ePayables: Higher Ground
“The State of AP”

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The realm of accounts payable ("AP") is changing, shifting into new and exciting arenas. No longer a simple back-office function, AP groups are now well-positioned to become true “hubs” of visibility and intelligence, extending the value created within AP more broadly across both the enterprise and supply chain. In 2015, more AP groups are accelerating their plans to transform their operations and scale to new heights by pursuing the critical attributes that can propel an operation to the next level of performance or “higher ground.” The journey to AP excellence begins with a single step and maximizing efficiency opportunities is generally the first one taken. Ardent Partners research has shown that transforming the modern accounts payable function via the removal of paper invoices from the AP process helps improve the effectiveness of invoice receipt, workflow, and payment-related processes and can drive down costs significantly. But, once an AP department is operating efficiently, what must it do to ascend to higher ground? What more can be derived from accounts payable that can transform it into a true center of business excellence? This report answers these questions as it presents a comprehensive, industry-wide view into what is happening in the world of AP and captures the experience, performance, perspective, and intentions of 175 leaders from accounts payable and financial operations. The report also includes benchmarks, recommendations, and analysis that AP teams can use to better understand the state of accounts payable today, gain insight into best practices, benchmark their performance against the Best-in-Class, and ultimately improve their operations and performance.
The State of Accounts Payable

Many enterprise leaders understand that in order to drive business growth and operate on a higher ground, they must ascend a path that is paved with transformative, innovative, and effective strategies. For the accounts payable function, this path requires a major shift in thinking to derive true business value from AP processes ... and a dynamic approach to get that famed next level of results.

Albert Einstein once said that leaders should not be people “of success,” but rather people “of value.” This notion rings true for today’s leaders of the accounts payable (“AP”) function. While there is inherent worth in the transactional efficiencies gained from improving key AP processes (invoice receipt, workflow, etc.), the true value of the AP function is rarely realized in the scope of today’s fast-changing business world. As more and more competitive advantages are sought in a shifting, global landscape, enterprise executives must view the accounts payable organization as not merely an opportunity for short-term efficiencies, but one that can consistently supply intelligence, insights, and value in support of enterprise goals, objectives, and initiatives. The “state” of accounts payable today follows a simple rule: transform the AP function, pursue innovation, and drive dynamic value to the greater enterprise. For AP leaders and professionals, there is one question that must always be top-of-mind: “How can we ascend to higher ground?” What are the capabilities, tools, technologies, and strategies that can move the accounts payable group into the realm of Best-in-Class? As businesses seek evolutionary advantages in a highly-competitive landscape, accounts payable can become a prime area of real enterprise value.

The Next Level: What Will It Take?

Any business leader understands that most, if not all, business functions have the capability to ascend to higher ground. Nonetheless, no enterprise has successfully cultivated an environment in which every process and function runs in an “excellent” manner. Process improvement and transformation is, of course, universally desired; attaining it, however, frequently becomes a question of resource allocation (when and how much can be invested?) and project execution (are the strategies and solutions well deployed and successful?). And
while efficiency is frequently the main focus of an AP transformation, the reality is that there should also be a focus on value. The good news is that while many AP departments have huge opportunities to improve efficiencies, they are also ready to climb to higher, more strategic ground.

**Ascending to Higher Ground**

While an ability to transform any business function is directly tied to resources and strategy, when it comes to the top strategies to help AP ascend to the next level of performance, AP and finance leaders believe that improving exception handling and root cause analysis as well as better automation and more collaboration with procurement (see Figure 1) form the foundation of AP’s transformation into a hub of value and intelligence.

**Figure 1: What Will It Take to Take AP to the “Next Level” of Performance?**

- Improve exception-handling and root cause analysis: 56%
- New (or improved) technology: 53%
- Better links to procurement: 45%
- Better enterprise-wide communication plan: 32%
- Executive support to improve AP operations: 31%
- Better overall AP strategy: 30%

Exceptions are the scourge of every accounts payable department. The AP “machine” is built to become well-oiled and truly holistic. Any incidents or hiccups in invoice-processing not only delay payments to suppliers, they also create significant gaps in the real-time data that AP can provide to functional partners and the executive suite for critical planning, budgeting, and forecasting. Non-matching information, inaccurate invoice header data, and specific invoice line exceptions are all issues that plague even the most effective accounts payable team. A majority (56%) of AP professionals believe that enhancements within this arena will help push AP to the next level of performance.
Collaboration is a strategy that can deliver significant benefits to organizations of all sizes, industries, and regions. When internal business functions and stakeholders work together towards common business goals, they are more apt to share information, data, and insights regarding different processes and initiatives. In the world of AP, collaboration is regularly sought and frequently embraced. AP’s partnership with the procurement department continues to advance and thrive but is still clearly seen as a huge opportunity by 45% of all groups. Spend visibility is highly prized by procurement departments because it can unlock significant savings opportunities for the enterprise and AP systems are frequently the best source for the spend data.

Technology is the link between these “next level” generators. With new and improved systems of automation across the full AP process, an AP operation is better able to overcome its exception-handling challenge, facilitate communication and collaboration with key constituents like procurement, and ultimately be viewed as a center of excellence and/or a great source of intelligence and value.

**The Great Shift: Intelligence as a Top Priority**

As discussed earlier, AP transformation initiatives generally start with the notion of efficiency: identify problem areas, allocate resources, and apply solutions. And to date, this has been the right focus because the paper-laden invoice process, a burden for most financial professionals, was and is an easy target for simple automation to reduce invoice processing costs.

While chasing after pure efficiency is a fine goal (albeit a traditional one), the time has come to define a broader, more strategic objective for the accounts payable function. This shift starts with AP leaders, who in 2015 are prioritizing AP analytics and the role of data and intelligence (see Figure 2 below) in a sharp shift away from the cost reduction focus of years past.

For years, the blight of accounts payable boiled down to one critical aspect: the abundance of paper. Paper-based invoices and paper-based check payments are costly and take longer to process than electronic or digitized invoices. The additional funds spent on processing paper invoices is what kept AP in a traditional back-office role; without some strategic value linked to the function, AP was often overlooked when it came time to set budgets for new technologies and talent.
While the reduction of processing costs remains a top priority for organizations today (as long as paper is prevalent, this will remain a top priority), in 2015, AP leaders are more focused on the value of reporting and analytics around the accounts payable function. Why has this become a priority for today’s AP and finance professionals?

- Spend and supplier-specific data, all held within invoices and related documents, can be leveraged in uncovering spend trends and patterns and arming the sourcing team with deep information for future supplier negotiations.

- Invoices are often the “eyes” to the financial soul of the average business. The CFO and other C-level executives can use AP data to paint a vivid picture of corporate financial health.

- AP data can also be leveraged to formulate the value of early payment discounts, and how well-positioned the enterprise is to take advantage of those discounts.

- This shift in priorities also includes more focus on collaboration and electronic connections to suppliers and procurement. What happens in AP no longer stays in AP, the opportunity to extend value beyond AP’s doors is now understood. As accounts payable departments move to “higher ground,” the foundation of the function will be built with true intelligence that can transform AP into a true center of business value.
Working Together: The Evolving Role of Collaboration

Beyond the prioritization of data / intelligence and cost reductions, today’s AP and finance executives are also focused on improving collaboration, both internally and externally. In regards to supplier collaboration, it has become important for businesses to understand the value in treating suppliers as “partners,” pushing for better long-term relationships instead of the quick “deal.” By building connectivity and trust, the enterprise will benefit from improved supplier relationships over a period of years as the business continues to change and as it becomes increasingly important to find more value and innovation in the supply chain.

Regarding internal collaboration, it is no secret that the prime form of cross-functional coordination comes in the form of accounts payable working directly with the procurement group. Figure 3 below shows the level of AP-procurement collaboration that exists in the market today. Whether or not they are strong partners, procurement and accounts payable each manage one part of a larger single process (or transaction). Where it exists, collaboration between the two groups tends to follow the path dictated by an enterprise’s procure-to-pay (P2P) processes and systems.

![Figure 3: Collaboration Between AP and Procurement](image)

The businesses that cultivate an environment of collaboration beyond P2P processes are the ones that find the most value between the procurement and AP linkage. Currently, only 22% of all AP departments report that they have a strong link with procurement. Although 40% of companies are currently instituting moderately-collaborative endeavors between the two functions, the fact that 38% offer only task-based collaboration or none at all presents a stark picture of the linkage between procurement and AP across the industry.
Closing the procurement and AP loop with automation extends the value of all earlier investments by increasing efficiencies, accuracy, and visibility, and results in benefits that can include more savings and better compliance and cash management. Procurement and finance executives that have working unions are able to provide their stakeholders with intelligence into corporate spending (beyond what the CPO can provide) that can be leveraged for long-term planning, forecasting, and budgeting. The data shared between procurement and AP can be transformed into intelligence that will be relied on by the greater executive board to make educated business decisions.

**AP 2017: The Path Ahead**

The accounts payable function sits in a prime position to become a central “hub” of excellence, insights, and intelligence for the average enterprise. Finance professionals that either own or comprise the AP function should always be looking ahead. As Figure 4 highlights, businesses are turning to automation (53%) and collaboration (37%) as the foundational components of their future programs.

**Figure 4: Goals for Today’s AP Organizations (next 24 months)**

- Automate more AP processes: 53%
- Improve collaboration and process linkage between AP and procurement: 37%
- Reduce operational costs on AP-related processes: 33%
- Transform AP into a more strategic and agile business function: 30%
- Improve the commercial card program: 17%

As the accounts payable unit navigates new, more strategic business territory, it must develop capabilities that can take the function to a higher ground. Technology is a core component of this forward-thinking notion, as AP automation helps create scalable, repeatable, linked, and more-efficient processes that can drive down costs, improve the overall “speed” of invoice and payment processing and enable back-end reporting that can be used to improve operations and results within AP and the larger enterprise. As the years pass, Ardent expects that AP technology will become more seamless and more accessible to
those enterprises that did not previously have the resources, aptitude, or budget needed to deploy it. In an age of global commerce, connectivity between buyers and suppliers that is enabled by technology will be a critical piece of the global business networks and supply chains that unify the world’s enterprises.

Collaboration is another strategy that will help take the AP function into the future. With an eye towards improving cross-functional collaboration and process / system linkage between the accounts payable unit and other key stakeholders, today’s enterprises will be able to leverage a foundation of unified communication and insights that allow for and enable real-time decision-making. As the AP function continues on its strategic path, its true value will continue to be realized as a centralized hub of corporate intelligence.
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 seven 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.
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Christopher J. Dwyer is considered a premier thought leader in the world of supply management and a renowned expert in complex spend management, including contingent workforce management, travel and expense management, and meetings/events management. He evangelizes the evolution of complex spend management strategies and solutions, and has written hundreds of research reports and interviewed, advised, and benchmarked thousands of end-user professionals and executives in regards to their complex spend management operations over the last decade. Christopher joins Ardent from the Aberdeen Group, where he spent more than seven years tracking the progression of complex category spend management strategies and solutions while helping to educate the global market. At Aberdeen, Christopher led Aberdeen’s Global Supply Management practice and oversaw and contributed to the company’s coverage of procurement, strategic sourcing, spend analysis, ePayables (accounts payable automation), and supplier management.

Christopher was named an “Analyst Superstar” by HRO Today magazine in both 2013 and 2014 for his work in the contingent workforce management industry, and was also recognized by Supply and Demand Chain Executive Magazine as a “Pro to Know.” Christopher leads Ardent’s coverage of complex spend management, including the evolution of contingent workforce management, T&E expense management, and all other complex categories of spend and provides research and advice so that end-user organizations can enhance their capabilities and competencies and make the smart decisions that will ultimately improve their performance. He welcomes your comments at cdwyer@ardentpartners.com, on LinkedIn (www.linkedin.com/in/christopherjdwyer), or Twitter (@CJD_Ardent).

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In his long and varied career, Matthew Delman has worked as an editor, writer, and/or online marketer for The Eagle-Tribune Newspaper Group, The NASDAQ OMX Group, an investment newsletter, and a research-focused marketing services firm. Over the course of nearly 15 years as an editorial professional, Matthew has had a hand in the development of more than 2 million pages worth of print and online content.

His research focus at Ardent Partners comprises the entire accounts payable and financial operations areas including B2B payments. Matthew is also the editor for Payables Place (www.payablesplace.com) and focuses on keeping the site updated with a constant stream of fresh and interesting research, news, and analysis from the world of AP automation. He is available for briefing requests and/or third-party article contributions at mdelman@ardentpartners.com.
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 (and discounts on) Ardent Partners research at ardentpartners.com/newsletter-registration/ and join its LinkedIn Group.

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Research Methodology

Ardent follows a rigorous research process born from years of market research experience conducted in the accounts payable (“AP”) market. The research in this report represents the web-based survey responses of 175 business professionals and includes interviews from several accounts payable and finance executives. These 175 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 use to obtain their advantage. This primary research effort is based upon the survey responses, interviews, and the experience and analysis of the report author. Complete respondent demographics are included below.

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Report Demographics

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

Job Function: 56.8% accounts payable; 20.9% finance/treasury; 14.1% procurement; 8.3% other
Job Role: 20.1% VP-level or higher; 29.1% director-level; 36.4% manager-level; 14.6% other
Company Revenue: 57.8% Large (revenue > $1 billion); 21.2% Mid-market (revenue between $250 million and $1 billion); 21.2% Small (revenue < $250 million)
Region: 71% North America; 19% EMEA; 9% Asia-Pacific; 1% South America
Industry: More than 20 distinct industries are represented. Public Sector, Health Care, Financial Services, Education, and Manufacturing are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

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