THE STATE OF ACCOUNTS PAYABLE 2014
Discount capture, cash management intelligence and reduction in COGS through spend analysis are becoming the new “product” of AP. That’s the vision. **WHAT’S THE REALITY?**

**INTRODUCTION**

Accounts Payable has been and is in transition, moving from a manual, clerical function with a simple-to-state but difficult-to-achieve goal of “paying the bills” on time, to an automated and analytical function that has a greater contribution to make to the success of the organization.

Enlightened and engaged controllers, shared services directors, AP directors and managers are leading the way. Process improvement, elimination of paper, productivity increases, better paid-on-time rates – these are the initial tactical goals that become steps toward more strategic goals that move AP beyond a merely efficient back office operation (and cost center) to a contributor to the organization’s bottom line. Discount capture, cash management intelligence and reduction in COGS through spend analysis are becoming the new “product” of AP. That’s the vision. What’s the reality?

For its annual study, the Accounts Payable Network surveyed 366 organizations of all sizes and industries, with a margin of error of 5 percent. Survey responses for the 2014 data were collected between April 1st and April 30th, 2014.

In this Survey, the Accounts Payable Network defines three levels of AP operation, and measures where, on a five-point transition scale, companies’ accounts payable are. While it will not surprise that there is a gap between vision and reality, it is interesting to note that three percent of organizations do in fact rate their AP organizations as having reached “level 3” – focused on analytic and strategic activities (e.g. spend analysis, discount capture, cash management), made possible by a high degree of accounts payable process automation and visibility. Most organizations might take comfort in the data below that show they are not alone in being nowhere near that level. Progress has been slower than the early heralds of accounts payable automation suggested it would be.

*Nevertheless, AP is creeping upwards towards the tipping point, and the success of the leading few serve to encourage more companies towards transition.*
Operational Models

Centralization is the predominant operating model for accounts payable. For most organizations, a desire to standardize policy and procedure, economize, and automate has led to centralization or inclusion of AP in a shared services environment.

Level of AP Operations

Definitions of Levels:

Level 1 - Primarily clerical activity, i.e. manual data entry of paper invoices, manual workflow, etc.

Level 2 - Primarily problem solving (e.g. exception handling, credits management, etc.) made possible by elimination of paper and implementation of process automation.

Level 3 - Focused on analytic & strategic activities (e.g. spend analysis, discount capture, cash management) made possible by a high degree of process automation and visibility.
The top five concerns for accounts payable are improving processes, on-time payments, managing time/improving productivity, automating manual processes and leading and motivating staff.

Spend analysis, which can bring real dollar value to an organization, is nearly at the bottom of the list, though it is a concern for a quarter of participants.
PHOTO

The formal educational level of AP staff has been **ON THE RISE.**

**WHO’S WORKING IN AP?**

A striking “leading indicator” of change in accounts payable is the upward trend in educational level of AP staff. The formal educational level of AP staff has been on the rise. The change might reflect hiring staff with more education in the course of worker turnover, but could also reflect the acquisition of additional education by existing staffs. Either way, it reflects greater expectations of accounts payable than in the past, and lays the groundwork for AP’s continued evolution. Coinciding with the increase in educational level (and increasing use of technology), 83 percent of study participants report an increase in proficiency.

---

**Average Level of Education of AP Staff**

- **High school diploma:**
  - 5 years ago: 57%
  - Today: 34%

- **Associates degree:**
  - 5 years ago: 34%
  - Today: 26%

- **Bachelor’s degree:**
  - 5 years ago: 12%
  - Today: 25%

- **Master’s degree/MBA:**
  - 5 years ago: 1%
  - Today: 2%

- **Other:**
  - 5 years ago: 4%
  - Today: 5%
THE PURCHASING CARD leads as the most implemented tool in the procure-to-pay cycle.

TOOLS AND TECHNOLOGY

Tools and technologies are a critical element in advancing accounts payable operations to a value-adding analytical function. It has been a long time coming, but half of organizations now have implemented a number of these tools.

What are the tools and technologies aiding accounts payable in its evolution? The purchasing card leads as the most implemented tool in the procure-to-pay cycle positively impacting accounts payable operations – its primary contribution from an AP standpoint being the replacement of a volume of low dollar invoices in the AP process stream with one monthly statement. Automated expense report processing and electronic workflow follow as the next most-implemented tools.

Implementation may be traditional on premise, or via the cloud (SaaS), putting automation technology within reach of more organizations.
TO WHAT EXTENT do payables and procurement cooperate?

COORDINATION WITH PROCUREMENT

Accounts Payable is part of a process that begins with procurement and ends with payment. So to what extent do payables and procurement cooperate? According to the results of the survey, AP and purchasing are well coordinated in more than 40 percent of organizations, and seven percent of payables are part of the purchasing department. But there is room for improvement before the procure-to-pay process is fully optimized.
What about the **PROMISED LAND** of paperless AP?

PAPERLESS ACCOUNTS PAYABLE

What about the promised land of paperless AP? While 47 percent of organizations have implemented some type of e-invoicing, the actual percentage of e-invoices received is considerably less – a median ten percent of invoices are received electronically.

**Invoices Received Electronically**

- **Mean**: 22%
- **Median**: 10%

*You can track the progress towards paperless AP and find key performance metrics as well as the detail behind this benchmark summary at The Accounts Payable Network, the largest global community for Accounts Payable, Procure-to-Pay and Financial Shared Services practitioners.*
Rob Rogers, Editorial Director

Rob has planned and guided content development for The Accounts Payable Network since its inception 2002. The Accounts Receivable Network (TARN), The Controllers Network, and IOFM’s several certification programs and online training course content round out his responsibilities. He joined the original Financial Operations Networks with more than 20 prior years in business-to-business publishing, including as an editor and publisher for Construction Market Data (CMD), and in various roles at Nuclear Assurance Corporation, serving the commercial nuclear power industry. Rob holds a BA in Communications from the University of Delaware.

He welcomes your correspondence and can be reached at: rogers@divcom.com.

About The Accounts Payable Network

The AP Network advances the profession and supports its members’ success by sharing best practices, tools, and expertise and by fostering peer-to-peer engagement. With exclusive content developed by leading experts in AP, procure-to-pay and shared services, the Network provides its members with a comprehensive portfolio of time-saving resources, from benchmarks to best practices, regulatory compliance guidance to case studies, and online calculators to downloadable checklists and AP templates.