

IWA Survey

IWA Adoption Benchmarking Survey Report

Based on the Results of PayStream's
Imaging & Workflow Automation (IWA)
Adoption Survey

Featuring Insights on...

AP Department Nature

AP Pain Points

Financial Automation Goals

Invoice Receipt Methods

Technology Adoption

SmartFlow™ Document Management
Services Profile

Underwritten in part by:
Canada Post

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Introduction

Accounts payable (AP) departments have been prompted to seek new and innovative means to automate traditionally paper-based and labour-intensive processes, owing to the economic downturn and new stringent regulatory regimes. A significant shift is beginning to shake traditional AP operations, including the search for automation options that help them address the hassles inherent to people and paper-based activities.

Our research indicates that Imaging & Workflow Automation (IWA) solutions that streamline the invoice receipt-to-pay cycle and address these new requirements for efficiency and control have matured and become mainstream technology. In this report, the analysts at PayStream Advisors have attempted to profile the use of invoice imaging and automated workflow solutions at US based enterprises. Our analysis is based on survey results and more than seven years of research findings.

PayStream IWA Adoption Survey

PayStream Advisors conducted its “IWA Adoption Survey” in the last two quarters of 2008 and developed this report to highlight the overall trends that are shaping the rapidly evolving AP automation space. This survey report is designed to:

- Help accounting and finance practitioners familiarize themselves with the invoice imaging and automated workflow landscape,
- Enable them to better understand the extent of adoption of the various forms of accounts payable automation, and
- Allow companies to benchmark their operations against similar businesses.

Survey Methodology

The findings in this report are based on the results of PayStream’s “2008 IWA Adoption Survey.” Participants to the survey included more than 300 professionals. Of the survey respondents, almost a quarter (24 percent) were AP managers, 10 percent and nine percent were controllers and CFOs respectively, and the rest were from a variety of finance and accounting positions. The survey spanned a variety of industries. Manufacturing, finance, insurance and healthcare verticals were heavily represented, with almost half (48 percent) the respondents belonging to these segments. Based on the number of respondents, we believe that the survey has a confidence level of +/- five percent.

PayStream’s Research Library

PayStream Advisors is developing a related Technology Insight Series report titled **“Imaging & Workflow Automation (IWA): Making Paperless AP a Reality.”** The report is a valuable resource for organizations that are actively exploring IWA solutions, but need help identifying appropriate vendors and solutions.

For more information on AP automation, go to our corporate research library at www.paystreamadvisors.com, where you will find a number of reports, including:

- Web Invoicing & Electronic Payments: Strategic Impact of AP Automation
- Electronic Procurement: Automation Options for your Purchasing Processes
- Accounts Payable Outsourcing: Leveraging The Expertise of Third Party Providers

Survey Highlights

Key issues addressed:

AP department structure and invoice volumes processed;

Pain points faced in day-to-day AP operations;

Top financial automation goals for 2009;

Adoption of outsourcing as an alternative to technology implementations;

Use of technology and the impact of automation on processing costs and efficiencies; and

Best practices and processes followed by AP departments across a range of organizations.

Participant Demographics

PayStream classified the organizations that participated in the survey into three groups based on their annual revenues. Almost half of the respondents (49 percent) were from small companies, those that were earning less than \$500 million in annual revenues. Medium companies (\$500 million to \$5 billion) comprised 30 percent of the survey population and the remaining 21 percent were from large companies (more than \$5 billion in annual revenues).

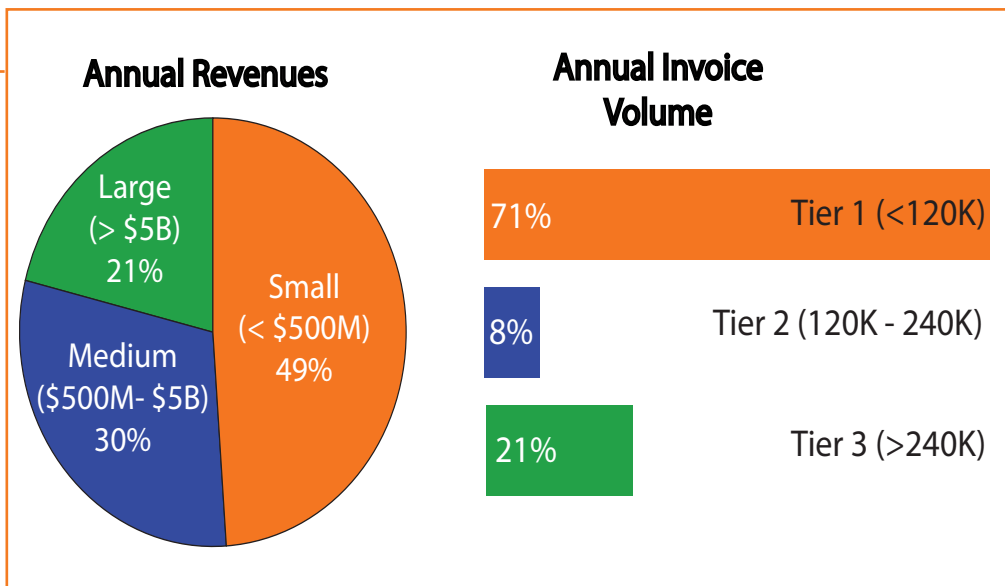
We also classified respondent companies based on the annual volume of invoices processed in the AP department into Tier 1 (less than 120,000), Tier 2 (between 120,000 and 240,000) and Tier 3 (more than 240,000). The survey was dominated by Tier 1 companies (71 percent), followed by Tier 3 companies (21 percent). Tier 2 companies only formed eight percent of the survey participants.

This was done to identify whether these two parameters had any affect on the functioning of the AP department. Figure 1 shows the breakdown of respondents based on the two criteria.

Figure 1

**COMPANY SIZE
BY ANNUAL
REVENUES AND
ANNUAL INVOICE
VOLUME**

Organizations were classified into small, medium and large based on their annual revenues.



ERP Usage

A quarter of the organizations (25 percent) were using Oracle/PeopleSoft as their ERP application in the AP department. Two other popular ERP systems were SAP and Lawson, with 15 percent and 11 percent of respondent companies respectively using each.

AP Department Staff

Survey participants stated that, on average, they had 13 full time equivalents (FTEs) in their AP departments, excluding managerial staff and directors.

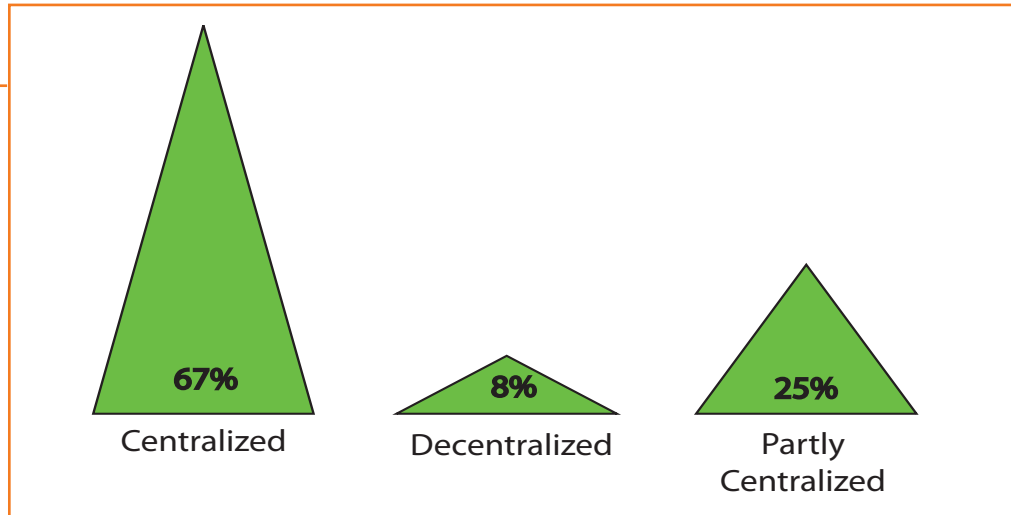
Nature of AP Department

When asked about the nature of their AP department, centralization appeared to be a common theme amongst organizations surveyed. More than two-thirds (67 percent) of the companies had centralized AP operations and were receiving and paying invoices from a single, central location. Another 25 percent were partly centralized, receiving invoices at multiple locations, but paying them centrally. Only eight percent of companies were decentralized.

Figure 2

NATURE OF AP DEPARTMENT

Companies that had centralized AP operations dominated the survey.



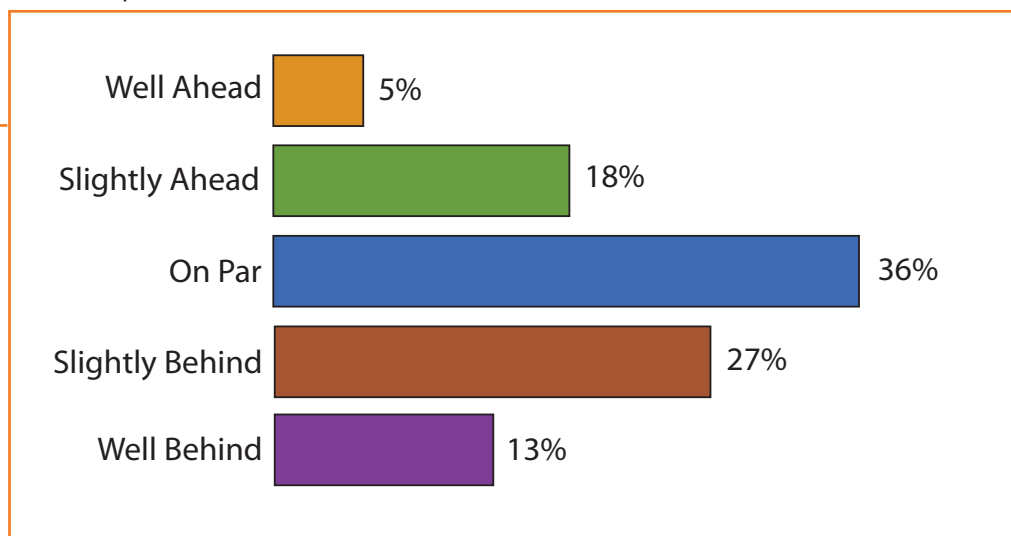
Identifying the Innovators

We asked companies to identify whether they were ahead of or behind their peers by evaluating their organization's use of financial automation technology relative to similar companies (in the same industry or of the same size, for example). As is the case with other surveys PayStream has conducted, the typical bell curve is present when it comes to organizations' assessment of their use of financial automation technology. While 13 percent of companies believed that they were well behind on the automation curve, five percent estimated that they were well ahead. The remainder were in-between. A majority (36 percent) thought that they were on par with their peers.

Figure 3

WHO ARE THE INNOVATORS?

A majority of companies (36 percent) believe that they are on par with their peers in the use of technology.



Automation Goals

Feeling the Pain in AP

We asked respondents to rate the pain caused by certain AP processes on a scale of one to five, where five was the highest pain. Manual data entry, matching errors and exceptions, and routing invoices for approval all emerged as high pain points, each scoring more than three on our scale.

This is very similar to the responses from earlier surveys conducted by PayStream, indicating that there is tremendous potential for improvement by automating the front-end of the AP process - namely invoice receipt, matching and approval workflow.

We asked respondents to rate the pain associated with each of the following activities on a scale of 1 to 5, where 5 is the highest. Results are a weighted average of all responses.

Figure 4
PAIN POINTS IN AP OPERATIONS

The front-end of the invoice receipt-to-pay cycle causes the most pain for AP operations.



Automation Goals

The survey provided insight into companies' financial automation goals for the year 2009. Percentages in Figure 5 do not add up to 100 percent as companies could select more than one option. The following emerged as the top goals:

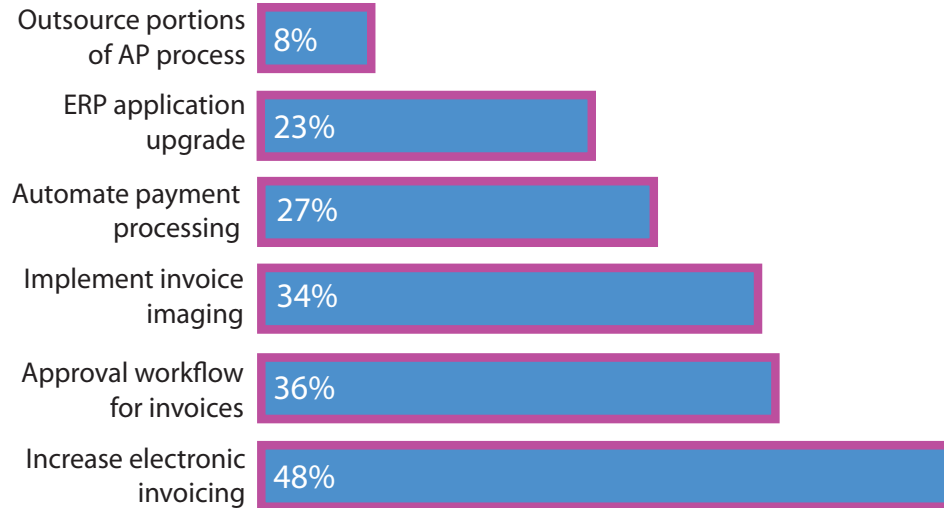
- Implementing or increasing electronic invoicing emerged as the most popular option with a majority of companies (48 percent) stating that this was the top priority on their 2009 automation plan.
- Medium and large companies were more aggressively focusing their efforts on electronic invoicing, with more than three-quarters of the companies (78 percent) stating that this was their top goal.
- Automated workflow and invoice imaging were the followers with 36 percent and 34 percent of votes respectively.
- While invoice imaging was not important for medium and large companies, as most of the Fortune 1000 have already implemented this technology, automated workflow was a key ingredient of the automation plan for 44 percent of the larger companies.

- Automated payment processing and ERP application upgrade were chosen by 27 percent and 23 percent of companies respectively.
- Outsourcing portions of the AP process was not a popular option, appealing to only eight percent of all respondents. It was even less popular with medium and large companies, gaining only five percent of their votes.

Figure 5

**TOP FINANCIAL
AUTOMATION
GOALS FOR 2009**

Implementing or increasing electronic invoicing emerged as the top priority for this year.



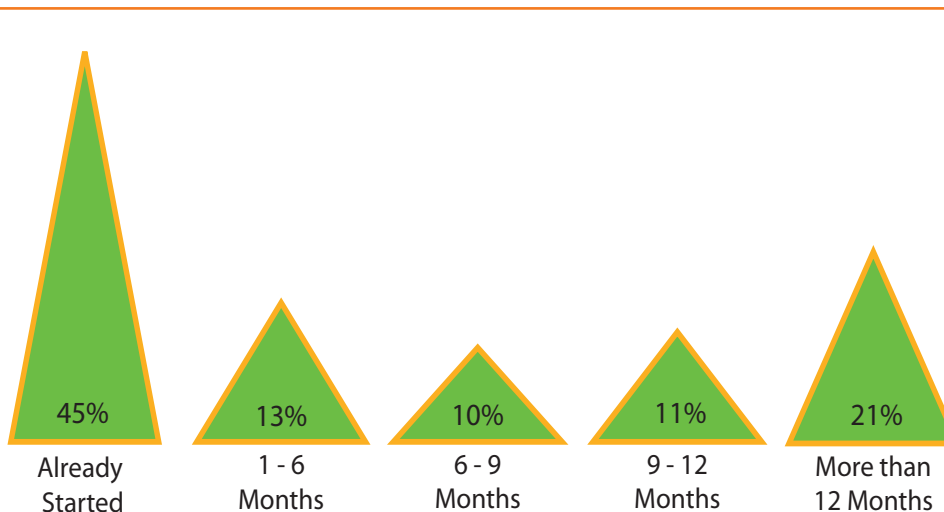
Time Frame for Implementation

Almost half the companies (45 percent) have already started implementation of their top AP automation initiative. On the other end of the spectrum, almost a quarter of the respondents (21 percent) have a time-frame for implementation that is greater than 12 months. The remainder of the companies are in-between, with implementation schedules ranging from one month to one year.

Figure 6

**TIME FRAME FOR
IMPLEMENTATION
OF AUTOMATION
INITIATIVE**

A lot of companies have already started implementing their top automation initiative.



Invoice Receipt

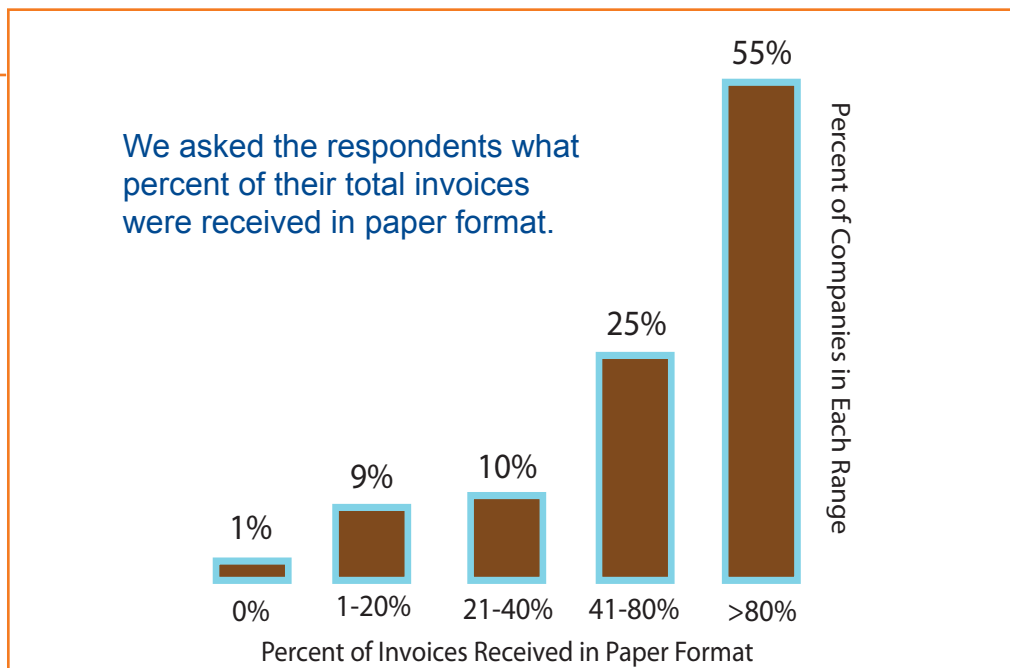
The idea of a paperless world has filled the heads of futurists ever since information technology began to make big strides. In the 1970s, many people looked ahead to the year 2000 and theorized that businesses would exchange information in a fully electronic manner. However, this has not come to pass in the Business-to-Business (B2B) world.

It was very interesting to note that more than half the companies (55 percent) stated that they were receiving more than 80 percent of their invoices in paper format. There was a wide variation by company size when it came to receipt of paper invoices. While a huge majority (70 percent) of small companies received more than 80 percent of their invoice volume via paper, only 38 percent of medium and large companies were doing so. One percent of companies were receiving all their invoices electronically.

Figure 7

**BREAKDOWN OF
INVOICES VIA
RECEIPT METHOD**

Most companies still rely on error-prone and costly paper methods when it comes to receiving supplier invoices.



These results are very much in line with the insights gleaned from PayStream's recent survey conducted on electronic invoicing adoption. A complimentary benchmarking report on electronic invoicing and dynamic discounting can be downloaded from our web site at www.paystreamadvisors.com.

The above results suggest that companies have the opportunity to drive a lot of costs out of the equation and to improve efficiencies by transitioning from paper to electronic invoices.

IWA Adoption

Adoption of Front-End Imaging

PayStream surveyed participants' usage of a front-end imaging solution to digitize incoming invoices. It was surprising to note that though front-end imaging is a mature technology, only 39 percent of companies surveyed have implemented front-end imaging solutions.

More surprising was the fact that we did not notice significant differences in technology adoption by company size. Medium and large companies are only slightly ahead of the automation curve with 47 percent of these companies having implemented an imaging application. One reason for this could be the evolution of hosted and Software-as-a-Service (SaaS) models for technologies, which puts automation at the fingertips of even the smallest of companies.

Data Capture Tools

Of the companies that are using front-end imaging on their invoices, capturing data from invoice images via manual keying was more popular than the use of advanced technologies like optical character recognition (OCR). More than one-third of companies (35 percent) stated that they were manually keying in information from more than 80 percent of their invoices.

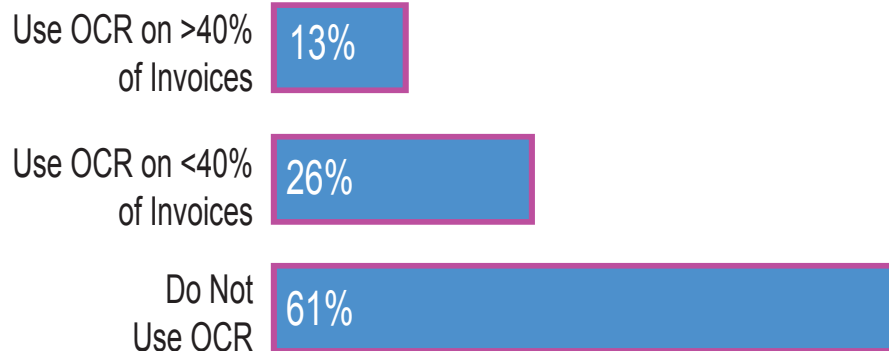
When asked about the usage of OCR tools, 61 percent of all companies stated that they did not use OCR on any of their invoices. While more than one-quarter (26 percent) were using it on less than 40 percent of their invoices, a small portion (13 percent) used it on more than 40 percent of invoices.

Not surprisingly, adoption of OCR increased with increase in company size. OCR had more traction amongst medium and large companies, with more than half the companies (56 percent) using OCR for data extraction.

Figure 8

ADOPTION OF OCR TECHNOLOGY

OCR has gained significant adoption over the last few years, especially amongst larger companies.



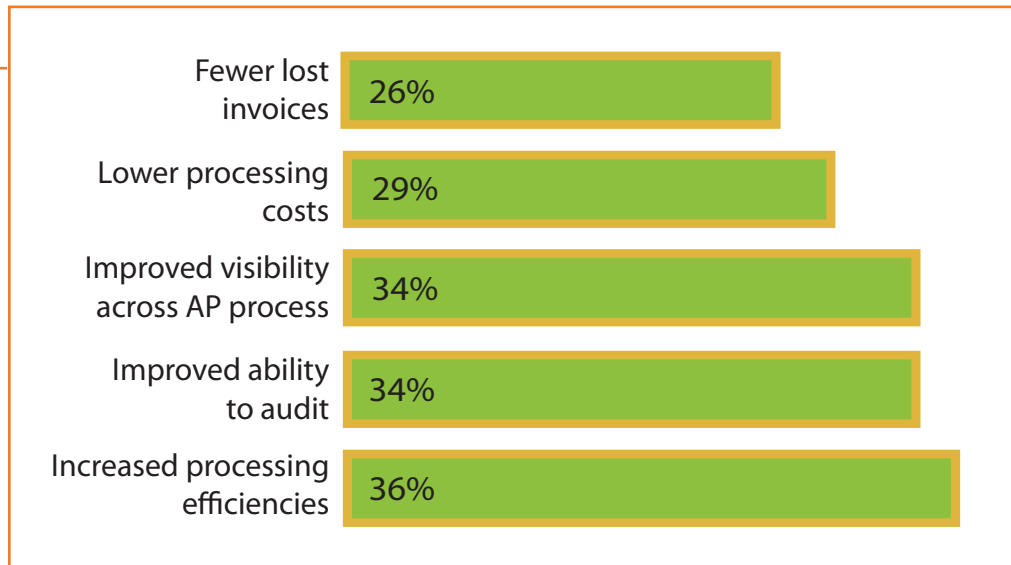
Benefits from Imaging

Increased processing efficiencies emerged as the most significant benefit achieved from imaging for 36 percent of companies surveyed. This was followed by improved ability to audit and improved visibility across the entire invoice receipt-to-payment cycle, both of which were listed as important benefits of invoice imaging by 34 percent of participants.

Figure 9

BENEFITS OF FRONT-END INVOICE IMAGING

Front-end imaging delivers increased processing efficiencies at more than a third of companies.



Approval Workflow Adoption

Usage of automated workflow tools for routing and approval of invoices was a prevalent practice at 42 percent of the companies that participated in the survey. As was the case with adoption of invoice imaging, even in this situation, medium and large companies were only slightly ahead of the game in the use of automated workflow. Less than half the companies (46 percent) had already implemented an approval workflow application.

Even in the case of automated workflow, increased processing efficiencies emerged as the key benefit, with 62 percent of respondents voting for this option. This was followed by improved visibility into invoice status for 46 percent of respondents and less manual effort for 43 percent of the participants.

Outsourcing as an Alternative

Outsourcing of AP functions was not a preferred option for our survey respondents. Almost three quarters of companies surveyed (72 percent) are not outsourcing any of their AP processes. Of the companies that are utilizing outsourcing services, invoice imaging appears to be the primary process to be outsourced, with approximately 12 percent of participants performing this step via a third party outsourcing service provider.

Adoption of Other Technologies

Purchasing Cards

P-cards are a mature technology with nearly two-thirds of companies (63 percent) using them already and another 15 percent planning to implement a program. We did not notice any significant differences in the implementation of p-card programs amongst companies of different sizes, with 65 percent of medium and large companies having implemented p-cards. P-cards have emerged as strong options for companies seeking to reduce overhead costs associated with processing POs and invoices, especially for small dollar invoices.

Electronic Payments

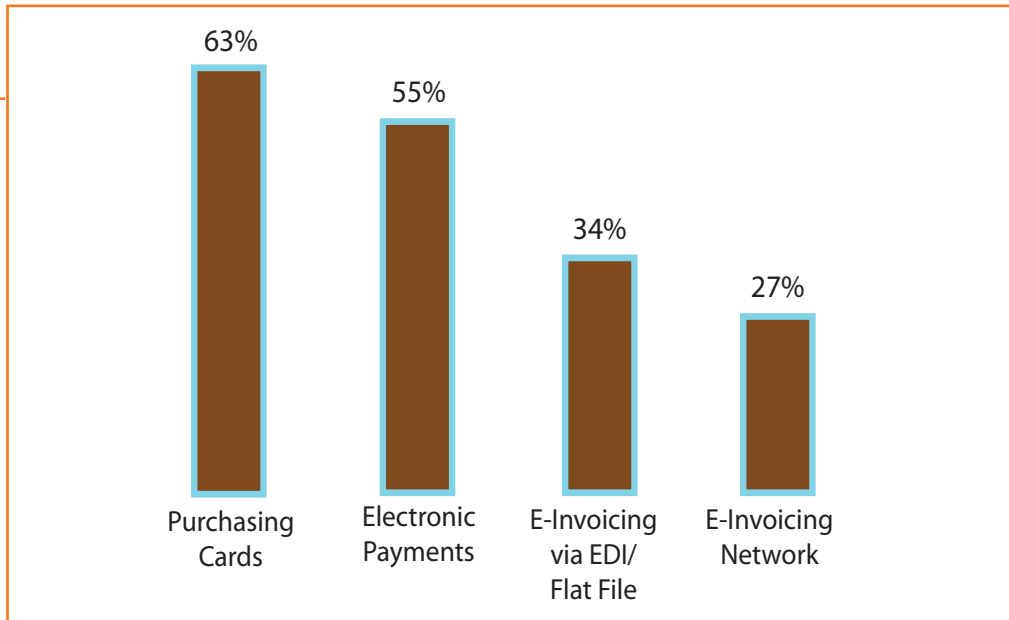
Electronic payment is also a mature technology with 55 percent of respondents already using this option and another 30 percent considering it. Similar to p-card adoption, electronic payments adoption did not vary with the increase in a company's annual revenues. These results are in line with PayStream's experience with clients, where most companies start automation at the back-end of the process and move to the front end.

Electronic Invoicing

Our research reveals that companies are transitioning from paper-based to electronic invoicing as they better understand the benefits of removing paper from the equation. Electronic invoicing via EDI or flat file was more popular with 34 percent of companies utilizing this option when compared to the 27 percent of companies that received invoices electronically via a portal or network. In the case of electronic invoicing, medium and large companies were further ahead with more than half (51 percent) receiving invoices via EDI or flatfile and 38 percent using an electronic invoice network for this purpose.

Figure 10
**ADOPTION OF
VARIOUS AP
TECHNOLOGIES**

Purchasing cards and electronic payments solutions were the most used among companies of all sizes.



SmartFlow™ Document Management Services

SmartFlow™ Document Management Services is an advanced suite of scalable services that simplifies and streamlines processes in Accounts Receivable and Accounts Payable—eliminating time-consuming, costly and error-prone manual tasks. *SmartFlow*™ achieves efficiencies in accounting functions by converting new and existing paper documents to digital format, automating manual and paper-based processes, and providing secure, electronic storage and on-demand access to archived files.

SmartFlow™’s Workflow Management and Enterprise Content Management (ECM) solutions are powered by OnBase, an award-winning suite of document and process management solutions with a global install base of over 7,000 customers. *SmartFlow*™ is available as software-as-a-service (SaaS), which means that no up-front capital investment is required; instead, services are delivered on a transaction fee or subscription basis.

The *SmartFlow*™ suite can be customized to meet the unique and complex needs of any organization. It is part of Canada Post’s portfolio of services that help companies manage their business processes and customer communications more efficiently.

**SMARTFLOW™
DOCUMENT
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DETAILS**

Web site	www.canadapost.ca/smartflow
Headquarters	Ottawa, ON
Sales Contact	Chris Moher chris.moher@canadapost.ca

About the Solution

The *SmartFlow*™ suite includes the following distinct yet complimentary services:

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SmartFlow™ Recover: Collects, scans and digitally reports undeliverable mail so that our clients can identify incorrect address information for future mailings, thereby reducing production and operating costs and improving cash flow.

SmartFlow™ Respond: Captures and digitally processes information from inbound communications, which results in more streamlined and automated workflows and improved management of payables and receivables.

SmartFlow™ is a trademark of Canada Post Corporation

About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at www.paystreamadvisors.com.

About the Analyst

As Research Director, Sush Koka manages PayStream Advisors' overall technology research effort. She writes research reports, leads client briefings, and participates in consulting engagements in the purchase-to-pay and order-to-cash functional areas. Her deep experience both as a market analyst and a consultant enables her to analyze trends in financial services automation, assess feasibility of products and drive research activities. Her areas of focus include invoice and payment management, travel and expense management and business process automation. She has extensively researched and written reports in the above areas and her work has also been published in trade magazines such as Supply & Demand Chain Executive and DOCUMENT magazine.

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