



# **The Art of**

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# **Services Invoicing**



Software for Managing the Business  
of **IT** Service Delivery

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## **MOVING BACK OFFICE BILLING TO THE FOREFRONT OF CUSTOMER CARE**

Invoicing is usually thought of as a back office function. The reality is that in the services business, billing is a customer relationship and management activity, one that belongs in the client facing front office. The creation and delivery of invoices is an extremely important component of client interaction. For many customers, invoices will conjure images of the work you have performed and invoke consideration as to whether they are truly happy with what has been delivered. Let's face it, inaccurate or unexpected invoices make customers angry, make them wonder about the capability of your organization and, in many cases, result in mistrust. The worst outcome is lack of payment and/or delayed payment on subsequent invoices because of the scrutiny they feel is required before paying.

### **MORE-COMMON-THAN-YOU-THINK SCENARIOS AMONG IT SERVICES ORGANIZATIONS:**

**SCENARIO ONE:** Your project managers are beginning to develop a close working relationship with a top client. As a new billing cycle approaches, the project manager and the lead person on the client side have lunch to discuss the content of a pending invoice. Some specifics are discussed and an agreement reached on a controversial item which, it

is agreed, will not be billed in this cycle. The PM makes a call to the finance department and the instructions are jotted on a sticky note. At the end of the month an invoice is delivered with no reference to what was discussed.

**SCENARIO TWO:** It's 30 days past quarter end. John submits billable client expenses in excess of \$25,000.00. Your client won't pay and your books are closed for the quarter... what do you do?

**SCENARIO THREE:** After a great lunch your client agrees to pay \$90,000.00 for custom development on his sales force automation installation. Six months later, when your invoice arrives, he has absolutely no recollection of that particular conversation.

**SCENARIO FOUR:** One of your customers, who is notorious for outstanding payments, is sitting on a \$100,000.00 invoice for phase one of a project. The client is eager to proceed forward with phase two. Unknowingly, your Sales Rep or Project Manager makes the commitment to begin the work without a request for payment.

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### **WHY DID THESE SITUATIONS OCCUR?**

All of these scenarios are common within the IT services business. The fact is, most of these issues are created or exacerbated by viewing and managing invoicing as a back office function. Treating invoicing as a front office process and providing front line staff with the means to monitor and contribute to the process is the first step toward improvement. Preventing these problems requires an examination of your processes, knowledge sharing and business systems. Let's examine each of these unpleasant scenarios with these three areas in mind.

### **WRONG OR INACCURATE INVOICES – NOT !**

The finance department is never party to the subtle and informal interaction between client services staff and customers. Side conversations, lunches and handshakes are critical to maintaining long term relationships with clients, but a nightmare when it comes to invoicing. How do you ensure that an invoice is what a customer expects? Project Managers and the customers themselves must be included in the pre-bill process. In an environment where project managers and customers are included in an efficient and automated process for approving invoices before they are delivered, the likelihood of surprises is greatly reduced or eliminated. An invoice should not be delivered without review by the Project Manager and/or, more preferably, the customers themselves.

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**PROCESS:** Ensure that your invoicing procedures mandate review by those closest to the client before delivery. This reduces the likelihood that an inaccurate invoice goes out the door. Consider a web-based process for clients themselves to review and comment or approve an invoice before delivery.

**SYSTEMS:** In a busy consulting firm the sheer number of invoices may make it prohibitive to use an ad-hoc review process. E-mail routing is prone to errors and paper just won't do. Invoice workflow systems that are integrated with T&E capture in the field and financial systems in the back office are the most efficient way to automate this process. Staff enter time and expenses enabling finance staff to immediately create a draft invoice, Project Managers are prompted for review, approval is stamped with the click of a mouse, the customer is then notified to view and approve the invoice via the web and finance sends the invoice.

## **KEEPING EVERYONE IN THE LOOP**

Sheltering invoicing systems in the back office offers little benefit to the rest of the organization and to the payment collection process. The most important people to arm with the status of payables are the ones with the closest relationships with the customer. One never knows when an opportunity will arise to “encourage” payment of an invoice. If everyone working on an account knows what has and has not been paid, costly mistakes or over-extension of services can be avoided.

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**KNOWLEDGE:** In today's fast-paced and competitive business environment knowledge is money. Individual workers and departments must have cross-organization views in order to make both quick and informed decisions. Invoicing is no exception. In service delivery firms it is an important component of potentially every interaction with a customer.

**SYSTEMS:** Running a business with non-integrated or disparate systems does not enable the kind of decision making that can remedy this type of situation. Integrated systems allow sales and business development staff, project managers and other key personnel to access the complete history of a client from opportunities to work in progress as well as outstanding invoices. Allowing staff to access timely customer information can have a drastic impact on improving organizational performance.

### **LONG BILLING CYCLES AND LATE EXPENSES – NEVER !**

Ensuring staff submits time and expense information in a timely fashion has always been a challenge. Additionally, in many organizations once staff have submitted their information, the amount of time for the data to flow through approvals and result in an invoice can be problematic. How do you ensure that employees are encouraged to submit the information, that superiors are chased to approve it and that an accurate invoice is delivered?

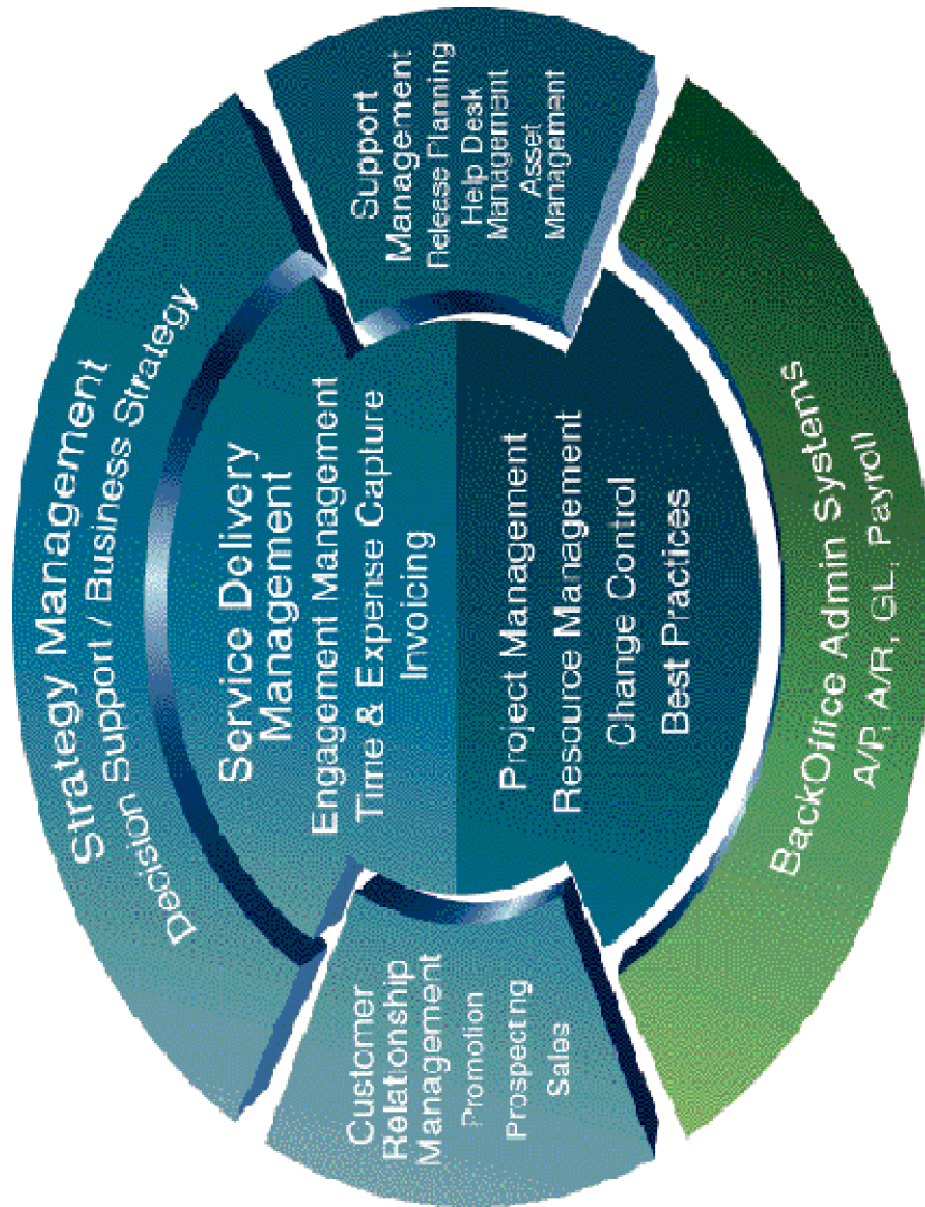
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**SYSTEMS:** While it is sometimes difficult to change the behavior of your staff, there are practices that can be applied to speed submission and invoicing. First, it must be easy for an end user to enter time and expense information wherever they are – in the office, on the road, or from their homes. If you make it easy for staff to submit the information, compliance will naturally improve. For example, systems should allow a consultant to input time and expense data while on a plane disconnected from the network while offering web based entry from a customer site by contract staff. Once submitted, avoid hard copy routing for approval. State of the art systems kick off a workflow process to time and expense approvers the instant information is submitted. Approval immediately completes the flow to project managers for approval and on to the finance department for invoicing.

## **FINAL WORD**

Avoiding scenarios like the ones presented above requires a number of considerations. First and foremost, invoicing must be viewed as a front office or customer facing activity. Second, the process your company employs to move from time and expense capture to invoice delivery must be examined and modified to include the necessary review and input by those that are closest to the customer. This is not to be confused with time and expense approval, but rather actual draft invoice approval – seeing exactly what the customer will inevitably see. Third, information on invoices and invoice status must be made easily available to all that deal with customers. Last, the systems that your company uses to manage the process, data and knowledge must be integrated. Only integrated systems ensure that the process is as efficient and fast as possible, that important steps are not excluded, and that information is readily accessible across the organization.

**MANAGING THE BUSINESS OF IT SERVICE DELIVERY**



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**ABOUT  
CHANGEPOINT CORPORATION**

Founded in 1992, Changepoint Corporation is the leading provider of integrated software for managing the business of IT service delivery. Providing business management software for IT services organizations such as IT consulting organizations, corporate IT departments and other high technology services businesses, Changepoint is the only supplier of a comprehensive solution for managing the complete business of IT service delivery. Changepoint has pioneered this unique, IT-focused solution to help leading companies worldwide improve their IT service delivery operations, thereby giving them more time to pursue new opportunities, improve customer relationships and maximize their bottom line.

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