

AUTOMATION OF ACCOUNTS PAYABLE

The Company: A \$100MM subcontractor in the homebuilding industry.

The Challenge: Steep growth coming out of the housing collapse of 2009 reached a critical point in 2014 when the percentage increases in revenue were well into the double digits and with growth in revenue came growth in payables to be processed. With the growth of payables, the backlog of unprocessed invoices was growing and the company reputation with vendors was suffering. The challenge was to scale the payables processing capacity to match the accelerated growth without adding additional overhead cost.

The Solution: The Sharpen Group was approached to review the current process to determine what could be done through process improvement and technology to eliminate the backlog of unprocessed invoices and provide a solution to ensure the Accounts Payable (AP) team could handle the escalating amount of workload.

Sharpen brought its continuous improvement tools into a series of meetings with the AP team and began the process of identifying the weaknesses and pain points in the process that would lead to opportunities for improvement.

The analysis revealed that each of the thousands of monthly vendor invoices had to be manually handled and processed by an AP associate. This was the case even though more than 50% of these invoices were either recurring or previously approved through a purchase order. Sharpen architected a technology solution to automate the processing of the straightforward invoices, leaving only invoices with issues to be handled by associates. The solution involved using document management technology for scanning, digitizing and cataloging invoices (Optical Character Recognition [OCR]), integrated with the SQL tables of the ERP system, to process vendor invoices through a series of validations against previously approved purchase orders. If the invoice passed through the various steps of validation, the system, through use of a custom-configured AP auto-bot technology, was able to enter the invoice to process for payment. The system was set up to run at night and operated at about 5 to 7 times the speed of a human operator.

The Result: The AP team was able to eliminate the backlog of unpaid vendor invoices and reduce the size of the AP team by about 40%. The company experienced nearly 100% organic growth over the next three years and no additional staff were needed in the AP department during that time. The automated solution was also able to provide daily metrics indicating how many invoices were processed without manual intervention as well as giving performance feedback regarding areas of opportunity for process improvement.