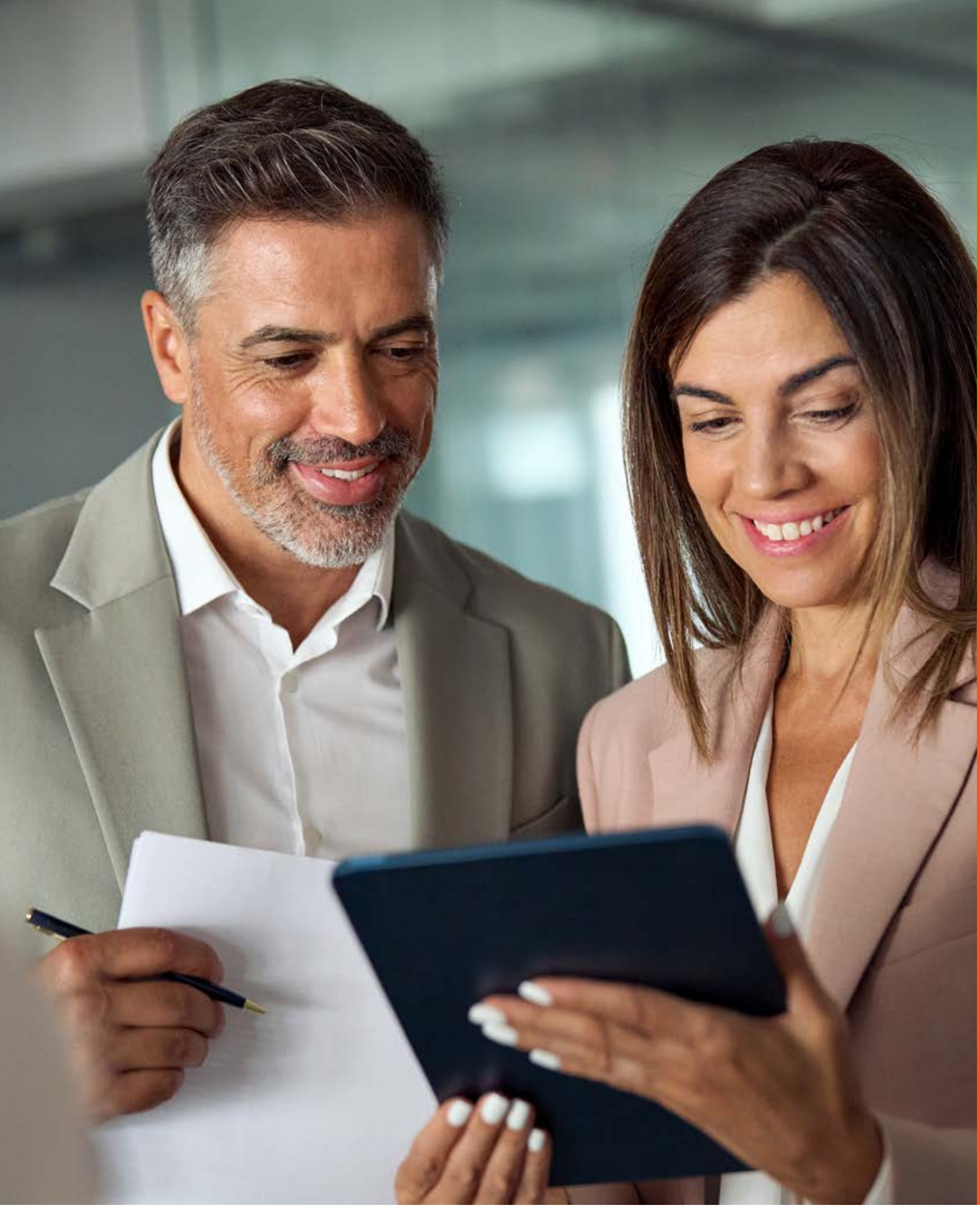

Financial Transformation:

# How Automation Can Bring AP & AR Together To Better Manage Cash

ESKER®

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**CHAPTER 1**

# An Evolving World

## It's no secret that the last five years saw enormous changes in the way enterprises conduct business.

In particular, advances in intelligent technologies including artificial intelligence (AI) and machine learning (ML), along with shifting customer expectations, are driving alterations in operations across all business functions and sectors. No job function or company is completely exempt from these changes.

This is especially true of financial operations, including the ways enterprises manage their cash flow. Processes that were once rooted in pen and paper (or spreadsheets) are being transformed (and improved) by new technology solutions, giving financial professionals better, deeper insights into a company's cash flow.

In fact, Esker found that 76% of interviewed chief financial officers reported that utilizing new intelligent technologies (including AI and ML-imbued solutions) or improving legacy processes are key ways companies can change so that other functions can help execute corporate financial strategies. Specifically, many organizations are leveraging intelligent technologies to improve accounts payable (AP) and accounts receivable (AR) processes. These solutions not only speed up AP and AR procedures, but also give enterprises a deeper understanding of cash flow and organizational health.

Corporate financial leaders and stakeholders are considering applying these technology solutions to AP and AR transactions in the current financial climate. An alarming spike in inflation dominated headlines in 2022. In August 2023, the U.S. Bureau of Labor Statistics reported that the consumer price index rose 3.7% on an annual basis. To combat inflation and the rising price of goods and services, the U.S. Federal Reserve raised interest rates to historic heights.

These economic constraints and the black swan events that disrupted the world economy (including COVID-19, labor strikes, and blocked shipping canals) serve to highlight the fact that all companies must become more flexible. Crucial to financial flexibility are granular insights into an enterprise's financial health, especially cash flow. Fortunately, as financial leaders consider new business and operational realities, technology solutions offer a way to help enterprises stay nimble while meeting or exceeding customer and partner expectations. As the world continues to rapidly evolve, intelligent solutions enable businesses to stay ahead of the curve and maximize profits.

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CHAPTER 2

# How Cash Flow Impacts Organizational Health

Ongoing challenges elevate the importance of modern financial close solutions. While F&A teams must provide complete and accurate results, business leaders are also turning to F&A teams to provide timely, meaningful insights that drive swift, data-driven decision-making in ever-shifting market conditions.

Steady, positive cash flow is the lifeblood of every business. No organization can survive for long unless it brings in more money than it spends. But, above simple survival, positive cash flow makes growth and expansion possible.

The old adage, “You need to spend money to make money,” rings true, even today. Enterprises need money to build upon their success and grow into new areas of opportunity. Companies need to take risks if they want to expand their footprint. And that requires capital. On the other hand, consistent negative cash flow is a sure sign of business problems. Organizations that spend more than they bring in cannot innovate, and could go out of business.

However, while healthy cash flow is vital to growth and success, it isn’t just about making more than you spend. Companies must have enough cash on hand to make the most out of new opportunities. The fluidity afforded by accessible capital enables businesses to move faster and take risks that could yield a significant advantage over competitors in the same sector.

Another crucial part of maintaining a healthy cash flow is ensuring that cash is consistently flowing into an organization, eventually into the hands of employees and partners. Obviously, staying up to date on these AP functions is crucial to organizational health. To achieve business success and growth, enterprises must pay their workforces a fair wage at a consistent rate. Disgruntled employees lead to poor performance. Moreover, when too many employees leave a company, it creates organizational havoc, as managers scramble to replace previously occupied roles. In regards to partners and suppliers, the fastest way for a business to lose important and crucial collaborators is to consistently miss payment deadlines for goods or services.

CHAPTER 3

# The Growth of Automation

Intelligent technologies are on the rise, with organizations increasingly using them across all job functions. In fact, implementing AI and ML solutions is an area of targeted growth for many enterprises.

Research conducted by Esker found that more than one-third (36%) of surveyed organizations reported that implementing intelligent solutions such as AI and ML was a strategic priority in 2023. That number is sure to rise as these solutions improve and become more ubiquitous across industries and job functions.

The fact is that automation significantly cuts down on the time and money spent maintaining traditional manual processes. This is especially true of financial operations such as AP and AR. Traditionally, financial professionals used manual processes. Given the complexity of managing cash flow manually, AP and AR accounting measures are incredibly labor-intensive, demanding an enormous amount of work hours. Often, maintaining consistent AP and AR functions are the most labor-intensive functions in an organization's finance and accounting departments.

However, in today's business climate, pen-and-paper (or even Microsoft Excel) bookkeeping methods are extremely inefficient. They not only lead to delays but can result in inaccurate or outdated financial insights. As companies strive to become more flexible and reactive, correct and updated financial information is crucial. Moreover, delayed or imperfect insights can lead to compromised vendor and supplier relationships.

From an AP perspective, manual financial work processes also restrict companies as they oversee real-time spending management and budget monitoring. Again, these are massive deterrents to becoming a nimble and flexible organization.

However, automation can help cut down or even replace inefficient AP and AR workflows. In fact, many organizations are making this a focus. According to the 2023 ASUG Pulse of the SAP Customer research, 29% of respondents indicated that implementing these automation processes is a critical area of innovation. Meanwhile, 23% of respondents said that the transition from manual to digital processes is an organizational priority.

**29%**

**of respondents indicated that implementing these automation processes is a critical area of innovation**

CHAPTER 4

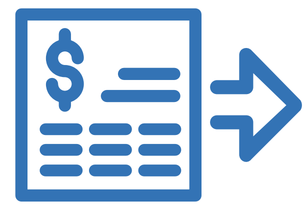
# How Automation Improves Cash Flow

While intelligent technologies such as AI, ML, and general automation have certainly become buzz topics that drive a lot of attention and interest across industries, we're at a point where the promise of these solutions actually matches their utility. Unlike a lot of other popular technological innovations, organizations are leveraging intelligent technologies to improve work processes and maximize profits.

Specifically, AP and AR functionalities are vastly improved when imbued with intelligent technologies. Automation can bolster AP and AR processes not only to improve cash flow but to eliminate traditional financial inefficiencies and give financial decision-makers a deeper understanding of an enterprise's overall financial health.

From an AP perspective, manual processes, when compared to automated ones, actually strip financial professionals of critical financial transparency and control. This can lead to cash being held up by inefficient workflows. Recent research from Esker found that 60% of surveyed organizations rely on data-driven AP solutions for cash flow analysis. Specifically, organizations use automation to boost savings. For example, automated AP functions (such as regular automatic payments to employees, partners, and suppliers) help enterprises pay important stakeholders on time. This is vital, as on-time payments to partners are crucial to successful working relationships. Esker and Ardent Partners also found that consistent payments are one of the biggest pain points reported by organizations, with more than one-fifth (21%) of companies citing late partner payments as a hurdle.

Moreover, if enterprises time their payments to partners correctly, they can take advantage of early payment perks and discounts. In research conducted in collaboration between Esker and Ardent Partners, 41% of surveyed companies reported that automated AP solutions actually enhanced supplier relationships. Moreover, research from Ardent Partners found that manual AP processes can actually lose organizations money, with invoices costing an average of $9.87 and taking more than 10 days to adequately process.



**60%**

**of surveyed organizations rely on data-driven AP solutions for cash flow analysis**

## CHAPTER 4 (CONT.)

Additionally, AI and ML solutions improve AP processes by reducing common and unavoidable errors caused by employees navigating outdated, manual processes. By automating to mitigate such mistakes, organizations significantly reduce financial risks. It also improves cash collection forecasting so that enterprises can make critical business decisions earlier than ever before.

When it comes to AR processes, intelligent technology solutions can help enterprises as they contend with overdue payments from partners and customers. Research from the Hackett Group found that 42% of interviewed enterprises reported business hurdles stemming from AR processes. Intelligent solutions can help companies overcome these hurdles via automated collection. According to Levvel Research, 60% of companies have already automated at least part of their AR workflows. This significantly speeds up the collection process, which is vital as it enables enterprises to better forecast cash flow. With these insights, enterprises can make better financial decisions. For example, AR automation gives enterprise visibility into customer and partner actions and payment performance, allowing them to account for consistent or inconsistent payments.

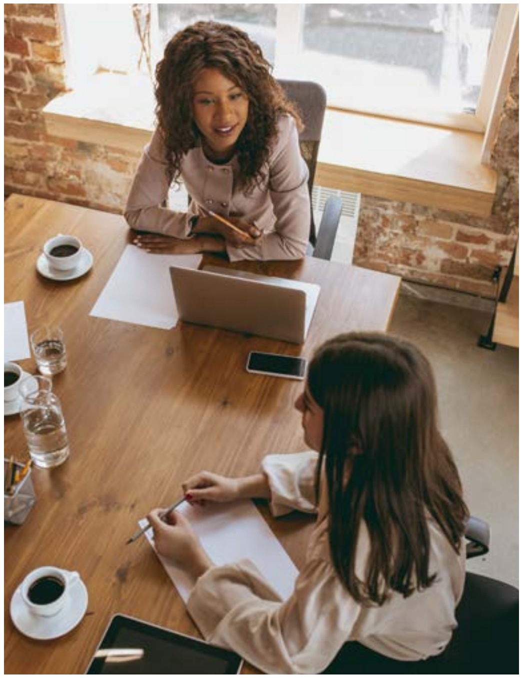
**42%**

**of interviewed enterprises reported business hurdles stemming from AR processes**

CHAPTER 5

# Keys to AP and AR Automation Success

While implementing automation into AP and AR processes will save organizations time and money, leveraging these solutions correctly requires planning and execution. If companies do not take steps to ensure these intelligent technologies are properly implemented, it will lead to headaches and confusion down the road, negating any improvements that automation brings.



Specifically, AP and AR functionalities are vastly improved when imbued with intelligent technologies. One of the best approaches an enterprise can take when introducing a new technology solution is to ensure it leverages the solution holistically. In the case of AP and AR processes and automation, this means that companies use intelligent technologies to tackle all aspects of AP and AR. Applying automation piecemeal to specific parts of the workflow is not helpful. In fact, it will lead to delays and confusion. Too often, companies try to use automation to address a single problem. That's an inefficient and problematic approach enterprises must avoid.

At the end of the day, companies turn to automation to transform their entire AP and AR workflows as they need retooling. Automation will bring about significant change to these processes. This is a digital transformation project through and through, and enterprises must treat it as such. Piecemeal or staggered implementation will negate the benefits of automation.

Additionally, as enterprises introduce automation in their AP and AR workflows, another key to implementation success is to establish process maturity. This should be done before any large-scale digital transformation project. Organizations must take a hard, calculated look at the current process and evaluate what's working and what's not. Before introducing any new technology, there should be a clear organization-wide understanding of how the solution will specifically drive more efficient operations. Establish early what automation can improve and what it brings to the table.

ASUG is the world's largest SAP user group. Originally founded by a group of visionary SAP customers in 1991, its mission is to help people and organizations get the most value from their investment in SAP technology. ASUG currently serves thousands of businesses via companywide memberships, connecting more than 130,000 professionals with networking and educational resources to help them master new challenges. Through in-person and virtual events, on-demand digital resources, and ongoing advocacy for its membership, ASUG helps SAP customers make more possible.

Founded in 1985, Esker is a global cloud platform built to unlock strategic value for financial and customer service leaders and strengthen collaboration between companies by automating procure-to-pay (P2P) and order-to-cash (O2C) processes.

**37** years of experience with 20+ years of experience in the cloud

**14** global locations with headquarters in Lyon, France, & Madison, WI

**800+** employees serving 600,000+ users & 1,400 customers worldwide

**€133.7** million in revenue in 2021, with 90% of sales achieved by SaaS solutions

**We Empower Financial leaders with technology that benefits everyone.**

At Esker, we believe the only way to create real, meaningful change is by using technology that promotes what we call "positive-sum growth." That's why our AI-driven solutions were designed for long-term value creation for every stakeholder and any situation.