

Six Strategies for Finance to **Build Resilience** Through **Digital Transformation**

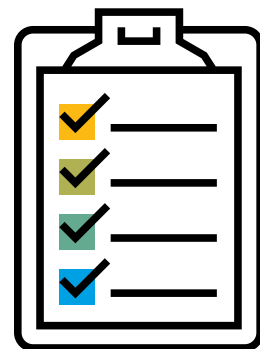


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Overview In recent years, most companies have experienced stable growth in a robust economic climate. Enter 2020, when this status quo changed dramatically. And while there have been pockets of growth in sectors such as pharmaceuticals and logistics¹, many other sectors such as travel, leisure, hospitality and retail² have been hard hit.

Overall, the pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than first forecast, says the International Monetary Fund.³ The shift has been so sudden that many businesses found themselves ill-equipped and unprepared to react to the seismic changes.

There are green shoots though, and lessons to be learned from previous downturns. An investigation by global consultancy firm [Bain & Company](#) into the performance of global businesses following the recession of 2008/9, found that those companies that were quick to react grew at 17% compared to those that adopted a “wait and see” approach.⁴ Specifically, businesses that promptly restructured costs, put their financial house in order, and proactively reinvested in digital capabilities, fared much better.

If the current crisis has highlighted anything, it's that **the role of the finance leader in steering the business through turmoil is critical**. We are entering a new phase that is fundamentally resetting much of what has gone before – there will be no normal to return to. Finance leaders should see this as an opportunity to redefine their business's strategy, operations and technology in order to lead the organization through this challenging time.

This white paper explores the detailed actions finance leaders can take now to equip their business for the next stage and how implementing a digital transformation within the finance function can help futureproof the business for whatever lies ahead.

1 FM Magazine

2 Business Insider 2020

3 International Monetary Fund

4 Bain & Company Brief: Beyond the Downturn: Recession Strategies to Take the Lead

Six Strategies to Build a Resilient Finance Function

For finance leaders to be able to steer the business with confidence through this disruptive period, they need to prepare themselves for the journey ahead.

This means ensuring the finances of the business are in the best possible shape. This typically includes conducting scenario planning, strengthening working capital, and looking for cost-saving opportunities.

It also means streamlining internal processes and procedures. This helps to maximize the time available for the productive strategic work that delivers tangible returns.

While it's important to assess processes and procedures across the business, we'll look at finance processes as an example of where changes can be made.

By addressing both the business's finances and the processes within the finance function, leaders will be better equipped to steer their companies through challenging times and build resilience.



1. CONDUCT SCENARIO PLANNING

When facing a future that is both fluid and unknown, it's difficult for finance leaders to determine what changes they need to make now – hence, there is a temptation not to take any immediate action. However, in an uncertain situation, scenario planning can help you to understand the actions required, to react appropriately across a number of different circumstances.

Scenario planning involves leaders getting together and modelling the outcomes the business might expect under different operating strategies or economic conditions and then devising the actions needed to deal with them.

Bain & Company outline the following **four key steps** to undertake successful scenario planning:⁵

- **Define the uncertainties** that your company may face. Separate them into those that could significantly affect the business and those that would not. For example, what if a critical supplier went out of business? What if the cost of a key raw material escalated exponentially?
- **Create probable scenarios** for how events might unfold and discuss the threats – and the opportunities – that exist. For example, a supplier might want to consider what would happen if there was another surge of panic buying.
- **Devise appropriate strategic options** that give you flexibility in the way you respond. For example, do you need to broaden your supplier base? Do you need to look at alternative methods of production?
- **Identify the triggers** that suggest you need to set off on a particular course of action. This might be something you spot on the balance sheet. It might be an alert from a member of staff who leads the relationship with a key supplier.

By conducting scenario planning, when a certain set of circumstances emerges, you will be ready to take positive action immediately, thereby gaining a **competitive advantage** in your industry.

⁵ Bain & Company Brief: A Strategy for Thriving in Uncertainty

2. STRENGTHEN WORKING CAPITAL

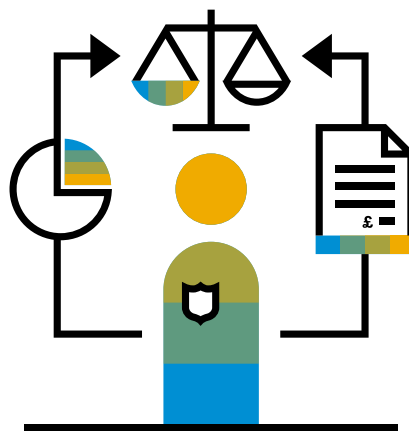
In normal times, businesses tend to focus on the P&L (profit and loss) statement. In more challenging conditions, attention needs to shift to the balance sheet and cash flow management.

This means taking practical measures to preserve and generate cash that can be redeployed to proactive strategies – because it's the forward-thinking businesses that adapt and react fastest that are the quickest to bounce back.

Expert management of your cash conversion cycle can quickly free up cash, helping you to avoid headcount reductions or operational restructuring.⁶

Here are some steps you can take to strengthen your working capital outlook:⁷

- **Focus on making sure accounts receivable** invoices are settled promptly. Make sure you invoice promptly too. If you don't do so already, you could also consider discounts for prompt payment, asking for deposits or invoicing large contracts in stages.
- **Seek to maximize payment terms** on accounts payable invoices. It will harm your relationship to pay late, but the earlier you pay the sooner the cash leaves your account. Make your capital work for you by finding the optimum time to pay.
- **Keep a close eye on inventory** and focus on demand forecasting so you don't hold more stock than is strictly necessary. This ties up cash that could be better spent elsewhere.
- **Discuss with banks and lenders** the possibility of renegotiating short term debt to free up cash to use elsewhere.
- **Reexamine the time frame** on any capital investment plans that you have in the pipeline.



⁶ Bain & Company Brief: Is Your Finance Organization Ready to Navigate the Coronavirus?

⁷ Bain & Company Brief: Five Steps to Optimize Net Working Capital

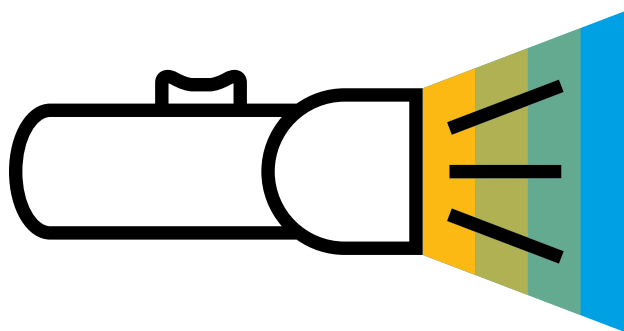
3. IMPROVE REAL-TIME VISIBILITY INTO COMPANY-WIDE SPENDING

According to IBM, organizations with good visibility into their spending are better equipped to identify savings opportunities, enforce compliance and meet financial reporting requirements.⁸ These savings and efficiencies could provide a welcome cash boost for small to mid-size businesses (SMBs) looking to redirect available funds to higher yielding initiatives.

A common area where financial visibility is often lacking lies within employee spending. As travel and expenses typically make up around 10% of a company's budget, this could present a significant blind spot for the business.

Take for instance research with Vanson Bourne which highlights that 81% of finance leaders feel they lack visibility into this type of company-wide spending.⁹ When data is processed and stored in siloed databases, it's clear to see how this could lead to visibility gaps.

With a traditional, manual-based setup that is reliant on paper invoices and expense receipts, the business typically only gets line of sight on expenditures weeks or months after they have been incurred. Automating these processes and implementing steps that require pre-approval of travel, expense or invoice spend upfront through T&E requests or purchase orders (POs) can help you see and stop this spend much earlier. Such measures also enable employees to closely consider the impact of their spending and how it supports the desired business outcomes.



⁸ IBM Report: Achieving Spend Visibility: Benefits, Barriers, and Best Practices
⁹ Vanson Bourne - Connecting the Dots into Travel Expense and Invoice Spend

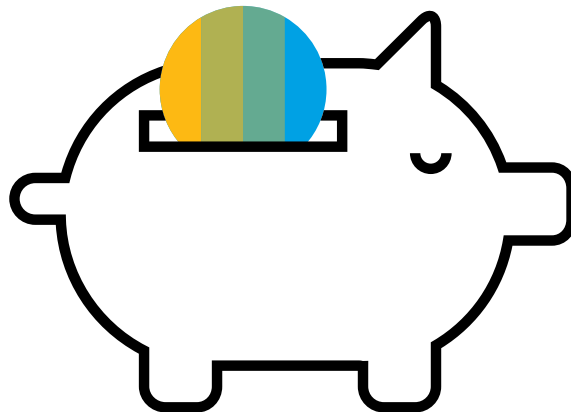
4. LOOK FOR COST SAVING OPPORTUNITIES

In addition to improving cash and capital management, it is also important to look at opportunities to reduce costs.

In the previous recession, the companies that bounced back fastest¹⁰ were the ones that moved away from legacy offerings that didn't fit their new way of working. They focused on cutting out unnecessary costs. Finance leaders should take action on the areas that aren't delivering a strong return or will see the business through the short-medium term risks that the business faces.

What are you doing now that may not be adding value to your business? Do you have products or services that are too complex, too costly or no longer fit your model? Could employees working in these areas be delivering better value if they were working elsewhere in the business?

Example: Bain & Company highlights the work of equipment manufacturer Caterpillar, which launched a tough planning initiative several years before the last recession as part of its 2005 strategic plan. Once the recession started, that planning allowed the company to take rapid steps to align the cost structure with lower volumes and revenue. When revenue declined by 37% in 2009, Caterpillar had already started to execute contingency plans the year before, reducing selling, general and administrative costs by 17%, putting the company in a much better financial position than they would have been.¹¹



¹⁰ Bain & Company Brief: Beyond the Downturn: Recession Strategies to Take the Lead

¹¹ Bain & Company Brief: Is Your Finance Organization Ready to Navigate the Coronavirus?

5. ELIMINATE LOW VALUE WORK

Finance leaders should consider if there are activities in their functions that take up too much of their team's time or are too complex to be viable in the new circumstances. Can these activities be simplified or should they be removed all together? Processes that rely on institutional knowledge, manual work arounds, or that depend on one person, will quickly stand out as areas to look at. You need to make sure that your teams are performing value-add work efficiently and non-value-add tasks are discontinued or automated.

Here is where digitizing and automating processes comes into its own. Research shows that adopting digital capabilities typically boost revenues by 4.4% and reduce costs by 4.3%.¹²

For [Dermalogica](#),¹³ its low-value work consisted of expense, travel and invoice admin, which led to it adopting the [SAP Concur](#) platform to automate these processes. As Tom Miner, Accounting Manager at the company explains, "We had lots of non-automated communication involving emails and passing paper around the office to get things signed and approved. Obviously that can lead to a lot of errors but also a lot of unhappy staff members because they are doing non-value-add activities."



¹² Virgin Media Press Release
¹³ SAP Concur Case Study - Dermalogica

6. PLAN FOR NEW WAYS OF WORKING IN THE LONG TERM

At the start of COVID-19 in many countries, there was a general sense that the lockdown was a temporary halt and we would return to normal quickly. We now know that is not the case. Large and small companies alike see remote working becoming far more widespread and are adapting their processes accordingly to accommodate a more likely hybrid model.

The [CIPD](#), the professional body for HR and people development, found that employers expect 37% of their workforce to work from home on a regular basis once the pandemic ends.¹⁴

What do the figures look like in your business? Will everyone be back in the office eventually? Will everyone work from home? Or, more likely, will it be a mix of the two? Your sweet spot is likely to be a mixture of office working and remote working, and you should build your processes around that to account for both remote and office-based scenarios.

Business travel also declined dramatically, with most businesses halting their travel programs. Under normal circumstances, 93% of SMBs have employees that travel at least 4 days per month.¹⁵ So when business travel restarts, will the people in your organization travel to the same extent as they did before? Have you started to set up your T&E policies to account for revised instances and thresholds relating to business travel?



¹⁴ CIPD Press Release

¹⁵ Joseph Bertran, "The Value of Automated Travel, Expense and Invoice Management," AMI-Partners study sponsored by SAP, July 2019.

The Digital Transformation “Red Thread”

Digital transformation is something that’s been on the radar for many finance leaders for some time. In 2017, a survey showed that over 80% of SMBs worldwide¹⁶ wanted to remove paper from the way they invoice, report financials, manage legal and human resource forms, and handle other time-consuming processes.

More recently, digital transformation has moved from being somewhere on the radar to taking center stage. Digital technologies have clearly shown their value in the past year. Over 60%¹⁷ of full-time workers increased their use of collaboration tools – such as Slack, Zoom and Asana – and 19% used these tools for the first time.

For most businesses, a mix of office and remote working at some level looks to be the most likely scenario. Consequently, automation has shifted from being a ‘nice to have’ to being an essential component of running a business – and the tools we’ve recently harnessed to such good effect during lockdown are just the starting point. Remote working is the reason why the proportion of companies ramping up globally on automation technologies, such as conversational artificial intelligence, robotic process automation, optical character recognition and low code automation, will at least double over the next two years, according a Bain & Company survey of nearly 800 executives.¹⁸



¹⁶ Xerox: Office Productivity Trends to Improve the Bottom Line Survey Report

¹⁷ Asana Report: Anatomy of Work: Remote Teams Survey

¹⁸ Bain & Company Survey 2020

THE IMPORTANCE OF AUTOMATING AND DIGITIZING FINANCE PROCESSES

While every business function is increasingly aware of what digital technologies have to offer, let's concentrate on how it makes a difference in the finance function. Each of the steps in the finance strategies listed above have one thing in common – they're all enabled and improved upon through digital technology. Digital technologies transform finance processes for practical, logistical reasons. They facilitate remote working and remove lower value tasks, freeing employees up to focus on more meaningful, valuable tasks.

Flexicare implemented expense and invoice automation using SAP Concur solutions. Peter George, the company's Group Financial Controller, said this made the difference when the company switched to home working: "When we first went into lockdown, we asked ourselves as a finance team: is there anything we won't be able to do? We decided that the only thing we wouldn't be able to do was get into the office to open the postal correspondence.

It would have been an admin nightmare otherwise – it's a very scary thought. But we have a transparent system in place – we can turn our laptops on at home and carry on as normal."¹⁹

Digital technologies are also transformational because of the way they enhance visibility of spend. Over 75% of CFOs highlighted insufficient forward-looking information in management reports as a top challenge for 2020²⁰ – and that was before the current situation emerged.

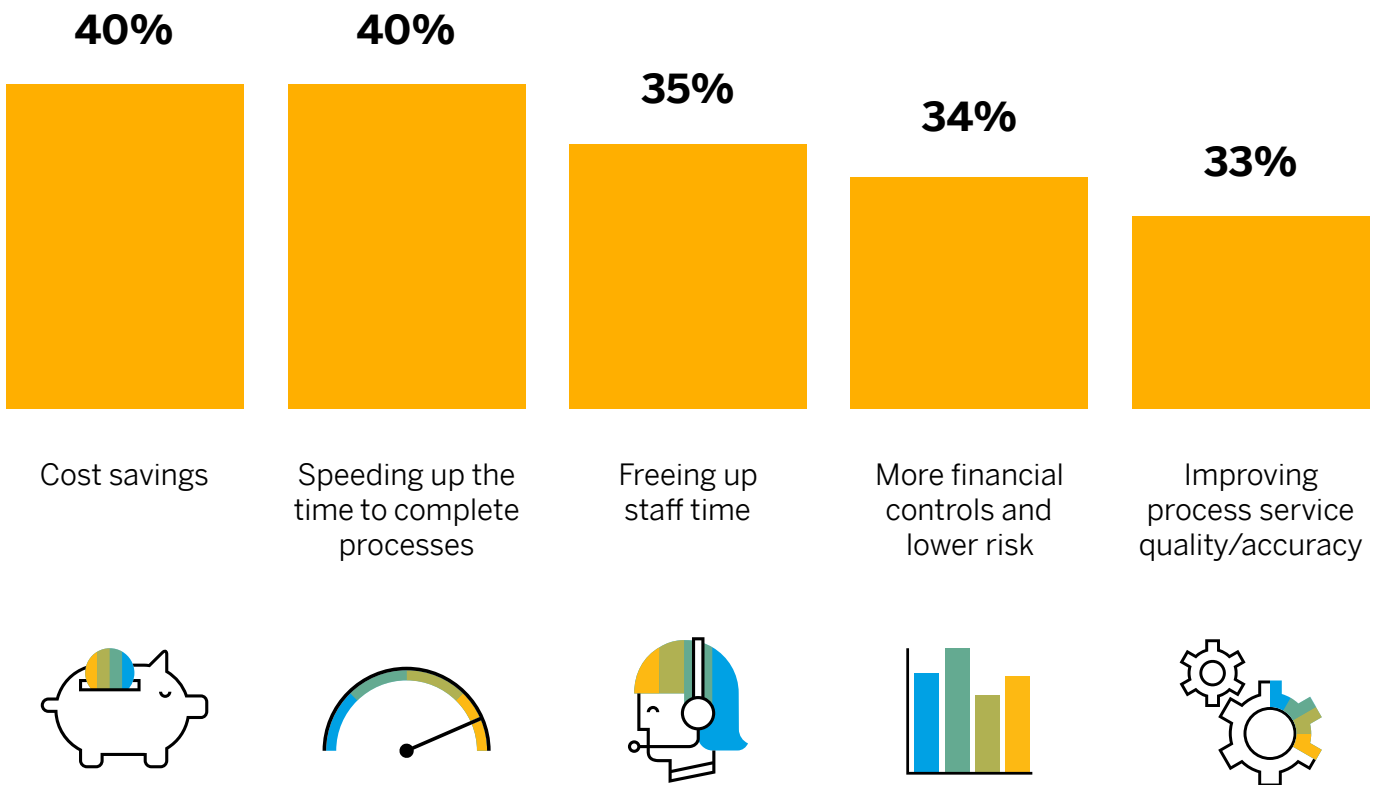
Finance automation makes it easy to access up-to-date and accurate financial information to inform the plans that are the essential component of all aspects of a robust recovery. Indeed, 69% of users of SAP Concur finance automation solutions agree that automated solutions allowed them to better respond to business challenges due to the improved visibility of the company spend data.²¹

19 SAP Concur Case Study - Flexicare

20. 21 AMI-Partners Report: Why Financial Decision Makers (FDMs) Need to Focus on the Employee Experience

THE BENEFITS OF FINANCE AUTOMATION

In a survey conducted by Bain & Company²², cost savings is the top reason cited for adopting digital tools along with speed, freeing up staff time, and more financial controls.



22 Bain & Company Brief: Rethinking How Finance Use Digital Tools

The Key Elements of **Successful** Digital Transformation

While digital transformation will become essential for many businesses, it is not a project to take on without careful planning. Research shows that only 12% of corporate transformations achieve their targets, and digital transformations are even more challenging.²³

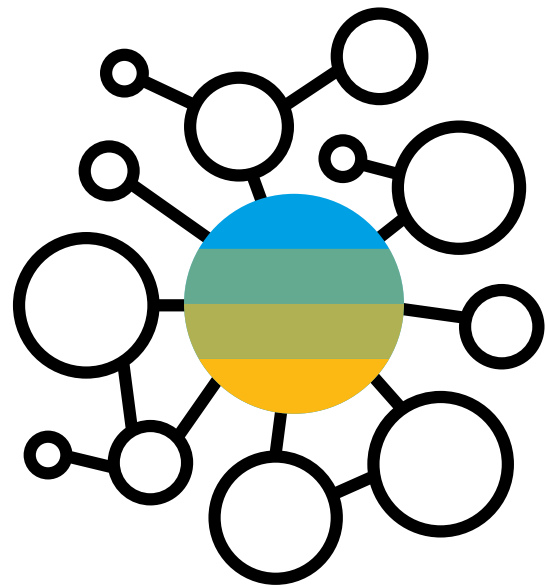
Successful digital transformations typically have these steps in common:

1. CONSIDER THE LANDSCAPE

- **Where do you stand in relation to your competitors?** Are you further along the journey or further behind? Which areas do you need to focus on most?
- **How is digital technology impacting your sector now and into the future?** Where will technology have the most impact? What are you doing to seize the initiative and position yourself as a leader in your sector?

2. ALIGN YOUR SENIOR TEAM AROUND THE PRIORITIES

Before you start work, it's important for your senior team to share the same vision and understand where the priorities lie. Research shows the more involved the senior leadership team is in the transformation, the more likely the project will be successful. It is therefore vital to build a robust business case that can bring everyone on board.²⁴



²³ Bain & Company Brief: Learning from the Digital Leaders

²⁴ SAP Concur: Accounts Payable Automation A Buyer's Guide

3. FACILITATE THE CHANGE

The next question to consider is how you are going to turn plans into reality. Do you have capabilities in-house? Will you need to hire new team members or is an external consultancy the solution? Where will the funds to invest in technologies come from? When it comes to digital success, research shows good orchestration is twice as important as strategy and three times as important as systems and technology.²⁵

Consider too the key performance indicators and how you will measure against them.

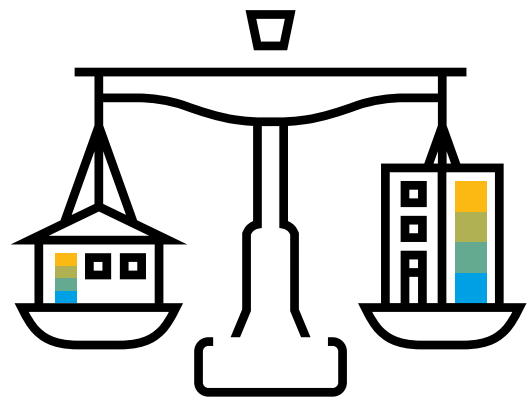
Paul Proctor, Distinguished VP Analyst at Gartner, says it's vital to think about these KPIs carefully:

“Stop looking for a list everyone else is using, because done properly, someone else's list won't apply to your transformation,” he says. “KPIs need to be industry-specific and then organization-specific to be meaningful and useful.”²⁶

It's also important to consider the pace of change that's right for the business and how you'll create the environment for it to happen. You need to act rapidly, but not so rapidly that the business cannot absorb what's happening. Throughout, clear communication across digital and traditional channels is vital.

4. EMPOWER THE ENTIRE BUSINESS

While the drive for change needs to come from the top, the execution needs to happen from the front line. Research from Bain & Company²⁷ finds that businesses who succeed in digital transformation set the direction of travel centrally, but also empower the front line to innovate. Ensure the entire business understands the priorities so they know they cannot continue with the old ways of working. Then give ownership and accountability of the change to line managers as well as senior leaders so everyone takes responsibility.



²⁵ Bain & Company Brief: Learning from the Digital Leaders

²⁶ Gartner: How to Measure Digital Transformation Progress

²⁷ Bain & Company Brief: Learning from the Digital Leaders

Why the **Time for Action** is Now

These are rapidly moving times but standing still until we return to normal is not an option as we look ahead to a whole new business operating environment.

In order to survive and thrive in the times to come, businesses require strong finance leadership and a resilient finance function that has visibility into its numbers and is equipped to offer meaningful insights and direction to the business. And as we have seen, a resilient finance function can be delivered through the adoption of truly automated, digital finance processes.

Although we might not know what the future landscape will look like, history tells us that while downturns and setbacks are always painful, they do end and are followed by a period of growth. Businesses that take rapid action now position themselves more effectively to not only weather the storm of uncertainty but also emerge stronger on the other side. It means there's never been a better time to take action than right now.



Contact us if you'd like to discuss the digital transformation of your finance processes or visit concur.com/smb

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SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through businessstrips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best. Learn more at concur.com or the [SAP Concur blog](#).

ABOUT BAIN & COMPANY

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future. Across 59 offices in 37 countries, Bain & Company work alongside clients as one team with a shared ambition to achieve extraordinary results, outperform the competition and redefine industries. The insights in this white paper have been informed by Bain & Company Partner, [Andrea Yandreski](#). For more than 20 years, Andrea has helped clients across the globe address operational, financial and organisational challenges from strategy to value realisation, achieving rapid and sustainable performance improvements in their organisations. Learn more at bain.com.

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SIX STRATEGIES FOR DIGITAL TRANSFORMATION enUK (01/11)

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