From Aspiration to Achievement

How Unified Finance and HR Systems Support SMB Growth Goals

Authored by **SMB Group**
Actionable Market Insight

Sponsored by **workday.**

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Introduction

Macroeconomic and security challenges—from inflation to cyber threats to the talent shortage—continue to create headwinds for small and mid-sized businesses (SMBs). However, SMBs are nothing if not resilient. A majority are optimistic about their prospects: 59% expect revenues to rise in 2024 (as compared to 2023).

Revenue expectations

	Increase	Remain flat	Decrease	Not sure
2023	36%	33%	25%	6%
2024	59%	32%	3%	6%

■ 2023   ■ 2024
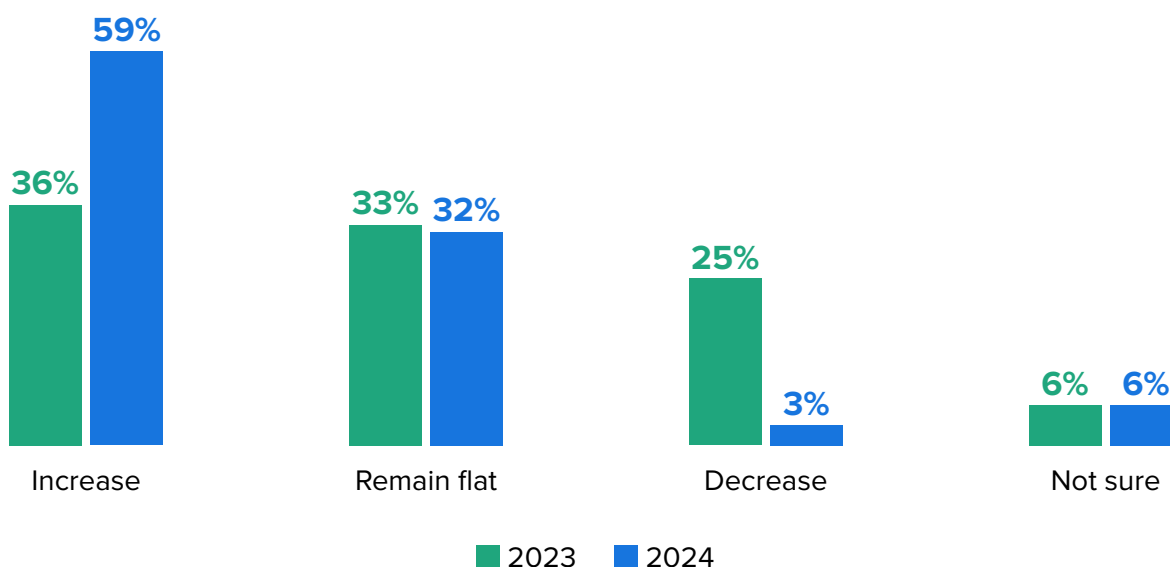
To achieve growth goals, businesses need careful planning and effective execution. Whether aiming to go public, acquiring or merging with other companies, expanding internationally, scaling up hiring, or launching new products and services, these businesses' initiatives are complex and challenging.

#1 strategic initiative for 2024

Increase technology investments to automate and streamline operations

Small and medium-sized businesses must develop a solid strategic vision and execute it effectively to succeed. As technology becomes more intertwined with business operations, companies must **modernize, automate, and improve processes** to create a scalable, flexible, and sustainable foundation for growth. SMBs recognize this and have identified increasing technology investments to automate and streamline operations as their top strategic priority for 2024.

SMB plans to invest in technology to support strategic initiatives

Strategic initiative	Percentage ranking it in the top 5	Percentage planning to make new technology investments
Improve programs to attract, engage, and reskill/upskill employees	30%	80%
Strengthen our online and digital presence	27%	75%
Improve financial management and compliance practices	27%	75%
Implement new customer service practices to enhance responsiveness	25%	74%
Strengthen data protection and cybersecurity	25%	78%
Expand into new markets (e.g., new geographies, industries, etc.)	24%	77%
Revise business continuity plans to better prepare for unforeseen events	23%	42%
Diversify products/services to meet new market demands	22%	66%
Build a more flexible supply chain to manage disruptions	22%	72%
Enhance planning and analytical capabilities	22%	74%
Adopt more sustainable practices to address environmental challenges	21%	71%
Secure additional credit/financing	17%	73%

The success of any strategic endeavor hinges on financial preparedness and having qualified, engaged employees. Fast-growing organizations recognize this and are modernizing their operations with unified, cloud-based financial and HR solutions. These advanced systems leverage real-time data to streamline processes and enhance decision-making while minimizing security and compliance risks.

With these solutions, companies gain the ability to see the big picture and understand how actions in one part of the business impact other parts. A more holistic view empowers them to make informed, strategic decisions that can be game changers for their business.

This report explores how cloud-based, unified financials and HR systems, such as Workday, can help support the evolution of your business, improve decision-making, and mitigate risks.

The Costs of Inefficiency and the Drive for Integration

The cloud has made it relatively easy for SMBs to adopt new applications. But it has not eased integration woes. Most organizations rely on a patchwork of legacy applications, stand-alone point solutions, and spreadsheets—across on-premises, cloud, and desktop systems—to manage financials and HR. Most depend on one-off integrations to exchange data between them.

This mix-and-match approach might be manageable when businesses are very small. However, as they grow and become more complex, storing, sharing, transacting, and making sense of information across these different applications becomes unwieldy and creates obstacles to growth because:

People must **manually update information** when changes in one application are not automatically propagated to others. If this does not happen or is not done correctly, information can fall through the cracks.

Employees **waste time** searching in multiple places to find the information needed to complete tasks and create reports. This slows down daily operations and decision-making, such as hiring, forecasting, and reporting. For example, when your recruitment system isn't connected to employee onboarding or payroll, employees have to manually re-enter or upload information, which wastes time and increases the likelihood of errors and inconsistencies.

Decision-makers **can't easily access the reports** and insights they need to make confident choices. Each point solution or spreadsheet offers some information, but none provides a unified, consistent view of what's happening. This makes it tough to get answers to questions such as "What factors have the biggest impact on employee tenure?" or "How do flexible work options impact recruitment?"

The **risk of security breaches** and noncompliance with government regulations rises as sensitive information—such as employee data— flows across more systems and opens the door to financial and legal liability.

These inefficiencies cost companies time, money, and peace of mind. SMBs are frustrated: Nearly half cite the difficulty of integrating new technology with their existing systems as a major technology hurdle. The vast majority say it is important for vendors to provide pre-built connectors to existing systems, and about two-thirds plan to invest in business application integration in the coming year.
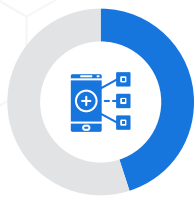
45%

of SMBs rank difficulty integrating new applications with existing ones as one of their top 3 tech challenges
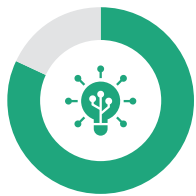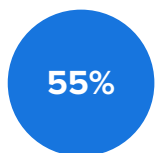
82%

Say it is very or somewhat important that vendors provide pre-built connectors to solutions they already use

62%

Plan to invest to improve business application integration in 2024

Importance of new technology investments being available as cloud solutions

3% Not at all important

4% Not very important

16% Neutral

45% Very important

32% Somewhat important

The need for accessible, real-time information is also driving SMBs to the cloud. More than three-quarters say that it is very or somewhat important that the new applications they purchase are available as cloud/software-as-a-service (SaaS) solutions. SaaS solutions provide reliable, up-to-date finance, HR, and payroll information to help companies stay on top of trends and improve outcomes.

This is especially true as workplace models continue to evolve. Currently, **55% of SMB employees work only at a company location; 26% work remotely, and 20% work in a hybrid model,** both remotely and from a company location. With a cloud solution, employees have access to the information they need, when they need it, from any device or location.
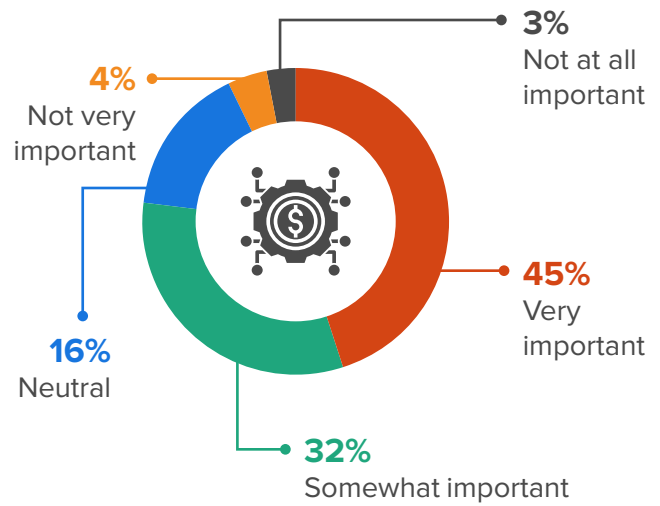
55%
Work only at a company location

26%
Work remotely

20%
Work in a hybrid model

workday.

Staying ahead of change means operating more efficiently. Workday helps teams close the books faster, identify skill gaps to prepare for what is ahead, and deliver more personal experience for everyone in the organization.

Workday's unified Finance and HR platform, combined with integrated front-office systems like planning, gives SMBs robust capabilities to manage their people and finances.

Enabling self-service while maintaining security and governance, Workday allows people to spend less time on routine and repetitive tasks so they can focus on impactful, value-based work.

VERTEX

Vertex, Inc. helps organizations manage compliance accurately across various jurisdictions. As the company expanded globally, its operational performance and agility began to strain under the weight of outdated systems and processes. With Workday's partnership, Vertex was able to reduce SKU complexity, streamline operations, and improve decision-making.

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The Workday platform checked all the boxes for our enterprise transformation program, enabling our global expansion.

- CIO, Vertex

The Critical Role of the Cloud in Enabling Data-Driven Businesses

Data is the foundation for informed decisions and strategic planning. Bringing core back-office functions onto a single, cloud-based platform gives everyone visibility into the same real-time data, fueling a significant competitive advantage.

According to Fortune Business Insights Cloud Computing Market, the value of cloud platforms is set to expand exponentially as AI transforms the technology and business landscape. In an era where data drives success, an integrated, cloud-based approach is essential for getting and staying ahead. When information is in one place, accessible from a browser, everyone who needs it can readily access it, which helps to improve collaboration and facilitate decision-making.

A unified financials and HR system gives fast-growing companies an accurate and complete picture of their business in real time This helps them with critical growth initiatives, such as:

- Rapidly accessing **accurate financial results** to provide better-informed guidance to investors and shareholders when seeking funding or pursuing an IPO.

- **Evaluating merger** and acquisition opportunities with greater precision, more effectively executing reorganizations, and integrating financial operations and teams.

- **Processing payroll** domestically and internationally, across multiple entities and currencies.

- **Planning, executing, and monitoring** new product launches and service offerings.

The cloud's growth trajectory is strong, with the market expected to leap from $677.95 billion in 2023 to $2,432.87 billion by 2030.

Percentage saying it is very or somewhat likely that they will select a cloud/software-as-a-service solution when they need to add new capabilities
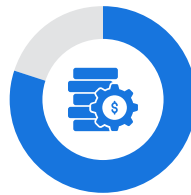
80%
Financial managemnt

79%
Sales, marketing, and service

72%
Workforce management/HR

workday.

Workday developed its human capital management (HCM) and financial systems as cloud native from the start. Today, its unified platform seamlessly blends people and financial data into one system with a seamless user experience.

This ensures that when data changes in one area, such as HR, updates are automatically reflected in financial records to maintain data consistency and accuracy. Finance teams get the sophisticated tools they need to assess the current state of the business and plan what actions to take. HR has the information and processes to execute those plans and support upcoming changes—whether to reorganize teams or reconfigure existing workflows.

Workday's flexible architecture allows the platform to evolve in response to new business demands and emerging technologies without disruptive overhauls. Workday embeds the Internet of Things (IoT), AI and machine learning, real-time data analytics, blockchain, and other cutting-edge technologies directly into its platform. SMBs can benefit from these capabilities without the burden of heavy upfront infrastructure investments, on a platform they won't outgrow.

onesource VIRTUAL

One Source Virtual (OSV) was experiencing rapid growth and needed a single system that could effectively and efficiently scale as it expanded. Since going live with Workday, OSV has equipped teams with data-driven, actionable insights that drive business performance, and it has a flexible, scalable system that evolves as it grows. Some key benefits that Workday has helped OSV to achieve include:

- ✓ Driving business performance with data-driven, actionable insights

- ✓ Reduced billing cycle time from 5 days to 2 days

- ✓ A 90% adoption of self-service by managers

- ✓ Improved reporting and reduced risk of lost revenues

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One person used to spend up to three weeks manually preparing the financial package for the leadership meeting. Now reports are available with the push of a button.
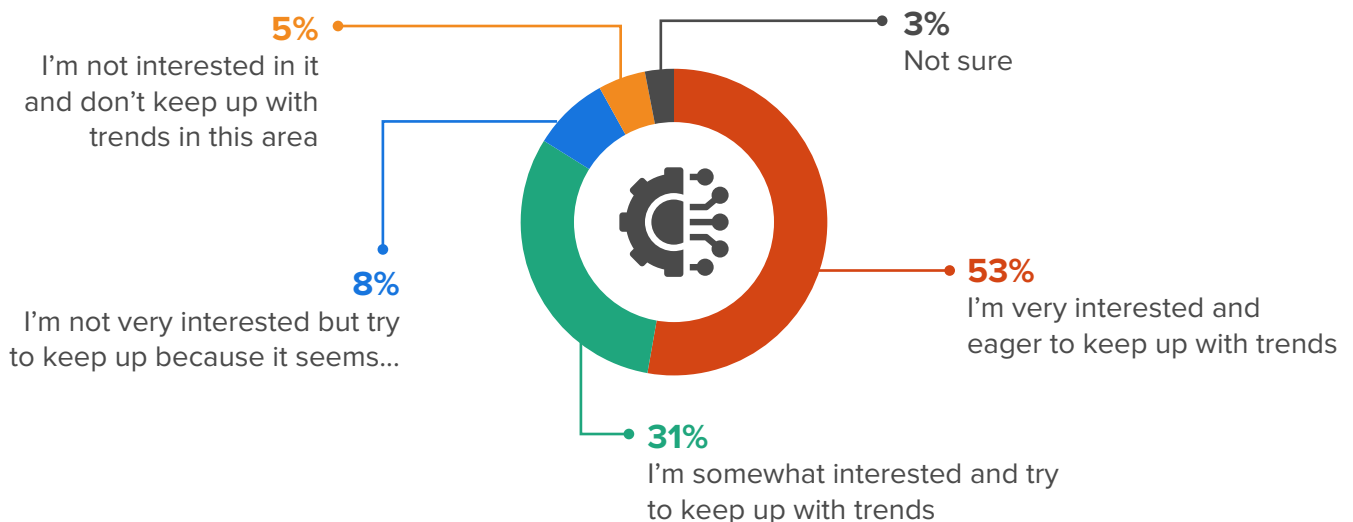
- Controller, OneSource Virtual

Balancing AI Innovation and Risks

SMBs are keenly interested in AI, as indicated in SMB Group's 2023 Impact of AI on SMBs survey. It shows 84% of respondents are very interested or somewhat interested in the effects AI will have on their businesses. Among those using AI, 71% are satisfied with its outcomes.

SMBs are decidedly more likely to think that the potential benefits of AI outweigh the drawbacks. SMBs believe AI can assist with strategic tasks, such as making it easier to access and analyze information for decision-making and freeing up employees to do higher-value work. Many also see the value of AI in helping with daily tasks, from spotting potential problems to creating content.

SMB Attitudes About AI

Which statement best reflects your interest in the potential impact that AI will have on businesses?

5%
I'm not interested in it and don't keep up with trends in this area

3%
Not sure

8%
I'm not very interested but try to keep up because it seems...

53%
I'm very interested and eager to keep up with trends

31%
I'm somewhat interested and try to keep up with trends

Do you feel that AI has more drawbacks or benefits for business use cases?

52%
More benefits

32%
Neutral

9%
More drawbacks

6%
Don't know

Top benefits of AI

Analyze data for better decision-making
Better access to information for faster decision-making
Provide better analysis for planning, forecasting, etc.
Frees employees to do higher-value work
Help to spot potential problems/anomalies
Streamline/eliminate repetitive tasks
Answer questions
Summarize content from different data sources
Create content
Provide recommendations

39%
35%
34%
32%
30%
30%
23%
22%
19%
17%

SMB Group's Impact of AI on SMBs Survey Study, 2023

Interest in using AI is bound to accelerate as AI technologies evolve and provide more capabilities for different use cases. However, SMBs are concerned about whether or not they can trust AI.

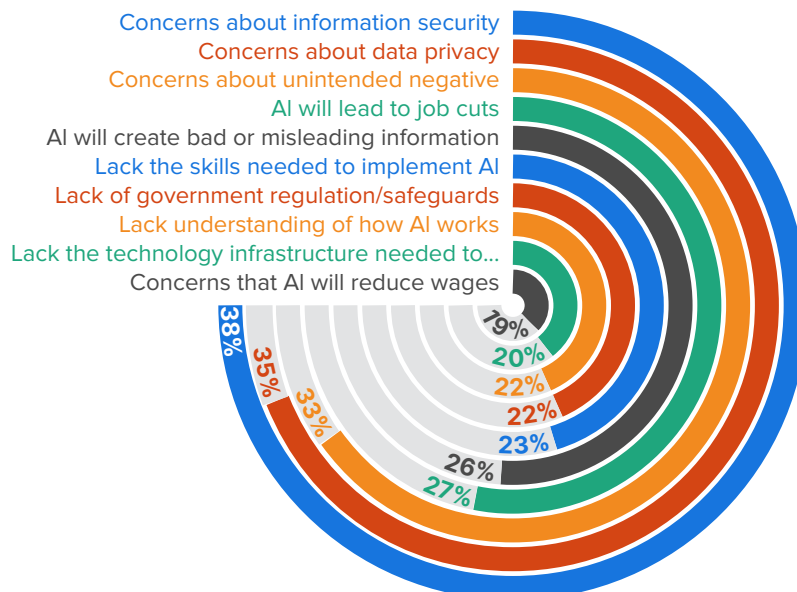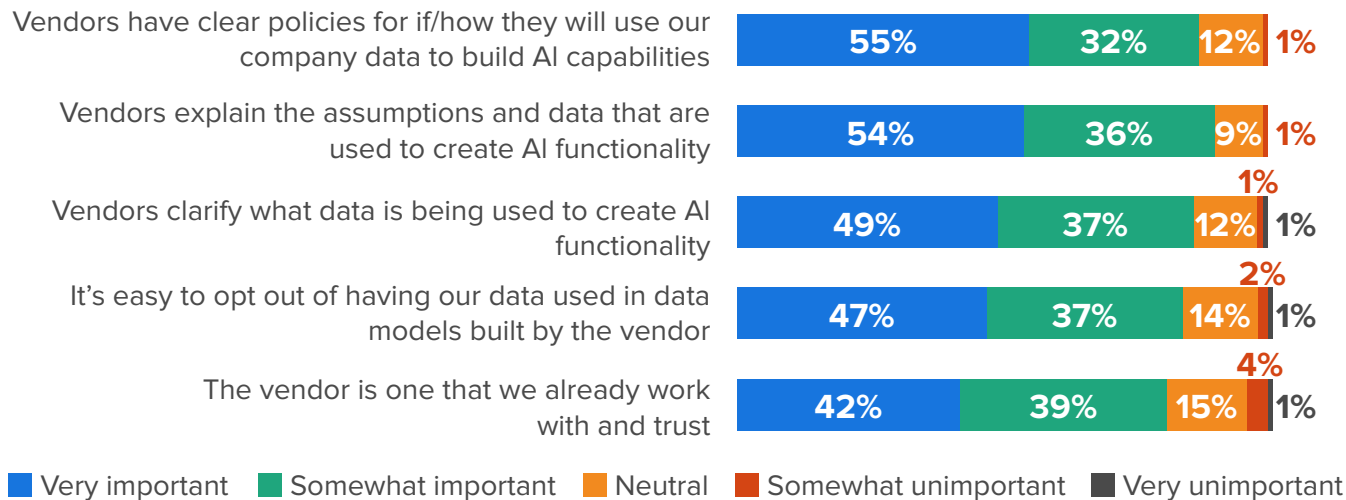SMBs have long ranked cybersecurity as the top macro trend they are concerned about. They cite concerns about data privacy and security among their top three technology challenges. AI has compounded these concerns. SMBs cite fears about information security and data privacy, making poor decisions because AI provides inaccurate answers, and unintended negative consequences as top worries.

Top drawbacks of AI

Concerns about information security
Concerns about data privacy
Concerns about unintended negative
AI will lead to job cuts
AI will create bad or misleading information
Lack the skills needed to implement AI
Lack of government regulation/safeguards
Lack understanding of how AI works
Lack the technology infrastructure needed to...
Concerns that AI will reduce wages

38%
35%
33%
27%
26%
23%
22%
22%
20%
19%

SMB Concerns About AI and the Need for Checks and Balances

How important are the following factors in deciding to use AI?

	Very important	Somewhat important	Neutral	Somewhat unimportant	Very unimportant
Vendors have clear policies for if/how they will use our company data to build AI capabilities	55%	32%	12%	1%	
Vendors explain the assumptions and data that are used to create AI functionality	54%	36%	9%	1%	
Vendors clarify what data is being used to create AI functionality	49%	37%	12%	1%	1%
It's easy to opt out of having our data used in data models built by the vendor	47%	37%	14%	2%	1%
The vendor is one that we already work with and trust	42%	39%	15%	4%	1%

■ Very important ■ Somewhat important ■ Neutral ■ Somewhat unimportant ■ Very unimportant

SMB Group's Impact of AI on SMBs Survey Study, 2023

This makes it vital that vendors explain how their AI models work and provide information about:

- How they protect data privacy and ensure security compliance

- The data sources they use to train their algorithms

- How algorithms make decisions

- Processes to keep algorithms up to date

- How they identify and mitigate biases

- How they use human expertise and oversight to improve the validity of AI outcomes

In addition, they should clarify what controls users have—how you can override or adjust the AI when necessary, and what the policies are to opt in or out of having your data used to build their models.

Workday designed its system and security framework to handle sensitive employee and financial information. Always-on audits, data governance, and compliance management capabilities are built into the system.

Workday has been infusing machine learning (ML) into its products since 2015. Today, it has more than 2,000 customers using ML across more than 40 use cases.

Workday AI can automate routine tasks like data entry and transaction processing, predict employee turnover by analyzing engagement and performance metrics, and optimize financial planning with predictive budgeting and forecasting.

Workday embeds AI directly into its products, drawing on data from HR, finance, and other applications that integrate with the platform. This means that customers can use AI like any other feature within Workday—you turn it on and it is ready to go. In addition, AI functionality is included in Workday's financials and HCM system as part of its standard subscription pricing, distinguishing it from competitors who charge separately for core AI capabilities.

The company has implemented many security protocols and privacy safeguards. For example, developers must use a questionnaire to assess AI risk to decide when and when not to use AI. Its AI systems are designed with encrypted data at rest and in transit to ensure data integrity and confidentiality, and strict internal controls to manage personally identifiable information (PII). It also gives customers clear opt-in and opt-out choices and documents data-handling practices, providing notice of when, where, and how AI is used in the AI interface.

In addition to using "off the shelf" large language models (LLMs) from vendors such as OpenAI, Workday builds and uses LLMs with Workday data to optimize data accuracy and security.

Finding the Right Solution Starts with Expecting More

SMBs with ambitious goals for growth need finance and HR systems that are up to the job. A cloud-based, unified financials and HR system offers key ways to help businesses operate more efficiently and effectively, setting the stage for growth and success. Key advantages include:

Decreased duplicate efforts: Information automatically flows between applications in real time, saving time and reducing errors.

Increased employee engagement and productivity: Consistent, modern applications make it easier for employees to learn and use different capabilities.

Expanded visibility: Unified solutions provide a panoramic view of business operations, making it easier to spot trends and identify interdependencies.

Improved decision-making: Real-time access to transaction data enhances decision-making by providing accessible and detailed insights.

Accelerated decision-making process: Everyone works from the same accurate, real-time information, improving collaboration and expediting decisions.

Streamlined financial book closing: Consolidated reporting reduces the time needed to close financial books.

Strengthened controls and governance: Consistent application of roles, permissions, and hierarchies simplifies governance.

Fortified compliance capabilities: Automatic synchronization across payroll, financials, and HR creates a consistent audit trail.

Reduced management and maintenance overhead: Consolidating vendors and solutions reduces system management tasks and maintenance costs.

Enabled innovation: The infusion of new capabilities, such as AI, directly into the platform, provides businesses with easy access to their benefits.

workday.

Workday's unified Finance and HR platform enables fast-growing SMBs to make decisions faster and empowers people for maximum performance. Workday provides a single source of truth for people and financial data on a back-office foundation they can't outgrow.

This enables SMBs to simplify the functions they need to expand operations—such as international payroll processing, transacting in multiple currencies, consolidating results across entities, integrating acquisitions, on- and offboarding employees, and more.

Accelerate with Workday helps customers achieve success with the Workday platform more rapidly, gain faster time to value, and incorporate Workday's full capabilities over time, with less need for external consultants or IT resources. This subscription-based program offers solutions and packages built with industries in mind and can be tailored to unique industry challenges—addressing each customer's evolving business objectives, boosting organizational productivity, and improving decision-making.

Workday Launch offers organizations a streamlined, fixed-fee, pre-configured deployment approach based on Workday best practices. This prescriptive method provides a low-risk, predictable path to help customers realize value from their deployments 42% faster. Each package supplies essential features to drive efficiency, such as automated payroll, simplified compliance reporting, and intuitive talent management tools—crucial for businesses looking to grow without significantly expanding administrative overhead.

With over 95% of Workday deployments delivered on time, and a 95%+ customer satisfaction rate, SMBs can rest easy knowing that they're ready to execute on their growth initiatives now—and be well-prepared for the future with a platform they won't outgrow.

![kainos®]

The systems that Kainos had in place were challenged by the rapid pace of change that the company was going through. It had increased its headcount from 250 to 1,500 in fewer than 10 years, and expanded its operations into 16 offices across Europe and North America. Attempting to get ahead of the curve, Kainos decided to deploy Workday Financial Management to facilitate this growth. Kainos also saw significant opportunities to increase operational efficiency by combining its financial management and human capital management into a single system. With Workday, the company was able to:

- ✅ Reduce manual journal entries from 80% to 40%

- ✅ Decrease manually entered invoices from 50% to 15%

- ✅ Cut supplier payments run time from weeks to 30 minutes

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The key difference from our previous system is that it was seen as a system for the finance team, whereas Workday is seen as a core system for the business.

- Financial Controller, Kainos

About

Workday is a leading enterprise platform that helps organizations manage their most important assets—their people and money. The Workday platform is built with AI at the core to help customers elevate people, supercharge work, and move their business forever forward. Workday is used by more than 10,500 organizations around the world and across industries—from medium-sized businesses to more than 60% of the Fortune 500. For more information about Workday, visit **workday.com/smb**.

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.