WHAT CFOs NEED TO KNOW ABOUT ARTIFICIAL INTELLIGENCE FOR AP MANAGEMENT

AUTOMATION IMPROVES EFFICIENCY, AND AI PROVIDES NEXT-LEVEL GAINS

SAP Concur

CFO

LEADING FINANCE TEAMS are automating as much of the Accounts Payable (AP) process as possible to reduce errors, cut down on paper invoices, and free up staff to focus on strategic initiatives.

But automating routine tasks such as matching payments and invoices is only scratching the surface. Artificial Intelligence (AI) can quickly read a huge volume of invoices and other documents, providing a treasure trove of actionable data.

Moreover, AI will help extract key data that might otherwise be missed in manual processing. The true value of AI is achieved by analyzing the data from structured sources such as spreadsheets, and unstructured documents such as contracts. The result is better insight into the status of AP, which improves cash forecasting and business planning capabilities.

AI will transform AP management, but there is also the potential to reshape analytic and business innovation. According to a Forrester report, one-quarter of firms will supplement point-and-click analytics with conversational user interfaces, and AI will make decisions and provide real-time instructions at 20 percent of firms.

THIS PAPER COVERS:

✔ Current challenges in AP processing, including manual processes, errors, lost invoices, and other barriers, and the financial impact of poor AP management

✔ AI and related technologies that have the potential to transform AP, leading the way to faster processes, fewer errors, and greater efficiencies

✔ The role of AI in leveraging internal and external data to improve cash forecasting and create more accurate plans based on greater visibility into AP performance and trends

✔ AI as an augmentation of human decision-making, providing business analysts with more relevant data to make decisions such as extending credit and negotiating terms with business partners

PAPER AT THE ROOT OF POOR AP PROCESSES

AP is a resource-intensive, time-consuming, and detail-focused function, especially for organizations that lack automated processes. The bottom 25 percent of organizations are spending $10 or more per invoice processed, according to the non-profit benchmarking firm APQC. The best performers — those who rank among in the top 25 percent on this measure — accomplish same task for $2.07 per invoice or less. That's nearly five times less than the organizations in the bottom quartile.

While many of the steps in the procurement-to-payment process have been digitized, finance teams are still dealing with

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a number of paper invoices. Only about 45 percent of invoices are electronic, according to Ardent Partners' The State of ePayables 2018 report. "Accounts payable departments still struggle with a meaningful percentage of paper invoices," said Kurt Albertson, Principal, The Hackett Group, a consultancy.

Poor workflow is another result of manual AP processes. "When you are using manual AP processes, you don't have automated workflows, and ultimately items are ending up in the wrong cost center or functional area and ultimately on the wrong line item of the P&L," said Chris Arendale, CFO, SAP Concur, a leading provider of expense, travel, and invoice management solutions.

While the goal is touchless processing of invoices, many companies are falling short of that objective. "Often, an invoice does not flow through the system without human intervention because something was not set up correctly at the front-end of the purchase order process, which results in a mismatch," Albertson said.

Deficient AP management can be costly. Inefficiencies in processing cause organizations to dedicate more people and resources to the problem, to miss payment deadlines (incurring penalties), and to forego early-payment discounts. "Top performers are achieving five times the level of early-pay discounts that their lower-performing peers are," Albertson said.

There are risks to cumbersome, manual AP processes, including the possibility of fraud going undetected. The inability to accurately forecast cash flow is also a threat to the organization, as it can cause serious business disruptions.

FEWER ERRORS AND MORE AUTOMATED WORKFLOWS

"Straight-through" processing without human intervention is a goal few AP teams achieve. On average, AP organizations enable about one-quarter (26 percent) of invoices to be processed in a touchless manner, according to the Ardent Partners' report. In many cases, the invoices are paper, rather than electronic, which necessitates handling by a person.

With so many AP departments entrenched in paper-centric processes, the first step toward a transformation is digitizing the paper. Automatically extracting, validating, and matching data from invoices and other documents puts invoices into the AP workflow, ERP system, or line-of-business application mostly without human intervention. This cuts down on the amount of time that is spent keying, and sometimes correcting, data.

AI and machine learning plays a key role in improving accuracy. "Every time you take a picture of a receipt it provides feedback
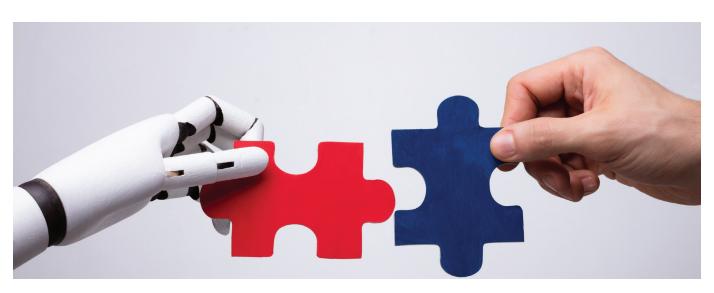
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to improve the accuracy of the algorithm," Arendale said.

The ability to detect fraud is a powerful tool that AI brings to AP processing. "AI is more effective at detecting payment errors, double payments, and other potential fraudulent activity that can be missed by even the most diligent AP team," said Calvin Harris, Founder, Harvin Consulting LLC.

Going beyond flagging incidents of error and overpayments, AI can incorporate external data to become even more sophisticated at rooting out fraud. AI can pull the data from a receipt and recognize that a cup of coffee does not cost $500. While the receipt is likely legitimate — the coffee bill could be for a large gathering — AI provides another safeguard against fraud.

IMPROVING COMPLIANCE, CASH FORECASTING WITH THE HELP OF AI

While reducing errors and fraud have a direct impact the bottom line, progressive organizations recognized that machine learning and AI have the potential to provide greater visibility into the organization's compliance and spending trends, which can have a long-term impact on cash forecasts.

Best-in-class organizations are 43 percent more likely to integrate AI solutions into their AP processes, according to the Ardent Partners' report. As AI continues to drive actionable insights, it is expected to have a significant influence on how the AP function is managed, organized, and staffed, the study noted.

The next-level of AI integration takes the process a step further. A few examples:

- Machine learning can extract relevant data from the invoice and learn to apply the appropriate general ledger code based on how similar invoices have been handled.

- AI can learn the workflow patterns of the organization and suggest adjustments to bypass an approver based on his/her history.

- AI can match invoices and contract terms to ensure that payments are processed to meet early-payment discounts and service-level agreements.

"Compliance is a big value driver when it comes to automation and AI," said The Hackett Group's Albertson.

The intelligence provided by AP and advanced analytics can help AP become strategic partners to make smarter spending and cash management decisions. When the terms of the contract are digitized and analytics about compliance are available, the company can make strategic decisions as to when to make payments, holding on to cash as long as possible while making on-time payments to meet early-payment discount deadlines.

While AI will never take humans out of the loop of critical decisions that will impact an organization's planning and cash flow management efforts, it will increasingly provide support. "You don't want to completely remove humans from the

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equation, but AI and automation have the potential to make those instances where you bring in a human fewer and farther between," Harris said. "When you bring in a person to make the call, you want to arm them with as much information as possible."

CONCLUSION: LEVERAGE AUTOMATION AND ARTIFICIAL INTELLIGENCE TO TRANSFORM AP

AP is often viewed as a cost center, but strategic deployment of automation and emerging technologies such as artificial intelligence can prove AP's value as a key contributor to profitability.

While AP is not typically first in line when it comes to technological innovation, automation and artificial intelligence have the potential to secure AP's place as a hub of information to help the business run more efficiently and profitably. The intelligence that AP has at its disposal is essential to meeting organizational goals of profitability, efficiency, and agility.

The manual processes that have been the norm in AP departments are costly, inefficient, and don't yield the insights needed to run a modern business. Organizations that fail to address innovation in the AP function risk falling behind in not only processing payment but in gathering data to inform their business strategies.

KEY TAKEAWAYS

➢ Even as many elements of the finance and procurement functions are being automated, the AP function remains mired in paper invoices that gobble resources with little return.

➢ Automating AP process and leveraging emerging technologies such as machine learning and AI can make the process less error-prone and reduce the resources necessary to process payments.

➢ The valuable insights that can be garnered from digitized AP can inform strategic initiatives to improve cash management and position the company for growth.

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