Insight Report

Insight Avenue

From manual to modern

Why you can no longer afford to ignore AP inefficiency

In association with

tipalti

What's inside this report

Slow progress for high growth businesses

More than most other types of organisations, high growth businesses need to maximise every opportunity that comes their way to stay ahead. It's all about being proactive and efficient – but the research conducted by Insight Avenue on behalf of Tipalti, indicates that manual accounts payable (AP) processes are still slowing things down at every stage.

The finance department's overreliance on outdated, human-led accounting processes has been clear for some time, with the same problematic delays to supplier invoices reported year after year. With more than half of Finance and AP decision makers admitting they've considered a job change due to the stresses of manual AP, 2024's research results suggest that matters are getting worse.

When these challenges have been persisting for years, it's hard to understand why the obvious automation solutions haven't been widely adopted. Certainly, challenges like financial uncertainty and business complexity make the current inefficiencies hard to ignore.

That said, the research does show that there's more than meets the eye. For some, there's misconceptions surrounding training requirements, and the skills required to support automation projects. For others, it's evident that there's comfort in the familiarity of manual processes – a fear of change which could ultimately have long-term repercussions on efficiency, opportunity, and growth.

What is clear though is that businesses can no longer afford to ignore these inefficiencies. High growth is only sustainable if it can be maximised across the whole business – and there is a recognition that the next 12 months need to see meaningful investment in AP.

Now is the time to rethink the most time-consuming manual process in finance, and for AP to step out of the shadows and into the spotlight by setting the standard for automation efficiency gains.

Navigating the future of finance

Finance executives are bracing themselves to navigate an ultra-competitive landscape in 2024, amidst elevated interest rates and decreased investor enthusiasm. In 2024, 78% of respondents say growth in the current economy is only possible if they can maximise growth and cost savings across the business.

Businesses will need to continue to be strategic, moving away from unprofitable ventures and prioritising timely investments. The ability to remain agile is more important than ever, and it's crucial businesses are prepared – starting with the finance team.

In challenging markets, finance teams can help businesses stabilise operations and achieve sustainable growth. They will be asked to find opportunities to optimise processes, provide recommendations on investment and expansion decisions, and improve profitability by decreasing operational inefficiency.

To fulfil this role, finance teams are prioritising greater visibility and control over day-to-day finance operations – starting with the highly manual processes that are ripe for transformation.

As finance teams continue to embrace technological advancements, their roles will evolve into strategists, enhancing overall efficiency and effectiveness through automation. By aligning financial strategies with overall business objectives, today's finance teams can prepare and adapt to new challenges to ensure continued success.

– Rob Israch, President, Tipalti

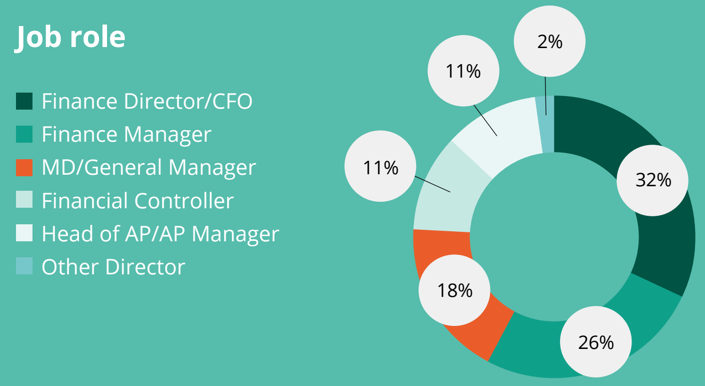
Research approach

The research conducted for this report consisted of 600 interviews with key influencers and decision-makers from high growth businesses with 50-1000 employees across the US, UK and Europe. To provide an international outlook on the subject, a total of 250 interviews were conducted in each of the US and the UK, with 100 conducted in Europe.

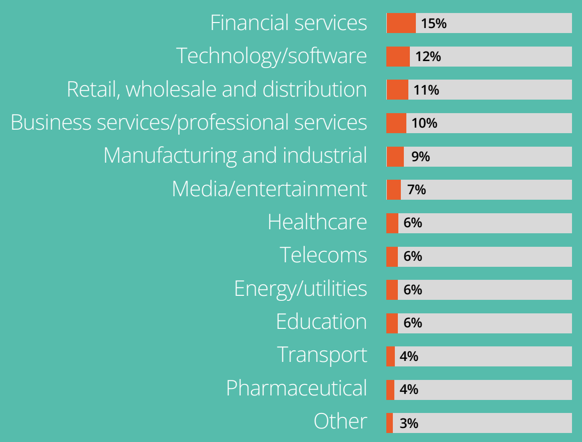
For the purposes of this research, ‘high growth’ businesses are defined as expecting a revenue growth of 20% or more in the next 12 months.

The research was conducted by Insight Avenue on behalf of Tipalti in March 2024, building on earlier studies in 2021 and 2023. Where relevant, comparisons will be referenced.

Job role



Industry sector



Insight 01

The enigma of AP

The businesses interviewed for the research almost unanimously agree that AP is currently an arduous manual process. Two thirds (66%) say it is definitely the most time-consuming process in finance, while 33% say it probably is.

Furthermore, 66% of AP decision-makers say they waste too much time on low-value administrative AP tasks. Time is of the essence, and manual processes are estimated to occupy 51% of finance time, rather than being used on strategic activities that support business growth.

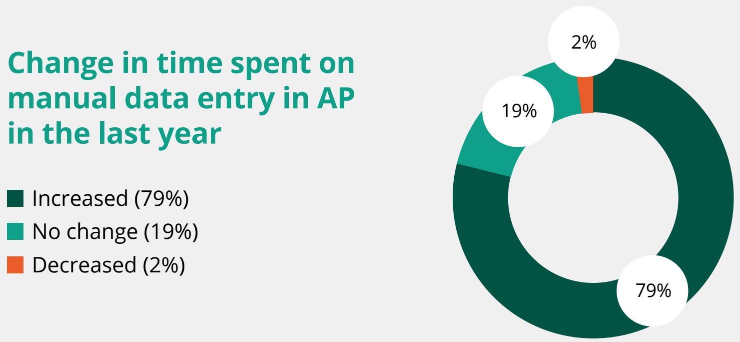
The research identifies that 79% of businesses are spending more time on manual data entry than they used to. Startlingly, it now takes an average of 41 minutes to process an individual supplier invoice; 8 minutes longer than in 2023. To compound matters, AP departments are typically taking longer to close a month and a quarter than twelve months ago.

These are all problems that were identified as major AP obstacles in the 2023 research. Frustratingly, things appear to be getting worse rather than better. It begs the question: why are automation solutions not being adopted as a priority across the board?

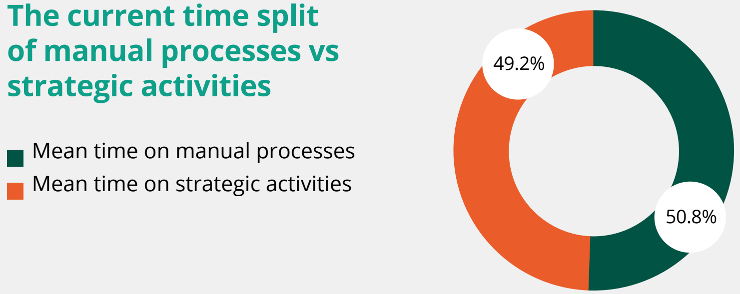
There seems to be a reluctance to abandon legacy methods in favour of modern systems. Verbatim feedback suggests that some consider manual processes to be an important part of staff development, allowing individuals to learn new skills and discover more about their employer. It appears others simply enjoy the manual process, trusting humans to get the job done with precision and control – perhaps scarred by experiences with clunky legacy systems.

In light of modern, easy-to-use, and agile finance systems, businesses perhaps need to look more closely at the time-saving and strategic capabilities of automation. After all, does finance really want to be known as the efficiency laggards of the business?

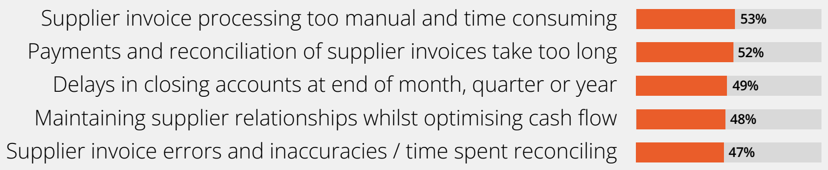
Change in time spent on manual data entry in AP in the last year



The current time split of manual processes vs strategic activities



Biggest challenges with current AP processes



Myth busting

Although anecdotal feedback revealed that business leaders believe they 'can't count on automatic processes', 47% of businesses waste time reconciling errors in manually-processed supplier invoices. This myth of unreliability must be dispelled to convince customers of the efficiency and accuracy of automated AP.

Change is good. I was the person who was resistant to change, but automation is key. I get to look at other processes because I have time now—it's a snowball effect. We're definitely saving time in other areas of the business.

Antony Pham, Finance Manager, The School of Life

Risks, revenue, reputation and relations

The research identifies that manual processes aren't just compromising productivity – they're also creating threats to business growth, reputation, supplier relations and staff welfare. Now, more than ever, AP inefficiencies are a multi-faceted and high-cost problem.

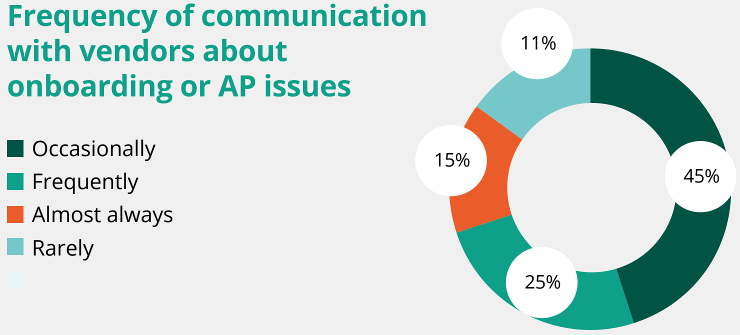
Most (82%) of those interviewed said that the continued reliance on manual processes is contributing to wider AP department challenges in supporting the growth objectives of businesses. With too much time spent away from strategic initiatives, opportunities for progress are being missed.

There's a widespread feeling across 79% of businesses that the finance team is unable to keep pace, with over half (57%) of AP leaders receiving complaints or negative feedback from other departments about the broader knock-on effect of manual processes in the last twelve months. With strained in-house relations, there's a strong belief (84%) that manual processes are causing problems for attracting staff – with job satisfaction, employee retention and development levels being compromised by operational inefficiencies.

It's not just internal satisfaction and reputation at risk either. One in five supplier invoices have been paid late over the past two years, causing commercial tension – particularly as nearly a quarter (23%) of these transactions are conducted on an international scale. As a result of the slower processing time, 65% of businesses have incurred late payment fees. This is also probably why 40% (increasing to 51% in the US) have to frequently communicate with their vendors to resolve the onboarding issues that ensue from the same manual delays.

The growing strain is being felt across the board and is no longer sustainable - sooner, rather than later, automation technology is needed.

Frequency of communication with vendors about onboarding or AP issues



Areas that businesses agree manual AP processes are having a negative impact

59% **of respondents say they have considered leaving their job because of the stress associated with using manual processes.**

Learn before they burn

Job satisfaction in 83% of finance departments is suffering, with the relentless cycle of manual processes causing stress and demotivation. Introducing automation technology now will rejuvenate burned out staff before it's too late, saving on the recruitment costs needed to rectify underperformance further down the line.

I want my finance team doing the fun stuff, the interesting stuff, adding value to the business, and not just processing data. I want them to provide valuable insights for the rest of the business.

Maria Liston, CFO, Basebone

The case for change

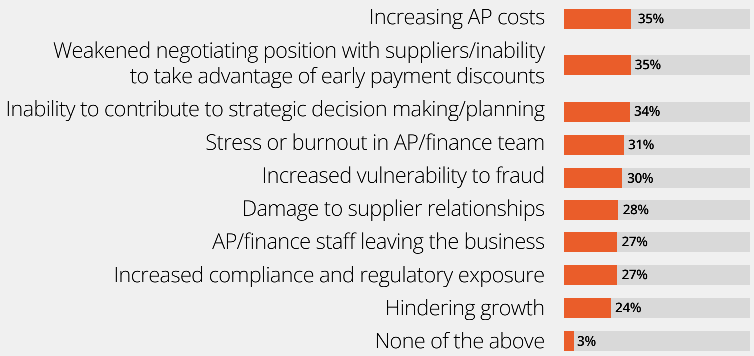
As we've established, manual AP processes are causing a widespread drain on time and resources. They are impacting supplier relationships, frustrating and disempowering AP staff and beyond this over three quarters (79%) say a reliance on manual processes creates a feeling that finance is not keeping up with the rest of the business.

As noted by Insight Avenue in previous years, rising costs are once again the most common implication of AP inefficiencies in 35% of companies – resulting in weakened negotiation power and an inability to maximise early payment discounts from suppliers. With 44% needing to offset higher costs relating to inflation, and closer to half of US-based companies feeling the same, it's clear that financial uncertainties mean businesses can no longer afford to ignore these high levels of operational inefficiency.

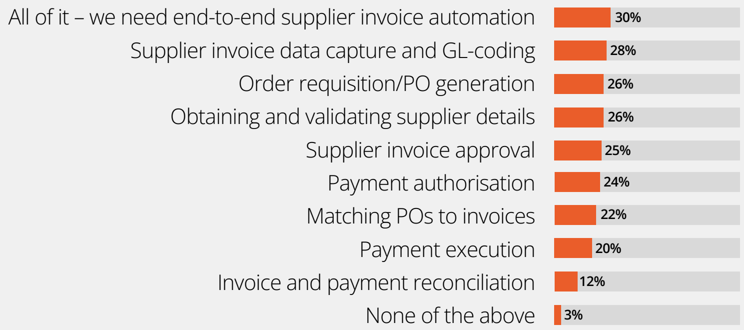
Both the UK (42%) and Europe (44%) are seeing an increase in the volume and type of monthly supplier invoices, and around two-fifths of all companies (42%) are juggling the higher complexity of managing multiple business units. As a result, almost all recognise the importance of their organisation making meaningful investment or improvement in AP efficiency in the next 12 months (72% see this as 'very important', 27% as 'important').

Despite this, only 10% of companies currently have end-to-end automation in place, plus a further 19% who say they've incorporated partial automation. With only 34% exploring AP automation in the next year, there is a definite interest but will it translate into adoption and meaningful improvements in struggling AP departments?

Areas in which persistent AP inefficiencies have serious implications



Areas in which urgent AP automation is needed to improve efficiency and accuracy



64% think finance gets a bad name in their business because of AP inefficiencies.

Tomorrow never comes

In 2023, 18% thought that AP would be fully automated by the end of 2023, with 32% saying the end of 2024. This year's research indicates that 90% of businesses are still yet to fully realise that ambition.

When you start to grow and see cracks in the seams, it's really critical to get that under control. It's important to make sure that your business can scale and that you can continue to grow as a finance team—that you can support that growth.

Ben Robson, Systems Accountant, Zego

The barriers and benefits of modernising AP processes

In the past year, not much action has been taken to break down the barriers preventing businesses from investing in end-to-end automation.

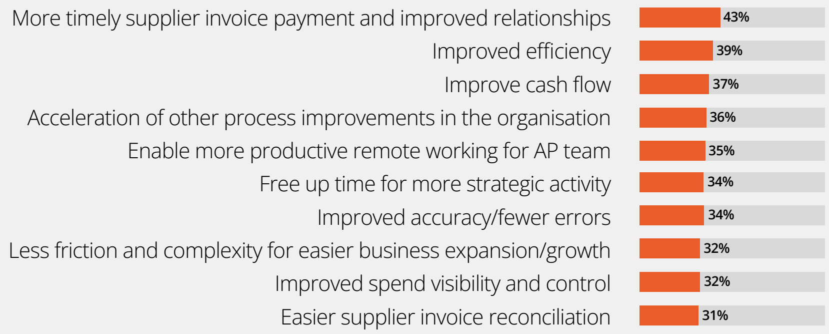
30% are falling at the first hurdle, admitting they don't even know where to start when it comes to automating their AP processes. A significant increase in relevant knowledge is needed to make the replacement of manual processes more likely, with 37% believing that complex training is required. Other easily traversable barriers include a lack of awareness over the supported payment methods (32%) and a difficulty finding appropriate solution vendors (35%).

Although there's clearly hesitation towards adapting to the future of AP, there's no doubt that something needs to change. What, then, are the benefits of end-to-end automation in this context?

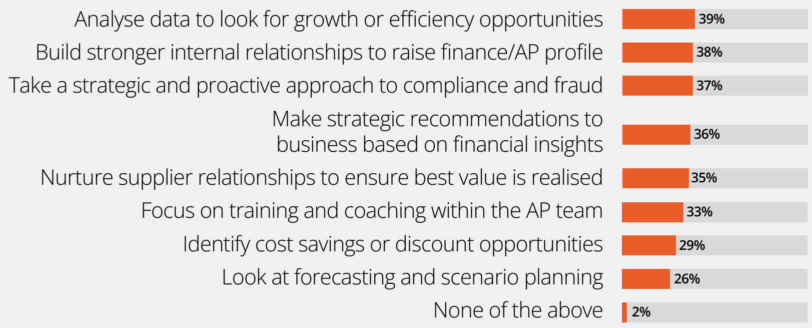
To start, streamlining payment processes would enable the payment of supplier invoices in a timely manner – a benefit that 43% of businesses believe would improve partner relations. This would alleviate the strain on stunted commercial relationships, paving the way for further business growth. Meanwhile, over three quarters (76%) believe that achieving the real-time data visibility they require to upscale operations is only truly possible by automating AP.

Over three quarters (78%) agree that commercial progress is only possible if business growth opportunities are maximised across an entire organisation. And most (80%) think growth and revenue prospects should be spearheaded by AP. In this context, automation holds the key to unlock a new age of opportunity for AP and beyond.

Key benefits of end-to-end AP automation



Preferences for using time freed up by AP automation



An unnecessarily difficult sell

In the last 12 months, 57% of businesses say they have faced resistance from investors when it comes to pursuing automation opportunities – despite all of the glaring operational challenges across the board.

It's important to look at your potential growth and try and plan in advance. If you can get a system in place that you can use in the future, that's worth investing in.

Bradley Clifford, Assistant Controller, Stack Overflow

In summary...

For the 90% of organisations that persist with manual processes, another year of payment delays, reputational damage and staff disgruntlement could leave their ability to grow at an impasse. To get out of that rut before it's too late, they need AP automation.

The research conducted by Insight Avenue shows that businesses are still choosing to avoid addressing the issue with meaningful investment. Without seeking a proactive solution, manual accounting methods may exacerbate skills shortages, as top talent lose the patience to persist with processes that damage their efficiency and their potential.

With that, there's an irony to the fact that 37% of businesses assume complex training is required to successfully integrate end-to-end automation. On the contrary, doing so would allow skilled finance staff to divert their attention to strategic cost-saving and growth-identifying opportunities. This would also ensure other departments would no longer be held back in their commercial endeavours by the inefficiencies of their colleagues in AP.

The ultimate fact is that the most pertinent challenges faced in high growth businesses can all be alleviated by automation – and with the right partner, the shift from manual to modern couldn't be simpler.

Why automation is the answer

- Streamline supplier invoice payments
- Increase operational efficiencies
- Preserve customer reputation
- Pacify internal department relations
- Free up finance time for more strategic activity
- Improve AP team morale
- Retain and recruit top talent

Move from manual to modern with AP automation

Say goodbye to wasted time managing invoices and payments, or hiring outside help to support your AP needs.

Book a demo

In association with

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