

AP LEADERSHIP INSIGHTS, 2023: Driving AP Transformation and Cost Efficiency With AI-Led Automation



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As we enter 2023, businesses are faced with formidable challenges. In an effort to control rising inflation — the highest level seen since the 1980s — the U.S. Federal Reserve has been incrementally raising **interest rates**. Those increases, beginning in 2022 and continuing into 2023, have helped to control rising inflation, but at a cost.

This economic climate is causing management to reconsider how they do business. If ever there were a time when savvy finance executives needed to think outside the box, 2023 is it. They must “do more with less,” and that involves embracing technological advances, particularly when it comes to accounts payable (AP) automation.



Now is the time to rethink approach to AP automation.

“As companies have moved to aggressively digitize ‘core’ sourcing and procurement processes in recent years, they have often overlooked the final step of the source-to-pay (S2P) process — invoice processing,” says Richard Waugh, Vice President, Corporate Development at Zycus. “The residual inefficiencies in accounts payable not only lengthen otherwise efficient source-to-pay cycles, but also thwart effective working capital management due to lost discounts. Those inefficiencies can also strain supplier relationships due to late payments, a lack of transparency, and inadequate collaboration.”

The fundamental problem is that legacy AP solutions don’t do enough to streamline the AP process. That means waste — through process inefficiency which costs in labor, and through missed discounts due to late payments. Sticking with legacy AP solutions that do not offer artificial intelligence (AI) and machine learning (ML) capabilities invariably results in what amounts to only partial automation and a greater need for human intervention.



Legacy AP solutions aren’t leveraging modern AI/ML/NLP capabilities.

However, with its advanced capabilities, **AI can save an organization as much as 50%** of its current AP processing costs. Calculating the total cost of ownership (TCO), where the cost of the solution is more than offset by the savings it provides, can clearly demonstrate the benefit from AP automation.

Traditional approaches to AP (e.g., OCR and manual processing) struggle to scale with increased invoice volume and the TCO increases rapidly. Templated OCR solutions do not handle variations in document layouts particularly well, creating a greater need for manual intervention. However, adding accounts payable FTEs to handle higher invoice volumes and manual processing is simply not an option for many enterprises right now.

If ever there were a time to put incremental improvements on hold and modernize your accounts payable process with **AI-led AP automation**, that time is now.

The Evolution of AI-Led Accounts Payable Automation

It’s worth noting that despite a decent level of automation among IOFM survey respondents, the performance metrics for AP processes paint a less-than-ideal picture:

- Most companies don’t have the ability to do straight-through processing (STP) for the bulk of their invoices.
- Only 4% of organizations are able to pay their PO invoices on-time, all the time.
- Only 5% of organizations are consistently able to match their invoices to POs on the first try.
- About a third of organizations make duplicate payments more than 1% of the time.
- About a fourth of organizations have to correct their transactions more than 10% of the time.

Source: IOFM Accounts Payable Performance Benchmarking Report, 2022

These figures clearly indicate that having sub-optimal AP automation leads to substantial inefficiency. However, there’s good news — AP automation tools have evolved significantly over the last decade (Figure 1).

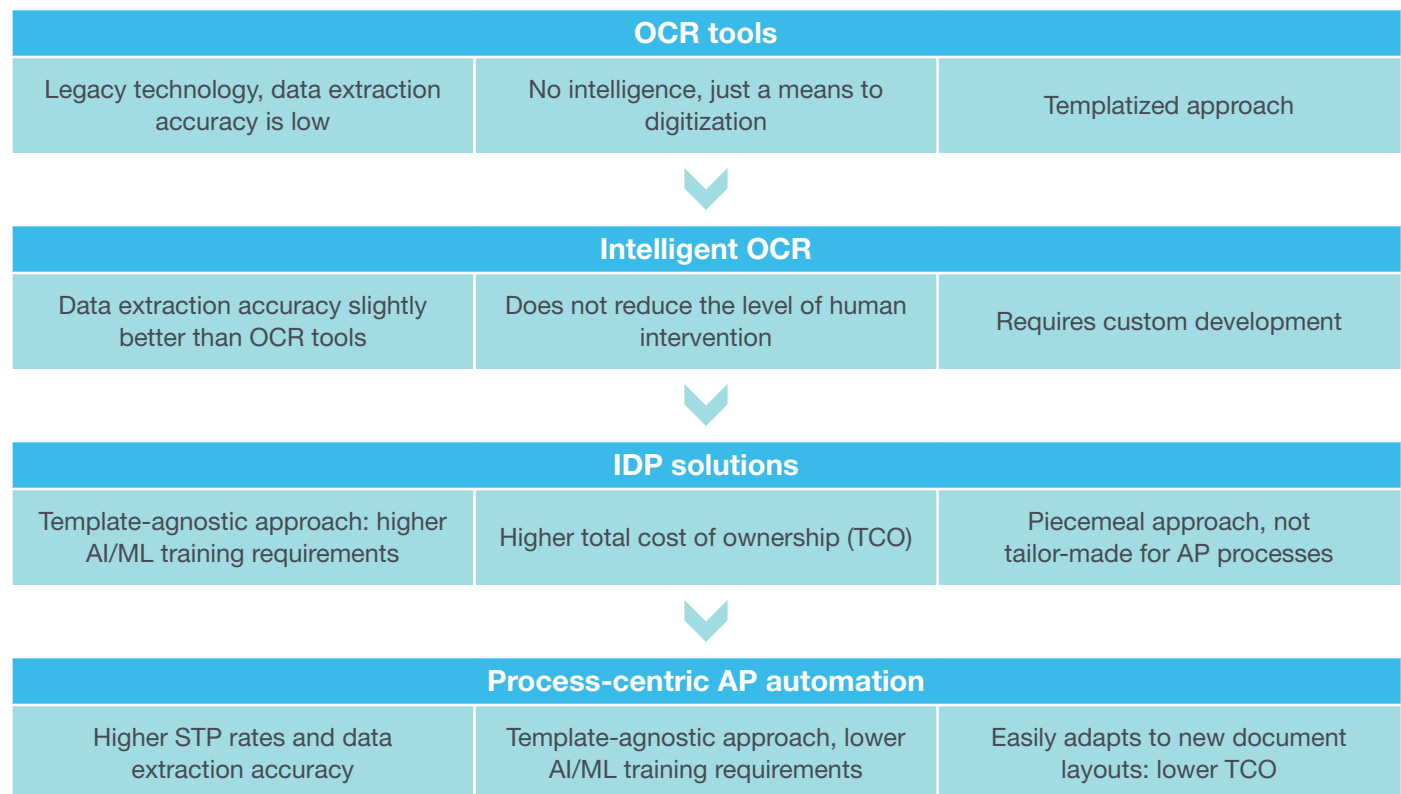
Optical character recognition (OCR) is a legacy technology, unable to drive AP efficiency, with lower data extraction accuracy and a templated approach. “Intelligent OCR” tools deliver only a marginal improvement (around 5%) in accuracy.



Legacy solutions (e.g., OCR) struggle to tackle volume, variety, and complexity of modern AP requirements.



Figure 1. Evolution of AP Automation Tools



Source: Zycus

Intelligent document processing (IDP) solutions are an upgrade from OCR tools. They have pre-processing and post-processing stages, before and after the actual data extraction, and use machine learning (ML), natural language processing (NLP), and deep learning capabilities to deliver a greater degree of STP, along with higher accuracy. IDP solutions offer a template-agnostic approach to invoice processing, and by and large, represent the first truly intelligent approach to AP invoice automation.

However, while IDP solutions offer AI/ML capabilities, these solutions are not customized for specific processes — such as accounts payable. Enterprises incur significant costs on training ML models and integrating various software components to deliver AP automation. The time-to-value is significantly longer in the case of IDP solutions when compared to process-centric AP automation.

AI-led AP automation solutions use advanced ML algorithms to accurately extract data from invoices and other documents. This results in significantly fewer errors compared to OCR tools, which often struggle to accurately interpret the text on invoices and other documents.

AI-led AP automation solutions (i.e., process-centric AP automation solutions) are tailor-made for automating accounts payable processes, and unlike IDP, deliver faster time-to-value at a lower cost of ownership. CFOs, finance controllers, and other finance leaders, including AP directors, can leverage process-centric AP automation to transform their AP function and drive cost efficiency.

The Business Case for AI-Led AP Automation

While there's now little doubt within the finance community that automation is necessary for optimized AP operations, not all solutions are equally effective. "Some executives may be wary of the anticipated disruption from implementing a new AP automation solution and thus decide to 'leave well enough alone' — but that's a recipe for disaster," says Waugh.



Process-centric AP automation is better than IDP solutions in terms of cost of ownership and minimal AI/ML training.



In fact, sticking with an existing, low-end automation solution is probably costing organizations more money and creating inefficiencies, with no end in sight. It's just something that people have gotten used to — while working around the inherent deficiencies.

“In fact, a change to AI-led AP automation can significantly improve AP team’s efficiency,” notes Royce Grayson Morse, IOFM’s Managing Editor. “It can reduce the amount of expensive manual labor required for exception management and processing, and the overall cost of ownership. However, it’s important to approach this transition from a well-thought-out, holistic viewpoint to make sure the organization obtains the desired results.”



AI-led AP automation significantly reduces the effort expended on exception handling.

Once you’re ready to consider an AI-led accounts payable automation solution, there are a few key things to focus on when planning a truly effective transformation:

- People
- Process
- Technology

Note that technology is only a part of this equation. Adopting an AI-led AP automation solution will have a ripple effect throughout your entire organization, so it needs to be addressed from every angle. Let’s discuss each of these considerations in turn.

The Framework

Here’s how to help ensure that a transformation to AI-led AP automation is smooth and delivers the desired outcomes (Figure 2).

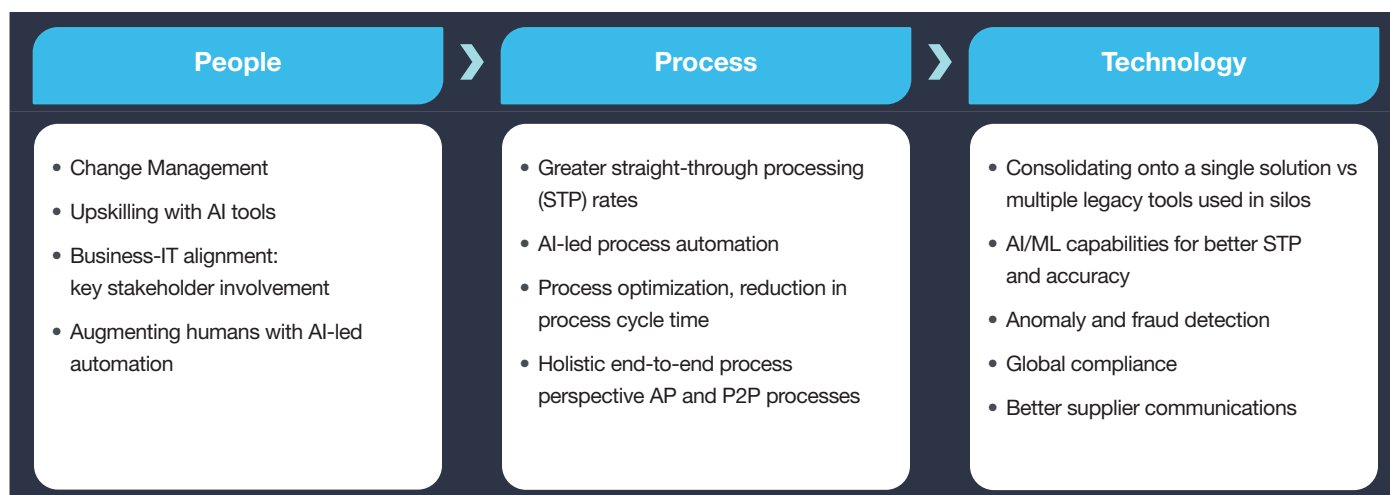
PEOPLE

Key stakeholders across finance, IT, and procurement functions should be involved in the planning for an AP transformation initiative. While the most sophisticated solutions, such as **Zycus’ AP Automation Solution**, are cloud-based and don’t require much in the way of onsite support from the in-house IT team, any AP solution of choice must integrate with your existing ERP system(s).

Since change management is key to a successful transition to AI-led AP automation, the biggest **buy-in needs to come from your AP staff**. Some AP professionals, especially those who have been doing the job for a long time, are resistant to change and may be reluctant to embrace AI/ML capabilities, especially if they don’t really understand how it works. Getting everyone in the AP team involved can reveal problematic workarounds or inconsistent procedures that otherwise wouldn’t be discovered.

In this context, positioning AI as augmenting humans (instead of replacing them) is likely to reduce the friction and garner a positive response from the AP team. Consequently, it’s extremely important to communicate with the AP team that an AI-led AP automation solution isn’t intended to drive job reductions. Its purpose is to handle the routine and time-consuming tasks so that they can apply their knowledge to higher-value ones, such as financial projections, discount management, and vendor relationships.

Figure 2. Key Pillars for AP Transformation



Source: Zycus



AI-led AP Automation augments AP staff and allows organizations to “do more, with less”.

A good way to engage the team is to encourage them to participate in the business case process, and keep them involved throughout the transition. That way the AP team will understand what’s happening and why, and there won’t be any surprises.

PROCESS

Having a holistic end-to-end view of procure-to-pay (P2P) and AP processes will help prepare for a greater degree of STP, while reducing the need for human intervention. “Keep the big picture in mind,” says Morse. “It’s essential to address your greatest pain points first. Prioritizing where you can get the greatest improvement helps in realizing a faster return on investment (RoI). And if you have inefficiencies in your existing AP process, this is the stage where you want to address those, even before automating.”

IOFM suggests **modelling and optimizing your processes** beforehand, looking for the areas that result in the greatest number of errors and wasted time. Then analyze how you can help solve these bottlenecks, both with and without automation. Once this is done, the next step is to outline your key objectives to address those pain points and fixing what you can prior to automating. Knowing where you need the most help will then better inform your choice of an AI-led AP automation solution.



Analyzing and improving your processes before automation will better prepare you for success.

TECHNOLOGY

Artificial intelligence is often described as transformational — and it is a definite game-changer. One of the things that distinguishes a true AI-led accounts payable automation solution is its learning ability. There is no need to maintain multitudes of templates for various invoice types and layouts. Your vendors can submit their invoices in a format of their choosing and you won’t need to try and impose your standards on them — typically a process that many vendors resist.



AI-led AP automation is template-agnostic, delivers greater STP rates and higher accuracy.

Where AI/ML really excels is its ability to drive continuous improvement. When there are exceptions to established invoice document layouts, it adapts to those changes and handles them accurately the next time it’s faced with a similar scenario. This requires minimal intervention by AP staff; AI-driven software actually gets smarter the longer it’s used.



AI-led AP automation solutions continuously learn from exceptions and variations to deliver increased accuracy.

There are numerous other benefits as well. An advanced AI-led AP automation solution offers other key capabilities, such as Zycus **AP Smart Desk** for handling both PO and non-PO invoices, and offers a higher degree of accuracy in extracting header and line item data in comparison to non-AI solutions. For example, traditional OCR-based solutions may return information that needs to be compared to the original invoice and tweaked. That process can be time-consuming, and perhaps even more laborious than 100% manual processing. The ability of AI-led AP automation solutions to deliver a greater degree of STP means less time is spent on manual intervention.

It’s also worth noting that many less-advanced, more traditional AP solutions involve an outright purchase of on-premises software, which must be installed on local servers and maintained by your organization’s IT team — any software updates must also be handled by IT. Instead, software-as-a-service (SaaS) solutions are easy to implement since delivery is via the cloud and regular updates are done behind the scenes without the involvement of your IT team. And as SaaS solutions offer web-based access, it is easier for remote staff to get their work done from anywhere.



Consolidation onto an AI-led AP automation solution is a better proposition than maintaining legacy tools struggling to scale.

In addition, AI-led AP automation solutions are designed to integrate seamlessly with other systems, such as your accounting software and ERP systems. This can help in streamlining the overall AP process.

Security is also enhanced because your sensitive data resides on highly protected offsite (cloud) servers, and global compliance concerns will have been addressed by a highly experienced cloud services provider, alleviating the need for exhaustive research into and management of that process.

Finally, over time, enterprises may have ended up accumulating various AP tools that don't really meet modern AP requirements. Consolidating onto a unified, SaaS-based and AI-led AP automation platform is a more effective approach than cobbling together piecemeal solutions or maintaining legacy solutions that cannot handle the volume, variety, and complexity of modern AP requirements.

Why AI, Why Now?

Artificial intelligence, including ML, NLP, and deep learning has reached a level of sophistication that is unmatched by legacy AP automation solutions. Spending your business's hard-earned cash, especially in a time of economic uncertainty, requires careful consideration to ensure you're getting the greatest return on your investment.

Legacy AP solutions that still require manual intervention (i.e., deliver lower STP rates and less accuracy), are more expensive and require greater effort on the part of AP professionals to curate and correct the outputs. An AI-led AP automation solution, on the other hand, offers better results; a faster and easier implementation; and a quicker ROI.

The greatest benefit of automation is efficiency — it frees up valuable time for AP teams who would otherwise be bogged down in tedious, manual tasks. AP professionals can then save time from repetitive, manual activities, and instead focus on doing more strategic work.



AI-led AP automation drives AP efficiency and improved cashflow.

An advanced AI-led AP automation solution offers other key capabilities, such as **Zycus AP Smart Desk** for handling both PO and non-PO invoices,, can ease AP processing with a template free-approach offering a high degree of straight-through processing, greater accuracy, safeguards against fraud, compliance tools — and considerably less manual intervention. All of this saves you time and money.

With strategic planning and a sophisticated AP automation solution, enterprises can realize the greatest level of process optimization and automation with the least number of implementation delays. Given that AP controls most of the money leaving the organization, it only makes sense to invest in a solution that uses the latest AI/ML capabilities to help you control your cashflow.

In these difficult economic times, cashflow is especially critical to your continued success. Don't leave it to chance.





About Zycus

Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source-to-Pay (S2P) integrated suite. Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP professionals to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a consumer-grade user experience to the end users.

Please visit Zycus.com for more information.



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Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

IOFM is proud to be recognized as the leading organization in providing training, education and certification programs specifically for professionals in accounts payable, procure-to-pay, accounts receivable and order-to-cash, as well as key tax and compliance resources for global and shared services professionals, controllers, and their finance and administration (F&A) teams.

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