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Introducing digital invoice processing

Process optimisation is easier than you think!



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Introduction

During the COVID-19 pandemic, many SMEs in the UK drove the digitisation of their companies forward. Particularly in the second year, a clear surge was seen. This is also evident in the 2020 report from Twilio. Essentially, Twilio stated that despite its challenges, COVID-19 was the most significant catalyst for digital advancement over the past ten years. It propelled companies‘ digital communication strategies forward by an average of **6 years** globally, with the UK experiencing an average acceleration of **5.3 years**. A significant
96% of UK enterprise decision makers acknowledged that the pandemic expedited their company‘s digital transformation initiatives. Among them, 66% emphasised that this acceleration was substantial. While the initial focus was on emergency digitisation, companies are now focusing on projects that involve the reorganisation of workflows.

The increased digitisation efforts by these SMEs are, however,
also threatening to widen the gap between the pioneers and the latecomers.

While digitisation may be on these companies’ agendas, implementation is lacking in many places. Following the preliminary strategic work, when it comes to tackling the implementation in the form of concrete projects, the question arises:

Where do we even start?

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5.3 years
Catalytic surge: pandemic propels global digital strategies forward by 6 Years, UK accelerates by 5.3 years

Digitisation — step by step

Even if a digitisation strategy already exists for the entire company, a “big bang“ switchover remains the exception. Typically, digitisation begins in selected areas and departments, if only to limit risks and costs and to cautiously gain initial experience with implementation.

This procedure is highly advisable. After all, there’s a reason for the saying “the first step is the hardest“. This doesn’t necessarily mean technical or organisational difficulties for teams – thanks to the maturity of the technology and methodology, these don’t need to be feared any more.

In addition, cloud-based solutions have the advantage of largely eliminating the need to purchase and install additional hardware and software.

Instead, the first step or the critical point between intention and action is usually the most difficult. Once this has been taken, getting started with digitisation is simple and straightforward. This is helped by a modern, sophisticated document management system (DMS) and experienced experts using proven methods to ensure a structured approach.

Apart from a few exceptions, we recommend the gradual digitisation of individual areas and processes in which the greatest benefit and/or the least effort can be expected. And most importantly, when taking the first step toward digitisation, experienced digitisation experts can also convince the workforce, thereby fostering the necessary acceptance with strategic opportunity management, compelling communication about the changes, and motivational measures to support the project.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued



Digitisation and cloud

Cloud solutions for document management and workflow automation are available with flexible licenses for different company sizes. As such, they can grow with the company more easily than fixed on-premises systems.

If the document management system (DMS) is operated in the cloud, the subscription should include the full range of services – including intelligent indexing, form creation, workflow management and the necessary integration tools.

The next step is to decide how many user licenses are needed and what storage capacity is required. Such a cloud solution can also be rolled out successively to other departments.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Leading candidates for digitisation

In addition to the HR department, one of the hottest candidates for digitisation is accounting. Both departments are essential to the company's success, so it's important that the transition is successful. Furthermore, legislation means that many documents and processes are highly standardised, facilitating the use of proven solutions. Moreover, the information processed is highly sensitive, making a strong case for implementing access permissions and role concepts that may otherwise be seen as unnecessary restrictions on established habits.



Digitisation can therefore be implemented with manageable effort. Companies benefit from:

- A **significant reduction in workload** as well as **greater efficiency**, quality and speed of processes.
- **Consistently restricted access to information** with the help of individual authorisations and general access controls for a clearly defined group of people
- More **data security** and **data protection**
- **Documentation of all accesses:** who does what, when, and with which document? These can be reversed in an emergency
- **Compliance** with regard to internal regulations and legal requirements (GDPR) with automatic and verifiable workflows.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued



Digitising on a budget — a guide to low-cost digital projects: A checklist for digital transformation success

A guide that offers strategies for effective digitisation on a limited budget. From document digitising to accessibility enhancements, this guide maximises cost-efficiency without compromising quality, making digitisation accessible to SMEs.

This “Checklist for Digital transformation Success” offers crucial
guidance for achieving successful business evolution. Great for businesses navigating the digital age.

Get your essential tips right now

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Incoming invoice processing as the first digitisation project

The major advantages of digitisation in accounting are clear. All documents are accessible around the clock – even on business trips or while working from home. Using a central digital archive improves the consistency of information. This is essential as many companies still rely on isolated solutions based on various ERP and accounting solutions. These tools range from accounts receivable and accounts payable, asset accounting and payroll to cost and performance accounting, payment transactions, e-banking, foreign currency processing, balance sheets, income statements, consolidation, or liquidity planning. Lack of interfaces forces manual data entry. Manual data maintenance not only means a considerable amount of work, but updates are also time-consuming and prone to errors.

Step-by-step approach

Given the large number of tasks in accounting, a step-by-step approach to digitisation is advisable – for the same reasons as for the digitisation of the company as a whole. Accounts payable makes a good pioneer for digitisation, especially when it comes to processing incoming invoices. Any time saved in this area can be converted directly into pounds and pence and the investment can therefore be amortised in a very short time.

Furthermore, everyone involved in the project can quickly chalk up personal successes and realise that digitisation is far from being a job killer. Talk between colleagues spreads the good news throughout the company, ensuring greater acceptance for follow-up projects than any workshop could. Unfounded reservations will then have been dispelled prior to follow-up projects – and apprehensions about the new technology disappear.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Medium-sized companies: problems arising from the processing of incoming invoices

For medium-sized businesses in particular, processing incoming invoices can be a major headache. Not only filing, but also manual processing of incoming invoices takes time. It also increases the risk of errors and corrections that lead to further payment delays.

Finally, invoices record what product or service was purchased, when and from whom, the unit cost, the total quantity of units purchased, payment terms, possible payment methods, applicable taxes, and other financial information, such as rebates or discounts for early payments or additional fees for late payments. These checks are time-consuming because the accounting and specialist departments are usually involved, and sometimes management, too.

That's why automated invoice processing makes so much sense. Embracing paperless work saves time and eliminates the possibility of errors. As a result, the company doesn't have to forgo cash discounts or rebates and doesn't risk being considered a bad payer and suffering damage to its reputation. Digitisation also provides a good reason for putting accounting as a whole to the test in terms of adhering to compliance and audit requirements.

Manual invoice processing? No, thanks!

The magnitude of the leap to digitised invoice processing becomes clear when it's compared to the traditional approach. In the past, suppliers created invoices for work performed or products sold and sent them to the customer by post or fax. The latter entered the invoice data manually into their ERP or accounting system. At this stage, a copy of the supplier invoice may still have been scanned for backup and audit purposes for the archive – or else filed away in a folder.

After that, the invoice was manually matched in the system with the correct supplier data and then all other invoice data was checked. Bottlenecks were typical in this phase, especially for larger medium-sized companies, where approval tended to take a little longer due to the many parties involved and the more complex approval processes. Especially when sickness, vacation or business trips interfered. Once the invoice was confirmed as correct, entered into the system and securely filed, it was approved and could be paid.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Project start



First step: digital mailroom

It's time to retire these manual processes. To automate the receipt of invoices, the first step is to digitise the mail. Scanners and computers equipped with intelligent software are employed to eliminate manual data entry and other tedious tasks in the invoicing process. In the first step, all invoices that still arrive on paper – whether by fax or post – are digitised and saved as digital documents.

Relevant data is then extracted from all digital invoices, including those received by e-mail or EDI. This process can be simple for structured EDIFACT documents but can be arbitrarily complex for scanned image files or PDF documents, as the invoice data must be read using optical character recognition (OCR).

Second step: automation of standard processes

Once the documents in accounting have been digitised, the next step is to transfer this data to the procurement and accounting systems. There, an automated reconciliation is made between the orders and goods and services actually delivered.

Automation at this stage saves additional time when entering supplier data, as this can usually be automated during the reconciliation process. To approve an invoice, the appropriate parties are automatically notified through a workflow. If they are on holiday or sick, their deputies are automatically informed. If they are on a business trip or working from home, this is not a problem, as mobile devices are included in the workflows and all those responsible for approval have access to all the information they need for auditing. Invoice approval is also significantly accelerated by moving from manual invoice approval to a digital process with automated workflows.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

The audit itself may take longer, depending on the complexity of the matter and if it needs to go through several departments when queries arise. There is a big difference between buying a new coffee machine for the break room and a complete injection moulding machine for a large plant. And it makes a difference whether the supplier is based in the UK, the EU or the Far East.

With all these invoice processing tasks, automation saves a significant amount of time. Time that used to be spent on sending approval reminders or re-entering invoices because errors had been discovered. All these queues can be eliminated by automating the receipt of invoices.



Built-in error controls

Built-in error checks and automatic reconciliations in digital invoice processing ensure that the payment goes to the right supplier. These automations also help to identify potential overpayments, for example, if an invoice doesn't match the order or if the delivery was incomplete. Similarly, they can help automatically detect duplicate incoming invoices. All this prevents multiple payments due to oversight errors.

Once the invoice is approved, it can be paid. This step can also be automated to save even more time. Automatic payments can be scheduled for predefined dates via online payment platforms or electronic banking, for example, to ensure that payments are made on time. With automation, the margin for human error drops dramatically in this process as well.

Introduction

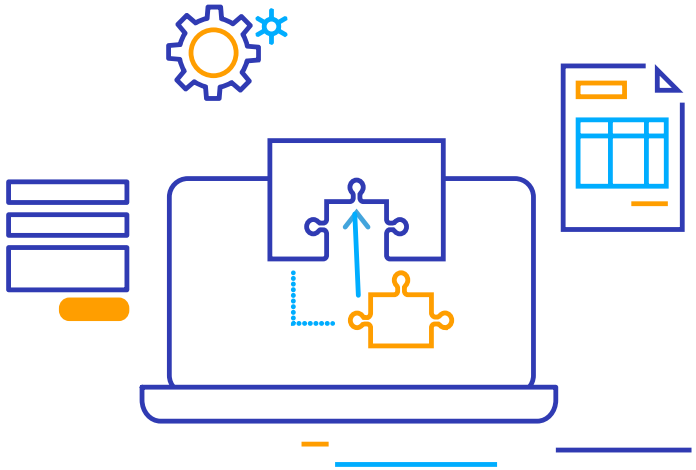
Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Preconfigured workflows and forms

When selecting the right DMS, it's important to ensure that invoice receipt processing can be smoothly digitised, whether it's in the cloud or through an on-premises solution. This is the only way to ensure that the operating concept can be converted at a later date without technical and organisational obstacles, additional effort or licensing problems. It's also helpful if the DMS vendor can provide preconfigured workflows and forms for common invoice receipt tasks. These proven best practices make implementation much easier.



Easily customisable templates such as for archive structures, access rights or typical workflows can then be used "out of the box" without any lead time. Preconfigured solutions for invoice processing, for example, digitise the entire incoming invoice process – from capturing invoice data to distribution, verification and approval to posting in the ERP system.

This way, all incoming invoices can be digitised, correctly archived using intelligent indexing, and easily and quickly retrieved later. Preconfigured workflows for direct or multi-stage approval, which can be easily adapted to all circumstances, also ensure more productive workflows and faster payments and, incidentally, facilitate audit preparations.

Introduction

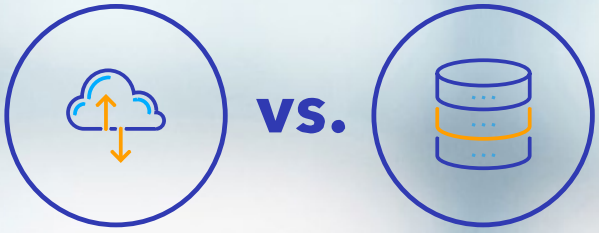
Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Cloud or on-premises?

Digital invoice processing should be available with identical functionality both on-premises and in the cloud. The advantage of the cloud is that topics such as security, performance, scalability, reliability and flexibility in operation are delegated to the cloud provider who specialises in them. This saves time, effort and costs. If cloud operation is not (yet) desired, a functionally identical solution should be installed on-premises. This opens up the option of a smooth change of operating model later on, without conversion problems or additional licensing costs.



In this way, automation ensures a smoother workflow, fewer accounting headaches, and, overall, a more competitive company. Employees can focus their time and resources on other tasks, contributing to growth and innovation. Automated invoice processing also means that all suppliers are paid on time, enhancing service quality and image – an important contribution to building and maintaining good customer-supplier relationships!

Compliance with regulations

Automated invoice processing mechanisms reliably ensure backup copies. This reduces the risk of an invoice getting lost. All financial data can be accessed in real time, any discrepancies can be identified at a very early stage. Subsequent digitisation of accounts receivable even provides a real-time overview of the entire company's cash flow and allows teams to track the status of outstanding invoices. Digitised in this way, the finance department becomes a key driver in the company's success.

In today's fast-paced, technology-driven world, digitisation also increases the flexibility of the entire team by eliminating time-consuming routine activities. It also gives the company the image of a modern workplace – a plus point that should not be underestimated in times where skilled workers are in short supply.

Introduction

Digitisation step by step

Digitisation - incoming invoice processing

To be continued

Considering legal requirements

When digitising invoices, it is essential to ensure that not only the fundamental aspects of data protection are considered but also all legal requirements. This is because the way in which information and documents that must retained in accounting is prescribed by law in the UK. According to HMRC, businesses must keep records for **6 years from the end of the last company financial year they relate to**, or longer if they show a transaction that covers more than one of the company's accounting periods. Corresponding workflows and automations in digitised invoice processing ensure that these legal requirements are effectively implemented. This facilitates cooperation with tax authorities or auditors during audits or inspections.



To be continued

After a successful start in the digitisation of processing incoming invoices, there is a range of potential follow-up projects. Digitisation can be extended to the HR department, which also benefits greatly from the digitisation of its processes.



The digitisation of HR processes also has the advantage of involving the entire workforce in digitisation, in the form of digital personnel files, electronic payroll, and self-services for vacation requests or travel expense reports. On the other hand, it may make sense to push ahead with digitisation in accounting, for example focusing on outgoing invoices or payroll accounting.

Introduction

Digitisation step by step

Digitisation — incoming invoice processing

To be continued

Set priorities

Each company must determine the right priorities for itself when it comes to digitisation projects. One thing is clear: if the projects are spread across different areas of the company, an enterprise-wide digitalisation strategy should be defined beforehand to avoid any potential technology incompatibilities or process design friction. Following the successful digitisation of invoice processing and human resources, the next step could be the digitisation of payroll accounting, not only with workflows between these two departments, but also with each member of the workforce, for example through electronic payroll.

Stacks of paper, letters and file folders are becoming increasingly outdated as the UK economy gains momentum in digitisation. This is also shown by the Twilio report: **tech companies** led the pack in expediting their digital transformation efforts due to COVID-19, with **78%** making significant progress. Following closely were **energy (77%), healthcare (74%), construction (71%), and retail (70%) sectors**. Noteworthy is that the most substantial leap in digital communications advancement occurred within construction firms (**8.1 years**) and energy companies (**7.2 years**), whereas retail and e-commerce entities noted an average acceleration of **6.1 years**.





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You want to start right away and are looking for a suitable solution for your requirements? We'll be happy to assist you.

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