



findings from the 2015 iaop outsourcing world summit SERVICE AUTOMATION SURVEY

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“robotic process automation is the next wave of innovation and will dramatically change the way business and bpo service providers deal with their customers.” – martin conboy¹

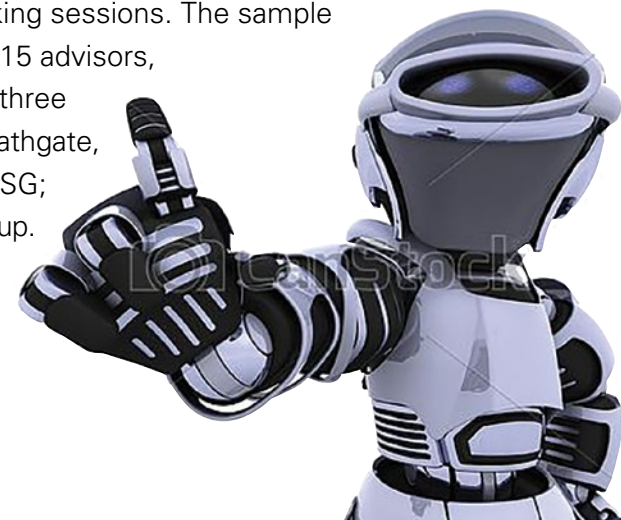
Using software to automate tasks is not a new idea, but recent interest in service automation has certainly escalated. The popular press is filled with articles with provocative titles like “I am Robot: Will Robotic Process Automation (RPA) Revolutionize the BPO industry?”² Although the term “Robotic Process Automation” connotes visions of physical robots wandering around offices performing human tasks, the term really means automation of service tasks that were previously performed by humans.

In customer care settings RPA almost always means a software solution, such as voice recognition software (software that understands speech) or “chatbots” (software that produces speech). For business processes, the term RPA most commonly refers to configuring software to do the work previous done by people, such as transferring data from multiple input sources like email and spreadsheets to systems of record like ERP and CRM systems.

To be clear – we are not talking about technology enablement where technologies like desktop scripts assist human agents but actual software automation that replaces some or all of the work previously performed by people. The phenomenon is also called service automation, digital services and software robotics. We use the term service automation.

Service automation will certainly affect the economics of service delivery. One source estimates that the salary of a BPO worker may be \$60,000 onshore and \$23,000 offshore, but software performing the work of one full time equivalent (FTE) may cost as little as \$7,500!³ Consequently, we believe service automation will have a profound effect on sourcing decisions.

To test these views, we surveyed the attendees of the 2015 Outsourcing World Summit (OWS) during the client-only and provider/advisor-only networking sessions. The sample of 143 completed surveys comprises 63 clients, 64 providers, 15 advisors, and 1 provider/advisor. We summarized the results and asked three service automation experts to reflect on the findings: Alastair Bathgate, CEO and Co-Founder of Blue Prism; Rob Brindley, Director at ISG; and Sarah Burnett, Vice President of Research at the Everest Group.



organizational appetite for service automation

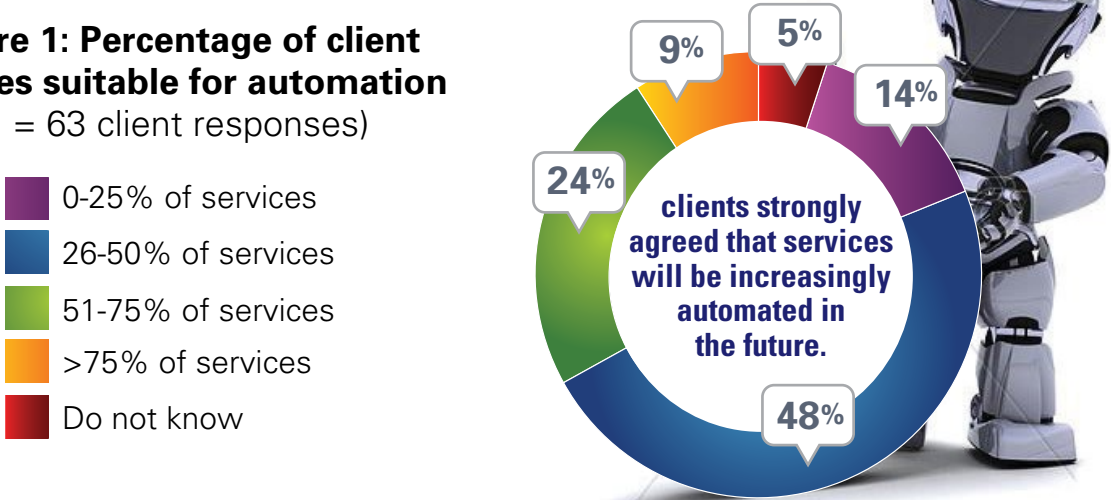
Survey respondents were asked to comment on the state of service automation in their own organizations. Specifically, respondents were asked the degree to which they agreed with a statement using a seven point scale, with a “1” indicating strongly disagree and a “7” indicating “strongly agree.” The mean responses are found in Table 1.

Table 1: Perceived Importance of Service Automation (1 = strongly disagree; 7 = strongly agree)			
Survey Question: Client Version	Average Client Response (n = 63)	Survey Question: Provider Version	Average Provider/Advisor Response (n = 80)
1. My organization places a great priority on automation of services.	4.5	1. My organization places a great priority on automation of services.	4.5
2. My organization increasingly expects services to be more automated.	6.0	2. My clients increasingly expect services to be more automated.	5.3

% of services suitable for automation

Overall, clients slightly agreed that client organizations place a great priority on service automation and strongly agreed that services will be increasingly automated in the future. Additionally, nearly half of clients indicated that between 26 and 50 percent of their existing services are suitable for some automation (see Figure 1). An additional quarter of the clients thought that between 51 and 75 percent could be automated.

Figure 1: Percentage of client services suitable for automation (n = 63 client responses)



Bathgate of Blue Prism commented about service automation opportunities: “It’s really interesting to see the range of processes that are suitable for automation in back offices. The RPA programs clients are rolling out grow over time, with more mature clients having 25 to 50 percent of their back office workforce now manned by software robots, representing several hundred FTEs.”

Provider and advisor survey respondents slightly agreed that their organizations place a great priority on service automation. They also slightly agreed that their clients’ services will be increasingly automated in the future. We asked Brindley of

ISG and Burnett of Everest Group to discuss what they see as far as providers prioritizing automation as a service delivery capability.

Brindley increasingly has seen providers incorporate automation into the technical solutions of their service proposal. “This is particularly evident with top tier providers who have developed or incorporated third-party automation enablement technology to improve the value proposition of their proposals in a highly competitive market, and to drive out cost of their services,” he said. Burnett agreed that service providers have rapidly accelerated their focus on automation.

“bpo providers are clearly prioritizing automation very highly and we are seeing rapid increases in the offerings of automation technologies. within it, automation is an older story and not changing as rapidly.”

- sarah burnett, vice president of research at the everest group

automation and sourcing decisions

Clients can automate services using several sourcing options – they can do it all themselves, seek the help of an advisory firm, or rely on their service providers to automate for them. Burnett told us: “If clients want providers to bundle their tools into the pricing for services, we will see a move to greater output-based pricing. However, if fears of technology lock-in dominate, they will opt for breaking technology apart from services and utilize providers for the skills and expertise, not their proprietary tools and configuration libraries.”

In the survey, we asked clients, providers, and advisors about the effects of service automation on clients’ sourcing decisions (see Table 2). On average, clients are NOT taking the lead on service

automation. Most clients agreed that they rely on providers to automate client services. However, clients indicated that in their sourcing decisions, costs and quality of a provider’s staff are more important than a provider’s automation capabilities. Talent still trumps technology when choosing among providers.

Brindley corroborated the survey finding that clients still care more about the provider’s people than technology. But he added: “However, clients are continuously looking for providers to demonstrate how they will be more efficient and productive. Initially, this was through process discipline and

efficiency, and then labor arbitrage. Providers are now differentiating themselves through the use of technology and automation to create value for the client. Additionally, where clients have sourced, we are seeing providers utilize automation as a method to satisfy their committed innovation requirements.”

Provider and advisor survey respondents shared the same perceptions as clients on these sourcing

questions, except for their perceptions regarding client-led automation. Whereas clients reported they were NOT taking the lead on services automation, providers and advisors neither agreed nor disagreed that clients were taking the lead. Our survey showed that, while the average client is not leading the automation charge, clearly some pioneering clients are forging ahead.

Table 2: Automation and Sourcing Decisions (1 = strongly disagree; 7 = strongly agree)			
Survey Question: Client Version	Average Client Response (n = 63)	Survey Question: Provider Version	Average Provider/Advisor Response (n = 80)
3. My organization is taking the lead on automating business services – we are not waiting for providers to help us.	3.0	3. My clients are taking the lead on automating business services – they are not waiting for providers to help them.	4.1
4. My organization needs help in assessing how automation could affect our business and IT services.	4.5	4. My clients need help in assessing how automation could affect their business and IT services.	5.0
5. My organization primarily relies on service providers to automate business services.	5.0	5. My clients primarily rely on service providers to automate business services.	4.7
6. My organization places heavy weight upon providers’ automation capabilities when choosing among different providers.	4.0	6. My organization places heavy weight upon our automation capabilities when selling services to clients.	4.4
7. My organization is more concerned about the cost and quality of staff than with automation when making sourcing decisions.	5.5	7. My organization is more concerned about the cost and quality of our staff than with automation when selling services to clients.	4.3

“THE CLIENTS ARE NORMALLY LARGE/FORTUNE 500 COMPANIES BUT SME ORGANIZATIONS ARE ALSO REALIZING THE BENEFITS OF THE LOW COSTS OF ENTRY TO ROBOTIC AUTOMATION PROGRAMS. THE TYPICAL BUYER IS THE SENIOR BUSINESS MANAGEMENT THAT OWNS THE HEADCOUNT FOR THESE ADMINISTRATION ROLES AND IS LOOKING FOR IMPROVEMENTS IN THE EFFICIENCY AND EFFECTIVENESS OF THEIR OPERATIONS.”

- ALASTAIR BATHGATE, CEO AND CO-FOUNDER OF BLUE PRISM



PERCEIVED EFFECTS OF SERVICE AUTOMATION

“In the continuing search for business process cost efficiency, automation is truly the next big thing. It not only promises cost savings, but other benefits such as reduced errors, faster operations, and 24X7 coverage.” – Everest Group Report⁴

We asked clients, providers, and advisors to step outside their own organizations to reflect more broadly on the effects of service automation (see Table 3). Overall, respondents strongly agreed that automation can reduce costs and improve service quality. Bathgate said, “The benefits of automation go well beyond the commercial savings which are very tangible and quickly realized. Clients see dramatic cost savings depending on the types of processes automated and the existing costs of the operation. Most automations pay back in six to 12 months. The other key benefits are increases in accuracy and right first-time processing (with all the downstream benefits as up to 60 percent of work is re-work because of errors), improvements in regulatory compliance, business insight and analytics from automated processes, speed of delivery and operational agility in business operations.”

Table 3: Perceived Effects of Service Automation (1 = strongly disagree; 7 = strongly agree)	Average Client Response (n = 63)	Average Provider/Advisor Response (n = 80)
8. I think service automation can significantly reduce or avoid costs.	6.5	5.9
9. I think service automation can improve service quality.	6.0	5.9
10. I think service automation is an evolving model that is years away from business reality.	3.5	4.2
11. I think service automation will affect sourcing location decisions by making labor arbitrage less important.	5.0	5.0
12. I think service automation is already altering the underlying economics of service delivery	Not asked	5.2

Client survey respondents 'slightly disagreed' that service automation is an evolving model that is years away from a business reality whereas providers and advisors 'slightly agreed' it was years away. The differences are statistically significant. We asked Burnett of Everest Group to ruminate on this difference. "The rate of adoption of automation is one of the most interesting dynamics facing this market," she said. "On the one hand, client organizations that learn about automation are generally eager to embrace it quickly. On the other hand, organizations that have actually implemented extensive automation programs report that it is a multi-year journey. Although some deployments are actually quite easy and require only a matter of a few weeks or months, most programs report that there are many barriers to rapidly scaling an automation program across the myriad of potential processes – lack of skills, other priorities, concerns from corporate IT groups, and the normal resistance to change. This suggests that automation will have a meaningful impact over roughly a five year period – some will see it more quickly, but at an aggregate level across the market it will take some time."

All survey respondents 'slightly agreed' that service automation makes labor arbitrage less important when making sourcing location decisions. Providers and advisors also agreed with the statement, "I think service automation is already altering the underlying economics of service delivery."

Think about this: if 50 percent or more of tasks can be automated, then labor arbitrage becomes a less important factor when selecting between onshore and offshore locations. The onshore team can be highly skilled knowledge workers that deal with complex transactions, handle the exceptions the software cannot execute, and design and onboard new services. Yes, the onshore team is expensive, but the overall cost per transaction remains low when automation is a significant part of service delivery.

FUTURE IMPLICATIONS

So what have learned? Overall, clients, providers and advisors agreed that services will increasingly become more automated; that service automation offers a variety of benefits; and that automation is and will continue to affect sourcing decisions. Today, most clients expect providers to take the lead in service automation, but they still focus more on costs and quality of staff when choosing among providers.

"automation is certainly here to stay, and will continue to evolve to become truly cognitive, with effective application, cost, and reliability to significantly benefit the client."

– rob brindley, isg



IMPACT ON CONTRACTING MODELS

The one question we didn't ask but wish we had had is, "How does automation change contractual governance?" Imagine this scenario: A client has 500 employees performing a service in-house. The client finds a service provider that can deliver a better service using automation and only 250 FTEs. From a client perspective, the client will likely want to pay the provider about half the in-house cost because headcount will be reduced by half. But the provider needs to benefit as well. Why would a provider automate if it reduces their revenues by half? In a highly automated environment, it seems reasonable to assume that FTE-based pricing becomes obsolete. Will outsourcing service contracts increasingly be priced based on outputs? We asked our experts to comment on what they are seeing as far as new contracting models and other future implications of service automation. Here's what they said:

"We have seen a range of innovative offerings from the existing BPO service providers, as well as some new start up organizations looking to disrupt the traditional model, across the spectrum of the service cycle. For example: transactional based pricing models, Robots as a Service, continual service innovation and gainsharing. Also since the robots can operate anywhere, the work can be performed geographically wherever it is best suited, which means local control, and issues with regulation and offshoring of data can be avoided."
– Bathgate of Blue Prism

"We are seeing those providers who have incorporated automation into their services have a competitive advantage over their competitors through commitments to higher service levels



and improved pricing. This is resulting in a rapid transformation in the marketplace, as more providers are incorporating automation into their services offerings. However, with the relative newness of automation, there are several challenges for both clients and providers. This includes the net savings clients can expect, intellectual property rights to automated processes, and automation technology stewardship within the client environment." – Brindley of ISG

"Automation appears to hold the promise of being a catalyst for moving to more output-based pricing for which the service provider is accountable for determining the mix of people, technology, and process changes required to deliver the service. When clear outputs can be defined, this approach is the natural end state. The open question is whether the service providers will be asked to provide the tool sets for automation or if their clients will prefer to license commercial tools themselves and just utilize the service providers' expertise to implement and optimize automation. There is also the rise of the new breed of service providers to consider. These are entirely focused on automated service delivery and could drive growth in consumption-based contract models."
– Burnett of the Everest Group

Considering both the survey results and expert commentaries, clients seem to be in various stages of adoption. In the forthcoming year, we aim to help educate potential adopters by objectively researching mature adopters, by assessing what the software can and cannot yet do, and by extracting lessons on realizing service automation's value. We hope to report our findings at next year's Outsourcing World Summit.

¹Conboy, M. (2014), "I am Robot: Will RPA Revolutionise the BPO Industry?" <http://outsourcemagazine.co.uk/i-am-robot-will-rpa-revolutionise-the-bpo-industry/>

²<http://outsourcemagazine.co.uk/i-am-robot-will-rpa-revolutionise-the-bpo-industry/>

³<http://www.operationalagility.com>

⁴<http://www.everestgrp.com/2015-02-service-delivery-automation-the-next-big-thing-webinar-16554.html>