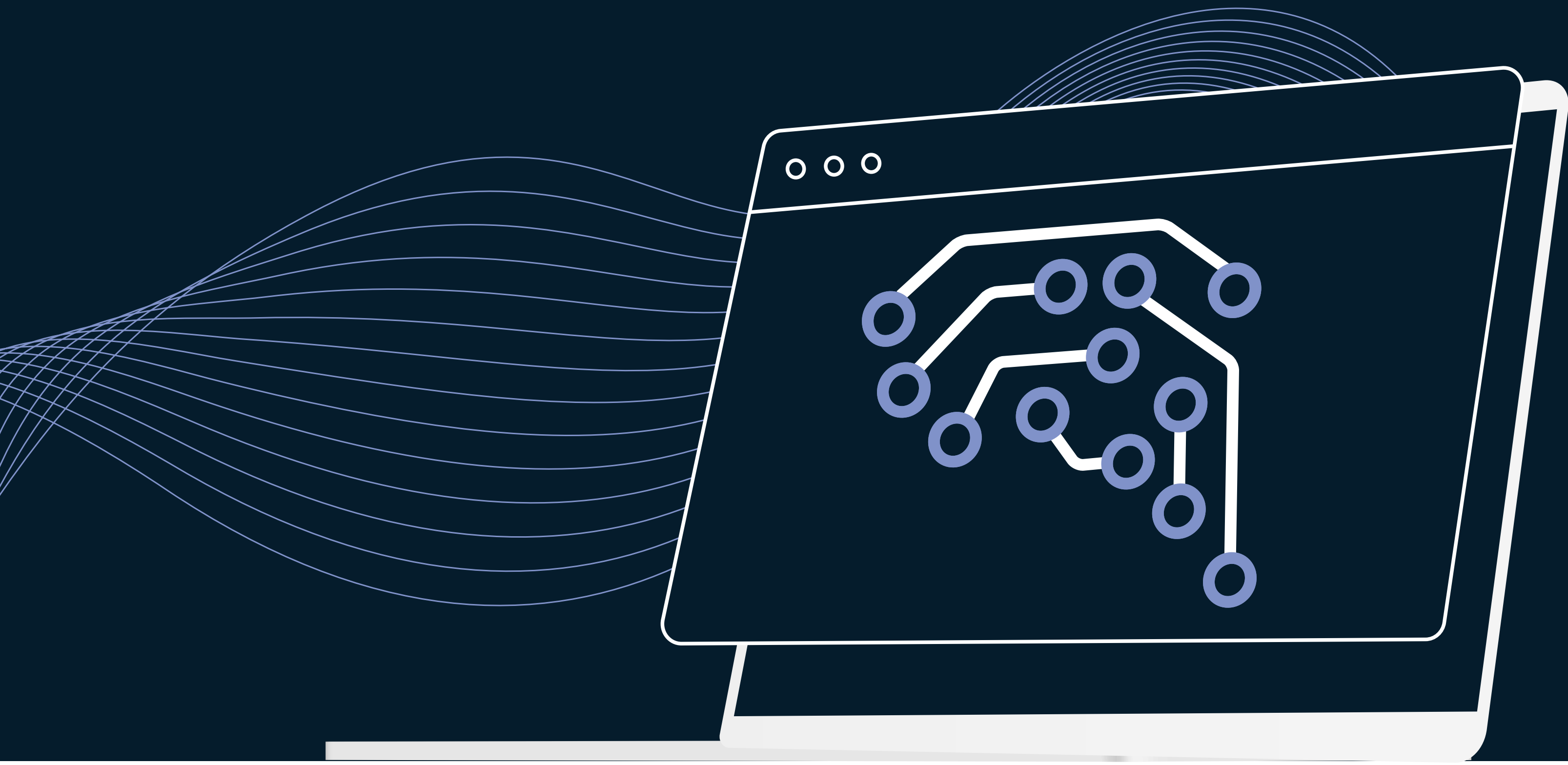
How Scaling Businesses Can Implement AP Automation to Boost Efficiencies and Cut Costs



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The current economic backdrop is challenging and uncertain. Rising inflation and political uncertainty associated with the war in Ukraine have put pressure on businesses' demands, costs and supply chains.

An effective way for CFOs to steward their companies through these choppy waters is to implement AP automation to drive process efficiencies and cut costs. This will enable scaling businesses to meet their growth objectives without adding headcount.

AP automation will also support broader efficiency gains, with the availability of real-time data supporting agile decision-making and empowering the finance team to spend time on high-value initiatives.

On average, **43% of businesses are still manually completing parts of their AP processes or with paper audit trails.**

Failure to take advantage of AP automation simply holds companies back due to manual processes taking longer to complete, in addition to lower accuracy levels, decreased visibility of accounts and cash balances, and adding unnecessary costs.

While many businesses have already begun their AP automation journey and recognize its importance, there still is a misunderstanding of what it is and how it can be achieved.

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What's Wrong with Manual AP?

It's Inefficient

Relying on manual AP processes is inefficient. It's time-consuming and unrewarding for staff to complete tasks that don't add much value to the company and can easily be completed more effectively via an automated setup.

On average, it takes fast-growth businesses **50 minutes to process a single individual supplier invoice,** from receipt to payment, excluding any internal approval processes.

This isn't scalable and will become even more of a problem for ambitious businesses as they continue to grow and process a greater volume of invoices.

Presently, **it takes high-growth organizations 13 days to close their monthly accounts and 14 days to close their quarter.** This slow output of management accounts is limiting the ability of CFOs to make timely decisions, and it's unlikely to meet the needs of investors who will want to see management information faster.

In the current uncertain economic environment, the necessity to complete fast closes is even more critical.

Switching to a fully automated AP workstream sooner will make implementations easier and cause less business disruption. As well as speeding up the processing of the entire AP function, this will allow companies to operate a lean finance department, minimizing the need for additional headcount.

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Disconnected Systems are Complex

Running a disjointed AP department that operates off of manually entering data across different systems is unnecessarily complex.

82% of businesses need to log into more than two systems to make supplier payments, with the average company using four different system logins to complete a payment.

Using different systems for all or some AP elements makes it hard to standardize workflows, creates bottlenecks, and requires additional human effort to enter or import data into different software and get cross-departmental sign-off.

Non-automated AP processes are risky:

Data may be entered incorrectly into accounting and banking software

They create FX risk by making it harder to access the most competitive rates for international payments

They provide less visibility on cash flow, making it harder for CFOs to drive strategy

This is one of the top concerns of high-growth businesses, with 80% listing fraud and risk exposure as one of their AP challenges.

Additionally, **31% are concerned they will face issues related to forecasting and planning due to inaccuracies or delays as their AP needs continue to intensify.** This could have negative implications for high-growth businesses, putting significant strain on cash flow due to rising costs, making it more challenging for them to continue to operate and raise additional funding on favorable terms.

31% of high-growth businesses are concerned they will **face issues related to forecasting and planning due to inaccuracies or delays** as their AP needs continue to intensify.

What Is AP Automation?

AP automation consists of the entire AP lifecycle, encompassing both processing and payments.

However, there is a common misunderstanding of the breadth of its scope. 40% of businesses think AP automation relates to invoice payment processing automation, and 29% believe it consists of automating supplier invoice processing.

For AP automation, the full range of processing and payments activities are:

- **Obtaining & validating supplier details**
- **Order requisition/PO generation**
- **Supplier invoice data capture and GL-coding**
- **Supplier invoice approval**
- **Matching POs to invoices**
- **Payment authorization**
- **Payment execution**
- **Invoice & payment reconciliation**

How Can I Implement AP Automation?

AP automation can be implemented in a variety of different ways.

64% of organizations say they find it difficult to prioritize which AP tasks to automate.

To select finance tasks in need of automation most, finance leaders should reflect internally on their current processes, their challenges, and the changes that need to be made:

Once you have completed these steps, you'll be in the position to explore solutions that make substantial change.

Meet with process stakeholders

Engage with the key internal stakeholders and suppliers to understand invoicing needs and pain points.

Map your current processes

To automate AP processes, you'll first need to understand and document the existing processes already put in place.

Identify main challenges

Use conversations to identify main AP challenges. These commonly include the frequency of manual processes, lengthy processing times, and loss of control over budgets.

Define key solution requirements

Selecting the right technology and business requirements are essential to integrating an AP automation successfully. Considerations should include ERP integrations, ease of use, and price.

Identify ROI drivers

Defining ROI on AP automation help CFOs build an internal business case.

Assess organizational impact

AP automation impacts business operations, IT, and the broader company as a whole. It's crucial to have a plan in place to implement positive changes, giving the transition the best chance of success.

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The full range of AP automation functionality includes:

Invoice Management

Invoice management tools make processing invoices significantly easier by capturing them via emails or web portals.

They eliminate data entry and the risk of human error with Optical Character Recognition (OCR) extracting data, including tax values.

However, CFOs should be mindful of entirely relying on OCR as the technology is typically only accurate 75% of the time. Leading invoice management solutions supplement OCR with a managed service that validates all the information, ensuring data input accuracy.

Finance team members are freed up to spend their time on more value-adding tasks due to managed services not requiring them to have to check the accuracy of invoices manually.

Global Payments Automation

Automating payments is cost-efficient and saves time.

Payments are complex. There is the risk of fraud, and the sheer amount of different payment types and methods can be overwhelming.

On average, **30% of business spend is to international entities**, so companies also need to manage FX risk.

Using a global payments automation system lets organizations use a single solution to pay international suppliers in their local currencies across a range of payment types, including the likes of BACS, SEPA, Global ACH, wire transfers, PayPal, and US ACH.

These tools also have the functionality to set up rules to reduce payment errors and access more cost-effective payment methods. There are significant cost savings available for switching to a lower-cost payment type. For example, switching from wire transfers to Global ACH can reduce the cost of each transaction by up to two-thirds.

Payment Reconciliations

Automated payment reconciliations can be an effective way to speed up closing the books at month-end.

Staff no longer have to manually complete reconciliation processes by working across numerous spreadsheets from different bank accounts.

Instead, payment reconciliation platforms synchronize with leading accounting tools to reconcile payments accurately and instantly, considering different payment methods, currencies, and subsidiaries. Additional benefits include improved cash flow visibility and working capital payment, alongside reducing potential fraudulent payouts.

End-to-End AP Automation

End-to-end AP automation is the gold standard CFOs should aspire to if they want to streamline processes and reduce costs across their finance departments.

It improves the efficiency and accuracy of data, reduces errors and friction, and gives increased visibility over cash flow – a critical data point in today's business environment.

90% of businesses believe that end-to-end AP automation will improve their overall AP processes, with 59% planning on moving towards implementing a solution within the next 12 months.

End-to-end AP automation platforms make running the AP function seamless by connecting to ERP and accounting software, so data flows between different systems throughout the entire lifecycle, from obtaining supplier details through to payments and payment reconciliations.

End-to-end solutions also save time managing suppliers, as well as enhancing relationships. Emails to chase down payments are eliminated due to regular payment status communications via the platforms and email notifications, providing suppliers with comprehensive real- time visibility on the payment status of their invoices.