



INSTITUTE OF FINANCIAL
OPERATIONS & LEADERSHIP

Top 3 processes for your finance automation roadmap and how to get started



INTRODUCTION

Any effective team, whatever the department, will rely on a series of processes that enable the range of tasks and responsibilities to be carried out consistently and repeatedly.

Finance teams are no different. In fact, given that finance teams are responsible for looking after the company's money, there are a large number of areas that not only have their own process, but often have their own dedicated team.

Some examples of this are managing company spend on goods or services, employee expenses, payroll, and employee benefits.

The Accounts Payable (AP) department has the primary responsibility of ensuring all company spend is authorised, legitimate, and timely.

The Accounts Receivable (AR) department is responsible for managing all monies that are due to the company.

This involves everything from billing customers for goods/services, to receiving payments, as well as managing late payments to keep the company cash flow in a healthy state.

FINANCE PROCESSES

Having robust processes in all areas of finance will ensure your wider finance function can operate most efficiently.

Our recent global study highlighted that 40% of respondents do not think their finance team has modern and efficient processes, and 76% think their finance team needs to review their processes.

With an array of technology on offer now, it's no wonder that a growing number of finance teams are now automating their processes. But there are still a large number who still rely on manual processing and who may feel reluctant to switch to automated methods.

This guide is for finance teams who are looking to get started with automation, but need a helping hand on where to begin.

This paper focuses on three key finance processes to automate.



INVOICE
PROCESSING AND
APPROVAL



PURCHASE ORDERS



COLLECTIONS

We will define what the typical processes look like, discuss the benefits of process automation, and provide guidance on how to get started with process improvement.

WHAT IS AUTOMATION?

Automation is a broad term used to describe a range of technologies that are specifically designed to reduce manual processing typically carried out by people.

If a process or system is automated, it happens automatically, with no human intervention.

In the context of finance, automation is not a new concept. For over 30 years, technology has been critical in replacing paper-based manual finance processes.

But it's only in the last ten years that more companies are starting to adopt automated methods.

Carrying labels such as Artificial Intelligence (AI), Machine Learning (ML) and Robotic Process Automation (RPA), the latest breed of automation tools have meant learning a new language for many.

Put simply, technology can now handle all of the 'processing' side of finance tasks, doing it automatically, accurately, and more efficiently.

This frees up finance employees to focus on added-value tasks such as reporting, identifying trends, strategy, and improvement.

INVOICE PROCESSING AND APPROVAL

The Accounts Payable (AP) team is responsible for managing all company spend. This involves everything from receiving the supplier invoices, processing, gaining approval, scheduling and making payments.



Our latest AP trends research showed that 60% of AP teams handle in excess of 1,000 invoices per month, and 23% handle over 10,000. With such high invoice volumes, you would think that this area works efficiently.

The AP process is most often manual or partly-automated. Our research revealed that only 9% of AP teams are fully automated, and 54% are in a partially-automated state.

Over two-thirds of respondents (68%) manually enter invoices into their ERP/Accounting software, and over half (56%) spend over ten hours a week processing invoices and supplier payments.

In our 2022 finance processes survey, two of the top three inefficient processes reported were **invoice processing** and **invoice approval**.

Automating Invoice Processing

Automating invoice processing means digitising everything from invoice capture, coding, to approval and payment. All manual tasks are replaced with efficient, automated processes, removing the risk of errors, inaccuracy, invoice duplication and fraud.

Invoice approval no longer means chasing paper invoices around the office or sending lots of emails, it can be achieved instantly with a fast, digital workflow.

BENEFITS OF AUTOMATED INVOICE PROCESSING:



Improved accuracy of invoices through automatic data capture and coding.



Efficient invoice approval with built-in approval workflows and automated alerts.



Digital and reportable audit trail of all invoices and their status.



Increased security of sensitive information, with anti-fraud and duplication checks.

2 PURCHASE ORDERS

A Purchase Order (PO) is a commitment to spend company funds with a supplier. They form the first part of the accounts payable process, and are an agreement between the buyer and seller.

Whilst POs are centrally managed by the finance department, they can be generated by any employee within the company. For this reason, it's imperative that finance teams have a robust process in place to approve any POs before they are issued to suppliers.

Having a manual process can involve managing spend requests on spreadsheets, paper forms, or across email chains. This is difficult for finance to monitor, and coupled with errors typically associated with manual processes, can expose the finance team to unapproved spend, unknown suppliers, and unexpected invoices.



In our 2022 finance processes survey, POs were the most inefficient process. If employees commit to spend money without giving visibility to finance, huge problems arise managing cash flow when invoices come in.

Automating Purchase Orders

Automating POs centralises the process and provides finance with a real-time view of committed company spend. There is little data entry to generate a PO as suppliers, cost codes, and approval workflows are stored digitally. POs are auto-routed for approval via budget holders and finance, and suppliers are sent the PO as soon as it's approved.

When invoices are received, the software automatically matches them to the PO details - looking at the amount, the supplier, and the goods/services received. If they match, invoices are routed for approval and payment without any queries.

It's a robust process, relying on AI to do the checking, and identify invoice exceptions automatically.

BENEFITS OF AUTOMATED PURCHASE ORDERS:



Reduces the likelihood of unapproved spend as all employees follow a process.



Faster approval process with online, and often mobile approval.



Reduction of unexpected and unauthorised invoices.



Finance teams have a real-time view of committed company spend.

3 COLLECTIONS

The Accounts Receivable (AR) team is responsible for billing customers for money owed for the company's products or services, and collecting payments. This covers sending out invoices, the receipt of payments, as well as managing the Daily Sales Outstanding (DSO).

A recent external global study revealed that 42% of finance teams who are still heavily reliant on spreadsheets reported a high ratio of late payments overall (15%).

Late payments are a growing issue for many businesses, impacting cash flow and demanding time from finance teams who have to chase and manage collections.

There are few finance processes considered a greater priority than collections. The role of bringing funds into the company is critical, so the process has to be efficient.



Our 2022 finance processes survey showed that 40% of respondents felt their finance team didn't have modern and up-to-date processes. The top two common problems experienced as a result were:

- Manual processing time delays
- Errors from manual processing

Automating Collections

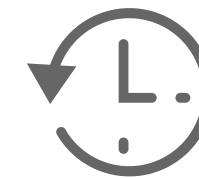
Automation removes the manual steps required to issue, remind, follow up and chase overdue invoices. More regular and automated steps reduce payment times, and mean that employees are not spending large amounts of time chasing payments.

In the same external study, 79% of respondents stated that Artificial Intelligence (AI) and automation will be a strategic priority in the future so they can speed up collections with a more efficient process.

BENEFITS OF AUTOMATED COLLECTIONS:



Increased speed and efficiency for managing high volumes of invoices.



Reduction in collection times for payments and reduction in DSO.



Improved company cash flow and cash flow forecasting.



Increased security and compliance of confidential information.

HOW TO GET STARTED

Getting started with automating finance processes doesn't need to be hard.

Here are some steps outlining what you need to do.



PROCESS REVIEW

Whatever you are looking to improve or automate, you should carry out a review of your current process.

When doing this, try and answer the following questions:

- What is your goal / objective for automating this process?
- What is working well / not working well with your current process?
- What are the pain points? / What problems are you trying to overcome?
- What are your key needs? / What criteria does a solution need to meet?
- What is your budget?
- What are your timelines and approval process?

Once you have defined this for your process(es), you will have a clear understanding of what solution you need.



RESEARCH

Now you have identified your goals and have your list of requirements, you can research available options. This may be a good project for someone in your team to assist you with.

This could take the form of online research. You can also find out what other finance teams do by attending networking events or joining online communities.

During the research, cross check possible solutions against your needs, and assess or even score them according to how best they meet the criteria.

On top of the features of an automated solution itself, be sure to consider other parts of the service provided such as the customer support, time to implement, etc.

You may need to request information from some providers at this stage, or even have a short demonstration to see how the products work.

Reading customer reviews on software review sites is also a great way of hearing first-hand from customers about the full service provided.

Prepare a shortlist of your top two or three preferred solutions that meet your requirements.

HOW TO GET STARTED



EVALUATE

If available, taking a free trial or evaluation of an automated solution is often the best way to find out if it will work for you. This may be something you need to agree with the solution provider.

Define your goals for the trial. Having specific objectives means you can measure how effective the solution is at meeting them.

Decide who in the team will be participating in the trial. Sometimes, a smaller number of people is enough to fully test out the solution before rolling it out to all users. Ensure that your trial and test user group will make use of the range of functionality you need so you can fully test the whole process.

Define your trial period and communicate with all users so they know what to expect.

During and after your trial period, collate any feedback from the users. Meet with them briefly to discuss the experience, and hear their feedback. You can refer back to your original objectives to decide if they have been met.

Once you assess your experience on the trial, you will know if the solution is right for you.



IMPLEMENT

When you have chosen your solution and agreed your service plan in line with your budget, you will work with the provider on implementing it across the wider teams.

A good service provider will agree on an implementation plan and schedule to work with as part of their onboarding process.

Make sure you are comfortable with the timelines as there may be information required from you/other users to enable the set-up.

Communicate with your team and any other users in advance of going live, so everyone is aware of your timelines. Ensure that any training and support is in place so users can learn the new process and get to grips with new software.

As you are going live, make yourself available for any questions and feedback from your team/other users. They are going to be more likely to embrace the new process if they are not left alone and know where they can get support.

Whilst you should be monitoring your new process continually, you can also carry out a more formal review. After a few weeks/months, set aside a time to have a process review with your team/other users. Look back at your original goals and check if you have met these. Asking users for feedback in the form of short surveys or focus groups can be a good way to understand how things are working.

SUMMARY

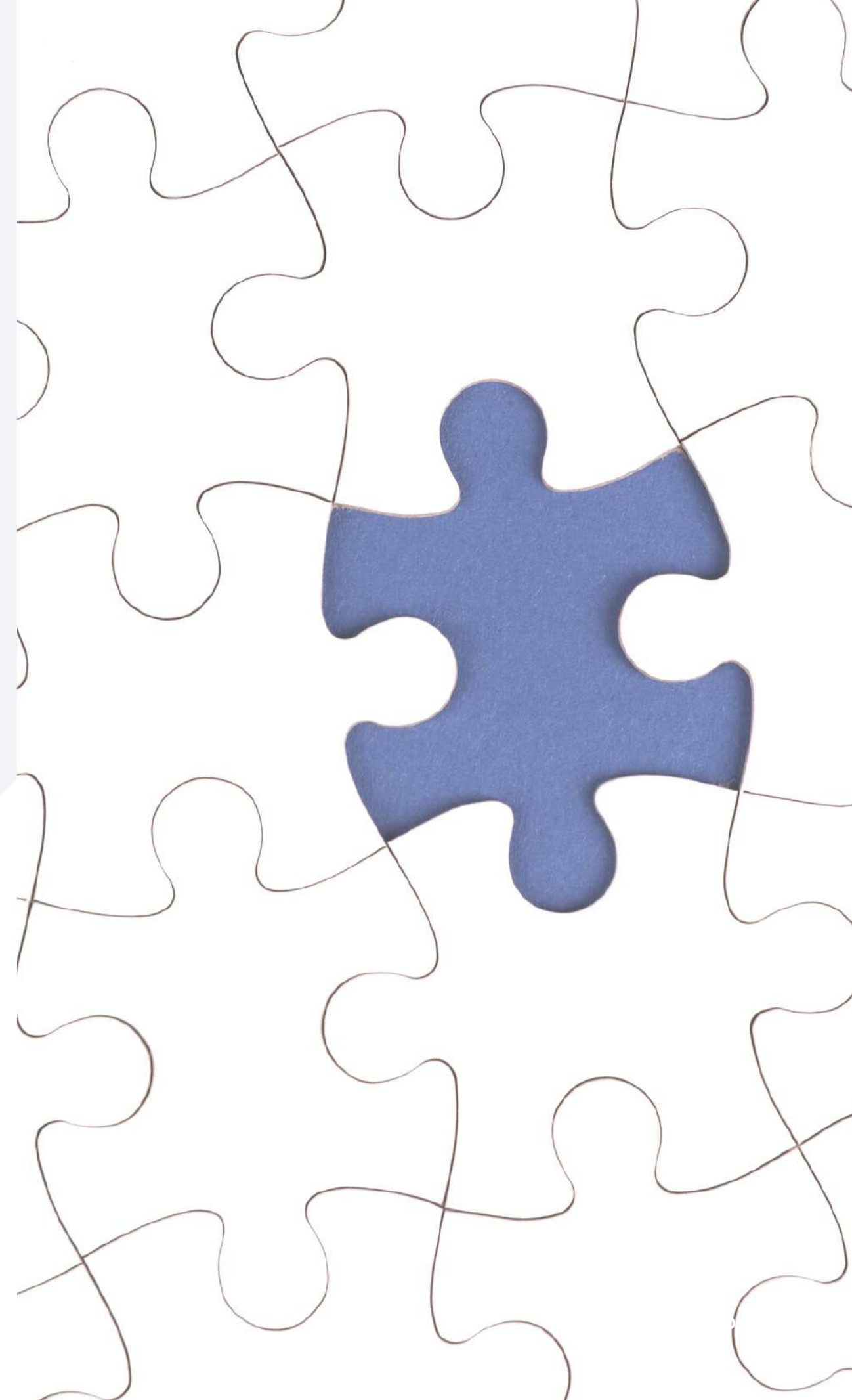
Whilst there is a range of finance processes that can be automated, this guide summarises three vital processes that are a good place to start.

The tools and software are available to assist teams in becoming more efficient with their time.

With technology doing the manual processing, employees can better focus on areas that are going to propel themselves, and the whole team forward.

As we look to the future, all teams should be looking for efficient and sustainable ways of managing processes.

Automation is a key part of building sustainable finance processes, removing the reliance on paper-based methods and centralising data so finance can identify trends and make informed decisions about spend management.



ABOUT US

The Institute of Financial Operations and Leadership (IFOL) is a leading provider of education, support and research to a global audience of Accounts Payable, Procure to Pay, Accounts Receivable, Order to Cash, and Payroll.

We provide training, certification, and support to both individuals and teams so they can grow as professionals, improve their performance and advance their careers in finance operations.

With over 30,000 active members and 7,000 students from over 14 countries who study with us each and every year, we offer over 13 courses and qualifications and help our students achieve a 99.8% first time pass rate.

Our promise

“In an ever-changing environment, IFOL helps finance operations professionals be more effective through industry-leading education, training, and support.”

OUR RESEARCH

We’re committed to providing leading research and helpful resources for finance professionals.

Each quarter, we produce a brand new research paper across a range of themes within financial operations and leadership. The research also features in live webinars and panel discussions with our education and training team.

IFOL research referred to in this report:

- Automation Trends 2022 Study
- Finance Processes 2022 Study

For information about courses and membership visit <https://acarp-edu.org>.

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