HFS Research

AIB embraced RPA to drive its Digital Transformation agenda

BPM helped pave the way for intelligent automation

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Defining Future Business Operations

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What does it take to make robotic process automation (RPA) and broader intelligent automation strategies successful? While there is still no singular best practice approach or playbook, HFS research indicates that the use of centers of excellence (CoE) with skin-in-the-game collaboration between IT and business operations dramatically improves both the effectiveness of initial adoption and the continued proliferation of end-to-end use cases.

In our continued effort to spotlight emerging intelligent automation execution strategies, this Voice of the Customer Point of View (POV) report examines the automation journey of Allied Irish Banks (AIB) and its strategic service partner Wipro. While AIB's RPA CoE has a lead role in this narrative, its use of business process management (BPM) plays a critical supporting role from both a functionality and cultural perspective.

How to create, build and operate an effective automation CoE

Banking and financial services (BFS) firms have been at the forefront of the investigation and adoption of intelligent automation. Recent HFS research shows that BFS firms have a higher percentage of pilots and implementations of RPA and AI technologies than their peers in other industries. While success has been a somewhat mixed bag thus far, with the processes most heavily targeted for transformation not always yielding the expected returns for cost and business value, BFS firms' relative satisfaction with initiatives is higher than for other industries (See Exhibit 1). We believe that one of the crucial contributing factors is the development of CoEs.

Scaling RPA up to institutionalize it for a centralized approach across the enterprise —a significant challenge—is supported by CoEs and emerging as the best-practice. As Exhibit 1 shows, BFS firms have a much higher propensity to move forward with a CoE approach than other industries (78% versus 61%). A CoE approach, whether centralized or federated, enables a systematic approach to defining, measuring, scaling, and managing the intelligent automation journey.

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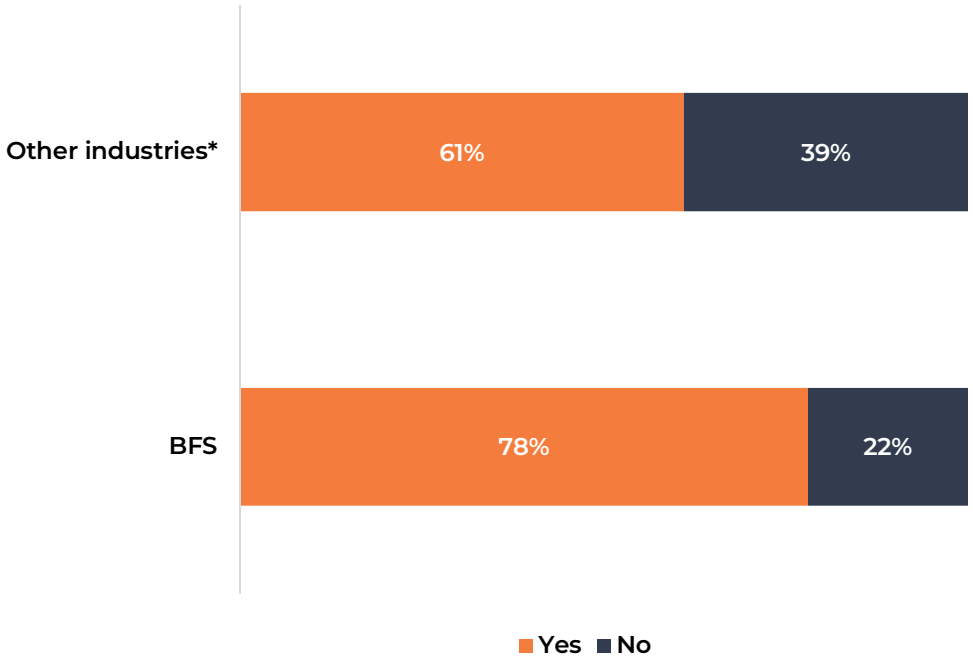
Exhibit 1: **BFS leads with its center of excellence approach to RPA**

Do you have an RPA Center of Excellence?



Source: HFS Research, 2018, n= 32 BFS enterprise services customers; n = 104 other industries

**Other industries include: manufacturing, telecommunications, healthcare, and insurance*

However, simply having a CoE is not enough – it's critical to organize and run it effectively. In multiple conversations with RPA buyers across industries, sourcing advisors, and providers of RPA services, CoEs with the characteristics outlined in Exhibit 2 are having better results scaling RPA, achieving business benefits, and embracing broader intelligent automation:

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Exhibit 2: **Characteristics of successful RPA CoEs**

Involvement of IT and business operations in a collaborative joint effort

- IT-led CoEs suffer from not being close enough to the business processes being transformed, which can result in limited expansion. Business-led CoEs often never get beyond their division and often have production challenges due to heavier than expected configuration requirements. Together, IT and business operations balance one another. As RPA CoEs mature, this mix of business and IT can better support ongoing management of a digital workforce, development of automation libraries, and best practice-based standards for governance, compliance, reuse, etc.

End-to-end focus

- Siloed CoEs achieved siloed results. Leveraging knowledge and experience across company-wide functions and encouraging a healthy give-and-take of best practices with business units and their discrete processes yield better company-wide results. For example, customer onboarding and related know-your-customer (KYC) practices vary by discipline in a bank, but the structure, flow, and underlying processes are similar; this simplifies the development of end-to-end automation approaches and development of process libraries.

Focus on intelligent automation

- While RPA has a distinct value proposition focused on increasing efficiency and productivity, its intersection with elements of artificial intelligence and smart analytics, as noted in the HFS Triple-A trifecta, can drive enhanced value and shift the focus from technology to services and solutions that achieve desired business results.

Recognition that change management is essential

- Common sense, right? However, RPA, like business process outsourcing a decade ago, brings with it a very real fear of job elimination, particularly given all the hype around robots replacing humans. Incorporating HR into the CoE and developing clear and ongoing plans for role elimination, role enhancement, retraining and redeployment, and strong and ongoing communication of all plans and results is essential to success.

Clear understanding of business problems that need to be solved and desired outcomes

- As typically happens with new technologies, enterprises need time to experiment and understand functionality so they can, in turn, have an educated opinion on potential and benefits. The trap, though, is that the so-called CoE becomes focused on the perpetual art of the possible rather than execution in support of focused (and ideally exponential) digital business transformation.

How and what you measure is critical

- With many initial forays into RPA initiated by CFOs, there is a marked focus on cost reduction that is often expressed in terms of number full time equivalents (FTE) replaced by bots. Business units and IT alike tend to chafe at this metric as they are often focused on cost and process optimization—doing more with less—which enables their knowledge workers, rather than removing them. Additionally, as many RPA results automate portions of processes, the FTE measure can be an inaccurate depiction. Effective CoEs need to be prepared to have various means of tracking success, from FTE-reduction cost savings statistics to emerging measures such as return of productivity to the business, identification of found money achieved through plugging leaky manual processes that hemorrhage money (such as disputed transactions for banks), and articulation of new revenue generated through enablement of digitally enhanced or new digital offerings. In all cases, be clear about what you will measure and how in order to demonstrate success.

Source: HFS Research 2018

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Business Process Management (BPM) software and practices can pave the way for effective automation CoEs

For most banking and financial services enterprises, the CoE concept is not new. However, it is often an IT convention, dedicated to best practices in technology testing, deployment, and management. One potential deviation is CoEs that are focused on BPM software and practices. BPM is typically an IT-led approach to redesign and streamline business processes to drive efficiency and achieve specific business outcomes, generally with a strong focus on cost reduction. It was born out of the business process re-engineering craze of the 90s, with the first BPM platforms formalized in the late 90s and gaining continued use and myriad technology upgrades throughout the 2000s. Business process outsourcing shadows the BPM trajectory as a brethren change agent used to help enterprises optimize the cost of business operations.

Similar to RPA and intelligent automation, successful BPM requires tight collaboration between IT and business operations and stringent measurement to pinpoint the return on investment. Because of this connection, HFS has found that some enterprises with existing BPM CoEs have an advantage when deploying RPA—they have already gone through the rigor of establishing an effective organization incorporating IT and business operations focused on process reinvention. Don't misconstrue this as a recommendation that you should implement BPM before RPA or that one requires the other. However, when BPM is in place, RPA can extend its functionality, and its business process focus can help enable the effective roll-out of RPA and broader intelligent automation.

AIB—expanding the digital transformation toolkit with RPA

One of the BFS firms in our research that is embracing the use of digital technologies such as RPA to change and advance business operations, aka digital transformation, is AIB. HFS defines digital transformation as the transformation of an entire organization to deliver compelling and engaging customer experiences, leveraging interactive technologies, intelligent automation and smart analytics. This entails a top to bottom rethink of what it means to operate, in real time, in a digital business environment. This requires fundamental changes to the way an organization operates, from its front to back office, and all the touchpoints with its customers, partners and employees.

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AIB is one of the Republic of Ireland's big four banks, with over 10,000 employees across the Republic of Ireland, Northern Ireland, and Great Britain; it offers a comprehensive range of services to retail, business, and corporate customers. The bank ran aground when the Irish property bubble burst in 2008, pushing it to accept a government bailout in 2009 that effectively nationalized the bank. In 2017, the largest IPO in Europe saw the state sell 28.75% of their shareholding, yielding a €3.4 billion return and valuing the bank in excess of €12 billion. Despite past hardships, AIB is now on a robust recovery path, reporting profits each year since 2014.

Digital transformation has been a critical component of the bank's recovery, with C-suite-led mandates to leverage digital change agents to improve system resilience and deliver better customer experiences. The bank established a digital division in late 2014, with its former Chief Data Officer, Seamus Murphy, taking the helm as Chief Digital Officer in early 2016. Seamus has been instrumental in expanding and refining AIB's approach to digital transformation. The firm's articulation of its strategic priorities, listed below, continues to drive how it runs its business and how it prioritizes its investments.

- Customer first—we will consistently deliver exceptional customer experience through simple and innovative customer solutions;
- Simple and efficient—we'll make things simpler, focusing our efforts on the things that we know have the greatest impact on our customers' experiences;
- Risk and capital management—we'll make the best use of our capital by having a consistent and efficient way of allocating resources that is within our risk appetite;
- Talent and culture—we'll create a customer-focused culture which attracts, develops, and retains the best people and is powered by our brand values.

When AIB established its digital division in 2014, it also began a BPM journey, appointing Niall Cunnane to lead the technology delivery elements of the effort. Cunnane, a self-described "lifelong technologist," has been with the bank in multiple IT roles since 2004. He helped establish the BPM CoE, built around elements of business and IT cross-team collaboration and employing workflow and enterprise content management (ECM)—ultimately creating a strong process integration layer to help get the most out of technology. Cunnane acknowledges that in many organizations, BPM came before digital. But in the case of AIB, these functions grew up together. It was in this context that Cunnane began working with AIB's strategic partner Wipro for BPM and broader digital business transformation.

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> Four years ago, I would have been cynical of RPA. Today it is an essential tool in our digital transformation toolkit.
>
> **—Niall Cunnane, Head, Digital Process Automation, AIB**

In October 2016, AIB integrated its BPM CoE within the AIB Digital Engineering team with Cunnane taking up the mantle of head of digital process automation. In this capacity, Cunnane led the establishment of a new RPA capability in early 2017 using Blue Prism. He admits that four years ago he would have been skeptical about RPA, but it has become an essential tool in AIB's digital transformation toolkit. As head of digital process automation, Cunnane heads a diverse team of 80 analysts and engineers that draws on BPM, ECM, and RPA technology to further the bank's digital transformation agenda. The cross-functional team takes a robustly customer-centric approach to automation, ensuring that any changes implemented are for the benefit of the bank's end users. His team is proud of its customer-first ethos, a focus on the art of the possible, and an embedded continuous improvement culture.

AIB's RPA journey—how they fast tracked selecting an RPA solution

When AIB decided to explore RPA, it leveraged the firm's four strategic pillars to help ensure consistency in the company's focus and purpose. With these objectives in mind, Cunnane and his team set out to evaluate and select an RPA technology. In December 2016, AIB started its due diligence process by attending automation and RPA industry events to gain the knowledge necessary to make an informed decision about which technology to implement. It supplemented its intensive education focus with use of its internal innovation center for evaluation and testing. This approach allowed AIB to weigh quickly the pros and cons of various technologies and approaches, enabling the company to select Blue Prism in just eight weeks, much quicker than reports of an eight-month average for the banking industry.

After a wider review, AIB performed a detailed evaluation of Blue Prism, Automation Anywhere, and UiPath. Principal selection criteria that helped Blue Prism prevail included:

- A superior partner network in the UK and Ireland;

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- An appreciation for Blue Prism's process and object modeling approach and reusability elements;
- Strong banking and financial services (BFS) references in the UK and Ireland. While AIB acknowledges that this has likely changed since late 2016, at the time, it was more challenging to identify references with peer institutions.

[Picking an RPA services partner] is a risk no matter what and we already had confidence and a relevant experience base with Wipro.

—Niall Cunnane, Head, Digital Process Automation, AIB

With its technology selected, the bank commenced a three-month proof of concept with a KPMG Ireland to identify and select use cases and further test Blue Prism. At this time, they also realized that their RPA journey would benefit from an experienced implementation partner. Cunnane looked to AIB's existing digital transformation and BPM partner, Wipro, as a potential candidate. While the existing relationship made Wipro a contender, Cunnane and his team conducted further due diligence to ensure Wipro had the right experience and capabilities to support their RPA needs. Through this due diligence, AIB discovered Wipro's existing use of RPA for its business process outsourcing business to offset manual labor arbitrage-based functions and spoke with various customer references. Based on these credentials plus the existing relationship, Wipro's knowledge of AIB's environment, and direct business process experience with AIB's BPM center of excellence, AIB decided to move ahead with Wipro as its RPA services partner. As Cunnane stated "(Picking an RPA services partner) is a risk no matter what, and we already had confidence and a relevant experience base with Wipro."

RPA execution and outcomes achieved

With RPA technology, target use cases, and a services partner all in place, AIB and Wipro moved ahead with their first initiative. They started with an existing process in customer service around debit card fraud. This process had been a pain point for AIB for some time as it was paper-based and convoluted with reliance on a third-party card services provider and legacy technology. The bank had previously tried to resolve issues

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with this process using a BPM solution, but Cunnane says that although this helped manage the end-to-end process more efficiently, difficulty integrating with a third-party provider meant that the underlying process was still highly manual and inefficient. Automating the end-to-end process through traditional API integration was assessed but could not provide the required ROI. The specific objectives for applying RPA to the card fraud process, in addition to AIB's four over-arching strategic pillars stated earlier, included:

- Achievement of third-party integration with its card services provider;
- Improved accuracy through automating the high human error potential and removing the need for every case to be touched by hand;
- 24x7 coverage—in-line with AIB's overall remit for customer service—but only being delivered during business hours due to the high reliance on people;
- Straight-through processing—even with BPM, straight-through processing was at 0%.

Essentially the resulting solution was BPM plus RPA to manage the end-to-end card fraud process. AIB applied Blue Prism's RPA solution to six individual tasks within the end-to-end card fraud process. One bot was assigned to each task, with the first going live in April 2017 and the other five following quickly thereafter; implementation was completed in October 2017. The addition of the bots meant AIB could now almost entirely automate refunds based on validated business rules criteria, only referring items to human case managers when adjudication or more nuanced fraud expertise or analysis was deemed necessary. The card fraud process is up and running today in a production environment. The specific benefits realized include:

- Increased straight-through processing rate for refunds from 0% to 80%;
- Increased coverage to 22x7 from business hours-only, a vast improvement, although the company is still working toward 24x7;
- Eliminated capacity challenges they formerly faced on Mondays and Tuesdays because of the lack of weekend service; now there is no backlog and only minor adjudication after downtime is needed;
- Reduced manual processing to achieve FTE savings; AIB employed a strong change management program and has worked to redeploy resources.

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> Everyone is comfortable using the system. It has been a positive move and agents are happy… It has empowered them to be able to handle fraud queries more quickly and efficiently.
>
> **—Team member, Fraud Investigations, AIB**

In addition to the gains made in operational efficiencies, Cunnane also emphasizes the increase in employee satisfaction that the RPA solution brought about. Even though he says that "employee satisfaction came after the event" and the bots were initially met with some trepidation and fear of job loss, further down the line, AIB's customer service employees found that the bots were freeing them from repetitive and menial tasks and allowing them to apply their analytical skills and expertise to more complex and rewarding problems. To further acclimatize employees to the RPA environment, AIB got its employees to name the individual bots and kept everyone in contact with AIB's change management team. Employee feedback certainly indicates that the transition was successful. One customer service team member says: "Everyone is comfortable using the system. It has been a positive move and agents are happy… It has empowered them to be able to handle fraud queries more quickly and efficiently."

> AIB does not have an RPA program. It has a digital transformation program.
>
> **—Niall Cunnane, Head, Digital Process Automation, AIB**

Moving beyond RPA: AIB's plans for intelligent automation

Through leveraging many of the best practices for developing effective centers of excellence and building on its existing BPM expertise, AIB is dramatically expanding its digital transformation toolkit. HFS takes particular note of its broad focus on digital process automation, which assumes and allows room for

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expansion of the toolset—likely moving into increased use of smart analytics and artificial intelligence technologies to genuinely drive intelligent automation.

With continued collaboration with its strategic services partner Wipro, AIB has expanded its use of RPA to 15 processes. It views RPA as a tool in its broader digital transformation toolkit, with Cunnane stating that "AIB does not have an RPA program. It has a digital transformation program." While AIB has built RPA processes without BPM, it has found that BPM continues to benefit from the addition of RPA for functions such as managing task exceptions.

Cunnane and his team continue to educate the broader business on the benefits of automation. They have recently successfully automated processes in the mortgage operations team. They are now working with their finance and HR organizations for opportunities to drive continued optimization in a generally already lean organization.

AIB's lessons learned and advice for peers

As the bank continues to build out its digital transformation playbook, leveraging RPA as one its resources, it is cultivating core learnings that will inform its strategy on a go-forward basis. HFS strongly believes that in a developing industry such as intelligent automation, sharing results and emerging best practices is wildly valuable to the broader community. These experiences help minimize the hype and advance the effective use of intelligent automation. Based on AIB's experiences, core recommendations for success include the following as depicted in Exhibit 3.

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Exhibit 3: **AIB's lessons learned and advice for peers**

1

START SIMPLE

While AIB were keen to optimize the card fraud process to deliver full business benefit, the reality was that the pilot strayed into the intelligent automation space with use of a business rules engine, BPM and RPA. At the outset AIB didn't recognize the number of moving parts which meant it was a bigger challenge than expected to implement its RPA capability. Start with a very simple process as a pilot.

2

PLAN AND DESIGN AROUND EXCEPTIONS. THE HAPPY PATH IS EASY!

Think about exception flows and how to handle exceptions from day one of each RPA implementation. The happy path is always the easier bit and exceptions are what bring the challenges. If you don't observe and allow time to design and build your exception flows, your project timelines will be much tougher to manage.

3

USE ITERATIVE CHECKPOINTS TO ENSURE AUTOMATION IS THE RIGHT CHOICE

Just because you can automate, doesn't mean you should. AIB have regular checkpoints in each implementation to review whether automating a process is the right thing to do. AIB stopped one RPA implementation because as they got deeper knowledge of the process through the design and build phase they realized it was not appropriate for RPA.

4

RPA IS A TOOL IN THE BROADER DIGITAL TRANSFORMATION TOOLBOX

AIB found and continues to identify various uses for RPA, including a strong synergy with its existing BPM discipline. However, they are clear that it is almost never the complete solution to a problem. This is also part of the benefit of RPA – it's the ultimate team player that gets better when combined with complementary partners.

5

RPA EDUCATION NEEDS TO BE BROAD AND MULTI-FACETED

RPA education is about more than using tools. It's about educating people on how to do work more effectively. This entails getting people comfortable with the technology by demonstrating that part of RPA's value lies in its ability to eliminate boring and repetitive tasks thus adding value to teams, organizations and customers. It also means giving staff plenty of opportunities to try the technology and acclimatize to it through observation and interaction. Strong change management practices are also critical to success.

Source: HFS Research, AIB 2018

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Bottom line: Technology does not drive digital transformation. Alignment with strategic priorities and execution with focused outcomes in mind does.

AIB has been on a journey to remake itself as a financial services institution that drives success through strong adherences to its core growth pillars. These core pillars of putting its customers at the center of everything it does, simplifying and modernizing its operations, ensuring robust risk and capital management practices, and cultivating talent and building a great workplace and culture drive its decisions and investments. Digital transformation for AIB is the effective leverage of core change agents such as RPA to help support and ultimately achieve its core growth pillars. This alignment between technology investment and business objectives is essential to achieve digital transformation and create successful next generation companies.

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About AIB

AIB is one of Ireland's major retail banks serving personal, business and corporate customers. We offer a range of banking products and services such as mortgages, savings and business banking. We have a customer centric view, always putting the customer first and supporting our customers at every stage. We have over 1.8m million customers using our multifaceted service. We provide our customers with a diverse range of contact channels; through our branches, commercial centres and our direct channels, such as AIB internet and telephone banking, self-service banking and our award-winning mobile banking app.

AIB has a presence in Northern Ireland through its community-based full-service bank First Trust Bank and in Britain where AIB GB serves its target audience of SMEs, owner-managed businesses and professional firms.

Learn more at https://aib.ie/.

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