tipalti

Tipalti Insight Report

Insight Avenue

Slowing down to speed up

The importance of automating accounts payable in high growth businesses

What's inside this report

High stakes for high growth businesses

Businesses today face a multitude of challenges caused by dramatic external factors. High growth businesses are affected by these factors more than most – particularly when it comes to navigating a volatile economic landscape.

While these high performing businesses undoubtedly need to remain focused on growth during these uncertain times, they must ensure that their growth is sustainable. The research we've commissioned highlights that this is widely recognised, with almost half (45%) of the companies interviewed saying that they've indeed shifted towards a more sustainable approach rather than a growth at all costs mentality.

Within this context, the role of the finance department is evolving and new challenges have emerged as a result of today's financial uncertainty. Whether it's pressure to offset higher costs related to inflation, process more supplier invoices per month, or digitally transform AP processes, many finance leaders are concerned that they won't be able to support sustainable growth in their business.

There's a clear need for automation in finance. And the good news is that the understanding of AP automation has improved, and the benefits are now broadly recognised. Businesses know they need to stop being reactive and begin planning beyond an economic downturn – but barriers around end-to-end AP automation persist, particularly in skills, compliance, complexity and cost.

One thing's for sure: unless sustainable improvements happen across the AP workflow and automation is embraced rather than just talked about, then AP will be unable to fulfil its potential.

High stakes for high growth businesses

Expectations for the CFO are higher than ever before. Finance leaders are being asked to be one of the main drivers of strategy, cost savings and growth while maintaining the retention of their team. As companies work through these new challenges, the root cause of operational inefficiency is coming to the forefront.

Automation technologies are seen as a space protected from some of the macroeconomic conditions affecting other areas. Companies may be pulling back on spend in areas like digital advertising, travel, and outside consultants but are investing in automation technologies across all areas of the business. This is true for many business functions but especially finance.

Whether it's accounts payable, accounts receivable, financial close, expense management, financial planning and analysis, or other spaces, automation technologies allow finance leaders to focus on the growth of their business while eliminating manual tasks.

Scaling companies believe in digital adoption. They know that in order to streamline legacy business operations across the back and front office, they will need to adopt a new class of applications and infrastructure tools that will fully optimise their operations.

By prioritising what is controllable in the business, finance leaders are shifting their focus from 'the best and worst days' and strategically recalibrating their mindset on unlocking new data and increasing visibility across the organisation.

In uncertain times, automation is the key to survival, and finance leaders are adopting the right solutions with added urgency. Today, growth remains the main goal for scaling companies, and as finance leaders embrace their new roles in an ever-changing market, they are discovering how critical technology is at all stages of a company's lifecycle.

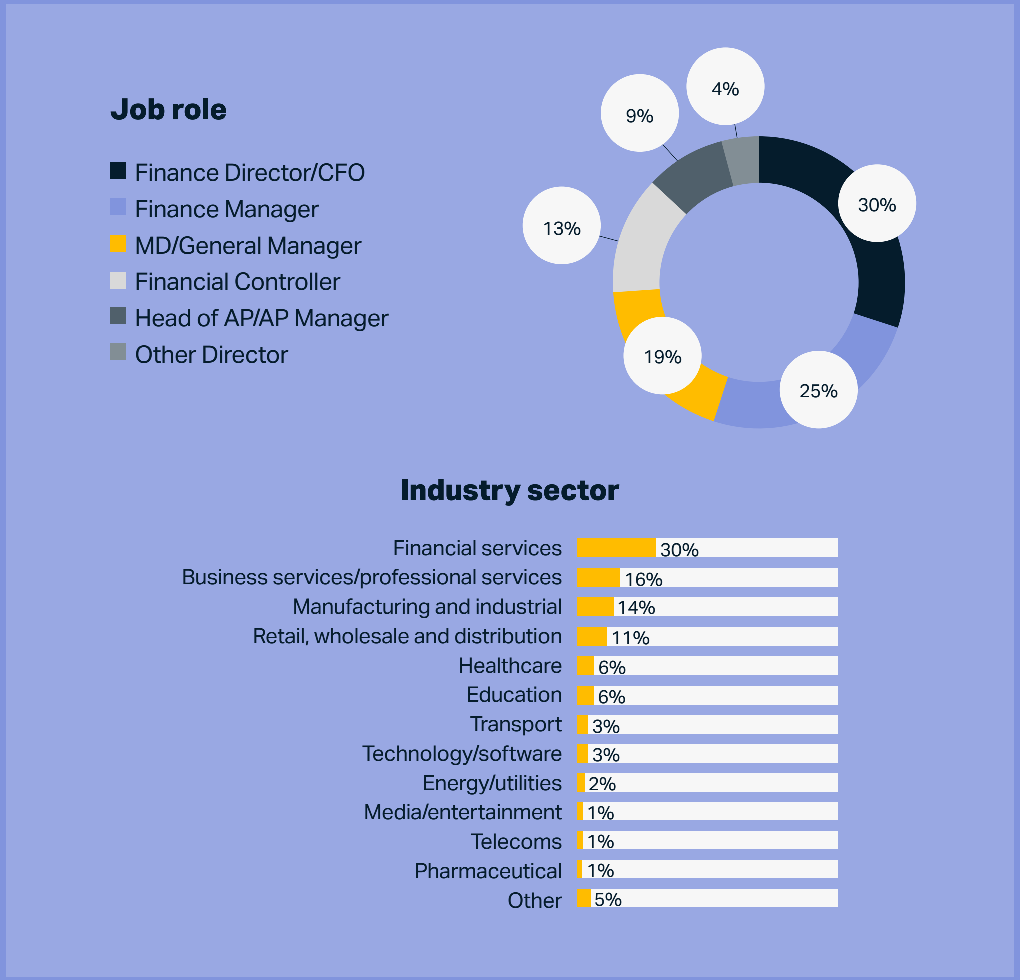
Rob Israch, President, Tipalti

Research approach

The research informing this report collated the responses from 500 interviews with finance or AP leaders in high growth businesses with 50-1000 employees across the US, UK, Netherlands and Belgium. A total of 200 interviews were conducted in each the US and UK; 60 in the Netherlands; and 40 in Belgium to give a global perspective on the subject.

For the purposes of this research, 'high growth' was defined as topline/revenue growth of 20% or more in the past 12 months.

The research was conducted in March 2023 by Insight Avenue and it builds on an earlier study taken in December 2021. Where relevant, comparisons will be referenced.



Insight 01

In search of sustainable growth

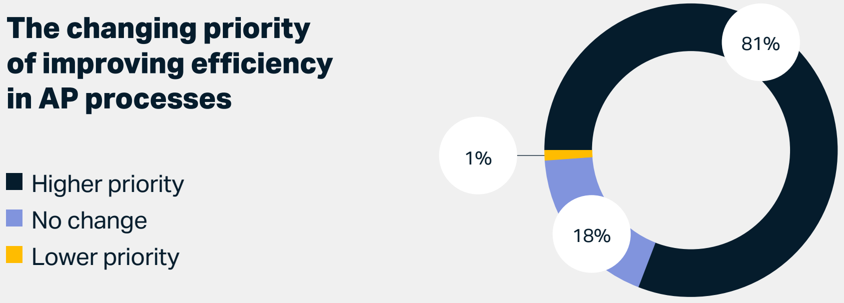
The businesses interviewed as part of our research remain largely focused on growth in the current economic situation. Over half (52%) say they are focused on maintaining their original growth plans, while 49% in Benelux, 45% in the UK and 44% in the US say they are focused on more sustainable growth.

However, over three quarters (78%) say sustainable growth is more important than growth at-any-cost in the current economic climate – so, do high growth businesses need to slow down in order to speed up?

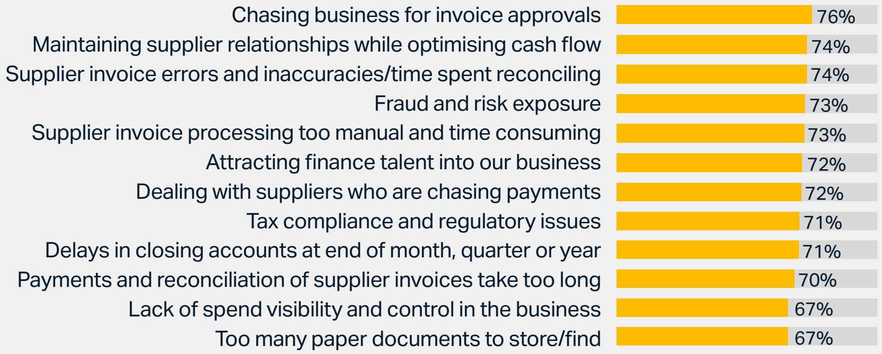
Automation could help to free up key members of staff to concentrate on planning for tomorrow. The majority of businesses (81%) say improving efficiency in AP processes is a higher priority than 12 months ago. And most (78%) recognise that their AP function can play a key role in offsetting higher costs related to inflation. The intent is there, but it's not yet translating into effective AP change because many of the top challenges from our 2021 report are still present.

In December 2021, chasing business for invoice approvals, fraud and risk exposure, delays in closing accounts, and supplier invoice processing being too manual and time consuming were the top concerns – and they still are today. The only difference is that now they're joined by challenges relating to current economic concerns, including maintaining supplier relationships while optimising cash flow (74%) and supplier invoice errors and inaccuracies/time spent reconciling (74%). Most businesses (81%) consequently say that now, more than ever, they need to ensure that supplier relationships are as good as they can be.

The changing priority of improving efficiency in AP processes



The most 'significant' or 'moderate' business challenges



Top tip

With widely reported and ongoing supply chain challenges, improving collaboration and relationships with suppliers is vital to ensuring cashflow or 'payment energy' is optimised.

Nobody wants to be going through paper invoices and typing them out individually – it's not a fun job. If you can automate that as much as possible, it reduces the time it's taking to do it and a nicer role for an AP person because it's less manual.

Charlotte Nicholas, FC, Jellyfish Pictures

Insight 02

Enemies of effective AP

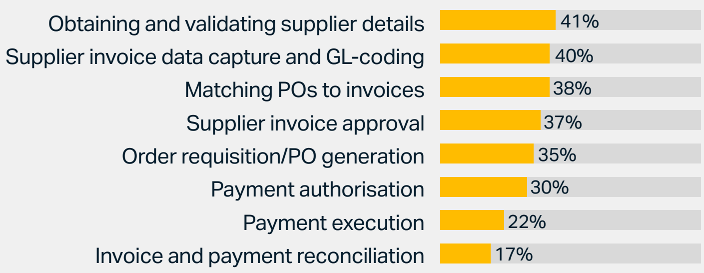
Inefficiency and inaccuracy are the two enemies of effective AP, and our research suggests that weaknesses in the end-to-end AP process persist. From initial contact with the supplier to payment execution, it's clear that there's room for improvement – and the situation has remained the same for quite some time.

Back in December 2021, obtaining and validating supplier details was the most inefficient part of the AP process – and it still is now, with 41% overall citing it as an issue. However, there are some regional differences, with almost half (49%) in the US agreeing compared to just 37% in the UK and 34% in Benelux. Supplier invoice data capture and GL-coding (40%) is perceived as another problem to overcome within all regions. And matching POs to invoices (38%) isn't far behind. Is this because only 38% of supplier invoices go through a PO process?

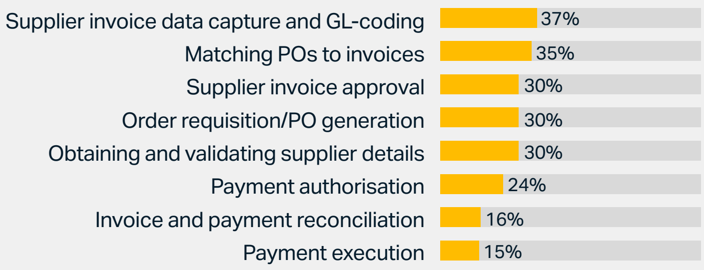
When it comes to the most inaccurate parts of the AP process, it's the same story. Supplier invoice data capture and GL-coding contained the most errors in 2021 and it still does in 2023. Matching POs to invoices (35%) is a further area for concern and so is supplier invoice approval (30%) and order requisition (30%). There are some minor regional differences, but broadly these are the top perceived inaccuracies in all areas globally.

It is perhaps most worrying that inefficiencies are occurring right at the beginning of the process – setting up AP for failure from the get-go and undermining the intention to optimise supplier relationships. Meanwhile, inaccuracies in supplier invoice data capture and matching POs to invoices highlight the lack of automation within the system and present the risk of further inaccuracies throughout the invoice journey. This is perhaps why 19% of supplier invoices are currently paid late.

Most inefficient parts of the AP process



Most inaccurate/error-filled parts of the AP process



Risky business

On average, 36% of finance time is spent on manual AP processes – down from 53% in 2021. And the time to process an individual invoice has dropped from 50 minutes in total in 2021, to 33 minutes in 2023. It appears that less time is being spent partly due to the increased volumes that need to be processed, and partly due to lack of resources. Staff are now rushing to process invoices, increasing the risk of error.

Now, we have time to find ways to reduce costs and enhance revenues. We're focused on strategy, not just making sure that people are getting paid on time

Kevin Crowley, Accounting Manager, Therabody

Insight 03

Process gaps and automation delays

Automation doesn't seem to have moved on much since December 2021. Less than half of companies consider any single stage of the AP process to be fully or mostly automated.

Payment execution (50%), supplier invoice approval (46%), payment authorisation (45%) and supplier invoice data capture and GL-coding (45%) are the areas most likely to be fully or mostly automated. But least likely to be automated is obtaining and validating supplier details, which only 29% in the US, 24% in Benelux and just 20% in the UK say is likely to be automated.

Rob Israch, President of Tipalti, commented: ***"We are increasingly seeing point solutions being bought in by businesses to address a certain bottle neck in the AP process. While this may work in the short time, it's merely plastering over the foundational cracks of the broader business.***

"For example; OCR tools may struggle with certain types of invoices, such as those with non-standard layouts or handwriting, and may also be prone to errors when it comes to interpreting the data extracted from the document. Furthermore, simply digitising the document is not enough to automate the accounts payable process; the data must also be validated, processed, and integrated with the company's financial systems.

"Without automating the entire AP workflow – from purchase requisition to invoice processing to payment execution, unnecessary friction due to manual processes will hold back the potential of high growth businesses."

On average, 38% of the end-to-end AP process is still currently manual or paper-based – which is down a little from 43% in 2021. However, almost three quarters (74%) are concerned about the impact of too much manual work on the morale of finance/AP staff. The question is, what does this mean for team morale, the retention of staff, and the chances of making even more errors as morale plummets?

The problems aren't just paper based. There are currently on average 3.9 different logins or systems involved in making a supplier payment. This creates friction and more opportunities for inconsistencies and errors to creep in – not to mention being highly inefficient for AP staff from a time perspective. The obvious answer is to try and streamline those processes.

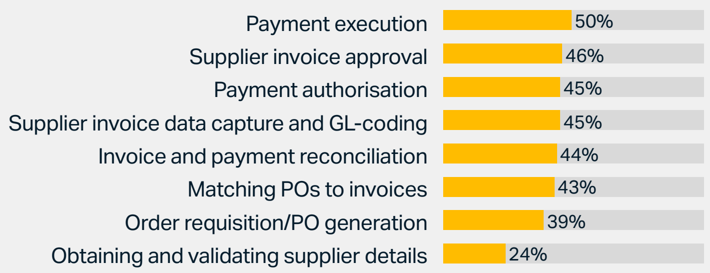
Did you know?

On average, 26% of spend is international – and the most used currencies for international supplier payments are US dollars (61%), Euro (43%) and British Pound (36%).

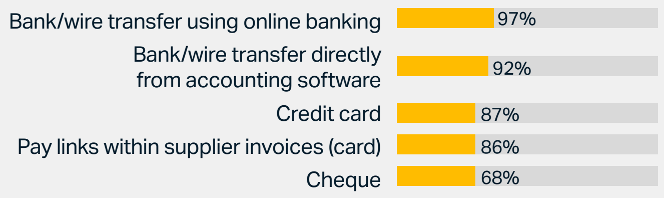
We're developing our human capital internally as opposed to spending money on manual, error-prone, processes where people can't keep up with growing volumes.

Courtney Santry, Controller, Sensei

Current automation of AP processes



Payment of invoices by different methods



Insight 04

The cost of AP shortcomings

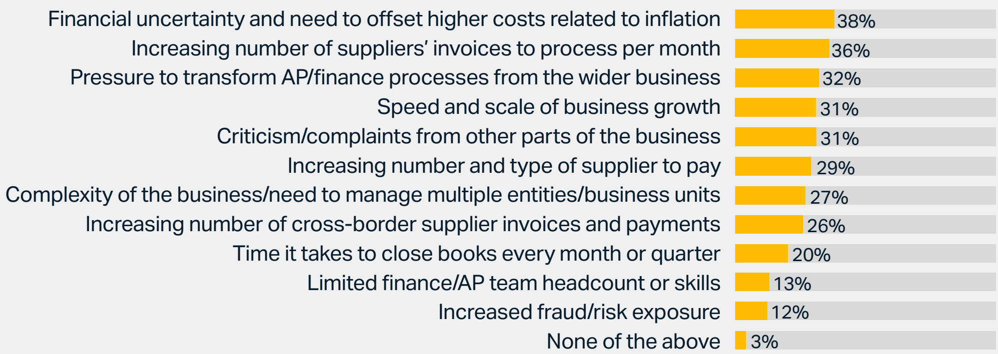
A number of factors are making AP challenges difficult to ignore. The most pressing are financial uncertainty and need to offset higher costs related to inflation (38%), an increasing number of supplier invoices to process per month (36%), and pressure to transform AP/finance processes from the wider business (32%). This represents an increase in business pressure since 2021.

There's no doubt that the heat is on AP/finance staff and that a perfect storm of financial uncertainty, higher costs, more invoices and creaking manual processes is brewing. But what impact will it have?

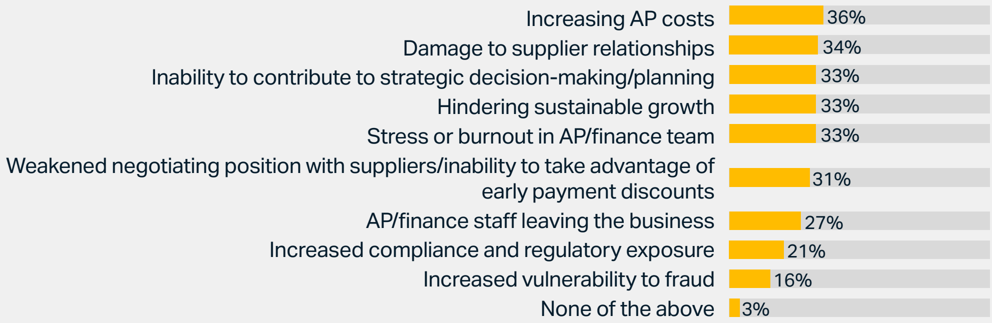
More than half (53%) say they are concerned about AP processes being able to support sustainable growth in the business. Meanwhile, similar numbers to those in 2021 have received feedback or criticism from the wider business about AP inefficiencies (62% today; 63% in 2021). This can only serve to further demoralise an already disheartened AP team and weaken an already damaged internal reputation.

If AP inefficiencies continue or intensify, the implications are seen to entail increasing AP costs (36%), damage to supplier relationships (34%), inability to contribute to strategic decision-making/planning (33%), hindering sustainable growth (33%) and stress or burnout in the AP/finance team (33%). However, there are some regional differences to take into consideration, particularly with the perceived increase in AP costs where almost half (49%) in the USA think this will happen compared to just 30% in the UK and 24% in Benelux.

Factors that are making AP challenges difficult to ignore



Implications if AP inefficiencies continue or intensify



Act now

The cost of doing nothing is worse than any AP shortcomings. Over a third (36%) fear increased AP costs at a time when they need to be leaner than ever – threatening fragile supplier relationships.

Our goal is to stay lean, save costs, and provide top-notch customer service – we want to support future products and future international expansion.

Chris Hurst,
Director of Accounting,
Younique Products

Insight 05

Moving forwards with end-to-end AP automation

Almost two-thirds (65%) of finance or AP leaders say they find it difficult to prioritise which AP tasks to automate. Indeed, the top areas seen as most likely to benefit from greater visibility in spending and control of cash flow are all evenly weighted: supplier invoice approval (38%), matching POs to invoices (36%), and payment authorisation (34%).

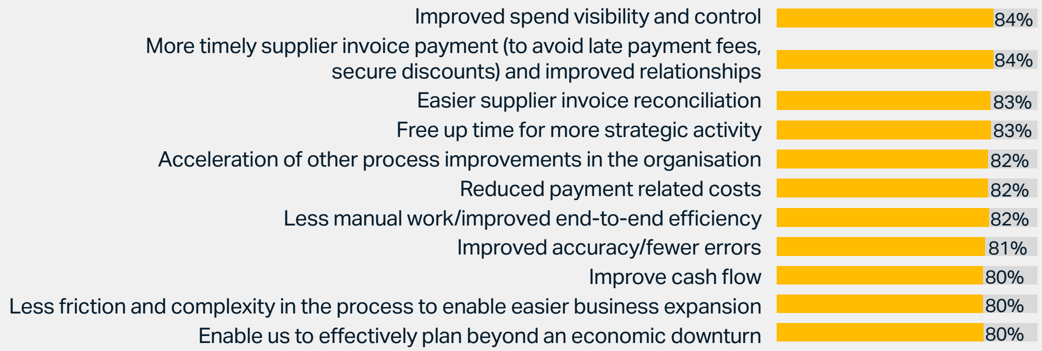
Surely the answer then is to automate it all! The advantages are widely recognised. As in 2021, end-to-end AP automation is seen to support growth objectives in many ways. Almost nine in ten (89%) in the US think AP automation will improve cash flow; 86% in the UK think it'll lead to more timely supplier invoice payment and improved relationships; and (88%) in Benelux think it'll improve spend visibility and control.

For instance, Marc Balcke, Corporate Controller at Noom – a Tipalti customer – said: ***"More visibility and transparency into the financials of our subsidiaries accelerates our reporting and helps us measure and understand our financial performance faster."***

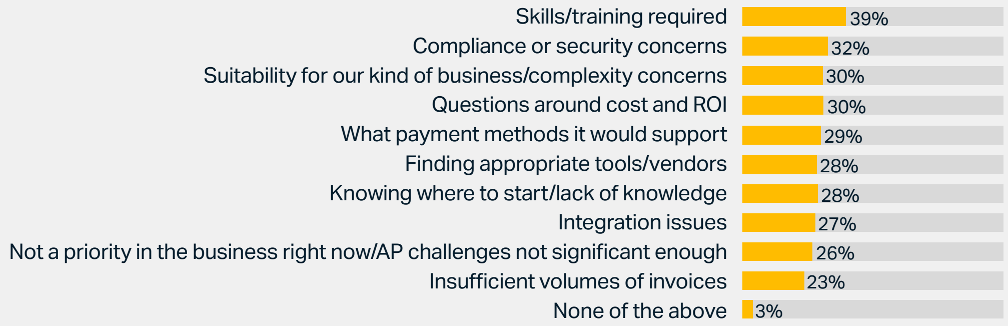
Yet, while understanding of AP automation has improved in the past year – with 40% now seeing it as end-to-end supplier invoice automation that encompasses both processing and payments (up from 30% in 2021) – this understanding hasn't yet translated into meaningful adoption.

The biggest barrier to adopting a single system capable of end-to-end AP automation remains the skills/training required (39%) and actually knowing which AP tasks to start with. Other barriers include compliance or security concerns (32%), suitability for their kind of business/complexity concerns (30%), and questions around cost and ROI (30%). However, it's worth pointing out that many of these barriers are based on experiences with less advanced AP systems. Modern end-to-end AP systems utilise AI and machine learning and re-engineer the AP process to remove errors, inefficiencies and to empower users.

How end-to-end AP automation can support growth objectives



Barriers in adopting a single system capable of end-to-end automation



Exciting opportunities

Most (79%) say they are excited about the opportunities that AI and machine learning can bring to AP and finance. The same number (79%) say they would spend any time freed up by automating AP focusing on more strategic issues.

Closing month end, it could be four to five days. Last month, we did it in two days with Tipalti. That's a huge improvement for us.

Charlotte Nicholas,
Financial Controller,
Jellyfish Pictures

In closing…

With businesses focused on sustainable growth, looking to plan beyond the current economic downturn, and AP seeking to build its strategic value – perhaps now's the perfect time to introduce AP automation.

There was an appetite for full AP automation during 2022 but it seems businesses – due to any number of external and internal factors – have been 'procrasti-planning' and now posit that the next two years will be the tipping point for full automation of AP. This 'kicking the can down the road' mentality could be the difference between businesses who fail to adapt to the changing role of finance and those that flourish by seeking to embrace new ways of working sooner rather than later.

Over three quarters (77%) globally say they need to stop being reactive and begin planning beyond an economic downturn. Almost a third (32%) think AP will be fully automated in their organisations by the end of 2024. And many of the top perceived AP challenges – including chasing the business for invoice approvals (76%), dealing with suppliers who are chasing payments (72%), and manually processing supplier invoices (73%) – can all be automated easily.

It's certainly an exciting time for AP and finance leaders, and how they can work with a trusted partner like Tipalti to harness the power of automation

Move from manual to modern efficiency

- Improve end-to-end efficiency
- Free up finance time for more strategic activity
- Plan beyond an economic downturn
- Improve spend visibility and control
- Reduce payment related costs
- Improve cash flow

Finance automation that puts you in charge

Ready to try a modern, holistic, powerful payables solution that scales with your business needs? Get in touch with us to see how Tipalti could transform your finance operations.

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