



CFO strategy: Automating Finance and Accounting

How robotic process automation (RPA) transforms the Finance and Accounting department



Contents

03	Introduction
03	Changing face of the finance function
04	Using finance automation to make way for business value
04	Legacy systems continue to resist progress
05	Extracting data is often surprisingly manual
05	Integrate business processes with finance automation
05	Time for RPA in finance and accounting
06	Finance automation entry points
07	Considerations for RPA in finance and accounting
07	Picking processes ripe for accounting automation
08	Extending RPA to business process optimization
08	Case study: order to cash
09	RPA in finance and accounting: accelerate your enterprise
09	Reshape and transform with finance automation
10	Chief Accounting Officers, Global Business Service Leaders, and Financial Controllers as digital transformation leaders

Introduction

Innovation is the name of the game for businesses trying to stay one step ahead of their competitors. Regardless of the type of organization, finance and accounting is a critical source of operational innovation and competitive differentiation in sectors as diverse as consumer electronics and automotive manufacturing.

Unfortunately, legacy processes are often hindering the digital transformation of basic accounting operations. In the pages below, we explain how businesses can re-think the way they execute processes, using robotic process automation. The result is a seismic change in the finance function and the CFO's office, creating the opportunity to become leaders in digital transformation.

Changing face of the finance function

The global pandemic has placed an even higher premium on financial strength, starting with cost control and risk management. To improve business health and resilience, accounting departments are under pressure to deliver enhanced performance. Organizations look to achieve responsive and efficient processes which are able to deliver insights that support agile decision making.

Chief Accounting Officers (CAO), Global Business Services Leaders, and Financial Controllers rely on their teams to deliver accurate, detailed data in near real-time, to enable informed strategic decisions across business disciplines. Finance professionals occupy seats at the highest levels of the organization, contributing their commercial and technical skills to the executive board.

As this strategic focus has grown, finance teams have struggled to handle the huge, and growing, volumes of operational transactions. Connecting, integrating, and analyzing financial data absorbs more and more time, which financial professionals would rather devote to the high-value work that drives strategic outcomes.

To balance the desire to reduce costs even as volumes increase, companies have turned to digital transformation initiatives. Individual legacy systems are being replaced by integrated solutions, designed to streamline and accelerate processes.

Highly manual, error-prone, paper-based processes can lead to bad supplier and customer experiences, and decisions based on instinct and cumbersome reporting processes can result in degraded performance. If an organization is to truly make the most of digital technologies in its accounting function, improving these experiences and enabling agile decisions are essential. In turn, these enhancements will enable the finance team to contribute at the strategic level.

“ Human error within the finance function produces, on average, 25,000 hours of avoidable rework at a cost of \$878,000 per year.”

— Gartner¹



Using finance automation to make way for business value

Manual, error-prone, workflows are a sign of process inefficiency, and tend to result in poor supplier and customer experiences. In addition, manual processes are hard to scale without incurring significant costs in recruitment, personnel, and training.

Greater efficiency entails reducing the number of process steps, enhancing data quality, and accelerating the total workflow. Operationally, this means connecting disparate systems, ensuring accurate data extraction and entry, and eliminating errors and delays.

Within the finance function, solving operational challenges can deliver significant enterprise-scale benefits. For example, with a streamlined order-to-cash process (such as set up new accounts, issue invoices, process payments) organizations can reduce days sales outstanding (DSO), and release working capital for new investments.

Similarly, enabling rapid report generation can have profound effects on corporate agility. In many cases, organizations collect sales, production, and financial data from multiple sources, then painstakingly cut-and-paste it into reporting systems. With cumbersome report lead-times, managers may rely on gut-based decision making, with little to no audit trail.

To accelerate disclosure and reporting, finance departments seek to reduce the time taken to extract and load sales, production, and related data to the reporting tools. With increased accuracy, completeness, and quality of data, finance teams will be able to reduce the reporting lag and start the journey towards a predictive approach.

These changes form part of ongoing, continuous finance-driven transformation, with the ambition to reduce repetitive workloads and focus on building business value.

Legacy systems continue to resist progress

The introduction of enterprise resource planning (ERP) software in the early 1990s set a precedent for multinational businesses to fundamentally change the way they interact with accounting and finance data.

Often, accounting processes were engineered to fit around ERP applications:

“In many cases [ERP systems] force companies to re-engineer their business processes to accommodate the logic of the software modules for streamlining data flow throughout the organization.”²

In response, enterprises have tended to customize these applications, leading to significant complexity. In addition, organizations continue to deploy best-of-breed solutions for specific departmental activities, interacting through custom processes and connections with core systems.

All of these variations tend to reduce business agility. It's simply not that easy to discover, define and then migrate hundreds, or possibly even thousands, of workflows.



Extracting data is often surprisingly manual

Many accounting documents—invoices, purchase orders, expenses—continue to rely on manual processing of paper or PDF documents. Besides the risk that re-keyed data is prone to error, ensuring transactions start their workflow journey depends on operators triggering and following the correct steps for each document type.

As volumes grow, connecting disparate systems becomes more important, as simply adding team members will increase departmental costs, while the constant need to attract, train, and retain new staff is an expensive corporate burden.

Integrate business processes with finance automation

To join the dots between systems and processes, enterprises find themselves committed to constant investment. Organizations have enjoyed some success with business process improvement projects, designed to discover and optimize existing workflows. In many cases, specific integrations can be created with custom-built scripts, but, like re-painting the Golden Gate Bridge, the work is never done.

The majority, most likely more than 60%, of operational finance tasks are repetitive. For example, every invoice received will follow the same track through procure-to-pay. Routing to the correct approver—presuming approval is needed—and chasing for response follows a similarly repetitive routine.

Time for RPA in finance and accounting

The Institute for Robotic Process Automation (IRPA) defines RPA as, “the application of technology that allows employees in a company to configure computer software or a ‘robot’ to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses, and communicating with other digital systems.”

For so many finance function tasks, RPA takes the drudgery while people get to work on the value-added, strategic activities. Put another way, RPA does what a person does, but never tires and never sleeps, and frees people from repetitive, uninspiring work.

Rather than hard-code automation workflows and Application Programming Interfaces (APIs) into software programs, RPA mimics a person’s actions on top of existing systems. RPA works in the same way that a human worker reads and interprets data from a physical document and transfers this to multiple applications on their computer.

Robots can seamlessly move data across boundaries, from one application to another, mimicking activities such as clicking, typing, and moving between windows. In addition, robots use artificial intelligence (AI) and machine learning (ML) to enhance overall capability and even learn from experience.

The combination of RPA, AI, and ML leads to the more general concept of intelligent business automation—a powerful tool for transforming workflows, processes, and operations.

Finance automation entry points

Here, we've picked out a list of the processes in finance and accounting that are highly suited to RPA. Though the listing isn't comprehensive, it provides a good suggestion of

finance and accounting sub-processes that can be explored by any organization that is embarking on an RPA-led digital transformation of its finance and accounting function.

PROCESS	CLIENT	% OF ROBOTIZATION	BENEFITS
Purchase order entry automation	Global automotive supplier, Germany	100%	8 months ROI 100% accuracy rate 78% improved processing time
Credit note processing	Media company, Switzerland	100%	3 months ROI 100% reduction in manual effort and accuracy 60% improved processing time
Travel and expense report processing	Consumer goods company, Germany	100%	15% manual effort reduction 75% improved processing time 100% accuracy
Accounts payable: Three-way matching automation	Medical/pharmaceutical company, Switzerland	100%	2 months ROI 90% improved processing time 10% manual effort reduction
Travel and expense report processing	Consumer goods company, Germany	100%	15% manual effort reduction 75% improved processing time 100% accuracy
GRN-to-invoice match and release hold	Building materials supplier, UK	53%	100% compliance on TAT SLA 54% FTE reduction
Automate vendor payments	Global property insurer		70% productivity improvement 50% operations cost reduction
Invoicing/billing automation	HR service provider, Germany	70%	3 months ROI 10% manual effort reduction 75% faster processing 60% cost reduction
Cash application	Retail company, India	100%	100% accuracy 80% volume automated
Month-end accounting	Accounting services provider, Germany	75%	5 months ROI 25% manual effort reduction 65% improved processing time 100% accuracy
Daily P&L reports generation	Global financial services company	100%	67% improved processing time Faster/earlier report delivery 100% reporting accuracy



Considerations for RPA in finance and accounting

A great place to start the RPA journey is to automate straightforward, standardized processes, such as invoice data entry, billing, and customer and vendor data set-up. For general accounting processes and periodic and event-driven activities, an agile, iterative approach works well to realize the most value from automation.

In all cases, proof of concept studies, and start-small grow-fast projects provide ideal demonstrators of success. RPA can prove return on investment in terms of cost reduction and efficiency gains, creating a path to cross-departmental automation, and eventually automation scaled across the enterprise.

“According to a Deloitte 2020 survey, demand for RPA is growing: the number of organizations that have implemented more than 50 automations is at double figures. Moreover, 13% of survey respondents revealed they are now operating automation at scale, while 78% have implemented RPA automations — a clear signal RPA has become the norm for business.”

—CFO.com³

Picking processes ripe for accounting automation

RPA enables accounting departments to reliably automate up to 60% of standard processes, which could over time rise to more than 90% of processes.

One of the key considerations is variation. For example, if standard payments can be mapped in ten steps, but certain transactions require an additional two steps after step three, this exception needs to be managed. While these exception processes can be automated, it will take time to build RPA workflows, which will influence the cost-benefit decision.

As RPA manages routine, repetitive transactional processing, finance and accounting professionals will become expert exception handlers, performing the complex, judgement-based roles that the robots cannot handle.

For the automatable tasks, RPA delivers higher accuracy, reduced cycle times, and improved throughput. With validated data delivered rapidly, finance teams can accelerate end-of-month closings, enable greater cashflow control, and manage debt and debtors more efficiently. In addition, enhanced transaction quality enables improved risk management, with greater compliance and reporting capabilities.

As automation becomes an operational norm, managers in accounting departments of the future will be enabled to ensure their teams are driving higher-value activities and strategic decisions. Finance professionals will be empowered to do less data gathering, data entry and book-keeping, and spend more time taking on advisory roles to become more impactful business partners.



Extending RPA to business process optimization

Prior to the advent of RPA tools, many companies pursued continuous business process optimization. Teams of consultants would interview staff and plot workflow charts, find inconsistencies and variations, and plan new streamlined, optimized processes.

For automation, before a process can be automated it must be defined. Automation combined with AI capabilities can discover, learn, and map processes.

Without requiring staff or consultant time, automated process mining reveals current processes—who did what, when, and to which data. In the past, extracting this high-level view has proved to be expensive, intensive, and slow. With automated process mining, results based on thousands of operational transactions can be generated in a few weeks, enabling immediate process optimization and, of course, automation.

In practice, many successful automation programs start with process mining. Based on data generated by operational systems, processes can be optimized and automated, producing measurable cost savings, faster workflows, and increased productivity.

Case study: order to cash

Order to cash processes are based on routine, repetitive steps. Typically, organizations find that automation delivers a threefold productivity improvement, reduces manual workload by 70%, with an 80% reduction in billing errors—all of which leads to a 36% reduction in order to cash cycle time.

For example, logistics company Bilfinger deployed automation to automate its invoicing processes. The company was using a manual process for self-billing clients, with team members spending from 5 to 6 hours a day entering data and contract specifications.

Using RPA—deployed in just four weeks—to automate the process saved Bilfinger 70% in labor time. Arjen Janssen, Head of Project Administration, Bilfinger Industrial Services, remarked, “Our primary focus was on quality so we needed to be able to show that we could reach our KPIs by increasing data input quality through shortening lead times and reducing error margins in the Order to Cash process using RPA.”

Now the company is exploring ways to reuse bots and scale RPA for greater efficiency and accuracy. Workloads have already been cut so rather than handling one client, staff can handle two or three. In these situations, AI and ML technologies can extract payment information from images of checks, emails, bank transaction messages and more, and match the payments to open receivables. Then, in the same way a staff member would work, RPA opens the accounting system, fetches bank statements, automates the process of matching payments to open invoices, and closes the task.

While many ERP systems offer auto-matching for the cash application process, rules-based approaches struggle with exceptions, leveling out at around 40–50% automation. By combining RPA, AI, and ML, typically up to 90% of cash application transactions can be successfully automated.



RPA in finance and accounting: accelerate your enterprise

Intelligent automation uses RPA, AI, and ML to release people for high-value, strategic tasks. RPA delivers the bedrock service that navigates existing systems; AI provides capabilities such as visual image and natural language comprehension; ML brings cognitive processing that enables solutions to improve over time, increase accuracy, and boost efficiency.

For example, ML enables software robots to self-recover from simple exceptions, by learning from employees' actions. With every cycle of the positive feedback loop, ML fine-tunes its response, creating the ability to solve even

complex exceptions. Over time, only the knottiest problems are escalated to employees, supported by a complete track record of actions and decisions to help resolve issues.

Similarly, for areas where finance documents arrive as poorly scanned or captured images, AI document image processing can read, understand, and extract data, even from handwritten originals. By removing manual reading and keying, finance departments can turn staff to more-productive activities, while AI and RPA handle repetitive processes.

Reshape and transform with finance automation

From the first days of quill pens and ledgers, managing finance and accounting has involved repetitive tasks. Over time, tabulators, calculators, and computers removed the numerical workload, and integrated software packages managed ledgers, balances, and reporting.

Where workflows relied on people, many organizations outsourced their low-value, transaction-heavy processes, seeking to take advantage of reduced labor costs or shared service consolidation.

Naturally, outsourcing carries some degree of service compromise, and customer experience risk, and labor arbitrage benefits are at the whim of global economic change.

Automation combined with AI can deliver the same or greater efficiency gains by augmenting existing processes and people, while retaining full local control of costs, service, and performance. Automation operates in-house, with auditable logs available for analysis and review. With automation, the accounting function becomes a fully integrated service, generating critical insight into finance, operations, and management.

For example, automation and AI enable finance teams to move away from the traditional approach where cost or recharge revenue is determined by individual time-based productivity.

Using AI and automation, the finance function can now be transformed into a proactive agent of change, providing high-value strategic services fueled by highly efficient baseline transaction processing.

Chief Accounting Officers, Global Business Service Leaders, and Financial Controllers as digital transformation leaders

With successful RPA projects in finance departments across multiple industries, CFOs can demonstrate multiple gains: cost, efficiency, accuracy, compliance, and more.

In addition, automation project successes are achieved without requiring changes to legacy systems, showing how digital transformation can be achieved without the pain, upheaval, and cost of complex multi-year technical projects.

The experience gained from deploying RPA and AI places finance teams in a commanding position to lead enterprise automation. The lessons learned from highly automatable finance transactions can be applied to other departments such as human resources, sales, marketing, and supply chain management.

CFOs and financial professionals can translate their automation planning and deployment skills to help the broader enterprise gain similar quantifiable benefits, significantly raising their leadership and strategic profile.

“The post-pandemic world is requiring many leaders to think more boldly about what automation can do for their businesses. Lowering costs will remain a top reason to automate, but, in response to the pandemic, companies increasingly are deploying automation to strengthen business resilience, reduce risk, and generate useful business insights more easily.”


—Bain⁴

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About UiPath

UiPath has a vision to deliver the Fully Automated Enterprise™, one where companies use automation to unlock their greatest potential. UiPath offers an end-to-end platform for automation, combining the leading Robotic Process Automation (RPA) solution with a full suite of capabilities that enable every organization to rapidly scale digital business operations.

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