Time for an AP Makeover?

FIND SOLUTIONS ON-DEMAND

How to get greater control of your payables, increase efficiency, and drive down costs.

Constricted by a tight economy that now threatens to get tighter, you may be feeling the pressure to reduce costs and streamline operations. One area that is primed for new efficiency gains is accounts payable.

Companies have automated or outsourced many back-office financial functions in recent years. One of the most prominent examples is payroll. As with many now common business solutions, the actions of large companies and first-movers drove down the cost of such options. This made it possible for small-and mid-sized businesses (SMBs) to improve productivity by delegating responsibility for their payroll processes to a specialist provider.

Now, many SMBs are beginning to realize that AP is riddled with costly inefficiencies that need to be addressed. Their AP productivity challenges typically are tied to the high amount of low value, manual work associated with the function—whether that comes in the form of document management, data entry, transaction and payment processing, or some other activity. "The AP function is one that is worthy of attention and ripe for makeover," according to research firm AberdeenGroup. "AP is an especially opportune area of focus due to the many sub-processes that comprise the invoice processing and payment cycle."

As with payroll before it, the actions of larger enterprises and early-adopters have made it possible for SMBs to benefit from AP automation and outsourcing. It's important to recognize, however, that you now have several choices if you are an SMB leader that hopes to address this challenge. Your essential options are:

+ **OUTSOURCE AP FUNCTION TO AN EXTERNAL SERVICE PROVIDER.** Under this arrangement, your company would turn over full responsibility to an outsourcer. The outsourcer tends to concentrate on labor arbitrage—finding the lowest cost workers to handle the manual, labor-intensive tasks associated with high-volume AP. This approach promises outsourcing without automation.

+ **INSOURCE AP FUNCTION TO AN INTERNAL TEAM.** This is the default option—the one that most companies begin with in their early stages of development. To develop AP capabilities in-house, however, your firm must invest significantly in software, hardware and staff to manage the function. But you are missing out on the labor arbitrage and economies of scale associated with outsourcing AP to a specialist provider. This approach promises automation without outsourcing.

> Many SMBs are beginning to realize that AP is riddled with costly inefficiencies that need to be addressed.

+ DELEGATE AP TASKS TO AN ON-DEMAND SOLUTION PROVIDER. Leveraging new web-based platforms, you can now gain access to Critical AP management technology while delegating low value-added AP tasks to a specialist firm. This option represents a pre-integrated, turnkey approach to AP management, leveraging both the technology and service-based strengths of an outside partner. This approach promises the best of both worlds—outsourcing and automation.

To achieve the results you are seeking, however, you will have to weigh the pros and cons of these options to determine the best approach for you.

Let's First Consider the Outsourcing Option.

The primary benefit associated with this approach is it enables a company to outsource responsibility for a function that clearly is not a core capability. No one differentiates themselves based on their ability to manage AP. It's clearly advantageous to let outside parties handle the non-core activities, enabling you to focus on the areas that represent strategic differentiation and core business value.

The problem with this approach is that it is extremely expensive. While outsourcing AP may be favored by large global corporations with massive transaction volumes, few SMBs are engaged in the level of activity necessary to justify this approach. They aren't prepared to write the six- and seven-figure checks that are the price of entry.

It's outsourcing without automation because the service provider is relying on global labor arbitrage to attain the low cost personnel for labor-intensive tasks. This contributes to high costs because no real effort is made to leverage technology for productivity purposes—and the costs of labor just keep going up.

So What About Insourcing the AP Function?

Under this scenario, companies realize that AP is a function that needs to be automated and streamlined. They merely choose to do it themselves. They take on the full responsibility for investing in the technologies—such as workflow and document management software—and talent necessary to manage it effectively. The positive side of this approach is that the company can drive real efficiencies as it becomes an expert in AP.

It learns to automate various activities that previously were handled in a manual and unproductive fashion. The downside? This may prove to be a poor investment of a company's limited resources and management attention. AP, after all, generates no competitive differentiation in the marketplace. If anything, this approach distracts companies from concentrating on their true competencies and market strengths.

Moreover, they bear the burden of updating and maintaining the technologies necessary to run AP effectively. Finally, they must hire personnel to handle AP responsibilities and tasks that cannot be automated, such as document scanning and data entry, and therefore miss out on the potential economies of scale and labor arbitrage that outsourcing can provide.

With on-demand solutions, you have the opportunity to leverage leading edge AP technologies without having to own and bring them on-premise.

It's automation without outsourcing because, in the end, you still are responsible for big technology investments and tasks that deliver no core differentiation in the marketplace—even though you have enhanced the productivity of the AP operation.

Which Brings Us to the Final Option: On-Demand AP Solutions.

With on-demand solutions, you have the opportunity to leverage leading edge AP technologies without having to own and bring them on-premise. Solution providers in this category apply the same "software as a service" approach to accounts payable that companies such as SalesForce.com apply to customer relationship management. These web-based solutions enable companies to delegate unproductive AP tasks without surrendering control of the function or bearing high expenses. In fact, on-demand represents an extremely cost-effective approach

But here's where decision-makers need to consider some of the differences between on-demand solutions now available on the market. Some offer a stripped-down, software-only solution that is most appropriate for companies with minimal AP transactions.

While such solutions may provide visibility into the workflow of AP operations and help companies track transactions, they often don't address some of the key aspects of the AP process: document management, data entry, and payment processing. As a result, companies that choose this option can end up missing out on some of the key efficiencies they sought in the first place.

With this in mind, decision-makers have looked to enhanced on-demand solutions that combine software with premium services. Under this approach, companies can delegate the full array of AP sub-processes: document scanning; image indexing and archiving; and data capture and entry. They also can delegate treasury management services and payment processing activities such as electronic funds transfers via the automated clearinghouse (ACH) network. In essence, this approach offers a combination of outsourcing and automation, giving enterprises a complete, on-demand solution in their pursuit of best-in-class results.

The drawback associated with this approach lies in the fact that it isn't complete outsourcing. Managers must continue to oversee their AP processes. They must engage in certain activities that cannot be delegated. Nor is it complete insourcing, either, leaving some managers concerned about losing control over certain AP processes that they have delegated to the solution provider. Delegation, to some extent, requires one to surrender some authority and control over how tasks get done.

You can leverage the power of new technology, while holding an outsourcing provider accountable for results.

ANYBILL

Then again, today's web-based solutions provide a real-time window into the activities that have been handled by the solution provider. This pre-integrated, turnkey approach enables you to hold your solution provider accountable through a clearly defined service level agreement. So in essence, one doesn't necessarily have to surrender much control at all.

This is the "best of both worlds" scenario. You can leverage the power of new technology, while holding an outsourcing provider accountable for results. AP automation becomes an operating expense instead of a capital expense. AP outsourcing, meanwhile, becomes cost-effective and accessible to both small- and mid-sized companies.

The payoffs are clear. As Aberdeen Group puts it: "A combination of outsourcing and automation has proven integral to facilitate the conversion of the accounts payable process from merely a tactical business activity to a function that is operationally efficient and delivers financial value to the enterprise."

So this is the key question to ask yourself when considering an on-demand solution: Do you want to maintain responsibility for document management and payment processing activities or would you just as soon delegate those activities?

The pressure to cut costs and drive efficiencies is about to get more intense. So, as you take a good hard look at better ways to streamline accounts payable, it makes good sense to examine your options and select the one that most closely matches your strategic objectives.

As Aberdeen Group puts it: "A combination of outsourcing and automation has proven integral to facilitate the conversion of the accounts payable process from merely a tactical business activity to a function that is operationally efficient and delivers financial value to the enterprise."

About Anybill

Built on the premise that all payments are critical, Anybill was created in 2001 to transition any AP transaction to an automated solution. We combine our proprietary technology with unmatched customer service to deliver a complete Software-as-a-Service solution. Clients retain efficient workflows while gaining greater visibility and control, better cash flow management, streamlined approval processes, 24/7 accessibility, and increased auditor confidence. Anybill works with clients ranging from non-profit associations to some of the largest multinationals. We are headquartered in Washington, DC, and are SSAE 16 SOC compliant.

ANYBILL.COM | INFO@ANYBILL.COM

4   1801 Pennsylvania Avenue, NW, Suite 700 | Washington, DC 20006 | W 202-682-6300 | F 202-833-2141