Service Delivery Automation (SDA) – The Business Case for Robotic Process Automation (RPA) in Finance and Accounting

Finance and Accounting Outsourcing (FAO)
Market Report: March 2015 – Preview Deck

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Table of contents

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Background and methodology

Background of the research

Outsourced and internal service delivery models for both IT and business processes have gone through a decade of focusing on labor arbitrage to generate cost savings. With increasing demands for additional value from services and the maturation of enabling technologies, the opportunity for lowering costs through automation is rapidly emerging.

In this research, we examine the market that we broadly refer to as "Service Delivery Automation" (SDA) and its subset, Robotic Process Automation (RPA). We assess how the rise of RPA will impact Finance and Accounting (F&A) business process services.

The report provides an overview of RPA and its cost implications for F&A services. It focuses on:

▌ Overview of process automation technologies
▌ Market drivers
▌ Cost implications of RPA when applied to F&A
▌ The business case for RPA in F&A

The scope and methodology of this report includes RPA in F&A business processes, excluding any automation in the supporting IT services.

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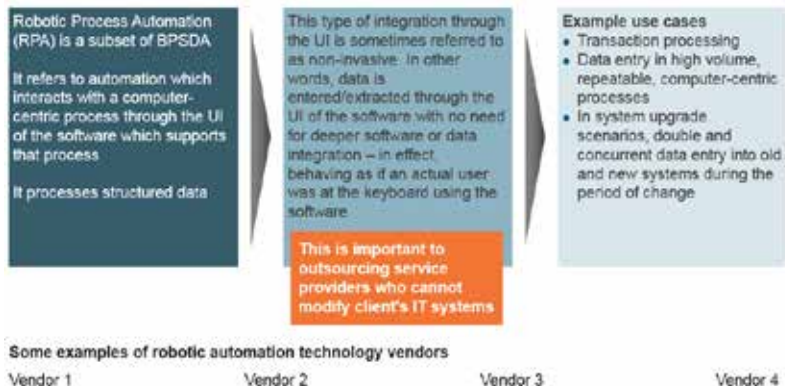# Overview and abbreviated summary of key messages

This report assists key stakeholders (buyers, service providers, and technology vendors) in F&A with understanding the likely impact of Robotic Process Automation (RPA) on finance and accounting processes and the potential business case for enterprise adoption based on a common scenario. In addition, it sets out a few fundamental principles and definitions for different types of automation technologies to help organizations learn and plan for this new development.

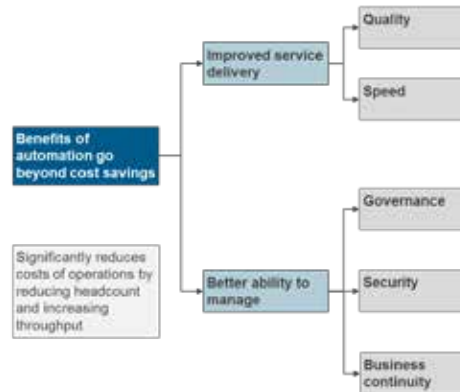**Some of the findings in this report, among others, are:**

▮ Traditionally, F&A has had a functional focus but an end-to-end process driven approach is emerging in the market which promises more consistency, standardized delivery, and enterprise-wide integration. At the same time F&A outsourcing (FAO) value proposition is moving beyond labor arbitrage to drive business and/or strategic impact

▮ Technology is a strong enabler of consistency and the move beyond labor arbitrage as well as increasing productivity and improving process performance. RPA technology is emerging as the biggest disruptive force to drive benefits across multiple dimensions – cost savings, efficiency, accuracy, scalability, and compliance

▮ Based on a common enterprise scenario, Everest Group estimates the cost benefits that offshoring of F&A processes can deliver

▮ Based on our calculations, we estimate the business case for RPA, further reducing F&A costs by 16% to 28%, an overall reduction from onshore costs of 56% to 63%

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This study offers two chapters with an overview and cost benefits of automating insurance processes using RPA in addition to offshoring and overall; below are four charts to illustrate the depth of the report

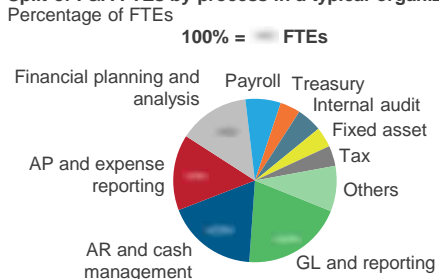## Robotic Process Automation (RPA) is a part of SDA

Robotic Process Automation (RPA) is a subset of BPSDA

It refers to automation which interacts with a computer-centric process through the UI of the software which supports that process

It processes structured data

This type of integration through the UI is sometimes referred to as non-invasive. In other words, data is entered/extracted through the UI of the software with no need for deeper software or data integration – in effect, behaving as if an actual user was at the keyboard using the software

This is important to outsourcing service providers who cannot modify client's IT systems

Example use cases
- Transaction processing
- Data entry in high volume, repeatable, computer-centric processes
- In system upgrade scenarios, double and concurrent data entry into old and new systems during the period of change

Some examples of robotic automation technology vendors

Vendor 1   Vendor 2   Vendor 3   Vendor 4

The benefits of RPA go beyond costs to improve service delivery plus better ability to manage

Benefits of automation go beyond cost savings

Significantly reduces costs of operations by reducing headcount and increasing throughput

Improved service delivery
- Quality
- Speed

Better ability to manage
- Governance
- Security
- Business continuity

The scenario-based approach is designed to reflect a realistic F&A environment

Key estimations and assumptions undertaken to analyze the impact of RPA:
Overall organization size and F&A function characteristics
- An organization with the annual revenue of US$XXbillion has been considered
- Typical size of the F&A functions for such an organization are estimated at XX FTEs
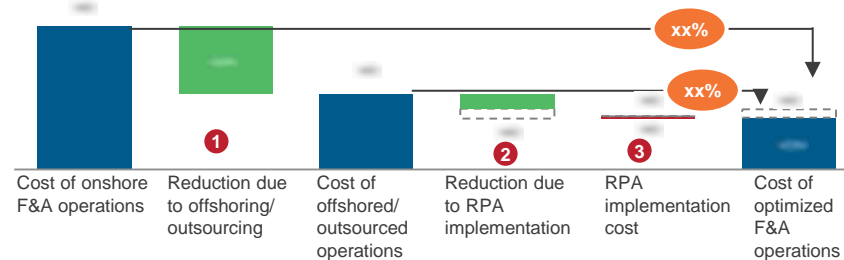- All F&A FTEs have been appropriately distributed among different processes (see chart)

Split of F&A FTEs by process in a typical organization
Percentage of FTEs

100% =   FTEs

Financial planning and analysis

Payroll   Treasury

Internal audit

Fixed asset

Tax

Others

AP and expense reporting

AR and cash management

GL and reporting

Impact of change to RPA on F&A

Impact of RPA on F&A in the given scenario
% reduction in cost

xx%

xx%

① ② ③

Cost of onshore F&A operations | Reduction due to offshoring/ outsourcing | Cost of offshored/ outsourced operations | Reduction due to RPA implementation | RPA implementation cost | Cost of optimized F&A operations

Source: Everest Group (2015)

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FAO research calendar

Topic	Release date
BPS Code of Conduct: A Shared Solution for Protecting Confidential Information	October 2014
Debunking the Myth of Leveraged AO-FAO Solutions	October 2014
Procure-to-Pay (P2P) – Service Provider Landscape with PEAK Matrix Assessment 2014	October 2014
Rising Anti-Incumbency in Outsourcing: Breaking Up Is Not Hard to Do	October 2014
Service Delivery Automation (SDA) Market in 2014 – Moving Business Process Services Beyond Labor Arbitrage	October 2014
Augmenting the FAO Technology Landscape	November 2014
FAO – Service Provider Compendium 2014	December 2014
Order-to-Cash (O2C) – Service Provider Landscape with PEAK Matrix Assessment 2014	December 2014
(Record-to-Report) R2R – Service Provider Landscape with PEAK Matrix Assessment 2015	January 2015
Analytics Business Process Services (BPS) – Service Provider Landscape with PEAK Matrix™ Assessment 2015	February 2015
The convergence of FAO, PO, and SCM functions	February 2015
Reinventing Business Process Services (BPS) – Leveraging Technology to Deliver on New Expectations	March 2015
Service Delivery Automation (SDA) – The Business Case for Robotic Process Automation (RPA) in Finance and Accounting	March 2015
Service Provider Technology Landscape – The Pecking Order	Q2 2015
Finance and Accounting Outsourcing (FAO) – Annual Report 2015	Q2 2015
FAO – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3 2015
FAO – Service Provider Compendium 2014	Q3 2015

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Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Service Delivery Automation (SDA) Market in 2014 – Moving Business Process Services Beyond Labor Arbitrage** (EGR-2014-1-R-1264); 2014. This report analyzes the market that Everest Group broadly refer to as "Service Delivery Automation" (SDA) with a primary focus on business process services, and specifically on technologies that are currently the most disruptive in the market - these are robotic technologies and artificial intelligence

2. **Finance and Accounting Outsourcing (FAO) Annual Report 2014 – Transformational Agenda to Combat Reducing Stickiness** (EGR-2014-1-R-1108); 2014. This report assists key stakeholders (buyers, service providers, and technology vendors) understand the changing dynamics of the FAO market and help them identify the trends and Outlook for 2014

3. **European Finance and Accounting Outsourcing (FAO) Market in 2014 – Value Realization to Drive Growth in the Post-Recession Era** (EGR-2014-1-R-1193); 2014. This report analyze the multi-process FAO market in Europe in 2013 and compare the findings with global trends

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