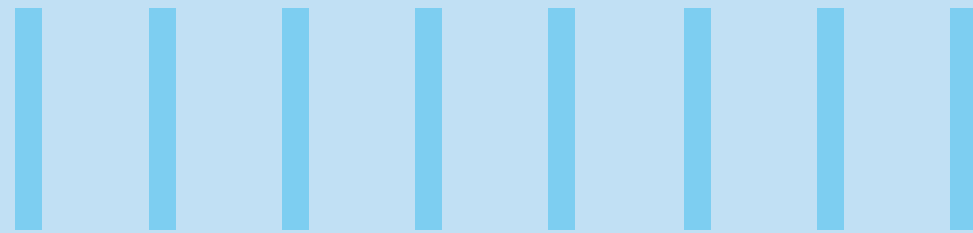# HOW ACCOUNTS PAYABLE ON CLOUD DIFFERS FROM ON-PREMISES SOLUTIONS

Abstract

Many organisations are moving their business functions, including the Accounts Payable process, to the cloud. Will such a move prove beneficial, or is it a fad? An in-depth examination of a relocation to the cloud and the traditional on-premises installation over various parameters like cost, accessibility, security, scalability, and more will help understand the advantages better. Will the nimble cloud prove superior to the traditional on-premises installation?

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Businesses are seeing a tech-innovation-induced tectonic shift in how they run their operations. Primary among these is the movement of business management software to the cloud. The Accounts Payable (AP) function, too, has seen an increase in migration to the cloud. Why would organisations want to move their AP function to the cloud? Short-term cost benefits seem apparent, but in the long run, is it a better option than having an on-premises system that is personalised to the requirements of the business? A comparison of the cloud and on-premises system aspects for primary factors will help us understand the options better.

Cost and Speed

Cost benefits provide an irresistible inducement, especially for small to mid-sized firms, to move to the cloud. The extensive upfront expenses of setting up on-premises hardware and software to run their AP operations do not arise with cloud solutions. Organisations do not have to shell out for additional capacity keeping in mind the need to scale up in the near future. For smaller firms, this flexibility is necessary for survival as it allows them to compete with entities with far deeper resource reserves than them. Infrastructure set-up time in the case of on-premises systems can have a prohibitive impact on the time to market. The pressure to break even and recoup the costs can be tremendous. Many a start-up would not have seen the light of day if not for the ability to keep their costs lean with cloud infrastructure while at the same time hitting the ground running with efficient and trustworthy AP processing. Larger organisations looking to cut flab to stay competitive, too, are finding cloud options attractive.

Anytime, Anywhere Access

Covid necessitated accessible platforms that allowed work-from-home, bringing cloud-based communication and collaboration into the spotlight. Remote and mobile device access is a regular feature with cloud solutions. It also enables automation which minimises human touchpoints, eliminates paper, streamlines the accounts payable process, and integrates accounts payable with the enterprise system. The business continues to function as usual, even with remote workers. On-premises software requires third-party tools and several security measures to be implemented to access the system on personal devices, raising the risk of security and communication failures.

Security

AP data needs to be stored in a very secure environment. This concern would involve buying servers with the requisite security software licences for on-premises systems. Additionally, maintaining the servers in a climate-controlled data centre with skilled professionals to handle the backups, upgrades, and other necessary processes would be a further outlay. With cloud systems, the provider would be responsible for all the maintenance, licensing, and upgrades. An organisation only needs to analyse the various options and choose the right one based on security requirements. With cloud providers ensuring a secure and compliant environment is one of their most important KPIs, along with uninterrupted and fast access. Automation of security is another highlight of the cloud that further bolsters the users' confidence in the safety of cloud installations. Cloud providers comply stringently with industry standards and regulations like SOC2, HIPAA, GDPR, and PCI DSS. This adherence ensures that data is stored and handled without any threat of privacy or security standard violations.

Scalability and Flexibility

The unique selling proposition (USP) for cloud computing has been its flexibility in scaling up or down as per user requirements in minimal time and in a cost-effective manner. Scale-up requirements for AP systems depend on the industry or business-specific scenarios. A capacity increase will be needed for high-growth sectors, accommodation of seasonal fluctuations, integration with ERP systems, and mergers. On-premises systems are inflexible when it comes to increasing or decreasing system capacity. Scaling up is a long-drawn-out and complicated process that includes procurement, installation, and integration with the existing system. And the excess capacity, whether hardware or user licences, will go waste with no returns until the need for its use arises.

Automation and Integration

Non-automated AP systems are tedious, prone to delays, and time-consuming. Paper invoices, manual cross-checking with purchase orders, payments through cheques, and ERP system updates are just the tip of the iceberg. AI-based automation can streamline the entire system beginning with the intelligent conversion of paper invoices into digital ones. These digital invoices can then be dispatched through workflows for PO and delivery receipt checks, payment approval, ERP updation, and instant electronic payment. This digitalisation significantly lowers the overhead and time taken to process invoices. When automating AP systems, most organisations use the opportunity to redesign and optimise the AP process. The effort involves data migration from the legacy system to the cloud solution and training the users if done on the cloud. ERP integration is part of the cloud solution. Implementing AP automation on an on-premises setup is a drawn-out, multi-team process involving additional steps like hardware setup, security compliance, third-party tool licences for each AP stage, tool integration, and ERP integration.

Disaster Recovery and Business Continuity

Cloud disaster recovery allows for error-free and timely recovery using virtual servers. Virtual servers are a secure, seamless option for business continuity. Automated back-ups in real-time minimise error and loss of data. Since systems on the cloud can be accessed from anywhere, business operations are normalised with minimum downtime. Cloud-based recovery can be customised, and most critical applications can be prioritised, making the process cost-efficient. On-premises disaster recovery consists of setting up one or more additional data centres. Organisations must cover the cost of setting up and running the data centres, which is not feasible for small businesses. In such a scenario, there is a high probability of a time lag in data backup, and the consequent data loss could impair business continuity.

While AP on the cloud seems to score over on-premises for many of the scenarios, it is imperative that organisations conduct an in-depth study of the unique requirements of their business operations before making a move. It is essential that aspects like vendor system interfaces, invoice formats, approval procedures, and payment methods are taken into consideration. Migration to the cloud might involve reimagining the AP process and a thorough investigation of the impact on the stakeholders, and their concerns.

* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision**-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organizations that are innovating collaboratively for the future.

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