AP Automation Adoption is Growing, But Obstacles Still Exist

AP automation enables companies to significantly shorten the invoice-to-payment cycle, pay vendors more quickly, and strengthen critical supplier relationships.

Jan. 09, 2023

By Matt Friend.
Since the pandemic AP teams have been under pressure to increase efficiencies and handle a larger workload, despite staffing issues. In MineralTree’s seventh annual State of AP Report, the number of AP teams processing over 500 payments each month has grown by seven percentage points over the past year, affecting nearly one-quarter of companies. At the same time, there is a shortage of qualified candidates, with more than half (54%) of finance leaders expecting hiring issues and delays.

Additionally, with more employees working in hybrid or remote environments, tracking down people to review invoices and authorize payments has become more time-consuming for AP teams. Supply chain disruptions have added to the inefficiencies, causing challenges and delays in invoice processing, payment and reconciliation.

In today’s environment it’s no longer feasible for teams to process AP manually, which is problematic even under the best of conditions. It’s simply too costly, time-consuming and error-prone, often resulting in delays, late payments and penalties. This is particularly troublesome now; 84% of vendors in the State of AP survey note that they are most concerned about getting paid quickly, and in the midst of supply chain volatility, vendor satisfaction is essential to assuring steady access to critical goods and supplies.

**Automation is the answer, and obstacles can be overcome**

Fortunately, AP automation can overcome these challenges, and many finance leaders realize how critical it is to operations. By increasing efficiency, accuracy and speed, AP automation not only plays a vital role for AP teams, but it also addresses vendors’ top concern for fast payment. It also offers greater visibility and security.

In fact, in the MineralTree survey, respondents ranked AP automation as the number one back-office digitization priority – ahead of AR, expense management, close management, forecasting, treasury management, and other key functions.

Despite finance leaders’ desire to digitize and the many advantages automation offers, there are still barriers impeding broader adoption. The top one is inertia – fueled by the misperception among holdouts that their current manual practices are adequate despite the delays, cost and inefficiencies. Forty-two percent of finance leaders surveyed believe that their current practices are working, ranking much higher than other obstacles, such as the scarcity of technical resources and ERP integration issues (20%), budgetary limitations (16%), lack of a clear business case and ROI (12%), and the absence of executive sponsorship (9%).
This inertia can be overcome with a change of mindset. By recognizing the inefficiencies of their manual AP processes, and understanding how automation offers a better way forward, finance leaders can benefit from faster, more cost-effective AP processing.

**Together, suppliers and buyers can conquer payment barriers**

Electronic payments (ePayments) play a key role in AP automation by enabling additional cost savings and discounts, faster payments, increased security and fraud protection, and improved vendor relationships. By using virtual cards, AP teams can also earn valuable cash-back rebates.

Of course, businesses need their vendors to accept ePayments to gain those advantages. Fortunately, most vendors (82% of respondents in the *State of AP* survey) want to receive more ePayments. They are looking to take advantage of faster payments (85%), processing efficiency (79%), improved remittance (44%), cost savings (39%), and increased security and fraud protection (38%).

With both AP teams and vendors on board, it should be a no-brainer for companies to digitize payments. Yet, here adoption is also impeded by misperception. In this case it’s the buyers’ and suppliers’ mistaken belief that the other party is unwilling to move ahead. Fifty-seven percent of finance leaders cite vendors’ unwillingness as the top obstacle to increasing the use of ePayment, while 63% of vendors say it’s the other way around. Overcoming this roadblock seems a simple matter of communication.

Another barrier to ePayment adoption is AP teams’ capacity to contact and enroll vendors. This can be easily overcome by using managed services from AP solution providers, which handle vendor enrollment and respond to incoming payment inquiries, while providing ongoing vendor support.

**Adoption is increasing, but there’s still room for growth**

The good news is that, despite these obstacles, AP automation has nearly doubled over the past year. In 2022, 63% of companies automated some aspects of their AP processes, compared to just 32% in the previous year, according to the *State of AP Report*. The key digitized tasks include, invoice approval workflow (71%), invoice capture and coding (63%), payment execution (58%), payment authorization (57%), PO matching (30%), consolidated reporting (21%), and vendor enrollment (15%).
Thanks to automation, AP teams are able to do more with fewer resources. Sixty-one percent are processing more invoices and payments using the same-sized team; and some are reallocating staff time to other projects, such as supplier relations, and data analysis, while others are deploying freed-up resources in other ways.

Yet, there is still plenty of room for growth. Only 22% of companies have fully automated their AP processes. The rest are missing out on the synergies that come with end-to-end automation, including greater efficiency, cost and time savings, accuracy, and security. Invoice-to-pay automation also provides full visibility cross all invoices and payments, so teams can identify processing roadblocks, improve cash flow management, and uncover discount opportunities.

AP automation is mutually beneficial for AP teams and vendors. It enables AP to keep up with growing number of invoices, despite labor challenges, and gain insight to strategically manage cash flow and spend. Thanks to more timely, accurate payments, vendor satisfaction increases, which is critical in today’s climate of supply chain volatility. AP automation is on the rise and those that move quickly and automate fully will be able to work smarter, not harder — gaining faster ROI, while optimizing efficiencies, cost savings and so much more.

>>>>>>>

Matt Friend is Vice President of Product & Program Management at MineralTree, a company focused on creating frictionless accounts payable (AP) and payment processes. Matt has extensive, hands-on experience helping finance and operations teams automate their back-office business processes.

Accounting • Firm Management • Technology

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved