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# Guide to accounts payable invoice automation

## What is AP automation and is your business ready for it?

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# What is accounts payable automation?

Accounts payable automation refers to the process of digitizing and streamlining manual tasks performed by the accounts payable department. Automation of these activities creates efficiencies, which translates into higher levels of productivity and a lower cost of invoice processing.

**Here's what AP automation looks like:**

**1** Invoices are scanned, emails are captured

**2** Invoice data is captured & verified for accuracy

**3** Auto-routing & hierarchy approval rules applied

**4** Invoices are electronically routed for coding & approval

**5** Approved invoice data is transferred to ERP system

# Why AP invoice automation?

Accounts payable is a complex process. Limited resources and reliance on legacy technology present an obstacle to digitization and are keeping many companies set in their ways.

Manual, paper-based AP environments, while they have been effective for many years, may be struggling to keep up today. As we witness the benefits that digitization has brought to many functions of the business, more and more companies are starting to invest in automation initiatives.

High invoice volumes and small accounts payable departments that still use largely manual processes are driving the desire to digitize.

For many companies, automating AP processes is often the best place to start their automation journey. Why? Because in comparison to other automation projects, automation of accounts payable workflows can yield measurable operational and financial benefits much quicker.

## Immediate benefits of AP automation include:

- ✔ Accountability and transparency with all invoice data in one system

- ✔ Integrity of operations and fraud risk reduction with powerful data capture

- ✔ Secure storage of sensitive financial documents with all data in the cloud

- ✔ Full history and transaction trail that's easily accessible

- ✔ Time savings for AP staff who can focus on more value-adding tasks

Digitizing and automating core business processes is critical for business growth and continued success in today's rapidly changing business climate.

Accounts payable is a great starting point for automation initiatives because it affects various parts of the organization and the benefits can be realized in a short time period.

# Is your business ready for AP automation?

Consider the following statements and
tick off the ones that apply to your organization.

○ The volume of invoices in our organization is growing and this trend is likely to continue in the future

○ Our staff spends a significant amount of time on invoice processing

○ It would be better for our staff to spend their time on more value-adding tasks rather than on manual processing of invoices

○ We have experienced errors in invoicing that have resulted in incurred costs and/or potential compliance risks and/or fractured relationships with suppliers

○ We have incurred late payment fees as a result of not paying invoices on time

○ We have difficulty capturing accurate financial data and reports in the system which leads to lack of transparency

○ Management would benefit from having easier access and better insight into the latest financial data

○ Too much time is spent on month-end and year-end closing of books

○ Our organization spends too much on AP processing

○ We store and archive our AP invoices and related documents using on-premise systems

If you have answered **yes** to three or more of the statements above, you should consider automating your AP processes.

# How to identify the right AP solution for your organization?

## Step #1: Determine your "as is" AP process

Analyze your current processes and understand where the main pain points are. This will help you to select a solution that addresses the most critical areas.

Be sure to involve your front-line payables staff in this process and thoroughly capture every unique workflow for different types of invoices and suppliers.

Then document the challenges present in your current workflow. While you are doing this, think about the following questions:

1. How do you manage the accounts payable workflows for expense invoices and PO-based invoices today?

2. How many people are involved in accounts payable, procurement, logistics, management?

3. Which steps are manual vs. automated and what are the main pain points or bottlenecks in each process flow?

4. What is your month end accrual process – how accurate and timely is it?

5. How do you currently archive, and later report on, your invoices after they are processed?

**TOP 3 ACCOUNTS PAYABLE CHALLENGES:**

▤ **Paying duplicate invoices**

🕐 **Making late payments**

💡 **Forecasting cash flow**

## Also, try to quantify issues such as:

- Lost invoices and duplicate copies
- Manual data entry
- Matching errors and other invoice exceptions
- Supplier inquiries and escalations
- Duplicate payments
- Late payments and lost discounts

## Step #2: Define the scope of your automation project

To successfully implement automation within your AP department, you need to clearly define the scope of the project. Think about the following questions and work with your management team and AP staff to provide detailed answers to the following:

1. Which parts of the accounts payable process should the new solution handle and which should be considered out of scope?

2. Who are your key internal stakeholders?

3. What are their respective objectives?

4. What is an internally sellable project scope given your organization's structure, resources and decision makers?

## Step #3: Identify system dependencies

Your Enterprise Resource Planning (ERP) system or financial system is the most important dependency when considering a new AP automation solution. Think about the following:

1. Which ERP, procurement and financial system(s) are currently used in your organization?

2. Are there any plans to replace or upgrade the current system(s)?

3. Any other business systems that will be affected by the AP automation project?

It is crucial that your new AP solution has a powerful, stable and seamless connection to the ERP to ensure effortless syncing of your financial data.

## Step #4: Outline your IT requirements

Ensure that your IT stakeholders are on board and that you understand all the technical requirements necessary for a successful automation of your AP processes.

1. Will the IT be able to support the project or will they require additional resources?

2. Are there any reasons for not selecting a cloud solution?

3. Does your organization have any specific requirements related to system security, hosting and maintenance?

### COMMON AUTOMATION CONCERNS:

🚩 **Difficulty with change and disruption**

👎 **Lack of buy-in among staff and management**

⛔ **Reduced flexibility**

🧮 **Lack of budget**

## Step #5: Engage key stakeholders and build your business case

It's crucial that you present the right information to each of your internal stakeholders before embarking on the AP automation journey. These will likely include front-line accounts payable staff, purchasers, procurement, financial analysts, IT staff and executive management.

Different stakeholders will have different concerns, questions and objectives. That's why it is important to engage all relevant parties from the onset of the project and understand both technical and financial aspects of automation.

## Your ROI calculation should include:

✔ **Solution costs**
This includes ongoing fees as well as any implementation, maintenance and upgrade costs that may occur.

✔ **Hard savings**
This includes headcount reduction, elimination of late payment fees and realization of early payment discounts.

✔ **Soft savings**
This includes time savings, improved visibility and control as well as improved vendor relationships.

# Key takeaways

Automating your accounts payable processes may seem like a daunting undertaking. However, we hope that this Guide has provided clarity and direction around the key steps that you should be thinking about.

By planning ahead, involving the right people from your organization, breaking the project into well-defined chunks and using the right technology, you can successfully digitize and automate your AP department.

AP Engine team can help you during every step of your AP automation journey by providing expert advice, resources, technology and support.

*For more information on accounts payable automation solutions from AP Engine, go to* **www.apengine.co**

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