CAPCO

THE DIGITAL WORKFORCE AND WHY IT MATTERS NOW

WHY AND HOW TO BUILD A DIGITAL WORKFORCE WITH FOUR KEYS FOR HUMAN RESOURCES

INTRODUCTION

As the COVID-19 pandemic creates shockwaves through the global economy, most organizations are facing a reduction in business volume and profitability. Businesses in the travel and entertainment sectors have been severely affected.[1] While financial institutions are sheltered from some aspects of this economic downturn, the sector is by no means immune. In fact, the pandemic's effect on financial institutions has only just begun and may take years to fully materialize.[2]

Spending cuts will help many companies weather the storm, but prudent organizations will take advantage of this inflection point by redefining what they do and how they do it. Forward-looking financial institutions will revisit how digital initiatives can help them navigate today's obstacles and better position them to take on the challenges and opportunities of the future.

While the discussion around digitization does not always take place in the context of human resources (HR), human capital is a major factor in the success of automation programs. If digitization is to reach its full potential, an organization's workforce must be ready, willing, and able to embrace a digital workforce.

WHY BUILD A DIGITAL WORKFORCE NOW?

Capco defines a digital workforce as virtual "workers" that assist human beings in the form of artificial intelligence (AI), including robotic process automation (RPA), optical character recognition (OCR), machine learning (ML), process mining, no/low-code application and workflow solutions, and many other advanced or advancing technologies. The combination of these technologies is referred to as intelligent automation, which can be used to create digital workers capable of handling processes end-to-end by combining RPA, OCR, ML, and human-in-the-loop workflow to handle exceptions and in some cases make final decisions.

Intelligent automation can have a significant business impact and has huge cost-lowering potential; unlike humans, robots can operate around the clock, and they typically cost up to 80 percent less than a full-time employee.[3] Some common use cases for a digital workforce with high automation potential within financial services include loan underwriting, insurance claim processing, and anti-money laundering (AML) and know your customer (KYC) compliance. With the right technology, these use cases can be dynamic; automated processes that leverage ML are able to continually improve by using exception data to retrain models.

1. Brookings Institute: Explaining the Economic Impact of COVID-19: Core Industries and the Hispanic Workforce
2. Congressional Research Service: COVID-19 Impact on the Banking Industry: Lag Between Recession and Bank Distress
3. Gartner: Robotic Process Automation (RPA) Role in Finance Automation

WHY BUILD A DIGITAL WORKFORCE NOW?

While the pandemic has added renewed urgency to conversations about the digital workforce, the underlying drivers have existed for years and will likely become more prevalent in the future. Two of the clearest lessons learned from the fallout of the pandemic thus far are:

1. Business continuity is essential, and many legacy systems and processes are not capable of maintaining continuity in unstable societal and economic conditions, and
2. Businesses must be prepared to respond to rapidly changing regulatory environments.

As has become evident during the COVID-19 pandemic, humans are impacted by societal disruption in ways that automated systems are not. While human productivity might be affected by restricted access to business locations, robots can continue to carry out their duties with minimal disruption. A digital workforce creates a more resilient organization whose operations are less dependent on human actors and can function in unanticipated circumstances; this includes potential improvement to business continuity (BC) and disaster recovery (DR) capabilities.

Business resilience is what makes it possible to overcome disruptions and adapt quickly to changing circumstances while simultaneously maintaining normal business functions. It presumes an ability to protect people, assets, intellectual property, and business reputation amid unstable conditions. Ultimately, a resilient organization is also more efficient and focuses on exception handling, continuous improvement, and customer satisfaction. Business resilience may depend on sets of responses and technologies such as BC/DR plans and tools, but it looks beyond those tactical approaches to the big picture. A digital workforce can better shape BC/DR plans and make them more effective through conscious participation.

The COVID-19 pandemic has also introduced new regulatory challenges in the financial sector. This is an acceleration of a preexisting trend. Before the pandemic, industry experts estimated that the proportion of revenue spent on regulatory costs would more than double from 4 percent to 10 percent by 2021.[4] Now that COVID-19 has prompted, and will likely continue to prompt, an influx of government programs, financial institutions must be able to stand up cost-effective responses very quickly. For example, the pandemic sparked the Paycheck Protection Program (PPP), which created unexpected application processing and other costs for participating banks. A digital workforce can help remediate regulatory costs for financial institutions in this rapidly evolving regulatory environment. Automation technology providers offer solutions for a wide range of use cases, including AML, KYC, and mortgage remediation, among others.

4. Forbes: Taming the High Costs of Compliance with Tech

WHAT DOES A DIGITAL WORKFORCE MEAN FOR EMPLOYEES?

The result of more automation and human-automation pairing will be a new kind of hybrid enterprise that will likely be far more productive. However, there are bound to be challenges. How well will humans adapt? What steps must management take to gain productivity by helping HR adapt while also maintaining or improving employees' work environments?

Because a digital workforce is oriented toward continual change and improvement, those who embrace agility and diverse skillsets will be particularly successful in using one. That said, many digital workforce technologies are highly user-friendly and do not require users to complete retraining or possess advanced technical skills. The key to a successful digital workforce is human assets who are excited, engaged, and willing to make the most of the technology at hand.

The digital workforce operating model focuses on delivering operational resilience and maintaining business operations during sudden changes in an organization's environment, from public health crises to natural disasters or any other unforeseen circumstance. COVID-19 presents financial institutions with an opportunity to build the business of the future: Instead of being reactive, a firm can proactively improve operational processes and provide better technology and support to ensure its client-facing and other business functions can navigate unexpected challenges.

A key component of this proactive approach is investing in integrating human and technical capabilities early on, creating a combination of resources that can best deliver results for the enterprise and its customers. Integration is facilitated by remote work management capabilities and collaborative tools which have become paramount during the COVID-19 pandemic and will continue to drive value once it has ended. The pandemic has largely disproven notions about what can and cannot be done with a dispersed or work-from-home workforce, permanently impacting the future of work and employee experience. Organizations that embrace these changes to increase both employee satisfaction and productivity will see a substantial competitive advantage.

HOW TO ACHIEVE A DIGITAL WORKFORCE

Developing a digital workforce is a multi-stage process that can look different depending on an organization's budget, scale, and business objectives. Senior leadership should align on the vision and business case for a digital workforce early on to ensure program success. Once stakeholders are aligned on scope and business objectives, there are several steps an organization can take to prepare its automation initiatives to thrive:

Plan and Budget

The success of any business transformation depends on securing sufficient support, including financial support. Digital workforce planning should therefore begin with an evidence-based roadmap and budget that will attract support and commitment. The roadmap should consider funding for people (hiring, training, and promoting), processes, and technology, including an assessment and rationalization of existing tools.

Follow-on investments in intelligent automation and associated workforce training can further showcase the transformation and bottom-line results made possible by technology and a digital workforce. This is important because budgeting for newer processes and technology will invariably require a demonstration of business value.

Understand Intelligent Automation

When developing a digital workforce, it can be helpful to consider technological investments in terms of their location along the automation spectrum. This spectrum spans from foundational automation to artificial intelligence, but there are two major categories of automation technology that organizations should understand before deciding which systems are the best fit for them. These are:

1. Traditional robotic process automation (RPA) tools, and
2. Intelligent automation.

Whereas RPA is purely tactical and used to improve efficiency within existing systems, judgment-based intelligent automation technologies are transformational and can evolve with an organization.

Automation has been around in many forms for decades, with organizations traditionally relying on macros, scripting, and full-stack Java development, but the introduction and adoption of RPA over the last several years has been a game-changer, providing organizations with a platform to take the concept of scripting to the next level by allowing it to work with any system without software integration. RPA does this by layering on top of a system's graphical user interface (GUI) to mimic human actions (clicking, typing) to move data between systems. However, while RPA is a powerful tool, it is most suitable for repetitive, rules-based tasks. Given the number of processes that rely on processing unstructured or semi-structured data (documents, emails, free-form text, etc.), more is needed to automate processes end-to-end.

Intelligent automation was developed to fill some of the gaps in RPA's capabilities, particularly with regard to unstructured data. Intelligent automation and artificial intelligence are increasingly judgment-based; they use machine learning techniques, including natural language processing (NLP) and predictive analysis, to perform complex tasks and improve as they go. ML models in business operations are typically "supervised," meaning that they are trained using previous output from human workers. A relatively small dataset, such as 100-500 examples, is generally enough to generate a model that can confidently make predictions in most cases, while also identifying the exception cases it cannot confidently predict. These exception cases are then routed to humans for processing.

Employees are crucial to the success of intelligent automation. Identifying the right people to train models is paramount, as bots will replicate human responses. Moreover, human workers not only address exceptions but also provide the data that is used to retrain models. As larger and larger sets of data pass through a model and are used to retrain it, the model can begin to address some of the less common, or "edge," cases it could not initially process.

Recognize the Need for Orchestration

No matter what technology an organization uses or where on the spectrum it falls, optimizing the value of automation requires orchestration. In simple terms, orchestration functions as automation for automation; it liberates humans from having to think about and handle the logistics of multiple processes and forms of automation operating simultaneously. Orchestration tools come in many forms, but each aims to create effortless coordination between human and digital elements. They can be used to create custom tasks for situations in which human input is required in an automated process, as well as route work between humans and between bots and humans. Orchestration tools also allow users to design custom front ends and workflows and integrate with pre-built connectors to data sources. For example, these tools can help build connections between email and SaaS offerings such as Salesforce and help deliver information between digital silos.

Prepare for Management and HR Challenges

It is commonplace for organizations to hyper-focus on the "digital" aspect of "digital workforce" and give insufficient thought to the "workforce" element. This leads to disappointing results. Human resources and management organizations are essential to digital workforce development. They must work with employees to identify which tasks require human intervention and how that human oversight aligns with the rest of an employee's role and responsibilities. More broadly, HR and management must help employees adjust to the ongoing organizational change that results from implementing automation programs. HR and management must consciously prioritize people. There are several steps that will help organizations achieve this:

1. **Revive Workforce Planning.** HR and management often have general plans for workforce acquisition, development, and retention. The uncertainty of modern business, including mergers and acquisitions, downsizing, and people's tendencies to change jobs more frequently than they used to, means that companies have tended to deemphasize this planning on the grounds that it is futile.

   Digital workforce development is an opportunity to revive and modernize workforce planning. HR should consider what skills are available and needed to drive business success, both in the aggregate and in terms of individuals and their evolving job roles and training needs. Upskilling, supporting cross training, and encouraging workforce flexibility should all be central to the digital workforce discussion.

2. **Equip for Agility.** Similarly, HR should be ready and able to support agility among resources. Increased agility is a must-have in the modern workplace, and automation enables that: Automated bots can be trained and retrained quickly—and even automatically with machine learning—and they are always available and do not need physical access to buildings. This allows HR and management to focus energy and resources on shifting employee needs and emerging trends in talent acquisition and management. HR should consider questions such as, how can individuals be evaluated on and rewarded for teamwork and innovation in an emerging digital environment? Is the business equipped to upskill and quickly prepare employees to take advantage of new technology?

3. **Upskill Management.** Managers and management may also need HR's help in understanding and adapting to digital transformation. HR should support senior resources in understanding their roles and responsibilities regarding the digital workforce, as well as the evolving roles and responsibilities of their employees more broadly. HR should consider whether management feels they have a stake in these new digital approaches, as managers' support will be critical to the success of automation initiatives.

4. **Build a Digital Corporate Culture.** Finally, a successful HR team will imbue the broader organization with a digital culture that supports widespread enthusiasm for the opportunities a digital workforce creates. One of the biggest threats to successful digital workforce development is the way in which old habits, attitudes, and policies can subtly undermine opportunities for innovation. Some level of bias towards the status quo will naturally exist, which makes HR's active participation especially important in helping to make the digital workforce a successful reality.

CONCLUSION

It may be years before we understand the extent of the COVID-19 pandemic's impact on the financial sector, and how financial institutions respond now will influence future performance. Forward-thinking digitization will enable better business continuity and improve regulatory response capabilities as pandemic-related challenges continue to unfold. An effectively implemented digital workforce will improve business resilience, remediate costs associated with the COVID-19 pandemic, and improve employee experiences by embedding flexibility and growth opportunities into roles.

Organizations can maximize their digital workforce return on investment by allocating time and resources to plan and budget, understanding intelligent automation and the need for effective orchestration, and preparing for management and HR challenges that may arise as a result of digital workforce implementation. Equipping employees and management for business changes, shifts in roles and responsibilities, and emerging opportunities for upskilling and role growth will help secure buy in and build a digital culture within an organization.

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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