



PREPARING FOR AP AUTOMATION: PART 2

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Abstract

This white paper is based off research done by iPayables, as well as a Webinar presented on July 11, 2019, and is a continuation of Preparing for AP Automation: Part 1



Preparing for AP Automation: Part 2

If automating an accounts payable department were a one-day deal, everyone would do it. The reason so many companies drag their feet is it requires good communication and cooperation between departments, plus the executive approvals required to start a new project like automation. However, there is a way to get it done efficiently so everyone is happy. Preparing your organization for AP automation is a matter of having the necessary people involved and actively adding value where they can.

Part 1 of this guide, [“Researching to Select a Vendor”](#), went over five basic steps that help you when researching in order to select the proper vendor. Knowing your department helps make that initial decision easier; knowing what each department’s role is in implementation makes that eventual process a lot smoother. Part 2 of this guide, [Preparing Your Organization](#), goes through four steps to help you best prepare your organization for automation.

Preparing Your Organization

Now that you’ve done the research and narrowed your options, it’s time to start preparing your department and organization as a whole to undergo the automation process. However, you’re probably not a small organization and there are lots of people and departments that should be involved in the process (whether they want to be or not). In Part 2 of this guide, we walk you through the main departments of the organization that are needed for this process and how you can best go about involving them. It’s not always the easiest, but it needs to be done and when all is said and done, they’ll thank you.

Four Steps to Preparing Your Organization

- 1. Preparing Accounts Payable**
- 2. Executive Success Metrics**
- 3. Preparing Suppliers**
- 4. Communicating with Relevant Departments**

Step 1: Preparing Accounts Payable

As the Accounts Payable department is the one whose process is being automated, it's most important that this department is prepared and ready for the change. But how does one go about preparing an AP department for automation? To begin with, it's important that people understand what automation does for the department; it doesn't just exist to replace people with technology. Automation makes the process more efficient, allowing people who once had to manually enter data or handle supplier inquiries to do something more efficient for the company.

In preparation, there are some parts of your current process that need to be properly organized. To begin with, it's important that your current approval controls are documented so it's easier to put them into the new system. This knowledge of your current approvals and workflow makes the transition to automation easier, as much of the process will remain the same, just automated! Additionally, an up-to-date and accurate supplier list is essential when onboarding suppliers. It's much easier to already have a list free of duplicate or inactive suppliers than it is to try and contact all the people on an old list and waste an unnecessary amount of time. As suppliers are asked to assure that their invoices and receiving information match, it's also important that purchase orders are equally accurate. Things such as unit of measurement, SKUs, and prices should be uniform and in line with what suppliers need.

With the new process, your team will need to learn what their new roles and responsibilities are. This is your job, be it as a manager, controller, or even CFO: to make sure they receive proper training and coaching. As the automated process is being implemented, and even before, it's important that your team is being taught how the program works and what they will be doing to help. One important part of this is that your team members understand that they will no longer be handling paper. Instead, the invoice moves through the process electronically. Then, if there are any exceptions, or issues, that need to be taken care of, team members will be able to use the automation tools to resolve the issues. The partner that's providing the automated solution should play a big role in this learning process because they know best how it works, but you're the one your employees trust and you're the one who knows where each person's strengths are and how they can best fit into the new process.

It's very possible that your department won't need as many people as it used to in order to work efficiently. If this is the case, one of the necessary preparations to make in your department is

figuring out how and where people can be reallocated. Will they learn payables auditing skills? Offer reporting and analytical services? Move employees to other departments? Of course, this means that communication with leadership and other departments will be necessary, and we'll get to more details on that later, but what's important to remember is that the changes taking place in your department are going to improve your control, visibility, efficiency, and more. However, how do you know if it's really a success?

Step 2: Executive Success Metrics

As we mentioned in Step 5 of Part 1, no idea is a good idea until the person who will make the decision agrees. This means it's important that you and your executive continue working together to determine what to call a success; knowing what you both expect from this automated process and an open communication with the automation solution partner that's implementing means that you can have confidence in the way you're automating. Asking what your executive wants to see most from this process allows you to prepare yourself and the people you're working directly with in your department. That way, when all is said and done, you can show them you've executed on the things they wanted – and there's not much that makes an executive happier than knowing he or she has a team that works hard and carries out what's best for the company.

The most common goals we see are:

- **Efficiency (Reduce Costs!).** This might be a simple mandate that the company wants less paper, or a dire crisis where cuts are required. Other times, the company may be looking for ways to scale without increasing headcount. We had one client sign up while they were in bankruptcy and needed to cut 33 of their 45 employees processing invoices. They automated with iPayables and not only survived the reduction, but were able to reallocate an additional 4 to other department and managed the former load of 40,000 invoices per month with only 8 employees. Another client dropped from 24 to 12, but created an audit group with the 12 so they still had 24 total, but only a handful of them worked processing invoices. The audit group recovered hundreds of thousands in pre-automation overpayments.
- **Control/Compliance.** Whether or not it's a goal, it's always a result. A client was struggling with lost invoices as well as audit issues around proper approval of invoices

before payment. After the most recent audit, she explained, “This was the easiest audit ever! What used to take weeks took two days!” Everything’s a lot easier when you can see every invoice and know that every control is programmatically enforced.

- **Supplier Relations/Discounts.** Everyone likes a healthy Days Payables Outstanding, but if it’s caused by an unpredictable payables process, a disgruntled supply chain can wreak havoc on your operations. AP automation can give more control to your Days Payables Outstanding so that you’re paying according to design, not when the invoices finally get approved. Many of our clients have automated with iPayables to reinstall confidence with their suppliers and internal buyers. The average invoice processing time with iPayables is around 4 business days, as compared to industry averages around 14 days. This allows for much more control of payment timing and capturing of discounts if desired.

With a start-to-finish automation solution and cooperation within your company, these goals can become a reality that allow you to transform your AP department from a cost center to a profit center. Some of these goals are financially focused, while others have more to do with supply chain stability, cash flow management, or employee morale, but they all lead to the same place: a better, more efficient accounts payable department. There are, of course, many goals that may apply to your company and your accounts payable department, some of which may not be listed. What’s most important is that your team continues to work together to establish those goals so that as you prepare to automate, you can ensure they are met.

A common mistake in preparing goals, however, is setting goals that are not measurable. If goals are not measurable, or quantifiable, your department won’t be able to effectively or accurately track its progress or development. Of course, there are some goals that aren’t as easily measured, and that’s okay. However, anything that you want to be able to see a difference, track, or classify as a metric must be measurable. For example, you may say you want the cost your AP department to go down. You can break this into measurable goals by saying you want to increase early pay discounts you receive by a certain percent or you want to decrease the time it takes an invoice to be processed by a specific number of days.

As you set measurable goals and metrics, you allow your department to progress more rapidly and with greater efficiency. In addition, it also allows you to see which goals aren’t being met and why that could be. As you track these metrics and goals, you can continue to adjust and

change them to be as beneficial as possible for your department. Adjusting goals and metrics over time is a good indicator that your department recognizes where it's improving well and where you could be doing better. The longer you have measurable goals and metrics in place, the more your department will be able to achieve and grow.

Step 3: Preparing Suppliers

While your AP department, and your company as a whole, are the most affected by this change, there are other people who play a big role in your payables process that are going to need to be aware of the changes: your suppliers. This is often a big fear or setback for a company because it's hard to know how your suppliers will react or if they want or are willing to change how they send invoices and receive payments. Luckily, there is [evidence](#) showing that a majority of suppliers like using a portal, when it is equipped to meet their needs.

One of the most important aspects of preparing suppliers for automation is that no matter who they call, they get the same answer: yes, this is for real. It can also be helpful to send a letter from your CEO thanking them for working with your company in these new endeavors, so they recognize that this is a change that's happening company-wide. With a good automation system, any supplier invoices will be covered: paper, an uploaded file, a direct electronic invoice, and going through the supplier portal. However, in trying to increase efficiency, it's important that as many of your suppliers as possible go through your supplier portal. You can encourage this with suppliers by talking about "preferred" suppliers who meet certain qualifications, one of which is submitting invoices electronically or via the portal and using the portal to resolve disputes and check payment status.

Why is it so essential that your suppliers be on board with a supplier portal and automation? For starters, your workload won't decrease as much as you'd like if suppliers aren't resolving match exceptions and approval disputes on the portal. This change also benefits your suppliers as it improves your relationship with them and allows them to receive payment sooner. Also, please remember that an automation program works much better when there are no fees for suppliers to submit invoices electronically or use the supplier portal. Supplier fees really limit participation and participation from suppliers (on a quality supplier portal) is the biggest benefit to an automation initiative.

Step 4: Communicating with Relevant Departments

The more your company as a whole is involved in the automation process, the more effective the change will be. In addition, the more people are involved, the more the change will mean to them and the better the overall reaction to the automation will be. Your purchasing department can be helpful to have on board and up to speed, especially when it comes to your suppliers. When receiving news of something like automation, the purchasing department will be one of the first calls your suppliers make and having the answer they receive confirm that this change is happening is extremely beneficial. Another department that is critical in this process is your IT department. They will need to understand the technical requirements of the implementation and whatever ongoing technical efforts will be required, including ensuring that they have the time and resources to do it.

Along with AP automation comes a faster payment approval process. This can improve supplier relations and create opportunities for early payment discounts. However, if the company pays too much out early or all at once, it can cause a financial problem for the company. For that reason, it's important that the company treasurer also be involved in the process. The treasurer will be able to say how much is appropriate to pay early and how much should just be paid on time. Being in charge of financial activities, the treasurer is the best person to talk to about evaluating the financial impacts of these changes and to get early pay discounts approved.

The rest of the organization is going to need to be informed of changes in how invoices are approved and coded. Company-wide announcements and articles in company newsletters can get people prepared for the change. Department by department training may be necessary to get all the appropriate buy-in from all the users that are currently signing and coding on paper and will in the future be approving and coding invoices electronically. Personal communications with key department heads can help you recognize if there is any potential friction. When you find skeptical department heads or other influencers, take the time to meet with them and review the executive goals and present a demonstration to show how simple the process will be. Spending a little time with the skeptics will go a long way in paving a smoother roll-out.

The final and most important department has already been discussed: your AP department. It's important that the members of your team feel prepared for the change, including knowing what other departments are doing to help the process. As previously mentioned, there will likely be

new assignments and responsibilities for those in your department and the more they know about how this change is affecting the company processes and workflows, the smoother the transition will be for your team and for your company.

Conclusion

Part 2 of Preparing for AP Automation has gone over the internal preparations necessary in order to make the automation process as smooth as possible. With your entire organization on board and each department knowing what their responsibilities and roles are, implementation should be pleasantly manageable. While there are further steps some companies may need to take depending on individual cases and circumstances, your company should be able to comfortably move forward with automation. With 5 steps guiding you through researching to select a provider and 4 steps helping you prepare your organization, you're now the automation expert your company needed, but don't hesitate to reach out if there's anything else we can do to help.

This article was written by iPayables, Inc. If you have any questions regarding these steps or AP Automation, please feel free to contact us at 866-874-7932 or <https://www.ipayables.com/contact/>

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