STRAIGHTLINE


# Taking Procure-to-Pay to the Next Level with Robotic Process Automation

An AP & P2P white paper

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## Introduction

Organizations have a lot riding on the efficiency and effectiveness of their procure-to-pay processes. Disruptions to an organization's ability to purchase or pay for materials, goods and services can negatively impact its supply chain, customers and financial standing. Yet, most organizations rely on manual or semi-automated procure-to-pay processes that cost too much, take too long, create too many errors, provide inadequate visibility and frustrate internal stakeholders and suppliers. A big part of the blame can be pinned on the top-down approach that most organizations have traditionally taken to automating business processes. Another contributor is the exploding volume of "dark data" – untapped structured and unstructured data from documents such as invoices, purchase orders and shipping documents. Robotic process automation (RPA) with cognitive automation makes it easier and more cost-effective for procure-to-pay organizations to automate. The technology empowers business users with software robots (bots) that automate business processes, such as procure-to-pay, to achieve operational and strategic benefits. This paper details the challenges with traditional approaches to business process automation, provides an overview of RPA and cognitive automation, and lays out the technology's benefits in procure-to-pay.

## Why Are So Many Processes Still Manual?

After 30 years of automation and the emergence of disruptive technologies and solutions such as personal computers on each desk, internet and email, enterprise-scale systems (ERP, BPM, CRM), the cloud and machine learning, most business processes are still manual.

The root of the problem is the traditional approach to automation. Most businesses have taken a top-down approach to automation where IT is tasked with installing and enabling independent systems to automate a particular function. But the pace of innovation is moving fast, resulting in a huge backlog with IT. Complicating matters, enterprises regularly deploy new systems, without retiring old ones. As a result, humans must manually perform 80 percent of the business processes, including those which require manual data transferring between legacy systems and those which IT has not had time to automate at all. Just consider the amount of time that business users waste cutting and pasting information into disconnected IT systems.

Procure-to-pay is one function that remains manual or semi-automated at most businesses.

The process of sourcing, ordering, receiving and making payment for materials, goods and services typically involves multiple stakeholders (e.g. purchasers and sellers), departments (e.g. sourcing, purchasing, logistics, operations, accounts payable, treasury and finance), applications (e.g. enterprise resource planning systems, customer relationship management platforms, accounting software and business process management solutions), and approval and exceptions workflows.

Buyers must monitor inventory levels, identify the right suppliers for required parts, receive quotes, create purchase orders, collect and periodically update supplier information (contact information, banking details and tax documents),

IDC research shows that **over 80 percent** of medium-sized and large businesses have put digital transformation at the heart of their strategic goals, often driven directly by the CEO.


The workload for IT is extremely high.

receive goods and services receipts, ensure accurate delivery, process invoices, issue payments against approved invoices, and reconcile invoices and payments.

As burdensome as this sounds, businesses make things worse by manually performing many of these tasks. The average procure-to-pay professional must perform a lot of repetitive, routine steps that are tedious and uninteresting (e.g. invoice validation, invoice data capture, invoice matching, posting to an ERP). Less than one-quarter of procure-to-pay organizations are a highly automated, touchless environment, according to the Institute of Finance and Management (IOFM). As a result, the purchase-to-pay process at most large-scale organizations is complex and time-consuming.

These complex and time-consuming procure-to-pay processes create delays that result in:

- Supply chain disruptions
- Strained supplier and customer relationships
- High operations costs
- Higher cost of goods and services
- A weaker competitive position

It is no wonder that deploying automated procure-to-pay solutions is a top priority of accounts payable professionals over the next three years, per IOFM's Future of Accounts Payable survey.

## A Better Approach to Process Automation

What if companies had a way to empower business users who are process experts to automate repetitive tasks, while ensuring the controls, governance and security the enterprise demands?

That's the premise of RPA.

RPA automates simple, repetitive tasks that can be easily replicated by instructing a software bot to copy keystrokes or to follow a defined set of rules. Bots interact with IT systems and applications, just like humans. And the technology is largely plug-and-play and does not require changes to existing IT systems, legacy applications or machines. This makes RPA ideal for procure-to-pay, where seamless integration with systems of record such as an ERP application, inventory system, or CRM platform is critical for eliminating process inefficiencies and data gaps.

RPA automates procure-to-pay processes such as:

- Collecting invoices from email attachments
- Updating supplier information
- Monitoring part inventory levels

- Creating a sales order from a purchase requisition
- Updating the material master record upon receipt of delivery
- Reviewing outstanding purchase orders for payments
- Capturing, indexing, structuring and validating large amounts of invoice data
- Allocating payments against outstanding invoices

To be sure, RPA performs simple, repetitive tasks more quickly, accurately and diligently than humans, freeing employees to focus on tasks that require human strengths such as reasoning, judgement and client interaction. But RPA is less about replacing humans with software robots than it is about refocusing humans on activities that truly require human ingenuity, judgement and creativity.

One solutions provider offers a bot store to help organizations scale their RPA initiatives faster. A bot store is an online marketplace offering ready-to- use RPA bots that can be deployed by different organizations (with minimal customization) to automate similar business processes, tasks or activities. An intuitive search function enables organizations to browse the online marketplace for pre-built, best-in-class RPA bots by business function, vertical, process type, relevant application or cognitive ability. The bot that best meets the organization's needs can be downloaded and plugged into their process.

RPA delivers between 30 percent and 200 percent ROI in the first year, according to a McKinsey analysis of 20 companies that have deployed RPA. Some of the more successful RPA deployments generated four times the ROI and three times the resource capacity compared to other deployments, per research conducted by The Everest Group.

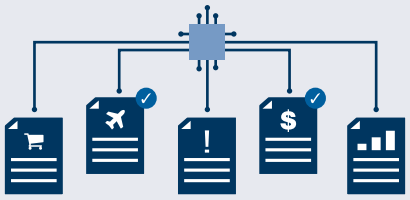
It is for these reasons that sales of RPA software between 2016 and 2022 are predicted to grow 57 percent annually at a time when enterprise software budgets are growing by just 4.1 percent per year. In fact, enterprise investments in RPA dwarf the investments made in enterprise applications such as enterprise resource planning (ERP) and customer relationship management (CRM) platforms.

## 'Amped Up' RPA with Cognitive Automation

As impressive as RPA is, it's the combination of RPA and cognitive automation that really has organizations excited. Cognitive automation enhances RPA with the ability to process and analyze unstructured and semi-structured documents such as invoices, purchase orders and receipts.

Traditional RPA only handles structured data – the kind of data that comes from paper or electronic spreadsheets, databases or standardized forms. But organizations are drowning in unstructured data. Many ignore this data because of the complexity of processing or analyzing it. In fact, this data is referred to as "dark data" because organizations simply don't know what it contains.

Procure-to-pay velocity is a **key driver** for automation.



**Continuous improvement** and **automation** is top of mind for enterprises.

**Procure-to-pay practitioners identified RPA** among the most important technologies to the future of their profession, according to IOFM's 2017 Future of Accounts Payable report.

RPA with cognitive automation organizes data to orchestrate actions.

Dark data includes unstructured data such as text messages, e-mails, handwritten messages, images and videos, and semi-structured documents, which contain a known set of data, but with different layouts that make the data hard to extract. Examples would be invoices, explanation of benefits (EOB), and financial reports.

Cognitive automation applies artificial intelligence (AI) technologies that imitate the way the human brain works – technologies such as image processing, pattern recognition, contextual analysis, natural language processing and machine learning (ML) – to help bots with making decisions or completing tasks.

RPA solutions with cognitive capabilities have built-in domain expertise to find unique, process-specific data that is required for highly specialized processes, such as procure-to-pay. A combination of computer vision, optical character recognition (OCR) technology and fuzzy logic, cognitive RPA automatically extracts and enriches data while ML helps improve the accuracy of captured data. Cognitive automation helps to make sure that an intelligent system extracts all the unstructured data.

Once the data from documents has been captured and deciphered, it can be used by RPA bots for rule-based automation.

The result is dramatically higher straight-through processing rates for document-centric procure-to-pay processes and end-to-end business process automation without any human involvement.

While RPA with cognitive automation excels at document-centric processes, the technology can also comprehend and automatically process e-mail and messaging requests, such as order-status inquiries.

And what's especially attractive about cognitive automation is that the technology learns over time. As the cognitive solution receives new data, it makes more connections and learns how to process the information. This means that RPA with cognitive automation can move from mainly automating basic tasks, such as invoice data capture, to taking over complex processes in compliance, legal and even the front-office. Having bots do more of the "heavy lifting" enables humans to begin to step out of the procure-to-pay processes to focus on value-added activities.

## Unlocking the Value of Procure-to-Pay Data

Enterprises are excited about cognitive solutions that automatically learn, discover and make recommendations or predictions. The largest area of AI spending in 2017 was on cognitive applications, representing nearly $2.5 billion in software investments, according to IDC. Spending on cognitive-related IT and business services will increase at a compound annual growth rate of nearly 70 percent.

One reason that cognitive automation is well-suited for procure-to-pay is the technology's ability to learn, at least in part, by association. The technology uses unstructured data to build relationships, create indices, tags, annotations and other meta data, and find similarities between items (invoices, purchase order numbers, shipping addresses, assets, etc.) pertaining to procure-to-pay processes.

**Nearly 80%** of data generated or collected by businesses is dark data, Gartner finds.

The processes behind cognitive automation make use of the same principles as AI.

RPA with cognitive capabilities is not just RPA; it is RPA to the next level.

Every system, whether it's an ERP application or an inventory platform – collects data that is filed away. **RPA with cognitive automations helps organizations make use of this data.**

Cognitive automation offers several advantages over generic AI. Chief among them is the fact that cognitive solutions are pre-trained to automate business processes. This eliminates the need for IT and/or data scientists to design elaborate models. Business users can design their own processing models and begin operation in just a few weeks. The technology's consumer-grade usability and enterprise scalability help ensure strong user adoption and fast return on investment, while meeting current and future business requirements.

RPA with cognitive automation also helps businesses predict outcomes using descriptive analytics, predictive analytics, real-time analytics, data visualization and dashboards with business insights.

For instance, RPA with cognitive automation can easily process a broad variety of non-standard purchase orders, invoices and proof-of-delivery receipts and extract the data required to feed a billing system or other system of record. What's more, it can quickly convert balance sheets and income statement documents into standardized, machine-readable spreadsheets. And it can analyze unstructured data in supplier e-mails regarding the status of an invoice or a payment and respond to the inquiry or escalate the matter to a human.

Because of its capability to process and analyze unstructured data, RPA with cognitive capabilities accelerates the already impressive returns that enterprises achieve from RPA, McKinsey finds.

Importantly, the combination of RPA, cognitive automation and smart analytics creates a Digital Workforce that can connect multiple systems – including ERP, CRM and HR applications – to provide the best view of how information flows through an enterprise and how it can be best used.

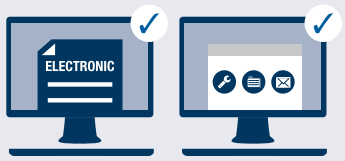
A Digital Workforce empowers business users to quickly automate specialized tasks without burdening IT. In this model, business users create a bot to perform a specialized task, provision a virtual machine, provide the bot with logical access to any legacy systems, and deploy the bot.

## The Benefits of RPA with Cognitive Automation in P2P

Having machines take on the burden of processing and analyzing the huge amounts of data that flow through the financial supply chain provides procure-to-pay organizations with compelling benefits:

- **Improved productivity:** 84 percent of the typical procure-to-pay professional's time is consumed with repetitive tasks such as updating supplier information, capturing invoice data, and initiating payments on approved invoices, per IOFM's AP Department and Benchmarks Analysis. Worse, procure-to-pay department leaders spend more time each day on transaction processing than on strategic activities such as planning and process improvement. Procure-to-pay organizations can offload these repetitive tasks onto RPA bots. RPA performs its tasks 24/7, 365 days a year. The increased productivity provided by RPA with cognitive automation reduces costs, frees staff to focus on value-added activities, and enables organizations to quickly grow their capacity (for organic growth or the acquisition of another business) without adding staff. It also frees staff to focus on building supplier relationships and streamlines regulatory compliance for organizations in highly regulated industries.

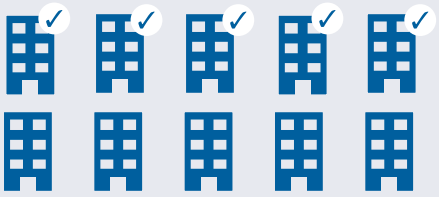
RPA takes away mainly physical tasks that do not require knowledge, understanding or insight – the tasks that can be done by codifying rules and instructing the software how to act.




Cognitive automation determines:

- Whether it has seen the item before
- The action taken in the similar instance
- Whether the item is connected to something the technology has seen before
- The strength of the connection between the items
- Who and what is involved with an item

Almost half of enterprises implementing RPA in the next six months will be doing so with RPA solutions that offer cognitive capabilities, according to RPA & AI Exchange research.



- **Increased accuracy:** Errors can cause big problems in the procure-to-pay cycle, including potential disruption to the supply chain and the loss of valued suppliers. Transitioning manual processes, such as invoice data capture, to RPA significantly reduces the chances of errors. Increasing accuracy helps organizations reduce operations costs, grow net margins (e.g. fewer undetected duplicate payments) and improves supplier and stakeholder relationships. Increasing accuracy also helps organizations in highly regulated industries avoid compliance violations that can result in costly fines and penalties.
- **Lower employee turnover:** The procure-to-pay function has long been perceived as a tactical back-office function. Eliminating boring, repetitive tasks will allows staff to focus on the types of creative and intellectually challenging tasks that increase employee engagement, improve job satisfaction, and reduce staff turnover. A study by the Department of Management at the London School of Economics found that employees welcomed RPA to eliminate undesirable tasks and relieve rising work pressures. One retailer studied by the university measures the success of its RPA initiative in terms of the number of hours given back to the business. With the workload and regulatory and bureaucratic burden at organizations expected to grow in-line with rising data volumes – 50 percent or more annually – automation will help organizations relieve corporate stress, Leslie Willcocks, professor of technology, work and globalization for the university, concludes.
- **Improved competitive position:** The combination of disruptive competitors and volatile business markets requires businesses to be agile and to make faster and better-informed strategic decisions. Businesses that are not actively moving towards RPA and cognitive automation are putting themselves at risk of falling behind their automated competitors.

## Conclusion

Imagine an environment where procure-to-pay business users can use software robots to quickly automate processes that can help their organization win in today's increasingly competitive global trade and commerce environment. While organizations that are struggling with manual processes and drowning in untapped information may think this vision sounds far-fetched, RPA with cognitive automation is making it a reality. Offloading tedious, repetitive tasks to software bots helps procure-to-pay organizations increase productivity, improve accuracy, lower turnover, and improve the organization's competitive position. Most of all, it frees procure-to-pay staff to focus on activities that help their department deliver greater strategic value to the enterprise.

According to a 2016 survey by Cap Gemini, **86 percent** of organizations say RPA can reduce costs, reduce risk, and increase compliance. **Eighty-nine** percent of organizations say RPA can enhance effectiveness and efficiency, while **91 percent** say RPA improves work quality.

## About the Automation Anywhere

Automation Anywhere is the leader in Robotic Process Automation (RPA), the platform on which more organizations build world-class Intelligent Digital Workforces. Automation Anywhere's enterprise-grade platform uses software bots that work side by side with people to do much of the repetitive work in many industries. It combines sophisticated RPA, cognitive and embedded analytic technologies. Over 1,350 organizations use this AI-enabled solution to manage and scale business processes faster, with near-zero error rates, while dramatically reducing operational costs. Automation Anywhere provides automation technology to leading financial services, insurance, healthcare, technology, manufacturing, telecom and logistics companies globally. For additional information, visit **www.automationanywhere.com**



### About the AP & P2P Network

The AP & P2P Network is the leading provider of training, education and certification programs specifically for Accounts Payable, Procure–to–Pay, Global and Shared Services professionals as well as Controllers and their F&A teams.

Membership to the AP & P2P Network (**www.app2p.com**) provides comprehensive tools and resources to financial operations professionals who manage or are deeply involved in the Accounts Payable and Procure–to–Pay process.

Focus areas include best practices for every AP & P2P function; AP & P2P metrics and benchmarking data; tax and regulatory compliance (e.g. 1099, 1042–S, W–9, W–8, Sales & Use Tax, Escheatment, VAT, Canadian Tax, Internal Controls); solutions to real–world problems challenging your department; AP & P2P automation case studies; member Q&A networking forums, Ask the Experts, calculators, and more than 300 downloadable, customizable AP & P2P policies, flowcharts, templates and internal control checklists.

A membership to the AP & P2P Network provides tangible ROI to any organization – saving your organization time, money and keeping you compliant.

Over 10,000 professionals have been certified as an Accredited Payables Specialist or Manager (available in English, Simple Chinese and Spanish), and Certified Professional Controller through the AP & P2P Network and its parent company, the Institute of Finance & Management.

AP & P2P Network also hosts the Accounts Payable and Procure–to–Pay Conference and Expo (Spring and Fall), designed to facilitate education and peer networking.

The AP & P2P Network is produced by the Institute of Finance and Management (IOFM), which is the leading organization 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 F&A teams. With a universe of over 100,000 financial operations professionals, IOFM is the trusted source of information in the rapidly evolving field of financial operations.

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