5 reasons why automation is always a good investment: Spotlight on Cash Application

How Smart Automation Solutions can maximize profits & minimize costs

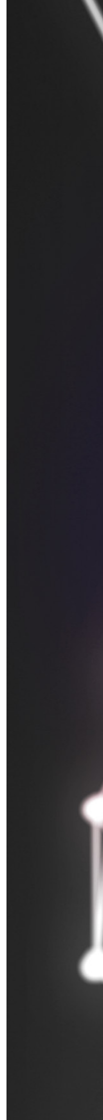
SERRALA

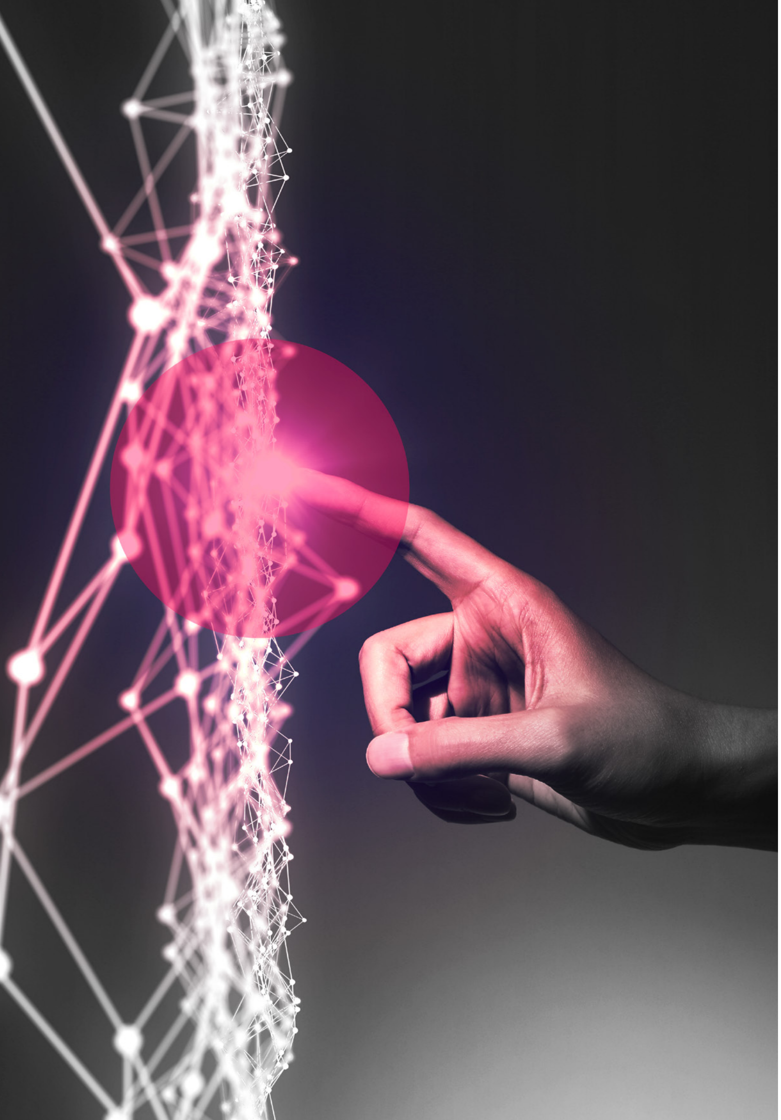
Technology is as ubiquitous a tool in operating a business today as the assembly line was to manufacturers in the turn of the 20Th century, and equally disruptive. Organizations thrive on the advancement of technologies and those that integrate new tech tools stand to meet both their short- and long-term objectives while strengthening infrastructure and reducing operational costs.

Yet, despite the benefits, the average IT department invests more than half of its technology budget on maintaining standard business operations and only 19% on developing new and innovative resources.[1]

For those incorporating automation in their processes, the future is clear – investing in enhanced tech such as automation is an investment in the future.

Investing in technology in the face of inflation, not scaling back, can reduce the cost of doing business.[2]





Digital transformation hailed the advent of utilizing technology to increase efficiency and create new value opportunities for customers. Automation employs technology to power that transformation by replacing manually-intensive processes and delivering on a host of benefits including greater employee satisfaction (and retention), improved productivity and accuracy, lower costs, compliance and ease of scalability.

The question remains, how do businesses position themselves in the midst of growing macroeconomic unease and a restive consumer base? Both human nature and historical responses to economic downturns that mimic austerity have been proven to fail. **Organizations that invest in technology despite wobbly economic predictions ultimately reduce the cost of doing business, bypassing immediate economic anxieties and laying the foundation for long-term financial and operational advantages.**

Investing in the Right Technology

Flexibility, fluidity and the room to scale as needs arise are all features of today's responsive technology. As tech advances are made and consumer expectations grow, companies are wise to continually seek out and invest in the types of technology that can support a number of objectives and goals, from streamlined automation processes that can revolutionize operations to an increase in employee morale and productivity.

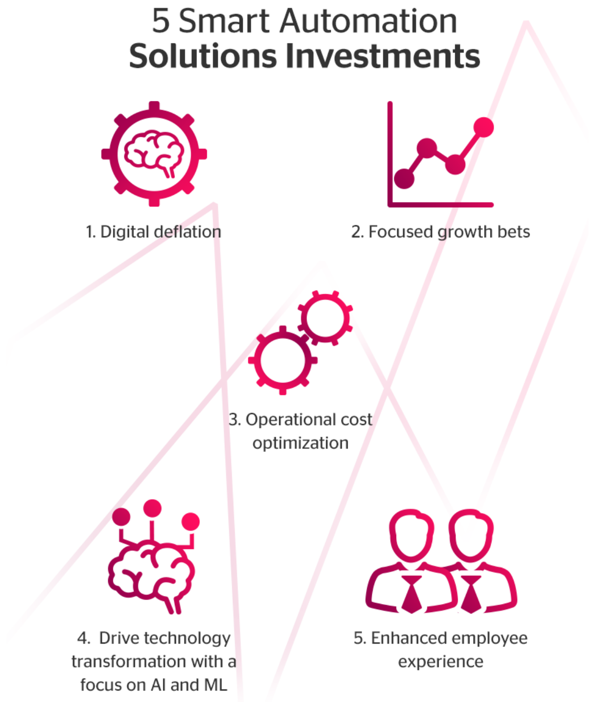
Many organizations are moving in that direction. According to a 2020 global survey by McKinsey & Company, 66% of businesses have steered the automation of business processes in one or more business functions, a 9% increase from 57% in the previous survey in 2018.[3]

Technology informs our lives nearly every waking moment of the day; apps keep us informed of how many steps we take or calories we consume; automobiles self-start and doors unlock on our approach. Business software handles inventory and logistics, provides key performance indicators for sales teams to rank the rate of leads to closes, and automation optimizes operational costs, productivity, employee experience and effectiveness, and ultimately provides the key to sustainable growth. Investing in smart technology is the way forward for businesses that expect to remain competitive.

Five Reasons Every Business Should Invest in Automation Solutions

CFOs, Accounts Receivable Directors and Managers, and other key financial decision makers recognize automation technology as an increasingly essential component of their Organizations' evolving digital transformation blueprint. **And yet with an ambiguous economic outlook and inflation realities adding cost pressure to those in the positions that are responsible for Managing, spending, and reducing costs investing in infrastructure appears uncertain.**

Gartner research indicates that 74% of CFOs believe "lower profitability is the biggest risk of input price inflation,"[4] essentially that which drives up the cost of inputs (i.e., labor, raw materials, transport) necessary for making and/or delivering products and services. Indeed, every effort should be made to control costs to alleviate inflationary margin stressors, but it is essential to differentiate between spending that will do little to outmaneuver inflation and thoughtful investments that ultimately and permanently reduce the cost of operating a business.



1. Digital Deflation

Digital deflation, or investing in technology to lower the cost of doing business, is a result of deliberate and well-considered digital investment plans. Even in the midst of rising costs in other goods and services, digital products generally reduce actual and measured inflation, making these expenditures a crucial key to sustainable growth.

Gartner suggests that there are two approaches to digital investing that can lead to long-term cost savings: first, by funding systemic digital enterprise growth initiatives that reduce costs across the entire organization, and second, by using technology to reduce the cost of finance.

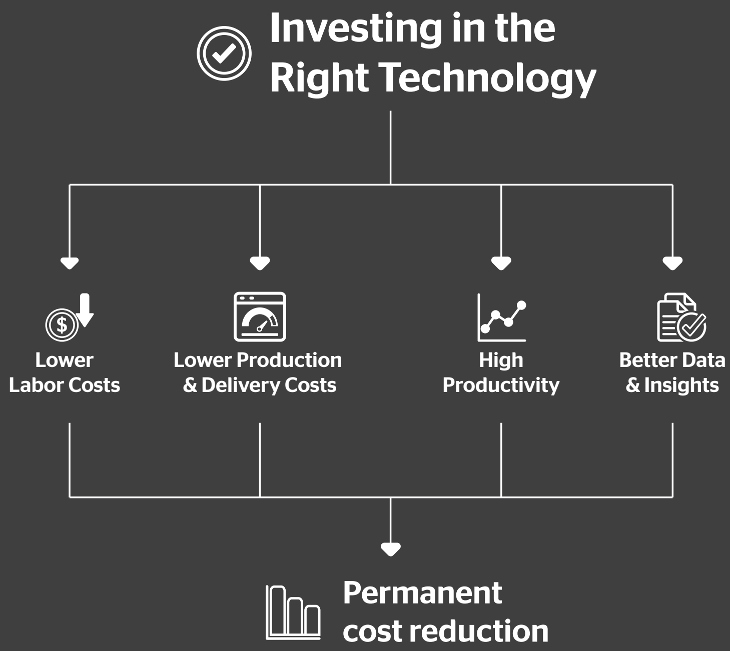
> "CFOs must try to lead the C-suite to drive a unified enterprise digital strategy. Inflation can be a catalyst for organizations to drive key digital and cost reduction initiatives across the whole business." [5]
>
> Alexander Bant, Practice Vice President, Finance at Gartner venue.

When evaluating digital investments in times of uncertainty, it is crucial to avoid funding models that restrict flexible resource allocation. Instead, stay focused on aligning with the original value creation strategies and vision, and consider divesting business lines that do not reflect that vision and bring down costs. Furthermore, it is possible to enhance the effectiveness of digital investments by addressing outstanding data governance and literacy issues throughout the organization. **By clearly and thoroughly explaining digital initiatives within the context of a digital inflation narrative, investors can better understand how cost cutting measures will work over the long-term.**

To deflate the cost of finance, businesses begin with an evaluation of what is driving cost in finance functions. Once known, steps can be taken to streamline processes using automation, leveraging Machine Learning (ML) and Artificial Intelligence (AI), and shift work to the proper Business Process Optimization (BPO) partners to lower higher labor costs. Gartner also suggests aligning with the right vendors for scalability and retaining the best talent to achieve goals.[6]

Digital Deflation: Tech Investments Yield Lower Costs

Investment in technology creates long-term reduction in **cost-of-business** (including G&A), **enabling companies** to offer products and services at lower prices.



Source: "CFOs, Use Technology in Your Inflation Fight." Gartner, March 2022.

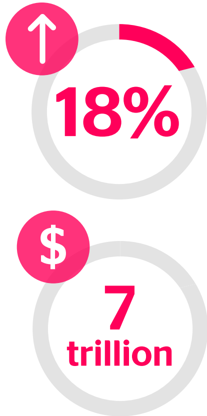
2. Focused Growth Bets

Making investments in digital technology continues to prove profitable in long-term financial scenarios. Within those smart bets, Accounts Receivable tech offers substantial returns as it presents numerous opportunities for automation. AR software streamlines manual- and labor-intensive processes with multiple benefits including increased accuracy, consistency, and productivity, in addition to improved employee experience leading to greater retention.

In a time when businesses are still struggling with cash flow and liquidity issues (evidenced by the year-over-year 32% increase in businesses stating they needed to delay payment to their suppliers due to late payments from their customers[7]), AR automation technology also promises the capacity to predict and better foresee cash flow.

Investing with confidence

Investment growth in digital transformation



Compound annual growth rate (CAGR) from 2020 to 2023

Expected investment by 2023 as companies aim to become digital-at-scale future enterprises

3. Operational Cost Optimization

By integrating automation technology, everyday business processes and procedures can quickly become streamlined, enabling employees to complete tasks in less time with greater efficiency. **Accounting teams spend excessive amounts of time painstakingly matching payments to invoices correctly. When mistakes are still made, the additional hours required to amend the errors can increase costs substantially.**

BPO is defined as the strategy implemented to improve existing practices in daily operations and make them more efficient.[9] The prime purpose of BPO is to creatively manage resources to optimize and achieve better results by making processes less complicated and more economical with time spent. Oftentimes, once processes are documented, it is clear what areas can be improved with automation.

By eliminating wasted time, employees are freed up to take on other more important or more essential tasks within the company. Not only does this create greater productivity, the costs once spent on these manually-intensive tasks are redirected towards jobs that create a greater impact on the business.

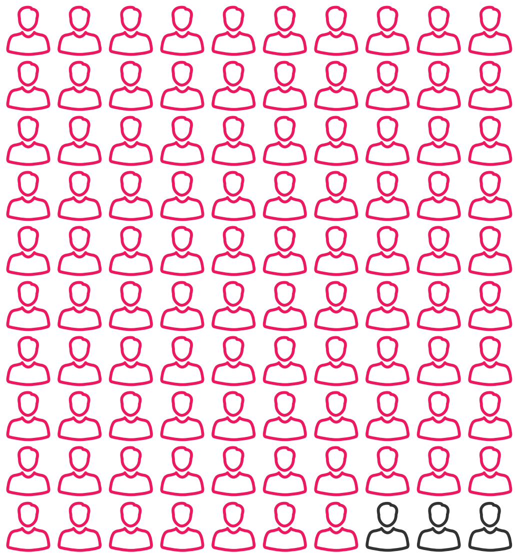
4. Drive Technology Transformation with a Focus on AI and ML

Digital transformation is a part of every modern organization in one form or another, even in fields that typically shy away from technology. For companies to maintain a competitive role and remain relevant, adaptations must be made, particularly in fields where automation could make a decisive impact on day-to-day operations.

Artificial intelligence is one of the fundamental technologies in digital transformation and is rapidly being adopted globally, (according to the latest report by Research and Markets) with a compound annual growth rate of 52% by 2025.[10]

AI includes a number of innovations such as machine learning (ML), an autonomous technology that reduces repetitive and time-consuming manual work, enabling employees to advance from routine, transactional job roles to more thought-based creative work. In addition to improved employee experience, smart automation helps make business processes more predictable.

Through customization and responsiveness, customer needs can be addressed, and businesses can adopt strategies that impact long-term planning.



97% process automation is vital to digital transformation[11]

5. Enhanced employee experience

There is no doubt that workplace automation is redefining the ways in which individuals perform and experience work today. For business owners, this translates into greater productivity and significant cost savings. However, perhaps the most revolutionary effect is the mental and physical impact it has on the workforce.

Studies indicate that when workers are bored, the ability to focus, assess risk, achieve goals and manage their emotional state is compromised. Furthermore, a Korn Ferry poll of nearly 5,000 workers found boredom (and the need to be engaged/challenged) to be the prime reason they would seek new employment.[12]

Boredom not only leads to burnout; it also results in significant demotivation and lack of productivity. Automation technology offers a path forward by signaling to employees that their organization is interested in them and their job trajectories. Investing in tech tools and training, and creating focused initiatives aimed at upskilling creates a positive work environment that is looking towards the future and bringing its workforce along to keep pace.

Introduction to Cash Application

Accounts receivable efficiency is an essential bedrock of all business. It is impossible to plan for growth or make any long-term goals without reliable and consistent systems. The implementation of cash application procedures eliminates the repetitive and rule-based nature of payment reconciliation for real-time cash allocation.

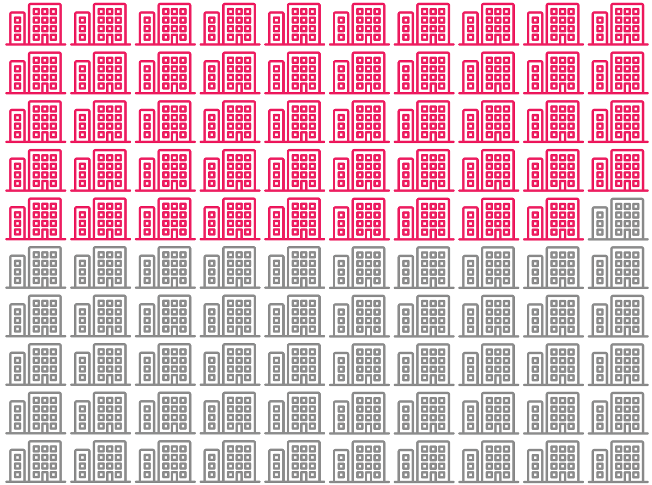
By automating cash application, it is possible to achieve higher matching rates in a shorter amount of time while easily supporting customers using various payment methods. Smart solutions can process bank statements, remittance advices, lockbox, and settlement files automatically, eliminating unallocated cash while preventing delays, and readily updating customer accounts. Manual workloads and exception handling tasks are reduced as is the need to ask clients for extra remittance information.

Automation can also help to address lack of visibility across the entire AR process cycle, as team members are able to monitor important KPIs and gain full transparency of the process. Finally, fragmented and de-centralized processes can be overcome by building a standardized and reliable system.

The new AR playing field.

While digital transformation and process automation continue to be top priorities for finance companies, new challenges continue to inform and change the environment for AR teams and decision makers. **The continuous and exponential growth of data and how to process it looms over all initiatives against the backdrop of information migration from legacy systems to new platforms, such as SAP S/4HANA.**

Failing to plan for evolving IT advances or keeping pace with changing finance function demands can result in internal cashflow issues, preventing fund growth, reduction in debt levels, and inhibiting the ability to lower costs and maximize shareholder returns. Offering AR departments the means to achieve automated cash application is a necessity in staying on par with the constantly changing payments ecosystem.



49% of businesses **list automated cash application as a premier benefit** of introducing an electronic payment acceptance and receivables processing solution.[14]

Keep pace with AR trends to stay competitive.

New trends offer new opportunities for organizations to break away from the pack. With advanced automation, staying in control of receivables and collection payments is easy and predictable.

Three key tenets in Accounts Receivable continue to drive a successful strategy when considering implantation of intelligent AR automation software:

1. **AR automation is here to stay, from invoicing and reconciliation to credit management, automating manual processing is crucial to remain competitive.**
2. **Advanced fintech tools enable customer insights, opportunity for stronger relationships and the ability to offer more service options and a better experience.**
3. **Predictive analytics forecast cash flow, decrease liquidity risks and help businesses make smarter financial decisions.**

According to an [Imagination Insider report](), the business process automation market continues to rapidly expand. **From $9.8 billion (USD) in 2020, it is anticipated to more than double to $19.6 billion by 2026.**

One truism emerges: manually processing AR functions is expensive, inefficient, error-prone, and an overall security risk, and companies that continue on this track are at high risk of forever falling behind the competition.[15]

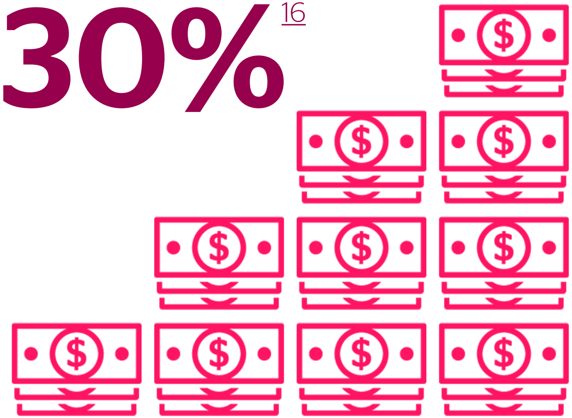
How a Strong Cash Application Strategy Can Support Business Goals

At the end of the day, many businesses and organizations operate with a basic set of (similar) long-term goals. **Controlling risk, manifesting sustainable growth and attaining peak productivity via greater efficiency are common objectives, accomplished by adopting innovative and transformative practices that may break new ground for companies used to adhering to more traditional methods.**

The modern merging of business models and automation technology offers an unprecedented growth opportunity and a redefining of how business goals can be reached. Using technology to automate accounts receivable processes transforms manual work practices, resulting in a significant reduction in mis-allocated cash while helping to achieve the goal of lowering costs. **Automated cash application can also assist financial officers in evaluating the fiscal health and future of the organization.**

On average, AR automation platforms reduce labor related to collections by at least

30%[16]



The beauty of automation is flawless accountability and in depth record-keeping. Automating cash application not only results in the reduction of misdirected or misapplied funds, the deployment of smart cash application software delivers greater visibility into important company Key Performance Indicators (KPIs). For every business or organization, it is imperative that proper, real-time reports are available detailing up-to-the minute operational data and working capital.

It's no secret that the last few years have strained organizations, from a global pandemic that served to forever change the way individuals work to present recessionary concerns that place an even greater emphasis on AR processes. An increased focus on capital naturally leads to intense scrutiny of AR KPIs, and that is where automation shines.

Manual cash application delays are a drag on cash flow, inhibiting growth and innovation by keeping cash stuck on the balance sheet.

Right from the start, cash application tools enable early morning cash application, providing immediate visibility into outstanding DSO, one of the most regularly tracked KPIs for AR. This enables cash flow monitoring at the single customer and organizational levels by establishing the average number of days it takes to collect payments (since manual cash application methods result in a lengthy period between an actual sale and the logging of payment.)

"The biggest benefit of investing in automated accounts receivable is improving your cash flow management."[17]

Cash flow management is at the top of every financial leader's priorities and a foremost driver of AR automation according to a study by CFO Research.[18] Prompt posting of accurate cash statements delivers an unfettered view of cash activity and overall financial health while generating clearcut and indisputable records.

Reduced operation costs and greater scalability for growth.

Achieving more efficiency while reducing operational costs is one of the main drivers for automating AR processes, particularly cash application. Being able to manage a higher volume of functions that were once manual also paves the way for companies to be more flexible and grow.

No one cares for mundane and repetitive tasks. And while modern day living was built on the backbone of skilled, manual labor, there exist many tedious and time-consuming jobs that are ideal for automation, not only because of their monotony, but because of their propensity for error.

Automation can reduce a host of inaccuracies including missing fields and characters from invoices and decoupled remittances, not to mention the time and cost of correcting errors. Mistakes that come from manually matching AR payments to the right invoice can ultimately cost companies more than money, but also customer satisfaction and loyalty.

Source: Serrala, Excellence in AR Automation

In addition to the tendency for mistakes to be made, manual processing requires accounting teams spend an inordinate amount of time reconciliating invoices. Automated cash application solutions eliminate added data entry, saving workers precious time and needless headaches.

When skilled workers are given the freedom to step back from the often boring predictability of manual tasks, they are able to bring other skills to bear upon their work. For example, AR team members can begin to see where old processes are failing and what areas can be improved, creating greater efficacy and ultimately improving workflow, customer engagement, and company bottom line.

The typical B2B business allocates 15% of their staff to supporting (manual) cash application or reconciliation full time"[19]

Companies that are still managing with labor-intensive AR administering may find that the process of manual cash application becomes harder to scale as companies expand, impeding growth. **Automated cash application is designed to keep pace with a business, continuing to provide visibility into processes and other KPIs so decision makers can be better informed when creating business plans and considering investment direction.**

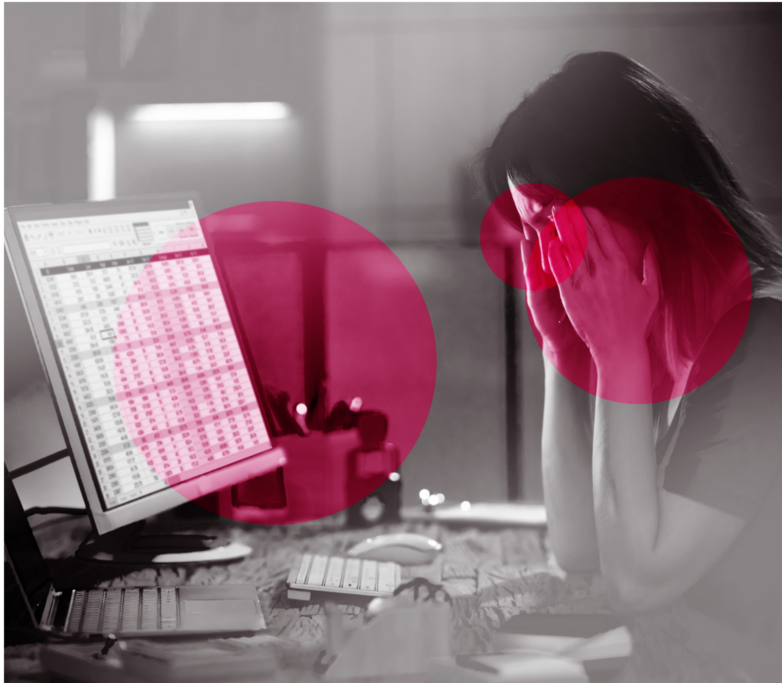
Perhaps the greatest revelation of automation in general is the liberation of employees from tiresome, often boring jobs that can stifle both their motivation and their productivity. Automation can actually inspire employees to become more engaged; **training and upskilling signals to employees that they are valuable to an organization and that they are viewed as part of forward-looking initiatives**.

In a 2021 PwC survey, 60% of U.S. employees expressed the belief that developments in technology will improve their job prospects.[20] **Contrary to common thinking, replacing manual job tasks comes as a relief to many employees, especially when new roles are made available that open greater career opportunities.**

In fact, according to the following statistics, the majority of employees welcome business process automation:

- 90% of employees feel burdened with repetitive, boring tasks that could be easily automated.
- **68% experience stress due to daily excessive workload.**
- 81% may reach a breaking point if automation is not engaged.[21]

Supporting employees with new technologies and training can payoff in higher retention, greater productivity and improved morale amongst peers overall. Freeing time for more judgment- and strategy-based projects can rejuvenate attitudes, build confidence, and leverage resources that were previously untapped.



Conclusion

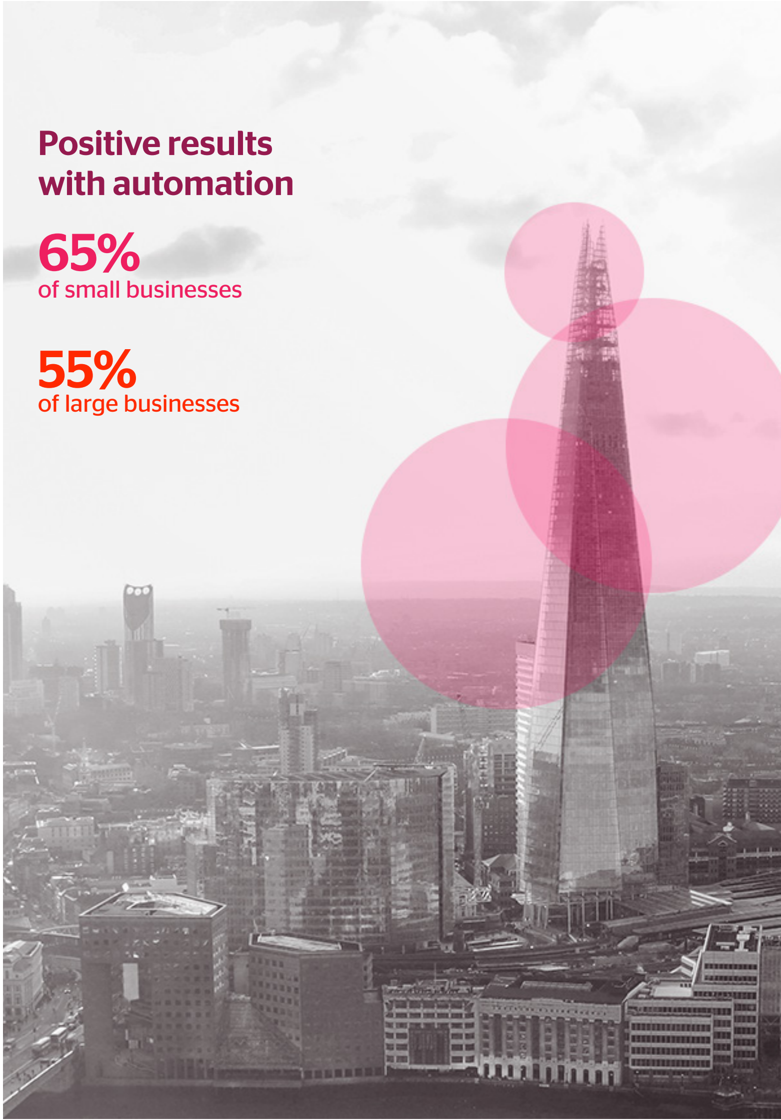
Over half of businesses surveyed in a B2B Payments Innovation Readiness **study of small to large businesses report that high operating costs are contributing to negative issues within their accounts receivable departments.[22]** Ongoing warnings of economic turns and a host of labor concerns from shortages to retention, combined with broad operational inefficiencies, can further the sting of high costs by stagnating innovation and growth.

Research shows that investing in smart digital initiatives designed to fit an organization's specific operational and budgetary needs can mitigate economic demands in the Short-term and serve as a solid foundation for long-term financial and operational advanatges. **An** essential part of digital transformation **for every organization is recognizing the realities (and disruptive nature) of business automation technology and including its implementation in future business plans and initiatives.**

66% of businesses have begun the automation of business processes in at least one business function.[23]

In a 2020 McKinsey Global Survey (following-up on a previous similar survey in 2018), findings indicated a steady increase in and prioritization of business process automation. **Respondents from larger companies that continue to meet automation initiative goals revealed three unique attributes: automation is a tactical priority, any plan must focus equally on the people involved in automation, and the working models must allow for scaling.**

And while smaller companies indicate a lower percentage of overall automation, results are on par with larger organizations. In the same McKinsey survey, **65% of respondents at smaller companies report success with automation, compared with 55% at large organizations.**[24]



Automated cash application solutions present an efficient and benefits-rich opportunity to leverage automation technology to achieve digital literacy while securing basic finance functions of lowering costs, enabling growth and increasing worker's efficiency. **AR automation frees people from repetitive, tedious manual entry of data, achieving greater accuracy and security, saving time and money, and offering greater visibility into real-time financials while enhancing customer service and providing built-in scalability.**

Organizations that proactively invest and utilize "technology to permanently reduce the cost of doing business,"[25] or digital deflation as defined by Gartner, push back against the ill effects of inflation by investing in technology solutions despite the inclination to scale back.

In today's post pandemic workplace, organizations are encouraged to embrace innovative technologies to stay competitive and remain resilient. Engaging automation tech is equally positive in motivating and maintaining employees, empowering them with opportunities to upskill, advance and grow with the company. Seventy-six percent of managers in an Accenture Technology Vision Report believed companies need to bring employees and technology together, with an emphasis on "the human side."[26] Investing in the human implementation of automation is a win-win for companies looking to retain top talent and succeed in transforming their workplace solutions.

Business automation technology tools like automated cash application is a game-changing business value with infinite potential to create new levels of service and customer experience. **For organizations seeking a competitive stronghold while achieving sustainable growth, it remains an essential investment.**

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