GUIDE

Guide to e-Invoicing solutions

The right strategy for addressing impending e-Invoicing mandates

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Executive Summary

In today's rapidly evolving global economy, the adoption of electronic invoicing (e-Invoicing) is no longer a mere option but a necessity for businesses aiming to stay competitive and compliant. This guide delves into the multifaceted world of e-Invoicing, offering a comprehensive overview of its benefits, challenges, and the imperative need for businesses to transition to digital invoicing solutions.

The business case for e-Invoicing is compelling. On one hand, it offers significant efficiencies that lead to cost savings and improved cash flow management. On the other, non-compliance with e-Invoicing mandates can result in severe financial and legal repercussions. This duality of benefits and risks underscores the importance of adopting a robust e-Invoicing strategy.

Key benefits of e-Invoicing include enhanced auditability and compliance, cost efficiency, improved cash flow management, seamless integration with existing systems, and environmental sustainability. Businesses can save up to 60 to 80 percent on invoicing costs[1], reduce errors, and accelerate payment cycles, enhancing overall financial health.

However, the journey to e-Invoicing is not without its challenges. The fragmented landscape of e-Invoicing solutions, with multiple vendors offering disparate approaches, adds complexity and risk. Integration with existing systems, ensuring data security, and managing large communities of suppliers and buyers are significant hurdles that businesses must overcome.

This guide also highlights the critical role of a global e-Invoicing provider in navigating these challenges. A unified, cloud-based enterprise platform, such as OpenText™ Trading Grid e-Invoicing, offers scalability, flexibility, and comprehensive compliance with global mandates. By consolidating point solutions onto a central platform, businesses can streamline their invoicing processes, reduce costs, and ensure compliance with evolving regulations.

As e-Invoicing mandates become the new normal, businesses must proactively embrace digital invoicing solutions to stay ahead. This guide provides the insights and strategies needed to successfully navigate the e-Invoicing landscape and leverage its full potential for operational excellence and financial stability.

1 Billentis, *The e-Invoicing Journey*, 2019-2025

The carrot and the stick: The business case for e-Invoicing

While adopting electronic invoicing clearly provides efficiencies that lead to cost savings and cashflow—a juicy carrot for those adopting e-Invoicing, there's also a very large stick since the invoice is one of the most regulated documents in most regimes with a Value Added Tax (VAT) or Goods and Services Tax (GST) regime.

Non-compliance with regulations comes with the potential of significant business and financial harm including:

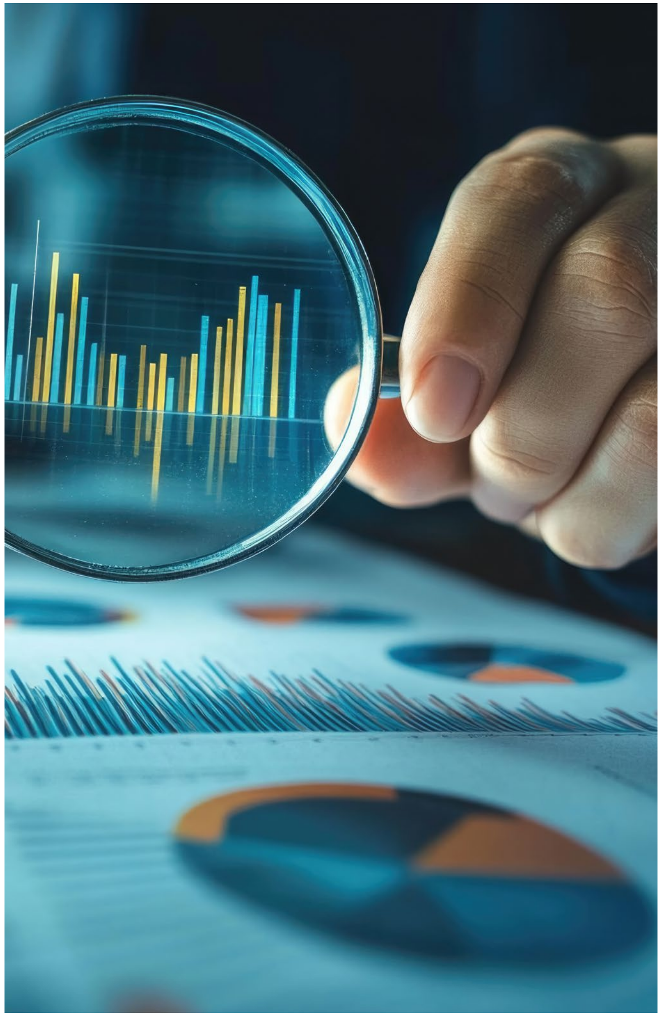
- **Administrative fines**
  While fines vary between countries, organizations can face up to €2,000 or more per invoice in some EU states. Trading partners drawn into an audit can also be penalized.
- **Legal sanctions**
  Non-compliance can be equated with tax evasion, making organizations liable to sanctions under both tax and criminal law.
- **Loss of VAT rights**
  Companies unable to provide evidence of purchases may have to pay back input VAT, possibly more than their initial profit margin.
- **Trading partner audits**
  If a tax authority audits and verifies activities of trading partners, the business relationship may become strained.
- **Geographical mutual assistance procedures**
  Auditors may cause investigations in other countries as they dig, taking up more time and increasing potential exposure.
- **Protracted audits**
  Audits can consume expert resources for weeks or even months and possibly spawn additional investigations.

Fully one quarter of the companies surveyed by IDG confessed to having experienced one or more of these impacts arising from non-compliance in the prior 12 months, with government audits and tax fraud being the most common.[2]

On the plus side, there are many benefits for businesses that switch, these include:

Enhanced auditability and compliance: Implementing e-Invoicing significantly improves the audit trail for tax purposes. It ensures secure storage and easy retrieval of invoices, reducing the risk of loss or damage associated with paper-based systems. This compliance with global e-Invoicing mandates helps avoid penalties and legal complications, providing peace of mind and operational security.

2 IDG/OpenText, *e-Invoicing Market Pulse Survey*, 2022



Cost efficiency and positive ROI: Transitioning to e-Invoicing automates the invoicing process, leading to substantial cost savings. It minimizes manual data entry and error correction, resulting in a rapid return on investment. Studies have shown that businesses can save up to 60 to 80 percent on invoicing costs by switching to electronic systems. The reduction in processing costs directly impacts the bottom line, making e-Invoicing a financially sound choice.

Improved cash flow management: e-Invoicing accelerates invoice processing times, reducing errors and exceptions. This efficiency leads to quicker payments and the ability to capitalize on early payment discounts, enhancing overall cash flow management. Faster processing times also mean that businesses can better manage their working capital and reduce the days sales outstanding (DSO).

Seamless integration and implementation: Modern e-Invoicing solutions are designed to integrate smoothly with existing systems. This ease of implementation addresses concerns about data security and system compatibility, ensuring a seamless transition to digital invoicing. The integration process is often supported by comprehensive vendor assistance, making it a hassle-free experience for businesses.

Environmental and operational benefits: Adopting e-Invoicing contributes to environmental sustainability by reducing paper usage and the associated carbon footprint. Additionally, it streamlines operational workflows, allowing staff to focus on more strategic tasks rather than manual invoice processing. This operational efficiency can improve employee satisfaction and productivity.

Scalability and future-proofing: e-Invoicing systems are scalable, allowing businesses to handle increasing volumes of invoices without a corresponding increase in administrative workload. This scalability ensures that the invoicing process can grow with the business, future-proofing operations against rising demands and regulatory changes.

Challenges and opportunities

Multitude of vendor approaches to e-Invoicing

According to analyst Billentis the number of vendors acting as electronic invoicing service providers is approaching 2,000 globally.[3]

Few vendors today could be considered "pure play" e-Invoicing vendors—focused purely on the invoice —the vast majority have an entirely different focus based on their own historical market niche and application strengths, which may be due to their origin, application type, region, and/or industry.

The solutions offered by these vendors fall into high-level categories, such as enterprise software (on-premises), services/SaaS, cloud solutions, or else niche applications, which are typically complementary to broader solutions but provide very limited scope.

We can further sub-divide these offerings into categories based on functionality. Although this list may not be exhaustive, it covers the broad categories that e-Invoicing service providers fall under:

ERP, Supply Chain Automation, Selling and Fulfillment (sales order management), P2P Suites / e-Procurement (Sourcing/Spend Management), Accounts Payable, Accounts Receivable, Document Capture/automation (OCR), Tax Compliance, Supply Chain Finance, Payments /Financial Services, and BPO (Business Process Outsourcing).

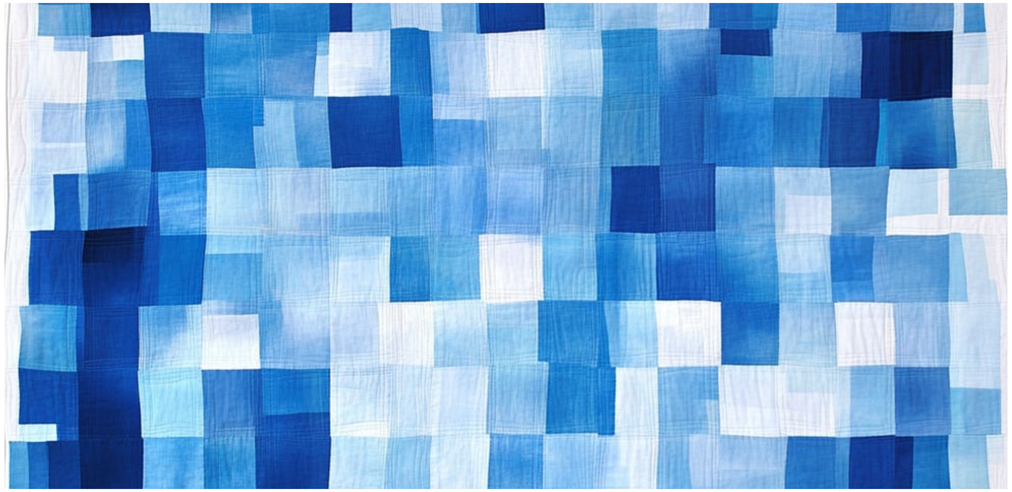
In general, each of these types of solutions will only address part of the problem, since they focus on specific subset of a business's invoices.

For example, ERP and Supply Chain Automation platforms are only focused on direct materials invoices, completely ignoring goods not for resale invoices.

By contrast, e-Procurement and Spend Management platforms are the reverse, typically focusing only on those indirect materials invoices while not addressing supply chain invoices at all. Accounts Payable solutions only deal with inbound invoices, accounts receivable with outbound and so on.

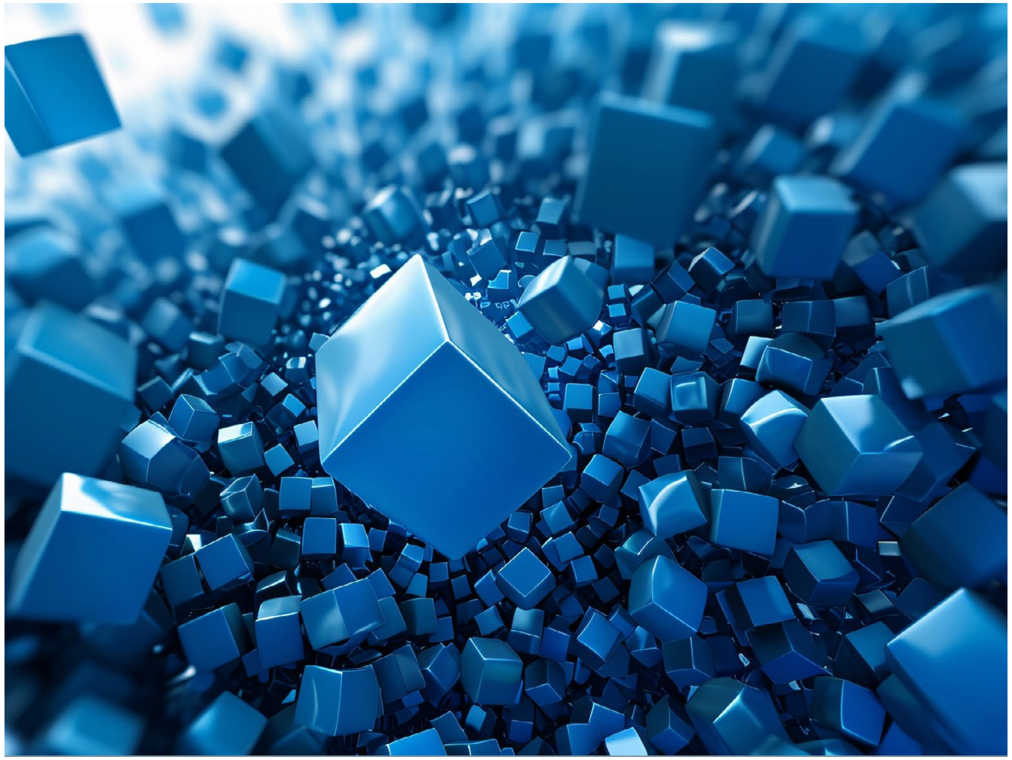
The patchwork quilt

These different approaches, spread across multiple vendors and platforms, result in an increasingly complex and fragmented landscape, with companies managing e-Invoice compliance in many different places, often in quite different ways, making tax auditing difficult and complex.



3 Billentis, *The e-Invoicing Journey*, 2019-2025

In a recent survey conducted by IDC, 42 percent of companies said that their invoice processes were siloed by geography, process (AP/AR, direct/indirect), and vendor (OCR vendors, ERP, e-Procurement etc).[4]



Billentis also stated that multinational companies are leveraging, on average between three and 20 service providers dealing with their inbound electronic invoices, and between 20 and 160 service providers for outbound electronic invoicing and electronic reporting.[5]

Individual application vendors and providers take very different approaches to e-Invoicing and compliance, in terms of what areas of the invoice process they will take responsibility for and ensure the compliance of.

Each will have with its own rules for content checking and ensuring the integrity and authenticity of invoices. Each will have to establish its own distinct connections to external customers, suppliers, and tax agencies—all needing to be carefully secured to avoid tax fraud but also avoid other types of cyber security exposure. Each will have its own separate invoice archive leading to potential challenges at audit time in terms of tracking down individual invoices; and so on.

This fragmented approach adds cost and complexity and introduces unnecessary risk, hampering tax audits and tax reporting processes. It also introduces greater risks of non-compliance due to the variety of compliance approaches taken, and also to the rapidly changing regulatory environment, since all products and platforms must be regularly updated to meet new compliance requirements.

4 IDG/OpenText, *e-Invoicing Market Pulse Survey*, 2022

5 Billentis, *The e-Invoicing Journey*, 2019-2025

E-Invoicing is an integration challenge

One of the other key takeaways from the IDC survey is that e-Invoicing is fundamentally an integration challenge. When asked to identify the main barriers to adoption of fully automated electronic invoicing, the top answers included ensuring the security of invoice data during exchanges, integration with ERP and other internal applications, integration with customers and suppliers, and associated with this the perceived complexity and associated costs of implementing such a solution.

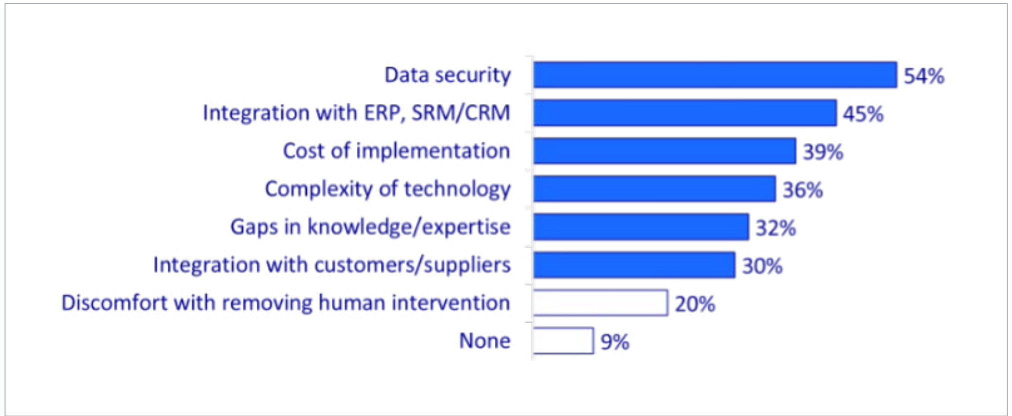


Figure 1. Biggest challenges in adopting fully automated electronic invoicing.[6]

The increasingly complex internal and external landscapes of large multinationals only serve to exacerbate the challenges, since such companies have many applications internally that need to produce or consume high-quality invoice data, such as ERP, e-Procurement, Treasury, Accounts Payable and Accounts Receivable applications. At the same time, they have increasingly large and complex external communities with whom they need to share invoices.

The onboarding and management of large communities of suppliers and buyers is a challenge for many businesses, and many types of e-Invoicing solution fail to address these challenges, leaving businesses to rely on separate B2B integration platforms to manage the connections and security risks associated with exposing internal applications to the outside world.

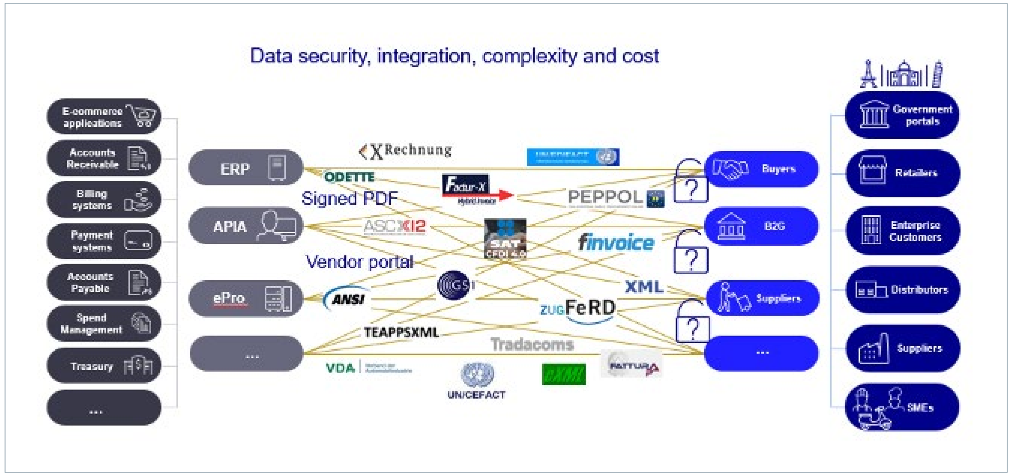


Figure 2. e-Invoicing is an integration challenge.

So we can see, e-Invoicing is very much an integration challenge. While parts of it can be addressed at the application level, within your ERP, e-Procurement, P2P, O2C, AP, or AR application, there is no single application that can manage all of these processes effectively.

6 IDG/OpenText, *e-Invoicing Market Pulse Survey*, 2022

Or is there?

Since in all of these cases we are talking about B2B (or B2G) e-Invoices, a B2B integration solution, like that proposed by OpenText can offer the best approach to global electronic invoicing.

A B2B integration approach is agnostic to the applications involved, to the business process and business applications, to the flow of invoices inbound or outbound, and is designed first and foremost to address the complexities of integrating internal applications with external partners.

Further, as we have seen, a major obstacle for businesses is often the onboarding of large communities of buyers and suppliers using disparate formats and communications methods. Only a global B2B integration provider will have the people, processes, and technology necessary to manage such large onboarding projects while ensuring the security of these external connections.

The need for a global e-Invoicing provider

While the potential cost savings and gains in process efficiency from digitizing and automating invoices seem clear, the challenges associated with e-Invoicing mandates remain a concern for businesses.

Most businesses are also managing the complexity of multiple regional point solutions. Each of these solutions will only offer a partial solution to the many and varied e-Invoicing challenges. When it comes to the electronic invoice process, they may provide similar functionality, but unfortunately, they effectively duplicate cost and add complexity in terms of technical deployment, support, compliance maintenance and archive for tax audit purposes.

So it's no surprise that research shows 84 percent of companies would find it valuable to have a single global partner to overcome e-Invoicing challenges.[7]

Companies have a long list of capabilities they expect from such a global partner, such as integration and onboarding expertise (86%), delivered in a cloud-based environment (84%) which has built-in data security (85%) and offering contractual assurances of compliance (75%).

As we also saw in the IDG survey, e-Invoicing is fundamentally an integration challenge. As a result, the only class of solutions able to address those challenges, while remaining agnostic to the invoice process (AP/AR/direct materials/indirect materials), would be a B2B integration solution.

7 IDG/OpenText, *e-Invoicing Market Pulse Survey*, 2022

OpenText—uniquely positioned to meet global e-Invoicing mandates

As the market leader in B2B integration globally, OpenText is uniquely positioned to solve these e-Invoicing challenges. The OpenText approach to B2B integration offers scalability and flexibility to businesses, with solutions for SMEs up to the largest enterprises.

The e-Invoicing solution is delivered as a unified, cloud-based enterprise platform, OpenText™ Trading Grid e-Invoicing, which embeds e-Invoicing capabilities directly into their market leading Trading Grid B2B platform.

This platform can immediately connect companies to an existing global community of customers, suppliers, and other supply chain partners with tried and tested integrations. Companies can switch from unsecured and risky email/PDF-based invoice processes to fully automated e-Invoicing.

A significant advantage of this approach is that the solution remains completely agnostic to the invoice format and process, supporting both direct materials and indirect materials, accounts payable and accounts receivable invoices, domestic and cross border, self-billing, etc.

This meets data security requirements while enabling closer collaboration with supply chain partners.

In addition to invoices, the OpenText platform enables businesses to exchange their related business documents over the platform to meet industry standards and comply with local regulations and government mandates relating to other business documents.

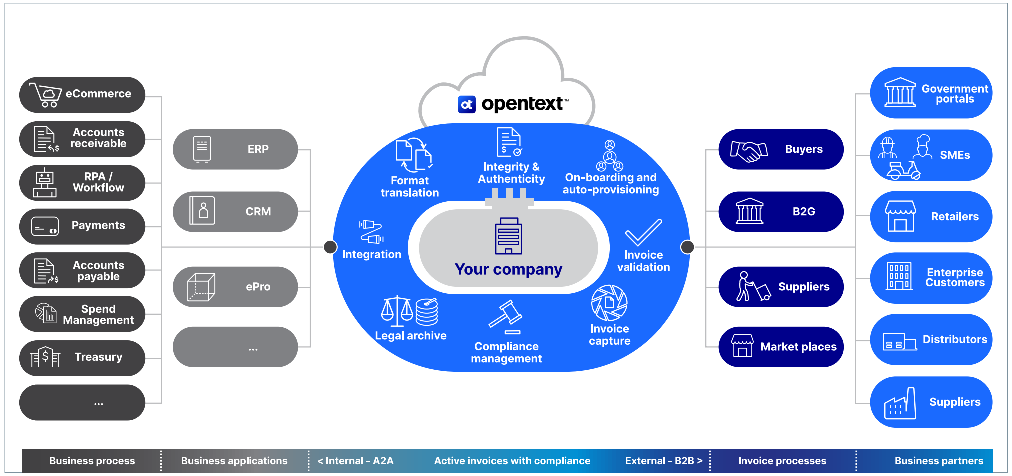


Figure 3. OpenText Trading Grid e-Invoicing—simplifying the complexity of global e-Invoicing.

The platform accommodates any document format, technology standard, or communication protocol to be able to automatically deliver outbound receivables e-Invoices as well as receiving inbound accounts payable invoices.

It includes both self-service and full-service community management options to get maximum participation in e-Invoicing from trading partners and deliver a rapid return on investment. Optional analytics services and integrated AI tools can ensure that e-Invoicing plays an integrated role in the improvement of finance and supply chain processes.

Comprehensive, end-to-end e-Invoicing delivered as a managed service

The OpenText approach to e-Invoicing is holistic and comprehensive, covering the end-to-end management of your e-Invoicing transformation. Starting before delivery, our solution consultants offer consultation on your needs, understanding the countries you are operating in and the approach you wish to take—whether phased nationally, regionally, or otherwise, or if you prefer a "big bang" approach.

Our experts can offer a standalone e-Invoicing Readiness Check service that analyzes the data generated from your invoicing applications and ensure it meets the specifications provided by government agencies in terms of mandatory and conditional content.

This is an essential step businesses need to take well in advance of any impending mandate, since remedying missing data from ERP systems can take many months, and needs to be completed before implementing an e-Invoicing solution for that country.

The OpenText solution is enabled as a fully managed cloud-based service. Our global team of experts implement the solution in our robust, secure global cloud, integrating with your existing financial applications, as well as network of buyers, suppliers, and government e-Invoicing and e-Reporting platforms.

This is a significant advantage over most vendors who either leave you to implement their software for yourself or rely on third-party system integrators who add cost and risk.

We are then involved on a day-to-day basis, not only operating the platform for you, but proactively monitoring and managing your invoices, looking for any errors that might occur in transmission or reception and, where possible, resolving those errors before you're even aware of them. When errors occur due to inaccuracies in data, we inform you so you can fix the errors and resubmit the invoice correctly.

With the increasing number of countries implementing e-Invoicing mandates, the volume of electronic invoices you need to process will grow exponentially, and so ensuring the smooth running of your e-Invoicing solution is key. While other vendors rely on you to monitor and manage your invoices, OpenText is there behind the scenes keeping everything on track.

OpenText's e-Invoicing solution is a comprehensive, end-to-end, fully managed service that reduces the costs and risks associated with manual invoice processes and siloed point solutions while enhancing cashflow through reduction of days sales outstanding. Late payment penalties are reduced and companies gain increased access to early payment discounts, and so delivers a rapid return on investment that pays for itself.

According to a survey conducted by UserEvidence, 100 percent of OpenText enterprise B2B customers saw a return on investment in two years or less.[8]

Designed with the needs of global multinationals in mind, OpenText Trading Grid e-Invoicing can:

- Consolidate point solutions onto a central platform.
- Complement, rather than compete with, existing ERP, e-Procurement, AP, and AR solutions.
- Quickly onboard and begin trading with new and existing suppliers.
- Accommodate existing global, regional, and country regulatory and tax requirements while monitoring for, adapting to and introducing new requirements.
- Handle the complexity of e-Invoicing standards, protocols, technologies and platforms.
- Trade electronically with 100-percent of a trading partner community.
- Take full advantage of the power, scalability, security, and performance of the cloud.
- Implement a secure digital archiving system to ensure compliance and facilitate auditing.

8 UserEvidence survey of 104 OpenText users, 2024

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