

AP-EUR

Accounts Payable Automation in Europe

A White Paper on Hyland Software's OnBase Solution

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Executive Summary

The emphasis on corporate cost containment and productivity enhancement during the past decade has prompted accounts payable professionals to seek new ways to automate traditionally paper based, labour-intensive processes. Added to this, new compliance regimes have prompted a greater need to document and secure the intrinsic risks associated with the payment process.

Europe—as the number of European-domiciled invoice automation vendors profiled in this report attests—has been far from immune to these pressures. Yet while the deployment of invoice automation technologies is most widely prevalent in North America, it would be a mistake to look too closely to North American experiences as a guide to what might be expected in Europe. In particular, the United States, while large, is but one country with one federal legal system, one currency and one primary official language. None of that is true of Europe, which contains a bewildering variety of languages, currencies, commercial practices and legal systems, and presents a far more diverse environment in which to implement an accounts payable automation solution.

Worse, the European buyer of an automation system must also figure out what exactly a ‘European’ system must do—for Europe itself is, at best, ill-defined. Is it the core economies of Western Europe—or the core economies of the European Union? Or the economies in the eurozone? The three are very different. Or is it the European Union in its entirety? In which case, how to treat economies not yet within the European Union, and which may or may not join at some future date—such as Switzerland? In terms of language, currency and other considerations, these are questions that are vital to factor in to any decision regarding an accounts payable or invoice automation solution.

This report is written for those organisations that are actively exploring accounts payable automation solutions. Beginning with an introduction to how AP automation solutions work, it describes the most common forms that the solutions take, and highlights the benefits that they deliver. The report also offers an in-depth look into the European landscape and the implications of conducting business there. It concludes with an in-depth profile of one of the top vendors in this space—Hyland Software—and describes in detail Hyland’s OnBase solution and its approach to Imaging and Workflow Automation (IWA).

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Introduction

A paradigm shift is underway as organisations strive to not only contain costs, but also compress working capital requirements and process cycle times. No part of the business is immune from these pressures—even the finance and purchasing functions have in recent years been obliged to subject their internal operations to the kind of scrutiny more familiar to those working in manufacturing or distribution.

For both the finance and purchasing functions—for in Europe, accounts payable can be a procurement responsibility as well as a financial one—this new emphasis on cost containment and productivity enhancement has inspired a drive to seek out new ways to automate traditionally paper based and labour intensive processes that characterise accounts payable departments.

This impetus has been further magnified by a move, right across business—and again, on both sides of the Atlantic—towards greater system integrity and accurate reporting. In the United States, of course, that move has been spearheaded by the Sarbanes-Oxley Act of 2002, which sought to impose a regime where scandals and corporate collapses such as Enron would be impossible, or at least, far less likely. And certainly, within American companies, Sarbanes-Oxley has increased senior managers' focus on the accounts payable function, by drawing their attention to the compliance risks inherent to manual, paper based processes.

It is a focus that is being echoed in Europe. Echoed directly, in that Sarbanes-Oxley is seen in some quarters as a 'best practice' that companies ought to aspire to, even if their European domicile means that they are not formally bound by its provisions. And echoed indirectly, in that European companies have compliance burdens of their own, even if these are not always as strict, or wide-ranging as Sarbanes-Oxley: France's Loi de Sécurité Financière, which governs the conduct of French businesses, for example, or Britain's 'Turnbull' Combined Code on Corporate Governance for companies listed on the London Stock Exchange, or the Basel 2 requirements, or even the various EU privacy, data protection, and 'safe harbour' directives.

Taken together, these twin developments—the need to improve both financial and operational efficiencies, and the more rigorous compliance environment extant today—have prompted us to develop this white paper about accounts payable automation solutions in the European market.

Making the Case for Accounts Payable Automation

People have dreamed of a paperless workplace for decades. In the 1960s, for example, futurists predicted that organisations in the new millennium would exchange information in a fully electronic manner. This sounds quaint from our current vantage point, but who knew that getting rid of paper would be more difficult than putting men on the moon? The unfortunate reality is that corporate processes remain mired in paper, and no one knows that better than accounts payable professionals.

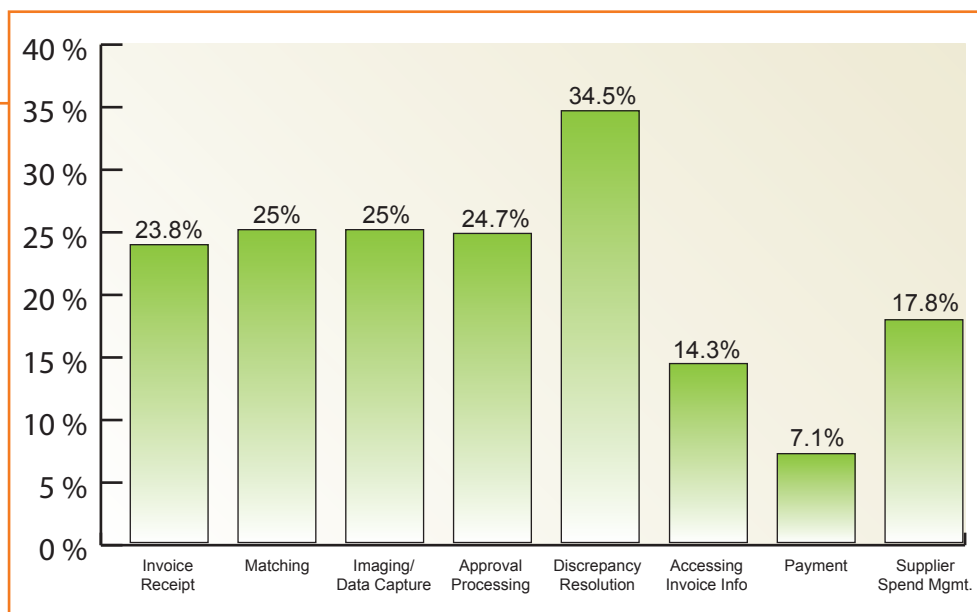
Survey research carried out by PayStream Advisors continues to highlight the problems that accounts payable departments experience at all stages of the invoice receipt to pay cycle (See Figure 1). Typically, for example, the process of receiving and preparing invoices for processing—invoice receipt, matching,

and imaging/data capture—causes significant pain to roughly one quarter of respondents. Pain increases as a transaction unfolds, building with approval processing and peaking at discrepancy resolution and exception processing. Access to invoice information and payment cause relatively little pain, reflecting the widespread availability of reliable, inexpensive payment options, as well as the persistent view that it is optimal to pay slowly.

Typically, too, we find that accounts payable professionals have a keen interest in technology-based solutions that will streamline and automate some or all of these functions. However, to squeeze more paper from the invoice receipt to pay cycle these solutions must overcome the challenge of converting invoices into standard electronic documents that enterprise and accounting systems can understand. In the past, the highly variable nature of invoices has made this impossible. Today, solutions are leveraging technology for processing so called semi structured documents to bridge this gap.

Figure 1
PAIN POINTS IN THE INVOICE RECEIPT-TO-PAY CYCLE

Respondents to our Financial Automation Survey were asked to rate the pain that eight different activities cause their accounts payable departments on a scale of one (no pain) to five (maximum pain). Percentages reflect answers of four or five.



Key Benefits of Accounts Payable Automation

Accounts payable automation solutions streamline the invoice receipt-to pay cycle by enabling organisations to convert paper invoices into digital images, store them in a Web enabled repository for rapid retrieval, and extract data from them to enhance approval processing. These solutions may provide a combination of document and data capture, workflow and Web invoicing capabilities in order to create an end to end invoice receipt and approval routing solution that integrates with enterprise and line-of-business applications. Accounts payable departments that utilise an automation solution experience a wide range of benefits, depending on the type of solution they deploy (see Table 1). In general, they benefit in the following four areas:

i. Processing Efficiency

Back end imaging and archival solutions accelerate transaction research, discrepancy resolution, and response times to supplier enquiries by allowing

accounts payable staff to retrieve invoices from an electronic repository rather than a paper filing cabinet or archive. As a front end application, accounts payable automation solutions contribute further to processing efficiency by removing paper at the point where it enters the organisation. Invoices enter processing queues more quickly and their images can be used to accelerate their approval. Maximum efficiency is achieved when imaging and workflow are used together, as review and approval tasks can be routed automatically to individuals distributed across the organisation based on clearly defined and highly customisable business rules.

ii. Lower Costs

Accounts payable automation solutions can reduce the cost of invoice processing in several ways. First, they drive down document storage and retrieval costs by substituting electronic repositories for filing cabinets and effectively eliminating the need for long term storage space. As the cost of electronic storage continues to fall, these savings will become more pronounced. Second, they enable an accounts payable operation to trim its full time equivalent employee requirements. While never a pleasant topic, these savings can be substantial. And third, accounts payable automation solutions provide a tool to eliminate late payment penalties and capture a higher percentage of prompt payment discounts. Powerful buyers may take discounts whether they are eligible for them or not, but this is a compelling benefit for smaller buyers.

iii. Enhanced Visibility and Control

Another benefit of accounts payable automation solutions is the fact that they provide secure storage for invoices and support corporate policies and statutory requirements for document retention and disposal. Immediate electronic access to invoice images facilitates reporting and analysis by eliminating the need for physical documents. In a front end role, AP automation solutions improve the speed and accuracy of decision making by allowing users to access accurate, up to date information from any location using a Web browser. For example, a supervisor could use an AP automation solution to track the work of an individual or group of approvers to identify bottlenecks and optimise approval processing.

Table 1
THE BENEFITS
OF IMAGING AND
WORKFLOW
AUTOMATION
(IWA)

Back End Document Capture & Archival	Front-end Document & Data Capture	Front-end Capture & Workflow
Alleviates lost & misplaced invoices	Removes paper where it enters the organisation	Streamlines & accelerates approval processing
Allows simultaneous access to invoice information	Allows image-enabled approval processing	Aids in Sarbanes-Oxley and other regulatory compliance initiatives
Simplifies discrepancy resolution, transaction research, audits & supplier inquiries	Accelerates invoices' entry into approval queues	Tightens overall control over approval processing
Provides secure electronic storage for invoices	Speeds data collection & entry into financial systems	Provides transaction-level visibility into invoice receipt-to-pay activities
Reduces storage costs	Reduces manual data entry & FTE requirements	Enhances prompt payment discount capture & reduces incidence of late fees

iv. Regulatory Compliance

AP automation solutions also offer significant relief in the area of compliance management—enabling organisations to both adhere to regulatory requirements as well as control the costs of compliance initiatives. On both sides of the Atlantic, companies that have previously dealt with compliance on a departmental or project based basis are now recognising the advantages of a centralised approach, where information related to a wide array of compliance requirements is organised, managed and stored centrally.

What is Accounts Payable Automation

Accounts payable automation solutions streamline the invoice receipt-to-pay cycle by enabling organisations to convert paper invoices into digital images, store them in a Web-enabled repository for rapid retrieval, and extract data from them to enhance approval processing (see Figure 2). We define the components of the accounts payable or invoice automation universe as follows:

i. Invoice Receipt

This step includes invoice receipt via paper or electronic means. For paper invoices, this involves the steps required to receive and prepare invoices for capture, including removing staples, repairing tears, photocopying small items onto A4 paper, performing initial data entry, and sorting (e.g. by source or cost centre). Most automation solutions also support electronic receipt of invoices through email, fax, EDI or a supplier portal.

ii. Document & Data Capture

The process of converting paper invoices and transaction-related documents, such as proofs of receipt, into digital images and index data through document scanning and data extraction can be undertaken on a centralised basis or remotely, based on the organisation's needs and preferences. Specific steps include scanning, image enhancement, indexing, validation, and data extraction based on bar codes,

Figure 2

AP AUTOMATION UNIVERSE

AP Automation solutions improve the invoice-receipt-to-pay cycle by streamlining how organisations receive, manage and approve invoices. Each of the solutions profiled in this report focuses on the AP automation universe, addressing its components steps differently and with varying degrees of effectiveness.



Optical Character Recognition (OCR), Optical Mark Recognition (OMR), Intelligent Character Recognition (ICR), or manual data entry.

iii. Content Storage & Management

This refers to the delivery, storage, management, and disposition of electronic documents and data. Depending on the complexity of the solution, this may include Enterprise Content Management (ECM) or Business Process Management (BPM) capabilities for managing the transactional content across its entire lifecycle. This stage also addresses the archival and retrieval as well as backup and recovery options offered as part of accounts payable or invoice automation solutions.

iv. Workflow Management

Workflow refers to the routing of tasks according to pre-defined business rules and based on individuals' roles and access rights and includes human-to-human as well as human-to-system interactions. Workflow provides a tool to track and manage approval processing at the invoice and aggregate level. Common features include automatic notifications to users when specific actions are required (e.g. invoice approval), reminder messages, and escalation procedures based on approval hierarchies.

v. Posting & Payments

Accounts payable or invoice automation solutions do not generally extend to payment, but they do deliver critical transactional data into financial or ERP systems for the purpose of generating those payments. The critical aspect is the level of integration with existing ERP and other legacy applications as well as the ability to support current banking and payment relationships.

vi. Reporting & Analytics

Most systems include facilities for analysing key invoicing and receipt-to-pay metrics. Typical query and analytic tools include the generation of standard and ad hoc reports detailing invoices pending approval, unpaid invoices past due, average invoice processing time, and so forth. Some solutions offer robust reporting capabilities bundled with the accounts payable or invoice automation solution itself, while others only allow for download of transactional data to third party reporting tools. Supervisors can also monitor individual users' actions for quality control and load balancing.

The European Landscape

As Europeans know all too well, European political and economic entities give an impression of homogeneity that is deceptive. To a non-European travelling across the eurozone, showing a passport only at occasional border posts, it seems that European unity has arrived, with differences only in language and culture. That impression, though, is deceptive—especially from an accounts payable and invoice automation perspective. Europe extends far beyond the eurozone, contains a bewildering variety of languages, currencies and commercial practices, and presents a far more diverse environment in which to implement an accounts payable solution than (say) North America.

To organisations contemplating implementing an automation solution within Europe, it is important to first consider what they mean by ‘Europe’—both at the point of implementation, and in terms of future growth. Do they mean the core economies of Western Europe—or the core economies of the European Union? Or the economies in the eurozone? (The three are very different.) Or do they mean—for example—all of the European Union? In which case, are they confident that they have no plans to expand into economies not yet within the European Union, and which may or may not join at some future date? In terms of language, currency and other considerations, these questions are vital to factor into any decision regarding an accounts payable or invoice automation solution.

i. Europe: EU Overview

With 25 member countries, the European Union covers most of continental Europe. In 2007, when Bulgaria and Romania join, the EU’s population will reach half a billion—a huge step forward for a political and economic entity that began life as a post-War free trade area, initially intended for iron, coal and steel, but subsequently extended to cover most traded goods and services. Today, the European Union is a political entity as well as an economic one, with many common policies, laws and standards within its borders.

First brought into existence as an accounting medium on January 1st 1999, euro banknotes and coins have been in circulation since January 1st 2002, replacing the currencies of the twelve European Union countries presently in the ‘eurozone’: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. From 1 January 2007, the euro is also the currency of Slovenia.

A number of major European economies are not in the eurozone, however—some because of domestic political opposition, and some because they so far fail the required tests of economic and fiscal stability required by the Maastricht Treaty and its successor treaties, as assessed by Europe’s finance ministers and the European Central Bank. Notable economies which are not in the eurozone include Britain, Denmark, Sweden and Poland.

From an invoice automation and accounts payable perspective, then, the European Union offers the simplicity of a single currency covering a market presently containing 300 million people, but also excludes countries highly likely to feature as sources of supply and custom for any European business—namely Britain, Denmark, Sweden and Poland, whose currencies must be supported separately.

ii. Europe: EU Non-member States and AP Implications

Outside Europe, it is a common mistake to equate 'Europe' with 'European Union'. While the two overlap, they are not equivalent: major European economies have been outside the European Union until quite recently, and notable ones remain outside today—Switzerland, for example, and Norway, or Turkey.

The extent to which this poses a problem for companies researching invoice automation solutions today generally depends upon two things: firstly, the level of trade they either carry out or expect to carry out with the countries in question; and secondly, whether or not they intend to deploy the chosen solution at operations in any of these countries. A business deploying an invoice automation solution within Switzerland, for example, would have to comply with Swiss law, and be capable of operating in the Swiss currency, the franc.

iii. Europe: EU New States, and AP Implications

Another common mistake is to regard 'Europe' as comprising a relatively small handful of core European economies—principally Germany, Italy, France, the UK, Spain, Belgium and the Netherlands. Generally speaking, invoice automation solutions deal with these countries and their requirements 'out of the box'.

When assessing likely invoice automation solutions, then, companies need to make a conscious determination in respect of two questions. First, do we envisage invoices being received from these countries—and if so, in which language and which currency? And second, do we anticipate having operations in these countries—and do we require our intended solution to be capable of being deployed in these countries?

Regulatory, Cultural and Language Issues

i. Introduction

As already noted, 'Europe', however defined, is a far more complex environment in which to implement an accounts payable automation solution. Overlaid on questions of which countries 'Europe' comprises are issues of cultural and regulatory concern—especially in the context of the European Union, over which most conceivable automation solutions will overlap, unless intended for a single-country implementation within (say) Switzerland.

ii. Directive 115, Electronic Signatures and EU Member State Differences

Cross-European policies and standards are often enshrined in European 'Directives', passed into European law by the European Commission—in effect, Europe's 'Civil Service' or administration. Directive 115 replaced previous legislation, some going back to 1978, and stipulated in which circumstances electronic invoicing would be permissible, and precisely which information needed to be enshrined within an invoice for it to be legally correct from the point of view of VAT tax law. The intention, said the Commission, was to simplify, harmonise and modernise the situation regarding VAT-compliant invoicing.

In practice, Directive 115 has been the subject of some confusion. Many of the stipulations regarding the specifics of VAT compliance were already in force at a national level, with the Directive merely serving to formally codify within European law what national tax authorities had already specified and put in place. Inevitably, then, attention turned to the Directive's new requirements in terms of electronic

invoicing, with the result that the Directive is sometimes regarded, incorrectly, as solely an 'e Invoicing Directive'.

This conclusion has continued into the specifics of what the Directive says regarding electronic invoices. First, it legitimises them: from 1 January 2004, all European Union member states have had to accept electronic invoices as valid. However, this acceptance is contingent on two conditions: first, the customer must be capable of accepting electronic invoices; and second, it should be possible to ensure both the authenticity of the invoice's origin as well as its content.

It is this latter condition that has precipitated confusion, as differing interpretations have been put on this by European Union member states. Two alternative approaches to authenticity are proposed by Directive: either an electronic signature, independently verifiable, and consistent with the European Union's Electronic Signatures Directive 1999/93/EC; or by using a secure process of electronic data interchange directly between the parties. In addition, European Union member states are given two further freedoms: first, the freedom to require signature corroboration through devices such as qualified certificates and searchable signature logs; and second, the freedom to accept at a national level electronic invoices sent by other electronic means.

In short, then, considerable freedom of interpretation remains at a national level—a fact almost universally attested to most AP automation vendors.

iii. Directive 115 and VAT Invoicing Requirements

In both theory and practice, the stipulations contained within Directive 115 regarding what constitutes a valid invoice for the purposes of legal validity (and especially for the valid calculation and relevant reclaiming of the European Union's Europe-wide VAT input tax) are less nationally diverse than those stipulations governing electronic transmission. Invoices have their own internal logic, which tends to operate to ensure that common characteristics are present for invoices to work—such as amount, entity to be paid, and address or bank account to which payment must be remitted.

Nevertheless, discrepancies had arisen between what the European Union member states regarded as mandatory fields within an invoice, and the 2001 legislation sought to harmonise these. Directive 115 can be regarded as largely successful in achieving this harmonisation, although some nuances of interpretation still exist. In general, as a guideline to this nuancing, the further one strays from the direct mechanics of invoice submission, the greater the remaining national discrepancies. Much greater variability surrounds issues such as the period of time over which invoices must be archived, for example: beyond stipulating that invoices must be stored, and that this can be carried out by a third party, Directive 115 explicitly leaves it to European Union member states to set their own storage requirements.

iv. Language and Character Set Issues

However 'Europe' is defined, language and character set issues must be considered before any solution is selected. While huge advances have been made in computer technology at the operating system level over the past 25 years, with features such as inbuilt 'code pages' (such as Latin-1, Latin-2 and Unicode) automatically taking care of issues such as non-English characters—German's umlaut, the French accented vowels, and Spain's cedilla, for example—invoice automation butts up firmly against four of the most intractable problems concerning language and character set issues.

First, and most obviously, there is the question of OCR to consider. OCR engines deployed in a European context need to be able to take into account non-English characters (and their printed alternates, in some cases) and the fact that characters combine with other characters to form words—and within Europe, in a great many languages. Additionally, the issue of language and the invoice automation solution user interface needs to be considered. Finally, again from an OCR perspective, the solution must be capable of responding appropriately to different methods of numeric presentation: correctly interpreting a comma, for example, when used by continental Europeans in a manner where British or American systems would use a decimal point: reading [euros] 1234,56 as [euros] 1234.56, for instance.

There are operational issues to consider, too. Within a shared service centre environment, the non-availability of a particular solution in a given language might be ‘worked around’ by handling invoice processing in countries where particular user interface languages are offered. Companies wanting to deploy a solution across a dozen or so European countries, though, will probably want to make certain that the solution is available in the language spoken in those countries—or, alternatively, make sure that they have in place within those countries invoice processing personnel who can work in the languages offered.

v. Currency Issues

It is clear that a European accounts payable solution must be comfortable with a (potentially very considerable) number of currencies, including (in some cases) the US dollar. These currencies include the euro, certainly—but also the Swiss franc, the British pound as well as Danish and Swedish krone and quite probably many more besides.

In practice, the complications this causes will depend upon the scope of the solution itself: any currency that a business trades in must also be supported by its accounting and finance systems and these mostly take on the brunt of the chore. From the perspective of an accounts payable solution, then, the requirement is for a currency capability that dovetails with the currency capability of the accounting and finance system—correctly recognising currencies for what they are, and passing those details to the accounting and finance system.

vi. Cultural and Other Related Issues

In contemplating the implementation of an automation solution, it may seem strange to include ‘soft’ cultural and human issues alongside ‘hard’ questions of currencies, Directives, languages and so forth. In fact, mention must be made of three aspects of the European cultural norm that directly impact the operation of a chosen solution.

The first relates to workflow with a cultural and legal environment where absences from work can occur that are lengthy by comparison with American standards. Vacations are an obvious example: Europeans tend to have much longer vacations than (say) Americans, and the workflow within systems should reflect this, with the option of routing invoices to ‘back up’ or alternate authorising personnel. Precisely the same point applies to Europe’s extended maternity and paternity leave regimes.

The second of these issues also relates to absence from work, albeit not of such a lengthy duration. Within certain countries and industries, workers may spend protracted periods working away from an office or fixed desk. For such individuals, mobile devices (and remember, mobile penetration rates are especially high northern Europe) routinely carry corporate email.

Hyland Software

About Hyland Software

Founded in 1991, with headquarters in Westlake, Ohio, and offices in the United Kingdom and Brazil, Hyland Software is a leading independent developer of enterprise content management (ECM) and business process automation applications. Hyland's product suite, OnBase, features capabilities that are critical components for an ECM strategy. OnBase's core functionality includes document imaging, workflow, COLD/ERM, electronic forms management, content archiving and retrieval, electronic document management, email archiving and records management.

OnBase's core ECM capabilities have been developed organically rather than added through acquisition. As a result all of the suites applications and functionality share the same code base, user interface, administration module and repository. OnBase is not limited to being a specialist invoice automation application; it features a number of horizontal and vertical industry solution templates that enable customers to potentially deploy it to meet the distinct needs of multiple lines-of-business throughout distributed enterprise environments. OnBase manages and processes a wide variety of digital content associated with the data stored and the processes built around enterprise and line-of-business applications (SAP, Lawson, Oracle for example), including scanned paper documents, faxes, print and EDI streams, application files, electronic forms, Web content, multi media files and emails.

OnBase features a wealth of menu-driven options to configure rather than code custom solutions. In addition, its modular architecture provides customers with an a la carte menu of options to incrementally deploy functionality as their needs dictate over time. Document imaging and workflow are core modules of the OnBase suite, and Hyland's 1997 move into applications specifically targeted at accounts payable departments represents a logical and natural extension of the company's activities. Through digitising, standardising and automating customers' requisition, purchase order, invoice receipt, approval processing and accounts payable functions, OnBase increases requisitioning and invoice automation operational efficiency, while also reducing costs.

Today, Hyland has more than 600 employees and its OnBase product supports the document management processes of over 6,000 customers, with approximately 600 of these being accounts payable implementations. Its customer base within the geographic region embracing Europe, Middle East and Africa numbers around 200, with the vast majority of these being within Europe itself, including 70 within the U.K. alone. Hyland brings OnBase to market primarily through a wide network of certified solution providers and OEM partners, although it does engage in a small number of direct deals with select customers.

Hyland's sales, technical support and consulting teams are organised around key vertical industries and segments, including financial services, government, insurance, healthcare, higher education, and manufacturing. In addition, Hyland's Back-Office Operations group drives the delivery of horizontal, finance and administration-focused solutions such as accounts payable for the above industries and others such as transportation, retail and construction. Hyland Software's accounts payable solutions range from departmental deployments to shared

services implementations at both large and mid tier enterprises. After establishing an impressive presence in the North American and Latin American markets, Hyland is extending its global footprint by recruiting and training local partners in international markets like the United Kingdom, the Netherlands, Scandinavia, Germany, France, Spain, Italy, Portugal and Japan. Going forward, Hyland expects to achieve significant growth in these markets. Communicating their Microsoft competencies is more crucial than ever.

OnBase

OnBase is an integrated ECM solution, which provides both non-programmatic and Web Services-based capabilities to integrate with enterprise and accounting and General Ledger applications. This enables OnBase to synchronise the processing of content-based information as well as discrete data through multi-step business processes such as accounts payable (AP). OnBase provides the ability to automate or eliminate many steps in a process that typically require human intervention. Where human decision-making is required, OnBase ensures the relevant information is sent at the right time to people authorised to participate in the process.

The OnBase solution is capable of handling almost any type of content—from scanned images, word processing files, and print and EDI streams from line of business applications to faxes, emails, HTML and XML-based forms, and even rich media. OnBase is well-positioned for service as an invoice automation tool and offers several distinct modules as part of the overall suite to address all aspects of the AP processing cycle.

The OnBase Document Imaging module enables organisations to capture, index and store all transaction related documents in electronic format, supporting TWAIN, ISIS, and Kofax compliant scanners—including invoices received and scanned by users in remote locations. Based on individual employees' assigned user rights, images can be indexed, annotated, marked up, redacted, digitally signed, emailed and faxed from the system based on user rights.

Each document can be associated with an unlimited number of indices, and OnBase offers a number of ways for indexing documents including manual entry and bar code recognition, as well as lookups from ERP systems and other line of-business applications to auto fill most of the index values. OnBase is compatible with OCR solutions offered by forms companies such as ReadSoft, ScanSoft, AnyDoc, Captiva, DataCap and Kofax, and Hyland claims an OCR accuracy rate between of 85 percent and almost 99 percent, depending on the type of scanner used as well as the software configuration.

The OnBase Document Imaging module is an important aspect of Hyland's invoice automation solution. It stores documents in a repository shared by all the OnBase modules: users can retrieve documents based on a number of parameters such as document type and name, keywords and date. OnBase also offers a cross referencing feature that allows users to double click on an open document and retrieve any or all related documents regardless of file type. These links between documents do not need additional programming and can be created with a few simple clicks of the mouse. Via a 'forms creation' tool, customers can use OnBase to streamline their whole purchase to pay processes, beginning with requisition submission: users can create and submit HTML purchase requisition forms from their desktops or a corporate Intranet using OnBase E-Forms, with completed

forms automatically captured, indexed and stored as new documents in the OnBase repository, facilitating subsequent invoice automation processes such as three-way matching.

Although naturally not as overtly visible within OnBase as in applications focused solely on invoice automation, it is important to note (as the size of the invoice automation customer base suggests) that OnBase does indeed support, 'out of the box', core invoice automation processes and tasks. Extensive validation processing is possible, for example, exploiting the solution's inbuilt filters, keywords and classes, generally via 'point and click' configurability.

Specific selectable 'inbuilt actions' include three-way matching for example, while programmable logic can be applied to fields, testing for valid input, 'reasonableness' and non-blank and non-zero amounts. Compliance testing for valid VAT input tax invoices in accordance with Directive 115 is thus readily possible, as is validation testing in conjunction with differing national VAT tax rates, invoice requirements and currencies. Based on the outcome of validation testing, various workflow actions can be triggered, including 'if-then-else' de minimis provisions—ignoring small discrepancies on low value invoices, for example.

The OnBase Workflow module also plays an important part in Hyland's invoice automation solution, routing documents—invoices, requisitions or other relevant items—to the appropriate managers within the organisation for approval, notifying them by email that requests are awaiting their review. OnBase's strength in this area is best seen in customers' ability to establish purchase amount thresholds and pre-defined routings for individual users.

In short, thanks to its 'point and click', menu driven configurability, which requires minimal programming, we regard OnBase Workflow as extremely flexible. Additionally, OnBase's configuration tool, which comes standard with all modules, is invaluable to administrators and project managers as a visual aid in identifying design weaknesses within workflow, incorporating existing business rules or creating entirely new ones: furthermore, it takes just 4½ days of training, says Hyland, to become a certified OnBase administrator. Company representatives stated that the ease of use and intuitive interface of the solution significantly drive user adoption, which is instrumental to the success of the solution.

Also worthy of note is the OnBase Application Enabler, which facilitates integration with enterprise applications without programming through an API. Using Application Enabler, an ERP application screen—for example—can be configured in a matter of minutes to enable end users to retrieve purchase orders and related documents from the OnBase repository without leaving the ERP application interface itself. OnBase also uses Web services to make data exchanges with third party applications easy to accomplish and adjust as business needs dictate.

Based on client requirements, OnBase can be delivered as a licensed premises based or hosted solution (called OnBase OnLine) or a combination thereof. OnBase OnLine offers essentially the same functionality and benefits of OnBase—the reduction of costs and elimination of inefficiencies associated with paper intensive processes—but is delivered via the Internet, and hosting by Hyland minimises the complexities of maintenance and associated IT infrastructure issues. Billed on a per user basis, OnBase OnLine also offers the advantage of a dual site, n+1 redundant, geographically redundant configuration with no single point of failure within the data centre, and a geographically remote backup site is available.

Installed conventionally, OnBase product modules require an individual OnBase license on the server or workstation where the module is executed. Licenses can be bound to a database, institution, service bureau, processing workstation, or an individual OnBase Client. Standard license types are Server, Named User, Concurrent User, I/O Processing Workstation, or Stand alone. The most common license types for the OnBase Client are Workstation User and Concurrent User. The Workstation User License permitting a single instance of the module to be run on a designated workstation, while the Concurrent User License permits an end user to install the software on as many workstations as they wish, but only the licensed number of concurrent clients can access the database at a given point in time.

OnBase also provides back end compliance management in providing document imaging, physical and electronic records management, email archiving, and document retention to address various regulatory and legal discovery requirements. Organisations can license specific OnBase modules to achieve the functionality they desire and the implementation process can be completed in phases. An average accounts payable implementation can take as little as two weeks and varies depending on the size of the organisation and the amount of customisation required. Hyland's pricing structure is front loaded and flexible based on the number of modules purchased, with maintenance accounting for an additional 18 percent of the software list price.

The conventional licensed and installed version of OnBase supports Arabic, UK-English, US-English, Danish, French, German, Portuguese and Spanish for both OCR and at the GUI level. OnBase OnLine supports Arabic, Danish, Dutch, UK-English, US-English, French, German, Greek, Italian, Norwegian, Portuguese, Spanish and Swedish.

Outlook

Hyland's OnBase is an exciting invoice automation offering in two distinct respects. First, and most obviously, it's a lot more than an invoice automation solution: licensing and deploying OnBase opens the door to a wide range of content management functionality. Whether the customer organisation needs or wants it at the present point is almost immaterial—acquiring a broadly-based solution content management solution offers a cost-effective form of future-proofing.

Second, Hyland differentiates itself from a number of solutions in the market with its OnBase OnLine offering. Hosted software service providers typically do not develop, but rather, lease software as a third party. Hyland Software, however, creates value because the organisation that develops, operates, supports and continually upgrades the OnBase OnLine applications is also the company acting as the application service provider. As a result, OnBase OnLine has the ability to quickly and seamlessly integrate new functionality and product enhancements, increasing the benefits of the solution and the value of the return on investment. OnBase's value further lies in the fact that it can be easily scaled from AP across the entire organisation. While Hyland isn't the only company in the market to which this applies, the combination of this with its size and broadly-based content management inevitably means that OnBase merits very close scrutiny.

Conclusion

Research carried out by PayStream Advisors predicts that the market for AP automation solutions will grow rapidly over the next five years. We expect worldwide spending on AP solutions to exceed \$3 billion by 2009, representing a five-year compound annual growth rate (CAGR) of 10.7 percent. During this five year period, spending on document and data capture and workflow solutions will increase at a CAGR of 7.9 percent and 21.6 percent respectively. AP departments' share of the current \$7.7 billion imaging, workflow and Web invoicing automation pie, while small today, will expand as organisations turn to automation to streamline and optimise their AP operations and adapt to changes in the regulatory environment. PayStream also believes that the following factors will shape the evolution of the accounts payable solution market:

- **Advanced OCR will be a catalyst for adoption.**
Solutions that rely on template based OCR to find and extract data from invoices have experienced mixed success. As a result, the application of accounts payable or invoice automation concepts to improve invoice management has suffered. However, the recent strides in OCR technologies and the emergence of industrial strength solutions that use full page OCR to extract data without relying on templates will be the key drivers that unlock adoption.
- **Imaging & workflow solutions and 'Web invoicing' will cross pollinate.**
Imaging and workflow solutions have evolved to meet organisations' internal needs around invoice receipt and management while Web invoicing solutions have emerged to facilitate buyer supplier collaboration. As the Internet expands into all corners of business communication, however, the distinction between internal and external breaks down. Both types of solutions will flourish for years to come, but cross pollination is bound to occur.
- **Front end solutions will prevail.**
AP automation solutions are beneficial in all of their forms. However, front end solutions preserve the benefits of back end imaging and archival while providing additional advantages in the form of lower costs, higher processing efficiency, and enhanced visibility and control. Organisations will continue to use accounts payable automation solutions in both a back and front end capacity, but the latter will eventually prevail.
- **Organisations will seek 'straight-through-processing'.**
As automation moves to the front-end of the AP process, organisations will also seek to leverage straight-through processing to the extent possible. Demand will increase for solutions that facilitate this by delivering strong functionality around automated invoice matching and automatic approval of "clean" invoices as well as strong functionality around approval workflow to manage exceptions and the dispute resolution process in a collaborative manner.
- **Impact of AP Automation on the financial supply chain.**
Until recently, automation efforts in the AP area were focused on invoice and payment management and the operational benefits that technology delivers. However, increasingly, savvy finance managers are considering the more strategic impact of AP automation on the financial supply chain and the working capital improvements it can deliver.

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.

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