# *Accounts Payable Success in the Mid-Market*

Achieving AP Efficiency with Interactive Invoice Management Platforms

Q2 2017 | Featuring insights on...

- » Current Market Trends in AP Management
- » Common Invoice Approval Workflow Pains Among Mid-Market Organizations
- » Benefits of Interactive Invoice Management Software for Mid-Market Organizations

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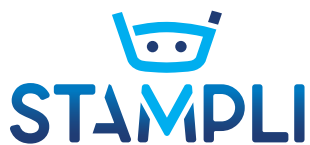
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Introduction

An efficient and productive Accounts Payable process entails a high degree of visibility into, control over, and collaboration throughout all supplier invoices and payments. However, many of today's organizations suffer from a communication problem in their invoice management process. AP departments are trying to keep invoices moving from receipt to payment in a timely manner, but struggle to gather feedback and approvals from all the correct team members. This causes delayed payments, weakened supplier relationships, and high processing costs.

Some organizations turn to AP automation in an attempt to automate invoice approval and speed up processing times. While many of these solutions are a good first step toward improving AP processes, they do not always address the core communication issues companies face during the invoice approvals process. Some solutions simply focus on sending the invoice through AP, rather than supporting communication between AP and other departments. When a solution provider overlooks the need for effective multi-party communication, it hurts the organization's chances of improving back-office efficiency.

Mid-sized organizations need invoice management tools that support collaboration among all relevant parties—including vendors, AP, requestors, managers, and the C-suite—and make invoice information visible and accessible. This whitepaper explores a unique type of invoice management software that is specifically tailored to mid-sized organizations and fosters more transparent and interactive invoice management.
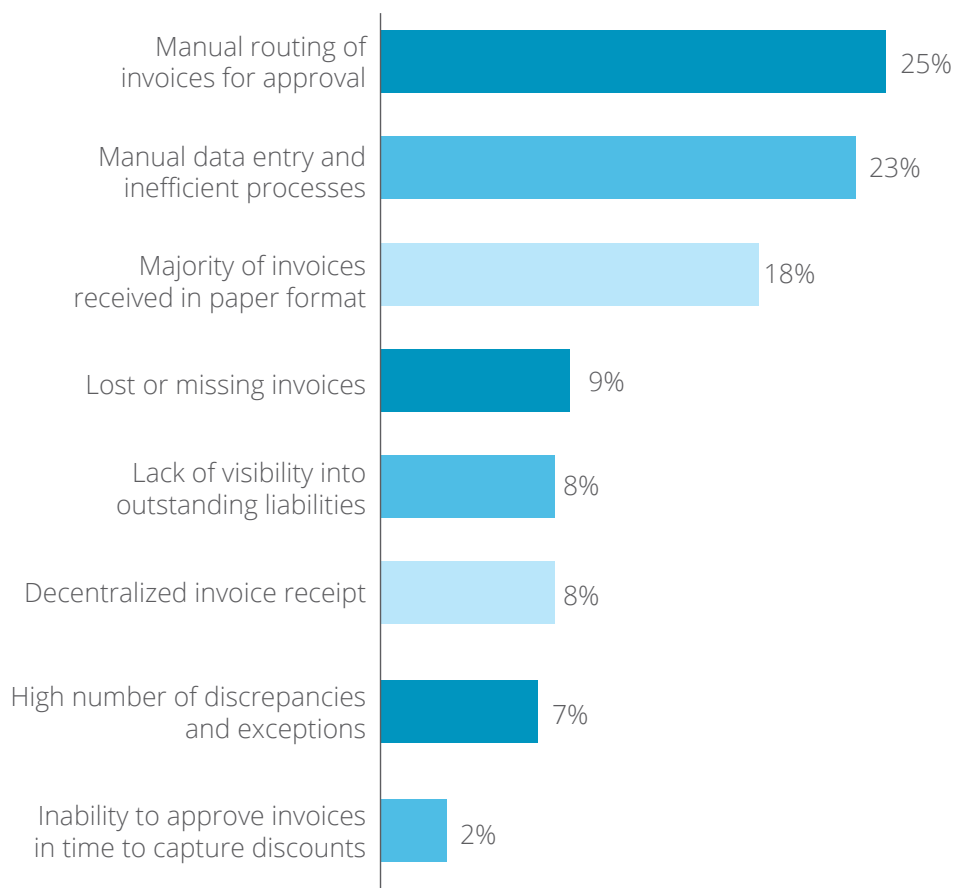
Today's Invoice Management Challenges

What does AP management look like for today's organizations? In order to identify invoice processing trends among North American organizations, PayStream Advisors surveyed over 200 back-office employees across several industries and market segments. Among these organizations, the top pain points in invoice management are manual routing of invoices, manual data entry, and high volumes of paper invoices, see Figure 1. They also experience missing and duplicate invoices, and a lack of visibility into the invoice process lifecycle.

Figure 1

Most Organizations Experience Problems Around Invoice Approval Routing and Inefficient Processes

"What are the top three biggest pain points you experience in your invoice workflow process?"

TOP CHALLENGES IN INVOICE WORKFLOW PROCESS

Challenge	Percentage
Manual routing of invoices for approval	25%
Manual data entry and inefficient processes	23%
Majority of invoices received in paper format	18%
Lost or missing invoices	9%
Lack of visibility into outstanding liabilities	8%
Decentralized invoice receipt	8%
High number of discrepancies and exceptions	7%
Inability to approve invoices in time to capture discounts	2%

Many of these pains come from a lack of AP automation and a heavy dependence on outdated manual invoice management methods. For example, most AP departments depend upon traditional, email- and hand-driven approval workflows, see Figure 2.
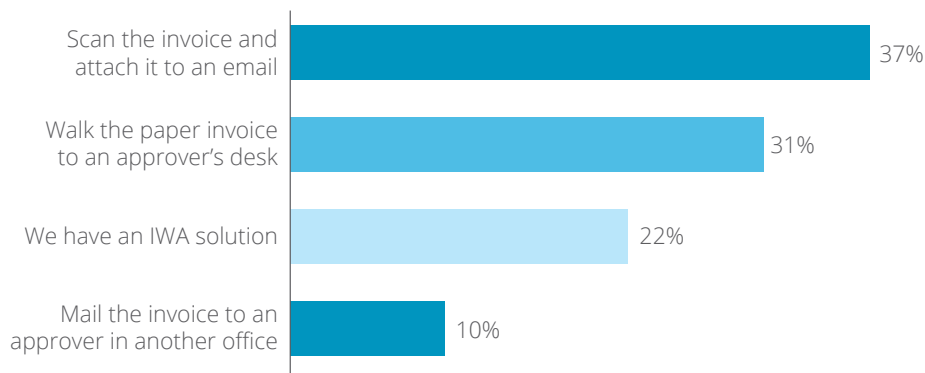
INVOICE ROUTING AND APPROVAL METHODS

Scan the invoice and attach it to an email	37%
Walk the paper invoice to an approver's desk	31%
We have an IWA solution	22%
Mail the invoice to an approver in another office	10%

Manually-driven approval processes require significant time and resources as AP departments try to keep invoices moving towards payment. Despite their best efforts, these departments frequently experience process bottlenecks, late payments, and dissatisfied stakeholders and suppliers. With manual invoicing, not only are invoices frequently late, but AP departments often struggle to pinpoint why they are late or what approvals are still needed.

Another pitfall of methods like email and rigid workflows is that they do not facilitate transparency or proper communication in the approval process. Without a system in which AP managers can see all invoice lifecycles at any time, they must often track down approvers from all over their organization in order to determine the statuses of invoices. Many times, the approvers themselves are still waiting for information from someone else in their team before they can approve the invoice. Other times, the invoice is sent through a series of quick reviews that are essentially "rubber stamp" approvals, or approvals given without the proper consideration. Sometimes an invoice may not come to a member that is authorized to approve it for payment until the payment is already late. It can be very difficult to get all the correct staff viewing the invoice in a timely manner, especially for larger organizations or more complex or high-dollar invoices.

Many organizations do not have successful strategies for handling approval delays. Research shows that organizations typically use email to try to push a delayed invoice approval forward, see Figure 3. However, when organizations receive hundreds of invoices each month, this is not an effective strategy.

INVOICE ROUTING AND APPROVAL METHODS
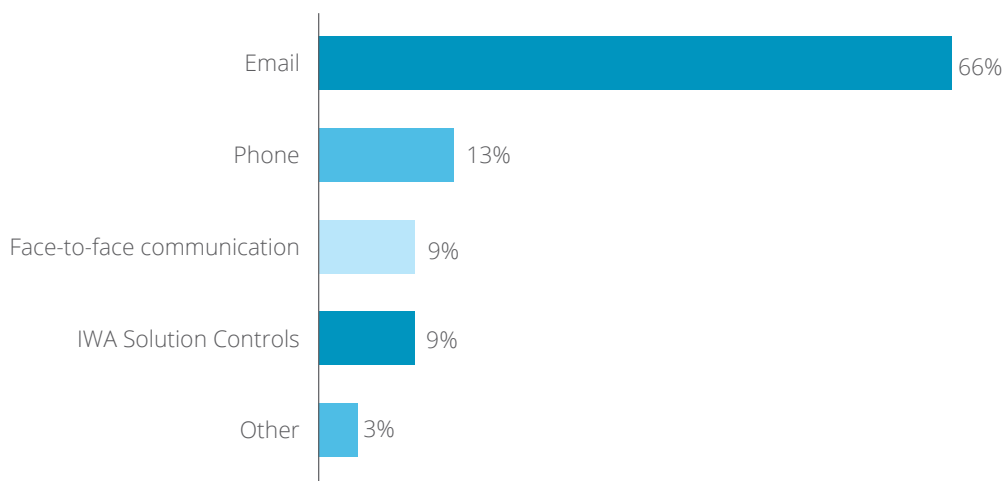
Email	66%
Phone	13%
Face-to-face communication	9%
IWA Solution Controls	9%
Other	3%

An AP department's invoice management difficulties can also greatly depend on the business structure of their organization. For example, in some organizations much of purchasing is handled by the Procurement department, and the Procure-to-Pay lifecycle primarily only requires interaction between Procurement and AP professionals. However, these teams often must still track down certain members of the organization to confirm the invoice is correct before it can be paid, such as the original requestor of a good or the person who received the order.

Other organizations do not have a centralized Procurement department—or any Procurement department at all. This is especially true for mid-sized organizations; these companies are more likely to have decentralized procurement processes in which many different employees from different locations and roles are ordering and receiving a variety of goods and services. The result is an even more complex process that requires a very flexible invoice communication and approval process.

Manual invoice management costs organizations much more than an automated process. For example, PayStream's research has found that the average fully-loaded cost to process an invoice under a

completely manual process is, on average, $15.00 per invoice. With an AP automation solution, these costs drop dramatically. For an organization with moderate automation (a mix of paper and digital invoices, some automation), the average fully-loaded cost per invoice is $6.70. With a fully automated invoice management process, which includes low volumes of paper invoices and the use of advanced invoice management software, the average cost per invoice is $2.36.

Today's AP management solutions offer alternatives to email, telephone, and face-to-face approvals. They provide invoice communication tools, full visibility into invoice statuses, and supplier management tools that often include a supplier self-service portal. These solutions not only lower processing costs, they also reduce invoice approval times. PayStream has found that approval times drop from an average of 45 days with no automation, to an average of 5 days with low paper usage and an invoice management solution.

Not all invoice management solutions work the same way for every organization, and organizations must select the right invoice management tool to achieve low costs and quick approval times. This is particularly true for mid-sized organizations that share certain characteristics, such as a high volume of non-inventory purchasing or decentralized Procure-to-Pay processes. The following section explores AP software that offers an interactive invoice management approach specifically designed for the needs of mid-sized organizations.

Interactive Invoice Management

Instead of depending on complex and variable routing structures to force invoices through an organization, interactive invoice management software enables communication between internal and external stakeholders in a more natural way. This technology features an interactive interface to center conversation around an invoice, reducing the need for AP professionals to track down approvers and collaborators from multiple departments and locations. With this approach, organizations gain more visibility into their AP process and can speed up approval times and payments.

Some characteristics of interactive invoice management technology include:

» **Centralized invoice collaboration** – This feature provides an interactive interface that acts as a landing page for an invoice, with role-based access that regulates the actions users can take with the document. Organizations can allow more non-AP participants to collaborate on the invoice while still maintaining control over confidential company data. These interface capabilities and controls extend to external parties as well. Vendors can log on to a separate self-service portal to submit and verify invoices, communicate with buyers, and accept payments. Interactive invoice management also facilitates centralization by seamlessly integrating with existing accounting/ERP systems, allowing organizations to manage both PO and non-PO based invoices.

» **Increases in productivity and employee engagement** – An interactive invoice management solution reduces AP approval times and improves productivity, partially because of its ease of use for both internal and external stakeholders—it is much easier for these members to view and collaborate on an invoice, inspiring more engaged and timely involvement in the approval process. Communication becomes more natural, reducing the pains and stress of the review and approval process, and making stakeholders more willing to move the invoices forward in a timely manner. Invoice process flows are also well documented and bottlenecks are easily identifiable. This causes many employees to be more diligent and purposeful in their interaction with the invoices, as no one wants to be the reason for process delays.

» **Machine-learning technology** – Much of the difficulty of implementing a new approval workflow system is the time it takes to adapt the solution to an organization's existing business requirements. Sometimes this difficulty is a key hesitation preventing certain

organizations from adopting an invoice management software. However, interactive invoice management features intuitive software that automatically learns a company's requirements over time, including details around workflows, invoice coding, and vendors. This machine-learning technology limits the need for drawn-out change management initiatives. The intuitive nature of the solution enables users to easily learn the system's controls, just as the system learns users' invoicing needs and applies its knowledge intelligently toward facilitating the approval process.

» **Insight and analytics** – Interactive invoice management solutions not only serve as platforms for easy access to invoices, but they also track all activity conducted on the platform. The solution serves as a log that provides AP professionals with valuable insights during and after the invoice lifecycle. This includes activity documentation, duplicate prevention, and search capabilities. Many solutions combine these features with extensive reporting and analytics, allowing professionals to see into process-flow activity, identify bottlenecks, and improve future processes.

In all, an interactive invoice management platform provides mid-sized organizations with control, transparency, and collaboration tools that are specifically tailored to their business structures—and budgets. The following profile highlights a provider of interactive invoice management software with experience in the middle market.

About the Sponsor

Stampli is a cloud-based interactive invoice management solution that streamlines the Accounts Payable process. Stampli created its solution to address the communication breakdown that occurs over invoice approvals. The Stampli solution features a collaborative, intuitive user interface, and leverages the power of human collaboration to center a conversation about each invoice around the invoice itself.

Stampli's invoice management solution integrates seamlessly with leading Enterprise Resource Planning systems including NetSuite, Intacct, QuickBooks, and SAP. Organization-wide setup can be completed in under one hour, and the site license applies to an unlimited number of users. Learn more at www.stampli.com.

About PayStream Advisors

PayStream Advisors is a research and advisory firm focused on business process automation in sourcing, supply chain management, procurement, accounts payable, payments, and expense management. PayStream's team of experts provide targeted research and consulting services to address the changing needs of finance and procurement professionals. In short, PayStream is dedicated to maximizing returns and minimizing risks associated with technology investment. PayStream's research reports, white papers, webinars, and tools are available free of charge at www.paystreamadvisors.com. PayStream Advisors is a division of Levvel, an IT consulting firm specializing in technology strategy, design, architecture, and DevOps.