

VIEWPOINT

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Robotic Process Automation Suits Finance and Accounting

Robotic process automation is a relatively new term in the software industry. It describes the use of programming or analytical algorithms to execute the most appropriate action in an automated workflow, without human intervention. Simple process automation manages workflows within a single application. An RPA system, by contrast,

- Automates the execution of a process within one or across multiple systems
- Can act on data from one or multiple sources
- Manages or interprets the data according to established rules
- Can communicate the result to another digital system or create an alert.

RPA systems can make organizations more efficient by “outsourcing” repetitive tasks to digital systems. Moreover, just as robots in manufacturing can perform repetitive actions more consistently than humans, RPA systems can improve the quality and accuracy of work and shorten cycle times. In cases where they enable skilled employees to concentrate on matters requiring their education, experience and judgment, they also can make an organization more effective.

Finance departments in particular can obtain substantial performance improvement from implementing RPA because accounting involves performing rules-driven repetitive tasks that until now may have been difficult to automate. For example, [our Office of Finance benchmark research](#) finds a correlation between the degree of automation used in the financial close and the time it takes to complete the process. Nearly three in four (71%) companies that use a substantial degree of automation said they are able to complete their monthly close within six business days. In contrast, only 43 percent of companies that use some automation and just 23 percent of those that use little or none in their close process said they can close in that time frame.

There are two basic types of robotic process automation systems: programmatic and algorithmic. Purely programmatic robots execute rules-based tasks based on defined parameters. For example, they might take a set of data from one system, place it into a spreadsheet and, after using a macro to make adjustments, upload the resulting data into a second system for additional processing or storage. Algorithmic robots are more sophisticated in that they

perform some analysis to determine what to do next. For example, they might do some ratio analysis and choose one of five courses of action based on the result of this analysis or determine whether two values are close enough that the difference isn't material. RPAs of either type eliminate the need for individuals to perform rote assessments of conditions or data at some point in a process and thereby speed the completion of that process while ensuring that it is executed consistently. However, because ambiguities exist to some degree in almost all business situations, an algorithmic RPA is almost never fully automatic. Even so, it can be valuable because it enables an organization to deal with these situations through exception-based management. Handling only the exceptions utilizes employees' time, experience and judgment most productively.

We use the term "continuous accounting" to describe an approach to managing the accounting cycle that can improve departmental performance. RPAs support continuous accounting in two ways. First, they automate accounting processes in a continuous, end-to-end fashion to improve efficiency, ensure data integrity and enhance visibility into processes. Second, they distribute workloads continuously over the accounting period to eliminate bottlenecks and optimize when tasks are executed.

Automation enhances the effectiveness of the finance organization. For instance, in our Office of Finance research 57 percent of corporations that automate reconciliations said they are able to complete their monthly close within six business days, compared to only 27 percent of those that use a manual process. How quickly a company closes its books affects the timeliness of the information that the company receives. There also is a correlation between how quickly a corporation completes its close and the timeliness of the financial information that executives and managers use to make decisions. Three-fourths (75%) of companies that close their quarter in one to two days said they have timely information, compared to 38 percent that take three to six business days and 10 percent that take 11 or more business days.

Robotic process automation is an important evolutionary step beyond decades-old business process automation. By applying automation and analytics, it eliminates the need to waste skilled individuals' time on tasks better performed automatically. In doing so, it can enable finance organizations to use the gains in efficiency to concentrate on filling a more strategic role in their company by providing more timely and insightful information to executives and managers.

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