Digital transformation for CFOs

Redesign your finance process

qvalia

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Digital transformations are more than a buzzword

Digital transformations are complex processes that involve adopting new technology and digitizing and automating common processes and tasks. As more and more businesses turn to digital solutions to optimize and improve workflows and processes, it's become clear that digital transformations are the new industry standard.

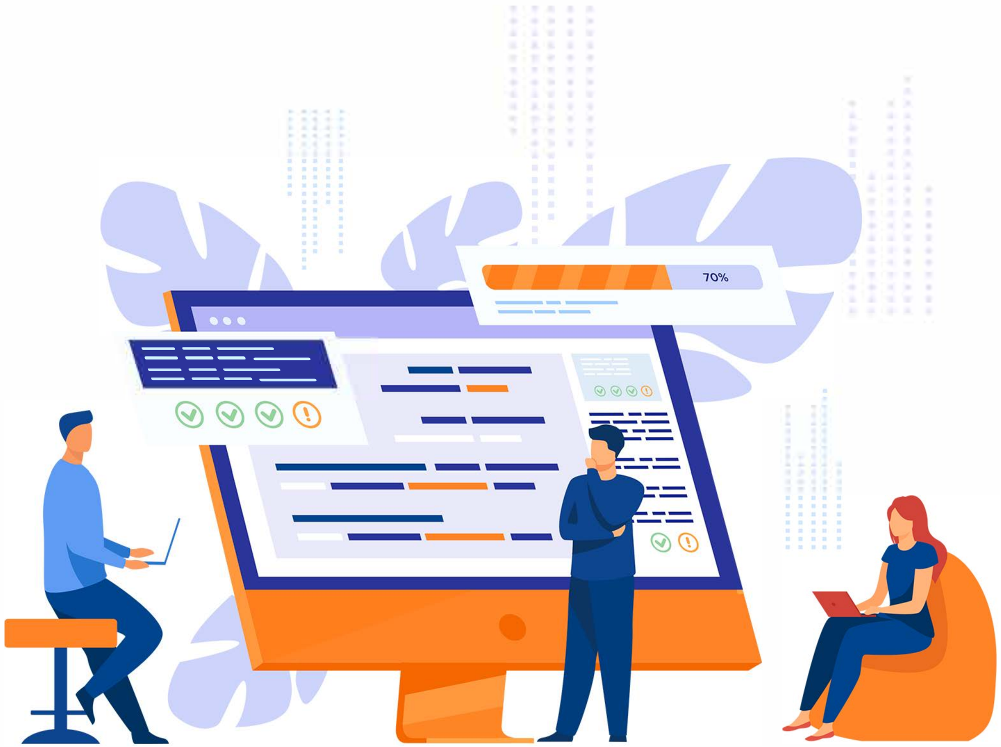
Moving towards digital transformation is a choice that will affect your entire business, as it can greatly improve your efficiency in almost all operative and managerial areas.

Despite this general utility, preparing your organization for its digital transformation is no easy task. This type of transformation is meaningless on its own, but when coupled with the right technology, approach, and implementation—it can improve every aspect of your business.

CFOs know all too well the importance of process optimization. It's this reason alone that often makes finance departments the ideal starting point for a company's digital transformation.

But how does a company start its digital transformation? And what steps must they take if they want to be successful? You'll find the answer in this e-book. We will help you focus on your finances and accounts processes to help you determine the best way to future-proof your company and start your next digital transformation.

Digital transformation in practice



Many industries have started investigating or rolling out digitization programs. Whether companies implement automation to eliminate manual tasks or artificial intelligence to improve decision making—it's clear that these forward-thinking technologies are here to stay.

The goal of any digital transformation is to improve key areas, including:

- The way your people work
- How your workforce leverages technology to achieve positive outcomes
- How decisions are made in an automated environment

But rolling out a successful program requires more than just the right technology—it requires a fundamental understanding of the why behind it all and how it will impact your company and its processes.

Here are a few key considerations that you should be aware of when it comes to digital transformations.

THE SIZE OF YOUR COMPANY DOESN'T MATTER

When you see a term like 'digital transformation,' you might expect to see a solution meant for large corporations. With the rise of modern SaaS, this isn't the case anymore. Small businesses will benefit just as much from digital solutions as larger ones—if not more so.

Small businesses typically struggle with inefficient processes, so any solution that can improve these common pain points can quickly generate positive results. Small improvements like eliminating paper, labour costs, and other similar tasks will improve your bottom line.

Another thing to consider is how easily small businesses can adapt to change. Larger corporations have many internal rules, teams, and stakeholders—all of which can complicate a company's ability to pursue positive change.

IDENTIFY YOUR GOALS BEFORE TAKING THE FIRST STEP

Digital transformation solutions are often seen as the magic bullet that can solve every problem. This results in companies going all in before they even identified the "why."

Your business's first step into automation should include examining what is likely the most fundamental part of any business: your transactions. Every business handles transactions, and many companies don't process transactions efficiently.

With fully digitized transactions, you'll unlock the potential of true automation, reduce errors, and enable your team to focus on what is essential. Handling your invoices efficiently is the key to efficient transaction processing. One of the key focus points of digital transformation is your handling of accounts payable, and that's what this ebook is all about.

The state of accounting

The basic principles of accounting may be rigid—but the needs of the modern business are quickly evolving. Traditional accounting platforms and processes are struggling to cope with rising demand.

When it comes to finance, CFOs should see automation as a useful tool that can cut costs and free up employees to focus on more important tasks.

ACCOUNTING 101

The future of accounting and finance automation will require improving information visibility and automating processes. AI has an important role to play as more and more companies look to integrate this technology into their workflows across various departments. However, it's not the universal solution.

Technology and work practices evolve continuously. Accounting, accounts payable and receivable processes are central to every organization. Purchases, sales, and use of resources constitute the essence of every business.

Accounting is about managing incoming transaction information. Whether your information comes from sales or procurement, you need to understand it to see how it affects your company. The need for this kind of processing grows along with the size of your business.

Transactional input varies significantly in quality, importance, and appearance. This data needs to be structured if you want to be able to understand and process it.

Here is where things become tricky.
Processes, knowledge, and technology determine how transaction data is managed end-to-end. What information do your organization's various processes consider? How is the data processed? How is it shared?

Databases, people, cost centers, partners, and customers all play a role in the accounting process, and they all are potential sources for errors. Many of these factors introduce a risk of information distortion throughout the transaction handling process. AI is a technology to interpret information and potentially correct errors, but for those same reasons, it can be another source of bad input.

The quality of the data determines the level of effort, so your top priority should be keeping your data clean.

Four obstacles standing between you and automation

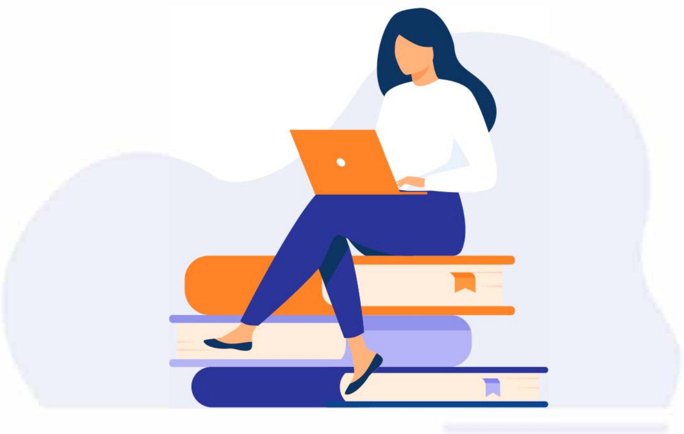
Today's accounts payable professionals work hard to increase productivity and reduce inefficiencies by making the best use of their resources.

Depending on the business, the accounting process may rely on varying degrees of technology, employed to various degrees of effect.

Technology isn't always the answer, especially when it isn't designed to be forward-compatible. Here are a few practices your business may be using that may obstruct your ability to automate.

1

Manual handling of analog data



One of the most error-prone tasks that needs to be done manually is keying invoice data into the workflow. Even in today's digital age, 90% of all invoices globally are still managed manually.

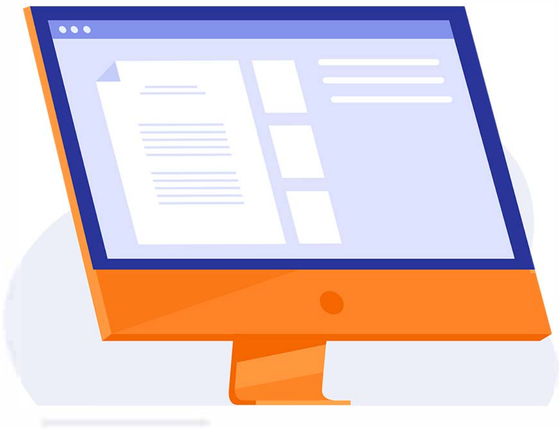
Manual handling of paper and PDF invoices is an obstacle to the efficient use of structured data. This roadblock makes digital transformation challenging and is an opposing force to automation.

A successful digital transformation strategy must view processing analog data as a prime target for improving automation.

2

Working in isolated software silos

Your accounts payable team's software tools to handle transactions are essential for effective accounting and increase productivity. Unfortunately, many businesses rely on a software suite that is only compatible with itself, better known as a software silo.



Software silos are problematic because they are either incompatible with other software, or in need of complex integrations. Siloed software might for example only work with one specific file format, so siloed businesses often waste valuable resources converting between file formats.

File conversion is not a lossless process. Certain important but complex metadata, like supply chain-related information or VAT, can get distorted when sent between file formats, leading to errors.

A successful digital transformation must address the software silo issue by working to unify various departments and processes that may not otherwise communicate and share data effectively

3 Poor document storage practices

Accounts payable teams produce and process large amounts of documents. These don't just require attention from the rest of the organization in aspects like workflows and analytics, but also need storage and archiving.

Legal requirements, and requirements from your customers, likely demand easy and secure access to documents. The storage dilemma becomes even worse due to the wide variety of document formats, making processes and accessibility increasingly complex.

While most businesses still handle paper invoices and file them physically, many businesses are transitioning to the cloud to improve document availability and visibility.

A successful digital transformation requires transitioning to a digital, automatic system if you want to avoid challenges.

4

Mismanaged VAT

VAT is a significant source of headaches and capital leakage for most private and public sectors. National regulations are challenging, and the ever-changing international landscape requires you to be careful with your VAT calculations.

Despite efforts to standardize VAT, partially driven by the European Union, there are vast differences in national and even local regulations. A successful digital transformation must keep track of these regulations to avoid potential fines and regulatory violations.

The importance of keeping your data clean

An automation solution is only as good as the data it relies on. The fewer contact points your data has when you process it, the better. Overhandling your data will increase your risk. Data distortion is a significant issue if you're looking to start a digital transformation.

Distorted data can have a negative impact on your business's bottom line. Some errors that result from distorted data include:

- Double payments
- Late payments
- Overpayments
- Missed VAT

These errors not only cost your business, but they can also harm your customers, partners, and third parties as well.

Luckily, all of these pitfalls have one thing in common: they fundamentally stem from poor data management.

Implementing data quality policies will help your business decrease errors and improve overall productivity.

DIGITIZING YOUR DATA ISN'T ENOUGH

The point of software technology and digital processes is to reduce the amount of manual work needed. Done correctly, this results in increased efficiency and fewer errors. The key is to keep the likelihood of human error as low as possible through automation.

Digitization holds the promise of new capabilities in most aspects of business operations, from control to scale. A few major benefits include:

- Improved onsight and control
- Better decision making
- Fewer people producing greater output
- Improved quality of work
- Enhanced scalability

Many vendors in the accounting and ERP industry promise huge benefits from their respective solutions:

"Invoice automation!"

"Accounting power!"

"Manage your resources!"

"Fully outsourced services in the cloud!"

You've already heard these sales pitches. You're also likely aware of the reality behind promising taglines. Dysfunctional ERP implementations, disconnects between e-procurement and accounting software, cloud software solutions, and basic automation solutions are all too common in the market.

Most of these solutions result in nothing more than distributed bookkeeping and an extra burden of deviances.

FLAWED DATA PREVENTS AUTOMATION

What is the major hurdle preventing finance departments from fully embracing digital transformations and automation?

After all, isn't accounting simply structured data at the most basic level? Why then is automation such a challenge?

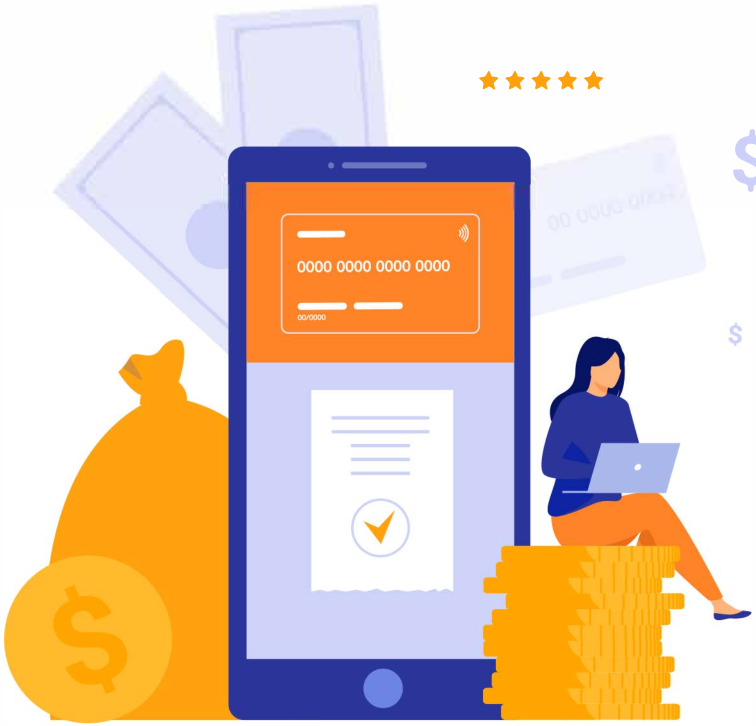
The answer is simple:

> the quality of input data determines how effectively software-driven and people-driven processes can manage it.

An algorithm requires high-quality data to function and learn. If the input data is flawed due to content or format, the output will be equally flawed. Manual oversight is necessary to keep your data clean, which gets in the way of automation.

Any digital transformation effort must begin with high-quality input data.

E-Invoices: Are they the best starting point for implementing automation?



It's not uncommon for a company to go all-in on automation. But this approach often leads to failure. Why? Because automation isn't a one-size-fits-all solution—it's incredibly complex.

E-invoices are often a logical starting point for any company looking to implement automation into their workflows. But why is this the case?

Unpacking the invoice problem

Data input for accounts and purchasing typically includes sales and purchase information, and the primary carrier of this information is the invoice. Since invoices are such a common transactional medium for every business, they are also an endless source of mistakes.

Invoices aren't generally standardized, even though national and international regulations clearly state what type of information an invoice must include to be legally compliant. The data itself can come in many forms, from paper and PDF to proprietary or national electronic standards.

Data input and processing are difficult and expensive for teams and systems alike. Even electronic invoices (e-invoices) offer many different formats that may require conversion before processing can occur. Conversion is an error-prone process that can lead to even more data distortion.

Vendors can charge additional fees for essential services such as sending, receiving, and converting e-invoices. Just imagine if you had to pay for every email you sent.

But e-invoices have one significant advantage—your transactional information is digital and structured from the start.

Making the transition to e-invoices

Most businesses are working to decrease the number of formats they use. Direct communication between the buyer and seller through EDI (Electronic Data Interchange) is one solution. Unfortunately, this isn't an option for most businesses as it requires a complex technical framework, one that's often a custom-made one-way line between a seller and buyer.

Another method is to utilize e-invoice networks. This requires your vendors to comply with your requirements, as well as your network's, which isn't always practical. Here's where conversions are needed, which adds complexity and costs as we described earlier.

The most common solution is to use services that scan invoices and other documents and convert them to the desired format.

However, this method has its own issues. Scanning services are far from perfect. Even the most capable hardware, with top resolution and sophisticated optical character recognition technology software (OCR) regularly fails during the scanning process while trying to interpret invoice data.

Scanning errors results in a lot of extra work and wasted time when manually interpreting invoices. They can also cause incorrect accounting, which may lead to substantial losses.

Remember, more paper often leads to more manual work, more problems, and decreases a business's automation potential due to low quality data. The result? Mediocre ROI and fewer ways for smart utilization of your data.

The e-invoice paradigm

In recent years, many organizations have accepted moving away from paper and PDFs in favor of e-invoices. They see this change as the quickest and most obvious solution to increase efficiency and reduce costs.

In 2017, 36 billion e-invoices were distributed. E-invoice adoption continues to increase annually by 10-20% (Billentis). Businesses have become aware of the significant financial gains in both the private and public sectors.

The United States Treasury estimates that implementing e-invoicing across the entire US federal government would reduce costs by 50% and save $450 million annually.

6 ways e-invoices help your business be more efficient

It shouldn’t come as a surprise that the majority of private businesses are looking at e-invoices as a way to optimize costs. Here are six reasons how e-invoices can dramatically improve your A/P processes and improve organizational efficiency.

1 INSTANT TRANSACTIONS

E-invoices don't require dependency of postal services or obnoxious spam filters. Transactions are carried out instantly.

2 ELIMINATE DATA DISTORTION FROM CONVERSION

E-invoicing reduces errors in accounting. It eliminates touchpoints and unnecessary conversions due to not having to manually move the invoice and its data sets from analog formats during processing.

3 FEWER HUMAN ERRORS

Manually keying in invoice data is a tedious task that inevitably leads to many errors. When it comes to repetitive tasks like this, software always does the job better. E-invoices remove the manual work, eliminating human error.

4 INCREASE PROCESSING SPEED

Automation doesn’t only offer cost reduction. It also creates new opportunities, from analytics and control to increased customer-focus and business development.

Eliminating errors and manual work contributes to one of the most critical factors in any organization: speed. Reducing the amount of manual work you need creates new opportunities for your employees to focus on things that matter.

5 SIMPLIFY DOCUMENT STORAGE

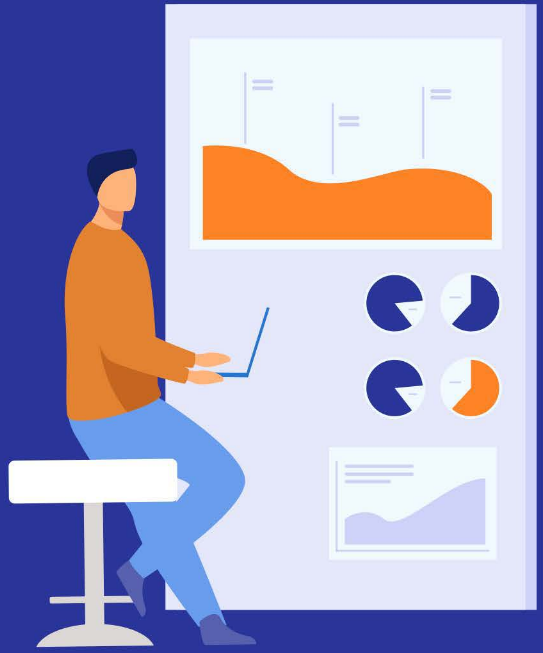
Storage and archiving are an often-neglected part of the burden of disparate formats and a large number of paper documents.

In the EU, regulations require organizations to retain invoices for up to ten years. For a business processing 100,000 invoices annually, this requires a storage solution that can handle 600,000 invoices.

Digital storage massively reduces storage costs by eliminating the need for physical storage. With e-invoices, it's easier to access invoices when you need them—as they're all digitally archived and easily searchable.

6 REDUCE YOUR ENVIRONMENTAL IMPACT

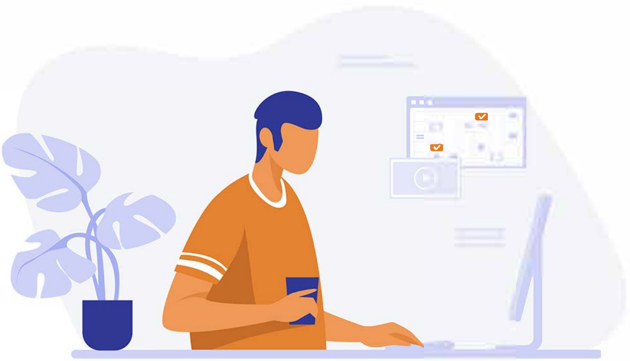
E-invoices require no paper. Digital transactions leave close to no environmental footprint. There's no need for trees for paper, trucks for distribution, or space for storage. If you're looking to implement environmentally-friendly business policies, e-invoices are the way to go.



Why now is the best time to start your digital transformation

While being on the cutting edge of the industry may sound appealing, it's also risky. You may be concerned that it's too early to make the switch to e-invoices. In fact, e-invoices not only provide your business with many benefits locally but are becoming more commonly used every year.

The global e-invoicing market's value is estimated to multiply the coming years and increase from today's 3.3 billion EUR to 16.1 billion EUR in 2024 (Billentis).



Developing macro trends are also supporting the shift to e-invoices in the form of legislation. Governments have identified the advantage of lossless electronic communication to ensure compliance and support cross-border trade.

A pressing issue for politicians and tax authorities in most countries is the so-called VAT gap. It is the difference between the expected VAT revenue and the actual VAT collected. Among EU member states, the VAT gap reached almost 170 billion EUR in 2013. Cross-border fraud alone was estimated to account for a loss of around 50 billion EUR a year in the EU area.

As a result, the EU has started to tackle this problem by harmonizing the European EDI landscape through the non-profit organization OpenPEPPOL.

The EU's digital transformation initiative: PEPPOL

What is PEPPOL?

Pan-European Public Procurement On-line, PEPPOL is one of the most ambitious and large-scale global digital transformation initiatives. The European Commission started this initiative through the so-called e-Procurement Directives. The objective of this move is to accelerate digitization in the public and private sectors and harmonize standards.

The main advantage of PEPPOL is scale. The format is mandatory for all public sector entities within the EU as of April 2019, though national implementation varies. Some countries, such as Norway and Sweden, have come a long way and have already achieved high adoption rates.

PEPPOL will even be mandatory for both the public and private sectors in Italy, including businesses with EUR 30,000 or more in annual sales.

PEPPOL is now also spreading beyond Europe. Singapore announced in 2018 that they would become the 20th country to implement this standard, with Australia and New Zealand soon to follow.

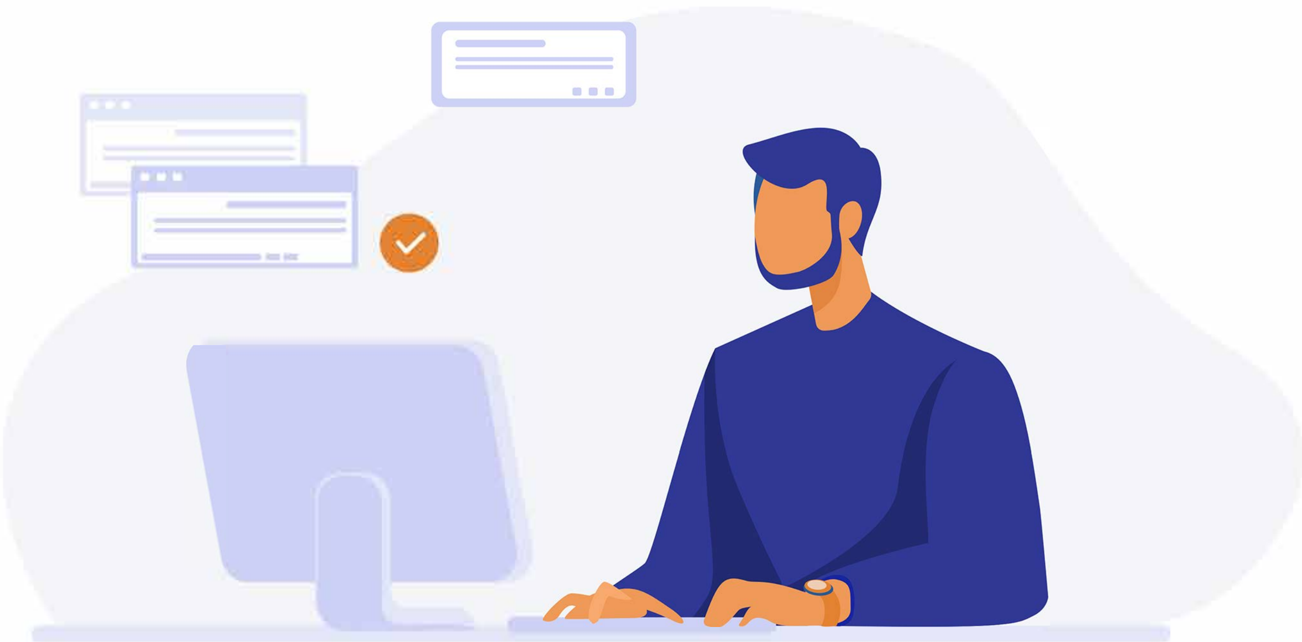
PEPPOL and your business

So, what does PEPPOL mean for your business? If you want to send invoices to your public-sector customers, then you must send e-invoices. It is as simple as that. If your business is operating in the EU, PEPPOL is the go-to solution.

This legal enforcement has promising benefits as a catalyst for the digital transformation of the business landscape. Transactions become instantly and significantly easier, likely cheaper, and more efficient for both buyers and sellers.

You no longer have to choose between numerous national or proprietary formats or hassle with conversions. The process is now to create your invoice using the single accepted format and send it.

The future and present of transaction management



With e-invoices becoming the global standard, you can expect transactions to become a lot simpler. As the e-invoice industry grows, more and more businesses are springing up to capitalize on the new market with various services.

Some e-invoice services these providers offer include distribution, accounting, and analytics. Between 2013 and 2018, the number of invoices processed by service providers doubled from 1.5 to 3 billion (Billentis).

What does the path to full automation entail?

Besides legislative factors, the most promising development relating to digital transformation is within the fields of artificial intelligence (AI), Machine Learning (ML), and Robotic Process Automation (RPA).

RPA and ML are being integrated into invoice management, aiming to minimize the amount of manual work spent, while improving accuracy. nvoices will increasingly be handled automatically. These types of systems currently handle around 10% of all invoices, with that number growing each year.

RPA already plays an important role in accounting, billing, and posting. Between 2016 and 2024, RPA solutions saved companies EUR 7.46 billion—a growth rate of 60% annually.

Experts predict that half of all back-office processes will become managed by RPA in the coming years. The question is if the development of these top-layer tools will continue with improved backend technology and continuously better structured data?

Finance process automation: Is it the Holy Grail of the digital transformation?

While the benefits offered by e-invoices, including lossless and touchless transactions, are already worth the transition—that's not the only goal. The end goal in digital transformation is autonomous end-to-end finance processes.

Achieving this goal means overcoming common obstacles, including:

- Relying on various data formats
- Handling variable data like VAT
- Improving data connectivity to minimize mistakes
- Creating a company culture that embraces automation

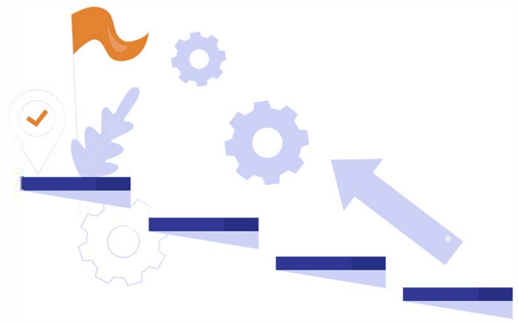
The Holy Grail of accounting, and finance processes in general, is a solution that can immediately identify all relevant transaction data, categorize it, and allocate it to the right account. Manual entry is the only way to perform these steps right now, as few automation solutions go beyond the basics of reading simple data.

Defining your next steps

The critical problem in accounting and invoice management is identifying what the row information on an invoice or other documents is referring to.

At first glance, e-invoices should make categorizing easier as they deliver data in a predictable and structured way. However, most software still treats e-invoices as manual objects without considering the content itself.

You will need a software solution that is compatible with e-invoices. Future-proofed accounts payable and accounting software must be able to determine which products or services were purchased—and by whom.



Custom-made and expensive EDI solutions between large buyers and sellers can be set up and integrated directly with product lists, but this isn't a scalable or practical solution for your business.

Starting your finance department's digital transformation requires a solution that solves the common issues that finance departments encounter. And that's where Qvalia comes into the picture.

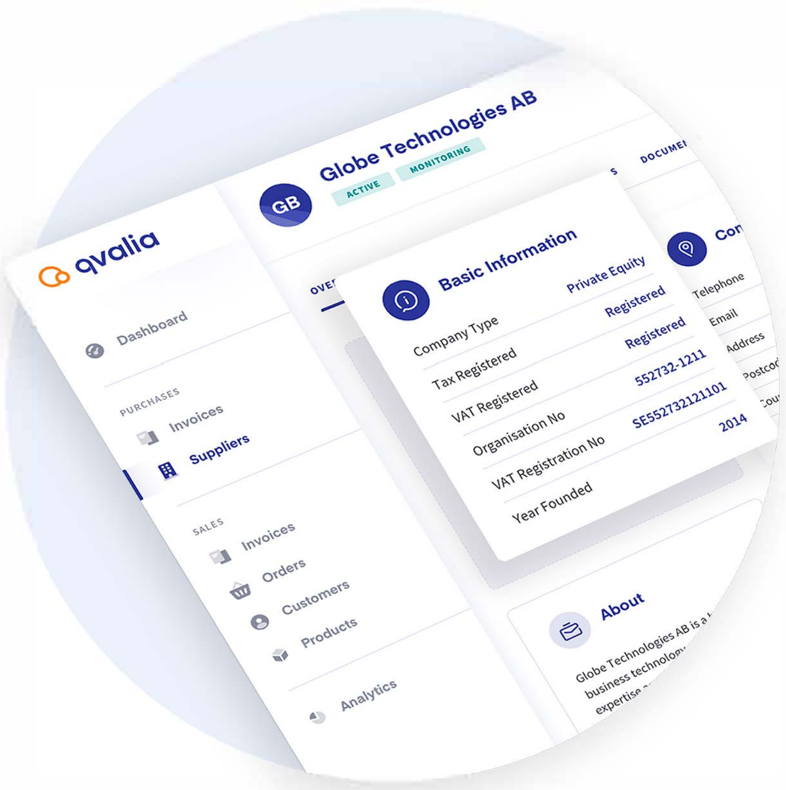
Qvalia, digital transformation, and you

We redesign finance processes. Our platform enables organizations to take full control of their transactional data and automate accounting on a line-item level.

The full suite solution provides automation capabilities within accounts payable, accounts receivable, transactional accounting, and analytics.

It's fully cloud-based and can be implemented without major changes or disruption to your IT infrastructure. The result is transformative for any finance process and any type of organization.

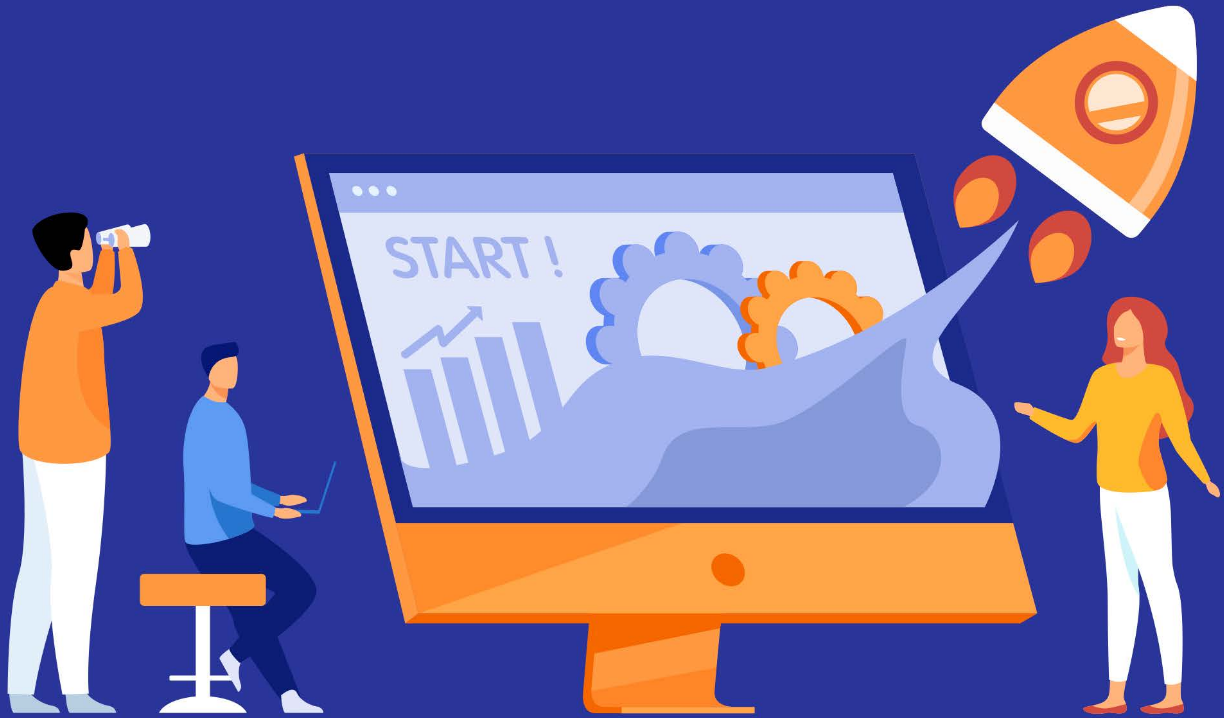
Key features



- Send and receive e-invoices for free
- Automated PDF conversion to electronic format
- Automated purchase invoice validation and dispute management
- Automated supplier register handling and monitoring
- Automated invoicing, reconciliation, and ecommerce checkout
- Automated line-item preposting
- 1-click approval workflow app
- Real-time line-item spend analytics

qvalia

Are you ready to kickstart your digital transformation?



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