

Artificial Intelligence in Accounts Payable



For modern businesses, gaining value and cutting costs extends to every area of operations—including how they pay their bills. As automation, artificial intelligence, and the digital transformations they support become an increasingly common and important part of effective business process management, automating the accounts payable (AP) function has become a popular first step in achieving greater efficiency, value, and performance. The next step—leveraging artificial intelligence in accounts payable—holds the potential to increase these gains and help organizations of all sizes and types achieve true, end-to-end AP automation.

Understanding the importance of advanced artificial intelligence in accounts payable, and adding it to your overall AP optimization paradigm, can help your

business meet its goals more effectively while helping to lay a foundation for full digital transformation.

The Growing Importance of Artificial Intelligence in Accounts Payable

Traditionally, AP processes follow the same basic pattern, regardless of industry.

1. Invoices received and sorted.
2. Data extracted from the invoice and digitized.
3. Invoice information is booked into the enterprise resource planning (ERP) or financial software, including any relevant exceptions.
4. Invoices are routed to the appropriate approver(s), based on internal workflows.
5. Approved invoices are paid and posted to the general ledger.

When these five steps are all manual processes, the potential for error, delay, and improvement is substantial.

As companies move beyond the outdated, paper-based processes and paradigms of the past, many have proven eager to embrace accounts payable automation, either as a stand-alone boost to efficiency or, more commonly, as part of larger, AP-based digital transformation initiatives. Automation is a perfect fit for AP, since so many of its processes are high volume and readily automated.

In fact, a 2020 report by *Business Insider Intelligence* found 44% of businesses want to incorporate automation into their accounts payable function in order to:

- Reduce costs (AP automation can lower processing costs by up to 81%).
- Improve efficiency and accuracy (AP automation can speed processing

times by up to 73%). These improvements also make it possible to capture more early payment discounts by giving the AP team more time to review their payment options.

- Substantially reduce the specific costs associated with individual invoice processing by up to 90% while slashing errors by 40%.
- Build value through continuous improvement and process optimization.
- Eliminate both fraud and human error from their workflows.
- Improve the transparency and completeness of spend data.

Paired with technologies such as optical character recognition (OCR), which automatically reads and converts text printed on physical media to a digital file, robotic process automation (RPA) eliminates much of the tedium, human error, and wasted time associated with time-consuming back office processes that accompany manual invoice processing. RPA also helps streamline other payable processes, such as approvals, reducing overall cycle times and freeing staff to focus their time and talents on more strategic tasks.

Yet, despite its demonstrable benefits, basic AP automation is just the tip of the iceberg for achieving truly optimal AP performance. Both OCR technology and standalone process automation are tools, rather than complete automation solutions on their own. OCR in particular needs more advanced AI capabilities (including machine learning) to overcome its limitations.

To achieve optimal results, you need a cohesive, complete, and transparent datasphere combined with the digital tools and algorithms necessary to capture, store, organize, and analyze that data. Mining actionable insights, providing real-time visibility into spend, and integrating your existing software environment (including your financial software, enterprise resource planning (ERP) package, etc.) requires advanced artificial intelligence.

It might surprise you to learn it *also* requires some strategic integration with

accounts payables' long-time partner in spend management success: procurement.

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Combining Optimized Procurement with Accounts Payable Automation

As we've seen, the business processes associated with accounts payable, including everything from three-way matching to routing approvals, are readily improved by automation alone. Yet the payable department is only a piece of the digital transformation puzzle. The procurement function, connected to the payable department by the *procure-to-pay process* (often abbreviated to the P2P process), must also be automated and streamlined, or your automated AP function may prove to be an engine firing on only a few cylinders.

Consider this: AP may process payments, but if they're getting late, incomplete, or duplicate invoices, neither the fanciest OCR nor a contingency-based approval system is going to help the company avoid late payments, cash flow problems, and damaged supplier relationships. In addition, if there's no formal system in place for guided buying, contract management, supply chain and supplier management, or data management in general, AP will spend a significant amount of time combatting two of the most pernicious of financial evils ever to plague commercial enterprise: maverick spend and invoice fraud.

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unoptimized procure-to-pay process) can limit or even counteract the benefits realized by AP automation alone. The artificial intelligence that most benefits the accounts payable team, it would seem, is artificial intelligence in procurement.

As it sits upstream of accounts payable—and has a profound effect on all areas of a business because it's responsible for providing them with the raw materials, goods, and services they need to do their jobs—procurement is an even better candidate for optimization and automation than AP.

Best-in-class software solutions like PLANERGY are powered by artificial intelligence that doesn't just introduce iterative and continuous improvements to your business processes, but helps to create a complete, centralized, and fully integrated software environment.

When everything is contained within (or at least connected to) a single software solution:

- Complete and transparent information means all processes are inherently more accurate and yield more strategically useful results.
- Full support for digital documentation, guided buying, and supplier relationship management tools helps eliminate most incoming paper or manual information transfer and therefore largely negates the need for both invoice data entry and OCR.
- Where OCR is still required, advanced machine learning algorithms enhance its capabilities, learning patterns over time and reducing the need for human intervention to correct common read errors. Robotic process automation can automatically identify and route incoming invoices.
- Optimizing upstream procurement processes not only improves data quality for invoice automation and other AP processes, but directly eliminates both maverick spend and invoice fraud by eliminating non-PO

invoices.

- AP captures more early payment discounts and enjoys more positive supplier relationships.
- Accurate and complete purchase orders, coupled with automatic three-way matching, further reduce the need to chase time-consuming exceptions.
- Analytics and spend metrics can reveal patterns to help improve cash flow and long-term financial planning.

By leveraging artificial intelligence, analytics, and automation to optimize procurement and your procure-to-pay process, you're making it possible for your AP staff to reap the full benefits of automation and help shift both the procurement and finance departments away from cost savings alone, and toward becoming genuine value creation centers for your organization.

Harness the Power of Artificial Intelligence for Real Results

The future is yet to be written. But chances are, emerging technologies will play a part in how the story unfolds. By taking a proactive and comprehensive approach to AP automation with artificial intelligence, and partnering with procurement to optimize your P2P process, you can be sure your AP department is data-driven, value-centered, and operating at peak efficiency, accuracy, and efficacy.

Achieve True AP Automation with
Artificial Intelligence and Analytics
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