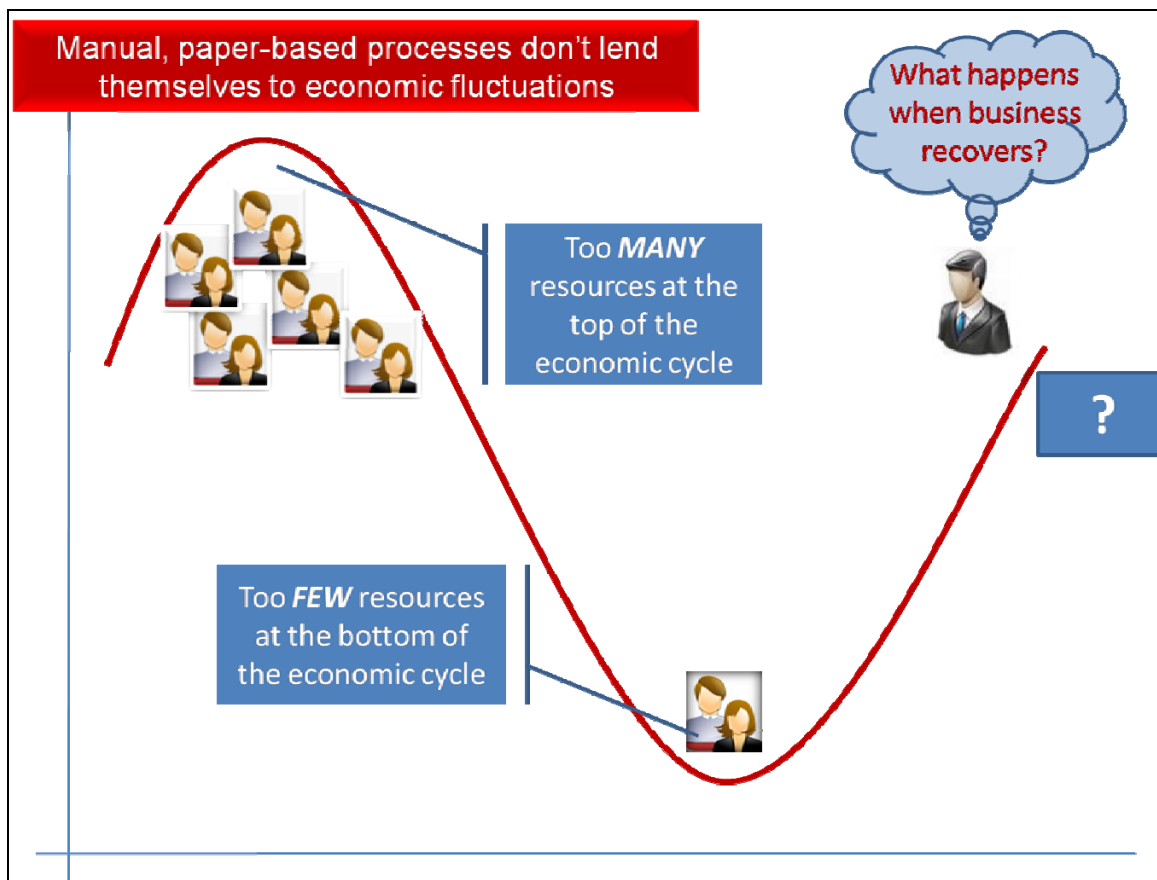


Figure 8: Enhance internal compliance while replacing the boom & bust cycle of human resource fluctuations with automation and proven best practice processes.

Mitigate Corporate Risk. Automation of the invoice receipt process and pre-defined workflow approval chains mitigate the fraud risk. Dolphin's approval selector and build process ensures invoices are approved by managers with appropriate authorization levels. Risky 'rush' check requests become a thing of the past with Dolphin's Check Request solution. Our Duplicate Invoice check and analytical functionality help to ensure duplicate payments are a thing of the past. Your process will be inherently more secure prior to posting an invoice and ardently more audit-proof after the invoice is paid.

Conclusion: Automate AND Optimize

You know you have a process that should be better. The key is to look at this as an opportunity to both “automate” and “optimize”. Successful business process optimization creates flexible, adaptable processes, optimized for nearly any business and economic environment.

For data capture, the answer to optimization is not simply to standardize on scanning, OCR or e-Invoicing – it is to integrate, automate and optimize the methods that work best for your business.

Dolphin has worked with customers who were interested first and foremost in bringing transparency to their process and felt that the benefits of process tracking and InfoCenter justified the investment on a stand-alone basis.

Others determined a need to eliminate paper. They value change in the invoice receipt piece of the process and opt for new ways to capture and interpret invoice data – from OCR at a header or line item detail level to full-blown electronic processing with e-Invoicing.

At Dolphin, we are problem solvers. And we deliver a solution first based on your objectives and processes.

Reducing operating costs is only the beginning. More importantly, **cost containment** must be sustainable. That delivers ongoing savings to the bottom line.

Optimizing AP? Dolphin Solutions are Smart, Adaptable & Proven.

1. Dolphin is SAP-centric. Only SAP, 24x7.
2. Seasoned, employee consultants with many years of SAP experience.
3. Proven best practice solutions supporting Procure-to-Pay and Order-to-Cash deployed within the world's leading organizations and industries.
4. Rapid customer-focused deployment model supports change initiatives with exceptional project management, process & technical support.
5. SAP Certified Solution
6. SAP Software Partner



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Automating and optimizing Accounts Payable will reap short- and long-term benefits. **Gaining visibility into the invoice process** can be the difference between managing by using current, accurate information or not. The objective of reducing costs and yet doing more with what you have can be achieved quickly.

Finally, optimizing processes **mitigates risk** to your organization from non-standard and manual processes that limit flexibility and are susceptible to fraud. Greater control delivers even more savings.

Optimized Business Processes Lower Costs and Provide Greater Visibility
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Faster, Smarter Decisions

About Dolphin

Dolphin makes crucial business operations, like accounts payable, accounts receivable, order management and data archiving, run better and smarter for organizations using SAP solutions. Founded in 1995, Dolphin produces the right solution for each customer, faster, through its unmatched experience in SAP solutions and its proven best practices, tools and SAP add-on applications. Dolphin solutions improve business and IT performance, lower total cost of ownership and deliver high return on investment.

Based in Philadelphia, PA and San Jose, CA, Dolphin solutions are implemented across North America and around the world.

For more information, visit www.dolphin-corp.com or email contact@dolphin-corp.com



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