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**ACCOUNTING & AUDIT**

# 4 Strategies to Manage AP in a Time of High Inflation

As inflation reaches generational highs, many organizations are looking to build more resilient businesses that can withstand rising prices and the higher cost of capital.

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*By Shan Haq.*

Most accountants and accounts payable (AP) professionals have never operated in an environment where inflation was so high that it impacted the decision-making

process. Unfortunately, in today's highly inflationary period, that's all changing. Simply put, the world is different, and organizations need to respond accordingly.

As inflation reaches generational highs, many organizations are looking to build more resilient businesses that can withstand rising prices and the higher cost of capital. One often-overlooked area to begin building this resiliency is accounts payable.

By investing in automation technology, AP teams can enact three key strategies that enable their organizations to confront today's economic realities head-on.

## **1. Optimizing Margins**

With a modern AP automation solution in place, the team gets deep, near-real-time visibility into all invoices, purchase orders, advanced shipping notices and other related documents. As a result, they're able to increase margins by taking advantage of early payment discounts. On the other hand, AP can easily withhold payments from vendors that don't offer early payment discounts until the day they're due, improving their cash position in the interim.

Additionally, AP automation can help accounting teams process invoices with fewer people. Since the technology enables teams to achieve 100% straight-through processing, they need fewer people to manage the invoicing process, even as it begins to scale. As a result, organizations can further increase margins by reducing the number of employees and, therefore, lowering payroll costs or reallocating resources to other important areas of operations.

When you invest in a powerful AP automation solution, the benefits of improved cash flow extend to suppliers too. For example, leading solutions enable suppliers to opt to receive their funds on a p-card. In exchange for faster payment, they'll have to cover merchant fees. Still, this option could be particularly desirable for suppliers that are dealing with cash flow issues of their own.

## **2. Stabilizing Supply Chains**

By implementing an AP automation solution, organizations can quickly create direct digital connections between themselves and the suppliers they rely on. As a result, both customers and suppliers benefit from the secure, accurate, fast transaction of all the documents that are sent back and forth between entities, including purchase orders, advanced shipping notices and invoices. Suppliers can send these documents

in the digital format they prefer, and the system will automatically process them without any manual intervention, creating a seamless experience for both sides.

With a digital connection established, suppliers can simply view information in a portal to track down certain information. Rather than calling the AP team to ask questions about when they can expect payment, suppliers can self-serve this information on their own schedules. Not only does this simplify things for suppliers and help them get a better understanding of their cash position, but it also makes life easier for AP teams, who no longer have to respond to repetitive inquiries about payments.

Thanks to full visibility into all invoices, AP automation helps teams ensure all suppliers are paid on time, protecting organizations from being put on a credit hold. In today's challenging environment, reliable, predictable pay could be the deciding factor between a supplier choosing to do business with you or going with someone else.

### **3. Increasing AP Efficiency**

AP automation enables accountants to save a considerable amount of time by taking repetitive manual tasks off their plates. Instead of having to spend an inordinate amount of time dealing with invoice exceptions, leading AP automation solutions can conduct two-way and three-way matching automatically.

In the event an invoice comes in that doesn't have the right information on it — maybe the purchase order number is missing or the supplier information is inaccurate — the technology will automatically analyze existing information in the system, find the correct data, and enter it into the invoice automatically. This saves the AP team a whole lot of time — and that time can then be reinvested in other important areas of operations.

In addition to eliminating invoice exceptions, AP automation also decreases the chances that errors creep into invoicing workflows. When teams are required to input invoices by hand, it's only a matter of time before a typo or other error causes a double payment, overpayment, underpayment or delayed payment. With technology processing each invoice automatically, human error is removed from the equation, which prevents staff members from having to put out proverbial fires and spend time fixing mistakes.

Add it all up, and AP automation enables accounting firms and tax professionals to operate much more efficiently, accomplishing more each day.

## 4. Keeping Inflation in Check With AP Automation Technology

Today, every organization faces a challenging economic climate. Instead of letting reality prevent your clients' business from reaching its full potential, view the turbulence as an opportunity to improve the business by baking more efficiency into critical workflows.

Though it might not be the first place that pops into your mind, AP is a great department to start cleaning up first because it's where you'll get the most bang for your buck. After automating AP, you'll be in a much stronger position to weather the current economic storm, and you'll be on incredibly solid ground and well-positioned to knock it out of the park when we emerge on the other side.

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