Debunking the Myths of AP Automation in the Cloud
About The Institute
The Institute of Financial Operations is a membership-based professional association serving the entire financial operations ecosystem, with a particular focus on the accounts payable and accounts receivable disciplines and the related fields of information management and data capture. The Institute grew out of the merger of four associations: International Accounts Payable Professionals (IAPP), International Accounts Receivable Professionals (IARP), the National Association of Purchasing and Payables (NAPP), and The Association for Work Process Improvement (TAWPI).

Based in Orlando, Fla., with affiliates in the U.S., Canada, and the UK, The Institute serves as a global voice, chief advocate, recognized authority, acknowledged leader, and principal educator for people in financial operations. The Institute has a community of nearly 70,000, which includes 9,000 members and customers, and an additional 61,000 financial operations professionals.

The Institute’s members have access to benefits and leading-edge resources such as the award-winning Financial Ops magazine, a dynamic, content-rich website, educational and networking events, online educational offerings, certification and certificate programs, career resources, and volunteer opportunities.

About Esker
Esker is a worldwide leader in document process automation solutions. Addressing all types of business processes, from accounts payable and accounts receivable to order processing and procurement, Esker cloud computing solutions enable companies to automate the reception, processing, and sending of any business document with one platform. Esker helps more than 80,000 companies across the world to reduce the use of paper and eliminate manual processes while improving their productivity, efficiency, and environmental impact.

Introduction

As many feel angst about opening an umbrella inside — that it might bring bad luck or worse — many accounts payable (AP) departments are apprehensive about making the leap from paper-based systems to automation out of fear of the unknown. Indeed, many misconceptions keep companies from taking full advantage of the very real benefits of AP automation, particularly AP automation in the cloud. Listed below are five of the most common myths:

1. AP automation is too expensive.
2. Cloud-based AP lacks reliable security.
3. Moving to the cloud requires excessive company resources.
4. AP automation takes a long time to implement.
5. AP processes are too complex and company-specific to automate.

It can be tough to pierce the fog of uncertainty and misleading statements to find the facts about AP automation. In the most recent survey conducted by The Institute of Financial Operations (IFO) on the subject, more than 70 percent of respondents said most of their invoice volume remains paper-based, while nearly 40 percent said paper accounts for more than 90 percent of their invoices.

But reality can be enlightening: AP automation, especially a solution employing a solid software-as-a-service (SaaS), or cloud-based, strategy, can accelerate invoice processing up to 75 percent and reduce operational and administrative costs by 40 to 60 percent, according to findings by Esker, a leader in document process automation solutions.

This report aims to debunk the myths and demonstrate how cloud-based AP automation solutions can boost efficiency, save time, reduce vendor hassles, and enhance security, reliability, and visibility — all objectives AP departments demand.

What do you see as potential disadvantages of cloud service or SaaS for AP processing?

![Disadvantages of Cloud Service or SaaS for AP Processing](chart.png)

- Runs counter to IT mandate for on-premises solution - 4.2%
- Limited ability to customize a solution - 16.1%
- Lack of control over changes to software - 11.2%
- Problems integrating with ERP solutions - 13.3%
- Potential problems with bandwidth, connectivity, or “down” time - 9.1%
- Risks to our data security - 25.9%
- Concerns with service-level agreements - 2.8%
- Cost - 11.9%
- Other - 5.6%
Myth No. 1: AP automation is too expensive.

Surveys show great concern about the cost of automation, including a lack of available capital. The fact is, cloud-based solutions — with no software, no hardware, and no maintenance fees — allow companies to avoid large upfront and future upgrade costs.

SaaS systems also tend to be more reasonably priced in the long run — they are often pay-for-use — making the service especially practical for small and midsize companies. The scalability of most SaaS solutions means a company can start small, see how the software performs and integrates with existing systems, and then expand based on needs.

What is your average cost to process paper invoices?

- Less than $2 per invoice - 31.1%
- $2 to $5 per invoice - 15.5%
- $6 to $10 per invoice - 6.3%
- $11 to $15 per invoice - 3.9%
- $16 to $25 per invoice - 0.5%
- More than $25 per invoice - 0.5%
- Not sure - 42.2%

What is your average cost to process electronic invoices?

- Less than $2 per invoice - 12.2%
- $2 to $5 per invoice - 22.9%
- $6 to $10 per invoice - 14.6%
- $11 to $15 per invoice - 5.4%
- $16 to $25 per invoice - 7.3%
- More than $25 per invoice - 1%
- Not sure - 36.6%

AP cloud-based solutions are generally offered in three cost models: fee-based, transaction-based, or a combination of the two. Fee-based systems typically include a large or unlimited number of transactions at a set monthly or annual price. Transaction-based systems, as the name implies, carry a small fee for each transaction. Some solutions may charge a transaction fee to the vendor, but others do not because they want to encourage participation in the system.

Combination pricing plans generally include a lower monthly rate and per-transaction fee than solutions relying on individual pricing. Companies should understand the different types of fees and choose a pricing structure that benefits them the most based on their anticipated level of activity.
**Myth No. 2: Cloud-based AP lacks reliable security.**

Companies take extra precaution to guard their data, such as building elaborate firewalls to ensure only authorized employees are granted access. They diligently protect information even within the company, keeping the most sensitive data available to a select few.

Security is not compromised in the cloud, but companies should make sure they ask the right questions of a solution provider. Has the solution received Statement on Standards for Attestation Engagements (SSAE) 16 and International Standard on Assurance Engagements (ISAE) 3402 certifications? These certifications validate that an organization’s internal servers and software have passed intense scrutiny and are secure to use.

Solutions can be configured with multiple levels of access to ensure certain information is available to the appropriate employees and managers. For example, payment approvals should be strictly controlled. Customization features should also ensure the solution conforms to a company’s business rules and procedures, rather than have a company retool for the software. Real-time updates afforded by SaaS providers are aimed at ensuring the latest firewalls and other security devices are engaged to protect data.

**Myth No. 3: Moving to the cloud requires excessive company resources.**

Cloud computing is a general term meaning any type of software or service delivered via the Internet. For example, when people listen to music using Spotify or stream a video from Hulu or Netflix, they are accessing the cloud. SaaS or “on demand” are just other ways of saying this service is available whenever and wherever a company wants it.

How many full-time equivalents are you using for invoice entry and matching?

![Pie chart showing the distribution of full-time equivalents used for invoice entry and matching.](chart)

- Fewer than 5 - 37.6%
- 5 to 10 - 30.7%
- 11 to 15 - 11.9%
- 16 to 25 - 8.9%
- More than 25 - 10.9%

Many companies licensing cloud-based AP solutions need to involve their IT departments minimally to deploy the solution. Generally, IT is required for enterprise resource planning (ERP) integration, just as it would be for any on-premises solution. However, cloud-based AP solutions do not require customers to perform time-consuming installations or deploy IT resources to adapt existing hardware to new applications. Upgrades and enhancements are made in the cloud and can be used immediately, without waiting for lengthy downloads to a company server.

In fact, many early adopters cite the lack of IT involvement as one of the key reasons they could move forward with the project. Most SaaS solutions offer around-the-clock tech support via the Web, email, or telephone.
Myth No. 4: AP automation takes a long time to implement.

The immediate access and availability offered by SaaS solutions pay big dividends. Cloud-based deployment simplifies training and promotes user acceptance and, once a solution is launched, it is available virtually anywhere via the Web or application. This is particularly important for companies with multiple, even multinational, locations as well as for managers who travel. It enables a business unit to access the information it needs when it needs it; managers are able to review and approve payments from anywhere.

Suppliers, in turn, can access their invoice status, respond to discount provisions, and make inquiries via a supplier portal or other interface. Such two-way access can significantly reduce AP employees’ time, particularly in regard to chasing down a supplier by phone, increasing efficiency and permitting staff to focus on higher-level — and higher-margin — tasks. Despite the benefits of lower invoice capture and entry costs, the IFO study found only 28 percent of companies use a supplier portal.

Benefits of automation can be obtained even if suppliers do not participate — for example, if they are unable or unwilling to send electronic invoices (e-invoices). A company can speed up the AP process with a data-capture solution, such as optical character recognition (OCR), which scans details of the transaction directly from an invoice. This significantly reduces labor, time, and potential discrepancies inherent in manual data entry.

Myth No. 5: AP processes are too complex and company-specific to automate.

The theory that cloud-based AP automation solutions will not work with company ERP systems is generally unfounded. Still, this false perception keeps many from making a move, leaving them bogged down in a paper heap. There is a particular concern when AP operations are spread across multiple locations and varying ERP software platforms. To be sure, it can be more difficult to open up an existing ERP system to allow an AP solution to operate inside it rather than allow the AP system to operate outside a company’s ERP. But the fact is that many SaaS systems integrate with the most widely used ERP systems, including SAP and Oracle.

Cloud-based AP automation systems that do operate outside a company’s ERP system provide several advantages. For instance, they can integrate the company’s diverse ERP landscape without costly hardware or software upgrades. As well, these solutions can enable multiple locations to share AP data, which increases visibility and control throughout the company. This offers a significant benefit to organizations with a shared services center model, because they often deal with different ERPs within various offices and groups and are required to process invoices across a range of separate systems.

What percentage of total invoice volume is paper-based?

- More than 90 percent - 27.9%
- 75 percent - 18.4%
- 50 percent - 24.6%
- 25 percent - 13.4%
- 10 percent - 6.1%
- Less than 10 percent - 9.5%
What's not a myth? Paper-based inefficiencies

Accounts payable processes that rely on paper can be slow and cumbersome. After a purchase order (PO) is approved and sent via postal mail to a supplier, it can take days or weeks before the goods are delivered and an invoice is created. Once received, the goods must be processed and the invoice keyed into an ERP system, and then routed manually through the approval process. Even with the most attentive employees, manual data entry and routing are prone to errors and can create unnecessary layers of reviews and corrections.

In paper mode, AP employee time is consumed entering data, reconciling disputes and discrepancies, and answering supplier phone calls. Visibility is limited because it is difficult for managers to know the exact state of any individual invoice during the payment process. Furthermore, early payment discounts are essentially impossible to obtain, and late-payment fees are difficult to avoid. Monthly closings become a painful, error-prone scramble.

Shedding paper-based processes in favor of automation can alleviate the pain of manual handling and provide a wide range of benefits, including:

- **Improved productivity.** Automated (electronic) invoices are processed faster and with greater accuracy and less staff time.
- **Improved visibility.** Enhanced invoice processing/approvals, linked procurement and accounting, and reliable audit trails afford management at all levels real-time insight into the process.
- **Shorter reconciliation and payment cycles.** Streamlined processing reduces or eliminates duplicate payments — and opportunities for fraud.
- **Improved cash management.** Automation can improve cash-on-hand planning and create additional opportunities for early payment discounts.
- **Support for shared services.** Efficiency in operations cuts waste and duplication, creating a leaner, more effective organization.

What percentage of early payment discounts do you typically capture?

Streamlined processing that earns financial rewards is a big driver of automation. AP automation solutions not only accelerate the payment cycle and minimize late-payment fees, but also provide opportunities for dynamic discounting. Dynamic discounting enables companies to move beyond the typical 2 percent discount if paid in 10 days, with vendors offering a variety of payment dates and discounts — generally, the earlier the payment, the larger the discount. These terms are customizable to each company’s business needs and can be adjusted depending upon changing cash-flow requirements. Cash used in this way can yield risk-free returns of up to 36 percent per year — a much better return on investment (ROI) than that provided by most conventional investments.

Cloud-based automation kicks financial incentives up a notch. Increasing numbers of people access the cloud every day through their smartphones and tablets for everything from personal banking and paying bills to playing...
games and interacting with others. This also applies to AP SaaS solutions offering mobile functionality. The ability to review and approve “on the go” pushes invoices through the system more quickly, opening up more attractive discount opportunities and greater flexibility in cash management.

**Conclusion**

Myths are, by definition, fiction. Successful companies make decisions based on facts. AP automation creates efficiencies, bolsters accuracy and visibility, and enhances cash management, which can significantly improve a company’s bottom line. Cloud-based, or SaaS, solutions allow organizations to be nimble and take quicker advantage of AP automation with lower upfront costs than conventional, on-premises systems.

AP automation frees up company resources by eliminating the manual tasks that can take up most of an employee’s time. The resulting enhanced ROI, particularly through dynamic discounting, can turn AP into a profit center.

Companies that look beyond the misconceptions to the tremendous benefits of cloud-based AP automation will find that deploying such a solution will result in a competitive advantage over others and a reason to give old, slow processes their walking papers.