Robotic automation: driving next-generation BPO?

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The world of outsourcing – and offshoring in particular – is being challenged. The days when organisations would shift large operational capacity offshore to destinations around the globe could be numbered and a new model, based on robotic technology, could be set to take its place
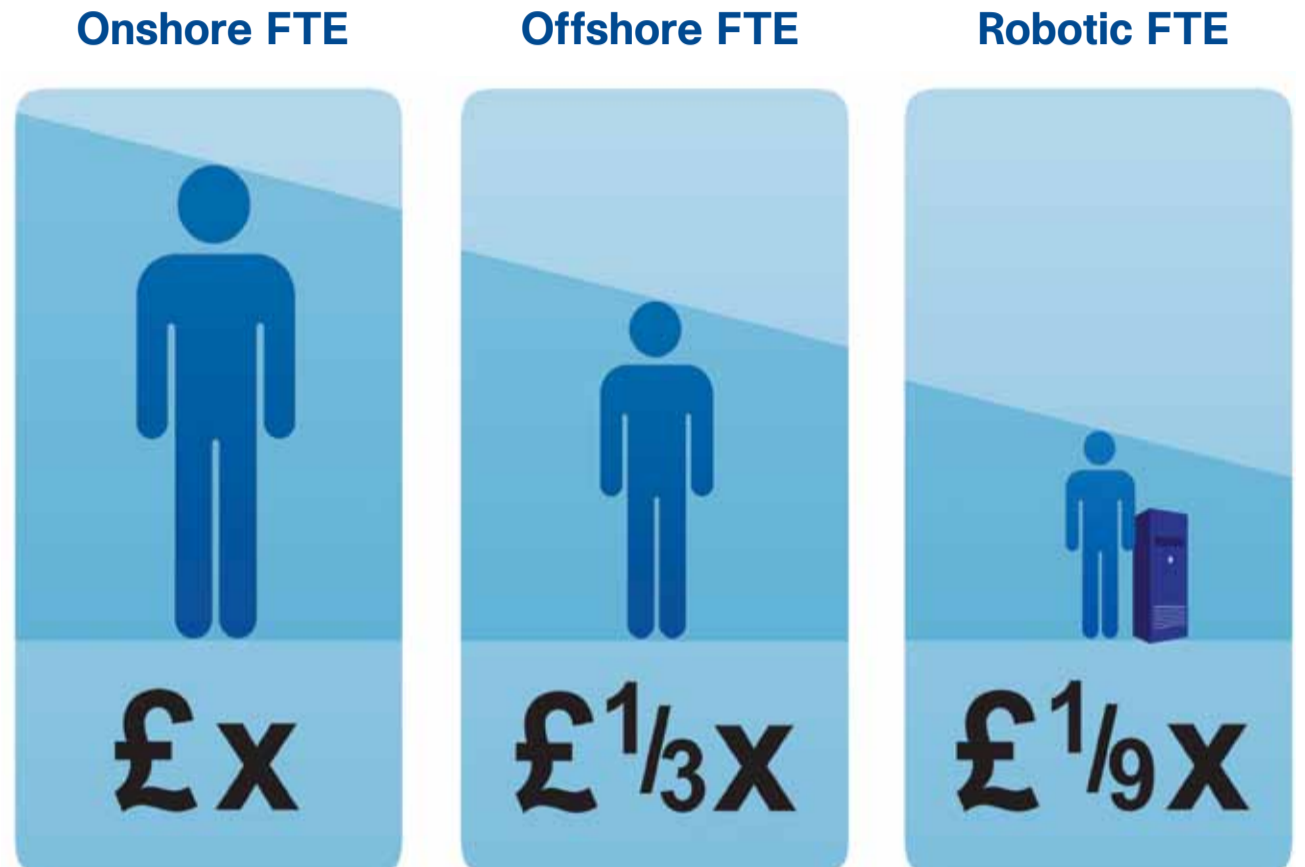
■ Since the 1990s and early-2000s, supported by the revolution in global telecommunications, the potential for huge labour savings made destinations such as India, the Philippines, Costa Rica and South Africa hugely attractive. Organisations could hope to save as much as half their costs by running large operations centres in these territories.

Now, though, wage inflation and currency uncertainties are undermining the economics of this proposition. Organisations are constantly looking for competitive advantage and a new generation of technology is emerging which may further undermine and even reverse the offshoring trend: robotic automation.

Robotic automation refers to a style of automation where a machine, or computer, mimics a human's action in completing a task. In office administration, clerical robotic automation refers to automation where a computer drives application software in the same way that a user does. This is different from the standard IT approach, in that the robot is not programmed, nor does it need large IT engineering to install.

In fact, the robot is trained by a business user in a similar way that a new employee may be shown how to complete a task. The flexibility of this, coupled with its inherent scalability, means the days of routine process management, bread-and-butter to most offshore business process outsourcing (BPO) propositions, may be numbered.

"The BPO market is changing and next-generation BPO will need to go beyond simple labour arbitrage," says Richard Jones, chairman of procurement, outsourcing provider Proxima Group. "Automation has traditionally been hard for outsourcers; they often face highly bespoke, as well as complex IT estates, across multiple clients and multiple technologies. In contrast, robots use and drive applications in the same way humans do, so automation not only becomes possible, but also offers flexibility, scalability and affordability."

The advantage of robotic automation is that it allows companies to repatriate processes, as the economics of performing routine and rules-based tasks on machines makes location less relevant. It is particularly appealing to those with back-office tasks that cross a number of disciplines, such as banks, utility companies and telecommunications businesses, says Mr Jones, adding that BPOs, which fail to adapt to this emerging reality, risk seeing customers start to take back processes in-house at the end of contracts.

This style of automation allows organisations and BPOs to automate processes which previously would have been hard to justify through the traditional IT-resourced and delivered route, says David Moss, co-founder and chief technology officer at Blue Prism, a company at the forefront of this emerging technology.

"The flexibility of the approach means that, while IT hosts, monitors, audits and governs the use of the technology, the actual configuration and use of the technology is distributed through the business teams," he says. "This is a form of self-service that allows automations to be controlled at the level of a business unit, something much lower and more intimate with the procedural requirements than has been possible before. It means the strategy for finding automations is based on a divide-and-conquer strategy across the whole business."

A clear example of the benefits of this approach is mobile operator O2, which has deployed robotic automation software to automate business processes, reducing the cost of back-office operations. The organisation has also cut its reliance on offshore recruitment when dealing with spikes in workload; a recent example of which was the surge in demand for the

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release of the new Apple iPhone which required a SIM swap process to be built for the back-office in a matter of weeks.

A further advantage is the ability to scale as needed. "You can very quickly add virtual machines to host robots and this can even be done in the Cloud, removing the cost of physical ownership," says Mr Moss. "You've already got the infrastructure, the systems and the security, so the approach is simply to re-use what is already in place."

Senior figures in UK corporates are starting to get up to speed with this new thinking through a thought leadership group called The Operational Agility Forum. The group was formed with Barclays, BT, O2, Co-operative Banking Group, npower, Shop Direct, the NHS and 18 other organisations from the utilities, telecoms and retail sector to discuss best practice and the impact of "self-service" automation.

One of the major attractions cited by the group is the ability to combat "time delays introduced by traditional IT". A good example of this was highlighted when a recent requirement forced financial institutions to assist with obligations around payment protection insurance. Huge amounts of transactional work and correspondence had to be carried out in a very short space of time, and robots were judged to be the only viable approach given the timescales.

Ultimately, robotic automation is aimed as being a genuine source of competitive advantage for organisations. "If you combine robotic automation with your sexy new application running on Oracle or SAP, it's like having a workforce of highly disciplined and dedicated people who work 24 hours a day," says Mr Jones.

"If you have that, you might start creating products or services for your business which can shift your competitive edge. You could actually change your marketplace because you can offer products that nobody else can."

Telecommunications business O2, owned by Telefonica UK, is just one of a number of companies that is already taking advantage of robotic automation. Wayne Butterfield, business owner for Telefonica UK's back office, will be explaining how this is helping the business repatriate processes to the UK at the National Outsourcing Association on June 28. For more information visit www.noa.co.uk

For more information on the concept of robotic automation visit www.operationalagility.com or to find out how Blue Prism could help your business take advantage visit www.blueprism.com