The Increasing ROI of Spend Management Automation

A Guide to the New and Improved Business Case for Today's Remote Workforce

Underwritten in Part By

Paramount WorkPlace

The Potential of Spend Management Automation

Procurement and Accounts Payable (AP) are two essential and closely linked back-office functions, and software for managing the two has been a staple in office technology for years. In particular, the business value of Procure-to-Pay (P2P) automation is well-known and proven; in fact, P2P implementation results in numerous benefits, including improvements in visibility, efficiency, control over spend, and strategic analytics.

The potential financial savings from P2P automation is also a game changer. The software generates a return on investment (ROI) by: reducing the cost to process documents; increasing labor efficiency; reducing maverick spend; and optimizing payments to achieve greater discount capture. The next few pages explore some more of the tangible ROI that comes from spend management automation.

Savings From Process Automation

The ROI of automating various parts of the spend management lifecycle can be significantly reduced by the tool or solution an organization implements **(Table 1).**

Table 1

Process	No Tool	ERP or Homegrown Solution	Fully Automated & Cloud-Based	Potential Reduction
Procurement	$89	$65	$30	~65% in cost per PO
Accounts Payable	$15	$6.70	$2.86	~85% in cost per invoice
Expense Management	$26.83	$17.13	$6.85	~75% in cost per expense report

Savings From Increased Labor Efficiency

Automation is able to reduce supplier dispute management in Accounts Payable. This scenario assumes an average annual salary of $45,000 per AP staff member, three weeks of PTO, two weeks of combined holiday and sick leave, and a 20 percent overhead calculation. Table 1 shows the costs of labor under a manual process, in which staff are spending considerable time on low-value, avoidable activity resulting from paper-based invoice management. When supplier dispute management is automated, organizations are able to reallocate their staff to more strategic tasks, greatly improving the value of their workforce.

Table 2

Hours Spent Each Week	Annual Costs Per Employee
1-3	$1,350 – $4,050
4-8	$5,400 – $10,800
9-20	$12,150 – $27,000

Savings From Improved Cash Flow

Another opportunity for savings comes from improved working capital. When organizations automate the P2P process, they reduce invoice lifecycle times and increase their chance of capturing early payment discounts on invoices. When the invoice automation software includes working capital features like Dynamic Discounting to streamline the process, the rate of discount capture can become even higher **(Table 3).**

Table 3

Invoice Management Process	Discounts Terms Available for Capture
No tool	18% of invoice discounts terms
AP automation with early payment discounting functionality	75% of invoice discounts terms

Rethinking the P2P Business Case

However, despite its apparent value, many organizations have not yet adopted P2P automation software; Levvel calculates today's adoption rates for cloud- based solutions at just 39% for procurement, 49% for AP, and 39% for expense management. Barriers to automation vary by company. For instance, some cite specific concerns around potential security and compliance, while others believe they are unqualified to choose the right software tool. In general, one of the most common impediments is that the organization's current culture, leadership, and/or budget doesn't support the business case for software adoption. This could be a result of executives who are averse to technological changes and investments. Or, there could be internal concerns around implementation and usage — whether that is due to employee resistance to using the tool in favor of their traditional, manual process, or that the implementation is too long/complex for the IT team to handle.

But, today, the business case for P2P automation has changed completely. With the recent societal and economic effects of COVID-19, B2B operations have shifted dramatically — as has the use of technology. In fact, traditional use cases have evolved or become obsolete for several types of business software — spend management tools included — thereby forcing many companies to take new or different approaches to how they operate their financial processes and teams. In particular, one of the most significant shifts is that many organizations now employ almost completely remote workforces across their AP departments/processes. Thus, this move to a mobile workforce has changed the business case for P2P software adoption, including raising the potential ROI from automation. Some of the benefits of leveraging automation software for remote P2P processes include:

1. Increased User Adoption

One of the greatest influences on the ROI that a company is able to achieve from technology is its level of utilization. Essentially, a tool can meet all of an organization's needs, but if employees are unwilling to use it, it's practically useless.

Employees are accustomed to pre-automation processes, so the introduction of a new method may seem unsettling at first. Furthermore, automation software requires training and proficiency, which could cause staff to rely on their old methods and sidestep the new tool entirely. Many companies also struggle to gain full user adoption among external parties, such as suppliers.

However, the sudden remote working stipulations have already or will force buyers and suppliers alike to start engaging more with P2P technology. Teams will find that the more manual, traditional way of running P2P is not reasonable or reliable given the inconsistency of supply chains, reduced office/warehouse attendance, and decentralization of the workforce. Consequently, more companies will embrace and enforce the use of P2P solutions in order to control and standardize the process.

2. Risk Management

P2P tools automate many low-value, time-intensive tasks so employees can focus on more strategic work, such as risk management. Likewise, Levvel research shows that improving visibility into the supply chain and supplier data, quality, and risk are top initiatives for procurement departments. As such, organizations that ineffectively manage risk expose themselves to reputational damage, legal ramifications, and financial discipline.

However, P2P tools are equipped with features to combat these risks from the beginning to the end of the process. Specifically, supplier management tools enable communication with suppliers; allow them to submit legal, tax, and validation documents; and create a singular location for businesses to update their contact and payment information, as well as their preferred methods for receiving purchase orders. Matching features flag duplicate purchasing documents and validate that no significant changes in quantity or price have occurred. Moreover, these steps to effectively manage risk further increase in importance when employees are not in the same location or able to communicate as easily as they could when they were in the office.

3. Financial Optimization

Levvel has found that the value of spend analysis, budgeting, and financial forecasting tools in P2P solutions has risen exponentially in the last few months. This is because cash is king in the pandemic business environment, and organizations are working to ensure liquidity in order to weather market uncertainty. As a result, close attention to cash flow is pivotal, and executives and upper management involved in the financial process are eager to gather more visibility into spend both now and in the future. P2P analytics capabilities offer better insight into financial status and help shape the business decisions of finance leaders during this turbulent time.

4. Market Agility

Common organizational hesitations to technology investment not only overlook many of the tactical and financial benefits of automation, but also fail to consider an unpredictable world that demands a level of resilience and adaptability uniquely enabled by technology. P2P technology lends business stability and market agility to organizations during market disruptions and sudden crises like the COVID-19 pandemic. Therefore, organizations that utilize technology can adjust much more easily than those that are reliant on manual processes; software allows companies to adjust to both the evolving requirements of the business and its workforce, as well as changing budgets resulting from the effect on business.

Preparing for the Future

Navigating the business world is challenging even without a global pandemic that has thrown the global economy upside down. Consequently, organizations need to be nimble enough to adapt to world events and stable enough to ensure sustainable growth and success. In the end, the businesses that react most effectively to COVID-19 and the challenges it creates will be stronger because of it.

This pandemic will end, but the hurdles to business continuity will not. Investing in technology is more important than ever, and automating P2P is one of the best steps a business can take to drive operational efficiency — both now and into the future.

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