

RE-IMAGINING THE ROLE OF ACCOUNTS PAYABLE IN A DIGITAL WORLD



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Our new reality has changed everything. Organizations are heads down re-imagining their businesses, adapting processes and procedures to a more distributed workforce. They are taking a hard look at lowering operational expenses. A common thread among innovation initiatives is the urgent shift to a more contemporary, digitally savvy, and data-driven accounts payable function.

This white paper details the opportunity that accounts payable must become an even more strategic function within the enterprise as it adopts technology to drive standardized processes and real-time operational insight.

New reality, new challenges

Traditionally, accounts payable has been perceived as a purely back-office and transactional function. It has been dominated by manual, paper-based processes for capture, matching, approval, and archival of supplier invoices. Although these processes lend themselves to automation, only 9 percent of accounts payable leaders describe their departments as being fully automated, with few or no manual tasks¹. Such a highly manual state of operations limits the accounts payable function's operational efficiency and ability to drive enterprise value:

- **Remote working environments double the problems caused by paper:** When processes are highly manual and paper-driven, focusing on anything more strategic than processing transactions becomes difficult. This work is cyclical and highly administrative, preventing employees from focusing on initiatives that elevate perceptions of accounts payable teams. Manual processes also create risk because they do not lend themselves to distributed responsibilities, a chain of custody, or auditability. The shift to increased remote work exacerbates the problem.

In fact, one-quarter of accounts payable leaders fear accounts payable department inefficiencies create additional risks².



19% of payables leaders are “concerned” about the way their department operates these days. Seven percent of accounts payable leaders are “overwhelmed” by it all.

- **Late payments impact the bottom line:** Manual operations domino into chronic late payments when staff are overwhelmed with invoice volume. Late payments lead to penalties that eat into the bottom line, such as when organizations lose valued suppliers or are placed on a late-payment blacklist. In fact, in the United Kingdom, a government mandate requires organizations to disclose payment compliance in their public reporting. A pattern of late payments can have negative reputational impact, and to maintain compliance with reporting requirements, the accounts payable department needs to produce an end-to-end data trail of payment records.



28% of accounts payable leaders say that remote working has had a “significant” or “extraordinary” impact on their operations³.

¹ IOFM Virtual Town Hall Meeting, June 2020

² IOFM Virtual Town Hall Meeting, May 2020

³ Gartner 2020

- **Process transparency is needed more than ever.** As the economic downturn has required organizations to prioritize cashflow and spending, the accounts payable function has an unprecedented opportunity. It can raise its profile as a strategic enterprise function by providing needed insight into cashflow and spend patterns. But it cannot deliver the insights that decision-makers need if it is stuck in an analog, manual past. In a manual environment, data is often incomplete and not well-organized, which prevents decision makers from analyzing key variables for operational insight. And the problem is widespread: Nearly one-half of accounts payable departments lack real-time visibility into corporate spend⁴.

Manual accounts payable departments make it difficult to monitor process execution, exceptions, approvals, and other KPIs that measure performance. The shift to remote work makes this even more of a challenge. Inadequate visibility in these areas is a stumbling block in an organization's ability to return to growth, especially in a turbulent economy.

Today's innovative accounts payable leaders look for ways to break away from the past, transforming their operations, emerging as a strategic business partner, and delivering insight to decision makers. This rests upon transparency of operations and defined workflows. A process marked by frequent exceptions and ad hoc approvals puts accounts payable in a continually reactive state; it prevents greater focus on being a more strategic advisor to the organization. The time has come to harness technology to realize operational efficiency and re-imagine how accounts payable operates.

An automation action plan

As you re-imagine the accounts payable function, there are three main objectives to focus on:

- **Automate as much of the day-to-day processing of invoices as possible:** Accounts payable departments can receive thousands of invoices per day and keying invoice data into various enterprise

systems is a high overhead activity. The solution is to adopt capabilities that seamlessly ingest invoice data across multiple channels, ranging from automated email capture to processing of electronic invoices. Furthermore, the ratio of input across these channels is constantly changing; although e-mail and PDF are now the de-facto, e-invoicing is becoming dominant in certain countries, with standards mandated by governments. Therefore, an organization's ability to manage input across these multiple channels into a standard downstream accounts payable process is critical. Accounts payable departments with a high level of automation can process invoices in less than one-fifth the time it takes peers with little or no automation.

Processing invoices electronically enabled a global telecommunications provider to supercharge productivity by up to 400 percent per person and reduce turnaround for invoices to one day. Faster turnaround is helping the company pay bills faster and reduce late payment penalties. The telco provider accomplished all this migrating to a digital mailroom to process invoices electronically. Ninety-five percent of the company's accounts payable operations are now digitized.

Technology accelerates cycle times by eliminating the friction that extends time-to-payment, improving opportunities to capture early payment discounts and supplier relationships. Automation technology captures, validates, and matches data against pre-coded orders and goods receipts. Artificial intelligence and machine learning deliver incremental processing efficiencies over time by "observing" how humans deal with exceptions.

⁴ IOFM Virtual Town Hall Meeting, May 2020



80 percent to 95 percent capture rates reduce rework and exceptions.

A SaaS solution can further accelerate this process as the global machine learning model improves based on input from all customers.

- Standardize accounts payable processes:** Standardized processes are critical not only to improving efficiency, but also producing reliable operational data. Define standardized processes upfront and enforce them using a technology platform with inbuilt logic that coordinates dynamic approval and exception workflows. Digital workflows assure segregation of duties, a chain of custody and reduce the possibility that financial data will fall into the wrong hands. These digital workflows reduce the confusion, rework, and errors. Financial documents that require review or approval are digitally routed based on limits and other pre-set business rules. For instance, automation can automatically send follow-up e-mails to the buyer in cases where two-way or three-way matching fails. As a result, you can execute processes and manage exceptions more consistently, supplemented by a data trail that can be analyzed for operational insight.
- Leverage transaction data to create and deliver operational insights:** Accounts payable generates data that can help the executive management team understand an organization's financial health. This data can drive decision making around working capital management, spend management, supplier management, process efficiency, payment-term optimization, budget monitoring, and risk mitigation. An accounts payable function that can provide insight like this emerges as a strategic player versus the department of yesterday – relegated to back-office transaction processing. Automation is the key to this transformation.

It not only relieves employees from tedious, transactional work, but automation improves decision making by aggregating data to help identify patterns in spend, supplier interaction, and other operational insights.



Demand for real-time visibility into accounts payable information has increased four-fold between 2018 and 2020⁵.

An energy company that used to rely on decentralized invoice processing re-imagined its accounts payable process to accelerate cycle times. It took the company 32 to 34 days to process invoices and between 85 percent and 95 percent of its invoices were paid late. Making matters worse, the company experienced high error rates. The energy company eliminated these inefficiencies by deploying an automated invoice processing solution that combines cognitive data capture, workflow automation, and advanced analytics. Suppliers now submit invoices directly to the energy company's central accounts payable office, where they are immediately digitized. As a result of automating its invoice processing, the energy company reduced its transaction costs by 76 percent, accelerated its invoice approval times by 78 percent, and increased its visibility into accounts payable information for better decision-making.

⁵ IOFM *Future of Accounts Payable Study*

Avoid the barriers to automation ROI

You need the right automation solution to enjoy the full benefits and ROI of digital transformation.

Here are a few recommendations for ensuring that your solution delivers optimum payback:

- **Do not settle for a long deployment.** The volatile economy exerts tremendous pressure on finance departments to quickly improve business outcomes. Leading SaaS-based accounts payable solutions are quick to deploy, delivering near instant return on investment. Even if you are embarking on a complex, long-term transformation journey, a SaaS-based solution is a great starting point and facilitates downstream initiatives by standardizing the initial capture and digitization process.
- **Steer clear of integration headaches.** IT resources are stretched thin, and there isn't time to support complex and costly integration projects. Therefore, consider a solution that can integrate well with the ERPs your organization has already invested in. Leading solutions offer out-of-the-box integration options for popular ERPs such as SAP, Microsoft Dynamics 365 Business Central and F&O, NetSuite, and Oracle Financials Cloud.
- **Adopt solutions that leverage machine learning and AI.** Best-in-class solutions use online machine learning to recognize more and more financial documents over time, no matter their format. This ultimately drives up straight through processing rates and reduces time spent manually processing exceptions.
- **Think multi-channel.** Look for a solution that can process invoices received via any delivery channel, including those submitted via e-mail, and electronically via an online portal.

What are you waiting for?

The business case for accounts payable automation has never been stronger. Strategic investments in automation technology can shift accounts payable from being a reactive and back-office transactional function into a process-driven and proactive function that provides insights to move the business forward. An accounts payable department's goldmine of data can drive working capital management, spend management, supplier management, process efficiency, payment-term optimization, budget monitoring, and risk mitigation decisions. The ability to produce, aggregate, and harness this data is at the heart of what it means to re-imagine the role of accounts payable within the organization.

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Finance and accounting departments partner with Kofax at all points in the procure-to-pay value chain, from optimizing intake of financial documents and e-invoicing, to managing approval workflows and routing extracted data into downstream financial systems like Coupa, Microsoft D365 Finance & Operations, Netsuite, Oracle, and SAP. We deliver best-in-class document intelligence, AI, simplified user experiences, and OOTB ERP integration to accelerate time to value for enterprise customers as they invest to digitally transform their finance and accounting processes with automation. With our cloud and on-premise solutions, organizations can automate more than ever before to achieve greater levels of productivity and operational efficiency.

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