Routable

# Why Manual Accounts Payable Doesn't Work Anymore

Introduction

The accounts payable (AP) process is a core piece of your company's financial health and cash flow. From invoice processing to managing and nurturing vendor relationships, your AP department juggles quite a few steps to ensure accurate and timely payments to the right people. Any missteps, however, could land your company in hot water with debt, auditors and vendors, so it's crucial to establish best practices that your AP department can easily manage. The most seamless way to do this is by adopting automation into your AP workflow.

AP automation provides a more strategic approach to AP management by helping teams save time, reduce errors and stay organized throughout every step of the accounts payable process. Instead of tediously working on manual tasks, like data entry and seeking approvals and permissions, automation frees up time, allowing teams to focus on efforts that will prepare them for future growth.
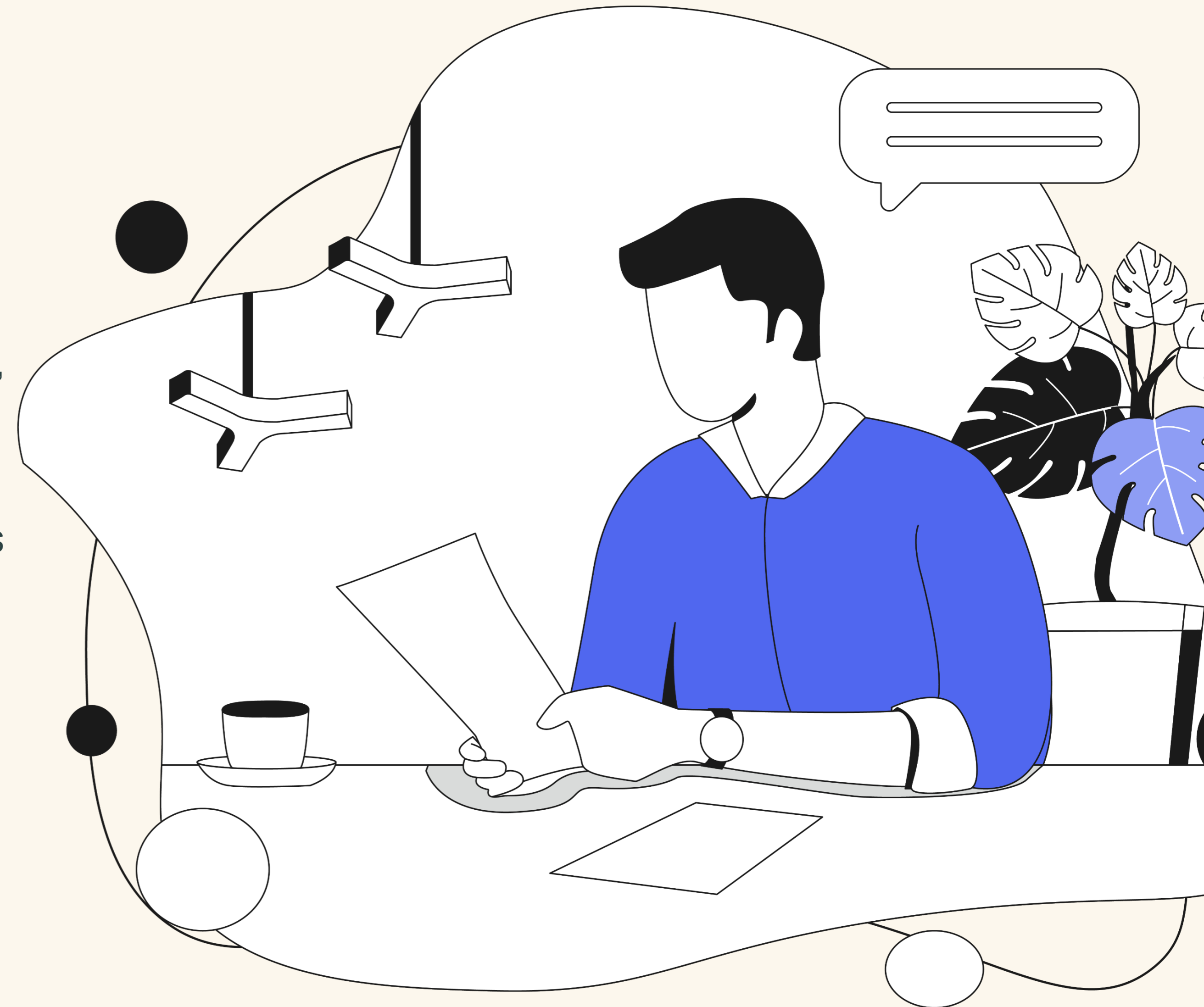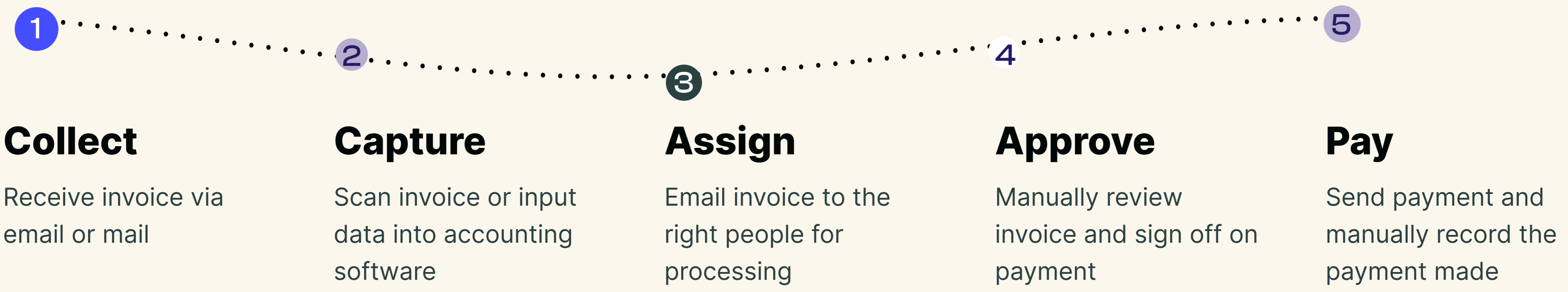
The Challenges With a **Manual AP** Process

AP teams are typically bogged down with **manual tasks** throughout the accounts payable process, including gathering tax documents from vendors, getting the right approvals for invoices and sending out paper checks. Although their **day-to-day tasks can be repetitive**, AP teams are vital to a company's core functions: They directly manage how much money is coming in and out of the business all while maintaining strong relationships with vendors.

And of course, AP teams are also responsible for the larger **procure-to-pay process** that accounts payable falls into, from the initial acquisition to the final payment to your vendor. The long, often arduous process of procure-to-pay is initiated when the accounting team is asked to find a specific good or service needed. The AP team then must find an appropriate vendor and create a contract depending on the project. Then, as the project continues, the team must handle all purchase orders, receipts and invoicing. The procure-to-pay process takes a significant amount of time to manually handle, from getting approvals to processing all of that paperwork.

A Typical Manual AP Process

1 Collect

Receive invoice via email or mail

2 Capture

Scan invoice or input data into accounting software

3 Assign

Email invoice to the right people for processing

4 Approve

Manually review invoice and sign off on payment

5 Pay

Send payment and manually record the payment made

Because of the strategic value of the AP department, it's in every finance leader's best interest to ensure that their AP team is spending time on valuable projects and not on tedious, time-consuming tasks.

Here are some of the most common issues facing accounts payable teams.

1. Data entry

Data entry can be tedious and time consuming with high stakes: a wrong number in the amount due or a mistyped invoice number can lead to late payments, missed deadlines and a lot of stress.The average AP team spends 84% of their time[1] bogged down by repetitive invoice processing and data entry tasks. This time could be better spent on other strategic projects to help build your business, including optimizing payment terms, maintaining positive vendor relationships and providing critical insights.

2. Tedious, repetitive processes

Many repetitive AP tasks involve a series of meticulous steps: assigning purchase orders, invoice reconciliation, getting proper approvals and payment authorizations, for example. These processes are usually time consuming and require a great deal of individual attention to stay organized.

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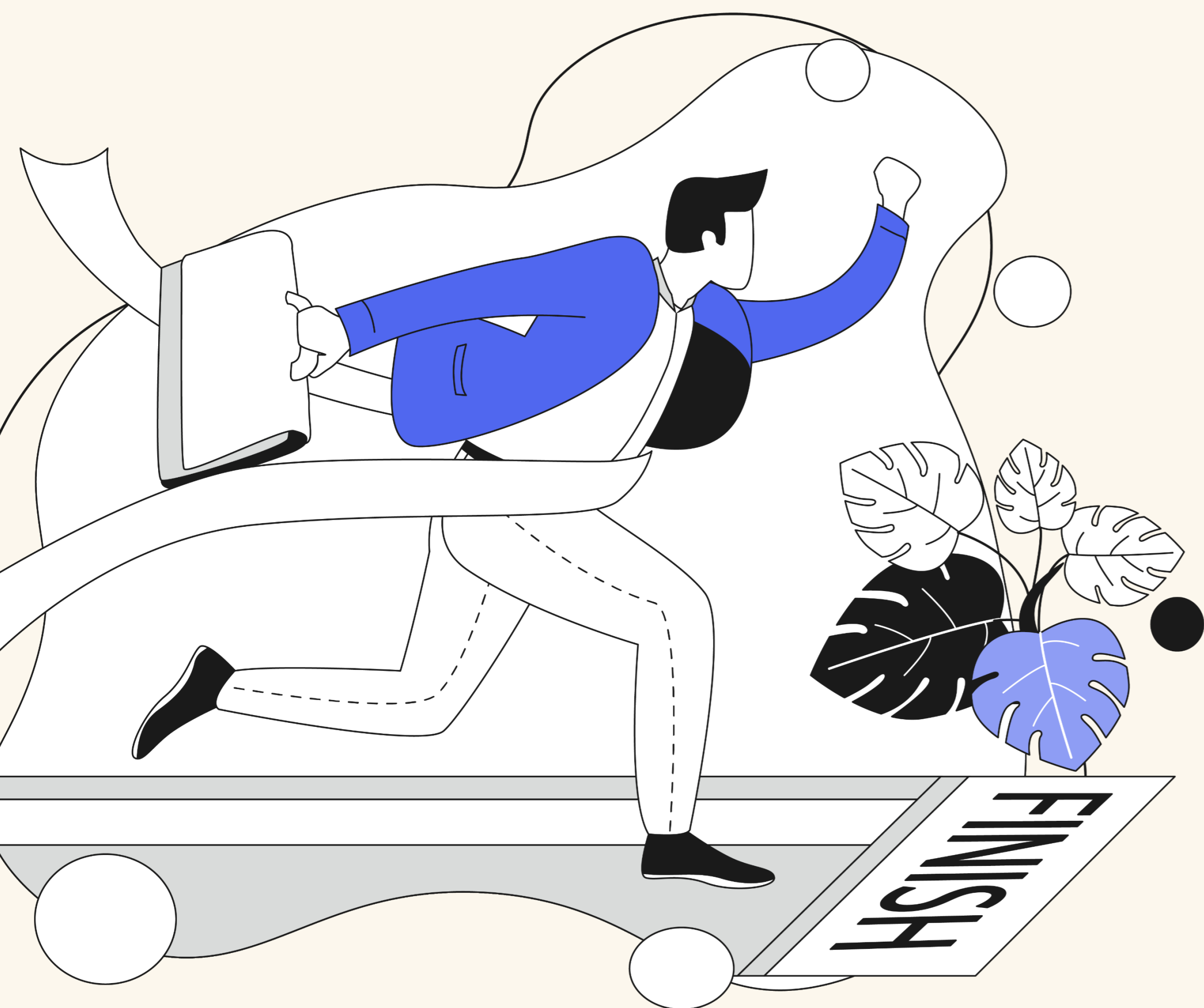
3. Human error

Human error is always a risk. A mistyped digit can lead to an avalanche of issues, causing hours of unnecessary work. Even with an extremely detail-oriented team, studies show that 88% of all spreadsheets[1] include errors.

These issues leave accounting teams struggling between balancing their many intensive roles as they focus on accuracy and keeping precise data. Roles such as upkeeping vendor relationships, cash flow analytics and other interdepartmental responsibilities can fall behind, meaning lost opportunity and a growing backlog of work.

To further illustrate these roadblocks, a recent report by Ardent Partners[2] found that:

- Accounts payable teams spend 22% of their time dealing with supplier inquiries.

- It takes an average of 8.3 days to process a single invoice.

- 62% of AP teams say that invoice exceptions are a bottleneck to their workflow.

The report also found that many teams continue to struggle with the everyday hassles of slow approval rates, which cause delayed workflows and increase manual operation costs.

To overcome these challenges, accounting teams often hire more help or, more wisely, implement tools such as AP automation to empower their teams to work more efficiently.

How Automation Can Help Your **AP Process**

Accounts payable automation speeds up day-to-day accounting processes while also ensuring accuracy at every step. It enables teams to work more efficiently by removing manual intervention from repetitive tasks, such as bill processing, approvals, data entry and reconciliation.

CFOs, finance leaders and AP teams generally experience the following benefits after adopting automation:

1. Increased efficiency

AP solutions can help increase an accounting team's efficiency by automating tedious number-checking and data entry tasks that take up a significant time of an AP clerk's day. Moving away from time spent on repetitive tasks to focus on more meaningful projects can create a massive productivity transformation for the department.

A metric you can use to track automation efficiency is the average time per invoice. On average, one employee can finish five invoices in an hour (or one invoice about every 12 minutes). For many companies, this is far too slow and more manual work than a single employee should be doing. This is especially true for companies that receive a significant amount of invoices per day. Automation significantly speeds up this process by making invoices a near-instant task.

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2. More savings

A key metric to keep in mind as you track the efficiency boost of your AP automation is the cost per invoice processed (calculated by taking your total AP costs and dividing them by the total number of invoices you have finalized).

A Goldman Sachs[3] study estimated that the average small business using manual invoice processing paid $22.26 per invoice and medium businesses paid $16. Using automation, they saw a nearly 70% net savings, with small businesses paying $6.89 per invoice and medium businesses paying $5.89.

Faster invoice processing leads to savings in more than a few ways. By paying invoices before they're due, you can take advantage of any potential early payment discounts from your suppliers. Over time, quickly paid invoices positively affects vendor relationships, too, leading to financial benefit down the road in the form of additional discounts and better business deals. Plus, every vendor wants their invoices to be paid as soon as possible because getting money faster means a better cash flow. By paying invoices in a timely manner, you're supporting your vendors with more working capital.

And a less expected way that automation can save money is by reducing employee turnover. Automated tasks lead to happier teams and less burnout because their workday is a little easier without having to focus on tedious day-to-day tasks.

AP automation can also lead to significant time savings for your business down the line. For example, you can automate invoice approvals, removing the need for AP teams to continually follow up with multiple stakeholders before sending a payment.
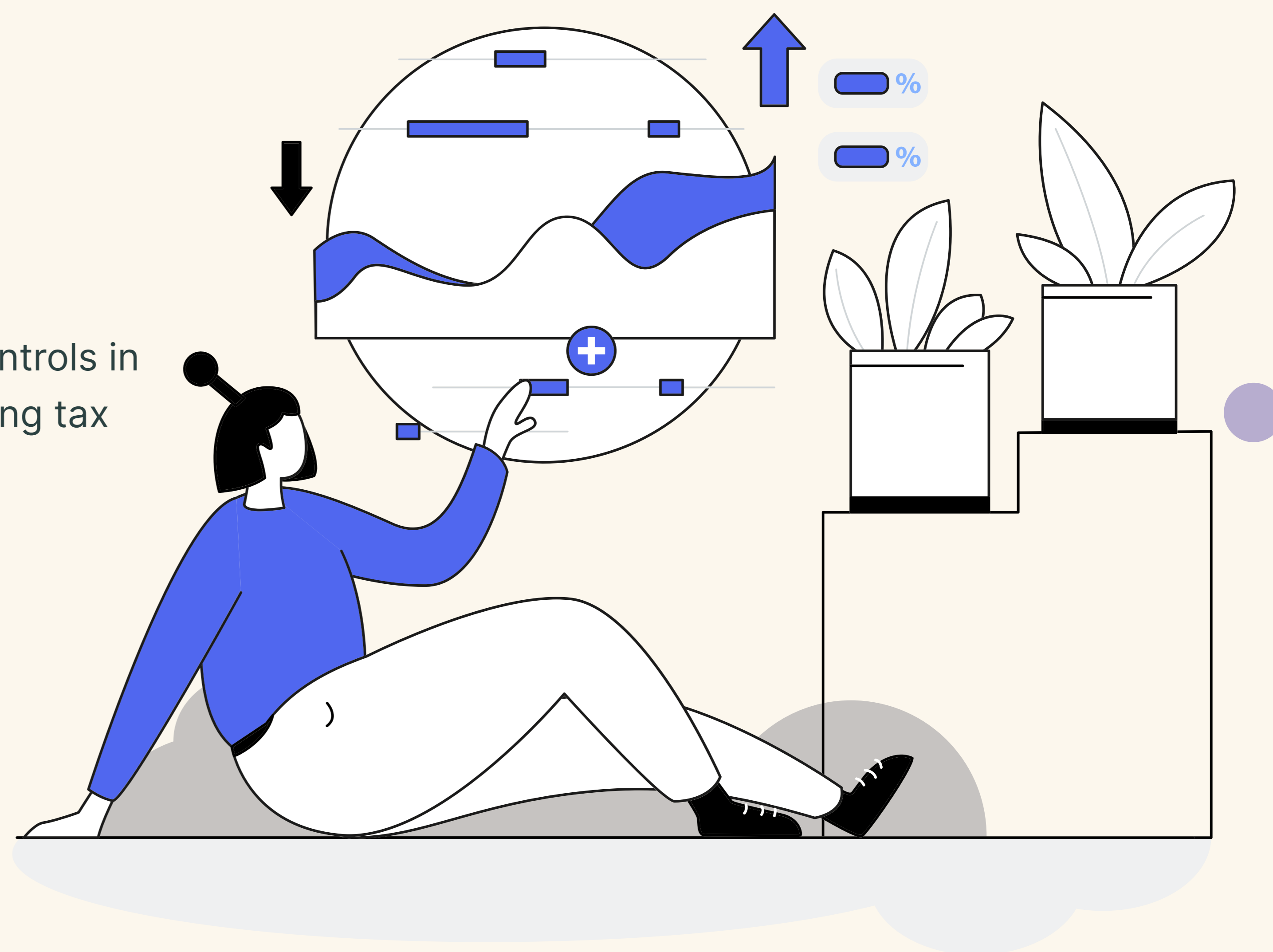
3. Easier scalability

Maintaining positive cash flow is critical for a growing business. For companies making hundreds or thousands of payments a month, a slow AP process can inhibit growth. By implementing AP automation, your company can scale its AP operations more quickly to keep up with increasing client demands and expansions across multiple locations.

4. Minimized compliance risks

Compliance is always top of mind for finance leaders. Automation software can reduce your regulatory and compliance risks by maintaining the proper internal controls in your AP workflows, recording audit trails and automating tax form collection from vendors.

5. Reduced human error

Incorrect data can create enormous headaches for the finance department. From setting up new vendors to inputting new invoices and each line item, there are many ways to introduce errors into the process.

Many AP automation tools can automate data entry either by syncing with your existing accounting software and pulling in bills from there or by scanning any uploaded bill or document with OCR (optical character recognition) to auto-populate any recognized fields. Whatever the method, AP tools are equipped to reduce human error significantly and greatly improve the accuracy of your data entry.

6. Streamlined approvals

Approvals can be complex, especially when communicating with multiple stakeholders. Automation tools can provide customizable approval rules to streamline both the approvals process and communication among team members.These tools allow you to easily track when an invoice is approved by other parties so you'll know when to release av payment.

1 Collect

Receive invoice via email or directly via software

2 Capture

Automatically capture invoice data into your existing workflows, increasing accuracy

3 Assign

Alert the right people to process the invoice with automated notifications

4 Approve

Two-way and three-way matching is automated. Sign off on payment.

5 Pay

Send payment with remittance information. All relevant payment data is reconciled back into your accounting software.

How AP Systems Work With Your **ERP**
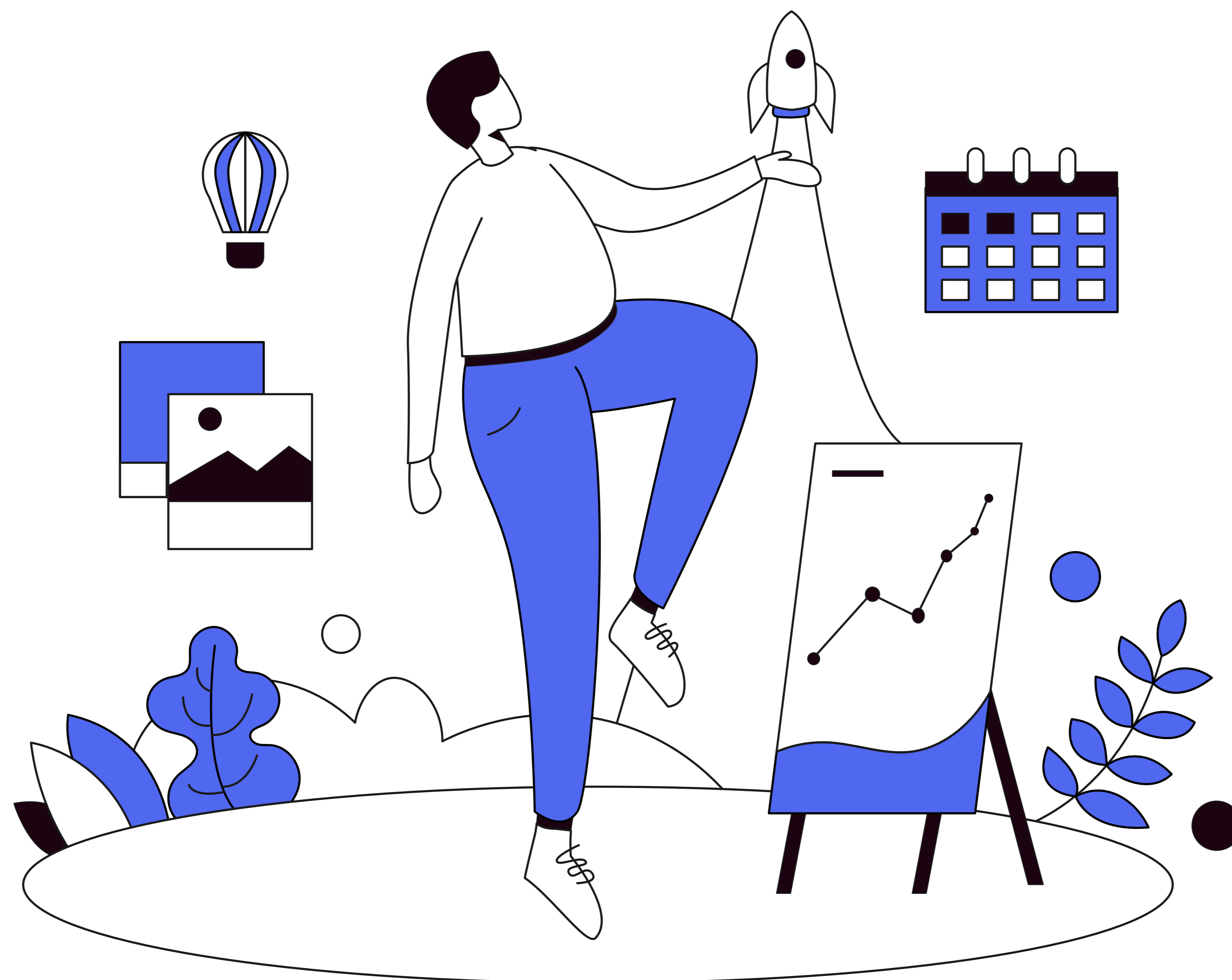
Enterprise resource planning (ERP) systems help businesses by providing automation tools, tracking analytics and setting better controls in place. These large-scale programs help manage and create workflows throughout the accounting team, the supply chain, operations, HR and other divisions of your process. By handling everything in one place, ERP systems provide great resource planning and analytics for your teams.

While these solutions may seem all-encompassing, your AP and accounting software must be able to easily integrate with your ERP system. Some systems are more rigid and can be expensive to integrate, so picking an AP software that has a robust integration system will be key for your team's success. The last thing you want is to have to add multiple steps to your workflow due to lack of integration between systems.

Many ERP systems offer automation options, but they may not entirely cover the needs of your AP team. While they may provide some time-saving features, they often don't handle unique workflows, such as invoice capture, approvals, and invoice and purchase order matching. These features are key to helping your team work more efficiently. An integrated but separate AP automation software with your ERP system is often the best solution for a smooth accounting workflow.

Automate Your AP Process With

Routable

As you begin searching for the perfect accounting automation software for your team, consider Routable. Routable can simplify your accounts payable processes by automatically routing invoices, automating your approval process and sending real-time notifications to help you pay your bills securely and quickly. Routable even keeps your accounting software up to date with real-time, two-way data sync, so you don't have to do it manually.

Routable's AP automation can help your team scale, eliminate tedious work and focus on what matters most.
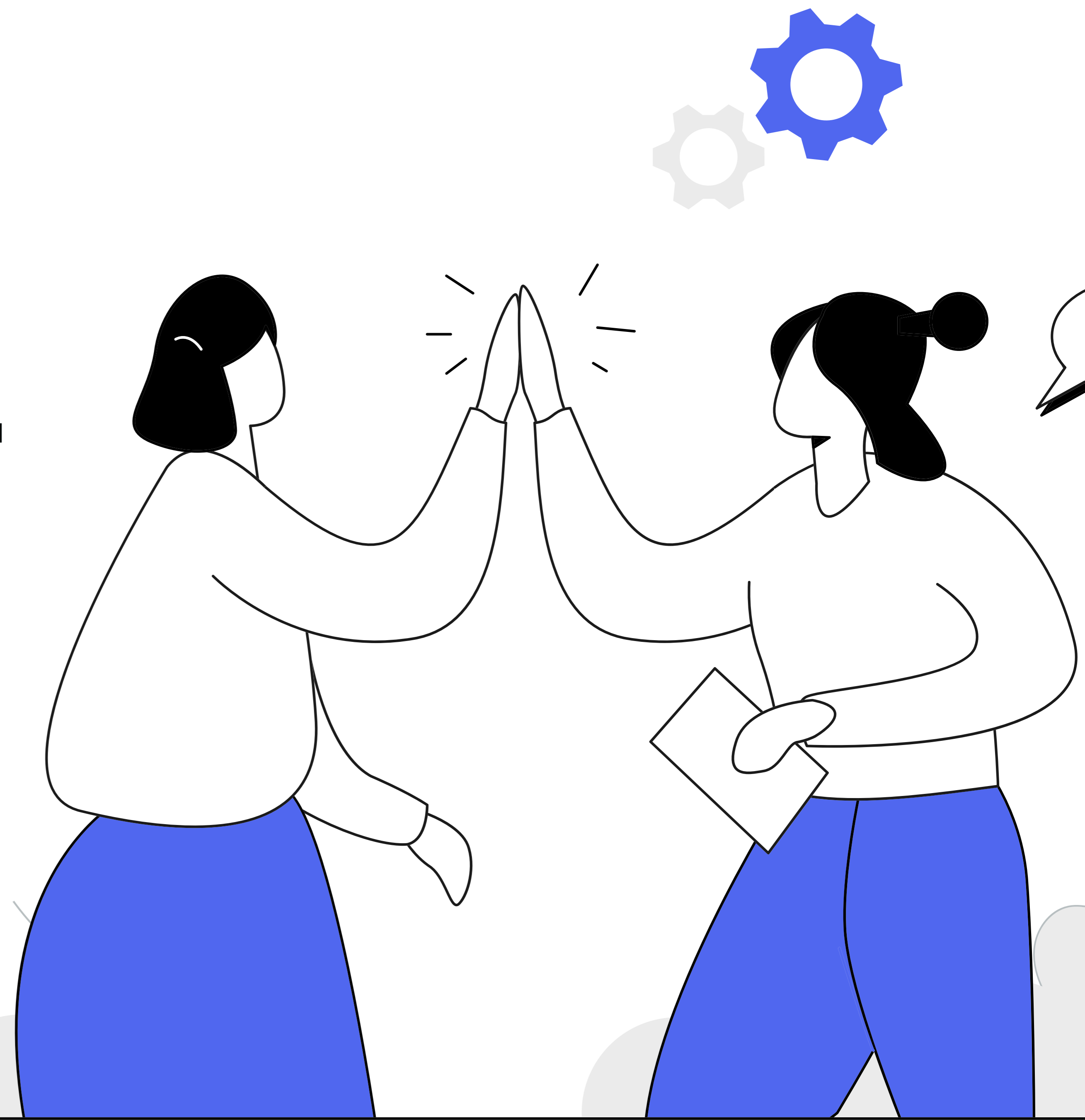
Powerful API

Routable has a sophisticated API for bulk processing. As you move to automation, Routable will make the process easier by allowing AP to work your way. Through streamlined API workflows, your team can process one payment or thousands depending on your business needs.

Accounting integrations

Routable offers accounting integrations with the software you already have, including QuickBooks, NetSuite, Xero and Sage Intacct. Routable's two-way sync ensures that your books are up to date, making reconciliation significantly less manual.

Seamless scalability

Routable is built to scale with your company as it grows. With Routable's powerful API, your team is equipped to handle any amount of invoices, whether it's one hundred or one hundred thousand mass payouts. You can also manage payments with a single CSV file upload. Routable will check for any duplicates and warn you before you upload them if there are any errors. It will also automatically map all your fields to your accounting software so you don't have to.

Automating your AP process can save money for your business and keep your team from becoming bogged down by slow, stressful manual processes. AP automation software empowers your team to shift their focus to more strategic tasks, such as vendor relationships and risk reduction. Help your team by implementing Routable and see an 80% reduction in manual payment tasks, 25% reduction in reconciliation efforts and save potentially hundreds of thousands of dollars a year.

Sources:

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[2] Ardent Partners' Accounts Payable Metrics That Matter in 2020:
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[3] How the Next Payments Frontier Will Unleash Small Business
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