

Why CFOs Recognize the Need to Automate AP/AR Workflows

Why CFOs Recognize the Need to Automate AP/AR Workflows, a PYMNTS and Corcentric collaboration, examines the current enterprise adoption of specialized AP/AR automation software and how it impacts firms' AP/AR workflow efficiency. We surveyed 100 CFOs at United States-based firms across 13 industry segments generating \$250 million or more in annual revenue between May 3 and May 16.

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August 2023 Playbook



Why CFOs Recognize the Need to Automate AP/AR Workflows

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Why CFOs Recognize the Need to Automate AP/AR Workflows was produced in collaboration with Corcentric, and PYMNTS is grateful for the company's support and insight. **PYMNTS** retains full editorial control over the following findings, methodology and data analysis.

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Introduction

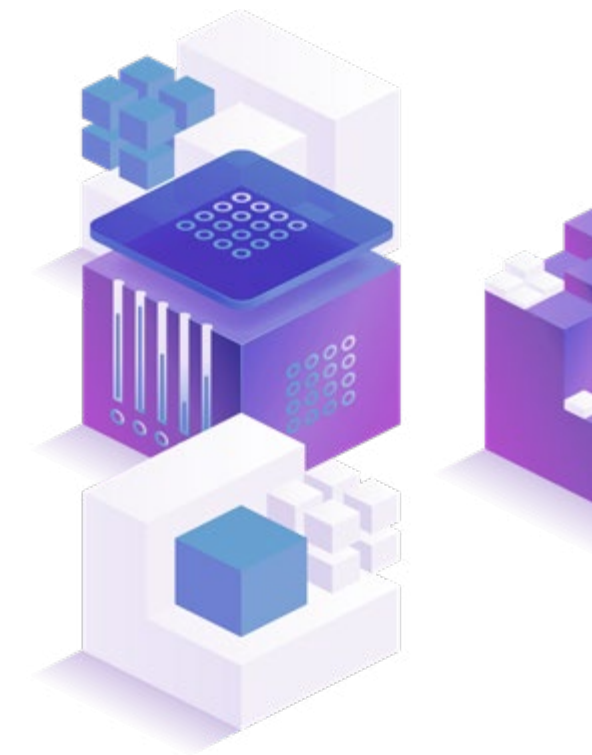
Traditionally, accounts receivable (AR) and accounts payable (AP) workflows rely on labor-intensive, manual processes that are prone to human error and delays. Digital technologies and automation act as engines for efficiency, speed and accuracy, enabling companies to reduce their days sales outstanding and receive payments faster. Automation also helps streamline AP workflows, reducing days of delay in purchase order and invoice payment processing, also known as the source-to-pay cycle. In fact, 8 in 10 CFOs who automate AP/AR processes reported significant reductions to friction and disruption.

PYMNTS' research found that all CFOs recognize — in some capacity — the need to further automate their AP and AR processes, yet digital technologies and automation adoption remains nascent. Few firms have invested in specialized automations that fully streamline AP/AR processes: Just 33% and 28% of firms reported having some automation to support their AR and AP workflows, respectively.

Where firms are more likely to have invested in digital technologies and automation is in fraud and risk management. Automating fraud protection saves more than just labor hours or errors; mitigating fraud is key in securing firms' financial and business-critical information. Sixty-three percent of CFOs surveyed have used some level of specialized automation for fraud prevention in the last six months, with 13% reporting they have fully automated their fraud prevention operations. The key benefit of fraud and risk management automation CFOs cited is less payment friction. Reduced days of delay in payments and exceptions around payments are also top-cited benefits of AP/AR workflow automation.

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This is what we learned.



More than half of CFOs see a definite need to further automate AP and AR, yet few have invested in specialized automations that fully streamline AP/AR workflows.

All CFOs surveyed recognized that their businesses would benefit from the implementation of digital technologies and automation that support AP/AR workflows. The main difference is the extent to which they feel this is an urgent need. PYMNTS' research found that 64% of CFOs reported they definitely need more automation for their AR processes, while 36% said they probably need more AR automation. As for AP processes, 54% of CFOs surveyed said they definitely need more automation, and the remaining 46% said they probably need more AP automation.

CFOs' recognition of the need to automate AP/AR workflows has not resulted in investment beyond early adopters of digital technologies and automation, however. Our data shows that in the last six months, 33% of firms used specialized digital applications integrated into firms' broader enterprise resource planning systems to automate AR operations. Among those firms, 20% automated more than 50% of their operations, while 13% automated less than half.

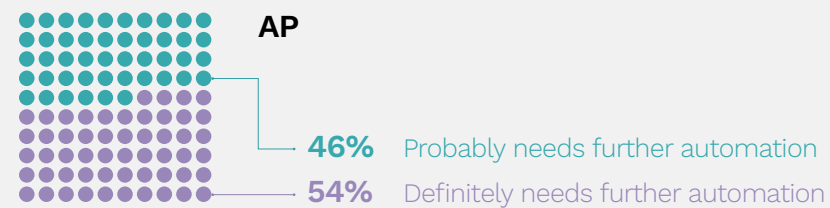
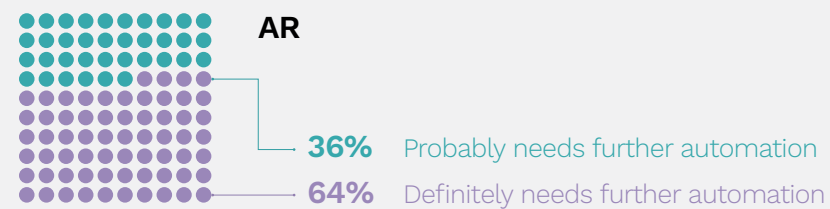
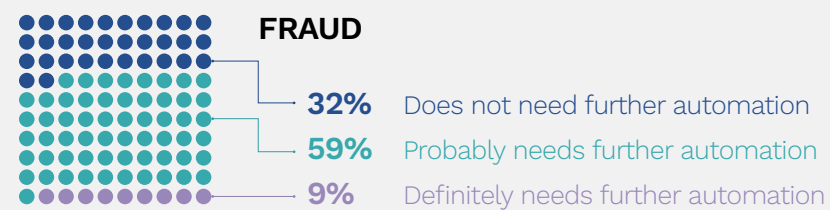
Only 28% of firms have used such specialized digital technologies and automation to streamline AP workflows in the last six months. Among these firms, 18% reported having automated more than 50% of their AP operations and the remaining 10% said they have automated less than 50%.

Despite the challenges and frictions of manual processing, automation adoption to streamline AP/AR workflows remains nascent. This suggests that many CFOs have not yet been convinced of its benefits or are unsure how to implement digital technologies and automations into these workflows.

FIGURE 1:

Firms' perceived need for automation

Share of firms stating their perceived need for further automation of select operations



Source: PYMNTS

Why CFOs Recognize the Need to Automate AP/AR Workflows, August 2023

N = 100: Complete responses from industry CFOs, fielded May 3, 2023 – May 16, 2023

CFOs have prioritized investments that automate fraud and risk management. They credit those applications with reducing delays in payment and invoice tracking.

Adoption of AP/AR automation is in its early days, but the use of digital technologies and automation to support fraud and risk management is more widespread. Only 9.5% of CFOs said they need further automation of fraud and risk management, suggesting that many firms

have already hit their ceiling for automating those processes. In fact, 63% of all CFOs surveyed reported using some automation for fraud prevention in the last six months. Of these, 49% of firms are more than 50% automated, while 13% of firms had fully automated fraud prevention operations. This suggests that some firms may find fraud protection more important than others and have thus invested in a higher level of automation.

CFOs at firms that have implemented digital technologies and automation for fraud and risk management reported significant improvements. For instance, 71% of CFOs credited automation in fraud and risk management for reduced days of delay and exceptions related to payments, with 51% reporting a significant reduction. Fraud prevention–related automation regarding how invoices are tracked also led to reduced days of delay, according to 95% of CFOs.

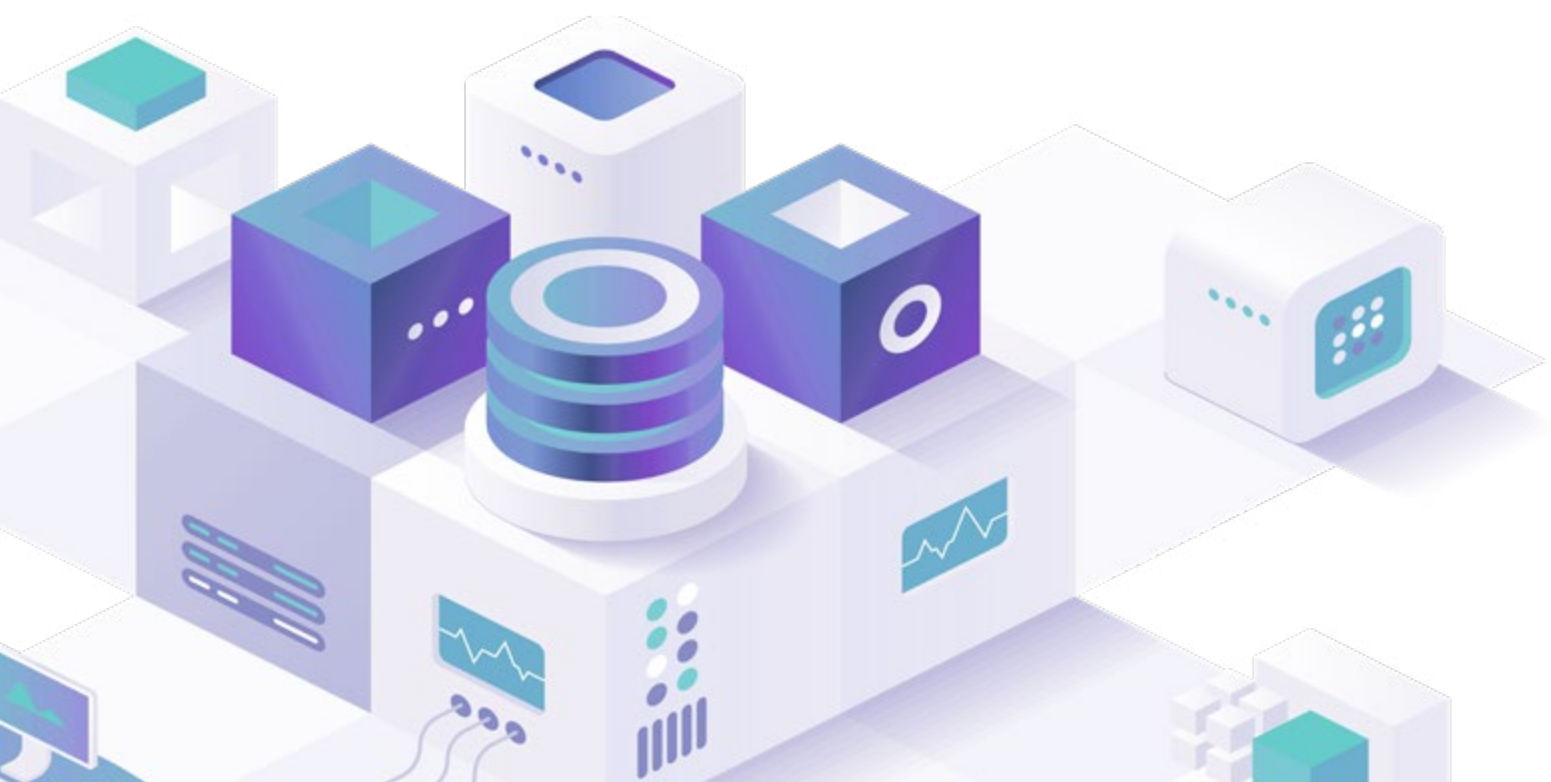
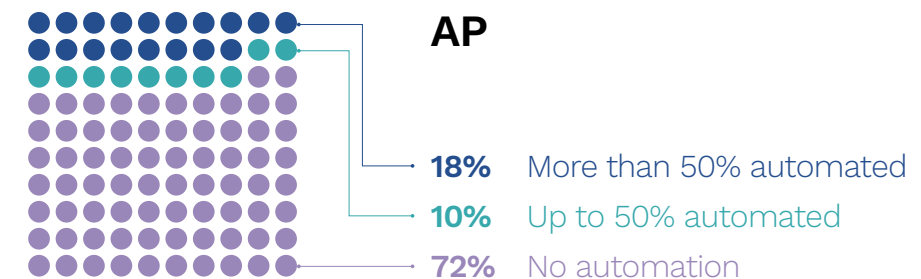
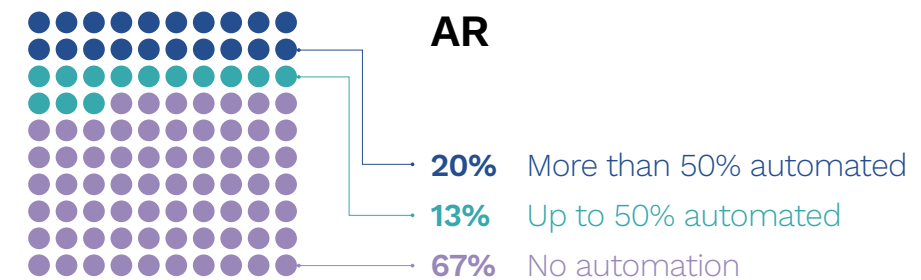
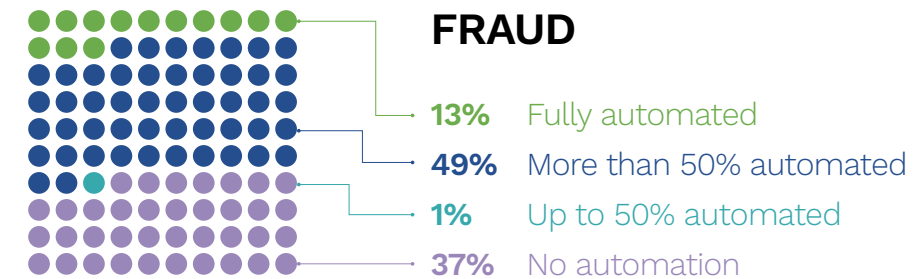


FIGURE 2:

Firms currently using automation

Share of firms citing levels of automation in select areas



Source: PYMNTS
 Why CFOs Recognize the Need to Automate AP/AR Workflows, August 2023
 N = 100: Complete responses from industry CFOs, fielded May 3, 2023 – May 16, 2023

Firms credit investments in automation for making or receiving payments with significantly reducing payment frictions and reducing delays in invoice tracking.

Firms that automate their fraud protection processes are not alone in identifying significant improvements in their financial operations. At firms that have used digital technologies and automation to streamline AP processes, 82% of CFOs cited reduced days of delay and exceptions related to payments, with 46% citing significantly reduced days of delay. As for the benefits of automating AR, 64% of CFOs at firms currently using digital technologies and automation for these processes reported reductions in payment frictions.

82%

Share of firms that have used digital technologies and automation to streamline AP processes that report **reduced days of delay and exceptions** related to payments

Automation also led to significantly reduced days of delay in how invoices are tracked, with 93% of CFOs noting improvements when automating AP processes, and 82% saying the same for AR.



82%

Share of firms that have used digital technologies and automation to streamline AR processes that report **reduced days of delay in how invoices are tracked**

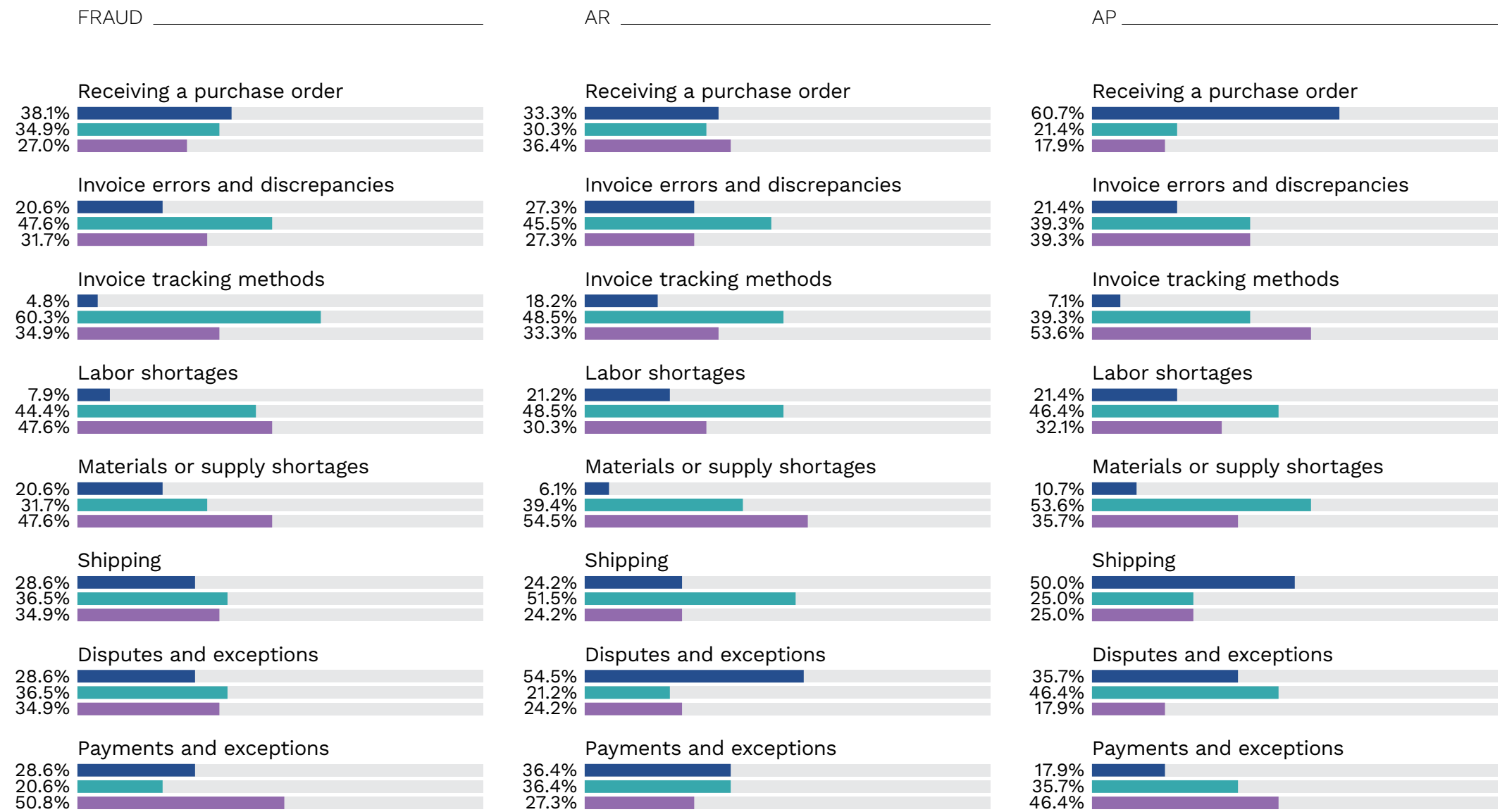
- No impact on the days of delay
- Somewhat reduced days of delay
- Significantly reduced days of delay

Source: PYMNTS
 Why CFOs Recognize the Need to Automate AP/AR Workflows, August 2023
 N = 28: Firms that used digital technologies or automations to support AP processes;
 N = 33: Firms that used digital technologies or automations to support AR processes;
 N = 63: Firms that used digital technologies or automations to support fraud and risk management processes;
 fielded May 3, 2023 – May 16, 2023

FIGURE 3:

Impact of implementing automation

Share of companies citing select impacts of implementing digital technologies in AP/AR and fraud/risk management operations



CONCLUSION

CFOs clearly recognize that digital technologies and automation can streamline their AP/AR operations by replacing labor-intensive, error-prone manual tasks, yet adoption is nascent, with just one-third of firms having already invested in these automations. Firms are more likely to have made investments in automating fraud and risk management processes, and CFOs credit fraud and risk management automation with significant improvements. The biggest improvement was a reduction in days of delay in payment and exceptions around payment, with more than half of CFOs reporting that automation in fraud and risk management has resulted in significant reductions. To reap the benefits across the enterprise requires firms to leverage automation beyond fraud and risk management, integrating digital technologies and automation that support AP/AR workflows into their operations. While mitigating fraud is important to business success, integrating digital technologies and automation that streamline AP/AR workflows also impacts the firm financially, enabling it to pay and be paid faster and with less disruption.

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METHODOLOGY

Why CFOs Recognize the Need to Automate AP/AR Workflows, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs conducted between May 3 and May 16. We examined the prevalence of specialized automations and digital applications in AP/AR operations in the last six months for firms generating annual revenues of more than \$250 million and the impact on reduced disruption across the entire order-to-cash and source-to-pay continuum.

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