



# The Transformation Challenge of the Invoice Process Exception

Howard Frear



**Howard Frear**  
Director  
Sales & Marketing  
EASY Software

## Biography

*Howard Frear has been at the forefront of major trends in the software industry for close to 18 years. He joined EASY Software ([www.easysoftware.co.uk](http://www.easysoftware.co.uk)) in 2001 and during that time he has been instrumental in developing and overseeing a highly successful strategic partnership with SAP, a relationship that today accounts for more than 50% of EASY UK's software sales. Howard is also credited with many of EASY's largest customer wins including Serco Group, Cable & Wireless and Barclays Capital.*

*Howard is a very successful and experienced sales and marketing professional and is the driving force behind EASY Software UK's go-to-market and business development strategy. Day-to-day Howard is charged with managing the direct sales force, directing key marketing activities and overseeing strategic partner liaison.*

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## Abstract

*One of the biggest challenges facing business today is the management of invoice exceptions, explains the author of this article. These are invoices which cannot be automatically approved, and need to be routed for exception handling through a workflow process that notifies buyers when invoices do not match the purchase order or notifies the end user when a non-PO invoice comes in that requires the user's approval. The high rate of exceptions is a symptom of a misalignment between Finance and Procurement, and is enough to cause the entire accounts payable system to grind to a halt.*

## Introduction

Automated invoice processing can cut costs associated with manual entry and make for much faster processing times – yet still companies have been slow on the uptake when it comes to mass deployment.

Considering that Accounts Payable (AP) is central to business processes it is odd that this problem is so widespread. Statistics from the Accounts Payable Association<sup>1</sup> draw up a picture of a system that is not fit for purpose. Around 3.6% of invoices manually entered include an error that can be linked to data entry. This is an extremely expensive mistake given that the average cost to process an invoice is between £3.50 and £8.60, with difficult ones coming in at £15.

It is little surprise that 56% of businesses polled by the association said they experience cash flow forecasting problems as a direct result of accounts payable issues. As a direct result, 58% said they need to make late payment charges to suppliers.



### **The fear of automation**

Often, there is a fear around automating accounts payable – be it a fear of change or of the technology. Accounts Payable teams and FDs are all too aware of the drawbacks of manual paper-based processes – but they don't see automation as a solution.

But organizations have to transform. If they don't digitize they will not survive. To automate successfully, however, organizations must plan their processes carefully to see exactly how they can achieve best practice. Poor manual processes will only lead to a dysfunctional, broken system.

### **Streamlining processes**

If you are contemplating streamlining processes you need to work out what are the crucial differences between those requirements made by those at the top of the company and those at operational level. These differences need to be attuned before any technological solution can be deployed.

Senior executive and operative alike want to get rid of the laborious process of handling invoices. Using OCR (Optical Character Recognition) relevant data can be quickly and easily extracted. This data can go on to automate other processes such as accounts payable.

Some organizations worry that they need human back up if they get a huge amount of exception handling. But in reality there are few exceptions. What is more, businesses can now utilize systems to deal with invoice exceptions.

### **Standard should read standard**

To set up an efficient, streamlined and properly automated AP process, it is imperative organizations discuss daily workloads with operational users to find out where improvements can quickly and easily be made. When this is completed mapping the solution can start.

Automating finance and accounts payable processes will speed up the routing of invoices through the organization, making the whole process more accurate and transparent. Eventually as invoices come in they will go through the system without any human touch. If the invoice meets all the business rules against the purchase order, it will get paid according to the agreed rules automatically.

Eventually an organization can extend its workflow to support three-directional matches between orders, payments and delivery, integrating the core ERP system into invoicing operations. This can be pivotal if there is a dispute, for example.

### **Putting all the bricks in place**

To make automation work for any organization any bad practices must be removed from the equation. Accounts payable must work as a well-oiled machine, as cash generation and cash management is the epicenter of any business. Any disconnects could be disastrous.



### **In conclusion**

By automating accounts payable it will dramatically reduce the time it takes organizations to process invoices. It will alert them to duplicates and overpayments and even let them know pending due dates. It will also help them to adhere to compliance. In a nutshell, automating accounts payable will give organizations control over their finances, to a degree that they had previously only dreamt of.

#### **Reference**

- <sup>1</sup> <https://www.ap-association.co.uk>