

Why AP Automation? And Why Now?



As with so many other business-critical processes used today, accounts payable (AP) workflows benefit immensely from automation. In contrast to outdated models relying on manual data entry and invoice processing, accounts payable automation helps AP teams complete their work more quickly, accurately, and completely while supplying useful data for analysis and strategic financial planning.

Understanding why AP automation is so important—including the benefits it brings to business process management and how it empowers your company for greater competitive strength—is the first step to implementing it in your own software environment. Now is the time to get on board the AP automation train and see why more and more companies are investing in this game-changing technology.

Why AP Automation Matters

Companies place a high value on their AP departments, and with good reason. Efficient and accurate AP processes can help companies compete more effectively through greater cost savings and strategic, data-driven value.

The problem is, in the not-so-distant past, AP processes were, by default, *manual* processes. Data entry, invoice processing and verification, approval workflows—everything was tied to paper invoices and people. This limited the accuracy, speed, and efficiency of accounts payable in several frustrating ways. Absent (or simply absent-minded) approvers could create serious routing bottlenecks that led to late or missed payments. In the other direction, lack of visibility meant duplicate payments, maverick spend, and invoice fraud were all too common.

Cost savings via early payment discounts were lost; cash flow management could become a serious concern. Vendor relationships suffered, and AP teams wasted

even more time and resources chasing exceptions, correcting errors, and putting out financial and professional fires.

Add in the substantial environmental footprint, storage costs, and labor demand that come with manual AP, and it quickly becomes apparent that hewing to old school methods in the age of digital transformation is a recipe for financial and competitive disaster.

AP automation benefits companies by addressing these pain points through improved transparency, greater accuracy, speed, and efficiency, and the elimination of human error. Modern accounts payable automation software has come a long way from the early days of optical character recognition (OCR) alone. In its heyday, OCR offered those looking to streamline data capture, improve processing costs, and eliminate the need for manual data entry a reliable first step into the world of AP automation.

That step was a serious and beneficial one for many organizations, but OCR technology has its limits. It is, in essence, a tool, rather than a complete AP automation software solution, and offers only one small part of the full functionality needed to achieve true AP automation. Accordingly, companies serious about protecting their competitive strength, improving risk management, and proactively engaging in business continuity planning are looking to more robust and complete AP automation solutions that also incorporate AI to improve accuracy of data extraction and processing. These can also flag for duplicate invoices and other scenarios that will catch more manual errors and fraud.

In fact, 2020 research from the Institute of Financial Operations and Leadership (IFOL) found that chief financial officers (CFOs) at more than 40% of companies surveyed were prioritizing comprehensive AP automation over the twelve months following the survey.

This shift can be partially attributed to the competitive and operational demands imposed by major business disruptions such as the COVID-19 coronavirus pandemic; in light of the new challenges created by “the new normal,” companies are recognizing the importance of true AP automation to their continued growth and competitive performance.

The remaining problem not addressed with a standalone AP Automation solution relates to invoice approval. The invoice can be received and

processed automatically but that still leaves a considerable delay to sign off payment. Does it match for quantity and prices agreed with the supplier? Did we receive the goods or services? Who do I need to check with to confirm any of these details? The manual chasing often costs more than the time wasted to confirm. Many companies have a policy of paying invoices below a certain value unchecked leaving themselves open to invoice fraud.

Today, PLANERGY integrates AP with procurement data to automate 2- or 3- way matching. The upstream data - already approved PO data and receiving information - ensure only correct payments are made. Matching everything automatically the majority of invoices flow smoothly as trusted suppliers send invoices accurately. This allows the company to capture early payment discounts and avoid late payment fees agreed with key suppliers.

You can then manage by exception where required. Powerful AI ensures differences with agreed quantities and prices are flagged automatically, goods or services that are not received are highlighted on the invoice (or not able to be processed if you want to enforce 3-way matching). Chasing up internally and queries to the supplier are kept to a minimum freeing up your staff to add better value in other areas.

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Key Benefits of Accounts Payable Automation

Moving beyond manual AP—or even basic automation such as OCR-only software solutions—to a true AP automation solution is about more than just optimizing invoice management or taking time-consuming and tedious manual tasks off your AP teams' collective plate.

The benefits of true accounts payable automation software extend well beyond the accounts payable department and inject value and cost savings throughout your organization—an important factor to consider in a business environment where competitive strength is driven in large part by savvy use of both Big Data

and digital transformation strategies.

1. Faster Cycle Times, at a Lower Cost

2020 research conducted by Ardent Partners found just 24.2% of invoices were being processed straight through. AP automation improves processing times across the invoice lifecycle by 300%; the attendant gains in speed, accuracy, and transparency translate to invoice processing costs that are six times lower than those relying on manual AP.

2. Less Paper, Fewer Errors, Greater Value

The addition of robotic process automation (RPA) to your AP workflows can potentially generate between 30 and 200% return on investment (ROI) *in the short term alone*.

Add in the long-term benefits that come from reducing the time and resources associated with manual processes (e.g., paper, storage costs, correcting exceptions, inconsistent invoice approval processes, chasing down invoice fraud and maverick spend), and it's easy to see why an end-to-end AP automation solution is such a powerhouse of cost savings and value.

Ardent Partners' research found that best-in-class organizations were 125% more likely to use a complete AP automation solution—and those who did so boasted exception rates 57% lower than the competition.

3. Cloud-Based Simplicity

With full AP automation and support for electronic invoicing (eInvoices), manual data entry needs are substantially reduced or even eliminated. Supplier invoices are easy to process, verify, and store. Cloud-based, role-appropriate access and full integration with your accounting software, enterprise resource planning system (ERP system), and other applications in your existing software environment means everyone can get the information they need, when they need it, whether they're in the office, working remotely, or on a mobile device.

4. Total Transparency

Choosing a comprehensive Procure-to-Pay (P2P) solution, such as PLANERGY, with fully integrated advanced AP automation software with procurement optimization. The result? Full transparency into *all* your spend data. From the creation of the initial purchase order to the final payment to the vendor, a single system captures every aspect of every transaction you conduct. Paired with guided buying and centralized data management, organizations who automate accounts payable empower their AP staff to collect spend data, access and analyze it in real time, and then leverage the insights gleaned for more accurate and timely budgeting, better financial reporting, and speedier, less stressful audits.

Tracking cash flow and monitoring key performance indicators for AP is much easier as well. Your team can make adjustments to remove bottlenecks, further improve invoice cycle times, lower processing costs, and develop payment strategies that help you capture the greatest savings and value from both early payment discounts and delayed or skipped payments, depending on your needs.

Plus, equipped with more complete, transparent, and accurate data, management can plan more strategically and make better decisions based on truly actionable insights.

5. Stronger Internal Controls

AP automation makes creating, and enforcing, internal controls easier and more effective. Well-defined and transparent workflows not only capture all the data relevant to every transaction, but help improve accountability, compliance, and performance through the use of KPIs.

Consistent formats and seamless communication between your accounting system, ERP, procurement solution, and other software improve collaboration, further improve efficiency, and help ease compliance across your organization.

Both fraud and maverick spend are sharply curtailed by end-to-end transparency and verification tools such as automated three-way matching.

6. Stronger, More Strategic Supplier Relationships

In addition to the direct cost savings and value creation that accompany AP automation, 32% of companies surveyed by Ardent Partners who used a comprehensive AP automation solution reported greatly improved supplier relationships.

Consider these benefits:

- Support for vendor portals ensures documentation is always populated with the latest and most correct contact information, pricing, terms, and other data for every supplier. Ardent found best-in class companies were a whopping 152% more likely than their competitors to provide suppliers with a vendor portal.
- Complete spend visibility and optimized workflows makes it easier to capture early payment discounts, negotiate better pricing and terms, and identify opportunities to collaborate with key suppliers in developing new products and sourcing new materials (or sourcing existing ones more effectively).
- eInvoices make life easier for your suppliers as well as your AP team, and minimize the risk of miscommunication and late or duplicate payments. According to Ardent Partners, best-in-class companies were 71% more likely to make payments electronically, and 92% relied on eInvoicing as part of their AP workflows.

7. More Effective Use of Your AP Team's Time and Talents

When it comes to your AP staff, the less time spent chasing exceptions, investigating fraud, or dealing with tedious, repetitive tasks such as manual entry of invoice data and invoice verification, the better. However, Ardent partners found AP teams spent an average of 22% of their work hours responding to vendor inquiries, with an alarming 15% spending more than a third of their time tackling supplier information issues (e.g., correcting supplier data, correcting mistakes, etc.).

AP automation frees your team to tackle more strategic tasks, including process optimization and strategic relationship development. Ardent Partners found companies implementing a comprehensive AP automation solution that included support for eInvoices and electronic payments were twice as likely to turn data-driven insights into better collaboration between stakeholders, and 2.2 times as likely to use spend data analysis to improve their invoice exception handling.

In short, choosing to automate accounts payable lets you harness the mutually exclusive talents of both your human staff and their digital counterparts while still reaping the biggest possible benefit from their collaborative efforts.

The Time is Right for Accounts Payable Automation

The efficiency and accuracy of your payable processes play a major part in your company's overall health and success. If you're still using manual processes or relying on basic automation tools like OCR alone, you may find yourself struggling to catch up with your competition—or worse yet, struggling to survive at all.

Make sure you're among the best-in-class organizations competing in today's complex global economy by investing in an accounts payable automation solution that gives you the tools you need to eliminate waste and error while maximizing cost savings, value creation, and operational agility.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.

- Learn about us, and our long history of helping companies just like yours.

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2. Download our guide “Preparing Your AP Department For The Future”

Download a free copy of our guide to future proofing your accounts payable department. You’ll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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