The rise of Automation in Accounting
Middle East

In collaboration with Deloitte.
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The Rise of Automation

Industry has used robots for decades. Once confined to manufacturing facilities, programmed to perform one task perfectly, over and over again. Their purpose was to make high volumes of goods more quickly and cheaply.

But advances in a number of technologies has given rise to Robotic Process Automation (RPA), liberating robots to work in new roles, in new industries, and with new benefits. Robots are changing far more than manufacturing—in industries ranging from retail to financial services, and in many cases are now at the top of the agenda of strategy, marketing and customer experience.

Defining Robotic Process Automation

Robots and more specifically, Robotic Process Automation (RPA) is as the name would suggest a way to automate processes through the use of robots. These kinds of processes are typically performed within a back-office function and can often be characterized as being one or a combination of; (1) Repetitive (2) Prone to error (3) Rules based (3) Involve digital data and (4) Time critical and seasonal

What Robots are and are not:

<table>
<thead>
<tr>
<th>Robots are</th>
<th>Computer coded software.</th>
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<td><code>&lt;/&gt;</code></td>
<td>Walking, talking auto-bots.</td>
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<tr>
<td>Programs that replace humans performing repetitive rules-based tasks.</td>
<td>Physically existing machines processing paper.</td>
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<tr>
<td>Cross-functional and cross-application macros.</td>
<td>Artificial intelligence or voice recognition and reply software.</td>
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RPA software, more commonly known as a robot, is used to capture and interpret existing digital data from applications to enable transaction processing, data manipulation and communication across systems. In general, we see 7 Robotic Skills (groups of common skills) that can drive the automation of what traditionally has relied upon human skills and manual effort alone:

7 Robotic Skills:

1. Gather, collate and validate information
2. Synthesise and analyse structured and unstructured data
3. Calculate (a position or value) and/or decide (what to do)
4. Communicate with and assist users, clients and customers
5. Orchestrate and manage activities (both robotic and people based)
6. Monitor, detect or report operational performance
7. Learn, anticipate and forecast (behaviour and outcomes)
RPA robots undertake transaction processing just like their human counterparts and can work on multiple processes, across multiple functions.

Human Driven (Manual) Process vs. RPA:

**Manual process**

- Human periodically logs into system to check for new orders
- Once human confirms a request, she validates the purchase order
- Human applies specific pricing and discounts to order based on clients specific contract
- Human applies an additional 1% discount, if outlined in protocol
- Purchase order is shipped and invoiced with some error

**Robotic process automation**

- Software pulls data from customer system, checking for new purchase orders
- Once a purchase order is downloaded, it is immediately pushed into the legacy system
- Human manually validates the order for accuracy based on customer contract terms
- Software uploads the purchase order into Oracle
- Discounts are automatically applied based on customer agreements

The Global Robotics Survey

In an effort to understand the potential of Robotics, Deloitte recently conducted a survey of 400+ organizations and its findings suggest that robots are here to stay.

Some highlights from the survey include:

- **Continuous improvement and automation remain top of the strategic agenda**: 53% of the respondents have already embarked on the RPA journey and a further 19% of respondents plan to adopt RPA in the next two years. If adoption continues at its current level, RPA will have achieved near-universal adoption within the next five years.
• **RPA is increasingly becoming an enterprise-level opportunity:** for 64% of respondents on the RPA journey, it is a strategic or enterprise-wide initiative. This figure has grown significantly. Just 12 months ago, only 15% of respondents reported RPA being a part of a wider corporate initiative. Many organizations that started with function-specific RPA initiatives have grown or consolidated these to take advantage of the broader opportunity across the business.

• **There is an expectation that robots could deliver a significant portion of current transactional activities.** On average, the expectation is that 20% of FTE capacity could be provided by robots. This expectation matches the reality for those that have already implemented RPA. In fact, those that have scaled RPA appear to have had such a positive experience that their expectations are even more ambitious: they believe that 52% of FTE capacity could be provided by robots. This can enable the human workforce to be redeployed to more value adding activities.

• **RPA implementation has an attractive payback period – just under 12 months.** Organizations that have piloted RPA expect, on average, a 9.3-month payback period while, in reality, the payback achieved by those that have implemented and scaled RPA has been 11.5 months. The difference is perhaps, due to an underestimation of time and cost to deliver RPA by some organizations, since 63% said their expectations of time to implement were not met and 37% said their expectations of cost to implement were not met.

• **RPA continues to outperform expectations on non-financial benefits such as accuracy, timelines, flexibility and improved compliance, with at least 85% of respondents reporting that RPA met or exceeded their expectations in these areas.** In addition, a total of 61% reported their expectations of cost reduction being met or exceeded. Some highlighted the fact that this enabled them to move people from performing transactional tasks to higher-value activities that also led to greater job satisfaction.
Automation in the Finance Function

Many finance organizations are continuing to seek efficiencies through greater use of tools. As highlighted in the previous section, Deloitte’s Global Robotics Survey suggests that more transactions are being processed automatically and more reporting is being done by machines, with smart machines working alongside humans to make Finance more productive and effective.

It’s understandable then that many CFOs are concerned about the impact of automation on people. A recent report estimates that almost half the roles in back office functions have the potential to be automated, with the roles least likely to be automated being knowledge-based management positions, which usually sit outside of shared services.

Figure 2. Where automation may happen in finance
Almost half of the roles in back office functions have the potential to be automated

As the nature of finance work evolves, different kinds of finance professionals may be needed, including data scientists, cognitive technologists who can turn insight into impactful communications.

To stay ahead, some CFOs are using this opportunity to identify individuals who are looking to expand their skills and become true business-minded partners. They are also looking to identify the next generation of leaders who will drive these changes to reshape how finance work gets done.
How is automation affecting organizations in the Middle East? Clearly, the region contains a mixture of countries in very different situations, ranging from those with active conflicts, challenged societal cohesion and decreasing incomes from natural resource reserves, to thriving, inclusive, relatively advanced economies.

In the GCC, national digital strategies have been set, with the expectation to drive the growth agenda. Governments are looking to enhance service quality to citizens, develop a highly skilled digital workforce, cater to rapidly changing citizen and customer behaviors and develop infrastructure for future population growth while at the same time keeping costs down. Examples include:

- UAE Vision 2021 — a vision of a competitive knowledge-based economy along with a sustainable infrastructure and environment
- Saudi Vision 2030 — an objective of expanding the variety of digital services to reduce delays and cut tedious bureaucracy. Increase KSA's investments in the digital economy and entrepreneurship

For organizations operating in those countries, RPA represents a material opportunity to address some challenges that go beyond cost savings and efficiency gains and that strike at the heart of those national digital strategies, which include:

1. **Nationalization**: Nationalization percentage can be increased by elimination of routine jobs with non-sensitive data performed by expats

2. **Employment**: Provides a serious opportunity to reclaim activities from offshore and the re-implementation on-site (e.g., high degree of compliance with internal controls)

3. **Accelerate Innovation and Growth**: By eliminating routine jobs, a greater focus is placed on the knowledge-based economy resulting in, more time for employees to innovate and focus on adding more value.
Automation and the Future Workforce

More than 40% of people across the Middle East are under the age of 25, this new generation of millennial workers who have grown up with technology at their fingertips are arguably more likely to adapt to the needs of the future economy. Deloitte's 2017 Millennial's Survey, shows how millennials recognize the obvious potential benefits of automation in terms of productivity and economic growth; they also see it providing opportunities for value-added or creative activities, or the learning of new skills. In many respects, therefore, automation could be regarded as a route via which, if they adapt accordingly, millennials (and other employees) can increase their influence within organizations rather than see it diminished⁸.

Figure 19. Automation expected to drive growth and provide opportunity (at the possible expense of a sterile workplace)
Those who currently make the greatest use of social media especially recognize the potential for workplace automation to support more creative and expanded roles for millennials. Looking at our “super-connected” millennials, we also see how those who are most willing to engage with new technology have a more positive outlook. Within this group, only 15 percent believe automation will reduce the number of jobs available to people like them; 64 percent think there will actually be more jobs available. In contrast, those making relatively little use of digital communication/social media are three times more likely to predict a reduction (45 percent) rather than an increase (15 percent) in jobs.

Figure 20. “Super-connected” millennials see huge potential in automation
Percent positive sentiment/agreeing*
Automation is on the rise everywhere. We see them in customer experience, product development, manufacturing, and operations. They’re on the job in Legal and HR. And they’re beginning to reshape Finance.

In the relentless work of improving efficiency without sacrificing service and quality, automation in its simplest form is a new suite of technology tools you can put to work. As organizations look to continue with their automation journey in the digital world, here are some steps to consider:

**Learn more**
If you haven’t done so already, create a small cross-functional team to help your organization understand what’s possible. Use weekly meetings to share automation stories with leadership. Don’t limit the exploration to Finance.

**Build a List**
Create a list of opportunities within your organization for automation enhancements. The list will grow over time as new opportunities emerge. Don’t forget to look at consumer applications for ideas.

**Identify Pilot Possibilities**
Narrow the list and identify candidates for adoption. Keep the scope narrow, the team small, and the risk low.

**Pilot Project**
Focus on opportunities where time-to-value is short. Choose a specific use case that can be tackled without distracting the whole organization.

**Scale What Works**
Govern and track the impact of each pilot. Replicate what delivers results, and apply lessons learned to successive efforts.