

Streamline the Manufacturing Accounts Payable Process



Manufacturers know that good process automation and lean manufacturing deliver efficiencies that may benefit the bottom-line. Many manufacturers don't apply the same cost-saving rigor to improving productivity in the back-office. Misplaced or incomplete paperwork can bog down operations, delay just-in-time ordering and lower organizational productivity. Paperless automation can achieve the exact opposite, speeding up operations and boosting efficiency.

Searching for the right information, filling out paperwork and gathering approvals takes much more time than most management teams realize. Accounting and finance professionals spend a large portion of each work week looking for information, analyzing and formatting it, routing it for review and approvals and finally, filing and storing it. Each step may take only a few minutes per document, but it adds up fast.

When automating workflows with ECM, manufacturers achieve a rapid return on investment (ROI) in the Accounts Payable (A/P) department where transaction volume is high and a backlog of paperwork can pile up quickly. To save time, reduce expenses and improve efficiency, manufacturers should strive to automate as much of the A/P process as possible using Enterprise Content Management software with automated workflow functionality.

In this paper, we'll explore the true cost of paper-based workflows and the benefits—both tangible and intangible—that ECM delivers for Accounts Payable in manufacturing operations.

What is Enterprise Content Management (ECM)?

The Association for Information and Image Management (AIIM) defines ECM as: "The strategies, methods and tools used to capture, manage, store, preserve, and deliver content and documents related to organizational processes. ECM tools and strategies allow for the management of an organization's unstructured information, wherever that information exists."¹

An ECM solution consists of scanning, document management and workflow technology. It integrates with many other manufacturing business applications, including ERP, accounting, HRMS, and CRM systems. When ECM is applied in an A/P process, it captures the daily inflow of invoices, stores invoices electronically and routes them for approval and payment.

“There has been a steady acceptance and growth in accounts payable and accounts receivable solutions offered by ECM vendors. The purpose of the solutions is not to replace the enterprise resource planning (ERP) applications for A/P, which handle the transactions, but to improve the management of documents. Routing of invoices is much faster and discrepancies can be resolved more quickly.” - Ken Chin, Research VP, Gartner

The Cost of Inefficient Paper Processes

Most companies are trying to become more environmentally friendly, yet businesses still produce more than 4 billion pages of paper documents each year. Every page includes hidden labor and production costs. According to a 2005 study by IDC, the following chart represents the hours spent on document-related tasks in an average work week, by a typical knowledge worker (someone working primarily with information, such as an accountant or attorney):²

TASK	AVERAGE HOURS
Creating documents	13.3
Searching for data	9.5
Gathering information	8.3
Data entry for e-forms	5.6
Filing and organizing	6.8
Managing document routing	4.0
Managing document approval	4.3

That’s a lot of time, but working with documents is a key task performed by knowledge workers, after all. More troubling in the IDC investigation were the number of hours workers were forced to waste due to inefficient processes, poor document management, and lack of technology to automate the overall process.³ These wasted hours did not benefit the business at all:

TASK	WASTED HOURS
Reformatting	6.2
Searching but not finding	3.5
Recreating content	3.0
Acquiring archived data with little or no automation	2.3

Although ECM cannot eliminate all of the time A/P and other departments spend working with documents, it can greatly improve efficiency. More importantly, it can ensure that your employees spend the time productively, instead of wasting their considerable talents searching for documents, routing, and filing. Manufacturers can implement an ECM solution in just a few weeks, for rapid automation with minimal business disruption.

Proven Results

Before ClosetMaid found iDatix, the company committed over 8,000 A/P invoices each month to microfiche. Retrieving archived data could take a week or more! With an ECM system, A/P professionals now scan incoming invoices right away. ClosetMaid saved over \$100,000 in labor costs and equipment in just their first year using iDatix solutions.

Benefits of Account Payable Automation with ECM

A/P is the source of a lot of paper in manufacturing organizations—it's also full of time intensive processes. Manufacturers pay hundreds, if not thousands, of invoices each month for materials, equipment, and supplies. Manufacturers receive invoices electronically in e-mail or through EDI, but lots of paper invoices still arrive by mail. If ECM captures invoices at the front end, your company can avoid lost invoices, missed payments, late penalties and inaccurate accruals.

ECM delivers measurable cost-savings in A/P. IOMA research indicates that companies can reduce invoice processing cycle times by as much as 65% by processing invoices electronically.⁴ A 2009 IOMA survey revealed that productivity skyrockets as high levels of automation enabled the A/P staff to process nearly three times more invoices and expense reports per month.

By storing, organizing and indexing documents, ECM ensures that A/P professionals can find any current or historical document in seconds. ECM also automates key processes, such as: Matching up incoming vendor invoices with purchase orders in the accounting system, obtaining manager approval and routing invoices to other departments to verify that goods or services were received. It manages routing automatically, efficiently shuffling e-documents from one stage of approval to the next and allowing A/P to check on the status anytime. When all steps to approve the invoice are complete, ECM delivers the invoice back to A/P for payment.

The benefits that ECM can deliver to a manufacturer's A/P department include:

- Easy searching for documents produces the right information in seconds—no missing POs or invoices.
- Improved relationships with vendors and suppliers can earn your business favorable terms and discounts
- On-time payments help your company avoid penalties.
- Faster approval cycles enable A/P professionals to focus and be more productive, so you can reduce labor costs.
- Indexing and organization enable you to respond quickly to information requests, for easier internal and external auditing.
- Integration with ERP or accounting systems helps financial managers get a clear view of cash flow.

ECM integrates to your ERP system, so imported A/P documents are instantly visible in your accounting software. The purpose of ECM is not to replicate data stored in, or transactions performed by your ERP system. Instead, ECM brings order to unstructured information and paper documentation for which the ERP would otherwise lack access.

Proven Results

Antigua Shirts manufactures on-demand custom sports shirts. Orders arrive in many formats—via third-party websites, paper order forms, and retail stores. After a two week software implementation, Antigua Shirts used iDatix ECM solutions to transform a three day order process into a 24-hour automated workflow. That labor savings can drop straight to the bottom line!

Achieving Enterprise-Wide Efficiency

Accounts Payable is not the only part of a manufacturing business that benefits from ECM. In fact, it is merely a great place to begin. Nearly every part of the operation can expect to gain efficiency, accuracy, and productivity with an ECM solution. Other uses for ECM in manufacturing include:

- Accounts Receivable (A/R) uses ECM to view billing documents, speed up collections and support cash flow.
- Sales can use ECM to review customer agreements or contracts, as well as designs, prototypes, and specs for engineering to order manufacturing.
- Customer Service representatives can easily access the original signed orders, contracts, shipping documents and more as they speak with customers.
- Manufacturing Operations can easily access bills of material, schedule, specs, purchase orders, and other documents that support production.
- Human Resources can image, store and easily retrieve applications, resumes, training materials, and benefits enrollment forms.
- Legal professionals can organize and store vendor and customer contracts, including multiple drafts and redlines. If the company is involved in legal proceedings, producing records for discovery is faster and easier with ECM.

Conclusion

Global competitive pressures leave little room for error—manufacturers must stay lean, efficient and highly productive. In Accounts Payable, paper intensive processes cost too much. Automation with ECM can help manufacturers regain control of business information, streamline the flow of that information, and manage cash flow more efficiently. Faster approval cycles give your company more flexibility to pay on your terms and take advantage of the option to earn vendor discounts for early or on-time payments. A well-informed, highly organized and accurate A/P process improves relationships with preferred suppliers and vendors and can help your business receive more favorable terms.

In addition to the compelling benefit of ECM in the A/P process, many other opportunities to gain efficiency exist with an ECM solution. ECM helps automate the office the way that Henry Ford automated manufacturing. It can help you fulfill corporate green initiatives. It indexes and organizes documents so you can easily produce what is needed to satisfy financial audits, legal proceedings, or employer compliance investigations. Most importantly, ECM unlocks important documents across the organization, empowering your professionals to collaborate more effectively between departments and to more effectively serve your customers.

Contact iDatix

If we all invest in reducing paper from the business equation, all corporations could positively and drastically reduce their impact on the environment and save money while doing it. For more information on iSynergy, please contact us via our Website at www.idatix.com, email us at sales@idatix.com or call us at (727) 441-8228.

1“What is Enterprise Content Management (ECM)?”. AIIM. Association for Information and Image Management. Accessed online March 4, 2010.

2 Susan Feldman, Joshua Duhl, Alison Crawford, Julie Rahal Marobella, “The Hidden Costs of Information Work,” an IDC white paper, March 2005, p.2.

3 Feldman et al., p.5.

4 IOMA, “Invoice Processing Cycle Times Can Be Reduced up to 65% to Take Advantage of Discounts and Avoid Late Fees; Several Benchmarks Show the Average Cost to Process an Electronic Invoice Is Less Than \$1,” press release issued May 2, 2006, accessed at MarketWire.com.

