TECHNOLOGY-ENABLED MANAGED SERVICES: A CATALYST FOR TRANSFORMATION IN FINANCE

IOFM Institute of Finance & Management

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It may be tempting for finance leaders to imagine that automation or simply investing in technology will solve all their challenges.

But reality often shows otherwise.

While there are proven and compelling benefits to automating finance functions such as implementing procure-to-pay, invoicing, and payments solutions, there is no assurance that finance departments will achieve the full benefits of digital transformation, especially when they take a 'technology only' or Do It Yourself (DIY) approach to automation – where in-house staff are responsible for managing the technology after the initial go-live shakedown period – or rely on traditional IT outsourcers with outdated shared services models.

Technology only or DIY automation projects carry a high risk of failure, require in-house staff to have the skills to learn the intricacies of new technologies, and demand a dedicated, experienced project manager to drive user adoption. And traditional IT outsourcing was not designed for continuous process improvement.

As businesses accelerate their digital transformation initiatives, many finance departments are looking for a provider that offers a more holistic and outcome-based approach to automation. Technology-enabled managed services combine high levels of operational integration with the specialized skills, processes, and technology of an external service provider.

Businesses cannot be encumbered by legacy processes in today's global economy.

Technology-enabled managed services take digital transformation to the next frontier. These outcome-focused technology implementations automate key business processes that are integral to a finance department and promise accelerated time to value.

It is for this reason that this approach to automation is only expected to increase in the future.

This white paper shows how managed services can be a catalyst for transformation in finance.

The Need for Automation is Clear

Most finance departments are bogged down with manual, paper-intensive processes.

Consider the time and effort involved in issuing purchase orders (POs), recording the receipt of goods, matching an invoice with a PO and goods receipt, and initiating payment to a supplier.

The process at most organizations involves too much manual interaction, takes too long, creates too many errors, provides inadequate visibility, and frustrates suppliers and stakeholders.

It's no surprise that more finance departments are looking to improve and optimize via automation.

Seventy-one percent of AP leaders say they have plans to automate.[1] Forty-four percent of AP leaders who describe their department as being "largely automated" plan to deploy more technology.

The shift to remote working has made digital transformation a top priority of businesses of all sizes.

Adapting manual, paper-based processes to a remote work environment is hard, if not impossible.

By eliminating manual, paper-based processes AP departments can reduce the cost to process an invoice by up to 80 percent, and speed invoice approval times by more than 70 percent. When an AP department has a solution for automatically matching invoices with POs and goods receipts (so-called two-way and three-way matching), it's not uncommon for the department to post most of the invoices that it receives from suppliers directly to an ERP or accounting system without any need for human operator intervention.

Few finance departments still question the need for digital transformation.

1 Institute of Finance and Management (IOFM) virtual town hall meeting, 2020

What isn't clear to many finance leaders is the best approach to transforming finance.

Many finance leaders are leery of traditional approaches to automation.

Why DIY Automation Projects Fail

Many digital transformation initiatives – from automating procure-to-pay to invoicing and payments – are doomed to failure because finance departments take a DIY approach, where in-house staff are responsible for managing the technology after the initial implementation.

Technology projects fail at an astounding rate at enormous cost to the companies – and executives – who support them. Perhaps the harshest finding is that 90 percent fail to deliver any measurable ROI.[2]

Don't blame the technology for these failures, whether it's deployed on-premises or via the cloud.

The reason that most DIY automation projects fail can be attributed to four things:

1. **Poor stakeholder and business unit engagement.** A successful automation project requires wide-ranging buy-in – from the C-Suite and the IT team to adjacent and associated business functions. A seamless process transition and the long-term success of a project requires communication and collaboration at every stage of the project. For instance, unless senior management understands the intent of the project, project owners will always encounter problems with budgeting, reporting, and demonstrating success. And a finance department will never achieve the full benefits of automation unless adjacent business units such as accounts payable, accounts receivable, and procurement are all actively engaged in the project – the department will be stuck with incremental benefits.
2. **Weak process and project management.** User adoption goes a long way to determining the success of an automation project. A lot of DIY automation projects are based on the mistaken belief that innovative technology alone will assure success. But a new technology stack must be integrated with existing systems and data and aligned with established rules-based processes and workflows. What's more, users must be trained on the intricacies of the technology's operation. While technology providers can help with these tasks, a lot falls on the shoulders of in-house teams in a DIY environment. Without a dedicated, experienced project manager, it's hard for an in-house team to manage it all, especially as systems and software change and require integration.

Operational software failures cost U.S. businesses $1.56 trillion.[3]

3. **Lack of specific objectives and long-term sustainability.** Many finance departments become so enamored with whiz-bang technologies that they embark upon DIY automation projects without ever defining what they hope to achieve and getting stakeholders to agree that these are the right objectives. Without setting goals for an automation project, a finance department has no hope of measuring how successful it is in solving the business problem or achieving sustainable results.
4. **Human resources constraints.** Any technology solution will require finance departments to have people to use, manage and maintain them on an ongoing basis. The problem is that most finance departments are having trouble retaining and hiring staff. Many departments are under pressure to hold the line on hiring or to reduce staff. And the staff at other finance departments don't have the skills, experience, or time to manage an automation project. Achieving success with a DIY automation project is a longshot without the right people.

2 Forbes.com, 3 Main Reasons Why Big Technology Projects Fail -- & Why Many Companies Should Just Never Do Them, March 25, 2021
3 Consortium for Information & Software Quality, The Cost of Poor Software Quality in the U.S.: A 2020 Report

Technology is important, but the people dimension (organization, operating model, processes, and culture) is usually the determining factor. Organizational inertia from deeply rooted behaviors is a big impediment.[4]

If your DIY automation project failed, chances are, one of the reasons above was to blame.

A Better Approach to Finance Automation

Technology-enabled managed services help finance overcome the barriers to automation success.

This approach combines vertically integrated solutions such as procure-to-pay, invoicing and payments with managed services that provide ongoing execution and back-office support.

A technology-enabled managed services provider uses their tech to perform ongoing work, achieve continuous process improvements, and accelerate time-to-value. Some of the tasks a technology-enabled managed services provider performs includes:

- Supplier onboarding
- Invoice ingestion
- Invoice processing and payments
- System administration

Here's how technology-enabled managed services improve the chances an automation project will succeed.

- **Strong stakeholder and business unit engagement.** Best-in-class providers of technology-enabled managed services help a finance department engage stakeholders and ancillary business units before an automation project kicks off. The provider reviews and assesses a finance department's current business processes to establish realistic timelines and expectations for results. The provider also meets with project stakeholders and the teams from ancillary departments to facilitate deep project collaboration.

  A far cry from pure technology vendors that hand over the proverbial keys to their solution and force users to rely on a toll-free support line, providers of technology-enabled managed services combine back-office support with financial automation.

- **Ongoing process and project management.** The "guided success strategy" employed by best-in-class providers of technology-enabled managed services eliminate a lot of the ongoing project management – and stress – involved in transitioning to new technology. Unlike solutions providers that take a professional services approach to tech deployments, managed services providers stay involved after the solution goes live, helping to drive adoption, providing back-office support and a focus on continuous improvement.

- **Continuous tracking of results.** Providers of technology-enabled managed services are measured based on business outcomes. That's why every managed services project starts with a deep dive into what the finance department is trying to achieve. The managed services provider then combines the right mix of technologies and services – integrated with the finance department's existing systems and configured to its legacy processes and mandates – required to achieve those objectives. The provider also continuously measures its results to drive sustainable process improvements. Some managed services providers even guarantee outcomes such as on-time payments and DPO.

- **Expertise on-demand.** Providers of technology-enabled managed services employ staff who are experts in financial business processes such as invoicing and payments. The managed service providers will take on the day-to-day tasks of the finance team, including invoice virtualization, supplier onboarding, and the overall invoice management activities such as GL coding, facilitation of exception management and approval monitoring and escalation.

These are some of the reasons technology-enabled managed services are better than DIY automation projects.

The Differences from Traditional IT Outsourcers

Technology-enabled managed services providers are not the same as traditional IT outsourcers.

- **Agility and flexibility.** Unlike traditional technology vendors who offer rigid, asset-centric, "Big Bang"

4 Boston Consulting Group [this should be 4 instead of 44, and is there a specific BCG report or article to cite here?]

approaches to IT outsourcing, technology-enabled managed services providers draw from a deep catalog of solutions and prescriptive services and leverage an agile engagement model that can be configured to the meet the needs of almost any client.

- **Business outcomes.** The cost savings that IT outsourcers provide through their shared service and global delivery models are well documented. Technology-enabled managed services providers combine prudent use of automation, remote services, and process optimization to build on these benefits and drive predictable, sustainable outcomes and proven accelerated time to value.
- **Accessibility.** If there is one lesson that businesses have learned over the past 2 ½ years, it's that they need to find ways to help their staff be productive, no matter where they work. Not every shared service and global delivery model offered by IT outsourcers is up to this task. Technology-enabled managed services providers offer a reliable, 'always-on' digital platform that the business can count on being available and supported whenever and wherever it is required. Users also have real-time visibility into what's going on, without having to manage it themselves.
- **Exceptional user experience.** Unlike traditional IT outsourcers, the solutions offered by technology-enabled managed services providers offer an exceptional experience to every user, regardless of whether they are a finance professional or an internal IT analyst.
- **Continual service improvement.** Business expectations on the finance departments are always rising. The one-time cost savings delivered by traditional IT outsourcers are not as compelling over the long haul. Technology-enabled managed services providers deliver improvements throughout a partnership with an organization by score-carding operational performance, tracking tangible benefits, and offering ongoing innovation that encompasses strategic visioning, pragmatic planning, road mapping, and the testing of new technologies.

These benefits are why more organizations are choosing managed services over IT outsourcing.

The Benefits of Technology-Enabled Managed Services

Technology-enabled managed services deliver significant benefits compared to DIY automation projects and traditional IT outsourcers.

- **Optimization of Day's Payables Outstanding (DPO).** Best-in-class providers of technology-enabled managed services drive improvements in DPO, the measure of the average amount of time it takes an organization to pay its suppliers. Optimizing DPO helps a business free up working capital that can be used for growth. Technology-enabled managed services providers optimize DPO by aligning the payment method and payment term to drive supplier behavior toward extended terms and/or preferable payment methods. Managed services providers also leverage benchmark data and market intelligence to identify where a finance department may be paying suppliers earlier than the industry standard and, in some cases, its competition. Some managed services providers even have a consulting and strategic sourcing team that it can leverage to renegotiate pricing and terms with suppliers.
- **Continuous process improvement.** No business is satisfied with the status quo. Technology-enabled managed services help businesses achieve incremental improvements. A managed services team oversees day-to-day activities and a customer services manager monitors and reviews the data collected from the financial department's processes and identifies ways to achieve better business outcomes.
- **Streamlined operations.** Many finance departments end up with a hodgepodge of systems as part of their DIY approach to automation. Managing multiple systems and technology vendors is a burden. Technology-enabled managed services providers offer a breadth of services and technology that eliminates the need to work with multiple vendors.

These are some of the reasons that finance departments of all sizes and across all industries should consider partnering with a technology-enabled managed services provider.

A Catalyst for Financial Transformation

Technology-enabled managed services can be a boon for finance departments. More than just automating business processes such as procure-to-pay, contract management, invoicing, and payments, technology-enabled managed services can increase the odds that an automation project will be a success, free up internal staff to focus more time on strategic projects and deliver continuous process improvements.

About Corcentric

Corcentric is a leading global provider of payments, procurement, accounts payable, and accounts receivable solutions to enterprise and middle-market companies. Corcentric delivers software, advisory services, and payments focused on reducing costs, optimizing working capital, and unlocking revenue. To learn more, please visit **www.corcentric.com**.

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Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

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