Why ERPs are Not Enough for Accounts Payable Automation

An enterprise resource planning (ERP) application is the financial nerve center of the business.

The best ERP applications enable organizations to collect, store, manage and interpret structured financial data. ERP applications also track business resources such as cash, raw materials and production capacity, as well as the status of orders, purchase orders, payroll and other commitments.

Once businesses reach a certain size, an ERP becomes a necessity.ERPs and Accounts Payable Automation

But even the best ERP applications cannot solve every problem that financial departments face.

Consider the processing of invoices submitted by suppliers.

A lot happens to an invoice before it is ever posted to an ERP. Receiving, processing and posting invoices cannot easily be automated by an ERP, especially those sent through the mail, email or bill presentment portals.

That's the reason that more accounts payable (AP) departments are deploying cloud-based invoice processing solutions that seamlessly integrate with their ERP applications. The combination of a cloud-based AP automation solution with an ERP provides benefits that an ERP alone cannot match.

Why businesses deploy an ERP

There are lots of reasons that businesses deploy an ERP application.

- Most businesses deploy an ERP to replace an outdated accounting system once they surpass 500 employees, the 2022 ERP Report finds.
- Other businesses deploy an ERP application to fully automate tasks such as accounting, inventory management, purchasing, sales and distribution as the business grows.

- Businesses with thousands of employees may rely on an ERP to manage payroll.

While ERPs do well in rules-driven applications such as these there where thousands of calculations may be required, ERP systems don't perform as well in tasks where the data is less structured.

Invoice processing, for instance.

AP departments receive invoices from suppliers in many formats and must manage many rules for the data that must be captured from each invoice, the way general ledger information must be coded, how non-PO and unmatched PO invoices need to be routed for approval, and more.

ERP applications weren't designed to standardize or automate these types of AP processes.

Without an AP automation solution, even the best ERP application won't save AP staff from having to spend hours searching for and keying invoice information such as the supplier's name, the supplier number, the supplier's address, the invoice amount, invoice due date, line-item details, and any taxes.

Similarly, general ledger information must still be coded to update a company's chart of accounts. In many AP departments, even those with an ERP, this information is manually entered by staff.

And while some ERP applications offer functionality for digitally routing unmatched invoices or invoices that require approval to the right individual, few ERPs offer the flexible workflows that most AP departments need to account for all the different scenarios in getting invoices approved. For example, departments may want to implement approval rules for reviewing high-dollar invoices.

It's also difficult, if not impossible, to track invoices from the time of receipt using an ERP.

As a result, many businesses that rely solely on their ERP application to process invoices find themselves stuck with many of the same manual processes, back-and-forth emails and phone calls, errors and mistakes, and reporting challenges that they faced before deploying an ERP system.

The benefits of AP automation

Cloud-based AP automation solutions help businesses overcome the AP shortfalls of ERP systems.

- **Digital mailroom**. All electronic invoices, including those sent as PDF email attachments, via a supplier portal, or through an FTP upload, are automatically retrieved and aggregated onto a single platform for standardized processing. Any invoices sent through the mail are digitized, tracked and aggregated as well.

- **Data capture.** The header and line-item data from invoices is extracted with a guaranteed level of accuracy and matched against purchase order (PO), vendor master data (remit-to) and proof-of-delivery

(POD) information residing in an ERP. Matched invoices are then posted directly to an ERP without AP staff having to lift a finger.

- **Workflow approval.** Unmatched invoices or invoices requiring approval are digitally routed to the right individual or individuals based on highly configurable business rules. Purchasers are notified of invoices awaiting review and alerted when an invoice is approaching its due date. Invoices that haven't been acted upon are automatically escalated to another individual for review. AP staff also can see the status of invoices in real-time and take proactive measures to resolve any bottlenecks, eliminate duplicates and problematic vendor invoices.

- **ERP posting**. Leading cloud-based AP automation solutions seamlessly integrate with the more modern cloud-based systems like Workday, MS Dynamics 360 and NetSuite, as well on-premise ERP applications such as those from SAP and Oracle.

Combining an AP automation solution with these capabilities with a world-class ERP application enables businesses to achieve optimal efficiency and effectiveness in their financial operations.
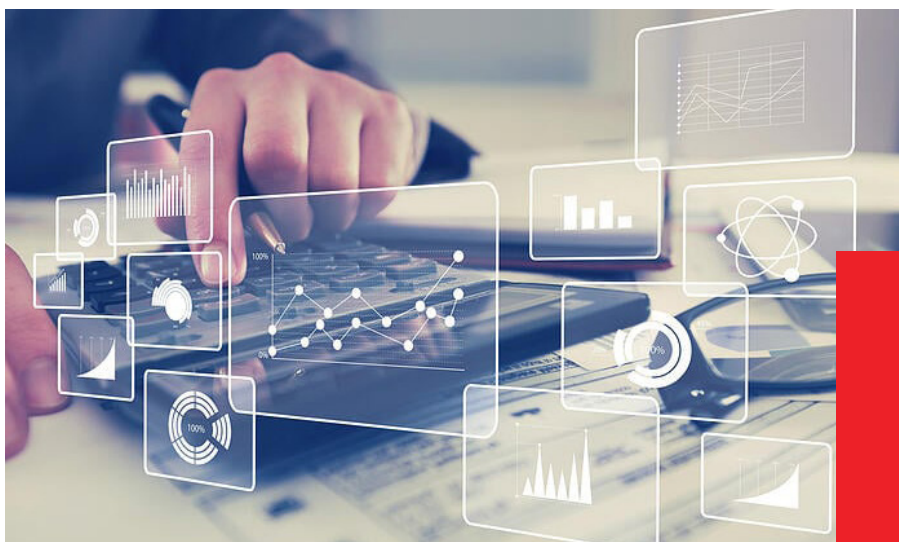
If you are interested in learning more about cloud-based AP automation solutions that integrate with your organization's ERP application, IPS is interested in speaking with you. Contact Us!