

Whitepaper

# Twelve Issues to consider before adopting Enterprise Content Management Systems for Purchase to Pay Automation

Presented by:

The logo for Basware, featuring the word "basware" in a white, lowercase, sans-serif font centered within a solid blue rounded rectangular background.



## Authors

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## 1.0 Executive Summary

Organizations today are drowning under mountains of paper documents, digital documents, and electronic records, so the concept of having a single solution to manage their complete content needs can sound like a dream come true. But this idea of adopting a one-size-fits-all solution for all enterprise document and content management can be just that - simply a dream - when it comes to real-world financial applications.

Enterprise Content Management (ECM) systems have filled the role of comprehensive document management solutions with great success. ECM systems are suited to handle the generic needs of an organization for capturing, storing, preserving and delivering unstructured content, such as: emails, web content, word processing documents, spreadsheets, presentations, and fixed-content documents. However, they were not designed to handle business needs in specialized areas, such as purchasing and invoice processing.

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While the functionality of ECM systems are sufficient to handle basic invoice and purchasing documents with extended data attribute requirements, these systems are ill equipped to handle the specialized business functions required for Purchase to Pay.

To address this shortcoming, some ECM providers have attempted to provide more function-specific solutions by acquiring or building Purchase to Pay application components, yet it has been difficult for them to effectively integrate these technologies or offer robust solutions. Because of these limitations, ECM systems have not been able to provide the value, visibility, process improvement and cost savings that best-of-breed Purchase to Pay systems are able to offer out-of-the-box to address specific procurement and accounts payable business requirements.

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## 2.0 The Value of AP Automation

Forward-thinking companies are relying on best-of-breed solutions to deliver the ROI and value that they need in Purchase to Pay. For example, by using automated solutions to achieve real-time visibility and control in AP - where payments are made - companies can gain key insights into their spend and cash flow. They can for example, see where they are spending money, which vendors they are using, and where there are opportunities for volume discounts and other savings. While having visibility into this information is always important, it is particularly critical during a recession when companies need to be extra vigilant about spend and cash flow.

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Automated invoice processing systems solve the problem of time-consuming and inefficient processes associated with manual methods and generic solutions such as ECM. The automated Purchase to Pay systems are able to ensure that invoices are captured, tracked and managed effectively, and provide the full visibility, control and audit trail needed to comply with Sarbanes-Oxley (SOX), International Financial Reporting Standards (IFRS) and other regulations. AP automation enables organizations to reduce costs, increase accuracy and significantly improve their invoice processing, approval and routing processes. These systems provide the visibility for organizations to effectively manage spend, cash flow and working capital.

## 3.0 Considerations Regarding the ECM Approach

While it may be tempting to use an installed ECM system for Purchase to Pay to gain more mileage out of your technology investment, there are 12 issues to consider before adopting this approach:

### 3.1 Business Requirements and Application Logic

ECM systems require significant customization to provide Purchase to Pay functionality. It is costly, time-consuming and often unreliable to try to bring an ECM system up to the level of functionality that is available out of the box with best-of-breed automated AP and procurement systems. By the time an organization gets the functionality it needs, there are many lost opportunities for savings (e.g., recognizing opportunities for volume discounts, recouping early-payment discounts, or avoiding late payments.) Additionally, many months after the customization is finally completed and hopefully working, an organization's needs or processes may have changed from its initial plans. A better approach is to consider an automated Purchase to Pay solution that can be implemented within 8-12 weeks, and immediately offers increased visibility, control, and cost savings.



### 3.2 ERP Integration Capabilities

It's important to determine if the ECM system can integrate with your ERP platform. ECM systems typically have limited "out of the box" integration capabilities with ERPs and accounting systems, where key information such as the general ledger, vendor files, Purchase Orders, tax information and chart of accounts reside. Enabling ECM systems to more effectively integrate with these systems requires expensive and time-consuming customization as well as ongoing maintenance. Additionally, ECM interfaces must be customized to ensure that financial professionals can get the purchasing and invoice processing data they require, in the format that they need and with the appropriate security. However, these purchasing and invoice processing interfaces are provided as standard with Purchase to Pay software. Additionally, advanced automated Purchase to Pay solutions are designed to easily integrate with ERPs and other systems within an organization. Basware, for example, provides an agile solution that sits on top of one or multiple ERP systems - and has seamlessly integrated with 200 different

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ERP / accounting systems. In fact, it is able to connect to a new ERP system in just a matter of days. This robust integration capability not only allows companies to increase the value of their existing ERP investment, but also enables them to quickly and seamlessly pull real-time information from multiple back-ends for dynamic reporting and immediate access to the key data driving their businesses. If you were to ask a typical procurement or vendor management organization whether A/P is an asset or a liability in their task to effectively manage suppliers, the majority would select the latter option. In most companies, A/P continues to be a weak link to building and sustaining supplier relationships - not to mention driving up supply risk. The primary reason for this is not just that suppliers typically view A/P organizations as the culprit for delaying payment. Rather, suppliers - as well as procurement, finance and operational business users - often lack visibility into the payment process. When a supplier submits an invoice in an ideal world, a series of workflow steps not only result in payment at or around negotiated terms, but also provide visibility throughout the process. Specifically, it is this transparency that can help procurement and finance organizations to reduce risk.

Invoice automation has become the key link between procurement and payment to create an open window into the payables and supplier management process, tying together both technology and business workflows to create visibility and coordination. On the most basic level, automation creates a set of benchmarks and baseline information to track and share both internally and externally. From a procurement standpoint, this ensures that suppliers are not necessarily paid any earlier, but that they have visibility into timing throughout the process. This level of visibility into the invoicing management process not only reduces risk by helping procurement and finance to better manage working capital, it also helps suppliers to better manage their receivables processes and timing, which reduces risk in their business and hence, overall supply risk for the buying organization as well.

### 3.3 Invoice- and Purchasing-Specific User Interfaces

Because ECM systems are designed for generic use, their client interfaces are not intuitive for use with purchasing or invoicing requirements. They lack the ease of use needed to attract broad adoption. This is a critical issue because without widespread adoption in procurement,



for example, it is not possible to accurately capture information about spend. When solutions are difficult to use, employees engage in maverick buying outside of the system. It makes it difficult, if not impossible, for companies to keep track of their outstanding liabilities or have visibility over all of their spend and cash flow. By contrast, the ease of use and intuitive interfaces of Purchase to Pay systems encourage widespread usage. This makes capturing information about purchases and invoices easier and more pervasive.

### 3.4 Application-Specific Reporting

The goal of ECM system reporting is to simply locate specific document types and associated document data. Since ECM systems don't provide data analysis capabilities, companies must use external reporting applications to develop individual custom reports.

Additionally, because of the difficulties of ECM systems in encouraging widespread usage in Purchase to Pay and their inability to track unrecorded liabilities, they do not provide insight into spend and cash management - the visibility companies need to manage their finances effectively.

In contrast, automated Purchase to Pay systems provide full visibility and enable companies to: monitor spending trends and supplier spend detail; uncover opportunities to realize volume and early pay discounts; and eliminate duplicate payments and costly late payment fees.

Purchase to Pay solutions also enable companies to manage their cash flow and working capital through a comprehensive set of standard and easily customized reports. Today's advanced eProcurement solutions not only offer a high degree of visibility and control, but they also help protect an organization against fraud. Built-in approval and business rules processes serve as preventive tools. For example, matching purchases against business rules gives organizations additional real-time control before they make a payment. The analytics offered by advanced eProcurement solutions also enable real-time monitoring and auditing of details.

### 3.5 ECM Product Roadmaps

Since large ECM companies must focus their R&D dollars on developing broad-based ECM solutions that address platform- vs. application-specific needs, they do not target the specific areas of AP and purchasing. Conversely, Purchase to Pay solutions are continually investing their R&D in improving invoice processing and purchase management solutions based on customer feedback and real-world needs.

### 3.6 eInvoicing Capabilities

Unlike ECM solutions, which were not designed to handle EDI invoices, Purchase to Pay solutions provide quick and easy connections for e-invoices and the ability to handle EDI invoices, or provider networks, such as those offered by OBIO or Transcepta. These robust capabilities enable companies to easily manage both paper-based and electronic invoices, as well as check invoice status on supplier portals.

### 3.7 Six Sigma-Level Measurement and Process Monitoring Tools

Many companies have an urgent need to achieve the best levels of transparent processing to streamline processes and reduce costs. These forward-thinking companies are implementing Six Sigma or similar TQM (total quality management) projects to identify process defects and determine the changes that are required. Many companies are implementing Key Performance Indicators (KPIs) to provide process improvement through ongoing measurement



and monitoring. Since ECM systems are designed to offer generalized data sharing and other content management functions, they have limited real-time process monitoring functionality.

Many advanced Purchase to Pay solutions offer these robust reporting capabilities and out-of-the-box KPIs, which companies can use to track performance. KPIs enable companies to measure current performance against goals and benchmarks to identify their strengths as well as opportunities for improving processes and saving money. According to The Hackett Group -- a strategic advisory firm specializing in enabling executives to achieve world-class performance by providing advisory, benchmarking and transformation services -- finance departments that intensively measure their performance show significantly better results in decreasing costs and improving the productivity of their operations. These companies also benefit from improved quality and enhanced customer service. Basware's KPI tool consists of a repository of more than 100 metrics identified with the support of The Hackett Group. The KPI tool, together with its Enterprise Purchase-to-Pay software suite, allows organizations to further automate and streamline the Purchase-to-Pay process and establish real-time visibility, cost control and regulatory compliance.

### 3.8 Invoice and Purchasing Workflow

ECM systems offer robust workflow engines with graphical user design tools that can be used to create complex content-based workflows/processes. These graphical design tools are used to create processes and data-attribute-based "workflow event triggers" that are cumbersome to use for anyone but high-level technicians with in-depth IT expertise. Since the workflow details, rules for routing, and exception processes for ECM systems all need to be defined from the ground-up using these design tools, it adds substantial time and expense and delays implementation.

Conversely, advanced Purchase to Pay systems workflow components are flexible and, unlike ECM workflow and process design tools, have an application-specific set of AP and PO workflow processes pre-built within the software. In essence, companies can easily and quickly configure the workflows and rules by setting data-driven user and routing rules, which are table entries and don't require graphical workflow process design. This easy configuration permits business users working in the Purchasing and Accounting departments to update and maintain the system themselves without the need for any programming or technical expertise.

### 3.9 User Interfaces

No one wants to view thousands of accounting codes when making a purchase, yet an ECM system would need to customize both the user interface and design multiple database tables in the background in order to present users with the accounting codes that are appropriate for their roles.

The ultimate goal of Purchase to Pay automation is to make the user experience as effortless as possible, and to enable the system to automate complex bookkeeping standards and general ledger rules - as well as company business rules and policies - so users don't have to. Best-of-breed Purchase to Pay solutions provide intuitive user interfaces with a familiar look and feel. They have convenient drill-down menus that enable purchasing and accounts payable professionals to easily view and track financial data. This enables out-of-the box review and approval routing for purchase requests and invoices.

### 3.10 Workflow vs. Automation and Matching Capabilities

While “workflow” and “automation” are often used interchangeably, there is a significant difference between them. Workflow typically refers to taking existing manual processes and supplementing them with computerized ones. Automation refers to the process of using technology to design rules-driven processes that make these operations more effective and efficient. As typical of most workflow technologies, ECM capabilities are not prepackaged, but rather require extensive and expensive programming, and later on, maintenance and further development. In contrast, market leading Purchase to Pay solutions provide advanced automated system capabilities built into the product - available right out of the box. These capabilities need to be parameter-driven, providing organizations with the choice of easily configuring features by turning on or off certain parameters within the product.

Since they are based on workflow technology, ECM systems do not offer the matching capabilities that Purchase to Pay systems offer. Market-leading Purchase to Pay solutions offer automated matching of POs and contracts to invoices as well as straight-through processing. Basware, for example, offers out-of-the-box order matching and business rules matching that streamline the invoice processing and purchasing processes and takes automation to new levels of efficiency. When processing an invoice using five-way matching, key areas are matched:

- Invoice
- Purchase order
- Goods received
- Quality inspection
- Complete audit trail

In addition to five-way matching, Basware offers multi-dimensional or N-way invoice matching to the business rules or policies of an organization. Some business rules may include early payment discounts or compliance-related issues. An invoice over a certain amount of money may require two approvals from partner-level executives. Business rules help organizations achieve efficiency and accuracy by correctly posting/coding invoices, and they enable early detection of exceptions based on erroneous, conflicting or missing information.

Basware’s automated solution can check an invoice against established business rules, such as:

- Corporate policies and practices (virtual contracts)
- Legally binding contracts, such as purchasing contracts
- Bookkeeping rules
- Purchasing documents (electronic purchase orders and/or goods received receipt)
- Basic data, e.g., supplier data

Because of these capabilities, advanced Purchase to Pay solution providers enable organizations to truly automate Purchase-to-Pay processes, identify exceptions early, and gain significant process and cost-saving efficiencies.

### 3.11 Supplier Portals

ECM systems would require a great degree of customization to be able to handle supplier management. Supplier portals are very useful in giving suppliers a self-service means of submitting and tracking invoices, and cutting down on the time AP departments need to spend handling inbound requests -- from suppliers, employees and other stakeholders. Automated procurement solutions include supplier portals, but ECM systems -- which only provide basic

document management capabilities -- don't offer any supplier portal capabilities in their product roadmaps.

### 3.12 Catalog Management

While many automated purchasing systems access and utilize catalogs that are maintained on a supplier's network, ECM systems don't provide functionality for managing supplier catalogs. Instead, a company would have to custom build supplier catalogs into an ECM system, which is a very time-consuming custom development process. This would require creating content, including digital media assets - such as pictures of catalog items and item descriptions - as well as tagging all the data. Conversely, best-of-breed procurement solutions enable organizations to effectively interact with their suppliers using "punch out" catalogs, which are connected using standard web interfaces, and "in house" catalogs stored locally. This level of flexibility ensures that the products and supplies they need can be easily ordered, and allows approvals and receipts to be tracked and managed through electronic catalog management. These automated procurement solutions enable companies to benefit from volume purchases and control the order approval process, which can provide significant savings by: capturing discount codes for all items purchased; preventing maverick buying; and providing spend analytics for identifying ways to cut costs and consolidate purchases with fewer vendors.

### Conclusion

Fortunately, this is not an all-or-nothing proposition. A Purchase to Pay system could be used in a complementary manner with an existing ECM system, giving organizations the best of both worlds -- a strong solution that addresses their financial automation needs as well as an enterprise document management system for their generic needs. Existing ECM investments could be leveraged by companies for other content management needs, such as collaboration portals, web content management, etc. Purchase to Pay systems could also be integrated with ECMs, as needed. For example, invoices can be easily transferred to an ECM system for long-term storage and retention management purposes.

ECM systems fill an important need in the marketplace, but attempting to retrofit these generic systems for business-specific functions such as Purchase-to-Pay, are often very costly and fall far from the mark. Best-of-breed Purchase to Pay systems enable companies to achieve greater efficiency and added value by automating the entire process -- from identification of a need, planning and budgeting, to procurement and payment. Companies using advanced financial process automation solutions in Purchase to Pay are achieving stellar results: lower



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