5 PROVEN STRATEGIES
FOR CONTROLLING SHADOW SPEND

CONTROLLING CORPORATE SPENDING IS NO EASY FEAT.

Companies might have hundreds, if not thousands of employees, with an exponentially higher number of invoices processed annually. Across departments and locations, it can be difficult, if not impossible to track that money is getting spent as it should. And this can lead to duplicate invoices getting paid, unnecessary late fees, and other undesirable outcomes throughout the procurement-to-pay (P2P) process.

Furthermore, one of the most significant issues facing Controllers and AP teams is the rise of "Shadow Spend," where employees bypass corporate procurement policies to obtain proper approvals and authorization for spend by placing purchases on a corporate credit card. AP teams lack visibility into these credit card purchases until the monthly statements arrive, consequently disrupting the entire procure-to-pay process and controls that were put in place by AP to ensure proper oversight. To rectify this disruption, AP is forced into a manual and time-consuming process to determine who made the purchase and what it was for, verifying approvals, hunt down the proper documentation, and manually enter in their financial system to close the books.

This all adds up to a lot to juggle, and a lot of potential chaos. But there's hope!

For companies struggling to get their corporate spending under control or even those businesses who might be doing alright and simply want to take their spend management to another level, we're going to explore five proven strategies to feel totally in control of corporate spend: automation; intelligence; collaboration; spend controls; and approvals.

1. AUTOMATION
(MANAGE ALL ACCOUNTS PAYABLES UNDER ONE ROOF)

In Sun Tzu's classic, The Art of War, one bit of sage advice he offers is, "Keep your friends close and your enemies closer."

The accounts payable version of this? Keep your friends close and your procure-to-pay (P2P) activity closer.

Too often, businesses can operate knowing far too little about their P2P process. Some companies don't have controlled P2P workflows, dictating what should happen from the point of purchase to when an invoice is paid and reconciled. This can easily lead to unnecessary or potentially unapproved spending.

A smarter option is to consolidate everything in the P2P process under a single platform, done increasingly with AP automation software.
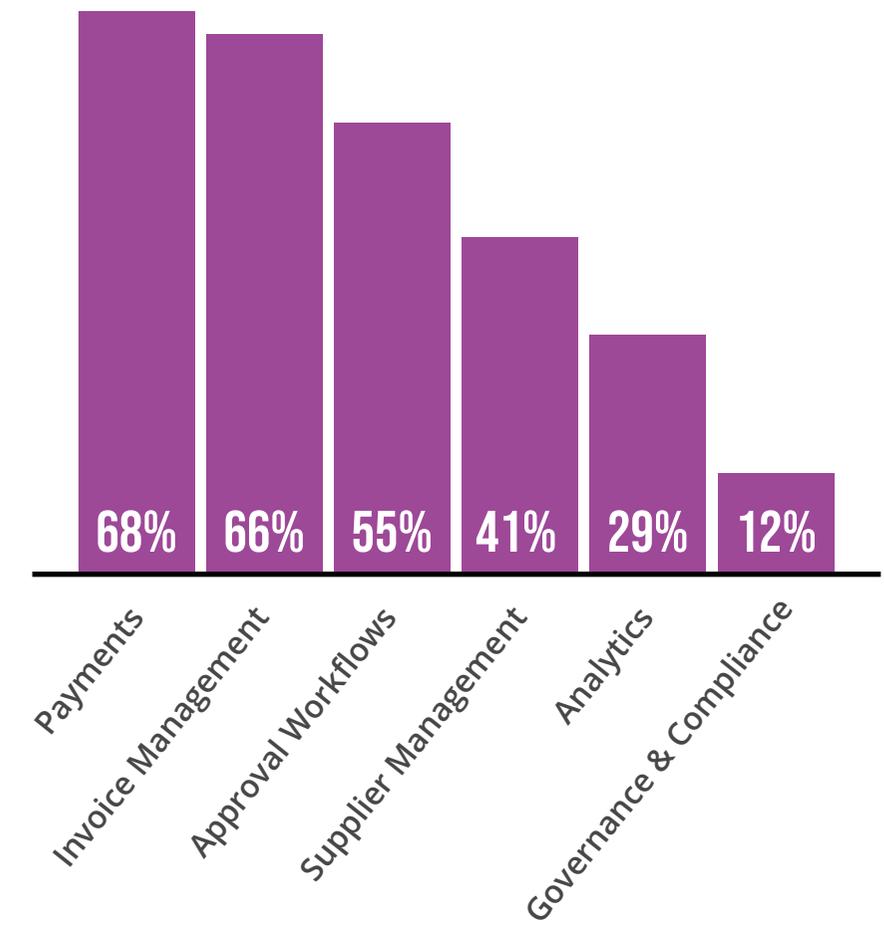
AP AUTOMATION, DEFINED

AP automation software is a cloud-based platform that ties in with a company's enterprise resource planning (ERP) system.

While ERP software can store accounting info such as general ledger codes, it often depends on manual inputs. This can delay invoice approval, adding time and costs. AP automation software takes over various tasks such as invoice scanning, three-way matching of invoices with purchase orders and receipt reports, and hunting approvals. The software is designed to handle as many portions of the P2P process as possible, for automated, end-to-end processing.

Businesses are already leveraging all kinds of AP technology, with those who opt for full-scale automation having an amazing opportunity to set themselves up for a long-term win. Knowledge of AP automation's benefits is certainly growing. Processing that would take weeks, even months, is now done in a matter of days or hours. Processing costs can also be a fraction as much.

AP TECHNOLOGY MOST-USED BY BUSINESSES

Payments	Invoice Management	Approval Workflows	Supplier Management	Analytics	Governance & Compliance
68%	66%	55%	41%	29%	12%

Source: 2021 survey report by Stampli and Treasury Webinars, "The How, the Why & the ROI of AP Automation"

MINIMIZING THE POTENTIAL FOR HUMAN ERROR

Traditionally, so much of accounts payable work has been about trust. Especially in the days before automation, companies had to trust that once their AP clerks were trained, they'd be able to remember every deadline, including for early payment discounts.

Needless to say, it wasn't always foolproof. A company without sophisticated AP operations in the mid-2000s might have relied on a temp who, with only passing command of their firm's arcane, DOS-based accounting system, missed a sizable early pay discount to an important vendor and lost the company thousands.

These kinds of nightmares are far less likely with AP automation, which is great at minimizing the potential for human error. It's not to say that AP automation software can single handedly solve all your accounts payable or spend challenges. But it will provide deep context, as well as oversight, visibility, and control for every invoice processed and every invoice paid. It's a significant upgrade over the old trust system.

BENEFITS OF CONSOLIDATING UNDER A SINGLE SYSTEM

With the broad range of AP technology, companies might think they can just pick and choose the individual solutions that work best for their needs, such as invoice scanning or workflow automation.

As we noted a moment ago, though, businesses have a wonderful opportunity with AP automation to consolidate under a single system. Aside from the possibilities of end-to-end processing and not having to hop between different systems and applications to process a single invoice, many AP automation platforms now come with portals where vendors can check on invoice status and monitor if they've been paid. This in turn can reduce the phone calls and emails from vendors that can take up a significant amount of staff time.

Businesses can also gain a much clear view of their spending operating with an end-to-end AP automation platform. All of the information will be readily available in one system.

KEY TAKEAWAYS

✦ AP automation software integrates with ERP software to allow end-to-end processing of invoices.

✦ The deep context, oversight, and control help make AP automation great at minimizing human error.

✦ Consolidating under a single system can help with spend management.

RECOMMENDED ACTION

✦ Consider implementing a cloud-based AP automation platform for your company. Here's a checklist you can use to evaluate different vendors.

2. INTELLIGENCE
(THAT KEEPS GETTING SMARTER)

It's smart for companies to have key personnel keeping an eye on accounts payable-related corporate spending. Personnel doesn't have to go it alone, however. These days, artificial intelligence and machine learning is helping to control corporate spending.

AI has made tremendous leaps and bounds in recent years, with robotic process automation in general having the potential to transform everyday life and business operations. "A lot of people think that AI is a product or technology, but it's actually an enabler for almost everything we do," one scientist told Nature magazine in December 2020.

In accounts payable, AI is able to handle a variety of routine tasks, with machine learning making it so that the robots can do the work with a higher degree of precision, nuance, and accuracy over time.

FEWER MANUAL AND REDUNDANT TOUCHPOINTS

Without automation, AP can have a lot of grunt work for human staff. Different personnel might have to pull the same paper files to access purchase orders, receipt reports, and invoices. An invoice just filed away might have to be retrieved so that it can be entered into an accounting system.

4 THINGS AI CAN DO IN ACCOUNTS PAYABLE
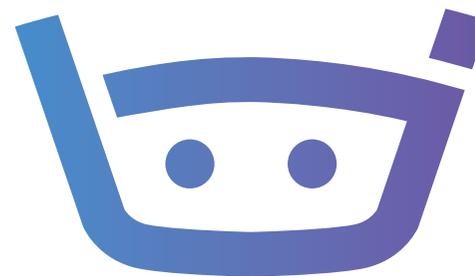
1. Invoice data entry

2. Three-way matching of POs & receipt reports

3. Resolve basic invoice exceptions

4. Fraud analysis

All of this can create stress for AP. In Stampli's survey on AP bottlenecks, excessive amounts of manual processes tied for the second-largest headache.

AI reduces touchpoints and streamlines the P2P process. As noted earlier, it can handle functions traditionally relegated to human staff such as invoice data entry, three-way matching, and resolving simple invoice exceptions. This can make it so that AP staff time is better allocated for more high-level tasks such as fraud review and spend analysis.

LESS OPPORTUNITY FOR ERROR

Humans, as we've noted before, are fallible creatures. They can easily transpose a general ledger code when doing data entry. Or they might accidentally pair an invoice with the wrong purchase order or receipt report. Or they could unknowingly pay a bill twice.

It's not just humans who err. Non-AI technology such as optical character recognition (OCR) tools used for scanning invoices can misread numbers from invoices. OCR tools can also get tripped up if invoices aren't in standardized formats. With the amount that invoice formats can vary among vendors – even among individual vendors as they develop and refine their business practices – it can be easy for inaccurate data to wind up in accounting systems.

AI isn't thrown, however, if an invoice arrives looking different than previous ones. The technology works intuitively, able to intelligently recognize intent behind the data. AI and machine learning can also go through untold numbers of past transactions in the general ledger, uncovering possible anomalies and flagging duplicates.

MACHINE LEARNING ENSURES GREATER ACCURACY OVER TIME

The machine learning embedded in AI can take information to heart, so to speak and become smarter and more adept for future invoice submissions.

Machine learning is all about repetition. Part of what makes accounts payable so ideally suited for AI and machine learning is the sheer number of opportunities the machines will have to learn, with thousands of invoices and even more steps in the P2P process at many companies.

KEY TAKEAWAYS

✦ Artificial intelligence can take over for tedious and unnecessary tasks and allow human staff to focus on more high-level work.

✦ AI can work intuitively to perform tasks like data entry and fraud review with greater accuracy than humans.

✦ Machine learning makes it so that AI gets smarter over time.

RECOMMENDED ACTION:

✦ Analyze which parts of the P2P process are ripe for robotic process automation, such as invoice scanning, three-way matching. Then study if it's best to pursue as part of an AP automation platform.

3. COLLABORATION
(TO ELIMINATE BLACK HOLES & BOTTLENECKS)

When things go sideways in accounts payable, it can be for many reasons. Sometimes it's because one person has far too much power entrusted to them and proper controls for segregation of duties weren't put into place. But very often, as simple as it sounds, bottlenecks and spend chaos in AP can be attributed to a simple breakdown in communication and a lack of effective collaboration.

Even though at times AP might feel like it's own lonely entity, accounts payable is collaborative at its core. It requires that people be able to easily track down the right documents, get approvals from people who are purchasing items or services, and form good relationships with vendors. The easier an AP department makes this for it's staff (and those that are involved with pushing the invoices through) the more fluid and effective accounts payable becomes).

When you're able to crack the code of good collaboration and communication, you can open up new doors of control and productivity.

ENCOURAGING PRODUCTIVE & PROACTIVE COMMUNICATION

At its worst, AP can be a void into which information flows without much response. Whatever AP's balance is, it doesn't align with the general ledger and no one can really figure out why. Even trying to figure out where a particular vendor transaction is in the P2P cycle can be a Sisyphean ordeal. One of the ways to calm the chaos is to incorporate productive communication and collaboration into your processes.

Communication keeps everyone who needs to know in the loop, helping them feel part of the process, and allowing them to make appropriate, helpful suggestions. It helps prevent those calls and emails from suppliers that can consume literal hours and days of staff time each week. Good communication with approvers and purchasers also offers a superb way to monitor spend. Companies will have a keen sense from talking often with suppliers and staff what things should be costing and how often invoices are coming in. They'll know long before there's a problem if the potential for one exists.

A FEW WAYS TO FOSTER COLLABORATION & COMMUNICATION

The thing about collaboration is that companies don't have to just hope it occurs. AP automation software, for one, has built-in adaptive workflows that allow companies to set precise P2P processes, whether based upon purchase type, threshold, or department.

From the moment an invoice arrives and is scanned into the AP automation system, the system can know automatically who needs to see it, even able to reroute if certain key personnel or approvers are out of the office. For companies that haven't opted to implement full-scale AP automation, no problem: Collaboration is still great practice within accounts payable. Companies without full AP automation will simply need to have written workflows dictating when and how collaboration occurs in the P2P process.

WHAT COLLABORATION AND COMMUNICATION TACTICS LOOK LIKE IN PRACTICE

For anyone still curious about how to encourage stronger communication and collaboration at their companies, here are a few practical suggestions:

Going digital (so people aren't having to chase down physical copies of items)
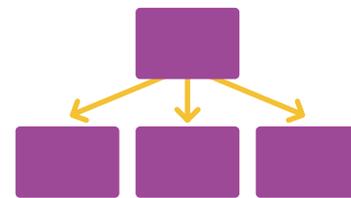
Setting precise P2P processes

Setting up flows that can re-route

Setting up auto-notifications for the people and approvers involved in the P2P process

Having activity logged in an easy to view place

Having ways to quickly ask and answer questions

This list isn't exhaustive, either. If companies want better ways to work as teams within AP, better and better strategies are constantly emerging.

KEY TAKEAWAYS

✦ Communication helps eliminate traditional black holes in the P2P process.

✦ AP automation software makes it easy to collaborate.

✦ There are many strategies and tactics for encouraging better communication, with new ones constantly emerging.

RECOMMENDED ACTION:

✦ Make AP a team sport and have multiple people within your company and perhaps your vendor involved in the P2P process.

4. CONTROL AT EVERY TURN
(INCLUDING SPEND & PAYMENTS)

A lot of AP savings is less about preaching frugality than setting up process improvements that save time and money with every invoice. Striving for a logical and efficient P2P process is perhaps the greatest way to control accounts payable-related spending.

That said, there's a place for spend management within accounts payable, in part because automation and other advances enable it. Here are three spend management strategies that can help bring down costs.

SPEND MANAGEMENT PAIN POINTS

Spend management can be, in short, a pain.

While many employees rightly have access to company credit cards these days, it can mean an increased number of purchases, including subscriptions and autopay services. Companies get to find out about a lot of these purchases at the end of each month or payment term when the statement arrives.

Should companies want a fuller picture, it's not always easy for them to get it in short order if they lack AP automation. Some transactions have to be entered manually. Purchasers might need to be sought out to provide context. And reconciliations will be time-consuming.

MANAGE ALL CORPORATE SPEND, REGARDLESS OF PAYMENT METHOD

It can be tricky to monitor corporate spending, in part because businesses have many different ways to pay bills.

A 2021 survey by Stampli and Treasury Webinars, "How & Why Companies Choose Payment Types" found that 30% of companies preferred to pay their vendors by check, 24% preferred the automated clearing house (ACH), 36% preferred credit cards, 4% preferred virtual or ghost cards, and 5% had no preference.

There can be a lag in AP balances among the different methods because they have different processing times. While credit cards are immediate, ACH times can vary from 3-5 business days. Meanwhile, companies are at the mercy of however long it takes their vendor to cash a check, unless they opt for a cashier's check or money order (for which banking institutions often charge fees.)

The best AP automation systems are payment agnostic, meaning they'll provide accurate data no matter how a company prefers to pay its bills. After all, there isn't really a right or wrong way to pay, merely different business situations that can dictate what might be the most advantageous method.

CORPORATE CARDS WITH INTERNAL CONTROLS AND APPROVALS BUILT-IN

In addition to finding a payment agnostic AP solution, you'll also want to consider one that offers a way to automatically track card spending while putting the control back into the hands of AP. Take, for instance, the Stampli Card. The Stampli Card was designed to stop shadow spend before it happens, giving AP the control needed to properly manage all spend regardless of the payment method by bringing corporate cards and invoices management together, all-in-one place.

The Stampli Card is built on top of Stampli's award-winning AP Automation platform. AP teams can issue, limit, suspend and cancel cards on-demand. With AP controlling card issuing, the proper approvals and controls happen in advance of any transactions, such as who is authorized to make the purchase, how much they can spend, what they can spend it on, and how often they can use the card (one-time, multiple-times, or cyclical). AP can also pre-define specific fields such as GL-coding, vendor, and more to ensure the proper cost allocations.

STAMPLI CARD

Complete control over card usage

Configurable controls (e.g. amount, usage, vendor, budget, etc.)

Instantly create cards with controls

Create approval workflows for card requests, Suspend or cancel as needed

Use Stampli your way

Single platform to pay invoices with Stampli Card, ACH, checks, or other methods

No more waiting until statements

View Stampli Card transaction details as they happen

No more chasing down cardholders

Cardholder auto alerts to add documents, Suspend card of non-responders

No more credit card silos

Process Stampli Card transactions together with all invoices for streamlined AP

KEY TAKEAWAYS

✦ Credit card spending by employees can be tough to monitor without AP automation.

✦ Businesses have a lot of ways to pay these days, which can also complicate spend management.

✦ The more information with credit card spend management – such as purchase purpose, vendor knowledge, and coding allocations – the better for AP.

RECOMMENDED ACTION:

✦ Don't be afraid to include spend management in AP's scope of work, with some automation platforms able to handle it.

5. EASIER APPROVALS
(TO TEE UP EVERYONE FOR SUCCESS)

Slow approvals can hamper AP like few others. In Stampli and Treasury Webinars' survey on AP bottlenecks, slow approvers checked in as the No. 1-largest headache.

Certainly, there are few feelings for AP staff like hustling to get an invoice into their system, three-way matched, and ready for payment approval, only to watch it sit on the desk of an approver for days, if not weeks on end. On the other hand, however, approvers can't be expected to hover hawkishly for every invoice to come their way, nor should they have to.
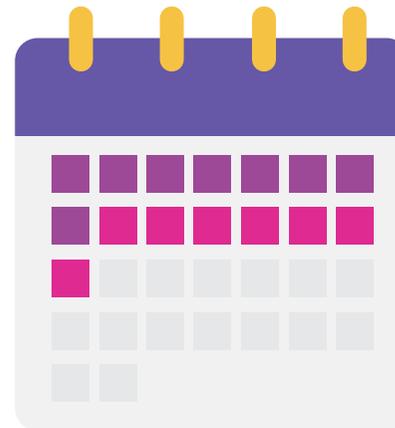
AVERAGE APPROVAL AND PAYMENT TIMES

Stampli and Treasury Webinars' survey on AP bottlenecks looked at how long it takes for invoices to be paid from the point of receipt. It found the following:
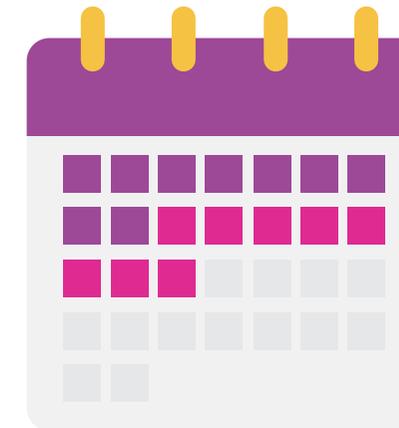
<100 employees	100-1K employees	>1K employees
15 days	**17 days**	**20 days**
8 days to get it into the queue	9 days to get it into the queue	9 days to get it into the queue
7 days for payment	8 days for payment	11 days for payment
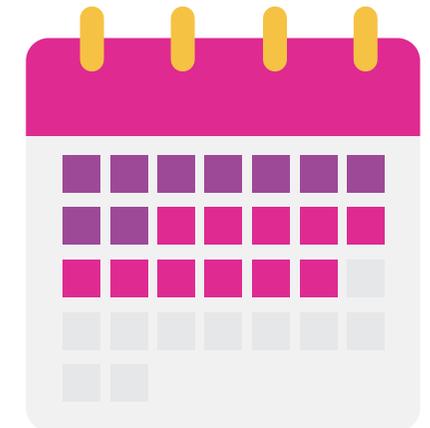
Certainly, many factors can delay payments and approvals, with larger companies perhaps batching more of their AP work and payments for the sake of efficiency or cashflow. That said, there's really no excuse for delayed processing, with AP automation able to greatly speed up the time it takes for an invoice to become payment-ready.

AUTOMATE YOUR APPROVALS

With automation, AP staff are relieved of a lot of anxiety when it comes to approvals. They don't have to physically walk an invoice or its manila file to an executive's office to secure payment approval. Staffers don't have to wait however long it takes for the executive to sign off on the invoice and clear it for payment.

Meanwhile, executives are relieved of having to physically monitor for invoices or have them sent to them via email or fax while they're out on the road. Trips can be frequent, with one aviation and news website noting that while business travel has dropped since the onset of the COVID-19 pandemic in March 2020, companies spent an average of $123 million on travel for their executives in 2019. The site noted business travel has recovered somewhat in 2021 and could be back to within 80% of 2019 levels by the end of 2022.

As business travel continues to return to normal levels, companies will need to have every tool in their belt to ensure invoices reach approvers wherever they might be. Automation makes it so that requests for approval can go directly to the phone or email inbox of approvers.

CREATE ADAPTIVE WORKFLOWS SO APPROVALS DON'T STALL

There will also be times that invoice approvers are simply unavailable and out of the office for a sustained period. In this scenario, it doesn't matter how quickly the invoice gets to their device. It's going to sit.

Businesses will want to have a way for invoices to easily reroute to new approvers. One nice thing about AP automation software is that it offers adaptive workflows, where companies can schedule who gets an invoice if a regular approver isn't available. Meanwhile, companies without automation will want to have contingency planning specifying this.

KEY TAKEAWAYS

✦ Invoice approval times can lag, especially the larger a company gets.

✦ Automating approvals helps reach approvers wherever they're at.

✦ Adaptive workflows help approvals reroute if key personnel is out of the office.

RECOMMENDED ACTION:

✦ Be aware that the approval process can be one of the greatest sources of delay for AP and consider automating it.

STAMPLI

ABOUT STAMPLI

Stampli is a collaboration-based AP Automation platform designed to make each stage of the AP lifecycle empowering and efficient for all involved. Stampli carefully tailors the invoice processing experience by stakeholder – AP Staff, Management, Approvers, and Vendors – giving every individual a delightful experience based on their unique workflows and needs. The right information is always presented to the right person at the right time, resulting in invoice processing times that's 5x faster.

Stampli reduces effort spent on time-consuming processes by utilizing its AI, Billy the Bot, to automate GL-coding, approval selection, notifications, and duplicate identification. This solves for human error and gives your AP team time back to focus on higher value activities.

In addition, Stampli is payment agnostic, letting you decide how you want to pay your vendors. Stampli offers an optional service with maximum payment flexibility called Stampli Direct Pay. Use Direct Pay to pay vendors directly inside of Stampli by ACH, paper checks, or even outside of Stampli.

Lastly, Stampli fits in wherever teams need it. Integrations are available for popular ERPs, including NetSuite, Sage Intacct, QuickBooks, SAP and more.

Visit us at www.stampli.com learn how you can make AP best practices your practices.

If you're interested in reading additional studies conducted by Stampli, visit our resource library.