@PwC_FinServ

# Q&A

October 2017

# What PwC's 2017 survey tells us about RPA in financial services today

*Robotic process automation (RPA) can help the bottom line, as many proof-of-concept tests have demonstrated. Now, many firms have moved from exploration toward a broad rollout of software "bots." They've boosted efficiency and cut costs, but they've also seen that integrating digital labor with their software and workforce poses distinct challenges. PwC's 2017 Financial Services RPA Survey shows that RPA programs are maturing, and companies are looking ahead to where automation will go next.*

Which use cases make the most sense? What's getting in the way of broader acceptance? Are firms finding the payback they'd hoped for? PwC surveyed a wide range of companies across the financial services industry to see how firms are adopting RPA today and where they plan to take such automation in the near future. To get more insight into the results, we sat down with Kevin Kroen, our financial services RPA practice leader.

# Questions and answers

**Q. Financial firms have been using bots for a while now. Where are we now?**

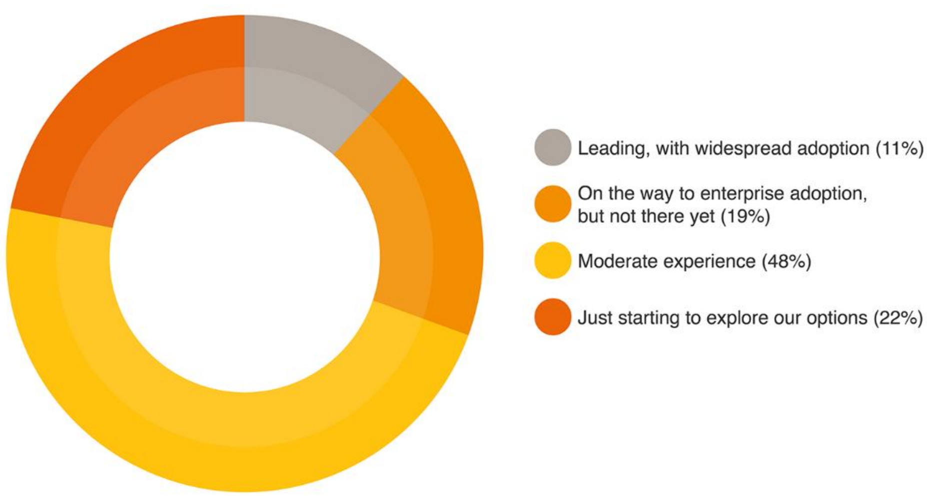
A. I'd say we're looking at RPA version 2.0. A year or two ago, we saw leaders push forward with pilot projects to prove the value and understand the process. This usually meant focusing on repetitive, logic-driven tasks with potential for a quick payoff and without a lot of process reengineering—areas like reconciliation, data remediation, regulatory reporting, and account-opening processes. They liked what they saw, but the longer term case was still a bit hypothetical as they were just getting started.

We're now seeing these early adopters moving decisively beyond that first "aha!" moment toward wider mobilization, and they're starting to see a return on investment (ROI) from their programs. As shown in Figure 1, our survey found that 11% of respondents consider themselves "leading," meaning they have adopted RPA widely across the enterprise. Nearly two thirds of respondents have moderate or advanced experience, meaning they have some trained team members or they are "on the way to enterprise adoption but not there yet." In other words, firms have officially made the jump from exploration into execution.

The leaders are systematically integrating the software with core systems. And instead of just focusing on obvious areas like operations and finance, there is the start of a push toward use of automation in other middle- and back-office functions like risk, HR, and compliance.

**Figure 1: In 2017, many financial firms built hands-on RPA experience**

How would you characterize your firm's current digital labor/RPA implementation stage?




Source: PwC's 2017 Financial Services RPA Survey.

## *PwC's 2nd annual RPA financial services survey*

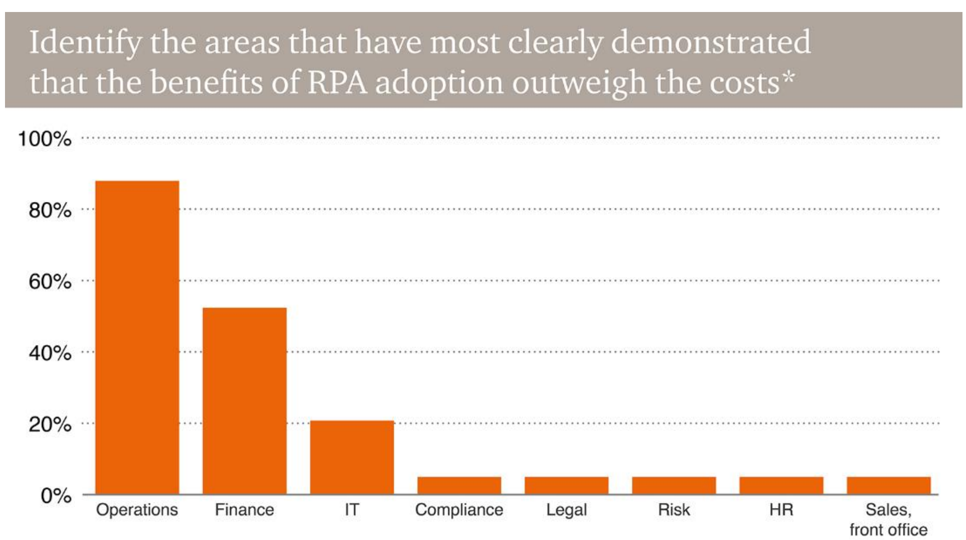
In the 2017 survey, we talked to several dozen professionals from across the US financial services industry who are actively engaged with RPA, at a variety of companies, levels, and functions. The technology has had rapid uptake in banking and capital markets, insurance, and asset/wealth management, but some firms have had much more success with automation than others. We wanted to understand what RPA looks like now, both for those leading the movement as well as for those just starting out. Key findings include:

- **Do this or else:** Digital labor will be "imperative to survival" in three years, say 12% of respondents
- **C-suite priority:** An overwhelming 98% of respondents agree that developing an RPA program is important, very important, or extremely important
- **Still early days:** Most respondents are just starting to see program success but see great improvements ahead
- **Sooner or later:** Payback forecasts vary widely, with return on investment expectations anywhere between six months and two years
- **Staying current:** Three quarters of all RPA programs are the result of broader firm efforts around emerging technology/innovation
- **Where they struggle:** Key challenges in implementing digital labor programs and supporting operating models include: lack of subject matter expertise (23%), agreement of approach across functional teams (21%), and inconsistent resources/funding (20%)

## Q. Are firms seeing benefits in some areas more than others?

A. Yes. When we asked about where adopting RPA is clearly demonstrating how benefits outweigh costs, a few areas stand out. In fact, every respondent cited operations, finance, or both (see Figure 2). This demonstrates that the technology is being taken seriously enough as an organizational game changer and a driver toward the workforce of the future.

**Figure 2: Where benefits outweigh costs: RPA adoption by functional area**




*Percentages do not add up to 100%. Respondents may choose more than one option.
Source: PwC's 2017 Financial Services RPA Survey.

## Q. How are financial institutions faring as they shift from "just looking" into wider implementation?

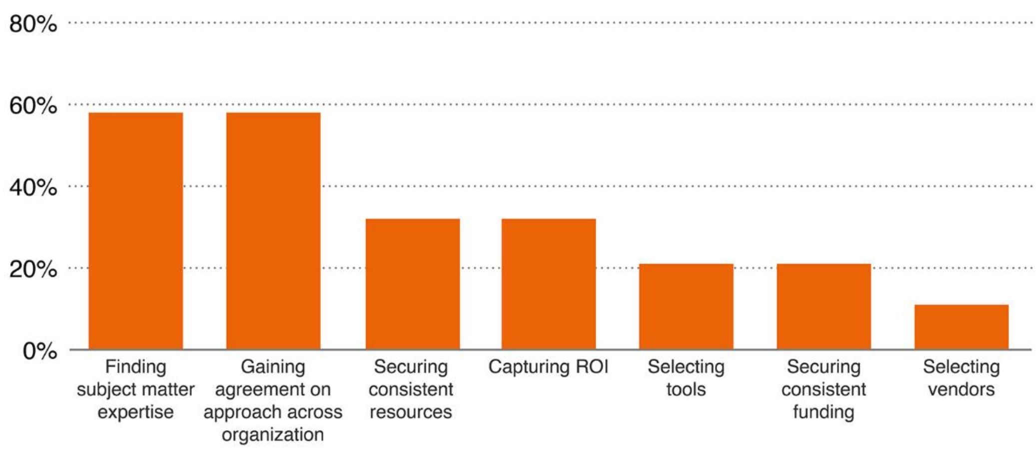
A. You know, it really depends on the degree of preparation and thought put into their overall automation strategy and mobilization approach. Leaders are certainly finding the benefits they'd planned for—in some cases, ahead of schedule. But many firms that raced ahead without planning are finding it harder than expected to design the support and control framework that drives program success. These problems aren't unique to RPA. We see the same issues with most organizations trying to balance running a function with changing a function.

As shown in Figure 3, many firms are struggling to find (and keep) the subject matter expertise they need to consistently develop their programs once they start working across divisions and functions. Gaining consensus across teams can be difficult too, as units can be reluctant to give up autonomy on those criteria that they feel are particularly important.

We're not surprised that few survey respondents indicated that "selecting vendors" has been a challenge. As we've mentioned before, "choosing a vendor is almost never the hard part."[1]

**Figure 3: Challenges of staying on course**

Some companies have faced challenges with keeping a consistent approach to their implementation and operating models for digital labor/RPA. If your firm has had issues with this, which of these have been the most challenging?*




Note: Percentages do not add up to 100%. Respondents may choose more than one option.
Source: PwC's 2017 Financial Services RPA Survey.

[1] In our experience, vendor issues normally arise after vendor selection has taken place, and normally involve managing the strategic requirements for ongoing service delivery. We look at digital labor ROI in more detail in *Payback time: Improving ROI from digital labor in financial services*, available at http://www.pwc.com/us/en/financial-services/publications/financial-services-roi-digital-labor.html.

## Q. Sounds like it's difficult to find the right balance between standardization and autonomy for individual groups. Is there a "right" way to address this?

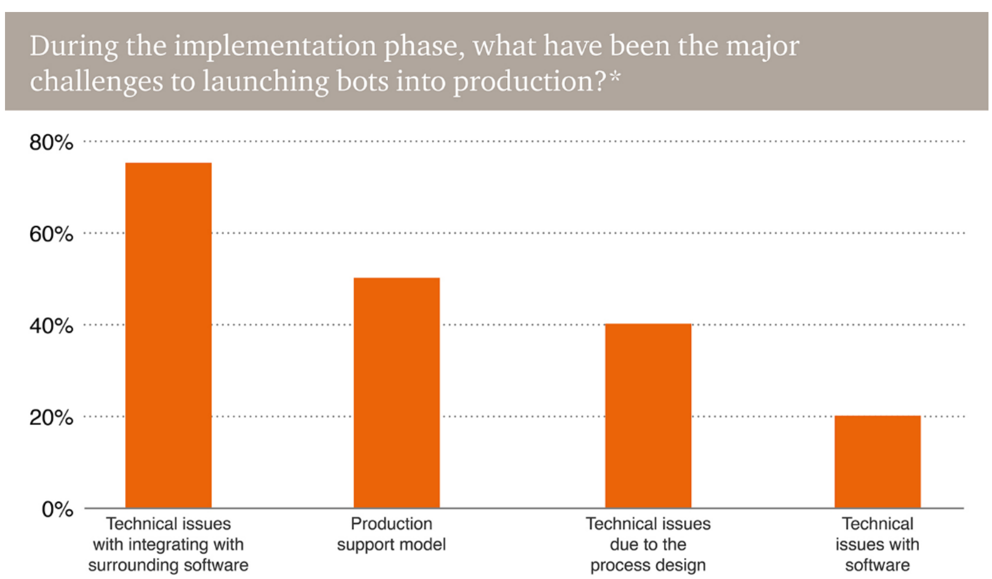
A. In my experience, deciding what to standardize and what should be left to individual groups can be surprisingly contentious. We recommend a hybrid, federated model: centralizing some parts of an RPA program, but not all. Using a lean center of excellence model, firms can share resources for functions such as methodology/framework design, software vendor management, policies/procedures, control framework definition, and so on, without slowing down innovation.[2]

## Q. What's the big take away when it comes to implementation challenges?

A. The real story is one of successfully plugging RPA into your existing environment and making it work. As shown in Figure 4, more than half of those who answered our survey said they'd faced some issues with integrating their RPA platform with other surrounding software systems. If you've set up a bot to assemble a reconciliation report, you need to give it access to all the source data from multiple systems. Getting and maintaining that access sounds like it should be easy, but it's often not. This can also introduce all kinds of technology integration, change control, and other risk and control issues, so you really need to think them through ahead of time. These issues—risk, politics, budgets, silos, quality, and so on—can all be managed. You just have to anticipate them and plan to work around them.[3]

Survey takers also noted some other issues, such as production support model, process design issues, and so on. All these potential pitfalls are manageable, and the companies leading RPA adoption have been aware of them from the start. The important thing is to gain an early understanding of the problems and plan accordingly.

**Figure 4: Implementation challenges when moving into production**




*Percentages do not add up to 100%. Respondents may choose more than one option.
Source: PwC's 2017 Financial Services RPA Survey.

[2] PwC, "From theory to practice: Onboarding digital labor in financial services," August 2016, accessed October 12, 2017, www.pwc.com/fsi.

[3] We look at control issues in detail in *Who minds the robots? Financial services and the need to control RPA risks*, available at http://www.pwc.com/us/en/financial-services/publications/financial-services-RPA-risk-controls.html.

### Q. Are there other areas where you've seen clients struggle?

A. A number of these issues aren't specific to RPA. We've seen these issues arise whenever firms try new things. Firms struggle with competing business priorities, internal company politics, lack of sufficient sponsorship, uncertainty over how to begin, a fuzzy sense of purpose, and insufficient budget or staffing.

We have found that, after giving RPA the green light, some financial institutions stumble by looking for quick savings and solving the wrong problems. They operate in silos, so they fail to share information or seize on opportunities to increase scale. Or the firms just focus on functionality and don't build the foundation for what a sweeping use of the software could get them.
One thing that I think is fairly unique to RPA, though, relates to workers. Employees and contingent workers won't always embrace automation from the start because they may see it as a threat to their own livelihoods. It takes time, effort, forethought, and varying degrees of training to get everyone onboard and using it effectively.[4] When financial institutions downplay potential people challenges, implementations can slow down and cost more.

***On average, firms expect to be ROI positive in fewer than 14 months.***

### Q. Is RPA paying off? And what lessons can I learn?

A. Firms often get to benefits quickly by mobilizing the software as a point solution, but we often see even more success with those who deploy the bots at the enterprise level. Before taking this step, businesses need to evaluate processes from top to bottom to determine where automation would most pay off. This usually means areas with high volume and lots of structured tasks such as trade reporting, know your customer (KYC)/onboarding processes, and reconciliations.

There are benefits either way. Our survey shows that, on average, firms expect to be ROI positive in fewer than 14 months, but we heard a wide range of forecasts, from six months to two years. In general, respondents who felt that they were somewhat ahead of their competitors were more likely to predict more rapid payback than those who felt they were somewhat behind. As I mentioned earlier, leading companies are typically the ones that have invested in planning ahead of time, so they're more likely to know what to expect.

As for payback itself, we find that companies are most likely to be satisfied with the return on their investment if they've created realistic forecasts and defined what savings they expect. From a cost perspective, it's about a lot more than licenses. You'll have ongoing expenses for training, analysts, maintenance and upgrades, and so on. You're also going to face upfront costs: some infrastructure, initial integration, training, program management, setting up your risk and controls frameworks, etc. This is also why broader deployments are often more successful—they can spread these fixed costs more widely. Digital labor offers a lot of powerful benefits, but you need to look past the hype to know what it's likely to mean in your environment.

[4] This is a complex topic, and we expect firms will need to build up competence quickly. See our recent paper, *We, robot: Solving the RPA/human capital puzzle in financial services* for more information, available at http://www.pwc.com/us/en/financial-services/publications/robotic-process-automation-human-capital.html.

## Q. Once a firm has completed a broad implementation of RPA, what's the next step?

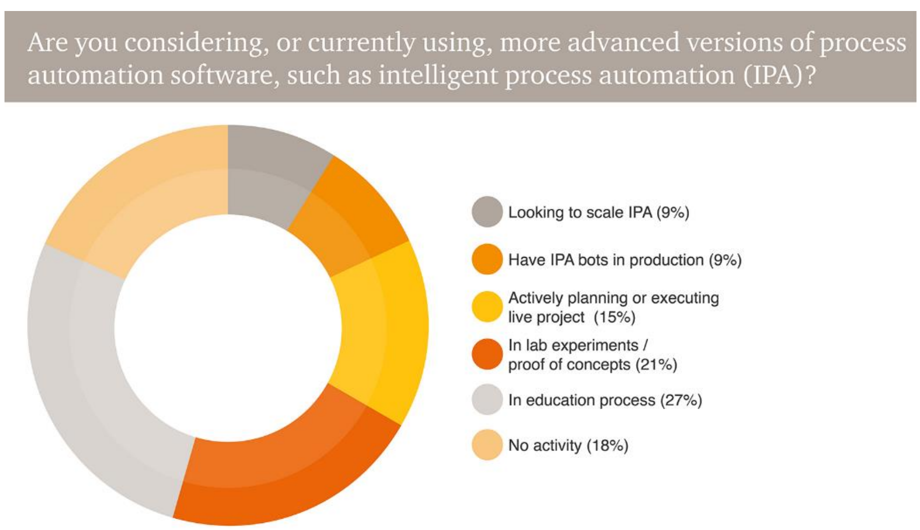
A. Before I answer that, it's good to understand how they've already made big gains in labor efficiency up until now. Firms began to think about how they could drive down costs decades ago with a focus on outsourcing and lean operations. This usually meant shifting manual tasks offshore for labor cost savings. Fully-loaded full-time employees in an offshore shared service center—or, the equivalent workload handled by a business process outsourcing firm—may be a quarter of the cost for an equivalent workforce in a major US city. Offshore work moved up the value chain, from call centers and claims processing to more highly skilled roles such as research and legal support. But this came with its own issues, and some financial institutions struggled with inconsistent skills, language and time zone barriers, management competence, high turnover, and wage growth.

Fast forward to today. RPA isn't appropriate for everything. But firms find it very effective at performing low-value activity quickly, reliably, and securely. This is just the beginning, and there's much more to come as bots begin to do more than just follow orders.

Indeed, RPA is shaping up to be the precursor for the broader use of artificial intelligence, or what is known as intelligent process automation (IPA). Such robots learn from prior decisions and data patterns and make their own decisions. Although IPA takes more effort to deploy than standard RPA, it requires minimal human oversight after launch. We're also seeing a bigger push towards broader orchestration, integrating business process management, optical character recognition, natural language processing, and other technologies, enabling an overall digital back office.

As shown in Figure 5, our survey shows that some firms are already on this path, mostly in the education process, some doing proof-of-concept testing, and others planning or executing projects. We expect that financial services firms will lead IPA adoption, along with technology and healthcare companies. And the firms that get to it early are likely to see some real competitive advantages—if they are able to use what they learned when scaling up RPA.

**Figure 5: Moving beyond RPA**




Source: PwC's 2017 Financial Services RPA Survey.
Note: Percentages don't add up to 100% because of rounding

# www.pwc.com/fsi

*For a deeper conversation, please contact:*

**Kevin Kroen**
(646) 471-0238
kevin.kroen@pwc.com
https://www.linkedin.com/in/kevin-kroen-a5ab223/

**Charles Centrelli**
(646) 471-4584
charles.m.centrelli@pwc.com
https://www.linkedin.com/in/charles-centrelli-149a819/

**Min Lee**
(646) 471-3926
min.j.lee@pwc.com
https://www.linkedin.com/in/min-lee-6b785a1/

We'd like to thank Daniel Klyashtorny, Gwendolyn O'Connor, Michael Berland, Drew Lane, Surbhi Kochhar, and Lauren O'Brien for their contributions to this publication.

## About us

PwC's people come together with one purpose: to build trust in society and solve important problems.

PwC serves multinational financial institutions across banking and capital markets, insurance, asset management, hedge funds, private equity, payments, and financial technology. As a result, PwC has the extensive experience needed to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances. We help address business issues from client impact to product design, and from go-to-market strategy to human capital, across all dimensions of the organization.

PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, tax, and advisory services. Find out more and tell us what matters to you by visiting us at http://www.pwc.com/US.

Gain customized access to our insights by downloading our thought leadership app: PwC's 365™ Advancing business thinking every day.

*Follow us on Twitter @PwC_FinServ*

***A publication of PwC's Financial Services Institute***

**Marie Carr**
Principal

**Cathryn Marsh**
FSI Leader

**John Abrahams**
Director

**Gregory Filce**
Senior Manager

**Jim Tyson**
Senior Manager