A STRATEGICCFO360 / VIC.AI RESEARCH REPORT

THE FUTURE OF AUTOMATION AND INTELLIGENCE WITHIN ENTERPRISE FINANCE

Already revolutionizing accounts payable, automation is poised for accelerated adoption across finance and accounting.

StrategicCFO360 | VIC.AI

WHILE THE POWER OF AUTOMATION HAS BEEN PROVEN FOR DECADES in industries such as manufacturing, and more recently within business functions such as marketing and customer service, we've not yet seen the full deployment and impact of automation within finance--but we're on the brink of a paradigm shift.

The nature of finance and accounting tasks, being repetitive and predictable, makes them well-suited for automation. It's a technology adept at identifying patterns and applying that information in a manner that is less likely to miss discrepancies or anomalies. With automation in place, businesses can free up and better allocate resources toward areas of greater value such as providing better-informed, data-driven strategic input or innovative ideas.

But for now, some challenges and concerns remain. While few finance organizations have completed their automation journey to date, for a variety of reasons, many are well on the path to full automation. This means those that have not taken the leap are not behind—yet—but the next couple of years is when we will see leaders begin to break away from the pack and position themselves to win.

A survey of 145 U.S. CFOs and finance leaders, conducted in partnership between StrategicCFO360 and Vic.ai in May 2022, shows the pressure to automate the finance function in the near term is mounting. The challenge now, CFOs say, is making it all work with the resources and systems they have.

KEY FINDINGS

- The plurality of CFOs recognizes the value of automating the finance function, with 61% reporting it has significant value
- 58% of CFOs plan to increase their investment in automation over the next 12 months, with nearly half expecting to achieve their goals within the next two years
- A quarter of CFOs polled report having already fully automated their payroll and invoice management processes, and approximately 45% say it's underway in both
- The most common challenge faced by CFOs when automating the finance function is integration with their current systems, according to 61% of CFOs
- While increasing efficiency and productivity is by far the leading objective for CFOs to use automation, over half of CFOs are also seeking to generate more insights
- When looking at data collection specifically, a resounding proportion of CFOs (81%) say they're looking to optimize processes and resources with operational processing insights

THE VALUE OF AUTOMATION FOR FINANCE

Throughout history, automation has been fundamental to creating new value by balancing people, processes, and technology. Automation started in 1913 with the introduction of the automotive assembly line by Ford Motor Co., but really took off from the 1940s onward as Ford and other manufacturers introduced mechanical, electrical, and eventually computerized processes to augment human effort and intelligence.

The advent of semiconductors and the development of more advanced machine learning, artificial intelligence (AI), data analytics, and robotics has accelerated the adoption of automation exponentially since the 1970s. It's gone from conveyor belts to robotic toys and vacuums to self-driving vehicles. We are now entering a new phase of intelligent automation that is changing how enterprises operate in optimizing processes, personalizing customer experiences, and enhancing decision-making, enabling new levels of digital maturity—including within enterprise finance.

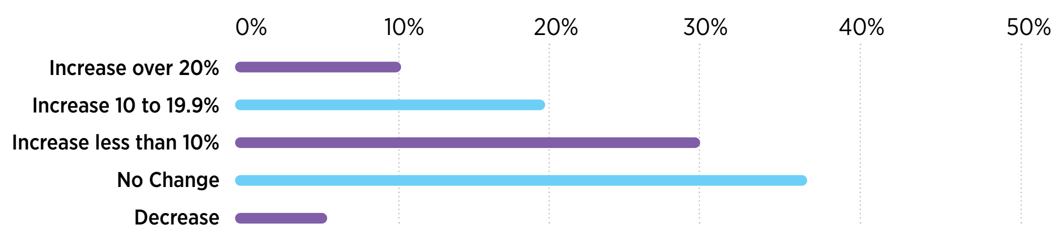
According to our survey, 61% of CFOs see significant value in automating the finance function, with 32% rating it a 5 out of 5, on a 5-point scale where 5 is "Significant," and 29% rating it 4 out of 5. Perhaps unsurprisingly considering the tight labor market, rising costs of operations, and threats of an economic slowdown on the horizon. Automation directly addresses labor challenges by driving greater efficiency and productivity, reducing costly errors (and therefore less manual rework), and eventually creating opportunities to reallocate resources in new and smarter ways.

Amid economic uncertainty, higher interest rates, and record-high inflation, there's increased demand for companies to show profitable growth. To achieve this, budgets are being tightened to show an improving bottom line, and companies are beginning to decrease future recruiting to bolster financial stability through the storm ahead.

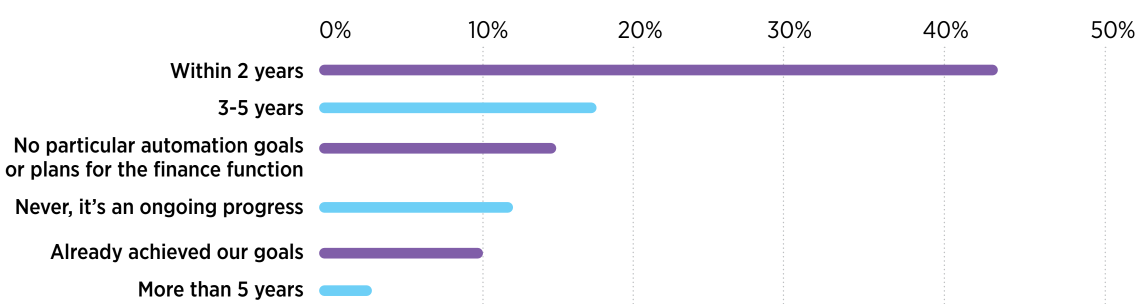
With rising labor costs, among other expenses, there is an increased need for automation to help navigate the current economic environment and come out ahead. Historically, enterprise software has been a safe investment in rough markets, and cloud offerings avoid the expensive upfront investment while providing ROI and cost savings after just a few months, so it's an easier decision to make.

Our survey data corroborates this point, with nearly 60% of polled CFOs reporting they plan to increase their investments in automation over the next 12 months. There, indeed, appears to be a sense of urgency to take action. Overall, 43% said they expect to have achieved their automation goals within the next two years, with an additional 10% reporting that they had already achieved those objectives.

% Change in Automation Investments from Prior Year



Finance Automation Timeline



Unlocking the Benefits of Automation

There's no doubt that the rush to automation is warranted. Taking too long can put a company at a competitive disadvantage given the accelerating pace of change in business and the need to constantly identify and get ahead of new or shifting market trends. Companies that take early steps to enhance their digital maturity in finance will be better equipped to make data-informed decisions, work smarter and faster to remain competitive in a more volatile business environment.

Across sectors, automation will enable finance teams to reach efficiencies that we can hardly comprehend today, and CFOs must encourage and maximize these changes, not just for investors and the longevity of the company but also for better utilizing employees—a company's greatest asset—by freeing them up to imagine bigger ideas and build better companies than ever before.

According to our May survey, nine CFOs out of 10—and 92% of CIOs—agreed that their top objective when it comes to automating the finance function is to increase efficiency and productivity. The increased capacity AI brings makes companies more agile than ever before. Imagine a business in an aggressive growth state, where invoices double year over year. Traditionally, that company would have to initiate a cumbersome hiring process for new Accounts Payable (AP) clerks, which takes time and is very costly. In contrast, AI solutions can absorb that additional workload—no additional personnel required.

In addition, accountants and clerks, once tied down to invoice processing, can instead rise to higher-level tasks and growth initiatives. After all, invoice processing is the most time-consuming and error-prone task in accounting. One of the main benefits of automation technology is that it can work 24/7 with accuracy and consistency. Not to mention that eliminating mundane work positively impacts job satisfaction, which is especially important as companies face unprecedented employee retention challenges. According to IOFM (Institute of Finance & Management), nine out of 10 AP teams feel underutilized and think their time should and could be freed up for more strategic initiatives.

Generating more actionable insights from collected data and reducing errors are also important benefits of automation for finance departments. Data from Accounting Today shows that 41% of errors in accounting stem from humans, 28% of companies aren't able to detect the mistakes but report the wrong numbers, and large companies spend on average 10 days per week finding and fixing errors. Technology these days, and in particular AI, has become so advanced that it surpasses human precision, reaching up to 99% accuracy. That translates to fewer errors, equaling less time spent fixing errors and avoiding duplicate payments.

Top 5 Objectives of Finance Automation

CFO

Increase efficiency and productivity **89%**

Generate more actionable insights **54%**

Reduce errors **52%**

Improve forecasting / financial predictability **47%**

Reduce labor costs **36%**

CIO

Increase efficiency and productivity **92%**

Reduce errors **54%**

Reduce labor costs **43%**

Generate more actionable insights **35%**

Reduce infrastructure costs/maintenance **23%**

The Increasingly Strategic Role of the CFO

Over the past decade, chief financial officers and finance leaders have become the CEO's copilot, providing insights for value-enhancing decisions. With leadership and business acumen, CFOs have naturally grown into this role, as they continue to optimize their traditional finance function and add non-finance initiatives to their responsibilities.

Once focused on the past with transaction management, the most valued finance leaders now help guide businesses into the future by focusing on profitable growth, with spend management being an emerging and increasingly important capability. Instead of being reactive, finance leaders are becoming increasingly proactive, as processes improve and more time is freed up for planning and analysis or encouraging innovation. With the help of technology, the modern-day finance leader is broadening their impact on organizations, playing a bigger role in strategy.

To do that, CFOs have turned to the use of data for help. After years of collecting as much data as possible, many companies have fallen into the trap of stockpiling data, without necessarily understanding where it goes, how it's used and how it can support or inform finance and business strategy.

"Our firm is embarking on a digitalization journey, taking advantage of the tools already available internally and exploring new ones in the market. Our vision is to become a data driven, innovative company, always looking forward to integrating business processes to market trends and proactively responding to the customers' and consumers' needs."
—Survey Respondent, Pharma Industry

The Process Mining Advantage

Process mining is one of the first capabilities that comes to mind when talking about leveraging data with greater intelligence. Back to the early industrial era, processes have been optimized by measuring and applying data.

Most early automation was used to improve process efficiency, which is still the main objective for seeking better data and intelligence, according to 81% of the respondents. As organizations build more digital literacy and skills, they reach new levels of digital maturity and can focus on other strategic objectives, like improving company spending and optimizing cost expenditures with spend and cost insights (59% of the respondents), and uncovering better insights on their customers (55%).

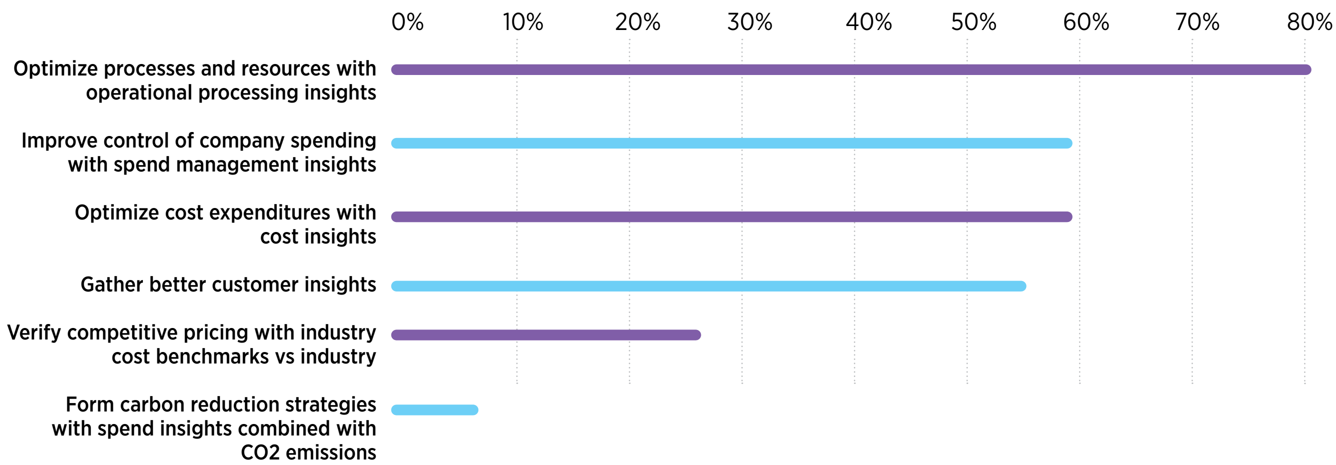
Spend management insight are getting more attention, but few people have a point of reference into what spend management insights they need. It is worth noting that while other objectives for seeking better data and intelligence lagged, there is early recognition that it can drive impact in areas such as sustainability, for example, helping to identify ways to reduce carbon emissions through improved spend management analysis.

Automation not only provides significant process improvement, it can also give real-time insights based on the millions of data points it processes and present them in a digestible, actionable format. The AI can decipher how tasks can be executed more efficiently, identify process bottlenecks, and proactively recognize potential inaccuracies or issues, such as flagging pending due dates to avoid late payments.

Without automation, teams would catch these discrepancies after the fact, if they catch them at all, which is often too late to address the root causes. With automation, these teams can also access valuable insights in spending data and buying patterns. This translates into real dollars saved.

By using technology to leverage existing data sources, CFOs can reduce the manual work of extracting, manipulating, and reconciling data from disparate source systems. While automation is great for streamlining processes, data intelligence is the foundation for making informed, strategic decisions to identify growth opportunities. This allows for smarter and faster business responses and greater business resiliency.

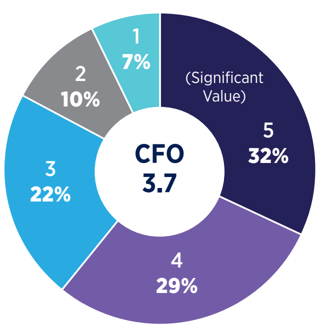
Objectives for Seeking Better Data and Intelligence

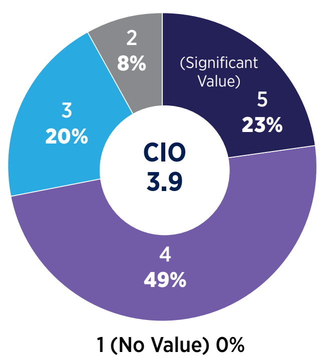


* Respondents were asked to select top 3

It may seem obvious for CFOs to seek to unlock value for finance with automation, but the sentiment isn't lost on other members of the decision-making process. Our research indicates that CIOs also see value in automating the finance function, perhaps even more so than CFOs, with 72% rating it a 5 or 4 out of 5 on our 5-point value scale.

Value Out of Automating Finance Function





SOME CONSIDERATIONS:

The single largest determining factor in how smoothly a company adopts new technology is the mindset of its employees toward technological change. Employees who recognize all the opportunities posed by new technologies—not only for their department and their company but also for their job satisfaction, skillset, and future career prospects—are much more likely to embrace and even spearhead these changes.

Finance leaders play a huge part in illustrating this positive path forward by setting expectations and providing a roadmap with a clearly defined North Star. A few considerations:

- Identify and equip your early adopters to become ambassadors. Once leaders have identified their team members who are most excited about technological innovation, they should equip them with the tools and messages they need to serve as ambassadors for change throughout the department and the entire organization. These ambassadors should be the first adopters. Their fluency in the new technology, paired with their enthusiasm for change, will make them ideal teachers and go-to troubleshooters—helping to ensure swift and smooth adoption across the board.

- Identify individual skillsets and re-train accordingly. Automation already liberates accountants and clerks from redundant, menial work like data entry, approvals, and three-way matching—freeing them up for more cerebral work that adds real value and can be more rewarding. The best leaders plan for these opportunities by identifying and training employees so they can take full advantage of that newfound time. But this work shouldn't be done in a vacuum—a conversation with impacted employees about their interests will keep them more invested and engaged. Perhaps those with the best interpersonal skills can devote more time toward negotiating with vendors or advising clients. Those with a business mindset can help develop financial strategies for the organization. To guarantee success, department leaders should work alongside HR to provide training that can help their team members reach their full potential.

- Implement a culture with an embrace-the-change mindset. No matter how well a company prepares, there will always be some degree of fear associated with change. Change is inevitable. And without it, progress is impossible. The difference between success and failure—in our relationships, careers, and businesses—rests on our willingness to embrace it. By helping employees feel respected, heard, and understood, leaders can avoid much of the resistance associated with change. Help them believe in the positive change coming. While daunting, automation is not slowing down—and it is going to open doors we never knew existed.

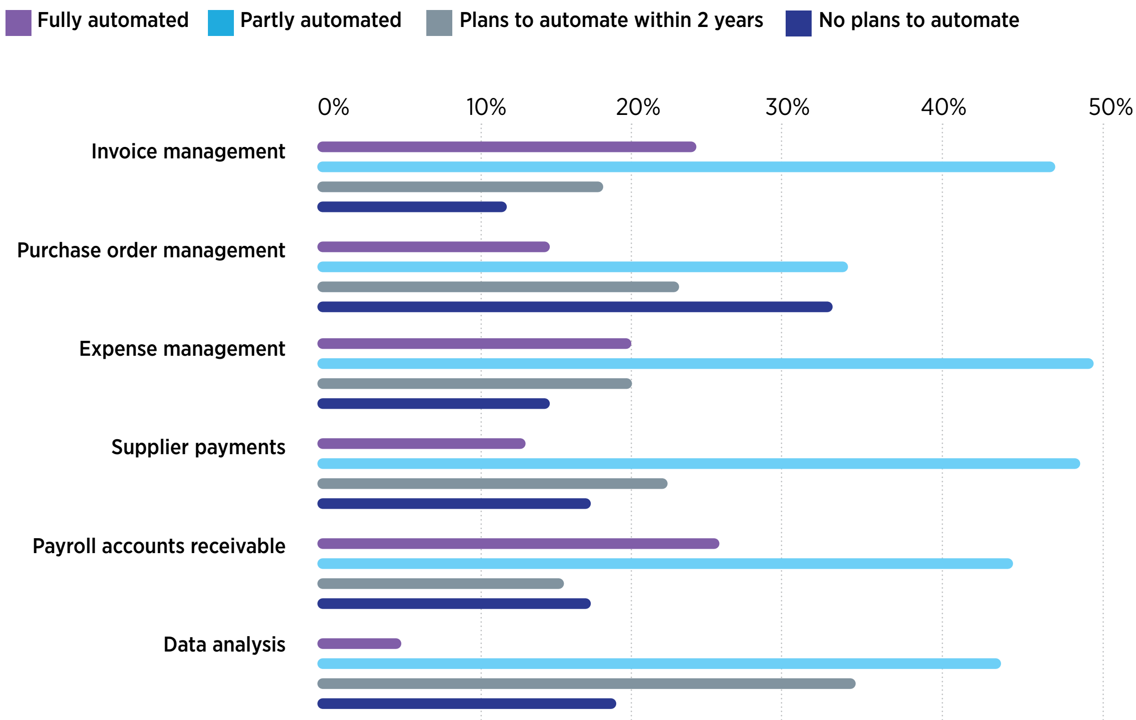
"I do believe that automation is the way to go. It is the only way that brick-and-mortar financial institutions will be able to compete with the fintechs and other digital form of banking. We need to utilize AI to the fullest."

—Survey Respondent, Banking Industry

OVERCOMING THE CHALLENGE OF INTEGRATION

The benefits of automation are well understood by CFOs, as evidenced by our survey data, and progress is being made to automate the finance function. But as more processes are prioritized for automation, the challenge begins to shift to process integration to fully leverage automation across business functions.

Automation Progress on Finance Functions



Seventy percent of CFOs say invoice management, for instance, is either already fully automated or on the path to being fully automated. Automation within invoice management has been around for quite some time. There are, indeed, well-proven time savings and reductions in error doing so. But there is a gap in knowledge about how data analysis can be done with automation, and this highlights an area where it may be more challenging for CFOs and business leaders to grasp what is possible.

At the cutting edge, automation and AI are beginning to analyze and prescribe opportunities for cost savings. As the system becomes more intelligent, it can compare an organization's costs among peers and competitors, identifying organization-specific cost optimization opportunities. Such intelligent solutions can fill a significant gap in finance departments' decision-making capabilities to help them make proactive data-informed choices about their costs—including what they spend on specific vendors, subscriptions, consulting, advertising, legal services, and more.

Part of what's holding back finance from automating across the board, according to the survey, is the challenge of integrating automation solutions with existing applications and systems. Nearly two-thirds of CFOs listed integration as a top challenge to their automation strategy. In other words, many organizations continue to deal with so-called legacy systems that don't play well with others.

Within finance, there's no room for error. The outcome needs to be 100% correct. If the deployment and integration aren't "bullet-proof," it often becomes the reason for not doing it. Depending on the system, there may also be significant costs associated with implementing automation (cloud systems being more affordable and with less cumbersome onboarding), as well as a skills gap relative to both the integration and utilization of the technology.

Top Challenges Faced in Automation Process

CFO

Integrating automation solutions with existing technology/systems **61%**

Allocating budget/resources **53%**

Finding/developing skilled talent **48%**

Eliminating siloed processes across departments **40%**

CIO

Eliminating siloed processes across departments **58%**

Integrating automation solutions with existing technology/systems **51%**

Finding/developing skilled talent **47%**

Allocating budget/resources **41%**

* Respondents were asked to select all that apply. CIO data collected via StrategicCIO360.com's CIO Confidence Index.

Innovation Technologies for Finance

Finance professionals have been drastically underserved when it comes to technology innovation. As a result, large enterprises spend millions to tens of millions of dollars per year on manual processes. When looking at which part of the business to focus digitization efforts on, start by identifying bottlenecks or where there is a lack of control due to manual processes. A good starting question is: how do we automate routine tasks and improve the process?

Four CFOs out of 10 say they've faced issues eliminating siloed processes across departments during their automation journey. It's important to look holistically when adopting new technology. Leaders need proper buy-in from everyone who'll work with the technology and who's overseeing and handling its upgrading and maintenance. When looking at implementing technologies, start by conducting a complete process audit. Then, identify all products and technologies required to do the job with the desired outcome. Try to include products and technologies outside of your normal scope to push the boundaries.

Conducting due diligence, particularly for finding suitable technology, is key to this process. Here are some critical steps to keep in mind when evaluating automation solutions:

- Determine the department or the process' critical needs
- Identify the options on the market
- Assess the options based on set criteria for what the technology should solve
- Ask for proof of concept, case studies and references
- Determine integration needs if the selected system works well with the existing tech stack
- Evaluate if you have the right talent in place to implement and run the technology—or if it will require training, upskilling, or recruiting new talent
- Prepare for change management. It doesn't end once a new system or technology is deployed; that's just the beginning of successfully adopting new technology

"Developing a digital transformation strategy that provides linkages to other functions and enhances intagration and data flow is a key factor in getting buy -in."
—Survey Respondent, Non-Profit

SOME CONSIDERATIONS

The ultimate success or failure of implementing automation into finance can hinge on a few key factors, so taking the time to assess these strategic considerations at the outset of an automation project can mitigate challenges and roadblocks as the technology is deployed:

- Align the organization's automation strategy with its business priorities
- Identify which processes are already automated, but still inefficient
- Prioritize tasks according to how much time your team allocates to them each month
- Evaluate automation solutions for their functionality, scalability, and interoperability
- Assess the solution's user experience (UX) to ensure optimal utilization by employees

CONCLUSION

Our survey demonstrates that enterprise finance is at an inflection point, with three key drivers of change. First, automation has become a mature and reliable technology-driven by readily available compute power and huge advances in software intelligence.

Next, enterprise finance is rapidly transforming into a more strategic function as pressure continues to build for CFOs to align, and drive, financial strategy with business strategy. And last, our increasingly volatile global economy has accelerated the need for finance to be more agile and proactive in using data to identify the right financial levers to pull at any moment.

As we've already experienced in AP, automation is driving greater productivity and ROI, while improving data-driven financial management by extracting real-time insights for better and faster fiscal decision-making.

Simply put, finance departments that fail to join the automation revolution will find themselves at a competitive disadvantage in the not-too-distant future. Forward-thinking finance teams that become champions for automation will truly drive change throughout finance and accounting—and ultimately reimagine the role of finance in business.

"Your automation journey needs to be calculated along with business changes. Digital and automation are going to be drivers for the next decade of the business journey."

—Survey Respondent, Tech Sector

SURVEY METHODOLOGY

In May 2022, StrategicCFO360 partnered with Vic.ai to survey CFOs and senior finance executives at both private and public companies across the United States. The survey was distributed online, as part of StrategicCFO360's CFO Confidence Index poll, and fielded May 9-15. 145 CFOs participated in the survey. Responses are confidential and only used in aggregate as presented in this report. Below is a breakdown of the respondent demographics.

Ownership Type

Public	18%
Private Equity owned	18%
Venture Capital backed	6%
Family Owned	32%
Sole proprietorship	4%
Partnership	6%
Other	18%

Industry Representation

Advertising/Marketing/PR/ Media/Entertainment	3%
Construction/Engineering/Mining	8%
Energy/Utility	1%
Financial Services (Banking, Insurance, Brokerage, Investments)	7%
Government and Non-Profit	8%
Health Care (Providers and Payers)	6%
High Tech/Telecommunications/ Information Technology	13%
Manufacturing (Consumer Goods)	4%
Manufacturing (Industrial Goods)	11%
Pharmaceuticals & Medical Products	5%
Professional Services (Legal, Consulting, Accounting, Architecture)	6%
Real Estate	2%
Retail Trade	7%
Transportation (Airlines, Trucking, Rail, Shipping, Logistics)	3%
Travel and Leisure (Hotels)	1%
Wholesale/Distribution	4%
Other	10%

Company Size (by Annual Revenues)

$1 Billion +	14%
$500 Million to $999.9 Million	7%
$250 Million to $499.9 Million	12%
$100 Million to $249.9 Million	12%
$50 Million to $99.9 Million	14%
$25 Million to $49.9 Million	13%
$10 Million to $24.9 Million	17%
$5 Million to $9.9 Million	6%
<$5 Million	6%

Vic.ai is pioneering the use of autonomy and intelligence to digitally transform accounting and finance processes to improve productivity, decision-making, and ROI. Vic.ai addresses the most manual & inefficient task in accounting—invoice processing—to improve speed & scalability, enabling customers to reinvent their accounts payable operations & improve financial management. For more information, please visit vic.ai

StrategicCFO360 is powered by Chief Executive Group, publishers of Chief Executive and Corporate Board Member since 1977. CEG exists to improve the performance of business leaders, build communities and strengthen society.

Chief Executive Group, a leading community for business leaders worldwide, exists to improve the performance of U.S. CEOs, CFOs, CIOs, CHROs and corporate directors. We publish Chief Executive magazine (since 1977), ChiefExecutive.net, Corporate Board Member magazine (since 1998), BoardMember.com, StrategicCFO360.com, StrategicCIO360.com, StrategicCHRO360.com and RemoteWork360.com, as well as produce research, conferences and roundtables that enable CEOs, CFOs, board members and other members of the C-Suite to share experiences with their peers to grow companies, build communities and strengthen society. Learn more at ChiefExecutiveGroup.com