

Ardent | Partners

RESEARCH WITH RESULTS

The State of ePayables 2019: Driving Value in the Age of Intelligence “Best-in-Class Accounts Payable”

Bob Cohen | Research Director | Ardent Partners
Andrew Bartolini | Chief Research Officer | Ardent Partners
June 2019

Underwritten by:



REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding our research sponsorship policy to Ardent's Chief Research Officer, Andrew Bartolini, at abartolini@ardentpartners.com and/or 617.752.1620.

Sponsor:



Corcentric is a leading provider of source-to-pay services and solutions for businesses in the United States and Europe that optimize how they purchase, pay, and get paid. Corcentric's procurement, accounts payable, and accounts receivable solutions empower companies to spend smarter, optimize cash flow, and drive profitability. Since 1996, more than 6,000 customers from the middle market to the Fortune 1000 have used Corcentric to unlock new potential within their enterprise. Learn more at www.corcentric.com.

Contact Information:

Email: payables@corcentric.com

Phone: 800-608-0809

The State of ePayables 2019: Driving Value in the Age of Intelligence

The major eras of the modern age — Agricultural, Industrial, and Digital — have each been identified as revolutions that broke the continuum of human progress and placed it on a new, higher trajectory. More than simply re-categorizing business' and society's winners and losers, these revolutions "changed the game" both completely and forever. While many different factors helped to shape and define the eras, each shared common inputs (innovative ideas and new technology) that resulted in a common output (remarkable advances in productivity). Each era was also a direct byproduct of the one that preceded it — for example, the cycles of innovation and the advances in production prowess of the Industrial Revolution ultimately led to computers, software, and the internet as part of the Digital Revolution. Due to the rise of business process automation tools, cloud-based applications, mobile solutions, and connected devices permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and businesses around the globe have an extraordinary opportunity to capitalize on it.

In 2019, businesses and consumers are now fully engulfed by technology and the data it both creates and captures. The same holds true for accounts payable ("AP") departments across the globe. Accounts payable's Big Data has the potential to become the next major force and catalyst for the profession. In fact, over the next few years, Ardent Partners predicts that a new type of intelligence will emerge from this data that enables AP teams and their key partners to view their operations differently and by doing so, will force these same groups to develop new strategies and approaches. For the AP leaders everywhere, this is the dawning of the Age of Intelligence. This new age presents those willing to seize it with unprecedented potential to transform not only how AP operates but more importantly, the true value and intelligence it can offer to the business.



Best-in-Class Accounts Payable

“There are no secrets to success. It is the result of preparation, hard work, and learning from failure.”

– Colin Powell

Accounts Payable’s destiny is almost within reach. The momentum behind the industry’s broad-based transformation efforts, combined with the recent successes in changing how other stakeholders perceive the group, have resulted in AP sitting in its highest position in years. The Best-in-Class AP organizations have blazed the trail for all other groups, showing by their example and results what is possible when an AP department operates at full potential. These leaders have been able to transform their operations and maximize the gains achieved on the AP journey. They serve as the clearest and best examples of what an AP department can bring to bear and how AP can impact business operations and business results.

The 2019 Accounts Payable Benchmarks

The measurement of key performance metrics is an important part of understanding just how far AP has come over the past several years. Accounts Payable and finance leaders, as well as organizations as a whole can use the benchmark statistics in Table 1 to compare their performance to the overall market and then better identify and understand the gaps that must be addressed in order to drive AP transformation. The benchmarks included in

Table 1 below represent key performance and operational metrics to track AP performance in 2019. Readers can reference these values as milestones on their greater AP journey.

Table 1: The 2019 AP Benchmarks

Metrics	Average
Cost to process a single invoice (all-inclusive cost)	\$10.08
Time to process a single invoice	8.3 days
Invoice exception rate	22.6%
Suppliers that submit invoices electronically	24.9%
Invoices processed “straight-through”	24.2%
Invoices linked to a Purchase Order (PO)	50.3%

© Ardent Partners - 2019

The metrics presented in Table 1 reveal several key attributes of today’s AP functions, including:

- The average organization spends just slightly over \$10 to process a single invoice (the all-inclusive staff and operational costs that



span receipt, processing, human intervention, approval time, technology, etc.), which, in relation to just how significantly this value has dropped since the first State of ePayables report was written by the authors in 2006 (when the average cost was more than \$24 per invoice), can be used as a catalyst for change. When multiplied by the hundreds, thousands, or tens of thousands of invoices processed per month on a regular basis, enterprises of all sizes (including small- and mid-sized) are spending sizable dollars to drive the operation.

- With the average time-to-process an invoice now at 8.3 days, the typical AP function continues to shorten the amount of time taken to complete the function's core duty. Nonetheless, many groups report that they experience significant bottlenecks and value-erosion through delays across the totality of the AP process. Lengthy approval times show that AP still has some work to do and serves as a reminder of how critical speed is to the AP transformation journey. With everything from cash management to discount capture at hand, reducing this metric will be crucial for AP leaders in 2019.
- While invoice-processing costs and invoice cycle times are critical metrics to track and analyze, as discussed previously in this report, it is also incumbent on today's AP professionals to understand their invoice exception rates and develop a plan to reduce them. In the 2017 edition of the State of ePayables research study, it was written that "exceptions are the bane

of AP; invoices that are flagged due to coding errors, missing information, approval bottlenecks, lack of purchase order data, etc. all bog down the AP staff...this time spent addressing invoice exceptions can be better utilized pushing the function forward in new and strategic ways." All of these points still ring true, as invoice exceptions remain the biggest barrier between the AP function and fulfilling its ultimate destiny. Amazingly more than one in five invoices become an exception. This number remains far too high.

- The final three metrics in Table 1 (previous page) – the percentages of 1) straight-through invoices processed by the average group, 2) suppliers able to send electronic invoices, and 3) PO-based invoices are all efficiency drivers. The higher that each of these numbers is for an AP organization, the lower the average invoice processing costs and times should be. The Accounts Payable function cannot become truly strategic if it does not prioritize its process-oriented aspects.

Best-in-Class AP Performance

Ardent Partners defines Best-in-Class performance in this research report as the 20% of enterprises with the lowest average invoice processing costs and shortest average invoice process cycle times. Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out. Best-in-Class enterprises have demonstrated their



ability to drive superior performance across both traditional and contemporary AP metrics.

As Table 2 below highlights, these leading organizations have significant performance advantages when compared with their peers. Best-in-Class AP teams achieve per-invoice processing costs that are nearly 6-times lower, and invoice processing times that are over 3-times faster than all other groups. Their invoice exception rates are 57% lower, and they have a 2.5-times higher percentage of PO-based invoices than their peers. Best-in-Class organizations also process 65% of their invoices in a straight-through manner, a factor which likely contributes to their overall success.

Table 2: AP Performance, Best-in-Class vs. All Others

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.18	\$12.60
Time to process a single invoice	2.9 days	10.8 days
Invoice exception rate	10.1%	23.3%
Percentage of invoices processed "straight-through"	65.3%	19.2%
Percentage of suppliers that submit invoices electronically	49.0%	16.0%
Percentage of invoices linked to a Purchase Order (PO)	79.2%	31.7%

© Ardent Partners - 2019

A Best-in-Class AP program represents perhaps the "blueprint" for the function moving forward: these operations blend sharp operational consistency, standardized capabilities, a reliance on core technology, and, most importantly, lead with an intelligence-first approach by harnessing AP data and insights.

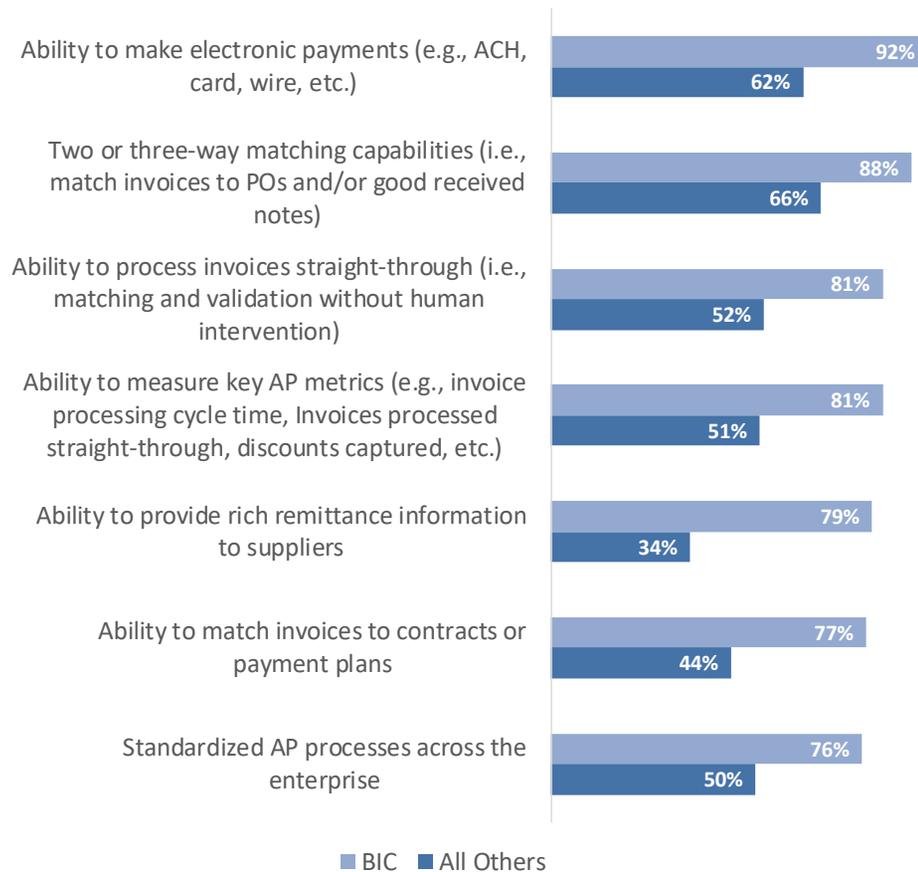
The Best-in-Class AP Program, Part I: The Core Competencies

Many discussions regarding "transformation" often begin with innovation and the power of new technology. However, in the world of finance, and, more specifically, AP, there must be a consistent balance between traditional and fresh strategic approaches and the core capabilities inherent in the ideal AP program. Figure 1 on the next page represents the foundational elements of the Best-in-Class AP function.

Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out.



Figure 1: Core AP Program Capabilities, Best-in-Class vs. All Others



© Ardent Partners - 2019

The Best-in-Class AP program, as reinforced by the findings in Figure 1 above, is founded on two core principles:

1. An “innovation-ready” culture that promotes efficiency.

Best-in-Class businesses are 48% more likely to have the ability to make electronic payment, eschewing the archaic processes inherent with paper. They are also 56% more likely to be able to process invoices straight-through, a finding that points to the relative advantage these enterprises have over their peers. The common link between these two attributes? Best-in-Class businesses promote an “innovation-ready” culture that cascades over into its tactical execution results, helping to ensure that even the most process-oriented aspects (in this case, invoice-processing and payment management) can drive value to the greater organization.

2. Leveraging invoice-processing as a beacon of organizational effectiveness.

The true value and impact of AP, in regards to reaching the next level of performance desired by today’s finance executives, is in its core intelligence and superior linkage to the rest of the enterprise. The AP function provides better, more actionable information to the executive team by matching invoices to contracts for maximum visibility into suppliers (and to gauge performance against contracts); and by linking invoices to working capital optimization-fueled payment plans that rely on solutions such as dynamic discounting. Best-in-Class businesses are 75% more likely than all others to match invoices to contracts and/or payment plans; 132% more likely to provide rich remittance information to suppliers; and 33% more likely to have two- or three-way matching capabilities.



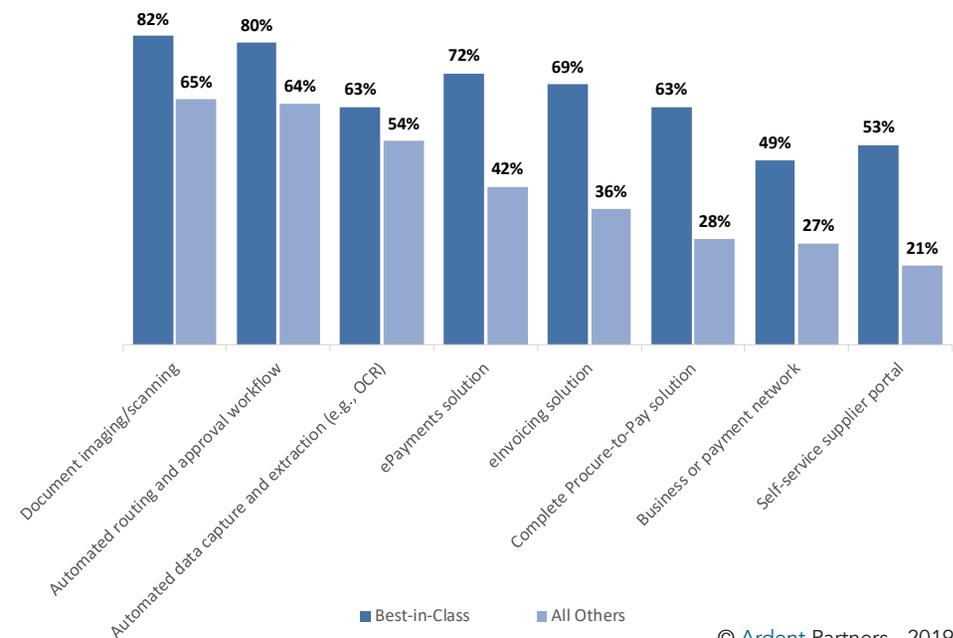
These three findings have one common theme: utilizing invoice-processing as a tool for greater organizational effectiveness. These competencies reflect the Best-in-Class ability to transform key tactical components of the AP function to drive efficiencies and improve effectiveness. With the three aforementioned capabilities in place, top-performing organizations are better able to commit resources to support other areas such as cash, spend, and/or risk management.

- 3. The Best-in-Class standard is standardization.** It is important to note that Best-in-Class businesses are also 52% more likely than all other companies to standardize core AP processes across the greater enterprise. Standardized AP processes ensure that rigorous, consistent steps are followed throughout the entirety of the ePayables Framework, helping to curtail invoice exceptions, drive down invoice-processing costs, improve approval times, and enhance overall general financial visibility. Standardization may seem like a “basic” capability, but many AP organizations still struggle to leverage repeatable, standardized processes for AP across all business units, regions, and functions. For the AP program to maximize its efficiency attributes, standardization is not just a capability...it is a necessity.

The Best-in-Class Program, Part II: The Technology Advantage

Best-in-Class businesses have demonstrated their ability to drive superior performance across a series of key metrics, and automation plays a key role. But, these top performers also leverage a variety of key technologies and AP capabilities (see Figure 2 below) across the end-to-end process to drive their sizable advantage. Over the years, this has been a consistent trait inherent in the Best-in-Class AP program: a longstanding reliance on technology and the understanding that it is critical to all phases of AP.

Figure 2: AP Technology Utilization, Best-in-Class vs. All Others



© Ardent Partners - 2019



Core AP automation, including imaging/scanning, automated routing/approval, and automated data capture, forms the foundation of the Best-in-Class' reliance on AP technology. These systems enable more scalable processes across the gamut of the ePayables Framework, and, most importantly, actively work to eradicate paper and manual-based tasks within the AP unit. While the adoption rates of these solutions by the Best-in-Class are superior to those of their peers, the "All Others" group continues to close the gap.

Electronic payments ("ePayments"), utilized 71% more by Best-in-Class enterprises than "All Others," help bridge the front-end of the Framework to the latter stages via an automated link to settlement. ePayments prove their worth on an incredible scale by being able to drive down payment-processing costs (frequently by between 50% and 85%) when compared to paper-based checks.

One of the more interesting facets of the Best-in-Class AP program is its robust link with the procurement side of the business. These enterprises are nearly twice as likely than all others to leverage a business network, defined as solutions that provide an automated and real-time gateway with partners, suppliers, and vendors while facilitating a wide range of commerce-based activity. Business networks alleviate the core pressures of the buyer/seller relationship, and, to the benefit of the greater AP group, automates core invoice- and payment-processing capabilities.

Best-in-Class enterprises are 92% more likely than all other enterprises to utilize eInvoicing as part of their overall AP program. As a result, more Best-in-Class enterprises are avoiding the error-ridden, menial, and time-consuming annoyances associated with traditional paper invoices by receiving, processing, and managing electronic invoices from their suppliers.

In addition, complete P2P automation (which Best-in-Class businesses are 125% more likely to utilize than all others) represents the strongest link between the procurement and AP functions, two groups that, when coordinating in a robust manner, can drive tremendous value to the greater organization. That top-performing organizations have made P2P automation part of its technological foundation proves that both strategic collaboration and the procurement/AP technology link are two important facets of the long-term viability of AP. Another interesting fact from Ardent's new research: Best-in-Class companies are 3.1-times more likely to be moderately-to-heavily involved in P2P solution selection, furthering the notion that the link between procurement and AP is multi-layered and absolutely critical to the greater success of the modern business.

The Best-in-Class AP Program, Part III: The Age of Intelligence

Perhaps the most telling example of just how far the Accounts Payable function has come is this: all Best-in-Class companies uniformly believe that data and intelligence is critical to their AP



units. This mode of thinking is a far cry from years ago, when many key stakeholders regarded AP as a mere back-office unit with no true enterprise value. Best-in-Class businesses actively buy into the Age of Intelligence in such a way that it fuels how AP not only enhances its own internal talent, operations, and systems, but also how it brings that intelligence to other parts of the enterprise:

- **Best-in-Class organizations are nearly twice as likely to leverage data and intelligence as a means to improve stakeholder collaboration.** Collaboration is a critical piece of any function's greater success. As AP lays claim to a newfound perception of real enterprise value, it must harness the power of its everyday data and allow stakeholders, such as procurement, sourcing, treasury, and others to leverage real intelligence for enhanced supplier management, spend management, and cash management.
- **Best-in-Class businesses are 2.2-times more likely than all others to leverage data and intelligence in improving invoice exception-handling.** By now, all AP leaders can agree: exception rates are generally too high and a major detriment to improving performance. There should be no strategy that is off-limits in the ultimate pursuit of banishing invoice exceptions from the AP unit. Best-in-Class organizations leverage data and intelligence regarding their invoices, approval workflow, and overall processes to pinpoint major bottlenecks and address how these issues can be fixed.
- **Best-in-Class companies are 1.6 times more likely to use AP-related data and intelligence for enterprise cash flow analysis.** It is very simple: AP sits on a tremendous amount of data and information regarding the greater businesses' overall liquidity. Invoices represent a critical swath of enterprise spending. Thus, AP has the ability to tap into this knowledge and extract valuable intelligence into key spend patterns and trends, as well as assisting stakeholders in treasury and the executive team to better understand how the organization is performing in relation to cash management objectives.

With the rise of business process automation tools, cloud-based applications, mobile solutions, connected devices (i.e., the "Internet of Things"), and Big Data permeating the modern business environment, more data is being created each year than ever before. The result is a world that has become increasingly data-driven, and businesses around the globe have an extraordinary opportunity to capitalize on it. Unfortunately, many enterprises struggle with the fundamental ability to manage their data and transform it into actionable intelligence. Data is a critical element to the success of any business. As the Accounts Payable function moves closer to becoming a source of intelligence, insights, and efficiency, it will become critical for AP organizations to leverage their reporting capabilities and data-led efforts and evolve into a truly intelligent operation.



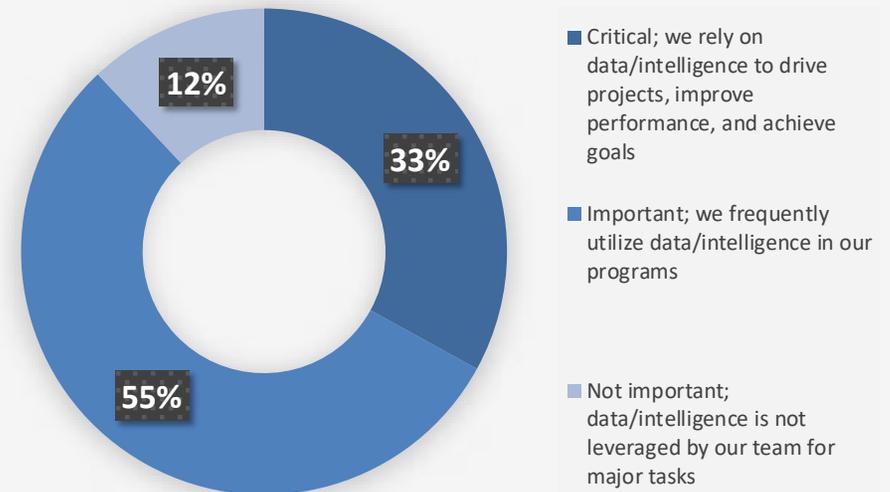
Data Criticality

Carly Fiorina, former CEO of Hewlett Packard, once said “The goal is to turn data into information, and information into insight.” Best-in-Class and forward-thinking AP organizations long ago realized that there is a wealth of valuable data that exists within both the AP and P2P processes to be mined, and they have been turning the data into intelligence, and ultimately power and value that comes from that knowledge. The data in AP represents a deep well of untapped financial and business information that can be extracted and converted into intelligence. The first step to gaining access to this data is to automate the AP department. With an automated operation, the AP team is better able to provide insight into cash management, outstanding liabilities, aging reports, payment terms transformation, days payables outstanding (DPO), fraud prevention, and other critical financial operating information. Organizations that take a data-driven approach to AP put themselves in a better position to manage their cash flow, accelerate P2P performance, and ultimately drive more value to the bottom line.

The good news is that AP organizations are finally realizing the importance of data and intelligence to their finance team. In this year’s survey (see Figure 3 to the right), 55% of respondents said data and intelligence was important and frequently used. Even more encouraging was that a full third (33%) said their reliance on data/intelligence was critical to drive projects, improve performance, and achieve goals.

Organizations that view AP as a strategic asset put themselves in a better position to be successful and do a better job managing the lifeline of every organization: cash. Those that view AP as simply a transactional hub that only needs to be automated to improve operational efficiency, are selling themselves short and missing out on the real power, knowledge, and insights that AP can provide.

Figure 3: How important is Data/Intelligence to Financial Operations?



© Ardent Partners - 2019



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 20 years in the industry and 10 years leading the charge at Ardent, 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 350 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several U.S. 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* multiple 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.



Bob Cohen, Research Director, Ardent Partners

Bob Cohen leads Ardent Partners' coverage of Accounts Payable, Business Networks, and Travel and Expense Management. Bob is a seasoned professional with more than fifteen years of experience helping enterprises transform their Source-to-Pay operations. Prior to Ardent, Cohen was Vice President of Marketing at Basware for 12 years where he helped establish the firm's U.S. presence as a major player in the AP and P2P automation spaces. He also helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, P2P, and Business Network solutions. Prior to working at Basware, Bob worked at American Express where he helped the commercial card giant better align its products and services with a continually evolving market. Bob can be reached at rcohen@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 Ardent Partners research at ardentpartners.com/newsletter-registration/

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 167 AP and finance leaders captured between March and May, 2019 and includes direct interviews with several survey respondents. These 167 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 pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the right.

Report Demographics

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

Job Function: 63% Accounts Payable; 18% P2P; 8% Finance/Accounting

Job Role: 39% Director & Up; 39% AP Manager; 17% AP Staff

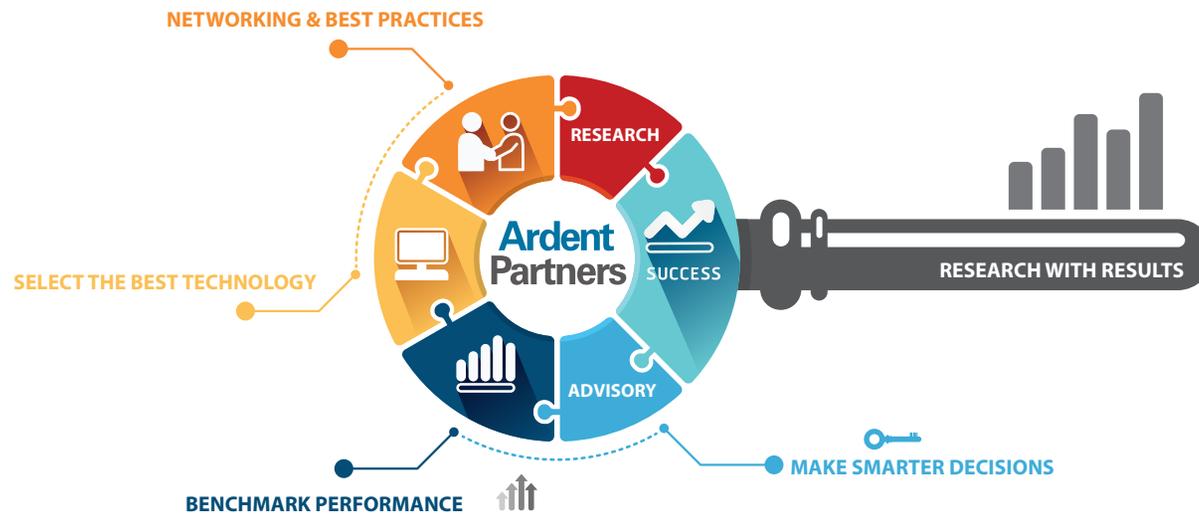
Company Revenue: 60% Large (revenue > \$1 billion); 40% Small & Mid-Market (revenue between \$50 million and \$1 billion)

Region: 71% North America; 24% EMEA

Industry: More than 25 distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

Ardent Partners

RESEARCH WITH RESULTS



Ardent Partners is a 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 Partners was founded by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.



On October 29 & 30, you're invited to join a select group of Chief Procurement Officers and other business leaders who will come together at the Harvard Club (Back Bay) in Boston for the annual CPO Rising 2019 Summit, an executive symposium brought to you by Ardent Partners.

This exclusive event promises valuable networking opportunities and the interactive exchange of ideas for CPOs and other procurement executives. Attendees can expect to return home with a collection of new and innovative ideas and strategies that will help improve the performance of their organizations and increase the impact their teams have on business results.

From keynote presentations to CPO panel discussions, case studies, and breakout sessions, the unparalleled speaker panel will highlight the topics that matter most to those procurement executives driving value within the enterprise and across the supply chain.

CPO Rising 2019 is an event for CPOs by CPOs. The day and a half summit provides an intimate setting for delegates to connect, network, and share knowledge and experiences. Join an expected 150 CPOs and other procurement executives for this exclusive event.

Online registration now available with "Early Bird" Pricing available until August 31.

For more details, visit: <http://events.cporising.com>

Interested in speaking at the show, [click here to submit a nomination.](#)

THE CPO IS RISING IN 2019!

**The CPO Rising 2019 Summit
October 29 & 30, 2019 - Boston, MA**

Industry Standard "Fine Print:" The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners' best analysis at the time and are subject to change without notice.

© 2019 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.



Ardent | Partners

RESEARCH WITH RESULTS

www.ardentpartners.com