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## The development of electronic document exchange

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### Abstract

Document exchange represents a key part of the trade activities of each company. Technological changes provide various opportunities to companies to improve their efficiency. One of the useful and cost-effective technological innovation is electronic data interchange (EDI). Electronic invoicing represents one of the most important and current part of EDI. The aim of this work is to characterize the electronic invoicing and the level of its implementation in the Czech Republic. Using data from questionnaire filled by companies we will evaluate main motives and gains of its implementation. This study gives a general overview of development of electronic invoicing and among other it is one of the first steps in the mapping and in the understanding of this current trend. Results show that through demonstrable savings it is still a marginal issue with large space for further expansion. This phenomenon is mainly associated with retail and automotive industry.

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### 1. Introduction

For the past twenty years, large corporations have been automating their invoicing process, in order to take advantage of the cost savings, time saving and efficiencies that electronic invoicing can provide. These benefits could in a case of mass adoption bring considerable benefits to the Europe economy as a whole. It is estimated that 238 billion EUR (accumulated over a period of 6 years) can be saved thanks to e-invoicing adoption in Europe.

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Electronic invoicing could reduce the cost per invoice by 75 %. Despite these facts, in 2014, the majority of invoices are still exchanged physically in a paper form only less than 30 percent of invoices were exchanged electronically.

Electronic invoicing has been defined as the sending an invoice or making it and its storage available in a completely electronic way. The e-invoicing process needs to employ fully structured data, which are capable of being processed automatically by senders, receivers and other involved parties. The transmission of an electronic image of an invoice document, which is a common procedure, is not strictly electronic invoicing.

Paper invoicing process is realized in five steps. It is the writing, printing invoices, enveloping, sending emails and archiving. The first and probably the most important motive for switching to e-invoicing is the price. Other difficulties may then be time required for delivery and payment delays, which negatively affect the whole cash flow. Furthermore, there are following issues: error rate of exposure, sending, and of course, the loss of documents. Even relationships between partners might be harmed. There are also difficulties associated with secure archiving, whether technical or methodological, and therefore with a possible non-compliance with legislative requirements.

The whole process can be fully automated and invoice can be created by a supplier's computer and send to a client's computer which can check that the information is correct and approve the payment. All those factors can extremely reduce time and cost of invoicing. That is only a small part of opportunities which company can exploit. There are several other benefits: occasion to access wider market of potential customers and suppliers, to improve and expand business relationships without having to invest to a proportionate number of employees to carry out respective administration tasks.

European Commission seeks to promote the achievement of the Europe 2020 Strategy in the Digital Agenda, it was therefore agreed to the mandatory use of e-invoicing for public sector in the case of public procurement, with the perspective of 2016. Electronic invoicing is increasingly becoming the preferred way to exchange the data. Companies, which want to stay competitive, must be prepared for this natural development of the global market.

## 2. Literature review

E-invoicing can be defined 'as the electronic transfer of invoicing information, including billing and payment information between business partners' (European Commission, 2009).

Therefore, invoices that are transmitted as attachments (PDFs, etc.) in e-mails are not considered as electronic invoices. This is because e-mail attachments do not permit the invoice data to be automatically processed in the payment system (Innopay, 2009 and Koch, 2009).

Depending upon the location of the buyer or supplier, tax regulations also may require a government- issued identification number, qualified electronic signatures, specific content fields and long-term archiving of the invoice (Keifer, 2011).

The Czech legislation does not define an invoice, whether electronic or paper. A Tax Document can be in either paper or electronic form. A Tax Document is in electronic form if it is issued and received in an electronic way. A receiver of an electronic Tax Document must agree to the usage of the document in electronic form. (Schmandt and Engel-Flechsih, 2013)

For the invoice must ensure the credibility of its origin, the integrity of its content and its readability. The authenticity of the origin of the tax document in electronic form and the integrity of its content can be provided by a recognized electronic signature or electronic information exchange (Chamber of Commerce, 2012).

E-invoicing system usually includes an advanced digital signature which improves the validation of the invoice (Foryszewski, 2006; Rombel, 2007). E-invoicing should satisfy strict security requirements in order to become part of the financial practices of a firm (Kaliontzoglou, 2006).

However, despite most invoices being prepared electronically, the vast majority are processed by manually keying information from a paper invoice into a financial management system to then process and pay. This represents a considerable waste of time and effort, especially given that the reproduction process can lead to the introduction of inaccuracies. Automating this function not only eliminates these risks, but enables the digitized content to be re-used in a more efficient way (Hayward, 2013).

An efficient management of inward cash flows from completed sales is absolutely critical for staying in business (Hanif, 2013).

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