Future-ready Accounts Payable Intelligence Hub

The Certainty in Uncertain Times

A Tradeshift-WNS Perspective

Tradeshift | **WNS**

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Introduction

The corporate finance organizations were augmenting their digital agenda even before the COVID-19 pandemic. Chief Financial Officers (CFOs) have been increasingly tasked with driving top-line growth by moving beyond traditional responsibilities, embracing innovative operational models and making insight-based decisions. CFOs, therefore, require a real-time, comprehensive and consolidated view of the entire enterprise, which can only be achieved by building a digitally enabled finance function. To deliver this transformative value is a high-priority initiative, and Accounts Payable (AP), with a direct line of sight into the supply chain as well as working capital and compliance, has emerged as a focal point for this journey.

Lockdowns and the ensuing disarray have accelerated the existing digital finance agenda, pushing finance organizations of all sizes to adopt digital faster than ever. A heightened focus on real-time intelligence and collaboration, both within and across organizations, is one of the critical drivers of this acceleration. Collaborative digital finance ecosystems offering real-time linkages of data and execution between an organization, its partners, suppliers, financing institutions and regulatory bodies are emerging as important building blocks for future-ready payables frameworks.

In the post-COVID era, creating and capturing value from these collaborative ecosystems will be vital for organizations to compete and grow effectively. Unfortunately, an enormous gap exists between the desired state and the current state of most AP functions.

- The USD 22 Trillion Business-to-Business (B2B) payments industry has 36 percent firms using paper invoicing, 47 percent relying on manual processes for approval, and 49 percent payments still being made by checks with the proportion of paper-based suppliers at 55 percent[1]

- The trade finance gap is a well-established and widely acknowledged problem, with a study pegging the global gap between accessible and required trade finance at USD 1.5 Trillion[2]

- Buyers struggle to unlock blocked working capital due to a lack of visibility across their Procure-to-Pay (P2P) processes. It is estimated that buyers capture only 19 percent of early payment opportunities due to siloed information across departments[1]

Achieving a 'digitally connected' AP function has become an imperative to survive in the new order of business wherein working capital commands an increasingly important place. More and more organizations realize that engaging in an open and collaborative digital ecosystem is crucial to achieving a 'Future-ready AP Intelligence Hub'.

Future-ready AP Intelligence Hub

Enabled by a touchless environment to deliver enhanced supplier relationships, improved working capital, and minimized fraud exposure, a **'Future-ready AP Intelligence Hub'** implies:

- **Shift from tactical supplier management to strategic supplier engagement**

- **Digital network that allows seamless stakeholder interaction**

- **Real-time insights**

- **Unlocked value from the breakdown of silos and better access to information**

- **Risk-free and compliant environment**

An e-invoicing network is a cornerstone to achieving this state of collaboration. An end-to-end e-invoicing process can help enterprises unify global AP processes and boost straight-through processing. Backed by a supplier portal, the network can be the single source for all communications and transactions between the enterprise and its suppliers. Embedding Artificial Intelligence (AI) and advanced analytics within the e-invoicing network can transform the invoice processing lifecycle and enhance decision-making, helping enterprises address persistent challenges such as exception management, P2P visibility and paper-based processes.

However, to be truly future-ready, enterprises should embrace an 'open' B2B network to host and design their transformed AP function for true coll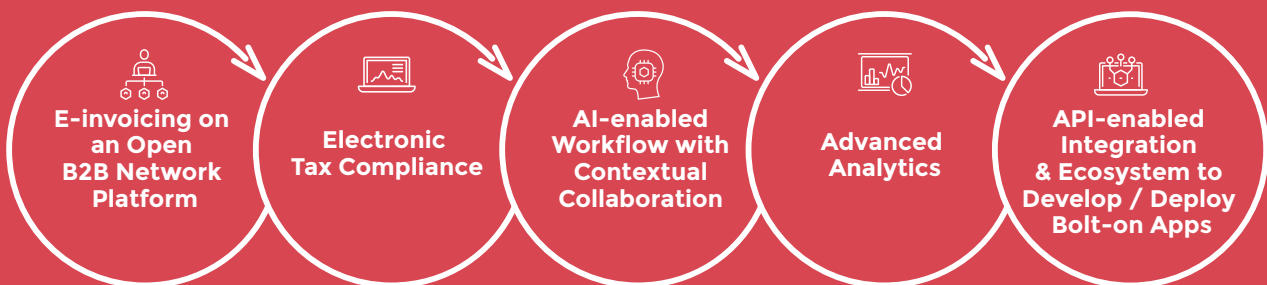aboration. Open B2B networks do not limit enterprises to a proprietary technology or platform. It offers Application Programming Interfaces (APIs) to connect with on-premise and off-premise data feeds, as well as tools and services enabled by third parties on an app store to further extend the range of capabilities.

Prioritizing these technology constituents can make AP more real-time and agile in how it operates, equipping enterprises to proactively spot and mitigate challenges and capitalize on opportunities as they arise.

This paper delves into the five key constituents of a future-ready, collaborative and scalable AP function. It also presents three proven use cases to highlight how early adopters are capturing value from open B2B ecosystems.

Future-ready AP Intelligence Hub
Digitally connected AP for a fast-paced future

E-invoicing on an Open B2B Network Platform → **Electronic Tax Compliance** → **AI-enabled Workflow with Contextual Collaboration** → **Advanced Analytics** → **API-enabled Integration & Ecosystem to Develop / Deploy Bolt-on Apps**

E-invoicing on an Open B2B Network Platform

The success of any e-invoicing initiative stems from maximum participation by suppliers across the value chain (high / low volume, high / low value). Onboarding rates can be greatly enhanced if the e-invoicing platform provides a smooth and hassle-free supplier experience with minimal change management.

An optimal model for supplier enablement is a robust cloud-based B2B network platform, offering multiple channels for invoice submission and supporting a variety of invoice formats such as XML, ANSI, EDIFACT, CSV and flat file. Once set up, the platform should be able to function as a single source of information for suppliers across all customers. This means that onboarded suppliers can:

- Deal with all their customers on the network seamlessly

- Update their master data and maintain separate catalogs based on customer rates

- Review and accept new Purchase Orders (POs) created for them to avoid discrepancies downstream

- View the status of their invoices and collaborate with enterprise AP and buyer teams to resolve any discrepancies

- Avail early payment options to cater to their working capital needs

Put together, these features present suppliers with a huge value proposition, making it easier for enterprises to maximize their e-invoice penetration.

In adopting e-invoicing, enterprises have the option of a 'big bang' approach or a simpler, more gradual approach to gain a better understanding. Both approaches have their pros and cons, and enterprises can adopt either of these based on their digital and process maturity and ability to manage change.

For example, a simpler approach would involve the following stages:

- Enabling a supplier portal with PO flip, self-service for queries and supplier master data while also offering access to early payment financing funded by third parties or buyers on the network. While this stage will boost efficiencies, the more important objective will be to help acclimatize suppliers to the platform

- With suppliers acclimatized, newer ways of engagement can be explored for digital invoice submission, including real-time integration with APIs and file-based transfer using SFTP. This will reduce efforts for both buyers and suppliers

- Finally, an AI-driven workflow with in-built collaboration features can be enabled to automate PO matching and non-PO invoice processing, and manage discrepancies

Other strategic transformations that further enhance the benefits of e-invoicing include:
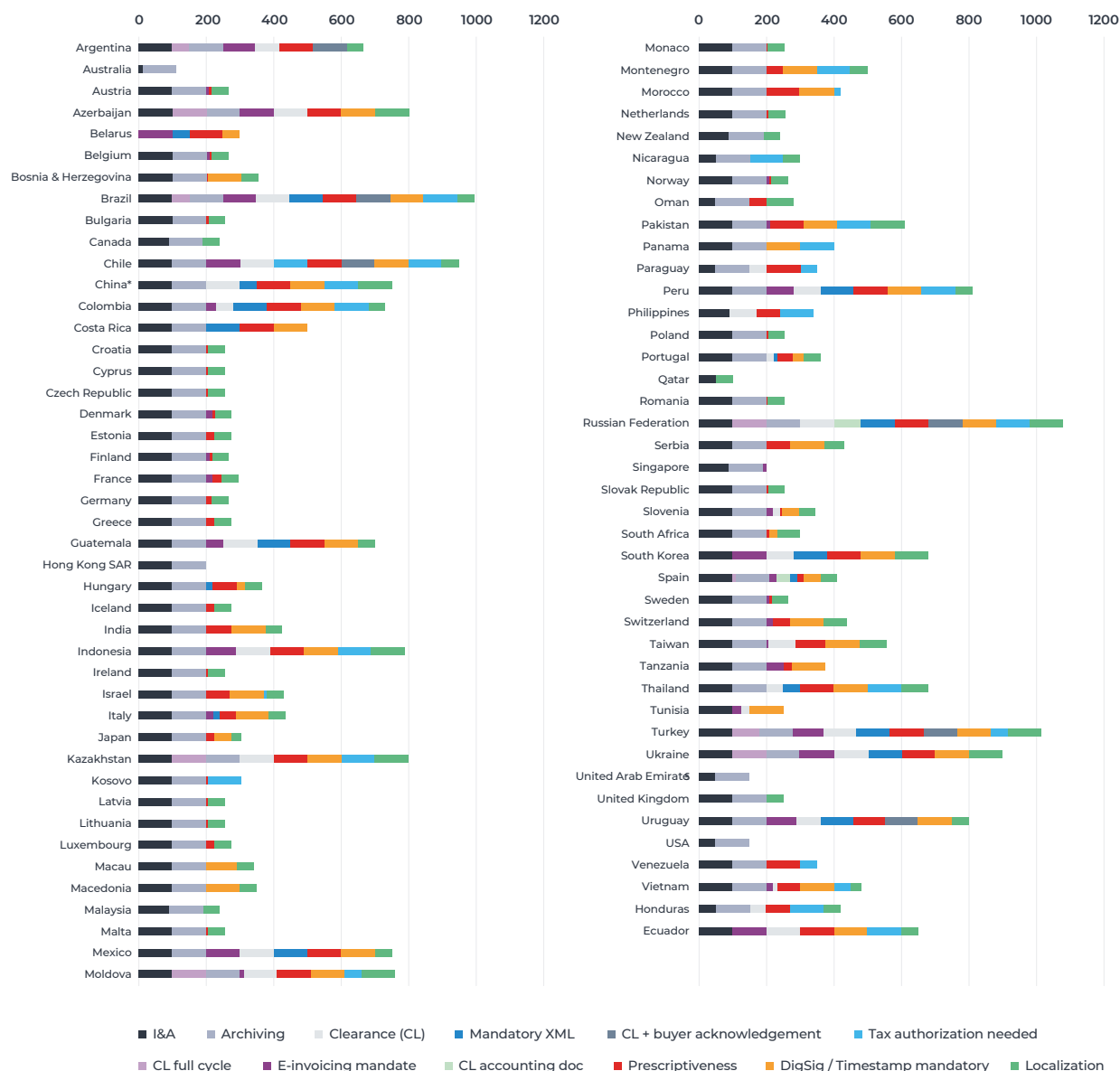
- A global operating model for AP processes, while maintaining country-specific tax and regulatory compliance

- Adopting advanced analytics for real-time, strategic insights on procurement, supplier and payment patterns

- Synergies between procurement and AP functions

Electronic Tax Compliance

Globally, it is estimated that the collection gap in Value Added Tax (VAT) is around USD 0.5 Trillion.[3] To improve collections and prevent fraud, governments continue to shift to mandatory electronic tax compliance. This means that electronic filing and e-invoicing are now mandatory in many countries with strict penalties for non-compliance. Tax administrations are collecting, storing and analyzing data from businesses in real-time or near-real-time, and business networks are staring at the prospect of governments evolving into a 'third trading partner' through the clearance model. This poses a challenge for organizations, as they must quickly adapt to the statutory changes.

The below image shows a 2019 snapshot of the complexity and variability of e-invoicing rules across countries that continue to evolve and change.

A Schematic Overview of the Principal Legal Requirements (Categories / Features) by Country

Countries (left column): Argentina, Australia, Austria, Azerbaijan, Belarus, Belgium, Bosnia & Herzegovina, Brazil, Bulgaria, Canada, Chile, China*, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Guatemala, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kosovo, Latvia, Lithuania, Luxembourg, Macau, Macedonia, Malaysia, Malta, Mexico, Moldova

Countries (right column): Monaco, Montenegro, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uruguay, USA, Venezuela, Vietnam, Honduras, Ecuador

Axis values: 0, 200, 400, 600, 800, 1000, 1200

Legend:
- I&A
- Archiving
- Clearance (CL)
- Mandatory XML
- CL + buyer acknowledgement
- Tax authorization needed
- CL full cycle
- E-invoicing mandate
- CL accounting doc
- Prescriptiveness
- DigSig / Timestamp mandatory
- Localization

Importantly, from a legal perspective, scanning received paper invoices or exchanging electronic invoice messages alongside paper-based originals is not deemed as e-invoicing. Additionally, in several countries, compliance requirements necessitate the upload and matching of several other documents such as delivery notes, waybills and ledgers. These requirements further highlight the importance of e-invoicing in AP, along with the need for deeper capabilities such as matching invoices to POs and delivery notes.

From the perspective of future-readiness, collaborative B2B networks offer built-in functionalities to comply with local regulatory requirements by partnering with global / local compliance partners and offer solutions for both clearance and post-audit models. This will become an imperative to ensure speed and agility to keep up with ever-evolving compliance requirements and reduce the risk of non-compliance and associated penalties. COVID-19 is expected to significantly accelerate the adoption of a clearance model by governments causing further business disruptions.

AI-enabled Workflow with Contextual Collaboration

AI is helping enterprises solve several challenges around exceptions and other complex processes. The average enterprise has multiple touchpoints in a typical AP process, which affects the cycle times and paid on-time percentages.

B2B networks with built-in intelligent workflows don't just address input channel issues by enabling e-invoicing, but offer a holistic package to transform the invoice processing lifecycle, end-to-end:

Faster Supplier Onboarding: Supplier data can exist in several fragmented records in an enterprise database, making it difficult (or extremely laborious) to identify whether the underlying entities are one or many. AI can process vast amounts of supplier data near-real-time, helping unify supplier records in seconds and paving the way for more effective, less risky supplier onboarding

Coding of Non-PO Invoices: Non-PO invoices make up for 40-45 percent of the exceptions generated in AP. AI-enabled workflows can automatically code such non-PO invoices based on historical data about approved invoices from the same supplier. The AP staffers need to only validate the code, select the line and cost items before sending the invoice for approval

Smarter Approvals: By serving all necessary contextual data related to an invoice at the time of approvals, AI can significantly improve decision-making and approval time. Apart from giving information on the buyer making the request, the related seller relationships, and associated projects, AI can also flag any potential outliers or exceptions

In addition to AI, one of the most important aspects of a great workflow is collaboration features.

Imagine having a chat feature as powerful as WhatsApp within the invoice processing window to add and interact with various stakeholders of that invoice. AP teams can quickly engage buyers and suppliers to align and agree on the course of action for that invoice. All within the same system.

This in-built feature is always available for all stakeholders for all document types and is invaluable in resolving the exceptions in a short span of time, thus improving cycle time and impacting payment on-time to suppliers as well.

Advanced Analytics

Analytics in AP is gaining in importance as organizations struggle to extract insights to manage and predict cash flows. It has now become imperative that enterprises mine this data to enable informed decision-making. *The State of ePayables 2019* report finds that improving reporting and data / analytics is at the very top of enterprise priorities for AP. By 2021, it is expected that the majority of AP organizations will invest in and harness analytical capabilities to achieve this.

The key levers where analytics can play a significant role in AP are:

| Cash management to improve incremental free cash flow | Spend analytics to optimize and maximize savings | Forecasting to adequately plan and execute | Supplier analytics to gauge performance | Risk and fraud analytics, including forensic analytics | Performance dashboards |

Open B2B network platforms provide enterprises access to real-time dashboards and reports or feeds to existing business intelligence platforms, enabling all stakeholders with state-of-the-art tools to meet their analytical needs.

Further, dashboard and reports builder enables users to create views on the fly and gain instant insights, helping organizations to perform root cause analysis and take timely actions.

API-enabled Integration and Ecosystem to Develop / Deploy Bolt-on Apps

These platforms function like smartphones, allowing enterprises to search and add functionalities from an array of bolt-on tools across the P2P value chain

Enterprises are moving away from standalone solutions towards platform solutions that do not restrict and bind them to proprietary technology with expensive licenses, slow upgrades and limited compatibility. Open platforms that allow 'many-to-many' connections with other networks (such as B2G and Peppol) with scalable multi-tenant cloud offerings provide the greatest opportunities for digitalization. These 'as-a-service' platforms ensure that enterprises minimize focus on elements such as software upgrades, number of licenses, security and data encryption.

Enterprise Resource Planning (ERP) integration capabilities are a baseline requirement for digitally transformed AP processes. Apart from enabling connections across the supply chain, open B2B network platforms also provide open APIs to connect with a wide range of ERPs and other online services to deliver seamless real-time exchange of data.

These platforms function like smartphones, allowing enterprises to search and add functionalities from an array of bolt-on tools across the P2P value chain. For example, sourcing management, catalog marketplaces, contract lifecycle management, e-procurements, VAT recovery, spend analytics, supplier risk management and child labor reporting. Representational State Transfer (REST) APIs further enhance the platform to integrate with new sources of information, both public and private and fulfill the needs of a continuously changing business landscape.

Use Cases

Reduce Supplier Queries & Invoice Processing Time

To maintain its competitive edge, a leading manufacturing company had to increase efficiencies in its back-end operations, including in its payments system. The company implemented e-invoicing to improve the quality of received invoices, achieve shorter processing time and reduce inquiries from suppliers. More than 100,000 invoices were received in the first year after go-live, and 3,000 suppliers were connected. The manufacturer reduced manual efforts in its shared services center and enabled suppliers to flip POs into invoices.

Enable Suppliers' Participation for Quick Onboarding

A leading international airline faced long lead times to process invoices because its existing e-invoicing tool was not up to the task. Previous e-invoicing initiatives using traditional P2P suites failed due to a lack of seller participation, especially with smaller suppliers. The airline decided to look for a global tool with efficient onboarding that its suppliers would use. By deploying a modern, agile and flexible technology platform, the airline saw a 13 percent decrease in Days Payable Outstanding (DPO), quickly onboarded 1,000+ suppliers and improved relationships with suppliers.

Gain 100% Spend Control & Compliance

A leading retailer was looking to streamline its entire source-to-pay process, move away from paper transactions and optimize its supplier base. The company's existing software was cumbersome and employee adoption was lagging due to difficulty in onboarding. By moving to a dynamic user interface and leveraging a flexible open platform where apps could be built to complement its P2P process, the company achieved 100 percent spend control and compliance from the initial pilot, as well as high adoption rate because of user experience. This allowed the retailer to move more than USD 700 Million gross merchandise value through the platform.

Conclusion

Over time, what was once considered as 'good-to-have' will turn into a 'must-have'. By generating value through improved supplier relationships and collaboration, increased cash flows, enhanced controllership and rigorous use of real-time actionable analytical insights, a 'Future-ready AP Intelligence Hub' will become the new imperative for CFOs tasked with leading their organizations into the future.

Particularly in the wake of the pandemic, the cornerstone for accelerating recovery and rebound is an agile, future-ready model that has the ability to collaborate with real-time access to data and actionable insights, thereby creating a win-win proposition for everyone in the supply chain.

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