NRI

Special Edition

Japan's RPA utilization as a global standard

- Interview with Koichi Hasegawa by Shigeki Hayashi -

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Executive Summary

Amid mounting pressure to reform Corporate Japan's workaholic culture, interest in RPA (robotic process automation) is burgeoning among Japanese companies. What are the keys to successful RPA? Why could Japanese-style RPA become the global standard? These questions are among the topics addressed in our conversation with Koichi Hasegawa, CEO of the Japanese subsidiary of UiPath, a globally renowned RPA vendor.
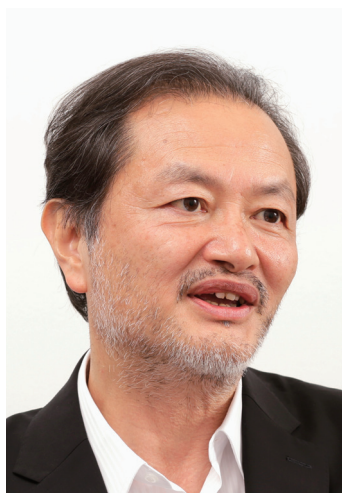
Koichi Hasegawa

CEO, Japan
UiPath

Joined Arthur Andersen (currently Accenture) in 1983. Hired by Goldman Sachs in 1993. Worked in Goldman's New York, Hong Kong and London offices. Recruited in 2000 by Deutsche Bank, where he served as Japan CIO and APAC Fixed Income CIO. Hired by Barclays in 2005 as APAC CIO; later served as head of global outsourcing strategy and Japan COO. In current position since 2017.

Shigeki Hayashi

Senior Corporate Managing Director,
Division Manager–Financial Technology Solution
Nomura Research Institute

Joined NRI in 1988. Initially assigned to PMS Development Department; later transferred to Insurance Systems Department. Promoted to General Manager of Project Development Department, Financial Solution Sector and then General Manager of Innovative Systems for Financial Industry Department. Seconded to Nomura Holdings in 2007. Returned to NRI in 2009 as General Manager of New Insurance Systems Marketing Department. Appointed Executive Officer and Deputy Division Manager–Insurance Solution in 2012. Promoted to Division Manager–Insurance Solution Division in 2014. Appointed Senior Corporate Managing Director in 2016. Division Manager–Financial Technology Solution since 2017.

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First introduced to RPA in 2005

Shigeki Hayashi: Interest in RPA is booming among Japanese companies. When did you first encounter RPA?

Koichi Hasegawa: Back in 2005 or 2006, when I was Barclays' CIO for Asia. I first heard of RPA in the context of automation projects at offshore centers in India but I didn't have any actual hands-on experience with it until 2016, when I was COO of Barclays Securities Japan. Seeing then state-of-the-art RPA, I thought we could use it to automate the so-called last mile [remaining manual tasks not yet amenable to automation].

Hayashi: How did it differ from previous automation tools?

Hasegawa: When we developed strategic IT systems, end-users would provide a lot of helpful input from their perspective. But when the new systems went live, they left much to be desired in terms of truly being user-friendly, which is not to say the systems themselves were bad. I faced a dilemma and felt that RPA might be able to automate the last mile.

Hayashi: You have since been hired by UiPath, an RPA vendor, as its Japan CEO. I imagine that going from a global financial institution to a young tech company was a big challenge.

Hasegawa: I had conviction in RPA as a highly disruptive, effective tool. If I had stayed at Barclays, I may have been able to extensively deploy RPA but I felt a strong calling to dedicate myself to boosting Japanese productivity by taking a chance on RPA's potential.

Also, during the two-plus decades I worked at foreign financial institutions, I had seen many overseas software products fail to gain acceptance in Japan. I had a hunch about why they didn't succeed in Japan. I thought it would be best to try my own hand at the software game.

Hayashi: Why UiPath instead of other RPA vendors?

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Hasegawa: UiPath is an engineering-centric company that uses the latest technologies in its products. I found its products to be far superior to the competition in terms of operability. I loved its architecture also. Another selling point for me was that Daniel Dines, its CEO and co-founder, has an engineering background.

Why Japanese RPA could become the global standard

Hayashi: UiPath's services are rapidly gaining popularity even in Japan.

Hasegawa: UiPath established a Japanese subsidiary last year. We already have 400 customers in Japan, including SMBC Group, Mizuho Financial Group and five more of Japan's nine biggest financial institutions, the Japan Exchange Group, major securities brokers and insurers and, outside of the financial sector, major retailers and manufacturers also.

Hayashi: Since last year, so-called workstyle reform [reform of Japan's workaholic culture] has become a national focal point. Isn't this movement another tailwind for UiPath?

Hasegawa: Absolutely. In addition to low labor productivity, Japan is plagued by severe labor shortages due to adverse demographics. Employers are consequently under pressure to implement workstyle reforms that qualitatively improve their workforces' jobs. Meanwhile, they must embrace digital transformation (DX) also. If you surveyed the top 100 Japanese companies on their current management priorities, every one of them would say DX is a priority. UiPath aims to offer Japanese-style RPA as an effective solution to these challenges.

Hayashi: What exactly is Japanese-style RPA?

Hasegawa: I feel that the Japanese companies utilizing UiPath as a strategic tool have highly astute CEOs. Many CEOs in Japan have risen through the ranks of their companies, from the bottom to the top of the organizational pyramid. Their

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experience of having done so informs their management approach. Accordingly, they do not see RPA as merely a means of cutting costs by deploying robots. They want to create workplaces where robots work together with, but in capacities subordinate to, humans by using RPA to gain visibility into business processes yet to be automated and convert veteran employees' tacit knowledge into digital knowledge. They want to assign more employees to strategic roles by reducing manual workloads, thereby increasing employee satisfaction and, in turn, revitalizing their companies. And they are passionately committed to doing so.

RPA is typically used to automate simple, high-volume, repetitive tasks. Japanese executives, however, want to use RPA to automate not simple but complex, not high-volume but small-batch, and not repetitive but varied tasks. In other words, they want to automate recurrent workflows with multiple branches.

If we develop products that can meet the demands of such Japanese-style RPA and make them the UiPath's global standard, I believe we will become the world's most successful RPA company.

How should financial institutions use RPA?

Hayashi: UiPath's services seem to have an excellent reputation. In which industries do you feel you are getting the most enthusiastic response?

Hasegawa: One word often used to describe UiPath is "versatile." In both Japan and the rest of the world, UiPath's services are used in all industries. That said, I think RPA demand is strongest in the financial sector.

Financial institutions demand accuracy, strong security and compliance with time constraints. They also have variation-rich processes not yet able to be computerized. Faced with the imperative of strategic growth, they need automation to first liberate their employees from tedious manual work.

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Hayashi: Even at NRI, our solutions for financial institutions use UiPath products for certain portions–the most difficult-to-automate parts–of customers' processes.

Hasegawa: Successful RPA implementation requires consideration of the customer's business, IT systems, HR policies and culture. Needless to add, RPA implementation begins with business process reengineering. Other considerations include governance and robotic workflows. Because RPA differs qualitatively from traditional system development, companies newly adopting RPA need to tap into the expertise of a capable partner like NRI, especially at first. Many overseas companies that have successfully implemented RPA initially sought help from consulting firms with extensive RPA experience.

Hayashi: Erosion of Japanese regional banks' earnings power has been a concern in recent years. Resource constraints are preventing regional banks from undertaking new endeavors.

Hasegawa: I've heard regional banks are spending so much on system maintenance that they can't afford to pursue new initiatives. One possible solution is for regional banks to jointly set up a robot center and decide what processes can be outsourced to the center. Even their manual tasks and back-office processes that cannot be outsourced can be automated to a greater extent than they have been so far. If the entire regional banking industry can adopt a common RPA template, productivity would improve. If regional banks revitalize themselves, regional economies throughout Japan would benefit. We definitely want to play a role in that process.

Hayashi: How should financial institutions use RPA going forward?

Hasegawa: Financial institutions have a wealth of top-notch human resources. The problem is that they are not adequately utilizing their human resources' capabilities.

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As their operations become increasingly complex, financial institutions are under pressure to be experts in their chosen domains. But their workforces seem to be spending the vast majority of their time on fine-grained manual tasks. To be better able to pursue growth strategies, financial institutions should use RPA to allow their elite employees to concentrate on more productive work.

Hayashi: Even when management is enthusiastic about an RPA project, getting front-line personnel to buy into RPA is often difficult.

Hasegawa: Successful RPA implementations typically have "killer content." I think it is crucial to let employees personally experience the benefits of RPA by automating a number of manual tasks that are well known to be tedious.

Keys to successful RPA

Hayashi: At NRI, we also are seeing a lot of demand for RPA-related consulting but we run into difficulty with complex, small-batch processes, as you mentioned earlier. What are the keys to successful RPA?

Hasegawa: I think there are three keys. The first is scale, ideally company-wide scale. Sufficient scale is required to maximize RPA's benefits. A hybrid top-down/bottom-up approach is consequently necessary. The top-down component involves coming up with a highly-effective plan that meets compliance, security and infrastructure requirements from a company-wide governance standpoint. This process requires the expertise of a consultant like NRI. In the bottom-up phase, the end-users use RPA themselves and expand the scope of the RPA implementation. Without end-users' active involvement, a workplace cannot be automated in the true sense.

The second key is resilience, meaning stable or improved system operation. Although RPA can be swiftly integrated into existing IT systems without modifying them, it will be affected by all changes to existing applications, OSs and hardware. Stable operation

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means neutralizing any such effects while deploying RPA on a large scale. Improved operation means making existing systems more user-friendly by capitalizing on the fact that RPA is inherently more conducive to usability upgrades than conventional system development is.

The third key is intelligence, meaning use of artificial intelligence. RPA plays an important role in terms of connectivity with, for example, various FinTech applications that utilize AI technologies. By preprocessing data, RPA dramatically expands the scope of what is possible.

Hayashi: In other words, the third key, intelligence, links RPA to various applications and constitutes a company's digital foundation.

Hasegawa: That's right. UiPath is designed as an open platform architecture. As applications are developed using new technologies, they can easily be connected to existing applications already linked with each other via UiPath. I believe digitalization that extends outward to customers and other external parties is the key to successful internal digitalization.

At present, we want RPA to capture CIOs' attention. RPA projects have previously been preponderantly spearheaded by companies' planning staff, digital strategy staff or user departments. Recently, however, we have been seeing more interest in UiPath from CIOs looking to improve IT investment efficiency. Installing or upgrading an IT system is expensive. RPA can substantially increase an existing system's processing efficiency and extend its life. System upgrades are very costly and time-consuming. Investment can be minimized by incorporating RPA into the system plan in lieu of complex GUIs. RPA can also be used for system testing at the system development site to improve development efficiency.

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UiPath's vision of RPA's future

Hayashi: RPA looks likely to continue advancing for a long time to come. What kind of future does UiPath envision for RPA?

Hasegawa: We have a very exciting vision of RPA's future. Whereas RPA has hitherto been used mostly to boost productivity, we now expect it to be increasingly used as a strategic tool to create new business models. By deploying RPA in their businesses, companies can potentially create new business models that they had previously written off as unfeasible or are a radical departure from their existing businesses.

The question we ask is, if you had 100 additional subordinates, what new initiatives would you undertake? We want to know about potential new business models that could be widely propagated by RPA.

One example is NLP [natural language processing] embedded in RPA. Our robots can already extract invoice information from an email attachment and automatically input it into a billing system. When equipped with NLP capabilities, robots can read emails' text and take appropriate action.

Additionally, RPA is highly compatible with OCR [optical character recognition]. For example, when a robot reads a handwritten invoice using OCR, if it cannot decipher all of the invoice's content, it can go into the company's billing system and retrieve any indecipherable information as long as it can read the invoice number. Additionally, RPA, when combined with AI, can facilitate machine learning. For instance, a robot could read past invoices into a dictionary file to be used as AI-OCR training data for machine learning. Successful applications of RPA to machine learning have already been reported at a March 16, 2018, Bank of Japan workshop on use of IT in finance.

The key point is that RPA is a bridge that links existing IT investments with new technologies. If OCR is analogous to a human's eyes, chatbots to the mouth and ears and AI to the brain, RPA is analogous to the hands and feet. When all are combined together, they give rise to lots of possibilities.

With that in mind, we plan to launch a Marketplace this September. Like Apple's App Store, our Marketplace will make various vendors' solutions available to the public.

Hayashi: Thank you for sharing your passion for RPA with me today. I learned that for

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UiPath, RPA is not only an efficiency tool but, more importantly, a strategic tool that helps your customers create new businesses.

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about NRI

Founded in 1965, Nomura Research Institute (NRI) is a leading global provider of system solutions and consulting services with annual sales above $4.4 billion. NRI offers clients holistic support of all aspects of operations from back- to front-office, with NRI's research expertise and innovative solutions as well as understanding of operational challenges faced by financial services firms. The clients include broker-dealers, asset managers, banks and insurance providers. NRI has its offices globally including New York, London, Tokyo, Hong Kong and Singapore, and over 13,000 employees.

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