

# **AP Automation: The key to unlocking rapid business growth**



in partnership with

**FinancialDirector**

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# 1

# Introduction

**The pandemic has accelerated digital transformation for businesses as they attempt to increase efficiency through technology amid increased uncertainty. The adoption of automation tools allows organisations to scale rapidly and reduce inefficiencies.**

Perhaps unsurprisingly then, modern businesses of all shapes and sizes, across a wide variety of industries, are embracing automation. Whether it is supermarkets adopting self-service checkouts to lower headcount and reduce wait times, or car manufacturers installing advanced robots on assembly lines, to administrative functions implementing software to reduce back-office costs and optimise productivity – automation is everywhere, and the finance function is no exception.

In fact, financial automation is fast becoming a key priority for businesses of all sizes. Increasing numbers of businesses are seeing the benefits of automating their accounts payable functions, with benefits including increased accuracy, time saved for finance personnel to move from data inputting to strategic planning and the ability to grow a business more quickly. There are also add-on benefits. With such an emphasis now on ESG – environmental, social and corporate governance – going entirely paper-free is an obviously attractive proposition for a company in terms of social responsibility as well as improving the bottom line.

The Accounts Payable Association (APA)  
estimates that at any one time there are...



**250,000+**

people working in accounts payable  
(AP) in the UK alone



**3.6%**

of invoices manually entered include  
an error caused by data entry

A survey of businesses processing 350,000+  
invoices per year noted how the problems caused  
due to AP exceptions on invoices equated to...



**32%**

of all late payments



**36%**

of all supplier related phone calls

# 2

## The need to automate

In a whitepaper entitled 'How to Escape the Manual AP Processing Trap', for the Institute of Finance and Management and sponsored by Tipalti, it was revealed that 84 percent of an AP professional's day is wasted on manual, high-velocity tasks such as keying data, shuffling paper, fixing mistakes, chasing down information, and responding to supplier inquiries.

Sixty-three percent of controllers said that AP is a priority for improvement, while AP emerged as the most time-consuming function compared to other time-consuming functions (it beat accounts receivable, payroll, tax, audit and reporting and travel and expense management). There was quite clearly a growing sense that manual processes are becoming inefficient, prone to error and a waste of management's time.

These problems were caused by lack of internal resources to support the project, lack of a compelling business case, lack of capital budget, concerns about managing change and fear of risk. According to the whitepaper, this is one of the reasons why only nine percent of AP departments are fully automated with no manual processes, a staggeringly small number, especially when put against another figure, namely that 14 percent of AP departments still process supplier payments in a completely manual environment. So what to do?

# 3

## The evolving role of the CFO

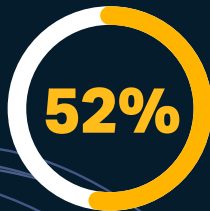
Further research by Tipalti into the priorities and challenges for UK CFOs in 2021 and beyond, revealed the full extent of the concerns, which went hand-in-hand with the changing role of the CFO, which has come to play a far more strategic part in the running of a company than it did just a short time ago.



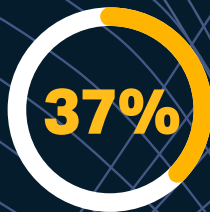
Nearly all (97 percent) of UK CFOs surveyed in the report believe their role has become more complex in the last two years and while external factors such as Brexit and the pandemic have undoubtedly contributed to this, the data shows that internal drivers are also having an impact.



Nearly a third (29 percent) of CFOs said they are having to deal with more manual finance operations and having time for these key priorities is proving challenging.



More than half (52 percent) of UK CFOs strongly agreed that the role has become more complex...



...versus slightly more than a third (37 percent) who strongly agree in the US.



29 percent across the board said there was more manual financial operations work.



“Manual operations, combined with fragmented processes, are consuming the resources and time necessary to scale and guide the business, while also increasing risk by weakening visibility and controls,” the report says.

“To prevent this, CFOs need to modernise their financial processes, including the likes of accounts payables. This means automation, applied to back-office accounting processes, so that more time can be spent on the tasks that matter, while future-proofing and de-risking finance for the long-term.”

And in doing so it will actually create more opportunities for employees. There is a perception that automation might result in a falling head count; when in actual fact the opposite is the case, as automation frees people up to do more interesting jobs. And it is something that employees, especially younger ones, increasingly expect.



“We need to raise awareness of the importance of automating manual functions,” says Robert Israch, GM Europe and Global CMO at Tipalti.

“And it’s also about how we talk about finance at large. Expectations have risen about the role of CFOs and boards, as they are doing a lot more than they were in the past. But finance ends up taking a disproportionate amount of time as many systems are not interconnected, but they should be. There are concerns about fraud exposure, on top of which the younger generation are not as willing to do lots of data entry, seeing it as a mindless activity. They expect to add value to the business and want to use new technology: if you attract good finance talent these days and don’t allow them to drive it, they will end up changing jobs. So in addition to everything else, it’s important to modernise technology from an employment retention perspective.”

Legacy systems and silos are at fault, as they are holding back many companies when it comes to automating business processes. In order to have a truly data driven product strategy, companies say they need people across the organisation to have access to the product data. This includes cross-functional stakeholders spanning product, engineering, sales, marketing and customer support. Democratising data access not only breaks down silos within organisations but also increases efficiency and accelerates innovation. But it’s vital that this is all understood at the highest level: not just as a matter for the finance department, but at senior board level as well.



# 4

## Identifying automation opportunities

There are other examples of the extraordinary progress companies can make as a result of automation: Hopin is an event technology platform and Europe's fastest-growing start-up, as well as a client of Tipalti. It launched in June 2019 and was valued at \$7.75 billion just two years later. The company's finance team needed to process a huge volume of international payments, initially in a time-consuming manual process, which included selecting the correct currencies. But after reducing the manual intervention, it was able to bring invoice processing back in-house, while the multi-entity set-up provides complete visibility across operations.



"Our workflow is quick and easy, with all our payment processes in one central location," says Melissa Richards, senior AP Analyst at Hopin. "The days of juggling different systems and exporting files are long gone."

Another huge success story after switching from manual to automated AP is the internet domain registrar and web-hosting company GoDaddy, which was able to add different regions and supplier bases so efficiently that it came to the market nine months earlier than expected. As of June 2020, it has over 20 million customers and 7,000 employees worldwide.

Some companies see the need to automate as an opportunity. Anastasia Fedchenko is Financial Controller of Preply, a language learning app and e-learning platform.



"I joined the company early in 2020 and added tools for Treasury and accounts payable," she says.

"We tend to process information as fast as we can and make sure everything is up-to-date and compliant. The main challenge was to adapt to a changing environment, but each opportunity is better for the next destination. We want to take advantage of the changing climate, add value by being curious, eager to learn and analysing the opposition. This also minimises inadvertent mistakes, allows us to see an audit history and analyse cost implementation."

# 5

## The bigger picture

But still there are ongoing issues holding people and companies back. Many people across the industry believe that businesses are still relying on the wrong tools. But once AP is automated, the benefits extend far beyond that particular process and affect the company as a whole.



“The benefits of automating payments are often viewed far too narrowly,” says Stuart Barclay, business manager - financial services strategy at Trustly. “We need to look at automation not through the lens of one department, but through the lens of the entire organisation, the customer and the increasing value it can deliver to the business.

“Within the finance department, automating payments can drive operational efficiencies. However, it can also increase revenues by transforming the customer experience. Think about it like this. When collecting money, deposit experiences have traditionally been highly manual, requiring up to 100+ entries for card payments to be processed. The time it takes to do this has a huge impact on the customer experience.”

But by improving the customer experience, a direct impact can be felt throughout the entire business. It is also something that customers are actively beginning to want for a number of reasons, including increased efficiency and their own security. As life generally becomes more automated, so automation is expected in every walk of life.



"In fact, according to our latest survey of 12,000 financial services customers, 67 percent are worried about making a mistake when making payments, and 83 percent would prefer an automated solution," Barclay continues.

"What's more, 58 percent of investment customers would add more funds if they could withdrawal instantly. The same can be said for receiving payments. Automated experiences are essential. There's a clear disconnect here. Additionally, automation helps finance departments to deliver broader value by enabling real-time, data driven decisions that improve the customer experience and enable faster expansion. Speed is king. And lack of automation in payments is slowing things down. With 85 percent of UK insurance customers confirming they'd be more loyal if they received money instantly, the benefits are a no-brainer".

Kid Misso, vice-president, product management - EMEA at Avalara, agrees.

"It's not just payments that are moving to automated online processes - the whole infrastructure of invoicing and tax is headed that way too, and businesses need to be prepared."

# 6

## Conclusion

Companies that do not understand the need for automating their processes are soon going to find themselves losing their competitive edge, in terms of efficiency, staff retention and even image – companies that do not keep up with new technology quickly risk seeming old-fashioned.

And while the initial investment will be significant, the pay-off will be huge. Integrating cloud systems not only increases business agility, allowing finance departments to quickly adapt to new invoicing and reporting requirements, but also free up time for employees to focus on other, high value, elements of their roles over the admin burden of paper-based processes.



And Robert Israch points out that tech companies are leading the way. “They tend to go global earlier than other companies,” he says.

And with fraud and compliance issues becoming more important than ever, the need for automation, both in AP and across all areas of the finance function, is clearly not going to recede – quite the opposite. In fact, finance departments are increasingly aware that they must embrace automation across all financial processes, especially in core functions like AP because automation isn’t just the way forward – it’s the future of the finance function.