

The State of ePayables 2021:

Operating in the New Normal

“The State of Accounts Payable”

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The State of ePayables 2021: Operating in the New Normal

In the age of globalization, a pebble tossed halfway around the world can have a rippling effect that builds across the oceans and lands as a tidal wave. The coronavirus is that pebble – the cause of a truly global pandemic with implications that have been both devastating and surreal. COVID-19's immediate impact on financial operations was to place many accounts payable ("AP") professionals in harm's way as they worked to ensure business continuity. These AP professionals worked urgently to keep their businesses going, bolster financial resilience, and help to prepare their enterprises for the next economic phase. In 2020, AP had never been more important to business operations and business results. Sixteen months later, AP's importance remains at an apex.

In June, 2021, as many communities, businesses, and countries begin to turn the corner and emerge from the most severe COVID-19 restrictions, others have seemingly just entered very tough times. This makes the immediate future of business, in general, and accounts payable, specifically, hard to predict. What is clear, however, is that the pandemic has already begun to make lasting changes that will affect future generations of AP professionals. It is also certain that when the pandemic finally ends, AP will be "Operating in the New Normal."

This sixteenth annual State of AP-themed report is part of the ongoing dialogue that Ardent Partners' analysts have had with AP, finance, and procure-to-pay (P2P) leaders. This report presents a comprehensive, industry-wide view into what is happening in the world of AP and captures the experience, performance, perspectives, and intentions of 187 AP, finance, and P2P professionals. The report also includes benchmarks, recommendations, and analysis that AP teams can use to better understand the state of AP today, gain insight into best practices, benchmark their performance against the Best-in-Class, and, ultimately improve their operations and performance.



The State of Accounts Payable

“In a time of destruction, create something.”
– Maxine Hong Kingston, author and educator

For the past sixteen months, the world of business has operated in unprecedented times. The havoc wreaked by the COVID-19 pandemic as it ripped through communities, impacting most businesses and hampering global supply chains, was disruptive and jarring to both business and financial operations. COVID-19 placed businesses around the world under new and intense pressures, presenting an entirely new set of operational challenges. Regulations seemingly hovered between strict and arduous, with social distancing and stay-at-home advisories and orders the norm for both businesses and consumers alike. However, unlike other enterprise functions that had fewer options than sink-or-swim, the modern-day AP group was uniquely positioned to serve as an essential safety valve that could support business continuity and maintain operations through uncertain times.

As many communities, businesses, and countries begin to turn the corner and emerge from the most severe COVID-19 restrictions, others have seemingly just entered very tough times. *When* the entire world will emerge from this pandemic is unclear, what is certain, however, is that it will, in fact, emerge. And when it does,

a majority of accounts payable teams will be operating with new tools at hand. Many more will be operating with a new mindset. All will be operating in the “new normal”

The context of the business’s “new normal” or “next normal” is neither a new nor static theory. But rather, it is an evolving set of guidelines and strategies that dictate how enterprises can reacclimate and thrive in the aftermath of a severe event or period. The suggested range of processes and strategies for adapting to a new world of work that will continue to morph and evolve until the long-term view is clear. In 2021, the new normal refers to a post-pandemic world. Unfortunately, the long-term ramifications of COVID-19 are still unclear, even after more than sixteen months of crisis. That is because while vaccine campaigns have been (and continue to be) successful in many regions across the globe, the COVID-19 battle rages on in other areas experiencing third and fourth waves of infections, hospitalizations, and death. Right now, the state of accounts payable (AP) is, in essence, the state of the world as it evolves through the next months of this once-in-a-century public health crisis.

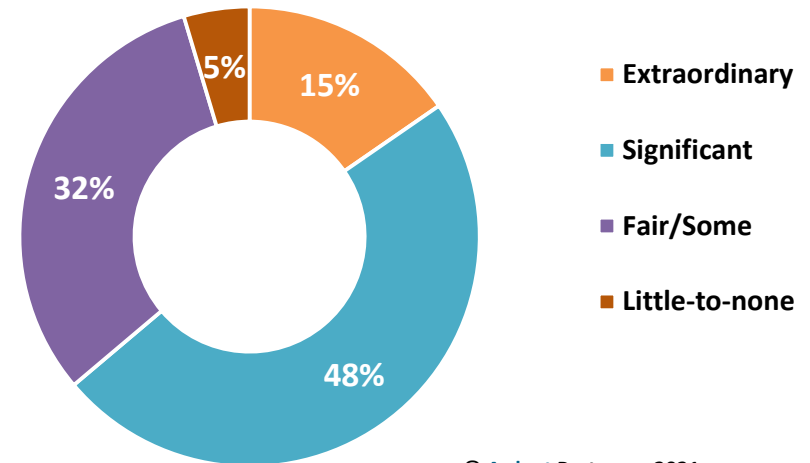


Deep Impact

The last edition of this annual State of ePayables report (published in May 2020) was written during the height of chaos and uncertainty related to the COVID-19 pandemic in the United States. “Working from home,” “social distancing,” and the nonstop barrage of headlines tracking the real time human toll that the pandemic had taken combined with sizable confusion, both genuine and manufactured, made it difficult to focus on anything else. COVID trackers were commonplace tools to measure the severity of outbreaks across countries and the world, providing valuable information while also ensuring that business and personal anxieties were stretched to their limits.

As the personal and economic tolls continued to rise, the growing economic and emotional impact of COVID-19 on families, communities, businesses, and economies broadened. And, since the Coronavirus impacted literally every facet of society, its continuing impact as a major force in 2021 is no surprise. In short, the COVID-19 pandemic has affected businesses in a non-discriminatory way. Some enterprises have been severely impacted and may never again operate as they once did. On the other hand, others experienced a sharp increase in demand for their products and services based on their alignment with the specific needs of both businesses and consumers. Many more, however, are still feeling the effects of the crisis (see Figure 1, to the right).

Figure 1: The Impact of COVID-19 on Businesses



Sixty-three percent (63%) of businesses across the world have experienced a significant-to-extraordinary impact over the past sixteen months due to the pandemic’s long-lasting implications. That the majority of businesses have experienced this level of disruption is a hallmark of the COVID-19 crisis; from larger supply chain disruptions and extreme revenue shortfalls to the ramifications of distributed teams and remote work, this public health event has left a permanent mark on the world of business.

For business leaders responsible for finance, including AP and similar units, this was an astounding series of events that was truly unprecedented. The Great Recession of 2007 – 2009 was *merely* a financial crisis caused by *another* financial crisis. COVID-19’s implications have been much more far-reaching. This has required

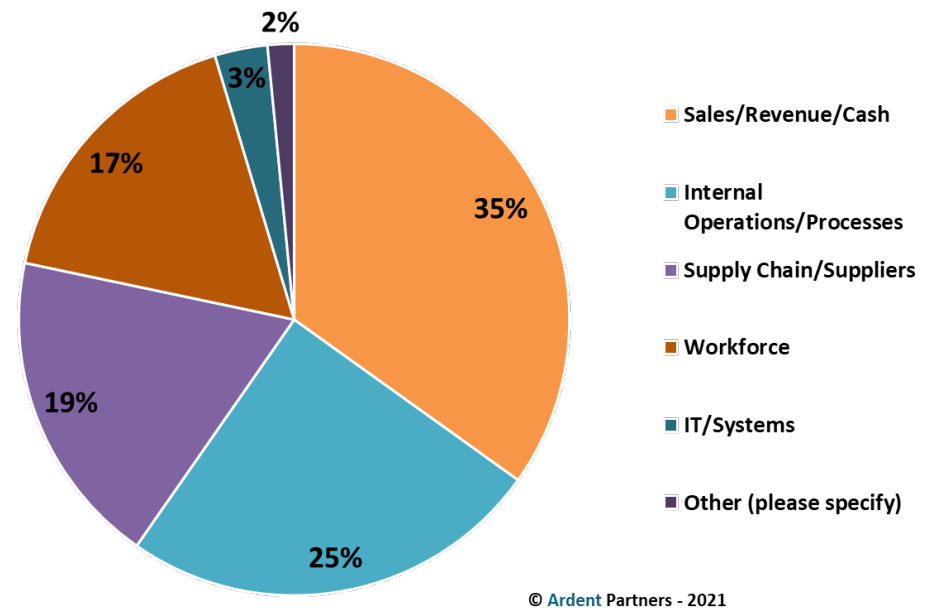


businesses to adjust to a world that was evolving by the day based on science, politics, human emotion, and much more. It also meant that both enterprises and consumers waited intently for the arrival of vaccines that could thwart the pandemic. Now, with nearly six full months of vaccine power behind us, the “next normal” is still in flux as functions like AP acclimate to a much different world. What is not different, however, is the inherent value that AP brings to the state of business in 2021.

Every Challenge is an Opportunity

A year ago, businesses were mainly focused on two major avenues: business continuity and resiliency. Those early months of the pandemic may still seem fresh to many business leaders, however, the progress made to fight the crisis has evolved considerably in the first half of 2021 to the point that the CDC has recommended that vaccinated individuals in the United States can forgo masks in most situations (minus public transit and certain facilities, such as prisons, hospitals, and nursing homes). While the tide certainly seems to be turning in the fight against COVID, there is no question that there are lingering ramifications from its sixteen-month stranglehold on businesses (see Figure 1, to the right).

Figure 2: Areas Impacted the Most by COVID-19?



Throughout 2020, AP played a critical role in maintaining enterprise liquidity and keeping suppliers paid, even with the vast majority employees working remotely or adopting a hybrid work environment. Now, with a firm level of hindsight, businesses participating in the 2021 State of ePayables research study state that the most crucial outlets and links to enterprise liquidity, including sales, revenue, and cash, have been the biggest areas of impact throughout the entirety of the COVID-19 pandemic (35%). This represents a major opportunity for the AP group to capitalize on its unique position to impact cash management and assist the greater organization to support its areas under greatest



stress, while also maintaining some semblance of normalcy and continuity. In the early 2020s, cash remains king; and when the king is under siege, all forces must rally in defense.

Of course, AP has many outlets of value, but, supporting cash management strategies over the last decade has been one of the major reasons why the function has increased its bottom line impact and, as a result gained in stature. Accounts payable actively manages one of the biggest outflows of an enterprise's cash. As discussed later in this report, it will become even more critical for the treasury function to be aligned with AP as the continued disruption from the pandemic remains in view. Throughout 2020 and in the midst of a unique crisis, AP was asked to provide financial visibility; critical business decisions, such as furloughs and layoffs, were linked to how the executive team reacted to evolving market conditions. These top-of-the-chain organizational leaders depended on their AP team to deliver the deep intelligence required to understand how internal and external factors would guide the greater enterprise's path of continuity and resiliency.

The second area that felt the greatest impact from COVID-19 has been internal operations (25%), where new work-from-home mandates completely changed the ways that co-workers communicated and collaborated. Unable to rely on the regular office dynamics that were designed to foster interpersonal connections, AP teams were forced to find new ways to engage and support their business stakeholders. However, as many survey

respondents noted, AP was simply one of many teams facing these new communication challenges. What was unique, however, for multiple AP teams participating in this year's survey was that a need to deal with paper invoices made AP operations "essential" in the context of the pandemic and required staff to work in the office to ensure that suppliers could be paid.

The State of AP in 2021: Stronger than Ever

The State of AP in 2021 is stronger than ever with the majority of organizations impacted by the pandemic now coming out the other side with higher levels of automation and greater levels of stakeholder engagement and respect. This year's study finds that the operations of 94% of all AP departments were impacted by COVID-19, with 9% of leaders defining that impact as "massive" and 22% defining it as "high." Yet, when compared to the overall business, it is clear that enterprises around the world, more often than not, had much bigger issues to contend with than AP. This does not mean that AP was untouched over the past sixteen months – it was. In fact, many organizations' weaknesses were quickly exposed due to their reliance on paper and manual processes.

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Many groups took quick and decisive action, deploying ePayables (or AP Automation) solutions to address the main issues (this led to a historic year of sales in the global ePayables solutions industry).

In 2020, AP's role in supporting and addressing key business challenges such as tighter overall cash flow and uncertain supplier relationships expanded, catching the attention of many business leaders and other key stakeholders. This has created an environment in which the changes over the past year have cleared the path for AP groups to accelerate their transformations and expand the value that they are currently delivering.

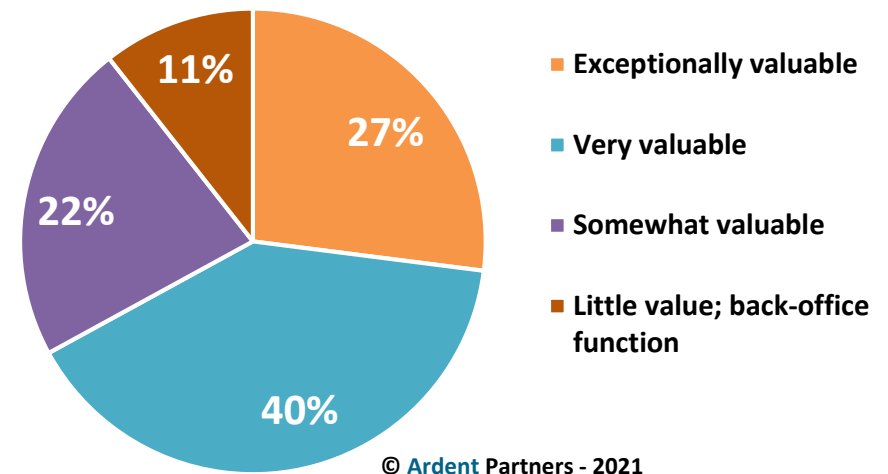
In 2021, as other parts of the enterprise begin to recover, financial decisions will be more closely monitored, while tighter controls around core enterprise operations will become ever more critical. In addition, the rising threat of financial/digital fraud will place a greater emphasis on the full invoice-to-pay cycle. This means that now is the time for AP functions to step up and be more proactive. This means that now is the time to start developing (and executing) the strategies that will propel AP forward and into the "new normal."

AP is an Enterprise Value Driver

A value driver is a factor that increases the worth of an asset, function, process, outcome, or business. Over the past few years, it has become clear to a majority of business leaders that AP is an enterprise value driver. This year, exactly two-thirds of all

enterprises now believe that their AP team is either "very valuable" or "exceptionally valuable." These numbers that have increased in no small part due to the once-in-a-century global pandemic. The "AP is becoming more strategically valuable" dialogue has been occurring for the past several years as more finance, treasury, and procurement executives have been able to view first-hand the impact that AP can deliver to the greater organization. And, the changing tide of perceptions captured in this year's survey is a hopeful mark of things to come (and the general future of AP and how it will fit into the modern, digitized business world).

Figure 3: How Valuable is AP to the Enterprise



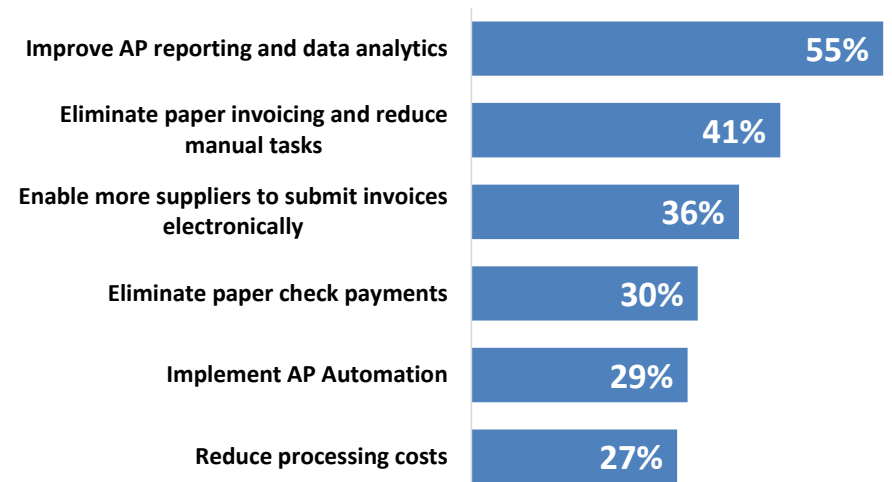


Reporting and Analytics are Job One

While AP's momentum continues to build (See Figure 3, previous page), there is more work to be done to keep improving perceptions and have AP viewed more favorably within the enterprise. In 2021, AP groups are rarely first in line to receive budget increases and special project approvals. But the truth is that AP does not have to be "first in line" for its position to be significantly improved, it merely has to be "considered." That said, with the wave of innovation that has recently swept across the business landscape, it will be increasingly important to the longer term success of every AP department that it be viewed in a way that is more similar to other strategic business functions and therefore, worthy of investment.

With two-thirds of enterprises promoting the value of AP over the last year, AP has become an area of investment. Most directly, this was shown when in 2020, the AP automation market became as hot as any other in the enterprise software industry. This also refreshingly means that in 2021 and 2022, there will be money and resources to invest in AP. This means that AP teams have an increasingly higher likelihood to achieve their top priorities (see Figure 4, to the right) which cover the full spectrum of organization needs.

Figure 4: AP's Top Priorities



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- **More and Better Data (55%)** which is achieved by improving the overall level of reporting and data analytics capabilities available within AP. This realization that AP can be a "hub of intelligence" is active and continues to grow within the profession but also beyond it, more broadly in finance. The AP process creates and captures a veritable gold mine of information, including the data linked to the invoices and supplier payments the function processes. For example, AP's data can be an incredible benefit for treasury departments that want to leverage deep intelligence as a way to improve their supplier payment strategies. Any improvements in the way AP collects and analyzes transactional data has the potential to boost its overall strategic value.



- **Less paper and human touch (41%)** which is achieved by eliminating paper invoicing and reducing manual tasks via automation. For AP to achieve its main goals and objectives, it must eliminate the enemy: paper invoices. Manual tasks and paper-based processes slow invoice processing, limit data intelligence, increase the risk of fraud and payment errors, and reduce the chances for early payment discounts. Eliminating these AP-specific issues will unburden the function and allow it to contribute to more strategically to operations.
- **Fewer paper invoices (36%)** which is achieved by enabling more suppliers to submit invoices electronically. The path to fewer paper invoices is thus – Step One: Automate AP processes; Step Two: Enable suppliers on the technology; Step three: Keep repeating Step Two. Enabling more suppliers has been an important priority for procurement for more than decade, but it has never been a “top three” priority for AP in the sixteen years that Ardent Partners analysts have been covering the space. That is because more AP teams had yet to perform Step One. During the pandemic, however, many AP professionals dealing with manual processes had to return to their offices to open envelopes and route invoices for approval and/or scan-and-capture the paper invoices. AP automation eliminated this need for many enterprises. No business wants to put its workers in harm’s way and having to deal with paper invoices was it was a harsh lesson for many finance executives.

The pathway for AP in 2021 and beyond is clear: become a self-sustaining engine of intelligence and operational prowess, ready to support strategic enterprise endeavors while serving as a source of financial knowledge that can impact heavy, mission-critical corporate decision-making.



AP Leaders' Response to the Pandemic

Over the past sixteen months, many AP teams faced major disruptions, significant threats, and entirely new challenges brought on by the COVID-19 pandemic. By and large, AP professionals worked urgently to ensure business continuity, bolster financial resilience, and prepare their enterprises for the next economic phase.

Ardent's recent interviews with AP professionals on the topic yielded a wide range of perspectives including:

"[The pandemic] changed the way invoices were processed, to obtain visibility...It changed remittances from paper to electronic remittances...It encouraged the business to use purchase orders."
~ **AP Staff, Travel Industry, Europe**

"I was in hospitality and was laid off because there wasn't any business. I went to a competitor who filed for bankruptcy. Now, I am working for an eCommerce company where they had the most growth as a result of the pandemic. I saw both sides of the pandemic and how they impacted business. One pulled through, one shut its doors forever, and the last is thriving."
~ **AP Specialist, South America**

"[COVID-19] has forced us to evaluate and optimize our internal procedures and has resulted in streamlined procedures. We have deployed new Automation and are continuing in our efforts to reduce the number of touches our P2P process takes."
~ **Director of P2P, Manufacturing, North America**

"We had little impact as we were mostly automated. Due to Covid we were able to get more vendors to email invoices and receive payments electronically."
~ **Senior Manager in AP, Media, North America**

"The pandemic has had little effect as we have been setup with our systems and automation processes for quite a while now. That allowed us to easily work from home."
~ **AP Leader, Financial Services, North America**

"No major issues, the function was already able to work and pay remotely. We established a governance framework to approve all PPE requirements. We relaxed matching rules for low value transactions to maintain cash flow and moved a number of suppliers from contracted terms to immediate."
~ **Senior Manager in AP, Health Care, Europe**



Appendix

About the Authors



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 22 years in the industry and 12 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As the Chief Research

Officer at Ardent Partners, Andrew oversees all research and client programs including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 500 times in nine different countries. Under his leadership, Ardent has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and has developed research that is currently part of the Supply Chain/Management curriculum at several US universities. Andrew actively covers the technology marketplace as

well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for several prominent spend management solution providers (Ariba & Commerce One). Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.

Andrew's post-MBA career started in management consulting and investment banking where he structured, managed, and advised on large capital market transactions. Andrew began his professional career running a homeless family shelter in Los Angeles for four years. He welcomes your comments at abartolini@ardentpartners.com and 617.752.1620 as well as your [LinkedIn invitations](#).

**Bob Cohen, Vice President of Research,
Ardent Partners**

A seasoned professional with almost 20 years of experience helping enterprises transform their Procure-to-Pay operations. In recent years, Bob has become the industry's lead analyst covering AP and ePayables. At Ardent Partners, he heads up the ePayables practice which includes coverage of accounts payable, B2B payments, business networks, and travel and expense management. Prior to joining Ardent, Bob spent 12 years working as a Vice President at Basware, where he helped establish the firm's U.S. presence as a major player in the AP automation and Procure-to-Pay spaces. He has also worked at American Express where he enabled the commercial card giant better align its products and services with a continually evolving market.

Over his career, he has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, B2B Payments, P2P, and Business Network solutions. He is a sought after speaker having given hundreds of presentations at industry conferences, user group meetings, webinars, and customer-facing events. He is also the publisher of Payables Place, the news and research site for Accounts payable and Finance leaders (www.payablesplace.com). Bob holds a B.A. in Marketing from Bryant University and an M.B.A in Finance from The University of Connecticut.



About Ardent Partners

Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the CPO Rising and Payables Place websites. Register for exclusive access to Ardent Partners research at ardentpartners.com/newsletter-registration/.

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 187 AP and finance leaders captured between March and May, 2021 and includes direct interviews with several survey respondents. These 187 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the right.

Report Demographics

The research in this report is drawn from 187 respondents representing the following demographics:

Job Function: 41% accounts payable; 23% P2P; 18% finance; 12% procurement; 6% IT

Job Role: 20% VP-level or higher; 31% director-level; 23% manager-level; 26% staff-level

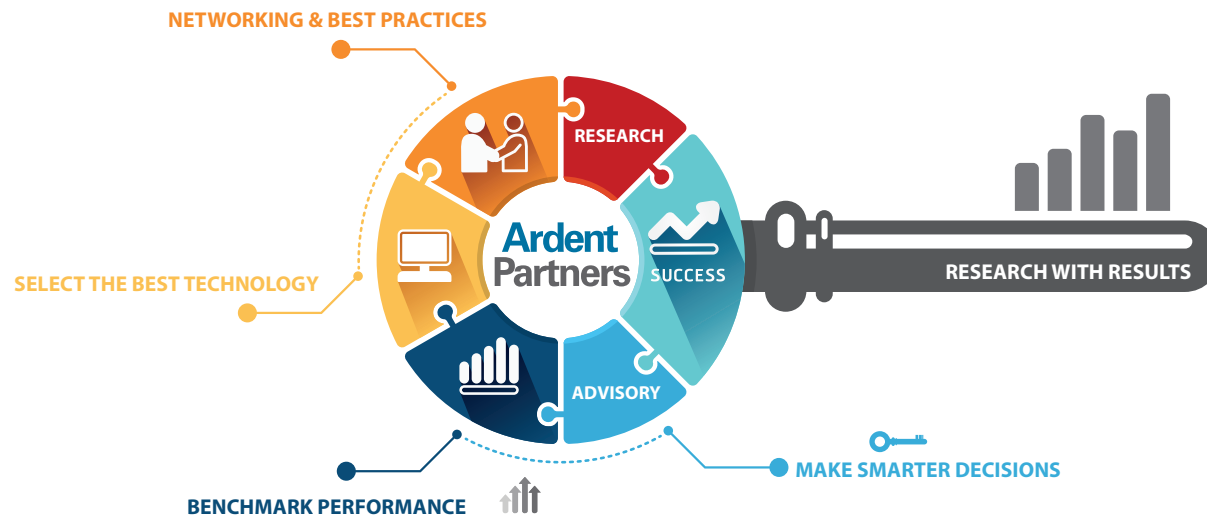
Company Revenue: 53% Large (revenue > \$1 billion); 26% Mid-market (revenue between \$250 million - \$1 billion); 21% Small (revenue < \$250 million)

Region: 73% North America; 27% EMEA

Industry: More than 20 distinct industries are represented. Manufacturing, Healthcare, Financial Services, Technology, and Retail are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

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Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision-makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.

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Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

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