Lightyear

5 Steps to Automating Your Accounts Payable Function

Best practice tips on starting your automation journey.

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INTRODUCTION

Accounts payable (AP) automation involves the use of technology to digitise and automate manual processes, eliminating inefficient workflows and time-consuming tasks, such as the processing of invoices.

AP automation minimises the number of touchpoints involved, reduces errors, and helps your business run more efficiently and profitably. Because **AP automation improves the speed of processing invoices by tenfold, both the time and cost savings are significant, with estimated savings in the region of US$30 per invoice.** Your finance team can therefore focus on more important work rather than mundane tasks like data entry.

AP automation doesn't need to be complicated or daunting. In this guide we help you ensure a successful transition to an automated process in just five easy steps.

01

SELECT THE RIGHT SOFTWARE PROVIDER

01

Carrying out research is key when selecting a software provider. There are three main areas to consider:

Requirements

The first step is to carry out a needs analysis. Talk to the team to identify their daily tasks and where the blockers are. This can be done via a series of round tables, or surveys, to find out their pain points. Work with them to understand how long day-to-day tasks take and what their frustrations are. You'll need to understand the team's pain points before you can assess which software fits the purpose. This will be useful when presenting back the selected software and how it will be beneficial.

Choosing a software that integrates with your current systems, including legacy and ERP systems, is essential. A software which doesn't integrate easily is only going to cause more work in the long run, rather than improving efficiencies.

6 QUESTIONS TO ASK WHEN SELECTING AN AUTOMATION SOFTWARE:

01 Does it address my pain points?

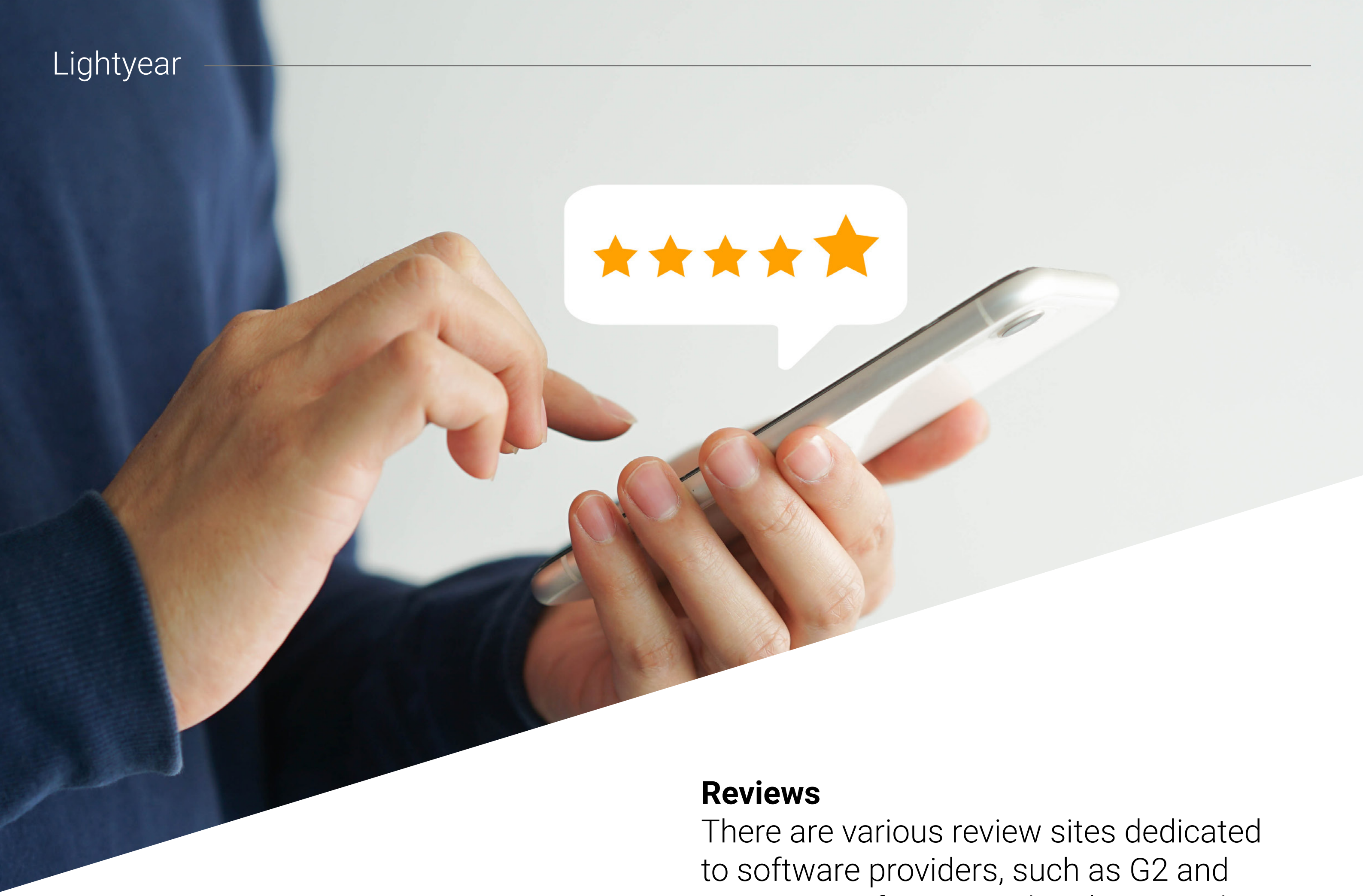
02 Does it integrate with my existing systems?

03 What is the cost?

04 Is it easy to implement and use?

05 Does it come with good support?

06 What return on investment will it offer?



Reviews

There are various review sites dedicated to software providers, such as G2 and Capterra. Software marketplaces such as Sage Marketplace and Xero Appstore allow you to see which tools they integrate with, along with the USPs and reviews for each.

Many software providers will have their own suite of case studies and should be happy to provide details about the clients they work with and the results. Look out for providers that conduct regular client surveys and publish their customer service ratings.

Once you've done your research, a good way to proceed is to shortlist two to three suppliers and ask for a product demo. **Remember, no software will do it all. Be realistic about your expectations and remain open-minded about what can be done**, as you may discover additional functionality during the process that could prove useful.

Reputation

It's important to choose a reputable supplier who is well established, and unlikely to get into financial difficulty or go out of business. Look at how long the company has been running for, it's growth to date and the types and size of clients they serve.

A reputable provider will offer a dedicated point of contact for the duration of the project, as well as 24-hour support and ongoing customer service. Crucially, they'll offer a free trial to test the software before you buy. Steer clear of contract tie-ins or long-term commitments as you may find yourself stuck with software that's not fit for purpose.

02

CONSIDER YOUR BUDGET

02

Whilst a cost-benefit analysis can sometimes seem like a very complex tool, it's just a fancy way of working out **how much money you'll save by automating your processes versus the cost of implementing and maintaining the new software.**

There are a few obvious or 'direct' cost savings like the cost you pay staff to manually process invoices. To simplify calculations, work out the average hourly salary rate for your finance team and multiply this by the average time it takes to complete key tasks.

Staffing is the biggest single cost for businesses. AP automation can drive 70-80% time savings for the department. That's essentially a saving of 70-80% on your wages bill. And yet, only around 5% of organisations use a full, end-to-end automated approach.

There will also be some 'indirect' cost savings associated with automation, such as reduced errors, a reduction in the cost of late payments, fewer losses due to fraud, and so on.

Additional financial benefits of automation, includes early payment discounts, avoiding unnecessary late fees, and earning cash rebates on spending through electronic funds transfer systems like ACH. These added income sources can help make your business case for AP automation seem even more attractive.

The savings that automation can bring far outweigh the software and implementation costs, but make sure you future-proof. Establish whether the software costs will increase as you increase the size of your business. Some providers will charge per seat, per number of invoices processed, or per line item of an invoice, so it's worth understanding how costs escalate as you scale. Be aware of hidden charges not stated up front such as costs for accessing live support.

03

GET BUY-IN FROM STAKEHOLDERS

03

It should be relatively simple to make a compelling business case for accounts payable automation, now you know just how much time and money it's likely to save!

But that's the easy bit. Getting buy-in from the teams who do the job daily is much more difficult, and it needs to be handled carefully.

MOST COMMON AP PAIN POINTS:

01 **Slow processing** - Manual, paper-based processes cause delays as documents circulate between departments.

02 **Manual data entry** - Prone to errors, time-consuming for teams to identify and rectify mistakes.

03 **Incorrect data** - Minor manual errors lead to inaccurate financial records and financial loss.

04 **Poor visibility** - Paper invoices can delay approvals and hinder cashflow forecasting, requiring increased oversight by finance.

05 **Missing invoices** - AP teams spend time chasing lost invoices or requesting replacement invoices from suppliers.

06 **Fraud** - Manual AP processes lack effective anti-fraud controls, given poor visibility, security, and controls.

These internal stakeholders are crucial as they'll be the ones using the system the most, and without their buy-in, the project has the potential to fail.

Ensure inclusion
It's important not to leave any stakeholders out of the loop as they're likely to feel removed from the decision, and therefore less willing to buy-in. Ensure key staff members act as representatives for the wider team at every stage of the decision-making process, from initial research to selection and implementation. This will give the team confidence that decisions about the software have been made with their best interests at heart.

Communicate the benefits
Now it's time to present back to the team the software you've selected and why. Explain how it will solve their current pain points, alleviate their frustrations, and save them time. Give specific reasons why you've chosen this provider, covering aspects like features, cost, ease of use, customer service, and after-care. A good provider will help you to present the benefits or provide access to useful tools that can help you to do so. It may be a good idea to invite key members of the team to join an online demo so they can see the product for themselves.

Engage your suppliers
Lastly, don't forget to ensure engagement with suppliers. Let them know from the outset that you're changing provider, and what steps they need to take before the new system goes live, like updating their contact details. They'll also need to understand how to submit invoices going forward, which formats are acceptable, and who to contact if they have any issues.

Suppliers will ultimately benefit from a slicker and quicker process, with invoice cycles and reduced errors such as delayed or missed payments. An email or letter to suppliers which outlines what's in it for them can be a great way to get them engaged.

04

CREATE A ROLLOUT PLAN

04

Creating a simple project plan or Gantt chart of who needs to do what and by when can be helpful in keeping the implementation on track and managing expectations. It can also help you in communicating important milestones to your team.

A good provider should have a sample plan they can share with you and assign a dedicated resource to help roll out the software. Ensure you have a project lead in place and hold regular update meetings to help keep things on track.

Define workflows
Ensure workflows are defined and documented before implementing your AP automation, to avoid unnecessary changes later. These should be signed off by the whole team as correct and rules set out around how they handle exceptions.

Create a backup
It's important to create a backup of files and data prior to commencing your AP automation. If you're running manual processes, you'll likely be doing this anyway, but once you switch, if you've chosen a cloud-based provider, this will no longer be necessary.

Document metrics
Tracking metrics such as the time it takes to onboard new suppliers, average cost per invoice and invoice cycle time both pre and post automation, will allow you to see where you've made improvements.

Update supplier information
Before implementing the new software, it's important to ensure supplier information is up to date. This is essential for seamless, error free payments and can also help to protect your business from potential fraud.

05

DELIVER EFFECTVE TEAM TRAINING

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Effective training is crucial once new software is implemented to avoid project failure. **A supportive software provider will offer training and check in with you during and after the training to ensure that bad habits aren't being formed.**

Alternatively, you can consider creating your own internal training program, which will make it easier to onboard new accounts staff. If you choose to create your own training program, it is recommended to break it into the following segments:

Create a needs assessment.
Ensure you understand which processes need to be trained to which team members and that more than one person is trained on each process to cover absence and mitigate the risk of staff leavers. For larger teams, it may be sensible to implement a cascade training programme or consider a 'train the trainer' approach, whereby the project lead trains one or two key people in the team who can then train the rest of the team internally.

Set objectives.
This might include deadlines for getting the training completed, a percentage of staff trained or benchmarked competency levels.

Create an action plan.
Set out how many training initiatives you'll be running, when these will be implemented and via which channels i.e., face to face sessions, train the trainer, or online modules.

Document progress.
Holding a record that staff sign to confirm they've received appropriate training can help you measure progress and mitigate risk.

Evaluate and refine.
Check staff understanding at regular intervals following the rollout; a quick test is a good way to identify gaps. If staff fail to understand a particular area, review your training materials to make them clearer. Offer refresher training, ideally at least once a year.

Feedback.
An aspect that many people forget when it comes to training, is the importance of a feedback loop. Give staff the opportunity to let you know if any areas of the training were unclear, or if there are areas where they need additional support.

CONCLUSION

Automating your AP function doesn't have to be difficult, but it has the potential to fail if you don't take the right steps to ensure success. Done properly, the benefits of AP automation will far outweigh any implementation challenges.

Choosing the right software provider is crucial to ensure you don't fall foul of hidden costs or difficulties down the road and remain supported throughout the implementation and beyond. **A provider that's willing to invest in you as a client and build a relationship for the long-term, will help future proof your finance department for years to come, and is a wise investment for any business.**

ABOUT LIGHTYEAR

Lightyear is an award-winning, 5* cloud app built to automate large SMEs & Enterprise level Purchasing & APs processes.

Our end-to-end approvals workflows allow purchase orders & bills to be approved in seconds, saving businesses more than 80% of their costs and time.

Lightyear provides a reliable, secure, stress-free automation solution that eliminates human error, so businesses can confidently move forward with their business goals.

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