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<u>Spotlight</u>

<u>Robotic process automation</u> has proven to be a major optimization lever of finance activities. However, in order to be fully effective, the application of RPA is a step that needs to be considered within a wider optimization review of finance-related activities and processes.

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Finance functions have been transforming themselves in recent years with the aim of evolving from a "data producer" to a "strategic business partner" for their internal clients.

This transformation requires them (i) to switch from reactive to proactive delivery of data, analyses and decision-making support to internal clients, (ii) to evolve from being "closing driven" to "day-to-day driven" in their interactions with key stakeholders, and (iii) to do so while maintaining a balance in terms of the quality, timing and cost of financial and accounting data production and reporting. With RPA, or robotic process automation, becoming more prevalent, there is now a way to address these challenges effectively, notwithstanding the increasingly complex context in which the transformation of finance functions is taking place:

1. **Finance has a growing role in strategy development and support, thus requiring a higher level of business insights.** This calls for an in-depth understanding of the business's cost and revenue drivers, among other things. The growing role afforded to Finance is coupled with rising expectations from the business and other functions in terms of the added value analysis and support for decision-making processes that they expect from finance functions on a day-to-day basis.

2. **There is growing pressure on the timing** (i.e. accounting closing, regulatory reporting, budgeting/forecasting process) **and costs** (i.e. finance function costs as well as total group costs) of financial and accounting data production and analysis.

3. **Expectations and workload related to regulatory requirements are surging** as companies strive to achieve compliance with IFRS 9, among other things.

4. **There is a need to upgrade** and reinforce skills and competencies around **data enrichment, analysis and governance.**

5. **Complexity related to the management of resources and competencies within Finance is growing.** The challenge for many finance functions is twofold: Not only do they have to (i) ensure efficiency and sufficient productivity in activities related to data production and control, but they also need to (ii) ensure the necessary development of resources and competencies on activities related to advisory and added value analysis and support to the business (i.e. controlling, tax, treasury and corporate finance)

RPA as a major optimization lever for Finance

Robotic process automation has proven to be a major optimization lever within finance activities as companies strive to face these challenges head on. However, in order to be fully effective, the application of RPA is a step that needs to be considered within a wider optimization review of finance-related activities and processes.

In recent years, we have conducted numerous assignments in the field of RPA in finance functions across various industries. Our main takeaways include:

TAKEAWAY #1: Optimization potential through the use of RPA in finance activities is significant and typically reaches up to 20-25%

RPA is well suited to activities that are repetitive, have structured and digital data, and are processed following a rule-based approach (as opposed to a judgment-based method). Many finance activities are therefore suitable for (full or partial) automation in this manner. Our experience in this area shows that 20-25% of accounting activities can be optimized through RPA, along with 8%-15% of controlling and other reporting activities.

TAKEAWAY #2: To be fully effective, RPA must be part of a broader process optimization and simplification effort

RPA does not constitute a process simplification or improvement lever per se, but what it does do is allow you to replace repetitive, manual and rule-based tasks with an automated process. As a prerequisite for a successful RPA rollout, it is therefore necessary to analyze the simplification, harmonization and optimization potential of the underlying finance activities. It is important to remember that a sub-optimal automated process remains sub-optimal even if RPA allows you to minimize the related workload and hence the cost of this process for the organization.

TAKEAWAY #3: RPA constitutes a short-term solution, with quick payback, which can help to fund a more sustainable long-term improvement of the underlying finance system landscape

Development and implementation of an RPA solution is relatively quick, typically taking between 6 and 14 weeks depending on the level of complexity of the underlying processes. Payback periods are therefore usually around 4 to 8 months. Many companies leverage the (short-term) gains generated by the rollout of RPA to fund a longer-term and more sustainable optimization or simplification of the underlying IT system landscape in Finance, the ultimate objective being to maximize the use of end-to-end automated accounting and finance production processes.

TAKEAWAY #4: **RPA projects must be coupled with an analysis of the expected evolution of required skills and competencies within Finance**

Our experience shows that RPA is usually well accepted within Finance teams as it impacts predominantly the most manual activities and those with little added value. As such, RPA is a key contributor to the transformation of finance functions from the role of "data producer" to the role of "strategic business partner" as it enables them to free up workload in production, control, consolidation and reconciliation related tasks.

There are two main HR stakes in this: (i) the rollout of RPA will require the acquisition of new RPA analysis and management skills within the finance function to support the industrialization of such solutions, and (ii) RPA needs to be coupled with an analysis of activities,

workload and skills balancing within Finance. Gains generated in production-like activities are often (partially) reinvested in higher added value activities and support to internal clients.

In conclusion, RPA is an interesting and effective lever to replace repetitive, manual tasks with an automated process generating substantial productivity gains around production, control, consolidation and reconciliation tasks. To be fully effective, it needs to come after a process simplification and harmonization effort and it has to be coupled with (i) an analysis of the long-term end-to-end automation potential of accounting and financial production flows and (ii) an analysis of the expected evolution of HR needs and related skills/competencies in the parameters within which it is being rolled out.

Figure 01: **The benefits of RPA fit well with the typical key challenges experienced in finance functions.**

TYPICAL CHALLENGES FACED BY FINANCE FUNCTIONS	MOST COMMON ROBOTIC PROCESS AUTOMATION BENEFITS
1. Role of Finance in strategy & business insights is increasing	> Enables you to focus on added value tasks and activities rather than on high-volume and low-complexity production tasks > Hence, facilitates transformation from a pure data provider to a strategic partner to the business
2. Time and cost pressure	> Enables you to reduce cycle times, adapt to peaks (e.g. closing periods) with the ability to scale easily > Works 24/7, 365 days a year – 1 robot typically handles the workload of 2 to 4 FTEs > Offers higher visibility on deadlines and facilitates the management of interdependencies
3. Increased regulatory requirements and scrutiny	> Eliminates the error rate inherent in human processing > Ensures higher consistency within the organization > Deals with local specifics through customization of parameters > Improves traceability through systematic process tracking and documentation
4. Data	> Enables the use of advanced analytic techniques > Fosters continuous learning (improvement analysis based on live data collection) > Supports better decision making
5. Staffing & management of resources	> Increases staff satisfaction/retention and frees up staff capacity to deal with more complex issues > Avoids burdens related to staff turnover (onboarding time, training) > Eliminates the need for offshore/nearshore/outsourcing of low-complexity, high-volume tasks associated with considerable coordination costs

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WE WELCOME YOUR QUESTIONS, COMMENTS AND SUGGESTIONS

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