

THE FUTURE OF AP: ARE YOU PREPARED FOR WHAT'S NEXT?



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THE FUTURE OF AP: ARE YOU PREPARED FOR WHAT'S NEXT?

In the next three years, accounts payable (AP) will play a far more strategic role, according to a multi-year study conducted by IOFM and Esker.

Three years ago, IOFM and Esker teamed up to ask more than 200 companies to forecast the future of AP. In early 2020, we followed up. The results point to seismic changes for AP teams.

AP staff will have to adjust how they do what they do, putting extra pressure on AP leaders to manage through an unprecedented pace of change.

Here are the two key takeaways:

- Organizations are increasingly demanding real-time visibility into expenses.
- To meet this need, AP leaders will boost their team's efficiency by implementing automated workflows and faster payment options.

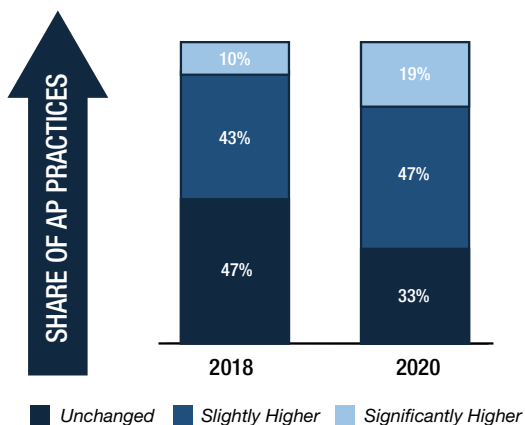
Strategic Role of AP:

Why & How Your Job Will Change By 2023

Three years ago, only 1 in 10 AP leaders anticipated their team's role was going to become more strategic. That share has now nearly doubled. And on the flip side, those that anticipated no change has dropped — from nearly half to just one-third.

Figure 1. AP's Strategic Role

Three-Year Forecast: AP's Strategic Role Change



This is a massive change. AP departments have largely flown under the radar. A common refrain from senior finance leaders is that “a good AP department is like a baseball umpire; they’re doing their job when you don’t know they’re there.”

The perception of the AP function was that it was simply a cost of doing business — like HR, IT and other back-office functions. If bills got paid on time, and there’s no material penalties or regulatory issues, strategic leaders inside organizations didn’t want to be bothered.

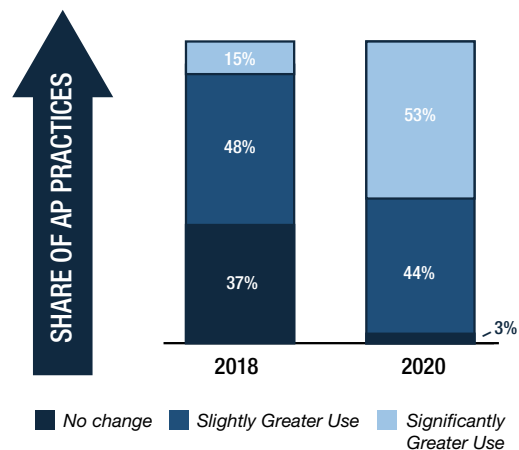
So, what's changed?

The broader business enterprise increasingly sees value in AP's data. Three years ago, barely 1 in 7 (15%) AP leaders expected significantly greater use of AP's data by the broader business. In our most recent survey, more than half of all AP leaders now share that opinion.

Almost all (97%) AP leaders now expect at least slightly greater use of AP's data by the enterprise — up from less than two-thirds of respondents just three years ago.

Figure 2. Enterprise's Use of AP Data

Three-Year Forecast: Enterprise's Use of AP Data

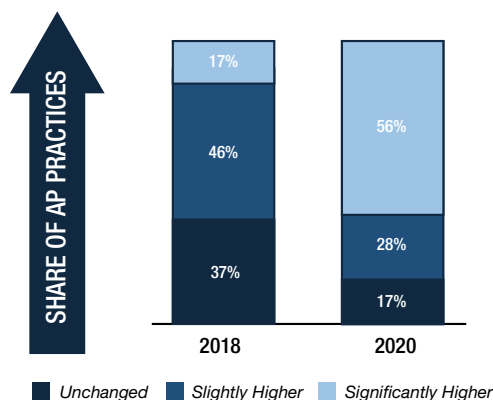


AP is the only function inside an organization that sees how every non-payroll dollar gets spent. This means that your payables team is sitting on a treasure trove of actionable insights. And business leaders are starting to wake up to this realization.

Senior finance leaders are discovering that lack of real-time visibility into expenses is a drag on the business — not just an AP inefficiency.

Figure 3. Demand For Real-Time Visibility

Three-Year Forecast: Demand For Real-Time Visibility



For example, IOFM is increasingly hearing about conversations in which AP is being pulled into strategic conversations to discuss extending customers' credit terms. The meetings go something like this:

Sales Director: "I have a big client who wants to buy a lot of our products and at our asking price. The catch is the customer wants to pay us over six months, instead of 30 days. Can we afford that?"

Controller: "AR, what's our cash position going to look like over the next six months? AP, what are our expenses going to look like?"

AP Director: "Honestly, I have no idea. We have no visibility into invoices until the money is already spent. We rarely get the invoices before they're due. I can't begin to answer the question."

Controller: "If we do this right, we're talking about creating a competitive advantage for our business; but if we're wrong, it could bankrupt us. What do you need to answer the question?"

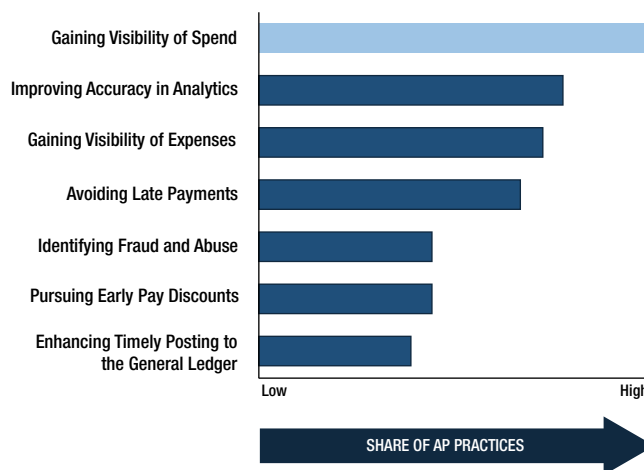
It's a deceptively simple question because the answer will fundamentally change the role, the job, and the processes of AP.

Part of the reason it's such a complicated question is that the motivation for improving AP performance is more than gaining visibility into spend. While that's the top issue, according to our survey, several other factors score highly, including improving accuracy in analytics and gaining visibility of expenses.

What's important to note is that the top drivers of AP efficiency are goals of the broader business — not just improvements to AP for the sake of improving AP.

Figure 4. Top Motivations For Improving AP Efficiency

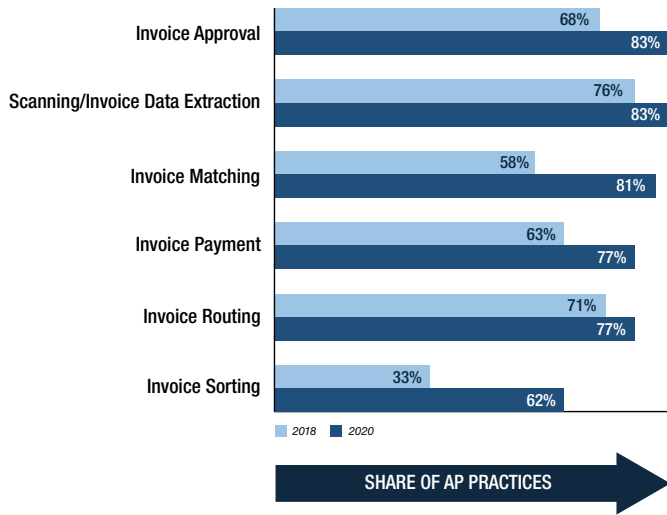
Key Motivations for Boosting AP Efficiency: Beyond Improving Visibility



To achieve these goals, AP departments expect to make significant investments in AP automation. Three years ago, just over 6 in 10 AP functions expected to automate parts of their AP workflow; now more than 8 in 10 are anticipating those investments in the next three years. The only laggard is in invoice sorting — but even there the share of AP leaders expecting to invest in that stage has nearly doubled in just the last 36 months.

Figure 5. AP Automation Targets

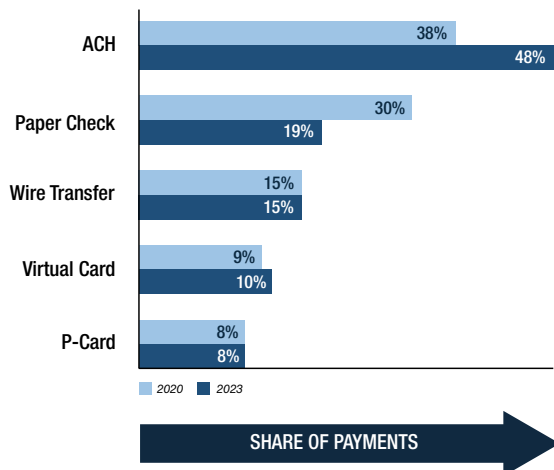
Where AP Departments are Investing



AP leaders also share that they anticipate a significant change in how they make payments. Over the next three years, AP leaders expect that the use of ACH payments will increase by about 10 percentage points — accounting for about half (48%) of all payments. That increase nearly parallels the anticipated decline in the use of paper checks (down 11 percentage points, from 30% to 19%).

Figure 6. Forecasted Utilization of Payment Types

ACH Will Increasingly Replace Paper Checks by 2023



How to Get Started:

Preparing Your People & Processes for Change

Changes this significant will not happen overnight — nor should they. The best way to guarantee failure is to try to force this much change into a department not ready to accept it.

As part of IOFM and Esker’s research, we analyzed where each of the respondent organizations are on their process improvement journey. We split the participating organizations across three levels:

Level 1:

The first stage of process maturity is typically defined by everyone doing their own thing. Imagine a crew team in which everyone is rowing hard, but at different speeds and in different directions. The team isn’t going to progress, though not for lack of effort.

Level 2:

The next stage in the evolution can be described as everyone doing the same thing. There’s a plan and everyone in AP is generally working toward the same goals. Though it’s unclear if it’s the right goal.

Level 3:

As this stage, everyone is doing the right thing. You’ve got AP and Procurement aligned around the same mission, there’s a single process owner setting priorities, and there are metrics in place to manage team performance.



At each level, it's important to consider the following characteristics:

- **Strategic Alignment** — Is there a single, consistent vision of the future state?
- **Ownership & Accountability** — Is there a single owner who is authorized to change, communicate and enforce changes to the process?
- **Process Visualization** — Can you “see” the process? Are there standard definitions for every step? Are the steps ordered and mapped? Are the inputs and key knowledge gaps defined?
- **Change Management** — Do you have a plan to change the hearts of minds of those implementing the process? Are they sold on why you are changing how they do their jobs?
- **Measurement & Controls** — Is there a measurement and benchmarking system in place to track progress and control for unintended consequences?

Figure 7. Levels of Process Maturity

	Level 1	Level 2	Level 3
Strategic Alignment	Decentralized, Highly Siloed	Centralized, Partially Siloed	AP & Procurement Aligned
Ownership & Accountability	Policies Are Set at Local Office Levels	AP & Procurement Owners Are Different	Single P2P Process Owner
Process Visualization	Processes Are Ill-Defined, Implicit	Some Processes are Mapped	Consistent Use of Maps, SIPOCs, etc.
Change Management	Limited Benchmarking Conducted	Some Measures Are in Place, Limited Value	KPIs Help Drive Management Decisions
Management & Controls	Why Change?	We Ought to Change, But How?	Change is Embraced

The survey respondents were asked to assess the maturity of their process management approach as a baseline to know to what extent they are ready for the changes they forecast. Most organizations self-identified as being late Level 1 to early Level 2.

The key questions for you to consider are:

1. What's your current level of process management maturity?

These levels are sequential, and if you've jumped ahead in one area (you've mapped all processes), but lag in other areas (ownership for Procure-to-Pay (P2P) process is split between an AP Director and a Procurement Director — potentially leading the larger P2P team to different goals and definitions of success) you may want to pause before progressing. A weak process foundation will only be exacerbated by change.

2. How mature does your process management approach need to be?

There's no law that says you must be at Level 3 across the board to successfully maximize investment in automation. Ask yourself, what's the minimum level of maturity we need to accomplish each step of your plan?

The biggest takeaway from this study is that change isn't an option; it's coming whether you and your team are ready or not.

Top-performing AP teams will be prepared for the changes by knowing why and how their roles are forever shifting and will begin forming a plan to get there.

	Level 1	Level 2	Level 3
Strategic Alignment	Current Performance	→	
Ownership & Accountability	Current Performance	→	
Process Visualization	Current Performance	→	
Change Management	Current Performance	→	→
Management & Controls	Current Performance	→	

About Esker

Esker is a global leader in AI-driven process automation software. Esker's cloud-based solutions are compatible with all geographic, regulatory and technology environments, helping over 6,000 companies around the world improve efficiency, visibility, accuracy and cost-savings associated with the processing and exchange of information.

Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin.

Esker's solutions span the procure-to-pay (P2P) and order-to-cash (O2C) cycles — allowing organizations to automate a variety of different business processes that run on paper documents, including:

- Order Management: process, track and archive any customer order or claim electronically
- Accounts Receivable: streamline invoice delivery and reduce DSO with automated tools
- Accounts Payable: turn AP into a profit center with paper-free vendor invoice processing

About the Institute of Finance & Management

Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

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