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limitations of automation for our profession.

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By Nick Tiscornia.

It may feel like automation has been the hottest tech topic for nearly a decade now, but when it comes to practical application we are only just beginning to scratch the surface. There is perhaps no industry in which this dynamic is more apparent than accounting; 75% of accounting processes are largely manual, according to a recent [Deloitte survey](#) of accounting professionals. This demonstrates the potential impact that automation can have — and is already having — on the day-to-day lives of accountants. But relatively speaking, adoption in our industry has been slow and steady.

But, it is only a matter of time until we witness an inflection point, where adoption

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may have different expectations or identify different accounting implications on guidance wording alone.

Accounting will always require some degree of human touch. The question of how much will always be a speed bump as we continue to evaluate both the potential and limitations of automation for our profession.

Regardless, we continue to see an undeniable uptick in automation being adopted across accounting. Automation offers an easier path to deliver efficiency and accuracy. Early adopters have demonstrated the greatest benefit of automation is risk avoidance. Ask any auditor. They will all tell you the same thing — if it's repeatable and scalable, then automation carries less risk than manual intervention.

Let's explore three workflows to keep an eye out for, and highlight the innovators best positioned to help.

Close Automation & Reconciliations

Close automation and reconciliation processes are rife with opportunity for automation, due in large part to the amount of remedial, manual work required. If an accountant has to download a bank statement or transaction register, for example, then transfer it to Excel, they may have to manually review both to ensure the transactions match. Manual processes like this are susceptible to failure. Even if the data matches up, something as simple as dragging a formula down to the wrong cell can cause all of your transaction balances to show up wrong.

Automation minimizes avoidable error. Imagine in the above scenario if the data were automatically pulled from the bank statement and identified any discrepancies for targeted human review. To go a step further, imagine if you have a system that could also tell you *why* those discrepancies exist. The time savings would be

significant, and the decrease in compliance risk could elevate the trajectory of any

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needs to compete in this new era of work.

Revenue Accounting Calculations

I've spent my entire career in corporate finance and have seen firsthand how much time can be saved when you automate even a small component of your revenue accounting calculations. Take revenue waterfall calculation, for example. It's a long, arduous process. It requires every team to load all of their policies into a system, so that they are uniformly applied to each transaction. The potential time savings is invaluable. If a revenue team can automate 80-90% of those transactions.

Pitfalls do exist with some applications built to address this need. Teams using legacy applications could spend a lot of time working with and learning new tools, or expend considerable manual effort to validate data coming from their CRM. But for a vast majority of revenue accounting teams, much of that manual work can be automated to save time and produce more accurate results. Making efforts each quarter to bring the amount of automated work up just a few percentage points is a worthwhile endeavor for any accounting team.

Procurement

Procurement requires a great deal of manual information gathered across various departments and functions within an organization. Let's say an Accounts Payable team needs to find and deploy a new tool. Procurement then has to meet with that team, gather the requirements, prioritize features, evaluate whether this solution is already present in their tech stack, if not, put an RFP out to multiple vendors, interview each vendor, and assess the content they deliver.

This example does not even cover feature and price comparisons of the vendors on your shortlist. From there, the team has to put together a presentation to then relay

that same information back to the user and make a recommendation. That's a lot of

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you can input data and gather the requirements you want for generative AI to produce in an RFP. Automating both steps — gathering the information, and packaging that information into something digestible — are no-brainer applications for accounting teams.

What are four key components modern vendors need to keep in mind when they're building tools to help automate accounting workflows?

First and foremost, today's innovators need to focus on the user's pain points. They need to consider how they solve each one. If they observe a trend across multiple companies, then a problem exists for a scalable product to solve.

Second, understand your prospective customer's current tech stack. How are they thinking about their existing workflows, which systems are already involved, and how do you fit into that larger stack? Many companies you talk to will say they already have a system that does what yours does. You need to be able to articulate how yours is different, and how it drives a different outcome. That starts with understanding what they've already deployed.

Third, always consider user experience. You already know the problem you're solving. So, it matters to understand where you fit into the existing workflows, and how the user is going to engage with your solution on a day-to-day basis. Is it easy to use, is it intuitive, is it functional, does it support the user's individual goals?

Lastly, think about budget constraints and implementation timelines. Does your customer have the budget for what you're selling, and if not how are you going to save them enough money to pay for your solution? How long will it take for the customer to see value, and do they have the bandwidth for any required technical integrations?

These are all questions a prospective customer will ask in a sales call when

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Klarity in March 2020 to help accounting teams automate their manual processes involving documents — a problem he knows all too well.

Nick graduated from University of California-Davis with a Bachelor of Science in Economics and currently lives in the San Francisco Bay Area.

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