WHAT IS THE STATE OF
YOUR AP WORKFLOWS?

TRANSFORMING YOUR PROCESSES CAN
TURN AP INTO A PROFIT CENTER

Are most transactions flowing through your system without human intervention, or are they getting stuck in the system waiting for a human to move them to the next stage? Strategic deployment of automation can lighten the load on the people approving routine invoices and related documents so that they can shift their focus to more value-added tasks.

The challenge is that many organizations still rely on manual workflows. This is an issue for many reasons, not the least of which is that it's expensive to relegate tasks to humans that can be done more efficiently and accurately through automation.

According to benchmarking firm APQC, organizations with top-performing AP functions (those in the upper 25th percentile) spend 0.04% of total revenue to process accounts payable, while the lowest-performing group spends 0.12% of revenue on AP processing.

With execution workload reduced, the staff can spend time on discrepancy resolution and managing vendor accounts, among other high-value tasks that impact revenue.

How can organizations turn the AP function from a cost to a profit center, freeing up workers to focus on strategies that will impact the business? The goal is to replace data input with automated workflows whenever feasible.

While efficiencies are an expected outcome of transforming the AP workflow, that is just table stakes. There is a myriad of benefits to focusing on this function, including improving working capital, mitigating risk, bolstering compliance, and positioning the company for growth and innovation.

This eBook will focus on why CFOs can't afford to ignore AP workflows especially with the new remote reality of covid-19, some of the current challenges and a plan of action to revamp the process.

WHY **AP WORKFLOWS MATTER**

With all that CFOs are responsible for — accounting, reporting and now business strategy — AP workflows haven't gotten much attention. The attitude in many organizations is "it it's not broke, don't fix it." That approach no longer works. "AP is one of those areas that you are only likely to hear about when things go wrong," said Penny Weller, Senior Director, Global Business Services, North America, The Hackett Group.

There are plenty of reasons to focus on AP workflows, not the least of which is to ensure optimal cash management. "If you are not managing expenses, you are jeopardizing the financial health of your organization," said Steve Iannarone, Senior Implementation Manager, Goby. "If you are holding on to a large amount of cash and not investing it, for example, because you're not managing your operating capital properly, that's a huge mistake. The result is poor capital management and no clear insight into how expenses are trending compared to budget."

A prime reason to transform the AP function is that manual processing is expensive, inefficient and error prone. Machines are better at handling routine tasks such as matching purchase order and invoices, and they are less expensive than humans. Top AP performers have headcounts 3.4 times lower than peers, according to The Hackett Group's 2019 P2P Performance Study.

"If you're still handling AP workflow with emails, you're doing it wrong and costing your company valuable time and money, as well as the ability to better manage cash by knowing current commitments and understanding payments performance," said Nicolas Walden, UK Programme Leader, The Hackett Group.

Companies can bolster the customer experience by modernizing the AP function. "Many calls to AP are to find out the status of a payment," Weller said. "By providing a consumer-grade experience that supports self-service in some instances, your staff and customers spend less time on routine inquiries."

Some additional reasons to focus on AP workflows:

- Automated AP processes can ensure that the team is capturing early payment discounts and that there are no late fees or operational bottlenecks. Humans are sometimes out of the office or miss emails, which can be costly when the deadlines for early payment discounts are missed.

- Automation can detect AP fraud much more effectively than humans. Automation also minimizes unintentional mistakes, such as duplicate invoices and invoice errors.

- Data from the AP system can be leveraged to inform decision-making and understand cash flow trends before they have a negative impact on the business.

BOTTLENECKS **TO TRANSFORMATION**

As with any change, there are inevitably technological and cultural hurdles to transforming the AP function. Many organizations struggle with change management. Change is hard. If you're just going to apply automation to current processes, that's not going to achieve the desired results.

"You have to clearly define the approval policy and eliminate exceptions, which is not always an easy exercise because people have been doing things the same way for many years," Goby's Iannarone said.

Some of the roadblocks can be cultural. People will need to take on new responsibilities and refresh their skills, and that can make for a difficult adjustment for some. In addition, some organizations may not have staff that are not trained for emerging roles. The AP team has been traditionally focused on processing invoices and forwarding them for approval. Some are afraid of losing their jobs or don't have the skills needed for the future.

"While the value of reporting, analytics and predictive capabilities of transforming AP workflows is coming into focus, it is a still a transaction-based and process-driven function," Weller said.

Preparing staffers for the change and clear communication can help ease the transition. "While there may be some tasks being eliminated, emphasize that this will lead to greater work in more valuable roles for both the business and team members," Walden said.

BEST PRACTICES FOR
ACHIEVING OPTIMAL AP WORKFLOWS

CFOs that put in the work needed to revamp the AP workflows in their organizations will reap the rewards of being able to turn AP into a revenue-generating function.

Evaluate you current processes: A crucial step involves taking a deep dive into the current state of your AP processes. Benchmark your team against industry standard metrics — average cost per invoice, invoice cycle time and payment on time performance are among the important KPIs to measure when examining your AP workflow — find out where the bottlenecks are in your processes.

Seek input from all stakeholders: Get all stakeholders involved, from the C-suite to the AP team, and communicate the value of the initiative. Don't forget external partners when revamping the workflow, Weller said. "View the process through the eyes of the customer including suppliers. Consider what tools they would find effective and how the process could be easier for those inside and outside of your organization," The Hackett Group's Weller said.

Train everyone, including external partners: Training is often overlooked when implementing new AP workflows, so be sure to involve all stakeholders in training and, again, don't forget to include suppliers and partners so that they are familiar with the system and can point to any areas of improvement.

Leverage data to improve processes: While cost savings is a key benefit, examine ways to use the rich data of the AP process to enhance decision-making and improve the process for employees, customers, and suppliers.

Solicit continuous feedback: Lastly, continuously ask for feedback so that the process aligns with business needs and objectives.

CONCLUSION

AP workflow should be on the radar of CFOs, as poor processes can lead to poor management of working capital.

Retooling and automating AP processes isn't always top of mind, but a more efficient process can add to the bottom line. Beyond bolstering productivity, the data can help fuel your compliance, growth, and innovation efforts going forward.

AP can be a profit center with the right tools to automate many routine tasks and the right people and resources to add value to this valuable function.

SOME KEY TAKEAWAYS
FROM THIS EBOOK:

- **Better AP workflows can not only improve productivity but enhance relationships with suppliers and provide data for better decision-making about cash management, risk, compliance and other business-critical strategies.**

- **AP workflows are engrained in many organizations. There may be some cultural resistance, as some may be concerned about losing their jobs to automation. Siloed data and other technical hurdles can add to the challenges.**

- **Change management, including communication and training for stakeholders, including suppliers and partners, will ensure a successful transformation.**

ABOUT **THE SPONSOR**

Goby offers accounts payable departments a faster, smarter way forward with cloud-based AP Automation. By digitizing invoices and capturing their data, we enable teams to cut invoice processing time and costs in half, streamline workflows, increase productivity, and eliminate mistakes while driving rapid, tangible ROI. Customers love us because on top of the savings we generate we make invoice acquisition a 100% hands-off process and we are experts in processing complex invoices. **www.gobyinc.com**.