NEW FRONTIERS IN ACCOUNTS PAYABLE:
Automation, Digitization and Impact

Table of Contents

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Positioning AP as a Strategic Financial Lever in 2023

Since the pandemic began in 2020, the global economy has been experiencing rapid changes, with shifts in supply chains, changes in consumer behavior, and disruptions caused by geopolitical events such as the war in Ukraine. These market conditions impact how finance leaders approach AP processes. Organizations are facing increased pressure to optimize cash flow, manage costs, and enhance vendor relationships to adapt to these changing market conditions effectively.

Amidst this volatile environment, AP teams have consistently proven themselves to be a critical function, which enables a business to improve their cash position and ensure that it has the resources to meet its obligations and pursue growth opportunities.

In order to provide AP teams with the necessary firepower, finance leaders are leveraging technology to automate and digitize accounts payable processes. The adoption of electronic invoicing, digital payment methods, and automated invoice processing are driving efficiency gains, reducing manual errors, and improving the overall speed and accuracy of accounts payable operations.

SSON Research & Analytics data shows shared services professionals are well aware of the beneficial impact automating processes such as accounts payable process can have. According to "State of Shared Services and Outsourcing Industry Global Market Report 2023", 87% of shared services practitioners agree that end-to-end process integration is a top goal for 2023, up from 81% the year prior.

However, when looking at end-to-end process digitization, an essential aspect towards integration, shared services and Global Business Services (GBS) are behind. Over half of organizations have not implemented AI into their digitization efforts, thus limiting the rate of scale and detail of their digital processes.

When organizations struggle to deliver end-to-end digital AP processes it impacts the ability to oversee a crucial lever for cash management. Shared services need to adapt to the current market and develop an agile AP team by leveraging AI in tandem with digitization for a seamless process. Not only will an autonomous AP process be more efficient, but it will help finance teams meet many of the goals CFOs are setting today: namely, optimizing cash flow, developing strong vendor relationships, compliance and risk management as well as managing costs.

This past August, SSON Digital published a report titled **"Autonomous Accounts Payable: Driving End-to-End Workflows With AI"**. The report analyzed how an autonomous AP process is the great differentiator for businesses today by allowing teams to move beyond manual invoice processing to a digitized system that gives them more oversight.

The goal of this report is to continue the conversation and expand beyond end-to-end processing, to discuss new frontiers in AP. This includes exploring the current challenges AP teams are facing, and how new developments in digitization and automation help organizations overcome these challenges and meet their strategic goals.

Moving AP From Bellwether to Strategic Partner

Historically, AP is the first place leaders look when assessing problems with cash flow. However, this fact does not need to be viewed negatively. Instead, AP teams can use this to their advantage by becoming a source of insight that sets the function up as a strategic partner.

Although modern technology has streamlined aspects of AP's work in the procure-to-pay process, there are still several challenges that organizations face in this area, particularly in relation to manual processes, errors, fraud, and delays.

Manual Processes

Manual processes remain a major challenge in AP, particularly for organizations that rely on paper-based systems for invoice processing, which is still more prevalent today than expected. According to the **Global State of AP Automation Survey 2021**, 39% of respondents said most or all (70-100%) of their invoices processed are either in paper or PDF format.

While many companies prefer having a paper trail and feel more at ease than performing electronic transactions, this can lead to delays, errors, and inefficiencies, as staff members are required to manually enter data into various systems, reconcile invoices with purchase orders, and approve payments.
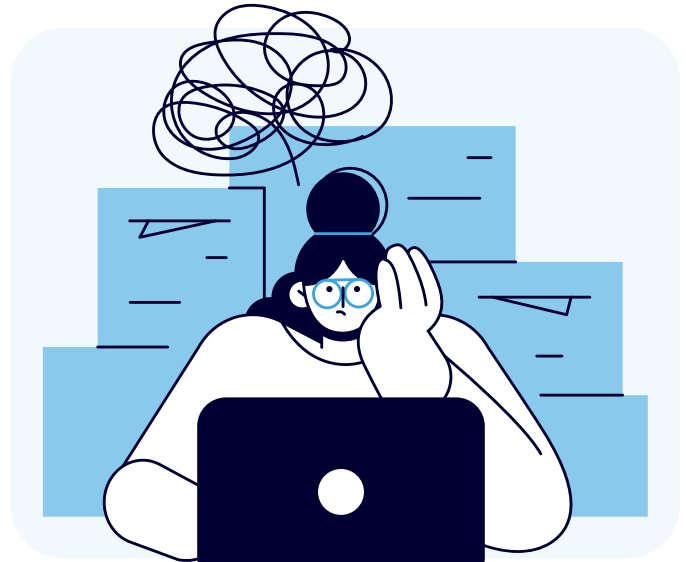
Errors

Errors are also a significant challenge in AP. Even with modern automated systems in place, data entry mistakes and other types of errors can still occur. Some of the most common errors in AP include:

Data entry

Data entry errors, such as typos or incorrect amounts, can occur when manually entering invoice details into the system. These errors can lead to incorrect payment amounts, missed payments, or even duplicate payments.

Tolerances and overpayments

Another form of errors is the acceptance of overcharges caused by the pressure to keep up with the volume of invoice processing tasks. A constant tradeoff being made in Accounts Payable to the detriment of profit. Do I have enough time and resources to pursue rectifying charges above tolerance and take the risk of vendor holds, or do I accept the overcharges as variance in order to keep my head above water from an invoice processing standpoint?

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Coding

AP staff may assign incorrect account codes to invoices or expenses, leading to errors in financial reporting and analysis. This can also result in incorrect allocation of costs and expenses, leading to misstatements in financial statements.

Duplicate payments

Duplicate payments can occur when the same invoice is processed twice, resulting in overpayments and inaccurate financial records.

Invoice matching

Matching invoices with purchase orders is critical to ensuring that the correct goods or services have been received and billed. Failure to match invoices with purchase orders can lead to incorrect payments or payments for goods or services that were not received.

Errors are a regular occurrence, with 34% of finance teams seeing recurring simple errors in their payment processes, according to the **Financial Professional Census 2022**. These errors can be costly for organizations, as they can result in additional fees or penalties, damage to vendor relationships, and damage to the company's reputation.

Fraud

Fraudulent activities such as invoice fraud, payment diversion, and fake vendor schemes can be difficult to detect and can result in significant financial losses for organizations. Fraudsters may exploit vulnerabilities in manual processes or manipulate automated systems to divert payments or create fake invoices.

In a 2022 Global Fraud Study by the Association of Certified Fraud Examiners, fraudulent billing accounted for 20% of all fraud cases. This rate impacts businesses' faith in AP. AP teams are often considered the last line of defense in their

organization to catch fraud attempts, and the data suggests their job is more difficult without technology by their side.

Delays

Delays are also a common challenge in AP. Slow processing times can result in late payments, which can damage vendor relationships and result in additional fees or penalties. Delays can be caused by a variety of factors, including manual processes, insufficient staffing, and inefficient systems or lack of follow-up on overdue invoices.

One example of a delay is how quickly an AP team can respond to an inquiry from a vendor. According to **SSON Research & Analytics**, only a fifth of respondents can resolve supplier inquiries in real-time, via self-service capability, or in less than 10 minutes. With automation, vendor requests can be handled right away to ensure there are no potential delays to the payment.

AI is Changing the Game

With an autonomous AP system, businesses can overcome the challenges of errors, fraud and delays. This section will explore the specific automation and digitization capabilities that AP teams can leverage to ensure they are no longer taking the blame for mistakes in procure-to-pay.

Electronic Invoicing (E-invoicing)

E-invoices are a form of billing that is presented to the buyer in an electronic format via a predefined structured data exchange such as an electronic data interchange (EDI) or an invoice network solution that allows a one-to-many connection.

E-invoicing can help AP overcome these core challenges in the following ways:

1 E-invoicing eliminates manual data entry which allows staff to focus on value adding tasks.

2 E-invoicing enables faster processing times. This reduces the risk of late payments and ensures good vendor relationships.

3 E-invoicing systems use automation to extract and verify data, reducing the risk of data entry errors. This ensures that invoice details are accurate, reducing the risk of overpayments, duplicate payments, and other errors.

An automated invoice processing can be paired with E-invoices to automate the entire invoice processing cycle, from capturing invoice data to processing it for payment. An automated system ensures the E-invoices are processed consistently and accurately, ensuring human-error is not a factor.

E-invoicing is just one way AP teams can modernize themselves through automation and digitization. However, it is a critical component of an AP team's ability to overcome

many of the challenges they face and improve the efficiency and accuracy of their processes.

Straight-through Invoice Processing

Straight-through invoice processing, while having existed for years, is one automation capability continuing to drive new frontiers in AP.

Straight-through invoice processing is a digital process that moves invoice transactions from point A to point B without human intervention. It eliminates the need for human touchpoints and reduces errors and exceptions in the process. It also moves data in a way that conforms to how suppliers want to send invoices, making it non-disruptive to them.

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Some tech providers leverage straight through invoice processing to extract data from the invoice and matche it with the back-office system, ensuring accuracy and efficiency. This invoice processing ability creates a new frontier in AP that eliminates the problems associated with traditional processing methods and provides a seamless solution for organizations to manage their invoice transactions.

Purchase Order Matching

Purchase order matching is a process that compares the details of an invoice against the corresponding purchase order (PO) and receiving documents.

Automated purchase order matching helps AP departments in several ways. Firstly, it helps to prevent duplicate payments by ensuring that only valid and authorized invoices are paid. Secondly, it is able to contextually connect invoices lines to the corresponding PO lines, resulting in maximum AP efficiency and minimal errors. Thirdly, it pinpoints the true

exceptions that need professional attention allowing AP or Purchasing to resolve the exception quickly.

Furthermore, purchase order matching enables AP departments to manage their cash flow more effectively by ensuring that invoices are paid on time, and that any late or disputed payments are quickly addressed. This helps to maintain good relationships with suppliers and avoids potential disruptions to the supply chain.
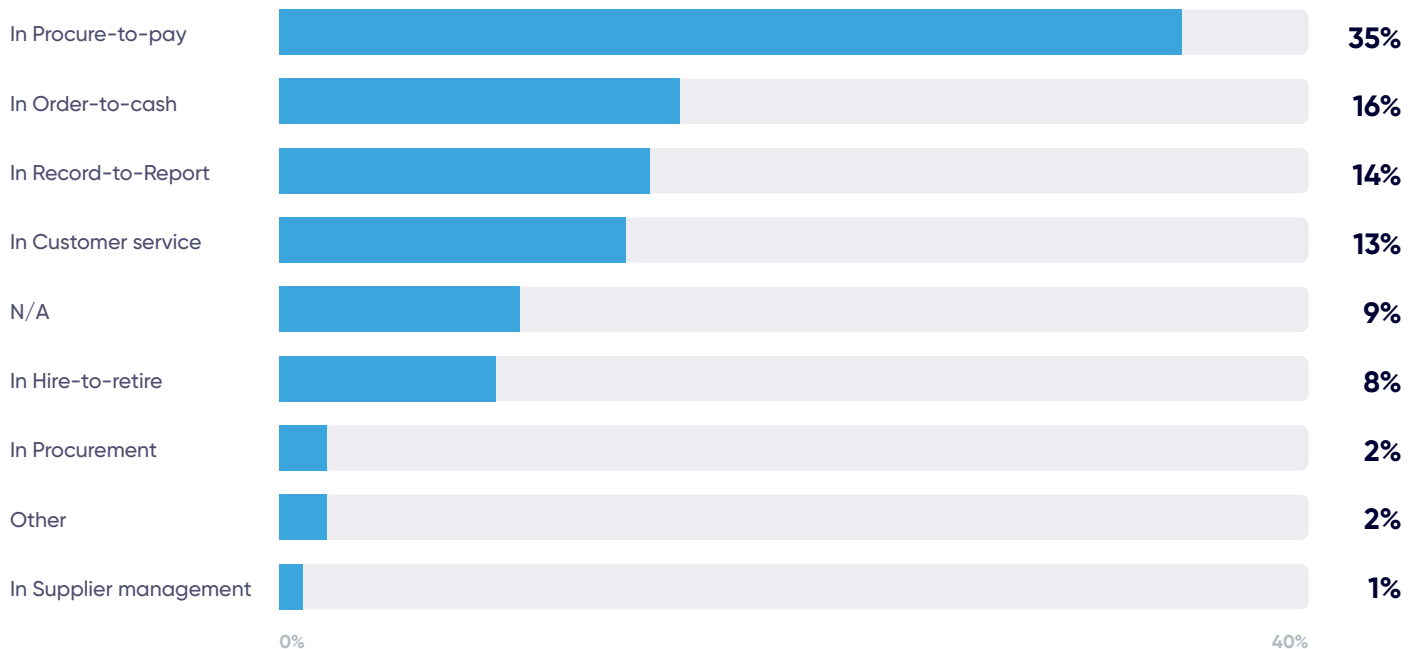
There are two forms of matching in AP, a 2-way match matches the invoice quantity and price to the purchase order and price. Meanwhile a 3-way match brings in an extra layer through a goods receipt to ensure the company receives the same number ordered and invoiced. In most instances 3-way matching is preferred because it ensures organizations don't pay until everything matches correctly. With automated matching there is no need for human intervention which means there is no chance for human error.

The Opportunities Autonomous AP is Creating

The most successful use cases for intelligent automation are typically in traditional end-to-end processes, and organizations are seeing the best results while automating procure-to-pay, where **35% of respondents** say they are automating the finance process.

Where have you seen the most successful use case for intelligent automation to date?

In Procure-to-pay	**35%**
In Order-to-cash	**16%**
In Record-to-Report	**14%**
In Customer service	**13%**
N/A	**9%**
In Hire-to-retire	**8%**
In Procurement	**2%**
Other	**2%**
In Supplier management	**1%**

0%   40%

Procure-to-pay (P2P) is a popular first choice for automation because it's complex and typically requires several manual tasks. Additionally, P2P automation can drive greater visibility into the entire procurement process, which in turn can deliver significant cost savings across shared services. In every organization all forms of procurement come through AP, which means automating P2P falls on AP who can deliver a non-disruptive implementation that brings immediate results to customers.

For the strongest outcome, shared services can go a step beyond automation and ensure a seamless change to procedures with autonomous AP. As mentioned, automated solutions are key to replacing outdated manual processes and creating increased speed, accuracy, cost savings, and better cash management in AP.

However, by intertwining digitization and automation shared services can go a step further and use their AP department as a means to improve vendor relationships, increase liquidity and improve fraud detection.

Improved Vendor Relationships

Managing vendors is essential for an organization's ability to maintain a strong reputation across the business community, and one of the best ways to have a quality relationship with vendors is ensuring they are paid on time. Both e-invoicing and straight-through invoice processing eliminate delays caused by manual data entry and routing, leading to faster processing times. This, in turn, can help vendors receive payments on time, improving their cash flow and reducing their working capital requirements.

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Additionally, automated systems can provide vendors with real-time updates on the status of their invoices, allowing them to track the progress of their payments and resolve any issues proactively. This can improve transparency and communication, which are essential for building strong vendor relationships.

Møbelringen, a Norwegian furniture retail chain selling to consumers through 69 stores across the country, was using a paper-based system that was taking too long to process invoices. With an automated AP system reducing the manual workload, their team was able to take on new assignments that delivered more value to the business and enhanced the vendor experience.

Increase Liquidity

Another essential charge of AP is ensuring there is enough cash on hand to pay these vendors fully. With automation AP teams can improve their efficiency and accuracy, leading to faster payments and better vendor relationships, which can in turn improve a company's financial position and increase liquidity.

Teams using automation can forecast earlier with greater accuracy since invoices (liabilities) hit the system immediately and are measurable. Real time, accurate cash forecasting enables better planning and management of liquidity and working capital.

E-invoicing, purchase order matching, and straight-through invoice processing can help companies better manage their cash flow. With greater visibility into their accounts payable process, they can better plan and forecast their cash needs, ensuring that they have sufficient funds available to meet their financial obligations.

Take **Chadwell Supply** for example. The wholesaler of appliances, electrical fixtures, hardware, HVAC systems and more applied AP automation solutions and was able to super-charge its approvals and now processes

100,000 invoices per year, thus increasing liquidity for the business.

Improve Fraud Detection

All three of the automation capabilities mentioned in the previous section can play a role in preventing fraud in payments, especially invoice fraud that is the most prevalent form of fraud for businesses.

E-invoicing can reduce the risk of fraud by ensuring that the invoices are authentic and have not been altered. E-invoice solutions can verify the digital signatures on the invoices to ensure that they are valid and have not been tampered with.

Purchase order matching can also prevent fraud by ensuring that the invoices match the purchase orders and goods receipts. Any discrepancies can be flagged and investigated, reducing the risk of fraudulent invoices being paid.

Straight-through invoice processing can help detect potential fraud by flagging any exceptions or errors in the invoice data. For example, if an invoice is received from a new vendor that has never been used before, the system can flag it for review to ensure that it is legitimate.

This section has shown why automating P2P and all AP processes deserves to be a top priority for shared services in 2023 and beyond. By doing so organizations are ensuring strong relationships with their vendors, managing their working capital and strengthening their ability to detect fraud.

Lush is a manufacturer and retailer of cosmetics and bath products made from fresh, organic ingredients. The company had to process 120,000 invoices annually with a paper-based system that was slow and inefficient. By automating AP, auditors and managers at Lush gained better visibility into their AP processes.

How a Global Manufacturing Company Saved Money and Increased Productivity with Medius AP Automation

The Challenge

NIC Global Manufacturing Solutions is a well-established parts manufacturer headquartered in Seattle, with a rich history of providing high-quality sheet metal components to industries such as trucking, medical products, and utility cabinets. The company has undergone significant expansion, combining three manufacturing facilities under one umbrella in 1999 and currently operating four plants in the US, as well as overseeing three manufacturing partners in China. Despite its success, NIC faced challenges in its accounts payable department, where a manual system was used to process hundreds of vendor invoices. This resulted in a slow and time-consuming process, exacerbated by the need to match complex invoices to receipts. With a staff of only two, the department was struggling to keep up with workload, leading to delayed approvals and vendor payments.

> "If someone is looking for a way to manage AP outside manual processes, we definitely recommend Medius. It saves a lot of time and makes accessing info much easier."

Jason Mayfield
Director of Accounting
Competence Center

The Solution

NIC Global Manufacturing Solutions went with Medius AP Automation because it provides a comprehensive solution to transform manual, paper-based invoices into digital workflows. Medius not only ensures invoices are paid on time, reduces the risk of fraud and errors, improves compliance, and optimizes working capital, but also offers sophisticated OCR and ease-of-use that other solutions did not provide. With Medius, NIC was able to automate their approval hierarchy, route invoices logically and methodically, and easily review, resolve, track, and approve invoices, while saving postage and printing costs and taking advantage of early payment discounts. Medius also provides visibility and transparency, enabling NIC to quickly retrieve invoices without manual searches and prioritize outstanding invoices with bi-weekly reports.

The Result

Working with Medius AP Automation has resulted in extremely positive sentiments at NIC Global Manufacturing Solutions, with 24/7 access to invoices being one of the biggest improvements. This has been particularly beneficial for remote offices across different time zones. Invoice processing has also seen a huge improvement, with NIC going from processing 650 to 800 invoices per week without needing additional staff. This has been helpful for management, morale, and vendor relationships. Medius not only met but exceeded expectations by helping with accruals for non-PO invoices, with a report that can be generated at month-end to show expense-based invoices that have not been processed through the ERP, and accruals can be easily entered.

Key Considerations to Keep in Mind While Implementing Automation to AP

In conversation with Don Holm, Vice President of Value Consulting for Medius

What are some key considerations that leaders need to keep in mind when implementing automation into AP?

The first step for leaders is to clearly define the goals and objectives for the automation implementation and ensure that these goals are communicated to all stakeholders. It is important to have a line of sight on what is expected to be achieved through automation, including productivity gains and straight-through processing metrics.

Leaders should also ensure that the solution delivers value immediately. Many enterprise software solutions take a long time to implement, and it is not always clear what benefits they will deliver, and when they will deliver them. It is important to select a solution that deploys quickly and starts working out-of-the-box and to measure the success against documented benchmarks.

Finally, leaders are responsible for involving key stakeholders, including end-users, in the implementation process to ensure that their needs are being addressed and that they are trained on the new solution.

What does Medius offer in terms of AP automation?

Medius offers a cloud-based and globally compliant approach to drive highly accurate and reliable invoice data extraction, matching, and exception management. These capabilities are powered by a modern machine learning platform purpose built to solve the AP opportunity.

Medius also offers fraud and risk detection throughout the solution, with multiple levels of defense to identify and escalate potential fraudulent activity and errors.

Medius Pay helps customers extract more value from the AP process without disrupting the ERP payment cycle or existing banking relationships. It helps businesses make a highly successful transition from paper checks to higher value electronic payments by solving the two key challenges facing AP departments today. The first is digital payment onboarding that includes bank account collection and verification. The second is rich, detailed level remittance to ensure that every supplier, no matter their location or banking relationship, can reconcile the electronic payments they will be receiving. Medius enables AP to focus on strategic cost reduction, compliance, and working capital opportunities.

How does Medius help businesses through the automation journey, both pre and post-implementation?

Medius helps businesses through their automation journey by providing a customer success team, an account management team, and the Medius Elevate Program. The Medius Elevate Program ensures our customers achieve the

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highest levels of touchless, straight through processing by providing proactive monitoring of customer performance. Medius then puts the Elevate team's expertise and intimate knowledge of the platform to pinpoint efficiency drains and tune the system to drive greater levels of productivity. Additionally, Medius offers continued technical support to their customers if they encounter any problems during their automation journey.

How does Medius set itself apart from other AP automation vendors?

Medius sets itself apart by driving great outcomes quickly. These outcomes enable several key features and services. First, Medius has developed its own capture technology that drives the highest levels of touchless processing in the market. Machine learning does a remarkable job at processing an invoice on the very first pass, eliminating the need to define and store templates which lead to a faster time to value for customers. Secondly, Medius has multi-level matching capabilities to drive autonomous processing from the simplest to the most complex PO invoices. When exceptions do occur, exceptions are easy to identify and resolve. From an expense, or non-PO invoice perspective, predictive coding and automated routing provides additional boosts to efficiency and coding accuracy. Perhaps most importantly, Medius is purpose-built for AP, which makes it intuitive for the Accounts Payable professional and helps our users achieve a better work-life balance. Combined, these features make Medius unique and provide customers with a great experience and fast time to value compared to other AP automation vendors.

Key Takeaways
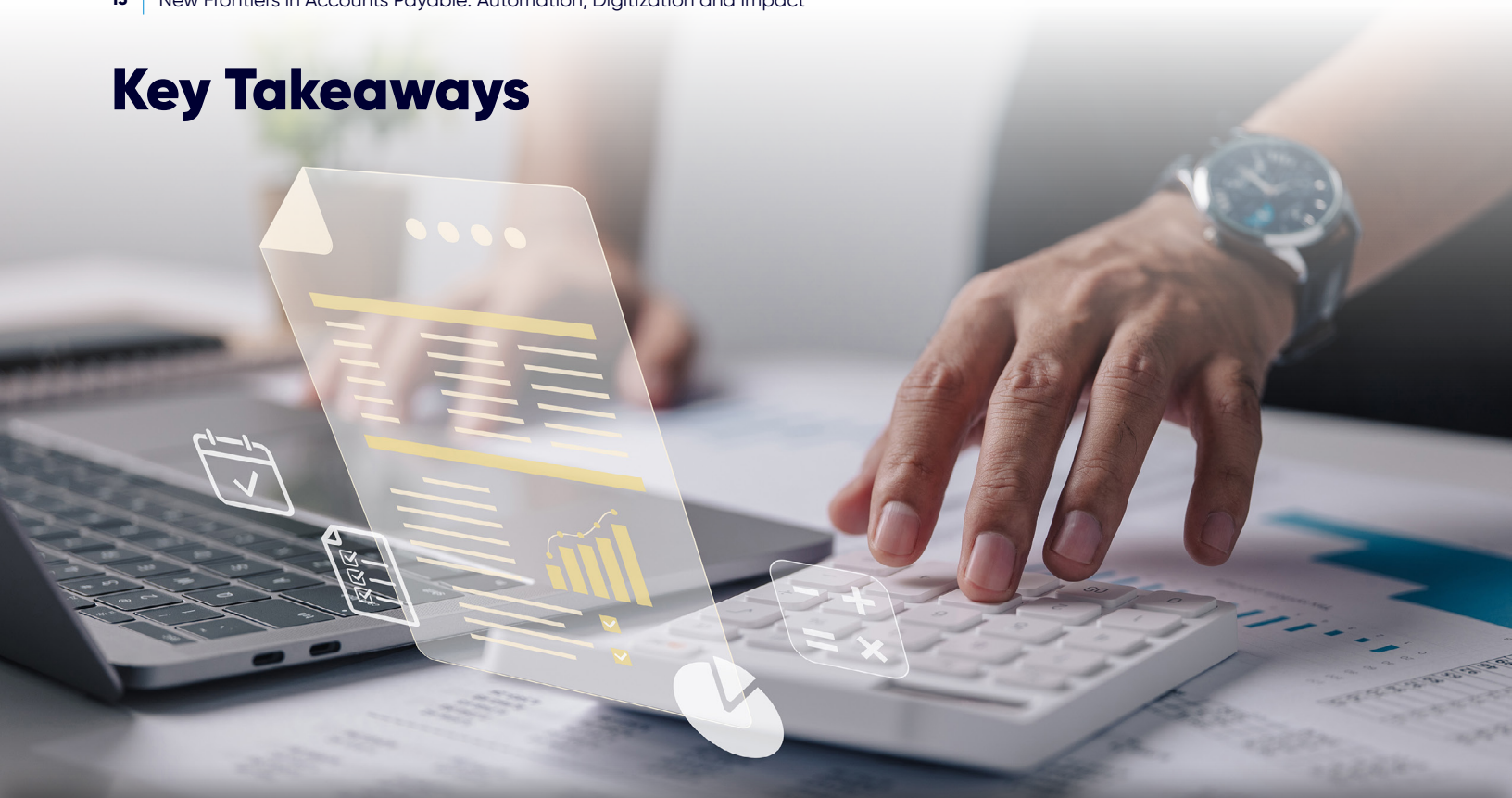
State of AP

AP teams are seeking automation opportunities to optimize cash flow, manage costs and enhance vendor relationships.

The core challenges to AP today are manual processes, fraud, payment delays and errors.Half of organizations have not implemented AI into their AP processes, thus limiting the scalability of their solutions.

What Automation Can Do

Automated solutions are key to replacing outdated manual processes and creating increased speed, accuracy, cost savings, and better cash management in AP.

E-invoicing, straight-through invoice processing and purchase order matching are three capabilities AP teams can leverage to ensure they are no longer taking the blame for mistakes in procure-to-pay.

Invoice fraud is the most prevalent form of fraud in businesses, but with the right technology solutions this form of fraud can be a concern of the past.

Looking Forward

Generative AI will provide the next wave of innovation to AP teams. With Generative AI, AP teams can further automate tasks such as data extraction, document classification, and invoice matching, which can free up employees to focus on more complex tasks that require human intervention. Ultimately, this AI technology can pair with other automation and digitization capabilities to further reduce manual errors, leading to improved accuracy and increased compliance.

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Thousands of organizations turn to the Medius AP Automation Platform to link all of AP together – from invoice capture and processing all the way through payment. Medius doesn't just get rid of endless email, PDF and paper invoices, it takes you beyond basic automation to let artificial intelligence (AI) do most of the work – so invoices are coded, approved, and paid, and you get to (heaven forbid) go home and rest easy. Simplicity shouldn't be complicated. Medius has designed a secure solution you can get up, running, and integrated to your ERP system quickly – without waiting for an open spot in your IT team's to-do list – while continuing to bring the freshest ideas and innovation in AP into your business.

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The **Shared Services & Outsourcing Network** (SSON) is the largest and most established community of shared services and outsourcing professionals in the world, with over 170,000 members. Established in 1999, SSON recognized the revolution in support services as it was happening and realized that a forum was needed through which practitioners could connect with each other on a regional and global basis. SSON is a one-stop shop for shared services professionals, offering industry-leading events, training, reports, surveys, interviews, white papers, videos, editorial, infographics, podcasts and more.

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