

The State of ePayables 2017: The Convergence of Cash, Suppliers, and Intelligence

Andrew Bartolini | Chief Research Officer | Ardent Partners | June 2017

Christopher J. Dwyer | V.P. of Research | Ardent Partners

Underwritten by:



REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding our research sponsorship policy to Ardent's Chief Research Officer, Andrew Bartolini, at abartolini@ardentpartners.com and/or 617.752.1620.

Sponsor:



AvidXchange™ revolutionizes the way companies pay their bills. Serving more than 5,500 clients throughout North America, AvidXchange is an industry leader in automating invoice and payment processes for midmarket companies spanning multiple industries including Real Estate, Financial Services, Energy, and Construction. AvidXchange has been recognized as one of the 50 fastest-growing private companies in the Charlotte area for seven consecutive years, ranked among Deloitte's Fast 500 this past year, and recently was named one of the top 100 technology companies in North America by Red Herring. In the midst of record growth, AvidXchange has remained true to its most valued competitive advantage—its people. AvidXchange has been recognized as one of the Best Places to Work in Charlotte for eight consecutive years. www.AvidXchange.com

Contact:

For more information, contact us at:
800.560.9305 or
info@AvidXchange.com



CPO Rising 2017: The Procurement/P2P Event of the Year

November 8 & 9, 2017 – Boston, MA

This November, you are invited to join a select group of Chief Procurement Officers and other business leaders at the Harvard Club (Back Bay) in Boston for the annual CPO Rising 2017 Summit, an executive symposium brought to you by Ardent Partners.

This exclusive event promises valuable networking opportunities and the interactive exchange of ideas for CPOs and other procurement executives. Attendees can expect to return home with a collection of new and innovative ideas and strategies that will help improve the performance of their organizations and increase the impact their teams have on business results.

From keynote presentations to CPO panel discussions, case studies, and breakout sessions, the unparalleled speaker panel will highlight the topics that matter most to those procurement executives driving value within the enterprise and across the supply chain.

CPO Rising 2017 is an event for CPOs by CPOs. The day and a half summit provides an intimate setting for delegates to connect, network, and share knowledge and experiences. Join an expected 125-150 CPOs and other procurement executives for this exclusive event.

Online registration now available with "Early Bird" Pricing available until July 31.

For more details, visit: <http://events.cporising.com>

Interested in speaking at the show, click here to submit a nomination.

THE CPO IS RISING IN 2017!

The State of ePayables 2017: Convergence

Within the enterprise, business processes and functions are converging around shared value and shared interests just as many business partners are converging around and within their supply chains. One example of this business convergence is found in accounts payable ("AP"), a function that has quietly become more central to cash management, supplier relationships, and business intelligence. AP's convergence has been set against a business landscape driven by waves of innovation and global activity. From new technologies and platforms to the progressive strategies that must be leveraged to advance and thrive in today's marketplace, the potential value of the AP unit has never been more front-and-center than it is today. Those AP units that are committed to a comprehensive transformation out of their traditional roots and into burgeoning strategic areas, such as supplier management, cash management, and data management, will be central to enterprise success. In fact, AP's ability to impact business processes, relationships, and results will continue to expand in 2017, but the depth and breadth of that impact will depend on each organization's ability to master its processes and technologies, capitalize on the convergence trend, and maintain focus on and alignment with business objectives.

This 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.

Table of Contents:

1

The State of ePayables

This chapter looks at the continued evolution of the accounts payable function, unveils the top priorities for today's AP leaders, and builds a discussion of how AP can serve as a "convergence point" for cash, supplier, and data management.

- 7 Once Upon A Time
- 8 Ready, Willing, and Able
- 9 Value Convergence: Cash, Suppliers, and Intelligence
- 12 AP's Top Priorities for 2017

2

The Next Generation of Accounts Payable

This chapter highlights the role of Ardent's ePayables Framework in the AP transformation journey, and discusses how innovation is paving a path for the "new face" of accounts payable.

- 15 The ePayables Framework: The Starting Point
- 17 The Future of AP: Dependent on Automation, Agility, and Collaboration
- 19 Technology Paves the Road Ahead
- 19 ePayables Technology Adoption
- 21 The Innovation Angle: Next Generation ePayables
- 24 The Value of "Extended" Financial Management Solutions

3

The Best-in-Class AP Function

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

- 25 Understanding the Baseline of AP Performance
- 27 Best-in-Class AP Performance
- 27 The Best-in-Class AP Program, Part I: Core Capabilities
- 29 The Best-in-Class AP Program, Part II: Cash Convergence
- 30 The Best-in-Class AP Program, Part III: Supplier Convergence
- 31 The Best-in-Class AP Program, Part IV: The Technology
- 32 The Best-in-Class Innovation Advantage
- 33 Performance Measurement
- 34 AP Metrics Matter

4

Strategies for Success

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

- 35 The Tipping Point: AP's Influence on Data-Driven Strategies
- 36 AP's Convergence with Treasury and Cash Management
- 37 Strategies for Success
- 40 Conclusion
- 40 AP's Convergence with Treasury and Cash Management

5

Appendix

- 41 About the Authors
- 43 Research Methodology
- 43 Report Demographics



Chapter One: The State of ePayables

“We will continue to see a convergence of the digital and physical world. Those who conquer that trend will be market leaders.” – John Philips

The speed and complexity of business continues to accelerate, forcing AP and finance professionals to adapt to new market conditions and react to new challenges and opportunities while maintaining discipline and efficiency. Business outcomes are harder to achieve and less assured than ever before, while business objectives have become moving targets. In response, most enterprise functions have attempted some type of business process transformation over the past few years, ranging from new technology deployments and the streamlining of outdated, manual tasks, to the upskilling of talent and the move to adopt more data-driven strategies. From procurement and sales to human resources and supply chain management, the pressure is mounting for modern business functions to understand their role in supporting the business and execute with coordinated precision. Collaboration must rule the day within the enterprise and across the supply chain, opening the door for more AP groups to emerge as business heroes.

The typical AP group continues down a long and winding road that leads to the critical juncture of business intelligence, business operations, and business performance. To get there, a

shift from a back-office unit to a function positioned for greater, more strategic involvement in key initiatives is needed. The AP function has risen in stature, prominence, and impact within the enterprise over the past few years, but the larger opportunities for value creation still lay ahead for most groups. And, while finance and AP leaders understand that the AP function sits at the convergence point for cash management, supplier management, and enterprise visibility/intelligence, most other executives do not. That may soon change as the overarching trend of business convergence is forcing most businesses to challenge legacy views and approaches. Business convergence may become the catalyst needed to ultimately propel AP forward over the next few years.

“Value” is a popular term in the world of business. And, value is also something that is “in the eye of the beholder.” Most key enterprise stakeholders perceive value based upon their unique place and role within the organization. For far too many years, AP teams were content with their perception of value, as most executives perceived AP as a severely tactical function that served little purpose outside of processing invoices and



handling supplier payments. While some enterprises sparked mini revolutions to push AP into new and exciting territory, the hard truth that no AP professional wanted to hear is that AP's everyday operational processes were not value-added in comparison with other more strategic groups, such as treasury, IT, or human capital management. Relegated to the back office amid reams of paper invoices, AP was shoved into the proverbial corner, largely ignored, and literally left to its own (manual) devices.

Once Upon A Time

The way enterprises do business has changed significantly over the past 15 years, and these shifts – in communication technologies, in business-to-business (B2B) commerce, and in financial tools, among others – have impacted few departments more completely than accounts payable. But, that has not always been the case.... Historically, AP has been a “back-office” function within the enterprise while its functional partner, procurement has been more successful in the battle for strategic prominence. And, while it has taken a long time (since the early 2000s), more executives have started to take a hard look at all parts of their enterprise's operations, including AP.

This new focus has served internal enterprise operations well. In an age where, despite recovering profits, the mantra remains “do more with less” and executives are constantly challenged to find new ways to wring efficiencies and cost savings from their

operations. This focus on efficiency has done wonders for AP – a function which has struggled for executive attention. Today, more executives realize that AP is an untapped source of cost savings and process efficiencies.

As more enterprises realize the inefficiencies of a mostly manual, paper-based AP process (particularly from an employee time perspective), they have begun looking into AP automation solutions to streamline the invoice and payment approval workflows to reduce processing costs. They have also begun to extract financial value from the process. This financial value focus includes an eye on the payments portion of the AP process, as well as more timely and accurate financial data and reporting that AP can support, based upon visibility into the invoice and payment approval processes.

As a result of today's evolving business landscape and a focus on process automation, AP teams are in a better position to succeed than at any time in the past. From helping procurement partners identify savings opportunities to providing treasury with cash management intelligence, AP is poised for a journey into new territory as a centralized source of knowledge, insights, and intelligence. With increased levels of process automation married with more robust data and greater visibility into invoice details and the overall AP process, AP departments are poised to unlock significant value from invoice and payment management activity.



What's past is not prologue. Today's AP professionals are focused on a future that is filled with new opportunities created by the convergence of automation, innovation, and collaborative strategies designed to expand AP's influence and purview. To succeed in its new role, AP groups will require a blend of new strategies and capabilities, as well as strong leadership.

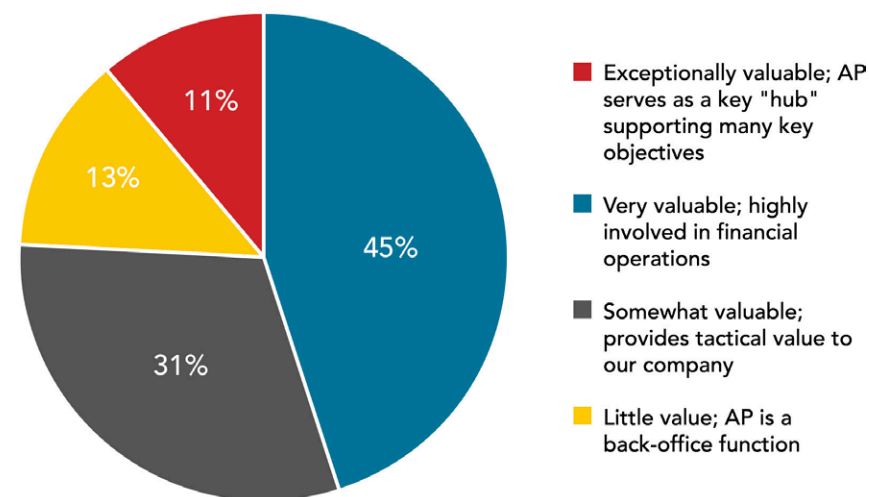
Ready, Willing, and Able

In 2017, there are typically three major pressures that are felt across all functions, stakeholders, and executive teams: (1) globalization (2) an uptick in the general speed of business, and (3) increased competition. These three issues frequently dictate new enterprise strategies and the general allocation of resources, not to mention the impact they have on shaping the executive mindset that drives most significant decisions. AP is not immune to these common challenges and the "trickle down" effect of many global enterprise issues is felt within most AP groups.

The opportunities for success in a globalized marketplace are greater than ever before, but are generally only available to those enterprises that have the necessary strategy, resources, and expertise to execute well and with precision. Where does AP fit into all of this? It is simple: the starting point for the new era of accounts payable begins with a common concern for this unit – perception.

Top-performing AP groups are making a difference and the number of those teams that receive recognition as a source of value continues to grow. As shown in Figure 1, 56% of organizations perceive the AP function as either "very" or "exceptionally" valuable to organizational operations. This number is notably higher than in recent years when the group was viewed as a simple back-office function (to be fair, 13% of businesses have that perception of AP today), and shows that many AP teams are not only well-positioned for greater things; they are also ready for the limelight that will soon shine down upon them.

Figure 1: AP's Perceived Value



© Ardent Partners - 2017



For businesses today, two critical pieces define *who* they are: their customers and their suppliers. One is the very lifeblood of any organization's success (customers), and the other (suppliers) augments how products are developed and services are rendered to support the other half of this definition. And, in the spirit of globalization and the speed in which business must run today (i.e., quickly!), the very execution and management of these two pieces matters even more. This is the entry point for the new era of AP, and supports the notion of holistic transformation. In essence, today's AP teams require a "makeover" to position themselves for greatness: they must move beyond the basics of the function, strategically position a new foundation for the department, and move forward into new territory.

Expanding Beyond the Basics

For AP to make itself over and spark a successful transformation attempt, it needs to expand beyond the basics of the function and begin to augment the more strategic activity to which it is already linked. Invoice-processing, payment management, and data collection are all critical pieces of accounts payable; however, these activities alone are not enough to propel AP to the next level of performance. Most, if not all, stakeholders have historically expected little out of the function beyond being a low-cost operation that can process invoices efficiently and resolve critical issues (such as exceptions) adeptly. With the perception changing around AP, the "makeover" for the function

is contingent on getting beyond the basics of the unit and into more value-add territory.

Consider that globalization and the new speed of business are affecting nearly every organization; AP's role in managing B2B payments and supporting the challenges of not only complex global invoicing, but also cross-border payments, shows that AP groups must prepare for bigger and better things. Similarly, the threat of increased competition as a direct result of this globalization translates into the opportunity for AP to become a bigger cog in the supply management machine. AP has the ability to greatly enhance supplier relationships – whether it is by paying invoices early, supporting ongoing supplier-business communication (responding to supplier inquiries accurately and in real-time), and, in general, working to become suppliers' preferred customer (this can be invaluable in the event of scarce supply, as preferred customers get preferential treatment that can turn specific supplier relationships into a sizable competitive advantage).

Value Convergence: Cash, Suppliers, and Intelligence

Beyond transactional efficiency, many AP units have the opportunity to serve as a hub for other stakeholders across the typical organization, supplying insights and knowledge that can arm key decision-makers. This, in and of itself, is a move beyond the "basics" of the function and is the foundation



upon which a next generation AP operation is built. There are three areas that are directly linked to AP processes that appear to be the most accessible and prominent ones for AP teams to pursue:

- **Cash management:** In 2017, with cash management more important than ever, Treasurers must harness the collective strength and ability of the entire finance organization to help drive internal process efficiencies and optimize working capital. Ardent Partners believes that one of Treasury's largest opportunities to impact cash and the financial performance of the enterprise lies within the AP department.
- **Supplier management:** Best-in-Class enterprises understand that suppliers should be viewed as a source of knowledge and expertise that can be leveraged for a competitive advantage and mutual gain. How procure-to-pay (P2P) teams approach their 360° supplier relationships and the results derived from them will have an increasing impact on enterprise operations and overall performance in the months and years ahead.
- **Business intelligence:** Data-driven approaches founded on the principles of data science, and broadened via integrated and collaborative intelligence are prime means of accelerating P2P performance and ultimately driving more value. The invoice and operational data that is warehoused

within AP presents a deep well of untapped financial and business data that can be extracted and converted into intelligence.

To operate at the convergence point for these critical enterprise pursuits noted above, the AP function must expand its duties and understand the decisions, implications, and performance. In fact, new Ardent Partners research has found that many of today's AP functions have started to take control of their destinies by executing with better precision and by pursuing key responsibilities in these three areas.

As seen in Figure 2, a majority of today's AP functions (61%) have some strategic role in either the selection of P2P technology and/or the day-to-day management of these systems. This finding represents a shift in the level of collaboration that exists between the AP and procurement teams. In the past, AP was frequently an afterthought from a process and systems standpoint. In 2017, the two groups are more frequently partners in developing a shared technology strategy that can work to the benefit of both groups. P2P technology is currently riding a wave of innovation as more and more business executives (within both the procurement and finance functions) seek to not only make financial and purchasing transactions more efficient, but also seek to boost other areas of the organization via the robust nature of advanced P2P platforms. This point also indicates that AP is capable of driving holistic technology projects while also



delivering greater technological value. P2P systems today can be deep sources of intelligence and are proving to be differentiators for the teams that leverage them.

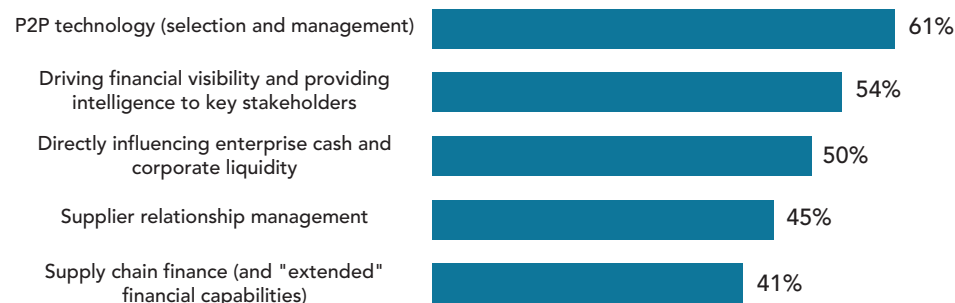
When P2P is managed holistically, each group benefits from the improvements made by the other, making the P2P process an ideal point of convergence for finance and procurement. When visibility and a cohesive management plan are added to this process, the treasury group, a key stakeholder in the P2P process, can become proactively engaged to help guide the decisions that align the management of the enterprise's cash across this process with the overall needs and objectives set by the CFO. Simply put: the majority of today's AP leaders are laser-focused on pushing their functions into the P2P mix and serving as a convergence point for a burgeoning area of the enterprise.

Beyond procurement collaboration, AP teams are also converging with value in other areas. Fifty-four percent (54%) of today's AP groups are enabling financial visibility (via invoices, payments, cash information, etc.) and providing this data to other key stakeholders across the enterprise. Meanwhile, half of today's AP functions have some responsibility in managing enterprise cash. Cash management has become a prized source of value for contemporary enterprises; understanding the real-time impact of corporate liquidity allows the corporate executive team to understand the enterprise's ultimate place and progress across a series of key financial and related goals. Also, the convergence

of AP and cash management speaks to a collaborative effort that is years in the making: the treasury group is certainly augmented from a strong, interconnected relationship with the accounts payable function. "Cash is king," the old adage goes, however, "cash intelligence" is even more critical in today's increasingly-globalized business world.

AP groups are also impacting suppliers via their relationship management strategies (45%) and supply chain finance activities (41%). By transferring this knowledge in real-time to groups like procurement or strategic sourcing, crucial stakeholders like the Chief Procurement Officer (CPO) can better understand how key suppliers are performing against negotiated contracts and agreements, as well as the various discounts that are either actively captured or missed by paying key suppliers on varied payment terms. Furthermore, supplier relationship management

Figure 2: Areas Currently Managed or Supported by AP



© Ardent Partners - 2017



is also augmented from procurement's perspective by having a key partner like the accounts payable group to lean on for relevant information and data that can assist in fostering better long-term relationships (this intelligence is also helpful in times of negotiation with suppliers).

When taken in aggregate, Figure 2 highlights that the concept of "AP as a hub of intelligence" is active and continuing to grow in magnitude. AP sits on a goldmine of information, including data held across thousands (or tens of thousands) of invoices and supplier payments. This data, when transformed into real, actionable intelligence, provides a fantastic link to internal stakeholders, external partners/suppliers, and key business executives like the Chief Financial Officer (CFO).

AP's Top Priorities for 2017

In 2017, AP leaders continue to balance their traditional priorities with those that place them on the path ahead (see Figure 3). As in years past, the most traditional of all priorities strikes the modern-day accounts payable function hardest: reduce invoice-processing costs was identified as a top priority by 63% of all AP teams. At this juncture, after so many years and a gradual shift in perception, there is some semblance of focus within the world of AP to maintain its core goal: ensure that invoices are not only captured and reconciled, but also effectively processed and paid. Interestingly, AP's other top priorities push beyond the basics and into the future of the AP function.

Figure 3: AP's Top Priorities in 2017



© Ardent Partners - 2017

Fifty-one percent (51%) of today's AP organizations are prioritizing the link between procure-to-pay processes and associated automated systems. The P2P cycle represents, more than anything else, an opportunity for businesses in 2017 to derive greater efficiencies and value from tasks that help the company run at its most basic level. AP once served as a minor cog in the P2P machine. Ardent's new research suggests that this function is taking a much more active role in facilitating the links between P2P processes and automated systems. The result is that AP groups are not only boosting the strategic value of the phases underneath the model, but they are also promoting a full cycle of real-time intelligence and functional alignment that can impact the overall enterprise (while also propelling AP forward within the enterprise).



Visibility is, for nearly every organization in 2017, paramount to success. Information begets data, which begets intelligence, which serves as the robust support beam for all key decision-making and executive planning. AP's prioritization of reporting and analytics (35%) proves one key point: the professionals within this unit understand the significant opportunity in capturing the huge influx of data created across and within the AP function. Better reporting and analytical capabilities will help promote AP as an important player in business intelligence management efforts. AP is already well-positioned to serve as a strategic intelligence hub. By enhancing reporting and analytics, this hub concept can be taken even further to help usher a new age for the AP function.

Similarly, the improvement of collaborative efforts is often seen as a precursor to any new, strategic activity out of the AP group. Partnership is a key element for this new era of AP; for accounts payable to serve as a constituent to key enterprise partners (such as procurement and treasury), it must ensure that it holds the value required (i.e., intelligence, real-time insights, etc.) to boost the power of its fellow stakeholders. Collaboration should not be perceived as a mere buzzword for today's businesses; but rather, as a fundamental strategy that will keep AP more relevant and engaged in support of overall business objectives.

In looking at the top priorities for today's AP departments, one concept stands out: although they are still focused and tasked with performing the basic duties of the unit (invoice-processing), the AP industry as a whole is steadily pushing itself higher in the strategic hierarchy of the enterprise by capitalizing on its ability to impact and enhance cash management, supplier management, and real-time business intelligence.



AP's Convergence with Procurement

The level and quality of AP and procurement convergence varies dramatically among enterprises in the marketplace today, which means that more agile organizations are effectively using their procure-to-pay operations as a competitive weapon to gain an advantage over their rivals.

Organizations that lack a seamless P2P process typically see an erosion of value as they move across the entire process. Those that are more successful combining processes, systems, and organizations report a series of benefits including:

- An ability to optimize working capital across the P2P process by developing proactive payment strategies and pursuing dynamic discounting opportunities.*
- Improved supplier relationships aided by an ability to pay suppliers on time (or early) and accurately as well as better data to support improved inquiry response times.*
- Better identification of sourcing opportunities through more accurate spend data via invoices and payments.*
- Improved contract compliance and the reduction of maverick spend by linking invoices and payments to contracts.*
- Better success with supplier enablement by leveraging a 'one-time' on-boarding process for procurement and AP requirements.*

The potential P2P performance gap that can exist between competitors warrants the attention of the CFO and the CPO as well as other procurement and AP leaders. For the average AP organization, the immediate opportunities are to drive efficiencies quickly, to become more operationally effective, to expand the scope of those operations for the greatest possible impact, and to ultimately become more strategically aligned with the greater business.



Chapter Two: Next Generation of Accounts Payable

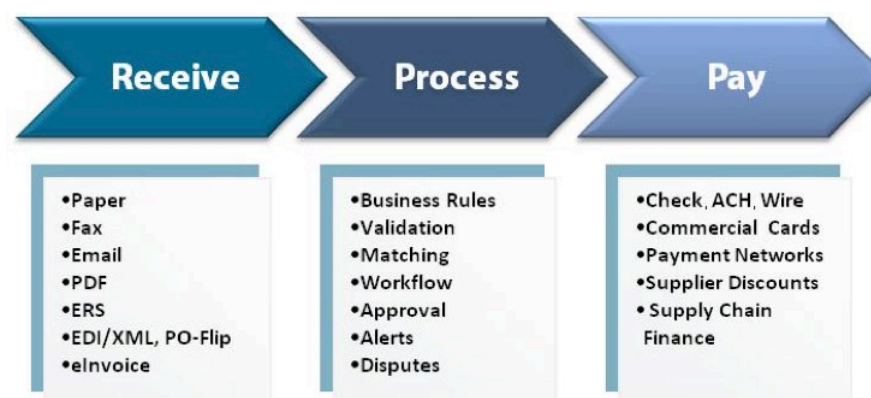
It is no secret that most AP units believe that they are destined for greater things. The ability to expand beyond the basics of the function while driving efficiencies across a variety of the key processes defined in the Ardent Partners ePayables Framework and serving as a catalyst for enhancing more strategic activity (i.e., cash management and supplier management), are all critical mechanisms for the next generation of AP departments. To achieve this grand vision, however, a transformation plan must be boiled down into several crucial areas, while keeping in mind the importance of addressing all facets of the ePayables Framework.

The ePayables Framework: The Starting Point

To augment the understanding of AP's operations and its associated processes, technologies, and overall impact, Ardent Partners developed its ePayables Framework (see Figure 4), which can be used to help improve the various operational components of the function. 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 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 a clear perspective on the current state of their operations and then improve upon it.

Figure 4: The Ardent Partners ePayables Framework™



© Ardent Partners - 2017

The ePayables Framework is organized into three major phases:

Receive – How invoices are received.

Process – How invoices are validated and approved.

Pay – How payments are scheduled and executed.



“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.

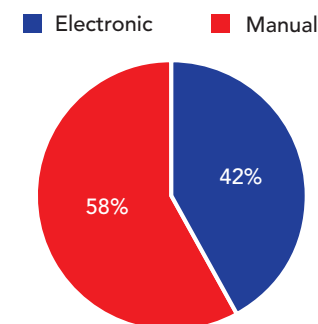
The “Pay” Phase

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 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.

Paper Vs. Electronic

Why do so many AP departments continue to face time, cost, and effectiveness challenges? The answer is clear: too much paper. Ardent Partners’ research shows (see Figure 5) that the average enterprise receives 56% of its invoices in a manual format including paper, PDF, email, or fax. Receiving invoices via PDF or email is no better than receiving paper unless a data capture solution is in place to automatically identify, extract, and convert data into a digital format. Otherwise the information has to be manually-entered. The remainder (44%) are received in electronic format, which includes eInvoice, PO-flip, EDI / XML, or web-portal.

Figure 5: Manual vs. Electronic Invoices



© Ardent Partners - 2017



If AP's top priority is to reduce invoice processing costs, the overall percentage of all invoices that are received in a manual format is too high. One consistent challenge is the ability to enable suppliers onto the electronic platforms. For an AP automation initiative to be successful, it is critical to get as many suppliers onboard as quickly as possible. However, in most cases, Ardent believes that AP organizations should utilize a "portfolio approach" in their initial efforts to connect with their suppliers electronically since a complete migration will not happen overnight and some one-off suppliers will only ever submit paper invoices. For this reason, AP departments are wise to put in place mechanisms that can convert these manual invoices into an electronic format, so that the data can be captured and processed in a more efficient manner.

The Future of AP: Dependent on Automation, Agility, and Collaboration

An AP department's ability to drive process standardization and general efficiencies across the entire operation has been a defining characteristic of Best-in-Class performance for the past decade. But now, the objectives of today's AP departments continue to grow and expand in scope and drive. For most AP groups, however, while the destination to become a truly value-added function is clear, the journey beyond walls of a siloed and highly-tactical operation is just starting. The starting point for this "fantastic voyage" hinges on the breadth and depth of the transformation activities that each AP team can scale. There

Figure 6: The Essential Elements for AP's Future Success



© Ardent Partners - 2017

are many next-level attributes that contribute to a broad-based AP transformation and ultimately enable future success. Ardent Partners research indicates that there are several key factors that are essential for today's AP executives and professionals on this great new journey (see *Figure 6*).

These are the elements that finance and AP leaders believe will help their teams perform a complete makeover and craft a next-generation approach to their talent, operations, and systems:

- **"Smarter" enterprise systems (71%).** Traditional enterprise systems can drive tremendous value to the greater enterprise by automating key processes, providing much-needed data at certain organizational intervals, and serving as the centralized system of record for essential information. However, the age of cloud-based software, artificial



intelligence, and the “Future of Work” are here; thus, smarter systems that can offer new and innovative functionality (i.e., robotic process automation, machine learning, etc.) and mimic human thinking will be crucial for the future of the AP function. In essence: simple automation, while useful, will not be enough to drive AP forward and to higher ground. Next-generation, smarter technologies have been identified as the number one catalyst for future success.

- **Deeper, more agile analytics (54%).** Business agility remains a primary objective for most executives. Business agility, which allows the average enterprise to react to dynamic business challenges in a real-time fashion, is supported by one crucial dimension: intelligence. Today’s AP functions require deeper analytics platforms that can dig deeper into enterprise spend, supplier information, and financial transactions (such as invoices). By getting more out of this data, business leaders will have the necessary intelligence to react in an agile fashion to new and unseen market pressures. Those organizations that truly put their weight behind efforts to become more agile in nature are the ones that will benefit further down the line.
- **Executive support for an AP transformation (47%).** Too many business functions operate without true champions sitting behind the scenes, coaching organizational professionals, and providing resources when needed to

tackle new issues. In order for any AP organization to complete its transformation, executive stewardship is needed to guide and support the journey, including backing and investment in items such as new talent, enhanced technologies, improved access to internal stakeholders, and other resources that can help propel the function forward.

- **Enhanced collaboration with key stakeholders (42%).** Tighter coordination with key partners across the greater organizational spectrum is always going to be a critical element in the ultimate success of an enterprise function. For the AP unit, in particular, its graces are truly enhanced (and, in return, praised) by collaborating with functions like procurement (for sourcing and spend management improvements), finance (for improved visibility into corporate budgets and timely reporting), and treasury (enhanced cash management). As discussed throughout this report, convergence is the name of the game in the future of the AP department.

Most AP teams must still continue to work vigilantly to get their houses in order; but process efficiency and compliance, while still bedrock AP principles, are fast-becoming table stakes in a game with no limit. The keys to the castle will ultimately be given to the AP teams who can anticipate and adapt to dynamic change within their organizations and within their supply chains.



Technology Paves the Road Ahead

The strategic transformation of accounts payable is frequently a multi-stage process that evolves based upon stakeholder requirements and attitudes, organizational maturity, and the project's alignment with overall enterprise goals. Automation plays a key role in most, if not all, AP transformations. This is particularly true given new developments in the past decade that have challenged legacy solutions and flattened cost structures to bring AP software into reach for more businesses in each ensuing year.

Automation can have a truly transformative effect on the AP process by removing paper (and the manual activities associated with it) from the invoicing process and allowing for deeper process visibility as well as greater control over and insight into financial and operational data. While today's market provides relatively easy access to cheap credit, in general, credit markets are expected to be far more volatile in the decade ahead than in the current one. Automating the B2B payment process and opening the door to cash management decisions is one safeguard that AP can take against credit volatility. For today's AP functions to journey into the new and uncharted territory of serving as a point of convergence and intelligence, it must factor technology and automation into its plan.

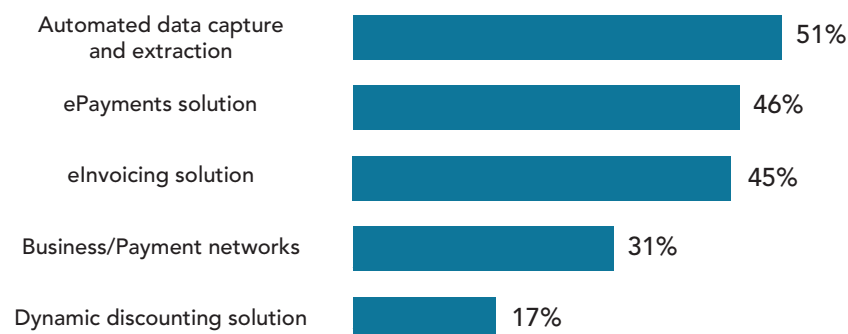
AP automation solutions (also referred to by Ardent Partners as "ePayables"), of course, are not a panacea that can cure all that

ails the modern unit's main issues. ePayables are core solutions aligned to the operational tactics of accounts payables and a road of innovation that serves as the basis for the future of the function. When they are well-deployed and used proficiently, ePayables solutions accelerate AP's performance improvement and increase its value creation.

ePayables Technology Adoption

For any modern enterprise function to succeed within its operational core, there are typically a static set of solutions and services that support its everyday objectives. For the accounts payable unit, in particular, many of the solutions currently in use today solve day-to-day, manual, and tactical measures while also providing long-term value to all facets of the greater finance organization. One of the largest takeaways from the ePayables adoption figures (see *Figure 7*) is that a fully-automated AP operation is less commonplace than it should be.

Ardent Partners research also shows that automation is the tool best equipped to combat high costs, contributing to processing cost reductions that can be as much as 60-80% when compared to manual- and paper-based methods. Considering this fact, it is easy to wonder why many enterprises have not yet automated their AP operation, particularly since this research study (see *Figure 3*) shows that cost reduction remains the top priority for AP teams in 2017.

**Figure 7: Technology Adoption: Current Utilization of ePayables Solutions**

© Ardent Partners - 2017

- Automated data capture and extraction technology (51%)** is one of most traditional components of the successful accounts payable function; for even smaller organizations, this type of automation is a boon to transfer the key segments of information from paper-based invoices into on-demand data, which is then fed into a larger financial suite (i.e., P2P platform or full AP automation suite). For larger organizations, there is no doubt that the many years leveraging this automation has saved millions of dollars. They have also saved millions of man-hours spent extracting information from the blizzard of paper invoices coming into the enterprise daily. But, while this technology delivers value in the form of increased efficiencies, it is simply a starting point in a larger AP transformation.

- Electronic payment (ePayment) platforms (46%)** have seen a rise in utilization over the past five years due, in part, to a more holistic (and expanded) focus on the role of AP related to both invoice AND payment processing. The increase in newer ePayments solutions reaching the market has also triggered greater interest in the area. Although much of the contemporary focus for AP departments remains on the front end of the process (as was noted in last year's study), more and more organizations are realizing that ePayment solutions (which can tailor payments specific to certain suppliers utilizing a variety of electronic means including ACH, commercial/ payment cards, wire transfer, etc.) are vital to completing the full cycle of P2P. In 2017, B2B payments are poised to become a strategic business process, with more finance executives finally understanding the large financial impact these transactions can have on cash positions. And as organizations develop more experience and capabilities in managing B2B payments, other doors are opened to generate better financial results from supplier payments including the ability to capture more early payment discounts, and leveraging financial tools like dynamic discounting and supply chain finance.



- **eInvoicing solutions (45%)** remove paper from the AP process by creating invoices electronically and maintaining that format through the validation, matching, and approval processes. eInvoicing drives process efficiencies given that there is no element of data capture or entry involved. eInvoicing solutions are of consistent interest among AP teams because the tools offer tremendous simplification on the process side, as well as cost savings in terms of price per invoice. This is most directly seen with the ability of these solutions to enable “straight-through processing,” which occurs when a submitted invoice is processed and approved without any human intervention (and at a very low cost). While an eInvoicing solution is deployed by the buying organization, it requires participation from the supplier base to become truly effective.
- **Business/payment networks (31%)** have been expected to revolutionize the P2P process and its two related functions: procurement and finance. These networks can function as the nexus for purchasing, supplier management, invoicing, communication/collaboration, and payment activity between an enterprise and its supplier base. As the “Internet of Things” and other innovative variables continue to enhance key functionality within today’s business network platforms, these solutions will become a valuable support beam for not only transforming how transactional business is completed, but also improving overall B2B relationships.

The Innovation Angle: Next Generation ePayables

Innovation is such a wonderfully powerful word and such a wonderfully broad concept. Innovation can be complex; but, it can also be simple. Some innovations are market-driven while others are engineering-led. Innovation can create markets and innovation can create dilemmas. Whether it results in an industry “game-changer” or a simple, incremental improvement, innovation is generally in the eye of the beholder. Given the level of organizational maturity, it is no surprise that most AP-led innovation today focuses on the incremental; but, the reality is that some of the enterprise’s longer-term opportunities will depend on how well finance, AP, and P2P teams identify and drive innovation within the enterprise and across the supply chain. One primary challenge for AP leaders today is to balance the need to execute against the everyday operational pressures they face while simultaneously keeping an eye towards the future.

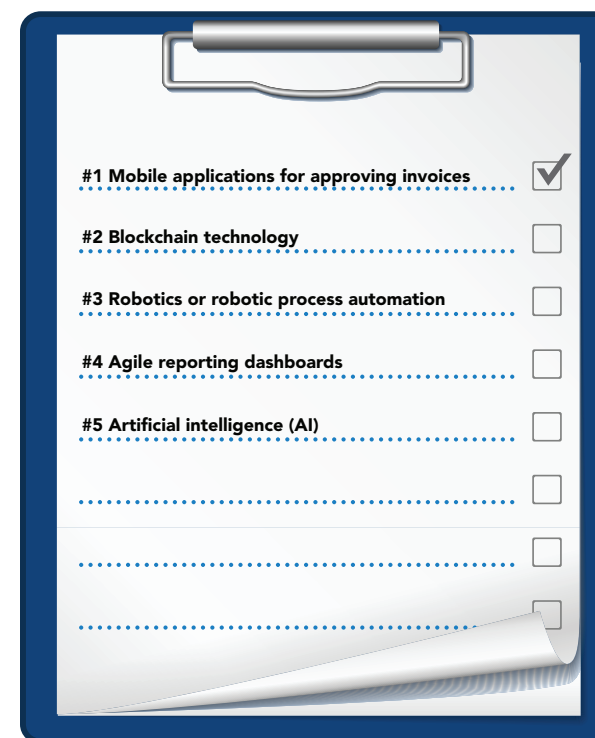
Today, there is an age of innovation with new enterprise technologies entering the business world at a pace never before seen. Many are heralded as the “next great thing” to radically transform the business world. The reality is that with many of these solutions, their actual impact will never match their current hype. But, when viewed in whole, it is pretty clear that technological innovations will make an impact on the AP function. As shown in Figure 8, Ardent Partners has ranked a series of the most promising innovations that will play a role



in the long-term transformation of the AP function. Some of the technologies are available and in use by AP teams today, while others are emerging within enterprise solutions and/or developing their own unique market.

- Mobility** is the standard for many of the world's top businesses. From engaging talent to generating real-time information and insights, smartphones and tablets now play critical roles in how business leaders execute daily operations. As the leading technologies from the consumer world begin to seep into the traditional boundaries of corporate culture, mobile applications represent an on-demand means for functions like AP to join the 21st Century. AP leaders and business stakeholders can easily view and approve invoices on mobile devices, allowing access to powerful AP automation systems while away from the office. These same applications are also providing AP professionals with quick, real-time insights into key financial data while allowing them to push other process-driven behavior via simple clicks on a smart device.
- Blockchain technology** has emerged as a critical component of the cryptocurrency marketplace, but it has only recently started to generate interest in the business world beyond bitcoin. Blockchain is a digital database that captures and aggregates records (or blocks) that can function as a ledger used to facilitate business processes that involve multiple

Figure 8: Elements of Innovation, Ranked



© Ardent Partners - 2017

parties. It is an open, internet-based, user-driven database that, for every new transaction or update that occurs, a new record or block is automatically added to the chain as a digital fingerprint. And, each block becomes a living, breathing artifact for every widget at rest, in transit, or in use. As a result, blockchains have the potential to increase the efficiency, fidelity, and security of transactional and



logistical data exchanged between trading partners in a B2B environment. For AP organizations, this could result in powerful efficiency boost while allowing a pure, permanent, and unalterable system of record to drive visibility into enterprise-wide transactions, documents, and agreements.

- **Robotics** may represent, for some paranoid professionals, a demise to the “human touch” within the future organization. However, today’s business leaders should perceive robotics and robotic process automation (“RPA”) as a talent augmentation, not a death knell for staff. RPA can augment the phases of the ePayables Framework by removing manual and tactical measures up-front, extracting and classifying key data within invoices, and completely digitizing that information into intelligence that can be tapped into in a real-time fashion by all core enterprise stakeholders. Thus, RPA can enhance invoice-processing, supplier inquiry management, payments, and analytics to help put an AP operation on a path to the future.
- **Agile analytics**, as described earlier in this chapter, represent the next wave of Big Data-led strategies for generating true financial intelligence. Agility within AP analytics can revolutionize how invoice data is collected, prioritized, and utilized, helping key stakeholders connected to accounts payable, particularly procurement, finance, and treasury, garner information that is needed to address dynamic

business pressures and challenges.

- **Artificial intelligence and machine learning** have the potential to transform the AP department in multiple facets; however, the most critical element at hand is the augmentation of enterprise data collection and analysis. While different from pure analytics, AI’s many advantages (including cognitive intelligence) can help mimic human thinking and discover key patterns within financial transactions and data, which, when leveraged in the proper manner, can become an immensely impactful tool for an AP team that sits at the center of cash management, supplier management, and data management.

Taking into account the expansive new thinking, strategies, and technologies available to the modern AP unit, an exciting future beckons. For AP departments that are still struggling to standardize basic processes and execute with a basic level of proficiency, the road ahead may seem arduous. But, the journey to AP’s future begins with a single step. Transforming internal operations, after all, takes a commitment of energy and resources and can be slow going. But the transformation journey for today’s AP functions is worthwhile to pursue and can deliver a long-term operating advantage if achieved. Perhaps more importantly, when the newer innovations described above fully take hold in the market, the groups best-equipped to take advantage of them will be the ones with their houses in order.



The Value of “Extended” Financial Management Solutions

As enterprises focus on optimizing their internal processes, AP and other traditional back-office functions will begin to have more substantial roles within the enterprise.

Forward-thinking enterprises have already recognized the central role that AP can play in managing enterprise cash more effectively and have begun utilizing advanced financial solutions like dynamic discounting and supply chain finance (“SCF”) to drive better results for the business.

Dynamic discounting, which offers discounts on a sliding scale, allows for greater discount capture opportunities than the traditional 2/10 net 30 early payment discount. It also allows buyers to capture more discounts and suppliers have the option to receive payments more quickly. Meanwhile, SCF is an early payment discount technique that utilizes third-party capital, normally from a financial institution or a bank, to pay an invoice early. In some instances, the early payment is made as soon as the invoice has been approved. SCF is an innovative way for enterprises to help their supply chains access credit and improve cash flow at a lower cost.

These advanced solutions already in development, and the continued interest in solutions that previously hadn’t been accessible, indicate the potential for AP to spend less time managing invoices and more time providing strategic value to the enterprise.



Chapter Three: The Best-in-Class AP Function

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 AP program 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.

Accounts payable executives and professionals can gain a rewarding and strategic outcome if they understand the inherent value in AP transformation, push the envelope in regards to innovation, and serve as a point of convergence in the months ahead. To complete these objectives, today's AP departments must follow the course developed by Best-in-Class organizations and the accounts payable programs they have cultivated by building on core competencies and capabilities, cash management approaches, supplier management principles, and intelligence-led strategies.

Understanding the Baseline of AP Performance

The measurement of key performance metrics is an important part of understanding any business function, especially accounts payable. AP and finance leaders can use the core benchmarks in Table 1 to compare their performance to the overall market and then better identify and understand the bottlenecks and hurdles that must be surpassed in order to drive true AP transformation. The benchmarks included in Table 1 represent the full gamut of AP performance in 2017 and should be leveraged as milestones in the greater accounts payable journey.

Table 1: The 2017 Accounts Payable Benchmarks

Metrics	All Companies
Cost to process a single invoice (all-inclusive cost)	\$12.01
Time to process a single invoice	10.3 days
Invoice exception rate	18.4%
Percentage of invoices processed "straight-through"	26.7%
Percentage of suppliers that submit invoices electronically	25.7%
Percentage of invoices linked to a Purchase Order (PO)	63.6%
Percentage of suppliers that accept electronic payment	51.5%

© Ardent Partners - 2017



There are a few key insights that can be extracted from the statistics included in Table 1:

- The average organization spends just over \$12 to process a single invoice (the all-inclusive cost spanning receipt, processing, human intervention, approval time, etc.), which, in 2017, should spark a critical level of change across the world's AP functions. Multiplied by the thousands or tens of thousands of invoices processed per month on a regular basis, even small- and mid-sized organizations can face high processing costs by not introducing new efficiencies into the AP process. For larger organizations, this average cost is eliminating bottom-line value and eroding the impact of accounts payable.
- By taking 10.3 days for a single invoice to be processed, today's AP departments are not only losing considerable time in the overall invoice-processing scheme, but they are also failing to capitalize on the early payment discounts offered by key suppliers. While not every supplier offers these types of early-payment discounts, the ones that do can help return percentage points of considerable spend back into the AP department, thus boosting the value of the function and its place within the corporate hierarchy. Additionally, the amount of time taken to process an invoice can have consequences that go beyond tactical issues into the more strategic area of cash management and forecasting. The quicker an invoice gets processed, the sooner it is noted as a financial liability in the corporate books and the more likely the opportunity of capturing an early payment discount.
- Over 18% of all invoices within the typical AP department are flagged for exceptions, according to this Ardent Partners' study. This figure remains too high for those units that expect to journey into the future and play a more strategic role within the organization. Exceptions are the bane of AP; invoices that are flagged due to coding errors, missing information, approval bottlenecks, lack of purchase order data, etc. all bog down the AP staff. The time spent addressing invoice exceptions can be better utilized pushing the function forward in new and strategic ways.
- Straight-through processing remains a desirable goal for nearly all AP organizations in 2017. Processing invoices in a "straight through" manner without human intervention represents the very future of AP: the AP groups that experience the normal flux of invoices traversing through automated processes and paid via those same technology-supported methods are on the cusp of true enterprise value. However, only slightly more than a quarter of today's invoices (less than 27%) are processed in a straight-through manner.



Best-in-Class AP Performance

Ardent Partners defines Best-in-Class performance in this research effort 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 highlights, these high-performing organizations have significant performance advantages when compared with the rest of the marketplace. Best-in-Class AP teams achieve per-invoice processing costs that are 82% lower than their peers, and invoice processing times that are 71% faster than all other groups. Their invoice exception rates are 42% lower than the rest of the marketplace, and they have a 226% higher percentage of PO-based invoices. Most notable, however, is that Best-in-Class enterprises process nearly 60% of their invoices in a straight-through manner; this certainly contributes to their improved performance among the other indicators.

The statistics outlined in Table 2 represent the innovative paths taken by Best-in-Class AP functions: rely on core competencies, drive technology utilization, and support the convergence of

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

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.74	\$15.02
Time to process a single invoice	3.5 days	12 days
Invoice exception rate	11.5%	19.9%
Percentage of invoices processed "straight-through"	58.4%	18.1%
Percentage of suppliers that submit invoices electronically	51.1%	18.9%
Percentage of invoices linked to a purchase order (PO)	71%	21.8%

© Ardent Partners - 2017

cash, suppliers, and intelligence. The following sections of this chapter will highlight specific and programmatic advantages of the Best-in-Class accounts payable program.

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

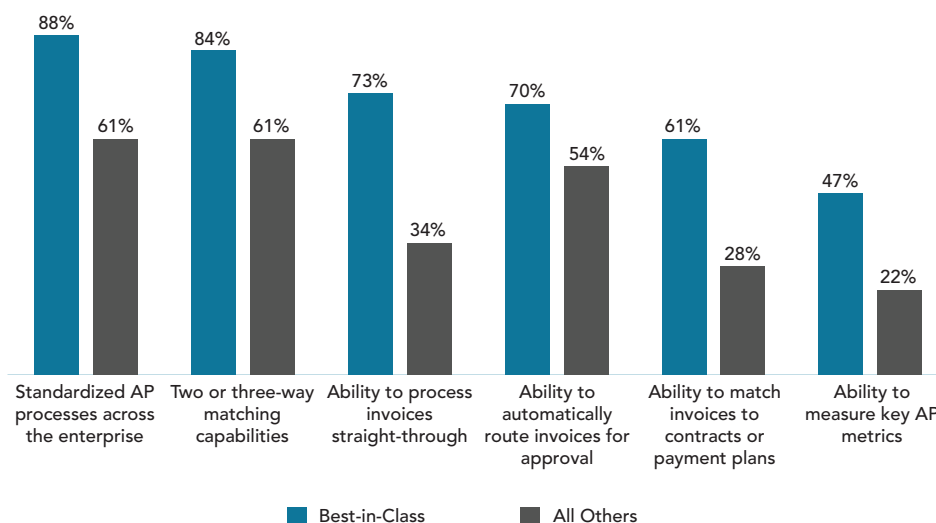
Peeking behind the curtain reveals many insights into the Best-in-Class AP department. The first look, at core competencies, represents the benefits of relying on legacy capabilities for day-to-day operations within the AP function. Figure 9 highlights these core competencies within Best-in-Class organizations.

Although much of the discussion in this research study revolves around the inception of innovation within the greater finance function, Best-in-Class companies understand one basic rule to AP success – traditional capabilities are a formidable



foundation for top performance and enable access to innovation and an ability to make a greater impact:

Figure 9: Core AP Capabilities, Best-in-Class vs. All Others



© Ardent Partners - 2017

- **Standardization (88%)** on the surface, may always seem like a given for successful organizations; however, for those not in the scope of the Best-in-Class, it is an ideal starting point. Standardized AP processes ensure that rigorous, consistent steps are followed throughout the ePayables Framework, helping to avoid invoice exceptions, bloated invoice-processing costs, extended approval times, and a lack of general financial visibility.

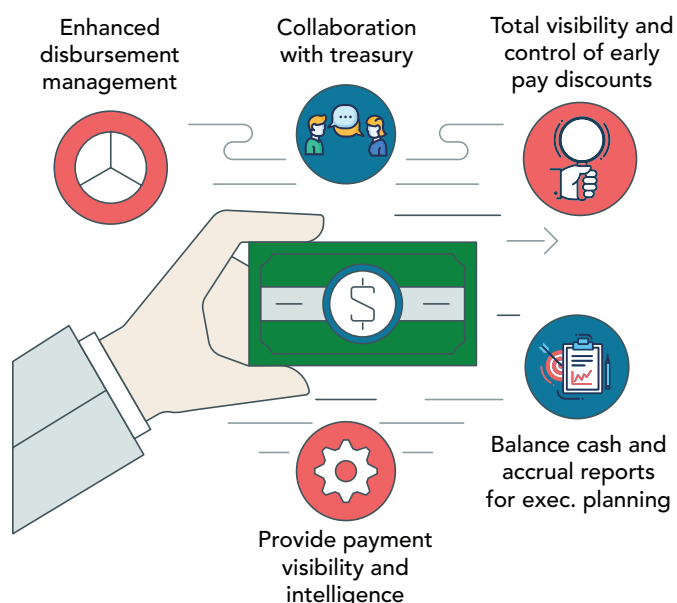
- **Two- or three-way matching capabilities (84%)** allow AP teams to match invoices to contracts and purchase orders, thereby increasing the accuracy and timing of payments. These capabilities can greatly reduce invoice exceptions and allow AP professionals to enable superior control of the invoice process.
- **Straight-through processing (73%)** – Taking a cue from Table 2 (earlier in this chapter), Best-in-Class enterprises are 2.1-times more likely than all other organizations to process invoices in a straight-through manner. This factor, which eliminates the human intervention of the AP process, is a key factor in boosting the bottom-line value of the function and augments the activity that AP staff can execute with the time enabled by straight-through processing.
- **The ability to measure key metrics (47%)** is the other area where Best-in-Class enterprises excel. They are more than twice as likely to have the capability to measure both productivity (e.g., invoice processing cycle time, invoices processed straight-through) and financial metrics (e.g., invoices coming due, discounts coming due, goods received not invoiced). This is an important characteristic as performance can only be improved if it is measured. It should be noted that here too, the Best-in-Class have room for improvement.



The Best-in-Class AP Program, Part II: Cash Convergence

As stated earlier in this research study, the very future of the accounts payable function hinges on its ability to not only transform itself into a more strategic unit, but also to serve as a convergence point for greater things. One of those grand elements, cash management, has long been an objective for even the most immature accounts payable units. Best-in-Class AP departments are strategically involved in the key strategies that influence cash management (see *Figure 10*).

Figure 10: Top AP Strategies to Impact Cash Management



© Ardent Partners - 2017

The very model behind cash management strategies follows core philosophies that, for many organizations, may seem “too strategic” for their AP groups. However, AP sits in an ideal position today to take the reins of cash management by implementing basic strategies that can augment the treasury department’s processes, and become a true strategic partner in managing enterprise liquidity. The five main strategies listed in Figure 10 show that Best-in-Class AP functions hold some strategic involvement in their respective organizations’ cash management programs, helping to:

- Not only drive visibility into the total opportunity of early pay discounts across all enterprise invoices, but also enact deep plans to control the actual capture of those discounts to improve cash flow.
- Enhance the enterprise disbursement procedures to optimize how funds leave the organization, the method used to make payments, and maintain clear visibility across the full AP cycle including settlement.
- Balance both cash and accrual reports, which should create more strategic planning and interaction with finance executives. AP departments that can implement this capability and influence cash management in such a manner will quickly be perceived as value-add by the C-level suite, and;



- Generate pure intelligence into corporate cash. So many financial transactions flow through the AP department: invoices, payments, purchase orders, various disbursements, etc. This fact positions the AP unit to drive a clearer understanding of a company's total finances, perhaps more than any other function across the enterprise.

The Best-in-Class AP Program, Part III: Supplier Convergence

Managing internal processes, systems, and stakeholders are critical elements to the advantages that the Best-in-Class hold over all others, but the speed of business today requires a different level of engagement and alignment with trading partners than what was once required. Leveraging the collective strength of a supply chain to the benefit of all participants has become the hallmark of the agile and progressive business leaders who understand that an increasing dependence on third-party partners and suppliers is not just an inevitability, but a pre-condition of success. Not surprisingly, the Best-in-Class are leading the way with significantly greater levels of electronic interactions and collaboration with suppliers.

Procurement has long held the reins on supplier management processes, owing its longstanding expertise with managing vendors as a clear prerequisite for its handle on all things related to sourcing and purchasing. However, the time has come for

procurement to gain a strategic ally in its long-term quest for total supply management. Although many of the more critical elements of supply management will and should remain firmly in the hands of procurement, such as supplier risk management and supplier performance management, there are some elements of this arena that can be supremely augmented by the power of the next era of accounts payable:

- Nearly 75% of Best-in-Class AP departments hold strategic responsibility for managing real-time supplier inquiries and requests. At its core, this element may not seem to be a value-added capability, however, a critical piece of supplier management is ensuring that the lines of communication as collaborative partners are always open and clear. AP's strategic involvement in this supplier management attribute can go a long way towards building a stronger relationship with the procurement function.
- Sixty-two percent (62%) of Best-in-Class AP departments hold some strategic responsibility for managing a master vendor file. As with the above item, this information can be bolstered and expanded with the intelligence gleaned from invoices and supplier payments, boosting the value of AP in supplier management.
- Nearly 40% of Best-in-Class departments are actively involving AP in an incredibly strategic activity: sourcing.



Within these top-performing enterprises, the accounts payable unit is transferring, analyzing, and delivering key supplier information to the procurement and sourcing teams. In this new age of convergence, this positions AP into a centralized hub of insightful knowledge and intelligence.

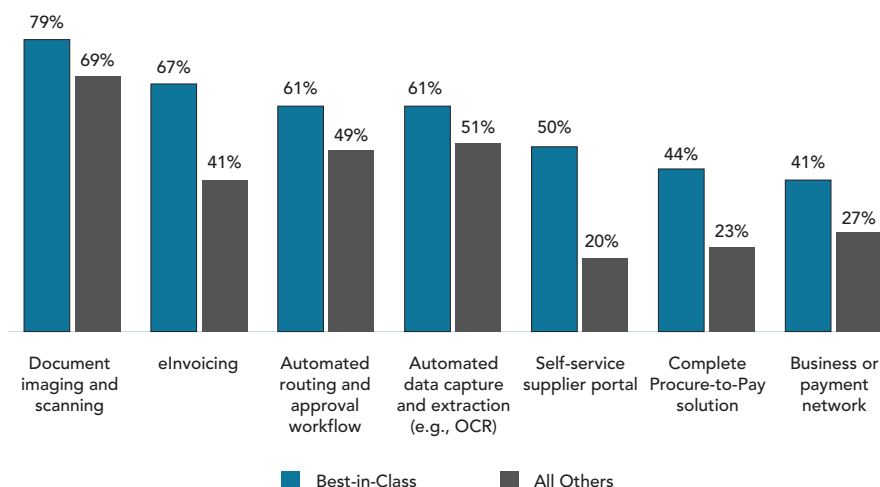
The Best-in-Class AP Program, Part IV: The Technology

Technology has long been a key determinant in the ultimate success of the modern business. Those enterprises that choose to eschew the paths of innovation are often left behind; those that embrace automation and next-generation solutions are the ones that can thrive in an increasingly-dynamic and fast-paced business world. In regards to the accounts payable function, a simple reminder remains: core automation is key to the immediate success of the unit, however, true innovation is what positions it for grander things.

Adoption of technology is another area where the Best-in-Class clearly differentiate themselves from the rest of the market. These leading groups not only deploy solutions by a much greater degree (see *Figure 11*), but just as important, their users and suppliers adopt and use them more actively. The differences in technology usage manifest themselves in the large metrics gaps shown in Table 2 above. The most widely-adopted solutions are admittedly the most tactical, focused on capturing data and images from paper invoices. As the level of automation

and strategic value of the solutions increases, the Best-in-Class are significantly more likely to use them. And, as shown in

Figure 11: Core AP Automation, Best-in-Class vs. All Others



© Ardent Partners - 2017

Figure 11, the Best-in-Class accounts payable department is built on a robust foundation of key solutions, platforms, and technologies that address multiple facets of the ePayables Framework.

Best-in-Class enterprises are nearly twice as likely as all other organizations to leverage a complete procure-to-pay solution as part of its accounts payable program. As P2P becomes the central convergence point for the future of AP, it is critical



that all core procure-to-pay processes are addressed in an automated fashion. Also, the advantages that P2P suites bring to organizations are numerous; in addition to automating tactical processes, the linked series of phases under the ePayables Framework ensures centralized control of data, standardized capabilities across all enterprise locations, and free-flow of information from invoices, payments, and other types of financial transactions.

Best-in-Class companies are also heavily-leveraging core AP automation platforms, such as imaging (nearly 80%), eInvoicing (67%), and automated routing/approval (61%). Imaging has long been the central cog in automated accounts payable platforms, helping to eliminate front-end manual tasks. eInvoicing platforms allow businesses to not only receive invoices electronically, but also receive invoice information in a real-time and automated fashion that eliminates the need for most human intervention. This factor speeds up approval periods and enables faster access to data for those organizations that crave on-demand intelligence. Finally, automated routing and approval workflow capabilities eliminate the long paper trail of manual-based invoice approval processes, shortening approval periods and getting invoices paid much faster than leveraging simple manual tactics.

The Best-in-Class Innovation Advantage

In this great journey that AP functions travel, innovation remains a wild card. Those businesses that are devoted to the new era of AP must look to these new outlets of innovation to augment existing platforms, and also to drive new knowledge and insights. Ardent Partners research has discovered that Best-in-Class enterprises are actively pushing for innovation, as:

- The Best-in-Class are nearly three times as likely as all other organizations to utilize agile reporting dashboards to support greater AP intelligence efforts. Big Data is no fad, but rather a real and impactful strategy that pushes knowledge to the forefront of executive planning and decision-making. Best-in-Class enterprises embrace data and intelligence, and actively propel a case for real business agility by leveraging next-generation analytics that can help solve dynamic corporate challenges.
- Best-in-Class businesses are 2.6-times more likely than all others to harness the power of robotic process automation as part of their greater AP strategy and programs. RPA mimics human directives for repeatable, tactical operations and dictates to other enterprise systems how information and exceptions should be handled, minimizing human intervention and helping to eradicate lost time spent by employees. RPA truly is an indicator of the future of the AP function.



- Best-in-Class organizations are nearly twice as likely as all other businesses to leverage mobile applications for a variety of AP processes, including invoice entry, invoice approvals, and retrieval of data. As stated previously in this report (see *Chapter Two*), mobility represents the ability to enact key AP processes without access to larger enterprise systems; for busy executives, this is a boon for time and speed. Invoice approvals can be executed on-the-go, for instance.

Additionally, it is possible that in the future, Blockchain could be an all-in-one purchase order (PO), requisition, and invoice that links upstream sourcing and procurement processes with downstream payment remittance; and it can create an auditable report that sits in an unalterable and permanent system of record. This is an emerging platform in which Best-in-Class companies (and their AP functions) are beginning to make headway; as Blockchain becomes more relevant in the months ahead and its value better-defined, more and more business executives will understand and embrace its innovative design to succeed in a more dynamic marketplace.

Performance Measurement

While more AP departments are succeeding in their quest for relevance, value, and impact, performance measurement is one area that continues to present steep challenges for many AP teams. In this year's survey, the selections "Don't Measure (this is not a priority for my organization)" and "Can't Measure (interested in the metric, but lack visibility)" were added to the benchmark questions and the results were astounding. Across the key metrics captured in this study, up to 24% of all AP departments lack the ability to track key performance metrics. For an industry that has struggled for years to gain executive awareness, engagement, and investment, this comes as no surprise. However, the fact that up to 12.2% of all AP departments have chosen not to measure and thus, not understand how they are performing in key areas is both surprising and unfortunate.

In recent years, many AP groups have taken positive strides forward; many have even gained significant momentum. But, this metrics or knowledge gap indicates that the transformation driven by many AP, P2P, and finance professionals as it relates to invoice processing may not be nearly as broad-based as once thought. These gaps are caused by, among other things, a failure borne of limited systems and poor processes, but above all else, it is a failure of leadership that allows a situation like this.

Attempting to improve operations without understanding the current state baseline (caused by an inability to capture key operational and performance metrics) is like starting a trip to an unknown destination when you are already lost – if you do not know where you are going, any road will take you there. Enterprise functions must be smarter than that. As such, any AP groups struggling in this area should pay special notice to the AP "metrics that matter" below – use them as a "GPS" guide to Best-in-Class performance.



AP Metrics Matter

To get better results, it is important that AP groups measure the right things. Ardent Partners developed a list of AP Department “Metrics that Matter” for AP and finance leaders to use as a means to establish a performance and business-impact baseline and then improve upon them. The list is not intended as an all-inclusive list of metrics, but rather a starting point for organizations who have not yet emphasized capturing and reporting metrics. The four drivers bulleted below can and should have associated metrics that enable organizations to monitor activities and measure and/or improve performance of the overall P2P process.

- **Efficiency** – From a cost, productivity, resource allocation, and time perspective.
- **Connectivity** – To suppliers but also other internal organizations (e.g., finance, treasury).
- **Cash management** – Optimal use of enterprise working capital.
- **Compliance** – To policies, negotiated contracts, terms, etc.

There is one additional driver that is also important to optimizing this process: visibility. Visibility into real-time, accurate data across the P2P process is invaluable to all stakeholders. Visibility is created through the establishment of metrics, reporting and analytical tools, dashboards, and access to data. Some organizations may place more importance on one of the above drivers and that will determine the metrics they utilize to monitor, track, and continuously improve performance. It is important to note that when establishing metrics, each one should have a definition or purpose, an achievable target, and clear ownership by and involvement from AP, finance, treasury, procurement, suppliers, and business users.



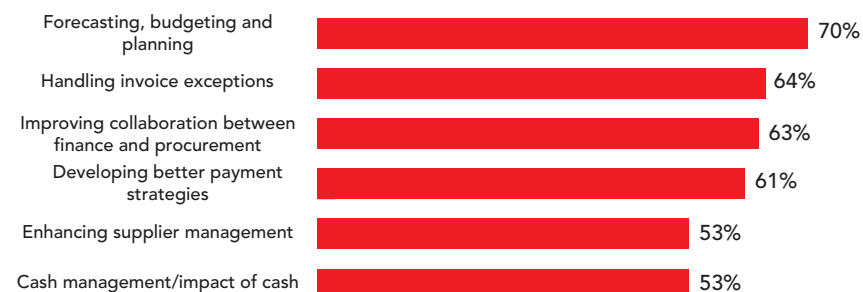
Chapter Four: Strategies for Success

There is no doubt that the modern-day accounts payable function is destined for great things. However, only those AP units that will thrive in the new, globalized business paradigm are the ones that are 1) committed to transformation, 2) willing to undergo a makeover of foundational attributes, and 3) able to pave a clear path ahead by embracing innovation. AP is now positioned as a convergence point for not only collaboration with key stakeholders, such as procurement and treasury, but also the critical programs that fall under these units, particularly cash, supplier, and intelligence management.

The Tipping Point: AP's Influence on Data-Driven Strategies

There are several key factors that play into the ultimate transformation of the contemporary AP function; however, there is one that could serve as its tipping point: intelligence. The business world today is driven by data and the insights, foresight, and execution that are enabled by it. AP sits in an enviable position today, with its hand on some of the most valuable information related to corporate finances and enterprise purchasing. As seen in Figure 12, Ardent Partners research shows that AP organizations are leveraging their data for a wide range of uses, as the intelligence handled by this function is heavily leveraged in greater financial planning.

Figure 12: Data Leveraged by AP in Greater Financial Planning



© Ardent Partners - 2017

The insights provided point to several instances in which the data managed by AP is critical to greater planning by the finance department. These instances are further examples of the true value of the AP function, and, as discussed earlier, link to its “tipping point” in achieving greater things:

- Greater planning in financial operations.** Financial planning, budgeting, and forecasting are critical responsibilities of the CFO and finance team, and often have a direct link to the executive boardroom. There is no question that the data and information leveraged by AP, including invoices, purchase orders, corporate spend, supplier information, etc. are all critical pieces to boosting



the overall impact of the accounts payable function. The CFO relies on data provided by AP to better understand how the organization is spending its resources and how those resources fit into bigger budgeting and planning efforts.

- **Improving supplier management.** Any supplier management strategy relies on data to run effectively. From supplier information management to supplier performance management, data is a critical element in not only understanding how suppliers are performing against agreements and contract terms, but also the true impact of these key vendors on enterprise spend. AP can easily funnel data from invoices and POs to the procurement team to undertake and augment this fundamental strategy.
- **Developing better payment strategies.** AP is the first line of defense when it comes to supplier invoices, and, as such, they are the best unit to understand the implications of payment methods (from ACH to commercial card, wire transfer, etc.) and timing. Combined with insights into early payment discounts, AP can package and provide this information to help develop an enhanced organizational payment strategy that not only takes into account supplier preferences, but also the value that can be derived from paying early.

- **Perfecting the tactical tasks associated with the function.** Invoice exceptions are often the bane of accounts payable; to boot, there are myriad reasons why invoices are flagged, including supplier or staff error in coding, missing information, lack of a purchase order, etc. AP can use its new data prowess to eliminate this incredibly tactical task, freeing up AP staff time to focus on more strategic, “bigger picture” activity, such as cash management or supplier management.

Agile AP

Agility, in the context of accounts payable, requires teams to be highly responsive to any changes in stakeholder needs, supplier capabilities, and market conditions. The team must be “light on its feet” to identify new opportunities or challenges in invoice and payment processing. AP agility translates into the ability to quickly leverage alternative payment platforms and methods as well as developing new payment terms. It could also mean adjusting service-level agreements (SLAs) with stakeholders and in the event of sudden business changes. AP Leaders can develop an agile organization by blending together the collection of key resources, activities, and capabilities to create better coordination and responsiveness. Like a world-class athlete, AP agility takes training and discipline. Agility is also a habit. Start today.



Strategies for Success

The road ahead for accounts payable may seem daunting, however, the reward easily outweighs any potential hesitations for embarking on this great journey. Ardent Partners has developed the following strategies for success that any AP organization can follow to drive greater efficiencies, enhance existing operations, achieve Best-in-Class status, and, most importantly, ultimately thrive as value-add, strategic functions in the eyes of the wider business:

- **Develop a comprehensive, long-term strategy for the ultimate goals and objectives for AP.** The modern-day AP function sits at an interesting crossroads: take its newfound perception for granted and continue along the tactical path repeating its own history, or, move into a new, strategic arena and augment bigger picture strategies. To take this latter road, not only do organizations need to build a full transformation plan for the function, they also must develop a long-term strategy for the unit that takes into account future objectives, goals, and, ultimately, the real prize of AP: contributing to most, if not all, key financial activity across the greater organization. What factors play into this long-term vision? Which specific stakeholders should be involved? What is the role of technology and next-level automation? What will the enterprise need AP to support and deliver next year and in three years? What must be done to ensure that the right resources are in place to meet those needs? Questions like these must be fully thought-out and answered with a two- or three-year plan in mind.
- **Prioritize the three legs of next-generation AP value (cash, suppliers, and intelligence).** In unison with the recommendation above, there are three core areas that will define AP as a truly value-added enterprise function: supporting cash management and liquidity, augmenting supplier management, and generating key enterprise intelligence. As such, companies must position and prioritize these three “legs” of the next-gen AP function as they build a transformation plan for the department. Treasury should be looked to as a functional partner in this makeover, as will be procurement and IT. These three stakeholders can become involved with AP at the front-end of the transformation journey and become valuable champions in overhauling existing operations as a means of moving to the next level.
- **Achieve the initial gains from automation, then look to incorporate innovation and technological advancements as additional value drivers.** Core AP automation, including invoice-processing and ePayment automation (receipt, process, and pay) is perhaps the most critical first step in bringing technology into the accounts payable department. However, this is only the initial phase of



the technology-related aspects of the AP transformation journey. Once initial gains have been driven (efficiencies, cost reductions, improved operations, visibility, etc.), AP must move onto other extended areas of automation, including innovative platforms like RPA, mobility, and Blockchain, and how these next-gen solutions ultimately play into the ensuing stages of AP's makeover.

- Ensure that convergence points are well-conceived, finely-detailed, and supported by data, automation, and collaboration.** The face of AP's convergence is not a simple, overnight process. While it is true that AP already sits in position to drive convergence-related activity, there is still work to be done to ensure that each critical point of convergence (cash, suppliers, intelligence) is supported in several key ways. To achieve this, AP leaders must ensure that automation sparks process linkages and that the data from AP and enterprise systems provides actionable intelligence – intelligence that is valuable to all collaborative partners. Most importantly, AP leaders must ensure that AP sits on the same page with treasury, finance, and procurement in regard to its new role in this age of convergence. Planning is paramount, and execution on these convergence points must be developed over time with a baseline of regular communication, consistent collaboration, and analytical prowess in place.
- Establish key performance indicators (KPIs).** In order to improve performance in AP it is necessary to establish the right metrics and continuously measure and improve upon them. KPIs are critical to understanding AP's current state and evaluating the progress that is being made. Performance metrics show productivity improvements, efficiency, cost reductions, and identify areas that need improvement. Accurate and real-time metrics can also help avoid erroneous or late payments and can uncover critical information in regards to early payment discounts. Metrics are an effective method for AP groups to show their value to the enterprise, however, it is important to ensure that they are actionable, relevant, and aligned with the goals and objectives of the larger enterprise. They should be clearly identified, defined, and effectively communicated to all relevant stakeholders; and, in some cases, multi-year milestones should be established.
- Promote the increased usage of electronic payments.** Checks are very quickly becoming a thing of the past. In Europe and other regions, checks have almost vanished and suppliers expect to be paid electronically. While there has been a decline in the usage of checks in the U.S., an aggressive strategy is still needed to ensure a significant migration to ePayments. Not only are there cost benefits associated with ePayments, AP can also drastically improve controls, accuracy, and access to data by paying



electronically. With all the different forms of ePayments that are available, taking a portfolio approach that utilizes the right form of payment for the right supplier or spend category has become an industry best practice. Optimizing the various forms of payments has the potential to deliver more efficiency, higher savings, and better relationships with suppliers. Consider participating in a network that has a large supplier base that already accepts various forms of ePayment.

- **Link the AP transformation initiative to the larger procure-to-pay process.** The P2P process is one that involves procurement, AP, and suppliers; while the groups may collaborate, it is important that the processes and systems are linked in some way. Although the performance of each group, at a high level, can certainly drive value for the larger enterprise, it is only after both of these processes are well-managed and tightly-linked that a P2P organization can begin to realize its full potential and become a truly strategic operation that supports key business objectives. Some of the opportunities that exist include being able to improve contract compliance and reduce maverick spend, the ability to track supplier performance and strengthen relationships, and the optimization of working capital across the P2P process by developing proactive payment strategies and pursuing dynamic discounting opportunities.

- **Begin early education on the role that AP will play in the months and years to come.** Change is hard to accept for a traditional function like AP that typically employs seasoned staffers that have not been exposed to many new elements. Thus, it is critical that plans begin to train and educate staff on the new technologies, systems, and roles they will play when convergence points hit the function. Developing staff capabilities can be presented in waves or phases, with immediate ramifications the focus of initial communications and training, and with more advanced education occurring if intermediate or advanced platforms are brought into the mix (especially robotics, Blockchain, or “extended” financial systems like SCF or dynamic discounting). In the long run, it is imperative that AP leaders be honest with their staff about the changes ahead, and effectively prepare them for the journey on which they are about to embark.



Conclusion

Whether by design or necessity, the responsibilities of the typical AP department in 2017 continue to expand and evolve, mirroring the broader convergence of processes and functions occurring in business today. As more responsibility converges under the AP operation, the function gains the opportunity to broaden its influence and make a larger impact. But, these near-term opportunities and those that lie ahead cannot come at the expense of today. AP and other finance leaders of all stripes (and maturities) have immediate opportunities to improve operations within their own departments. As such, they must balance the business' need for agility, collaboration, and innovation with the discipline and focus required to extract more value from the function by stretching the limits of their organizations and positioning it for ultimate success.

AP's Convergence with Treasury and Cash Management

In many ways, the goals of the AP and treasury departments are quite similar. Both groups want to maximize their strategic value to the organization and drive cost savings as well. There are significant possibilities for AP to have a major impact on treasury's working capital goals and improve the financial performance of the enterprise. Improving internal process efficiencies, like eliminating paper invoices through automation, is a great way to take cost out of the business and to provide better visibility into the data needed for treasury's cash forecasting.

AP is slowly becoming a more value-added department within the wider enterprise, and most savvy organizations rightly see the AP team playing a larger role in finance-related tasks through the supplier payment activity that AP goes through every day. With its role as one of the largest cash distribution functions within most organizations, AP is in a position that treasury should be collaborating with if they want their organization to remain competitive in an increasingly challenging business world.



Appendix



Andrew Bartolini,
Chief Research Officer, Ardent Partners

About the Authors

Andrew Bartolini is a globally recognized expert in accounts payable, sourcing, procurement, and supply management. For the last 17 years, Andrew has focused his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their procurement and finance departments. Andrew is also the publisher of [CPO Rising](http://www.cporising.com), the news and research site for Chief Procurement

Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 300 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their supply management operations and his research has been used as 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 procurement and finance.

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

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



Christopher J. Dwyer,
V.P. of Research

Christopher J. Dwyer has been a procurement thought leader, industry analyst, and prominent spend management voice for over 12 years. He has written extensively on the evolution of procurement and finance technology (including ePayables), also evangelizes the concept of the “Future of Work” in his contingent workforce management research. Dwyer joined Ardent Partners in early 2013 after spending seven years

at the Aberdeen Group, where he led the firm’s Global Supply Management research practices. In his current role as Vice President of Research, Dwyer regularly contributes to Ardent’s flagship news and research vehicle, CPORising.com, and develops forward-looking thought leadership pieces and comprehensive research studies on a variety of topics, including procurement, financial operations, accounts payable, contingent workforce management, and travel and expense management. Dwyer was recognized as a “Pro to Know” by Supply and Demand Chain Executive Magazine in 2013, and has been honored four times (2013, 2014, 2015, and 2016) by HRO Today as an “Analyst and Advisor Superstar.” Dwyer and his work have been quoted/ featured in USA Today, The Christian Science Monitor, Forbes, CNBC, and other major business publications. He welcomes your comments at cdwyer@ardentpartners.com, on [LinkedIn](#) or Twitter (@CJD_Ardent).

About Ardent Partners

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



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 191 AP and finance leaders captured in March and April, 2017 and includes interviews with several survey respondents. These 191 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:

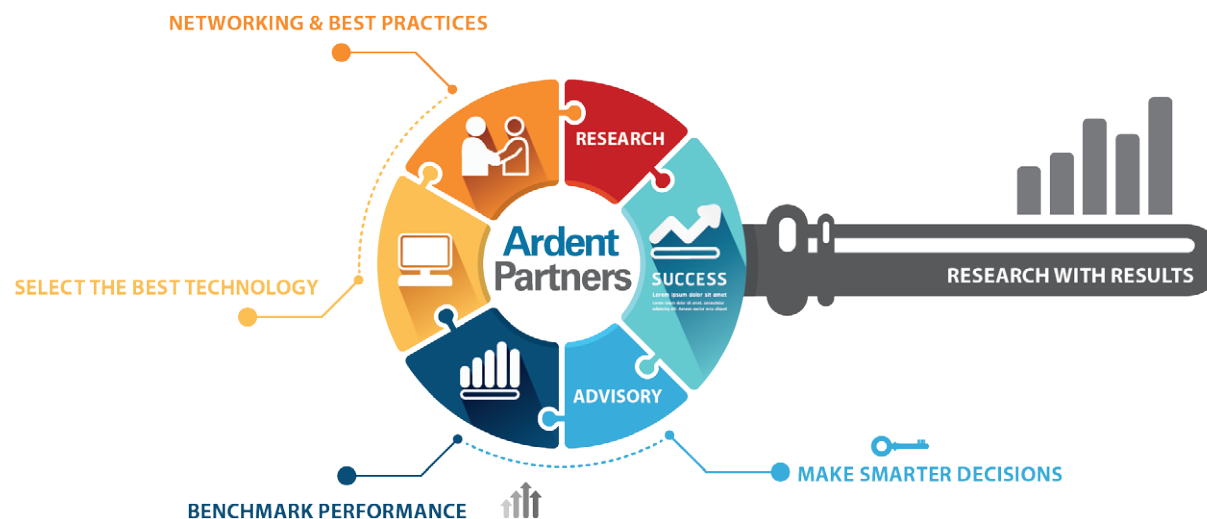
Job Function: 68% accounts payable; 18% finance/treasury; 12% procurement; 2% other

Job Role: 21% VP-level or higher; 29% director-level; 37% manager-level; 13% staff-level

Company Revenue: 61% Large (revenue > \$1 billion); 25% Mid-market (revenue between \$250 million and \$1 billion); 14% Small (revenue < \$250 million)

Region: 63% North America; 27% EMEA; 8% Asia-Pacific; 2% South America

Industry: More than 25 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.



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.

Industry Standard "Fine Print:" The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners' best analysis at the time and are subject to change without notice.

© 2017 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.

Ardent Partners

RESEARCH WITH RESULTS



CPO Rising 2017

www.ardentpartners.com