

A Compelling Case for AP Automation in the Cloud

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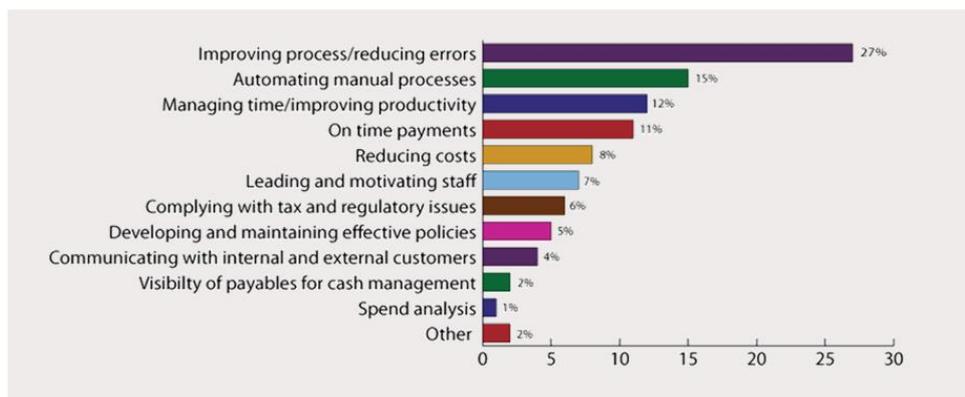
When it comes to Accounts Payable (AP) automation in the cloud, is the technology driving the market, or the market driving the technology? The answer, of course, is that both forces are in play. Software-as-a-Service (SaaS) cloud-based solutions, in particular, are contributing to companies’ increasing interest in deploying data capture and workflow automation in their AP departments. This paper provides the context and evidence for how this trend can be good news for efficiency seeking enterprises of any size or industry.

The Continuing Decline of Manual Processing in AP

A recent report from Paystream Advisors confirms the strong, continuing trend that more companies are implementing front-end automation and automated workflow in order to reduce paper and the inefficiencies and costs associated with manual processing in Accounts Payable (AP). According to the report,ⁱ more than 50 percent of companies are now employing or deploying automated workflow solutions.

This should come as no surprise. This technology is proving to deliver impressive cost savings and efficiencies to those organisations that have deployed automation. In one recent survey, 94 percent of businesses that have employed front-end imaging and automated workflow are mostly or very satisfied with it.ⁱⁱ

Consequently, leaders of organisations that still process invoices manually are becoming less tolerant of the day-to-day problems associated with the paper laden AP process. Only 10 percent of AP professionals today believe that their current paper based manual processes work, down from 13 percent in 2011.ⁱⁱⁱ Of the reported concerns, “improving processes and reducing errors” remains at the top.



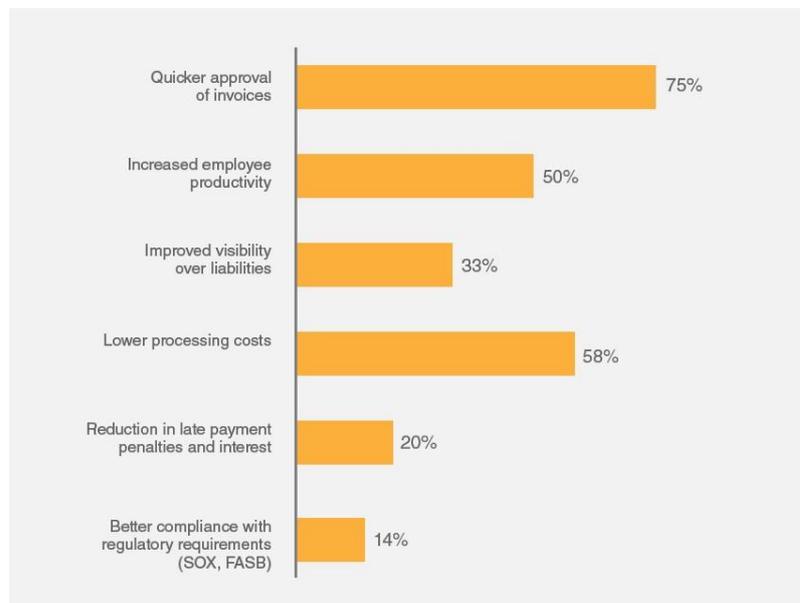
Source: Concerns Working in Accounts Payable
The Accounts Payable Network, 2012 Benchmarks: The State of Accounts Payable

While the interest in invoice automation continues to rise, barriers to adoption begin to fall. More AP professionals are readily obtaining executive buy-in to “green light” a project. This suggests that decision makers are becoming more aware of the strategic advantages gained by deploying projects that drive operating efficiency in AP. Even small and medium sized enterprises (SMEs) are recognizing the short and long term benefits of AP automation. Nearly 60 percent of SMEs have adopted some form of automation. Interestingly, survey results from companies with comparatively lower annual revenues purport “the availability of affordable,

easy to implement and use technology solutions”^{iv} as a primary factor for considering AP automation initiatives.

The Accepted Benefits of AP Automation

It is important to first review the benefits of AP automation in general before moving into cloud technology and its potential for serving organisations’ needs for invoice processing. Much has been reported in this area, including published benchmark reports, trade organisation surveys and case studies. For the sake of brevity, the overarching benefits of ERP integrated AP capture and workflow are summarised below:



Source: *Benefits of Approval Workflow*, Paystream Advisors, Inc., 2012
Invoice & Workflow Automation Adoption

Time and Cost Savings

“Quicker approval of invoices” is routinely cited by companies as the top benefit of automated workflow, followed by cost. In fact, the impact of data capture and workflow on the efficiencies of AP can improve processing times as much as 81 percent and decrease costs by 92 percent.^v The Accounts Payable Network recently released a benchmark study that also reveals the general trend over time toward greater efficiencies accredited to automation technology.

	2009		2011	
	Cost	Cycle Time	Cost	Cycle Time
Best in class	£2.26	3	£1.34	4
Median	£11.03	15	£3.53	10
Laggards	£23.82	33	£6.69	25

Source: *Automation’s Effect on Cost*, The Accounts Payable Network, 2012
A CFO’s View of Achieving the Full Value of Accounts Payable Automation

AP automation also drives other time and cost related savings by:

- Increasing full-time equivalent (FTE) efficiency
- Capturing early payment discounts
- Facilitating dynamic payment terms

Increased Accuracy

Data capture automation eliminates manual keying from the AP process and in doing so, significantly decreases errors associated with human touch points. A Fortune 500 oil distributor in the United States, for example, reduced its error rate to .043 percent (virtually non-existent) after it deployed data capture and automated workflow in AP. Of the companies that have adopted automation technology:^{vi}

- 58 percent report fewer lost or missing invoices
- 30 percent report fewer duplicate invoices

In addition, businesses are increasingly aware that automated invoice processing also supports higher level business strategies. By generating better quality data, management is able to more accurately monitor and respond to the full array of activities related to financial accounting and reporting.

Visibility and Control

In an automated environment for invoice receipt, invoices are immediately scanned or automatically uploaded into the data capture solution. In complete contrast to a decentralized, manual process where an invoice can sit on someone's desk indefinitely without enterprise level knowledge of it, automation provides complete and instant visibility to all stakeholders of the organisation at the front end of the process. This increased visibility has proven to drive accountability, accuracy and greater control throughout the AP process.

More recently, management too is recognizing the strategic benefits of improved visibility over liabilities that are gained from automation technology. As Paystream Advisors reports, "Streamlining the accounts payable process has become vital in a tough economy where adequate cash flow and greater control over payables are critical to maintaining liquidity and sustaining business operations."

The Inherent Benefits of Software-as-a-Service

Depending on its application, the type and level of adoption for cloud technology is varied. In the world of business processes, SaaS applications have gained particular ground due to the attractive inherent qualities of software that is owned, delivered and managed remotely by one provider. Gartner reports on these characteristics as key enablers for the adoption of SaaS in financial management:^{vii}

Ease of deployment

SaaS applications are easier to get up and running because there is no hardware to buy or infrastructure to set up and configure.

Scalability

SaaS applications can expand as the number of users grow, enabling the organisation to start off small and enlarge as its business grows.

Investment in technology of the future

The much publicised cloud technology has earned management attention for its economies. According to another Gartner report, “95 percent of organisations expect to maintain or increase their investments in SaaS throughout 2012.”

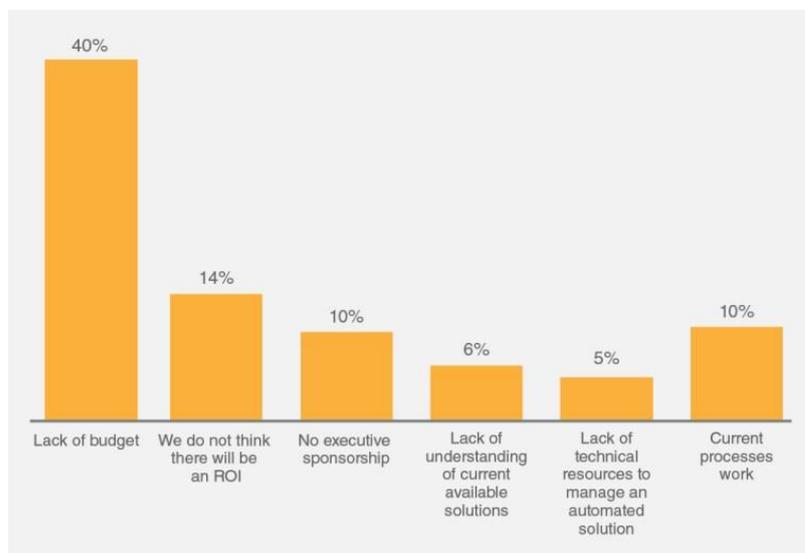
Cost-effectiveness

The attainable cost structure of SaaS applications compared to on premise options is as important to organisations as ease of deployment. The service does not require upfront capital expenditure, so it is easier to accommodate existing budgets, or budget constraints.

The Cloud’s Ascent in the AP Landscape

Driven by natural market forces, organisations’ demand for easy-to-implement and low investment projects, cloud-based AP automation stands to serve businesses’ current needs for greater efficiencies in invoice processing.

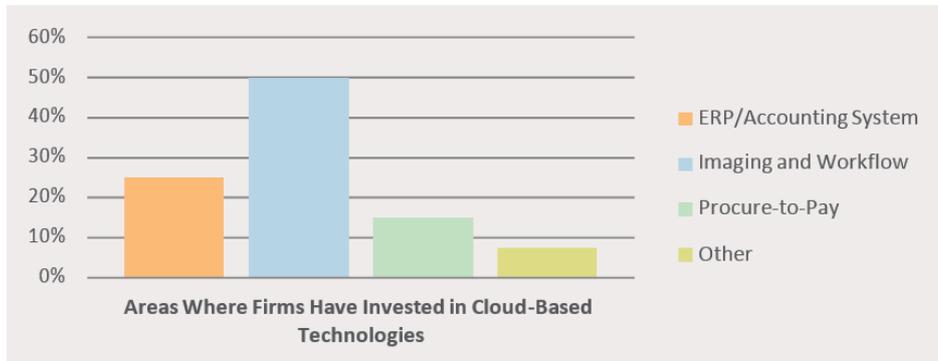
Not surprisingly, “lack of budget” ranks as the number one barrier to the adoption of invoice automation solutions today, followed by concern that there will not be a return on investment (ROI).



Source: *Barriers to the Adoption of Imaging Solutions*, Paystream Advisors, Inc., 2012
Invoice & Workflow Automation Adoption

Research shows that given the right tools, even cost conscious enterprises and SMEs are “clearly willing to investigate ways to improve efficiency by adopting automation.”^{viii}

Today, 5-20 percent of all invoice automation installations are SaaS and the number is increasing. A study from The Accounts Payable Network supports the strong movement toward AP automation in the cloud. Imaging and workflow, in fact, represent half of all cloud-based technologies implemented by businesses, and the SaaS method represents 32 percent of workflow implemented.^x



Source: The Accounts Payable Network April 2012

Experts also predict a healthy future for cloud solutions in other business processes. According to Gartner, “the adoption of SaaS for core financial applications will steadily increase.”^x Paystream Advisors also anticipates SaaS growth for lower volume enterprises, and reports that:^{xi}

- “Software-as-a-Service solutions will increasingly address SME needs.”
- “The bottom line for an SME is access to the features they need at a price point that delivers a compelling ROI.”

Enterprises of any size, in turn, are well positioned to achieve efficiencies by deploying proven AP automation in the cloud. Competitive advantage through greater control, increased visibility and stronger cash flow is possible for firms that seize the opportunity to invest in the right technology.

Guidelines for AP Automation Best Practices in the Cloud

While the cloud offers much promise to firms seeking the full benefits from automating their invoice processing, enterprises must proceed thoughtfully in order to achieve optimal performance. The checklist below can be used as a guide to ensure the credibility and high-functionality of an AP solution in the cloud. Unlike traditional on-premise solutions, these applications are built on top of a hosted platform space. A solid cloud platform must also be in place to ensure that company’s needs for security and reliability are met.

Achieve Optimal Efficiencies

Examine the provider’s level of experience and expertise with data capture and automated workflow.

1. How many years of experience in AP? A vendor with more experience will be able to address the unique challenges of invoice processing over other financial processes.
2. Where are the solutions developed? If the vendor outsources the development of the solutions, or has recently acquired the developer without previous knowledge of the process

- area, accountability can be compromised.
3. What's the reputation of the vendor's support services? Choose a vendor that maintains in-house support services, and that has an experienced and loyal employee base.
 4. What is the size of the vendor's customer base? The more proven success with other enterprises, the better. Check for diversity in size and with industry.

Ensure that the solution can integrate with your organisation's ERP system.

1. Check to see if the solution is being utilized by other organisations with the same ERP system.
2. Are the solutions certified with ERP systems? ERP certified solutions have been rigorously tested, and certifications communicate a working relationship between the solution and ERP providers.

Evaluate the quality of the solution's (optical character recognition) OCR intelligence.

1. How accurate is the technology, and how does it drive efficiency in invoice processing? Accuracy at the front end of AP processing will deliver compounded benefits.
2. Is a template required for every vendor? If so, efficiency is compromised.

Determine the breadth and depth of the solutions' functionality.

1. Can the solution support straight through processing from invoice entry to transfer, allocation and approval? 'Best-in-class' firms maximize the impact of automation on all AP processes.
2. Is it scalable? It is important to choose a solution that can grow with your organisation.

Ensure Security and Reliability

While organisational leaders have gained much more confidence in the platform, data privacy and security concerns over holding financial data in the cloud remains a key inhibitor to SaaS adoption. Leaders too are intimidated by the fact that their company's business processes will be, in effect, moved outside of the environment resulting in a shift in accountability for supporting the technology (from IT, to the hosting service provider).

Security was once a major concern for SaaS adopters but is now perceived as much less of a threat. Compared to 50% of respondents in 2010, 18.9% of AP stakeholders now cite security risk as their top concern of cloud services for AP processing. Ten percent report "potential problems with bandwidth, connectivity or down time" as yet another.

Gartner urges users to take full responsibility for assessing the overall security of cloud delivery,^{xii} and yet the quality of service throughout the hosting provider landscape widely varies. The hosting platform must be robust, and demonstrate a proven record for ensuring that the subscriber's data is secure and that their processes are functional with 24/7 reliability.

Addendum

A Brief on ROCC's Cloud Solution

ROCC's Cloud Solution offers the unique combined benefits of a cloud-based service, along with the proven quality and reliability of the most widely utilized solution provider for invoice processing.

ROCC	
Benefits of SaaS platform	Benefits of ROCC's solution
✓ No initial investment–Low TCO	✓ Market leader in invoice processing
✓ Quick and easy deployment–Rapid ROI	✓ User-friendly solutions
✓ Scalable	✓ Tight integration with any ERP system
✓ 24/7 access from any computer w/Internet connectivity	✓ Service-oriented provider (98 percent customer renewal rate)
✓ No maintenance or upgrading	✓ Developer of business process solutions for 20+ years
✓ Flexible	✓ Runs on high-quality, reliable platform  Windows Azure
✓ Utility-pricing	✓ True OCR learning engine optimizes process efficiency

ROCC's Cloud Solution is secure, quick to implement and offers users a low cost of ownership (TCO) since there is no hardware to buy and maintain and no software to install and upgrade. It has been developed by business process solution experts who have more than 20 years of industry experience, and who have earned industry recognition from top consulting firms for their data capture and invoice processing solutions.

Optimised Efficiencies

The unique functionality of the ROCC's Cloud Solution service provides organisations with optimal invoice processing efficiencies. On the front end, its invoice processing component features a true optical character recognition (OCR) learning engine, which collectively brings together all of the knowledge of the entire user-base. With it, each new user benefits from the previous work that has been done with different form types, and types of recognition that have been captured before. ROCC's Cloud Solution subscribers will, in turn, realise faster capture times, quicker set-ups and less need for verification. Firms can gain even further process efficiency through the automated workflow of ROCC's Cloud Solution. Much of workflow has been positioned in the cloud, reducing the number of steps that the company needs to take to manage its invoices.

Solid SaaS Platform

The cloud-based service first captures and enters supplier invoices from paper, PDF and document image files, enabling immediate access to the data and invoice image from any location with Internet connectivity. The invoices are then selected and verified from a user-friendly web-based browser and automatically routed to an AP workflow, most typically, an approval process. ROCC's Cloud Solution integrates with any ERP system, and its easy-to-use interface facilitates user acceptance for a quick and effective rollout.

A typical step-by-step account of the accounts payable process with ROCC's Cloud Solution:

1. Invoices are sent directly or scanned and automatically uploaded to the cloud.
2. Invoice data is extracted, and the invoice is registered in the ERP system.
3. Invoices are verified and automatically routed to a user-friendly AP workflow, easily accessible to anyone, anywhere via an Internet connection.
4. Invoices are designated as "final booked" and made ready for payment whether in the cloud, or on-premise.
5. Invoices are automatically archived/stored.

The service can adjust in scale to manage any size workload. Unlike traditional on-premise solutions, ROCC's Cloud Solution addresses the unique financial needs of SMEs and companies that process lower volume invoices, for it is quick and easy to deploy and requires no capital investments.

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