



Payables Automation

Five Habits of Highly Successful Accounts Payable Departments

When it comes to the Accounts Payable department, the difference between average and best-in-class can add up to hundreds of thousands of dollars in cost-savings.

But how do AP departments go about improving their effectiveness and realizing these kinds of financial benefits? An extensive study of 180 companies conducted by Aberdeen Group reveals the path to success by pinpointing a set of characteristics shared by the most efficient and cost-effective AP departments.

So, how do industry leaders set themselves apart? An analysis of 180 companies suggests that they put processes in place that allow them to measure performance, structure reporting, and inform process design.

LET'S TAKE A CLOSER LOOK AT THE FIVE CHARACTERISTICS THAT SET THE MOST SUCCESSFUL AP DEPARTMENTS APART FROM THEIR PEERS:

01

Clear policies for invoice workflow.

Best-in-class enterprises are 77% more likely to have detailed rules in place for invoice handling: from receipt, through approval, and payment. These rules must be formalized, comprehensive, consistently applied, and easy to navigate in order to encourage compliance.

02

Executive-level support.

Best-in-class organizations are 75% more likely to have the support of an executive for AP improvement initiatives such as invoice imaging and workflow automation. To win management support, it's critical to make an eloquent business case by citing benefits such as more effective cash management and more efficient use of administrative resources.

03

System-level controls.

By enabling the segregation of duties for each transaction, companies can avoid costly security breaches, improve compliance, and detect potential fraud. Building a more complete invoice approval workflow model can also uncover costly structural/procedural inefficiencies. Best-in-class companies are 82% more likely to set these types of system-level control.

Aberdeen Group's careful analysis of the characteristics distinguishing best-in-class AP departments clearly demonstrates that they set themselves apart by prioritizing specific invoice approval workflow processes and investing in technologies that support those processes.

04

Key process automation.

Best-in-class organizations are more than twice as likely to use technology to automate processes such as header data validation and duplicate invoice verification. By putting these safeguards in place, AP departments protect themselves against costly mistakes that require time-consuming clean-up. It also increases the likelihood that they will schedule payments more strategically to support the CFO's cash management objectives more closely.

05

Workflow compliance processes + dashboarding.

When companies have processes in place to measure their invoice workflow compliance, they can identify areas where inefficiencies and lack of clarity are impeding productivity and draining resources unnecessarily. Using dashboards complements compliance activities by providing immediate access to information and a first line of defense against invoice processing issues. Best-in-class enterprises are more than twice as likely to have workflow compliance processes and dashboard solutions in place.

Aberdeen Group's careful analysis of the characteristics distinguishing best-in-class AP departments clearly demonstrates that they set themselves apart by prioritizing specific invoice approval workflow processes and investing in technologies that support those processes. The results of the investment speak for themselves.

While the average cost of processing an invoice was \$15.02 among companies we would characterize as Laggards; those that demonstrated none of the best-in-class characteristics, organizations that embodied these principles reduced the processing cost per invoice to \$2.74. The difference between the best-in-class and Laggard AP department's cost per invoice is \$15.02. Based on a volume of 5,000 invoices per month, that translates to a savings of \$800,000 per year. These five performance-enhancing strategies show a clear way forward for AP departments looking for ways to reduce business costs and manage the enterprise's cash position more effectively.

Aberdeen Group. "AP Invoice Management in a Networked Economy." (May 2017).
PayStream Advisors. "Invoice and Workflow Automation." (Q3 2013).

About Corcentric

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