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WHITEPAPER

High-productive accounts payable process



INTRODUCTION

Finance leaders are constantly challenged to increase the productivity of their teams, including their Accounts Payable (AP) department. There are several reasons why a productive AP process is a pressing topic: it increases working capital, improves supplier relations, and can reduce the cost of financial processes. Artificial Intelligence (AI) can perform the routine tasks of your AP agents, providing your agents more time to focus on value-adding tasks. As a result, AI and more effective AP agents can have a direct impact on the bottom line!

In this document, we dive into accounts payable productivity. First, we elaborate on the view of Daniel Markovitz: Productivity is About Your Systems, Not Your People*. Next, we touch upon the challenges that finance leaders have to overcome to reach higher productivity levels. Last, we mention three factors that should be considered when selecting an AP solution.



A. PRODUCTIVITY IS ABOUT YOUR SYSTEMS, NOT YOUR PEOPLE

In his article Markovitz presents his point of view¹:

On one hand, we have productivity at an individual level: we talk about how an agent can be more productive with the available resources. For example, his or her ability to organize the working hours to optimize their power of concentration, personal motivation, knowledge of tools, and higher task completion.

On the other hand, we have productivity at a system level: this perspective considers the fact that agents do not work in isolation, but interact with others to complete certain tasks as part of an overall process. A possible familiar situation might be: an agent needs approval (from a superior) for invoice irregularities, however, the agent does not know who to contact in the given case. This event will trigger a series of e-mails that will distract several individuals from their work. Only a proper system with accompanying processes can overcome this inefficiency. In this case: approval matrices and automated invoice approval tools can eliminate this problem.

Furthermore, systems that are considered to support the organization and processes need to be provided.



1. Higher visibility on task completion, workload, and downtime. Such information will enable a more balanced distribution of tasks. The result of proper workload distribution will produce higher efficiency and employee satisfaction. Research shows that work arranged using the right system results in processes being completed faster and more effectively. The challenge is to move away from hands-on management of busy teams, to management of autonomous teams (consisting of people who perform their tasks based on the right information and process flow.

In response to this challenge, tools and software providers have developed **reporting capabilities** 🌟 which provide insights into processes. With this information, Heads of AP have the capability to arrange and distribute the work more efficiently. The AP agents continuously have the necessary information available to perform their required tasks and plan their own activities.

2. What do we consider urgent, and what does it require to complete it? Typically, people plan their day by defining a series of duties to complete. However, they get distracted by urgent requests and unplanned tasks. Systems can help both managers and agents to reschedule based on priorities. Finance directors who inform their teams of the company's task priorities can help FTEs become more autonomous. AI tools and software (in the market) are helping finance leaders and AP agents utilize information. This results in a plan and increases effectiveness and productivity.

3. Escalation flows: Do you have a predefined structure of steps to take when a problem arises on the front line? Approval workflows and escalation flows based on matrices will help FTEs activate the communication chain faster; providing the ability to assign the right task to the right person. The creation of these flows have a positive effect on productivity. With a process based on a clear matrix structure, e-mails and phone calls become a thing of the past.

Looking at the Invoice-to-Pay process, the implementation and maintenance of the approval workflows have a positive effect on productivity. This results in fewer manual steps, shorter invoice cycles and assists with fraud prevention.

4. Empower your AP team. Motivate your agents by giving them the trust they need to be productive, both individually and within the team. Control can be obtained through clear governance kept in the system. Repetitive and monotonous work is not only demotivating, but fosters a higher risk of human error. Systems and tools capable of automating manual and recurring tasks will boost your team's spirit.

This releases your team from monotonous tasks and lets them perform more value-adding tasks. Invoice automation technology removes boredom and drives your AP team into a highly-productive one.

Taking the above into account, we envision a system that supports the following:

1. A cooperative environment in which all stakeholders of the accounts payable process can work seamlessly together as well as work from any location.
2. Artificial intelligence based solutions that take over routine tasks: people and robots working together in an efficient and effective manner.
3. Insights based on data to continuously improve processes.
4. Systems must have the ability to ensure that people have the correct authorization levels for their tasks.

¹ Productivity Is About Your Systems, Not Your People (hbr.org)



B: PRODUCTIVITY, CHALLENGES TO OVERCOME

Now that we have introduced productivity from a system perspective, we address the challenges that finance leaders have to overcome to build a highly productive accounts payable workforce. So, what does it need to be set up to ensure progress; and for the AP team to be more efficient, effective, and enjoyable to work in? A few examples are:

1. Data is available to measure all relevant process steps. New technology is available to process substantial amounts of data and process quickly. But, where to start? If all data can be made available to measure any step in a process, we still must ask what we want to know or measure. A good start is to perform a thorough process analysis to define what should be measured. This will provide insights, show bottlenecks, and help prevent them in the future. The task of data scientists is to define the KPIs that have been defined by the AP subject matter experts, and to provide information to managers and AP agents, to improve their processes.

2. Clear KPIs at all levels. It is not only important for finance managers to have the right information to manage their processes, but for AP agents as well. Having a clear insight into key performance indicators (at each level) provides actionable information to make the correct decisions. Technology should regenerate the KPIs automatically. It is a challenge to define the minimum number of KPIs that provide maximum insight.

Examples of KPIs in the AP process are:

- % and # of exceptions (preferably per supplier)
- # time spent on handling those exceptions
- Throughput time from invoice reception to posting
- # hours waiting time for an invoice approval

From the first KPI mentioned, having the insight of what drives process efficiency at a certain supplier can be used to improve the process for other suppliers. Investing time to get this type of insight can be translated into concrete improvements.

3. Ability to cope with extremely complex organizational structures. AP agents need tools to access the right people in the organization, at the right time, so exceptions and approvals are handled in the most efficient manner. Once again, technology that supports an efficient process is key. During the set-up, clear (approval) matrices need to be defined. Technology that reaches out to buyers needs to be intuitive and easy to use, to allow for efficient exception handling.

4. Motivated AP agents. Traditionally, AP agents have performed tasks characterized to be monotonous and repetitive. As a result, many agents experience a lack of motivation, focus, and professional challenge. One solution to prevent a drop in productivity is to implement smart solutions that allow agents to focus on more interesting tasks and responsibilities. For instance, challenge them to focus on finding solutions for exceptions.

Blog post: 5 accounts payable KPIs outstanding finance leaders are tracking 🌟

CONCLUSION

As we have seen, systems are key to support an efficient and effective AP process. The important question is “What is the right system for my organization?” **Below we mention three factors that can be considered when selecting an AP solution:**

1) Is it future proof? The solution needs to be able to handle the current type of invoices, paper, pdf, EDI, XML (with or without Governmental portal). The ability to handle paper invoices with multiple OCR solutions, ensures the highest possible recognition of invoice characters (in any language) and supports the “future-proofness” of your new solution.

2) A solution that offers the possibility to improve the process based on data-driven insights it can create. Your future solution should have this ability and technology should support the processes. Only a few solutions in the market can currently provide this.

3) Complete set of functionalities for your organization.

Before selecting a solution to ensure an effective AP process, it is best to define necessities for your organization. Once you have clear insight, it is easier to select the right tool for you.

To support you in your tool-selection process and see if Cevinio is the right choice for you, we want to understand your processes and challenges. Once we know them, we will indicate where and how we will bring the most value to you. We are looking forward to showing them in **a live demo.** 🚀





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