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The State of ePayables 2024: Money Never Sleeps

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Bottomline

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The State of ePayables 2024: Money Never Sleeps

Money never sleeps. The pulse of financial operations beats incessantly. And soon, some major markets will operate around the clock. Amidst high inflation, supply chain challenges, and global disorder, managing money and relationships has never been more important to a business. In just a few short years, accounts payable has emerged as a critical component in each of these areas, becoming a major cog in the cash management machine and a key player in managing trading partner relationships. 68% of this year's survey respondents see 2024 as being more difficult than 2023; while another 36% say there is great uncertainty ahead. What is certain, however, is that AP's impact on operations and results will continue to rise.

This 19th-annual State of ePayables report is part of the ongoing dialogue that Ardent Partners' analysts have had with AP, finance, 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. This report also examines their core plans and top priorities for 2024 and beyond.

This report presents a comprehensive, industry-wide view into the world of accounts payable by capturing the experience, performance, perspectives, and intentions of 212 AP professionals and their organizations. 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. Finally, it discusses the transformational impact that artificial intelligence ("AI") will soon make in this industry.

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1 The State of AP

This chapter looks at the continuing evolution of the role of the accounts payable function and value it delivers, as well as its level of strategic engagement, alignment, and impact within the enterprise today. The chapter also highlights the top hurdles and challenges facing AP groups in 2024, including the recent spike in fraud activity.

2 The State of ePayables

This chapter examines the impact of AI ("artificial intelligence") and AP technology today and the imperative for AP groups to accelerate their adoption and utilization of technological tools, or risk being left behind in the ever-changing business landscape. However, it starts by focusing on the strategies and priorities that will drive action and results for AP teams in 2024.

3 Best-in-Class Accounts Payable

This chapter provides accounts payable performance and operational benchmark statistics, and a profile of Best-in-Class performers and their distinguishing characteristics and strategies.

4 Strategies for Success

This chapter discusses the perception of AP within the enterprise and two major areas of focus – big data and supplier enablement – before presenting a series of actionable recommendations for AP, P2P, and finance leaders seeking to improve their department's overall operations and results.

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Chapter One: The State of AP

The art is not in making money, but in keeping it (and managing it well)."

~ Proverb (modified)

From the dawn of commerce to the modern digital age, money has been the lifeblood of business. Historic inflation countered by central banks created a credit market in 2024 where borrowing costs for businesses can be as much as two to four times higher than they were just a few years ago. Modern CFOs, treasurers, and other finance executives charged with allocating capital and managing liquidity have examined their operations and understand the relatively large amount of money that is overseen and impacted by their accounts payable (AP) operation. In today's market,cash is still king, but a Best-in-Class AP operation played correctly can be *aces*.

The link between AP and overall cash management has never been more important. When and how invoices get paid can have a huge impact on an organization's cash flow, liquidity, profitability, and supplier relationships. It is crucial that AP provide intelligence around cash management in a timely and accurate way, and that it also incorporates real-time information into the optimization and execution of vendor payments. This can lead to a more nuanced cash management approach as well as improved financial planning and better forecasting.

While AP's potential impact on cash is huge, its purview (and opportunity to deliver value) extends across the source-to-pay (S2P) cycle. In the wake of Meta Platforms' huge success in defining 2023 as the "year of efficiency," many corporate boardrooms have compelled their executive leaders to launch their own efficiency programs.

If they have not already been engaged, AP leaders will soon be tapped to streamline operations, enhance transparency, and optimize resources. Inevitably, this will push more AP teams into the digital realm as they pursue technology-driven makeovers this year. Through efficient invoice processing, proactive supplier engagement, and dynamic cash management, AP teams can drive process efficiencies, safeguard liquidity, and consistently create value. And yes, artificial intelligence will play a big role. Before delving into the almost-mandatory discussion of AI's transformational impact, this report will examine the current state of AP.

How Strategic Is AP?

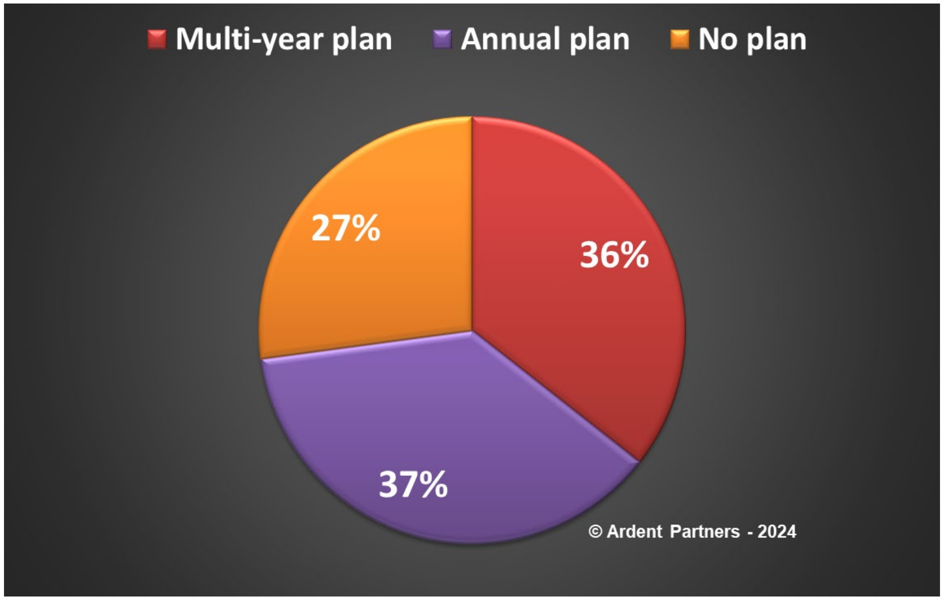
The "state" of accounts payable is strong, perhaps as strong as it has ever been with rising awareness of and increasing impact by the function. But there is still work to be done.

A business function cannot claim to be truly strategic if it is operating without a plan. Strategic planning serves as the compass guiding organizational success. As enterprises navigate dynamic shifts to their business, agility serves to separate market leaders from laggards. Throughout the pandemic, a large number of AP departments delivered value by reallocating resources and adapting pragmatic responses to challenging situations. In those tough times, alignment with business goals and objectives was paramount. It is no less important today. Despite that, the state of strategic planning within AP departments in 2024 remains varied (*see Figure 1*).

The perception of accounts payable as simply a back-office function within finance is waning. Enterprise executives are realizing the strategic role AP plays supporting overall financial health, ranging from managing cash flow to optimizing working capital and even maintaining supplier relationships. One sign of AP's evolution is the prevalence of a strategic plan to maximize its enterprise and supply chain value.

In Ardent Partners' 2024 ePayables survey, respondents were asked to describe aspects of the strategic plan within their AP department. The responses not only illustrate that AP is becoming more strategic but that the planning and execution of accounts payable objectives is an enterprise priority.

Figure 1: What Type of Strategic Plan Does AP Utilize?



First and foremost, 73% of AP respondents report operating with an AP strategic plan — a significant shift from 15 years ago when AP teams lacked strategic plans and organizational influence. This is excellent news as it means AP is either executing against higher enterprise objectives or specific departmental goals, or both. Of the

73% citing the use of a strategic plan, 36% report operating with a multi-year plan versus 37% operating with an annual strategic plan. A multi-year plan is ideal when AP pursues a transformation where several milestones over years are established. Using a strategic plan helps departments operate cohesively and with a sense of purpose; without one, teams are flying blind.

When developing an AP strategic plan, 37% of respondents say the chief financial officer (CFO) or other finance leaders review and approve their plans which serves as another sign that AP is viewed strategically in the enterprise. It is encouraging to see that so many CFOs are spending time thinking about the goals and objectives of AP and possibly its broader reach outside of finance. While nearly 40% is a positive number, there is room for substantial progress going forward. Aligning AP's objectives with overall finance goals can gain the CFO's attention and help expand AP's impact.

The greater disconnect with the AP strategic plan is reviewing and discussing it with accounts payable staff. Only 36% of respondents report that the strategic plan is communicated to the AP team that must execute it. This can create big problems by allowing a misalignment between day-to-day activities and organizational goals for 64% of AP teams.

It also has implications for AP leaders and their ability to reach strategic targets. AP is a team sport that requires communication, collaboration, and execution to deliver value.

To maintain their momentum, AP leaders and their teams must take ownership of plan development and communicate the strategic imperatives. It is also critical that performance metrics of individual team members are aligned to the larger strategic plan, ensuring an ongoing focus to value creation in accounts payable. AP is a strategic function in the enterprise — time to own it!

37% of CFOs sign off on AP's strategic plan

41% of all AP plans are well-aligned with overall enterprise objectives

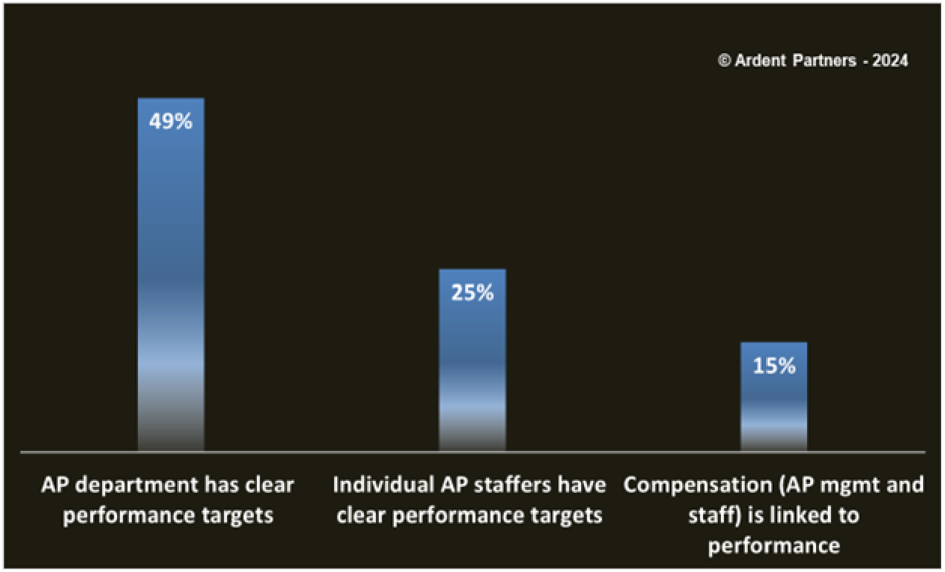
Aligning Performance

The AP strategic plan sits at the top of the pyramid that drives decision-making throughout the department. As you move toward the bottom of the pyramid, specific performance targets are identified that align with larger objectives (e.g., reduce fraud, extend payment terms, improve invoice processing timeframes, etc.). Survey results show that for 49% of respondents, performance targets for the AP operation are set at the beginning of the year (*see Figure 2, next page*). Department service level agreements (SLAs) drive many performance targets — such as processing 90% of invoices within four days of receipt, increasing suppliers that send invoices electronically from 15% to 25%, and the like. Again, the results are positive at nearly 50%, but a higher percentage of

AP departments should be developing and sharing performance targets early in the year.

The numbers are less encouraging when compared to performance targets for individual AP staffers. Only 25% of AP respondents know their yearly performance targets. Most of the activities around the AP strategic plan are planning elements compared to performance targets where the rubber hits the road and execution is critical. What are team members striving toward without performance targets to guide them? And how is it known when performance targets are met or exceeded — or even addressed at all? If they are not communicated or don't exist, not only does the individual suffer but the department and enterprise do too.

Figure 2: Performance and Compensation Alignment



AP's Top Barriers to Success in 2024

In the world of AP, the phrase "money never sleeps" is a literal fact — and the more time it takes a department to approve invoices and payments, the more money it costs to do so. While AP's perceived value continues to increase, it is a dirty little secret that many AP teams are dealing with classic challenges, like invoice exceptions, slow processing times, and high processing costs. While the challenges remain constant, today's high interest rate environment makes their relative impact significantly larger.

Only 37% of annual plans are reviewed and discussed with the AP staff

In fact, the challenges faced by AP teams in 2024 look markedly different than in years past (*see Figure 3, next page*). For the first time in Ardent Partners' 19 years performing this annual study, invoice exceptions (53%) sit as the top challenge in the AP industry. Invoice exceptions can slow processing to a crawl, creating large bottlenecks that reduce efficiency and effectiveness. That this pressure remains and is now atop the "major challenges" category is telling. Even as AP begins to deliver more value and tackle strategic opportunities within the greater enterprise, departments that lack a clear solution to greatly reduce exceptions hit a performance ceiling much sooner than their peers. Resolving these exceptions often requires manual intervention, consuming time and resources that could be allocated to more strategic activities.

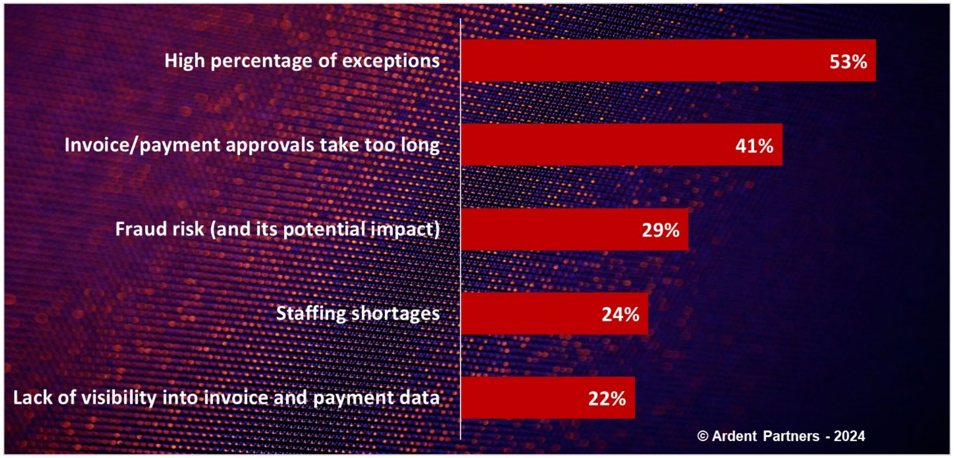
Longer cycle times (41%) have long been a thorn in the side of AP and finance teams. Extended cycles delay payments which can impact supplier relationships, potentially leading to late fees and/or strained relationships. The obvious solution to this challenge is using ePayables (or "AP automation") technology. Addressing this challenge will also require streamlined processes and enhanced visibility into invoice status, empowering teams to identify bottlenecks and implement proactive measures to reduce processing times.

Nearly three in ten survey respondents (29%) view fraud as a top threat to their enterprises. During the pandemic, a distracted world gave rise to a new breed of fraudsters who developed more sophisticated invoice fraud and payment schemes. The growing threat of fraud necessitates vigilance and proactive measures designed to safeguard processes, identify attacks, and minimize losses. Automation and tightly integrated systems, specifically, can serve as a powerful first step in boosting protection. AP teams can also deploy advanced technologies, such as machine learning algorithms and anomaly detection systems, to detect irregularities and patterns indicative of fraudulent activities in real time that would not be identified by manual inspection.

Fraud Squad

The entire P2P journey, from procurement to payment, is susceptible to various forms of fraudulent activities, including invoice manipulation, fictitious vendor schemes, and unauthorized access to payment channels. Investing in robust fraud prevention technology helps safeguard against financial losses while helping to maintain the integrity of the entire P2P ecosystem. Over the past few years, criminal fraudsters took advantage of critical process and technology vulnerabilities and attempted to steal money from exposed businesses. Ardent Partners research found that 34% of

Figure 3: AP's Top Barriers to Success in 2024

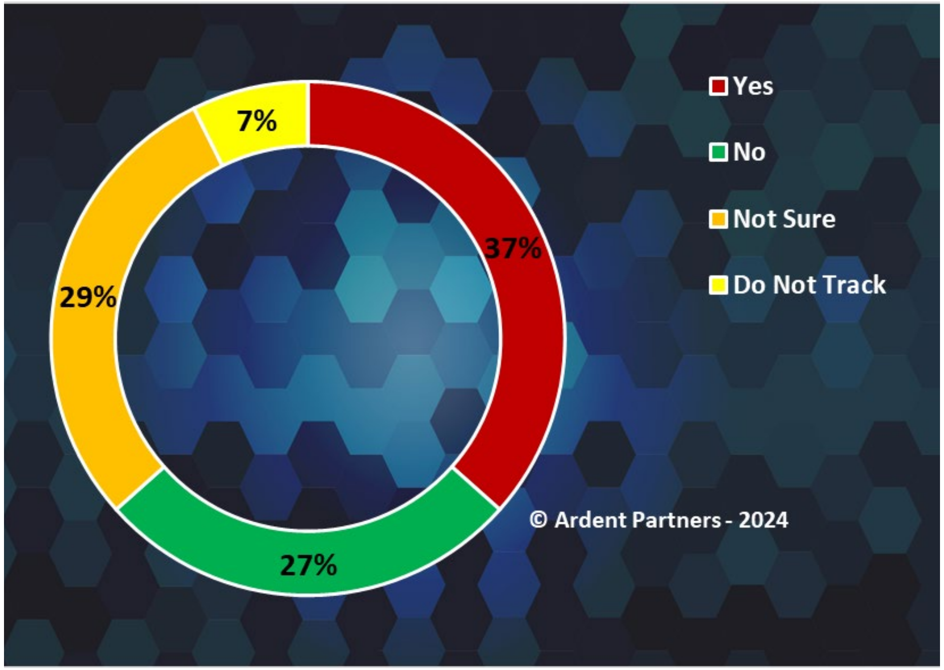


businesses reported a business payment fraud attack over the past year (*see Figure 4*). Not all attacks were successful, but it is clear from the sheer number that the risk of payment fraud attacks will be part of AP's "new normal," and that strategies and tools designed to thwart them will increase. In fact, 37% of AP teams said fraud attacks increased last year, while another 36% were unable to answer with authority.

In an environment with heightened fraud activity, the adoption or increased use of ePayments make great sense because they can diminish fraud by offering more secure transactions, while enhancing control and visibility over the full B2B payment process.

Notably, ePayments have been identified in another 2024 Ardent Partners research study as a solution that met or exceeded ROI expectations by 87% of the groups that adopted them. And, AI tools are beginning to add an extra layer of security against increasingly sophisticated cyber threats, identifying some risks and attempts that manual processes and current technologies miss.

Figure 4: Did Fraud Attacks Increase Last Year?



Accounts Payable 2024: BIG Trends

Each year Ardent Partners publishes its "Accounts Payable: BIG Trends and Predictions" report which captures the BIG trends in accounts payable over the last few years and makes a series of equally BIG predictions for the year that will help AP, P2P, and finance professionals understand the key issues at hand and better prepare them for the year ahead (click here to request the complimentary report).

Here are some of the BIG trends that will impact AP this year.

BIG Trends

AI Is Everything Everywhere, All at Once — Artificial intelligence continues to dominate business and consumer discussions. Within the AP realm, AI has the potential to channel an entirely new level of innovation that will enable AP professionals and leaders to transform the function, while also tapping into the underutilized repository of AP information, data, and insights.

The Year of Efficiency: The Story Continues in 2024 — Following the lead of Big Tech companies, many business executives are going to put pressure on all business functions, including AP, to lower costs in 2024.

The Cost of Capital Makes AP More Important — When interest rates surge, managing cash becomes paramount and AP's role in overseeing the cash that flows out of the organization via vendor payments has a direct and frequently sizable impact on bottom-line results.

More Global Invoicing Mandates Means More Complexity for AP — In 2024, more than 50 countries around the world have taken proactive measures to standardize and regulate B2B invoicing as a way to enhance efficiency, increase trust, curb fraud, and maximize tax revenues. As the number of mandates increases, so does the complexity for companies trying to manage, comply, and stay current with the myriad of requirements.

Global Tensions Continue to Challenge Global Supply Chains — A new set of global supply chain challenges are emerging, driven by active military conflicts in the Middle East (Israel/Gaza) and Central Europe (Russia/Ukraine) and escalating global tensions between the U.S. and China. AP's challenge is to be prepared if and when new sources of supply are quickly contracted and to understand the regulatory and financial implications of working with new suppliers.

The Increasing Value of Visibility into AP Data — From transaction details to invoice status, payment terms, spend data, T&E records, and cash flow insights — AP serves as a repository of valuable information, especially concerning cash management. This marks a transformative phase for AP, where its role as a strategic business operation is helping reshape how businesses leverage the wealth of data at their disposal.

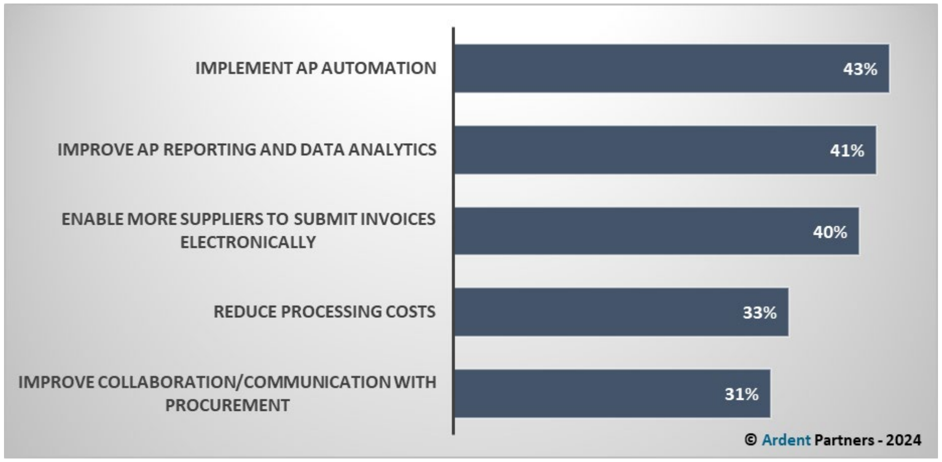
The War for Talent Continues to Escalate, AP Leaders Need a Plan — Staffing shortages have led to a very real "war for talent." The hard truth is that there is no single solution for global staff shortages that are going to continue for the next few years. Accordingly, AP leaders must start developing new recruiting strategies and contemplate different staffing models.

Chapter Two: The State of ePayables

> *AP leaders need to ensure they have the right talent, technology, and processes in place to harness the power of AI and stay competitive in the digital age."* ~ Andrew Bartolini, Ardent Partners

The typical AP function faces a bevy of challenges ranging from slow processing speeds to too many invoice exceptions and an overall pressure to drive efficiencies across its operation. However, as Ardent Partners research indicates, AP leaders have prioritized a series of strategies to break down these large barriers (*see Figure 5*).

Figure 5: AP's Top Priorities in 2024



Over the years, many groups that automated some (or all) of the invoice- and payment-processing operations experienced positive results, including process efficiencies, cost savings, better cash management, and faster invoice and payment approval times. Others have translated automation into improved working capital management, spend management, supplier relationships, and compliance, as well as reduced fraud and less time on tactical activities. Over the last decade, these benefits shifted from "nice-to-have" to "must-have." And yet, many AP departments still have large technology gaps. As seen in Figure 5, deploying AP automation (43%), improving reporting (41%), and enabling more suppliers to submit electronic invoices (40%) are top priorities for AP leaders this year.

Only after AP processes have been automated and the function is able to focus on handling exceptions (and not handling every invoice), can it begin to move up the value chain and focus on the more strategic aspects of the operation, including data gathering, data analysis, and dissemination of data/intelligence. Ardent Partners believes that AP's ability to leverage its data to provide actionable information to key stakeholders can be critical to enterprise operations and results. Capturing this data is only possible with automation tools.

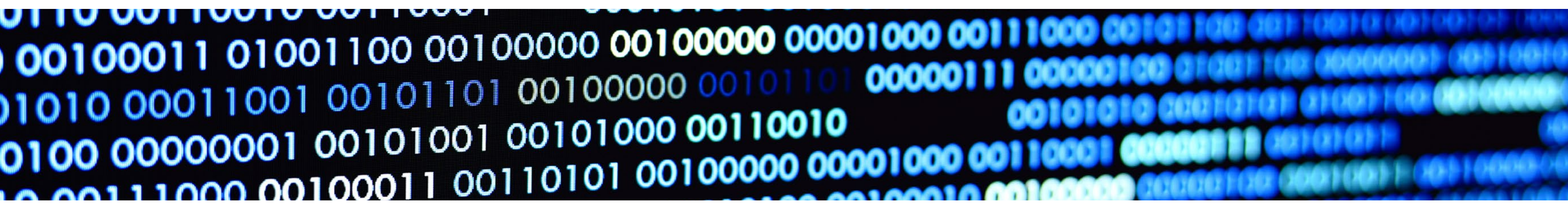
Meanwhile, the drive to improve overall reporting and analytics in the months ahead is a clear signal of the function's drive to become a "hub" of intelligence for its partners like procurement and treasury. Collaboration should be viewed as a fundamental strategy that will keep AP more relevant and engaged in support of overall business objectives. It is, therefore, no surprise that the improvement of collaboration and communication with its functional partner, procurement, is a top priority (31%) for AP teams this year. Partnership is a key characteristic of the modern AP operation.

Visibility is, for any team or organization, paramount to success and fundamental to mastery. Self-knowledge is the first and main ingredient to improvement. Visibility into key information enables awareness and intelligence and improves key decision-making and executive planning. AP's prioritization of reporting and analytics (41%) shows that the professionals within this unit understand there is significant opportunity in capturing the streams of data created across and within the AP function. Better reporting and analytical capabilities will help define AP as an important player in business intelligence efforts. AP is already well-positioned to serve as a strategic intelligence hub. By enhancing reporting and analytics, this hub concept can help usher in a new age for the AP function.

Through comprehensive analysis of invoice data, accounts payable not only gains insights into spending patterns and vendor relationships but also contributes valuable information to strategic decision-making processes across the organization. This holistic understanding of financial and process flows empowers finance leaders to optimize resource allocation, identify cost-saving opportunities, and drive overall efficiency and profitability. AP can prove more of its value if, through real-time intelligence, it can proactively identify trends, mitigate risks, and enhance forecasting accuracy.

ePayables systems are among the few that require third parties (in this case, suppliers) to actively use them if returns are to be maximized. Buyer-centric solutions and approaches to supplier enablement may ultimately be the reason that such a high percentage of suppliers, including many small- to mid-sized suppliers, decide to "pass" on the idea of eInvoicing. This is changing, but it needs to change faster, particularly with the rise in global eInvoicing mandates. This year 40% of all AP leaders have prioritized getting more suppliers to submit electronic invoices, a number similar to 2023 (38%). It is time to focus more on this issue.

And now … the contractually obligated section on artificial intelligence ("AI")!



AI in Action: AP Operations

Many innovations throughout history, from the printing press to the light bulb to the airplane and the personal computer, led to dramatic societal and business expansion in periods frequently described as technology revolutions. Today, we are on the cusp of another one — with artificial intelligence starting to transforming the world with the same impact as earlier revolutions. One need only look at generative AI (e.g., ChatGPT) to understand the opportunities for AI that exist in the consumer marketplace. Truth be told, AI holds even greater promise for businesses. In the AP arena, leaders will soon be able to leverage powerful AI capabilities, such as machine learning (ML), neural networks, deep learning, and natural language processing (NLP), to fundamentally transform tactical and strategic AP activities. The longer term promise of advanced and predictive analytics within AP is even more compelling.

AI Expands Existing AP Automation

The AI journey begins with automation. Many enterprises have implemented automation throughout various AP and procure-to-pay (P2P) process segments (e.g., invoice/order receipt, data validation/matching, approval routing, and payment). Existing AP automation across the spectrum of solutions — from OCR to eInvoicing to ePayments — have opened the gateway for AI as an extension or complement to those automated solutions.

AI delivers cognitive intelligence whereby AP and P2P leaders and their teams can synthesize volumes of invoice, supplier, and payment data, as well as valuable historical information into insights to streamline process flows and elevate decision-making. These once-underutilized data repositories can be strategic and competitive differentiators with AI as an underlying value driver.

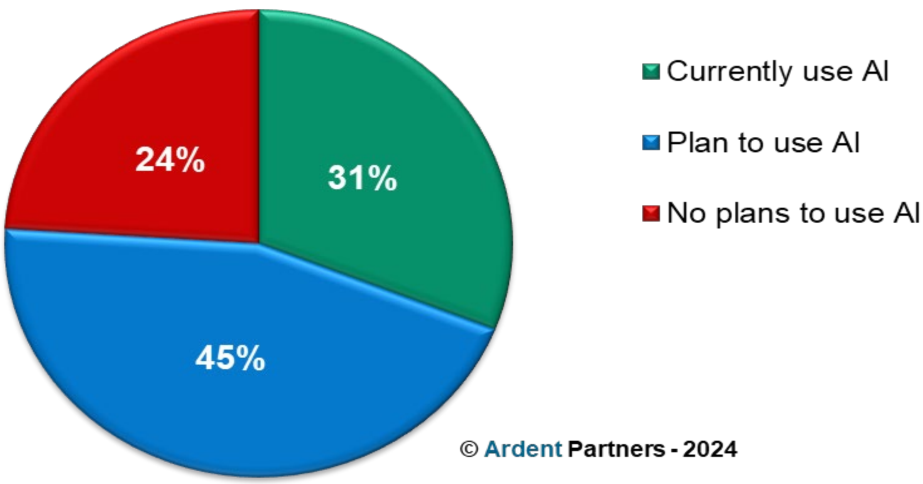
Utilization of AI Takes a Leap Forward

The perception of AI as a game changer and value-added technology is strong among AP leaders. According to Ardent Partners, 31% of AP teams use AI within their AP operations today. Breaking that number down further, 11% of respondents report that AI is embedded in their core ePayables (i.e., invoice-to-pay) technology, 7% access AI via solutions that are integrated to their ePayables offering, while 13% report that AI is present in separate platforms not connected to their ePayables systems.

Most significant in the survey responses is that 45% plan to use AI in their AP operations over the next 12 months, meaning that 76% of AP departments overall will be leveraging AI in their enterprises within 12 months. Still in its technological infancy, AI's exponential growth and utilization are evidence of what is to come. While automated ePayables solutions help optimize and streamline invoice and payment processing, AI is poised to transform these solutions well beyond core process automation engines.

Accounts payable is entering a transformative period where artificial intelligence will permeate its processes and solutions. For the 23% of respondents with no plans to use AI within the next year, there is a competitive risk compared with enterprises leveraging AI for process efficiencies and cost reduction.

Figure 6: AI Adoption Plans



AI in Action: AP Use Cases

While the grand vision of an all-encompassing AI technology that drives predictive decision-making and incorporates a humanistic level of reasoning to actions remains both daunting and aspirational, the immediate impact of AI over the next 24 months is quite compelling. The integration of AI in AP operations will help streamline processes by reducing manual effort and human error. This efficiency will lead to faster invoicing and payment processing, which will enable smarter cash management. AI will also enhance accuracy and transparency across the AP operation, which will help improve decision-making and resource allocation.

Where are the immediate opportunities for AI in accounts payable processes? Consider these use cases illustrating the transformative potential for next-level AP/P2P when integrating artificial intelligence.

Invoice Capture and Data Extraction

Traditional data capture from invoices, whether manual or electronic, is time-consuming, costly, and prone to errors. AI-powered technology automates the extraction of critical data, improving accuracy over time through machine learning algorithms. By eliminating manual entry, AI expedites processing, reduces errors, and frees up AP professionals for value-added tasks.

Invoice Processing

Machine learning technology is prevalent throughout financial processes. In AP, existing automation can route invoices, based on unique characteristics, to the same person or group for approval. The introduction of AI-powered algorithms will add greater nuance by leveraging historical data and approval patterns to develop more dynamic and streamlined approval workflows.

Fraud Prevention

Preventing fraud with traditional automated AP solutions provides a good foundation. Using AI algorithms, volumes of historical transaction data can be quickly reviewed to identify any unusual patterns or anomalies, generating a real-time alert and other warnings. By utilizing AI in fraud detection, enterprises can better minimize financial losses, safeguard their reputation, and ensure compliance with regulatory requirements.

Data-Driven Insights and Reporting

AP sits on a wealth of data collected over years that unfortunately has gone largely untapped in most organizations. Combining AI technology with ePayables solutions offers the promise of unlocking this data and making it more easily available to enterprises of all sizes. By analyzing vast amounts of financial data, AI algorithms can generate real-time reports and provide critical insights on a wide variety of areas for AP and the enterprise, including outstanding invoice liabilities, cash flow forecasts, early payment discounts, vendor performance, cost center and spending patterns and forecasts, and budget allocations. These insights can then be delivered not simply as reports but included in role-based dashboards, enabling AP managers, CFOs, treasurers, procurement, and lines of business to make better-informed decisions and optimize their financial operations. With such insights in hand, organizations can make better-informed decisions and identify potential issues or opportunities that were previously below the surface waiting to be discovered.

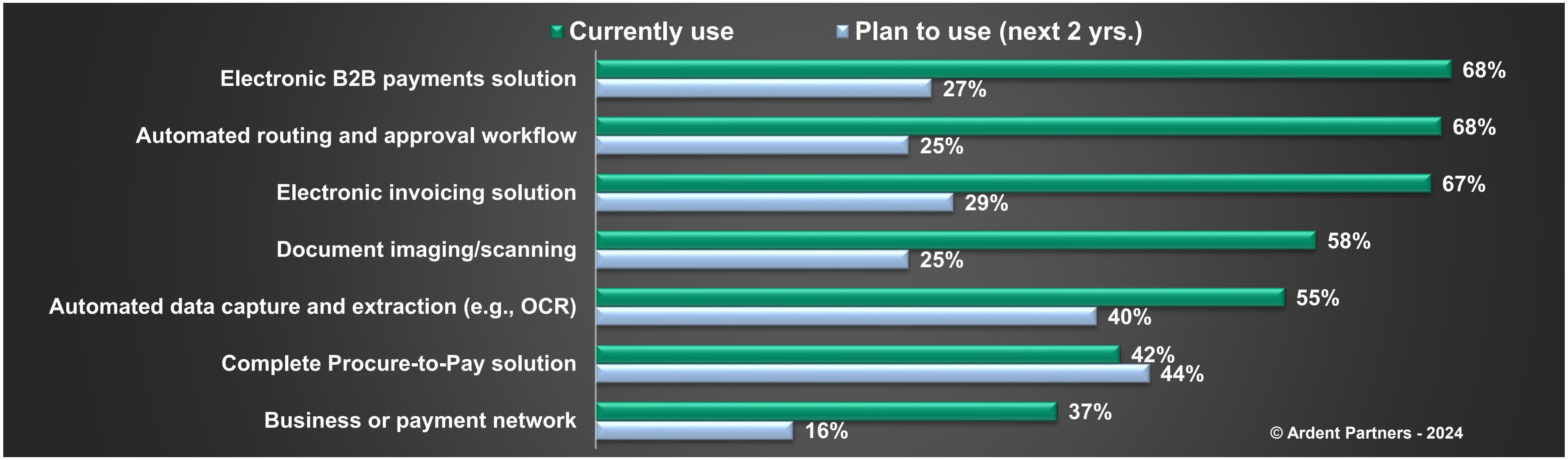
The adoption of AI in AP is not without challenges. Organizations will need to address concerns related to data security, privacy, IP infringement, and the ethical use of AI. Additionally, ensuring effective integration and user adoption of AI systems requires careful planning, training, and change management strategies. With that said, AI has the potential to be a game-changer for AP, delivering immediate and long-term advantages. As AI takes hold in the market, the enterprises equipped to reap the most benefits will be those with core AP automation (or "ePayables") solutions in place. The race is on!

ePayables Usage and Adoption Rates

Given recent trends toward improving business processes in a bid to better manage cash and drive down costs, it is somewhat baffling that 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 50% and 80% less when compared to manual, paper-based processing methods. Figure 7 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 improve process efficiency and cut costs.

In a business environment that stresses efficiency and smart cash management, investments in ePayments and eInvoicing have the clearest path to achieving these goals. These two solutions, along with automated routing and approval solutions, have moved to the top of the adoption chart. A discussion of the most widely-adopted solutions follows.

Figure 7: ePayables Adoption Rates and Plans



- **ePayments solutions (68%)** 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 much 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.

- **Automated routing and approval workflow (68%)** solutions complement document imaging/scanning and automated data capture solutions. In manual environments, invoice approvals often experience delays as invoices await final approval on desks or in email inboxes. These solutions eliminate such bottlenecks by streamlining the approval process through automation. Specific business rules are applied to the approval workflow, allowing for different invoice routing paths based on factors like invoice amounts, cost centers, organizational structure, tolerance levels, business travel, and vacation schedules. These solutions enhance the AP process by reducing waiting times for approvals.

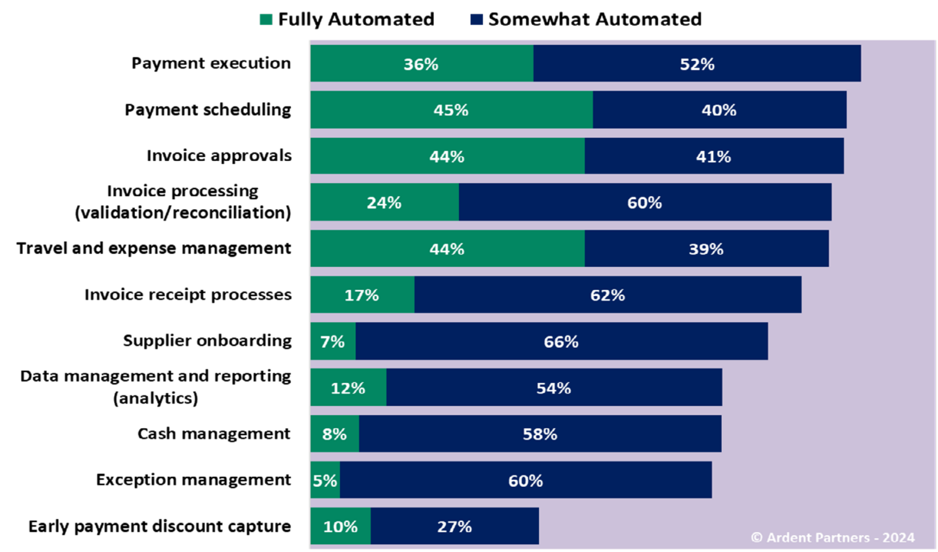
- **eInvoicing solutions (67%)** remove paper from the AP process by enabling suppliers to create and submit invoices electronically. The system maintains that format through validation, matching, and approval processes. eInvoicing drives process efficiency by eliminating data capture and manual data 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 the the 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.

Technology Impact: Adoption vs. Transformation

ePayables solutions automate invoice and payment processing, transforming AP departments into self-sustainable centers of excellence. By replacing manual tasks with repeatable processes, businesses gain value beyond cost savings. Automated AP teams can take advantage of early payment discounts, mitigate fraud risks, and achieve visibility into specific invoices and payments. The 2024 ePayables adoption numbers indicate that more AP organizations are relying on technology to support their goals, marking an ongoing shift from manual-driven environments. With more user-friendly and better-integrated solutions, the adoption of ePayables solutions is gradually increasing, enabling AP teams to focus on strategic aspects like relationship-building. While the COVID-19 pandemic served as a catalyst to drive greater emphasis with AP and finance ranks on the crucial role of technology in operations, AI opportunities (and the risk of missing them) will be a multi-year industry catalyst to invest in technology.

Ardent Partners expects more digital transformations across enterprises and within AP. The digital transformation of AP departments reimagines operations by leveraging technology as the core process. It requires sponsorship, collaboration, vision, expertise, and a robust technology infrastructure, with superior program design influencing its speed and impact. As shown in Figure 8, full automation within most defined AP activities is rare.

Figure 8: Automation Levels within AP



Accounts Payable 2024: Predictions

Each year Ardent Partners publishes its "Accounts Payable: BIG Trends and Predictions" report that will help AP, P2P, and finance professionals understand the key issues at hand and better prepare them for the year ahead (click here to request the complimentary report).

Here are some of the predictions Ardent Partners made that could impact AP in 2024:

AP in 2024:

The Global Economy Stays Strong, Some Countries May Experience a Soft Landing — Steep inflation has been curbed in most regions, and despite a high level of geopolitical conflict and tension, businesses continue to operate well and unemployment rates have stayed low. In 2024, a more stable economic landscape will allow AP and finance leaders to pivot towards more strategic planning and make larger long-term investments in technology and growth initiatives designed to improve operations and results.

The Need for Full AP Automation Becomes the CFO's Imperative — When well-deployed and well-adopted, ePayables solutions have a long track record of driving AP efficiencies and driving next-generation value by transforming AP into a superior source of financial knowledge, intelligence, and insights. And, with the expansive promise of AI within AP, many CFOs will champion the need for full automation across their AP operation, making it a business imperative.

Smart AP Teams Will Develop Guidelines and Frameworks for AI Usage and Impact — In 2024, AP teams that are considering new ePayables solutions will work to identify specific use cases for AI that also include quantifiable objectives. They will also follow the lead of their IT organizations and start establishing robust protocols and standards on how AI will be used, by whom, and to what extent.

P2P Teams Invest Aggressively in Fraud Prevention Technology — Fraud has become a serious, lasting threat and the current risk landscape demands a proactive stance against sophisticated fraud tactics. The investment in cutting-edge fraud prevention technology is a critical component of a robust risk management strategy, as it strengthens the resilience and credibility of AP and P2P processes in the face of a rising tide of fraudulent threats.

The Pace of AP and B2B Payment Transformations Gain Momentum — AP leaders are going "all in" on digital transformation this year and more teams will prioritize these initiatives over all other programs. A digital transformation provides an opportunity for an AP team to use technology as a means to reimagine the organization's entire scope of operations and how it performs.

AP and B2B Payments Automation Accelerates in the Mid-Market — Ardent's research also shows that the use of AP technology continues to expand among mid-market enterprises (MME), which Ardent defines as having annual revenues between $50 million and $500 million. This increase has been driven by the simple fact that more solution providers are building solutions designed to service this market, offering better and more affordable technology than in recent times.

Chapter Three: Best-in-Class Accounts Payable

"Don't lower your expectations to meet your performance. Raise your level of performance to meet your expectations." ~ Ralph Marston, Performance Coach and Author

This chapter 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 (see below) 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 2024 and should be viewed as key milestones on the path to organizational excellence and money management mastery.

Table 1: The 2024 AP Benchmarks

Metrics	Average
Cost to process a single invoice (all-inclusive cost)	$9.40
Time to process a single invoice	9.15 days
Invoice exception rate	14.0%
Invoices processed "straight-through"	32.6%
Suppliers that submit invoices electronically	48.8%
Percentage of invoices linked to a purchase order (PO)	61.0%
Staff time spent managing supplier inquiries	21.8%

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

- **The average AP organization spends $9.40 to process a single invoice** (the all-inclusive staff and operating costs that cover receipt, processing, and approval, as well as salaries, benefits, technology, overhead, etc.). However, when multiplied by the hundreds, thousands, or tens of thousands of invoices processed each month, enterprises of all sizes (including small and mid-sized) are spending sizable dollars to manage their invoices. The average cost to process an invoice has dropped sizably in recent years; there is still plenty of room for improvement.

- **The average AP organization takes 9.2 days to process a single invoice.** While continuing to improve each year, the overall industry still takes considerably too much time in the process. Recall that 41% of AP leaders (*see Figure 3, page 9*) state that they experience bottlenecks and value erosion because their invoice and payment approvals take too long. Lengthy approval times indicate opportunities to digitize a higher percentage of invoices and serve as a reminder of how critical speed is to the AP operation. 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. And since money never sleeps, AP teams need to push forward and reduce this metric over the next 12 months.

- **Invoice exceptions rates have dropped dramatically to 14% in 2024.** This represents a significant gain for those AP teams 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. While invoices remain the bane of AP's existence, the current year gains are impressive ... push for more!

- **Straight-through processing (32.6% of all invoices)** remains a primary goal for all AP organizations. Processing invoices in a "straight-through" manner without human intervention represents the desired future state for AP. All AP groups should have this metric as a key performance target each year.

- **The average percentage of suppliers able to send electronic invoices has increased to 48.8%.** By encouraging suppliers to transition to digital invoicing, organizations can significantly reduce manual errors, streamline invoice processing, and improve overall operational effectiveness.

- **PO-based invoices (61%).** This metric represents a win for procurement by helping to reduce or control maverick spending and a win for AP by streamlining the reconciliation and approval process.

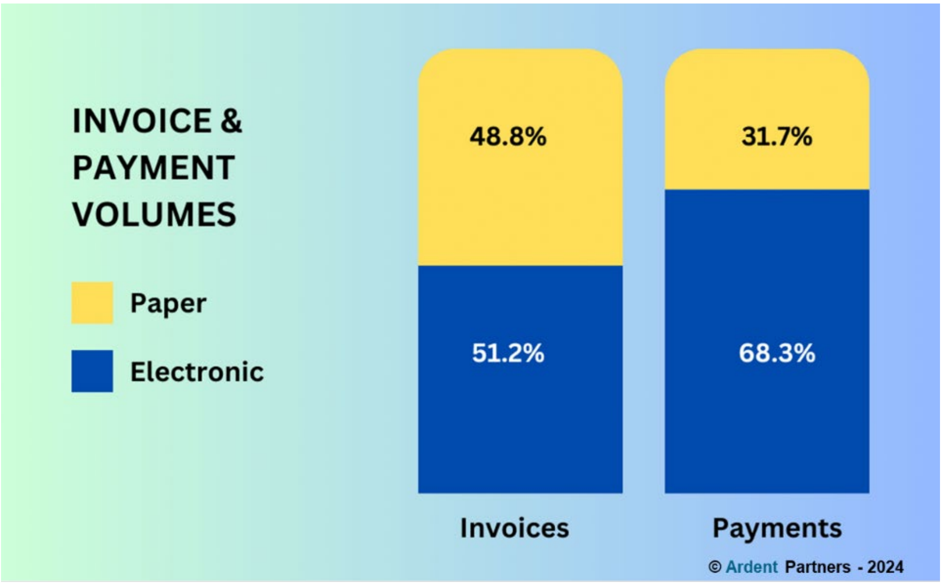
- **Staff time managing supplier inquiries (21.8%).** Spending more than 20% of overall staff time managing supplier inquiries continues to indicate that greater levels of invoice and payment automation are needed.

Paper vs. Electronic

In Ardent Partners' 19th annual survey on the state of ePayables, electronic invoices and payments once again trump their paper counterparts in overall volume. This is great news for AP staffers and stakeholders because Ardent Partners research has shown that the primary obstacles to reducing processing costs and improving AP performance are paper-based invoices and payments that require manual handling. These include invoices received through mail, fax, PDF, and email attachments and manual/paper-based checks. Overall, electronic invoices account for 51.2% of all invoices received by the average enterprise *(see Figure 9)*. Ardent defines electronic invoices as those originating and remaining in digital format, without the need for scanning or data capture support.

Likewise, ePayments have gained some momentum recently and now constitute 68.3% of all payments made by the average enterprise. While paper checks are still common in some regions, they are gradually being replaced by ePayment methods such as ACH, payment networks, commercial cards, virtual cards, and wire transfers. These alternatives not only reduce costs but also enhance visibility, control, and accuracy in the vendor payment process. More enterprises are now prioritizing their payment processes as part of AP/P2P transformation initiatives. These efforts occur alongside the emergence of new technologies, platforms, and strategies, highlighting the growing significance and impact of ePayments in overall business operations.

Figure 9: Invoice and Payment Formats



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 great impact on financial operations and the enterprise's bottom line.

The metrics outlined in Table 2 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 chapter will highlight specific and programmatic advantages that enable Best-in-Class accounts payable teams to excel.

Best-in-Class AP teams achieve per-invoice processing costs that are 78% lower than their peers, and invoice processing times that are 82% faster than all other groups. Their invoice exception rates are 59% 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: The 2024 AP Maturity Framework

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	$2.78	$12.88
Time to process a single invoice	3.1 Days	17.4 Days
Invoice exception rate	9.0%	22.0%
Invoices processed "straight-through"	49.2%	23.4%
Suppliers that submit invoices electronically	59.0%	40.0%
Percentage of invoices linked to a purchase order (PO)	83.7%	48.2%
Staff time spent managing supplier inquiries	13.4%	26.9%

As Table 2 shows, 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 generate:

A 78% lower invoice processing cost. 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.

- **82% faster invoice processing time.** 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 59% lower invoice exception rate.** Most AP teams spend too much time managing exceptions. 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 9% 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 2.1-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.

- **47.5% 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.

The Best-in-Class also spend just over 50% less time and resources 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 (26.9%) of their time on the tactical activity of managing supplier inquiries.

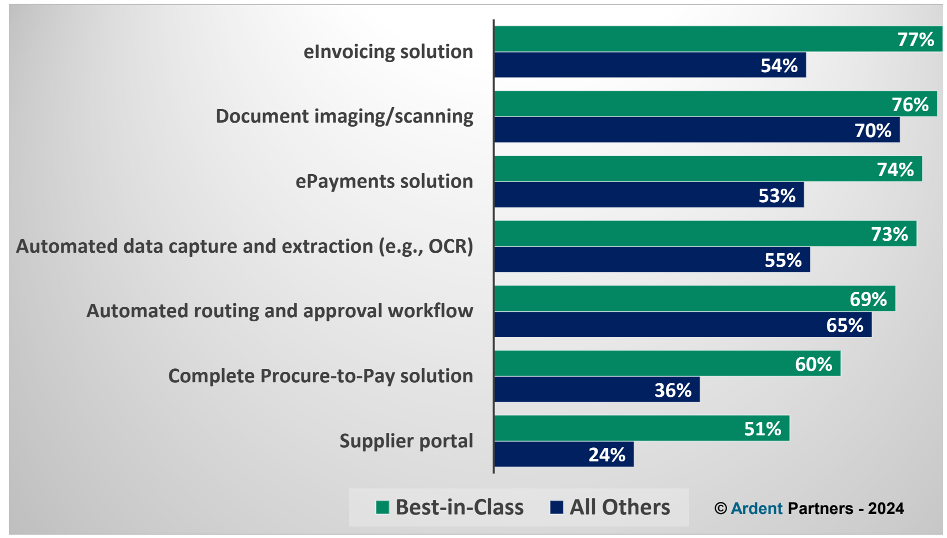
Automating manual invoice processes, which are paper-laden, staff-intensive, and more likely to be error-prone, can be game-changing. AP departments that automate their processes can spend less of their time on the traditional backroom work, like entering data into their systems manually, routing paper/emailed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

A view into a Best-in-Class AP operation reveals a series of differentiators that these leaders use to achieve their high performance; technology has long been a key determinant in the success of the modern AP operation. In 2024 and moving forward, the enterprises that adopt technology and use it well will outperform those that don't by larger and larger margins. Aided by higher levels of functionality and the impact of AI, ePayables solutions will be a critical factor in AP success from now on.

Adoption of technology is one area where the Best-in-Class differentiates itself from its competitors. They not only adopt solutions at a much higher rate, but they also use them more aggressively. The differences in technology adoption manifest themselves in the large metrics gaps shown in Table 2 above. As Figure 10 shows, Best-in-Class AP units leverage a robust foundation of solutions to get their work done.

Figure 10: AP Technology – The Best-in-Class Advantage



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

- **eInvoicing (77% adoption rate).** 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 44% more likely to have eInvoicing in place.

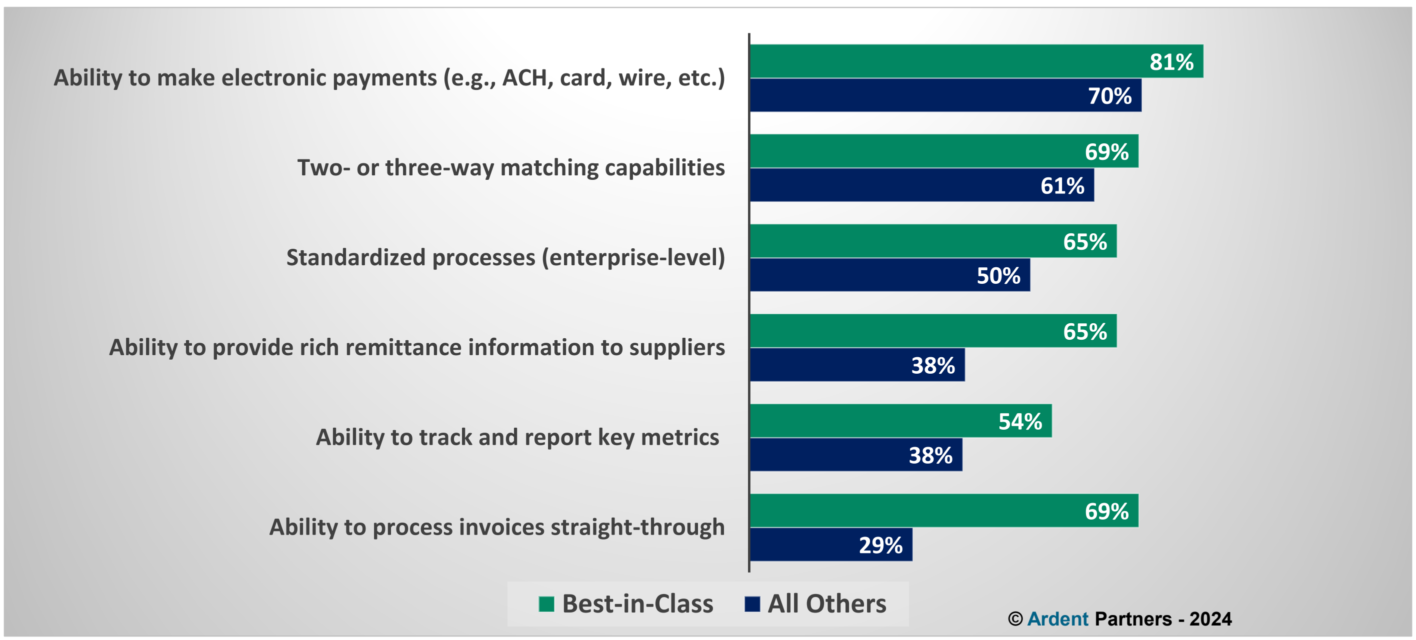
- **ePayments (74% adoption rate).** ePayments represent the current focus for many AP teams looking to improve money management. With rates likely to stay high for the next few years, B2B payments cannot be overlooked. Best-in-Class organizations have ePayments in place 38% more often than all others.

Simply, the organizations that leverage technology at greater rates to drive their AP processes perform better and deliver more value. What is clear is that automating core AP processes can help an AP department move beyond the tactical aspects of the function. The AP teams that leverage automation can focus on higher-level activities, such as capturing and sharing intelligence and data that can enhance AP, cash management, AND enterprise performance. Best-in-Class organizations have shown what can be achieved when AP performs to its full potential. For this group, technology plays an important and expanding role.

The Best-in-Class Capability Advantage

While automation tools comprise a key part of a Best-in-Class AP operation, the skills, experience, and ideas of the team are essential elements that enable consistently strong execution. For the Best-in-Class AP department, key competencies (*see Figure 11*) 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:

Figure 11: AP Capabilities – The Best-in-Class Advantage



- **The ability to pay suppliers electronically (in place at 81% of the Best-in-Class) and provide rich remittance (in place at 65% of the Best-in-Class).** The Best-in-Class view the entire AP process holistically and work to master each part. Payments are not an afterthought in this mindset and suppliers are viewed as partners.

- **Straight-through processing (in place at 69% of the Best-in-Class).** Taking a cue from Table 2 (*see page 23*), Best-in-Class enterprises are 2.4 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 (in place at 65% of the Best-in-Class)** on the surface should be 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 full invoice-to-pay process, 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 (in place at 54% of the Best-in-Class)** is another area where Best-in-Class enterprises exceed the competition. They are 43% more 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.

B2B Payment Metrics

B2B payments are a strategic business process. A focus on B2B payments is required for the AP function to optimize cash flow and provide better support and value to the greater enterprise. B2B payments can likewise produce benefits that range from significant cost reductions (when ePayments are in the mix), long-term financial value, superior cash management, reduced risk of fraud, and enhanced spend visibility. Here are a few key payments metrics.

The average cost to process a supplier payment is

$9.47

18%

of AP teams have no formal payment strategy

78%

of AP teams said they made more ePayments last year

65%

of AP teams are involved in cash management

Chapter Four: Strategies for Success

We're entering a new world in which data may be more important than software."

~ Tim O'Reilly, author

AP Is a Value Driver

A value driver is a factor that increases the worth of an asset, function, process, outcome, or business. Over the past few years, it has become clear to a majority of business leaders who think that AP is a value driver. In 2024, sixty-one percent of business leaders cite accounts payable as "very valuable" to "exceptionally valuable," a finding that reinforces a long-held Ardent Partners concept of "AP as a hub of intelligence and efficiency." This consistent view of AP indicates what lies ahead of it. Here are a few things AP can start doing to maintain its momentum.

When paper dominates an AP department, inefficiency — and most likely ineptitude — are sure to follow.

- **Embrace forward-looking innovations like artificial intelligence (AI).** The AP function can transcend its traditional limitations and elevate its role within the enterprise. Through AI-powered automation, processes can be streamlined, reducing manual errors and accelerating invoice processing times. This not only enhances efficiency but also allows for better utilization of the group's resources, freeing up time for strategic decision-making.

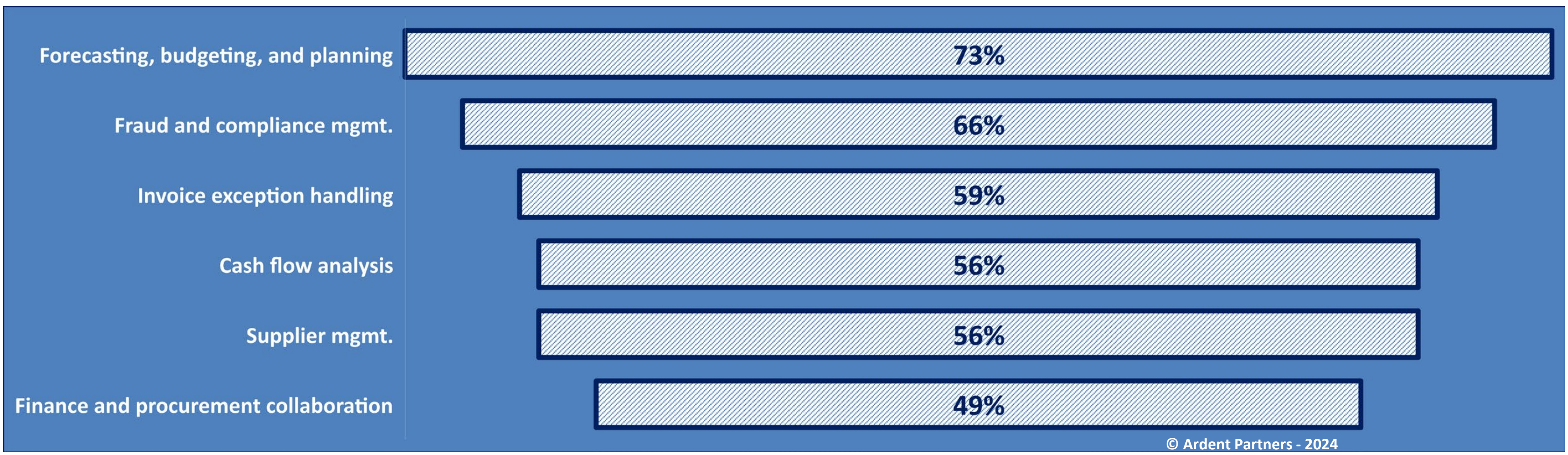
- **Develop more effective process-led capabilities that transform tactical execution into strategic value.** For years, the typical AP function was mired in paper, resulting in huge inefficiencies and limited opportunities to do anything highly valuable in the eyes of their stakeholders. When paper dominates an AP department, inefficiency — and most likely ineptitude — are sure to follow. Frustration with paper has been a primary driver for placing more emphasis on the "front end" of the total AP process. The result has been that more AP leaders are transforming the initial program capabilities — invoice receipt and approval workflow. Paper out, efficiency in!

- **Serve as a valuable conduit for more strategic activities like spend management and cash management.** One key attribute of AP is that it serves a critical role in how other, more strategic, enterprise units can function. For example, procurement can benefit from the power of AP's ability to close the procure-to-pay loop in a more efficient manner, while treasury (or the executive team) can use the day-to-day insights of what AP is doing and processing to understand and then impact the business' financial health.

- **Drive AI's value by organizing and cleansing AP data so that it is usable.** Accounts payable sits on a veritable goldmine of data that can trigger intelligence-led insights and improve decision-making and thereby, performance.

With a majority of executives now considering the unit to be strategic, or more valuable to the enterprise, opportunities abound for AP. More specifically, it is high time for AP leaders to push their functions forward more aggressively.

Figure 12: How AP Uses BIG Data in 2024



BIG Data in Action

Big data management and usage will become the critical element to establishing Best-in-Class performance in accounts payable in the future. With the broad consumerization of AI technology over the past 18 months, it has become clear that modern society is on the cusp of a large technology breakthrough. Harnessing the power of data and intelligence is becoming increasingly important for finance teams in today's business landscape. When this year's survey respondents were asked how they currently utilize data and intelligence for various aspects of their finance team, their responses shed light on the evolving role of technology and analytics in driving strategic decision-making and operational efficiency *(see Figure 12 above)*.

- **Forecasting, Budgeting, and Planning:** A significant portion (79%) of the surveyed professionals acknowledged the utilization of data and intelligence for forecasting, budgeting, and planning purposes. A clear majority of AP leaders now recognize the value that data-driven insights can bring in enabling accurate financial projections and aligning resources with organizational goals.

- **Fraud and Compliance Management:** With the spike in fraudulent invoices during the pandemic, maintaining robust fraud and compliance management practices has become very important for AP organizations. Accordingly, 66% of AP organizations now rely on data and intelligence to enhance their fraud detection and compliance efforts. By leveraging advanced analytics, AI, and machine learning algorithms, organizations can identify anomalies, detect potentially fraudulent activity, and help ensure adherence to regulatory requirements.

- **Invoice Exception Handling:** Managing invoice exceptions efficiently is crucial for streamlining the accounts payable process. In 2024, a majority (59%) of AP departments are using data better to manage their exceptions by identifying patterns, addressing the root causes of exceptions, and implementing proactive measures to minimize disruptions in the invoice processing workflow.

- **Cash Flow Analysis:** Effective cash flow management is critical for businesses of all sizes. Fifty-six percent of all AP teams utilize data and intelligence to analyze enterprise cash flow patterns. By leveraging real-time financial data, organizations can gain better visibility into cash inflows and outflows, enabling proactive decision-making and ensuring optimal liquidity.

- **Enhancing Supplier Management:** Effective supplier management plays a critical role in delivering great products and services, controlling costs, and assuring supply. From an AP perspective, it is important for strategic suppliers to experience a "friction-free" invoice and payment process. In 2024, 56% of AP groups are utilizing data and intelligence to help in this area, from validating bank account and remittance information to enabling supplier visibility and automating smart matching capabilities.

- **Improving Collaboration between Finance and Procurement:** Efficient collaboration between finance and procurement departments is key to optimizing spend management and strategic supplier relationships. Essentially half (49%) of AP teams leverage data and intelligence to improve collaboration between these two functions. By sharing relevant data, organizations can foster transparency, align strategies, and drive mutual value creation across the P2P process.

Cash is King for Suppliers Too, Use this Fact to Enable More of Them

From the beginning, supplier enablement has been the Achilles heel for ePayables technology deployments. Traditional buyer-centric solutions and approaches to supplier enablement may be the reason why a majority of suppliers are not enabled today. But are those suppliers making the right decision or do they just lack enough information to understand the value that electronic invoice submission creates for suppliers?

Certainly, there are hurdles to suppliers becoming enabled like integration challenges and the costs of managing customers across multiple platforms/technologies. Nonetheless, AP teams should do a better job explaining the supplier value proposition for participation and work to better understand the challenges that suppliers face. Enabled suppliers frequently report the following benefits:

Reduced costs: Being able to electronically submit invoices to customers can deliver significant savings (assuming there are no [or low] transaction fees for suppliers). Examples include a reduction in printing and mailing costs, savings from not having to reprint invoices, fewer customer service calls, etc.

Fewer disputed invoices: Suppliers can flip POs into invoices or submit eInvoices straight-through from their AR system. eInvoicing eliminates the buyer's need to manually create an invoice, reducing the potential for errors. As a result, invoices are less likely to be rejected and customers can start processing them without delay. In the event a dispute does occur, it can easily and quickly be resolved online as opposed to via the phone.

On-time payments: eInvoicing can impact invoice processing and approval cycles on the buyer side, and when combined with ePayments, suppliers often see an improvement in on-time payments.

Improved ability to forecast: Having access to real-time data around submitted invoices, invoice status, payments, and more adds a level of predictability and visibility to the supplier's AR process and its ability to forecast cash flow.

Accelerated payment: If suppliers are able to receive payments quicker via a simple and effective tool that doesn't require heavy investment of time and resources, significant value may be created.

Buying organizations (and AP) should focus on building relationships at a more strategic level with their key suppliers, rather than burdening them with uncertainty and a lack of visibility and confidence in their customers' AP operations. When suppliers raise inquiries, it indicates their concern regarding invoice/payment status and affects their ability to optimize working capital. This is less than ideal. Strategic suppliers should be able to trust and rely on consistent customer payments and AP must do its part to ensure that they can.

Strategies for Success

Ardent Partners recommends the following strategies and approaches for AP leaders and their departments that are seeking to improve their performance and operations over the next 12 – 24 months.

- Work with treasury and other finance leaders to develop and/or improve visibility across the full AP process to enable a comprehensive view into the management and timing of vendor payments.
- Investigate how and where AI capabilities are being offered by the team's current ePayables provider(s) and gain a deep familiarity with the AI roadmap. Determine the value and applicability of the provider's approach and challenge the provider to prioritize the team's demands.
- Get AP's data house in order to maximize the impact of new and emerging AI capabilities.
- Invest in advanced fraud detection/prevention solutions and develop a robust strategy to track and monitor aggressively. Remember that an automated closed-loop system is the best first step in fraud mitigation.
- Work to build and maintain a general awareness of new (and evolving) invoicing mandates around the world and assess their potential impact on the current supply base. Take proactive steps to ensure compliance when each new mandate takes effect.
- Develop organizational expertise in AI by tracking and monitoring the products and plans of AI-led automation in the ePayables marketplace, attending webinars and events, reading reports and engaging experts.
- Design a strategic plan around compensation and performance targets to incentivize both AP leaders and staff to align efforts and improve performance.

Elevating AP as a Destination Workplace for Business Professionals

Nearly a quarter of AP units today (24%) are facing an issue that extends throughout most finance departments, specifically, and businesses as a whole: Staffing shortages threaten to slow an AP department's momentum and mute its overall impact. Current staffing shortages are straining teams, leading to increased workloads and potential delays in invoice and payment processing. Without adequate staffing (and technology), there can be a heightened risk of exception and compliance issues, impacting overall department efficiency.

While AP has never been a corporate beacon for top talent, today's labor market presents a series of new challenges that appear unlikely to fade any time soon, including historically low unemployment and new Future of Work-led concepts like work-life integration, the "gig economy" approach to employment, and remote work models which have combined to alter the talent landscape. These challenges are not unique to AP, so hiring managers should not go it alone, but rather collaborate with the talent acquisition ("TA") team to help find sustainable hiring solutions.

AP teams pressed by workforce shortages should leverage TA's unique expertise to leverage internal talent communities and, possibly, harness the power of the company brand and culture to attract employees that will help transform the impact of AP. As part of this new approach to hiring, AP leaders will be wise to craft forward-looking job descriptions that incorporate both core

AP skills as well as the expected needs to analyze data, master technology, and incorporate/harness AI capabilities into new workflows. Positioning current talent needs with an eye to the future will help the unit thrive.

As AP managers continue to face staffing shortages, the following strategies will help transform their outlook on the team's core talent as it reimagines how to position the department toward new talent:

- **Outline clear career paths within accounts payable AND finance at large.** AP has become a career launching pad, so entry-level AP positions can and should be considered a "stepping stone" to bigger things. The truth is that a hardline wealth of expertise within this unit is a formidable edge in advancing into broader operational roles within finance. Businesses should position AP experience, especially when mapped to the innovative technology that new hires will leverage, as a building block toward a career within financial operations.

- **Develop and communicate clear performance targets that link to compensation.** As noted above, there is a large gap between organizational targets and individual performance targets and compensation. Work with finance leaders to clearly set and share organizational and individual goals. Then, work with HR leadership to develop a compensation plan with proper incentives that is also competitive in the market.

- **Position "technology" as a major benefit to working in AP.** Innovative technology can be a way to position AP as an ideal place to work. Exposure to advanced automation, particularly within the artificial intelligence realm, will be an attractive benefit for finance-minded professionals to start their careers in AP, especially if they are inclined to build analytical and operational skills.

- **Leverage a common Future of Work attribute, *flexibility*, in all AP roles.** For most AP roles, it can be difficult to perform everyday tasks outside of the main office. However, as learned throughout the earliest days of the pandemic and continuing into today's corporate operations, many workers desire flexibility in their everyday lives … including how and where they work. Throughout the "Great Resignation" and even today, more and more workers crave the ability to eschew commutes, attend children's activities, and do more to attain real work-life integration. AP's hiring managers and leadership team need to infuse some level of flexibility into their AP operations — this can include hiring remote workers, outside contractors, and ensuring that full-time staff have opportunities to work remotely in ways that align with overall enterprise policies.

Appendix

About the Author

Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 25 years in the industry and 15 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) and the host of the industry's exciting podcast, Procurement Rising.

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 600 times in ten 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 has been 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@ardentpartners.com or 617.752.1620.

About Ardent Partners

Ardent Partners is a next-generation analyst firm that leverages its data-driven research to help business executives make smarter decisions and achieve better results. Ardent's clients (and global community) understand and appreciate that when we publish research and guide our clients, we do so based upon literally thousands of data points collected and analyzed over the past two decades. Our unique primary research methodology, high-impact research publications, and deep domain focus set Ardent apart from its competition. Our community is expansive, our influence is extensive, and our research is unrivaled. Register for exclusive access to Ardent Partners research at https://ardentpartners.com/subscribe/.

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 212 AP and finance leaders captured between March and May 2024, and includes direct interviews with several survey respondents. These 212 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 212 respondents representing the following demographics:

Job Function: 43% AP; 12% Finance/Accounting; 16% P2P; 15% Procurement; 12% IT; 2% Treasury

Job Role: 36% VP-level or higher; 29% director-level; 21% manager-level; 14% staff-level

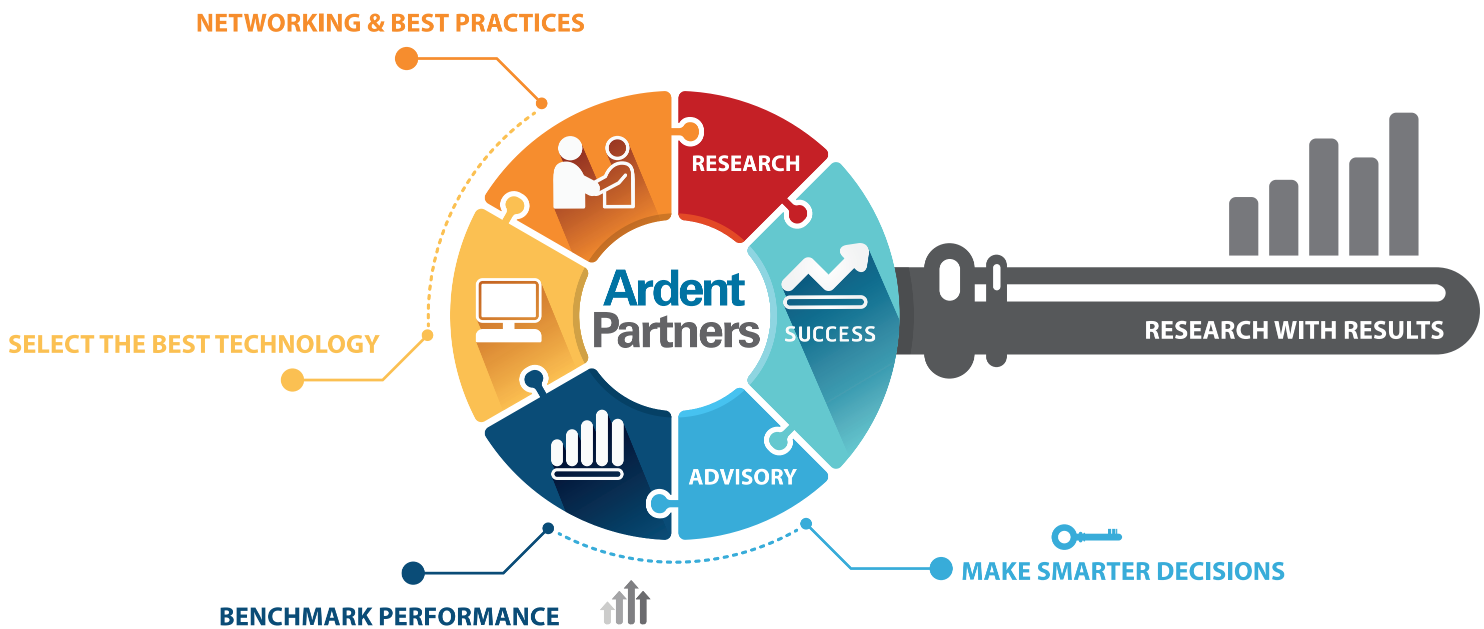
Company Revenue: 53% Large (revenue > $1 billion); 31% Mid-market (revenue $250 million - $1 billion); 16% Small (revenue < $250 million)

Region: 59% North America; 30% EMEA; 11% APAC

Industry: More than 24 distinct industries, no industry represents more than 15% of the overall survey respondents

Ardent Partners

RESEARCH WITH RESULTS



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We deliver Research with Results™. Let us show you what we can do.

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