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BUSINESS GUIDE

A CFO's Guide to Automation

Cutting costs, not corners

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A CFO's Guide to Automation

Cutting costs, not corners

How financial automation helps organizations stay resilient, improve profitability, and remain ahead of the pack in a fast-changing business environment.

Financial management automation is no longer a want, it's a need. Organizations across all industry sectors understand the value of adopting technology to increase accuracy, improve governance, and shorten the month-end close process. Companies that replace outdated systems with systems that provide more automation are cutting costs, reducing overhead, improving customer relationships, and freeing up financial team members to focus on more strategic projects, including data analysis and financial planning.

Nearly 76% of companies still use processes that are either largely manual or that require considerable manual effort, according to a Deloitte survey of finance and accounting managers, directors, controllers, and CFOs. Ready for a change, these finance leaders are implementing cloud-based accounting systems (36.2%), budgeting, forecasting, reporting tools (42.1%), and data analytics and visualization (39.7%).[1]

"Based on the survey results, automation will become a reality for organizations once they implement these foundational systems," Deloitte points out. Those foundational systems can automate data entry, invoicing, tax compliance, check printing, expense management, and other tasks that are integral to a finance department's daily operations.

Just as it can improve operations in the warehouse or customer service departments, automation in finance can reduce the need to fill empty positions while providing a path and an incentive for existing workers to gain new skills.

"CFOs are continually looking for ways to increase capacity without having to add head count to their teams," said Manuel Cabral, principal industry solution advisor at NetSuite, provider of an integrated cloud business software suite that includes business accounting, ERP, CRM, and ecommerce software. "Financial automation helps them achieve those goals, and more."

Breathing room for CFOs

According to Gartner®, "Finance leaders are investing in software to serve a diverse set of objectives that largely roll up to business performance and profitability. However, when we drill down, we see that finance leaders are also deploying technology to enhance digital skills and improve customer satisfaction."

Some of the top motivations behind these investments include better financial performance, employee experiences, and customer satisfaction levels. (Figure 1)

When organizations replace their legacy systems and spreadsheets with an integrated solution, some key things happen: CFOs gain extremely high levels of visibility into the company's operational, financial, and performance data and finance team efficiency levels go up.

CFOs want more automation

According to a new NetSuite survey[2], 90% of CFOs who responded will use automation, artificial intelligence, and fintech by 2024. Finance teams, along with their technology leaders, are adopting technology for the team's own use while also establishing companywide technology priorities. Despite the current economic uncertainty, organizations are optimistic about business growth and are planning to invest in technology that supports that expansion.

Automation is of greatest interest for CFOs, with at least 80% surveyed saying they already have or will implement automation for functions such as accounting, sales, ecommerce, payroll, and customer-facing functions like self-checkout within the next six months. From these investments, CFOs are expecting higher levels of productivity, governance, efficiency, and accuracy. As these technologies become the norm, companies that don't adopt them risk falling behind their competitors, losing customers, and missing out on new business opportunities.

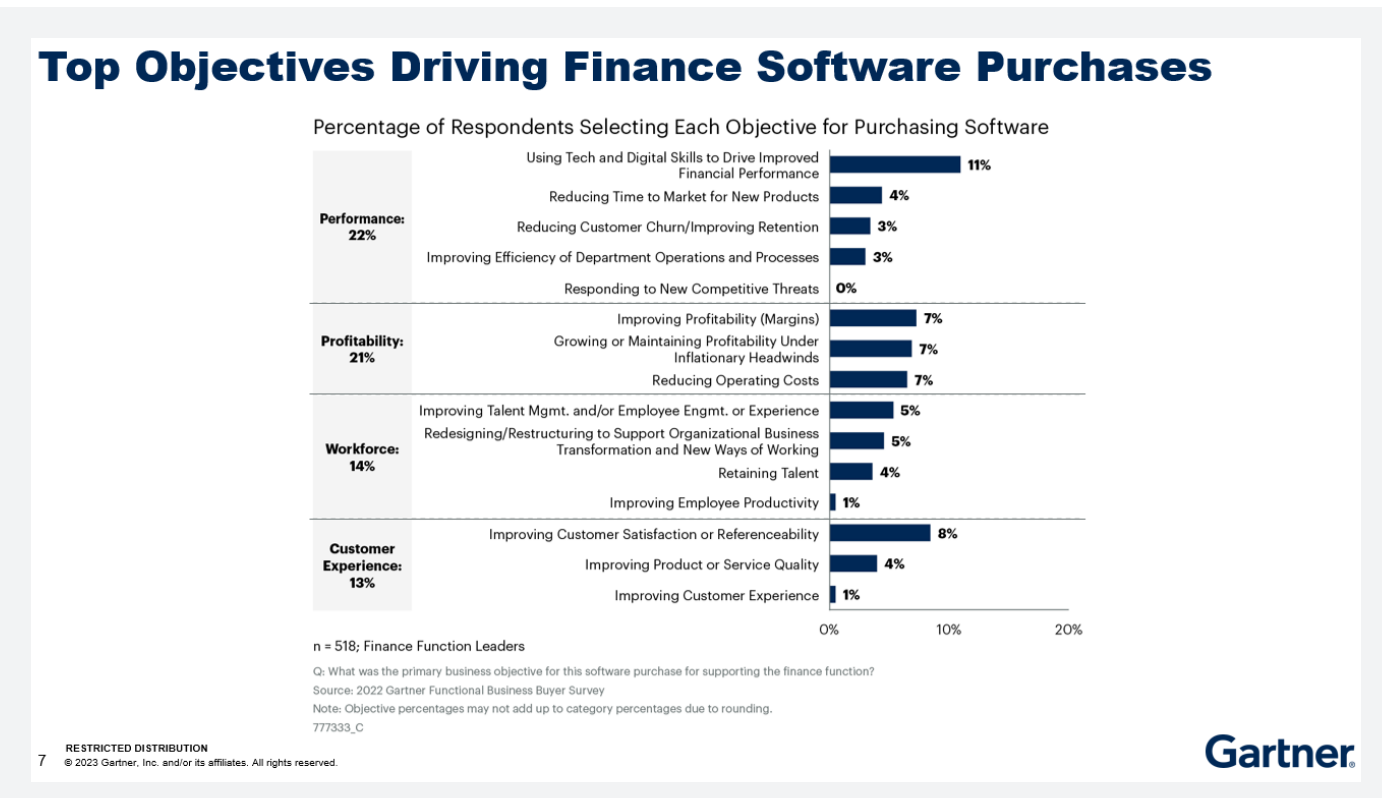

Figure 1: Gartner, Top Objectives Driving Finance Software Investments, By Garrett Astler, Published 10 February 2023.

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"NetSuite automates across all aspects of business operations—core financials, inventory data, customer data, vendor data, order management data, into one unified solution which streamlines operations and improves efficiency."

Chris Benner, Master Industry Principal, NetSuite

Take forecasting, for example. In an era where even the best-laid plans can be completely upended by interest rate hikes or spikes in inflation, creating annual financial forecasts on spreadsheets through a manual process makes it nearly impossible to keep up with changes. “An annual plan can quickly be destroyed by inflation and rising business costs, making all of the CFO’s financial planning and forecasting pretty much useless,” said Cabral. “The bottom line is that you can’t plan for your business if you lack full visibility into what’s happening within your company.”

CFOs using spreadsheets or outdated Enterprise Resource Planning (ERP) systems can’t update plans and forecasts in real time—a necessity in this unpredictable business climate. Organizations are more price-sensitive in today’s environment and can’t afford to pay out of pocket for an error-prone system. When they put automation in place, functions like accounts payable (AP), accounts receivable (AR), cash management, budgeting, and account reconciliation become easier to manage and more accurate.

With financial automation in their corner, CFOs can better navigate the current business environment and plan for the future.

Financial automation also helps companies get paid faster. Using optical character recognition (OCR), machine learning, and a third-party payment processor, for example, an ERP applies cash as soon as it’s received and removes those receivables from the system. When payment doesn’t come in, it can be set up to send out collection letters. The same ERP will also give CFOs the sophisticated tools they need to automate projections and forecasts—both of which support better decision-making, including compliance-related decisions that help companies avoid costly fines, penalties, or reputational damage. For example, implementing a tax automation tool such as Avalara AvaTax that calculates rates for sales and use tax, value-added tax (VAT), goods and services tax (GST), and more has helped organizations with a reduction in audit fines and penalties by 75%, on average.[3]

Taxing matters

The ERP manages the hub of activity surrounding financial reporting and accounting, and it’s a primary focus of many finance automation efforts. Tax compliance automation is closely aligned with these efforts. With constant changes and updates to tax regulations, it is a natural extension of the finance technology initiative. However, automating tax compliance is not always prioritized, as it gets lost in the many modules and functions that ERP systems provide. Businesses too often still opt-in to manual tax calculations or use outdated tax systems that aren’t calculating taxes accurately for every location and jurisdiction. However, this challenge can cause major headaches as implementing financial management automation moves forward because of the complexity of ever-changing tax regulations.

New technology, including geolocation mapping, calculates sales tax down to each location with exact longitude and latitude for every transaction to ensure the right tax is collected. Advanced processing logic can manage complicated tax issues such as situs, nexus, tax tiers, tax holidays, exemption certificate management, and product taxability rules, according to tax compliance automation company, Avalara.

Staying abreast of regulations like the U.S. Supreme Court’s decision in South Dakota v. Wayfair, Inc., which allows states to require companies to charge sales tax on out-of-state buyers, is best done using tax compliance software that also helps improve accuracy, reduce costs, and avoid penalties. When Avalara recently surveyed companies that are managing their compliance activities manually, most of them were spending $1,740 per month identifying state sales tax obligations and filing requirements.[4]

On top of that, the companies—all of which have between 20 to 499 employees—generally spend:

- $3,493 per month on tax rates and calculations
- $3,409 per month on exemption certificate management
- $4,894 per month on tax returns

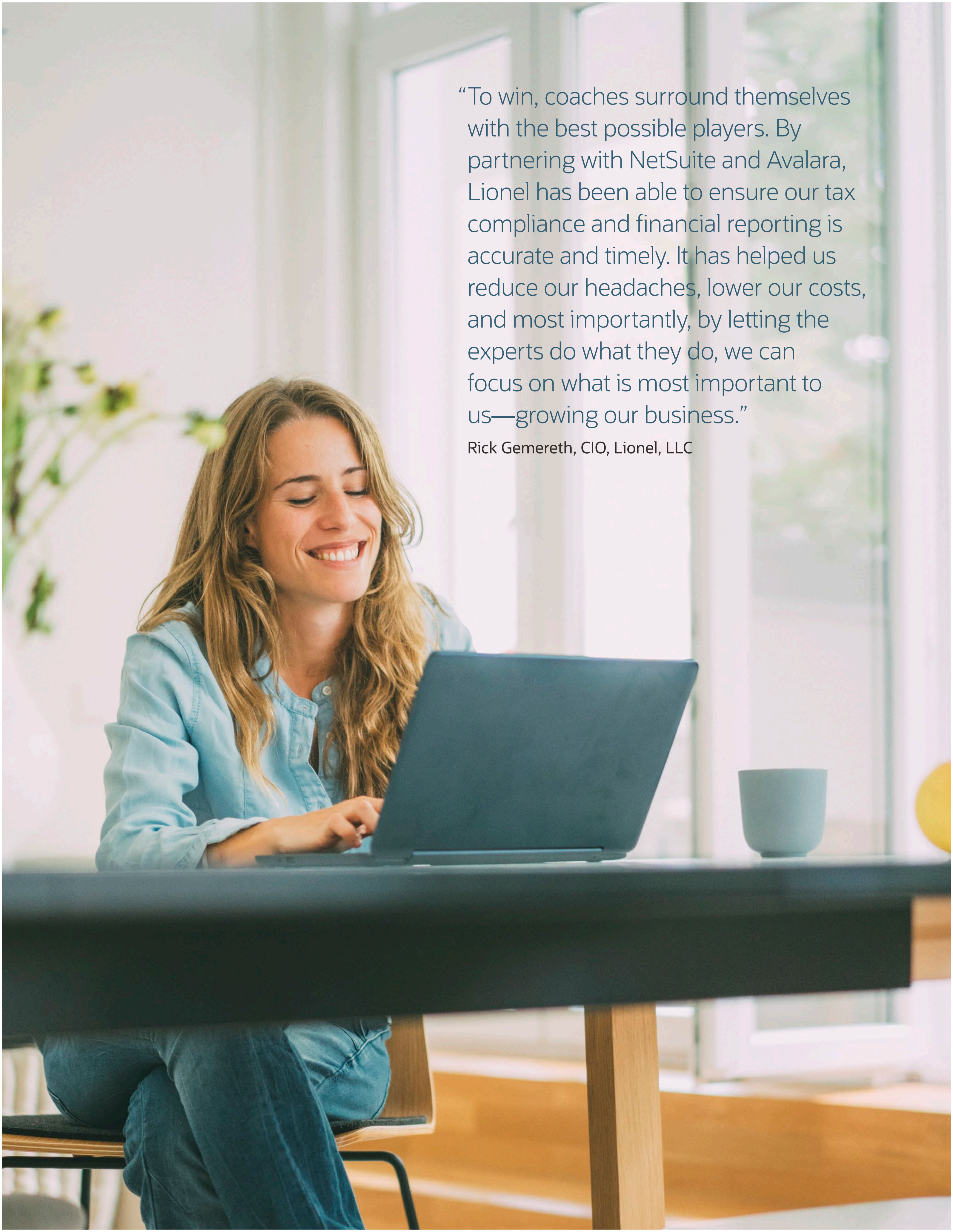
These figures don't include time and/or money spent handling audits. In fact, 14% of the survey respondents have had a sales tax audit within the past five years.[4]

"There's obvious cost avoidance associated with being able to forego hiring additional employees to run manual processes and the benefit of scalability that comes with financial automation platforms, which allow companies to maintain or accelerate their sales velocity as they grow their businesses," said Milosh Nedic, SVP of finance and strategy at Avalara. "There is also the benefit of cleaner and more structured data, which enables better insights and improved decision-making."

> "I don't lose sleep worrying about late or misfiled taxes and penalties, and Avalara keeps us up to date as requirements change."
>
> Robin Hecht, Controller, Boll & Branch

Spreadsheets and manual systems don't cut it for taxes

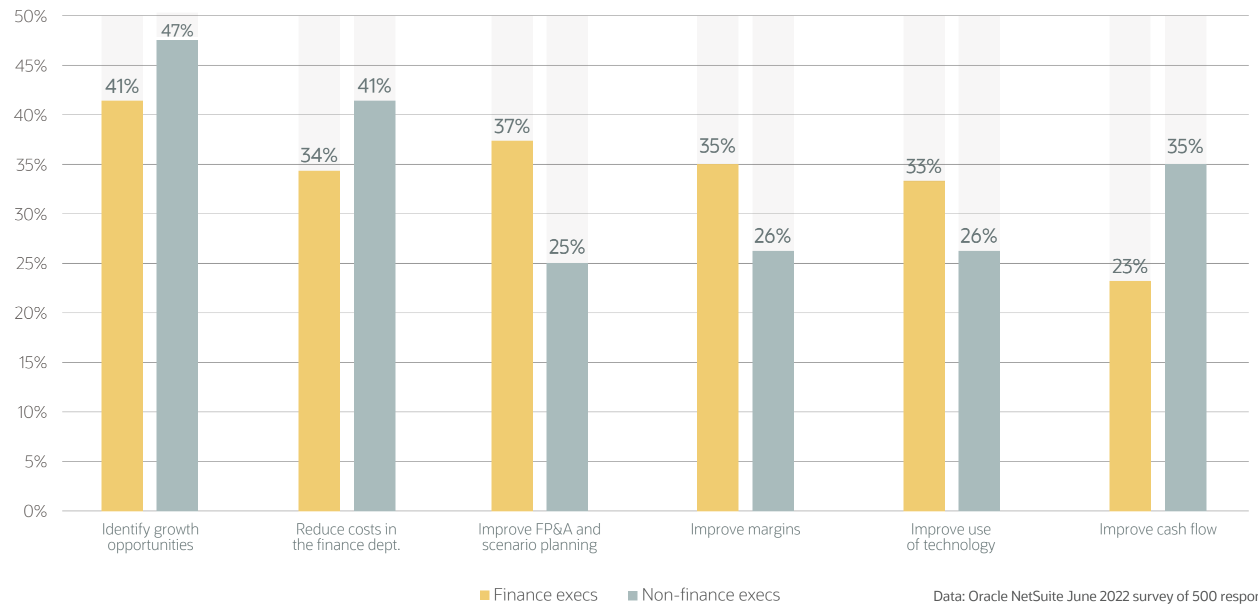
As companies work to balance margins and profitability with revenue growth, CFOs will continue to pursue automation and technology that help them reduce or avoid costs. Cobbling information together across a basic ERP, a basic financial system, and spreadsheets won't cut it. What companies need are robust, cloud-based solutions that unify their data and make that information available to all financial team members. Working together, NetSuite and Avalara help CFOs improve business performance while simplifying tax compliance. "The two software solutions' ability to drive automation while helping ensure compliance and accuracy in a scalable process is the exact value proposition behind both of these platforms," said Nedic.



> "To win, coaches surround themselves with the best possible players. By partnering with NetSuite and Avalara, Lionel has been able to ensure our tax compliance and financial reporting is accurate and timely. It has helped us reduce our headaches, lower our costs, and most importantly, by letting the experts do what they do, we can focus on what is most important to us—growing our business."

Rick Gemereth, CIO, Lionel, LLC

Top Priorities for the Finance Department



Data: Oracle NetSuite June 2022 survey of 500 respondents

As a sales tax automation solution, Avalara complements NetSuite by driving automation and cost avoidance and reduction and minimizing the risk of noncompliance. "With tax rates and laws ever-changing—to the tune of more than 14,000 changes last year alone—and the cost of manual compliance growing, Avalara helps alleviate concerns around accuracy and risk while saving valuable staff time and resources through automation," said Nedic. "Furthermore, we help improve the buyer experience, while tying it right back to your NetSuite instance."

By combining NetSuite's leading cloud ERP with Avalara's suite of tax compliance solutions, financial professionals can fully leverage the power of automation within their departments and across the entire organization. A key benefit of ERP and sales tax automation transformations is the ability to inform how sales tax trends will impact the business. Detailed analysis of where the company is doing business and paying sales tax is essential in understanding how expanding to a new geography or adding new products could impact the company's tax liability, among other key decision drivers, claims Avalara.[5] By automating many of the otherwise manual financial management tasks—data entry, reconciliation, reporting, and more—NetSuite and Avalara free up CFOs and their teams to focus on more strategic, value-added projects.

[1] The Future of Automation in Finance Balancing Technology and the Human Touch
[2] NetSuite The Future of Finance
[3] Hidden Roi – Fines, Audits, Manual Processes, International Compliance
[4] Avalara Tax Changes 2023: Key issues facing businesses today
[5] Upgrading Your ERP? Why You Need to Consider Tax Automation

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