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The State of ePayables 2019: Driving Value in the Age of Intelligence “Strategies for Success”

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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.



Strategies for Success

“*Innovation is change that unlocks new value.*”

– Jamie Notter, author and speaker

The average AP function in 2019 has an extraordinary opportunity to impact the greater enterprise through intelligence, insights, and financial efficiency. For most, the opportunity is not immediate but one that can be realized in phases over the next few years. The path starts with an AP operation that is committed to becoming a true hub of intelligence and effectiveness and works to achieve its goals through the advancement of core competencies, the development of an innovation-ready culture, and the elimination of the classic operational (paper-based) issues that continue to plague many groups. It is time for AP leaders and their teams to take destiny into their own hands and actively transform themselves into an intelligent operation.

Intelligence in Action

Developing an intelligent AP operation is a marathon – not a sprint. Accounts Payable leaders and their teams need to have the motivation, stamina, and long-term vision to go the distance. Along the way, there are numerous places and ways in which they can stray off course. Successful leaders keep their teams on track by continually assessing progress and correcting course as needed. These leading teams are well-equipped and strive for

continual performance improvement. High-performing teams tend to be agile and nimble, allowing the enterprise to take advantage of efficiency and visibility gains, make more-informed decisions faster, and be more responsive to market opportunities. The more value an AP team delivers (remember: value must be regularly communicated to the enterprise-at-large), the easier it will be to win support from enterprise stakeholders to continue to invest in an intelligent AP function.

While intelligence is critical, a precise measure of AP intelligence is less important than the performance it generates. In point of fact, as a department (and the entire profession) matures, the definition of AP intelligence becomes a moving target; and it becomes relative to nearly all stakeholders in the Receive, Process, and Pay spectrum. After all, being “intelligent” means something slightly different to different functions and stakeholder groups within the enterprise.

The impact of the Age of Intelligence can have a dramatic effect on operations and results, and extends across the different constituencies noted on the next page:



- **For CFOs, VPs of finance, and department leaders,** it means developing a wider range of analytics to process and parse more data. It also means strategizing and abandoning rigid “command and control” management structures, and empowering trusted finance leaders, treasurers, controllers and shared service center leaders to identify and respond autonomously to changing business needs and market conditions.
- **For treasurers,** this new definition means collaborating and working more closely with AP to optimize an organization’s use of its working capital. It means taking a data-driven approach to evaluating cash flow, having visibility into all corporate liabilities from purchase through payment. But, it also means being able to develop working capital management strategies that benefit both buyers and suppliers that aim to strengthen what should be viewed as a symbiotic relationship.
- **For procurement,** it means working more closely with AP to better understand traditional buying patterns and supplier relationships to develop optimal buying strategies. Accounts Payable and Procurement need to be closely aligned and join forces to optimize organizational spend while also taking into account how to strengthen supplier relationships.
- **For the budget holders and stakeholders in the business,** the demand for business intelligence means being able to have 360-degree visibility into their spend in order to know what is

going on. Stakeholders can leverage this information to make more informed planning, budgeting, and buying decisions for their businesses. Accounts Payable possesses a significant amount of data that can and should be leveraged throughout a business to make better and more informed decisions.

Modern AP teams should prioritize data management with a focus on extracting intelligence to improve performance and make smarter decisions. But these teams should collaborate across the enterprise to ensure that what they are doing aligns with the greater mission of the enterprise. They need to ask smart questions of stakeholders and of themselves – questions like:

- Should we pay suppliers early, on-time, or late?
- Are we compliant with local, federal, and foreign tax rules and regulations?
- Do we have the controls in place to help minimize and prevent fraud?
- Are we setup to handle foreign payments electronically?
- Are we helping to improve supplier satisfaction when dealing with us?
- Are we making the process easier or harder for internal stakeholders?



- Are we an easy organization to work with?
- Have we prioritized the capture and extraction of data?
- Do we have the technical analytics to view and analyze the data, and do we possess the capabilities to use the information to impact decision-making?

If intelligent leadership is critical to an AP team's success, intelligence is equally important at the organizational level. Accounts Payable leaders know that they must develop and expand the organization's intellectual capacity and invest in ways to fully leverage it across the entire scope of operations. But while intelligence can be a great asset, if it is not applied or not applied correctly, its value is considerably lessened. The same thing can be said of an organization's resources, efforts, and focus. Intelligent AP teams need to look outside the box to consider the broader impact of the capital flowing through their department to make sure they optimize cash to their advantage.

The average AP function in 2019 has an extraordinary opportunity to impact the greater enterprise through intelligence, insights, and financial efficiency.

General Recommendations for Action

The core of Accounts Payable is founded on the critical, day-to-day components of its operations, its processes, and its ability to successfully execute efficiently. As the group seeks to unlock transformation and take advantage of the enterprise opportunity it has been given, the following recommendations for action have been designed to help all AP departments, regardless of size, scope, or industry, enhance their existing operations and position the function for long-term enterprise value.

- **Adopt a customer service-led mentality for AP.** Across the globe, the lines between consumer-led approaches and business strategies are continually blurred. As such, the "experience" factor plays directly into how a business of 2019 structures its internal functions. Adopting a customer services-led mentality for AP ensures that both suppliers and internal stakeholders alike enjoy a positive interaction with the unit, setting up future experiences in which AP will be considered a strategic partner.
- **Continue to transform AP from a tactical unit to a more forward-thinking, strategic, and value-adding team.** This recommendation has long been the foundational strategy for the AP function as it has fought for relevancy and value over the past several years. Although 55% of businesses view AP as a vital piece of overall enterprise operations, the "perception problem" still persists in those that do not share the same viewpoint. It may be a frightening realization: AP will always



have to battle to be considered a critical function in the eyes of all enterprise stakeholders. However, this only means that, no matter how far AP comes over the next few years, it can never rest on its laurels.

- **Position AP to add value to other parts of the business as well as the organization as a whole.** Procurement and treasury are the obvious frontrunners for extended AP value (more on this in the next bullet). However, other functions can benefit from the hard work inherent in today's AP unit. Financial fraud is an issue even within Best-in-Class organizations, providing an opportunity for AP to leverage deep invoice data to pinpoint areas of deception, while the business travel function can harness this same data to help facilitate better agreements with key suppliers. In reality, AP can add valuable insight to just about any function that spends money and deals with suppliers.
- **Institute collaboration between AP and key stakeholders... and be persistent.** While AP may have to work a bit harder to institute collaboration with key stakeholders, this is still a critical strategy moving into a new decade. The AP function sits in a pure opportunistic position, with the highest number of its peers perceiving the unit as a vital piece of the overall business. Collaboration with procurement (for enhanced supplier and spend management), treasury (for improved cash management), and other business leaders can go a long way towards securing a place for AP in the greater enterprise pantheon.

- **Prioritize the reduction of invoice exceptions.** "Driving value" is a state of business mind that is only attainable through a rigorous approach to improving key aspects of the AP function. Invoice exceptions have been the thorn in the side of many an AP department and the cause of critical delays that destroy the relative efficiency that all groups ultimately strive to reach.
- **Begin developing a capabilities roadmap for the future.** All AP leaders should plan for the day when tactical challenges, like exception management, are no longer a major resource drain. While this day may not come anytime too soon (it could take a few years for these challenges to be completely overcome), it only helps for the function to understand now that there are larger potential opportunities to focus on in the years to come.

Innovation-Led Recommendations for Action

Innovation will undoubtedly be a critical part of AP's future. New, progressive technologies will continue to help augment existing processes; they will also position AP to do bigger and greater things in the decade ahead. The following innovation-led strategies will help AP realize its destiny as a value-add, critical function:

- **Lay the foundation for the AP unit to become "innovation-ready."** There are two potential states within the average business: innovation-ready and innovation (or change) adverse. Innovation-adverse organizations choose to stick with outdated and archaic processes and capabilities, and most often utilize



simple, point-solution, pieces of automation. On the other hand, innovation-ready businesses poise their functions to implement new technology as a means of keeping up with their competitors, augmenting key operations, and, ultimately, thriving in a globalized landscape. As the AP profession treads new ground, it will be critical for organizations to adopt an innovation-ready mindset and pursue exciting new technologies, capabilities, and strategies that could revolutionize their day-to-day processes.

- **Pursue holistic, full, and comprehensive AP automation.** The phases of the ePayables Framework are intrinsically linked; complete AP automation, from invoice receipt and workflow to payment and settlement, ensures that the annoyances of traditional accounts payable (exceptions, bottlenecks, errors, delays, etc.) are as close to eliminated as possible, while driving down invoice-processing costs and significantly improving time-to-approval rates. When combined with procurement automation, complete AP solutions provide the perfect gateway to P2P success, which becomes ever-more-important in a business world that promotes efficiency.
- **Develop plans to integrate more progressive technological elements into AP, such as mobility, augmented intelligence, and RPA.** Augmented Intelligence represents the next wave of Industry 4.0 technologies that promise to revolutionize data/intelligence, business operations, and more. While today's
- **Build a three-year roadmap of innovation for AP.** While the solutions mentioned in the previous bullet all fit the "innovation" tag, today's AP organizations must strategically position new and exciting platforms rather than integrate these solutions haphazardly. A three-year innovation roadmap is necessary to: 1) understand which new technologies will make the most sense, both tactically and strategically, for the long-term viability of the AP function, 2) help current AP executives build towards implementing more traditional technology (like imaging, scanning, etc.) if they have not yet already done so, and, 3) position AP as an innovation-ready center of excellence that is aligned with the future objectives of the greater enterprise.

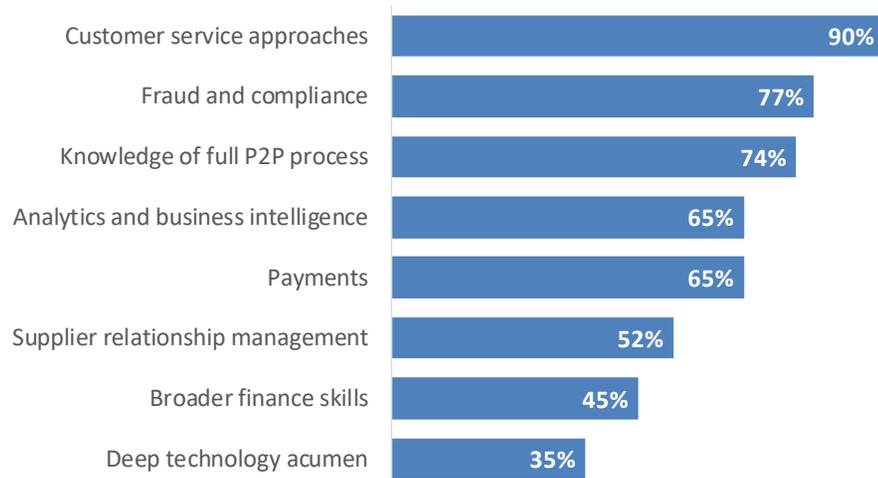
AP organizations should not look to heavily adopt AI in the short-term, it makes sense to understand the benefits of these technologies and how they can map into future plans. Likewise, AP should extend the power of greater automation via the use of mobile solutions, helping to execute operational processes (like invoice approvals) via mobile applications. Robotic Process Automation is another way to traverse beyond simple automation across all financial management processes, helping to converge cognitive intelligence and ePayables efficiency.



The Next Generation of Accounts Payable (“The Experience”)

AP leaders were asked what critical capabilities their organizations will need to develop or possess in order to improve performance (see Figure 1 below). As AP's perception within the enterprise continues to improve, expectations around performance and execution will continue to grow too. As business functions mature and advance, they also tend to be given new responsibilities. What is clear from the list below is that AP teams need or will soon need to do many things well.

Figure 1: Top Capabilities for AP Organizations



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Customer service-led approaches (90%) entail a mixture of service-led skills with an alignment between tactical objectives (meeting speed and delivery goals, etc.) with positive inter-office interactions. This mode of thinking can be crucial in how the AP function delivers value (and, of course, intelligence) to key stakeholders across the organization, and, most importantly, how it improves its perception with other company units.

Fraud and compliance skills (77%) can be effective in training an AP staff to notice instances that need to be remedied (invoice fraud is a real problem for all organizations, especially those with manual-based processes). Moreover, analytical prowess (65%) is critical in transforming AP into a hub of insights and intelligence (and delivering those insights to the stakeholders that need deep financial data).

What is particularly engaging about desired AP skillsets is that 74% of businesses strive for their staff to have knowledge of the full P2P process. This is yet another reflection of the relative evolution of the AP function; efficiency across the entirety of the P2P spectrum, including the AP and payment phases, is incredibly important to AP achieving its true destiny as a long-term, value-added function.

Conclusion

By definition, intelligence is the ability to acquire and apply knowledge and skills. Intelligence is also the actual knowledge that is used to understand actions, conditions, and intentions, and



to inform decision makers at the tactical (operational) level and the strategic (executive) level. Simply put, intelligence is vital to the execution of strategies, policies, and plans, whether one is an AP clerk, controller, or CFO. But what classifies as intelligence is also a moving target. As AP departments mature, the intelligence that has the most value changes. For example, an AP operation that is still manually keying invoice data finds great value in using systems to capture that information digitally, while a Best-in-Class operation that has a high percentage of its invoices processed in a straight-through manner will benefit from an understanding of the business' cost of capital and visibility into short-term cash liquidity needs.

Accounts Payable leaders need to start thinking about intelligence in the context of their organization's current state of maturity and work to identify the areas that can be most leveraged. Over the next few years, Ardent Partners predicts that a new type of intelligence is going to enable AP teams to view their operations differently and, by doing so, it is going to force these same leaders to manage them differently. Accounts Payable's Age of Intelligence demands powerful analytics and deep insights. It demands agility. The ability to make better-informed decisions across an organization can and will be game-changing. Accounts Payable leaders must start now to ready their teams.



Converting Data Into Value

Over the last fourteen years, Ardent Partners' analyst team has seen AP become a much more strategic function within the enterprise. Today, access to timely and accurate financial data and reporting is helping AP leaders better impact performance and achieve greater prominence (see Figure 2 to the right). With more robust data and better visibility into the overall AP process, AP teams are in a better position for success than ever before. The three top areas where AP and finance teams use data and intelligence to make an impact are as follows:

Forecasting, budgeting, and planning (64%): The ability to drive full visibility into enterprise spend is an attribute that not only unleashes AP's visionary expertise, but can propel AP and finance leaders to new and strategic grounds. With better visibility into invoice and payment data, AP can turn that data into intelligence and provide it to their functional partners and the C-suite to be utilized for critical planning, budgeting, and forecasting. The AP function is well positioned to support these activities through automation and invoice-based intelligence.

Cash flow analysis (61%): The ability to capture real-time invoice and payment data allows for a more accurate analysis of a company's cash flow. Greater visibility into the B2B payment scheduling and execution processes means that a group like Treasury can provide real oversight in how and when this money is paid. Treasury, by the very nature of its focus on cash management, can be both a direct and immediate beneficiary of advanced AP invoice and payment capabilities and a potentially powerful stakeholder and ally.

Fraud and compliance management (58%): Based on Ardent Partners research, 77% of AP leaders agreed that managing fraud and compliance is a critical capability that their organization needs to develop or possess. Data and intelligence make it more successful. Accounts Payable sits in an ideal position

Figure 2: AP's Top Uses of Data and Financial Intelligence



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to identify and manage invoice and/or payment fraud and can be a perfect ally for compliance teams in identifying potential areas of concern and escalating issues internally. Utilizing data and intelligence to know and understand different transaction patterns is another source of value for AP.

There is a well of untapped financial and business data that is warehoused within Accounts Payable. If AP teams can extract this invoice and operational data, they can turn it into intelligence that can be utilized throughout the entire organization. Taking a data-driven approach is one of the best ways to accelerate AP performance and drive more business value. As more responsibility falls under the AP operation, the function has the opportunity broaden its influence and make a larger impact.



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.



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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

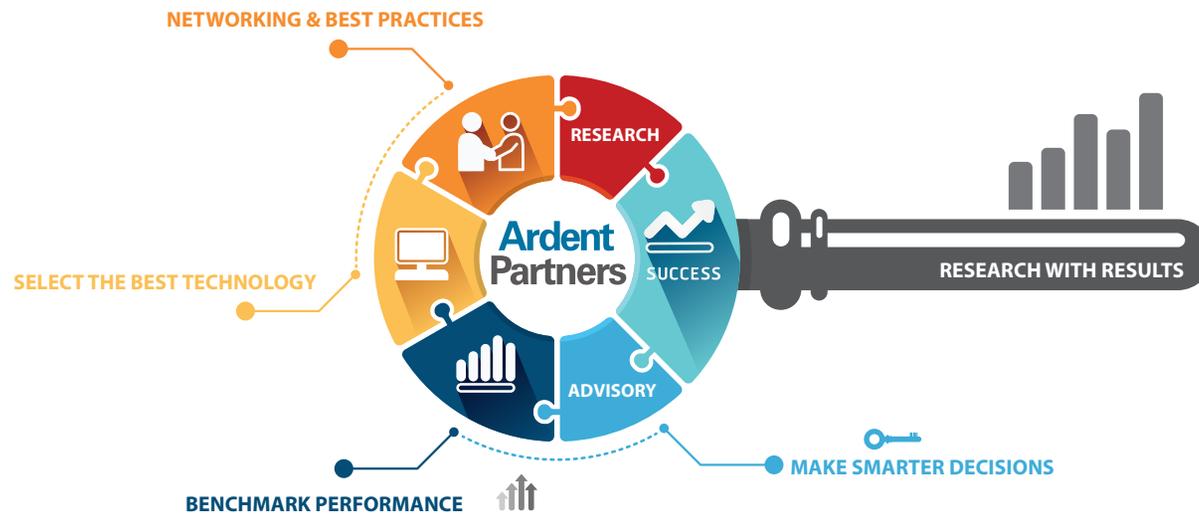
Company Revenue: 60% Large (revenue > \$1 billion); 40% Small & Mid-Market (revenue between \$50 million and \$1 billion)

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.

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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.



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