

# Why Best-of-Breed Solutions Consistently Beat ERPs in the Accounts Payable Arena

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## Executive Summary

In nature, a bird in the hand may be worth two in the bush. But it can be a risky view to take with enterprise technology, where ever-present Enterprise Resource Planning (“ERP”) systems purport to support myriad operations. Simply flip a switch on the in-place ERP and let the digital transformation commence is the standard pitch, while nothing could be further than the truth. The digital transformation of key business processes like accounts payable (“AP”) (and/or Procure-to-Pay (“P2P”) and Order-to-Cash) operations takes among other things, sponsorship, effort, collaboration, vision, and expertise. Above all, it requires a supporting technology that can automate core processes while meeting strict business and technical requirements and offering a strong user experience.

When pursuing an AP transformation, one of the first decisions to make is whether to leverage the existing ERP or utilize a Best-of-Breed, ePayables solution. This report examines the key considerations needed to make that decision by comparing and contrasting the capabilities of these two distinct types of solutions.

## The Value from AP Automation: Efficiency & Knowledge

In a year marked by uncertainty and a global pandemic that added “work from home” to the business lexicon, the challenges of manual, labor-intensive, paper-laden, processes have been exposed for what they are: highly-inefficient, costly, and major obstacles to the modern business and ultimately, a threat to business continuity and overall success. The need for any virtual business function or team to maintain a consistently high level of output is built upon a strong foundation of communication, collaboration, and visibility. As a result, more enterprise executives are taking a hard look at their internal business processes in order to determine where and how to drive value and mitigate risk via digital transformation. One of the areas garnering greater attention and interest in 2021 is accounts payable (“AP”).

With this new focus, AP has an opportunity to drive change and position itself as a strategic, value-adding organizational resource that can positively impact financial operations and performance and, technology plays a key role in AP's ultimate success. Selecting the right AP automation solution is crucial to ensuring that the AP function is able to deliver on its potential.

### Time, Cost, and Accuracy Gains

Ardent Partners research has shown that transforming the modern AP function via the removal of paper invoices and checks from the AP process can drive down costs significantly while improving effectiveness. Most AP and finance leaders understand the perils of paper and manual processes for their organizations as well as the benefits of AP automation which can significantly improve performance, increase efficiencies, reduce risk, and drive more value.

Notably, Ardent Partners research has consistently shown that automated invoicing

processes can cost between 40% and 80% less when compared to manual, paper-based processing methods. When these gains are applied to a majority of invoices, the business case for AP transformation can usually be made.

Modern AP automation solutions can be powerful force multipliers for short-staffed middle-market AP and finance teams, enabling them to process a greater volume of work and freeing them to pivot to more strategic, value-added activities. They also better enable a ‘work from anywhere’ capability that bypasses inefficient and ineffective manual activities, like the use of email or interoffice mail to route an invoice for approval (something almost entirely impossible amidst the COVID-19 pandemic). Best-in-Class AP and finance teams consistently demonstrate the effective use of ePayables solutions to increase efficiencies and productivity, reduce invoice exceptions, and cut invoice-processing times and costs.

Basic process automation also lays the foundation for smarter systems that capture valuable AP data and enable smarter decisions to be made within AP and by AP's strategic partners within treasury and procurement.

### With Great Visibility Comes Great Knowledge

It is a universal truth that with knowledge comes power, and nowhere is this more apparent than in the data-driven business world of today. Enterprises of all sizes are constantly on the hunt for more and better data concerning their operations, with the express intent of using this knowledge to make better decisions. This drive to collect and analyze operational and financial data in order to make better decisions has resulted in a desire for increased visibility into all data sources including those that have previously been overlooked, like AP.

The drive for enhanced data visibility has resulted in increased attention on AP, as well as a greater willingness to invest in improving the function beyond simply improving process efficiencies. As a result of this trend, the modern AP team is becoming better-positioned to evolve beyond its transactional past and showcase its strategic value to the broader enterprise. This opportunity exists because AP collects extensive financial and operational data, largely as a function of its uniquely central role in the business, and Ardent Partners research has shown that access to this data can drive substantial benefits.

The advantages of increased visibility into AP's invoice and payment data include improved exception handling, more nuanced cash forecasts and budgeting, better supplier management, and an increased ability to impact cash management. Improving these areas can help drive better business results, and give multiple departments within the enterprise the ability to more effectively pursue their specific goals. Considering the visibility "dividend" that is generated by an investment in an ePayables solution (Ardent's term for the technologies which automate all or part of the extended AP process, including invoice and payment processing), automating AP can not only drive efficiencies but also have a considerable impact on business operation.

Ardent Partners research over the past decade has shown that the Best-in-Class AP departments, in general, invest significantly more in ePayables and extract greater value from those investments.

## Ardent Partners' ePayables Framework

Understanding the current state of the AP function is one of the most important steps in technology transformation, and also an easy one to skip in the rush of selecting a new solution. Ardent Partners developed its "ePayables Framework" (see Figure 1) to help AP departments better understand and improve the various sub-processes within AP by segmenting them into more manageable pieces. The Framework can also be used to help manually-intensive AP groups understand the technology landscape and help those that have begun to automate better understand how to optimize their technology investments.

A critical part of an AP transformation initiative is finding the solution provider that meets your organizations requirements. Before getting to the 'Solution Selection' stage however, an organization should go through the steps necessary to determine its specific requirements.

Figure 1: Ardent Partners' ePayables Framework™



The first two segments of the AP process – “Receive” and “Process” – include the solutions and methods that AP (or buying) organizations use to receive, validate, match, approve, and process invoice information before scheduling payment. While these phases are functionally similar in every enterprise, the sub-steps across them can vary depending on factors such as company size, industry, and geography; the steps can also be different based on organizational maturity and level of automation in place.

Invoices that have been validated, matched, and approved move into the final phase of the ePayables framework – the “Pay” phase – which includes both the scheduling and execution of the vendor payment. During this phase, the AP team can work most closely with treasury and finance to develop and execute supplier payment strategies that can assist with working capital optimization.

## AP Solutions: “To BoB or Not to BoB?” (That is the Question)

Automation can have a truly transformative effect on the AP process by removing paper (and the manual activities associated with it) from the invoicing and payment processes and allowing for deeper process visibility as well as greater control over and insight into financial and operational data. For the AP team looking to implement these solutions, however, it is vital to understand the technology landscape and the innovations set to alter it within the next few years.

For many organizations, the first AP transformation technology decision is whether to utilize a Best-of-Breed (BoB) ePayables solution or to adopt the functionality offered by the current ERP(s). There are many considerations to take into account which are discussed later in this paper, but it makes sense to start by looking at the origins or genesis of both solution options.

### **Enterprise Resource Planning (ERP) solutions:**

According to Wikipedia, ERP is “usually referred to as a category of business management software—typically a suite of integrated applications—that an organization can use to collect, store, manage, and interpret data from many business activities.” The solutions have been around for decades and were originally designed to manage resources and connect various back-office functions such as manufacturing, operations, and finance.

But, the simple fact of the matter is that while ERPs can support a variety of business functions and processes well, processing invoices and B2B payments (and managing the associated data) is not among them. When it comes to non-core functional support, the intended goal of the ERP is to present an acceptable alternative to other Best-of-Breed solutions. In the AP arena, the capabilities of most ERPs can best be described as perfunctory, allowing an ERP to “check the box” on some key requirements, but offering little else.

### **Best-of-Breed ePayables solutions:**

Ardent Partners uses the term ePayables to describe the solutions that automate all or part of the AP process as shown in the ePayables Framework above. These solutions were developed specifically for the purpose of transforming and automating the AP function. In point of fact, these solutions exist precisely because of the inability of ERPs to fully support an AP department.

Most ePayables solutions were built in the cloud, enabling more rapid product development and the frequent introduction of new innovations like machine learning, mobility, and AI. Additionally, the vision and strategic direction of BoB providers are entirely focused on improving the experience and results of their customers’ AP departments.



## Key Considerations

Ardent Partners uses a rigorous, multi-modal research process that leverages qualitative, quantitative, and deep market knowledge to evaluate different AP automation solutions and advise enterprise teams on the best-fit solution(s) available in the market. Ardent has taken its standard approach to solution evaluations and applied it as a way to compare and contrast standard ERP and BoB ePayables offerings.

### Feature Functionality

For AP Automation solutions the following criteria and considerations should to be taken into account: breadth and depth of AP functionality, user interface and ease of use, data visibility, supplier enablement and invoice submission, single vs. multi-ERP integration and support, integration with third-party purchase order systems and applications, security and compliance, mobile application capabilities, manageability and ongoing support, customization capability, and value or total cost of ownership / ROI.

**ERPs** were not originally designed with the sole purpose of managing accounts payable. In fact, it is only after years in existence that they were expanded to address this particular operational function. Today, ERPs are able to

manage the core requirements necessary for automating accounts payable operations but overall they lack the depth and breadth found in most Best-of-Breed AP solutions.

**Best-of-Breed AP solutions** were first developed more than twenty years ago to solve the needs and challenges faced by the AP function. It is important to understand the comparative strengths of Best-of-Breed solutions within the entirety of the AP process. These solutions offer significant advantages in terms of overall functionality. Their focused and unique design for the AP function enables them to deliver greater impact and improved effectiveness. **Winner: Best-of-Breed.**

### Ease of Use

The easier an AP Automation solution is to use, the faster it will be adopted, the happier and more satisfied end users will be, and the better results the organization will achieve. The value created by a solution is directly tied to how frequently and how well it is used. Solutions that highlight usability and speed of deployment drive greater activity and impact.

Best-of-Breed AP solutions have a user interface (UI) that has been specifically designed for AP, Finance, and Treasury practitioners. Most are straightforward, intuitive, easy to use and have quick adoption rates by end-users. This helps to keep the total

cost of usage down via reduced deployment and training expenses while providing the users with the necessary capabilities to manage the successful launch of the solution on their own. For example, cloud providers try to streamline and simplify the set-up of users and business rules through a do-it-yourself method (often referred to as set-up wizards). The delivery method of the solution combined with the ease of use and “DIY” functionality allows clients to get up and running quickly, accelerating the solution’s time-to-value. ERPs, on the other hand, have not traditionally been known for their user friendliness nor intuitive design. Additionally, in enterprises with multiple back-end ERPs, users only have to learn how to use one tool for AP automation instead of a different tool and UI for each system. **Winner: Best-of-Breed**

### Visibility, Reporting, and Intelligence

Accounts Payable sits on a wealth of untapped financial and business data. The key is having access to this information and being able to extract it and turn it into intelligence that can be utilized throughout the entire organization. Enterprises should look for solutions that include standard, pre-defined reports and the ability to track and analyze key metrics.

Reporting capabilities can give business leaders a real-time, accurate view of payables, monitor cash flow, perform accruals, establish and track key invoice and payment metrics, continuously improve AP performance, and make more informed decisions regarding vendor payments.

Best-of-Breed AP solutions, unlike ERP offerings, not only have out-of-the-box reporting, KPIs, and role-based dashboards specifically designed for the needs of AP, Finance, and Treasury, they are also able to collect and cull data from multiple, back-end ERP systems simultaneously and provide enterprises with one version of the truth across the entire

organization to help make better, more informed spend management decisions. **Winner: Best-of-Breed.**

### Focus and Breadth of Offering

To fully realize the opportunities available across the entire value chain, AP transformation projects must address the full scope of operations as diagrammed in the ePayables Framework above. A holistic perspective on transformation allows AP and other project stakeholders to examine the full AP workflow from a “bird’s eye view” and uncover previously hidden process efficiencies, as well as pathways for greater strategic impact.

As enterprises compete on all fronts, how each business function or team executes can have a cascading effect on the larger enterprise. Business leaders use technology to scale and streamline operations, but they also want to use technology to improve them. Best-of-Breed AP solutions are just that, solutions designed specifically to improve the efficiency and effectiveness of AP operations. This is its primary focus, not an add-on to a solution that was designed to augment another application. It is important to compare the depth and breadth of the solution being considered.

Best-of-Breed AP automation solutions are more likely to address the entire “ePayables Framework” from invoice submission, processing, and payment as well as addressing other critical areas such as electronic invoicing, P2P, and order to cash (O2C). The more progressive offerings leverage augmented intelligence (AI), machine learning (ML), and robotic process automation (RPA) to lower costs, boost efficiency, and improve the overall ROI of the solution. When selecting a solution it is important to understand all that it has to offer and the technologies in use. **Winner: Best-of-Breed**





## Supplier Enablement

Enablement is a big part of the equation, but usability, accessibility, and cost are other factors that will determine how frequently and how successfully a supplier uses a system. Systems that provide suppliers with the self-service capability to manage both the transactional aspects of invoicing and the information, communication, and visibility components of the process are seen as very effective ways to drive supplier adoption. For example, some solutions enable suppliers to directly manage their remittance information or view invoice and payment status.

BoB providers understand that an effective supplier enablement program is critical to the success of an AP transformation. These providers design specific processes and technologies and create dedicated supplier enablement teams to maximize the number of invoices handled by their systems.

When it comes to supplier enablement, the services offered by ERPs are a mixed bag. Some have processes that detail how vendors how can participate on their systems, but often lack the requisite technology and dedicated teams to help drive supplier participation. **Winner: Variable (more information required)**

## ERP Integration

An ERP system is designed to serve as a single 'version of the truth' for a company. AP solutions from ERP vendors are built directly in that ERP and no integration is needed. However, when a company has multiple instances of the same ERP or multiple, disparate ERPs from various vendors, integration is needed to connect all of the differing systems. The ability to connect, access, and integrate with back-end ERP systems is a core tenant of Best-of-Breed Accounts Payable Automation solutions with 10, 20, 30 or even 100+ pre-built integrations, available out of the box. These pre-built APIs streamline the process and enable BoB solutions to provide a real, 'single version of the truth' for the entire company and not just one piece of the business. With this expanded view, AP is now able to provide visibility into the data of the entire organization and act as a hub of knowledge that can be leveraged and shared by **Winner: Variable in a single ERP environment; Best-of-Breed in a multiple-ERP environment.**

## Integration to Third Party Solutions (i.e., P2P)

An AP solution's ability to integrate to other ERP systems is important, but so is its ability to connect and integrate with other third-party business process solutions like eProcurement systems (to create a full, closed-loop Procure-

to-Pay system) and Supply Chain Finance. For Best-of-Breed ePayables solutions these types of integrations are table stakes and frequently pre-built. It can be a different case entirely for ERPs that rarely proactively develop integration capabilities with solutions developed outside of its immediate ecosystem. **Winner: Best-of-Breed.**

## Mobile Capabilities

Mobile access is no longer a “nice-to-have” feature; it is now a requirement for all of today’s cloud offerings. From an AP perspective, the ability to access the solution via a mobile device can improve invoice processing times and overall efficiency of the solution by providing immediate access to remote or field staff and frequent travelers. **Winner: Best-of-Breed.**

## ROI and Cost Effectiveness

From an administration and cost perspective, which makes more sense – having one solution that integrates with all of your back-end systems or having individual solutions for each one? Which scenario is better for your staff – learning and mastering one solution that can address all of your needs or having to learn multiple solutions that operate entirely differently? Licensing, support, and ongoing maintenance costs must also be taken into account. From a cost perspective, does it make more sense to have one system for all of your AP needs or multiple systems? ERP user licenses are expensive, and having one for every user of an AP automation solution can be cost prohibitive. Best-of-Breed AP solution offerings do not require that each user have an ERP seat license and also make solutions more accessible for users who need to use the system.

When determining an ROI on an AP automation transformation initiative, there are many considerations you need to take into account, it is imperative that you look at the big picture and understand the implications

and benefits of selecting a Best-of-Breed AP solution versus an ERP AP solution, not only today but also into the future. **Winner: Variable (more information required).**

## Deployment, Customization, and Support

Implementing an ERP is expensive, time-consuming, complex, and requires significant IT resources and technical training. Ongoing costs for customizations required by AP, ongoing support and maintenance add to the overall financial impact. ERP implementations and upgrades are a major undertaking that impact just about every part of an enterprise. Unfortunately, more often than not, AP is not high on the priority list when it comes to solution selection, implementation, customization, roll out to end users, and any other specific requests or needs.

When an organization is selecting an ERP, considerations must be made for the entire business, and AP is just one small piece of that puzzle. When AP selects a Best-of-Breed solution, AP’s needs, wants, and requirements are the primary focus of the discussion and AP plays a lead role in the final solution selection. The same cannot be said when an AP solution is selected as part of a larger ERP purchase and implementation.

Most AP and finance departments do not have the resources, expertise or time required to manage a long and complex technology deployment. Best-of-Breed AP solutions cost less, require fewer resources and training to implement, and can be implemented and up and running faster than an ERP implementation. **Winner: Best-of-Breed.**

## Solution Roadmap and Future Support

The needs of your business may look different in the future than they do today. Organizations grow or shrink, focus shifts, acquisition of other enterprises or entering new markets occur, etc. In short, the future is unknown and so are your business requirements. The ERP your organization runs today may not be the same one it has in the future, or more importantly, the only one you need to support. Best-of-Breed AP solutions are designed to help you adapt to whatever changes the future holds. Since these solutions sit on top of an ERP, switching the back-end ERP or adding others to the mix is not a problem. The same cannot be said for AP automation offerings from ERP vendors. The point here is that you want to be sure the solution selected for automating the AP department can adapt and grow as the business changes. **Winner: Best-of-Breed.**

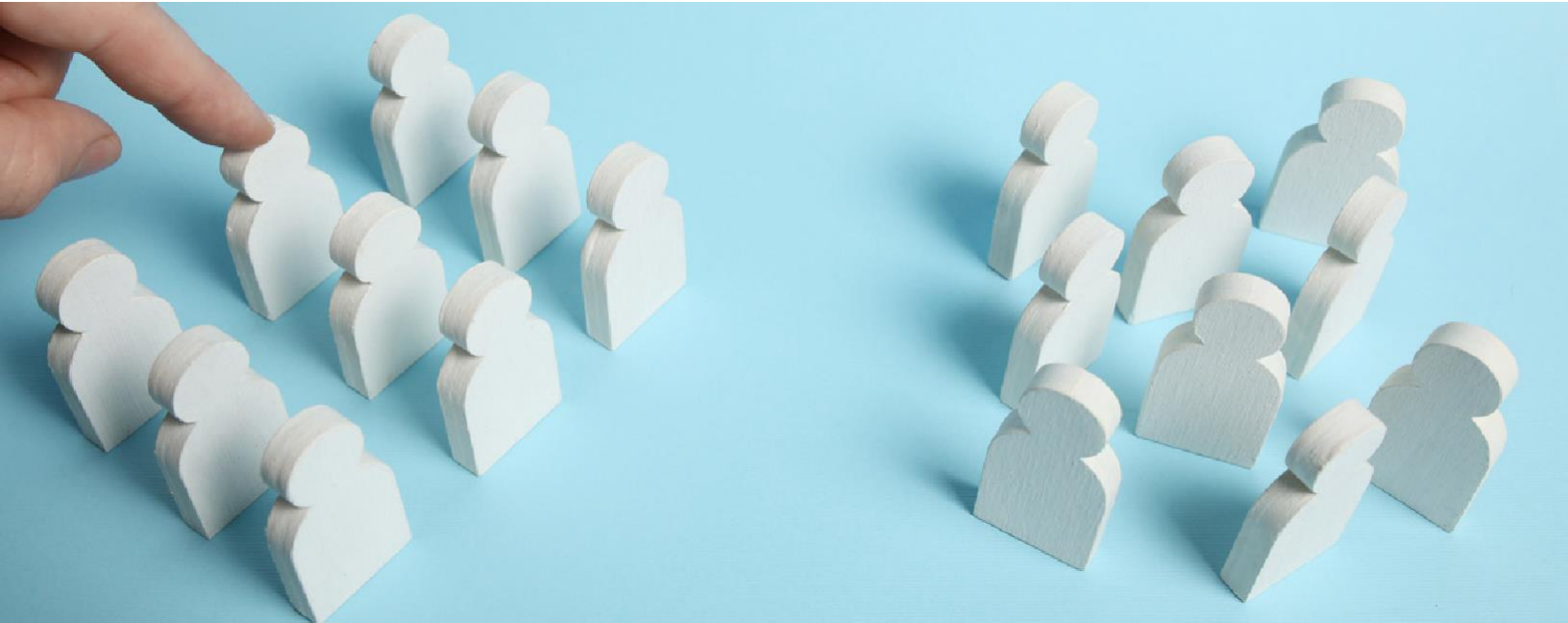
## Vendor Management (and Non-AP Functionality)

In the context of process automation, underlying functionality is not always a primary consideration. This is particularly true when IT groups have a larger say in solution selection than the business process owner. In many cases, IT departments prefer to minimize the number of software solution providers that support their businesses use. This strategy can present financial and technological synergies, often at the expense of deeper solution capabilities and impact. These organizations prefer to use a larger set of applications from a single provider on a company-wide basis across a broader range of users and departments that can include areas such as human resources, CRM, manufacturing, accounting, IT Helpdesk, eCommerce, order processing, inventory management, marketing automation, etc. **Winner: ERP.**

Figure 2: Best-of-Breed vs ERP Scorecard

Best-of-Breed vs ERP Scorecard		
AP Considerations	ERP	BoB
Feature Functionality		✓
Ease of Use		✓
Visibility, Reporting and Intelligence		✓
Focus and Breadth of Offering		✓
Supplier Enablement	Variable	
Single ERP Environment	Variable	
Multi-ERP Environment		✓
Integration to Third Party Solutions		✓
Mobile Capabilities		✓
ROI and Cost Effectiveness	Variable	
Deployment, Customization and Support		✓
Vendor Management (and Non-AP Functionality)	✓	
Solution Roadmap and Future Support		✓

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## Conclusion

For more than a decade, the research published by Ardent Partners has shown that an investment in the automation of the AP process can provide significant dividends, including, but not limited to, cost savings, process efficiencies, superior visibility/intelligence, and improved supplier relationships.

AP teams interested in moving to a higher level of performance must garner the support of their functional partners in procurement and treasury and work collaboratively to change the perception of AP as a back-office team focused on invoice processing into that of a vital function that can support the strategic objectives of the enterprise. They must also select the right technology.

Innovative technologies can, and frequently do, have a dramatic impact on accounts payable ("AP") operations. The right AP automation solution can streamline invoicing

and payment processes, as well as enable access to the wealth of financial and operational data that AP collects on a daily basis. For the AP team looking to implement these solutions, however, it is vital to understand the technology landscape and the innovations set to alter it within the next few years.

Ardent's detailed review of the key capabilities offered by a standard Best-of-Breed ePayables solution and those available in the organization's existing ERP(s) reveals a clear advantage for the Best-of-Breed solution.

The future of AP is now and that future does not involve an ERP as the core platform. By developing the necessary acumen and technological prowess, while also harnessing the power of new innovations, the modern AP function can transform its own operations to become a flexible hub of actionable enterprise intelligence.



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Bob is a globally recognized expert in accounts payable, B2B payments, business networks, Procure-to-Pay, supply chain finance, and strategic marketing. For more than 20 years, Bob has focused on helping enterprises develop and execute strategies to achieve operational excellence in their finance, procurement, and marketing organizations.

As an analyst, he benchmarks thousands of enterprises across all facets of their accounts payable, business networks, supply chain finance, and B2B payments operations and leverages these insights in his roles as Vice President of Research. His real-world buy side experience in ePayables and P2P transformations, solution adoption, and customer use cases provide him with a unique context for his research, writing and advisory services. He is also the editor of PayablesPlace ([www.payablesplace.com](http://www.payablesplace.com)), the global source for ePayables news, research and analysis the news and research for Accounts Payable, Shared Services, P2P, Finance, and Treasury leaders.

Prior to becoming an analyst, Bob helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, P2P, and Business Network solutions. He spent 12 years working as the Vice President of Marketing at Basware where he helped establish the firm's U.S. presence as a major player in the AP and P2P automation spaces. Bob also worked at American Express where he helped the commercial card giant better align its products and services with a continually evolving market.

Bob is a sought-after presenter, having presented more than 100 times over the past decade. Bob holds a B.A. in Marketing from Bryant University and an M.B.A. from the University of Connecticut in Finance. He welcomes your comments at [rcohen@ardentpartners.com](mailto:rcohen@ardentpartners.com) or 203.403.7109. You can also connect with Bob on [LinkedIn](#).

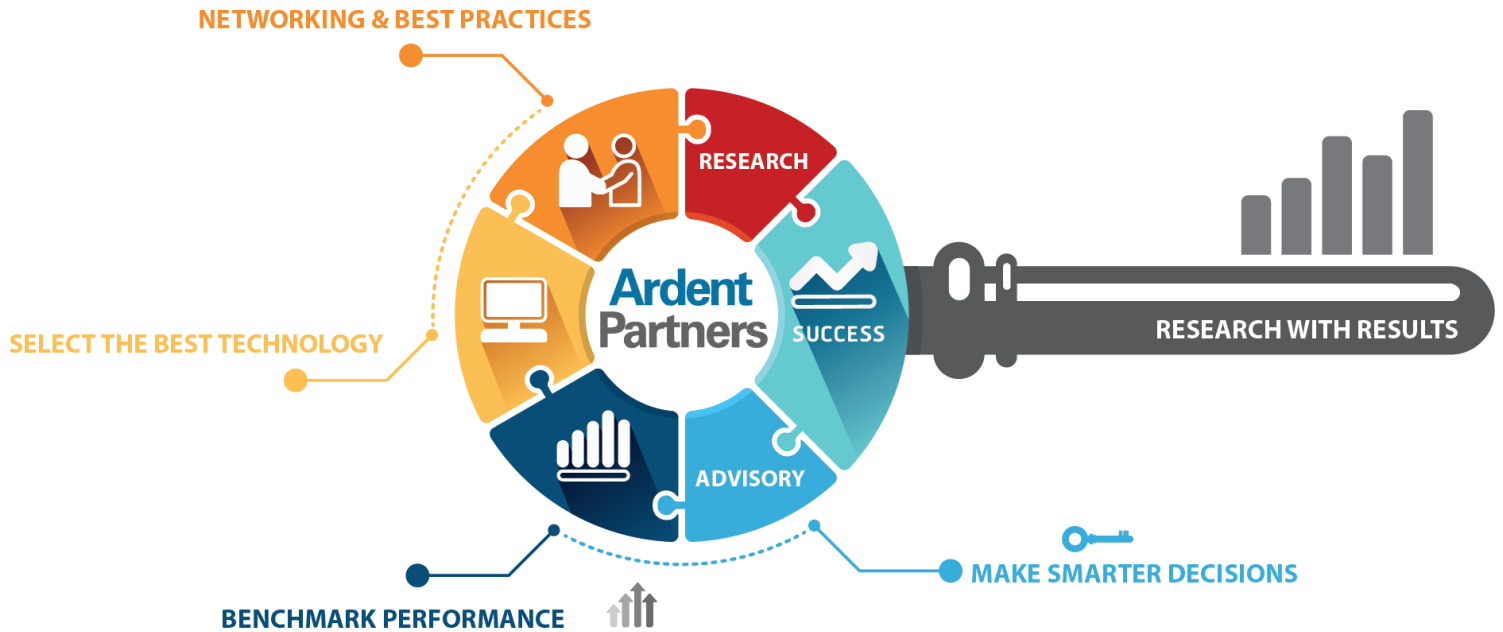
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