

FINTOPIA SURVEY: THE STATE OF AP EFFICIENCY IN THE US

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IS YOUR ORGANIZATION LIVING IN A STATE OF FINTOPIA?

Fintopia (n):

The ideal, utopian environment that finance organizations thrive in; a perfect world where processes are automated and transactions are seamless

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FINTOPIA

It's a perfect state of financial bliss – a state that any financial department in any industry should aspire to achieve. It's a state where all data and reporting is dynamic, where departments have control over cash flow, where transactions are smooth, and processes are seamless.

Like any organization, this state of financial bliss isn't achieved alone. It is not solely up to the finance department to maintain the climate, but a balancing act between both finance and procurement teams to create a living, breathing ecosystem that thrive together. But how do you strengthen the cohabitation between finance and procurement? How do you achieve the perfect state of financial bliss?

Accounts payable isn't just a back-office function, but is the catalyst of a transparent, connected, and responsible economy. Being able to gain full visibility into your organization's financial data, processes, analytics, and operations is the backbone for achieving Fintopia; where organizations are sending and receiving invoices efficiently, delivering savings to the business, and automating the entire invoice handling process.

Where does your organization fit into the financial landscape? Are you ahead of the game or falling behind? Do you feel like you're well on your way to financial bliss? In our recent survey, we explored how finance professionals from around the country, in a multitude of industries, are navigating towards a seamless utopian environment.

This report gives specific data to illustrate three different steps in the process toward digital maturity and Fintopia: climbers, drivers, and trailblazers. Climbers are those who are currently behind in the transition to digital but who, with concerted effort, still have an opportunity to catch up. Drivers are those who could go either way (leap ahead or fall behind), but who are currently keeping pace with the average players. Trailblazers, on the other hand, are those who are on the cutting edge, paving the way to Fintopia. They see the finance world in a new, harmonious light where processes flow smoothly and quickly, and financial data is actionable.



SIX SUGGESTIONS, BASED ON DATA,

TO ACHIEVE FINTOPIA

We've summed up the data gathered from 20 survey questions and simplified that data into six key findings that are critical for the journey to Fintopia:

- Implement an accounts payable process that your team members will call "outstanding."
 Too many finance professionals are only moderately pleased with their accounts payable (AP) process, and there's tremendous room for improvement, especially when it comes to automation. Surprisingly, one-third of finance professionals are still using a completely manual, paper-based process.
- 2. Automate e-invoice processing.
 E-invoicing has plenty of advantage

E-invoicing has plenty of advantages over traditional invoices, particularly when it comes to speed. Unfortunately, only 3% of respondents say invoices are submitted in a format that can be processed straight through without human operator intervention. In addition, only 1% say invoices received are automatically linked to a purchase order.

3. Bring invoice processing speeds into the digital age. Too many departments are still using manual entry and manual matching, as well as experiencing problems with lost or missing data and lost invoices. Nearly one-third say that on average it takes 7-14 days to process an invoice from when it's received in the AP department until it is set up for payment. In an era where people are used to instantly accessing information or sending money to friends in real-time, one to two weeks is too long. Trailblazers have more than 98% automation, including touchless invoice processing that uses artificial intelligence (AI) for exception handling.

4. Reduce risk with automated data capture.

Automation is the way of the future, and yet 44% of respondents say they still have to manually enter information into their ERP or other system of record. By contrast, only 9% (the trailblazers) say that all information is automatically entered.

- 5. Get mobile ready. Only a third of companies surveyed say they currently offer a mobile app, giving them a competitive edge. What's more, by being a leader in digital technology on every channel, you can see a fuller picture of data, creating more visibility on a range of fronts.
- 6. Optimize your collaboration efforts.

Two-thirds of companies say their accounts payable department lacks the ability to collaborate online with internal stakeholders to resolve invoice exceptions.

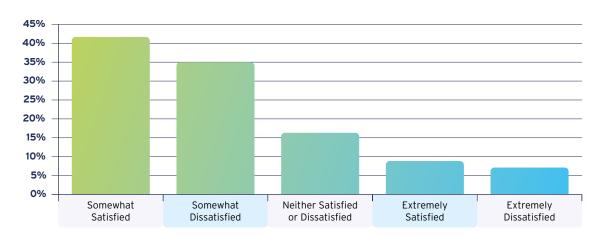
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1. BUILD AN OUTSTANDING

ACCOUNTS PAYABLE PROCESS

To start, we asked people how satisfied they are with the overall efficiency of their accounts payable process. What we found was that 42% were somewhat satisfied. However, the exact same percentage were either somewhat dissatisfied or neither satisfied or dissatisfied (25% and 17%, respectively – totalling 42%).

How satisfied are you with the overall efficiency of your accounts payable process?





People who are extremely satisfied with their processes lead companies that stand out from the crowd. These include companies that streamline what was once an onerous and fragmented process. A digital security company implemented best-in-class technology and saw invoice cycle time reduced by 75%, going from an average of four weeks to five days. Given that they handle 250,000 invoices every year, that adds up to a considerable improvement.

Dave Danko, HCR ManorCare's AP Business Analyst, says that his company saw results that were perhaps even more pronounced. He says new technology "fundamentally changed AP's role. The AP organization, which shrank over time from 38 to 4 people, now focuses on exceptions that couldn't be changed by the system. Account recovery audits were finding nearly \$2 million per year in errors in

duplicate invoices and overpayments – recoveries have been reduced to occasional exceptions." Any company that sees such dramatic results is bound to be included in the category that's extremely satisfied with their accounts payable process.

We also asked respondents how they would rate the overall efficiency of their accounts payable process. As you can see in the chart below, the data runs almost parallel with the answers to the previous question about satisfaction. This makes sense because a process that isn't efficient isn't satisfactory, but it does bring some clarity to the situation and sets the scene for the data that follows in this report, which illustrates detailed ways you can make your process more efficient so that you can be one of the 7% of companies that says their efficiency is "outstanding."



How would you rate the overall efficiency of your accounts payable process?





When we asked respondents to describe the current level of automation in their accounts payable process, we found a range of responses:

- 9% said it was highly automated, with very few or no manual processes. (This is what it means to be a trailblazer.)
- 58% said their process is semi-automated, consisting of a mix of automatic and manual steps.
- 33% said that their process is completely manual, fully paper-based.

This final of 33%group are the climbers, who can leapfrog ahead if they find a solution that automates and streamlines their process. For instance, the global manufacturing company ABB implemented technology to automatically match invoices with purchase orders and quickly reached a straight-through processing rate upwards of 60% in certain countries. ABB also uses this technology to scan invoices, validate the scanned data, and incorporate the invoices into an automation system in one single step – cutting the initial processing time in half.

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FINTOPIA & AP EFFICIENCY:

A Fintopian state of efficiency would be maximized using an AP automation solution with capabilities to ingest 100% of invoices and digitize complex workflows. To motivate the change, count up every time that someone has to fill out a form by hand and it can add up to hours and hours each week (not to mention how much less accurate and less uniform the process is). Contrast that with sending digitized documents through – a process where fields are auto-populated. The decision is simple; automation is the future of finance.

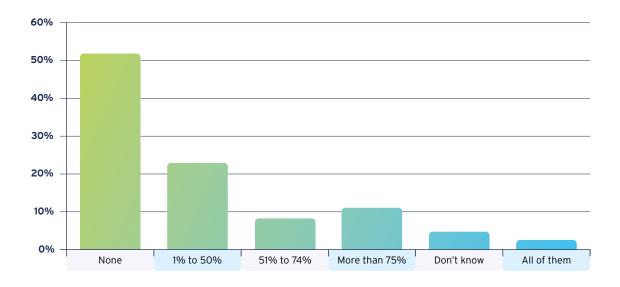


2. AUTOMATE E-INVOICING

One area that's ripe for automation is invoices. We asked what percentage of invoices are submitted in an electronic format that can be processed straight-through without human operator intervention, including coding and approvals, and found that 52% said "none." That is, not a single invoice can be processed, regardless of the level of complexity. Given that invoice data can be read by machines and often is routine and repetitive, that's a costly situation. Contrast that with the 3% of respondents who say that all invoices are processed straight-through as well as the 11% who say that almost all are processed this way, and you can see how these trailblazers are carving out a lead in the marketplace.

What percentage of your invoices are submitted in an electronic format that

can be processed straight-through without human operator intervention?



To see how this works in practice, we can look to API, a health and beauty products retailer in Australia. API conducts straight-through processing of PO-based invoices within set tolerances (e.g., within 2% of the PO value), sending them from scanning through to payment without any human intervention. As a result of this improvement, API reduced the labor force required for invoice processing by nearly 25%.

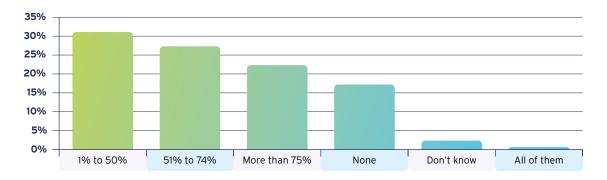
Bilderberg, a hotel chain in the Netherlands, shifted to electronic invoices and saw similarly dramatic results. They used to receive 90% of their invoices via mail. Now they receive more than 80% electronically including PDF invoices that can now be treated as true electronic invoices thanks to the data translation functionality of their AP system.

Bing Váhl, a purchasing manager at the hotel chain, says, "Going paperless saves us a lot of work – and reduces the opportunities for error that come with that work." Of those invoices that are electronic, the process is now automated.

Fortunately, when it comes to linking invoices to a purchase order, the situation is far more promising. In this case, only 17% say none of their invoices are linked this way, while 22% say that more than three-quarters are. This means that being able to link invoices to purchase orders is becoming a competitive non-differentiator.

What percentage of the invoices that your organization

receives are linked to a purchase order?

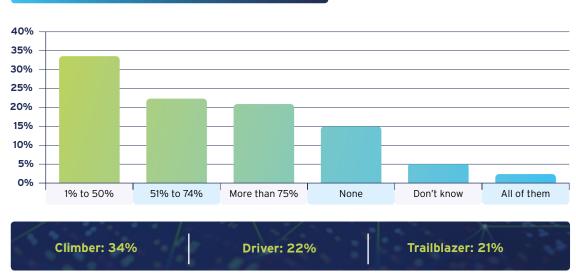


Boels Rental, an example of a best-in-class company and trailblazer, automatically matches more than 75% of invoices directly to a purchase order, helping them process more than 250,000 purchase orders annually. Regarding this new method, Rob van der Hagen, Head of AP Europe at Boels Rental, said, "Our average of booking invoices went up by 80 invoices per person per day because it's much faster and more user-friendly." Improvements like this go a long way to streamlining the procurement process.

When it comes to automatically linking invoices to purchase orders, we saw a wide range of responses, largely split evenly over the options.

What percentage of the invoices that your organization receives

are linked to a purchase order on the first pass?



Automatically matching invoices for both PO and non-PO expenses including things like lease and utility payments can make an enormous difference in processing speed. For instance, the manufacturing company ABB uses automation technology to link invoices to expenses and then validate that data. This change has cut their initial processing time in half.

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FINTOPIA & E-INVOICING:

When it comes to Fintopia and e-invoicing, the data is clear: It's not only enough to digitize the process (a transition that should have begun years ago). It's also critical to optimize and automate each step, paving the way for the future and freeing up your workforce to work on innovation and strategy. When the entire process is automated, everything moves faster and the workload is greatly diminished.

3. BRING THE APPROVAL PROCESS

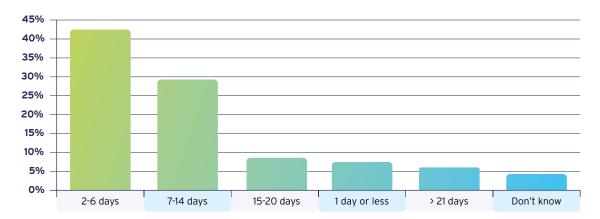
INTO THE DIGITAL AGE

A critical step for any accounts payable team is the approval process. When the process takes too long you risk jeopardizing your relationships with vendors or delaying tasks that your team needs to complete. We asked respondents for the average number of days it takes their organization to process an invoice from when it is received in the AP department until it is set up for payment. What we found was that the most common timeframe was 2-6 days, followed by 7-14 days.

But ask the trailblazers this question, and you'll see that they process invoices in 1 day or less. As more people get used to this speed, 14 days will increasingly seem like an eternity. Giving suppliers visibility within 24 hours of their submission won't just reduce the headache of trying to pin down an invoice, it will also help create more positive supplier relationships in the long run.

What is the average number of days it takes your organization to process an invoice

(from when it is received in the AP department until it is set up for payment)?



Recall the success that HCR ManorCare saw in shrinking their AP organization from 38 to 4 people.

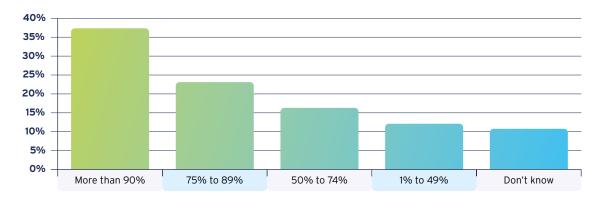
A major reason for this is the speed they're able to process invoices, most of which are processed the same day they're received.

Another aspect of the invoice process has to do with the volume that has been paid to terms. On this front, 38% of respondents listed the highest

percentage available on the survey – more than 90% said their invoices have been paid to term. More than half said it was less than 90%. Given that so many say that 90% of their invoices have been paid to term, it goes without saying this practice is becoming standard. Unlike many of the other topics in the survey, where the top performers represent just 5-10% of those surveyed, companies are doing quite well on this front.

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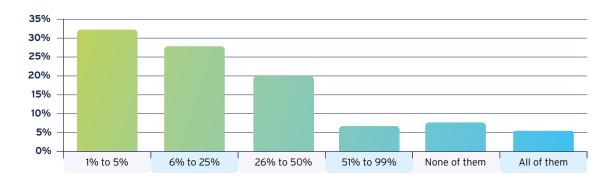
What percentage of your total invoice volume is paid-to-terms?



That being said, only 7% of respondents say that AP never has to follow up on invoices. The others say it happens semi-routinely. This process, where one employee or group of employees has to continually nag another, can throw a wrench in the approval process. The trailblazers, who have managed to eliminate the nagging completely, are setting the pace for others to catch up.

What percentage of the invoices your organization

receives sit unapproved until AP follows up?



IT company Atea has polished the approval process. Rune Pind Nielsen, Atea's Accounts Payable Manager, describes their new process as follows: "The employee creates a purchase requisition and gets it approved by their department head. By the time the invoice arrives, it's already approved and can be sent for payment automatically – assuming the deliverable is as agreed. That halves the work of two people."

Reducing the approval process like this leads to enormous efficiencies over time. For instance, a total economic impact study from Forrester Research found that after three years of automating the approval process, user productivity gains reached \$460,000.

FINTOPIA & THE APPROVAL PROCESS:

For any company to truly reach Fintopia, they have to be able to automate and streamline the approval process. Waiting around for manual approvers time slows everything down and frustrates everyone involved. By setting automated approvals, each party involved is more likely to want to retain and nurture the business relationship.

4. REDUCE RISK WITH AUTOMATED

DATA CAPTURE

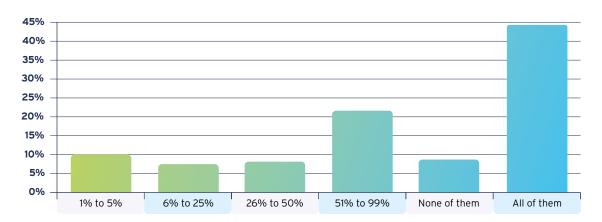
Pushing invoices through the approval process isn't the only essential component of finance departments. Employees also need to be gathering data along the way to help their organization run more effectively. One way leading companies manage this is by capturing paper-based and electronic invoices through order matching, review, approval, and payment – giving them the flexibility they need to operate efficiently on a global scale. This data also enables automated data matching and compliance, reducing the risks that can surface through the procurement process.

Automated data capture is the way of the future, and yet 44% of respondents say they still have to manually enter information into their ERP or other system of record. This manual process is likely an indicator of poorly supported system design, as it relates to not integrating an ERP into the full purchase and payment process. By contrast, trailblazers prioritize relationships with software partners that can maximize their existing tech stack and become an integrated part of the future ecosystem.

Unfortunately, only 9% of respondents say that all information is automatically entered, freeing their employees up to focus on more demanding and strategic tasks.

What percentage of the information on your organization's approved invoices are

manually entered into an ERP or other system of record?



In addition, data must be captured as quickly as possible to avoid delaying the approval process. Most companies do moderately well on this front, with 46% of respondents saying that when invoices can't be accessed in real-time, it takes less than 30 minutes to get the required information. Another 20% say it only takes 30 to 60 minutes.



When your organization cannot access invoice data in real-time, how long

does it typically take to retrieve the required information?

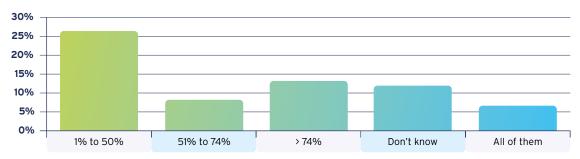


Invoice automation can dramatically improve the speed at which companies move on this front. For instance, Heineken Nederland used invoice automation to cut the approval time for order-related electronic invoices by 95%, for all order-related paper invoices by 60%, and for non-order related invoices by 40%.

Data capture also enables companies to see what invoices are being paid timely enough for an early payment discount. Trailblazers (6% of respondents in this case) say that they capture all early payment discount possibilities. This feature is beneficial because you will see that your bottlenecks are from capturing data related to your invoice handling processes, you can work towards capturing more early-payment discounts This feature is beneficial because through capturing data related to your invoice handling process, you'll be able to locate bottlenecks, pay invoices early, and work towards capturing more early-payment discounts by paying invoices early.

What percentage of available early-payment discounts does

your organization currently capture?



Finally, a majority (64%) say that their accounts payable department digitally archives invoices and related data – a decision which makes it easier to view data captured and aid in streamlining the audit process (which unfortunately will exist even in Fintopia).

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FINTOPIA & 100% DATA CAPTURE

The state of Fintopia consists of 100% data capture, including future proofing, spend visibility, process improvement data, strategic decision-making, cash flow analysis, forecasting, and more. Every bit of data across the entire process must be captured – and even more importantly – put to use. Once you're capturing the entire range of data, you'll be in a position to pivot quickly and effectively no matter what the future brings. Lay the foundation now to reach Fintopia in the future.

5. GET MOBILE READY AND

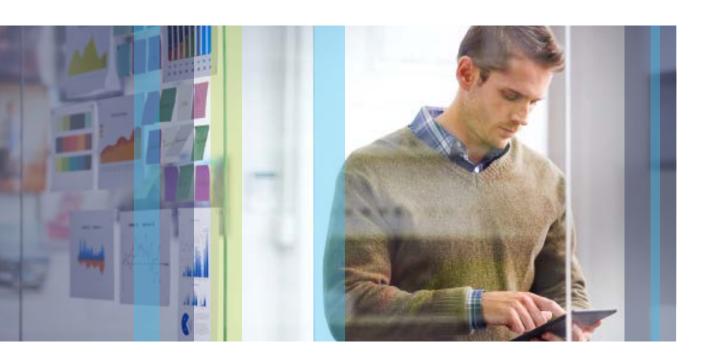
OFFER VISIBILITY

All the data in the world is not useful if people can't access it in the way they'd like. Unfortunately, only 36% of respondents say their organization has the ability to approve invoices via a mobile device. Given that today's worker is on-the-go and may not have immediate access to a laptop or desktop computer, this lack of access can slow things down.

On this front, trailblazers use their mobile app to handle all approvals through a single mobile user interface (UI). This is clearly the way of the future, as proven in part by the fact that companies like Facebook have shown that 95% of their users have accessed their site via mobile. These trailblazers enjoy the benefits of processing procure-to-pay documents quickly – benefits include getting the best price, enjoying on-time delivery of goods, capturing early payment discounts, achieving higher process automation rates, etc. All of that is easier when team members are able to make approvals on-the-go.

Another feature that brings added convenience is the ability to automatically process recurring invoices such as those for utility payments. We found that 39% of respondents use this feature, making it something that will increasingly be seen as standard.

The right technology also gives users real-time visibility. A full 64% of respondents say that they have this real-time visibility into the status of their invoices. However, only 17% say their accounts payable department currently provide suppliers with self-service real-time visibility into the status of invoices and payments – making it a true marker of trailblazers.



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FINTOPIA & TECH:

The right technology can make all the difference to a procurement team – especially when it comes to mobile technology and full visibility. In a mobile world, employees need the option to move the invoice process along on-the-go. They also need to clearly see all financial data across the entire company so they can pivot their strategy and make accurate decisions based on accurate data. Any company that isn't dynamic can enjoy the benefits of Fintopia – especially when they face dynamic competitors.



6. OPTIMIZE YOUR COLLABORATION EFFORTS

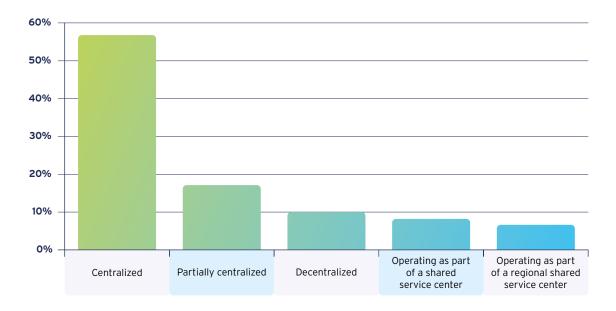
In the end, what may matter most is how well your team collaborates. Is everyone on the same page? Does everyone know what their role is and what other people expect them to be doing?

When we asked respondents whether their accounts payable department currently has the ability to collaborate online with internal stakeholders and/or suppliers to resolve invoice exceptions, only one-third (35%) said yes. Not having this feature can lead to frustrated suppliers, as they struggle to stay informed of changes and delays.

Collaboration can also be enhanced by how the accounts payable department is structured. On this front, most companies are doing quite well, with 56% claiming they're fully centralized.

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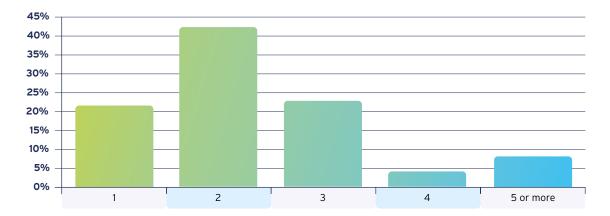
How does your accounts payable department currently operate?



The ramifications of centralization can be powerful. For instance, one company that specializes in electronic security made concerted efforts toward centralization and saw £400,000 direct cost saving without increasing staffing levels after implementing best-in-class processes and technology.

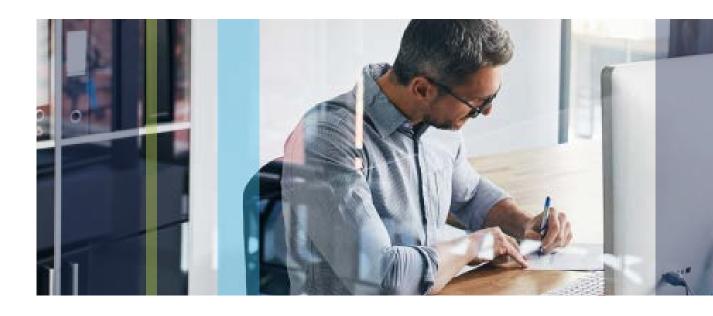
Finally, collaboration can be hampered when too many people are involved in a single invoice – leading to red tape, delays, and arguments. We found that 21% of respondents said they have a single person involved in the approval on average, while 43% cited two. It's a careful balancing act, of course, but having 5 or more people needed to approve can cause headaches.

On average, how many people are involved in the approval of a single invoice?



FINTOPIA & COLLABORATION

Even with the rise of automated technology, the procurement process is still a collaborative effort. Nothing happens completely in a vacuum – especially because finance departments must, at the very least, interact with other vendors to process payments. To reach Fintopia, finance departments must have an easy way to collaborate across teams and across companies. Without a robust collaborative process in place, it's impossible to reach a state of Fintopia



CONCLUSION: UTILIZING DATA

Ultimately, Fintopia represents the convergence of all data and how it can be used to fuel growth, maximize cash flow, fund innovation, eliminate risk, and support sustainable business. Thanks to the age of advanced analytics, you don't have to rely completely on gut feelings. Instead, you can gather and analyze data to manage purchase to pay from start to finish.

No matter what the status of your financial department is today, you can push toward achieving the state of financial bliss. To achieve Fintopia, embrace the following best practices:

- Use a highly automated accounts payable process, with very few or no manual processes
- Process electronic invoices straight-through without human operator intervention
- Automatically capture all early-payment discounts
- Offer a mobile user experience
- Provide suppliers with self-service real-time visibility into the status of invoices and payments
- Process invoices in one day or less

By following these best practices you'll not only have an immediate advantage over your slower competitors, you'll also be prepared for the future. It's an essential way to put your finance team on a higher level in the future, which is critical.

So many organizations are focused on the tactical execution of streamlining their processes that they fail to realize the future benefit of having full visibility into payment performance and supply chain, as well as cash flow. Having the ability to predict when cash will be in short supply or when a surplus can aid in the strategic direction of the organization to tighten the belt, seek financing, or invest in growth opportunities and acquisition. This is what the future can bring.

More than anything, this survey illustrates that finance isn't solely responsible for achieving the perfect world of Fintopia. Although the two business functions are different, the relationship between both is highly intertwined. Being able to work hand-in-hand in a collaborative effort allows both departments to function seamlessly in one environment. Without functioning as one ecosystem, you won't ever reach your full potential of Fintopia.

ABOUT BASWARE

Basware is the global leader in providing networked purchase-to-pay solutions, e-invoicing and innovative financing services. Basware enables organizations to capture 100% of financial data from procurement, finance, accounts payable (AP) and accounts receivable (AR) functions and offers touchless e-invoicing capability. By providing 100% visibility in spend, our customers experience the benefits of full automation - including more meaningful analytics and streamlined workflows. With more than 30 years of experience in the global B2B environment, Basware offers the largest open business network in the world, providing scale and reach for organizations of all sizes.

