4 WAYS PROCURE-TO-PAY AUTOMATION HELPS ACCELERATE BUSINESS GROWTH

IOFM Institute of Finance & Management

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Businesses are bullish on the chances for revenue growth in the United States.

Small-and medium-sized businesses (SMBs), particularly, anticipate that a strengthening economy will lead to revenue, sales, and profit growth in the year ahead.[1]

What businesses may often overlook in their growth projections, however, is the outsized influence that their finance function can have when it comes to achieving revenue, sales, and profit targets.

Inefficient and ineffective financial processes such as procure-to-pay can hamper business growth.

More businesses are recognizing that finance can be a driver of strong business growth. Finance is expanding beyond its traditional back-office role into strategic activities that impact business growth, such as:

- Improving net profit margins
- Increasing enterprise agility
- Freeing up cash flow
- Mitigating compliance risks

The transformation of the finance function into a catalyst for growth starts with CFOs having more influence in areas that have broader consequences for the business. Eighty-one percent of CFOs see identifying and targeting areas of new value across the business as one of their main responsibilities.[2]

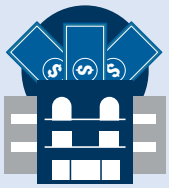
> "The CFO role has evolved over the last several years, from accountant to business partner to a strategic advisor across the entire enterprise, becoming the economic guardian of planned outcomes for digital investments,"
>
> explains Steve Culp, senior managing director at global professional services company Accenture and global head of the company's Finance & Risk practice.

This white paper reveals four ways that procure-to-pay will play a crucial role in the finance department's ability to drive growth.

#1: Digitize processes to increase margins

Businesses have better things to do than spend a lot of time on back-office finance tasks.

Increasing revenues, sales, and profits are three of those things.



More than two-thirds of finance leaders plan to increase their investment in technologies that speed business change.[3]

Digital technologies automate the procure-to-pay cycle from end-to-end to support business growth:

- **Purchasing:** digital purchase order approval and presentment
- **Capture:** centralized intake of all paper and electronic invoices
- **Virtualization:** conversion of invoices into electronic data for matching and processing
- **E-invoicing:** digitization and aggregation of invoices into existing systems and databases
- **Holistic payments:** disbursements in the supplier's preferred format, from a single file
- **ERP integration:** seamless, 360-degree visibility into transactions and suppliers

Compared to their peers with little or no automation, highly automated procure-to-pay departments:

- Spend three-quarters less to process a single invoice
- Spend 60 percent less to pay a supplier
- Process more than 11 times as many invoices per full-time equivalent (FTE) per month
- Match more than 30 percent of their invoices to purchase orders automatically
- Process a single invoice in less than one-quarter the time
- Suffer fewer duplicate payments
- Capture more early payment discounts

1 JPMorgan Chase
2 Accenture's *The CFO Reimagined: From Driving Value to Building the Digital Enterprise study*
3 *2018 CFO Insights on New Technologies*

All these benefits are big contributors to earnings before interest, taxes, and amortization (EBITA).

But automation also helps businesses stand out. Certain automated solutions provide a platform for finance improvements that meet the needs of suppliers with varying levels of billing sophistication.

Investments in automation have traditionally been influenced by the finance organization's desire to improve operational performance and reduce costs. But automation processing plans are shifting to more strategic opportunities – chief among these being improving business growth. In fact, 41 percent of CFOs and senior finance executives say their companies' digital transformation investments are meant to help them overtake the competition." [4]

20%
of finance leaders expect their team to adopt AI within the next five years.[5]

Anticipated business growth is another reason for finance departments to automate. As businesses grow, their financial responsibilities and processes grow more complex. As a result, inefficient and ineffective finance functions, such as procure-to-pay, are more likely to falter and cause disruption.

23%
of finance functions are committed to playing an active role in innovation across the entire enterprise.[6]

#2: Deliver actionable insights to the enterprise

Achieving strong growth requires businesses to know where they stand at any point in time. But most businesses can't make heads nor tails out of all the data that flows through their enterprise.

"Data overload is real and is growing at the speed of modern business and technology. The smart move for finance executives is to adopt tools that help their teams better manage and interpret large data sets," explains Kevin Permenter, a senior research analyst for research and advisory firm IDC.

More businesses are counting on their CFO to make sense of it all.

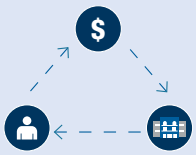
"CFOs are fast becoming the digital stewards of their organizations, leveraging predictive analytics and artificial intelligence to better interpret data for key business decisions that drive value, improve efficiency and enable strategy beyond the borders of the finance function," says Accenture's Culp.

> **"CFOs' use of data is expanding to other parts of the business,"**
>
> explains Dr. Christian Campagna, senior managing director, Accenture Strategy, CFO & Enterprise Value.

Automation provides visibility across the procure-to-pay cycle so that businesses have timelier and more complete visibility into cash and spending – key barometers on how the business is performing. The C-suite also can use this data to reveal business opportunities and support investment decisions.

For starters, automation puts the information required to guide business growth at the fingertips of the different teams, departments, and other authorized users who need it, when and where they need it. These analytics tools enable procure-to-pay organizations to improve functions such as data discovery, forecasting, decision support, financial planning and modeling, and exceptions detection.

For instance, automation empowers users across the enterprise to monitor budget performance with tracking of cost and consumption metrics, full visibility into spending trends, graphical snapshots of actual versus budgeted spend and use, and the ability to manage utility costs and consumption in a single location. And reports can be instantly filtered by service type, time period, and location.



More businesses are tasking their finance departments with capturing and analyzing cash flow and spending information and sharing it across the entire enterprise.

4 *2018 CFO Insights on New Technologies*
5 *2018 CFO Insights on New Technologies*
6 FSN's *Finance Function Global Survey 2018*

Assessing trends in incoming and outgoing payments, supplier relationships, transaction volumes, purchase order (PO) versus non-PO invoices, and Days Sales Outstanding (DSO) timeframes can provide valuable insights into where the low-hanging fruit of opportunity lies. As an example, a finance department might identify a segment of suppliers that appears ripe for virtual card payments.

All these analytics are key to understanding where a business' biggest barriers to growth reside.

Twenty-four percent of finance leaders say their team is adopting advanced analytics and another 24 percent expect to do so within 12 months.[7]

CEOs and boards of directors need better visibility into cash and spending to help guide the business. Automation delivers the actionable metrics and strategic insights that support business growth.

Most finance departments expect to deploy predictive analytics by 2020.[8]

#3: Optimize working capital to free up cash

Cash is the lifeblood of any business. It is required for the purchase of goods and raw materials, the creation and distribution of finished goods, sales and marketing, payroll, and business administration.

It's no wonder why CFOs look for ways to keep more cash on the balance sheet longer.

Businesses significantly extended their payments to suppliers in 2017, taking 3.4 days longer to pay than in 2016 and increasing Days Payable Outstanding (DPO) to 56.7 days, per a survey of the 1,000 largest non-financial companies in the United States.[9]

> **"Even just in terms of payables optimization, there are better ways to make improvements than to delay supplier payments,"**
>
> – Shawn Townsend, director at The Hackett Group

To be sure, some of the improvement in DPO involves businesses simply pushing the working capital burden onto their suppliers by forcing them to accept longer payment terms.

But automation also plays a role in helping businesses free up the cash they need to grow.

For starters, leveraging certain card programs for electronic payments enables buyers to instantly extend their DPO, without changing their payment terms with suppliers. In this scenario, the funding for the payment program is provided by the buyer's bank via card. Buyers are cashing in on the fact that the payback period to the card issuing bank kicks in only after the payment is initiated.

Moreover, paying suppliers with a virtual card provides buyers with an opportunity to earn cash-back rebates. It is not uncommon for businesses to earn cash-back rebates on 30 percent of their spending. In some cases, the cash-back rebates earned by businesses have single-handedly transformed their procure-to-pay department into a profit center, enabling the function to deliver cash to the business.

Automating the procure-to-pay cycle can also improve working capital through the capture of early payment discounts. Automation makes it easy for buyers to approve invoices within early-payment discount windows. Digital workflows enable businesses to approve invoices faster while alerts and notifications help eliminate bottlenecks and real-time visibility lets users know which invoices are approaching deadline for early payment discounts. Similarly, supply chain financing – which uses a bank or other third party to offer suppliers financing of their receivables – is growing in popularity.[10] Supply chain financing enables buyers to meet the cashflow needs of their suppliers without impacting the buyer's balance sheet. Buyers also get a cut of the fee that is being paid by the suppliers.

All these measures – enabled by automation – free up cash that can be invested in the business.

#4: Mitigate compliance risks

It's hard for businesses to grow if they are constantly looking over their shoulder for risks.

With the implementation of The European Commission's General Data Protection Regulation (GDPR) and a growing number of U.S. states initiating

7 *2018 CFO Insights on New Technologies*
8 Gartner
9 The Hackett Group
10 The Hackett Group

consumer privacy regulations (such as the California Consumer Privacy Act), businesses are under heavy pressure to maintain compliance.

Businesses are struggling to keep up with the ever-increasing velocity, volume, and veracity demands on their data in order to meet regulations and internal objectives for reporting and risk management.

Running afoul of regulators and auditors is a barrier to strong business growth, and can result in the following negative consequences for businesses:

- Fines
- Penalties
- Sanctions
- Lawsuits
- Reputational and brand damage
- Lost staff time

Half of CIOs say their data management initiatives are **all** or **mostly** focused on compliance.[11]

A big challenge in meeting ever-increasing regulatory and risk challenges is that senior-level executives have little trust in the accuracy of their organization's data. Only 41 percent of executives in the Americas said they trust the accuracy of their data, an 11-point drop from 2017 when 52 percent of executives said they trusted their data accuracy.[12]

Making matters worse, a manual and a semi-automated procure-to-pay function can open the door to potential issues through fragmented systems, inconsistent processes and controls, poor governance, weak Sarbanes-Oxley and PCI compliance controls, incomplete documentation, and poor training.

Manual and semi-automated procure-to-pay processes are negatively impacting the accuracy and effectiveness of risk management and regulatory compliance initiatives.

It is no wonder that 14 percent of senior-level executives in the Americas are more concerned about their business' ability to comply with regulations.[13] Businesses must trust their data and processes to be sure they are complying with regulations and objectives.

Procure-to-pay leaders whose organizations operate in a manual or semi-automated environment are very aware that the information they are capturing is not necessarily correct, complete, or timely.

64% of senior-level executives say that improving data quality, data lineage and data aggregation is their biggest challenge.[14]

Helping the business satisfy regulations and internal objectives for more granular and analytical data requires procure-to-pay organizations to improve data quality, data lineage, and data aggregation.

That's where automation comes in.

Procure-to-pay automation is crucial to enabling finance organizations to conquer the challenges of reporting and risk management, while removing a potential barrier to strong business growth.

35% of CIOs say their business will invest more in data governance in 2019.[15]

Automated procure-to-pay solutions mitigate compliance risks by:

- Increasing the accuracy of data captured from invoices and other documents
- Providing configurable access controls
- Tracking document history and approvals
- Ensuring that employees adhere to approval policies and separation of duties rules
- Assuring chain of custody
- Making audit information reality available
- Enforcing PCI compliance controls
- Preventing documents from being discarded or destroyed ahead of deadlines

11 ASG Technologies' *The Future of Enterprise Data: Democratized and Optimized*
12 AxiomSL
13 AxiomSL
14 AxiomSL
15 ASG Technologies' *The Future of Enterprise Data: Democratized and Optimized*

Over the next three years, 87 percent of senior-level executives in the Americas will invest in data analytics. What's more, 59 percent of executives anticipate investing in data analysis tools, 54 percent plan to ramp up their investments in artificial intelligence and machine learning, and 54 percent will invest in cloud technologies.[16]

Procure-to-pay automation is a valuable tool for mitigating growth-busting compliance risks.

Conclusion

Businesses have high expectations for revenue, sales, and profit growth. Finance can play a big role in making these growth projections a reality. Automated procure-to-pay technologies such as PO requisition and presentment, capture, virtualization, e-invoicing, holistic payments, and ERP integration can help the business increase its net profit margins, improve agility, free up cash to pay down debts, reduce bank borrowing and invest in the business, and mitigate the risk of compliance violations. With an automated procure-to-pay function as its partner, the C-suite can better navigate today's competitive global economy for optimal growth, regardless of the economic environment.

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