Digitisation: The Way Forward for Finance

Ashish Arora examines the evolving role of the finance function

Today, it has become a cliché to say that the finance function has gone from mere controllership to becoming a truly value-adding business partner. Increasingly, finance heads are focusing less on asset protection (the stewardship role) and functional efficiency (the operator role), and more on business strategy and catalysing change across the organisation. Digitisation is one of the most important channels for effecting change, in numerous ways.

Digital technologies are fast changing the way businesses operate, and how they engage with their customers. Algorithms are replacing brokers, block-chain technologies are coming to the fore, and banks now require fewer physical branches than ever. To illustrate, in a recent Deloitte-MIT Sloan survey covering more than 3,700 business executives and analysts from 131 countries, 87 per cent of respondents said that digital technologies will disrupt their industry. All of this puts pressure on business leaders to compete digitally, while at the same time, the presence of a strong external support system – take, for instance, the Digital India programme – acts as a stimulus. By adopting ever-cheaper and more efficient ICT technologies, companies are able to optimise cost, increase profitability (such as by automating processes), and respond faster to market dynamics.

In such a scenario, business leaders must be able to process information more quickly than ever – and so, many turn to the finance function not only for a hindsight view of past performance, but also to enable data-driven foresight and decision-making. This is where Finance's business-partnership role becomes relevant. Yet, unless Finance itself optimises its routine internal processes – particularly those related to its stewardship and operator roles, which continue to take up huge amounts of time and other resources – it is difficult for it to be a business partner in the truest sense. Finance, in other words, must digitally transform itself.

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Leading the change...

Digital transformation is not merely about technological change, but an unprecedented opportunity to automate processes, leverage huge amounts of information, and distribute knowledge more effectively. This will drive operational improvements, but it will also yield valuable business insights.

A digital finance ecosystem utilises disruptive technology, innovation, data, and people to elevate and differentiate the capabilities of the finance function. Some of the technologies that offer potentially break-through benefits include:

- Robotics process automation
- Block-chain
- Internet of Things
- Cognitive computing/Artificial Intelligence
- Advanced analytics

Anticipating changing business needs, Finance heads globally have started investing in these digital technologies, and are also redefining their talent models to garner the required competencies. A good example of this ongoing digital transformation is procure-to-pay (P2P) processes.

Transforming procure-to-pay

Increasingly, P2P processes run along the lines of a 'Finance Factory' model, with largely automated and connected processes – including platforms, workflows, portals and visualisation – that are supported by digital and other enabling technologies,. The emphasis is on continuous improvement and optimisation of both performance and exceptions.

Chart 1 illustrates how some of these innovative technologies can be leveraged to digitally transform P2P.

Chart 2 compares some of the attributes of P2P, both before and after digitisation, and shows how the focus is moving from mere transaction-processing and cost-saving to business-value creation. The likely attributes associated with this move are:

- Digital technologies will augment

Chart 1: Potential applications of digital technologies in the P2P value chain

	Master Data Management	Sourcing	Procurement	Receiving	Process Invoice	Payments	Close
Robotics Process Automation	Automate VM creation/update, identify exceptions, email to vendor, identify duplicates				Receipt, indexing of invoices, trigger exceptions workflow, identify and fast track discount invoices	Creation of payment proposals and processing T&E reports audit	Reconcile Vendor and unmatched receipts/ invoices
Blockchain	Allow vendors to initiate creation/ update of thier master data	Smart Contracts published on network facilitating realtime negotiations for best price, delivery, other terms Allow vendors for / update Catalogs in Purchasing	Smart Contracts facilitating real time issuance of Purchase Orders	Expedited exchange of PO, ASN and goods receipt data on the network. Invoice scanning no longer required		Account settlement through cryptocurrencies T&E payment and settlement between parties on the blockchain network	Reduced Vendor reconciliation process as all parties authorizing the same transactions
Internet of Things			Auto triggering of Purchase/Service Requisitions on: - inventory touching re-order level -machine malfunctioning or nearing end of life	Trigger autocreation of Goods Receipt Note in ERPs on receipt of inventory, Assets	Trigger auto populating of T&E reports on receiving spend data directly from PoS		
Artificial Intelligence/ Cognitive Computing	Cognitive RPA automatically creating masters utilizing unstructured data from contracts, proposal, others	Utilizing structured unstructured data to: -provide supplier and contract related risk assessments - catagory level and overall spend analysis to validate and support decisioning			Cognitive RPA for reduced invoice exceptions management -develop exceptions patterns, auto update matched invoices in ERP, escalate exceptions to right set of people	Cognitive RPA identify and push approved invoices for payment based on available dynamic discounting Facilitate changing payment strategies in line with working capital strategy	Cognitive RPA to reconcile unmatched receipts / invoices, trigger workflow for clearing open POs
Advanced Analytics	Actionable insights throughout the value chain for a predictive, prescriptive analytics to support decisiions						

automation, enable connected and automated processes, and facilitate better collaboration and flow of data across the value chain.

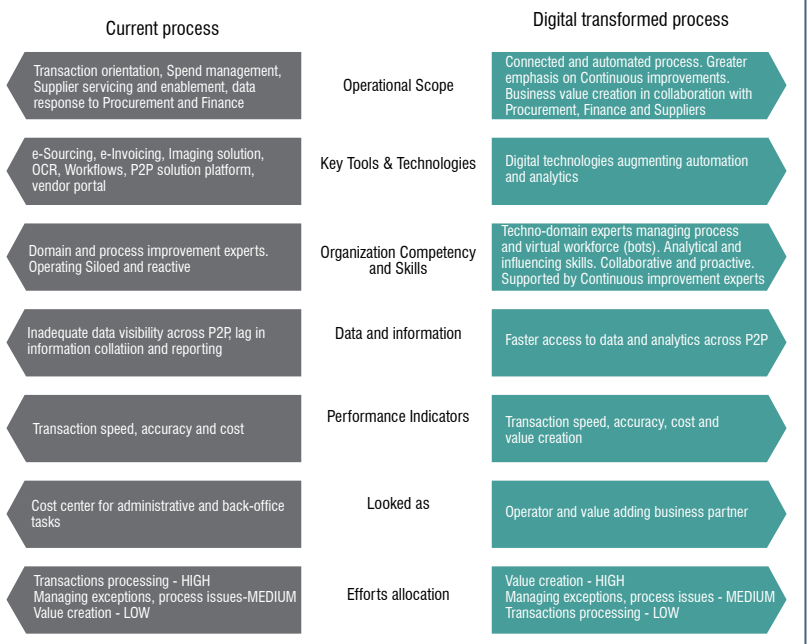
- Staffing will focus on the most appropriate competencies and skillsets. Primarily, this will include two sets of people: first, techno-domain experts who can manage processes and a virtual workforce (bots), partner with the business, and derive from the available data meaningful insights that support decision making; and second, continuous-improvement and change-management experts.
- Access to data and information will speed up across the value chain owing to connected upstream and downstream processes that are supported by IoT and analytics. Examples include T&E exceptions and policy adherence trends, and supplier-performance metrics.
- Business value creation is likely to expand beyond the traditional performance indicators, such as transaction speed, accuracy and cost. A strong P2P function, backed by a robust technology platform, should be able to leverage the benefits of dynamic discounting and supply-chain financing. In turn, this should facilitate improved enterprise metrics, such as reduced operational costs or net working capital, or more collaborative supplier relationships.
- With its ability to support both decisions and enterprise metrics, the P2P function will be regarded both as an operator and as a value-adding business partner.
- As a result of greater process automation, there will be a rising focus on value-creating tasks, followed, in descending order of importance, by exceptions, issue-management, and transaction processing.

> Digital technologies will augment automation, enable connected and automated processes, and facilitate better collaboration and flow of data across the value chain.

Supporting P2P's digital transformation

The success of any digitally-transformed P2P process lies in its

Chart 2: Pre- and post digital transformation of P2P



ability not only to free up resources, but also to generate insights that allow the business to take more informed decisions. This requires a well-formulated transformational strategy that encompasses the 'technology', 'process' and 'people' aspects. Several guiding principles are vital to any roadmap for such a transformation:

1. Building an end-to-end perspective: It is important to 'vision' for a holistic transformation of the P2P process. This should envisage not just the adoption of digital technologies, but also the creation of a connected and automated interface between the upstream (sourcing) and the downstream (procurement, AP) processes. In turn, this will facilitate, at one level, connectivity with suppliers; and, at another level, integration with ERP platforms so as to automate sourcing, the procurement of goods and services, receipts, processing invoices, and payments. By drawing upon a highly automated flow of structured data between the procurement and AP functions, as well as suppliers, the enterprise can drive robust analytics and reporting to support decision-making.

> Meaningful transformation require that digital technologies be deployed optimally in combination with other enabling technologies and platforms.

2. Continuous improvement: As elements of the 'Finance Factory', automated and interconnected processes need to be coupled with greater continuous improvement efforts to:

- Optimise exceptions and improve on service levels, such as through Lean-Six Sigma and other improvement initiatives
- Identify and execute additional improvement opportunities. This includes fixing upstream processes for solutions to work optimally. For instance, to apply robotics, it is critical to migrate manual invoices to e-invoices. Similarly, supplier education programmes should drive the standardisation of invoices across geographies and vendors so as to support different lines of business. If standardisation is not viable, enterprises must equip robots (through OCR- or ICR-based extraction technologies) to collate invoice data across different types of invoices. Robots that handle invoice receipts and allocation, and which ensure accurate, first-time-right processing, can then replace manual touch points.

3. Leveraging the synergetic impact of a digital ecosystem: Meaningful transformation require that digital technologies be deployed optimally in combination with other enabling technologies and platforms. Similarly, the synergetic impact of implementing multiple digital technologies (including organisation-wide) should be explored and leveraged to the hilt. For instance, systematically applied, robotics and cognitive intelligence can help identify, analyse and develop invoice-exception patterns. Clearly-defined business rules can identify and escalate exceptions to the right set of people. A real-time monitoring of exceptions can also facilitate rule reviews.

In sum...

Digitisation is a reality. The digital wave that is disrupting businesses everywhere is not only unstoppable, but inescapable. Consequently, the demand for Finance to be an agile and strategic business partner will soon become the norm. Optimising and leveraging operational finance processes through digital transformation will be a key enabler in this respect. ■

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