



White Paper

INTEGRATING READSOFT
ACCOUNTS PAYABLE
SOLUTION WITH ORACLE E-
BUSINESS SUITE

Prepared for

READSOFT®

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Over the past ten years, enormous progress has been made in digitally capturing the data contained in forms, invoices, and other incoming business documents and incorporating it into an organization's overall digital workflow. This has yielded substantial time and cost savings, most of which, after a relatively brief payback period, have dropped straight to the bottom line.

Until fairly recently these benefits have been “local,” the fruit of individual point solutions which, though welcome and desirable, had a relatively minor impact on the organization as a whole. Now, however, the combination of business process automation and the integration of process solutions with an organization's underlying ERP system is setting up the ability to use ERP-integrated tools to standardize processes across different business units, thus providing economic and productivity improvements to the entire organization.

Accounts payable automation

The invoice-to-payment cycle presents certain interesting challenges to automation, one of the greatest of which is the inherent randomness of the incoming invoice stream: daily volume, multiplicity of formats, non-purchase-order billing, discrepancies, errors, etc. Together, these factors create a discontinuity between AP entry and optimal functioning of ERP systems, including those of companies using the Oracle E-Business Suite. They also impact the efficiency and accuracy of each step in the process, from initial invoice receipt to image and data capture, matching against purchase order and goods receipt and successful posting for payment.

Once they have been imaged and their data captured (both relatively straightforward activities), the majority of a typical organization's incoming invoices can be processed with no need for problem solving. The ones that do require intervention, however, require a lot of it; on average, 20%-30% require discrepancy resolution and/or coding and approval—and consume 80% or more of the time allocated for these processes. Timely payment, budget management, and supplier relations are negatively impacted.

These difficulties affect different parts of the organization in different ways.

Corporate-level financial management.

- **Cash flow.** Although vendors continue to offer discounts for early payment, many organizations don't even try to take advantage of them: their invoice-to-payment cycle is too long. Also, scattered and fragmentary payables data reduces the visibility of the organization's overall cash exposure, and thus reduces management's ability to properly optimize cash flow. This can make it difficult, for example, to assess the short-term prudence and timing of new investments.

- **Compliance.** The financial disclosure requirements of the Sarbanes-Oxley Act of 2002 necessitate the availability of timely and accurate internal accounting records. Companies tend to be at risk due to two basic "blind spots." First, since ERP systems primarily focus on transactions and do not record process activity to post these transactions, a significant part of the financial process is not documented. Secondly, a considerable percentage of invoice liability does not become recorded until it is entered in the ERP system. Invoices sitting on desks awaiting approval, or backlogged awaiting entry, are invisible to management and can cause total liabilities to be understated.

Oracle/information technology.

- **Simplicity.** Typical IT executives struggle to properly allocate budgets to cover both new innovation and maintenance of the existing infrastructure. Therefore, new projects such as automation of the AP function needs to be both simple to administer and upgrade, and to fit comfortably with overall corporate Oracle/IT strategy - keeping total cost to a minimum.

Accounts Payable management.

- **Process inefficiency.** In any business process, the higher the percentage of transactions that must be handled individually as exceptions, the lower the overall efficiency of the operation. This inefficiency leads to extended payment cycle times (and thus the inability to take advantage of early-pay discounts, a concern for AP management as well as for the CFO) and reduced visibility.

- **Dilution of attention.** The harder it is to see what's going on inside a function, the harder it is to manage. AP department heads frequently find themselves so busy dealing with exceptions on a piecemeal basis that they are unable to focus on identifying and solving the root causes of the labor-intensive problems with which they deal.

Broadest possible solution

When you automate a business process, you obtain the maximum in both value and efficiency by selecting the broadest possible solution set. In terms of the AP function, such a solution automates the function from end to end, beginning with

- Image capture (for paper invoices), then providing
- Data capture (both for scanned images and for e-invoices),
- Data validation and verification,
- Seamless ERP system integration, and
- Incorporation into workflow for account coding, approval, PO line matching and problem resolution.

It offers relief to the previously mentioned stakeholders for the problems described above:

Accounts payable: Cost reduction by improving control and accuracy of invoice processing, as well as the ability to change role from exception and problem handling to oversight and management of the process as a whole.

Oracle/IT: Implement an AP solution that reduces cost and staff requirements.

Senior management: On the micro level, cost reduction, improved cash flow, greater visibility, increased productivity, enhanced financial oversight and reporting capability, and direct savings through the ability to take early-pay discounts. On the macro level, improved profitability and enhanced shareholder value.

Sourcing

In selecting a supplier for such a solution, an organization should consider the supplier's strength and stability, its customer base and market share, its strength in the Oracle environment, and, of course, specific expertise in all aspects of the invoice-to-payment function. As most large enterprises today do business on a global basis, another factor worth considering is the supplier's experience with multinational installations and its understanding of regulatory, procedural, and cultural differences between one part of the world and another.

One company that fits well with these criteria is ReadSoft, which has extensive experience both in overall accounts payable automation and specifically in invoice-to-pay automation in the Oracle E-Business Suite environment. It has 5,000 customers worldwide, 2,000 of which are accounts payable customers—which is, according to data gathered by the analyst firm of Harvey Spencer & Associates, more than all its competitors combined. ReadSoft is publicly traded on the Stockholm stock exchange and has shown a consistent growth pattern since its founding in

1991. The company now has 400 employees in 14 countries, including a major sales and support organization in North America that is instrumental in driving annual revenues of more than \$65 million.

Companies using ReadSoft for AP automation include Alcan, Sony, Porsche, BASF, Avon, DuPont, John Deere, and hundreds of others. The pharmaceutical giant GlaxoSmithKline is deploying a ReadSoft solution in more than 100 countries and Siemens is currently deployed on every continent.

ReadSoft AP Automation for the Oracle Environment

Readsoft's AP solution for Oracle E-Business Suite was developed by Readsoft Consit, a wholly owned subsidiary of Readsoft AB. Readsoft Consit is an Oracle Certified Advantage Partner. The AP solution, InvoiceIT, has been validated for integration with E-Business Suite through the Oracle PartnerNetwork (OPN) Applications Integration Initiative.

The solution consists of two major components:

ReadSoft DOCUMENTS for Invoices resides outside the Oracle system itself and serves as a point of entry for all invoices, whether they are presented as hard copy, through EDI, or as data upload (e-invoice). ReadSoft DOCUMENTS for Invoices acquires invoices, extracts and validates the data they contain (calculations, internal table comparisons, matching against external databases), verifies the data, and transfers it to InvoiceIT.

InvoiceIT serves as an invoice "control center" for accounts payable. This modular component resides within the Oracle E-Business Suite itself and is driven by the Oracle workflow engine. An important function of Invoice IT is its ability to intercept the invoice, auto-match and auto-post where possible without human intervention. A transaction carries with it a link to the image of the scanned invoice as well as complete audit logging. Key, also, is *InvoiceIT's* seamless integration into the Oracle E-Business Suite environment creating zero impact to the environment as well as support contracts as upgrades are applied to the E-Business Suite environment.

How it works

A quick look at the "traffic flow" inside Invoice IT helps show exactly what the solution does. An invoice enters; if it has a PO number, and if the PO data (e.g. item number, item description,

quantity, unit price, line total) match the procurement and receiving data, it is posted straight to approval in AP and is ready for payment. If there is a mismatch in the PO data, InvoiceIT forwards the document (with the image of the original invoice attached) to the appropriate party for exception handling. An operator working in InvoiceIT can cross-reference to and search all relevant Oracle Purchasing data using standard Oracle methodology.

Non-PO invoices take one of two paths, depending on whether they contain routing determination (such as ship-to name, department, etc.). If the invoice has this information, the invoice is auto-routed to be coded, approved, and posted for payment. If not, the invoice is forwarded to the appropriate recipient in the AP department for action.

Process benefits

The combination of ReadSoft DOCUMENTS for Invoices and InvoiceIT automates the relevant AP functions to the maximum extent possible. Items falling outside established rules and parameters are flagged for review and forwarded to the appropriate person for action. Most items entering the payables stream are automatically verified, logged, and sent in for payment.

Typical industry results of AP automation, as reported by ReadSoft users, International Accounts Payable Professionals, ASUG, and Pay Stream Advisors, include a 50%-75% reduction in manual data entry, a reduction of time-to-pay turnaround from 20+ days to 2-4 days, and an average return on investment is six to 12 months.

Maximizing total value

Any addition to a company's digital infrastructure should not simply be a cost center. It's an investment that needs to return value to the company, and it needs to do so in two ways. One is the straight-line ROI method described above: first it pays for itself, and then it continues to operate more cost-effectively than whatever it replaced. The other is the degree to which it increases the value of the company's *total* high-tech investment by enhancing not only economic return but also process change (both discrete and continuous) and the capacity for collaboration. At Kinetic Information we have for years preached to our clients—vendors and buyers alike—the importance of basing a company's technology strategy on this concept, which we call Maximizing Total Value, or MaxTV®.

Essentially, purchasing a systems solution is much like taking on a new employee: it is a response to a problem. Something either isn't getting done or isn't getting done well enough, so the company adds an employee or buys a system to get it done better. There's always a price to

be paid—the solution has to be implemented, the person has to be trained—so you budget for that, with the expectation that beyond a certain point the employee or the system will start earning his, her, or its keep.

In the case of a new employee, if they were hired for anything much above an entry-level position, expectations go beyond that. That person is expected to stretch and grow and become valuable to the organization in ways beyond their ability to carry out the particular function for which they were hired—ways that in the beginning may not be at all clear.

Managers should have the same expectation about technology—that it will help create something that is more than the sum of its parts. One of the things we like about ReadSoft's AP solution for the Oracle E-Business Suite environment is that it does that. Beyond the functional benefits—cost savings through increased capacity or headcount reduction and a reasonably short ROI—it leverages the existing Oracle technology investment to provide the same automation benefits to any number of disparate business units.

Beyond that, ReadSoft, by positioning itself for further integration of business process automation with ERP functions, is creating a process improvement framework not only for invoice-to-payment, but for a broader array of shared services. These potentially include the extended procure-to-pay cycle; the order-to-cash cycle on the selling side; and certain aspects of HR.

Any or all of which, if carried out with the thoroughness and rigor of the AP solution for the Oracle E-Business Suite environment, seem likely to improve not just a function but the enterprise itself. And that, unquestionably, is Maximizing Total Value.

**– Peter Johnston and
Steve Weissman**