EBOOK

AP and ERP: **How to Close the Execution Gap**

Optimize Your Accounts Payable Workflow to Drive Growth

tipalti

ERP Best Practices for Modern Accounts Payable Transformation

ERPs are the system of record for collecting, storing, managing, and monitoring essential business data. Growing businesses rely on them to track finances and accounting. However, they aren't built to handle accounts payable on their own. ERPs are not designed for in-depth payables execution or process-heavy operations. As a result, business leaders often hire more staff to manage the increasing volume.

An ERP can create purchase orders and store supplier invoices, but it does not manage the nuances of accounts payable for a closed-loop process. Managing accounts payable in an ERP system requires manual work, such as data entry and reconciliation, which is time-consuming and labor-intensive. It can also also create gaps that lead to financial and legal errors.

Because it's not their core focus, ERPs have generally not addressed these gaps in depth, but it's a problem finance leaders need to solve. Research shows that finance professionals spend an average of 11 hours per week on manual AP tasks such as approvals, error resolution, and reconciliation, totaling nearly 72 workdays a year spent on low-value tasks.

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The Complexity of Modern AP

According to APQC, the median cost to process an invoice is about $6.00. Much of this is repetitive work, such as data entry and record matching. High processing costs are due to:

Complexity	Inefficiency
Maintaining multiple banking/payment rails	Collection and data entry of invoice details
Dealing with unique payables requirements	Interfacing with bank systems and payment processors manually
Diverse supplier population	Onboarding and communicating with suppliers
Global and cross-border factors, payment rails, regulatory compliance, FATCA rules, OFAC SDN	Disconnected point tools (invoice and PO matching, OCR, workflow tax, payments, and more)
Fraud controls and PO matching protocols	Chasing down POs, invoices, and payment approvals
Multiple-entity/multiple-subsidiary structures	Payment data reconciliation

ERPs can't shield the organization from these factors.

Global Challenges

Managing global payouts through spreadsheets, email, and manual data entry across multiple banking portals and payment platforms is a huge barrier to growth. Manual processes are slow, error-prone, inefficient, and hard to scale. Amex Trendex research reported that 91% of business decision-makers say fast, reliable, and secure payments fuel business growth.

The most significant issues with cross-border payments are not about the payments themselves, but about the supporting operations needed to deliver global payouts. This includes:

- Collecting the proper account information during supplier onboarding including tax details, payment details, and communication information
- Reducing the risks and costs of sending checks and wire transfers (AFP reported wire fraud increased 11% to 46%, while 75% of businesses experience check fraud)
- Addressing separate tracks for different banks and payment methods
- Handling different processes for domestic and international entities (e.g., currency conversion, local remittance, tax compliance)
- Ensuring payees are legally paid (e.g., OFAC SDN, EU, HMC)

Finance leaders add staff to manage the growing AP workload, but as the company grows, hiring more employees, paying suppliers, and closing the books on time become harder to achieve. Higher error rates occur due to these increased complexities. To achieve global coverage across countries, there are thousands of payment rules to manage.

Exposure to Risk

To cut finance operations costs, some organizations hire inexperienced staff to collect supplier payment information, key in and match invoices, mail checks (or pay via a bank portal), collect tax documents, or complete other manual, repetitive tasks. This can create an audit-inducing dilemma. The finance team needs to be ready to respond to emerging issues, including:

- Meeting FATCA tax regulations in the face of increasing IRS audit activity
- Gaps in financial controls and PO/invoice/payment approvals within and across subsidiaries
- Poor data hygiene that leads to late or duplicate payments
- Exposure of bank accounts to check and wire fraud

Unrestricted access to supplier information and company funds exposes the organization to significant risk.

Lost Opportunities

Manual workflows hinder ERPs and reduce visibility. These inefficiencies force organizations to sacrifice strategic initiatives that could genuinely transform accounts payable. Through automation, organizations can:

- Become cost-neutral or revenue-generating
- Build a scalable operation that supports growth
- Expand across international boundaries
- Consolidate back-office processes across multiple entities
- Negotiate longer payment terms (e.g., Net60)
- Focusing on"hard finance" vs. "payment runs"

Transforming AP in Finance

A successful AP transformation involves adopting a strategic finance directive and modernizing payments technology.

A primary goal of a strategic payables directive should be to integrate the payables function into the organization's overall corporate strategy as it grows, rather than treating it as an afterthought. This involves establishing longer payment terms without sacrificing relationships with suppliers, ensuring corporate compliance across all entities, and taking a "grow fast, grow lean" approach to operations to support ongoing international expansion. This requires a culture shift that recognizes that payables is a crucial enabler of strategic finance.

Modernizing payables technology equips the operation with automated tools, enabling the organization to focus on the strategies that support operations.

The Comprehensive Path to Automating and Future-Proofing

Closing the ERP gaps from a payables perspective takes a holistic, future-focused approach. The payables process includes a dozen interdependent processes. Rather than piecing together one widget or tool that must be replaced later, finance operations should strive for self-contained solutions that work cohesively.

Payables departments need to have an integrated philosophy that encompasses:

- Intelligent supplier onboarding
- Identity and tax data collection and validation
- Supplier payment/bank account detail collection and validation
- Invoice and purchase order workflow and processing
- Payment remittance (domestic and cross-border)
- Payment reconciliation across payment methods and entities
- Supplier communications

Introducing an ERP into Your Workflow

If your organization is looking to add an ERP system, you may think it makes sense to hold off on the payables transformation until the core ERP is in place. This is not necessarily true.

Waiting to deploy solutions until after the ERP is implemented may cost your organization more in the long run because ERP implementations take time. This delays the value and benefits that might be achieved through other modernization solutions, such as payables automation, outside the ERP implementation.

Implementing the right payables automation solution will clean your vendor master record and AP reporting data. This can result in a smoother, more successful ERP implementation.

The key is to perform a value-based return-on-investment (ROI) analysis for your payables transformation project. Be sure to use actual spending data to make an accurate assessment.

What Tipalti Can Do for You

Powered by AI, Tipalti Accounts Payable automates manual, time-consuming AP tasks, freeing finance teams to focus on higher-value initiatives. It is an end-to-end AP automation platform, from supplier onboarding, invoice management to reconciliation, all in one system.

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Additional Resources

Here are some additional resources that can help you get started on your journey to modernize accounts payable processes:

How Chomps Saved over 24 Hours Monthly Across Close and Expenses

Read the Story →

Explore The Real Problem with ERPs and How Companies Are Solving It

Read the Blog →

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