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E-Invoicing: The Piece of the AR Puzzle that's More Critical than You Think

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When organizations embark on digital transformation projects, there are some business areas and functions that are top of the priority list. At the same time, there are often fundamental, day-to-day business processes that get overlooked as part of a company's transformation strategy. For too long, and in almost all cases, the crucial role of invoicing has fallen into the latter of these camps. However, the tide could now be turning.

Businesses are beginning to grasp that implementing and upgrading to a state-of-the-art e-invoicing system can make a huge difference – not just to the state of a company's financial accounts, but to the effective running of the business as a whole.

The Productivity Benefits

Adopting a modern, next-generation e-invoicing system plays a crucial role in streamlining the accounts receivable (AR) function. It rapidly speeds up the credit-to-cash process and allows businesses to be more proactive and on the front foot regarding the payment of debts.

Not only do these systems ensure that organizations can be paid more quickly and seamlessly, but they also provide businesses with enhanced data and insights from their customers, further improving the AR process and journey. This includes insights into payment behavior and a customer's tendencies and habits. Having this data collected, cleaned, monitored, and presented automatically can alleviate the pressures on AR teams, with intelligent automation identifying missing information before sending the invoice and distributing new documentation to customers where needed.

Enhanced Client Satisfaction

Advantages gained extend beyond organizations to their clients and customers too. Traditional invoicing systems and methods, which are still used by many corporations, are typically time-consuming and labor-intensive. It takes time to manually collate, distribute, and pursue invoices and other related documentation. This process is also at risk of data entry issues, with inevitable human errors leading to rejection of invoices, repetition of the same processes, and payment delays.

At the same time, these inefficiencies create delayed customer responses and inaccurate aging, as well as an increased workload passed onto customers' Accounts Payable teams. These negative customer experiences can impact revenue in the long term.

A modern e-invoicing platform helps to resolve these issues. Payers can conveniently access and download invoices securely, enhancing self-service capabilities and allowing customers to work with you however they want to. Modern systems that have a self-serve option can free up time and resources – ensuring finance and accounting professionals can spend their time on more challenging areas.

In addition, the automated tracking that such systems provide ensures visibility and efficiency at all stages of the process. This reduces the need for unnecessary additional communication channels and miscommunications and allows teams to become more proactive in their processes. If you can see that an invoice you have sent to a customer hasn't been opened four days later – this means you can get ahead of the game, find out why it hasn't been opened, and avoid waiting for it to become overdue before you begin talking to the customer.

Changing Regulatory Landscape

While modern invoicing or e-invoicing systems used to be regarded as a bit of a "nice to have," the changing regulatory picture means this is no longer the case. E-invoicing regulations are evolving in various countries across the globe - ten different national governments have brought in e-invoicing mandates this year alone - and this rate of change is only going to speed up.

Global organizations, particularly those that operate across borders and in multiple markets, need to be using a platform that can manage the intricacies of complex invoicing regulations. The functionality needed to identify different territories, as well as the requirements within said territories where different rules and arrangements are in place, is no longer optional. This holds true for growing businesses too – including those that operate in just one jurisdiction but may have plans for international expansion in the near future.

The days of manually producing, collating, and sharing PDFs are also likely behind us as regulators evaluate potential security risks. As a result, organizations yet to make the switch to a modern e-system would be wise to start looking into doing so now before it is made mandatory.

Cash is Always King, Even More So in Difficult Times

With the prevention and mitigation of bad debt being a challenge that many organizations would like to overcome, particularly in the current economic climate, e-invoicing systems have a vital role to play in achieving this. More than ever, businesses are looking to ensure invoices are paid as quickly as possible to counteract defaults that are likely to take place from under-pressure businesses. Too often, the invoice systems of old have delivered no visibility and resulted in slow payments – resulting in cash pressures and difficulties for otherwise perfectly healthy companies. By migrating to a system that can proactively track, manage, predict, and follow up on payments, this risk can be alleviated somewhat.

This ability to get cash in quicker could be vital for a business when in a position of difficulty or uncertainty, even through no fault of its own. A significant global event, whether a pandemic or financial crisis, can heap pressure on businesses with typically healthy cash positions. Likewise, a regulatory change, such as the recent change in tax rules to R&D expenses in the US, could leave businesses suddenly needing to fulfill a liability without the necessary cash in the bank to do so. While whatever invoicing system you choose to deploy will make no difference to the value of the tax liability itself, having the cash in the bank quicker than previously could help you pay it on time. This could also crucially ensure that businesses don't have to borrow and incur the high costs of borrowing we see at present.

The Whole AR Picture

However, when looking at the entire AR picture, it should be noted that no matter how great an e-invoicing system you choose to deploy, it will bring little benefit if it is not used in unison with the suite of other modern AR tools now available. Having effective cash management, credit and risk, collections management, and dispute resolution tools integrated with a next-generation invoicing system is how businesses will gain the real dividends. The days of siloed systems working apart from one another, manually looked after from afar, are long gone.

The invoicing world is changing at pace, with many organizations now appreciating that modernization of the entire accounts receivable function is a vital part of any wider transformation strategy. E-invoicing systems have a huge role to play in this. Not only do such systems deliver productivity and operational benefits to an organization and its customers and clients, but they ensure that cash is in the bank far quicker. And with enhanced data and insights as part of the package, there is the potential to act on further positive change yet to come.

About the author:

Danny Wheeler is an accomplished technology professional with over 15 years of experience in product management, business analysis, and project management within the financial automation space. With a background in Accounts Receivable, he is currently the Solutions Strategy and Marketing Manager for Accounts Receivable Automation at BlackLine, a leading financial automation software company.

