Building a Foundation for Digital Transformation in Accounts Payable
Exploring Strategic AP Automation Solutions for Innovative Companies

Q3 2018 | Featuring Insights On...

» Pain Points in Today’s Invoice Management
» Applying Digital Transformation to AP
» Implementing an Automated AP Solution
» A Leading Provider of AP Automation

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Introduction

Digital transformation has been at the forefront of the business world in recent years, as executives across almost all industries seek to streamline processes and enhance their customer experience. Many people associate digital transformation with transforming customer-facing activities using advanced technology, such as personalized features and self-service capabilities on a business’s website. However, digital transformation can also be applied to an organization’s internal operational processes. Through this second type of digital transformation, companies can achieve significant efficiency gains, glean unprecedented insights into their transactional data, and further unlock new opportunities for themselves and their partners.

Digital transformation is the use of technology to dramatically improve an organization’s performance and reach, both internally and externally. It enables organizations to use technology to constantly monitor processes, inputs, and outputs, allowing decision makers to make continuous improvements. One of the key ways organizations can achieve this transformation is by adopting solutions that enable efficient Business-to-Business (B2B) transaction processing and real-time access to accounts payable (AP) information.

When organizations adopt AP automation with a digital transformation focus, they are moving beyond a piecemeal approach that applies smaller-scale fixes or patches to remediate problems within existing processes. On the other hand, a true AP transformation represents a fundamental shift towards more strategic decision-making. When it comes to AP, automating back-office processes with technology, such as invoice automation or electronic payments (ePayments), is considered transformational. These functionalities enable staff to make actionable, data-driven decisions, and they help innovative organizations become more competitive in a technology-driven world. This report outlines how AP automation software can help organizations achieve greater success in today’s digital markets and commerce environments.
Research Overview

Each organization differs in their specific aims and priorities when it comes to digital transformation. However, Levvel Research has found that there are several universal motivations across organizations, regardless of type, size, or industry.

Performance and Growth

Automation solutions need to encompass a way of digitizing and intelligently processing payables information, which currently rely heavily on paper, PDFs, and other unstructured document formats. Digital transformation brings a new level of ease and efficiency to AP, with features such as automated collection and processing of receipts, data storage, and transactional data management. Digital solutions can also offer vendor management, invoice and payment automation, and reporting capabilities. With these types of features, businesses can reduce the amount of time spent on low-value, manual tasks and increase savings, freeing up resources to focus on enhancing the performance of their products or services, increasing profits, and broadening their reach within their industry.

When organizations do not leverage AP automation, they suffer the consequences of limited control over data and processes. Figure 1 shows

Most Organizations Deal with Manual Data and Inefficient Processes in a Manual Invoice Workflow

“What are the top three biggest pain points you experience in your workflow process? (Select top three)”
that the primary pain points experienced by organizations that do not have an automated invoice management process are manual data entry and overall inefficient processes, lost or missing invoices, and a high volume of paper.

Invoice management is glaringly inefficient under manual processes, limiting the potential for efficient performance or company growth. Introducing automation eliminates methods restricting growth and opens the door for strategic performance improvement via reduced costs and higher savings. AP process automation also generates streams of data that are useful in understanding potential areas of improvement in a given workflow or process. With data-driven reporting and analytics, and the resulting insights into inefficiencies, companies can make targeted, low-risk, systematic improvements to their business models.

**Internal and External Process Optimization**

Improving the customer experience entails making changes both in back-office operations and externally-facing changes. Attracting and retaining customers is a challenge, especially given the array of channels through which potential customers’ attention can be gained. In order to identify new potential market segments, organizations need to leverage data to better understand their customer base and how best to target them.

Organizations can apply this same approach for gaining, maintaining, and optimizing supplier interactions. One way to accomplish this is by automating key supplier-related aspects of AP management, including invoice receipt, approval workflows, and payments. For many organizations, maintaining strong relationships with suppliers while also maximizing the efficiency of back-office operations remains an untapped source of competitive advantage. As with technology that captures customer-related data, the data captured via AP management software enables organizations to better optimize their supplier relationships.

Through digital transformation in AP, organizations can optimize internal processes by reducing inefficiencies, such as manual data entry, delayed payments, or high volumes of supplier inquiries and disputes. Automating the AP process allows back-office staff to focus on strategy and innovation, rather than repetitive or time-consuming tasks. This shift in focus is often also accompanied by increased employee morale and productivity, as employees garner a greater sense of agency from the work they are now able to accomplish. Through the process of identifying new opportunities for streamlining both internal and external activities, companies can gain a competitive advantage.
Compliance

Compliance with tax laws, supplier rules, and trade regulations can be fraught with uncertainty and risk. Overseeing compliance is often a fragmented job split between procurement, AP, and legal departments, and important data is likely to slip through the cracks. Today’s organizations face increasing rules and regulations, and must remain compliant to meet high standards of data security and be seen as a trusted partner by their business counterparts.

Automating certain compliance-related decisions through digital transformation keeps track of all requirements and ensures businesses do not face severe legal and financial consequences. By removing paper-based processes from AP, organizations decrease the risk of losing paper documents and compromising sensitive company data. Storing information securely also helps circumvent the challenges manual processing presents for fraud detection. Digital transformation of AP processes results in automated digital audit trails, flagging, approvals and disapprovals, and inquiries. Leading AP automation providers can also extract negotiated terms within supplier agreements such as volume discounts, payment terms, expiration dates, delivery, price, and quantity, and then match that data to vendor invoices. This prevents inaccurate vendor billing practices that may result in overpayment.
AP Automation for Digital Transformation

Benefits of AP Automation

AP automation solutions simplify invoice processes, improve user experience, enhance compliance, increase productivity, and strengthen supplier relationships. Figure 2 illustrates the top improvements that emerge with AP automation. The greatest improvement by far is the reduction in the volume of paper invoices. Digitizing components of the AP process leads to more efficient process flows downstream.

**FIGURE 2**

**Benefits Achieved Through AP Automation Implementation**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in paper invoice volume</td>
<td>66%</td>
</tr>
<tr>
<td>Quicker approval of invoices</td>
<td>62%</td>
</tr>
<tr>
<td>Improved visibility into unpaid invoices/liabilities</td>
<td>40%</td>
</tr>
<tr>
<td>Increased employee productivity</td>
<td>35%</td>
</tr>
<tr>
<td>Lower overall AP processing costs</td>
<td>30%</td>
</tr>
<tr>
<td>Reduction in late payment penalties and interest</td>
<td>13%</td>
</tr>
<tr>
<td>Better compliance with regulatory requirements (SOX, FASB)</td>
<td>10%</td>
</tr>
<tr>
<td>Improved supplier relationships</td>
<td>9%</td>
</tr>
<tr>
<td>Reduction in fully loaded cost per invoice</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Most Organizations List Reduction in Invoice Volume and Quicker Approval of Invoices as Their Top Benefits from AP Automation**

“What are the greatest improvements you have seen since implementing an AP management solution? (Select up to three)”
Another significant benefit of implementing an AP solution is increased visibility. Automation provides a comprehensive record of all transactions, creating a seamless audit trail where trends and patterns are easily observable. Companies can gain a better understanding of where improvements might be made, where bottlenecks occur, or which future process changes should be implemented. A benefit of this increased financial visibility pertains mainly to cash flow and spending, which is particularly useful for CFOs, controllers, and others in Finance, who lack insight into spend activity when data is restricted to paper invoices. Additionally, having an accessible source of information available in one location improves spend control and fraud protection.

Of the many concrete benefits of AP automation, one is faster payments to vendors. Unnecessary payment delays are one of the main hurdles of accounting processes. Automation significantly reduces the average time to pay vendors by streamlining requests, processing, approvals, and payment runs. With these advancements, the number of delayed payments can be decreased, thus improving vendor relationships.

By adopting AP software, organizations and their counterparts (i.e. customers, suppliers, etc.) can benefit from streamlined processes and improve process efficiencies, all while reducing conflicts with vendors. In addition to faster payments, organizations that digitally transform their back-office processes spend less time resolving invoice billing issues and queries with vendors. Once the supplier adopts a new, streamlined process, both parties will begin to benefit from increased efficiency. AP automation solutions can provide automated responses and categorize different types of inquiries. It is important to keep in mind that effective supplier management and onboarding are key components to the successful adoption of an AP solution. Adopting AP automation improves the supplier dispute resolution process and increases responsiveness, ultimately enabling suppliers to better manage their own supply chain.

By expediting back-office processes, the entire AP workflow becomes more streamlined, decreasing friction associated with pending approvals, delayed payments, and duplicate invoices. As a result, the cost per invoice decreases; Levvel Research survey data on invoice processing costs based on automation levels recognize these trends. Invoice workflow automation (IWA) solutions, for example, greatly improve approval times through intelligent invoice routing and workflows, and through approval reminders and escalations. The reduced invoice cycle time then increases an organization’s chances of early payment
discount capture. As AP process automation increases, so do time and cost savings, thus resulting in a greater ROI.

**What to Look for in a Solution**

These automated solutions are not one-size-fits-all—not all solutions address all of the above pain points, and certain solutions may not be as effective in one area as another. However, many leading back-office automation solutions will share several common characteristics. One is that solutions offer high accuracy right out of the box, with technology reducing error frequency. Automations solutions also offer quick deployment, with low implementation costs and minimized disruption to present workflows, as well as flexible deployment options, depending on a business’s structure. Automation solutions feature scalable systems that can be applied to businesses of varying sizes, from small-to-middle market enterprises to larger corporations. Lastly, automated solutions capitalize on the use of innovative system technologies, such as artificial intelligence, machine learning, intelligent data capture, robotic process automation (RPA) to support progressive business initiatives. For example, many leading organizations today are achieving digital transformation in Accounts Payable by applying AI-driven intelligent data capture with RPA. Once the ‘intelligence’ or key invoice data is extracted from an unstructured invoice, robots are deployed to validate by matching the invoice to a purchase order, to route for approvals or exception handling, and even to integrate with the company’s existing ERP or accounting systems.
Building a Business Case for Initiating Digital Transformation Through AP Automation

In order to become a leading digital enterprise, the executive team of a business must manage continuous improvements in both the front office and the back office. It is important to keep in mind, however, that implementing any new technology will cause some disruption to the current established order. Successful reinvention means sweeping away existing, often legacy-based, processes and systems, and dismantling workflows that have previously taken time and resources to create. It also means challenging the existing corporate culture, which is often the hardest thing to change for many organizations.

Because each organization’s needs and current states are different, there is no digital transformation framework, playbook, or roadmap that is universally applicable. For example, for some organizations, digital transformation may mean readjusting business approaches to address new market opportunities. For others, it may be a simpler start, such as transforming their AP department with advanced automation software. Often, if an organization starts its digital transformation process with one key back-office department, like AP, they can use the results to show tangible success and gain buy-in to extend digital transformation initiatives down the road.

The following section outlines Levvel Research’s recommended steps for companies looking to digitally transform their accounts payable processes.

Step 1: Review Current Processes

The first step for transformation is to carefully assess the organizational structure and processes in place. Important features to identify and evaluate are the current state of invoice receipt, the AP team’s top pain points, and the most costly aspects of the current payables process. Middle management and C-suite executives should identify their top goals, such as which aspects of the payables process are the most important to automate, and other departments, including software development, legal, HR, and IT, should note which features of automation software would be most appealing and useful. Companies should also consider how many resources are currently spent on AP (including how often temporary employees are required) and then create a budget for the technology investment in question.
**Step 2: Identify Roadblocks**

After reviewing their company’s current AP process, decision makers should next identify roadblocks. They should begin by examining what is inhibiting automation; despite the many known benefits of payables automation tools, many organizations still have yet to adopt one. The top barrier to adoption cited by organizations is lack of budget, followed by the belief that current processes are working. Concerning the “lack of budget” barrier, Levvel Research has found that many organizations are not fully aware of the affordable options that have been added to the software space in the last decade. This lack of understanding may be easily addressed with third-party resources and consultants. Another common roadblock is acquiring senior management approval. In order to encourage buy-in, employees may seek to maximize ROI forecasts and align AP automation with quarterly or annual goals or KPIs.

**Step 3: Create a Roadmap**

Once a thorough review of current processes is complete and roadblocks are identified and discussed, companies can create a digital business strategy and roadmap that aligns with organizational goals to increase buy-in. The roadmap should include the current state and steps for the implementation of a digital solution. Decision makers should include all users, departments, and stakeholders involved in AP processes. The roadmap should also account for all current process workflows and any other variables and details that make the organization’s AP mechanisms unique. Digital transformation solution providers should work closely with clients to configure and customize a new AP solution to meet all of the company’s specifications. The provider and client should expect extensive collaboration between the software practitioners, legal department, and administrators to ensure the current-state information is properly leveraged when proposing the final plan for a digital transformation project.
Conclusion

Embracing digital transformation and automation solutions is a long-term strategy for business success, not a short-term tactic to fix a specific issue. Businesses can reap many benefits from automating their invoice management and accounts payable tasks, including increased savings and boosted employee morale. The returns of investing in AP automation and in digital transformation as a whole can be significant, and, in many cases, fundamental to an organization’s competitive standing in their market.
About the Sponsor

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Accounts payable and finance leaders leverage ABBYY and its valued partner network to resolve their organizations’ inefficient, error-prone, and costly manual or legacy solution-based invoice processing. ABBYY’s scalable solutions feature a robust intelligent capture platform available on-premises, as SaaS or as a managed service. Regardless of invoice volume or IT resources constraints, ABBYY invoice automation customers enjoy a faster return on their investment by achieving best-practice processing performance quickly, easily and at a good value. For more information, please visit www.abbyy.com.
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