Accounts Payable Efficiency Study

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The Institute of
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Operations**

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About The Institute of Financial Operations

The Institute of
Financial
Operations

The Institute of Financial Operations is a membership-based professional association serving the entire financial operations ecosystem, with a particular focus on the accounts payable and accounts receivable disciplines and the related fields of information management and data capture. The Institute grew out of the merger of four associations: International Accounts Payable Professionals (IAPP), International Accounts Receivable Professionals (IARP), the National Association of Purchasing and Payables (NAPP), and The Association for Work Process Improvement (TAWPI). Based in Orlando, Fla., with affiliates in the U.S., Canada, and the UK, The Institute serves as a global voice, chief advocate, recognized authority, acknowledged leader, and principal educator for people in financial operations. The Institute's members have access to benefits and leading-edge resources such as the award-winning Financial Ops magazine, a dynamic content-rich website, educational and networking events, online educational offerings, certification and certificate programs, career resources, and volunteer opportunities. For more information, visit www.financialops.org.

About the Sponsor

KOFAX
from Lexmark

Kofax offers an extensible, fully integrated smart process application that automates end-to-end AP operations to provide improved visibility, insight, control, efficiency and cash management. The solution provides industry-leading information capture, automated invoice processing and data entry. It includes best practice workflows for discrepancy processing, resolution, compliance and audit; as well as end-to-end analytics and secure integration to single and multiple ERPs. A secure web-based self-service portal is available for supplier invoice submission, invoice and payment status checking, communication and dispute resolution.

Kofax software and solutions provide a rapid return on investments to more than 20,000 customers in financial services, insurance, government, healthcare, supply chain, business process outsourcing and other markets. Kofax delivers these through its direct sales and service organization, and a global network of more than 800 authorized partners in more than 75 countries throughout the Americas, EMEA and Asia Pacific.

For more information visit Kofax.com

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EXECUTIVE SUMMARY

This survey set out to measure the overall efficiency of accounts payable (AP) departments at a time of historic technological and functional changes in the profession. Among our key findings:

- Half of all invoices still arrive as paper.
- Paper will represent less than one-third of all invoices that buyers receive two years from now.
- It takes most AP departments more than three days to process a paper invoice, and some AP departments take as long as 25 days to process an invoice.
- It costs most AP departments more than $3 to process a paper invoice, while some AP departments report that it costs them more than $15 to process a paper invoice.
- The majority of AP departments are centralized.
- Nearly one-third of AP departments are operating as part of a shared services center or have plans to operate as part of a shared services center.
- Most companies use purchase orders (PO) for most of their spending.
- Invoice processing cycle times and costs are the top areas AP departments want to improve in 2015.
- AP processing is more complex for the majority of organizations compared to two years ago.
- AP processing will become more complex over the next two years for the plurality of organizations.
- High paper invoice volumes and receiving invoices from multiple channels are the biggest contributors to AP processing complexity.
- The demand for real-time visibility (analytics) into the AP department's financial information has increased over the past two years for most survey respondents.
- Document imaging and electronic payments are the top improvement strategies used by survey respondents.
- Cloud technology is slowly but surely gaining traction in invoice processing, but skeptics remain.
- Document imaging and automated workflows for invoice approval are the top automation priorities of AP departments for the next 12 months.
- The timeliness of paying invoices is the most important metric to AP departments.
- CFOs and controllers are the primary decision-makers on software purchases for the AP department.

These findings represent a mixed bag for the AP profession. On one hand, the industry has made steady progress towards a touchless electronic environment. AP departments also have done a commendable job of managing invoice processing costs and cycle times in spite of stubbornly high paper invoice volumes. On the other hand, AP departments are challenged with managing multiple invoice delivery channels, while paying invoices to terms, improving Day's Payables Outstanding (DPO), and meeting growing demands for real-time visibility (analytics) into financial information.

AP departments should not count on the continued decline of paper invoices alone to move them towards their objectives. Mature (workflow) and emerging (mobile invoice capture and approval, cloud-based invoice processing, and analytics) technologies will enable AP departments to accelerate their push towards touchless processing, and to better manage AP complexities in the interim.

Survey Methodology

In cooperation with its sponsor, Kofax from Lexmark, The Institute of Financial Operations conducted qualitative and quantitative research among finance professionals into trends in AP efficiency.

The online survey was presented to AP professionals in early 2015. The survey consisted of approximately 36 questions, including some that could be answered instantly with a single mouse click and others that were more complex and likely required the survey respondent to retrieve some information. A total of 101 respondents participated in the online survey.

SURVEY RESULTS

Processing Invoices

Invoice Receipt Channels
Despite the growth of electronic invoicing, half of all invoices still arrive as paper. Roughly one-third of invoices (37 percent) arrive via e-mail, while 19 percent of invoices are sent via electronic data interchange (EDI). Supplier portals (the delivery channel for 9 percent of invoices), XML (7 percent) and fax (5 percent) are the other most common channels for receiving invoices.
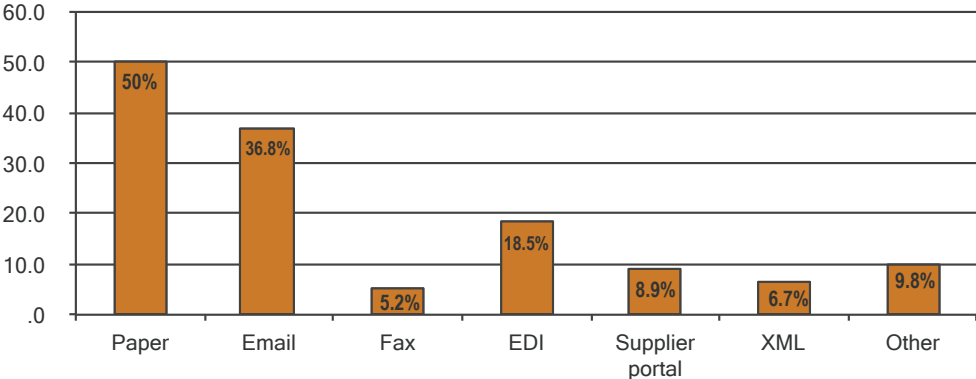
Manufacturers that responded to the survey receive 48 percent of their invoices via paper.

The organizations with more than $5 billion in annual revenues that responded to the survey receive more paper invoices than their peers. Nearly two-thirds of the invoices (65 percent) arrive as paper. EDI represents 18 percent of the invoices received by organizations with more than $5 billion in annual revenues, while e-mail and fax each represent 13 percent of their invoices.

Supplier Portal Formats
Of the respondents that receive invoices via a supplier portal, 50 percent indicated that the invoices arrive as PDF documents. Some 37.5 percent of survey respondents stated that the invoices arrive in EDI format, while 12.5 percent said they receive invoices in a comma delimited format.

Anticipated Invoice Receipt
Paper invoices are migrating to e-mail and supplier portal.

Two years from now, survey respondents expect to receive a higher percentage of invoices via e-mail than any other delivery channel. Respondents anticipate that they will receive 47 percent of their invoices via e-mail two years from now. The number of invoices that arrive via supplier portal is expected to increase by more than 400 percent, accounting for 39 percent of all the invoices received. Respondents also expect a slight uptick in the volume of invoices they receive via EDI (representing 25 percent of all invoices received two years from now) and XML (13 percent). The percentage of invoices that arrive via fax will decline slightly from current levels (4 percent versus 5 percent).

Paper will represent less than one-third (30 percent) of all invoices that survey respondents receive two years from now – a 20 percentage point decline compared to today, survey respondents predict.
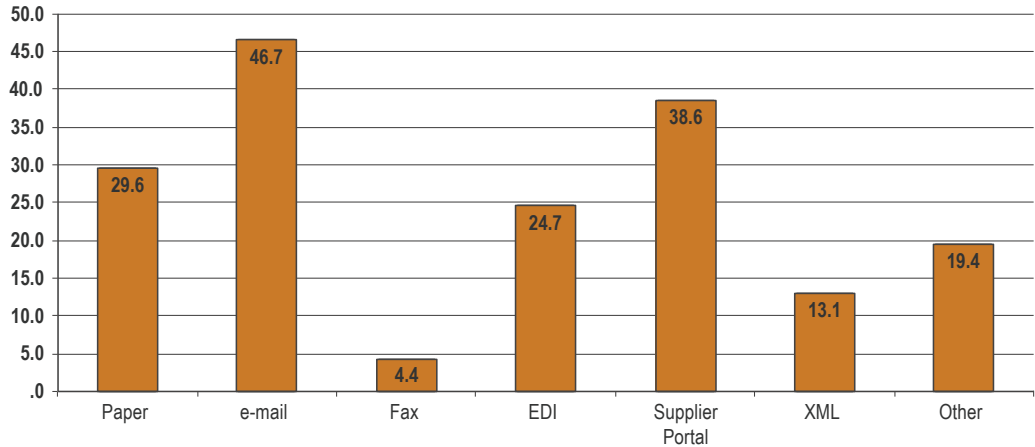
Manufacturers that responded to the survey expect to receive 66 percent of their invoices via e-mail two years from now with paper representing only 24 percent of the invoices they receive.
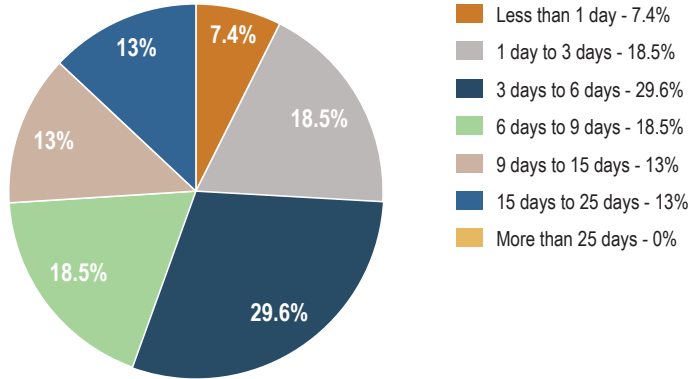
Organizations with more than $5 billion in annual revenues predict they will receive more invoices electronically via e-mail, EDI and XML, at the expense of paper invoices. These organizations expect to receive 42 percent of their invoices as paper (a hefty 23 percentage point decline from current levels), 28 percent of their invoices via e-mail, 23 percent of their invoices via EDI, and 20 percent of their invoices via XML.

Average Paper Invoice Cycle Time
It takes most AP departments more than three days to process a paper invoice.

Nearly one-third of respondents (29.6 percent) indicated that it takes their AP department between three days and six days to process a paper invoice (from receipt to approval for payment). Some 18.5 percent of respondents stated that it takes their AP department between six days and nine days to process a paper invoice, while 13 percent of survey respondents pegged their average cycle time for paper invoices between nine days and 15 days. Worse, 13 percent of survey respondents indicated that it takes their AP department between 15 days and 25 days to process a paper invoice.

On the bright side, 7.4 percent of survey respondents indicated that it takes their AP department less than one day to process a paper invoice, and 18.5 percent of survey respondents reported that it takes their AP department between one day and three days to process a paper invoice.

Less than 1 day - 7.4%
1 day to 3 days - 18.5%
3 days to 6 days - 29.6%
6 days to 9 days - 18.5%
9 days to 15 days - 13%
15 days to 25 days - 13%
More than 25 days - 0%

More than one-third of survey respondents from organizations that use automated data capture (37.5 percent) indicated that it takes between one day and three days to process a paper invoice. All other data capture users report that it takes their organization more than three days to process a paper invoice.

In general, prompt payments enable early payment discounts, eliminate late fees and reduce duplicate payments caused by suppliers re-sending overdue invoices.

Forty percent of survey respondents that represent manufacturers indicated that it takes their organization between three days and six days to process a paper invoice.
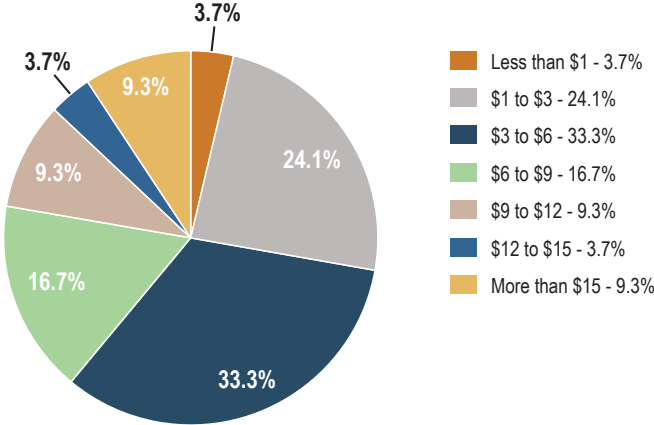
Two-thirds of survey respondents (66.7 percent) from organizations with more than $5 billion in annual revenues said it takes their AP department one to three days to process a paper invoice.

Average Paper Invoice Processing Cost
It costs most AP departments more than $3 to process a paper invoice.

One-third of survey respondents (33.3 percent) indicated that it costs their AP department between $3 and $6 to process a paper invoice. Some 16.7 percent of survey respondents reported that it costs their AP department between $6 and $9 to process a paper invoice, while 9.3 percent of respondents indicated that it costs their AP department between $9 and $12 to process a paper invoice. Worse, it costs 3.7 percent of survey respondents between $12 and $15 to process a paper invoice, while 9.3 percent of respondents spend more than $15 to process a paper invoice.

Approximately one quarter of respondents (24 percent) reported that it costs their AP department between $1 and $3 to process a paper invoice, while 3.7 percent of survey respondents stated that it costs their AP department less than $1 to process a paper invoice (presumably with automation).

Legend:
- Less than $1 - 3.7%
- $1 to $3 - 24.1%
- $3 to $6 - 33.3%
- $6 to $9 - 16.7%
- $9 to $12 - 9.3%
- $12 to $15 - 3.7%
- More than $15 - 9.3%

Of organizations that use automated data capture, nearly two-thirds of survey respondents (62.5 percent) indicated that it costs their organization between $3 and $6 to process a paper invoice.

Automating invoice processing reduces potential error from manual entry and decreases the cost per invoice.

Fifty percent of the survey respondents from manufacturers stated that it costs their organization between $3 and $6 to process a paper invoice. Thirty percent of the survey respondents from manufacturers reported that it costs their organization between $6 and $9 to process a paper invoice.

Among survey respondents from organizations with more than $5 billion in annual revenues, 33.3 percent indicated that it costs their AP department between $1 and $3 to process a paper invoice, 33.3 percent stated it costs their AP department between $3 and $6 process a paper invoice, and 33.3 percent reported that it costs their AP department more than $15 to process a paper invoice.

AP Operations

AP Department Structure

Nearly two-thirds of survey respondents (63 percent) indicated that their organization's AP department operates as a separate, centralized department. Additionally, nearly one quarter of survey respondents (24 percent) stated that their organization's AP department operates as part of a shared services center. Thirteen percent of respondents said their organization's AP department operates as part of a regional shared services center, while 11.1 percent of AP departments operate as part of a global or multi-regional shared services center.


- Decentralized, reporting to the business units - 5.6%
- Separate, centralized department - 63%
- Part of a regional shared services center - 13%
- Part of a global/multi regional shared service center - 11.1%
- Other - 7.4%
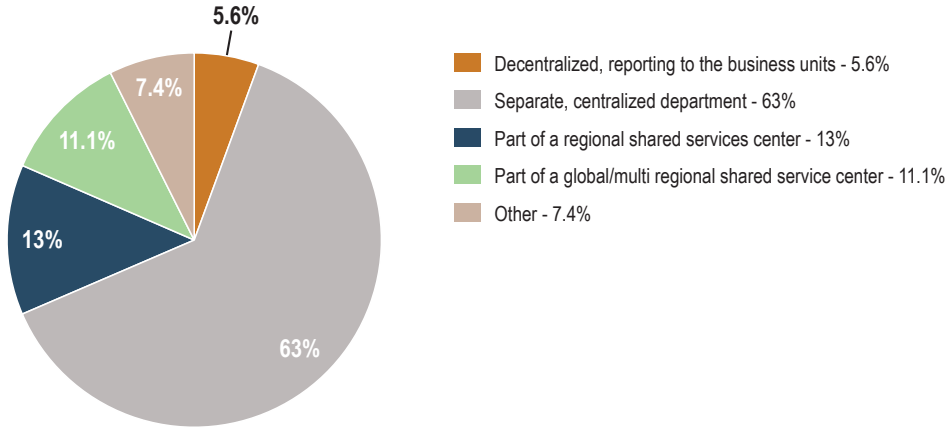
Only 5.6 percent of respondents indicated that their organization's AP department operates as a decentralized entity reporting to individual business units. Some 7.4 percent AP departments operate under other models, including a "hybrid" model where non PO-based invoices are processed in a decentralized manner and PO-based invoices are processed in a centralized manner. One survey respondent indicated that their organization's corporate finance department handles all payables functions, while another respondent stated that their organization does not have a formal AP function.

Fifty percent of the survey respondents from manufacturers indicated that their AP department operates as a separate centralized department. Forty percent of respondents from manufacturers stated that their AP department operates as part of a regional or global shared services center.

Among survey respondents from organizations with more than $5 billion in annual revenues, 66.7 percent indicated that their AP department operates as a separate, centralized department and a third of AP departments operate as part of a regional shared services center.

Shared Services

Nearly one-third of AP departments are currently operating as part of a shared services center or have plans to operate as part of a shared services center. Approximately one quarter of survey respondents (24 percent) reported that their organization's AP department operates as part of a shared services center, while an additional 3.7 percent of survey respondents stated that their organization's AP department is part of a mature shared services center. Some 5.6 percent of survey respondents indicated that their organization's AP department is planning to operate as part of a shared services center.
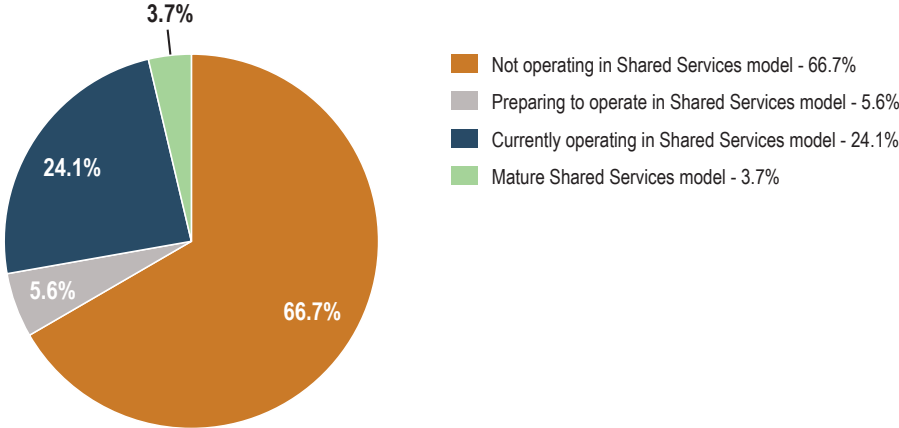

Two-thirds of survey respondents (66.7 percent) stated that their organization's AP department does not operate as part of a shared services center, and is not planning to operate as part of one.

Among survey respondents from organizations with more than $5 billion in annual revenues, 66.7 percent indicated that their AP department currently operates in a shared services model.

Use of Purchase Orders

Most companies use purchase orders (PO) for most of their spending.

Fifty percent of respondents indicated that the majority of their spending is tied to POs: 29.6 percent of respondents stated that between 51 percent and 75 percent of their organization's spending is tied to POs and 20.4 percent of respondents reported that between 76 percent and 100 percent of their organization's spending is tied to POs. Conversely, 20.4 percent of survey respondents indicated that between 26 percent and 50 percent of their organization's spending is tied to POs and 29.6 percent of respondents stated that less than 26 percent of their organization's spending is tied to POs.
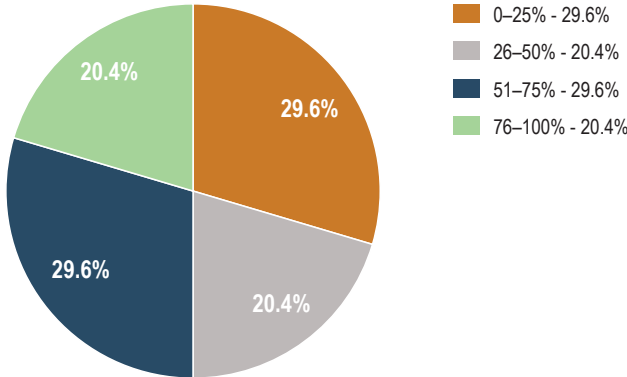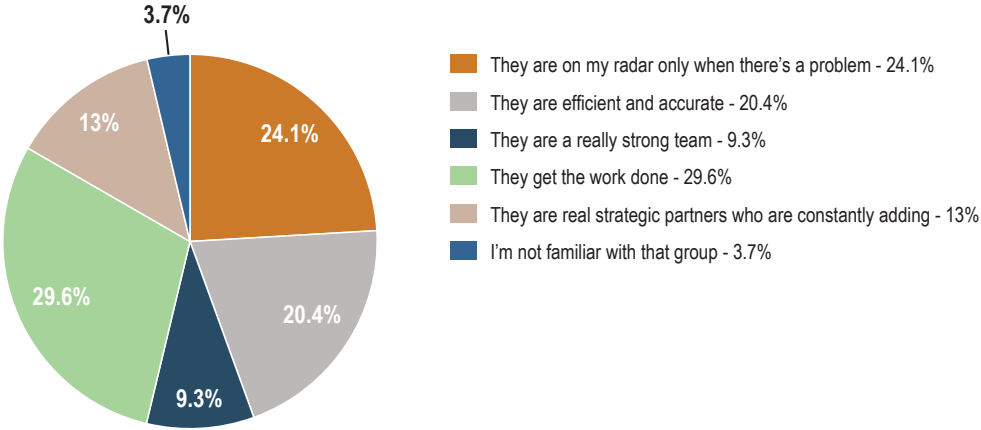
Forty percent of survey respondents from manufacturers reported that their organization uses POs for between 51 percent and 75 percent of its spend, while 40 percent of survey respondents from manufacturers stated that their organization uses POs for more than 76 percent of its spend.

Among survey respondents from organizations with more than $5 billion in annual revenues, 33.3 percent indicated that their organization uses POs for between 26 percent and 50 percent of its spend, 33.3 percent stated their organization uses POs for between 51 percent and 75 percent of its spend, and 33.3 percent reported that their organization uses POs for more than 76 percent of its spend.

Senior Management Perceptions
AP departments are reliable, but they are not a strategic partner in the eyes of senior management.

Only 13 percent of respondents stated that senior management perceives the AP department as a strategic partner that adds value. A plurality of survey respondents (29.6 percent) indicated that senior management perceives their AP department as "getting the work done," while 24 percent of respondents stated that their organization's AP department is "on senior management's radar when there is a problem." Similarly, 20.4 percent of respondents reported that senior management would describe their organization's AP department as "efficient and accurate" and 9.3 percent of survey respondents said senior management believes their AP department is a "really strong team." Some 3.7 percent of respondents believe that senior management is not familiar with the AP department.

Legend:
- They are on my radar only when there's a problem - 24.1%
- They are efficient and accurate - 20.4%
- They are a really strong team - 9.3%
- They get the work done - 29.6%
- They are real strategic partners who are constantly adding - 13%
- I'm not familiar with that group - 3.7%

Fifty percent of survey respondents from manufacturers stated that senior management perceives their AP department as "efficient and accurate." Thirty percent of respondents from manufacturers reported that senior management perceives their AP department as "getting the work done."
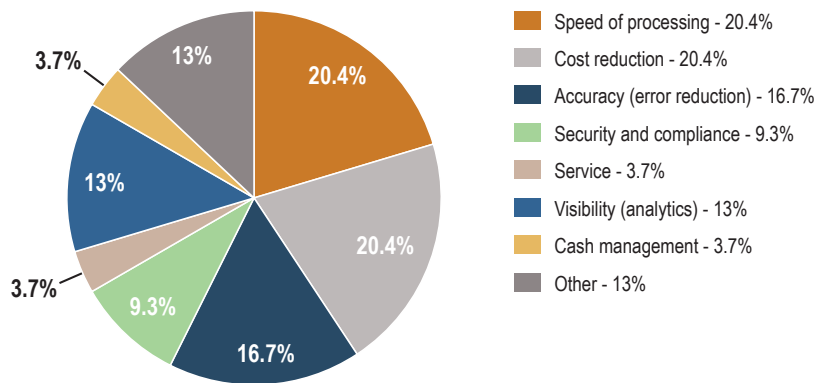
Among survey respondents from organizations with more than $5 billion in annual revenues, 66.7 percent indicated that senior management perceives their AP department as "getting the work done," while 33.3 percent said senior management believes their AP department is a "really strong team."

Top Areas for Improvement
Invoice processing cycle times and costs are the top areas AP departments want to improve in 2015.

An equal percentage of respondents, 20.4 percent, indicated that invoice processing cycle times and invoice processing costs were their organization's top areas of improvement for 2015. Accuracy was the top area of improvement for 16.7 percent of respondents. Some 13 percent of respondents identified visibility and analytics as their AP department's primary area for improvement in 2015. Security and compliance (identified by 9.3 percent of survey respondents), service (3.7 percent) and cash management (3.7 percent) rounded out the top areas of improvement for survey respondents.

Some 13 percent of respondents identified other areas of improvement such as: operating structure, data capture, electronic invoicing and electronic payments adoption, and the alignment of AP and procurement.

Legend:
- Speed of processing - 20.4%
- Cost reduction - 20.4%
- Accuracy (error reduction) - 16.7%
- Security and compliance - 9.3%
- Service - 3.7%
- Visibility (analytics) - 13%
- Cash management - 3.7%
- Other - 13%

Invoice processing costs and accuracy are the top areas of improvement for manufacturers in 2015.

Among survey respondents from organizations with more than $5 billion in annual revenues, 33.3 percent indicated that cost reduction was their AP department's top area of improvement for 2015, while 33.3 percent stated that accuracy was their AP department's top area of improvement and 33.3 percent reported that visibility and analytics was their department's top area of improvement.
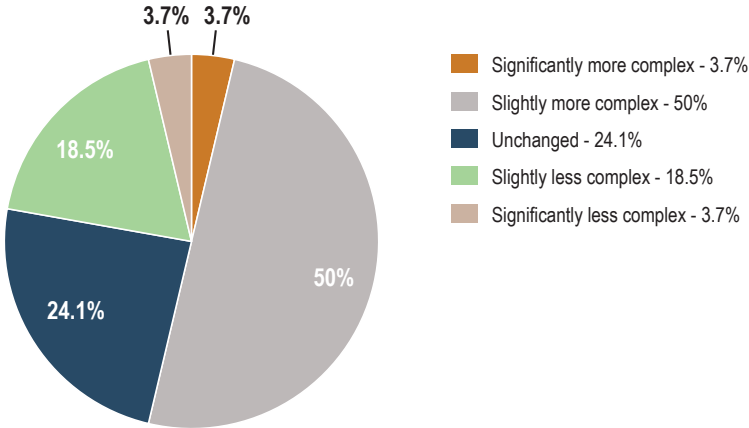
Pain Points

AP Processing Complexity
AP processing is more complex for the majority of organizations compared to two years ago.

Fifty percent of survey respondents indicated that their organization's AP processing is slightly more complex compared to two years ago, while 3.7 percent of respondents stated that their organization's AP processing is significantly more complex. Conversely, 18.5 percent of respondents reported that their organization's AP processing is slightly less complex compared to two years ago, while 3.7 percent of respondents said their organization's AP processing is significantly less complex.

Nearly one-quarter of survey respondents (24 percent) indicated that the complexity of their organization's AP processing is unchanged compared to two year ago.

- Significantly more complex - 3.7%
- Slightly more complex - 50%
- Unchanged - 24.1%
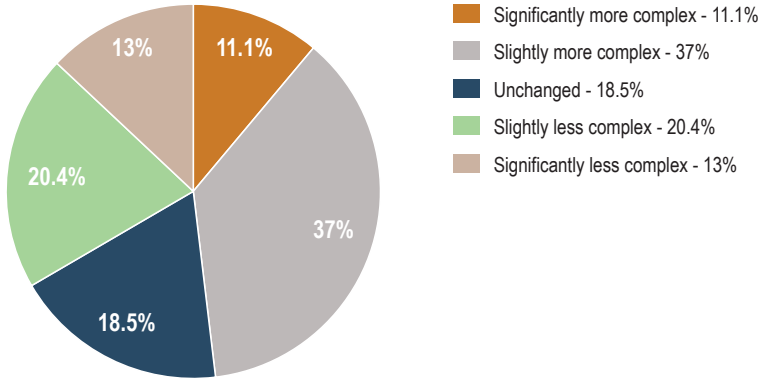- Slightly less complex - 18.5%
- Significantly less complex - 3.7%

Seventy percent of survey respondents from manufacturers reported that the complexity of their organization's AP processing is slightly more complex compared to two years ago.

Two-thirds of survey respondents from organizations with more than $5 billion in annual revenues (66.7 percent) indicated that the complexity of their AP processing is unchanged from two years ago, while 33.3 percent stated that the complexity of their AP processing is slightly less complex.

Anticipated AP Processing Complexity
AP processing will become more complex over the next two years for the plurality of organizations.

More than one-third of survey respondents (37 percent) expect their organization's AP processing to become slightly more complex over the next two years, while 11.1 percent of survey respondents anticipate their organization's AP processing will become significantly more complex.

- Significantly more complex - 11.1%
- Slightly more complex - 37%
- Unchanged - 18.5%
- Slightly less complex - 20.4%
- Significantly less complex - 13%

Conversely, 20.4 percent of survey respondents expect their organization's AP processing to become slightly less complex over the next two years, and 13 percent of survey respondents anticipate that their organization's AP processing will become significantly less complex.
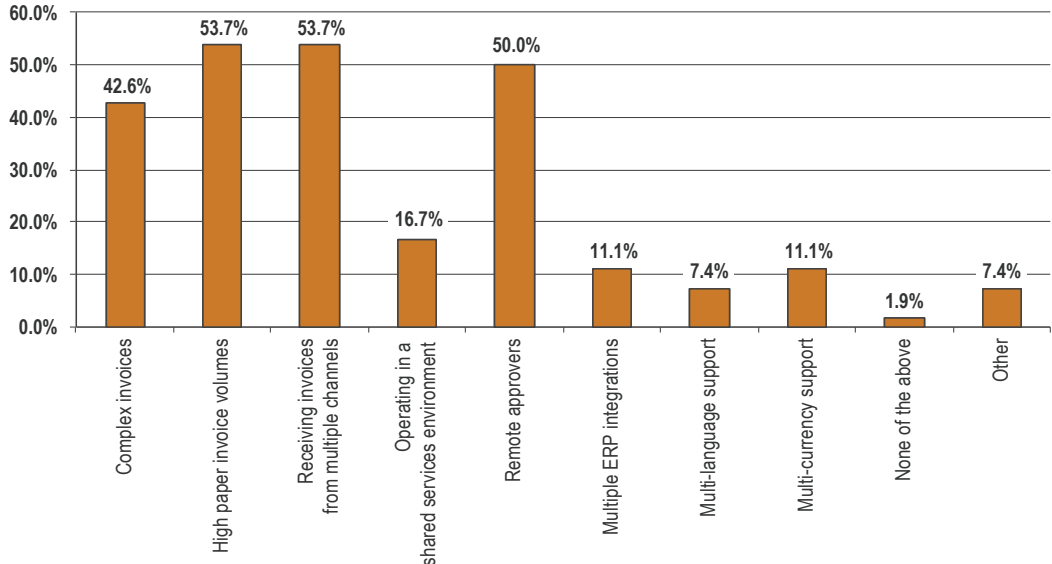
Some 18.5 percent of survey respondents don't anticipate a change in AP processing complexity.

Forty percent of survey respondents from manufacturers believe their AP processing will become slightly more complex two years from now.

Among respondents from organizations with more than $5 billion in annual revenues, 66.7 percent expect their organization's AP processing to become slightly more complex over the next two years, while 33.3 percent anticipate their organization's AP processing will become slightly less complex.

Drivers of AP Processing Complexity
High paper invoice volumes and receiving invoices from multiple channels are the biggest contributors to AP processing complexity, both identified by 53.7 percent of survey respondents.

Half of the survey respondents (50 percent) indicated that remote approvers are a contributor to AP processing complexity, while 42.6 percent of survey respondents identified complex invoices as a driver of AP processing complexity and 16.7 percent of respondents cited operating in a shared services center as a contributor to AP processing complexity. Multiple ERP integrations (identified by 11.1 percent of respondents), support for multiple currencies (11.1 percent), and support for multiple languages (7.4 percent) rounded out the top contributors to AP processing complexity.

Some 7.4 percent of survey respondents submitted contributors to AP processing complexity not listed on the questionnaire, including: purchasing department errors and sales tax administration.

Sixty percent of survey respondents from manufacturers identified complex invoices as the biggest contributor to AP processing complexity. Fifty percent of respondents from manufacturers cited receiving invoices from multiple channels as the biggest contributor to AP processing complexity.
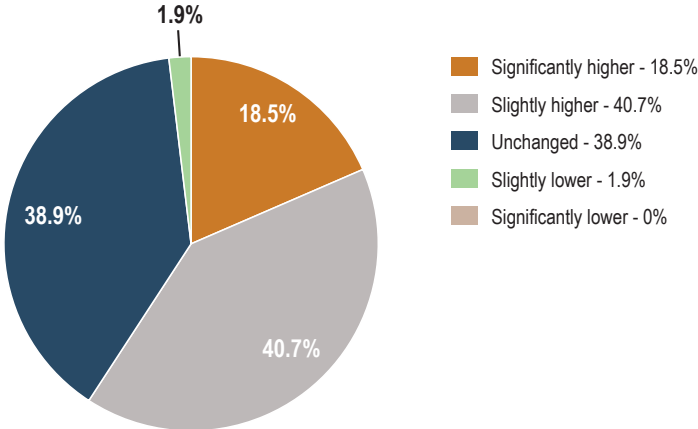
All of the respondents from organizations with more than $5 billion in annual revenues identified receiving invoices from multiple channels as the biggest contributor to AP processing complexity, while 66.7 percent cited complex invoices as the top contributor to AP processing complexity.

Real-time Visibility (Analytics)

AP generates volumes of data but its operations often suffer from a lack of information. To optimize AP performance users need to understand the productivity of staff, and the effectiveness of processes such as capture, classification, extraction, validation, number of invoices processed or awaiting action for approval or dispute resolution, and the average time it takes to process an invoice.

Next, AP departments need information and tools to optimize cash, such as which high-value invoice payments are due, which early-pay discounts are about to expire, and a forecast of AP's cash requirements for the next period. AP departments also require information about potential violations of corporate policy and procedure (e.g. segregation of duties) and potential duplicate invoices.

The demand for real-time visibility (analytics) into the AP department's financial information has increased over the past two years for most survey respondents. Some 40.7 percent of respondents indicated a slight increase in the demand for real-time visibility into their AP department's financial information over the past two years, while 18.5 percent of survey respondents reported a significant increase in the demand for real-time visibility into their AP department's financial information.

- Significantly higher - 18.5%
- Slightly higher - 40.7%
- Unchanged - 38.9%
- Slightly lower - 1.9%
- Significantly lower - 0%

Approximately one-third of survey respondents (38.9 percent) indicated no change in the demand for real-time visibility into their AP department's financial information over the past two years.

Only 1.9 percent of survey respondents indicated a slight decrease in the demand for real-time visibility into their AP department's financial information compared to two years ago.

Sixty percent of survey respondents from manufacturers indicated that the demand for real-time visibility into their AP department's financial information has increased over the past two years.

Among respondents from organizations with more than $5 billion in annual revenues, 66.7 percent indicated a slight increase in the demand for real-time visibility into their AP department's financial information over the past two years, while 33.3 percent of survey respondents reported a significant increase in the demand for real-time visibility into their AP department's financial information.

Technology Use

Improvement Strategies

Document imaging and electronic payments are the top improvement strategies used by survey respondents. Two-thirds of survey respondents (66.7 percent) indicated that their organization has deployed document imaging. Additionally, 66.7 percent of survey respondents stated that their organization uses the Automated Clearing House (ACH) Network for electronic payments, while 63 percent of survey respondents indicated that their organization uses wire transfers, 53.7 percent of survey respondents said their organization uses electronic funds transfer (EFT), and 48.1 percent of survey respondents reported that their organization uses procurement cards (p-cards). Virtual cards (programs that generate card numbers for payments) are used by 14.8 percent of respondents.
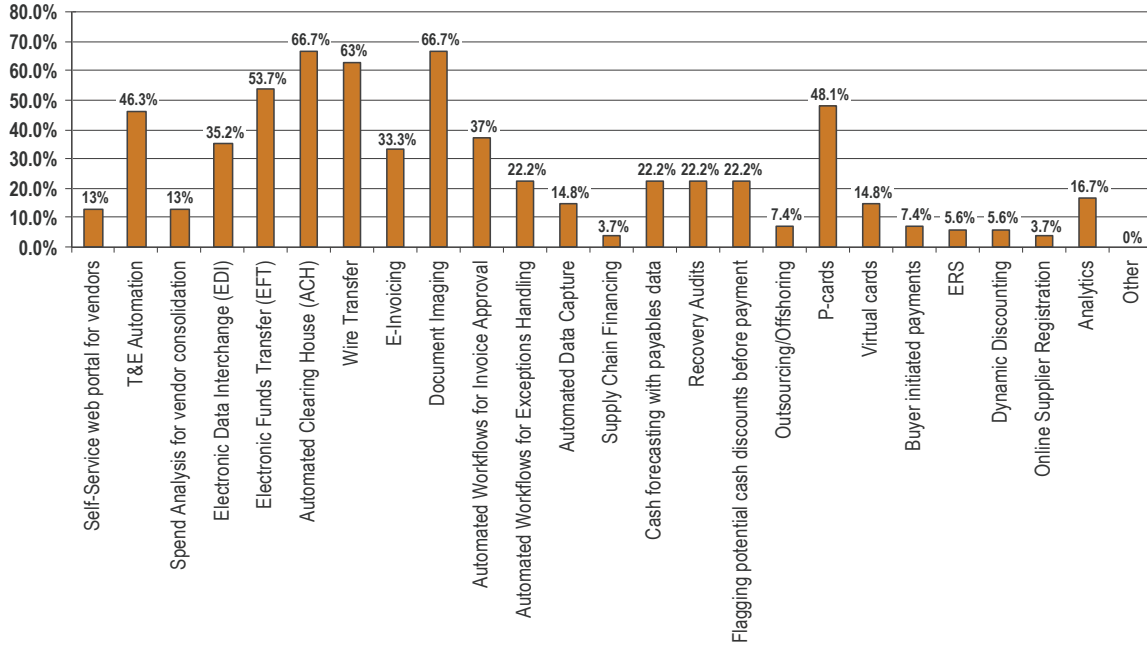
Some 46.3 percent of survey respondents stated that their organization uses automated travel and expense management software. Automated workflows for invoice approval (used by 37 percent of survey respondents), electronic data interchange (35.2 percent), electronic invoicing (33.3 percent), automated workflows for exceptions handling (22.2 percent), cash forecasting with payables data (22.2 percent), recovery audits (22.2 percent), and flagging potential cash discounts before payment (22.2 percent) were other top improvement strategies used by survey respondents.

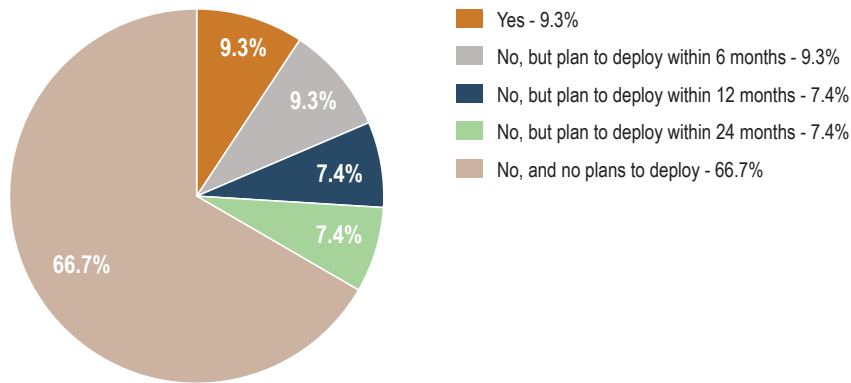Analytics tools are used by 16.7 percent of survey respondents.

Wire transfer is the most commonly deployed improvement strategy among manufacturers.

The top improvement strategies used by organizations with more than $5 billion in annual revenues include: travel and expense automation, EFT, ACH, wire transfer, electronic invoicing, and document imaging, each identified by 66.7 percent of respondents from these organizations.

Cloud-Based Invoice Processing

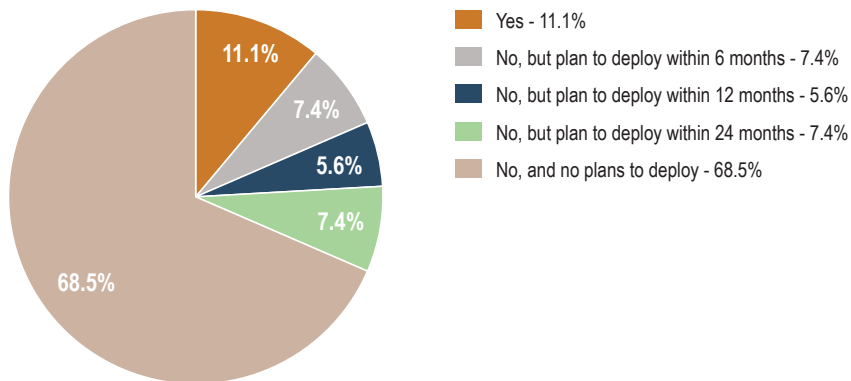Cloud technology is slowly but surely gaining traction in invoice processing, but skeptics remain.

Only 9.3 percent of survey respondents indicated that their organization has deployed cloud-based invoice processing. However, 9.3 percent of respondents stated that their organization plans to deploy cloud-based invoice processing within six months, 7.4 percent of respondents reported that their organization plans to deploy cloud-based invoice processing within 12 months, and 7.4 percent of survey respondents said their organization plans to deploy cloud-based invoice processing within 24 months. If these plans come to pass, one-third of survey respondents (33.3 percent) will be using cloud-based invoice processing within two years. Conversely, 66.7 percent of survey respondents indicated that their organization has no plans to deploy cloud-based invoice processing. None of the organizations with more than $5 billion in annual revenues use cloud-based invoice processing.

- Yes - 9.3%
- No, but plan to deploy within 6 months - 9.3%
- No, but plan to deploy within 12 months - 7.4%
- No, but plan to deploy within 24 months - 7.4%
- No, and no plans to deploy - 66.7%

Seventy percent of manufacturers have no plans to deploy cloud-based invoice processing.

Cloud-Based ERP Systems

The adoption of cloud-based ERP systems is in line with the adoption of cloud-based invoice processing. Some 11.1 percent of survey respondents indicated that their organization has deployed a cloud-based ERP system. Additionally, 7.4 percent of survey respondents stated that their organization plans to deploy a cloud-based ERP system within six months, while 5.6 percent of survey respondents plan to deploy a cloud-based ERP system within 12 months and 7.4 percent of survey respondents plan to deploy a cloud-based ERP system within 24 months. If these plans come to pass, nearly one-third of survey respondents (31.5 percent) will have deployed a cloud-based ERP system within two years. Conversely, more than two-thirds of survey respondents (68.5 percent) indicated that their organization has no plans to deploy a cloud-based ERP system. None of the organizations with more than $5 billion in annual revenues use a cloud-based ERP system.

- Yes - 11.1%
- No, but plan to deploy within 6 months - 7.4%
- No, but plan to deploy within 12 months - 5.6%
- No, but plan to deploy within 24 months - 7.4%
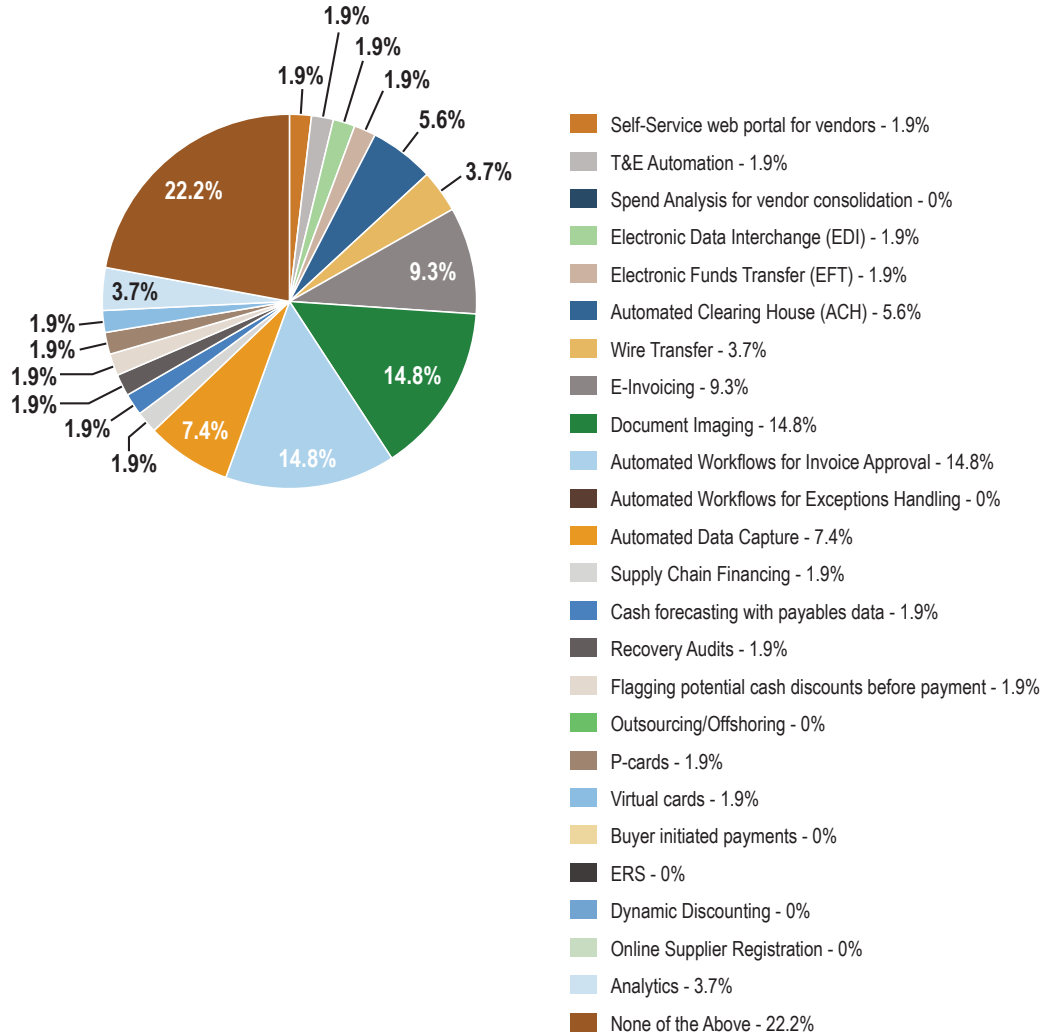- No, and no plans to deploy - 68.5%

Eighty percent of manufacturers have no plans to deploy a cloud-based ERP system.

AP Automation Priorities

AP automation solutions come in a variety of shapes and sizes, ranging from raw technology (capture, workflow) to purpose-built solutions, applied to sub-processes or the end-to-end process.

Document imaging and automated workflows for invoice approval are the top automation priorities of AP departments for the next 12 months. An equal percentage of survey respondents, 14.8 percent, indicated that document imaging and automated workflows for invoice approval are their AP department's top automation priorities. Some 9.3 percent of respondents stated that e-invoicing is their organization's top AP automation priority, while 7.4 percent of respondents said automated data capture was their AP department's top automation priority and 5.6 percent of respondents reported that deploying ACH payments was their organization's top AP automation priority. Wire transfer (identified by 3.7 percent of survey respondents) and analytics (3.7 percent) rounded out the top AP automation priorities identified by survey respondents.

Legend:
- Self-Service web portal for vendors - 1.9%
- T&E Automation - 1.9%
- Spend Analysis for vendor consolidation - 0%
- Electronic Data Interchange (EDI) - 1.9%
- Electronic Funds Transfer (EFT) - 1.9%
- Automated Clearing House (ACH) - 5.6%
- Wire Transfer - 3.7%
- E-Invoicing - 9.3%
- Document Imaging - 14.8%
- Automated Workflows for Invoice Approval - 14.8%
- Automated Workflows for Exceptions Handling - 0%
- Automated Data Capture - 7.4%
- Supply Chain Financing - 1.9%
- Cash forecasting with payables data - 1.9%
- Recovery Audits - 1.9%
- Flagging potential cash discounts before payment - 1.9%
- Outsourcing/Offshoring - 0%
- P-cards - 1.9%
- Virtual cards - 1.9%
- Buyer initiated payments - 0%
- ERS - 0%
- Dynamic Discounting - 0%
- Online Supplier Registration - 0%
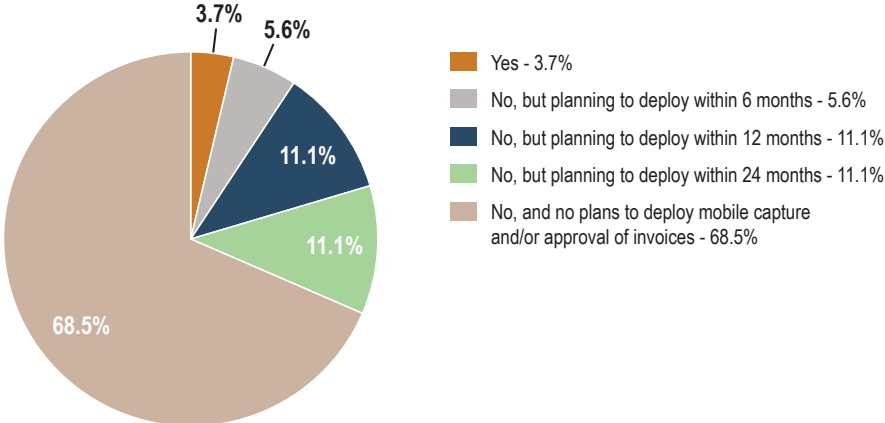- Analytics - 3.7%
- None of the Above - 22.2%

Document imaging and automated workflows for invoice approval are the top automation priorities for manufacturers for the next 12 months, followed by automated data capture and cash forecasting.

Among respondents from organizations with more than $5 billion in annual revenues, 33.3 percent indicated that travel and expense automation is their AP department's top automation priority for the next 12 months, 33.3 percent stated e-invoicing is their AP department's top priority for the next 12 months, 33.3 percent reported that automated workflows for invoice approval was their top priority.

Mobile Solution for Supplier Invoices
Mobile capture is a standout capability that improves invoice processing by removing friction. This is supported by a 2014 AIIM study, where 45 percent of companies feel that mobile capture is vitally important. More than simply taking a picture of a document with a camera, an advanced mobile capture solution perfects the image so data can be extracted accurately. This extracted data is especially important for processing invoices straight through without human operator intervention.

Legend:
- Yes - 3.7%
- No, but planning to deploy within 6 months - 5.6%
- No, but planning to deploy within 12 months - 11.1%
- No, but planning to deploy within 24 months - 11.1%
- No, and no plans to deploy mobile capture and/or approval of invoices - 68.5%

More than one-quarter of AP departments plan to deploy a mobile solution to capture and approve supplier invoices within the next 24 months. Only 3.7 percent of survey respondents currently use a mobile solution to capture and approve supplier invoices. However, 5.6 percent of respondents indicated that their organization plans to deploy a mobile solution to capture and approve supplier invoices within six months, 11.1 percent of respondents stated their organization plans to deploy a mobile solution for supplier invoices within 12 months, and 11.1 percent of respondents said their organization plans to deploy the technology within 24 months. Some 68.5 percent of respondents indicated that their organization has no plans to implement a mobile solution for supplier invoices.

Ten percent of manufacturers plan to deploy a mobile solution for supplier invoices within one year.

Two-thirds of survey respondents from organizations with more than $5 billion in annual revenues stated their AP department has not deployed a mobile solution to capture and approve supplier invoices. One-third of organizations with more than $5 billion in annual revenues said they plan to implement a mobile solution to capture and approve supplier invoices within the next 24 months.

Mobile Solution for Internal Documents
Mobile technology has achieved greater adoption for internal documents than for supplier invoices.

Nearly one-fifth of survey respondents (18.5 percent) indicated that their AP department uses a mobile solution to capture and approve internal documents such as travel and expense receipts.
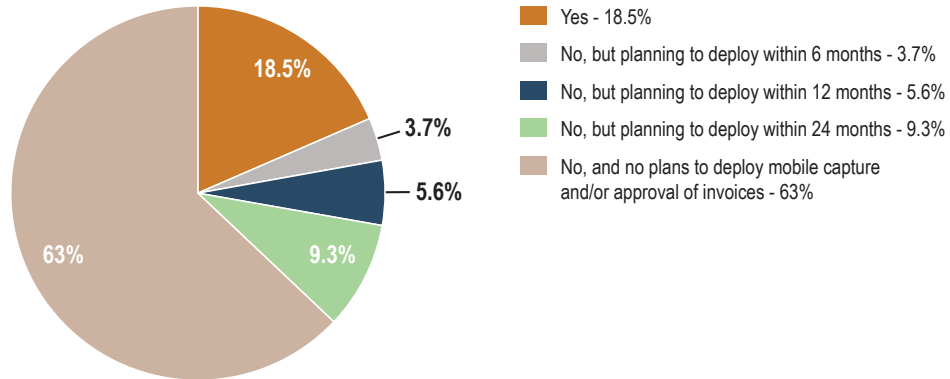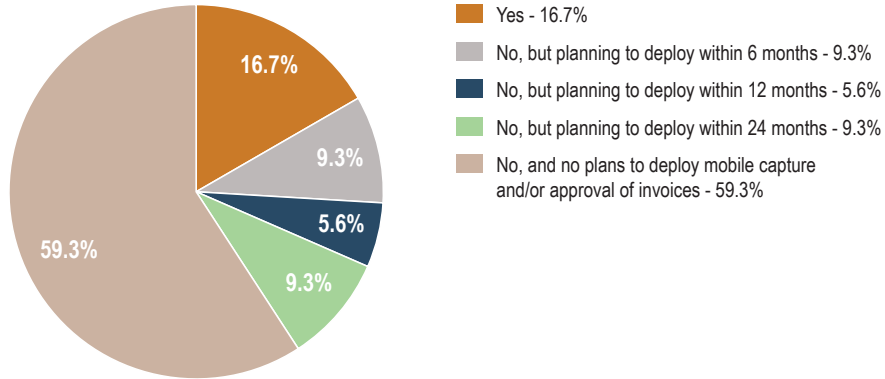

Additionally, 3.7 percent of survey respondents indicated that their AP department plans to deploy a mobile solution to capture and approve internal documents within six months, 5.6 percent of survey respondents stated their AP department plans to deploy a mobile solution to capture and approve internal documents within 12 months, and 9.3 percent of survey respondents reported that their AP department plans to deploy a mobile solution to capture and approve internal documents within 24 months. Conversely, nearly two-thirds of survey respondents (63 percent) indicated that their AP department has no plans to deploy a mobile solution to capture and approve internal documents.

Thirty percent of manufacturers currently use a mobile solution for internal documents.

Two-thirds of survey respondents from organizations with more than $5 billion in annual revenues reported their AP department has not deployed a mobile solution to capture and approve internal documents. One-third of organizations with more than $5 billion in annual revenues stated they plan to implement a mobile solution to capture and approve internal documents within 24 months.

Mobile Invoice Approval
Some 16.7 percent of survey respondents indicated that their AP department uses a mobile solution to approve invoices. Additionally, 9.3 percent of respondents stated their AP department plans to deploy a mobile solution to approve invoices within six months, 5.6 percent of respondents reported that their AP department plans to deploy a mobile solution to approve invoices within 12 months, and 9.3 percent of respondents said their AP department plans to deploy a mobile solution to approve invoices within 24 months. If these plans come to pass, 40.8 percent of respondents will be using a mobile solution to approve invoices within 24 months. Conversely, 59.3 percent of respondents stated that their AP department has no plans to deploy a mobile solution to approve invoices.
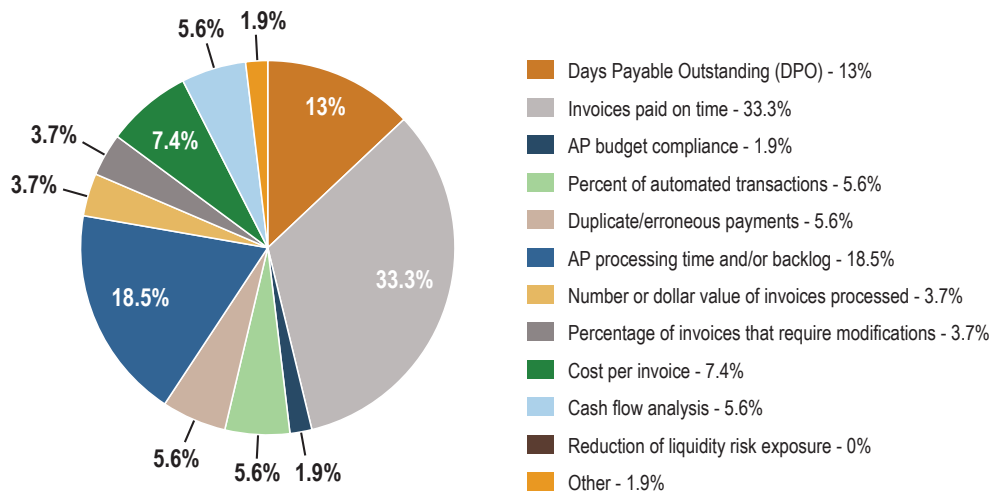

- Yes - 16.7%
- No, but planning to deploy within 6 months - 9.3%
- No, but planning to deploy within 12 months - 5.6%
- No, but planning to deploy within 24 months - 9.3%
- No, and no plans to deploy mobile capture and/or approval of invoices - 59.3%

Twenty percent of manufacturers currently use a mobile solution to approve invoices.

Among survey respondents from organizations with more than $5 billion in annual revenues, 66.7 percent indicated that their AP department has not deployed a mobile solution to approve invoices.

Key Accounts Payable Metrics
The timeliness of paying invoices is the most important metric to AP departments.

- Days Payable Outstanding (DPO) - 13%
- Invoices paid on time - 33.3%
- AP budget compliance - 1.9%
- Percent of automated transactions - 5.6%
- Duplicate/erroneous payments - 5.6%
- AP processing time and/or backlog - 18.5%
- Number or dollar value of invoices processed - 3.7%
- Percentage of invoices that require modifications - 3.7%
- Cost per invoice - 7.4%
- Cash flow analysis - 5.6%
- Reduction of liquidity risk exposure - 0%
- Other - 1.9%

One-third of survey respondents (33.3 percent) indicated that the percentage of invoices paid on time is the most important metric to their AP department. Similarly, 18.5 percent of respondents reported that AP processing time and backlog is their AP department's most important metric.

Day's payables outstanding (DPO) is the most important metric for 13 percent of respondents, while invoice processing costs are the most important metric for 7.4 percent of respondents.
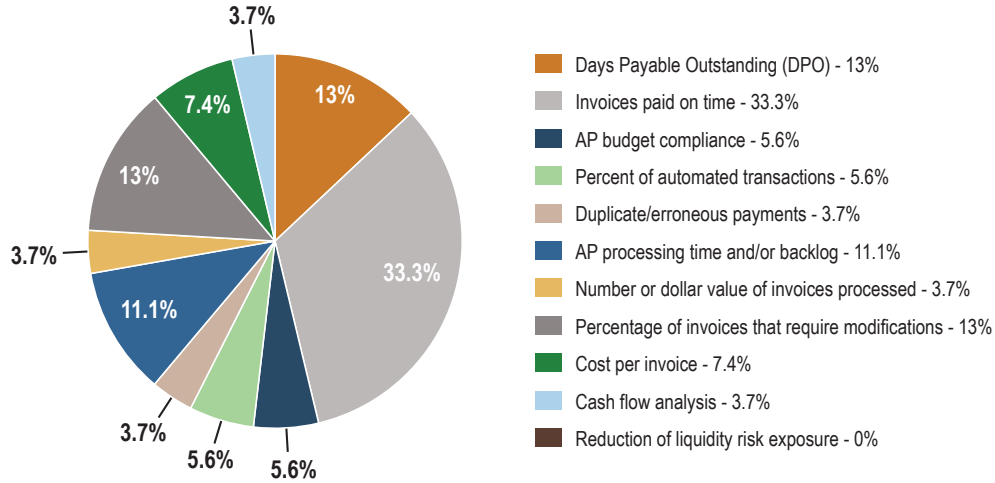
The percentage of automated transactions (identified by 5.6 percent of respondents), the number of duplicate or erroneous payments (5.6 percent), cash flow analysis (5.6 percent), the percentage of invoices that require modifications (3.7 percent) and the number or dollar amount of invoices processed (3.7 percent) rounded out the list of top AP department metrics identified by respondents.

The percentage of invoices paid on time is the key metric to AP departments for manufacturers.

Among respondents from organizations with more than $5 billion in annual revenues, 33.3 percent stated invoices paid on time is the most important metric to their AP department, 33.3 percent said the percentage of automated transactions is the most important metric to their AP department, and 33.3 percent indicated that invoice processing time or backlog was the most important metric.

Key Procurement Metrics
The percentage of invoices paid on time is the most important AP metric to procurement, according to one-third of survey respondents (33.3 percent). DPO and the percentage of invoices that require modifications were the next most important AP metrics to procurement, both identified by 13 percent of survey respondents. Some 11.1 percent of survey respondents indicated that AP processing time and backlog was the most important AP metric to procurement, while 7.4 percent of respondents identified invoice processing costs as the most important AP metric to procurement.

Legend:
- Days Payable Outstanding (DPO) - 13%
- Invoices paid on time - 33.3%
- AP budget compliance - 5.6%
- Percent of automated transactions - 5.6%
- Duplicate/erroneous payments - 3.7%
- AP processing time and/or backlog - 11.1%
- Number or dollar value of invoices processed - 3.7%
- Percentage of invoices that require modifications - 13%
- Cost per invoice - 7.4%
- Cash flow analysis - 3.7%
- Reduction of liquidity risk exposure - 0%

AP budget compliance (identified by 5.6 percent of survey respondents), the percentage of automated transactions (5.6 percent), the number of duplicate or erroneous payments (3.7 percent), the number or dollar value of invoices processed (3.7 percent), and cash flow analysis (3.7 percent) rounded out the list of the top AP metrics to procurement. None of the survey respondents indicated that reduction of liquidity risk exposure was an important AP metric to procurement professionals.
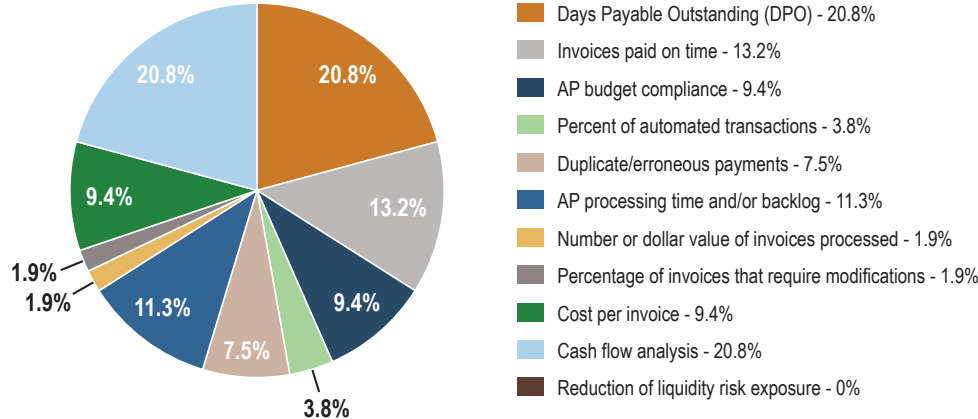
Among respondents from organizations with more than $5 billion in annual revenues, 33.3 percent stated that invoices paid on time is the most important AP metric to procurement, 33.3 percent said the number of duplicate or erroneous payments was the most important AP metric to procurement, and 33.3 percent reported that AP processing time or backlog was the most important metric.

Key Senior Management Metrics
DPO and cash flow analysis are the most important AP metrics to senior management.

One-fifth of respondents (20.8 percent) said DPO and cash flow analysis are the most important AP metrics to senior management. Some 13.2 percent of respondents reported that the percentage of invoices paid on time was the most important AP metric to senior management, while 11.3 percent of respondents identified AP processing time and backlog as the most important AP metric to senior management. AP budget compliance (identified by 9.4 percent of survey respondents), invoice processing costs (9.4 percent), percentage of duplicate or erroneous payments (7.5 percent), and the percentage of automated transactions rounded out the top AP metrics to senior management.

Days Payable Outstanding (DPO) - 20.8%
Invoices paid on time - 13.2%
AP budget compliance - 9.4%
Percent of automated transactions - 3.8%
Duplicate/erroneous payments - 7.5%
AP processing time and/or backlog - 11.3%
Number or dollar value of invoices processed - 1.9%
Percentage of invoices that require modifications - 1.9%
Cost per invoice - 9.4%
Cash flow analysis - 20.8%
Reduction of liquidity risk exposure - 0%

Two-thirds of survey respondents from organizations with more than $5 billion in annual revenues stated that AP processing time or backlog was the most important AP metric to senior management.

About You and Your Organization

Primary Job Function
Survey respondents represented all of the key procure-to-pay job functions.

A plurality of survey respondents (42.6 percent) identified themselves as an account payable manager. Some 9.3 percent of survey respondents stated that their job title was accounts payable specialist and 7.4 percent of survey respondents identified themselves as an accounts payable team lead. Shared services directors and accounts payable directors/ heads of accounts payable represented 3.7 percent of the survey respondents. Other job titles represented by survey respondents included chief financial officer (representing 1.9 percent of survey respondents), controller (1.9 percent), chief procurement officer (1.9 percent), vice president of finance (1.9 percent), procurement or purchasing director/head of procurement/ purchasing (1.9 percent), purchasing administrator (1.9 percent), accounts payable administrator (1.9 percent), and accounts payable clerk (1.9 percent).

- CFO - 1.9%
- Controller - 1.9%
- CEO - 0%
- CPO - 1.9%
- Vice President of Finance - 1.9%
- Shared Services Director - 3.7%
- Procurement/Purchasing Director or Head - 1.9%
- Accounts Payable Director or Head - 3.7%
- Shared Services Manager - 0%
- Procurement/Purchasing Manager - 0%
- Strategic Sourcing Manager - 0%
- Accounts Payable Manager - 42.6%
- Purchasing Administrator - 1.9%
- AP Team Lead - 7.4%
- AP Analyst - 0%
- Purchasing Team Lead - 0%
- AP Administrator - 1.9%
- Strategic Sourcing Specialist - 0%
- AP Specialist - 9.3%
- Procurement Clerk - 0%
- AP Clerk - 1.9%
- Other - 18.5%

Software Decision-Makers
CFOs and controllers are the primary decision-makers on software purchases for the AP department.

More than one-third of survey respondents (35.2 percent) indicated that their CFO is the primary decision-maker on software purchases for the AP department, while 20.4 percent of respondents identified their controller as the primary decision-maker on AP department software purchases.

Some 16.67 percent of survey respondents reported that their information technology department is the primary decision-maker on software purchases for the AP department, while 11.1 percent stated that their AP department head is the primary decision-maker. Other software purchase decision-makers identified by survey respondents included the company's president (cited by 3.7 percent of respondents), treasurer (3.7 percent), CEO (1.9 percent), and procurement group (1.9 percent).

None of the survey respondents identified the head of their accounts receivable (AR) department as the primary decision-maker on software purchases for the AP department.

Among survey respondents from organizations with more than $5 billion in annual revenues, 33.3 percent indicated that the organization's CEO is the decision-maker on software purchases for the AP department, 33.3 percent said procurement was the decision-maker on software purchases for the AP department, and 33.3 percent reported that information technology was the decision-maker.

Primary Industry

Survey respondents are employed by organizations in a broad range of industries.

A plurality of survey respondents (18.5 percent) reported that they are employed by manufacturers. Some 13 percent of survey respondents represented healthcare and pharmaceutical firms, while 9.3 percent of survey respondents stated that they are employed by educational organizations and 5.6 percent of survey respondents reported that they work for banks or high-tech companies. These industries were followed by oil/petrochemical and logistics/transportation/ supply chain, both of which were represented by 3.7 percent of survey respondents. Other industries represented by survey respondents included aerospace and defense (representing 1.9 percent of survey respondents), business and consumer goods (1.9 percent), business and consumer services (1.9 percent), utilities (1.9 percent), government (1.9 percent), retail (1.9 percent) and legal (1.9 percent).

- Aerospace and Defense - 1.9%
- Automotive - 0%
- Banking - 5.6%
- Insurance - 0%
- Brokerage/Mutual Funds - 0%
- Business & Consumer Goods - 1.9%
- Manufacturing - 18.5%
- Business & Consumer Services - 1.9%
- Oil/Petrochemical - 3.7%
- Utilities - 1.9%
- Telecommunications - 0%
- Healthcare & Pharmaceutical - 13%
- High Tech - 5.6%
- Education - 9.3%
- Government - 1.9%
- Retail - 1.9%
- Legal - 1.9%
- Logistics/Transportation/Supply Chain - 3.7%
- Other - 27.8%
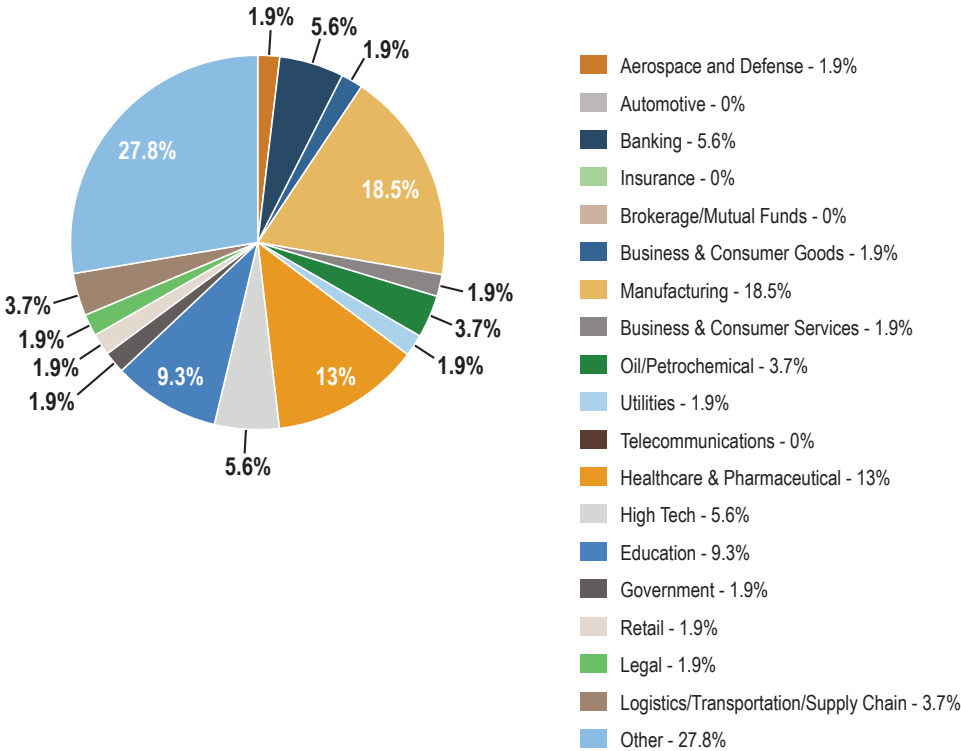
Approximately one quarter of survey respondents (27.8 percent) identified their industry as something other than those provided in the questionnaire. The industries submitted by survey respondents included: fast food, wood products, mining, construction, technology staffing, commercial and residential real estate, agriculture, non-profit, and alternative investments.

Annual Revenues

Approximately one-third of respondents (37 percent) indicated that their organization has less than $250 million in annual revenues. Nearly one-fifth of respondents (18.5 percent) reported that their organization has between $250 million and $500 million in annual revenues, while 7.4 percent of respondents indicated that their organization has between $500 million and $750 million in annual revenues. Representing larger companies, 14.8 percent of respondents stated that their organization has between $750 million and $1 billion in annual revenues, 16.7 percent of survey respondents indicated that their organization has between $1 billion and $5 billion in annual revenues, and 5.6 percent of survey respondents said their organization has more than $5 billion in annual revenues.

Legend:
- < $250 million - 37%
- $250 million – $500 million - 18.5%
- $500 million – $750 million - 7.4%
- $750 million – $1 billion - 14.8%
- $1 billion – $5 billion - 16.7%
- > $5 billion - 5.6%
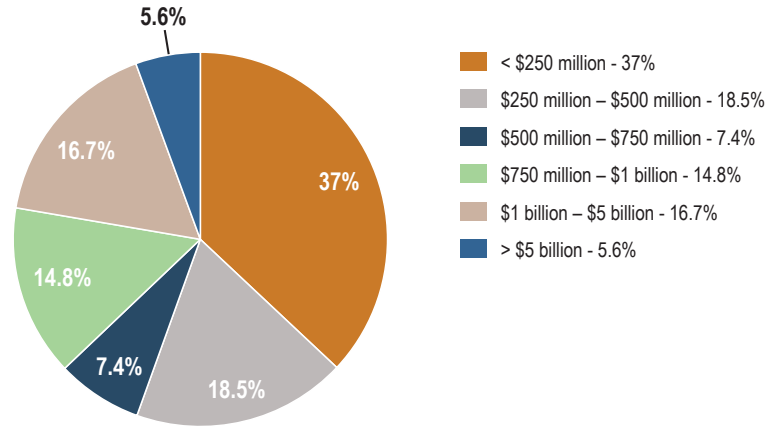
Annual Invoice Volume

The majority of organizations represented by survey respondents (55.6 percent) process less than 100,000 invoices per year. Seventy percent of manufacturers that responded to the survey process less than 100,000 invoices annually. Some 16.7 percent of survey respondents stated that their organization processes between 100,000 and 300,000 invoices annually, while 7.4 percent of respondents stated their organization processes between 300,000 and 500,000 invoices per year.

Legend:
- < 100,000 - 55.6%
- 100,000 – 300,000 - 16.7%
- 300,000 – 500,000 - 7.4%
- 500,000 – 1,500,000 - 9.3%
- 1,500,001 – 3,000,000 - 5.6%
- > 3,000,000 - 5.6%
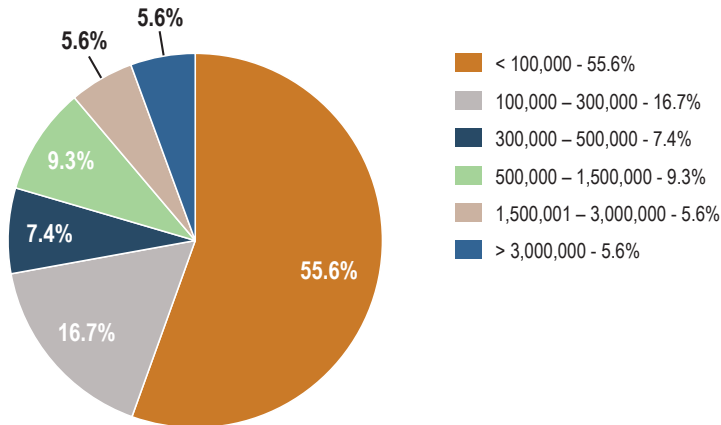
On the higher end of the volume scale, 9.3 percent of respondents process between 500,000 and 1.5 million invoices annually, 5.6 percent of respondents process between 1.5 million and 3 million invoices annually, and 5.6 percent of respondents process more than 3 million invoices annually.

Among respondents representing companies with more than $5 billion in annual revenues, 33.3 percent said their AP department processes between 100,000 and 300,000 invoices annually, 33.3 percent stated their AP department processes between 1.5 million and 3 million invoices annually, and 33.3 percent said their AP department processes more than 3 million invoices annually.

ERP Systems

The core of the financial process is the ERP or financial system. It manages all invoice data, POs, cost center allocations, approval hierarchies, vendor master files, remittances, reporting, etc., and it provides the appropriate information to the general ledger for accounting and reporting purposes.

Many companies standardize on a single ERP, a best practice, and the "single source of the truth." Other companies cannot standardize on a single ERP. These may be companies who grow by acquisition, or companies whose requirements are not judged to be adequately met by a single ERP.

PeopleSoft was the most commonly deployed ERP system among survey respondents.

Nearly one-quarter of survey respondents (22.2 percent) indicated that their organization uses the PeopleSoft ERP system. Some 16.7 percent of survey respondents use an SAP ERP system, while 13 percent of survey respondents use an ERP system from Lawson and 11.1 percent of survey respondents use an Oracle EBS ERP system. The Great Plains and Dynamix AX ERP systems are each used by 7.4 percent of survey respondents. Sage (used by 5.6 percent of survey respondents), JD Edwards (3.7 percent), and Infor (3.7 percent) round out the list of the most commonly deployed ERP systems among respondents. Other ERP systems deployed by respondents included Intacct (used by 1.9 percent of survey respondents), NetSuite (1.9 percent), and QAD (1.9 percent).
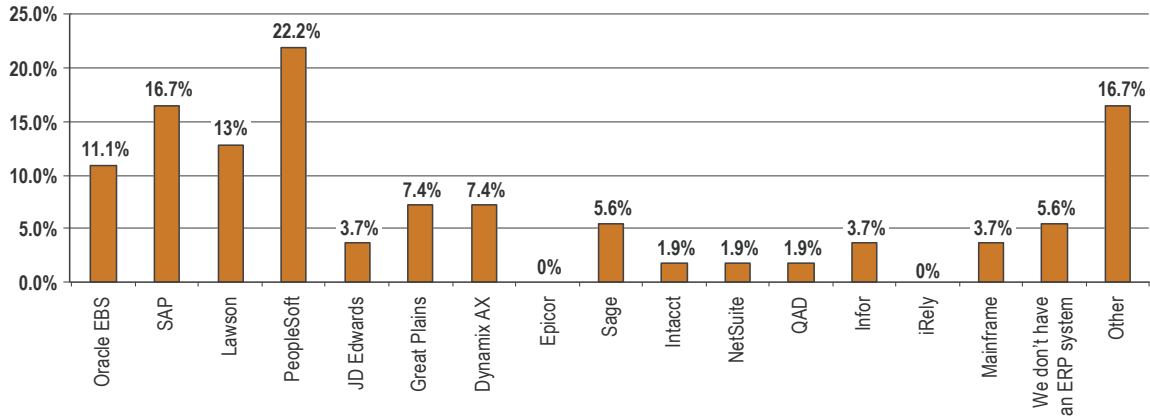
Approximately one-fifth of the survey respondents (16.7 percent) identified their ERP system as something other than those provided in the questionnaire. The ERP systems submitted by survey respondents included: Fiserv, Spectrum, Quickbooks, Access Dimensions, and MRI Software.

Some 3.7 percent of survey respondents indicated that their organization uses a mainframe and 5.6 percent of survey respondents reported that their organization does not use an ERP system.

CONCLUSION

AP continues its transformation from a manual, paper-intensive operation, to a touchless electronic environment. As evidence, look no further than the continued decline in the percentage of invoices that arrive as paper. Early on, AP's transition was driven by tools such as automated data capture, invoice approval workflows, electronic invoicing, and electronic payments. The result has been faster cycle times and lower invoice processing costs. Emerging technologies such as mobile capture and approval, cloud-based invoice processing, and analytics will accelerate the migration. Together, these technologies will help AP professionals better manage their multiple invoice delivery channels, while meeting the challenge of paying invoices to terms, improving DPO, and providing the real-time visibility (analytics) that will position AP as a strategic partner to senior management.

APPENDIX

Survey Questions