AP AUTOMATION WHITE PAPER | FALL 2020

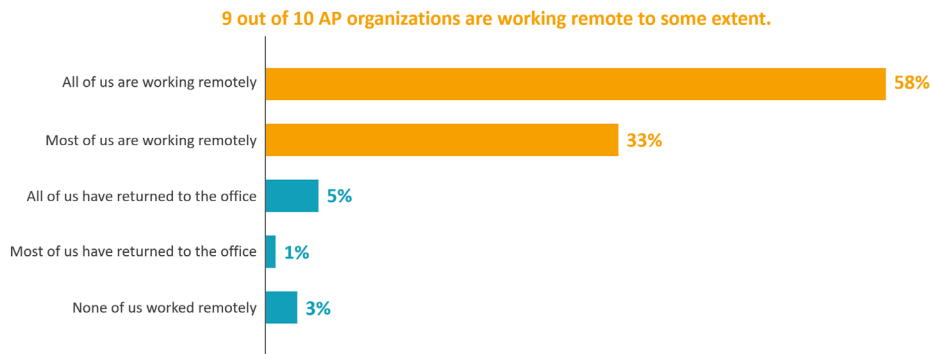# Top challenges for Accounts Payable post-COVID-19 and how to meet them

For years, the key challenge for Accounts Payable has been to step away from paper and find new and innovative ways to increase efficiency in the AP and invoice process. Leading organizations have digitized business processes and automated manual tasks, setting their goals on a data driven world post-automation. At the same time laggards were still managing day-to-day operations manually. Manual processes may have seemed old-fashioned, but the laggards were keeping their nose above the water. With AP perceived as a non-priority for many companies, not doing anything was still seen as acceptable. Then COVID-19 hit, and the foundations started to shake.

In 2020, traditional AP challenges such as eliminating paper, minimizing exceptions and lengthy approval turnaround has been forced out of the limelight as remote work forces, reduction in headcount, increasing supplier interaction, increased risk of fraud and increasing process visibility took center stage.

Automating the AP process to increase visibility and accommodate a remote workforce

In 2020 working remote became the new normal and the new situation became something that every single company worldwide had to cope with. For companies that had not digitized business processes this turned a bad situation worse. In the summer of 2020, IOFM *(Institute of Finance and Management)* reported that nine out of ten AP organizations were working remote[1]. With digital tools in place, this does not have to be a purely bad thing. A remote workforce being embraced by companies in high-cost locations enabling them to attract top talent from lower cost locations. Talent from non-metropolitan areas have also seen opportunities arise as companies adapt to new ways of working.
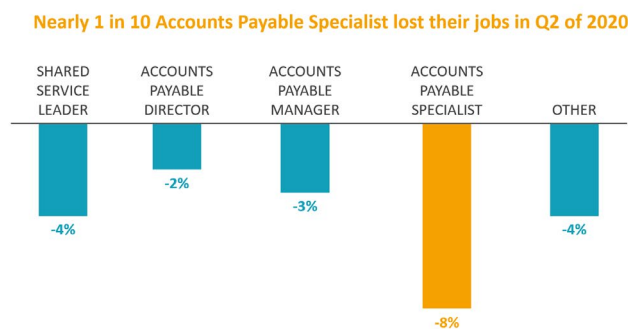
Remote is the new normal[1]

9 out of 10 AP organizations are working remote to some extent.

All of us are working remotely	58%
Most of us are working remotely	33%
All of us have returned to the office	5%
Most of us have returned to the office	1%
None of us worked remotely	3%

1. IOFM Virtual Town Hall 2020-06-21

AP organization with digital tools in place that allow for automation have been able to minimize disruption. The laggards that were still processing invoices manually found themselves scrambling to catch up. This has increased automation across the board with nearly three out of four companies now having automation in place to add efficiency to their AP and invoice processes according to IOFM research.

Doing more with less when AP headcount is reduced

Doing more with less has always been an efficiency mantra, most of the time it has been something positive. But in post-covid-19 business environment, not only does finance teams struggle with working remotely, but the financial impact on business has also forced many AP functions to downsize. While invoices are still coming in, AP functions must do more with less staff on board. Hardest hit has been "invoice processors", the Account Payable Specialists who manage the invoice process daily. Nearly one in ten AP specialists list their jobs in Q2 2020[2], forcing AP functions on the defensive while trying to keep up with the challenges of a downward spiraling economy.

Headcount reduction[1]

Nearly 1 in 10 Accounts Payable Specialist lost their jobs in Q2 of 2020

SHARED SERVICE LEADER	ACCOUNTS PAYABLE DIRECTOR	ACCOUNTS PAYABLE MANAGER	ACCOUNTS PAYABLE SPECIALIST	OTHER
-4%	-2%	-3%	-8%	-4%

1. IOFM – 2020 AP Operational Benchmark Study

The key to meeting the challenge of headcount reduction is to enable to organization to increase invoice process efficiency. High performers with a high level of automation in place process on average more than 15 times the number of invoices per FTE than laggards, and even companies that have implemented moderate levels of automation into their AP

process far outpace the laggards[2]. Even limited automation in the invoice process offers tangible value. One of the first areas in the AP process that companies automate is data entry and validation. This dramatically increases accuracy and eliminates time consuming and error prone manual entry. The next obvious area for automation is distribution of invoices needing approval based on invoice data. This is closely followed by automating matching of incoming invoices to Purchase Orders and Goods Receipts. From there the step to automating exceptions based on variance and tolerance levels is small.

When looking to implement an AP Automation solution ensure that the chosen solution enables you to flexibly roll out functionality to increase automation over time. This allows the company to grow into the solution, much like it would grow into an ERP implementation. A big bang all-at-once approach is high risk and prone to delays.

Increase in supplier inquiries and risk of fraud

With staff working remotely, timely access to information is key to keeping the wheels turning. As the economy slowly recovers, many suppliers are strapped for cash and increasingly contacting buyers to understand when their invoices are going to get paid. IOMF report that 22 percent of companies are experiencing a spike in supplier inquiries.[4] With an increasing risk of fraud – nearly one in four companies state that fraud and compliance issues is one of the main challenges that AP faces today – AP staff must be more and more diligent when communicating with suppliers. Ardent Partners report that AP staff spend nearly a quarter of their time addressing supplier inquiries.[5]

Managing supplier inquiries

The average AP department spends nearly a quarter of their time addressing supplier inquiries.[1]

+22%

Have experienced a spike in supplier inquiries[2]

22%
OF TIME IS SPENT ADDRESSING SUPPLIER INQUIRIES

1. Ardent Partners – Accounts Payable metrics that matter in 2020
2. IOFM – New operational challenges and risks – Virtual Town Hall 200427

To minimize the strain on AP, real-time transparency into the AP process is vital. With the information at their fingertips, wherever they may be working, AP staff can better respond to supplier inquiries. Increased visibility also minimizes the risk of fraud as well as provides financial management with clear and crisp view of the situation within AP allowing for better cash flow analysis and the ability to identify potential early payment discount opportunities.

Minimizing time spent on reactive tasks also allows for AP to focus on more strategic and value adding tasks. Automation and new technologies can also provide the opportunity for

supplier self-service, where suppliers do not need to interact with AP staff but can access real-time information about the status of their invoices.

Traditional challenges still encumber AP

While new challenges have risen to the forefront, keeping the more traditional challenges at bay still requires AP attention. Managing exceptions is still a key challenge for most AP organizations.[4] It breaks automation requiring manual intervention and slows down invoice throughput. Managing exceptions also strains suppliers as they may need to submit credit notes and answer questions from both buyers and AP organizations.

Managing a high percentage of exceptions[1]

Managing a high percentage of invoice exceptions is the most common challenge for AP to become more efficient.

HIGH PERCENTAGE OF EXCEPTIONS	62%
INVOICE APPROVAL TAKES TOO LONG	51%
TOO MUCH PAPER	40%
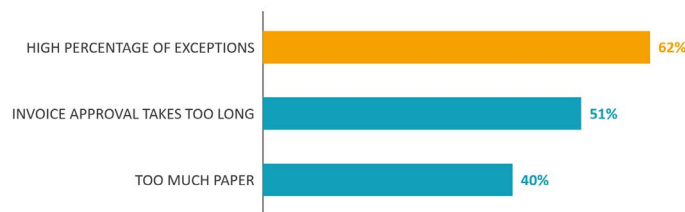
1. Ardent Partners –Accounts Payable metrics that matter in 2020

Enabling variance and tolerance management can enable organizations to still automate the invoice process limiting exception handling if the invoices exceptions are within tolerance levels. Automatic validation can also stop invoices with major issues before entering the system, again minimizing the need for correcting faulty entries. In addition, intelligent technologies such as machine learning can automate communication between AP and suppliers creating an automated feedback loop where suppliers can correct issues without manual labor from AP.

One of the most common invoice exceptions relates to invoices being received before goods. This issue has escalated during 2020 due to constraints in shipping and limitations impacting international transport. In this case having the capability to automatically put invoices on hold and rematch over a flexible period postponing the trigger of manual approval is a key capability of the AP automation solution. Automating matching and keeping manual invoice approval to a minimum unless required is of course key to shortening approval turnaround time. Providing a mobile approval interface to end-users is also a key capability that allows managers and other stakeholders to approve invoices even in a work from home situation.

Automating AP provides value for the greater enterprise

Automating Accounts Payable provides the foundation that enables AP to stand ready to handle the challenges amplified by COVID-19 as well as traditional inefficiencies in the AP and invoice process. Automation increases the efficiency in the AP process, limiting the

strain of reduced headcount, providing capabilities that benefit a remote workforce as well as limits the necessity for manual approval of invoices.

Digitizing the end-to-end AP process from invoice reception *(invoice data capture)* through invoice data entry and validation, three-way invoice matching and approval to final posting also enables organizations to create transparency throughout the process. Not only does the transparency and analytics of the invoice process data allow AP organizations to identify process bottlenecks, but it also builds a data lake for financial information that can be of value far beyond the traditional scope of accounts payable. AP data can not only provide valuable input into downstream cash flow analysis but also provide detailed information upstream for sourcing and procurement professionals who can seize the opportunity to negotiate greater savings leveraging dynamic discount and early payment strategies in the supply chain.

ABOUT EXFLOW AND SIGNUP SOFTWARE

ExFlow is a built-in, feature-rich AP Invoice Automation solution developed specifically for Microsoft Dynamics. ExFlow enables organizations to increase efficiency, transparency, and control in their AP Invoice process, driving down costs while generating substantial process savings. More than 900 customers processing more than 40 million invoices annually rely on ExFlow to empower their AP Invoice Process across the globe.

SignUp Software was founded in 1999 and launched ExFlow in 2003. Fueled by an entrepreneurial mindset, SignUp Software is a global forerunner of financial process automation inside Microsoft Dynamics 365. SignUp currently operates out of Stockholm, Sweden (HQ), Denmark, Finland and Australia and count approximately 80 employees across the globe.

1. *IOFM – Virtual Town Hall 2020-06-21*
2. *IOFM – 2020 AP Operational Benchmark Study*
3. *Ardent Partners – State of ePayables 2020*
4. *Ardent Partners – Accounts Payable metrics that matter in 2020*
5. *IOFM – New operational challenges and risks – Virtual Town Hall 20042*