

CREDIT CONTROL

Incorporating ASSET & RISK REVIEW



Document Management and the Downturn

Lynne Munns

Lynne Munns is Vice President of document management software company V1 Document Management and has over 20 years' experience in accounting software sales and services.

Abstract

The economic downturn is forcing organizations to be frugal with their spending and cut back on non-essential costs. However, keeping a tight hold of the purse strings when it comes to software implementations can sometimes be misplaced. Some business software solutions, such as document management, should not be viewed as a 'nice to have' in times of economic uncertainty but as key to surviving the downturn. This article highlights the importance of document management systems, especially in automating the procure-to-pay and order-to-cash processes, and explains how these systems provide businesses with improved cash flow as well as the cost and efficiency savings that are fundamental to business survival.

As the economy begins the slow task of recovery, businesses should not be putting their software purchases on hold. At a time when organizations are keen to keep costs low, it is important that investment in the key systems that enable the efficient running of the business as well as its continued growth and development, are not ignored. Without the right software systems in place it is likely that a business will be leaking money and not running as effectively as it should be. Such software systems include integrated document management, which as well as automating paper-based processes to ensure a lean, streamlined operation, are crucial to cutting costs.

Proof that Having the Right Systems in Place is Key

Our research shows that implementing the right software systems, in particular document management, is key during times of economic instability. A survey of 160 senior finance and IT professionals (finance directors, financial controllers and IT managers) across a range of public and private sector organizations identified that 88% of respondents believe it is important to have the right software systems in place if businesses are to prosper in the current economic climate. Over 60% of these stated that having the right software systems is “vital”. Of the remaining 12% of respondents, 10% believe it is “fairly important” to have the right software systems in place, whilst the remaining 2% stated that they did not know whether software systems were important to helping a business prosper or not.

This research confirms that management recognize the importance of software systems for succeeding during turbulent economic times. As 37% of those surveyed stated that they are interested in implementing document management technology, in some part, due to the current market conditions, this also reveals that the turbulent economic climate is now a key driver behind document management procurement.

How can Document Management help Businesses to Survive the Downturn?

Two of the most important processes, especially during an economic downturn are the procure-to-pay (P2P) and order-to-cash processes. If these functions are inefficient or badly managed, cash flow will be impacted. Using document management to automate and streamline these processes is therefore vital.

Procure-to-Pay

P2P is a surprisingly expensive process which can cost as much as \$75 per transaction. Receiving purchase invoices into the organization, entering the data into the accounting system, photocopying the invoices for the files, sending paper invoices around the business for authorization, returning these invoices to accounts payable for payment and sending out remittance slips can prove an extremely time-consuming and expensive process that is also vulnerable to human error.

The P2P process using integrated electronic document management automates this process so that when a purchase invoice arrives into the organization, it is scanned and automatically tagged to the appropriate record in the finance system. Optical Character Recognition (OCR) technology reads and verifies the data on the invoice before being uploaded to the core finance system, reducing manual data entry and the associated errors. At the same time, using workflow software and pre-defined authorization routes, the imaged invoices are automatically emailed to the relevant approvers for them to approve, reject or query on-screen.

The approvers can also view all associated documents on-screen such as purchase orders and proof of deliveries to aid invoice authorization. Once the invoices have been authorized, the finance department can pay the suppliers (ideally using electronic payment technology) and a remittance advice can be automatically generated and emailed to the supplier advising them of payment.

By automating this process with the use of document management software, the production, circulation and duplication of paper are all eliminated. As well as cutting costs (due to the eradication of pre-printed stationery, photocopying, printing, storage and postage costs), staff are no longer occupied with mundane administration tasks such as producing and posting copy invoices, enabling them to be redeployed on more value-adding tasks. Taking full advantage of the workforce's skills and knowledge whilst minimizing mundane administrative tasks, is especially important when the downturn brings about unavoidable redundancies. Efficiency is also considerably improved by document management, there are no longer lost or misfiled documents and the business has greater control over paying suppliers, reducing late payment penalties whilst taking advantage of early payment discounts.

Order-to-Cash

Getting cash into the organization as quickly as possible is fundamental to surviving the downturn and so investing in document management software to streamline the credit control function should be viewed as a necessity rather than a luxury.

Credit controllers can still spend much of their time dealing with paperwork. Whether it is posting out statements, making copies of sales invoices or digging out customers' original orders and proofs of delivery (POD). This is where the right systems such as electronic document management can make a significant impact. By removing the time credit controllers spend pushing paperwork, they can focus on chasing payments, thereby getting cash in as quickly and as cost-effectively as possible.

A frequent stumbling block to receiving a customer's payment swiftly and without dispute revolves around the production of signed PODs. A credit controller can spend an inordinate amount of time chasing paper PODs and as they can get lost, torn and soiled, it can sometimes take weeks before a POD is finally located and a sales invoice can be raised. Obviously, any delays in raising sales invoices can detriment cash flow.

By scanning PODs using electronic document management and attaching the imaged POD to the appropriate transaction in the finance system, there is a permanent record that cannot be lost or destroyed. With the imaged POD to hand, this can be electronically delivered to the customer with the corresponding sales invoice, giving them little excuse to delay payment. Clearly, electronically

sending the invoice rather than posting it also ensures the invoice is with the customer a day or two sooner, facilitating swifter payment.

Case Study: M Barnwell (a distributor)

M Barnwell, UK market leader in the distribution of sealing products, now electronically faxes and emails its financial documents instead of posting them and in doing so, has impacted cash flow and made savings of both staff time and money.

By sending out statements immediately at month-end, staff are freed-up to chase debt far sooner and as a result, debtor days have been reduced by 5 days, improving cash flow by an incredible \$300,000

M Barnwell also produces over 1,000 statements each month that used to take staff four hours to print out and a further two days to fold and put in envelopes.

Now, emailed statements are delivered within minutes and faxed statements are automatically sent overnight, saving nearly 20 hours of staff time every month.

Document Management Outside the Finance Function

It is fairly obvious why using document management systems within the finance function makes smart business sense during an economic downturn, but what about using it outside the finance function, for human resource documents, for example?

During an economic downturn it is important to have quick and easy access to all key human resource (HR) and payroll documents so that management is provided with a holistic view of each employee and their performance levels. By drilling down through the HR system and accessing salary details as well as documents relating to key performance indicators, accreditations, training, absenteeism and disciplinary procedures, management has the information needed to determine the value of each employee to the business. At a time when redundancies may be unavoidable, having all this important information to hand will at least bring about informed business decisions.

Document management technology can also be used to free-up the HR department's time, enabling them to concentrate on more value-adding tasks. For instance, instead of the HR department spending time locating and retrieving basic personnel information, authorized staff can be provided with the means to 'self-serve' using the Internet or company-wide Intranet.

If we equate this to costs savings, organizations that have six individuals spending one hour per day (on average) retrieving documents would realize considerable savings. For example, one hour per day adds up to 120 hours per month and if employee costs total \$18 per hour (including all organization costs), \$2180.00 per month or \$26188.00 per annum would be saved on staff costs alone.

As is also the case with implementing document management in the finance function, in addition to savings on staff time, hard cost savings can be achieved through going paperless in the HR function. Key cost savings can be made through elimination of pre-printed stationery, printing, photocopying and postage costs as well as the freeing-up of office space occupied by filing cabinets and the elimination of off-site storage facilities. The latter can prove very costly, especially as there are fees involved in the retrieval of archived documents. In fact, some businesses are saving many thousands of pounds every year just by eliminating their third party archiving facilities. Organizations typically experience a return on their investment in just six months.

Conclusion

Cash is tight and some businesses are already teetering on the edge of disaster and so it is hardly surprising that many organizations are ensuring that all 'non-essential' spend is cut. However, it's important that implementing business software systems is not viewed as a luxury as systems, such as document management, are business critical during an economic downturn. Without document management in place, organizations will be wasting money and staff time. It is unlikely that they will be running as efficiently as they should be and the management team could be making crucial business decisions without all the necessary information to hand. If businesses fail to invest wisely in the right software systems, this could ultimately result in their collapse.

The above article first appeared in **CREDIT CONTROL JOURNAL (incorporating Asset & Risk Review)**, Volume 31 Number 1 2010



Published and Distributed by:

House of Words Limited
7 Greeding Walk
Hutton
Brentwood, Essex
CM13 2UF, United Kingdom

Tel: + 44 (0) 1277 225402
E-mail: info@creditcontrol.co.uk
Website: www.creditcontrol.co.uk

© 2010 House of Words Ltd