

Whitepaper: RPA or Process Automation Technology - what's best for the Office of Finance?

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RPA - A great technology in the right place

For many companies that have employed RPA technologies and created automated processes to relieve users of mundane activities, there is a feeling of satisfaction that they have achieved something and added some measurable value to their organisation. And they have.

But for the keen-eyed observers or the more strategically minded people there is a nagging question - have we created some new and potentially worse problems elsewhere in the organisation?

Well, spoiler alert: Yes, you most probably have.

It's all good, except when it isn't



There are endless claims about the potential for RPA technologies to make organisations more efficient and scalable through process automation. And in the right places and context this works.

But the truth is that many companies unknowingly overuse (or under-control) RPA and end up with a complex web of automation technologies and robotic processes sitting on top of their IT infrastructure and this causes some real headaches in other ways.

The issues tend to build over time

The issues with RPA are subtle and can take a significant amount of time (sometimes years) to build into something notable, but eventually most companies stumble across one or more of the following problems:

- **Shadow IT** - End user developments get out of control leading to a shadow IT department which threatens the coherence of the central Technology Strategy and causes IT expenditure to be spread across the organisation.
- **Blocked Digital Transformation** - Bad processes and legacy systems get 'wrapped' in RPA tools which makes them much easier for users and hence less critical to replace which undermines the Digital Transformation business case.



- **Increasing the Spaghetti** - RPA technologies get added 'on top' of the current IT infrastructure which creates a whole new layer of system integrations and limits subsequent upgrades and replacements.
- **Process Variants** - End-user's 'tailor' processes to their individual ways of working and create numerous process variants which can affect staff training and reduces interchangeability of staff in their role (e.g., for holiday or maternity cover).
- **Shelf-ware** - Organisations typically buy far more robot licenses than they realistically need, often because of lack of knowledge coupled with attractive pricing strategies such as "All you can use for only \$\$ per month", which leads to their misuse in inappropriate situations to justify the cost outlay.
- **Operational Failure** - Robots can work 24x7 at a pace far greater than humans, this can overload the transactional processing capability of legacy systems and create new types of operational issue.
- **Service Management issues** - Tracking down the 'root cause' of an issue after experiencing an IT outage can become much harder when an additional layer of RPA technology is in place and the activities of all the robots which were operating at the time of failure needs to be inspected.
- **Audit Issues** - Explaining how certain outcomes were achieved can be hard when processes are automated without the correct protocols and tracking - particularly if the automation is user developed or user specific process variants have been allowed.
- **Security issues** - In order to behave like a user a robot needs to be able to access the systems the user would access, and this requires login credentials. Some companies give robots their own credentials, others let them utilise the users' credentials - both methods add to the security admin.

So, what's going on?

For all it's been around for a decade now, RPA is still rather novel and its impact on the technology infrastructure and technology roadmap is not fully appreciated by many.

Much of this stems from the way RPA technologies bypass traditional system integration methods which are based on formal interfaces (i.e., APIs) and create integrations via the User Interface (UI) and this has some important implications.

It's worth taking a minute to understand this. As a human user we add new data to systems and we modify existing data within the system all via the UI, and RPA robots are set up to mimic users, so they move data around via the UI as well. This seems innocuous at first but as soon as you use a robot then you have created a technical integration between the



user interface of the system and the RPA toolset - and likely via the RPA toolset to another system. Even worse is that the integration relies on a robot knowing whereabouts on the UI of each of these systems the relevant data and fields can be found, and how you want to manipulate the data in these fields.

Let's consider the pros and cons of this:



Pros

- Once the robots are setup your users start to work more efficiently, and you (as an organisation) are saving real time and money from reduced errors and greater volumes of work for the same number of people.
- Business users become a lot happier in their work as the tedious tasks get removed and they can focus on the more interesting stuff.



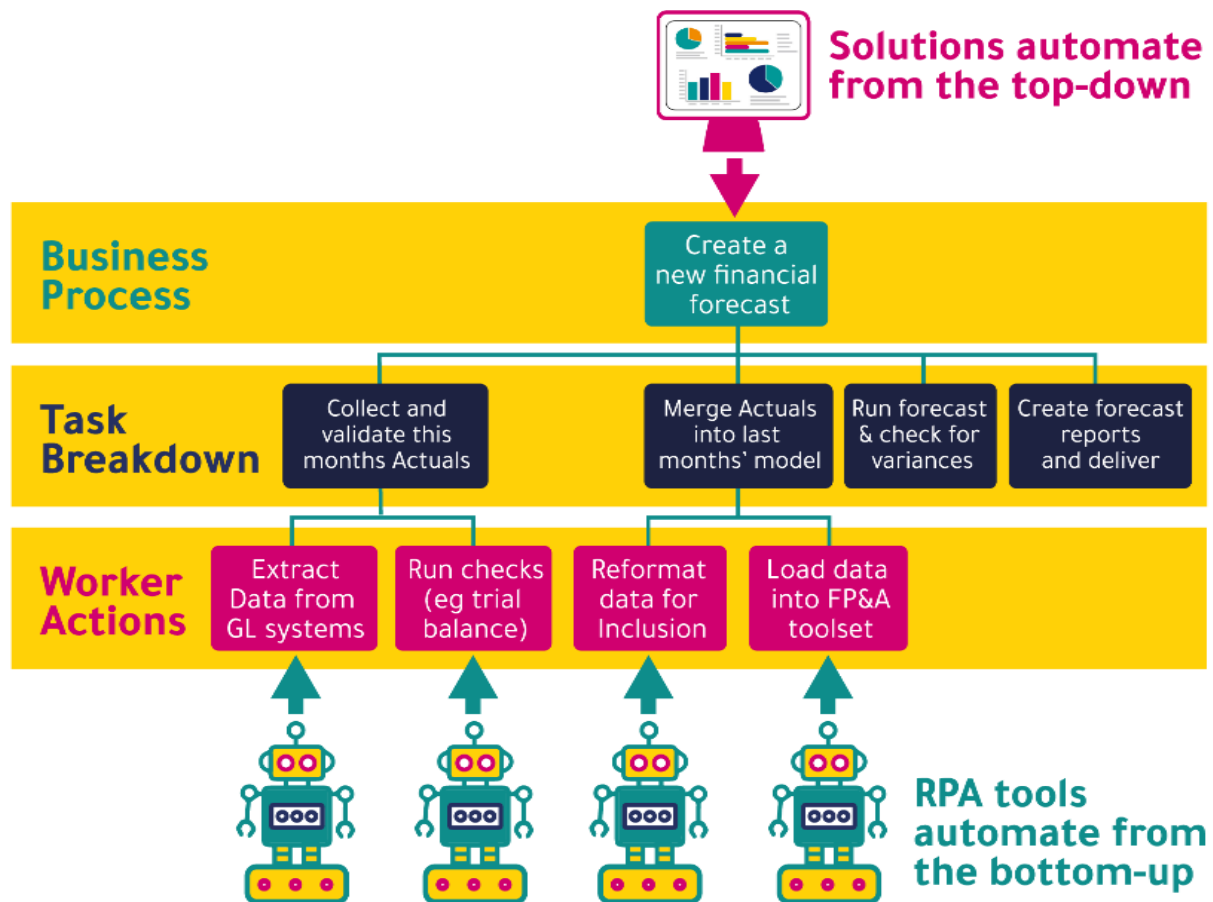
Cons

- Your systems are now linked via the UI and so if at some point you update any of these systems in any way, then the robots will have to be re-educated. Or you need to ask your vendors not to modify the UI.
- If you do have to upgrade any systems, then all the robots need to be updated and retested as well as the new software.
- As your business users are much happier there is less pressure on IT to enhance or replace legacy systems. Which allows dilapidated systems and inadequate processes to stay in place longer than the otherwise would be acceptable.
- If you have a digital transformation planned or underway then it now needs to cost-in the dismantling of all the robots. And the replacement systems need to be an improvement or a whole new set of robots will be developed (at more cost).
- The robots will likely need login credentials to access systems like a user, which gives the security team more work when someone joins or leaves.
- If any of your processes are subject to audit or inspection, then all the robot activity needs to be logged and retained.
- GDPR requires that organisations must be able demonstrate how a decision about a particular customer has been made - there must be clear way to record all actions relating to an individual from RPA tools.
- If IT support people are to be able to track what happened when a system outage occurs, then all robot activity at a technical level needs to be logged.



When does a robot make sense?

To answer the question - when does a robot make sense? - it's useful to first visualise the way a solution solves a problem compared to RPA toolsets:



As can be seen, RPA technologies focus on the actions users do to complete a task. Robots are best applied to the repetitive and error-prone parts of any task which users are normally glad to see the back of. RPA designers look for places when the user is copying and pasting data from one place to another or other similar 'low-value-add' situations. They don't worry about the overall objective of the task or the business process, they just focus on how to improve the efficiency of the user.

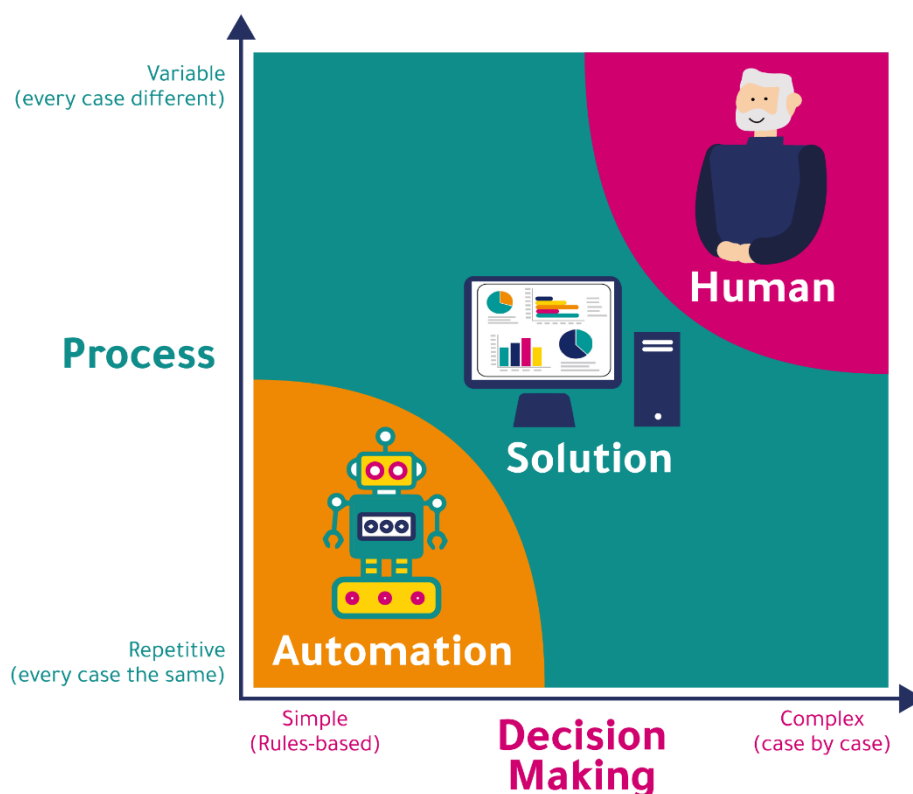
Solution designers on the other hand take a top-down view. They focus on the business problem and set out to devise optimal ways to solve it. They typically have conversations with managers about - for example - ways to improve the budgeting or forecasting process, or ways to improve the financial period-end close process. They then set out to design task breakdowns and user interfaces (screens) that make the process as efficient and effective as possible.

The takeaway here is that RPA improves end-user efficiency by adding a layer of new technology 'on top' of existing solutions to remove repetitive tasks, but with the

compromise that this makes the IT landscape more complicated. Whereas solutions replace the existing technology and aim to improve both effectiveness and efficiency with a better IT landscape.

Limits of each approach

There are a distinctive set of circumstances that must apply for each type of approach to be successful, and they relate to two key parameters - (1) process repeatability and (2) decision-making complexity. These criteria come together as follows:



- **Robots** are best when the process is simple and repetitive with few variants, the decisions are all straightforward and rules based (i.e., for case A do this, for case B do that, etc.) and the input data is all digital and well-structured with no exceptions.
- **Solutions** are good when the process is moderately complex but predictable, the decisions are algorithmic (i.e., they have policies and formulae that can be applied) and the input data is digital and structured (although solutions can handle data in many different formats).
- **Humans** need to handle all of the non-deterministic cases.



Applying this to finance processes

Gartner state in their paper entitled “When and Where to Use Robotic Process Automation in Finance and Accounting” that RPA will best be used in finance and accounting wherever people are performing manual keying and posting of data between systems.

Considering the 10 key business processes in finance, the following highlights some of the applications of RPA tools and solutions in the department:

1. Accounts Receivable

Accounts Receivables (AR) is generally not reliant on external data or other systems beyond the finance system so has little requirement for RPA.

2. Accounts Payable

Accounts Payable (AP) is a manually intensive task in a finance department as the overwhelming quantity of vendor invoices are non-standard and need to be cross-checked with the purchasing order (PO) and goods received note (GRN) so there are few opportunities for RPA but some related technologies such as Optical Character Recognition (OCR) come into play here.

3. Client Onboarding

Compliance regulations are becoming ever more onerous, and the know your customer (KYC) process can absorb highly skilled employees for hours as they comb through systems to collect information on the customer. RPA can be used for gathering data on the customer from different systems and entering data into the customer's profile.

4. Reconciliations

Reconciliations are a complex process and can involve a lot of manual data extraction and data entry which initially makes it seem like an ideal place to employ RPA. But the process has a lot of potentially complex decisions that require people to inspect the detail, so the scope for RPA is limited to things like downloading data (e.g., bank statements) and uploading them to internal systems.

5. Travel and Expense Processing

Business trips and travel generate a trail of receipts and invoices which need to be processed and reported. For most companies this process is digitised, and employees must enter and classify their receipts to show how they meet company policy and legislation. The opportunity for RPA in this process is therefore very limited. Some companies still using manual processes have employed RPA tools with optical character recognition (OCR) to help with data capture from receipts.



6. Investment Management

RPA has been used in the past to construct a picture of investment value over time, but such tools are now typically built into portfolio management tools. Other areas such as evaluating an investment portfolio for risk, are too complex for RPA.

7. Financial Planning and Analysis (FP&A)

For companies using spreadsheets for FP&A, then RPA tools may be able to assist by collecting historical data from internal systems or circulating finalised reports. But overall, FP&A is a sophisticated analytical process requiring complex tools and modelling (e.g., dimensional data mapping, cube views, drill-to-source) and so most companies adopt formal FP&A solutions rather than employ RPA tools.

8. Operational Finance and Accounting

There are some time-consuming activities in this process which RPA can assist with such as:

- Uploading account balances into treasury systems.
- Reformatting data for the treasury system to process.
- Distributing treasury system reports.
- Inserting General ledger updates.

9. Financial Statement Preparation

Creating financial reports is a manual and time-consuming task, but the risk of errors and the amount of decision-making is so high the role for RPA is limited to data extraction and formatting. Comparisons and variance analysis to previous periods requires a platform to manage and control the results. Most companies use formal Financial Close solutions to manage this process.

10. Compliance Reporting

Many companies have disparate systems from which data needs to be gathered and reconciled for tax reporting. RPA can help in the gathering of data, and potentially submitting reports to tax authority portals where these are available which can conceivably save companies hefty non-compliance fines and penalties.

Conclusion

Businesses who use RPA to remove tedious repeatable processes can experience efficiency gains, and redirect staff on to more fulfilling and interesting tasks. But this is not without cost as using RPA to automate a “bad process” hides important issues, locks-in the problems you have now, and can block the pathway to improvement.



If you are using RPA to overcome poor systems and a lack of integration then unless this is just a short-term stop-gap, such as grabbing data out of legacy systems where no APIs exist, you are likely doing your organisation a disservice in the long run.

That said, the reality is companies will likely always have to live with inefficient processes and legacy systems for longer than is ideal and many will use RPA to improve things while waiting for an upgrade. But even if you must wait a long time, you should resist the temptation to let RPA become the long-term solution, it is far better to get louder and more demanding about your need for system improvements.



No one can afford to lock-in bad processes

Three things are true about the business world today which highlight the perilous dangers of locking-in bad processes and legacy systems:

1. ***The environment is constantly evolving*** - Your customers, business partners, and other stakeholders have growing and ever-changing needs and priorities. So, you need to be able to modify your products and services rapidly to prevent them from moving to other suppliers.
2. ***Disruptive technologies are on the way*** - The products and services that you may consider premium now are likely to be commoditised or replaced through new



technological advancements in the future. So, you need to be churning legacy systems and keeping on top of new technologies as they become mainstream.

3. **Information availability is increasing** - The volume and availability of data is increasing and will give every organisation access to information about the needs of customers. So, your systems need to be open to improvement and enhancement to enable you to evolve your processes.

Technology is the best weapon you have if you are to compete in the modern fast-moving world, and the quality of your IT solutions determines the quality of your business processes which ultimately determines the quality of your products and services.

Few companies can afford to update their technology constantly so there will always be a role for augmenting technologies like RPA to help keep things working efficiently. But your aim should always be to have up-to-date integrated solutions that properly support your business. This way you will get your organisation to a much healthier place in the long run.



Accountagility's ORYX suite addresses the most commonly faced challenges in Finance and allows you to see your business future. We align with the Financial Planning & Analysis and Financial Close markets, defined by Gartner; our Planning and Close/Consolidation solutions are available individually, or together on a single platform. ORYX Finance Process Automation allows businesses to automate bespoke and complex financial models and processes in a user friendly and controlled environment. ORYX supports:

- Consolidations and Eliminations
- Allocations and Recoveries
- Rapid Scenario Planning
- Revenue Recognition
- Forecasting
- Reconciliations
- Accounting Treatments (IFRS Computations, monthly accruals, equity calculations etc)
- Reporting (including integration with BI tools)
- And much more....

Other features include: Plan comparisons, Roll-Forwards, Custom built applications, and OLAP Analysis and Workflow management of tasks.

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