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As businesses approach the realities of an economic slowdown, accounts payable (AP) teams face a daunting task. They must find ways to do more with less, strengthen supplier relationships and support stakeholders with the visibility they need to navigate an uncertain economic environment.

While automation can digitize and simplify payables functions such as invoice processing and supplier payments, businesses cannot afford the substantial risk of a “technology-only” or Do It Yourself (DIY) automation project falling short of expectations or negatively impacting suppliers.

That’s especially true during an economic downturn.

Taking an outcome-based approach to digital transformation eliminates this risk while enabling AP teams to ensure timely payments, drive profitability, accelerate cash flow and avoid a cash crunch.

Technology-enabled managed services combine out-of-the-box vertically integrated solutions such as procure-to-pay and invoice automation with managed services that provide ongoing execution and back-office support. A managed services provider takes on the burden of deploying, maintaining, and optimizing a digital transformation solution tailored to a company’s needs, and providing the necessary skilled labor.

This white paper shows how managed services can help AP navigate economic turbulence.

The Changing Role of AP

Businesses expect more from their AP department these days.

AP teams are no longer seen as a tactical, back-office function and a cost of doing business.

The responsibility of AP teams now often extends far beyond traditional core functions like supplier onboarding, invoice processing, and supplier payments to include tasks such as cash forecasting, financial planning, budget analysis, risk management and compliance, and supplier relations.

The disruption caused by the pandemic reinforced for senior management the strategic value of AP to the enterprise. AP worked tirelessly to navigate unprecedented shocks to the supply chain, rapid shifts in the business climate, and new risks created by the sudden shift to a remote workforce.

Buoyed by the role that AP played in keeping supply chains and cash flows moving during the pandemic, CFOs will likely lean on AP again to help guide the business through a recession.

The question is whether AP teams will have the tools or the talent they need to support the business.

Transforming the AP Function

Compared to revenue-generating functions such as sales, marketing and customer service, businesses have chronically underinvested in technologies that support accounts payable and other finance tasks.



Sixty-six percent of procurement and finance tasks are not automated¹.

But the operational disruption caused by the shift to remote working has forced businesses to rethink the way their finance teams work. It’s hard to adapt manual, paper-based processes to a remote work environment. And most checks and balances weren’t designed with remote workers in mind.

Seventy-one percent of AP departments have plans to automate. What’s more, 44 percent of AP leaders who describe their department as being “largely automated” plan to deploy more technology.



Finance and procurement teams spend 84 percent of their workday on manual tasks².

Back-office technologies have become the table stakes for businesses that hope to win in today’s global economy. An economic slowdown raises the ante. Successfully navigating

¹ Corcentric/Forrester CFO Survey

² Corcentric/Forrester CFO Survey

a turbulent economy requires businesses to have modern systems that enable corporate agility and scalability.

This is especially true in procurement and AP, which are the backbone of a finance department.

For starters, inefficiencies in the way a business presents purchase orders (POs) to suppliers, records the receipt of goods, matches invoices to POs and receipt of goods documents, or pays suppliers can drive up operational costs. And poor visibility into the status of invoices and payments can make it extremely difficult for a business to accurately forecast its cash flow or manage its working capital.

While there's little question about the need to automate, many AP leaders find themselves unsure of the best approach to take. The dizzying array of point solutions, technology providers, consultants, and business process outsourcing (BPO) providers can overwhelm even the most tech-savvy AP leader.

Stitching together multiple solutions isn't easy. As a result, many AP departments that take a technology-only or DIY approach to automation find themselves with a hodgepodge of point solutions with their own passwords, user authentications, file formats, and system integrations.

Things only become more complicated as a business scales and AP must support geographically dispersed operations, global suppliers, more systems, and multiple currencies and languages.

It's no wonder that many businesses never achieve the full benefits of AP automation.



AP holds the key to unlocking cash to support business growth and value.

The potential for an economic downturn raises the stakes for businesses to get AP automation right.

No Magic Bullet

Technology isn't the only thing AP teams need to navigate a potential economic slowdown.

AP departments also need the know-how of skilled labor.

But an unprecedented labor shortage is making it harder for AP departments to attract and retain the staff they need to support daily operations or oversee ambitious digital transformation initiatives.

A quick glance at the news headlines or job boards will show just how tight the labor market is.

Many AP teams don't have the skills required to make the most of their technology investments. And no one wants to try competing for technology savvy talent in this competitive market.



There are currently 42,000 job openings in the United States for AP specialists³.

The average amount of time to fill a job opening for an AP specialist or other employee in the United States swelled to 50 days in 2021 from 20 days the previous year⁴. What's more, the rate of job openings – existing job positions that are open (not filled) – stood at 7.1 percent at the end of 2021, nearly double the 3.4 percent rate from April 2020⁵. The difficulty businesses are having filling job openings is no surprise when you consider that there are 0.65 workers for every open position – the lowest ratio of job openings to workers in history⁶.

Difficulties hiring and retaining staff are already having a ripple effect on AP.



There are currently 9,100 job openings in the United States for employees to help implement, develop, and manage SAP Ariba technology⁷.

³ Indeed

⁴ U.S. Department of Labor

⁵ U.S. Department of Labor

⁶ U.S. Department of Labor

⁷ Indeed

Staff turnover can contribute to a drop in productivity, more errors, late payments to suppliers, and missed opportunities to capture lucrative early payment discounts. Suppliers may become frustrated by slower responses to their inquiries about the status of invoices and payments. And there is greater risk of fraudulent transactions slipping through the cracks without seasoned AP staff to catch them.

Making matters worse, taking a technology-only or DIY approach to digital transformation requires a lot of people with a specific knowledge of what's required to deploy, maintain, and use technology.



There are currently 4,500 job openings in the United States for employees to help implement, develop, and manage Coupa technology⁸.

Many businesses have responded to the labor crunch by offering current and prospective staff higher salaries, signing bonuses, flexible work arrangements, additional training, and opportunities for personal development. Some businesses have expanded their geographic hiring boundaries.

Despite these efforts, 11 million jobs remained unfilled in July 2022⁹.

Without the right talent, even the digital transformation technology will fall short of expectations.



54% of CFOs surveyed believe their organization lacks the internal talent and/or bandwidth to digitally transform its financial operations¹⁰.

A Better Approach to Digital Transformation

Managed services combine the advanced technology and know-how that finance teams need.

⁸ Indeed

⁹ U.S. Department of Labor

¹⁰ Corcentric/Forrester CFO Survey

¹¹ Corcentric/Forrester CFO Survey

¹² Corcentric

Technology-enabled managed services providers take on the burden of deploying and maintaining an AP department's digital transformation solution and ensuring that the organization has the skilled labor that it needs. While the customer still owns the function, the managed services provider is responsible for changing and optimizing business processes and functions as business needs change.



52% of CFOs surveyed plan to invest in procurement/AP/AR invoice automation over the next five years¹¹.

Managed services providers are focused on business outcomes from the start. Their approach typically begins with a consultative and collaborative business process design to ensure that the components of the managed solution deliver optimal results and continuous process improvement.

Technology-enabled managed services deliver compelling benefits:

- **Cost and time savings.** Businesses that have digitized and standardized their AP processes have reduced their invoice processing costs by up to 80 percent and accelerated the time to process an invoice by more than 70 percent¹². By automatically matching invoices with POs and receipt of goods documents, many invoices can be posted directly to an enterprise resources planning (ERP) application without staff lifting a finger. Eliminating manual tasks frees finance staff to focus more time on growth-generating activities. And approving invoices faster enables a business to avoid costly late payments, capture more early payment discount opportunities, and get better visibility into cash flow and corporate spending.
- **On-time payments.** Nothing strains supplier relationships like late payments. But manual, paper-based processes often result in delays that can jeopardize supplier relationships and result in higher costs during contract negotiations. The digital transformation solutions offered by managed services eliminate the friction that can slow things down. Invoices are digitally routed for approval based on pre-set business rules. Approvers are notified of invoices awaiting review and alerted when an invoice approaches its due date. Stalled invoices are

automatically escalated to a manager. And AP teams have real-time visibility into the status of each invoice, so they can act on any bottlenecks. Faster invoice approvals provide big benefits during an economic downturn, including more opportunities to capture early payment discounts, better cash forecasting, and less risk of supply chain disruption.

- **Better accuracy.** Erroneous payments chip away at corporate profitability. And many businesses lose more money than they think to duplicate or incorrect payments. Industry benchmark data finds that a company that pays over \$100 million to suppliers annually is likely losing \$1 million to erroneous payments¹³. Money wasted on erroneous payments cannot be used to pay down debt, avoid costly borrowing, or be reinvested in the business. Digital transformation solutions automatically detect duplicate invoices, validate invoices, and eliminate manual tasks that increase the possibility of incorrect payments to suppliers.



More than two-thirds of businesses have an average error rate of 1 percent¹⁴.

- **Enhanced cash flow visibility.** Visibility into cash outflows means more during an economic slowdown. But manual, paper-based AP processes make it hard to know where things stand or to accurately forecast cash flow. The solutions provided by managed services providers put smart insights at the fingertips of the people who need them, when and where they need them. Graphical dashboards display the status of invoices and Key Performance Indicators (KPIs). Drill-down capabilities enable decision-makers to uncover trends and opportunities for working capital improvements. Mobile access keeps decision-makers in-the-know while on-the-go. Exports make it easy to get finance data downstream fast. And ad hoc reporting allows businesses to quickly adapt reporting for changing market conditions.



Real-time spend visibility into invoice data provides procurement and accounts payable leaders with greater leverage when negotiating payment terms and product costs.

- **Optimization of Days Payable Outstanding (DPO).** Improvements in DPO can help free up cash during an economic slowdown. Managed services providers help businesses align payment methods to payment terms to drive supplier behavior toward extended terms and/or preferable payment methods. Managed services providers also leverage benchmark data and market intelligence to identify where a business may be paying suppliers earlier than the industry standard. Some managed services providers also have strategic sourcing teams that can renegotiate product pricing and payment terms with suppliers, on behalf of a business.
- **Continuous process improvements.** Business needs change during an economic slowdown. That means digital transformation solutions must be adaptable and scalable. Managed services providers use the information that is available post-implementation to improve upon the initial design of the solution. A managed services team manages day-to-day activities. A customer success manager serves as a business partner throughout the term of the relationship to consistently monitor and review the data and information available to improve and optimize the solution to help achieve desired business outcomes.
- **Fraud mitigation.** The operational disruption caused by the shift to remote working has increased the risk of fraud. It's hard to adapt many of the payment safeguards businesses have traditionally used to a remote working environment. Technology-enabled managed services provide the controls and visibility that AP teams need to stop fraudsters in their tracks. Overbillings are automatically flagged. The mailing address, contact information, and bank details of vendors are validated to ensure everything is on the up and up. Invoices are tracked in real-time, and all actions taken on an invoice or payment are logged. And businesses no longer need to rely solely on seasoned staff to catch suspicious invoices.



Businesses lose an estimated 5 percent of their annual revenue to fraud¹⁵.

- **Streamlined compliance.** Having external auditors onsite can be very disruptive to a finance department. For instance, finance staff may spend lots of time searching for the documents that an auditor may request. All the time that finance staff spend fulfilling document requests is time they cannot spend on activities that grow the business. The digital transformation solutions

¹³ Institute of Finance and Management (IOFM), 2020

¹⁴ Institute of Finance and Management (IOFM), 2020

¹⁵ Association for Certified Fraud Examiners (ACFE), 2020

offered by managed services providers make it easier for businesses to comply with auditor guidelines, industry standards and best practices, and corporate business rules. Authorized users can instantly retrieve all the details of an invoice, including all actions taken on an invoice, who approved the invoice, and its payment history.



54% of CFOs surveyed plan to invest in their organization's AP payment strategy over the next five years¹⁶.

Every AP automation technology provider will boast of delivering these types of benefits.

But those benefits are hardly assured if an AP department:

- Deploys a solution that doesn't integrate well with its legacy systems
- Doesn't effectively manage the change that comes with digital transformation
- Doesn't have the skilled labor required to use, manage, and maintain the system
- Doesn't want increase headcount for tactical-level tasks

With a technology-only or DIY approach to digital transformation, an AP department can waste years of effort and lots of money trying to automate its operations, while never achieving full ROI.

Some finance departments become so frustrated with technology-only or DIY approaches to digital transformation that they revert to their manual, paper-based or semi-automated AP processes.

Technology-enabled managed services solutions combine the advanced technology and skilled labor that finance departments need to achieve optimal payback on their digital transformation investments and to gain the agility they need to help the business during economic uncertainty.

An Action Plan

Businesses cannot achieve the full benefits from managed services without the right partner.

¹⁶ Corcentric/Forrester CFO Survey

¹⁷ Corcentric/Forrester CFO Survey

¹⁸ Corcentric/Forrester CFO Survey



54% of businesses plan to seek a partner to provide software, implementation, and managed services¹⁷.

Here are four critical considerations when evaluating managed services providers:

1. **Industry expertise.** You have too much riding on your accounts payables to trust it to a managed services provider who is learning the ins and outs of your industry on the fly. Look for a services provider with documented outcomes and case studies in your industry.
2. **Demonstrated success.** Technology-enabled managed services can deliver exceptional benefits, without the risk that a project will fail. Seek out managed services providers with a track record for delivering the types of outcomes a CFO will need during a slowdown.
3. **Flexibility to accommodate your unique needs.** No two finance organizations are exactly alike. That's why it's important to partner with a managed services provider that takes an advisory-led approach to automation and can tailor the right solution for your needs.
4. **No disruption to existing treasury bank relationships.** It can take years for a business to build strong relationships with its treasury banks. Protect those relationships by partnering with a managed services provider that delivers a solution in conjunction with bank partners.

These considerations will help ensure that your managed services initiative is a success.



54% of companies are engaging or plan to engage a managed services provider to guide their digital transformation efforts¹⁸.

Conclusion

Finance teams face big challenges during an economic slowdown. Digital transformation solutions can help. But technology-only and DIY approaches to automation often leave businesses wanting. And a lack of skilled labor makes it hard for businesses to manage change or to improve the solution over time. By combining advanced technology and skilled labor, managed services providers offer the tools that AP departments need to achieve a strong return on investment while helping the business navigate tough economic times. Managed services are a lifeline during a recession.

About Corcentric

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.

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