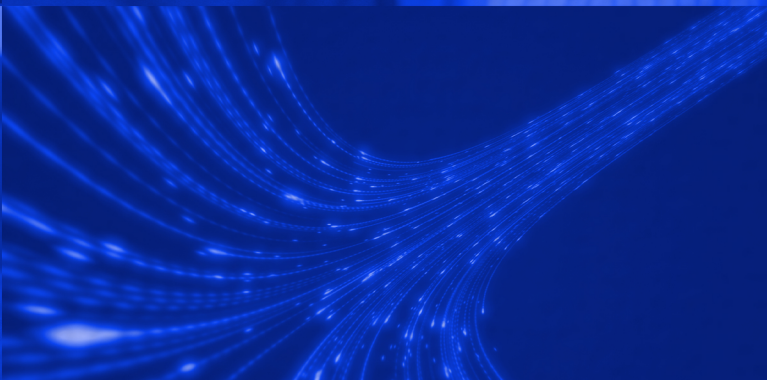


The finance leader's guide to AP automation



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Organizations expect more from their accounts payable (AP) department in uncertain times like these. Today's CFOs need AP to become a strategic partner, driving efficiency and cost savings, unlocking working capital, and delivering actionable insights in cash flows and corporate spending. Living up to those expectations requires AP teams to free themselves from manual, repetitive tasks.

While many AP departments have automated their processes at least in part, achieving the full benefits of automation has proven to be elusive. Technology providers abound, promising to bridge the gap. Yet, a graveyard of failed AP automation and e-invoicing projects litters the landscape.

Poor technology decisions are only partly to blame for middling results from AP automation. A big share of the responsibility rests on an inability to guide genuine change within existing processes. Optimizing processes, delivering value, and embracing change are key to AP automation success.

"AP automation is not only a technological shift but also a fundamental change in behavior," explains Bogdan Agache, Director of Seller Integration at Tradeshift. "Uniquely, this journey involves not just co-workers but the entire supplier base. The way we frame this change is crucial—we must define success not just in terms of what good looks like for us, but in creating a compelling value proposition that motivates and facilitates our suppliers to join us."

The stakes have never been higher for AP leaders to deliver on the promise of automation. Navigating economic turbulence demands that organizations do more with less. AP is no exception. And with budgets under intense scrutiny, CFOs are prioritizing projects with demonstrably rapid return on investment (ROI). Done right, AP automation falls squarely in that category.

This paper will show you how to deliver outcomes that will make you shine in front of your bosses.



49%
of AP
departments
currently use
automation¹

What does optimal AP automation look like?

Understanding the qualitative and quantitative benefits that AP automation can provide is crucial to accelerating time-to-value. A lack of understanding of what's possible with AP automation can result in unrealistic expectations and misaligned goals, difficulty justifying the investment in automation, resistance from frontline staff to embrace the effort, and selection of the wrong vendor partner.

Here are some of the key qualitative and quantitative benefits of AP automation.

Qualitative benefits

- **Improved efficiency.** Eliminating manual AP tasks such as keying invoice data, shuffling paper and emails, fixing errors and mistakes, and responding to supplier inquiries frees finance teams to focus more time on fulfilling, higher-order activities such as data analysis.
- **Better accuracy.** Errors are inevitable whenever human operators are involved. Automation reduces the possibility of errors that result in discrepancies and disputes.
- **Enhanced visibility and control.** In a manual AP processing environment, key data is not captured, keyed information is not always correct, data is not timely, information is poorly organized, and systems are fragmented. AP automation solutions provide real-time visibility into the status of invoices and Key Performance Indicators (KPIs). And drill-down capabilities empower AP staff to uncover trends and identify the source of exceptions.
- **Streamlined compliance.** AP departments must adhere to an ever-increasing number of laws, rules regulations, industry guidelines, best practices, and auditor recommendations. Modern AP automation solutions ease a department's compliance burden with built-in controls such as user access permissions, automated segregation of duties, systematic workflows, logging of all actions taken on an invoice, and advanced data encryption. They also help address data gaps that can occur as a result of the relatively limited set of information businesses are required to submit in their invoices to comply with clearance mandates.

38%

of AP leaders say that automating manual processes is their greatest concern

& ANOTHER

38%

of AP leaders are concerned about improving processes²

“Clearance regimes typically mandate just enough information for tax determination purposes. For AP departments that can often mean having to find and key in the additional information they need to process an invoice,” says Ioana Ploesteanu, product marketing manager at Tradeshift. “The result is that a system that should be more efficient reverts to being a manual process. The best AP automation solutions involve suppliers in the data enrichment process from the outset and automate the process of collecting and verifying data outside of mandated fields.”

Quantitative benefits

- **Reduced costs.** Automation significantly lowers processing costs per invoice by eliminating manual tasks and paper handling and reducing the possibility of late-payment penalties.
- **Faster invoice approvals.** Digital workflows expedite invoice processing and approval, creating more opportunities for buyers to capture early payment discounts, reducing calls and emails from suppliers about the status of invoices, and improving cash forecasting accuracy.
- **Reduced fraud risk.** A single fraud attack can have major financial and reputational consequences for an organization. The automated controls and systematic workflows built into modern AP automation solutions reduce the risk of an organization falling victim to phony invoices and other schemes. And AI can identify anomalies that may indicate fraud.
- **Enhanced working capital management.** Working capital means more in uncertain economic times like these. Automation enables organizations to take control of their working capital through real-time visibility into their cash flows, more opportunities to capture early payment discounts, payment term rationalization, and AI-powered cash flow modeling.

These are some of the compelling qualitative and quantitative benefits of AP automation.



Top-performing
AP departments
pay

90%

or more of
their invoices
on time³

Common pitfalls in AP automation projects

There's no question that AP automation holds immense promise for organizations seeking efficiency, cost savings, and improved control. But the road to realizing this value can be bumpy.

Here are the most common challenges that can slow down or derail a project's time-to-value.

- **Lack of leadership support.** AP automation projects often lose momentum without strong leadership buy-in and support. Leaders set the tone, allocate resources, and drive change. Their lack of support creates an environment of uncertainty that hinders user adoption.
- **Poor quality data.** Clean, standardized data is critical to the success of an AP automation project. Inaccurate or incomplete data leads to processing errors, potential delays, and compliance issues.
- **Misaligned objectives.** Failing to clearly define the objectives and scope of an automation project before choosing a vendor sets the stage for disappointment and frustration. Selecting a solution that doesn't align with your organization's needs can lead to gaps in functionality.
- **Lack of integration.** Poor integration between an AP automation solution and existing systems can create data siloes that trap information and impede the smooth flow of data.
- **Replicating bad processes.** While customization can be valuable, using it to replicate bad processes can negate the benefits of AP automation and impact the customer experience.
- **Regulatory roadblocks.** Regulatory compliance is a continuous journey. And with most countries set to adopt more regulations covering invoicing and payment over the coming years, these changes will impact any business with an international footprint. Solutions that are difficult to adapt to evolving global regulations can create major compliance headaches.
- **Weak supplier engagement.** Vendors expect easy and user-friendly onboarding experiences. But many solutions rely on inflexible onboarding processes that can hamper user adoption.
- **Confusion.** Staff training and communication are critical to AP automation success. But many AP automation initiatives rely on decentralized project ownership, resulting in a muddled approach to change management with no clear direction or accountability.
- **Fear of change.** Resistance to change is a natural human response. Employees are likely to revert to their old ways if they don't trust the new processes in an AP automation solution.

Acknowledging these roadblocks and implementing proactive measures to address them will help organizations achieve significantly faster time to value from their AP automation initiatives.



39%
of AP leaders
say they are
concerned that
automation
will require
significant
changes to
their existing
processes⁴

23% of AP professionals admit that they don't know much about AI⁵

| Best practices to accelerate time-to-value

Organizations don't have to settle for middling results from their AP automation solution. The right approach to automation can deliver optimal quantitative and qualitative results. Here are some best practices to accelerate time-to-value and unlock the full potential of AP automation initiatives.

Build consensus. Before diving into automation, gain consensus among key stakeholders about the goals of the project, the pain points the solution should address, a roadmap for implementation, and measures for success. For instance, determine the quantitative and qualitative results the initiative should deliver. Fostering buy-in will help drive adoption.

Your quantitative and qualitative goals might include:

- o Standardize x% of business processes across segments in brand.
 - o Have x% of suppliers actively using the system by x date.
 - o Eliminate x% of manual interventions to deliver x% of straight-through processing.
 - o Eliminate x% of inquiries from suppliers that require a response.
 - o Reduce the close cycle time to x days.
 - o Increase business partnering between departments.
 - o Improve the quality and accuracy of planning, forecasting, and estimates.
- **Secure the support of an executive sponsor.** The active involvement of an executive sponsor will drive momentum, send a powerful message to frontline staff about the importance of the project, and ensure that the resources necessary for success are allocated to the project. Senior management involvement can also facilitate decision-making.
 - **Find the perfect solution fit.** Selecting the right vendor partner is crucial to achieving fast time-to-value. Work with your project team to develop a matrix to score prospective vendors based on the alignment of their features and functionality with your organization's needs, their track record of success in delivering optimal ROI, their financial standing, their product roadmap, and the services and support they offer with their AP automation solution.

- **Strive for full automation.** It's tempting to think that targeting your automation efforts to the invoices submitted by your largest suppliers is enough to cost-justify a project. But taking a piecemeal approach to automation results in big gaps in your processes and doesn't address the complex invoices submitted by smaller suppliers that routinely bog down AP staff.
- **Meet suppliers where they are.** It takes time to achieve 100 percent digital connectivity. Some vendors may not be ready to make the switch to electronic invoicing at the pace that you want. Many vendors may be reluctant to learn a new system or change their existing processes. This doesn't mean you must compromise on your automation goals. Look for an AP automation solution that accommodates any invoice format, easing a vendor's transition to fully digital invoice submission. Some solutions enable vendors to send a structured PDF invoice directly from their enterprise resource planning (ERP) application. A connector in the AP automation solution converts the data contained in the document into a digital format.
- **Prioritize a flexible supplier onboarding process.** Not all vendors are tech-savvy. Maximize vendor adoption and reduce the possibility of disruptions to your operations by finding a solution with self-service supplier onboarding options and user-friendly interfaces.
- **Avoid replicating inefficient workflows.** Embrace automation as an opportunity to streamline your processes for long-term gains. While some customization might be necessary to address some of your organization's unique requirements, digitizing byzantine or unnecessary processes can stand in the way of transformation. Modern AP automation solutions are built around best-practice business processes where the processes should be relatively consistent from one organization to the next. In many cases, organization-specific requirements can be addressed with normal configuration versus one-off customization.
- **Stop exceptions in their tracks.** Every AP department wants to post more of the invoices they receive directly to their ERP, without human operator intervention. But incomplete and inaccurate supplier data frequently stands in the way of touch-free posting and often results in back-and-forth emails between buyers and suppliers to sort things out. To reduce your exceptions burden, find an AP automation solution that uses AI to verify supplier data before it ever reaches a buyer's AP department, and have suppliers enrich or resolve any issues.
- **Measure and adjust.** AP automation doesn't have to be an all-or-nothing affair. The dashboards built into modern AP automation solutions enable organizations to visualize and model the impact of automation on their processes and fine-tune the degree of automation they deploy by adjusting fault tolerances or acceptable error rates for functions such as invoice coding. This flexibility enables organizations to use automation conservatively – always flagging items it's unsure of – or give the technology relatively free rein. All along the way, AP leaders can track the solution's performance compared to human operatives. And machine learning enables AP automation solutions to deliver better results over time.

27% of AP departments that have deployed automation currently use AI⁶

- **Future-proof your operations.** AP automation is foundational technology, not something that should be thrown away in a few years. To ensure that prospective solutions will meet your organization's needs over time, carefully consider each system's scalability, the ease with which it integrates with legacy systems, and its support for emerging technologies.

These practices will help an organization significantly reduce the time-to-value for its AP automation project, transforming its AP department from a tactical back-office function into a strategic asset.

■ The full benefits of AP automation are within your reach

Has your organization's AP automation solution fallen short of expectations? If so, the technology may not be solely to blame. Optimizing processes, delivering value, and embracing change are crucial to achieving the full qualitative and quantitative benefits of AP automation. Following the strategies in this white paper will help organizations accelerate time-to-value from AP automation.



About Tradeshift

Tradeshift is the business commerce and fintech platform that redefines how B2B buyers and suppliers connect, trade and grow. The Tradeshift network connects over a million business users, enabling them to transact seamlessly and digitally with customers and suppliers anywhere in the world. Our unique blend of e-invoicing, marketplace commerce and embedded fintech services gives businesses the tools to streamline finance and procurement processes, access new markets, source new suppliers, and optimise working capital to suit their needs. All in one place.

Find out more at: Tradeshift.com

About the Institute of Finance & Management

Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

IOFM is proud to be recognized as the leading organization in providing training, education and certification programs specifically for professionals in accounts payable, procure-to-pay, accounts receivable and order-to-cash, as well as key tax and compliance resources for global and shared services professionals, controllers, and their finance and administration (F&A) teams.

Learn more at IOFM.com

Endnotes:

(1)(2)(4)(5)(6) Institute of Finance and Management (IOFM), 2023 Benchmarking Reports

(3) Institute of Finance and Management (IOFM), World-Class AP Performance: Efficiency Benchmarking Metrics

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