

Streamlining Accounts Payable for Construction

A guide to AP for construction firms

New Challenges

It is no secret that the construction sector is facing unprecedented inflationary pressures. With material and service costs soaring to unparalleled heights post-pandemic, with no end in sight, it is a test of endurance for construction firms to shield their cash flow, maintain project budgets, and protect their bottom lines.

/The Power of Automation

As construction companies grapple with soaring prices for building materials and labour shortages, back-office processes emerge as a hidden but significant drain on resources which can have a direct impact on the bottom line.

According to a Goldman Sachs report, a mid-size enterprise incurs approximately **£13 to manually process a single invoice.**

Multiply this by the volume of invoices in a construction company across different suppliers, subcontractors, and projects, and the costs become staggering. Manual processing is also prone to human error, invoices often slipping through the cracks, which can result in further costs in the form of late payment penalties and disputes.



Automating back-office processes is like installing a state-of-the-art irrigation system in a field; it optimises resource usage and maximises yield.

But how can construction companies successfully automate their AP function?

There are 3 key areas we will cover in this resource:

- 1. OCR & Artificial Intelligence**
- 2. Streamlined Approvals**
- 3. Supplier Management**

AI for Accounts Payable

Manual data input represents a significant time drain for AP teams, especially in construction firms receiving hundreds or thousands of invoices every month.

Optical Character Recognition for invoice uploads has been around for some time but has lacked in accuracy, with a relatively low success rate.

Recent Progress

Since the advent and widespread availability of Generative AI in just the last year or so, the capacity of AI and its possible applications in Accounts Payable has grown exponentially, completely reshaping notions of what does and does not require human intervention.

1-Click Invoice Uploads

Kloo has layered OCR with Generative AI to enrich OCR's capacity to 'read' and extract all the requisite information from an invoice.

1. The result? When OCR is combined with the contextual reasoning capabilities of GenAI, it can autonomously extract and upload all the necessary fields of an invoice with extremely high levels of accuracy.

This both saves AP teams hours every week and removes the risk of human error associated with manual data entry.

Autonomous Matching

2.

Consider this scenario: A purchase order displays a supplier's full name, while the corresponding invoice shows an abbreviated form.

This seemingly minor difference would pose a challenge for rules-based automated systems, usually requiring manual intervention.

However, AI can identify these subtle or fuzzy matches through contextual reasoning, allowing even the most complex invoices to be matched accurately to their corresponding PO.





Budget alert: Approving this purchase request will lead to your organisation exceeding the monthly spend more this supplier by 27%.



Duplicate spend: We have detected that there is currently an open purchase request for this supplier.



Supplier insight: From previous payment history, £13,593 of invoices have been paid to this supplier in Q2 compared to £9,402 in Q1.

Smart Insights

Any good AP workflow involves multiple stages of approval on spend, ensuring the purchase is necessary and compliant with budgets and procurement policies.

3.

For construction firms with endless invoices, this process can leave approvers snowed under, spending hours every week chasing up the necessary information to assess a requested spend.

Kloo uses AI to draw out the key insights relevant to a particular spend and delivers these directly to approver's inbox so they can make a quick but informed decision.



Streamlined Approvals

Automation can redefine the approval process, making the settling of invoices significantly faster and cheaper by creating clear, efficient, and user-friendly approval workflows.

By establishing predefined and automated approval workflows, invoices can seamlessly navigate the necessary channels with **minimal friction**, to prevent bottlenecks and enhance efficiency.

Kloo's AP solution allows you to set up an unlimited number of simple or conditional approval workflows, to which a purchase request or invoice is automatically assigned.

Approvers receive automated alerts straight to their inbox with all the necessary information to either accept or reject the spend, without even having to log in to the platform.

Supplier Management

In an industry where relationships are gold, timely and accurate payments forge trust and loyalty with suppliers.

Conversely, consistent late payments can damage these relationships, limiting a firm's ability to negotiate favourable terms and better prices.

Centralised Supplier Management

Managing suppliers in one, centralised system is essential, but equally important is the ability to effectively visualise and query this data.

With Kloo's free AP Analytics dashboards or Xero and Sage Intacct, you can easily get valuable insights into your supplier relationships, who you pay the slowest, and insights on how to improve your cashflow.

Expedited Payments

Timely and consistent invoice payments are the key to good supplier relations, but how can you process and pay invoices quicker?

Step 1: AI Touch-Free Invoice Uploads

Eliminate manual data entry with OCR and AI (see page 5).

Step 2: Autonomous Matching

Invoices should be instantly and accurately matched to the corresponding PO upon upload (see page 5).

Step 3: Approval Workflow

An invoice can then be automatically assigned to an approval workflow as a human check before payment.

Step 4: Automated Payment Runs

Create smart payment runs according to predefined rules.

Step 5: Integrated Payments

Making a payment should be as frictionless as possible. With Kloo, payments can be made instantly in platform with OpenBanking.

The Future of AP

In the tempestuous climate of today's construction industry, companies find themselves battling multifaceted financial challenges. Surging material costs, labour shortages, and the drain of traditional back-office operations all exacerbate the pressure on already strained budgets and resources. Compounded with enduring issues of late payments and the ever-present demand for transparent financial operations, the need for a robust solution has never been clearer.

Automated accounts payable workflows, especially those which harness the power of AI, can provide substantial cost savings and efficiency, and ensure timely, consistent payments, a cornerstone in building and maintaining vital contractor and supplier relationships. A central, automated system also provides unprecedented transparency, with an end-to-end audit trail that is pivotal for accurate financial oversight, effective fraud prevention, and agile decision-making in an ever-evolving industry.

For construction firms navigating these challenging economic waters, embracing automation and artificial intelligence in their finances isn't just about staying afloat—it's about charting a course for future success, ensuring resilience and agility in the face of unpredictability.



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