THE NEW AP DEPARTMENT

WHAT TO EXPECT FOR THE FUTURE OF PAYABLES

ESKER®

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BUSINESS DISRUPTION PROMPTING BUSINESS INNOVATION

> Necessity is the mother of innovation.

It's a phrase most everyone has heard before, but in the wake of the mass business disruption our global economy has seen recently, business leaders are experiencing this concept firsthand — witnessing as cultures evolve in response to unexpected circumstances and act as a catalyst for innovation and change.

While change is one of the few constants for businesses, significant disruptions that affect operations worldwide (say, a global pandemic) are often unpredictable, and how an organization is able to cope with such a disturbance could mean the difference between long-term success and inevitable failure.

Accounts payable (AP) has traditionally been viewed as a back-office cost center that uses primarily manual, paper-heavy methods of processing supplier invoices. However, recent years have brought game-changing innovations in automation technologies, prompting more and more businesses to digitally transform their AP processes. Because of the increasing influence AP has on the overall health of an organization, AP teams — particularly those still using manual processes — have had to completely rethink the way they work in response to the current situation.

Manual AP invoicing was already outdated and inefficient, so when business across the globe took a sudden nosedive, companies with digital transformation still on their to-do lists felt the impact on their operations far more than those already using automation. Business continuity is now a top priority for most supply chain and finance leaders, causing fundamental shifts in AP functions and a need for innovation.

So, what does the new AP department look like? What has changed, and what changes are here to stay? And most of all, how can organizations promote business continuity and create a more strategic AP?

Let's dive in and find out.

ENABLING REMOTE WORK

The idea of being able to completely and competently do one's desk job from anywhere used to be seen as a progressive job perk. But in response to the events the world has watched unfold in 2020, remote-work capabilities have shot to number one on priority lists for business and AP leaders to better promote business continuity.

Accounts payable departments are notorious for being late to the digital transformation party, meaning a surprising amount of AP teams are still manually processing invoices. This is shocking because, theoretically, AP is a department that can be 100% digital and have all processes done remotely. For AP departments already using cloud-based automation, transitioning to a remote work environment can be relatively seamless when major business disruptions make it difficult or unsafe to work in an office space.

The reality, however, is that many AP teams using manual workflows must scramble to quickly implement disaster recovery plans when the option of working in an office is taken away just to maintain basic operations like receiving, processing and approving paper invoices and mailing checks. Finance leaders have to expect the unexpected and prepare accordingly for mass disruption. With cloud-based AP automation, workflows are digitized, invoicing is automated and AP operations can continue from any location uninterrupted and uncompromised in quality.

THE FUTURE OF REMOTE WORK

Even though the demand for remote work environments was exacerbated by necessity and will continue to be crucial for future interruptions to business, it will also be perpetuated by talent retention/acquisition efforts.

There's already a growing performance gap between the AP teams that are empowered to work remotely and those whose processes keep them physically tied to one place, and job candidates are starting to see work-from-home benefits as an expectation instead of a perk. Even if an organization doesn't have a remote work policy, equipping staff with a cloud-based solution allows AP teams to continue operating even in the most unexpected and inconvenient circumstances.

In a recent Forrester survey, participants were asked:

"WHAT TECHNOLOGIES ARE USED TO MANAGE AND AUTOMATE BUSINESS PROCESSES WITHIN YOUR ORGANIZATION?"

The overwhelming answer was

"PAPER-BASED, MANUAL ROUTING OF TASKS."

claimed **"few processes"** are managed with technology.[1]

1. COVID-19 Remote Work Just Broke Your Processes: Here's What to Do About It, 2020. Forrester.

ELIMINATING MANUAL PROCESSES

Paper has been the bane of existence for AP teams for decades, and now, paper-based processes are an even bigger problem than they were before. Manual AP processes are inherently inefficient, costly, time consuming, and they make it virtually impossible to enable a remote work environment.

The cost of paper and time wasted on low-value, manual tasks have been key drivers behind the growing shift to digital AP processes. The ability to work from anywhere comes largely from cutting out those highly manual tasks like tracking down paper invoices, data entry, manual routing and copying and following up on invoices. This in turn also makes staff more productive, frees up time for more value-added tasks, and provides visibility into the entire process.

When unforeseen disruption affects a manual AP department, it's a big deal — especially if staff is unable to go into the office. If that happens, AP operations can become either completely impossible or incredibly cumbersome to continue. Moving forward, AP leaders must focus more on promoting continuity of operations by eliminating manual processes once and for all. Not only is it now a necessity just to keep up with competition, but automating AP processes with AI-powered solutions is the most effective way to empower remote workers, maximize efficiency and create more meaningful work for AP staff.

OPTIMIZING CASH FLOW

When cash is the lifeblood of an organization, having unproductive cash tied up in inefficient AP processes poses a huge threat when economic disruption hits. The new AP department has a more intense focus on cash flow and payment terms, takes a more disciplined approach to its financial processes to optimize cash conversion, and has a more strategic spend management approach to combat overspending, lower compliance risks and strengthen vendor relationships.

Looking ahead, non-digital AP departments will have an even harder time paying suppliers on time. The quickest, easiest and most secure way to pay suppliers is electronically. In fact, suppliers are now specifically seeking out ways to be paid electronically by customers for that very reason. Companies can capitalize on electronic payments by paying even faster and taking advantage of more early payment discounts.

Given the importance of cash flow in uncertain times, companies should develop treasury plans for cash management as part of their overall business risk and continuity plans. Business leaders should audit back-office functions, take advantage of early payment discounts, better manage spend-related activities, and look for other ways to optimize cash flow and streamline processes. Digitally transforming the AP function uniquely frees up the cash businesses need and helps to navigate an increasingly unpredictable economic environment.

In a recent survey by Chrome River, more than

of over 500 finance professionals said that they plan to **either stop or slow down vendor payments during the pandemic.**[2]

THIS POSES A LARGER THREAT, AS PAYING SUPPLIERS LATE OR NOT AT ALL CAN CAUSE DAMAGING RIPPLE EFFECTS ON SUPPLY CHAINS.

2. Chrome River, 'When Cash (Control) is King: Is Your Accounts Payable Strategy Optimized for a COVID-19 World?', May 12, 2020. More info **HERE**

IMPROVING SUPPLIER MANAGEMENT & RELATIONS

Accounts payable plays a critical role in supplier relationships. Closely managing supplier relationships and ensuring suppliers are getting paid have always been crucial to preserving the integrity of supply chains and limiting disruption. And now, bolstering supply chains and supplier relationships have moved straight to the forefront of AP priorities.

It can be unnerving when supply chains are disrupted by forces outside of a business's control, and the ability to keep supply chains open is vital for business continuity. **Being able to fall back on quality, long-lasting vendor relationships is a sound way to contain the ramifications of those disruptions.** Manutan Group points out three ways businesses can use quality supplier relationships to their advantage to re-establish supply chains.[3]

- Secure supplies of raw materials and equipment
- Ensure the reliability of business continuity
- Temporarily establish a new way of value sharing

Improving relationships with suppliers requires open lines of communication and access to invoices and other web-based tools that provide vendors hands-on control over information. Automation equips vendors with self-service portals for quick, real-time access to support teams and any information needed, while helping AP specialists quickly onboard suppliers without compromising fraud and compliance controls.

The new AP department strives to cultivate trust with vendors by consistently delivering accurate, on-time payments. With invoices processed electronically and critical data only a click away, AP automation makes preserving a supplier-friendly reputation easy and leverages quality supplier relationships to help re-establish supply chains in the long term.

3. Manutan, 'How Supplier Relationships Can Help Procurement Departments Fight COVID-19', April 7, 2020. Learn more **HERE**

> THE FUTURE SUPPLY CHAIN WILL NOT BE LIKE YOUR FATHER'S SUPPLY CHAIN. 2020 HAS MADE THIS CLEAR AND ONE THING IS FOR SURE: WE NEED TO KNOW WHAT IS GOING ON TO MAKE THE RIGHT DECISIONS.
>
> PROFESSOR ROD FRANKLIN, ACADEMIC DIRECTOR OF EXECUTIVE EDUCATION AT KÜHNE LOGISTICS UNIVERSITY

ENHANCING VISIBILITY

Visibility is already of utmost importance for performance and profitability, but its importance is increased two-fold for the new AP department. Having access to accurate AP data and Key Performance Indicators (KPIs) is the only way to get an accurate read on your real-time financial health to make informed business decisions, especially when navigating times of business upheaval. Without end-to-end AP visibility, keeping a close eye on cash, tracking productivity and forecasting trends can be complicated and time consuming. And because manual AP environments don't allow for much process visibility — or any visibility for that matter — that's one more fundamental reason AP digital transformation has become a necessity.

AI-driven solutions provide customizable dashboards and real-time updates that managers and other employees need to keep AP processes running without interruption or bottlenecks. Automation solutions allow users to track every step of the AP workflow and better monitor the metrics that impact productivity and cash flow most, such as:

- Cost to process a single invoice
- Time to process a single invoice
- Number of invoices processed per day per clerk
- Percentage of invoices linked to a PO
- Invoice exception rate

The demand for modernization of AP practices goes hand in hand with the growing demand for greater visibility. As the new AP department finds its footing in this unfamiliar, modified business landscape, companies benefitting from the process transparency and reporting capabilities of automated AP solutions will find it easier to regain momentum post disruption and have a clearer picture of their financial health.

CREATING A MORE STRATEGIC AP WITH AUTOMATION

The idea of digitizing AP processes with AI-driven automation is not a new concept. However, just within the past few years, AP's role has become increasingly more strategic to the overall financial health, performance and success of a business. In fact, AP's role is changing so fast that a recent study by IOFM found that just three years ago, only 1 in 10 AP leaders anticipated their team's role was going to become more strategic — a share has now **nearly doubled.** And on the flip side, those that anticipated no change has dropped from **nearly half to just one-third.**[4] The data, real-time visibility and efficiencies gained with AP automation help to unlock new value that's felt throughout the entire organization. And as AP becomes more important to the success of an organization, so has its need for advancement.

Even though modernizing AP has been imperative for years, the slow adoption of automation put many organizations in a highly vulnerable position when the economy experienced a sudden global slowdown. On the contrary, early adopters of AP digital transformation were able to strategically transition and adjust with changing circumstances and felt far less of an impact on their supply chains and bottom lines.

4. The Future of AP: Are You Prepared for What's Next? 2020. IOFM

AUTOMATION:

FROM "NICE TO HAVE" TO "COMPLETELY NECESSARY"

Manual processes only function when workers and physical files are in the same location. And when a business disruption occurs, key operations can completely break down in departments that depend on manual AP practices. As businesses continue navigating an uncertain economy and prepare for similar situations in the future, transitioning to e-invoicing and electronic payments is critical to keeping supply chains open, building stronger supplier relationships and optimizing cash flow. Automation across AP processes creates greater flexibility for teams working remote, boosts protection against fraud attempts, eliminates the cost of paper and delivers complete process transparency.

Accounts payable is in a different position today than it was only a matter of months ago. Business and financial leaders can either realize the changes that have created the "new normal" for AP and take the necessary steps to properly plan and prepare for them, or they can sit back and wait to see how things play out.

OUR ADVICE? AUTOMATE AP PROCESSES AND DON'T LOOK BACK!

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