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Smart Automation.
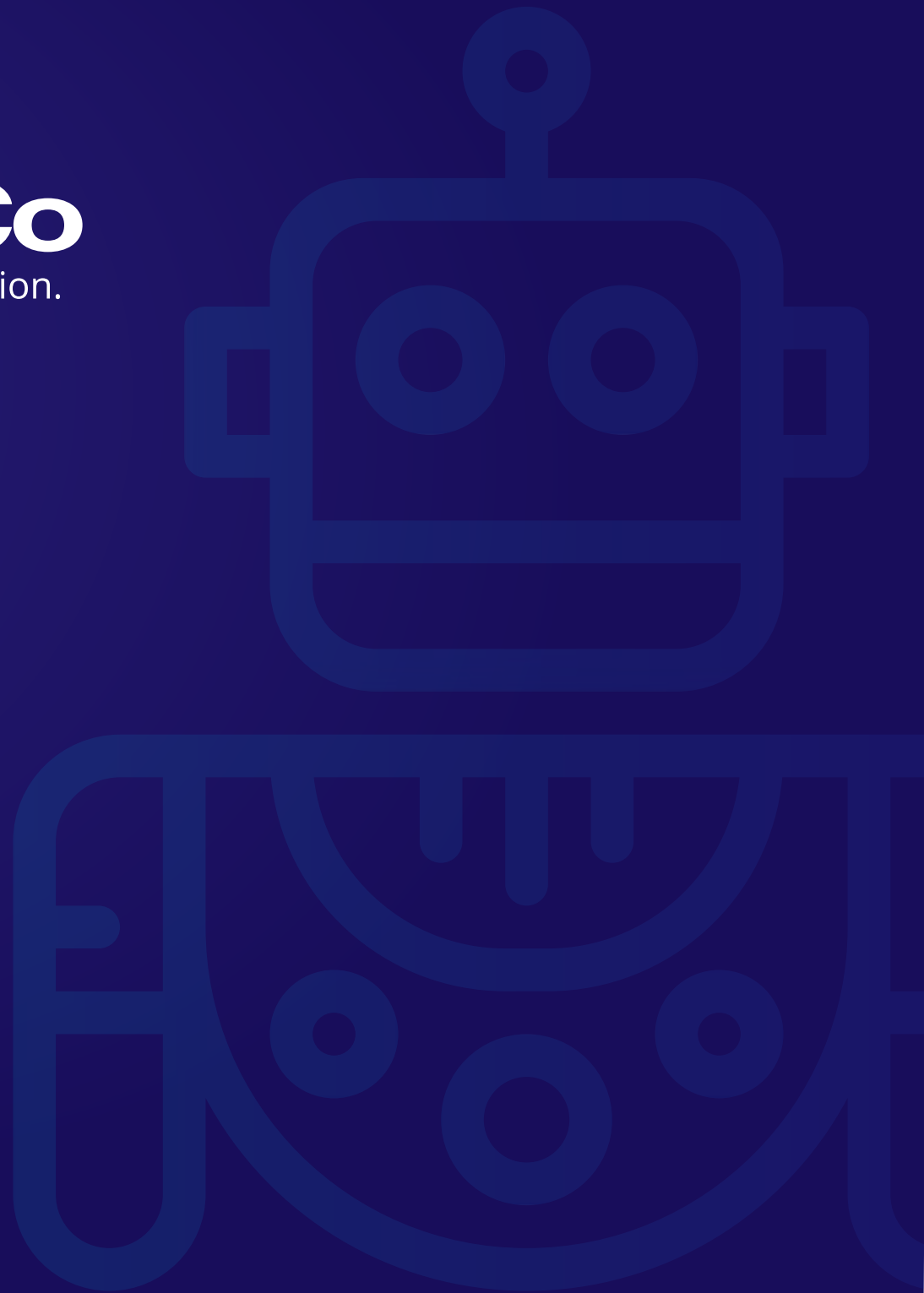
eBook

How Robotic Process Automation is Transforming Invoice Processing

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Invoice processing overview

Invoice processing refers to the entire process your accounts payable team uses to handle supplier invoices, from the moment you receive an invoice right through to the payment being made to the supplier. There are several steps involved within the process, from capturing the data from each invoice that your organization receives, to entering all relevant data into the system, to approving each invoice so that the suppliers can be paid.
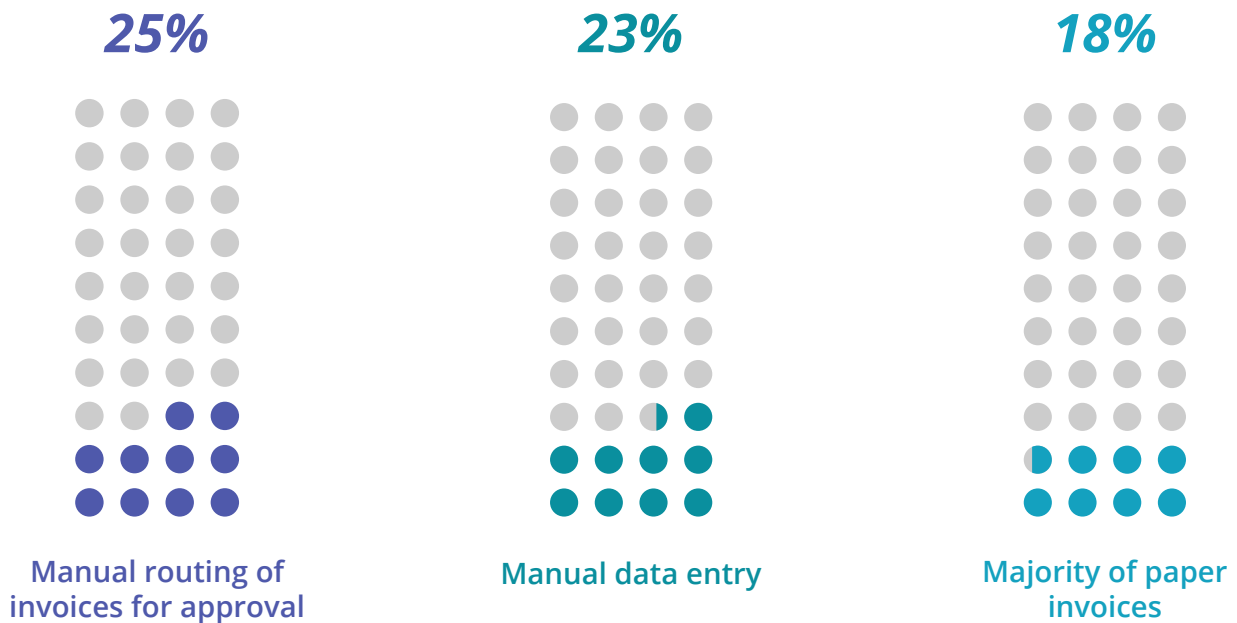
Traditional Invoice Processing

Traditionally, all steps involved with invoice processing were completely manual and paper-based, meaning the overall process was extremely time-consuming and open to mistakes. The chances of valuable data going missing was also very high. Such factors can often lead to serious consequences for businesses.

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Having surveyed a group of AP professionals, Levvel discovered that **64% are spending 4 or more hours each week** resolving issues associated with manual accounts payable processes.

With such significant amounts of time taken up resolving issues, the chances of securing early payment discounts with suppliers, for example, decrease significantly. AP staff also find themselves bogged down resolving issues instead of working on more valuable tasks within their roles, that suffer as a result.

When asked, the same AP professionals also listed manual routing of invoices for approval, manual data entry and a majority of paper invoices as their biggest challenges within AP.

25%

23%

18%

Manual routing of invoices for approval

Manual data entry

Majority of paper invoices

As mentioned already, there are several steps and often several people involved in the processing of an invoice. The three main elements of invoice processing are that of *invoice data capture, invoice matching and invoice approval.*

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Challenges with Manual Invoice Data Capture

Invoice data capture is the process of receiving an invoice from a supplier, extracting the relevant data, and entering it into an ERP or finance system. Such required data will generally include *where to send the payment to, when the payment is due, the invoice number, order/ specific product details and any agreed payment terms.*

Invoice data capture can lead to a number of issues when done so manually. For instance, while being cost efficient, manual keying of data from an invoice to an AP system is a particularly time-consuming task for employees, particularly if your organization receives a large amount of invoices.

With the process being rather monotonous and also intensive, this inevitably leads to occasional mistakes in the data that is entered into the system. Such mistakes can be very costly for organizations depending on the data that is missing or entered incorrectly. For instance, a company may end up paying for the same goods/services more than once or pay the incorrect amount.

Challenges with Manual Invoice Matching

Invoice matching is the process of matching invoices against purchase orders (PO) and goods receipt notes (GRN) in order to achieve a successful purchase, delivery, and payment of goods and services.

Purchase Order (PO): This document must be created by purchasing company and sent to the supplier. Information on the document should include *product/service description, price, quantity, any negotiated discounts, purchasing company's name and address and PO number.*

Goods Receipt Note (GRN): Once the order has been received, your organization should ensure that the correct goods/services have been received and that they match the expected standard. Details on the GRN should match those on the PO.

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Invoice: Finally, the supplier will send an invoice requesting payment for the goods/services, once they have been delivered. Information on the document should include *where to send the payment, when the payment is due,* along with *the invoice number.*

Manual invoice matching brings with it a number of issues for AP teams. For example, compliance can often be a problem when invoices, POs and GRNs are being matched manually. Compliance is rarely an issue with regards to invoices and POs, however, when it comes to the receipting stage, standards often drop. Receipts can often go missing be lacking in information or simply forgotten about.

Also, with manual invoice processing in place, poor communications between suppliers and the purchasing company can often lead to exceptions in the matching process. There may be a disagreement over prices on an invoice or the quantities received, or your suppliers may be using various formats of invoices and GRNs. Such issues will result in invoices, POs and GRNs not matching and a lot of time wasted.

Challenges with Manual Invoice Approval

The third element of invoice processing is the invoice approval stage. Most organizations have, sometimes complicated, invoice approval workflows in place, meaning a number of people have to sign off on the payment before it goes ahead. Inevitably, this can lead to a number of inefficiencies when the entire approval process is handled manually.

The more long-winded the workflow, the more likely it is that an invoice will go missing or spend longer than it should on someone's desk. With slow approval processing times, organizations will often miss out on early payment discounts or worse still, miss payment deadlines and end up having to pay penalty fees.

Additionally, if communications with suppliers are not maintained during the approval process, the supplier may assume that invoice has gone missing, decide to send it again and then the purchasing company ends up paying both invoices, for the one item.

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The Future of Invoice Processing

AP Automation

It is clear to see that manual invoice processing can cause many issues and is rife with inefficiencies. There is, however, an alternative to this old fashioned way of working....

AP invoice automation essentially means that all manual elements of invoice capture, matching, and approval are replaced by fully automated, paper-free, workflows within a chosen software solution.

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AP Automation Going to Waste

Many AP teams have begun implementing accounting software into their ways of working in order to help reduce processing costs, approval times, and add visibility to their entire AP process.

However, the percentage of organizations using fully automated invoice solutions is actually still very low, despite a large number of organizations having some sort of accounting software in place

only **7%** of organizations surveyed are already using an automated invoice solution

Even more surprisingly, the percentage of organizations with no plans to switch to AP automation is **alarmingly high at 35%.**

If your organization happens to fall outside of the 7% already experiencing the benefits of AP automation, or worse still, also fall into the group that has no intention of doing anything about it, we ask you *why is this*?

We have already touched on the many benefits of AP invoice automation such as *reduced costs, shortened timelines, improve supplier relations and increased productivity* and will expand on these throughout the rest of the eBook.

There is one particular element within business automation technology that is completely transforming the landscape for AP teams and allowing employees to focus on more valuable roles within AP....

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Robotic Process Automation

What is Robotic Process Automation (RPA)?

Robotic process automation (RPA) is essentially a software capable of replacing humans to perform repetitive, rules-based tasks and processes.

Software or 'robots' can be configured to capture and interpret applications to process a transaction, manipulate data, and to trigger certain responses and communicate with other digital systems. RPA allows organizations to fully automate tasks that are highly repetitive, prone to human error, rules-based and time sensitive.

RPA is taking on the lower value, clerical tasks within AP, enabling organizations to create new knowledge-based and customer-centric roles. While many fear RPA could lead to job losses, it actually has the potential to create more than it reduces. The technology is also typically low cost and easy to integrate with existing ERP systems.

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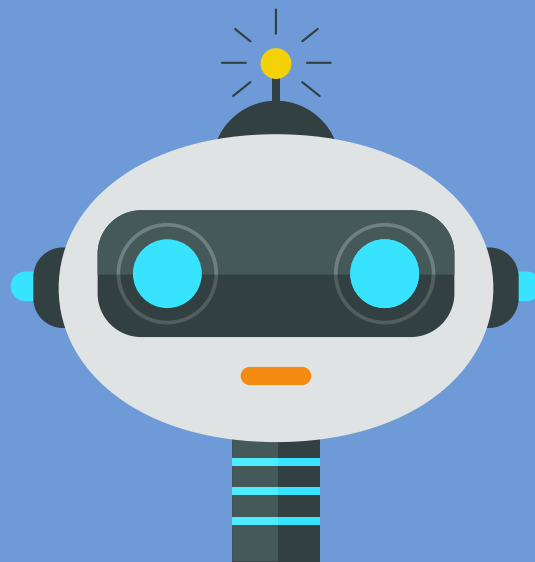
Components of an RPA Platform

All RPA platforms, regardless of the software provider, compromise of some basic functions that together build the 'robot'.

Called as Robot
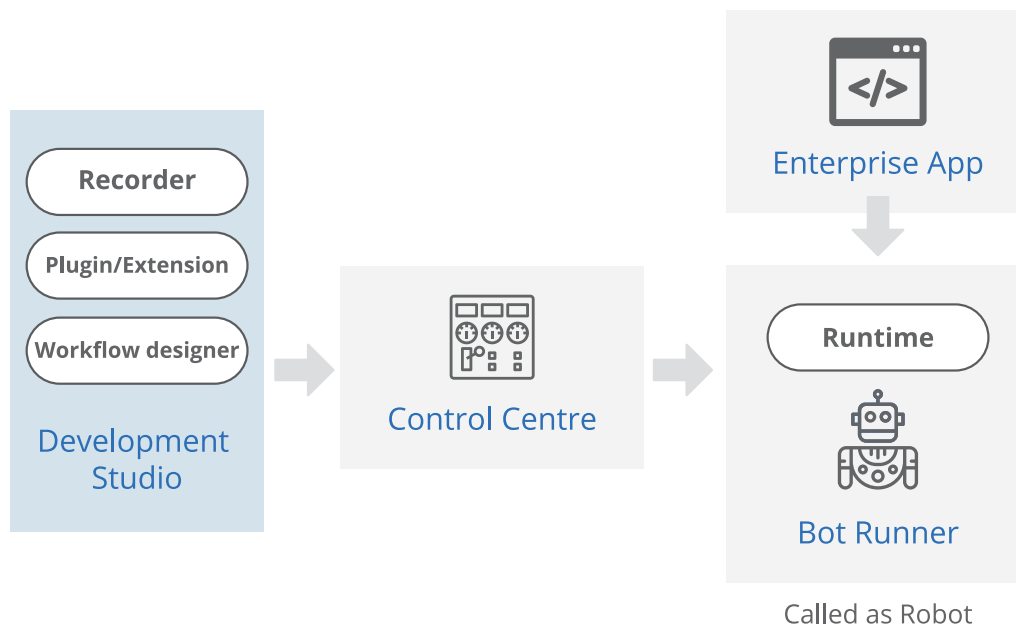
- **Recorder** - The recorder is a particularly important component at the development and implementation stage. It records both mouse and keyboard movements so that regular processes can be recorded and then automated on a continuous basis.

- **Development Studio** – Robot configuration and training takes place within the developmental studio. Sets of instructions and decision-making logic are coded for robots to execute.

- **Extensions and Plugins** – Most platforms allow for the addition of plugins and extensions to enhance the running of bots. Such plugins include e-mail, PDF, Word, Excel and web integration.

- **Bot Runner** – This is essentially the 'robot' that automates previously manual processes. Other components such as the recorder and plugins make it run.

- **Control Center** – The control center monitors and controls the robot's operation. The robot can be stopped, started, scheduled from here with new code and tasks also deployed from the control center.

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Types of Robots

- ***Attended*** – Robots that work alongside humans to help accomplish daily tasks. They are generally used when the entire end-to-end process can't be automated. Their activities are usually triggered by certain user events.

- ***Unattended*** – Robots that execute tasks and interact with applications independent of human involvement. Unattended robots typically perform batch operations that do not require human intervention.

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Impact of Robotic Process Automation on Invoice Processing

The issues that organizations experience while operating under manual AP processes have already been discussed and include the likes of human error, higher costs, and inefficient processes.

However, when AP automation solutions are implemented, many of these issues are dramatically reduced and it is the RPA technology within these solutions that is largely responsible for the improvements.

By utilizing RPA to best effect, AP teams experience dramatic improvements in the areas of *invoice data capture*, *invoice matching,* and *invoice approval.*

Benefits of RPA for Invoice Data Capture

As we have already discussed, invoice data capture can be an extremely monotonous, time-consuming, and prone to human error when conducted manually.

With an automated solution, RPA uses Optical Character Recognition (OCR), to scan invoices that arrive in the form of paper, electronic files, PDFs or emails and transfers the relevant data to a finance system, ready for matching.

RPA uses a rules-based approach to scan all invoices for data, including:

- Invoice number
- Order and product/services details
- Payment terms
- Where to send payment to

With RPA, all relevant data is captured, **error-free.** Another added benefit is that the system can operate **twenty-four hours a day, seven days a week**, whereas with manual data capture, the process is restricted by typical nine-to-five working hours of AP professionals. These benefits lend themselves to a far more efficient process.

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With data capture fully controlled by RPA, organizations **save money** that would have been spent on hiring outsourced teams. At the same time, AP staff that would have previously been responsible for data capture now get the opportunity to **take on much more valuable knowledge customer-focused tasks** that benefit both the organization and their career development and boosts morale significantly.

Benefits of RPA for Invoice Matching

Invoice matching can often be a major blocker for AP teams when operating manually. With the help of RPA, however, invoice matching becomes a far more efficient process.

With RPA able to read an invoice at different levels, including both header and product, if an invoice contains all required data, it will be moved through the process automatically, without any need for human intervention. As a result, employees **save a considerable amount of time.** The process also **protects against human error** which in turn **minimizes the amount of exceptions** that arise, which often require human intervention.

Compliance is greatly improved through the use of RPA. Sometimes, with manual processes, the original PO creator proves to be the hold up in the overall process by forgetting to confirm receipt of the goods/services. However, with RPA, an automatic alert will be sent to the PO creator, informing them that the receipt is missing.

Additionally, **strong supplier relations** can have a major impact on the invoice matching process. There is an obligation of the part of the purchasing company to maintain communications with suppliers throughout the purchasing process in order to minimize discrepancies over prices and quantities on invoices and POs. Also, by creating standard templates for invoices and POs, such discrepancies are kept to a minimum, allowing RPA the best possible chance of maximizing its effect on invoice matching.

Benefits of RPA for Invoice Approval

Depending on the size of an organization, the invoice approval workflows in place may include multiple stages and stakeholders.

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The invoice approval stage of the process can sometimes include more people than at any other stage of the entire AP process. As a result, it can often be the most time-consuming and troublesome stage.

With manual invoice approval workflows, paper-based invoices can often go missing or sit on an AP manager's desk for a number of days or weeks. Even in electronic format, an invoice may be left un-actioned in someone's inbox for longer than necessary.

However, by setting up pre-configured invoice approval workflows in your AP solution, RPA essentially manages the entire process from there, **in a much more efficient manner.**

By assigning relevant approvers in advance, RPA will then automatically route the invoice, along with any supporting documentation, to each approver.

With deadlines also set, approvers won't be allowed to leave invoices sitting in their inbox. RPA will prompt approvers to approve or decline immediately, which can be done so via e-mail, on-the-go. If they fail to do so, RPA will request approval again, at a pre-configured later date and will then re-route the invoice to a chosen approver if that also fails.

As RPA encourages employees to **approve invoices as quickly as possible,** organizations begin to **benefit from early payment discounts** that suppliers often give, which would previously have been missed. **Costs are also reduced** as organizations avoid late payment penalty fees that are more common when invoice approval is conducted manually.

Through the faster approval of invoices, as a result of RPA, **relations with suppliers also improve.** Sometimes, when there is a delay with a payment and the supplier is not kept up to date, the supplier may assume that the invoice has gone missing and chose to send it again. This leaves organizations open to the danger of approving the same invoice twice and thus making duplicate payments.

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Benefits of Robotic Process Automation for Invoice Processing

Error-free data scanning and capture
24/7 running system
Removes need for outsourcing
Reduces invoice processing times
Frees up employee time for more valuable tasks
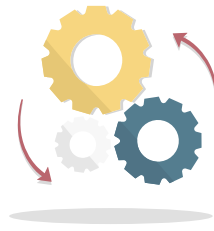
Matching of invoice data at multiple levels
Vastly reduced exception rates
Improvements in compliance
Improved supplier relationships

The Results

- In spite of the low number (7%) of organizations currently operating a fully automated AP solution, 53% have at least prioritized RPA as either an enterprise-wide or strategic initiative (Deloitte RPA Survey Report).
- This is expected to increase to 72% by 2020.
- Near-universal adoption within the next five years.

53% of organizations have already began to incorporate RPA into their invoice processing strategy

this is expected to increase in the next two years **72%**

100% Near-universal adoption within the next five years.

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- For those organizations that have already full embraced RPA, the results are significant, particularly in the areas of compliance, quality, productivity, and cost reduction.
- Of the 53% already experiencing RPA:

RPA continues to meet & exceed expectations across multiple dimensions including:

Improved compliance	92%
Improved quality/accuracy	90%
Improved productivity	86%
Cost reduction	59%

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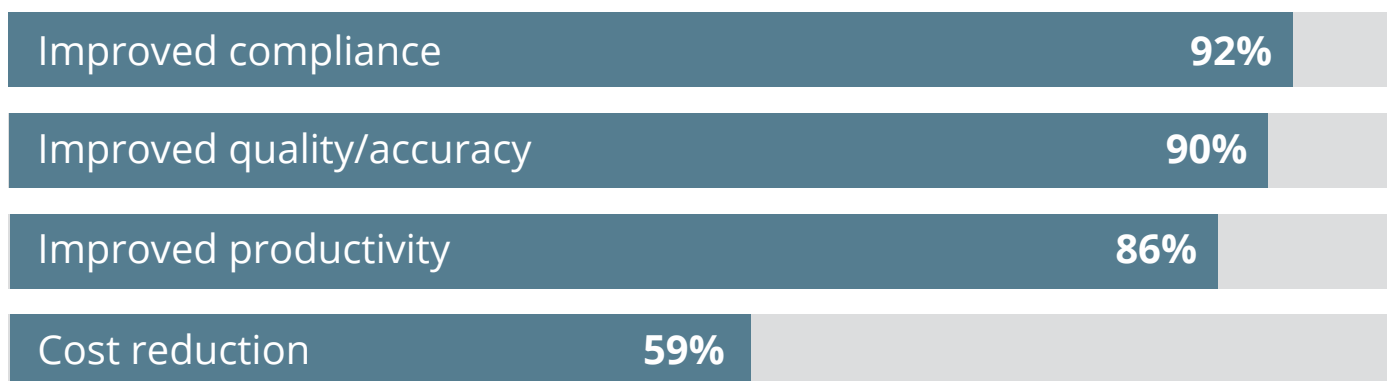
Strategies for Successful RPA Implementation

As you can see, many AP teams are already reaping the rewards of RPA and subsequently transforming their invoice data capture, invoice matching, and invoice approval processes. However, there are certain things that organizations need to do in order to give themselves the best possible chance of success.

Educate and Engage Workforce

Due to the disruption that it can cause in the form of the removal of certain manual tasks, there is often plenty of reluctance from workers to embrace such technology. It is therefore important to clarify from an early stage what exactly the technology will do with regards to employee roles.

Focus on the removal of mundane, low-value tasks and the opportunity to spend more time on more rewarding, customer and knowledge-focused roles.

IT Support

As mentioned, gaining buy-in from IT has typically proved to one of the biggest blockers in RPA implementation. Support from IT is essential for the setting up of scalable and secure 'robotic' infrastructures within your existing systems. They should also be responsible for system testing, go-live and managing incidents.

For successful implementation, IT should be included in any RPA discussions from the outset

Appropriate Governance

Once RPA is live, you need to ensure the appropriate level of governance is in place in order to enable control but not obstruct change and improvement. Robots are dynamic and should not be governed like an ERP or core system. This is likely something that will develop over time, as your organization gets used to the capabilities of RPA.

In spite of well-established business requirements that may be in place, ways of working will likely change over time with the implementation of RPA and so flexibility around governance is encouraged.

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Certify - *Understanding the AP Invoice Processing Landscape*

Deloitte - *The Robots are ready. Are you?*

Packt> - *Learning Robotic Process Automation*

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