

Robotic Automation – What next for BPO’s?

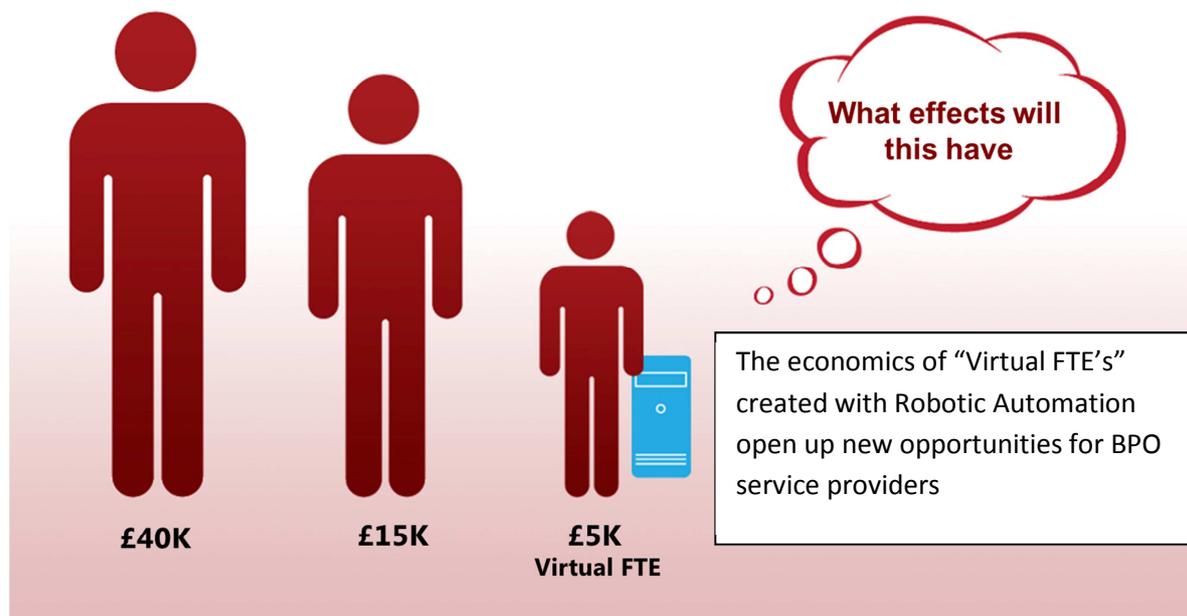
A white paper produced for the Operational Agility Forum

Background

Manufacturers have long understood the benefits of robotic automation to reduce costs, increase production speeds, improve consistency and quality, increase flexibility on the factory floor, reduce repetitive tasks for workers, enhance competitiveness and drive growth.

So what’s happened outside of manufacturing? In the service industries there has been very little automation in real terms because of the costs and complexity of clerical process automation. Most companies have a range of silo based applications and data repositories that have been implemented to solve specific needs. The integration of these systems is so expensive and difficult that the only practical approach is for clerical staff to perform the processes that need interaction with these applications. It is the challenge of economically automating rules based clerical processes in a practical way that new robotic automation software has been developed to tackle.

The Economics of Robotic Automation



Historically, the response from administration heavy organisations was to outsource administrative processes to the Business Process Outsourcers, who look to geographies where staff costs are lower and skill sets are available. Manufacturing also took this course in their efforts to produce their goods more costs effectively and improve quality but times are changing and there are signs that some production is being repatriated and in a similar vein organisations are starting to look for new ways of reducing costs whilst improving their processes through robotic automation. In fact in both the UK and the United States many previously off-shored activities are being actively repatriated.

Why should BPO's be interested in clerical robots?

Business Process Outsourcing is a \$multi-billion market with hundreds of BPO service providers competing for business. Typically, a BPO would look to take on responsibility for a whole range of customer service and back office processes and then work throughout the contract period to reduce costs as quickly as possible to the inflection point when the contract becomes profitable. In the last generation of BPO contracts a service provider needed to reduce costs by 50% to be able to deliver a suitable return in efficiencies to the customer as well as making a suitable margin themselves on the contract.

To deliver this type of efficiency BPO's have developed very sophisticated methodologies and procedures and have used off-shoring to provide quality staff at lower costs than on-shore staff. They didn't always get it right, and in many cases call centres and direct customer phone contact has been re-shored due to adverse response from customers, for example. However, there are many back office clerical processes that are being manually processed and with the pressures of wage inflation and local currency fluctuations BPO's are actively looking for a game changer to enable the next generation BPO.

What is robotic automation?

Robotic automation refers to a style of automation where a machine, or computer, mimics a human's action in completing rules based tasks. In the context of back office administration, clerical Robotic Automation refers to automation where a computer drives existing enterprise application software in the same way that a trained user does. This means that unlike traditional application software, Robotic Automation is a tool or platform that operates and orchestrates other application software through the existing application's user interface and in this sense is not "integrated".

With robotic automation the BPO service provider can build a "Virtual Back Office" with "Robotic FTE's" to process manual, rules based back office processes at a new economic price point and at a new speed which makes automation viable. This means that the economics of BPO contracts can be radically improved but also there are risks to the BPO providers as their clients have the potential to utilise the technology themselves and take back the processes at the end of the contract.

What are the benefits to BPO's?

The benefits for BPO's wishing to reduce clerical costs and improve quality include:

1. Robotic FTE's are 1/3 of the price of off-shored FTE's and can work 24/7 without errors
2. Speed to automation and speed to profit - days and weeks to automate processes
3. 100's of small to medium clerical procedures can be automated rapidly
4. "Self Build" - no need for specialist IT, the "super users" in the operations teams train the robots and/or the BPO's robotic automation competency centre provides the resource
5. Robots are "trained" to do repetitive clerical tasks and drive existing applications so no costly integration and expensive process re-design expertise needed and no significant involvement from the IT department is required
6. The robots drive existing client applications through the user interface so even Citrix applications can be driven by the robots

7. A small specialist team from the business operations works with the robotic team to train them, manage exceptions and continually improve the robots operational performance
8. The robotic automation platform is secure, audited and managed within an IT corridor of governance
9. The robots run in a virtualised environment and so can be rapidly scaled up and down on demand and operate in any jurisdiction

The virtual back office could be comprised of a virtual workforce of robotic FTE's, supported by a small team of "robot trainers" and a team to manage exceptions and continually improve the automation performance of the robots.

The virtual FTE's can run 24/7 without making mistakes, can respond rapidly to peaks and troughs in demand and be rapidly re-configured to deal with new process demands driven by new market opportunities, regulatory demands and business dynamics.

Who has proved the benefits of robotic automation?

A number of members of the Operational Agility Forum (www.operationalagility.com) have already created their own virtual back offices, increasing accuracy and service levels whilst reducing costs. Robotic automation technology has been used to automate hundreds of back office business processes with "virtual" FTE's and many £millions of benefits have been realised.

Operational Agility Forum members including Barclays, Co-operative Banking Group, Fidelity Investments, Shop Direct Group, Experian, RWE npower, O2 and the NHS are all actively deploying robotic automation technology which complements and extends their current automation capabilities.

Robotic automation has been proven at very high scale in large multi-national banks and has been employed to automate a wide variety of processes in finance, HR, Customer services and indeed any area with clerical rule based processes. One organisation alone, the Co-operative Banking Group has automated over 130 processes with robotic automation including complex CHAPs processing, VISA charge back processing and many back office processes to support sales and general administration.

At a recent forum meeting hosted by O2, a BPO roundtable discussed how the speed and economics of robotic automation can have a radical impact on business processes with the ability to reduce costs by up to 60% and for outsourcers who have taken on large and complex administrative functions dramatically increase the speed to profitability for new contracts.

End users understand the benefits of robotic automation

Wayne Butterfield, Head of Back Office for O2 stated, "With revenues in the mobile market falling, and offshore costs rising, a viable alternative needed to be found to keep operational costs low. A virtual Back Office is not only financially appealing to set up, but with extended opening times, no sickness or holidays and no personality to contend with, it was a no brainer to use a business lead automation tool like Blue Prism to automate those existing FTE heavy processes that Technology weren't looking to automate in any large IT projects."

Early adopter BPO's are already rolling out robotic automation programs and realising immediate benefits. You don't have to start with a big program; you can begin with a single 5 to 10 FTE process and assess the potential for robotic automation to radically change your offerings. We suggest you start soon.

About the Operational Agility Forum

The Operational Agility Forum was initiated by some of the largest corporates to create a confidential environment in which senior business and IT professionals can debate and examine how complex organisations could respond more efficiently and effectively in real time to a rapidly changing business environment. The forum seeks to identify and share approaches and tools to achieving and delivering operational agility.

A recent example of this was the Sixth meeting of the Operational Agility Forum, hosted by Telefonica O2 at their offices in Leeds.

The attendees included professionals in business operations, change and IT functions from the following organisations: Barclays Bank, Capita, The Co-operative Banking Group, EDF Energy, Experian, Leeds Building Society, RWE npower, O2, Proctor and Gamble, University Hospitals Birmingham NHS Trust, Virgin Media and Blue Prism.

The meeting discussed how "robotic" automation provides a rapid business-led alternative to outsourcing, off shoring, and traditional IT and how the speed and agility of the approach can be used to compliment, accelerate and protect strategic IT infrastructure initiatives. It was estimated that each robot, or virtual machine hosting a robot, mapped to 1.5 – 2 employees dependent on task. In a special BPO session it was suggested that next generation BPO needs to go beyond simple labour arbitrage and that robotic-automation will transform the BPO sector offering a globally competitive robotic alternative to people carrying out routine and repetitive tasks with consequent material economic benefits.

The forum advisory board of the forum meets on a regular basis and membership is by invitation only. There are also regular meetings of the Special Interest Groups which meet to discuss specific topics. If you would more information please visit www.operationalagility.com