

## The State of ePayables 2021:

Operating in the New Normal

"The State of ePayables"

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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 ePayables

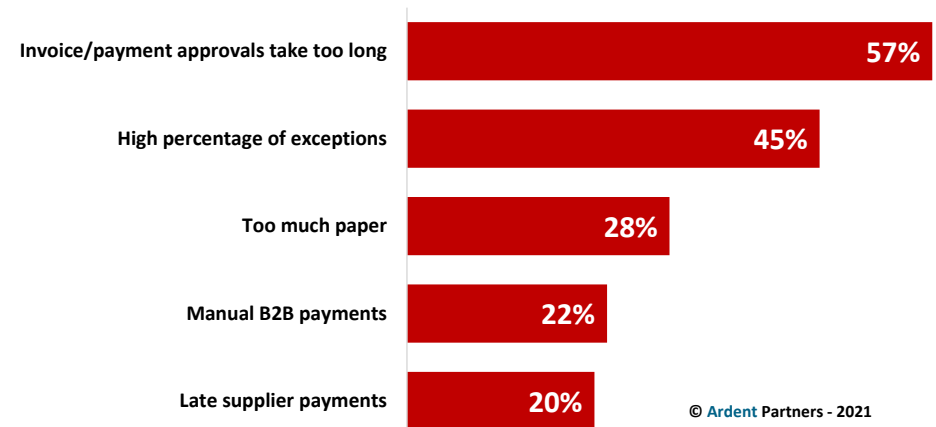
“You never want a serious crisis to go to waste...it’s an opportunity to do things that you think you could not do before.” – Rahm Emanuel, former Mayor of Chicago

As many businesses faced tough times due to supply chain issues, worker and workplace restrictions, broad-based operational disruptions, and major revenue shortfalls, executives had to contend with health and safety as well as legal considerations. They had to assess and mitigate the ramifications of a potential outbreak among employees that was started in the workplace. Decisions had to be made with imperfect, and often, unclear information.

For a majority of leaders overseeing AP, the pandemic made it patently obvious that manual processes are no longer acceptable and must be stricken from the workplace. Like their co-workers, a vast majority of AP professionals were not raised with a work from anywhere spirit and the ability to easily work while remote. This quickly changed for the AP departments that relied on ePayables systems to drive processing, communication, and collaboration. Others had little-to-no choice but to rely on the traditional in-person office environment to manage their work.

In 2021, the standard challenges for AP remain top-of-mind and clearly highlight the need for end-to-end automation to manage invoice and payment processing. In fact, this year’s top challenges to AP such as lengthy approval times and dreaded invoice exceptions reflect an even greater need for better overall visibility, management, and facilitation of core AP tasks (see Figure 1, below).

**Figure 1: Top Challenges Facing AP in 2021**





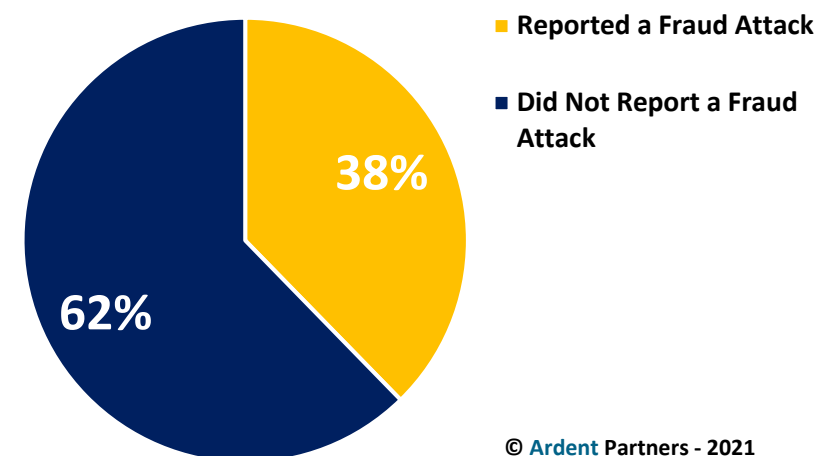
While many AP functions were able to adapt to difficult changes and enhance their operations in the face of unprecedented obstacles, sizable hurdles still exist for the typical AP department. AP's top challenges this year remain largely tactical in scope and are linked directly to everyday activities like pushing for approvals and managing exceptions. This creates organizational discord. But the problems that happen in AP, do not stay in AP – they can and do directly impact other constituencies. That is because, when taken in aggregate, these hurdles have deleterious effects and a potentially strategic impact. For example, invoice and payment approvals have long been an issue in terms of AP's speed and efficiency, but when coupled with a high percentage of exceptions and an inability to execute B2B payments well, large problems can quickly arise with key suppliers. Treasury, procurement, and internal finance teams find their work more challenging when their goals are not achieved in alliance with AP, but rather in spite of AP. The journey for AP teams and the staffs, therefore, must continue.

### “Payment Fraud” Has Entered the Chat

In 2021 AP's journey includes the need to be more vigilant. The total cost of financial fraud is estimated in federal government studies to be in the trillions of dollars when taking business, consumer, digital, and all other transactions into account. The pandemic's main impact on physical mobility and fewer face-to-face interactions led to a decreased reliance on paper invoices and checks and wider usage of digital and electronic payments. The unfortunate downside is that fewer in-person meetings and negotiations may have opened the door for B2B payment fraud.

Conducting more business outside of the office and operating as virtual teams translated into greater IT and data security risks. Over the past sixteen months, fraudsters took advantage of critical vulnerabilities and attempted to steal money from exposed businesses. With so many susceptible entry points, 2020 was the largest year on record in terms of fraudulent payment behavior. In fact, according to Ardent Partners new research, nearly four out of ten (38%) of all businesses reported a business payment fraud attack over the past year (see Figure 2, below). Not all attacks were successful but it is clear from their sheer number that the risk of payment fraud attacks will be part of AP's “new normal” and that strategies and tools designed to thwart it will become more important.

Figure 2: Payment Fraud Attacks During the Pandemic







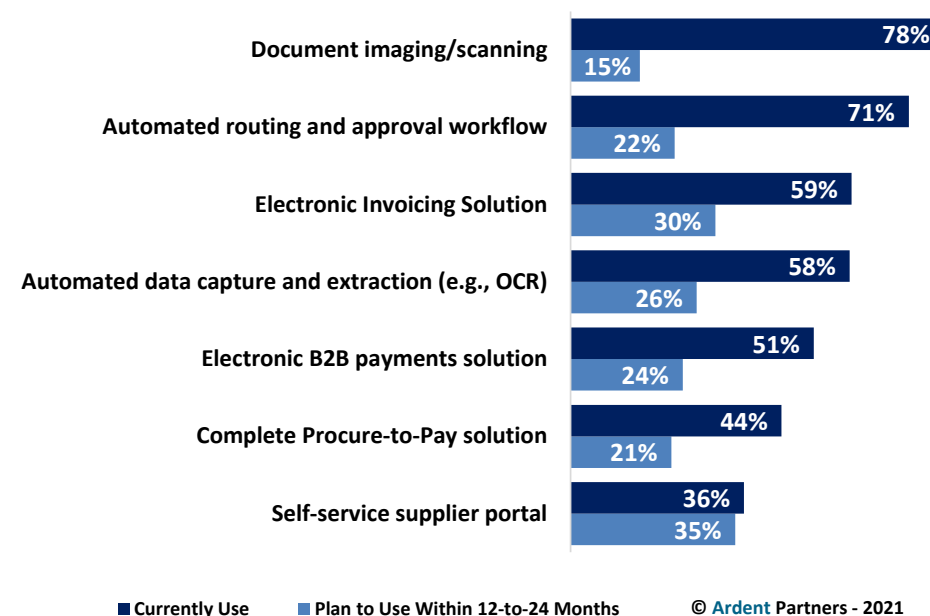
## AP's Digital Transformation

ePayables solutions are the technologies and solutions that come together to automate invoice and payment processing and transform AP departments into self-sustainable centers of excellence. By enabling repeatable processes around traditionally manual tasks, businesses can derive value in various forms; value that extends beyond basic cost-saving efficiencies. Automated AP teams are better able to take advantage of early payment discounts, identify and mitigate fraud risks, and gain visibility into processes and specific invoices and payments

Ardent's State of ePayables 2021 research study finds that today's AP leaders are reaching an inflection point regarding AP automation. That is to say that the industry has reached its highest technology adoption rates yet, while also seeing an increase in those that plan to deploy solutions in the near-term. (see Figure 3, to the right).

While there are several insights to draw from the 2021 ePayables adoption numbers, one major factor remains clear: more AP organizations are trusting in and relying on technology to support their overall goals and objectives. This is in stark contrast to the not-too-distant past when AP departments were seemingly working at manually-driven outposts within largely automated enterprises. Back then, what happened in AP stayed in AP as there was no way to share information, activity, or data.

Figure 3: ePayables Technology Adoption in 2021



This trend is a reflection of the greater business world's broad embrace of digital transformations. Over the last five years, ePayables solutions have become more user-friendly, accessible, and easily integrated with the enterprise's technology infrastructure. As a result, their level of usage is increasing, albeit slowly. In turn, users are driving more volume and ultimately more value from them. Digital, automated tools have enabled fewer hands to transact greater volumes of tactical work, which has allowed AP teams to shift their focus to the strategic parts of the business,



like relationship-building and long-term planning. They have also helped practitioners and leaders to extract more value out of their processes and make faster, more informed decisions across the full invoice-to-pay process.

But it has taken a global pandemic that has required a majority of businesses to institute “work from home” mandates to get many executives to understand the important role that technology plays in supporting operations and the need for digital transformation to pervade all corners of the enterprise.

The digital transformation of an AP department is an opportunity to use technology as a means to reimagine the organization’s entire scope of operations and how it performs. Unlike the process automation initiatives that preceded it, a digital transformation does not view technology as a process enabler, but rather, as the fundamental process going forward – it is the alpha and omega and everything in-between. A successful digital transformation requires many things, including sponsorship, effort, collaboration, vision, expertise, and a supporting technology infrastructure; superior program design also remains a critical element in the speed and impact of the initiative.

Across the full spectrum of financial technology, AP’s overall outlook for digital transformation looks bright and, according to the survey results, will soon burn brighter:

- **Adoption (and interest) of eInvoicing technology has hit its highest mark in years.** More than half of the paper battle is combating the deluge of invoices sent from suppliers. Solutions like eInvoicing can ensure the immediate/electronic delivery of invoices and accelerate the initial steps in the AP process. With nearly 60% of businesses using eInvoicing solutions, a solid majority businesses have finally realized the value of having a digitized means of billing from suppliers and vendors. The increased eInvoicing adoption levels are a leading indicator of a huge increase in the percentage of electronic invoices sent.
- **A majority of organizations will have automated all facets of the procure-to-pay process by 2023.** Within the next two years, nearly 65% of businesses state that they will have automated the complete P2P cycle, enabling a robust union between procurement and finance that generates power, value, and efficiency. This statistic underlines the importance for procurement and finance leaders to view procure-to-pay as a single process that can optimize efficiencies and intelligence for the greater organization.
- **B2B payments are in place at a majority (51%) of enterprises.** Automation of the B2B payments process has often been described as the gateway to the next frontier in an AP transformation and is finally beginning to get the attention it has deserved. Invoice and payment processing

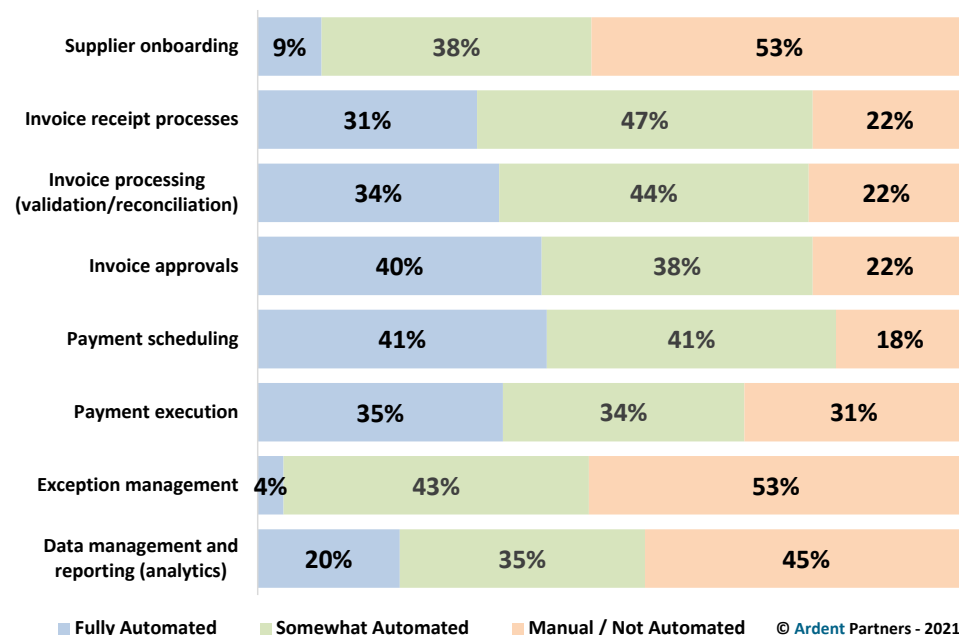


are essentially two sides of the same coin; a unit that truly harnesses the power of both automation and rigor on the payment side of the house can drive financial value to the greater organization. The visibility afforded by the myriad payment options available (ACH, wire, commercial card, payment networks, and other electronic/ePayment methods) is another arena that AP can leverage to improve the functions around it.

- **AP leaders are promoting digitization across the supply chain with supplier portals (35%).** These “windows to the world,” enable global suppliers to transact and communicate with their customers across the P2P process. For buying organizations, the value from deploying a portal can be tremendous. Portals are a cloud-based solution that enables self-service registration and on-boarding. Most portals serve as a platform that provides visibility and enables communication and transactions between trading partners. Portals also provide significant financial benefits to enterprise users by reducing time, money, and resources previously required to perform supplier enablement and information management tasks.

*For a majority of leaders overseeing AP, the pandemic made it patently obvious that manual processes are no longer acceptable and must be stricken from the workplace.*

**Figure 4: Automation Levels across Core AP Activities**



But technology adoption does not immediately equate to comprehensive adoption. The systems must be well-deployed and heavily-used. Digging deeper into the spectrum of AP automation, Ardent Partners has gained an inside look at the level of which specific processes and functions are automated. This reveals a much more realistic picture of where AP, as a profession, is in achieving a true digital transformation (see Figure 4, above).

One major insight from data is the relatively low percentage of organizations that have fully-automated their AP processes.





While comprehensive end-to-end automation should be a goal, it has not always (understandably) been attainable in today's volatile business and economic market. Some of the key gaps in automation include:

- **Less than half of AP organizations are automating supplier onboarding.** As discussed in the previous section, a pandemic-led business world translates into the need for digitization of once-manual processes...especially within the AP arena. This is a critical gap considering that a return to full-time, in-person workplace environments may not occur imminently, or at all, considering the prevalence of distributed teams and remote work.
- **Exception management is a key automation gap.** Invoice exceptions have long been the bane of AP's existence due to the amount of time, energy, and resources necessary to correct issues with purchase order numbers, invoice amounts, etc. Whether or not AP professionals are physically in the building does not matter when so many invoices need to be reviewed for accuracy; the time drain is the same. Such a large gap in AP automation means that instead of AP professionals contributing to more strategic activity (particularly on the data analytics, reporting, and business intelligence sides of the house), they are wasting valuable efforts in fixing invoices bottlenecked within the overall AP process.

- **In order for AP to become a truly strategic business function, B2B payment automation is critical.** In many ways, AP and Treasury have similar goals. Both want to maximize their strategic value to the organization, while also driving any possible cost savings. Add to this AP's position in the organization as a cash-distribution function (frequently the largest non-payroll source of cash outflows), and it becomes clear that the two teams need to collaborate in order for both to succeed. If Treasury and AP can work together effectively, then the enterprise at large can pay its suppliers more intelligently, gain improved cash forecasts, and have a much more complete picture of its financial risk exposure. These goals are both laudable and important, but only attainable with electronic payments in place.

Beyond simple process automation, AP teams have the opportunity to serve as a hub for other stakeholders across the typical organization, supplying insights and knowledge that can arm key decision-makers. This, in and of itself, is a move beyond the "basics" of the function and is the foundation upon which a many AP teams will operate in the "New Normal."



## AP's Role in the Gig Economy

According to Ardent Partners research, 46.5% of the average organization's total workforce is considered "non-employee," "contingent," or "extended." This "agile workforce" has grown in size, prominence, and impact over the past fifteen years as more and more businesses realize the value of on-demand talent. As enterprises have come to realize, the realm of the agile workforce is one that provides dynamic skillsets and expertise to the internal functions that require fresh voices and innovative thinking, as well as short-term engagements that can address administrative and tactical aspects across the business.

The rise in the contingent workforce also means the Gig Economy has come full circle; it is not merely an arena that must be managed solely by HR or procurement, but rather other internal functions that must be involved in either front-end or back-end processes concerning the management of these agile workers.

Two years ago, the majority (52%) of businesses expected to harness the power of AP automation in how they pay their gig workers. An encouraging Ardent statistic today has discovered that now nearly 60% of enterprises are leveraging AP automation and similar platforms to support how they pay and manage the agile workforce.

This is a greenfield opportunity for the AP function, as they can level-set on a bigger spend category that is only expected to grow considerably in the months and years ahead. One major by-product of the COVID-19 pandemic was that enterprises needed true workforce flexibility and scalability, and the agile workforce was the way of achieving that goal. As market conditions evolved, staff was either needed or expanded. AP has a significant opportunity ahead in helping to manage the financial components of this extended workforce.

There is often a sense of "payroll diversion" within the contingent workforce arena, as independent and gig workers can be paid directly via invoice or other payment methods without having to go through traditional payroll processes. This is a massive arena of spend that requires more intuition, oversight, and management, especially as it pertains to the financial spectrum. AP can play a pivotal role in not only ensuring that payment data is leveraged in workforce planning, but that key gig workers and contractors are paid quickly and efficiently for the sake of the "talent experience."



# 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](http://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](mailto: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](http://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/](https://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)

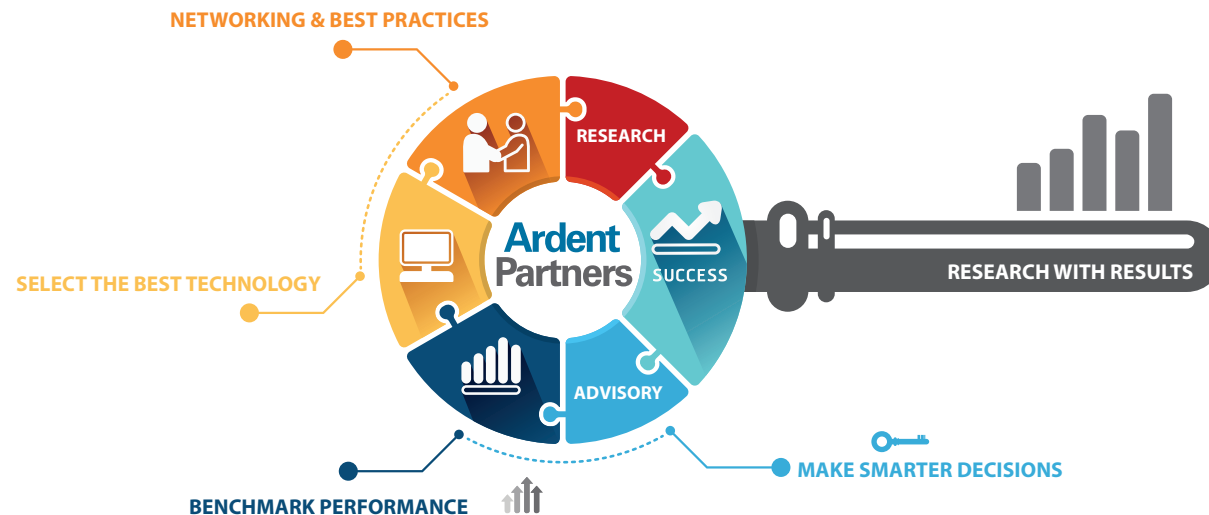
**Region:** 73% North America; 27% EMEA

**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.



# Ardent Partners

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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](mailto:research@ardentpartners.com) if you have any questions about this report or our research in general.

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