

**Tradeshift**



# **Future Casting: A Look at AI-Driven AP Automation Transformation**



# How AI-driven AP automation can reduce manual intervention by 99.5%

Ask a group of accounts payable professionals to define AP automation and you're likely to get many different answers. To some, it may mean scanning paper invoices and routing them around via email for approval. To others, it can involve electronic receipt of PDF or XML invoice files that are then coded and pushed through an approval routing system. But is that true AP automation?

"AP automation solutions are capable of much more," says Jess Scheer, IOFM's Executive Editor. "While these examples are an improvement over the old way of manually managing paper invoices and paying them with paper checks, the more sophisticated AP automation solutions have gone miles beyond that."



What you want is an AP solution that handles everything, no matter how it comes in.

**Michael Creeden**, Senior Solutions Consultant at Tradeshift agrees: "Businesses should be aiming to becoming digital by default, but some suppliers won't be ready to make that switch at the pace you want. That shouldn't mean you have to compromise on your AP automation goals."

"You want an AP solution that can handle everything, no matter how it comes in. Tradeshift's **EasyPDF** solution allows suppliers to send a structured PDF out of their ERP system and use a connector to convert the data contained in the document into a digital format. We've found that most businesses that start off submitting documents to our platform in this way eventually make the transition to fully digital invoice submission."

IOFM partnered with Tradeshift, a market leader in [accounts payable automation](#), to explore the benefits of a truly automated AP process — one that should manage your processing tasks by handling all the repetitive, manual work and free up your team to build relationships and create value.

Let's look at how an automated AP process works and the journey businesses must take to get there.

## The Challenges of a Manual System

Processing invoices is tedious and time-consuming. It's also notoriously prone to mistakes and human error that require manual review and reprocessing for reasons ranging from a mismatch between invoice and purchase order (PO) to errors with invoice coding. Accounts Payable (AP) teams spend around a **quarter of their time** chasing and correcting errors.

All of this leads to two things; time wasted by an already overstretched AP team, and friction with your suppliers who are left wondering if they will ever get paid.

Suppliers crave visibility over the status of their invoices and when they will get paid. When they can't get that information for themselves, they pick up the phone. Around a quarter of AP staff time is taken up handling supplier inquiries - approximately 11 hours out of a standard work week.



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## The Demand for Real-time Insights

AP departments sit on a vast and as yet relatively untapped treasure trove of data - data on the supply chain, risk, compliance, and finance. That data can and should be used to provide insights to colleagues in other departments and to the business as a whole.

The pandemic amplified the need for real-time information, and business leaders are now asking the finance department to help them unlock fresh insights to make smarter decisions.

For AP teams, this represents a huge opportunity to step up into a more strategic role. But making that transition heavily depends on having a core of reliable, accurate, and complete data to draw from.

*"PDF to XML conversion provides a way for us to achieve our objectives without forcing change on the supplier. In fact, they won't even notice the change since everything happens on our side."*

*"It's not something we would actively promote or encourage, but we also recognize that being flexible can sometimes be the fastest way to get the digital foundation you want."*

Benedikt, head of e-invoicing projects at one of the world's largest logistics companies

## Beware of Fake AP Digitalization

According to Ardent Partners, **a little over half (52%)** of businesses now receive invoices electronically. Break this down, and it's clear that there is still a fair amount of education to be done regarding what 'digital by default' really means and why that's important.

Senior leaders and department heads often tell us we're wasting our time as they are already '100% digital.' What they often mean is that they're using OCR to turn paper documents into electronic proxies. These scanned documents might be 'electronic,' but they're really just reams of unstructured data that negate the effectiveness of AP automation.

The genius of technologies like AI comes from its ability to ingest, sort, present, and interpret a variety of sources of information to approach problems from fresh angles and deliver a different kind of outcome.

AP automation provides the foundation for AI-driven transformation in AP by digitizing and centralizing AP-related documents and data. While AP automation might involve some OCR capability, on its own OCR offers minimal transformation, as enterprises will still be dealing with high volumes of paper and unstructured PDF invoices.

If you want to reap the benefits of AI-powered AP automation, you need to take the plunge and embrace digitization across the organization (and across your relationships). Stopgap solutions like OCR only complicate processes - especially for your suppliers - and delay the benefits of true AP transformation.



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## AP Automation; The Right Way



"We cannot solve our problems with the same thinking we used when we created them."

- Albert Einstein

For AP teams craving a more strategic role, AP automation can help shift the emphasis from transactional processing to more value-adding activities. But doing it right means more than just eliminating paper and electronic proxies.

True transformation isn't simply a question of doing the same things faster and cheaper. With the right technology partner, AP automation should be a catalyst to reimagine how work gets done and value gets created. So, If you're about to embark on your AP automation journey, start by questioning **every aspect of the AP processes** you already have in place and whether or not they really need to exist as you look to achieve your broader goals.

Workflow is a great example. 'Touchless' processing has long been considered the nirvana for AP team. Technology vendors have long touted impressive new workarounds to help AP teams fix errors that result from inaccurate or incomplete supplier data.

But here's the thing; every shiny new workflow button that comes out from a vendor is little more than an admission that they have failed to address the poor supplier data that is the source of the problem. And for AP teams that means one thing - more work.

If businesses are serious about getting to the gold standard of straight-through processing, they need to ensure that the data coming in from suppliers is digital, clean, and compliant, using AI to verify data and remove errors on the supplier side of the transaction.

Instead of applying band-aids to problems when they come into the AP department, our philosophy at Tradeshift has always focused on automating AP as early as possible in the process.

AI can also help companies get a much better understanding of the suppliers with whom they do business, cleansing, validating, and centralizing existing data. Vendor master data is a massive problem for a lot of organisations. It is not uncommon for a business to hold 20 or more different records that point to a particular company. AI can cleanse and centralize existing data sets and monitor continuously over time, using machine learning models to analyze and flag where there may be multiple instances of the same company in the existing vendor master data.

"What we really do at Tradeshift is take unstructured data and give it structure," says **Rolf Njor Jensen**. "The quality filter for that data is our network and the two-sided validation that comes from the collaboration between buyer and supplier. The result is data of superior quality that can be used to train machine learning models faster and more accurately."

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## Start Slow and Build

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Artificial intelligence is incredibly impressive, but it's a lot like human intelligence: it doesn't come out of the box with all its faculties fully developed. It takes time and training before businesses should trust it to perform tasks with less human oversight. That's why we recommend businesses start small and 'teach' the technology how to perform simple tasks.

A good starting point is to take a task that's time-consuming and error-prone when performed by humans, but that also has a limited set of consequences should the technology make a mistake; for example, line matching between invoice and purchasing order, or entering the right coding categories for each invoice. The AI is able to learn from valid historical transactions – even when not in use – to achieve complete, accurately coded documents ready for approval and posting.

And if you have vendors you don't use often, that doesn't mean you're back to square one with AI. Artificial intelligence can detect those new or infrequent suppliers and will handle their invoices differently than ones it's already familiar with, "looking" at them and figuring out how to process them.

## Transformation on your Terms

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AP teams may well be wary of unleashing machine intelligence on information as sensitive and fault-intolerant as invoices. But it's important to remember that AP automation need not be a case of 'on or off.'

The latest technologies enable operatives to set different tolerances, so you can decide whether the AI operates conservatively – always querying and flagging items it's unsure of if you simply want to provide people with a digital assistant – or give it relatively free rein if you're going guns blazing for full AP automation.

Even in these early stages, with humans verifying the AI's accuracy, you can expect fewer errors with automation while enjoying significant savings, which will only increase as the technology becomes more adept and more highly trained. Once the AI is performing that task with an acceptable error rate (or markedly better than human operatives), that's when it can be entrusted with the task.

Solutions like [Tradeshift's Automation Dashboard](#) help AP visualize and model the impact of automation compared to human-operated processes. Teams can fine-tune the degree of automation they deploy to invoice coding processes, dialling fault tolerances up or down depending on the organization's goals or the specific task.

## AI Unleashed - Reduce Manual Intervention by 99.5%

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Line matching and invoice coding are perfect examples of 'robotic' processes that AI eats for breakfast. Tradeshift customers have already seen AI reduce manual interventions by **99.5%**. Impressive as these results are, it's barely scratching the surface regarding the transformative impact AI and automation can deliver across the entire accounts payable process.

AI can help simplify and automate complex approval processes by using context and clues gathered from historical data to learn where different categories of spend need to go for approval. For certain recurring or low-value transactions from a trusted vendor, it's also possible to eliminate the approvals process entirely.

AI is also a powerful weapon against fraud, offering greater security and internal controls than would be possible manually.



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These systems scour vast amounts of data in the blink of an eye to identify anomalies in invoice data and payment patterns. They deploy smart duplication detection that goes beyond simply verifying if two files are the same to analyze whether the contents are suspiciously similar and potentially fraudulent. And from a tax and e-invoicing compliance perspective, AI can streamline the entire process by automatically checking invoices for accuracy and adherence to regulations.

**Rolf Njor Jensen says:** “One of the biggest problems businesses face is the need to link invoices to a specific transaction as they come in. We’re often talking about thousands of documents that tie into a specific transaction, including multiple POs, transport orders, goods receipts, and so on.

The linking process is often very complex, with potentially thousands of different invoices and documents linking to one transaction. Disintermediation models like Continuous Transaction Controls add another layer of complexity. We’ve already done a lot to automate that process and see huge potential in technologies like generative AI to further streamline the process.”

## Actionable Insights

Analytics you say? Spend analysis will no longer require hours of manually collecting and entering data into a spreadsheet. AI works for you here as well, ensuring that the data is consistently gathered and presented in a way that’s readily accessible to key stakeholders across the wider business.

Artificial intelligence can determine **vendor performance** by analyzing delivery times, payment history, and qualitative reports. AI-generated reports deliver detailed insights into the accounts payable process, helping companies identify top trends, potential areas for cost savings, and opportunities for improvement.

AI can help with **cash flow optimization** by suggesting optimal payment schedules based on available cash flow. This ensures bills are always paid on time while maintaining healthy cash reserves. Greater adoption of digital tools can also greatly reduce supplier inquiries, allowing suppliers to track their payments in real-time and receive automatic alerts as their invoice moves through the approval process. Everyone wins.

### How AP teams are using data and intelligence

Forecasting, budgeting and planning 71%

Cash flow analysis 60%

Invoice exception handling 53%

Fraud and compliance 51%

Improving finance and procurement collaboration 48%

Ardent Partners, AP Metrics that Matter, 2023



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## The Future Is Now

If all of this seems a world away from the traditional view of accounts payable, then you'd be entirely right. AP automation has evolved.

"Just think about how technology is transforming our personal lives," says Jess Scheer. "That same level of innovation is available to AP organizations, yet many still use outdated methods and software which they may not recognize as holding them back."

We've long since moved past the need for rows of people sitting at desks, manually entering or scanning invoices and printing out checks. And by now, we've also moved past manual coding and exception handling, as well as tedious and inefficient invoice matching and approvals.

While many solutions still rely on older technologies and require a lot of human intervention to make them work, that's no longer the case. Organizations that commit to going digital and support AP processing with the right AI and automation technology can slash the costs of processing invoices by a factor of five and bring down the average processing time to under three days.

If that were all the value AI could bring, it would be compelling enough; however, these benefits should only be seen as the first fruits of a much more profound transformation. Automating payments isn't just about making processes faster and more accurate (important as that is): it should be the first step towards making the finance function more strategic and building stronger, more valuable relationships with suppliers.

"Old-school robotic process automation allowed you to do the same things faster, but the processes themselves never changed," says **Rolf Njor Jensen**. "You might get some efficiency gains, but it doesn't fundamentally change your business process, or the value you can create. That's the true value of AP automation, and it's what we can deliver on Tradeshift."

By moving away from a reactive manual processing workflow to a proactive, technology-enabled one, organizations can engage their AP departments as true business partners focused on the future.

### AP professionals see the upside to automation

71% say automation is linked to better career progression

60% believe automation will help make their job more interesting

62% would think twice before applying for a role in a company that hadn't invested in automation

Are Friends Electric - A Global Research study of finance and AP professionals

## About Tradeshift

Tradeshift is the business e-commerce and fintech platform that redefines how B2B buyers and suppliers connect, trade, and grow. The Tradeshift network connects over a million companies, enabling them to transact seamlessly and digitally with customers and suppliers, anywhere in the world. Our unique blend of e-invoicing, marketplace commerce, and embedded fintech services gives businesses the tools to streamline finance and procurement processes, access new markets, source new suppliers, and optimize working capital to suit their needs. All in one place.

Find out more at: [Tradeshift.com](https://www.tradeshift.com)