

Automating The Finance Function: The Future of Finance



Of all the areas that businesses automate, finance continues to lag far behind.

The widespread use of spreadsheets or other outdated systems to perform accounting duties has put millions of businesses behind when it comes to automation.

Though common in smaller businesses, even larger businesses that utilize technology in other parts of their business often struggle when it comes to making the switch to automated solutions in finance.

Intelligent Automation in Finance

Intelligent automation, or IA, is not new.

Every time you upload a receipt to your expense management app, deposit a check on your bank's online platform, chat with a virtual assistant, or type a search term into Google, you're using a form of intelligent automation.

Financial services companies have also been using intelligent automation for years.

What is Intelligent Automation?

Intelligent Automation (IA), also known as cognitive automation, is the combination of technologies to automate and streamline business processes and decision-making.

This can involve a combination of robotic process automation (RPA), artificial intelligence (AI), and business process management (BPM).

IA is designed to streamline business functions to make businesses operate more efficiently, free up resources, while also reducing errors.

While business owners can use a mix of automation solutions, using all three is recommended to create a more integrated environment.

Business Process Management (BPM)

Though technically not automation intelligence, and not even necessarily requiring the use of technology, business process management is a key consideration before implementing change.

Before introducing the automation into your business, you must pinpoint areas of your business that can benefit from it and proceed with a broad overview of the business requirements.

If not, you'll likely end up with numerous technologies operating independently of each other. The result is that you'll solve a few pressing problems while creating much larger issues down the road.

Artificial Intelligence (AI)

Artificial intelligence utilizes machine learning rather than human intelligence.

Using complex algorithms, machines can analyze data and create predictions based on that data.

Artificial intelligence has two categories;

- **Narrow AI:** Narrow AI uses limited context, focusing on performing a

single task well rather than multiple tasks. Narrow AI is widely used today in everything from the search you complete on Google to the personal assistants offered by Apple and Amazon.

- **Artificial General Intelligence:** Artificial General Intelligence or AGI is the most similar to a human, and can apply solutions to a variety of more complex problems.

Robotic Process Automation (RPA)

Robotic process automation, or RPA, when used in finance uses a series of tools that allow businesses to configure software robots or bots that both captures and later interpret financial data from transactions, allowing companies to make more informed business decisions in real-time.

Mostly used to handle routine tasks such as automating the data extraction process from forms, RPA can be used in simple cases such as automated email responses to working with artificial intelligence to handle even more complex financial processes.

Digital transformation is happening in finance departments around the globe but progress remains slow. Less than 20% of companies have instituted accounts payable (AP) and Purchase-to-Pay automation in their business.

Current Challenges to Automated Finance Processes

Change is hard.

Because of that, many business owners and CFOs alike continue to rely on manual processes for their finance departments rather than making the switch to intelligent automation.

While the “we’ve always done it that way” mindset can play a role in this inability to move to automation, there are a variety of reasons why businesses aren’t moving in this direction, including the following:

- **Resistance to change:** If business owners and finance teams are content

with the status quo, they are often reluctant to change to a more automated process.

- **Lack of technology expertise:** Many business owners are not particularly skilled in technology. That fear may be keeping them from exploring the latest technology and how it can benefit their business.
- **Cost:** Small businesses in particular that operate on a tight budget may feel they're not financially capable of making the move to a more automated finance department.

Many businesses remain stuck in this repetitive cycle, unsure where to start. Many business owners, reliant on spreadsheets for so many years, continue to utilize them, even when better, more automated solutions are available.

But automating even one area of a business can often help owners feel more comfortable when making the switch across the board.

The Downside of Manual Processes

But continuing to rely on manual systems can prove to be costly for businesses, creating multiple issues across the board including the following:

1. **A lack of flexibility:** Manual financial systems often require employees to work onsite, offering little in the way of flexibility. Making the move to a more automated environment allows workers to do their job from anywhere with an internet connection.
1. **Time-consuming processes:** Even small businesses can get bogged down with the time it takes to complete tasks manually, with more than 35% of accounting and finance leaders stating that time-consuming processes were one of their biggest problems.
2. **Errors and inaccuracies:** The biggest downside to using manual finance systems is the propensity of errors that can occur. Spreadsheets are great, but they are also ripe for errors and inaccuracies. One missing number or two numbers transposed can create inaccurate reporting, under or over-payments, or late payments, costing a company much more than they would have spent had they automated.
3. **Administrative errors** - Administrative errors can be just as costly as

accounting errors. Inaccurate addresses, missing or incorrect tax I.D. numbers, missing purchase order numbers, and incorrect totals can all lead to an avalanche of costly mistakes.

4. **Volume:** Though the case can be made for very small companies using manual processes, businesses with a high volume of accounts payable can experience significant delays in processing when using manual methods.

Of course, the COVID-19 pandemic created a new list of challenges. Businesses that were already using automated finance technology such as cloud computing were able to make the switch to remote work seamlessly, while those using manual processes to create purchase orders, invoices, and manage accounts receivable have had a much more difficult time.

And while many of these businesses have continued to struggle with the aftermath of the pandemic, those that have embraced the benefits of automated finance technology have been able to return to operations with some measure of normalcy.

What are the Benefits of Using Automation Technology?

Making the switch to automation technology offers numerous benefits. Even automating a single repetitive process can reduce mistakes, increase production, and allow business owners to deploy personnel to other areas where they are needed.

Here are a few of the areas where one or more of the automation technology processes can be helpful to finance professionals:

1. **Better Risk Assessment:**

Intelligence automation and artificial intelligence in particular can help companies make more informed risk analyses while improving the decision-making process.

This technology can benefit everyone from credit card companies looking to assess the risk of a potential cardholder, to auto insurance companies analyzing

past driving records to determine the appropriate premium for a new policyholder.

AI also looks at the history of both the credit card applicant and the historical driving record of the applicant, examining everything from payment history to the number of speeding tickets received.

Having this information available makes it easy to assess the potential risk of each candidate and make any adjustments such as higher interest rates or a higher monthly premium based on the forecasting provided.

2. Better fraud detection

Financial institutions, particularly those that lend or invest money, are always looking to increase their fraud detection capabilities.

Banks and credit unions alike already employ artificial intelligence to better analyze customer spending habits based on prior purchasing. If AI detects an anomaly in their spending habits, the customer is alerted.

For example, if you've never been out of the U.S. and suddenly your credit card is displaying purchases from every European capital, the expenditures will be flagged as possible fraud.

This enables banks and their customers to get a handle on any possible fraud issues before they become a major issue for all parties involved.

3. Managing personal finance

Managing personal finances can be challenging for many of us.

That's why personal finance applications are turning to artificial intelligence in their offerings. in their products.

For example, the use of AI in spending applications uses algorithms to analyze spending habits and then make recommendations on how to better manage your spending.

For example, most expense management applications use AI in their applications. This allows users to upload receipts to the application, where they are analyzed and placed in the proper categories based on the previous usage.

AI is also used in document management applications, with the ability to scan and decipher documentation to place the documentation in the correct folder.

4. Streamlines operations

Using artificial intelligence appropriately can help to streamline workflows throughout your business.

While it can lead to staff reductions in some areas, it also allows businesses to utilize their employees more engagingly, increasing employee satisfaction and longevity, while reducing the amount of time that is spent doing routine tasks.

For example, automating banking activities has allowed bank employees to spend less time on repetitive tasks and now focus their attention on offering customers a better customer service experience.

Accounting processes and other automation tools also reduce the need for human intervention.

5. Decreased Costs

One of the biggest advantages that companies will experience when choosing to implement artificial intelligence is a reduction in costs.

Of course, part of that reduction may be due to eliminating positions previously staffed by an employee. The reduced cost associated with using RPA technology is significant since the technology itself is considerably less than that of a human employee.

And of course, RPA technology can work around the clock with fewer errors, reducing costs while also improving production speed.

But cost reduction goes much further than simply replacing an employee. One of the largest reductions in cost is a result of a decrease in errors.

Errors can be something as simple as a typo entered by a data entry clerk, to a multi-million dollar mistake made by a stressed-out employee.

Using intelligent automation which includes both artificial intelligence and robotic process automation can significantly reduce or even eliminate those costly mistakes.

6. Increased Revenue

Along with decreased costs, using intelligent automation can also help to increase revenues by decreasing production costs while increasing output.

According to Forbes, 63% of business executives that have adopted AI processes report an increase in revenue, with marketing and sales reporting the biggest increases.

In most cases, the increase in revenue is due to targeted sales efforts, better marketing strategies, streamlined production, quicker time-to-market, and better customer service capability, all of which create more accurate data sets and directly contribute to an increase in revenue.

Areas ripe for a technology upgrade

Though transformation is happening in finance departments across the globe, progress in automating accounts payable and purchase-to-pay systems, in particular, remains slow.

Recent surveys have shown that less than 20% of companies have instituted accounts payable (AP) and purchase-to-pay automation in their business.

The reasons vary, from reluctance to use multiple systems to the need to possibly retrain all current employees on the latest technology.

Today, even with electronic invoicing capability available through most accounting software applications, only 20% of small and mid-sized businesses can implement electronic invoicing.

The pandemic has also added a few more issues that business owners must consider when looking to move to more advanced technology; security.

With the majority of businesses now allowing remote working, it's more important than ever that the information shared between the office and worker's homes is protected.

Because of that, companies are in the market for a secure solution that can integrate with existing systems, all hosted in a cloud environment.

The finance industry is the perfect candidate to expand the usage of artificial intelligence. Automating repetitive tasks such as manual data gathering and data entry, document authentication, and reporting can help businesses reduce errors while also freeing up employees for more strategic activities that focus more on growing the business.

Embracing automation technology can also increase revenue by eliminating unnecessary staff while helping to streamline production.

Though adopting this new technology has been slower than expected, the COVID-19 pandemic has accelerated that process across multiple industries, as more business owners realize that using finance automation is essential for normal business operations.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

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