

Lean Manufacturing Demands Intelligent AP Automation

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The accounting process is the lifeblood of every manufacturing organization, and therefore deserves to be treated with the same priority placed on contributors to the production line.

By definition, Lean manufacturing is intended to reduce the waste of time and resources that do not directly add value to the business. In manufacturing, this philosophy is most evident on the production line, which is continually analyzed and altered in order to maximize employee talents, reduce time spent on menial tasks, eliminate the waste of raw materials and mitigate duplicative efforts.

While these elements are essential to a streamlined production process, most manufacturing organizations overlook applying them to their business processes to take efficiency to the next level. The accounting process is the lifeblood of every manufacturing organization, and therefore deserves to be treated with the same priority placed on contributors to the production line.

Accounts payable (AP) automation technology achieves three keys benefits that complement the lean manufacturing process: It eliminates waste, optimizes AP workflow to ensure that tasks and responsibilities are clearly defined and executed among the team, and affords organizations intelligent automation opportunities through integration with the organization's enterprise resource planning (ERP) solution.

1. AP Automation Eliminates Waste

The first step for manufacturers seeking efficiency in their accounting process is to eliminate the waste of paper, time and processing costs, allowing employees to spend less time on menial processing tasks and more time adding strategic value to the organization.

For example, as one of the nation's largest food distribution companies, Perishable Distributors of Iowa (PDI) faced many workflow inefficiencies, several of them related to a high volume of paper.

When Metafile first began working with PDI to implement its *MetaViewer* AP document management and workflow solution, an in-depth process analysis revealed that the accounting department was processing more than 3,500 paper invoices per month, and each invoice was touched between 34 and 42 times during processing. The combination of a high volume of paper invoices and a complicated AP process resulted in numerous logistical, organizational and financial challenges.

After evaluating the organization's AP process, identifying duplicative efforts and implementing AP/AR automation technology, PDI realized ROI on its technology investment in less than one year and decreased annual processing costs from \$135,000 per year to \$80,000.

PDI and others who have implemented AP automation technology have found that employees spend less time on process-oriented tasks, and thereby are empowered to add real value to the organization.

2. AP Automation Increases Workflow Efficiency

Lean manufacturers should look to AP automation solutions that offer built-in rather than add-on workflow automation tools that can adapt to established business rules. By leveraging a permission-based interface, AP professionals can immediately establish and modify routing and approval rules among AP staff. These tools are extremely flexible, allowing AP professionals to adjust those rules to specific customers, suppliers and other stakeholders.

Workflow routing can eliminate several days of pre-processing time in a variety of organizations. Using a permission-based system, routing and approval rules can be modified with a few keystrokes in vendor and customer records. Once modified, newly designated approvers can be regularly reminded via e-mail about invoices awaiting their action. The best solutions also allow alternate approvers to be designated and notified if primary approvers are absent.

A lean manufacturer is flexible and able to nimbly handle its processes. By enabling managers to automate routing, they are able to boost efficiency and devote more time to value-added tasks, such as identifying areas for cost savings or strengthening relationships with vendors and suppliers.

3. Intelligent Automation

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Manufacturers manage many suppliers, vendors and customers, which results in a high volume of different types of invoices, payments and payment forms. To combat this high volume, one of the most significant steps a manufacturer can take toward a lean accounting process is to integrate AP automation technology with its existing ERP solution, such as Microsoft Dynamics, to achieve intelligent automation.

Intelligent automation is rooted in accounting systems that deliver built-in intelligence across the customer and supplier landscape, ensuring that once information is entered at any point in the procure-to-pay process — whether using the AP automation solution or the ERP — it will never need to be rekeyed but will appear automatically as work and data flow through the process. As any organization that deals with a large number of business partners understands, eliminating the need to rekey data eliminates unnecessary menial labor.

Intelligent automation helps introduce visibility into accounting processes and identify system breakdowns. This increased visibility allows accounting department leaders and C-level executives to view the impact of those processes on the bottom line and make highly strategic decisions based on accurate, up-to-the-minute information.

Just as manufacturers aim to streamline the production line to reduce waste of raw materials, save time and maximize employee productivity via lean manufacturing, organizations that take steps to integrate AP automation technology into their ERP solutions stand to gain similar benefits within their accounting functions, making accounting a true contributor to a lean manufacturing environment.

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