SS&C to Deploy 'Digital Workers' in Order to Hire Fewer Humans

The firm has identified about 350 positions it could fill with 'digital workers' rather than additional human staffers, executives said Wednesday.

By Jackie Noblett | July 29, 2022

SS&C Technologies plans to lean on the “digital workers” developed by its recently acquired **Blue Prism** robotics unit to control labor costs and protect margins even as it pays more to retain staff.

The company has identified about several hundred positions in areas like trade reconciliations and Blue Sky law compliance that it could fill with these software bots rather than human staff, Chairman and Chief Executive **Bill Stone** said on the company’s second-quarter earnings call Wednesday.

“[T]he ability for us to deploy digital workers throughout our business is to help us both in our sales pipeline development as well as in reducing the rate of increase of personnel,” Stone said. “So instead of hiring another 350, we think we're going to be able to deploy digital workers in order to satisfy those needs.”

Windsor, Connecticut-based SS&C in March closed the $1.6 billion acquisition of U.K.-based Blue Prism, which provides robotics process automation tools that combine with artificial intelligence and machine learning to allow software bots, which it calls digital workers, to perform complex tasks. Last year, it formed its intelligent automation solutions group encompassing a range of technologies to help its back-office clients digitize rote processes.

But the firm is looking to use the same technology internally to protect profits as labor becomes an ever-increasing part of the former DST unit’s expense base.

Labor costs “remain elevated” within the unit, Stone said, as the firm implemented an off-cycle merit pay increase in April and changed its bonus structure to pay out three times per year versus once per year. It also added restricted stock options to its compensation program.

This has allowed the firm to curb staff departures, the CEO noted, and he said he expects the labor costs to plateau.

SS&C does not break out compensation costs specifically in its earnings, but second quarter overall operating expenses increased 34% year over year to $378.7 million. But when the effect of a sharply stronger dollar is removed, expenses rose 8% year on year, Chief Financial Officer **Patrick Pedonti** said on the call.

The company is going to tightly control expenses through staff reductions, specifically in the acquired Blue Prism acquisition and in its health care business this month, according to SS&C earnings presentation slide deck. It is also looking to reduce its office footprint by 650,000 square feet by the end of the year, and put a lid on discretionary spending.

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On the revenue side, the firm is assessing pricing and pushing hard on cross-sales of products to existing clients, the slide deck notes.

Organic growth in the financial services unit, excluding health care, slowed to 4.4% in the second quarter, from 5.9% in the first quarter, SS&C's earnings release notes. It does not disclose specific revenue from the unit.

Stone told analysts on the call that some of the slowdown could be attributed to the backlog of large, complex projects that take a while to implement. “They're still our customers, and we support them all the way through the process,” he said, ‘but sometimes, the [revenue recognition] gets delayed.”

But the firm has been able to manage through the business challenges and expects margins to continue to improve, the CEO noted.

“We've had some [foreign exchange] headwinds. We've had labor becoming dominant, and therefore having way higher wage rates than has been the norm over the last five or 10 years. And even with all of this, we run at 35% margin,” Stone said.

“So we have an excellent business that I think over the next number of quarters will just be more excellent,” he added.

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