

# *The Automated Workforce*

How AP Automation Benefits Every Level of the Organization

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- » How the Benefits of Automation Impact Multiple Levels of an Organization
- » Current State of B2B Electronic Payment Adoption
- » How AP Automation is Redefining Roles and Enabling Companies to Hire Strategically
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Underwritten in part by



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# Introduction

Over the last decade, it has become increasingly apparent that automating accounts payable processes can greatly improve an organization's overall financial operations. AP Technology can bring numerous benefits, including:

- » Faster processing times
- » Greater accuracy in payments
- » More captured discounts for early payment
- » Better compliance with tax laws
- » More rebates from procurement card purchases
- » Less staff time allocated to data entry
- » Savings from reduced paper usage

However, the effects of this technology can reach far beyond just the AP department. Automating accounts payable processes can result in additional benefits, including:

- » Better visibility into cash management
- » Faster decision-making ability
- » Greater security against fraud risk
- » Improved compliance & audit assistance
- » Better relationships with suppliers

By following an invoice through its entire lifecycle, one can see how AP automation has significant effects on multiple roles in an organization, including: An investment in technology for the accounts payable department is really an investment in the financial health of the entire organization.

# The AP Process Before Automation

PayStream Advisors' research indicates that the average cost to process a transaction is 44 percent higher when conducted manually rather than through an automated system. Accordingly, reducing overall cost ranked as the top factor driving organizations to focus on electronic payments, as reported by 84 percent of respondents in PayStream's 2015 Electronic Supplier Payments report.

Following an invoice and payment through manual processes offers a complete view of how the P2P workflow differs without automation:

- » **Procurement** – The Purchasing department places the order and transmits a copy of the purchase order (PO) to the AP department. Meanwhile, the organization receives the goods or services—either through the Receiving department or the employee who ordered them—and the vendor sends the invoice to AP.
- » **Invoice Processing** – An AP clerk manually keys the invoice data into an accounting system before physically storing the paper document. New supplier information is entered using the organization's naming conventions to avoid duplication. Both new and existing supplier information is checked for accuracy against internal sources, such as the master vendor file, and external sources, such as the IRS TIN matching service and the U.S. Treasury Department's Office of Foreign Control (OFAC) list of organizations that are banned from business in the United States.
- » **Invoice Approval** – An AP associate conducts a three-way match, comparing the PO, the receipt, and the invoice to identify any inaccuracies or a mismatched data. An AP supervisor prepares or approves paperwork for any exceptions for short delivery, damaged items, wrong items shipped, or other issues.
- » **Payment** – The AP team prepares the payment, either by writing a check or setting up a transaction via Automated Clearing House (ACH) or electronic funds transfer (EFT). An AP manager approves the payment, authorizing the department to take an early pay discount for a supplier if the payment is being made within the date range specified in the terms. The payment is sent via U.S. mail, wire transfer, ACH/EFT, shipping company, or courier.

- » **Vendor Management** – The supplier calls the AP department to ask where the payment stands. An AP associate researches the question and determines whether the invoice is on someone's desk or the payment is in the mail.
- » **System Upgrades** – The information technology (IT) department monitors the company's enterprise resource planning (ERP) system and any hardware and software the AP department is using. The IT team approves and installs new versions of software as needed. The CTO's team considers any proposals from AP for new technology and determines how to integrate it with the company's legacy systems.
- » **Reporting and Analyzing** – The AP department prepares and studies spreadsheets analyzing all transactions, monitoring the department's performance and metrics, including days payable outstanding (DPO). The CFO monitors the organization's cash flow through conversations with the AP director. The CEO receives written and verbal reports from the CFO on the performance of the organization.

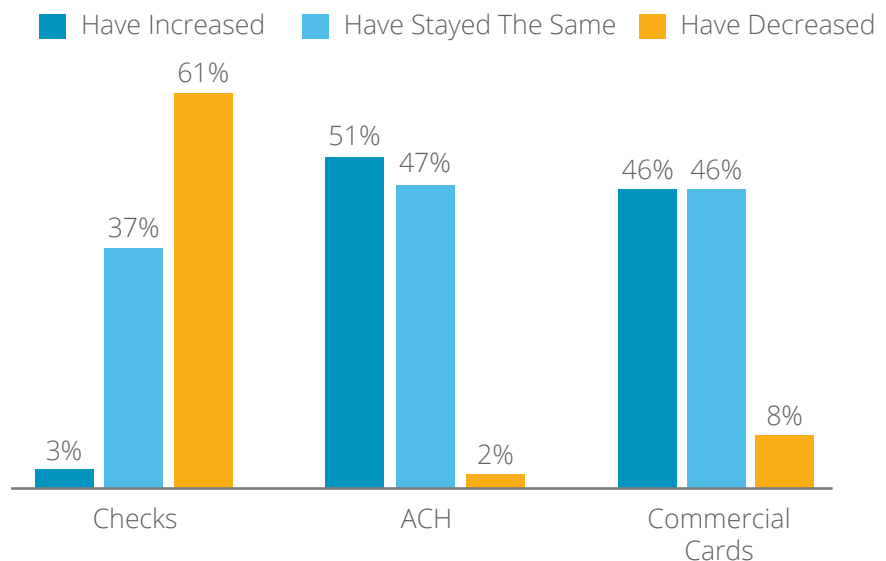
# The AP Process After Automation

Although paper-based processes still dominate many accounts payable operations, there has been significant movement in recent years toward electronic payments and other forms of AP automation technology.

Between 2013 and 2014, PayStream survey respondents shared these insights into the types of payments they use, see Figure 1.

- » 61 percent said their use of checks had decreased, while 37 percent said their dependence on paper payments had stayed the same, and only 3 percent said it had increased.
- » 51 percent said their use of ACH had increased, while 47 percent said it had stayed the same, and 2 percent said it had decreased.
- » 46 percent said their use of commercial cards had increased, while 46 percent said it had stayed the same, and 8 percent said it had decreased.

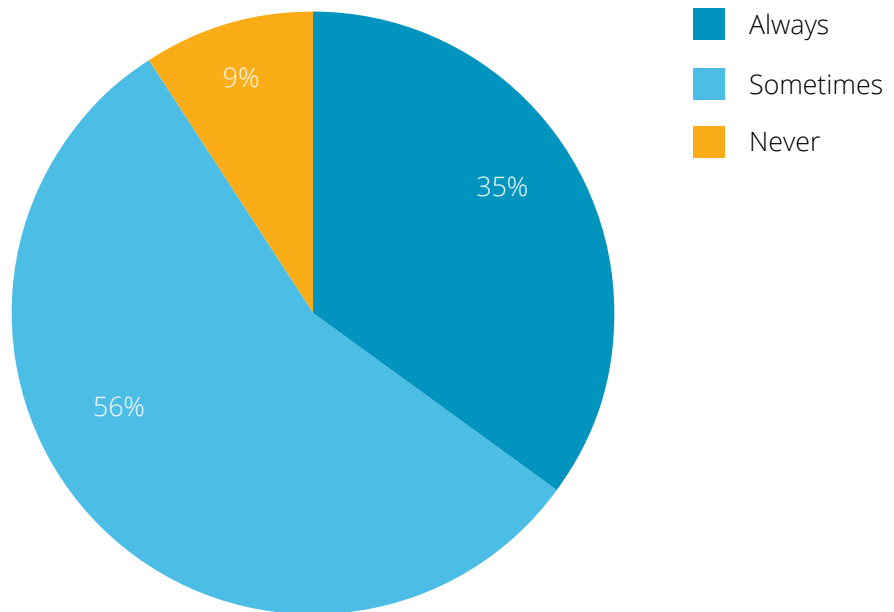
Figure 1



Only 35 percent of respondents reported that they always capture available early payment discounts. 56 percent said they sometimes can capture these discounts, and 9 percent said they never do, indicating that these 65 percent of respondents do not have procedures in place to take advantage of one of the easiest methods of saving their organizations money, see Figure 2.

Figure 2

*“How often is your organization able to capture early payment discounts that are available?”*



Following an invoice and payment through automated processes shows how AP solutions can change the dynamics of an organization:

- » **Procurement** – The Purchasing department places the order, first ensuring that no major exceptions appear in the automated system from previous orders. For instance, the system would show whether an earlier order was received damaged or is still on back order. The organization receives the goods or services—either through the Receiving department or the employee who ordered them. The receiver notes any issues with the order in the automated system, and the system sends an alert to the appropriate staff in the AP department.
- » **Invoice Processing** – The AP department’s eInvoicing software receives an electronic version of the vendor’s invoice, either with or without a separate electronic purchase order. The system pulls information from the invoice and uses it to auto-populate electronic documents, checking it against sources including the master vendor file, the IRS TIN matching program, and the OFAC list, and sends an alert to an AP supervisor whenever it finds an exception.

- » **Invoice Approval** – The system conducts a three-way match automatically. Sometimes the system turns a purchase order into an invoice using PO flip technology. The system flags exceptions and routes them to an AP associate, who determines whether to call the vendor or research the issue further.
- » **Payment** – The system checks the status of terms for that particular vendor and applies any early payment discounts to the transaction. Then it prepares the payment, setting up the transaction via ACH/EFT, procurement card, or other methods as specified by the supplier. The system routes the payment information to an AP manager for approval.
- » **Vendor Management** – The AP manager uses the automated system to send the payment and notify the supplier in real time. The supplier logs into a self-service portal with any questions or to submit new invoices.
- » **System Upgrades** – An AP director decides whether the department should be using a new version of the AP software or a different product that can be updated in real time in the cloud. If so, the AP director pitches the idea to the CFO and creates a team of AP department employees to research and implement it, consulting with the IT department as needed.
- » **Reporting and Analyzing** – AP staff log into the system to study dashboards that are available to them depending on their login credentials. An AP associate might have access to reports on transactions handled, while supervisors could see performance of the team, and the C-suite could see daily, weekly, or periodic metrics such as DSO and cash flow.



# Changes in Responsibilities

It is clear that incorporating AP solutions profoundly changes the dynamics inside an organization. Automation adds significant value to the operation, including real-time visibility into performance and financial status, increased accuracy, and better compliance with tax laws and industry regulations.

AP automation also affects individuals in many positions throughout an organization:

- » **AP Specialist** – Automation minimizes the need for manual tasks such as keying in data, handling and filing physical documents, looking up each TIN individually, and writing checks. Specialists can focus instead on higher-level tasks such as verifying data for accuracy, handling exceptions, answering questions from suppliers, maintaining the master vendor file, and analyzing numbers.
- » **AP Supervisor** – Issues that need the AP supervisor's attention are routed automatically by the solution, decreasing the amount of paperwork this team member must track down to keep the operation running smoothly. In an automated environment, the AP supervisor can work with the AP specialists to focus on higher-level tasks, handling the most tricky and delicate issues such as disagreements with suppliers or questions about tax compliance.
- » **AP Manager** – In automated AP processes, the AP supervisor can easily approve payments in batches and be alerted automatically when any issues surface, such as payment disputes with suppliers. The technology gives the AP manager time to focus on higher-level tasks such as overseeing and developing the AP staff and keeping up with the latest technological and financial advancements. These tasks might include researching solutions that can save the organization money, such as dynamic discounting or supply chain financing, or even bring in added revenue, such as p-card rebate programs.
- » **AP Director (Controller)** – The use of dashboards to monitor activities in an AP operation is one of the most exciting developments of technology. The AP director no longer has to pore over spreadsheets and rely on reports from the team to gain insight into the organization's accounts payable and department operations. Instead, dashboards allow a real-time view into all the metrics involved in the company's cash flow. The AP director

can focus on strategic tasks such as improving the department's productivity and championing new initiatives that will save the company time and money, thus impacting the bottom line.

- » **Supplier** – One of the first things AP departments notice when they automate is the drop-off in inquiries from suppliers, as most of the queries in a manual system concern the status of payments that have not yet been delivered. Suppliers receive notification from automated systems when their payments are pending, and some systems—such as vendor portals and business commerce networks—allow suppliers to submit invoices and track payment status online. In an automated environment, the calls from suppliers now concern more pressing issues such as short payments, discount terms, and quality of items delivered.
- » **Chief Technology Officer (CTO)** – Many modern automated systems are cloud-based, which removes the IT team's need to research, plan and execute implementation of each new update. Once the AP team's preferred technology is approved in-house, the AP team often can partner with IT on the implementation and then steer its own updates.
- » **Chief Financial Officer (CFO)** – By studying the financial operations dashboards, the CFO can see and compare real-time metrics—such as DPO from the AP team and days sales outstanding (DSO) from the AR team—for a complete view of the organization's financial health. This allows the CFO to be a stronger resource for the CEO and the board of directors in charting the organization's strategy.
- » **Chief Executive Officer (CEO)** – Dashboards give the CEO the ability to check on the status of the organization's finances at any given time, in real time. Conversations with the CFO can take place at a higher level, focusing more on strategy than on status reports.

# Increasing the Value of AP

The changes automation brings allow for more visibility into the cash flow of an organization. That means the CFO can assist the CEO in high-level decision-making in ways that help the organization grow and become more profitable, such as mergers and acquisitions, capital improvements, launches of new products and services, geographic expansion, and increases in staffing.

An organization gets all of these results from rethinking the way it receives an invoice and processes a payment. It starts with the seed of an idea: Let's look at a new way of doing things.

## About AvidXchange

[AvidXchange](#) revolutionizes the way companies pay their bills. Serving more than 4,500 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 four consecutive years, as well as ranked among Deloitte's Fast 500 in 2014. 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 six consecutive years. For more information, call 800.560.9305 or email [info@AvidXchange.com](mailto:info@AvidXchange.com).

## About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at [www.paystreamadvisors.com](http://www.paystreamadvisors.com).