



# Goodbye Paper Hello Freedom

IntelliChief White Paper Series

## Paperless Accounts Payable

## Executive Overview

For years, IT gurus have been predicting the imminent arrival of the paperless office. It hasn't happened yet. Most organizations are awash in a sea of paper, struggling to keep their heads above water. Paper still drives, or more accurately, bogs down many business processes; one of which, Accounts Payable (A/P), is the subject of this paper.

A/P is often seen as a non-core function as it doesn't generate revenue (quite the contrary, it sends out cash); it doesn't make, market or sell products, and it doesn't directly impact customer satisfaction. Yet A/P deserves much more respect. It can be a tremendous drain on profitability when performed inefficiently. What's more, inept A/P processing jeopardizes vendor relationships, which may tip the balance toward a competitor in times of supply shortages.

Paper is a major source of A/P inefficiency. The vast majority of companies have not implemented fully-electronic supply chain communications, nor will they in the immediate future. Instead, invoices arrive from suppliers via a variety of media, including fax, email and postal mail. These invoices are then matched with other pieces of paper, such as purchase orders, order confirmation documents, receiving documents, and payment authorizations issued by the appropriate level of management before a check is issued.

The receipt, shuffling, filing, retrieving, copying and processing of paper takes a tremendous bite out of a company's profitability. Estimates of the average cost of processing a paper invoice range to more than \$8.00 – and that assumes that everything goes perfectly. Industry analysts suggest that, when things go wrong, the average cost to search for a misfiled document is \$120.

Because paper is the problem, eliminating paper is the solution. This is often not entirely possible as moving to all-electronic communications for all business interactions is beyond the technical and/or financial capabilities of many purchasers and vendors. Nonetheless, significant value can be derived from converting physical media to bits and bytes as soon as possible after paper enters the organization and by keeping it electronic for as much of the A/P process as possible.

Benefits can be maximized by looking beyond A/P to include the full purchase-to-pay cycle. Data can be passed and documents can be matched across the various phases in this cycle much more cost-effectively and with far fewer errors when these tasks are done electronically rather than physically. This is not to say that your first paper eradication project needs to be an all-or-nothing affair. Processes can be digitized in phases, but the initial planning should consider the whole purchase-to-pay cycle to ensure that integration is seamless as the various phases are brought online.

In moving from paper to bits and bytes, the most important consideration is not technology: it is business processes. Before making any decisions or taking any actions, analyze your business processes and the information flows – paper and otherwise – that underlie them. Then, and only then, can you map out a path to optimally efficient operations through Paperless Process Management (PPM).

This paper examines these issues in depth, suggests solutions, and provides case studies illustrating how PPM has been applied in real companies.

## Introduction

Most companies don't have the option of a 100% paperless A/P process as they and/or their suppliers are not set up for electronic billing. Consequently, at most companies the vast majority of invoices still arrive on paper via mail. Others are faxed in, but, even though faxes arrive electronically, most faxed invoices are still typically printed by a fax machine before being manually processed through the system. Increasingly, invoices may be sent by email, but even these can't be considered to be fully electronic because they typically arrive as body text or in a PDF file, which requires manual keying to get the data into the A/P application. In these cases, the emailed invoice is often printed and, after the data is entered into the system, the printed invoice is filed.

Paper costs money... a lot of money. The most obvious expense is the cost of the paper itself, but that is the least of it. Handling incurs labor costs. And filing incurs real estate costs, with several companies dedicating entire warehouses to document storage. What's more, paper handling is error-prone, with documents often being misfiled or accidentally destroyed. These errors trigger even higher expenses as the documents have to be hunted down or replaced.

How much is a lot? Estimates of the average cost to handle a paper invoice vary, but a survey by the Institute of Financial Operations pegs it at \$8 per invoice. That doesn't sound like a lot until you multiply that by the number of invoices that your company processes annually.

What's worse, this is only the tip of the iceberg. People make mistakes. Paper is occasionally misfiled. According to Gartner, Inc., a leading IT research and advisory firm, when this happens it costs an average of \$120 to retrieve and find the lost document.

Because it is a physical medium, paper can be in only one place at a time. If two or more people need to view the same document it has to be passed from person to person or the document must be copied. According to Gartner, the average document is copied 9 to 11 times at a cost of about \$18 dollars.

To get the complete picture on the enormous costs that paper-based A/P processes impose on your company, you have to look at the full lifecycle of a purchase, which begins well before an invoice is received and extends beyond the A/P processes to include a number of phases in the purchase-to-pay cycle. From the initial purchase requisition and order, through to the long-term archiving of all related documentation, the paper costs mount rapidly. At each phase, the paper burdens described above impose high costs on departments throughout the company.

There is a better way. Paper documents that originate in electronic form or that are converted to digital media can be retrieved and distributed with the push of a button. It may even be possible to eliminate the need to push that button by having the system manage the workflow automatically. In addition, electronic documents can be shared immediately among an unlimited number of authorized people anywhere in the world at virtually no incremental cost. Consequently, by adopting Paperless Process Management (PPM) to digitize as much of the purchase-to-pay cycle as possible, you can streamline business processes, reduce costs and avoid human errors.

## Paper-Based Purchase-to-Pay Challenges

**At the 30-thousand-foot level, A/P looks trivial: an invoice comes in and a check is sent out. The details are never that simple.**

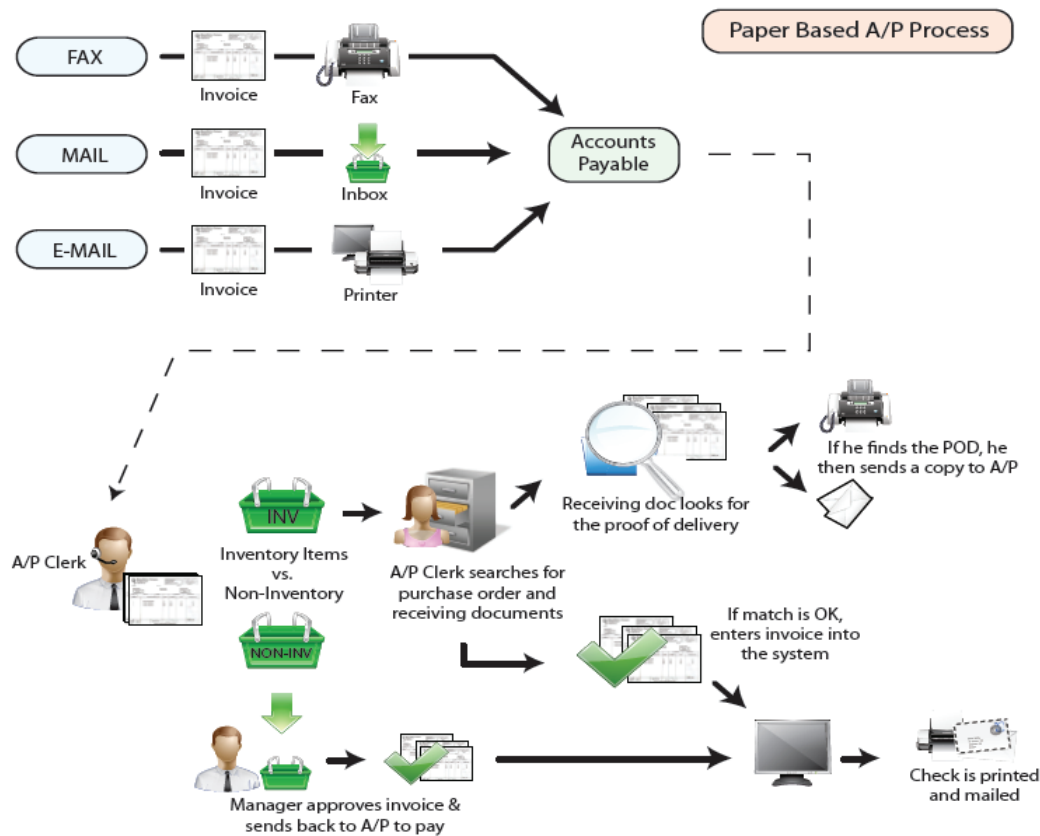
Invoices typically arrive via mail, fax, or email. Invoices, which are frequently printed even when they arrive in emails, are then matched with other documents that also often exist only on paper, such as purchase orders, shipping documents and receiving documents. This is usually a manual process in which an A/P clerk walks to a file cabinet to find the necessary documents. Complicating this process, these documents might not be filed together. Purchase orders may be in one file cabinet, while the loading dock's receiving documents are in another

Unless it is a standard purchase under an open purchase order, the matched documents are then usually sent to the appropriate manager(s) for approval and that approval is sent back, again on paper, to the A/P department.

At some point in this process, someone manually keys the invoice data into the A/P application, applying the appropriate general ledger code based on the purpose of the good or service and the department for which it was purchased.

Finally, the A/P application prints the check and, after being signed, it's mailed.

All of this takes time and, as they say, time is money. In addition to imposing high labor costs, an overly long A/P process may forgo discounts offered for prompt payment or it may incur interest costs and penalties as a result of late payments.



The normal paper-based A/P process is burdensome enough, but what happens when something goes wrong and a supplier calls to ask, “Where’s my check?” or “Why didn’t you pay the amount we invoiced?” The first step in answering these questions is usually easy. Given the invoice number or some other identifying information, a simple query issued to even the most rudimentary of A/P applications can report on whether a check was issued and, if so, how much it was for and when it was cut.

When those answers are sufficient to satisfy the vendor, the process is fast and low-cost, but that is rarely the case. Further investigation is usually required if there is a discrepancy between the invoice and the check amount, when the system says the invoice amount is something other than what the supplier thinks it is, or when the system doesn’t have a record of the invoice.

To resolve a problem, a clerk must hunt down the original documentation and review it to determine if the discrepancy was a result of a keying error or if there was some other reason for it. For example, a check for a lesser amount might have been issued because the shipment was incomplete.

Even this is not the worst case. A/P problem resolution becomes extremely costly when a paper document is lost or accidentally destroyed. Many hours must then be spent searching for the missing document or recreating it – or possibly doing both as only a detailed search will determine that a document is irretrievably lost.

These issues are cause for considerable concern. Companies looking to run lean operations in order to compete in aggressive markets must find ways to reduce their paper burdens.

## It is Never as Easy as It Seems

The description on this page probably understates the complexity of the document matching and verification processes.

When everything goes right, document matching might be a tedious, but uncomplicated task. However, things often don’t go right. A variety of issues arise that have to be addressed. For example, receivers compare the received shipments to the orders to determine if items were under-shipped or over-shipped, if the correct items were shipped, or if not, that equivalent items were substituted for the ordered items. If some items weren’t shipped or if they were under-shipped or over-shipped, receivers have to resolve those issues. This resolution process might differ depending on whether the item is permanently out-of-stock or backordered.

Receivers also have to check the quality of the items shipped and verify that any perishables are not past their expiry date. They also have to verify that the pricing is what was quoted and there were no unexpected fuel surcharges, import duties, and fees. Any hand-written notes on the bill-of-lading must be read and, if necessary, dealt with.

All of this work must be completed, before the purchase-to-pay cycle process can move off the receiving dock and on to the next step. When you stop to think about the documentation involved, including the paper shuffle that takes place especially when exceptions are noted, you can start to understand some of the complexity involved. Although “paper” per se is not the cause of the problem, it is a thorn in the process – it delays decisions, delays the process, and adds an extra layer to an already complex situation.

## The Solution: Paperless Process Management

The solution is to take as much paper as possible out of each step in the purchase-to-pay processes using Paperless Process Management (PPM). PPM is not the first attempt at reducing paper. Other technologies and methodologies that go by names such as Enterprise Document Management, Enterprise Content Management, Electronic Records Management, Electronic Document Distribution and Information Lifecycle Management are used to varying degrees. But these models suffer from a common weakness. Their focus is on the document or unit of information, when it should be on the business process.

PPM differs from its predecessors in that it focuses on relieving business processes of their paper burdens, rather than considering documents in isolation from the processes that create and use them. By taking a business process perspective, PPM avoids the frequent problem of incompatible technologies that hinder processes rather than streamlining them. Instead, using a PPM approach, the selected document management technologies have seamless integration with the organization’s business applications.

In addition to taking a business process perspective, PPM also covers the whole information lifecycle to maximize the benefits to be gained from going paperless. This lifecycle includes:

### Capture

‘Capture’ represents the conversion of paper documents into electronic documents.

Though you’ve gone paperless, that doesn’t mean your customers and vendors have done the same. You will continue to receive mission-critical documents in paper form and a PPM solution must be able to quickly scan the document, convert it to electronic format, and archive it for later retrieval and review.

That said, not all documents are manually scanned. A true PPM solution should also automatically capture and index inbound and outbound documents delivered by fax and as email attachments. Documents delivered in this manner are already in electronic format and should require little or no manual intervention.



## Create

**'Create' is the production of electronic documents from within your organization's computer systems.**

The create component of your PPM solution allows you to work within familiar business application screens to generate documents for electronic delivery.

In addition, PPM allows your data to be applied to customized design and data formatting templates. This allows you to create polished, professional forms without outsourcing any work to an expensive print shop. You incorporate design features including logos, signatures, barcodes, font treatments, precise data positioning, shading, lines, and a lot more internally.

Data reformatting functionality also allows you to eliminate redundant data, eliminate multi-line detail items, and perform other functions to reduce document page counts. So, you create shorter, easy-handling forms while maintaining or increasing readability.

## Distribute

**'Distribute' refers to the delivery of newly created electronic documents sent to email boxes, fax, websites or printers.**

The fact is that customers and vendors are growing increasingly demanding when it comes to how documents get delivered to them. In addition to wanting delivery in multiple formats, they may also want copies CCed to multiple individuals. Using centrally managed recipient profiles, PPM allows you to customize delivery formats and routing options without the end user becoming involved in who gets PDF, who gets fax, who wants to view their forms online, and who gets a print copy.

Very often, you'll be able to simply schedule when documents should be created and delivered. PPM will automatically perform those delivery functions once a week, twice a month, etc., without any end user involvement.

In instances where document delivery requires user involvement, all they have to do is click "Send" or "Print" and move on to their next task. PPM distributes documents exactly how the recipient wants them automatically.



## Retrieve

**'Retrieve' lets authorized users find, access, and review electronic documents in the PPM archive.**

This usually occurs using a thin client or from a web portal. It replaces the time and space consuming practice of maintaining filing cabinets full of paper documents. The 'Retrieve' component of PPM allows you to retrieve that physical space while exponentially cutting down on time spent locating documents. It also exponentially reduces time spent locating lost documents.

Even better, 'Retrieve' through PPM is much more secure less costly compared to maintaining sets of room and cabinet keys, lock combinations, and other physical security measures.

## Workflow

**'Workflow' controls the movement and processing of electronic documents throughout your system.**

Usually accessed via a thin client, the 'Workflow' component of a PPM solution operates as a traffic cop for your documents, content, and processes.

Using a thin client hub, the user can view and process documents, alerts, and notification as well as set deadlines for certain actions and responses.

Users and managers can also track processes and produce an audit trail to stay constantly on top on transactional and time sensitive documents.

While much of PPM's workflow functionality is appealing from the productivity / efficiency perspective, it's equally critical to view workflow through the lens of a regulatory environment that includes Sarbanes-Oxley and HIPAA. Highly dynamic workflow features aren't a luxury so much as a necessity when you need to produce very specific tracking and auditing information for compliance reasons.

## Archive

**'Archive' is the central repository – or safe – where the electronic documents are stored.**

This is the component that replaces the rows of filing cabinets you currently might use. It is also where your PPM solution performs the bulk of its document lifecycle management procedures.

Archiving is the most important functional area within PPM because all the others funnel in to or out of this one. The 'Archive' component is also where your document retention policies are created and stored. For any business dealing with regulations like SOX or HIPAA, retention policies are both critical, time consuming, and costly.

But through PPM, you can quickly and efficiently customize how long specific documents (or groups of documents) should be retained and then destroyed. The archive also makes it possible for authorized users to locate documents, no matter how old, with tremendous ease.

As we've noted in other sections of this whitepaper, this level of document lifecycle management is critical both to efficiency as well as ensuring that you comply with various industry-specific or industry-wide regulations.

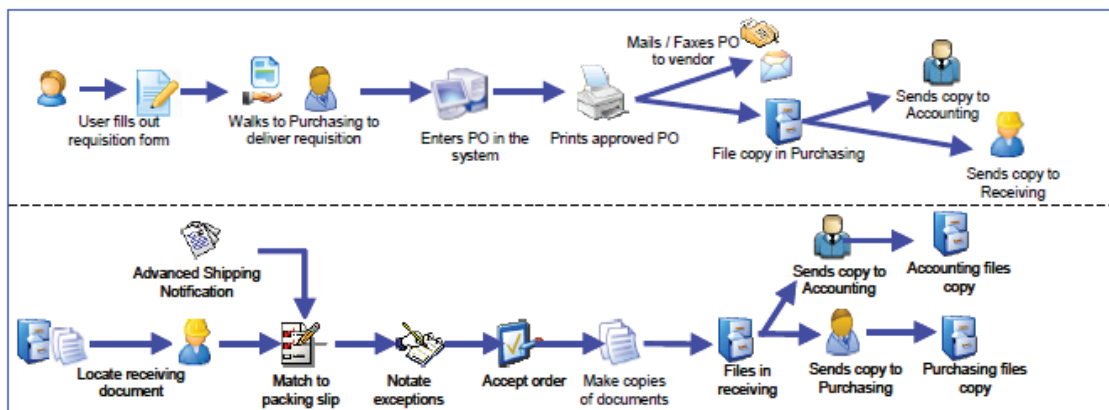
The important point is that, with a workflow solution, all document transfers are automatic and system-managed. What's more, to ensure that nothing is lost in the shuffle, the workflow software can send automatic alerts to the appropriate people to ensure that they perform the necessary tasks in a timely fashion.

Workflow lets you focus on the process rather than on the document. It automates and streamlines activities so that what used to be manual administrative tasks (photocopying a document, walking it over to the intended recipient, waiting at a fax machine, etc.) are now fully automated workflow steps.

By taking a holistic view of both the relevant business processes and the information lifecycle, PPM offers substantial opportunities to streamline and reduce the costs of purchase-to-pay processes.

Consider the initial event that triggers the A/P process. While this is often thought of as the arrival of an invoice, it actually begins much earlier, with creation of a purchase requisition by someone in the company. Depending on the sophistication of the company's business systems, this may be either a paper document or data entered into or generated from an ERP application. A PPM solution ensures that not only is it electronic, but that the requisition is routed to and acted on by the appropriate person in the purchasing department, rather than getting lost or sitting indefinitely in someone's inbox.

Using a traditional paper-based approach, after selecting the vendor and receiving the necessary approvals, the next step in the purchasing process is to produce a purchase order, typically on an expensive, preprinted, multi-part form. One copy is filed in the purchasing department, while other copies are sent to the accounting department to anticipate the receipt of the items for ultimate payment, to the receiving department to anticipate the delivery of the items and perhaps an advanced shipping notice from the vendor, and to the vendor who will process the order. PPM eliminates most or all of this paper and its handling. Approved purchase orders are placed in an electronic archive where they can be accessed by the accounting and receiving departments when the time comes for them to perform their processes related to the order.



A forms management application can store electronic form templates, including graphical elements such as the company logo, so that purchase orders can be sent directly out of the system to the vendor via fax or email. Or, when the vendor requires a paper copy, the purchase order can be printed on plain paper rather than costly pre-printed forms. At the same time, the PPM solution captures an image of the purchase order, so the original document can be called up online on demand.

On the receiving dock, receivers no longer have to hunt for a paper purchase order. Instead, they view it on their computer screens. Paper documents that come in with or ahead of the order, such as bills of lading or advanced shipping notices, can be scanned into the system and indexed. Documents that arrive by fax can be captured directly by the PPM solution, with key values identified using optical character recognition or entered manually. A receiver can then verify the completeness of the shipment, without the need for any paper.

With all documents online, A/P becomes simpler and faster. The matching of invoices with associated documents is done by the system automatically. And, rather than hunting through filing cabinets, all relevant documents can be called up on the A/P clerk's screen by simply providing the system with an appropriate identifier.



In a paperless A/P environment, invoices are scanned or captured in the same way as shipping documents. These online invoices are then routed electronically to managers for approval. And if a supplier calls with a question about a payment, an A/P clerk can immediately call up the necessary documents on his or her screen.

The easy accessibility and automatic cross-referencing of electronic documents also dramatically streamlines the process of handling exceptions. For example, if the initial inspection of a shipment shows that an item is under-shipped, a simple click of a button can call up all related documents – the purchase requisition, purchase order, bill of lading, written notes and emails from the vendor, and so on – so the receiver can quickly determine the source of the discrepancy.

The result is a greatly streamlined A/P process that requires less manual labor, takes less time and is less error-prone, which translates into higher profitability for the company.

## EDI and the Paperless Process

In some industries, particularly the automotive sector, Electronic Data Interchange (EDI) is used to automate the flow of transactions throughout the supply chain. When implemented, EDI eliminates paper from supplier/customer interactions. However, in most industries documents are still primarily paper-based and the use of EDI is limited, but it may grow in the future.

EDI and the Paperless Process Management solutions discussed in this white paper are not mutually exclusive. Because a good PPM solution integrates seamlessly with existing business applications, the two blend together well. EDI facilitates the digitization and automation of business transactions, while a PPM solution ensures that any remaining paper-based documents (which comprise the majority of the company's processes) are available at the touch of a button, allowing them to be accessed as an integral part of the business processes.

## Case in Point: Streamlining A/P at Honeywell Safety Products

Honeywell Safety Products (formerly Bacou-Dalloz) is the world leader in the manufacturing and distribution of personal protective equipment. It holds the number one position in both eye and fall protection equipment and number two in hearing protection. Around the world, almost 6,000 employees work at 36 production sites on five continents.

The company's A/P department used to be paper-burdened. It not only received invoices primarily by mail and email, but also by fax. Invoices were manually sorted by type and alphabetically by vendor name. Vendor name sorting is necessary because the company assigns vendors to a specific A/P person based on alphabetic groupings.

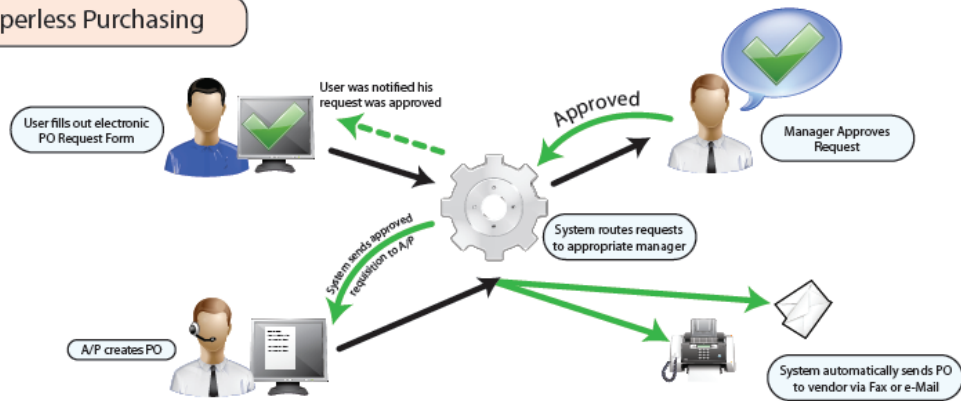
If the invoice was for an inventory item, the A/P person matched it to the purchase order and keyed the data into their ERP application. Invoices for non-inventory items were sent, in paper form, to a manager for approval. After the manager approved it, the invoice was sent back to the A/P department for payment.

Before sending them to managers, many of the A/P people made copies of invoices as a back-up in case the original was lost. In addition, multiple locations often needed multiple copies of the same document, further swelling photocopying costs.

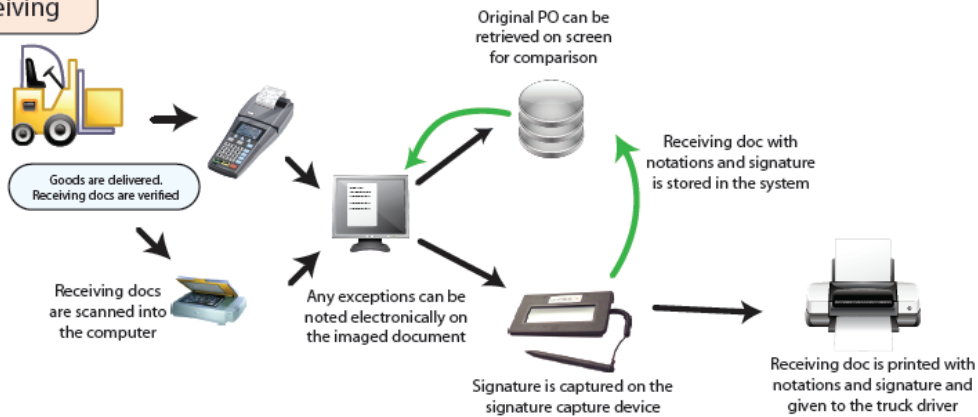
Being a manual process, paper routing was subject to errors. For example, an invoice would sometimes be sent to the wrong manager. It would then have to be rerouted to the right person. And sometimes documents were lost, necessitating time-consuming, expensive searches to locate them.

Because of the need to physically move paper, the A/P process was slow. As a result, the company had to forgo some early-payment discounts. When you consider that Honeywell Safety Products processes an average of 1,000 to 1,500 invoices per day, the magnitude of the problem becomes clear.

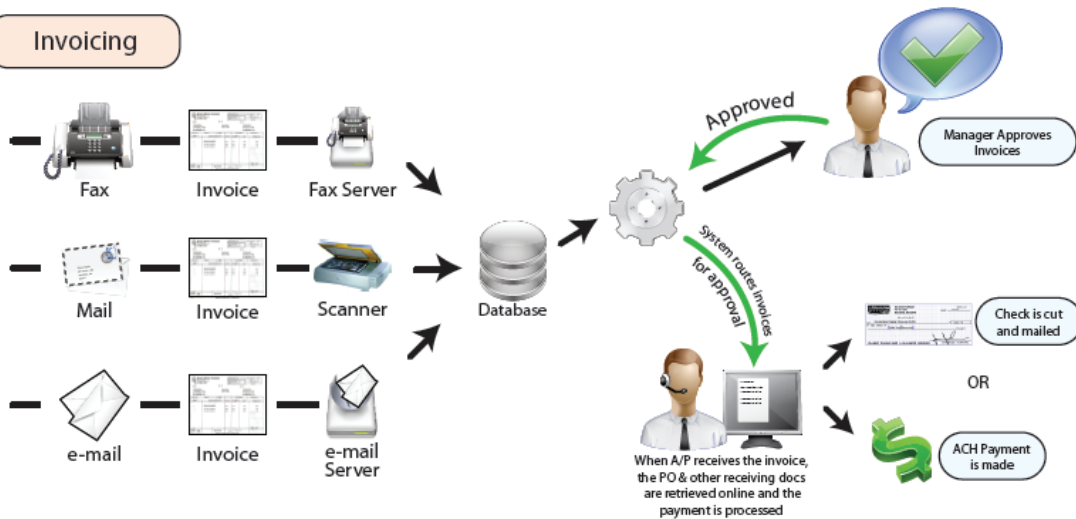
## Paperless Purchasing



## Receiving

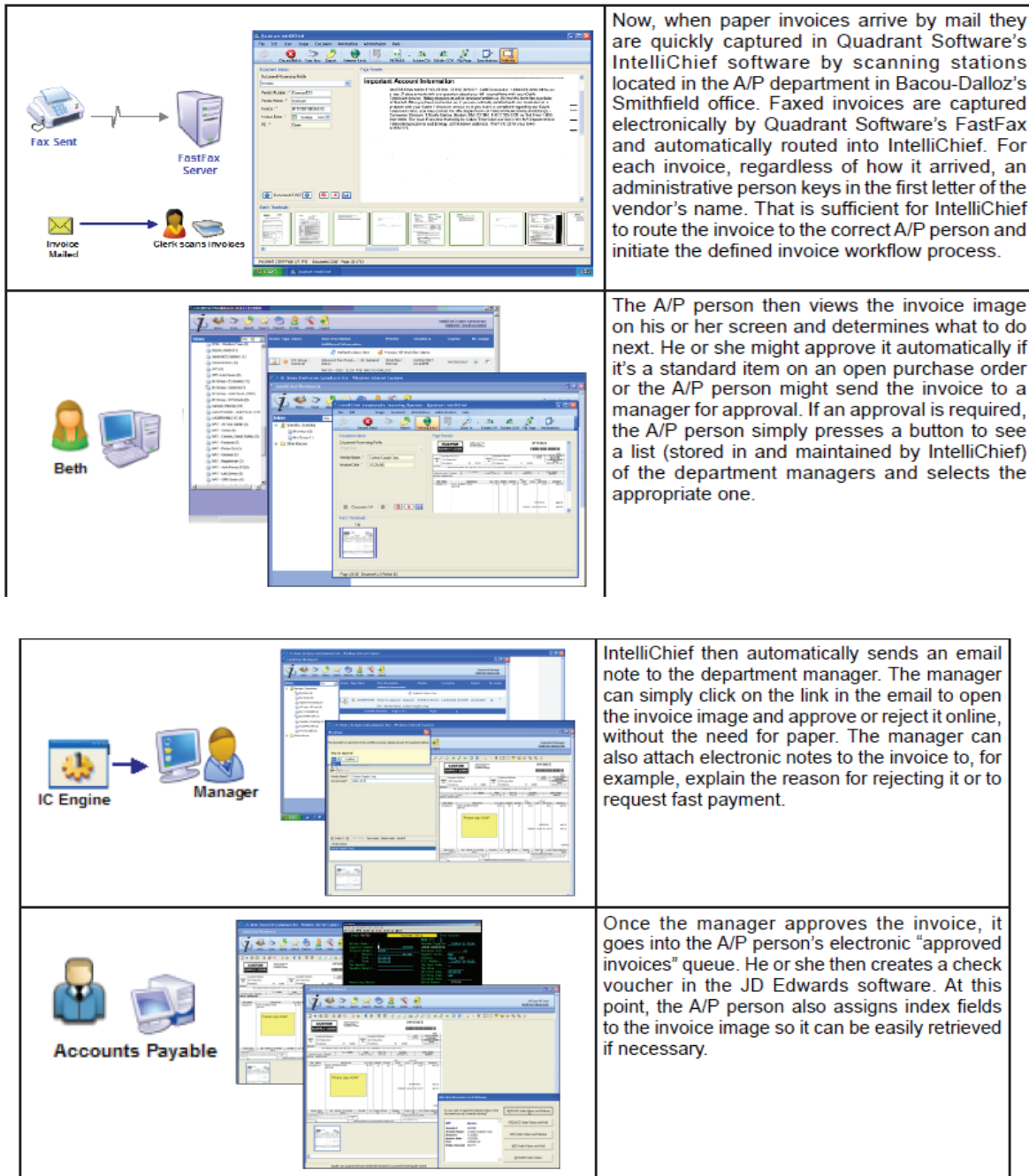


## Invoicing



Looking at the broader picture, the company also spent a lot of money on pre-printed forms throughout the purchase-to-pay cycle for documents such as purchase orders, acknowledgments and checks, the former two of which were printed on expensive multi-copy, pre-printed forms.

Honeywell Safety Products saw PPM as a solution to these problems. The company turned to IntelliChief to help it streamline its A/P process and eliminate the costs, delays and errors associated with paper handling and storage.



IntelliChief can also be set up to prompt the appropriate people when an important date, such as the cut-off for claiming an early-payment discount, is approaching, ensuring that the company takes advantage of all possible savings.

## The Return on Honeywell Safety Products' Investment in PPM has been Substantial. The Benefits Realized Include:

- Lower labor costs.
- Lower paper and copying expenses.
- Lower document storage and retrieval costs.
- Lower real estate costs due to the ability to dedicate less space to storing paper.
- Streamlined exception handling, leading to faster invoice processing.

This last benefit is particularly important. Exception handling can be a nightmare for paper-based processes because it involves sending copies of documents for review, tracking the paper down, requesting supporting documentation and making a decision on what needs to be done. By using electronic documents, Honeywell Safety Products now streamlines this process by adding an electronic note to the scanned invoice that presented a problem. The invoice is then handled by workflow, going to the appropriate manager's inbox and notifying him of the pending item. After verifying the invoice, retrieving any associated documents online and reading the note attached, the manager can then send the invoice back with his own notes explaining what needs to be done, if anything. With this electronic process, invoices are approved much faster and decisions can be made in a timely fashion.

### Cases in Point: Paperless A/P Processes

IntelliChief has helped many companies to improve the efficiency and lower the cost of their A/P process. For example, one bakery supplies firm, which distributes products worldwide, operates manufacturing and distribution facilities around the world and generates 850 – 900 purchase orders daily during peak times. The company's purchase-to-pay paper burden is complicated by the fact that shipments and invoices arrive independently at each of the company's locations. Vendors send most invoices to the A/P department in the location that placed the order, but some invoices are sent to the corporate headquarters' A/P department. Approximately 95% of invoices arrive by mail.

When orders came into this company's receiving dock, the paper purchase orders were retrieved from the warehouse files. As the shipment was checked and received at the dock, hand-written notations and/or corrections were made on one or all of the receiving documents. When appropriate, documents such as bills of lading were collected by the receiving person when he or she accepted the shipment.

After all items were received, the receiver delivered the receiving documents, along with packing slips, bills of lading, and any other documents the driver may have provided, to the receiving office in the warehouse. The shipment was then registered as received in the company's warehouse management application.

If the order matched what was received, the receiving person delivered the stapled documents to the location's A/P department, where the documents were held until the invoice arrived. If there was a variance between the order and what was received, the paperwork was stapled and sent to the appropriate buyer for resolution. Buyers spent a great deal of time handling exception orders, correcting purchase orders, and working with vendors on order fulfillment, back orders, and change orders. Upon resolution, the paperwork was sent to the A/P department at the receiving location pending arrival of the invoice.

After its arrival, the A/P person visually matched the invoice with the purchase order and receiving document and decided if the documents needed to be sent to the buyer for correction or resolution. If so, upon resolution, the packet of documents were sent back to the A/P person who then sent the packets to the head office A/P department via foot, courier, email, mail or fax.

At the corporate office, the invoices were sorted and placed in the in-baskets of the appropriate A/P person. This A/P person attempted to enter the invoice into the warehouse management application, a process that failed approximately 20% of the time because the product was not received or a variance had to be resolved. The A/P person placed these problem invoices in a "to be done" basket. Each day, the A/P person kept trying to process the invoice until the application allowed him or her to complete the voucher entry.

Another group of special invoices were ones for which the voucher entry could be completed, but the invoice fell out of the allowable variance. These invoices and any related documents were sent back to the buyer for further resolution.

The accepted invoices and their related receiving documents were filed in the A/P area pending the next scheduled check run. When the voucher edit report was run, the associated documents were retrieved for review. Exceptions were set aside for resolution.

This process was repeated for the approximately 800 invoices that are received on a normal day, and the approximately 1600 invoices received on peak days.

As you read the above purchase-to-pay process description, one thing becomes clear. Considerable time was being wasted and costs were being incurred just to move, sort, match and file paper. IntelliChief recommended that the company dramatically reduce that time and cost by applying PPM techniques and technologies. By taking the paper out of the purchasing and A/P processes in order to streamline and automate the workflow within those processes, IntelliChief was able to demonstrate how it was possible to significantly reduce the time necessary to perform transaction research and discrepancy resolution and to dramatically shorten vendor inquiry response times.

## The solution is designed to streamline processes throughout the purchase-to-pay cycle, specifically:

Buyers see imaged replicas of purchase orders. Corrected purchase orders are also imaged and automatically replace older versions. These imaged purchase orders are visible by authorized users from any workstation, immediately putting information into the hands of the people who need it.

The receiving and purchasing departments gain efficiencies in the processing of all receiving related documents by capturing and routing exception orders to the appropriate buyer for quicker resolution.

The purchasing department sees any purchase orders needing resolution in their electronic "in-box" as soon as the receiving department scans the relevant documents.

The A/P department captures, indexes, and stores invoices and other transaction-related documents upon receipt at the company. Because all documents are digitized, lost, delayed and misfiled invoices can be reduced or eliminated. And because the document management solution is integrated with the company's ERP application, documents can be retrieved easily from the users' desktops, without having to leave the ERP application.

Automated workflow processing eases the resolution of problem orders, regardless of when in the purchase-to-pay cycle the problem occurs. What's more, information and notations regarding these problem orders are kept for the life of the imaged documents.

Finally, the accounts payable department can use this solution to improve their supplier relationships. Staff fielding supplier inquiries can retrieve the imaged invoices in question, along with any supporting documents, to provide accurate, immediate responses.

This solution will allow the company to grow its business, without the need to add staff. It will also shrink A/P processing times, while enabling a significant reduction in paper, courier and document storage costs.

This bakery supplies firm is not alone. The details vary somewhat, but IntelliChief's experience has been that the issues and possible solutions are similar at many companies across a broad spectrum of industries.

## Taking Action: Next Steps

If you're ready to streamline your purchase-to-pay processes, the best advice is to exercise patience. Jumping in and buying technologies before understanding your business processes – not as they are perceived by executives, but rather as they are actually practiced by front-line staff – will almost certainly lead to sub-optimal results, and possibly utter failure. Therefore, start by analyzing the target processes and how they interact with other processes. Only then can you choose the right PPM technologies and implement them optimally.

### The First Step: Solution Design

As suggested, business analysis is the most important part of the process. Contracting an outside consultant is often a worthwhile investment in this phase. Frequently, people in the organization cannot describe the details of what they do because the processes are intuitive to them.

If, in order to walk, we had to issue specific instructions, at precisely the right time, to each of the required muscles, we'd all fall flat on our faces with every attempted step. Yet, we have no problem walking. Work processes performed many times a day by longtime employees are often like that. The employees perform the tasks easily, but the details are ingrained. An outside consultant may be required to tease out those details, including not just the minutiae of the normal work processes, but also any exceptions to them.

Although a comprehensive discussion of the solution design is outside the scope of this whitepaper, suffice to say that the main benefit of this approach is that it ensures that your business goals are driving the technology implementation, and not the other way around. As you create a Solution Design, you will be asking yourself (and your team) questions about your business objectives, the goals of your company and the problems you are facing today. At this time, you will also map your current activities. You then go on to visualizing the solution that needs to be implemented in order to solve the problems identified.

A good portion of the Solution Design documents the process as you do it today. By doing that, you ensure that everyone is in agreement as to how things are done in your company, where the bottlenecks lie, where the paper becomes unmanageable and which steps in the process are the critical ones for your business. In addition, by documenting the way things are done in your company you are at the same time establishing a common language among all participants of the project. It is amazing to see the faces of the team members, especially the managers, every time a solution design session is conducted, and the comments about activities they didn't know existed start being drawn out.

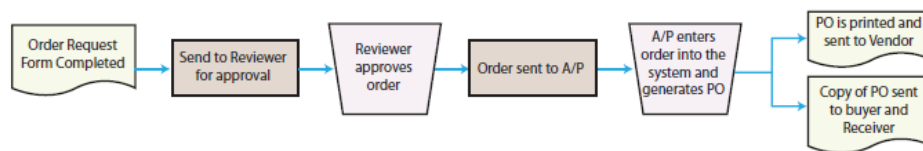
As you uncover the current situation and the problems you face, the next step is to define a solution. And here is where the Solution Design flourishes and its value is understood. In order to determine what a good solution is, you need to make sure it resolves the issues you identified. If a solution sounds good only because it will implement the newest and greatest of the technologies, but it doesn't actually solve the problems you identified in the previous steps, it is worthless. By always going back to the current process documentation and the list of problems and goals you identified, you ensure that the proposed solution will address those issues.



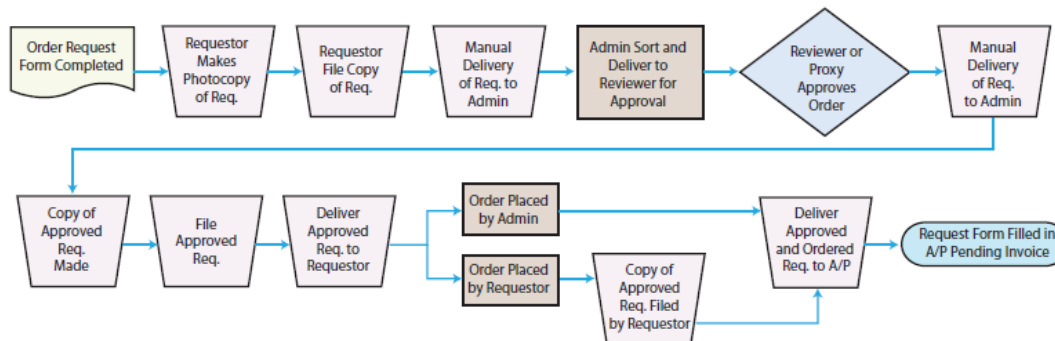
As you document the solution, you follow a similar pattern. The team discusses what the process should look like, what steps should be removed, what actions should be automated, what controls should be in place. The mapping of the solution serves to not only help build the business case for implementing the paperless project, but also to document what your future process will look like. A thorough Solution Design can help with the technical implementation and with industry regulations, such as Sarbanes-Oxley, that require proper documentation of business processes. Section 404 of the Sarbanes-Oxley Act requires management to fully understand the processes and the control mechanisms in place that might impact financial reporting. As the team draws the detailed process, the business rules, the exception handling, and all related activities, they are also helping with such documentation efforts.

Only after you have your solution designed should you start the Technical Design, that is, detailing the technical aspects of your project. The Technical Design should follow the business requirements you documented and should use the process you documented as a basis for implementation. By having your business goals, metrics and rules drive the technical side of the project, you ensure that, in the end, you will have a system that does what it was supposed to do: improve the way you do business.

#### How the user sees the process:



#### How the process really is after fully documented:



## Involving Business Users

It is important to involve as many people as possible in this analysis phase. There are two reasons for this. As alluded to in the previous section, when IntelliChief consults with clients on implementing PPM, it is often discovered that the executive's view of how the business processes work is not what is actually happening in the company. When talking to front-line staff, it is common to hear words to the effect of, "Yes, that's how our company manual says it's supposed to be done, but it doesn't work that way. This is what we really do."

The second reason for involving as many people as possible in the analysis phase is that it helps to earn buy-in for the PPM solution. This buy-in has to come from all levels. Before they will authorize a PPM project, senior management has to recognize that there will be a return on their investment in PPM, but employees also have to be comfortable with the solution that is put in place. People who are frustrated because they weren't consulted or who are concerned that the new system will cost them their jobs can, intentionally or not, sabotage the best-laid plans and systems. Involving employees in the analysis process will help to make them comfortable the solution that is put in place.

In doing your analysis, take a wide view. While one business process may appear particularly paper-burdened and, therefore, a prime target for PPM, don't limit your analysis to that one process. Again, there are two reasons for this. For one thing, intuition is often wrong. Closer examination may find other processes that can benefit more from PPM and, thus, should be the first target. More importantly, business processes interact. If you adopt PPM for one process without considering the bigger picture, you may end up implementing technologies in a way that won't allow you to streamline those interactions when you get around to taking the paper out of the related processes.

### The Last Step: Technology

As suggested above, the choice of technologies to drive your PPM efforts should be your last consideration, not the first, but you do eventually have to make that decision. When evaluating the alternatives, don't look at PPM technologies in isolation. The greatest gains can be achieved when your PPM technologies have seamless integration with your other business applications. In contrast, if users have to jump through hoops to switch from one application to the other or if they have to spend considerable time manually transferring information between incompatible systems, many of the benefits of PPM will evaporate. Consequently, the ability to integrate with your existing business applications should be near the top of your list of PPM technology evaluation criteria.

PPM is not currently an area of expertise in most organizations. If you need assistance, the PPM professionals at IntelliChief can provide additional information, advice and support.

## Conclusion

Information is the lifeblood coursing through the arteries of all organizations. Paper clogs those arteries, burdening business processes and imposing significant costs. For A/P processes, this paper comes in the form of purchase orders, shipping documents, invoices, checks and more.

When information is transmitted in paper form, processes plod along at a frustratingly slow rate. Without a PPM solution in place, documents are moved within the office on foot. They may be faxed at relatively high speeds to remote locations, but once there they resume their pedestrian pace. These manual processes incur significant costs that are measured in both time and money.

Beyond the labor costs involved in handling physical documents, the paper itself, particularly multi-part, preprinted forms, costs significantly more than the magnetic or optical media needed to store an equivalent volume of data. In addition, paper takes up a lot of space. Many companies devote considerable costly office or warehouse space to the storage of paper.

In addition, paper documents are error-prone. Paper is often misfiled or accidentally destroyed. And data manually keyed into a system from paper documents is occasionally entered incorrectly.

Another consideration, one that is little noted, is that paper is vulnerable. Unless it is copied, with duplicates stored off-site – a very expensive proposition – a fire or a serious flood may irrecoverably destroy the organization's paper records. Paperless Process Management eliminates these problems. By digitizing documents and automating workflows it clears paper-induced bottlenecks and streamlines business processes, eliminating much of the manual labor involved in moving, sorting, merging, processing and storing documents. Digitizing documents also eliminates copying costs. Document management systems can make electronic images instantly and simultaneously available to any number of authorized users anywhere in the world, right on their computer screens. What's more, storing digital documents takes up an infinitesimal fraction of the space required for their paper equivalents.

Furthermore, once digital documents are properly indexed, they can never be misfiled. And, unlike their paper counterparts, digital documents can be backed up off-site as part of the regular data center backup processes.

Lower costs, more streamlined business processes, fewer errors, and less vulnerable information assets – the benefits of Paperless Process Management are clear. For more information or for assistance in beginning your journey toward PPM please contact IntelliChief.

## About IntelliChief

IntelliChief's paperless process management provides enterprise-class document management and workflow solutions for any IT platform. With decades of experience in the market and seamless integration with leading ERP software providers, IntelliChief takes companies of all sizes paperless with a typical ROI of less than one year. Users can create, capture, manage, archive, retrieve and distribute mission-critical documents directly from their familiar ERP screens, automating and streamlining workflow processes throughout their organization.

For IntelliChief information, call 813-971-9500, email [sales@intellichief.com](mailto:sales@intellichief.com) or visit [www.intellichief.com](http://www.intellichief.com).