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

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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.



The State of ePayables

“There’s a way to do it better—find it.”

– Thomas Edison

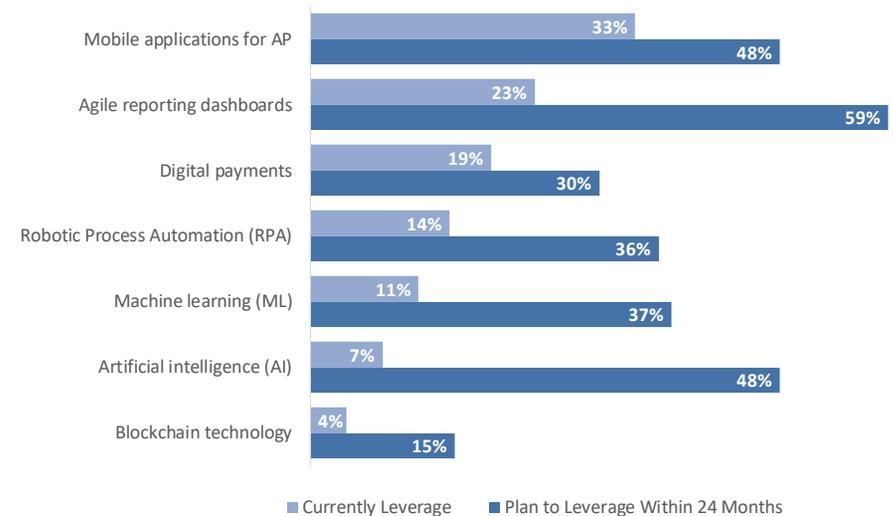
Smart business leaders perpetually pursue the ideal way of getting things done. To succeed, they know that they must execute a series of transformational strategies with supporting technology to optimize their specific processes, programs, and overall capabilities...and then remain open to new ways to push the envelope. Similar opportunities await forward-thinking AP leaders who pursue new ways of improving the organization. Innovations in the ePayables (or AP automation) marketplace now make these opportunities accessible to a larger percentage of organizations. Many of the same transformation and improvement opportunities once afforded only to the leading functions within a business are now within AP’s reach. For those AP teams with the wherewithal and resources to strive for them, it is now a matter of understanding what needs to be done, formulating a strong game plan that accounts for historical challenges and new opportunities, and executing well.

Advancing AP with Advanced Technology

All business functions, not just AP, can benefit from the general availability of innovative technologies and solutions. Cloud-based software has formally entered its “prime” years where even small

enterprises have the ability to access transformative technology. This discussion of innovation must be expanded to a broader, more applicable term regarding its impact: beyond core AP automation (which will be discussed later in this report), it is critical to note the more advanced platforms, solutions, and technologies shown in Figure 1 below have potential to make a significant impact on the modern-day AP operation.

Figure 1: Advanced Solutions to Transform AP



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These forward-looking solutions are newer to the market and therefore in earlier stages of adoption at the moment. But, more and more enterprises are figuring out the best possible means of enhancing their current AP requirements and utilizing these technologies to expand and augment their core AP automation. Figure 1 tells us that:

- **Mobile AP applications are today's most relevant advanced technology.** The advent of mobile extensions of enterprise-wide systems is not a new concept. However, within the world of AP, the ability to review and approve invoices from a mobile device can be truly transformative. Cost and time, as performance metrics, are inherently linked with invoice-processing. Giving AP leaders and line-of-business approvers access to invoices via smartphones and tablets is a powerful way to shorten invoice cycle times and reduce many of the bottlenecks within the full AP process.
- **Agility, via analytics and augmented intelligence, will become the norm for AP within the next two years.** Augmented intelligence (AI) is the "buzzword du jour," and rightfully so. This powerful technology has the potential to transform the way businesses operate. However, these solutions are in a relative "infancy" stage. For a group like AP, which has not been privy to many of the market's innovations until recently, it is going to be exciting to watch AP staffers dial up a more futuristic vision and develop a reliance on AI (as well as agile reporting dashboards, which leverage real-time information and predictive analytics/scenario-building). By 2021, nearly half of all AP organizations will leverage these agility-driving solutions to augment and enhance both process orientation and data collection/analysis.
- **Robotic Process Automation has a place in AP's heart that will grow in time.** Robotic Process Automation (RPA) is one of several distinct technologies that comprise the "Future of Work," a state of "work" that includes optimization via new thinking, new strategies, and, of course, innovative platforms. Robotic Process Automation can mimic the repetitive and menial tasks of human workers, freeing these individuals to perform more critical and strategic tasks. While RPA differs from actual cognitive intelligence (i.e., artificial intelligence), organizations can drive significant value from the eradication of simple processes that can be addressed by robotics. Within the next two years, nearly half of all AP functions are expected to harness RPA to continue to reduce the pains of manual- and paper-based tasks.
- **Digital payments will have their day.** On paper (no pun intended), digital payments make complete sense: they are faster, more secure, accurate, and streamlined than paper checks and other manual methods of payment. While less than 20% of businesses today conduct digital payments, the stage is set for the digitization of payment execution and settlement to become an accepted piece of the AP function. Considering

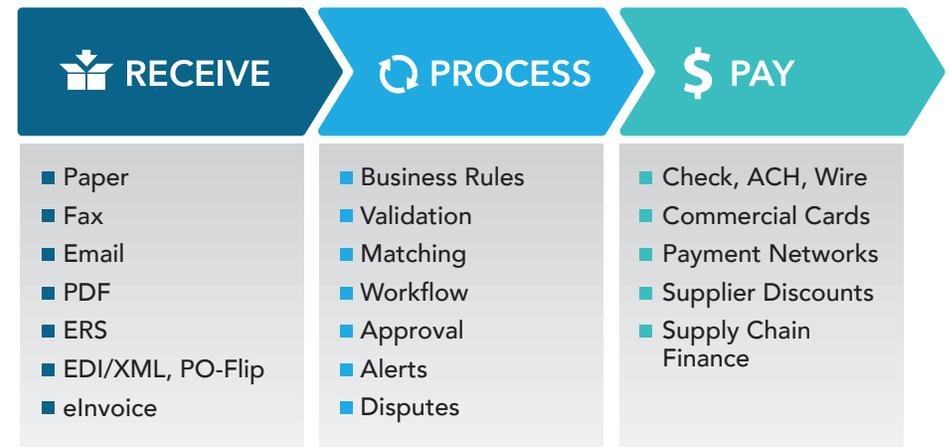


where AP leaders sit in their destined journey in regards to driving true business value, digital payments will become a key means of reducing the amount of paper inherent in many AP units and freeing up time for staffers to spend on more strategic business activities.

Ardent Partners' ePayables Framework™

Since its creation in 2010, Ardent Partners' ePayables Framework (see Figure 2 to the right) has been used by thousands of AP organizations to streamline and automate processes, create best practices, and improve overall performance. The Framework was designed to aid AP departments of any size improve their processes by segmenting their workflows into three smaller, more manageable pieces: Invoice Receipt, Invoice Processing, and Payments. This segmentation makes it easier for an AP department to establish a clear view into the current state of operations and then improve upon it. The Framework also helps AP teams laboring under manual, paper-based processes, understand how to optimize their automation and transformation initiatives.

Figure 2: Ardent Partners' ePayables Framework™



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The three phases of the ePayables Framework are not discrete stages, but rather pieces of one coherent whole. This means that changes in one area will have a direct, and often immediate, impact on the others. Broadly speaking, however, the Framework covers three phases:

- **Receive** – How invoices are received.
- **Process** – How invoices are validated and approved.
- **Pay** – How payments are scheduled and executed.

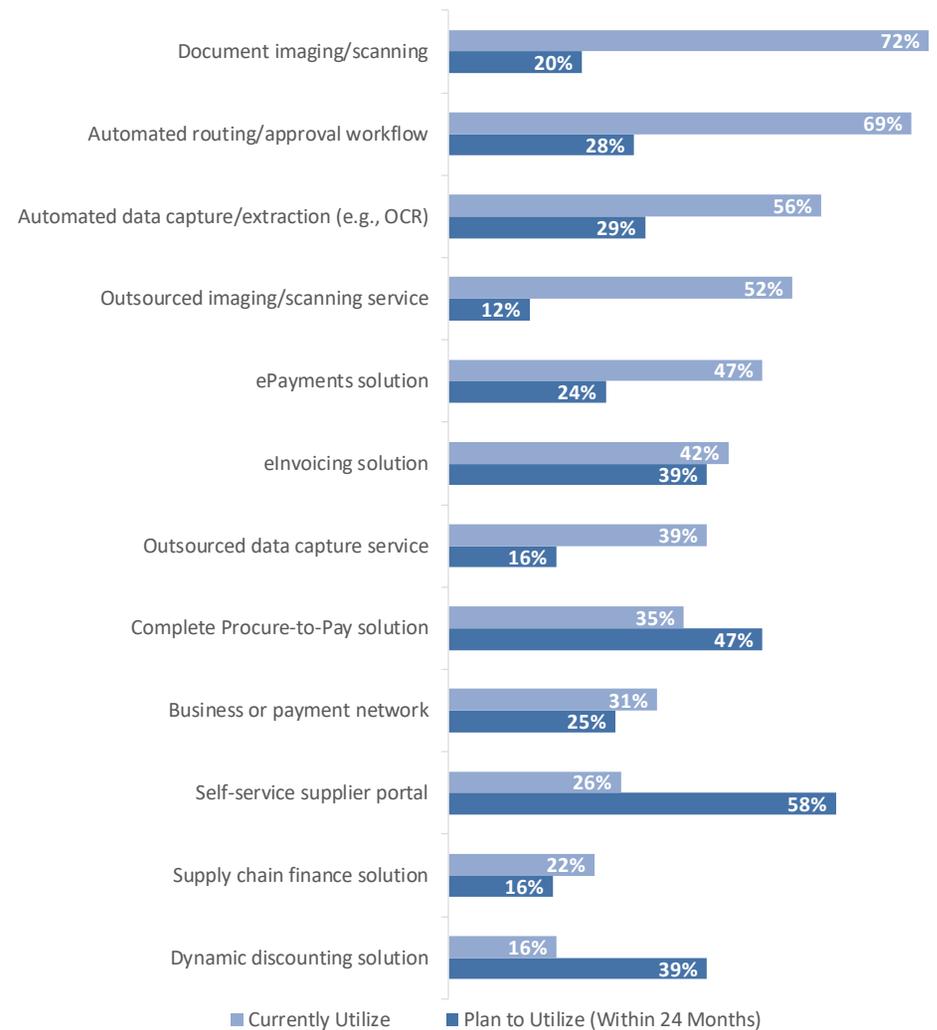


The first two segments of the AP process – “Receive” and “Process” – include the solutions and methods that AP (or buying) organizations use to receive, process, validate, match, approve, and process invoice information. Once invoices are validated, matched, and approved, they move into the “Pay” phase of the framework. This final stage includes the scheduling, processing, and execution of the vendor payment.

The Technology Factor: The Automation of Core AP Processes

Considering the importance of taking a holistic approach to the transformation of the Accounts Payable function, it is crucial to note that the adoption of core AP systems has been on the rise in recent years. The utilization of more “strategic” forms of automation is widely expected to see bigger adoption numbers in the next decade (see Figure 3 to the right).

Figure 3: Current AP Solution Utilization, Now vs. Two Years



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The findings in Figure 3 (previous page) reveal three key truths about the state of AP automation:

- **The core tenets of the ePayables Framework are employed by the majority of organizations across the globe.** There was a time when solutions such as imaging/scanning (72%), automated approval/routing (69%), and automated data capture/OCR (56%) faced low adoption in the world of AP. Over the past several years, however, organizations have realized the myriad benefits of automating repeatable and menial tasks, helping to drive down invoice-processing costs and shorten approval and payment scheduling times. This reflects a major victory for the modern AP function. In the past, simple automation was a boon, seen as the light at the end of a very dark tunnel. Today, it represents a crucial stepping stone on its transformation journey from back-office to strategic enterprise function.
- **“Extended” automation of the financial value chain is expected to increase into the next decade.** Ardent’s research has long pointed to the power of “extended” financial management solutions, such as supply chain finance (22%) and dynamic discounting (16%), in providing additional value to the payment phase of the ePayables Framework. Automating early payment discount capture and strategically (or, “dynamically”) scheduling supplier payment dates can truly revolutionize the

financial value that AP can bring to the greater organization. Although adoption of these solutions remains low (which has been the case for the past several years), new research findings point to more businesses leveraging them in the relative, short-term future.

- **Procurement-based automation has a continued impact on AP.** Procurement’s relationship with AP is based on the principles of the P2P process; as such, 35% of businesses today are automating the core tenets of this process in order to drive value across both supply management and financial management. Procure-to-Pay solutions not only make broader supply management capabilities more effective, they also enable more efficiency across the board. Likewise, the advent of business networks (31%) not only facilitates enhanced connections between buyers/businesses and suppliers, these networks provide an automated gateway for invoice management and payment, pushing these solutions into true strategic territory.

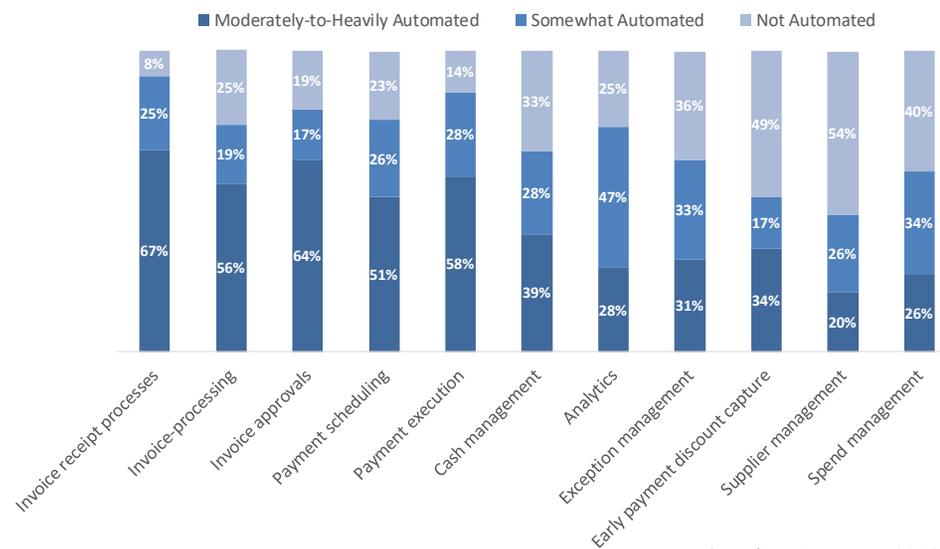
Tactical Automation vs. Strategic Automation

While it can be said that some automation is better than no automation (especially in regards to the world of AP), one must consider the lengthy transformation efforts that many AP functions have started but as yet, not finished. As stated previously, the levels of AP process automation achieved by most organizations is certainly a “win” for AP. However, simply deploying the solutions



does not ensure that they are used. Accounts Payable has never had its business perception be as strong as it is today; thus, it is critical for the group to make the next great leap and not rest on its laurels.

Figure 4: Levels of Automation Across Financial Management Areas



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The journey is not the same old story of “automate, automate, automate,” but rather, “be strategic about automation and innovation.” As shown in Figure 4 above, moderate-to-heavy automation abounds across the core components of the AP function, including invoice receipt (67%), invoice-processing (56%), approvals, (64%), payment scheduling (51%), and payment

execution (58%). This is a reflection of the vaunted “higher level” that AP has struggled to attain over the past several years: automation within these key areas ensures that the unit itself is not only highly efficient, but also has the ability to be a valued stakeholder in support of the greater enterprise. After years of pressure to automate the core facets of the full AP process, it seems as though a majority of businesses across the globe have started to achieve this goal.

However, there is significantly more at stake than merely automation of the traditional pieces of AP. The function has never before had as much clout as it does in 2019. Thus, AP must build on what it has already achieved in order to enter the next great phase of its journey. Figure 4 not only highlights the accomplishments attained by AP thus far, but also the shortcomings that need to be addressed for the group to develop smarter, more intelligent capabilities and drive more value to the greater enterprise:

- **Less than one-third of all businesses (28%) have moderate-to-heavy automation of their analytics.** In an age when intelligence is primed as one of business’ most valuable commodities, this is somewhat disheartening. For AP teams to reach their full potential, reporting and analytics must reach the same level of efficiency, power, and automation as the more traditional elements of the AP process.
- **Less than 40% of businesses today are heavily-automating**



their cash management competencies. Although collaboration with procurement has long been the dominant discussion when it comes to cross-functional coordination between AP and other units, the “next-level” value of Accounts Payable and treasury collaboration can boost cash management to achieve a positive bottom line impact. The potential insights gleaned from the AP-Treasury partnership are critical in not only making more educated business decisions, but can also further boost the overall perception of AP in the way it can provide truly valuable, actionable information to the core executive team.

- **Only 31% of businesses are automating (in a moderate-to-heavy manner) exception management.** With invoice exceptions as the top year-over-year pressure (as reported in this and recent editions of the annual Ardent Partners research study), it is surprising to see the as an area of automation weakness in comparison with the relative technology “victories” that AP has achieved across other areas of the function. The last thing any AP leader wants to experience is the loss of its unit’s ultimate strategic value in the face of difficulties like invoice exceptions.
- **Supplier management (20%) and spend management (26%) must be enhanced via technology in order to strengthen the link between AP and procurement.** Procurement certainly has had its own strategic transformation journey over the past

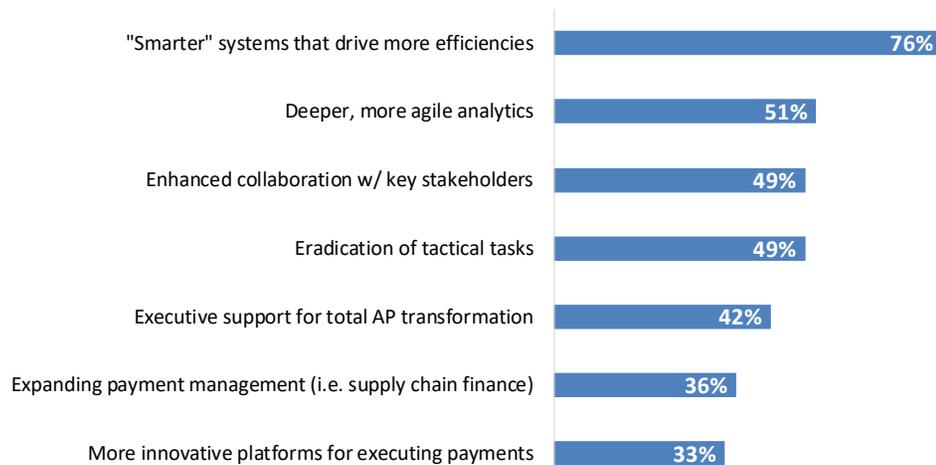
fifteen years and has finally earned its “place at the table.” One smart strategy is for AP teams to “hitch their wagons” to the value that procurement provides to the greater enterprise. However, in order to do this, the key pieces of the procurement group must be automated in order to provide more essential intelligence in regards to key suppliers and their performance against contracts and agreements.

The “Smart” Way: The Future of ePayables

Many of the major discussions regarding operational improvement typically revolve around technology and innovation. Although some of these instances will barely breach the realm of non-technological ideas (including new and exciting enterprise strategies), there always needs to be a balance between automation, innovation, and transformational thinking. From workforce management to spend management, business programs have succeeded based on the attainment of this “balance,” owing to the long-term strategic value of both innovative solutions and concepts. This conversation differs in regards to AP, however, as shown in Figure 5 on the next page, the vast majority (76%) of businesses point to one major attribute as essential to the group’s ultimate success: smarter systems.



Figure 5: Key Elements Required for AP's Performance to Reach the Next Level



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Both the business and consumer worlds have been impacted by the advent of "smart" systems that blend process automation, cognitive intelligence, and real-time operations. Just as the average consumer has the ability to develop a "smart home" that auto-detects when heat, air conditioning, lights, etc. should be turned on, smart business systems learn from repeated use and can provide enterprise executives with the power of foresight and intelligence. Within the world of AP, smarter systems can translate into a whole new world of efficiency, including:

- Next-level automation of the traditional components of AP.

- Near-complete eradication of menial and tactical tasks (which is also itself (49%) a gateway towards future AP success).
- "Touchless" and holistic (aka "straight-through processing") invoice and payment management.
- Predictive analytics for forecasting, planning, and budgeting.
- Machine learning-led intelligence that can revolutionize the data that flows through AP.

Additionally, deeper and more agile analytics (51%) remain a key piece for AP to achieve higher performance levels in the years to come. Business agility enables organizations to react dynamically to real-time pressures and challenges; agile reporting translates into the capability to extract deep financial and supplier data to help anticipate future scenarios and react accordingly.

Collaboration (49%) also remains a crucial piece of AP's ongoing advancement. The AP function is destined to do great things, but it cannot (and should not) do it all alone. The "quid pro quo" inherent in AP and stakeholder collaboration means that strategies like procurement/AP collaboration, in addition to providing the CPO and its team with more useful (and actionable) spend/supplier data, boosts the overall strategic value of the AP unit. Similarly, if AP's core intelligence can be leveraged in conjunction with stakeholders like treasury, the everyday insights that pass through the function can be leveraged for grand enterprise strategic thinking.



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

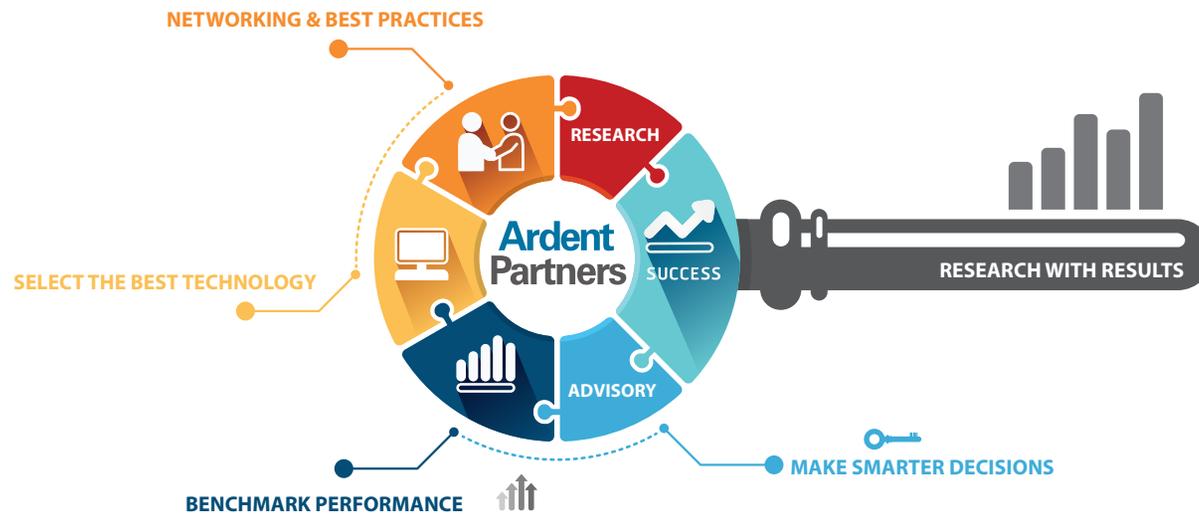
Company Revenue: 60% Large (revenue > \$1 billion); 40% Small & Mid-Market (revenue between \$50 million and \$1 billion)

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.

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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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