

Business Payments Digitization:

How Financial And Healthcare
CFOs Build Healthier
Balance Sheets

Business Payments Digitization:
How Financial And Healthcare CFOs
Build Healthier Balance Sheets,
a PYMNTS and Corcentric collaboration,
explores in detail what spurred so many
companies to speed up their digitization
plans. We surveyed CFOs from five
industries — manufacturing, finance,
retail, transportation and healthcare —
that work at firms generating between
\$400 million and \$2 billion in annual
revenue to learn about the digitization
of their payments operations.

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Business Payments Digitization:
Large Companies Set The Pace

January 2022 ■

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Business Payments Digitization: How Financial And Healthcare CFOs Build Healthier Balance Sheets was produced in collaboration with Corcentric, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Two years of pandemic-induced disruptions to businesses' operations have forced CFOs at many companies to look for ways to improve their management of costs and cash flows. Many hastened their implementation of digitized payments processes as a result. We found that these executives can now confidently say they are reaping their investments' benefits, including improvements to balance sheet management, better control of accounts receivable (AR) and accounts payable (AP) processes and better supervision of investments in assets.

Many CFOs, including nearly three-quarters of those representing finance and insurance companies, say payments digitization is a "very" or "extremely" important strategy for improving the management of their balance sheets. They also see digitization projects as a way to help transform how their companies run and reposition themselves to strengthen their ties with customers and suppliers. Other important benefits they are realizing include better data security and stronger protections against payments fraud.

These are a few of the key findings in Business Payments Digitization: How Financial And Healthcare CFOs Build Healthier Balance Sheets, a PYMNTS and Corcentric collaboration. We surveyed CFOs of 400 companies from Aug. 16, 2021, to Sept. 15, 2021, to gather insights about how the pandemic affected the management of their firms' payment functions and how it prompted some to enact plans or accelerate the implementation of existing projects to digitize their payment functions.

This is what we found.



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1

Seventy-one percent of finance and insurance company CFOs and 64% of healthcare and medical business CFOs say digitization is a "very" or "extremely" important strategy to improve management of their balance sheets.

Overall, 59% of CFOs say that the digitization of their payment processes is highly important to their business strategies. The higher shares of CFOs from the finance and insurance industries and healthcare and medical industries that also say this illustrate how much businesses in these industries prioritize the management of their payments streams. Through digitized processes, these companies are seeking improvements to their balance sheets. Many have identified select areas of finance that are highly important for their efforts to strengthen their balance sheet management, including AP/AR, asset investments and improved ties to sources of working capital.

2

Forty-eight percent of firms in the finance and insurance industries and healthcare and medical industries say improving their balance sheets prompted them to accelerate the digitization of their payment processes and systems following the start of the pandemic.

The portion of finance and insurance businesses in the healthcare and medical sectors that sped up their digitization of payments processes after the pandemic started is higher than the share of companies from other industries that did the same. Digitizing payment processes has been a trend for several years for many industries, but companies strengthened their efforts during the pandemic to realize the benefits of getting a better handle on their cash flows and AP/AR processes amid economic disruptions.

3

Seventy-eight percent of finance and insurance companies' CFOs and 65% of healthcare and medical companies' CFOs say digitization is about the total transformation of their payments and financial processes rather than simply embracing automation.

These CFOs expect wholesale digital transformation to help them plan and execute their business goals in a more strategic manner. Digitized payments processes can significantly change a company by improving its operational efficiency and its relationships with customers and suppliers. Size is also a factor: the larger a company is, the greater the likelihood it sees digitization as transformational for its financial operations. CFOs at 89% of companies generating \$1.5 billion to \$2 billion in annual revenue, the largest category we surveyed, say the digitization of their payment processes would transform their businesses.

4

Nearly two of three CFOs expect digitization of their payments processes to lead to faster communication with customers.

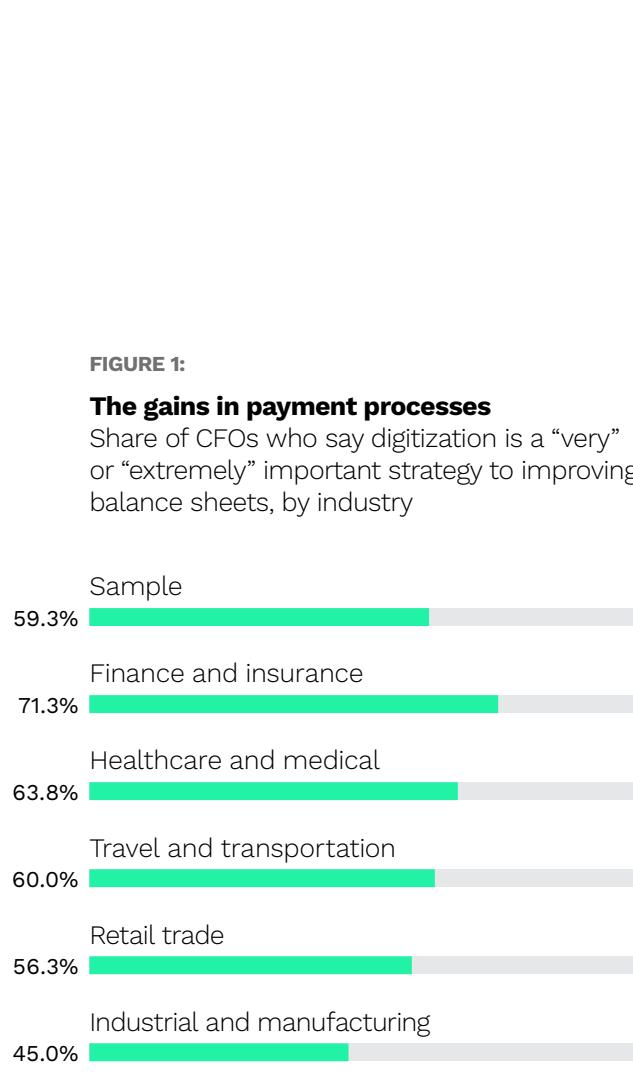
Seventy-one percent of surveyed CFOs at finance and insurance companies and 58% of healthcare and medical company CFOs expect the digitization of their payments processes to speed up communication with customers. When it comes to other benefits CFOs expect to realize from digitization of their payments processes, 56% of CFOs for both finance and insurance companies and healthcare and medical companies say digitization will improve the quality of collaboration throughout their organizations.

5

Ninety-four percent of finance and insurance companies implemented fraud detection systems when they digitized their payments processes and are relying on advanced technologies to stop fraud.

The share of these companies that implemented fraud detection systems as part of their digitization efforts far exceeds those of other industries and the overall 59% average. Just 46% of healthcare or medical companies installed fraud detection systems along with their digital payment processes, as did 60% of travel and transportation companies, 49% of retail trade business and 45% of industrial or manufacturing firms. The types of fraud detection systems companies are implementing include data mining (installed by 68% of respondents), deep learning and neural networks (installed by 59%) and rules-based algorithms (installed by 38%).

Identifying digitization's benefits



Companies that say digitization is a “very” or “extremely” important strategy for improving their balance sheet management have identified a handful of areas that they find highly important to the improvements. More than nine of 10 companies surveyed, including 100% of finance and insurance companies and 96% of healthcare or medical companies, say AP/AR process management is a highly important part of this improvement.

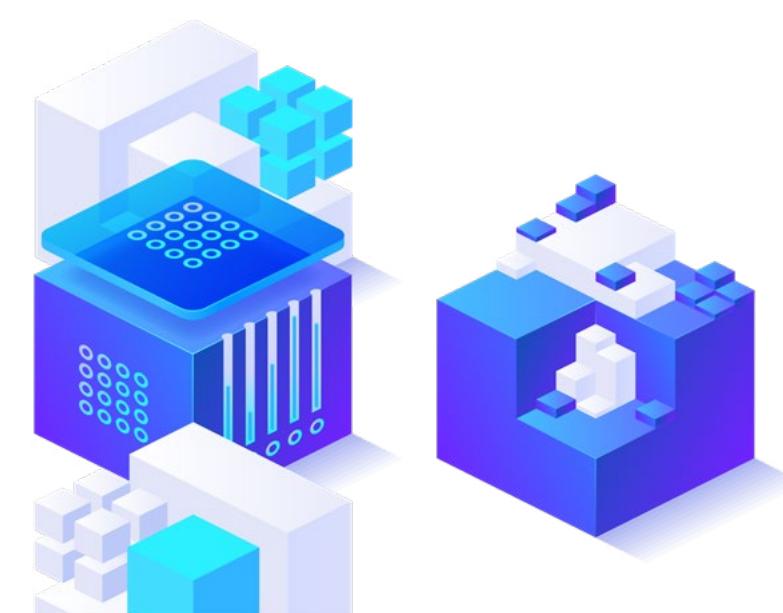


TABLE 1:

The gains in payment processes

Share of CFOs who said select factors are “very” or “extremely” important to creating a healthy balance sheet, by industry

	Finance and insurance	Healthcare and medical	Travel and transportation	Retail trade	Industrial and manufacturing
• AP/AR	100.0%	96.3%	95.0%	96.3%	90.0%
• Asset investments	96.3%	87.5%	83.8%	85.0%	98.8%
• Sources of capital or working capital	58.8%	50.0%	57.5%	50.0%	46.3%
• Fraud reduction	45.0%	22.5%	30.0%	18.8%	22.5%
• Current market environment	22.5%	16.3%	16.3%	13.8%	11.3%

Source: PYMNTS.com

PYMNTS' data also shows that 96% of finance and insurance companies and 88% of healthcare and medical companies say supervision of their asset investments is highly important for improvements to their balance sheet management. Fifty-nine percent of finance and insurance companies and 50% of healthcare and medical companies say management of their ties to their sources of working capital is highly important to their balance sheet management.

Half of surveyed CFOs say that the improved access to their sources of working capital is a highly important element of their balance sheet management. CFOs from financial and insurance companies report improvements to their access to working capital in a greater share than CFOs from other industries at 59%. Fifty percent of CFOs from healthcare or medical companies also stress the importance of improved access to sources of working capital as an important aspect of balance sheet management.

Reaping the rewards of digitized payments processes

PYMTS' research found that the payments process digitization many companies have implemented in recent years has generated myriad benefits.

For example, 84% of the CFOs at finance and insurance companies and healthcare companies report that the digitization of payment processes strengthened their working capital management. Ninety-four percent of the CFOs at finance and insurance companies and 80% of the CFOs at healthcare or medical firms say digitization improved their data security.

Businesses in each of the five industries surveyed also report that digitization positively impacted their efforts to combat payment fraud. A notable 83% of CFOs at finance and insurance companies and 58% of CFOs at healthcare and medical companies say that payments process digitization led to improvements in their firms' ability to minimize payments fraud.

Survey respondents widely agreed that a boost to finance department employee satisfaction resulted from the digitization efforts. Eighty-six percent of finance and insurance company CFOs and 85% of healthcare and medical company CFOs say digitization improved employee satisfaction.

TABLE 2:

Fast-tracking payments digitization

Share of companies that did or did not accelerate the digitization of payment processes and systems after the pandemic began

	Finance and insurance	Healthcare and medical	Travel and transportation	Retail trade	Industrial and manufacturing
• Accelerated to improve balance sheets	47.5%	47.5%	38.8%	36.3%	18.8%
• Accelerated for other reasons	27.5%	37.5%	25.0%	46.3%	31.3%
• Did not accelerate — has robust system in place	22.5%	11.3%	12.5%	10.0%	8.8%
• Did not accelerate for other reasons	2.5%	3.8%	23.8%	7.5%	41.3%

■ Highest

Source: PYMTS.com

TABLE 3:

Fast-tracking payments digitization

Share of CFOs who said the transition to digital payments had a positive impact on select areas, by industry

	Finance and insurance	Healthcare and medical	Travel and transportation	Retail trade	Industrial and manufacturing
• Employee satisfaction	86.3%	85.0%	73.8%	85.0%	78.8%
• Working capital	83.8%	83.8%	63.8%	71.3%	68.8%
• Data security	93.8%	80.0%	62.5%	70.0%	58.8%
• Fraud reduction	82.5%	57.5%	62.5%	66.3%	51.3%
• Supplier relationships	41.3%	57.5%	58.8%	58.8%	57.5%

■ Highest

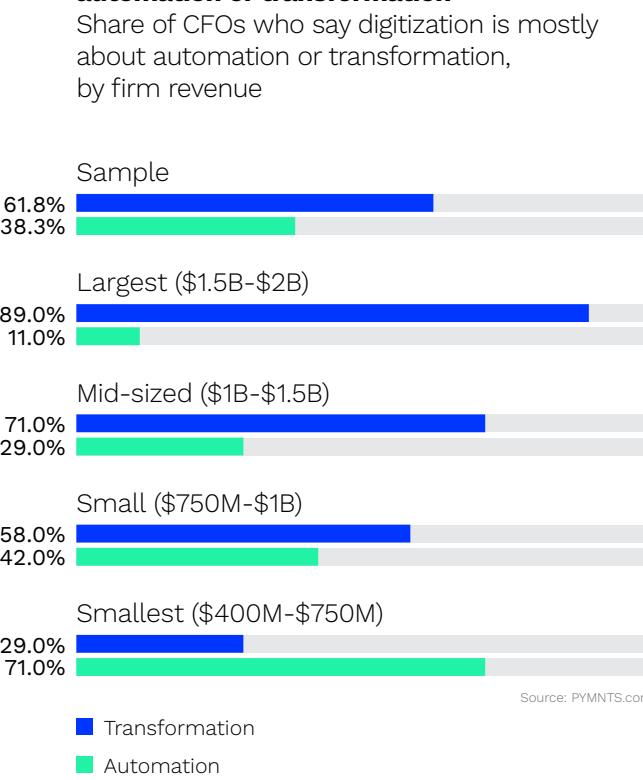
Source: PYMTS.com

Digitization and business transformation

Business leaders have long viewed technology adoptions as a strategic matter that allows them to transform and even reinvent their businesses. This point of view is prevalent among the 78% of finance and insurance company CFOs and the 65% of healthcare or medical company CFOs who say that the digitization of payment processes is about transforming their financial management and operations.

We found that larger companies are more likely to view the digitization of their payments processes as leading to a transformation that allows their companies to improve their workflows. Eighty-nine percent of CFOs at companies generating \$1.5 billion to \$2 billion in annual revenue, the largest companies we surveyed, say the digitization of their payment processes is

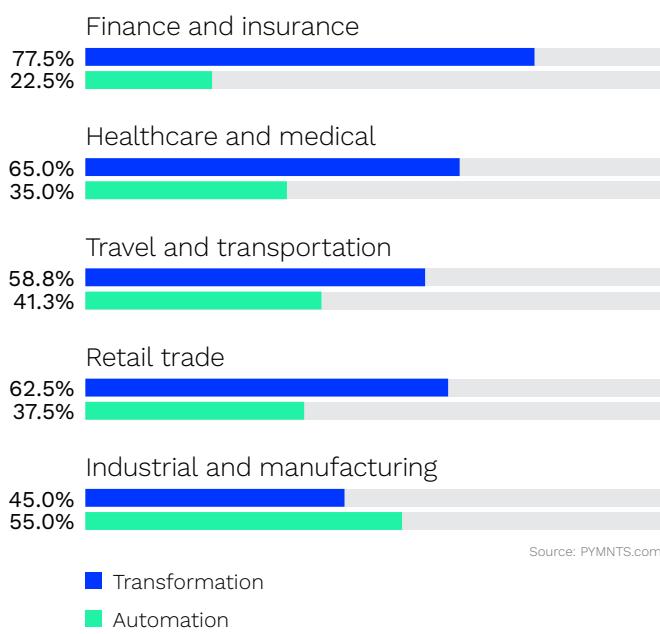
FIGURE 2:
CFOs who believe digitization is about automation or transformation



about transformation. This is more than three times the 29% of CFOs at companies generating \$400 million to \$750 million in annual revenue who say their digitization plans are mostly a matter of transformation. In fact, 71% of CFOs from these small companies view digitization as primarily a matter of automation and phasing out manual business processes.

Mid-sized companies follow this trend: 71% of CFOs at companies generating \$1 billion to \$1.5 billion in annual revenue and 58% of CFOs at companies generating \$750 million to \$1 billion in annual revenue say digitization is a process of transformation rather than automation.

FIGURE 3:
Digitization and business transformation
Share of CFOs who think digitization is mostly about automation or transformation, by industry



Most CFOs from other industries also tend to believe digitization is about transformation and that it will help them improve how they manage their business processes. Our data shows that 63% of retail company CFOs say digitization is about transformation, as do 59% of travel and transportation CFOs. For industrial and manufacturing companies, just 45% of CFOs say digitization is about transformation.



Faster communication, better collaboration

CFOs are expecting their businesses to realize several benefits from the digitization of their payments

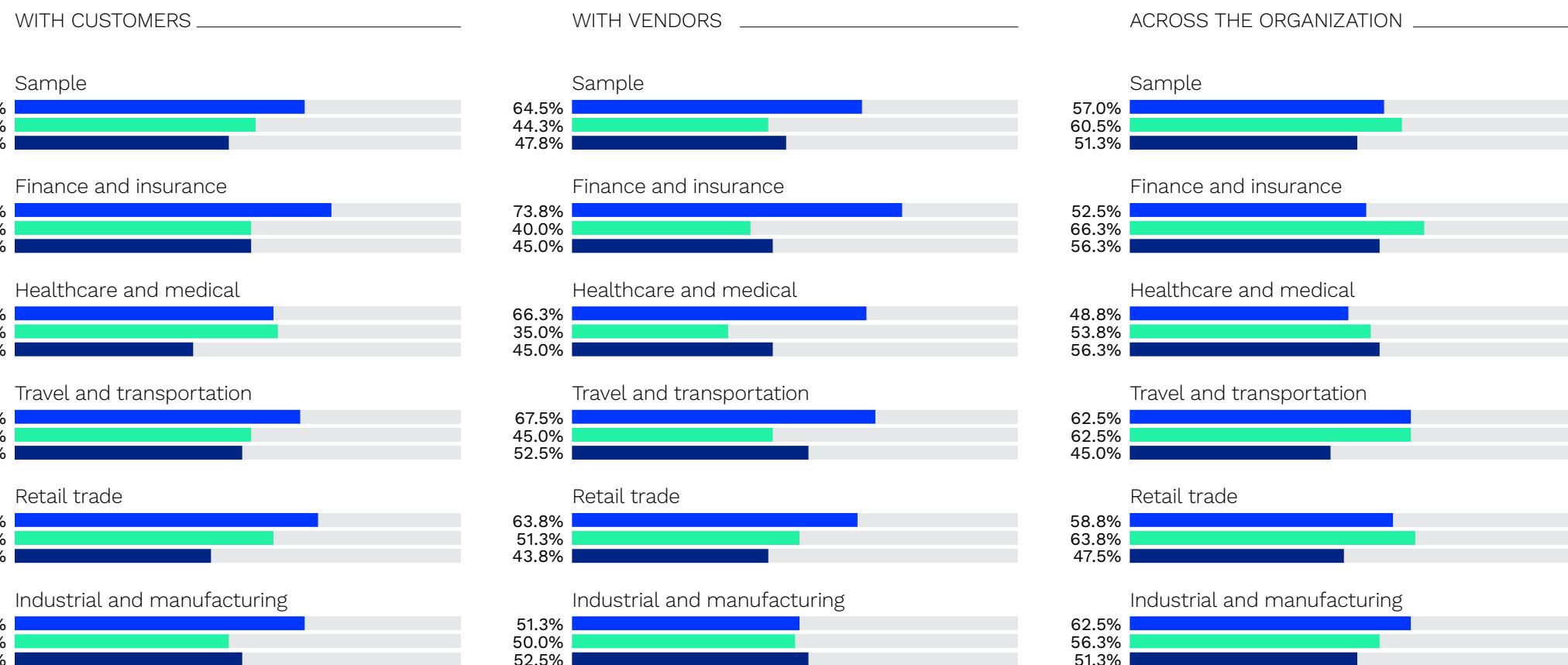
processes, including faster communication with customers, which nearly two of three surveyed CFOs forecasted. Overall, 65% of CFOs surveyed expect digitization to help improve their collaboration with suppliers, while 57% are looking forward to better collaboration among internal teams.



- Increasing speed
- Introducing new forms
- Increasing quality

FIGURE 4:
Digitization's boost to communication and collaboration

Share of CFOs who have select expectations about communication, by industry



CFOs' expectations for improvements to their organizations' internal collaboration exceed the gains they anticipate in terms of communication with customers and collaboration with suppliers. Sixty-one percent of CFOs expect the digitization of payments processes to improve their internal workflows. Sixty-six percent of CFOs for finance and insurance companies and 54% of CFOs for healthcare or medical businesses also expect to see this benefit. In addition, 51% of CFOs say the quality of their internal collaboration will improve. Fifty-six percent of CFOs at finance and insurance businesses and healthcare and medical companies have this expectation.

Source: PYMNTS.com

Larger companies take the lead in fighting fraud

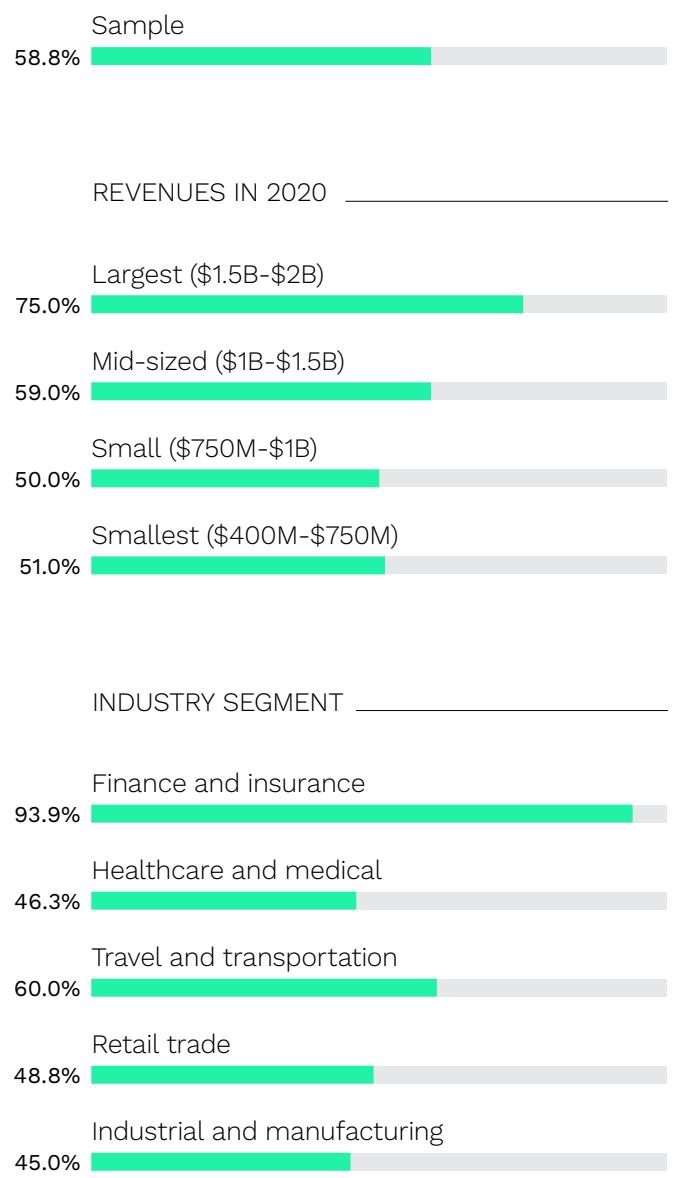
The rapid adoption of digitized payments systems has also given many companies a major reason to upgrade their anti-fraud efforts. As the volume of digital payments have increased, so have fraud attempts, as many cybercriminals have come to see digital payments as an opportunity to hack into payments processes and steal businesses' funds.¹

Fifty-nine percent of the companies we surveyed have installed fraud detection systems when they digitized their payments processes, including 94% of finance and insurance companies. The largest companies have invested most aggressively in anti-fraud systems.

Three-quarters of companies that generate \$1.5 billion to \$2 billion in annual revenue implemented anti-fraud systems when they digitized their payments processes.

Smaller companies are also making a commitment to anti-fraud systems, though to a somewhat lesser extent. Fifty-nine percent of companies generating \$1 billion to \$1.5 billion in annual sales, 50% of companies generating \$750 million to \$1 billion in annual sales and 51% of companies generating \$400 million to \$750 million in annual sales also installed anti-fraud systems as they digitized their payments operations.

FIGURE 5:
Digitization and the fight against fraud
Share of respondents who incorporated new fraudulent payment detection systems when making the transition from manual to digital payments



59%
Share of companies that installed **fraud detection systems** when they digitized their payments processes



¹ Report: AI and Transaction Notifications Help FIs Stop Payments Fraud Before Customers Get Scammed. PYMNTS.com. September 2021. <https://www.pymnts.com/authentication/2021/report-ai-and-transaction-notifications-help-fis-stop-payments-fraud-before-customers-gets-scammed/>. Accessed March 2022.

CONCLUSION

Chief financial officers' efforts to digitize their firms' payments processes have enabled them to realize improved operational efficiency and better collaboration among employees. These benefits are crucial, as executives and their companies are finding themselves at an inflection point where they can position themselves for long-term changes to the economy, which have already included a higher portion of the workforce working remotely and a dramatic increase in online commerce. Digitization, which most CFOs consider to be transformational in nature, helps companies be more responsive to changes in the marketplace, and those firms that are most nimble and able to adapt to these changes will be best positioned to execute strategies that consider new economic realities.

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METHODOLOGY

Business Payments Digitization: How Financial And Healthcare CFOs Build Healthier Balance Sheets, a PYMNTS and Corcentric collaboration, draws from a survey of CFOs from 400 companies. The survey was conducted from Aug. 16, 2021, to Sept. 15, 2021, and gathered insights about how the pandemic affected the management of their payment functions and, for some, caused them to initiate plans or accelerate the implementation of existing projects to digitize their payment functions.

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