



How automating back-office processes helps commodities companies thrive in turbulent times

Reasons senior executives are increasing
investments in automation

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Introduction

Managing commodities has never been more challenging.

COVID-19 continues to disrupt supply chains, while climate change impacts agriculture commodities and the crisis in Ukraine shocks commodities markets worldwide. Accomplishing more than just staying afloat during these turbulent times requires commodities companies to act quickly and make decisions with confidence.

If you're relying on manual processes to manage critical back-office functions like reconciling trade confirmations and managing inventory, chances are you're not well positioned to do either of these things.

Time consuming and error-prone, manual processes prevent commodities companies from having the accurate, real-time data they so vitally need to take advantage of new business opportunities and support optimal decision making.

Many companies are starting to realize that automating back-office processes is no longer a choice – it's a requirement. McKinsey & Company research shows that over 65% of senior executives are stepping up investments in automation.¹

In the following pages we'll dive into why automating back-office processes is so important, what challenges are posed by manually managing three common back-office functions, and how intelligent document processing (IDP) solutions are uniquely equipped to address those challenges. But first – what do we mean by automation?

1. Kar-Woon Choy, Shilpa Goswami, Damian Lewandowski, and Rob Whiteman, "[Fueling digital operations with analog data](#)," April 20, 2022, McKinsey and Company.

What is automation?

Automation. Digitization. Digital transformation. These terms are often used interchangeably but refer to different things.

Automation refers to using technology to accomplish tasks without human intervention.²

Digitization, on the other hand, refers to the process of converting information into a digital format.³

And digital transformation? That's a much broader term that, according to Gartner, can refer to anything from IT modernization to digital optimization, to the invention of new digital business models.⁴

Why is automating back-office processes so important?

Automating manual tasks related to invoice approvals, trade confirmations, inventory management, purchasing and other back-office functions delivers significant benefits that can make the difference between sinking or swimming in a turbulent market.

One benefit is speed. Because automation software can process hundreds of documents within just minutes, the accurate data needed to make decisions big and small is always available, even if your staff is not.



Another major benefit is increased accuracy. Studies show employees spend up to 50% of their time identifying and correcting errors, as well as validating data from sources they don't trust.⁵ Automating back-office processes ensures everyone has one complete and accurate "source of truth" so employees can move away from these tedious tasks and focus on projects that will drive business forward.

2. David Bevans, "[Digitization and Automation: What Are They, and How Do They Relate?](#)," May 19, 2021, Mendix Technology.

3. "[Digitization](#)," TechTarget.

4. "[Digital Transformation](#)," Gartner.

5. "[The overlooked admin challenge costing \\$140 billion per year](#)," Think Automation.

Automation can also dramatically cut costs: Deloitte research shows automation saves companies between 25% and 40% on average by streamlining business processes and improving productivity.⁶

In addition, automation has been shown to increase revenue. According to Think Automation, businesses that are highly automated are six times as likely to see revenue growth of at least 15%.⁷

In today's market, there is no upside to manually managing critical business processes. Commodities companies that cling to the manual way of doing things put themselves at a great disadvantage, inevitably falling behind their more agile competitors.

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Challenges of manual back-office processes

It's very common for commodities companies to manually reconcile trade confirmations, approve invoices and reconcile inventory balances. While these manual processes may appear to be work just fine, they slowly chip away at profits, causing financial damage that may be irreversible if and when it's discovered.

Here is a rundown of these manual processes and the challenges associated with each.

Trade confirmation statement reconciliation

Manually reconciling the information on trade confirmation statements against the information in commodity trading and risk management (CTRM) systems is a slow, tedious process that ties up valuable time, and can easily result in costly discrepancies slipping through the cracks.

Some companies use a "semi-automated" process involving spreadsheets. While that alleviates some of the manual burden, companies still incur the risk of missed discrepancies

6. ["Save-to-transform as a catalyst for embracing digital disruption,"](#) Global Cost Report, 2019-2020, Deloitte.

7. ["Why business process automation is essential for growth,"](#) June 3, 2020, Business Matters.

due to formula errors: It's estimated that 88% of spreadsheets include mistakes.⁸ And then there's also the risk of irreparable data corruption from viruses, system outages and other adverse events.

At the end of the day, if a discrepancy goes undetected, balance sheets are thrown off along with business decisions. And if the discrepancy comes to light down the road? Staff have to put aside other, more high-value projects and attempt to resolve the issue.

Invoice approvals

Many companies steadfastly rely on manual invoice approval processes, unaware of the high costs and risks.

Employees painstakingly compare the data on paper or digital invoices to the data in accounts payable systems, the inevitable errors occurring as their focus wanes. This process is especially challenging for fuel retailers, who often receive stacks of new invoices every day, and must race against the clock to meet 10-day payment terms.

The consequences of missing discrepancies can include outdated, inaccurate financial data, eroded profit margins, and, for companies that re-sell commodities, damaged relationships if customers must be notified about errors in invoices they've already processed.

The costs required to support this detrimental process are staggering: A Goldman Sachs report puts the annual cost of labor and other expenses related to manual invoice processing at a whopping \$2.7 trillion – but also states that automation can reduce those costs up to 75%.⁹

“When you have different people manually entering data, there can be errors and inconsistency in how items are coded. We were paying out overtime to process thousands of monthly freight invoices and then to review and correct any errors.”

Mike Kelliher, commercial controller for ClearDox client Gulf Oil

8. [“What Are The Shortcomings Of Spreadsheets?”](#), April 4, 2019, Forbes

9. [“How the next payments frontier will unleash small business,”](#) September 16, 2018, Goldman Sachs.

Inventory management

Relying on manual processes for inventory data entry and balance reconciliation poses significant challenges. Teams of people are tasked with reviewing inventory balances for grains, oil and other commodities at multiple locations, and then reconciling that information against the data in CTRM and trade finance systems.

This time-intensive, error-prone process means the inventory data within internal systems is rarely – if ever – up to date or accurate.

This subjects commodities companies to a significant amount of financial risk, negatively impacting their profitability by making it difficult – if not downright impossible – for them to hedge their positions or make business decisions with any degree of confidence.

Furthermore, if inventory balances are inaccurate, companies may find themselves selling product they don't have, or purchasing product they don't need. Even worse, if inventory is used as collateral against a loan, and the inventory balance is stated to be higher than it is, the loan recipient could be subject to legal issues, suffering damage to their reputation.

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How intelligent document processing solutions help

Automating back-office processes gives commodities companies the agility to operate with maximum effectiveness regardless of how uncertain market conditions or supply chains may be.

Intelligent document processing (IDP) solutions specifically designed for the commodities industry, such as ClearDox[®] Spectrum, support optimal decision making, and significantly increase efficiency by automating processes from start to finish. Technologies including optical character recognition (OCR), artificial intelligence (AI), machine learning (ML) and natural language processing (NLP) are used to quickly extract data from paper or digital

documents, reconcile it, then integrate cleansed data into CTRM, accounts payable or other internal systems.

Capable of handling all document formats – structured, semi-structured or unstructured – IDP solutions can easily scale to automate new processes as business needs evolve.

IDP solutions empower commodities companies to:

- **Optimize decision making and improve profitability**

Because IDP solutions can rapidly process large volumes of documents, accurate financial data, inventory balances and other information becomes available almost instantly. Continuous access to accurate, timely data ensures teams can make optimal decisions that improve profitability and quickly take advantage of new business opportunities.

- **Mitigate risk**

Automating data entry and reconciliation significantly mitigates operational and financial risk by eliminating keystroke errors and ensuring discrepancies are never missed. Solutions like Spectrum will alert staff when discrepancies are identified, so they can be immediately resolved and don't end up affecting your P&L.

- **Reduce costs**

Automation dramatically reduces the exorbitant expenses that are often required to support manual processes, as well as the monetary and intangible costs associated with human errors.

- **Improve productivity and efficiency**

The current labor shortage has made entry-level positions hard to fill and keep filled.¹⁰ Because IDP solutions handle significantly greater throughput than their human counterparts, commodities companies can do more with less, eliminating the data bottlenecks that slow them down. Staff that were once consumed with monotonous manual tasks can refocus their energies on higher-value projects that support business growth while increasing their job satisfaction.

10. Olivia Rockeman and Molly Smith, "[Normalizing but not back to normal: The U.S. job market in 2022](#)," January 2, 2022, Bloomberg News.

Automation is not optional

Commodities companies face a daunting number of challenges. While external challenges like supply chain issues, climate change and world events cannot be controlled, internal challenges caused by manual back-office processes can and must.

Failing to eliminate manual back-office processes and choosing to incur the significant costs, inefficiencies and risk that go along with them is dangerous even in the best of times. Automating manual processes is a necessity that provides companies with the efficiency and agility required to make it through volatile times unscathed. It also ensures organizations always have the accurate information they need – right when they need it – to make profitable decisions and outmaneuver the competition.

To learn more about how automating back-office processes can benefit your business, [schedule a free consultation](#) with one of our experts.

Additional resources

- [How Gulf Oil mitigated costly errors and eliminated data bottlenecks](#)
- [6 key questions to ask when choosing an intelligent document processing solution](#)
- [OCR software versus intelligent document processing solutions](#)

About ClearDox

ClearDox helps commodities companies turn manual processes into a competitive advantage. The ClearDox® Spectrum intelligent document processing (IDP) solution reduces costs, mitigates risk and improves productivity by automating processes related to invoice processing, trade confirmations, inventory management, movement actualization and more.

Spectrum, originally developed to solve data entry and reconciliation challenges for a global commodities merchant, classifies, extracts and reconciles data using AI, ML and NLP before integrating it into downstream systems.

An out-of-the-box solution that's easy to get up and running – and even easier to use – Spectrum has been trusted by companies including Gulf Oil, PBF Energy and Freeport Commodities to process hundreds of thousands of documents since 2018. For more information visit cleardox.com.

