

The Strategic Advantages Of Accounts Payable (AP) Automation

A MineralTree Topic Paper

Why leading finance executives make AP Automation a priority.



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AP and Payment Automation

In today's world of constant technological advances, automation has become the norm in most areas of business. To stay ahead of the competition and drive growth more quickly, savvy businesses are using automation as a way to stand out. Herein lies the concept that automation is not only a priority but also a strategic advantage to your business.

Innovation and evolution are key to the longevity and success of an organization. Across the entire business, software has expanded the scope of what the traditional job function entails. As with other technologies, automation isn't being developed to replace a function, but rather to bring new tools and functionality to individuals. By enabling individuals to do more with less, technology has freed up staff to focus on more strategic tasks instead of spending time on mundane tasks.

A recent [McKinsey report](#) revealed that at least 45% of work activities could be automated using technology that already exists.¹ Yet, most companies are not taking advantage of the full scope of resources that are available. While cost may play a factor in adoption rates, automation is less expensive than the closest alternatives: doing nothing or hiring an additional resource.

Why Companies Automate

Businesses strive to achieve maximum growth, and in order to grow, a business must make sure its operations are scalable. Best-in-class organizations know that automation is not a "nice to have," rather a "must have." Often, a counter

argument develops when evaluating an automated solution: "I don't want to eliminate any staff members." For a business to thrive and achieve better outcomes, automation must be paired with staffers so that employees are no longer allocating 100% of the time to tasks that can be automated, and as a result, their teams are more productive.

By definition, automation means to employ some automatic process to reduce human intervention. In turn, this makes automation a strategic tool to a business and it empowers individuals to do their jobs more efficiently while keeping errors to a minimum. For a growing business, it is important to establish key benchmarks to evaluate the success of any project. Automation is a best practice for scaling and efficiency, so in the evaluation of solutions, it is important to measure the impact of the solution on employee's time. Automation can be best measured by the ability to:

- Reduce occurrences of errors
- Refine deliverability and accuracy of reports
- Enhance visibility and accessibility of operations
- Decrease time spent on daily, weekly, monthly, and quarterly tasks
- Shorten decision times
- Increase consistency and accuracy of Accounts Payable

¹ [Four Fundamentals Of Workplace Automation](#)

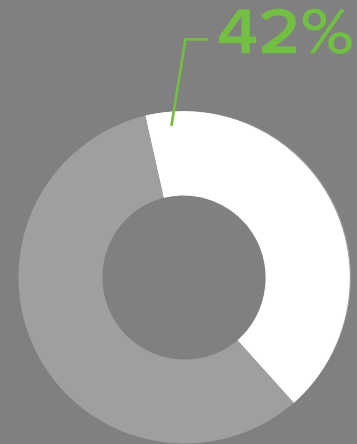
Why Automate Accounts Payable?

Across the finance function, there are many areas that can be automated. There is a rapidly growing demand for Accounts Payable Automation as the traditional process is very manual and labor intensive. Small and middle-market businesses are unable to support rapid growth with a small finance team, so they are forced into one of two options: hire an additional team member or automate so that the current team can handle the increased workload.

As the number of vendors in the payables system increases, the workload also increases for the already overloaded small team. Often, hiring a new team member seems the obvious choice. But, companies find themselves in a position where there is not enough work for an additional full-time employee, which ultimately results in stretching the current staff as far as possible. Furthermore, when companies hire an additional AP Manager, they rarely end up spending less time on the Accounts Payable process. This is because companies are taking an overloaded team, adding an employee, and returning their workload back to a normal level. Accounts Payable Automation dramatically reduces the time spent on the invoice-to-payment process, usually by 50%, and this reduction comes at a much lower cost than hiring an additional team member. Not to mention, the payback period for an AP Automation solution is typically less than six months.

Accounts Payable Automation goes beyond saving time and money, and it is important to look at how it can provide a strategic advantage for your business. Strictly looking at process, AP Automation enables businesses to expedite the entire AP process, from invoice capture to payment execution. An automated process reduces errors, eliminates fees incurred from late payment, and eliminates fraudulent charges by increasing visibility and improving controls. With greater visibility, businesses can begin to take advantage of corporate card rebate programs and early pay discounts – which are one of the best financial returns for any organization – and can leverage them in a more predictable manner.

A recent Aberdeen report titled “Automation: The Solution To Efficient Financial Management” found that 42% of respondents identified automation as a key step for improving financial management.²



² [Reap The Benefits Of Invoice Excellence With AP Automation](#)

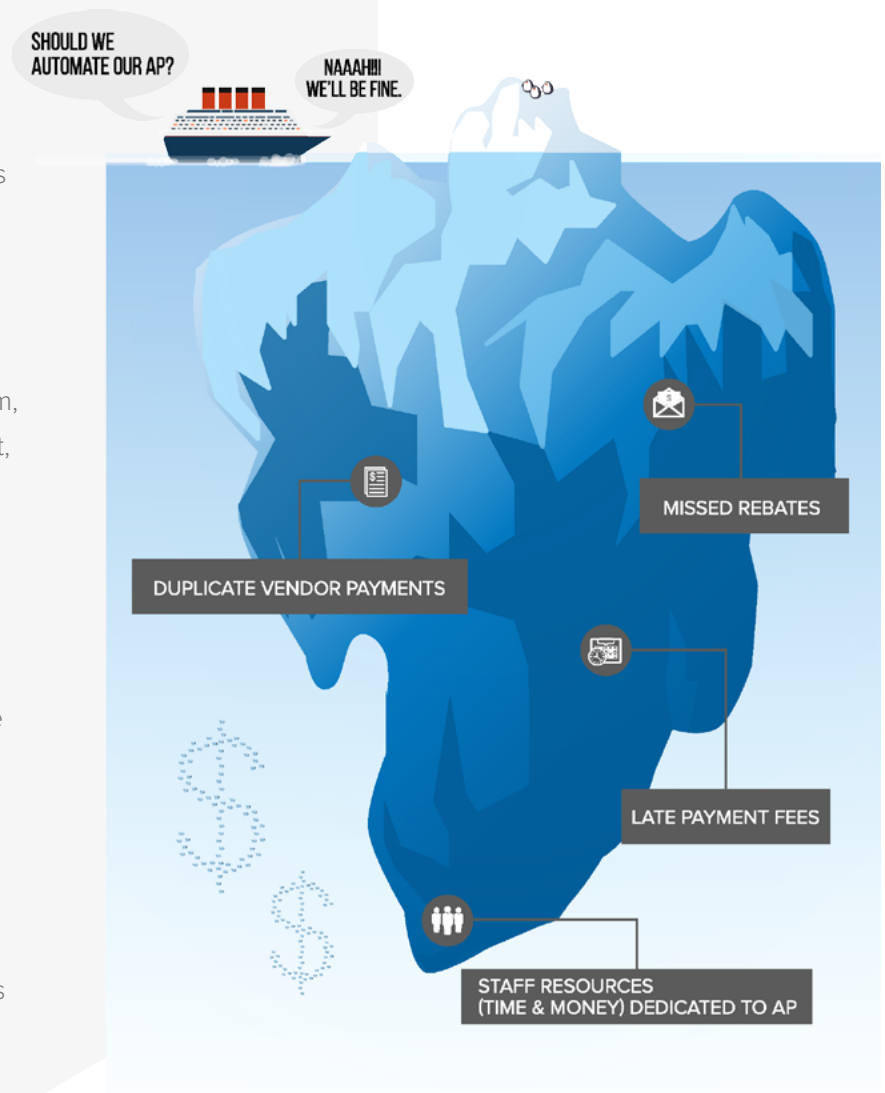
The payment process is also simplified by the availability of multiple electronic payment options, advanced scheduling, automatic remittance details, and a mobile friendly interface. By utilizing electronic payment methods, businesses can also use virtual cards (if they don't have their own corporate card), enabling them to receive additional rebates on vendor purchases. With automatic remittance details, there is no reason for a vendor to call the AP department to check on a payment.

The biggest improvement of all may be time reallocation. With automation in place, the Accounts Payable Manager can focus on vendor management, process improvements, and higher value tasks rather than manual data-entry. Furthermore, when it comes to the audit process, there is an automatic, electronic audit trail. This improves compliance and reduces time spent searching through files for physical documentation.

The Hidden Costs

While the invoice-to-payment process seems simple, there are a lot of hidden costs that quickly add up. Let's look at the complete AP process: receive an invoice, find the appropriate purchaser for invoice approval, enter invoice data into the accounting system, request payment approval, execute payment, print checks, and mail.

It is important to understand that processing an invoice is more than just a piece of paper or a stamp. The costs break down into two categories: the cost of processing an invoice and the cost of processing the payment. Within these two categories, the cost of human capital is also included because it is necessary to factor in time spent on the AP process. Typically, an invoice costs between \$10 and \$15 to process, and a payment costs between \$2 and \$10. In total, the cost of processing and paying one invoice ranges between \$12 and \$25.



The Time To Automate Is Now

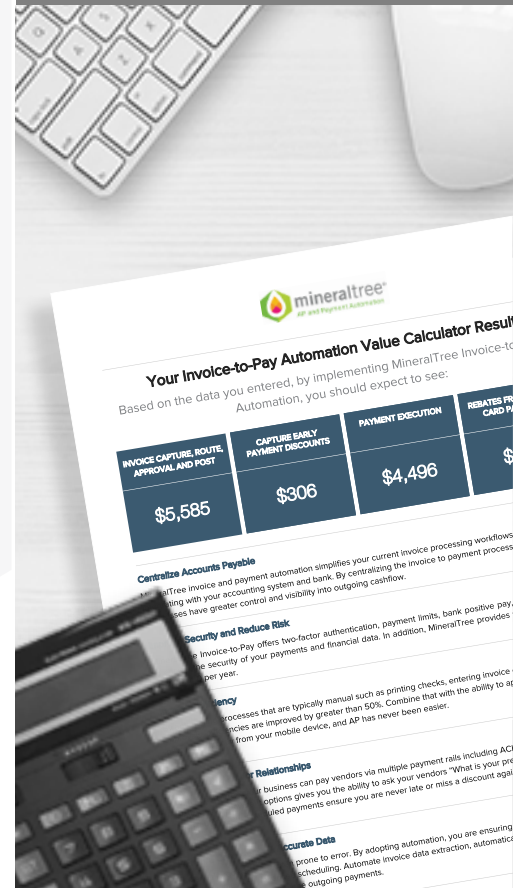
If you are considering automating Accounts Payable, the time to do so is now. While you can wait, it will cost you. Best-in-class companies spend approximately \$12 to process an invoice and execute payment. Using that number, we calculated how much the AP process will cost you if you decide to wait. While a more in-depth analysis will showcase rebates available to your business and the payback period, the below table provides the basic cost of waiting.

Time Is Money: The Cost Of Waiting For Best-in-Class Companies

# Of Invoices & Payments Per Month	3 Months	6 Months	9 Months	1 Year
100	\$3,600	\$7,200	\$10,800	\$14,400
250	\$9,000	\$18,000	\$27,000	\$36,000
500	\$18,000	\$36,000	\$54,000	\$72,000
1000	\$36,000	\$72,000	\$108,000	\$144,000
5000	\$180,000	\$360,000	\$540,000	\$720,000

Interested in seeing the value of Accounts Payable and Payment Automation?

Use the [MineralTree Value Calculator](#) and find out how automation will improve your AP Process.



Deciding To Automate

When navigating through the various invoice-to-payment automation solutions, it is important to know the right questions to ask. Many solution providers will assure you that their product handles the entire process flawlessly. The following questions will help you identify potential weaknesses that can cost you in hidden fees, decreased efficiency, and general disappointment in product performance.

1. Is the solution designed to address the challenges of your process?
Does it meet the needs of a growing business or is it a dumbed-down enterprise solution?
2. Does the solution address the very real issues of internal and external fraud?
3. Is the solution easy-to-use and does it integrate with both your accounting solution and your bank?
4. Does the solution automate invoice capture, invoice routing and approval, payment authorization, and payment execution or only one or two of the steps?
5. Does the solution rely on a settlement account, or does it let you make payments directly from your bank account?
6. What are the true savings and value of the solution?
7. Are the benefits and pricing clear?

The answers to the above questions will help you decide which solution delivers the most value and is the best fit for your organization.

Boost Efficiency, Reduce Risk, And Grow Your Business

There are a limited number of solutions that automate the entire invoice-to-payment process. It's important to find a comprehensive solution that addresses all of the challenges in the AP process that a more narrow solution can't. Many invoice-to-pay solutions provide robust features that automate the invoice capture and approval process. However, these vary widely in terms of design, functionality, and ease of use. It's important to make sure your solution covers every stage of the process – including payment execution – in order to eliminate the need for multiple solutions and to reduce the risk of errors.

Be sure to choose a solution that integrates with your financial system of record and your bank account, otherwise you will end up with two parallel systems. It is also important to understand whether the payment execution features are consistent with your organization's expectations for cash flow and management, and payment control. This includes dual authorization, segregation of duties, automatic remittance details, and the use of intermediary accounts. All in all, an AP Automation solution must meet the needs of your organization.

Take The Next Step

For more information about how MineralTree Invoice-to-Pay can help your business streamline the payment process, contact us today at 617.299.3399 or email info@mineraltree.com.