

The 7 1/2 Things I Wish I'd Known About AP Automation Before I Started



By Christopher Elmore

Legal Stuff

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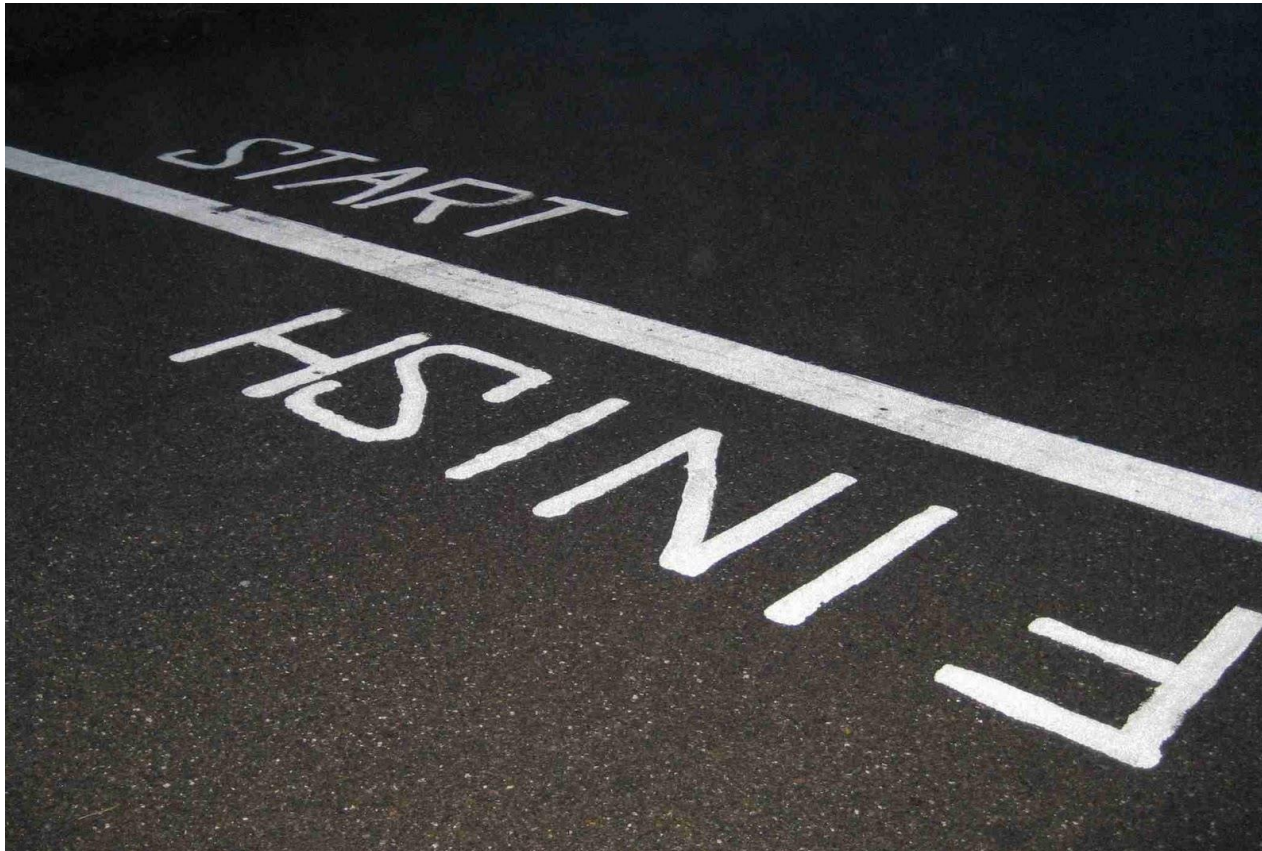
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The 7 1/2

1. Time allocation
2. Accounting system change
3. Reference checking
4. Real savings
5. Cloud vs. no cloud
6. Top-down, middle-up communication
7. The advocate
- 7 1/2. You will have to wait for this one

Introduction



In a continual effort to help people get rid of the paper, I am always trying to find ways to help people understand what their Accounts Payable life will be like once automated. It's not as easy as just writing, trust me. That doesn't even work with my kids!

This eBook, I hope, will be a little different. It takes my perspective that I've gained through experiences, and gives you the insight without you having to go through the pain or the learning curve.

This advice comes from over 15 years of trial and error (mostly error), 89 AP Automation projects, helping over 500 companies through the automation buying process, and tens-of-thousands of conversations with automation hopefuls.

My hope is that what you learn you will be able to apply. Good luck on your Accounts Payable Automation journey!

Chris

Introduction

Time Allocation



Time

I write a lot about time, and how successful AP Automation can be judged by how much time can be freed up. When I am speaking live I always like to use an example outside of accounting, because I think it makes a better point. I normally use the auto industry. In the mid-eighties Detroit decided it was time to automate their production lines. The big complaints came from workers that did not believe that a robot would be able to do the same job that they could do. As it turns out, there were many jobs that robotics could do. The downside to the workers was that a lot of them lost their jobs. Automation has a tendency to do that with larger companies.

Just about all, with only a few exceptions, of my experience comes from the middle market. Those companies that have revenue from \$5M - \$1B annually. Unlike large companies, mid-size companies don't have the ability to do mass layoffs when automating Accounts Payable. They don't want to do mass layoffs, because the people are very valuable to their organization, and they do other things than just manage invoices.

In The Middle?

Time Allocation

If Accounts Payable Automation is only as good as the time that is freed up, then we have to do something valuable with the time. This is one of the things I wish I would have known early in my career. Here is an example: If you have an accounting person that spends 50% (1040 hours a year) of their time entering invoices into the accounting system, then that time will need to be allocated to another task. Here is the rub. In order for AP Automation to work... really work, **the new task the person does has to be more impactful to the organization than data entry.** If you shift a data entry person to filing then there is no real need to automate. If you shift that person from data entry to contract negotiation or to capturing vendor discounts, then you've created a very powerful message that you are using automation for the betterment of the company.

Accounting System Change



5 Things

I don't know why this has been true with my experience, but I normally don't run into anyone that likes their accounting system. (I'm very sorry to those of you that sell accounting systems.) There always seems to be this love/hate relationship with accounting systems. True there are enthusiasts out there that love a certain system, but even those people have a list of things they would add or change.

Like it, or not, accounting systems are here to stay. We should all be very thankful though, because the alternative is a lot worse. I took my first (real) accounting course in 1988, and believe me if we had to go back to paper ledgers the business world would greatly suffer. Since accounting systems are here to stay and because Accounts Payable Automation has a big impact on accounting processes, there are five things you should know about your accounting system before you automate.

Thing 1 - It is always a very good idea to find a service provider (that's a company that provides Accounts Payable Automation services) that is integrated with your accounting system. Now, this is not a must have, but it's a good thing.

Thing 2 - Similar to thing 1, if the service provider that has passed all of your tests hasn't integrated with your accounting system you need to evaluate how they intend to pass data. **Be very wary of service providers that will violate your service agreement with your accounting system, or put you in a position that stops you from updating your accounting system.**

Thing 1 and Thing 2

Thing 3 and Thing 4

Thing 3 - Make sure the accounting system is the system of record. I have written a few articles on this, so click on the link that I provided in the last sentence for more information. To give you a bottom line on the accounting system as the system of record; your Accounts Payable Automation system **should never compete** with your accounting system. To put a positive spin on it, the automation system and the accounting system need to have separate goals that work together.

Thing 4 - When information is exchanged with your accounting system, make sure that the accounting system's permissions and security checks the data before it updates the system. This is how you can ensure the accounting system is the system of record because it will check each transaction, and if the automation system is trying to update something it should not (an example is if the accounting period is closed) then the transaction will be stopped.

Thing 5 and Finally

Thing 5 - The last thing you should know about your accounting system before you automate is that the AP Automation system should take all the information it needs to do its job without you having to do an update to that system. Don't put yourself in a position where you have to update and maintain two systems. Keep in mind that the point behind automation is to free up time.

Finally, Accounts Payable Automation is still a fairly new idea, and because of that, accounting systems are still trying to figure out where they fit in. I do believe that in the future accounting systems will take more of an active role in AP Automation, but until then protect yourself from a lot of additional needless work.

Check References – Both Kinds



Important

When trying to find the right service provider for your company, it's important to check references. Some people swear by this practice and others just do it because they feel somewhat obligated. Regardless of where you fall in the practice, did you know there were two kinds of references?

Kind 1

Well, I hope this isn't going to shock you. **If you ask a software company for a reference they are going to give you a good one.** I really hope this isn't the first time you have been told this. Now, this doesn't mean that the reference they give you is not good, it just means you should ask different questions. Here are a few examples:

- How often do you do a reference call?
- Are you compensated for doing reference calls?
- Who else in your organization should I talk with?

By reading the questions, you can see that the strategy of the reference is to assume that they like the software and the company. Taking the call and asking different questions gives you insight into what type of company you are about to partner with. Also, with AP Automation, it is typical that the people who buy the service/software aren't necessarily the people who implement and use it on a daily basis. It is important to find out who you are talking with on your call. The last question will help you figure that out, and can give you greater insight to the service provider.

This one is my favorite. In my book, *The Argument to Automate*, I call this type of reference the “real reference”. **The real reference is someone who knows someone who... (well, you get the point) that uses the software.** These are great (especially if you have a good relationship), because they will give you all you need to know about the automation provider. With this type of reference it is important to ask a completely different set of questions. To write the obvious, you don’t want to assume they are happy with the service provider, but you also don’t want to assume that they are happy at all. Let me explain by showing you the type of questions you should ask:

- Did the company come in on time and budget?
- Did they implement what they sold?
- Do you like software and/or automation in general?

The first two are typical reference checking questions. The last one refers to the idea of the person liking software. It is important when checking this type of reference that you don’t run across someone who simply hates technology. While it’s hard to believe, those people are still out there. AP Automation in some situations causes certain people do more work, but the overall process is better. I think of the people who approve invoices, because in some ways paper would be a lot easier for them.

Kind 2

Whether you are a big fan of reference checking, or not, it is an important part of the process. If you do it right, and ask the right questions, you can make it strategic.

Both Kinds

Real Savings



Tangible or Intangible?

Accounts Payable Automation is a tangible - intangible. The idea (hang with me) is that because of the software that makes automation run, you have something to see and touch, which makes it tangible. The problem is, the real impact of AP Automation is a better process and a better business, which is an intangible. It also goes one step further, because automation is a **tangible - intangible that people don't understand.**

Example 1 - Tangible

Look at it this way, buying a car is an example of something that is tangible. At no point the last time you bought a car did the salesman try to convince you that driving a car was better than walking... I am sure there wasn't a time calculation or ROI study.

Example 2 - Intangible

An example of an intangible is life insurance. A lot of people own life insurance, but you can't touch it and when the salesperson sold it to you it was based on some version of providing for loved ones. Even though life insurance is something we can't touch or see, we all know someone who has benefited from the offering. That is why AP Automation is both tangible and intangible.

Examples

Real Savings?

I write a lot about automation and time savings. I do that because times savings is a unique benchmark for automation that communicates the benefits of automation and/or helps you reach your goals. I also write about return on investment (ROI). ROI is a great benchmarking tool, because it helps you understand the financial impact of automation. It's also something that will help you "sell" the idea within your company. Even though these are fantastic numbers that will help you with automation, they are not technically real.

Example 3 - ROI and New Time

Here is an example, the average return on investment for the companies that I work with is \$92,000. In order to get the \$92,000 you have to either layoff the people who are being freed up from automation or reassign them to other tasks. Because most companies that I work with reassign it's not like they are getting a \$92,000 check. It is still a real value, but to the point of this article, they are not real.

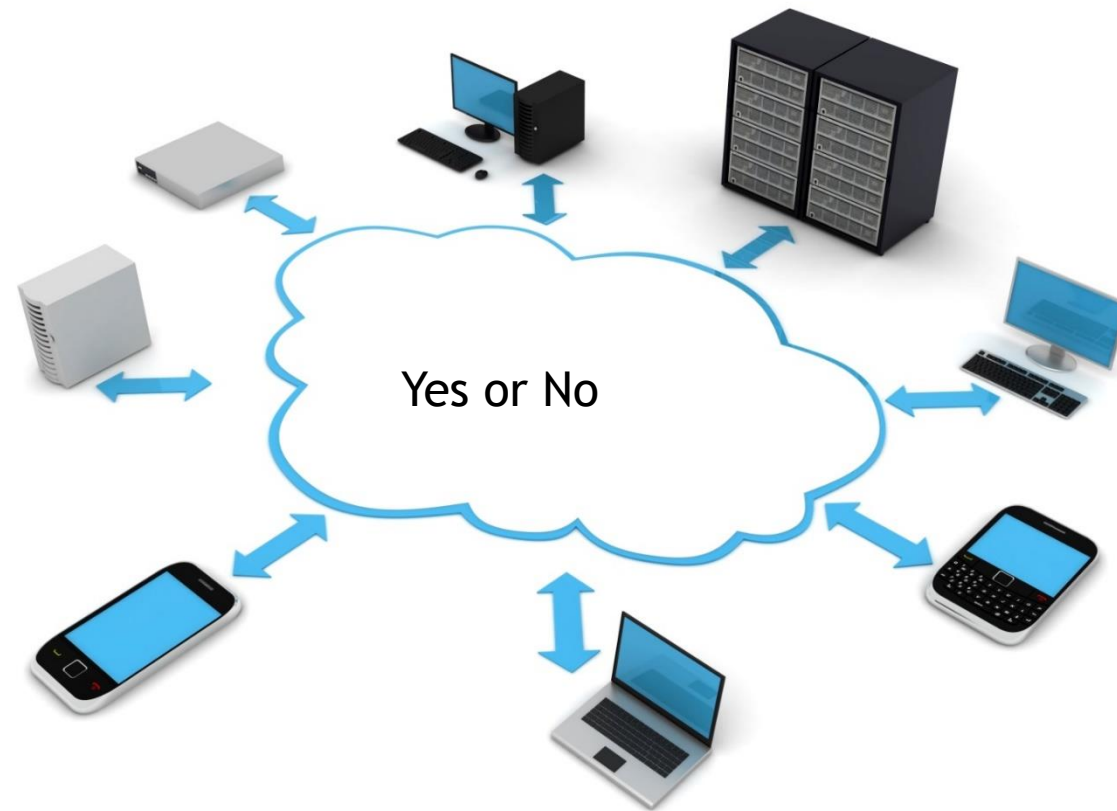
What Is Real?

I had an eye-opening discussion about real saving with a company that has been automated for several years. He said that the “real” savings within his organization was the number of times the invoice gets touched. This closely relates to new time (that’s the time that is freed up by automation), because he was able to calculate that he saved 20 touches. Now his company is on the smaller side and most of his accounting is done in one location, but from an analytical and justification stand point adding up the number of times a company touches an invoice is a real savings.

Question:

How many times does your company touch an invoice?

Cloud VS. No Cloud



I thought I was so clever when I wrote an article about my dad telling me to keep my head out of the clouds when I was a kid. Now, thanks to cloud computing, my head is always in the cloud. I don't own a single device that has a single file I am working on. All of my files are stored in the cloud. It's a great way to live. There is a lot of talk about the cloud. Apple does it, Microsoft does it, but here's the rub as it pertains to our conversation. **What is the cloud, and should your company use a cloud service for Accounts Payable Automation?**



What?

First

The first thing is to know your cloud. There are different types of cloud offerings. Knowing your cloud is important. There are some cloud-based products that will require you to install, test and configure their software on a server they maintain. For the cost and implementation there would be no significant difference from doing an on-premises model. True, this will get you out of the server business, but that's about it. The second type is what is commonly referred to as “**multi-tenant SaaS**”. This is an offering where each company has their own slice of the software that is already up and running. No installation is needed, but generally a company will configure the software to fit their needs. This type of cloud service generally doesn't give you access to the database, and also limits you on the amount of customizations that you are able to do.

The second thing is to know your service provider. Once you know the type of cloud that serves you best, finding a service shouldn't be all that challenging. The basic need to determine cloud, or no cloud, is the service provider's approach to implementing. If you are an organization that wants/needs and doesn't mind customization the first version of cloud-based service is for you. If you are someone who doesn't have too many moving parts, then the second will save you time and money... there is a trade-off.

Second

Third

The third thing is to know your company. The biggest part of knowing your company is understanding the complexity. The drama is that most (I can't recall an exception) accounting folks believe that their Accounts Payable process is complex... more complex than normal. If that were the case then everyone would drift toward the first type of cloud-based service. What I have found is, most AP departments aren't that complex (sorry). The feeling of complexity comes for the process being out of control, which is a great reason to automate.

The fourth thing is to know your users. To answer the question of, “To be, or not to be, cloud?”, the biggest factor should be mobility. Cloud-based service can instantly make your user mobile. With, or without an app, mobility is a great thing and your users will thank you for it.

Finally

Knowing is half the battle. “To be, or not to be, cloud?”, in AP Automation has a lot to do with mobility, service providers and types of cloud services. If you are an organization that has no need to own and maintain the software, a cloud-based service is an excellent option.

Forth and Finally

Communication - Top Down or Middle Up?



Communication

Ah - communication. It has a lot to do with positive change and leadership, which are two very important aspects of Accounts Payable Automation. Change is the backbone of AP Automation, it is the core to making a successful organization paperless, and leadership is the engine that drives that change.

Two Kinds?

The two types of communications are dependent upon the size of your organization. Your accounting department has to be larger than what I call the "combo" role. The combo role (a great role by the way - staffed by extremely skill people who can do this type work) is when the accounting person is the CFO, Controller, AP Manager, and AP Entry Clerk. Companies that have specialized roles are going to be able to capitalize on this type of communication, top down or bottom up.

This is the classic type of communication where a “C” level person or a board member formulates a plan and announces a new direction or a change. People comply in large part because they don’t really have an option. These top down messages are extremely difficult to get consensus on and adoption of, because the perception is that they are made on a spreadsheet or in a conference room.

Top Down

Middle Up

This is the type of communication that comes from managers, like the Director of AP or Controllers, in the business who have an idea to change or improve their department. These are also very difficult to execute because the people delivering the messages are seen as someone who has a personal stake in the outcome and doesn't always know or consider the entire business.

Both types of communication have advantages and disadvantages when it comes to Accounts Payable Automation. On the top down type of communication the advantage of automation is that it becomes a company-wide initiative. In my experiences these have worked as long as the organization has done the appropriate amount of homework. However, doing homework is the disadvantage. If leadership doesn't factor the line level workers into their plan, then there will be big trouble in making the appropriate amount of change. With middle up, to me, the most inspiring type of communication requires someone who has an excellent track record with leadership and someone that knows the system very well. It is inspiring to me, because most of the time the person in the middle communicating upwards could simply sit back and do nothing... you know, not rock the boat. The disadvantage here is that the person in the middle doesn't make a good recommendation and fails to automate. Something like that could stick with an employee forever.

...and AP Automation

Which is Better?

It would be very easy for me to write that the best options would be for both to work together, which is true, but that wouldn't be true to the way I write. My experience has been that it will be one or the other. In that case I have experienced a greater success with middle up communication rather than top down. Typically "C" level folks are not focused on the things automation can improve, but the big warning is, either type has to do their homework to ensure a successful change.

An Advocate



It's funny how small things can make a big difference when you are going from a paper-based process to an automated AP process. I write a lot about doing your homework, and looking internally before looking externally prior to automation. However, when I really start to think about the projects that I have personally done, and what separates the good from the bad, one of the main things that comes to mind is the role of what I like to call the advocate.

Advocate

Definition

An advocate is a person, or group of people, who are charged with managing the change when it comes to AP Automation. An advocate can be both positive and negative, but for the sake of this article I am going to write about the positive aspect of an advocate so that you are able to use the idea strategically in your automated life.

Thing one, I already wrote about, but wanted to make sure the point was clear. When I use a word like “advocate” it implies one person. **However, it doesn’t have to be one person, it can be a group of people.** With larger companies that I have worked with there is a committee. Whether it’s a committee, or a single person, the role of the advocate will work the same way.

Thing two, the advocate is **someone who has respect** in the organization. There are two types of respect: “titled” and earned. People will listen to both, but both are not equal. “Titled” respect is someone who has a high title within the company. Earned respect is a person that others in the company look up to. If you could create a perfect situation, then it would be best if your advocate had both.

Thing 1 and Thing 2

Thing 3 and Thing 4

Thing three is **your advocate is an agent of change**. There would be nothing worse than having an advocate that didn't like change. The advocate you need should have experience with change, meaning they have been advocates for other successful projects.

Thing four, should go without writing, but I am going to write it anyway to make sure I am getting the point across. **Your advocate should be someone who is brought into AP Automation**. Normally the advocate, or the group of advocates, are the people who start the automation project, but they have to be a champion of automation.

Thing five... this is a tricky one, and one that is similar to thing three, but **your advocate should be someone who has tenure with your company.** Be warned that if you are new with the company, that doesn't mean you need to stay away from AP Automation, but it may mean that you need to recruit some of the old timers to help you out.

Lastly, as I wrote in my introduction, an advocate is someone, or a group of people, who manages change within your organization. It is an extremely important role. It can be different, or the same, as the project manager. However, it is a role that needs to stand on its own as an aspect of the project.

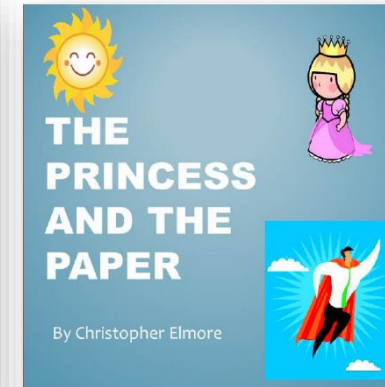
Things 5 and Lastly

The Wait is Over – 1/2

50% = 100%

Know this about Accounts Payable Automation... organizations spend most of their time evaluating AP Automation software. I wish that when I first started out that I'd spent more time helping people understand that they should spend half their time evaluating the software, and the other half of their time on what the change, and impact of the change, is going to mean to their company... that's the 1/2 !

Meet Christopher Elmore



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Through real world experience Chris has gained an invaluable perspective on automation that has enabled him to develop ways to communicate the need for vision and planning when automating that are truly unique. His books, ["The 8 Pitfalls of Accounts Payable Automation"](#) (April 2011), and ["The Argument to Automate, How Innovation Can INSPIRE Not Fire"](#) (April 2012) are the culmination of his rich experiences.

Chris has helped companies transition from a paper-based process to an automated process since 2000, and has worked in a variety of roles, including: help desk support, training, project management, consulting, product design, QA testing, sales and strategic management. Chris lives in Charlotte, NC where business, 4 kids and a wife keep him very busy.

