2018 State of Accounts Payable Report

A Look at Current Accounts Payable Operations, Challenges, Visibility and Control

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INTRODUCTION

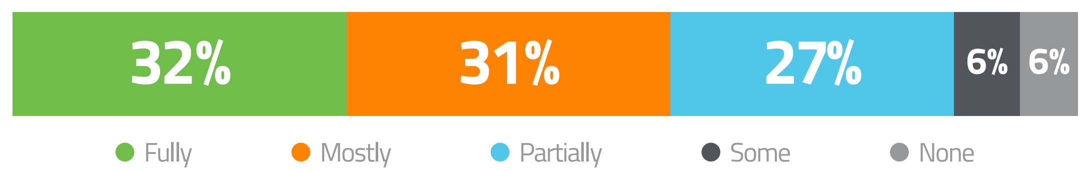
Technology touches nearly every aspect of business operations today, and Accounts Payable (AP) is no exception. Organizations invest hundreds of thousands of dollars in enterprise tools, like enterprise resource planning (ERP) applications or process automation, to improve the efficiency and accuracy of their operations. Yet even with these advancements, AP departments are often still bogged down by cumbersome paper documents, manual work, and errors and exceptions that delay the procure-to-pay cycle.

Partnering with Statista, Hyland surveyed 200 AP professionals from organizations across the United States to examine what invoice management and processing looks like today. **The following results reveal the how well AP organizations currently operate, their primary challenges, and why attributes like visibility and control are most valued in invoice processing. »**

AUTOMATION

The concept of process automation is not new. Most finance organizations have automated their AP processes to some degree. Nearly 2/3 of the respondents claim to be fully or mostly automated.

Level of Automation



AUTOMATION

In some cases, the ERP is the only tool involved while other organizations use a combination of an ERP and additional applications. Respondents described their level of automation as follows:

Fully Automated

"We use [an ERP] for our accounting process. We receive all invoices electronically and they are transferred from our vendors into our system for on time payment."

Mostly Automated

"[The] invoice is scanned into our [ERP] system, [and] it is compared to the goods receipt and PO. If all match, [the invoice] is processed for payment. If there are any errors, it is sent to procurement to resolve. Purchasing either approves or requests a new invoice from the supplier and voids the first one from the system.

Partially Automated

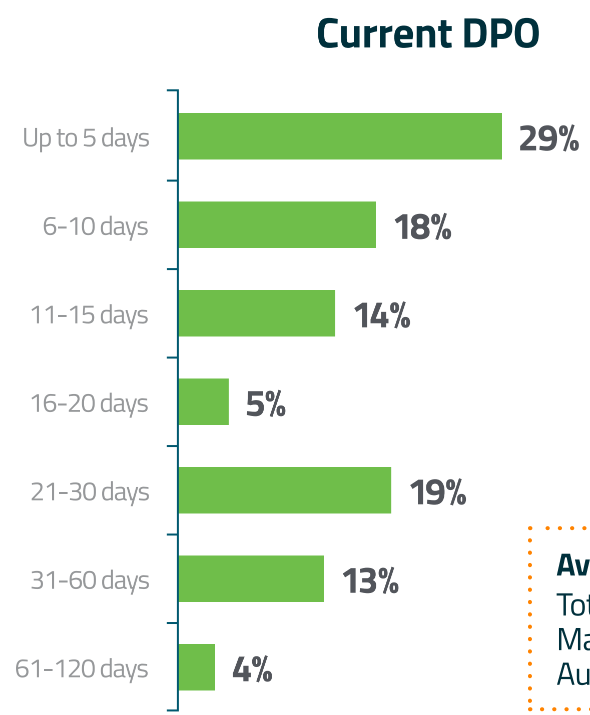
"We sort of have two departments. The main bills are coded by accountants and receive the appropriate approval signatures. They are then dropped off with AP who process them twice per week. The other department has various processes that occur on each day and invoices are sent directly to her."

No Automation

"All tasks in our accounts payable are performed manually. I receive the paper invoices, manually code them, have them manually approved by the appropriate manager and manually input them into the system. Our processing of the actual checks is automated."

DPO AND INVOICE VOLUME

On average, organizations' current days payable outstanding (DPO) is 20 days. Nearly half of the respondents to our survey had a current DPO of 10 days or less, and automated organizations tend to have faster payment cycles compared to manual organizations. Organizations that are mostly or fully automated reported an average DPO of 17 days, while organizations with partial, some, or no automation reported an average DPO of 25 days.



Average DPO
Total: 20 days
Manual: 25 days
Automated: 17 days

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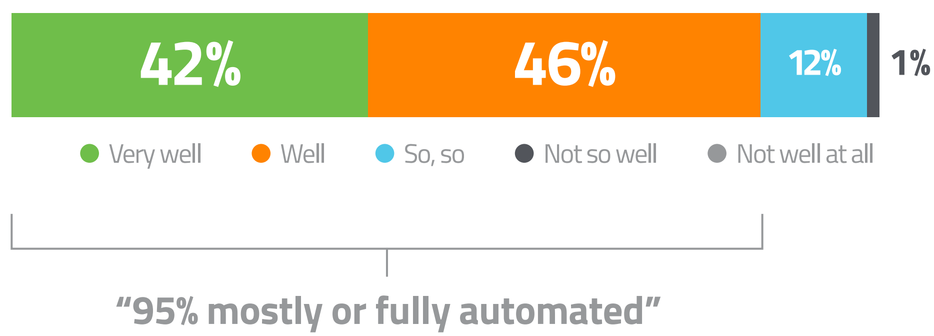
DPO AND INVOICE VOLUME

Most organizations feel their AP teams could handle an increase in invoice volume with their current processes. This is not surprising given the high levels of process automation. Of those respondents who said they could handle and increased volume of invoices well or very well, 95% were from mostly or fully automated organizations.

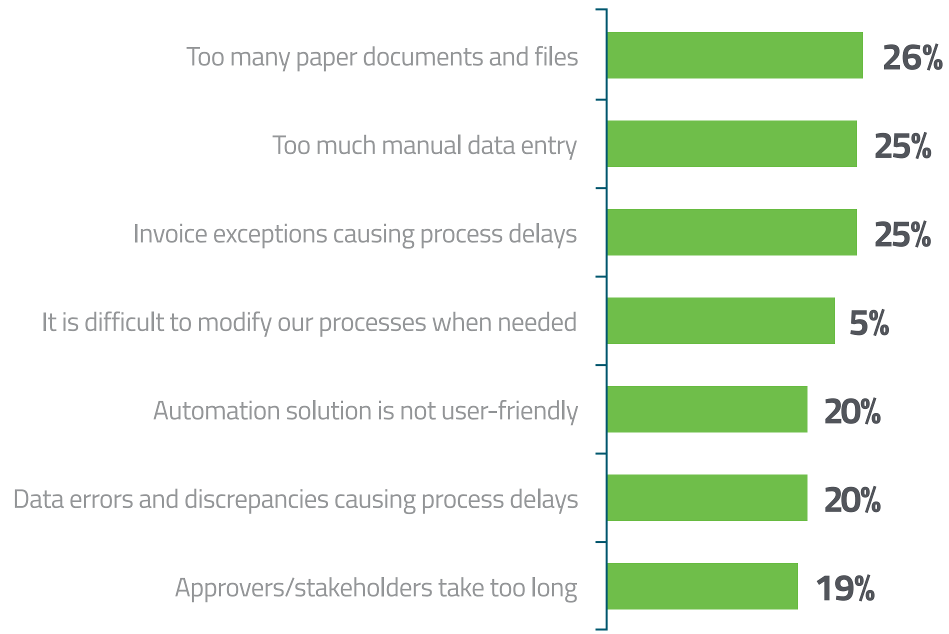
Ability to Handle and Increased Volume of Invoices



CHALLENGES

While many AP organizations are confident in their ability to handle more invoices, they continue to experience challenges. Too many paper documents and files, too much data entry, invoice exceptions and difficulties modifying processes when needed are the biggest invoice management and processing challenges. Non user-friendly automation solutions are also a key issue for organizations with mostly or fully automated AP processes.

Top Accounts Payable Process Challenges

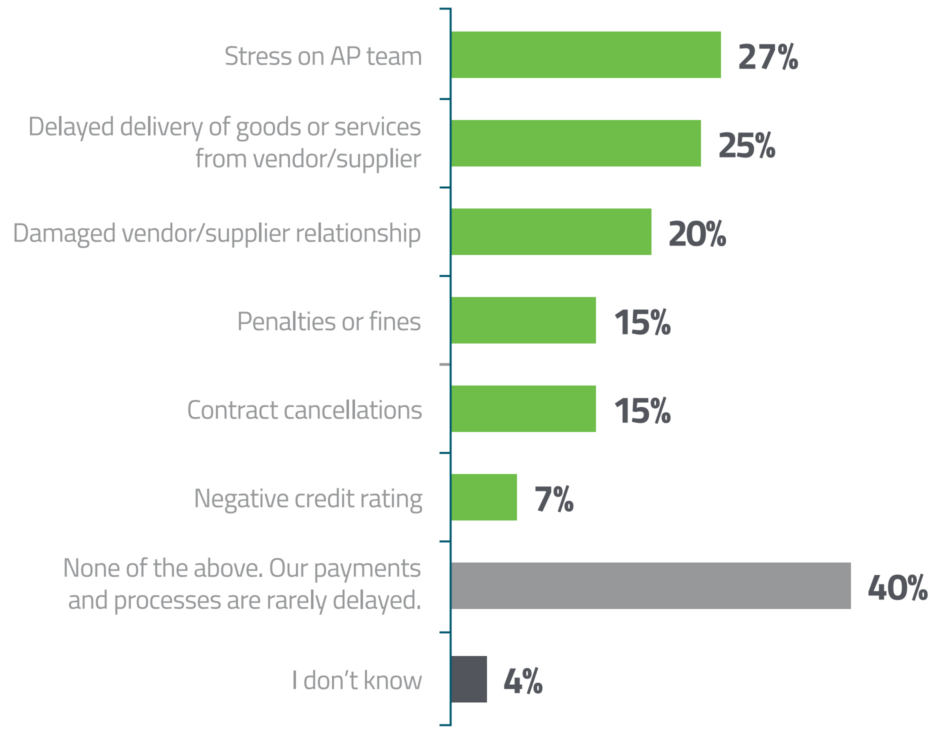


CHALLENGES

These challenges can create significant process and payment delays that negatively affect the business. When asked what issues their organization had experienced over the previous 12 months, respondents cited stress, delayed delivery of goods and services, and damaged vendor relationships as the top consequences of inefficient invoice and payment processing.

However, a significant portion of accounts payable organizations claim their payments and processes are rarely delayed. Those respondents were split equally between manual and automated organizations.

Issues as a Result of Delayed Process



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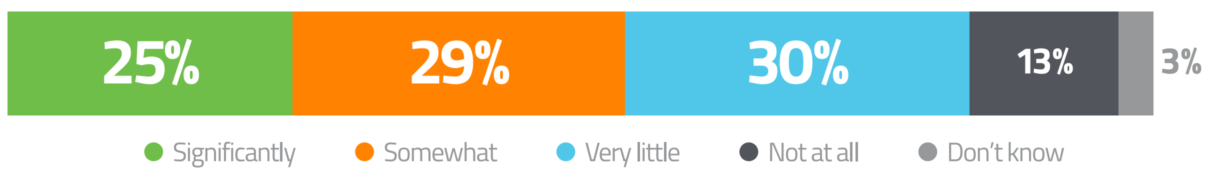
CHALLENGES

Invoice processing delays can affect financial operations beyond accounts payable, including accruals and cash flow forecasting. More than half of AP organizations say not processing invoices by their dated payment period impacts their accruals.

Organizations rely on accruals to predict future outgoing expenses and cash flow needs. When invoices are not paid in the expected period, because they are not received or not processed in a timely manner, it can affect the dollars accrued in the next period and make cash flow needs less predictable.

Accruals impacted by invoices dated for one period but received in the following or a later period that are entered and then reversed for any invalid reason.

Accruals impacted by invoices that are not received, or received but not processed, by the end of the payment period.



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VISIBILITY

Visibility is an important attribute of AP processing and cannot be understated. In addition to the information contained within each invoice, Accounts Payable professionals also highly value the ability to view aggregate information about all the invoices in process as well as corresponding documents. Invoice status and invoice due date were cited at the most important details, with 87% of respondents citing them as either valuable or very valuable in their daily work.

Invoice Information Ranked as Valuable or Very Valuable

Invoice status	87%
Invoice due date	87%
Matching purchase order for each invoices	86%
Invoice date of receipt	85%
Corresponding documents for each invoice (e.g. packing slips)	85%
Total number/dollar amount of open invoices by vendor/supplier	85%
Total number/dollar amount of invoices out for approval/in process	84%
Total number/dollar amount of open invoices by invoice type	84%
Total number/dollar amount of open invoices by month	82%
Total number/dollar amount of open invoices by process stage/status	81%
Invoice owner	79%
Notes, corrections, or modifications made to an invoice	78%

VISIBILITY

Visibility into process performance metrics is also important to AP professionals. The ability to evaluate time to payment, time to invoice approval, and workload per AP employee can highlight bottlenecks and areas for improvement to help AP organizations advance their invoice management processes. Invoice status and details, as well as these performance metrics, are highly valued by manual and automated organizations alike.

Performance Metrics Ranked as Valuable or Very Valuable

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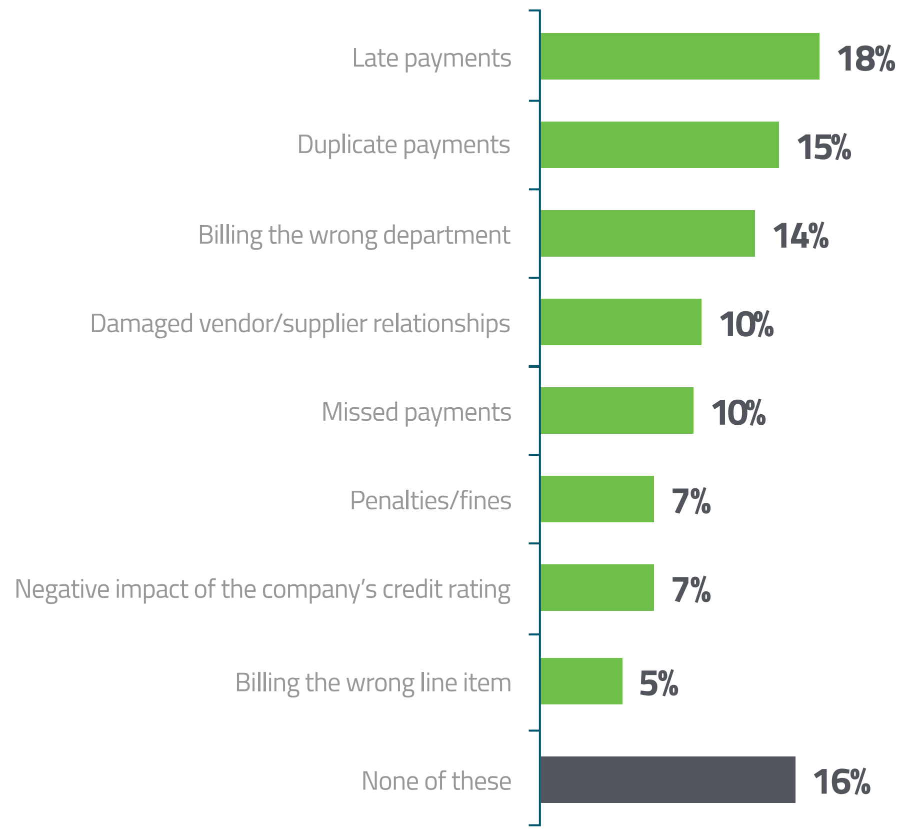
VISIBILITY

Greatest Financial or Operational Risks of Not Having an Auditable Trail of Activity



Nearly 80% of AP organizations say tracking notes, corrections and modifications made to an invoice is valuable or very valuable in their daily work. Not having that visibility into the activity surrounding an invoice can lead to questions, confusion, or mistakes that cause delays. Delays that have real costs. Survey respondents said the greatest financial or operational risks of not having an auditable trail of activity surrounding an invoice include late or duplicate payments and billing the wrong department.

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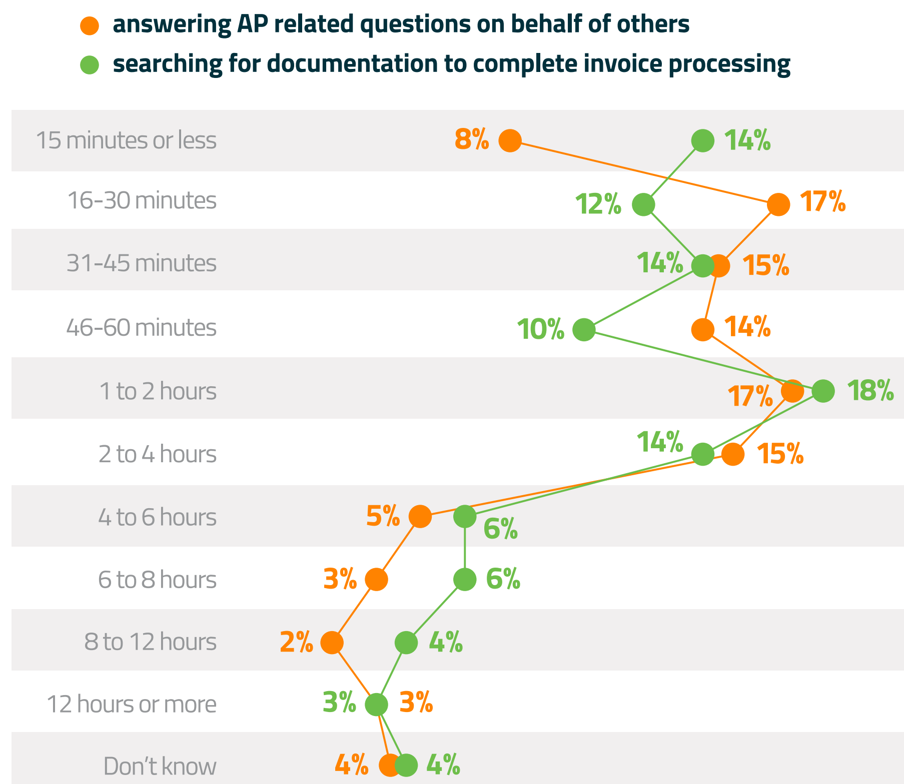
VISIBILITY

How quickly AP staff can access the information they need to respond to inquiries or resolve exceptions affects overall AP process efficiency. AP organizations must often field questions from other departments, collectors and vendors, such as the status of an invoice or payment. Additionally, they may need to reference supporting documentation for transactions and purchases, such as copy of the invoice, packing slip or check image. For most organizations, AP staff can spend up to four hours each week simply responding to outside inquiries and searching for documents.

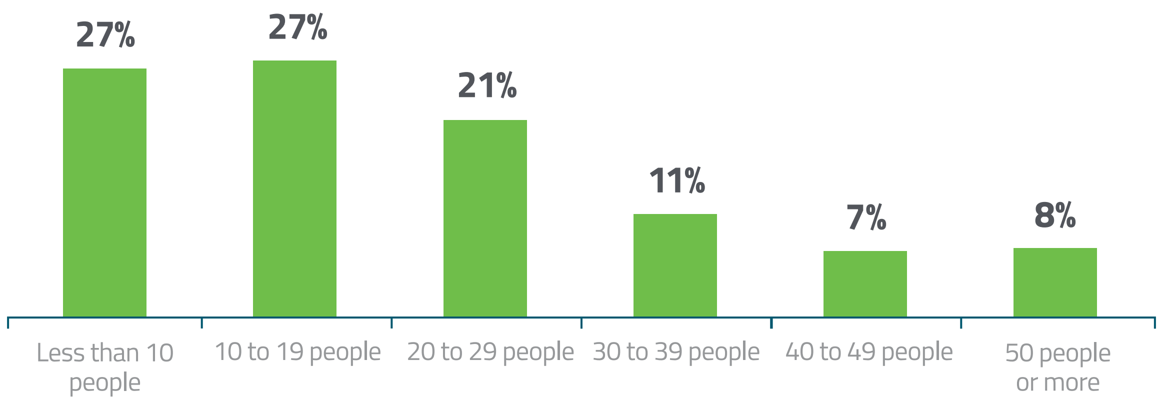
Time spent (per week) ...



CONTROL

AP professionals are often outnumbered as they process invoices for payment. The number of employees who do not work in the AP department but participate in AP processes (e.g. submit purchase order requests, review and approve invoices, etc.) can range from less than ten to more than 50.

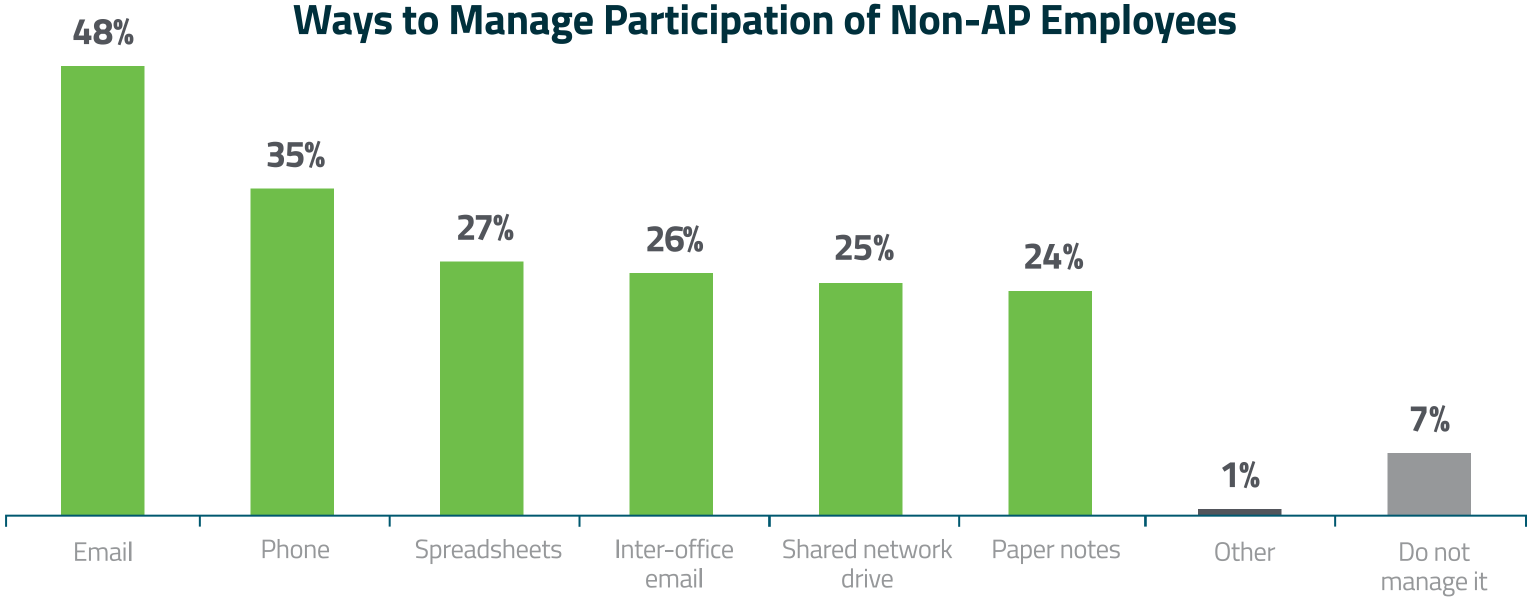
Number of Employees Outside AP involved in Invoice Management and Processing



CONTROL

Tracking and monitoring the activity of non-AP participants can be difficult without the right tools. Often, AP organizations are using inefficient methods to communicate with non-AP staff and keep the P2P process moving forward. More than a quarter of AP organizations use inter-office mail and separate spreadsheets to manage the participation of non-AP employees. Nearly half use Email.

Ways to Manage Participation of Non-AP Employees



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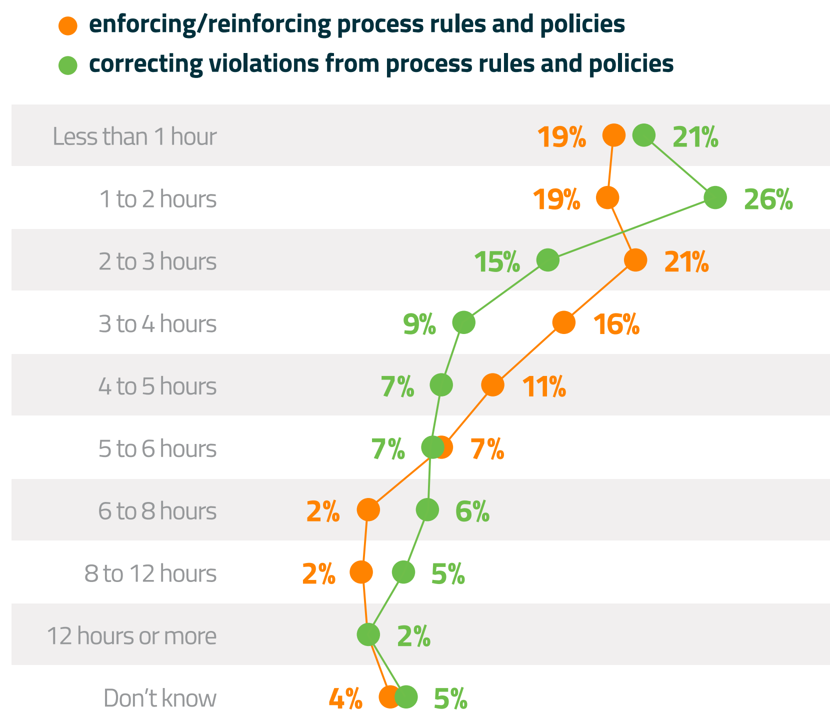
CONTROL

Whether it is how to submit purchase orders, what invoice amounts do or do not require approval, or how vendors are paid, every organization has their own rules and policies to govern their P2P process. Unfortunately, AP staff spend hours each week enforcing their process rules and policies, or correcting violations. Forty-eight percent of AP organization spend 2 to 4 hours a week enforcing invoice processing rules. Forty-one percent spend between 1 and 3 hours correcting errors.

Time spent (per week) ...



CONCLUSION

The results of our survey show that many organizations have adopted AP automation technologies, but challenges persist. Whether you are looking to automate your invoice management and payables process for the first time or augment your existing tool, use these results to benchmark the status of your current process and decide what factors are most important for your organization. **Our key takeaways from the results are as follows. ››**

1

Get on the automation bandwagon.

Automation technology is becoming the norm among AP organizations, and it is easy to see why. Fully or mostly automated AP organizations have lower DPOs and feel confident about processing higher volumes of invoices. AP automation eliminates many of the challenges that AP professionals say delay their process, like manual data entry, paper files, and human errors that create exceptions and discrepancies that must be resolved. Additionally, automation tools can provide the visibility and process control many organizations are looking for.

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CONCLUSION

2

Invoice processing delays have real consequences.

Late payments to vendors may delay the delivery of goods and services that are vital to your business operations and negatively affect your vendor relationships or contract negotiations in the long run. Delays can also affect your finance team's ability to accurately predict outgoing expenses and cash flow needs. With AP automation, you can eliminate the paper filing, manual effort, errors and exceptions that are the biggest sources of procure-to-pay process delays.

3

Visibility matters.

Easy access to basic information within each invoice is important, but AP professionals highly value insight into aggregate data about all the invoices that are currently in process. Metrics like the total dollar amount owed to each supplier, the number of invoices out for approval, as well as performance indicators like time to approval and workload per employee can help you better predict the amount to be paid each period and identify process bottlenecks. When evaluating AP automation solutions, be sure select the vendor that offers reporting tools and options that provide visibility into this valuable information.

CONCLUSION

4

AP staff spend hours each week responding to inquiries and resolving issues.

More goes into managing the payables process than approving invoices, GL coding and cutting checks – and it involves many people beyond the AP department. Most AP organizations spend hours each week addressing vendor inquiries, following up with approvers, or looking for supporting information and documentation to finish processing an invoice. This can lead to significant delays if your process is manually driven and if documents are still filed in hard copy.

5

Control is not always a given.

AP organizations spend hours each week correcting violations or enforcing the established rules and policies for invoice processing and approvals. Often they use inefficient tools like spreadsheets and shared drives to track and monitor process activity. With AP automation, you can establish a standard workflow and business rules for all employees to follow. Auto notifications let non-AP employees know when they need to take action, without AP staff having to follow up, and all activity can be tracked and audited within the automation tool so there are never questions about the status or modifications made to an invoice.

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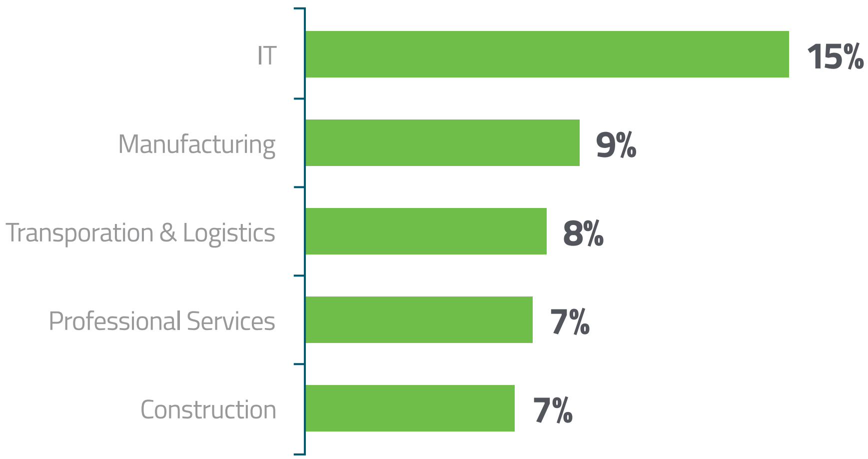
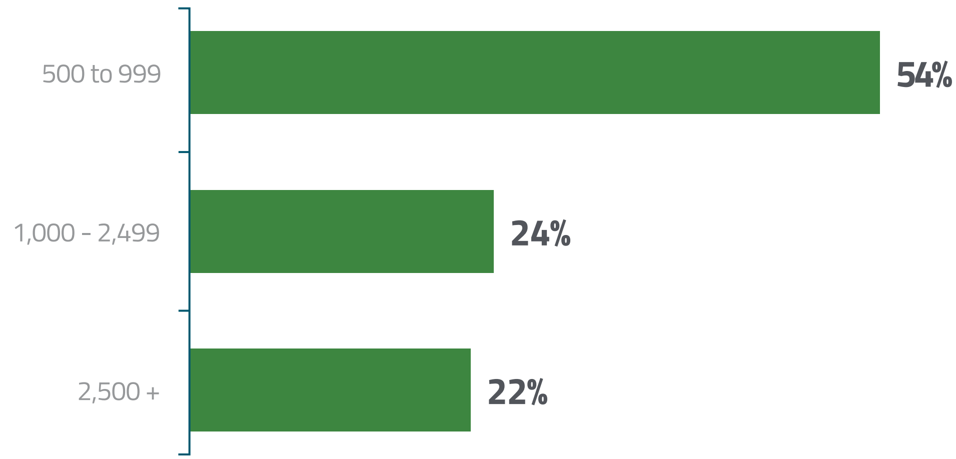
SURVEY DEMOGRAPHICS

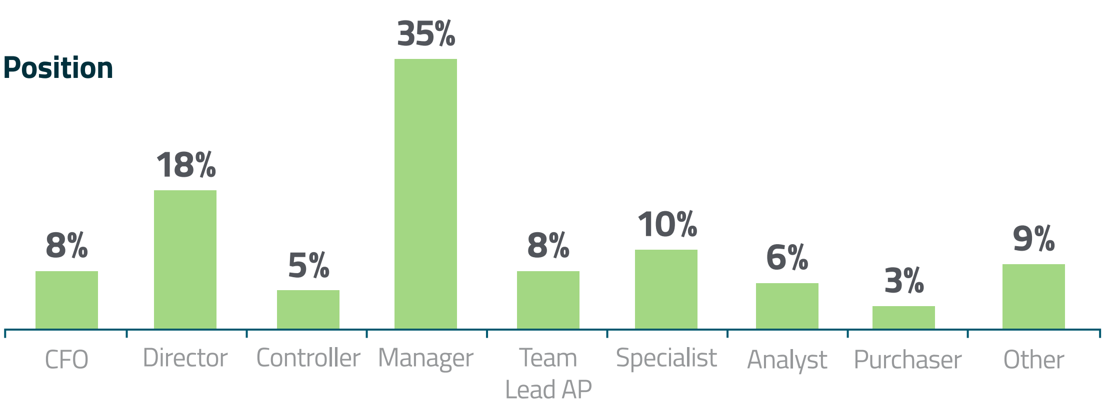
Sectors/industries - Top 5



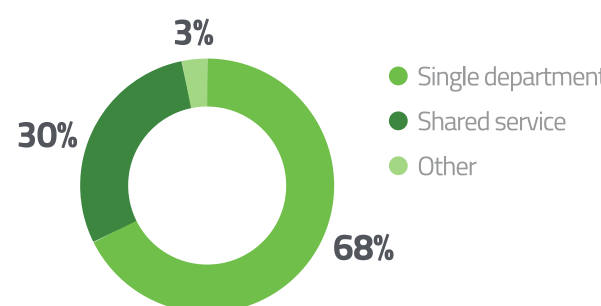
Total employees



Position



Organization of department



ABOUT HYLAND

Hyland helps more than 19,000 organizations handle their most critical content and processes with flexible, configurable software solutions. Our OnBase, Brainware Intelligent Capture and Perceptive portfolio of products simplify and automate Accounts Payable processes including invoice capture, invoice approvals, and exception handling. With Hyland, organizations connect process automation and content services with existing enterprise applications to eliminate manual data entry and centralize access to critical documents and data. Integrating Hyland products with enterprise applications provides the efficiency and agility organizations need to grow and innovate with confidence. Our industry expertise extends to organizations in Manufacturing, Retail, Healthcare, Finance, Insurance, Government, Higher Education, and more. From discovery and implementation to updates and expansions, Hyland is your partner in digital transformation.

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