

# **Reexamining AP/AR Outsourcing in a Higher Rate, AI Economy**

What It Means for Micro and Small  
Businesses

An Avana Advisor Insight report

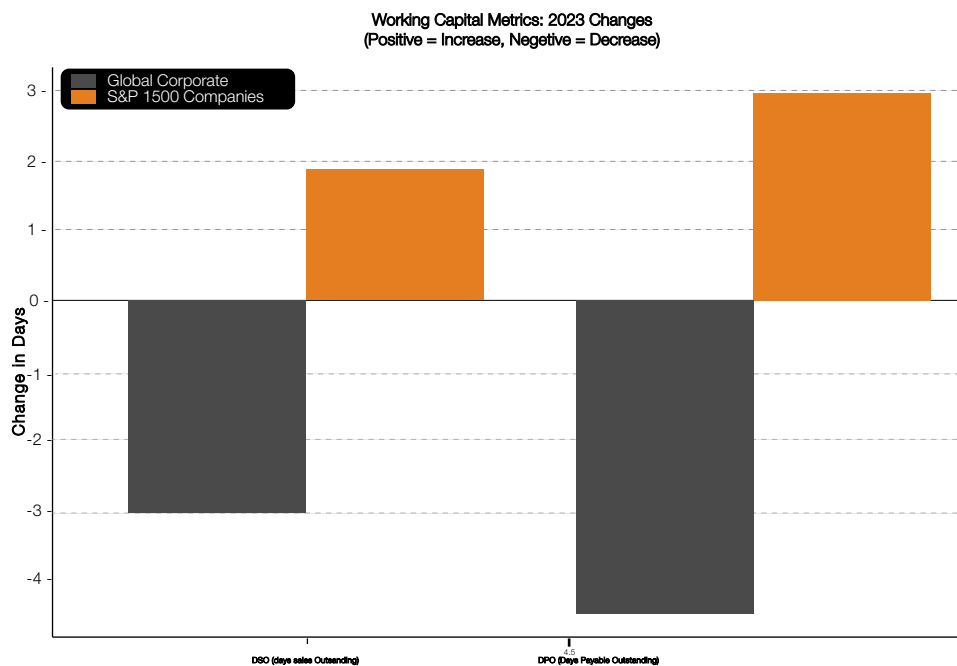
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## Reimagining AP/AR Outsourcing in a Higher Interest Rate, AI Economy: What It Means for Micro and Small Businesses

In a world where money is once again expensive, the economics of back-office finance have changed. The U.S. Federal Reserve held the federal funds target range at 5.25% - 5.50% through 2024, keeping the opportunity cost of trapped working capital and the value of early-pay discounts materially higher than in the low-rate 2010s. Every day an invoice waits for approval, or a receivable sits uncollected now carries a real financing cost, making AP/AR performance a lever for cash generation rather than a cost center alone.

The working-capital picture adds to the urgency. Global studies show meaningful shifts in receivables and payables in 2023: Days Sales Outstanding (DSO) fell by 3.1 days and Days Payables Outstanding (DPO) fell by 4.5 days across a broad corporate sample - tightening both sides of the cash conversion cycle. Meanwhile, among S&P 1500 companies, DSO and inventory days increased while DPO lengthened, reflecting sectoral divergence and a normalization from pandemic distortions.



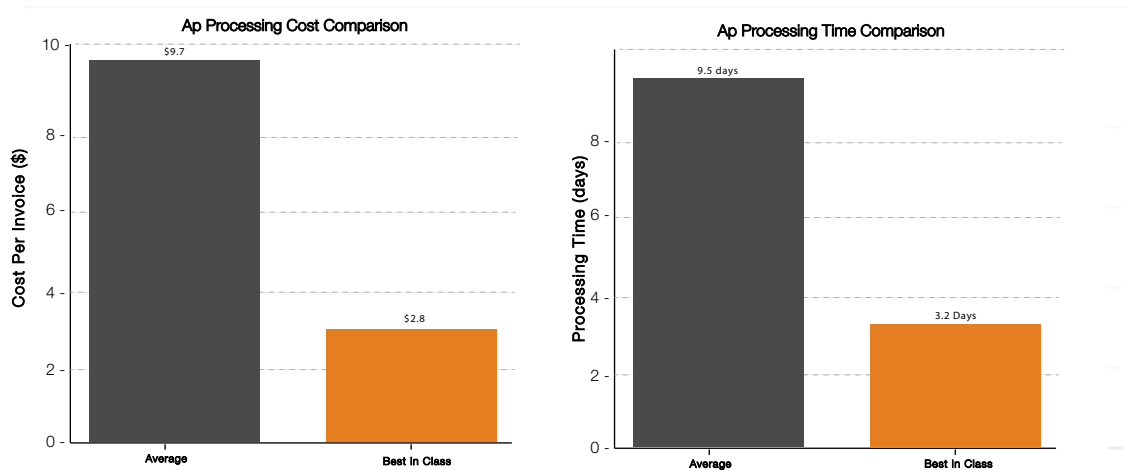
Source: <https://www.jpmorgan.com/>

The net message for smaller firms: discipline and execution speed matter more than blanket policy shifts, and the value of reducing DSO or accelerating AP approvals is amplified at today's rates.

Against this backdrop, it is crucial to be precise about what "outsourcing" means in 2025. Traditional business-process outsourcing (BPO) hands AP/AR operations to a third party, often on their own stack, with output-based pricing. Modern platformization - via networks and suites such as SAP Business Network (Ariba) and Coupa - keeps process control closer to the business while using vendor software, AI, and (optionally) managed services for labor-intensive tails like exception handling, cash application, and supplier enablement. For micro/small companies, that distinction is decisive: platform models increasingly achieve "outsourcing-grade" unit costs and speeds while preserving the knobs and dials that determine cash outcomes. SAP's network scale and Coupa's community benchmarks illustrate why these platforms are

## The Digital Physics of AP Performance

The digital physics of AP is unambiguous. Across the market, the average all-in cost to process an invoice is roughly \$9.4 - \$9.9, with cycle times around 9 – 10 days. Best-in-class operations, however, runs at about \$2.8 per invoice and ~3.1 – 3.4 days roughly 78 – 80% cheaper and ~80% faster than peers.



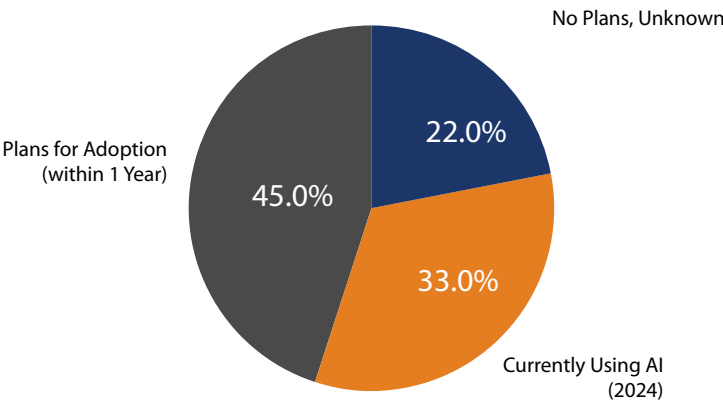
Source: Tradeshift.com

These differences are not about geography or headcount alone; they're outcomes of e-invoicing, straight-through capture and matching, automated routing, and network-driven supplier connectivity. For micro and small businesses, moving from ad hoc email/PDF workflows to a networked approval engine compresses cash cycles and operating cost at the same time – improving both survival odds and investment capacity in a high-rate world.

## AI as the Accelerant

AI is the accelerant. Roughly a third of AP teams reported using AI in 2024, with another ~45% planning adoption within a year – putting the function on a rapid path to majority AI usage.

AI Adoption in AP Teams



Source: Tradeshift.com

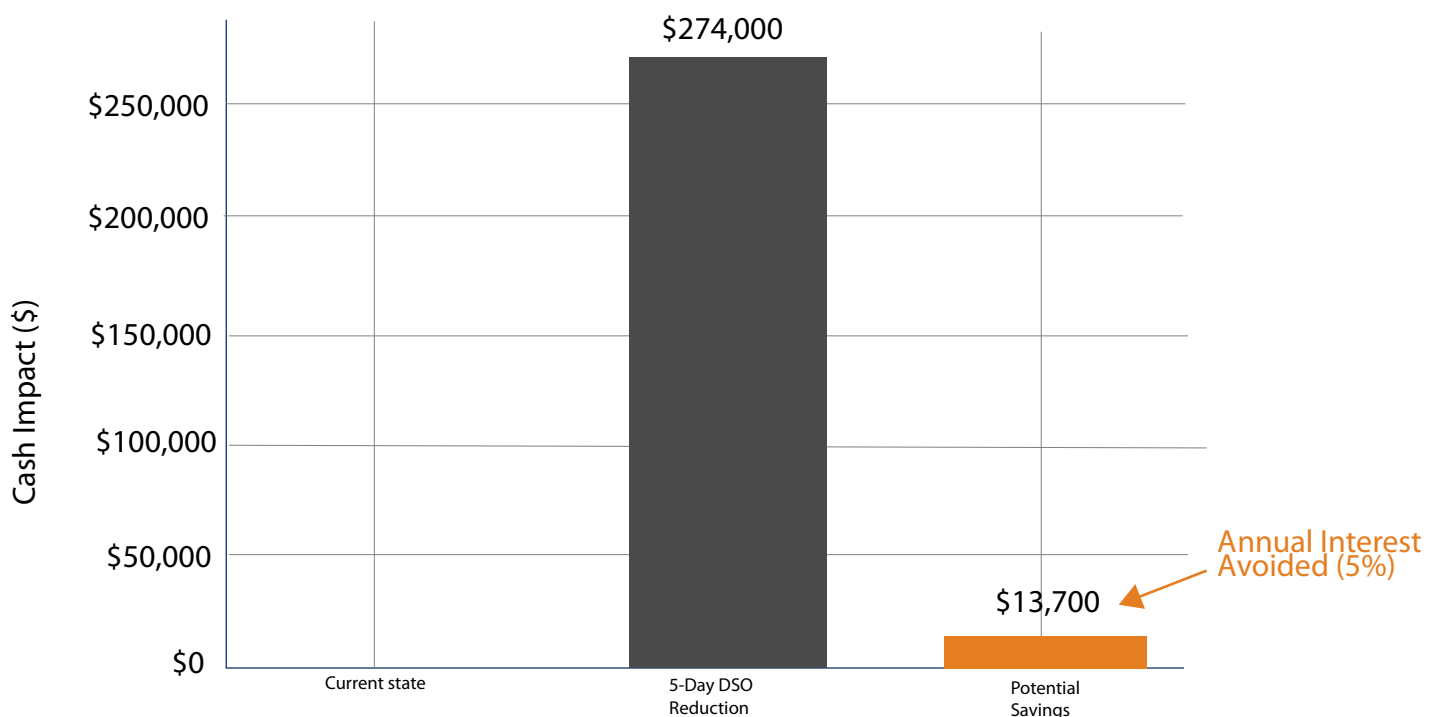
The most impactful use cases today are practical: AI-driven invoice data capture that beats traditional OCR; probabilistic multi-way matching; predictive exception triage; anomaly and fraud detection; and dynamic identification of early-payment discount opportunities. For micro/small companies, this means the "last mile" of manual exceptions and messy supplier formats can be addressed without adding headcount, and discount capture can be automated, not left to calendar reminders. Put simply: AI shrinks the manual surface area, letting very small teams run with best-in-class metrics on a platform designed for them.

The case for platform networks is particularly strong for small firms with fragmented supplier bases. SAP reports \$6.2 trillion in commerce flowing through its Business Network in the last year, indicating supplier density that can translate into faster onboarding, higher e-invoice penetration, and fewer exceptions. Coupa's community benchmarks show the kinds of cycle times small teams can target with a well-tuned process: requisition-to-order in 3.8 business hours, invoice approval in 10.6 business hours, and on-contract spend at ~84% - all markers of disciplined execution that directly support cash control in both payables and procurement.

## Quantifying the Cash Flow Impact

For micro and small businesses, the cash-flow question becomes: where will I get the fastest, most reliable improvement in DSO, DPO precision, and discount capture – with the least complexity? A simple way to quantify it is to model cash freed from DSO reduction and cost savings from faster AP approvals and fewer exceptions.

Cash Flow Impact: DSO Reduction Example  
(20M Annual Credit Sales)



Source: [www.foresters.com](http://www.foresters.com)

For example, reducing DSO by 5 days on \$20 million annual credit sales frees about \$274,000 of cash  $[20,000,000 / 365) \times 5]$ ; at 5% financing cost, that's ~\$13,700 in annual interest avoided. On the payables side, moving from ~10 days to ~3 – 4 days invoice approval enables precise payment timing: you can hold to net terms with confidence or capture early-pay discounts on eligible spend. Those benefits sit alongside unit-cost reductions as you approach best-in-class \$/invoice – gains that platforms increasingly deliver out-of-the-box with AI. This is why many small companies now favor platform-first models, using managed services selectively for the exception of backlogs or long-tail supplier enablement rather than full BPO.bv

## Operating Model Options:

Platform-first (SAP Business Network, Coupa): Highest control over DPO/collections policy; strong AI/automation; supplier network/community data; optional managed services for exceptions. Best when you need cash precision and compliance readiness (e.g., EU trade).

Hybrid (platform + targeted outsourcing): Outsource long-tail supplier onboarding, cash app exceptions, or collections dials; retain cash levers in-house. Good transitional path: balances speed and governance.

Full BPO: Lower internal overhead; potential unit-cost reductions where processes are highly standardized; but watch control over discount capture, payment timing, and compliance agility (e.g., e-invoicing mandates). Fit narrows as AI/platforms compress in-house costs and cycle time.

## Choosing Your Operating Model:

To help decide, it's useful to contrast operating models on the dimensions that drive cash flow and risk for small enterprises. Full BPO (outsourcing) can reduce unit costs for highly standardized, high-volume environments but often dilutes direct control over payment timing and collections strategy. Platform-first keeps the policy levers in-house while leveraging network effects, AI, and optional managed services to handle the messy middle. The hybrid path – platform plus targeted outsourcing of cash application or exception queues – often yields the fastest wins for micro/small firms without ceding governance.

Your context (invoice volumes, supplier/customer mix, jurisdictions) should determine the blend.

## Risk and Resilience Considerations

Risk and resilience should frame the conclusion of any outsourcing/platform decision. On compliance, map your footprint against e-invoicing timelines (e.g., France's B2B phasing from 2026/2027) and confirm your provider's ability to generate structured invoices and near-real-time reporting. On vendor lock-in, prefer open integrations and clear data-export paths yet acknowledge the real, cash-relevant benefits of supplier network density (onboarding speed, straight-through processing). On AI governance, document human-in-the-loop thresholds for high-value exceptions, track model accuracy for capture and fraud flags, and schedule periodic reviews, especially if you rely on a managed service to handle the edge cases.

The bottom line for micro and smaller companies is straightforward. In a high-rate, AI-native era, the optimal move is rarely "all or nothing." A platform-first posture – leveraging network connectivity, AI automation, and targeted managed services – usually maximizes cash precision and minimizes time to value. It protects the

policy levers (DPO discipline, discount capture, collections strategy) that unlock cash at today's financing costs while matching or beating traditional outsourcing on speed and unit cost. For most small firms, this is the clearest path to stronger cash flow without surrendering control – or getting caught flat-footed by the next wave of e-invoicing mandates.

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