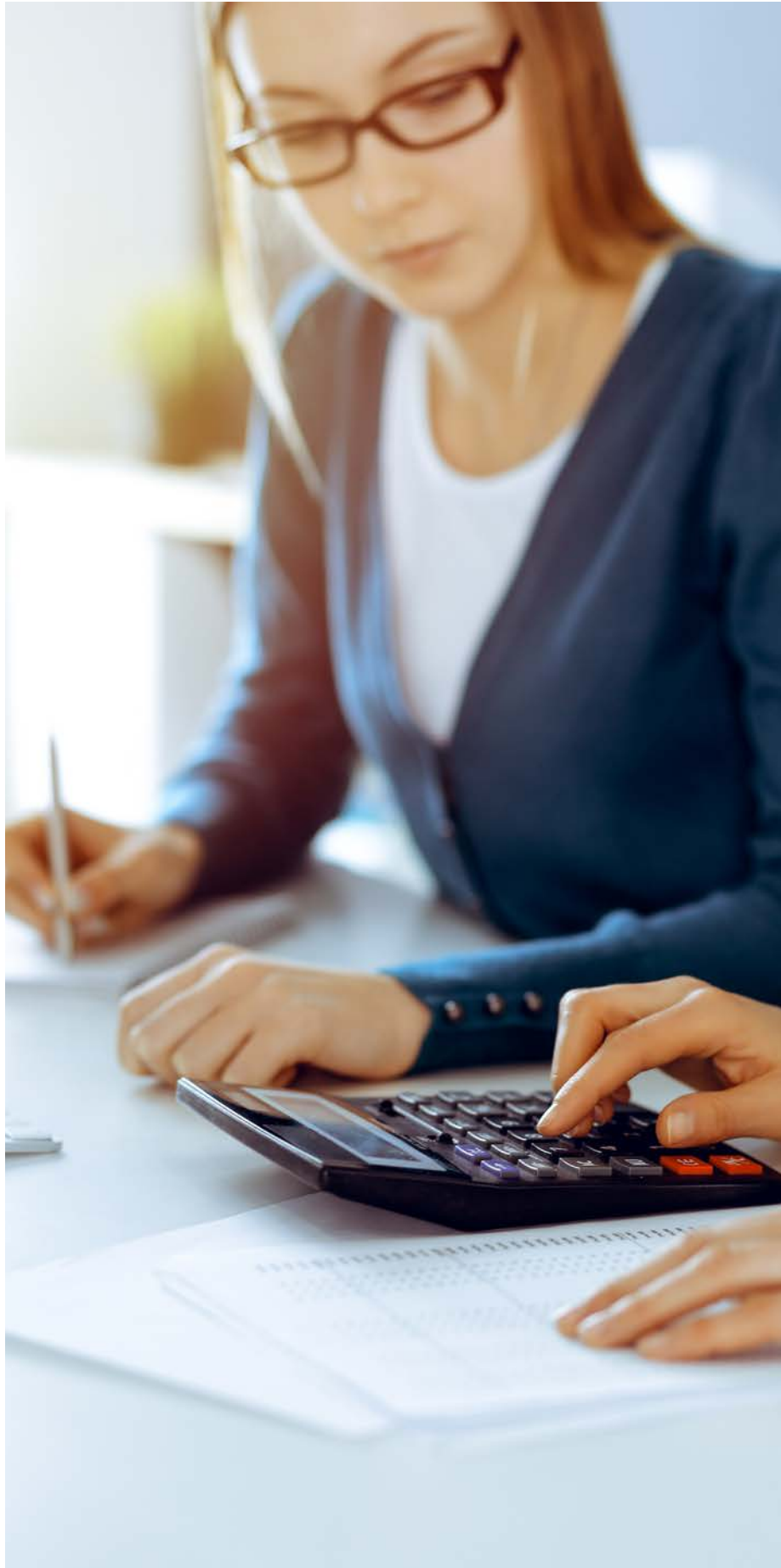




## END-TO-END AUTOMATION FOR ACCOUNTS PAYABLE OPERATIONS

### Abstract

For accounts payable (AP) departments, automation is a breather. However, many large companies continue to run complex, manual, and paper-based AP processes. If a company does not automate its AP process, it needs to spend more money to fix downstream problems. This POV examines the basic components of any AP process, the limitations of manual processes, and the way to transition towards automation.



## Components and limitations of an accounts payable process <sup>[1] [3] [4]</sup>

Every AP process includes invoice capture, invoice approval, payment authorisation, and execution. Working on these components manually provides limited visibility on invoice payments and cash flow for an organisation. According to a report:<sup>[5]</sup>

- Only 24% of businesses that manually process less than 20,000 invoices a year do so on time.
- The median cost of processing one invoice is \$15.97. The median cost with automation comes down to \$12.98.

Manual AP processes rely solely on the accounting system as the hub of all processing. Outside the accounting system, the ERP systems serve as the place to record, store, and generate reports. From the customer-facing team to the management, everyone has to send multiple emails to get the status of inward and outward payments. This increases manual work on tracking and validating invoices. Delayed payments could quickly deteriorate relationships with suppliers. These are some of the common problems with manual AP process throughout the procure-to-pay (P2P) journey:

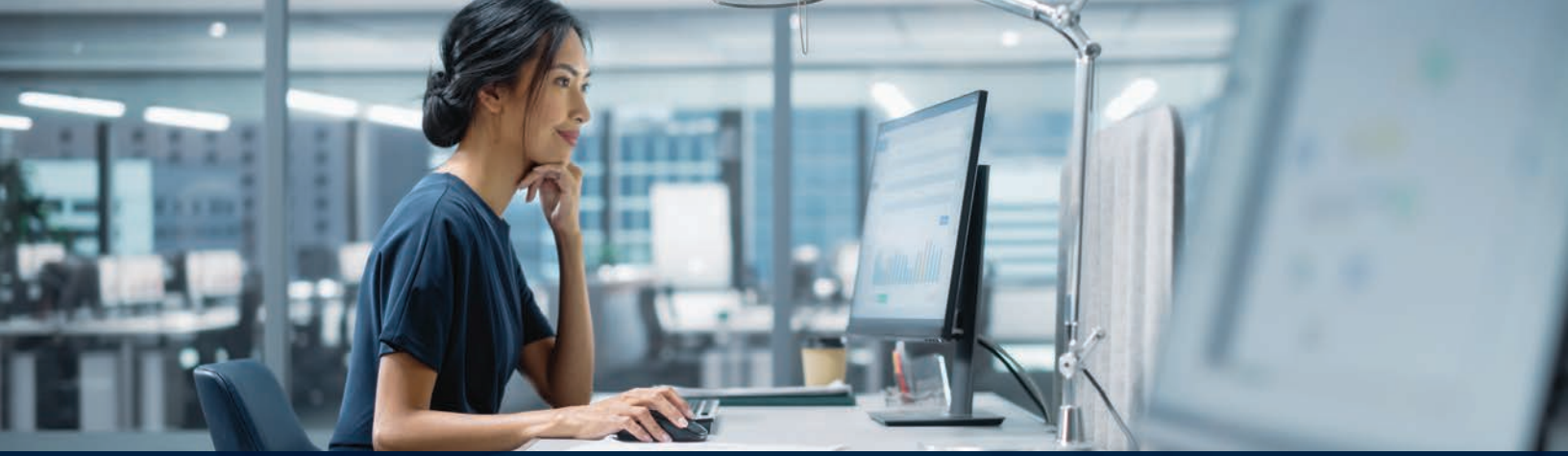
- **Delayed payments:** In the real world, there can be a delay in the payment of invoices. This could be intentional for the sake of cash flow or unintentional due to longer processing times. Either way, the relationship between the suppliers and the business suffers.
- **Missed early payment discounts:** Companies pay invoices either on receipt or on pre-set terms of 30, 60, or 90 days. Those that pay on pre-set terms often get small discounts for timely payments. Vendors prefer to work with such clients because such an arrangement maintains their cash flow and they don't have to spend time chasing payments. Companies that pay a large number of invoices can see their early payment discounts multiply and deliver considerable savings.
- **Frauds:** In the absence of proper payment processes, companies can lose huge amounts of money to fraudsters. There are cases where well-known business giants have fallen victim to fraud. For example, Facebook and Google were scammed out of more than \$100 million, a former Honda employee defrauded the company out of \$750,000, a major supplier to Toyota lost \$37 million to cybercriminals, and Amazon fell victim to a \$19 million invoice fraud.
- **Data input mistakes:** The accounts team dislikes manual data entry in Excel sheets. The work is mundane and redundant, as well as prone to errors. According to a study, 90% of accounts on spreadsheets have errors.
- **Matching errors:** The AP team usually performs three-way matching to ensure that they correctly pay for the invoices. The invoices are checked along with the purchase order and the goods received. If there are data entry errors and missing or incorrect information, it can cause payment delays. Documents related to the transaction could be in different formats and matching them manually demands time and effort.
- **Manual follow-ups and exception invoices:** The accounts team spends a lot of time on rectifying incorrect, incomplete, and non-matching invoices. They spend up to one-quarter of their time handling queries from suppliers and tracking missing information.
- **Unauthorised purchases:** Manual AP system makes it difficult to track unauthorised purchases that employees make without a purchase order. This includes using business credit cards for purchasing goods from unapproved vendors.
- **Disappearing invoices:** Paper invoices can disappear, causing friction with the suppliers. Unpaid invoices can cause accounting problems. Late liability in the balance sheet leaves the management with an inaccurate view of the company's financial position.
- **Double payments:** Companies that handle multiple invoices sometimes make double payments. There could be several reasons, including numerous financial systems and manual data entry.
- **Payment before getting the service:** Early payments are good provided they are done after receiving the goods or the services, as well as performing quality checks. Often AP departments pay for the invoice, not realising that the goods haven't arrived or do not meet the quality standards. This can severely impact a company's cash flow.

Beyond these, there are other tell-tale signs with manual AP process, including: <sup>[2]</sup>

- The accounting team takes more time to process the purchase orders, invoices, and approvals.
- There are inconsistencies in internal processes within the accounts department.
- The paper-based system is a complex one where it is difficult to find the right records when you need them.







## Automated accounts payable process <sup>[2]</sup>

From bookkeeping to tax filing, processes are becoming automated and digital.\* The right AP automation system will deliver process consistency and efficiency to your accounts system. Technology does most of the heavy-lifting and saves money and resources. However, implementing it doesn't come without challenges, which are often behavioural. Companies and their management may want to maintain their status quo and be reluctant to migrate to automated AP processes. This is why automated AP largely remains on paper in many organisations.

### How change management at helps?<sup>[1]</sup>

Perhaps the best way to encourage end-to-end AP process automation is to demonstrate its value to the management. This demonstration could include quick implementation, seamless integration with existing systems, and short ROI. However, the transition has to happen while the business is running. You cannot afford to stop the operations and implement end-to-end automation in the AP process.

### The benefits of automated accounts payable process<sup>[2]</sup>

Automation is indispensable. With the growing importance of big data and the shift towards next-generation technologies, the AP process is gearing up for a facelift through automation. Statistics show that the AP automation market size is expected to touch US\$7.5 billion by 2030. Another study shows that 23% of companies that implemented AP automation are processing the same amount of invoice volume with fewer resources, 64% are processing more invoices with the same team size, and 13% have been able to reallocate staff time to other projects. Further, AP automation is

beneficial in:

- Streamlining processing of invoices and issuing of receipts
- Faster approvals with minimal manual approvals
- High efficiency and accuracy
- Consistent processes
- Efficient re-allocation of resources
- Capturing discounts on time and passing them on to the beneficiaries

### The Steps for a smooth transition to automated accounts payable process<sup>[2]</sup>

Automating the following aspects can significantly iron out the problems in the AP process in a company:

- **Invoice receipt and recording:** Different suppliers can send their invoices in different formats. This includes invoices on paper, email, fax, or automated systems. Interpreting all these invoices is an arduous task for a large company. It is easy to miss out on legitimate details or errors in the invoices. The automated AP system eliminates paper invoice delivery through snail mail. It sorts and redirects invoices automatically, which

saves time and guarantees accuracy.

- **Payment approvals:** Each invoice goes through multiple approvals from departments inside and outside the company. Manual email approval is simply not possible on time. It causes delays and even penalties. An automated system streamlines this process and sends the invoices to the relevant approvers with only a few clicks. This makes the whole workflow efficient.
- **Invoice matching:** Every invoice must have a matching purchase order (PO) to ensure accurate payments. The AP system automatically matches PO and non-PO invoices to the relevant documents and flags exceptions for reconciliation. It also matches the invoices with parent account numbers or contract numbers.
- **Inquiries for vendor payment:** Automated AP systems provide a portal to the vendors where they can log in and track the status of their payments. This significantly reduces manual follow-ups as well as saves time spent on responding to phone calls and emails.

## Finding the right service provider<sup>[1]</sup>

These four steps will help you choose the right service provider and ensure a smooth transition to the automated AP process:

- **Choose a SaaS offering:** IT systems custom-made for a company require significant effort towards maintenance, such as in-house servers and a team. Such systems are incompatible with those used in other companies. Software-as-a-Service (SaaS) systems are hosted on the cloud and work on a pay-per-use basis. They bring uniformity into the whole ecosystem and companies do not need to spend on hardware, security, and IT teams.
- **Search for the right vendor:** With a wide range of AP system vendors,

finding the right one is important. The right solution will integrate well with your existing systems, and the vendor team will explain the system's intricacies in detail.

- **Get agnostic payment features:** Vendors prefer to receive payment in different ways. With economies going cashless, they could opt to pay with direct bank transfers, credit or debit cards, or other online payment options. AP systems should have an inbuilt system to handle different payment formats. Else, they should seamlessly integrate with third-party payment systems.
- **Avoid a long-term contract:** Choose a SaaS system that charges for pay-as-you-go services. Any system that demands for a long-term contract is

not the right choice. With pay-per-user service, you can control the budget you spend on an automated AP system and even exit the contract if the system is not working for you.

Additionally, your automated AP system should include the following features:<sup>[3]</sup>

- Pre-set document workflows
- Optical character recognition system
- Purchase order management
- Centralising the processes in one place
- Storing the approval history and payment details
- Integrated payment systems
- Simplified transitions





## Conclusion

AP operations don't always have to be about dousing fires. It can be proactive, efficient, and streamlined. From lacklustre processes to deliberate delays, it can severely harm a company's reputation and future business prospects. Thankfully, decision makers are realising this and AP automation is fast becoming the new normal for every organisation as businesses move towards holistic digital transformation.

\*For organisations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping organisations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organisations that are innovating collaboratively for the future.

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