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Automation in the CFO World

Effortless. Efficient. Cost-Effective

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Introduction

Automation, especially RPA proves to be advantageous for CFOs in their existing as well as future roles. RPA helps CFOs realise substantial benefits such as cost reduction for their organisations, higher efficiencies by reducing errors and execution time.

Executive Summary

In today's rapidly evolving economic climate, organisations are struggling to respond to the shifting needs of customers even with efficient and effective operations. Technology, ever so often, comes to the rescue.

Technological advancements such as automation assists organisations in automating processes and delivering the required task more effectively and timeously. An emphasis must be placed on emerging automation technology namely, Robotic Process Automation (RPA). Robotic automation implies a way of automation in which a software robot mimics a human's action in completing a task effectively. A computer runs application software in such a way that it is similar to human users. It does not replace humans but assists them in their work. The use of technology helps an organisation, CFOs in particular, to obtain more from people and processes by improving efficiencies.

RPA provides a number of benefits to the organisation such as cost savings, higher productivity, better visibility and control of processes. Since this technology is non-invasive in nature, organisations implementing RPA can integrate this with their existing architecture and do not need to re-invent the wheel. The short time required to realise return on investment makes RPA adoption even more attractive for organisations where rule-based processes form the majority of the full time employee (FTE) work. In fact, the share of technology/automation in Business Process Services (BPS) and service provider's portfolio is expected to increase from 10-15% in 2015 to 35-45% in 2025. Banking and financial services, along with insurance and manufacturing, are already reaping substantial benefits and are poised for further gains due to the nature of their operations.

The adoption of RPA has been on an incline since 2013, despite the variation in the realised outcome from industry to industry. RPA's penetration has also seen a substantial rise since 2013, not only in Information Technology (IT) but also in the business process services industry. Buyers are now expecting the inclusion of RPA capabilities as a critical factor before awarding a contract to any service provider. Inclusion of RPA capabilities is not only restricted to new contracts; these capabilities are now being added to contracts due for renewal.

Yet, like all other technologies, RPA should also be implemented on a need basis and with caution. Rule-based routine work should be gradually phased out to software robots, which frees up FTEs to engage in more complex and value-adding work. Based on the results of RPA adoption, the scope of implementation should be enhanced.

As per Gartner, even without redesigning processes, automation can improve productivity by 12%; not surprisingly, RPA has evolved as a great enabler for the existing role of the CFO as financial gatekeepers who are concerned only with costs and controls, as well as their evolving role as strategic advisors. In turn, this involves managing performance and achieving long-term sustainable growth.

Source: 4N = 199

Current RPA Adoption Scenario

In the current scenario, CFOs are faced with challenges such as improving efficiencies, reducing costs, sustaining and enhancing growth, and generating action-oriented insights from existing data points, in order to achieve solutions for these looming problems.

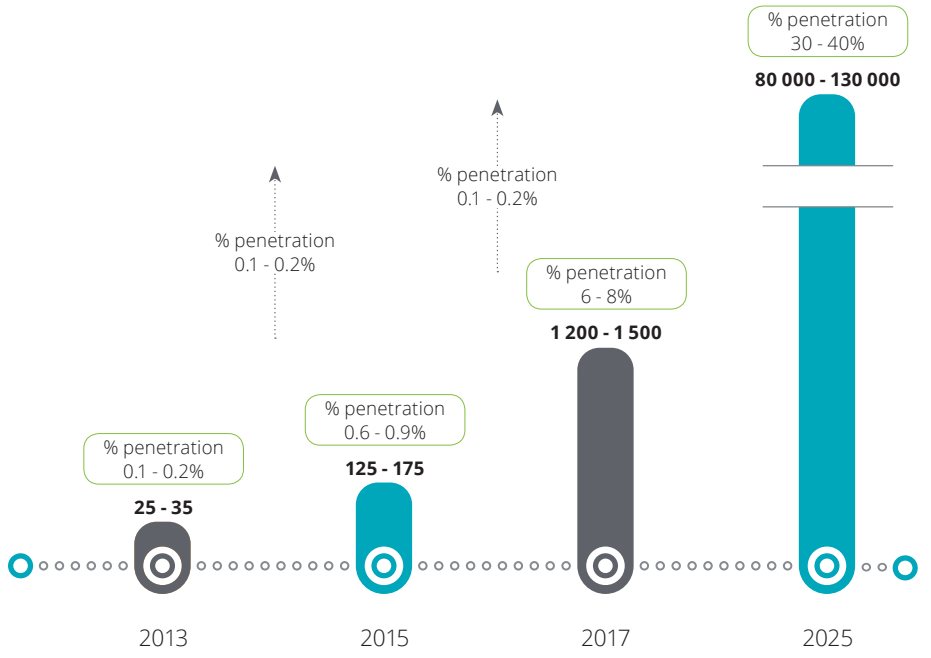
RPA can be defined as the use of software to replicate process-based human actions, facilitated by a user interface. Since 2013, RPA adoption has gained prominence in IT as well as business process management services. Finance has been at the forefront of RPA adoption. 62% of finance department executives, plan to execute or administer an initiative to augment automation in their department in the coming two years.

Market estimates further support the fact that finance executives are more eager to automate their processes. In the case of Finance and Accounting (F&A) Outsourcing, 47% of the CFOs belonging to the buying organisations consider automation competencies a critical capability.

As of 2015, spending on Business Process Services (BPS) impacted by RPA was low ($125-175 million). Spending accounted for less than 1% of the addressable market (processes where RPA can be implied). Spending is expected to shoot up significantly to $80-130 billion by 2025. The primary factors driving this exponential growth are full-scale deployment of existing pilot projects and improved trust of buyers due to the expected success of early adopters.

Adoption of RPA is process-specific and varies from industry to industry. Finance and accounting processes in the banking and financial services; manufacturing and retail have the highest potential for RPA adoption in the near future due to the fact that processes such as card activations, claim processing and generating bill of materials is process-based and can be easily managed through automation.

Spending Impacted by RPA ($ million)



Source: The economist – why the future of finance is (still) automation

RPA Adoption potential by industry and processes

Banking and financial service						• Activation of cards • Discovering fraud claims
Insurance						• Claims processing and new business
Healthcare and pharma						• Report automation • System reconciliation
Manufacturing and retail						Generation of bills of material
Hi-tech and telecommunications						• Service order management • Reporting of quality
Travel and logistics						• Ticketing • Revenue accounting
	Finance and accounting	Procurement	HR	Contact Centre	Process specific to industry	
	• Accounts Receivable (AR) • Accounts Payable (AP) • General Ledger	• Invoice Processing • Purchase Order Requisition	• Payroll • Candidate Hiring Management	• Customer service		

HIGH (Level of Adoption) → LOW (Level of Adoption)

PROCESSES WITH HIGH RPA ADOPTION POLICY

According to a survey conducted by the Everest Group, large enterprises, with annual revenue of more than $5 billion, are at the forefront of RPA adoption at 69% . The client as well as the service providers are hosting RPA solutions. Currently, 66% of hosted RPA solutions are from service providers, while the remaining (34%) are client-hosted. At present, the RPA implementation part is completely managed by service providers and 10-30% of FTEs (technology) within BPS are dedicatedly working on RPA solutions. As per the RPA Global In-House Centre (GIC) survey conducted by Everest Group, 50% of participants are actively planning or using pilot RPA projects, while 28% have already implemented RPA within multiple functions and the remaining respondents are considering adoption/implementation of RPA in their rule-based processes.

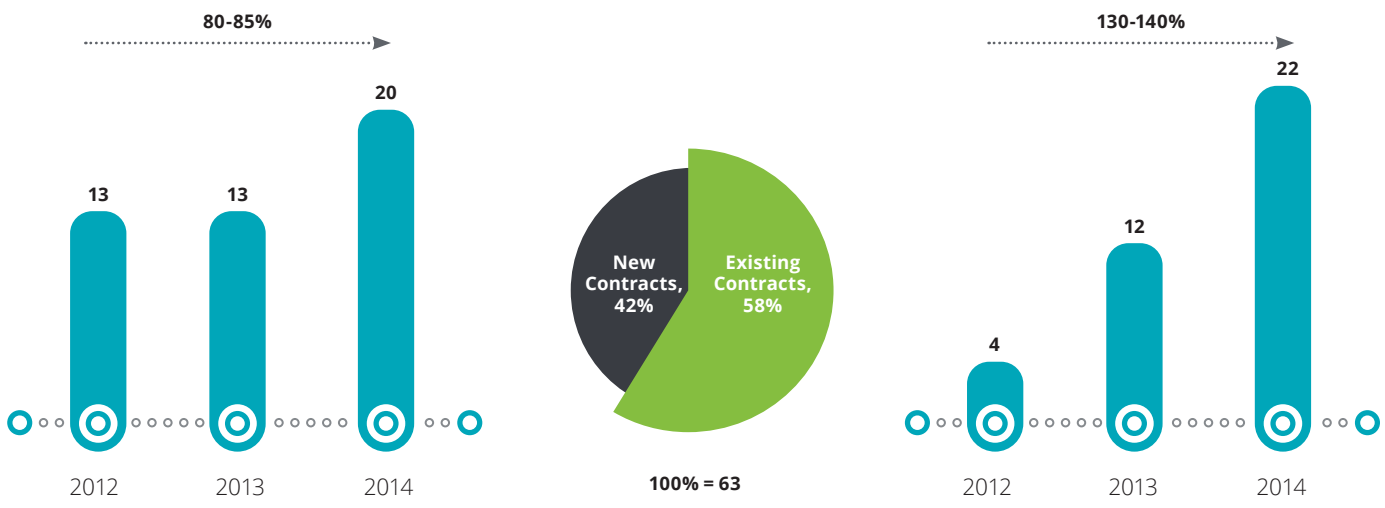
In terms of geography, North America leads the pack with 54% (N = 237) of buyers opting for RPA. It is followed by Europe, Middle East and Africa (EMEA), excluding the UK, with 24% of buyers adopting RPA into their processes .

So far, RPA has been very successful in addressing efficiency challenges and other associated capabilities, such as cost savings, to the extent that buyers now expect RPA capabilities as a key offering in their service portfolios. This capability is not only being offered in new contracts but also as part of existing contract renewals. The high growth of adoption by the existing users of RPA may have been a consequence of the success, which has been achieved post RPA's implementation.

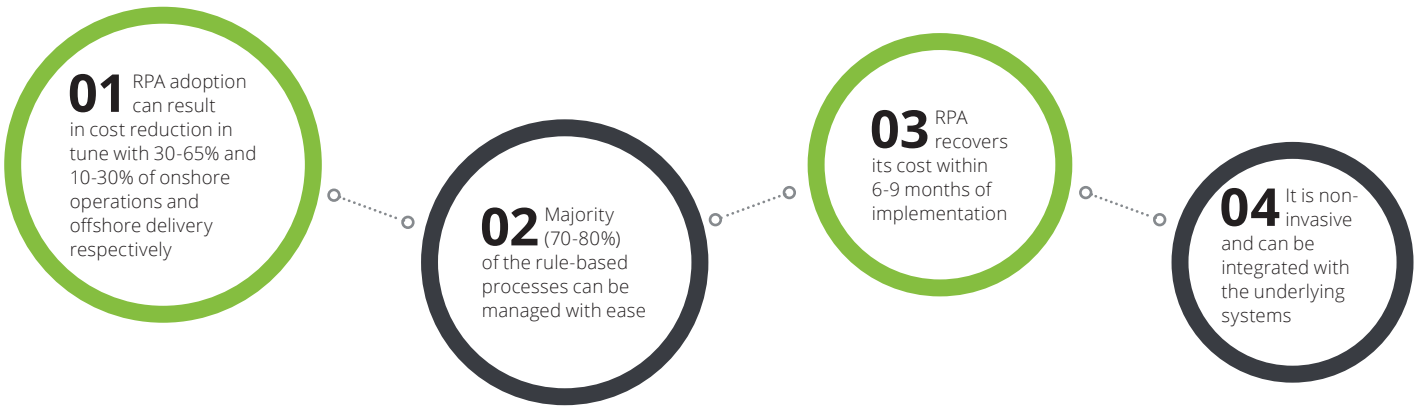
Source: 3N = 237

As RPA provides cost benefits to a large extent, the inclusion of such capabilities is also expected to alter the contract pricing model and tilt the balance in favour of outcome-based pricing, from the current input-based pricing

Insertion of RPA in existing and new contracts (Finance and Accounting processing)



Benefits of RPA adoption

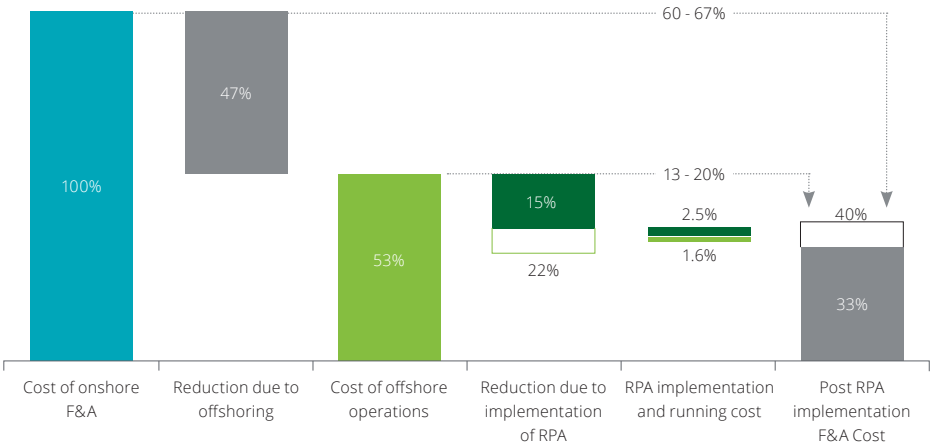


Organisations are subjected to lower costs due to increase in the efficiencies, error caused by human interventions, its non-invasive nature, better service delivery, easier process management and lower cost recovery, these factors make RPA very attractive to CFOs who are dealing with pressures on bottom lines due to existing economic situations and global turmoil.

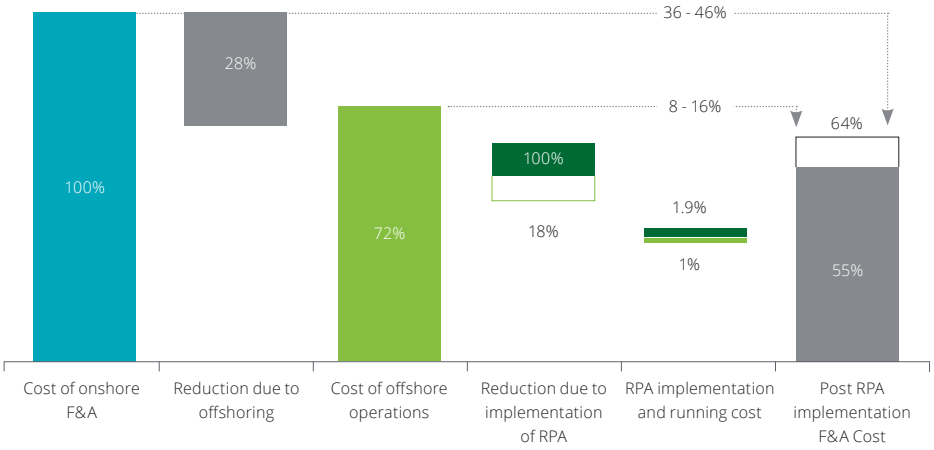
COST REDUCTION

RPA-driven cost reduction in finance and accounting, especially on onshore operations, has been substantial. The one time cost of a software robot ($40 000 - 50 000) may be on the higher side; however, the fact that a software robot costs only one-ninth of an onshore FTE in the long run, is lucrative enough for organisations to consider automating rule-based, non-value adding processes. The cost savings in a vertical process is not in tune with what can be achieved in a horizontal process (as the cost saving due to offshoring vertical process [only 28%] is much lower than that of offshoring horizontal processes [47%]); however, given the volume of existing costs, vertical processes can also reap substantial gains by adopting RPA. Apart from cost savings, RPA could also improve the aspects of the process involved such as quality, governance and speed. Improved quality, better governance and higher execution speed of the process may not result in direct monetary cost savings; however, in the long run, the cumulative benefit in all of these aspects can be substantial for CFOs.

Cost reduction in horizontal business processing such as Finance and Accounting (F&A)



Cost reduction in vertical business processing such as insurance



RULE-BASED PROCESS MANAGEMENT

Rule-based process management: RPA is capable of automating majority of rule-based processes and provide improved service delivery along with improved agility. RPA can provide better service delivery by improving quality (lower manual interferences, inaccuracies and duplications). It can also improve agility through improving governance (compliance requirements can be embedded in to the automation rules) and enhancing security (risk reduction from within the company). RPA also helps improve business continuity by allowing processes to be shifted to other servers.

QUICKER RETURN ON INVESTMENT

Return on investment can be realised very soon as compared to Business Process Management (BPM) tools and Enterprise Application Integration (EAI) software. Time taken by RPA for value realisation is one-sixth that of EAI software and one-fourth of Business Process Service workflow solutions. The time of implementation as well as time to break even for RPA is much lower than other prevalent tools .

NON-INVASIVE NATURE

RPA is non-invasive and does not require much interference with the existing systems. It requires minimal software programming for rule-based processes. Majority of the RPA systems have multiple access levels such as configuration, viewing, execution and halting. Nearly all the RPA systems provided by third-party vendors include the roll-back features in case the desired results are not achieved.

Source: Times Group, Everest Group, CFO Edge

CFOs are using RPA for risk management as well as strategic planning. The finance functions of a number of organisations are adopting RPA to manage risk and simultaneously support forward-looking decisions that have the potential to drive strategic planning. For instance, implementation of RPA can answer a number of information related issues that entail multiple processes, departments and sites, hence providing enough visibility to multidimensional data for all concerned stakeholders. RPA helps companies adjust to various systems and jobs that are executed automatically. Business complexities increase the necessity to automate non-value added processes by means of RPA, which assumes greater significance. The repercussions of not adopting RPA can be drastic. Missing deadlines can negatively impact customer loyalty, loss of sales and subsequently lower revenue. According to estimates, up to 30% of all project costs are attributed to rework caused by errors. Another negative impact can be the fact that loads of time is spent by employees on manual input or output tasks, which results in overall productivity decline, which can impact profitability negatively .

CFOs are actively pursuing RPA in accounts payable (AP) under the finance function. AP may not be the day-to-day responsibility of the CFOs; however, automating AP can deliver sizeable benefits for the finance function. In order to maximise return on investment of AP automation and transforming AP from a cost centre to revenue generator, CFOs should consider early payment discounts, leveraging payable data, scalable processes etcetera.

RPA helps organisations realise a number of benefits, more than 90% elimination in manual work, 60% improvement in productivity and elimination of manual data collation and faster decision-making under the accounts receivable processes.

Case Studies in Automation

1. An industrial gas company: the company was faced with a number of issues such as wastages in the Accounts Receivable (AR) processes, compliance issues, quality of credit data and a capability issue in managing a large and complex global portfolio. The company implemented RPA in AR processes and realised better credit scoring, invoicing, dispute management and reporting.

2. A large automotive retailer in the US: The automotive retailer was faced with a lack of structured processes and complexity in end-user applications. The company was looking for solutions that could easily be integrated with their existing architecture (i.e., non-invasive solutions). It selected a provider that offered Microsoft-centric solutions. After implementing the selected automation solution, the company realised reduced errors, faster process cycle times, cost savings, higher control and visibility, and improved customer experience among others.

3. An insurance claim service provider: the company required scale and lower human intervention in their claims-processing operations. The company adopted a managed system and realised substantial flexibility and reduction in the cost of clerical work. Now the claims-processing team, comprising four employees, is able to process close to 3 000 claim documents per day.

4. A healthcare service provider: the company was faced with issues such as scalability due to massive growth, timely period-end and month-end reporting and lowering of administrative costs. The company automated its accounting, reconciliation and payment batch processes after which, the company was able to achieve 96% improvement in productivity, 80% reduction in penalties as a result of missing client KPIs, and 30-40% savings in reconciliation processes.

5. A major global bank: by automating certain processes such as new loan processing and claim processing, the bank was able to reduce bad debt provisions to the tune of £175 million per year, save costs spent on more than 120 FTEs, and achieved process improvements.

6. A telecommunication service provider: beset with a number of efficiency and cost problems such as increasing FTE count in India, higher average response time and back-office failed customer calls, the company implemented RPA solutions. As per the latest available data, the company has employed over 160 software robots that are processing 400 000 to 500 000 RPA transactions per month. The payback period for this investment is 12 months with an expected three-year ROI of 650-800%.

CFO considerations for AP processes

Capatalise on early payment discounts
Automation can help speed up the invoice approval process which-in-turn gives the finance department the power to negotiate on early payment discounts. Even a less than 2 - 3 % discount can add up to substantial gains.

Improved Cash management by Leveraging Payable Data
Grouping of suppliers/vendors as per their volume of payment and value of purchase can significantly improve relationships and warrant quick payments. This provides the CFO with a holistic view of cash reserves.

Reduce hiring needs by scalable operations
AP – Accounts Payable processes face challenges in finding the right information in a timely manner

Cost centre to revenue generator
84% CFOs belonging to organisations automating Accounts Payable processes witness reduction in overall payment costs. CFOs consider AP automation as a critical method to improve cash management and to transform AP into revenue generator from being a mere cost centre.

Source: One Base

Conclusion

Automation, especially RPA, is proving to be a major asset for CFOs. With Cost reduction set aside, automation in finance should be seen as the natural next step for business process efficiency, improving relationships with service providers, motivating for a Digital Audit, creating the opportunity for a finance team that is engaged in strategic functions and decisions of the organisation.

Due to the constant pressure from internal stakeholders to bring down costs, finance functions should become leaner and more cost efficient.

Besides donning multiple hats, the CFO will continue to keep an eye on cost control, as well as respond to evolving market requirements by improving organisational agility. In order to retain a competitive edge, the CFO must adapt to changes in the market, RPA is definitely one of the strong levers to promote efficiencies in the workplace of today.

Source: Shared Services Link

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