

# Getting the Best out of RPA Investments

## Abstract

The dawn of the digital era, coupled with fintech disruptors, has made it imperative for traditional banks to reinvent their operating models. Costly, slow, manual processes that run on legacy systems and technologies, however, impede banks' digitalization drive. Robotic process automation (RPA) has potential to address the 'digital gaps' in banks' back-offices by automating manual processes and infusing the agility required for digital transformation. This paper discusses how RPA can improve operational efficiencies in business processes and increase overall agility to expedite the digital transformation journey.

## Introduction

Digital transformation is quickly becoming the focal point of the business strategies of financial services organizations. Technology adoption is at the forefront of their efforts to evolve into agile, digital players to respond swiftly to fintech disruption. At the same time, shrinking margins constrain investments and put pressure on banks to contain costs. In this atmosphere, robotic process automation (RPA) has emerged as a game-changer, mainly due to its relatively low investment requirement, short implementation cycle, and quick RoI.

Automation is a key pillar of the enterprise digital transformation journey, and RPA, which represents the latest wave of automation, is quickly gaining traction. In its study titled Zinnov Zones for Robotic Automation 2017, Zinnov Management Consulting pegged enterprise spends on robotic automation at over \$1.5 billion in FY 2017.<sup>1</sup> Zinnov predicts that robotic automation investments will touch \$6.5 billion by 2020, growing at a compounded annual growth rate of 60%, making RPA one of the most important digital spend categories.

## Why RPA for Banks?

Though banks have digitized many of their customer-facing business processes, they still rely on manual processes for their back office operations. These tasks are typically rule-based, voluminous, tedious, repetitive, error-prone, time-consuming, and labor intensive. Manually performing such tasks increases costs, results in rework due to errors, and slows down operations, which is a disadvantage in the fast-paced digital world. Furthermore, banks have to contend with a plethora of regulations; keeping track of evolving regulations is complex, time-consuming, and monotonous.

Routine back-office processes readily lend themselves to automation. Similarly, compliance processes are primarily rule-based with minimal deviations making them ideal for automation. But the prohibitive cost of integrating and automating processes that run on disparate legacy systems, platforms, and technologies has proved an obstinate barrier. Robotic automation now offers a solution. RPA's non-invasive nature enables it to sit on top of existing systems without mandating changes to the underlying monolithic IT infrastructure. This is especially significant for traditional banks that typically function with a complex medley of legacy systems.

## Use Cases from the Financial Services Industry

Given the benefits financial institutions can realize from RPA, many global banks are running proofs of concept (PoCs) to explore the suitability of RPA to address longstanding pain points:

For instance, the data generation process for the top 50 counterparty risk report is a labor intensive process requiring multiple resources. The data is collated from different sources before uploading it into a common repository. Subsequently, the report is manually prepared and filed with regulatory authorities. Banks are looking at automating the end-to-end process through RPA to limit resource usage to just qualitative aspects like review and submission.

Another typical use case is the tenor breach approval process for trades above the mandated limit – several global banks are running PoCs in this area. Trades above the prescribed tenor limit require the approval of a risk officer, which typically cannot be given in real time. However, trades are routinely entered into without the requisite approvals in place, which results in a huge number of system generated alerts to the risk officer. Manually tracking and closing these alerts is a time-consuming and repetitive process – an ideal candidate for RPA.

## Enabling a Smooth Implementation

As with every new technology, RPA also poses a few implementation challenges. Employees perceive RPA as a threat as they fear job cuts. IT teams too are apprehensive due to concerns around IT architecture, security, and IT change management. Given the multitude of processes that banks function with, choosing the right processes that can benefit the most from RPA and create significant business impact isn't easy. However, benefits such as increased operational efficiencies, reduced costs, and enhanced agility far outweigh the difficulties, especially given that agility is a crucial precondition for digital transformation.

Organizations must realize that RPA is not a magic bullet that will fix all process bottlenecks; certain processes may require other technologies like cognitive automation. Selecting the right processes is crucial to success – the first step is to review all the processes that support a business function to identify

those that are ideal for automation through RPA tools. Such an assessment will help outline a roadmap aligned with automation objectives, facilitating a smooth adoption. Some aspects that must be kept in mind for a hassle-free RPA implementation include:

## Educate employees to eliminate apprehension

Inform team members about why a new tool is being adopted; provide clarity on how it will benefit them and what changes it will entail. Motivate them by clearly communicating that RPA will help eliminate tedious tasks and free them for more value-adding work.

## Adopt in phases

Instead of taking a big bang approach and rolling out an organization-wide implementation, adopt RPA in phases. Work with a single functional group at a time, ensure the process is running smoothly, before moving to the next function.

For instance, to ensure AML compliance, KYC is one process that can be safely considered for RPA adoption. Similarly, in areas like credit risk analysis, sub-processes such as cash flow review and monitoring can be RPA enabled.

## Evaluate adoption potential

Given that automating the right processes is critical to success, how can organizations identify the right processes? Based on our experience, here are a few key factors that help in evaluating the adoption potential of a process and determining if it is the right candidate for RPA:

- Type of process: transactional; clearly defined business rules; repeatable; consistent over a period of time.
- Voluminous: huge volumes of transactions; important for BAU.
- Inefficiencies: contrasting or incompatible IT systems; transparency and compliance issues.

Process assessment is not a one-off activity; continuous process assessment is a must to identify more opportunities for automation through RPA, and organizations must therefore make this an ongoing activity.

## Define an operating model

Centers of excellence (CoE) that oversee the automation initiatives of individual lines of business bolstered by centralized governance, standards, and frameworks ensure that the projects are aligned with strategic automation goals. Such a model also ensures that existing tools are optimally leveraged. The CoE must also lay down and monitor key performance indicators as part of governance.

## Select the right tools

There are several tools in the market suitable for different business scenarios; choosing the right one requires a comprehensive due diligence process. A hasty choice, not backed by a thorough evaluation, could be disastrous.

An in-depth analysis of all the functional processes across criteria like the type of automation to be rolled out (assisted or unassisted), the data ingestion capabilities required [Optical Character Recognition (OCR) and/or Intelligent Character Recognition (ICR)], capabilities required by the business rules (RPA or cognitive), and where the automation will occur (business process or IT) must be performed. Such an assessment will help zero in on the right tool with the capabilities required to deliver on the stated automation objectives within set timelines.

## Adopt a modular deployment approach

Review the process chains and identify individual processes suitable for RPA; some of the processes in the chain may require manual intervention making them unsuitable for RPA. Start with the processes that have the greatest applicability for RPA; such processes can usually be automated and deployed quickly with relatively less risk. Adopt a modular approach to automate and deploy such processes to realize benefits faster.

## The Bottom Line

RPA offers banks a relatively easy and cost effective way to transform core operations. Successful adoption will, however, require banks to carefully prioritize their processes and draw up a roadmap keeping in mind the strategic automation

objectives. Given the key advantages of its non-invasive nature, lower upfront investment, faster cycle time, and productivity benefits, banks would do well to include RPA in their armory of digital tools to provide the necessary push to their digital transformation programs.

## References

1. PRESS RELEASE: Enterprise Spend on Robotic Automation (RA) Estimated to be Over USD 1.5 Billion in FY2017: Says Zinnov, PR Newswire, April 2017, retrieved Jan 2018, <http://www.prnewswire.co.in/news-releases/enterprise-spend-on-robotic-automation-ra-estimated-to-be-over-usd-15-billion-in-fy2017-says-zinnov-617939583.html>

### About The Author

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