

GrowCFO

Tech Innovation Report

Spend Management and Accounts Payable

Executive Summary

The landscape of spend management and accounts payable (AP) is undergoing a significant transformation driven by rapid technological advancements. These functions, once considered primarily administrative, are now recognized as strategic pillars that significantly impact an organization's financial health and operational efficiency. This report explores how technological innovation can empower finance leaders to optimize their processes, reduce costs, mitigate risks, and enhance overall financial management. By adopting new technologies and fostering tighter integration between AP and procurement, businesses can achieve unprecedented levels of control, visibility, and efficiency in their financial operations.



What's the problem



The five main issues in accounts payable and spend management

To address these issues, organizations should consider leveraging advanced technologies, such as AP automation, data analytics, and integrated spend management platforms.

These solutions can help enhance fraud prevention, improve process efficiency, increase spend visibility, and strengthen supplier relationships.

Fraud Prevention:

Accounts payable processes are vulnerable to various fraud schemes, such as billing fraud, vendor fraud, check fraud, and internal fraud. These threats can result in significant financial losses if not properly addressed.

Inefficient Processes:

Manual, paper-based accounts payable workflows can lead to delays, errors, and a lack of visibility into the payment process. Streamlining these processes through automation can improve efficiency and control.

Lack of Spend Visibility:

Without a centralized system to track and analyze enterprise-wide spending data, organizations may struggle to identify cost-saving opportunities, optimize supplier relationships, and make informed, data-driven decisions.

Compliance and Risk Management:

Maintaining compliance with regulatory requirements and internal policies is crucial, but can be challenging without robust controls and audit trails. Effective AP and spend management systems can help mitigate these risks.

Ineffective Supplier Relationship Management:

Siloed procurement and AP processes can hinder an organization's ability to collaborate with suppliers, track performance, and leverage supplier insights to drive strategic value.

Minimising fraud is a big challenge for AP

There are several key strategies that accounts payable experts use to prevent fraud before it occurs.

By adopting a multilayered, proactive approach to fraud prevention, accounts payable professionals can significantly reduce the risk of fraudulent activities and protect the organization's assets.

However, reliance on humans is not sufficient and there is a big role for technology in both identifying and preventing fraud.



Manual processes in AP cause problems



Delayed approvals causing cash flow issues:

Manual invoice approvals involving paper-based workflows or back-and-forth emails can lead to significant delays, as a single missing signature or misplaced invoice can stall the entire process. These delays disrupt cash flow, hinder vendor relationships, and can lead to missed early payment discounts or costly late payment fees.



Errors due to manual data entry:

Human error is an unavoidable risk in manual data entry, leading to issues like typos, incorrect amounts, and duplicate entries. These errors can result in disputes with vendors, payment inaccuracies, and compliance problems. Correcting these errors is time-consuming and may require reconciling multiple systems or records.



Lack of visibility into invoice statuses:

Without a centralized system, tracking the status of an invoice is challenging. Teams may spend hours chasing updates across departments, relying on spreadsheets, emails, or verbal confirmations. This lack of transparency not only wastes time but also makes it difficult for managers to prioritize critical invoices or gain real-time insights into outstanding liabilities.



Compliance risks due to poor documentation and follow-ups:

Manual processes can make it difficult to maintain a proper audit trail and ensure compliance with regulatory requirements. This can expose the organization to potential fines or other penalties.



Time delays and bottlenecks in the purchase approval workflow:

Manual purchase approval processes involving paper forms, emails, and spreadsheets are prone to delays, as approvers may be busy or unavailable. These delays can impact procurement and lead to missed opportunities or vendor dissatisfaction.

Lack of spend visibility restricts opportunities

Organizations relying on manual processes often lack visibility into their total enterprise-wide expenditures. This makes identifying cost savings opportunities, optimizing supplier relationships, or enforcing purchasing compliance difficult. There are huge opportunities that leverage data analytics, workflow automation, and supplier collaboration capabilities. Such a solution can provide the visibility, control, and strategic insights necessary to optimize spend, mitigate risks, and drive continuous improvement in the organization's procurement practices.

Inefficient Sourcing and Negotiation:

Manual processes make it challenging to leverage the full purchasing power of the organization when negotiating with suppliers. Scattered category data and the inability to easily aggregate demand across locations hinders the organization's ability to achieve favorable contract terms and pricing.

Compliance and Risk Management Gaps:

Manual category management makes maintaining compliance with internal policies, external regulations, and sustainability requirements more complex. Tracking certifications, insurance documents, and other compliance-related information across multiple spreadsheets or paper files increases the risk of lapses and can expose the organization to legal or reputational risks.

Lack of Category Optimization:

Without a comprehensive view of category data and performance, organizations may miss opportunities to standardize specifications, consolidate suppliers, or identify strategic sourcing initiatives that could drive significant cost savings. Manual processes make it challenging to analyze spending patterns and benchmark category performance against industry peers.

Ineffective Supplier Relationship Management:

Maintaining strong supplier relationships is crucial for successful category management, but manual processes limit the ability to effectively collaborate, share data, and jointly develop innovative solutions. This can hinder the organization's agility in responding to market changes or addressing supply chain disruptions.

Manual processes in AP cause problems

Manual Processes: Manual AP processes are fraught with inefficiencies, risks, and high costs that can be addressed with automation. The full cost of not doing so is not immediately obvious but can be very high.

Compliance Risks: Manual processes often lack proper documentation or centralized record-keeping, making it difficult to provide accurate audit trails. This can lead to compliance risks, penalties, and failed audits.

Siloed Operations: Disconnected AP and procurement teams operate independently, creating missed opportunities for cost control and strategic insights. AP teams often receive unexpected invoices without prior knowledge of the purchase, leading to delayed approvals and payments.

The Cost of Inaction: Maintaining outdated AP processes can be financially detrimental. The hidden costs of manual processes include processing each invoice, which is significantly higher than with automation, and the risks of fraud, duplicate payments, and missed opportunities to negotiate better payment terms.

How can technology help?



The opportunity for automation

There are several key accounts payable processes that can be automated to enhance efficiency and drive cost savings.

By automating these repetitive, high-volume tasks, AP teams can shift their focus to more strategic activities like supplier negotiations, cash flow optimization, and data-driven cost savings initiatives.

Overall, AP automation can deliver significant time and cost savings, improve accuracy and compliance, provide enhanced visibility, and enable the scalability of the accounts payable function.

Invoice processing can be automated through features like OCR invoice scanning, electronic invoicing, three-way matching, and machine learning-powered data entry and anomaly detection. This can significantly reduce manual effort and errors.

Approval workflows can be automated to route invoices to the appropriate approvers based on predefined rules, ensuring timely approvals and improved visibility into the process.

Payments management can be automated to track which invoices have been paid, what is due, and identify any payment errors - helping to avoid overpayments or underpayments.

Fraud prevention capabilities in AP automation software can detect duplicate payments, verify invoices, and alert the team to suspicious activity, reducing the risk of financial losses.

Spend management also offers big opportunities

Technology has the potential to greatly improve spend management in several important aspects.

By utilizing these technological advancements, organizations can shift their spend analysis from a reactive and manual process to a strategic, data-driven approach that aids in cost optimization, risk management, and enhances overall financial performance.

Automated Data Aggregation And Normalization

Spend management platforms can seamlessly integrate with an organization's procurement, accounts payable, and general ledger systems to consolidate spending data from across the enterprise into a centralized, standardized repository. This eliminates the need for manual data collection and ensures a comprehensive, up-to-date view of all expenditures.

Spend Classification And Categorization:

Automated spend categorization, powered by machine learning algorithms, can accurately classify expenditures into relevant cost centers and categories. This granular visibility enables more effective budgeting, forecasting, and benchmarking against industry peers or historical trends.

Supplier Performance Management:

By integrating supplier data and performance metrics, spend management systems help organizations better evaluate and manage their supplier relationships. This includes tracking key indicators like on-time delivery, quality, and pricing - which can inform sourcing decisions and contract negotiations.

Advanced Analytics And Reporting:

Leveraging data visualization, machine learning, and predictive analytics, spend management systems can provide detailed insights into spending patterns, trends, and anomalies. This empowers finance and procurement teams to identify cost-saving opportunities, optimize supplier relationships, and make more informed, data-driven decisions.

Intelligent Workflow Automation:

Spend management platforms can automate key processes, such as purchase approvals, invoice processing, and expense reimbursement. This not only improves efficiency and reduces the risk of manual errors but also provides a clear audit trail to support compliance and regulatory requirements.

Scenario Planning And Predictive Capabilities:

Advanced analytics in spend management platforms can help organizations anticipate future spending trends, detect potential risks or disruptions, and simulate the financial impact of strategic decisions. This allows for more proactive, data-driven planning and risk mitigation.

The transformation can go further



Moving Beyond Transactional Processing: Accounts Payable is no longer just a back-office function focused on processing invoices and ensuring timely payments. It is evolving into a strategic contributor that provides crucial insights into spending patterns, vendor performance, and risk management. AP departments now have the potential to become valuable strategic assets.



Integrating AP and Procurement: A key element in modern financial management is the alignment of AP and procurement. When these two functions operate in silos, organizations miss significant opportunities for cost control and process optimization. Integrating these functions allows for proactive spend management rather than reacting to invoices after the fact.



Impact on the Bottom Line: Improved AP and procurement practices can contribute to better financial performance. By leveraging technology, organizations can enhance their financial operations and promote strategic decision-making. These changes reduce costs, minimize errors, and improve overall efficiency, ultimately supporting the organization's strategic objectives and financial goals.

The main technology solutions

Optical Character Recognition (OCR):

Properly digitizing invoices is key. Just having an invoice sent by email isn't sufficient. OCR technology digitizes paper invoices by extracting key details such as invoice numbers, vendor names, and amounts, creating a structured dataset, and removing the need for manual data entry. Once invoice data is in a structured form, it can be utilised to automate the process further.

Invoice Approval Software:

This software is a digital tool designed to automate and optimise the process of reviewing, approving, and managing invoices within an organisation. It ensures that invoices are routed to the right approvers and reviewed in a timely manner, reducing errors and ensuring compliance. It also provides real-time tracking and notifications, ensuring stakeholders are kept informed about pending actions and deadlines, helping to avoid bottlenecks.

Procure-to-Pay (P2P) Software:

P2P software goes a stage further. It connects the entire procurement process, from the moment a requisition is made to the payment of the invoice. P2P systems provide real-time visibility into spending, budgets, and open orders, allowing organisations to proactively manage spend and avoid surprises. P2P also facilitates collaboration between procurement and AP teams, eliminating silos and promoting a more unified approach to financial management.

Mobile-First Solutions:

In the modern business environment, mobile-first invoice approval solutions are essential for ensuring business continuity and productivity, enabling approvals from anywhere and eliminating delays caused by location constraints.

Controls & approvals are a vital part of the solution



Controls and approvals are critical features in accounts payable (AP) and spend management solutions. These capabilities help enforce purchasing policies and maintain visibility over spending across the organization.



Sophisticated workflow and approvals management functionalities allow companies to configure complex approval processes based on factors such as transaction amount, cost center, or type of purchase. This helps ensure compliance with internal policies and prevents unauthorized or erroneous payments.



The approval workflows can be tailored to the specific needs of the business, with the ability to route invoices and purchase requests through multiple levels of approval before payment is issued. This provides greater control and oversight over the procure-to-pay lifecycle.



In addition to approvals, mid-market AP and spend management solutions often include controls such as three-way matching (purchase order, goods receipt, and invoice) to verify the accuracy of invoices and prevent overpayments.



The combination of robust approvals management and strong controls is a must-have for companies looking to optimize their financial operations, enhance visibility, and mitigate risks associated with their procurement and payables processes.

ERP vs Best of Breed Procurement solutions

- While ERP solutions offer some capabilities in these areas, a dedicated procure-to-pay (P2P) system can provide more comprehensive and integrated functionality to enhance spend visibility, control, and strategic insights.
- ERP and accounting systems are primarily designed to manage transactions, but they often lack the end-to-end integration and proactive spend management capabilities needed to optimize the entire purchase-to-pay cycle. P2P software, on the other hand, is specifically built to connect procurement and accounts payable processes, enabling organizations to gain real-time visibility into spending, automate critical workflows, and make more informed, data-driven decisions.
- By adopting a dedicated P2P system, organizations can transform their spend analysis and accounts payable processes, moving beyond the limitations of ERP and accounting software to achieve greater efficiency, control, and strategic impact.

Centralized spend control and visibility: P2P software captures and tracks spending from the moment a requisition is made, providing granular control and visibility into open orders, budgets, and the overall financial impact - something that traditional AP automation or ERP systems cannot achieve.

Streamlined approval workflows: P2P systems ensure approvals are integrated across the entire procurement and AP process, minimizing the risk of overlooked approvals and delays that can occur with fragmented ERP-based approval processes.

Proactive spend management: By integrating procurement and AP data, P2P software enables a more proactive approach to spend management. It allows organizations to prevent overspending, catch errors before invoices arrive, and make more informed strategic decisions.

Enhanced analytics and reporting: P2P platforms leverage advanced data analytics and visualizations to provide deeper insights into spending patterns, trends, and optimization opportunities - capabilities that may not be as readily available in standard ERP or accounting systems.

Improved supplier relationship management: P2P solutions can facilitate better collaboration and data sharing with suppliers, enabling organizations to track performance, mitigate risks, and leverage supplier insights more effectively.

What about new technologies?



AI, ML and Blockchain are game-changers

AI Agents

- AI Agents are revolutionising AP by streamlining workflows and reducing errors.
- Automated data extraction, invoice processing, and approval routing remove the need for manual tasks and minimise human intervention, enabling teams to process invoices more rapidly.
- By automating these processes, organisations can reduce manual tasks, freeing up staff to focus on strategic initiatives such as improving cash flow and analysing spending trends.

AI Data Analytics

- AI is becoming an increasingly vital tool for spend management, enabling better forecasting and process optimization.
- AI-driven predictive analytics can identify spending patterns and help optimise processes, proactively mitigating risks and allowing for more strategic allocation of resources.
- AI also allows for real-time fraud detection by monitoring transaction patterns and identifying irregularities, proactively preventing losses.
- Moreover, AI can transform raw data into actionable insights, enabling better and faster business decisions.

Machine Learning (ML)

- Machine learning enhances workflows and discrepancy management by automating the collection and coding of missing information. ML can also improve data accuracy by learning and improving as it processes data over time.

Blockchain Technology

- Blockchain has the potential to create secure, transparent and decentralised records for financial transactions.
- Invoices stored on a blockchain are immutable, thus providing a reliable audit trail.
- Smart contracts can automate payments by linking contract conditions directly to invoice approvals, reducing delays and disputes.

What are the benefits?



Benefits of adopting new technologies



Cost Savings

Automation significantly reduces costs through efficiency gains and error reduction.

Faster approvals can help companies avoid late payment penalties and take advantage of early payment discounts.

Spend management systems help to eliminate unnecessary spending and reduce maverick or rogue spending, ensuring every purchase aligns with company budgets.



Improved Efficiency

Technology streamlines AP processes, speeding up invoice processing, reducing cycle times and improving overall operational efficiency.

The automation of manual tasks like data entry, invoice processing and approvals frees up staff to focus on more value added work.

Faster approvals lead to better cash flow management and more efficient use of financial resources.



Enhanced Visibility

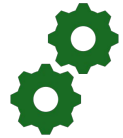
Technology provides real-time insights into spending, budgets and invoice statuses, giving managers and finance teams the ability to monitor progress, identify bottlenecks, and prioritise critical invoices.

This improved visibility enhances accountability, promotes transparency and facilitates better and faster decision making based on accurate financial data.

Benefits of adopting new technologies (2)

Risk Mitigation

Automation and AI enhance fraud detection capabilities and improve compliance. Automated systems ensure adherence to financial and tax regulations, and provide robust audit trails, reducing the risk of fraud and financial misstatements.



Data-Driven Decision Making

AP data is used for spend analytics, forecasting, and improved resource allocation. The use of AP data can help identify spending trends, cost-saving opportunities and policy violations, allowing for more strategic financial planning.



Improved Vendor Relationships

Timely payments and transparent processes build trust and foster stronger vendor relationships. AP data can be used to assess vendor performance, identify reliable suppliers and negotiate better payment terms.



Competitive Advantage

Effective spend management allows organizations to free up financial resources for strategic reinvestment in growth and innovation, providing them with a competitive edge.



What are the cost savings?

From Process Automation

- A hypothetical example shows that a mid-sized company processing 500 invoices per month manually spends an average of 12 minutes per invoice. By implementing invoice approval software, the processing time is reduced to 4 minutes per invoice. This results in a monthly time savings of 66 hours, which equates to approximately \$24,000 in annual labor savings (assuming a \$30/hour AP clerk salary).

You may choose not to realize the savings by reducing headcount but instead redirect effort on higher-value tasks like financial planning and vendor management rather than spending time on manual data entry and approval chasing.

Beyond the direct time savings, automating the accounts payable process can also help organizations avoid late payment penalties and take advantage of early payment discounts. This can lead to further cost savings and strengthen vendor relationships, as timely payments are prioritized.

Overall, the benefits of AP automation in terms of time savings, cost reductions, and enhanced operational efficiency make a strong case for investing in such solutions. These systems can scale with the growth of the business and improve compliance while also boosting team morale and productivity.

From Spend Analysis

- Spend analysis is a powerful tool for businesses looking to save money and improve their financial efficiency. By gaining detailed visibility into their spending patterns, organizations can identify and eliminate unnecessary expenses, negotiate better terms with suppliers, and redirect resources to more strategic initiatives.
- One of the key ways spend analysis saves money is by enabling businesses to negotiate more favorable contracts with their suppliers. Armed with data on past expenditures, procurement teams can leverage this information to secure volume discounts, early payment incentives, and improved payment terms. These strategic negotiations can yield substantial cost savings, especially for companies that rely heavily on external vendors.
- Spend analysis also helps curb maverick spending, which refers to unapproved or off-budget purchases that can quickly add up. By enforcing purchasing policies and approval workflows, organizations can ensure that all expenses are authorized and within budget, leading to significant cost reductions.
- Furthermore, spend analysis empowers businesses to make data-driven decisions, improving budgeting accuracy and allowing them to allocate resources more effectively. By analyzing historical spending patterns, companies can predict future needs, set realistic financial goals, and measure the return on investment (ROI) for various initiatives, ensuring that resources are directed towards the most profitable and high-impact areas.
- By optimizing their spending through spend analysis, organizations can free up valuable resources that can be reinvested in growth, innovation, or other strategic priorities, giving them a significant competitive advantage in the market.

Human intervention remains vital

While automation can significantly streamline various AP tasks, human expertise, judgment, and relationship-building skills remain essential for fraud prevention, approval workflows, process optimization, vendor management, and employee development - ensuring the accounts payable function remains a strategic asset for the organization.

Fraud Prevention:

While modern AP automation systems can detect duplicate payments and flag suspicious activity, human experts are needed to monitor flagged transactions, verify vendor details, and perform dual verification on high-risk payments. This layered approach, combining technology and human insight, is critical for effectively blocking fraud attempts.

Approval Workflows:

Automated approval routing can streamline the process, but human approvers are still required to review and sign off on invoices, especially for high-value or non-standard transactions. Their expertise and judgment are essential for ensuring proper authorization and compliance.

Process Optimization:

Regular audits and continuous improvement initiatives rely on human input to identify bottlenecks, refine procedures, and suggest enhancements to the AP workflow. The AP team's hands-on experience and problem-solving skills are invaluable for optimizing the overall process.

Vendor Relationship Management:

Building and maintaining strong relationships with vendors is a critical human-driven activity. Clear communication, fair payment terms, and a collaborative approach help ensure smooth invoice processing and timely payments, strengthening the financial supply chain.

Employee Development:

Investing in the professional development of the AP team is crucial as their roles evolve with increased automation. Well-trained employees are better equipped to execute tasks accurately and efficiently, contributing to the overall success of the AP function.

Selecting the right solution



Key factors to consider include:

Integration: Integrating AP automation software with existing accounting and ERP systems is critical, as most AP automation solutions are standalone and do not provide full accounting features. Seamless integration is required to streamline processes and data flow.

Global requirements: E-invoicing and tax regulations vary by country and change regularly, so companies need to ensure the AP automation software can process fully compliant invoices across different jurisdictions. Understanding global requirements is key.

Industry-specific needs: Many industries have unique sourcing, contracting, supplier management and purchasing practices that AP automation solutions need to accommodate. Finding a solution that fits the company's specific industry requirements is important.

Onboarding and training: Proper implementation and training is crucial for AP automation to be effective. If not managed well, the transition from manual to automated processes can be challenging for employees. Seamless onboarding is essential.

Vendor capabilities: The procure-to-pay (P2P) software market is relatively mature, but vendors may not have market-leading capabilities across the full suite. Compromises or supplemental solutions may be required to meet all the company's needs.

In summary, one solution does not fit all, be clear on your requirements and choose systems that are the best match.

How to find the right solution for you

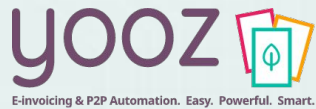
- Be clear on your requirements and what is important to you.
- Examine all the alternatives. Read reviews, ask for recommendations from fellow finance leaders.
- Software comparisons are available in a number of places.
 - The reviews on G2 are particularly useful:
 - <https://www.g2.com/categories/accounts-payable-ap-and-spend-analysis>
 - <https://www.g2.com/categories/ap-automation>
- Make a short list:
 - Ask vendors on your shortlist questions that will determine whether they meet your needs.
 - Consider whether a demo from the vendor would be useful, and don't be afraid to ask the vendor to tailor the demo to show how their product specifically meets your key needs.

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