As the returns on outsourcing decline, firms are looking for other ways to increase efficiency and reduce costs in the IT organization. Robotic Process Automation may help.

The capital markets industry has always been marked by rapid, often disruptive changes. Issues such as globalization of commercial markets, regulations, and new competitive entries have influenced companies to look for new ways to increase revenue, cut costs, and accelerate profits. Quoting Bachman Turner Overdrive’s popular rock anthem from the 1970s, “You ain’t seen nothin' yet.”

Capital markets banking organizations are under more pressure than ever to find ways to wring costs out of operations in order to improve profitability in the short term and better position their companies for growth in the long term. A key area of scrutiny is the IT organization. After all, financial services, collectively, comprise the largest single vertical in terms of technology spending.

Now, however, these firms are running out of runway when it comes to reducing costs by outsourcing IT infrastructure and/or back-office operations such as call centers, loan processing, and other functions. Labor arbitrage no longer delivers as it used to. CIOs are looking for new ways to cut costs while, ideally, positioning their organizations to improve service availability and enhance the customer experience.

Enter RPA
Robotic Process Automation (RPA) is fast emerging as a highly efficient and demonstrable way to help capital markets banking firms reduce IT spending -- without compromising service provisioning. And, in an industry consumed by risk mitigation and under pressure from regulations such as Dodd-Frank and other compliance mandates, RPA is attractive because it’s proven to work in the real world.
Simply put, RPA is a game-changer in financial services:

- RPA offers the opportunity for dramatic cost reduction; 25 to 50% lower costs are typical, and even higher savings are possible.
- It facilitates the IT department by helping to stretch budgets and deliver technology-based services more reliably and efficiently.
- It appeals to the compliance and risk management functions because it dramatically reduces the potential for human error.
- It's more than a concept; it's real and has been successfully deployed by numerous leading, and often conservative, financial institutions.

How RPA works

One thing that's important to keep in mind is that RPA is much, much more than traditional process automation, which requires programmers to write scripts that automate individual tasks. While that first-generation process automation is certainly better than manual processes, it only scratches the surface in its goal of automating repetitive tasks in order to reduce costs and improve agility.

Instead, RPA uses software “robots” to capture and interpret applications and activities that are part of transactions, analyses, and reports -- all of which require instantaneous, secure communications with other applications and services. By using software to reliably automate a wide number of tasks previously done by individuals, banking institutions can cut personnel costs in the near term, as well as consider how to better deploy some of those personnel for more strategic, longer-term benefits. It's about automating the automation.

In addition to reducing personnel and transaction processing costs, RPA makes gathering and organizing data easier, aiding in the business-critical role of predicting future outcomes and making smarter, faster decisions.

Proven in the real world

For banks evaluating RPA as a way to reduce costs and become more agile and efficient, the good news is that the technology has been deployed and has delivered tangible results.

For example, a top US bank was struggling under the weight of rapidly growing numbers of databases -- and the hundreds of database administrators (DBAs) required to support the database structure. The bank was committed to a major reduction in the number of full-time equivalents, and it had tapped out its ability to cut personnel costs through previous labor arbitrage solutions such as offshoring or scripting-based process automation. After deploying an RPA solution, however, the bank was able to dramatically and immediately cut the number of DBAs. After the initial implementation, the bank was well on its way toward meeting its aggressive goal of a 50% DBA headcount reduction, and committed to expanding the deployment throughout other lines of business.

Cost reduction was also a goal for another global investment banking company, but the bank also wanted to dramatically shorten the timeframes required to resolve trades that often were impacted by system processing issues. The organization had tried -- and failed -- to use runbook scripting tools to help the IT engineering staff. So it needed an entirely new approach. By using RPA, the firm was able to resolve 80% of failed trades without human involvement, resulting in a 93% reduction in average resolution-and-fix time.
Robotic Process Automation is being applied today. It has an established track record of producing tangible, measurable results in the capital market banking industry, and it is helping organizations reduce recurring personnel expenses and better cope with the market challenges brought on by new competition, global operations requirements, and an increasing regulatory profile.

Financial institutions are deploying RPA for both short-term tactical benefits in the form of lower costs and longer-term strategic benefits such as staff redeployment and the development of more agile, flexible organizations that improve the customer experience.

Frank believes the network effect is a powerful accelerator for learning, sharing and establishing effective business channels. Prior to launching the Institute for Robotic Process Automation, Frank founded The Outsourcing Institute, a global network of over 70,000 ... View Full Bio