

Advanced Data Capture - Invoice Automation for Lawson Accounts Payable

By Brian Rosenberg

As companies seek opportunities to contain labor costs and streamline operations, Accounts Payable departments face conflicting pressures to enhance their level of service while at the same time reducing staff costs. New technologies have long held the promise of achieving improved operational efficiencies while saving money. To address the costly burden of manual entry, filing, and retrieval, Accounts Payable departments have embraced standardized ERP systems, electronic invoicing, document imaging, workflow, and archiving. But perhaps nothing to date has presented AP departments the transformational opportunity afforded by Advanced Data Capture, a solution that virtually eliminates data entry.

While electronic invoices are increasingly common, most organizations still receive and process large quantities of paper invoices. In a 2008 Member Benchmarking survey conducted by IAPP, respondents indicated that almost 70% of all invoices were received in paper form. As reported in a recent study from the Aberdeen Group, paper invoices can cost as much as \$64.97 each to process. Furthermore, with the total cost of a full-time AP processor approaching 45k per year¹, it is simply not cost effective to pay resources just to enter data. Naturally, that is one reason why outsourcing has become a consideration for many executives. However, outsourcing has low adoption rates for AP departments due to control, quality, and service concerns. Organizations must find in-house

"Last Monday we processed 774 invoices manually. Yesterday, our first day with Advanced Data Capture, we processed 2472 invoices. To say the least, it was quite a success."

Director Financial Systems,
Corporate Express

solutions to reduce the burden of data entry, which accounts for 75% of the average AP department's cost according to a 2008 IAPP presentation.

EDI has long promised to eliminate paper invoices but still represents a small portion of invoice volumes. According to an Accounts Payable Network study, most companies receive fewer than 10% of their invoices electronically, and there has been essentially no change in EDI adoption rates since 2002. E-Invoicing solutions have been slow to gain acceptance as supplier adoption lags due to technology restrictions or transaction fees.

Document Imaging systems have quickly become the norm in Accounts Payable operations, but while these system offer great efficiencies in record storage and retrieval, they do not address the most time consuming process in Accounts Payable departments—manual entry of invoice data. Advanced Data Capture is a complementary technology to Document Imaging that provides a method for eliminating the manual entry of invoice data.

Paper Transformed

The concept of Data Capture is fairly straightforward. Paper invoices are scanned upon arrival. Software then reads the electronic images for relevant data, intelligently extracting dates, invoice and tax amounts, as well as invoice numbers. Vendor information is obtained by comparing the information on the invoice against Lawson's Vendor Master File to determine appropriate vendor number and remit code. Company and/or Process Level information can also be obtained the same way. This information is then presented alongside the image for confirmation—a process commonly referred to as *validation*. Fields yielding confidence below pre-configured confidence thresholds, where the data cannot be located or is too “fuzzy” to be read, are flagged for review in the validation step. Once confirmed, invoice fields are transferred into Lawson and/or an imaging and workflow system along with the scanned image, depending on how invoice approval and retrieval is facilitated. The physical act of an AP processor transferring data from paper into software is essentially eliminated; significantly lowering the costs associated with invoice processing.

Opponents claim that Data Capture over promises and under delivers, requiring long implementation cycles to train the software and cumbersome maintenance. This speaks to the original software technologies that were based on “templates”, which required software to locate relevant information based on its location on the page of a particular invoice format. This worked well for business units with standardized forms, such as Human Resources, but proved less

Reduce Invoice Errors with Advanced Data Capture

Duplicate and inaccurate payments continue to present a significant challenge for Accounts Payable operations. Data entry errors can be extremely costly. One of the leading causes of duplicate payments is the inconsistent keying of invoice information, with invoice numbering being the most common error.

With Advanced Data Capture, accuracy is significantly increased as the software extracts the exact information listed on the scanned invoice, eliminating human error. Business rules can be used to validate against Lawson and “build” invoice numbers where one does not exist (such as for utility payments). Programmed business rules achieve a level of standardization that no amount of written guidelines and compliance monitoring ever could.

able to meet the needs of the varied world of Accounts Payable, where tens of thousands of vendors submit invoices in an ever-changing variety of formats. The time required to build and maintain templates for smaller volume vendors negated the time savings derived from eliminating the manual entry of their invoices. Higher volume vendors, for whom templates proved highly cost effective, often transitioned towards Electronic Invoicing or EDI transmissions.

Advanced Data Capture utilizes the newest generation of extraction technology, designed to capture data from unstructured forms such as invoices, regardless of the format. Advanced Data Capture reads scanned invoices much like the human eye would; intelligently breaking down various components of the invoice and recognizing key fields based on the flow of the

document and various triggers (e.g. phrases like “Invoice #” or “Remit Payment To”). Templates have been replaced with a Knowledgebase that is able to absorb new information automatically. If the software is not able to identify a particular field, the “validator” can click on the field on the invoice image in lieu of typing, and the software will “learn” so that it is able to find the information next time. Since these new technologies eliminate templates, they also eliminate the work and maintenance previously required in managing traditional Data Capture systems. This allows companies to use capture for all of their vendor invoices, not just higher volume vendors.

RPI has recently worked with AP departments and shared service centers using Lawson to implement Advanced Data Capture. Early returns in each have seen a fourfold increase in invoice throughput per AP processor over manual data entry. Implementation timelines were less than three months and ROI will be achieved in less than 12 months. Other important fiscal benefits have been realized, and now—thanks to the consistency and timely visibility of payables—the foundation is in place for future initiatives.

The business case for Advanced Data Capture is simple: invoices can be processed with fewer resources. The cost of manually entering 25,000 monthly paper invoices into Lawson should go down from approximately \$45,000 per month to around \$12,500 once the solution is implemented. This not only pays for the software and implementation within a year, but represents a permanent reallocation of AP's

expense budget from manual labor towards value added activities.

In addition to labor savings, there are other financial benefits to invoices being entered into Lawson faster. Advanced Data Capture can virtually eliminate invoice backlogs. Rapid transfer of invoices into Lawson leads to an increase in discounts taken, reduced late fees, and greater visibility into short-term liabilities for financial planning and control. The reality is Advanced Data Capture pays for itself quickly.

The Future is Unfolding

We foresee a strong trend towards adoption of these data extraction solutions in AP departments in the medium term. Data Capture today is where Document Imaging was five years ago. According to a recent Invoice Reconciliation and Payment Report published by the Aberdeen Group, only 17% of AP departments currently use some form of the technology to capture data from invoices. Similarly, five years ago, only 23% of AP departments used some form of invoice Document Imaging. Today, according to a Datacap survey of over 400 AP managers, that figure has risen to over 50%.

Advanced Data Capture provides the key piece of the puzzle in the trend towards full automation of manual processes in AP. Document imaging and archiving saved significant time and cost associated with record filing and retrieval. Workflow automated the approval process and virtually eliminated costly paper pushing. Both provided increased transparency in operations and the ability to monitor

invoices at various steps to locate and proactively address bottlenecks in real time. Standardization of approvals and audit controls were enhanced immensely.

These trends taken together represent a paradigm shift in the way AP departments operate. AP is no longer simply about paper pushing and data entry. An often ignored back office function in the past, AP departments of the future will require a different set of skills—skills based on analysis and continuous improvement which will add value to an organization while containing costs. Through automation technologies such as Advanced Data Capture, business process standardization can be enforced, ensuring consistency in both purchasing and invoice processing.

The natural reallocation of AP resources towards proactively addressing open reconciliation items (e.g. reducing Received not Invoiced items, working vendor statements, and addressing PO Invoice discrepancies) will have significant ramifications. The AP department of the future will treat exceptions not only as individual reconciliation items, but as opportunities for process improvement. Thanks to technologies like Advanced Data Capture these exceptions will be less the result of human error or intervention, and more often an opportunity to improve pre-programmed business rules.

In addition, the increased timeliness and visibility of payables information through automation technologies like Advanced Data Capture will empower organizations to better manage vendors, contracts, purchasing trends, and cash.

Catching the Wave

Advanced Data Capture technology has arrived, finally offering an all-encompassing solution to address the reality of paper invoices and the business needs of a progressive AP department. Early adopters have helped us all by applying Advanced Data Capture to AP realities, and they have influenced the product to maturity. The future is clear, and companies electing to transition in the near term will recognize the benefits ahead of the curve. The cost savings will have an immediate effect, while the transformation of the AP department's capabilities will provide the foundation for years of flexibility in adding value to the overall organization.

About RPI Consultants

With over 10 years of experience optimizing Procure-to-Pay processes for Lawson customers, RPI combines the utmost expertise in best practices and business process redesign with a deep understanding of Lawson forms, tables, and functionality.

RPI assists organizations with the business needs analysis and evaluation Advanced Data Capture programs. As a Lawson Specialty partner, RPI assists Lawson customers with the integration of 3rd Party technologies to improve Procure-to-Pay processes.

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