



Analytical Automation for Finance

**XP&A | Advanced Analytics & Business Intelligence
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In order to stay ahead of the competition, businesses need to make sure they are using the latest and greatest technologies. One area where this is particularly important is Analytics. By harnessing the power of advanced analytics, businesses can gain insights that can help them improve operations, make better decisions, and stay ahead of the curve. However, implementing advanced analytics can be a daunting task. That's where analytical automation platforms come in. Such solutions can help simplify the process of incorporating advanced analytics into your business. In order for businesses to take analytics capabilities to the next level, implementing analytical automation solutions in your Finance function's processes becomes imperative. This may include processes such as Revenue Recognition, Receivables and Payables Management, Month-end close and Reconciliation, Financial or Management Reporting or Internal Audits. By implementing, businesses can save time, better understand their data and help with data-driven decision-making resulting in tangible impact to ROI from Finance.

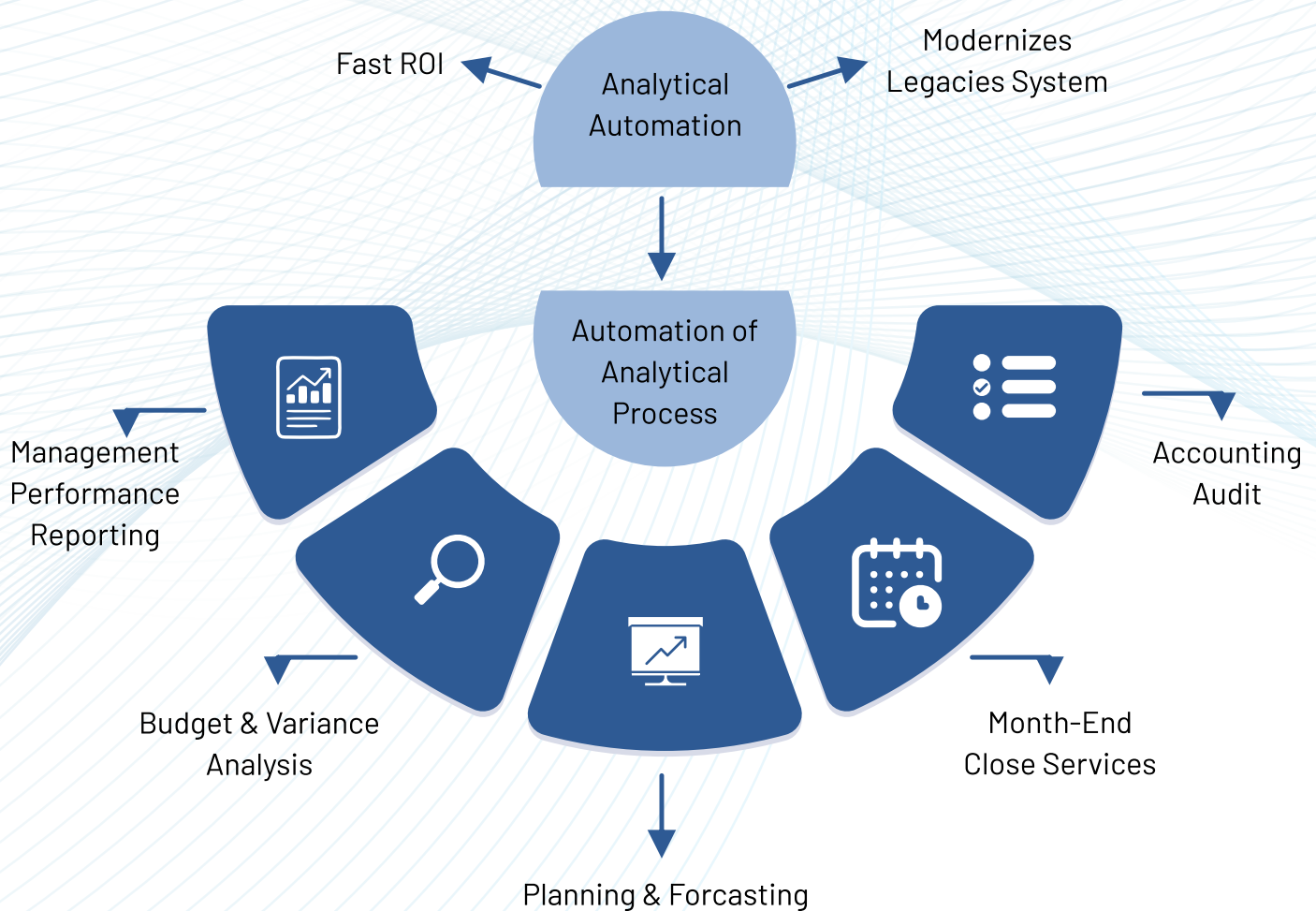
We believe there are three major themes that businesses need to be aware of and should consider designing and implementing those that offer quick-wins to start with, helping get the buy-in from teams and stakeholders and those that generate tangible impact to the business's ROI within a twelve month period. Implementation in one function, helps open up the possibilities of creating similar ROI beyond Finance in other functions like HR, Sales, Operations etc. The three themes are:

- **End-to-end Analytical automation Solutions for generating insights that create an edge:** Through automatic access of data owned by different functions within the business, automation, consolidation, data transformation, modeling, analyzing and creating dashboards becomes feasible and seamless. Most importantly, this enables tracking of newer business metrics that were neither tracked nor contributed to Strategic and Operational decision-making until then. Automation helps turn the results into actionable reports and dashboards, while shifting away from conventional practices like using spreadsheets.
- **Deploying Process Automation solutions for significant efficiencies:** Designing and developing bespoke Solutions using low code/ no code technology platforms for use cases in Accounting, Invoicing & Expense Management, Reconciliations, Month-end Close, Financial Controls, etc., with the objective of reducing manual efforts significantly, augment risk management by reducing people related risks such as attrition, knowledge erosion and strengthening business continuity.
- **Use of Predictive Analytics in Planning & Decision-making:** Using Machine learning models to enable forecasting including demand planning & forecasting, cash flow forecasting, financial modeling and strategic planning etc.

In this three part series, we cover how your business can benefit from advanced analytics and analytical automation platforms by implementing one or more of the Solution themes above. In this Part I publication, we will cover End-to-end Analytical Automation Solutions.

What is Analytical Process Automation and what is its significance?

Analytical Process Automation (Analytical Automation) refers to the technology solutions that allow businesses to share and automate data consolidation, as well as turn data into insights. It is an automated, self-service data analytics platform that removes the analytical barriers by converging the capabilities of multiple tools into one single platform with a prime focus on business outcomes. It is also an enabler that allows everyone in the organization to adapt to and drive advanced analytics irrespective of their exposure to technology and tools. A business can reap benefits like faster ROI by unlocking prescriptive and predictive insights enabled by Analytical Automation.

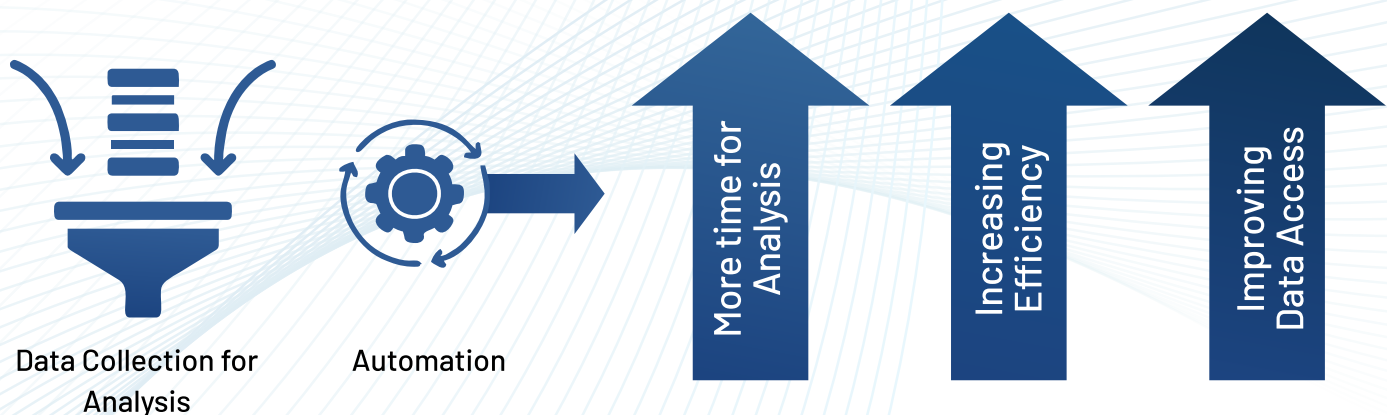


Analytical Automation reduces time spent on low-value adding activities

I. Automation of data collection for analysis:

Finance and Business Analysts are expected to provide data-based insights and guidance on where the company is heading. Unfortunately, they often don't have the time for analyzing and making sense of the data. Instead, a significant portion of their time goes into transforming data that is otherwise fragmented, inconsistent, and comes from many sources. Analysts spend more than half of their time in data gathering and data preparation activities, according to Industry sources. However, with Analytical Automation, this can be reduced significantly as it widens accessibility and simplifies self-service access to data. The core objective of an Analytical Automation is to treat data as an asset and democratize it by making it available to teams, business leaders and stakeholders when needed.

II. Automation of Analytical processes:

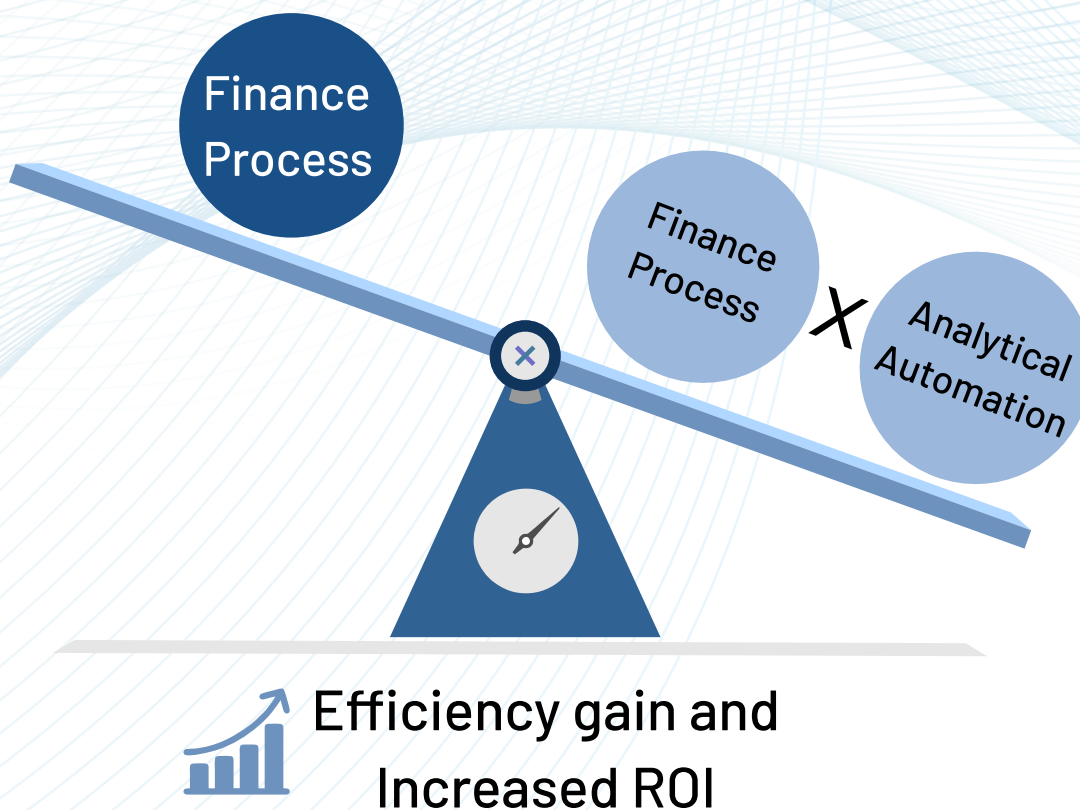


Analytical Automation can help automate and optimize complex repetitive analytical processes involving the FP&A finance function that include: financial reporting, budget and variance analysis, scenario planning and bespoke management reporting. This optimization helps accelerate a set of transaction data into actionable insights and practical use cases. This is done by enabling intelligent business process and workflow automation via automation building blocks which frees people from manual data processes. Finance function must reduce its time spent on redundant low-value adding processes. Designing and developing bespoke automated workflows by eliminating redundant and repetitive steps from the process and running various analyses in the least possible time becomes crucial. A streamlined workflow is vital to collaborate between functions and to have a seamless communication between them.

Analytical automation improves ROI

Today, there are so many opportunities to generate cost efficiencies by leveraging automation. Part of the reason so many businesses struggle to extract or generate ROI is that the systems and solutions deployed currently are fast becoming obsolete. But, Analytical and Process Automation opens the door to everyone. It empowers everyone in the organization to learn data analytics. Analytical Automation generates solid ROI given the reduction in time spent collecting and preparing data for analysis, to integrating analytics into reporting and alerts, which lead to truly transformative business outcomes. According to research commissioned by BlackLine, the pandemic has reshaped the role of finance and accounting and revitalized the urgency around digital transformation. In fact, about 40 percent of respondents want to improve financial planning, analysis, budgeting, and forecasting through automation over the next year.

Calculating the ROI from automation technologies really comes down to measuring how much of manual time savings did the automation yield and the intangible impact created on account of deploying those efficiency gains into other value-added activities. The solutions are likely to reduce direct costs significantly, improve the financial rhythm, and deliver positive ROI within a matter of few months and can be seen in three distinctive areas: improvements in internal efficiencies, improvements in financial performance and talent upskilling which points to a step change in the overall business.



Retaining legacy systems and no-code platforms

Most financial services institutions still maintain complex proprietary legacy systems that do not connect seamlessly with advanced products and solutions in Finance. These legacy applications don't respond adequately to the intricate demands of modern finance, including the staggering amount of data that's being collected. Delayed processing time, poor data quality and higher operational costs are some of the common problems that legacy systems purport. Because of these reasons, they are a barrier to a more efficient process of operations.

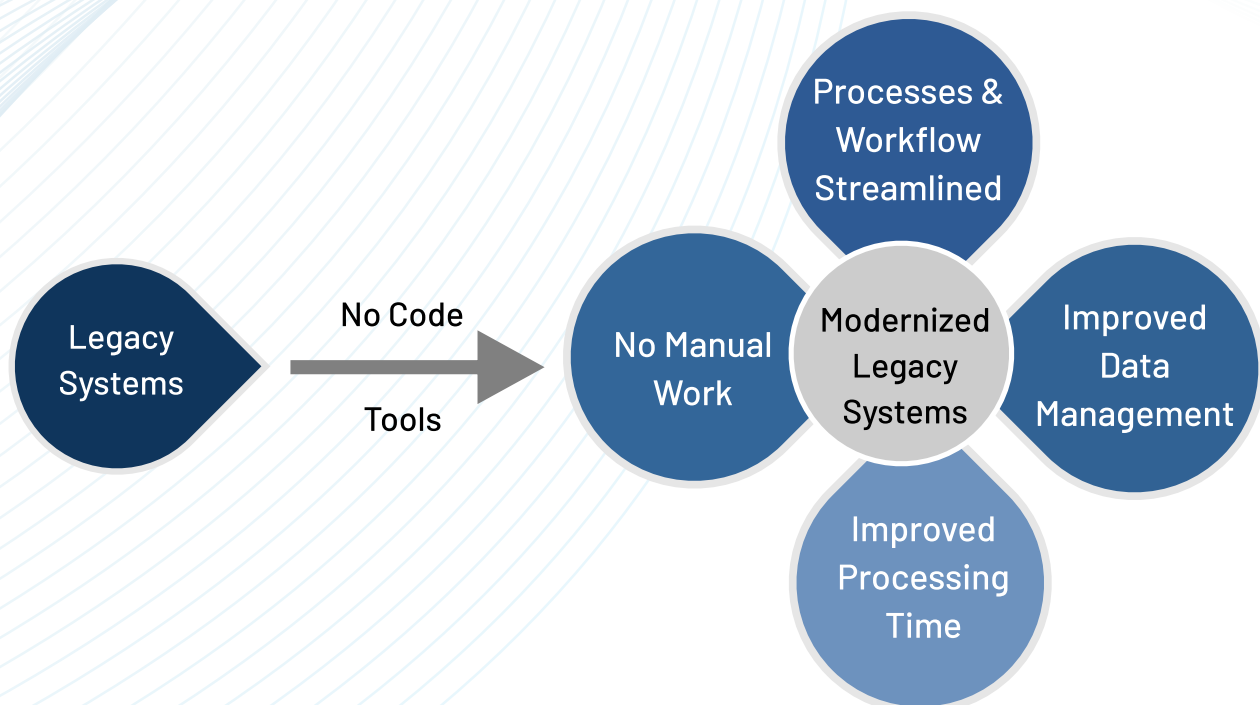
So, how to modernize legacy systems?

If a legacy application continues to perform its core functions, instead of replacing it, one should modernize it by extending its capabilities.

Using a no-code solution to automate processes from end to end — one can modernize them without having to take on a massive software replacement project. Extending legacy software can deliver other benefits as well. When businesses successfully modernize legacy applications it creates a positive momentum for future digitalization. And when employees see how the changes improve their working lives, they will be more open to pursuing additional advancements. This will lay a strong foundation for a holistic digitizing of the business.

No-code technology solutions allow anyone to create digital applications without writing a single line of code. It involves using tools with an intuitive, drag-and-drop interface to create a unique solution to a problem and it also provides a visual arena to build processes. It can be leveraged to automate any number of tasks or processes.

For most businesses, legacy systems and a lack of interdepartmental tools can create unfavorable and adverse data silos that impact productivity and information management. They also make it incredibly difficult to streamline processes across departments.



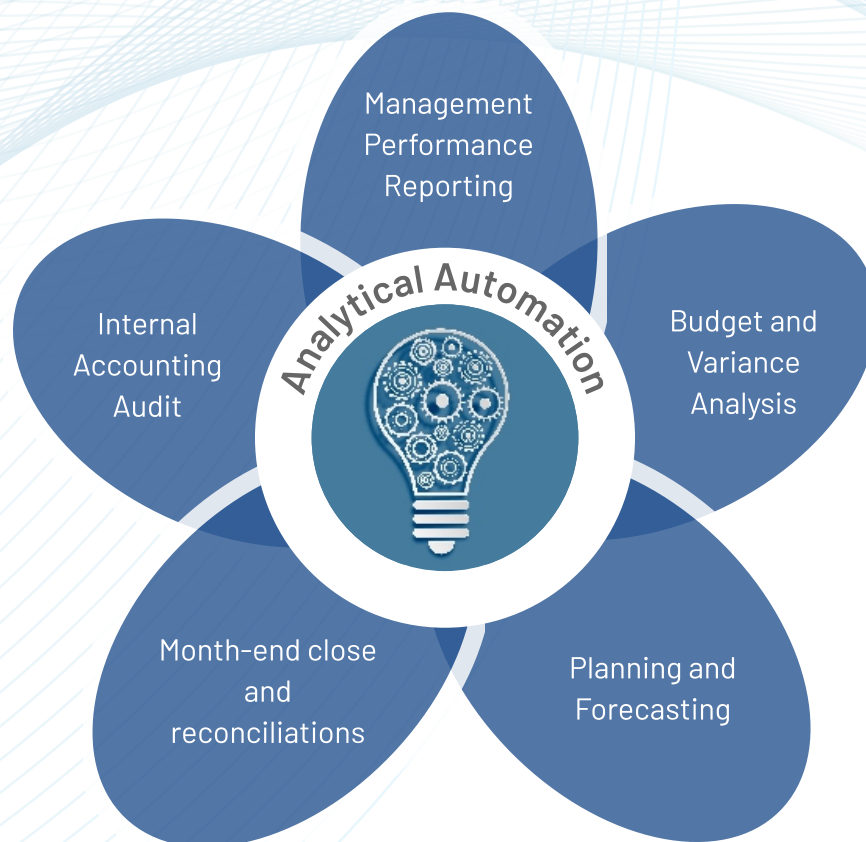
Working in silos leads to poor data management, inefficient systems, and loads of manual work. No-code tools can help minimize, and even eliminate, many of these issues. Because no-code software can be used by employees of all skill levels and technical knowledge, it can easily fit into any department's tech stack. This enables you to rely on one tool to streamline processes and workflows across many departments. No more paperwork, manual data entry, or complicated systems to learn.

According to recent research from Gartner, 70% of new applications developed by businesses will use low-code or no-code technologies by 2025, up from less than 25% in 2020. The research underscores that the trend towards low-code adoption is helping enterprises accelerate the pace of development by democratizing how software is being built to include business users. Low-code and no-code platforms have enormous potential across financial markets—from simple business process management (BPM) to more complex processes and also help drive significant efficiencies through development of solutions for various finance processes, directly impacting the bottom line.

Analytical Processes that can be automated

1. Management Performance Reporting:

Many Finance teams depend entirely on Financial ERPs for data, and spreadsheets for modeling. The combination of spreadsheets with legacy systems, containing siloed and large volumes of transactional data, leads to a risk of repetitive manual work, and a shift away from value-adding activities. This can be both time consuming and demotivating, preventing Finance professionals from moving the needle in their roles.



As the need for robust financial and management performance reporting increases, the existing processes can end up extremely complex with different functional heads, business leadership and teams end up unable to extract insights from large spreadsheet reports. This results in back and forth clarifications and questions to the team, which exacerbates work demands. Further, with limitations of spreadsheets in terms of data volume, reports are to be aggregated at a high-level, resulting in missed opportunities for deeper insights.

For instance, a mid-sized business typically has multiple separate softwares in place for budgeting, financial statements and monthly departmental reporting making it extremely difficult to consolidate planning data without tons of manual effort. A single source of truth of all financial information is needed as cutting and pasting data from multiple systems is unproductive. This could be done by automating manual aggregation, unifying business planning with one source of truth for financial data and giving other function's budget owners more ownership over their numbers with workflows, scenario modeling and on-demand reporting capabilities.

2. Budget and Variance Analysis:

Automation of financial statements and reports offers many advantages to the finance team and the business as a whole, not the least of which is increased accuracy and decreased time spent on the creation and review of the reports. When data flows directly from a source system, it becomes a lot more seamless to prepare reports such as a bespoke management report or variance report, without too much intervention from the finance team and the time saved can be dedicated for analysis. More time spent on analysis, means deeper and more meaningful insights. The sooner the business leadership gets timely insights the more agile and adaptive the business can be.

The monthly or quarterly variance report is far more than a simple financial statement. It is a critical tool in understanding how close your company is to the path laid out during the annual budget process. These nuggets of information can only come from an analysis of the report, and a thorough analysis only comes from a timely and accurate report. Automating the creation and updation of the variance data gives time back to the office of finance so that the important work of variance analysis can be done well.

For instance, in mid-sized businesses variance reporting is cumbersome, budget consolidation is tedious and cross-functional collaboration is hard to facilitate. Usually, the important financial assumptions that the businesses rely on for operational planning—such as resource utilization, revenue and payroll expenses—are based on outdated actuals. This results in the finance and accounting teams spending wasted efforts in monthly meetings with department heads in deciphering variances.

A business can standardize and automate the monthly reporting process so that cross-functional teams could start planning from the same page. Solutions to create one source of truth for budgets, forecasts and actuals should be used, which would then reduce the time spent on variance analysis significantly and provide on-demand scenario modeling that enables strategic, data-driven decisions. This would also provide firms with the ability to plan as a team and drive agile decision making based on what-if analysis. And, instead of using out-of-date numbers for reporting, firms could test budget and actuals against any number of future assumptions to always deliver a reliable snapshot of long-term revenue trajectory. This level of insight is crucial for business-wide processes to lower costs effectively.

3. Planning and Forecasting:

Predictive analytics helps predict future trends for accurate planning, forecasting and decision making. It can play a key role here by forecasting the financial health of the business and providing red-flags and early warning systems. Predictive analytics also can be used in a variety of finance processes like predicting revenue, demand planning, analyzing loss drivers and detecting frauds. For example, a commonly used technique in Predictive analytics is Regression analysis which helps determine the relationship between two or more variables (linear and multiple regression). In addition, logistic regression is a commonly used machine learning technique that is used to create predictive models where the outcome of the prediction is a binary yes or no.

For instance, Marketplace businesses work on huge amounts of data. They track everything from engagement to clicks, and databases or websites store customer contact information and interaction history. With data stored in different places, marketing teams often cannot form a coherent, comprehensive marketing strategy and track its effectiveness. The firms could use predictive modeling that uses a customer's purchasing history to inform the firm of the most effective times to market a particular product to that customer. Demand forecasting could also be done using predictive analytics where a specific region of the customer base is analyzed by knowing their preferences and predicting how they will respond when a future demand is created. Predictive analytics could also help reduce customer churn by monitoring affinity for the brand and informing the firm when to take action to stay in good standing.

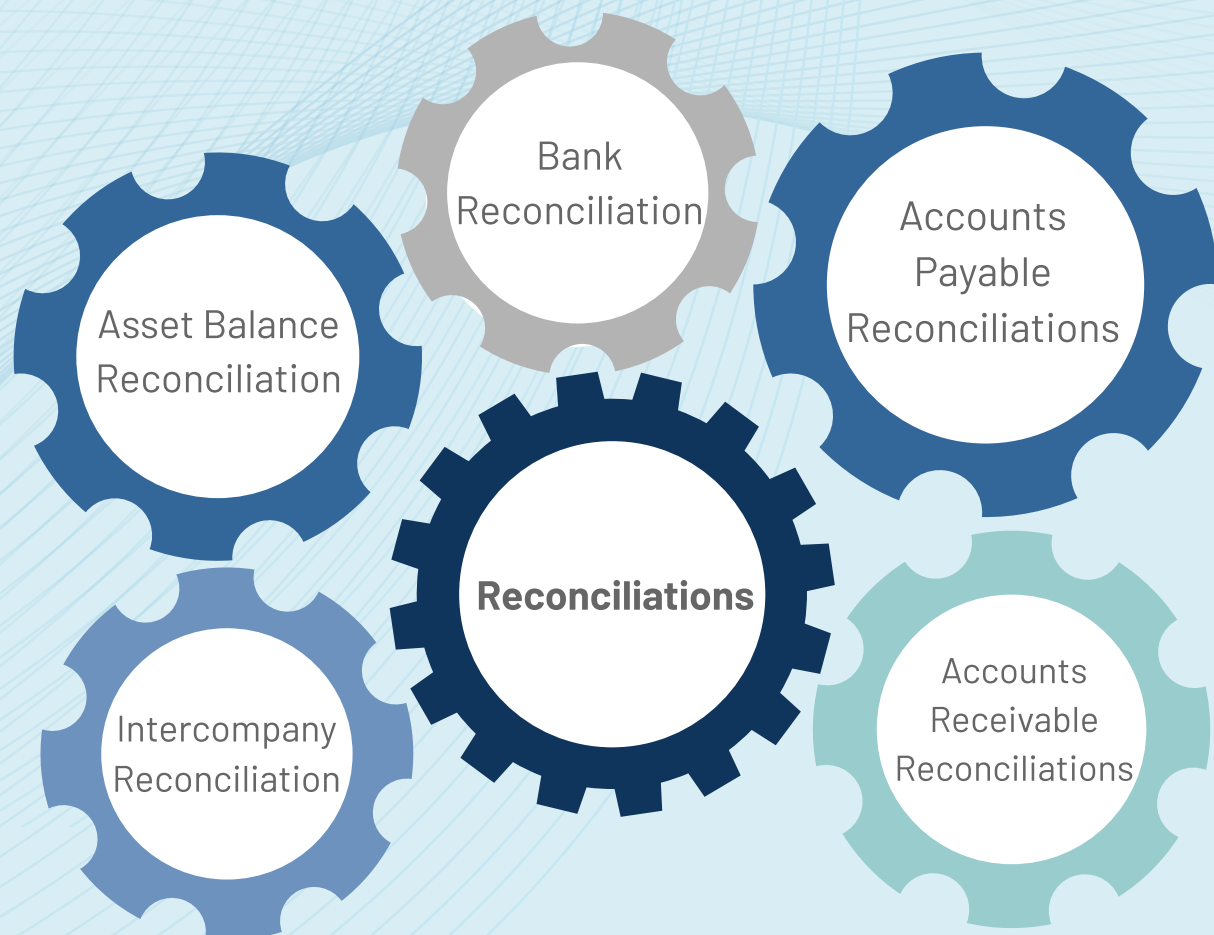
4. Month-end Close and Reconciliation:

Financial closing is a crucial aspect for any business's success. During the month-end close process, the finance department has the ownership of ensuring that discrepancies are reconciled to provide more accurate financial statements that reflect a company's actual financial state.

Reconciliation is a key part of the account closure process and integral to ensuring tight financial control and compliance. Majority of accounting and finance teams rely on spreadsheet-based templates and macros to support reconciliation. The process is both manual and cumbersome. Summarizing information also becomes difficult as there is a lack of standardization especially when teams have to search through different spreadsheet files that are disparate. They also face pressures from internal and external auditors to get control of the reconciliation process. Businesses need to automate the entire process by developing workflows using automation solutions and rule-based modeling that would lead to seamless processing of high volumes of reconciliations every month. Overall, financial reporting sanctity improves with consistency in reconciliations and standardization.

Five types of reconciliation that could be automated are:

- **Bank reconciliation:** Automated bank reconciliation enables businesses to quickly and efficiently perform bank reconciliation, especially when multiple bank accounts are in operation. By reading data from source documents such as pdfs and other formats, transforming such data into structured datasets, bank reconciliations can be executed in a fraction of time taken.
- **Accounts payable reconciliations:** It helps with automatic identification of differences between general ledger account balance and the total of the subledger, and the processing of adjustments, resulting in an exceptions report and a reconciliation statement, generated automatically, that shows agreement between the subledger and the general ledger.
- **Accounts receivable reconciliations:** By matching the detailed amounts of unpaid customer billings to the accounts receivable total stated in the general ledger and providing quick exception reports by Customers and by cost centers etc, become more efficient.
- **Intercompany reconciliation:** The automated process identifies possible mismatches between subsidiaries due to errors in invoicing and other transactions such as loans, deposits and interest received or paid. Automation helps in defining rules to process such data and generating reconciled and unreconciled data in order to minimize bank transaction fees, optimize liquidity, and reduce financial and currency costs as well as risks.



- **Asset balance reconciliation:** Adjusting the asset additions and depreciation and amortization expenses and tying to the closing balances based on data from General ledger can be implemented and aberrations flagged

Automation helps in eliminating duplicate entries, discrepancies in date formats, human generated data errors and multiple transactions and cuts down time, costs. It also reduces the business's financial risks on account of erroneous reporting.

For instance, the finance teams small to mid-sized companies and startups usually face difficulties when it comes to closing monthly activities. The teams mostly struggle with general ledger and subledger reconciliations as their current processes involve high manual tasks using spreadsheets. This is both tedious and slow. First, a thorough analysis of the current sub-ledger account is needed to pin down the ones that show reconciliation challenges. Then a workflow could be developed using an automation solution that helps in obtaining input data from the general ledger and the sub-ledger and in analyzing the accounts, auto-generating reconciled and exception reports, and thereafter build rule-based models to use the data for reporting activities. This saves a lot of time and effort in the month-end close activity.

5. Internal Accounting Audit:

Internal accounting Audit has always been resource-heavy, labor-intensive, expensive, and time-consuming. Most accounting audit processes involve having to investigate extensive volumes of data. Additionally, the proceedings have to go through various accounting principles, compliance and checklists. Automating allows accounting systems to crunch numbers, identify discrepancies, and flag transactions that require deeper review. Those requiring deeper review can then be taken up by teams where judgmental calls are needed. It has

become all the more important now with less time available to detect anomalies in audit reports and errors costing businesses dearly.

In any traditional organization, the internal audit process starts with risk monitoring activities on the macro level and then drilling in to understand how these risks are affecting processes within the company. The first step is to understand the processes and thereafter equipping the auditors with necessary tools and systems so that they can assess the risks inherent in the business. Automation could be incorporated to remove inefficiencies and reduce the amount of time and effort required to conduct an audit. In summary, firms could realize tangible benefits by implementing automation solutions into the auditing process.

For instance, in a mid-sized business, internal audits are typically carried out by testing only a subset of data (sampling method). This poses a challenge with the chance of missing out on anomalies and outliers very high. Even methods and techniques to investigate cash processing, foreign transactions and adherence to corporate actions are usually non-existent. A process-driven automation solution that addresses the reconciliation issues and identifies financial control gaps can optimize the audit completeness, timeliness, quality and accuracy of the tests could be developed. This would let auditors better understand the trends and patterns of the business making it easier to identify anomalies or outliers, among others.

Bottom line:

Today, huge volumes of data are generated and used to perform data analytics to improve the decision making process. The process of cleansing and consolidating data from multiple sources is both arduous and time consuming. Legacy systems are falling short in dealing with this challenge. For many businesses, simple use of automation in their finance processes can boost efficiencies significantly.

Automation technologies have not just matured for mainstream adoption but are also constantly evolving and upping their game in terms of accuracy and efficiency. Adding such technology solutions can be complementary to the present legacy systems in eliminating bottlenecks between the inflow of data and analysis. The right approach begins by identifying immediate areas for automation to achieve faster ROI with the right talent or internal or external team to implement. Given the growth in velocity of transactions data and business's inherent growth, it naturally calls for robust technology solutions to manage and rise up to complexities that constantly arise. Getting ahead of this curve can be an advantage with the use of analytical automation solutions.

For more information on how to drive automation in finance and generate ROI, please connect with us today!



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