



Why “operationalizing RPA” is the right solution for SSOs in the Philippines

The Philippines ranks as one of the most popular locations for shared services and BPO centres. And yet, its continued inclusion on this list may be under threat. The traditional service delivery model was built on low-cost FTEs and linguistic capability. But, in today’s world, low-cost FTEs are no longer as compelling as they once were. So with plenty of the low hanging fruit already taken, what are organisations like Lufthansa, ANZ, and Baker McKenzie planning to do now?

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1 Robotic Process Automation: There is no going back

If ever there was a 'Brave New World' scenario, you are living it now. We are in the midst of a far-reaching 'reinvention' of the workplace, based on invisible and intelligent processing capabilities that will release humans from their desks and their computers.

For economies like that of the Philippines, that have bet heavily on the human-driven services sector, this could spell disaster. Then again, it could spell opportunity.

Most of the practitioners SSON's editorial team spoke to for this article are opting for the latter – Steve Harris, Managing Director of ANZ's Manila-based Shared Services

Centre, for example. He believes the Philippines is "100% equipped" for shifting from low-cost FTEs to the new data and analytics based roles that are focused on value-add. It's a natural transition, he believes, and one he is already implementing.

The Philippines has a lot going for it. Excellent English language capability, combined with an eager-to-learn, service-oriented mentality, and great technical skills – it's what modern day SSC leaders are looking for. And here, in the Philippines, is where companies like Lufthansa, Baker McKenzie and ANZ are planning a robotic-process-enabled reboot of their service delivery strategy.

2 Lufthansa sees automation as the 'new way of work' – reduces concerns around attrition

In late 2015, Lufthansa's GBS headquarters decided to pursue a new strategy centred around a Global Hub in Manila. By February 2016, Lufthansa Services Philippines (LSP) was incorporated to support this initiative and was officially inaugurated in October of that year. Today LSP has over 300 customer service and finance accounting consultants.

The objective is to leverage Manila's English language capability to support global customers and assist passengers flying Lufthansa and any other airline within the Lufthansa Group to book and rebook tickets, make reservations, and process baggage enquiries. The finance processes specializes in providing services in the areas of finance, revenue accounting, human resources and procurement for nine main Lufthansa group companies (Lufthansa Passage, Lufthansa Technik, LSG Sky Chefs, Lufthansa Cargo, Lufthansa Systems, Swiss, Germanwings, CityLine and LGBS), along with their subgroups.

The centre operates 24*7 and is the only one of Lufthansa's global centres that offers truly "global" customer support. The objective of LSP is to drive process standardisation and technology-driven transformation to improve processes and strengthen controls in Finance, explains **Sharmini Krishnan, Managing Director, Lufthansa Services Philippines Inc.**

Sharmini acknowledges that, until now, BPOs had the edge over captive centres in terms of being quick to leverage new technology and target the kind of process specialisation that creates true wins. "There has been a lot of hype, over the past 15 years, around what can be done in terms of service delivery, but until now, I felt that captive centres weren't reaping the full benefit," she says.

That is changing, however, with the advent of new robotic technology, which is giving captives the opportunity to catch up. Numerous SSOs have been quick to set up their own operational Centres of Excellence for robotic processing solutions, and partner with business units to implement these new capabilities.

A key benefit for the Philippines, Sharmini explains, is that it limits the impact of attrition on local service delivery performance. If I focus on automating my processes, I will be less concerned on managing my attrition.

For now, the first priority is to reassess and retrain. "While traditionally we focused on financial background, today we are looking first and foremost for creativity. It's the analytical skill set and 'quick to learn' mentality that's going to be significantly more important going forward, and there, we will be looking for a combination of data analytics and creative solutioning linking to business outputs."

Sharmini has worked in Malaysia, US, Singapore, India, and the Philippines, and has sat on 'both sides' of the customer/supplier fence. "I've had the privilege of helping set up a few shared services and watching the transition from transactional back-office work to complex back end activities," she explains. "While the fact that you no longer need an accountant to process financial transactions is nothing new, robotic automation presents an entirely new scenario for SSOs."

"Given the high ratio of technical expertise in our Filipino team, automation is being adopted relatively easily. In addition, the Philippines was selected as a location because it's an easy culture to work with, and we were able to leverage the existing BPO culture to our benefit," she explains.

LSP's automation-driven transformation is only starting, however. The biggest win, Sharmini believes, will come from standardised processes and leveraging robotics. But to do so, you need to eliminate redundant work first.

"We recognise just how far documents travel in the course of their processing, with lots of people across different locations touching the files, and various approvals required," she explains. "By removing redundant activities, which can make up over 15% of the process, we are also forcing people to learn new habits. This 'lean' process approach is a key step on the path towards standardizing. It's something BPOs are already very good. At LSP, we service many countries and businesses and each of them would like to post their transactions in a different way. Only once we've reduced redundant work do we start standardizing processes, and then we can automate."

The 'elimination' of unnecessary processing work is driven by kaizen, which is the foundation and start of robotics within

Lufthansa's Manila centre. In addition, process mapping offers a visual tool that supports standardization and automation. All of the skills required to implement these new ways of working are available in the Philippines, Sharmini says.

"My priority is to upskill my people and invest in them, rather than hiring from outside. Developing creativity and teaching a mind set that eliminates redundancy is just as important as having the latest robotic tools at your disposal."

3 It's the *culture*, not just the technology

Given the headlines and miraculous powers ascribed to robotic automation, it's perhaps natural that many are seeing the solutions themselves as the end-objective. But while the manufacturing sector has been implementing robotic automation for decades, services industries are still struggling with how to piece things together and wrap robotics seamlessly into their processing.

A key factor, as **Steve Harris, Managing Director of ANZ Global Services and Operations** in Manila, acknowledges, is that the time of labour arbitrage as a value driver is coming to an end. "But, with that cost achieved, we are now all asking ourselves: What can we contribute beyond cost differential?"

The answer, for Steve, clearly lies in analytics and robotics.

At ANZ, a digitisation strategy is being driven by the new CEO, who assumed the role just 18 months ago. "Our CEO recognised that we needed to adapt our strategy to meet the changes in customer expectations, and took it upon himself to go out and meet with many of the banks that have a reputation for leading digital transformation," says Steve. "What he came away with was that culture, not just technology, is the vital ingredient for success."

As a result, one of ANZ's priorities is to help people open their minds to a new way of working. "It's not about the shiny stuff," says Steve. "It's about building a culture where experimenting is encouraged, where you have a more agile mind set, and where you're willing to learn from mistakes."

Robotics is a valuable tool in the SSO toolkit, Steve confirms, "but it's just one of five or six valuable tools. What's really significant is not which tools our people are using but getting them to think differently about how they use the tools," he explains. "We benchmark with a lot of other centres to check how they are doing with robotics, and I think I can say we are

in a relatively leading position in this space."

Although the Philippines still has a way to go to catch up with what's been happening in the North American market, for example, "the technology, thinking and ideation that we have here is really impressive," Steve says.

A big attraction for staff, and one that plays positively into retention rates, is that they are offered the ability to play with cool, innovative robotics tools, explains Steve. In fact, the bulk of the current staff has been sold on the need to deliver more value by up-skilling their knowledge base around agile and design thinking. "They recognise it makes them more marketable and, with all the new training modules at their disposal, are keen to make the most of these opportunities," Steve explains.

What's key, perhaps, is that ANZ has recognised that jobs are changing and is actively and quickly taking steps to ensure this is reflected in the workplace. Of the 3,000 staff employed in the Manila Global Services centre, all are seeing their roles impacted by robotics in a positive way. "And that means that we expect more of each and every employee, too," Steve says.

For example, within a part of its operations, the introduction of robots into the team has saved the equivalent of 6-10 full time positions, allowing the people in those roles to now focus on opportunities related to digitisation.

Local employees are "100% equipped" for transitioning from a low-cost labour force into new data and analytics based roles, says Steve. "There is huge energy and drive across our workforce. It's staggering to witness first hand. We believe that robotics will transform what we do and how we do it. And that's not only good for our employees, it's also better for our customers."

4 Solving one of the Philippines' biggest challenges: Business Continuity Planning

Given the threat of natural disaster, a strong business continuity plan is key for domestic support centres.

Baker McKenzie's largest global shared services centre, and one of the first to establish operations in the Philippines 16 years ago, is based in Manila. It supports 77 offices in 47 countries around the world with a team of around 900 people. Services supplied include billing, finance, technology, information security, talent management, document support,

meeting and events, and knowledge management.

The Manila centre's BCP plan ensures that critical activities are supported by alternative locations, including our other centres in Belfast and Chicago. Staff have access to laptops, should they be unable to come into work and there are also arrangements for alternative work locations, for example at DR sites or hotels.

One of the challenges for **Gabriel Pardo, Executive Director of Baker McKenzie's Global Services** Manila, is that certain key functions are not as easy to reroute to another location as other processes that are typically found in call centers. "Within finance, it's more challenging to accurately detail critical process flows" says Gabriel.

"Our critical activities are backed up to alternative locations," he says, "but it does take a considerable amount of time and effort to properly deliver higher value work in a multi-location environment".

Robotics would provide a greater degree of comfort and security in terms of the ability to "switch" the work over to

alternative locations, he says. "Robotics can help keep the business going even as we ensure that our most important resource — our people — are safe."

"Repetitive, tedious work is error-prone, regardless of where it is performed. Robotics helps minimize this risk while allowing staff to be retooled to take on higher value work."

The latter point is particularly significant for Asian-based operations, where some countries are subject to higher risk profiles. Robotics offer more than standardized, reliable processing. It also supports a smarter risk management strategy.

5 Summary

Given the traditional focus on low-cost processing, the Philippines market is only just waking up to the reality that some other locations have already adapted to: namely, that the digitisation of a workforce is requiring a thorough reassessment of current operating models. However, far from being threatening, the current robotic processing revolution

is trying to support the Philippines service delivery industry in just those areas where weaknesses are exposed: in terms of business continuity, risk avoidance, compliance, and attrition. For companies that are quick to grasp the opportunity and everything their sourcing model, the current environment offers plenty of opportunity to be excited about.

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