AP is often considered at the end of the source-to-pay process, and as a side value-add, minimizing the importance of its functions

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Everyone wants to digitize/transform their end-to-end S2P process, and one of the most common ways of doing that is pursuing a suite deployment. Procurement departments have set ambitious targets of digitizing their S2P processes by 72% by 2025, meaning businesses are actively searching for how to best invest in digital transformation (**PwC Global Digital Procurement Survey**). But almost no one does the deployment all at once – you have to pick your battles and slowly roll out a suite over many months (or likely years). So the question becomes, where is the best place to start?

A lot of small and mid-market businesses pick the places they think will give them the most immediate results. This is often sourcing (for big wins on supplier rationalization and negotiated savings) or e-procurement (for big wins on contract compliance and better control over maverick spending).

However, even if these seem like the obvious starting places, that doesn't make them the best. In fact, many deployments that start this way can end up with problems down the line, including payment issues, supplier disputes, poor spend visibility, and exposure to fraud and human errors.

How can you prevent this? One method is to work backward from the desired end state to build out an end-to-end process. For example, starting an implementation with an AP automation solution and incrementally building up into a unified S2P solution can deliver a more successful S2P implementation, creating a firm foundation for invoice to

payment has a direct impact on supplier relationships and downstream workflows – like compliance to negotiated prices and service delivery/performance monitoring. Because AP automation is the "nuts and bolts" of the source-to-pay process, it can actually make sense to start here rather than leave it for later.

In this paper, we explain why starting to streamline your source-to-pay process within other areas of procurement leads to unforeseen flaws, and therefore why starting with AP automation is a good idea, although often mistakenly left as the last step. Putting AP automation at the forefront of a source-to-pay process by implementing AP automation solutions early on results in the improvement of analytics, sourcing, contracts, risk management, and e-procurement processes and outcomes.

THE PROBLEM: Delaying AP in S2P deployment leads to process gaps that are difficult to solve later

Lack of automated, efficient invoice workflows and processes early on in a business life cycle has a serious impact for small and medium sized companies. You can spend a lot of time negotiating pricing and putting agreements in place, but if you aren't paying your suppliers on time, you risk late fees and harming your relationship — essentially nullifying all your hard work.

Not only is time wasted, but the estimated cost of manually processing invoices is expensive. Each manually processed invoice costs $12, and this amount is doubled if there is no corresponding purchase order, according to research by the Institute of Finance & Management. While this is a serious implication for an organization of any size, mid-size to enterprise organizations that do not have AP automation systems set in place early in their trajectories will be most impacted by the money wasted in the lack of prioritization of AP.

Moreover, delayed AP automation deployment leads to rifts in the source-to-pay process that are difficult to solve later. For example, by using manual processes to manage invoice

capture and workflows, organizations face potential risk and human error that may cause finance and procurement teams unnecessary pain points, and these problems exacerbate to other parts of the S2P cycle.

There are 4 overarching challenges for businesses that do not prioritize their AP automation:

Last-minute approvals. Finance teams may not have the proper collaboration or procedures set in place to approve payments on time and may lose the opportunity to offer early payments to suppliers in return for discounts, or worse yet fall victim to late payment fees. Moreover, without proper organization, certain members of an organization may lack visibility and control into approvals, when they should in fact have access to approval workflows.

Cost-causing manual processes. Manual invoice processing leads to delays, including inaccurate accruals. And manual data entry leads to errors including incorrect information on an invoice, wrong supplier details, wrong accounting codes and incorrect approvers. Slow, inaccurate processes means organizations have no real insight into liabilities. This also leads to lack of internal compliance and control, as well as fragmented data handling, and thus discord among incompatible systems.

On-time payments. If a supplier is not paid on time, this could affect supplier relationships. In the changing climate of procurement, customers have less leverage than they did before. In the past, procurement was a "buyer's game." Today, if a customer does not honor its side of a relationship or contract, suppliers do not prioritize them, and they will not receive benefits of being a "customer of choice." These benefits could include discounts and priority access to limited stock, which is especially important in today's international supply chain shortages.

Procurement based on negotiated terms. If buyers do not follow their contracted terms in relation to their payments, it can result in consequences for buyers. This can include late fees or other ramifications—such as detriments to performance measurements and the inability to meet much needed cost savings goals for the organization.

THE SOLUTION: Creating a foundation in AP, and implementing AP automation solutions early in the procurement process.

By deploying AP automation solutions early on, organizations can save significantly on time and see immediate accounts payable ROI impact. This ultimately creates a basis for source-to-pay processes to move along without disruption of factors in which AP influences, such as on-time payments, and automated, risk- and fraud-free payment processes and workflows.

Thus, implementing AP automation fundamentals affects many other upstream and downstream parts of the procurement process, including risk management, supplier management, and compliance and contracting. Applying successful AP automation processes to an organization's P2P framework not only improves client relationships, but also digitizes AP processes and involves the following elements:

Maintaining supplier relationships via on-time payments. AP automation ensures an efficient and trusted process to make sure payments are done on time. This dominos to client relationships, as buyers want to maintain status as reliable, and thus suppliers will be more inclined to prioritize them as buyers as the "customer of choice" in terms of inventory and discounting.

Simplifying complexities of the AP automation/Invoice-to-pay process, including:

- **Invoice capture and data extraction** — AP automation tools can capture invoices from multiple siloed sources such as paper, PDFs, electronic invoices, and EDIs, and store them in a central system. By digitizing invoices, data can be extracted from OCR and other methods and used for analysis. Capturing invoice data from multiple invoices with hundreds of lines relieves manual invoice payment processes. Moreover, having a seamless capture solution as part of the process means that capture can leverage machine learning and make changes from previous invoice interactions and other information downstream in the process.

- **Advanced PO matching** — Advanced rules to perform PO and GRs matching improves the automation process (allowing for touchless processing) and the accuracy of the invoice content and leads to fewer exceptions. Research on best-in-class accounts payable departments show that they have 61% lower invoice exception rates than other enterprises (Ardent Partners).

- **Validation and approvals** — Approval workflows make it possible to ensure invoices are accurate against reference data, and enable faster coding of invoices against the general ledger (G/L), allowing for faster final approvals and fewer invoice exceptions.

- **Issuing payments** — Payments can be made through cross-border or domestic bank transfers, or ACH, check or card payments. AP automation tools reduce the risk of fraud and errors in this final step of the invoice-to-pay process.

THE BENEFITS: Establish a strong foundation for the entire S2P process that frees employees time by minimizing errors and digitizing accounts payable

Putting AP at the forefront of an organization allows organizations to concentrate on other business functions, and also directly impacts the effectiveness of various upstream parts of the source-to-pay process, specifically management of risk, spend, and compliance. Thus, organizations will realize hard ROI benefits through payments processing savings, and soft ROI through creation of a basis for streamlined operations within the rest of the S2P process. More specifically, enabling AP solutions have the following benefits:

Efficient AP automation processes lets organizations focus on other aspects of their business – as a key time/cost saver and efficiency driver. This is especially important for CFOs and CPOs, who can then spend their time on other business processes. AP automation is great at saving money on FTE/resource costs and freeing up cash from early pay options — and those "quick wins" can be used to fund more of the S2P deployment to get even more benefits.

Autonomous processing and outlier detection. Automating processes creates fewer errors and duplicates in the invoicing process. This ultimately leads to less fraud and risk, which saves organizations time by identifying risk early on in the sourcing cycle and plays an important role in risk management. Human errors cause layers of auditing and scrutiny that can be avoided by digitizing invoicing workflows.

Creation of a strong foundation for spend management. Effective invoice processing automation is the base for overall business spend excellence because other parts of the source-to-pay process such as financial analytics, procurement, sourcing and contract management rely on accurate and effective invoicing and payments to capture and analyze spend data. This further creates a strong ROI for organizations because properly extracting and evaluating invoice data directly affects how CPOs/CFOs make spend decisions. Moreover, AP automation enforces compliance in accordance with supplier regulations and policies. This also combats fraud and ensures that only authorized users can approve and pay suppliers.

WHY MEDIUS FOR AP AUTOMATION:
The Spend Matters Perspective

Medius distinguishes itself as a leader in AP automation, and has advanced capabilities for not only invoice capture, approvals and workflows, but also for compliance support analytics that evaluate AP spend data. What's more, Medius deploys a best-in-class AP automation solution as part of an end-to-end source-to-pay suite, allowing the initial implementation of downstream support to build into an end-to-end solution over time.

According to our SolutionMap benchmark for AP Automation, Medius excels in the following features that allow organizations to bridge their spend management and procurement process through AP automation:

Management of the lifecycle of receiving an invoice from initial invoice receipt. Including PO and non-PO invoices, which Medius processes differently in order for teams to

accurately measure performance and efficiencies in their entire invoice to pay cycle. KPIs for non-PO invoice include touchless capture rate, automating routing rate, total invoice processing cycle time, average approval time, while KPIs for PO invoices include touchless capture rate, total invoice processing cycle time, touchless processing rate.

Intelligent capture to ensure all accurate information is accurately brought into the system. Leveraging AI means that businesses can predict procure to pay tasks. AI can be used to extract and verify invoicing data as accurately as possible. Medius has a touchless capture rate of 95-96% for best-in-class PO and non-PO invoices, compared to the average rate of 62-63%. Medius also uses anomaly detection to prevent fraud and risk, through machine learning algorithms that allow their tech to fix errors found in invoice receipt.

Complex PO matching as well as automatic coding and approval routing for non-PO invoices. Medius helps the buyer relieve the process from complex or manual transactions of matching. For example, 71% of items go through from invoice to payment with no intervention. This is ideal for complex industries that have many line items in POs/invoices. Medius's predictive coding has a 99% accuracy rate, meaning the coding step is highly efficient and decreases invoice processing cycle times. The solution's best-in-class touchless processing rate for PO invoices is 94%, meaning businesses can rely on them to verify data compliance with minimal user intervention.

Globalization and E-invoicing compliance. Medius ensures all e-invoices follow local and global compliance laws and regulations for both post-audit countries and clearance countries. Moreover, payments can be made globally in any currency.

Medius analyzes all steps in the AP to pay process. Medius provides AP analytics, which evaluates cash flow, what's available, and what's on the way. AP KPIs and benchmarks are a tool for businesses to evaluate their invoice-to-pay spend.

CONCLUSION: Set your business up for S2P success by focusing on the end state

Despite their best intentions, many midsize to enterprise businesses ignore the need for AP automation deployment until their AP processes become overwhelmingly convoluted, rather than prioritizing AP early on in their business life cycle. Often when it is too late, businesses realize that AP has a critical effect on supplier relationships, risk management, compliance and contracting, and spend management. Rather than starting with sourcing or e-procurement solutions and moving onto AP automation later on in a business' timeline, companies will benefit from approaching sourcing through an AP lens and taking advantage of the value-adds discussed in this paper that originate from efficient AP processes and flow to other parts of the source-to-pay cycle.

Medius' offering demonstrates improvements in not only standard invoice-to-pay processes such as invoice capture and approval workflows, but also leverages AI and analytics to analyze spend and detect fraud and risk. By doing so, organizations see improvements in their end-to-end source to pay process, starting from downstream invoice capture and payments, and effecting supplier management, procurement analytics, and upstream contract management, risk management, and strategic sourcing.