

Should Your Company Switch to Online Banking?

Many small businesses are still using paper checks sent through the mail to settle their accounts. But online banking can save time and effort, and improve cash flow.

By Minda Zetlin | Aug 28, 2009

ances are, via your bank's online interface, or through automatic deduction. How do you pay your company's bills? Is it with paper checks and the U.S. mail?

Online banking has gained wide acceptance among consumers, and large corporations with sophisticated funds transfer programs are accustomed to banking electronically. Until recently, though, most small businesses were stuck doing their banking the old-fashioned, paper-intensive way. Reasons range from poor integration with QuickBooks to the difficulty of having more than one person sign off on an expense, to resistance to learning how to use new technology.

But online business banking options are growing, and can save both effort and money. "As a small business owner, every day the office manager would bring me a stack of checks to sign," says René Lacerte, founder and CEO of Bill.com. "Inevitably, I would have questions: Had the engineer approved this expense? When was the last time I paid this vendor -- it seemed like I'd paid them just recently? Could I have more documentation about this invoice?" It would take hours, or sometimes days, before all these issues were resolved.

Because Bill.com allows users to link invoices and documents in popular formats such as Microsoft Word documents or PDF files, it can reduce or eliminate the need to ask for supporting documentation. This makes such a big difference, he claims, that Bill.com clients report that it cuts their bill-paying time by 60 to 75 percent.

For Bonnie Harris, president of Wax Marketing, Inc., online banking helps her company be greener. "My bookkeeper was resistant at first because she was on dial-up," Harris recalls. "She said, 'Can't we just do this on paper?' I said, 'No, I'm really committed to having a paperless company.' It was a pain for her at first, but now she really likes it and is trying to get all her customers to do it." Thanks to online banking, the bookkeeper can work from home, and no longer needs to visit the Wax Marketing office to review invoices or work with the company's QuickBooks data. In fact, her only visit to the office in the past five years was during an audit.

Online banking is right for pretty much every business, says David Kirkup, partner, B2B CFO. The company provides CFOs such as Kirkup on a part-time basis to companies too small for a CFO of their own. "This is what we recommend to almost every client," he says. "If it's a very small business with only five to 10 transactions a month, the manual system might work, but given the cost benefits, any other company should consider it."

Getting the biggest benefit

How do you get the most benefit from online banking? Here are some ideas to consider:

1. **Connect all relevant documents to your payment system.**

If transaction records come with invoices, approvals, contracts, and other relevant documents attached, you can cut down time spent figuring out whether a payment really is legitimate.

2. **Invest in high-quality scanning.**

Since most of your business contacts are probably still sending paper contracts and invoices, you will likely be scanning these in as part of your paperless bookkeeping process. If so, it's worth the expense to get a high-quality scanner. "It's easy to get a super-inexpensive unit, but many invoices are double-sided, and having to flip pages over creates a lot of inefficiency," says Jeff Schulz, vice president of marketing at Bill.com. "It makes sense to consider issues like scanner speed and automatic duplex scanning, if you're really going to go paperless."

3. **Use online banking to help guard against fraud.**

Any time you give someone a paper check, that person can see your routing and account number. But some online banking systems send out checks with a different account number, used only by the bank or billing system. Use this option to keep your company's account information private.

4. **Time your payments to your advantage.**

Some vendors give a discount for quick payment of invoices. In other cases, you can benefit from "float" by holding off payment for 30 days. You can use online banking to schedule payments when they make the most sense for your business, especially since many larger vendors will receive payments the day you send them.

5. **Monitor cash flow frequently.**

"Get in the mindset of checking your balances online every day," Kirkup says. "If a check someone wrote you bounced or an expected deposit didn't arrive, you can't afford to wait two weeks to find out that. Cash flow is important for companies of every size. You need good cash flow to get to the next level. And poor cash flow is the major reason businesses fail."