

A man with dark hair, a beard, and glasses is shown from the chest up. He is wearing a blue button-down shirt and has his hands behind his head, looking upwards and to the right with a smile. The background is a blurred office setting with a warm light source in the upper right.

# Why AP Automation is the Fastest Route to Strategic Spend Management

From our Achieving Outcomes series

We live in a tap-to-pay world where personal checkbooks are ancient history, digital money transfers are commonplace, and our “wallets” are embedded in our phones. Although consumers have embraced paperless tools for their own financial management, most corporate Accounts Payable (AP) departments are still operating old school. In fact, fewer than 20% of organizations have fully automated AP processes, and a full 70% of all invoice processing globally is still paper based.<sup>1</sup>

This resistance to change comes at a high price.

A recent study showed that, in small to mid-sized organizations, employees spent about 13 hours a week processing invoices.<sup>2</sup> Forty-five percent of invoices received are processed manually, at an average cost of \$9.25 each.<sup>3</sup>

That’s a lot of wasted time and money that could be used to benefit your business.

“What we have is the perfect storm for change. The advent of artificial intelligence (AI), in combination with the maturity of tools make it more advantageous than ever to automate. We’ve already learned from our mistakes,” said Jeanne Dion, Vice President of the Value Experience Team at SAP® Concur®. “At the same time, most of the AP workforce is five to ten years away from retirement. Without automation, a lot of an organization’s institutional knowledge is soon going to walk out the door.”

If you still have manual processes, you also have a greater risk of late payments, which impacts your relationship with vendors, your ability to negotiate preferred rates, and your credit rating.

“If you can start automating now, you can prepare for the changing workforce, and realize the benefits automation offers: improved efficiency, decreased risk, and better control of your entire AP process,” Dion said.

So, how can finance leaders orchestrate the AP change amid the realities of day-to-day business? Where do they begin? What should they consider? And how do they manage the change across their organization?

**We spoke to industry experts from AvidXchange, TCG Consulting, and SAP Concur to get their insight and advice.**



# The Perceptions and Realities of AP Automation

AP automation is defined as applying tools like e-invoicing, OCR (optical character recognition) technology, and software-based travel and payment solutions that handle specific manual processes digitally.

In short, these tools minimize human intervention and eliminate error-prone, redundant tasks from the AP process, enabling organizations to quickly lower costs, save time, and increase visibility into spend.

Although automation is not a new concept — and one that's likely leveraged in other parts of the organization — AP departments have traditionally been slow adopters. Whereas sales or marketing or product development thrive on innovation, AP is the “Steady Eddie” of the business. The department that pays the bills.

“AP is extremely risk adverse. There's a perception that, as long as it's working — as long as the bills are being coded correctly and payments are being made — that there's no reason to change,” explained Rhonda Greene, Principal and Accounts Payable Solutions Consultant for AvidXchange, Inc. “There's a fear that, if we automate, we might lose control. But the reality is, you don't lose control with automation. You actually gain it.”

Organizations also fear disrupting a process that seems to be working.

“Companies processing hundreds of invoices per month are often intimidated to touch a process that

large, so they adopt a posture of, ‘Don't fix it if it's not broken;’” said Grace Swain, Senior Consultant for TCG Consulting. “They don't realize that not being automated is a form of being broken.”

Consider the fact that the Public Company Accounting Oversight Board is weighing a proposal to change the guidelines for the completion of audit documents from 45 days to just 15 days, because today's audit tools make the process easier. Without the benefits of automation, it would be challenging, at best, for a public company to comply with these new guidelines.

“When everything's automated, AP personnel can pull down a few things from their computer, print it off, hand it to the auditor, and they're ready to go,” Swain said. “When it's manual, there's a much higher risk that something went wrong during the process — be that an overpayment, an incorrect entry — any of those errors that will impact your audits, and prompt your auditors to increase your sample size, which adds to your workload.”

Surely there more productive ways for your AP team to be spending their time.

More than one in five AP staff are approaching retirement age in the next five years.<sup>4</sup>

## Benefits of automating your AP processes



**16%**

reduction in invoice processing time<sup>5</sup>



**>29%**

decrease in invoice processing costs<sup>6</sup>



**51%**

improvement in average time to pay vendors<sup>7</sup>

Learn how to unlock business benefits through AP automation.

[Listen to the podcast featuring TCG Consulting.](#)



# The Impact of Automation on Tail Spend and Procurement

In addition to bill pay, AP automation can have a significant impact on an organization's procurement strategy, helping manage long-tail spend — the low-cost, high-volume indirect expenditures made by a broad range of employees, from many different vendors. Traditionally, this spend, which accounts for an average 80% of an organization's purchase transactions but only 20% of spend volume, has little or no procurement oversight.

It's hard to control something you can't see.

"We're seeing more and more of this long-tail spend ending up on expense reports, simply because the volume of this spend overwhelms an AP department," Dion explained. "If you're moving to automation, you can actually move this spend to the proper channel, like a purchasing card or an invoice."

With this new visibility, organizations can get a clearer picture of where and how their dollars are being spent. They are better positioned to consolidate vendors, negotiate preferred pricing and early pay discounts, and gain the efficiency to process those invoices quickly enough to take full advantage of those discounts — all of which impacts the bottom line.

For example, if an organization with \$8M in total spend could shave 5% to 15% of those expenditures with more rigorous long-tail spend oversight, it could save between \$400K and \$1.2M per year.

"Automation also enables organizations to control workflow and align the workflow with signature authority matrices," Dion said. "In so many companies, the workflow for different types of spend or invoice amounts all sits in some AP person's head. Having an automated workflow with exception processing built in not only improves efficiency, but reduces risk."

For example, in a manual workflow, invoices may be sent to the wrong person, sit on the desk of someone who is on vacation or, worse yet, not be sent for approval at all.

According to the Association of Certified Fraud Examiners (ACFE), 12% of all occupational fraud occurs in the accounting department.<sup>8</sup> Billing schemes are one of the most prevalent types of accounting fraud, and also the most costly, with the median loss averaging \$100K per instance.

"There's a higher potential for fraud when workflows aren't automated," Swain said. "Someone in AP could easily generate a fake invoice, with the funds going to a friend, and then have a cohort in the company approve it."

Ultimately, automation empowers organizations to increase control and oversight, creating an environment in which an AP person only looks at an invoice is if there's an exception that needs to be resolved.

As a result, organizations can move their regular non-long-tail spend invoices into a type of exception process. The system automatically checks to ensure the vendor is approved and has submitted the appropriate paperwork, and then automatically routes that invoice for approval and payment.

Costs are reduced, procure-to-pay lifecycles are shortened, and both AP and procurement personnel become more productive in the process.

### How big is the potential impact?

Automated tools can enable:



A 39% reduction in maverick spend<sup>9</sup>, meaning spend outside of the defined policy



A 48% higher compliant PO spend<sup>10</sup>



An average cost savings of as much as 20%<sup>11</sup>



# Moving from Tactical to Strategic

The automation process doesn't start with technology. It starts with shifting the AP mindset from tactical to strategic. The goal is not simply digitizing processes, but creating a vision of what could be.

"I've seen hundreds of customers take their expense process that was sitting on an Excel spreadsheet, and just translate that to an automated system," Dion said. "They're not looking at it from a strategic perspective of 'What could we do better?'"

To be successful, AP automation initiatives must be driven by your mission, your purpose, and your outcome.

"Your mission is your North Star, your purpose is your 'why,' and your outcomes are the business benefits or results you want to achieve," Dion explained. "All of this drives to your processes and procedures."

To build your business case, investigate the data, including:

- The total number of invoices you receive.
- The number of late payments.
- The volume of missed discounts.
- The amount of time your team spends on exceptions.
- The amount of time your team spends keying into the general ledger.
- The amount of time your team spends on redundant tasks with no strategic value, be that routing paper, data entry, chasing down approvals, or any of the other usual suspects.

How much time are those manual processes costing you?

"The best outcome in any automation, whether it's accounts payable or anything else, is that it frees up time. That's its product — the number of hours of manual work that automation saves," explained Chris Elmore, Chief Evangelist of AvidXchange. "The question becomes, **how would you invest those hours?**"

What could your employees accomplish if you eliminated their manual pain points and freed their time to focus on more meaningful tasks?

"If automation gives you 5,000 hours, which projects can now get done? How are these new projects going to impact the company?" Elmore encouraged organizations to ask these critical questions to bridge the gap between tactical and strategic.

Consider the fact that AP departments are always looking for the exception — that proverbial needle in the haystack. If the AP department is doing a full review of everything that's coming through, chances are high that they're going to miss something, due to the sheer volume of what they're reviewing. With the help of technology, you can focus your staff on the bigger exceptions.

"Your team could be spending so much time looking for the needles in the haystack that they never have time to solve all of the needles they found, so they're only focusing on the very highest, most egregious

exceptions they uncover,” Dion explained. “An automated system brings you the needles, minus all of the hay. So, your staff has time to work through all of the little exceptions, which often add up to a significant amount of money.”

As your team resolves the exceptions, they’re also discovering gaps. So, you can make improvements in

the system and in your policies that reduce costs and combat unnecessary and non-compliant spend.

“AP automation can make you a faster, stronger, better organization — for the long term,” Dion said. “The change becomes iterative. It’s a cycle of innovation and reinvention.”

Learn how AP automation revolutionizes business operations.  
[Listen to the podcast featuring AvidXchange.](#)





# Priming for Change with a Little Housecleaning

Before you move to a new house, you get rid of the clutter, dispose of the junk in the back of your closet, and get organized to make the transition from point A to point B that much easier. The same is true for an AP automation initiative.

Taking the time to get your house in order before the change will make the transition much easier and allow you to actualize real benefits more quickly.

Here are the basics:

## Standardize your processes

“In most organizations, the payment process isn’t consistent across every type of invoice. For example, legal invoices may go through an entirely different workflow, scrutiny, and security. Office supplies and utility bills may be handled differently than anything related to your capital projects,” Dion explained.

“Finding the commonalities so you can start standardizing those processes, and determining what kind of approvals truly need to happen is critical before you start automating.”

This step is not only key to a successful automation initiative, but will eliminate confusion and duplication of efforts across your organization.

## Document your workflows

In many organizations, the various invoice and approval workflows reside in the heads of a few members of the AP team. In addition to standardizing, organizations should document and date the revised workflows. Just as importantly, assign a person or

team to update these should anything change, so there’s always an accurate record going forward.

## Clean up your master vendor files

“Cleaning up your master vendor files is critical, particularly if you have more than one person who can set up vendors,” Greene explained. “You’ll want to eliminate any duplicate or inactive vendors before you automate.”

You don’t want to waste time moving 50,000 vendors if you’ve only used 5,000 of them in the last 24 months.

“While you’re reviewing your vendor files, also make sure you have the correct banking information for each of your vendors, even if they currently accept checks,” Dion added. “Automating the payment process is essential, so you want to make sure all of that information is accurate, complete and cleaned up before you start moving to an automated system.”

The adage of “garbage in, garbage out” applies. Getting your house in order ahead of time and ensuring current processes are standardized, documented, and up to date prevents issues and inefficiencies down the road.

### [The IRS offers a TIN matching program](#)

that ensures that the TIN and name on the vendor’s W-9 matches the information within the IRS filing records, which is helpful for quality control.

## Starting Small to Win Big

AP automation is made up of many different parts, including processing, integration, digitization, supplier portals and payment automation — each delivering their own set of benefits.

So, where should organizations start?

“The starting point really depends on the company and what it does,” explained Swain. “For a sales company, the biggest cost for them might be travel and expense. For a manufacturing company, invoicing might be a high-volume area.”

The best advice is to approach automation iteratively. Start small, and continue to build from there, gaining efficiencies with each step along the way.

“Prioritize where you see your resources spending the greatest amount of time, or where you have the highest risk, because automation is the perfect tool to lower that risk,” Swain said. “You want to lower the manual touches as much as possible, because that’s where you have the greatest risk of error.”

Start with simple software and move to more complex automations over time.

“If your invoices are being mailed in, you could start with a supplier portal to accept digital submissions. If your people are still on Excel, you could move to a more automated tool,” Swain said. “It’s really about stepping back and looking at your organization as a whole and where you can get the most value, and

committing to continue to improve and optimize as you go.”

Every step, however seemingly small, enables organizations to reduce risk, increase efficiency, improve visibility and ultimately, run a more strategic operation that actively contributes to the success of the business.

Use the framework on the following page to step into AP automation at the right pace for your organization.



## Framework: The Step-Up Approach to Automation

### Level One

**Current state:** Paper-based, manual processes

**Goal:** Speed up processing and reduce time-to-pay

**Action Options:**

- Automate check requests
- Create a vendor portal for digital receipt and routing
- Implement eInvoicing software

1

### Level Two

**Current state:** Some automation, but manual workflow

**Goal:** More efficient and accurate approval process, improve budget management and eliminate duplicate payments

**Action Options:**

- Automate approval workflow
- Add OCR capabilities to match PO with invoice
- Automate invoice data capture for analytics and reporting
- Automate travel expense and non-PO invoice payments

2

### Level Three

**Current state:** Automated but no end-to-end integration nor a near-real-time, single view of current and approved spend

**Goal:** Move to a fully automated, end-to-end solution for more effective cashflow management and forecasting, and improved compliance. Create an environment where personnel are managing exceptions and doing higher-level work instead of transactional tasks and system-to-system data entry

**Action Options:**

- Integrate systems
- Automate all purchase requests, vendor payment, and supplier management
- Automate journal entries in the ERP
- Embed automated internal controls for policy and regulatory compliance adherence
- Utilize AI to quickly spot trends and forecast cashflow
- Automate card payments

3

# Effectively Driving Change Across the AP Ecosystem

To be successful, every AP automation initiative requires a razor-sharp change management strategy that actively engages and prepares everyone for what's to come. Our experts shared their best practices for orchestrating the change.

## 1. Get executive sponsorship

“A project of this scale needs a true business case and active endorsement from the top-down to succeed,” Dion said. “Getting C-level involvement and buy-in, particularly from the CFO, will keep the project moving along and enable you to get all of the stakeholders on board.”

## 2. Start communicating early

The more people know about what is happening, why it is happening, when it is happening, and the benefits, the better. Start communicating as early as possible, through multiple channels. And be sure to include the full scope of everyone who is impacted — from your AP and procurement teams, to everyone in the organization who makes or approves purchases, to your supplier network.

## 3. Target your messaging to the different stakeholder groups

In addition to letting your stakeholders know how the automation initiative benefits the company, also include how it benefits them.

**For your suppliers**, that message is they'll be paid faster and their invoice submission process will be simpler.

**For employees who make the purchases**, highlight that they'll no longer have to manage paper, or that with the new solution, you'll have rules built in to eliminate manual steps.

**For approvers**, highlight the ability to approve purchases anywhere, and that the system pre-codes the invoices or prescreens for compliance.

**For department heads**, the message is focused on having more analytic data or near-real-time visibility for better budgetary management and forecasting.

**For your internal AP team**, it's critical to speak to how the change will affect their day-to-day operation, and the types of work they'll be doing.

“One of the biggest fears people have when they hear the word ‘automation,’ is that their job will be eliminated,” Dion said. “However, automating an AP process doesn't reduce the actual amount of work. It reduces the amount of manual work, which opens new opportunities for the staff to more of the things that really matter, like spend analysis, or more strategic projects.”

That's why it's critical to create a strategic vision for your AP operation, and share it with your employees.

## 4. Get user input

Don't create the new process and workflows in a vacuum. Get user input, listen to ideas, and put a feedback mechanism in place for ongoing optimization.

## Make a Change. See the Benefits.

The beauty of AP automation is that it doesn't just benefit large enterprise operations. Small and mid-size organizations, in all industries and sectors, will see tangible benefits and greater efficiency from streamlining their AP workflow.

As Dion explains, "AP automation has the power to increase operational efficiency, visibility, and control, all while enabling organizations to be more strategic and intentional on where and how they spend their time and resources. In doing so, they reduce risk in every single area of the organization."

For more information on how SAP Concur can help your organization improve efficiency, reduce risk, and take a more strategic approach to spend management, [visit us online](#), or contact your Customer Success Partner.



## ABOUT SAP CONCUR

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best. Learn more at [concur.com](https://concur.com) or the SAP Concur [blog](#).

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