

# Automating AP and AR: An Electronic Invoicing Primer

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Over the course of the last few years, we've witnessed elements of automation grab a foothold in organizations across all industries. Chances are one of your organization's larger customers is championing a new type of relationship in which your organization would conduct financial processes with that customer electronically.

For many businesses, internal accounts payable and receivable processes continue to represent models of inefficiency. As a result, many firms are actively seeking electronic invoicing solutions to remedy the situation.

While reducing paper will almost always offer instant efficiency gains, the benefits of automating the accounts payable (AP) and accounts receivable processes (AR) can stretch into core operational functions including cash management and regulatory compliance. Through the implementation of electronic invoicing solutions, organizations can more realistically manage costs, address regulatory concerns and significantly improve vendor relationships.



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## Understanding the Basics

According to the research and consulting firm, TowerGroup, electronic invoicing is defined as “a modern, reliable, paperless method of processing and handling invoices for goods, services and other expenses. E-invoicing is a solution for invoicing electronically, which suits both large and small companies.” Within IT circles, this definition is often encapsulated in commonly used terms such as Electronic Invoice Presentment EIP, Electronic Invoice Presentment and Payment EIPP, AP-EIPP and AR-EIPP.

Either way you slice the electronic invoicing pie, these solutions offer the opportunity to initiate long-term process efficiency gains across an organization. Given the level of features and functionality present in current invoicing solutions, your organization can expect to achieve benefits in three core areas:

- **Improved cash management** – Unprecedented visibility into where items stand in the approval or payment process enables finance departments to more accurately manage cash flow.
- **Increased process efficiency** - Achieved through the reduction of paper, reallocation of resources and elimination of approval bottlenecks.
- **Stronger customer/partner relationships** – A greater level of insight into payables and receivables processes fuels enhanced communication with external audiences.

For example, since deploying an electronic invoicing solution for its accounts receivables process, a Fortune 500 company has managed to reduce its Days Sales Outstanding from 65 days to 15 days, improve customer service and reduce costs associated with printing and mailing.

## Identifying the Right Fit

Before selecting an electronic invoicing solution, organizations are best served by conducting internal due diligence before evaluating the features and functionality of prospective solutions. Given the number of existing variables in motion within an AP or AR department, haphazard automation could potentially create more difficulties than efficiencies. With that in mind, organizations should give careful consideration to questions such as:

- What are the short- and long-term automation goals for the organization?

[\*Automating AP and AR Continued Next Page\*](#)

## Automating AP and AR Continued

- How ready is the organization to adopt an AP/AR automation solution?
- What is the level of process complexity?
- What are the needs of the extended community?
- What type of implementation fits the organization - build versus buy, or licensed versus hosted?

Ultimately, by asking these types of questions, organizations should be able to accurately assess the scope of an AR automation initiative and be in a position to create a shortlist of automation solutions capable of addressing the specific needs of the AR department and the organization it serves.

### **Implementation Blueprint**

Perhaps as equally important as identifying the right solution are the implementation objectives. Failing to implement, or deploy a solution quickly and easily can rattle the confidence of internal users and test the faith of external audiences such as partners, suppliers and customers. Achieving success at this stage can be difficult, but by leveraging a four-step blueprint, organizations will be able to meet today's needs and lay the groundwork for tomorrow's challenges.

- **Putting the User First** - Adoption among users both internal and external (i.e. trading partners or vendors) is essential to success. If these groups fail to "buy-in" to the concept of electronic invoicing, the long-term success of this initiative will most certainly be in doubt. To help create a successful environment, organizations should focus on ease of use and finding the right combinations of solutions – in some cases paper scanning systems or in other cases company-to-company Electronic Data Interchange EDI integrations - that will maximize both usability and usefulness.
- **Limiting Complexity** – With complexity often being the death knell for IT projects, organizations should remain vigilant in limiting the complexity of electronic invoicing initiatives. This can be achieved by leveraging existing processes and technologies (such as using EDI where available) and tackling paper-based processes. Companies should implement electronic invoicing solutions in a phased approach with simple functionality first and adding more complex capabilities over time.
- **Ensuring Success** – First and foremost, organizations need to establish realistic strategies and metrics for rolling out an invoicing solution and driving adoption. From a processing perspective, the most likely targets for early adoption are high-volume vendors and organizations should make a concerted effort to quickly get these vendors using the system. Once the high-volume vendors are up and running, organizations gain a powerful ally in forcing smaller vendors to get on board.
- **Prepare for the Future** – The impact of Web-based solutions on business will continue to evolve and organizations must be prepared to be agile and flexible. Broad adoption of electronic invoicing solutions will create new opportunities such as trading networks. In order to capitalize on these new opportunities, organizations should begin to put the required infrastructure in place today – by adopting open and standards-based solutions - such as enterprise portal technology and Web services.

### **The Horizon is Bright**

While other IT priorities may have previously delayed or derailed projects to improve accounts receivable and accounts payable efficiency, the business benefits of electronic invoicing are quickly altering the perceptions of key decision makers. Inefficient processes, high costs and the threat of regulatory non-compliance are no longer deemed acceptable in today's business environment. Through electronic invoicing, organizations can shed the common AR and AP inefficiencies to create a more fluid and agile organization.

### **About Bottomline Technologies**

Bottomline Technologies provides payments and invoice automation software and services to organizations seeking more secure and efficient financial processes. Its solutions help companies automate, manage and control processes involving payments and collections, invoice approval, cash flow, risk mitigation, reporting and document archive. For more information, please visit [www.bottomline.com](http://www.bottomline.com).