ACCOUNTS PAYABLE

BEST PRACTICES IN AP AUTOMATION

Consolidating Workflow Outside ERP Systems

www.esker.com
# TABLE OF CONTENTS

About the Author ......................................................................... 3  
Introduction ..................................................................................... 4  
Common Obstacles in AP Processing ........................................... 5  
Advantages of Workflow Outside an ERP System ........................... 7  
Esker’s Accounts Payable Automation Solution ............................ 9  
Leveraging Automation Beyond Accounts Payable ...................... 11  
How an Automation Solution Is Implemented ............................... 12  
About Esker .................................................................................. 13
ABOUT THE AUTHOR

Steve Smith • U.S. Chief Operating Officer

As U.S. Chief Operating Officer at Esker, Steve Smith is responsible for all operations in North and Central America.

Steve joined Esker in 2003 after 17 years at Equitrac Corporation as the Senior Vice President of Worldwide Sales and two years in sales at Pitney Bowes. Steve earned his bachelor’s degree in Marketing and Finance from the University of Wisconsin — Whitewater.
INTRODUCTION

Today, virtually every organization operating an ERP system recognizes the value of eliminating manual accounts payable (AP) processing to gain the efficiencies and cost savings that automation can bring. Our most recent economic downturn forced executive management to play a more active role in continually evaluating their operational processes to see where they could save money.

Esker research has found that automating AP typically saves organizations **40 to 60 percent on operational and administrative AP costs**. Automated processing of vendor invoices helps businesses:

- Spend less time and money chasing paper
- Improve productivity and resource management to work with less and do more
- Shorten reconciliation and payment cycles
- Increase visibility of invoice processing and approval status
- Improve reporting and audit trails
- Connect accounting and procurement functions
- Eliminate duplicate payments and fraud
- Strengthen credit rating, compliance status and supplier relationships

Why Businesses Automate AP Workflow Outside of an ERP system

Businesses running an ERP system have two choices when it comes to AP automation — install a tool inside the ERP system or use a certified solution with data recognition, validation and workflow residing outside the ERP system. Integrating a solution that runs AP workflow inside the ERP system might seem like a logical approach, but there are some important factors to consider. Many companies ultimately choose an external solution for automated AP workflow because of the time, cost and risk involved in implementing a tool that automates AP workflow within ERP applications.

For example, companies running multiple ERP systems within the organization must maintain “inside workflow” in each instance. This can cause inefficiencies, additional costs and consistency issues over time.

Making the Move to the Cloud

As an alternative to implementing an AP automation in-house, more and more organizations are choosing cloud solutions — specifically, those offering a software as a service (SaaS) model. Not only do SaaS solutions allow for AP workflow outside an ERP system, they help preserve capital and IT complexity since there is no additional software, hardware or maintenance associated with the implementation.

This white paper is intended to assist CIOs and ERP system administrators in evaluating their options and making the best decision for their organizations to maximize the advantages of automated invoice processing as an on-demand service.
**COMMON OBSTACLES IN AP PROCESSING**

Companies processing paper manually rely on staff to run around the office and get sign-offs to approve payment of invoices. This wastes valuable time and can result in lost invoices, late payments and missed discounts. Knowing where an invoice is in the approval process and being able to escalate payments from top vendors are crucial, but visibility and prioritization are hard to come by in a manual system. With the value of operational excellence at an all-time high, the need for AP automation is clear. The question is how best to do it.

**Busting the Myth of One Company, One ERP System**

With the ever-increasing complexity of business, the vision of one enterprise/one ERP system simply does not reflect today’s reality. A one-to-one relationship sounds good in theory, but more companies are going global and mergers/acquisitions have become an everyday part of activities. In today’s environment, it is not unheard of for a company to have as many as five ERP systems in use across its global enterprise.

**Multiple instances of ERP solutions**

Some companies also run different ERP systems. Although they are all based on the same platform, each system can be different enough to require special attention. They may seem identical from a high-level view, but it can be a very different picture at the operational level.

Even if a company is standardized on an enterprise-wide ERP solution, multiple instances in different locations around the world can require integration of multiple workflow tools in order to automate AP workflow. This can complicate key initiatives such as setup of shared services centers.

**Drawbacks of “Inside ERP” Invoice Processing**

Some key participants in the invoice release process may not have access to the ERP system or may prefer not to use that particular ERP interface for AP workflow. In many cases it is faster and easier for these people to check and approve invoices through a web-based application or a mobile device, particularly when they are working remotely or traveling.

**Risks of integration**

Opening up your ERP system to add AP workflow automation carries significant costs and risks. Solutions that function within an ERP environment often require a major investment of time and money for installation, integration and maintenance by ERP application engineers.

**Flexibility and functional limitations**

Solutions developed to operate within an ERP environment are, by nature, limited in their ability to integrate with multiple systems. Businesses need an AP workflow tool that will work with any AP-related systems they may currently have or may add in the future.

**Impact on ERP system performance**

In the constantly changing IT landscape, it is important to integrate AP workflow automation at a level that maintains ERP system integrity while working seamlessly with the ERP system. Tools that operate with an ERP environment can tap system resources allocated to core ERP applications and other enterprise systems. The impact is multiplied as companies add systems through mergers and acquisitions, and as additional staff require more resources. Offloading AP workflow from an ERP server to an independent architecture can allow for higher server performance and reduced drain on resources.
Workflow inside means recognition outside

“Inside ERP” workflow solutions need data to work with. This data must be extracted from paper invoices, email, faxes, EDI and any other means by which a company receives invoices. Placing this important part of the solution outside of an ERP system, while approval workflow is inside an ERP system, creates a break in the end-to-end audit trail that companies are looking for to better control business processes.

In addition, AP personnel have the burden of dealing with two different applications and interfaces — as opposed to validating recognition and initiating the workflow from the same screen, as they can do if the whole AP solution resides outside of an ERP system. In reality, the idea that workflow inside an ERP system is more streamlined, because all actions can be performed from within the ERP interface, does not reflect what many companies will face in actual practice.
ADVANTAGES OF WORKFLOW OUTSIDE AN ERP SYSTEM

With external AP workflow, buyers and managers are notified by email when invoices need to be approved. They can check, comment on, add to, reject or sign off on invoices around the clock, from any location. Web-based workflow offers the ability to create a matrix for automation of the approval process, including support for non-ERP systems and mobile devices.

Easy deployment via a web browser and a familiar environment helps to simplify training and increase user acceptance. Users who are unfamiliar with ERP applications may not readily embrace an ERP interface due to its complexity and uniqueness. This can cause confusion, errors and, most importantly, user rejection — one of the most common reasons for failure of business process automation projects.

Extending Automation Beyond an ERP Solution

Workflow outside an ERP system allows users to access all relevant information in order to make an informed decision when approving an invoice, without the need to be an ERP solution user. This can reduce the need to add ERP seats in the execution of an AP automation project. Users have a single access point for invoice data along with the original document image and a history of actions carried out.

As a result, companies can:

- Share AP data across business applications
- Include purchasing and other involved departments in the workflow
- Include pre- and post-processing steps in workflow
- Extend approval workflow to remote staff and mobile devices
- View archived invoices and audit trail outside an ERP application
**Stability for invoice processing**

Unaffected by changes to ERP implementation, such as an upgrade to a new version, web-based AP workflow outside an ERP system helps maintain business continuity by keeping AP processing stable through the many IT landscape changes a company can expect to undergo.

**Standardization for control and shared services support**

Standardizing AP workflow logic in one place supports tight control. Operating independently of an ERP environment, yet fully integrated with the ERP system, an external workflow solution can incorporate legacy systems as well as new business unit acquisitions without the need to duplicate workflow logic.

With more and more companies making decisions to integrate their business operations based on a global view, shared services centers (SSCs) are bubbling up everywhere. By definition, SSCs are disconnected, at least geographically, from business users — and sometimes from the pre-existing IS logic. As a result, SSCs often comprise multiple systems, application instances, processes and business units.

A tool for AP workflow consolidation outside the ERP system can support efforts to create regional or worldwide SSCs for AP processing, addressing diverse systems automatically and including logic to avoid errors — a key success factor and precisely what companies are looking to achieve in their AP shared services initiatives.

**An Esker Customer Who Automated Outside of ERP**

Albermarle, a leading developer and manufacturer of special chemicals, leveraged Esker’s Accounts Payable automation solution to replace its aging infrastructure and support its two SSCs for global invoice operations.

Albermarle achieved several benefits since implementing, Esker, including:

- Achieved a 90% electronic processing rate
- Increased average invoice transactions per day per AP processor by 40%
- Improved process efficiency and employee productivity
- Boosted satisfaction for 8,500 global suppliers
- Ensured easy access to invoices with electronic archiving
ESKER’S ACCOUNTS PAYABLE AUTOMATION SOLUTION

With certified integration, Esker’s Accounts Payable automation solution provides a central point of entry for vendor invoice approval workflow with full functionality for ERP users as well as those outside the ERP deployment. The solution resides on a server, connects to the ERP application independently and requires no custom programming at the application level. Companies using Esker can extend electronic workflow to employees and managers who need to participate in invoice approval but do not have access to ERP solutions.

Designed for Ease of Use

Through an easy-to-use web interface, users working inside or outside an ERP solution can quickly code, approve and release invoices. The company benefits from a central tool for AP workflow with full visibility and prioritization capabilities, making invoice approval simpler and more widely accessible without sacrificing integration with an ERP system.

Esker solutions receive invoices from multiple sources, extract data for processing and transfer invoices through the office electronically with visibility of exactly where they are in the approval process. Approvers are notified and invoices get the necessary approvals to generate the information in the ERP system and book payment as quickly as possible.

Throughout the process, Esker attaches information inside the ERP system. Invoice data and document image are electronically transferred into an archive with a link back into the ERP system for quick and easy retrieval of the information as needed. A complete audit trail of every step that was taken is available through the reporting capabilities of Esker’s solution.

*Esker’s automation solutions integrate with a wide range of ERP systems. However, functionality and usability may differ system to system, depending on the specific application environment. Contact Esker to learn more about integration capabilities with your company’s ERP system.*
Powering Shared Services

With 24/7 year-round monitoring and support for different time zones and multiple languages, Esker’s cloud-based automation solutions help to simplify setup of shared services centers for AP. Efficiencies gained through automated invoice approval workflow in a shared services model with Esker help organizations improve key performance indicators (KPIs) including productivity, service level, accuracy, costs and more.
LEVERAGING AUTOMATION BEYOND ACCOUNTS PAYABLE

In many cases, AP automation is just the first step in a multistep document process improvement initiative. Esker allows companies to go beyond AP and easily extend automation to multiple areas of their business — regardless of the interaction with customers or suppliers — using one universal platform. This type of unified communication frees up IT departments and customer service teams from tasks that burden their budget while saving hours of work that can be redeployed to new projects.

Why One Shared Platform?

Rather than using multiple point-to-point solutions, all elements of the platform should be accessible and controlled by a single set of business rules to allow automation of document processes on all ends of the spectrum without the need for third-party products. This allows each process to be automated and measured as an entity rather than as a collection of different functions.

A Suite of Solutions for Any Business Process

Esker’s solutions (offered on-demand or on-premises) span the entire order-to-cash and procure-to-pay cycles — allowing you to automate virtually any business process that runs on paper documents.

- **Order Processing**: Automate the entry and routing of incoming customer orders.
- **Accounts Receivable**: Automate the processing and delivery of billing documents based on customer preferences.
- **Accounts Payable**: Automate entry and routing of incoming vendor invoices and other payables.
- **E-Purchasing**: Automate processing and delivery of supply chain documents based on vendor preferences.
HOW AN AUTOMATION SOLUTION IS IMPLEMENTED

Two Options to Fit Your Unique Needs: On-Premises or On-Demand

In the Cloud or On-Premises
Easily deploy automation any way you choose — on-premises via Esker DeliveryWare or in the cloud via Esker on Demand — with minimal interfacing and support.

Esker DeliveryWare: AP automation on-premises
For those that prefer to host their solution on-site, Esker DeliveryWare makes it easy to integrate an automated AP management system in an ERP environment. Regardless of source, format or destination, Esker DeliveryWare provides end-to-end automation capabilities for receiving, entering and tracking inbound vendor invoices — eliminating the challenges of manual data entry and routing in the purchase-to-pay cycle.

Esker on Demand: AP automation as a cloud-based service
Esker also offers the option of leveraging the same secure, efficient and traceable document delivery service you expect from on-premises solution as an on-demand service. Requiring little to no upfront investments, Esker on Demand is a pay-for-use document process and information exchange service that allows you to move from capital to operational expenditure and gain flexibility for variations in document volume and users.

The SaaS Advantage: Benefits of Automation in the Cloud
Software as a service (SaaS) solutions offer a series of unique advantages over their on-premises counterparts.

Since there is no equipment to set up, an on-demand AP automation solution can be up and running quickly with little downtime. After initial sign-up and structuring the solution to fit your internal processes, Esker takes care of the rest, including setting up users and permissions, uploading data, and training your staff.

Taking the cloud approach makes automating AP easy, eliminating the need for additional IT complexity or associated costs for software, hardware and maintenance. Esker’s Accounts Payable automation solution via the Esker on Demand platform enables you to streamline every step of vendor invoice processing. The service is also scalable, allowing the benefits to stretch beyond AP with other Esker on Demand services, such as Order Processing, Cloud Fax Services and Mail Services.
ABOUT ESKER

Esker is an industry leader in document process automation solutions, helping organizations of all sizes Quit Paper™ and improve how their business information is processed and exchanged via one unified and integrated automation platform. Esker’s suite of automation solutions, offered on-demand or on-premises, help customers around the world reduce processing time and costs, increase their competitive advantage, gain significant operational efficiencies, and realize measurable ROI in as little as three to six months.

Global Expertise

Founded in 1985, Esker has more than 80,000 customers and millions of licensed users worldwide. Esker operates in North America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin.

Cloud Computing

Esker is one of the first software vendors capable of offering a 100% cloud computing automation solution to its customers. Esker on Demand customers now represent 40% of Esker’s sales revenue.