

Ardent | Partners

RESEARCH WITH RESULTS

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

Andrew Bartolini | Chief Research Officer | Ardent Partners
Bob Cohen | Vice President of Research | Ardent Partners
June 2022

Sponsored by:



REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding our research sponsorship policy to Ardent's Chief Research Officer, Andrew Bartolini, at abartolini@ardentpartners.com and/or 617.752.1620.

Sponsor:



Corcentric is a leading global provider of payments, procurement, accounts payable, and accounts receivable solutions to enterprise and middle-market companies. Corcentric delivers software, advisory services, and payments focused on reducing costs, optimizing working capital, and unlocking revenue. To learn more, please visit www.corcentric.com.

Contact Information:

info@corcentric.com

833-201-7120

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.



The State of ePayables

“Knowing others is intelligence; knowing yourself is true wisdom. Mastering others is strength; mastering yourself is true power.” - Lao Tzu

Although full AP automation is still the exception and not the norm, a majority of finance, AP, and P2P leaders understand that automation of the AP function as part of a broad-based digital transformation is a necessary step to becoming masters of the function and achieving Best-in-Class performance.

The ePayables Framework: A Master Class

Ardent Partners developed the ePayables Framework (see Figure 1, to the right) to help AP groups streamline their operations, identify the best-fit technologies for their requirements, and increase their overall impact. For this discussion, Ardent Partners defines “ePayables” as the solutions and services that automate all or part of the three phases of the AP process — invoice receipt, invoice processing, and payments.

The ePayables Framework was designed to help AP departments of any size improve their processes by segmenting them into smaller, more manageable pieces, which ideally makes it easier for AP teams to establish an unfettered perspective on the current state of their operations and then improve upon it. It is organized into three major phases:

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

Figure 1: The Ardent Partners ePayables Framework™



© Ardent Partners - 2022

© Ardent Partners 2022



“Receive” and “Process” Phases

The first two segments of the AP process — “Receive” and “Process” — include the solutions and methods that AP (or buying) organizations use to receive, validate, match, approve, and process invoice information before scheduling payment. While these phases are functionally similar in every enterprise, the sub-steps across them can vary depending on factors, such as company size, industry, and geography. The steps can also be different based on organizational maturity and the level of automation in place.

The “Pay” Phase

Invoices that have been validated, matched, and approved move into the final phase of the ePayables Framework — the “Pay” phase — which includes both the scheduling and execution of the vendor payment. During this phase, the AP team can work most closely with treasury and finance to develop and execute supplier payment strategies that can assist with working capital optimization. As more enterprises recognize the strategic importance of the AP team, and AP expands its level of process automation and access to its financial data, AP will shift into a position to better influence and augment cash management activities.

Taken individually, the phases of the Framework allow for a modular, step-by-step approach to transforming key activities and processes within the department. When automating all three phases of the ePayables Framework together, a digital transformation of the AP department can be accomplished. The digital transformation is

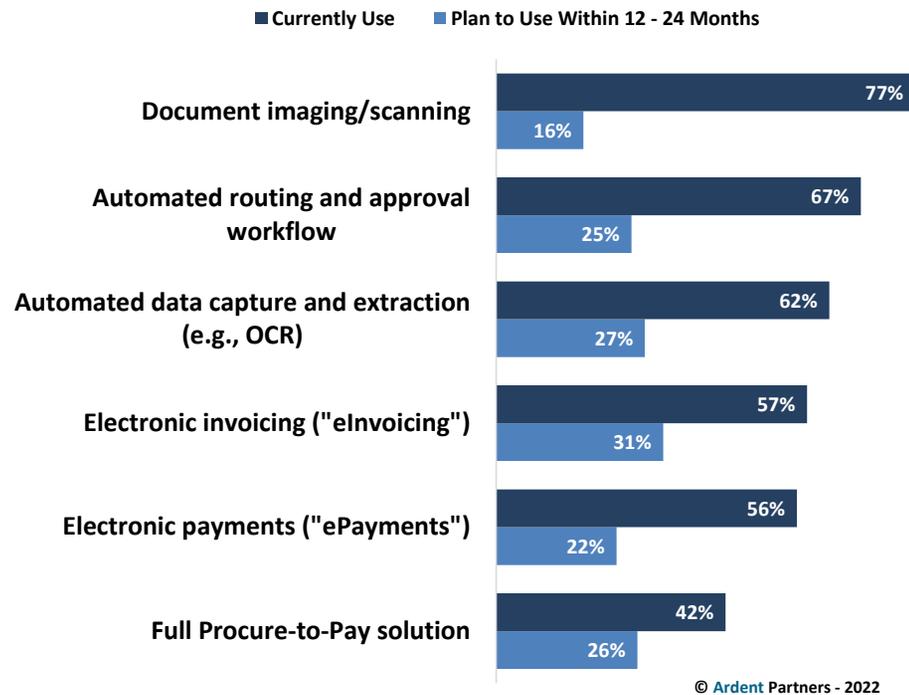
an opportunity to use technology as a means to reimagine the organization’s entire scope of operations and how it performs. Unlike the process automation initiatives that preceded it, a digital transformation does not view technology as a process enabler, but rather as the fundamental process going forward.

ePayables Technology Adoption in 2022

Given recent trends toward improving business processes in a bid to increase efficiencies and drive down costs, one wonders why more enterprises have not fully automated their AP processes. This is especially true in light of the challenges brought on by the pandemic, which made paper-based processes unworkable with the work-from-home mandates that most employers enacted. Ardent Partners’ research has consistently shown that automated invoicing processes can cost between 40% and 90% less when compared to manual, paper-based processing methods. Figure 2 on the next page denotes the ePayables solutions currently in use and planned for usage in the next 12 to 24 months that have helped, or will help, enterprises achieve the automation required to improve process efficiency and cut costs. Document imaging/scanning solutions (77%) remain the most widely adopted solutions in the market today, while automated routing and workflow (67%) are second. A discussion of other key solutions follows.



Figure 2: ePayables Current and Planned Usage



- **Automated data capture and extraction technology (62%)** is one of the first solutions typically deployed by an AP department because it enables the transfer of key information from paper-based invoices into digital data, which is then fed into a larger solution suite (i.e., P2P platform, full AP automation suite, or ERP). While this technology delivers value in the form of increased efficiencies, it is simply a starting point in a larger AP transformation.

- **eInvoicing solutions (57%)** remove paper from the AP process by enabling suppliers to create and submit invoices electronically. The system maintains that format through the validation, matching, and approval processes. eInvoicing drives process efficiencies by eliminating data capture and manual data entry. eInvoicing solutions offer tremendous simplification on the process side, as well as cost savings in terms of price per invoice processed. This is most directly seen with solutions enabling "straight-through processing," which occurs when a submitted invoice is processed and approved without any human intervention. To gain the best returns on eInvoicing, supplier participation is needed.
- **ePayments solutions (56%)** have seen a sharp rise in adoption over the past few years due, in part, to a more holistic (and expanded) focus on the role of AP that now includes both invoice and payment processing. The increase in availability of new ePayment solutions has also triggered greater interest in the area. While many AP departments remain focused on the front end of the process, more groups are realizing that ePayment solutions (which can tailor payments specific to certain suppliers utilizing a variety of electronic means, including ACH, commercial/ payment cards, virtual cards, wire transfer, etc.) are vital to completing the full cycle of P2P.

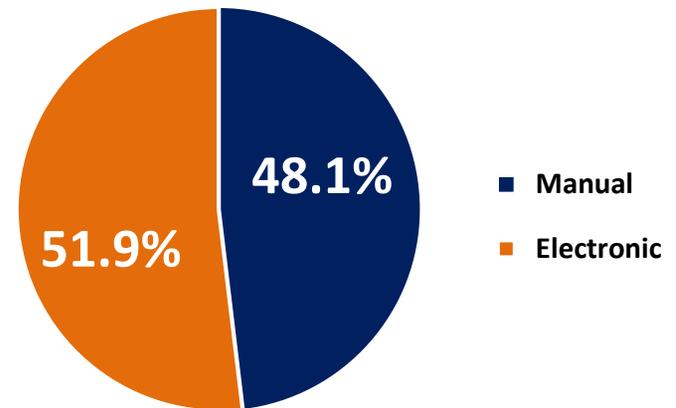


A majority of organizations will automate all facets of the procure-to-pay process by 2024. Within the next two years, nearly 68% of businesses state that they will have automated the complete P2P cycle, enabling a robust union between procurement and finance that generates power, value, and efficiency. This underlines the importance for procurement and finance leaders to view procure to pay as a single process that can optimize efficiencies and intelligence for the greater organization.

The Answer Is Obvious

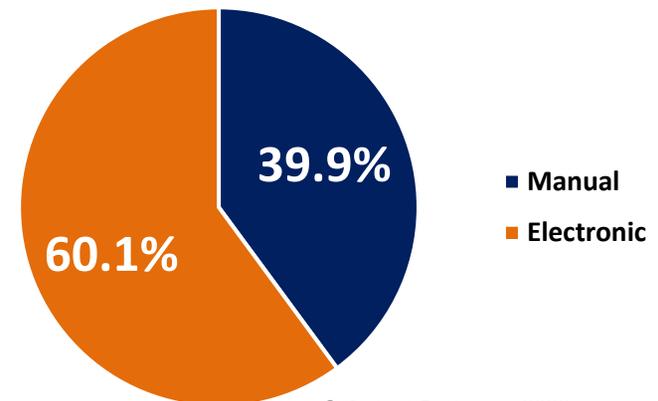
Should your AP department use paper as its main mode of supplier invoicing and payments, or should it leverage the power of automation to create repeatable, scalable processes that drive efficiencies, savings, and value? Any CEO, CFO, or Controller worth their salt would choose automation. Since that answer is obvious, the real question is...why haven't more enterprises fully automated their AP operations? ePayables technology adoption does continue to rise, albeit slowly. Similarly, the percentage of electronic invoices and payments in the overall market continues to rise as well (see Figures 3 and 4 to the right).

Figure 3: Invoices, Electronic vs. Manual



© Ardent Partners - 2022

Figure 4: B2B Payments, Electronic vs. Manual



© Ardent Partners - 2022



While the statistics in Figures 3 and 4 continue to show a steady progression towards greater automation, the paper problem is still much too persistent in a world that has become digitized and globalized. Just over half of all invoices (51.9%) today are received electronically, while 60% of payments are made in the same fashion. These are encouraging figures, but unfortunately, still too much paper in today’s enterprises.

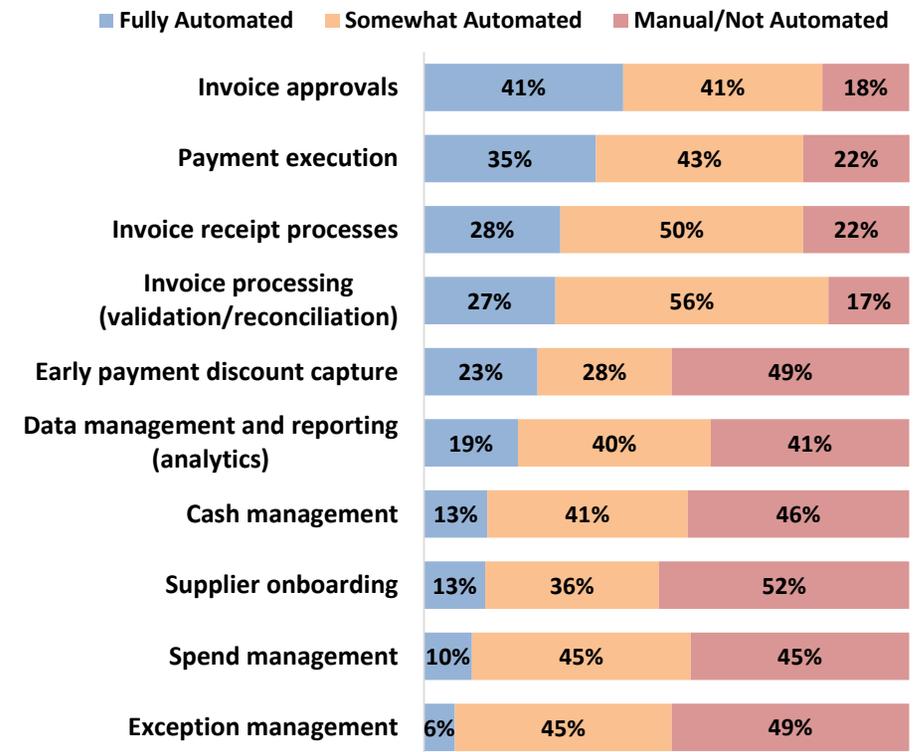
The impact of supply chain disruptions translates into a huge challenge for the procurement team, which is already paying higher prices for materials due to historic inflation. Cash management and working capital are more important today than ever before, and several dollars saved per invoice or payment (across thousands of these items) can translate into significant bottom-line numbers. In due time, many AP organizations will get to where they need to go in terms of the balance between electronic and manual invoices and payments. Today, in a world where cash is tight and every dollar is crucial, the paper problem must be solved as soon as possible.

The Great Leap: Automation as the Foundation to AP Mastery

The best and smartest step to take towards AP mastery is to invest in automation. Since 2010, Ardent Partners’ research has quantified the benefits of automating the accounts payable process. Eliminating paper is a powerful way to drive operational efficiency while gaining greater visibility into liabilities, B2B payments, and cash positions, enabling smarter cash management decisions.

As shown in Figure 5 below, the range of “full automation” today only applies to the transactional and process-oriented aspects of accounts payable, with less than 20% (on average) of more “advanced” aspects of finance experiencing the benefits of ePayables technology adoption.

Figure 5: Levels of Automation Across Core Areas of AP



© Ardent Partners - 2022



An overall increase in electronic invoices versus paper-based ones can be attributed to a heavier concentration of full and partial automation of “early-phase” processes, such as invoice approvals (41% fully-automated, 41% partially-automated), payment execution (35% fully-automated, 43% partially-automated), invoice receipt management (28% fully automated, 50% partially automated), and validation and reconciliation of invoices (27% fully automated, 56% partially automated).

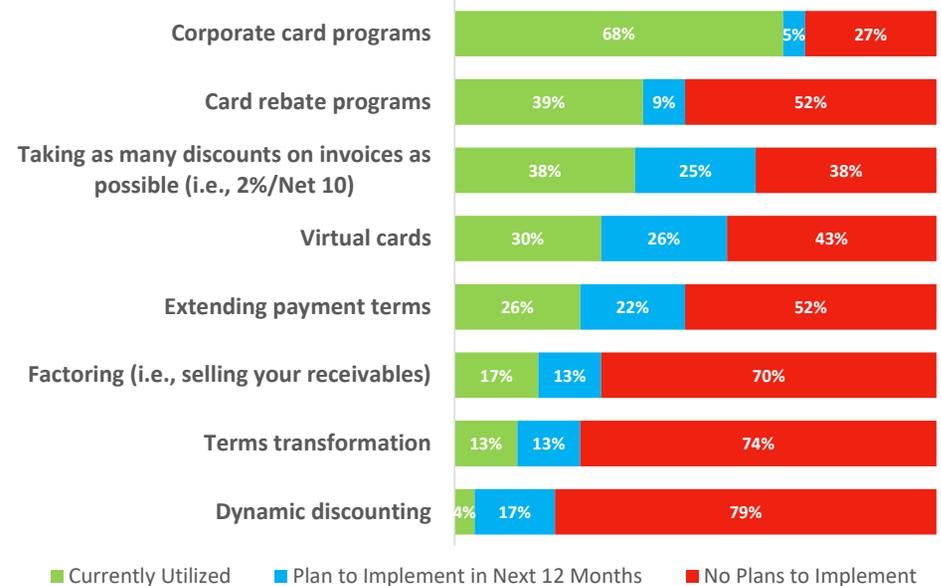
These figures show that the average AP department is not approaching mastery. On average, 13% or less of businesses today have fully automated cash management, supplier onboarding, spend management, and exception management. These competencies may be more strategic than traditional invoice processing, and thus more difficult to automate. However, the opportunities are too large not to aggressively pursue.

A Barrier to Mastery: The Cash Management Gap

High-performing AP operations are praised for their cash management mastery and their ability to achieve “next level” results. Unfortunately, our research indicates that a vast majority of organizations lack the financial and operational prowess and automation of their cash management activities necessary to master this critical component of the AP function.

As we can see in Figure 6 below, beyond corporate card programs (68% adoption), today’s AP organizations are woefully behind in terms of the technology, payment, and programmatic capabilities required to optimize the use of working capital and effectively achieve cash management mastery. The data is reason for concern. Less than 4 out of 10 organizations (39%) are pushing supplier payment spend to card programs in order to receive the cash rebates these programs offer. Only 38% of businesses are now taking as many payment discounts as are made available to them from suppliers. Less than a third (30%) of organizations currently use virtual cards which offer significant fraud protection capabilities.

Figure 6: Current Adoption of Cash Management Tech and Capabilities



© Ardent Partners - 2022

© Ardent Partners 2022



While the overall lack of adoption of cash management technologies and capabilities currently in use across the board is shockingly low, what is more concerning is the high percentage of organizations that don't plan to address these critical areas at all. Just over half of AP departments (52%) indicate they have plans to leverage card rebate programs, which have proven to be an effective way to not only generate a new stream of revenue for buying organizations, but also as a means to provide suppliers quicker access to funds due. A full 43% have no plans to leverage virtual card payments. And 38% are missing out on taking discounts available to them.

Given that AP is fundamentally a cash-distribution function, mastery of cash management activities is crucial to the overall mastery of the AP function. However, as the research shows, a great deal of increased attention and work is required by the average organization to bridge the "cash management" gap and achieve true mastery of this critical area.



Ardent Partners' Extreme Technology Adoption Plan

This is not a “modest proposal.” This is a simple and direct plan to maximize solution usage and the returns generated from an accounts payable organization’s investment in AP automation technology. High and strong usage of ePayables technology is achievable by any organization. Full stop. Each year, some of the respondents in this survey process hundreds of thousands of invoices straight through and without any human interaction. Some respondents have 90%+ of their invoices linked to a purchase order.

To get a strong ROI on technology, AP leadership teams simply *have* to make technology adoption a priority over other considerations. If they cannot make it a priority, and choose to pursue user adoption and program support half-heartedly, it should be so stated from the start. Yes, there are outside factors that come into play (like selecting the right solution provider), but there are always outside factors. That does not change the fact that high and strong usage of ePayables solutions is achievable by any organization.

Ardent Partners' Extreme Technology Adoption Plan

The plan was developed because Ardent Partners believes that anything performed by the AP department should be done extremely well. AP professionals who do not ascribe to this view should reconsider their careers. From the plan’s title, readers can surmise that the adoption plan is intense and disruptive. That is by design because it sets the proper tone for technology deployment. Here are the main operating principles of the plan:

- ✓ **This is Big Change!** – The traditional technology roll-out strategy is for the project team to focus on minimizing and mitigating the “change” issues. This is a fool’s errand, for the most part anyway. Stop pretending that the new solutions are a slight variation of the “legacy process” (despite their claims, most staffers were not following the defined legacy process anyway). The reality is that almost any new technology requires a fundamental change in how a worker does a task...and, that is perfectly acceptable because the solution is introducing a new, streamlined, and standardized approach to an activity, enabling important things like visibility and reporting.
- ✓ **Organizational innovation** – Technology can no longer be an afterthought. It must become an organizing principle that demands organizational change and innovation. All users need access to peers and power users that are available to provide fast and practical guidance. But, different teams within AP will be using different systems in different ways. This group of users may need different types and levels of support. AP and finance leaders should consider the development of centralized technology operations teams that support the users of different applications, like ePayments. These professionals can be relatively “junior” while still serving as the “solution” experts needed to facilitate throughput.



- ✓ **Minimalist design** – Each step or action added to an automated workflow adds an exponential amount of complexity. The project team must ask itself daily “what is the absolute minimum number of steps or actions needed to complete an activity or task?” Then, design a system that reflects that answer. “Plain-vanilla” deployments are acceptable, just make sure to add an organizational “stamp” so users feel a sense of ownership.
 - ✓ **CFO: “Yes, but we still need to use the system.”** – Counteract organizational complaints about, and prejudices towards, the new system with this simple, standard reply from the CFO.
 - ✓ **50 – 75 – 90** – Mandate system usage for the following schedule: Month 1: 50% of every staffer’s activities must be completed in the tool. Month 2: 75% of every staffer’s activities must be completed in the tool. Month 3: 90% of every staffer’s activities must be completed in the tool. No exceptions.
 - ✓ **Bonus eligibility linked to system usage** – Staff eligibility for their bonus is contingent upon meeting the 50 – 75 – 90 usage plan. No exceptions.
 - ✓ **No exceptions** – Studies have shown that the age of a worker impacts their response to new technology. So what?
- Age cannot be used as an excuse to explain a lack of system usage. Until a staffer becomes too old to collect a paycheck, he/she needs to learn how to use new systems.
- ✓ **“There will be pain, but we will get through it.”** – Prepare the staff for an intense first quarter of system usage. Prepare the larger organization for potential disruption, too. Use the AP leadership team as an overlay to the project team and assign every leader a specific set of daily duties and responsibilities during the first quarter after system launch.
 - ✓ **Reward the right failures; punish mediocre success** – New system users will make plenty of mistakes. Reward their efforts. Support and encourage their growth and development. Strive for excellence, not simply competence.
 - ✓ **Adopt, adapt, and improve** – When it comes to getting full value out of a technology investment, these three words boil it down perfectly:

 - Adopt - mandate usage
 - Adapt - adapt the organization to the new systems
 - Improve - the staff is committed to using the solutions, and management must be committed to making them better.



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

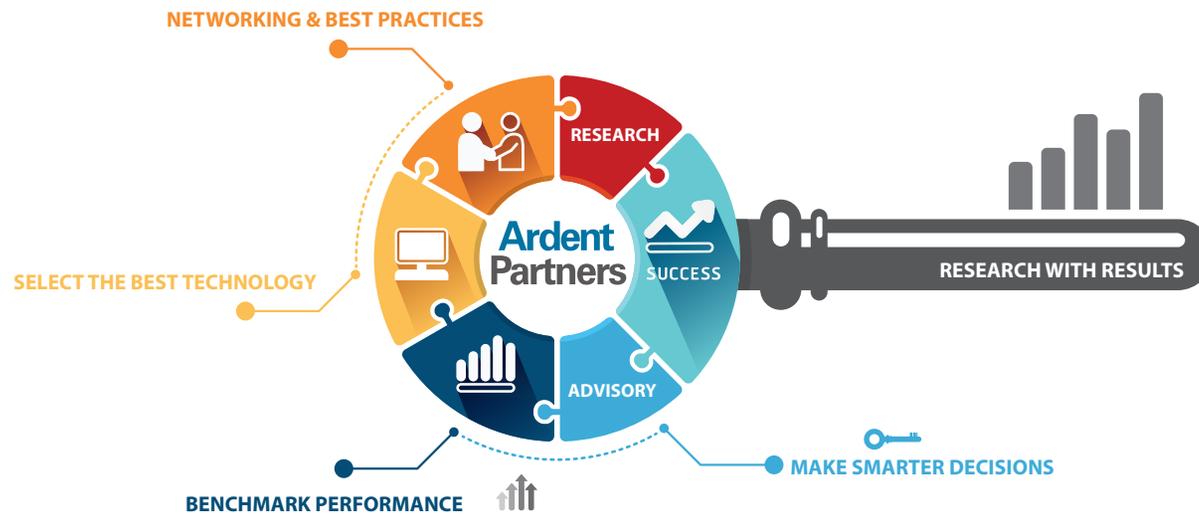
Company Revenue: 57% Large (revenue > \$1 billion); 21% Mid-market (revenue between \$250 million - \$1 billion); 22% Small (revenue < \$250 million)

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.

Ardent | Partners

RESEARCH WITH RESULTS



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.

Industry Standard “Fine Print:” The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners’ best analysis at the time and are subject to change without notice.

© 2022 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States.

Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

Ardent | Partners

RESEARCH WITH RESULTS

www.ardentpartners.com