

Rules, Regulation & Robots

In this chapter, we explore how AI is influencing the financial services industry. We take a closer look into the different ways RPA can be used, the importance of digital trust, and how AI and automation can be used to enhance regulatory compliance. We caught up with a **FTSE-100 wealth management firm**, who manages over £100 billion in funds and hires approximately 4000 wealth management advisors.

Our chat was with **James**, one of the firm's **Robotic Process Automation (RPA) specialists**. James joined the company as a graduate in project management and events but quickly engrossed himself in the practical implementation of robotics in the last year or so, which is when the organisation began its transformation. The organisation drew on its internal expertise as they own a technology partner and began automating high volume, low value processes and reporting. James walked us through how the firm approached their AI transformation, the challenges they faced, and the role that AI is playing in the industry.

Know your baseline

James joined the firm just as they had implemented RPA and chatbots to automate internal processes about two years ago. This wealth management firm approached RPA with the objective of finding out what is possible, and began with an exploratory phase. During this phase, they investigated what problems they could solve with AI and automation, and opportunities that would provide a significant Return on Investment (ROI), before selecting opportunities to pursue. The firm allocated resources to teams that could begin experimenting with Proof of Concepts (PoCs) and decided to engage existing employees into the projects once their potential to grow and scale had been clearly established.

These processes were not specific to HR, but with the wealth of knowledge James had accumulated, he went on to theorise the application of RPA to HR. A great example from the industry is from a top US bank who was experiencing a high volume of email requests relating to basic HR and payroll. The bank implemented RPA and Intelligent Document Processing (IDP) technology to process or reroute complex emails using Optical Character Recognition (OCR) and experienced an 89% reduction in manual effort to process emails with 64% of data extraction automated. The time to manually process and validate information from emails was also reduced from 120 seconds to 32 seconds, and the time to

create a case in the internal system from 150 seconds to 0 seconds. From this, James recommends collecting a series of current metrics for the area you would like to target (Veran have a list of best practice HR metrics if you need inspiration). What gets measured gets managed so it's important to be able to quantify the current state so you can target and evaluate improvements.

Lesson proposed: Gather metrics that reflect the challenges your organisation might face in relation to data, technology or people. This might be targeting high employee turnover, engagement levels, diversity and inclusion, or overall productivity. By mapping the 'Here and Now' in specific and measurable numerical terms, you can directly compare it to your 'To Be' goals i.e. where you want to be based on your people strategy or 5-year plan.

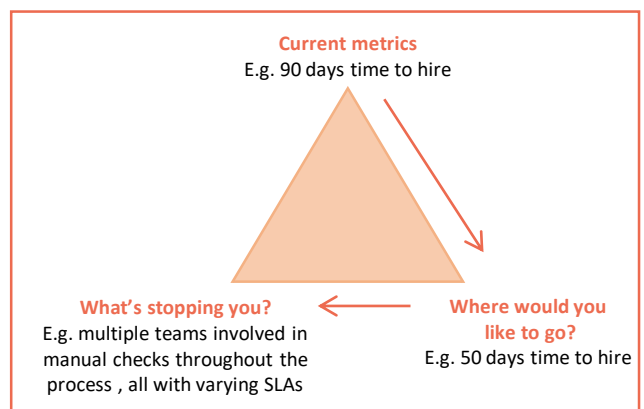


Figure 1: Moving from 'Here and Now' to 'To Be'

If there is no gap between your 'Here and Now' and your 'To Be', there might not be a problem to solve and therefore no strong argument for RPA. However if you do recognise a gap, investigate what barriers are blocking you from reaching your 'To Be' and if that gap can be bridged using RPA (see *Figure 1* on page 2). In our example, RPA could resolve the blocker by removing manual checks from various teams and completing these automatically and in real-time.

If RPA can unblock what is stopping you from reaching your goal, you can build a business case. However if it is a problem that can't be solved with faster, accurate, 24/7 process Automation, your case for change or rationale for a PoC will be weak.

Another way to make the case for RPA is to look at your current metrics against industry benchmarks. If you don't have a defined 'To Be' value, benchmarks showing your competitors are performing can help you make your case for change.

Identify Candidates for RPA

Few Exceptions;

A global IT company's new hire set up process would take a member of the HR team 30 minutes and involved frequent manual copying and pasting of data. Data migration should incur minimal to no exceptions, but due to the manual processing, this company experienced a high error rate in this process. Implementing attended and unattended robots to fully automate this process using the UiPath platform, it resulted in 10x faster processing, 100% accurate rate and being 100% scalable in peak times.

High Backlog;

The Department of Work and Pensions (DWP) accumulated a backlog of 30,000 claims that would have taken 6 months to manually process. In response to this issue, the DWP deployed 12 UiPath robots which were able to process 2,500 claims per week, clearing the entire backlog within 2 weeks.

Rule Based;

A private government organisation who have a clear and rule-based promotion process previously required managers to submit forms for nominees which were then reviewed by a large team of administrators to manually checky they meet the eligibility rules e.g. years of relevant service, relevant training completed, and outstanding service where relevant. They have now digitalised this process, where RPA is being used to remove the mundane time consuming task of checking that each nominee meets the set criteria, saving significant time and cost especially when there are often hundreds of promotion nominees per month.

High Volume;

A HR service provider's internal payroll processes underwent 100,000 events per month and had an average handling time of 60 hours and required 6 full-time staff to manage the process. By implementing a UiPath robot, they were able to automate the process of entering payroll changes received by email into their SAP system, automating 90% of the process and seeing a Return on Investment (ROI) within 4 months. They achieved a 60% cost reduction, 85% faster processing time and a 25% reduction in manual effort.

Underlying Systems are Stable;

Veran have been working with a government department to automate their resourcing and recruitment process. RPA is being built over a number of long-term systems that they now consider to be mature, well-documented, predictable and they have good insight into their operational costs. These systems include tools for managing recruitment campaigns, conducting security checks, processing payroll and onboarding. These systems are not going to be replaced in the short-term and no major changes or upgrades are planned, which makes them an ideal environment on which to build RPA.

Multiple Hand-Offs.

The onboarding process often requires new-starters to manually complete various amounts of paperwork that require checking, processing and approving by different teams and individuals. The implementation of RPA could supplement this process by automating the following tasks:

- Creating an email and other relevant accounts
- Adding new staff to, and updating mail lists
- Generating phone extensions
- Requesting access cards
- Forwarding information and login codes via email

DigitalTrust:

"The best way to find out if you can trust somebody is to trust them" - Ernest Hemingway

James revealed to us that people were naturally curious about the project rather than hostile as was expected. In fact, most of our vanguards stated that the most important aspect of an AI and Automation project is how you approach communication; emphasising the importance of gradually introducing employees at all levels into the fold to help build, maintain and spread trust.

James explained that the innovative space that he and his team work in was originally relatively secretive, and he was confident that it was likely down to luck more than anything that there wasn't more resistance to the project. Asked whether he would do the same again, he said "definitely not, it's about creating a culture of trust".

Indeed '**digital trust**' is something that is more relevant than ever. We hear in the news of data breaches or misuse of people's information, and being able to trust that your data will be secure forms a vital part of digital trust. HR needs to play a proactive role in instilling confidence and acceptance in employees about how and why their data and new technology are being used, and how it will benefit them.

Lessons Proposed: Ensure there is a strong branch of communication between the project team and employees throughout the organisation. By doing so, you can promote engagement and adoption of technology by confirming that the new technology will not violate any personal information or compromise their personal value. Three key ways in which you can promote digital trust are outlined below:

Aggregate and Anonymise



Consider the use of 'differential privacy', where AI algorithms collect and consolidate aggregated statistics for groups of individuals that can't be tied back to one particular employee. For example, predicting financial security could be done via postcode levels, which is exactly what one of our vanguards, Experian, are doing when predicting retention risk. This could provide employees with comfort in knowing that their data is being used to identify trends rather than predictions specific to them.

Explore and Experiment



Consider the possibility of providing employees with an opportunity to explore and experiment with a showcase AI tool, similar to what will be implemented. An academic study published by the Warton and Chicago Business Schools revealed that employees were significantly more likely to use and be satisfied with the outcomes of AI when provided with the opportunity to manipulate and modify an algorithm. A showcase tool doesn't need to reflect real data, but just provide an insight into how it will work and demonstrate security, validation and controls around data.

Invest in training and change management



Predict who your supporters and resisters will be early on where possible. You'll know what will work culturally and what barriers you might come up against, and you can build this into your training and change management plan. If you're not quite sure how your business will react to automation, robotics and AI, we would recommend spending more time with your employees to better understand how they feel about the changing role of technology and how it would fit in with the company culture. You can even use AI to gain this insight by implementing an email address, dedicated phoneline or chatbot to gather questions and feedback.

Robots need experimental iterative design

In a regulated and controlled business, the need for detailed specifications and approval before technology can go live is important. This is in direct odds to the way that robotics and AI is developed which needs speed and requires constant change. This tension threatens the very usefulness of the technology as the approval of detailed design is complex and time consuming.

James outlines that from a practical point of view, too much governance often doesn't allow projects to get off the ground, and that sometimes you just need to let the project run. This project was the first of its kind for this organisation, so that's exactly what they did, and they are subsequently building a governance framework and Centre of Excellence. James reassures us that because the technology is not something that is being widely deployed through the business, there is less risk yet enough freedom to experiment, which drives change. Being experimental also means allowing some areas of the project to fail, which is supported by an agile mindset when approaching AI, Automation and robotics.

Lesson proposed: Like River Island in Chapter 1, working in an agile way means targeting single process steps or small parts of a process and gathering feedback from different users in order to iterate the automation. You will need to educate the business to move away from having to design all future processes in one go before it can be built and tested, and instead involve those people in iterative design.

Regulation as a reason to robotise

One of the biggest challenges that the financial services industry faces is the growing level of scrutiny from regulators and investors. As a result of new regulations such as the Senior Managers and Certification Regime (SM&CR), businesses and individuals have increased accountability and thus the ongoing personal risk of non-compliance is higher than ever.

AI and automation can assist in managing regulation by:

- Calculating employee behaviour risk and regulatory compliance
- Tracking and timestamping data points needed for formal reviews
- Conducting background checks undertaken on staff or clients

The Nasdaq stock market are now using an AI based behavioural profiling algorithm to learn patterns of individuals' trades and flag up activity outside of individual benchmarks, such as heavy investing, before alerting a manager. They acquired a regulatory tech firm called [Sybentix](#), and are exploiting this technology to gain early insight into potential market manipulation (such as layering and spoofing), various forms of market abuse (such as insider trading) and financial crime, reducing time spent on investigating false positives and enhancing the likelihood of regulatory compliance. There is a clear benefit of such technology from a performance management perspective, but there are understandable concerns from employees about digital trust. It highlights that trust and monitoring are a two-way street, with concerns from both employees and the business.

Lesson proposed: Be transparent about the rationale and benefits of compliance based implementations from both an employee and business perspective. Consider creating a 'What's in it for me?' sheet showing how the new tool helps employees, managers and the firm, plus other peer firms or competitors who are already using the tool. Cushion the transformation with a focus on creating a culture of digital trust, where employees can ask questions and understand at a high level how the technology and algorithms work.

Are we holding back the robots?

We finish our discussion by debating a potential limitation to the design of automated process. Because RPA is designed by humans to replicate humans, we are potentially missing a trick in designing new and better processes not restricted by the human brain and our habits, biases and shortcuts.

This poses the question:

Is there a need to consider the 'human process' and the 'robot process' and are these different from each other?

If they are different, how should we govern, regulate and manage these differences and who should do it? This is then compounded by the need to apply different yet equally strong data entry rules in the robot process as those that exist in the human process.

Because of the open questions described above, many of our vanguards, including James's firm, are using RPA as an interim solution knowing that in the future, the process might be more radically reinvented. In fact, RPA and the inbuilt analytics that comes as standard with most of the technologies, can inspire this reinvention of processes because they highlight process steps that;

- Are always approved (therefore is the approval needed at all?)
- Take end users a long time on one screen (is it too complicated or unnecessarily detailed?)
- Are prone to error (can more validation be added on data fields?)

Result in people exiting the screen or system (is the user experience too frustrating and are all process steps necessary?)

We've heard that regulation often stifles innovation but for Financial Services firms, regulation can be a compelling reason to do things better, faster and smarter.

Hopefully this chapter has inspired you to gather metrics about your current and desired HR service in order to build a business case for the gaps that RPA can help you close.