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The Landscape Of Tech Around Accounts Payable

A MineralTree Topic Paper

A Map For Navigating an Emerging Market



Should Your Business Automate Invoice Payments?

Yes, and choosing the right solution is critical

The full continuum of responsibilities within the Accounts Payable (AP) department stretches from supporting the purchasing process to processing invoices to issuing payments. This work is complicated, time-consuming, and critical, so many growing businesses are looking for new ways to automate and improve key aspects of it. This topic paper explores solutions focused on automating invoice payments.

Today's core AP functions – managing the Purchase-to-Pay and Invoice-to-Pay cycles – are essential functions, but they are often inefficient, *ad hoc*, paper-based, and lacking controls. The result? These processes are costly, inefficient, slow, and risky. Businesses can't take advantage of early-pay discounts and lose control of cash flow, while key vendors can end up getting paid late (or paid twice). And weak controls expose businesses to internal fraud, as well as check and online fraud.

Now a wide range of solutions are available that claim to bring new efficiency, automation, and enhanced control to the way organizations manage and approve invoices and send payments. We'll map the main types of solutions and highlight their strengths and weaknesses so your business can make a more informed decision about the best solution for automating invoice payments.

Let's begin by assuming that your growing business has become frustrated with its old way of handling invoice payments and is starting to look for the right alternative. The complete payments-related process covers a lot of ground, from processing incoming invoices to executing outgoing payments, as shown in Figure 1.

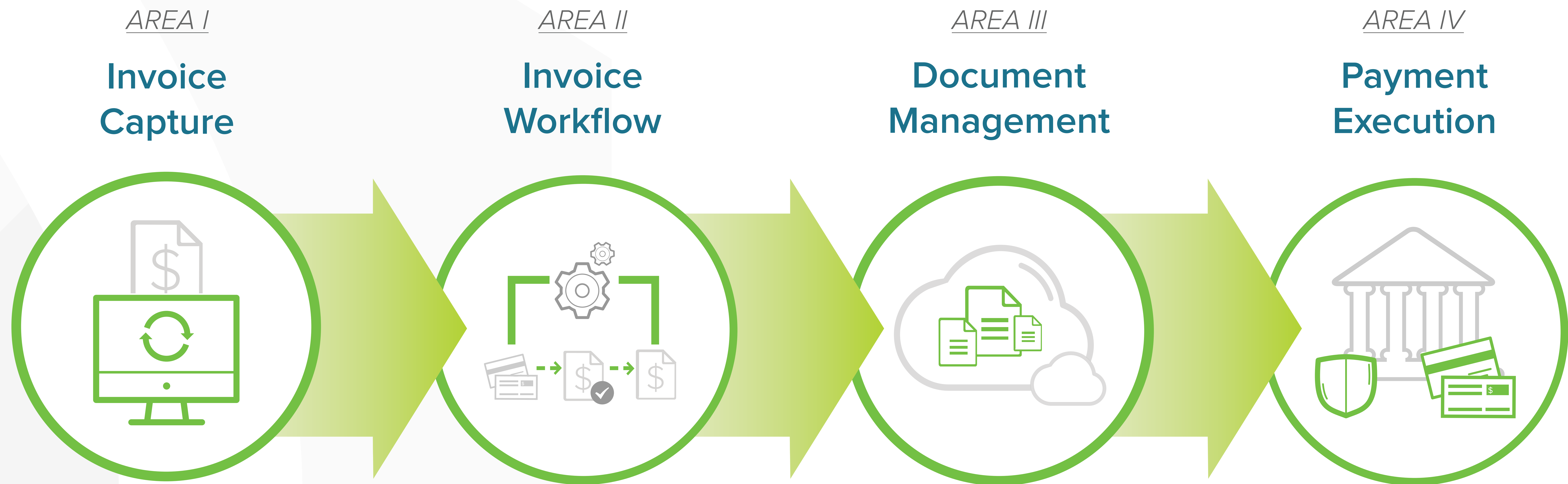
Most solution providers address only one area. And each solution provider will tell you that theirs is the right approach, even if it fails to cover the entire spectrum (or in some cases, address any of the areas highlighted above). So it's important to take a careful look at each type of solution, determine what area it really covers, and determine whether this solution meets your needs. Otherwise, to solve the challenges of invoice payments, you will need a combination of solutions cobbled together from multiple solution providers.

Where do you want to go?

Let's begin by establishing some desirable attributes of an ideal solution to consider:

Complete. A **comprehensive solution** brings new automation and efficiency to all of the aspects of the invoice-to-pay process highlighted in Figure 1, not just one narrow capability. Many solutions claim to do this. Few actually do. Most simply address one piece of the puzzle.

Figure 1. The full AP department continuum



✓ **Affordable.** A viable solution must meet the needs (and budget) of your growing business. A small to mid-sized business has different AP needs than an enterprise. So the solution must be **affordable and designed specifically for growing businesses,** not enterprises. What does *affordable* mean to your growing business? This definition will vary, of course. But consider that solutions that claim to automate invoice

payments can vary widely in terms of cost.

✓ **Secure.** Businesses can be unaware of fraud risk, but the risks are many-faceted and real. The solution must **reduce the risk** of errors and fraud (internal and external), protecting your business from loss.

✓ **Delightful.** The solution must fit seamlessly with the way your organization already works, without requiring a major

implementation effort, complicated integration, or significant training. After all, too much time spent here can quickly wipe out any overall efficiency gains. And it has to be easy to implement and use, right from the start.

Can any solution meet all of these needs? We'll see in the next section, where we survey the main types of solutions in the Accounts Payable landscape.

Take a Closer Look at the Main Categories of Invoice Payment Solutions

Explore the strengths and weaknesses of each category

Looking out over the landscape shown in Figure 2, we see five main types of solutions – Invoice Capture, Invoice Workflow, Document Management, Payment Execution, and end-to-end solutions that address the entire invoice-to-pay process. Each has specific capabilities and strengths – and (often) hidden shortcomings that you need to know about when evaluating solutions. Here we go through each of the main solution types and provide a clear assessment of each.

Invoice Workflow: Focusing on the invoice capture/ approval workflow.

Many solutions that are positioned as invoice-to-pay automation solutions are, in fact, invoice workflow solutions. This distinction is really vital to understand. Invoice workflow is important, since invoices are what trigger the invoice-to-pay process. Invoices need to be handled efficiently, right from the start. Invoices can't get lost. And with paper and e-mailed invoices, extracting invoice header and line-level data accurately is critical.

Many invoice workflow solutions handle invoices very efficiently, and extract data accurately. But invoice workflow is just one part of the process, and the process is not complete until the payments are actually sent out. After all, what good is an invoice-to-pay solution if it doesn't automate payment execution? Capturing invoices efficiently, and then manually printing and mailing paper checks seems like a partial solution.

The problem with invoice workflow or automation solutions is that while they may make short work of getting invoices captured and approved, they don't solve the last-mile problem of handling the complexity and risk of efficiently sending payments to waiting vendors. Without that, invoice payment automation is simply incomplete. Your organization will require other supplemental solutions to handle these steps - creating complexity, introducing new risks and costs, and exposing your organization to more opportunities for errors.

Document Management: Storing documents electronically.

Document management is a familiar solution category, one that focuses on getting rid of physical documents and digitizing all key business documents. This is the product category that promised businesses that they would soon be *paperless*. Reduced storage, less paper, failsafe access to critical documents, simplified management – the promises of document management are many and attractive.

However, it's important to remember that invoice payment automation is much more than simply the task of efficiently storing and managing the collection of invoice documents. Invoice payment automation is a process. Invoice-to-pay processes need to move invoices smoothly and quickly from capture to approvals to payment authorization and payment execution. And while the invoice documents – invoices, approvals, and other related documents – are critical, they are merely the artifacts supporting the process.

Document management solutions are inherently focused on storing documents, not on invoice and payment approval workflow. Document management solutions are general-purpose solutions that *can also* be used to support invoice payment automation. They are not built with invoice payment automation in mind. Organizations that seek to deploy document management solutions will inevitably find that they face high implementation costs, customization needs – and, ultimately, an incomplete solution that does not effectively address all aspects of the invoice-to-pay workflow process.

Payment Execution: Sending payments

Once invoices have been captured, approved, and entered into your accounting system, they will still need to be paid. There are several solutions that focus exclusively on payment execution. *Give me a file containing the payments you want to make, these solutions promise, and I will print and mail the checks, send electronic payments, and give you attractive rebates.* Generally described as Integrated Payables solutions, they are very effective at what they do. However, they tend to be geared toward larger organizations where the volume of payments may merit a separate solution exclusively devoted to this capability. These solutions assume that your organization has already implemented an invoice automation (capture and approval) solution.

For growing businesses, it's important to have one fully integrated end-to-end solution to solve invoice payment automation. That's the sensible, simple, and rational approach. Payment execution solutions only one component of the invoice-to-pay process, and leave your organization to deal with invoice capture and the approval process separately.

End-to-End Invoice-to-Pay Solutions: Bringing Automation to Invoice Processing and Payment Execution

There are a limited number of solutions that automate the invoice-to-pay process, from invoice capture to payment execution – and the full routing and approval process in between. A comprehensive solution can address the challenges that more narrow solutions can't touch. It can cover every stage of this important process, eliminating the need for multiple solutions and vendors, maximizing efficiency gains, and reducing the risk of errors between systems.

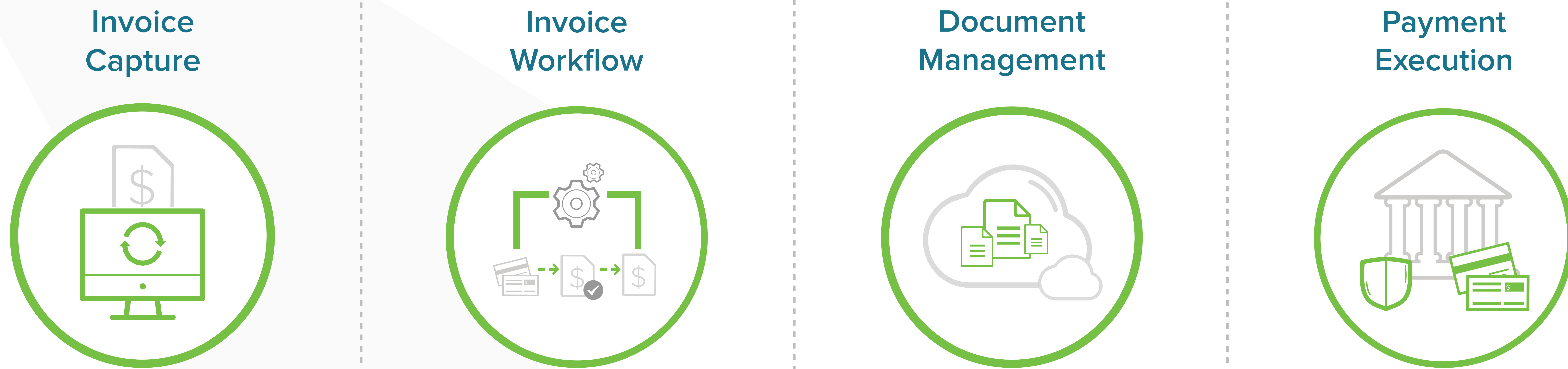
However, these solutions vary widely in terms of design and functionality. Be sure to look for simple integration with your accounting system. After all, your accounting system is your financial system of record and the center of your organization's operation.

If a solution isn't integrated, you can end up having two parallel systems – with all the inefficiencies and risk that a dual universe creates.

Many invoice-to-pay solutions provide robust features to automate the invoice capture and approval process. But be sure to understand thoroughly whether the solution's payment execution features are consistent with your organization's expectations for cash flow and payment control.

In particular, when sending payments to vendors, many solutions rely on intermediary *clearing accounts*. When sending payments to vendors, these solutions first debit your operating account to transfer money into an intermediary clearing account. Then, once

Figure 2. Stages of Invoice Processing and Categories of Solutions



	End-To-End Solutions			
Most AP Solutions	●	●	●	◐
ERP Systems	◐	●	●	○
Document Management Solutions	○	○	◑	○
Bank Integrated Payables Solutions	○	○	○	●

Key: ● Highest ○ Lowest/Not Included

the money is received into the clearing account, money is sent on *your behalf* to the vendor. This approach presents many problems:

1. Money leaves your account well before you want it to
2. Funds take twice as long to reach the vendor
3. It creates unnecessary bank reconciliation complications
4. Your checks to vendors are made out of an unfamiliar, third-party account
5. Returns and un-cashed checks have to be processed through the intermediary account holder's bank

Avoid the complexity of intermediary clearing accounts. Instead, look for a solution that integrates seamlessly with your bank and makes payments directly from your bank account. This approach gives you more control over cash flow, and allows your vendors to get paid faster.

Finally, be sure that any solution claiming to offer invoice payment automation is sized to meet the needs of your organization. A solution designed exclusively for growing businesses ensures that you get the capabilities you need, at the right price.

What to Ask When Evaluating Solutions

Ten targeted questions help determine whether a solution is right for your business

When navigating through the increasingly complex territory of invoice payment automation solutions, it's important to know the right questions to ask any solution provider. While many solution providers will assure you that their solution handles all aspects of the problem brilliantly, the following questions can help identify potential weaknesses – the kind that can mean extra costs, less efficiency, and a general disappointment that your hard-fought invoice payment automation battle has yet to be won.

1. Exclusive Focus. Is the solution designed specifically to address the challenges of invoice payment automation at *your kind of company*? Or is it an extension of another solution that handles a related capability? The same line of questioning can be applied to the solution provider. Do they live and breathe invoices and payments in AP? Or are these a sideline? Is the solution designed to meet the needs of growing businesses? Is it a dumbed-down enterprise solution? Or a souped-up consumer solution?

2. Complete. Is this solution a comprehensive invoice-to-pay automation solution? Will anything else be required?

3. Affordability. Is the solution priced right for your growing business?

4. Security. Does the solution address the real issues of internal and external fraud?

5. Integration and Ease-of-Use. Does the solution integrate with your specific accounting solution? And with your bank? Is this integration fast and seamless or does it require a lot of work to accomplish? Is the solution easy to use?

6. Automation. Does the solution automate all aspects of the invoice-to-pay process, from invoice capture, invoice routing and approval, to payment authorization, and payment execution?

7. Cloud-Readiness. Does the solution require an old-style technology implementation, with a high upfront implementation cost, with its associated organizational disruption and training requirements? Or does it take advantage of the many benefits of efficient, affordable, instant cloud-based availability?

8. Payment Maturity. Does the solution rely on an intermediary clearing account (with all the issues that this approach raises)? Or does it let you make payments directly to your vendor from your bank account?

9. Savings and Value. What benefits (quantitative and qualitative) does the solution bring to your organization? How much time and money will you save? Is the price of the solution in line with the potential benefits? Are the benefits clear? Is the pricing clear?

10. Extensibility. Can the solution grow as your invoice and payment volumes increase?

The answers you get will help you zero in on solutions that deliver the most value and that fit well with your organization – and that cover the full process, from invoice intake to payment execution.

Boost Efficiency, Reduce Risk, and Grow Your Business

With MineralTree Invoice-to-Pay

MineralTree delivers advanced, easy-to-use invoice-to-pay solutions to finance professionals at growing organizations. MineralTree streamlines AP and Payments, giving our customers unparalleled visibility and significant cost savings in an affordable, integrated platform that is guaranteed secure.

We're focused exclusively on AP and Payment Automation so businesses can benefit from it – and banks and CPAs can expand their offerings with it. This sole focus on improving payments lets us create solutions that are *affordable, secure, and delightful*.

To find out more about what MineralTree can do for you, contact us today.

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