



WHITE PAPER

# Processing Invoices in the Cloud

Clarity and Considerations on Converting Your AP Solution

**KOFAX** 

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## What and Where is the Cloud?

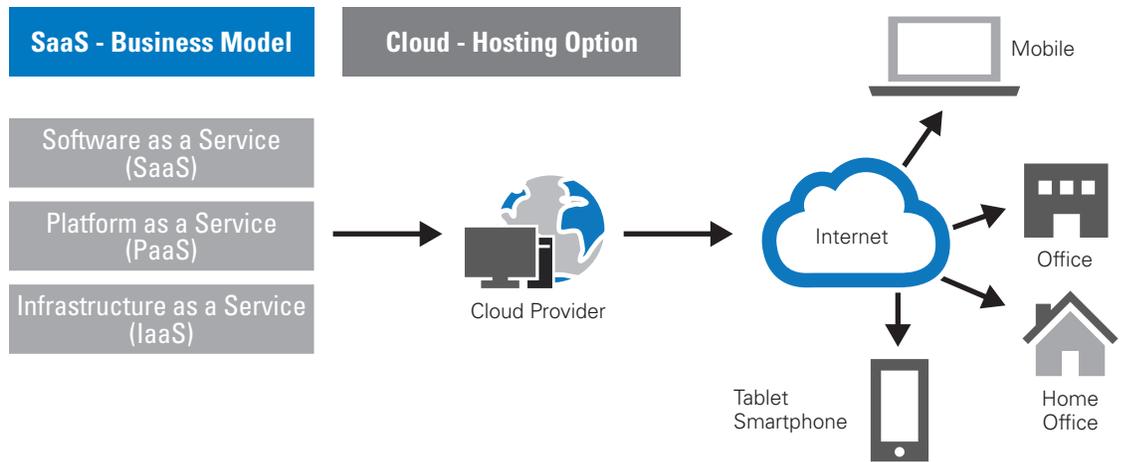
“Go to the Cloud.” You probably recognize this catch phrase coined by Microsoft. It conveys the feeling that the cloud can fix everything, without really explaining what it means. Messaging has led many to think of “the cloud” as another term for the Internet and to think that SaaS and the cloud are the same. By definition, these terms are commonly described as follows:

Software as a Service (SaaS), sometimes referred to as “software on demand,” is software deployed over the Internet and typically on a pay-as-you-go basis. This approach is part of the utility computing model where all of the technology is in the “cloud” and accessed over the Internet as a service.

Cloud computing is a model for enabling on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly engaged and released with minimal management, effort, or service provider interaction.

These definitions are fairly generic and still don’t help Accounts Payable decision makers fully understand the difference. The easiest way to think about this is that SaaS-based AP solutions run in a cloud environment.

In other words, SaaS is a business model and cloud is the hosting option.



It's also important to recognize the difference between solutions that are hosted in the cloud and solutions which are truly cloud-based. Hosted solutions are only different from on-premises solutions in that they are hosted by a third party data center. The solution itself is still owned and managed by the on-premises IT team with your data living in the third party's data center. With a truly cloud-based solution, a company pays to use the service, which is owned by the SaaS provider and hosted in the cloud.

Most SaaS solutions are also multi-tenant. With multi-tenant SaaS, solution providers sell multiple instances of the same software. The companies that purchase these instances are all operating off of the same application but are isolated from each other and cannot access the software's code. This allows the SaaS provider to offer updates to all customers at once, but limits the ability of the client to customize the application.<sup>1</sup>

Technology today gives organizations a great deal of choice. Advances in computing power and storage capabilities, offered at a fraction of what they cost two decades ago, have made it possible to choose from a number of options. Successful deployment of technology depends on an understanding of what is needed and why. Applications and services need to be run where they are most efficient and not just because low cost makes them the most attractive options.

<sup>1</sup> Gartner, Gartner IT Glossary

## Some Business Reasons for Cloud Deployment

Consider these reasons to employ cloud solutions as well as reasons to tread more carefully:

Factors promoting adoption<sup>2</sup>:

- ◆ Solutions can be deployed and tested quickly with little risk. “For organizations still developing their cloud strategy, AP solutions can be incubated in the cloud before bringing on premise.”
- ◆ Cloud solutions require less upfront capital and also mitigate the cost of major software upgrades by allowing for a “more predictable operational expenditure.”
- ◆ The latest and greatest versions of software are automatically available to users of cloud-based solutions, so their software never becomes obsolete.
- ◆ Cloud solutions are increasingly considered to be very secure because of a good security track-record and maturing technology.
- ◆ SaaS solutions are more accessible for companies without the IT resources to implement and manage an on-premises solution.

## Security Considerations

SaaS solutions are, with good reason, increasingly popular options for invoice processing. And any security concerns have largely been calmed by maturing technology with an excellent track record.<sup>3</sup>

If you choose a cloud-based solution, you rely on a third party’s systems to provide adequate data protection. They may have data centers in different countries, so you need to understand where your data will be stored and how it will be protected.

The Microsoft Azure data centers, for example, work on a vastly different scale compared to the average company. They use layers of defense that would not be feasible for a small to medium-size business to implement. So the level of security may actually be stronger than your company is able to implement with an on premise offering.

And while there’s a tendency to focus on the security of the solution vendor, IT managers must also consider security risks posed by users of cloud-based solutions. With so many SaaS offerings on the market for so many business functions, there is the potential for the purchase of multiple solutions without proper IT oversight and security controls.

<sup>2</sup> IOFM, Six Promising Trends in Accounts Payable, 2015

<sup>3</sup> Gartner, Finance Moving to the Cloud: The Steps to Take and the Benefits You Can Expect, 2016



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***“To make sure you cover your bases, Gartner suggest using Cloud Access Security Brokers (CASBs) and third party security applications to ensure your information is exchanged securely.”***

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Finally, it’s important to consider that cloud-based solutions may require “native or third party security measures.” To make sure you cover your bases, Gartner suggests using Cloud Access Security Brokers (CASBs) and third party security applications to ensure your information is exchanged securely.<sup>4</sup>

The decision to use a cloud-based solution depends heavily on the level of control required when working with sensitive data. Some organizations are very sensitive to how and where their information is processed. They may or may not be comfortable with queued information being stored in the cloud until it is either processed or deleted.

### Versatility Considerations

Online solutions are, quite simply, accessed through the Internet. Instead of installing programs on your servers, they are installed in a data center in another location and managed by Microsoft or a third party.

Some accounts payable SaaS products are really SaaS hybrids. They are not multi-tenant or truly configurable, and they really do come as a prepackaged AP solution without much flexibility for customization.

But SaaS products have come a long way in the AP automation market. Finance spending on cloud SaaS solutions is expected to grow by 17 percent over the four year period from 2015 to 2019.<sup>5</sup> The reality is that SaaS is here to stay and true SaaS models today provide excellent functionality that is comparable to on-premises solutions in many ways.

While SaaS solutions, by definition, are not as customizable as on-premises solutions, they do offer users the ability to select various configurations for use. These include everything from screen layout to business logic – features that would have required IT time to change previously.<sup>6</sup>

<sup>4</sup> Information Week, SaaS Security: Gartner’s 5 Tips for IT Pros, 2016

<sup>5, 6</sup> Gartner, Finance Moving to the Cloud: The Steps to Take and the Benefits You Can Expect, 2016

## Financial Considerations

Good SaaS AP solutions can have comparable functionality to on-premises models. The primary difference is that SaaS models don't require as much investment to get started, which allows their AP clients to achieve ROI much faster.

### **On-premises**

It's necessary to purchase the software licenses and any hardware needed to run it up front, unless you choose to load the software onto an existing server that has available bandwidth. So the initial outlay is likely to be high. There will be an annual maintenance cost totaling 20% – 40% per year of the original license cost. Additionally, there will be ongoing costs associated with maintaining the on-premises solution, including eventual replacement of the hardware, and any necessary management of the solution itself.

### **Cloud**

Cloud licensing and no requirement for in-house hardware make the startup costs lower. The cloud-based infrastructure and software are usually maintained at a fixed annual cost, allowing companies better budgetary planning. With cloud, you are investing in technology which is supported 24 hours a day, seven days a week. Server performance and bandwidth are constantly being monitored to ensure optimal performance at all times. And because the upfront capital expenditure is less, enterprises have more freedom to change vendors, if needed. With rapidly changing markets and business requirements shifting to meet new demands, companies are not tied to SaaS providers who are no longer a good match.

## Implementation Considerations

The importance of implementation speed depends on how urgently the company needs the solution. If getting it in place as soon as possible is a priority, then the cloud becomes an obvious choice. If there is less urgency, then rapid deployment can be assigned a lower priority.

### **On-premises**

Acquiring and setting up hardware, organizing infrastructure and obtaining and installing software can take time. And it may take even longer if there is lead time required to procure new servers at the best price. And then there's the time required by your IT resource to install and configure the solution.

If your existing server has available bandwidth, you may be able to install the software on that server, saving the time involved in sourcing and installing new hardware.

### **Cloud**

Implementation usually takes hours, once the decision is made.

## Maintenance and Support

On-premises literally means “on your premises.” In other words, you purchase a license to use software and install it on your servers, PCs and laptops. You have an IT department (internal or external) that manages all the on-premises systems and their underlying servers, network, and communications to the outside world.

With an on-premises system, you may decide to upgrade the system periodically. But then again, you may not. If you do upgrade, your IT resources will install the latest version (again, on your premises) and run the update/conversion routines. If you don't upgrade, you can usually continue to use the old version of the software indefinitely (until it becomes incompatible with something).

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***“SaaS solution providers offer regular system updates, upgrades and innovations that can be implemented in real time. This means you'll always have access to the latest version of the software.”***

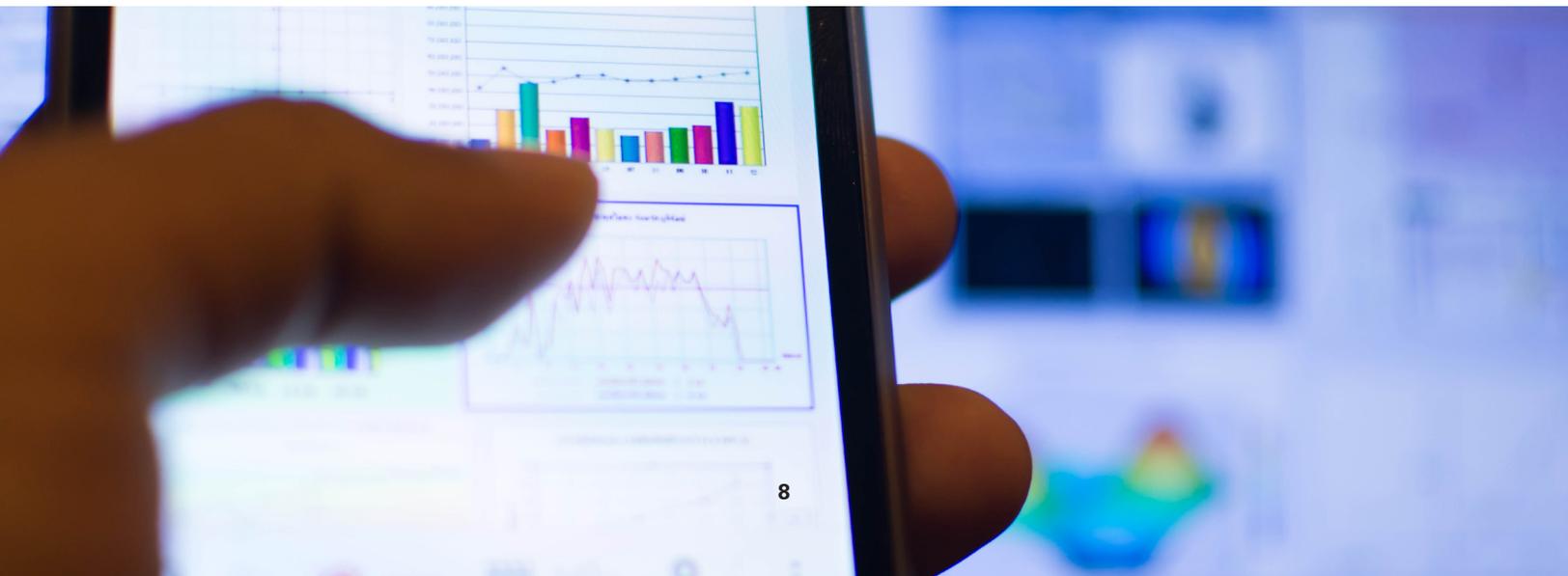
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SaaS solution providers offer regular system updates, upgrades and innovations that can be implemented in real time. This means you'll always have access to the latest version of the software. It also means that your in-house AP team will need to be prepared to adapt to these changes and test new features before beginning to use them. Whereas testing is an IT role for an on-premises solution, cloud-based solutions make it the responsibility of the user to take advantage of opportunities to test features before they go live in the software.<sup>7</sup> Gartner suggests building a “culture of continuous improvement,” so that employees embrace the constantly evolving nature of a cloud-based solution.<sup>8</sup>

Cloud systems relieve you of most maintenance obligations. You probably will not need to invest in servers or increase your IT resources. The “infrastructure” elements that benefit from hosting providers like Microsoft, Amazon and others are handled for you. They manage security, backups, fire suppression, disaster recovery, redundancy, high-speed internet access, scalability and so on.

<sup>7</sup> Gartner, Finance Moving to the Cloud: The Steps to Take and the Benefits You Can Expect, 2016

<sup>8</sup> Gartner, Hype Cycle for Cloud Computing, 2016



### **Technical Knowledge**

For an on-premises solution, an internal technical staff or an outsourced IT provider needs sufficient knowledge to set up the hardware and install and configure the software. They will also be required to manage software updates and ongoing configuration changes.

With the cloud, you need access to far less technical knowledge, though it pays to have some awareness of the solution to maximize its use. Gartner notes a handful of tasks that will still need to be performed by AP staff members, including “writing reports, configuring dashboards, and maintaining business rules and workflows,” as well as “user setup and system-level configuration parameters.”<sup>9</sup>

### **Continuity**

If you have a hardware or software failure on premise, your applications may be down until you can resolve the issue. Power outages, natural disasters, viruses or malware, and other problems can potentially have a large impact. These risks can partially be mitigated by redundancy, but that will significantly increase the infrastructure costs.

Cloud solutions are normally hosted on multiple servers in more than one datacenter, so the chances of them all failing at the same time are very small. Once your invoice is in the cloud, it can be accessed from anywhere, which should make your disaster recovery planning much simpler.

### **The Bottom Line**

There are many advantages to cloud-based solutions, especially for small or medium-sized organizations where IT resources are limited. Cloud-based solutions are faster and less expensive to implement, and the simple annual fee makes budgeting easier.

On-premises software may be less expensive in the long term, depending on the level of maintenance costs required for the on-premises hardware and software, as well as differences, if any, in production staff.

On-premises solutions are also more customizable, a factor that could be vital to meeting enterprise-level needs.

While many competing vendors are abandoning their traditional software products in favor of cloud-based solutions, there are balanced arguments for both deployment models – the local control and security possible with an on-premises solution, versus the reduced management allowed by the cloud. As a result, Kofax’s development strategy is to support and enhance both deployment options to provide companies with real choice for the long term.

<sup>9</sup> Gartner, Finance Moving to the Cloud: The Steps to Take and the Benefits You Can Expect, 2016



## 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 organization's ERP system.](#)

1. Check to see if the solution is being utilized by other organizations 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.
3. Does the solution support both Header and Complex Line Item capture? If not, the solution will not support the richest set of incoming supplier invoices and is likely to compromise efficiency and speed of OCR data collection.

Determine the breadth and depth of the solution's 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 organization

**Ensure security and reliability**

While organizational 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).

Gartner urges users to take full responsibility for assessing the overall security of cloud delivery<sup>10</sup>, and yet the quality of service throughout the hosting provider landscape varies widely. 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.

<sup>10</sup> Rayner, Nigel. Understand the Impact of Cloud on Your Financial Application Strategy. Stamford: Gartner, Inc., October 2011

## A Brief on the Kofax ReadSoft Online Solution

Backed by Microsoft Azure, ReadSoft Online offers the combined benefits of the industry’s leading cloud infrastructure and the proven quality and reliability of the most widely utilized solution provider for invoice processing.

Kofax ReadSoft Online	
Benefits of SaaS platform	Benefits of Kofax Solution
No initial investment—Low TCO	Market leader in invoice processing
Quick and easy deployment—Rapid ROI	User-friendly solutions
Available globally and fully scalable to any size customer and invoice volume need	Tight integration with any ERP system
Available globally and fully scalable to any size customer and invoice volume need	Leading provider of invoice processing solutions for over 25 years
No maintenance or upgrading	Most complete OCR capabilities for both Header and Complex Line Item/Multi-Page invoice documents
Flexible	Runs on Azure, the market leader for high-quality, reliable cloud computing
Trial and subscription pricing	True multi-tenant OCR learning engine that enables world-class verification support

Kofax ReadSoft Online is secure and quick to implement, and offers a low total cost of ownership (TCO) since it requires no additional hardware or software purchase, installation, maintenance or upgrade. The solution was developed by business process technology experts who have more than 25 years of industry experience and recognition from top consulting firms for their data capture and invoice processing solutions.



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