

The State of ePayables 2018: The Future of AP is Now

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THE CPO IS RISING IN 2018!

The State of ePayables 2018: The Future of AP is Now

The speed of innovation within the world of finance is accelerating, and new technologies and strategies are emerging that will make a big impact on the entire accounts payable (“AP”) industry. Leading AP teams have already begun to harness these new tools and ideas and are well on their way to becoming a more strategic business unit; in some cases, these leaders are already viewed as critical to business operations. Despite these successes, a larger group of AP departments still struggle with the basics. But, whether an AP department is at the leading edge or bringing up the rear, it is critical that it keep an eye on the future. Transforming an AP operation takes a commitment of time, energy, and resources, and Ardent Partners research shows that, if done well, it is a worthwhile investment that can deliver long-term advantages. The initial gains from an AP transformation can be significant but, once process efficiencies have been achieved, AP leaders must continue to find new ways to generate value. In 2018, AP leaders understand that they must ascend to a path that is paved with transformative, innovative, and effective strategies. Access to this path generally requires a major shift in thinking to derive more business value from AP operations and a dynamic approach to get to the next level of results. The future of the accounts payable function is bright, more importantly, the future of AP is now.

This 13th annual “State of ePayables” report presents a comprehensive, industry-wide view into what is happening in the world of AP and captures the experience, performance, perspective, and intentions of nearly 200 AP and finance executives, leaders, and professionals. The report also includes

benchmarks, analysis, and recommendations that finance and AP leaders can use to better understand the “state of AP” today, gain insight into best practices, benchmark their performance against the Best-in-Class, and ultimately improve their operations and performance.

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Chapter One: The State of ePayables

“The best way to predict the future is to create it.”

– Peter Drucker, Consultant, Educator, Author, and the Founder of “Modern Management”

In 2018, the role of the accounts payable function in most businesses is incredibly clear: tightly-manage day-to-day processes (primarily invoices and payments) while providing value to the functional partners and the greater organization via specific insights and intelligence. Today, the typical accounts payable team continues to work slowly, but surely, to alter the archaic perception of being merely “back office” in nature. In fact, over the past few years, a majority of AP groups have started to successfully leverage new strategies, approaches, and ePayables (or AP automation) solutions as a way to show that their impact can extend well-beyond their traditional bounds. For these groups, the future is now.

And, while leading AP teams have initiated a full transformation to become a strategic business partner instead of a nominally collaborative business function, the hard truth is that the current market landscape has created a series of business pressures that make it increasingly difficult for financial operations leaders and their teams to garner the resources and support needed to better realize the huge opportunities that sit ahead of them. As a result, AP departments (and the entire profession) must continue

to wage a sometimes uphill battle for credibility, relevance, and investment. But these are battles that can be won and, therefore, must be fought. For most AP teams, the path to victory is paved with efficient processing, the enablement of stronger supplier relationships and performance, and the intelligence provided to help AP’s functional partners in procurement and treasury make smarter spend and cash management decisions. As an industry and as a profession, AP’s future remains very bright. For AP departments to fully realize their future potential, it is incumbent upon their AP leaders to take action today.

AP Transformation: A Journey, Not a Destination

Once upon a time, automating time-consuming manual tasks was an end-goal for AP organizations. Today, many AP leaders now realize that to live happily ever after and be considered a strategic business process, automation is just the first chapter of a longer story. Only after AP processes have been automated and the function is in a position to focus on handling exceptions (and not handling every invoice), can it begin to move up the value chain and focus on the more strategic aspects of the operation, including data gathering, data analysis, and



dissemination of the data/intelligence. Ardent Partners believes that AP's ability to leverage its data to provide actionable information to key stakeholders is the "golden goose" the organization can use to impact enterprise operations and results. Of course, capturing this data without the use of automation tools is a fool's errand.

And, despite the general pressure on businesses to modernize themselves and comprehensively digitize the entire enterprise, many AP departments have been largely overlooked when it comes to digitization investments. The simple fact that other business units and functions have been prioritized ahead of AP in the current technology movement means that AP will have to work hard and deliberately to argue its case for enterprise relevancy and new investment. At the same time, AP leaders must be keenly aware of the need to build an organizational

The initial gains from an AP transformation can be significant but, once process efficiencies have been achieved, AP leaders must continue to find new ways to drive value. In 2018, AP leaders understand that they must ascend to a path that is paved with transformative, innovative, and effective strategies.

foundation that is firm enough to support current business needs and objectives, but is also flexible and agile enough to develop the capacity to identify and support the future needs of the enterprise as they emerge.

For most enterprises, the opportunity to transform and modernize the AP organization is both significant and achievable and should be undertaken sooner rather than later. To accomplish this, most AP departments will need to find both a business catalyst (like an enterprise-wide drive for efficiency or a focus on improving procure-to-pay operations) and either an executive sponsor (like the CFO or Treasurer) a strong functional partner (like procurement) to successfully initiate the process. Until these are found, AP departments can greatly aid their cause by promoting an agenda that is focused on becoming a more strategic business unit and a more trusted business partner for supplier, data, and cash management needs. This agenda should include:

- **An aggressive pursuit of strategic value (keep "the eyes on the prize").** The AP function's traditional quest of automating manual processes is still highly-relevant today. But, the next level of value does not revolve around the introduction of new efficiencies and automation. There is inherent value in AP being at the forefront of enterprise processes and initiatives; in fact, AP can make a significant impact on the average organization by providing key



stakeholders with deep financial intelligence that not only determines the health of the greater enterprise, but also helps its executives make better-informed business decisions. At the end of the day, the curation of business information and the generation of strategic value should be front and center on every AP department's radar screen.

- **A technology strategy that leverages traditional ePayables technologies that automate core processes in the immediate term, and next-generation innovations that enhance processes and intelligence in the medium term.** The pressure is on AP to not only adopt and adapt to a fully-automated workflow across invoicing, payments, and cash management, but to also understand the implications of new and emerging technologies on current business processes as well as the new types of intelligence and value that may be generated for functional peers and other key stakeholders. As technologies such as artificial intelligence (AI), machine learning, and Blockchain begin to permeate critical areas of the modern business, AP teams must begin to develop specific plans to investigate and potentially adopt these new solutions. Over the next few years, these new technologies will offer an extraordinary opportunity to drive most business functions forward in new and exciting ways. However, for the newer technologies to make an impact, they will in

all likelihood need to build upon and integrate with an existing technology architecture. While this may appear to be a complex undertaking, there is no reason for AP to recreate the wheel. Instead, it is important for AP leaders to work with the IT team and other business functions to understand how the rest of the enterprise has approached digital transformation and what new technologies have already been deployed. By learning from and collaborating with experienced internal experts, AP can better harness the power of innovative solutions to take the function to the next level while also ensuring that their digital approach aligns with the greater organization.

- **A plan to automate (and, where possible reduce or eliminate) highly-tactical AP tasks.** For all of the talk about digitization, technology, and the next generation of accounts payable, the hard truth that most AP professionals still face daily is that manual day-to-day tasks sap time and energy and end up dominating the focus of the team. Tasks such as invoice matching, supplier inquiries, cutting paper checks, and any manual- or paper-led processes within invoice and payment management, erode the potential value of AP by reducing the amount of staff time available for more strategic activities. These issues also create the perception among key stakeholders that AP is essentially



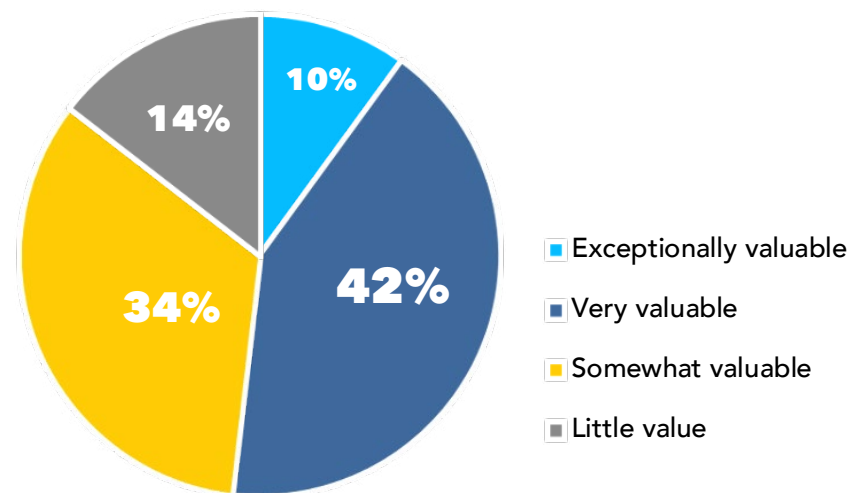
built to operate as a tactical unit, no more and no less. This view has long held AP teams back from greater prominence. As AP organizations continue their fight for relevance, the elimination of tactical tasks will be critical to achieving ultimate success. Only after AP departments have automated and/or eliminated the majority of the manual, time-consuming, tactical tasks can it really focus on becoming a strategic contributor for the organization.

The Perception of AP: A New Chapter

“Perception” has long been one of the biggest issues holding AP groups down within the organizational hierarchy of an enterprise. For many years, executives failed to see the larger potential of AP, based on its history as a mainly tactical unit, and generally ignored the department’s needs for new resources, attention, and systems.

However, the long-held perception of AP is finally changing for the better. One hopeful mark of things to come (and the general future of AP and how it will fit into the modern, digitized business world) is the changing tide of perception captured in this year’s survey. Ardent Partners research has discovered that, in 2018, 52% of organizations perceive the AP function as either “very” or “exceptionally” valuable to organizational operations (see Figure 1). This new majority is significantly higher than the 33% who saw AP the same way just two years ago and indicates that a new chapter has started for the industry.

Figure 1: AP’s Perceived Value



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While AP’s momentum continues to build (as seen in Figure 1), there is more work to be done to keep improving perceptions and have AP viewed more favorably within the enterprise. In 2018, AP groups are rarely first in line to receive budget increases and special project approvals. But, the truth is that AP does not have to be “first in line” for its position to be greatly improved, it merely has to be “considered.” That said, with the wave of innovation that has recently swept across the enterprise software industry, it will be increasingly important to the longer term success of every AP department to be viewed in a way that is more similar to other strategic business functions (i.e. worthy of some investment). Failing in



that regard will leave an AP operation susceptible to being left behind when the next generation of industry automation tools sweep in and open a new era of business operations.

The Tactical Issues Plaguing AP

Although many of the traditional problems within the AP function could be addressed by introducing automation and/or increasing efficiency and productivity across day-to-day operations, a majority of groups today do not have an optimal mix of resources and technology in place. As such, the challenges facing a typical AP department are largely tactical in scope, linked directly to the everyday issues that AP staff face in processing invoices, handling payments, and managing cash. As shown in Figure 2 below, invoice exceptions and processing-related issues are currently high on the challenges list for today's AP professionals.

Figure 2: Top Challenges Currently Faced by Today's AP Functions



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Forty-one percent (41%) of organizations state that a high percentage of invoice exceptions are a top challenge in 2018. Invoice exceptions create a severe bottleneck in the overall AP process by forcing these staffers to hunt down additional information and resolve the issues. Exceptions greatly diminish team productivity and they also inhibit AP staff from attacking more strategic activities. All in all, invoice exceptions create headaches for AP by:

- Causing the organization to miss out on the valuable benefit of early payment discounts. The longer it takes an invoice to be approved, the smaller the window is for AP to reap the rewards of an early payment discount.
- Forcing AP staff to spend hours searching for missing information, managing invoice discrepancies, and contacting the proper stakeholders for additional details. The lost time across the volume of invoices processed on a monthly basis adds up quickly. If AP wants to be considered a more strategic unit, it must prove its worth... which cannot happen if exceptions are slowing down the staff.
- Reducing the likelihood of AP to run at an optimal speed. As with the above bullet, AP is less likely to see an expansion in staff, budget, or overall resources if it is not viewed as a well-oiled and well-run machine. Invoice



exceptions, especially on a larger scale in large enterprise-sized businesses, can cause delays that will frustrate stakeholders inside the enterprise, as well as suppliers outside the organization. Exceptions will also serve to paint a picture of the function as generally unreliable and as an organization that will be unable to take great advantage of any new investment or support.

Invoice exceptions are anathema to AP's ability to process invoices in a "straight-through" manner. Straight-through processing translates into the function's ability to manage invoices without human involvement (or in a "touchless" way) and contributes to faster time-to-process performance and lower overall costs associated with invoice processing procedures.

There are, of course, other traditional challenges that cloud AP's ability to shine. Invoice approval times (noted as a top challenge by 39% of all AP professionals) and overall processing costs (noted as a top challenge by 36% of all AP professionals) have long been detriments to the greater value of the function. As with any discussion regarding the strategic relevance of this unit, the longer it takes to approve an invoice (and the more it costs to do so), the fewer positive attributes will be associated with AP. In addition to these issues, the underlying challenge of simply having "too much paper" remains a very real challenge for 38% of all AP departments, even though ePayables solutions that attack the paper problem have been commercially available

In 2018, the role of the accounts payable ("AP") function in most businesses is incredibly clear: tightly-manage day-to-day processes (primarily invoices and payments) while providing value to the functional partners and the greater organization via specific insights and intelligence.

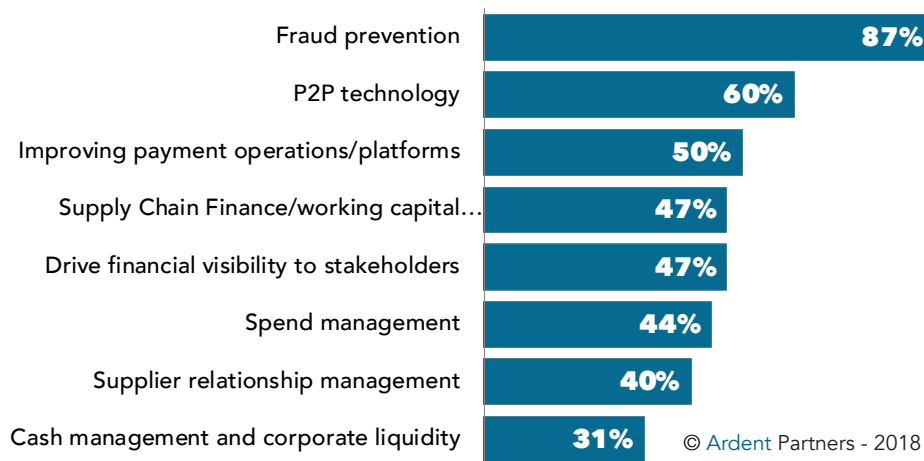
for almost twenty years. Paper-based invoices are the bane of AP's very existence: paper invoices beget manual processing, and manual processing erodes the value of AP via inconsistent processing times, a higher overall cost to process, and, most importantly, a lack of deep intelligence and visibility into corporate spending and vendor payment patterns.

AP Broadens its Value

The AP function has been relegated to the back office in many organizations, a typical reaction to an outdated perception of what the unit can bring to the greater enterprise. Ardent Partners research points to the continued evolution of AP and with it, an expansion of its reach into a broader scope of duties. In some ways, today's AP units function as "utility infielders," bringing a wide set of skills to a more diverse set of activities. The specific areas managed or supported by a percentage of AP departments generally fall under the greater financial operations umbrella (see Figure 3 on next page) or map directly to procurement.



Figure 3: Percentage of AP Groups that Manage or Support Specific Areas



Given the many areas listed in Figure 3 and the relatively high percentage of AP groups involved with them, there is one clear fact to glean: the contemporary AP function is dynamic in nature and can support operations and impact performance in a variety of ways. This breadth of responsibility has been an unheralded aspect of just how valuable the AP department can be in relation to greater financial management objectives. Ardent's [State of ePayables 2018](#) research study finds that today's AP departments are actively managing or supporting the following areas:

- **Fraud prevention (87%).** Since the contemporary AP function sits in the middle of an important piece of the enterprise's financial activity, the group is in an ideal position to identify and flag potential instances of invoice

and/or vendor payment fraud. Nearly 90% of AP functions today are actively managing or supporting fraud prevention efforts. AP staff, via ePayables solutions or their own investigation, can detect possible fraud that is hidden amongst the steady stream of supplier transactions processed each month. Supplier verification, transaction patterns, checking for duplicate payments, rounded invoice figures, etc. all represent potential fraudulent activity and fall under the standard AP department's purview. AP's relationship with financial and risk compliance has grown as well. Compliance initiatives can help raise awareness of the policies and procedures that should guide employee actions and behavior while also mitigating against fraudulent activities. AP is positioned to be a perfect ally for compliance and risk management teams, and can assist in enforcing policies, identifying potential red flags, and escalating issues internally. With the proper tools, resources, and data, helping to prevent fraud is another source of value for AP.

- **Procure-to-pay (P2P) automation (60%).** Sixty percent (60%) of AP functions today support both AP and P2P automation. This figure shows AP and procurement departments, in general, continue to develop a more collaborative partnership. The proper management of these systems ensures that both procurement and AP



processes run seamlessly, and serve as a unified platform to manage supplier transactions including requisitions and purchase orders, as well as how invoices are received, processed, and paid. P2P technology not only enables more streamlined AP processes it also ensures that valuable financial data is in the hands of AP (and procurement) staffers who can transform it into enterprise intelligence.

- **Payment management (50%).** Automation of the B2B payments process has often been described as the gateway to the next frontier in an AP transformation and is finally beginning to get the attention it has deserved. Invoice and payment processing are essentially two sides of the same coin; a unit that truly harnesses the power of both automation and rigor on the payment side of the house can drive financial value to the greater organization. The visibility afforded by the myriad payment options available (ACH, wire, commercial card, payment networks, and other electronic/ePayment methods) is another arena that AP can leverage to improve the functions around it. Also, payment management is a perfect conduit to...
- **"Next-level" financial management functions (31% – 47%).** The core aspects of AP, including invoice processing, tracking invoice-related metrics, and payment management, are what has driven the function

to where it is today. However, in order for AP to reach its full potential, it must support "next-level" financial management capabilities, including cash management (31%), supply chain finance (47%), dynamic discounting, and working capital optimization (47%). The adage, "cash is king" will never fade away: AP teams can and should leverage the power of cash to improve its own standing within the enterprise hierarchy whilst helping key stakeholders maintain a vivid picture of corporate financial health. A surefire way for AP to join other 'next-level' financial management functions is to have the relevant data available to them and be able to harvest it for value.

The Future of AP is Now!

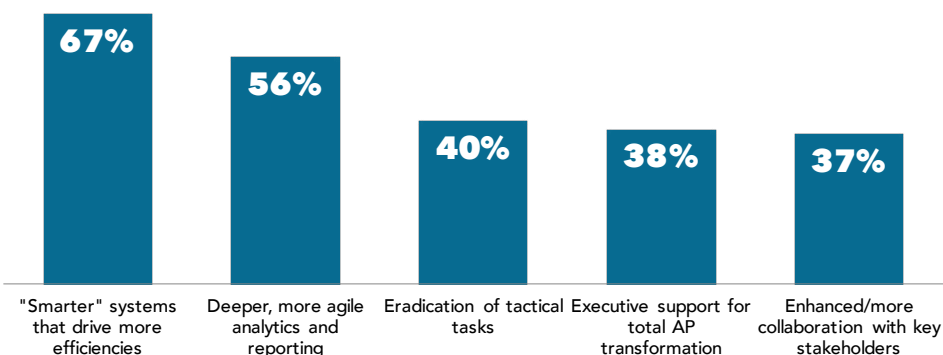
It is no longer good enough for AP departments to simply be proficient at invoice and payment processing, although it is a good start. The future of enterprise operations depends on the greater organization's ability to leverage business agility in conjunction with intelligent, on-demand decision-making. In order for AP, or any other internal function, to thrive in a dynamically evolving world, it must serve a greater purpose than the relative sum of its parts. Nearly 82% of organizations today state that data and intelligence are an important-to-critical piece of the greater AP function. The "age of intelligence" is upon business leaders, and those AP teams that leverage the power of its vast repository of supplier,



invoice, and payment data, by transforming this data into influential spend management and vendor payment intelligence, will solidify a place in the future state of business operations. Through deeper analytics, seamless integration between core spend management and financial management systems (i.e. ERP, P2P, etc.), and the ability to transform day-to-day data into real intelligence, AP will become a part of this new age.

How does AP fit into this future of business equation? A “smart” accounts payable function is the one that moves beyond a focus on the traditional efficiencies driven by simple automation and operational rigor, and tries to serve a greater purpose, one that is directly-linked to educated, intelligent, and informed business execution. To achieve this superior state of awareness, intelligence, and value, there are several “game-changing” innovations that must be leveraged now, not just in the future.

Figure 4: Measures Necessary for AP's Success



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As seen in Figure 4, nearly 70% of all enterprises believe that “smarter” systems are the keys to unlocking AP success. Through the introduction of core efficiencies and streamlined operations, accounts payable staff can rely on fundamental automation and next-generation innovation to both drive holistic P2P processes and deliver actionable enterprise intelligence. Systems that are infused with AI or machine learning will support the notion of “smarter” automation that can effectively spark on-demand insights and real-time intelligence to help make better, more-informed decisions. More agile reporting (56%) follows this mode of thinking: the age of intelligence is not merely a state of “mind,” but rather a technological movement that relies on interconnected systems and solutions that are capable of garnering deeper and stronger data that can be used for more intelligent business execution and spend management. Agile reporting dashboards help AP leaders pivot and transform simple reports into profound pieces of information that provide intelligence into corporate financial health, ongoing financial and supply risk, and future procurement opportunities.

The future of AP is now. By developing the necessary acumen and technological prowess, while also harnessing the power of new innovations, the modern accounts payable function can transform its own operations to become a flexible hub of actionable enterprise intelligence.



Chapter Two: The Future of Accounts Payable

“The challenge of the unknown future is so much more exciting than the stories of the accomplished past.”

– Simon Sinek, Author, Motivational Speaker, and Marketing Consultant

Years ago, AP's roadmap was incredibly clear: shore up inefficiencies, eliminate paper and manual-based processes, and turn to ePayables automation as a way to develop repeatable and scalable operations. Although full AP automation is still the exception instead of the norm, many organizations have followed this roadmap and see success as a result – the tide is turning in such a way that the majority (52%, as noted previously) of today's businesses view AP as very-to-exceptionally valuable within the greater scheme of business operations. This more positive view of the AP department must be built upon in order for AP to achieve its next great goal: become a trusted business partner that aligns its own processes and value proposition with the greater, digitized enterprise.

Transforming an AP operation takes a commitment of time, energy, and resources, and Ardent Partners research shows that, if done well, it is a worthwhile investment that can deliver long-term advantages.

The bridge to this intelligent AP function is not built on a single technology or strategy, but rather a series of new innovations and systems that are interconnected and can effectively “speak” to each other in near real-time, producing actionable intelligence across a wide range of corporate arenas, such as supplier management, risk mitigation, spend management, strategic sourcing, financial management, compliance, cash management, and payment management. Today's AP function sits in an ideal position to positively and significantly impact all of these areas. In fact, those teams that have been following the traditional automation roadmap will be ready for the next great step by introducing these tools and strategies into the AP department's inner workings:

- **The next generation of enterprise mobility and the consumerization of business.** Mobile applications have supported simple tasks and tactical enterprise measures for nearly a decade. However, the introduction of mobility into core corporate arenas has never truly been considered “strategic” by enterprise leaders, but rather a next-level mode of efficiency to support key operations.



This line of thinking has been transformed by the further development of AI and the consumerization of the modern business. As the line continues to blur between the world of the consumer and that of the average executive or professional, businesses are adapting to a new world in which mobility is an avenue for nearly all enterprise processes and operations. For AP, the simple ability to view or approve invoices and execute other key processes enabled by AI-based bots or assistants (“Tell me how many invoices have exceptions over the last two weeks.”) is a revolutionary approach. All of these factors blended together result in the current “consumerization” of modern business, in that the everyday, on-demand insights and processes that consumers enjoy are now available at the fingertips of core business professionals.

- **Deeper and smarter analytics that are supported by machine learning.** Machine learning is a hot concept within the business world, and rightfully so: analytics that are augmented by machine learning algorithms and functionality are typically deeper, more pervasive, and generally more powerful. These “smarter” analytics provide more actionable insights that are based on predictive scenarios and key patterns and trends. Simply put: in order for AP to thrive in the future, and align itself with the digitized enterprise, machine learning-enabled analytics must be in the cards.

- **Robotic process automation (RPA).** The average accounts payable function oversees hundreds or thousands of transactions on a daily basis. Scan and capture, matching, validation, approval workflows, payment processing, etc... all of these operational processes are rife with inefficiencies due to consistent human intervention. While traditional AP automation has long been a boon for professionals within this function, the distinct benefits of adding RPA to the equation, including the reduction of labor costs and time-related efficiencies, is another aspect of the future AP organization. RPA’s intelligent, mistake-free “added” automation is ideal to further eliminate the last remaining remnants of manual- or paper-led processes. The “smart” nature of robotic process automation is based on steady business rules that can be repeated for truly holistic and seamless AP operations.
- **Digital B2B payments.** The world of B2B payments remains a predominantly greenfield area for the modern-day AP function. While more invoices are being delivered electronically on the “front end” of the AP process (invoice receipt), the same trend is occurring on the payment portion of the process. But, there is still too much paper overall on all sides. Digital and electronic payments (ePayments) represent another means for accounts payable to tap into an ever-growing world of

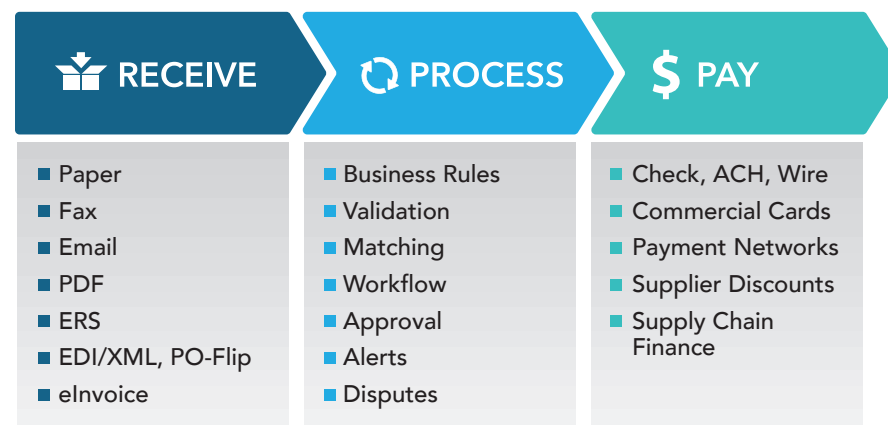


digital enterprise processes. Digital payments can settle transactions quickly across any number of online channels. As the business world becomes more consumerized, not to mention more generationally geared towards millennials, enterprises must tap into an omni-channel approach towards core corporate processes. In the field of payment management, and considering cryptocurrency as yet another mode of innovation, opportunities abound for AP professionals seeking to make an impact within the realm of digital transformation. From mobile payments and Blockchain, to cross-border B2B payments, to interconnected payment networks (fueled by the Internet of Things), the world of digital B2B payments represents a “smarter” way for AP teams to tap into the digital world.

The ePayables Framework

To help simplify AP’s operations and its associated processes, technologies, and overall impact, Ardent Partners developed its ePayables Framework (see Figure 5 to the right). For the purposes of this discussion, Ardent Partners defines “ePayables” as the solutions and services that automate all or part of the three phases of the AP process – invoice receipt, invoice processing, and B2B payments. The ePayables Framework was designed with the goal of helping AP departments of any size improve their processes by segmenting them into smaller, more manageable pieces, which ideally makes it easier for AP teams to establish an unfettered perspective on the current state of their operations and then improve upon it.

Figure 5: The Ardent Partners ePayables Framework



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The Ardent Partners ePayables Framework is organized into three major phases:

- Receive – How invoices are received.
- Process – How invoices are validated and approved.
- Pay – How invoices are scheduled for payment.

“Receive” and “Process” Phases

The first two segments of the AP process – “Receive” and “Process” – include the solutions and methods that AP (or buying) organizations use to receive, validate, match, approve, and process invoice information before scheduling payment.



While these phases are functionally similar in every enterprise, the sub-steps across them can vary depending on factors such as company size, industry, and geography; the steps can also be different based on organizational maturity and level of automation in place.

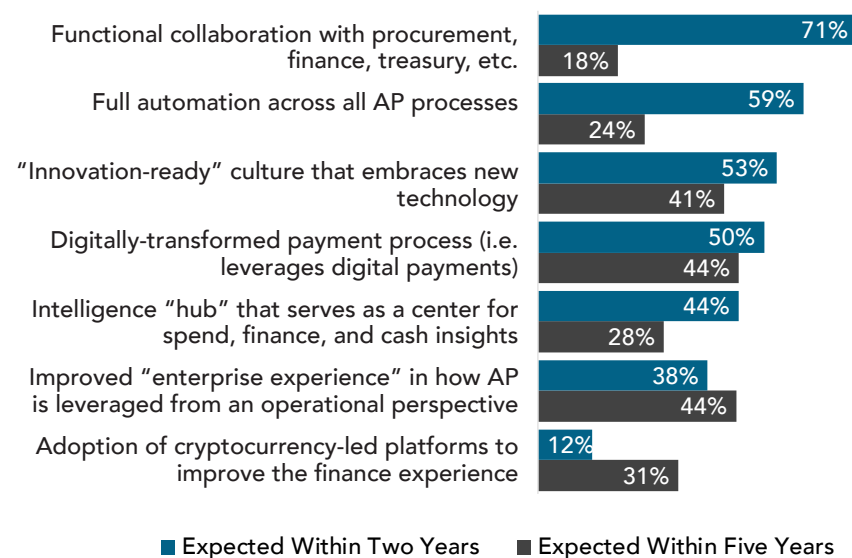
The “Pay” Phase

Invoices that have been validated, matched, and approved move into the final phase of the ePayables framework – the “Pay” phase - which includes both the scheduling and execution of the vendor payment. During this phase, the AP team can work most closely with treasury and finance to develop and execute supplier payment strategies that can assist with working capital optimization. As more enterprises recognize the strategic importance of the AP team, and AP expands its level of process automation and access to its financial data, AP will shift into a position to better influence and augment cash management activities.

AP 2020: The Evolution of AP

The discussion of where accounts payable can go in the months and years ahead is deep and complex. The AP function has many avenues in which to not only enhance its own operations but also become a true partner in the digitized enterprise of the future. Both strategy-led and innovation-heavy approaches pave the way for AP’s future over the near- and longer term. As shown in Figure 6, there are several key aspects that are expected to play critical roles in the ultimate evolution of the AP function.

Figure 6: Evolution Expectations: Two Years and Five Years Out



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The ideas listed in Figure 6 above, represent the expected trajectory and path forward for the AP industry while also highlighting opportunities and new potential areas of influence held for AP organizations. The main areas expected to impact AP over the next two years include:



- Functional collaboration.** Seventy-one percent (71%) of businesses expect to experience active collaboration and partnership between AP and functions like procurement and treasury within the next two years. This functional coordination will not only help to push AP's intelligence into other key units that can benefit from its deep data and information, but will also boost the overall strategic value of the department. Collaboration has been a major concept over the past decade in the business world; however, the teams that can actually (and actively) institute cross-functional coordination are the ones that will understand how their operations (and respective technologies and systems) can align with other key stakeholders and corporate peers, and generate value for their organizations.
- Full automation** across the entirety of AP (59%, in two years) remains (as described earlier) an exception rather than the rule. However, those organizations that have either held out or been on the wrong side of budget/resource allocation expect to start a new chapter within the next two-to-five years, as businesses assume that AP automation will become a key cog in the accounts payable machine. Full AP automation is seen as an ideal "first step" in the long-term digital transformation of the function (and its place alongside other teams in the digitized enterprise of the future). The quest for AP automation is a long-term journey, not a destination along the way.
- An innovation-ready culture.** Within the next two years, 53% of businesses expect to be a part of an "innovation-ready" culture that embraces new technologies and systems. Corporate culture is often the top barrier to adopting new strategies and solutions, and, by overcoming an archaic perception of automation, the AP function can effectively join its peers in the digital revolution. While budgets and resources are often to blame for a lack of technology adoption, the truth is that an enterprise's underlying culture is what distinguishes it as innovation-ready or innovation-adverse. Of course, those functions that expect to play a critical role in the future of their organizations must transform their culture to one that embraces what next-generation technology has to offer.
- Digital B2B payments** play an invaluable role in altering payment management; and 50% of organizations surveyed in this report plan to adopt these technologies over the next two years. As discussed earlier, payment instruments that are built on omni-channel and interconnected networks are critical in ensuring repeatable, scalable, and, most importantly, cost-effective payment processes. There is a huge opportunity in this area for organizations that want to lower costs, improve cash flow, and eliminate manual, paper-based inefficiencies.



- **Intelligence hub.** Over the next two years, 44% of AP functions expect the AP unit to become a true “hub” of financial, spend, and cash management insights. It is no secret that accounts payable sits on a goldmine of data today; the challenge for organizations is to not only extract and cleanse this data, but also augment its flexibility with new and exciting innovations (particularly machine learning and agile dashboards). If AP has any chance of transforming itself into a “smart” hub of deep financial and enterprise knowledge, it must not only buy into the “age of intelligence,” but also rely on new modes of harnessing day-to-day and operational financial data and information.

The Five Year Outlook: AP 2023

No AP department, or enterprise for that matter, operates in a perfect vacuum. Although market pressures (borne by the weight of needing to “keep up” with digital innovations) may hijack the minds of key executives and force them to condense transformation timelines, the truth is that every organization is different. What works for one enterprise in regards to digital enhancement may not be aligned with another. That said, it is helpful to understand how AP will look only five years from now as a means of better aligning itself with the greater digital goals of the business at-large. As shown in Figure 6 (see page 18), the AP function of 2023 is expected to be founded on two

major principles: the finance “experience” and the adoption of futuristic financial innovations:

- **Improved “enterprise experience” in how AP is leveraged from an operational perspective.** These days, many progressive business strategies follow the path tread in the world of the consumer: on-demand content, real-time results, and immediate insights. Forty-four percent (44%) of businesses expect an improved “enterprise experience” in regards to how AP works from an operational perspective. This innovative approach involves AP working as a seamless “service” for other collaborators and stakeholders, providing on-demand intelligence as needed, and becoming a true part of the digital future of the enterprise. If the business of 2023 will rely on an “experience-based” strategy to generate real-time decision-making, AP will, in all likelihood, be a key part of it.
- **Adoption of cryptocurrency-led platforms to improve the finance experience.** Cryptocurrency is currently one of the hottest topics in the world of Finance and “FinTech” (financial technology). Alternative currency options, particularly Bitcoin, are providing both the consumer and business worlds with a cloud-based, hyper-secure infrastructure from which to conduct commerce. The underlying platform that supports



cryptocurrency, Blockchain, has been revolutionizing specific aspects of the finance function in its small number of adopters thus far. Thirty-one percent (31%) of AP leaders expect Blockchain to be included in the wide swath of financial automation in the future, mainly due to its “unhackable” nature (Blockchain automatically creates a permanent, unalterable database of transactions) and incredibly fast settlement times. To improve the “experience-led” approach of finance in the future, Blockchain will assist in generating a more real-time functionality to not only handle payments, but also track, monitor, and measure the myriad aspects and figures that are related to the accounts payable function.

Everything Except the Exceptions

This State of ePayables 2018 research study pinpoints the current trends in the AP market. While many of these trends were detailed in the previous chapter, there is one figure that represents everything that is fundamentally wrong with today's AP function: 24% of the average AP staff's time is spent working directly with suppliers to fix invoice, processing, and payment errors. To introduce this point now presents a harsh contrast to the progressive implementation of digital technology and the relative future of AP and how it fits into the greater enterprise's digital roadmap. If AP is to truly move into its next phase of evolution, its staff cannot spend a quarter of its overall time tracking down phone numbers, correcting

erroneous contact information, and interacting with suppliers to lock down missing pieces of information and fix mistakes.

In order for accounts payable to shed the last remnants of its back-office legacy, it needs to ensure that the scourge of invoice exceptions and other day-to-day annoyances are not part of the AP function of the future. The good news is this is not an insurmountable task; the technology that can help increase touchless, straight-through processing of invoices and greatly reduce the need for time-consuming, costly, manual handling is available and in use today. As the next chapter will show, the future is now for Best-in-Class AP organizations that have taken a lead in exception handling and most other areas of AP.

The bridge to an intelligent AP function is not built on a single technology or strategy, but rather a series of new innovations and systems that are interconnected and can effectively “speak” to each other in near real-time, producing actionable intelligence across a wide range of corporate arenas, such as supplier management, risk mitigation, spend management, strategic sourcing, financial management, compliance, cash management, and payment management.



Chapter Three: The Best-in-Class AP Function

“Successful people do what unsuccessful people are not willing to do. Don't wish it were easier; wish you were better.” – Jim Rohn, Entrepreneur and Business Philosopher

This chapter is designed to enable the reader to do the following:

- Benchmark their performance to industry averages and understand how they perform relative to the average accounts payable programs in the marketplace.
- Understand what operational and performance metrics define Best-in-Class performance levels for accounts payable programs today.
- Understand the wide range of capabilities that Best-in-Class AP departments use to outperform the market.

For all of the discussion regarding the future, it would behoove contemporary AP units to model the series of key capabilities, competencies, technologies, and solutions that enable leading AP organizations to achieve Best-in-Class performance, and prove that the team has the power to drive true value across the scope of greater business operations. As AP continues its pursuit of organizational relevance and impact, while trying to secure its place in an ever-changing, digitized business

world, the strategies and approaches utilized by top-performing organizations serve as a great “how-to” guide to actually achieve these goals. From the enhancement of core competencies to the development of streamlined and holistic processes supported by full AP automation (as well as the next-generation value likely to arise from emerging innovations), the modern-day AP function has the opportunity, in 2018, to improve its standing in the interconnected hierarchy of enterprise operations.

The 2018 ePayables Benchmarks

The performance of the typical AP function is rooted in its ability to effectively manage the many facets of the invoice and payment processes. In order to effectively push accounts payable into the forefront of strategic business territory, enterprises must actively gauge, measure, and analyze their AP performance across a series of key performance indicators to use as a means to establish a performance and business impact baseline and then improve upon them. As shown in Table 1 (see next page), the average performance across the primary AP-related (invoice processing) metrics continue to get better, while still leaving great room for improvement.

**Table 1: 2018 ePayables Benchmarks**

Metrics	All Companies
Cost to process a single invoice (all-inclusive cost)	\$11.57
Time to process a single invoice	8.6
Electronic Invoices (received)	45.0%
Suppliers that submit invoices electronically	24.7%
Invoices processed "straight-through"	26.6%
Invoices linked to a Purchase Order (PO)	60.5%
Invoice exception rate	23.2%

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As the above benchmarks show, the performance of the average AP function continues to improve. Nonetheless AP's ability to become a critical business function within the enterprise remains somewhat elusive. Additionally, the slower gains made within several metrics are keeping the average AP department from realizing its full potential:

- Although the average cost to process a single invoice (all-inclusive, including labor, overhead, technology, etc.) has decreased by nearly fifty cents in the last year, the truth is only a 4% decrease in overall invoice processing cost for the average AP department when comparing this year's metrics to 2017. This suggests that the day-to-day operations that support invoice processing need to be streamlined and today, hold

most groups back. The first real piece of operational value that AP automation brings to the table is its contribution to the bottom-line by reducing costs; without that clear starting point, the race for improved performance never begins.

- Accounts payable teams, however, have made some headway in how fast invoices are processed: the 8.6 days average time to process an invoice is a nearly 25% year-over-year time reduction. While AP teams can reduce invoice-processing times further, this performance improvement seems to indicate that AP staff understand the criticality of getting invoices approved and scheduled for payment.
- However, invoice exceptions – the bane of AP's existence – remain a major problem and have been increasing over the last few years. In 2018, the average invoice exception rate has ballooned to 23.2%, a nearly 26% increase compared to last year. As discussed, throughout this research study, AP staffers spend an inordinate amount of time correcting and managing invoice exceptions, which, as also detailed earlier, comprises 24% of their day. Accounts payable can only generate strategic corporate value and move forward if operational aggravations like invoice exceptions are minimized.



- Processing invoices in a “straight through” manner without human intervention is a hallmark of the next-generation AP function. Yet, AP organizations only enable, on average, 26.6% of all invoices to be processed this way. Human intervention in invoice processing generally creates high processing costs and longer processing times than the touchless alternative. Manual departments report greater levels of clerical and mental mistakes, longer approval times, and more invoices to be flagged and reflagged with issues. The truly “smart” AP groups have the ability to break free from the constraints of manual processing. High volumes of straight-through processed invoices help define top performance today and is a primary result of a successful AP transformation. For those groups that are mired in paper, straight-through processing is a virtual bridge to the future. In that future, as AP continues to evolve, straight-through processing (STP) will be a cornerstone of the function, especially as it sheds its more manual, tactical tasks. Many top-performing enterprises are able to achieve STP rates of 80% - 90% or more. The target is set high, but the corresponding benefits make it a worthwhile one to pursue.

Best-in-Class Performance: The Advantage

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 accounts payable metrics.

As Table 2 (see next page) 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 five times lower, and invoice processing times that are over 2.5 times faster than all other groups. Their invoice exception rates are 114% lower, and they have a 2.2 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.

The future of AP is now and the AP leaders that develop the ability to consistently leverage innovative technologies and ideas will enjoy a significant competitive advantage and start to truly challenge the conventional wisdom of what is possible for AP.



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

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.52	\$14.38
Time to process a single invoice	3.1 days	10.6 days
Invoice exception rate	10.7%	22.9%
Percentage of invoices processed "straight-through"	65.3%	19.2%
Percentage of suppliers that submit invoices electronically	58.1%	20.2%
Percentage of invoices linked to a Purchase Order (PO)	73.3%	22.7%

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A more detailed look at the broad range of performance advantages that the Best-in-Class organizations currently enjoy over their peers (the other 80% of AP groups in the marketplace) follows. The Best-in-Class possess:

- **A five-times lower cost to process an invoice.** Invoice-processing costs, as simple and fundamental as they may be, remain a major benchmark for accounts payable performance because the metric reflects the level of efficiency present within the program. Best-in-Class enterprises have long driven a significantly-lower invoice-processing cost due to their reliance on core capabilities and higher usage of ePayables solutions.

- **A 2.5 times faster time to process a single invoice.** Invoice-processing speed remains a core KPI from which to gauge the effectiveness of vital AP competencies. Best-in-Class organizations leverage the power of automation and efficiency to improve processes related to invoice receipt, approval workflow, and payment scheduling. Combined with the KPIs above, both cost and speed reflect the power of a Best-in-Class AP function and its ability to master the art of tactical financial operations.
- **A 50% lower invoice exception rate.** "Invoice exceptions are the bane of our existence" is an oft-repeated phrase in the world of AP today. Most AP teams spend too much time managing them. By doing so, the greater enterprise misses out on valuable early-payment discounts, and the bottlenecks created by them destroy any efficiencies driven by the function. Best-in-Class organizations have long realized the invoice exception problem, with only 11% of its overall invoices flagged for issues (less than half the rate of their peers). This is yet another instance of the top-performers' overall advantage.
- **A 2.4-times higher rate of straight-through-processing.** Straight-through processing rates are emblematic of the overall maturity of an AP operation and the impact



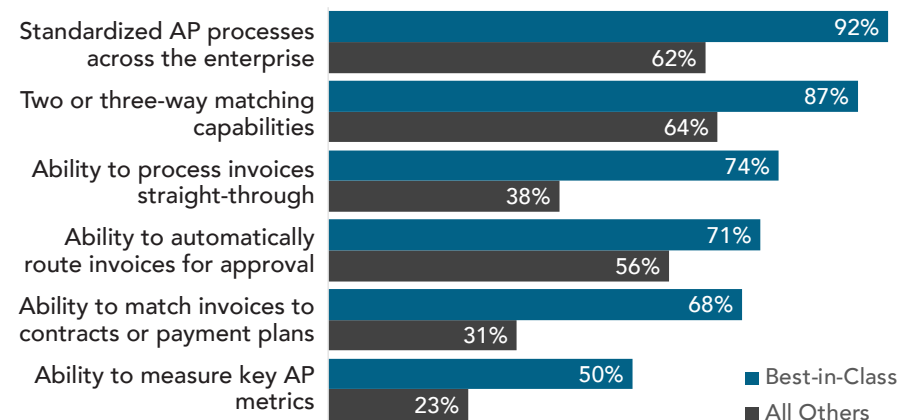
of any AP transformation initiative. Invoices that avoid human intervention generally speed through all phases of the ePayables Framework with ease. Straight-through processing is an important benchmark for today's AP organizations and increasing that number helps AP align itself with the digitized enterprise.

Best-in-Class AP Insights, Part I: Leading Capabilities

While many of the advantages possessed by Best-in-Class AP departments are linked to their ability to automate their processes, the typical Best-in-Class AP program is far from one-dimensional. In order to drive the level of performance associated with this maturity class, AP programs must rely upon an array of capabilities that expand existing processes, standardize and centralize core operations, and actively drive visibility. The Best-in-Class AP function is highly proficient in the competencies that drive day-to-day operations. Figure 7 shows that these top-performing enterprises possess a set of foundational capabilities that enable their top-tier level of success.

AP departments will greatly aid their cause by promoting an agenda that is focused on becoming a more strategic business unit and a more trusted business partner for supplier, data, and cash management needs.

Figure 7: AP Program Capabilities, Best-in-Class vs. All Others



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Standardization is a frequently overlooked component of any enterprise function. Although “flashier” capabilities are often prioritized, a function such as AP is the ideal platform in which standardization can be incredibly beneficial. Since AP touches nearly every other group within the typical business, it is critical to have standard processes, rules, and guidelines for submitting, approving, and processing the influx of invoices. In the average business that processes thousands of invoices on a monthly basis, standardization is the capability that will drive efficiency and consistency.

Seventy-four percent (74%) of Best-in-Class organizations have the ability to process invoices in a straight-through manner



(and they have the performance to show for it, with 65.3% of their invoices, on average, actually being processed in this style. This is a cornerstone of the Best-in-Class accounts payable function; above all other capabilities, STP is a contemporary boon for the world of AP since it not only eliminates manual- and paper-based invoice-processing, it also enables automated reconciliation, improved supplier relationships, and most importantly, it can open a new world of cash management options including early-payment discounts.

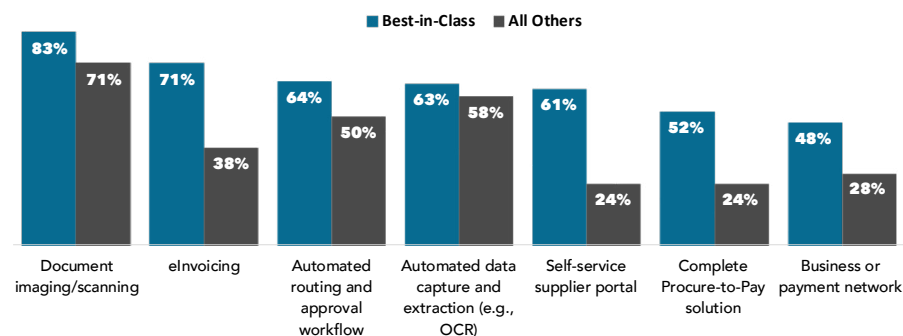
Best-in-Class businesses are more than twice as likely to measure key accounts payable metrics than all other organizations. In the “age of intelligence,” consistently tracking, monitoring, measuring, and analyzing AP performance will be critical attributes in aligning the function with the greater organization’s future foundation. In order for accounts payable teams to understand their place in the next generation of digitization and technology, it will be critical to identify the gaps in efficiency and address those. The AP function that can measure itself is the one that is set up to not only survive but also prosper. More importantly, the AP function that cannot measure its performance will be almost unable to improve it in any significant way.

Best-in-Class AP Insights, Part II: The Tech Advantage

Technology is the linchpin to AP’s ultimate success. In the discussion of exactly how this function will fit into the future of

the enterprise, automation is the big answer. The successful deployment and adoption of ePayables solutions are traditionally what is needed to push most AP into the next maturity phase. As shown in Figure 8, Best-in-Class enterprises excel, in no small part, because their consistent utilization of core AP automation.

Figure 8: The Best-in-Class Technology Advantage



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Right away, it is obvious that Best-in-Class organizations are not just relying on a specific set of tools; in fact, these top-performing enterprises leverage both traditional outlets of AP automation as well as platforms that optimize more strategic activity within the function. While the Best-in-Class utilize Document scanning (83% vs. 71%) and OCR (63% vs. 58%) more frequently than their peers to enhance the invoice



receipt phase of the ePayables Framework, the gap between Best-in-Class and all others tells us that many AP departments already rely on these traditional automation tools.

One area where the Best-in-Class have truly separated themselves from the rest is through their high adoption rates of eInvoicing (71% vs. 38%). This technology can greatly reduce the amount of paper and manual processing by the AP department because the invoices that the suppliers submit are native digital documents that require no conversion. A second technology with a major adoption contrast is self-service supplier portals which the Best-in-Class use more frequently (61% vs. 24%). These “windows to the world,” enable global suppliers to transact and communicate with their customers across the P2P process. For buying organizations, the value from deploying a portal can be tremendous. Portals are a cloud-based solution that enables self-service registration and on-boarding. Most portals serve as a platform that provides visibility and enables communication and transactions between trading partners. Portals also provide significant financial benefits to enterprise users by reducing time, money, and resources previously required to perform supplier enablement and information management tasks.

Much of the strategic value in the Best-in-Class AP unit is derived from this group’s reliance on both P2P automation (52% vs. 24%) and business networks (48% vs. 28%). P2P solutions streamline processes, like purchasing, invoice processing, and

payment, and enables businesses to execute more consistent procurement processes, enable more holistic transactions (and support operations), and increase visibility into enterprise spend.

Business networks also play a vital role in the Best-in-Class AP function. These networks have become a “boundary-less” means for organizations to not only automate core processes related to both procurement and finance, but also enhance collaboration with key suppliers and align AP with the preferred payment methods of key vendors. Business networks can boost the efficiency of the function, accelerate supplier enablement, and drive strategic value through supplier collaboration, improved payment management, increased compliance, easier cross-border payments, and better visibility into spend.

Best-in-Class AP Insights, Part III: A Link to the Future of AP

Program capabilities, of both a tactical and strategic nature, and core automation are critical components of the Best-in-Class AP function in 2018. Soon, however, a third, distinct attribute will help position these enterprises for something much greater: the ability to capitalize on the new and emerging technological innovations that are quickly being built into a wide range of enterprise software solutions. New and innovative technology should not just be a focus for “flashier” stakeholders and internal functions; in fact, it is reasonable to suggest that key pieces of digital technology that are currently leveraged



The increasingly positive view of the AP department must be built upon in order for AP to achieve its next great goal: become a trusted business partner that aligns its own processes and value proposition with the greater, digitized enterprise.

elsewhere in the enterprise could or should have a link to the core ePayables solutions that define today's marketplace. As AP becomes more strategic and finds its place in the pantheon of the digital enterprise, it will need to develop a long-term technology roadmap that is grounded in the innovations that are revolutionizing how the business operates. Today, Best-in-Class businesses are:

- Forty-three percent (43%) more likely than all other enterprises to integrate Artificial Intelligence ("AI") into their AP solutions, which helps these top-performing organizations become a part of the "age of intelligence." As AI continues to drive both actionable insights and eliminate tactical measures, AP teams may one day soon have an opportunity to change the way the department is staffed, organized, and managed.
- Forty-one percent (41%) more likely than all other businesses to leverage B2B ePayments. Digital payments not only streamline the final phase of the ePayables Framework, but can also boost financial security, accelerate the payment process, and allow organizations a deeper viewpoint into the status of supplier payments.

- Nearly twice as likely as all other organizations to leverage Blockchain technology to support greater financial initiatives. While adoption of Blockchain for business is expected to be slow over the next few years, Best-in-Class organizations are already harnessing the power of this technology to augment record-keeping, improve digital security, and collaborate with vendors and internal stakeholders.



Chapter Four: Strategies for Success

“The secret of success is to do the common thing uncommonly well.”

– John D. Rockefeller, Jr., American financier and philanthropist

The modern accounts payable function sits at a fascinating juncture in its overall evolution: enhance just enough to survive in the years ahead, or, revolutionize its development to truly thrive in the face of the digital enterprise. Following the lead of Best-in-Class AP departments, AP professionals (and their leaders) in most other organizations must turn to a wider range of strategies, solutions, and innovations from which to reimagine their programs and attempt to align its core processes with the long-term, digital roadmap of the next-generation enterprise. It was only recently that the B2B payment process was added to the scope of AP transformation and digitization.

B2B Payments – The Final Frontier of AP Automation

In a world where the speed of business increases moment by moment, and the next big competitor is right around the corner, enterprises can ill afford to let business value slip through their fingers. This is, however, what many AP organizations have done by allowing manual, paper-based methods to persist in their supplier payment operation.

Paper checks may have functioned “well enough” in the past, but ePayment solutions have started to capture the attention of

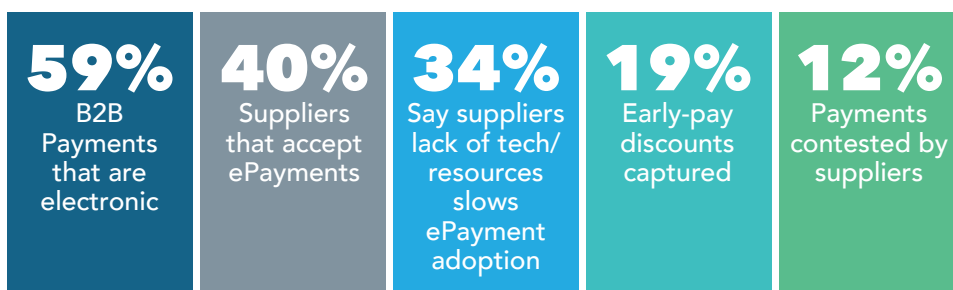
finance and AP leaders. This is in part due to a more holistic (and expanded) focus on the role of AP related to both invoice and payment processing. The increase in new ePayments solutions reaching the market has also triggered greater interest and focus in the area. But the most manual, labor-intensive part of the AP process has yet to receive wholesale automation. It has been slowly improving over the last five years and as one can see in Figure 9 (next page), 59% of all B2B payments are electronic with ACH and card payments being the most used formats. While there has traditionally been a greater focus for AP departments automating the front end of the process, more and more organizations are realizing that ePayment solutions are vital to realizing the full potential of AP and P2P automation.

Similar to straight-through processing with invoices, payment processing should also be measured by how many exceptions or inquiries AP has from suppliers after payment is made. One would expect this number to be extremely low as an invoice has already been vetted through the approval process prior to a payment being executed. This represents a big opportunity for AP to automate this process and eliminate time-consuming



(and duplicate) work that can be improved by automating the entire invoice approval and payment process.

Figure 9: B2B Payments in 2018



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ePayments On the Rise

Ardent Partners research has consistently shown through the years that manual, paper-based processes are inefficient and cost significantly more than electronic payments. The expectation of less paper in the process should mean that more organizations will experience cost and process savings in the near future. Paper-based payments worked fine once upon a time, but just as new technologies have removed other legacy business processes (the paper invoice, the rolodex, etc.), new ePayment solutions and processes have made it strikingly less economical and efficient to pay suppliers with paper checks. There is significant business value hidden in every B2B payment that an enterprise makes, and with the recent developments and innovations in the market, combined

with an increased recognition of the emerging business value of ePayments, enterprises need to continue to look at these new ways to drive financial value.

Strategies for Success

The results of Best-in-Class organizations show that an investment in AP can pay large dividends. It is the relentless pressure on performance, innovation, and agility that makes an AP investment all but necessary for most groups. While the speed and level of returns from a AP transformation initiative can and do vary widely, with proper planning and execution the long-term value that a cohesive and comprehensive AP program can deliver will be realized. Beyond modeling the Best-in-Class attributes, capabilities, and approaches (discussed in the preceding chapter), Ardent recommends the following strategies for AP departments seeking to improve their performance and build a better, brighter future.

General Recommendations for Today's AP Programs

The following recommendations for action will help spark the necessary change needed to drive more efficiencies and strategic value out of the function.

- **Focus on developing a proactive and agile operation.** Business agility has become one of the top objectives for many of today's top businesses because agility translates



into the ability to dynamically address real-world, real-time business challenges. Accounts payable leaders must focus on this as a critical goal over the next 12-to-18 months in order to ensure that the data and intelligence that AP has at its disposal are properly utilized in more strategic enterprise decision-making. Agility is one clear path to permanent relevance for accounts payable.

- **Invest today for a smarter tomorrow.** The AP function is rarely first in line for investments and other types of resource allocation. It is true that line of business organizations and higher profile functions, like IT or marketing, are more likely to win large enterprise investments. But, for AP to become a “smart” hub of intelligence, knowledge, and efficiency, new capabilities like process automation and higher-skilled talent must be added to the organization. To get there, AP leaders must plan and pursue the business case for technology and staff investments, marshalling internal partners and executives to support their cause.
- **Take a metrics-based approach to improve AP efficiency and effectiveness.** To understand and improve the impact that an AP department has on business operations and results, AP organizations should begin measuring and tracking their performance, and ultimately develop a series of key metrics that are regularly tracked and reported. Tracking areas like invoice exceptions, invoice-

processing costs and speed, rate of straight-through-processing, etc., will help AP leaders understand the organization’s overall performance and then develop a plan to continually improve it.

- **Curate innovation within the department and the financial supply chain.** Innovation is revolutionizing both the consumer and business worlds; from mobility and Blockchain to P2P automation and digital payments, innovation abounds in every corner of the average enterprise. Accounts payable must tap into this newfound power and curate a culture of innovation across its scope of processes and operations. Whether the “next” step is taken from an automation perspective (i.e. partial automation to full AP automation) or something else, AP must make that move for the greater good of the enterprise, and to remain aligned with its digital goals.
- **Develop and hire data science capabilities.** The “age of intelligence” is here, and with it, a newfound reliance on highly-trained talent that traverses beyond mere analytical abilities. AP teams should continue to extend and enhance their capabilities in order to maintain their momentum and accelerate to the next level of performance. The area of “data science,” in particular, is an area that should be prioritized so that



the organization can eventually begin performing robust data analysis that transforms AP data into actionable intelligence.

Technology-Focused Recommendations for Action:

The financial technology solutions market does not require an “all or nothing” approach to succeed. AP leaders can identify solutions that can achieve both short- and long-term business goals. Ultimately, the digital goals and objectives for these organizations are not simply to address the immediate needs of just the AP function, but also help to achieve the enterprise’s overall objectives while providing increased value to other key stakeholders.

- **Invest in technology to automate core processes.** Accounts payable and procure-to-pay automation are foundational pieces of full source-to-settle digital transformation. The AP function will be unable to maximize its value and efficiencies if all key phases of its operational duties (including invoice receipt, approval workflows, and payment management) are not automated, scalable, and repeatable.
- **Identify legacy platforms that can be enhanced or replaced.** Many AP units find themselves in an interesting quandary: they possess some basic level of automation but not enough to allow it to keep up with other internal

functions in terms of efficiency and speed. Not all AP automation platforms are built the same, nor do all legacy systems continue to drive the operational value they once did. Businesses must identify the legacy platforms that are in need of enhancement and build a long-term business case to improve and upgrade it or commit to a complete replacement with new solutions.

- **Collaborate with IT to track new and emerging technologies.** The rapid development of new business technologies continues unabated, with new solutions and innovations entering the market every month. AP should not feel pressured to be an “all-in” function in terms of the latest software and systems; it does however behoove them to collaborate with the IT function to understand the possible impact of new and emerging technologies. Enterprise IT organizations can help AP make sense of the implications of new digital payment platforms and crypto-currencies, how to integrate artificial intelligence or machine learning into its software mix, or even begin to frame the long-term ramifications of Blockchain.
- **Develop a short- and long-term roadmap for aligning AP with the digital goals of the greater enterprise.** The modern enterprise is faced with numerous technology options, many of which are applicable



across a wide range of operational processes. And, with the consumerization of business occurring in the average organization, many new innovations are transforming enterprise systems. Accounts payable does not want to be far ahead when it comes to the concept of digital transformation, and must build short- and long-term roadmaps for the technological alignment between its own processes and that of the future, digitized enterprise.

Keep an Eye on Technologies Poised to Impact AP

The emergence of innovative technologies in recent years has the potential to radically alter the way business is done. As enterprises intensify their focus on optimizing internal processes, modern accounts payable teams are now better positioned to advance beyond their transactional past and showcase their strategic value. New technologies are entering the marketplace at a pace never before seen. Today, AP teams, which used to only provide their primary value based on increasing efficiencies, are now well-positioned to help expand their impact and transform into a more strategic function. These leading AP teams must now strive to become strategic partners that can showcase their importance and make an impact at the highest level of business operations. For most, smart investments in AP automation (or “ePayables”) will be critical to their success. To do this successfully, it will be important for AP and finance leaders to keep an eye towards the future and be aware of the latest innovations in the market. Emerging technologies like

Blockchain, Machine Learning, and Artificial Intelligence (“AI”) are helping to make a strategic future for AP departments possible and have great potential to impact the AP industry in the years ahead.

Conclusion: The Future of AP is Now

In 2018, AP’s largest opportunities for business impact and value creation still exist in the future. But, whether an AP team slowly moves forward with minor progressions or triggers a major “spark” of innovation and intelligence, what is most certain is that failure to pursue action and improvement now will be a death-knell. AP leaders must invigorate their organizations with a newfound sense of purpose and push for AP to become a flexible, “smart” hub of knowledge and insights.

As the function continues to find its place in the digital enterprise and transform itself into an on-demand center of financial intelligence, AP groups must work to push themselves beyond the legacy models and approaches of the past. The future of AP is now and the AP leaders that develop the ability to consistently leverage innovative technologies and ideas will enjoy a significant competitive advantage and start to truly challenge the conventional wisdom of what is possible for AP.



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

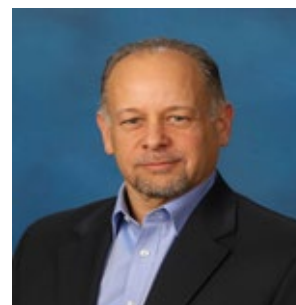
Andrew Bartolini is a globally-recognized expert in accounts payable, sourcing, procurement, and supply management. For more than 18 years, Andrew has focused his research and efforts on helping

enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com) and Payables Place, The Global Source for ePayables News, Research, and Analysis (www.payablesplace.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 300 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their accounts payable, sourcing, procurement, and supply management operations and his research is currently part of the Supply Chain/Management curriculum at several US 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.

Andrew has been named a "Pro to Know" by Supply and Demand Chain Executive three 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 spent the past 12 years working as Vice President of Marketing at Basware where he helped establish the firm's U.S. presence as a major player in the AP and P2P automation spaces and 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 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. Ardent Partners also hosts the annual “CPO Rising” Summit and executive symposium. 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 178 AP and finance leaders captured between March and May of 2018 and includes interviews with several survey respondents. These 178 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: 66% accounts payable; 19% finance/treasury; 14% procurement/supply chain; 1% other

Job Role: 20% VP-level or higher; 28% director-level; 39% manager-level; 13% staff-level

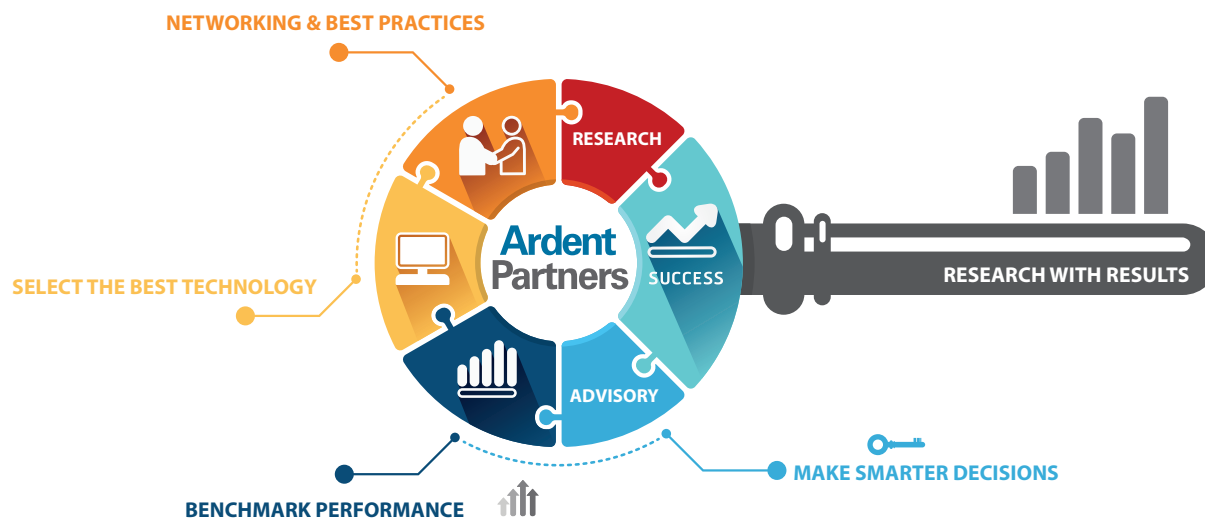
Company Revenue: 58% Large (revenue > \$1 billion); 24% Mid-market (revenue between \$250 million and \$1 billion); 18% Small (revenue < \$250 million)

Region: 74% North America; 24% EMEA; 2% Asia-Pacific

Industry: More than 29 distinct industries are represented. Public Sector, Health Care, Financial Services, Education, and Manufacturing 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.

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