Getting Started with Digital Transformation: Five Tips for Accounts Payable Leaders

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Getting Started with Digital Transformation: Five Tips for Accounts Payable Leaders

The question for accounts payable (AP) leaders in 2017 is no longer if accounts payable automation (or “ePayables”) solutions should be deployed, but rather, when they can be deployed and how quickly they can be mastered. For the AP departments struggling with poor visibility and general inefficiency, the ability to transform their operations has never been easier and the drive to go digital has never been more appealing or more rewarding.

The good news for AP leaders planning a transformation initiative is that while it takes time to prepare for your journey, it has never been easier to automate part or all of the AP process. Broad improvements in functionality, usability, integration, cost, and general accessibility over the last five years in the ePayables market have combined to provide AP groups with a clear roadmap for improvement. The opportunity to transform AP has never been more appealing; it has also never been easier.

Many AP organizations now recognize these advantages, and have started a transformation project to push their operations to the next level of performance. However, an AP automation initiative can falter without proper planning and execution. Ardent Partners has developed a series of tips designed to help AP leaders initiate a digital transformation of their operations.

Technology Solutions for Accounts Payable Challenges

While AP departments have typically lagged other functional areas in their use of automation to streamline processes and enable more broad-based changes, leading AP groups have been able to make the case for an investment in ePayables solutions and establish a competitive advantage as a result.

Ardent Partners defines ePayables as the solutions and services that automate all or part of the accounts payable process. Ardent Partners developed the ePayables Framework (see Figure 1, next page) to aid AP departments of any size improve their processes by segmenting the workflow into smaller, more manageable pieces: invoice receipt, invoice processing, and payments. Ideally, this segmentation makes it easier for the AP department to establish a clear perspective on the current state of operations and then improve each sub-process area.
The Framework was also developed with the goal of helping AP teams laboring under manual, paper-based processes better understand how to prioritize and optimize their technology investments.

**Figure 1: The Ardent Partners’ ePayables Framework**

It bears mentioning that the three phases of the Framework are not discrete stages, but rather pieces of one coherent whole. This means changes in one area will have a direct, and often immediate, impact on the others. Broadly speaking, however, the Framework covers three phases:

- **Receive** – How invoices are received.
- **Process** – How invoices are validated and approved.
- **Pay** – How payments are scheduled and executed.

**Tip #1: Take a holistic view of the AP and P2P processes**

Although Ardent Partners separates the ePayables Framework into three phases, the AP process is not actually three individual sub-processes. Rather, it is an interconnected set of tasks where inefficiencies in one phase have consequences in each of the other phases. This means that AP organizations contemplating a transformation should consider the entire AP workflow as a single, continuous process rather than as distinct pieces. New technology solutions have arisen in the past few years that focus on automating the entire AP workflow – from invoice receipt to payment scheduling and execution – and as a result can drive substantial process efficiencies, greater cost savings, and improved visibility into invoice and...
payment data. A holistic approach to the AP process can help accelerate a department’s move to the next level of performance.

Holistic thinking by AP leaders should also be extended more broadly to include the larger procure-to-pay (“P2P”) process. The foundation of a successful P2P project is built within and across the procurement and accounts payable functions of an enterprise. Tight alignment between these two groups must exist for a P2P program to grow and thrive. When procurement and accounts payable processes are well-aligned from an organizational standpoint, and tightly linked and automated from a process standpoint, they can jointly pursue activities to the benefit of the entire enterprise. If budget and resource constraints force you to take a modular approach to your AP and/or P2P transformations, you should, nonetheless, work over the long-term to develop and enable unified processes and systems.

**Tip #2: Simplify and pare down processes before mapping them to the new technology**

Once a technology application or suite has been selected, it is imperative that your AP team considers how this implementation is going to impact and/or change its processes, and how to re-engineer workflows for maximum efficiency and adoption. If the newly automated process is not intuitive and user-friendly, system users are more likely to bypass important steps, if not the system entirely. While the technology is there to support and automate key invoice and payment processes; the underlying business processes must be clearly defined and well-mapped to the new solution in order to maximize value. If the new process is particularly awkward and lacking, it is possible that the new solution will be set aside in favor of manual workflows that are more time consuming but viewed as more familiar and reliable, negating the value of the technology investment. Remember that a key part of the value of automation solutions is their ability to model processes that are highly scalable and repeatable; if the solutions are not being used and used well, their overall impact is limited.

**Tip #3: Emphasize supplier enablement**

While it is important to gain alignment with internal stakeholders such as treasury and procurement, suppliers tend to make or break any AP automation project. The reason for this is simple: suppliers are the ones who interact most directly with the AP process by the simple act of submitting invoices and receiving payments. If suppliers generally resist a move to adopt a new ePayables system, the automation project will not achieve its objectives and may ultimately stall or fail.
As such, strong supplier enablement is a critical success factor in any AP automation project. Supplier enablement and outreach programs can take many forms, including regular meetings and communication with key suppliers or the use of a third-party that performs outreach and manages the program on your team’s behalf. Whatever approach is taken with supplier enablement, suppliers are an important project stakeholder, which means listening to their suggestions and addressing their concerns about automation and overall change management is critical to the project’s success.

Using a business network is one way to potentially enable and engage suppliers for commerce. A business network allows buyers and suppliers to communicate, collaborate, and transact in a many-to-many environment. Business networks can enable efficiencies in trading partner transactions and communication, while potentially helping to accelerate supplier enablement. The potential impact that business networks can have on B2B commerce and supplier relationships makes them worth investigating.

**Tip #4: Develop the analytical capabilities to drive business value and track key metrics**

AP automation, when done well, can drive the department to a higher level of performance; but there is more to transformation than simply deploying new technology. AP automation solutions capture valuable invoice and payment data. But, that data will not benefit the enterprise unless it can be easily accessed and used to make an impact on the bottom line. For example, payment data can be used to improve treasury’s cash management strategies and help the CFO better analyze the financial health of the enterprise.

It is because of this value to the wider organization that AP must develop the analytical capabilities necessary to derive intelligence from the invoice and payment data that an ePayables solution collects. This is a new set of skills for the AP team, but it is a necessary one in the modern business world. The amount of data that technology solutions collect is only going to increase, so AP must adapt and develop the ability to convert AP data into intelligence and improved results.

Another factor that can help drive AP’s performance to the next level is the ability to define key performance metrics and track them consistently. Tracking metrics enables continuous
improvement programs to take hold, and can provide organizations with the opportunity to set and achieve proper goals and objectives. Tracking key metrics also allows AP to “course correct” when achieving their objectives is in doubt.

Without an understanding of baseline operational metrics, such as per-invoice processing cost or invoice approval cycle time, it is difficult to determine whether an AP automation project has benefitted the organization or not. Because of this, your team should capture key performance metrics before, during, and after any process transformation project so that you can determine the net benefit of automating accounts payable, establish ongoing performance and operational benchmarks, and then set goals to improve upon them.

**Tip #5: Engage key stakeholders early and throughout the process**

No matter where the AP function sits on the organizational chart (i.e. part of shared services or part of the finance department), the ultimate success of your ePayables transformation project will depend on support from other groups. The most successful projects include input that is gathered and incorporated from other stakeholders. The list of groups that could be involved in helping to make the ePayables business case may include:

- **Procurement** which manages the initial parts of the Source-to-Settle (or Procure-to-Pay) process and may utilize certain processes or technologies that should be understood and considered before an ePayables solution is selected. This group may be able to offer strong support in the discussion of how an ePayables solution can improve supply/supplier management.

- **Finance/Treasury** which manages an enterprise’s cash positions and may have requirements and recommendations related to payment execution. This group may also offer strong support in the discussion of how an ePayables solution can help improve the management of cash and working capital.

- **IT** which should have an understanding of the enterprise’s current IT infrastructure and can help to define any integration requirements and/or constraints. This group may also possess the general technical expertise needed to help identify the ePayables solution with the lowest total cost of ownership.

- **Line of Business** user adoption rates will have an enormous impact on the overall success of the program. If a large number of system users will come from the business, the line of business should have a representative voice in the solution selection and design processes.
• Suppliers, whose enablement or adoption can be the “Achilles heel” of any ePayables project. Understanding the inclination and preferences of suppliers regarding different ePayables solutions will help the project team understand the level of effort that will be required to enable suppliers onto the new ePayables platform.

Conclusion

To succeed and thrive in the modern world, businesses must perform at a high level across all areas. From the AP perspective, this can be done most effectively by creating an efficient and streamlined invoice and payment approval process that also provides visibility into key operational and financial data for other internal stakeholders. If your AP team can leverage its capabilities efficiently, as well as collaborate with key functional partners and external suppliers, it will increase its strategic importance to the enterprise.

The AP team that can think about its processes holistically, and place its work in context with the larger P2P process, is more likely to become a hub of intelligence and operational excellence. There is value inherent in the AP workflow, but it must be nurtured through careful consideration. Best-in-Class AP organizations, enabled by technology and a progressive approach to its digital transformation have shown that this is possible.
Appendix

About The Authors

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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 200 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their accounts payable, sourcing, procurement, and supply management operations and his research is currently part of the Supply Chain/Management curriculum at several US 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 three 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.
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/ and join its LinkedIn Group.