Making Automation Work for Humans, Not Just the Bottom Line

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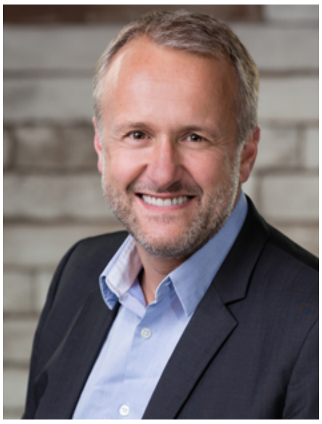

Statistics, ratios, formulas, Excel sheets, ROI and NPV: These are just a few of the items in a CFO's playbook. None of these are really warm and fuzzy, which is why there is often the misconception that CFOs interact only with cold, hard numbers. To be truly effective, however, they should have a solid understanding of the company's policies, workflows and procedures, while, of course, making sure that the math works for all of it.

Additionally, a CFO's functions are currently complicated by a perfect storm of rising consumer prices, volatile labour markets, and the resulting sluggish revenues and declining profit margins. And economic forecasts look pretty bleak, too.

It's up to the CFO to balance all this out: They are expected to assess their company's growth opportunities by weighing risks, while at the same time fast-tracking processes in order to keep up with changing realities. Ideally, this all happens in double time and without making any mistakes. Luckily, automating business processes can make a huge impact by providing efficient workflows, visibility over data and reducing errors stemming from manual tasks such as data entry.

Understanding where the deductions, claims and disputes come from

Amidst the maelstrom of unpredictable revenue, rising expenses, tight payment deadlines and failed collection attempts, sit deductions, claims and disputes.

These practices are especially common in the consumer-packaged goods (CPG) sector, particularly in the interactions between retailers and manufacturers. Promotions, refunds, and reductions based on sales agreements usually lead to short payments and deductions. These cash mismatches are the result of the difference between the invoiced and paid amounts and can represent up to 2% of a company's total revenue.[1] Even small disruptions can be detrimental to a business's financial health.

28%

Customer disputes increased by 28% since the start of the COVID-19 pandemic

According to a recent IOFM report[2], 56% of CPG brands take no proactive measures to minimise deductions, and 24% have not automated a single step in their deductions management process. Add a crisis here and there and the problems snowball: 28% of AR leaders say their organisation has experienced more customer disputes since the start of the COVID-19 pandemic, and much data on longer-term effects related to supply chains, inflation and the energy crisis are still outstanding.

When investments fail to deliver

In order to weather the previously mentioned storms, many companies made the decision to invest in new technologies to make business processes more streamlined and efficient. In itself, that is already a good start to meeting the challenges.

Unfortunately, quite a few businesses are finding themselves in a situation where these technologies fail to deliver what has been promised. A recent PcW U.S. Cloud Business Survey[3] reveals that while 56% of executives see cloud technologies as a significant strategy to grow and innovate, 53% feel that they are not able to obtain the expected value from the investments.

53% **of CFOs do not get the expected value out of tech investments**

Although these technologies were carefully assessed and budgeted for, they can turn out to produce underwhelming results. Oftentimes, they do not communicate with each other the way they should, lack flexibility, and data is frequently disorganised and fragmented. Furthermore, there is a severe lack of coordination between processes and data, which results in much of the work remaining manual and therefore tedious.

Deductions management is already a complicated task for finance professionals, but these difficulties can often stretch their tentacles into customer service, marketing, sales and IT. The time spent on solving these issues in turn distracts staff from their primary responsibilities and other value-added activities.

A CFO wouldn't be a CFO if they weren't calculating exactly how much it costs a business to find and manually resolve deductions: multiplying the average number of people involved in resolving a deduction by the average amount of time each person spends and their wages for those hours, and then adding all management-related expenses. The results of these exercises are often frightening.

Shaky foundations

The underlying problem of many of the difficulties with making automation work for a business is the lack of taking the entire financial cycle into account during implementation. Another problem could be that the new tech was integrated with outdated systems and processes. This hitch often emerges in the implementation phase if successful change management strategies fall by the wayside due to cost and time constraints. It's not uncommon that only a minimum of human involvement is present during implementation — especially when this process takes a long time — and effective training is neglected. Staff are then left with new equipment, new software, and only a tutorial or instruction manual to guide them. In cases like these, it is no wonder that the ROI ends up being poor.

Also, the vendor that is eventually chosen needs to be able to supply training and support both during and post implementation. It's about addressing tasks together and learning from any fresh issues that arise, in order to develop solutions that will hold up in a wide variety of scenarios. In short, it takes a close relationship that creates more value and goes further than the tech itself.

Businesses that successfully implement automation require 41% fewer full-time equivalents (FTEs) to manage deductions than their peers, and were able to reduce the time it takes to resolve short payment disputes by an average of 15 days.[4]

41%

Successful implementation of automation can result in 41% reduction of FTEs

Automation alone will not fix all problems or build a bulwark against uncontrollable circumstances. But processes are complicated, and this is where automation can shine. Once we add a human touch and make sure that communication and visibility are widespread throughout all organisational levels and functions, the benefits of a collaboration between humans and technology become both measurable and powerful.

1, 2. How Automating the Management of Customer Deductions Reduces Time, Complexity and Cost in Accounts Receivable. 2022. IOFM.

3. PwC US Cloud Business Survey (https://www.pwc.com/us/en/tech-effect/cloud/cloud-business-survey.html)

4. Inmar Intelligence, 2022 Deductions Management Trends Report

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