

Accounts Payable Transformation

Better, Faster, Cheaper

December 2007

Executive Summary

Enterprises constantly seek ways to drive savings to their bottom line and establish process efficiencies across the organization. As a critical multi-faceted cog in the cash management machine, the A/P function is ripe with opportunity for a makeover that will deliver value to the organization. Often considered more of a tactical organizational activity, accounts payable is now being viewed as a rising opportunity for outsourcing. However, automation is also a critical driver for the transformation, which will generate operational efficiencies and optimize the financial value of A/P to the enterprise.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Best-in-Class Performance

Aberdeen evaluated over 150 enterprises in November and December of 2007 and distinguished Best-in-Class enterprises by the cost and cycle time required to process a single invoice. Best-in-Class enterprises in this study are notable for their superior performance. They credit outsourcing and automation of accounts payable functions to the following benefits:

- Invoice processing costs 88% lower than all others
- Invoice processing cycle times 52% faster than their peers
- 66% higher rates of on-time payments

Competitive Maturity Assessment

Best-in-Class performers shared many common characteristics with respect to accounts payable. Best-in-Class companies:

- Are 68% more likely to standardize A/P operations
- Utilize a shared services center model 69% more frequently than other enterprises
- Are nearly twice as likely to benchmark A/P processes and technology capabilities against peers

Required Actions

- Evaluate accounts payable competencies to establish a baseline and identify outsourcing and automation needs
- Establish executive support for A/P transformation efforts – outsourcing and technology investment
- Implement a shared services center model for A/P operations

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Chapter One: Benchmarking the Best-in-Class

Business Context

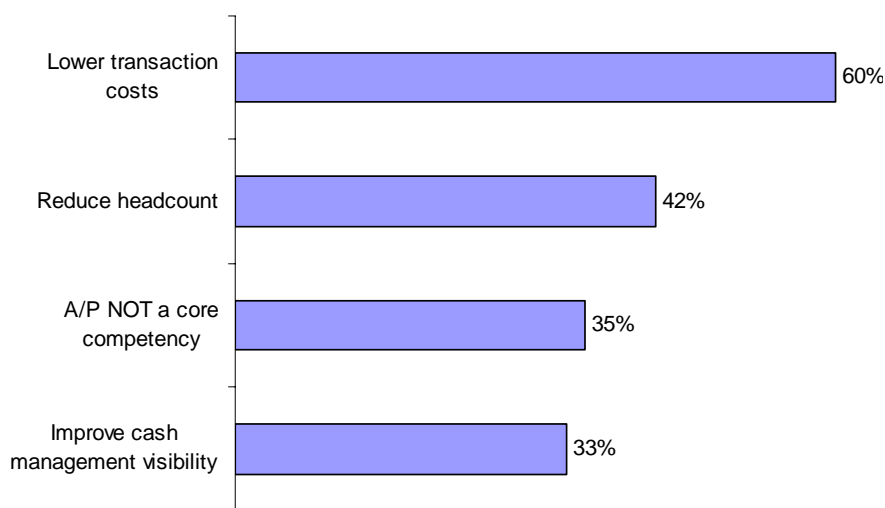
In the world of sports, the head coach is looked at as the face of the team and the person tasked with developing and implementing the key strategies that drive success. However once a game begins, the assistant coaches and others that work behind the scenes are the individuals who provide tactical support to ensure a winning strategy. This scenario is also applicable to the world of corporate finance, where the CFO must drive strategic decisions that ensure the financial welfare of the organization. Yet enterprise leaders also rely on behind-the-scenes leaders of critical processes that have long been regarded as back-office functions (such as accounts payable) to serve as their “assistant coaches.” Often considered more of a tactical organizational activity, accounts payable is now being viewed as a rising opportunity for outsourcing, which opens the door to increased automation to further generate operational efficiencies and optimize the financial value of A/P to the enterprise.

Driving Action: Costs and Beyond

Enterprises constantly seek ways to drive savings to their bottom line and establish process efficiencies across the organization. As a critical multi-faceted cog in the cash management machine, the A/P function is ripe with opportunity for transformations that will deliver value to the organization and outsourcing is proving to be a beneficial solution.

Enterprises are clear in their reasons for working with a third party expert to outsource the A/P function, automate A/P processes, or both (Figure 1).

Figure 1: Top Pressures Driving a Focus on A/P Transformation



Source: Aberdeen Group, December 2007

Fast Facts

- ✓ Electronic invoice processing costs are 33% to 41% lower than manual processing costs
- ✓ Best-in-Class enterprises enjoy 76% to 94% lower invoice processing rates than their peers
- ✓ Best-in-Class enterprises process invoices 51% to 59% faster than other enterprises
- ✓ Lower transaction costs drives enterprises to pursue outsourcing as a strategy for A/P

“Outsourcing costs us half of what we would spend on automating internally, and has lowered our processing costs by one-third. We’ve also streamlined our department by reducing our headcount by about the same.”

~ Director of Finance, Large Medical Devices Enterprise

As with any effort to improve a business function, the cost of doing business is a critical factor driving activity, and lowering transaction costs is the definitive focus of enterprise efforts to drive A/P performance. Such a focus is well-warranted as A/P managers note distinct differences in costs for processing invoices electronically instead of manually (Table 1).

Table 1: Average Invoice Processing Costs – Electronic vs. Manual

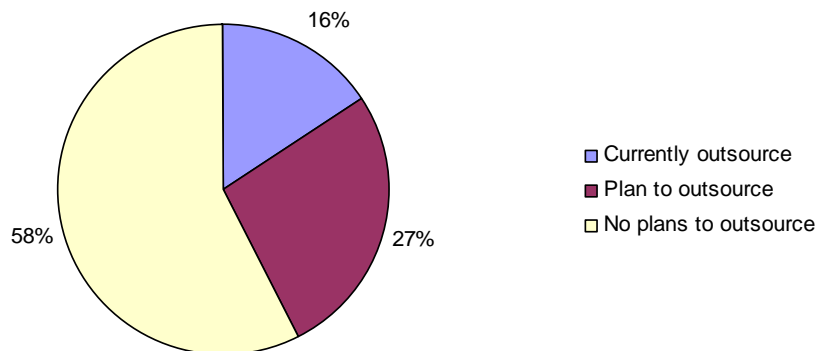
Invoice Type	Electronic	Manual
PO	\$8.67	\$13.53
Non-PO	\$9.19	\$15.62
Other	\$8.70	\$12.98

Source: Aberdeen Group, December 2007

Bottom-line consideration of lower operating costs A/P is the key driver of efforts to outsource and automate. However, reducing headcount serves a similar, if unintended purpose by reducing the financial commitment to personnel costs faced by A/P leaders. Operational efficiencies are also facilitated by automation as technology enables an enterprise to utilize fewer resources for tactical, transactional activities and streamlines processes.

Although leveraging external expertise from an outsourcing provider has been widely accepted in the HR and IT communities, there is still some hesitation to fully commit to outsourcing as a leading strategy for management of accounts payable. However, attitudes continue to change as over 40% of enterprises surveyed indicated they will be outsourcing accounts payable activities in the next two years (Figure 2).

Figure 2: A/P Outsourcing Activity



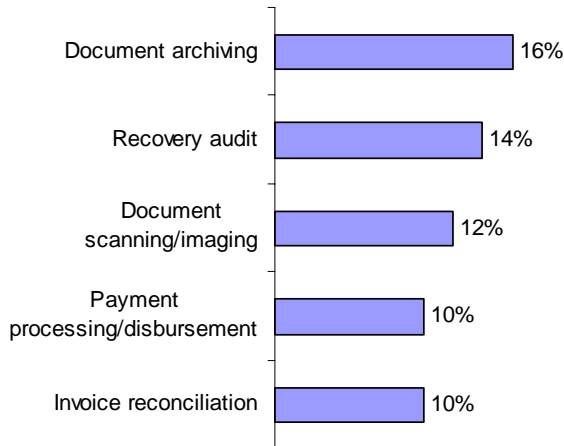
Source: Aberdeen Group, December 2007

Progress of A/P Outsourcing

As business environments continue to remain highly competitive, enterprises constantly seek alternative avenues to improve functional performance and further support strategic activities. Yet it is clear that

outsourcing accounts payable is still a nascent strategy as no specific A/P process is currently outsourced at more than a 16% rate (Figure 3).

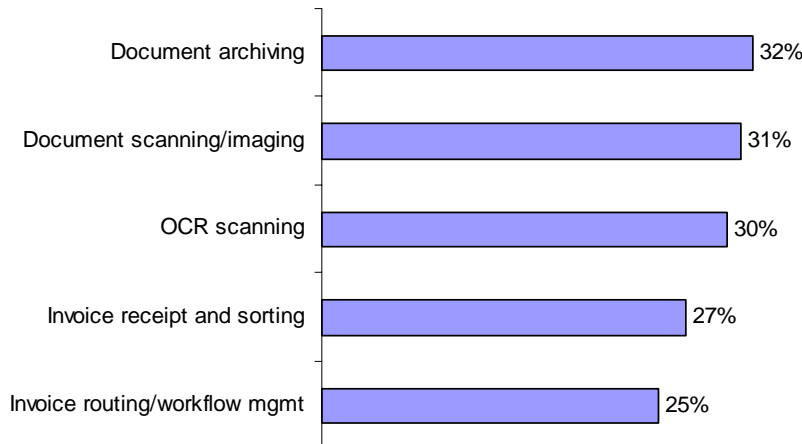
Figure 3: A/P Processes Currently Outsourced



Source: Aberdeen Group, December 2007

Despite the relatively low frequency of current outsourcing, plans to utilize resources outside the enterprise to improve A/P performance are significantly more robust moving forward (Figure 4). As enterprises move forward, they continue to focus on information capture through archiving and imaging, but also plan to address process-related activities by utilizing an outsourcing provider to manage invoice sorting and workflows for approval of invoices.

Figure 4: A/P Processes Planned for Outsourcing



Source: Aberdeen Group, December 2007

It is clear that enterprises recognize that there are significant operational benefits and opportunities in continuing to leverage automated tools by outsourcing accounts payable - and companies are moving forward on this strategy. As more processes are outsourced and automated, costs continue

to be driven down and organizations are able to more completely streamline and transform their A/P operations.

The Maturity Class Framework

Top-performing enterprises effectively leverage an outsourcing strategy, which facilitates transformation through automation and process improvement for accounts payable activities, driving performance improvement. Aberdeen used two key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations: cost and time to process a single invoice. Table 2 summarizes the average performance of enterprises within the different maturity classes for this study.

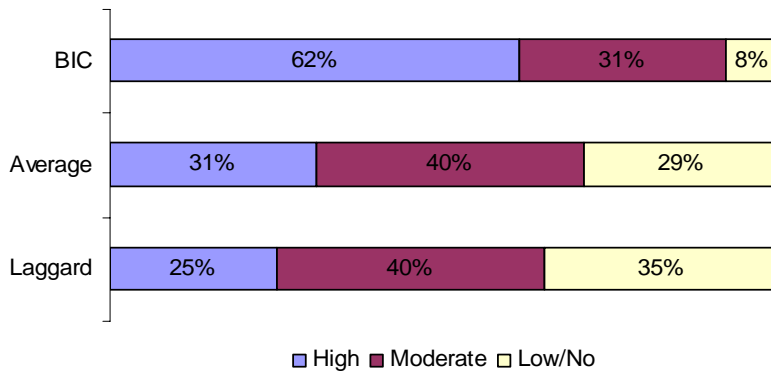
Table 2: A/P Benchmark Performance

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ \$2.00 to process a single invoice ▪ 8.6 days to process a single invoice
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ \$8.36 to process a single invoice ▪ 17.4 days to process a single invoice
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ \$29.38 to process a single invoice ▪ 20.3 days to process a single invoice

Source: Aberdeen Group, December 2007

Best-in-Class enterprises demonstrate that pursuing an outsourcing strategy for accounts payable functions can be leveraged to greatly improve business performance. They have also realized the benefits of automation as costs for processing invoices electronically are 33% to 41% lower than manual processing. It is also clear that those enterprises willing to more readily pursue the outsourcing and automation paths for A/P activities are rewarded, as Best-in-Class companies establish higher levels of process visibility for accounts payable (Figure 5).

Figure 5: Visibility into A/P Operations



“Cost reduction was definitely a focus, but we were also hoping to increase A/P visibility across the company. So far, it’s been tremendously helpful and has met our expectations on each front.”

~ Large, North American Manufacturing enterprise

Source: Aberdeen Group, December 2007

Along with a decided advantage in visibility into their A/P operations, Best-in-Class enterprises significantly outpace competitors across several key performance metrics (Table 3).

Table 3: Best-in-Class A/P Performance

Metric	Best-in- Class	All Others
Exception rate	7.4%	11.6%
On-time payments	82%	59%
On-time payments that earn discounts	79%	48%
Invoices received electronically	23%	21%
Payments settled electronically	48%	39%

Source: Aberdeen Group, December 2007

The improved performance of Best-in-Class enterprises is due to a combination of operational expertise and access to integral technology for A/P automation. Outsourcing providers have a wide breadth of experience and institutional knowledge in developing and in successfully establishing, repeating, and enforcing processes that are integrated within an organization’s framework that drives success. They are also leveraged more effectively by Best-in-Class enterprises in order to automate their A/P operations and drive additional efficiencies.

The Best-in-Class PACE Model

Aberdeen has shown that there is a clear relationship between the pressures companies identify, the actions they take, and their subsequent competitive performance. All participants should examine their prioritized Pressures, Actions, Capabilities, and Enablers (PACE) selections and determine whether there are valuable perspectives to be gleaned by comparison with the PACE priorities of Best-in-Class companies (Table 4).

Table 4: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Reduce A/P transaction costs ▪ A/P is <i>not</i> a core competency 	<ul style="list-style-type: none"> ▪ Conduct internal assessment of A/P processes and technology capabilities ▪ Benchmark A/P processes and technology capabilities against peers ▪ Secure executive support for A/P outsourcing / transformation 	<ul style="list-style-type: none"> ▪ Centralized A/P organization ▪ Standardized A/P processes ▪ Executive-level sponsorship of outsourcing / transformation activities ▪ Visibility into A/P operations ▪ Structured issue escalation processes 	<ul style="list-style-type: none"> ▪ Automated scheduling and tracking of payments ▪ Check printing ▪ Coding, tax, and verification ▪ Automation of header data validation / duplicate invoice verification ▪ Invoice receipt summary-level OCR scanning of paper invoices ▪ Expense coding accuracy and automated GL policy based coding of invoices ▪ Digital signatures for invoice approvals

Source: Aberdeen Group, December 2007

Aberdeen Insights – The A/P Framework

Aberdeen utilizes a four-part framework to help A/P managers better define their current state and identify logical areas for improvement:

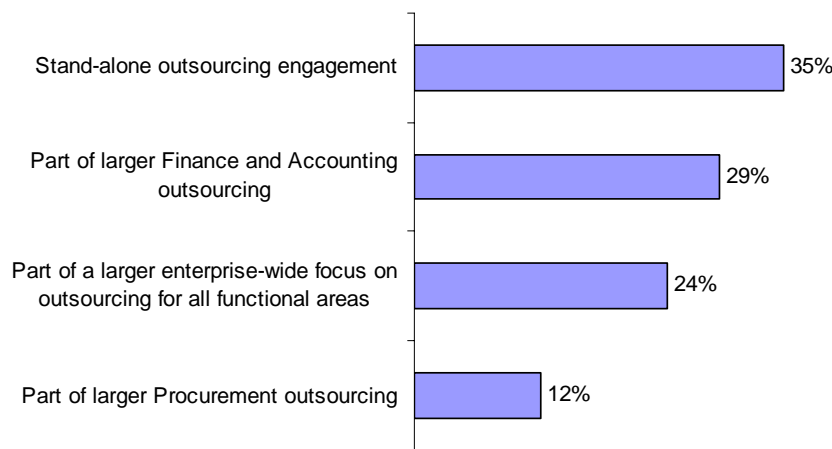
1. **Receipt.** Invoice receipt may occur in any one of numerous paper or electronic formats – EDI, XML, or other file formats including credit card statements, evaluated receipt settlement, web-based order / invoice creation, or PO flip. A distinguishing characteristic for EIPP is that receipt (as with settlement) may be enabled via a supplier or trading network.
2. **Approval and inquiry.** Once received, an invoice may be processed utilizing rule-based logic that analyzes certain invoice attributes (supplier, amount, buying entity, etc.) to define the proper routing and approval workflow. Notification / alert capabilities as well as direct integration to transactional systems are used to track invoice status and identify issues.
3. **Validation and reconciliation.** The verification of invoice accuracy and the resolution of any errors, discrepancies, or disputes prior to payment are accomplished by automated matching engines, collaboration with suppliers and internal end users, and integration to transactional systems. The information captured in this segment is used for audits (internal and external) as well as spend analysis.
4. **Settlement.** After the efficient capture, tracking, and approval of enterprise liabilities, the next step is payment processing, utilizing a payment method that may include Electronic Funds Transfer (EFT), ACH, card or supplier / trading networks. Capabilities like dynamic discounting, rebates, tax management, and trade financing are available in advanced solutions to optimize the management of cash flow.

Available services and solutions may address one or all these needs. The benefits include lower transaction costs, better payment performance, reduced cycle times, improved resource productivity, stronger controls, fewer errors, and improved visibility into the valuable spend and supplier data processed by A/P. Strengthening the A/P function is especially important as serves as a critical point of convergence between procurement, finance and suppliers.

Chapter Two: Benchmarking Requirements for Success

The difficulties faced by an organization's accounts payable group in reducing the cost of transactions and concurrently delivering operational efficiencies are alleviated by looking to a third-party for assistance. Underlying this need is the fact that A/P is not considered a core competency by 35% of respondents to this research effort, highlighting the need for an external expert. However, a standard, predominant structure for engaging an A/P outsourcing provider has not readily emerged (Figure 6).

Figure 6: A/P Outsourcing Structure



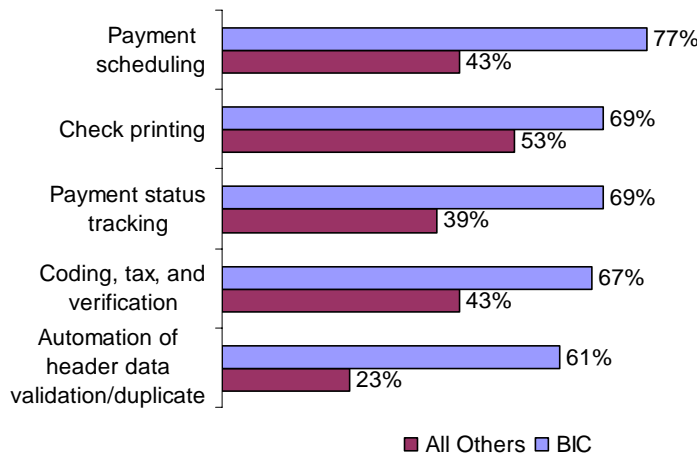
Source: Aberdeen Group, December 2007

Outsourcing A/P processes allows enterprises such advantages as access to best of breed technology, additional staffing / resources, and operational efficiencies - all with a focus on delivering lower costs. Access to technology and automation is particularly important because nearly 80% of invoice activity is paper-based as opposed to use of Electronic Data Interchange (EDI), Extensible Markup Language (XML), purchasing cards, or other electronic formats. Best-in-Class enterprises have been more diligent in overcoming paper hurdles and utilizing outsourcing to leverage technology and improve automation (Figure 7).

Fast Facts

- ✓ A majority of enterprises (64%) engage in A/P outsourcing as either a stand-alone engagement or as part of a larger Finance and Accounting outsourcing effort
- ✓ Best-in-Class enterprises are nearly twice as likely to benchmark their A/P processes and technological capabilities against peers to establish a comparative level of performance

Figure 7: Automation of A/P Processes



Source: Aberdeen Group, December 2007

“Automation was a focus for us when outsourcing. Through our relationship, we improved our on-time payments and started getting our discounts.”

~ CFO, Small European Telecommunications Organization

Case Study – Outsource, Automate, Transform

Engaging in significant growth, an international luxury hotel group was faced with accounts payable processing issues. They were looking for ways to improve their AP processes and also reduce costs. The goal was to establish a single process that would allow them to easily manage multiple properties in different geographic locations. Additionally, the impact of the Sarbanes-Oxley Act has created an increased focus on improving financial procedures and providing better reporting. A revised AP function was needed to increase expense control and review, as well as improve organizational and filing procedures for invoices.

During their evaluation, this enterprise was open to many different solutions, from purchasing additional software to hiring more staff in an effort to improve their overall AP process. The key criteria were that the solution must deliver immediate results, not impact existing operations, and be cost-effective.

This hospitality enterprise selected a partner that utilizes a Software-as-a-Service (SaaS) model to deliver their solution in addition to providing outsourcing services through personnel to augment and train current staff. The results were immediate and cost-effective, as the implementation and training took only a few weeks.

The staff of the solution and outsourcing provider quickly adopted the hotel group’s AP processes and began handling tasks such as invoice receipt and sorting, document imaging and archival, data capture and entry, and payment processing. The software solution became the engine behind the process and provided the technology to manage the e-mail notification and approval process as well as a single system to store all of the information in an easy to retrieve and review format. It also easily integrated with the ERP system of record to facilitate the transition. The web-based application proved easy to use so there was a minimal learning curve for new users. This was a turn-key solution in every aspect.

Competitive Assessment

Survey respondents fell into one of three categories: Best-in-Class, Industry Average, or Laggard. Companies were characterized in five major areas: (1) *process* – the level of standardization and scope the accounts payable group has defined for their current processes; (2) *organization* – the structure, skills, and capabilities of the organization as well as its general alignment with the strategic direction of the enterprise; (3) *knowledge* – the accessibility and visibility of information and data related to accounts payable performance, and the ability to leverage it across the enterprise; (4) *outsourced processes* – the level of outsourcing for specific accounts payable-related functions to improve performance; and (5) *performance* – the ability to identify, track, and then improve upon key performance indicators such as invoice processing costs and cycle times, exception rates, electronic processing rates of invoices, and electronic payment rates. Table 5 shows some of the processes, capabilities, technologies, and strategies employed by Best-in-Class, Industry Average, and Laggard companies within the competitive framework.

Table 5: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	A/P processes are standardized and aligned company-wide		
	69%	47%	30%
Organization	A/P operations are organized as a shared services center		
	54%	34%	24%
Knowledge	Benchmark A/P processes and technology capabilities against peers		
	56%	29%	28%
A/P Outsourcing	A/P processes outsourced:		
	<ul style="list-style-type: none"> ▪ 25% outsource audit and recovery activities ▪ 17% outsource payment processing and disbursement ▪ 17% outsource invoice receipt and sorting ▪ 8% outsource entire A/P operations 	<ul style="list-style-type: none"> ▪ 16% outsource audit and recovery activities ▪ 7% outsource payment processing and disbursement ▪ 9% outsource invoice receipt and sorting ▪ 3% outsource entire A/P operations 	<ul style="list-style-type: none"> ▪ 0% outsource audit and recovery activities ▪ 3% outsource payment processing and disbursement ▪ 0% outsource invoice receipt and sorting ▪ 0% outsource entire A/P operations
Performance	Ability to track and report on performance of A/P activities		
	45%	35%	33%

Source: Aberdeen Group, December 2007

Capabilities and Enablers

Aberdeen's global supply management research has shown time and again that leveraging accounts payable services and tools allows A/P organizations to lower transaction costs and reduce cycle times for invoice processing. In addition to third-party expertise and resources, outsourcing also opens the window to automation as A/P outsourcing providers provide access to best of breed technologies. Organizations that outsource and leverage automation for A/P transformation position themselves ahead of their peers and enjoy distinct performance and organizational advantages.

Process

In the nascent but growing area of A/P outsourcing, Best-in-Class enterprises are taking advantage of the opportunities presented. Facilitating the success of outsourcing, Best-in-Class organizations are 1.7-times more likely to standardize A/P processes company-wide. Implementing standardized processes ensures that A/P activities can be repeated for optimal results and performance.

Organization

Utilizing a shared services model for corporate functions enables organizations to deliver the services required as effectively and efficiently as possible. Best-in-Class enterprises are 69% more likely to utilize a single shared services model for A/P operations, establishing a platform for operational efficiencies and removing operational tasks from the corporate headquarters to allow corporate leaders to focus on governance and the strategic direction of the enterprise.

Knowledge Management

Best-in-Class organizations are 93% more likely than their peers to benchmark A/P processes and technology capabilities against their peers. Doing so allows these better performing enterprises to stay apprised of different practices and advancements in use by other companies, helping ensure that they remain at the leading edge of their competition. The Best-in-Class are also able to establish a best practice approach to A/P based on the intelligence and information collected.

A/P Processes Outsourced

There are a variety of sub-processes that comprise the accounts payable processes. While organizations in each competitive group outsource different A/P functions to some degree, there is a distinct difference between the rates and specific functions outsourced by the Best-in-Class compared to the other companies:

- Best-in-Class enterprises outsource audit and recovery activities 150% more frequently than all other companies, ensuring that any errors resulting from A/P activities do not ultimately result in financial loss due to inaccurate billing or payment of invoices.

- Best-in-Class companies are over four-times more likely than their competitors to outsource payment processing and disbursement. Utilizing an experienced and effective third-party provider for this A/P function effectively delivers invoice processing cycle times that are 2.1-times lower than all others.
- Best-in-Class enterprises are 104% more likely than Industry Average and Laggard companies to outsource invoice receipt and sorting. Outsourcing this function delivers both operational and cost benefits by centralizing and streamlining invoice processing responsibilities.
- Best-in-Class enterprises are four-times more likely to outsource their entire A/P operations.

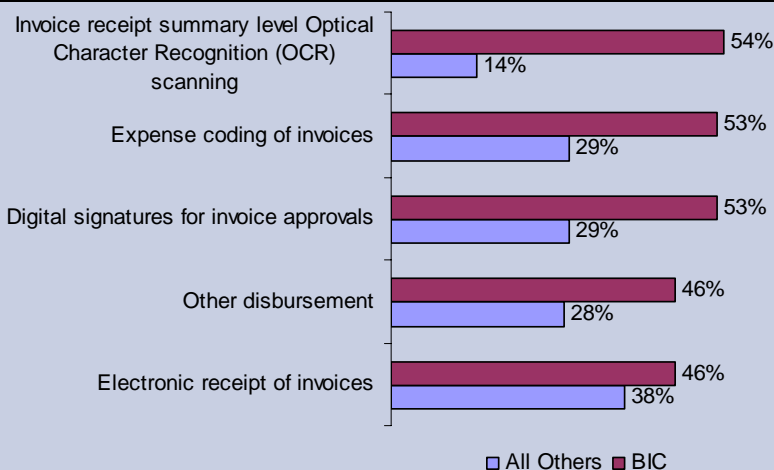
Performance Management

Best-in-Class enterprises are 36% more likely to demonstrate the ability to measure the performance of their accounts payable activities. This is imperative for the A/P group as a whole, but especially as it relates to the procurement outsourcing relationship. Without the ability to measure and monitor performance, there is no way to identify areas for improvement, whether improvement has occurred, or whether any other tangible benefits of procurement outsourcing have taken place. Information and data gathered also allow for benchmarking against competitors as well to establish a comparative level of performance.

Aberdeen Insights – The BIC Widen Their Scope

Accounts payable includes a variety of sub-processes that can be automated and outsourced to drive cost reductions and operational efficiencies. Best-in-Class organizations have also begun to engage in automation for a significant number of these sub-processes to supplement a function that is often not a core competency. In addition to those outlined earlier, Best-in-Class enterprises also automate several additional A/P processes more frequently than all other companies (Figure 8).

Figure 8: Additional A/P Processes Automated



Source: Aberdeen Group, December 2007

Chapter Three: Required Actions

Accounts payable outsourcing continues to gain traction. Finance organizations recognize the benefits that can be realized by leveraging third-party expertise and are now moving this function along the same path already tread by HR and IT groups. The value that an external partner can deliver is being leveraged on a go-forward basis to drive cost savings and operational improvements. Based on our research, Aberdeen recommends the following strategies for improved results from accounts payable outsourcing:

All Enterprises Steps to Success

- **Evaluate accounts payable competencies.** Conduct an internal assessment of accounts payable processes, organizational structures, and technology capabilities to identify the specific skills and functions for which the group lacks capabilities and can be subsequently outsourced or automated to drive performance improvement. It is critical to have a baseline understanding of enterprise A/P capabilities before deciding on what should or should not be addressed.

Laggard Steps to Success

- **Establish standardized accounts payable processes and baseline core competencies.** Best-in-Class enterprises are 130% more likely than Laggards to have standardized procurement processes in place that are aligned across the enterprise. Process standardization enables knowledge, and those practices that are most effective, to be readily exchanged between the enterprise and its outsourcing partner. They also facilitate automation by establishing routine workflows to which technology can be applied to extract even greater efficiencies.
- **Secure executive support for accounts payable outsourcing.** Best-in-Class organizations are 13% more likely to establish executive-level support for A/P transformation activities such as outsourcing and automation than Laggards. Executive support facilitates organizational acceptance of these initiatives and also ensures that funding is available to support the investment in both the outsourcing relationship and enabling technologies that buoy performance.

Industry Average Steps to Success

- **Leverage technology – not just services.** Outsourcing provides organizations with unique opportunities to access best of breed technologies to automate the A/P lifecycle and improve

Fast Facts

- ✓ All enterprises should first conduct an assessment of their accounts payable processes, structures, and technologies to identify the scope of outsourcing and automation required
- ✓ Standardize accounts payable processes across the organization
- ✓ Establish executive support to facilitate acceptance of outsourcing
- ✓ Leverage outsourcing providers for technology access and not just services
- ✓ Outsource accounts payable as a stand-alone engagement instead of as a larger finance and accounting initiative, as is common

performance. Automation of the A/P process not only drives efficiencies and reduces costs, but serves the additional benefit of reducing and eliminating paper from the operation to make A/P more “green” and environmentally friendly. Best-in-Class organizations are 17% to 143% more likely to automate check printing, payment scheduling, coding and verification, and data validation / duplicate invoice verification than Industry Average organizations.

- **Structure accounts payable as a shared services center.** Best-in-Class enterprises are nearly 60% more likely than Industry Average enterprises to utilize a shared services center model for A/P operations. Centralizing the A/P function drives greater control over standardization of processes and alignment across the organization, which occurs in the Best-in-Class 42% more frequently than in Industry Average companies.

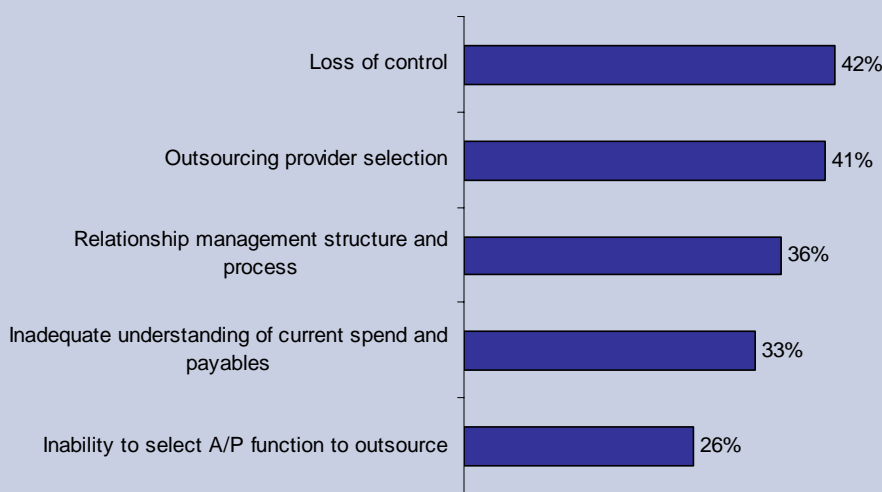
Best-in-Class Steps to Success

- **Outsource accounts payable as its own engagement.** A/P is outsourced under a variety of guises – as a stand-alone outsourcing engagement, as part of a larger finance and accounting project, as part of a procurement transformation effort, or as an enterprise-wide strategy to outsource all or most corporate functions. However, Best-in-Class organizations are over three-times more likely to outsource A/P as a distinct engagement. Such a strategy allows companies to focus on the relationship with the outsourcing provider exclusively for A/P. Focusing on A/P as a stand-alone engagement ensures that the outsourcing partnership is appropriately managed and there is a dedicated group (or leader) to review Service Level Agreements (SLAs) and monitor the performance of the A/P outsourcing provider.
- **Emphasize process improvements equally with cost reductions.** While cost is, and always will be, a critical pressure for pursuing outsourcing and automating A/P, Best-in-Class enterprises have shifted the focus to process and organizational competency. These Best-in-Class companies are nearly six-times more likely than others to outsource A/P to drive process standardization. While costs are a concern, the Best-in-Class are more acutely aware that their A/P operations are not a core business competency (50% versus 34% for all others) and therefore seek out third-party expertise to drive value from the function.

Aberdeen Insights – A/P Outsourcing Hurdles

Enterprises face specific challenges that are hindering outsourcing from becoming a mainstream strategy for A/P (Figure 9). The fact that A/P is not a core competency for the enterprise is especially reflected in ineffective relationship management, poor understanding of current spend and payables, and also the inability to choose the A/P function to outsource.

Figure 9: Top Challenges to Effective A/P Outsourcing



Source: Aberdeen Group, December 2007

“We recently had a proposal for A/P outsourcing rejected by our management team. It didn’t go through because they didn’t think some else should manage this. They don’t seem to understand A/P, though.”

~ Finance Director, Large Metal Packaging Products Company



Appendix A: Research Methodology

In November and December of 2007, Aberdeen examined the use, experience, and intentions of pursuing accounts payable outsourcing as a strategy for administering accounts payable programs of more than 150 enterprises in a diverse set of industries.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on procurement outsourcing strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The majority of the research sample included respondents with the following job titles: C-level executive (23%), vice presidents (10%), director (19%), manager (40%), consultants and other (8%).
- *Job function:* Finance (38%), information technology (16%), procurement (13%), logistics / supply chain (3%), other (30%).
- *Industry:* High technology (19%), financial services (13%), telecommunications (6%), and a distribution across 29 other industries.
- *Geography:* 70% of the research respondents were from North America, 17% were from Europe, Middle East and Africa, and 13% were from Asia-Pacific.
- *Company size:* 44% of respondents were from large enterprises (annual revenues above US \$1 billion); 24% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 32% of respondents were from small businesses (annual revenues of \$50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of this benchmark report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Table 6: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, December 2007

Table 7: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, December 2007

Table 8: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, December 2007

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report include:

- [E-Payables solution Selection: Your 2007-2008 Guide to A/P Transformation](#), September 2007
- [Spend Analysis: Working Too Hard for the Money](#), August 2007
- [Supplier Enablement: Connecting with Suppliers to Build Lasting Relationships](#), May 2007
- [E-Payables: Advancing A/P Automation](#), March 2007
- [Accounts Payable: Strategies for Success](#), December 2006
- [Invoice Reconciliation and Payment Benchmark Study](#), June 2006

Information on these and any other Aberdeen publications can be found at <http://www.aberdeen.com/channel/procs.asp>.

Aberdeen's [2007 Global Supply Management Research Agenda](#) is also available.

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