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Will Robots Take Over Treasury?

Benefits and Limitations of Robotic Process Automation

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EXECUTIVE BRIEFING

THE BENEFITS OF ROBOTIC PROCESS AUTOMATION

Robotic process automation (RPA) is growing in popularity among the treasury community. But how can treasurers and robots work together to produce the best results i.e. better insights and control at a reduced cost? And as robots become more prevalent in the treasury function, how can treasury professionals add more value to their business?

Although RPA might be one of the biggest buzzwords among the treasury community today, it is not a new phenomenon. Emerging in the early 2000s, RPA has evolved significantly over the past decades – and as organizations embrace digitalization, RPA is being integrated into almost all areas of business operations, including treasury.

It's easy to understand why, when RPA offers potential benefits such as:

Cost reduction. RPA typically costs 33 percent of the expense of an offshore employee and 20 percent of the price of an onshore employee.[1]

Improved productivity. Estimates suggest that as RPA beds in, it is fair to expect a productivity increase of 30 to 40 percent after the first year of deploying a bot.[2]

Process improvement. Through automation, and reviewing of processes prior to automating them, significant improvements are possible – including error reduction and higher degree of STP (straight-through processing).

Redeployment of employees to more value-added tasks. Research suggests that RPA can save 30 to 70 percent of the time spent doing a task manually.[3] Indeed, treasury teams have been known to recoup as much as two to three hours per day through one single RPA project.

Improved compliance and audit trail.[4] Since robots follow rules, it is easy to ensure compliance with procedures. And given that a robot's activities are carried out digitally, an electronic log can be automatically created for audit purposes.

Despite its growing popularity, however, many misconceptions exist around RPA. To make the most of robots in the treasury function, and avoid common RPA pitfalls, it is important to first understand what RPA is – and what it is not.

[1] https://www.gartner.com/en/finance/trends/robotic-process-automation
[2] https://www.uipath.com/blog/rpa-and-the-roi-conundrum
[3] https://www.uipath.com/blog/rpa-and-the-roi-conundrum
[4] http://www.b2b.com/benefits-of-rpa-focus-is-on-roi

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FROM SCIENCE FICTION TO SCIENCE FAST

The term 'robot' is somewhat misleading when it comes to RPA. Rather than a walking, talking android, the robot "is a productivity tool that allows a user to configure one or more scripts (which some vendors refer to as 'bots') to activate specific keystrokes in an automated fashion. The result is that the bots can be used to mimic or emulate selected tasks (transaction steps) within an overall business or IT process," says technology research and advisory company, Gartner. RPA may be used for tasks such as "manipulating data, passing data to and from different applications, triggering responses, or executing transactions".[5]

In other words, RPA is a piece of rules-based software that can automate a well-defined, repetitive process involving structured data. Its value lies in automating everyday tasks and enabling employees to focus on higher value, more strategic (and typically more interesting) work. While 'basic RPA' essentially mimics human actions in a digital environment, RPA is increasingly being combined with other technologies, such as artificial intelligence (AI), to increase its sophistication. So-called 'intelligent RPA' or 'intelligent bots' can work with unstructured data to perform more complex tasks.

Additional RPA considerations include:

- Unlike humans, RPA does not evolve – it is static. It therefore needs to be updated as systems change or processes move on.
- RPA does not ask questions. This means that bugs in the programing can go unnoticed. This may make existing operational failures worse.
- RPA that is poorly controlled can be an access point for cyber threats.
- Employees may be resistant to the use of robots as they see them as a threat to their jobs.[6]

Arguably the most significant RPA misstep companies make, however, is failing to have a solid RPA strategy in place. Deploying RPA for the sake of it or approaching the project incorrectly (see page 7 for best practice ideas), could result in an exacerbation of current operational challenges.

As such, it is important to have a clear vision for why RPA is needed and what it can achieve. Is RPA the best solution for the task? Has treasury considered alternatives such as partnering and outsourcing? Governance and performance objectives are also vital, as is involvement of stakeholders across the organization – from IT to compliance.

> RPA is not a silver bullet. Used in isolation, RPA will not modernize the treasury function. Nor will deploying RPA fix inefficient processes or dirty data (more on this later). A big factor remains employee mindset!

[5] https://www.gartner.com/en/information-technology/glossary/robotic-process-automation-rpa
[6] https://hollandfintech.com/2019/04/where-are-firms-going-wrong-understanding-the-limits-of-rpa/

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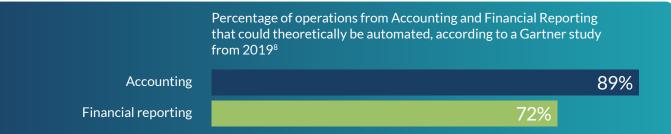EXECUTIVE BRIEFING

ROBOTS IN EVERYDAY TREASURY

In spite of its limitations, RPA holds great potential for many treasury departments. Indeed, PwC's 2019 Global Treasury Benchmarking Survey, found that 47 percent of treasurers believe RPA will be either relevant or highly relevant over the next two to three years.

Areas that Treasurers think could benefit most from RPA, according to a recent PwC study[7]

Payment execution	47%
Accounting	37%
Financial reporting	28%

RPA could be put in place to automate the sending of low-value payments where additional approvals are not needed. This can reduce execution time, improve accuracy, and lower the potential for manipulation. RPA could also be used in conjunction with AI to help monitor payments for anomalies also giving additional protection against fraud.

Foreign exchange (FX) risk management

This is another candidate for automation. RPA can be used to pull data on FX exposures from different systems onto a platform such as a treasury management (TMS) or enterprise resource planning (ERP) system. Rules can be set up to automatically execute netting or FX trades based on currency movements and treasury policy. RPA could also be used in combination with AI to assist in decision-making around hedging, for example.

Within reason, any treasury tasks that require data extraction and/or aggregation could also potentially benefit from RPA. This might include reconciliation, form-filling, or invoice processing, for example. Where treasury has multiple systems, bots could also be used to aggregate data, in real-time, from different sources to assist with intra-day cash flow forecasting. For short- and long-term cash flow forecasting, RPA and AI can be used in combination to help predict cash flows based on historical data and the payment behavior of counterparties.

Percentage of operations from Accounting and Financial Reporting that could theoretically be automated, according to a Gartner study from 2019[8]

Accounting	89%
Financial reporting	72%

7 https://www.pwc.com/hu/hu/kiadvanyok/assets/pdf/2019%20PwC%20Global%20Benchmarking%20Survey.pdf
8 https://www.gartner.com/en/finance/insights/robotics-in-finance

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MAKING A SUCCESS OF RPA: FIVE STEPS FOR TREASURERS

As with any technology project, simply investing in and deploying RPA without a solid plan including senior sponsorship and staff education is unlikely to deliver the desired results. To fully leverage robots in the treasury function, it can help to:

1. Pick your battles

RPA is relatively inexpensive compared to many treasury technologies, but some IT budget will still be required. To ensure impressive return on investment (ROI), it makes sense to look for the low-hanging fruit as initial RPA projects. Starting with parts of a process may also be easier than automating an entire process in one go.

2. Analyze the market

Many different RPA solutions exist – from basic RPA to intelligent bots. It is worth taking the time to consider which will work best with your data set and deliver the maximum ROI. This will require close collaboration with the IT department. However, treasury must remain involved in the decision-making as IT staff are unlikely to have an intimate understanding of treasury processes.

3. Ensure your data is clean, accurate and timely

With RPA, it is a case of 'garbage in, garbage out'. Databases therefore need to be clean and robust in order to ensure optimal results from RPA.

4. Revamp processes

Automating an inefficient process will simply result in an inefficient process that happens without manual input. It is critical therefore to review and improve processes before deploying RPA. Furthermore, processes that happen digitally may require different workflows to manual ones. So simply migrating a legacy paper process across to the digital environment may not be beneficial – it may need to be reconfigured with the help of IT.

5. Remain in control

RPA requires additional controls to be put in place within treasury. It is also important to appoint a team member to monitor and 'manage' the robots, since their work will need to be regularly reviewed, benchmarked, retested and optimized.

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HUMANS VERSUS ROBOTS

The thought of using robots to perform manual processes much more quickly and accurately than humans is understandably worrying for some treasury professionals. But, as the use cases above highlight, RPA's sweet spot is low-value tasks – those that require no strategic thinking, experience, or gut instinct.

The aim of RPA is not to remove humans from the treasury function, but to liberate treasurers from mundane tasks, enabling them to focus on more value-added and strategic projects. However, treasurers must also adapt.

Skills treasurers may need to invest in order to fully benefit from man and machine working together include:

Data analytics

Since RPA has the ability to harvest data quickly and efficiently, treasurers will have more data at their fingertips than ever before. Analytics tools will become commonplace and how proficiently treasurers are able to use them is likely to become a competitive differentiator.

Business strategy and communication

With treasurers being freed up from manual tasks, they have an opportunity to become more involved in innovation and strategic business decision-making. For example, being a proactive partner in strategic discussions around geographical locations for new subsidiaries or the digital payment rails required when selling directly to consumers. Not only will this require an in-depth knowledge of the business, and trends in the marketplace, it also calls for excellent communication skills. In the 'robo' era, treasurers will need to leverage their human intuition more than ever – adapting their language to their audience and learning how to make themselves heard in any situation.

Cybersecurity

Inevitably, the more digital treasury becomes, the more 'open flanks' are created and the greater the threat of cyber-attacks. Treasurers are spending ever more time on the topic of cybersecurity to learn how best to protect their companies. They must seek out knowledge around cybercrime, consistently train their team, and become the first line of defense in their own departments.

Design thinking

The advent of RPA, along with other technologies such as AI and application programming interfaces (APIs), gives treasurers and their vendors/partners the opportunity to finally design the systems they want. To take advantage, treasurers must not be afraid to think outside the box. There may be better ways to manage cash and liquidity, for example, or intelligent ways to digitize payments and/or collections – and design thinking can be a great way to challenge assumptions and deliver alternative solutions.

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THE BOTTOM LINE

By itself, robotic process automation is unlikely to revolutionize treasury. Rather, RPA can support the overall treasury digitization and transformation journey. In combination with other technologies, RPA can take over menial treasury tasks and even some more complex processes – ranging from financial reporting to cash flow forecasting.

Humans remain the beating heart of treasury although RPA can do away with some of the tedious parts of their role. Machines do not perform jobs, but rather they perform tasks. Most treasury jobs involve many thousands of tasks meaning that robots will reshape rather than eliminate most jobs.

So, for those treasurers wishing to embrace RPA, there is a final key question to be considered: make or buy i.e. build in-house or outsource? The use of IT resources – however small – is often a barrier for change in many treasuries. Time, resources and employee mindset will also play a role. In order to quickly gain the efficiencies of automation, the benefit of cutting-edge technology as well as relevant products and services, the best result may be to outsource to an expert who can offer all that and more.

At TIS, we offer a secure, cloud-based platform which acts as a single point of contact for the entire finance function, allowing all payments processes to be automated in a uniform way across the company. The platform also offers real-time cash visibility, ensuring payment procedures and cash flow are controllable at all times.

To find out more visit www.tis.biz and request a demo.

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