Data and Automation in Finance: Challenges and Solutions for Proactive Finance Leaders

By: Andrew Hausman – Dun & Bradstreet

As originally published in the Credit Research Foundation 3Q 2019 Credit & Financial Management Review

Abstract:

At its core, finance automation is about improving performance, reducing costs, and more efficiently distributing resources. The foundation of this process will be the prudent use of formatted, reliable and consistent data.

The automation of repetitive finance tasks is an attractive proposition to many finance teams. Offloading formulaic or tedious recurring processes frees up time for finance professionals to concentrate on areas where critical and strategic thinking are imperative, and where machine capabilities are still evolving to meet current needs.

Finance departments find themselves on the front lines of automation, if for no other reason than dealing in facts and figures on a daily basis. There's a staggering amount of data being generated by and about businesses every day, and it's gotten to the point where automation is the only viable approach to getting a handle on what this torrent of information means and how organizations can profit from it. The finance department is well-positioned to be a pioneer here, establishing processes that drive results and serve as models for other parts of the business.

However, insights from several recent reports commissioned by Dun & Bradstreet suggest that many finance departments are struggling to incorporate automation into their workflows. While there's widespread agreement that automation is imperative for growth and maintaining a competitive stance, successful implementation--and its ensuing benefits--remain elusive.

There are several obstacles that can get in the way of automating finance tasks, but many of the responses given by professionals who were surveyed report that access to high-quality data is a key concern and roadblock to execution. Gaining a full understanding of the situation requires that we look at what's motivating businesses to take on automation in finance and dive deeper into where failures are occurring. Luckily, there are sound ways that credit teams can work to overcome roadblocks.

Terms like automation, big data, and machine learning have been batted around in the press for years. However, survey respondents for one report, *Multinational Study: The Automation Transformation*, confirmed that many companies are making progress in such areas. Eighty-three percent said they're automating at least one finance or credit task, an admirable adoption rate.

Perhaps unsurprisingly, 43% of participants are automating billing processes. Invoicing is an ideal starting point for automation, as it's usually one of the more predictable functions of a finance department. Credit scoring came in second, with a 36% adoption rate. Reporting (30%), collections (30%), and credit decisions (29%) rounded out the top five.

Each of these areas is primed for automation because numbers and established formulas are key to getting results. In other words, given a pipeline of accurate data, machines can handle black-and-white calculations and categorizations with ease. However, building that data pipeline is a pain point for many companies.

Most readers will be all too familiar with the following obstacles: legacy systems that don't "talk" to the latest-and-greatest tools, unreliable data entry from field offices, or confusion over what data is being collected and where it can be found.

When participants were asked to select all elements that would be most essential to adopting automation at their companies, reliable data came in first with 67%. Integrating systems, tools, and teams was a close second at 58%.

Similarly, when asked about the biggest barriers to automation, 32% said it was integrating multiple systems and tools, while another 14% pointed out that managing disparate data is a challenge. There's real concern about data accuracy and integration, and this may be why nearly a fifth of respondents said their companies were not focused on automation at all. That's a dangerous place to be in 2019.

Simply put, accurate data is the foundation of any finance automation effort. Data scientists are keen to remind anyone who'll listen that "garbage in, garbage out" is the most reliable roadmap for a failed data strategy. What we really need, though, is a guidebook to keep finance automation efforts on track for successful results.

It would be easy, and not the least bit helpful, to recommend that you only collect accurate data. Our time is better spent considering the causes of bad data and how to intervene. The culprits include underinvestment in the right technology, a lack of ownership and buy-in from leaders, and unreliable data sources.

In *The Past, Present, and Future of Data*, an in-depth survey of U.S. and U.K. businesses commissioned by Dun & Bradstreet, 28% of decisionmakers said effective data management was their biggest data-related concern today, while 26% claimed it was having the right technology in place to utilize the data.

Struggles with technology aren't as simple as, "I don't know how to use this tool," though that is certainly a concern with any new process. Data siloing, where information is stuck in certain databases or applications, is a major concern. Companies that have been in business for many years often end up with data ecosystems that look a bit like Frankenstein's monster--successive databases and programs stitched together over time. Much like the reanimated literary icon, the system may look coherent from a distance but becomes a horror story at close range.

The bandage-and-duct-tape approach often leaves different teams working from separate datasets, resulting in a lot of ambiguity when it comes time to decide on what the numbers mean for the overall business (choosing the results that put you in the best light isn't exactly strategic).

Compounding the problem is the persistent drive to have shiny new CRM tools, websites, and analytics programs. This can leave legacy systems neglected and isolated, creating extra work for end-users who have to manually copy data from one dashboard to another. Such an approach also introduces new opportunities for errors. The solution? That's where data ownership and executive buy-in come into play.

Surprisingly, 41% of organizations surveyed for *The Past, Present, and Future of Data* had no one responsible for data management. Ten percent of respondents were unsure who was the ultimate decisionmaker on data-related efforts, or who it would be going forward.

In situations like this, data initiatives may be left to the IT team to scope and implement. An executive will ask for a new tool or process to be integrated, and the IT experts will oblige. The next quarter another person has a request to be fulfilled. It's an approach that works in the short-term but doesn't necessarily consider the big picture, and it goes a long way to explaining how data silos are built.

Gaining the support of the C-suite and assigning specific roles and responsibilities to leadership in regard to data are both key to avoiding data automation dead ends. Given the widespread agreement that data is key to success, any resistance to taking an active role is cause for concern.

Among respondents who did know who held responsibility for data, the majority said it was the CEO (20%), with the COO (16%), CTO (14%), and CIO (14%) also in the top four. Twelve percent said it was the CFO. These numbers show there isn't widespread agreement across companies and industries. What has become apparent is that ownership is necessary to overcome common obstacles to data automation in finance. Those roadblocks look less formidable when executives with the authority to set priorities and distribute resources are engaged and accountable.

The accuracy of data itself is the last of the major obstacles to automation in finance. Even when systems "talk" freely and stakeholders manage projects with care, bad data can cause efforts to fail and sour a business on data automation altogether.

Issues with data accuracy are already a concern for many companies, regardless of their automation efforts. Twenty-five percent of respondents claimed accessing accurate data is a problem, while nearly one-in-five businesses reported that incomplete or inaccurate data costed them a customer. Nineteen percent said that financial forecasts have been inaccurate as a result of poor data management. Finance departments need to be confident that the data they're working with is accurate in order to realize any value from automating tasks.

It may seem like a ridiculous question, but asking ourselves about the causes of inaccurate data can highlight specific areas of concern for businesses; it's not as simple as "the data wasn't correct." We've already discussed how data integration failures can scuttle plans for automation. Errors are introduced when fields don't map correctly from one system to the next or human beings make typos while entering the information themselves. In cases like these, the source information may have been clean, but something happened before it could be put to use.

Outdated data is another common culprit that can interfere with automating finance tasks. Information about businesses and their financial performance is ever-changing, and failing to regularly verify details may leave you with results that no longer apply to the decision you're trying to make.

For example, managing the risk of extending credit to a customer requires that you understand their financial situation. Consulting earnings data that hasn't been updated in several quarters isn't going to provide insights into how much debt a company can take on today. We found that 18% of respondents to *The Past, Present, and Future of Data* report had offered too much credit due to a lack of information and lost money as a result. Confirming that you have the most complete view of a business can be a tedious task, and few companies have the resources to perform this kind of second look more than once in a blue moon.

Finally, sometimes it's true that the data you've relied upon was never accurate to begin with. A busy employee in the field may have done a rush job entering details; it doesn't take much imagination to realize how a misplaced number or two can wreak havoc on automating a finance task. Basing your calculations and decisions on unreliable data sources is also a concern. There are free tools, blogs, and websites that may seem valuable but don't maintain the strictest standards when it comes to information collection and verification.

Supplementing their own data with that from a reliable third-party business information provider is one way companies have solved their problems with data accuracy. Such services compile valuable information from reliable sources, then share this data with their clients' systems via an API or dashboard. Many data points can be gathered this way, including information on a company's financial performance, creditworthiness, changes in leadership, and public filings. Third-party tools also remove the need to validate information in-house, as it's part-and-parcel of what they do.

Taking action to fix problems with data integration, executive buy-in, and data accuracy are three tasks you cannot automate. You'll need to convince your colleagues that an investment in better tools, processes, and their time will drive results for the business and give you an advantage over competitors who are slower to confront their own data challenges.

Clearly articulate those benefits: better insights for risk management, the ability to prioritize relationships with the best customers, reduced costs in chasing after late payments, and a cohesive data ecosystem that allows staff to focus their talents where they're needed most.

Don't paint a pie-in-the-sky scenario, as they've likely seen many buzzwords come and go. Approach stakeholders with a strategic approach, first focusing on high-impact, low-risk, and high-reward efforts. Doing so can provide you with the success story needed when it comes time to invest in automating more critical finance tasks.

At its core, finance automation is about improving performance, reducing costs, and more efficiently distributing resources. Finance departments are positioned to understand how automation can help them, and to anticipate the challenges that can arise when working with mission-critical information and analysis.

The next several years will see companies going through the growing pains of automation. The most proactive will pursue their goals with purpose, while many more will take a circuitous path. Such a fundamental change to the way we do business means most of us will learn hard lessons along the way. Finance professionals who push through internal and external barriers to pioneer data automation will have blazed a path to a significant competitive advantage.

About the author: Andrew Hausman responsible for the strategy, product development, and sales efforts for the company's Finance Solutions product portfolio. A global business leader with over 25 years of financial markets information and technology experience, prior to joining Dun & Bradstreet Andrew was an Operating Partner at Motive Partners and President of Interactive Data Corporation Pricing and Reference Data arm.