

A photograph of a man and a woman in business attire looking at a laptop screen together in an office setting. The woman is on the left, wearing glasses and smiling. The man is on the right, looking down at the screen. A large blue diagonal shape is overlaid on the bottom right of the image.

Reinventing the AP Organization

3 Best Practices for Strategic Impact

Technology innovation has impacted every business finance function. For enterprise-level accounts payable departments, technology transformation is creating a truly unique opportunity to reinvent AP's role within the modern organization.

Many AP departments already recognize the strategic value of data and insights, as indicated by the 48% of respondents to a recent survey who selected “enhanced AP reporting and data metrics” as their top priority.¹ However, a small but growing number of best-in-class AP departments have reinvented their roles as a strategic business function. The aim is to create value for their organizations with new insights into supplier relationships, new sources of operational intelligence, and better ways to combat payment fraud, among other contributions.

How are these AP departments achieving best-in-class results and strategic impact, and how can other teams follow a similar path? By embracing these **three critical best practices** that have helped AP departments transform their processes and reshape their companies’ perception of the function.

The Big Three

1. Adopting a **holistic view of the AP function** by tearing down functional silos and embracing a complete invoice-to-pay process
2. Thinking in terms of **continual process improvement and workflow automation**, especially when choosing and implementing technology solutions
3. Transforming once-overlooked AP data into a **rich source of strategic insights** for enterprise stakeholders

Implementing these best practices requires a commitment to change that touches every aspect of the department’s people, processes, technology, and data — a commitment that starts with the CFO and includes every member of the finance team. For AP departments that commit to change, the advantages of best-in-class performance more than justify the effort.



CHANGING ATTITUDES TOWARD AP VALUE

Best-in-class AP teams are helping to reshape perceptions of the AP function. According to one recent survey of finance professionals, a majority (55%) say their organizations now view AP as a “very valuable” or “exceptionally valuable” function.

The battle of perceptions is far from over, though, because 22% say their organizations still view AP as “not at all important” to the business.

Best Practice #1

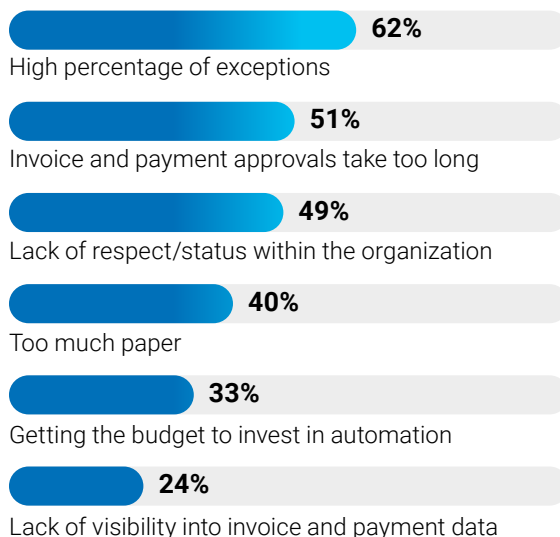
Think holistically about the AP process

While many departments currently automate the three phases of the AP process – invoice receipt, processing, and payment – most also treat these as three separate, largely disconnected processes. Best-in-class AP organizations, however, bring together all three phases within a single integrated, invoice-to-pay automation solution. This integrated approach to process automation delivers several important benefits:

1. It provides a **more consistent flow of data** across the entire invoice-to-pay process, helping accounting, cash management, and treasury functions to better manage cash flow, in addition to helping the AP team elevate its own performance measurement and benchmarking activities.
2. It gives organizations **enhanced visibility into their vendor community**, yielding new insights into vendor needs and preferences and suggesting new ways to optimize relationships.
3. It supports better **collaboration and communication** with treasury, finance, procurement, and other stakeholders, allowing these groups to benefit from improved visibility into the invoice-to-pay process and new operational intelligence.

One caveat: When an organization adopts AP automation, it must thoughtfully reevaluate its existing technology partnerships. Not every solution provider is able to support this type of holistic approach.

The high cost of manual processes: Top AP challenges



Best Practice #2

Adopt continual process improvement

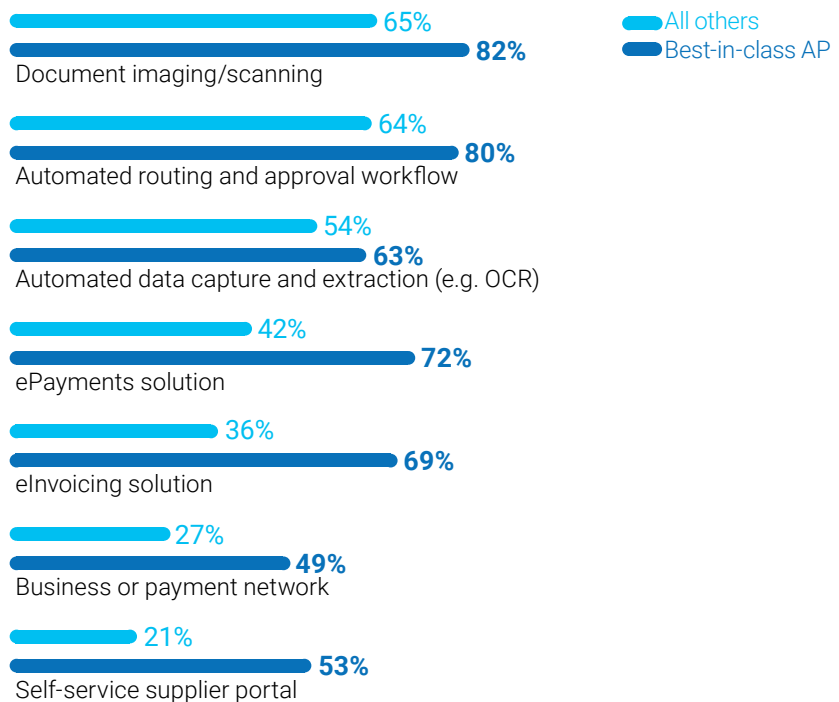
Best-in-class AP teams work constantly to update and improve their processes, which helps ensure they are always prepared to accommodate new growth, adjust to change, and stay ahead of fraud and risk challenges.

When these high-performing AP teams implement process improvements, they consistently rely on three best practices:

- Leveraging automation to eliminate low-value, “checkbox” AP tasks and to engineer simpler, streamlined business processes that can accommodate change.
- Working with technology providers that can help them identify and implement targeted process improvements – for example, by sharing the latest insights and technology solutions for managing an AP team’s vendor relationships.
- Emulating the ways that best-in-class AP teams leverage technology. Research shows that these team members are more likely to show a mastery of their chosen solutions, and thus they adopt technology more often (see chart), use more features and capabilities, and display a better grasp of how technology creates business value.

2

ADOPTION RATES FOR KEY AP TECHNOLOGY SOLUTIONS:



Best Practice #3

Unlock the strategic value of AP invoice and payment data

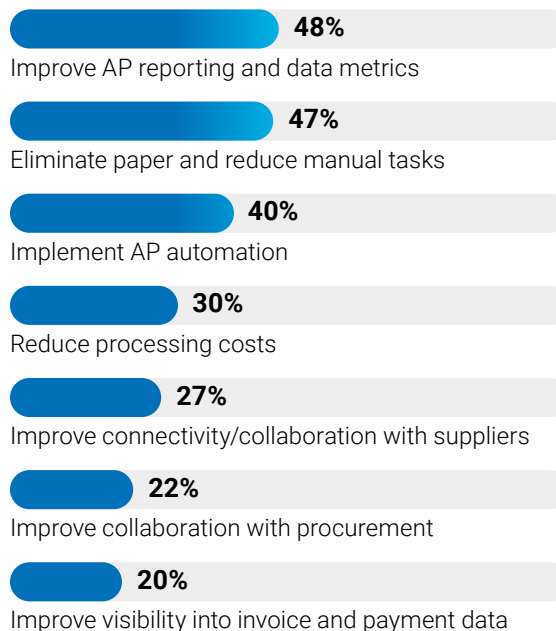
Many enterprises today are discovering and taking advantage of previously overlooked sources of strategic value within their business data. Best-in-class AP departments exemplify this trend. Businesses are leveraging invoice and payment data to combat payment fraud, optimize business processes, achieve cost and efficiency gains, and build stronger relationships with suppliers.

Many best-in-class AP departments are also exploring cutting-edge artificial intelligence and machine learning (AI/ML) capabilities to reduce errors and maximize the value of these data-driven insights. For example, machine learning can help reduce manual data entry by improving the quality of an organization's invoice capture process. It can also be leveraged to help identify unusual and potentially fraudulent invoices or evaluate the security of each payment before money goes out the door. Machine learning can also raise the bar on vendor engagement by optimizing payment types utilized with specific vendors based on their past behavior and interactions.

In order to achieve these next-level benefits, however, top AP departments need the ability to feed data-hungry machine learning applications, as well as access to the data science expertise to implement these applications properly. Third-party AP automation solution providers can be a critical success factor in both cases by giving AP departments cost-effective access to aggregated sources of high-quality data. Solution providers can also give these departments expert support from data scientists, security experts, and other specialized functions – a source of advice and insights that many organizations would find cost-prohibitive to keep on staff.

3

Getting value from data and insights: Top AP priorities



BENCHMARKING BEST-IN-CLASS AP PERFORMANCE: 6 METRICS THAT MATTER

Why are best-in-class AP teams such a distinct and influential group? A recent benchmarking exercise, which used a series of key invoice performance metrics to compare the **top 20% of AP teams** to all the rest, provides the answer:

AP Performance Metric	Top 20%	Others
Cost to process a single invoice (all-inclusive)	\$2.18	\$12.60
Time to process a single invoice	2.9 days	10.9 days
Invoice exception rate	10.1%	23.3%
Invoices processed "straight through"	65.3%	19.2%
Suppliers submitting electronic invoices	49%	16%
Invoices linked to a purchasing order	79.2%	31.7%

The time is right to reinvent your AP organization

Are you ready to reinvent your AP department and achieve best-in-class performance? Get started by downloading our new [2020 Guide to Accounts Payable Transformation](#).

READ NOW

AP professionals have a unique opportunity to transform themselves, their departments, and their organizations by bringing together the data, technology innovation, and process improvements needed to become a strategic, high-value business function. These best practices, combined with the right advice from experienced technology partners, give AP teams a clear path to follow as they begin their own journeys to achieve best-in-class results.

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