



# Tackling AP Automation with a Holistic Document Management Approach

The Scaling Company's Guide to Using Enterprise Content Management (ECM) for Digital Transformation Success

## 2019 | Featuring Insights On...

- » Current Accounts Payable Trends Within the Mid-Market
- » The Benefits of ECM Solutions
- » How to Gain Buy-In for ECM Adoption

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## Introduction

The term “digital transformation” often refers to technology transformation that increases business agility and competitive advantage. It is an approach being spearheaded and adopted by many innovative businesses around the world. But what does digital transformation mean for organizations with limited resources with which to invest in technology? Unlike most large enterprises, which have resources available for expansive technology overhauls, companies that are scaling or sit in the “middle market” (i.e., companies with \$2B-\$100B in annual revenue) must approach digital transformation much more carefully.

Level Research has found that scaling and middle market organizations often try to kick off business improvement by implementing individual point solutions. This is partly motivated by specific pain points these companies encounter, such as high paper volume or limited security for sensitive company data, which can have more profound impacts on smaller operations. They often prioritize fixing the immediate problem with a point solution to ensure business stability over trying to push a full-scale automation initiative.

These organizations must also consider the importance of aligning a new software tool with their existing infrastructure, and their choices are often limited by the importance of tight integration with their line-of-business applications. Unfortunately, as they adopt multiple process tools as their time and budgets allow, they also delay the gains possible with a more extensive digital transformation.

One approach that some scaling organizations have found successful is to leverage an enterprise document management (ECM) tool to expand upon existing technology efforts. These tools can be used to help streamline finance operations such as AP/invoice management. They are also flexible enough to be leveraged in other areas in which secure document management is vital, such as contract management, HR, and sales order processing. Adopting a scalable, cloud-based ECM platform that integrates with existing applications often results in the greatest impact for the business, higher ROI from existing technology adoption, and a greater push towards the long-term benefits of digital transformation.



This whitepaper serves as a guide to using ECM software to jumpstart digital transformation and increase the ROI of technology adoption for scaling and middle-market companies. It explores trends in back-office process management—including AP processes—among North American organizations, highlights the savings possible with automation, and offers a guide to gaining buy-in for ECM adoption.



## The Reality of AP Automation for the Middle Market Today

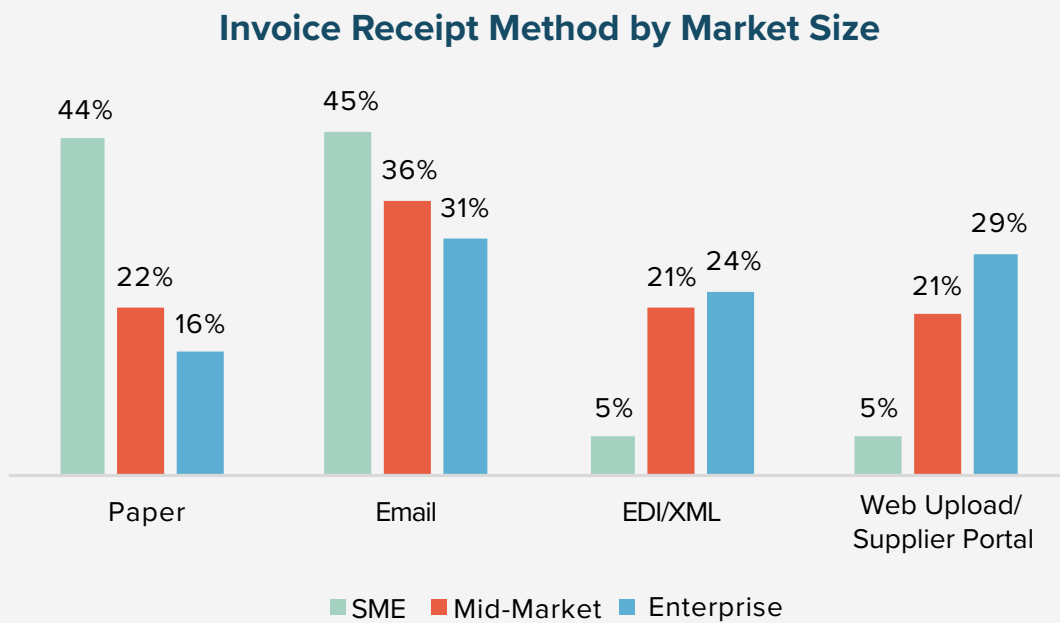
With regards to digital transformation, organizations across different revenue segments and industries are relatively aligned in their goals. Organizations want to eliminate outdated processes and systems, reduce the burden of “cost centers” on their bottom line, and remain competitive in markets that are increasingly dependent on technology. Even though the primary digital transformation goals are shared, they are not applicable to every organization in the same way. This is particularly true when it comes to back-office process automation.

In its ability to embrace digital transformation, the mid-market lies in a difficult middle ground. Many of the automation solutions built for SMEs are insufficient or not robust enough for scaling organizations, while the software suites marketed towards large enterprises are not affordable. Many mid-market organizations look to begin their digital transformation journeys by automating one or two departments or processes rather than their entire environment.



It can be strategic to pick a starting point in a high-cost area for the organization, such as accounts payable. Research indicates that many organizations in the mid-market have manual, inefficient, high-cost AP processes. The greatest challenge faced by the mid-market segment is that the majority of invoices are sent manually, either via email or paper, see Figure 1. Compared to enterprise organizations, the mid-market processes significantly more manual formats, with well over half of invoices in outdated formats. This high volume of unstructured data leads to inefficiency and error.

FIGURE 1



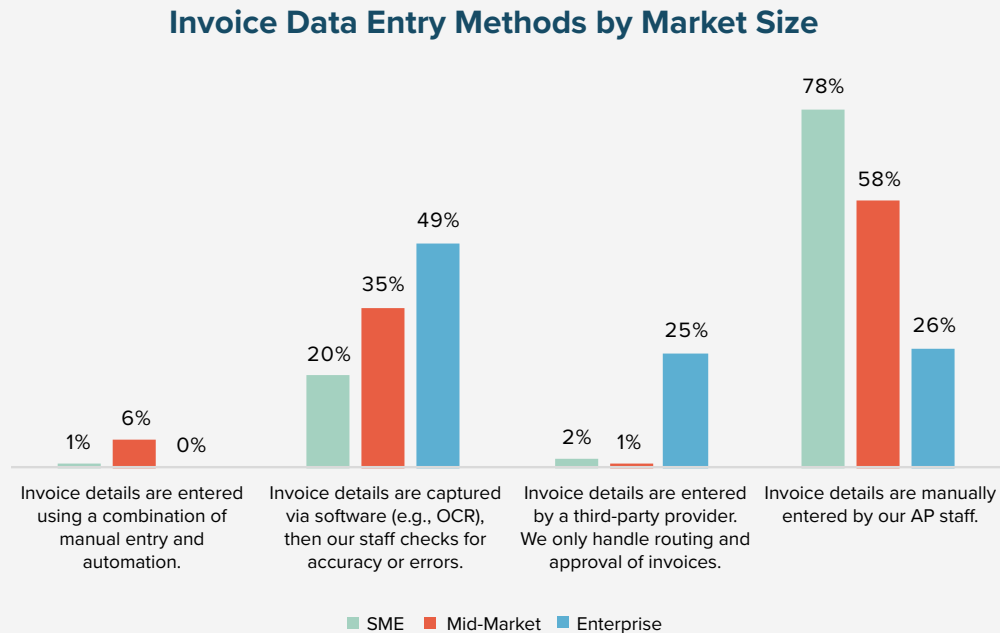
**Most Mid-Market Invoices Are Received Via Email or Paper**

*“What percentage of your invoices are received by the following methods?  
(Please enter whole numbers, no percentage sign, must add to 100.)”*



When it comes to invoice data entry, mid-market organizations, again, rely heavily on manual methods, see Figure 2. Levvel Research attributes this to the fact that organizations smaller than large enterprises have limited resources with which to automate their processes.

FIGURE 2



#### Most Invoice Data Is Entered Manually by Mid-Market Companies

*“How is invoice information entered into your ERP, accounting software, or accounts payable software?”*

The next most common invoice entry method is by a data capture software solution; although mid-market organizations have highly manual processes, if they have invested in any technology to automate processes, it is likely to be a front-end tool such as data capture or optical character recognition (OCR). The mid-market is also most likely to use a combination of manual and automated data entry methods. This reflects the mid-market segment’s common state of transition: Companies are able to automate a portion of a process because they have identified a need, but they might not be able to afford a more far-reaching solution.

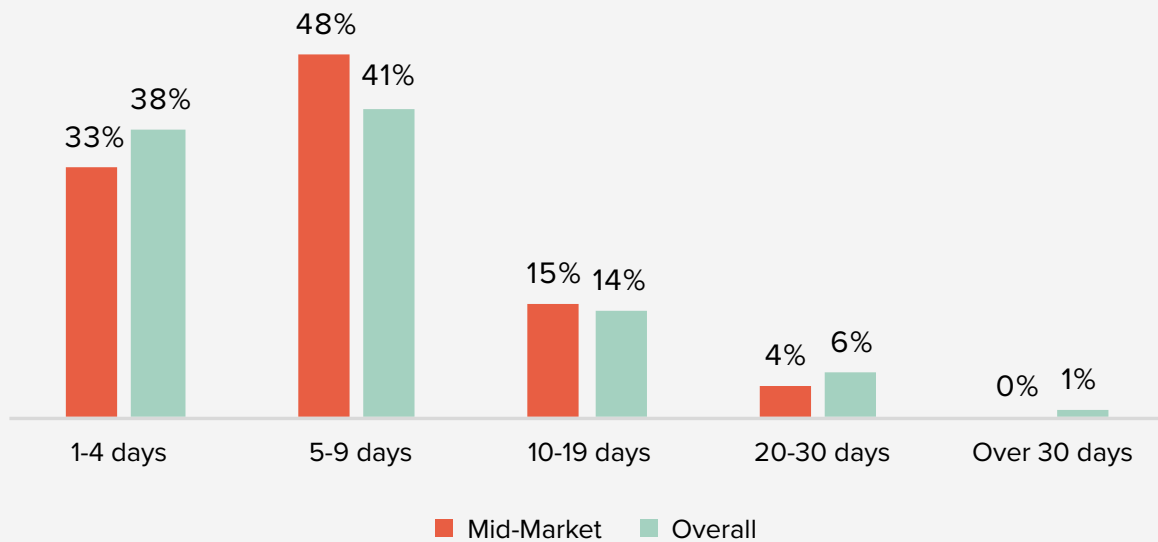
The other market segments reveal disparate trends, depending on size. SMEs have limited resources, but also more centralized operations, and are most likely to have manual invoice receipt. Because they have more resources, enterprises mostly use software solutions; they are also most likely to utilize third-party providers for invoice receipt due to their higher volume of paper invoices.



The mid-market also faces challenges with long invoice processing cycle times. According to Level Research survey data, mid-market companies usually require 5-9 days to process invoices, see Figure 3. Compared to overall market trends, the mid-market has a smaller percentage of invoices approved between 1-5 days. Level Research believes that many mid-market challenges arise from the demands and limitations of scaling.

FIGURE 3

### Invoice Approval Time



#### Invoice Processing Usually Takes 5-10 Days for Mid-Market Companies

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

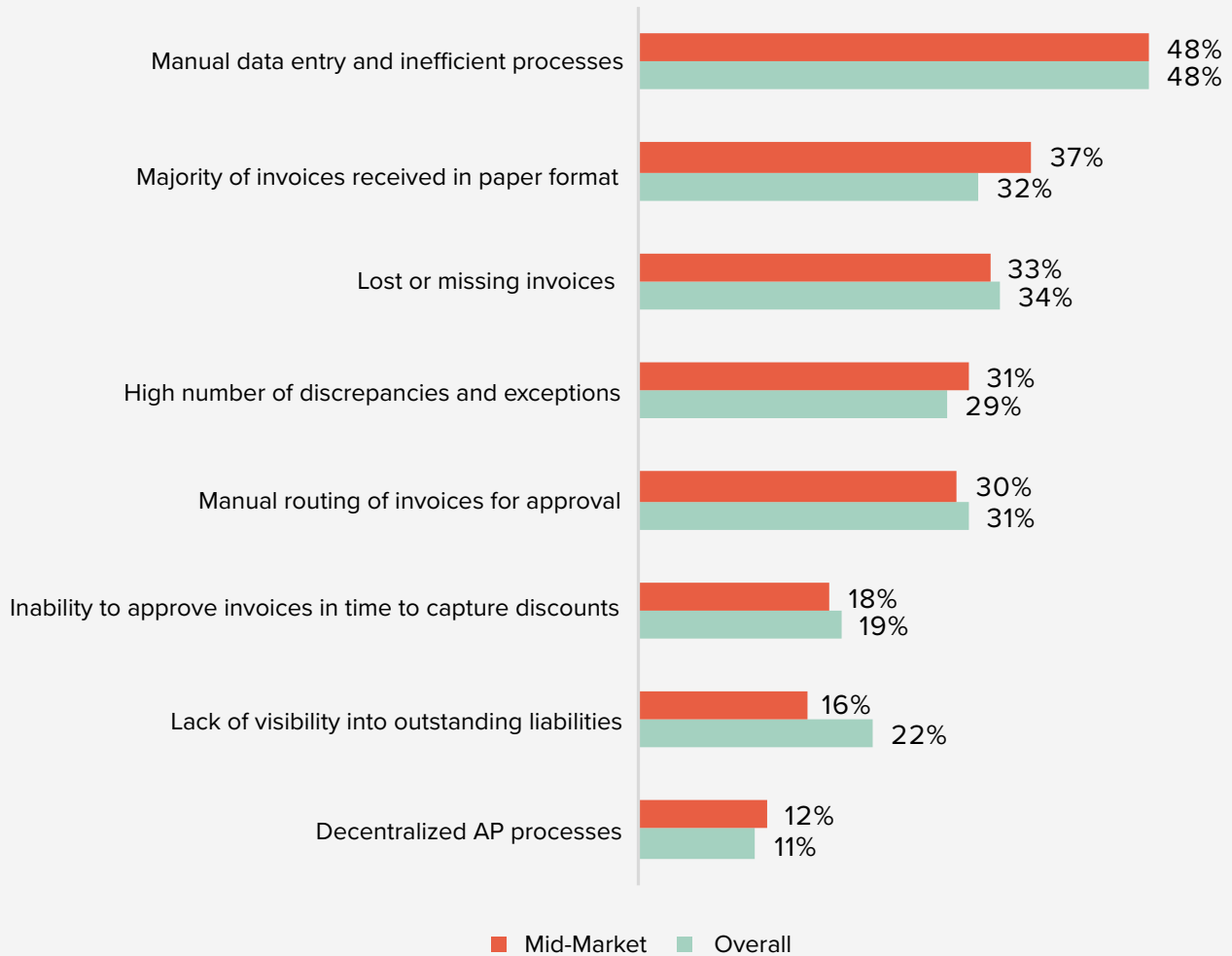




The main AP pain points for mid-market organizations focus on manual data entry, inefficient processes, and paper invoices, see Figure 4. High paper volume leads to higher processing costs, as well as lower satisfaction rates amongst business partners. When compared to the AP pain points of the overall market, five percent more mid-market respondents report challenges with paper invoices.

FIGURE 4

### AP Pain Points



#### Manual Data Entry is the Mid-Market's Greatest Challenge

*"What are the top three biggest pain points you experience in your workflow process? (select up to 3)"*



These manual processes lead to problems downstream, such as lost or missing invoices, as well as more frequent discrepancies or errors, which are the next most common challenges that mid-market companies face. It is also important to consider how organizations store all data pertinent to AP processes, suppliers, contracts, and other important business information. Manual storage of data overlaps with AP workflow pain points, including inefficient processes, a high volume of paper, lost data, and a lack of visibility.

When taking into account all of these challenges, organizations' cost per invoice is ultimately affected, see Table 1. Level Research has separated companies into three categories—Novice, Mainstream, and Innovator—based on their level of automation. The more automation an organization has, the lower average processing time and higher percentage of electronic invoice receipts they report, leading to lower invoice processing costs and higher rates of discount capture.

**TABLE 1**  
 Net Benefit of an ePayments Solution Increases Nonlinearly with Transaction Volume

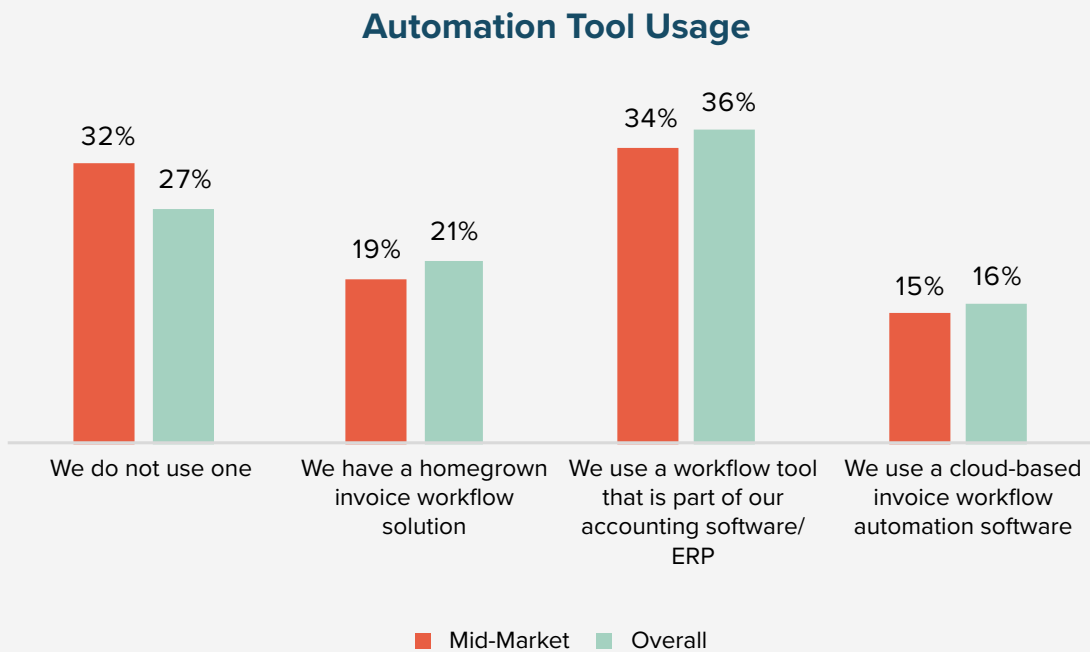
Metrics	Novice	Mainstream	Innovator
Average processing time from invoice receipt to approval	45 days	23 days	5 days
Percentage of invoices received electronically	3%	9%	32%
Average processing cost per invoice (combination of paper and electronic)	\$15.00	\$6.70	\$2.36
Percentage of invoice terms discounts captured	18%	40%	75%

The automation maturity of an organization depends on the types of solutions they adopt, as well as how they use these tools. Level Research has found that most mid-market organizations fall under the Novice or Mainstream categories, which are those organizations with very little technology in place and those with some technology tools in place, respectively. As noted in Figure 2, mid-market organizations are more likely to leverage data capture software than many other tools, and sometimes stop their technology adoption at that point.



When they are using more AP automation tools like invoice approval workflow, companies often turn to a workflow tool that is part of their accounting software or ERP, see Figure 5. The next common option for the mid-market was not using an AP tool at all, and the least common option was mid-market companies using an advanced, cloud-based tool. This reflects the priorities of scaling organizations, including minimizing the cost of implementation and maintenance of a tool.

FIGURE 5



#### Most Mid-Market Organizations Use an ERP-Based Workflow Tool

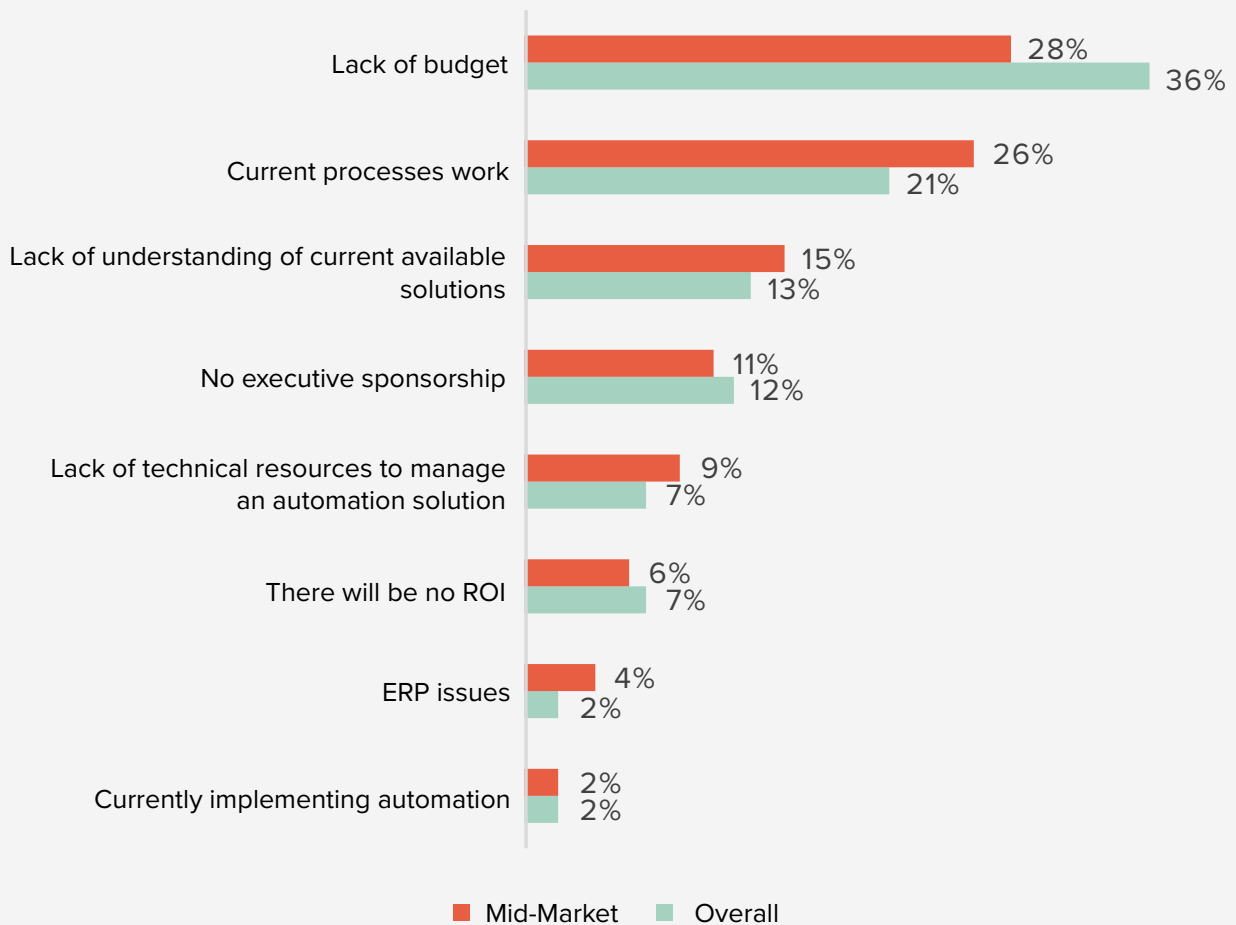
*“What type of AP automation tool do you use?”*



There are many reasons why mid-market organizations do not readily adopt AP automation software. The greatest barrier is a lack of budget to invest in a solution, see Figure 6.

FIGURE 6

### Barriers to AP Automation Adoption



#### The Greatest Barrier to AP Automation Adoption Is Lack of Budget

*“What are the top three barriers preventing your organization from adopting an AP automation solution? (select up to 3)”*

Organizations in the mid-market are also more likely than other organizations to believe that their current AP processes work, and many do not have a full understanding of solutions available in the market. A lack of understanding around both the true costs of the current state and the solutions available to reduce these costs is a common problem, but one that is easy to fix. It is simply a matter of educating mid-market stakeholders of the cost savings of automation, as shown in Table 1, as well as the possible improvements in employee productivity, efficiency, and visibility into financial processes.



## The Holistic ECM Platform

Organizations are approaching digital transformation in various ways. While mid-market organizations often cannot afford a full-scale software suite and process overhaul, these companies still share the same long-term digital transformation goals as their larger counterparts. When mid-market organizations begin their technology adoption in their AP department, they can leverage technology in such a way that enables them to plan for the future while improving today. For some organizations, enterprise content management, or ECM, enables this strategy.

### How ECM Works

Companies must manage a tremendous amount of information in a secure environment. ECM software captures, stores, and manages vital business information in a variety of document formats, and allows different teams to collaborate within the same workflows. ECM serves as a single repository for all content, collecting information in a uniform structure, regardless of original format. This method reduces issues of inconsistent or redundant data, and greatly improves an organization's access to necessary information. It also shortens the time required to track down personnel to find certain information or files, as well as reduces the time spent fixing problems related to inaccurate data and inefficient storage methods.

A single, streamlined solution disintegrates internal silos within a company and enables more information sharing. A collaborative ECM platform fosters creativity and communication, allowing individuals and teams to route documents within and across departments. All movement is protected in the secure platform with role-based access controls and permissions.

### Features of ECM Solutions

ECM solutions have many modules and features that can be applied to several back-office functions. A baseline feature of ECM software should be broad document type compatibility. A solution should be able to support and manage virtually any document format used by a company, including PDFs, TIFFs, JPEGs, CAD files, MP4s, and Microsoft Office files. Intelligent data capture is another important capability and may come as OCR or another automated data capture method.



Basic ECM solutions are data storage and document management systems, but often also include indexing and advanced search capabilities. Robust solutions include other functionality, including automated routing and approval workflows, which enhance and speed up approval processes as well as improve visibility. ECM solutions can also create detailed audit trails.

Global features and cross-platform access are increasingly important in today's globalized economy. Accessibility from mobile devices through a web-based application, as well as international language and currency support, are useful. All document management activity should occur within a secure global network to ensure compliance and privacy, with additional functionality to assign documents and actions to different access levels. Actionable insights, a configurable dashboard, and advanced reporting are additional valuable features that grant real-time access to data to improve productivity, profitability, and future business decisions.

In addition, integration capabilities with other systems, such as ERPs, accounting infrastructure, and HR systems are important to consider when choosing an ECM solution. Leveraging existing infrastructure brings more value to a solution and its future ROI.



## The Case for ECM

When creating a business case for ECM adoption, change makers can emphasize the following points:

- » *ECM drives ROI by expanding the value of a single technology implementation.*

Mid-market companies that want to maximize the ROI of an AP automation solution should aim for a best-in-class solution targeting a particular pain point, but that can also be applied beyond that space as resources grow. This will enable an organization to increase the long-term value of a single technology investment, and enable scalable digital transformation for companies determined to remain competitive.

- » *ECM drives ROI by empowering departments and supporting processes across the organization.*

With a strong ECM platform, one solution can transform many functions. For example, advanced document management and workflow features can automate AP processes as well as HR onboarding, training, and form management. ECM can also support other departments, such as Accounts Receivable, Procurement, Expense Reporting, Sales, Customer Support, and the C-suite, as the platform is applicable to multiple business functions.

One of the greatest values of ECM software is its dynamic versatility; it can be used for multiple functions and across numerous back-office processes—and be integrated with multiple systems. Especially for the mid-market, the selected ECM solution should be able to plug into ERPs and other existing systems.



- » *ECM drives ROI by comprehensively improving collaboration and efficiency—and reducing costs.*

ECM solutions help reduce paper volume, manual data entry, and time-consuming manual workflows. They also facilitate more strategic allocation of back-office labor. By providing secure digital storage, ECM reduces the pressure on an organization's IT department, which further contributes to better use of company resources and higher ROI. ECM also improves overall communication and streamlines back-office processes. ECM thus leads to savings from optimized labor costs, strategic staff reallocation, and a reduced need for outsourcing various back-office functions.

ECM is an optimal option for scaling or mid-market organizations who want to tackle AP automation within their organization today, and it also enables them to meet their future technology goals as they grow.





## About the Sponsor

DocStar is a browser-based enterprise content management and process automation platform that enables global digital transformation. Easy to implement and use—both in the cloud and on premises—DocStar offers proven technology and global process expertise to empower organizations to work smarter, reduce costs, and invest in growth. DocStar is an Epicor solution. Learn more at [www.docstar.com](http://www.docstar.com)



## About Level Research

Level Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Level Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Level Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Level Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Level Research's reports, white papers, webinars, and tools are available free of charge at [www.levvel.io](http://www.levvel.io)

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