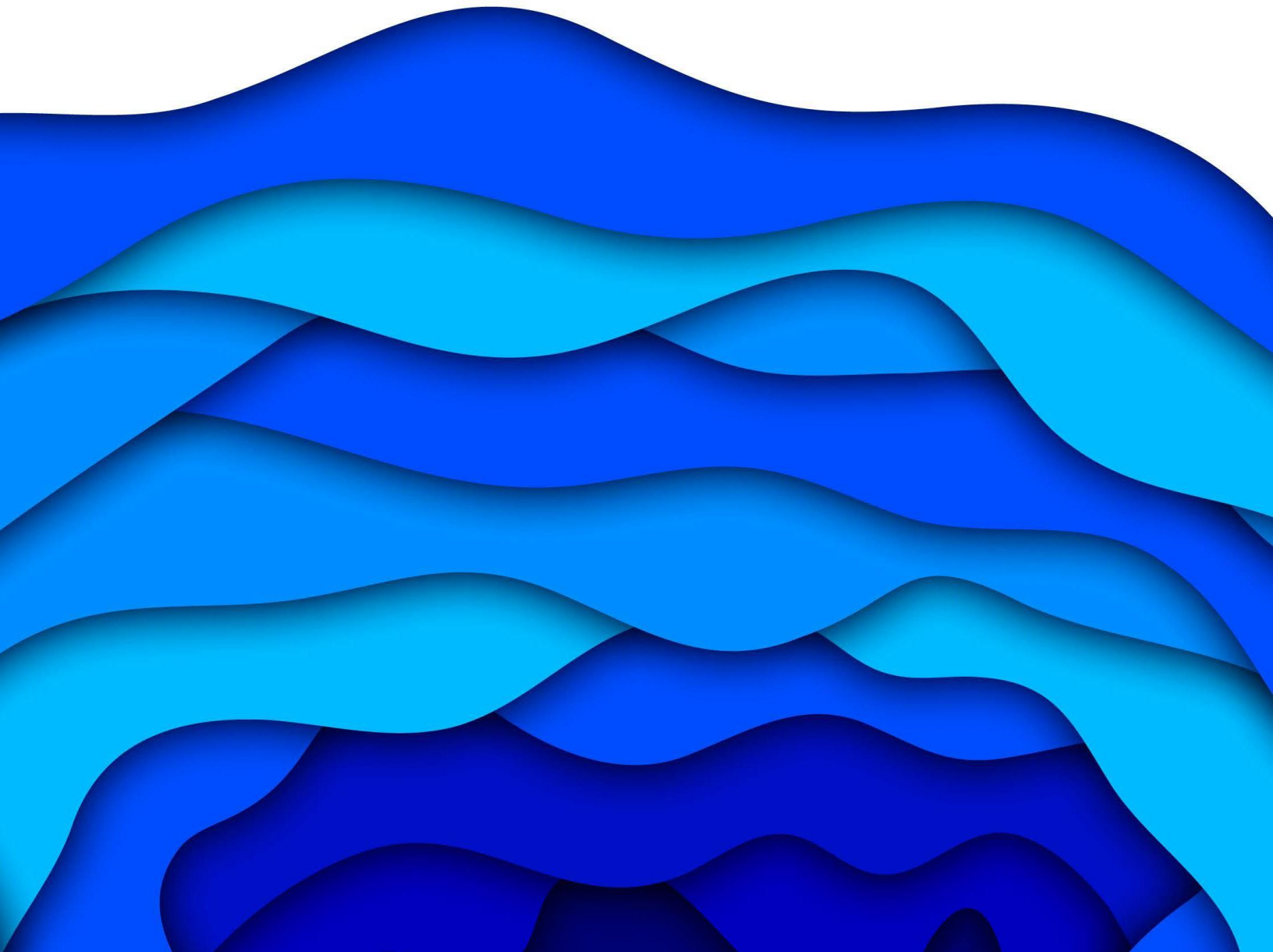


DIGITAL FINANCE
BEYOND
THE HYPE



Robotic process automation. Artificial intelligence. Analytics.

Today it seems that whatever the question, the answer is either “digitize it” or “There’s an app for that.” Yet for most finance professionals, the only app in their app store is a spreadsheet. That's the way it's been for more than 30 years. But it doesn't have to be that way any longer.

BIG BENEFITS, DELIVERED QUICKLY

Robotic Process Automation (RPA), Artificial Intelligence (AI) and analytics are now widely available, and many companies are seeing spectacular results when they apply these capabilities to finance:



For a **community bank**, with their previous manual system, the average audit would take hours to complete and a large audit could take several days. Using RPA and AI, these now take around one minute and 30 minutes respectively.



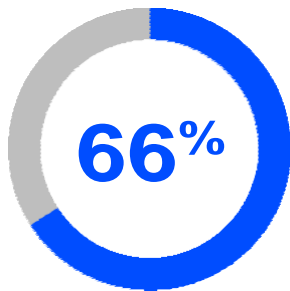
Seeking to rapidly improve its finance and accounting operations, a **community credit union** deployed AI tools and RPA, increased finance process standardization from 1% to 80%, reduced invoice processing time from 15 days to 1 minute, improved error-free processing from 30% to 99.9%, and reduced costs by 30%.

DIGITALLY TRANSFORMING FINANCE

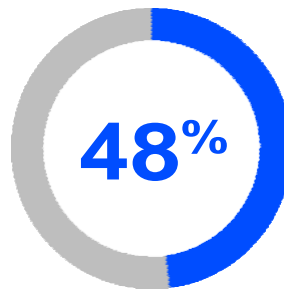
In a recent **Accenture survey**, two-thirds of the respondents said that transforming finance was a priority for their organization. A major part of the transformation involves moving to digitally based systems. Specifically, 33 percent of firms surveyed said that they had modernized their legacy finance and accounting systems, and an additional 48 percent reported that their organizations had plans to do so.

In the last five years the move toward RPA is an increasingly common first step. A company implements RPA to automate repetitive, transactional, everyday steps within a workflow—for example, the reconciling of payments with invoices. Thanks to RPA, companies have been able to achieve substantial benefits very quickly: a reduction of transaction costs by up to 40 percent and the increase of staff productivity by two to three times, all realizable within the first 12 months.

Figure 1 – Priority for Transformation



Identified Finance & Accounting as high priority for transformation



Have plans to replace legacy systems in Finance & Accounting

Source: The Future Belongs to Intelligent Operations survey, 96 Finance & Accounting respondents, 2017, HfS Research and Accenture

Intelligent Automation

The combination of artificial intelligence and automation—is starting to change the way business is done in nearly every sector of the economy. Intelligent automation systems sense and synthesize vast amounts of information and can automate entire processes or workflows, learning and adapting as

they go. It is already helping companies transcend conventional performance tradeoffs to achieve unprecedented levels of efficiency and quality. In an economy where growth has slowed and competition can be fierce, companies are applying intelligent automation to cut costs by improving efficiency and differentiate products and services with new features and experiences.

RPA IS JUST THE BEGINNING

Leading companies are also implementing AI in their finance and accounting operations to reap further improvements.

Specifically, machine learning algorithms can be trained by humans to handle tasks as a skilled employee would. For example, the accounts reconciliation process—which many finance teams experience as a tedious and time-consuming activity—can be 80-85 percent automated using RPA. But what about the other 15-20 percent? The robot can be thrown off its routine when, for instance, a bank changes the format of its statements. By pairing the RPA tools with an AI-based system that can identify changes in format and dynamically adjust the robot's actions to manage those situations, the automation percentage moves up to 95 percent.

Another frequent application of AI in finance is for compliance and regulatory reporting. Because AI technology can sense, comprehend, act and learn, it is ideally suited to support adherence to regulations like the International Financial Reporting Standards (IFRS) 15, which provides general principles for how firms should report their revenues from contracts with customers. IFRS 15 is principle-based, meaning it provides overall guidance but no specific rules for recognizing revenues as a company fulfills a contract's performance obligations. As such, an AI approach is well suited for analyzing a company's contracts to adjudicate what revenue gets booked when.

Focus staff time on activities that matter

RPA can be applied to many processes in financial institutions where employees do repetitive, relatively simple tasks that don't require analysis to complete. While the discussion around workplace automation does include some concern about the elimination of jobs, most employees feel that removing these burdensome,

error-prone manual tasks actually provides opportunities to expand their skills and take on new responsibilities. In fact, 80 percent of workers feel that automation will create positive change as it allows financial institutions to reallocate workers to higher value tasks.

LIBERATING FINANCE PROFESSIONALS FROM THE TYRANNY OF THE SPREADSHEET

Beyond improved productivity, more effective control and increased compliance, RPA and AI systems also free finance professionals from mundane and repetitive tasks that have historically consumed 50-75 percent of staff time.

In five of the eight major types of finance work, RPA and AI can automate more than 80 percent of activities so that finance professionals can concentrate on effective planning, insightful analytics and high-value advisory support.

There's a common theme among companies deploying digital: it is not just a cost and productivity play as many earlier technology investments were. Digital technologies, when combined with business and finance acumen, also impact financial goals such as revenue growth, margin enhancement and working capital optimization. The benefits in these areas are incremental to the cost

and productivity improvements and can be 10-20 times more valuable.

Advances in artificial intelligence, robotics, and automation, supported by capital investments, are fueling a new era of intelligent automation, which is likely to become an important driver of organizational performance in the years to come. It is important for companies in all sectors to understand and adopt intelligent automation, or risk falling behind.

Figure 2 – Eight Major Types of Finance Work

RPA and AI can automate over 80% of the first five types of finance work.

1	2	3	4	5	6	7	8
Transaction Processing	Accounting	Exercising Control	Ensuring Compliance	Reporting	Analyzing	Planning	Advising

Elevate Performance

Financial Institution (FI) leaders look to the core indicator of efficiency to gauge performance: the cost incurred for every dollar of revenue produced. RPA and AI can have a drastic, positive change on this efficiency ratio. Taking back-office processes from the world of people and paper to the digital realm can shave off large parts of the cost structure that bank and credit union CEOs have considered unapproachable until now.

According to McKinsey & Company, 85 percent of a FI's end-to-end processes can be at least partially automated reducing work loads on 80 percent of full-time employees. Seldom is the word transformation an understatement: in the next decade, the efficiency ratio difference between those FIs adopting automation and those that don't could be plus 30 percent compared to negative 20 percent.

KEYS TO SUCCESS

Obviously, AI systems like those described here can't be built in a day. But they also don't require years to put in place, which is the case with many legacy ERP and data warehouse systems. Task specific back-office solutions are available today for immediate deployment.






In fact, companies can realize significant benefits in weeks and months with significantly lower investments. It's also important to note that systems based on emerging technologies don't have to be built from scratch. In many cases, specialized applications geared to finance and accounting are already available to replace manual intensive processes like procurement, requisition, expenses, vendor management, payments, inventory management and accounting treatment.

That said, executives need to remember that realizing the full value from digital investments is not just a technology issue. Simply automating existing, inefficient processes will produce limited results. Combining technology enablement with business domain expertise and financial acumen is the key to success.

To get started, companies should design for specific outcomes they are trying to achieve rather than just focusing on incremental process improvement.

In the conceptual design process, executives need to think beyond automating existing processes and, instead, try to re-imagine processes through the lens of AI. This re-imagination includes looking beyond cost reductions and the replacement of workers and focusing on augmenting employee capabilities to achieve step-change improvements in performance. This might require upskilling some employees to assume new, higher-value roles. But that investment can be more than offset by a resulting cost reduction. It's these types of improvements that can help transform the finance function from cost center to revenue generator.

Figure 3 – Five Rules for Leveraging AI

-  1 Design for outcomes that have meaningful business impact.
-  2 Leverage ecosystem partners and build on existing technologies developed by others.
-  3 Think beyond automating existing processes. Re-imagine processes through the lens of AI, deploying it to augment employee capabilities and achieve performance improvements.
-  4 Build closer partnerships between the business and IT—a must to transform specific business processes.
-  5 Invest in upskilling employees to prepare them to assume future roles of higher value.

ABOUT NAVISOURCE

Navisource Solutions Group (NSG), is a comprehensive IT solutions provider and software developer. We are a value-added Solution Provider successfully engaging the Banking, Insurance and HealthCare markets. We provide solutions that minimize non-interest expense across all departments. NSG was the brainchild of a Rocket Engineer, a Fortune 50 Procurement director and a Fortune 50 IT director. The initial premise was to generate opportunities to significantly improve profitability through a disciplined holistic approach to infrastructure, procurement and resource management. See our Robotic Process and AI Digital Finance solutions at www.navisource.com.

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