Automated Finance: 6 Key Steps for Adopting New Technology

An AP & P2P white paper

ACCOUNTS PAYABLE & PROCURE-TO-PAY
APP2PNetwork
Payables • P2P • Shared Services

Sponsored by

nexonia

Introduction

Automation is moving up the agenda of financial leaders.

- **18 percent** of organizations are planning to upgrade to a web-based expense management system.
- **46 percent** of organizations planning to switch to a new expense management technology provider will to do so within the next six months.
- Among organizations planning to switch to a new expense management technology provider, **77 percent** plan to do so within the next 12 months.

These findings from the Certify Inc. *2018 Expense Management Trends Report: Annual T&E Outlook and Benchmarks* show that organizations recognize the benefits of adopting new technology.

Migrating from pen and paper, Excel spreadsheets, and homegrown solutions to a web-based expense management solution enables companies of all sizes to reduce costs, increase control over expenses, strengthen policy compliance, improve staff productivity, and increase visibility and reporting.

But automation isn't always easy for organizations, especially for large enterprises that are locked-in to legacy processes and workflows or lack the resources to research and adopt new technology.

Adopting new technology doesn't need to be a painful process, but without forethought it can be. This white paper provides a step-by-step guide for successfully adopting new financial technology.

STEP #1: Diagnose your pain points.

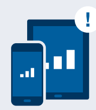
Understanding your current finance challenges is the first key step when adopting new technology. This information will ensure your business case presents a sound problem- and solution-based premise.

For instance, manual expense management processes create five issues:

1. **High cost of processing expense reports:** Most expense-processing costs are related to the time spent creating, approving, and reimbursing expense reports and the expense associated with printing reports and mailing them to the appropriate personnel. To calculate the overhead cost per expense report, multiply the average hourly wage or salary per individual employee by the average amount of time an employee spends per expense report. Also, be sure to include any ancillary expense management costs. For example, many companies require employees to mail paper receipts to the accounts payable department for processing.

2. **Lack of control over employee spending:** Manually processing expense reports makes it especially difficult to control employee spending and track and monitor compliance against corporate business travel policies. The root of the problem is that spreadsheets

Don't adopt new technology without setting yourself up to succeed.



Winning at the adoption of new technology begins with a **sound strategy** up front.

Without a proper plan, the adoption of new technology can result in:

- No return on investment
- Strained stakeholder relationships
- Wasted internal resources
- A loss of trust among senior management
- Wrongly sequenced digitization of processes

are difficult to integrate with various technology and software features including: pre-trip authorization systems, online booking platforms, corporate card feeds, expense reporting applications, and other back-office systems that help ensure compliance and eliminate data-entry. For instance, in a manual expense environment, employees must manually input data from their credit card statement into their spreadsheet expense report, match the data with a paper receipt, and code the transactions to the appropriate general ledger codes and cost centers.

3. **Poor visibility**: Manual expense reporting makes it difficult to get a clear view into the big portion of the corporate budget represented by T&E spending. And executives cannot readily access the information they need for financial forecasts, cost and compliance management, and benchmarking their specific levels of expense spending. Spreadsheets also make it hard to be sure that the expense was not already reimbursed. Poor visibility into expense data is compounded by ineffective auditing of expense reports. Randomly auditing expense reports is an inconsistent approach that leaves businesses vulnerable to wasteful or fraudulent expenses.

4. **Travel and expense policy compliance and enforcement:** Having a written travel and expense policy in place is no guarantee that employees will follow it. For companies manually reviewing expense reports, it's simply not possible to catch every policy violation through sampling, be it a calculation error, honest mistake, or fraudulent employee behavior.

5. **Lengthy reimbursement times:** The manual expense reporting process at many businesses requires employees to gather receipts and itineraries, record any non-receipt items, enter expenses into a spreadsheet with information such as the vendor, dates and category, print the spreadsheets, print the receipts or staple the receipts to the expense report, sign and date the report, and present or mail the report to a manager. Managers must ensure that expenses have receipts, review any out-of-policy items, return any expense reports with errors to the employee for resubmission, sign and approve expense reports, and route the report to another manager for approval or to accounts payable for reimbursement. Accountants then check for receipts, manager approvals, and out-of-policy items, match receipts with line-items, verify all charges, dates and vendors, enter expense data into the company's accounting software, and enter data from the accounting software to payroll for reimbursement. The back-and-forth between travelers, approvers and/or accountants in a manual expense environment frequently results in delays in reimbursing business travelers and can result in costly reimbursement errors. Long reimbursement times also negatively impact employee morale.

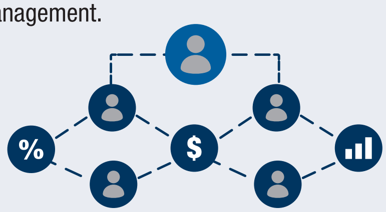
Uncover your organization's expense management pain points by identifying and documenting the procedures that are now in place, and the challenges and hidden costs that are tied to each one.

Integration enables companies to enhance expense management into a holistic process, accelerate expense approval periods, and increase travel policy compliance.

Enhanced visibility into the expense reporting process—from pre-approval to reimbursement—can reduce complications and inquiries from approvers and travelers.

Considering that Aberdeen Group estimates the average U.S. company budgets between **six and 12 percent of total revenues** for T&E, the investment needs to be properly managed.

More than 20 percent of accounts payable leaders say that mapping processes was their top challenge in adopting new technology: The Association for Intelligent Information Management.



STEP #2: Set your objectives.

There are many reasons that organizations adopt new technology.

Corporate growth, global expansion, or an increase in the number of employees who submit expense reports each month frequently push organizations to automate to achieve greater efficiency and control. Other organizations automate to resolve organizational pain points. But simplifying the expense reporting process for employees and managers is the leading reason organizations automate.

The *2018 Expense Management Trends Report* from Certify Inc. found that the top pressures to improve expense management are:

1. Need to reduce expense report processing costs
2. Poor visibility into travel and expense data (spending, compliance rates)
3. Lack of business traveler productivity
4. Frequent instances of non-compliance travel/expenses
5. Lack of control over T&E spending

It is no wonder that 34 percent of organizations identify the expense management process as the top travel and expense area of improvement, according to the 2018 expense management survey from Certify, Inc.

Setting clear objectives early-on ensures your success in adopting new technology.

Form a project management team that includes stakeholders from departments such as information technology, finance and accounting, procurement, human resources, and sales and marketing. Create a prioritized list of objectives based on the business needs of these stakeholders. Be sure to solicit feedback on the objectives from front-line users such as travelers, managers, and accountants.

If you don't take the time to fully understand your organization's business objectives, your adoption of new technology could end up costing more because of delays or unexpected risks.

Setting these objectives will keep your evaluation team focused on what's important.

STEP #3: Find the right technology vendor.

Many financial leaders admit that confusion about technologies is a big reason they don't automate.

While finance leaders don't need to become an expert in each technology they deploy, they do need to make sure that prospective vendors will meet their objectives from a technical standpoint.

51% of finance professionals say that expense management automation is the most important feature in a web-based expense management system, according to research from Certify, Inc.

Formulate a **simple, clear, and concise mission statement** for adopting new technology.

Engage with the key stakeholders of each department, business unit and group to identify their needs. Analyze how the technology will impact the way that staff perform their jobs.

First, look for expense management systems that offer an integrated online travel-booking service or can be easily configured to work with one. Integrated travel booking offers two unique and powerful features that make employee compliance with policies for airfare and travel-related services easy.

- **Lowest logical fare automatically identifies the best available rates for any given itinerary.** The traveler is then offered only those rates and booking options that are within policy, and that meet any additional guidelines such as duration of travel and connecting flights.
- **Pre-trip approval requires manager authorization to finalize proposed travel bookings.** It can be configured to meet a range of policies, such as requiring that every itinerary is approved by a manager or requiring approval of only travel bookings that deviate from policy.

Organizations should also look for mobile capabilities. Web-based expense management solutions enable business travelers to snap photos of paper receipts with a smartphone, eliminating keying. The technology uses optical character recognition to automatically parse data into reports (auto-fill). Business travelers can build expense reports from the road as receipts are captured and saved. And managers can use a smartphone to review and approve from any location to reduce delays.

Also consider a technology vendor's level of integration with downstream systems and processes. Integrating web-based expense management systems with accounting systems automates key finance functions while streamlining workflows. What's more, integrating web-based expense management systems with corporate credit cards provides businesses with greater control over employee spending—and faster reconciliation. And integrating web-based expense systems with a human resources platform reduces data entry and errors across multiple redundant systems. Reimbursing employees via Automated Clearing House (ACH) further speeds reimbursement and simplifies accounting.

Additionally, investigate a prospective technology vendor's ability to provide real-time visibility into processed and in-progress expense reports, so organizations can better monitor people and processes and approval paths, identify causes of roadblocks and delays, and head-off policy violations or fraud.

Building travel policy into expense reporting systems is another key consideration. Web-based expense management systems incorporate hard and soft policy controls such as spending caps, reporting requirements (i.e. meal attendees), and vendor preferences (such as for airfare, rental cars, and hotels). The technology also automatically identifies duplicate receipts and flags out-of-policy expenses. Some web-based expense management systems also automatically build expense reports on schedule and notify employees and managers of the availability of expense reports.

Finally, the digital approval workflows in web-based expense management systems accelerate T&E expense reimbursement by automatically notifying managers of reports pending approvals.

Here are system attributes you should evaluate with respect to your business' needs:

- Functionality
- Ease-of-use
- Flexibility
- Reliability
- Scalability
- Interoperability
- Security
- Compliance
- Auditability

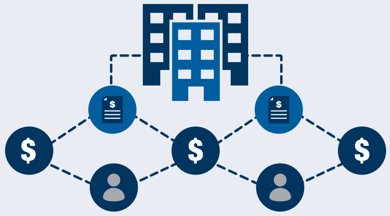
Price and performance between automated expense management systems vary greatly.

Prospective technology vendors should be able to provide a “yes” or “no” answer to well-defined business requirements, or a brief explanation for “areas of gray.” And never take a “canned” product demonstration at face value; ask technology vendors to demonstrate how their product will handle your approval workflows or business requirements, preferably using your actual documents.

Next, validate vendor claims through third-party references, preferably with end-users whose processing requirements are like your own. Ask references about their experience during implementation, the ease of use of the system, the vendor’s level of support and compliance with service level agreements, and their satisfaction with enhancements to the solution. Don’t hesitate to ask references whether they are meeting their business case for their AP automation initiatives.

Crowd-sourcing business software review sites such as G2 Crowd or Capterra, are also a good resource. Reviews by real people will give you the user’s perspective of each vendor. Also leverage the LinkedIn group for IOFM’s AP & P2P Network for unbiased opinions by other financial leaders.

Evaluate new technology based on actual business value and not just its cost.



Dig into the vendor’s organization: understand its history and the tenure of the executive team, gauge its financial standing and stability, learn the organization’s recent growth trends, and determine the number of customers the organization has in your industry and its customer retention rate.

Organizations should also understand the vendor’s user support options, including hours of support and whether the service is inter-company or outsourced. It’s also important to get a clear picture of the vendor’s commitment to research and development. Make sure to ask the vendor how frequently software enhancements and bug fixes are released and how they are implemented.

If you are using a request for proposals as part of your vendor evaluation, resist the temptation to include a laundry list of questions; the overwhelming amount of data the evaluation team receives back from technology vendors may distract them from the most important business requirements.

STEP #4: Build a solid business case.

It’s critical that you build a strong business case when adopting new technology.

A business case for automation should include:

- **Hard savings:** labor costs and physical document storage and retrieval
- **Soft savings:** faster cycle times, efficiency improvements, and better staff morale
- **Risk mitigation:** fewer lost receipts, less fraud, and streamlined reporting

The hard and soft savings should include conservative, moderate, and aggressive estimates.

The good news is that organizations identify several contributors to the return on investment that they achieved from adopting web-based expense management systems, including an increase in employee productivity, and a reduction in administrative overhead, shipping and storage fees, and supplies.

Many organizations survey by Certify, Inc. for the *2018 Expense Management Trends Report* have achieved a fast return on investment. Of those organizations reporting a return on their investment in expense management automation, one-third of organizations achieved full payback in one year or less. Another eight percent of organizations achieved payback in two years or less, the trends report finds.

Organizations attribute their solid return on investment to broad improvements in expense reporting process efficiency, which can reduce overhead and the staffing requirements necessary for processing expense reports. In addition, system features such as travel booking controls, mobile tools, and the elimination of payment for duplicate receipts also rank high among the features driving payback.

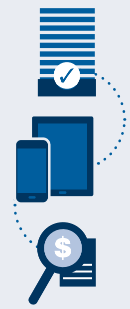
There are several primary drivers of payback for expense management automation:

- Improved efficiency/expense reporting process **58 percent**
- Reduction in processing costs (less paper, postage, storage, etc.) **53 percent**
- Mobile accessibility **30 percent**
- Increased employee productivity **27 percent**
- Reduction in overhead/staffing requirements **23 percent**
- Travel booking control (pre-trip authorization, etc.) **23 percent**
- Reduction in fraudulent expenses **22 percent**
- Elimination of payment for duplicate expenses **22 percent**
- More accurate mileage tracking/mapping **17 percent**

Automating expense management also provides organizations with value-added capabilities.

For starters, automation enhances the annual budgeting process by breaking down the T&E budget for visibility into spending by expense category, department, individual employee, and more. Real-time, granular detail on spending enables managers to more accurately budget for future spending.

Automation also minimizes the risk of inaccurate cash forecasting. Incomplete or delayed T&E reporting makes accurate bookkeeping impossible. Automation helps ensure the timely submission of expense reports and notifies travelers and managers when reports are due or awaiting approval.



Try utilizing publicly available data and customer case studies provided by technology vendors to help provide business case justifications for the investment.

In addition, automation strengthens regulatory compliance with transparency into T&E reporting. Sarbanes-Oxley, the Physician Payments Sunshine Act, and certain Internal Revenue Service expense guidelines set penalties for organizations and individuals who do not play by the rules. Automation provides instant access to expense data as well as built-in compliance features. For example, expense reports can only be completed once travelers meet certain hard-coded requirements. What's more, all expense information is electronically stored, and can be easily analyzed whenever necessary.

Once you have built your business case, create a summary page highlighting the hard and soft savings, risk mitigation, and the assumptions used to create them. When all these elements are well-defined and properly articulated in a business case, it accelerates senior management approval.

STEP #5: Don't lose sight of the user experience.

The next step to winning at adopting new technology is to get by-in from front-line staff.

All organizations resist change to some degree. We've all heard the phrases:

- "That's the way we've always done it."
- "If it's not broken, why fix it?"

There are four common reasons that staff resist adopting new technology:

1. Lack of necessary skills or knowledge to operate the new technology.
2. A lack of belief in the new technology.
3. Fatigue from too many new systems, reorganizations, mergers, and other changes.
4. Personal issues such as an impending retirement or serious illness.

Resistance to change is an especially big challenge in accounts payable departments, where most managers "come up through the ranks" and front-line staff undergo less turnover than other finance and administration functions, per the Institute of Finance and Management's (IOFM) research.

Proactive communications reduce the risk that new technology will be rejected by users.

For starters, understand the impact that the new technology will have on staff. Develop a communications strategy to explain why the new technology was necessary, how the organization will operate after adopting the new technology, the benefits it will accrue, and how the technology will affect staff. Your communications strategy might include a formal announcement from senior management, as well as emails, breakroom posters, announcements on the corporate intranet, and "lunch and learn" sessions. Ideally, improvements in workflows will be obvious to most individuals. Take the time to listen to staff and to empathize with individuals who are unsure about the new technology.

Adopting new technology can be disruptive to users.

You need to understand the impact that adopting new technology has on your staff.

Try to identify potential skeptics early on and attempt to address their concerns.

Executive sponsorship is critical to getting buy-in from front-line users. The sponsor must make it clear to users that the effort is important. The sponsor should understand the challenges that created the need for adopting new technology and the details to justify the technology approach selected.

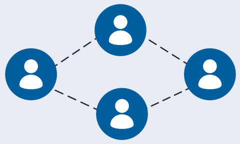
Additionally, choose technology that stakeholders will want to use. Otherwise, stakeholders will end up using workarounds and will not use the new technology mandated by the organization. Using a mobile device to capture receipts and generate expense reports is one user-friendly technology.

Many organizations mistakenly believe that, "if you build it, they will come." One aim of new technology is to digitally connect stakeholders to drive better business outcomes. That means your system deployment is about more than just the technology; it's also about the user experience.

It also is important that you work well with your technical support team during deployment.

Finally, publicly recognize individuals or teams who exhibit behaviors you wish to encourage. For instance, consider hosting a pizza party for a department with the fewest flagged expense reports.

Users know what they need to be productive.



STEP #6: Monitor and measure the results.

The final step is to monitor and measure the performance of your new technology on an ongoing basis.

Periodically update stakeholders and senior management on the post-adoption results.

Following the implementation, begin monitoring how the new process is flowing, track the savings in supply costs, and log the reduced number of hours spent by employees, managers, and accountants.

By gathering and reporting this data, you can begin to demonstrate the actual return on investment as the new technology is adopted by a greater number of users across your organization.

Conclusion

Automation is a top priority for finance leaders at organizations of all sizes. They recognize the impact that new technology can have on costs, accuracy, timeliness, visibility, control, and compliance. But adopting new technology can be overwhelming to finance leaders. And a poor system deployment can result in no return on investment, strained stakeholder relationships, loss of trust with senior management, unexpected costs to correct sub-optimal automated processes, and wrongly sequenced digitization of processes. Following the six steps described in this white paper eliminates the risks and helps ensure that your organization succeeds at adopting new technology.

About the Sponsor

This white paper was sponsored by Nexonia.

Nexonia is the leading provider of web and mobile expense and time management solutions, including Nexonia Expenses, Nexonia Timesheets, Nexonia Time Off, Nexonia Purchase Orders and Nexonia Accounts Payable. These simple to use and highly customizable applications are fully integrated with accounting/ERP, credit card, payroll, and travel management systems. Nexonia solutions are designed to streamline the reporting and approval process, improve human resource management and enhance operational efficiency. Providing outstanding products and phone and online support, Nexonia is passionate about providing the most quality customer experience possible.

Visit **www.nexonia.com** for more information.

About the AP & P2P Network

The AP & P2P Network is the leading provider of training, education and certification programs specifically for Accounts Payable, Procure-to-Pay, Global and Shared Services professionals as well as Controllers and their F&A teams.

Membership to the AP & P2P Network (**www.app2p.com**) provides comprehensive tools and resources to financial operations professionals who manage or are deeply involved in the Accounts Payable and Procure-to-Pay process.

Focus areas include best practices for every AP & P2P function; AP & P2P metrics and benchmarking data; tax and regulatory compliance (e.g. 1099, 1042-S, W-9, W-8, Sales & Use Tax, Escheatment, VAT, Canadian Tax, Internal Controls); solutions to real-world problems challenging your department; AP & P2P automation case studies; member Q&A networking forums, Ask the Experts, calculators, and more than 300 downloadable, customizable AP & P2P policies, flowcharts, templates and internal control checklists.

A membership to the AP & P2P Network provides tangible ROI to any organization – saving your organization time, money and keeping you compliant.

Over 10,000 professionals have been certified as an Accredited Payables Specialist or Manager (available in English, Simple Chinese and Spanish), and Certified Professional Controller through the AP & P2P Network and its parent company, the Institute of Finance & Management.

AP & P2P Network also hosts the Accounts Payable and Procure-to-Pay Conference and Expo (Spring and Fall), designed to facilitate education and peer networking.

The AP & P2P Network is produced by the Institute of Finance and Management (IOFM), which is the leading organization providing training, education and certification programs specifically for professionals in Accounts Payable, Procure-to-Pay, Accounts Receivable and Order-to-Cash, as well as key tax and compliance resources for Global and Shared Services professionals, Controllers and their F&A teams. With a universe of over 100,000 financial operations professionals, IOFM is the trusted source of information in the rapidly evolving field of financial operations.