eBOOK

The High Cost of Partial AP Transformation

Don't mistake invoice automation with AP modernization

The illusion of AP modernization and its business impact

Many organizations believe they have modernized AP because invoice processing has become automated. In reality, they've improved one part (in many cases, the easiest) of the AP process while leaving untouched much of the operational complexity and inefficiency that exists after invoice approval.

> **The result is rising operating costs, limited cash flow visibility, slower financial close processes, and reduced scalability as transaction volumes grow.**

Invoices move digitally through intake and approval workflows, but payment execution, supplier management, remittance, and reconciliation remain disconnected, fragmented, and highly manual. As transaction volumes grow, these disconnected activities become increasingly difficult to manage efficiently, increasing operational costs, reducing cash flow visibility, and burdening finance teams with tactical activity that limits their ability to support broader business priorities.

The ultimate goal of AP modernization isn't simply to process invoices faster. It's to build a finance operation that scales with the business while providing greater visibility, stronger financial controls, lower operating costs, and a better experience for suppliers.

True AP modernization integrates payment operations into the broader AP workflow so that invoice approval, payment execution, and reconciliation function as a connected process. When finance leaders eliminate the operational gaps that exist after invoice approval, they create a more agile finance organization capable of supporting growth without proportionally increasing cost or headcount.

What end-to-end AP modernization looks like

Traditional AP automation

- Invoice-centric
- Manual payment ops
- Disconnected payment workflows; separate reconciliation
- Fragmented supplier experiences
- Managing multiple systems

End-to-end AP modernization

- Payment-integrated
- Automated payment workflows
- Real-time synchronization; end-to-end visibility; increased fraud protection
- Unified supplier management
- Embedded finance workflows

Invoice automation on its own will not deliver the business outcomes finance leaders need.

Why your AP process is still inefficient

For many AP teams, the front-end of the invoice process is no longer a source of friction. Yet finance leaders continue to experience big operational inefficiencies at both the departmental and business level. All these inefficiencies affect the organization's ability to control costs, manage cash, and make informed financial decisions to support business growth.

The common thread is that automation is incomplete. While invoice processing has become more efficient, payment execution, supplier management, reconciliation, and payment optimization may be disconnected from the broader AP workflow.

The result is an AP process that appears modern on the surface but still relies on too much manual work behind the scenes resulting in unnecessary cost, complexity, and risk.

These inefficiencies typically fall into one or more of the following areas and they all have significant negative impacts for the business:

Payment fragmentation

Business impact: Higher operating costs, reduced financial visibility, and increased fraud risk

When payment execution infrastructure evolves separately from AP workflows, it creates a host of problems. Organizations may add new payment methods such as ACH and virtual cards, but each may require a separate payment, approval and reconciliation process. AP teams have to manage payments across multiple systems and disconnected bank portals simultaneously.

All this manual effort makes it difficult for the team to scale to support the business. Poor visibility into payment status and cash position hamper financial decision-making.

Integrating payment execution directly into AP workflows creates a single operational framework that improves visibility, strengthens governance, reduces fraud risk, and enables finance teams to support business growth without continually adding administrative overhead.

According to the Association for Financial Professionals (AFP), 76% of organizations report being targets of payment fraud.

Manual supplier management

Business impact: Growing administrative demands and increased supplier expectations

Supplier payment operations remain highly manual in many organizations. AP teams spend time managing vendor payment inquiries, updating banking details, and managing payment preferences. These activities can consume hundreds of hours annually, increasing operational costs and diverting attention from more strategic activity.

Strategic supplier relationships can also suffer. Most suppliers today expect digital payment options, faster remittance, increased visibility, and streamlined communication. And many suppliers also prioritize those customers that deliver on those expectations because they are easier to work with.

Modern AP organizations recognize that the supplier payment experience directly influences supplier satisfaction, the volume of payment inquiries, the adoption of preferred payment methods, and the ability to deliver faster payments. Organizations that continue to rely on manual supplier management risk damaging those relationships, increasing administrative work for AP teams, and limiting their ability to negotiate favorable commercial terms.

Reducing administrative time and strengthening supplier relationships by streamlining the vendor payment process.

An enterprise SaaS provider was struggling with outdated payment tools which were disconnected from its ERP system. Setting up new suppliers was time consuming for both sides. Slow payment timelines eroded trust. Backend reconciliation issues took team members away from higher-value activities.

The company implemented a modern payment execution solution that integrated seamlessly with its ERP system. New vendors could be onboarded in minutes and receive payments within days. Transactions posted to the GL in real-time, making reconciliation dramatically easier.

The results:

- Faster, more predictable payments have strengthened relationships with suppliers and saved the finance team valuable hours.
- The team has more time to devote to monthly closes, translating into more accuracy and more value for the business.

Reconciliation bottlenecks

Business impact: Slower financial close processes and poor cash flow visibility

When payment systems are disconnected from ERP workflows, finance teams must manually match payments to invoices, reconcile bank activity, investigate discrepancies and update multiple systems.

This slows financial close, reduces confidence in financial data, and makes it more difficult to understand an organization's real-time cash position.

Manual reconciliation also increases the risk of duplicate payments, missed payments, and reporting errors while creating additional operational burden as transaction volumes increase.

End-to-end AP modernization automates reconciliation and creates a continuous flow of financial data from invoice approval through payment reconciliation, improving both operational efficiency and financial visibility.

Failed payments and escalations

Business impact: Increased manual effort and reduced team productivity

Even highly automated invoice workflows break down when ACH payments fail, suppliers dispute payment amounts, or payment exceptions occur.

Each event requires investigation, follow-up, supplier communication, and other forms of manual intervention. And all distract from higher-value finance activities. Organizations that modernize invoice workflows without modernizing payment execution often discover that the manual work simply moves downstream.

Reducing payment exceptions doesn't simply improve AP efficiency. It enables finance teams to spend less time resolving operational issues and more time supporting strategic business objectives.

Streamlining payment workflows to improve cash management, strengthen business forecasting and reduce operational complexity.

A hospitality software company was struggling with manual payment processes and a lack of transparency into payment status and cash flow. Its payment processes were also not integrated with its ERP system creating additional manual effort to keep its systems updated.

With modern AP automation, the company has regained control over the AP process. Vendor payments can be scheduled avoiding late fees and enabling the company to take advantage of term discounts. The company is also taking advantage of valuable rebates from Virtual Card, further strengthening its ROI.

Most importantly though, modern AP automation has transformed the company's cash management. The AP team can now quickly see what's open, the timing of payments going out, and the current cash balance. In addition, finance departments can use this information as they forecast where the business is going to be in a quarter or two.

Industry benchmarking shows that average AP organizations experience exception rates of approximately 22%, while best-in-class organizations maintain rates closer to 9%.

Missed payment optimization opportunities

Business impact: Lost savings opportunities and unrealized financial value.

AP modernization doesn't end with executing payments. Organizations need to continuously optimize payment operations to fully realize the financial value of modernization. However, fragmented payment operations limit visibility into the factors that drive unnecessary time, cost, and operational risk.

Without centralized insight into payment activity, organizations struggle to reduce payment processing costs, optimize payment timing, improve their payment mix, maximize rebates, or capture available early-payment discounts. It also makes it difficult to improve working capital performance and generate measurable financial returns.

Transforming AP requires continuous optimization to identify the most efficient payment methods, align those methods with supplier preferences, and automate payment execution wherever possible.

Organizations that can do this also increase the return on their overall AP modernization investments.

Questions finance leaders should ask about their AP process

As finance organizations evaluate their AP modernization strategies, it's important to look beyond invoice automation and examine what happens after an invoice is approved. The following questions can help identify operational gaps that may limit efficiency, visibility, and scalability:

- **How much payment reconciliation is still manual?**
- **How many supplier payment inquiries require manual intervention?**
- **Can payment activity be viewed in real time?**
- **How many different systems are involved in payment execution?**
- **How much AP team effort occurs after invoice approval?**
- **Are payment workflows scalable as transaction volume grows?**
- **Are payment controls unified across the organization?**

Modern AP automation is about more than efficiency. It's about equipping the finance organization to better support the business

The next phase in AP goes well beyond processing invoices faster. Many organizations mistake invoice automation for AP modernization. But the operational complexity that exists beyond invoice approval continues to create unnecessary cost, limit financial visibility, and make it more difficult to scale efficiently.

Organizations that stop at invoice automation may improve one part of the AP process, but they will likely fail to realize the full value of modernization by leaving operational complexity in place.

Conversely, those finance organizations that address the end-to-end AP process can fundamentally change their role. Instead of spending time managing payment operations as the business grows, they can focus on delivering the insight, discipline, and agility needed to support strategic decision-making and sustainable growth.

More resources to jumpstart your payment automation efforts:

AP Automation: Starting with Payments Instead of Invoices

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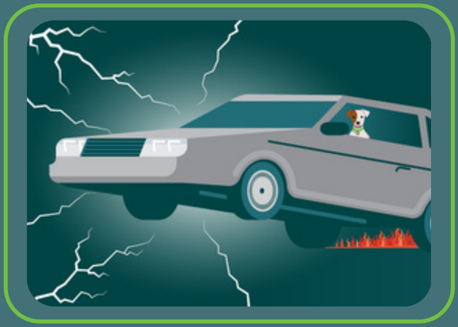

Avoid Common Pitfalls in AP Automation Implementation Projects

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