Ebook

Don’t Automate a Bad Process

The complete guide to preparing your AP team for digital transformation

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This ebook was made with you in mind

The digital pivot is upon us …

As organisations across the globe continue to turn to technology to drive greater efficiency and cost savings across accounts payable (AP) and other back-office processes, AI-driven automation has proven to be an obvious and powerful tool for achieving exactly that. Automation solutions are being used to combat common AP challenges, such as: long work hours for staff, missed payment deadlines, slow resolution of exceptions, inaccessible information, and frustrated suppliers and stakeholders. However, without properly assessing your current AP practices and process maturity, you could be automating a broken process, which can make bad even worse.

This ebook is a guide for assessing the efficiency of your AP function and creating consistent, effective processes before automating to ensure you're getting the most out of your automation investment.

Introduction

The equation for top AP performance

While more than three-quarters of AP departments have some form of automation,[1] few have an actual standardised process. The reality is, the way that many businesses have gone about automating AP processes is, quite frankly, completely wrong — deploying a standalone system to attack one problematic part of the AP process rather than addressing the AP cycle as a whole.

Maybe you deployed a data-capture system or OCR solution to extract data from invoices. Maybe you put in a document management solution to route those invoices for approval. Perhaps you use BACS or SEPA from your bank to pay your suppliers. But what you probably don't have is a seamless, straight-through process where documents and data flow touch-free from the point at which they're received, however they're received, directly to your ERP or accounting software.

That's the missing link right there.

So, how can you achieve top-performance status in your own AP department? It's a simple equation:

Expert insight

Q: "So many companies that have piloted or deployed smart automation report disappointing results. What is going wrong?

A: "Expectations are being inflated by vendors about how easy it is to deploy and the results customers can expect. On results, the reality is that RPA cannot fix a bad process, it just speeds it up. People need to shift their thinking from "What tasks can I automate?" to "How can I improve processes and provide a better customer experience?" That requires an opportunity assessment, which leads to a holistic strategy and framework for transformative process automation."[2]

2. Interview with Paulo Dominguez, Global Managing Director of Digital Enablement, at The Hackett Group.

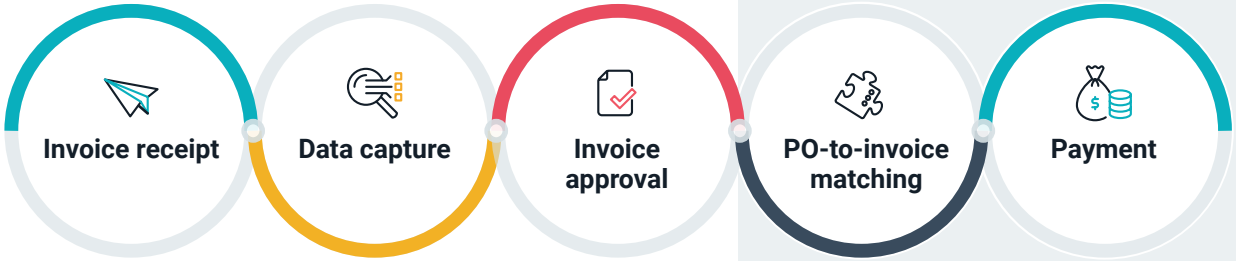
1. IOFM. World-Class AP Performance: Effectiveness Benchmarking Metrics. 2021
2. The Hackett Group. How to Be Smarter With Smart Automation. 2020

Evaluating process maturity

What is it?

Process maturity looks at how close a developing process is to being complete and capable of continual improvement. In short, it's a measure of how well-defined and controlled a company's processes are. A high level of process maturity shows that a company documents processes well, employees understand and follow procedures, and there is ongoing assessment and improvement.

Reaching AP process maturity before automating should be every organisation's goal to ensure maximum ROI.



Factors to consider

What processes have you automated already?

You may have some or all of these steps automated. To achieve process maturity, you must first work on improving the efficiency of each, ideally through automation.

What is your level of automation?

Next, you must identify your current level of automation and where you can improve.

- Low automation: having automated no more than two steps
- Significant automation: having automated three steps
- End-to-end automation: having automated at least four steps

How consistent is your decision making?

Assessing the consistency in which your business makes decisions is a key piece of evaluating your current AP process maturity. When decisions are made higher up in the organisation in terms of process, consistency and efficiency, it typically leads to much better results at the AP level where the work is actually done. According to IOFM, only one-third (35%) of those restricted by desk-level decision-making achieve a 90% paid-on-time rate, while more than half (52%) of those with P2P-level decision make the cut.[1]

Desk-level decision making happens when AP processors set their own priorities and methods, resulting in inconsistencies and an "everyone for themselves" culture.

Signs of desk-level decision making to look out for:

- Lost or misrouted documents
- Approvals based on "institutional knowledge"
- Missed payment deadlines
- No visibility into the status of invoices
- Documents & data deleted prematurely
- Compliance & fraud issues

Department-level decision making is where processors largely adhere to department priorities and methods, but management doesn't enforce things. While a step from desk-level, department-level decisions can lead to confusion and costly errors.

P2P-level decision making is reached when there's consistent decision-making across all processes, and it's essential for process maturity.

Consider this:

With 77% of AP departments having some form of automation, less than 20% of them have reached P2P-level decision making — that's a major misalignment for organisations wanting to achieve AP excellence.[3]

Combining automation and P2P-level decision making ultimately leads to:

- Auto-enforced rules
- Standardised controls
- Real-time visibility into operations
- Capture of AP KPIs & metrics
- More time for staff to focus on value-added activities

3. AP Excellence: The Defining Traits of Best-in-Class Performers, 2021, IOFM

The importance of process consistency

To become a top-performer, AP departments must first fix their processes to achieve consistency — after all, it is one-third of the equation. Organisations that optimise and standardise their processes before investing in automation achieve better results, particularly when it comes to the average cost to process an invoice and AP staff productivity.[3]

The idea of becoming a top performer with consistent processes can be daunting, especially for AP departments that are just getting started with their automation and process improvement journey. However, there are steps you can take to proactively address AP inconsistencies impeding your automation success. In fact, we've laid them out for you so you can get started right now!

Expert insight

Q: "What separates the companies that do get beyond pilots and achieve the larger-scope benefits? What conditions make the difference, and what steps do they take?"

A: "Full-time dedication to automation, for one thing. For them, it's not a science project, it's a strategic imperative tied into their business transformation. They create a position to head up automation. They build a centre of excellence and bring in the hardware. They are set up for persistence of vision and execution."[2]

2. Interview with Justin Gillespie, Principal of Digital Enablement Services at The Hackett Group and a faculty member of the Security Executive Council.

The following is a step-by-step plan for bringing harmony to your AP processes.

Steps for improving process consistency

1. Get strategic alignment

Start by assessing where you stand and defining goals. Try to align those goals with those of finance and procurement to ensure there's no overlap or redundancies. Consider whether your organisation is investing enough resources to support your well-defined AP goals.

2. Put a governance team in place

Define the capabilities required for an effective process owner, select the best fit for the position and task them with creating, modifying, and enforcing process changes and keeping lines of communication open with frontline staff. Assign people to each step and identify who should be consulted and informed of changes. The governance team is invaluable in helping a process owner prioritise changes and execute continuous improvements.

3. Visualise your process

Scope your AP processes from beginning to end, starting at the point of purchase and concluding with reconciliation. Give each process a name, sort processes in order, chart the roles involved in each AP step, and detail all the inputs and outputs for each step in the process. Finally, use all the information that you have collected to create a spreadsheet detailing everything necessary to execute each crucial step.

4. Manage change

As you implement the changes, be sure to capture any best practices or lessons learned that emerge and share them with your entire team to celebrate and replicate the good outcomes. Also identify and prioritise any training your team needs to succeed as processes change.

5. Apply what you've learned

Top performers are continuously improving their processes. This starts with aligning your process improvement goals with what leadership defines as success. Quantify performance targets, identify and define process measures, then collect data to measure your progress. Finally, compare your results to those of your peers to continuously improve your processes based on the data that you learn.

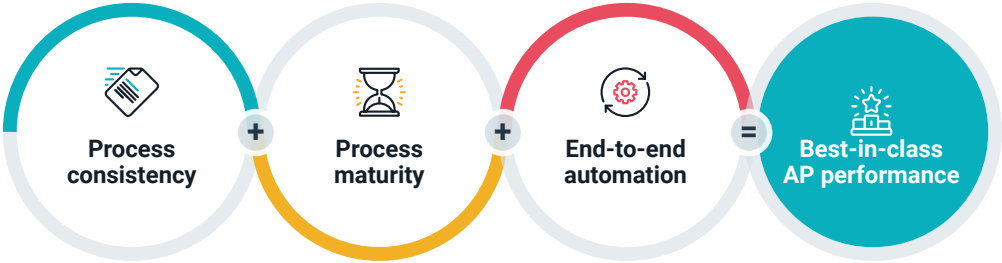
Don’t automate a bad process!

Technology helps, but it can’t fix what’s already broken …

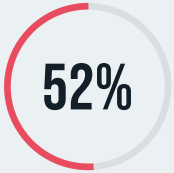
Despite automation’s ability to drive efficiencies, 52% of automation systems bought in just the last three years are already scheduled to be replaced.[4] Now that you’re at the end of this ebook, you can hopefully discern just why that is.

While there are many variables contributing to this, there was one thing 97% of the organisations planning to replace their systems had in common: low process standardisation.[4] Because the organisations’ processes were not adequately prepared for the automation change, they likely didn’t get the expected results. But instead of fixing their inconsistent processes, their plan is to simply buy another system — one they are no more likely prepared for today than they were previously. It’s not the system’s fault that the results have been unimpressive … it’s the inconsistent approach to process management that deserves much of the blame.

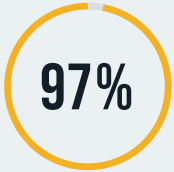
Automation can only get you so far. A better investment would be to first fix inefficient processes, then determine if your current system is still inadequate. Top-performing AP departments aren’t wasting their time fixing broken processes, they’re following the five essential steps laid out for you in this ebook. If you’re ready to join the ranks of “best-in-class”, it’s time to follow their lead.



4. Maximizing Your Automation ROI, 2021, IOFM



of AP systems bought since 2019 are already scheduled to be replaced



of those systems utilised desk-level decision making

References

1 World-Class AP Performance: Effectiveness Benchmarking Metrics, 2021, IOFM

2 How to Be Smarter With Smart Automation, 2020, The Hackett Group

3 AP Excellence: The Defining Traits of Best-in-Class Performers, 2021, IOFM

4 Maximizing Your Automation ROI, 2021, IOFM

Hi, we're Esker

Founded in 1985, Esker is a global cloud platform built to unlock strategic value for Finance, Procurement and Customer Service leaders and strengthen collaboration between companies by automating source-to-pay (S2P) and order-to-cash (O2C) processes.

38

years of experience with 20+ years focused on cloud solutions

1,000+

employees serving 850k+ users & 1,700+ customers worldwide

15

global locations with headquarters in Lyon, France

€159.3

million in revenue in 2022, with 90+% of sales via SaaS activities

Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.

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