



EXECUTIVE INSIGHTS

The AR and AP Renaissance: A New Era of Financial Management

While automation in accounts receivable (AR) and accounts payable (AP) has existed for years, artificial intelligence (AI) is now fundamentally transforming these financial processes and driving their convergence with payment technologies. Today, market differentiation comes not just from adopting automation but also from leveraging AI-driven insights within AR and AP, integrating embedded payment functionality and exploring emerging technologies such as stablecoins.

Drawing on L.E.K. Consulting's experience evaluating acquisitions and guiding strategic decisions for financial software leaders, this *Executive Insights* explores how the next generation of AR and AP solutions is creating new value across the ecosystem. As M&A activity accelerates, companies that understand both the AI transformation and payment convergence trends will be best positioned for growth and market leadership.

Demand drivers: Why AR and AP are more important than ever

Two key forces are fueling the growth of AR and AP automation: mounting financial pressures that make cash flow efficiency essential and the increasing accessibility of automation tools for businesses of all sizes. Together, these trends create a prime opportunity for software providers and investors to capitalize on value creation in this space.

1. The cash flow imperative

For businesses today, cash flow efficiency remains a top priority — a trend that took hold during the COVID-19 pandemic when liquidity became critical for survival. Five years later, AR and AP processes — the backbone of how money moves through a company — remain essential to financial stability. These functions provide real-time visibility into cash inflows and outflows, improving forecasting, liquidity planning and working capital optimization, such as capturing early payment discounts. At the same time, external forces such as tariffs, supply chain disruptions and economic volatility further underscore the need for agile cash flow management.

High interest rates have increased borrowing costs, intensifying the need for efficient cash management since the pandemic. Financial pressures continue mounting — 77% of small businesses¹ cite rising costs as a major challenge and 52% struggle with operating expenses, while businesses of all sizes face 3.6% higher² labor costs and projected 5.8% increases³ in health insurance premiums for 2025. Despite these pressures, many companies still rely on outdated AR and AP systems, creating significant inefficiencies, such as:

- Only 9% of AP departments⁴ have **fully** automated their processes, meaning most businesses still depend on outdated systems for at least some of their workflow
- Nearly half⁵ of invoices are still processed manually, leading to inefficiencies and higher costs
- Over 70% of AR invoices⁶ are still sent by mail, costing firms \$16-\$22 per invoice — an avoidable expense in an increasingly digital world
- Even large enterprises face inefficiencies — 60%⁷ use five or more AP systems, reducing visibility and complicating financial management

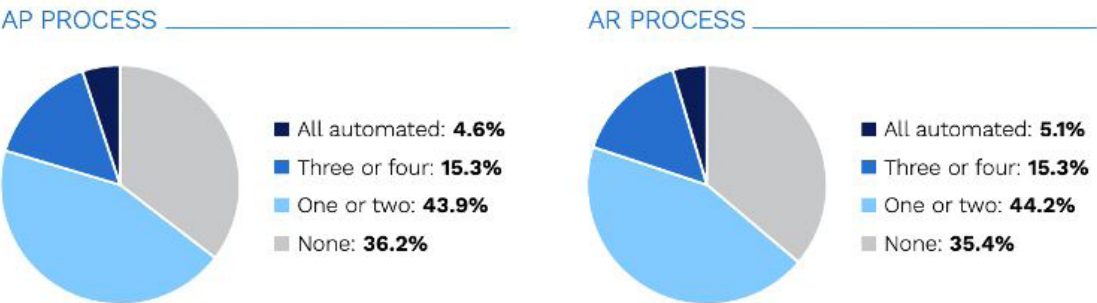
Despite growing interest in automation, full adoption remains rare, with just 4.6% of AP processes and 5.1% of AR processes⁸ fully automated. This gap highlights the urgent need for more efficient AR and AP processes to address liquidity strain, rising costs and limited financial agility, creating a significant opportunity for AI-driven solutions to streamline operations and optimize cash flow (see Figure 1).

Figure 1

Adoption automation percentage of midsize firms

Most mid-sized firms have started the journey to automation

Share of firms that have automated a select amount of their AP/AR processes



Source: PYMNTS Intelligence

Accounts Payable and Receivable Trends: What's Next in Automation, December 2023

N = 412: Firms that have automated at least some AP processes, fielded June 9, 2023 – July 5, 2023

Source: PYMNTS⁹

2. The technology accessibility shift

The barrier to adopting advanced financial automation has dramatically lowered. Cloud-based platforms, AI-driven insights and ready-to-implement automation solutions now make sophisticated financial tools accessible to companies of all sizes — not just enterprises with large IT budgets.

Recent data¹⁰ confirms this acceleration: Seventy-eight percent of middle-market chief financial officers plan to increase AI investment in AR this year, with an average planned spend of \$3.16 million per firm. Additionally, 55% of middle-market firms are willing to pay a 3% fee to automate invoice approvals and payments, highlighting the demand for AI-driven efficiency. With companies losing an average of 3.1% of revenue (approximately \$14 million) due to payment collection issues, AI adoption is becoming a financial necessity.

The rise of AI in AR and AP automation

AI is transforming AR and AP automation from a back-office function into a driver of smarter financial decision-making. Beyond efficiency gains, AI-powered solutions are enhancing financial intelligence, risk management and cash flow optimization.

From efficiency gains to smarter decision-making

AI is transforming financial operations with intelligent AR and AP solutions that go far beyond basic automation. These systems now enhance every aspect of the financial process with unprecedented efficiency. Key applications include:

- **Fraud detection and prevention technology**, such as technology-assisted review, learns from payment behaviors to flag potential fraud risks and reduce financial losses
- **Cash flow optimization models** analyze historical trends and real-time data to predict fluctuations and recommend proactive adjustments
- **Invoice processing and reconciliation** are being improved through natural language processing, which automates invoice matching, reconciliation and approvals, reducing errors and manual work
- **Customer and vendor communication solutions**, including AI-powered chatbots, handle customer inquiries, vendor disputes and payment status updates, improving response times and accuracy
- **Smart payment scheduling technology** optimizes payment timing based on cash flow forecasts and vendor terms, helping businesses avoid late fees and capture early payment discounts
- **Risk and compliance monitoring systems** scan transactions for compliance issues, anomalies and potential regulatory risks, reducing exposure to financial penalties

The AI-driven AR and AP market is shaped by both established leaders and innovative newcomers. While industry giants offer robust enterprise integrations, emerging players excel in automation, AI insights and embedded financial solutions, creating a vibrant competitive landscape (see Table 1).

Table 1
AI landscape overview

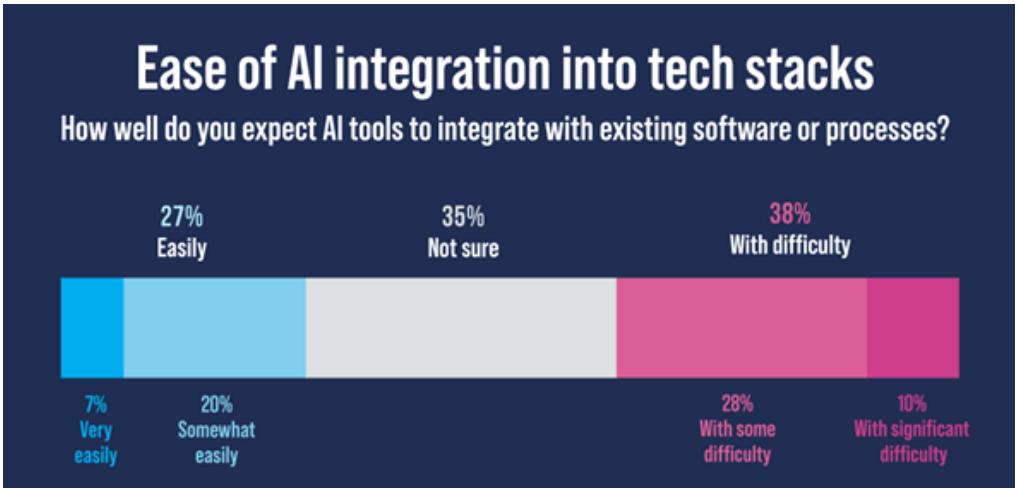
AI use case	Description	Indicative players
Fraud detection and prevention	AI analyzes payment behaviors to detect anomalies and flag potential fraud risks	AvidXchange, Bill.com, SAP, Oracle NetSuite, Coupa, Ramp, Stampli, Tipalti, MineralTree
Cash flow optimization	AI predicts cash flow fluctuations using real-time and historical data	FIS, HighRadius, FinancialForce, Sage Intacct, Melio, Versapay, YayPay
Invoice processing and reconciliation	AI automates invoice matching, reconciliation and approvals to reduce manual errors	Basware, Medius, Workday, Bottomline Technologies, Stampli, YayPay
Customer and vendor communication	AI-powered chatbots and automation tools handle inquiries, disputes and updates	FreshBooks, Zycus, Esker, Nvoicepay, Versapay, Melio
Smart payment scheduling	AI optimizes payment timing based on cash flow forecasts and vendor terms	Tipalti, SAP, Oracle NetSuite, Coupa, Stampli, HighRadius
Risk and compliance monitoring	AI monitors transactions for compliance issues and regulatory risks	FIS, Bill.com, Sage Intacct, FinancialForce, Ramp, Stampli, Esker, Zycus

Source: L.E.K. research and analysis

Ease of AI integration into tech stacks

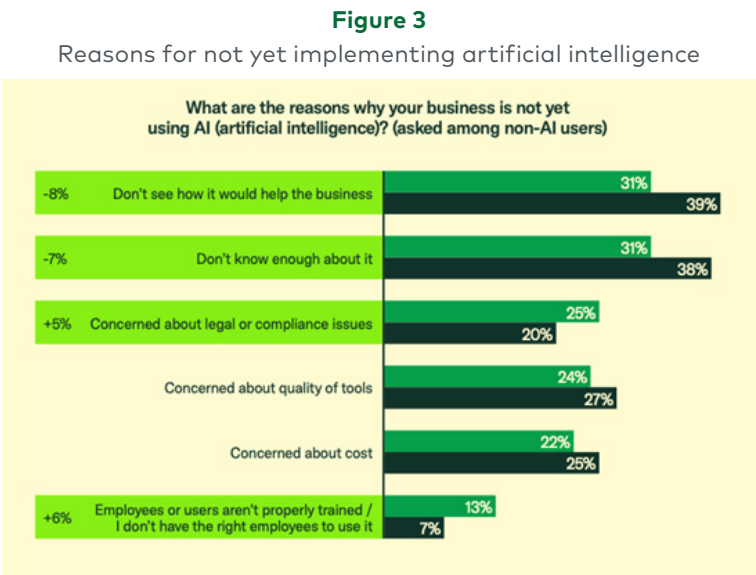
Integrating AI into existing financial systems, both in reality and perception, remains challenging. According to Accounting Today, only 27%¹¹ of accountants believe AI integration will be easy, while over two-thirds find it difficult or are uncertain about the challenges (see Figure 2).

Figure 2
Ease of AI integration into tech stacks



Source: Accounting Today¹²

Many businesses hesitate to adopt AI solutions — whether as stand-alone solutions or as embedded features within existing financial platforms — due to a lack of awareness and understanding. This creates adoption challenges, as users must navigate new capabilities without dedicated AI training. Recent research highlights¹³ the primary barriers to AI adoption among small businesses: Thirty-nine percent do not perceive a clear business value while 38% lack sufficient knowledge about AI (see Figure 3).



Source: U.S. Chamber of Commerce¹⁴

This highlights a fundamental challenge: Most businesses still lack sufficient knowledge about AI — in terms of both in terms of available tools and their capabilities. As awareness grows, education efforts from vendors and system integrators will play a crucial role in driving adoption. To bridge this gap, providers must not only offer seamless solutions but also prioritize customer education, clearly demonstrating AI's benefits and real-world applications.

At the same time, momentum is building toward AI-driven financial intelligence. Businesses are moving beyond basic automation, leveraging AI to make smarter, more strategic financial decisions in real time. As adoption accelerates, another major shift is reshaping financial technology: the integration of payment functionality into financial automation.

The convergence of AR/AP and payments

As AI transforms financial operations, another significant trend is reshaping the industry: the convergence of AR and AP systems with embedded payment functionality.

Why payment integration is the next big shift

AR and AP solutions are now merging with payment technologies as businesses seek to incorporate real-time payment capabilities directly into their automation platforms. For example, Ramp's integration¹⁵ with Odo's enterprise resource planning system reduced bill processing time from five to eight minutes to just one to two minutes per recurring vendor. These types of integrations, which can include emerging cryptocurrency and stablecoin options for cross-border transactions, are creating multiple advantages:

- Faster receivables processing, improving cash flow predictability
- Seamless supplier/vendor payments, reducing transaction friction
- New revenue streams for AR and AP vendors expanding into embedded finance
- Reduced costs and settlement times through cryptocurrency payment rails

The Trump administration's potential relaxation¹⁶ of digital asset regulations prompts businesses to explore diverse payment options within their AR and AP systems, fostering greater financial innovation.

For example, SAP's Digital Currency Hub¹⁷ enables enterprises to make and receive payments using stablecoins, automating processes and enhancing cross-border transactions. Additionally, fintech companies such as Request Finance¹⁸ and Gilded Finance¹⁹ offer solutions that allow businesses to seamlessly manage crypto payments and accounting.

Stripe's recent acquisition²⁰ of Bridge further reinforces this shift, enabling stablecoin payments and making it easier for businesses to send and receive money using digital currencies. These developments highlight that stablecoin payments are no longer hypothetical — they are already being integrated into financial operations.

Investor confidence in AR and AP automation

As AR and AP automation continues to evolve, investor confidence in AI-powered financial platforms is surging. Recent funding activity demonstrates strong market conviction, with both venture capital and private equity firms backing solutions that transform financial operations.

Venture capital momentum is accelerating across the automation landscape:

- In March, **Flex** raised²¹ \$225 million in equity and debt funding to expand its all-in-one business and personal financial management platform for business owners, signaling continued investor appetite for modern, integrated AR and AP tools.
- In October 2024, **Melio** raised²² \$150 million in Series E funding, reaching a \$2 billion valuation, to expand its business-to-business payments partnerships.
- In 2024, **Ramp** raised²³ \$150 million through a secondary share sale, pushing its valuation to approximately \$13 billion.
- In May 2023, **Tipalti**²⁴ secured \$150 million in growth financing to support product innovation and customer expansion.
- Newer entrants have also attracted sizable early-stage rounds in 2025, including **Auditoria.AI**, which raised²⁵ \$38 million in Series B funding, and **Anchor**, which secured²⁶ \$20 million in Series A funding.

Private equity investments reinforce market confidence:

- Great Hill Partners invested²⁷ in **MineralTree**, a provider of AP and payment automation solutions, before it was acquired²⁸ by Global Payments in 2021.
- In 2023, Great Hill Partners invested²⁹ in **Enumerate**, a vertically focused software-as-a-service accounting and payments leader.
- In 2024, FTV Capital invested³⁰ \$90 million in **BillingPlatform**, a software provider focused on invoicing solutions.
- In 2024, Aquiline Capital Partners and Level Equity made³¹ a majority investment in **DocuPhase**, a provider of AP and AR automation solutions.
- In 2024, Silver Lake and GIC acquired³² **Zuora**, an enterprise billing software provider, in a \$1.7 billion deal.

Strategic M&A activity is equally revealing of market trends. Flywire's 2024 acquisition³³ of **Invoiced** exemplifies this pattern — combining payment solutions with AR and AP capabilities and highlighting the growing convergence of payment processing and financial management systems.

These investments collectively signal strong confidence in specialized financial technology and reflect increasing demand for integrated platforms that streamline the entire financial workflow.

The AR and AP renaissance is just beginning

AR and AP have evolved from back-office functions to strategic financial drivers. As AI, automation and embedded payments reshape the landscape, competitive advantage will go to companies that integrate these capabilities effectively.

With automation becoming standard, businesses must now focus on optimization rather than adoption. Forward-thinking organizations are already embedding AI into financial workflows, integrating payment processing and exploring stablecoins and AI-driven payment intelligence.

L.E.K. Consulting helps financial leaders navigate this evolving landscape. **Contact us** to explore how we can support your firm's financial technology strategy.

Endnotes

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