How To Make A Business Case For **AP Automation**

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Smart Automation

Contents

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1. **Introduction**

Times of stress expose organizations to vulnerabilities, forcing a closer look at the areas that desperately need change, like accounts payable. Accounts payable teams have traditionally shouldered data entry, reconciliation, and cumbersome approval processes, all while dealing with duplicate or missing invoices, discrepancies, and payment challenges. All of these challenges directly impact not only costs, but the ability of AP to participate in strategic functions.
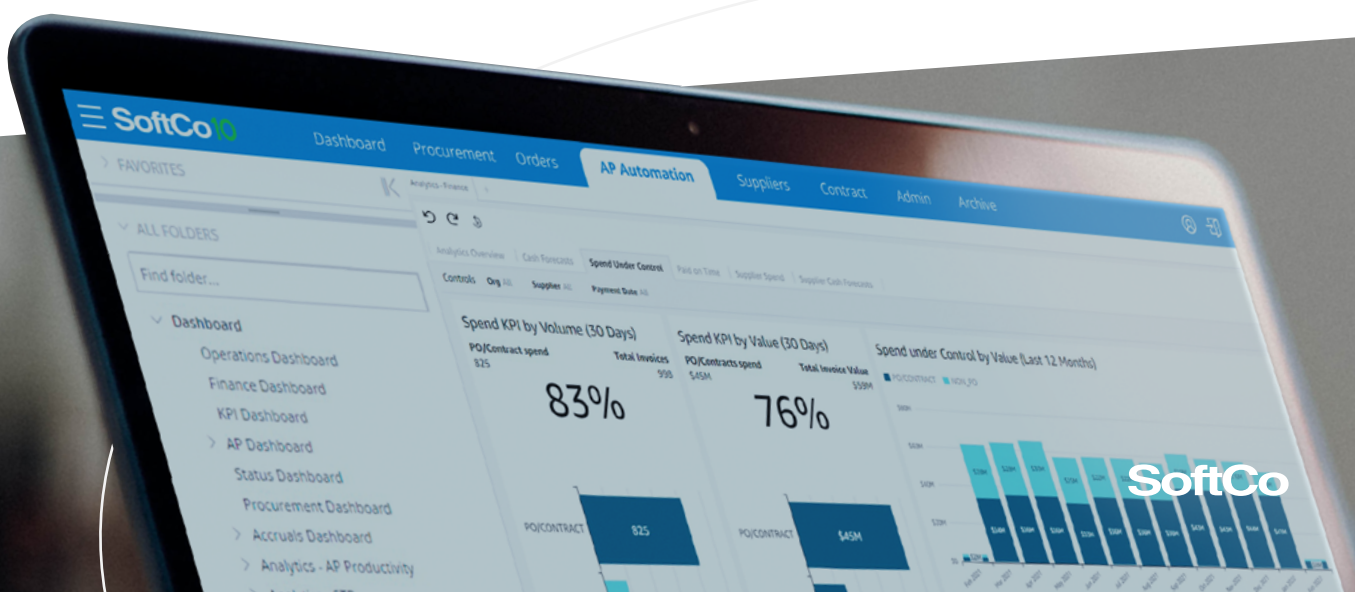
Organizations must find a way to automate and streamline accounts payable processes to survive - and thrive - in today's environment.

Since the pandemic, many organizations have adopted remote or hybrid work. This can make it difficult to follow up on outstanding invoices, collect missing documentation, and coordinate approvals. Businesses also need to increase transparency and collaboration across functions to manage risk effectively.
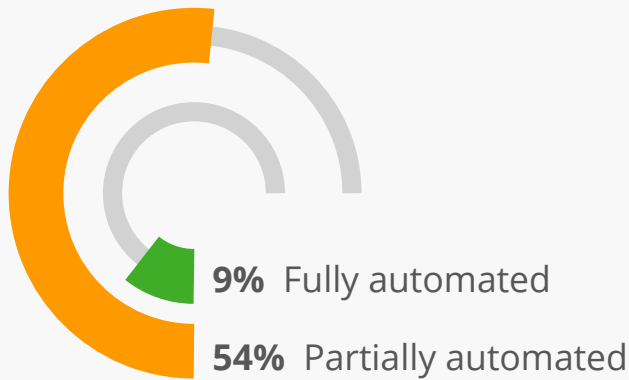
Organizations must find a way to automate and streamline accounts payable processes to survive - and thrive - in today's environment. Accounts payable automation can help organizations improve efficiency, maintain compliance, and free up AP staff to focus on growth initiatives.

Making the business case for Accounts Payable (AP) automation may seem daunting, but it's well worth the effort. Best-in-class organizations are more likely to automate AP than their peers.

Investing in automation can position your organization for success, but pushing for change in any organization naturally meets resistance. Competing priorities for investment mean that managers need to make a business case for AP automation. Organizations can then weigh the cost of the solution against the potential savings and benefits.

2. Current State of Accounts Payable

Understanding how accounts payable departments function is critical to initiating change. Accounts Payable departments have outgrown the role of simply issuing payments to becoming a strategic driver in achieving growth and revenue goals.

Many organizations are now looking to their AP departments to help manage cash flow, reduce costs, and improve working capital management. This expanded role has put even more pressure on AP departments to find ways to streamline their processes and improve efficiencies.

However, according to an Institute of Financial Operations and Leadership Study, 54% of global AP teams are only partially automated. As a result, accounts payable teams continue to deal with several pain points that result in higher costs, inefficiencies, and a loss of competitiveness.

Do you (or a member of your team) manually type in invoices into your ERP/accounting software?

32%	68%

No	Yes

IFOL Accounts Payable Automation Trends 2022

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Is your AP team fully automated?

9% Fully automated

54% Partially automated

As a result of the findings (left), accounts payable teams continue to deal with several pain points that result in higher costs, inefficiencies, and a loss of competitiveness.

IFOL Research 2022

Manual Processes

Despite the rapid development of digital channels, AP departments grapple with problems rooted in the manual performance of everyday activities. For example, AP departments still complain about too many paper invoices.

Paper documents require additional processing time and are prone to error. These documents can be received through multiple channels such as mail, courier, e-mail etc. Having a wide variety of channels causes confusion and makes it impossible to have visibility and control over the AP process. In addition, the entering of the data into the systems has to be done manually which can further lead to issues such as paying the same invoice twice, paying for services without delivery, paying incorrect amounts and the duplication of invoices.

Lengthy Invoice Processing Time

90%

With automation, organizations can speed up invoice processing by **90%.**

Long invoice and payment approval top the list of challenges for AP departments with 57% of AP leaders citing lengthy processing time as a hurdle for delivering value.

Companies with paper-based and manual workflows are more likely to see longer invoice processing time compared to businesses with automated processes for invoice receipt, approval, and payment schedule. It can take as many as 11.9 days to process an invoice. However, with automation, organizations can speed up invoice processing by 90%.

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How many hours a week does your finance team spend processing invoices and administering supplier payments?

5%	15%	24%	56%
Less than 1 hour	1-5 hours	6-10 hours	10+ hours
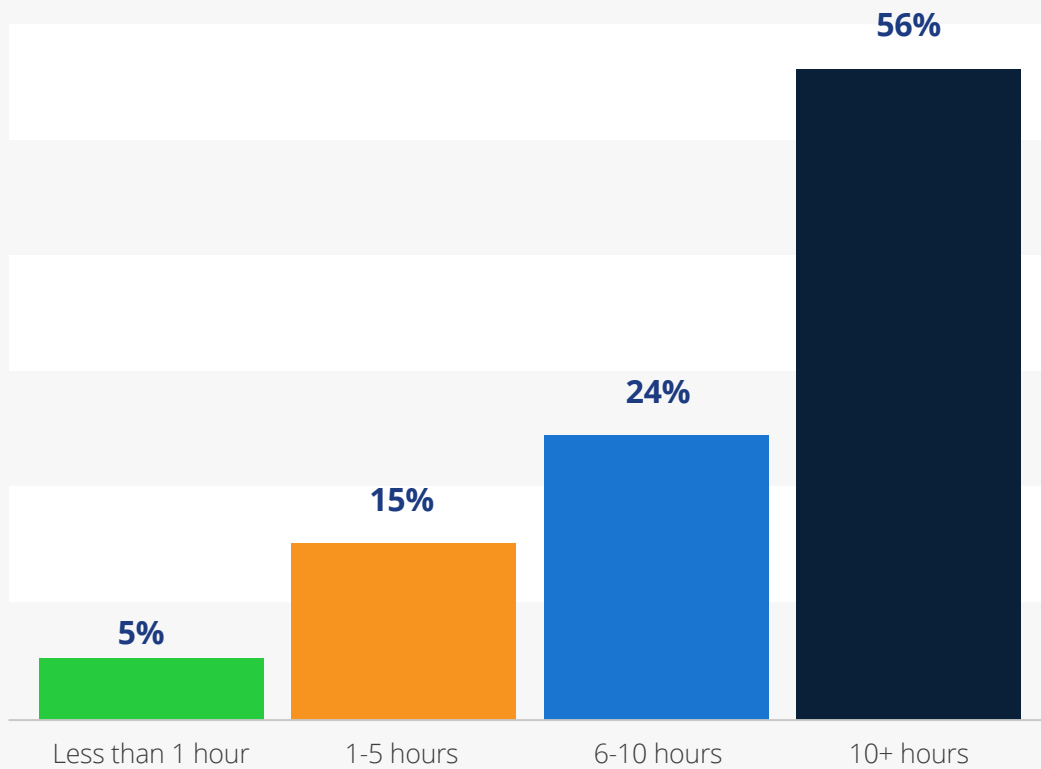
IFOL Accounts Payable Automation Trends 2022

High Exception Rates

Without an effective and automated process for managing exceptions quickly, AP teams have to scrutinize invoices one by one.

Duplicate invoices, data entry errors, missing attachments, and other irregularities delay invoice processing. Hunting down supporting documents and tracking missing invoices impedes AP performance by reducing the productivity of employees.

On average, one in four invoices requires AP staff to take action – ranging from correcting the invoice and securing additional supporting documents. Without an effective and automated process for managing exceptions quickly, AP teams have to scrutinize invoices one by one, sacrificing valuable time and energy.

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3. Benefits of AP Automation

The good news is that accounts payable automation can solve many of these problems. Automation streamlines data entry, speeds up approval processes, and provides visibility into the entire AP process. It also helps organizations keep track of invoices and payments, even when staff members are working remotely.

There are many benefits of automating accounts payable, but some of the chief advantages include:

Cost Reduction
Lower processing costs by up to 89% by eliminating manual processes.

Seamless ERP Integration
Integrate with existing finance systems like ERP for complete visibility.

Accuracy and compliance
Experience 70% fewer Vendor queries, minimize data errors & fraud and maintain complete audit trail.

Faster Processing Times
Reduce approval time by 90% and improve invoice processing and payment turnaround times.

100% Visibility and Control
Stay up-to-date on invoice and payment status within the complete procure to-pay cycle. Make informed decisions with timely data.

Working Capital Management
Productively manage working capital. Faster processing prevents late payment penalties and opens the door for early payment discounts.

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4. Make Your Case for AP Automation

Given the myriad of benefits, AP teams can make a strong case for accounts payable automation with a targeted approach. First, define clear problems and goals that the organization prioritizes. Then, identify the key decision makers that might need the data to proceed. Receiving executive support to prioritize AP automation also requires a thorough understanding of how accounts payable systems add value. After that, it's time to build and present the case. We will look at each of these in more detail below.

Examine Existing Workflows

How does your organization handle vendor invoices? While many companies use digital tools like vendor management software and electronic documentation, fewer deploy end-to-end automation. As a result, companies rely on manual steps to fill the gap.

Even when automation is preferred, top management will prioritize automation of processes with the largest impact on the organization and potential for success. You should focus on these aspects to highlight why AP needs complete automation:

- **Identify the core AP processes that require automation based on volume, manual effort required, level of standardization, predictability, nature, and data structure.**

- **Assess the relative value of process automation and the potential benefits.**

- **Evaluate the benefits from automation based on both quantitative parameters like cost savings and qualitative aspects such as improved data quality and higher employee engagement.**

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Calculate Cost and Processing Time

Evaluating the total cost of intelligent automation is critical in securing the support of top management. AP leaders should account for all ownership costs to create a realistic picture of the potential ROI. These costs include the following:

Implementation Costs

Account for the cost of developing, deploying, testing, and licensing intelligent technologies. Implementation costs can include:

- Capital expenditures for hardware and software.
- Operating expenses for licensing and infrastructure required for AP automation rollout.
- Governance costs for managing data, IT, structure, and software.

Maintenance Costs

Smart systems require ongoing upkeep and ongoing fees for deploying intelligent systems. This may include:

- Maintenance expenses for hardware and software to support additional integrations and configurations.
- Ongoing labor costs for managing areas for automation.

Ancillary Costs

Aside from the direct costs of deploying intelligent AP technologies, companies have to allocate a budget for expenses such as:

- Training existing employees.
- Dedicating time to monitor the performance of automation in place.
- If relevant, costs related to switching vendors or bringing technology in-house.

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Calculate Potential Cost Savings and Efficiency Gains

Comparing how existing AP processes would function with AP automation in place is another area to focus on to gain top management support. Measure existing Key Performance Indicators (KPIs) and project the results for the same data if smart systems were in place.

Where possible, use actual numbers to demonstrate potential cost savings, but don't focus solely on processing costs.

Utilize AP metrics such as days payable outstanding, vendor discounts captured, payment errors, invoices processed per year, late payment penalties, and potential qualitative benefits to build a stronger case for AP automation.

30%

PWC estimates a 5% savings in procurement to have the same effect on the bottom line as a 30% increase in sales for a business.

PWC estimates a 5% savings in procurement to have the same effect on the bottom line as a 30% increase in sales for a business, assuming purchases represent 60% of sales, fixed costs remain the same, and the cost of goods sold and salaries vary with sales. Use the same concept to show how improving KPIs in AP creates a domino effect across the organization in terms of cost savings and qualitative improvements.

For instance, on-time payments could lead to more strategic partnerships with vendors and create synergies that allow businesses to improve the end product. Organizations might even be able to decrease the cost of goods sold by taking advantage of trade discounts and early payment discounts. These discounts would not be extended to companies with a poor payment track record.

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Leverage Provider Data

Consider the potential impact of transitioning to a new system. Companies with aggressive expansion plans, for instance, require solutions that allow quick implementation to help them deliver on their growth objectives.

Return on investment for AP automation varies from one organization to another. Consulting providers with extensive experience in deploying end-to-end automation is critical in presenting a realistic picture of potential benefits, ROI, and potential challenges in AP automation. An experienced AP automation solution vendor offers effective support and guidance to build a strong case, but make sure you put them to the test. Get realistic implementation timelines from them and ensure you ask for examples of previous similar implementations.

Too often, organizations look to direct cost savings from automation, but benefits from embracing automation can be qualitative, not just quantitative.

Demonstrate the ROI of Innovation

Pitching AP automation to top management often boils down to the return on investment. Too often, organizations look to direct cost savings from automation, but benefits from embracing automation can be qualitative, not just quantitative.

Speed Up Approvals and Improve Vendor Relationships

Nurturing a healthy relationship with vendors is integral to reducing risks in the supply chain, especially during times of disruption. Organizations that invest in improving working relationships with vendors maintain leverage over product or service quality, priority, delivery, and payment terms.

Paying invoices on time is critical in building strong working relationships with vendors. Late payments due to lengthy approval times may lead to reputational damage and affect an organization's ability to access trade credit and negotiate payment terms with both old and new vendors.

Despite these repercussions, about 49% of vendors still report late payments. While late payments may happen when organizations have cash flow difficulties, sometimes delays are due to lengthy invoice approval workflows.

Lengthy approval processes are a persistent problem for AP and accounting departments relying on manual processes. Manual AP processes make invoice tracking harder because of the lack of visibility in invoice status. Employees on the receiving end of vendor inquiries spend as much as a quarter of their time resolving issues. Moreover, handling sensitive discussions with vendors causes high-stress levels and low employee morale.

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Sunny Delight - Reduce Approval Time

Streamlining accounts payable and procurement through automation simplifies invoice processing while allowing AP teams to track the status of an invoice at any time.

Beverage company Sunny D struggled with an unsustainable spreadsheet and email-based accounts payable process. They had difficulty processing 65,000 invoices a year on a timely basis. Existing systems were prone to errors and invoice complexity led to mistakeserrors in coding, matching, and approval. The entire process was costly and time-consuming.

After implementing SoftCo Accounts Payable Automation, SunnyD managed to capture invoices electronically and vastly improve the accuracy of invoice validation. 3 way matching and prompt approver notification meant hundreds of hours of employee time saved and faster approvals.

All communication was tracked, giving SunnyD full visibility over workflows. The solution was also fully integrated into their Microsoft Dynamics ERP.

Read the full Case Study here.

After implementing SoftCo Accounts Payable Automation, SunnyD managed to capture invoices electronically and vastly improve the accuracy of invoice validation.

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Support Growth Without Sacrificing Control

Managing the growth phase is a critical point for any organization. While expanding, companies with manual AP workflows often struggle with maintaining internal controls to ensure compliance with procurement policies.

Adding more approvers may appear to be a potential solution, but in real-world scenarios, more headcount does not make up for inefficiencies caused by manual processing.

A rapid increase in transaction volume and vendor base, for instance, could overwhelm employees involved in reviewing, approving, and archiving invoices. Adding more approvers may appear to be a potential solution, but in real-world scenarios, more headcount does not make up for inefficiencies caused by manual processing. AP Automation means that as the vast majority of invoices are processed touchless, there is no requirement to increase headcount as the existing team are only dealing with invoice exceptions. With the AP team no longer spending hours on mundane, manual tasks, this in turn improves morale and staff retention as they are now focused on tasks which add more value to the organization.

Smart AP systems lend more flexibility and scalability to existing processes. A sudden increase in invoice transaction volume will not impair the system's ability to ensure full control from invoice capture to payment posting within ERP systems.

Achieve Faster Year-End Close and Direct Savings

Generating periodic reports is critical to decision-making, especially in a crisis. Fast closing allows finance teams to reduce the period from collecting business results and disseminating information to top management.

38%

Only 38% of financial professionals trust their financial data.

While there is pressure to close fast, organizations have to resist compromising on data accuracy in favor of speed. One survey revealed that only 38% of financial professionals trust their financial data. Human error, multiple data sources, lack of automated controls, and clunky technology were among the factors cited for potential inaccuracies in financial statements.

As one of the main sources of financial data, AP departments have to ensure data accuracy because errors in multiple invoices could result in material inaccuracies. However, with manual processes, AP teams can barely keep up with month-end reports. All too often, AP departments deal with too many transactional tasks, resulting in less time for ensuring data quality and accuracy.

Automation creates more capacity for existing employees. As AI takes over data capture, invoice routing, and payment processing, employees previously involved in manual approvals can focus on quality control.

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CASE STUDY

By eliminating manual routing, query times decreased by 75% – allowing the company to improve its relationship with vendors.

Dairygold - 100% Electronic Invoice Processing to Reduce Costs

Following a growth phase, Dairygold expanded into 38 locations, but manual invoice processes couldn't keep up with the rapid changes. Although the company had more than 100 approvers, handling queries required substantial time and effort.

Dairygold processed 150,000 invoices in a year with much difficulty as invoices had 10 to 12 touchpoints. As a result, invoice processing costs skyrocketed, invoice processing time increased, solving queries even at the branch level was difficult, and vendors were unhappy with the process.

Finding a critical need to improve processes in place, Dairygold worked with SoftCo to integrate ERP systems with AP automation to allow 100% electronic invoice processing.

The configurable workflows allowed finance teams to define clear approving authorities. By eliminating manual routing, query times decreased by 75% – allowing the company to improve its relationship with vendors. AP became accessible from anywhere, allowing approvers to sign off email approvals on the go.

By moving to a cloud-based solution, Dairygold can exercise the same level of control and visibility even if invoice volumes increase. Automation has greater flexibility and scalability designed to rapidly adapt to higher invoice transaction volumes without upgrading servers or adding headcount, allowing companies to grow the top line while keeping tight control over expenses.

AP teams are also better equipped to handle inquiries as they have full visibility of the procurement process.

Read the full case study here.

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Enable Faster Cross-Functional Collaboration While Reducing Cost

On average, intelligent automation cuts invoice processing costs by up to 89%. Savings come from automating human effort, removing employee replacement costs, paying fewer employees to take over manual tasks, and avoiding interest expenses and penalties from delayed payments.

Organizations needing to process high volumes of invoices require more cost-effective AP solutions to enable straight-through processing. Best-in-class AP departments use technology to automate all the steps required to bring invoices into a "ready for payment" status.

89%

Accounts Payable Automation cuts invoicing processing costs by 89%.

For example, Optical Character Recognition (OCR) extracts information from invoices while Robotic Process Automation (RPA) technology enables three-way matching, so invoices without discrepancies go straight to approval without human intervention. Smart accounts payable solutions also use machine learning to refine processes as more invoices go through the workflow.

With straight-through processing, organizations can:

- **eliminate manual data entry**
- **reduce invoice resolution time**
- **minimize errors due to minimal human touchpoints**
- **improve visibility**
- **increase productivity and efficiency.**

Organizations can deliver as much as 75% Touchless Invoice Processing, which also clears time for reviewing procurement data and analyzing organizational spending at a higher level.
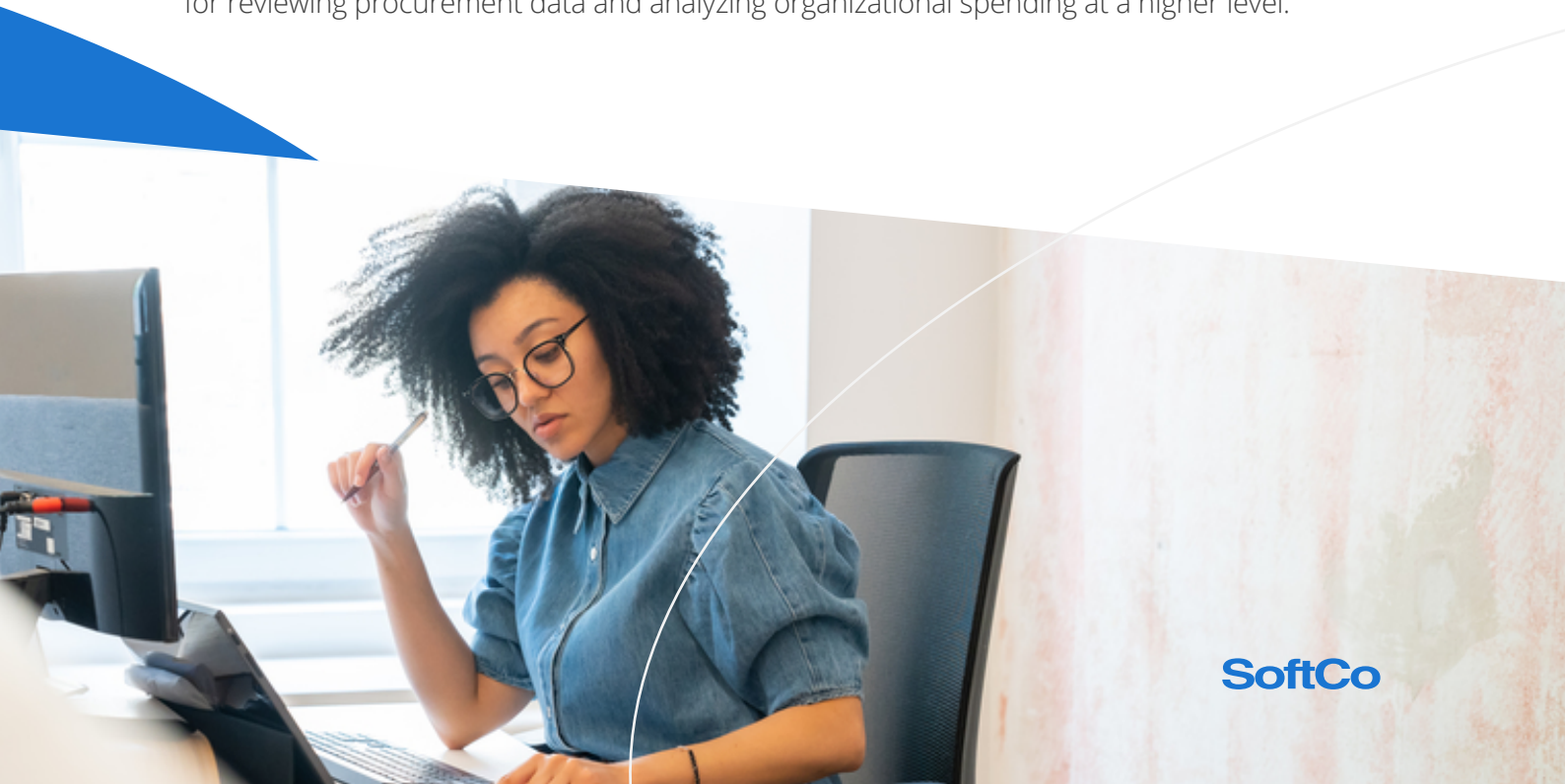
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With the help of SoftCo10 Procure-to-Pay, the Finnish Government rolled out a unified operating model that automated the entire procure-to-pay life cycle.

Finnish Government - Easy Integration and Cost Savings

With 1.2 million invoices for processing in a year, the government of Finland saw the potential cost savings from automating procurement across all 70 departments.

By launching a cornerstone project to digitize procurement processes, the Finnish Government expects to achieve an annual cost savings of 15 million euros.

With the help of SoftCo10 Procure-to-Pay, the Finnish Government rolled out a unified operating model that automated the entire procure-to-pay life cycle. The project went live on time and within budget.

With SoftCo, a unified model for managing orders and invoices was created that integrated the SoftCo solution with their central SAP system and more than 50 different systems across departments.

A cost analysis made in one department, the National Land Survey, revealed that processing costs decreased from 4.13 to 82 cents – representing an 80% cost reduction even without factoring in employee time saved.

The successful rollout of the procurement digitization strategy saves millions of euros annually due to increased efficiency, lower processing costs, shorter invoice handling time, better collaboration, greater oversight and transparency, and faster payments.

AP teams are also better equipped to handle inquiries as they have full visibility of the procurement process.

Read the full story here.

5. **Getting to Yes**

So why do many companies hesitate to automate this key business process? The most common objections include inertia, a lack of time and resources, as well as uncertainty about the return on investment (ROI). But once senior decision makers understand the benefits of automating AP—including reduced costs, faster processing times, and improved accuracy and compliance— it's easier to see the impact an investment in AP automation can make. Check out the SoftCo ROI calculator.

About SoftCo

SoftCo are a fast growing global Procure-to-Pay (P2P) and Compliance technology company. SoftCo's Smart Automation technology is Cloud based using the latest emerging technologies including Artificial Intelligence and Robotics and is transforming how companies manage their P2P processes, reducing costs and fighting fraud. Operating from offices in the US, Finland, UK and headquartered in Ireland, SoftCo has over a million users worldwide including PwC, Volkswagen, Primark, Sunny Delight and the Finnish Government. SoftCo are SOC and ISO27001 certified, a Microsoft Gold Partner, an AWS Advanced Technology Partner and the solutions are integrated with over 200 ERP systems.
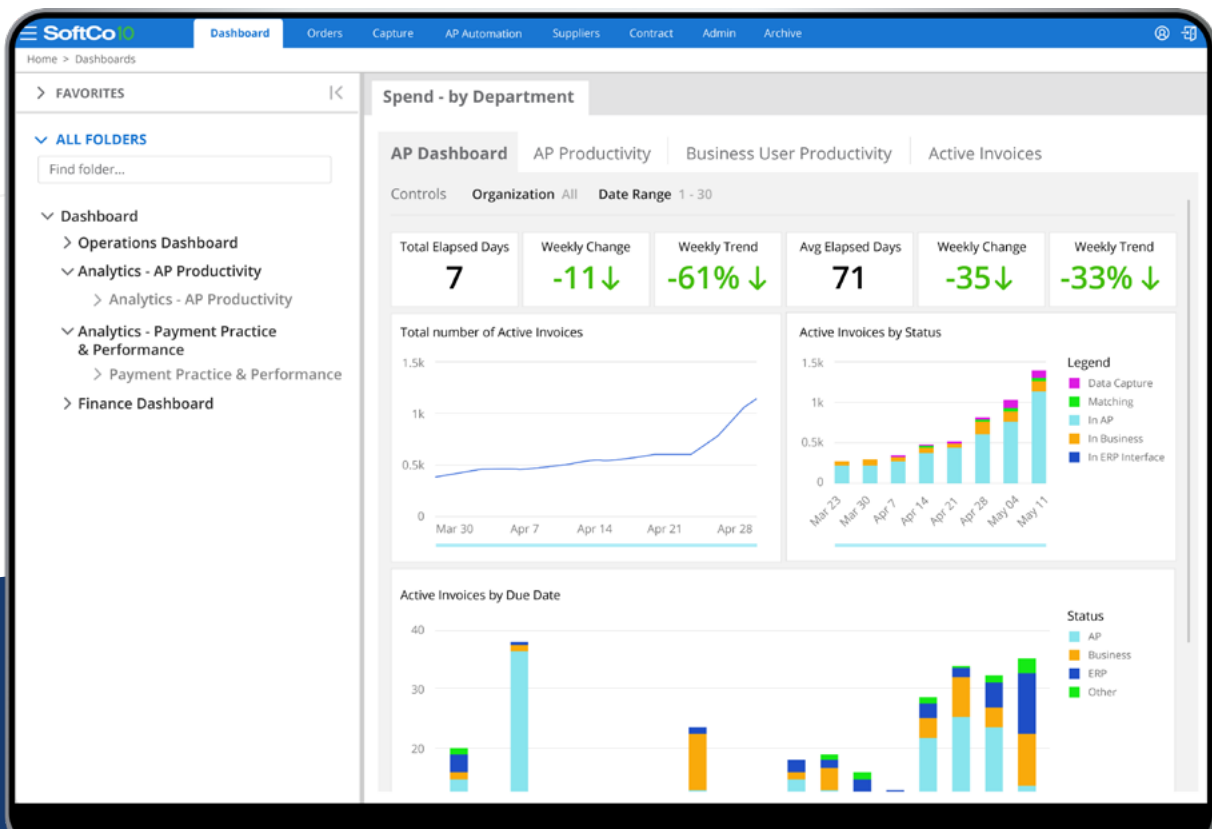
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