

# eINVOICE

## Electronic Invoice Management

### The Cloud's Silver Lining

#### Featuring Insights on:

The Cloud

Making a Case for Automation

Overcoming Barriers to Adoption

eInvoicing and Discount Capture

Electronic Invoicing Universe

Convergence of eInvoicing and Outsourcing

Eight Building Blocks to IADM

Featured Solution Vendors

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## Executive Summary

In twenty years, accounting students will no doubt roll their eyes at droll professors who persist in pointing out that the technology credited with bringing visibility to corporate liabilities was called “The Cloud.” Right now, however, this is breaking news.

Affordable web-based solutions (Software-as-a-Service), aggressive supplier recruitment, enhanced reporting, and emerging cash management capabilities are breaking down adoption barriers and accelerating the migration from paper to electronic invoices, a trend fueled by tight credit and a down-cycle search for back-office efficiencies.

Earlier this year, PayStream Advisors documented these trends in the “**eInvoicing Adoption Benchmarking Report 2011**,” based on the responses of more than 200 AP and procurement professionals at U.S.-based enterprises. Subsequent research has followed the trend through the supply chain and found that it holds true from purchase to pay. This report elaborates on those findings, painting them in a broader context.

PayStream Advisors has developed this Technology Insight Series report titled “**Electronic Invoice Management: The Cloud’s Silver Lining**,” for organizations with an active interest in electronic invoicing, looking for an in-depth analysis of recent trends and solutions, plus profiles of leading solution providers.

Electronic Invoice Management is one of many reports available for download from our corporate research library at: <http://www.paystreamadvisors.com/store/>

## The Cloud

*“The imperatives and expectations created by the internet will force change in institutions, no matter how resistant they are. There is simply too much pressure from the ground up for institutions to retain 20th century forms.”*

“The Impact of the Internet on Institutions in the Future”  
Pew Research Center, March 2010

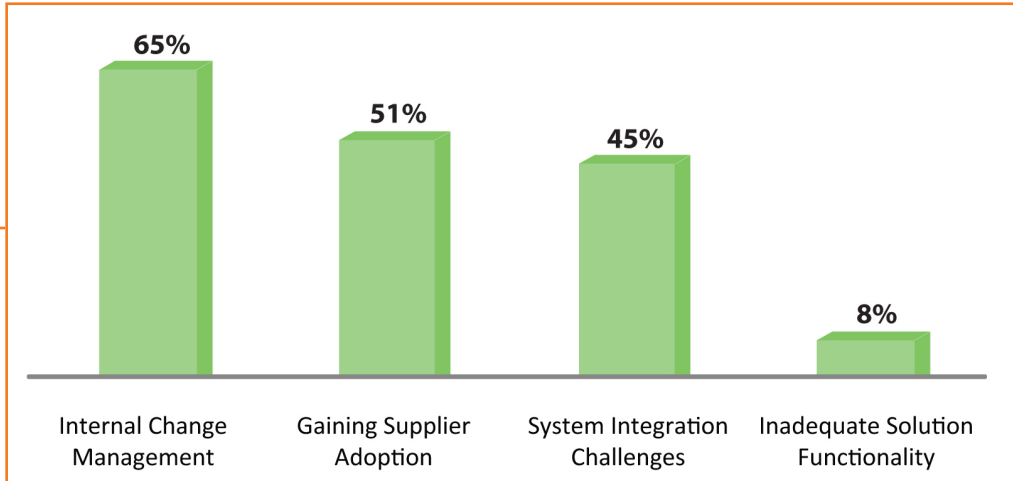
In hindsight the rise of The Cloud as a business tool seems almost inevitable. Isn’t that always the way? Futurists have been talking, for years, about electronic invoicing, but every year practitioners and solution providers reported the same three barriers to adoption:

- **Internal Change Management** – Companies didn’t have the time or resources to take on a major system conversion.
- **Supplier Adoption** – If convincing the people within your own company is the number one barrier, it’s understandable that suppliers might be even harder to convince – especially if they think a buyer is just shifting process costs to them.
- **System Integration Challenges** – In today’s connected world it’s getting harder to imagine, but like the mainframes that dominated the computing landscape before the PC revolution, most early accounting systems were not exactly user friendly. And getting two systems to communicate was a major undertaking.

Inertia is a powerful thing. The hassle factor alone made it hard for many companies, particularly smaller companies, to consider electronic invoicing. Nevermind the cost.

**Figure 1**  
**BARRIERS TO CONVERTING INVOICES TO ELECTRONIC FORMAT**

Internal change management and the inability to gain supplier adoption emerged as the biggest challenges.



Under the 20th Century Model, solution providers sold software as an off-the-shelf product, which typically required companies to purchase additional servers, and even more servers as a fail-safe against data loss in case the other new servers failed. Each new software purchase required IT documentation and training, back-up, and maintenance. Reporting and analytics were separate functions, often requiring data export to a separate analytics application. Implementation of the system was often left to the very people the productivity solution was designed to eliminate. Suppliers, accustomed to cranking out paper invoices on their own systems and getting paid by paper check, were reluctant to spend their time or resources to help someone else become more efficient if there was nothing in it for them. And, then there were the new releases and system upgrades that had to be purchased and installed.

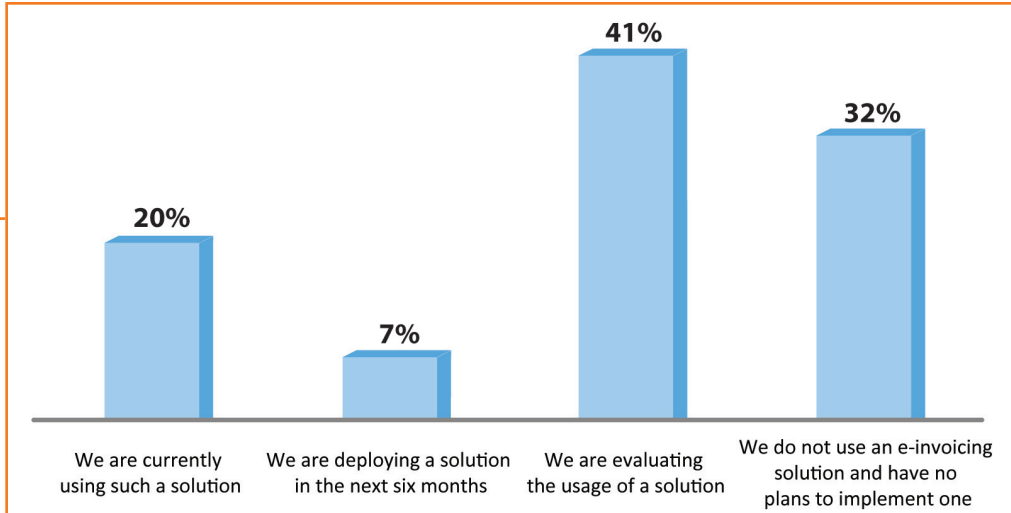
Compare that with the Internet-based Software-as-a-Service model, in which users subscribe to a shared application and add incremental suppliers to the application's existing network of suppliers who receive free analytics, receivables factoring, business referrals, and sophisticated cash management tools. Applications are designed with a menu of standard interface options to communicate with client accounting systems. User hosted and managed versions of the software solution are available, for customers who insist, but such customers are not typically the ones reporting the kind of barriers listed above.

## Electronic Invoice Management

The Cloud/  
Making a Case  
for Automation

**Figure 2**  
**FEE-BASED  
AUTOMATION  
AFFORDABLE  
FOR SMALL  
AND MID-SIZED  
COMPANIES**

Software-as-a-Service dramatically lowers upfront costs, reduces operating expenses and maintenance, and simplifies implementation.



With such a tidal shift in solution delivery, it's not surprising to see that customers are responding. Two thirds of the companies surveyed said they had already adopted or were evaluating an e-invoicing solution. That's up 8 percentage points from the previous year.

## Making a Case for Automation

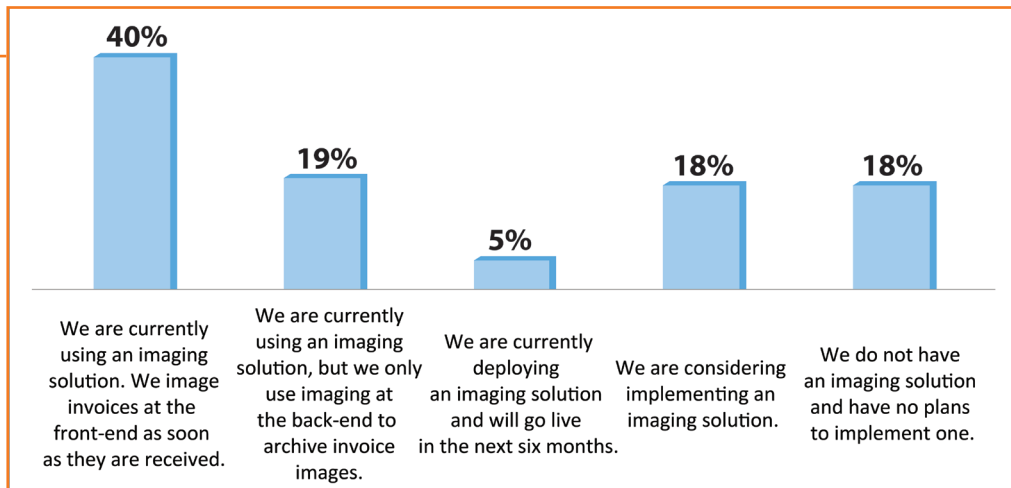
### Collaboration is King

Although invoice automation remains predominantly accuracy and efficiency driven, momentum is building for collaborative applications as solution providers expand analytics and working capital management capabilities, typically in a Cloud-based Software-as-a-Service platform.

Most invoices are still presented on paper, but a majority of those paper invoices are now being converted to electronic form to facilitate workflow and collaboration before they are paid. More than 80 percent of the companies surveyed by PayStream Advisors over the past year indicated that they have already adopted an imaging solution, or are at least considering purchasing one.

**Figure 3**  
**ADOPTION  
OF IMAGING  
TECHNOLOGIES**

Back-end holds steady but front-end imaging is on the rise.



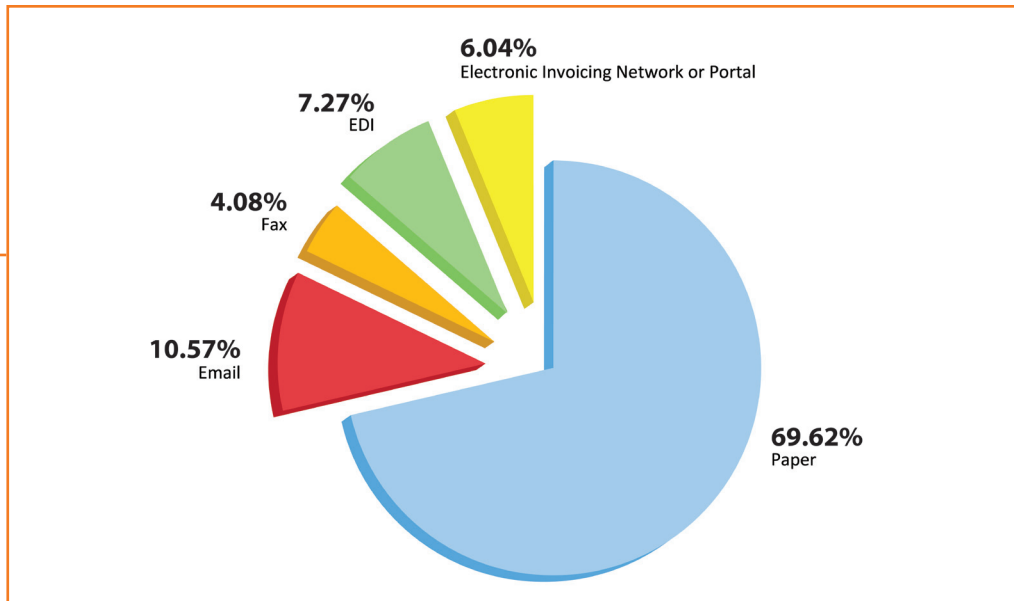
The volume of paper invoices received is also decreasing – dropping from more than three quarters to just a little over two thirds of total invoices, in the past year alone.

## Electronic Invoice Management

Making a Case for Automation

**Figure 4**  
**BREAKDOWN OF INVOICES VIA RECEIPT METHOD**

Paper invoices are still prevalent, but they're waning.



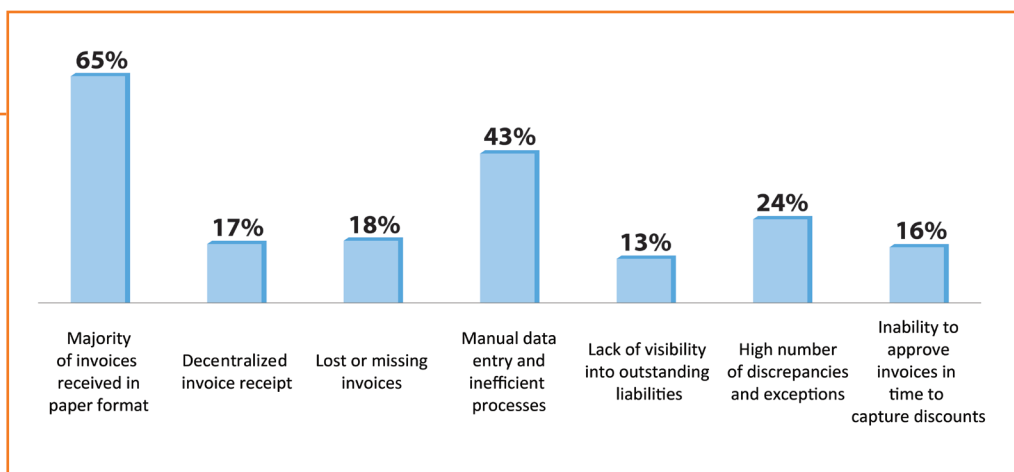
Historically, the move from paper to electronic invoicing has been driven by the accuracy and efficiency of workflow achieved by eliminating manual data entry and the time-consuming routing of hard-copy invoices for approval. The current wave of automation, however, is being driven by a variety of factors, especially the broader application of e-invoicing solutions as management information tools to provide greater visibility into spending, improved cash management, and an increased ability to capitalize on early-payment discounts.

### Challenges Faced in Current AP Operations

The first step in improving a process is understanding the faults and failures of the current system. PayStream's "Invoice Automation Adoption Survey 2011" documented those challenges. Significant progress is being made. But as the following graph illustrates, much remains to be done.

**Figure 5**  
**CHALLENGES IN THE INVOICE MANAGEMENT PROCESS**

Companies are making significant strides in reducing manual data entry.



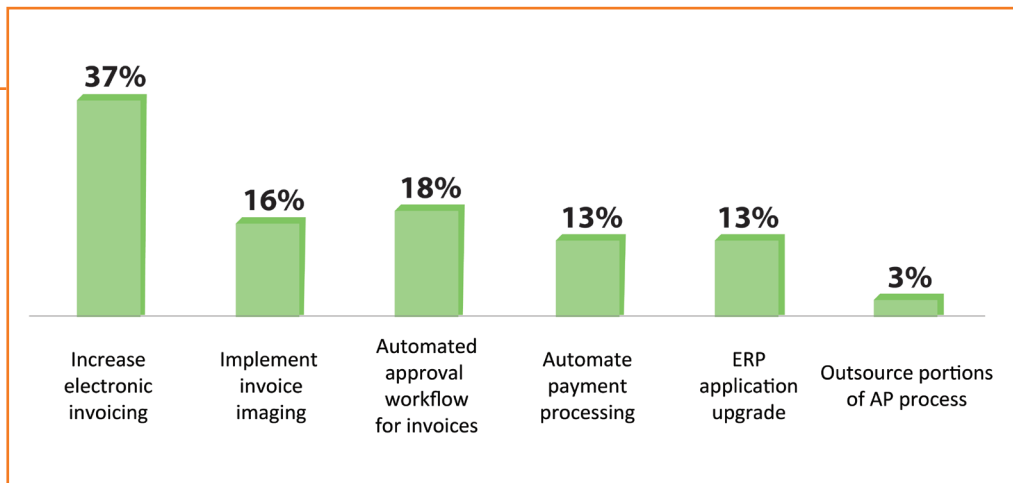
## Factors Driving Interest in Automation

As accounts payable and treasury functions combine, companies are beginning to reap the benefit of stronger trading relationships, dynamic discounting, risk-management and cash management. Automation solutions that enable trading partners – buyers, suppliers and banks – to seamlessly exchange transaction-related information and funds are becoming increasingly popular. Specific factors driving interest in automation include:

- A competitive business environment is forcing businesses, especially small and medium-sized ones, to focus on reducing processing costs and increasing efficiencies associated with invoices and employee expenses.
- Streamlining the AP process has become vital in a tough economy where adequate cash flow and greater control over payables are critical to maintaining liquidity and sustaining business operations.
- An increased interest in early payment discount capture is driving smaller organizations to investigate tools and technologies that enable them to compress their invoice receipt-to-approval cycles.
- The evolution of on-demand and Software-as-a-Service (SaaS) delivery models has significantly lowered the upfront cost of implementing AP solutions and reduced the hassle of maintaining them.
- The convergence of electronic invoicing and front-end invoice imaging presents organizations with a single, comprehensive solution that can manage both paper and electronic invoices through a common process.
- Value-added services, delivered by solution providers to enhance supplier recruitment have enabled buyer organizations to bring suppliers onboard more quickly.

**Figure 6**  
**TOP FINANCIAL AUTOMATION GOALS FOR 2011**

Increased focus on invoice imaging.



## Buyer Benefits of AP Automation

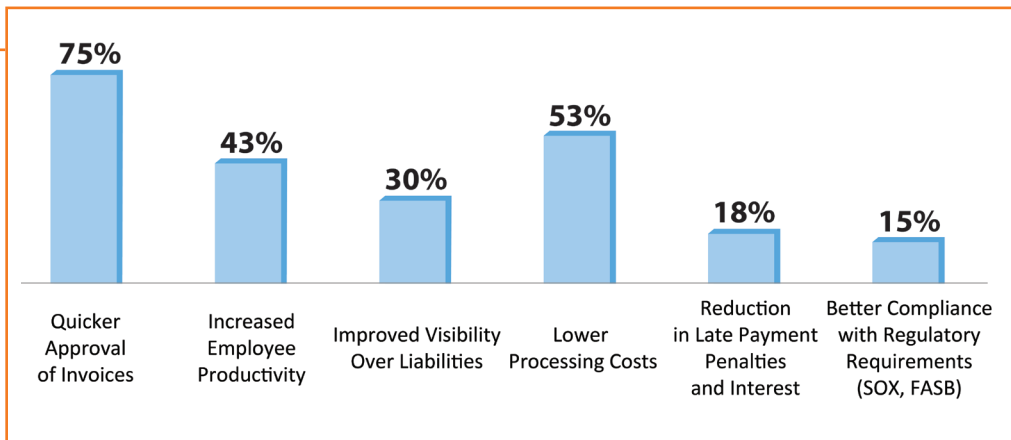
Buyers, particularly small and medium-sized companies, are responding to the low upfront costs, minimal IT commitment, enhanced reporting and cash management services offered by Cloud-based solutions. But the Cloud isn't always an option – especially for some larger companies and governmental entities with policies requiring onsite hosting or staff-managed solutions. Regardless of platform, the results of PayStream Advisors' 2011 Automated Workflow Adoption Survey make a compelling case for AP Automation:

- 75 percent of all adopters reported shorter invoice approval cycles
- 53 percent experienced lower processing costs
- 45 percent increased employee productivity
- 30 percent of adopters surveyed had used automation to improve visibility over liabilities
- 18 percent reported a reduction in late payment penalties and interest
- 15 percent reported an improvement in regulatory compliance

These results are consistent with previous years and show a trend toward businesses using AP Automation as a business information and cash management tool and not just to reduce head count.

**Figure 7**  
**BENEFITS OF APPROVAL WORKFLOW**

Adopters looking to win over executive champions with approved visibility of spend and improved compliance.



## Supplier Value Proposition of AP Automation

Suppliers, too, seem to be rallying behind recent value-added services, such as supplier networks, dynamic discounting, purchase order to invoice flips, and low to no-fee supplier transaction costs. Suppliers who have adopted electronic invoicing have reaped a number of tangible benefits:

- **Increased Efficiencies:** Significant time is saved when employees do not have to print paper invoices and mail them to their customers, freeing up accounts receivable staff to focus on more value-added activities like collections and customer relations.
- **Lower Costs:** Reduction in labor, material and postage costs are common with all eInvoicing solutions. Our research reveals that suppliers who adopt electronic invoicing can slash their invoice management costs by more than 50 percent.
- **Error Reduction:** Validation rules configured into eInvoicing solutions flag errors at the time of submission itself and prompt suppliers to correct them, reducing the number of exception invoices downstream.
- **Faster Settlement:** Electronic invoicing compresses the invoice processing and approval cycle on the buyer side. This, combined with electronic payments, ensures that suppliers are paid on time, or even early in some cases.
- **Improved Visibility:** Suppliers have real-time access to invoice and payment status from a standard Web browser, reducing the number of calls and emails to AP Help Desks.
- **Better Cashflow Forecasting:** Automating invoice processing and payments reduces the uncertainties around payments. Consistency around payment timing means that suppliers have enhanced ability to perform cashflow forecasting.
- **No More Reprint Requests:** Electronic invoicing solutions drastically reduce the number of lost and missing invoices, which means that reprint requests from buyers will virtually be zero.
- **Quicker Dispute Resolution:** Suppliers now have the ability to view disputed invoices at any time and provide supporting/backup documentation, as needed, making dispute resolution a collaborative process as well as accelerating resolution.
- **Decreased Days Sales Outstanding:** Dynamic discounting and supply chain finance capabilities available as part of eInvoicing solutions allow suppliers to decrease days sales outstanding (DSO) without adversely affecting customer relations.
- **Access to Cheaper Capital:** Dynamic discounting delivers financing at more attractive rates to suppliers than factoring or asset based lending.

## Overcoming Barriers to Adoption

Although electronic invoicing is steadily gaining ground, paper invoices persist as the primary method of B2B billing in the United States. The barriers to adoption remain the same as they've always been, although solution providers are having some success chipping away at them. Here's where things stand.

### Supplier Resistance

Although eInvoicing expedites payments, the very prospect can raise the hackles of suppliers who are content with their paper-based system and not of a mind to change. As the old saying goes: If it ain't broke, don't fix it. In such a scenario, success depends largely on the buyer's ability to present a compelling value proposition to suppliers. In many cases, buyers have failed to effectively communicate the value of AP automation initiatives to their suppliers, and as a result, struggled to generate the results they expected.

For the supplier, the question of "What's in it for me?" is the only relevant one and buyers and solution providers need to have a compelling answer. Supplier networks, new business referrals, accelerated payments, enhanced reporting, financing opportunities, and cash management tools are all good answers, within the context of an organized supplier recruitment effort.

### Technical Challenges

Once a formidable obstacle, the challenge of integrating new applications with legacy systems is becoming less daunting as older legacy systems are replaced with more modern architecture. Most applications on the market today integrate easily with systems on both the buyer and supplier sides, resulting in secure and seamless data transfer, as well as streamlined processes and more efficient workflows.

Adopters can expect faster approval and cycle times, as well as better cash flow forecasting ability, and vendor relationships. And for those companies concerned with the upfront costs of technology, hosted solutions and Software-as-a-Service (SaaS) delivery models offer minimal implementation costs, with technology providers responsible for maintenance and upgrades.

### Business Practices

Electronic invoicing heralds a tremendous change in the way buyers and suppliers conduct business. Many suppliers are concerned that if they switch to electronic invoices and payments they will lose the remittance detail they need for payment reconciliation. The emergence of invoice, payment and remittance advice consolidation, however, is beginning to alleviate this issue. These services, provided by third party invoice and payment networks and processors, collect detailed payment information from buyers and make it readily available to suppliers in formats compatible with their accounting systems. With many solutions, suppliers have multiple options in which they can receive detailed remittance information - email, fax or even direct integration with their accounting systems.

Loss of check "float," once a major concern on the buyer side, has largely become a non-issue, thanks to a combination of extremely low interest rates, faster check processing, and the emerging ability to manage payment dates using purchasing cards, dynamic discounting, and other electronic payment tools.

**DEFINING  
DYNAMIC  
PAYABLES  
DISCOUNTING  
SOLUTIONS**

DPD solutions allow suppliers to control the timing of payments, calculate fees and payment amounts dynamically based on the number of days remaining until the due date, provide the ability to dynamically capture discounts as working capital needs dictate, and allow trading partners to tap into an alternative source of working capital with the use of third party creditors who pay early on behalf of the buyer.

## eInvoicing and Discount Capture

One of the major drivers for AP automation has been senior management's emphasis on improving visibility to payment liabilities. This has come to bear along with a strong push toward increasing discount capture from suppliers. Paper invoices and checks significantly hinder working capital visibility. Research from PayStream shows that the average invoice cycle time is 23 days from receipt to approval, with best-in-class companies completing this cycle in 5 days.

Cloud-based solutions that address existing inefficiencies in the invoice processing cycle are gaining popularity by offering supplier on-boarding, working capital management, straight-through processing, and vendor self-service.

### Supplier Onboarding

The biggest barrier hindering electronic invoicing initiatives is supplier adoption. Persuading suppliers to change their processes to align with buyer's needs is a costly and time-consuming process, and success depends largely on the buyers' ability to present a compelling value proposition to suppliers. Many buyers have failed to effectively communicate the value of AP automation initiatives to their suppliers, and as a result, struggled to generate the results they expected from implementing e-invoicing solutions.

In order to ensure the success of their AP automation efforts, buyer organizations need to be more proactive in demonstrating the benefits of electronic invoicing and settlement to their supplier base. Given this scenario, technology providers that deliver supplier onboarding services in conjunction with the technology itself are gaining strong traction in the market.

### Working Capital Management

Dynamic Payables Discounting (DPD) and Supply Chain Finance (SCF) have become hot topics within electronic invoicing circles. By providing an incentive to suppliers for early settlement, these working capital solutions serve the cash management needs of buyers and suppliers alike. While discounts have been traditionally driven by suppliers as an incentive for securing early payment, enhanced visibility into invoice status is enabling buyers to proactively propose early settlement discounts to suppliers.

With third-party financing, buyers can extend their payment terms through the injection of third-party capital without adversely affecting supplier relations. Conversely, suppliers gain additional cash liquidity and stronger balance sheet positions. These solutions also mitigate uncertainty surrounding payment timing and amount, allowing for superior cash flow forecasting capabilities for suppliers.

## Straight-Through Processing

Straight-through processing (STP) or touchless processing facilitates the automatic payment of “clean” invoices. This allows organizations to enhance discount capture as well as frees up buyers and AP staff to spend more time on managing exceptions and accelerating dispute resolution with suppliers. STP includes:

- Validation of invoices, at the time of submission, based on pre-configured business rules and tolerance levels to correct any errors or exceptions before the invoice even reaches AP and the clock starts ticking.
- Automated three-way matching of purchase orders, invoices and goods receipt documents, so that invoices can immediately be scheduled for payment. Some companies even allow a two-way matching success (PO and invoice) to trigger the payment for a small set of trusted suppliers.
- Automatic approval of or fewer levels of approval for certain non-PO invoices, especially when it comes to small dollar invoices or invoices from suppliers with whom buyers have a long and strategic relationship.

## Vendor Self-Service

Through the integration of self-service supplier portals, electronic invoicing solutions can truly drive collaboration between buyers and suppliers. They accelerate the exchange of information between trading partners and provide improved visibility and control over financial transactions. Suppliers’ ability to upload, view and track invoices in real-time as they make their way through a buyer’s workflow process, strengthens the control they have over their receivables processes. Suppliers receive notification immediately upon completion of the buyers’ invoice approval process, allowing them to monitor and assess their receivables in real-time. And for the buyer, this translates into a reduction in resources required to resolve discrepancies and respond to inquiries. Both buyers and sellers receive payment data and remittance detail electronically facilitating reconciliation of payables and receivables.

**Table 1**  
**BENEFITS OF ELECTRONIC PAYMENTS AND DYNAMIC DISCOUNTING**

Electronic Settlement	Payables Discounting
Increases the ability to make timely payment and reduces the incidence of late payment fees and penalties.	Provides a low-cost financing alternative to suppliers and an additional income stream to buyers.
Lowers processing costs by removing the need for printing and mailing checks and the incidence of fraud.	Enhanced visibility into the timing and amount of payments aids in superior cash flow forecasting capability for buyers and suppliers alike.
Supplier notification and vendor self-service options reduce the number of supplier inquiries and exceptions.	Delivers better cash liquidity and stronger balance sheet positions for suppliers without their having to rely on high cost and financing alternatives.
Online search and retrieval tools aid in payment verification and collaborative dispute resolution.	Buyers can extend their payment terms; Suppliers can accelerate their cash conversion cycles.
Aids in compliance with Sarbanes-Oxley and other regulatory requirements.	

## Electronic Invoicing Universe

Electronic invoicing solutions streamline the invoice receipt-to-pay cycle by enabling organizations to electronically exchange purchase orders and invoices, use sophisticated workflow tools for approval processing and make electronic settlement against approved invoices.

### Supplier Recruitment & Enrollment

Recruitment activities typically start with supplier segmentation analysis and identifying those vendors to target first for on-boarding. Solution providers add value to the equation by leveraging proven best practices to develop various activation campaigns – email, phone and direct mail – for different supplier groups. The solution offers functionality to allow suppliers to enroll themselves by logging into the application to provide bank account and registration information. Alternatively, buyers can manually enter supplier information or import information from their ERP or AP systems.

### Invoice Generation & Delivery

E-invoicing solutions facilitate the exchange of invoices between buyers and suppliers by providing several methods to accomplish this (PO flip, blank e-forms, standard templates, extracting template from buyers' ERP systems, etc.). Solution providers offer more advanced file connections via EDI, XML, CSV etc. for high volume suppliers or those that prefer a more hands-free approach. Some solution providers also offer options to handle paper invoices. Each invoice, whether submitted electronically or manually, is typically converted into a common document type for querying and filtering.

### Exception Handling

Validation of invoices is a critical step to ensure that only clean invoices are viewed by the AP department. Invoices are routinely checked for duplicity and mathematical integrity. An additional layer of validation is provided by checking invoices against a set of buyer defined criteria. This process identifies errors and exceptions in the invoices proactively at the time of invoice submission and notifies the infringing party to correct those errors before the invoice can be accepted and routed. These validation rules and tolerance levels can be configured and changed, as needed.

**Figure 8**  
**ELECTRONIC INVOICING UNIVERSE**

Electronic invoicing solutions improve the invoice-receipt to payment cycle by streamlining how organizations receive and approve invoices and make payments.



## Workflow & Dispute Management:

This is the process that buyers follow to sort, route, review, dispute and approve invoices for payment. E-invoicing solutions support multiple levels of approval routing and include the ability to configure reminders and escalation procedures. If no action is taken on pending tasks in a specified period of time, the systems also allow buyers and suppliers to investigate and collaboratively resolve disputes and exceptions. The solutions support configurations that dictate a manual or automated workflow process for approval, dispute resolution, escalation procedures and authorization protocols.

## Payment Processing

The steps that buyers take to initiate, post and execute payment, including preparation, processing and submission of the payment file to the bank. Most solutions offer multiple payment options and allow buyers to configure payment types at the supplier level. This stage also includes integration with and posting of the payments to buyers' ERP and accounting systems. Some solutions also offer dynamic payables discounting functionality allowing buyers to configure multiple discount schemes and enabling suppliers to discount all or any of their receivables at any time, up to the maturity date.

## Reporting & Analytics

This includes the ability of the solution to generate standard and custom queries and reports and provide visibility across transactions to buyers and suppliers. The solutions also provide comprehensive audit trails of all actions taken within the system and vendor self-service options. Recent advancements in analytical capabilities allow managers to examine spend at various levels, including: type of expense, employee, department and region. This wealth of information gleaned from the procure-to-pay process, can not only be used to comply with regulatory requirements but also to provide valuable business intelligence for strategic spend analysis.

**Figure 9**  
**ELECTRONIC INVOICING PROCESS FLOWS**

Electronic invoicing solutions provide robust functionality from invoice delivery to payment processing and vendor self-service.



## Convergence of eInvoicing and Outsourcing

One of the major barriers hindering electronic invoicing initiatives is gaining supplier adoption. Suppliers do not want to change the way they currently process and submit invoices to buyers, unless they see the value proposition in electronic invoicing. Large buyer organizations are in a position to leverage their size and purchasing power to migrate suppliers from paper-based processes to electronic invoices. Small and medium enterprises, however, do not have this luxury and cannot dictate terms to their larger suppliers.

One option that these organizations can pursue to overcome challenge of supplier adoption is utilizing outsourcing services in conjunction with electronic invoicing initiatives. Under this scenario, suppliers that are reluctant to join an eInvoicing network, continue to send paper invoices. But instead of mailing them to the buyer's AP department, suppliers send these invoices to a processing center managed by the eInvoice solution provider. At these processing centers, the documents are scanned and data is extracted from the paper invoices and converted into an electronic format. Data from both the paper and electronic invoices is then available for processing through a single unified platform.

### Benefits of Outsourcing Imaging and Data Capture

- Buying organizations receive all their invoices in an electronic format, from day one, without having to wait to onboard a critical mass of suppliers on the eInvoicing network.
- The AP department receives all invoices in a common format, irrespective of the channel of entry. The same robust validation rules that are applied to electronic invoices can be used to validate paper invoices as well.
- Buyer organizations can see a reduction in FTE and processing costs that were originally associated with imaging and data entry from paper invoices, an extremely valuable benefit for SMEs.
- Most third party outsourcing providers guarantee a 24 hour turnaround for invoice entry, which significantly compresses the invoice receipt-to-pay cycle, thereby allowing organizations to capture more early payment discounts.
- Fewer supplier inquiries into invoice and payment status, with increased supplier visibility into the process, translates to freeing up of AP resources that can now focus on value-added activities like spend management or supplier recruitment.
- Requires minimal changes to the supplier-side process; Suppliers only have to change the address to which they mail in the paper invoices.
- Electronic invoicing, combined with outsourced data capture, compresses the approval cycle, ensuring that suppliers are paid on time, or even early in some cases.

## Eight Building Blocks to IADM

AP automation – including Invoice Automation and Discount Management (IADM) - initiatives need a framework to ensure that programs are approached on a strategic basis, which bridges the supply chain, accounts payable and finance functions. PayStream’s analysts have introduced such a framework to help enterprises implement “integrated” IADM and maximize its benefits. To achieve the long-term value of IADM, organizations need to adopt a strategy involving both procurement and finance and therefore initiatives should be approached at an enterprise level.

**Figure 10**  
EIGHT BUILDING BLOCKS OF INVOICE AUTOMATION AND DISCOUNT MANAGEMENT

A strategic framework required for the success of your invoice and discount management initiatives.



Integrating invoice automation and advanced finance tools such as dynamic discount management or supply chain finance is not easy. It requires a multi-disciplinary vision and leadership to drive a focus on unleashing working capital from the trade invoices and receivables; otherwise it will remain fragmented. It involves difficult changes to processes, and involvement of external organizations, namely suppliers, that can make implementation difficult. Further, organizational and cultural barriers that exist between supply chain, procurement and finance managers make clear thinking on IADM difficult.

On the other hand, though the technology support seems easy, that is not always the case. Technology staff must grapple with the challenges of getting invoices approved faster, multi-channel alignment, and systems integration. Even if the CFO accepts the need for enterprise-level IADM, the quarterly demands of procurement and working capital targets, especially in delicate economic conditions, make IADM one of the most important challenges facing the finance organization, but not the most urgent for the CFO. This typically results in a focus on tactical “quick wins” until conditions are better.

The main reason enterprises are not implementing integrated IADM is an inability to see the big picture and understand what is involved. Just as a map helps you understand the context of your journey (the roads you need to navigate and alternative routes), so the PayStream IADM framework helps enterprises make decisions about the best route and objectives for their situation.

Following an analysis of several large corporate enterprises, PayStream Advisors has created an IADM framework, or map, called “The Eight Building Blocks of Invoice Automation and Discount Management” (See Table 2) to help enterprises make their business cases and plan their implementation.

1. Purchase-to-Pay Vision
  - a. Leadership and senior management buy-in
  - b. Cross-functional alignment and support
  - c. Clear understanding of the value proposition
2. Purchase-to-Pay Strategy
  - a. Clear and concise objectives and goals
  - b. Multi-year automation roadmap
  - c. Documented metrics to measure progress
3. Supplier Interaction
  - a. Defining buyer-supplier collaboration goals
  - b. Vendor segmentation and adoption planning
  - c. Supplier communication and recruitment strategy
  - d. Payment and discount terms configuration
  - e. Incentives/penalties to drive supplier behavior
4. Culture and Change Management
  - a. Inter-departmental collaboration and shared risk/goals
  - b. IT resource allocation and training
  - c. Incentive compensation based on goals achieved
  - d. Cash management flexibility
5. Process Management
  - a. Enhanced invoice visibility and accurate accruals
  - b. Cash conversion cycle and DPO goals
  - c. Improving processing efficiencies and accelerating approval cycles
6. Purchase-to-Pay Information
  - a. Identifying efficiency metrics that need to be improved
  - b. Leveraging external benchmarking data
  - c. Visibility across transactions and access to data dashboards

#### 7. Automation Technology

- a. Front-end imaging and approval workflow solutions
- b. Electronic invoice submission and receipt applications
- c. Automated workflow and dispute resolution
- d. Seamless integration with ERP and accounting systems

#### 8. Value-Added Services

- a. Multiple delivery models including hosted and SaaS
- b. Supplier recruitment and on-boarding
- c. Availability of third party credit and financing

The above framework can be used for internal education and debate in developing the IADM vision and strategies. It can then be the basis of an assessment of the enterprise's current and required capabilities, to help understand its current position and future strategy.

## Direct Insite Solution Profile

Direct Insite Corporation is a global provider of financial supply chain automation across procure-to-pay and order-to-cash business processes. The company's solutions and services automate the complex and manual paper-intensive processes surrounding invoice and payment management. Direct Insite's service offering for automating both accounts payable and accounts receivable operations, Invoices On-Line (IOL), was introduced in 2000.



The Direct Insite IOL platform offers a comprehensive solution to manage purchase orders, invoices, and electronic payments. The IOL solution is primarily offered as a Cloud-based Software-as-a-Service, but is available for installation on client servers as required by some government contracts.

**Table 5**  
DIRECT INSITE  
OVERVIEW

<b>Founded</b>	1987
<b>Headquarters</b>	Sunrise, FL
<b>Other Locations</b>	Bohemia, NY; Santa Clara, CA; Denver, CO
<b>Employees</b>	60
<b>Revenues</b>	\$12 million
<b>Customers</b>	50+ operating company or enterprise clients
<b>Annual Transaction Volume</b>	35+ million
<b>Industry Segments</b>	Manufacturing, Communications, High Tech, Oil & Gas, Energy, Medical, Media & Advertising, Finance, Shipping & Transportation
<b>Key Accounts</b>	IBM, Hewlett Packard, General Motors, Siemens, Carlson, Shell, UK Department of Work and Pensions, Areva T&D, INTTRA, Osram Sylvania
<b>Awards/ Recognitions</b>	ISO 9000 Certification, PCI Service Provider Level 1 Certified, SAS 70 Type II Compliant Data Centers, Certified SAP Technology Solution, SAP Business Partner.
<b>Partners/Resellers</b>	First Data Corp., Hewlett Packard, IBM, SAP, Cognizant, INTTRA, Scan One, ScanTek

## Solution Overview

Invoices On-Line delivers comprehensive functionality on both the buyer and supplier sides, with sellers paying nothing for the service. Buyers can issue and manage purchase orders, review and approve invoices, and create schedules and pay invoices online via flexible payment methods. Suppliers can issue invoices and credit memos and respond to buyer inquiries with attachments. Strong audit controls and reporting ensure total visibility of transactions in real time.

## Supplier Recruitment

With more than 100,000 suppliers registered in 100 countries, the IOL Global Supplier Network is a robust marketplace for e-invoicing. Direct Insite's Supplier On-boarding Team works with buyers to get all of their suppliers enrolled, touting the solution's fee-free seller services.

## Electronic Invoicing

Supplier convenience is a key selling point, from the ability to electronically "flip" purchase orders into invoices for error-free matching, to line-item edit capabilities allowing suppliers to amend and append orders to both PO and non-PO invoices. IOL offers a full complement of e-invoicing services, from full EDI to scanning of paper invoices. Automated document validation notifies suppliers of invoice errors at the point of submission via email or web portal messages.

## Approval Workflow

IOL delivers integrated workflow functionality that allows invoices to flow through preparation, review, and approval life cycles quickly and efficiently with users assigned authority levels as invoice preparers, reviewers, approvers, and payers. Online collaboration between buyers and sellers allows fast resolution of discrepancies, with either party able to initiate line-item level notes and inquiries.

## Working Capital

Direct Insite's solution supports dynamic discounting, allowing buyers and suppliers to work out mutually beneficial early payment terms. Buyers may configure discount rates and submit proposals to suppliers against specific invoices. Suppliers may view the invoices that are available for discounting, compare the discount rate against alternative capital sources, and decide whether to accept the proposal or submit a counteroffer.

## Reporting and Analytics

IOL provides a number of standard and configurable reports, as well as ad hoc query capabilities for custom reports that can be exported in ten different formats. On the supplier side, users may check on the status of purchase orders, invoices and payments in real time.

## Pricing and Implementation

Direct Insite uses a transaction-based pricing structure, with a minimal professional services fee up front and a declining fee per transaction with increases in monthly transaction volumes. A typical IOL implementation takes 30 to 90 days, depending on the client's business rules for workflow implementation and the availability of interface information related to the client's ERP systems.

## Direct Insite Case Study

### Siemens Global Shared Services

#### The Challenge:

Decrease supplier inquiries and related call center costs.

Siemens Global Shared Services provides centralized Accounts Payable processing for fifty-four (54) distinct operating companies servicing over 100,000 suppliers. Initially, Siemens processed 1.2 million paper invoices in 2007 for twenty-six (26) business units. This volume increased to nearly 2.4 million invoices per year by the end of 2010 with the migration of an additional 28 business units. Concurrently, Siemens was dealing with approximately 50,000 supplier inquiries per month requiring a sizeable call center.

#### The Solution:

Siemens conducted an extensive vendor analysis and selected Direct Insite's Accounts Payable Supplier Self-Service and eInvoice Automation Portal. Direct Insite provides a globally hosted suite of web-based Accounts Payable Automation and Procure-to-Pay service modules which are incrementally deployed in a phased strategy. Direct Insite's Supplier Self-Service Portal was already integrated with common ERP platforms such as Oracle and SAP. SAP is the Accounts Payable ERP environment of Siemens.

Siemens and Direct Insite implemented a multi-pronged 'best practice' supplier e-invoice adoption strategy which included:

- Multiple webinar sessions to Suppliers as well as Siemens Procurement and Accounts Payable staff
- Targeted 'e-invoice' submission messaging within Purchase Orders
- Electronic invoice submission within procurement contracts
- Phone, Fax and Email-based awareness campaigns to targeted suppliers

#### The Results:

Following a rapid 90-day deployment, Siemens suppliers aggressively adopted the supplier portal. Within six months from going live Siemens achieved a 40% decrease in supplier inquiry rate attributed to increased visibility of invoice and remittance information.

Following the Phase 1 rollout, Siemens set a Phase 2 goal of achieving 80% paperless invoicing through Direct Insite's electronic invoicing service. Direct Insite's supplier on-boarding and enablement services promoted awareness and training to Siemens 60,000 suppliers with the goal of converting manual paper invoices to one of many forms of electronic invoice submission.

Currently, Siemens processes more than 75% of invoices electronically and nearly 65% of all invoices process in a 'touch-less' manner requiring no AP Department intervention.

## What You Should Do Now

### There is a strong business case for Invoice Automation:

The clearly definable benefits electronic invoicing solutions offer provide a compelling case for consideration, especially given the tangible ROI for both small and large organizations.

### Taking the next step:

But getting rid of the paper can be an intimidating task. A first step for many organizations is determining just how efficiently they manage their invoice-to-pay cycles.

The Paper Invoice Quotient (PIQ), a score developed by PayStream from a standardized survey that represents dependency on paper in accounts payable, is fairly representative of processing efficiency. An organization's PIQ is determined by dividing the percent of electronic invoices (whether EDI, invoice network, p-card, or conversion of paper invoices by automated data capture) by the average number of approval days, from invoice receipt to approval, as shown in Table 3.

PayStream counsels its clients to work towards a PIQ ratio of at least three or more, either by increasing electronic invoice receipt to drive efficiency or accelerating processing speed to improve organizational effectiveness.

#### FIND OUT YOUR PIQ

[www.paystreamadvisors.com/content.cfm?id=728](http://www.paystreamadvisors.com/content.cfm?id=728)

**Table 8**  
CALCULATING YOUR PAPER INVOICE QUOTIENT

<b>PERCENTAGE OF ELECTRONIC INVOICES</b>	10%	24%	40%
<b>APPROVAL TIME (NUMBER OF DAYS FROM INVOICE RECEIPT TO APPROVAL)</b>	28	24	14
<b>PAPER INVOICE QUOTIENT</b>	0.4	1.0	2.9

### Don't fall behind:

Companies that rely on traditional invoicing, payment and financing practices, which are burdened by many inefficient, manual tasks, will find themselves at a competitive disadvantage to companies that have automated this process, and can therefore better manage their spend and vendor relations at all levels.

### Lots of qualified choices, but many options can be confusing

Our analysis of qualified solution providers revealed a surprising array of relatively easy-to-implement and feature-rich tools. When considering an invoice management solution, however, most companies should first evaluate their existing IT infrastructure against the business landscape in which they operate. Leveraging existing assets is prudent if they include the necessary expertise, features and technology to achieve the desired results. Supplementing existing processes and technology with best-of-breed or bolt-on applications, however, can provide significant benefits while also serving as a bridge to a fully integrated and comprehensive invoice management solution set.

The above framework can be used for internal education and debate in developing the IADM vision and strategies. It can then be the basis of an assessment of the enterprise's current and required capabilities, to help understand its current position and future strategy.

## Conclusion

Affordable, flexible, Software-as-a-Service solutions are extending the reach of eInvoicing, using the Internet to put powerful tools in the hands of small and mid-sized companies. Perhaps more importantly for the viability of eInvoicing, suppliers as well as buyers are embracing the trend, drawn by enhanced analytics, potential business referrals, dynamic discounting, and the prospect of faster payment. Collaboration is key, and the Internet is, by nature, a collaborative medium. We look for this trend to not only continue, but to accelerate in the near term.

## About PayStream Advisors, Inc.

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](http://www.paystreamadvisors.com)

## About the Analyst

Author, journalist, operations manager, Brad Kuhn is an award-winning financial journalist and MBA whose 30-year career has included hands-on management assignments, public relations, management strategy, statistical analysis, and business theory. His work has appeared in national publications including The Wall Street Journal, American Banker, Financial Operations Today, and The Journal of Lending and Credit Risk Management. He has been quoted by The New York Times, Fox News, HLN, and Bloomberg/BusinessWeek. He is CEO and Managing Partner of Brad Kuhn & Associates, LLC, a full-service financial communications consulting firm.

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