



Finance Executive Survey:

Priorities, Challenges and Technologies for the Year Ahead

AN IOFM WHITE PAPER

IOFM INSTITUTE *of* FINANCE
& MANAGEMENT

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CANON BUSINESS PROCESS SERVICES, INC.

Finance Executive Survey

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About IOFM

The Institute of Finance & Management (IOFM) is the leading source of information, tools and resources for finance professionals across our focus areas. For more than a quarter of a century, our newsletters, reference publications, online information services and conferences and events have provided authoritative guidance to corporate managers across a wide range of disciplines.

About Canon Business Process Services

Canon Business Process Services, a wholly owned subsidiary of Canon U.S.A., offers managed services and technology for information and document management, business process outsourcing and specialty workforce services. We help clients improve operational performance while reducing cost and risk. Canon Business Process Services has been named a Global Outsourcing 100 Leader by IAOP for the past eleven years and recognized in the Gartner Magic Quadrant for Managed Print and Content Services for five consecutive years. We have also been acknowledged by CIOReview magazine as a "20 Most Promising Legal Technology Solution Provider." Learn more at cbps.canon.com and follow us on Twitter @CanonBPO.

Executive Summary

The C-suite is playing an increasingly large role in finance and administration solutions purchases. And for good reason: their job responsibilities require them to have tools for analyzing cash flow, managing corporate growth, mitigating risk and ensuring compliance, and managing liquidity. The C-suite also is concerned with ensuring staff productivity to make up for cost pressures and tight margins. Manual paper processes make addressing these issues a tremendous challenge, resulting in a lack of visibility into invoices and payables, significant numbers of errors in accounts payable, the difficulty handling, managing and finding invoices, and high invoice-processing costs.

It's against this backdrop that IOFM conducted its survey of senior finance executives.

The objective of this survey was to better understand the highest priorities and concerns of controllers and other senior finance executives (think: cash flow and visibility), determine their biggest accounts payable challenges (errors, cost and manual tasks), learn what technologies they believe will deliver the biggest bang for the buck (invoice workflow) and discover their top priorities for improvement for 2015 (accounts payable, again). Recognizing that functional improvements require a baseline for measurement, the survey also asked whether organizations were using performance management systems (hardly) and the frequency with which organizations were reviewing reports (only monthly).

Taken together, our results suggest that manual paper processes are making it difficult for controllers to get what they need from accounts payable and other finance functions. But the tide may be turning. The C-suite clearly recognizes the problems with manual and labor-intensive processes and plan to invest in automated solutions in 2015, in addition to leveraging outsourced finance solutions.

Key survey findings:

- Cash flow analysis is the top finance and administration priority of the C-suite.
- Staff productivity and internal controls are of great concern to the C-suite.
- The C-suite sees accounts payable as the most time- and labor-intensive finance function.
- The C-suite tabbed accounts payable as their organization's most manual/paper-intensive process.
- The C-suite believes that the benefits derived from automating accounts payable would top the benefits from automating any other finance and administration function.
- Errors are the accounts payable department's biggest challenge in the eyes of the C-suite.
- Accounts payable is the C-suite's top priority for improvement in 2015.
- The majority of survey respondents (60.2 percent) anticipate that accounts payable will receive additional investment for process improvement projects in 2015.
- Payroll is the finance function that the C-suite is most likely to outsource followed by accounts payable and tax (each at 28.8 percent).

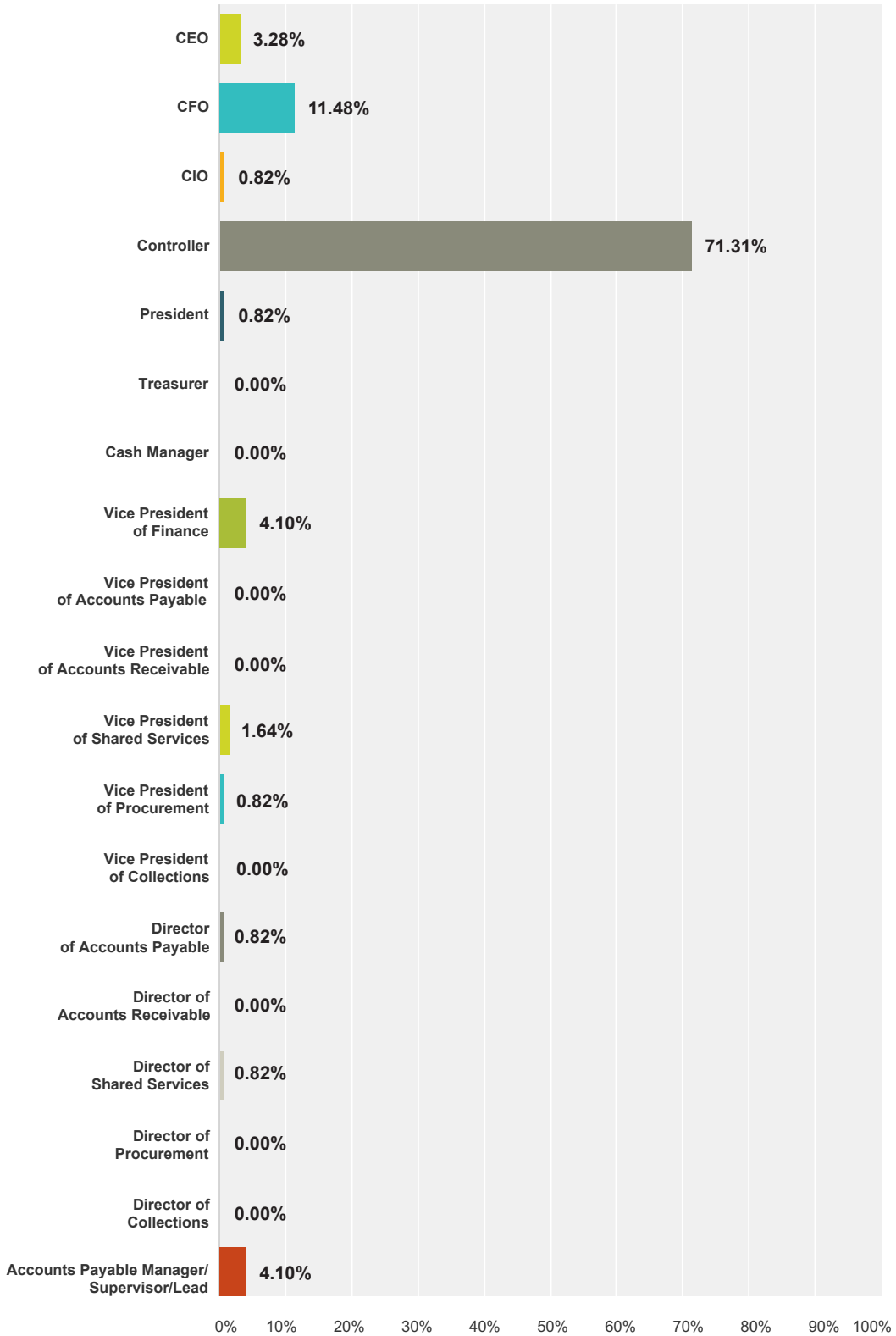
Performance management remains a largely manual affair at most companies, if it is done at all. Also, nearly half of the survey respondents indicated that they review reports highlighting key performance metrics monthly—hardly near-real-time visibility into finance processes. Managing cash and ensuring staff productivity are critical to the C-suite's job responsibilities. Yet our survey results show that the finance and administration functions at most organizations are still overrun with manual, labor-intensive processes that cost too much, limit visibility and cause errors.

In 2015, the C-suite plans to do something about their paper-driven finance processes.

Survey Methodology

The online survey was presented to several thousand senior finance executives during the summer of 2014. The survey was 20 questions, including some that could be answered instantly with a single mouse click and others that were more complex (and likely required the respondents to retrieve some information). Survey respondents were given several weeks to complete the survey. Some 122 finance professionals completed the survey, and 66 respondents answered every question.

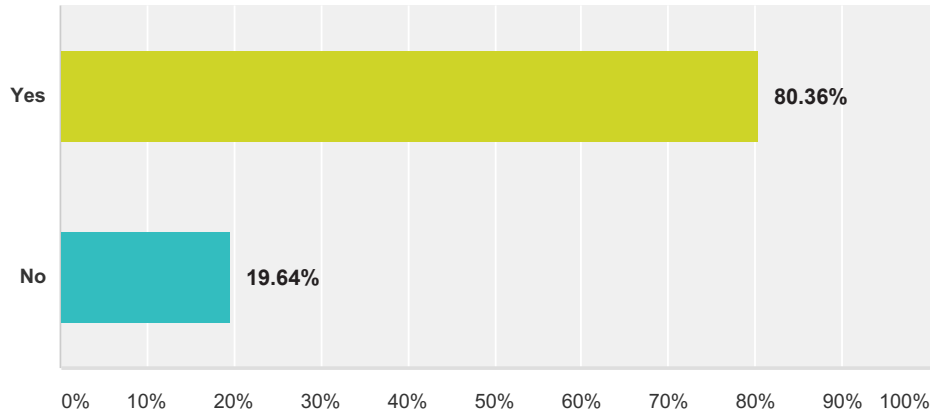
Which of the following best describes your job function?



Nearly 90 percent of the respondents to the survey came from the C-suite.

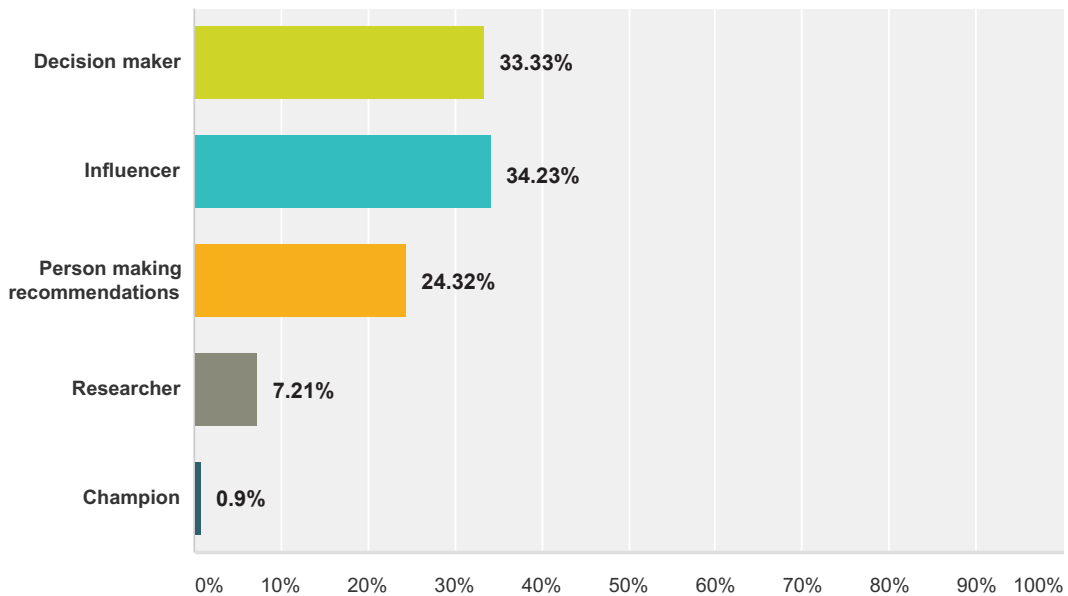
Controllers accounted for 71.3 percent of the survey respondents, while CFOs (11.5 percent of the survey respondents), CEOs (3.3 percent), CIOs (0.8 percent) and presidents (0.8 percent) also were among the respondents. Beyond the C-suite, titles provided by survey respondents included vice president of finance (4.1 percent of survey respondents), accounts payable manager/supervisor/lead (4.1 percent), director of accounts payable (0.8 percent) and director of shared services (0.8 percent).

Does your organization’s accounts payable department report directly to you?



With the C-suite accounting for such a large percentage of the respondents, it is no surprise that more than three-quarters of the respondents (80.4 percent) indicated that the accounts payable department reports directly to them. Only 19.6 percent of respondents said the accounts payable department does not report directly to them.

What is the primary role you play in your organization’s purchase of F&A outsourcing services?

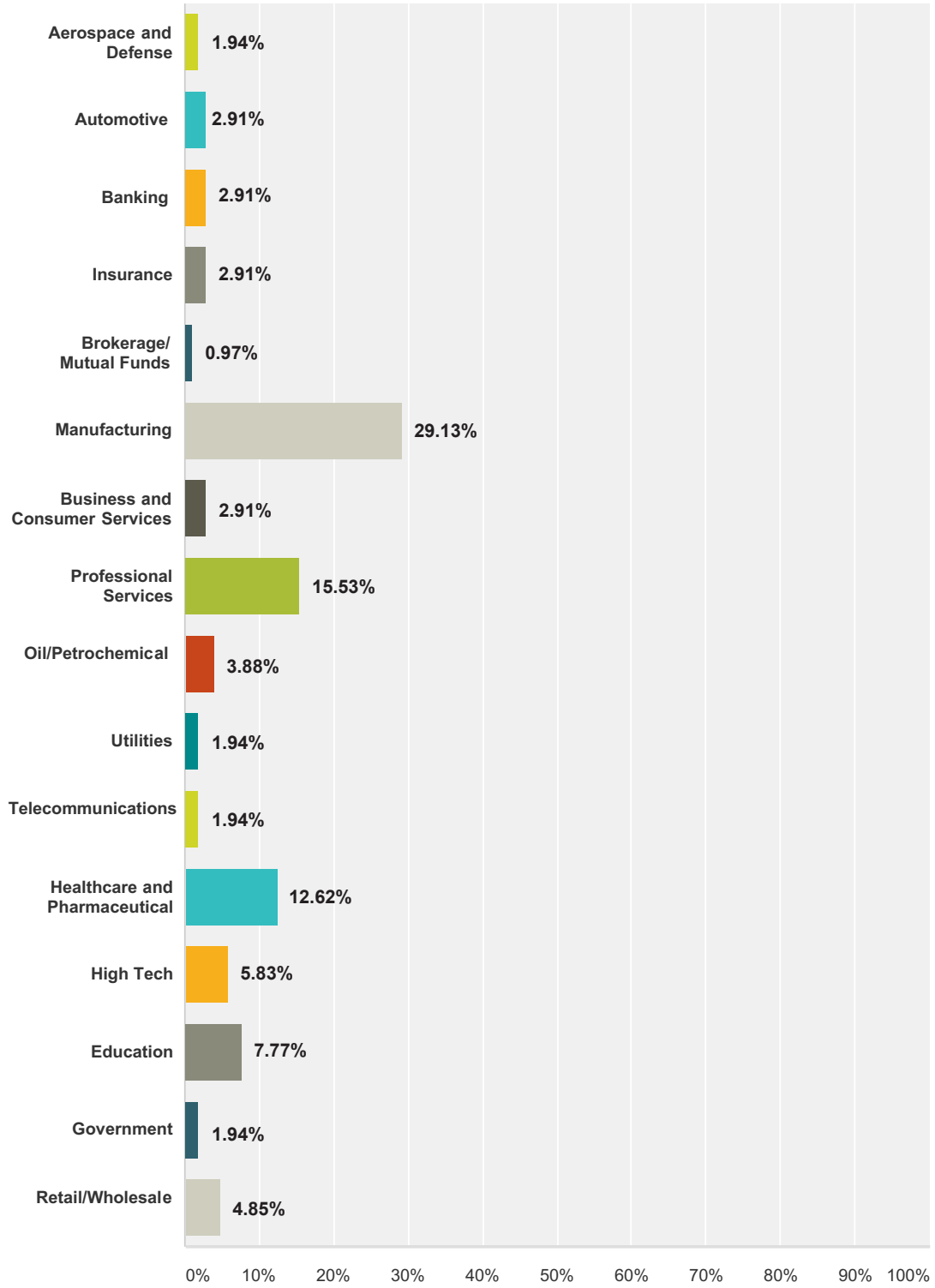


While it's clear that accounts payable directly reports to the vast majority of the respondents to our survey, the role these respondents play in purchasing outsourcing services is not so cut-and-dry.

One-third of the survey respondents (33.3 percent) indicated that they are the decision maker in finance and administration outsourcing purchases. A slightly higher percentage of respondents (34.2 percent) described themselves as an influencer in finance and administration outsourcing purchases.

Approximately one-quarter of respondents (24.3 percent) described themselves as the person making the recommendations on finance and administration outsourcing purchases. Some 7.2 percent of respondents stated that they are the researcher for finance and administration outsourcing services, while 0.9 percent of respondents indicated that they are the champion for outsourcing services.

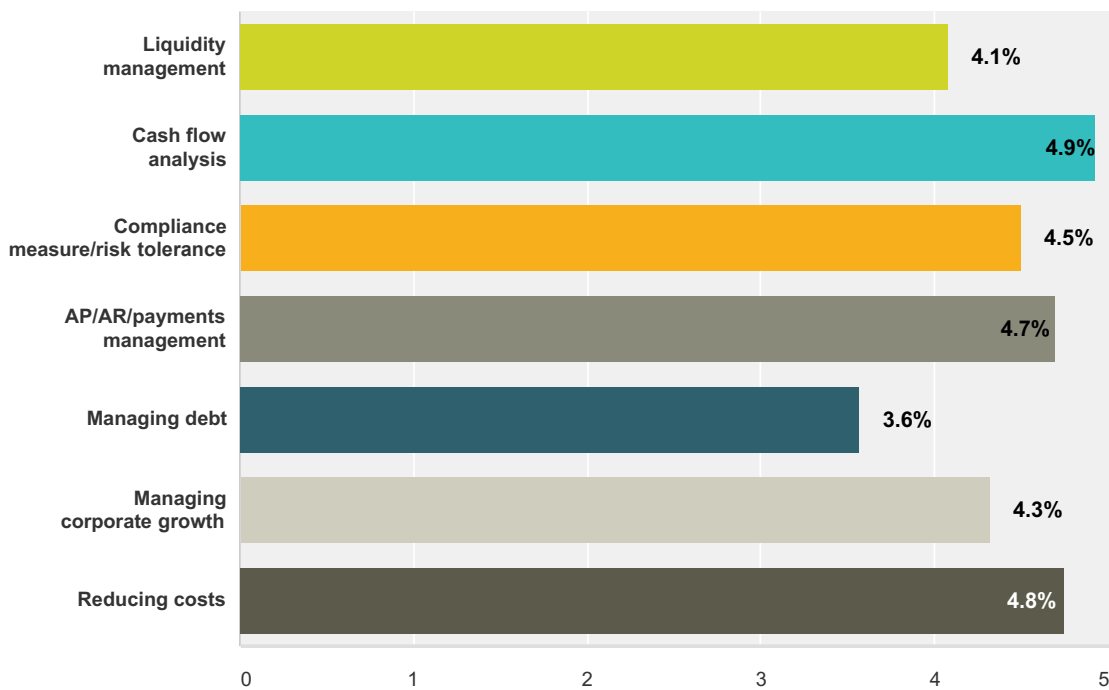
Which industry is your company in?



The majority of the survey respondents represented manufacturing, professional services, and healthcare and pharmaceutical firms. Nearly one-third of the survey respondents (29.1 percent) came from

manufacturing companies, while 15.5 percent of survey respondents represented professional services firms and 12.6 percent of respondents came from healthcare and pharmaceutical companies. Some 7.8 percent of respondents work for education organizations, while 5.8 percent of respondents came from high-tech companies and 4.9 percent of respondents represented retailers or wholesale distributors. Other industries represented by respondents included oil and petroleum companies (represented by 3.9 percent of survey respondents), business and consumer services (2.9 percent), automotive (2.9 percent), banking (2.9 percent), insurance (2.9 percent), aerospace and defense (1.9 percent), utilities (1.9 percent), telecommunications (1.9 percent), government (1.9 percent) and brokerage/mutual funds (1 percent).

Please rank the following within the F&A function, with 1 being the highest priority and 7 being the lowest priority.



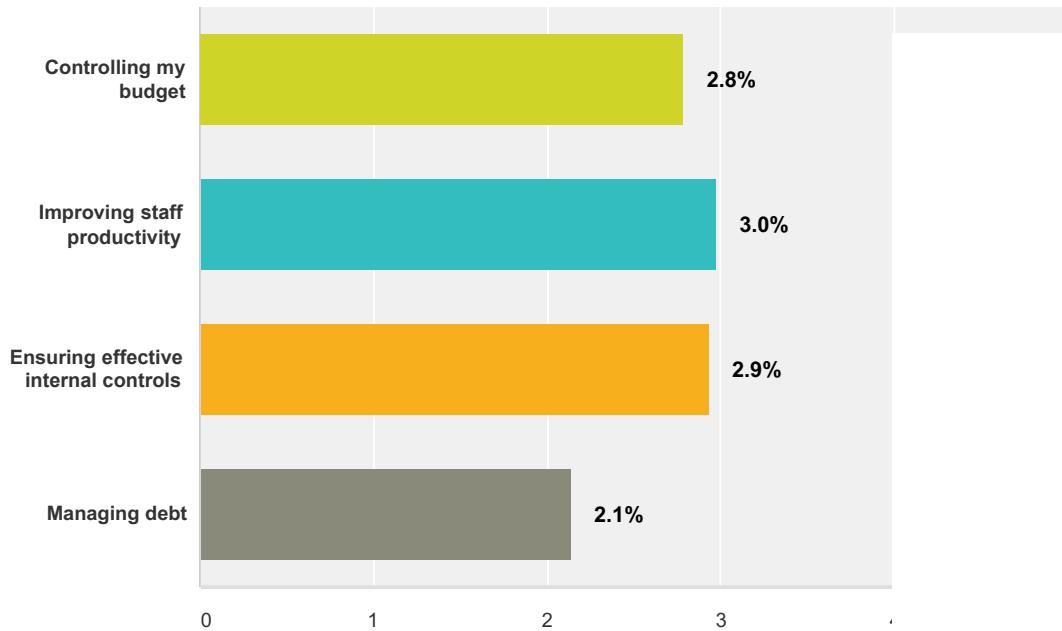
Survey respondents were asked to rank seven finance and administration functions based on their priority. Each rank was assigned weighted points, with a number one ranking receiving the most points.

Cash flow analysis is the top finance and administration priority of survey respondents. It received more votes as the top priority than any other finance and administration function. A cash flow analysis provides organizations with visibility into their assured income, irrespective of market or economic conditions. Effectively managing cash flow ensures timely payments, eliminates late fees, increases investable income and return ratios, and reduces the need for borrowing and corporate debt.

Reducing costs and managing accounts payable, accounts receivable and payments were the second and third-ranked functional priorities. Of course, effectively managing accounts payable, accounts receivable and payments can significantly reduce costs through reduced manual data entry, less paper handling and routing of documents, no paper filing and faster resolution of supplier inquiries.

The other top finance and administration priorities of survey respondents were mitigating risk and ensuring compliance, managing corporate growth, managing liquidity and managing debt.

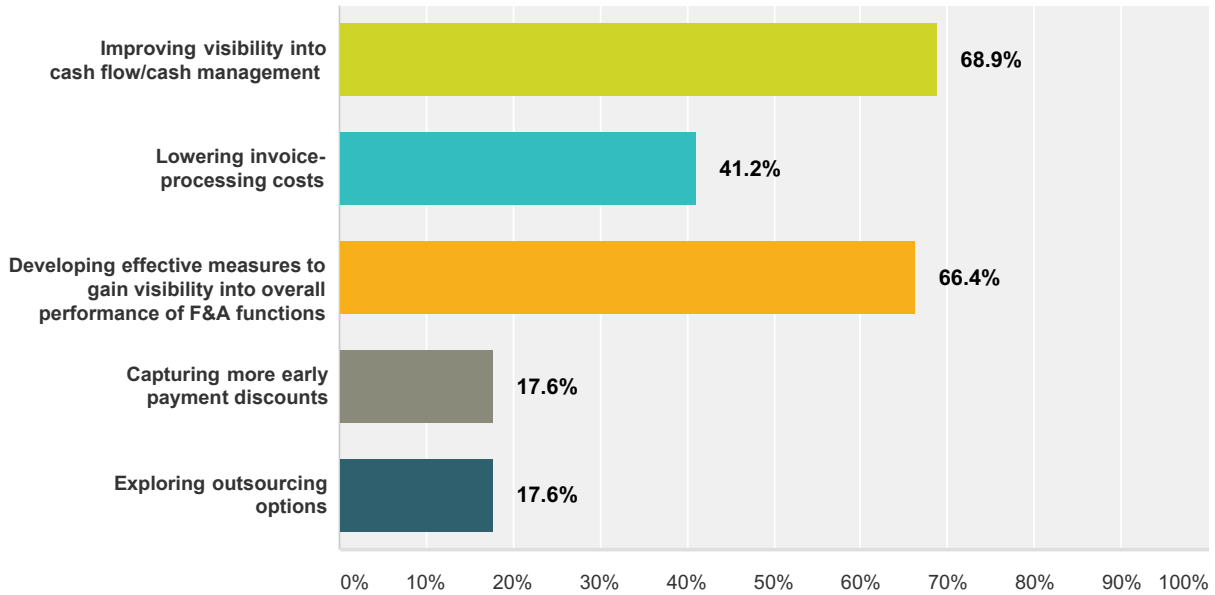
Please rank the following by level of concern, with 1 being of greatest concern and 4 being of least concern.



Staff productivity and internal controls are of great concern to the C-suite.

Survey respondents identified improving staff productivity as their greatest area of concern among the four options provided, narrowly topping ensuring effective internal controls. Most organizations continue to be challenged by tight margins and unrelenting pressure to control costs. Importantly, most finance and administration groups are reluctant to eliminate staff without deploying automation. And there is a limit to how much can be saved by putting pressure on suppliers to reduce costs. As a result, organizations are looking to make their staff as productive as possible. Controlling the budget was the third-biggest area of concern, while debt management was by far of least concern, suggesting that the organizations represented by survey respondents don't have onerous levels of corporate debt.

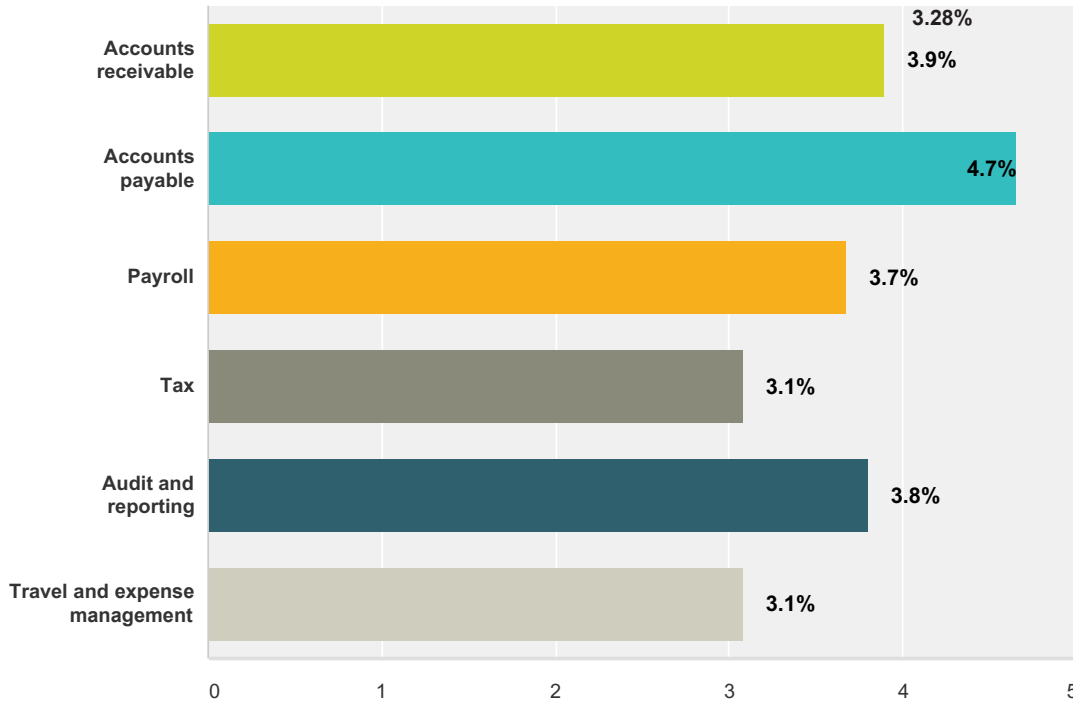
Of the following, which are your top finance and administration priorities for the next year (check all that apply)?



Improving visibility into cash flow and operational performance are the C-suite’s top finance and administration priorities for the next year. More than two-thirds of survey respondents (68.9 percent) ranked improving visibility into cash flow and cash management as their most important priority for the next year, narrowly ahead of improving visibility into the overall performance of finance and administration functions (identified by 66.4 percent of survey respondents). Nearly half of the survey respondents (41.2 percent) indicated that lowering invoice-processing costs was their top priority for the next year. According to IOFM’s 2013 AP Department Benchmarks and Analysis report, it costs organizations overall an average of \$7.58 to process a purchase order (PO)-based invoice, with a median cost of \$3.70. Highly automated accounts payable (AP) departments and those reporting a medium level of automation report spending considerably less—\$7.03 and \$6.99, respectively—to process a PO-based invoice.

Capturing more early-payment discounts and exploring outsourcing options round out the C-suite’s top finance and administration priorities, both identified by 17.6 percent of respondents. Beyond improvements in cost and efficiency, outsourcing enables organizations to leverage automation without the hefty upfront capital expense and ongoing maintenance cost of on-premise solutions.

Please rank the following finance functions by the amount of time and effort they require within your department, with 1 representing the function that requires the greatest time and effort and 6 representing the function that requires the least time and effort.

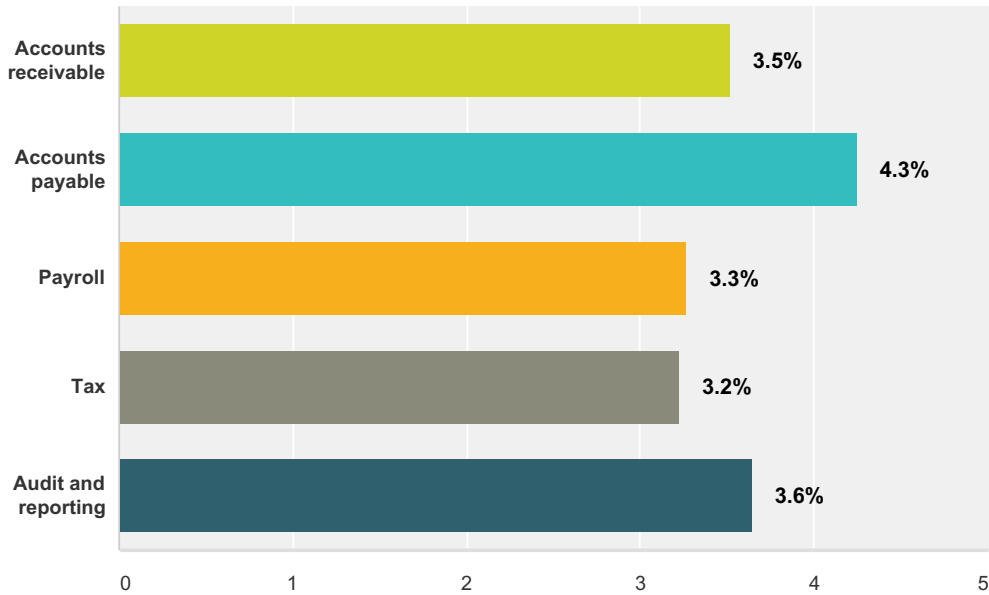


The C-suite sees accounts payable as the most time- and labor-intensive finance and administration function. Accounts payable received nearly twice as many votes from respondents as the most time- and labor-intensive finance and administration function than the next highest-ranked function.

IOFM's 2013 AP Department Benchmarks and Analysis report confirmed the C-suite's view. IOFM found that it takes organizations an average of five days and a median time of four days to process an invoice. Similarly, the average number of non-PO invoice payments made per month by a full-time AP staff member stands at a skimpy 903 payments, according to IOFM's 2013 research, with top-performing organizations reporting a non-PO invoice-processing volume of 2,408 per staffer. On the bright side, the average number of PO invoices processed per month by an AP staffer is 2,728, IOFM found.

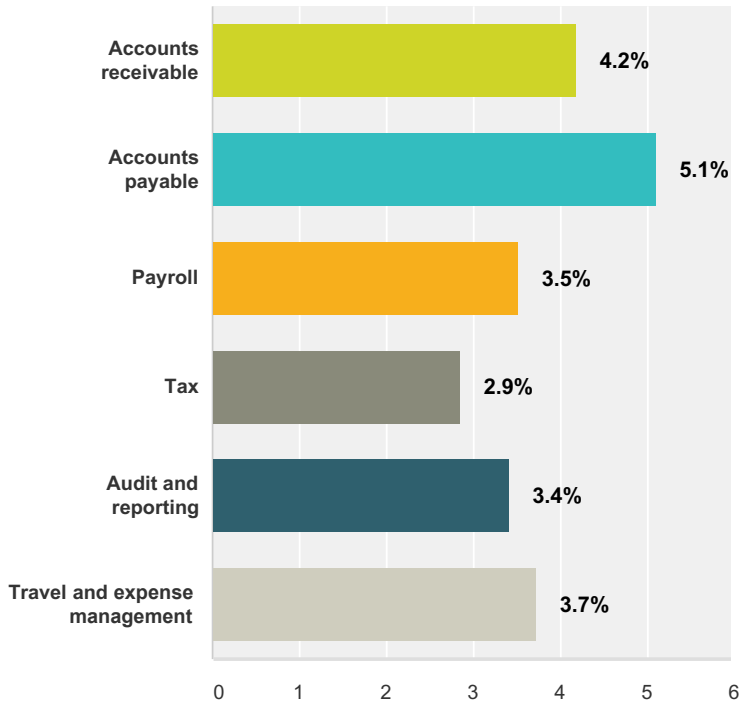
After accounts payable, the C-suite sees accounts receivable, audit and reporting, and payroll as the most time- and labor-intensive finance and administration functions. Tax and travel and expense management round out the list of the most time- and labor-intensive finance and administration functions, according to respondents. IOFM's 2013 AP Department Benchmarks and Analysis report found the median number of travel and expense reports processed per month per AP staffer is just 150.

Please rank the following finance functions based on the level of manual/paper-intensive processes they involve, with 1 representing the function with the highest level and 6 representing the lowest level of manual/paper-intensive processes.



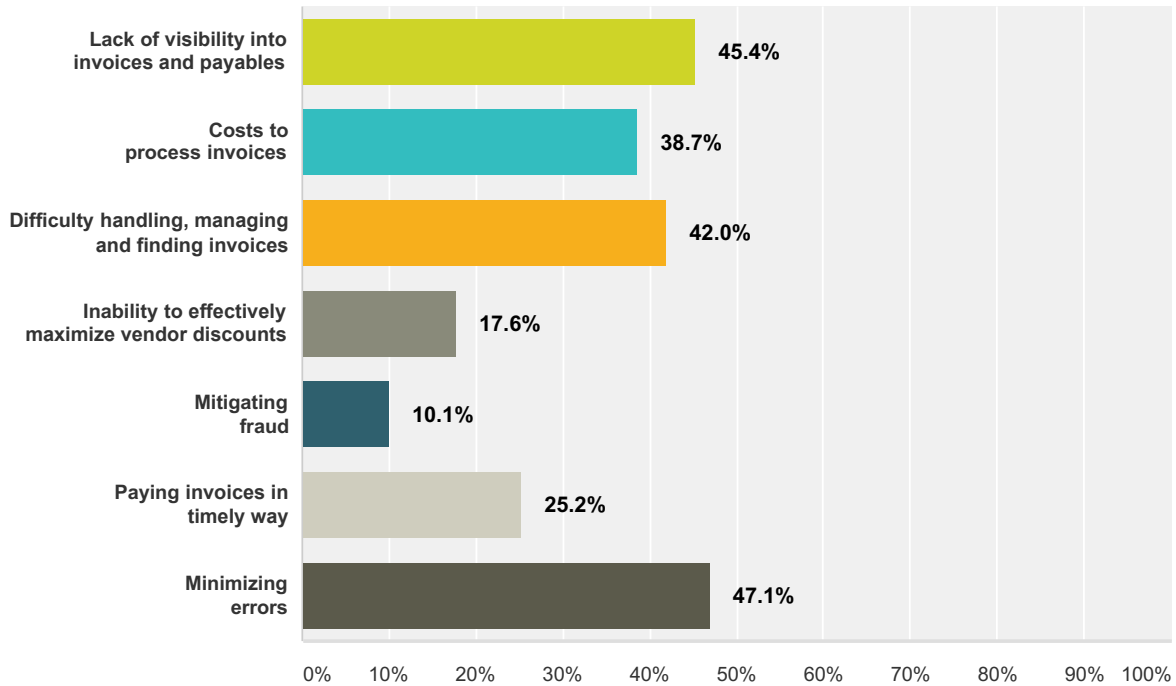
With the C-suite identifying accounts payable as the most time- and labor-intensive finance and administration function, it is no surprise that they tabbed accounts payable as their organization’s most manual/paper-intensive process. The vast majority of organizations surveyed for IOFM’s 2013 AP Department Benchmarks and Analysis report described their level of automation as low to moderate. Manually processing paper invoices requires significant data entry, paper handling and routing, exceptions resolution, supplier inquiries, document filing and retrieval, and searching for lost or misplaced invoices. Audit and reporting is the second-most manual/paper-intensive process at organizations represented by survey respondents, followed by accounts receivable, payroll and tax.

Please rank the following finance functions in terms of the level of benefit they would receive from automating workflow, with 1 representing the function that would benefit the most and 6 representing the function that would benefit the least.



The C-suite believes that the benefits derived from automating accounts payable would top the benefits from automating any other finance and administration function. In fact, Aberdeen Group research shows that AP organizations with a high level of automation have over four times greater visibility into their overall organizational cash flow than other organizations, nearly 13 days lower days payables outstanding, and nine days lower days sales outstanding. The C-suite sees accounts receivable automation as delivering the second-greatest level of benefit, followed by the benefits derived from automating travel and expense management, payroll, and audit and reporting. The C-suite sees relatively little benefit from automating tax, which survey respondents identified as the least manual/paper-intensive finance and administration function within their organizations.

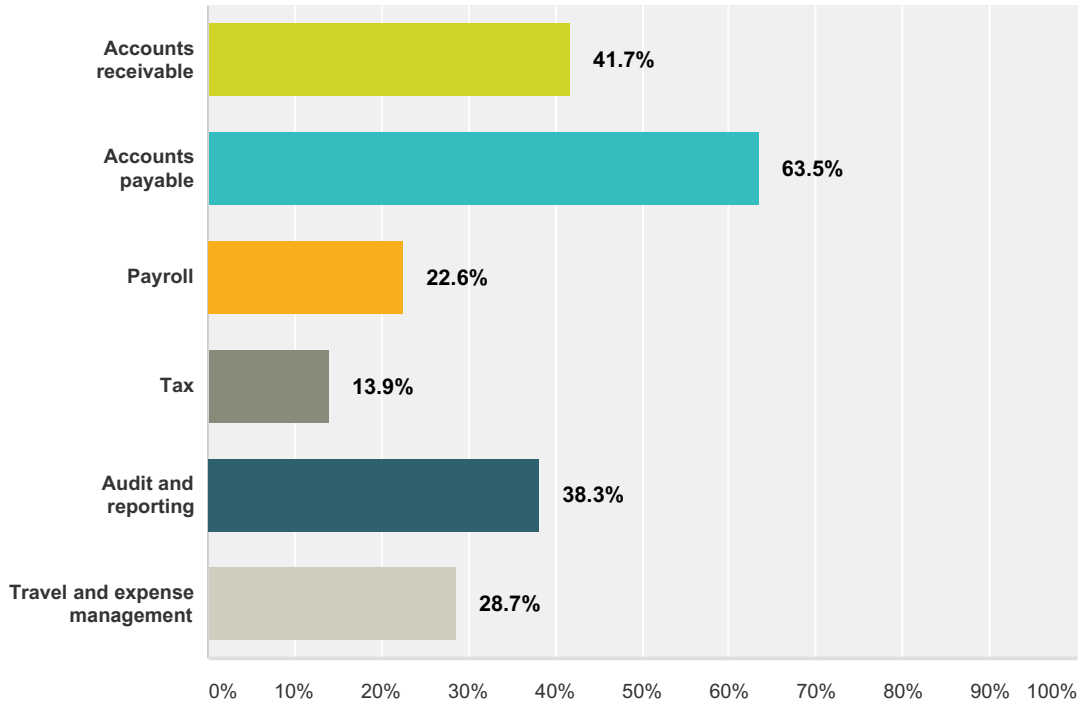
Which of the following are the biggest challenges in your AP department (check all that apply)?



Errors are the accounts payable department’s biggest challenge in the eyes of the C-suite. Nearly half of the respondents to the survey (47.1 percent) identified minimizing errors as one of their accounts payable department’s biggest challenges. A lack of visibility into invoices and payables was the second-most frequently named accounts payable challenge, identified by 45.4 percent of survey respondents. A lack of visibility into invoices and payables comes as no surprise when you consider that the survey respondents tabbed accounts payable as their most manual/paper-intensive function; it is difficult to unlock information trapped on paper documents such as invoices. Similarly, 42 percent of survey respondents identified handling, managing and finding invoices as a top challenge of their accounts payable department—a challenge that is eliminated through invoice-processing automation.

High invoice-processing costs (identified by 38.7 percent of survey respondents), timely payment of invoices (25.2 percent) and the inability to effectively maximize vendor discounts (17.6 percent) were the other top challenges of accounts payable departments represented by survey respondents. Few survey respondents (10.1 percent) saw fraud mitigation as a top accounts payable challenge.

Which of the following finance functions is a priority for improvement in 2015 (check all that apply)?

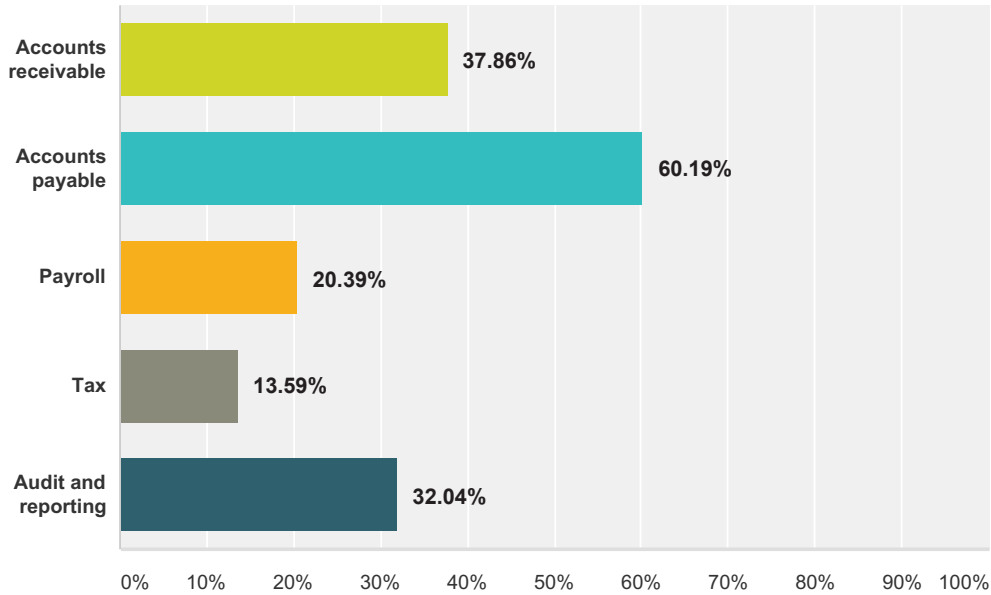


Accounts payable is the C-suite’s top priority for improvement in 2015. Nearly two-thirds of survey respondents (63.5 percent) identified accounts payable as a priority for improvement. With accounts payable representing the most time- and labor-intensive finance function, as well as the most manual and paper-intensive, it is no surprise that the C-suite would make it a priority for improvement.

Accounts receivable is the C-suite’s second-highest priority for improvement in 2015. Some 41.7 percent of survey respondents identified accounts receivable as a priority for improvement.

Audit and reporting (identified by 38.3 percent of respondents), travel and expense management (28.7 percent) and payroll (22.6 percent) rounded out the C-suite’s top priorities for improvement. Only 13.9 percent of respondents placed the tax function among their priorities for improvement.

Compared to 2014, which of the following F&A functions do you anticipate will receive additional investment for process improvement projects in 2015 (check all that apply)?

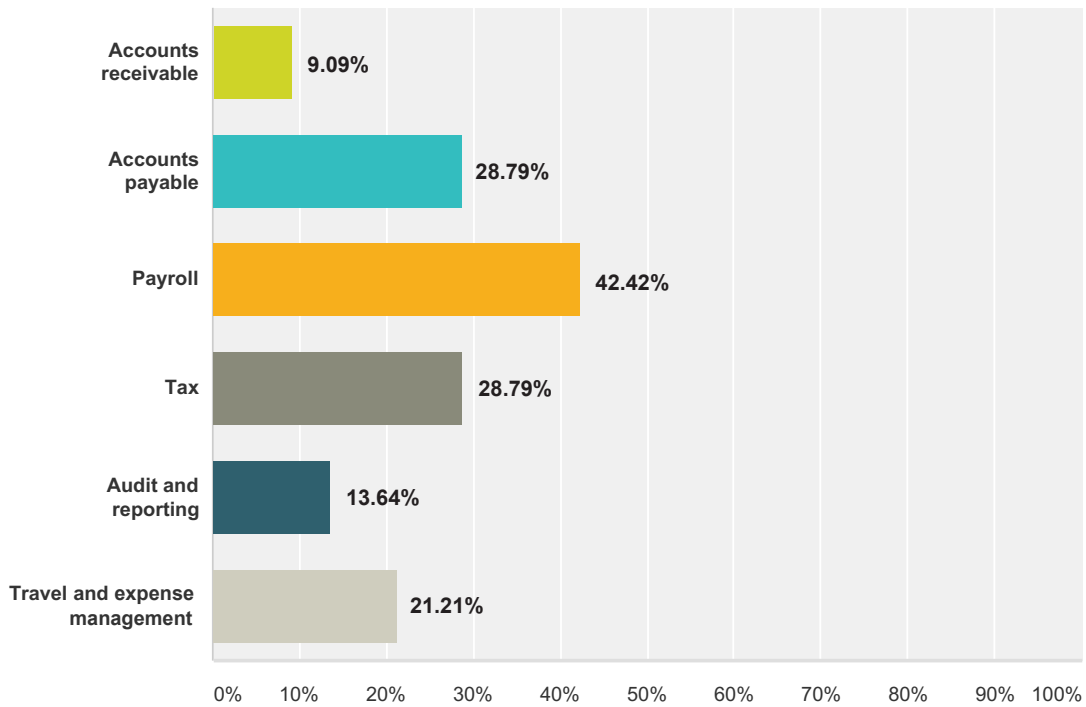


When it comes to improving the accounts payable function, the C-suite is backing up its plans with additional capital. The majority of respondents (60.2 percent) anticipate that accounts payable will receive additional investment for process improvement projects in 2015—the only finance function that the majority of survey respondents expect will receive more investment compared to 2014.

More than one-third of survey respondents (37.9 percent) anticipate that accounts receivable will receive additional investment for process improvement projects in 2015, while 32 percent of survey respondents expect that audit and reporting will receive additional investment for improvement projects. Approximately one-quarter of survey respondents (20.4 percent) anticipate that payroll will receive additional investment for improvement projects in 2015. Only 13.6 percent of survey respondents expect that tax will receive additional investment for improvement projects in 2015.

Not coincidentally, the likelihood of a function receiving additional investment for improvement projects in 2015 mirrors the priority that the C-suite places on improving the function.

For which of the following finance functions do you plan to leverage outsourcing in order to achieve process improvement (check all that apply)?

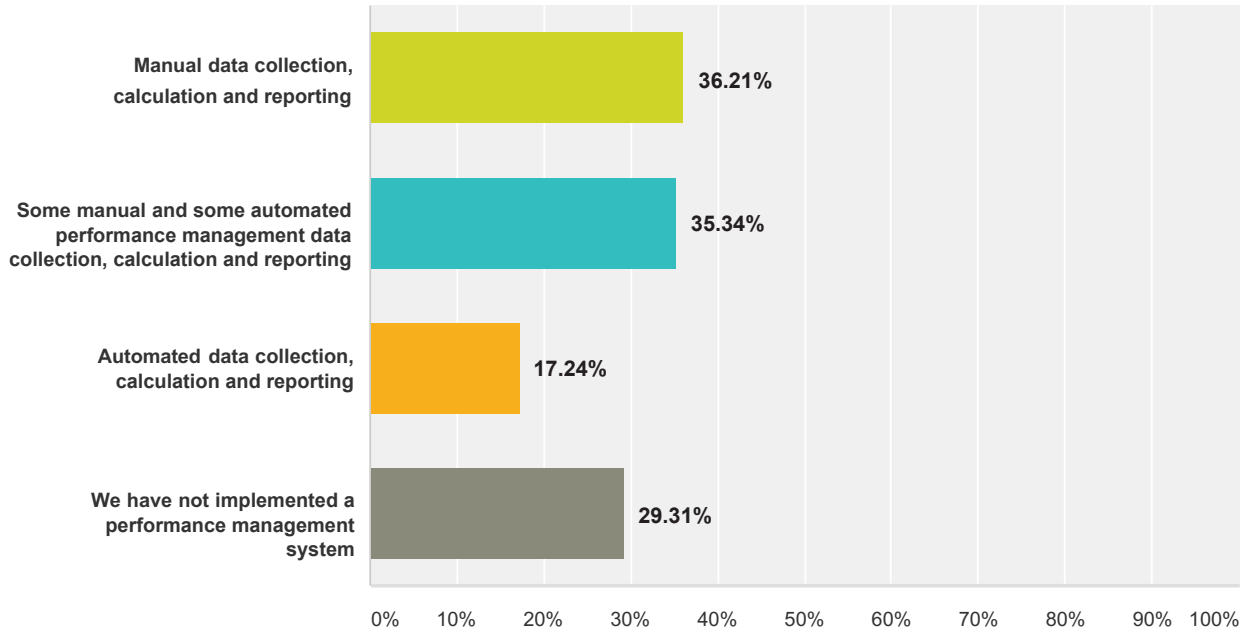


Payroll is the finance function that the C-suite is most likely to outsource.

Nearly half of the survey respondents (42.4 percent) indicated that they plan to leverage outsourcing for payroll in order to achieve process improvement. Some 28.8 percent of survey respondents stated that they plan to leverage outsourcing for accounts payable in order to achieve process improvement, while another 28.8 percent of respondents indicated that they plan to leverage outsourcing for tax.

Approximately one-quarter of the survey respondents (21.2 percent) indicated that they plan to leverage outsourcing for travel and expense management in order to achieve process improvement, while 13.6 percent of survey respondents plan to leverage outsourcing for audit and reporting and 9.1 percent of survey respondents plan to leverage outsourcing for accounts receivable.

What performance management system do you use to measure key performance indicators for F&A processes such as invoice cycle time (check all that apply)?



Performance management remains a largely manual affair at most companies, if it is done at all.

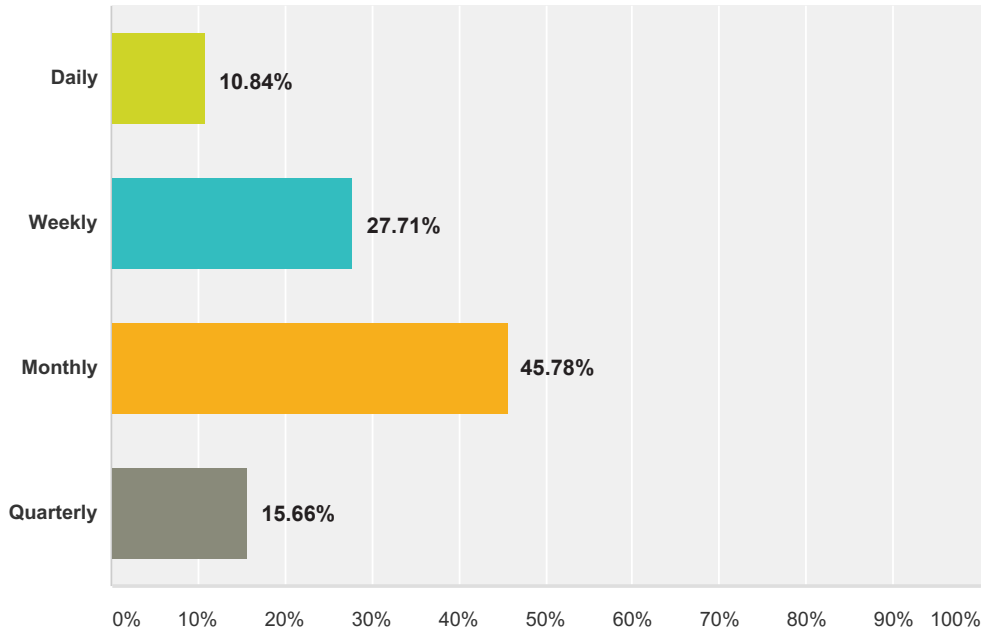
More than one-third of survey respondents (36.2 percent) indicated that their organization uses manual data collection, calculation and reporting (such as with Excel spreadsheets). A slightly smaller percentage of survey respondents (35.3 percent) stated that their organization uses some manual and some automated performance management data collection, calculation and reporting.

Only 17.2 percent of survey respondents indicated that their organization uses automated data collection and calculation with near-real-time reporting (such as with a performance dashboard).

Conversely, more than one-quarter of survey respondents (29.3 percent) admitted that their organization has not implemented a performance management system for finance processes.

With so few organizations using a performance management system to measure key performance indicators, it is no wonder that 66.4 percent of survey respondents identified improving visibility into the overall performance of finance and administration functions as a top priority for the next year.

How often are you reviewing reports highlighting key performance metrics in order to identify and implement F&A performance improvements?

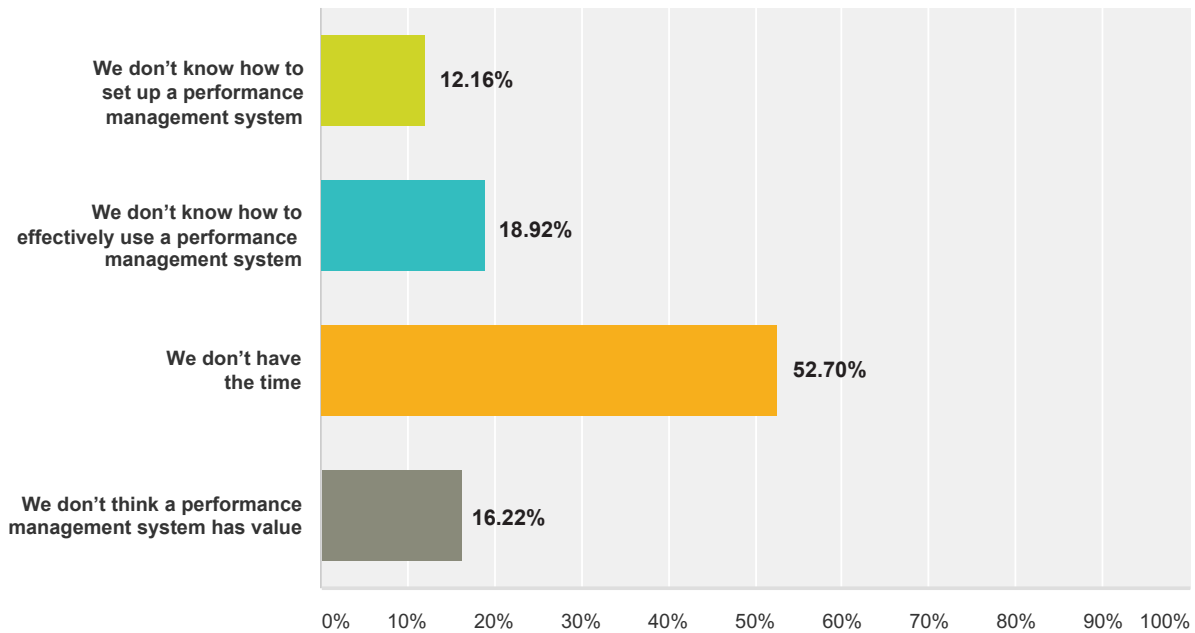


Nearly half of the survey respondents (45.8 percent) indicated that they review reports highlighting key performance metrics monthly—hardly near-real-time visibility into finance processes.

Approximately one-quarter of respondents (27.7 percent) stated that they review reports highlighting key performance metrics weekly, while 15.7 percent of survey respondents review reports quarterly.

Only 10.8 percent of survey respondents review reports highlighting key performance metrics daily.

If your company has not implemented a performance management system to measure key performance indicators for F&A processes, why not?

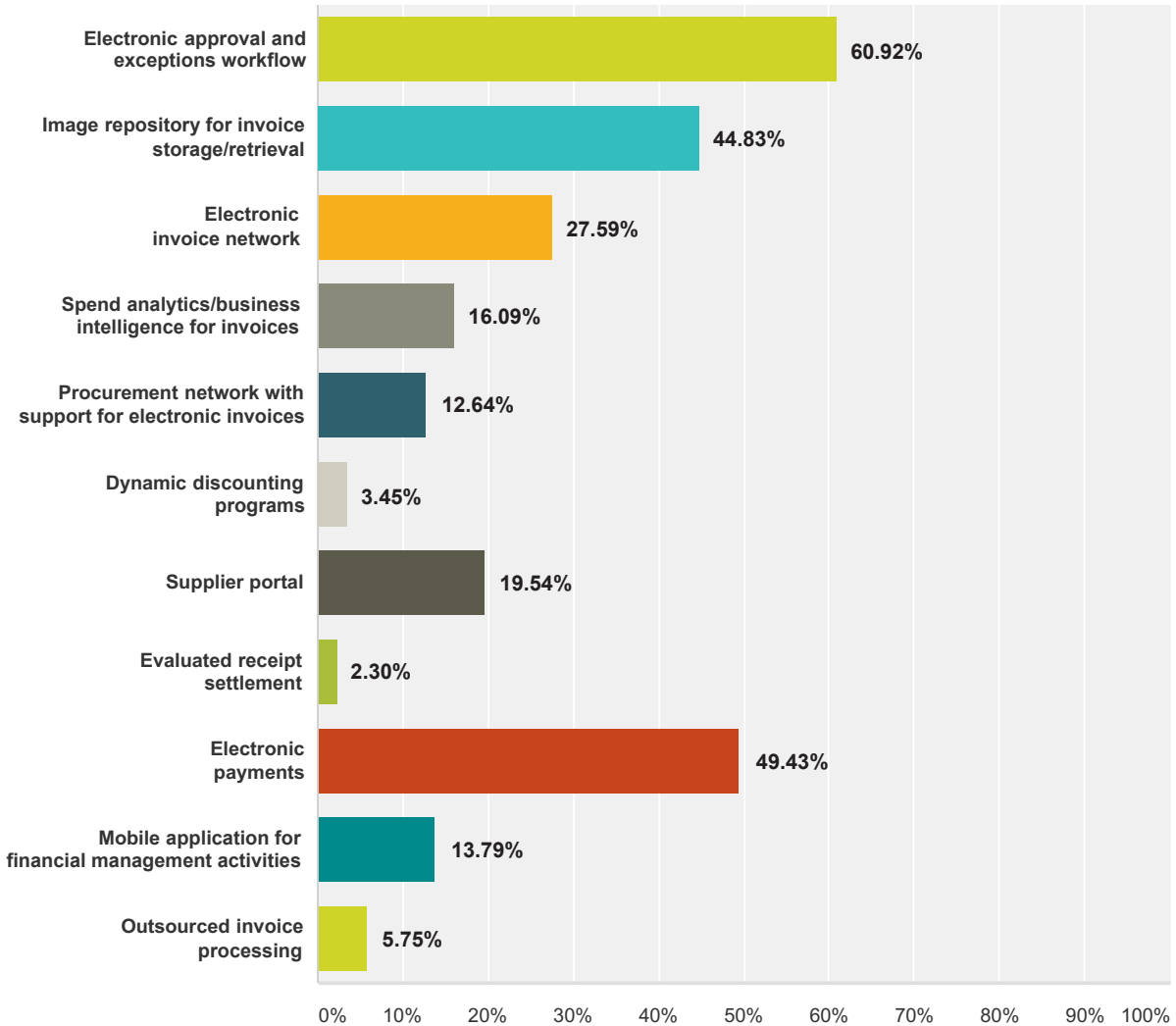


A lack of time is the top reason companies have not deployed a performance management system.

More than half of the survey respondents (52.7 percent) indicated that a lack of time is the reason that their company has not implemented a performance management system to measure key performance indicators for finance and administration functions. Some 18.9 percent of survey respondents stated that their company hasn't implemented a performance management system because it doesn't know how to effectively use one (talk about a "chicken or the egg" scenario!). Similarly, 12.2 percent of respondents said their company does not know how to set up a performance management system.

Despite corporate America's increasing focus on improving operational effectiveness, a surprisingly high 16.2 percent of respondents said they didn't see the value of a performance management system.

Which of the following capabilities/tools does your organization plan to deploy within the next year (check all that apply)?



With the C-suite placing a priority on improving accounts payable processes, it was predictable that electronic approval and exceptions workflow, electronic invoice storage and retrieval, and electronic payments are the top capabilities/tools that their organizations plan to deploy by 2016.

The majority of survey respondents (60.9 percent) indicated that their organization plans to deploy an electronic approval and exceptions workflow solution within the next year. Automated workflow solutions significantly accelerate invoice cycle times, improve visibility into invoice processes and eliminate the opportunity for lost or misplaced invoices. Half of the survey respondents (49.4 percent) expect their organization to deploy electronic payments within the next year, while 44.8 percent of survey respondents expect their organization to deploy electronic invoice storage and retrieval (which goes hand in hand with automated approval and exceptions workflow technology).

More than one-quarter of the respondents (27.6 percent) indicated that their organization plans to deploy electronic invoice network capabilities within the next year. An electronic invoice network automates the process of receiving, validating and routing invoices. A supplier portal (identified by 19.5 percent of survey respondents), spend analytics (16.1 percent), mobile applications for financial management (13.8 percent) and a procurement network with support for electronic invoices (12.8 percent) round out the top capabilities/tools that organizations plan to deploy within the next year.

Only 3.4 percent of organizations plan to deploy dynamic discounting programs within the next year; even fewer organizations (2.3 percent) plan to deploy evaluated receipt settlement capabilities/tools.

Summary

Controllers and senior finance executives are focused on better managing cash flow and ensuring staff productivity. Not surprisingly, improving visibility into cash flow and operational performance are their top job priorities for 2015. But paper-driven finance and administration functions are standing in the way. Accounts payable remains the most time- and labor-intensive finance function, and it generates significant numbers of errors. For this reason, controllers believe that automating accounts payable would provide greater benefit than any other finance and administration function. Not coincidentally, organizations are planning to increase their investments in accounts payable automation in 2015 (compared to investments during the previous calendar year), and have made automating accounts payable, or leveraging outsourcing for the function, a priority. Controllers may find additional opportunities for improvement by implementing performance management systems to measure key performance indicators, and more regularly reviewing performance reports. Together, these steps should make it easier for controllers to meet their most pressing finance objectives.

Sponsor Perspective

Canon Business Process Services

According to survey findings, AP is the C-suite's top priority for improvement for the year ahead. Additionally, many survey respondents stated that they plan to leverage outsourcing for AP in order to achieve process improvement. Taking these and other findings into account, and factoring in our experience with clients, we offer three recommendations that controllers and other senior finance executives can leverage to significantly advance their current AP department.

Think strategically about your in-house and outsourced support. Finance executives and AP practitioners should concern themselves with accuracy, compliance and relationships with suppliers and internal managers—not with optical character recognition (OCR) software, data extraction, workflow and automation. Those tasks are much better delegated to a managed service provider and team of experts. Furthermore, our experience indicates that companies that at least partially outsource their AP operations reap numerous benefits, namely lower cost per invoice and shorter cycle time.

Keep in mind that there are some AP functions that yield higher returns when outsourced than others. For example, outsourcing front-end invoice imaging and data conversion—in which the service provider receives the invoices and then scans and uploads them into the appropriate document capture system — allows organizations to achieve significantly lower cost per invoice and faster processing time. Based

on our work with clients, the exception rate in an outsourced AP process is lower than that of an AP department that does not outsource AP.

An organization can obtain even greater benefits if the service provider captures data from the scanned invoice using OCR, and then validates and deposits the data into the client's ERP system, eliminating the need for manual data entry.

Centralize invoice receipt. Implementing a process in which suppliers send invoices directly to the AP department adds a layer of control to the entire AP process—and also has the ability to save significant time and money. We've found that when AP departments adopt this centralized structure, the cost and time taken to process an invoice are reduced significantly. The efficiency with which invoices are processed also increases, as does the percentage of invoices that are processed in a touch-less manner.

Leverage AP process automation. AP process automation involves capturing and extracting data, routing invoices for approval, matching invoice data and resolving discrepancies. Advancements in workflow automation technologies are continuously improving the AP process, and it is our view that setting up and maintaining AP process automation are tasks best left in the capable hands of a managed service provider.

We have found that organizations that deploy AP automation achieve reductions in cost per invoice and invoice cycle time, and an average department's staff can process more invoices during the same time frame. All of these benefits add up to significant savings for companies that process high volumes of invoices.

Following is an example of the transformation an AP department can undergo when the practices above and others are put into action. One of our clients, a research-based biopharmaceutical company, adopted an outsourced process that includes end-to-end invoice processing. Our team receives the invoices and scans them into the biopharmaceutical company's image capture/workflow system. Canon's offshore Business Processing Center in the Philippines then accesses the invoices remotely by VPN and provides several important services. These include invoice validation, such as ensuring that invoice data is extracted correctly into the image capture system. The Canon team also verifies invoice PO numbers and rectifies wrong numbers when needed, matches the correct supplier to the corresponding PO and also matches invoice line items to those on the corresponding PO. Additionally, our team codes and routes non-PO invoices for approval.

As a result of these and other changes, the biopharmaceutical company has achieved a 22 percent increase in on-time payment of invoices. The invoice rejection rate was reduced by 10 percent and the average exception invoice cycle time was lowered by 50 percent (from 15 to 7.5 days). And due to the 50 percent reduction in invoice cycle time for exception invoices, relationships that support the company's supply chain significantly improved.

This company's story is a case in point of how these strategies can serve as a road map for controllers, finance executives and AP professionals tasked with improving their AP departments. On their own, strategic in-house and outsourced support, centralized invoice receipt and process automation can improve any organization's AP department. However, when these initiatives are deployed simultaneously, the positive impact can be much greater.