Financial Automation – 5 Trends to Watch for in 2020

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Look into the future and evaluate the top technology trends that will impact finance teams and improve business processes over the next decade. Get the details you need to build a process roadmap that will take full advantage of these technologies and maximize the business value of your company's digital transformation. This article will discuss the five biggest technology trends in finance: Intelligent Automation, Cloud and as-a-Service solutions, Real-time Connectivity, Big Data, Predictive Analytics. It will discuss how you can work with IT to ensure these technologies are implemented effectively and adequately support your team's business objectives.

As a new decade begins in 2020, financial leaders should take a moment to consider how technology will potentially impact their teams over the next decade. Certainly, robotic process automation (RPA), which gained significant momentum over the past decade, will continue to transform financial processes. But which technology trends are the ones to watch next? And where can this new technology possibly take us in the next 2, 5, or 10 years?

Understanding these technology trends will help finance leaders identify the best opportunities for improvement that exist within their organization. Opportunities that the IT team alone might not see. It will also help them develop short- and long-term process roadmaps that take full advantage of technology – to support the company's strategic goals and meet the finance team's unique business needs. A process roadmap will ensure your team can optimize processes to maximize the company's return on technology investments and support its continued success in the future.

Here are five technologies finance leaders should consider in 2020 to prepare for the future.

1. Intelligent Automation Investments Drive New Levels of Productivity

Investing in automation never goes out of style. In a recent survey by a leading technology firm[1], 98% indicated that automation was a top priority for their organization. Many companies have been operating with simple, rule-based automation for cash application, invoice matching, or credit management processes for several years already. These organizations are reporting straight through processing (STP) levels of >90% as a result of this automation.

Rapid advancements in technology, however, mean that these early investments in automation are quickly being outpaced. In 2020, companies should look for opportunities to implement **intelligent automation**. This uses artificial intelligence (AI) and machine learning (ML) to help companies move beyond simple rule-based RPA and achieve the next-level of automation. Based on self-learning algorithms, the technology explores connections between data to identify patterns and discovers relationships. It is useful for speeding up complex approval and exception handling workflows, such as payment disputes. For example, when a dispute arises, a digital assistant can be used to gather all the information required and route it to the appropriate individual for resolution. Intelligent automation makes it possible to automate as much of the process as possible. On top of that it makes it faster and easier for individuals to take the correct actions.

Intelligent automation options already exist for many of the popular financial processing solutions. The recent ***IT Market Clock for Procurement and Strategic Sourcing Applications 2020*** report by Gartner, lists AI-enabled Accounts Payable (APIA) solutions in the "Choice" category. "Choice" solu-

1 Future of Finance Survey, Serrala, June 2018, http://bit.ly/future-of-finance-survey

tions are solutions that companies should look to implement within 2-5 years. Therefore, start planning now to ensure your company is comfortable enough to implement this technology in your Accounts Payable and other finance processes.

Is your company interested in using AI/ML technologies? Then make a plan to gradually introduce automation, starting with RPA. Once you've used RPA to automate rule-based and routine tasks, you can gradually introduce the more sophisticated AI/ML technology. Finance teams should work hand-in-hand with IT teams to ensure this technology is configured properly to automate the more complex tasks that weren't able to take advantage of RPA. For example, credit management, which may have already benefited from RPA to automate customer credit checks, can use AI-enabled automation to enable faster credit limit approvals and incorporate predictive credit scorings based on ML-evaluated historic data. By understanding the benefits of automation and the differences between RPA, AI and ML technology, finance teams can play an active role in developing improvements. That will help accelerate cash flow and improve customer and supplier relations to enable greater success.

2. Cloud and Software-as-a-Service Solutions are Flexible Options for New Technology

Cloud and as-a-Service solutions have been around for almost a decade now. Customer-facing areas of the business such as sales or logistics were early adopters of these solutions. This is because these departments needed anytime, anywhere access to information to provide their customers quick and efficient service. Finance, on the other hand, has resisted going to the cloud and remained firmly tied to traditional on-premise systems. In general, this was due to security concerns and a hesitancy about disrupting this critical business process. In 2020, however, companies are much more comfortable with the flexibility and security provided by cloud solutions and should start to move finance processes to the cloud too.

Cloud solutions have many advantages for finance. They can be used to standardize finance processes across multiple locations, business units and enterprise systems. They are highly scalable and provide the processing power and access to large data sets that are required to take full advantage of advanced cognitive technologies such as AI or ML. Most importantly, cloud solutions can also be flexibly combined with on-premise systems using a hybrid approach. This approach enables companies that are not ready to completely move to the cloud a way to extend and enhance their existing finance processes. For example, they can use web-based customer or vendor portals to automatically capture information and handle queries or disputes with key business partners. Using this approach, almost every finance department will be able to have some component that is running in the cloud in 2020.

Common cloud-based "Software-as-a-Service" solutions such as SalesForce, Workday, and SAP Ariba are good examples of solutions that run in the cloud to enable sales, HR and procurement processes respectively. In finance, however, the change to SaaS solutions has been slower. While large enterprise software providers such as SAP and Oracle have had SaaS solutions for many years, many companies continue to use their existing on-premise solutions. In 2020, this is likely to change. This is because new electronic payment formats, payment service providers (PSPs) and regulations are making it difficult for companies to keep up to date with the rapid pace of change in finance. SaaS solutions solve this problem by enabling companies to keep their finance processes aligned with the latest standards and regulations. The solutions are constantly updated so companies can quickly meet new e-Invoicing and payment formatting standards or connect to new information sources such as banks, credit rating agencies or market data providers. Some SaaS solutions offer a "managed automation" option, which enables companies to combine all the benefits of "as-a-Service" software (flexible, scalable, up-to-date) with expert management of the business process. This is particularly useful for finance departments, which need to manage complex banking and B2B payment transactions globally.

Over the next decade, these cloud-based SaaS solutions will make it much easier for finance departments to initiate and receive payments without going through a bank. They will be able to quickly manage bank connections, format payments, and validate payments against international sanctions or embargo lists, preventing compliance risks, fraud and money laundering. They will also be able to choose alternate payment service providers, such as PayPal, Apple Pay or a similar service to make their payments. These changes will help companies reduce payment fees and accelerate payments. Companies that conduct a large number of payments or that want to reduce the cost of payment processing should consider the many SaaS solutions that are now available in the marketplace. Without a doubt, this technology is poised to completely transform the way companies use banking and payments in the near future.

3. Hyper Connectivity is the New Normal

In 2020, the finance department is no longer the isolated, back office team that it once was. Today, finance teams rely on information from across the entire company. They need to ensure there is enough cash on hand to support day-to-day operations, information about strategic initiatives that need funding, and a full audit trail to ensure accurate accounting. They also need easy access to information from external parties. Banks, customers and suppliers all provide valuable information to the finance team that enables them to validate financial transactions and document them according to fiscal and legal requirements.

As we move into the next decade, finance teams need to leave manual, disconnected processes behind and focus on how to be more connected. Hyper connectivity will provide teams with the information they need to make faster, more accurate decisions about the company's finances. Teams should start by breaking down silos of information across their order-to-cash, procure-to-pay and treasury and cash management processes to improve speed, accuracy and transparency. Next, look at ways to enable hyper-connectivity between your company and external parties. For banks, consider how you can use APIs or microservices to achieve near-realtime updates. Intra-day or more frequent bank statements will enable faster cash application so the company can extend more credit to customers and generate more business. Use fast payment API to ensure suppliers receive payments almost instantly, which will ensure stronger supplier relationships and maintain a strong supply chain for the organization.

4. Manage Data Wisely to Fuel Your Finance Processes

According to a report in The Economist, "data is the new oil". While companies have always collected data about their customers, new data sources such as smart cards and other items that belong to the Internet of Things, enable companies to collect more data today than ever before. Knowing how to manage that data will be a critical competency for businesses in the next decade.

Data privacy regulations such as GDPR and CCCP are already impacting the way companies collect and store data. In 2020, finance teams should familiarize themselves with these regulations and consider how they can adapt their existing processes to support the proper collection and retention of information about customers, suppliers and employees. Certainly, any new process or new project should include data management as a requirement. Companies should also consider using an information management solution to automatically archive and purge data according to the applicable regulations. These will not only ensure that data is managed in compliance with the law, but it will also make it easier for finance teams to extract information quickly to respond to audits or queries such as freedom of information requests.

Finance departments should also continue to push to digitize processes and eliminate paper from their processes. Look for ways to transition to 100% electronic data capture. Typically finance works with many different types of documents that contain potentially sensitive or personal data – invoices, remittance advices, bank statements – all of this information should be received electronically. By digitizing information, companies can apply the same security and retention standards to all incoming finance information, eliminating potential risks posed by improperly handled paper documents. It will also improve and accelerate processes by enabling instant access to information.

5. Predictive Analytics Will Empower the Future of Finance

What is finance without reports and analytics? Teams are used to generating detailed reports on financial results over the past month, period or year. In 2020 and beyond, consider expanding reporting responsibilities to include predictive analytics as well. Predictive analytics builds on the information and connectivity made possible by the other technologies described in this article. Predictive analytics will allow teams to anticipate future financial performance with great accuracy. For example, credit teams can combine information from credit risk agencies, with past payment behavior, to determine the probability that a customer will pay on time. Collections teams can use similar information to predict which approach is likely to generate the best collections results with a specific customer. On the payments side, it can detect potential fraud before it happens or identify suppliers who are more likely to give discounts for on-time or early payments. All of this information can be rolled into planning and forecasting, which will enable the company to make faster, more accurate decisions about how to manage the business.

Now is the Time to Make a Plan for the Future of Finance

Staying on top of the latest technology trends isn’t easy for finance people who specialize in dollars and cents, not bits and bytes. As the year unfolds, finance leaders should think about how the following technology trends will impact them in the next 2, 5 or even 10 years: intelligent automation, cloud and as-a-Service solutions, hyper connectivity, data management and predictive analytics. By thinking ahead, you can help your team and company build out a process roadmap that will let you take advantage of this technology so you can stay ahead of the competition and continue to be successful in 2020 and beyond.

About the Author

Brian Shannon is Senior Vice President Strategy and Operations at Serrala. He focuses on improving business processes and financial solutions with technology to maximize return on investment. Brian has held many C-level and leadership positions in the past, including Chief Operating Officer, Chief Strategy Officer, National Credit Manager, International Finance Manager and Financial Strategist. Brian holds a degree in Political Science from the University of Manitoba, and a MBA in International Finance from the University of South Florida.