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The State of ePayables 2020:

Ensuring Continuity, Building Resiliency, and Rising to the Challenge

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The State of ePayables 2020:
Ensuring Continuity, Building Resiliency, and Rising to the Challenge

In 2020, the accounts payable ("AP") profession continues to gain momentum and impact business operations and results in an increasingly strategic way. The global uncertainty that pervades today's market indicates the very real threat of a deep economic downturn. In response, the CFO's new "hierarchy of needs" has placed a laser focus on business continuity and ensuring the liquidity needed to fund ongoing operations. Against the backdrop of a global pandemic, this renewed focus on liquidity and cash management is poised to pull AP into the limelight with an urgency never before seen.

As we continue to navigate these disruptive days, it is clear that some of an enterprise's best opportunities (and most critical priorities) will play to the strengths and expertise of its AP department. This means that AP must work deliberately and aggressively to support the larger enterprise – pushing to help ensure its continuity and build its resilience. Accounts payable must rise to the challenge.

This fifteenth annual AP-themed report is part of the ongoing dialogue that Ardent Partners' analysts have had with AP, finance, and procure-to-pay (P2P) leaders. This report presents a comprehensive, industry-wide view into what is happening in the world of AP and captures the experience, performance, perspectives, and intentions of 205 AP, finance, and P2P professionals. The report also includes benchmarks, recommendations, and analysis that AP teams can use to better understand the state of AP today, gain insight into best practices, benchmark their performance against the Best-in-Class, and, ultimately improve their operations and performance.

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Chapter One: The State of Accounts Payable

❝ *"Today is your day, your mountain is waiting. So get on your way!"*
– Dr. Seuss, author, poet, political cartoonist, illustrator, and filmmaker.

When this 15th annual *State of ePayables* research study began just a few short months ago, increasing growth, productivity, and intelligence were the general objectives for most businesses. Ensuring business continuity was neither a consideration nor a concern; today it is an imperative. That is because in an instant, CFOs, treasurers, controllers, and accounts payable ("AP") leaders around the world are facing an entirely new set of challenges, accelerated by a global pandemic that has disrupted an interconnected business world, and its physical and financial supply chains.

As the COVID-19 pandemic sweeps across the globe, maintaining operations and the liquidity to fund them has become the top priority for enterprises around the world. And, while the pandemic has anointed specific winners and losers, the pervasive uncertainty that cuts across all industries and geographies ensures that cash, liquidity, and the ability to manage them well will be critical to all businesses over the next 12 months. As we continue to navigate these disruptive days, it is clear that some of an enterprise's best

opportunities (and most critical priorities) will play to the strengths and expertise of its AP department. This means that AP must work deliberately and aggressively to support the larger enterprise – pushing to help ensure its continuity and build its resilience. AP must rise to the challenge.

The impact of the worldwide crisis on AP and all other business functions has included the physical disruption that has required entire departments (and companies) to work from home, the mental disruption of facing broad-reaching furloughs and layoffs, and the financial disruption driven by the massive downswing in a majority of markets and industries. And, while the perception of AP continues to evolve from that of a back office role-player to one that sits in a strategic hub of efficiency and intelligence, the current market challenges present an extraordinary opportunity for AP departments to shine. The AP leaders who utilize smart strategies to address short-term enterprise needs (like optimizing working capital and positively impacting cash positions) while pressing forward on longer-term initiatives (like driving a digital

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transformation and enabling more intelligent supplier relationship management) position themselves and their organizations to play an increasingly strategic role when the recovery inevitably begins.

"It has been a very difficult time for my team. They are not used to working from home. Many are scared and distracted. At the same time, we are busier than ever." ~ EVP, Fortune 100 Company (Pharmaceutical Industry)

And, while the recovery is a "not if, but when" event, at this writing, when the recovery commences remains highly uncertain, particularly given new Ardent Partners research that shows that essentially every business has been negatively impacted by the current pandemic. As shown in Figure 1 to the right, 58% of companies have experienced either an "extraordinary" or "significant impact" as a direct result of the pandemic with a plethora of issues cited including employee safety and well-being, sales/revenue, cash flow, and supply chain disruptions, among others. Notably, not a single survey respondent's business has been unaffected. COVID-19 is taking no prisoners.

Figure 1: The Impact of the COVID-19 Pandemic on Overall Business Operations

- Massive impact
- High impact
- Some impact

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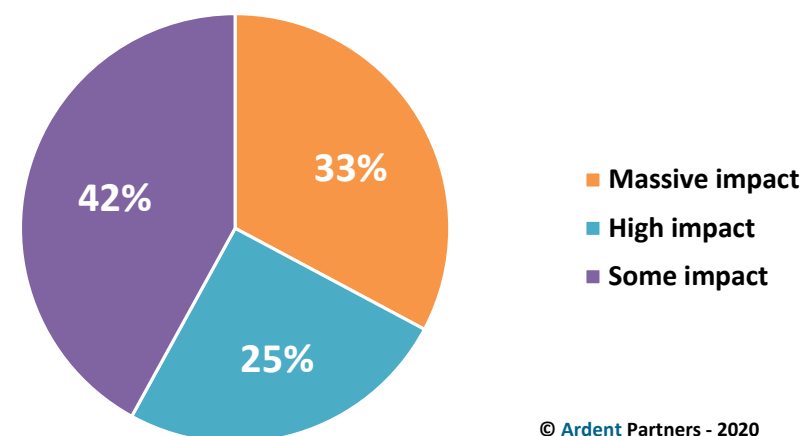
The COVID-19 pandemic forced stay-at-home restrictions on a majority of workers in North America, Western Europe, Asia-Pacific, and in other developed nations, causing great unrest at the company, community, family, and personal levels. No matter an individual's view on the risk that the virus has posed (and continues to pose), AP staffers have been uniformly impacted by the need to work in an entirely new setting, essentially cut-off from their co-workers and their daily routines. The impact has been felt within the enterprise and across the supply chain: Ardent's research also found that forty-three percent (43%) of businesses say that disruptions have been most severely felt in the supply chain and with their supplier relationships, followed by internal operations

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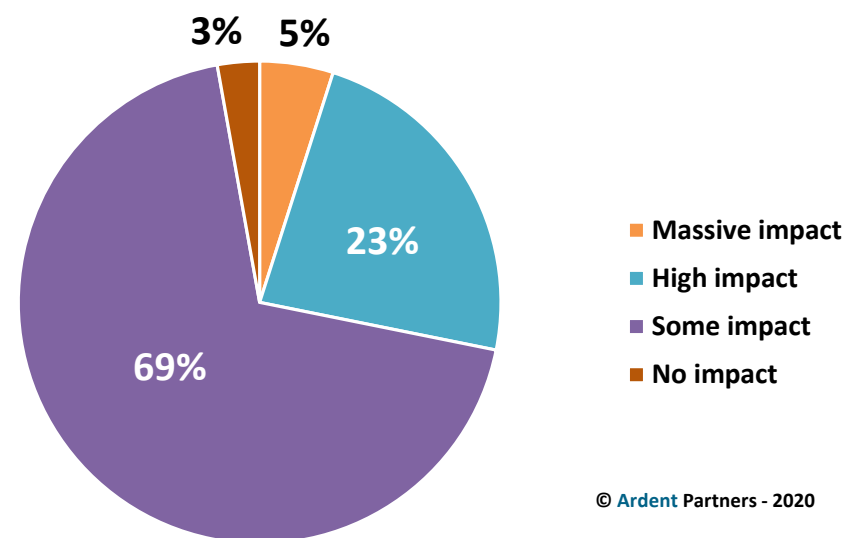| 1 The State of Accounts Payable | 2 The State of ePayables 2020 | 3 Best-in-Class Accounts Payable | 4 Strategies for Success | 5 Appendix |

(28%). While many of the initial supply chain challenges were focused on supply assurance, the financial relationships of buyers and sellers are also being tested.

At the departmental level, nearly 97% of AP organizations have been affected by the coronavirus crisis, although the overall impact has been less severe within AP (see Figure 2 to the right). Upon deeper examination, 69% of AP groups rate the impact as "fair" over the past three months, while 28% said the impact was either "extraordinary" or "significant." The reality is that the longer shelter-in-place and other global restrictions remain in place, the harder it will be for enterprises (and AP more specifically) to operate in its current, altered environment, making the impact somewhat of a moving target. Right now, however, the depth of the impact can be tied to many factors including those discussed above, but an inability to manage paper-based processes while remote, has resulted in the furlough and/or layoff of many AP teams. Executives have been quick to assess their cost structures and make deep cuts; inoperable AP operations have been easy targets.

Conversely, as industry after industry was shut down, many CFOs and treasurers moved quickly to slow the flow of all payments. After reducing payroll via workforce reductions, the leaders in hard-hit industries next focused on managing supplier/vendor payments. To ensure business continuity, many CFOs sent notice to all of their suppliers that they would be unilaterally extending payment terms. Others have attempted to take a more nuanced

approach by developing a multi-pronged payment strategy that prioritizes payments based upon the strategic nature of each supplier relationship. Still, a third group of CFOs (from industries that have seen business increase as a result of the pandemic), have been notably visible, announcing that they would prepay many invoices to ensure that their suppliers are able to survive. In each scenario, AP teams are fundamental to the execution of a critical enterprise strategy.

Figure 2: The Pandemic's Impact on the AP Function

Legend:
- Massive impact
- High impact
- Some impact
- No impact

3% 5% 23% 69%

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Many AP executives are facing sizable invoice- and payment-processing challenges related to office inaccessibility. As an **Assistant Controller working in the Management Consulting Industry** said, "Since all of our processes are manual, our AP team was defined as essential and had to work from the office. Of course, with a majority of my company working from home, processing paper approvals is slow to come." Still, other AP professionals noted the relative ease of transitioning to a remote environment. The difference in most cases was linked to the level of AP automation that exists, and the teams' relative competency using it. "We were able to successfully transition to working remotely in a short period of time due to the automation tools we had in place," said the **Director of Accounts Payable for a Global Video Game Publisher.**

It is a strange time when a laggard AP team is defined as "essential" due solely to the fact that they are behind the curve and are required to physically handle supplier invoices. But the gap between the technology "haves" and "have-nots" has started to diverge in a more dramatic way. It will take time to see the longer term effects, but the COVID-19 pandemic has exacerbated an already existing operational problem for some AP teams, while expanding the divide between leading and laggard performers. The pandemic also makes it evidently clear that while manual processes impede efficiency and visibility, they can also threaten business continuity and organizational resilience.

AP's New Agenda - Step One: Ensure Continuity

There will be many lessons learned from the coronavirus pandemic. But, now is the time to face today's challenges and ensure that AP's resources are focused on the most important activities that ensure business continuity, build resilience, and (eventually) support the recovery.

This begins with ensuring that the business can maintain operations (i.e., business continuity). While no company has ever gone out of business because it processed and paid invoices poorly, AP is frequently the largest single non-payroll source of cash outflows within the organization. In periods of uncertainty, businesses, like people, revert to their more basic instincts; CFOs, and other finance leaders as a result, tend to manage more conservatively. For most enterprises, this will mean that cash, the lifeblood of any business, is king once again. To date, government programs in the U.S. and abroad have provided a significant boost to global economies, but they may be masking deeper economic problems driven by the huge spike in global unemployment and the evisceration of certain industries. It is too soon to make predictions as to where the economy will be in 2021; and, the objectively disruptive events of the last few months makes it almost impossible to predict what will happen next quarter, much less next month. Early indications are that credit markets are tightening and the decade plus period of "very cheap" money will return slowly, if at all, in the short-term.

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To better support cash management strategies, it is critical for AP leaders to have clear lines of communication with the CFO and other financial leaders like the controller and treasurer. This does not mean that AP needs to have a standing daily call with the CFO, but it does mean that they need to understand what the current cash management plan is, who is driving it, and what is needed to execute it. They must also be ready and able to provide accurate and timely data and intelligence to the cash management decision-makers. With fluid workplace locations, establishing new communication protocols to ensure that AP leadership is in lock-step with overall objectives will be important. In addition, communication and collaboration with the AP unit must also be fostered.

Of course, there are finance departments that do not recognize the role that AP can play in business continuity and overall liquidity management. In these situations, it will be incumbent upon AP leaders to push out key invoice and B2B payment information, even if they are not ready to operationalize a new payment strategy. The stakes are simply too high for long-overlooked AP teams to sit idly by.

AP's New Agenda - Step Two: Build Resilience
Once any overarching threats of business disruption have subsided, enterprises will begin to adapt their strategies in direct response to recent events. They will work to recover quickly and build resilience. Here too, cash management will be front and center

for most finance and AP teams. Contract reviews and the general evaluation of the supply base may result in a proactive terms extension or renegotiation strategy that builds on any existing emergency plan and results in a more permanent approach to B2B payments. This happened during the Great Recession (2008-2010) when many procurement teams "did not let a good crisis go to waste" and introduced new payment terms on an interim basis only to turnaround and make them permanent soon after. Accounts payable teams will need to ensure that any changes to payment terms are accurately captured, mapped to the proper systems, and then followed.

"In response to our customers' nearly uniform payment term extensions, our finance and procurement leadership teams have spent the past two months focused on how to best extend our supplier payment terms." ~**P2P leader, Mid-Market CPG Firm**

AP teams should consider following suit and use today's crisis as a means to drive supplier enablement up, and thereby drive processing costs down. In challenging markets, suppliers are more responsive and open to the ideas of their customers. Now is the perfect time for AP to take the lead and promote supplier enablement as a key to customer satisfaction. Even in the short-term, as their P2P partners in procurement begin to ramp up

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sourcing activity and award many new contracts in their drive to find more savings fast, AP teams should work with procurement to promote enablement as a valuable supplier attribute.

Additionally, AP teams should become more involved in avoiding overpayments and duplicate payments, working more closely with procurement and the business to ensure that the goods and services received match their contractual terms before invoices are approved.

AP's New Agenda - Step Three: Support the Recovery

Since the beginning of this research project, it was announced that the U.S. (and other) economy formally entered a recession in February. The cyclical nature of global economies means that there will be a recovery. Once business operations return to some level of normalcy, executives will develop a short-term plan to defend their bottom-line while they also plan for the future. In a recession, when sales, growth, and investments are more limited, enterprise executives focus their attention on controlling the things that are, in fact, within their control – what they spend, where, and with whom. Procurement teams have already begun sharpening their sourcing tools as they plan to accelerate competitive sourcing activity in the second half of 2020. In support of greater sourcing volumes, AP can provide intelligence regarding incumbent supplier performance to help sourcing teams make better decisions. They can also help streamline the onboarding of what is potentially a large number of new suppliers.

ePayables and the Path to Recovery

The "continuity, resilience, and recovery" phases set for the AP function all hinge on the unit's ability to position itself for both mid-term and long-term success. While it is often suggested that any enterprise function tap into digitization to drive long-term advantages, the current business climate dictates investments in technologies with fast returns. When deployed efficiently and successfully, AP automation tools (aka "ePayables") qualify. Although 62% of businesses state that they have automation in place today, the truth behind this figure is that far fewer of these AP units have full automation across all phases (invoice receipt, approval workflow, and payments) of the ePayables Framework. Nor have they all optimized how this level of digitization has supported all invoice- and payment-related processes across the greater organization. And then there are the 29% of AP leaders who state that the pandemic will lead directly to greater investment in ePayables solutions. AP's ultimate success will be determined by its ability to function as a value-driver and successfully support the enterprise through the three phases. ePayables solutions will be an important aspect for most, helping AP teams drive incredible impact during these times of organizational need.

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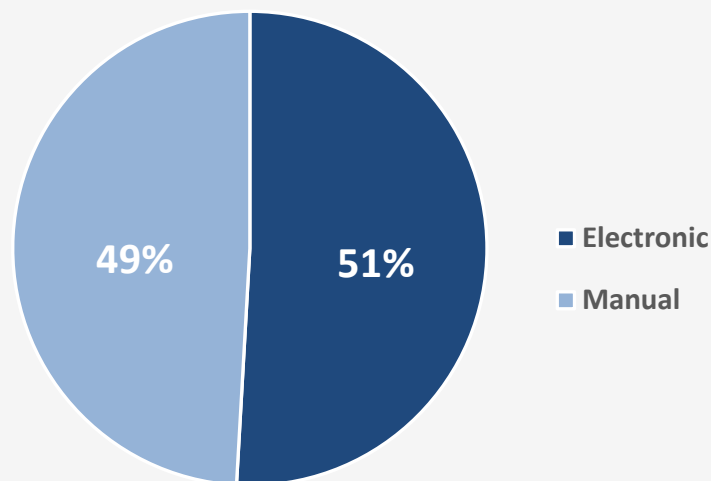
That Persistent Paper Problem

The biggest roadblocks to lower processing costs and enhanced AP performance are paper-based invoices and payments which both require manual processing. This includes invoices received via mail, fax, PDF, and as an email attachment, all of which make up 49% of the invoices received by the average enterprise today (see Figure 3 below). While AP organizations may be receiving invoices in these formats, many have invested in scanning/imaging and data capture solutions or services to mitigate the flood of paper processing. This alleviates much of the manual data entry work because the data is automatically extracted from an image of the invoice. Unfortunately these solutions are not typically 100% accurate, and thus still require human involvement.

Ardent defines an electronic invoice as an invoice that originates digitally, and remains that way without the use of any scanning or data capture support. The average AP organization today receives approximately 51% of its invoices in this manner, which can include eInvoices, EDI, XML, PO-flips, portals, invoices created using web-forms, etc.

Ardent Partners research over the past fifteen years has shown that the use of B2B electronic payments ("ePayments") is on the rise, albeit slowly. In 2020, use of electronic payments now comprises 57% of all payments (see Figure 4 below). Paper checks, while still popular, are in slow retreat from ePayment methods such as ACH, payment networks, commercial cards, virtual cards, and wire transfers that can all reduce costs while also improving the level of visibility, control, and accuracy in the vendor payment process. More enterprises today are targeting their payment processes as part of an AP/P2P transformation program. And, they are doing so against a backdrop of emerging technologies, platforms, and strategies that have ePayments rising not only in usage, but also in prominence and overall business impact.

Figure 3: Invoice Formats

49% Manual | 51% Electronic

- Electronic
- Manual

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Figure 4: Payment Formats

43% Manual | 57% Electronic

- Electronic
- Manual

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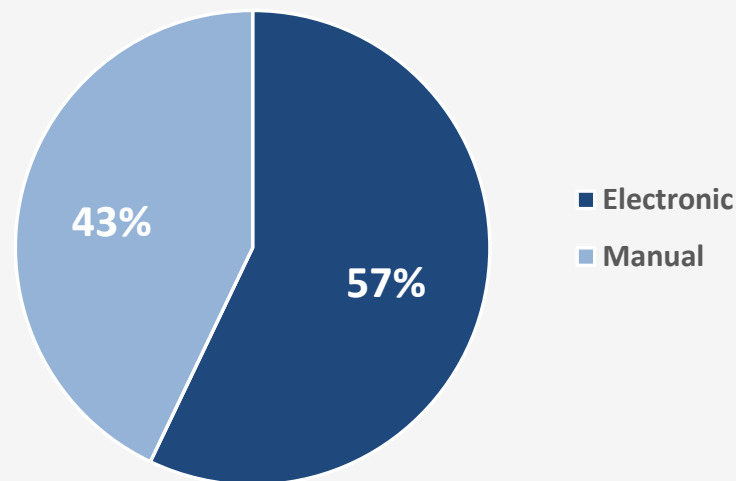
Chapter Two: The State of ePayables 2020

> *"Transformation isn't about improving, it's about re-thinking."*
> – Malcolm Gladwell, author and strategist

AP's Priorities for 2020 (and Beyond)

Since the arc and ultimate impact of the pandemic has far too many potential outcomes, it makes sense to include a more traditional assessment of the state of AP in this report. In recent years, AP has taken significant strides forward, powered by digital transformation, collaboration, analytics, and other progressive ideas developing out of the FinTech industry. First and foremost, however, AP's 2020 journey continues along a path towards visibility and knowledge with nearly half (48%) of AP teams laser-focused on their commitment to knowledge and intelligence (see Figure 5 on the next page). The drive to improve their overall reporting and analytics in the months ahead is a surefire representation of the function's drive to become a "hub" of intelligence for its partners like procurement and treasury. Now, more than ever, the information that AP generates, including views into current liabilities, B2B payment timing, and supplier performance, can be critical in a business climate that demands insights to support real-time decision-making. That AP's top priority in 2020 focuses on data (48% have prioritized improving data and analytics) is just part of the overall story.

In truth, it is the other key priorities that more likely define the function in the second half of 2020. Many of these other priorities are more "traditional" in scope…a direct result of unprecedented challenges the world currently faces, along with the realization of the importance of automation to maintain business continuity.

The age-old "paper vs. electronic" or "manual vs. automated" battle still continue today, even within a business world that has become (mostly) digitized across a majority of functions. Over the years, many groups that automated some (or all) of the invoice- and payment-processing operations have experienced positive results, including process efficiencies, cost savings, faster invoice and payment approval times. Others have translated automation into improved working capital management, spend management, supplier relationships, and compliance, as well as reduced fraud and less time spent on tactical activities. Over the last decade, these benefits shifted from "nice-to-haves" to "must-haves." Today, these are table stakes for all AP, P2P, and finance teams.

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Nonetheless, many AP departments still have gaps. As seen in Figure 4 (on page 11), eliminating paper invoices (38%), enabling electronic supplier invoices (32%), and eliminating paper checks (28%) are clearly important priorities for AP leaders, as well as their finance and procurement counterparts. While investments to achieve these goals were frequently superseded by other, more important needs, the alignment of AP skills and activities and the near-term focus of enterprise executives should push more AP leaders towards digitization, automation, and the ultimate eradication of paper-based tasks.

Figure 5: Top Priorities for AP in 2020

Priority	%
Improve AP reporting and data analytics	48%
Eliminate paper invoicing and reduce manual tasks	38%
Enable more suppliers to submit invoices electronically	32%
Implement AP Automation	29%
Eliminate paper check payments	28%
Reduce processing costs	27%

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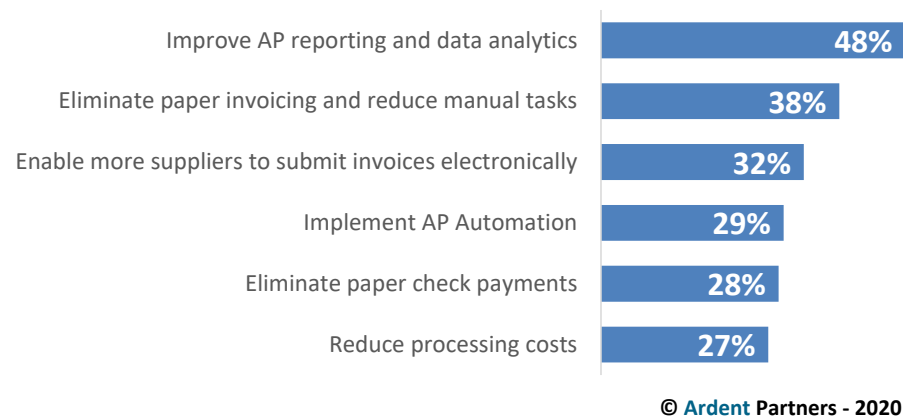
Overcoming Traditional Challenges Will Result in Modern Success

Every business function faces a rash of challenges relative to its specific operational purpose. For decades, the AP unit resided firmly in the back office, mired in paper-based, manual processes, which limited the value that the function could offer. In 2020, the COVID-19 pandemic has shaken many businesses to their core, replacing traditional business structures and protocols (collaboration, in-person processes and coordination, regular team meetings, etc.) with an entirely new paradigm. Accounts payable face a series of challenges that must be overcome to continue its strategic path forward while also striving to ensure continuity, and pave the path to recovery in these uncertain times. Of note, nearly all of the challenges highlighted in Figure 6 below have a variety of solutions available to the AP function. However, there is one solution that provides the strongest range of benefits and value to AP's journey: *automation*.

Figure 6: AP's Top Challenges for 2020

Challenge	%
Invoice/payment approvals take too long	60%
High percentage of exceptions	48%
Lack of respect/status within the organization	33%
Too much paper	31%
Manual B2B payments	27%
Lack of visibility into invoice and payment data	25%
Getting the budget to invest in automation	23%

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Over the years, AP has faced a series of challenges that are directly linked to a reliance on paper-based processes. As AP leaders navigate the current state of business, a majority (60%) still face lengthy invoice and payment approval times. While this has always been a "top five" issue for the AP group, this is the first instance in many years that approval process deficiencies rank as the top challenge. However, there is a very valid (and current) reason for this challenge: as social distance and shelter-in-place advisories rock both personal and business perspectives, the inability to perform in-person procedures has negatively impacted those AP functions without full automation in place.

A recurring theme in the world of AP is the havoc wrought by invoice exceptions; today, 48% of AP departments rank their high percentage of invoice exceptions as a major problem (Figure 6, previous page). Like a pebble in a hiking boot or the slow leak in a tire, invoice exceptions are annoying. And unfortunately for AP they are, given their high number, acceptable for many in the invoice-processing operation. But to be clear, invoice exceptions are a primary cause of higher processing costs and times. If an exception occurs due to information discrepancy, such as a lack of a purchase order (Ardent's research has found that 73% of all invoice exceptions are linked to a discrepancy in invoice information, the top reason for these exceptions), the entire process grinds to a halt. Accounts payable is forced to resolve the exception, which can disrupt the normal approval workflow and payment timing. While necessary, the time spent managing exceptions is of little

strategic value. It also pulls the AP team away from working on more strategic activities such as spend management and fraud prevention.
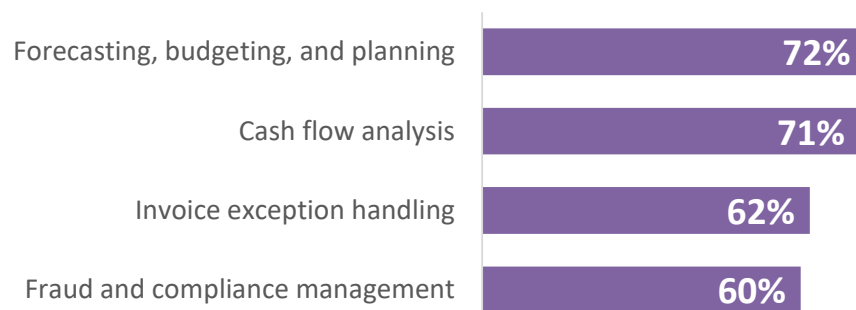
Fully one-third (33%) of all AP groups are still challenged by other stakeholders' poor view of the function (Figure 6, previous page). While many of AP's other core hurdles revolve around the simple paper problem—more paper and more manual-based tasks translates into longer invoice approval cycle times and longer payment processing times (27%), which can trigger unhappy suppliers, missed discounts, and late payment penalties. Additionally, the lack of overall visibility into invoice/payment data (25%), due to the sheer volume of paper invoices, can result in missed opportunities like optimal cash management.

Becoming Data-Driven

Due to the rise of business process automation tools, cloud-based applications, mobile solutions, and connected devices permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and businesses around the globe have an extraordinary opportunity to capitalize on it. The same holds true for AP departments who are increasingly able to convert data into intelligence and value. The main uses for data and intelligence within AP show that many departments are on the verge of a data-led transformation.

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Figure 7: Main Uses for AP Data and Intelligence

Forecasting, budgeting, and planning — 72%
Cash flow analysis — 71%
Invoice exception handling — 62%
Fraud and compliance management — 60%

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AP's thirst for data is no mirage. As shown in Figure 7 above, AP leaders understand that the information that their efforts, systems, and processes collect can be a valuable foundation for critical, strategic financial activity, including:

- **Forecasting, budgeting, and planning.** While standard forecasting and planning relies on current data, it is a much better approach than no planning at all. Invoice, payment, spend, and supplier data are all rampant within the world of AP, and this information, when harnessed properly, can be incredibly valuable within the department and across the operation. With the advent of more agile analytics (and the advanced reporting capabilities inherent in many of today's AP automation and/or P2P platforms), planning, forecasting and budgeting can arm CFOs and controllers with actionable intelligence.

- **Cash flow analysis.** The old adage, "cash is king," could not be more relevant today. During times of economic peril, businesses that have access to cash can weather major storms, survive challenging times, and leverage liquidity to endure, and sometimes even thrive, in a crisis. Having the data-led insights to better understand, and therefore, *manage*, cash-on-hand, outstanding liabilities, as well as anticipate potential cash shortages or surpluses, can go a long way towards optimizing working capital, ensuring continuity, and aiding the overall viability of the enterprise.

- **Invoice exception-handling.** The very bane of the AP function is a seemingly consistent issue for this group. Invoice exceptions are speedbumps in the AP processes that can drastically extend approval time and the overall workflow. Accessing data that can help fix mistakes and support root cause analyses can be an incredible boon in resolving exception-related issues once and permanently before they become repeat offenders. Intelligence leveraged to handle invoice exception-handling also greatly frees up staff time and allows AP professionals to conduct more strategic, value-added tasks.

With 86% of AP leaders stating that data and intelligence is either "critical" (41%) or "important" (45%) to their overall function, the profession continues to mature and more firmly establish its place within the larger enterprise. The knowledge captured by an AP function can help it improve its own operations; it can also be used

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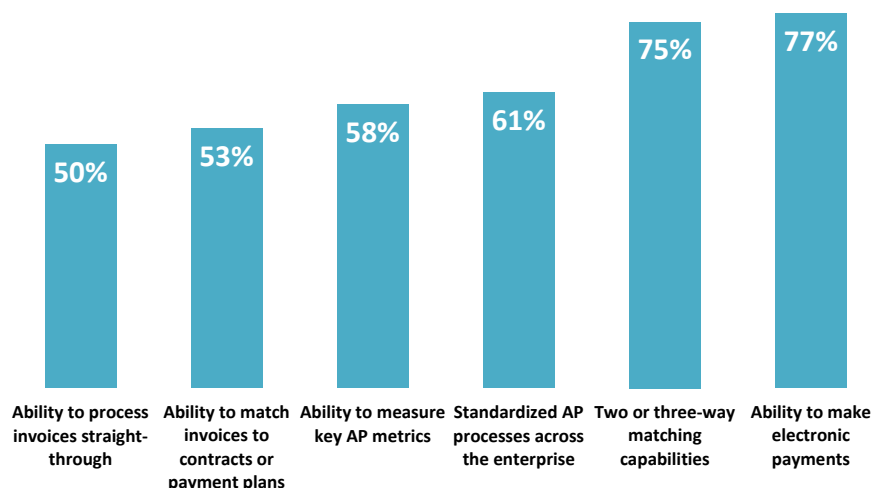| 1 The State of Accounts Payable | 2 The State of ePayables 2020 | 3 Best-in-Class Accounts Payable | 4 Strategies for Success | 5 Appendix |

to support financial (and procurement) decision-making, and help transform supplier relationships.

Core Competencies of AP

Today's leading AP units sit at the intersection of technology, intelligence, and proficiency, and AP leaders are increasingly attaining the capabilities needed to transform the function (see Figure 8 below).

Figure 8: Currently Implemented AP Capabilities

Ability to process invoices straight-through	Ability to match invoices to contracts or payment plans	Ability to measure key AP metrics	Standardized AP processes across the enterprise	Two or three-way matching capabilities	Ability to make electronic payments
50%	53%	58%	61%	75%	77%

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One of the clearest indicators of the relative progress of the AP function is the change in thinking around electronic payments (77%). While invoice automation provides a boost to visibility, control, and efficiency, "closing the loop" and deploying an ePayment solution

to pay suppliers electronically can drive the value of automation to the next level. A holistic approach of AP automation that covers the three phases of the ePayables Framework (Receive, Process, and Pay) can effectively cut processing costs by up to 85%. The automation of B2B payments was overlooked by many for years; however, over the last couple of years (and more recently during today's challenging business environment) increased attention has been paid to both automating this "final mile" of AP process and gaining better control over the cash distribution. With ePayments, AP has access to a powerful tool to support the development and execution of a strategic supplier payment strategy that can shift payment decisions (pay early, pay on time, pay late, take earned discounts, generate rebates, etc.) based on the immediate needs of the enterprise.

Seventy-five percent (75%) of AP leaders currently have two- or three-way matching capabilities in place today. This proves that AP understands the importance of robust controls and governance and can support straight-through or "touchless" processing (which exactly half of AP functions have in place today). This type of processing greatly reduces time, costs, and errors.

"By leveraging data and intelligence, we have been able to transform AP into a profit center for our enterprise." ~ Vince Mullins, Director of Accounts Payable and Facilities Management, FullBloom

The State of ePayables 2020:

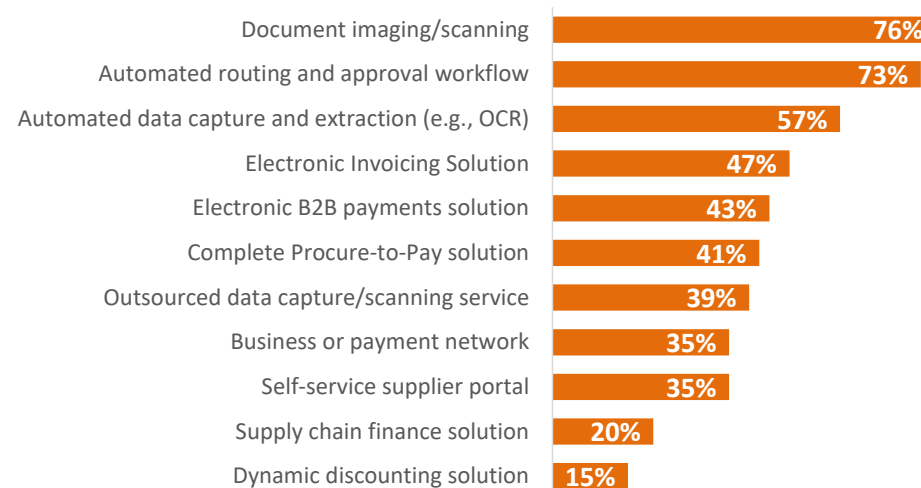| 1 The State of Accounts Payable | 2 The State of ePayables 2020 | 3 Best-in-Class Accounts Payable | 4 Strategies for Success | 5 Appendix |

Much of this year's *State of ePayables* research study has been focused on the importance of *continuity*. Through challenging times when everyday business operations are uprooted, the maintenance of consistency can be crucial… and 61% of businesses today have standardized AP processes in place across their operation. This level of standardization, including the utilization of core and reliable operations for invoice-processing and invoice data management, is critical to driving operations in times of upheaval.

ePayables Usage and Adoption in 2020

As stated earlier in this report, 62% of AP leaders stated that the pandemic did not create a need to invest in automation, as accounts payable processes were "already automated." The reality, however, is that many AP teams have not fully-adopted and/or optimized their technology.

This becomes clear when a deeper analysis of the current AP technology landscape is performed (see Figure 9 to the right). For example, while it is true that a majority of AP organizations have some level of ePayables automation in place, typically at the front-end of the process (i.e., document imaging/scanning (76%) and automated data capture and extraction (57%)), far fewer organizations have broad automation coverage across their full scope of operations.

Figure 9: ePayables Technology Adoption in 2020

Technology	%
Document imaging/scanning	76%
Automated routing and approval workflow	73%
Automated data capture and extraction (e.g., OCR)	57%
Electronic Invoicing Solution	47%
Electronic B2B payments solution	43%
Complete Procure-to-Pay solution	41%
Outsourced data capture/scanning service	39%
Business or payment network	35%
Self-service supplier portal	35%
Supply chain finance solution	20%
Dynamic discounting solution	15%

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Unpacking the technology adoption stats in Figure 9 reveals that a majority of today's AP teams are not fully-automated, but instead have taken more of a piecemeal approach. For example:

- **Only 41% of businesses today have complete procure-to-pay automation in place**, which shows that gaps between AP and procurement still exist. In tough times, businesses should require all teams to be unified and focused on the most important things. The post-pandemic world will increase the general focus on managing supplier costs and payments. Wide technology and/or process gaps

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between the two groups makes it more difficult to fully capture savings and ensure contract compliance. Whether via integrated or closed-loop solutions, full automation across the requisitioning/purchasing, invoice, and payment processes can reduce operational costs and help enterprises optimize their supply chains.

- **Less than half (47%) of all AP teams use eInvoicing,** which is a missed opportunity for many to drive next-level efficiency. Accounts payable departments tend to focus on the "Process" phase of Ardent's ePayables Framework (Receive, Process, Pay) and less so on the other two. Electronic invoicing enables automated transmission of invoices between suppliers and buyers, which in and of itself is a boon (through the elimination of paper invoices). But eInvoicing also enables the electronic transmission of more accurate data, creating the opportunity for more "touchless" processing and helps to mitigate many of the invoice exception woes that currently plague AP groups.

- **The adoption of electronic B2B payments (43%) continues to rise.** This is promising and an area that hits at the core of AP's most strategic opportunity in the near-term. It is an area that deserves much more focus because enterprise inertia, driven by a resistance to change, is typically one of the biggest obstacles that enterprise functions must overcome on the pathway to organizational transformation.
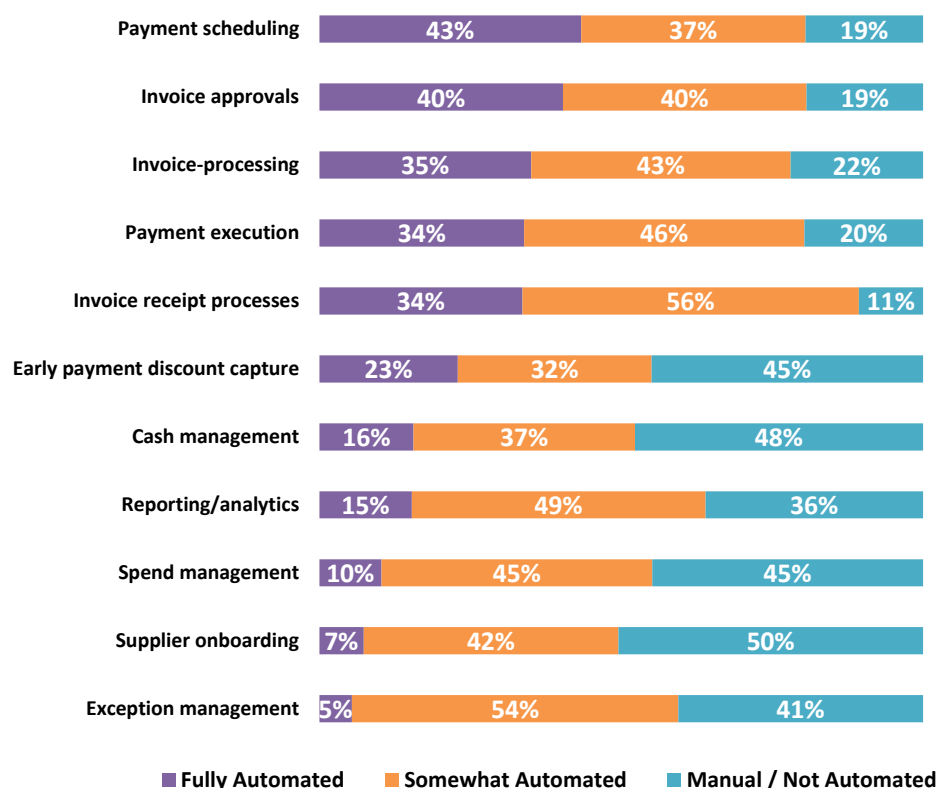
With the recent ascension of advanced technologies in the business-to-business (B2B) payment landscape, however, the unwillingness from both buyers and suppliers that has allowed paper checks to retain a significant portion of B2B vendor payments may slowly be starting to fade.

The Age of AP Optimization

While many businesses that participated in this research study indicated that have already automated their AP operations, their definitions and actions are not uniform and large gaps still exist in a majority of departments today. As shown in Figure 10 on the next page, the reality is that, across most AP sub-process areas, full automation is the exception and *not* the rule.

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Figure 10: Levels of Automation Across Core AP Operations

	Fully Automated	Somewhat Automated	Manual / Not Automated
Payment scheduling	43%	37%	19%
Invoice approvals	40%	40%	19%
Invoice-processing	35%	43%	22%
Payment execution	34%	46%	20%
Invoice receipt processes	34%	56%	11%
Early payment discount capture	23%	32%	45%
Cash management	16%	37%	48%
Reporting/analytics	15%	49%	36%
Spend management	10%	45%	45%
Supplier onboarding	7%	42%	50%
Exception management	5%	54%	41%

■ Fully Automated ■ Somewhat Automated ■ Manual / Not Automated

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When broken into the specific sub-phases across invoice and payment processing, less than half of all AP departments have fully-automated any area, a stunning revelation. When deploying an enterprise-level solution, gaining complete or full automation of invoice receipt (34%), invoice approvals (40%), invoice processing

(35%), and payment-related processes (scheduling at 43%; execution at 34%), should be the organizational goal. Certainly, there will always be a subset of small, paper-based one-off invoices that fall outside the definition of "full automation" and then there is the law of diminishing returns, but these numbers are patently ridiculous. In 2020, it is no longer acceptable to invest in technology and only use it occasionally. Deploy and use the solutions fully or double-down on paper; do not reside in the halls of mediocrity.

As the challenges of the work-from-home and remote work models have shown, AP and financial agility are dependent upon a technology infrastructure that enables scale and flexibility. Launching systems within the AP department and across the enterprise takes an investment of time, money, and resources, as well as a strong focus and an ability to manage projects. But while launching a solution successfully is important, it is but one piece of a larger process. User adoption is another fundamental determinant in the overall success of a technology initiative and an area worthy of examination.

There are many different theories and models that attempt to explain the complex riddle of how and why users adopt technology. One of the best known is the Unified Theory of Acceptance and Use of Technology ("UTAUT") established by Viswanath Venkatesh and others (and built upon many earlier studies). This model identifies four main factors that influence the likelihood of user adoption of a new technology:

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1. **Perceived usefulness:** how helpful the system will be to complete work assignments.

2. **Perceived ease-of-use:** how easy the system is to use.

3. **Social influence:** the level of importance an individual user's adoption is to people of influence.

4. **Facilitating conditions:** the perceived level of organizational and infrastructure support that exists for the technology.

The model also includes four considerations that overlay the above factors: A user's gender, age, experience, and the level of mandate or "voluntariness" that is associated with the technology.

While the practical use of the UTAUT during an ePayables deployment is unlikely to bear much fruit, the model's factors are worth understanding, influencing, and above all else, communicating. For example: a system that accurately automates the key steps of a process with limited clicks and robust features may be perceived as both useful and easy to use, but, when an AP director or Head of Shared Services sends out a weekly staff technology usage report, it is clear that adoption is important to the executive team. When online training, help desk support, and a team of "local" power users accompany a new technology rollout, the users see the support available and have more confidence in trying the new solution. When bonuses and promotions are tied to technology usage, the numbers are also sure to rise. As the next chapter of this report will show, when ePayables adoption numbers rise, so, too, does AP performance.

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Chapter Three: Best-in-Class Accounts Payable

" *"Persistence is what makes the impossible possible, the possible likely, and the likely definite"*
– Robert Half, founder of Robert Half International Employment Agency

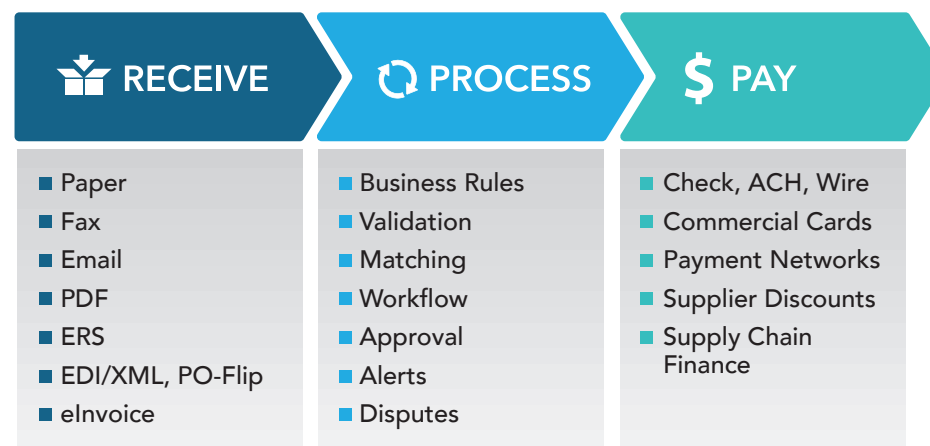This chapter is designed to enable the reader to do the following:

- Benchmark their performance to industry averages and understand how they perform relative to the average AP program in the marketplace.

- Understand what operational and performance metrics define Best-in-Class performance levels for AP programs today.

- Understand the wide range of capabilities that Best-in-Class AP departments use to outperform the market.

The ePayables Framework: The Starting Point

Before diving into the key benchmark statistics and Best-in-Class performance, it is worth revisiting the Ardent Partners' ePayables Framework (see Figure 11), which can be used by readers to help improve the various operational components of the function. As a reminder, Ardent Partners defines "ePayables" as the solutions and services that automate all or part of the three phases of the AP process: invoice receipt, invoice processing, and payments. The ePayables Framework was designed with the goal of helping AP departments of any size improve their processes by segmenting them into smaller, more manageable pieces, which ideally makes it easier for AP teams to establish a clear perspective on the current state of their operations and then improve upon them.

Figure 11: The Ardent Partners ePayables Framework

RECEIVE	PROCESS	PAY
■ Paper	■ Business Rules	■ Check, ACH, Wire
■ Fax	■ Validation	■ Commercial Cards
■ Email	■ Matching	■ Payment Networks
■ PDF	■ Workflow	■ Supplier Discounts
■ ERS	■ Approval	■ Supply Chain Finance
■ EDI/XML, PO-Flip	■ Alerts	
■ eInvoice	■ Disputes	

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The Ardent Partners ePayables Framework is organized into three major phases:

- **Receive** – How invoices are received.

- **Process** – How invoices are validated and approved.

- **Pay** – How payments are scheduled and executed.

A New Focus on Payments

While AP leaders have traditionally focused on the first two phases of the ePayables Framework from a technology adoption perspective, that mode of thinking is starting to change. The ramifications of the COVID-19 pandemic has increased attention on cash management, and therefore, on the vendor or B2B payments side. Ardent's research has discovered that 53% of businesses plan to alter how and when suppliers are paid as a result of these difficult times. For most, this means that there is a need to extend payment terms, but this does not necessarily encompass the entire picture. There have been several prominent announcements by larger corporations that they plan to change their current payment strategies and start paying suppliers faster to ensure that they stay in business. More generally, this response signals that many CFOs, treasurers, and other finance leaders are rethinking not only how to manage and execute payments, but also how they can impact suppliers' financial well-being. Thinking about AP and an AP-managed process is something that can be both exciting *and* daunting.

"My company's 'Safer-at-Home' restrictions are resulting in delayed payments to vendors being paid via paper check. We're pushing the initiative again to convert to electronic payments," said a **North American AP leader in the Services Industry.** The restrictions put in place because of the pandemic have far-reaching implications for all enterprise functions. For AP, it is not simply a matter of losing facetime and having to contend with delays in processing invoices, as similar challenges exist for payments, as well. In both cases, a higher volume of paper and manual work has been exacerbated by an inability to work in the office. This will, in all probability, lead to more executives including payments in the scope of their next AP transformation project.

Addressing supplier payments is not a task without problems, however. As highlighted in Figure 12 below, there are several challenges that businesses face in enhancing how B2B payments are managed and executed.

Figure 12: Top Challenges Related to B2B Payments

#1 Timely approval of invoices and payment runs

#2 Managing vendor payment/banking details

#3 Manual and costly processes

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Manual- and paper-based processes are often the direct cause of a delay in approval for both invoices and payments. It is time-consuming for AP staff to physically shuffle invoices for approval across the office, chase down slow approvers, and then wait for the green light to schedule payments. Further compounding this issue is if payment management relies on outdated processes; a high volume of paper-based checks can serve as a reminder of the relative inability of some AP functions to quickly, efficiently, and cost effectively get payments out the door. Similarly, managing vendor payment and banking details in a manual fashion can be time-consuming, error-prone, difficult to keep current, and can delay payments to suppliers if the AP staff must confirm details and enter them manually into an ERP, financial system or, worse still, a spreadsheet, before they can be processed. The "payment" component is also at high risk of fraudulent and non-compliant payment activity.

These same manual- and paper-based payment processes, as with the invoice processing component of the AP function, are more costly and prevent (or make it extremely difficult to leverage) key data from being analyzed and used for accurate, real-time financial decision-making and intelligence.
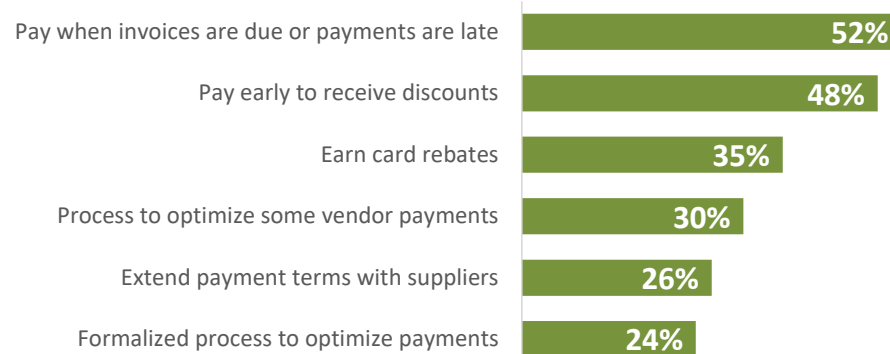
B2B Payments are Becoming Increasingly Strategic
In a world where the speed of business increases moment-by-moment, and new competitors lurk around the next financial statement, it is imperative that enterprises of all sizes take a hard look at how they pay suppliers. The simple fact of the matter is that there is significant untapped value in the financial supply chain, particularly the supplier payment operation, which is available only to the enterprises savvy enough to take advantage of the tools and capabilities that can unearth it. Enterprises that do not closely examine their payment processes to ferret out inefficiencies and push for change, run the risk of not only wasting their staffs' time and money, but also falling behind the competition.

Many AP and finance leaders have heard the call and have been focused on developing a greater level of sophistication in how they pay vendors. When analyzing different B2B payment strategies and the percentage of enterprises that employ them (as shown in Figure 13 below), the numbers do not indicate a high level of sophistication in the market today; that said, more enterprises are starting to focus on it.

Figure 13: Current B2B Payment Strategies in Action

Pay when invoices are due or payments are late	52%
Pay early to receive discounts	48%
Earn card rebates	35%
Process to optimize some vendor payments	30%
Extend payment terms with suppliers	26%
Formalized process to optimize payments	24%

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Renewed focus on payments is required for the AP function to drive continuity, support resiliency efforts, and assist in the overall recovery of the greater enterprise. Just as invoice processing can drive value when efficiencies and intelligence is captured, the B2B payments area can likewise produce benefits that range from significant cost reductions (when ePayments are in the mix), long-term financial value, superior cash management (through approaches such as supply chain finance, rebates on card spend, early payment discount capture, dynamic discounting, etc.), and enhanced spend visibility.

The 2020 ePayables Benchmarks

Performance must be the crux of the modern AP function. Accounts payable should understand the baseline value it brings to the greater organization; this can only be achieved through consistent performance measurement. In 2020, it is clear that many AP units still suffer from a variety of issues that betray severe performance deficiencies. Table 1 highlights the current rate of performance across the six key AP benchmarks.

What is clearly indicated in Table 1 is the relative inefficiency of the average AP unit's invoice-processing foundation. A single invoice takes 10 days to be processed and costs nearly $11; these are figures that hamper the value the AP function can drive. Additionally, with nearly a quarter (24.6%) of all invoices flagged for an exception, there is tremendous room for improvement in 2020 regarding the overall performance of the average AP function.

Table 1: The 2020 AP Benchmarks

Metrics	Average
Cost to process a single invoice (all-inclusive cost)	**$10.89**
Time to process a single invoice	**10 days**
Invoice exception rate	**24.6%**
Invoices processed "straight-through"	**30.4%**
Suppliers that submit invoices electronically	**31.2%**
Invoices linked to a Purchase Order (PO)	**56.3%**

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The metrics in Table 1 highlight the current state of AP across all industries and demonstrate the current state of performance. While some metrics have shown improvement over the past few years (i.e., invoices processed straight-through, enabled suppliers, etc.), it should be clearly-stated that there is much work that still needs to be done. That said, to transform the way AP drives value both normally and in these challenging times, this work should be perceived as remarkable *opportunities*.

What follows is a deep-dive into how top-performing organizations are taking advantage of the opportunities in front of them, what these advantages mean for AP and other key stakeholders, and how the Best-in-Class AP function is built for today's disruptive climate…and the recovery ahead.

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Best-in-Class AP Performance

For over a decade, Ardent Partners has leveraged a unique framework to highlight the performance of top-tier organizations (versus all others) by analyzing a specific set of benchmark criteria. Over each of those years, Ardent Partners has defined Best-in-Class performance in this research report as the 20% of enterprises with the lowest average invoice processing costs and shortest average invoice process cycle times. Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic initiatives to be carried out. Best-in-Class enterprises have demonstrated their ability to drive superior performance across both traditional and contemporary AP metrics. As Table 2 highlights, these leading organizations have significant performance advantages when compared with their peers.

- **Best-in-Class AP programs' two biggest performance advantages:** *time* **and** *money.* With invoice processing costs that are 80% lower, and invoice processing times that are 74% faster than their peers, Best-in-Class businesses have made incredible strides where it counts the most. Through the introduction of automation, efficiencies, and more strategic thinking, top-performing AP groups shine.

- **Best-in-Class AP units have not quite completely solved the invoice exception problem, but are getting closer.** With an invoice exception rate that is only a third of all other

enterprises, Best-in-Class companies have made fantastic progress in greatly reducing one of the biggest challenges plaguing organizations, an advantage achieved through better and more automated processes.

- **Best-in-Class AP functions have achieved a 3.2x higher straight-through-processing ("STP") rate than their peers.** Straight-through-processing, a long-desired state of "touchless" invoice processing, is a core component of the Best-in-Class AP group. The top-performing organizations owe this high rate (67.2%) to higher levels of automation adoption and a commitment to using it.
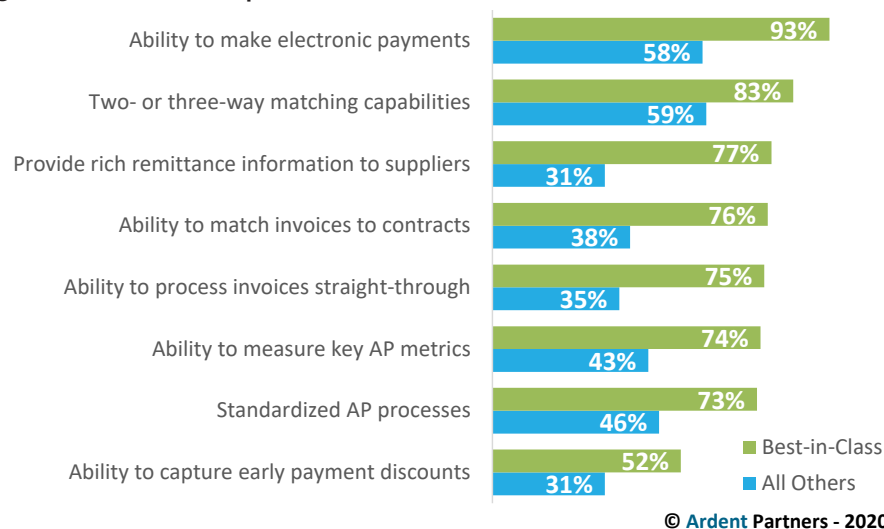
Table 2: AP Performance: Best-in-Class vs. All Others

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	$2.56	$12.88
Time to process a single invoice	3.1 days	11.7 days
Invoice exception rate	10.6%	27.3%
Invoices processed "straight-through"	67.2%	21.2%
Suppliers that submit invoices electronically	54.0%	25.2%
Invoices linked to a Purchase Order (PO)	80.2%	44.3%

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AP's Best-in-Class Foundation

The rest of the this chapter will focus on the innovative and strategic foundation of the Best-in-Class AP groups. The forward-thinking and progressive approaches taken by these top-performing groups are supported by an underlying set of capabilities (see Figure 14 below).

Figure 14: Core AP Capabilities, Best-in-Class vs. All Others

	Best-in-Class	All Others
Ability to make electronic payments	93%	58%
Two- or three-way matching capabilities	83%	59%
Provide rich remittance information to suppliers	77%	31%
Ability to match invoices to contracts	76%	38%
Ability to process invoices straight-through	75%	35%
Ability to measure key AP metrics	74%	43%
Standardized AP processes	73%	46%
Ability to capture early payment discounts	52%	31%

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One area where Best-in-Class teams show a big advantage is with ePayments. Leading AP groups are known for their ability to.

- **Leverage ePayments** (60% more likely than all others), which can eliminate the deficiencies associated with paper-based checks, while also enabling greater payment agility, speeding up payment times, lowering costs, improving compliance, mitigating fraud, and providing superior visibility into organizational cash flow.

- **Provide rich remittance information to suppliers** (2.5x more likely than all others) is one way of encouraging suppliers to accept ePayments. Providing detailed remittance information (such as purchase order number, invoice number, payment amount, date, contract, etc.) enables vendors to much more easily and efficiently reconcile payments to goods and services sold. This capability can also have the net result of cultivating stronger buyer-supplier relationships.

- **Capture early payment discounts** (61% more likely than all others), which is a primary means of deriving value from the payment process. Processing invoices and payments faster can result in significant opportunities for an organization to take advantage of any early payment discounts offered by suppliers. Compounded across hundreds or even thousands of invoices per month, the opportunity to achieve both a significant ROI and impact on cash flow is very tangible.

Best-in-Class AP groups also actively leverage a series of other capabilities, including STP (over twice as likely as all others). Straight-through-processing, highlighted earlier in this chapter, revolves around the idea of "touchless" invoice-processing; STP

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is a desired means of reducing all paper and human intervention associated with AP processes for the sake of time, efficiency, and costs. This is a crucial contributor to the Best-in-Class' level of AP performance.

Although standardization (59% more likely than all others) is often considered an accepted part of AP, the truth is that Best-in-Class organizations have built progressive, innovation-led programs on a foundation of standardized, day-to-day AP processes that contribute to the overall mode of success.

Best-in-Class AP: The Age of Intelligence

In 2020, businesses and consumers are now fully engulfed by technology and the data it creates and captures. The same holds true for AP departments across the globe. Accounts payable's "Big Data" has the potential to become the next major force and catalyst for the profession. In fact, over the next few years, Ardent Partners predicts that a new type of intelligence will emerge from this data that enables AP teams and their key partners to view operations differently. By doing so it will force these same groups to develop new strategies and approaches.

What started as the "Big Data" movement has morphed into the so-called "age of intelligence," an era when business leaders regularly rely on data to fuel better enterprise decision-making. Leading organizations understand the value of the data residing in AP, and are implementing the necessary tools to harness the

knowledge that has been previously unavailable. As shown in Figure 15 below, the vast majority of Best-in-Class AP teams deem data and intelligence as "critical" to overall operations.

Figure 15: Reliance on AP Data and Intelligence, Best-in-Class vs. All Others

Best-in-Class: 71% Critical, 26% Important
All Others: 33% Critical, 50% Important

■ Best-in-Class ■ All Others   © Ardent Partners - 2020
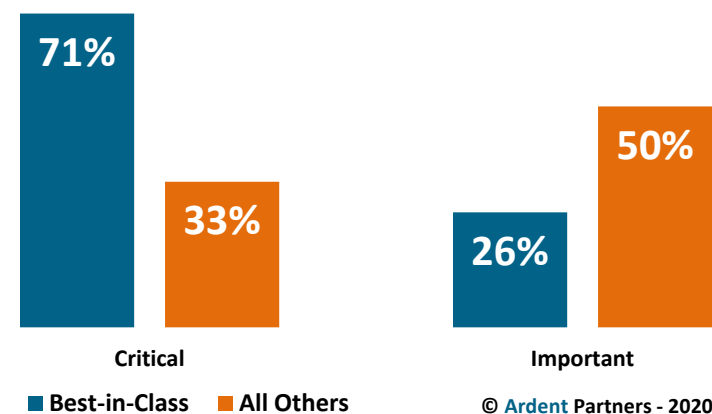
Data is a fundamental component of any modern business, and, a whopping 97% of Best-in-Class enterprises state that data and intelligence is an important or critical attribute of how to structure the AP function. Fusing financial data (related to both invoices and payments) into how AP operates can go a long way in providing actionable intelligence to the CFO and other key stakeholders to analyze organizational spend and develop a proactive supplier payment strategy that can influence working capital, as well as supplier relationships. In the current period of business disruption, it is critical that executive team leaders have a proper understanding of the relative financial health of the greater organization. Having access to actionable knowledge can be a game-changer.

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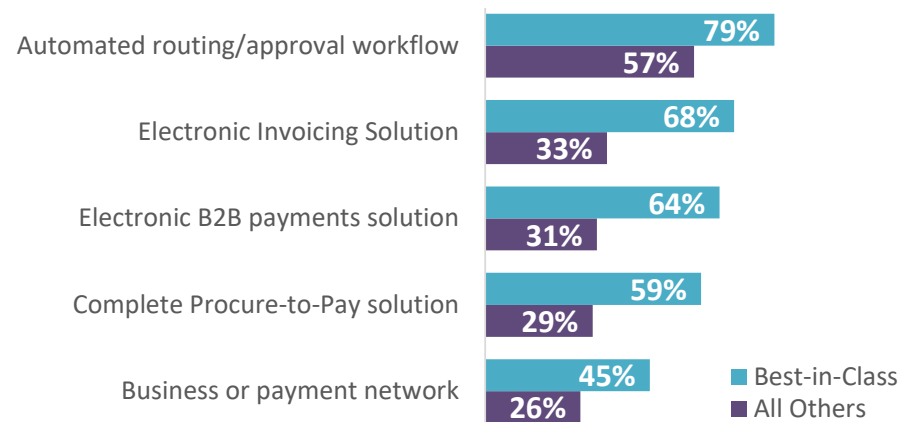| 1 The State of Accounts Payable | 2 The State of ePayables 2020 | 3 Best-in-Class Accounts Payable | 4 Strategies for Success | 5 Appendix |

Best-in-Class AP: The Technology Advantage

Perhaps the most critical attribute of the Best-in-Class AP function is the ability to leverage technology, automation, and innovation to drive value (see Figure 16 to the right). As discussed previously, the AP automation market is a multi-faceted arena, which includes several diverse types of solutions that can improve AP operations and performance. Best-in-Class AP groups have a distinct technology adoption advantage, including:

- **eInvoicing (68%).** Leading organizations long ago realized the disadvantages of receiving paper invoices from suppliers and have taken major strides to eliminate them from the process. To this end, Best-in-Class AP groups are over 2x more likely to have eInvoicing in place. These solutions allow top-performing organizations to streamline both invoice receipt and the entire invoice approval process.

- **ePayments (64%).** As described in great detail earlier in this chapter, ePayments represent the current focus for many AP teams as well as the next wave of AP innovation. B2B payments can no longer be overlooked. There is inherent value in automating payment management. Best-in-Class organizations are 206% more likely than all others to leverage ePayments.

- **Complete procure-to-pay (P2P) automation (59%).** There is, and always will be, a transactional link between procurement and finance. P2P automation ensures that the

buying, invoicing, payment, and reconciliation processes are interconnected in such a way that improves total spend management and financial visibility. Best-in-Class organizations are over twice as likely as all others to leverage complete P2P technology.

Figure 16: ePayables Technology Adoption, Best-in-Class vs. All Others

	Best-in-Class	All Others
Automated routing/approval workflow	79%	57%
Electronic Invoicing Solution	68%	33%
Electronic B2B payments solution	64%	31%
Complete Procure-to-Pay solution	59%	29%
Business or payment network	45%	26%

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The evidence is clear: the organizations that leverage technology to automate the AP process perform better and deliver greater value. What is also obvious is that automating the core processes of the ePayables Framework can open up new doors of opportunity for the AP function to move on from the tactical endeavors of the past and present. The AP teams that achieve automation can then turn their focus to higher-level activities, such as capturing and sharing intelligence and data that can enhance AP, stakeholder, and enterprise performance. Best-in-Class organizations have shown what can be achieved when AP performs to its full potential.

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Chapter Four: Strategies for Success

❝ *"The key to success is to focus on goals, not obstacles"*
– Author Uknown

Efficiency and Intelligence are AP's Pandemic Game-Changers

Across every enterprise function, a real impact has been felt by the pandemic fallout. Procurement faces supply chain disruptions, finance must ensure there is funding to support operations, product management must rethink the pace and timing of development projects, IT needs the technology and infrastructure to support work from home directives, and HR faces unforeseen workforce management obstructions and the unfortunate task of layoffs and/or furloughs. In the midst of this uncertainty, AP must continue its drive to become more efficient and "smarter."

Operational efficiencies have long been a key objective for AP departments. However, it is the notion of "intelligence" that has become more important for AP in recent years, particularly because finance and other business leaders must do all they can to keep the enterprise moving forward in a safe and financially healthy manner. For the AP industry, the "age of intelligence" means that global businesses will be able to draw actionable knowledge from the

invoice, payment, and supplier data that resides within ePayables systems and make smarter decisions. Interestingly, it is these two somewhat disparate concepts that a majority of AP professionals believe are potential "game changers." As shown in Figure 17 below, efficiency and knowledge are what AP leaders say they need to get them to the next level of performance.

Figure 17: Strategies and Solutions to Drive AP to the "Next Level"

"Smarter" systems that drive more efficiencies	69%
Deeper, more agile analytics and reporting	53%
Eradication of tactical tasks	45%
More suppliers receiving electronic payments	40%
Enhanced collaboration with key stakeholders	38%

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The connective tissue for these two "levers for success" is automation. Accounts payable teams that harness the power of automation to drive operational efficiencies across core processes usually have access to deeper analytical capabilities than their non-automated peers. Nearly 70% of businesses believe that "smarter" systems, which typically offer more modern and advanced features and functionality, will accelerate performance. When smartly-deployed and well-adopted, full AP automation, which optimizes the entire invoice-to-pay process (including payment execution), can drive performance gains by digitizing the tactical, manually-intensive and error-prone activities that can hold an AP function back. The "smart" aspects of these solutions provide more nuanced technology, like machine learning or artificial intelligence, to provide next-level value beyond the eradication of paper.

Similarly, more agile reporting (which 53% of AP leaders believe can be used to propel them to success) takes reporting and analysis to another level. Standard financial reports driven from older AP systems typically offer a baseline view into department transactions but generally lack the ability to provide a "big picture view" and enable advanced analysis, both of which can transform the way the AP leaders (and other finance executives) set policies and track performance. Agile analytics build upon the transactional nature of invoice management (number of invoices, approvals, payment status, etc.) and transform the process into one that can incorporate liquidity and cash management, payment strategies and optimization, supplier management, fraud and compliance control, budget adherence, and more. With improved and more agile analytics, AP leaders can provide actionable intelligence to key partners such as CFOs, controllers, treasurers, CPOs, and business unit leaders, who can, in turn, leverage it for improved decision-making and corporate planning. Thus, it is the thirst for knowledge and a drive to continue AP's journey towards optimization that can help transform the function from where it is today into a brighter, clearer, more strategic "tomorrow."

The "future," then, for the AP function, should be seen as an opportunity to not only prove its strategic value to the greater organization, but also to ensure continuity and resiliency that will help the business weather this difficult storm. Given the uncertainty as to the direction of both the economy and individual businesses, AP must develop a multi-pronged agenda to navigate the second half of 2020 into 2021. The agenda should prioritize the business continuity and resiliency initiatives that are in place or will soon be. But, they must also focus on the future, and, where possible, begin to develop the organizational capabilities that will drive long-term success.

For too many years, AP lacked the voice and credibility needed to accomplish a transformation without the support of others. However, in the face of extraordinary times and a challenging business climate, AP groups now have the opportunity to drive tremendous value and help the greater enterprise navigate these tough times.

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Recommendations

Accounts payable excellence is founded on the critical, day-to-day components of its operations, processes, and overall program management. As the group seeks to advance its position and improve its performance, the following strategies will support greater success as the enterprise ensures continuity, builds resilience, and positions the business for success when the recovery inevitably hits. One thing to consider is that while these recommendations have been designed to map a linear path back to normalcy, there can be no guarantees that the near-term direction of an AP department, its enterprise, and/or its industry will be straight and steady. AP departments can, nonetheless, draw confidence from knowing they are taking the steps necessary to automate their function and prepare for whatever the future holds

Across all phases, it will be important to focus on developing a proactive and agile operation. The market is likely to become more unpredictable and will experience faster shifts than before; in order to keep up with the necessary transformations (both strategic and tactical) to thrive in this changing world, enterprises must lean on agile operations. The ability to respond in real-time to dynamic business challenges is what will set enterprises up to compete aggressively in an ever-changing marketplace, and AP must actively contribute. Everything from menial and tactical processes to the infusion of intelligence into key decision-making should be executed with agility in mind. Accounts payable leaders must stay focused and work to make the function more collaborative, communicative, and agile.

Recommendations to Ensure Continuity

Nearly three months into a global pandemic and now officially in a recession, most organizations have yet to regain their footing; it is also likely that things will get worse before they improve. As such, it is imperative that AP leaders do all that they can to effectively ensure continuity across key functional areas, and support the decisions driven by finance to optimize cash positions.

- **Align AP operations with the CFO and its team to ensure liquidity.** The link between AP and overall cash management has never been more appreciated. The financial and business knowledge that flows in and out of the AP group (i.e., cash flow, liabilities, organizational spend, supplier satisfaction, etc.) is valuable to CFOs, treasurers, business unit leaders, and their teams. In a time when liquidity and cash management trump any other objective, it is crucial that AP ensures that it can provide intelligence around cash management in a timely and accurate way and that it also have the ability to incorporate real-time directions as to how it executes its B2B payments.

- **Understand and react to changes in business and supplier payment strategies.** "Unprecedented" will be a popular word during these challenging times. Unprecedented is how this crisis is unfolding and how it has been affecting most businesses. Accounts payable leaders must become agile tacticians and react more dynamically to major shifts in the market and economy and/or directions from above.

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Teams should work to understand how market changes can impact operations and then apply this knowledge to anticipate changes in invoice- and payment-processing (particularly how and when suppliers are paid).

- **Develop short-term "work-arounds" to fill gaps in core AP processes.** Although the longer-term impact of the coronavirus is unknown, there are immediate implications on what is happening today. The quick and massive shift to a remote work environment has placed sizable pressure on those businesses that naturally struggle to adapt. Accounts payable departments that depend on an office presence to manage processes are experiencing major challenges and critical delays in invoice- and payment-processing. To combat these issues, AP leaders must develop short-term "work-arounds" to ensure business and operational continuity, including modified approval processes, and more and better communication with finance leaders.

Recommendations to Build Resilience

Once the potential threats to ongoing operations have been quelled and the enterprise regains some level of stability, it must develop the ability to operate and endure the short-term environment without overhauling everything. The ability to adapt in the transition period before the return to a more steady-state can determine how deep an enterprise falls and/or how quickly it regains its position. Here, too, the AP function can be a valuable resource.

- **Accelerate automation efforts.** The adage of moving away from paper and enacting a digital transformation could not be more applicable today. With the pandemic, businesses are experiencing first-hand what happens when manual-based processes drive operations and are severely impacted (in this case, by social distancing and the closure of office spaces). Those AP departments awash in paper should use the need to better manage vendor payments as a catalyst to invest in ePayables technology. These solutions' core benefits, such as reduced costs, shortened approval cycle times, improved visibility, and increased control, will be particularly valuable in today's disruptive climate. Certainly, funding for new projects may be a challenge for many, but when the opportunity presents itself, AP leaders must be ready to develop a business case and embrace digital transformation.

- **Expand all cash management tactics and strategies.** Cash is the lifeblood of any business and it has become more important than at any other time in recent years. Businesses that have been ravaged by the economic fallout of the pandemic must ensure that their cash reserves and access to credit can get them through these tough times. By the nature of its processes, AP plays a pivotal role in cash management. Its ability to provide visibility into overall invoice- and payment-processing, as well as the planned timing of payments, can be vitally important to CFOs and

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treasurers who may need to slow the flow of payments and/or better regulate the cadence of key payment activities to ensure that the other cash demands of the enterprise can be met. Serious times demand serious planning and management.

- **Invest in and develop an agile AP workforce.** Ardent's contingent workforce management and Future of Work research often pivots to *talent* as a company's top competitive differentiator. The workforce of today, owing much of its skillsets to non-employee and "agile" talent, can be a dynamic force in responding to real-time business challenges. AP units that invest in and develop curated pools of talent will be the ones that can weather the relative storm.

- **Push the department to become more forward-thinking and strategic.** While a majority of businesses view AP as a vital piece of overall enterprise operations, the "perception problem" still persists for many. It may be a frightening realization: AP will always have to battle to be considered a critical function in the eyes of all enterprise stakeholders. However, this only means that no matter how far AP progresses over the next few years, it must avoid complacency and push further still.

Rising to the Challenge: Recommendations to Support Recovery

It was recently announced that the U.S. economy formally dipped into a recession in Q1 of 2020. Clearly, the near-global shutdown has not helped. Given the broad and all-encompassing impact of the coronavirus pandemic, it is difficult to look too far into the future. But, while the precise timing is unknown, we do know that businesses will eventually recover and return to a steady-state. And, while AP in a post-COVID-19 world may look very different, its role in business is sure to become more important. *Now* is the time to start planning.

- **Collaborate with other key stakeholders to close operational and strategic gaps.** Serious times (also) demand serious collaboration. Today's leading AP programs are designed, developed, and primed to improve collaboration with internal and external stakeholders, enhance how treasury and other finance functions manage working capital and cash, and cultivate a "smart" environment in which the data and intelligence culled from AP processes and systems drives more educated and impactful decisions. By now, critical gaps should have been identified and plugged; but, if they have not, fix them immediately. There is no point rebuilding an operation on a cracked foundation. Other less severe gaps should also be identified. Accounts payable leaders must then communicate and work with internal and external stakeholders to improve standard operations and be well-positioned for a partial or full ramp-up.

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- **Maintain and build organizational expertise.** AP leaders should take a high-level look at their staff and understand current gaps in knowledge or expertise, and make necessary adjustments to ensure that the AP function remains (or becomes) highly-productive and highly-relevant. Based on current staff (and capabilities), the AP leadership team, in concert with finance leaders, should build a long-term vision of how it wants its team structured from a talent perspective. What future skills will be needed to take the AP unit into the future? Which roles will be obsolete? Which should be redeveloped to account for dynamic shifts in the technology and business markets? As the AP function continues to evolve, it will be important to have a staff whose skillsets encapsulate the changes occurring outside of the organization.

- **Develop more robust data and intelligence capabilities.** Information culled from AP-specific operations (namely invoice- and payment-processing) can be incredibly valuable to the CFO, treasurer, and the entire procurement team (especially today). Accounts payable departments in the 2020s must evaluate their current reporting and business intelligence capabilities and develop robust plans to enhance how they collect, analyze, and present intelligence. They must also develop and enhance relationships with the consumers of AP intelligence to optimize overall performance.

- **Revamp disaster recovery and continuity plans.** Although non-essential businesses in the U.S. and other countries are beginning the slow process to reopen (often via a phased approach), a full corporate and public return to "the way things were" may lag or never fully reappear. Additionally, it is possible that a second wave of coronavirus outbreaks forces a second shutdown. Whether that happens or not, AP leaders should use their learnings from the current disruption to better prepare for future disruptions. As 2020 has shown, what were originally considered once-in-a-lifetime events may become part of modern, everyday life. Proper planning will provide leaders with the confidence to handle future, unknown events.

- **Make technology adoption a priority and mandate its use.** No AP function will be able to evolve without a foundation of seamless and holistic processes borne via automation and the utilization of core invoice-to-pay technology. Accounts payable and finance leaders, regardless of their stance on how it will be received, must mandate the usage of these solutions to ensure visibility, consistent process workflow, and, the ultimate elimination of manual tasks. At the end of the day, a mandate for the utilization of technology is a strategic move to improve the overall AP function.

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Conclusion

The first half of 2020 has been unlike any other period in modern business. It has been incredibly difficult for workers everywhere to make sense of what is happening. Not only are professionals contending with the personal side of the crisis, AP leaders are also dealing with massive changes happening to their staffs and other stakeholders across the greater organization. The ability of remote teams to remain engaged and productive has been essential in 2020; unfortunately, many AP functions remain ill-equipped to operate in this environment for an extended period of time.

And yet, with all that is occurring across the globe, the AP function can play a critical role in how the enterprise maintains continuity, fosters resiliency, and supports the inevitable recovery. Recent events have presented AP with an opportunity to drive change for the function and position the group as a dynamic source of value during this period of pervasive uncertainty.

In this new decade, AP groups will increasingly transform their operations into "hubs" of visibility and intelligence, extending the value provided by AP within the enterprise and across the supply base. To maximize the impact of these changes, AP teams must focus on the entirety of their processes, including invoice receipt, processing, and supplier payments. As a profession, AP is moving into new and exciting arenas; the path forward should focus on how to best support the overall business during difficult times, while making a push for automation to increase its overall impact and positioning itself as a function that can positively impact financial operations and performance.

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About the Authors

Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 20 years in the industry and 11 years leading the charge at Ardent, Andrew Bartolini is a globally-recognized expert in accounts payable, sourcing, procurement, and supply management. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 350 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several U.S. universities.

He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including *The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune,* as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for Ariba and Commerce One. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than $500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.

Andrew has been named a "Pro to Know" by *Supply and Demand Chain Executive* multiple times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

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Bob Cohen, Vice President, Ardent Partners

A seasoned professional with almost 20 years of experience helping enterprises transform their Procure-to-Pay operations. In recent years, Bob has become the industry's lead analyst covering AP and ePayables. At Ardent Partners, he heads up the ePayables practice which includes coverage of accounts payable, B2B payments, business networks, and travel and expense management. Prior to joining Ardent, Bob spent 12 years working as a Vice President at Basware, where he helped establish the firm's U.S. presence as a major player in the AP automation and Procure-to-Pay spaces. He has also worked at American Express where he enabled the commercial card giant better align its products and services with a continually evolving market.

Over his career, he has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, B2B Payments, P2P, and Business Network solutions. He is a sought after speaker having given hundreds of presentations at industry conferences, user group meetings, webinars, and customer-facing events. He is also the publisher of Payables Place, the news and research site for Accounts payable and Finance leaders (www.payablesplace.com). Bob holds a B.A. in Marketing from Bryant University and an M.B.A in Finance from The University of Connecticut.

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About Ardent Partners

Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the CPO Rising and Payables Place websites. Register for exclusive access to Ardent Partners research at ardentpartners.com/newsletter-registration/.

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 205 AP and finance leaders captured between March and May, 2020 and includes direct interviews with several survey respondents. These 205 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the right.

Report Demographics

The research in this report is drawn from 205 respondents representing the following demographics:

Job Function: 71% accounts payable; 18% finance/treasury; 9% procurement/P2P; 2% other

**Job Role:** 21% VP-level or higher; 26% director-level; 41% manager-level; 12% staff-level

Company Revenue: 60% Large (revenue > $1 billion); 27% Mid-market (revenue between $250 million and $1 billion); 13% Small (revenue < $250 million)

Region: 72% North America; 23% EMEA; 5% Asia-Pacific

Industry: More than 25 distinct industries are represented. Manufacturing, Healthcare, Financial Services, Technology, and Retail are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

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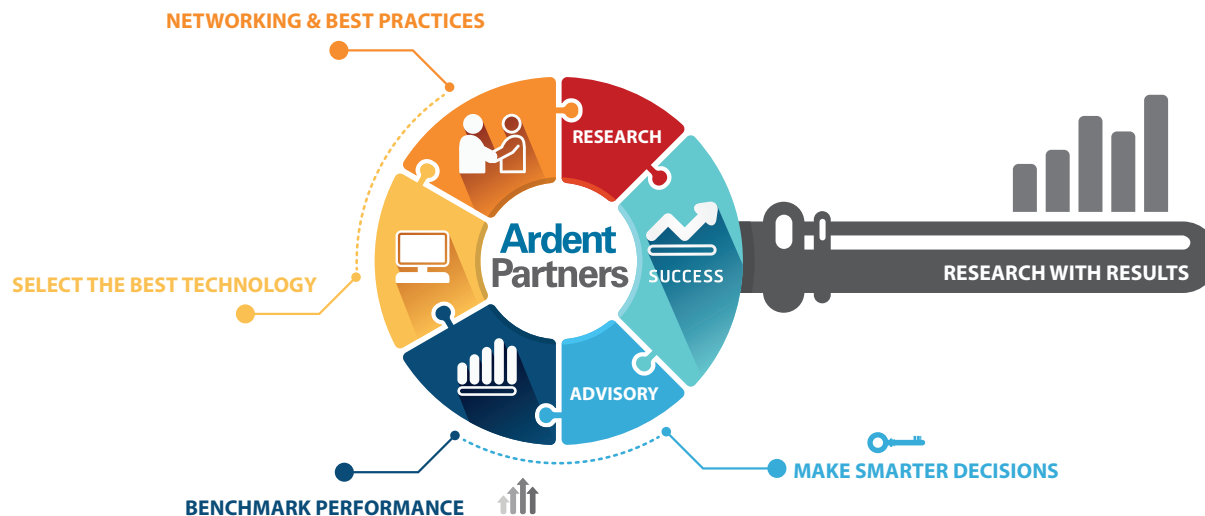
Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.

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