

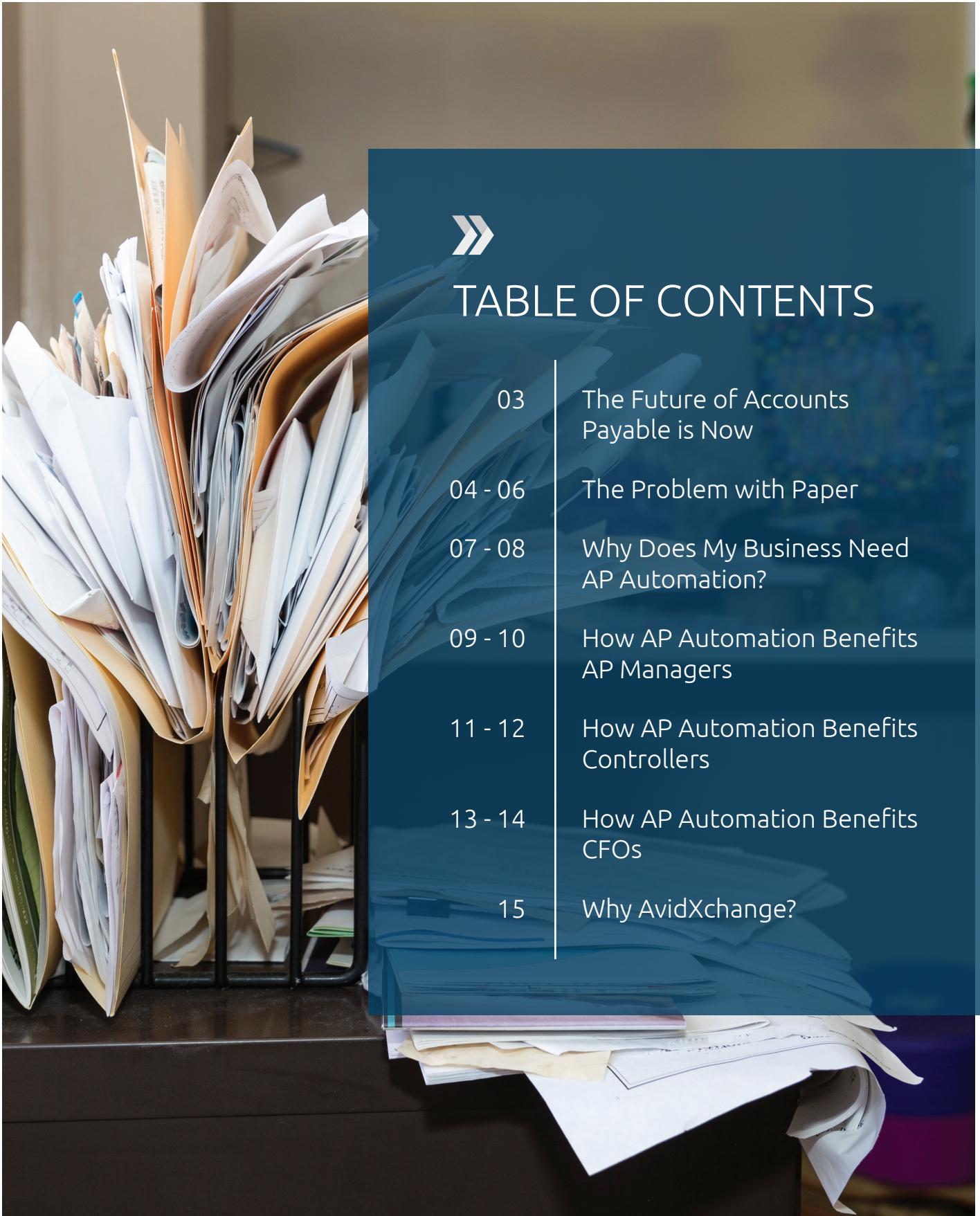


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# THE PROBLEM WITH PAPER

A Case for Automating Accounts Payable

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## THE FUTURE OF Accounts Payable is Now

Over the last decade, it has become increasingly apparent that automating accounts payable processes can significantly improve an organization's overall financial operations. Automation adds substantial value to accounts payable, including real-time visibility into performance and financial status, increased accuracy, and better compliance with tax laws and industry regulations.

**“Applying automation to AP and payment processes means eliminating paper invoices and checks from your organization entirely while reducing processing costs by more than half along the way.”**



If your company is still receiving paper invoices or cutting paper checks, you're not capitalizing on today's best practices. You're also missing out on the unlimited potential for savings after relieving your AP team of time-consuming tasks such as opening the mail, data entry, and filing mountains of paper.

# THE PROBLEM

## with Paper

Most small to midsize business leaders are familiar with paper-based accounts payable processes. To better understand the benefits of automated AP solutions, it's important to look at the similarities and the differences between the two methods for handling AP. This comparison also helps you identify bottlenecks in your process automation can eliminate.

### » 01

The accounts payable process begins when an invoice is received by the AP department. Invoices can arrive through many different methods, including email, fax, snail mail, inter-office deliveries, or maybe a colleague dropping paperwork in an inbox or on your desk. When AP processes are not centralized, handling and processing each new invoice is essentially an ad hoc adventure.

### » 02

Once invoices are received, they're either physically handed to an AP manager or team member or forwarded if they came in via email.

### » 03

Next, the invoices are manually typed into an accounting system or scanned into the system via document management software. Many companies use software to store, manage, and track electronic documents captured through the utilization of a scanner. Document management removes some of the paper from the equation but not the time-intensive tasks associated with the AP process.





Paper-based processes are expensive because of the manual tasks inherent in invoices and paper checks. Some companies think they've automated their accounts payable process by scanning and e-mailing their paper invoices when all they've really done is digitize an outdated operation and add an element for tracking invoices using email.

These companies may have saved a few days by getting the bill to the approver electronically, but they haven't eliminated the task or the time associated with it. In fact, they've added costs because they had to buy a scanner and pay for the document imaging system.

In some cases, the invoice is approved for payment by default and the cash goes out the door. This is a huge risk to the company because any invoice that shows up can get paid whether it's accurate and approved or not. If approval is mandated by the company, then that's the next step in the workflow. It's important to validate that each invoice is genuine and approved by someone with the right authorization level before it is paid.

If you don't have those processes in place, manually entering an invoice is mostly a waste of time as it will be paid either way. The AP team should have a clear set of guidelines as to who is authorized to approve invoices by dollar amount and purchase type. If these checkpoints aren't in place, the process can be confusing for everyone involved.

If you do have a defined structure, then you must handle approvals, or an entire approval hierarchy, electronically via email or with hard copies to create a written approval paper trail. If there is a payment authorization system in place, then that's the next step after entry. This requires a human AP worker to figure out who must approve what and in what order. Sometimes this is easy enough if the invoice came directly from an authorized approver.



**“By carefully examining the overall process and establishing the time associated with each step in the organization’s process, leaders of well-run organizations can make strategic decisions on how to eliminate costs from their departments.”**

However, if an invoice just magically appears at your desk, then you have some detective work to do. First, you must figure out who at the company would be ordering widgets. Second, you have to find out if they made the order. Then, you must determine if the order is accurate and track down the manager or approver for sign off.

Quite a load of work for one check to go out the door.

If you do have a defined structure, then you have to handle approvals, or an entire approval hierarchy, electronically via email or with hard copies to create a written approval paper trail. This can mean lots of emails asking for approval, getting approval, and then sending to the next person. If someone shouts over your cubicle wall, “It’s approved!” is that enough of an audit trail for the payment? Probably not, but in many small to midsize businesses, and even some large companies, this is how payments are handled.

Once the invoice is approved, more manual steps lie ahead including check printing, envelope stuffing, adding stamps or running it through a postage meter, and a physical signature or two on the check before it goes to the mail room.

And that’s just for check payments. You may also need to use a company credit card, where repeat information is entered for various payments, making card information public and not secure. Or maybe there’s a payment portal with [PayPal](#), [Venmo](#), [Dwolla](#), or another payment processor that requires authorization forms, faxes, emails, and other headaches. There is no system in place to capture vendor payment preferences. The capture tools may not be talking to the ERP and accounting systems.

# WHY DOES MY BUSINESS Need AP Automation?

Because you're staring at costs and expenses all day already, cost reduction is the first thing that comes to mind for most finance leaders looking at AP automation. Based on the number of invoices you process each month, the size of your dedicated AP staff, and a few other inputs, you can quickly estimate costs and potential cost savings from automated AP. The average cost per invoice at most companies is over \$22. Even a small savings per invoice can add up if you have a lot of volume.

Companies can reduce their AP and payment processing costs up to 60% with automation, eliminating all the manual tasks associated with paper invoices and checks in the process. Automation cuts out labor-intensive, error-prone tasks like invoice entry, scanning, receipt and purchase order matching, coding, correcting errors, and the entire process of migrating data from AP into the main accounting system.

If your company processes 500 invoices per month, you could be spending \$11,000 to process those invoices if you have average costs. That doesn't include the actual cost of the invoice—it's just the process to pay them.

There is huge ROI potential from upgrading to automated AP. Imagine how much better off you could be if you put those 11,000 dollars every month into cost saving analysis and revenue-generating activities.





**“While automating may sound like something out of science-fiction, real companies are doing it every day. AvidXchange has helped over 5,700 companies in a variety of industries to save money and get better data.”**

In addition to the time and cost savings, AP and payment automation adds serious value to the accounts payable function, including real-time visibility into performance and cash flow, increased accuracy, and improved compliance with tax laws and industry regulations. The ripple effect of an integrated automation solution can be felt widely throughout the company.

As we mentioned earlier, many companies use a manual approval process involving either paper or email where an AP clerk has to find and get approval from each signer. With AP automation, the approval workflow is established within the software. When an invoice is received and goes into the accounting system, the approval requests go out automatically, and as each approval is received, the next email goes out automatically. It's like magic.

With the AP staff free from these worries, they can focus on high-level strategic tasks. The analytical tasks that software can't do can lead to more revenue and lower costs for your business. Think of projects like renegotiating payment terms and vendor contracts, introducing new payment options, and researching early-payment discounts.



# HOW AP AUTOMATION Benefits AP Managers

The AP manager directs the day-to-day operations of accounts payable, so it's normal for this type of leader to get into the details of how the department ticks. By focusing on how each worker manages tasks and what everyone is doing, this role is responsible for the success of the AP department. If you are an AP manager, you can look forward to the following benefits:

**Growth** – At a detailed level, the AP manager wants to see members of the AP team grow and succeed while taking on more work and processing invoices in less time. This leader has the most to gain from AP automation regarding growth, as it may be possible to increase productivity while also increasing morale by implementing new systems.

**Contribution** – A [recent review by AvidXchange](#) found that some companies can cut AP costs by as much as 60 percent by implementing AP automation. This is huge. When your boss is the controller, who stares at the bottom line every day, you know they will be happy if you can cut your department's costs in half.

**Significance** – Every invoice is important. However, do you really want team members to spend their time rounding up approvals and pushing paper around their desks for each one? Of course not. Automated AP helps you direct your teams' time to significant tasks and projects while avoiding common day-to-day time-wasting tasks.



**Certainty/Uncertainty** – When business department leaders and higher-up financial leaders want AP information, such as which invoices are currently in progress and forecasts on what will be paid over the coming weeks, the AP manager is ultimately responsible for the answer. In the world of paper AP, this could take hours, or a full day if responding to an ad hoc request. With automated AP solutions, the AP manager can just log in to the online portal and quickly access the answers they need.

**Connection** – Do members of the team work in their own vacuum, or can people quickly move around, pick up where others left off, and efficiently handle anything that comes across their desk or inbox? If the answer is no, then AP automation can help. One system can unite the workflow of the entire team, which opens staff up to jump between projects and tasks while working as a team toward common goals.

The AP team is the first and last line of defense against fraud, overspending, vendor relationships, and expense accounting accuracy. With AP automation, formerly tedious and slow tasks are completed quickly.

**No longer does a team member need to worry about fixing data entry errors and transpositions. AP automation reduces the frustration of manually working through exceptions and eliminates repetitive and time-consuming tasks for every member of the team.”**

# HOW AP AUTOMATION

## Benefits Controllers

As a controller, you're all about streamlining processes, reducing operating costs and creating efficiencies. But how can you focus on these high-level tasks when inefficient, outdated processes are wasting your time?

While the CFO is focused on the high-level connections between AP and the rest of the company, the controller is focused more on how AP integrates with the rest of the finance organization. Though this is a narrower focus, it's easier said than done. At large companies, a change in AP automation systems can lead to multimillion-dollar costs. Let's look at how controllers handle the same challenges, but with a different focus. If you're a controller, you can look forward to the following benefits:

**Growth** – Like the CFO, the controller is working to ensure AP doesn't hinder the company's growth. This means when vendor agreements are reached, and invoices are received, they must be enforced and processed efficiently. A backup of vendor payments can lead to getting your credit cut off by the vendor, which can lead to work stoppage at your own company. A smooth, effective process ensures the rest of the company can thrive and grow with solid support from accounts payable.

**Contribution** – Both accounts receivable and accounts payable teams are essentially mini business units that serve the rest of the company. As we just discussed, this means AP is a cost center. To make up for those costs, accounts payable must quickly react when other parts of the company need support. The controller must prepare AP and give them the right resources to quickly fulfill this responsibility.





**Significance** – The definition of materiality is different at each company, but there is always a threshold where something is simply not worth the time. The controller should work with the AP manager to focus workers on significant projects that will lead to measurable results for the company. Moving from paper to automation is a big step toward making that happen.

**Certainty/Uncertainty** – The controller needs the same data as a CFO to make good decisions, though in a more focused and detailed format. The CFO works with the corporate treasury to handle the company's cash flow, and a lack of information here can lead to bad situations. Bounced checks, missing payments, and the inability to make payroll are all possible if this is ignored. Knowing how much is owed and when it is due can help forecast and plan for cash movement.

**Connection** – With oversight over both accounts payable and accounting, the controller understands the connection between the invoices coming in and the bigger accounting picture. Automated AP lets a controller rest easily knowing that invoices are digitally captured and ushered through a process that checks for accuracy and lowers risk from procurement through payment.

One of the common myths of [AP automation](#) is that controllers lose control in the process. This is simply not true. Automation provides more control over and increased visibility into the payment process. With a few clicks of the mouse, or taps of the finger if you're on a mobile device, you can search for and retrieve invoice and payment information at any time and from anywhere you have access to the Internet.

AP automation also makes the payment approval process easier and more efficient for controllers. Personalized business rules automate the routing, matching and circulation of invoices, which are configured to your company's specific needs.

The controller has a big job with oversight over all accounting and related functions. A smooth process flow that connects each part of the greater accounting, accounts payable, and accounts receivable teams is key for success.

# HOW AP AUTOMATION

## Benefits CFOs

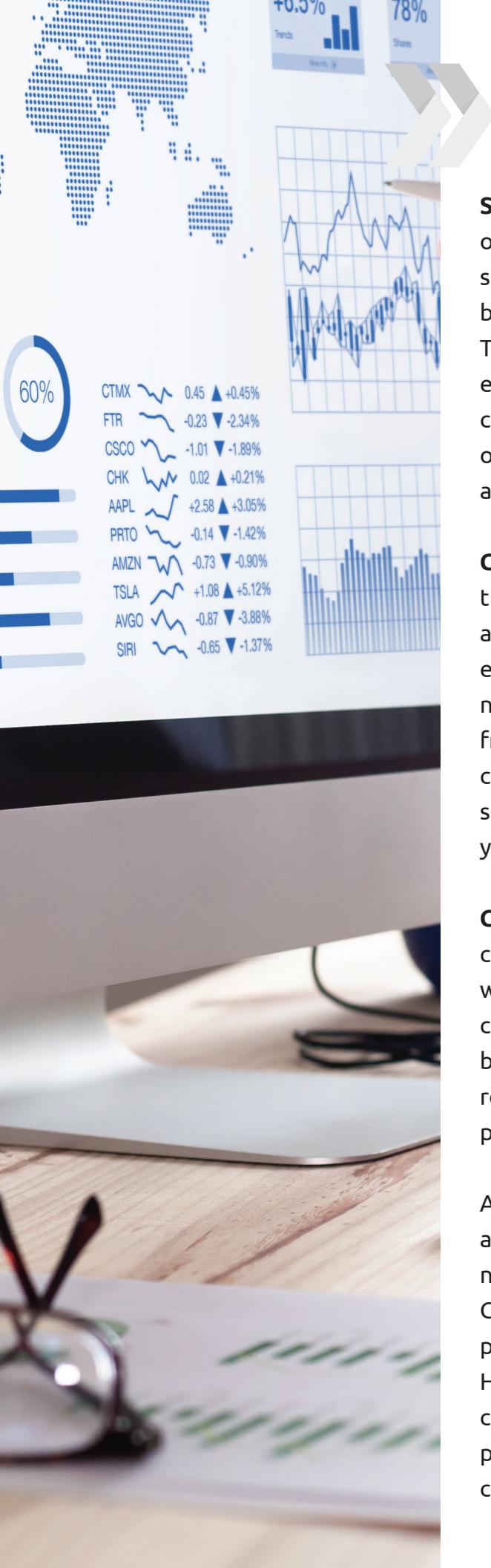


As the top financial leader at the company, the CFO takes a strategic, high-level view when focusing on AP. Rather than getting into the weeds and dealing with every little problem and issue that come along, the CFO should be focused on the most important processes and priorities. If you are a CFO, you can look forward to the following benefits:

**Growth** – Increasing profits is typically the primary objective for a CFO, but managing cash flow, accounting, treasury, and other challenges falls under the job description. While paying bills is not going to grow the bottom line, it is a necessary focal point in a growing company. For CFOs, growth in AP is all about efficiency.

As the business grows, the CFO must identify whether the company can handle the growth. For example, does the AP manager have the tools needed to scale and add more invoices each month without a breakdown in the process? This is how CFOs can help with growth in AP.

**Contribution** – Accounts payable is a cost center, not a profit center, so it doesn't have a contribution to the bottom line like other teams probably do. However, that doesn't mean the AP team isn't contributing to the company's success. Operations need goods and services to get their work done. The CFO is tasked with ensuring each business unit and department is getting the support it needs from the AP team.



**Significance** – One of the worst problems in corporate offices today is wasted resources. Wasting the time of staff on unimportant tasks that don't add value to the business is akin to throwing dollar bills in the shredder. The CFO can work with the Controller and AP Manager to ensure the priorities of the AP team line up with the overall company mission, and that all tasks the team is working on are important ones. Anything insignificant that can be automated should be to achieve optimal efficiency.

**Certainty/Uncertainty** – The CFO is responsible for ensuring there is enough cash in the bank, bills are getting paid, taxes and financial reports are correct, and much more. To ensure everything is happening correctly and on-schedule, the CFO needs accurate data. A solid AP system removes uncertainty from business decisions for the CFO. If you want to leverage cash-on-hand more efficiently to pay for vendor goods and services, automation provides unprecedented visibility into your organization's cash flow.

**Connection** – How does AP connect to the rest of the company? The CFO should ensure the AP department works well with both internal and external partners. Internal connections to accounting, finance, and operations can be both electronic and human, and properly managed relationships and networks improve overall efficiency and performance.

At larger companies, the CFO has his or her hands full with a wide array of responsibilities. While accounts payable may not come up every day, ignoring AP is a risky mistake for a CFO. With good automation and a trusted team, accounts payable doesn't have to take up too much of a CFO's time. However, if AP is ignored and gets inefficient or out-of-control, the CFO can plan to spend many hours solving problems and putting out fires that arise with internal customers and external vendors.

# WHY AvidXchange?

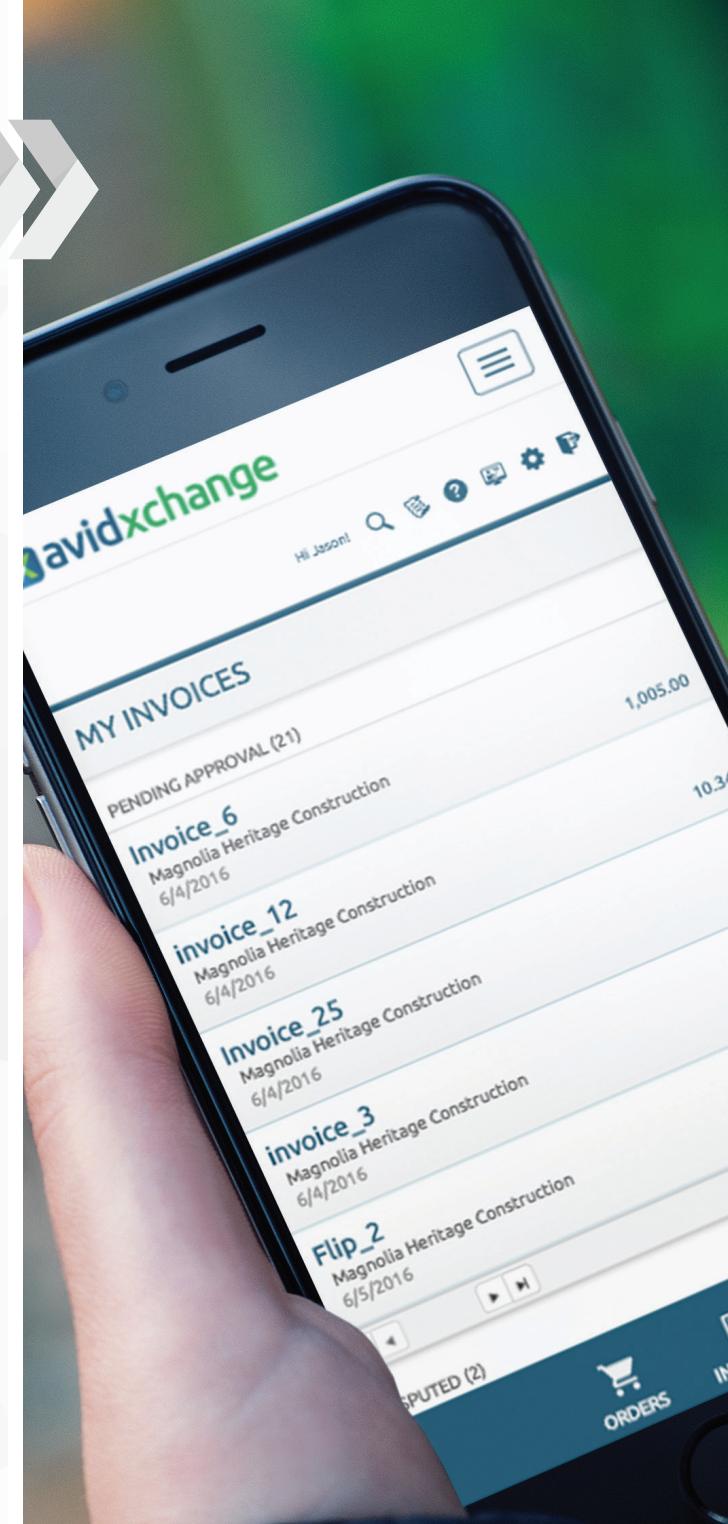
Now that you're sold on accounts payable and payment automation, you're probably wondering, "Why AvidXchange?"

**Proven track record:** The thousands of satisfied clients who now use our automated AP and payment processes can't be wrong. Our annual growth rate is 60%. But more importantly, our customer retention rate is an impressive 98%.

**Personalized support:** Although we've helped over 5,700 clients in our 17 years, we serve each client with prompt professionalism and a personal touch.

**Powerful products:** Our AP automation and payment solutions offer significant savings and efficiency, streamlining processes and increasing productivity.

Whether it's indexing invoices, innovating new products, or simply providing support whenever you need it, the AvidXchange team has a singular goal: to help give you power over your payables.



**Interested in automating your payables and creating efficiencies for your AP team? You can read all there is to know about a car, but you're going to at least take it around the block before you sign on the dotted line. AvidXchange's automation specialists would be happy to schedule a customized demo for you. Call us at (888) 918.2843, email our sales team directly at [sales@avidxchange.com](mailto:sales@avidxchange.com), or [click here](#) to schedule a demo today.**



## SAY GOODBYE to Paper Checks and Invoices

This guide was created by AvidXchange. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,700 clients throughout North America and 400,000 vendors nationwide, AvidXchange is the leading provider of cloud-based, purchase-to-pay solutions for Enterprise and Midmarket organizations, spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

Call us at **(888) 918.2843**, email our sales team directly at [sales@avidxchange.com](mailto:sales@avidxchange.com), or [click here](#) to schedule a demo today.