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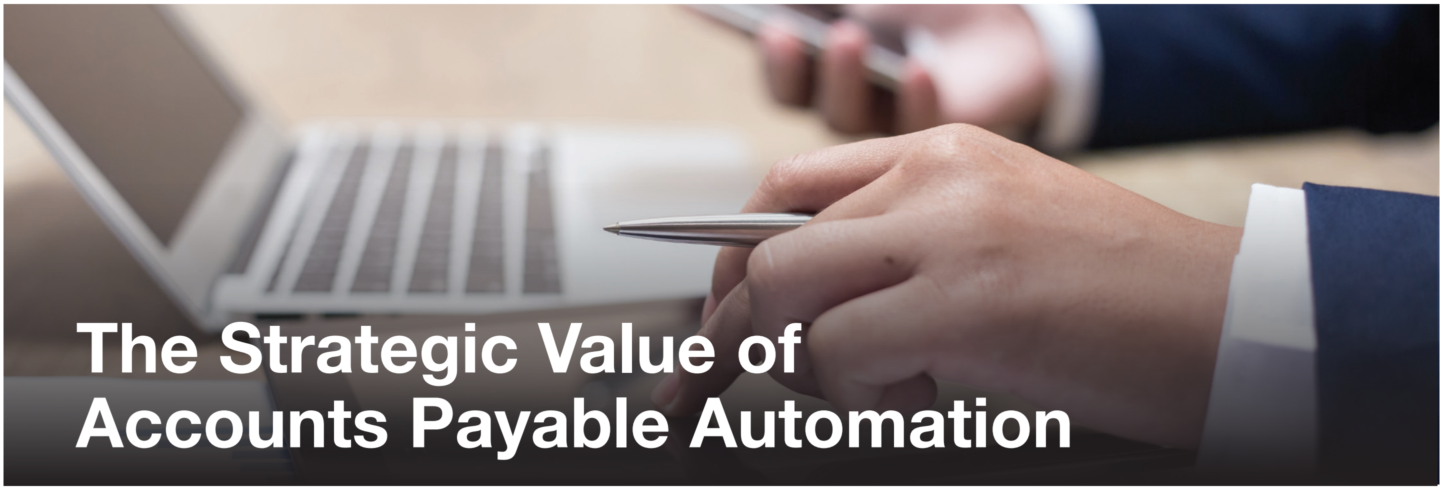

The Strategic Value of Accounts Payable Automation

Payment evolution shifts focus for today's finance leaders

Recent technological advancements have spurred the development of solutions that address increasingly specific business-to-business (B2B) pain points. B2B payments, in particular, have begun to see the early benefits of this specialization in what Deloitte referred to as a "tectonic shift underway" in the landscape. With Goldman Sachs estimating the B2B payments market to reach $200 trillion by 2028, over 5x the volume of the retail payments market, we know the potential impact of technology on the facilitation of B2B payments is significant. But will everyone take advantage of it?

Many businesses still run with manual back-office operations. According to the same Goldman report, 70% of small and medium-sized business (SMB) payment volume is still paid through paper check, and companies currently spend $2.7 trillion globally on manual, paper-based processing. While the increase in payment volume is beneficial for the broader economy, that cumulative cost will rise in correlation with the influx of payments that need processing. But it doesn't have to.

To stay competitive and poised for growth amid this external evolution, forward-thinking financial leaders are re-evaluating their internal operations for areas of inefficiency. Departments like Accounts Payable (AP) are top of mind for many, as 64% of controllers surveyed by the Institute of Finance and Management (IOFM) identified AP as a priority for improvement. The majority of these controllers also believe AP will receive additional investment for improvements, so it's no surprise that they rate their AP departments as being "high-value" and a "critical component of their business."

How to bring strategy to AP?

Leading organizations are turning to innovative technology, like AP automation software, to transform historically time-consuming, tactical processes. The resulting improvements enable AP teams to contribute to businesses' broader goals of greater flexibility, stronger financial positions, and healthier bottom lines by providing cost savings, increased visibility, and greater control.

This whitepaper examines a recent study from Levvel Research, exploring the characteristics, key performance indicators (KPIs), and goals of finance teams that have automated their AP process in an effort to provide forward-thinking finance teams a better understanding of AP automation.

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Eliminating tactical pain enables strategic opportunity

Before an organization can develop a more strategic AP function, it must first address more fundamental frustrations stemming from manual processes.

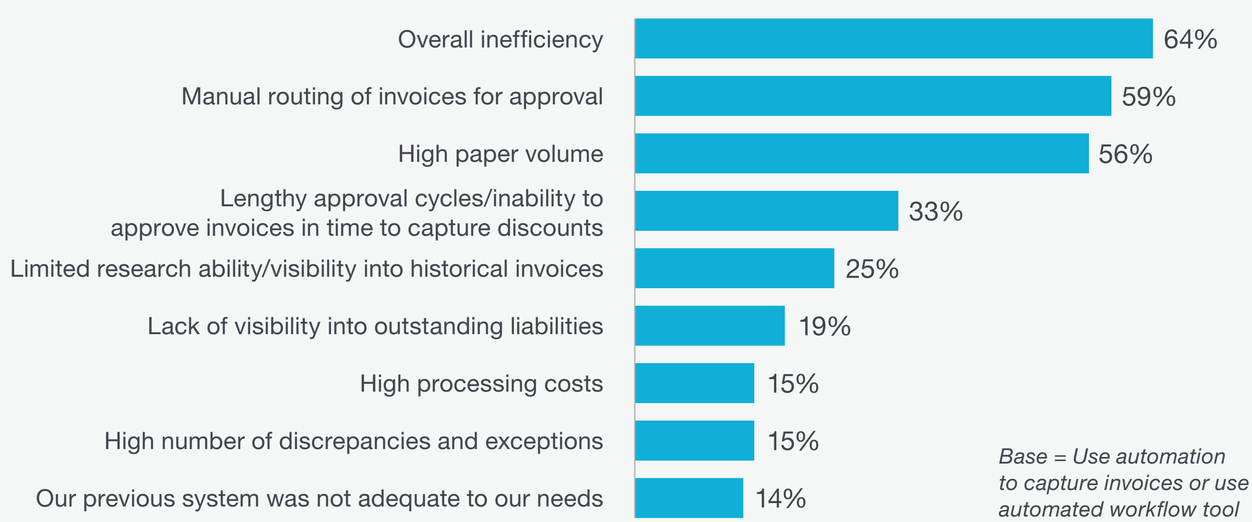
Figure 1, below, shows the biggest pain points current manual AP teams experience, while Figure 2 highlights the pain points that pushed now-automated teams to adopt their solution.

FIGURE 1

What are the biggest pain points you experience in your workflow process?

FIGURE 2

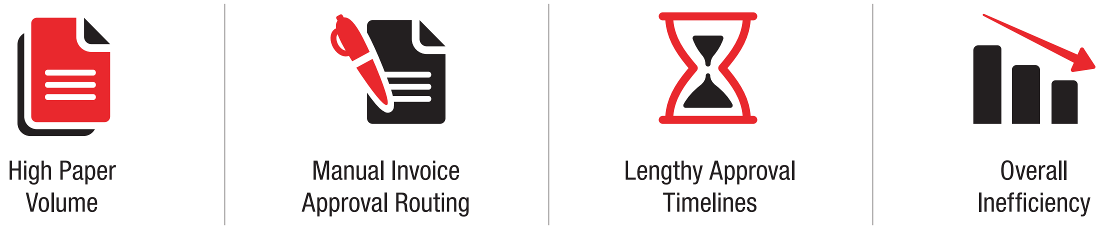
What challenges ultimately led you to automate your AP process?



Rank in order (1-9) from "most challenging" to "least challenging," where the most challenging is at the top of the list and the least challenging is at the bottom.

Although the order differs slightly, both groups cite the same four issues as the primary problems with manual, paper-based processes: high paper volume, manual invoice approval routing, lengthy approval timelines, and overall inefficiency. All of those can be considered tactical issues — problems that present challenges to the department's day-to-day ability to process invoices and deliver payments.

Primary problems with manual, paper-based processes



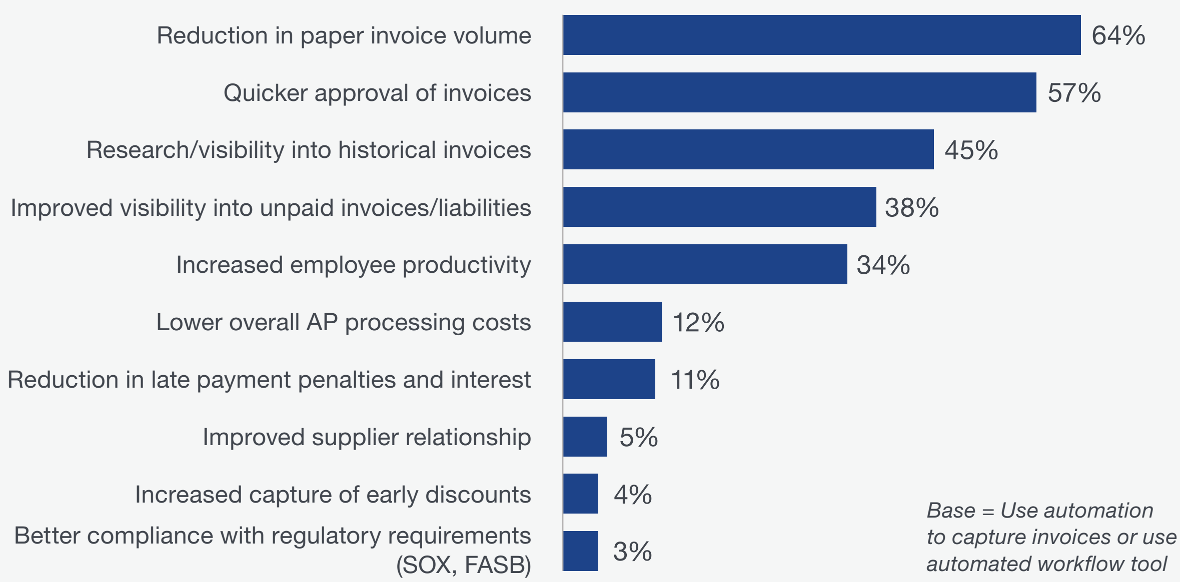
Fortunately for organizations who automated their AP processes, they experienced direct resolutions to those pain points they initially sought to solve. Reduction in paper invoice volume and invoice approval timelines were the two most commonly stated improvements since implementing an AP management solution (see Figure 3).

But in addition, these companies also reported seeing strategic benefits after automating their AP process. Research and visibility into historical invoices was among the greatest post-automation improvements, reported by 45% of automaters, while 38% placed premium value on improved visibility into unpaid invoices and liabilities, and 34% cited increased employee productivity as a top benefit.

These benefits contribute to increased business control, lower financial risk, and greater accuracy in financial forecasting. Not only did automation help these teams eliminate their identified inefficiencies, it afforded the AP staff the opportunity to proactively provide additional value to the company.

FIGURE 3

What are the greatest improvements you have seen since implementing an AP management solution? ***Select up to three.***



While the initial focus of many financial leaders looking to automate is the procedural pain of paper-based processes, there are economic benefits to consider as well.

First, there are hard costs associated with processing paper payments – including the costs of checks, envelopes, and postage – that add up when processing hundreds, if not thousands, of payments on a monthly basis.

Then there are soft cost considerations. Time is money, and companies are paying for hours of employee time dedicated to manual data entry and approval workflows that could be spent on more impactful work.

The data supports this, as automated organizations in this study saw major improvements in some important KPIs, such as the processing cost per invoice and their average monthly payment volume (see Table 1).

By implementing a more efficient solution, companies can eliminate tens of thousands of dollars in processing costs and reallocate those funds more effectively for sustained growth.

TABLE 1

KPI	AP Leader/Automated AP Process	Manual AP Process
Average total cost per invoice	$8.42	$21.13
Average monthly payment volume	921	381

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Setting signs on great goals

After an improvement in procedural efficiency and cost reduction comes the final phase of strategic transformation as a result of automation: greater goal setting.

Organizations that automate and successfully transform their AP departments enjoy the opportunity to set holistic goals that are both tactical and strategic.

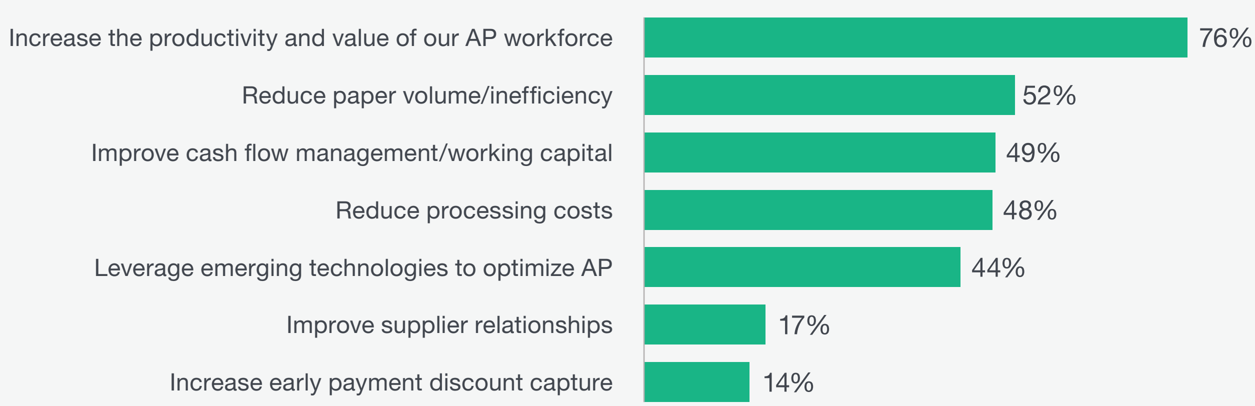
For example, organizations that have embraced technology report their primary goal over the next year is to increase the productivity of their AP staff, which reflects a more forward-thinking focus on increasing the value of internal resources (see Figure 4).

These organizations realize the role that technology plays in enabling their current teams, as opposed to simply hiring more staff to try to offset the inefficiency of manual processes or looking toward technology to replace human capital altogether.

Another innovative goal among AP leaders is to improve cash flow management and working capital optimization. Typically, organizations struggling under a manual process only have the bandwidth to focus on tactical improvement goals like reducing paper invoices or manual data entry. In contrast, automated organizations can use more of their time and resources in an analytical capacity to help the company understand ways it an improve its financial position and bottom line.

FIGURE 4

Which of the following AP/financial management goals are most important to you in the next year?



Rank in order (1-7, where 1 = “highest priority” and 7 = “lowest priority”).
n = 86 (Base = automated organizations).

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Financial leaders must recognize the symbiotic relationship between tactical enhancement and strategic development.

Embracing strategic AP

Now, more than ever, AP departments can grow beyond tactical execution centers into strategic contributors, thanks in large part to technology like automation. To help their teams reach their full potential, financial leaders must recognize the symbiotic relationship between tactical enhancement and strategic development. Companies that identify and prioritize this opportunity to evaluate and enhance their current processes with an eye on the future will have a significant advantage in a business payments landscape that is consistently reinventing itself.

Let's start the conversation

To learn more about how automating your AP and payment processes can relieve your present pain points and better position your organization for its future, please contact your KeyBank Payments Advisor or go to **key.com/payments**.