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Is RPA overhyped, or just misunderstood?

Tory Yoshida

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Executive Summary



Tory Yoshida

Senior Consultant

Nomura Research
Institute America, Inc.

While RPA (Robotic Process Automation) applications are starting to expand, the industry is seeing disappointing results and starting to re-evaluate RPA's actual ability to reduce costs. We need to take the actual potential of RPA technology into consideration to see more benefits such as enhancing employee value rather than cost reduction alone.

Increasing Expectation and Subpar Results from RPA Implementation

The fintech boom is starting to mature, and organizations are looking to implement new solutions like RPA to become more efficient and provide services cheaper. When implementing RPA and other automation tools, many companies begin to build business cases based on the fiscal value brought by the implementation of these tools. In one example following a full RPA implementation, one of the largest US financial institutions reduced their full-time employee (FTE) from 2,000 to 1,000, a story that became a major headline in the industry. As cost reduction headlines take the spotlight, many companies are led to think RPA implementation must achieve significant cost reduction, leading to high expectations not always being met, and a subsequent 'mixed review' of RPA technology as a cost-saving measure. However, if we can consider other positives that RPA can bring to an organization, such as improving employee value, companies can start to realize more benefits than cost reduction alone.

Many of the published research and news outlets emphasize significant cost reductions from FTE reduction, which is certainly appealing to financial institutions that are under pressure from shareholders to reduce operational costs. Contrary to the rosy pictures depicted by these white papers, 30-50% of initial RPA projects fail to achieve their expected results, according to an EY report.¹⁾ While this result can sometimes be from technical issues, it more often comes from the users labeling results as failures because their initial expectations were set too high. RPA is usually used to automate sub-processes, which leaves many processes still requiring assistance by human employees, limiting achievable savings expected from the organization as a whole.

Furthermore, firms often try to automate as many processes as possible, from simple tasks to more complex, to achieve more cost reduction. However,

NOTE

1) Lamberton, Chris, et al. "Get ready for robots." Ernst & Young, 2016. http://www.ey.com/Publication/vwLUAssets/Get_ready_for_robots/%24FILE/ey-get-ready-for-robots.pdf.

2) "The Evolution From Robotic Process Automation To Intelligent Automation." Genpact, 2017. <http://www.genpact.com/downloadable-content/insight/the-evolution-from-robotic-process-automation-to-intelligent-automation.pdf>.

implementation practices show that as the target process' complexity increases, expected savings will decrease. According to Genpact, in a scenario with 100 FTEs pre-RPA deployment, automating low complex processes can reach up to 57% cost reduction, but it significantly decreases to 9% for more complex processes. One general manager from a container shipping company, which has implemented RPA commented, "The ROI we have been able to achieve is much less than projected but it is still fairly good..."²⁾ When companies focus on cost reduction or ROI, some struggle to see the benefit of RPA and view the technology as overhyped.

Projects Focusing on Enhancing Employee Value

Recently, many companies have realized that RPA's main benefit is not only cost reduction, but also enhancing employee value. Many newer implementations evaluate RPA by looking to enhance employee value by saving them time previously spent completing mundane tasks, allowing them to put more time and effort into value-added tasks, which can ultimately increase customer value.

Co-operative Bank, a retail and commercial bank in UK that ranks as the 7th largest lender in UK, started their RPA journey from 2005, and is shifting their RPA evaluation to employee role enhancement rather than cost reduction. Their focus was not on cost reduction through automation of employee's tasks, but rather the decrease in processing time through automation. In particular, their Clearing House Automated Payment System (CHAPS) process, which took 10 minutes to perform manually, was reduced to 20 seconds with automation. While it took employees to close 12 accounts per hour manually, bots were able to close 200 accounts in the same amount of time. The bot created more time for the employees to spend engaging with their customers. Co-operative Bank automated 80% of their processes and subsequently increased their individual employee value by deploying them into higher roles as an account manager, and led to increased customer satisfaction rates, since bank customers began receiving more attention.

RPA benefits can also be found in non-operational tasks, such as training. In 2017 Deutsche Bank announced they have been testing RPA implementation across their segments, including trade finance, cash operations, loan operations, and tax, led by their Innovation Lab in New York. Loan departments have always had high turn-over rate, which made the usual six-month training period high cost for the company. Though once a tedious training process, the implementation of RPA in loan operations led to a decreased time in training employees. By teaching

and encoding the bots, Deutsche Bank did not focus on reducing FTE, but rather on assisting the human employees. A lead at Deutsche Bank Innovation Lab commented that “by teaching a machine that set of tasks—having that knowledge encoded through robotics and cognitive computing—that knowledge is available to humans to augment their skills and accelerate the onboarding process”³⁾

3) Overby, Stephanie. “RPA proving its transformational value at Deutsche Bank.” CIO, CIO, 24 Feb. 2017, <http://www.cio.com/article/3174126/outsourcing/rpa-proving-its-transformational-value-at-deutsche-bank.html>.

Another RPA implementation that did not focus on cost reduction was SEB Bank, where the bank looked into customer service process. In 2016, SEB Bank, a \$5 billion Swedish bank serving both institutional and private customers with banking services, first automated its internal IT service desk used by employees to solve office IT issues. Before automation, employees seeking IT support had to wait for up to 1-2 hours to resolve issues, often frustrating employees. Automation of the IT desk created an environment where employees were not distracted by administrative tasks, allowing increased productivity and greater contribution to the company by the employees. After this success, they started to launch automated customer service externally to their clients, so they would be able to assist with simple inquiries such as account information, payment transfer, etc. This automated service can free up customer service representatives for more complex inquiries that will require more attention. As SEB Transformation Lead-said “Our main aim at the moment is to use this technology to improve our services and customer support, because we think using it will enable staff in customer support to focus on value add work by removing mundane processes.”⁴⁾

4) Lacity, Mary, et al. “Service Automation: Cognitive Virtual Agents at SEB Bank.” The Outsourcing Unit Working Research Paper Series, vol. 17, no. 01, Feb. 2017, p. 13.

Reconsidering Positioning of Bots and Human Employees

Successful RPA implementation does not necessary come from cost reduction alone. Moreover, companies need to realize the real benefit of RPA comes from strengthening and enabling employees. Through enhancing employee value, the company can also be taken as increase in customer value from customer’s perspective. Benefits other than cost reduction maybe hard to quantify, but if companies can re-visit their KPI, they will start to see more returns/gains than cost reduction. Since RPA cannot replace an entire task, only sub-tasks, there will always be a need of human employees. Employees and their knowledge are what make up the companies’ source of value added services and outputs. As companies start to automate as many processes as possible, they are, without noticing, razing the accumulated knowledge within the company. Successful RPA implementation will come from first understanding the borderline between what can be done by human and bots, and then creating the program around reinforcing human employees with bots.

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Inquiries to : Business Planning & Financial IT Marketing Department
Nomura Research Institute, Ltd.
Otemachi Financial City Grand Cube,
1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
E-mail : kyara@nri.co.jp

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