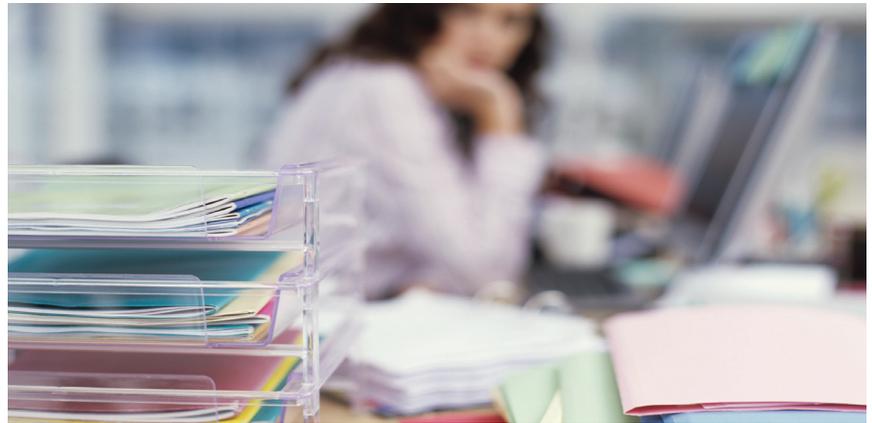


## Managing Content and Process in Accounts Payable with IBM ECM Archiving Solutions for SAP

Are any of these symptoms familiar to your organization?

- Payments associated with delayed or lost invoices?
- Inconsistency in invoice approvals?
- Inability to respond to vendor inquiries within the deadline?
- Lack of controls to meet regulatory and audit requirements?
- Challenges to do more with less, but more keeps coming?

The symptoms above showcase the need to improve your Accounts Payable process by managing the content related to the Accounts Payable (AP) process and linking it with the SAP AP process. As a key component of your organization's financial value chain, the AP area provides critical insight into your organization's cash management status. AP is tasked with the processing of thousands to millions of invoices annually. Figure 1, on the next page, illustrates how the productivity of each staff member varies based on the processes used to handle invoices as well as any industry-specific requirements and regulations in this group of manufacturing companies.



---

### Highlights of IBM ECM Archiving Solutions for SAP Accounts Payable:

---

- **Lower TCO:** Eliminates the need for off-site storage of documents and associated retrieval costs.
- **Improved Employee Efficiency:** By using electronic documents, the AP staff has access to the latest electronic copy of information, allowing them to make faster and more accurate decisions. This also ensures that the right information is available to all who need it.
- **Enhanced Productivity and Shorter Time to Completion:** An ECM-supported business process is executed faster since all the business content is readily available at any desktop with a click of a button rather than needing to locate physical paper documents.
- **Increased Business Controls for Compliance:** Using ECM technology, organizations can implement increased business controls by fully automating the execution of simple, standardized processes without any user intervention. Workload for clerks can be reduced, allowing them to focus on exception processing. The use of electronic documents also provides additional secured storage and supports retention management solutions.

	Invoices Received Annually	Invoices Processed Weekly	No. of AP Staff Members	No. of Invoices Processed Weekly Per Staff Member
Company A	35,000	673	4	168
Company B	300,000	5,769	5	1,154
Company C	600,000	11,538	19	607
Company D	708,000	13,615	17	801
Company E	1,300,000	25,000	60	417
Company F	11,300,000	217,308	139	1,563

Source: IAPP 2007 Annual Forum Conference Brochure<sup>[1]</sup>

Figure 1: Invoice processing statistics for six manufacturing companies, with annual invoice volumes ranging from thousands to millions.

Along with all the invoices received and processed, your organization must also manage, store and archive all supporting documentation used to evaluate these invoices for payment so that they can be accessed in the event of an audit or regulatory inquiry. This challenge requires a consistent and reliable manner using an enterprise-wide approach to content management.

### The Challenge

AP is focused on managing payment terms, capturing discounts earned, avoiding duplicate payments and maintaining a vendor master file. Invoices are submitted via paper or electronically and then are verified, assigned a GL number, reviewed against the existing Prescribed Payments System, approved or disapproved, and processed for payment if approved. In some organizations, the number of approvers increases as the dollar value of the invoice increases, resulting in a lengthy approval cycle. The processing of each invoice ends with a payment decision.

Whether using manual or automated business processes, your organization must be able to adhere to internal audit controls and demonstrate compliance to regulatory requirements such as The Sarbanes-Oxley Act of 2002, Basel II Framework: Revised International Capital Framework, Europe's Council Directive 2201/115/EC, and the German DOMEA standards (Document Management and Electronic Archives in IT-supported processes).<sup>[2]</sup>

### The Consequences of Paper

Maintaining paper documents is an expensive proposition for a variety of reasons. If your AP staff is still using paper documents, it takes time to file the documents and then retrieve them, disrupting AP productivity. Secondly, paper documents require a manual archive process and can be misfiled. If a document cannot be located to substantiate a transaction, then your organization could be subjected to fines and legal actions. Thirdly, your organization must allocate staff resources to locate and manage these files. From the mere standpoint of storage, your organization must devote both physical space and maintain a secure location for these files.

The use of paper documents hampers your organization's ability to streamline its AP workflow and approval processes as ways to achieve gains in productivity. Your organization is also not able to apply automated workflow handling to some of the AP basic processes. Your staff members also cannot readily collaborate simultaneously on problems in real-time when working with paper files.

The consequences of using paper in a manual production environment also impact the ability of your AP management team to have timely reporting and analysis capabilities. Your management team is also unable to readily track productivity, identify processing bottlenecks, and determine aging and the prioritization of invoices. If your AP organization cannot consistently apply internal controls, it makes it difficult for them to quickly identify the existence of fraud or identify the actual perpetrators of the fraud, whether internal AP staff or external vendors. <sup>[3]</sup>

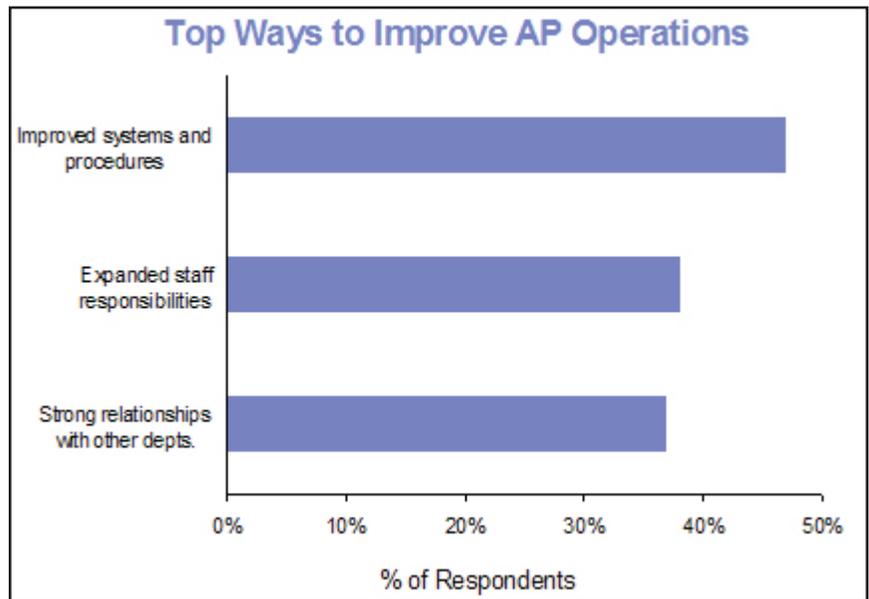
### **Save Cost**

Many organizations realize that they have a strong business case to streamline and ultimately automate their accounts payable process and achieve the following benefits: reducing the cost of transactions, improving vendor satisfaction and enhancing the job satisfaction and productivity of AP staff members. In a recent survey, more than half of the respondents reported that their current invoice processing was inefficient. <sup>[4]</sup> Yet, seven in 10 respondents stated that the electronic processing of invoices currently represented less than 10 percent of the total invoice process. As more organizations adopt SAP, they realize that once implemented, significant improvements and cost savings can result. With the average cost of processing an invoice pegged at nearly \$13, it is estimated that organizations can reduce this cost by one-third by using some form of automation with their AP operation. <sup>[5]</sup> In addition to SAP for Accounts Payable, the mere act of moving invoices from a paper-based to an electronic-based system can trigger significant savings.

*“Enterprises that fail to take action in the next 12 months will continue to lose ground to those competitors who are driving A/P efficiencies to their bottom-line.”*

*Andrew Bartolini, Research Director, Aberdeen Group, Inc. <sup>[6]</sup>*

Organizations can increase the efficiency and consistency of the business processes in the AP process using digital images and workflow. AP is often viewed as a production organization, yet it also delivers customer service to other departments within the organization as well as to vendors. By enabling digital imaging and workflow for the AP process, your AP cycle times can be reduced, late payments can be eliminated along with the corresponding penalties. Your organization will also improve its cash management visibility. In a survey conducted by IOMA, Inc., respondents listed the ideas they used to improve or change their AP operations during 2007. Figure 2 shows the top three ideas identified: improving systems and procedures, empowering staff to take on additional responsibilities and achieving better relationships outside of AP. <sup>[7]</sup>



Source: IOMA [6]

Figure 2: Top Ways to Improve AP Operations

### Managing SAP Documents

Your organization can encounter problems if an AP document is lost or misfiled especially if invoices cannot be located for a specific SAP Financial Accounting Module (FI) business record. This can lead to audit and compliance issues and in some areas, hard dollars in the form of fines. Without workflows, it is difficult to monitor whether or not the proper policies and procedures were followed. Adherence to these policies and procedures by your organization is necessary as a way to prove compliance to internal controls and regulatory requirements. Each AP transaction must be fully documented and retrievable in the event of an audit. While the cost to file one document is \$20, as estimated by PricewaterhouseCoopers, it costs \$120 to search for a misplaced document. [9] In the event that a document is deemed lost, the firm estimates that 25 hours are required to recreate a document. The ability to track invoices as digital entities eliminates the consequences of misfiled or lost documents while also reducing the time to locate these documents to seconds and eliminating the need to recreate physical documents.

### Digital Imaging and Workflow for SAP AP

The automation of capture, display, storage retrieval and retention of related documents helps avoid the pitfalls as illustrated by PricewaterhouseCoopers. Along with this move toward image-enabling the SAP Accounts Payable process, organizations also need to find an efficient and controlled way to manage the documents. Organizations can improve productivity and reduce costs by deploying an Enterprise Content Management (ECM) archiving solution for SAP. SAP through ArchiveLink provides access to ECM content, giving your AP staff visibility to the documents that were used to create the FI business record. By using an ECM archiving solution to access, manage and integrate business information as part of the AP process, your organization operates from one unified platform to manage content, process and compliance issues.

Normally business processes are initiated by documents received and during the transaction, additional content is created that must also be managed. In an AP scenario, business data is usually made up of the invoice data, and a variety of statistics about the vendor, the service or product provided, the costs of goods, etc. Business documents handled include documentation of approvals, vendor service requests (sent via email, phone and mail), and delivery documentation. All these documents and content must be considered for archiving.

### Document Archiving: Impact on Business Processes

Once invoices are received either by fax, email or mail, they are scanned or imaged, and the data can be captured via optical character recognition (OCR). These scanned images are then archived into the IBM ECM repository and corresponding SAP work items are created. Document archiving allows these scanned images to be stored and managed within a digital repository. Document archiving helps streamline your business processes and improve productivity. To optimize business processes, your organization should address traditional challenges such as migrating from paper to imaging, moving from manual data entry to adopting OCR, and transforming manual processes to coordinated workflows that in turn provide transparency with the ability to track the progress of the business process. As the amount of paper documents decreases, control and efficiencies increase by replacing paper with automated capture, display, storage retrieval, management of SAP linked images, documents and reports. Document archiving also can be integrated with other workflows.

The two major archive processes in SAP are: 1) Store for subsequent processing (Early) and 2) Store for subsequent assignment (Late). Store for subsequent processing or early archiving is completed when the content is digitized before the creation of the SAP business records and the digitized image is used to create the SAP business record. At this point, the SAP Workflow is already in place. The document is scanned and stored into the ECM repository and an SAP work item is created with a link to the stored digitized image as shown in Figure 3. The SAP Workflow launches the “create transaction” and a second window displaying the linked image as shown below. The processor completes the transaction using the displayed digitized image. When SAP creates the new document, the image is automatically linked to this new record and the workflow moves to the next step, which could be an approval step.

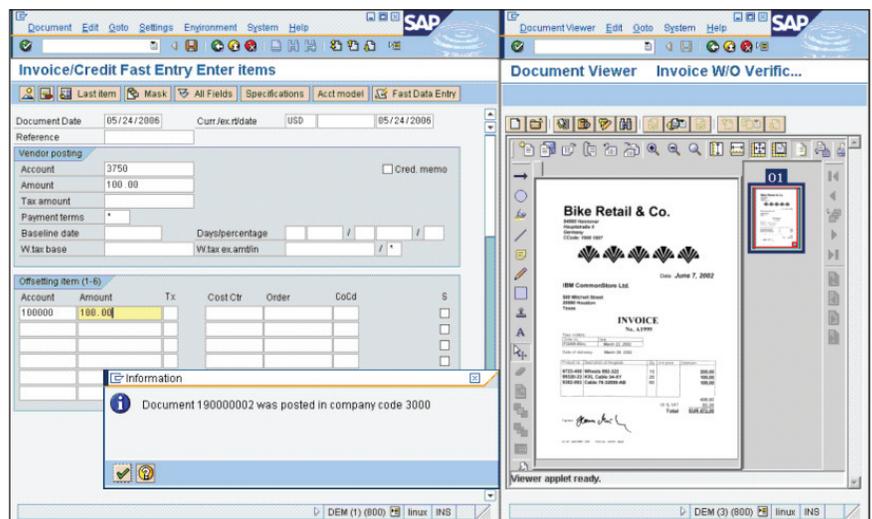


Figure 3: FI document created using the SAP Early Archiving process

IBM ECM solutions within a business application such as SAP for Accounts Payable help achieve business value as shown below:

- **Lower TCO:** Eliminates the need for off-site storage of documents and associated retrieval costs.
- **Improved Employee Efficiency:** By using electronic documents, the AP staff has access to the latest electronic copy of information, allowing them to make faster and more accurate decisions. This also ensures that the right information is available to all who need it.
- **Enhanced Productivity and Shorter Time to Completion:** An ECM-supported business process is executed faster since all the business content is readily available at any desktop with a click of a button rather than needing to locate physical paper documents.
- **Increased Business Controls for Compliance:** Using ECM technology, organizations can implement increased business controls by fully automating the execution of simple, standardized processes without any user intervention. Workload for clerks can be reduced, allowing them to focus on exception processing. The use of electronic documents also provides additional secured storage and supports retention management solutions.

In the case of store for subsequent assignment or late archiving, content is digitized after the SAP business record is created. At that time, the digital image is linked to an existing SAP business record, which can be a manual step, with or without workflow, or a batch barcode process.

Outbound archiving includes SAP script output, such as Purchase Orders or Customer Invoices and PrintLists such as journals, account statement and job logs. The SAP script output is rendered by SAP as PDF files that are stored in the ECM repository and linked to the SAP business object. The PrintList report can be printed and archived or just archived to the IBM ECM repository as plain text or in an SAP Advanced List Format (ALF) format. The archived copy can be viewed at any time and by multiple users and can also be reprinted if a paper copy is needed. Without document archiving, accessing the paper document or report is difficult and also lacks control over who is granted access to the actual document. In addition, reports, journals, account statements or job logs tend to be very large and cost a considerable amount to print and distribute. Using outbound archiving, this report can be retrieved on demand, giving users fast, quick access to these frozen lists. The process of displaying an outbound document archive is shown in Figure 4. There is no need for additional SAP processing with this paperless process and the documents are also available for reprints as needed.

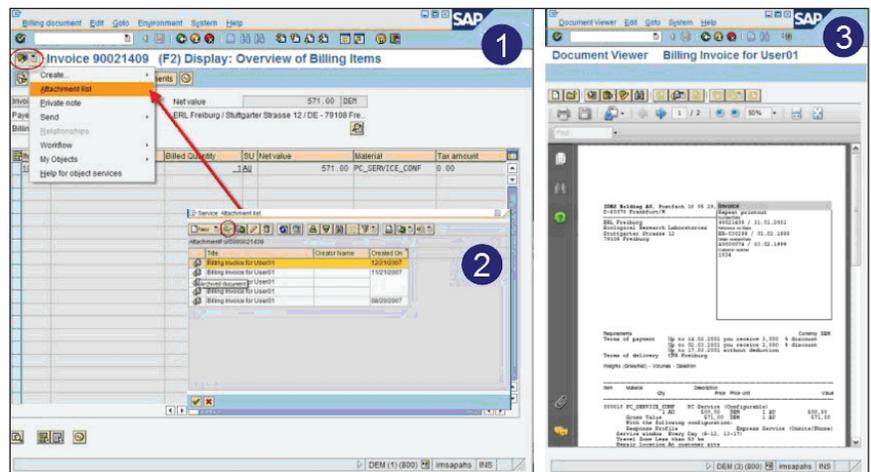


Figure 4: SAP Outbound Document Archive: Screens 1, 2 and 3 show the process of viewing a customer invoice that has been archived to the IBM ECM repository.

### ECM Archiving for Accounts Payable: Content in Control

An ECM system allows your organization to handle a variety of content in a consistent manner. As a single unified architecture, IBM ECM Archiving Solutions for Accounts Payable support the content needs of your users within SAP-native applications as well as non-native applications. These solutions enhance the SAP business infrastructure with IBM's ECM and Business Process Management (BPM) capabilities. For example, content can be linked to SAP transactions to improve efficiency and productivity of your users.

## IBM and SAP: A Long-term Partnership

For more than 30 years, IBM and SAP have participated in a multi-faceted joint partnership. SAP is a Strategic Alliance partner of IBM, spanning hardware, software, services, joint marketing and sales. Together, IBM and SAP have co-developed solutions to enhance your organization's ability to run SAP applications.

IBM's ECM unified platform enables organizations to manage their mission-critical SAP content to minimize risk, optimize system performance and lower the total cost of ownership. IBM was recognized by Gartner, Inc., as the largest ECM leader based on overall software revenue.<sup>12]</sup>

## IBM ECM

IBM's Enterprise Content Management software operation enables the world's top companies to make better decisions faster. As the market leader in content, process and compliance software, IBM ECM delivers a broad set of mission-critical solutions that help solve today's most difficult business challenges: managing unstructured content, optimizing business processes and helping satisfy complex compliance requirements through an integrated information infrastructure. More than 13,000 global companies, organizations and governments rely on IBM ECM to improve performance and remain competitive through innovation. For more information, please contact your IBM sales representative or visit [ibm.com/software/ecm](http://ibm.com/software/ecm).

## Secure Storage with IBM ECM Archiving for Accounts Payable

IBM ECM Archiving Solutions for SAP provide a flexible approach to storage because these solutions can handle different sources of content (data, emails, documents and files). It also supports corporate records retention management, allowing granular retention, disposition and hold policies to be applied to all types of records. The completeness of archiving is delivered by IBM ECM as well as through a link record stored within SAP for each and any single document kept in the library.<sup>10]</sup> For customers using IBM BPM, this solution gives them the highest flexibility of processing to ensure completeness of each step of the business process. The tight integration between IBM ECM and storage solutions lowers the total cost of ownership.

## Benefits provided by IBM ECM Archiving for Accounts Payable

From its initial receipt, the content contained on an invoice can trigger a variety of processes, beyond processing the invoice for payment. This content may form the basis for data entered into an order management application and/or updating vendor records. The reuse of this content to drive other processes within the enterprise demonstrates the integrated and open platform of IBM ECM. Your organization can quickly deploy the integrated suite of capabilities of IBM ECM for managing process, content and compliance across the enterprise, resulting in reduced costs and improved competitive advantage.

To provide more flexibility, your organization can allow its users to access documents through a given business application or by searching within the ECM system. IBM ECM allows your organization to consistently manage content of any source and format. This capability helps you comply with internal and external requirements, legal and regulatory for storing content and bringing it into business processes and also provides the flexibility to manage different sources of content using one ECM platform. The diagram in Figure 5 illustrates the steps in an automated AP process from invoice submission through approval including the ability to access the completed documents.

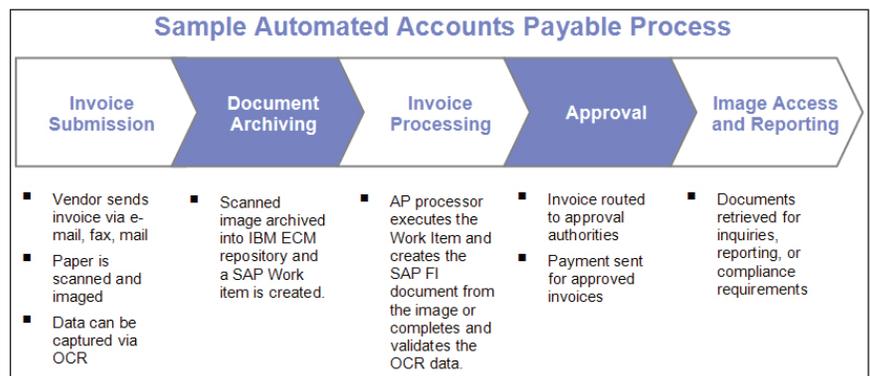


Figure 5: A sample process flow of an automated accounts payable process using imaging, archiving and workflow.

IBM ECM provides improved workforce effectiveness by enabling your organization to transform your business processes; access and manage all forms of content; secure and control information related to compliance needs, and optimize the infrastructure required to deliver content anywhere and at anytime. With IBM ECM, your organization can integrate content with process to add value and transform the way invoices are processed. The flow of work through your organization can be improved by streamlining and optimizing complex processes. Costs are reduced and efficiency is improved by using an integrated, open platform.



Tangible results can be achieved by using business process management for Accounts Payable. Organizations can negotiate better discounts and prioritize invoice processing. For example, one percent in additional discount results in a savings of \$10,000 per \$1 million in accounts payable. [11] Duplicate invoice payments can be eliminated by implementing early warnings and the “four-eye” principle. Productivity gains can result in cost savings of 40 to 60 percent by controlling headcount and overtime. With higher transaction turnovers, there are fewer vendor inquiries, reducing document transport and storage costs. By identifying and managing demanding vendors, your AP department can also adjust workloads among staff members.

### **An Enterprise Approach**

IBM ECM Archiving Solutions for SAP support high-volume document archiving with content originating from many different sources. IBM provides a true enterprise platform for ECM and BPM that also enhances the capabilities of SAP Accounts Payable process. This seamless access to key enterprise content in IBM repositories allows your users to participate in business processes from within an SAP solution, empowering them to make faster and more accurate business decisions.

IBM ECM Archiving Solutions deliver upon the promises of productivity and compliance. IBM links content in IBM repositories to SAP business objects. By providing a single, unified platform for the management of unstructured content, IBM helps achieve corporate compliance with all content stored in an IBM repository placed under the control of a corporate records retention management plan. Together the SAP AP Process and IBM ECM Archiving Solutions remedy the symptoms listed earlier by improving business processes and SAP system performance, helping reduce storage costs and addressing corporate records retention requirements.

[1] IAPP, “2007 Annual Forum,” January 2007, <[http://www.iappnet.org/uploadedfiles/2007\\_forum\\_web.pdf](http://www.iappnet.org/uploadedfiles/2007_forum_web.pdf)>.

[2] Malcolm Wheatley, “Global agendas power compliance concerns; IT tools for coping,” *Manufacturing Business Technology*, 1 December 2007.

[3] “Vendor Master File Maintenance,” *Matters for AP Professionals*, October/November 2006, p 14.

[4] *Business Wire*, “Accounts Payable Survey Indicates Significant Productivity Gains with Scanning and OCR; Datacap, Fujitsu and IOMA Survey of 400 AP Managers Points to Higher Satisfaction and Improved Process through Automation,” 7 September 2007.

[5] *PR Newswire*, “Free Web Site Debuts for Accounts Payables: Largest Library of Regulations, Benchmarks, Best Practices, Daily News, & Web Video on the Internet; -- Free Download Reveals Cost to Process an Invoice Drops by \$4 When Using Automation Techniques,” 20 December 2006.

[6] *Regulatory News Service*, “Aberdeen Group – Extreme Makeover: Accounts,” 3 October 2007.

[7] “Exclusive Research: Top 5 Ways to Improve Your AP Department in 2008”, *Managing Accounts Payable*, December 2007, <[http://www.ioma.com/accounts\\_payable/](http://www.ioma.com/accounts_payable/)>.

[8] Same.

[9] Michele Arndt, “Vendor File Paperwork – An Overlooked Imaging Opportunity,” *Matters for Accounts Payable Professionals*, October/November 2006, p 10.

[10] Same.

[11] Martin Maguth, “Process Tracking System for SAP Accounts Payable Demo,” *Dolphin Corporation*, p 9.

[12] Karen M. Shegda, Toby Bell, Kenneth Chin, Mark R. Gilbert, “Magic Quadrant for Enterprise Content Management, 2007,” *Gartner*, 21 September 2007, <<http://mediaproducts.gartner.com/gc/reprints/ibm/external/volume2/article16/pdf/article16.pdf>>.

© Copyright IBM Corporation 2008

IBM  
3565 Harbor Boulevard  
Costa Mesa, CA 92626-1420  
USA

Printed in the USA

04-08

All Rights Reserved.

IBM and the IBM logo are trademarks of IBM Corporation in the United States, other countries or both. All other company or product names are registered trademarks or trademarks of their respective companies.

For more information, visit  
[ibm.com/software/ecm](http://ibm.com/software/ecm)