THE CIO AS CATALYST

Digitalisation of finance processes - A game changer for business

happay

Strategic decisions that CIOs make today can have an impact on their organisation for years to come and become the foundation of their own legacies. The trend over the last couple of years is that CIOs are moving away from their traditional roles into strategic initiatives; like Digitalisation, which has the potential to fundamentally change their businesses.

As per the **2019 Gartner CIO Agenda Survey**, Digitalisation has reached a tipping point and is now a top priority for both private- and public-sector organisations. In fact, CEOs are increasingly turning to digital investments to drive growth and increase profit margins.

Digital business hinges on sound IT, combining new, disruptive technologies like AI with a rebalancing of existing infrastructure. The choices you make as CIO are essential to success. The research also observed that most traditional IT organisations (ITOs) are project-centric, and their current staff capabilities are ill-suited for creating and supporting customer/-constituent-facing products/ services and the requisite continuous upgrades at scale.

Gartner went on to state that CIOs need to maximise data access and knowledge sharing, but do not know how to change organisations when working in silos is the cultural norm. Changing the culture to be more collaborative requires specifying what that means, getting started through conversation and action, and measuring change.

COLLABORATION WITH CFO CAN REAP SIGNIFICANT BUSINESS BENEFITS

The success of IT transformation hinges on successful collaboration of CIO & CFO cites a recent Forbes Insight Global research paper. Select companies that succeeded in IT transformation efforts have registered 7+% gains in sales and profits.

Unfortunately, despite investing heavily in time and money, many other companies pursuing IT transformation still haven't found the secret to gaining significant improvements in customer service and a clear competitive advantage from these efforts.

89%

The Forbes Insight research found that a stunning **89% of senior executives acknowledge that significant barriers exist** — ranging from outdated ideas about the role of CIOs to obsolete reporting structures — that keep CIOs and CFOs from collaborating more closely.

The survey identifies a fundamental problem that leads to the different outcomes of leaders and laggards. Successful IT Transformation calls for CFOs and CIOs to join forces. For example, nearly all respondents (96%) see close CIO/CFO collaboration as being important or critical to business success.

WHAT DOES THE INDIAN CFO WANT?

For better collaboration with CFO, it's important for the CIO to understand the varied business needs and unique challenges. Happay had recently commissioned a 'State of Indian Enterprise Travel & Expense Management 2018' which can be a thorough guide for the CIO to get a first-hand unbiased view of CFOs requirement. This exhaustive research study was undertaken by CFO India magazine. 200+ CFOs and finance heads across verticals have contributed to the findings of this report. 57% of the sample had revenues over Rs.1,000 Cr. and half of them were very large enterprises (Rs. 5,000 Cr. plus).

THREE IMPORTANT PROBLEMS FACED BY CFOs

1. Half-baked Automation is an urgent problem for CFOs

82% of companies are either partially or entirely lacking in making the whole T&E process automated despite it being the second-largest operational expense after payroll. About 50% of the CFOs have understood this urgent need and taken digitisation upon themselves, to switch to an automated expense management system in the next 6 months.

2. Losses due to fraudulent claims

48% of companies do not have a system to detect frauds as T&E expenses are mapped manually. According to Happay's benchmark report, nearly 55% of the companies stated their inability to retrieve past expense data as a key bottleneck in auditing and managing T&E expenses.

3. Manual processes are biggest challenge for CFOs

Three-fourth of respondents in the study said, expense claims still had to be filed manually by attaching bills to paper vouchers. Quite surprisingly, despite the huge penetration of Mobile devices and desktops just 12% and 27% of companies allow employees to use these devices for record-

> "Right now, it is (T&E system) more manual driven. We have to go to the next level...we have to harmonise, it will become a little bit

Leon Verdes,
CFO, Schreiber Dynamix

> "We are a part of IT engineering services company and for us, travel & expense management is no more a perk. It's part of day-to-day working. There was a time when this was given as privilege to those who used to travel, but it's now more of a need of the business... T&E is a major expense item for any services company. It's roughly in the range of 5-8% of the total cost. So, it has to be looked into very carefully in the process. Even a 0.5% improvement can have a clear direct impact on your bottom line. So it's a very high value item and CFO's should not turn a blind eye to it..."

Uttam Gujrati,
Vice President - Finance,
Onward Technologies LimitedCFO, Schreiber Dynamix

> " Earlier travel policies were more stringent...organisations used to spend more time and cost in processing these travel expenses. Now, companies are more focused on employee oriented policies. Organisations think employees have gone on business travel and thus, they do not spend much time scrutinising claims. So, this is the biggest behavioural change that organisations have undergone in past few years."

Manish Singhania
CFO, Essar Steel-Pune Facility

> "If I have to talk about the challenges in T&E management, I will put it under three brackets - policy adherence, how we have the most cost- effective travel booking and the timely submission and the tracking...We have automated our T&E tool, where each one of us uploads our travel budget on a monthly basis. We also have the workflow defined."

Paresh Gupta,
CFO, GVK Bio

WHAT IS STOPPING THE FINANCE PROCESS DIGITALISATION?

Clearly without tech integrations by the CIO or IT partners the Travel & Entertainment (T&E) automation ambitions of Finance or HR heads cannot be fulfilled.

Not so surprisingly, misconceptions constitute one of the largest road-blocks to T&E automation. As with any disruptive technology, there are a few concerns regarding its need and benefits. Common responses include:

• I already have an ERP!

• Why pay for automation when Excel spreadsheets come free?

• How will the OCR feature help me?

• Why can't the HRMS solve these issues?

Another reason for the slow adoption of automation is the incompatibility with existing systems.According to the Happay CFO survey, the T&E software in 50% of large companies is incompatible with other systems.

> **If the adoption of new software entails an overhaul of an entire existing system, the impact will be felt across departments and verticals.**

Given the large scale nature of such an impact, organisations naturally shy away from automation. Little do they know that solutions that facilitate truly seamless integration with legacy systems actually exist. Major questions here include:

• Can technology Integrations can be done with legacy or new age ERP/ Accounting Softwares, Payroll, Banking partners, Travel portal APIs, TMC partner systems etc.?

• Availability of Mobile interface and AI-based features like SMS integration, Gmail plug-in, Corporate Card integrations, Ola/Uber auto expense population etc.

• What are the tangible savings that can be achieved?

CIO CAN BE A *CATALYST* TO DIGITALISE FINANCE PROCESSES

The Happay survey indicates that 43% companies with manual or partially automated T&E systems want to opt for full automation in the next six months. T&E automation is no longer the alternative strategy – it's one of the core strategies for organisational digitisation and growth. But as with any major decisions, make sure that you build a strong business case to ensure a successful implementation.

Partners that have invested years in getting the product fit right have made a niche for themselves and built expertise hence, partnering with such players makes complete sense for the CIOs. Great Enterprise software isn't built in a day. it's an effort of years of trial and iteration, of collaboration with different enterprise stakeholders to co-design something that meets enterprise needs.

Past learning was that the success or failure of a digital transformation program is dependent on the extent of automation. Our exhaustive research clearly suggests that organisations have let each department source deploy its own solutions without a cohesive IT strategy. As a result, technology is trapped in departmental silos that cannot operate together. Eliminating silos is one of the key areas to derive maximum benefits of automation. Hence, our vision has always been to connect all the relevant stakeholders from IT, business, finance and HR to achieve complete buy-in across the enterprise.

Digital Transformation requires automation, flexibility and portability. By demanding these things from vendors, enterprises can increase the chance that they themselves will be the disruptive force in their industry, and not the ones left behind.

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Happay is a pioneer of Business Travel and Expense Management Automation in India. Our state- of-the-art cloud-based platform leverages modern technologies such as AI, Machine Learning and Mobility to help businesses automate their expense claims and reimbursement processes, boost time and cost savings, achieve policy compliance and control and get rich insights into corporate spending. Funded by Sequoia Capital and Prime Venture Partners, Happay serves 5000+ customers across 40+ industry verticals - from the largest and the most respectable Indian conglomerates to the fastest growing SMEs and startups. What gives Happay an edge above the rest is its highly agile and full stack payment and expense management platform, elegant and intuitive user interface and deep integrations with Payment, Banking and Enterprise systems.
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