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The State of ePayables 2019: Driving Value in the Age of Intelligence

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The State of ePayables 2019: Driving Value in the Age of Intelligence

The major eras of the modern age — Agricultural, Industrial, and Digital — have each been identified as revolutions that broke the continuum of human progress and placed it on a new, higher trajectory. More than simply re-categorizing business' and society's winners and losers, these revolutions "changed the game" both completely and forever. While many different factors helped to shape and define the eras, each shared common inputs (innovative ideas and new technology) that resulted in a common output (remarkable advances in productivity). Each era was also a direct byproduct of the one that preceded it — for example, the cycles of innovation and the advances in production prowess of the Industrial Revolution ultimately led to computers, software, and the internet as part of the Digital Revolution. Due to the rise of business process automation tools, cloud-based applications, mobile solutions, and connected devices permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and businesses around the globe have an extraordinary opportunity to capitalize on it.

In 2019, businesses and consumers are now fully engulfed by technology and the data it both creates and captures. The same holds true for accounts payable ("AP") departments across the globe. Accounts payable's Big Data has the potential to become the next major force and catalyst for the profession. In fact, over the next few years, Ardent Partners predicts that a new type of intelligence will emerge from this data that enables AP teams and their key partners to view their operations differently and by doing so, will force these same groups to develop new strategies and approaches. For the AP leaders everywhere, this is the dawning of the Age of Intelligence. This new age presents those willing to seize it with unprecedented potential to transform not only how AP operates but more importantly, the true value and intelligence it can offer to the business.

Table of Contents:

1

The State of Accounts Payable

This chapter looks at the continuing evolution of the role of the accounts payable function and its level of engagement and alignment within the enterprise today as well as the motivations and internal and external drivers that shape AP leaders' priorities and plans this year and beyond.

- 6 The Turning Tide – AP's New Perception
- 8 The Barriers to AP's Higher Ground
- 9 AP's Plan for 2019: Boost the Insights, Lose the Paper
- 11 The Game Plan
- 12 Exceptions: The "Root Cause" of All Evil

2

The State of ePayables

This chapter highlights the role of Ardent's ePayables Framework in the AP transformation journey, and discusses how innovation is paving a path for the future of the AP function.

- 14 Advancing AP with Advanced Technology
- 16 Ardent Partners' ePayables Framework™
- 17 The Technology Factor: The Automation of Core AP Processes
- 18 Tactical Automation vs. Strategic Automation
- 20 The "Smart" Way: The Future of ePayables

3

Best-in-Class Accounts Payable

This chapter provides accounts payable performance and operational benchmark statistics and a profile of Best-in-Class performers and their distinguishing characteristics and strategies.

- 22 The 2019 Accounts Payable Benchmarks
- 23 Best-in-Class AP Performance
- 24 The Best-in-Class AP Program, Part I: The Core Competencies
- 26 The Best-in-Class Program, Part II: The Technology Advantage
- 27 The Best-in-Class AP Program, Part III: The Age of Intelligence
- 29 Data Criticality

4

Strategies for Success

This chapter presents a series of recommended strategies and approaches for finance and accounts payable leaders and their departments who are seeking to improve their operations and their results.

- 30 Intelligence in Action
- 32 General Recommendations for Action
- 33 Innovation-Led Recommendations for Action
- 35 The Next Generation of Accounts Payable ("The Experience")
- 35 Conclusion
- 37 Converting Data Into Value

5

Appendix

- 38 About the Authors
- 40 About Ardent Partners
- 40 Research Methodology
- 40 Report Demographics



Chapter One: The State of Accounts Payable

“It is not in the stars to hold our destiny but in ourselves.”

– William Shakespeare

“Destiny” and “business” are two words that rarely intersect in modern discourse. Destiny is an abstraction usually applied to the future potential of a person (or thing) and their ultimate place in the universe. Destiny is defined as both the pre-determined path and destination of journey, regardless of the choices made by those traveling. Thus, leveraging the concept of destiny in regards to the world of business may seem like an odd choice. Business, of course, is business... something very real and concrete and the underpinning of all finance and economics.

In 2019, the speed in which key functions are thrust into and out of the spotlight based upon a change in strategy or a response to the market is accelerating. Likewise, the path of an Accounts Payable transformation and the team’s final destination are not always of its own choosing. Groups within the enterprise and beyond it can have a direct influence on any department, as do elements of technology, innovation, and globalization. In the case of the AP function, these external forces include the procurement organization, treasury and finance teams, line-of-business leaders, and suppliers. But, leading AP organizations know that they must

take fate into their own hands and become the driving force behind change and transformation. They cannot and should not rely on others to aid their cause. They must “become the change” while also serving as the primary change agent.

Over the last three years, finance executives state that there has been an increased focus on the role of the modern-day AP function. This has resulted in a more broad-based understanding of the function and its ability to impact value, savings, and intelligence. This is a departure from the past where the AP group was relegated to the unglamorous back office, managing a long-term cycle of tactical, manual-processes and an abundance of paper, “destined” to remain a function that would never see its “day in the sun.”

Over the past decade, however, AP’s tide has been turning. In the aftermath of the Great Recession, most businesses came to the realization that “doing more with less” meant that even the most tactical of units had opportunities for sizable performance improvement via an increase in precision and efficiency. And, as those initial improvements were identified and pursued, other,



secondary, yet more strategic opportunities to create enterprise value began to emerge. In essence, many of the very back-office and operational pieces of the average businesses had the power to fuel new productivity gains in comparison with bigger, more strategic components of the greater organization.

Today is an exciting time to be working in AP as a majority of teams continue to pursue and capture efficiency gains while simultaneously unlocking a whole host of new and more strategic opportunities. For most, the year ahead will not just be highlighted by a long line of behind-the-scenes operational struggles, cloaked in the sheen of paper, manual processes, and a lack of real business impact. Ardent Partners believes that many AP groups, and the profession, more broadly, are slowly, but surely, entering the Age of Intelligence. For AP professionals, this new age will begin to shift the goals of an AP operation from those that are the result of an efficiency-based and process-driven culture to those that exist for organizations that work at the intersection of data, intelligence, and value. In the near-future, AP will start to model other business functions within the enterprise (marketing, production, and IT) that have endeavored to build an intelligent operation that uses a data-driven methodology to support key decisions.

If strong leadership is critical to an AP team's success, over the next few years, intelligence will become equally important at the organizational level. In that regard, leading AP and finance leaders know that they must develop and expand their organization's

intellectual capacity and invest in ways to fully leverage it across the entire scope of operations. But, while intelligence can be a great asset, if it is not applied or applied correctly, its value is considerably lessened.

In 2019, the state of Accounts Payable is strong, and for those organizations getting smarter via the use of their data, it is only going to get stronger.

The Turning Tide - AP's New Perception

The state of Accounts Payable has not always been strong; in fact, it has historically been weak. For example, exactly ten years ago, as businesses were struggling to return to more stable and profitable times, the AP automation industry's momentum hit a wall. After riding the coattails of the B2B internet revolution that originated in the late 1990s, AP had once again become an afterthought. It was not until a few years later when a change in executive thinking, driven by the level of innovation in the enterprise software market and the rising threat of global competition, called for a comprehensive push to modernize the entire enterprise. As a result, the concept of digital transformation was born.

Today, the leading trend with enterprise technology projects is to approach them as holistic "digital transformations," something significantly more impactful than simple process automation. The digital transformation of an AP department is an opportunity to use technology as a means to reimagine the organization's entire scope



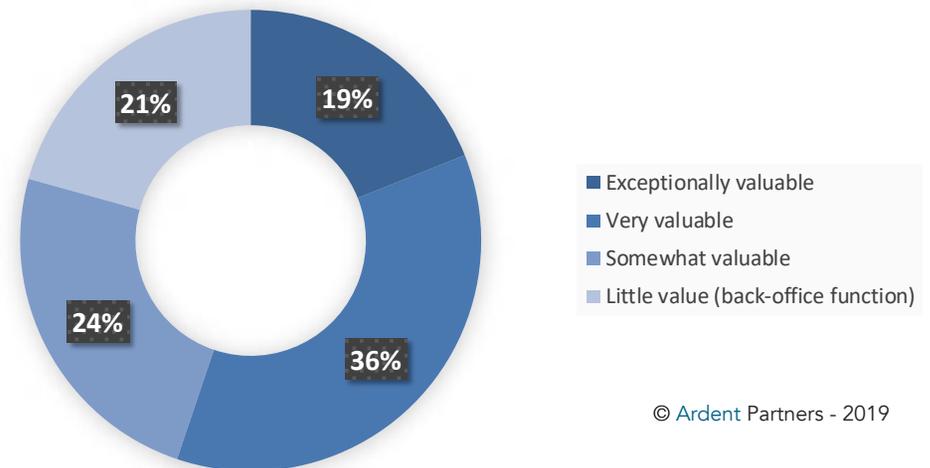
of operations and how it performs. Unlike the process automation initiatives that focused on making singular sub-process areas like invoice receipt and approval workflow more efficient (but failed to transform a department), a digital transformation does not view technology as a process enabler, but rather, as the fundamental process going forward.

A successful digital transformation requires many elements, including sponsorship, effort, collaboration, vision, expertise, and a supporting technology infrastructure; superior program design also remains a critical element in the speed and impact of the initiative. But more than anything, it requires the entire organization to embrace change and go “all in.”

The Accounts Payable function has benefited from this newer digital approach where transformations now look to address the full AP process as defined by Ardent Partners’ ePayables Framework (see Page 17). When done successfully, a more significant and long-term impact on AP operations and results can occur. And, as digital transformations continue to hit all parts of the enterprise, greater opportunities to create value are unlocked. Here again, AP benefits from the larger business trend with more business and finance executives realizing that they can drive more strategic value from their AP unit. This realization translates into greater awareness of and respect for the function. In fact, Ardent Partners research shows that in 2019 (see Figure 1 to the right), a majority (55%) of businesses perceive AP as “very” or “exceptionally” valuable to

the overall enterprise. This is clearly a positive sign that AP’s worst days are behind it and that its future is bright.

Figure 1: The Current Perception of AP



The research findings in Figure 1 above portray AP as an industry in the midst of change – but change that has not fully arrived. And, it has taken quite some time to simply reach a point where AP can reasonably be considered a core enterprise function. For most AP leaders, the opportunity exists to spark the function’s new journey forward into more strategic territory. Others can and should track the broader industry and start to use their peers’ successes to educate internal stakeholders on the art of what is possible for AP.



Taking into account the values in Figure 1 on the previous page, it is important to note that AP has earned its recognition by making some major strides over the past several years, including:

- **Developing more effective process-led capabilities that transform tactical execution into strategic value.** For years, the typical AP function was mired in paper, resulting in huge inefficiencies and limited opportunities to do anything highly valuable in the eyes of their stakeholders. When paper dominates an AP department, inefficiency, and most likely ineptitude are sure to follow. Frustration with paper has been a primary driver for placing more emphasis on the “front end” of the total AP process. The result has been that more AP leaders are transforming the initial program capabilities – invoice receipt and approval workflow. Paper out, efficiency in!
- **Serving as a valuable conduit for more strategic activity like spend management and cash management.** One frequently overlooked attribute in regard to AP is that it serves a critical role in how other, more strategic, enterprise units can function. For example, procurement can benefit from the power of AP’s ability to close the procure-to-pay (“P2P”) loop in a more efficient manner, while treasury (or the executive team) can use the day-to-day insights of what AP is doing and processing to understand and then impact the business’ financial health.

- **Sparking the Age of Intelligence in how the business ultimately perceives the output of the AP function.** Accounts Payable sits on a veritable goldmine of data. Although not all of the enterprise’s core spend data can be extracted from AP data, the truth is there is enough financial data to spark real intelligence in how the enterprise is performing from a spend management perspective and a cash management/financial perspective. Once digital transformation-attuned business executives understood the general opportunity of mining enterprise data for value, many business leaders realized that AP can also trigger intelligence-led insights that can improve decision making and thereby, performance.

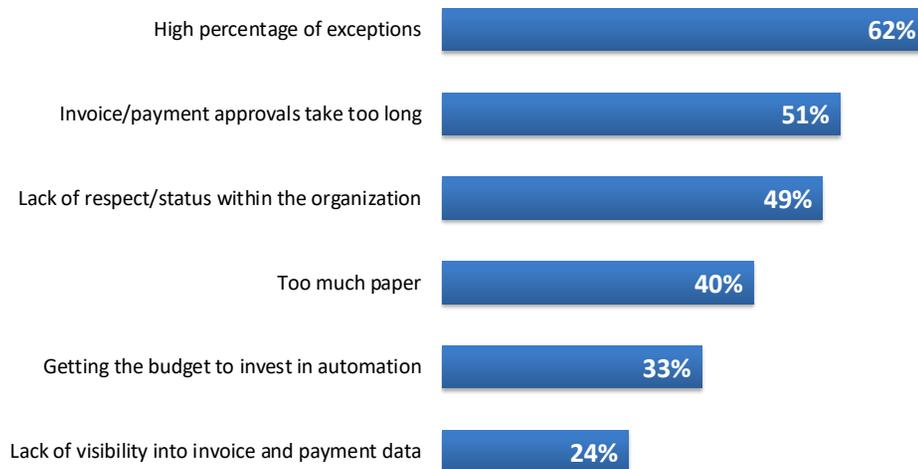
With a majority of executives now considering the unit to be strategic, or more valuable to the enterprise, opportunities abound for AP. More specifically, it is high time for AP leaders to more aggressively push their functions forward.

The Barriers to AP’s Higher Ground

At the surface, AP is destined for greater things, supported by the growing perception of the function as adding real value to the enterprise at large. However, as shown in Figure 2 (next page), several sizable barriers exist between AP and its vaunted higher ground.



Figure 2: Top AP Pressures



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In 2019, exceptions (62%) remain the bane of AP's existence. Invoice exceptions slow invoice processing to a crawl, creating detrimental bottlenecks that mute efficiency and effectiveness. That this pressure remains at the top of the "major challenges" category for several years running is telling: even as AP treads into new and more strategic territory within the greater enterprise, everyday issues can still hamper the journey and stall it before it ever truly begins.

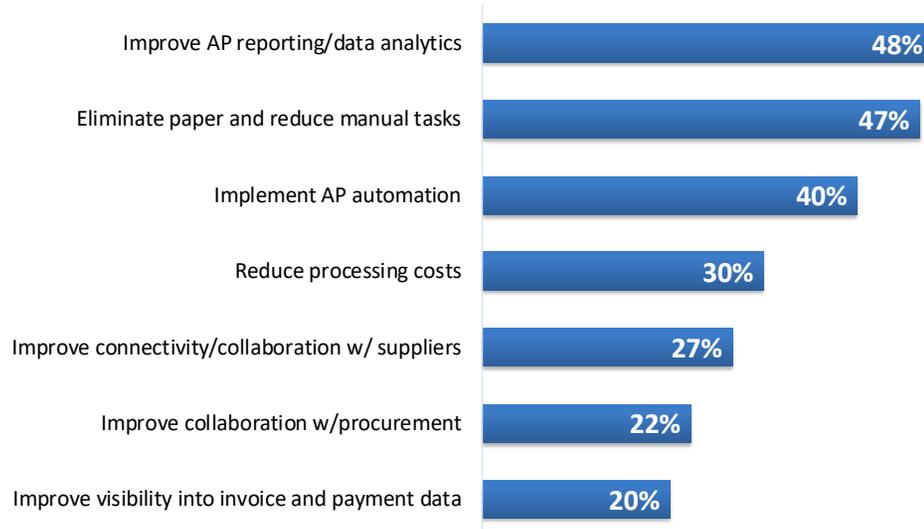
Two other longstanding pressures prove that, although AP has good momentum, it has not moved beyond many of the operational deficiencies that it has historically faced. Lengthy invoice approval times (51%) and "too much paper" (40%) also mean that no matter how far AP advances within the enterprise, including its overall perception, it must overcome traditional challenges daily in order to free itself from the trappings of the back office. With tactical pressures continuing to threaten the strategic value of many AP units, the teams must respond with technology- and program-led strategies to hold them off and deliver ultimate success in the months and years to come.

AP's Plan for 2019: Boost the Insights, Lose the Paper

A modern AP operation can discern itself from historical iterations by executing a multifaceted plan for the future that is dependent on solving tactical requirements and challenges while also enhancing its big data opportunity. As shown in Figure 3 (next page), many AP teams possess a pointed plan-of-attack for 2019 (and beyond): work to thrive in the Age of Intelligence and confront the problems of the past.



Figure 3: AP's Top Priorities for 2019



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The improvement of AP's reporting and analytics (48%) represents the distinct view that there are real opportunities to be had in the Age of Intelligence. Today's businesses are fueled by "outcomes" and the means of which to predict those outcomes based on real-time intelligence. The AP function sits in an interesting position in relation to its fellow stakeholders, and it can be an active participant in the development of cash management and spend management strategies via its data and insights. The plan to prioritize this aspect of an AP unit indicates that many AP leaders see the path forward

as one built on an intelligence-led plan that harnesses the value of its data for the good of the greater enterprise.

There is literally almost nothing that can be said about the eradication of paper (47%) that has not been previously said (or written) in the thirteen previous editions of this annual "State of ePayables" report. Accounts Payable is one of the few functions within the modern business that teeters on the edge of automation and manual-led processes, with some enterprises choosing an archaic approach that unfortunately has been the function's baseline for decades. In today's age of digitization and on-demand insights, paper has no place. While this priority may seem like a consistent challenge for the AP professional, it should be perceived as more of a quest than a lone, single-year objective. Paper invoices and checks will always be a problem that needs to be addressed in order for any AP team to realize its true potential, and, more importantly, optimize its value.

A successful digital transformation requires many elements, including sponsorship, effort, collaboration, vision, expertise, and a supporting technology infrastructure; superior program design also remains a critical element in the speed and impact of the initiative.



The Game Plan

Considering the challenges faced by today's AP organizations, it is clear that a smart "game plan" for the next twelve months revolves around two inextricably linked themes:

1. Solve most, if not all, of the tactical and manual-based issues that have plagued the function for decades, then...
2. Develop and build an "intelligent" function that uses its evolving business perception to engage more stakeholders, gain greater investment, and support better business outcomes through intelligence-based insights.

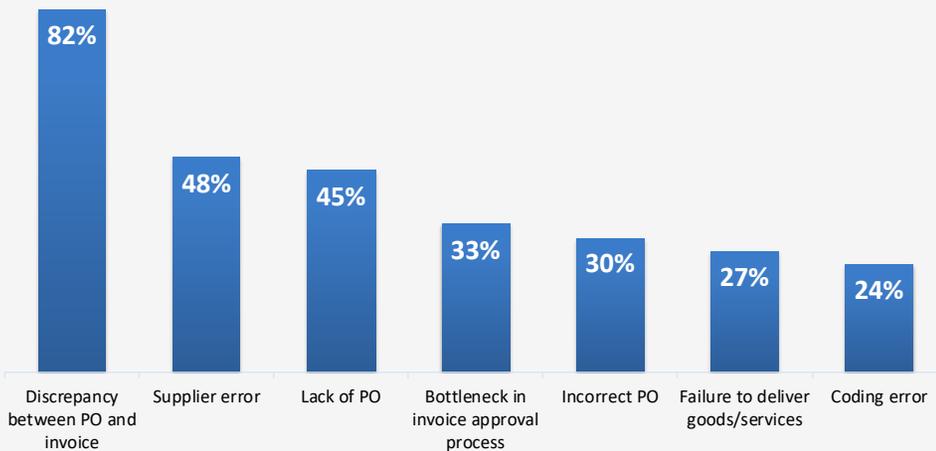
An intelligent AP operation cannot exist where the staff are processing paper and performing predominantly manual-based activities. As AP teams head into a new decade, shining from the glow of being viewed as a valuable member of the team, they should continue to strive for greater process optimization and the attainment and delivery of real-time, intelligence-fueled insights.



Exceptions: The “Root Cause” of All Evil

For an invoice to be approved, it must be matched and reconciled against the underlying order to ensure that the payment matches what the vendor supplied at the previously agreed-upon terms. When the invoice information is incomplete or does not correspond to what was expected, an exception is created. In 2019, Ardent Partners research shows that there are a variety of underlying causes of exceptions (see Figure 4 below), and that more often than not, the problems that AP must solve are not of its own making.

Figure 4: The Top Sources of Invoice Exceptions



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The top source of invoice exceptions (82%) is caused by a discrepancy between the purchase order (“PO”) and the information on an invoice. The information typically contained on a PO tends to be accurate because it both initiates and

defines the order. A PO lists what is to be purchased, quantities, price, payment terms, etc. This means that the invoice is the usual culprit in any document discrepancy and the root cause of the problem. Sometimes, the differences between the two documents are small enough to be acceptable as they fall within a pre-defined “variance” amount between the quantities being shipped and/or the cost being charged versus what was ordered and listed on the PO (i.e., the document of truth).

Invoices are generated by suppliers, and “Supplier Error” came in as the second highest source of invoice exceptions (48%). Delays caused by a lag in receiving matching information (or the lack of matching info) is a major issue for the AP team. Any delay in receiving the appropriate information will extend the invoice approval process unnecessarily, while a lack of information can also cause delays as the AP team seeks out the original information needed to understand the order and gain an invoice approval. Invoice exceptions put a strain on the buyer’s relationship with its vendors and frequent mistakes on POs and invoices create friction in the relationship and undue time and costs for each trading partner.

Many issues arise when suppliers create and submit manual, paper-based invoices for approval. One solution to this is adopting an eInvoicing solution that enables suppliers to remove paper from the AP process by creating invoices electronically. eInvoicing solutions can set required fields that suppliers must complete before being able to submit an invoice. This can virtually eliminate the submission of invoices with missing information that is needed by an AP organization to successfully process and pay it. eInvoicing solutions can also automatically reject and reroute an invoice back to a supplier if additional information is needed. This prevents incomplete invoices from being processed and bypasses the need for AP staffers to get directly involved with the supplier to communicate the issue.

While not all organizations have a PO process in place to manage their vendor



orders, those enterprises that utilize POs achieve significantly higher levels of automation than their non-PO using peers. The reason for this is fairly straightforward – a PO is generated by the buyer and contains a summary of the goods and/or services that the buyer is planning to purchase from the supplier along with key information such as quantity, price, delivery and payment terms, and administrative elements like date and order number. Purchase orders clarify what is expected of the supplier and provides both parties with a legal document for the purchase. Once an invoice is received from a supplier, the information on it must be matched and validated against the original order, an underlying contract, and/or some type of receiving documentation. If a corresponding PO does not exist for an invoice, it is significantly more difficult for AP to validate the original order and determine if, how, and when it should be paid.

A lack of a Purchase Order (45%) was listed as the third highest source of invoice exceptions for AP departments. For organizations that do not use a formal PO process, implementing an eProcurement system that generates POs is an obvious solution to this problem. However, even with an eProcurement system in place, certain orders may bypass or fall outside the scope of that system. To combat this issue, P2P teams would be wise to follow the lead of Best-in-Class organizations that more frequently utilize a “No PO, No Pay” policy. The benefits of using POs is clear – 79% of all invoices processed by Best-In-Class organizations are linked to POs. As a result, these leaders achieve a 2.5x higher rate of straight-through invoice processing. At the end of the day, higher levels of P2P automation as well as tighter collaboration with procurement and suppliers will go a long way to reducing the number of exceptions.



Chapter Two: The State of ePayables

“There’s a way to do it better—find it.”

– Thomas Edison

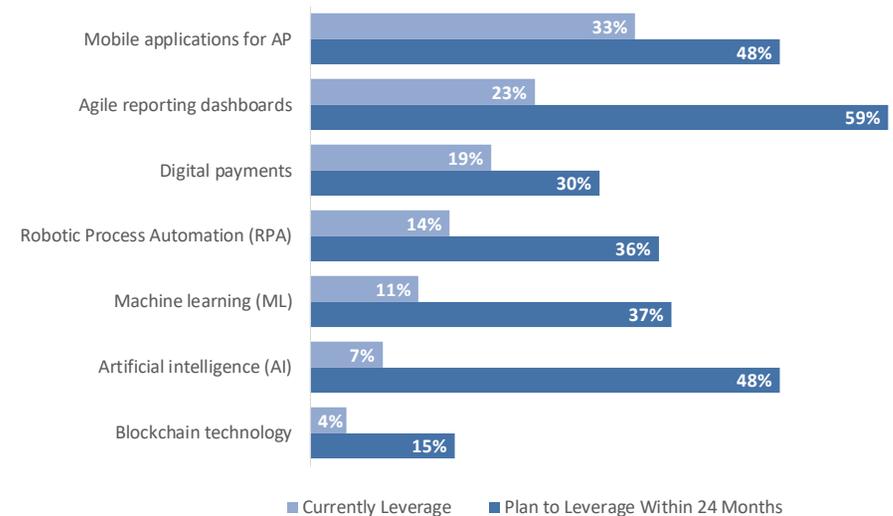
Smart business leaders perpetually pursue the ideal way of getting things done. To succeed, they know that they must execute a series of transformational strategies with supporting technology to optimize their specific processes, programs, and overall capabilities...and then remain open to new ways to push the envelope. Similar opportunities await forward-thinking AP leaders who pursue new ways of improving the organization. Innovations in the ePayables (or AP automation) marketplace now make these opportunities accessible to a larger percentage of organizations. Many of the same transformation and improvement opportunities once afforded only to the leading functions within a business are now within AP’s reach. For those AP teams with the wherewithal and resources to strive for them, it is now a matter of understanding what needs to be done, formulating a strong game plan that accounts for historical challenges and new opportunities, and executing well.

Advancing AP with Advanced Technology

All business functions, not just AP, can benefit from the general availability of innovative technologies and solutions. Cloud-based software has formally entered its “prime” years where even small

enterprises have the ability to access transformative technology. This discussion of innovation must be expanded to a broader, more applicable term regarding its impact: beyond core AP automation (which will be discussed later in this chapter), it is critical to note the more advanced platforms, solutions, and technologies shown in Figure 5 below have potential to make a significant impact on the modern-day AP operation.

Figure 5: Advanced Solutions to Transform AP



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These forward-looking solutions are newer to the market and therefore in earlier stages of adoption at the moment. But, more and more enterprises are figuring out the best possible means of enhancing their current AP requirements and utilizing these technologies to expand and augment their core AP automation. Figure 5 tells us that:

- **Mobile AP applications are today's most relevant advanced technology.** The advent of mobile extensions of enterprise-wide systems is not a new concept. However, within the world of AP, the ability to review and approve invoices from a mobile device can be truly transformative. Cost and time, as performance metrics, are inherently linked with invoice-processing. Giving AP leaders and line-of-business approvers access to invoices via smartphones and tablets is a powerful way to shorten invoice cycle times and reduce many of the bottlenecks within the full AP process.
 - **Agility, via analytics and augmented intelligence, will become the norm for AP within the next two years.** Augmented intelligence (AI) is the “buzzword du jour,” and rightfully so. This powerful technology has the potential to transform the way businesses operate. However, these solutions are in a relative “infancy” stage. For a group like AP, which has not been privy to many of the market’s innovations until recently, it is going to be exciting to watch AP staffers dial up a more futuristic vision and develop a reliance on AI (as well as agile reporting dashboards,
- which leverage real-time information and predictive analytics/scenario-building). By 2021, nearly half of all AP organizations will leverage these agility-driving solutions to augment and enhance both process orientation and data collection/analysis.
- **Robotic Process Automation has a place in AP's heart that will grow in time.** Robotic Process Automation (RPA) is one of several distinct technologies that comprise the “Future of Work,” a state of “work” that includes optimization via new thinking, new strategies, and, of course, innovative platforms. Robotic Process Automation can mimic the repetitive and menial tasks of human workers, freeing these individuals to perform more critical and strategic tasks. While RPA differs from actual cognitive intelligence (i.e., artificial intelligence), organizations can drive significant value from the eradication of simple processes that can be addressed by robotics. Within the next two years, nearly half of all AP functions are expected to harness RPA to continue to reduce the pains of manual- and paper-based tasks.
 - **Digital payments will have their day.** On paper (no pun intended), digital payments make complete sense: they are faster, more secure, accurate, and streamlined than paper checks and other manual methods of payment. While less than 20% of businesses today conduct digital payments, the stage is set for the digitization of payment execution and settlement to become an accepted piece of the AP function. Considering



where AP leaders sit in their destined journey in regards to driving true business value, digital payments will become a key means of reducing the amount of paper inherent in many AP units and freeing up time for staffers to spend on more strategic business activities.

Ardent Partners' ePayables Framework™

Since its creation in 2010, Ardent Partners' ePayables Framework (see Figure 6 to the right) has been used by thousands of AP organizations to streamline and automate processes, create best practices, and improve overall performance. The Framework was designed to aid AP departments of any size improve their processes by segmenting their workflows into three smaller, more manageable pieces: Invoice Receipt, Invoice Processing, and Payments. This segmentation makes it easier for an AP department to establish a clear view into the current state of operations and then improve upon it. The Framework also helps AP teams laboring under manual, paper-based processes, understand how to optimize their automation and transformation initiatives.

Figure 6: Ardent Partners' ePayables Framework™



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The three phases of the ePayables Framework are not discrete stages, but rather pieces of one coherent whole. This means that changes in one area will have a direct, and often immediate, impact on the others. Broadly speaking, however, the Framework covers three phases:

- **Receive** – How invoices are received.
- **Process** – How invoices are validated and approved.
- **Pay** – How payments are scheduled and executed.

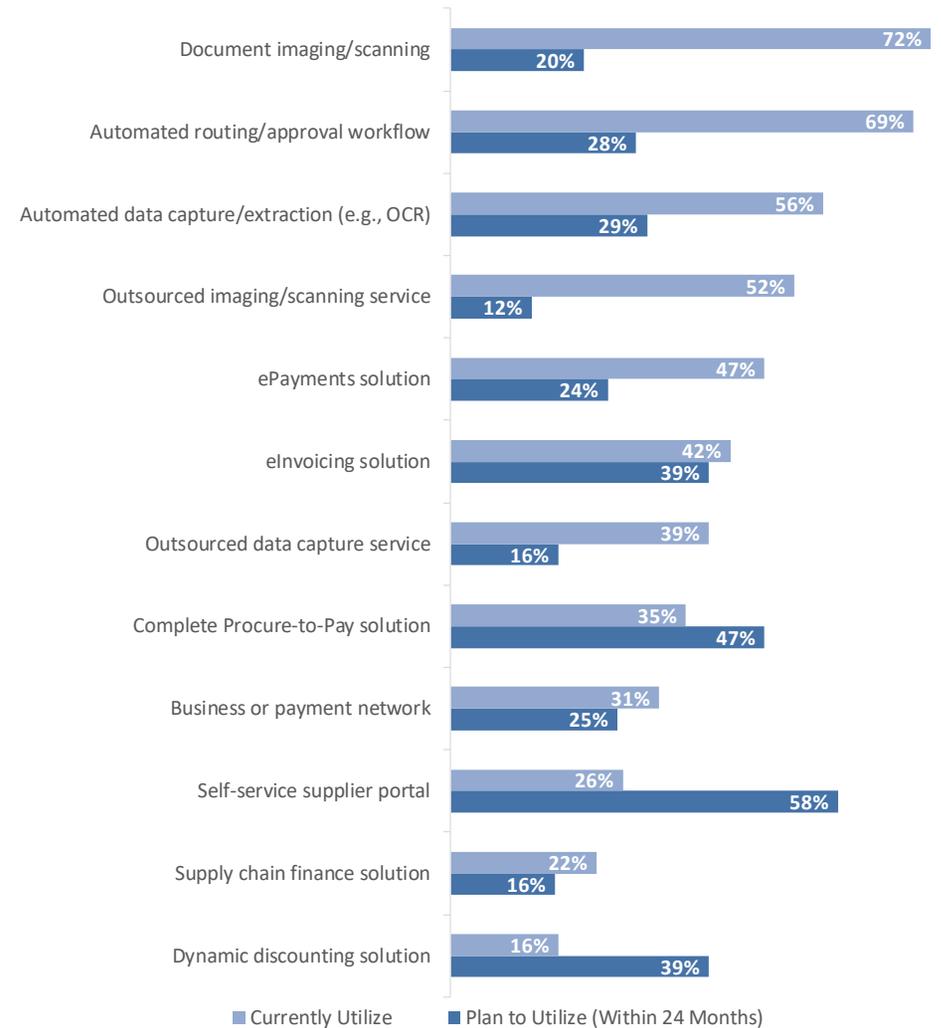


The first two segments of the AP process – “Receive” and “Process” – include the solutions and methods that AP (or buying) organizations use to receive, process, validate, match, approve, and process invoice information. Once invoices are validated, matched, and approved, they move into the “Pay” phase of the framework. This final stage includes the scheduling, processing, and execution of the vendor payment.

The Technology Factor: The Automation of Core AP Processes

Considering the importance of taking a holistic approach to the transformation of the Accounts Payable function, it is crucial to note that the adoption of core AP systems has been on the rise in recent years. The utilization of more “strategic” forms of automation is widely expected to see bigger adoption numbers in the next decade (see Figure 7 to the right).

Figure 7: Current AP Solution Utilization, Now vs. Two Years



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The findings in Figure 7 (previous page) reveal three key truths about the state of AP automation:

- **The core tenets of the ePayables Framework are employed by the majority of organizations across the globe.** There was a time when solutions such as imaging/scanning (72%), automated approval/routing (69%), and automated data capture/OCR (56%) faced low adoption in the world of AP. Over the past several years, however, organizations have realized the myriad benefits of automating repeatable and menial tasks, helping to drive down invoice-processing costs and shorten approval and payment scheduling times. This reflects a major victory for the modern AP function. In the past, simple automation was a boon, seen as the light at the end of a very dark tunnel. Today, it represents a crucial stepping stone on its transformation journey from back-office to strategic enterprise function.
- **“Extended” automation of the financial value chain is expected to increase into the next decade.** Ardent’s research has long pointed to the power of “extended” financial management solutions, such as supply chain finance (22%) and dynamic discounting (16%), in providing additional value to the payment phase of the ePayables Framework. Automating early payment discount capture and strategically (or, “dynamically”) scheduling supplier payment dates can truly revolutionize the

financial value that AP can bring to the greater organization. Although adoption of these solutions remains low (which has been the case for the past several years), new research findings point to more businesses leveraging them in the relative, short-term future.

- **Procurement-based automation has a continued impact on AP.** Procurement’s relationship with AP is based on the principles of the P2P process; as such, 35% of businesses today are automating the core tenets of this process in order to drive value across both supply management and financial management. Procure-to-Pay solutions not only make broader supply management capabilities more effective, they also enable more efficiency across the board. Likewise, the advent of business networks (31%) not only facilitates enhanced connections between buyers/businesses and suppliers, these networks provide an automated gateway for invoice management and payment, pushing these solutions into true strategic territory.

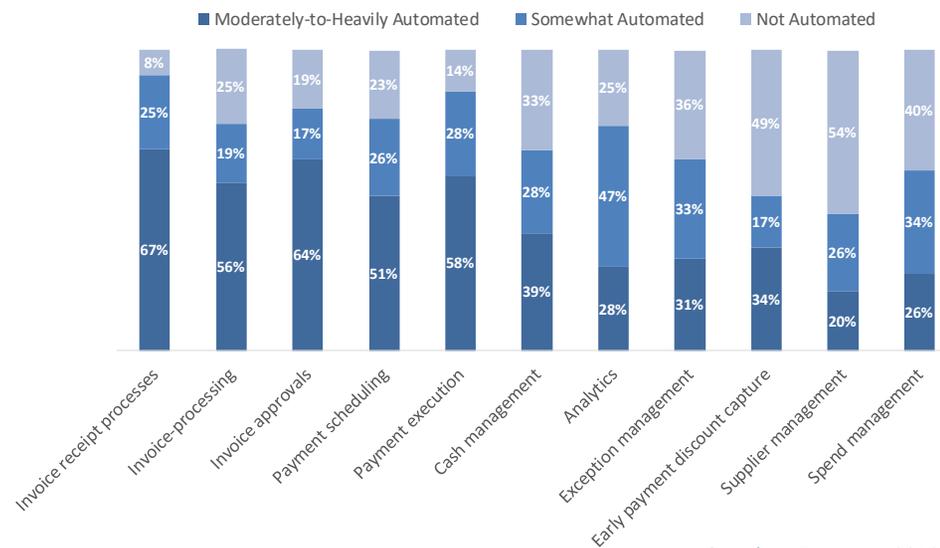
Tactical Automation vs. Strategic Automation

While it can be said that some automation is better than no automation (especially in regards to the world of AP), one must consider the lengthy transformation efforts that many AP functions have started but as yet, not finished. As stated previously, the levels of AP process automation achieved by most organizations is certainly a “win” for AP. However, simply deploying the solutions



does not ensure that they are used. Accounts Payable has never had its business perception be as strong as it is today; thus, it is critical for the group to make the next great leap and not rest on its laurels.

Figure 8: Levels of Automation Across Financial Management Areas



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The journey is not the same old story of “automate, automate, automate,” but rather, “be strategic about automation and innovation.” As shown in Figure 8 above, moderate-to-heavy automation abounds across the core components of the AP function, including invoice receipt (67%), invoice-processing (56%), approvals, (64%), payment scheduling (51%), and payment

execution (58%). This is a reflection of the vaunted “higher level” that AP has struggled to attain over the past several years: automation within these key areas ensures that the unit itself is not only highly efficient, but also has the ability to be a valued stakeholder in support of the greater enterprise. After years of pressure to automate the core facets of the full AP process, it seems as though a majority of businesses across the globe have started to achieve this goal.

However, there is significantly more at stake than merely automation of the traditional pieces of AP. The function has never before had as much clout as it does in 2019. Thus, AP must build on what it has already achieved in order to enter the next great phase of its journey. Figure 8 not only highlights the accomplishments attained by AP thus far, but also the shortcomings that need to be addressed for the group to develop smarter, more intelligent capabilities and drive more value to the greater enterprise:

- **Less than one-third of all businesses (28%) have moderate-to-heavy automation of their analytics.** In an age when intelligence is primed as one of business’ most valuable commodities, this is somewhat disheartening. For AP teams to reach their full potential, reporting and analytics must reach the same level of efficiency, power, and automation as the more traditional elements of the AP process.
- **Less than 40% of businesses today are heavily-automating**



their cash management competencies. Although collaboration with procurement has long been the dominant discussion when it comes to cross-functional coordination between AP and other units, the “next-level” value of Accounts Payable and treasury collaboration can boost cash management to achieve a positive bottom line impact. The potential insights gleaned from the AP-Treasury partnership are critical in not only making more educated business decisions, but can also further boost the overall perception of AP in the way it can provide truly valuable, actionable information to the core executive team.

- **Only 31% of businesses are automating (in a moderate-to-heavy manner) exception management.** With invoice exceptions as the top year-over-year pressure (as reported in this and recent editions of the annual Ardent Partners research study), it is surprising to see the as an area of automation weakness in comparison with the relative technology “victories” that AP has achieved across other areas of the function. The last thing any AP leader wants to experience is the loss of its unit’s ultimate strategic value in the face of difficulties like invoice exceptions.
- **Supplier management (20%) and spend management (26%) must be enhanced via technology in order to strengthen the link between AP and procurement.** Procurement certainly has had its own strategic transformation journey over the past

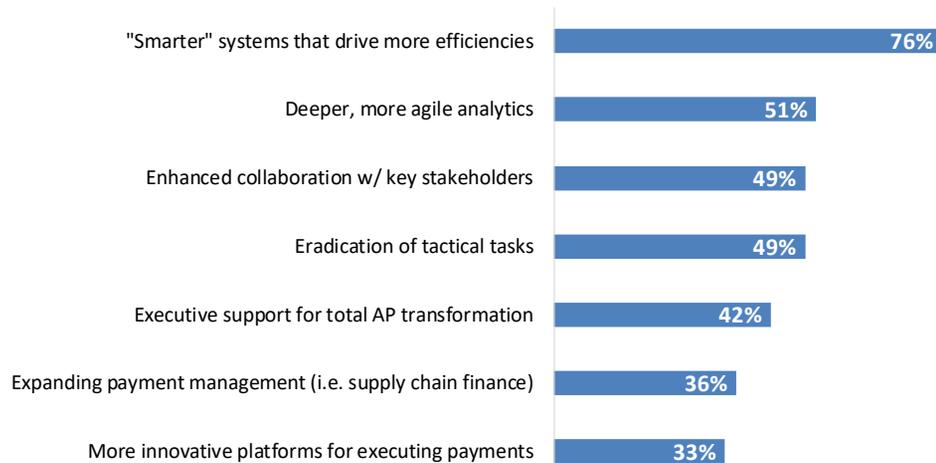
fifteen years and has finally earned its “place at the table.” One smart strategy is for AP teams to “hitch their wagons” to the value that procurement provides to the greater enterprise. However, in order to do this, the key pieces of the procurement group must be automated in order to provide more essential intelligence in regards to key suppliers and their performance against contracts and agreements.

The “Smart” Way: The Future of ePayables

Many of the major discussions regarding operational improvement typically revolve around technology and innovation. Although some of these instances will barely breach the realm of non-technological ideas (including new and exciting enterprise strategies), there always needs to be a balance between automation, innovation, and transformational thinking. From workforce management to spend management, business programs have succeeded based on the attainment of this “balance,” owing to the long-term strategic value of both innovative solutions and concepts. This conversation differs in regards to AP, however, as shown in Figure 9 on the next page, the vast majority (76%) of businesses point to one major attribute as essential to the group’s ultimate success: smarter systems.



Figure 9: Key Elements Required for AP's Performance to Reach the Next Level



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Both the business and consumer worlds have been impacted by the advent of "smart" systems that blend process automation, cognitive intelligence, and real-time operations. Just as the average consumer has the ability to develop a "smart home" that auto-detects when heat, air conditioning, lights, etc. should be turned on, smart business systems learn from repeated use and can provide enterprise executives with the power of foresight and intelligence. Within the world of AP, smarter systems can translate into a whole new world of efficiency, including:

- Next-level automation of the traditional components of AP.

- Near-complete eradication of menial and tactical tasks (which is also itself (49%) a gateway towards future AP success).
- "Touchless" and holistic (aka "straight-through processing") invoice and payment management.
- Predictive analytics for forecasting, planning, and budgeting.
- Machine learning-led intelligence that can revolutionize the data that flows through AP.

Additionally, deeper and more agile analytics (51%) remain a key piece for AP to achieve higher performance levels in the years to come. Business agility enables organizations to react dynamically to real-time pressures and challenges; agile reporting translates into the capability to extract deep financial and supplier data to help anticipate future scenarios and react accordingly.

Collaboration (49%) also remains a crucial piece of AP's ongoing advancement. The AP function is destined to do great things, but it cannot (and should not) do it all alone. The "quid pro quo" inherent in AP and stakeholder collaboration means that strategies like procurement/AP collaboration, in addition to providing the CPO and its team with more useful (and actionable) spend/supplier data, boosts the overall strategic value of the AP unit. Similarly, if AP's core intelligence can be leveraged in conjunction with stakeholders like treasury, the everyday insights that pass through the function can be leveraged for grand enterprise strategic thinking.



Chapter Three: Best-in-Class Accounts Payable

“There are no secrets to success. It is the result of preparation, hard work, and learning from failure.”

– Colin Powell

Accounts Payable’s destiny is almost within reach. The momentum behind the industry’s broad-based transformation efforts, combined with the recent successes in changing how other stakeholders perceive the group, have resulted in AP sitting in its highest position in years. The Best-in-Class AP organizations have blazed the trail for all other groups, showing by their example and results what is possible when an AP department operates at full potential. These leaders have been able to transform their operations and maximize the gains achieved on the AP journey. They serve as the clearest and best examples of what an AP department can bring to bear and how AP can impact business operations and business results.

The 2019 Accounts Payable Benchmarks

The measurement of key performance metrics is an important part of understanding just how far AP has come over the past several years. Accounts Payable and finance leaders, as well as organizations as a whole can use the benchmark statistics in Table 1 to compare their performance to the overall market and then better identify and understand the gaps that must be addressed in order to drive AP transformation. The benchmarks included in

Table 1 below represent key performance and operational metrics to track AP performance in 2019. Readers can reference these values as milestones on their greater AP journey.

Table 1: The 2019 AP Benchmarks

Metrics	Average
Cost to process a single invoice (all-inclusive cost)	\$10.08
Time to process a single invoice	8.3 days
Invoice exception rate	22.6%
Suppliers that submit invoices electronically	24.9%
Invoices processed “straight-through”	24.2%
Invoices linked to a Purchase Order (PO)	50.3%

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The metrics presented in Table 1 reveal several key attributes of today’s AP functions, including:

- The average organization spends just slightly over \$10 to process a single invoice (the all-inclusive staff and operational costs that



span receipt, processing, human intervention, approval time, technology, etc.), which, in relation to just how significantly this value has dropped since the first State of ePayables report was written by the authors in 2006 (when the average cost was more than \$24 per invoice), can be used as a catalyst for change. When multiplied by the hundreds, thousands, or tens of thousands of invoices processed per month on a regular basis, enterprises of all sizes (including small- and mid-sized) are spending sizable dollars to drive the operation.

- With the average time-to-process an invoice now at 8.3 days, the typical AP function continues to shorten the amount of time taken to complete the function's core duty. Nonetheless, many groups report that they experience significant bottlenecks and value-erosion through delays across the totality of the AP process. Lengthy approval times show that AP still has some work to do and serves as a reminder of how critical speed is to the AP transformation journey. With everything from cash management to discount capture at hand, reducing this metric will be crucial for AP leaders in 2019.
- While invoice-processing costs and invoice cycle times are critical metrics to track and analyze, as discussed previously in this report, it is also incumbent on today's AP professionals to understand their invoice exception rates and develop a plan to reduce them. In the 2017 edition of the State of ePayables research study, it was written that "exceptions are the bane

of AP; invoices that are flagged due to coding errors, missing information, approval bottlenecks, lack of purchase order data, etc. all bog down the AP staff...this time spent addressing invoice exceptions can be better utilized pushing the function forward in new and strategic ways." All of these points still ring true, as invoice exceptions remain the biggest barrier between the AP function and fulfilling its ultimate destiny. Amazingly more than one in five invoices become an exception. This number remains far too high.

- The final three metrics in Table 1 (previous page) – the percentages of 1) straight-through invoices processed by the average group, 2) suppliers able to send electronic invoices, and 3) PO-based invoices are all efficiency drivers. The higher that each of these numbers is for an AP organization, the lower the average invoice processing costs and times should be. The Accounts Payable function cannot become truly strategic if it does not prioritize its process-oriented aspects.

Best-in-Class AP Performance

Ardent Partners defines Best-in-Class performance in this research report as the 20% of enterprises with the lowest average invoice processing costs and shortest average invoice process cycle times. Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out. Best-in-Class enterprises have demonstrated their



ability to drive superior performance across both traditional and contemporary AP metrics.

As Table 2 below highlights, these leading organizations have significant performance advantages when compared with their peers. Best-in-Class AP teams achieve per-invoice processing costs that are nearly 6-times lower, and invoice processing times that are over 3-times faster than all other groups. Their invoice exception rates are 57% lower, and they have a 2.5-times higher percentage of PO-based invoices than their peers. Best-in-Class organizations also process 65% of their invoices in a straight-through manner, a factor which likely contributes to their overall success.

Table 2: AP Performance, Best-in-Class vs. All Others

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.18	\$12.60
Time to process a single invoice	2.9 days	10.8 days
Invoice exception rate	10.1%	23.3%
Percentage of invoices processed "straight-through"	65.3%	19.2%
Percentage of suppliers that submit invoices electronically	49.0%	16.0%
Percentage of invoices linked to a Purchase Order (PO)	79.2%	31.7%

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A Best-in-Class AP program represents perhaps the "blueprint" for the function moving forward: these operations blend sharp operational consistency, standardized capabilities, a reliance on core technology, and, most importantly, lead with an intelligence-first approach by harnessing AP data and insights.

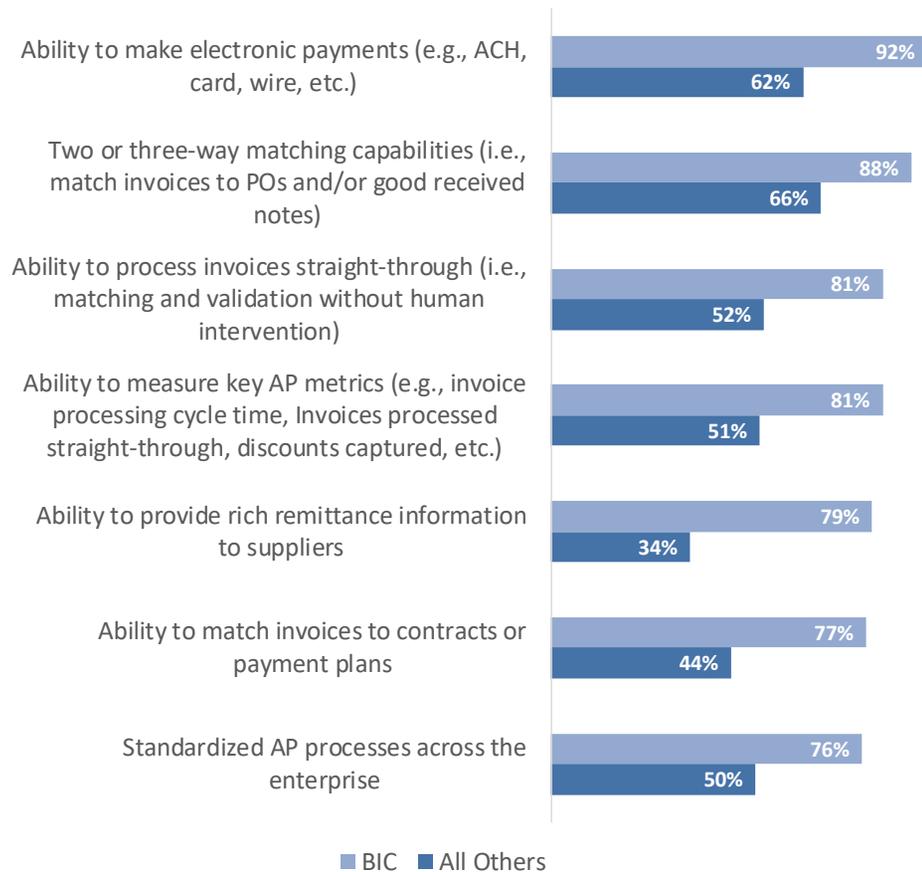
The Best-in-Class AP Program, Part I: The Core Competencies

Many discussions regarding "transformation" often begin with innovation and the power of new technology. However, in the world of finance, and, more specifically, AP, there must be a consistent balance between traditional and fresh strategic approaches and the core capabilities inherent in the ideal AP program. Figure 10 on the next page represents the foundational elements of the Best-in-Class AP function.

Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out.



Figure 10: Core AP Program Capabilities, Best-in-Class vs. All Others



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The Best-in-Class AP program, as reinforced by the findings in Figure 10 above, is founded on two core principles:

1. An “innovation-ready” culture that promotes efficiency.

Best-in-Class businesses are 48% more likely to have the ability to make electronic payment, eschewing the archaic processes inherent with paper. They are also 56% more likely to be able to process invoices straight-through, a finding that points to the relative advantage these enterprises have over their peers. The common link between these two attributes? Best-in-Class businesses promote an “innovation-ready” culture that cascades over into its tactical execution results, helping to ensure that even the most process-oriented aspects (in this case, invoice-processing and payment management) can drive value to the greater organization.

2. Leveraging invoice-processing as a beacon of organizational effectiveness.

The true value and impact of AP, in regards to reaching the next level of performance desired by today’s finance executives, is in its core intelligence and superior linkage to the rest of the enterprise. The AP function provides better, more actionable information to the executive team by matching invoices to contracts for maximum visibility into suppliers (and to gauge performance against contracts); and by linking invoices to working capital optimization-fueled payment plans that rely on solutions such as dynamic discounting. Best-in-Class businesses are 75% more likely than all others to match invoices to contracts and/or payment plans; 132% more likely to provide rich remittance information to suppliers; and 33% more likely to have two- or three-way matching capabilities.



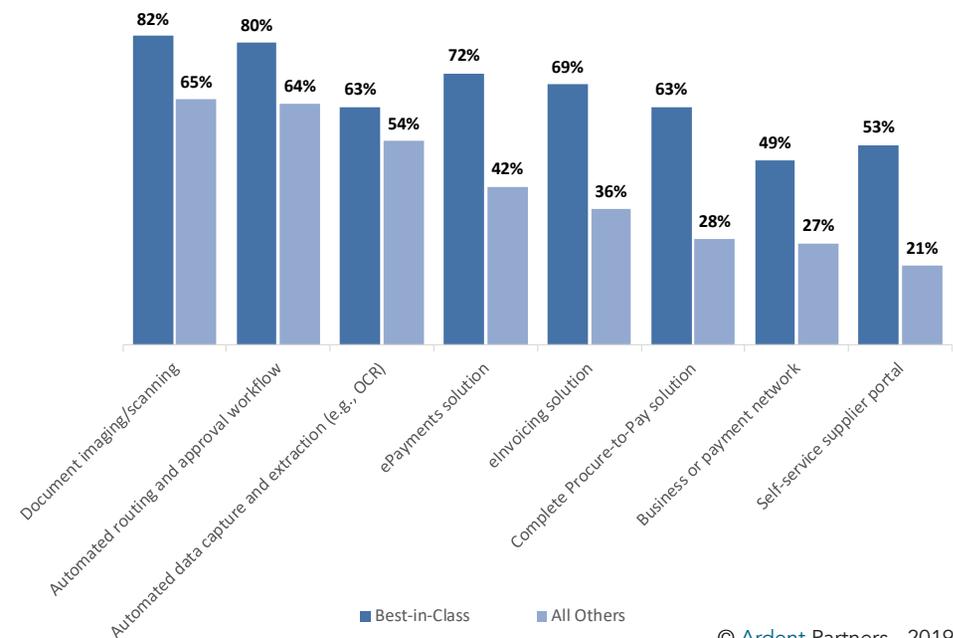
These three findings have one common theme: utilizing invoice-processing as a tool for greater organizational effectiveness. These competencies reflect the Best-in-Class ability to transform key tactical components of the AP function to drive efficiencies and improve effectiveness. With the three aforementioned capabilities in place, top-performing organizations are better able to commit resources to support other areas such as cash, spend, and/or risk management.

- 3. The Best-in-Class standard is standardization.** It is important to note that Best-in-Class businesses are also 52% more likely than all other companies to standardize core AP processes across the greater enterprise. Standardized AP processes ensure that rigorous, consistent steps are followed throughout the entirety of the ePayables Framework, helping to curtail invoice exceptions, drive down invoice-processing costs, improve approval times, and enhance overall general financial visibility. Standardization may seem like a “basic” capability, but many AP organizations still struggle to leverage repeatable, standardized processes for AP across all business units, regions, and functions. For the AP program to maximize its efficiency attributes, standardization is not just a capability...it is a necessity.

The Best-in-Class Program, Part II: The Technology Advantage

Best-in-Class businesses have demonstrated their ability to drive superior performance across a series of key metrics, and automation plays a key role. But, these top performers also leverage a variety of key technologies and AP capabilities (see Figure 11 below) across the end-to-end process to drive their sizable advantage. Over the years, this has been a consistent trait inherent in the Best-in-Class AP program: a longstanding reliance on technology and the understanding that it is critical to all phases of AP.

Figure 11: AP Technology Utilization, Best-in-Class vs. All Others



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Core AP automation, including imaging/scanning, automated routing/approval, and automated data capture, forms the foundation of the Best-in-Class' reliance on AP technology. These systems enable more scalable processes across the gamut of the ePayables Framework, and, most importantly, actively work to eradicate paper and manual-based tasks within the AP unit. While the adoption rates of these solutions by the Best-in-Class are superior to those of their peers, the "All Others" group continues to close the gap.

Electronic payments ("ePayments"), utilized 71% more by Best-in-Class enterprises than "All Others," help bridge the front-end of the Framework to the latter stages via an automated link to settlement. ePayments prove their worth on an incredible scale by being able to drive down payment-processing costs (frequently by between 50% and 85%) when compared to paper-based checks.

One of the more interesting facets of the Best-in-Class AP program is its robust link with the procurement side of the business. These enterprises are nearly twice as likely than all others to leverage a business network, defined as solutions that provide an automated and real-time gateway with partners, suppliers, and vendors while facilitating a wide range of commerce-based activity. Business networks alleviate the core pressures of the buyer/seller relationship, and, to the benefit of the greater AP group, automates core invoice- and payment-processing capabilities.

Best-in-Class enterprises are 92% more likely than all other enterprises to utilize eInvoicing as part of their overall AP program. As a result, more Best-in-Class enterprises are avoiding the error-ridden, menial, and time-consuming annoyances associated with traditional paper invoices by receiving, processing, and managing electronic invoices from their suppliers.

In addition, complete P2P automation (which Best-in-Class businesses are 125% more likely to utilize than all others) represents the strongest link between the procurement and AP functions, two groups that, when coordinating in a robust manner, can drive tremendous value to the greater organization. That top-performing organizations have made P2P automation part of its technological foundation proves that both strategic collaboration and the procurement/AP technology link are two important facets of the long-term viability of AP. Another interesting fact from Ardent's new research: Best-in-Class companies are 3.1-times more likely to be moderately-to-heavily involved in P2P solution selection, furthering the notion that the link between procurement and AP is multi-layered and absolutely critical to the greater success of the modern business.

The Best-in-Class AP Program, Part III: The Age of Intelligence

Perhaps the most telling example of just how far the Accounts Payable function has come is this: all Best-in-Class companies uniformly believe that data and intelligence is critical to their AP



units. This mode of thinking is a far cry from years ago, when many key stakeholders regarded AP as a mere back-office unit with no true enterprise value. Best-in-Class businesses actively buy into the Age of Intelligence in such a way that it fuels how AP not only enhances its own internal talent, operations, and systems, but also how it brings that intelligence to other parts of the enterprise:

- **Best-in-Class organizations are nearly twice as likely to leverage data and intelligence as a means to improve stakeholder collaboration.** Collaboration is a critical piece of any function's greater success. As AP lays claim to a newfound perception of real enterprise value, it must harness the power of its everyday data and allow stakeholders, such as procurement, sourcing, treasury, and others to leverage real intelligence for enhanced supplier management, spend management, and cash management.
- **Best-in-Class businesses are 2.2-times more likely than all others to leverage data and intelligence in improving invoice exception-handling.** By now, all AP leaders can agree: exception rates are generally too high and a major detriment to improving performance. There should be no strategy that is off-limits in the ultimate pursuit of banishing invoice exceptions from the AP unit. Best-in-Class organizations leverage data and intelligence regarding their invoices, approval workflow, and overall processes to pinpoint major bottlenecks and address how these issues can be fixed.
- **Best-in-Class companies are 1.6 times more likely to use AP-related data and intelligence for enterprise cash flow analysis.** It is very simple: AP sits on a tremendous amount of data and information regarding the greater businesses' overall liquidity. Invoices represent a critical swath of enterprise spending. Thus, AP has the ability to tap into this knowledge and extract valuable intelligence into key spend patterns and trends, as well as assisting stakeholders in treasury and the executive team to better understand how the organization is performing in relation to cash management objectives.

With the rise of business process automation tools, cloud-based applications, mobile solutions, connected devices (i.e., the "Internet of Things"), and Big Data permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and businesses around the globe have an extraordinary opportunity to capitalize on it. Unfortunately, many enterprises struggle with the fundamental ability to manage their data and transform it into actionable intelligence. Data is a critical element to the success of any business. As the Accounts Payable function moves closer to becoming a source of intelligence, insights, and efficiency, it will become critical for AP organizations to leverage their reporting capabilities and data-led efforts and evolve into a truly intelligent operation.



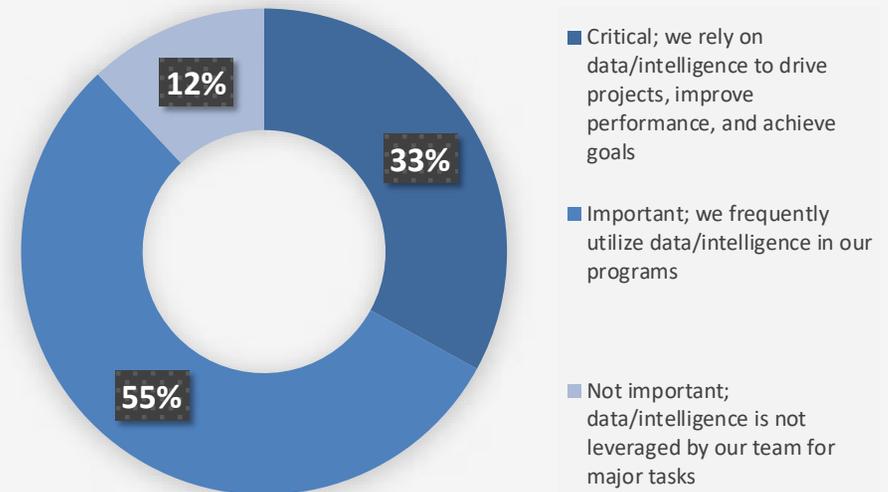
Data Criticality

Carly Fiorina, former CEO of Hewlett Packard, once said “The goal is to turn data into information, and information into insight.” Best-in-Class and forward-thinking AP organizations long ago realized that there is a wealth of valuable data that exists within both the AP and P2P processes to be mined, and they have been turning the data into intelligence, and ultimately power and value that comes from that knowledge. The data in AP represents a deep well of untapped financial and business information that can be extracted and converted into intelligence. The first step to gaining access to this data is to automate the AP department. With an automated operation, the AP team is better able to provide insight into cash management, outstanding liabilities, aging reports, payment terms transformation, days payables outstanding (DPO), fraud prevention, and other critical financial operating information. Organizations that take a data-driven approach to AP put themselves in a better position to manage their cash flow, accelerate P2P performance, and ultimately drive more value to the bottom line.

The good news is that AP organizations are finally realizing the importance of data and intelligence to their finance team. In this year’s survey (see Figure 12 to the right), 55% of respondents said data and intelligence was important and frequently used. Even more encouraging was that a full third (33%) said their reliance on data/intelligence was critical to drive projects, improve performance, and achieve goals.

Organizations that view AP as a strategic asset put themselves in a better position to be successful and do a better job managing the lifeline of every organization: cash. Those that view AP as simply a transactional hub that only needs to be automated to improve operational efficiency, are selling themselves short and missing out on the real power, knowledge, and insights that AP can provide.

Figure 12: How important is Data/Intelligence to Financial Operations?



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Chapter Four: Strategies for Success

“*Innovation is change that unlocks new value.*”

– Jamie Notter, author and speaker

The average AP function in 2019 has an extraordinary opportunity to impact the greater enterprise through intelligence, insights, and financial efficiency. For most, the opportunity is not immediate but one that can be realized in phases over the next few years. The path starts with an AP operation that is committed to becoming a true hub of intelligence and effectiveness and works to achieve its goals through the advancement of core competencies, the development of an innovation-ready culture, and the elimination of the classic operational (paper-based) issues that continue to plague many groups. It is time for AP leaders and their teams to take destiny into their own hands and actively transform themselves into an intelligent operation.

Intelligence in Action

Developing an intelligent AP operation is a marathon – not a sprint. Accounts Payable leaders and their teams need to have the motivation, stamina, and long-term vision to go the distance. Along the way, there are numerous places and ways in which they can stray off course. Successful leaders keep their teams on track by continually assessing progress and correcting course as needed. These leading teams are well-equipped and strive for

continual performance improvement. High-performing teams tend to be agile and nimble, allowing the enterprise to take advantage of efficiency and visibility gains, make more-informed decisions faster, and be more responsive to market opportunities. The more value an AP team delivers (remember: value must be regularly communicated to the enterprise-at-large), the easier it will be to win support from enterprise stakeholders to continue to invest in an intelligent AP function.

While intelligence is critical, a precise measure of AP intelligence is less important than the performance it generates. In point of fact, as a department (and the entire profession) matures, the definition of AP intelligence becomes a moving target; and it becomes relative to nearly all stakeholders in the Receive, Process, and Pay spectrum. After all, being “intelligent” means something slightly different to different functions and stakeholder groups within the enterprise.

The impact of the Age of Intelligence can have a dramatic effect on operations and results, and extends across the different constituencies noted on the next page:



- **For CFOs, VPs of finance, and department leaders,** it means developing a wider range of analytics to process and parse more data. It also means strategizing and abandoning rigid “command and control” management structures, and empowering trusted finance leaders, treasurers, controllers and shared service center leaders to identify and respond autonomously to changing business needs and market conditions.
- **For treasurers,** this new definition means collaborating and working more closely with AP to optimize an organization’s use of its working capital. It means taking a data-driven approach to evaluating cash flow, having visibility into all corporate liabilities from purchase through payment. But, it also means being able to develop working capital management strategies that benefit both buyers and suppliers that aim to strengthen what should be viewed as a symbiotic relationship.
- **For procurement,** it means working more closely with AP to better understand traditional buying patterns and supplier relationships to develop optimal buying strategies. Accounts Payable and Procurement need to be closely aligned and join forces to optimize organizational spend while also taking into account how to strengthen supplier relationships.
- **For the budget holders and stakeholders in the business,** the demand for business intelligence means being able to have 360-degree visibility into their spend in order to know what is

going on. Stakeholders can leverage this information to make more informed planning, budgeting, and buying decisions for their businesses. Accounts Payable possesses a significant amount of data that can and should be leveraged throughout a business to make better and more informed decisions.

Modern AP teams should prioritize data management with a focus on extracting intelligence to improve performance and make smarter decisions. But these teams should collaborate across the enterprise to ensure that what they are doing aligns with the greater mission of the enterprise. They need to ask smart questions of stakeholders and of themselves – questions like:

- Should we pay suppliers early, on-time, or late?
- Are we compliant with local, federal, and foreign tax rules and regulations?
- Do we have the controls in place to help minimize and prevent fraud?
- Are we setup to handle foreign payments electronically?
- Are we helping to improve supplier satisfaction when dealing with us?
- Are we making the process easier or harder for internal stakeholders?



- Are we an easy organization to work with?
- Have we prioritized the capture and extraction of data?
- Do we have the technical analytics to view and analyze the data, and do we possess the capabilities to use the information to impact decision-making?

If intelligent leadership is critical to an AP team's success, intelligence is equally important at the organizational level. Accounts Payable leaders know that they must develop and expand the organization's intellectual capacity and invest in ways to fully leverage it across the entire scope of operations. But while intelligence can be a great asset, if it is not applied or not applied correctly, its value is considerably lessened. The same thing can be said of an organization's resources, efforts, and focus. Intelligent AP teams need to look outside the box to consider the broader impact of the capital flowing through their department to make sure they optimize cash to their advantage.

The average AP function in 2019 has an extraordinary opportunity to impact the greater enterprise through intelligence, insights, and financial efficiency.

General Recommendations for Action

The core of Accounts Payable is founded on the critical, day-to-day components of its operations, its processes, and its ability to successfully execute efficiently. As the group seeks to unlock transformation and take advantage of the enterprise opportunity it has been given, the following recommendations for action have been designed to help all AP departments, regardless of size, scope, or industry, enhance their existing operations and position the function for long-term enterprise value.

- **Adopt a customer service-led mentality for AP.** Across the globe, the lines between consumer-led approaches and business strategies are continually blurred. As such, the "experience" factor plays directly into how a business of 2019 structures its internal functions. Adopting a customer services-led mentality for AP ensures that both suppliers and internal stakeholders alike enjoy a positive interaction with the unit, setting up future experiences in which AP will be considered a strategic partner.
- **Continue to transform AP from a tactical unit to a more forward-thinking, strategic, and value-adding team.** This recommendation has long been the foundational strategy for the AP function as it has fought for relevancy and value over the past several years. Although 55% of businesses view AP as a vital piece of overall enterprise operations, the "perception problem" still persists in those that do not share the same viewpoint. It may be a frightening realization: AP will always



have to battle to be considered a critical function in the eyes of all enterprise stakeholders. However, this only means that, no matter how far AP comes over the next few years, it can never rest on its laurels.

- **Position AP to add value to other parts of the business as well as the organization as a whole.** Procurement and treasury are the obvious frontrunners for extended AP value (more on this in the next bullet). However, other functions can benefit from the hard work inherent in today's AP unit. Financial fraud is an issue even within Best-in-Class organizations, providing an opportunity for AP to leverage deep invoice data to pinpoint areas of deception, while the business travel function can harness this same data to help facilitate better agreements with key suppliers. In reality, AP can add valuable insight to just about any function that spends money and deals with suppliers.
- **Institute collaboration between AP and key stakeholders... and be persistent.** While AP may have to work a bit harder to institute collaboration with key stakeholders, this is still a critical strategy moving into a new decade. The AP function sits in a pure opportunistic position, with the highest number of its peers perceiving the unit as a vital piece of the overall business. Collaboration with procurement (for enhanced supplier and spend management), treasury (for improved cash management), and other business leaders can go a long way towards securing a place for AP in the greater enterprise pantheon.

- **Prioritize the reduction of invoice exceptions.** "Driving value" is a state of business mind that is only attainable through a rigorous approach to improving key aspects of the AP function. Invoice exceptions have been the thorn in the side of many an AP department and the cause of critical delays that destroy the relative efficiency that all groups ultimately strive to reach.
- **Begin developing a capabilities roadmap for the future.** All AP leaders should plan for the day when tactical challenges, like exception management, are no longer a major resource drain. While this day may not come anytime too soon (it could take a few years for these challenges to be completely overcome), it only helps for the function to understand now that there are larger potential opportunities to focus on in the years to come.

Innovation-Led Recommendations for Action

Innovation will undoubtedly be a critical part of AP's future. New, progressive technologies will continue to help augment existing processes; they will also position AP to do bigger and greater things in the decade ahead. The following innovation-led strategies will help AP realize its destiny as a value-add, critical function:

- **Lay the foundation for the AP unit to become "innovation-ready."** There are two potential states within the average business: innovation-ready and innovation (or change) adverse. Innovation-adverse organizations choose to stick with outdated and archaic processes and capabilities, and most often utilize



simple, point-solution, pieces of automation. On the other hand, innovation-ready businesses poise their functions to implement new technology as a means of keeping up with their competitors, augmenting key operations, and, ultimately, thriving in a globalized landscape. As the AP profession treads new ground, it will be critical for organizations to adopt an innovation-ready mindset and pursue exciting new technologies, capabilities, and strategies that could revolutionize their day-to-day processes.

- **Pursue holistic, full, and comprehensive AP automation.** The phases of the ePayables Framework are intrinsically linked; complete AP automation, from invoice receipt and workflow to payment and settlement, ensures that the annoyances of traditional accounts payable (exceptions, bottlenecks, errors, delays, etc.) are as close to eliminated as possible, while driving down invoice-processing costs and significantly improving time-to-approval rates. When combined with procurement automation, complete AP solutions provide the perfect gateway to P2P success, which becomes ever-more-important in a business world that promotes efficiency.
- **Develop plans to integrate more progressive technological elements into AP, such as mobility, augmented intelligence, and RPA.** Augmented Intelligence represents the next wave of Industry 4.0 technologies that promise to revolutionize data/intelligence, business operations, and more. While today's

AP organizations should not look to heavily adopt AI in the short-term, it makes sense to understand the benefits of these technologies and how they can map into future plans. Likewise, AP should extend the power of greater automation via the use of mobile solutions, helping to execute operational processes (like invoice approvals) via mobile applications. Robotic Process Automation is another way to traverse beyond simple automation across all financial management processes, helping to converge cognitive intelligence and ePayables efficiency.

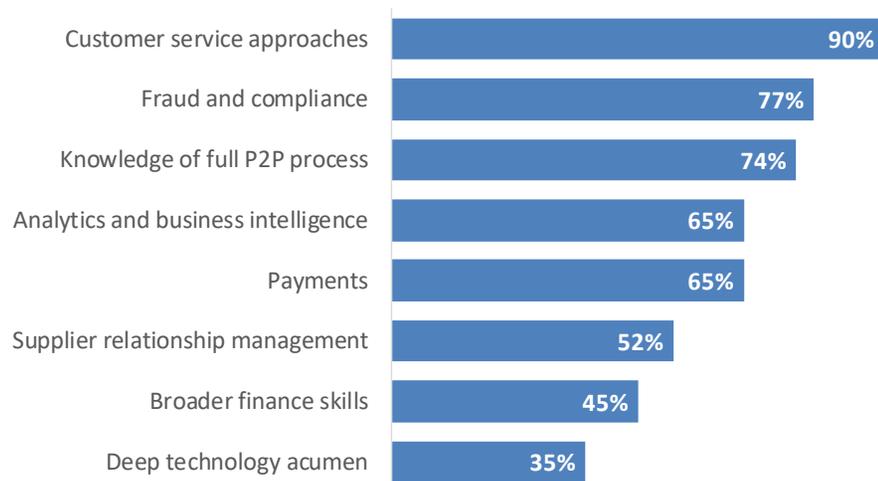
- **Build a three-year roadmap of innovation for AP.** While the solutions mentioned in the previous bullet all fit the “innovation” tag, today's AP organizations must strategically position new and exciting platforms rather than integrate these solutions haphazardly. A three-year innovation roadmap is necessary to: 1) understand which new technologies will make the most sense, both tactically and strategically, for the long-term viability of the AP function, 2) help current AP executives build towards implementing more traditional technology (like imaging, scanning, etc.) if they have not yet already done so, and, 3) position AP as an innovation-ready center of excellence that is aligned with the future objectives of the greater enterprise.



The Next Generation of Accounts Payable (“The Experience”)

AP leaders were asked what critical capabilities their organizations will need to develop or possess in order to improve performance (see Figure 13 below). As AP’s perception within the enterprise continues to improve, expectations around performance and execution will continue to grow too. As business functions mature and advance, they also tend to be given new responsibilities. What is clear from the list below is that AP teams need or will soon need to do many things well.

Figure 13: Top Capabilities for AP Organizations



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Customer service-led approaches (90%) entail a mixture of service-led skills with an alignment between tactical objectives (meeting speed and delivery goals, etc.) with positive inter-office interactions. This mode of thinking can be crucial in how the AP function delivers value (and, of course, intelligence) to key stakeholders across the organization, and, most importantly, how it improves its perception with other company units.

Fraud and compliance skills (77%) can be effective in training an AP staff to notice instances that need to be remedied (invoice fraud is a real problem for all organizations, especially those with manual-based processes). Moreover, analytical prowess (65%) is critical in transforming AP into a hub of insights and intelligence (and delivering those insights to the stakeholders that need deep financial data).

What is particularly engaging about desired AP skillsets is that 74% of businesses strive for their staff to have knowledge of the full P2P process. This is yet another reflection of the relative evolution of the AP function; efficiency across the entirety of the P2P spectrum, including the AP and payment phases, is incredibly important to AP achieving its true destiny as a long-term, value-added function.

Conclusion

By definition, intelligence is the ability to acquire and apply knowledge and skills. Intelligence is also the actual knowledge that is used to understand actions, conditions, and intentions, and



to inform decision makers at the tactical (operational) level and the strategic (executive) level. Simply put, intelligence is vital to the execution of strategies, policies, and plans, whether one is an AP clerk, controller, or CFO. But what classifies as intelligence is also a moving target. As AP departments mature, the intelligence that has the most value changes. For example, an AP operation that is still manually keying invoice data finds great value in using systems to capture that information digitally, while a Best-in-Class operation that has a high percentage of its invoices processed in a straight-through manner will benefit from an understanding of the business' cost of capital and visibility into short-term cash liquidity needs.

Accounts Payable leaders need to start thinking about intelligence in the context of their organization's current state of maturity and work to identify the areas that can be most leveraged. Over the next few years, Ardent Partners predicts that a new type of intelligence is going to enable AP teams to view their operations differently and, by doing so, it is going to force these same leaders to manage them differently. Accounts Payable's Age of Intelligence demands powerful analytics and deep insights. It demands agility. The ability to make better-informed decisions across an organization can and will be game-changing. Accounts Payable leaders must start now to ready their teams.



Converting Data Into Value

Over the last fourteen years, Ardent Partners' analyst team has seen AP become a much more strategic function within the enterprise. Today, access to timely and accurate financial data and reporting is helping AP leaders better impact performance and achieve greater prominence (see Figure 14 to the right). With more robust data and better visibility into the overall AP process, AP teams are in a better position for success than ever before. The three top areas where AP and finance teams use data and intelligence to make an impact are as follows:

Forecasting, budgeting, and planning (64%): The ability to drive full visibility into enterprise spend is an attribute that not only unleashes AP's visionary expertise, but can propel AP and finance leaders to new and strategic grounds. With better visibility into invoice and payment data, AP can turn that data into intelligence and provide it to their functional partners and the C-suite to be utilized for critical planning, budgeting, and forecasting. The AP function is well positioned to support these activities through automation and invoice-based intelligence.

Cash flow analysis (61%): The ability to capture real-time invoice and payment data allows for a more accurate analysis of a company's cash flow. Greater visibility into the B2B payment scheduling and execution processes means that a group like Treasury can provide real oversight in how and when this money is paid. Treasury, by the very nature of its focus on cash management, can be both a direct and immediate beneficiary of advanced AP invoice and payment capabilities and a potentially powerful stakeholder and ally.

Fraud and compliance management (58%): Based on Ardent Partners research, 77% of AP leaders agreed that managing fraud and compliance is a critical capability that their organization needs to develop or possess. Data and intelligence make it more successful. Accounts Payable sits in an ideal position

Figure 14: AP's Top Uses of Data and Financial Intelligence



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to identify and manage invoice and/or payment fraud and can be a perfect ally for compliance teams in identifying potential areas of concern and escalating issues internally. Utilizing data and intelligence to know and understand different transaction patterns is another source of value for AP.

There is a well of untapped financial and business data that is warehoused within Accounts Payable. If AP teams can extract this invoice and operational data, they can turn it into intelligence that can be utilized throughout the entire organization. Taking a data-driven approach is one of the best ways to accelerate AP performance and drive more business value. As more responsibility falls under the AP operation, the function has the opportunity broaden its influence and make a larger impact.



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 20 years in the industry and 10 years leading the charge at Ardent, Andrew Bartolini is a globally-recognized expert in accounts payable, sourcing, procurement, and supply management. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 350 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several U.S. universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including *The Wall Street Journal*, *Business Week*, *Investor's Business Daily*, *Forbes*, and *Fortune*, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for Ariba and Commerce One. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a “real-world” context for his research and writing.

Andrew has been named a “Pro to Know” by *Supply and Demand Chain Executive* multiple times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.



Bob Cohen, Research Director, Ardent Partners

Bob Cohen leads Ardent Partners' coverage of Accounts Payable, Business Networks, and Travel and Expense Management. Bob is a seasoned professional with more than fifteen years of experience helping enterprises transform their Source-to-Pay operations. Prior to Ardent, Cohen was Vice President of Marketing at Basware for 12 years where he helped establish the firm's U.S. presence as a major player in the AP and P2P automation spaces. He also helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, P2P, and Business Network solutions. Prior to working at Basware, Bob worked at American Express where he helped the commercial card giant better align its products and services with a continually evolving market. Bob can be reached at rcohen@ardentpartners.com.



About Ardent Partners

Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the [CPO Rising](#) and [Payables Place](#) websites. Register for exclusive access to Ardent Partners research at ardentpartners.com/newsletter-registration/

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 167 AP and finance leaders captured between March and May, 2019 and includes direct interviews with several survey respondents. These 167 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the right.

Report Demographics

The research in this report is drawn from respondents representing the following demographics:

Job Function: 63% Accounts Payable; 18% P2P; 8% Finance/Accounting

Job Role: 39% Director & Up; 39% AP Manager; 17% AP Staff

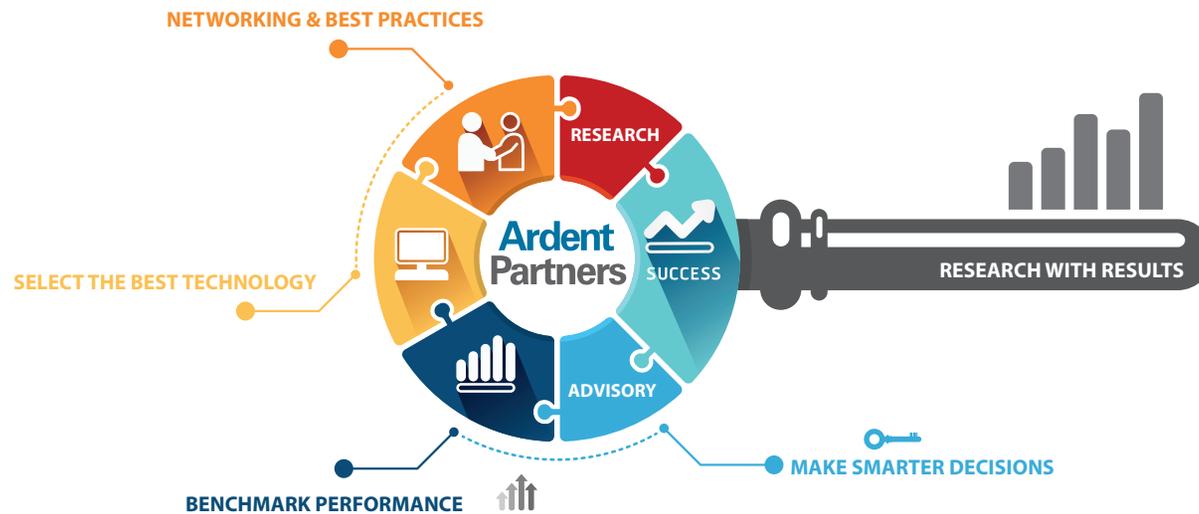
Company Revenue: 60% Large (revenue > \$1 billion); 40% Small & Mid-Market (revenue between \$50 million and \$1 billion)

Region: 71% North America; 24% EMEA

Industry: More than 25 distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

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Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.



On October 29 & 30, you're invited to join a select group of Chief Procurement Officers and other business leaders who will come together at the Harvard Club (Back Bay) in Boston for the annual CPO Rising 2019 Summit, an executive symposium brought to you by Ardent Partners.

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