

# E-invoicing's Time Has Come

**In search of e-invoicing providers that offer data security, integration expertise, and cloud-based high-availability service**



Organizations around the globe are seeking to transform themselves into data-driven digital natives, yet one core part of their financial accounting systems remains stuck in 1970s technology: invoicing.

An IDG survey of 152 finance, accounts receivable, accounts payable, procurement, and IT managers at midsize and large companies found that although 80% of invoices are sent, received, or processed in a digital format today, the need to also manage paper is frustrating efforts to digitize and automate financial processes.

Even though many organizations manage invoices digitally, the most common format they use is PDF, which is difficult for machines to read. A much smaller 53% employ direct B2B integration, in which invoices are automatically generated and sent in digital form so that they can be automatically processed and imported into back-end systems. And even many that are at that level of sophistication still must handle some invoices in PDF format (see Figure 1).

E-invoicing is going mainstream, as evidenced by the 40% of the survey respondents whose organization has already adopted electronic invoicing and the 27% who reported plans to do so within the next 12 months. Two-thirds of the represented businesses now use an online portal to capture data in a format suitable for importing into back-end systems.

But despite having the ability to fully automate invoice exchanges with business partners, most also use one or more additional methods. Nearly two-thirds of the companies still process some invoices manually, and 42% handle invoices in silos bounded by geography, department, or other criteria (see Figure 2).

Volumes are growing: 56% reported that they processed more invoices in the past 12 months than in the year before that. The continued use of paper and PDF formats will become an increasing bottleneck as volumes grow.

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## E-invoicing explained

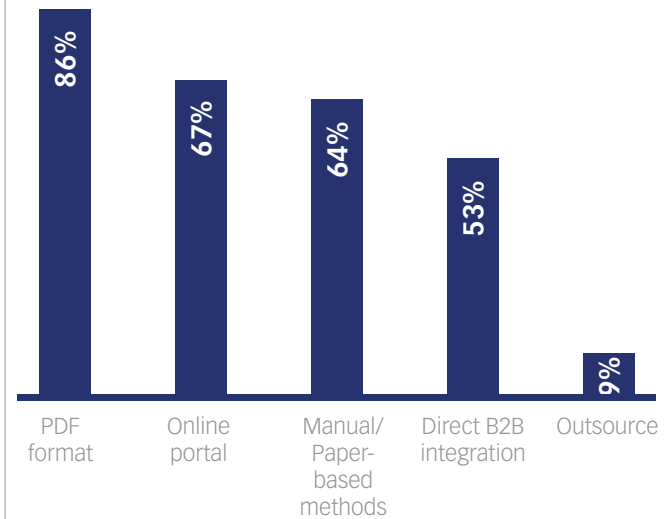
An electronic invoice is transmitted and received electronically. In the best-case scenario, a structured data format such as electronic data interchange (EDI) or Extensible Markup Language (XML) is used to enable data to be automatically integrated into recipients' workflows and accounting systems. Invoices that use unstructured data formats such as PDF and docx can also be decoded, but the process is more complex and often requires manual effort.

There are numerous benefits to fully integrated electronic invoicing using XML or EDI format and direct integration with back-end systems:

- **Delivery is fast, with invoices typically received in seconds, compared with days in the case of paper documents.**
- **A directly integrated system provides verified receipt and data validation.**
- **Errors introduced by manual processing are reduced. More than two-thirds of businesses report an average payment error rate of more than 1%, according to the [Institute of Financial Management](#).**
- **Paper invoices are easily misplaced or lost, whereas e-invoices that are integrated with back-end financial systems can be tagged and tracked reliably.**
- **Storage, handling, and retrieval costs of XML- or EDI-based invoices are significantly lower than those of paper.**
- **Invoices can be automatically validated against purchase orders without requiring human intervention.**
- **Automatic payments are faster and more reliable, reducing late-payment penalties and enabling companies to benefit from early-payment discounts.**
- **Invoices can be archived and searched.**
- **Compliance is enhanced by functions including automatic value-added-tax (VAT) computation and rapid retrieval in response to regulatory requests.**



Fig. 1 **Ways in Which Organization Generates, Receives and Processes Invoices Today**



Source: IDG

## Awareness is high

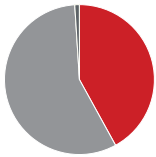
There is no doubt that businesses are aware of the advantages of integrated electronic invoicing. More than two-thirds of the survey respondents said they have quantified the cost of manual invoice delivery. Among the top drivers for the adoption of e-invoicing are time savings (cited by 58%) and streamlined processes (54%). Other significant drivers include improved data accuracy (51%), better security (49%), faster progress toward sustainability goals (49%), and improved customer/partner experience (48%) — see Figure 3.

The upside of e-invoicing is broad-based, as evidenced by the fact that 10 different suggested advantages of integrated e-invoicing were cited by at least 40% of the respondents. Taken together, this indicates that the transition to e-invoicing is seen as having broad benefits in the areas of cost, accuracy, efficiency, and compliance.

Despite the widely perceived operational benefits, managers identified customer/partner experience as the single most important driver of interest in e-invoicing, just nudging out improved data accuracy and support for digital transformation initiatives. This is likely a reflection of many companies' intense focus on customer experience, which 73% of consumers say is an important factor in purchasing decisions, [according to PwC](#).



**Fig. 2 How centralized is your organization's invoicing process today?**



57% Centralized (same process in place enterprise-wide)  
 42% Siloed (different processes depending on geographic location, AP versus AR, and/or other criteria)  
 1% Not sure

Compliance is also a growing driver. Companies that do business in Europe must comply with the EU's **Directive 2014/55/EU** on electronic invoicing, which will eventually make the technology mandatory for all public contracting entities. **Dozens of other countries** have mandatory or voluntary e-invoicing rules, with new mandates having recently been announced in France, Poland, Germany, Spain, Belgium, and Romania and the European Union discussing harmonization across all 28 EU member states.

More than two-thirds of the companies represented in the survey expect to be affected by regulations, and one-quarter have already been impacted by failure to comply with e-invoicing requirements. Audits are the No. 1 area of regulatory concern, according to 59% of the respondents.

A seeming irony is that U.S. respondents are more likely to have adopted e-invoicing than their European peers, by a margin of 48% to 36%. That is likely because the U.S. has no relevant regulations currently being enforced. For European organizations, although paper may be clunky, the processes to ensure auditability and VAT reclamation are well established and costly to change.

The U.S. government may force the issue, however. The Office of Management and Budget attempted to create an e-invoice mandate in 2015, but it was widely ignored and never enforced. Meanwhile, the Federal Reserve is partnering with the Business Payments Coalition (BPC) in order to drive the **development of a framework for electronic invoicing**.

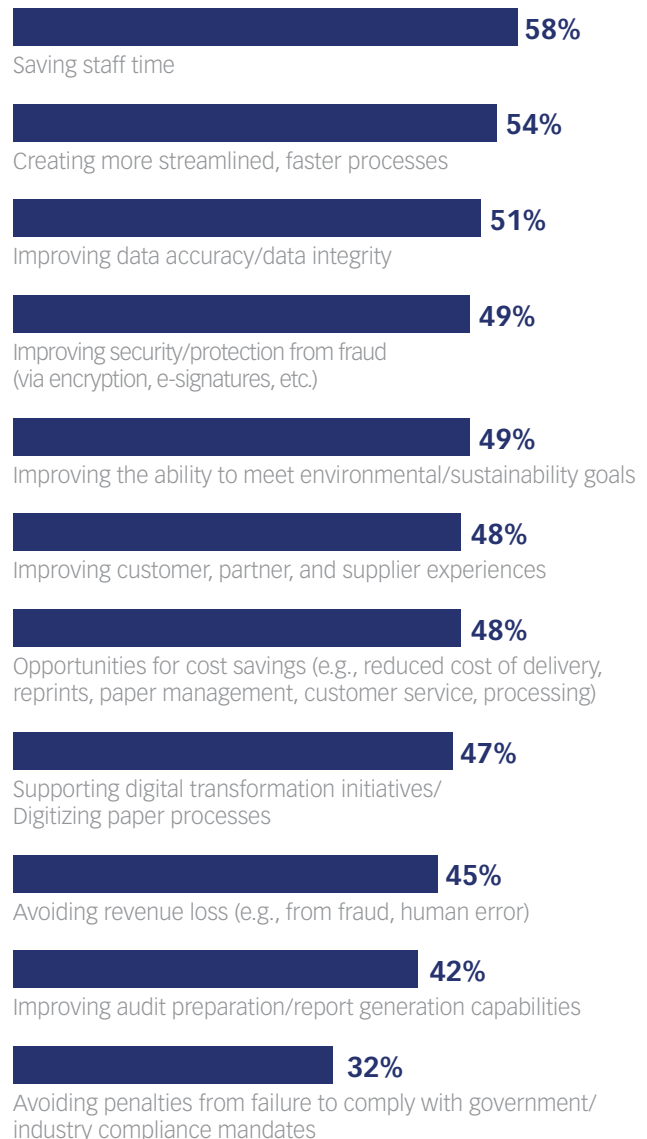
### Challenges and Concerns

More than 85% of organizations process PDF invoices today. The semistructured data format of PDF documents makes them difficult to decode and integrate into digital workflows without costly manual intervention. The bottom line is that PDFs are only marginally better than paper.

However, companies that adopt integrated e-invoicing technology often encounter a time-consuming transition process, since business partners must be migrated one by one to a new platform and set of procedures. The difficulty of this migration is evidenced by the fact that three-quarters of businesses still process at least some invoices on paper. Even the use of a small amount of paper or PDFs can frustrate efforts to fully digitize the process.



**Fig. 3 Drivers of Interest in Automated Electronic Invoicing**



Source: IDG

Managers are uncertain about how effectively they now process invoices: Nearly 85% in the survey said that it would be highly or somewhat valuable to receive an assessment of their current approach. The same percentage said that working with a single global strategic e-invoicing partner would be highly valuable or somewhat valuable.

Business leaders are well aware of the drawbacks of manual and semiautomated processing methods. Nearly half worry about data security risks. That concern is particularly pronounced among respondents from organizations that use PDF-based invoicing, 60% of whom cited security as a risk. This is likely because many PDFs are sent by email without password protection, which is itself a weak form of security.

The second-greatest concern is the risk of human error that is inherent in manual processes, followed by the need for special software and by complexity. Ensuring the accuracy of existing approaches is also a major worry, with one-third of the respondents citing it as extremely or very challenging. The same percentage said communicating and collaborating in real time with trading partners is challenging, followed by the difficulty of staying in step with regulatory changes and adhering to security policies spanning the company and its partners.

Numerous concerns were cited by at least one-quarter of the respondents, including hidden costs associated with manual processing, compliance challenges, and barriers to integrating with partners. In short, there are many factors still holding companies back from fully embracing e-invoicing.

Although the limitations of current processes are well understood, so are the challenges of migration. Over half (54%) of the respondents said data security could be compromised during a switchover. Other concerns are integration with internal systems (45%) and cost of implementation (39%). Integration issues are far more pronounced among U.S. respondents, whereas managers in the Europe/Middle East/Asia region cited knowledge gaps to a much higher degree than did their peers in the U.S. Complexity, skills shortfalls, and partner integration were also frequently mentioned.

### Has e-invoicing's time finally come?

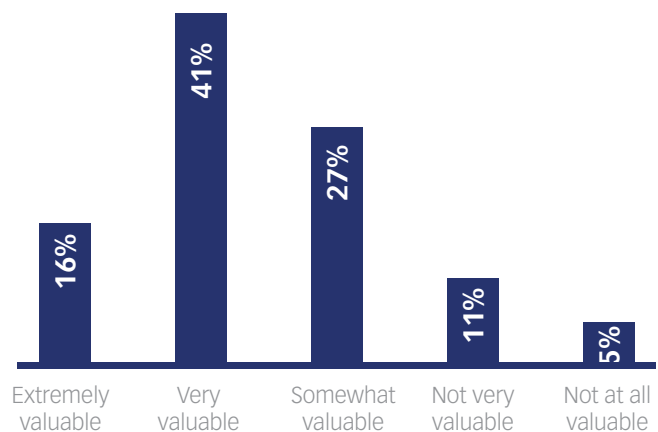
By most accounts, the COVID-19 pandemic has accelerated digital transformation initiatives around the globe. For businesses looking to digitize, the continuing use of manual and paper-based processes is a glaring impediment to progress.

The market is ready for rapid growth. With e-invoicing mandates in more and more countries, organizations are likely to look for partners to help them in the transition. More than half currently rely on internal expertise to stay up-to-date with e-invoicing requirements, but as regulations continue to proliferate and more business partners come online, many of these organizations will decide that this discipline isn't a core competency and will seek partners.

This assumption is supported by the more than four in five managers who said getting an assessment of their current invoicing approach would be of value and the nearly 60% who said the same about having a single global strategic invoicing partner (see Figure 4).



Fig. 4 Value of Having a Single Global Strategic E-invoicing Partner



Source: IDG

The top perceived benefits of working with a partner are built-in data security, integration/onboarding expertise, and cloud-based high-availability service. However, the appeal is broad-based: Of the seven benefits that respondents were asked to rate, all were seen as being either very important or critical advantages.

Digital transformation promises payoffs in agility, speed, and innovation. Partner ecosystems are increasingly a source of competitive advantage. Bridging gaps between businesses and partners and simplifying data exchanges are part of what makes ecosystems successful. E-invoicing is a reliable, battle-tested technology that yields proven results.

[Visit here](#) for more information on OpenText's e-invoicing solution.