

ROBOTS AND AI IN FINANCIAL PROCESSES



Purchase to Pay Network

IN PARTNERSHIP WITH



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EXECUTIVE SUMMARY

Over the last 10 years, automation in financial back office processing has become commonplace. For example, in procure to pay processing automation ranges from data capture, to workflow, analytics and mobile authorisation. However, there is still a disparity between those organisations which are dependent on manual processing and those with end to end automation. In the last two years, the pace of change has been shaken by the arrival of robotics and artificial intelligence. Designed to take automation one step further, both technologies have a 24-hour productivity window and provide actionable insights in real time.

Ever since the economic collapse of 2008, accounts payable has been the focus of organisations looking to make efficiencies, so it was no surprise that this area was where just over 30% of respondents stated that they were using some degree of robotic automation. The fact that purchasing reported the next highest percentage, may reflect the alignment of cross department KPIs and the push towards a more collaborative purchase to pay that's developed over the last 3 years or so. Just over 60% of organisations pointed out that they do not use the technology in any of the key financial processing areas. But as an example of how seriously organisations are taking it, and in acknowledgement of its potential benefits, around the same number are considering introducing robotics in the next two years.

Interestingly, respondents felt that the most important benefit of automating previously manual tasks was that it would allow practitioners to focus on more valuable work. With routine processes automated, new technology allows for a greater emphasis on data analysis and the ability to feed the output of that into the corporate strategy.

However, the rate of change identified by the respondents is likely to be exaggerated, with 30% saying that they expected over 50% of financial process tasks to be automated in the next five years. However, this perceived rate of change represents some of the fears and excitement around greater automation adoption.

There was a general concern around allowing technology to self-learn, unfettered from human oversight, and none of the respondents said that this should be allowed to happen. Encouragingly, 70% said they would allow machine-learning technology as long as it was overseen.

Generally, respondents were positive about the potential benefits of introducing robotics and AI into their financial processing, with many pointing to the ability to identify problems faster with improved controls and reduced costs. Only 1% of the respondents failed to see a positive.

In fraud and risk detection, almost 50% felt that AI could be used to reduce any human bias built into processes. One of the most difficult risk factors to overcome is the human tendency to trust. However, statistics show that the most common type of fraud in purchase to pay is where there is collusion between a supplier and someone (a finance director or equivalent) in charge of overseeing processes.

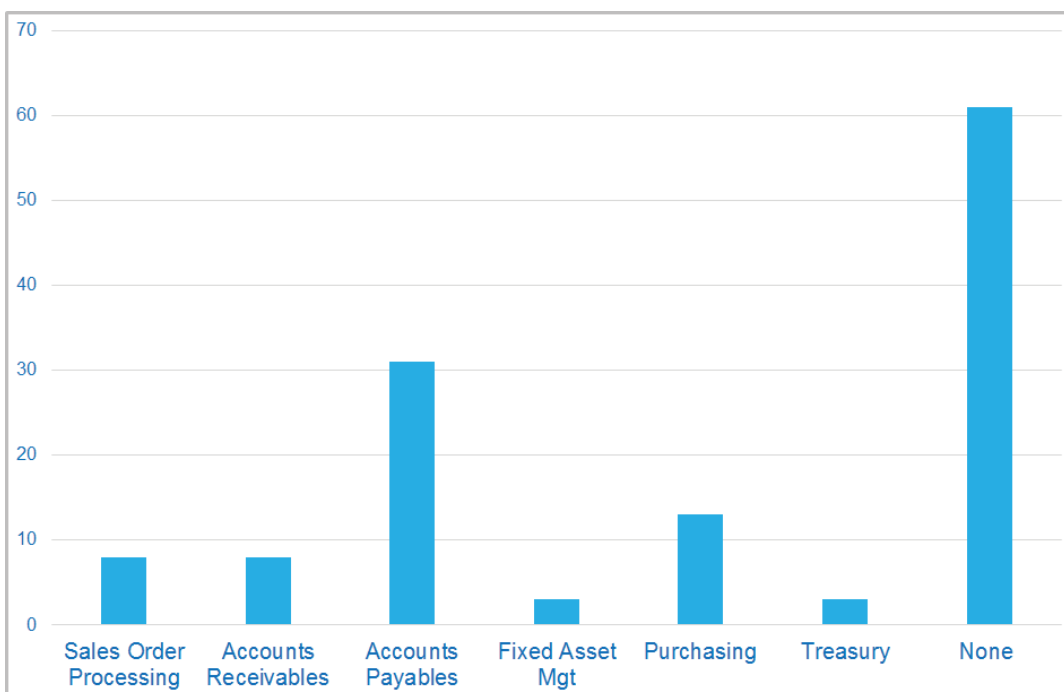
But it seems that there is some friction between the benefits of robotics and embarking on a roadmap to installation, and perceived risks in doing so. Despite 60% looking to implement further robotic automation in the next two years, 85% of respondents said that there was a risk attached to the use of its cousin, artificial intelligence. For those organisations about to take the next step in their automation journey, a comprehensive change management programme, involving all business partners and end user stakeholders will be essential to help alleviate any issues and help achieve the required ROI.

SECTION ONE

Survey results

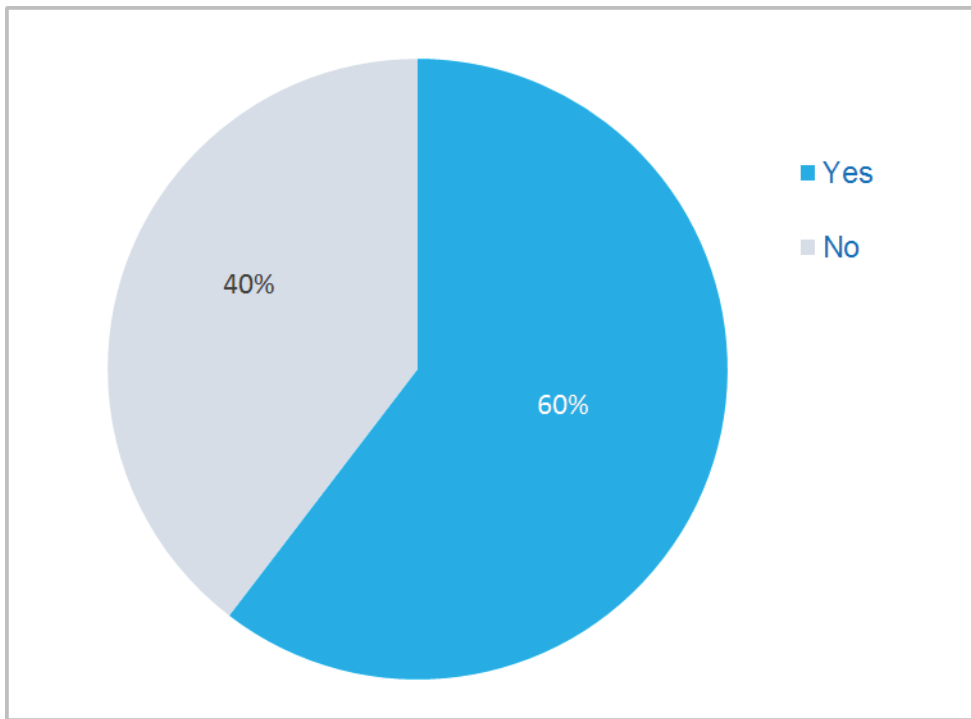
The report uncovered an uneven distribution of robotic automation across the finance cycle of most organisations. Unsurprisingly its penetration is felt most in accounts payable, where just over 30% of respondents said they had implemented them. Although significantly less, this was followed by purchasing, with 13% making use of robots in their purchasing decisions. However, the majority of organisations have yet to use robots in any part of their processing.

Figure 1: Please select which (if any) of these processes are partly automated by software robots in your organisation:



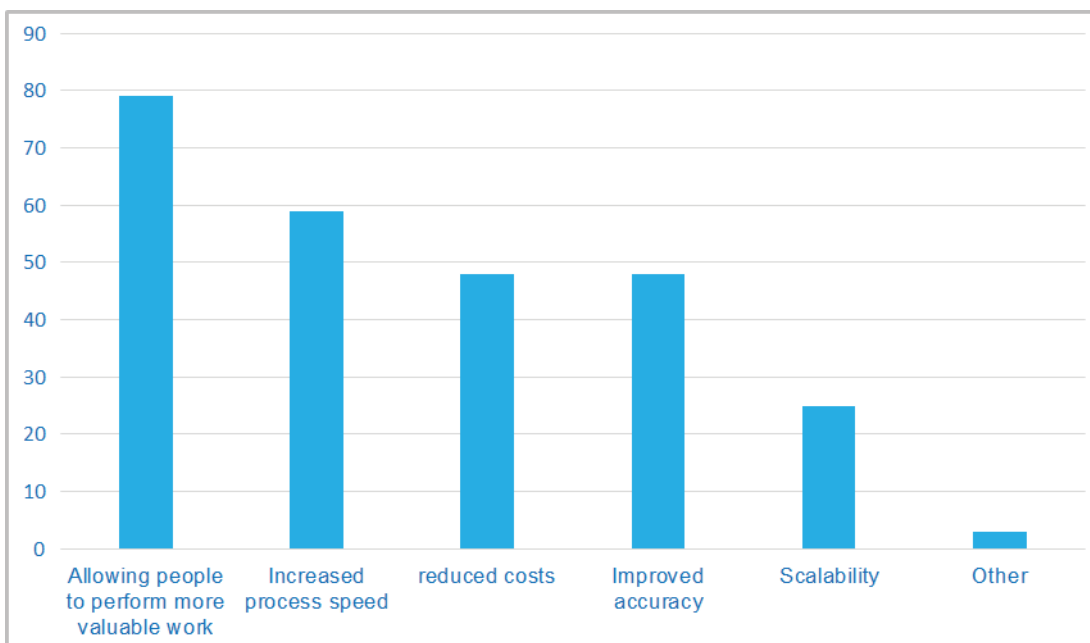
30% OF RESPONDENTS FELT OVER HALF OF ALL CURRENT MANUAL PROCESSES WOULD BE AUTOMATED BY 2023

Figure 2: Are you considering introducing Software Robots in the next 2 years?



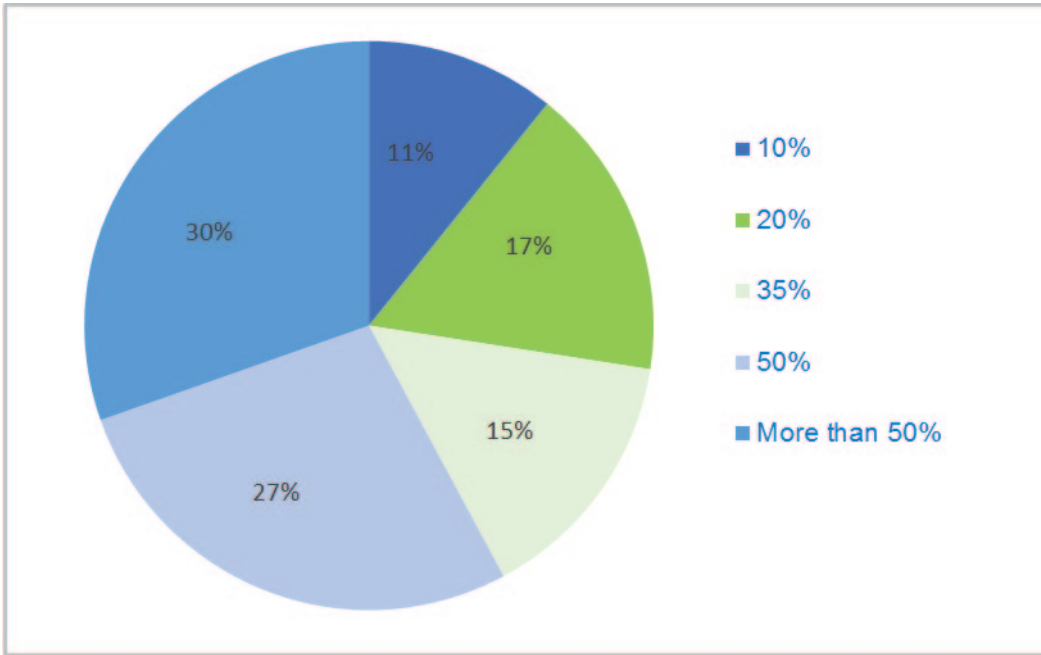
However, roughly the same number of respondents (60%), as those who currently have no robots in their processing, pointed out that they are considering introducing them in the next two years. A further 40% say that they are not planning on introducing them. However, this response may include those who have already implemented what they need in this timeframe.

Figure 3: What do you see as the most important benefit of automating manual tasks?



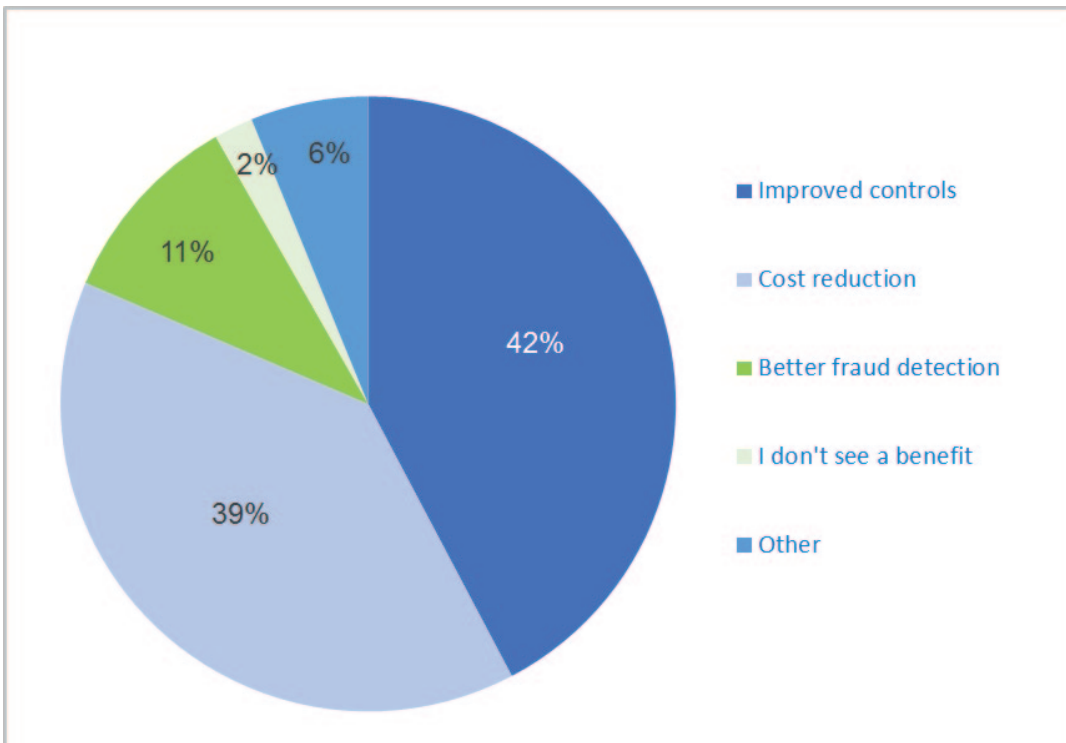
An overwhelming majority of respondents pointed out that the most important benefit of automating manual tasks, was in the freedom it gave people to perform more valuable work. Respondents were also drawn to automating processing tasks by the increase in speed that this would provide, with almost 60% pointing out that would be a top benefit for them. Of course, alongside increased speed, there should be a corresponding cost reduction, and almost half said this would be key for them. With the ability of robots to perform the same task, the same way, every day – an equal number of respondents would expect to see improved accuracy with automation.

Figure 4: What percentage of financial process tasks, which are currently manual, do you think will be carried out by a software robot by 2023?



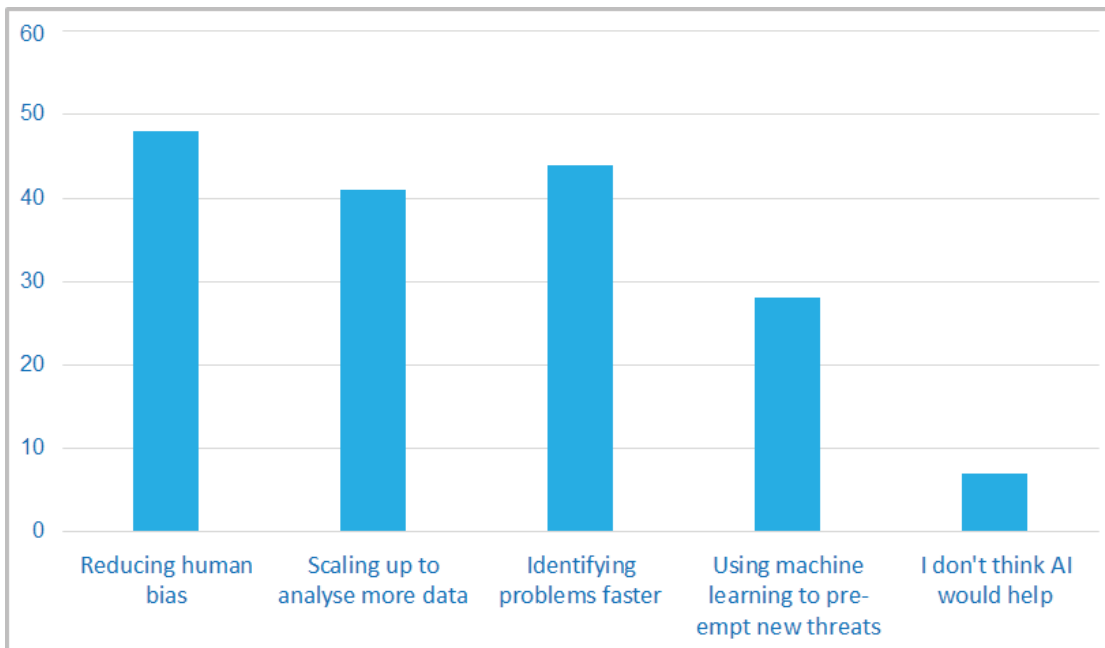
Almost 30% of respondents felt that by 2023, over half of all currently manual processes would be automated. A further 27% felt that it would be around 50% of processes with only 11% of respondents feeling it would be as low as 10% of processes.

Figure 5: What do you see as the primary benefit of AI in financial processes?



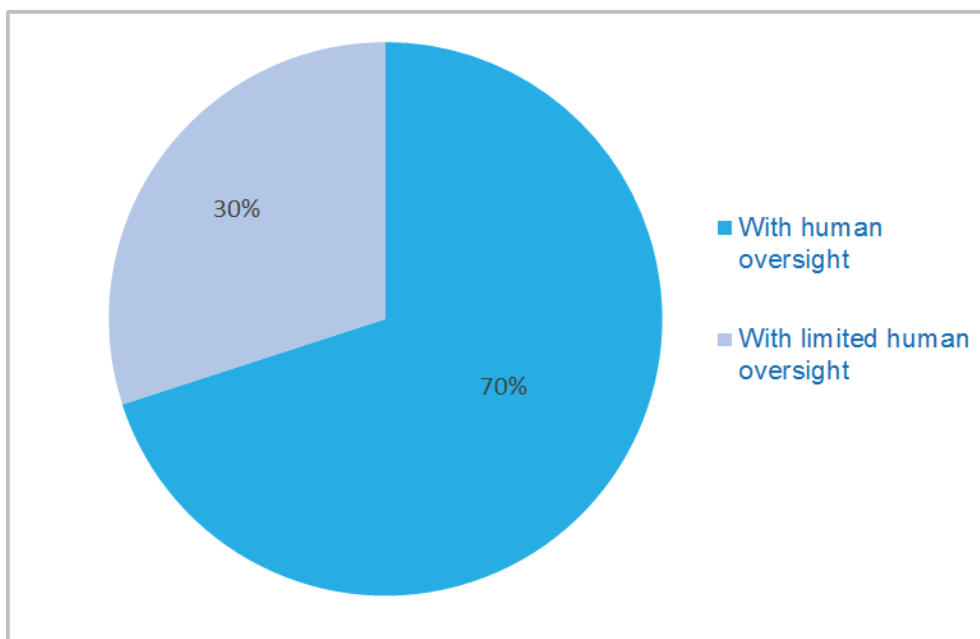
Then if we look at the introduction of AI in financial processing, 42% of respondents felt that the most important benefit would be improved controls, something that was closely followed by cost reduction. Around 10% of respondents felt that the main benefit would be better fraud detection. Only 2% failed to see a specific benefit.

Figure 6: In your opinion, do you think AI could help reduce risk and fraud by



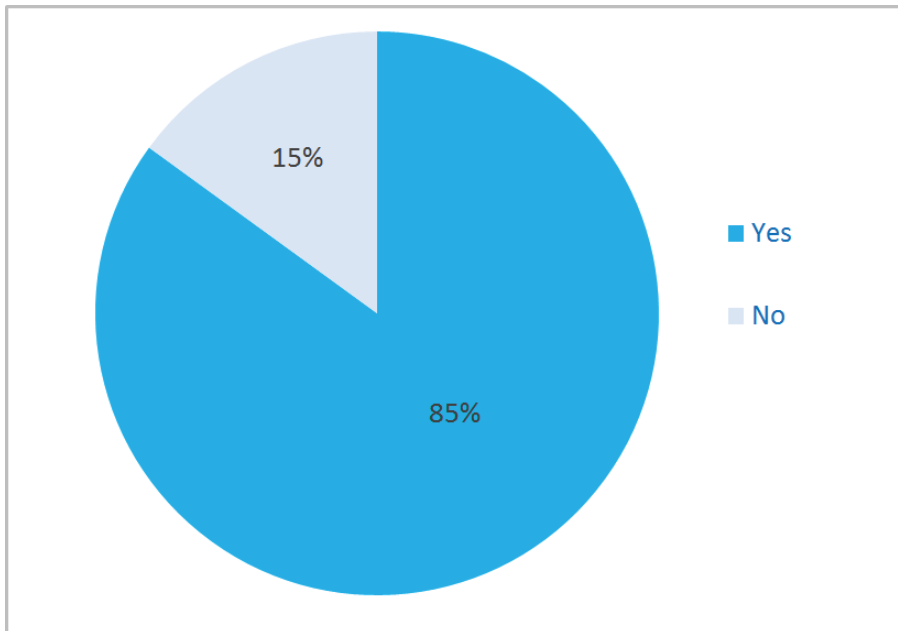
Interestingly 48% of respondents reported that in their opinion, robotics would take the weight off one of the biggest risks in fraud detection, human bias. Over 44% also felt that introducing robotics into the processing would highlight problems faster. A further 28% could see a benefit in being able to use machine learning to pre-empt new threats. A small number of people failed to see AI as being able to help in this area.

Figure 7: Would you allow automated processes to self-improve by machine learning



We wanted to see how comfortable respondents would be with the idea of software learning from processing and continuing to make improvements based on its experience. Just over 70% of respondents said that they would be happy for that to happen as long as there was some human oversight, while 30% would still be happy even if that oversight was minimal. Most felt that an element of trust over a period of time would need to be built first. Some respondents pointed out that it may learn the wrong thing, so some element of control or oversight would always be necessary. Interestingly no one said that they would be happy for their solutions to self-improve without any human oversight at all, but equally no one said that they would prohibit any machine-learning self-improvement from happening.

Figure 8: Do you think there is a risk attached to the use of AI?



Despite the generally positive response in its functional use in financial processing, over 85% of respondents felt that there was a risk attached to the use of AI. The risks identified were both direct and indirect. Some felt that AI implementation would be met with resistance from employees, while others felt their systems could be at risk from malware. Some pointed out that there could be worries around costs and ROI where automation is introduced in an area where processes change regularly.

Others feared that the increasing lack of oversight into functions might leave them vulnerable if those systems failed, or if there was insufficient knowledge which may lead to an over reliance on outside support. And yet others pointed out that there are risks involved in any new implementation, or new system, and as long as the right checks and balances are in place and enough training, they can be minimised.

Q9 If there was one Financial Processing problem you could solve with AI, what would it be?

In our final question, we asked our respondents to pick a financial processing problem they'd most like to fix. As expected we had a variety of responses, but they were polarised around two main areas – statement reconciliation and invoice matching in accounts payable. Others centred around areas such as automating pattern recognition, budget v spend, master data management, cash allocation and general accuracy of data and integration between different solutions.

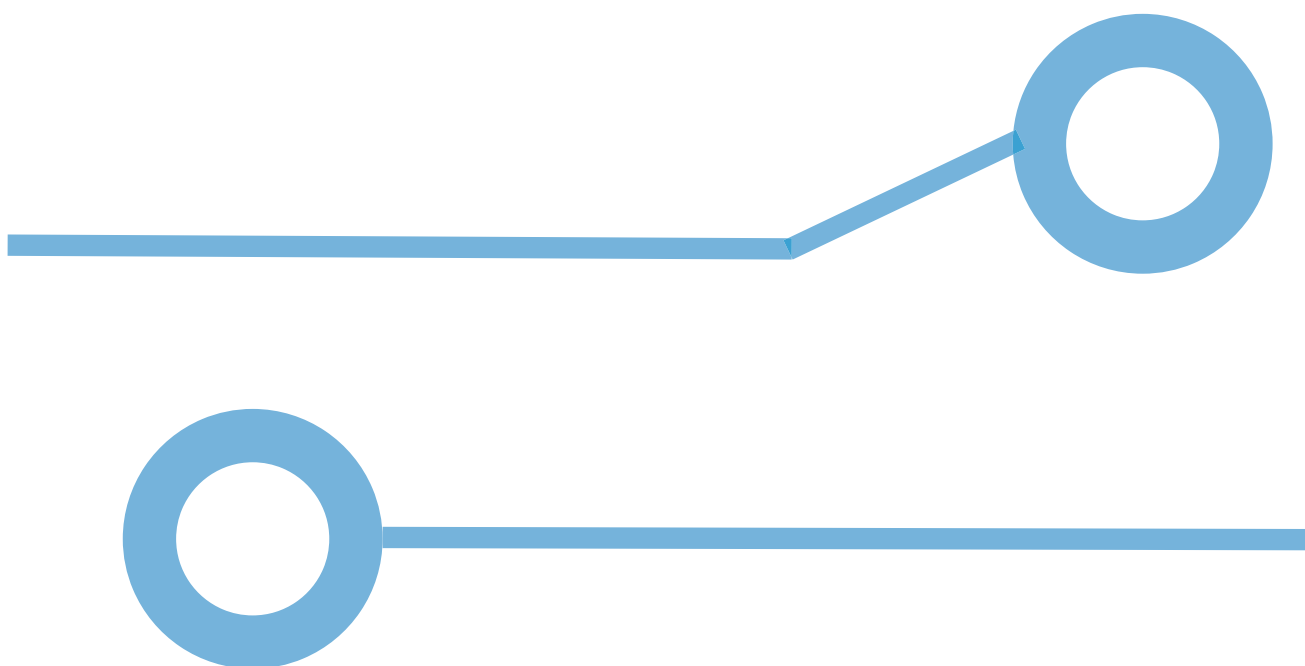
“OVER RELIANCE ON TECHNOLOGY MAY MEAN THAT INDIVIDUALS DON'T KNOW HOW SYSTEMS WORK.”

CONCLUSION

The need to strip paper and manual processing out of systems has long been a driver for many professionals looking to increase efficiencies across P2P, finance and treasury. With the introduction of analytics and reporting capabilities, organisations are not only able to reduce their exposure to error and risk from fraud for example, but are increasingly able to gain deep, real-time insight into the business. In fact, the need for transparency is pushing finance and procurement professionals to automate across the entire purchase to pay process. By leveraging analytics and reports, key stakeholders can drill down into the data, analyse issues and uncover opportunities.

Increasingly, organisations are investigating the use of robotics to help them to do this, knowing that robots have the capacity to deliver accurately - all day, every day. However, while the technology and its usage is still in its infancy, many practitioners remain cautious about any implementation project. This is especially true of artificial intelligence, where the technology has the capacity to learn from past processing experiences. Whilst most people were happy to introduce it as long as there was a human overseeing the process, over 85% of people could see a potential risk in its introduction.

There remains a certain degree of fascination, fear and excitement around robotics and AI. However, practitioners in charge of reviewing processes, should be pragmatic about it – look at the benefits, address the risks and implement a sensible degree of change management. All change management programmes should include all key stakeholders, with a clear map of where any changes will happen and most importantly, why they are happening and why that change will be essential to your business and the corporate strategy.



METHODOLOGY AND SAMPLE DISTRIBUTION

This report has been compiled using primary data from practitioners responsible for the finance, treasury, procurement and purchase to pay functions in organisations across the UK. The survey of 61 people was conducted between February – April 2018.

For the purposes of this report, robotics are defined as software which can autonomously perform tasks that are traditionally manual such as reconciling transactions, checking or inputting information, creating output such as letters or emails etc.

APPENDIX

Partner Overview

About Documation

Documation solutions combine Robotic software, Analytics and Machine Learning with BPM Workflow and Content Management to improve the resilience and performance of P2P and other financial processes. Built on our modular Enable platform, our solutions integrate with any business system and benefit any industry, regardless of scale or size. Our solutions will save you time and cost while providing control, visibility and compliance.

For more information visit www.documation.co.uk.

Documation success is based on providing a level of service that earns us the highest praise from our customers; we do exactly what we say we are going to do – and that really matters to us. Our team of consultants, developers, account managers and support are continually listening, learning and developing to ensure we can provide a brilliant one-stop-shop for consultancy and solutions. We take the time to listen, ask questions and get to know you. In short, we do whatever it takes to understand your business needs and pain points. We'll then propose and talk through a solution that's right for you.

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