OPINION ARTICLE

BACK TO BASICS

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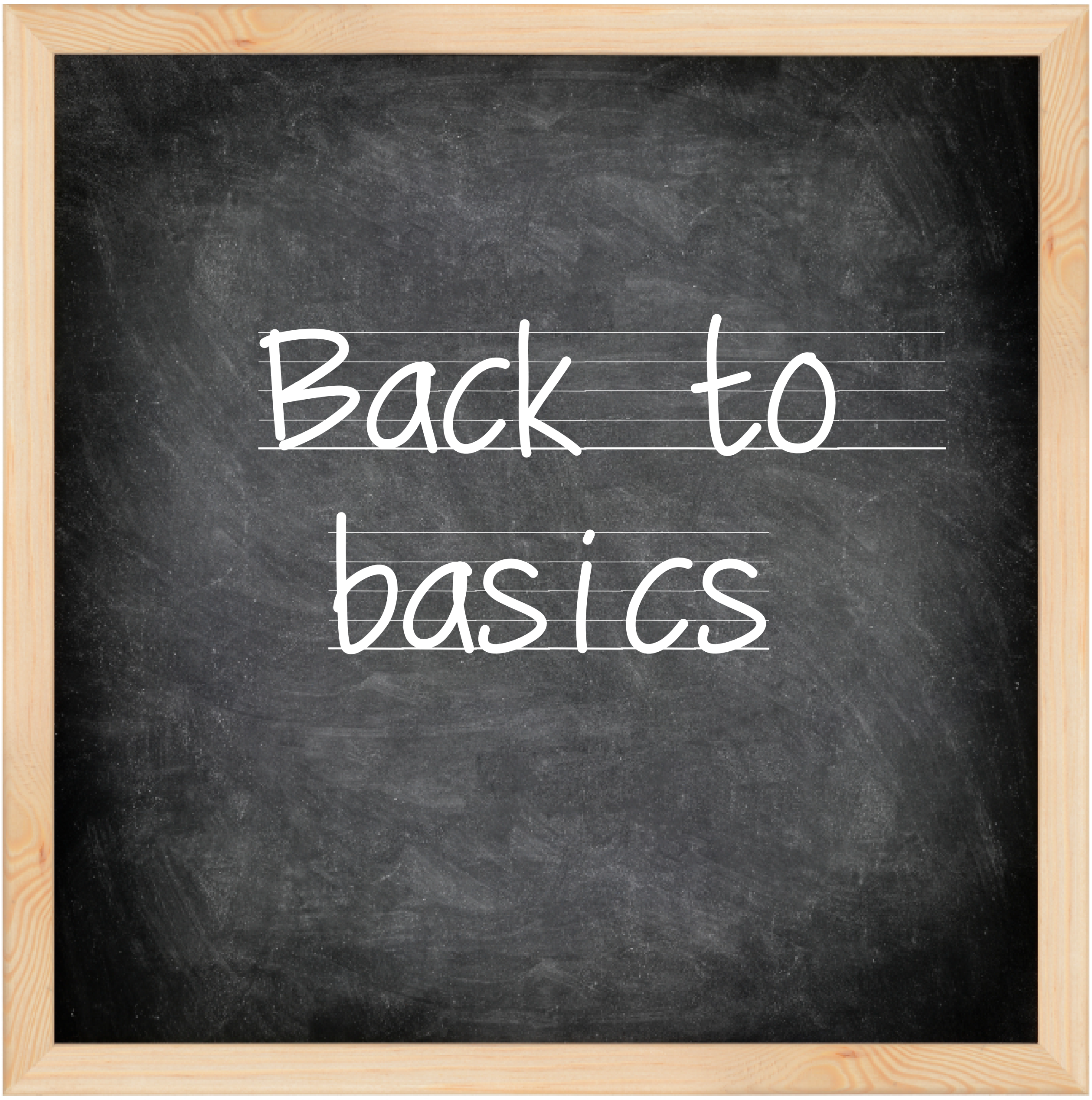

Effective invoice processing is about far more than scanning paper based invoices.

It seems extraordinary that in 2014 the vast majority of the finance team's day-to-day work is still transactional.

Despite a sustained focus on streamlining processes and reducing manual intervention, just 25% of finance's time is spent on delivering business insight. Yet as companies gear up for growth, finance is facing unprecedented pressure for better information, cash management and risk mitigation. So what is going to change?

It is time to wake up to the fact that effective invoice processing is about far more than scanning paper based invoices.

It is about using data capture to automatically pull information from emailed invoices to drive an electronic and automated process; offering suppliers and customers the chance to use collaborative tools to track invoice and payment status; using workflow to streamline and automate the approval process; and automating payment via Bacs or Faster Payments.

As Stuart Evans, Chief Technology Officer at Invu explains, done well, invoice processing is not just about imposing good operational control: it is about demonstrating that control to customers and suppliers and releasing finance from its administrative burden to effectively manage risk in a rapidly changing economic environment.

Gearing Up for Growth

The economic situation for 2014 is looking somewhat better than the previous few years. With bank lending up, a manufacturing resurgence across Europe and unemployment continuing to fall, organisations are gearing up for careful growth, planning investment and proactively exploring new markets. For finance, however, this is a tough time – there is a huge need to focus on analysing performance and planning in order to minimise the risk associated with post-recession expansion.

In theory, most finance teams should be well placed to provide this insight: a combination of streamlined accounts processing with real time financial information has transformed the finance role over the past decade. Yet the reality is somewhat different. How many organisations have achieved automated end-to-end invoice processing? Very few.

According to figures from PwC, in most firms, data gathering still takes up to two thirds of the finance department's time, and is heavily dependent on spreadsheets. Internal controls remain manual in 90% of cases; and transactional processes still account for 60% of the effort of finance. As a result, just 25% of time is spent on providing insight[1].

Yet at a time when finance is being asked to manage the risk associated with economic growth, from adding new products and markets to preparing for the escalation in merger and acquisition activity, this continued focus on administration rather than financial acumen is clearly becoming a major business constraint.

Manual Process

So why are finance departments still overwhelmed by tedious transactions? After nearly two decades of scanning technology and the push away from paper towards electronic documentation, why are almost one fifth of companies reporting an actual increase in paper, according to research from AIIM?

Sadly, while most organisations encourage suppliers to provide invoices electronically – and scan any that are still paper based, information is still manually uploaded to the finance system. Even worse, many electronically delivered invoices are actually printed out, physically time stamped and then manually distributed around the business for approval. So while organisations have to some degree reduced the costs associated with paper – especially if they have added Bacs payment and remittance, and removed the need to post cheques - the overall invoice management process is still fundamentally inefficient.

In addition, for those organisations that have yet to implement any form of purchase order processing, the delay in understanding expenditure commitment is creating huge risk – especially in an era of business growth.

With typical manual processes it can take up to five weeks for invoices to be processed and approved for payment - by which time the business is close to the wire in terms of payment deadlines and has minimal leeway to manage cash flow.

1. http://www.pwc.co.uk/finance/finance-matters/insights/finance-function-of-the-future.jhtml

Imposing Control

Effective invoice processing is about far more than scanning paper based invoices. It is about capturing invoice information and then using that to drive the end-to-end invoice approval to payments process. Using technologies, such as email data capture, an organisation automatically captures the invoice data straight from an email attachment and starts the process automatically. From here, workflows automate and streamline the approval and posting process.

By reducing manual intervention, the invoice approval process can be cut to a typical two to five days – and the finance team only has to manage those invoices flagged as exceptions by the system, drastically reducing the per invoice processing costs.

There are fewer manual touch points – and hence chance for errors. Staff are freed up to concentrate on other business areas, from credit control to performance analysis and improving the supplier relationship. Indeed, with real time access to trusted information, any member of the finance team will be in a position to respond to a supplier payment inquiry within seconds.

This model can be extended further by offering suppliers and customers dedicated portal access that provides a singlesource of all business interactions. Rather than the piecemeal information provided by point-to-point emails and lengthy phone tag, a portal ensures every aspect of the relationship – from finance to delivery, customer service to order history – is in a single location. Formalising the interactions between key partners in this way delivers new levels of efficiency and transparency: it enables self-service, reducing the onus on finance or customer service teams to manage questions, and also demonstrates to partners a confidence in the ability to deliver effective business processes.

Conclusion

It is two decades since organisations were first urged to impose greater control over invoice processing; and a decade since governments globally started to consider the role electronic invoicing could play in reducing costs and improving control.

The fact that so many finance teams are still spending the majority of their time on manual processing is, quite frankly, extraordinary - and expensive. According to PwC's Unlocking Potential: Finance effectiveness benchmark study 2013, the cost of finance at average firms is more than 60% higher than at top quartile firms[2].

By creating a seamless, end-to-end invoice process organisations not only cut costs, but add scalability, creating the ability to handle invoice growth without adding to the finance team. The day-to-day working environment will also change.

Finance staff can spend the majority of time delivering insight, rather than transaction processing and, having captured invoice data as it enters the organisation, can provide fast, accurate information regarding commitments and cash flow. With truly effective invoice processing, organisations will be far better placed to maximise the opportunities and minimise the risk associated with managing the changing business environment moving forward.

2. http://www.pwc.co.uk/consulting/publications/unlocking-potential-finance-effectiveness-benchmark-study-2013.jhtml

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