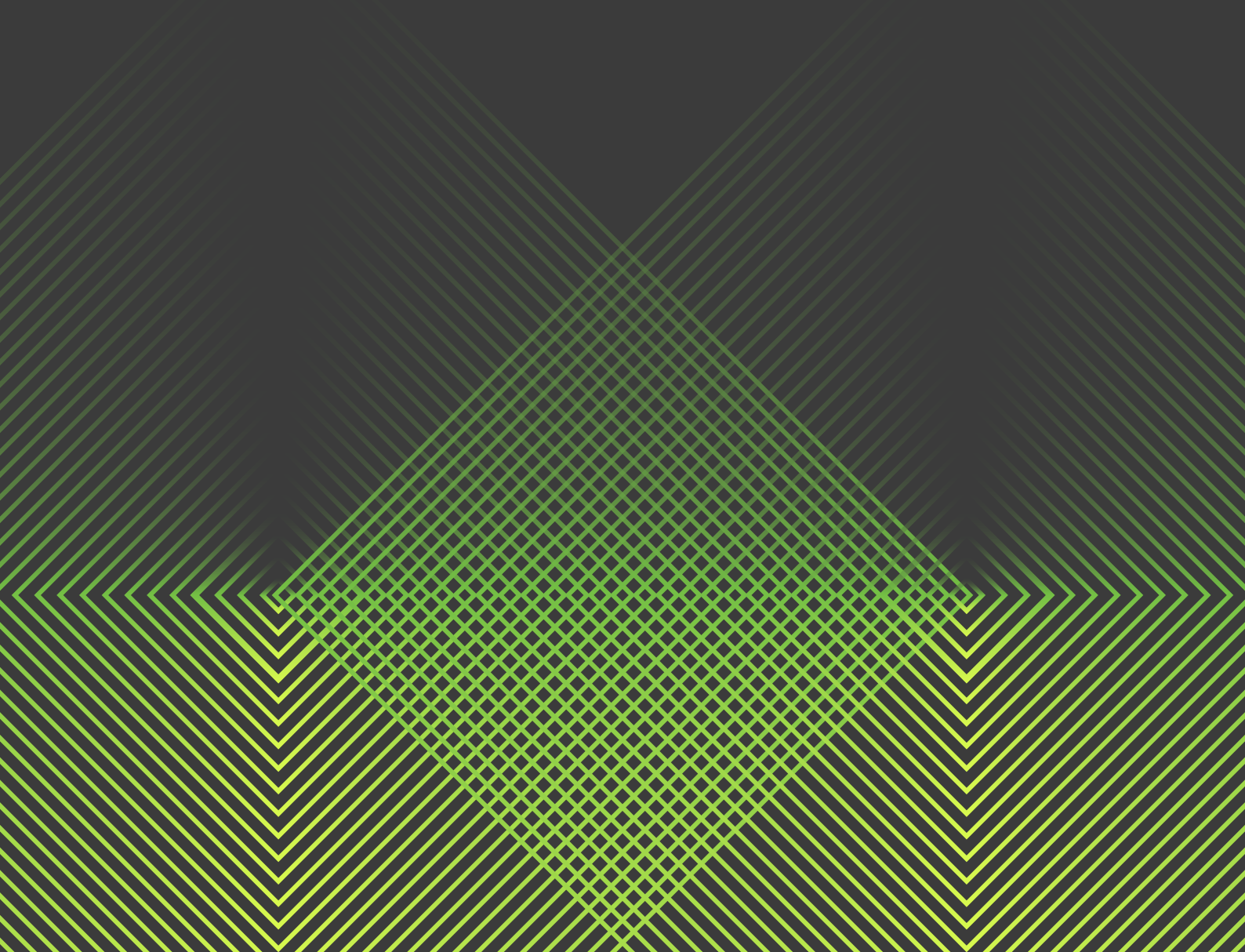


quadi<sup>7</sup>ent  
accounts payable  
by Beanworks

# Accounts Payable Is the Foundation of Construction





# Introduction

When most people think of construction, they imagine hard hats, heavy machinery, and building materials. Back office functions — like accounts payable (AP) — rarely come to mind. But without their contribution, the entire construction process would grind to a halt.

As an industry, construction employs millions across the globe — and not all of them are on job sites. Project managers (PMs), CFOs, comptrollers, accountants, and AP professionals work behind the scenes to keep the builders focused on building. They do this by managing what they manage best: AP. But they're not free of problems.

Every day, AP professionals in construction face four big challenges, which can stop them from doing their very best work. Here, an overview of each challenge is outlined along with possible solutions.

***A recent Quadient Accounts Payable by Beanworks webinar, [“AP Automation: The strong foundation your construction company needs,”](#) covered why paper processes are a challenge for the construction industry. Quadient AP Account Executive, Brad Dove, delivered the presentation.***



## Challenge #1: Paper AP Processes

Transitions in the workplace can be notoriously slow and tedious. One example: Moving away from paper and toward digital operations.

Even if almost all office workers today send and receive emails, filing cabinets haven't disappeared. In fact, in the US alone, [75% of invoices remain paper-based](#). These invoices have to be stored somewhere. And when PMs come looking for proof related to invoices or payments, they need scanned copies or — if not readily available — search parties.

It might seem like this will never change. But as complacent as some companies might be with a manual approach, it's crucial to recognize that paper-based AP processes are solvable. Before noting the solutions, let's take a look at the actual cost of using paper.

***“When [people] say they’re trying to eliminate paper, the true problem behind [that statement] is time.”***

*Brad Dove, Account Executive, Quadient AP*

### **SUFFERING THE CONSEQUENCES OF A MANUAL APPROACH TO AP**

If businesses continue to rely on manual, paper processes, they open themselves up to real consequences:

- Risk:** The more paper, the higher the risk — especially of human error. Two-thirds of AP staff spend [an average of eight hours per week](#) resolving AP issues.
- Time:** People want to eliminate paper because they want to save time. An assumed standard process of five invoices an hour — one every 12 minutes — doesn't necessarily apply to construction. Manually locating and setting job cost codes, organizing approvals and sign-offs, and three-way matching all take longer.
- Invisibility:** When PMs receive invoices before AP teams, AP teams have to just trust PMs to deliver invoices on time (which rarely happens). Tracking and monitoring the approval workflow in the dark is that much harder.
- Environmental impact:** This is about more than just the warm fuzzies that come with being responsible. Customers are increasingly expecting and requesting to work with companies that have their environmental, social, and governance (ESG) policies lined up.






Given the clear downside of not modernizing AP, why aren't more companies switching to automated workflows?

**AP is (still) seen as a cost center.** Finance teams often accept cost-cutting construction company logic, even though the solution — modernizing AP — is within reach.

### PAPER-FREE AND REVENUE DRIVING

Few businesses would look at their finance function to increase revenue, but putting away paper for good transforms a so-called cost center into a revenue generator.

Even if you don't have AP software, you don't need to suffer from paper-induced blurred vision. Instead, consider the following digital options:







-  **Digital storage:** Google Drive and SharePoint have free storage. Email or PDF formats on a shared drive accessible by the whole team are an easy shift away from paper. Increasing storage does increase cost, but it's the first step toward electronic filing cabinets and away from metal, office-based ones.
-  **Email-only invoices:** Keep email invoices as email — rather than printing off and passing paper around the office — and forward them to approvers. Now there's a digital audit trail from start to finish. Folders organizing and tracking pre- and post-approvals prior to system entry are recommended, but an email folder is a lot more efficient than a stack of paper on the desk.
-  **Email-only approvals:** Similarly, instead of waiting outside an office to get a signoff, ensure it's done by email. Time saved here can be spent fixing real problems and innovating in other ways.



## Challenge #2: Complex Workflows

Manual AP processes add up. And the more complex the workflows, the more painful the procurement. But just as with paper processes, these are solvable issues.

### PURCHASE ORDERS

-  **An informal or no requisition process** means employees create their own quick fixes and shortcuts, making it difficult for accounting to track spending. With no process at all, companies purchase first and worry about it later.
-  This **lack of information and visibility** means until you get the invoice, you are unaware of what you're spending and thus have no control over it either.
-  Without a formal buying process, bottlenecks arise, and **unapproved purchases** end up disrupting critical tasks like month-end close.
-  **Establish a formal requisition process** — even a purchase order (PO) form on Excel, or paper as a baby step. The important thing is getting the process in place.
-  With POs, teams can match them against invoices, while checking for and rectifying any discrepancies. **Visibility and transparent information** make it easy to open up these conversations smoothly — instead of chasing people with difficult questions.
-  Well-functioning **approval networks manage spend** properly, and projects are less likely to burn through their budgets. Purchase request forms — approved by managers — make everyone accountable for the company's financial health: from boots on the ground at job sites to finance teams in the back office.



## QUADIENT AP WORKS WITH YOUR PURCHASE ORDERS

Whether you want to simplify your PO process or gain more control and insight over planned spend, Quadient AP is your go-to foundation.

If you're currently creating purchase orders and tracking inventory in your preferred financial system, you can keep doing it. This data can be pulled into Quadient AP, so you're able to do two and three-way matching with no noticeable change in the process.

### *Benefit from a dynamic system with:*

- ✓ Budgetary control
- ✓ Integrated purchase requisitions
- ✓ Purchase order matching
- ✓ Reduced approval delays

## INVOICE PROCESSING








- ✗ **Slow invoice processing due to manual data entry — and corresponding errors** — is almost a given. Businesses are usually updating the same data across multiple systems: one for finance, and another for project management. A simple numerical error can easily become a bigger problem down the line.
- ✗ **Informal approval channels** might feel more intuitive than formal ones, but they simply slow the invoice processing cycle down when errors and discrepancies come up — especially as frequently as they do.
- ✗ These channels also lead to **duplicate invoices**, whereby — without an audit trail — something can look reasonable and end up being paid twice. [25% of AP professionals name duplicate invoices and payments as major pain points](#). That means more (unnecessary) chasing.
- ✓ **Optical character recognition (OCR)** captures data from images — including invoices. This reduces (and may even eliminate) human error and frees up time spent on manual data entry.
- ✓ **Document management systems** act as digital storage linked to approval workflows, centralizing invoices, and providing visibility. SharePoint and DocLink fulfill this role nicely.
- ✓ **Cloud storage tools** like PaperSave offer users paperless processing. PaperSave started as a digital filing cabinet and recently added approval workflow capabilities.



**“When [one client] implemented Quadient AP, they ended up processing 346 more invoices than expected during the demo process.”**







*Brad Dove, Account Executive, Quadient AP*

### PAYMENT CHALLENGES

-  **Late payments** are a huge bugbear in construction: It takes an [average of 58 days to pay suppliers and vendors](#) — an increase of 5.5% from the first quarter of 2021, as supply chains scramble to return to normal.
-  **Lack of remote access** is only going to grow in significance amid an upward digitization trend. [57% of vendors are unable to pay from home](#). With the rise in alternative working arrangements, physical presence for signoffs, bank account logins, and manual payment entries and releases all blockade operational efficiency.
-  The **risk of fraud** — in the form of phishing scams, fake invoices, and vendor fraud — remains ever present. A lot can slip through the cracks when AP professionals are as busy as they are.
-  **Separate approval chains for payments** reduces fraud risk. Different team members can enter invoices and release payments.
-  **Third-party payment solutions** track, update, and maintain payment data, eliminating the need to liaise with vendors to ensure information is correct.
-  **Vendor bank change forms** also protect against fraud with a series of simple security questions when vendors request to change bank details.
-  **Training staff** to watch for fraudulent signs never hurts. Social engineering-based fraud — manipulating people — is generally more common than hacking.



## EXPENSES AND REIMBURSEMENTS

-  Filing, processing, and verifying receipts are very **time-consuming**, which is why 45% of CFOs have made minimizing the administrative burden of expense processing and company credit cards a top priority.
-  The **risk of expense** abuse is high: 85% of employees have admitted to lying on their expense reports.
-  The intricacy of manually managing expenses daily is a recipe for **human error**. In fact, one in every five expense reports contains errors.
-  **Document management software** isn't just for invoice processing — the basic approval workflow can also be used to upload and handle receipts.
-  Get buy-in for **expense policies** designed for the hybrid work world — with corresponding quizzes for employees to ensure everyone is up to speed on any policy changes.
-  **Digitizing receipts** can be as simple as taking a picture on a phone and emailing it to finance. A blanket ban on submitting paper receipts takes enforcement a step further.





## Challenge #3: Decentralized Projects

Most construction teams manage multiple projects simultaneously. For example, let's say a team manages 23 projects. With the four different workflows — outlined above — per project, an average finance team of three people may be tackling a total of 92 different workflows.

### THIS CAUSES ISSUES RELATED TO:



**Compliance:** Team members are in different places. Getting expense policy buy-in or a PO number is more challenging. And so is the risk of non-compliance.



**Information silos:** Different team members use different processes instead of a single, unified, organization-wide process.



**Budgeting and forecasting:** Paper invoices on desks instead of with the finance teams makes it difficult to track and report on financial data.

### BUT YOU CAN FIX THIS WITH A FEW VERY EASY STEPS:



**PM signoff on policies** demonstrates a commitment to team training and education on best practices.



A **central AP inbox** to which all invoices go — making the finance team aware — removes the possibility of siloing. Relevant invoices still reach approvers via email.



You don't need a specialized PO system to **budget and forecast: Just use Excel.** Blanket POs and PM follow-ups help teams regain budgetary control. Then, a quick pulse check on business from the CEO won't get the pulse racing.



## Challenge #4: Multiple Entities






The corporate structure of the construction industry is complex. Every new project needs a fresh set of books.

Finance teams have to split invoices across multiple companies, deal with intercompany transactions, track budgets, and monitor purchasing all while ensuring projects are profitable and successfully completed on time.

To walk this tightrope, teams opt for multiple financial systems but end up dealing with different job cost codes and reportings. It's a quick fix — not a real solution. And it comes with its own problems:

-  **Cash flow management** issues come in two broad shades: Managing multiple entities throws off cash flow and causes late payments, which can subsequently lead to vendor discount offer withdrawals and damaged relationships. Additionally, construction is generally seasonal. Finance teams that are overworked in the summer can quickly seem overstaffed and overpaid in the winter.
-  **Scalability** is a threefold problem: It's tough to hire invoice data entry admin staff due to the labor shortage — just as it is to run projects with adequate support and personnel. Decentralized integrations make it difficult to manage and update data, creating visibility problems. And the construction industry is no stranger to payment disputes, creating constant tussling with vendors.

Damaged relationships, business stagnation, and loss of control and visibility are not what top construction companies need. To simplify the structure of financial operations, consider the following:

-  **Batch payments:** One bulk payment on one check or ACH — biweekly or even monthly — reduces payment fees and keeps the books cleaner.
-  **Discount terms:** Structured processes mean earlier payments, which could mean potential discounts.
-  **Bulk purchases:** Instead of managing 10 different relationships, why not manage one? It could make asking for a 1% discount much easier.
-  **System consolidation:** Less integrations and tools to manage mean more accurate data.
-  **Virtual bench:** Reliance on a backup workforce ready to hire when needed increases scalability.



# Final Thoughts: The Move to Digital Doesn't Have To Be a Nightmare

Paper-based processes are a hindrance to organizational efficiency, and they're eating into profits in insidious ways. **The problem is that they don't always feel that way to teams using the most paper-heavy processes.** Sometimes the thinking goes that the way it's always been done is the way that works — even if the data suggests it actually doesn't.

Not every team is open to change, and some team members and organizations are more willing to transition to new and better processes than others. The complexity of construction company processes just amplifies these challenges.

Bottom line: Getting buy-in across teams for AP automation and how it can improve AP workflows is critical to a smooth and successful transformation away from paper and toward a digital future.

## FIX WITH AP AUTOMATION

What if you want to fix every single one of these issues all at once? AP automation offers you the chance to conveniently do exactly that — in one place.

### *Quadient AP enables you to:*



Reduce approval process management



Pay vendors on time



Reduce reliance on manual data entry



Improve vendor relationships and take advantage of vendor discounts



Save time and money

Instead of paper-based processes, missed payments, and burned-out staff, you can see construction projects through to completion — successfully and profitably.

To see how your business can benefit from [Quadient AP automation](#), [request a demo](#) today.



# Save Time, Cut Costs & Reduce Risk With AP Automation

Quadiant Accounts Payable Automation by Beanworks is an essential all-in-one cloud-based accounts payable automation solution for the world's accounting teams. Our platform drives efficiency and productivity for busy AP teams. Quadiant supports hundreds of thousands of customers worldwide in their quest to create relevant, personalized connections and achieve customer experience excellence.

**Let's talk about automation.**  
**Schedule a demo with an AP specialist:**

[ap.quadiant.com/ap-automation-for-construction](https://ap.quadiant.com/ap-automation-for-construction)

