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The Financial Performance Quandary:

Leveraging Automation To Better
Manage Non-Payroll Spending

The Financial Performance Quandary: Leveraging Automation To Better Manage Non-Payroll Spending, a PYMNTS and Airbase collaboration, examines the effort finance teams devote to managing non-payroll spending, the impact of inefficient processes on business health and how an automated system can streamline non-payroll spend management and improve financial performance.

September 2022

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The Financial Performance Quandary:

Leveraging Automation To Better Manage Non-Payroll Spending

Introduction

Providers of business-to-business (B2B) software-as-a-service (SaaS) solutions rely on their finance teams to track financial performance and provide key performance indicators (KPIs) to help fuel decision-making and company growth. To do this effectively, finance professionals require real-time data and analytics that give them an accurate view of business processes and resource deployment.

A major thorn in their side remains, however: a lack of full visibility and proactive control of non-payroll spending — spend that includes invoices received from suppliers and employees' expenses. In fact, more than 90% of firms surveyed report they do not have full visibility and control of non-payroll spending until it occurs.

Designed to deploy, account for and control the money that companies spend to drive growth, non-payroll spend management too often relies on inefficient processes. Facing considerable costs and frictions, SaaS businesses surveyed express interest in one system that would allow them to manage different types of non-payroll

spend while enabling accounts payable (AP) teams to work more efficiently and provide faster and more accurate reports to management.¹ Among firms that do not have such a system, 84% would be at least somewhat interested in using one, and 90% are at least somewhat willing to pay for it.

The Financial Performance Quandary: Leveraging Automation To Better Manage Non-Payroll Spending, a PYMNTS and Airbase collaboration, provides a firsthand account of the challenges SaaS companies face in managing non-payroll spending. We surveyed 225 executives with deep knowledge and leadership responsibilities in AP departments at SaaS companies with between 100 and 1,500 employees from May 18 to June 6 to uncover how much time and effort their AP teams devote to managing non-payroll spending, the impact of inefficient processes on business health and how an automated system can streamline non-payroll spend management and improve financial performance.

This is what we learned.

1. Lacking visibility and control of non-payroll spending costs SaaS firms roughly 4% of their total expenses. More than 90% of SaaS firms report not having full visibility and control over non-payroll spending before and after it takes place.

AP teams must manage wasted spend, including zombie, unauthorized, unwanted, duplicative or unnecessary spending, when processing all non-payroll spending — the expenses employees incur and payments based on supplier invoices. Having full visibility and control over non-payroll spending would help firms save approximately 11% of their total wasted spend, which currently totals between 4.1% to 4.4% of all expenses.

¹ We define this "system" as follows: one solution that allows for enhanced automation and the ability to manage three types of non-payroll spending. The non-payroll spending areas to be managed: corporate cards that employees can use to pay for expenses necessary for their work with the business; AP system payments made based on invoices received from suppliers; and expense reimbursements to employees when they spend money the business is required to reimburse.



2. More than three-quarters of enterprise SaaS firms say that lacking visibility into non-payroll expenses is their primary pain point. Inefficient processes in managing non-payroll spending impact businesses' financial performance and health.

While 70% of all SaaS executives surveyed said lacking visibility into non-payroll expenses is the main challenge they face, this share rises to 77% among large firms. Manual processing was the second-most important problem for 22% of all firms. Large firms were 80% more likely to cite manual processing as a problem than small firms, and they were significantly more affected by inconsistent practices and a lack of clear policies. Inefficient processes do little to minimize wasted spend, affecting financial performance and firm growth.

3. Nearly half of firms face data entry errors when managing non-payroll spending, and an average of 10% of payments require adjustments due to errors when processing. These frictions most affected small firms in the last 12 months.

Our data shows that 47% of firms are currently facing data entry errors when managing non-payroll spending. This is the biggest challenge for 20% of executives surveyed. Due to errors when processing, an average of 10% of payments to suppliers require adjusting for SaaS firms. For 37% of firms, these payments represent more than 10% of total payments to suppliers in the last 12 months.

4. AP teams allocate nearly 17 hours per week to the labor-intensive process of managing non-payroll spending by employees — the equivalent of 42% of one full-time AP employee's time. Firms with a system to consolidate spend management devoted less time to manual tasks than those that do not have such a system.

Firms incur large labor costs due to time-consuming non-payroll spend processes, which equals to more than two-fifths of a full-time AP employee's workload. AP teams spend an average of nine hours processing employee expense reports and an average of eight hours tracking and collecting receipts, equaling 17 hours total. AP teams also spend an average of 18% of their time on manual tasks per month. Firms that do not have a consolidated spend management system spent 24% of their time on manual tasks, but companies that had such systems spent just 13%.

5. Three out of 10 SaaS firms are interested in using one system to automate management of all types of non-payroll spending. Executives not yet using these systems overvalue the decreased payments processing errors these systems provide compared to the boosted transparency.

While 55% of SaaS firms currently use systems that allow for enhanced automation and the ability to manage all spending areas, 29% have high interest in a such a system. Among the firms that do not have such a system, 84% would be at least somewhat interested in using one, and 90% are at least somewhat willing to pay for it. Executives not yet using these systems overestimate the benefit of seeing fewer errors in payments processing and underestimate the benefit of increased transparency, which is cited as the second-most important benefit among executives using these systems.

Understanding the problem

Corporate cards that employees can use to pay for work-related expenses, AP system payments made based on invoices received from suppliers and expense reimbursements to employees all fall under the umbrella of non-payroll spending, which can significantly drain companies bottom lines if not managed efficiently.

A key problem, according to surveyed SaaS firms, is lackluster visibility and control over non-payroll spending. More than 90% report that they do not have full visibility and control over non-payroll spend until after it happens. The result is a tidy sum of wasted spend — including zombie, unauthorized, unwanted, duplicate or unnecessary spending — that accounts for between 4.1% to 4.4% of total company expenses.

Full visibility and control over non-payroll spending would help firms save an average of 11% of total wasted spend, according to all SaaS executives surveyed. Interestingly, firms not currently using an automated system to manage all spending areas believe

they could save more than those who already have such a system. Firms that do not use these alternative systems believe they could save approximately 14% of total wasted spend, compared to 9% among firms with systems already.

Finding a solution that provides AP teams with full visibility before non-payroll spending takes place is crucial, as lack of full visibility is the top non-payroll spend management problem for 70% of SaaS executives surveyed. Lack of visibility before spending takes place was more of a problem for large firms (those with 500 to 1,500 employees): 77% of these firms cited this issue whereas 64% of small firms (those with 100 to 500 employees) cited the same.

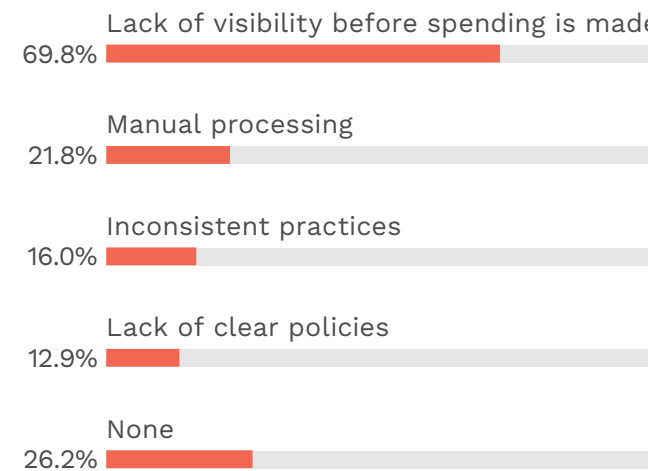
Manual processing was the second-most important problem. Again, large firms were more likely to cite this issue than small firms, at 29% versus 16%. In fact, large firms were more affected by all issues related to processing non-payroll spending, including inconsistent practices and lack of clear policies.

At the same time, 33% of small firms reported having no problems related to processing non-payroll spending, besting the 18% of large firms that said the same. This indicates, perhaps unsurprisingly, that

non-payroll spend management can be less of an issue for firms with fewer employees but becomes more complicated for firms as they grow and have to process greater numbers of employee expenses.

FIGURE 1A:
Issues SaaS executives face regarding non-payroll spending

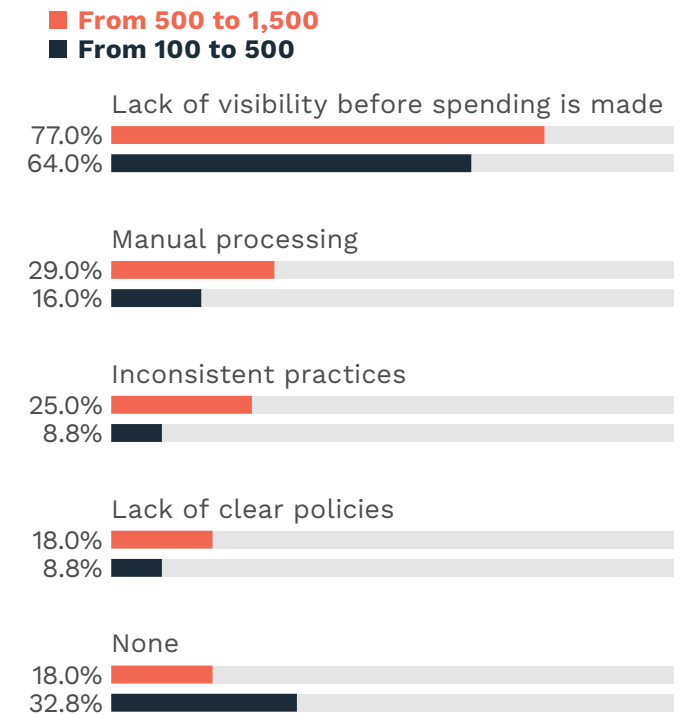
Share of executives citing select issues managing and processing non-payroll spending



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

FIGURE 1B:
Issues SaaS executives face regarding non-payroll spending

Share of executives citing select issues managing and processing non-payroll spending, by number of employees



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

Identifying key challenges

Issues with full visibility and reliance on manual payroll spending processes go hand in hand with data entry errors, which represent another significant challenge firms face related to non-payroll spending. Our data shows that 47% of firms currently face data entry errors when managing non-payroll spending, and 20% of executives cite it as the most important challenge. Though just 28% of large companies cited this as a challenge, 62% of small companies consider data entry errors to be a problem.

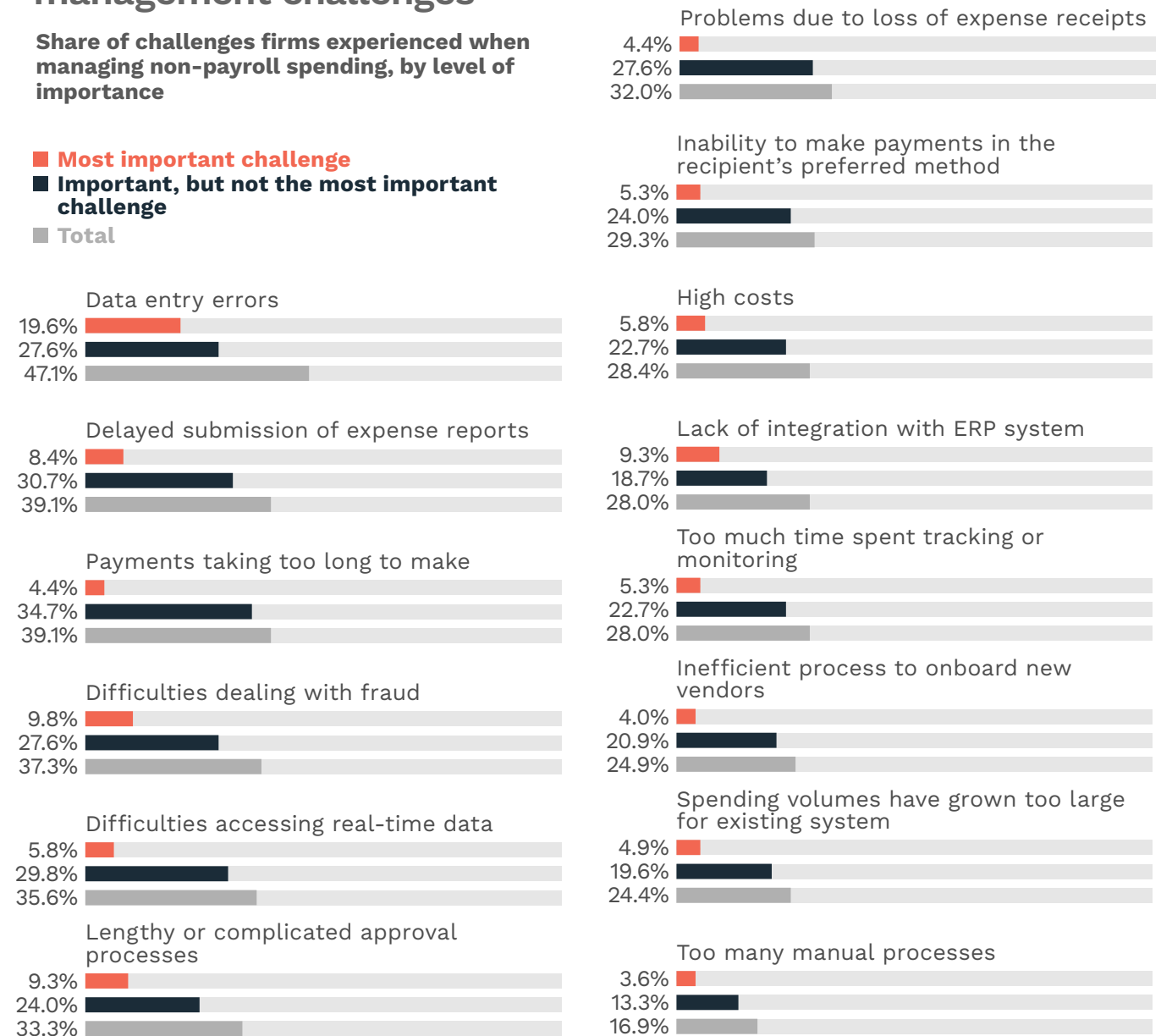
Fraud is the next-most important issue, according to the SaaS executives surveyed: 37% cited having difficulties dealing with fraud, with 10% saying it was their biggest challenge. Fraud, like data entry errors, was of particular concern among small firms: 49% mentioned it as a challenge, while 12% said fraud was the biggest challenge they face.

Another important challenge when managing non-payroll spend is access to real-time data: 36% of all surveyed firms cited this challenge. As digitization of business processes continues to drive innovation in real-time data technology, firms have an opportunity to implement data tools that could provide increased efficiency and time savings. As a result, easy access to real-time data also may help firms address the second-most cited challenge: delayed submission of expense reports. This was mentioned as a challenge by 39% of firms, with 8% citing it as the most important challenge.

FIGURE 2:
Non-payroll spend management challenges

Share of challenges firms experienced when managing non-payroll spending, by level of importance

■ Most important challenge
■ Important, but not the most important challenge
■ Total



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022



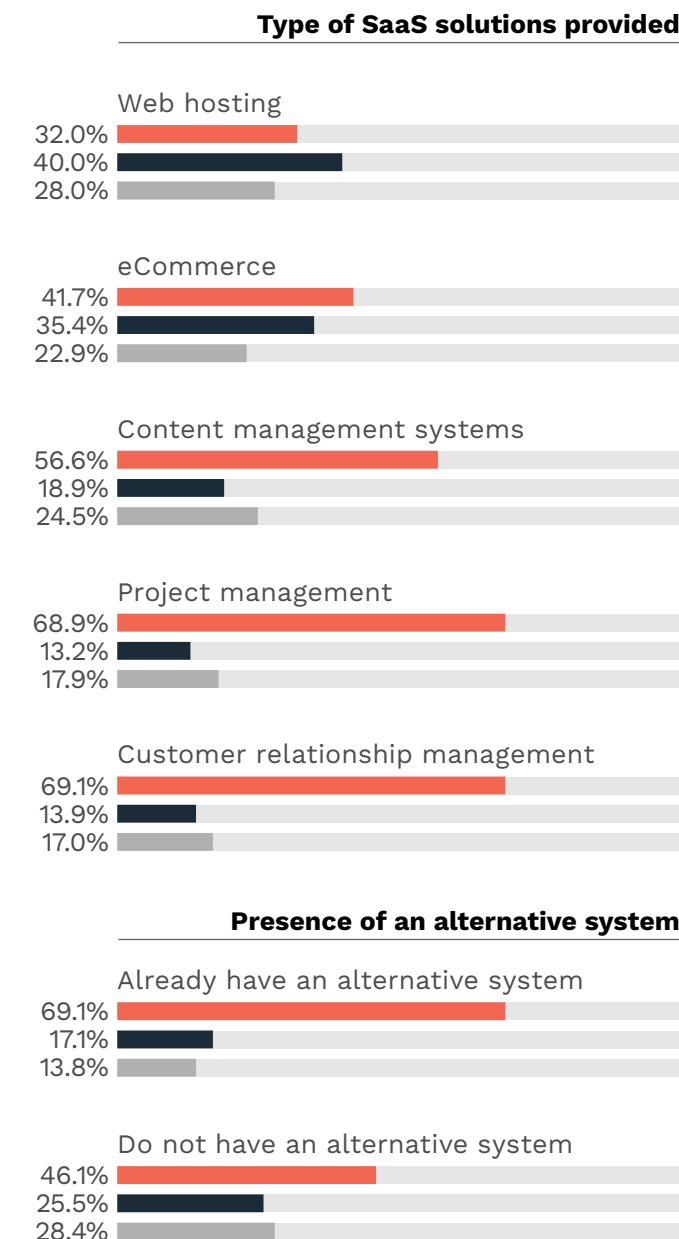
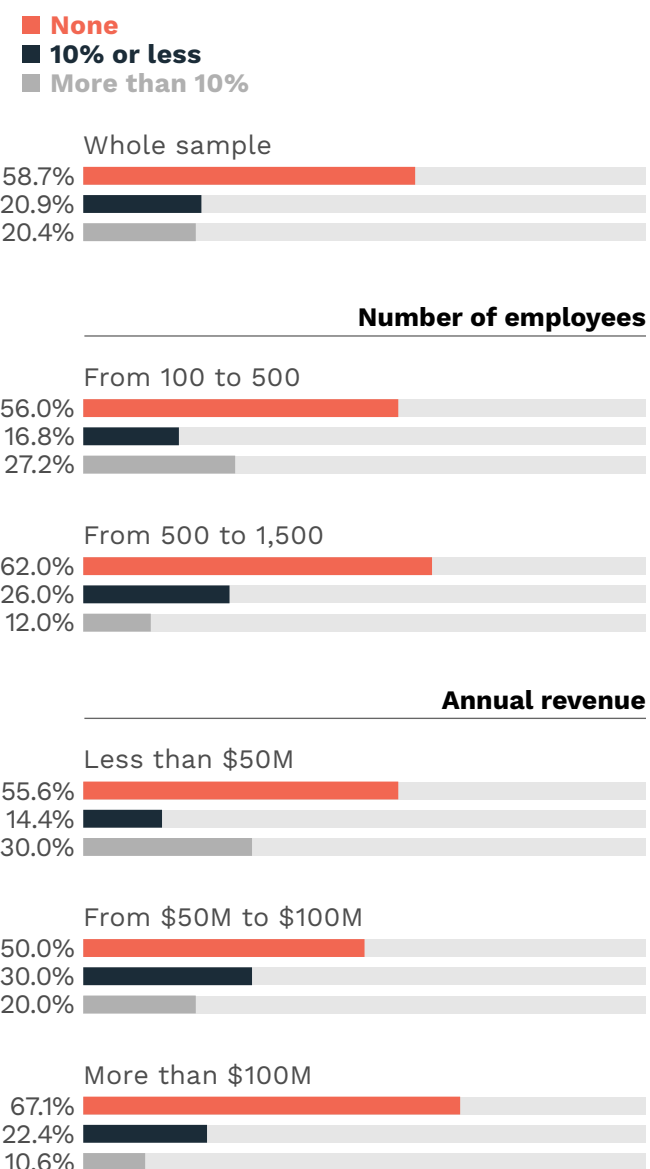
More importantly, SaaS companies incur costly frictions because of data errors and delays in processing payments to suppliers. Small firms were the most affected by these frictions in the last 12 months.

Our data finds that, on average, 10% of payments from SaaS firms to suppliers require adjusting due to errors when processing. For 37% of firms, these payments represent more than 10% of total payments to suppliers in the last 12 months. Among 43% of small firms, these payments represent more than 10% of total payments to suppliers in the last 12 months. The reality that more than one-third of firms must regularly adjust their payments to suppliers due to errors means that the firms also regularly face delays in payments and possible late fees.

In fact, an average of 5.1% of firms' payments to suppliers with late fees became late due to delays in processing. For 20% of firms, these late payments represent more than 10% of total payments to suppliers in the last 12 months. Among small firms, an average of 6.3% of their payments to suppliers with late fees were due to delays in processing. For 27% of small firms, these payments represent more than 10% of total payments to suppliers in the last 12 months. Data errors result in costly frictions that can impact a firm's financial performance and growth.

FIGURE 3A:
Friction-laden payments to suppliers or vendors

Share of payments to suppliers or vendors that contained late fees due to delays in processing in the last 12 months

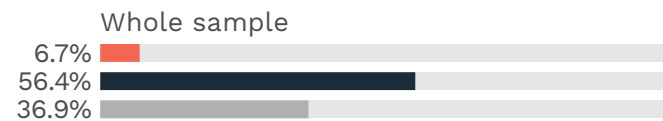


Source: PYMNTS
 The Financial Performance Quandary, September 2022
 N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

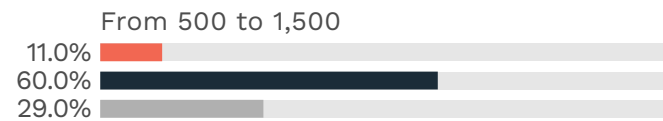
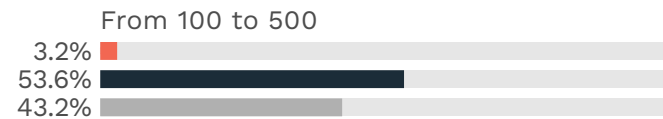
FIGURE 3B:
Friction-laden payments to suppliers or vendors

Share of payments to suppliers or vendors that required adjusting due to errors in processing in the last 12 months

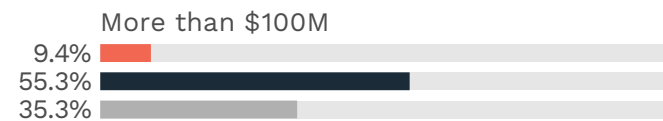
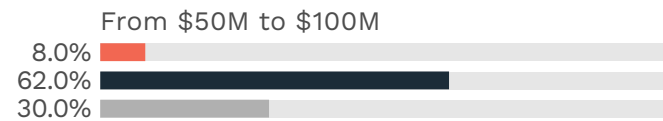
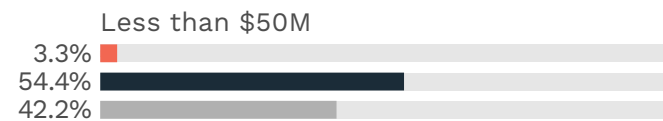
- None
- 10% or less
- More than 10%



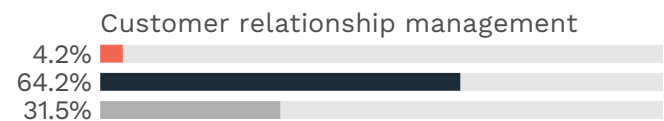
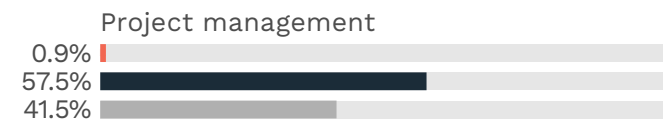
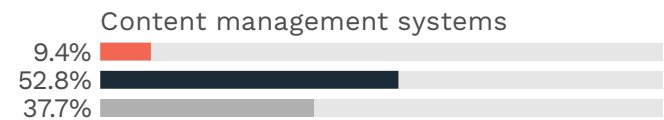
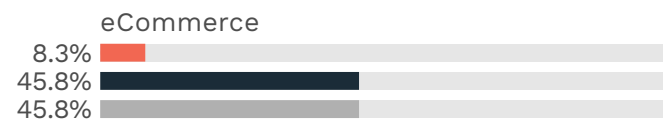
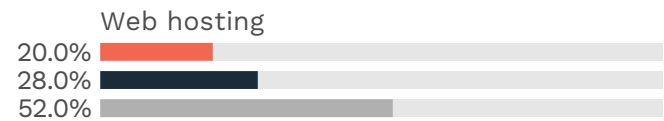
Number of employees



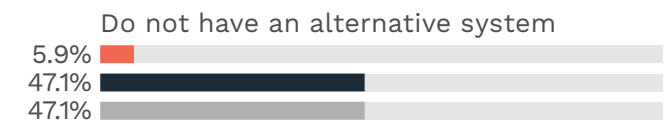
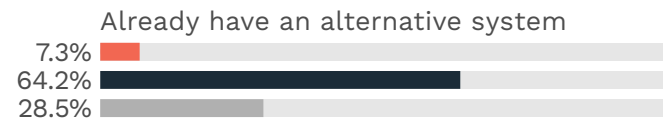
Annual revenue



Type of SaaS solutions provided



Presence of an alternative system

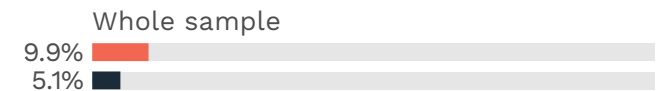


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

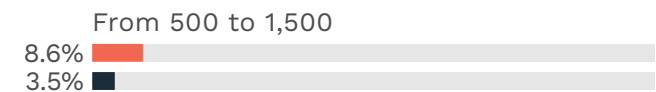
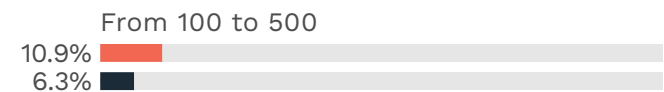
FIGURE 3C:
Friction-laden payments to suppliers or vendors

Average share of payments to suppliers or vendors that faced selected frictions in the last 12 months

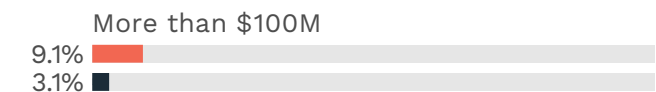
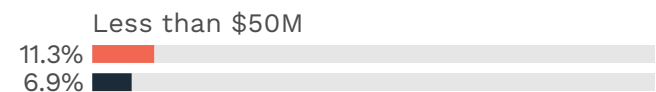
- Required adjusting due to errors in the processing of payments
- Contained late fees due to delays in the processing of payments



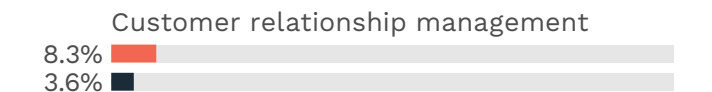
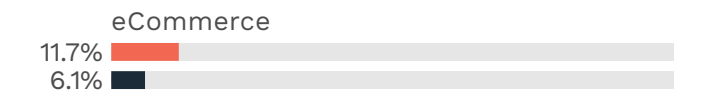
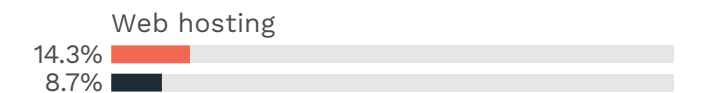
Number of employees



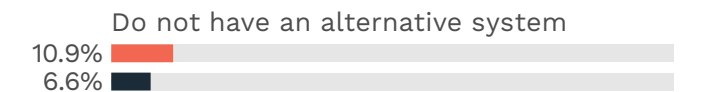
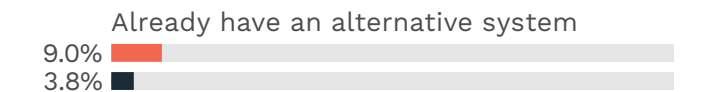
Annual revenue



Type of SaaS solutions provided



Presence of an alternative system



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

Non-payroll spend management for too many SaaS companies relies on inefficient manual and labor-intensive processes. This can not only result in the data errors and payment delays mentioned above but also large labor costs on non-payroll spending related processes.

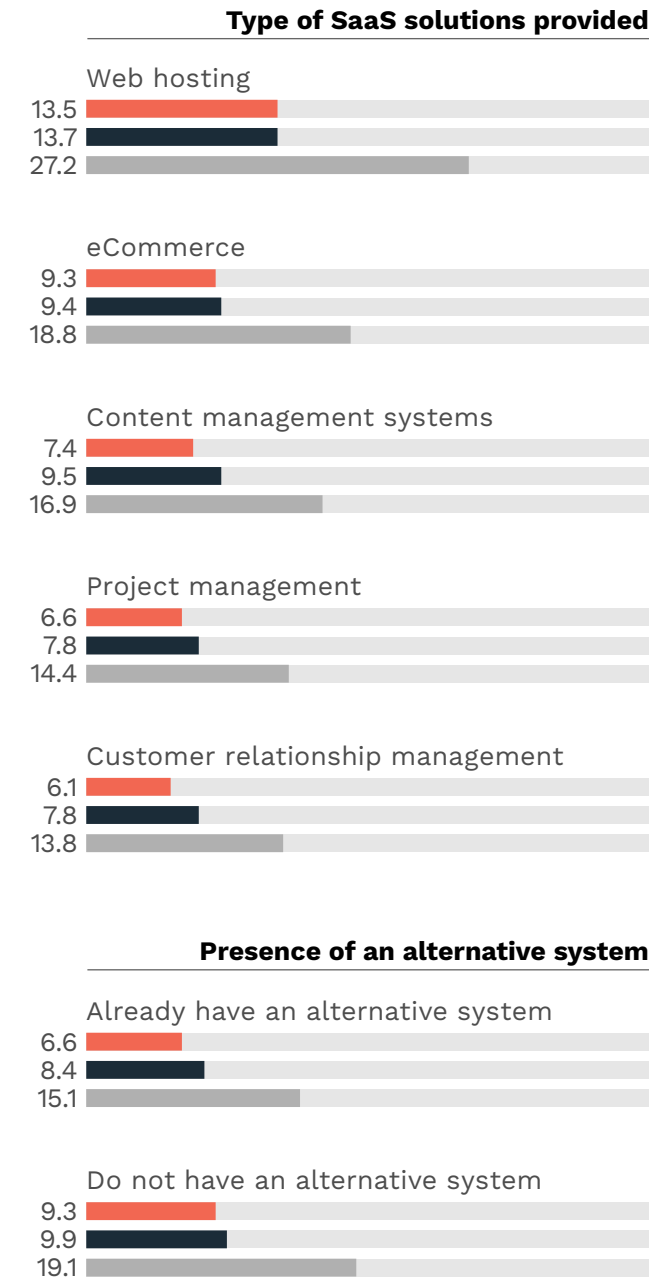
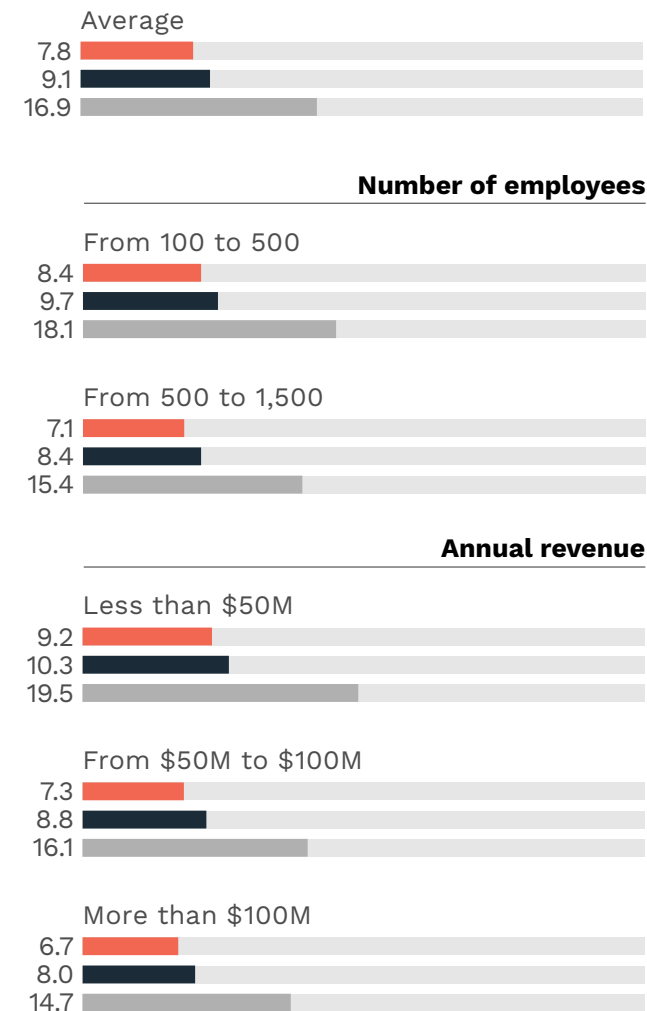
PYMNTS' data finds that the time required to manage employees' non-payroll spending is equal to 42% of a full-time AP employee's workload. AP teams currently allocate nearly 17 hours per week to the labor-intensive processes of managing non-payroll spending by employees. Out of these 17 hours, eight hours are spent on tracking and collecting receipts, and the rest of the time is spent processing employee expense reports.

Our data also shows that AP teams spend an average of 18% of their time on manual tasks per month. This share was higher for small companies compared to large companies, at 23% versus 13%. Not surprisingly, firms without an automated spend management system spent more of their time on manual tasks compared to those companies that use such systems.

FIGURE 4:
Time spent managing employees' non-payroll spending

Average hours per week AP teams typically spend on managing employees' non-payroll spending

- Tracking and collecting receipts from employees related to their expenses
- Processing employee expense reports
- Total

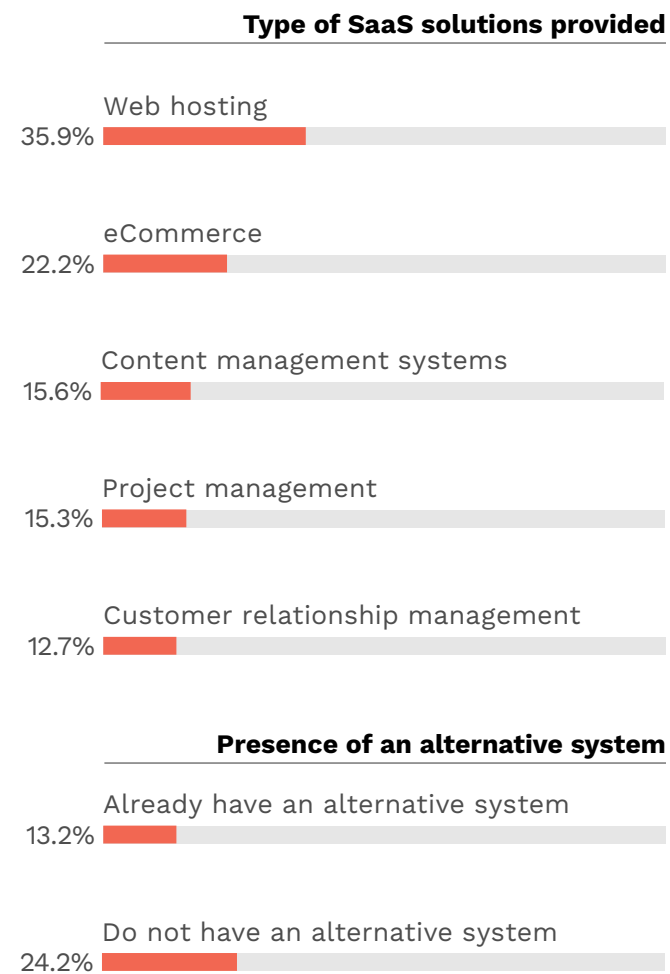
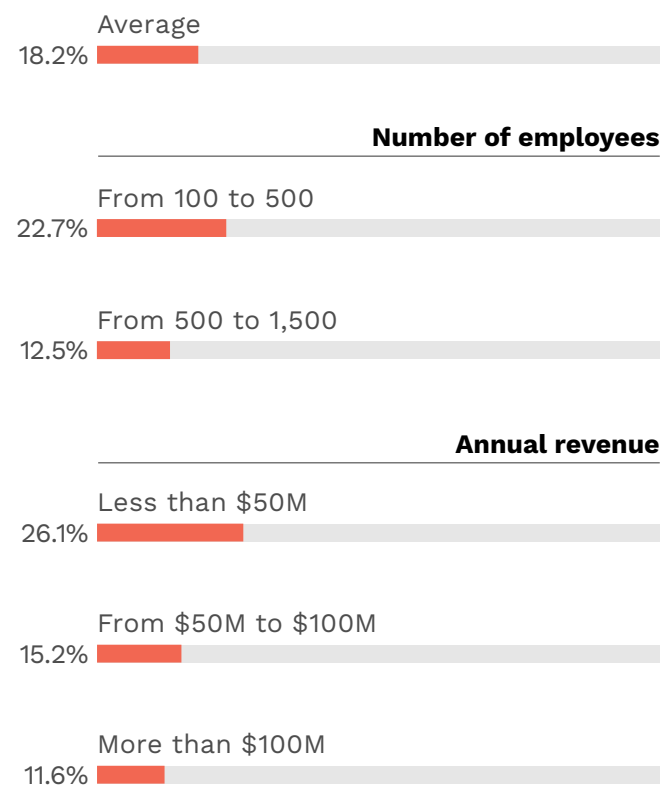


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022



FIGURE 5:
Time spent on manual tasks

Average percentage of time AP teams spent on manual tasks per month



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022



Non-payroll spend management for too many SaaS companies relies on inefficient manual and labor-intensive processes.

Embracing the solution

Currently, 55% of SaaS businesses surveyed use a system that enables enhanced automation and the ability to manage all non-payroll spending areas: corporate cards that employees can use to pay for expenses necessary for their work; AP system payments made based on invoices received from suppliers; and expense reimbursements to employees when they spend money the business is required to reimburse. PYMNTS' data shows that large firms are 89% more likely to have automated systems than small firms.

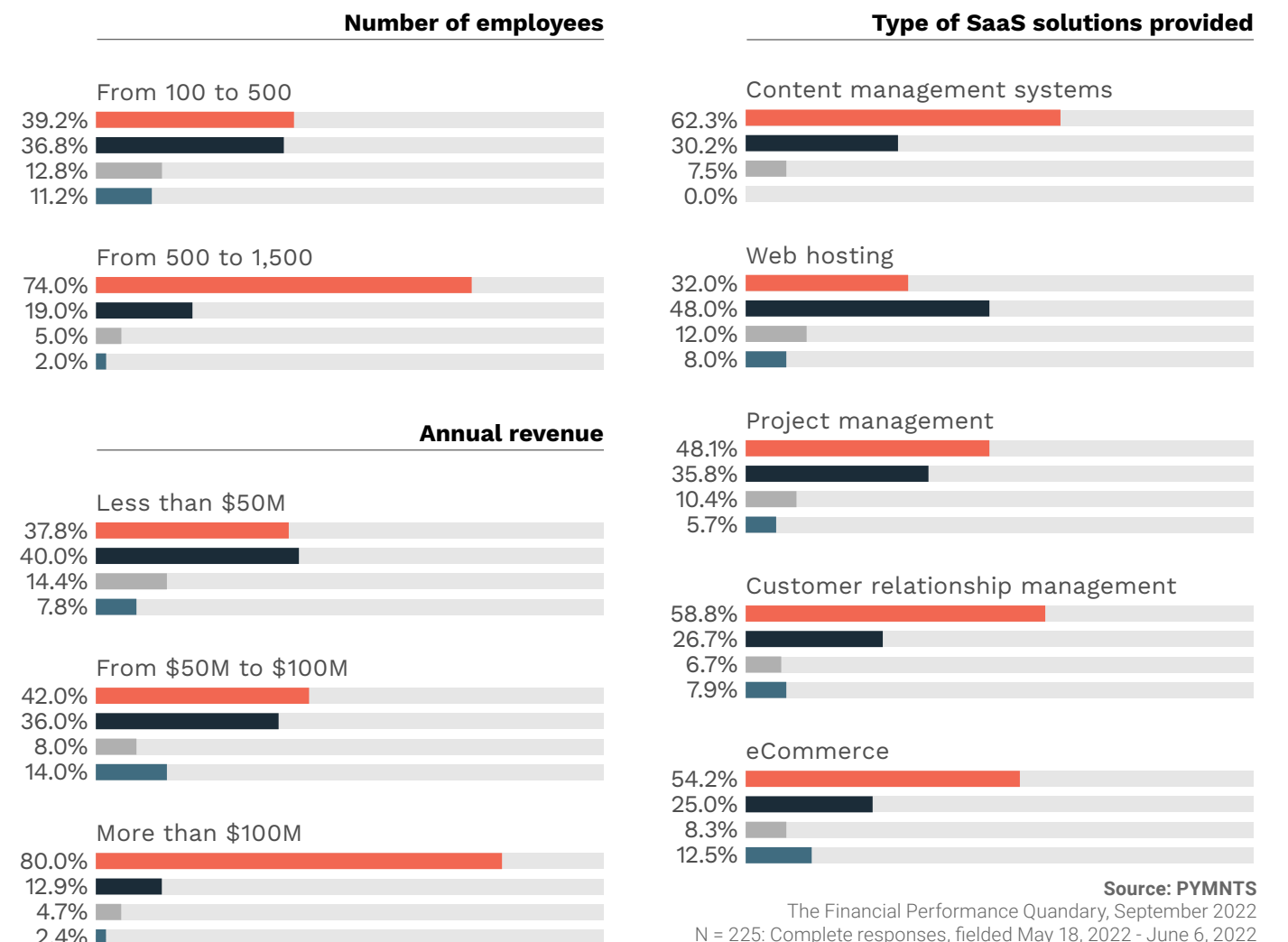
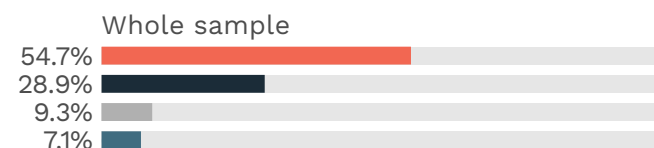
Among surveyed firms, 29% are highly interested in such systems, with large firms more apt to be highly interested than small firms, at 37% versus 19%. Firms that do not have such systems are also interested: 84% of these firms are at least somewhat interested in using one, and 90% are at least somewhat willing to pay for a solution.

While 82% of small firms that do not have such systems are at least somewhat interested in using one, this percentage is higher among large firms.

FIGURE 6A:
SaaS firms' interest in automating non-payroll spend management

Share of SaaS firms interested in using an automated system to manage non-payroll spending

- Already use a system
- Very or extremely interested
- Somewhat interested
- Slightly or not at all interested

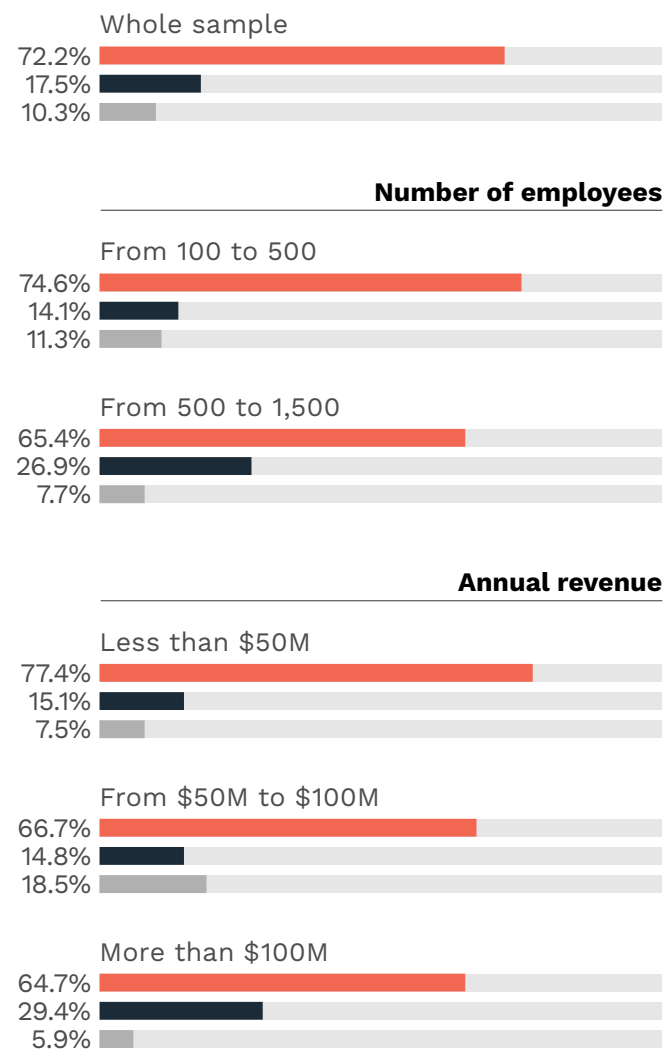


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 225: Complete responses, fielded May 18, 2022 - June 6, 2022

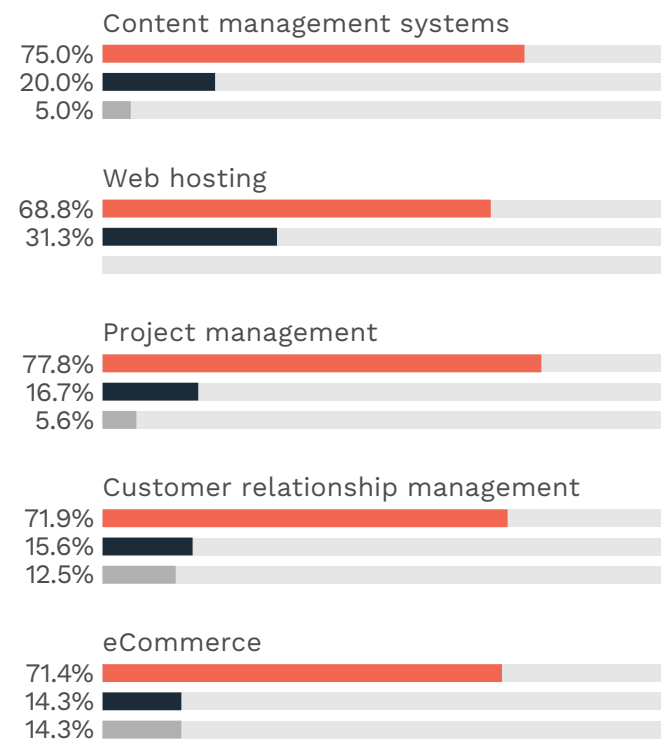
FIGURE 6B:
SaaS firms' interest in automating non-payroll spend management

Share of SaaS firms willing to pay for an automated system to manage non-payroll spending

- Very or extremely willing
- Somewhat willing
- Slightly or not at all willing



Type of SaaS solutions provided



Source: PYMNTS
 The Financial Performance Quandary, September 2022
 N = 97: Respondents who are at least slightly interested in using a system to consolidate spend management, fielded May 18, 2022 - June 6, 2022

PYMNTS' research finds that the benefits that firms without automated systems that manage all types of non-payroll spending expected did not match up with the benefits that firms using such systems have realized. Only 32% of firms without such systems expected to benefit from greater transparency, yet 49% of firms with automated systems to manage non-payroll spend said greater transparency was the top benefit they experienced. Meanwhile, 31% of firms without an automated system expected to benefit from reduced errors, while only 23% firms with these systems experienced reduced errors.

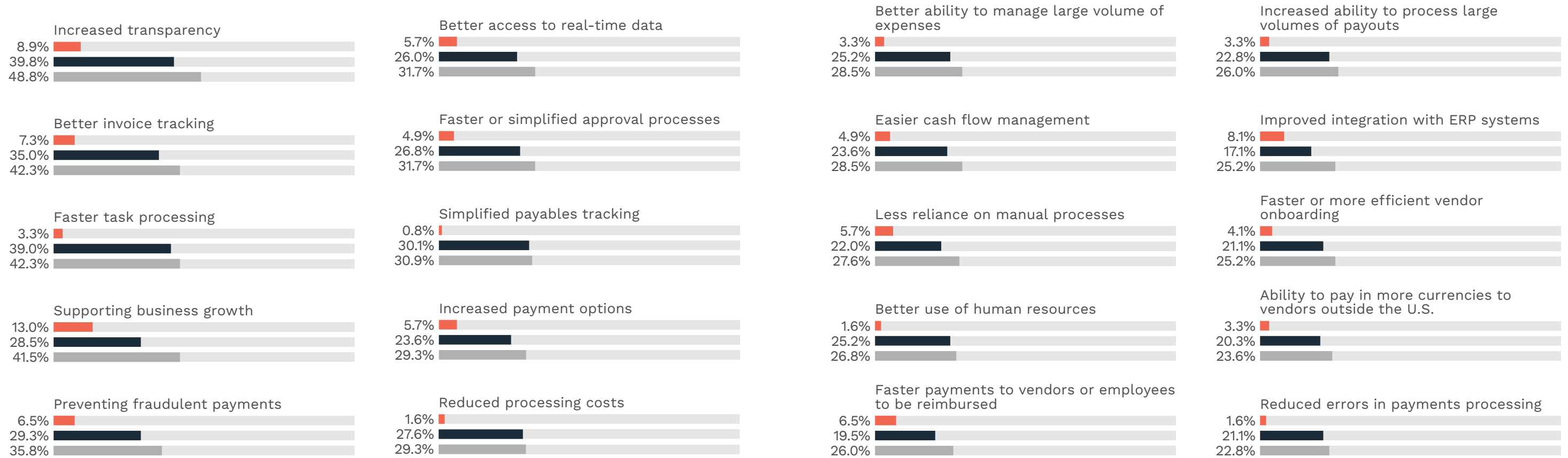
Overall, executives from firms with automated non-payroll management systems cited supporting business growth, increased transparency and integration with enterprise resource planning (ERP) systems as the most important benefits of having a consolidated non-payroll management system. Large firms were more likely to cite faster task processing and increased transparency as the most important benefits, while small firms cited increased transparency and supporting business growth. Sixty-one percent of small firms cited faster task processing, but only 30% of large firms did so. Increased transparency was cited by 59% of small firms and 42% of large firms as the most important benefit.

Larger firms were more prone to cite expected benefits from the system, such as having more payment options or reduced errors in payments processing.

FIGURE 7A:
Key realized benefits

Share of SaaS executives citing select benefits realized by using an automated system to manage all spending areas, by level of importance

- Most important benefit
- Important, but not the most important benefit
- Total

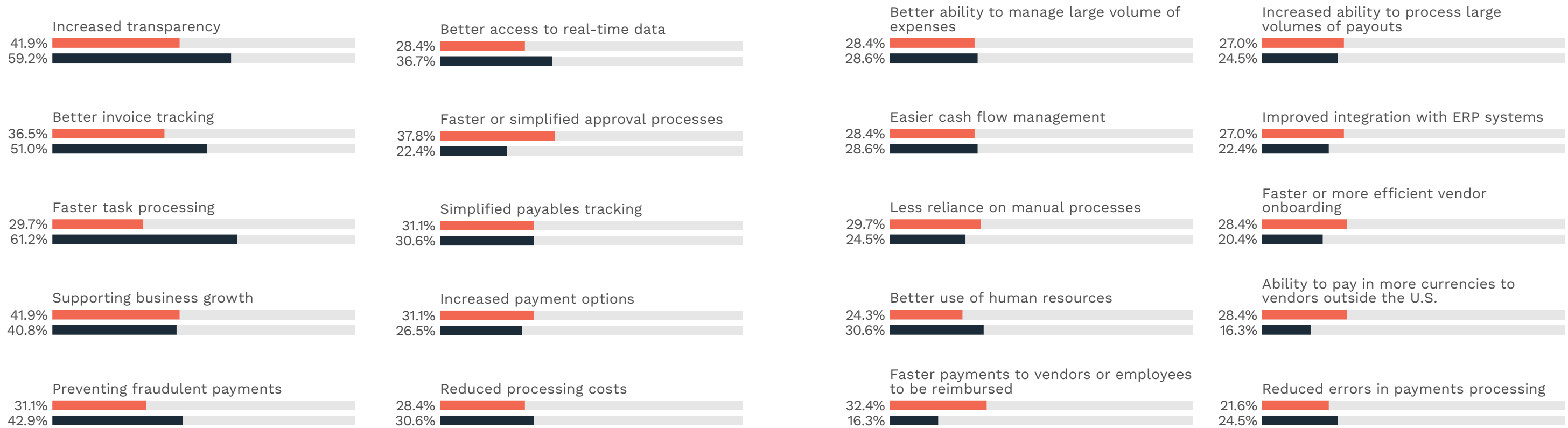


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 123: Companies that use a system to consolidate spend management, fielded May 18, 2022 - June 6, 2022

FIGURE 7B:
Key realized benefits

Share of executives citing select benefits realized by using an automated system to manage all spending areas, by number of employees

■ From 500 to 1,500
■ From 100 to 500

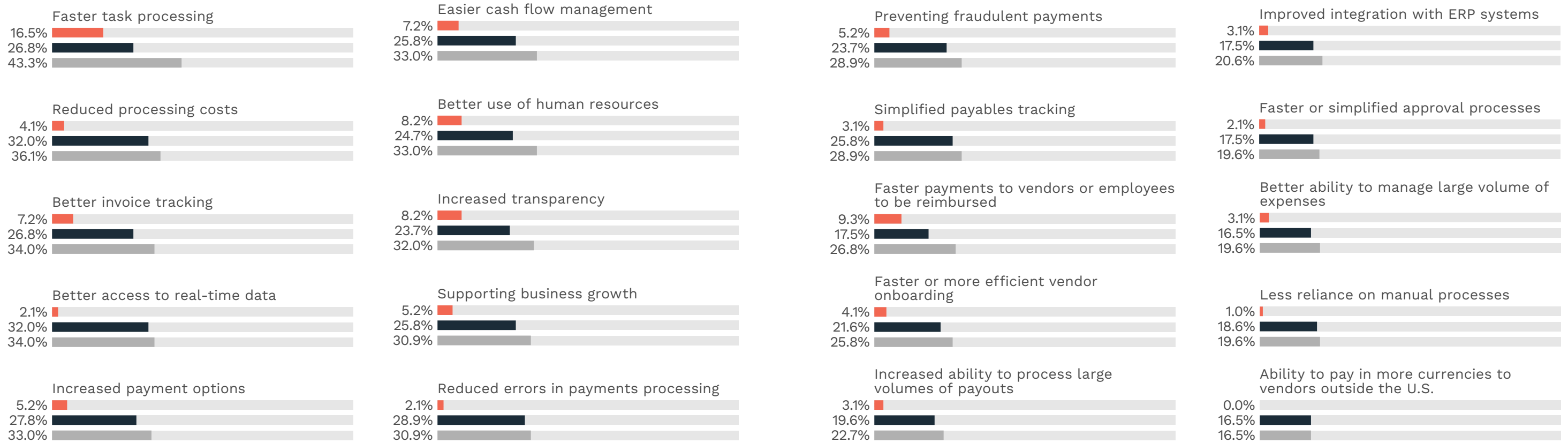


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 123: Companies that use a system to consolidate spend management, fielded May 18, 2022 - June 6, 2022

FIGURE 8A:
Key expected benefits

Share of SaaS executives citing select expected benefits of using an automated system to manage all spending areas, by level of importance

■ **Most important benefit**
■ **Important, but not the most important benefit**
■ **Total**

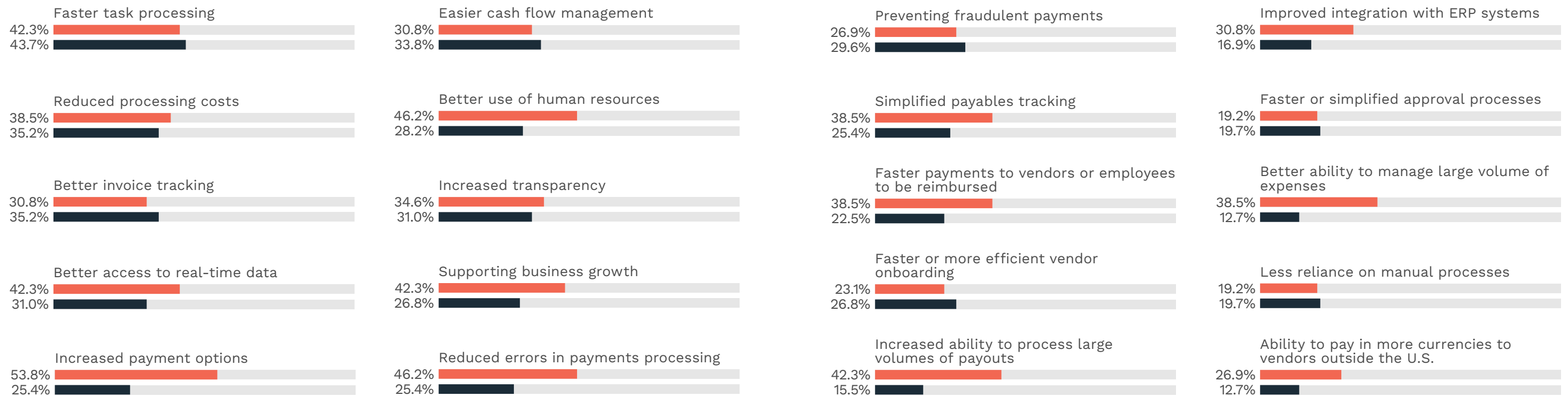


Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 97: Respondents who are at least slightly interested in using a system to consolidate spend management, fielded May 18, 2022 - June 6, 2022

FIGURE 8B:
Key expected benefits

Share of executives citing select expected benefits of using an automated system to manage all spending areas, by number of employees

■ From 500 to 1,500
■ From 100 to 500



Source: PYMNTS
The Financial Performance Quandary, September 2022
N = 97: Respondents who are at least slightly interested in using a system to consolidate spend management, fielded May 18, 2022 - June 6, 2022

Conclusion

Non-payroll spending is a major challenge for SaaS firms. Limited advance visibility not only lessens AP teams' control of company spend but can also lead to wasted and unnecessary outlays that impact financial performance and firm growth. Inefficient non-payroll spend management also increases costs, draining company resources that could be utilized elsewhere. Manual processing, for instance, makes managing non-payroll spending a time-consuming and labor-intensive process. As a result, AP teams spend hours — a share beginning to approach half of one worker's time — tracking and getting approval for non-payroll spending. Inefficient processes can also result in data errors, payment delays and even fees due to late payments, which all impact firms' financial performances. It is no surprise, then, that SaaS executives surveyed are highly interested in alternative systems that automate these processes and provide access to real-time data, affording AP teams better visibility and control of non-payroll spending.

Methodology

The Financial Performance Quandary: Leveraging Automation to Better Manage Non-Payroll Spending, a PYMNTS and Airbase collaboration, explores SaaS firms' interest in a system that allows for enhanced automation and the ability to manage three types of non-payroll spending in a single system. The non-payroll spending areas are: corporate cards that employees can use to pay for expenses necessary for their work with the business; AP system payments made based on invoices received from suppliers; and expense reimbursements to employees when they spend money the business is required to reimburse. From May 18 to June 6, we surveyed 225 executives with deep knowledge and leadership responsibilities in the AP area, working at firms with between 100 and 1,500 employees. The firms surveyed provide SaaS solutions such as customer relationship management, project management, content management systems, eCommerce and web hosting.

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.



Airbase is the #1 comprehensive spend management platform. It combines all-inclusive accounts payable automation, software-enabled corporate cards, and simplified employee expense reimbursements. Airbase applies consistent approval workflows across all areas, automates accounting, and provides real-time reporting for all non-payroll spend. Innovative accounting automation results in a faster close, better visibility, and true control. Most companies rely on a combination of siloed software products, spreadsheets, and manual workarounds to pay vendors and reimburse employees. Airbase eliminates the resulting messy tech stack and inefficient processes by replacing products like Expensify and Bill.com. Airbase empowers employees with a uniform approach to spending money, whether that involves corporate card spend, raising a PO, or requesting reimbursement.

For more information, visit www.airbase.com.

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