



# 2023 State of Finance Automation

SMB Financial Management Insights & Trends





# Contents

Introduction	2
Top takeaways	3
Top SMB concerns	5
Workplace trends	8
Finance resource trends	10
SMB adoption of automation	12
Accounts payable	14
Accounts receivable	17
Expense management	20
Financial planning	23
Integrated finance automation	26
About the study	28

# Introduction

Robust financial processes, along with up-to-date and actionable financial information, are essential to business growth and viability. Technology and automation have played an increasingly important role in helping businesses to improve financial management efficiency and get the insights they need to improve financial performance.

Today's modern, cloud-based finance automation solutions are reshaping day-to-day financial operations, providing easier access to real-time financial information and more tools to understand how different aspects of the business are impacting each other and the company as a whole. As financial professionals gain a more comprehensive view of the business, they are being tasked with broader and more strategic responsibilities.

BILL's State of Finance Automation market survey, conducted by SMB Group, examines trends in SMB financial management automation in detail. In December 2022, we surveyed 750 SMB financial decision-makers in small, midsize, and midmarket businesses in the U.S. with 50-500 employees, collectively referred to as SMBs in this report.

In this report, ***2023 State of Finance Automation: SMB Financial Management Insights & Trends***, we discuss key trends and challenges that SMB financial professionals are facing and how they are impacting their businesses and financial management practices. We also delve into how SMBs are automating financial functions today and their plans for the future.

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We surveyed 750 SMB financial decision-makers in US businesses with 50-500 employees.



# Top takeaways

- **SMBs are most worried about inflation, recession, and supply-chain interruptions in 2023**, and are focused on controlling and reducing costs. Despite these concerns, almost half of SMBs said that they expected to increase revenues year over year in 2023.
- **Workplace locations continue to evolve.** About half of SMB employees currently work only at company locations, while about one-quarter work remotely and one-quarter work in a hybrid model. SMBs expect the number of employees working in a hybrid model to increase.
- **Remote work introduces new challenges to financial management.** Two-thirds of SMBs said remote/hybrid work models have introduced new challenges. Top challenges include measuring productivity, security, and performance evaluations.
- **SMBs are feeling the talent crunch.** More than three-quarters agreed that they're facing difficulties finding and hiring qualified finance professionals. About two-thirds said it's hard to retain their staff, and that finance people are overworked.
- **SMB financial professionals are being asked to do more.** More than three-quarters of respondents agreed that they are being tasked with more strategic and analytical functions, are taking on broader decision-making responsibilities, and need to have more technology expertise.
- **Automation is critical to sound financial management.** More than 80% of respondents agreed that automation is vital to manage financials on a day-to-day basis, and that automation also helps to achieve more strategic goals.
- **More than half of SMBs see the value that integrated finance automation software provides** and said they would be very likely to consider deploying integrated financial automation software.







- **SMBs that are still using spreadsheets to manage financial processes struggle with inefficiency, inaccurate data, and difficulties managing cash flow across all functions.**

They cited some specific issues in each area:

- **AP:** Difficulty handling increasing transaction volumes and having to pay too many suppliers by check
- **AR:** Managing credit risk, and difficulties managing cash flow and losses from bad debt/collection expenses
- **Expense management:** Problems accurately coding expenses
- **Financial planning:** Setting up departmental budgets and real-time visibility into cash flow

- **SMBs that have automated financial processing are reaping significant benefits.**

Respondents cited better visibility, time savings, making things easier, and better reporting as key benefits across all functions, noting some unique advantages in each:

- **AP:** Reducing the number/penalties for late payments
  - **AR:** Easier to create reports
  - **Expense management:** Easier for employees to code expenses
  - **Financial planning:** Easier to manage departmental budgets
- **A majority of SMBs see the value that integrated financial management software provides.**

The top three benefits identified include:

- Real-time insights into cash flow
- Improved efficiency
- Consolidating financial information in one place



# Navigating through volatility

Although some of the challenges that SMBs faced during the height of the COVID-19 pandemic are receding, SMBs continue to face macroeconomic headwinds.

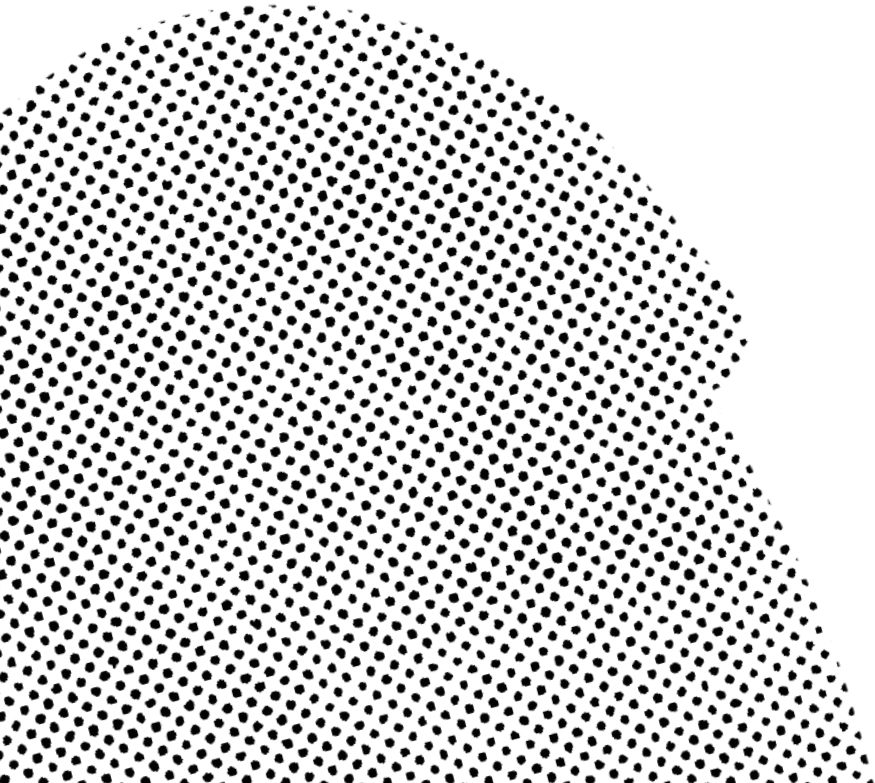
Respondents said that they are most worried that inflation, recession, and supply-chain interruption could impact their businesses in 2023, with concerns about cybersecurity following closely behind. These rankings are fairly consistent across employee-size segments.

However, respondents in product-based industries—such as manufacturing, wholesale/distribution, retail, and agriculture—were significantly more concerned about supply-chain issues than service-based businesses, such as professional and financial services companies.

Top three macro trends that SMBs are most concerned may negatively impact their business in 2023



46% of respondents listed *inflation* as a primary concern in 2023.



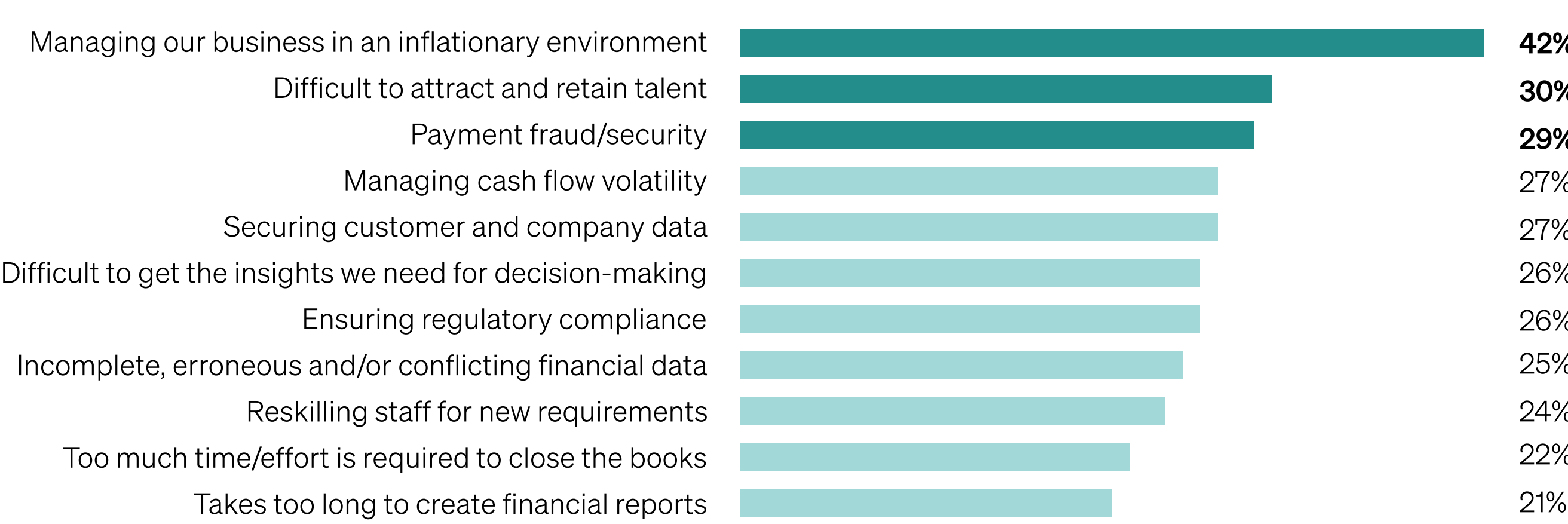
# Managing in an inflationary environment is the top financial challenge facing financial professionals

Given these challenges, it’s not surprising that SMBs cited “managing our business in an inflationary environment” as their most pressing challenge. This is true across small businesses regardless of size.

However, these pain points tend to shift from more day-to-day pressures to more strategic ones as businesses get larger. Respondents in companies with 50-99 employees rated “difficult to attract and retain talent” and “managing cash flow volatility” as their second and third most pressing challenges.

In the 100-249 employee segment, respondents ranked “difficult to get the insights we need for decision-making” and “difficult to attract and retain talent” as their number two and three concerns. For SMBs with 250-500 employees, payment fraud/security and securing customer and company data rounded out the top three challenges.

Top three financial management challenges for SMBs in 2023



	Challenge #1	Challenge #2	Challenge #3
50-99 employees	Managing our business in an inflationary environment	Difficult to attract/retain talent	Managing cash flow volatility
100-249 employees	Managing our business in an inflationary environment	Difficult to get insights we need for decision-making	Difficult to attract/retain talent
250-500 employees	Managing our business in an inflationary environment	Payment fraud/security	Securing customer and company data

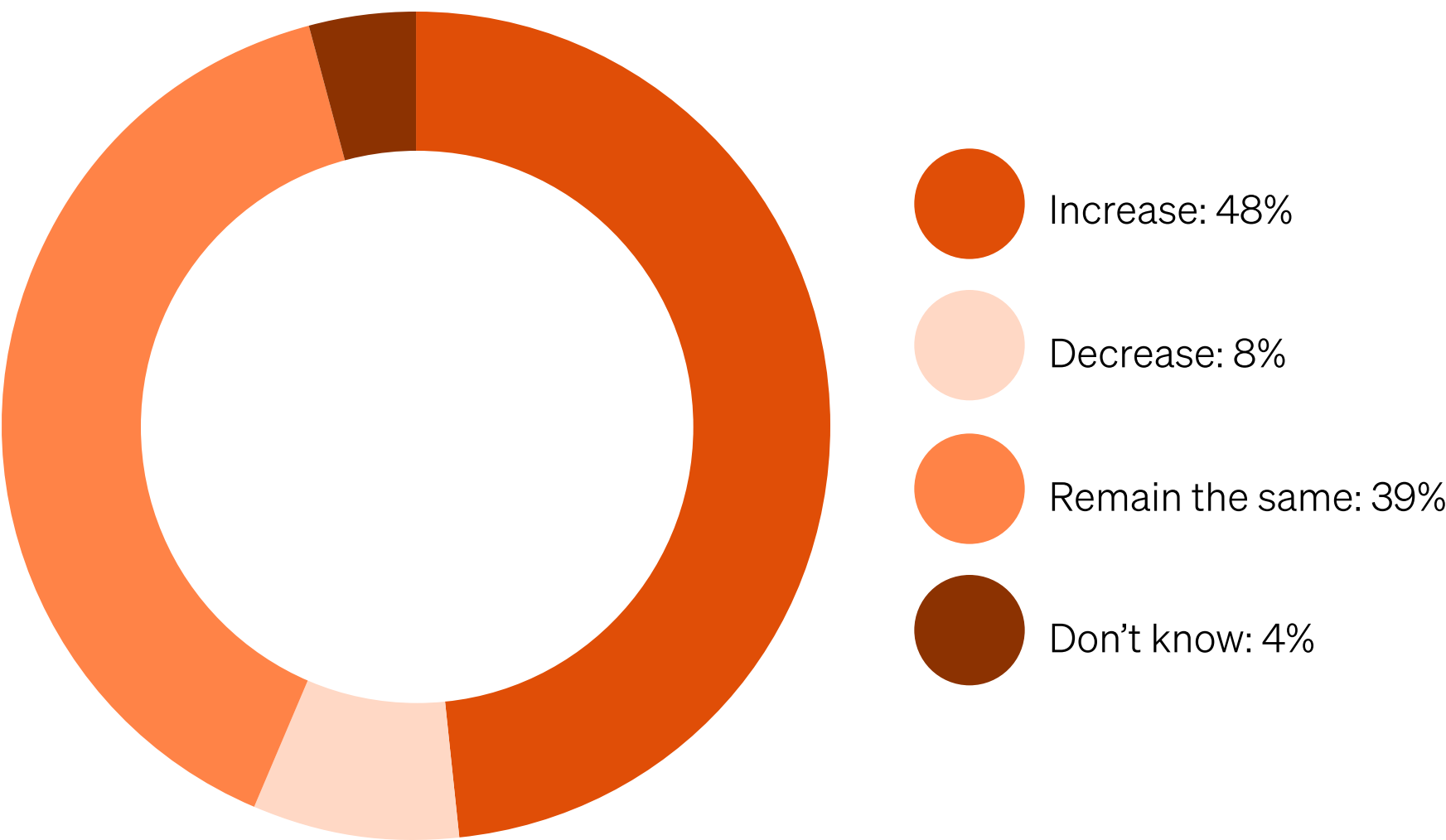
# SMB revenue expectations are mixed amid economic headwinds

SMB optimism about revenue performance has been steadily rising as the COVID-19 pandemic has ebbed. But ongoing concerns about inflation and recession continue to put pressure on the bottom line and business spend. While SMBs have always been cost-conscious, this is the first time in several years that they have ranked controlling and reducing costs as their top business concern.\*

Despite these stressors, however, almost half of SMBs said that they expected to increase revenues year over year in 2023. Another 39% said they expected revenues to remain flat, while just 8% predict that revenues will decrease year over year. These expectations are fairly consistent regardless of company size.

\*Source: [SMB Business and Technology Challenges and Priorities for 2023, SMB Group](#)

SMB Revenue Expectations for 2023



48% of SMBs said they expect revenues to increase year over year in 2023.



# The SMB workplace continues to evolve

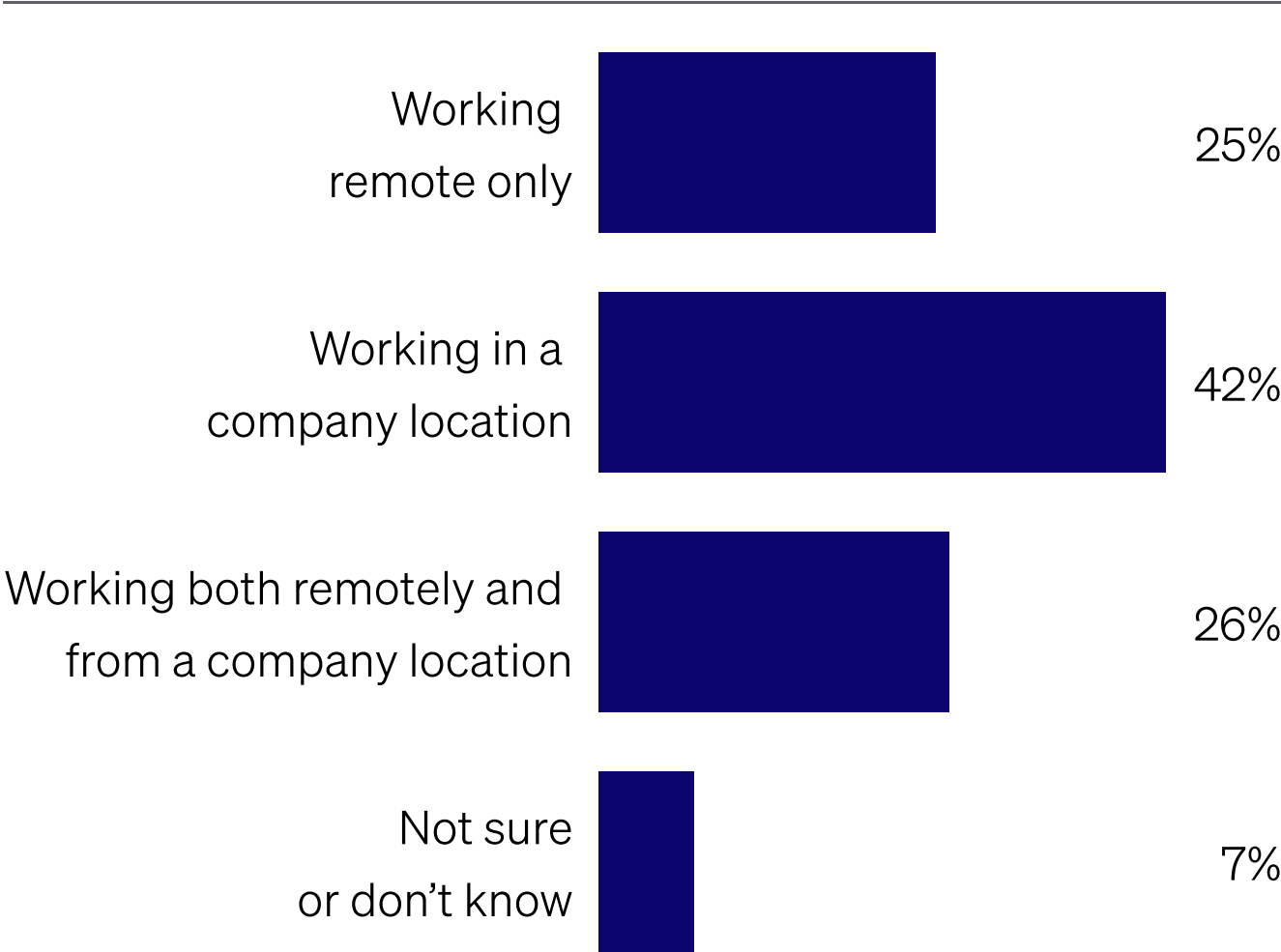
During the COVID-19 pandemic, remote working boomed. As the pandemic recedes, the SMB workplace continues to evolve, as companies try to balance corporate desires to lure employees back to the office against the preference of many employees to work from home.

Respondents indicated that about one-quarter of employees work solely from remote locations, one-quarter work in a hybrid model, and about half work only at company locations. This mix is consistent across employee-size bands.

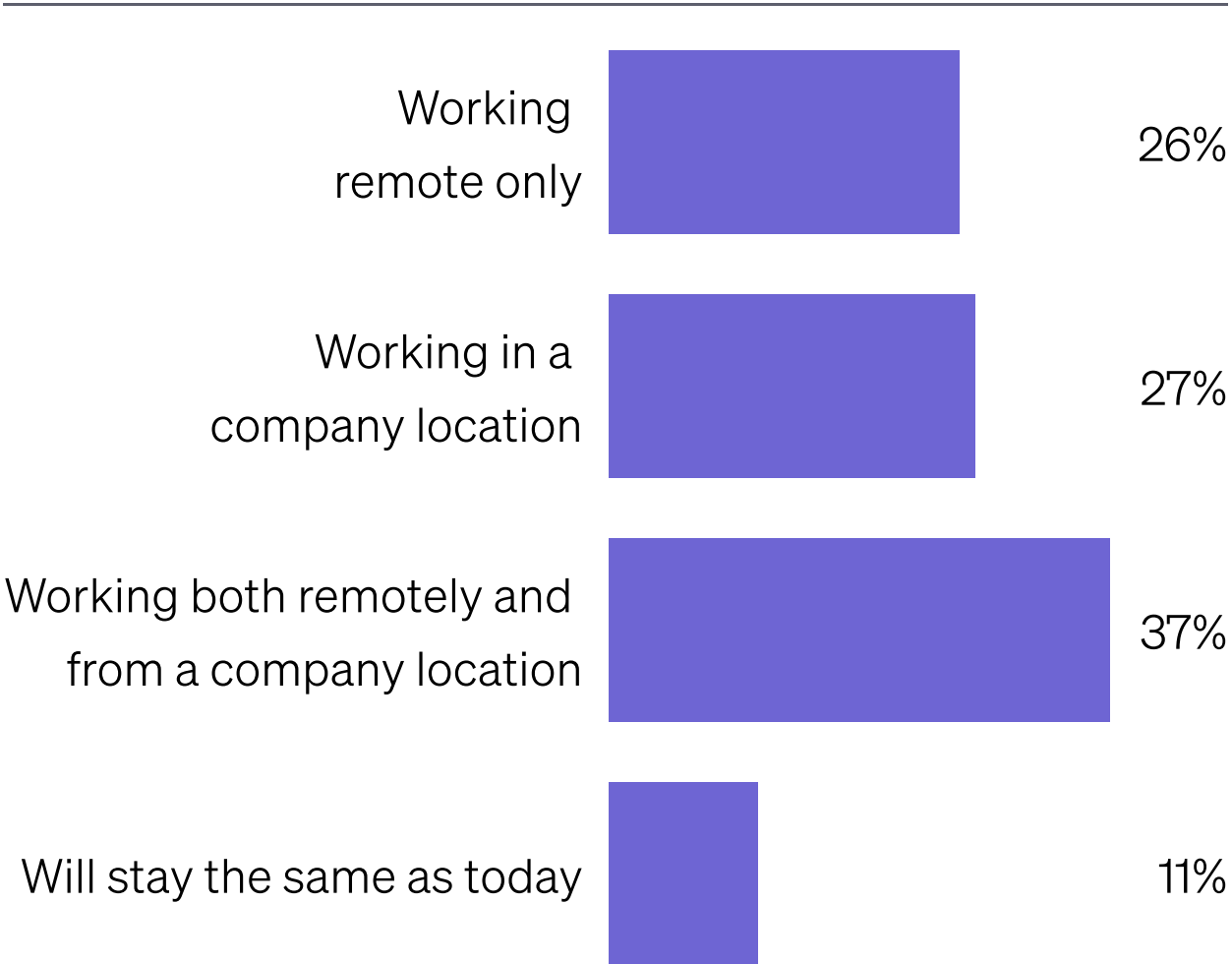
Looking ahead, respondents most often said that they expected the number of employees working in a hybrid model to increase. This likely reflects the need to seek balance between business requirements and employee preferences as well as the trade-offs of remote and in-office work.

Looking ahead, respondents most often said that they expected the number of employees working in a hybrid model to increase.

Percentage of SMB employees working in different locations



Expectations for changes in employees working in different locations

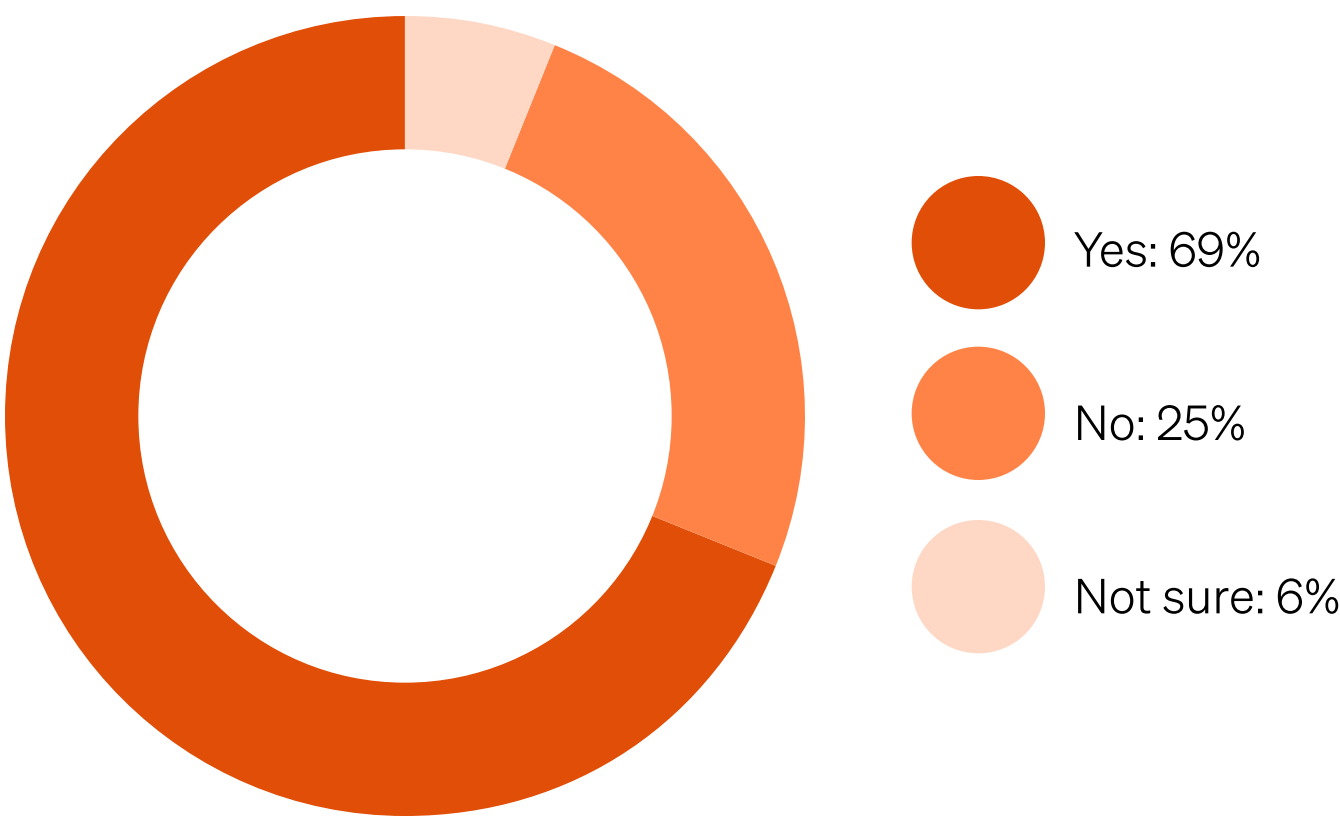


# Remote and hybrid workplaces have introduced new financial management challenges

Despite their popularity and benefits, remote and hybrid work models have created complications for financial management. Two-thirds of respondents indicated that managing a remote/hybrid workforce introduced new challenges.

Respondents noted measuring productivity, heightened security concerns, and difficulties in setting performance evaluation standards as their top three challenges. Collaboration and teamwork concerns followed closely behind.

Views on whether managing a remote/hybrid workforce has introduced new challenges in financial management



## New challenges resulting from managing a remote/hybrid workforce





# SMBs struggle to attract, retain, and balance the workload for financial professionals

More than three-quarters of respondents agreed that they’re facing difficulties finding and hiring qualified finance professionals—and almost half strongly agreed with this statement.

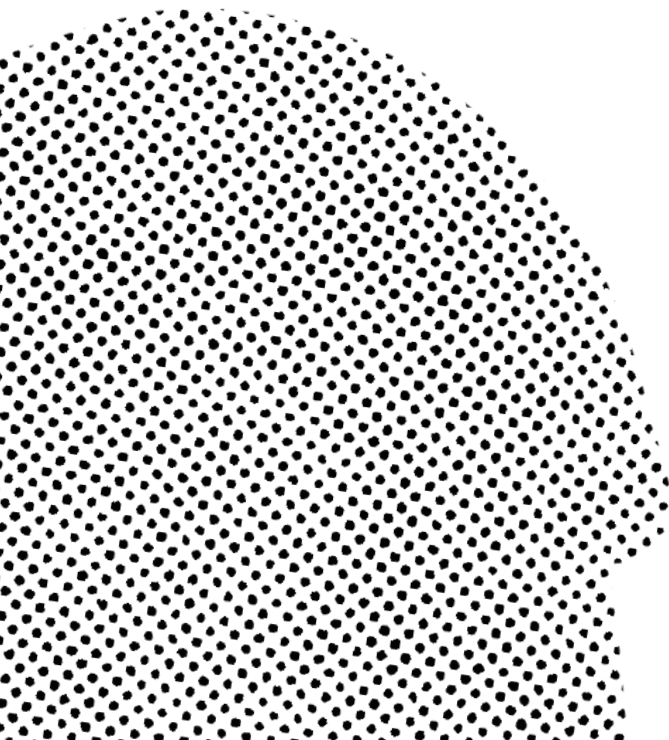
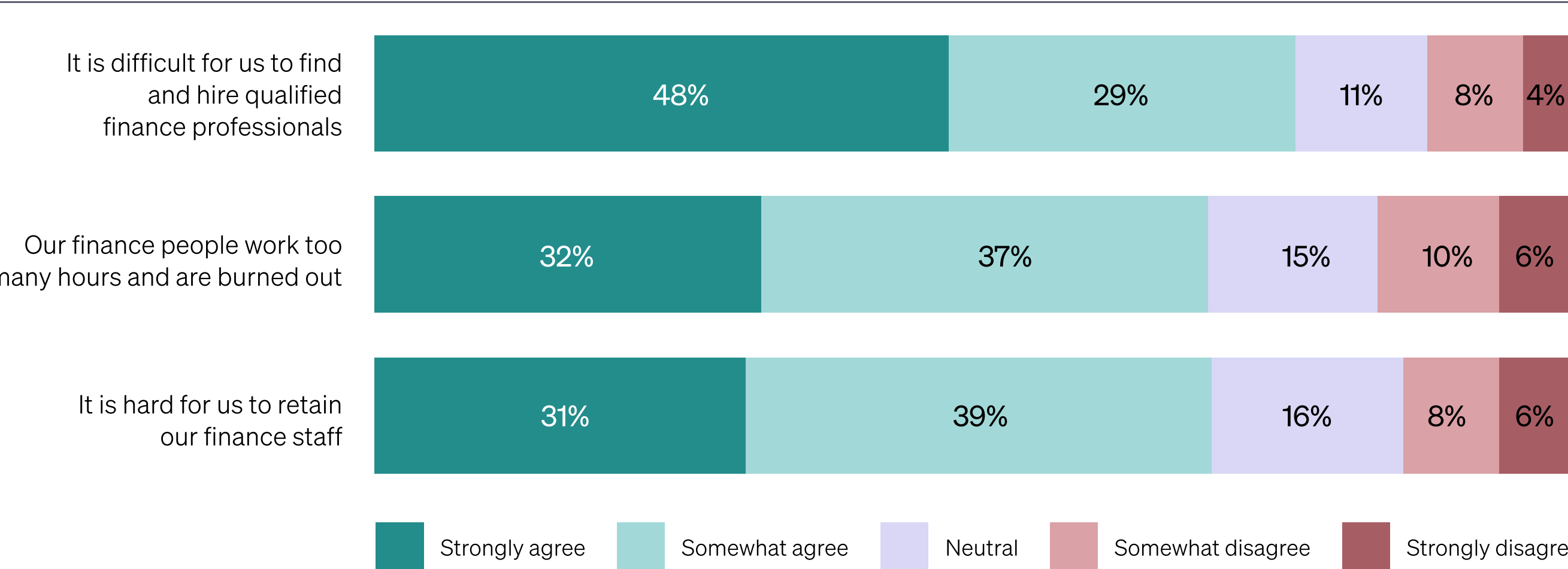
About two-thirds agreed it’s hard to retain their staff, and that finance people work too many hours and are burned out. About one-third of respondents strongly agreed with both of these statements.

The talent crunch is taking a tougher toll on smaller SMBs: respondents in companies with 50-99 employees were almost twice as likely to strongly agree that “It is hard for us to retain our finance people” than peers in larger businesses. They are also somewhat more likely to agree that “It is difficult for us to find and hire qualified finance professionals” than peers in larger businesses.

This situation is likely to continue, as fewer college graduates are pursuing degrees in accounting and other financial management areas.\*

\*Source: [Fixing the Crisis in Accounting](#), CPA Journal, Nov 2022

Level of agreement with the following statements:



# Finance professionals are taking on more strategic and technical responsibilities

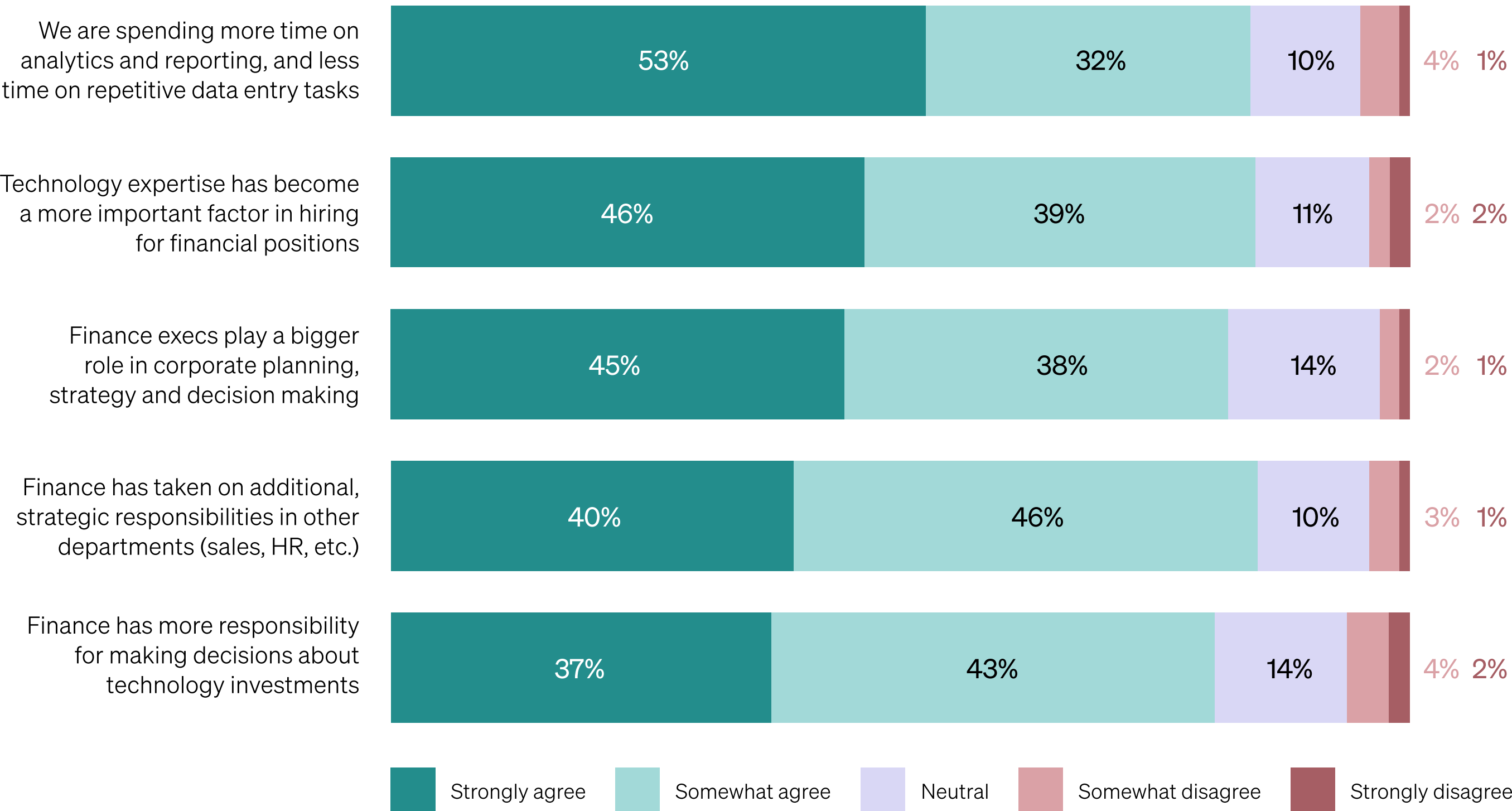
Even as it becomes more difficult to hire and retain financial staff, employees are being asked to do more.

Respondents indicated that the skills required of finance professionals are expanding to encompass stronger business, analytical, and technology skills.

More than three-quarters of respondents agreed with several statements that affirm that financial professionals and finance teams are:

- Being tasked with more strategic and analytical functions
- Taking on responsibilities for decision-making in other departments, and in corporate planning
- Required to have more technology expertise, and are gaining more responsibility for making decisions about technology investments

## Level of agreement with the following statements:





# Automation plays an increasingly important role in financial management

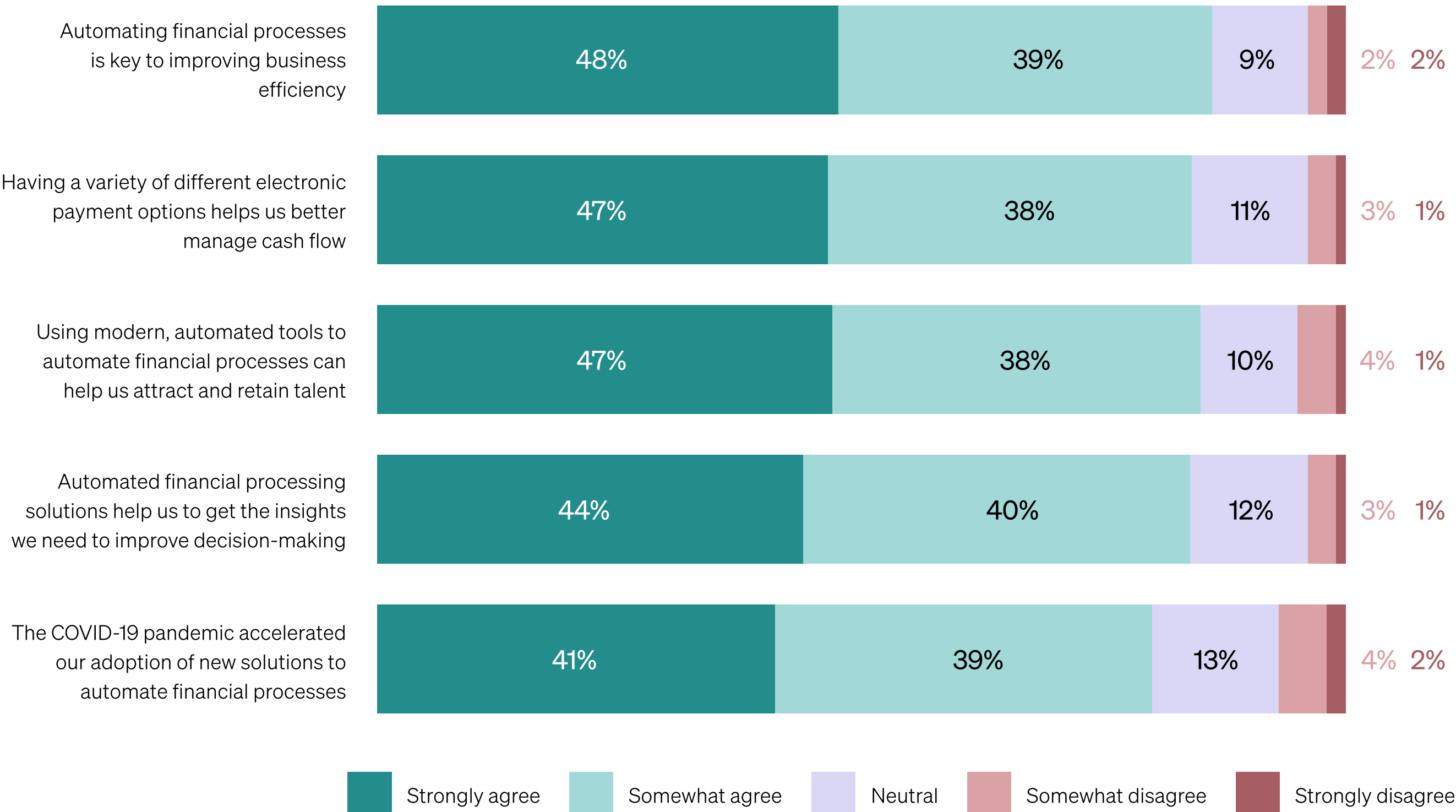
These challenges and shifts in strategic responsibilities are accelerating SMB interest in—and adoption of—finance automation solutions.

Respondents clearly understand the increasingly vital roles that technology and automation play to improve financial management efficiency and provide insights to make better business decisions.

SMBs clearly see the value of automated financial management solutions:

- More than 80% of respondents agreed that automation plays a critical role in managing financials on a day-to-day basis—such as improving business efficiency and managing cash flow—and that financial management automation solutions can help them to achieve more strategic goals, such as improving business insights and attracting and retaining qualified talent.
- Almost half strongly agreed with these sentiments.

## Level of agreement with the following statements:



# The benefits of finance automation solutions drive interest in adoption from non-users

Financial automation solutions offer some clear advantages over manual processes involving spreadsheets as they enable SMBs to standardize, digitize, and automate the processes, and get a unified, real-time view of payment information. Across all functions, respondents that use financial automation solutions are reaping significant time savings and cost benefits.



## Top benefits of using financial automation software to manage financial processes

**Across all functions:** Better visibility, time savings, making things easier, and better reporting.

### Specific benefits cited in each area include:

- **AP:** Reducing the number/penalties for late payments
- **AR:** Easier to create reports
- **Expense management:** Easier for employees to code expenses
- **Financial planning:** Easier to manage departmental budgets



## Top drawbacks of using spreadsheets/manual methods to manage financial processes

**Across all functions:** Too much time spent processing transactions.

### Specific drawbacks cited in each area include:

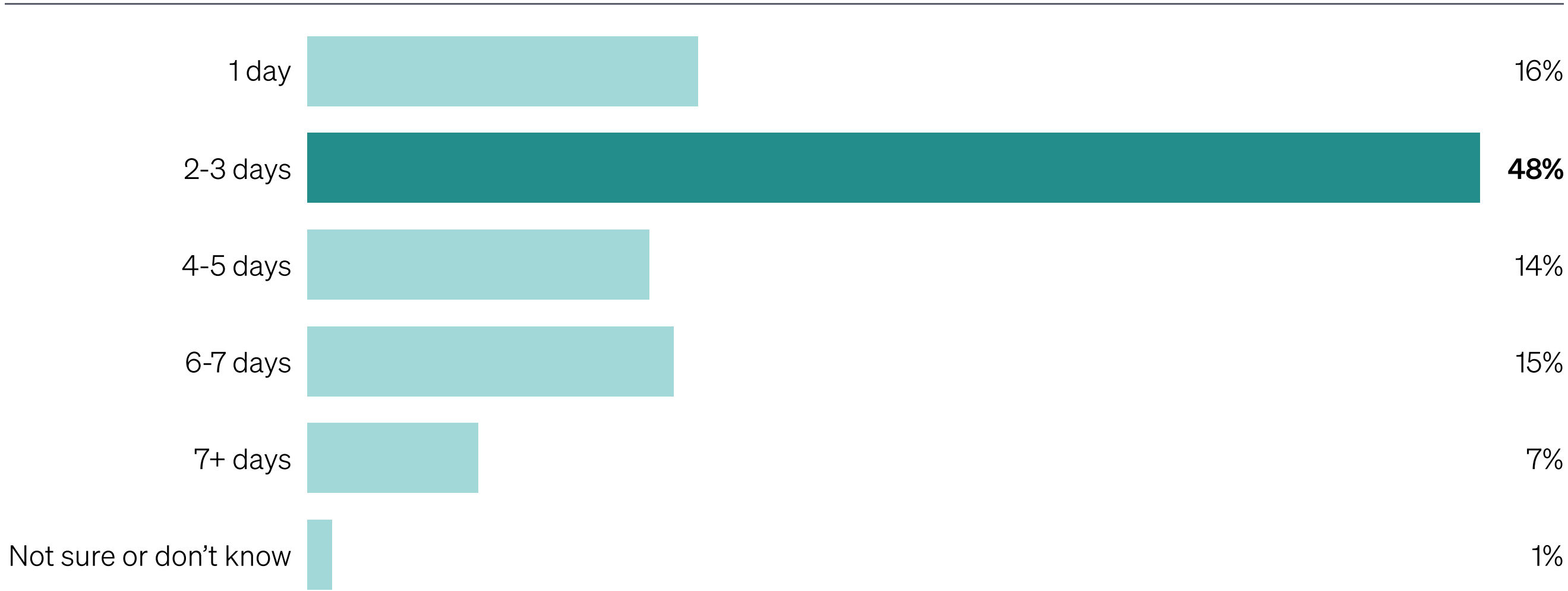
- **AP:** Difficulty handling increasing transaction volumes and having to pay too many suppliers by check
- **AR:** Managing credit risk, and managing cash flow and losses from bad debt/collection expenses
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# Accounts Payable (AP) processing metrics

The median time SMBs spend chasing down approvals to make payments is two to three days, but approvals can take six days or more for almost one-quarter of respondents.

Average time to get approval on bills to be paid



The median time spent to get approvals on bills to be paid is 2-3 days.

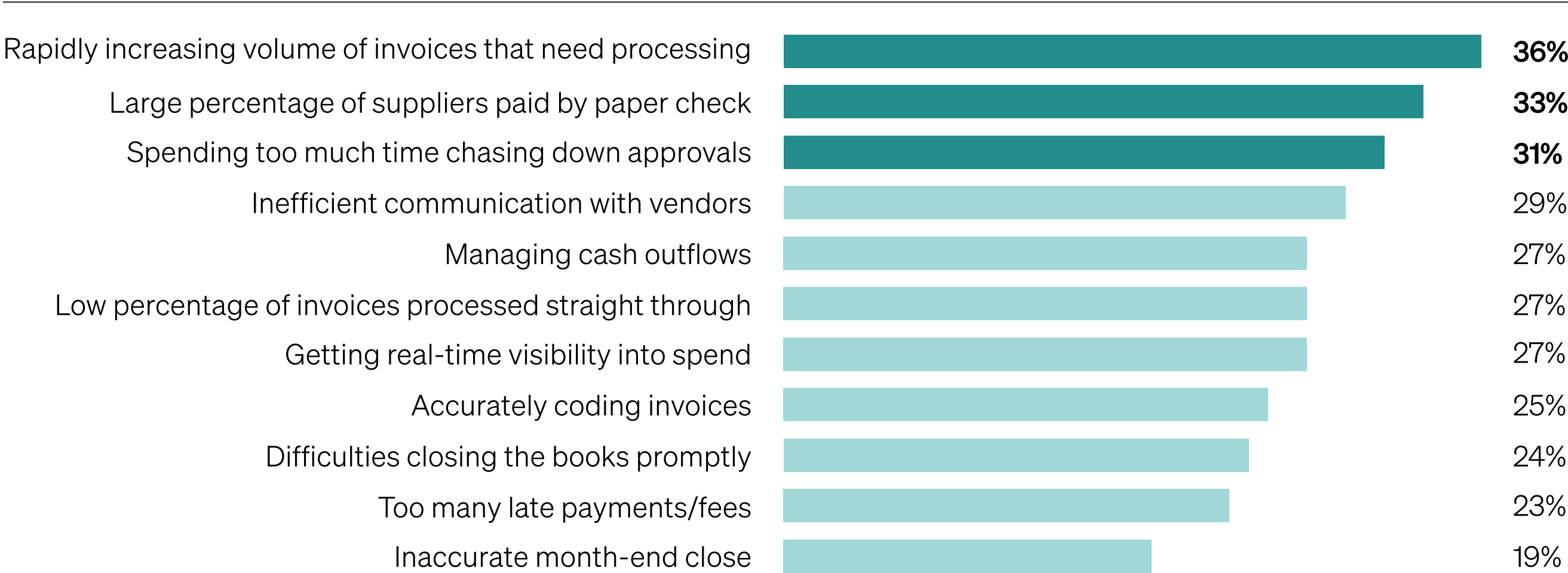
# Challenges of manual AP processes

SMBs that are still using spreadsheets to manage AP face several challenges.

Respondents ranked dealing with a rapidly increasing volume of invoices that need to be processed as their most problematic issue. As transaction volumes rise, using spreadsheets for AP becomes more cumbersome and can lead to inefficiencies and bottlenecks.

Many of these are reflected in other challenges that spreadsheet respondents cited, such as dealing with too many paper checks, spending too much time chasing down approvals, and inefficient communication with vendors.

## Top AP challenges SMBs face\*



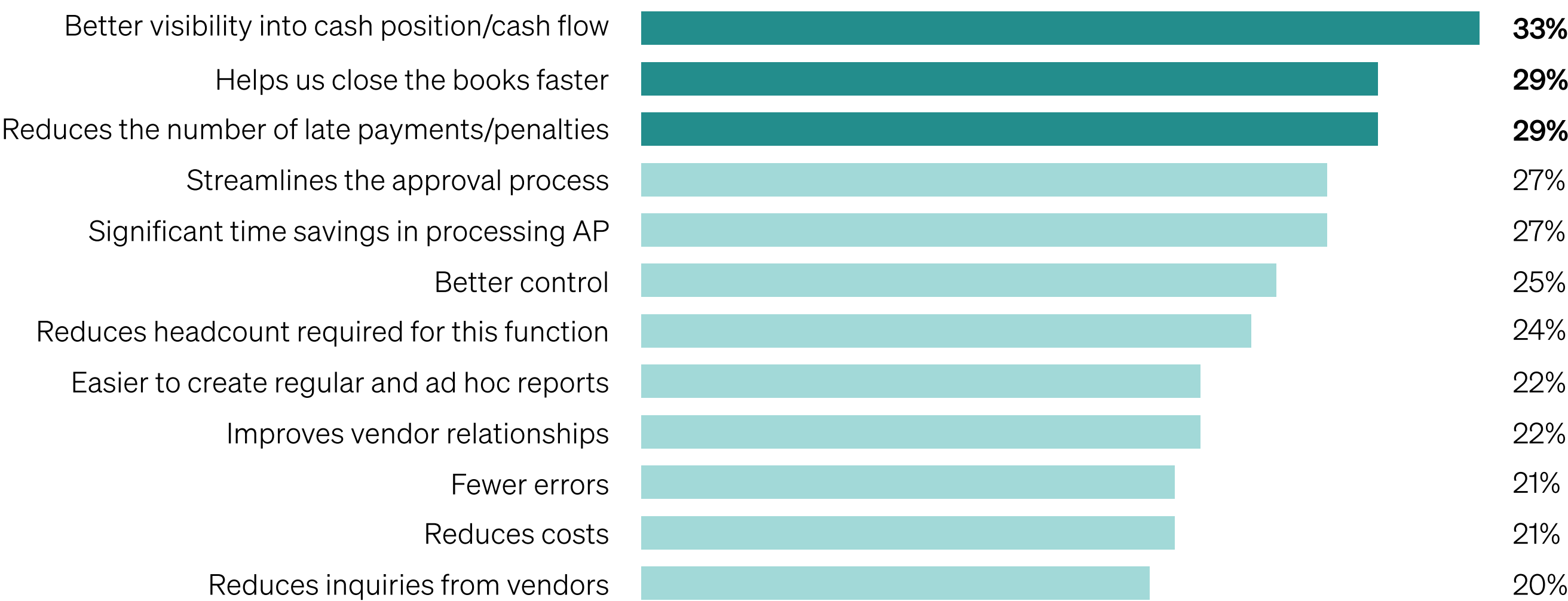
\*SMBs that aren't currently using AP automation software



# Benefits of AP automation

Automated payments solutions streamline the payments process and provide more convenience and flexibility. Respondents currently using AP automation software cited better visibility into cash flow, closing the books faster, and reducing late payments and penalties as the top three benefits provided by these solutions. Other key benefits noted include streamlining the payables process to save time and money, and reducing costs and errors.

## Top benefits of using AP automation software\*



\*SMBs that are currently using AP automation software

33% of respondents cited *better visibility into cash position/cash flow* as one of the top 3 benefits of AP automation.

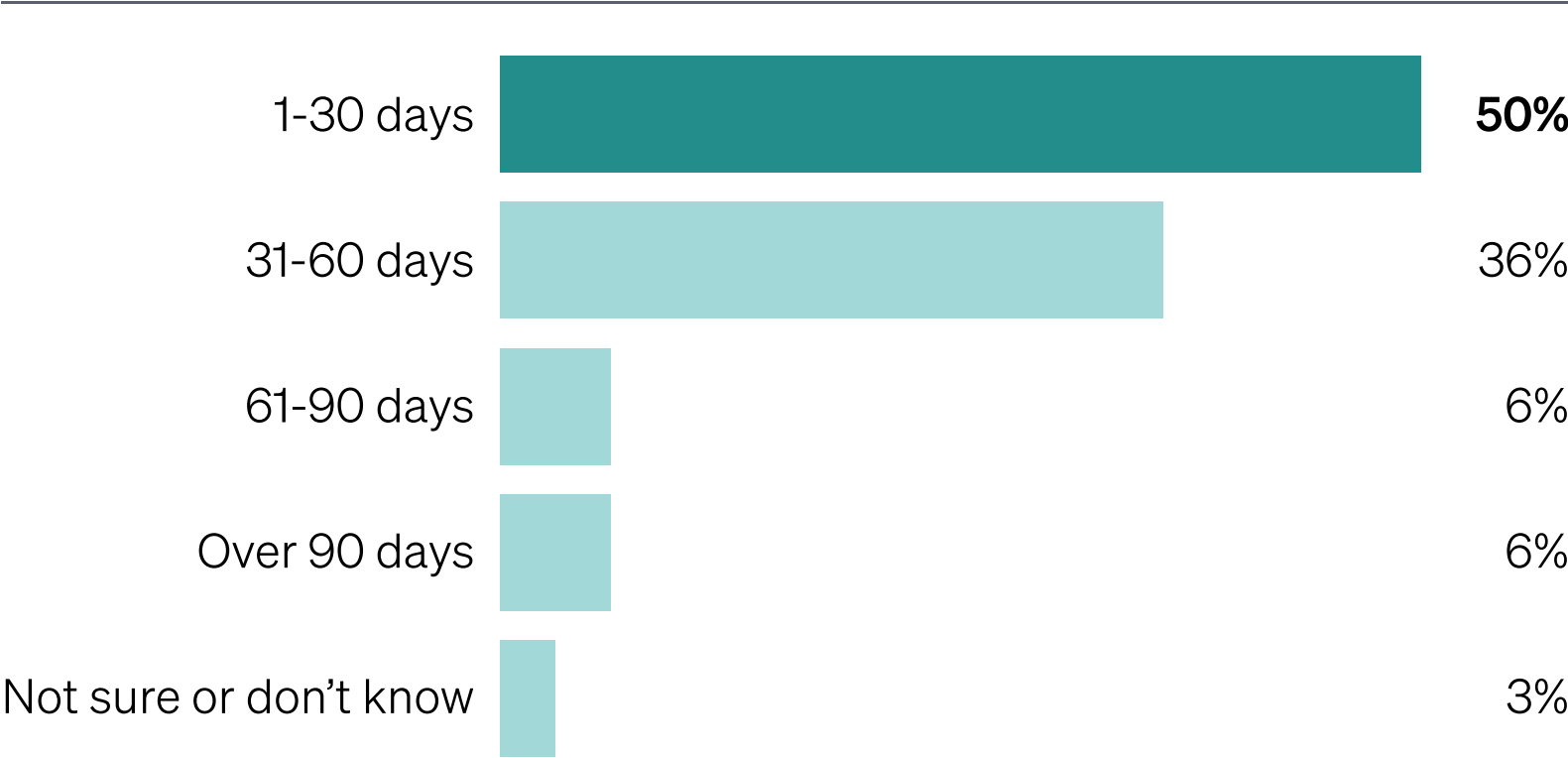
# Accounts Receivable (AR) processing metrics

On average, SMBs process 187 AR transactions per month per FTE.\* Again, as companies get bigger and transaction volumes grow, they're likely to find more efficient ways to handle the AR process, enabling them to process more transactions per FTE than smaller peers.

Half of respondents said they can usually collect payments from customers within 30 days, but about one-third indicate it typically takes up to 60 days.

SMBs are most likely to prefer to use credit/purchasing cards, followed by ACH, to receive payments—likely due to their top two criteria for selecting payment methods: security and speed.

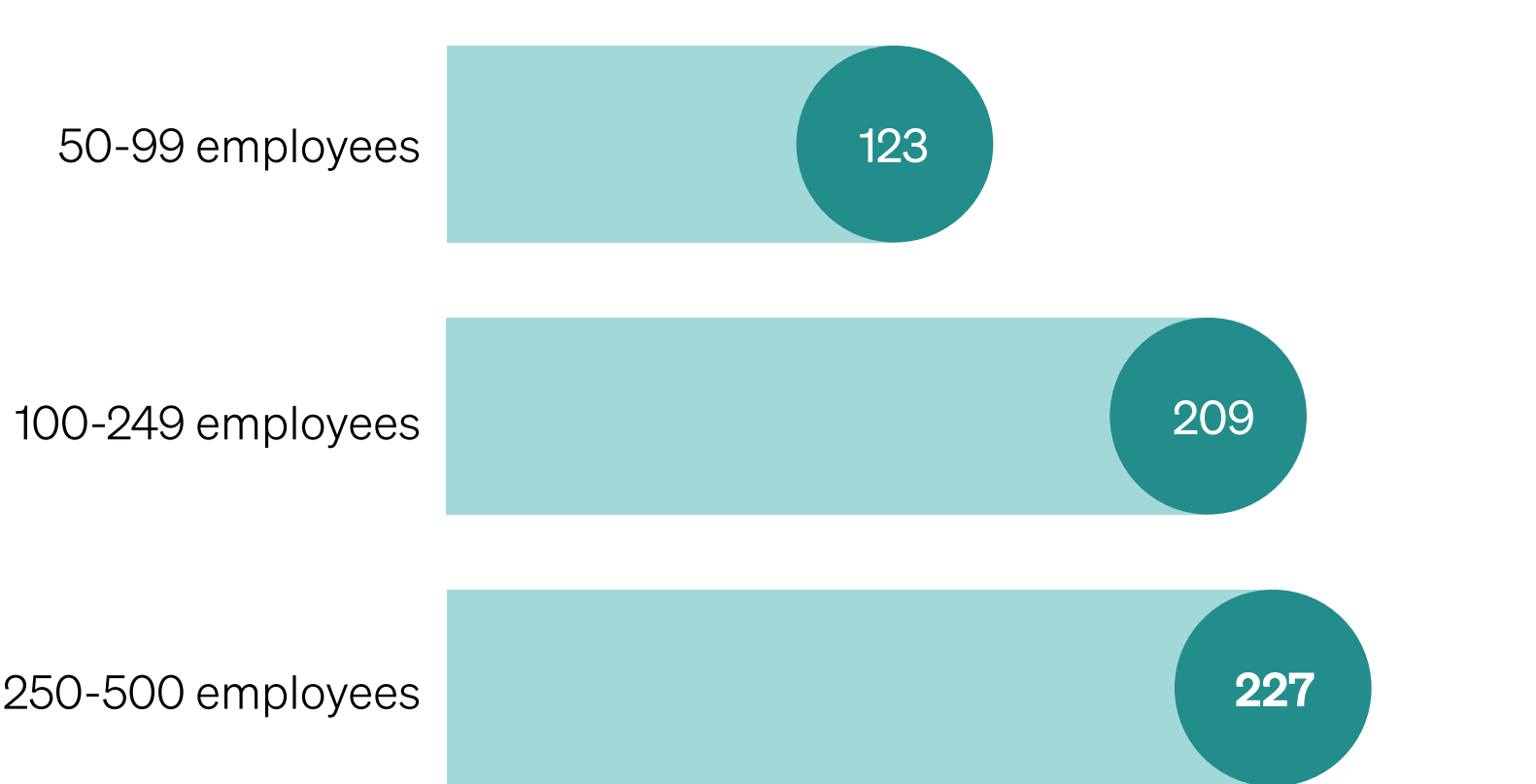
Average number of days to collect payments from customers (Days Sales Outstanding/DSO)



**Top 3 preferred methods of receiving payments**

1. Credit/purchasing card
2. ACH
3. Paper check

Number of AR transactions processed per FTE/month



**Rank order of what matters most for selecting payment methods**

1. Security
2. Payment speed
3. Cost
4. How easy it is to reconcile
5. Ability to track
6. Rewards/rebates

\*FTE = Full-time equivalent employee processing AR transactions

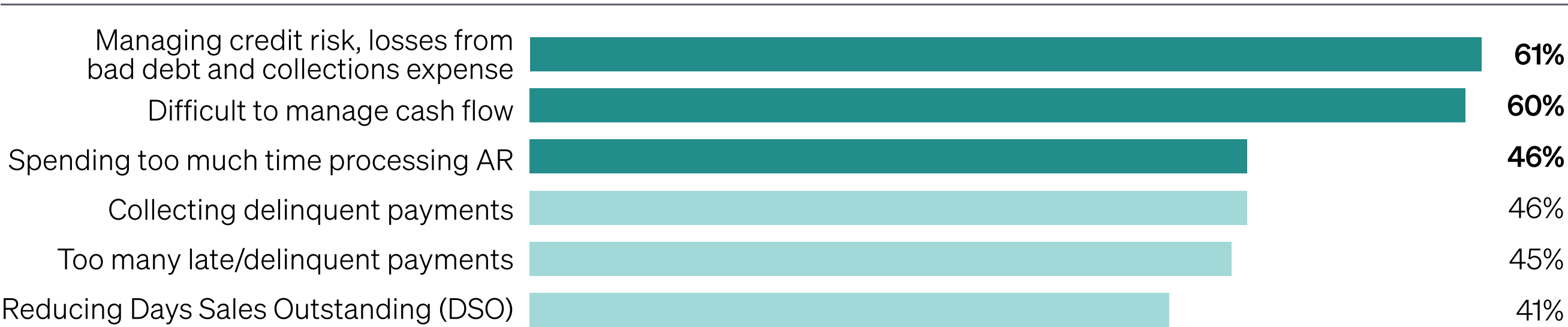


# Challenges of manual AR processes

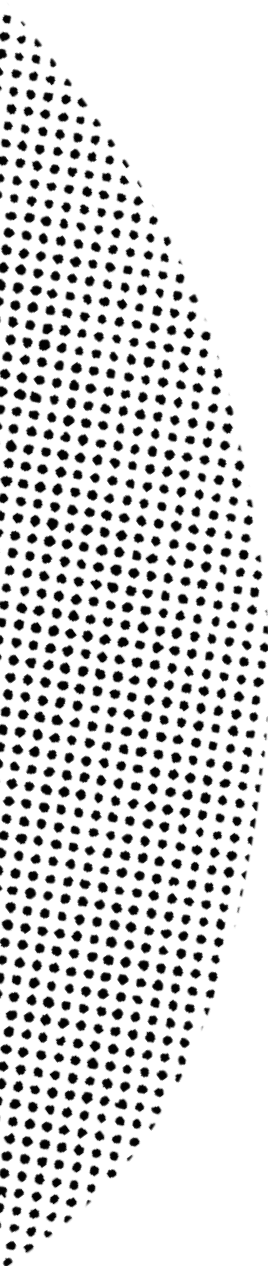
Using spreadsheets and manual methods to process AR often leads to processing inefficiencies. Even more importantly, payment delays that result from cumbersome processes can negatively affect cash flow and create delays in paying suppliers and employees. Sometimes, businesses even have to take out high-interest loans while they wait for payments to come in.

Respondents still using spreadsheets to manage AR ranked managing credit risk, losses from bad debt, and collections expenses as their top AR challenge. More than 40% said they are also dealing with problems and costs associated with delinquent payments and finding it difficult to reduce DSO.

## Top AR challenges SMBs face\*



\*SMBs that aren't currently using AR automation software

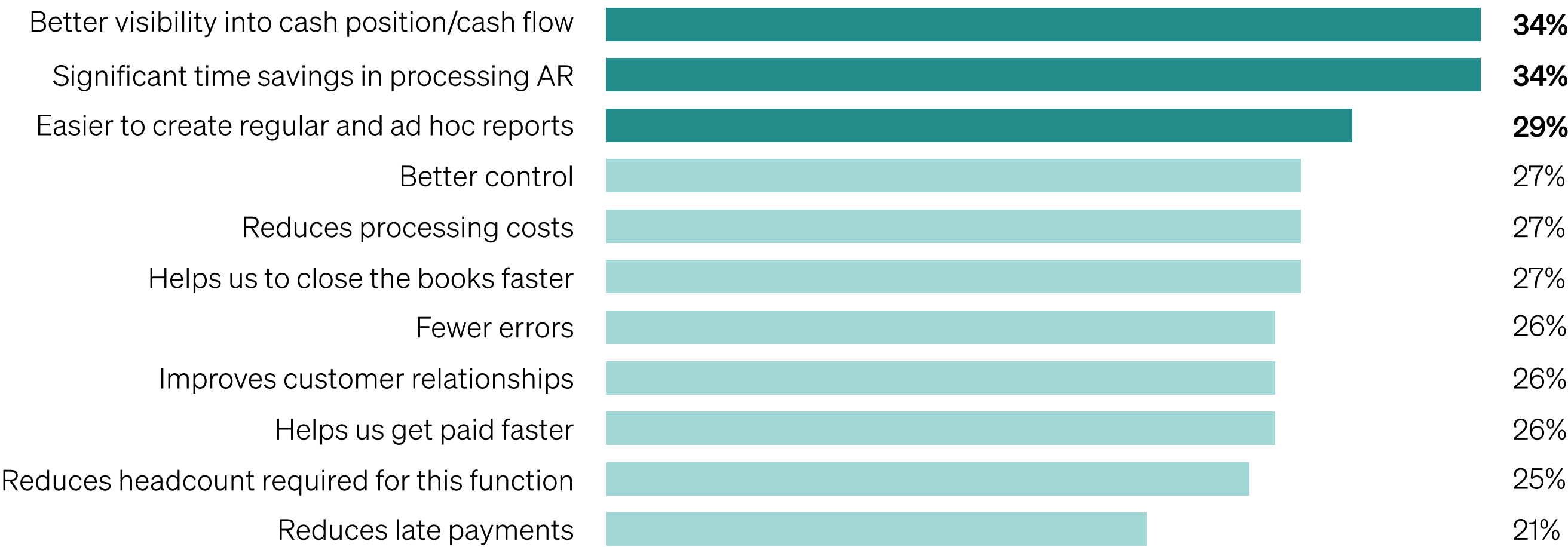


# Benefits of AR automation

Cash flow is critical for businesses, which is why SMBs are always looking for ways to improve it. AR automation software can help businesses to improve cash flow by speeding up the order-to-cash process and decreasing days sales outstanding (DSO), so that businesses get paid faster.

Respondents currently using AR automation software report that automation not only results in time and cost savings, but provides better visibility into cash flow. Other key benefits revolve around better control, reducing costs and errors, and improving customer relationships.

## Top benefits of using Accounts Receivable (AR) software\*



\*Respondents currently using purpose-built AR automation solutions, and basic AR functionality available in their accounting software.

34% of respondents say *better visibility into cash flow and time savings* are the top benefits of using AR software.



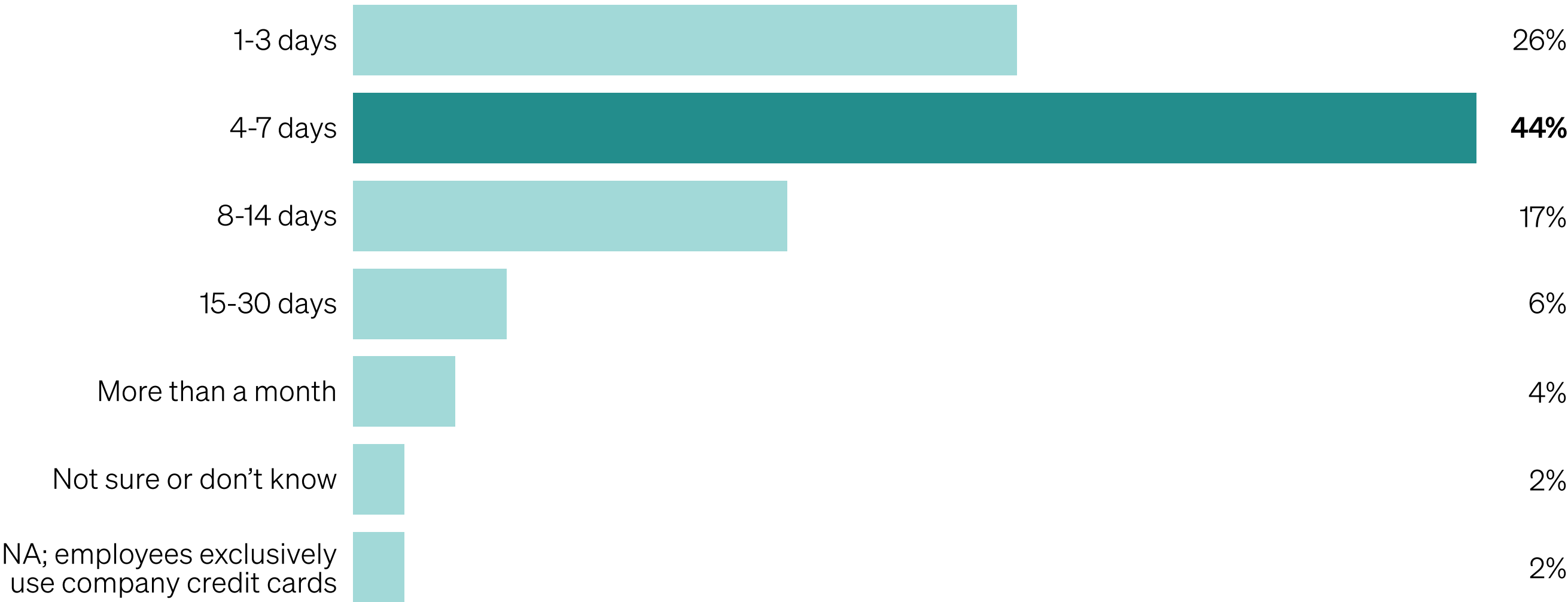
# Expense management processing metrics

For most employees, filling out expense reports and chasing down receipts are dreaded chores—and they often complain that they don’t get reimbursed quickly enough.

SMB financial professionals reported that it usually takes SMBs about 4 to 7 days to process expense reports. However, about a quarter of SMBs said it can take more than a week or longer.

Once again, as companies get larger and need to process more transactions, they’re likely to automate expense reporting, and in turn, process more transactions per FTE than smaller peers.

## Typical time to approve and reimburse expense reports



## Number of expense reports processed per FTE/month



\*FTE = Full-time equivalent employee processing expense reports

# Challenges of managing expenses manually

SMBs that use spreadsheets and manual methods to process expenses found the biggest challenge to be spending too much time on expense management, followed closely by the specific challenge of spending too much time routing and approving expenses. Issues such as inaccurate coding, setting up and managing employee expense budgets, and difficulty getting the number of company credit cards needed were noted as other key issues.

Top expense management challenges SMBs face\*



\*SMBs that aren't currently using expense management software

41% of respondents ranked *spending too much time on expense management* as their biggest challenge.

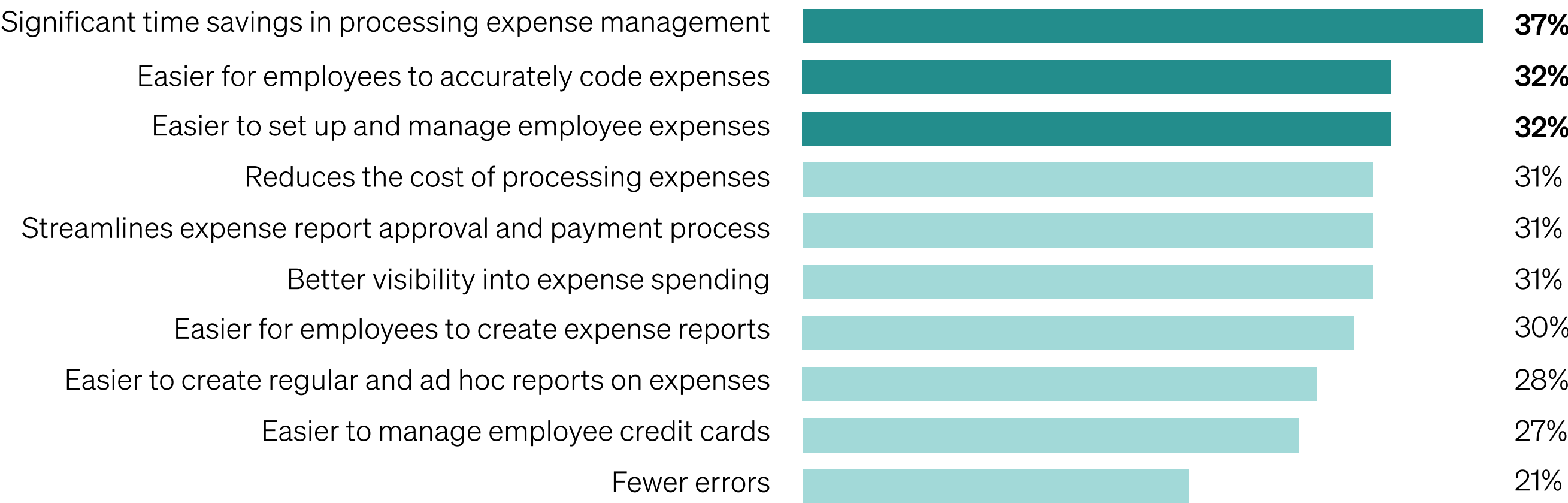


# Benefits of expense management software

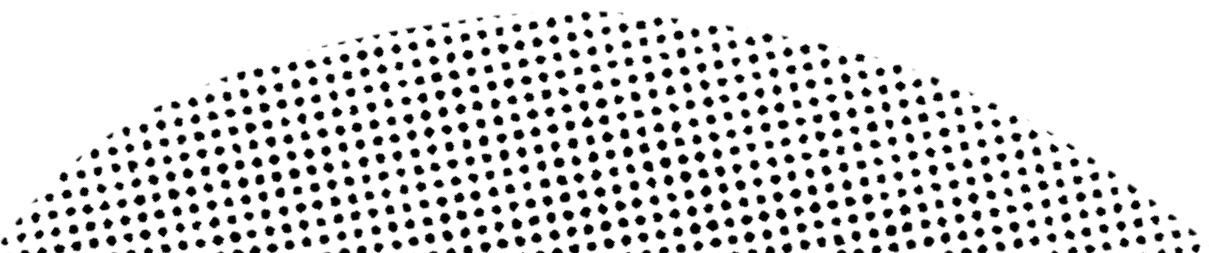
Expense management automation software removes drudgery from the expense reporting process. These solutions automatically generate expense reports from relevant workflows, aggregating different types of spending categories into a unified system. In turn, this enables employees and their managers to reduce manual data entry tasks and enables finance to track expenses in real time.

The top benefit of expense management automation software according to respondents is that it saves significant time processing expenses. Close behind is that it makes it easier for employees to accurately code expenses and it's easier to set up and manage employee expenses. Other key advantages noted include reducing processing costs, streamlining the approval and payment process, and better visibility into expense spending.

## Top benefits of using expense management software\*



\*Respondents currently using purpose-built expense management software or basic expense management functionality available in their accounting software.



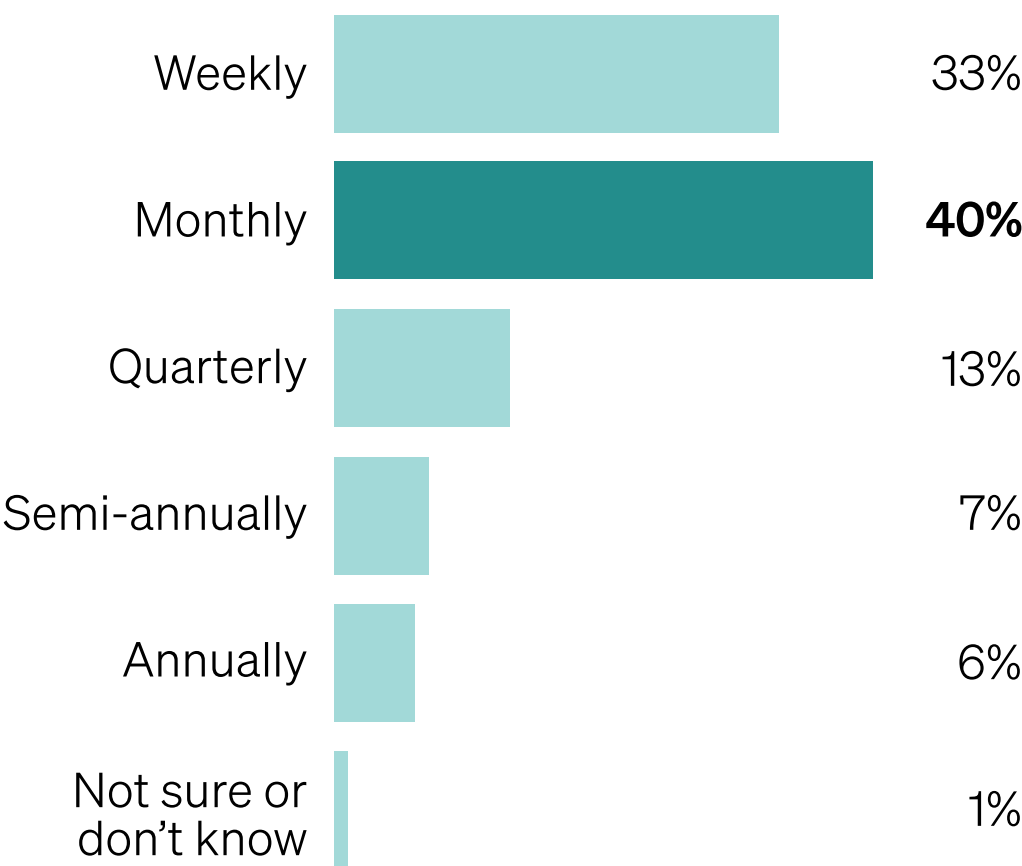
# Financial planning metrics

SMBs are most likely to close the books on a monthly basis, regardless of company size.

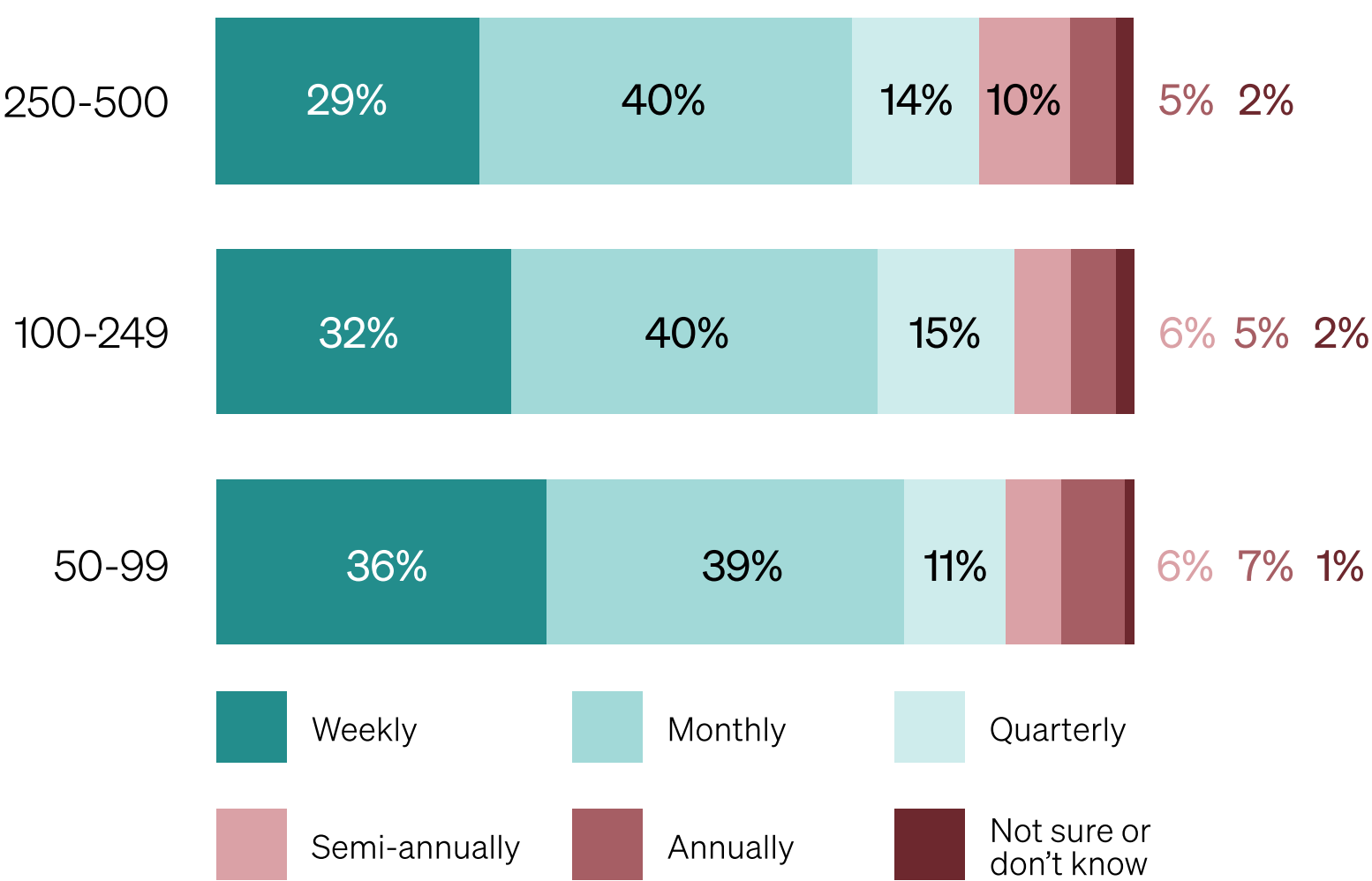
However, smaller companies—which typically have fewer employees, departments, and product lines to account for, and therefore less complexity—reported that they can close the books more quickly than their larger peers.

## Frequency of closing the books

All respondents

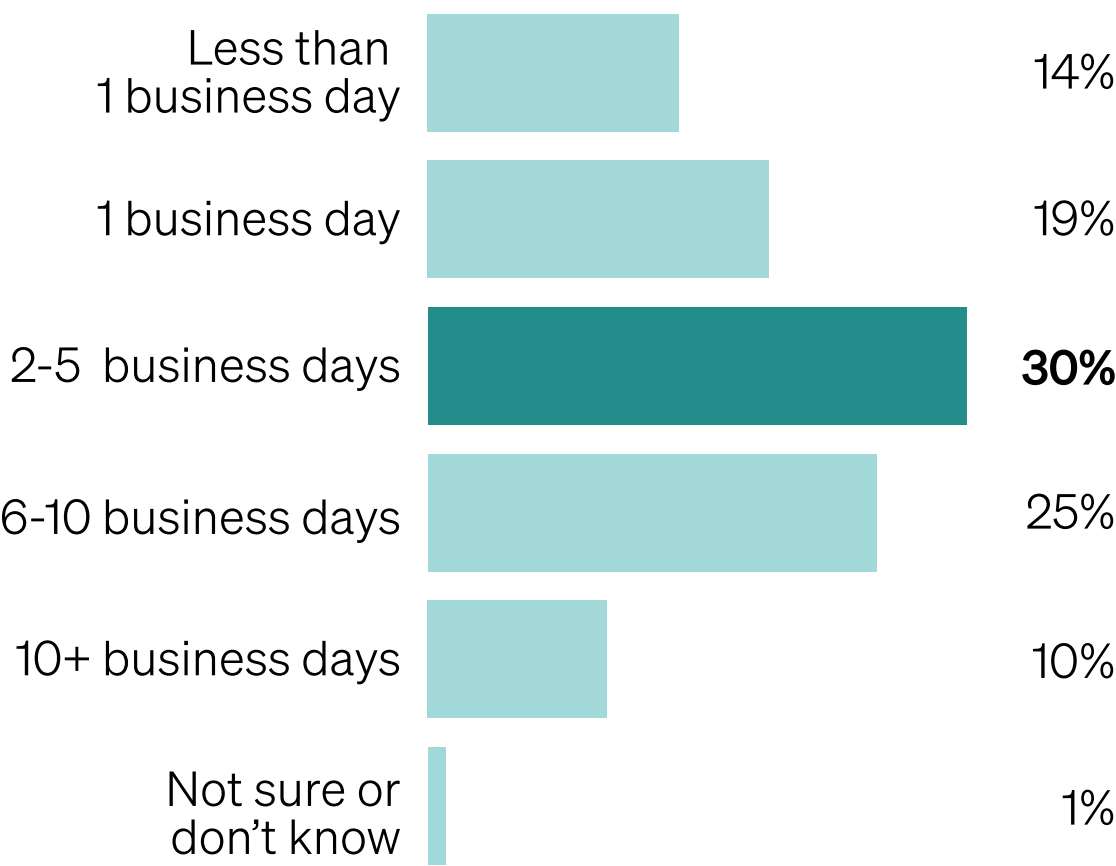


By number of employees

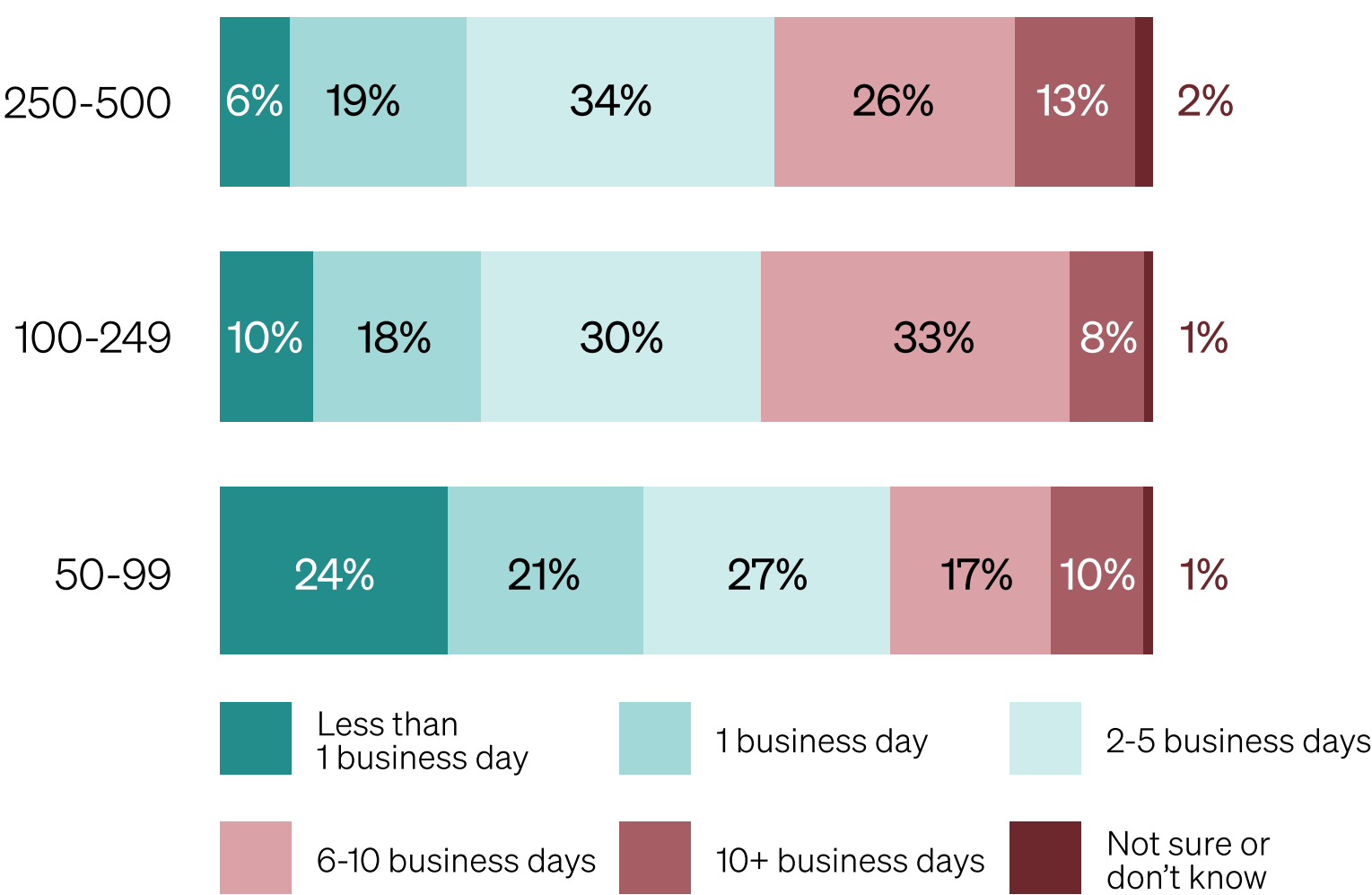


## Average time it takes to close the books

All respondents



By number of employees



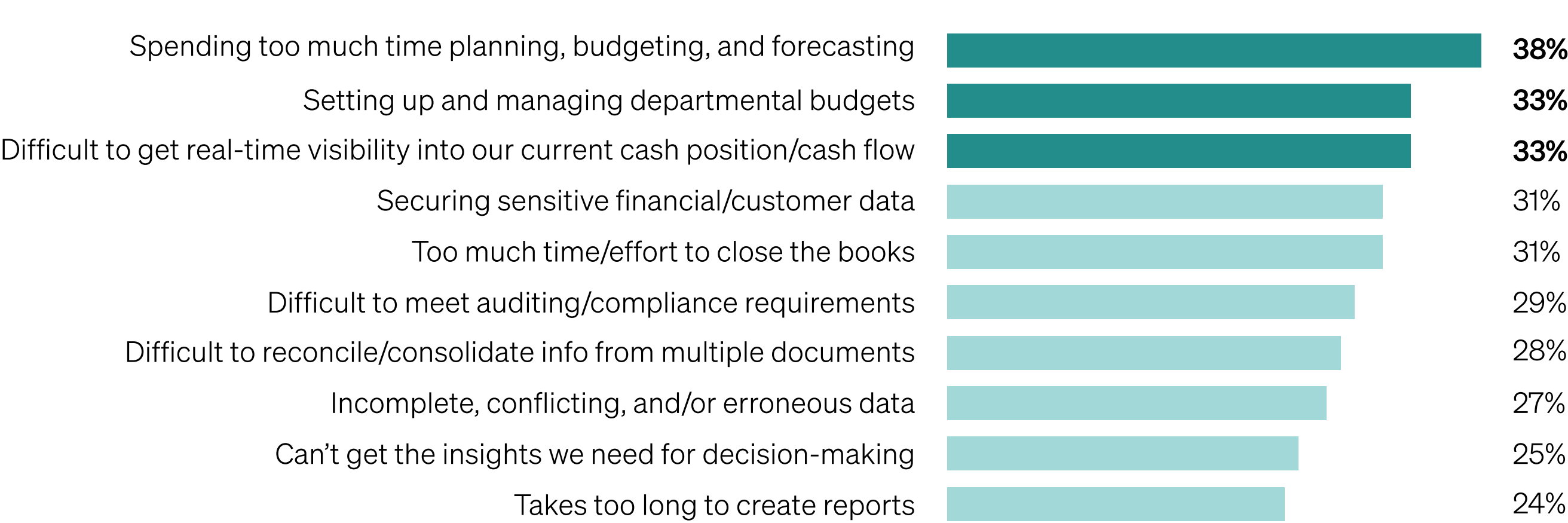


# The need for financial planning solutions

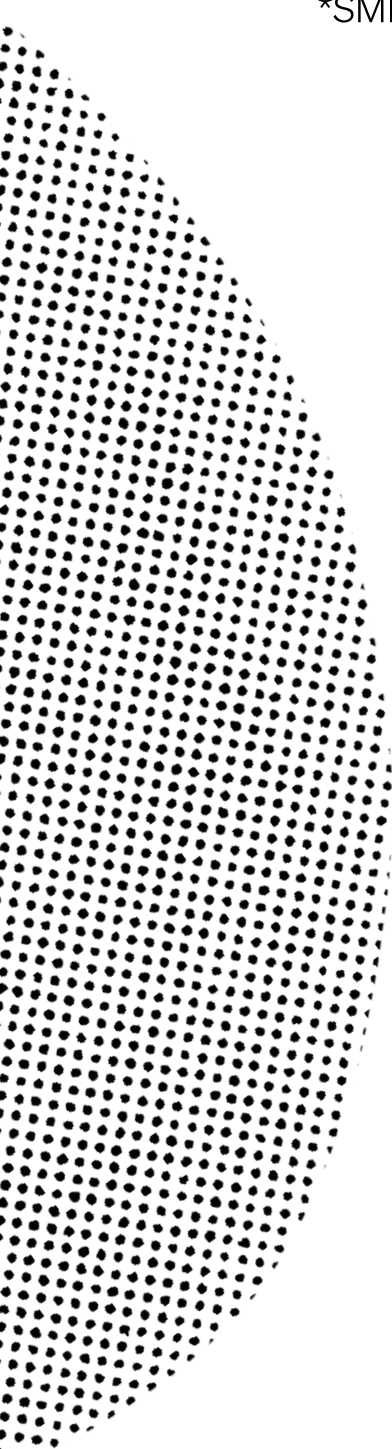
By contrast, using spreadsheets and manual methods for financial planning often results in time inefficiencies, problems with visibility, concerns about security, and issues with auditing and data integrity.

Respondents who use spreadsheets cited spending too much time planning, budgeting, and forecasting; challenges setting up and managing departmental budgets; and difficulties getting real-time visibility into cash flow as top challenges, followed by concerns about data security and spending too much time closing the books.

## Top financial planning challenges SMBs face\*



\*SMBs that aren't currently using financial planning automation software



# Financial planning automation trends

Having an accurate view into a company’s true financial position is essential to inform stakeholders—such as lenders, investors, management, and auditors—about the health of the business.

Businesses use the financial close to generate reports to reflect this information, which is then used to determine budgets, forecast performance, and make strategic business decisions. Companies also need to be able to access information quickly to adapt to new conditions on the fly. External stakeholders turn to this information to make decisions such as whether to invest in or loan money to a company.

To satisfy both sets of stakeholders, financial professionals need comprehensive, accurate, and up-to-date information to ensure they’re making the best decisions.

While many SMBs are currently using spreadsheets to manage financial planning, those that have automated this function are gaining some clear advantages. Respondents said that automated financial planning solutions make it easier to set up and manage departmental budgets and create reports. Respondents also noted key benefits in terms of more accurate reporting and month-end close, and reducing conflicting information from different sources.

## Top benefits of using planning, budgeting, and forecasting software

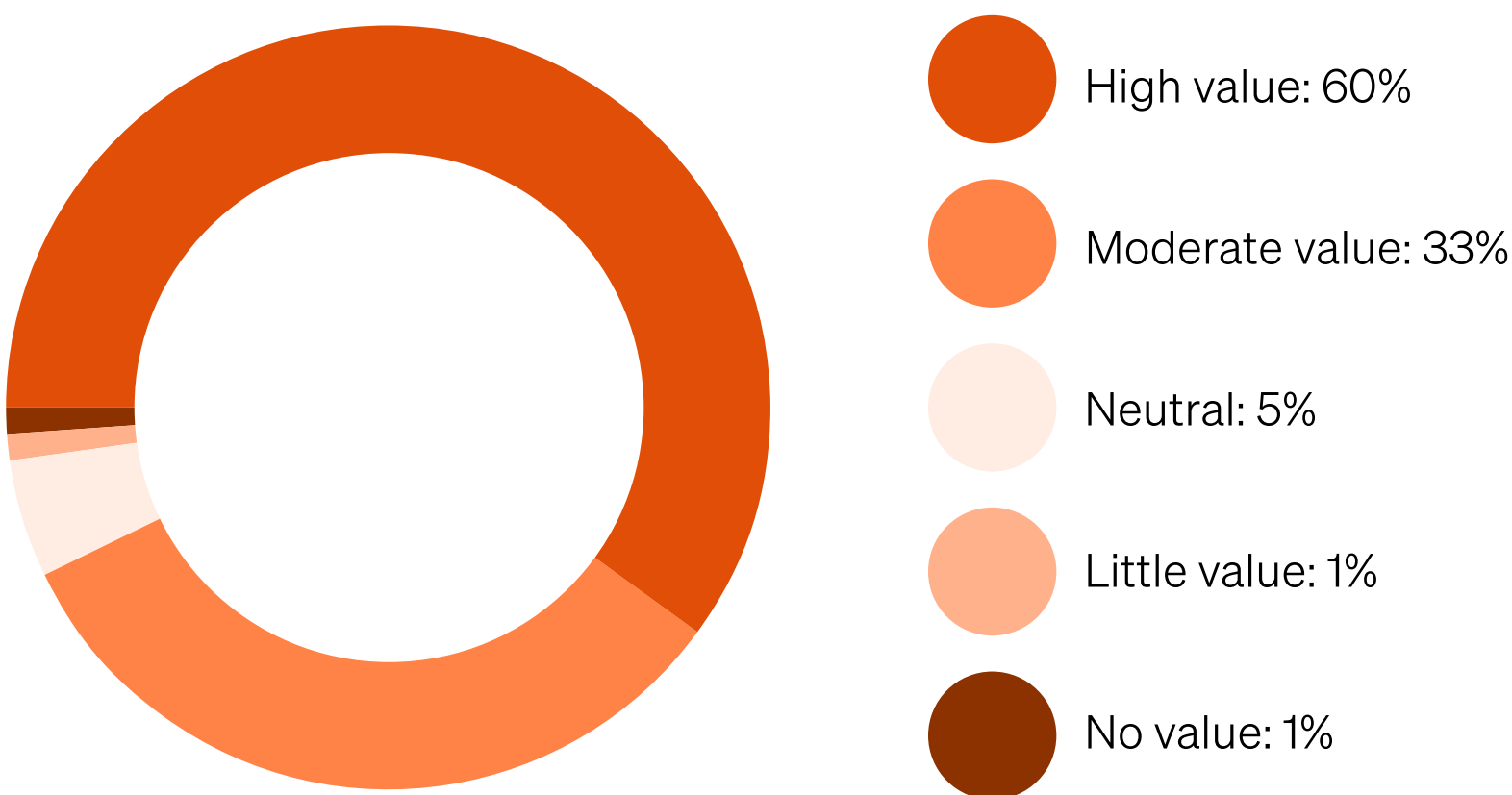


# Value of integrated financial automation software

Integrated financial automation software centralizes data across different functions. This approach offers a unified view of the business—helping to reduce data redundancies and errors and providing a more complete and accurate view of the business. As a result, finance professionals can spend more time focusing on higher-value priorities, such as increasing revenue and profitability.

When provided with the definition below, almost two-thirds of respondents said they think integrated financial management solutions would provide high value.

Value that an integrated financial automation software would provide to managing financials



**Integrated financial automation software** allows you to pay bills, get paid, and manage employee expenses all in one place, and have real-time visibility and control over cash flow.



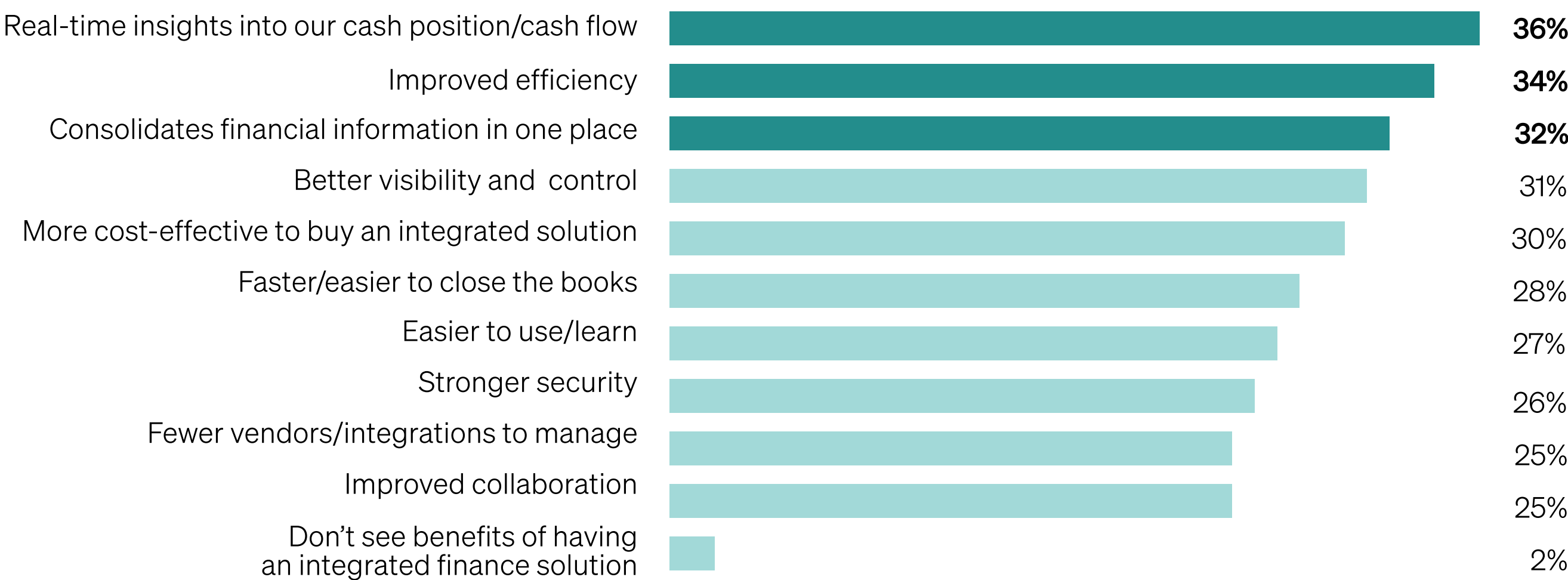
# Perceived benefits and interest in deploying an integrated financial management solution

The top three benefits respondents believe an integrated solution would offer include:

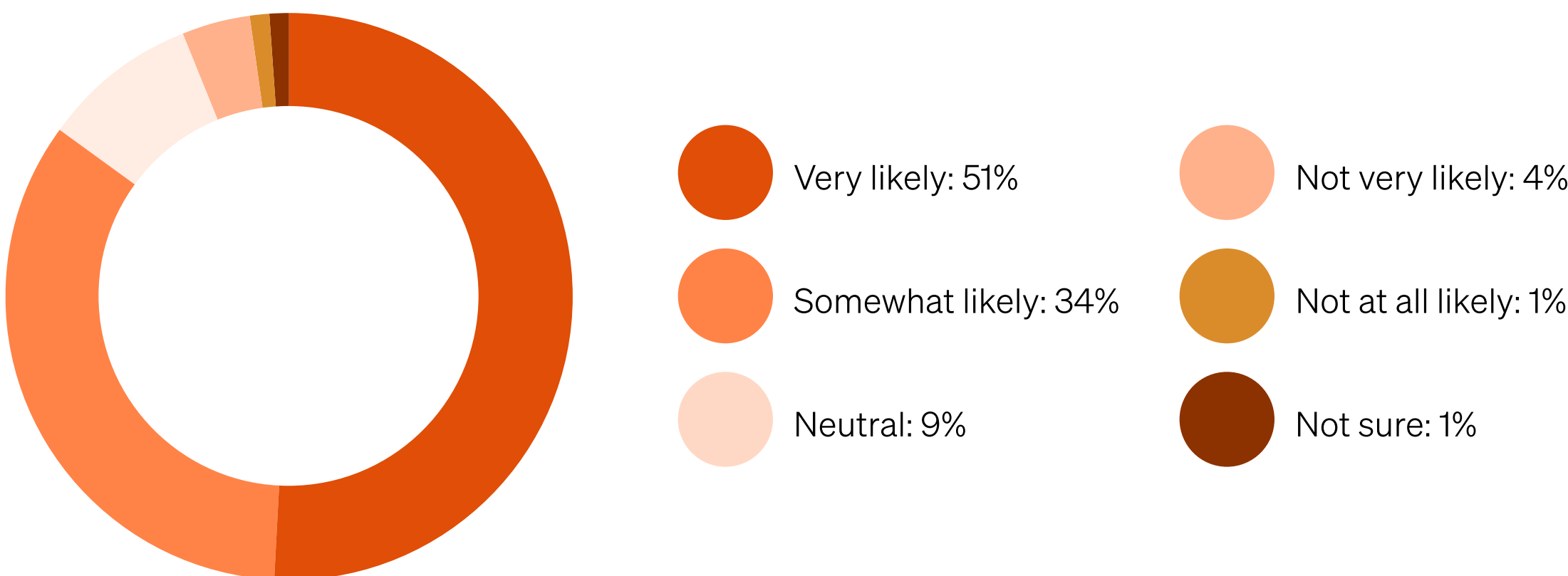
- Real-time insights into cash flow
- Improved efficiency
- Consolidating financial information in one place

Furthermore, 51% said they would be very likely to consider deploying integrated financial automation software in the next 12-24 months.

## What do you see as the top benefits of having integrated financial automation software?



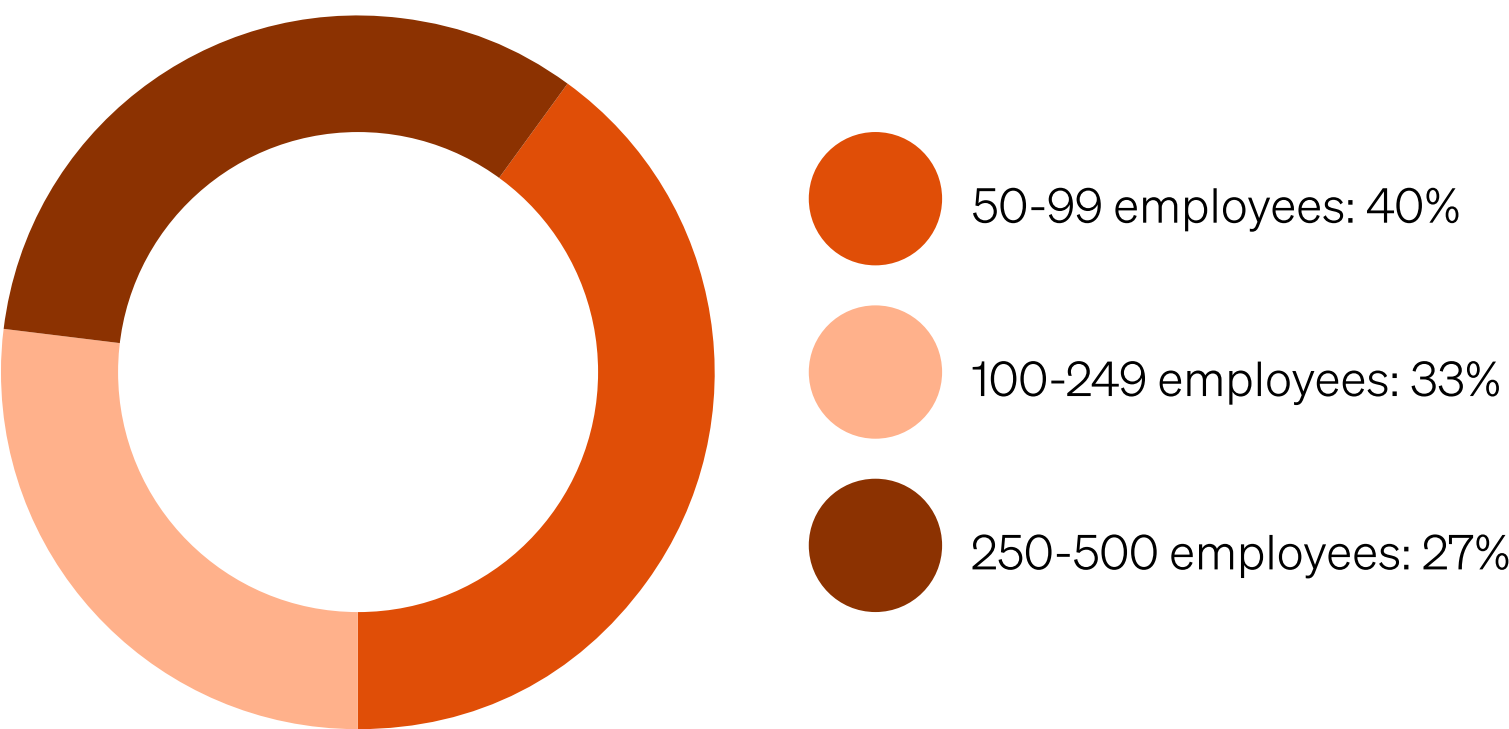
## How likely would your company be to consider deploying integrated financial automation software in the next 12-24 months?



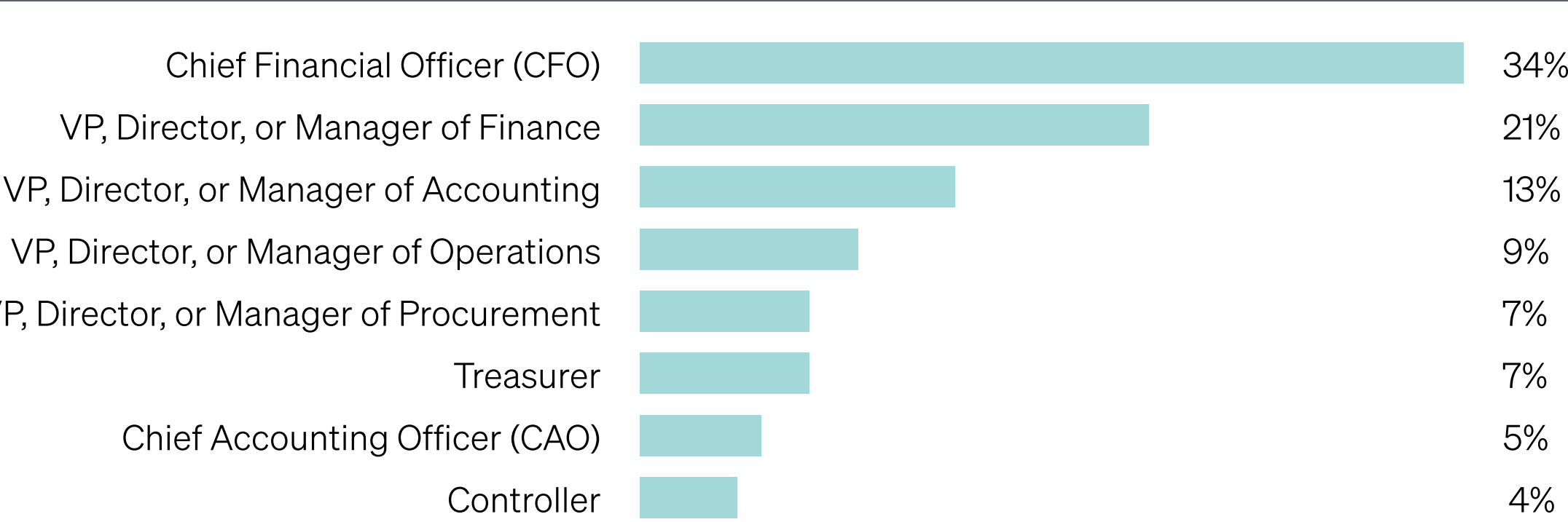
# About the study

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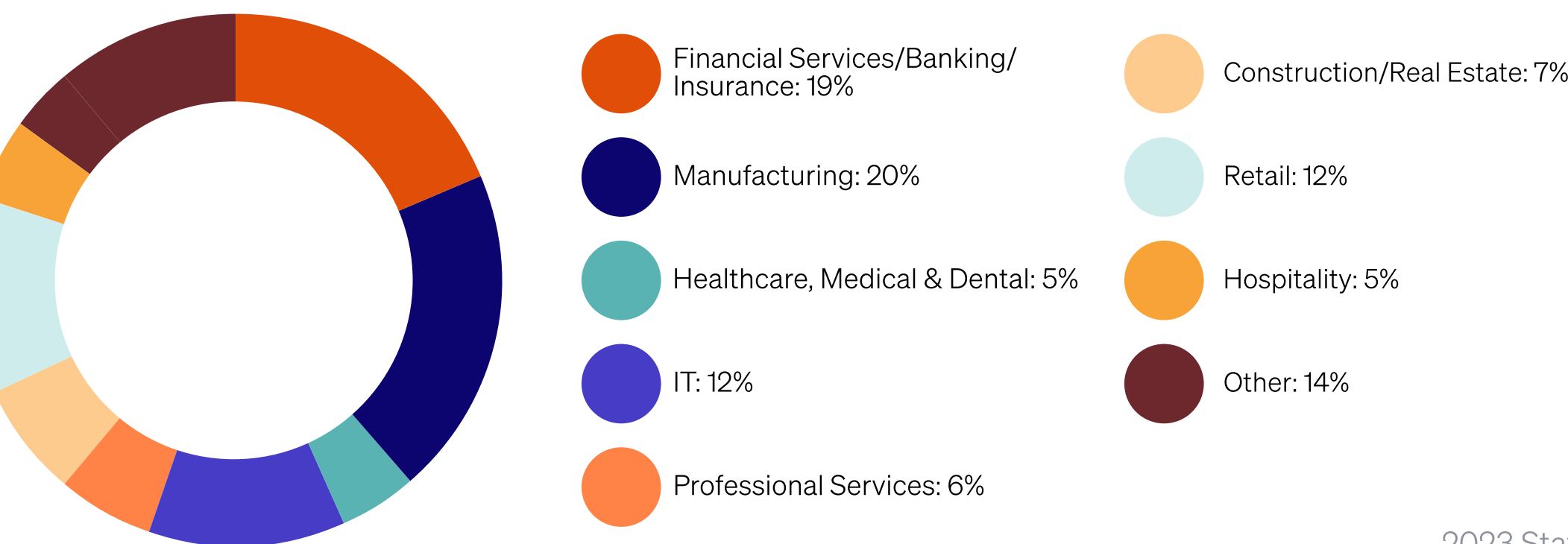
## Employee size distribution



## Respondent role distribution



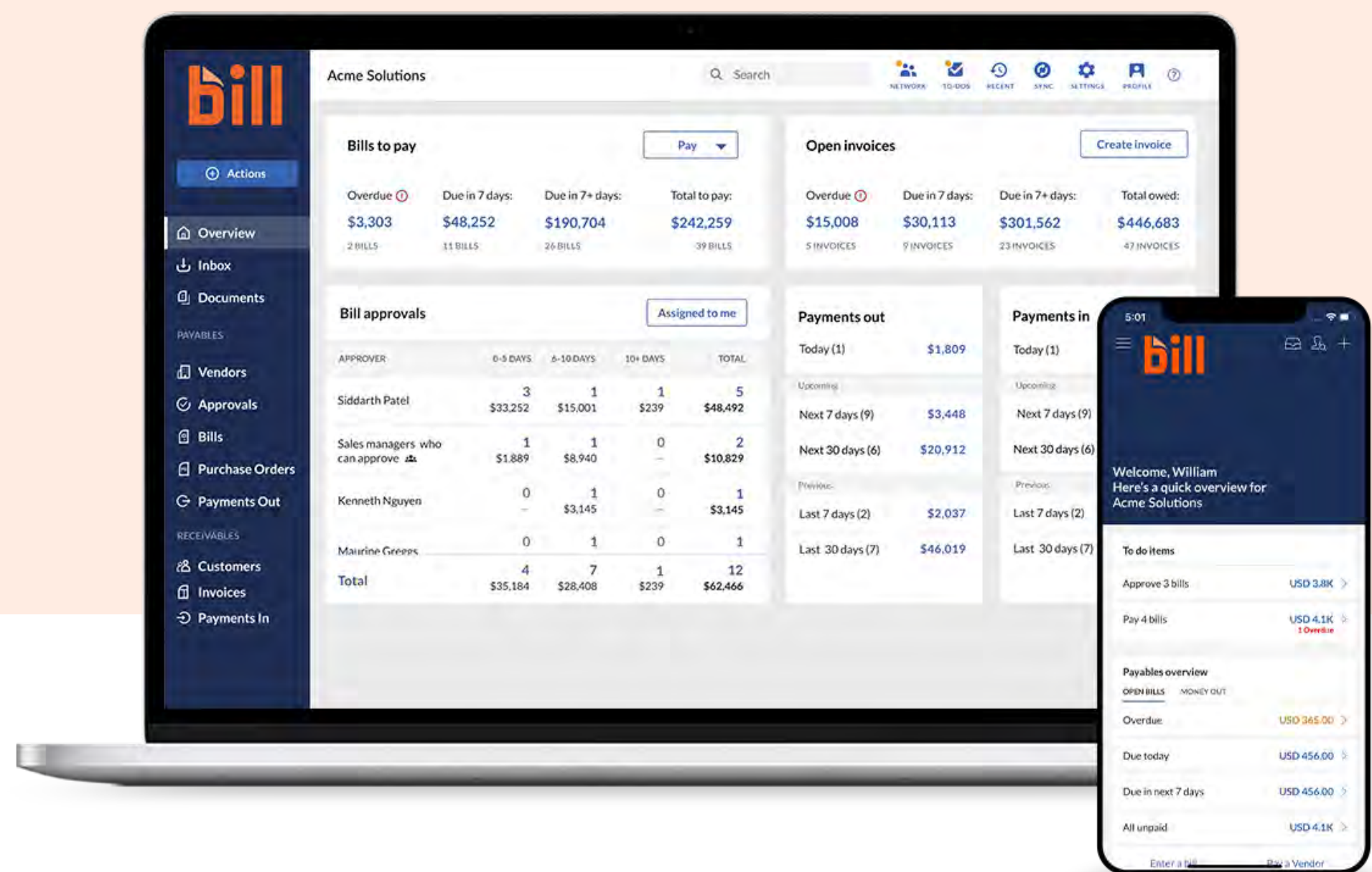
## Industry distribution



# Ready to put financial automation to work for your business?

Learn how BILL can help you.

REQUEST A DEMO



## About BILL

BILL (NYSE: BILL) is a leader in financial automation software for small and midsize businesses (SMBs). We are dedicated to automating the future of finance so businesses can thrive. Hundreds of thousands of businesses trust BILL solutions to manage financial workflows, including payables, receivables, and spend and expense management.

## About SMB Group

SMB Group is a research, analysis, and consulting firm focused on technology adoption and trends among small and medium (1-999 employee size) and midmarket (1,000-2,500 employee size) businesses. Founded in 2009, SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging, and more effectively serve SMB customers.