

THE ROLE OF ROBOTICS IN FINANCIAL SHARED SERVICES

In this Q&A interview with Brad DeMent and Trey Robinson, partners in ScottMadden's Corporate and Shared Services consulting practice, APQC asked how robotic process automation (RPA) is set to change financial shared service organizations (SSOs). This is the second in a two-part series; click to read the first half: [Roles and Risks in Financial Shared Services Today](#).

How will robotic process automation (RPA) change financial SSOs?

Because of the multitude of operational risks such as political instability, currency instability, and natural disasters, organizations are beginning to figure out that labor cost cannot be the primary driver of SSO location. Therefore, organizations will seek to minimize operational risks by minimizing the dependency on people. This can be done by maximizing the use of robotics—by finding ways to automate processes. RPA is an attention point for most of ScottMadden's clients. We're seeing a lot in the media about how organizations can use data analytics and RPA to essentially streamline and automate many financial processes.

Having said that, we think RPA ramp-up estimates of four-to-five years are long shots. Many organizations have not yet effectively reduced the amounts of paper that flows through financial processes. Still, we advise organizations to start putting a strategy in place for RPA. It's just a matter of when, how fast, and how far RPA will go.

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How do you suggest rolling out RPA within organizations?

We are seeing organizations conducting small pilot projects to see if financial process digitization and automation can work for their business before diving into RPA across all business units. We think pilot testing is a good idea to get things started and there are different types of pilot tests organizations can conduct. For example, RPA can be used to develop and route cases, check paperwork completion, enter large amounts of data in warehouses or employee databases, etc. Later, the real value will be marrying big data and artificial intelligence with RPA to not only expedite processes but also make decisions.

How are organizations using RPA today?

People are learning what RPA is and how it applies to business processes. Some of our clients are looking at processes that are repeatable and have some logic to them. The idea is to apply

RPA to increase speed. Robots work 24 hours per day with no sick days or holidays, so the cost of a “bot” is typically far less than the world’s lowest labor price markets.

RPA is in the same place data analytics was four or five years ago and today data analytics is gaining momentum and becoming more and more integrated into business models. In the next five years, we believe RPA will as well.

What’s your reaction when analysts claim that finance will be a “lights out” operation (all robots) in five years?

We certainly stop short of saying that finance will be all-digital in five years. There will be substantial movement towards RPA adoption, but there are still many steps and barriers ahead of us.

What we really haven’t seen explode just yet is the integration of business intelligence and robotic process automation. We think when organizations can join those two, they will have a much more powerful business tool. However, even then, we don’t see self-learning “bots” replacing higher value functions like negotiating with suppliers, handling labor relations, creating budgets, and designing system architecture.

How does RPA differ from traditional enterprise resource planning (ERP)?

There are a few differences between traditional ERP and RPA capabilities. For one, when a traditional ERP encounters a problem in a process, it requires humans to handle the resolution responsibility. Within RPA, however, an application might be able to take different logic paths, log into other systems, collect missing information and continue the process. This leads to the second difference. Traditional ERPs often rely on data interfaces between applications to carry out a full process, which takes time to build and often needs to be approved by IT governance. A “bot” is able to log-in to another system, or multiple systems, to get what it needs to continue the process and avoid the need for permanent interfaces to multiple systems. This can also be applied to external data sources, which an ERP does not do. RPA can also run the same process multiple times simultaneously, where an ERP must do this sequentially which can result in slower processing or backlogs.

So RPA is offering functionality that organizations didn’t have in the past—initially focusing on standard, logic-driven processes. At some point in the near future, we believe that machines are going to be able to make decisions using vast amounts of data—resulting in more effective decisions than we make today. When organizations master the integration of big data, RPA and artificial intelligence, we will see much smaller finance departments. For that matter, much smaller departments, period.

Are there any built-in control mechanisms in RPA to ensure the robots comply with Sarbanes-Oxley?

RPA is definitely going to create some tension with the audit departments and IT governance boards. Giving machines a username and password isn't something that's been dealt with in the past. Many policies and systems do not allow usernames and passwords to be created unless you are an employee. Is a robot an employee? RPA vendors defend themselves against SoX control concerns by stating they have a technology that traces every key stroke—much easier to audit than the memory of a human.

How are the business process outsourcing (BPO) vendors reacting to RPA?

There are now entire conferences being developed on RPA. BPO providers realize that RPA can be a competitor to their traditional low-cost labor intensive services, so nearly all of the BPO vendors are also adopting RPA and beginning to offer it as a service to their clients. If you are considering a potentially faster way to adopt RPA—outsource it.

For more on this, watch APQC's March 2016 webinar—[Financial Shared Services: A Whole New Ballgame](#).

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