

From AP Automation to Transformation:

5 steps to revolutionize accounts payable

*A Guide to Eliminating
Manual Work and Making
AP a Strategic Asset to
Your Business*



Are You Getting the Most Value from Accounts Payable?

When people think about the Accounts Payable (AP) department, they frequently picture a tactical back office function that is necessary but doesn't necessarily deliver strategic value to the business. Yet AP teams have immense potential that is often untapped because they are bogged down in manual administrative work, leaving no time for value-added activities. Is it really possible for AP to be seen as a team that is strategically vital to business growth?

Not only is it possible, it's essential if you want to remain competitive and fuel your company's expansion. And, this transformation can be achieved in just weeks with the right approach and tools. AP can be freed from its tactical role to focus on strategic initiatives that paint the AP team in a whole new light to your business by reducing risk, putting working capital to better use, providing real-time reporting and analysis, and financial planning and forecasting.

Your AP team can become a strategic asset that allows your company to grow with a lower cost structure and quickly take advantage of changing market conditions by expending or conserving cash. As an added bonus, you can stop throwing more headcount at the problem and reduce burnout of your AP employees.

Is Your AP Team Spending Too Much Time on Tactical Work?

So what's keeping your AP team from moving into a more strategic role? For many companies, manual, administrative tasks consume most, if not all, of the AP team's day (and evening), leaving no time for value-added work. How many hours per day does your AP team spend on the following tasks?

- Validating invoice data
- Manual matching of invoices to purchase orders (POs)
- Chasing down approvals
- Entering general ledger (GL) codes
- Manually posting accruals

If your AP team spends most of its time on these tasks, it's time to take a hard look at improving your AP processes. Many of these inefficiencies stem from manual procure-to-pay processes and outmoded or hard-to-use systems that force AP to spend way too much time on data entry and issue resolution.

Sometimes it's hard to see when your own AP processes and systems are in dire need of a refresh. Start by asking yourself a few questions to assess your organization's AP performance.

ASSESSMENT	YES	NO
Are you processing at least 23,000 invoices per AP full-time employee (FTE) per year?		
Is your electronic PO rate 99% or better?		
Is your e-invoicing rate at least 84%?		
Is your first-time match rate greater than 87%?		
Are you consistently leveraging early-pay discounts to improve return on working capital?		
Is your AP team recognized for contributing to the attainment of company goals?		

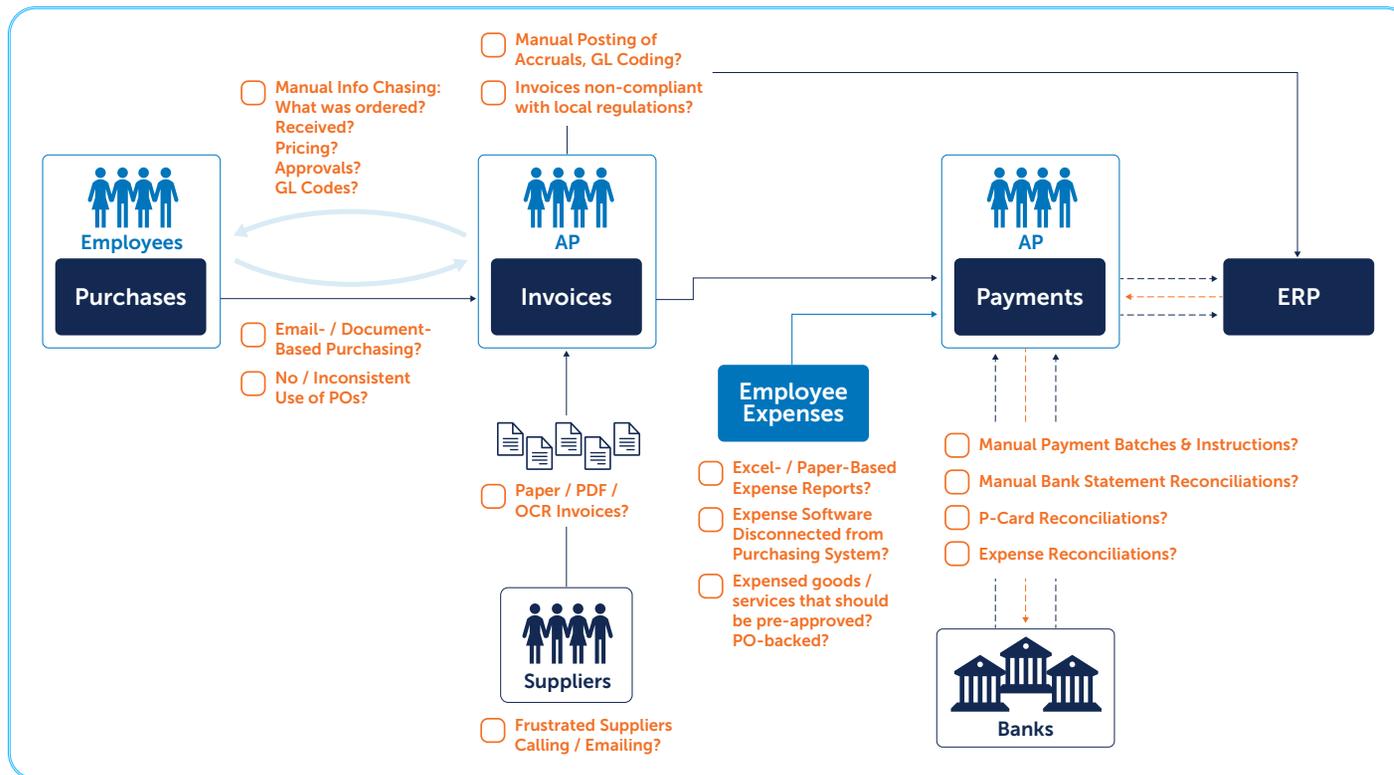
If you can't answer "yes" to all six questions, your accounts payable team is spending too much time on low-value, administrative work. The good news is you can eliminate the manual effort and reconstruct your AP processes in just a few weeks.

Use this guide to get started on your journey to revolutionize accounts payable.

5 steps to revolutionize your accounts payable team in weeks

step 1 Identify the Problem Areas

Start by finding the trouble spots. Take a few minutes to map out your current processes and systems. How do yours compare to this diagram? Check the boxes where your processes and systems resemble the orange problem areas indicated in the diagram. These are some of the areas you'll need to address. Identifying these problem areas provides a good starting point for transforming your AP function.



It's also useful to understand the business impact of your sub-optimal AP processes and systems.

- VALUE LEAKAGE AS A RESULT**
- No / Late Visibility to Liabilities
 - Budget Overruns
 - Poor Spend ROI
 - Late Close / Reporting
 - Late / Double Payments
 - Fraud
 - Poor Cashflow Management
 - Audit Scrambles

Use the checklist below to further quantify the impact to your business.

QUESTION	ANSWER
How many invoices go missing and how much time is spent resolving lost invoice issues?	
How do you validate invoices when you don't have a corresponding PO?	
How many emails does it take to get an approval?	
How much do you spend on late payment and bank transfer fees?	
Do you have an audit trail for every validation and approval?	
How many AP people do you need to add each year just to keep up?	

step 2

Set Improvement Goals

Now that you have an understanding of where you are, you're ready to benchmark your AP processes against key performance indicators (KPIs) of companies that have already transformed and transitioned to becoming a strategic AP team. This exercise will help you see how big your opportunity for improvement is. These benchmarks will also be critical in setting improvement goals and will provide a framework for you to communicate to your broader organization the value you are creating.

With a fully digitized AP process, you'll be able to set high-impact and ambitious goals such as:

KPI	Your Current Performance	Future Performance with AP Transformation
Adoption of e-Invoicing by suppliers	<i>Low to none</i>	90%+
Touchless invoice processing	<i>Low to none</i>	90%+
# of invoices processed per AP FTE	<i>< 23,000</i>	>23,000+
Real-time visibility of outstanding liabilities	<i>Low to none</i>	100%
Auditable invoice approvals	<i>Low to none</i>	100%
% of invoices with late fees or missed opportunities for early payment discounts	<i>Low to none</i>	0%

Additional Coupa Benchmarks for Leading Digitized Companies

To find out more, check out the full *2020 Coupa Business Spend Management Benchmark Report*.



PO-Backed Invoices



Invoice Approval Time



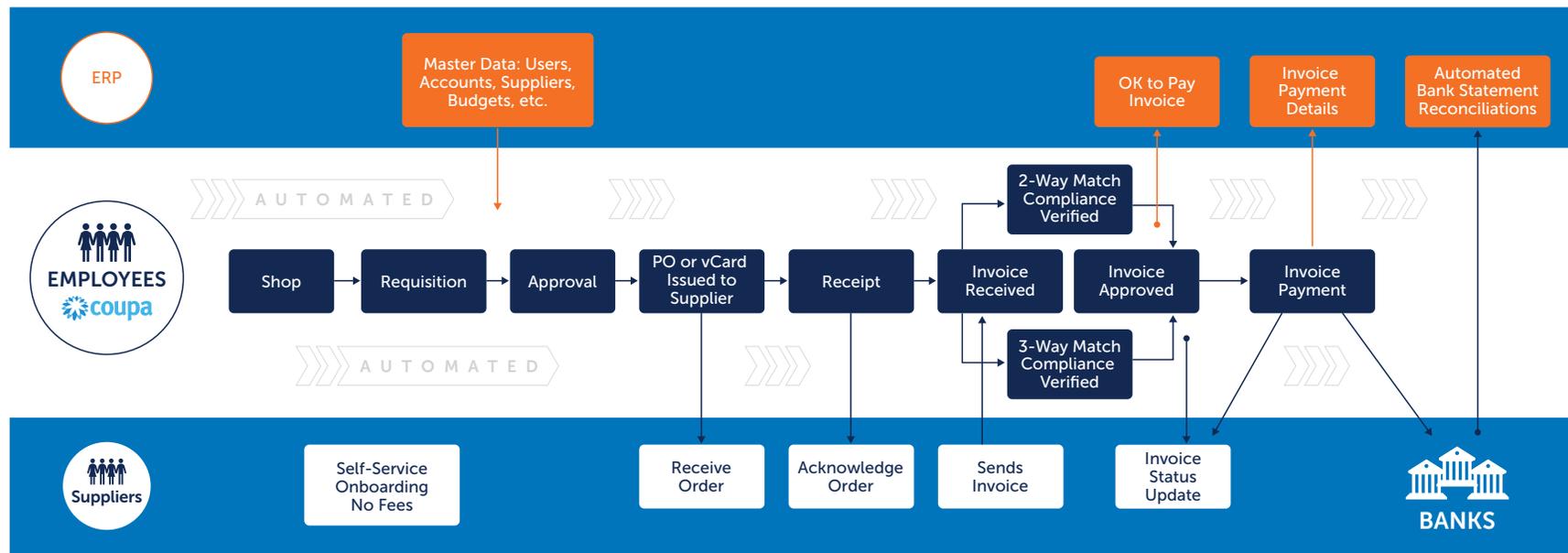
Electronic Invoice Processing

step 3

Modernize Your AP Processes

With your understanding of problem areas and goals for improvement, you are now ready to envision your new AP processes, along with the improvements and business impact you can deliver. Beware of the temptation to just speed up the current process with a partial technology solution that doesn't address all problem areas.

Now is your chance to truly revolutionize the process, eliminate manual work, and reposition your AP team as a strategic business partner. If you invest in the right combination of process and technology improvements, you can move to a touchless procure-to-pay process that will eliminate nearly all of the manual tasks in weeks.



Here are some things you should consider as part of your new AP processes:



Eliminate Paper: Your invoicing process should be paperless for nearly all of your suppliers. Paperless invoicing eliminates the manual work and lets you create a workflow for easy payment approvals. The key to eliminating paper and reaching your targeted improvements is to drive supplier adoption by making electronic invoicing fast, easy and flexible to the individual needs of your suppliers.

Suppliers will quickly embrace a new platform if it allows them to continue working the way they want - whether that's sending an invoice from their phone, emailing a PDF from their accounts receivable system, or using cXML integration. Your suppliers will also see there's something valuable in it for them when they gain real-time visibility into the payment status of their invoices without having to contact someone in AP.

Look for a system that also includes built-in country-specific invoicing compliance requirements so your invoices can automatically be verified when they are submitted.



Don't Settle for a Band-Aid: You won't reach your improvement goals by applying a band-aid. You may be tempted to go for a system that seemingly offers a quick fix through paper invoice scanning, but don't settle for something that won't get you to the full strategic shift of your AP team. Instead, consider the entire AP process when evaluating technology investments to ensure they can address all of your targeted process and performance improvements.

Your goal should be to get to a touchless AP process by fully eliminating manual tasks upon receipt of invoices. Invoice scanning can speed up invoice entry, but it still requires your AP team to match invoices to POs or contracts, code the right GL accounts, and obtain approvals.

To get to a truly touchless process, you'll need a solution that provides an automated 3-way match: an invoice matched to PO or contract that's also matched to a receipt to ensure all invoiced goods were received. For this approach, the AP and requisitioning processes will be fully unified in a single system, and with high employee adoption, you will achieve a fully touchless procure-to-pay process.



Pre-Approve Spend: When your AP process is fully integrated to the requisition process, you can move approvals to the purchase order (PO) request, which will streamline the payment process. Employees need to be able to easily create electronic POs with automated workflow that routes to the correct people for pre-approval. Once approved, the PO is released, the invoice is automatically matched to the PO, and the receipt is automatically matched to the invoice, creating a 3-way match and eliminating manual work.



Create an Online Shopping Experience: Your employees will only adopt new systems if they offer a modern, online shopping experience that's similar to the way they shop at home. You can save your employees valuable time and frustration by giving them an easy way to order needed items from approved vendors with contracted pricing and terms. The right technology platform will also automatically validate PO requests against your business rules, ensuring your employees get what they need at the best price with the required pre-approvals. You may also want to consider finding a platform that allows you to aggregate with thousands of other businesses to increase your negotiating power on common goods and services while further eliminating manual work.



Leverage New Methods to Pay Vendors & Manage Cash: Look for technology platforms that allow you to pay online with virtual cards that can only be used for approved vendors and amounts. Virtual cards eliminate p-cards, allow remote staff to safely pay small suppliers directly, and spare your AP team from time-consuming expense coding and credit card reconciliations. By leveraging online payments, you can stretch your Days Payable Outstanding (DPO) or take advantage of early-pay discounts to generate savings and get a higher return on working capital when interest rates are low. Comprehensive procure-to-pay platforms should include pre-integrated payment rails that will optimize payment batches, reduce transaction costs, and ensure batch payments to your banking partners are approved according to your Delegation of Authority (DOA) rules. The automation of these processes eliminates significant manual effort and reduces the risk of fraud and error.

What is Touchless Invoicing?

A truly touchless invoice process means the entire process happens without manual work from the AP team to:

- Receive invoice data from suppliers
- Validate invoice details are correct
- Code the invoice to the appropriate general ledger account
- Obtain any necessary approvals

Be aware that not all technology platforms for managing invoices provide a truly touchless process. Technologies that scan invoices can save time for AP teams, but they still create transcription errors and require significant intervention from the AP team.

Optical Character Recognition (OCR) technology automates only part of the process, and still requires AP to validate invoice details, follow up on approvals, or resolve misread invoice data.

"The accuracy of invoice content remains a problem:

- Typically 20-30% of all [PDF or OCR-scanned] invoices have to be treated as exceptions in one form or another, resulting in very high processing costs.
- The data are validated and matched with related documents manually; this is time-consuming and costly. Delayed payments are often caused as invoice errors are detected very late during the processing cycle. Potential discounts are missed and the DPO stays too long.
- The master data have to be updated manually, resulting in high trading partner administration costs."

- *The e-Invoicing Journey 2019-2025, Billentis*

step 4

Communicate the Value to Your Stakeholders

Once you have your new AP processes and systems defined, it's critical to share the business value with your stakeholders and help them understand how they will benefit. As you amplify the value for them, it will encourage employees to adopt the new processes and systems to be part of the success. This task is critical to free your AP team from manual work and transition AP to a strategic business partner in the company.



SUPPLIERS

You need your suppliers to embrace the new process and systems to achieve your targeted improvements. Many of them have probably been burned in the past by legacy AP automation systems that charged fees and made them jump through hoops. It's crucial for them to understand how easy it will be to submit invoices electronically, as well as all the ways they will benefit: self-service digital onboarding, electronic purchase orders, real-time payment status for electronic invoices, and no login or supplier fees.



APPROVERS

Approvers can easily approve POs, invoices, and payments from their mobile device and their email inbox, making it easy to move through the approval process quickly without sacrificing oversight. Make sure your approvers understand that the workflows and approval levels will be specific to your business rules and will automatically ensure compliance.



AP

Your AP team will transition to a strategic business function as they are freed from being data entry clerks and paper processing admins. They will shift their focus to optimizing payables to improve working capital management, forecasting financials, planning and reporting, and improving supplier relationships. All of these support career growth while helping the business scale much more efficiently.



FINANCE LEADERS

Your finance team will gain real-time visibility and control over business spend. Make sure your finance team understands all the benefits to them: on-demand accrual reports, savings from early-payment discount programs, automated payment reconciliations to close the books faster, automated compliance, and audit-readiness.



EMPLOYEES

Your employees may expect new processes and systems to be clunky, painful, and confusing, causing them to avoid adoption at all costs. Your new processes and platform must be easy to use, mobile, and intuitive to entice your employees to use them. They will also appreciate when suppliers submit electronic invoices and view payment statuses online, eliminating the need to contact employees or AP.



IT

Your IT team will want to understand how your new processes and systems will seamlessly integrate with your existing infrastructure, including ERP and budgeting systems. They will also need to understand how the technologies meet their security and scalability requirements and are easy to configure and maintain in-house. Most importantly, your IT team will be looking for rapid time-to-value, requiring your solution to be implemented in weeks, not quarters or years.



EXECUTIVES

How do your new processes and systems improve the business? Your CFO and executive team will be looking for business value, so it's important for them to know that they can expect the following: cost containment through appropriate financial controls, reduction of fraud risk, improved returns on working capital, and efficiency gains from deploying human capital on high-value, strategic work. You want a C-level sponsor who will help get everyone on the same page by emphasizing the business drivers for change, setting timelines, and assigning a high priority to turning AP into a strategic business lever.

Does compliance keep you up at night? Do you break into a cold sweat when an auditor asks about accruals and beginning of period invoices? You are not alone.

You won't have to worry with an end-to-end system that has been fully adopted by employees and suppliers. Paper invoices will be extinct. Invoices in AP won't fall through the cracks. And, you'll be able to easily see approved purchases that have not yet received an invoice.

A full procure-to-pay system has built-in governance for invoicing. Audit trails and approvals are maintained and easy to show. Invoices are automatically validated line-by-line against POs or contracts, ensuring controls are met without the risk of human intervention. And, you can take advantage of built-in country-specific invoicing compliance requirements for international suppliers.

Revolutionizing AP is good for finance and the company's bottom line. It will also help you get a good night's sleep.

step 5

Rapid Deployment and Results

Implement in a Matter of Weeks

We've all been there. Painful rollouts that take a tremendous amount of time and work and still aren't successful. With modern, cloud-based, business spend management solutions, long, painful deployments are a thing of the past. A full procure-to-pay process that spans requisitioning through payment can be deployed and rolled out to your employees and suppliers in just weeks. Adoption quickly follows once your employees and suppliers see how easy it is to use.

Share the Benefits Across the Company

Once the new processes and system are up and running, you'll start seeing benefits immediately. Share your successes early and often as you progress toward your targeted improvements. Keeping employees and stakeholders in the loop will begin to reshape the way the company sees your AP team. And, the momentum of your success will accelerate adoption by employees so they can be part of the company-wide effort to revolutionize AP.

Here are some key benefits to share with your organization.

1

A SHIFT TO STRATEGIC WORK

The elimination of manual processes and data entry allows your AP team to focus on strategic work that drives business value: optimizing payables, improving return on working capital, financial forecasting and planning, on-demand reporting, and better supplier relationships.

2

IMPROVED FINANCIAL CONTROLS & VISIBILITY

With a touchless spend management process from procurement to payment, you'll have built-in financial controls to ensure compliance to internal rules and external regulations. You'll also have a fully documented invoice approval trail and be fully prepared for audits. Finally, you'll have real-time visibility into your financial metrics, allowing you to harness insights to make data-driven decisions.

3

SCALE FOR GROWTH WITH LOWER OPERATING COSTS

A touchless AP process dramatically reduces manual work, allowing you to do more without adding resources. Automated AP processes and systems span the entire procure-to-pay process, enabling you to scale your business with minimal headcount additions as you grow organically or through acquisitions.

4

IMPROVED WORKING CAPITAL MANAGEMENT

With optimized invoice and payment processing, you have the control and agility you need to optimally leverage your working capital. You can take advantage of early payment discounts when you have cash on hand or interest rates are low, or stretch your DPO to conserve cash. You'll also save on transaction fees and can use virtual cards to pay vendors who need the cash while you extend DPO internally.

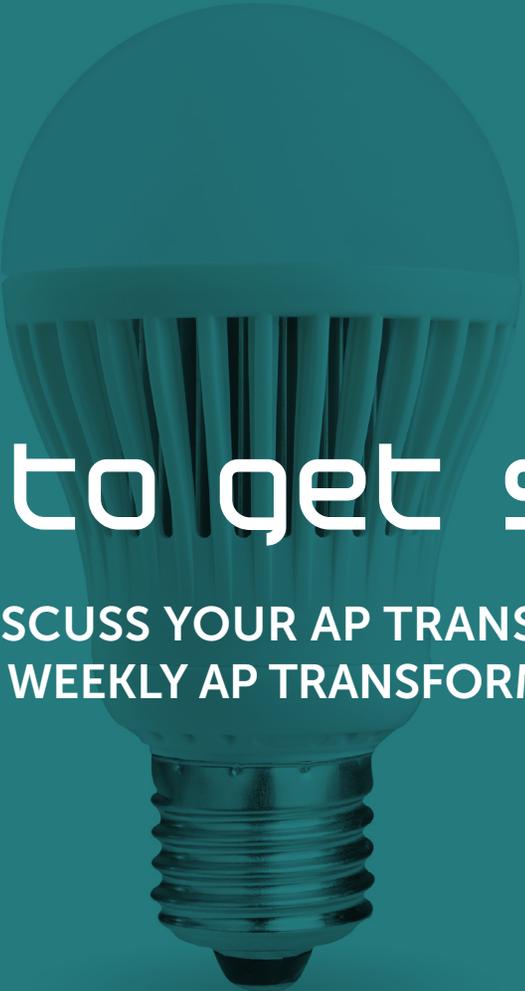
5

FASTER CLOSE & REDUCED RISK

Every CFO wants real-time visibility into spend so they can quickly adapt strategies as market conditions change. Controllers want automated processes with real-time accrual reports to speed the financial close. By delivering touchless AP processes, you will reduce business risk by automating manual tasks and ensuring the right controls and approvals are in place.

"The Accounts Payable team, along with the Purchasing and/or Procurement departments, must collaborate with senior management to inject a working capital culture throughout the company. This is about more than ensuring invoices are received and processed in a timely fashion. It's about adopting a management focus that emphasizes the importance of optimizing payables and freeing up working capital to fuel growth."

– Strategies for Optimizing Your Accounts Payable, Deloitte



it's time to get started.

CONTACT US NOW TO DISCUSS YOUR AP TRANSFORMATION GOALS OR
ATTEND ONE OF OUR LIVE WEEKLY AP TRANSFORMATION DEMO SESSIONS.



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