



AP Automation to Enable Sustainable Growth

The Scaling Company's Guide to Using Enterprise Content Management (ECM) to Reduce Costs, Increase Efficiency, and Empower Teams

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Introduction

The goal of many innovative organizations is to automate, optimize, and transform business processes. This is particularly true for those that wish to be nimbler in their market and not be held back by heavy overhead costs from areas like Accounts Payable (AP). Even from the back office, manual processes can have an impact on an organization's ability to drive revenue, and removing that burden is seen as an increasingly strategic decision.

Middle market companies (i.e., companies with \$100M-\$1B in annual revenue), are not excluded from this ambitious group, although they have historically had a higher hurdle to jump when it comes to adopting transformative technology. Unlike most large enterprises, which have resources available for expansive technology overhauls, scaling companies are often constrained by the costs of growth. The tumultuous recent months cannot be ignored, and the changing nature of the current global economic environment has made financial decisions around technology provisioning much more delicate.

So how do middle market companies approach AP automation under the reality of constrained resources and an uncertain climate? One way is to identify software that integrates, consolidates, and empowers. Levvel Research has seen an increasing awareness of the value of invoice automation software not just for getting rid of paper but for enabling companies to both weather market fluctuations and prepare for future opportunities. With AP automation, organizations drastically reduce manual processes and costs, allowing scaling companies to operate with more confidence in their financial stability. AP automation also enables the new reality of highly remote operations, bringing disparate processes and team members together without sacrificing efficiency or security. In addition, Levvel Research has seen an increasing number of AP automation software providers enter the market in the last few years, many offering their tools at price points and implementation models suitable for middle market organizations.

This whitepaper serves as a guide to using automation software to enable growth, specifically enterprise document management (ECM) tools. Scalable, cloud-based ECM platforms can integrate with existing applications, automate many back-office processes areas beyond AP, and help to reduce financial risk in back-office departments.

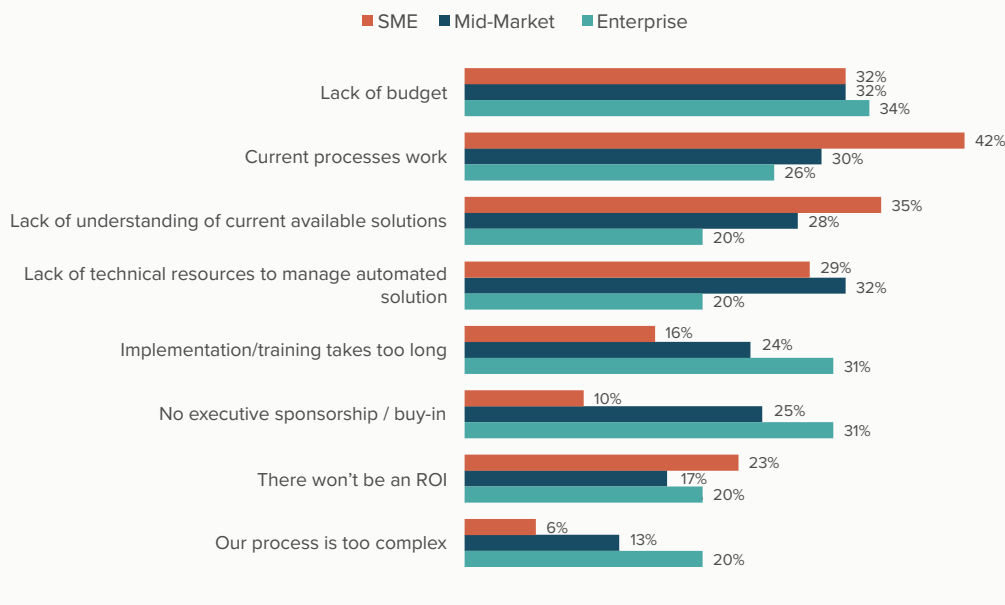


AP Automation in the Middle Market

Given the high barrier to entry that comes with certain technology investments—particularly around cost and time required for implementation and change management—many middle market organizations struggle to adopt automation software at the pace at which their challenges arise. Instead, they carry on with their current state while taking a piecemeal approach to adoption, perhaps automating one or two departments or processes rather than their entire environment.

Figure 1 confirms these points; when it comes to adopting AP software, middle market organizations’ greatest barriers are a lack of budget and a lack technical resources to manage automated solutions. In addition, 30% of middle market respondents indicated that current processes were sufficient, although they reported this barrier much less often than SMEs. This indicates that as companies grow, their issues with manual processes become less sustainable.

Figure 1
A Lack of Budget and Technical Resources Hold Mid-Market Organizations Back From Automating Accounts Payable
“What do you perceive to be the greatest barriers to adopting a cloud-based AP automation solution in your organization?” (n= 211)

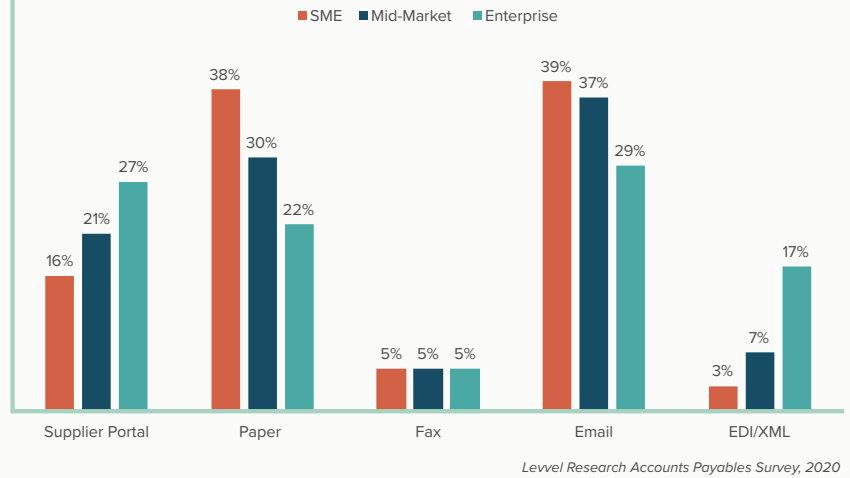


Level Research Accounts Payables Survey, 2020



The greatest challenge faced by the mid-market segment is that the majority of invoices are sent manually, either via email or paper (Figure 2). Compared to enterprise organizations, the mid-market processes significantly more manual invoices, with well over half of invoices in outdated formats. This high volume of unstructured data leads to inefficiency and error.

Figure 2
Paper Invoice Volume Decreases with Company Size
 "How many invoices would you estimate your organization receives each month in the following formats?" (n=299)



When it comes to invoice data entry, mid-market organizations, again, rely heavily on manual methods (Figure 3). If they have invested in any technology to automate processes, it is likely to be a front-end tool such as data capture with optical character recognition (OCR).

Figure 3
Adoption of Automated Invoice Data Entry Increases with Size
 "How is invoice information most typically entered into your organization's ERP, accounting software, or accounts payable software?" (n= 299)

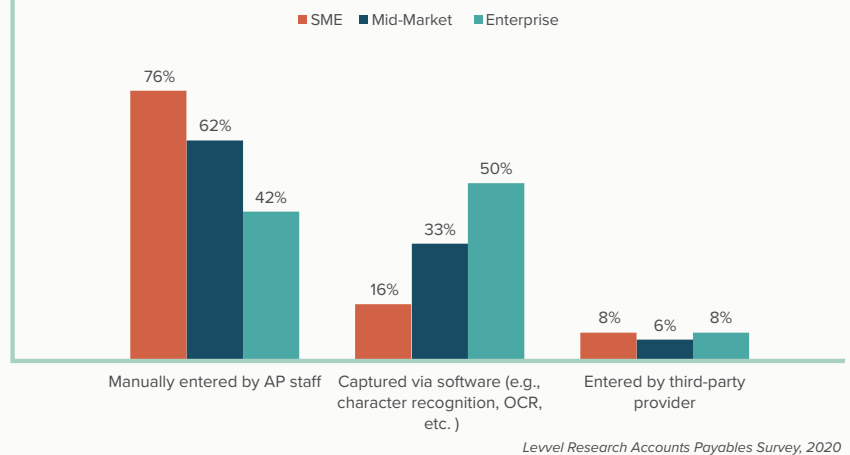
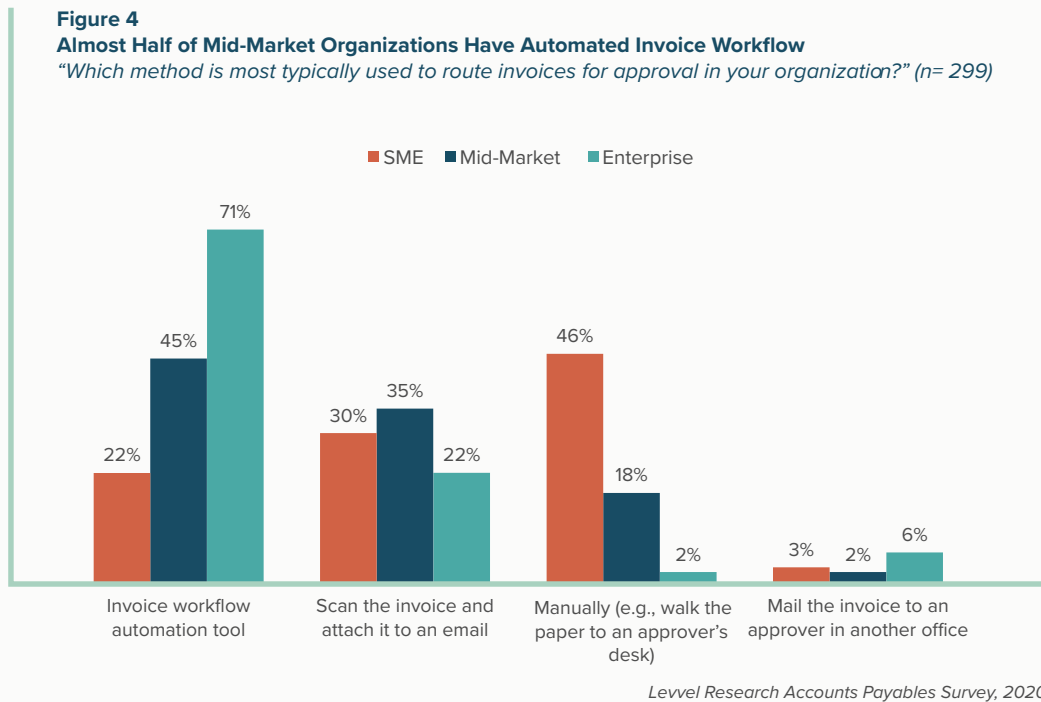


Figure 4 shows a similar trend—middle market organizations are between SMEs and enterprises when it comes to their degree of AP automation. Almost half of middle-market respondents have a workflow tool in place, but many are still using email to gain invoice approvals.



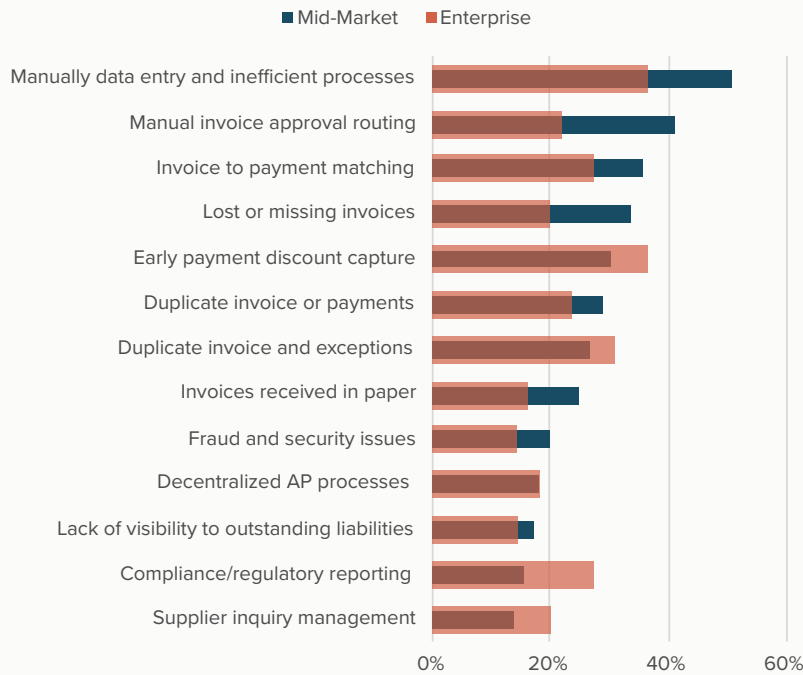
These adoption rates are attributed to the middle market’s unique lifecycle stage compared to other segments. For example, SMEs have limited resources, but smaller and more centralized operations and are more likely to manage invoices manually without as much cost or detriment to the business. In addition, enterprises’ greater resources enable them to more easily adopt software solutions. Many middle market companies, on the other hand, are trapped in the messy middle between increasingly complicated processes and limited resources that their smaller and larger peers are able to avoid. This issue has been especially exasperated this year, as the sudden shift to remote operations has required a stronger adjustment for organizations with less technology in place.



One can see a finer example of the differences between market segments in Figure 5, which reflects the more tactical nature of middle-market organizations' AP process challenges. The main AP pain points for the middle market focus on manual data entry, inefficient processes, and paper invoices, while enterprise organizations are more likely to cite challenges around compliance and regulatory reporting, supplier inquiry management, and discount capture.

Figure 5
Mid-Market Organizations Report Greater Challenges Related to Invoice Workflow and Entry Than Enterprises

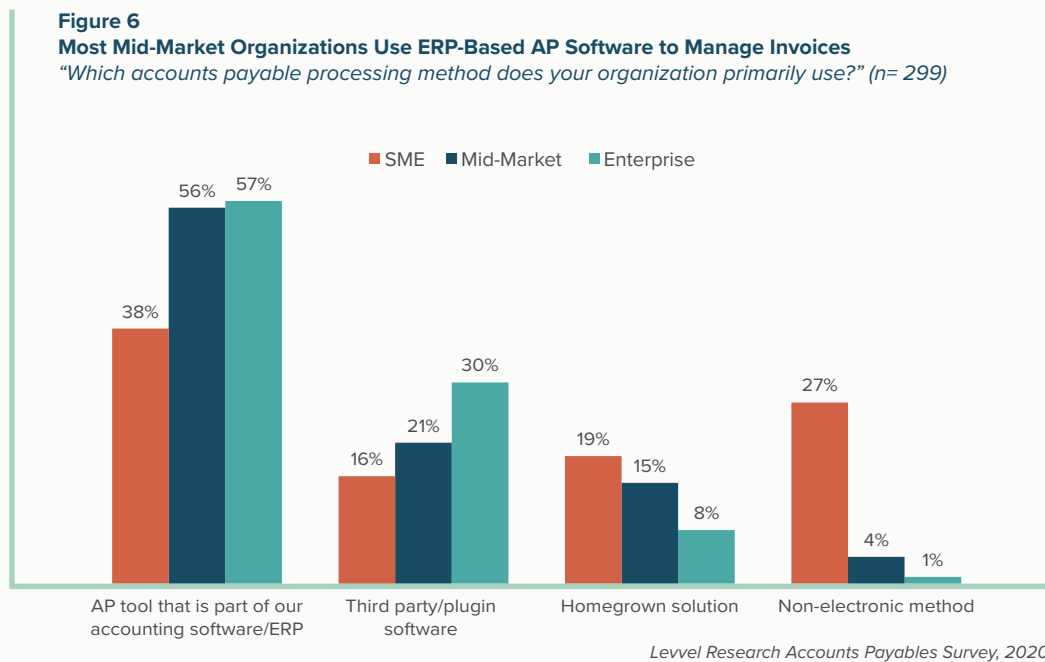
"Concerning your organization's current AP solution and/or process, which of the following best describes your overall top AP issues or challenges?" (n=299)



Level Research Accounts Payables Survey, 2020



This reflects that middle market organizations are more burdened by paper and tactical issues than their larger counterparts, but their lack of budget and other resources leave their hands tied as to fully transform their operations. In response to this, data indicates that many companies turn to technology that is already at their disposal. Figure 6 shows that the majority of middle market companies use a workflow tool that is part of their accounting software or ERP. While these tools are not the most effective, their heavy use reflects the priorities of scaling organizations, including minimizing the cost of implementation and maintenance of a tool.



ERP-based AP software functions as a built-in feature or add-on to the core ERP software. The appeal is largely ERP-based tools' low barrier to adoption, as they require less investment in implementation than other software types since the ERP is already installed. However, ERPs are best suited as financial repositories and are incapable of truly automating the AP function, as they don't have the robust capabilities of software designed solely for this purpose. There are also gaps in user satisfaction with these kinds of tools. In many cases, organizations using ERPs for AP processes do not rid themselves of the manual steps, such as data entry but only digitize the data. Using these systems to manage invoices gives organizations a better alternative for storage and monitoring than paper invoices but does not relieve the core issues that drive up costs and inefficiencies in AP.

Despite better options than ERPs, such as plug-in cloud-based AP automation software, the reality still remains that technology transformations are not simple. Many organizations cannot just jump from one tool to another, even in the best of times, and it is important to highlight the attractiveness of sticking with an ERP for the middle-market: ERPs offer consolidation for many processes at once. They enable a company to get started more quickly than a third-party provider that would entail a longer implementation—a useful attribute for a suddenly remote workforce.

The following section explores an alternative solution to an ERP solution—ECM software. Like ERPs, these solutions help to consolidate processes, but they also enable virtual operations and truly automate workflows.

The Holistic ECM Platform

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

How ECM Works

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

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

Features of ECM Solutions

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

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

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

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



The Case for ECM

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

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

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

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

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

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

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

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

ECM drives ROI by creating confidence in cost management.

By consolidating with technology, ECM also brings a great deal of transparency to the AP process, affording organizations more control over their costs and their working capital. For example, Table 1 shows some of the possible improvements in costs and efficiency that come with AP automation¹. The more automation an organization has, the lower average processing time and higher percentage of electronic invoice receipts they report. This leads to lower invoice processing costs and higher rates of discount capture. They also have a better idea of—and control over—invoice processing times, which allows for better cash flow management.

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

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

ECM drives ROI by enabling market agility.

As is true with all digital transformation initiatives, replacing antiquated and analog processes with technology allows organizations to not only stay afloat in today’s markets but to thrive, creating more nimble and competitive companies from the back office to the front. ECM is an optimal option for scaling or middle market organizations that want to tackle AP automation within their operations today, and it also enables them to meet their future technology goals as they grow.

¹ Level Research has separated companies into three categories—Novice, Mainstream, and Innovator—based on their level of automation.



About the Sponsor

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



About Level

You're going to use technology to change the world. We're going to help you create it. Whether you are reinventing your company, creating an industry-changing product, or making existing products even better with new technologies—we exist to make your endeavor a success story.

Our experts help unleash your engineering team's potential. You know that you need to transform your software development lifecycle, and you need to move quickly. We bring seasoned experts to work with you to not only get the processes and tooling right, but to win with the human element of this critical transformation.

