Everest Group
RESEARCH

Upshifting Value and Talent through Robotic Process Automation (RPA)

The Next Imperative for Global In-house Centers

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Executive Summary

Robotic Process Automation (RPA) is fast emerging as the key lever to drive productivity for Business Process Services (BPS) delivery. While automation has been part of the strategy of enterprises for years, the broad-based emergence of RPA in the past two to three years offers a new and powerful tool. This has created a compelling avenue to pursue the next wave of productivity and quality gains for the enterprise.

GICs account for almost 25% of the US$150 billion global sourcing industry

Global In-house Centers (GICs) are an integral part of the business process services delivery for enterprises and, therefore, have an opportunity to be at the forefront of the RPA movement. Given that continuous productivity improvement is table stakes for every GIC, and RPA offers an attractive means to drive significant improvements, many realize that adoption of RPA in GICs is no longer a matter of "if" but "when". Further, automation provides a unique opportunity to eliminate low-value work and generate higher-value activities and roles.

GICs have several characteristics which make them an attractive place to launch RPA. Indeed, it is not surprising that more than a quarter of GICs have already begun implementing RPA and a half are actively planning and/or pursuing RPA. In addition to the efficiency benefits, RPA provides a unique enabler for GICs to transform talent models and better align to higher-value work.

"RPA creates differential value with non-invasive methods and also brings in efficiencies"

– Leading GIC

This whitepaper analyzes the distinct position of GICs to provide leadership in the robotic automation journey for their enterprises. The whitepaper discusses:

- Importance of GICs in driving RPA for the enterprise
- Characteristics of GICs that are likely to find RPA attractive
- Success stories of RPA in GICs
- Keys to success for GICs looking to adopt RPA

This whitepaper is based on Everest Group's extensive research examining the state of RPA and the broader topic of Service Delivery Automation (SDA). The whitepaper leverages Everest Group's ongoing primary and secondary research encompassing enterprises, technology vendors, GICs, and other relevant industry stakeholders.

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The Important Role of GICs

GICs are an integral part of the global sourcing market. Today, GICs account for almost 25% of the US$150 billion global sourcing industry. While GICs deliver IT, Engineering Services / R&D (ESR&D), and Business Process Services (BPS), the latter is the most common function served by GICs. In fact, almost 50% of the GICs serve one or more BP functions, significantly higher than IT or ESR&D. Within business process services, there is a high adoption of transactional rule-based work (e.g., accounts payable, accounts receivable, general ledger, and payroll) – and a significant portion of these activities can be automated as illustrated in **Exhibit 1**.

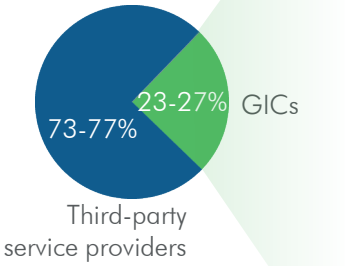
EXHIBIT 1

GICs are an integral part of BP service delivery, bulk of which can be automated

Source: Everest Group

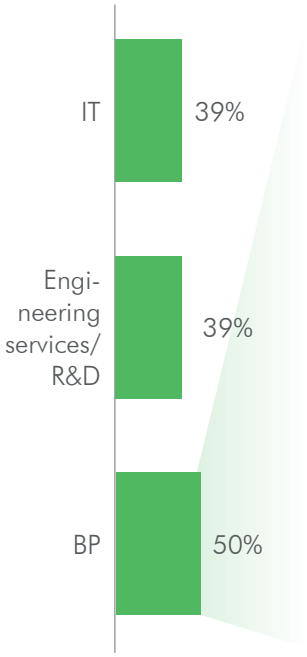
Distribution of global services market by sourcing models
2014; US$ billion

100% = ~148-153

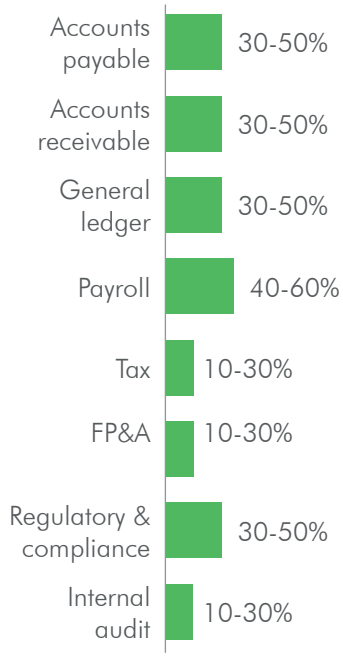


Functions[1] served by GICs
Number of GICs

100% = 1,913



Portion of work that can be automated
Percentage



1 Total does not add up to 100% as many GICs serve multiple functions

The Banking, Financial Services, and Insurance (BFSI) sector has been and continues to be at the forefront of offshoring and adoption of GIC model. While the sector has a relatively small share in the GIC market in terms of the number of centers, the sector leads in scale, with more than one-third of the overall GIC headcount. Further, there are many instances of large-scale (>5,000 FTEs) BFSI GICs. Most large BFSI enterprises use GICs for BPS (**Exhibit 2**).

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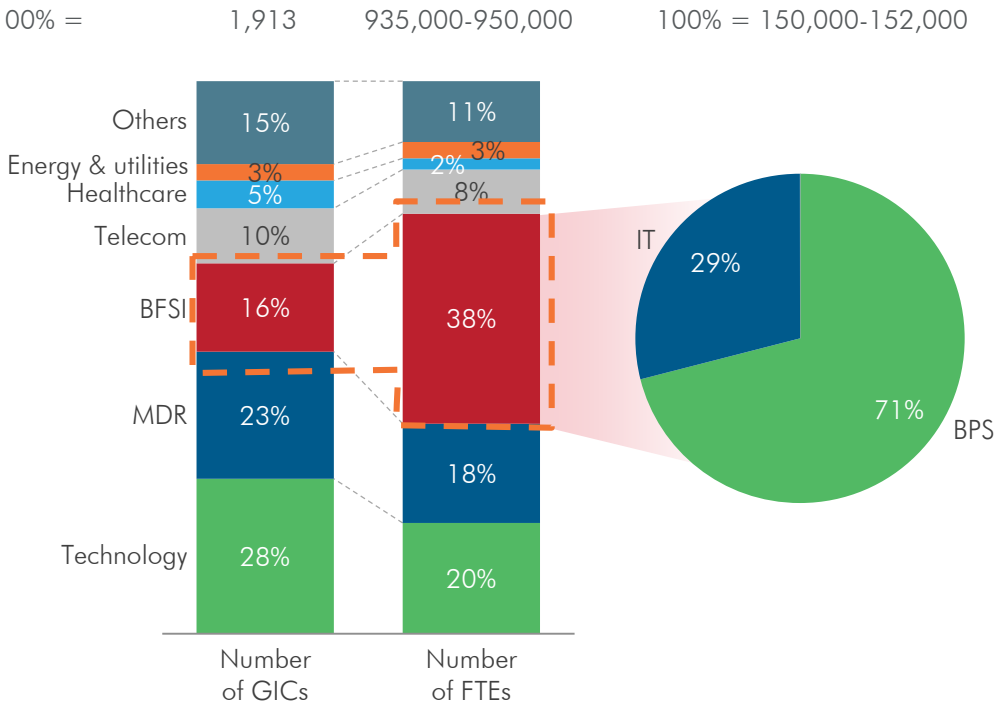
EXHIBIT 2

Adoption of GIC model in the BFSI sector

Source: Everest Group

Distribution of GICs by vertical
Number of GICs and FTEs

Distribution of BFSI GIC headcount by function
2014; Number of FTEs



1 Based on assessment of 11 leading BFSI companies

Within BFSI, transactional back-office activities and transactional industry-specific functions (e.g., claims processing and payments) are the most prominent functions delivered by GICs. In fact, aggressive GICs – especially in banking – have achieved significant offshore penetration – which can be as high as 70% for industry-specific business processes. Besides industry-specific BPS, there is high offshore penetration for F&A services with most enterprises achieving over 30%.

The success of the GIC model has allowed them to become an important component of their parent organizations; it has also created the mandate for them to deliver new forms of value beyond the initial labor arbitrage.

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Introduction to Robotic Process Automation

With the maturation of business process service models and the pressure to unlock new benefits, the industry must find the next wave of improvements. Consequently, organizations are reevaluating the elements of service delivery models – especially technology and automation – to remain relevant and enable best-in-class BPS outcomes. One technology that is rapidly gaining traction in enabling this is Robotic Process Automation (RPA).

RPA refers to automation which interacts with a computer-centric process through User Interface (UI) of the software application, also referred to as the presentation layer. RPA primarily processes structured data, and to a lesser extent semi-structured data. RPA can automate whole processes or be paired with people for tasks which cannot be automated end-to-end, to accelerate and enhance the overall process.

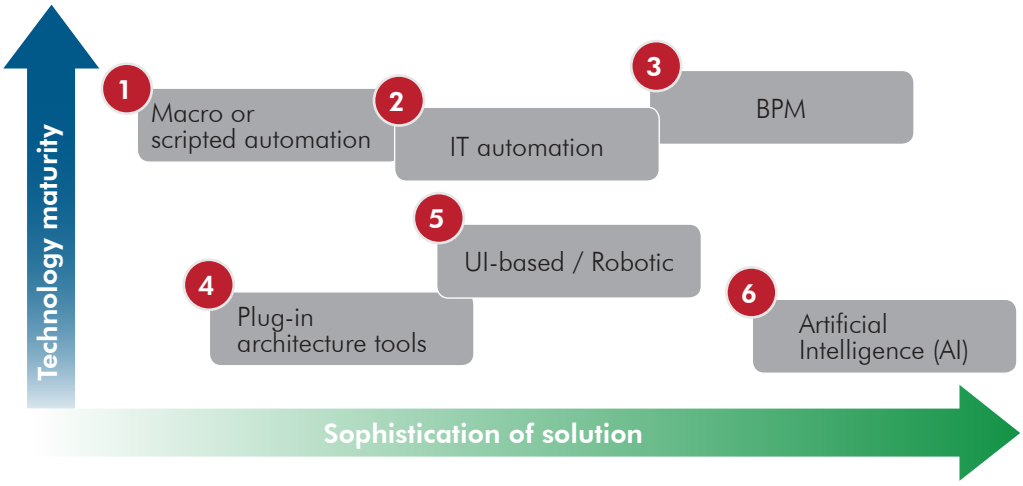
RPA is a form of automation that uses non-invasive methods to read from software UI and combines it with other forms of automation to process transactions in an unassisted manner. It is highly effective for repetitive administrative tasks.

This type of integration through UI is sometimes referred to as non-invasive. In other words, data is extracted through UI of the software with no need for deeper software or data integration – in effect, mimicking an actual user of the software. This is a key advantage for companies that do not want to modify existing IT systems. UI-based automation in its current form, such as RPA, is one of the newest forms of automation as illustrated in **Exhibit 3**. It is important to understand that there are varieties of technologies used in the global services industry for Service Delivery Automation (SDA), including cognitive intelligence-based solutions. However, this whitepaper focuses on the sizzling RPA market – RPA software firms are growing almost 100% per year.

EXHIBIT 3

There is a wide array of technology solutions used in BPM, RPA is one of them

Source: Everest Group



Although the current BPS spend impacted by RPA is low, it has grown at over 100% CAGR in the past two years (paralleling the rapid growth of software firms). It is expected to impact 30-40% of the total BPS spend in the long run. There is good reason for this robust adoption, as RPA offers 25-40% additional savings compared to the current offshore operations. For example, in the context of offshore Finance & Accounting (F&A) operations, RPA can result in a total savings of 60-67% as compared to ~53% through traditional offshore operations.

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RPA is different from other forms of service delivery improvement levers, as it offers multiple benefits in the form of process quality, predictability, speed, governance, security, and continuity – which are beyond cost savings. In fact, these benefits often provide greater perceived value than the direct cost savings.

Above all, it has a quicker investment recovery time which makes it particularly attractive. The time for value realization from RPA can be as little as one-sixth of Enterprise Application Integration (EAI) software and one-fourth of BPM workflow solutions, especially for relatively smaller projects **(Exhibit 4)**. Even for a large scale roll-out, the payback can be a third of other comparable technology solutions.

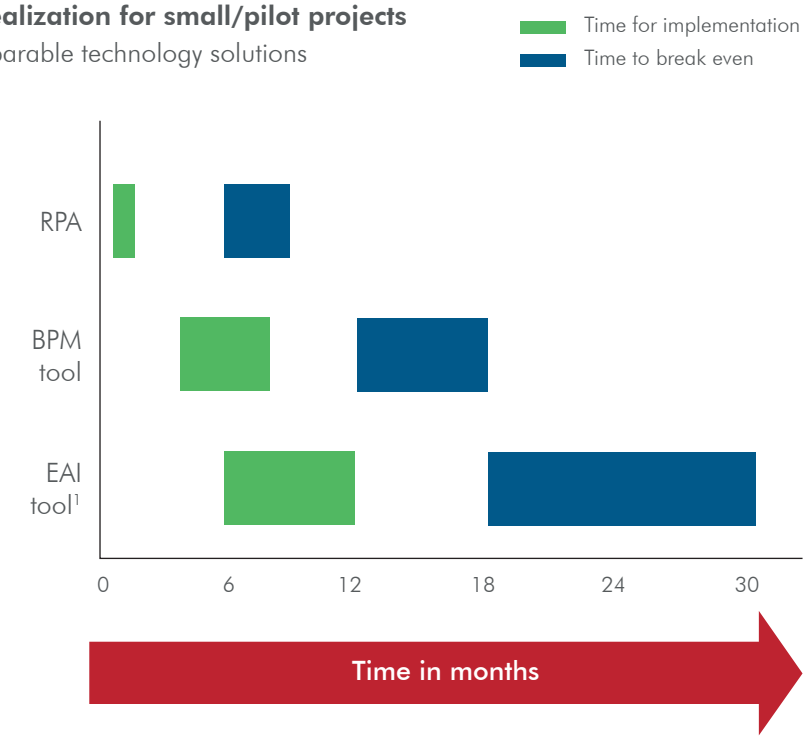
EXHIBIT 4

RPA can provide faster return on investment as compared to comparable technology solutions

Source: Everest Group

Time-to-value realization for small/pilot projects

RPA vs. other comparable technology solutions



Even for large scale roll-out, time for investment recovery for RPA can be one-third of comparable technology solutions

1 Enterprise Application Integration software

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Special Synergy of RPA and GICs

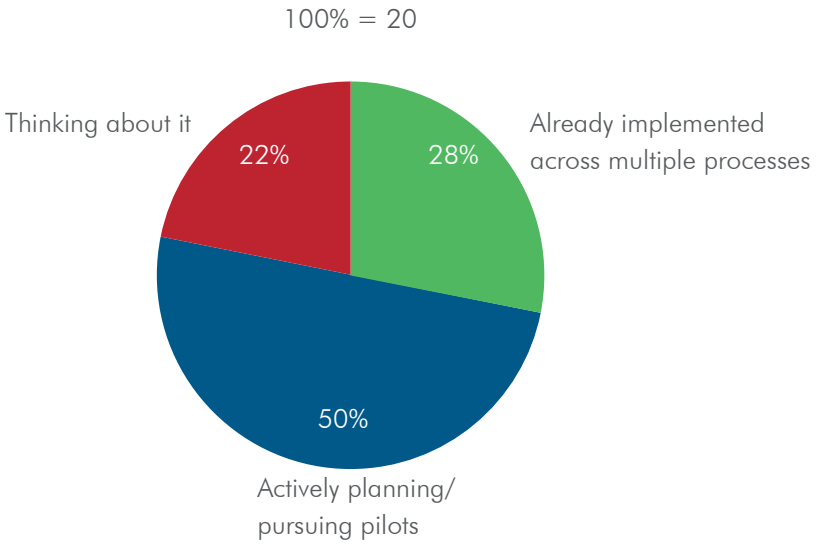
Given its robust value proposition, many GICs are evaluating RPA to deliver the next wave of service delivery improvement to their parent organizations. The combination of the established service delivery foundation of GICs and RPA's ability to address challenges faced by GICs represents a unique synergy. In addition, RPA offers the possibility of simplifying processes along with its implementation, as it can tie into the broader lean transformation / six sigma initiatives for organization-wide impact. Therefore, it is not surprising that 28% of GICs have already implemented RPA across multiple processes and another 50% are actively planning and/or pursuing RPA pilots (**Exhibit 5**).

EXHIBIT 5

About 78% of the GICs have either implemented or are actively planning RPA

Source: Everest Group

RPA GIC survey response
2015; Stages of RPA journey



"The decision regarding RPA is not around whether to do it or not. It is rather about the approach: by geography, by process, etc."

– GIC of a leading Australian bank

This synergy between GICs and RPA is already translating into success stories for early adopters, most of which began in either 2014 or 2015. There are multiple instances of GICs successfully deploying/testing RPA as highlighted in the table on the next page.

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"We are targeting 15-20% efficiency increase through RPA."

– GIC of a leading European bank

GIC	RPA deployment	Impact created
Leading Australian bank	The GIC deployed RPA to automate several processes: • Transaction tracing process for retail customers • Balance certificate issuance for corporate clients • Progress payments for infrastructure loans • Property discharge from existing loan arrangement	• About 50 % reduction in turnaround time for transaction tracing • Approximately 65% reduction in time taken for payment processing • About 90% reduction in the number of manual steps required for a new account set-up • About 100% accuracy across all processes handled by RPA
Leading UK bank	• GIC is focused on automating end-to-end processes across front-office and back-office functions • The GIC has deployed ~300 FTEs for RPA with a dedicated team in every function	• About 15-20% increase in efficiency resulting in freeing up capacity to focus on newer/ complex areas of work • GIC is recalibrating its hiring/ talent model to acquire new skills
Leading U.S. investment bank	• The GIC has a strategic focus on RPA and has automated most of the rule-based work • GIC has formed a separate BU to focus on machine learning	• GIC is exploring automation in trading (e.g., algorithmic trading) run from the GIC • Also, exploring potential for automation of compliance (e.g., automatic anomaly detection in trading)
Leading information bureau	The GIC deployed RPA to automate multiple processes: • Automation of content ingestion, i.e., identify relevant data based on set criteria (e.g., web crawlers) • Automation of acquired content into suitable format used by the technology infra structure team • Mark-up of content	• Reduction in turnaround time • Improvement in ability to use data • Free up resource bandwidth to focus on other activities • Redeploy FTEs to newer areas of work; improved resource engagement • Significant upshift in talent; some GIC resources have moved into front-end roles in onshore

As illustrated in the above table, initial success stories are emerging from the BFSI sector. This is driven by the fact that BFSI GICs process a high volume (60-70%) of rule-based work. In addition, given the high adoption of in-house models and the high degree of maturity achieved in their GICs, they are at the forefront of the group looking for the next wave of efficiency and value. But this does not mean that they are the only GICs which will capture value from RPA.

This success of early adopters is likely to boost confidence among other GICs to build the case for RPA. The adoption is expected to increase further, as more GICs achieve success in RPA pilots and advance their automation programs into full deployment.

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Why GICs are a good place to launch RPA

GICs have the advantage of a scaled and established BPS service delivery foundation. The advantage of scale for GICs is both in the volume of work being done (small automations can have a positive impact) and the breadth of use cases (learnings from one area can be reapplied to others). This makes a concept such as RPA especially valuable in GICs' context, as it allows them to leverage the existing mandate for service delivery without disrupting its basic construct (e.g., process, ownership, and governance). The only change is that the processing is done by a new method – robots instead of FTEs. This makes GICs an attractive place to launch RPA and do so at scale.

"We have more than doubled the headcount in our in-house RPA team in the last 12 months"

– GIC of a leading UK bank

In addition, RPA allows GICs to address several ongoing challenges faced in service delivery described below.

- **Savings beyond arbitrage:** The cost of ownership of a robot doing transactional work is lower as compared to traditional offshore operations. As compared to current operating cost of an offshore FTE, RPA offers additional 25-40% savings. The additional savings are expected to increase further in the long run, as the cost of RPA technology becomes more efficient (competition on licensing costs and higher utilization of each license)
- **Free up talent for value-add work:** As RPA is deployed, robots take over the transactional work. This allows FTEs to upshift service delivery into more judgment-oriented work and use human intelligence to drive innovation to solve core business issues. This also helps the overall talent model, as people aspire to be engaged in delivering insights instead of transaction processing
- **Create leverage for change:** RPA offers a highly scalable model for fluctuations in volume with decreased need for training people as compared to the traditional model. Further, process updates or best practices can be pushed to robots through a centralized mechanism (meta-bots) without the need to retrain employees. In addition, since the robots are rules-based, they offer consistent and predictable quality in service delivery, as long as the virtual environment is well-maintained
- **Align with existing regulatory environment:** The non-invasive nature of RPA also means that it can be deployed within the existing regulatory environment of the GIC. This is a critical consideration, especially for regulated industries (e.g., BFSI and healthcare) that have already made significant investments in their GIC model to ensure compliance with regulatory requirements. In addition, updates to regulatory policies can be embedded in the automated processes
- **Test the business case:** Given the existing, scaled foundation of GICs in BPS delivery, they provide a ready platform to pilot RPA tools/solutions and test the business case before a full-scale deployment. GICs, with their broad visibility across operations, are also well-positioned to identify and prioritize processes that can deliver maximum impact in order to showcase the potential of RPA

"The best way to start RPA is from where the work is being done, i.e., within the GIC."

– GIC of a European engineering company

Despite its tremendous capability, RPA is not a panacea that will mitigate all BPS delivery-related challenges faced by GICs. Although all GICs will essentially adopt RPA, its applicability will vary based on GIC characteristics as described in the next section.

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Characteristics of GICs which make RPA attractive

There are characteristics of GICs that make RPA more attractive to some than others. These characteristics are related to the overall maturity of the GIC and the role it plays in BPS service delivery.

GIC characteristic	Description of why RPA is more attractive
High degree of standardization	A high degree of standardization enables faster RPA deployment. In addition, a high degree of documentation ensures that best practices are captured and implemented
Limited room for incremental optimization by traditional means	GICs that have exhausted the initial benefits of offshoring (arbitrage and productivity), and are looking to reduce overall spending on delivery while maintaining service quality, will find RPA an attractive proposition
Fairly broad degree of process ownership	GICs having end-to-end process ownership are better positioned to identify the most impactful use-cases for RPA. Given their end-to-end visibility of the process, they can prioritize areas for RPA
Established role in driving business impact for the parent	GICs that act as the nerve center of driving business impact through technology or process excellence are better positioned to deploy RPA
Significant volume of rules-based work	GICs with large volumes of rule-based work (e.g., transaction processing in banking or invoice processing in F&A) are more likely to find suitable use-cases
GICs operating in regulated environments	GICs in regulated industries, such as BFSI or healthcare, are likely to find RPA to be an even more attractive proposition as it allows transaction processing within the existing regulatory framework in the GICs
Fluctuations in volumes	RPA offers flexibility to instantaneously augment robotic capacity to manage volume fluctuations without the lead-time to ramp up/down. Therefore, GICs that experience significant volume fluctuations find RPA particularly attractive. It is important to note that the additional RPA capacity can be deployed while maintaining costs, as the incremental work can be automated within the existing infrastructure

The characteristics listed above are based on the initial adoption trends of RPA, which show that GICs with these characteristics are typically at the forefront of RPA adoption. It does not imply that RPA is not applicable to GICs which do not meet some or all the factors listed above. There are other factors such as organizational readiness, alignment of incentives, and influence with centralized technology which lead to differing levels of RPA adoption across GICs.

Additionally, RPA is not the only type of automation or process optimization tool that GICs could consider. It is one of many options which include BPMS, workflow, document management, and activity monitoring software.

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Keys to Success for GICs

As GICs consider and adopt robotic automation, they need to keep in mind six considerations to ensure success.

- **Focus on quick-wins:** GICs that have been successful with RPA have typically first focused on automating standard processes and not tried to automate all exceptions. By not automating the exceptions in the initial phase of automation, GICs can deploy RPA much faster and demonstrate impact more quickly
- **Fund RPA through existing GIC budget:** Successful GICs have managed to fund the cost of robotic automation from existing GIC operating budgets through the rapid savings RPA can generate (e.g., training and recruitment). This also ensures that GICs have "skin-in-the-game" and stay focused for faster payback and speed of deployment
- **Participation from technology organization:** Ensuring participation from technology groups is another factor contributing to the success of GICs as they play a key role in enabling RPA implementation. Successful GICs work closely with the internal IT organization for approval on the technology model/standards (e.g., role-based policies for robots, security related vulnerabilities, and access control to manage robots)
- **Buy-in from GIC stakeholders:** GICs' leadership should also ensure that support for RPA is created at grass roots level within the GIC through proper alignment of incentives so as to generate a greater sense of acceptance and ownership within the GIC. Equally important is to ensure that RPA is not seen as a threat by employees and delivery managers, but as an opportunity to up-skill and deliver more value-adding services
- **Manage expectations:** There should be realistic expectations around the type of tasks that are amenable to RPA (standard rule-based processes). Trying to embed exceptions in solutions for 100% of the tasks can increase the implementation time significantly. Successful GICs understand this limitations of RPA and have implemented a strong exception handling system to process non-standard transactions
- **Manage operational risk:** Of course, RPA is not without its share of operational challenges. Testing the RPA solution in the specific context of the GIC technology environment, ensuring regulatory requirements are replicated for robots, ensuring application interface changes are replicated in robot's processing, and planning for additional capacity in the IT organization to manage robots are some of the key operational risks that successful GICs have been able to mitigate

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Summary of Key Messages

- **Not "if" but "when":** RPA offers a significant opportunity for GICs to drive exceptional performance gains for their enterprise in terms of cost and other benefits. Given the success of early RPA adopters in delivering such exceptional gains beyond arbitrage to the parent organizations, it is only a matter of time before new benchmarks are set and enterprises start measuring their GICs with a new yardstick. GICs that do not have a roadmap to RPA risk losing this opportunity and losing their seat at the table. In fact, all GICs which wish to remain relevant in the next two years must successfully implement an automation program
- **Get started:** RPA is not uniformly applicable to all GICs as each faces differing challenges due to their current position on the maturity curve. The key is to not wait for an all-encompassing perfect solution through an RPA masterplan but focus on creating a proof-of-concept with investments that can be made today within the existing resources
- **Take incremental, but fast steps:** Although RPA is path-breaking, it is most effective when applied to standard processes. While there can be a temptation to automate 100% of the tasks incorporating all exceptions, it is unlikely to deliver the desired returns. It is essential to start with the most standard processes, establish quick-wins, and demonstrate value-add to create greater momentum
- **Use change to reset the talent model:** RPA both reduces the volume of transactional work and increases the need for automation skills and higher order analysis skills (i.e., shifting from creating a successful transaction to learning and acting upon transactions). Although this can be viewed as a threat to existing employment, it can also be a unique way to give new opportunities and simultaneously increase business impact. Hiring, training, attrition, staffing, and organization design must all be recalibrated and the reward is tremendous
- **BFSI GICs leading the adoption:** Given that BFSI GICs process a high proportion (60-70%) of rule-based work across industry-specific (e.g., claims processing and payments) and horizontal business processes (e.g., F&A), the sector is at the forefront of RPA adoption. This is especially the case for banking GICs that have already achieved a high degree of maturity and are deploying RPA to deliver the next wave of efficiency and value

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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