

Explore how AI-driven innovation and automation are revolutionizing accounts payable processes, and driving efficiency, compliance, and strategic value across organizations.

Transforming Accounts Payable: The Path to Modernization, Efficiency, and Strategic Insights

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Written by: Kevin Permenter, Research Director, and Jordan Steele, Research Manager

Introduction

In these unprecedented times of heightened **uncertainty** and **opportunity**, the role of the CFO has become crucial in not just managing a company's spending and cash flow, but also in driving efficiency, effectiveness, and ensuring compliance. There is a large focus on managing these priorities right at the transaction level and hence the complexities are increasing and becoming transaction-specific. CFOs are putting a lot of energies to not just pivot spend to value, but also achieve supplier satisfaction, ensure process outcomes achievement without heavy personnel cost. Navigating all these demands is simply not possible reliably in traditional operating manner and technology stack and eventually the performance deteriorates with staff churns or focus shifting to some other priority.

The financial industry needs a new breed of AI-first solutions that operate with unstructured data and are persona-specific to address diverse demands and expectations more comprehensively, while maintaining transactional efficiency and keeping the operator's vantage point in perspective. Fortunately, the advent of generative AI (GenAI) will lead to a new category of solutions that address stakeholder experience, efficiency, effectiveness, and compliance at the same time.

Technology improvements when applied right have the potential to not only streamline the accounts payable (AP) process but also provide critical business insights into financial planning and analysis and treasury management decisions.

AT A GLANCE

KEY TAKEAWAYS

- » The future of accounts payable is set to undergo a significant transformation, driven by the convergence of AI, ML, and robotic process automation (RPA), heralding a new era of efficiency and strategic financial management
- » The modernization of accounts payable will open new levels of efficiency, control, and trust in financial operations. With advancements such as generative AI and robust APIs, the future of AP processes is not just about paying bills but also fostering invaluable vendor relationships and ensuring a spend visibility.

Additionally, value chain stakeholders such as suppliers, auditors, and AP processors can satisfy their nuance needs for the process easily.

Benefits to Spend on Modernization

Modernizing spend and accounts payable (AP) processes can bring numerous advantages to your organization. Here are some key benefits:

- » **Increased efficiency:** Automation of manual tasks, such as data entry and invoice processing, speeds up workflows and reduces errors, leading to faster and more accurate payments.
- » **Cost savings:** By reducing manual labor and improving process efficiency, modernization can lower operational costs. Additionally, taking advantage of early payment discounts becomes easier.
- » **Enhanced visibility:** Modern AP systems provide real-time insights into spend data, helping businesses make informed decisions and better manage cash flow.
- » **Improved compliance:** Automated systems ensure adherence to regulatory requirements and internal policies, reducing the risk of noncompliance.
- » **Fraud prevention:** Advanced technologies can detect and prevent fraudulent activities by identifying unusual patterns and inconsistencies in transactions.
- » **Better supplier relationships:** Faster and more accurate payments improve relationships with suppliers, potentially leading to better terms and conditions.
- » **Scalability:** Modern AP solutions can easily scale with your business, handling increased transaction volumes without a corresponding increase in manual work.
- » **Enhanced security:** Modern systems incorporate advanced security measures to protect sensitive financial data and ensure compliance with the latest standards.

These benefits can significantly transform your AP processes, making them more efficient, accurate, and secure.

What are the biggest pain points for AP and procurement professionals?

The current view of economic forces points to impending storms for businesses in the form of supply chain issues, inflations, interest rate hikes, and so forth. For accounts payable departments, the impending headwinds drive extreme focus on visibility and control. Modernization efforts for AP departments are set to continue to grow rapidly. While the focus in increasing, however, AP and procurement efficiency is still quite challenging to achieve. Procurement and AP departments often face several significant challenges. Here are some of the most common pain points:

- » **Data entry errors:** Manual data entry is prone to mistakes, which can lead to incorrect payments and time-consuming corrections.
- » **Slow or inconsistent processing:** Without automation, processing invoices can be slow and inconsistent, causing delays in payments and strained vendor relationships.

- » **Approval delays:** Complicated approval processes can slow down invoice approvals, leading to missed discounts and late payments.
- » **Payment errors:** Duplicate payments or payments made before receiving goods are just some transaction errors that can occur, impacting cash flow and vendor trust.
- » **Fraud:** AP departments are vulnerable to fraud, including fake invoices and unauthorized payments.
- » **Lack of visibility:** Limited visibility into the AP process can make it difficult to track the status of invoices and payments.
- » **High processing costs:** Manual processes can be costly in terms of both time and resources.
- » **Supplier management:** Managing complex networks of suppliers and vendors can be challenging.
- » **Risk mitigation:** This signifies addressing risks such as supplier failures, market volatility, and noncompliance with regulations.
- » **Maverick spends:** This includes unauthorized purchases that bypass formal procurement procedure.

Automation and intelligent software solutions can help mitigate many of these issues by streamlining processes, reducing errors, and improving overall efficiency. While the list of challenge are long, the focus given to each of the challenges has shifted somewhat as the market dynamics have shifted dramatically over the past four years.

Expectations from a best-in-class, procure-to-pay function are shifting:

Procure-to-pay process has undergone significant waves of transformation such as consolidation, outsourcing, and early tech advancements including optical character recognition (OCR), robotic process automation (RPA), and e-invoicing. Historically, businesses often overlooked their value, with the biggest gain being labor cost savings.

As the market has evolved, cost advantages emanating from consolidation and outsourcing are all long drained. GCC leaders, controllers, and CFOs have pivoted to different and much strategic outcomes.

Expectations have pivoted to:

- » Linking transactional accounts payable function to strategic outcomes such as networking capital that is clearly a boardroom agenda
- » Knowing the impact of procure-to-pay resilience is not limited to vendors getting paid but also upholding enterprise reputation and ensuring supply chain continuity
- » Spend at lowest cost remains high on the agenda; however, the cost of inefficiency and poor outcomes in the form of stuck transactions or missed discounts needs to be addressed
- » Taking a holistic view of the payable process from supplier visibility, stakeholder experience, and regulatory compliance rather than just paying invoices
- » Ensuring compliance execution is done at the time of transaction instead of a standalone activity

- » Transitioning to a more proactive role such as driving reverse factoring that benefits all stakeholders

Overall, CFOs and business leaders are now becoming vocal advocates of elevating the role transaction processing teams play, not just because the invaluable data passes through them, but also because the ground teams often hold the key to unlocking the biggest value for organizations.

The role of tech in the modernization journey is also adapting:

The role of technology in enhancing financial operations, particularly in AP processes, is crucial for maintaining a healthy cash flow. It underscores the importance of efficient account payable management and explores the technological options available to optimize these processes. Modernization efforts for AP departments are set to continue to grow rapidly for the following reasons:

- » Improved tech that can enable a higher degree of accuracy. Advanced AP technology allows for more accurate invoice processing.
- » Deeper ecosystems play in which governments are driving transition toward e-invoicing, resulting in tighter control but better data quality.
- » Increased appreciation in suppliers and buyers on need for building value chain trust and thus adopting technologies such supplier portal that enhance end-to-end visibility.
- » Enhanced foresight of future actions. Enhanced data analysis, advance reporting, and data visualization tools help in decision making.
- » Expected pervasive usage of GenAI to read contracts, invoices, and contextual information.
- » Integration with existing systems. Robust application programming interfaces (APIs) that allow essential data to flow more easily.
- » Transparency of data. Modern tools allow invoice visibility.

The modernization of accounts payable will open new levels of efficiency, control, and trust in financial operations. With advancements such as generative AI and robust APIs, the future of AP processes is not just about paying bills but also fostering invaluable vendor relationships and ensuring a spend visibility.

Modernizing AP Provides Greater Control

Organizations are urged to enhance spend control to maintain agility, necessitating updates to financial spending processes and simplification of operations. AP modernization addresses these issues by limiting the possibility of human error, ensuring the highest level of accuracy, ultimately leading to more effective spend control.

- » **Better compliance:** Maintain compliance with tax, data privacy, and sustainability regulations globally.
- » **Easier auditing:** Modern solutions provide more advanced auditing tools than legacy products.
- » **Tighter control of spending:** Modern solutions can establish guardrails for invoice handling and create efficient exception management workflows.

- » **Flexible workflow design:** Modern tools allow users to configure workflows for specific job roles and activities.

Although transitioning to new technologies in the AP department may pose initial challenges, the long-term control benefits of modernizing corporate spend management outweigh these difficulties.

Future Outlook — Future Aspects of Accounts Payable

The future of accounts payable is poised for significant transformation, driven by the integration of advanced technologies such as AI, ML, microservices, and API. These innovations are expected to allow software packages to automate and streamline manual processes, including invoice processing, data entry, approvals management, and payment processing. The future of AP will share four main themes: digital, converged, fully automated, and intelligent.

- » **Digital:** Accounts payable has long been moving away from paper (checks, invoices). But digital business-to-business (B2B) commerce growth and e-invoicing mandated by regulators are making this accelerate.
- » **Converged:** AP is evolving and growing into a broader position including adjacent spending categories such as procurement, expense, payroll, corporate payments, and so forth.
- » **Fully automated:** Invoice ingestion, invoice verification, approvals, and more are capable of being automated in part or in whole.
- » **Intelligent:** AI/ML and GenAI are driving innovation at the heart of AP not just the tactical elements such as matching, data extraction, auditing, and supplier management but also the strategic analytics and reporting.

The future of accounts payable is on the brink of a revolution, with AI, ML, and APIs at the forefront, transforming manual processes into autonomous systems. This evolution toward digital, converged, fully automated, and intelligent AP operations is not just a trend but a necessity, reshaping the accounting profession for a more strategic future.

Industry Dynamics and Trends

Leveraging AP automation comes with its set of challenges. Integrating technology seamlessly into existing workflows is frequently a complex process, requiring careful planning. A strategic approach to data and model implementation is essential to harness the potential benefits.

- » **Agentic AI will take center stage:** IDC foresees and predicts agentic AI in accounts payable will take center stage.
- » **Dynamic pricing adds new dimensions to AP:** Dynamic pricing and discounting are evolving trends in the market, with dynamic discounting specifically gaining momentum for its real-time fluctuation in supplier discounts based on various factors such as payment timing and purchase volume.
- » **Increasing impact of remote and hybrid work models in AP:** The proliferation of remote work redefines the boundaries of AP. This evolution not only facilitates seamless collaboration among geographically dispersed accounting teams but also fortifies data governance with advanced access control and encryption protocols.
- » **AP fraud management focus:** This is mainly due to the increasing complexity of fraud tactics and the growing prevalence of digital transactions as key drivers for this focus. The sophistication of fraud techniques has evolved, necessitating the adoption of advanced security measures such as behavioral biometrics and data analytics to combat these threats effectively.

Agentic AI's Growing Momentum

Agentic AI, or autonomous AI, refers to intelligent systems capable of independent action, decision making, and goal-oriented behaviors with minimal human intervention. Key characteristics include autonomy, context awareness, goal orientation, and continuous learning. Applications span healthcare, finance, retail, manufacturing, and Smart Cities, enhancing tasks such as personalized treatment, fraud detection, inventory management, predictive maintenance, and traffic management. Benefits include increased efficiency, improved decision making, scalability, enhanced customer experience, and cost savings. Agentic AI represents a significant advancement in AI, revolutionizing organizational operations by boosting productivity and operational efficiency. Here are some keyways AI agents are making an impact in AP:

- » **Automated data capture:** AI can automatically extract data from invoices, regardless of format, using technologies such as OCR and ML.
- » **Touchless invoice processing:** AI enables end-to-end automation of invoice processing, from capture to payment, reducing manual intervention and speeding up workflows.
- » **Fraud detection:** AI can identify unusual patterns or inconsistencies in invoices, flagging potential fraud for review.
- » **Three-way matching:** AI automates the three-way match process, comparing invoices with purchase orders and delivery receipts to ensure accuracy before payment.
- » **Approval workflow automation:** AI can route invoices to the appropriate approvers based on historical data and predefined rules, streamlining the approval process.
- » **Advanced analytics:** AI provides real-time insights into AP metrics, such as processing times and payment cycles, helping businesses make informed decisions.
- » **Compliance Monitoring:** AI ensures compliance with internal controls and external regulations by automatically checking invoices against set criteria.

By leveraging AI, AP departments can significantly reduce errors, lower processing costs, and improve overall efficiency. The growing interest and investment indicate that agentic AI will play a crucial role in the future of financial operations and, particularly, in spend management applications.

Considering PwC's Agentic AI-Powered Intelligent Spend Management Suite

An AI-first, fully connected solution prioritizing outcomes:

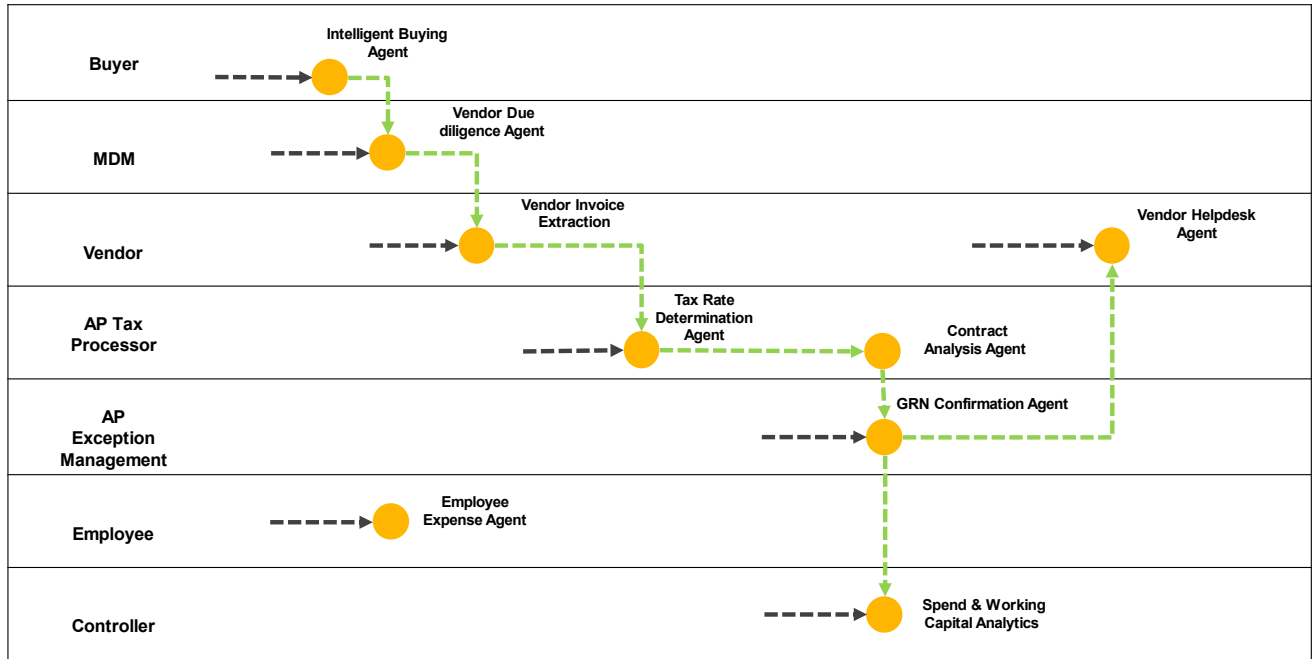
No matter if it is finance function processing accounts payable invoices or a GCC/outsourced operations centrally managing vendor invoices and payments, current systems leave a lot to be desired. PwC has put AI to work with AI coworkers augmenting humans across the spend and AP process. In this agentic AI approach, PwC's solution has nine GenAI agents for each actor in the process, namely, buyer, master data team, vendor, AP processing team, employee, finance controller, and CFO.

PwC's AI driven product is designed to improve effectiveness and experience, offering persona-specific AI tools. The product has an underlying orchestration workflow connecting stakeholders from supplier sending invoices to payment teams including tax, contracts, and buyers. Alongside embedded AI, the platform also has traditional features such as

supplier portal, AI-based OCR for invoices, validations, transactional data storage, and enterprise resource planning (ERP) integrations, making the AI agents work seamlessly.

With this solution, PwC aims to enable value unlocking with a road map for ROI realization for the stakeholders including CFOs, controllers, and purchasing managers.

FIGURE 1. **Agentic GenAI in PwC Intelligent Spend Management Suite**



Source: PwC

For GCC leaders and finance controllers, the solution offers integrated AI-powered workflows with domain-relevant UX, intelligent workflows, and prepackaged ERP integrations with leading solutions.

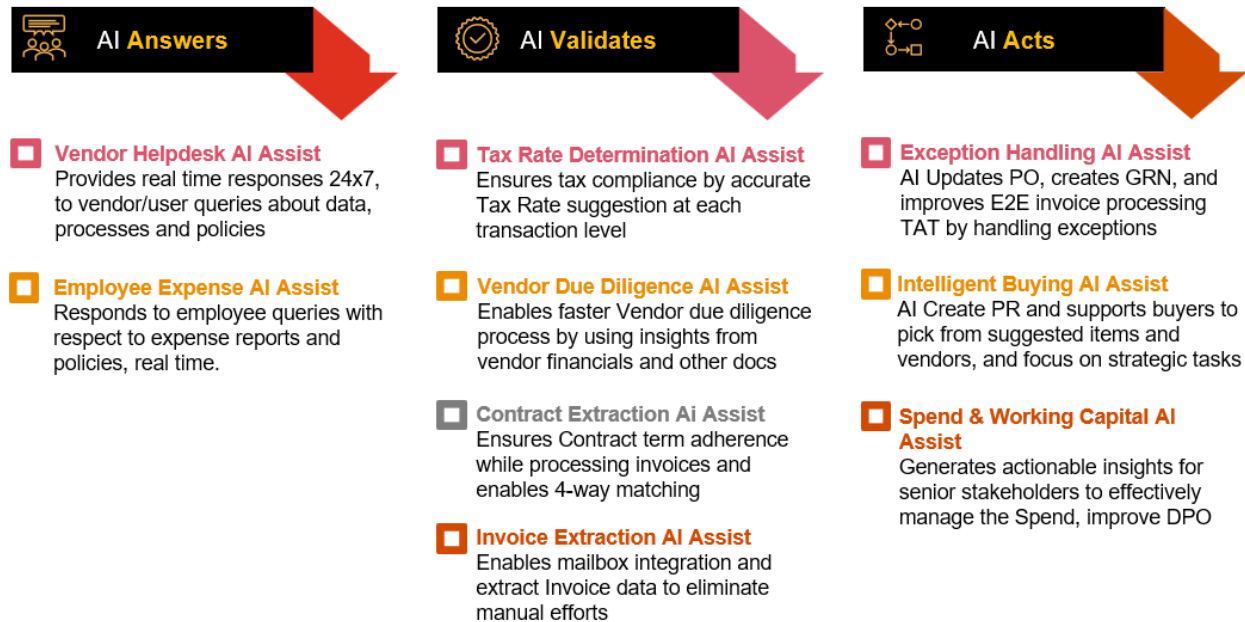
Technology/Product Discussion

PwC’s Intelligent Spend Management Suite Includes tools designed to enhance accounts payable operations.

Orchestrated around critical personas, the platform allows various stakeholders to experience an AI-powered cockpit of their own and shows different GenAI and Non-GenAI functions that can be performed in it.

FIGURE 2. **Design Principles for PwC Intelligent Spend Management Suite**

Role of AI in Intelligent Spend Management Suite



Source: PwC

PwC's solution allows vendors to submit their invoices through a supplier portal that has Invoice reading capabilities and a workflow for collaborative approvals.

Upon a closer look at some of the examples of workflows and features it becomes clear that AI can take our difficult parts of the process. For example, **Intelligent Vendor AI agent** provides vendors with 24 x 7 access to answers through natural language interactions. Connected to process, policy and invoice data, the AI Agent can answer a host of queries such as:

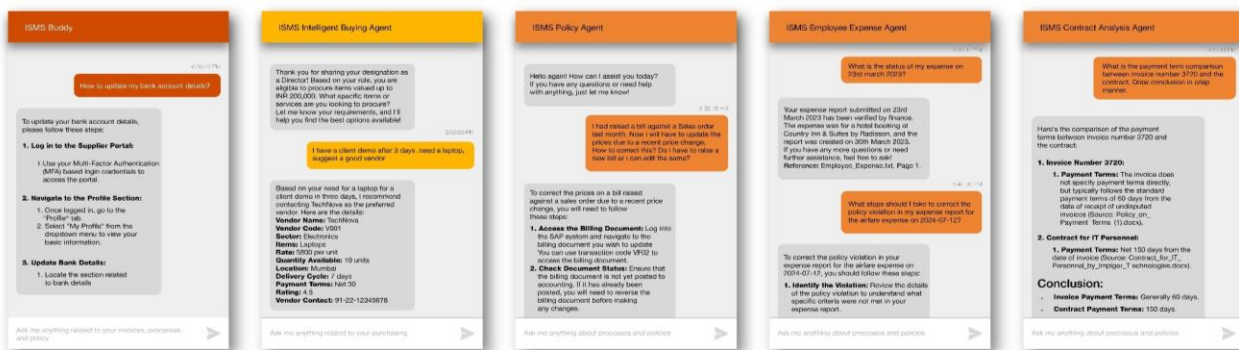
- "What is the status of my invoices submitted in last month?"
- "What is the reason for rejection or delay in invoice payments?"
- "I recently added a new bank account, how do I get it registered?"
- "I am awaiting Tax Deduction certificates, please mail them to me."
- "I want to do my full account reconciliation send me my report."

PwC's Intelligent Spend Management Suite incorporates AI assistant designed to support efficiency and accuracy in accounts payable (AP) processes. Here are some key features of this AI assistant:

- » **GenAI-powered vendor helpdesk:** This feature uses natural language understanding to provide context-based resolutions to vendor queries, reducing the workload of AP staff.

- » **AI-powered tax rate determination:** The AI assistant helps in compliance by identifying potential tax rate errors at the transaction level, supporting tax reviewers in maintaining accuracy.
- » **AI-powered due diligence agent:** AI helps organizations to onboard vendors intelligently by automating the diligence work based on financial statements and other documents.
- » **AI agent for invoice extraction:** Leveraging the power of GenAI to extract the information from invoices takes the accuracy of invoice information to a never seen before levels. This process essentially helps organizations to kill the throughput issues.
- » **AI-powered buying agent:** An intelligent buying agent is an AI coworker for the buyers and the employees in the organization. Depending on the employee profile (designation), the current role (e.g., strategic sourcing), AI agent is designed to help the buyer drive the conversation in natural language and identify the appropriate information. All of the conversation with AI agent is aimed at creating an action that will get created as a purchase order in the base ERP.
- » **AI-enabled GRN agent:** The platform allows the organization to manage process exceptions for GRN creation by automating exceptions in the process and creating GRNs.
- » **AI-powered contract validation agent:** Four-way reconciliation in the accounts payable person's cockpit. Contract clause extraction validated with invoice data can identify gaps and confirmation areas.
- » **AI-powered talk to data:** With AI's ability to question the data and create insights on working capital and spend information, information can be turned into actionable insights.

FIGURE 3. *Birds-eye-view of Platforms and AI Agents*



Source: PwC

Benefits

PwC's Intelligent Spend Management Suite offers several benefits designed to streamline and optimize the accounts payable process. Here are some of the key advantages:

- » **AI-powered touchless automation:** The suite uses AI to automate key steps in the AP process, such as invoice capture and payment, reducing manual intervention and increasing efficiency.

- » **End-to-end transparency:** Provides real-time visibility into invoice status, supporting timely payments and facilitating supplier relationship management.
- » **AI-led AP exception handling:** Features an AI-driven GRN Confirmation Agent designed to address bottlenecks in the accounts payable process when a lot of invoices remain stuck due to incomplete GRNs.
- » **AI-powered contract and tax validations:** Ensures accurate and compliant contract and tax validations through AI-powered automation.
- » **Integrated accounts payable solution:** Provides the user with the opportunity to harness touchless and automated invoice management and adaptable processing workflows.
- » **Supplier self-service portal:** Suppliers can upload invoices, manage their profiles, and view real-time invoice status, reducing the need for direct AP staff involvement.
- » **Compliance management:** Supports compliance with various tax and regulatory requirements.
- » **Intelligent workflows:** Automates approval workflows and exception handling, streamlining the process and reducing delays.
- » **Advanced analytics:** Provides insights for improved spend management and working capital optimization through interactive dashboards.
- » **Integration capabilities:** Seamlessly integrates with existing ERP systems, enhancing the overall efficiency of financial operations.

These features are designed to enhance the efficiency, accuracy, and compliance of AP processes, ultimately contributing to improved financial management.

Market Challenges and Uncertainties

Although PwC's Intelligent Spend Management Suite offers numerous benefits, there are some challenges and considerations to keep in mind:

- **Market uncertainty.** In 2024, we already saw the regulatory landscape continue to shift and become more complex with new/updated environmental, social, and governance (ESG)/green accounting, e-invoicing, and payment mandates throughout the various global markets. We also saw the geopolitical landscape in constant flux. All this uncertainty created a financial minefield that businesses of all sizes had to negotiate.
- **Burden of educating the market about GenAI possibilities in AP.** Although the idea of AI applied to financial operations has been around for some time, the typical financial business leader still needs education around the rapidly evolving possibility brought forth by AI/ML.
- **Change management.** Adopting new technology often requires a cultural shift within the organization. Employees need to be trained and comfortable with the new system.

Addressing these challenges involves careful planning, thorough training, and ongoing support to ensure a smooth transition and effective use of the software.

Advice for Buyers

When selecting AP software, it is important to consider several factors to ensure you choose the right solution for your business needs. Here are some key pieces of advice for AP software buyers:

Identify Business Drivers

- Outcomes expected from solution
- Progressive success criterion from the solution
- Change expected to be driven in the organization

Select Right Journey Partner

- Experience with Domain & Best Practices
- Hands-On Demo of the solution
- Comfort with ongoing ambiguity
- Vendor's strategic outlook on solution

Consider Building Blocks

- Does platform allow for an API based connectivity
- Does platform allow for data & analytics for future
- Does it allow for an adaptable workflow

Own Implementation

- Active role in defining and agreeing requirements
- Invest time in getting solution sign off
- Integrate and test the scenarios that are business-critical first

Post Implementation Support

- Service levels and support
- Ongoing change management
- FAQ, SOPs, and learning logs
- New feature road map

AI as Augmentation Layer

- How can AI increase process effectiveness?
- Can AI make my stakeholders experience richer ?
- Can AI deliver productivity in the process?

By carefully considering these factors, you can select an AP/procurement software solution that enhances efficiency, reduces errors, and supports your business's growth.

Conclusion

In an era marked by global uncertainty, the significance of the CFO and the accounts payable department has escalated, becoming pivotal in managing cash flow and enhancing the efficiency of vendor payments. The evolving landscape, characterized by supply chain disruptions, ongoing pandemic challenges, and looming economic downturns, has necessitated a shift in the role of AP managers. They are critical components in maintaining business continuity and improving operational efficiency. The document underscores the importance of technological modernization within AP processes, advocating for the adoption of generative AI to automate and streamline operations. This technological advancement not only promises greater control over financial spending but also fosters innovation, better decision making, and operational agility. However, integrating such technologies poses challenges, requiring meticulous planning to ensure seamless workflow integration. Looking ahead, the future of accounts payable is set to undergo a significant transformation, driven by the convergence of AI, ML, and robotic process automation (RPA), heralding a new era of efficiency and strategic financial management.

About the Analysts



Kevin Permenter, Research Director

As a research director, Kevin Permenter provides insights and analysis across multiple financial technology (fintech) market segments including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury, and enterprise payment management. Kevin leads qualitative research efforts that drive a series of technology buyer-focused documents and end-user surveys.



Jordan Steele, Research Manager, Worldwide Financial Applications Support

As a research manager, Jordan Steele is a key contributor in our financial applications markets. Jordan provides insights and analysis across the financial application market segments including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury, and enterprise payment management. Jordan's research includes Market Shares, Market Forecast, Market Glance, Market Analysis Perspectives, and MarketScapes across the key financial application market segments.

MESSAGE FROM THE SPONSOR

Globally in any enterprise "Procure to Pay" function directly impacts business's efficiency and effectiveness. PwC's agentic AI solution prioritizes business outcomes with 9 focused AI Agents. A well-tailored implementation can increase efficiency by 25-30% and enhance stakeholder experience. Some of the key differentiators of the solution are:

1. AI Agents for Contract validation with Invoice, Exception handling & Vendor helpdesk
2. Supplier Portal and Embedded AI's Invoice extraction
3. Tax Validations driven by AI
4. Working capital and Spend Management as key outcomes

To know more visit: <https://store.pwc.in/en/products/intelligent-spend-management-suite>

 **IDC Custom Solutions**

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IDC Research, Inc.
140 Kendrick Street
Building B
Needham, MA 02494, USA
T 508.872.8200
F 508.935.4015
Twitter @IDC
blogs.idc.com
www.idc.com

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