# 6 STEPS TO BECOMING A GROWTH-DRIVEN AP DEPARTMENT

IOFM Institute of Finance & Management

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Today's accounts payable (AP) departments have a critical role in driving business growth. They're helping the business become more agile through streamlined AP processes. They're freeing up cash through working capital optimization. They're aggregating and digitizing data so that it's more accessible to stakeholders. And they're at tracking and controlling data to mitigate risks.

In short, AP is going far beyond traditional finance responsibilities to help drive success.

This paper shows how traditional AP processes hinder growth, the growth-generating benefits of payables automation, and strategies for choosing an automated solution that will support growth.

## CFOs are stewards of business growth

Businesses are focused on:

- **Increasing** sales and marketing activities
- **Creating** new product lines and business units
- **Acquiring** and merging with other companies
- **Establishing** regional offices

Many growth-minded businesses are looking for ways to tap into emerging and developed markets across the globe. Going global is a top priority for businesses trying to balance a fluctuating sales cycle based on seasonal demand. International expansion also gives a business the opportunity to make its supply chain more efficient, capitalize on new technologies, and leverage international expertise.

Regardless of the approach, CFOs are tasked with two roles:

1. **Find and fund** solutions that will drive long-term growth
2. **Transform the finance** function to scale to meet the growth demands

A specific area they're discovering is critical to this scale is the AP department and how it can help drive growth.

As a result, AP teams are adapting and adjusting their priorities to accelerate growth.

## How manual AP processes inhibit business growth

Manual AP processes are barriers to business growth in multiple ways:

- **Manual processes.** The payables staff in many businesses spend their days inundated by manual, repetitive tasks such as keying invoice data, shuffling paper, chasing down information, and responding to phone calls and emails from suppliers. When finance staff are mired in high-frequency manual tasks, they don't have time for growth-generating activities such as analyzing data, collaborating with stakeholders, and building relationships with suppliers. The complexity becomes even more overwhelming when a business layers on cross-border payments or expands into digital marketplaces. Inefficient payables processes leave fast-growing businesses with two choices: add staff to contend with the volume and complexity or limit the markets that the business enters, the new products and services that it launches, or the facilities it opens.
- **Inadequate visibility.** High-velocity businesses need financial visibility. Real-time financial visibility can help a business understand its performance, gain insights, forecast various scenarios in its business roadmap, and make decisions. But manual and semi-automated payables processes don't provide businesses with the visibility they need. Key data is not captured, information is poorly organized, data is not timely, systems are fragmented, and decision-makers can't access key variables to make sound decisions.

**Only 26% of invoices from suppliers are submitted electronically[1].**

- **Payment complexity.** Traditional approaches to paying suppliers are a complicated, time-consuming, and error-prone process. AP staff must manually enter invoice information, call, email or fax payees to verify legal entities, print and mail checks, and log into multiple bank portals to schedule electronic payments. Multi-level approvals are frequently

[1] Ardent Partners, *State of ePayables* report

delayed. And tax forms are often not collected or outdated. Cross-border payments, regulatory issues, tax compliance, currency conversion, and communications add complexity to the entire process. As a result, AP staff waste hours making payments, resolving errors, and reconciling information.

**75% of businesses have experienced check fraud[2].**

- **Time-consuming reconciliation.** Accurate cash forecasting helps ensure that a business has the funds it needs to invest in growth-generating initiatives. But it can be hard to reconcile data from loosely connected systems and processes and roll it into spreadsheets. Reconciling payments often requires AP staff to spend hours stitching together countless spreadsheets from different bank statements and invoice details. And the financial close can take weeks.
- **Complicated tax compliance.** Tax compliance becomes more difficult as a business grows. For instance, the Foreign Account Tax Compliance Act (FATCA) requires that U.S. entities validate all international payees. But manually navigating the vast considerations and obtaining the necessary FATCA requirement can be tricky. It also can be a burden getting payees to update their tax details as their business structures, corporate officers, and addresses change.

**Income reporting is the responsibility of the payer. Payers that don't have the proper documentation may face a significant penalty from the Internal Revenue Service.**

CFOs can no longer afford to have manual AP processes stand in the way of their growth.

## Positioning your organization for success

Here are six steps to becoming a growth-driven AP department:

1. **Strive for touchless processing.** Efficient and effective workflows and business models are critical for growth. This is especially true of midmarket businesses that don't have the luxury of dealing with growth by staffing up or leveraging shared services centers. Best-in-class payables solutions consolidate multiple functions in one technology platform: supplier management, tax, invoice and PO processes, payments, and multi-entity management. By reducing operational friction, high-velocity businesses can capitalize on new opportunities that will allow them to expand their operations and scale to new markets and verticals. The right automation solution also frees up bandwidth to focus on growth-generating tasks.
2. **Establish an early-payment program.** High-growth businesses must find ways to free up cash to invest in the business. Many businesses maintain their cashflow by extending their payment terms and negotiating early payment discounts with suppliers. But stretching payment terms out to 45 days or more can have a trickle-down effect. And not every CFO wants to use cash from their balance sheet for early payments to suppliers. A better approach is to integrate early payment offers into your payables workflow and eliminate the ad-hoc negotiation of terms with a simple two- or three-click agreement process. With an integrated early-payment program, suppliers can be paid upon payables approval—minus a small percentage discount—and buyers can make payments according to the invoice due dates. Money generated from early-payment discounts can be used for growth-generating activities.

**Building early payments into the payables process eliminates the effort to set up supply chain finance.**

3. **Achieve real-time visibility.** Tightly managing cash flow and corporate spending means more to high-growth businesses. Decision-makers need consolidated visibility on the financial health of the business and its entities. AP solutions put smart

[2] Association for Financial Professionals

insights into invoice data at the fingertips of those who need them. The visibility provided by AP automation makes it easier for teams to stay aligned, whether they are in the office, at home, or on-the-go.

**Automation enables businesses to more easily identify patterns in cash flow.**

4. **Automate reconciliation.** Slow and ineffective reconciliation processes make it hard for businesses to forecast growth. A payables automation solution simplifies the reconciliation of payments made across subsidiaries, eliminating the need to correlate individual balance sheets. The payment-reconciliation data is then effortlessly fed into reporting sources, allowing for data to be normalized for currency considerations as well. This enables the status of payments to be reported in near real time. And decision-makers can have early knowledge of payment liabilities.

**Payables solutions instantly normalize and roll up payment remittance results across all payment methods, geographies, and entities for faster, more accurate reconciliation and reporting.**

5. **Improve tracking and control.** Ensuring financial controls at the corporate and entity level is critical for fast-growing businesses. AP automation protects against audit failures by providing finance organizations with a broader set of financial controls, ensuring that auditors get the right information on the backend, and strengthening reporting. Controlled workflows and administration and permission options can be established from a centralized point.

**There is a clearer "paper trail" when every transaction is done electronically.**

6. **Streamline tax compliance.** Fast-growing businesses don't have the time to chase down payees for tax information at the end of the year. Automated solutions integrate tax identity collection and verification into the supplier onboarding process. A self-service portal makes it easy for suppliers to securely submit W-9s, W-8s, and value-added tax (VAT) details. And the technology can send suppliers routine requests or reminders to update their tax details.

**Payables solutions automatically screen payees against blacklists.**

More than ever, CFOs are finding AP automation unlocks growth opportunities for the business.

## Adopting a growth-driven strategy

Choosing the right tech stack is critical for AP leaders who want to help drive business growth.

**75% of CFOs said their finance teams were forced to reevaluate transformation initiatives to drive business value during COVID-19[3].**

These are the five most critical considerations when evaluating growth-generating AP solutions:

1. **Implement the right automation.** Fully optimized finance operations require automated software with a best-in-class 100% cloud-based infrastructure and 24/7 visibility.

2. **Prioritize accessibility.** Ensure that the solution allows stakeholders to interact in real-time.

3. **Digitize financial controls.** Reduce the number of manual controls and reporting errors by deploying smart payables automation with artificial intelligence and machine learning.

4. **Built-in training.** Elevate your team to their full potential by training them to take on strategic duties. Look for a solution with development programs that instill new skill sets.

5. **Scalability.** Find a solution that can streamline transactional, repetitive, or time-consuming functions as your business grows, while handling complex scenarios and global operations.

[3] How CFOs are Preparing for the Robot Revolution

These capabilities will help a forward-thinking AP leader support organizational growth.

## Prepare for business growth

AP has an opportunity to drive growth. With tools for improving operational efficiency, freeing up working capital, enhancing visibility, and mitigating risk, AP can help move the business forward.

Transforming your AP function may be the catalyst your business needs to grow and succeed.

## About Tipalti

Tipalti comes from the Hebrew expression for "We handled it." Tipalti is the only company handling both Accounts Payable and Mass Pay for mid-market companies across the entire financial operations cycle: funding global entities, onboarding and managing the global supply chain, instituting procurement controls, streamlining invoice processing and approvals, executing payments around the world and reconciling payables data across a multi-subsidiary finance organization. Tipalti enables high-growth companies to scale quickly by making payables strategic with operational, compliance, and financial controls. Companies can efficiently and securely pay thousands of partners and vendors in 196 countries within minutes. Tipalti customers typically reduce operational workload by 80 percent and accelerate the financial close by 25 percent, while strengthening financial controls and spend visibility.

For more information, visit **tipalti.com.**

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