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The State of ePayables 2022: Mastering a Key Function at a Critical Time *"Best-in-Class Accounts Payable"*

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The State of ePayables 2022: Mastering a Key Function at a Critical Time

Ardent Partners research has shown that mastering the accounts payable (AP) process requires a unique blend of talent, process excellence, automation, and intelligence. While relatively few enterprises possess AP mastery in 2022, the opportunity to achieve it has never been more appealing or necessary. It has also never been easier. Financial and operational advantage is gained with AP mastery, and against a backdrop of global conflict, supply chain disruptions, and steep inflation, achieving it is vitally important to a business and its bottom line.

This 17th-annual AP-themed report is part of the ongoing dialogue that Ardent Partners' analysts have had with Finance, AP, and P2P leaders for nearly two decades. The report examines the general competencies and capabilities of AP organizations today and highlights the management strategies and tactics that leading departments have utilized to drive their organizations forward over the past few years, as well as their plans and priorities for 2022 and beyond.

This report also presents a comprehensive, industry-wide view of what is happening in the world of accounts payable. It captures the experience, performance, perspective, and intentions of 184 AP departments. The report includes benchmark statistics, analysis, and recommendations that AP, Finance, and P2P teams can use to better understand the state of AP today, gain insight into best practices, benchmark their performance against the Best-in-Class, and ultimately improve their operations and performance.



Best-in-Class Accounts Payable

“One can have no smaller or greater mastery than mastery of oneself.”
– Leonardo da Vinci

This report is designed to enable readers to do the following:

- Benchmark their performance to industry averages and understand how they perform relative to the average AP program in the marketplace.
- Understand which operational and performance metrics define Best-in-Class performance levels for accounts payable programs today.
- Discern the wide range of capabilities that Best-in-Class AP departments use to outperform the market.

Accounts payable executives and professionals can gain a rewarding and strategic outcome if they understand the inherent value in AP mastery, push the envelope regarding innovation, and serve as a hub of efficiency and intelligence in the months and years ahead. To achieve these objectives, today's AP departments must follow the course developed by Best-in-Class organizations and the accounts payable programs they have cultivated by

building on core competencies and capabilities, cash management approaches, supplier management principles, and intelligence-led strategies.

Examining AP Performance

The measurement of key performance metrics is an important part of understanding any business function, especially accounts payable. AP and finance leaders can use the core benchmarks in Table 1 (next page) to compare their performance to the overall market and to better identify and understand the bottlenecks and hurdles that must be surpassed to drive true AP mastery. The benchmarks included in Table 1 represent the full gamut of AP performance in 2022 and should be viewed as key milestones on the path to organizational mastery.

**Table 1: The 2022 AP Benchmarks**

Metrics	Average
Cost to process a single invoice (all-inclusive cost)	\$10.18
Time to process a single invoice	10.9 Days
Invoice exception rate	22.5%
Invoices processed "straight-through"	30.2%
Suppliers that submit invoices electronically	44.9%
Staff time spent responding to inquires	22.5%

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Many insights spring from the metrics included in Table 1, for example:

- The average organization spends just over \$10 to process a single invoice (an all-inclusive cost spanning receipt, processing, human intervention, approval time, etc.), which, in 2022, should spark a drive for change across the majority of AP functions. Multiplied by the thousands or tens of thousands of invoices processed per month regularly, even small- and mid-sized organizations can face high processing costs by not introducing new efficiencies into the AP process. For larger organizations, this average cost is negatively impacting the bottom line and eroding the overall value of accounts payable.
- By taking nearly 11 days to process the average single invoice, today's AP departments are losing considerable time in the overall invoice-processing scheme, while also failing to capitalize on the early payment discounts that some suppliers offer. Not every supplier offers early payment discounts, but the ones that do can help return sizable amounts of money into enterprise coffers, thereby boosting the value of the function and its place within the corporate hierarchy. Additionally, the amount of time to process an invoice can have consequences that go beyond tactical processing issues and into the more strategic areas of cash management and forecasting. The quicker an invoice gets processed, the earlier it is noted as a financial liability by the accountants, providing more time to determine how and when to pay it.
- Invoice exceptions remain the bane of AP's existence, as 22.5% of all invoices within the typical AP department are flagged, according to this year's Ardent Partners' study. This figure remains consistently too high for all units, but especially those that aspire for greatness and anticipate a more strategic role within the organization. Invoices that are flagged due to coding errors, missing information, approval bottlenecks, lack of purchase order data, etc., all bog down the AP staff. The time spent addressing invoice exceptions can be better utilized advancing the function forward in innovative and more strategic ways.



- Straight-through processing remains a primary goal for all AP organizations in 2022. It should be because processing invoices in a “straight-through” manner without human intervention represents the very future of AP. The AP groups that experience the normal flux of invoices traversing through automated processes and paid via those same technology-supported methods are on the cusp of true enterprise value. However, only just under one-third of today’s invoices (30.2%) are processed in a straight-through manner.

Best-in-Class AP Performance

For nearly two decades, Ardent Partners has leveraged a unique framework to highlight the performance of top-tier organizations (formally referred to as the “Best-in-Class”) by analyzing a specific set of performance benchmarks. In this research study, Ardent Partners has defined Best-in-Class performance 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, making it more efficient and enabling more strategic activities. Best-in-Class enterprises have demonstrated their ability to drive superior performance across both traditional and contemporary accounts payable metrics. These Best-in-Class AP departments are clear and absolute proof that AP can be mastered. Likewise, their results

show that mastering AP at this critical time generates a great impact on financial operations and the enterprise’s bottom line.

The metrics outlined in Table 2 (next page) represent the culmination of the Best-in-Class AP teams’ skills and efforts, and stand in sharp contrast with those of the “All Others” maturity class. Mastering AP is possible, and it is the AP leaders and teams that develop the ability to consistently leverage innovative technologies and ideas that will reap a significant competitive advantage and challenge the conventional wisdom of what is possible for AP. The rest of this report will highlight specific and programmatic advantages that enable Best-in-Class accounts payable mastery.

Best-in-Class AP teams achieve per-invoice processing costs that are 76% lower than their peers, and invoice processing times that are 81% faster than all other groups. Their invoice exception rates are 60% lower than the rest of the marketplace. Notably, Best-in-Class enterprises have 50% more of their suppliers enabled to submit electronic invoices and, as a result, process more than twice as many of their invoices in a straight-through manner than their peers, which greatly contributes to their strong performance across all metrics.



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

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$3.12	\$13.11
Time to process a single invoice (days)	3.71	19.37
Invoice exception rate	11.8%	29.1%
Invoices processed "straight-through"	47.2%	21.4%
Suppliers that submit invoices electronically	55.7%	37.1%
Staff time spent responding to inquires	15.0%	28.8%

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As Table 2 highlights, these high-performing organizations have significant performance advantages when compared with the rest of the marketplace. A more detailed look at the broad range of performance advantages that the Best-in-Class organizations currently enjoy over their peers (the other 80% of AP groups in the marketplace) follows. The Best-in-Class AP departments possess:

- A 76% lower cost to process an invoice.** Invoice-processing costs, as simple and fundamental as they may be, remain a major benchmark for accounts payable performance because the metric reflects the level of efficiency present within the program. Best-in-Class enterprises have long driven a significantly lower invoice-processing cost due to their reliance on core capabilities and higher usage of ePayables solutions.
- An 81% faster time to process a single invoice.** Invoice-processing speed remains a core KPI from which to gauge the effectiveness of vital AP competencies. Best-in-Class organizations leverage the power of automation and efficiency to improve processes related to invoice receipt, approval workflow, and payment scheduling. Combined with the KPIs above, both cost and speed reflect the power of a Best-in-Class AP function and its ability to master the art of tactical financial operations.
- A 60% lower invoice exception rate.** Most AP teams spend too much time managing them. By doing so, the greater enterprise misses out on valuable early-payment discounts, and the bottlenecks created by them destroy any efficiencies driven by the function. Best-in-Class organizations have long realized the invoice exception problem, with only 11.8% of their overall invoices flagged for issues (less than half the rate of their peers). This is yet another instance of the top performers' overall advantage.
- A 2.2-times higher rate of straight-through processing ("STP").** Straight-through processing rates are emblematic of the overall maturity of an AP operation and the impact of any AP transformation initiative. Invoices that avoid human intervention generally speed through all phases of the ePayables Framework with ease. Straight-through processing is an important benchmark for today's AP



organizations and increasing that number helps AP align itself with the digitized enterprise.

- **57.7% more suppliers can submit electronic invoices.** The huge advantage in STP is powered by the high percentage of suppliers that the Best-in-Class has enabled. Top-performing organizations understand the critical importance of receiving invoices electronically and dedicate the time and resources necessary to onboard and enable suppliers to submit their invoices electronically.
- **Almost 50% less time and resources spent responding to supplier inquiries.** When manual, paper-based methods are the norm, an AP staff is trapped at the transaction level, leaving a wealth of information that has never been captured nor leveraged to its greatest value. “All Other” departments spend more than a quarter (28.9%) of their time on the tactical activity of managing supplier inquiries.

Automating manual invoice processes, which are paper-laden, staff-intensive, and error-prone, can be game-changing. AP departments that automate their processes can spend less of their time on the traditional back-room work, like entering data into their systems manually, routing paper/emailed invoices for approval, and attempting to manage exceptions without full context and visibility. The benefits that automation can deliver to an AP group can lead

to wholesale gains in efficiency and effectiveness within the organization, including large reductions in average invoice processing time and costs, large drops in the number of exceptions, and increased visibility. And when organizations can minimize the time that staff spends on manual/tactical work, their teams can focus on more strategic, value-added activities.

The Best-in-Class, Part I: Tools of the Trade

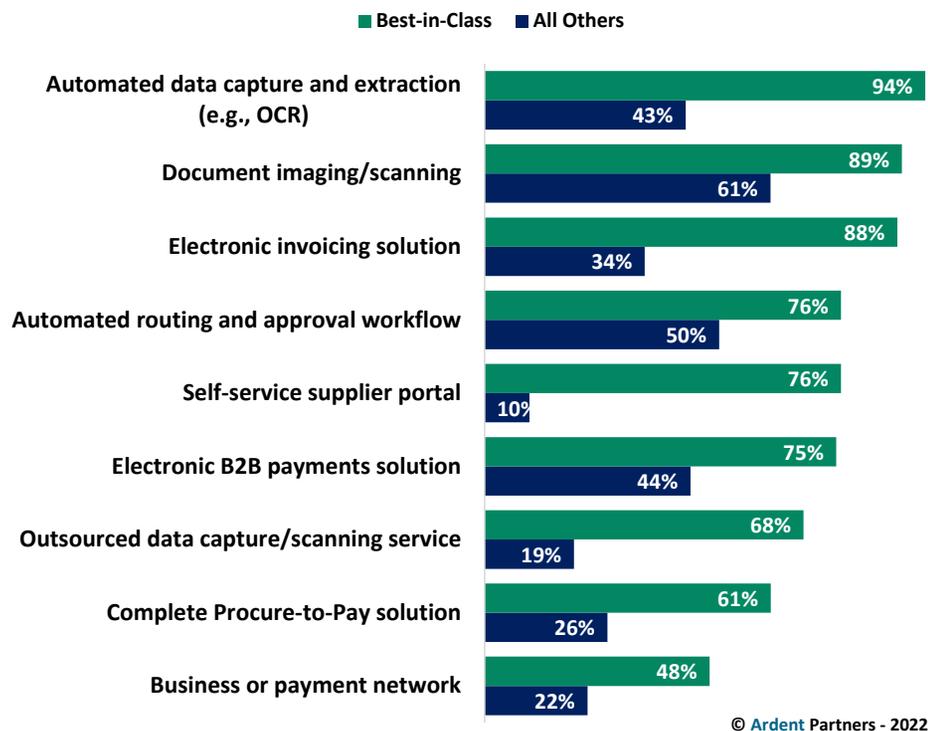
A view into a master’s studio reveals the craftsman’s tools of the trade and the materials that they use to create their work. For Best-in-Class AP departments, technology has long been a key determinant in the success of the modern operation. In 2022, the enterprises that choose to ignore innovation will be left behind. Those that embrace automation and next-generation solutions are the ones that will thrive in an increasingly dynamic and turbulent business world. With all AP teams, core automation is key to the immediate success of the unit; however, innovation is what positions its mastery.

Adoption of technology is one area where the Best-in-Class differentiates itself from the rest of the market. These leading groups not only deploy solutions to a much greater degree (see Figure 1, next page), but just as importantly, their users and suppliers adopt and use them more actively. The differences in technology usage manifest themselves in the large metrics gaps shown in Table 2 above. The most widely-adopted solutions are



admittedly the most tactical, focused on capturing data and images from paper invoices. As Figure 1 shows, the Best-in-Class AP department is built on a robust foundation of key solutions, platforms, and automated technologies that address multiple facets of the ePayables Framework.

Figure 1: The Best-in-Class Technology Advantage



Best-in-Class AP groups have a distinct technology adoption advantage, including:

- eInvoicing (88%).** Leading organizations long ago realized the disadvantages of receiving paper invoices from suppliers and took major strides to eliminate them from the process. To this end, Best-in-Class AP groups are 2.5 times more likely to have eInvoicing in place.
- ePayments (75%).** ePayments represent the current focus for many AP teams as well as the next wave of AP innovation. B2B payments can no longer be overlooked. There is inherent value in automating payment management. Best-in-Class organizations have ePayments in place 75% more often than all others.
- Complete procure-to-pay (P2P) automation (61%).** There is, and always will be, a transactional link between procurement and finance. P2P automation ensures that the buying, invoicing, payment, and reconciliation processes are interconnected in such a way that improves total spend management and financial visibility. Best-in-Class organizations are 2.3 times as likely as all others to leverage complete P2P technology. Also, the advantages that P2P suites bring to organizations are numerous. In addition to automating tactical processes, the linked series of phases under the ePayables Framework ensures centralized control of data, standardized capabilities across all enterprise locations, and free flow of information from invoices, payments, and other types of financial transactions.



The evidence is clear: The organizations that leverage technology to automate the AP process perform better and deliver greater value. What is also obvious is that automating the core processes of the ePayables Framework can open new doors of opportunity for the AP function to move beyond the tactical endeavors of the past and present. The AP teams that leverage automation can then turn their focus to higher-level activities, such as capturing and sharing intelligence and data that can enhance AP, stakeholder, and enterprise performance. Best-in-Class organizations have shown what can be achieved when AP performs to its full potential.

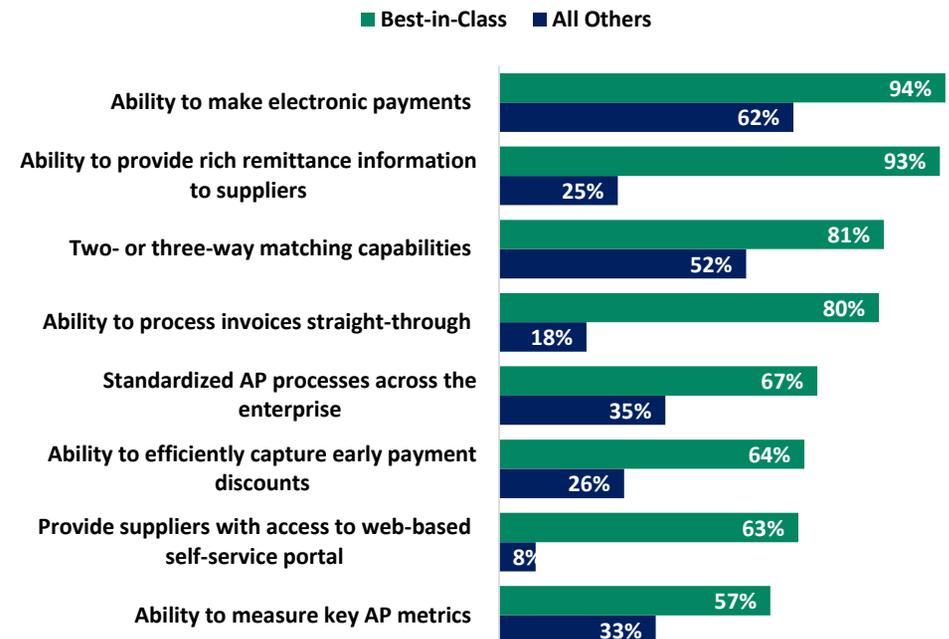
The Best-in-Class, Part II: Key Competencies

While quality tools are essential to top craftsmanship, it is the skills, experience, and ideas of the master that are the creative elements that bring his/her work to life. For the Best-in-Class AP department, key competencies (see Figure 2, to the right) serve as both the foundation for top performance and an enabler of continuous improvement. Best-in-Class AP groups have a distinct advantage in key competencies, including:

- **The ability to pay suppliers electronically (94%) and provide rich remittance (93%).** The Best-in-Class view the entire accounts payable process holistically and work to master each part. Payments are not an afterthought in this mindset and suppliers are viewed as partners.

- **Two- or three-way matching capabilities (81%)** allow AP teams to match invoices to contracts and purchase orders, thereby increasing the accuracy and timing of payments. These capabilities can greatly reduce invoice exceptions and allow AP professionals to enable superior control of the invoice process.

Figure 2: The Best-in-Class Key Competencies



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- **Straight-through processing (80%).** Taking a cue from Table 2 (page 25), Best-in-Class enterprises are 2.1 times more likely than all other organizations to process invoices in a straight-through manner. This factor, which eliminates the human intervention of the AP process, is key to boosting the bottom-line value of the function and augmenting activities that AP staff can execute with the time enabled by straight-through processing.
- **Process standardization (67%)** on the surface may always seem like a given for successful organizations; however, for those not in the scope of the Best-in-Class, it is an ideal starting point. Standardized AP processes ensure that rigorous, consistent steps are followed throughout the ePayables Framework, helping to avoid invoice exceptions, bloated invoice-processing costs, extended approval times, and a lack of general financial visibility.
- **The ability to measure key metrics (57%)** is the other area where Best-in-Class enterprises excel. They are more than twice as likely to have the capability to measure both productivity (e.g., invoice processing cycle time, invoices processed straight-through) and financial metrics (e.g., invoices coming due, discounts coming due, goods received not invoiced). This is an important characteristic as performance can only be improved if it is measured. It should be noted that here too, the Best-in-Class has room for improvement.



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 23 years in the industry and 13 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As

the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs, including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. 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 525 times in nine 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 several prominent spend management solution providers. 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's post-MBA work started in management consulting and investment banking where he structured, managed, and advised on large capital market transactions. Andrew began his professional career running a homeless family shelter in Los Angeles. He welcomes your comments at [abartolini \[at\] ardentpartners.com](mailto:abartolini@ardentpartners.com) or 617.752.1620.



**Bob Cohen, Vice President of Research,
Ardent Partners**

A seasoned professional with more than 20 years of experience helping enterprises transform their Procure-to-Pay operations. In recent years, Bob has become the industry's lead analyst covering AP and ePayables. At Ardent Partners, Bob heads up the ePayables practice which includes coverage of accounts payable, B2B payments, business networks, and travel and expense management. Prior to joining Ardent, Bob spent 12 years working as a Vice President at Basware, where he helped establish the firm's U.S. presence in the AP automation and Procure-to-Pay spaces. He has also worked at American Express where he enabled the commercial card giant better alignment to its products and services with a continually evolving market.

Over his career, he has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, B2B Payments, P2P, and Business Network solutions. He is a sought-after speaker having given hundreds of presentations at industry conferences, user group meetings, webinars, and customer-facing events. He is also the publisher of Payables Place, the news and research site for Accounts Payable and Finance leaders (www.payablesplace.com). Bob holds a B.A. in Marketing from Bryant University and an M.B.A. in Finance from The University of Connecticut. He welcomes your comments at rcohen [at] 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 184 AP and finance leaders captured between March and May, 2022 and includes direct interviews with several survey respondents. These 184 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 184 respondents representing the following demographics:

Job Function: 47% accounts payable; 14% finance/accounting; 13% procurement; 12% P2P; 10% information technology; 4% treasury

Job Role: 35% VP-level or higher; 12% director-level; 30% manager-level; 23% staff-level

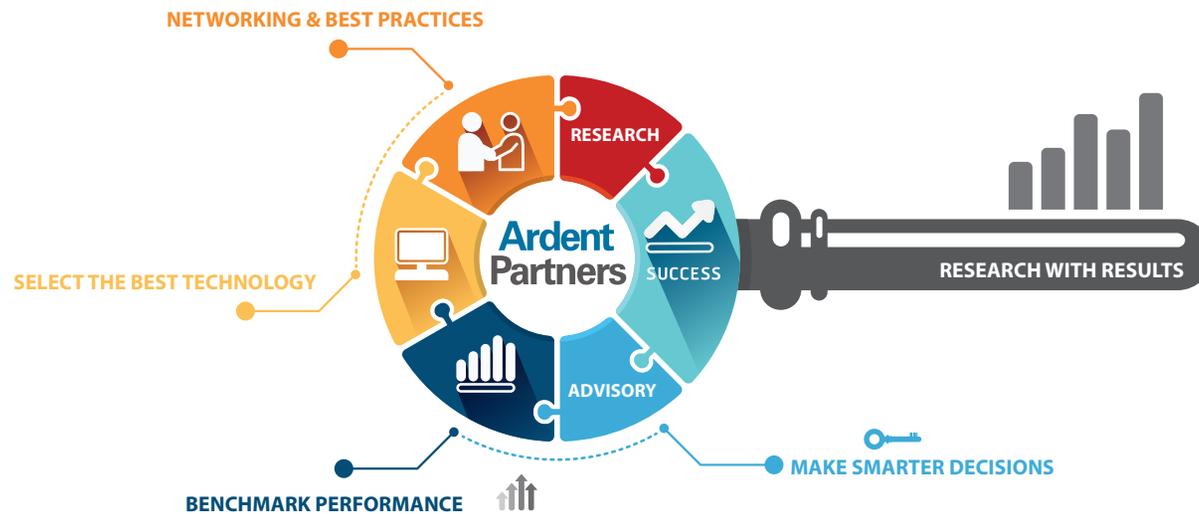
Company Revenue: 57% Large (revenue > \$1 billion); 21% Mid-market (revenue between \$250 million - \$1 billion); 22% Small (revenue < \$250 million)

Region: 65% North America; 30% EMEA; 5% Asia-Pac

Industry: More than 20 distinct industries are represented. Manufacturing, Healthcare, Financial Services, Technology, and Retail 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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