corcentric™

The Definitive Guide to Scalable P2P:

Procure-to-Pay Strategies that Support Company Growth

What's Inside?

01 P2P for the High-Growth Company

Matt Clark
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Growth: it's always welcome, but it's often unpredictable. Whether organic or driven by acquisitions, a company's growth usually happens in sudden, forward leaps that can test its capacity and resilience.

Managing the flow of cash that ensures the company's survival and fuels its growth is central to finance's mission. A difficult task at the best of times, during high-velocity periods it can feel like trying to close the books while riding a roller-coaster.

This e-book examines the challenges that key members of the finance team face when the company starts picking up speed. You'll find real-world insights and tips from a CFO who has helped a number of companies scale up rapidly and a procurement executive who managed fast-growing programs for Siemens and Coca-Cola. There is also a step-by-step playbook for controllers who need to maintain efficiency and control across growing organizations, plus best practices for AP managers facing a rising tide of invoices.

The Definitive Guide to Scalable P2P also examines four technologies that are transforming the future of finance. Rounding it all off is a special executive Q&A session that explores the ways in which senior finance leaders need to rethink technology, break business silos, and reframe accounts payable and procure-to-pay as strategic functions.

Growth is a sign of success, but successfully supporting that growth over the long term takes careful planning and the right tools. This definitive guide provides the research, insights, and perspectives that the finance team needs to address the challenges of growth and elevate the strategic impact of the back office.

I wish you luck as you embark on this exciting chapter in your company's evolution.

02

5 Things Every Finance Leader Should Do to Manage Growth

The impact of high growth can hit the finance function hardest. These five best practices will help you prepare for and minimize the growing pains.

Nicholas Speers is the Vice President and Corporate Controller at Corcentric and has 20 years of experience in finance, including 10 years in public accounting with KPMG and PwC.

When a company grows quickly, it puts every business function under intense pressure. However, it's often finance that feels the greatest pain, because it doesn't have the flexibility that other operational areas have in adjusting to growth.

When sales or marketing miss a target, it's a disappointment. When finance misses a deadline—when the books don't close, for example—it's a catastrophe. That eminent "pass-fail" reality is something that financial leaders should keep in mind as they prepare for growth.

In my experience—both as a finance consultant and as a member of the financial leadership at Corcentric, where revenues nearly tripled in five years—these five best practices can help finance leaders prepare for expansion and minimize the inevitable growing pains.

1. RECOGNIZE THE WARNING SIGNS

The impact of growth is hard to predict, but monitoring cycle times can give you a helpful early-warning system.

For example, how long does it take you to get an invoice approved? What do your payment terms look like, and in which direction is your days sales outstanding (DSO) trending? How long does it take you to go from invoicing to cash collection? Does it take longer than a week to process an invoice or more than 15 days to close the books?

If you're struggling to meet your benchmarks or your cycle times are trending in the wrong direction, it's a signal that it's time to take a step back and examine the resources and processes that are supporting cash flow.

Finance doesn't have the flexibility that other operational areas have in adjusting to growth.

2. INVEST IN TECHNOLOGY

Growth often imposes capital constraints, which can make delaying an investment in financial technology seem like a prudent move. But while it may seem counterintuitive, fast-tracking that investment is generally the most cost-effective approach.

Evaluating and implementing technology ahead of an anticipated growth wave is far less painful in the long run. If you wait until you

find yourself in triage mode, the level of effort to fix those issues is going to be exponentially higher. Implementing and troubleshooting a payables automation solution for 50 customers, for example, is far more manageable than rolling it out across a portfolio of 500 or 5,000.

For growing companies, the accounts payable and accounts receivable processes are good places to start because they automate some of the most time-consuming back-office tasks and deliver attractive ROI within a relatively short time frame. Electronic payment solutions are also worth exploring as a way to eliminate costly paper-based check payments.

3. GO FOR SCALE, NOT PERFECTION

Customization is the enemy of scale, which means that you and your staff will need to reset the priorities when it comes to the levels of service you deliver. As the volume of vendors and customers increases, the amount of time you spend adjusting your processes to meet each one's specific requirement will have to decrease.

Follow the 80/20 rule: aim for a consistent, standardized process that makes 80 percent of the people happy. Think of it this way: while a small number of customers and vendors may not get exactly what they want, everyone ultimately benefits when your processes support greater efficiency and accuracy.

Follow the 80/20 rule: aim for a consistent, standardized process that makes 80 percent of the people happy.

4. SHIFT THE FINANCE CULTURE

As a company starts to grow, the finance department must shift from a transactional to a strategic function. In addition to stewarding the company's cash, it begins to steward an equally important resource: its data. Finance holds a wealth of information about the company's vendors, customers, and cash flow, and that data source becomes more vital and more valuable as the company expands and visibility becomes more critical.

As a finance leader, you need to collaborate with the company's business managers to understand their data requirements and determine the types of data and analytics your system needs to

support. Once you understand those needs, you can begin the process of changing the mindset, the technology, and the talent within the finance function to ensure that you're capable of delivering on them.

This won't happen overnight; it takes time to put all the pieces in place. And the system will continue to evolve as the company grows. But by positioning finance as a key contributor to the company's data resources, you will elevate the perception of the finance function and significantly increase the value it delivers to the organization.

5. KEEP SCORE

As the company becomes bigger and more complex, it becomes increasingly important to set priorities and measure your ability to deliver on them. Every organization should have a scorecard that lists the five or six targets they have to hit in order to reach their performance goals, and the finance leader should create a cascading scorecard that identifies the targets they need to hit in order to support those goals.

For example, a manufacturing company might keep track of the percentage of orders that are shipped on time, in which case, the CFO might measure the days sales outstanding and how quickly you can turn orders to cash. The goals will be different for each company, but the process is the same: choose what's important, set targets, and track your progress against them.

As the company becomes bigger and more complex, it becomes increasingly important to set priorities and measure your ability to deliver on them.

CHANGE ISN'T OPTIONAL

The impact of growth hits the back office hard, and finance leaders need to be vigilant about monitoring the KPIs, recognizing the signs of stress, and acting swiftly to remedy them.

Rapid growth requires greater visibility into and control over cash flow as well as greater efficiency end to end. But trying to achieve this aim by doing the same things better won't take you where you need to go. To support the company's evolving requirements, you have to be ready to change the fundamentals, including the processes, culture, and priorities that drive the finance function.

How finance evolves from SME to enterprise

SME

MID MARKET

ENTERPRISE

Top ISSUE in accounts payable

(besides manual and inefficient processes)

paper invoices

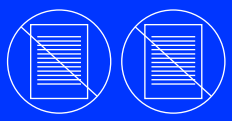
paper invoices

discrepancies and exceptions

Top GOAL for accounts payable

(other than reducing costs)

reduce paper



reduce paper

improve cash management

Greatest payment challenge

late payments

missed discounts

missed discounts

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SME	MID MARKET	ENTERPRISE

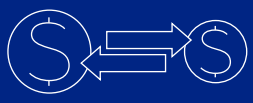
Percentage of check payments

52%

48%

20%

Percentage of ACH payments



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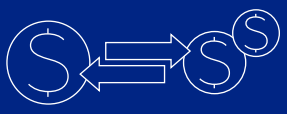

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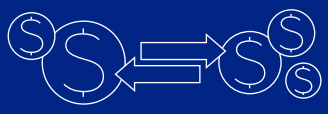

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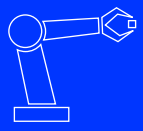
Use of automation to support digital business processes



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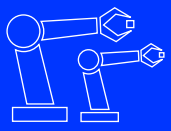

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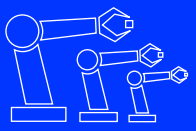


69%

Establishment of an automation Center of Excellence

2%
(and 45% plan to)

9%
(and 53% plan to)

15%
(and 79% plan to)

SOURCES
PayStream Advisors, 2018 Payables Insight Report.
EMA, The State of Enterprise Automation 2018.

03

CONTROLLER PLAYBOOK: Creating a Back Office that Supports Rapid Growth

Controllers play a central role in supporting company growth, but maintaining efficiency and control across a rapidly scaling organization is no easy task. Focusing on these five core competencies can help.

The impact of rapid company growth affects everyone in the organization, but it is arguably the controller who faces some of the greatest challenges. As the company's financial systems grow more complex and burdened, controllers are mandated not only to manage that complexity, but also to improve cash flow and reduce costs at the same time.

Those who try to solve the problem by doing the same things on a bigger scale will struggle to keep costs in line. But by rethinking the approach in a few key areas, the back office can not only keep costs lean but also do a better job of delivering the financial flexibility and visibility that companies need to grow sustainably.

1. MONITOR THE METRICS

To monitor the impact of growth on the back-office team and ensure that they are ready to handle the growing volume of transactions, it's essential to track key metrics accurately. How many expense reports are you processing? How many cash receipts? How many invoices? How much overtime is being logged? Being able to see how those numbers change over time gives you an early warning sign indicating that the status quo needs to change.

It's also important to factor in the complexity of each transaction. A single invoice, for example, may include one expense allocation or dozens, and that can dramatically change the impact on your resources. Being able to pull data from accounts payable, accounts receivable, banking, and human resources systems can help you build a clearer picture of the workload and the levels of efficiency your team is able to maintain.

Those who try to solve the problem by doing the same things on a bigger scale will struggle to keep costs in line.

2. QUANTIFY GROWTH

Efficiency is a top priority for controllers at high-growth companies, because while the business may grow exponentially, the back-office headcount can't follow suit.

This is also an area where collecting back-office metrics provides significant value. Having access to credible historical data enables you to project how anticipated growth will impact the department, whether it's an acquisition, the launch of a new business, or expansion into a new global market. That, in turn, lets you make informed decisions about whether it still makes sense to hire more staff or whether it's time to invest in automated processes.

3. TIGHTEN CONTROLS

After efficiency, internal controls are top-of-mind for controllers at high-growth companies. As the organization expands, so does the need for visibility and control, and that can often signal the need to shift from paper to digital processes. When invoices travel through the system in inter-office envelopes, it's next to impossible to track the chain of custody or the invoice status accurately. When invoices are digitized, the system supports built-in audit controls and 100% visibility. This, in turn, enables controllers to manage cash flow more effectively—a critical capability for a high-growth company.

The right technology can be transformative, but it's only as good as the people who manage it.

4. RETHINK TALENT

As back-office processes evolve to support higher transaction volumes, the roles involved also need to evolve. When processes are small-scale and paper-based, the office staff needs to be detail-oriented and able to perform repetitive tasks swiftly and accurately. When the process scales up and digitizes, the back office needs a different set of skills in order to thrive. The right technology can be transformative, but it's only as good as the people who manage it.

Being able to monitor and interpret the data flowing through the system requires analytical and critical thinking skills, and that requires controllers to rethink the talent profile as the company grows. Even at the entry level, controllers need to look for employees who are not only detail-oriented but also data-literate, ambitious, and intellectually curious.

5. SUPPORT R&D

Growing companies thrive on innovation, and so do the back offices that support them. Finding new and better ways to do things is an essential component for growth, and the best ideas often come from the people on the front lines, not in the corner office. Give your staff time to research new tools and explore new trends that could help the back office improve. When you have the right people on staff, they will always seek out better ways to do things. Smart managers support those instincts by giving their staff time to do so.

It's equally important to reward staff who take the initiative and come to you with new ideas.

Always make time to hear them out, implement the ideas with promise and, where possible, invite the people who came up with them to be part of the implementation process.

GROWTH BRINGS NEW OPPORTUNITIES

Rapid growth always brings new challenges; for controllers, it also brings new opportunities. By letting go of existing processes and embracing change, the back office can cope with the inevitable growing pains and become a strategic partner in supporting the company's continued success.

04 Preparing Procurement to Scale Up Smoothly

When a company grows quickly, so do its purchasing requirements, and that means procurement must be ready for new challenges. By putting these six key elements in place, you can ensure that the procurement function is ready to scale up smoothly.

Dr. Reggie Peterson is the Director of Supply Programs at Corcentric and has managed procurement for several high-growth companies during his career, including Siemens and Coca-Cola.

The pressure for businesses to expand and grow is relentless. When growth happens quickly—a revenue increase of 20 percent or more—it has a significant impact on virtually every department. For procurement, it means rethinking the procurement process from the ground up, including the way you hire, collaborate, and engage with the organization.

In my experience, there are six key elements that the procurement function needs to focus on in order to be ready to scale up without dissolving into chaos.

1. SPEND ANALYSIS

As the company grows, revenues can increase dramatically, and expenses increase right along with them. This effect can quickly amplify any minor spend issues, including the impact of "dark spend"—indirect spend that falls outside of procurement's direct control. Dark spend aside, even controlled spending can become problematic if you haven't closely analyzed how much you're spending in different areas.

Conducting a thorough analysis of your spend should be the first step in preparing for growth.

For this reason, conducting a thorough analysis of your spend should be the first step in preparing for growth. Identifying the areas that account for the greatest spend will allow you to focus your efforts on those areas and maximize the impact of the remedial actions you'll need to undertake. For example, you may discover that office supplies and MRO account for less than 10 percent of your total spend, while IT accounts for 50 percent. That's invaluable information in helping you choose the best place to start allocating resources of time, effort, and budget.

2. TALENT ANALYSIS

Once you have identified your high-spend areas, it's time to examine the talent you have on your team. Do the specialties represented on your team match those priorities? If IT spending accounts for a significant portion of the total spend, do you have an IT procurement specialist on staff who is capable of effectively overseeing and optimizing that spend?

This part of the process can be hard to do. It involves taking a hard look at your team's qualifications—and your own—and being honest about the gaps in the current line-up. But without the right expertise on staff, the right tools, processes, and policies won't be enough to support the levels of efficiency and visibility required to manage the spend for a large organization. Having people with the right expertise in place along with strong analytical and negotiation skills will make a big impact on the overall spend and the value the organization sees for it.

3. STAKEHOLDER ENGAGEMENT

Procurement can't operate in a vacuum; it needs to be connected and responsive to the needs of the organization. As the organization increases in size, the need for procurement to engage in cross-functional collaboration and work closely with stakeholders who represent high-spend areas becomes much more important. Once you begin to negotiate multi-year, multi-million-dollar agreements, those decisions have a profound effect on the company's long-term future, and they need to be made with the input of people who understand those business areas best.

Procurement can't operate in a vacuum; it needs to be connected and responsive to the needs of the organization.

This kind of stakeholder engagement improves the quality of procurement decision-making and also facilitates organizational buy-in. When procurement consults closely with the consumers of the goods and services procured, it adds more weight and credibility when those decisions are shared with executives.

4. PROCUREMENT POLICY

Few employees see it this way, but every time they make a purchase, they are spending the company's money. Unfortunately for the company, they don't always know how to spend it wisely. While they may be experts in their respective fields, they are not experts in market research, negotiation, or contract review. The spend that is left to their discretion can spiral out of control quickly, and the resulting waste can be significant. According to Supply Chain Quarterly, eliminating "dark purchasing"—purchases that employees make without input from procurement—can lead to savings of up to 25 percent.

The solution is to put a procurement policy in place. Much as a travel policy gives employees the rules of the road, a procurement policy gives them clear rules around their purchasing activities.

At a minimum, the policy needs to accomplish two objectives:

Identify pre-approved vendors so that employees can make purchases without involving procurement. Compiling a list of vendors who have already been vetted puts up some guardrails while providing flexibility and autonomy for smaller purchases.

Establish limits of authority for each employee role based on a specific dollar amount. For purchases under that amount, employees can purchase directly from an approved vendor. For purchases over that amount, procurement needs to be involved in the decision and provide support in negotiating the contract.

Even if employee spending hasn't historically been an issue, a company in growth mode needs to put these controls in place preemptively. Smaller companies tend to be more tightly knit and easier to oversee, but as they expand, informal processes need to be replaced by formal policies.

Much as a travel policy gives employees the rules of the road, a procurement policy gives them clear rules around their purchasing activities.

5. SOURCING PROCESS

An effective sourcing process involves extensive research and vetting to ensure that every supplier your organization does business with delivers optimal value—not just the lowest cost. This is an important distinction, because value equates to the total cost of ownership, not just the sticker price. It includes the cost, the quality of the product or service, the quality of the overall relationship, and the minimization of risk.

By conducting market, competitive, and industry research, and by putting suppliers through a rigorous screening process, you can simultaneously reduce purchasing costs and strengthen the supply chain—both key requirements for a company undergoing rapid expansion. The sourcing process helps you understand the true value each supplier offers and ensures that you have all the information you need to negotiate the best terms. It also signals to suppliers that you are experienced and informed.

While the sourcing process is incredibly valuable, it's also very time consuming. It takes intensive research, thorough analysis, and careful evaluation to identify the best suppliers. However, if you don't have the internal resources to take this on, you can outsource the process by participating in a pre-negotiated procurement program. These programs enable businesses in any industry to buy indirect goods and services from suppliers that have been pre-vetted, and because they leverage group purchasing power, they also offer more advantageous pricing.

> An effective sourcing process ensures that every supplier your organization does business with delivers optimal value—not just the lowest cost.

6. BUSINESS CASE

To prepare for growth, your procurement department needs to make changes, and that requires executive buy-in. Whether you need to recruit new hires, replace suppliers, change policies and procedures, or implement new technologies, you need to present your case in terms that the executives can relate to.

Ultimately, this comes down to two things: dollars and due diligence. In terms of dollars, how much will the proposed course of action save the company? Can you clearly show how it will reduce waste, improve value, or strengthen the supply chain? Remember that when a company scales up, there is an expectation that procurement will be able to realize new economies of scale and greater savings. Your executives may even have a specific savings target in mind, in which case you will need to tailor your case to that expectation.

In terms of due diligence, you'll need to show that you have done your homework and explored all the options available. You'll also want to show that you have obtained buy-in from the leaders of specific departments that are likely to be impacted by the change (this is where your stakeholder engagement activities will pay off).

Make sure your case lays out a timeframe within which the company will achieve the desired result. It's also important to communicate the level of urgency. What will happen if the company delays in adopting your recommendations? What will the financial impact be, or how might it impact the company's growth plans?

PROCUREMENT'S EVOLVING ROLE

In my procurement career, I have experienced many high-growth situations, and they definitely require resilience and planning. As organizations grow, procurement needs to change—sometimes significantly. While that process can be stressful, it's also an opportunity to grow professionally and increase the value that procurement delivers to the organization. A company undergoing rapid growth needs to fuel that growth, and procurement's role is essential to that core objective.

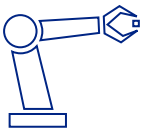
05

4 Finance Technologies that Support Growth

Technology plays a central role in every growth strategy. As the organization grows bigger, more complex, and more distributed, technology provides the efficiency and visibility needed to bridge the distances and maintain control.

An investment in technology can help the finance function cope with growing transactional volumes as well as leverage that transactional data to gain deeper insight into cash flow and working capital. But choosing where to make that investment is a daunting task.

Research from the Hackett Group identified four technology areas that are most effective in helping the finance function reduce costs, gain efficiencies, and elevate its strategic value.[1] By focusing on these priority areas, finance can prepare for digital transformation and be ready to deliver greater control, agility, and efficiency to a high-growth organization.

TOP 4 TECH AREAS FOR SUPPORTING GROWTH	
 **Cloud-based applications** Cost-effective, scalable functionality	 **Robotic process automation** Efficient, streamlined workflows
 **Artificial intelligence** Insight and accurate forecasting	 **Digital source-to-pay** Visibility and cost savings

The next four pages take a closer look at each of these four top finance technologies, including adoption trends, key benefits, and tips for implementation.

[1]The Hackett Group, Digital Technology for Finance Professionals: Four Technologies at the Center of Accelerating Finance Digital Transformation, 2018.

CLOUD APPLICATIONS

Cloud applications combine remote and local components to deliver powerful, scalable functionalities.

ADOPTION TRENDS	
TODAY	**TOMORROW**
45% USE IT TODAY 	82% PLAN TO USE IT 

The cloud is the most prevalent of the four top digital technologies for finance, with 45% of finance functions currently using it. It's also the tech with the fastest adoption rate, with 82% of finance leaders expecting that their organization will use cloud tools for at least some functions within two or three years.

KEY BENEFITS		
 COST REDUCTION	 SCALABILITY	 AGILITY

Finance is turning to the cloud for expense reporting, account reconciliation, enterprise performance management (EPM), and enterprise resource management (ERP). The key benefits of establishing these functions in the cloud are the lower costs of ownership involved, faster adoption of best practices, faster implementation, and the ability to scale up quickly without adding to the head count.

IMPLEMENTATION TIPS

The finance function can accelerate cloud migration by:

- Conducting research to learn from early-adopting organizations.
- Setting up a "sandbox" environment where stakeholders can test the system before it goes live.
- Implementing the solution with minimal customization—at least during the initial stages.
- Putting master data management and governance processes in place before implementation.
- Reducing friction by putting a change management plan in place.

ROBOTIC PROCESS AUTOMATION

Robotic process automation (RPA) replaces the human effort required to complete tasks with "bots" that follow rules-driven business processes.

ADOPTION TRENDS	
TODAY	**TOMORROW**
21% USE IT TODAY 	78% PLAN TO USE IT 

Just over one in five finance functions (21%) currently use RPA, but this technology is likely to see significantly higher adoption in the near future, with more than three-quarters of finance executives (78%) predicting that they will be using RPA within two or three years.

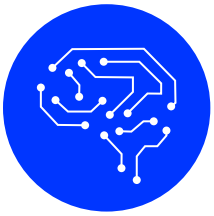
KEY BENEFITS		
 COST REDUCTION	 TALENT RETENTION	 SCALABILITY

RPA automates a range of clerical tasks such as the capture and re-entry of data into different business applications. Some of the most common finance and accounting use cases include the purchase-to-pay cycle and the order-to-cash cycle. By automating many of the most manual, time-consuming tasks in these cycles, finance leaders can streamline operations, reduce costs, and ensure that they are ready to scale up rapidly. RPA can also help the back office retain top talent by minimizing the time workers spend on low-value, time-consuming tasks.

IMPLEMENTATION TIPS

RPA is relatively easy to implement, but finance leaders can further support adoption by:

- Implementing RPA as part of a broader technology strategy.
- Examining the key financial cycles to identify high-value RPA.
- Including change management and ongoing technology management in your calculation of the total cost of ownership.
- Establishing governance processes to manage bots effectively throughout their life cycle.
- Building a team or center of excellence as the RPA initiative matures.



ARTIFICIAL INTELLIGENCE

While RPA automates basic, manual processes, artificial intelligence (AI) is capable of performing higher-function tasks such as understanding and using natural language, continually learning, and making complex decisions.

ADOPTION TRENDS	
TODAY	**TOMORROW**
6% USE IT TODAY 	40% PLAN TO USE IT 

This relatively advanced technology is currently used by only 6% of finance functions. However, adoption is predicted to rise to 40% over the next two or three years, making this the technology with the fastest rate of adoption.

KEY BENEFITS		
 INSIGHT	 AGILITY	 STABILITY

AI enables the finance function to forecast the future more accurately, identify organizational risks and performance issues, and react faster, which in turn enhances the finance function's strategic value and the organization's stability and resilience as it evolves and grows.

For example, AI can help finance generate cash-flow forecasts, assess the probability of credit default, or forecast demand to help the organization allocate resources more efficiently. It can also be used to monitor system performance, identify the potential for breakdowns or bottlenecks, and enable the organization to maintain reliable, timely processing.

IMPLEMENTATION TIPS

For finance functions that are new to the technology, the most successful applications of AI are those that solve an existing problem.

Look for situations in which:

- The activity uses large volumes of complex, multivariate data.
- Relationships between the data variables are hard to identify using conventional approaches.
- A better understanding of the enabling factors or actions is needed to perform a task successfully.

DIGITAL SOURCE-TO-PAY

Source-to-pay process automation digitizes and automates the entire supplier lifecycle—both upstream and downstream.

ADOPTION TRENDS	
TODAY	**TOMORROW**
6% USE IT TODAY 	24% PLAN TO USE IT 

Currently, most organizations rely on an ERP solution combined with various point solutions, but the technology is trending toward greater integration, including source-to-contract (upstream), purchase-to-pay (downstream) solutions, and even cloud-based integrations that connect and align both upstream and downstream processes. Currently, only 6% of organizations use a single provider to support end-to-end procurement processes, but 24% plan to do so within two or three years.

KEY BENEFITS		
COST REDUCTION	AGILITY	VISIBILITY

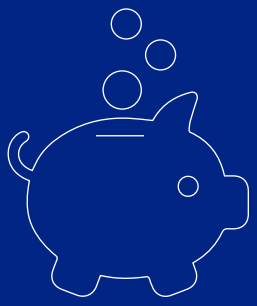
Digitizing the source-to-pay cycle enables finance to enhance forecasting, reduce costs across the enterprise, reduce risk, and improve cash flow and working capital management. High levels of automation in the procurement function result in 84% more accurate and reliable data, 66% higher savings overall, and 37% less savings lost to maverick spend.

IMPLEMENTATION TIPS

Whether procurement reports to finance leadership or is a separate function, planning source-to-pay digitization needs to involve close collaboration between the two in order to optimize the potential for cost reduction, agility, and business insight.

By the numbers: the impact of digital technology on finance

Cost savings



43%
lower finance costs*

66%
greater procurement savings

37%
savings on dark spend

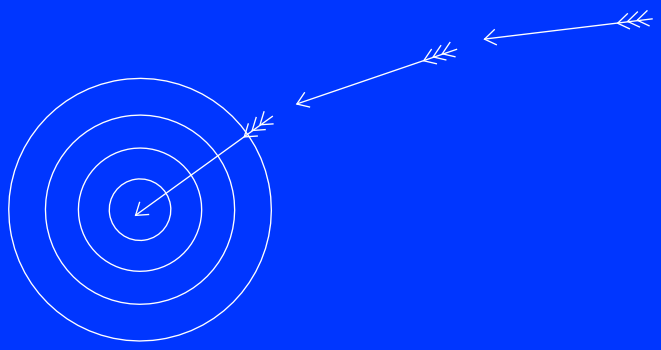
45%
fewer FTEs**

*As a percentage of revenue
**Per billion in revenue

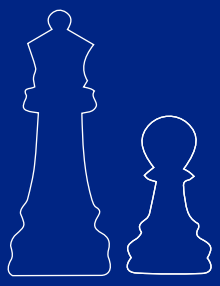
Accuracy

38%
fewer customer invoices with billing errors

84%
more likely to consider procurement data accurate and reliable



Strategic value



2.2x
more likely to be viewed as a valued business partner

2x
more likely to be perceived as agile in meeting business challenges

SOURCE: The Hackett Group, Digital Technology for Finance Professionals: Four Technologies at the Center of Accelerating Finance Digital Transformation, 2018.

06

How Accounts Payable Managers Can Stay One Step Ahead of Growth

As a back-office function, accounts payable (AP) can be easily overlooked as a company expands rapidly. But AP has a vital contribution to make in supporting organizational growth.

As the organization grows, the flow of invoices increases, and that puts a significant strain on the AP department. It can be a stressful time for AP managers, and the best way forward isn't always clear. The three steps outlined below can help you prepare yourself and your department for the demands of rapid growth.

EXPLORE TECHNOLOGY

Adding team members indefinitely easily addresses a growing invoice volume. But that's not realistic. At some point, budget constraints will limit the size of your team. When adding headcount no longer seems to make sense, it's time to build capacity in new ways, and adding the right technology to your workflow can help you exponentially increase the number of invoices that your existing staff can process. In fact, AP automation technology alone can help you increase your productivity by 70% without adding to your headcount.

Key technologies for enhancing efficiency and reducing costs include:

- Invoice scanning with OCR or double-blind keying for extracting data from paper sources.
- Data validation technologies to minimize errors and exceptions.
- Supplier portals that support electronic invoices.
- Straight-through processing, which processes invoices that match purchase orders and receipt-of-goods automatically.
- Automated invoice approval, which routes invoices to the right person and only alerts you to duplicate invoices and other issues.

PREPARE YOUR TEAM

For growing companies, monitoring and predicting cash flow becomes increasingly important, and this puts new pressure on the AP department to collect and analyze invoice and performance metrics swiftly and accurately.

However, most traditional AP departments are not set up to support these expectations. On average, 84% of an AP department's time is dedicated to transaction processing, leaving just 16% of the workday to devote to data analysis, supplier management, and other types of value-added activities. While automation technology can free up more time to devote to analysis and forecasting, you also need to cultivate the right skills in your team.

To support rapid growth, you'll need people with accounting expertise and digital skills who are able to collect and analyze invoice and supplier data. The focus will gradually shift away from data entry, filing, and inquiry management and toward more analytical activities, such as supplier management and cash flow and business analysis. Take a look at the talent you have in place and start thinking about how you can prepare them for the challenges ahead. For example, you may want to encourage staff members who currently perform manual tasks to take introductory courses in data analytics or accounting to give them an opportunity to learn skills that will enhance their value to the organization as it grows.

The average AP department spends 84% of its time on transaction processing and only 16% on value-added activities.

CONVINCE YOUR LEADERSHIP

To manage the rising volume of invoices, you'll need to make big changes to the people, processes, and technology that help you get the job done. But before any of that can happen, you need to convince the executive leadership to support those changes.

The good news is that they are likely to be a receptive audience: 91% of finance leaders want to improve their AP function's level of automation. The bad news is that they are likely to be focused on reducing costs as the company grows, which is why it's important to make a strong financial case for investing in technology.

The best way to do this is by comparing the cost of automation technology with the cost of adding to the headcount, since the company will need to choose one or the other in order to keep up with the growing number of invoices.

An IOFM white paper determined that automating AP processes enables each full-time staff person to process 11 times as many invoices per month, so the argument in favor of technology is strong.

When calculating the cost of maintaining a manual process and adding staff to accommodate the increased invoice volume, remember to include:

- Recovery audit fees
- Copiers, paper, toner, imaging, and storage
- Overnight shipping costs
- Real estate costs for offices/cubicles
- Telephone or VoIP lines
- FTE salary and benefits
- FTE recruiting/hiring costs
- FTE training and onboarding costs
- Office supplies
- Software licenses and hardware expenses

Automating AP processes enables each FTE to process 11X more invoices.

Seeing the cost savings in black and white will definitely grab the decision makers' attention. The more lasting benefit in digitizing AP is that it gives them access to the financial data they'll need as the company grows, including accrual reporting, cash flow analytics, corporate spending analytics, and forecasting.

Talk to the executive decision makers in their language, address their pain points, and show them how AP automation can help the organization become more profitable, more efficient, and more strategic as it grows.

RETHINK THE FUTURE

As the flow of invoices increases, it's easy to start feeling overwhelmed. But taking steps to put the right technology and talent in place to support the company's rapid growth can help you regain control. Growth is a challenge, but it's also an opportunity.

By finding new, more efficient ways of operating and by turning the information that flows through your department into actionable data, you have an opportunity to elevate your role and your department to a more strategic level as the company matures.

07

The P2P Imperative: Transforming the Cycle to Support Rapid Growth

Rapid growth brings success and exciting possibilities, but it also creates stress and vulnerability. How can procurement and finance support the evolving organization?

Matt Clark
President and COO
of Corcentric

Daniel Andrew
SVP of Sales
of Corcentric

Corcentric's **Matt Clark,** President and COO, and **Daniel Andrew,** SVP of Sales, share their perspectives on the critical role that accounts payable, procurement, and finance play in supporting accelerated growth.

No organization can grow without the right resources in place. Which resources should accounts payable and procurement focus on acquiring as they prepare for an acquisition or expansion?

Matt: The name of the game in accounts payable and procurement alike is being able to scale operations without growing overhead, because doubling or tripling or quadrupling the headcount is simply not realistic. That means focusing on process efficiency and automation.

Automating manual, high-touch processes is the key to managing volume. For AP, the benchmark needs to be set high: at minimum, ninety percent or more of the transactions the organization processes need to go through effortlessly, because a single exception can take people offline for one or two hours and cripple the whole system. If the organization is standing still, that's hard enough, but for a fast-growing business, the effect is devastating.

Similarly, procurement needs to focus on digital tools that bring more control and visibility to the process—not only to manage higher transactional volumes efficiently, but to shine the light on those areas of "dark spending" and eliminate revenue leakage from poor supplier management, payment delays, and missed rebates.

Dan: Automation is the biggest story in the future of P2P, because levels of awareness and adoption are seeing hockey-stick growth. In previous years, this was hypothetical stuff: "We think this is possible." Now it's a reality, and those early-adopting companies are far enough along in their journey that we're seeing tangible results. And they're dramatic. Companies are going from processing 7,000 invoices per FTE to 17,000 or more. And they're doing it by focusing on two goals: straight-through, touchless invoice processing and electronic payments.

Clearly, automation plays a role in addressing the challenges of rapid growth. What else should people in accounts payable, procurement, and finance prioritize?

Matt: Technology is critical in supporting growth, but there is also a need to change the underlying culture within procurement and finance. Traditionally, procurement and accounts payable have existed in silos, but you need to smash those silos in order to support growth. The issue affects everything that matters most to a growing business—efficiency, visibility, and agility.

Here are some sobering numbers: ninety percent of companies admit that they have no collaboration between procurement and finance, and that misalignment leaves sixty percent of operational savings on the table. Any organization, let alone those that need to support rapid expansion plans, would kill to find operational savings of sixty percent. And here it is, something that's totally within our control as business leaders to do.

Where does this culture change start? At the top. We need to take a step back and take a top-down, business-strategy approach. What would utopia look like from an end-to-end perspective? What would it look like from a people, process, and technology perspective to be optimal? What would it look like for the company as a whole? What will result in the greatest efficiency and visibility? How can the P2P cycle be re-envisioned as a means of collecting valuable business intelligence and optimizing the cash flow and working capital that the organization needs to grow?

Within those silos, everyone is going to come to the table with their own perspectives and their own departmental priorities. If those silos are allowed to dictate the process, things come off the rails. It's critically important that people who hold that broad, strategic view take the lead and set the priorities for integration.

Dan: Historically, accounts payable and procurement were completely separate functions with separate reporting structures. They were on different floors, in different buildings,

sometimes in different cities. And they never communicated unless something went very wrong. But this is changing rapidly and we're seeing much more interaction and cooperation between the two departments.

Procurement and finance ultimately represent two ends of the supplier lifecycle. At the beginning, procurement sources suppliers, initiates the relationships, and sets up contracts. At the end, accounts payable ensures that the invoices are verified, the bills are paid, and the relationship is strengthened. When you can align those departments, you're gaining greater end-to-end efficiency and visibility.

Why is visibility into the process important for companies undergoing rapid growth?

Dan: Think about the data that flows through the procurement and payment processes. If you're automating those processes, and if you're collecting the data at every touchpoint, you are building an incredibly valuable resource for the entire organization. You are helping the organization not only to see what's happening right now, but also to predict what will happen in the future. Building in that kind of predictability for cash flow and working capital is hugely helpful to companies whose finances are being stretched by expansion plans.

Matt: The first step in managing growing pains is to automate the most time-consuming processes. But one of the outcomes of automating processes and connecting the P2P cycle is the generation of incredibly valuable data. The data that the back office produces is probably one of the most underrated assets the company possesses. Once you have a system that captures that data from end to end, you can turn it into actionable insight.

When you do that, it changes the perception. It blows people's minds. I talk to the CFOs and I ask them, "Have you thought about the next hire for your department?" Instead of someone with administrative skills, hire someone who has both administrative abilities and a facility with data, someone who can be thinking about how to extract value out of it, how to produce business intelligence with it.

The reality is that only one in ten businesses see a strategic role for their accounts payable department. Collecting and analyzing the data that flows through accounts payable transforms that perception. The same is true of procurement. While its strategic value has always been recognized, bringing greater transparency and visibility into the procurement process not only generates value by eliminating dark purchasing, poor terms, and lost rebates, but also enables procurement to prove that value by producing the hard data.

We've touched on the importance of greater efficiency, collaboration, and visibility. Is there anything else that finance leaders at growth-focused organizations need to consider?

Dan: Finance leaders are starting to reframe P2P as a profit center. Focusing on working capital optimization delivers five times the financial benefit than you will realize from process efficiencies alone. The advent of virtual cards and supply-chain finance providers has transformed the possibilities. By earning more card rebates, capturing more early-payment discounts, and increasing standard payment terms between fifteen and ninety days, companies can dramatically increase working capital. That's important for every company, but it's vital for companies undergoing rapid growth.

For example, we have seen companies extend their payment terms from sixty to ninety days, with the offer of payment acceleration up to sixty days. That means that a supplier who is now going to be paid in 90 days can opt for payment acceleration and get paid in 30. They get paid twice as fast as they used to and the buyer is extending their money. Why don't they pay the supplier in 10 days and take advantage of the cash discount? Because if they extend their working capital from 60 days to 90, the value of that money in the hands of our organization—even though the internal rate of return on that discount could be as high as eighteen to thirty-six percent—is greater. They're investing in growth—perhaps even global expansion. And the value of those new locations is far greater than the cash discount.

Matt: There are so many ways to get creative in terms of payment modality and payment timing. Being able to offer accelerated payment is very do-able with the right processes and technologies in place. And when you can offer on-time or even accelerated payment terms to suppliers, that predictability of cash flow is a very tangible value and those suppliers, in turn, are now able to offer more value in return.

Periods of significant organizational growth are stressful, but they're also an opportunity to redefine yourself and your role. I would encourage leaders in AP, procurement, and finance to think ambitiously about the future. Think in terms of building a system that not only enhances efficiency, but transforms the flow of data and the flow of cash. This is how the P2P function demonstrates its strategic value to the organization as it continues to grow and evolve.

08 A P2P Checklist for High-Growth Organizations

As the organization grows, the finance function needs to evolve. But where should you focus your efforts?

This best-practice checklist identifies the actions that top-performing, future-forward, purchase-to-pay organizations take to reduce transaction costs and enhance visibility and control.

TALENT MANAGEMENT

- ☐ Invest in training and hiring standards to elevate skill levels
- ☐ Focus more resources and budget on planning and strategy than transaction processing

By building a skilled and strategic team, top performers can enhance efficiency by 33%.

ORGANIZATION AND GOVERNANCE

- ☐ Establish single, end-to-end P2P process accountability at an enterprise level, including process improvement, KPIs, and strategy
- ☐ Standardize policies and procedures globally (with some localization to meet local requirements)

Streamline purchasing and approvals policy to minimize checkpoints.

*Continued on next page

TECHNOLOGY

- ☐ Automate invoice receipt, routing, and approval workflow
- ☐ Implement self-service solutions for supplier data updates and inquiries
- ☐ Utilize imaging technology for storage and retrieval of invoices and related documents

By leveraging technology, top performers can resolve more than 2X as many AP inquiries with self-service.

SERVICE DESIGN

- ☐ Centralize invoice receipt
- ☐ Optimize supplier payment strategy
- ☐ Develop procure-to-pay channel strategy

ANALYTICS AND INFORMATION

- ☐ Capture the spend data necessary for spend analytics and compliance
- ☐ Standardize and automate the supplier validation and onboarding process
- ☐ Formalize a supplier master file maintenance program that centralizes master data changes and clearly defines accountability

By managing information and analytics more effectively, you can reduce supplier management process costs by 2X.

09 Prepare for Take-Off

One thing is predictable about growth: when it happens, it happens faster than you expect. We hope that the insights, experiences, and perspectives captured in this eBook will help you prepare for the challenges that lie ahead.

Beyond the immediate challenges, company growth also offers exciting opportunities for the finance function over the longer term. By investing in processes, skills, and technologies that support greater resilience, coordination, and visibility, you have an opportunity to transform your role and that of the entire finance function within your evolving organization.

From the frontline accounts payable professionals who manage the flow of paper and data through the system to the executives who control the flow of goods and cash through the organization, every member of the team has a chance to demonstrate greater strategic value.

This is your journey, but it's one that many finance professionals have taken before you. We invite you to take advantage of the expertise available to you through Corcentric.

Continue the learning by exploring the resources section of the Corcentric website.

See Resources

Contact us to talk to one of our procure-to-pay experts.

Contact

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Procurement and Finance Solutions

ABOUT CORCENTRIC

Corcentric is a leading provider of source-to-pay services and solutions for businesses in the United States and Europe that optimize how they purchase, pay, and get paid. Corcentric's procurement, accounts payable, and accounts receivable solutions empower companies to spend smarter, optimize cash flow, and drive profitability. Since 1996, more than 6,000 customers from the middle market to the Fortune 1000 have used Corcentric to reduce costs and improve working capital. Learn more at **corcentric.com.**