MANAGING THE MOVE FROM TACTICAL RPA TO DIGITAL ENABLEMENT

Article by Nick Andrews, AIIA

UNLOCKING INTELLIGENT AUTOMATION SUCCESS IS ABOUT MANAGING EXPECTATIONS AND UNDERSTANDING WHICH PHASE OF MATURITY YOU'RE WORKING TOWARDS, WRITES VIRTUAL OPERATIONS' EXECUTIVE CHAIRMAN, NICK ANDREWS

Process automation is both a phenomenon and a paradox. Customer satisfaction levels are quoted by leading industry- watchers as less than 50 per cent, yet adoption and growth continue to accelerate.

At Virtual Operations we have considered this paradox many times. We believe that the answer lies partly in the mismatch between expectation and reality and partly in the restricted way in which automation technologies are applied.

MANAGING EXPECTATIONS

It is understandable that expectations are high.

1. Leading RPA, AI and other products are extremely good at what they do.

These 'new' tools are low-cost, robust, proven, and agile. Applied effectively they can provide considerable business benefits with very short pay-back periods. We would, and do, argue further that automating processes at scale is the first step on the road to becoming a 'digital' organization as one of the major obstacles (unattended communications between old and new technologies) has been removed.

2. There have been a handful of highly-compelling use-cases which have been repeatedly quoted by the industry press.

Among the thousands of adopters there are a few companies whose process portfolios have been ideal for process automation; i.e. they have up-to-date systems, a rules-based environment, structured and digital inputs and high concentrations of process personnel. The 'few' have become very well known in the automation industry and others seek to follow their example.

3. There is great demand for fast, agile transformative initiatives.

There are very few effective levers that executives can pull (to deliver a sustainable competitive advantage) that have not already been tried. For example: re-engineering, out-sourcing, off-shoring are quite common now and all have their pros and cons. Where automation is perceived to differ is that it is far easier and faster to plan and execute, less politically controversial (for the most part), lower cost and control is maintained in-house.

So why is there dissatisfaction and is there a solution?

We are seeing that the hype curve has now reached the valley of disillusion, and there are a number of underlying factors which have contributed to this situation:

1. The vast majority of organizations are not fortunate enough to have concentrated, rules-based processes.

Their systems are frequently old and fragile and they rely heavily on unstructured and often, paper-based inputs. For these (the 'many'), a different approach is required because RPA deployment alone will not deliver the expected benefits.

2. There are still massive potential benefits to be gained, but the journey will be more complex and take longer to implement.

Unfortunately, the business case can be difficult to sell internally and the message is not always well received; especially when businesses are fire-fighting and focused on survival and the media only highlight what 'the few' have achieved in an ideal environment. Where senior management is looking for 40 per cent productivity with minimal effort and financial outlay, even some of the most compelling business cases can fall on deaf ears.

3. Even when an organization has reasonable systems in place, RPA with AI, NLP, OCR and possibly blockchain technologies will require careful planning to integrate these systems successfully.

Technically and commercially this kind of integration can be quite challenging and this is why the organizations offering multiple and leveraged automation products on a single platform are thriving and will continue to do so. Given that skills shortage for a straight-forward RPA deployment is already a constraint, the ability for an organization to source the right technical resources capable of integrating multiple advanced products is a significant business risk.

4. Most of the service providers cannot take their clients beyond phase 1 of the automation journey—with many organizations struggling even to get even this far.

The product providers are capable of providing end-to-end implementation, but they tend not to get involved with delivery of services. The consulting and BPO firms find it difficult to make short-term transactional engagements commercially viable and given the strong demand for this type of work, the market rate for automation resources has not yet adjusted to reflect the scarcity of these resources.
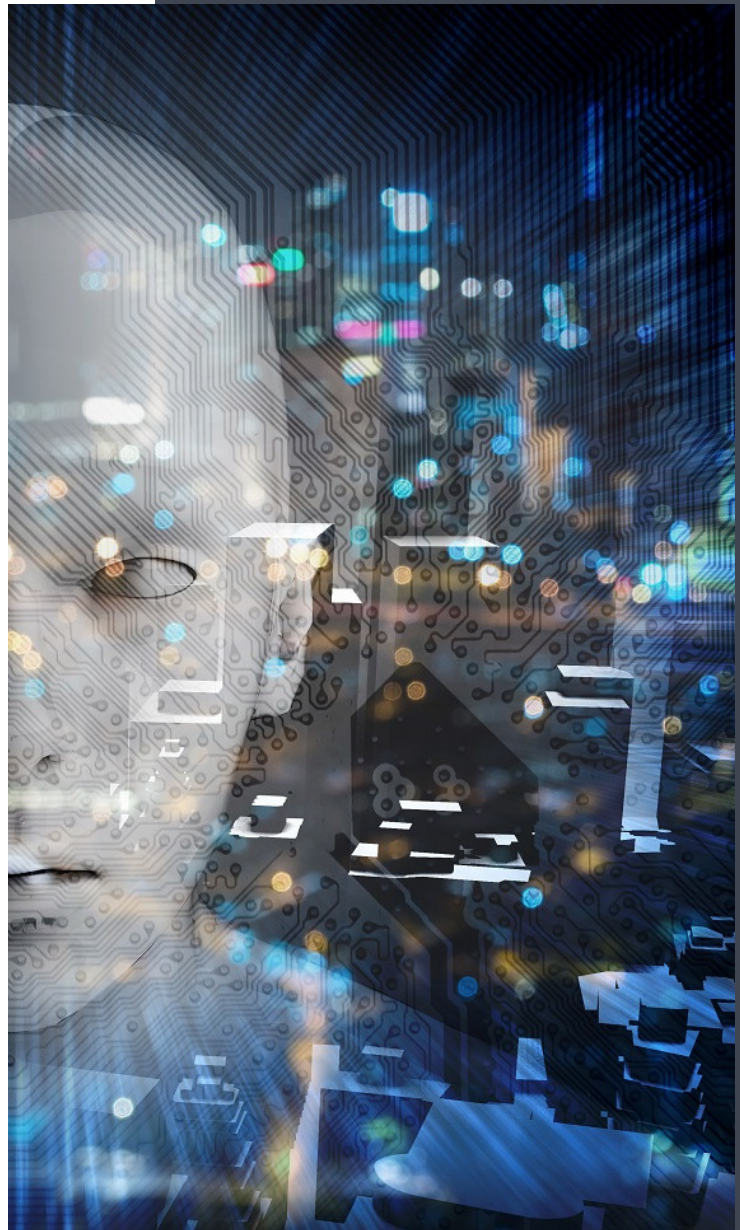
AUTOMATION MATURITY STAGES

Having been through many automation journeys with our clients over the past five years, all of whom are now entirely or partially self-sufficient, most understand or buy into the virtues of advanced ("strategic") automation. We have illustrated these stages based on our combined experience in the chart below.

Automation Maturity Stages & Tool Deployment
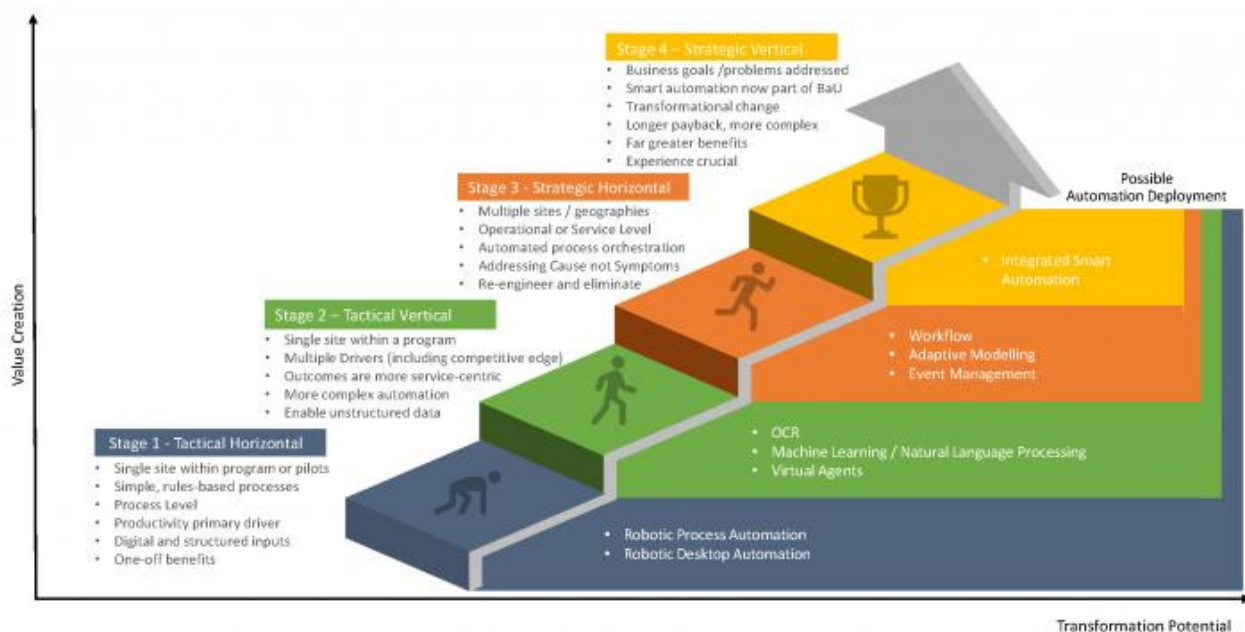
There are four main stages of automation maturity:

Stage 1: Tactical horizontal

Most organizations will start at this basic level, where they are mainly concerned with removing headcount from horizontal processes such as finance and HR. This is a useful proving ground for automation projects and provides the incentive (confidence, experience, funding) to move on to stages 2-4.

We always recommend our clients start off by evaluating skills, technologies and barriers in addition to the primary and secondary benefits. In general stage 1 is characterized by the following:

- Usually single site
- Primary driver is headcount reduction, but accuracy, turn-around time and availability of information may also be important considerations
- Processes are understood and relatively easy to automate (e.g. invoice validation)
- The benefits are tangible and easy to quantify in terms of headcount reduction
- The primary 'benefits' tend to be one-off
- Secondary impact on the business is often missed (e.g. morale, productivity, business risks)

Stage 2: Tactical vertical

This is similar in many ways to stage 1 except the processes to be automated (such as loan or claim processing, upselling, supply chain) are more customer focused. This means that the drivers and benefits move beyond productivity towards the likes of customer retention, customer satisfaction (experience and delivery times) and competitive advantage to form a key part of the business case. Often the FTEs removed are carefully redeployed to customer-facing roles to enhance the benefits which will require training and support in addition to systems changes. Stage 2 is characterized by the following:

- Single or multiple sites
- More inclusive skillset required, working with customer services, sales etc.
- Benefits are more difficult to quantify and attribute, which accumulate over time
- Outcomes and performance metrics will have a different focus (e.g. customer satisfaction, retention, repeat purchases or upgrades of product or service)
- The automation process is more complex involving RPA, AI and NLP e.g. retail banking, account offsetting (in addition to codifying there are legal issues to consider etc.)

A good example of this can be found in the retail banking industry account offsetting where a savings account may be automatically used to top up a current account to avoid it becoming overdrawn. Technically this is straightforward but codifying this process and sorting all of the legal issues in advance is far more complex. Another example may be using automation to increase customer retention by using the various technologies (in this case RPA, AI and NLP) to enhance the customer experience and optimize the probability that the customer will renew or upgrade a product or service. This requires an entirely different set of skills and experiences to be deployed by the automation service provider (often working with client process-excellence and sales teams).
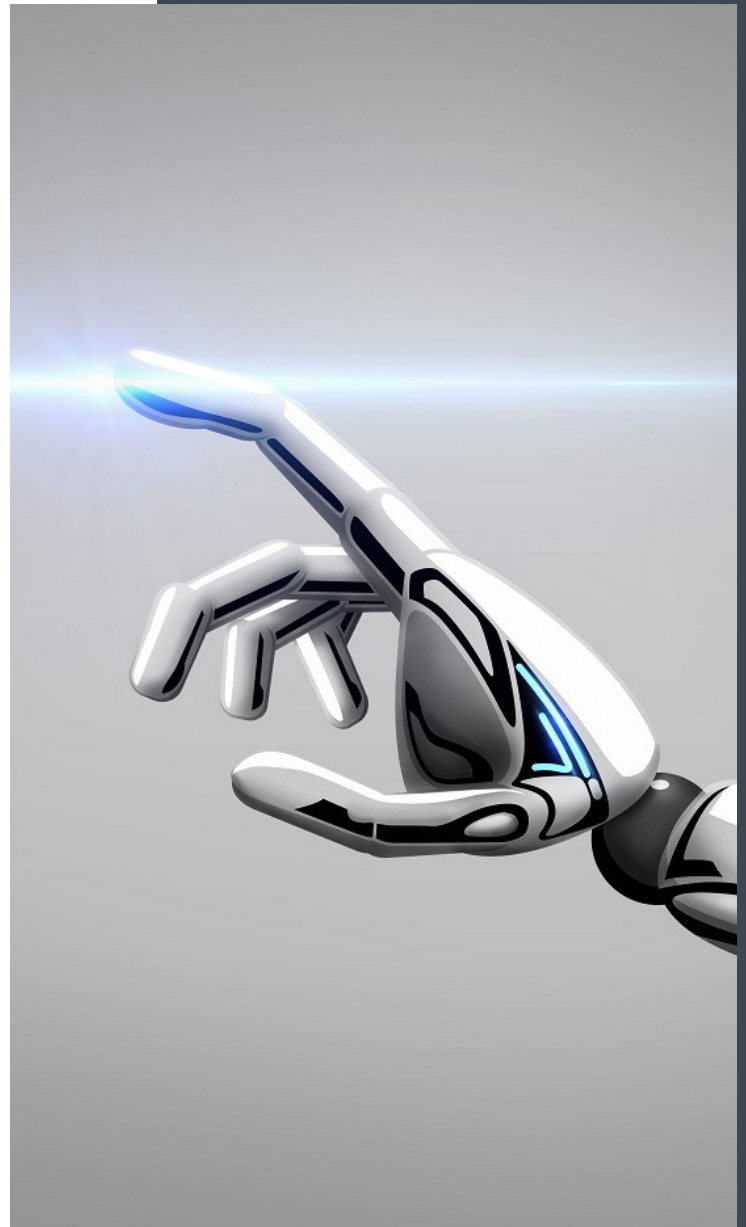
Stage 3: Strategic horizontal

At this stage an organization is more advanced and is looking at the strategic application of automation practices to a horizontal process. At this level we have seen the corporate objective being a world-class finance function delivered through automation. However, our view is that an organization should be striving to get to an effective and efficient level of automation which is fit for purpose; most organizations don't need to be world-class in finance so that there will be diminishing returns from applying a level of complexity far beyond what is needed. For this reason it is essential to set out the corporate objectives clearly and develop an appropriate strategy to achieve those goals.

An example here could be regulatory cash reserves (capital adequacy) where an affordable virtual workforce army could gather disparate and incompatible information required to calculate the actual cash reserves required for regulatory compliance as close to real time as possible and thereby reduce the regulatory risk and release significant amounts of cash which could be effectively used elsewhere.

Stage 3 is typically characterized by the following:

- Multiple sites and geographic areas
- A holistic, systems approach, moving away from simple process level to service level (e.g. accounts receivable, order management, credit control)
- Deploying multiple tools, involving your relevant process excellence teams along with your chosen automation partner
- Running a series of workshops and training support within key functions or businesses, with a view to continuous improvement
- Establishing the business case will require a level of maturity that looks beyond only productivity improvements

Stage 4: Strategic vertical

This is process excellence where the potential benefits are almost limitless. By this stage, automation and associated tools are not simply deployed in isolation, but as part of an overall process excellence approach. The aim of the automation initiative might be as simple as capturing market share. For a consumer-products company this could involve supply chain (right products, on-time, correctly priced), marketing (packaging and promotions), competitive information gathering and sales channels. This may require gathering information that is currently not even available or creating customer, supplier and employee portals which do not exist at present. These elements all come together with the help of automation specialists and process experts taking a high-level view of the entire go to market approach and how automation plays a key role in delivering the corporate objectives. Stage 4 is characterized by the following:

- Transformational and sustainable benefits flow throughout the business
- Automation becomes business-as-usual (part of the organization's DNA) and is no longer part of a program
- Creative out-of-the-box solutions deliver greater sustainable transformation
- Enables genuine competitive advantage
- Providing valuable market and business insights to optimize use of scarce resources

An insurance client was recently quoted saying that one of the greatest benefits that the global automation drive had delivered was that the commercial sides of the businesses had become more creative and dynamic because they now assume ideas can become reality faster since automation has removed the IT barriers and operational cost constraints.

Stage 4 is the creativity zone and creativity can deliver far greater transformational benefits than productivity gains really lies.

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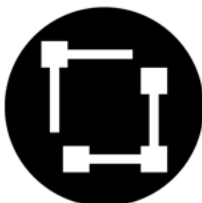
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