WHITE PAPER

Don’t waste a crisis

appzen

Introduction

There’s a saying that a crisis is a terrible thing to waste. Today’s crisis atmosphere surrounding the COVID-19 pandemic actually represents an opportunity for business transformation. Finance teams can take advantage of the space for change that isn’t doable in “normal” times, while still delivering short-term ROI.

The steps we recommend in this white paper, designed for CFOs and finance leaders, can provide the foundation to drive digital transformation in times of crisis.

Why a crisis is a terrible thing to waste

As nobel-prize winning economist Paul Romer once stated, “A crisis is a terrible thing to waste.” In a few short months, COVID-19 has completely changed how (and which) businesses operate. The economic landscape is increasingly uncertain, and your business may have to make difficult financial decisions to endure an economic downturn.

A crisis presents many challenges, but it also can present unique opportunities for business transformation and growth. In response to a crisis, the way teams approach problems and work together to provide business value can change for the better.

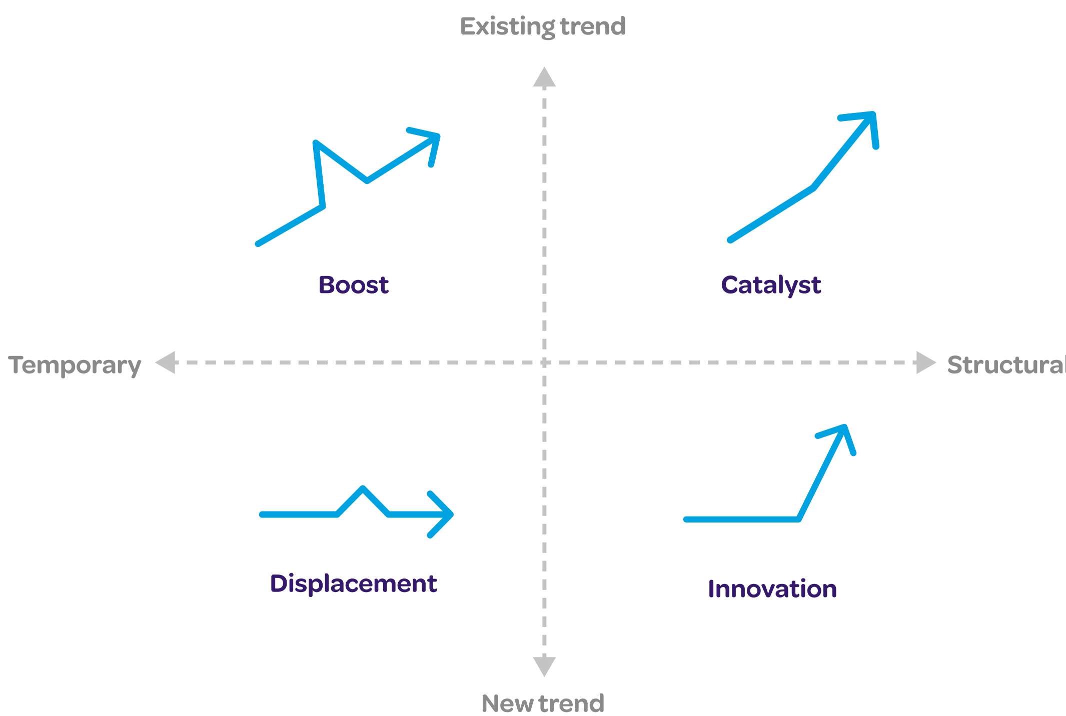
Today’s business climate presents a unique opportunity for finance teams to reduce the effort they expand on manual processes, increase their focus on advising the business more closely, and make more strategic choices. Given the criticality of those choices at this tumultuous time, finance teams that succeed in this transformation will be best positioned to help their companies emerge stronger.

7 obstacles that usually stand in the way of change

OBSTACLE	NORMAL TIMES	CRISIS
1. Comfort	Breaking out of one's comfort zone is difficult and the rewards aren't always immediately obvious.	Resistance to change melts away since there's no comfortable alternative.
2. Misaligned incentives	Each department is driven by different goals and measured on different metrics. Without aligned incentives, finding a way to work together toward new and positive outcomes becomes arduous.	A crisis forces disparate teams to come together and work towards solving clear and immediate problems.
3. Working in silos	Teams tend to work in their own departments and avoid change. Collaborating with other groups is a time-consuming process with a lot of red tape.	Staffing reductions reduce the capacity to achieve goals. Groups may get combined into cross-functional teams to better attack immediate problems.
4. Incremental initiatives	Easy and incremental ideas tend to fill up the investment budget.	Incrementalism is ruinous. Bold bets are required to steer away from a crisis.
5. Inertia	Persuading others to make changes is difficult or seen as too radical under normal circumstances.	In times of turmoil, people are forced to act. They're eager to try something new.
6. Energy	It's hard to generate the energy required to make change.	A crisis is the catalyst for change. Changes that may have been put off in the past are accelerated.
7. Inflexible process	Companies stick to formal processes, like a procurement department's request for quote (RFQ), which can be very time-consuming.	The need for speed outweighs the need to follow procedure. In some cases, RFQ processes have been eliminated to expedite purchases.

How finance teams can reassess their growth opportunities

The below framework is useful for considering the changes affecting your business right now. It can help you decide where to focus your transformation efforts.



Growth opportunities can be categorized by the types of trends driving them. We categorize those trends on two dimensions:
• if they predated the crisis or came in response to it, and
• if you expect them to be short- or long-term.

These dimensions divide the opportunities into boosts (temporary departure from an existing trend), displacements (temporary new trends) catalysts (acceleration of existing trends), and innovations (new lasting trends).

Michael G. Jacobides and Martin Reeves. (2020, August 18). Adapt Your Business to the New Reality. Retrieved September 03, 2020, from https://hbr.org/2020/09/adapt-your-business-to-the-new-reality

Below are some examples of finance function opportunities in each of these categories.

Boost

A boost is an opportunity driven by a temporary departure from an existing trend that predated the crisis. The departure creates a sudden increase during the crisis. Because the underlying trend is long-standing, the opportunity doesn't dissipate when the crisis ends, but will attenuate somewhat.

An example of this for finance teams is dunning, the process of reminding customers of upcoming or overdue payments. Although dunning has always been a critical responsibility of accounts receivable teams, it's of utmost importance now – cash flows are vital to company survival during times of uncertainty, and customers' stability is in greater doubt, so accounts receivable teams are focusing more effort collecting payments.

Displacement

A displacement is an opportunity driven by a temporary new trend. This type of trend is strengthened by an immediate need, but will not last after the crisis is over.

For example, during the early stages of the coronavirus pandemic, individual hospitals within the UK's National Health Service completely removed the requirement for three quotes from prequalified suppliers, eradicating a whole ream of bureaucracy in order to procure and distribute personal protective equipment (PPE) more quickly. This was a direct result of the coronavirus pandemic and the immediate need for PPE, which outweighed the risks of straying from the usual procurement process. It's likely that after the crisis subsides, traditional procurement practices will be reestablished.

Catalyst

A catalyst is an acceleration of an existing trend. An example of a catalyst in the finance function is the increased need for agile forecasting and reporting processes that rely on live data, rather than extracts, spreadsheets, and manual reports. Finance teams were already making this shift, but the pandemic accelerated the need for real-time metrics that reflect the evolution of a rapidly changing situation. Unlike a boost, there's no reversion after the crisis is over. The shift in approach is likely to be permanent.

Innovation

An innovation is a trend that was relatively new or even created by the crisis, and has proven to be a fundamental and lasting change beyond it.

Many offices have shifted to remote work as a result of the pandemic, and finance teams have been driven away from the standard practice of gathering paper-based invoices, receipts, and remittances. The ability to apply artificial intelligence (AI) to paper trail-based processes has simplified a once-tedious operation, making room for lasting change.

Where should I focus my time?

Finance teams should focus their transformation efforts on catalysts and innovations, as these are more likely to be fundamental shifts. Structural and temporary changes, new trends and old, all point to the opportunity for transformation.

Finance is a business function that relies on automation and intelligent software decision making. It’s arguable that the finance function of the future is being born out of this crisis.

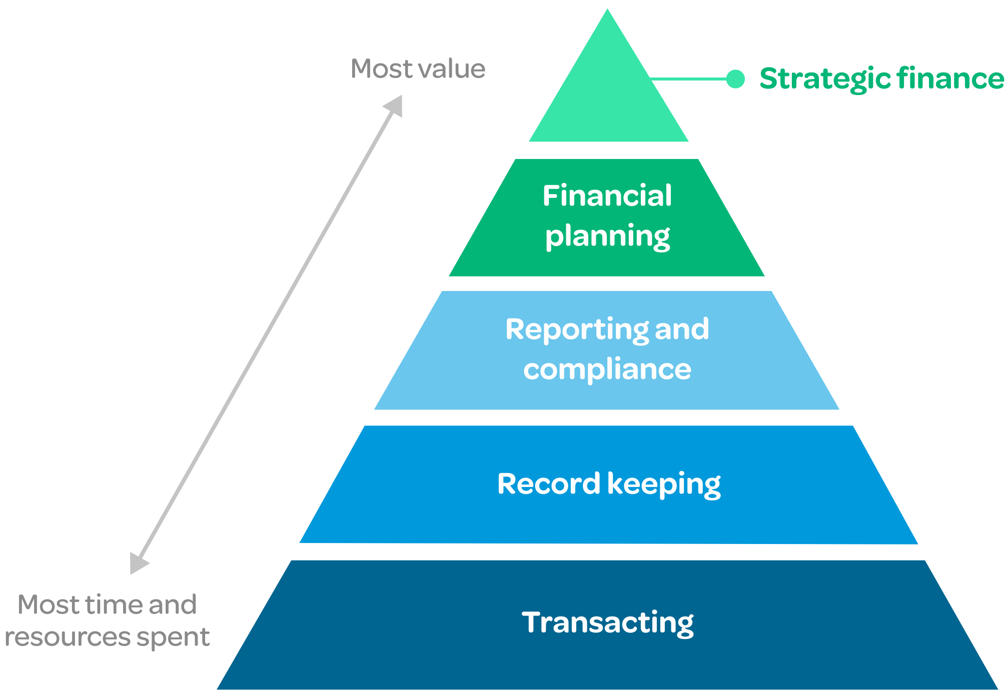
Why finance processes are ideal for transformation

Many finance processes have three characteristics in common that AI is well-suited to transform: they're paper trail-based, require contextual information, and operate at high volumes.

CHARACTERISTIC	EXAMPLES	HOW AI HELPS
Traditionally paper-based, unstructured information flow	In accounts receivable, many companies are still dealing with a largely manual process and have difficulty identifying which outstanding invoices to chase first. In the tax department, audit reports, tax returns, and payments are highly manual, with very complex laws and regulations, frequent reforms, a need to identify significant transactions, and so on. Many companies under-claim VAT because of the effort involved.	AI can understand unstructured finance data like receipts, invoices, remittance slips, and so on. Unlike jack-of-all-trades, general-purpose OCR that make basic mistakes like confusing a $ and an S, or a £ and a 6, finance-focused AI is much more accurate.
The need for contextual information from outside and inside the business	In AR, disconnected systems make it hard to get a true view of invoice and customer status, adding time, complexity, and opacity to the cash conversion cycle.	AI can enrich the paper trail with a lot more context, just as a human with a lot of time and energy would do. It can look at the entire history of expenses and invoices for duplicates, for example. It can validate merchants, prices, suppliers, and individuals against publicly available information like Google searches, Yelp price bands, databases of government employees or disbarred vendors, and proprietary company information.
Large volumes that make comprehensive, manual work cost-prohibitive	On the M&A front, due diligence is a key step in every transaction, but relies on very highly paid resources spot checking a company's books.	Unlike a team of people, AI never rests and can scale infinitely. It can apply the same level of rigor to every expense, invoice, remittance, tax document, and more.

Fix the misalignment of resources and value with AI

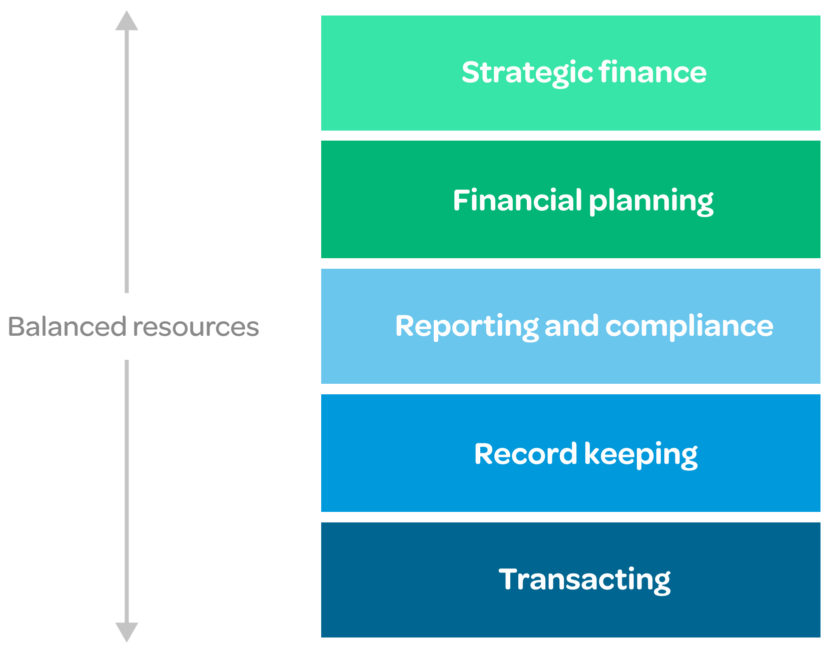
The misalignment of resources and value across finance's organizational pyramid makes transformation absolutely critical for success.



Most of finance's resources and time are spent performing transacting, recordkeeping, reporting, and compliance duties. While these activities are foundational to the business function, they do not drive enormous added value. By spending so many resources on these activities, finance teams don't have the bandwidth to spend on financial planning or strategic financial activities, which would increase the value they provide to their organizations.

Finance teams can refocus their time on strategic initiatives rather than spend time on tedious tasks.

With AI, the pyramid looks more like this:



With AI, finance teams are rebalanced. They can refocus their time on strategic finance initiatives rather than spending their time on manual and tedious tasks.

Conclusion

Although facing a crisis is difficult and uncertain, a crisis can also be a catalyst for important organizational changes. Formerly disparate teams are forced to come together to work on collaborative solutions to today's problems. As savings become more crucial to company survival, the misalignment of resources across the finance function can no longer be ignored.

AI is particularly well-suited to help finance teams transform and become resilient to changes in the future. AI can understand finance data like receipts, invoices, and remittance slips and add contextual understanding to the information. It can validate all information against external sources. With AI at the heart of their operations, finance teams are enabled to become strategic advisors to the business, in a crisis and beyond.

Using a crisis as a forcing function to make critical changes in your organization will better serve it in the future, and help your business come out even stronger on the other side.

About AppZen

AppZen is the leader in AI software for finance teams. Over 1,800 global enterprises, including one-third of the Fortune 500, use AppZen to automate manual finance processes, reduce expenditures, and gain real-time insights into their business spend trends. Our patented software technology delivers AI deep learning, semantic analysis and Star Match™, the only automated spend validation that processes intelligence from thousands of data sources, documents and images to understand financial transactions and make decisions based on finance policies. AppZen is the platform of choice for today's digital CFO and their teams.

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