AUTOMATING FINANCE

The Wins, the Hardships and the Road Ahead

A CHIEF EXECUTIVE GROUP / TRAVELBANK
RESEARCH REPORT

Whether it's used for reducing human error, boosting productivity or driving down costs, automation is redefining how finance teams perform.

Here's what you need to know:

• CFOs' involvement in technology implementation is on the rise.

• Gaining efficiency is the top driver of automation for finance leaders, well ahead of cost savings and risk mitigation.

• Most companies haven't completed their finance automation journey, with only 28 and 27 percent having fully automated payroll and expense reporting.

• The biggest challenges faced in the process: communicating with other organizational systems and pushing through legacy systems.

• Two-thirds of CFOs report positive ROI from their automation so far.

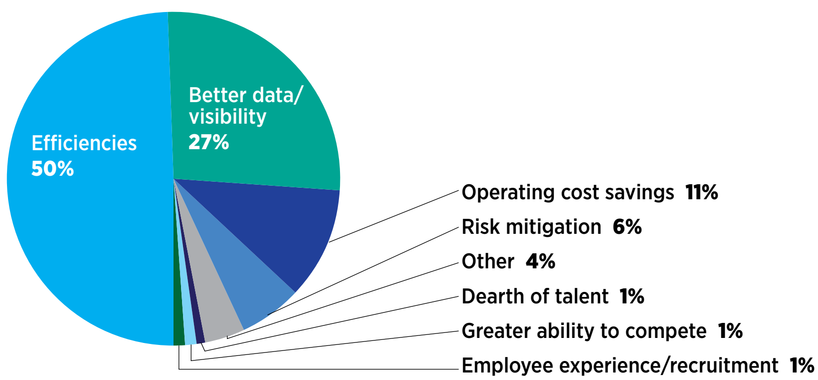
> "Research conducted by Chief Executive Group in April 2023 found 81 percent of U.S. companies are currently operating either fully remote or in a hybrid capacity."

The race to gain efficiencies has accelerated in the cost-containment environment of the past three years. A survey conducted in September 2021 by StrategicCFO360, a CFO member community that is part of Chief Executive Group, had found 64 percent of U.S. CFOs saying their involvement in their organization's technology implementation decisions had increased in the 12 months prior.

Nearly two years later, a new survey conducted in partnership with TravelBank found finance remains heavily involved in driving digital transformation. According to the software company, the reason for that is that remote and hybrid work models are actually proving to be a drag on finance, therefore intensifying the need to automate. For instance, the software company said, there's been a notable increase in expense reports. "Expense report volumes doubled during the pandemic," said Duke Chung, CEO of TravelBank. "Changes like these put a lot of strain on finance departments and with limited resources and a tight labor market, automation tends to emerge as the most valuable solution."

Efficiencies (50%), better data visibility (27%) and operational cost savings (11%) were listed among the top drivers of automation for finance leaders, according to the StrategicCFO360 survey of 133 U.S. CFOs conducted in partnership with TravelBank in April 2023. Risk mitigation also ranked high, particularly among large companies ($1 billion or more in annual revenues).

Drivers of automation for finance leaders



Interestingly, despite the heightened focus on employee experience over the past few years, that element ranked at the bottom of the list of drivers for finance, across all company size groups. According to Chung, that's because employee experience may be seen as a secondary benefit—a natural consequence of any process improvement. "It's like killing two birds with one stone," he said. "We'll make this process more efficient; meanwhile, our employees will be saving time and enjoy a much better experience."

Chung said he observed that firsthand at TravelBank. "Employees can submit an expense report in a couple of clicks, and the finance department can close out the month in minutes, not days. Efficiency is the primary goal, but at the end of the day, it's a better experience for everyone," he said.

WHERE WE ARE TODAY

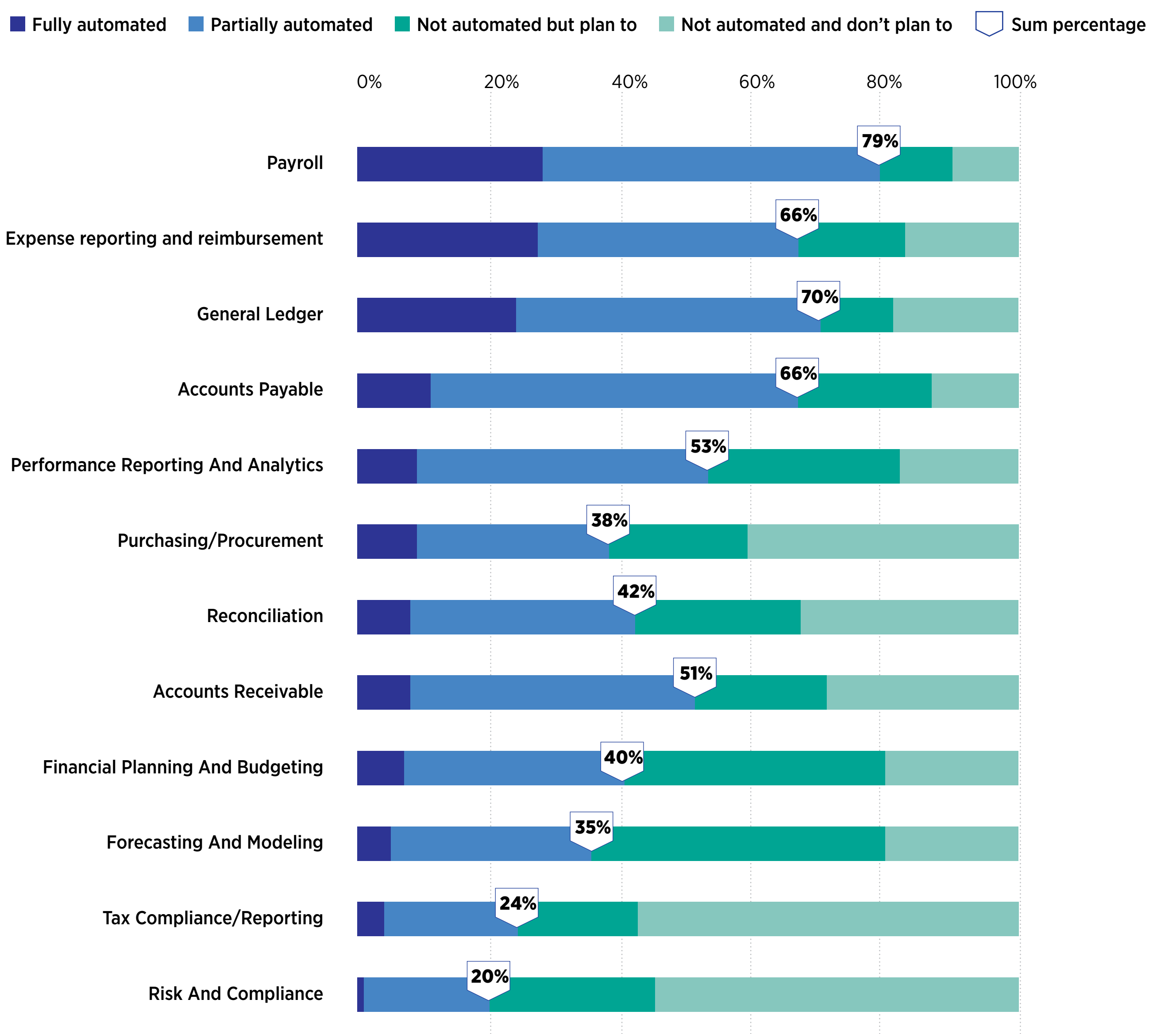
When asked about the processes they had already begun automating, the CFOs participating in the April 2023 survey listed payroll (79%), general ledger (70%), expense reporting and reimbursement (66%), and accounts payable (66%) as the most common among U.S. companies.

Those are good starting points for the finance function, Chung said, because they are relatively easy, early wins.

But at the same time, the survey data shows that fewer than 30 percent of U.S. companies have succeeded in fully automating their finance processes—and large numbers of CFOs said that while they plan to automate soon, they hadn't yet gotten started.

"We often see a discrepancy between what people would like to do and what they've actually implemented because there is a number of real and perceived challenges to adopting automation in the finance function," Chung said.

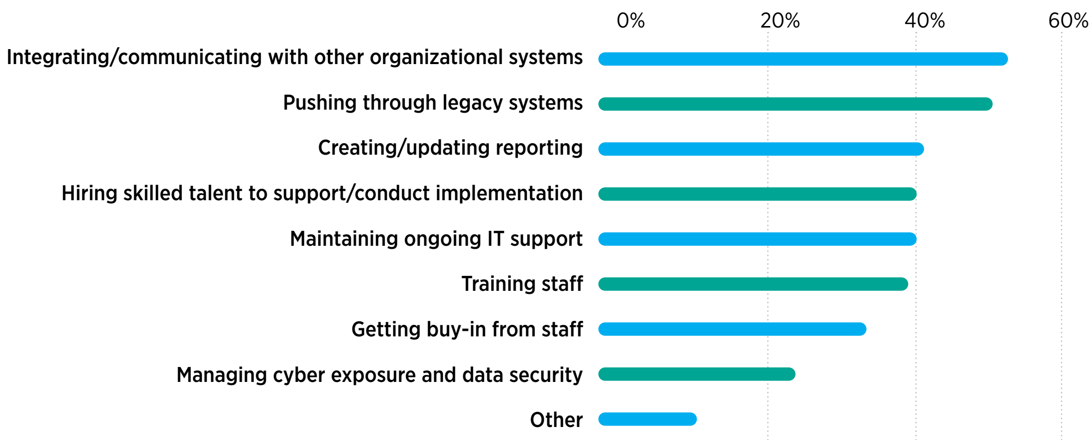
The State of Automation in Finance



GETTING OVER THE HURDLES

CFOs say their biggest challenges with automating finance has been integrating/communicating with other organizational systems and pushing through legacy systems.

CFO: Which challenges have you faced/are you facing in your finance automation journey?



**Respondents were asked to select all that apply.*

Chung says that's no surprise since legacy systems didn't have much competition before. "They didn't have to be efficient, automated or easy to use," he said.

In fact, most were built for compliance or heavily nuanced programs. And while that makes for very robust technology, it's also clunky and inefficient. Documenting the expected and measured benefits of switching to more automated, lightweight, intuitive systems helps to justify the move. Fortunately, many of the newer systems tend to integrate better with the existing finance tech stack in order to compete.

Interestingly, when Chief Executive Group asked CIOs the same question, as part of StrategicCIO360's quarterly CIO Confidence Index, less than a third listed cybersecurity as a challenge to automation, despite their focus and the sensitivity of finance data, cloud hosting and system integrations. Instead, CIOs listed the same top concerns as CFOs: integration (51%) and pushing through legacy systems (49%).

This highlights the importance of having all stakeholders at the table from the onset of the project. Include the CTO, CIO or another representative from IT and security. Cross-functional collaboration is critical because an update to a finance system, no matter how trivial it may seem, can have repercussions on other functions. "Who do you expect will be looped in later? Because they probably should be here now," Chung said.

When it comes to automation, a team approach has been proven much more successful. "It ties back into the integrating, communicating with other organizational systems argument. You're going to need help at some point integrating across your accounting and finance stack. Why not loop in the CIO's team from the start to avoid having to go back and fix issues you've already implemented?"

Creating and updating reporting may feel like a heavy lift, but the benefits could pay off tremendously in the long run. Consider weighing the time spent on conducting reporting now, versus the time and money saved by automated reporting and increased visibility. Not to mention, your vendor may be able to help take some of this off your plate.

The same goes for supporting and conducting implementation. Lean on any vendors involved in your automation project to provide user guides, documentation, training and, in some cases, a full service rollout.

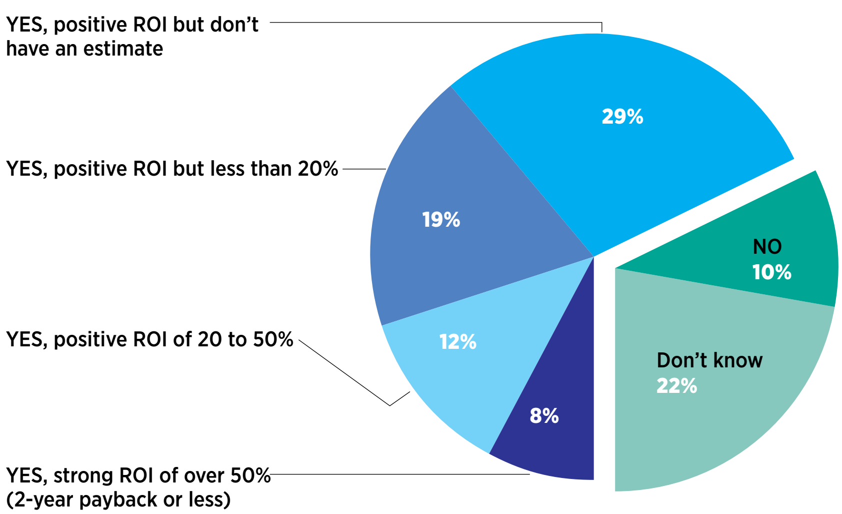
TravelBank also attributes delayed adoption of automation to a lack of an enterprise-wide digital transformation strategy and reluctance and resistance to change, as found in U.S. Bank's 2022 CFO Insights Report.

Getting over these hurdles is most feasible when improvements can be quantified to help justify the time and monetary investments. But currently CFOs seem to lack the benchmarks needed to measure success.

"Being able to demonstrate not just the effect of an automated process but also its ROI can be a game-changer for companies looking to automate," Chung said. "That's why starting small is often better, so you can build a case for dramatic changes."

According to the StrategicCFO360 / TravelBank April 2023 survey, 30 percent of CFOs believe they have achieved positive ROI on their finance automation projects but don't have an estimate of what that really is.

Have you achieved positive ROI on your finance automation projects?



While many CFOs are used to being experts at planning and forecasting, this is a good opportunity to outsource expertise. Fintech vendors should have well-documented business benefit benchmarks related to the automation their system provides. Ask them to help in establishing goals, defining benchmarks and determining how to measure against them and how to report back on them. Quantifying success in early automation projects will help guide future investments and ultimately allow for a more holistic, clearly defined approach to automation.

THE ROAD AHEAD: WHAT'S NEXT?

The road to automation is certainly fraught with risks for companies that approach such projects without a thought-out plan.

Here are some tips to help you along the way:

- When selecting an automation project, start with small but meaningful wins. What tedious process is absorbing too much of your team's time?
- Strategically involve cross-functional stakeholders. What issues are we forgetting that may later detract our progress?
- Roll out a basic implementation first, then make improvements in future iterations so you don't make inaccurate and costly assumptions.
- Look to your vendors to help you measure improvements and key results. Measuring ROI on initial automation projects will guide your decision to invest in further automation.

You can read more about overcoming automation hurdles in The Top 2 Barriers Keeping Finance Teams from Adopting Automation—And How to Overcome Them.

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