6 Factors that changed the world of finance automation in 2020

In Spectrum's view, the world of finance automation was impacted by two macro issues during 2020 and through to 2021; the on-going impact of Covid-19 and the evolution of new technologies. Together these make up six more specific factors that are explored in the

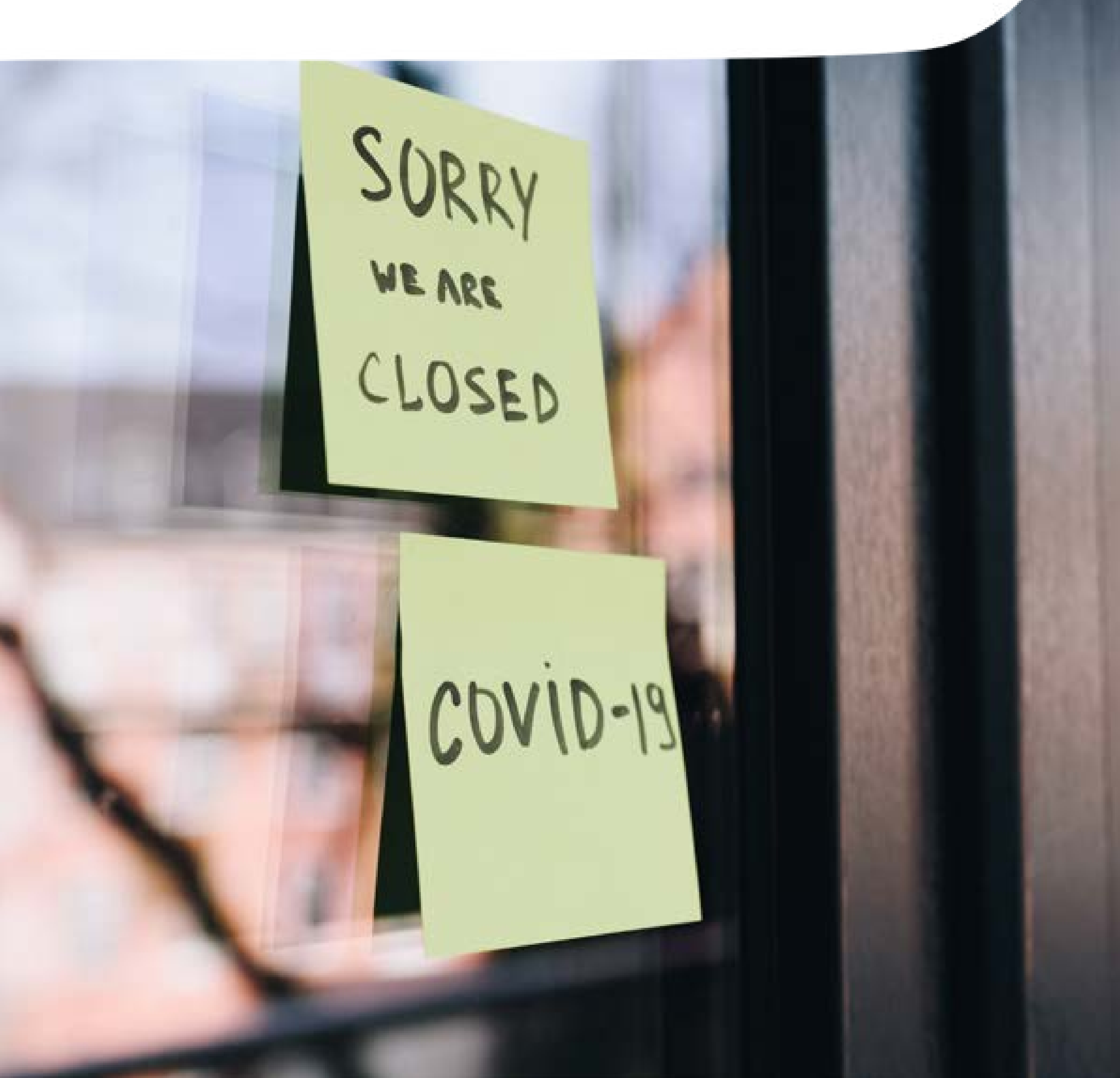
By Steve Motley - Head of Digital Solutions

The impact of Covid-19 on the Finance function.

The automation of 'accounts payable' and 'accounts receivable' processes has transformed finance functions.

During 2020, this trend has become even more pronounced. The pandemic has had a significant impact on industry and the way we work.

This has increased the demand for digital automation within businesses. The specific factors that have influenced the adoption of finance automation during 2020 include the following.



1. The work from home revolution.

Within days, companies across the UK had to gear themselves up to allow large swathes of their workforce to work from their kitchen tables.

Focus was on making sure people had access to the right equipment and systems to allow them to continue to do their jobs. This was quickly followed by secondary considerations.

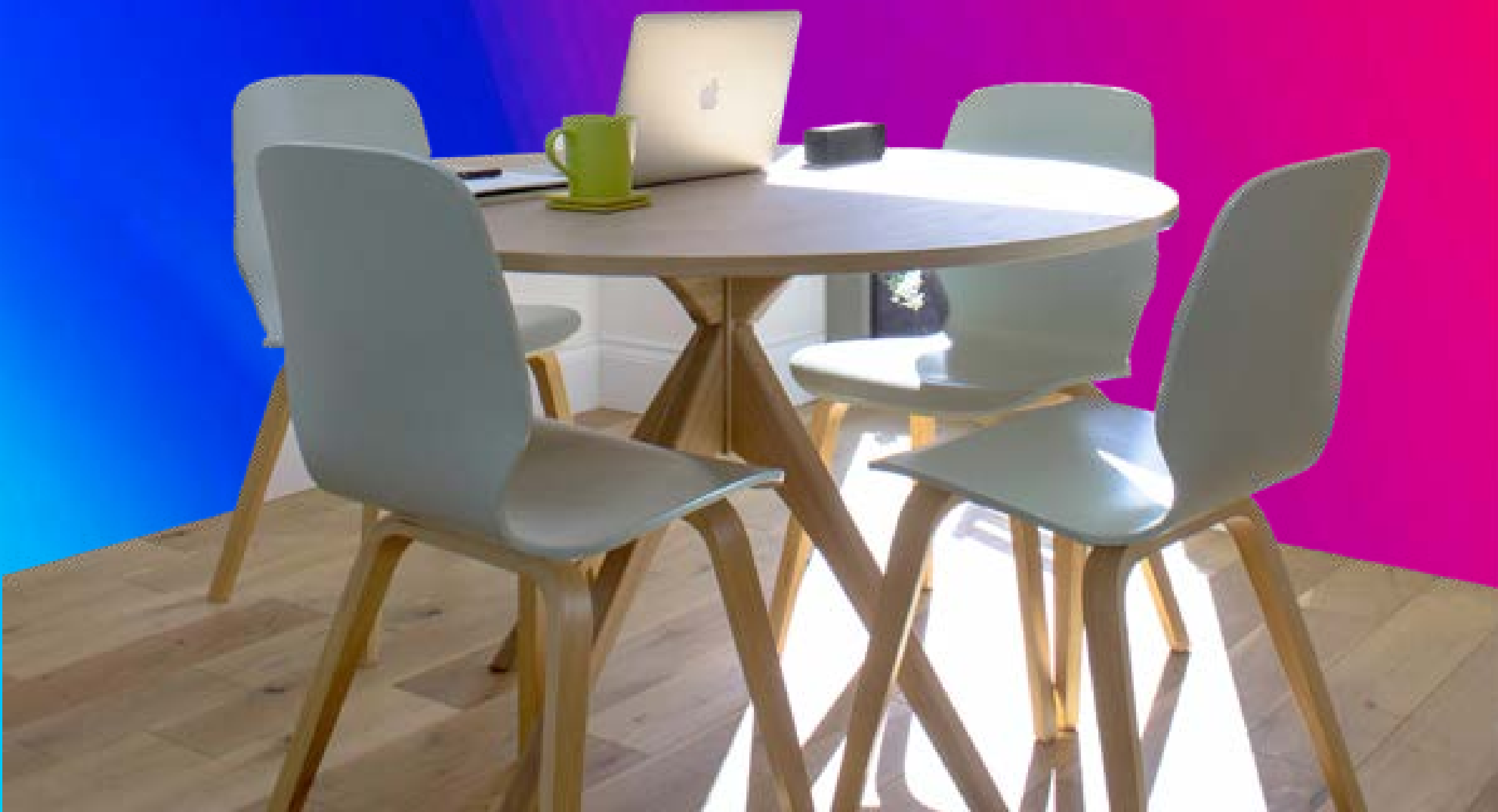
How do we get sign off and process invoices that would normally have been passed around the office?
and
How do we manage a team of finance administrators when they are sat at their kitchen table and not in the office?

2. The winners and losers.

One thing is for certain, when it comes to business in 2020 there were winners and losers.

Some sectors and industries have seen demand for their products and services increase many times over. Others have seen demand disappear to a fraction of 2019 levels. Businesses have again had to react.

How do we scale our finance processes to keep up with the increased transaction volume?
or
How do we make processes leaner and more efficient to help us ride out the downturn that Covid-19 has created?



3. Cash remains royalty.

Never has the statement **'cash is king**' been as true as it is today.
Unprecedented government support packages have been critical to keeping thousands of businesses afloat. But those packages alone have not been enough.
Many businesses have needed to manage their cash position to the penny to ensure survival during this period.
Conversations about debtor days have moved from the finance department to the Boardroom. Businesses have focused on managing their cash position. Improving their accounts receivable processes to make the time from invoice to cash as short as possible has been a critical process for many businesses.

That should not be a surprise.

Independent research from PYMNTS and American Express highlighted that firms that "rely on manual processes take 67 percent more time to follow up on overdue payments than those that use automated AR processes".
All these factors resulted in a sharp increase in businesses investing in automating their accounts processes during 2020.

Spectrum are not alone in witnessing this shift.

Research by PYMNTS and American Express identified that "approximately two-thirds of firms are moving away from manual processes and are planning to embrace technological solutions to upgrade their AR systems for faster processing, higher efficiency and lower costs and thus address what they view as their three main pain points".

This certainly provides food for thought!

Technology unlocking further opportunities for automation.

The pandemic is not the only factor changing this industry. Like every other industry, the rapid development of new technology is also a factor.

4. AI/Machine Learning.

It is now routine for organisations to use Optical Character Recognition (OCR) technology to 'read' documents.
For example, invoices, whereby the technology can extract key information such as Purchase Order numbers and match them against a central payment system such as an ERP.
In most cases this can provide good results with around 60%-70% of invoices being matched using this approach, thus significantly reducing the requirement for manual intervention in the process.
Yet, with advances in AI and Machine Learning we are now able to increase that match rate through systems' ability to suggest and learn more rules.
In doing so the software continues to reduce the overhead of having to manually review and process exceptions.

This saves time, reduces errors and improves efficiency.

5. Robotic Process Automation.

Robotic Process Automation is another technology making an impact within the finance function.
The ability for pre-programmed 'bots' to replicate previously manual tasks is a potential game changer for the function.
The benefits are obvious. The bots can work 24 hours a day, 7 days a week, 52 weeks a year and they are not prone to the same accidental errors as humans.

But what are the use cases?

One example would be the requirement to pull or send invoices to and from portals for accounts payable / receivable purposes.

Bots can automate this process and feed the data into the OCR engine.

Another popular use case is the automation of the credit control process. Using bots to identify and pro-actively contact customers who are approaching or exceeding their payment terms.

This saves time and resource resulting in getting cash back into the business quicker.

6. Cloud.

The final technology trend which continues to have an impact is the continued move towardsccloud-based solutions.

The ability to access technology and information from anywhere has been critical during 2020.
More and more companies are adopting a cloud first strategy which we expect to continue well into 2021 and beyond.

This is resulting in an increase in 'off the shelf' Software as a Service solutions for finance automation launching into the market.
Whilst these products have their place, they are often built as standardised solutions for standardised processes. We have come across many examples where a business processes is anything but standard and this is often for a good reason.

For this reason, businesses need to first review and then optimise their core finance processes before jumping into investing in an off the shelf finance solution.

Robotic The View from Spectrum.

In 2021, utilising technology to remove repetitive and mundane tasks is no longer a nice-to-have and is becoming essential for businesses to embrace.
The global pandemic is forcing businesses to find ways to innovate their proposition. Whether we like it or not, this is shining a spotlight on those slow/painful processes lurking within our teams where we have not had the urgency to challenge until now.

The time to automate is no longer tomorrow, and the reasons are still the same:

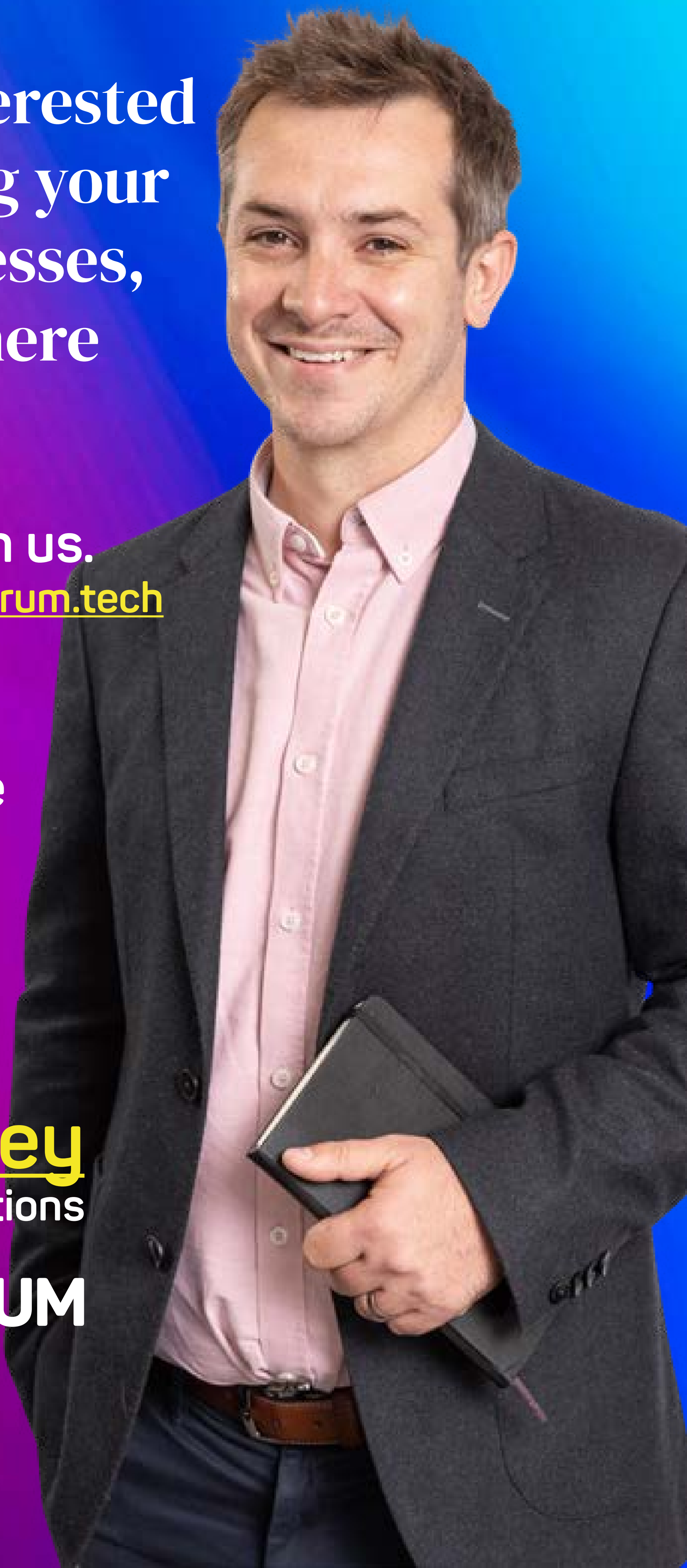
- **Improved productivity and efficiency**
- **Increased transparency**
- **Cost-saving**
- **Better employee engagement**

So, the question is: with many potential areas to automate, where should you start?

Ask yourself the question, are you one of those businesses that are thriving or struggling? You are likely to have different priorities depending on which category you fall into.
If you find yourself thriving right now, you may find your current processes are struggling to keep up with the new demand, or you might want to prepare for the future.
Our recommendations with productivity, transparency, and employee engagement focuses are most likely right for you.

Unfortunately, if you are one of the many businesses negatively impacted by the epidemic, we think your automation goals will be a bit more focused; after all, cash is king right now! In this instance our recommendations would be focused on productivity and cost-saving opportunities.

If you are interested in automating your finance processes, then we are here to help!



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