



# Perfect Payables

Best Practices for Performance  
Improvement and Supplier  
Participation

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# Perfect Payables

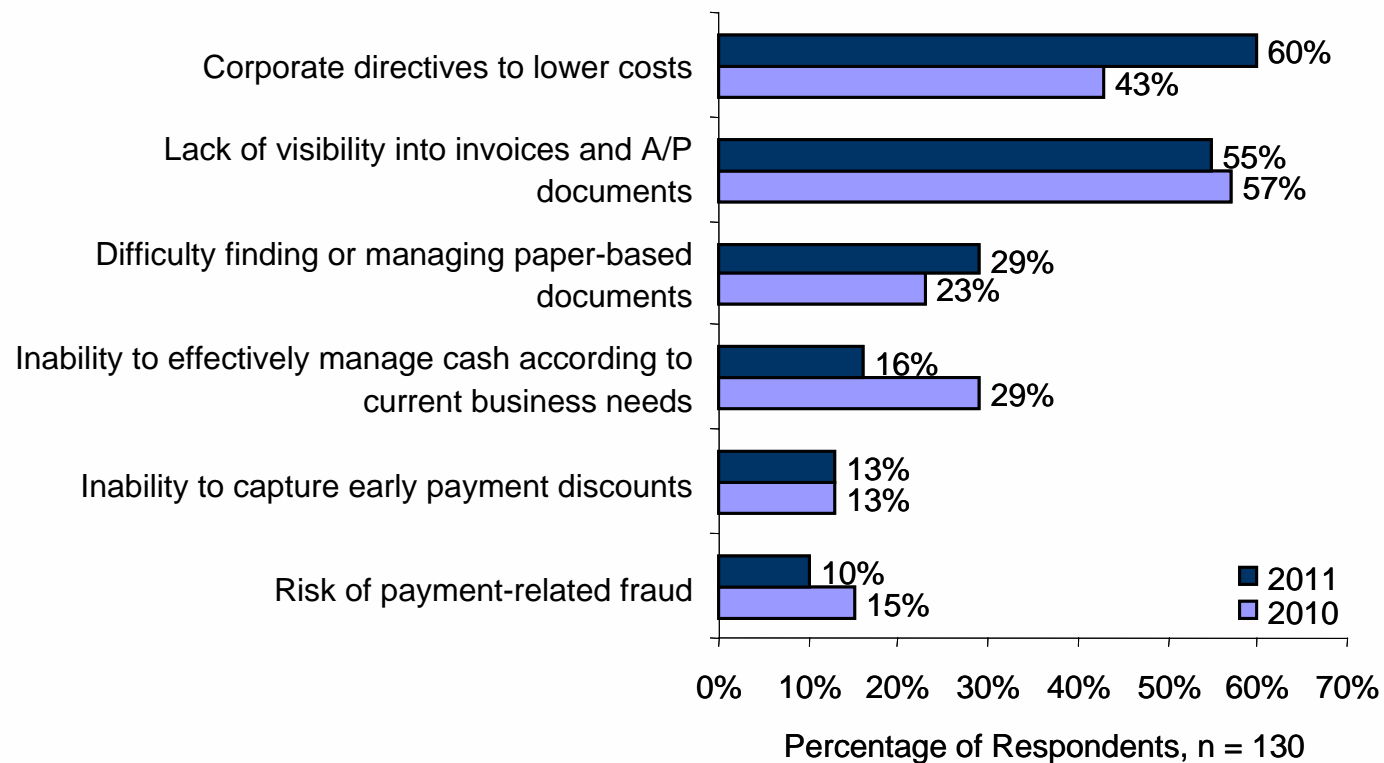
- ❑ Review of the Latest A/P Research
- ❑ Performance Benchmarks: Beyond the Best-in-Class
- ❑ Recommendations for Performance Improvement
- ❑ Understanding the Supplier's Perspective
- ❑ Strategies for Supplier Enablement

# Latest Research

- ❑ Aberdeen's PACE Methodology
  - ❑ Pressures
  - ❑ Actions
  - ❑ Capabilities
  - ❑ Enablers
  
- ❑ Defining Best-in-Class Performance
  
- ❑ A Focus on Defining Capabilities
  
- ❑ Technology Adoption by the Best-in-Class

# Pressures

## Pressures Driving a Focus on A/P Improvement



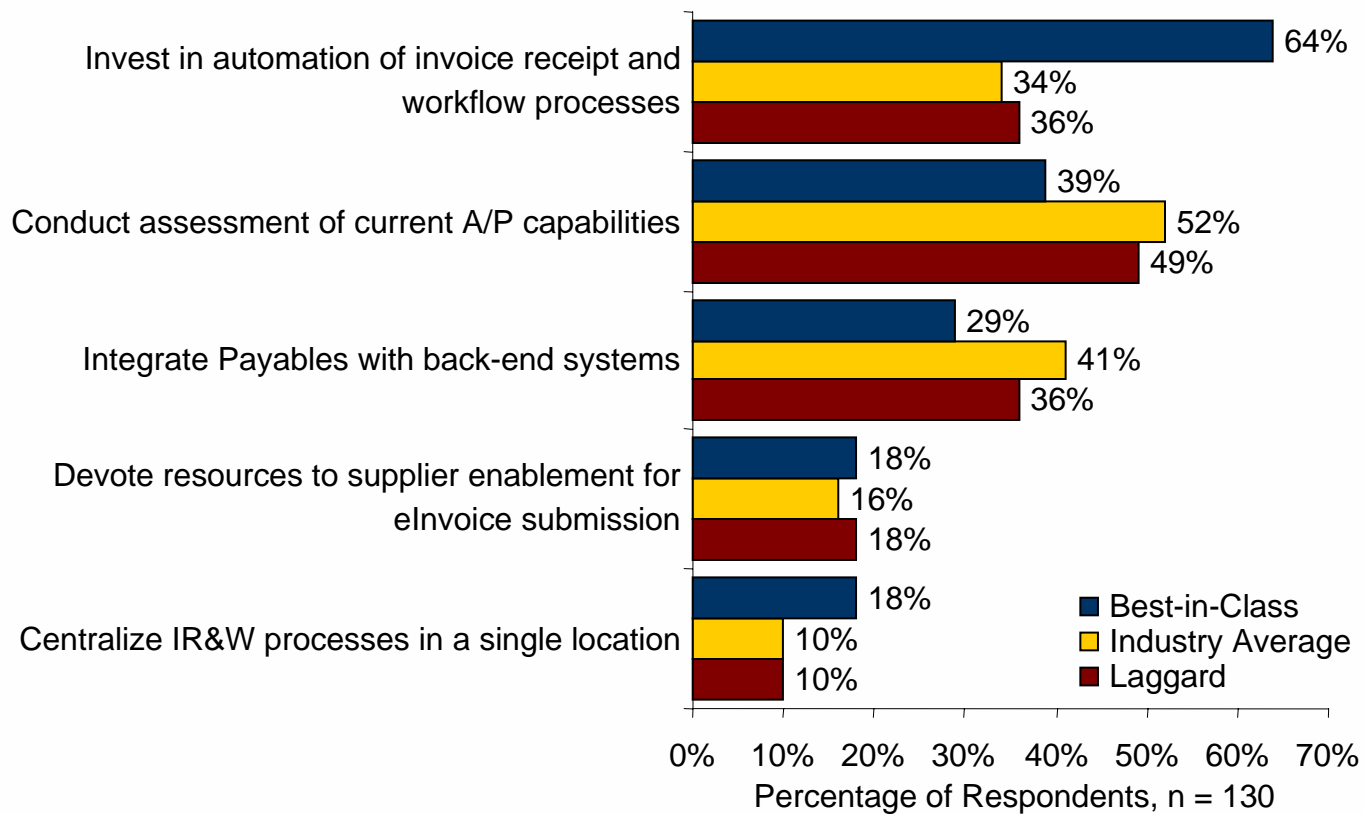
# Context: The Maturity Class Framework

## Defining Best-in-Class Performance

Definition of Maturity Class	Mean Class Performance
<p><b>Best-in-Class:</b> Top 20% of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>❑ 3.8 days to process a single invoice</li> <li>❑ \$3.09 average cost to process a single invoice</li> <li>❑ 4.1% year-over-year increase in early payment discount capture</li> </ul>
<p><b>Industry Average:</b> Middle 50% of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>❑ 9.7 days to process a single invoice</li> <li>❑ \$15.61 average cost to process a single invoice</li> <li>❑ 1.3% year-over-year increase in early payment discount capture</li> </ul>
<p><b>Laggard:</b> Bottom 30% of aggregate performance scorers</p>	<ul style="list-style-type: none"> <li>❑ 20.8 days to process a single invoice</li> <li>❑ \$38.77 average cost to process a single invoice</li> <li>❑ 0.5% year-over-year increase in early payment discount capture</li> </ul>

# Actions

## Top Strategies to Combat Business Pressures



# Capabilities

## Competitive Framework – Part One

	Best-in-Class	Industry Average	Laggards
<b>Process</b>	Centralized IR&W processes in a single location		
	67%	46%	28%
	Standardized IR&W processes across locations/units		
	59%	38%	28%
<b>Organization</b>	Executive sponsor or champion for A/P improvement initiatives		
	63%	41%	27%
	Dedicated resource for handling outsourcing relationships		
	30%	19%	10%
<b>Knowledge</b>	Invoices archived in a central, searchable location		
	78%	56%	32%
	Training resources available for staff-members		
	<input type="checkbox"/> 68% - Reference manuals <input type="checkbox"/> 50% Training classes	<input type="checkbox"/> 47% - Reference manuals <input type="checkbox"/> 37% Training classes	<input type="checkbox"/> 29% - Reference manuals <input type="checkbox"/> 10% Training classes

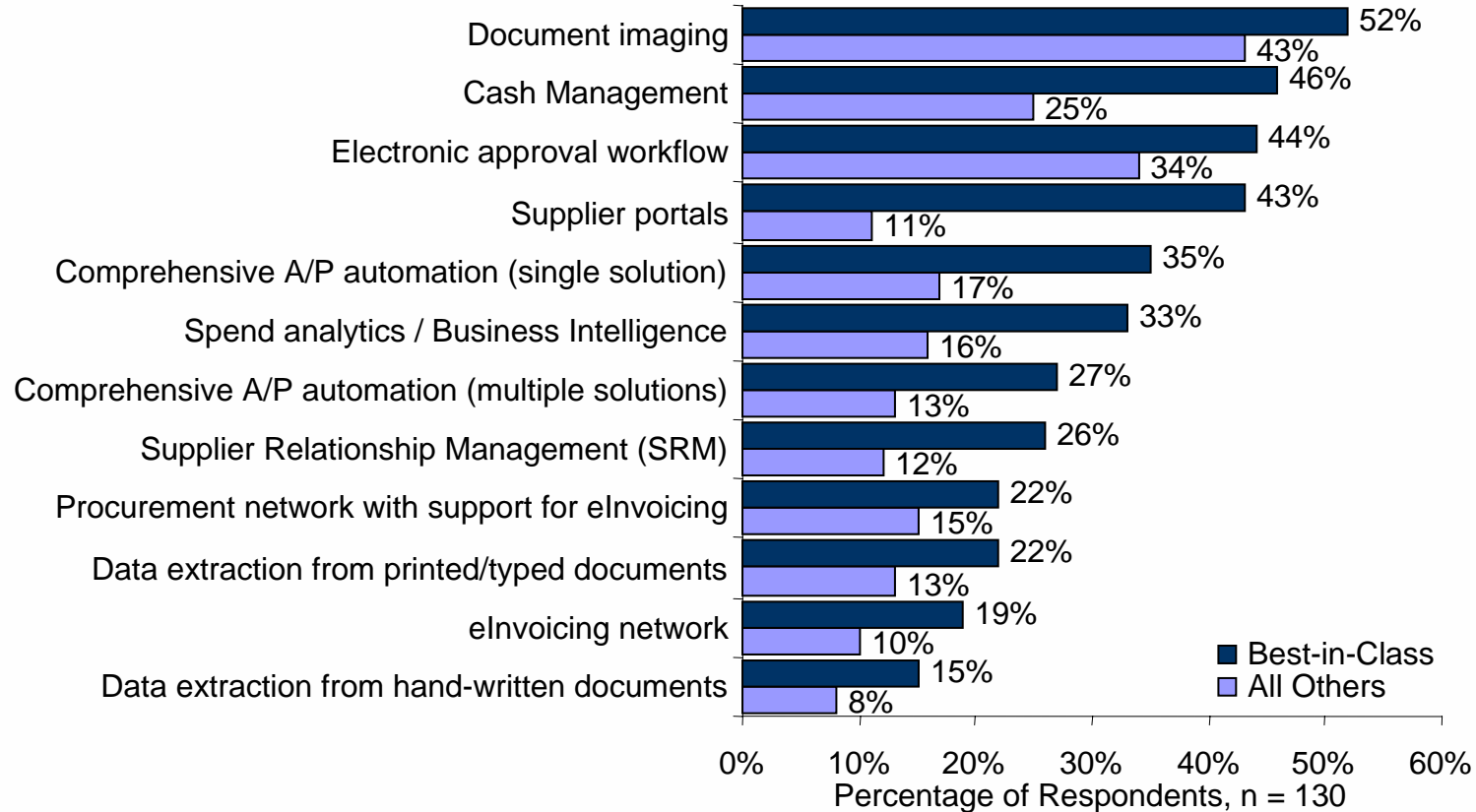
# Capabilities

## Competitive Framework – Part Two

	Best-in-Class	Industry Average	Laggards
<b>Technology</b>	Automated matching of invoices to purchase orders		
	57%	37%	29%
	Ability to compare invoices to contracts for:		
	<input type="checkbox"/> 57% - Payment terms <input type="checkbox"/> 56% - Prices	<input type="checkbox"/> 34% - Payment terms <input type="checkbox"/> 34% - Prices	<input type="checkbox"/> 17% - Payment terms <input type="checkbox"/> 23% - Prices
<b>Performance</b>	Dashboards summarizing current A/P status and performance		
	41%	15%	10%

# Enabling Technologies

## Technology Choices of the Best-in-Class



# Additional Performance Benchmarks

## Beyond the Best-in-Class Definition

<b>Metric</b>	<b>Best-in-Class</b>	<b>Industry Average</b>	<b>Laggard</b>
Electronic Invoices (% of total)	35.8%	23.8%	10.9%
Early payment discount capture rate	31%	24%	15%
Error Rate (incoming invoices with inaccuracies)	6%	11%	12%
Exception Rate (invoices flagged for management review)	12%	17%	30%

# Prioritization of Competing Choices

## Benefits and Ease of Improvement

<b>Attribute</b>	<b>Potential Benefit (5 – Most Beneficial)</b>	<b>Ease of Improvement (5 – Easiest to Improve)</b>
Collaboration between A/P and Procurement	4.35	3.02
Integration of A/P with ERP/financial systems	4.35	3.08
Automation of invoice matching / identification of errors	4.31	2.74
Clear policies describing A/P policies and approval workflows	4.30	3.15
Migration away from checks to electronic payments	4.18	3.23
Automation of the approval process	4.16	2.84
Supplier adoption of eInvoicing	4.13	2.31
Imaging / digitization of paper invoices	4.03	3.02
Automation of GL coding	3.98	2.60
Extracting data from images (e.g., OCR / ICR)	3.95	2.50

## Recommendations: Performance

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- ❑ Integrate A/P with contract management
- ❑ Integrate A/P with your back-end ERP or Financial systems

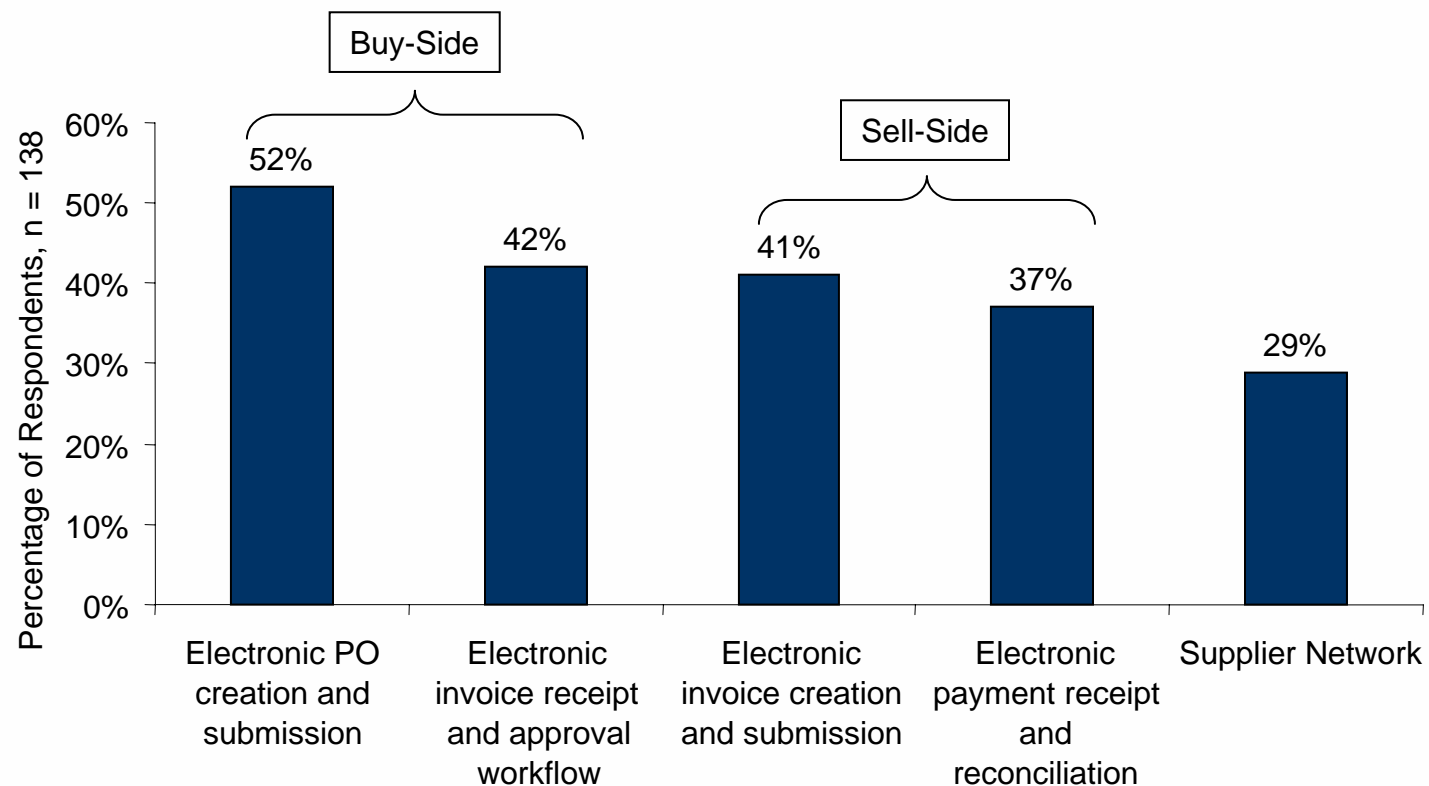
# Understanding the Supplier's Perspective

- ❑ Top Pressures
  - ❑ Demand volatility's impact on available cash
  - ❑ Risk of trading partner default
  
- ❑ Strategic Responses
  - ❑ Alter payment terms with trading partners
  - ❑ Seek out additional sources of financing

Respondents from the sell-side were *less than half as likely* to cite expanding the use of early discount programs as a planned strategy (16% vs. 39%)

# Understanding the Supplier's Perspective

## Technology Profiles



# Strategies for Supplier Enablement

Common Approaches for Your Peers

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- ❑ Outsourcing of enablement efforts

# Strategies for Supplier Enablement

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- ❑ Mandated supplier adoption of electronic invoices
- ❑ Inclusion of suppliers in project design and scoping
- ❑ Exchange of beneficial terms for cooperation
- ❑ Outsourcing of enablement efforts
- ❑ Shouldering of the burden by A/P

## Wrap-Up

- ❑ ePayables is focused on improving the efficiency of, and visibility into, the accounts payable function
- ❑ Electronic invoices can be processed more quickly and for far less cost – but supplier cooperation can dictate success
- ❑ A wide variety of technologies is available, depending on your current solution footprint and A/P maturity
- ❑ Performance improvement *is* achievable – even the Best-in-Class have room to grow.

# About ADP

## ADP P2P

- End-to-end integrated solution for purchasing and payables
- Modular solution allowing clients to pick and choose functionality
- Outsourced scan/capture allows clients to start small and scale up
- Price compliance and electronic receipt capabilities increase control
- Continuous enhancement based on client usability and feedback
- 100% success rate in implementations

## ADP

- Over 570,000 clients worldwide; 50+ MM employees served
- \$1.3 Trillion in client funds moved
- World Class, secure payment environment
- Leading the industry in compliance accuracy
- 1 of 4 AAA rated U.S. Industrial Companies

**Offering tight controls, financial stability and AAA credit rating  
as the foundation for establishing long-term partnerships**



# Optimizing Payables with ADP Procure-to-Pay

End-to-end solution covering automation from POs and invoices to receipts and payments



# ADP Supplier Enablement

- **Diverse supplier network including large multi-national suppliers to regional “mom and pop” establishments**
  - Over 40,000 suppliers transacting every day and growing exponentially
  - More than 100,000 suppliers where ADP manages master data for paper invoice processing
  - Network processes 10 million transactions and \$65 billion spend annually
  - 95% network utilization, one of the highest in the market
- **Proven, methodical process to get your suppliers enrolled on the network**
  - Supplier segmentation analysis based on invoice volume, spend value and other parameters to identify potential candidates for e-invoicing
  - We work closely with our clients to ensure we are driving the right suppliers and right level of activity to the network
  - Intuitive and straightforward supplier on-boarding and registration process
  - Committed ADP team works with your suppliers and manages on-boarding, registration and connectivity

# Case Study

## Overview

### Client Background

- Client company and its subsidiaries explore, acquire, develop, produce and market natural gas and crude oil
- Multi-billion dollar company, with operations in in North America and selected international
- locations, with field offices throughout operated areas
- Inundated with 10,000 – 20,000 invoices a month

## Challenges

### Challenges with Manual Processes

- Current e-invoicing provider only converted 17% of incoming invoices to electronic after more than 2 1/2 years
- AP department was overwhelmed with too much paper and frequently lost invoices
- Often paying invoices late, missing early-pay discounts, failing to reconcile overages
- High volume of calls from vendors inquiring into invoice status and seeking payments

## Solution

### Implementing ADP P2P

- One month evaluation period with ADP demoing software with client data
- Three month implementation – define workflow logic, develop policies & procedures and determine key integration and interfaces
- ADP worked closely with client to formulate supplier enablement strategy and change management/communication plan

# Case Study

## No More Paper

### Successful Migration from Paper to Electronic

- 99% of client invoices are processed in ADP P2P
- 60 percent of invoices are electronically submitted by 480+ vendors
- 20% of suppliers, accounting for 60% of invoices volume have been on boarded
- Lost invoices have been eliminated; duplicates significantly reduced

## WOW Factor

### Reduced Costs & Processing Cycles

- Average time to process an invoice reduced from 60 days to 10 – 83% improvement
- Number of vendor calls per day reduced from 40 to 10 – 75% reduction
- Incremental discounts captured more than pay for annual license fees

## Lessons

### Lessons Learned from Implementing ADP P2P

- Supplier enablement strategy is critical for automation project success
- Underestimated the impact and bottlenecks arriving from in-house scanning
- Change management is an important component of any technology implementation



# Questions?

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