snapLogic

The Ultimate Guide **to Finance Automation**

Introduction

Finance teams are a core part of any business. They take care of collecting revenue from the customers, paying for products and services, ensuring compliance and reporting to regulators, and much more. In this eBook, you will get a detailed understanding of finance automation, the value it delivers for business, the top challenges faced by finance teams, and how finance automation technologies can mitigate those challenges.

Finance automation and its benefits

Finance teams own several business processes in an organization, such as quote-to-cash, procure-to-pay, quarter-end/month-end close, and financial planning and analysis. Finance automation refers to automating these business processes across various systems of record.

Finance automation reduces time-to-market by accelerating key financial processes. This allows the organization to collect revenue from customers faster, retire liabilities sooner, acquire products and services quickly, and generate reports for management and regulatory authorities rapidly.

Finance automation also reduces manual data entry, manual data verification, and human errors which reduces rework, and improves efficiency. It ensures that various financial systems of record such as accounting systems, tax systems, customer systems, financial reports, and planning systems are kept in sync and are based on the most up-to-date data.

Understanding the finance function

Finance automations help the finance team unburden manual tasks that are a core part of their responsibilities. Here is a detailed look at the responsibilities that a finance function has.

Financial planning and analysis

The finance team creates and maintains the organization's financial plans and budgets. They analyze historical data, market trends, and business forecasts to develop financial projections and make recommendations to improve performance.

Financial reporting

The finance team prepares and presents financial reports to management, shareholders, and regulatory bodies. This includes creating income statements, balance sheets, cash flow statements, etc. that provide an overview of the organization's financial health.

Budgeting and cost management

The finance team collaborates with other departments to determine budgetary requirements, monitor spending, and provide insights on cost-saving opportunities.

Cash flow management

Managing the organization's cash flow is essential for its financial stability. The finance team tracks cash inflows and outflows, forecasts future cash needs, and develops strategies to optimize cash utilization, such as managing receivables and payables.

Financial risk management

The finance team identifies and manages financial risks. They assess potential risks, such as market volatility, credit risk, and operational risk, and develop strategies to mitigate and hedge against them.

Financial compliance and controls

The finance team ensures compliance with financial regulations, accounting standards, and tax laws. They maintain accurate financial records, establish controls to safeguard assets and prevent fraud, coordinate audits, and work closely with external auditors to ensure financial transparency and integrity.

Strategic decision support

The finance team provides insights and analysis to support strategic decision-making. They evaluate investment opportunities, conduct cost-benefit analyses, assess the financial viability of projects, and provide recommendations to management.

Relationship management

The finance team often interacts with external stakeholders such as investors, banks, vendors, and financial institutions. They build and maintain relationships with these stakeholders to secure funding, negotiate favorable terms, and manage financial partnerships.

Finance tools for small and medium businesses (SMB) vs enterprises

While the responsibilities of finance teams are more or less uniform, the challenges faced by them greatly differ based on whether it is an SMB or a large enterprise. SMBs often use different tools to solve their challenges than their larger counterparts.

ERP is a critical business software and each one comes with its own set of nuances. ERP software such as SAP are infinitely customizable but they are not cheap. An organization will have to spend money not just on the software license/subscription and pay annual maintenance but also pay for services to build and maintain customizations.

SMB-focused ERP systems such as NetSuite or Dynamics 365 Business Central are cheaper but they may lack certain features. Additionally, finance professionals have to rely on ERP experts for creating custom reports and custom queries, which can create bottlenecks and increase time to market. Additionally, regardless of how many customizations you do, sometimes manual tasks are inevitable: you just have to export data to Excel to create your deferred revenue schedule or to provide ledger entries to auditors.

SMB ERP systems, such as NetSuite and Sage are typically easy to set up and install. They are often used as is without any customization and they may offer less functionality than the enterprise ERP systems such as SAP ECC, SAP S/4HANA, and Microsoft Dynamics 365 Finance and as a result, are much less expensive.

Working on your organization's data within the ERP is the simple task, harder one is when you have to share that data externally. Sharing data from ERP systems such as invoices, whether issuing them to the customers or receiving them from vendors, organizations leverage common mechanisms such as email, and SFTP server for maximum flexibility. Only large enterprises that manage hundreds or thousands of partners rely on more sophisticated systems such as Coupa or SAP Ariba.

Financial planning is one more area where finance professionals are looking for an easy way to get insights. Sophisticated tools such as Anaplan provide a full-suite of financial planning solution, but they are sometimes expensive and require third party expertise for smooth operations. On the other hand, Excel and Excel-like tools provide flexibility when delivering insights into critical business data and are easily available. In the absence of any other tool, finance professionals can manage everything in Excel, although it might take them 3x more time and the integration might be 10x more difficult.

Top challenges faced by finance teams

Here are common challenges organizations face when integrating an ERP system with other systems of record.

Variable business processes

A business process that has limited to no exceptions is much easier to automate. But in the real world, most of the time, that is not the case. Your team might have defined a process but your organization needs to be flexible when working with external customers, partners, and vendors, who follow a different process.

For example, some customers issue a purchase order (PO) only after an invoice is issued while some can issue a PO without an invoice. So if your team typically does not issue an invoice before seeing a PO from the customer, you will have to allow for an exception when serving a certain set of customers.

This variability introduces complexity in the Accounts Receivable (AR) process and complicates any integration/automation projects. Additionally, if there is no clarity on the customer/partner processes, or if the sales team makes wrong assumptions, payments, and revenue recognition can get delayed.

Additionally, many finance business processes are constantly evolving in response to the market conditions or to the business changes. That means that business process automations need constant tweaking once implemented.

Data silos

Before the advent of SaaS applications, enterprise software was homogeneous. Many organizations big and small used to run large ERP software suites for their accounting, finance, tax, expense management, and planning needs. These large software suites came from the same vendor, so they worked well together but were very costly. Additionally, there was less opportunity to adopt another tool for functionality that your team needed but the software did not provide.

But today, many organizations have adopted a best-of-breed approach for applications. This approach empowers users to find the best tool for the job. Today, finance teams use tools such as CRM platforms (Salesforce, Microsoft Dynamics 365 for Sales, etc.) for AR, expense management platforms (SAP Concur, Expensify, etc.) for managing employee expenses, a banking application to easily connect to the banking system for wires and money transfers, account payable tools (Bill.com/Tipalti) for Accounts Payable (AP) and so on.

With so many data silos, integration of these finance systems has become super critical for efficient month-end/year-end close, accurate financial planning, and error-free audit reporting.

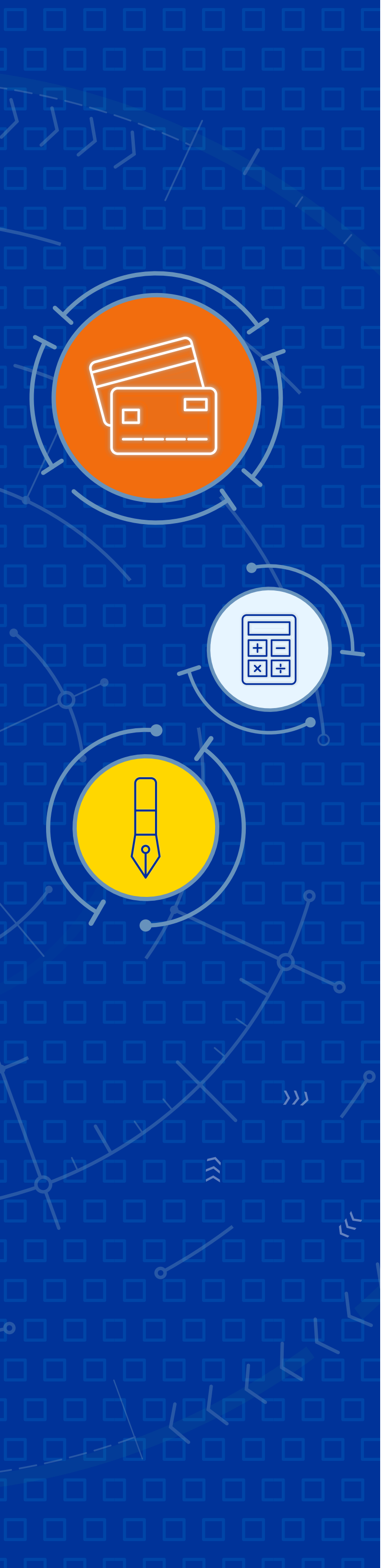
Integration fragmentation and complexity

An interesting side effect of best-of-breed applications is the fragmentation of integrations. In most cases, applications that revolve around the ERP application, which I call satellite applications, such as Avalara used for Sales Tax calculation, provide a native integration with popular ERP systems such as NetSuite. The same is the case for other systems of record in the spend management, expense management, and account payable management categories.

While this approach is convenient in the short-term, in the long-term it creates challenges. A vendor or an external consultant may build that integration for you, but if it breaks, you are reliant on them to fix the issue in a timely manner while your leadership team is breathing down your neck. It fragments views of integrations that are critical for your enterprise. Even your IT team will find it hard to build and maintain such integrations.

Some organizations build those integrations in the ERP application but oftentimes ERP applications do not provide pre-built integrations to most applications in their ecosystem. And for the ones that they do have integration for, you will have to take help from an ERP consultant to build and maintain those integrations. Even users who regularly use these ERP applications lack the tools to build and sustain integrations.

Groupon, the global experiences marketplace, faced ever-increasing data volumes that their existing integration platform couldn't support. Their financial data sprawled across three different NetSuite ERP systems, requiring Groupon's finance team to spend a lot of time merging and cleaning data to create accurate and reliable financial analyses. With SnapLogic as its integration platform, Groupon consolidated the ERP systems into Anaplan, and streamlined back-end processes to gain access to trusted financial data for planning and budgeting. Since automating back-end processes, Groupon can now quickly gather data from core business applications across the enterprise, including its NetSuite ERP and Coupa procurement solutions, and provide reports for senior management that can drive fast, data-driven action.



Key finance systems

The key application for any finance team is the Enterprise Resource Planning (ERP) system. While major ERP systems such as SAP ECC / S/4HANA and Oracle E-Business Suite / Oracle Fusion Cloud provide many of the functions, organizations have started using more and more best-of-breed independent solutions for Tax Management, Spend Management, Expense Management, etc.

Spend management

Systems such as Coupa and SAP Ariba make it easy to keep track of all your organizational spending, vendors, and invoices in one place. On the other hand, SAP Concur, Expensify, and similar systems allow employees to record their expenses and get reimbursed. So these systems help organizations track spending on employee expenses. Some tools such as Bill.com, Tipalti allow a subset of capabilities of the larger spend management platforms and only help manage vendor invoices and payments.

Tax management

Systems such as Avalara, keep track of tax laws of all the geographies that your team operates and take care of tax return filing and associated payments to local authorities based on sales in the region.

Expense management

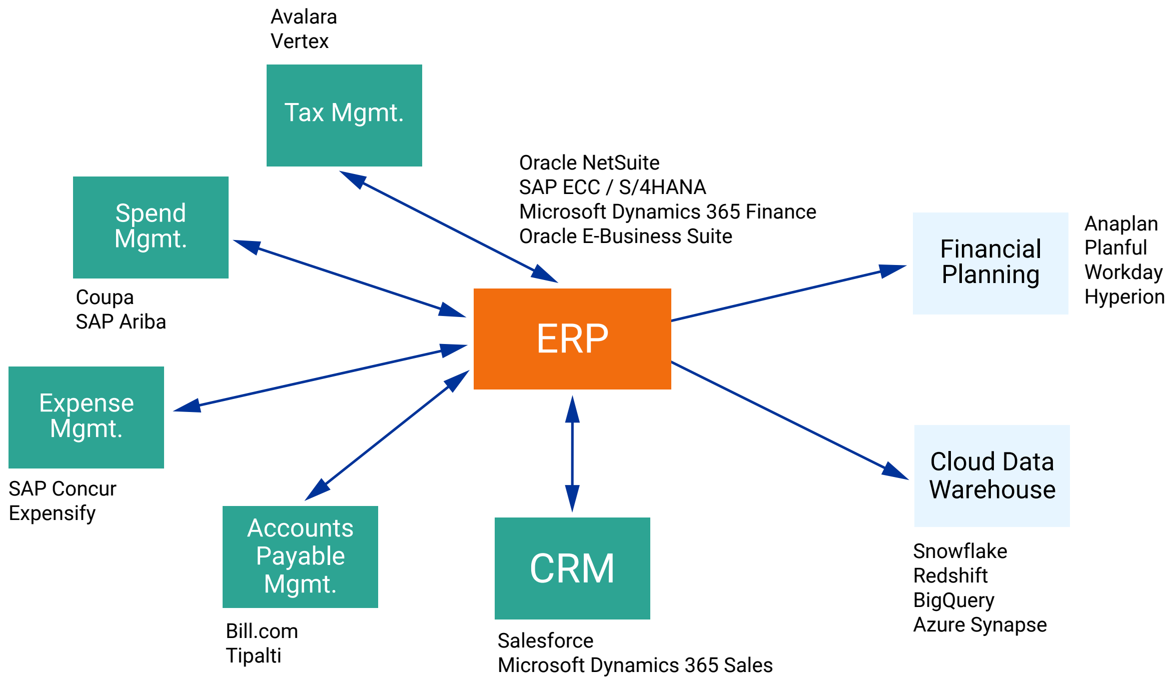
Financial planning software such as Anaplan, Planful, etc. sources data from ERP, HCM, and other systems of record and helps finance teams plan budgets for employees and programs, build planning models, forecast future revenues, costs, and earnings, and perform scenario analysis among other things.

With so many critical yet disparate systems in the finance function, it is important to automate business processes across them to break data silos and provide products and services faster.

Pitney Bowes continuously innovates to keep pace with the evolving complexities in commerce, from launching its Model M Postage Meter in the 1920s to introducing cross-border solutions more recently. To continue setting new records in commerce, Pitney Bowes relies on data to make business decisions with precision. Pitney Bowes embarked on its digital transformation journey with the goal of giving data access to stakeholders to uncover new opportunities and areas for improvement to drive business growth. With SnapLogic, the finance teams at Pitney Bowes now have easy access to near real-time data and have a consistent snapshot of their cash position.

CRM and cloud data warehouse

Other key systems that are also crucial for finance automations are your CRM systems such as Salesforce, Microsoft Dynamics 365 Sales to track all your account receivables and your data warehouse which might drive more sophisticated data analysis of your business.



ERP Ecosystem and a growing number of data silos

Key finance automation technologies

Finance applications follow a hub-and-spoke approach, where everything is associated with ERP applications. As a result, many finance applications provide a way to integrate with an ERP application. While that can be a great short term solution, it creates challenges in the long term such as lack of a unified view or maintenance nightmares.

Organizations should look to adopt the following technologies to build robust and scalable finance automations.

Hand-coding / Integration-as-code

What is it?

In the absence of any tool, organizations have to rely on developers to build integrations between applications. Developers have to understand APIs for each of the applications they are integrating before building integrations. In such scenarios, integration developers are also responsible for maintaining these integrations when the application APIs evolve, when there are data errors, or when the business requirements change.

When to use it?

Organizations leveraged hand coding decades ago when integration platforms were not as common. Large organizations continue to leverage hand coding today when they have a large number of developers or when they have a large number of custom applications to connect.

Brex, a fast-growing startup that helps companies manage their finances, needed a way to scale their growing business initiatives, from streamlining internal business operations to optimizing customer support. The company sought to automate their internal processes, including their financial data and processes, to increase productivity across its distributed workforce, minimize back-end process disruptions, and reduce the use of error-prone manual labor. With SnapLogic, the finance teams at Brex now have immediate data access and seamless process automation, all without manual intervention.

Integration Platform-as-a-Service (iPaaS)

What is it?

iPaaS tools are cloud-based tools that provide API-based integrations to ERPs, procurement systems, etc. They are often low-code/no-code platforms that provide pre-built connectors so that IT integration specialists or ad-hoc integrators can easily build and manage integrations that sync data between multiple applications. iPaaS tools enable you to trigger automations either at an event or at a specific time of day, accelerate time to value, and provide easy to reuse existing integrations.

When to use it?

iPaaS tools are your best bet for comprehensive finance automations because you can build, manage, and monitor all your integrations from one place. Many iPaaS tools provide comprehensive support for the latest APIs from on-premises and cloud-based applications and also help you evolve by continuing to support the latest versions. However, you will need support from an integration expert or an ad-hoc integrator to build and manage those integrations.

Robotic Process Automation (RPA)

What is it?

RPA tools help automate common manual tasks such as actions on a screen performed by a user. RPA tools leverage user interface (UI) elements, the position of buttons, and related actions instead of APIs, which are now a de-facto way for applications to share data.

When to use it?

RPA tools are the best when working with legacy and on-premises applications whose user interfaces are static. They might be useful in the hands of business users as a short-term fix when support from integration developers is not readily available. RPA tools are more brittle than iPaaS tools for finance automations because the UIs that they rely on can easily change.

Implementing finance automation: methodology and best practices

Once you pick up the right tool for finance automation, you have to put it into practice. However, before any automation project, you should start by defining a goal. With a given automation project what benefits do you aim to deliver to the business? Have you aligned the project's goals with the overall business objectives?

What are the top 3-5 metrics that you will use to measure success? Do you know the current state? What do you anticipate as the future state?

Seeking answers to these questions ahead of time prepares you to build a business case. It helps you make a case for additional resources to reach the stated goals. It also prepares you to set the right expectations in terms of timeline/scope with the business given the resources you have. So if you want to accelerate the timeline or want to have a broader scope for your automations, you can seek the right tools or additional resources.

5 steps to kickstart finance automations

Taking that first step to finance automation bliss can be hard. Here are 5 ways to kickstart your finance automations.

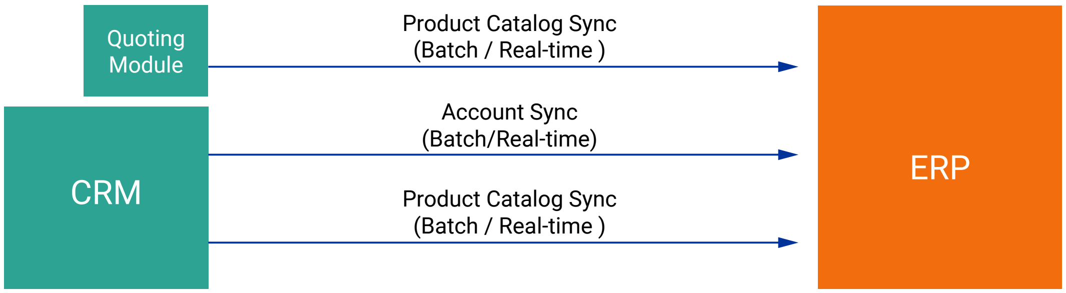
1. Quote-to-cash automation

One of the most impactful steps to finance automation is quote-to-cash automation, also known as accounts receivable (AR) automation, because it is a faster path to revenue. Quote-to-cash automation involves applications for customer relationship management (CRM) and enterprise resource planning (ERP):

- CRM tools: Salesforce, MS Dynamics 365 Sales, Hubspot, etc.
- ERP tools: NetSuite, SAP ECC, SAP S/4HANA, Microsoft Dynamics 365 Finance, Microsoft Dynamics 365 Business Central, Workday Finance, Oracle ERP Cloud, etc.

As soon as a sales rep marks an opportunity "Closed-won" it can create a sales order in the ERP system. If a customer requires a "Purchase Order" for invoice payments, when you receive a purchase order from the customer, the sales order is converted to an invoice and sent out to a customer for payment.

Quote-to-cash automation also has other positive side effects. Because it can bring in revenue to the company faster, sales representatives also end up getting their commission sooner, leading to a happier sales team. Additionally, the accounting team no longer has to chase after the sales team for customer payments, saving them valuable time.

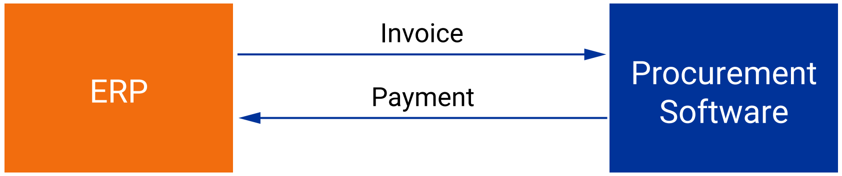


Data syncs and quote-to-cash workflow between CRM and ERP systems

2. Procure-to-pay

Procure-to-pay automation between the ERP system and a procurement platform (e.g., SAP Ariba, Coupa, etc.) streamlines procurement of goods and services from trading partners and vendors. Large organizations tend to purchase these procurement platforms. Hence when small organizations are doing business with larger organizations, purchase orders from customers are made available in those systems. After that, invoices and payment for the invoices are all sent and received via these platforms.

Procure-to-pay automation helps the finance team support the organization in acquiring services and helps meet customer requirements to get revenue on time. In the absence of a procurement platform, smaller organizations rely on homegrown procurement systems that can involve online forms, email-based approvals, and invoices, followed by payments, all of which can greatly benefit from automation.



Procure-to-pay workflow

3. Employee expense management

Another key process that the finance team handles is the payment of employee expenses. Employee expenses recorded through Expensify/SAP concur, etc. can be numerous depending on the size of the organization, so managing their flow, handling approvals, and paying the employees without any manual intervention is crucial for the sanity of your accounting team. Automation of these expense management processes helps get them in the approval process quickly, leading to faster reimbursement to the employees.

Employee expense management workflow

4. Month-end/quarter-end close

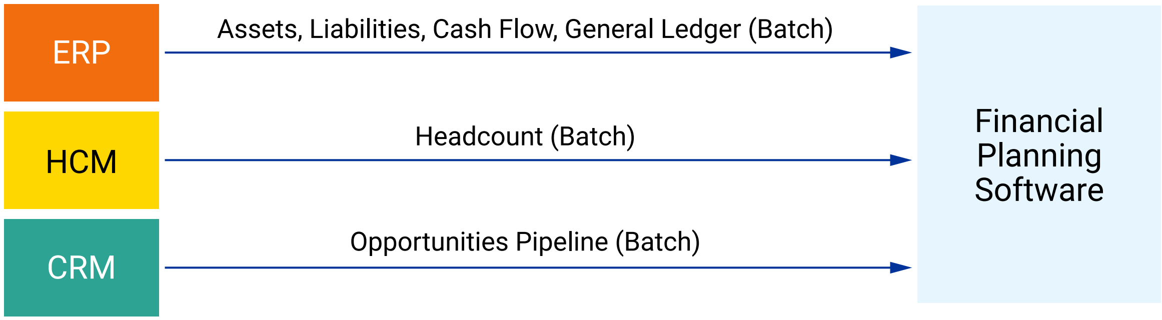
Month-end close and quarter-end close are critical finance processes that leverage existing integrations between your ERP, CRM, and AR systems, along with other software or flat files that track sales commissions, deferred revenue, etc.

With these processes, there is a need for real-time integrations, so that the finance team can close the books in a minimum number of days, and make the final revenue, expenses, and cash flow numbers available for financial reporting and analysis as soon as possible. Month-end and quarter-end processes are especially complicated when your organization is globally distributed and when you have to recognize revenues, liabilities, and commissions in foreign currencies.

5. Financial planning and analytics (FP&A)

FP&A processes need data not just from ERP applications but also from CRM (for opportunities), and Human Resource Management (HRM) systems (for headcount) to predict and plan for future revenue growth, opportunities pipeline, and headcount growth.

While finance teams don't need real-time data for accurate forecasting, FP&A teams do benefit greatly from faster month-end/quarter-end close activities that can help provide accurate data faster for company leadership, the board of directors, and investors.



Financial planning and analysis workflow

Maintenance and managing change

The job is not done once finance automations are built. You need to allocate enough people to maintain them and to make changes on an ongoing basis. The main reason for this is that finance processes power the business and if they break, everything can come to a standstill.

Finance automations can break for a variety of reasons such as incorrect data or changes in the application endpoint interface. And when things break, the organization needs resources to identify the root cause and fix it, while minimizing the disruption. If the integrations are left broken for a long time, the finance team can lose trust in integrations and might revert to the old, manual ways.

Just as important is the ability to make changes to the existing integrations. Integrations might need a change due to changes in the business requirements, a need to onboard a new 3rd party vendor/partner, or a need for customizations. Having resources who can modify existing automations enables your finance automations to stay relevant and evolve with the needs of the business.

Future Trends in Finance and Their Impact on Automation

The finance function continues to evolve to meet the needs of an evolving workplace. Macroeconomic conditions, geopolitical realities, the need for market agility along with the rapidly changing nature of work are forcing the finance teams to reevaluate how they operate. Here are some emerging trends that the finance teams need to evaluate.

Continuous close

While traditionally organizations have done month-end / quarter-end close to sync with the reporting cycle, in reality, business is continuous. And to serve that continuous business, continuous close espouses a close cycle that is continuous as well.

Continuous close is a process enabled by technology and people where you distribute FP&A activities, automate FP&A activities, and align them to the broader business. Continuous close flattens the activity curve throughout the month. So as the business happens, the close activities happen synchronously.

Continuous close is efficient, collaborative, and it eliminates redundancy and errors. It also promotes data integrity. However, because close activities happen synchronously with the business, the only way to realize them is through automation. With the right tools and expertise, you can create seamless, automated processes for finance and accounting teams, reduce errors, and improve time-to-value by connecting data and apps.

Data analytics, insights, and AI

The availability of vast amounts of data has led to the increased importance of data analytics in finance. Finance teams are leveraging advanced analytics tools and techniques to gain insights from financial data, identify trends, forecast performance, and support strategic decision-making.

While finance professionals have been using financial planning tools for quite a few years now, more of those tools come with AI assistance. Finance teams need to start training themselves on AI tools to see productivity gains in the future. Additionally for effective analysis, finance teams are looking to leverage real-time data for up-to-date financial planning and faster reporting.

Stronger risk management

Risk management has become a top priority for finance teams. They are responsible for identifying, assessing, and managing financial risks such as market volatility, credit risk, operational risk, and cybersecurity threats. Finance teams need to develop robust risk management strategies, implement internal controls, and stay vigilant to protect the organization's financial well-being. And to implement this in practice, finance teams rely more on external data sources that can help them identify risks. And large finance teams are leveraging these data points to build machine learning models that can guide them on macro as well as business-specific risks.

Conclusion

Finance teams play a pivotal role in the operational success of every business. The ability to automate finance processes has unveiled a realm of possibilities, where automation serves as a catalyst for financial excellence, propelling organizations towards enhanced competitiveness and sustainable growth. As the business landscape continues to evolve, the potential for finance automation remains boundless, promising a future where finance teams can thrive in delivering efficiency, resilience and greater value to their organizations.

Ready to see finance automation in action?
Book a demo.

SnapLogic is the leader in generative integration. As a pioneer in AI-led integration, the SnapLogic Platform accelerates digital transformation across the enterprise and empowers everyone to integrate faster and easier.

Whether automating business processes, democratizing data, or delivering digital products and services, SnapLogic enables you to simplify your technology stack and take your enterprise further. Thousands of enterprises around the globe rely on SnapLogic to integrate, automate and orchestrate the flow of data across their business.

Join the generative integration movement at snaplogic.com.

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