



Work Like Tomorrow.™

The Benefits of Accounts Payable Automation

Facts and Best Practices from Leading Analysts

KOFAX

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Compelling Evidence from AP Experts

A new era is emerging in the Accounts Payable world – one in which Big Data and intelligent automation are leading the way in unlocking new value that AP teams add to the enterprise. This change is just one part of the larger digital transformation that is sweeping across many enterprises, and accounts payable is benefiting from this new digital outlook. With it, the AP process is becoming much more than basic automation, with AP teams playing a more strategic role in the organization.

A recent survey¹ found that 55% of businesses now see AP as “very” or “exceptionally” valuable to the enterprise as a whole, demonstrating just how big this new opportunity for AP teams is. However, this transformation is still in its early stages. There are several obstacles that AP teams need to overcome. A high percentage of exceptions during invoice processing is the top-ranking issue for AP teams, with 62% of survey respondents naming this the top AP pressure. This was followed by invoice and payment approvals taking too long (51%), a lack of respect within the organization (49%), too much paper (40%), obtaining the budget to invest in automation (33%) and a lack of visibility into invoice and payment data (24%). The data shows that despite the bright future for AP, issues with rather basic functions and processes, such as invoicing and paper trails, are still slowing AP teams down – and halting the path to intelligent transformation.

The research also has some exciting findings for AP teams who are following best-in-class processes and transformation endeavors. Not only are they making headway in reducing the time it takes to process invoices and lowering the associated costs, they’re gaining recognition within their organizations as strategic partners, delivering results not only in traditional AP performance metrics, but in emerging, modern measurements as well.

¹ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

This white paper examines recent findings from several independent business analysis companies, namely:

- Ardent Partners
- Everest Group
- Hackett Group
- IDC
- Level Research

It breaks down the AP automation issues faced by organizations and highlights the statistics that show there are major benefits to be gained in implementing an intelligent AP automation system. It also shows how technology is evolving for AP, the criteria for selecting a solution provider and the importance of choosing an experienced provider to guide them through a proven process.

As exhibited in the chart below, best-in-class accounts payable performance significantly lowers processing cost and time per invoice, reduces the rate of exceptions, and raises the rate of straight-through processing, electronic invoice submissions and invoices tied to purchase orders.

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

Source: Ardent Partners 2019





Key Factors Driving Change

Digital Transformation

Digital transformation is changing everything with the introduction of new technologies and emergence of new business models. The Hackett Group's 2019 Key Issues Study found that 91% of finance organizations ranked digital transformation and cost-structure improvement as critical or highly important objectives in 2019. According to their study, digital transformation will have a substantial impact on finance's talent needs, performance and service delivery model. Most importantly, it will impact AP's ability to meet enterprise objectives.²

Time and Money

Among business services functions, finance often bears the brunt of enterprise cost-consciousness. This has become both a motivator and an obstacle for AP.³ Time and money are the key drivers for AP automation. Along with high paper usage, most AP departments still contend with high AP transaction costs and cycle times. The top two pressures driving organizations to reassess their AP function are lowering invoice processing costs and improving and standardizing the AP process. Research has shown that best-in-class enterprises report:⁴

- Invoice processing costs that are almost six times lower than those of their peers
- Invoice processing cycle times that are three times faster than their peers
- Invoice exception rates that are 57% lower than their peers

^{2,3} Hackett: 2019 CFO Agenda: Building Next-Generation Capabilities

⁴ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

Other Drivers

Other reasons why organizations focus on electronic enablement of AP transactions are: ⁵

- Reduction in error rates
- A simpler AP process that requires fewer resources
- Better transparency and visibility into transactions and cash flow
- Improved identification of potential fraud
- Improved cash flow
- Identification of the source of invoice exceptions
- Better vendor experience
- Improved user experience for the AP team and employees



Top Automation Priorities

Based on survey results, the following emerged as top automation priorities: ⁶

Improved AP reporting and data analytics came in as the top priority (48%), pointing to the potential AP leaders see in intelligent automation. Predictive analytics allow teams to create scenarios and use real-time data to inform decisions around how to manage and spend cash.

⁵ Everest Group Research. Your Complete Guide to Accounts Payable Transformation

⁶ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

Elimination of paper and reduction of manual tasks is a very close second, with 47% of respondents listing this as their primary AP focus. Accounts payable is an area that has been plagued by paper invoices for decades, and the journey to paper's demise is still ongoing for many organizations. Digital transformation, however, requires an end to paper-based processes, and the high rank of paper elimination demonstrates the commitment many enterprises are making to digitization. This transformation goes hand-in-hand with a reduction in manual processes, as the move away from paper and towards automation creates more time for employees to work on strategic, thought-provoking projects, rather than mundane, manual tasks.



AP Automation Elements for Success

Currently, in accounts payable there are four elements necessary for AP success: Visibility, Collaboration, Control, and Automation:

Visibility

Visibility into liabilities and operating expenses is the basic requirement for most major functions within an enterprise. It is used to give an overall view of operations and establish standards on which to base strategies for performance improvement. It's also a key factor in putting AP departments in a prime position to be more successful than ever before.⁷

Lack of visibility was listed as a top challenge and pressure for AP teams in both The State of ePayables 2019 report from Ardent Partners and Everest Group's **Your Complete Guide to Accounts Payable Transformation** report. Specifically, 24% of respondents to the Ardent Partners survey cited lack of visibility into invoice and payment data as a top pressure, and 20% listed improving visibility as a main priority for this year.⁸

⁷ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

⁸ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence AND Everest Group Research. Your Complete Guide to Accounts Payable Transformation

The benefits of visibility trickle down to not only the AP team, but also other internal employees and external vendors:⁹

- The AP team can easily track and monitor the progress and real-time status of invoices, reducing delays in processing and approvals
- Employees can check the status of expense claims, reducing the need for assistance from AP team members
- Vendors can monitor the status of invoices, reducing the number of questions and inquiries sent to the AP team and allowing vendors to serve themselves

Better visibility also enables the AP team to add more value to the organization and play a more strategic role by:¹⁰

- Supplying data and information that helps high-level executives with financial forecasting and budgeting
- Providing insight into cash flow analysis
- Identifying potential fraud and compliance violations

Collaboration

Cross-functional coordination among key stakeholders, such as accounts payable, procurement, finance, treasury and suppliers, creates an environment where key information flows easily between these stakeholders. Without this, treasury can't make optimal capital decisions, procurement can't identify negotiation opportunities with key suppliers, and suppliers and internal stakeholders can't track invoice processing status. It will also be difficult to set up different approval and routing rules based on different types of invoices or supplier arrangements, such as PO-based, non-PO-based, preapproved and supplier maintenance.

⁹ Everest Group Research. Your Complete Guide to Accounts Payable Transformation

¹⁰ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

Research shows that improved collaboration with procurement and suppliers is a top priority of AP teams in 2019. 49% of those surveyed in Ardent Partner's State of ePayables 2019 report said that improved collaboration with key stakeholders is a requirement for elevating the performance of their AP department to the next level.¹¹

In addition, best-in-class organizations are 125% more likely to use complete P2P automation, are 3.1 times more likely to be more engaged and involved in P2P solution selection and are almost two times as likely to use data and intelligence to enable stakeholders such as procurement and treasury to improve the management of suppliers and cash. All of these are factors in improving internal and external collaboration with stakeholders and partners.¹²

Control

Good audit controls help organizations enforce corporate policies and achieve contract compliance. Audit controls ensure that AP transactions are processed in a way that complies with policies, procedures and regulations. They help reduce late payment fees, capture negotiated discounts and early payment discounts, eliminate duplicate invoice payments, and prevent fraudulent payments. Research has found the exception rates in top performing firms are 57% lower than other enterprises.¹³

Automation

Research shows that roughly 80% of today's financial application end-user's time is spent on lower-level financial tasks like invoice matching, verifying general ledger transfers and sending reminder letters.¹⁴ Intelligent automation is critical to lowering costs and streamlining each of the four AP sub-processes: invoice receipt, approval and inquiry, validation and reconciliation and settlements. Technology solutions used to manage invoices and workflow and electronic payment methods reduce the inefficiency of manual and paper-based processes.

^{11, 12, 13} Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

¹⁴ IDC Worldwide Financial Applications Forecast, 2018-2022: Advanced Technologies Paving a New Path for Finance



As mentioned, best-in-class organizations have a 125% higher likelihood of adopting complete P2P automation. Within the ePayables arena, the adoption of e-invoicing represents the largest gap between best-in-class and all other organizations, with top performers 92% more likely to use e-invoicing as part of the AP process. As a result, these organizations experience fewer errors and spend less time processing invoices than companies using paper-based processes.¹⁵

Performance Benefits

An automated AP solution streamlines and drastically improves performance by utilizing e-invoicing, scanning and workflow; online tracking and reporting capabilities; mobile solutions; electronic invoice dashboards and supplier portals; supplier networks; payment services; and spend analytics for all invoices. Intelligent automation solutions are also programmed for machine-learning, allowing the system to more accurately capture data from invoices, even those that are not in a pre-defined structure, reducing the number of exceptions.¹⁶

Using an automated AP solution, organizations will successfully drive transformation of their accounts payable departments to overcome the challenges of manual and paper-based processes.

Research shows the benefits that best-in-class enterprises achieve by developing efficient processes and mapping them to automated AP solutions:¹⁷

Performance Area	Benefit
Invoice processing costs	Nearly 6x lower
Single invoice processing time	More than 3x faster
Invoice exceptions rate	57% lower

¹⁵ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

¹⁶ Everest Group Research. Your Complete Guide to Accounts Payable Transformation

¹⁷ Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

Changing Perceptions

But companies should also consider the value beyond basic productivity and cost savings mentioned above. Top-performing AP organizations focus on effectiveness objectives such as increasing stakeholder satisfaction, supporting sourcing savings, improving overall agility and better managing working capital.¹⁸ Research shows that successful automation also changes the way companies view their AP teams, giving them more value as partners in the business. 19% of enterprises view AP as “exceptionally valuable” and 36% view AP as “very valuable,” demonstrating the shift AP is making towards a more strategic role.¹⁹

Automation contributes to a shift in perception by:

- Enabling staff to focus on more strategic initiatives by removing manual, time-consuming tasks
- Giving AP access to deep, valuable insights into data that has previously been too difficult to tap and positioning the department as a key source for business intelligence
- Identifying potential fraud and compliance violations

The data component of this equation is powerful. The information flowing in and out of an AP department can be a source of vital insights into key company metrics. 88% of enterprises gave input that visibility into data is either critical or important to its financial operations.²⁰

¹⁸ Hackett (2019). A Checklist for Developing a Future-Proof AP Organization

^{19, 20} Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence

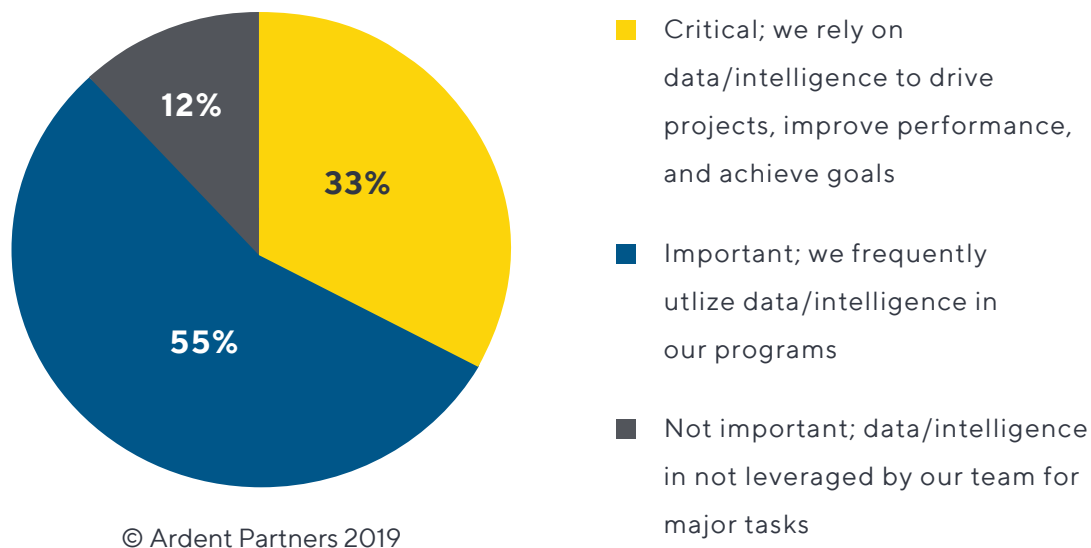


Figure 12. How important is Data/Intelligence to Financial Operations?

A New Chapter in AP Technology

Advances in technology, including the introduction of intelligent automation solutions offer big opportunities for finance teams looking for true digital transformation. For financial applications, IDC predicts the split between on-premises/other software and public cloud software is expected to change from 65.9% and 34.1% in 2017 to 50.5% and 49.5% in 2022, as the demand for cloud-based financial applications software grows. In fact, beyond 2022 cloud is predicted to be the dominant deployment model.²¹

In addition to the cloud, IDC points to several intelligent automation technologies that are bringing forth a new chapter in the story of financial applications. The rise of machine learning is streamlining financial close, fraud detection, cash management and auditing. While advances in natural language processing (NLP) are bringing humans and computers closer together with conversational user interfaces. And, embedded intelligence is being used to automate lower-level tasks, freeing up finance teams to focus on strategic tasks.²²

^{21, 22} IDC Worldwide Financial Applications Forecast, 2018-2022: Advanced Technologies Paving a New Path for Finance

According to Hackett, robotic process automation (RPA) is also an enabling technology that has emerged to improve the automation of repetitive activities in AP.²³ In fact, they expect the number of RPA implementations in finance to double in the next one to two years due to its ability to eliminate errors and reduce manual work.²⁴



What Are the Must-Haves?

Key focal points for AP departments to ensure that a solution both improves upon their current processes and puts them on a path for future success as business influencers include:²⁵

Develop a road map: Many organizations begin their transformation initiatives by adopting digital technologies to handle discrete tasks. To reap the full benefits of automation, a holistic future view is required. In order to work like the digitally enabled business of tomorrow, AP teams should first take a step back and consider the “organization’s growth strategy (e.g. organic/inorganic growth), current systems, scaling options, and geographical expansion.”²⁶ Then, they can build a road map to scale and integrate automation initiatives across the department and the rest of the organization.

Removing roadblocks: In order to improve upon a process, you need to identify the roadblocks. Enterprises can conduct an exercise in which they benchmark their performance against best-in-class organizations to identify problems in the AP process. This exercise can help pinpoint bottlenecks such as unnecessary steps in the AP process and steps that can be automated to increase accuracy and productivity.

²³ Hackett (2019). A Checklist for Developing a Future-Proof AP Organization

²⁴ Hackett: 2019 CFO Agenda: Building Next-Generation Capabilities

^{25, 26} Everest Group Research. Your Complete Guide to Accounts Payable Transformation



An eye on innovative technology and trends: Successful AP teams are making the move towards the latest innovations in technology to reduce costs and improve efficiencies. This includes technologies such as RPA, intelligent automation, analytics and mobile solutions. These innovations are even more effective when they are implemented as part of a single solution, making technology integration a critical factor for success.

The ability to adapt: Various external factors such as tax laws and compliance requirements are outside your control and can change at any time. A solution should be adaptable – the processes and the technologies behind them must be able to adjust to meet new regulations and laws as they arise.

Better collaboration: A solution should enhance collaboration between various stakeholders within the organization, particularly finance and procurement, as they both engage with suppliers. Data should be centralized on a single platform, so all parties have access to the same information. This enables different groups to work together more easily and to ensure everyone is using the same data to make decisions.



An End-to-End Solution

Organizations obtain maximum value by selecting the broadest possible solution set that can change user roles from exception and problem handling to oversight, process management and strategy. This requires end-to-end solutions for automating AP processes in any major Enterprise Resource Planning (ERP) or financial system; from invoice arrival, through information extraction, validation and verification, to approval workflow.

Smart automation, including RPA, NLP, cognitive automation and orchestration, and smart data capture, working in conjunction with an organization's ERP, financial system and AP automation solution helps to fill capability gaps.²⁷ This creates a true end-to-end financial automation solution. When all of this can be found in a single vendor, a platform-based approach eliminates the need to have humans fill the gaps in processes and saves the time and headaches associated with making multiple, disparate tools work together.

²⁷ Hackett: 2019 CFO Agenda: Building Next-Generation Capabilities.



So Which Types of Solutions Make the Most Sense? ²⁸

Mobile applications for AP let AP teams work from anywhere in the world at any time and make capturing high-quality document images for accurate data extraction easy and convenient. The ability to review and approve invoices from a mobile device critically contributes to AP transformation, reducing the cost and time associated with invoice processing.

Agile reporting dashboards that are built into a solution allow AP teams to access real-time information to make forward-thinking strategic decisions.

Digital payments reduce the volume of paper transactions for AP teams, reducing costs and increasing employee productivity.

Robotic Process Automation (RPA) solutions free human workers from simple tasks that can be handled by a robot. Employees have more time to spend on tasks and initiatives that add more value to the AP process (and the enterprise). Ardent Partners estimates that almost half of all AP functions will be handled by RPA within the next two years.

Machine Learning (ML) and Artificial Intelligence (AI) capabilities use the Big Data of AP for predictive analytics. Enterprises can strategically plan for the future and make a bigger contribution to the overall financial well-being of the organization.

Electronic invoicing solutions automate the invoice reconciliation and payment process and address most invoice types.

Workflow and imaging solutions manage all aspects of in-house invoice scanning and documentation and provide an effective electronic archival system. They are often part of a cross-functional enterprise solution. Ardent predicts that adoption of document imaging and scanning will increase from 20% to 72% over the next two years.

²⁸. Ardent Partners. The State of ePayables 2019: Driving Value in the Age of Intelligence.

Self-service supplier portal solutions make the invoice approval process more transparent so suppliers aren't left questioning the status of outstanding payments. Portals cut down on the amount of time staff spends replying to inquiries and makes the process more collaborative. Use of self-service supplier portals is expected to increase from 26% to 58% over the next two years.

Selecting Suppliers

When selecting an AP automation solution supplier, an organization should consider its customer base and market share, its strength in the AP environment, and its specific expertise in all aspects of the invoice-to-payment function. Does the supplier have experience with multinational installations and understand regulatory, procedural, and cultural differences between one part of the world and another?

Criteria that should be considered when selecting a supplier includes: ²⁹

- Ease of use
- Easy integration with ERP system
- Tailored for your industry
- Mobile support
- Innovative technologies
- Supplementary features
- User experience
- Pricing

²⁹. Level Research. 2019 Payables Insight Report.

Kofax, a global provider of invoice processing and AP automation solutions, has a depth of experience that covers many different fields of industry, public service organizations and governmental bodies in many countries with very specific legislation, rules and business practices. Accounts payable processes are very much the same across many different industry types. Kofax aims to standardize wherever possible to ease workflow between departments and organizations.



Automated AP Solutions from Kofax

Kofax's business strategy of developing and marketing a suite of software offerings for AP automation goes hand in hand with its vision of contributing to businesses' success by providing the ideal software solutions for automating document driven processes and transitioning to digital business practices.

Kofax has AP automation solutions that handle paper as well as digital documents according to the specific needs of AP departments. The Kofax product suite integrates with any major Enterprise Resource Planning (ERP) or financial system and provides full automation, from invoice arrival through information extraction, validation and verification, to approval workflow and final posting. Kofax on-premise and cloud-based invoice automation solutions ensure that every organization can select the solution that meets their unique needs.

Kofax Combines Flexibility with Powerful Features

Automated AP solutions from Kofax have been deployed for a wide range of organizations and are proven for all major ERP and financial systems. Customized solutions can provide a combination of powerful monitoring and control features – flexible reports and graphs allow clear process tracking for document and data processing and provide performance monitoring for a wide range of parameters.

Kofax solutions are Certified by SAP: All required data can be accessed either through the normal SAP environment or through an easy-to-use web interface. They are also Certified by Oracle, whose functionality can be accessed either through the Oracle E-Business Suite or a simple web browser interface.



Results That Speak for Themselves

Kofax continues to bring success for clients across diverse sectors. Our invoice processing solutions have:

Made it possible for **TUI** to achieve up to 85% straight-through processing rate for five million invoices per year. Their Head of SAP Support said, “High rates of no-touch automation have improved the speed and efficiency of our financial processes, and increased standardization positions us for better economies of scale as our business grows.”

Brought **DIRTT Environmental Solutions** substantial benefits by providing 100% visibility into invoice processing and allowing them to process almost twice as many invoices per day. Their Project Manager said, “For the first time, we can see what AP is doing. As soon as we have the data, we know where things are.”

Enabled **Trius** to cut invoice processing time and eliminate manual errors. An invoice now takes two minutes to process – that’s 80% faster. “Because we receive around 200 invoices per month, this adds up to a monthly time saving of over 25 hours,” said the company’s Managing Director.

Helped **Capita Group plc** cut the cost of processing a single invoice to just over £2 from £8 per invoice – a 70% cost reduction. Their SAP Programme Manager said, “We achieved ROI on scanning in the first year of operation and have been able to implement better controls and improved visibility of our invoicing processes, avoiding fraud and duplicate payments which previously cost us hundreds of thousands of pounds a year.”

Ensured timely and accurate supplier payments for **Arteris**. “With Kofax solutions driving streamlined, accurate invoice processing, we can make sure that our suppliers are paid on time – helping us maintain good working relationships with vendors and keeping vital civil works on track.”

Combined with many best practices already in place allowed **DAK America’s** automation project to move toward “a more nimble, cross-trained AP department.”



Five Steps to Success

While the savings and strategic benefits of AP automation are compelling, many enterprises have yet to put any significant level of automation in place.

Implementing solutions that handle unstructured content alongside financial/accounting transactions and improve workflow/process management will bring efficiency to financial processes through reductions in administrative support and costs. Visibility into accompanying content of financial transactions will bring business improvements and vastly improve relationships with customers and suppliers.

Using Kofax's solutions, coupled with their vast consulting experience, small to very large enterprises can bring AP automation to the optimum level at a pace that matches their structure and resources and, just as importantly, where they are in the maturation process. Experts from Kofax help plot the course for AP transformation to make sure that enterprises can effectively:

- Define all their goals and objectives—is it global, is it enterprise-wide? What is the time for deployment?
- Engage with other key stakeholders to define requirements (including treasury and finance, procurement, IT, suppliers).
- Build the business case and agree on performance metrics and ROI targets.
- Gauge current invoice receipt and workflow capabilities such as invoice cycle time, data capture (and resulting quality of invoice data) and routing of invoices for approval. This will assist decisions regarding centralized data capture, standardizing processes across the organization.
- Match the AP automation solution that provides the best-fit.

By utilizing the Kofax framework for solutions, organizations of all sizes can effectively implement AP automation and move to seamless AP digital transformation.

For more information, visit [KOFAX.COM](https://www.kofax.com)

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