The RPA Market Landscape
How Big Is The Disruption?

December 10th, 2014

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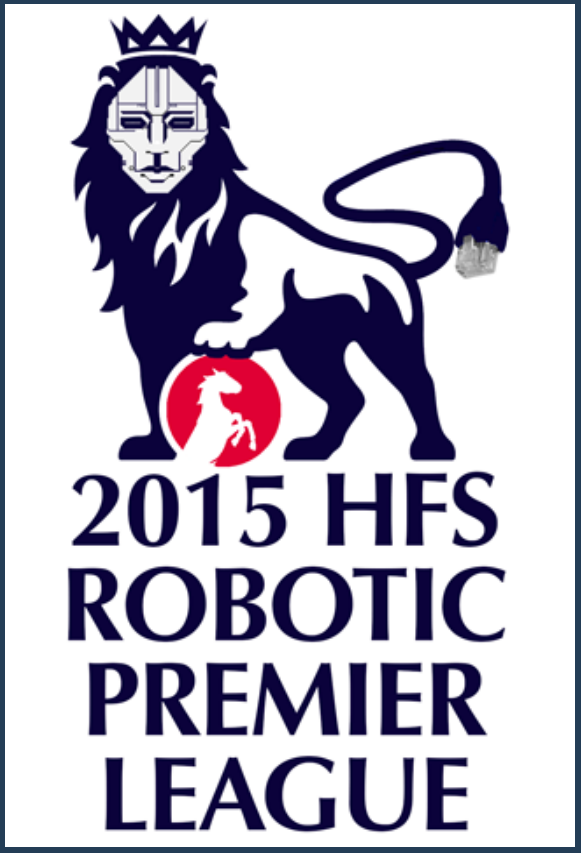

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Overview:

- 18 years' business experience in the global outsourcing and shared services industry across US, Europe and Asia
- Acknowledged industry analyst, author, speaker, strategist and blogger
- Advised on 100's of global IT services, BPO and shared services engagements

Previous Experience:

- Practice Head for IT Services & BPO, Gartner, Inc
- BPO Marketplace Leader, Deloitte Consulting
- Vice President, Everest Group, establishing the firm's research practices
- Prior career:
  - *Regional Director, IDC Asia/Pacific*
  - *Program Manager, European IT Markets Services, IDC Europe*

Education:

- BS with Honors in European Business & Technology from Coventry University, United Kingdom
- Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France

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Why today's outsourcing industry is a sham

MARCH 24TH, 2012

When God created "outsourcing", she/he/it clearly had a sense of humor. I mean, how do you encourage people who offloaded a chunk of their low-end processes offshore to get together and form an "industry"?

Sure, you can pull together those providers and consultants who've made a fortune orchestrating the "offloading" to get together and feel good about what they do (or at least convince themselves they *should* feel good about it) but the

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Let's cut to the chase here - "outsourcing", for most buyers, is like purchasing a wedding dress - a one-time transaction followed by seven years of relationship struggles and future legal wrangles. I mean, when was the last time the missus went to a wedding dress convention?

In this context, how can you encourage buyers to get together to spend days-on-end reliving that one-time purchasing experience with the fervor of a civil war battle re-enactment? Do service providers really think they are going to meet hordes of "outsourcing buyers" in wedding-dress selection mode when they splurge forty grand sponsoring the room keys at some event? Of course they don't - they just like the fantasy that if they flash their brand everywhere, something positive will happen.

What's broken here is the fact that "outsourcing" is broken terminology and isn't a real industry. Most of tomorrow's deals are not going to involve major staff transitions from buyer to provider as part of the deal - today those engagements are on the wane as most of the bloated buyers have been progressively trimming their fat in recent years. Moreover, most of the providers

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HfS Blueprint Report: Procurement Outsourcing Services

The first of its kind in the global services industry, this report identifies differentials between service providers across a number of facets under two main categories: execution and innovation.

IBM'S 360-Degree View of Bank Risk Management

P $ | Why has the important of risk management grown in banking? Why does IBM rate as a leader in providing analytics solutions for bank risk management?

More Big Data ›

WTF? The Workforce Trust Factor

The US DoD is learning a tough lesson from its "contractor" on the lam Edward Snowden, but it's a timely opportunity for all organizations that use third party service firms to get on the offense on workforce-related issues.

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Research Themes for 2013

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Rank	1	2	3	4	5	6	7	8	9	10
Americas	Gartner	Forrester Research	HfS Research	Digital Clarity Group	IDC	Everest Group	NelsonHall	ISG	451 Group	CEB/TowerGroup
Asia-Pacific	Gartner	Greyhound Research	HfS Research	NelsonHall	IDC	Forrester Research	Everest Group	ISG	Celent	Aberdeen Group
Business growth	Gartner	Forrester	IDC	HfS Research	Everest Group	NelsonHall	Frost & Sullivan	Digital Clarity Group	Greyhound Research	ISG
Buyers	Gartner	HfS Research	Forrester Research	Digital Clarity Group	Everest Group	IDC	NelsonHall	Greyhound Research	CXP Group	Aberdeen Group
EMEA	Gartner	HfS Research	Forrester Research	NelsonHall	IDC	Everest Group	Digital Clarity Group	CXP Group	Pierre Audoin Consultants	ISG
Global	Gartner	Forrester Research	HfS Research	IDC	Digital Clarity Group	NelsonHall	Everest Group	ISG	Greyhound Research	451 Group
Services	Gartner	HfS Research	Forrester Research	NelsonHall	IDC	Everest Group	Digital Clarity Group	ISG	Greyhound Research	451 Group
Software	Gartner	Forrester Research	Digital Clarity Group	HfS Research	IDC	Everest Group	Greyhound Research	NelsonHall	ISG	451 Group
Telecoms & Networking	Gartner	IDC	Forrester Research	HfS Research	ISG	CXP Group	Everest Group	Greyhound Research	Ovum	Current Analysis
Vendors	Gartner	Forrester Research	HfS Research	IDC	NelsonHall	ISG	Everest Group	Digital Clarity Group	Greyhound Research	451 Group

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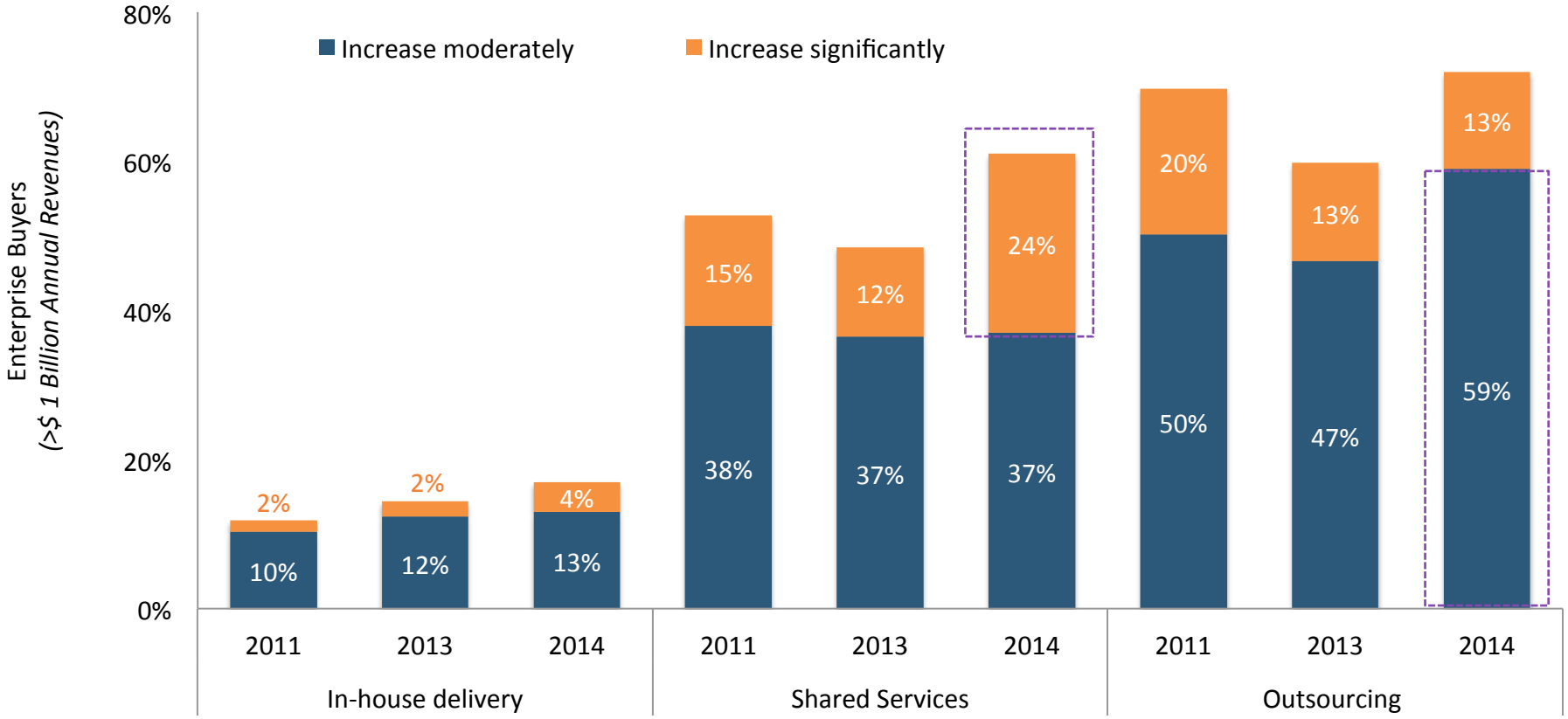
Globalization of Operations in full swing as Investment Intentions in both Shared Services and Outsourcing reach record high



Sources:
"2014 State of Outsourcing" Study, n = 312 Buy-side Enterprises
"2013 State of Outsourcing" Study, n = 399 Buy-side Enterprises
"2011 State of Outsourcing" Study, n = 226 Buy-side Enterprises

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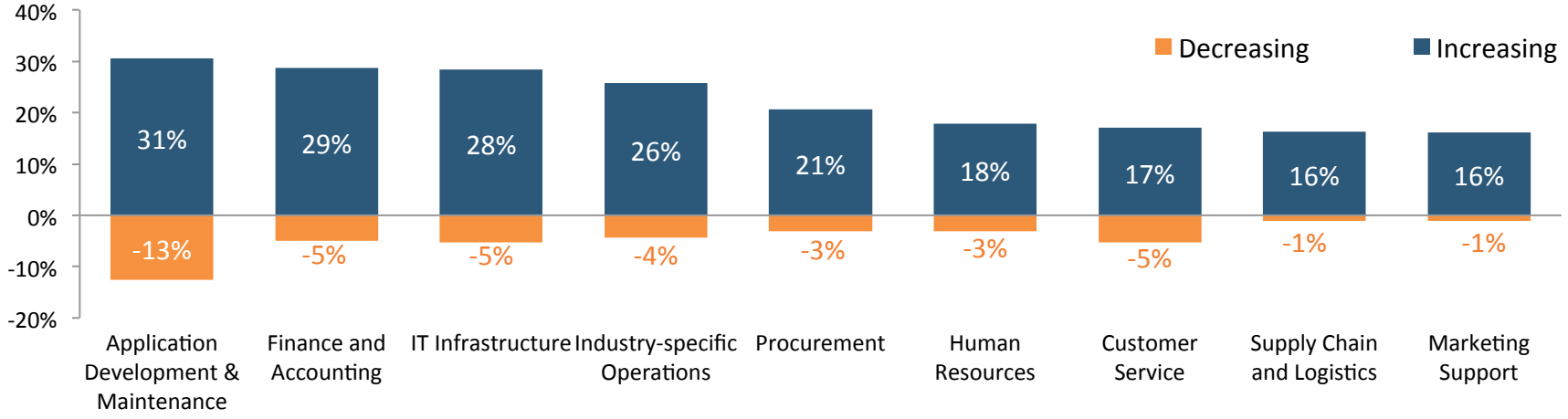
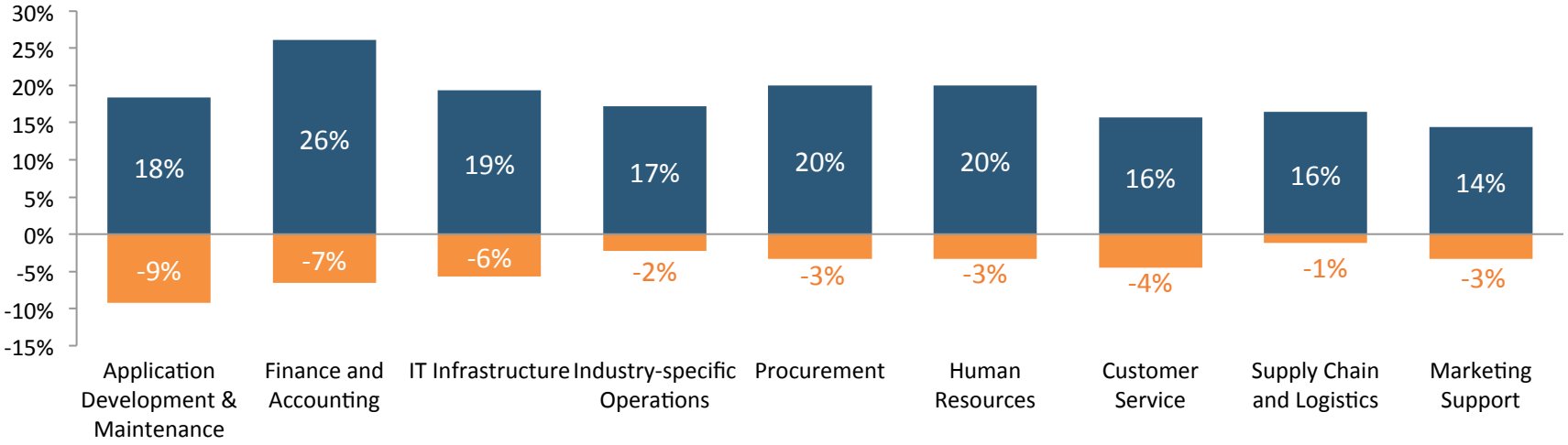
Prolific uptake of offshoring continues (seemingly) unabated…

How will this change in the next year? (Outsourcing)



How will this change in the next year? (Shared services)



Source: 2014 State of Industry Study, May 2014. HfS Research in Conjunction with KPMG (Sample 312 Enterprises)

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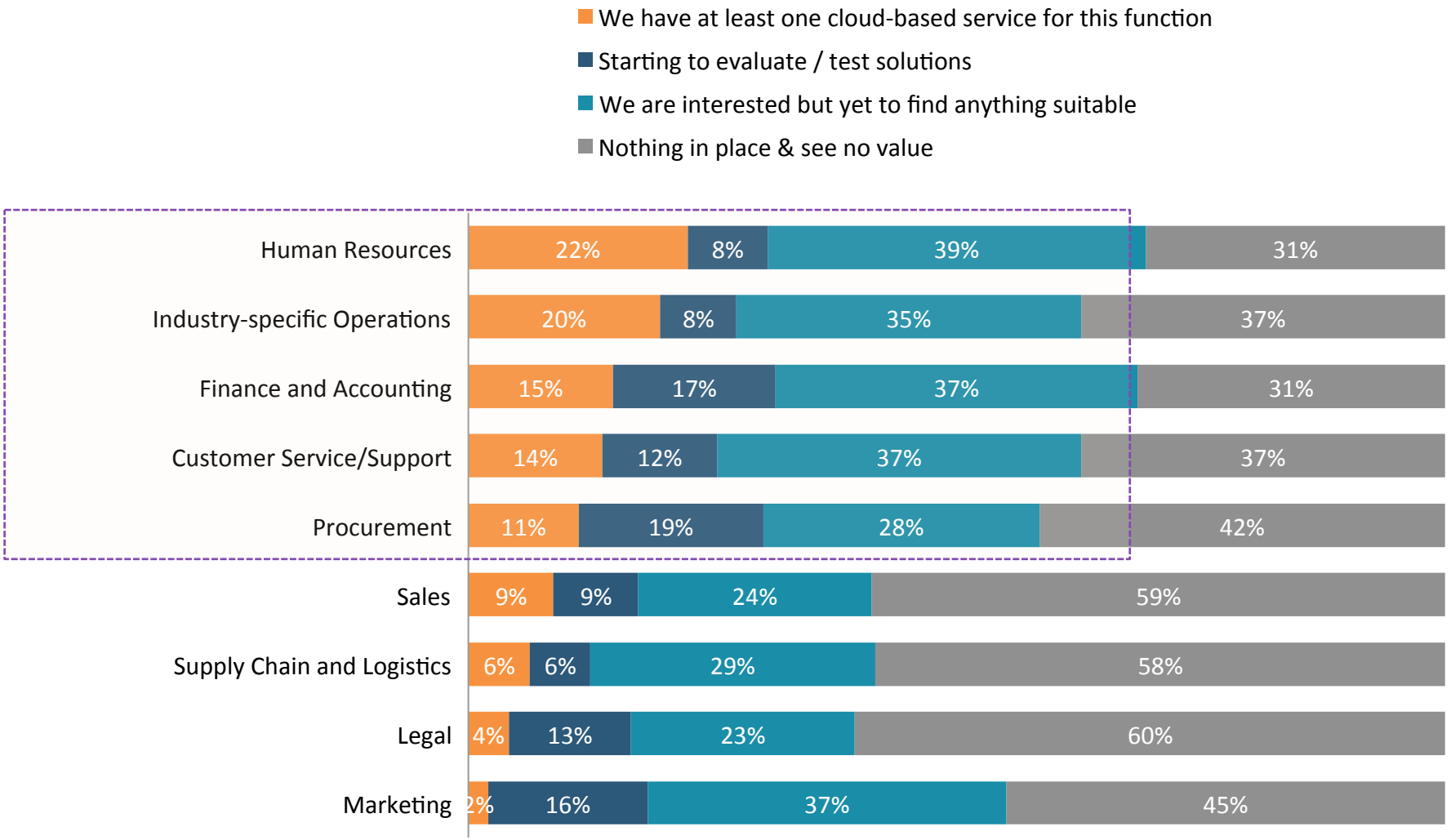
However, BPaaS is already replacing legacy outsourcing…

In what areas are you considering cloud / as-a-service options to augment / replace traditional outsourcing?



Source: HfS Research State of Industry Study June 2014, conducted in conjunction with KPMG (Sample 312 Enterprises)

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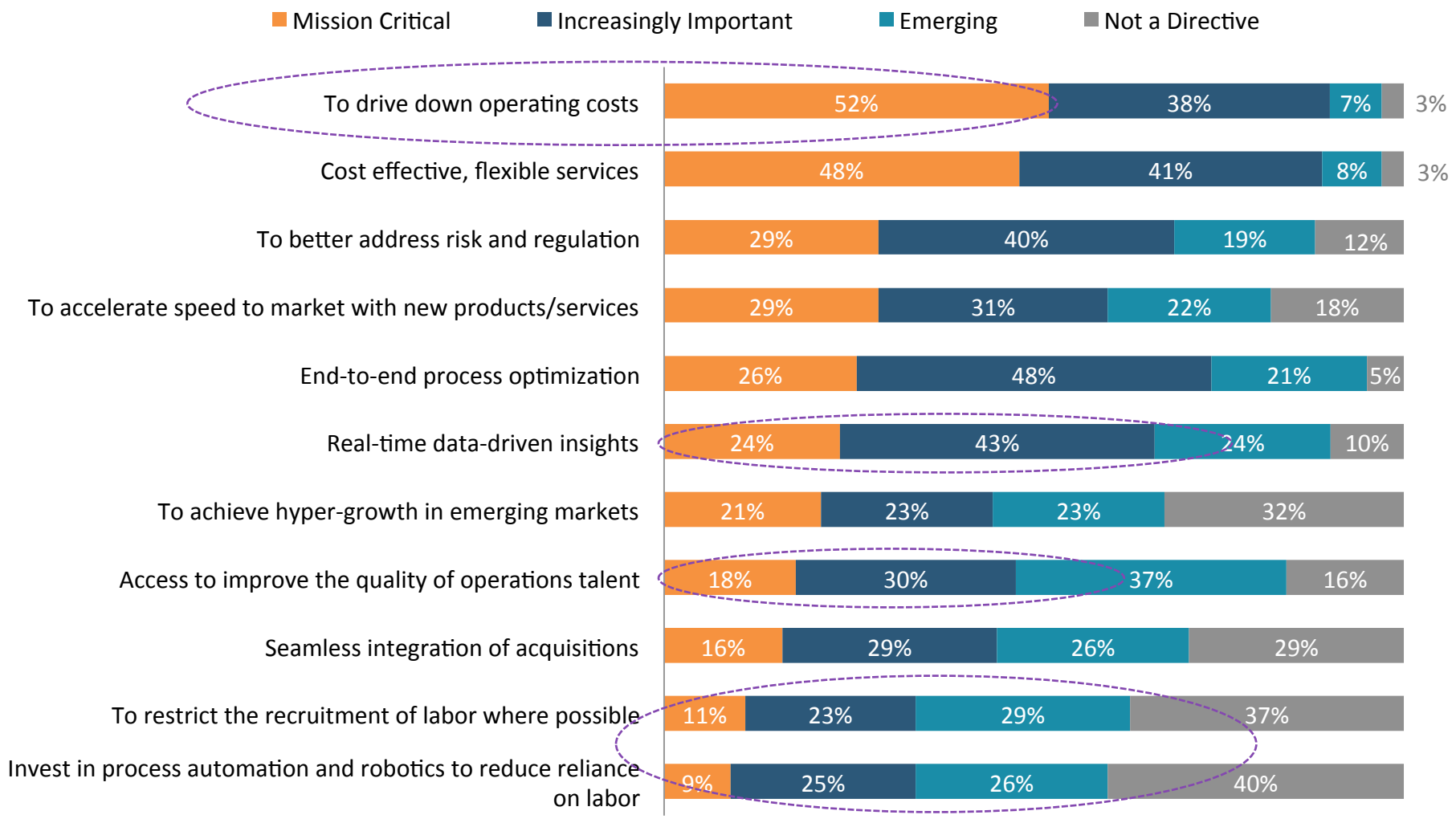
C-Suite Priorities: Cost is the New Black

How critical are the following C-Suite priorities/directives, in terms of shifting from a Cost Focus to a Value Focus with your operating model?



Source: HfS Research, Base: 168

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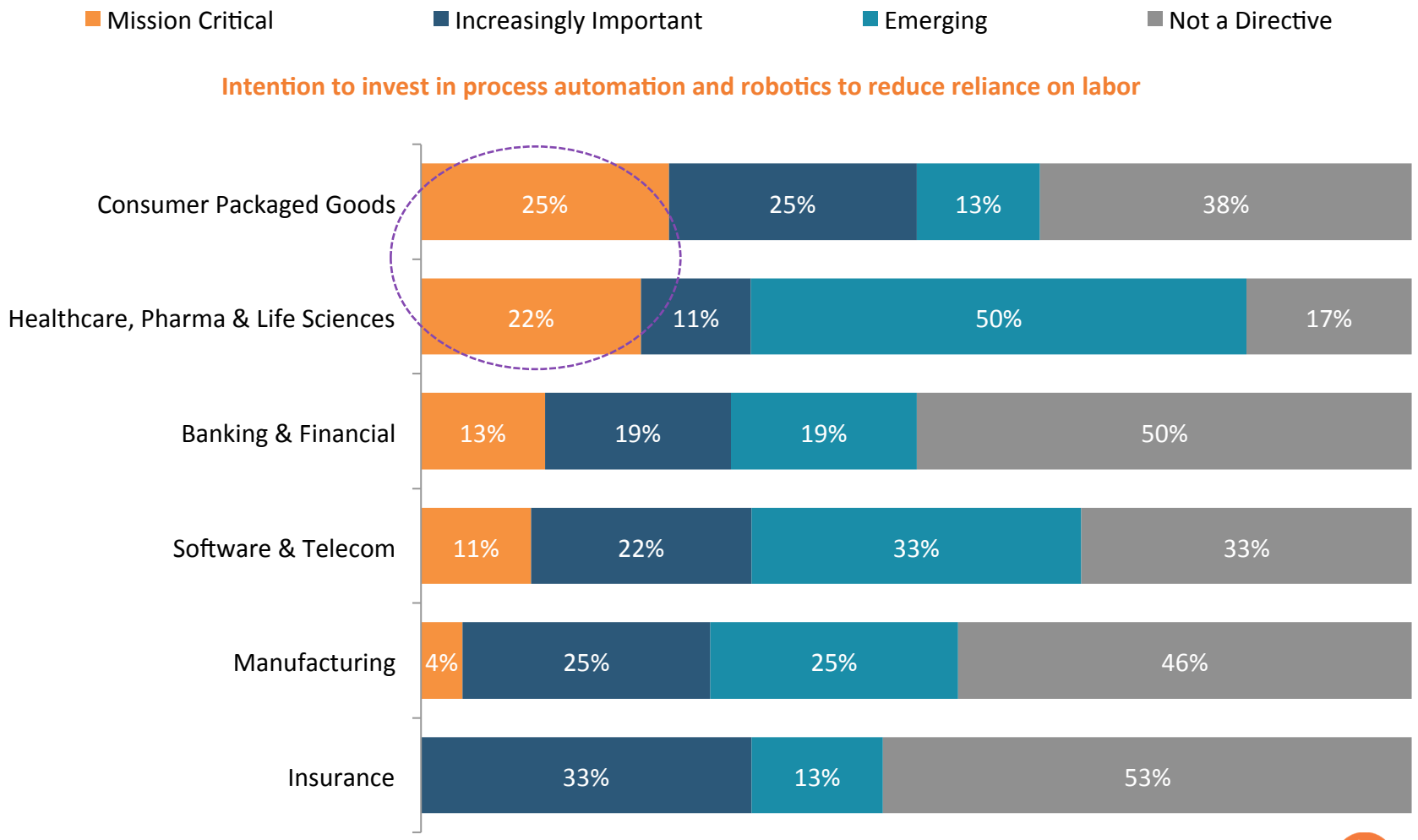
C-Suite Priorities – Emerging Interest in Robotic Automation to Reduce Labor Costs

How critical are the following C-Suite priorities/directives, in terms of shifting from a Cost Focus to a Value Focus with your operating model?



Source: HfS Research, Base: 168

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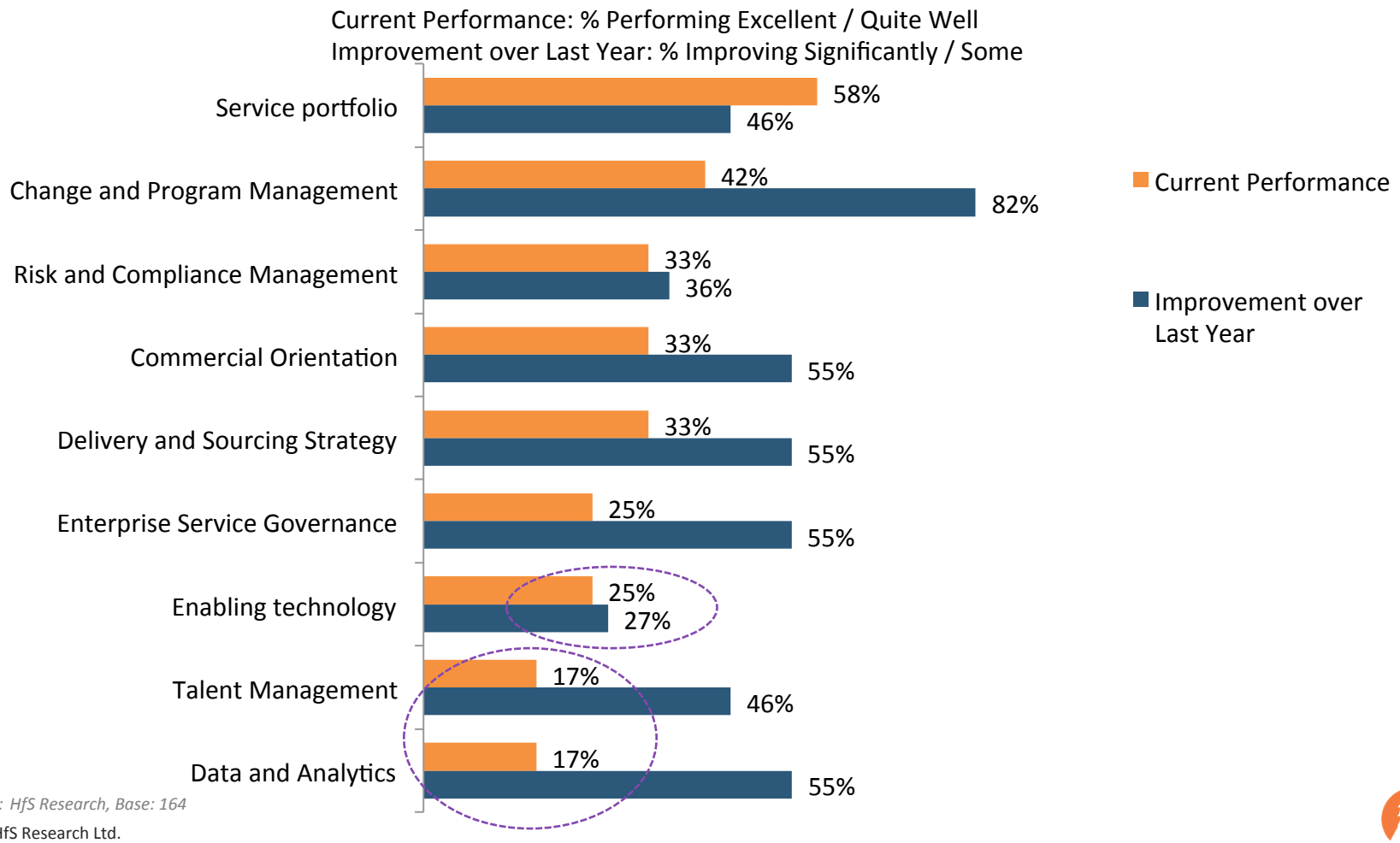
Enterprises Really Struggling with Talent, Analytics, Change Management and Technology Enablement

How well is your current operating model performing against the following measures? Has this performance level been improving, staying the same, or deteriorating over the last year?

Buyers = Senior Level Enterprise Buyers (> $10B Revenues and VP+)



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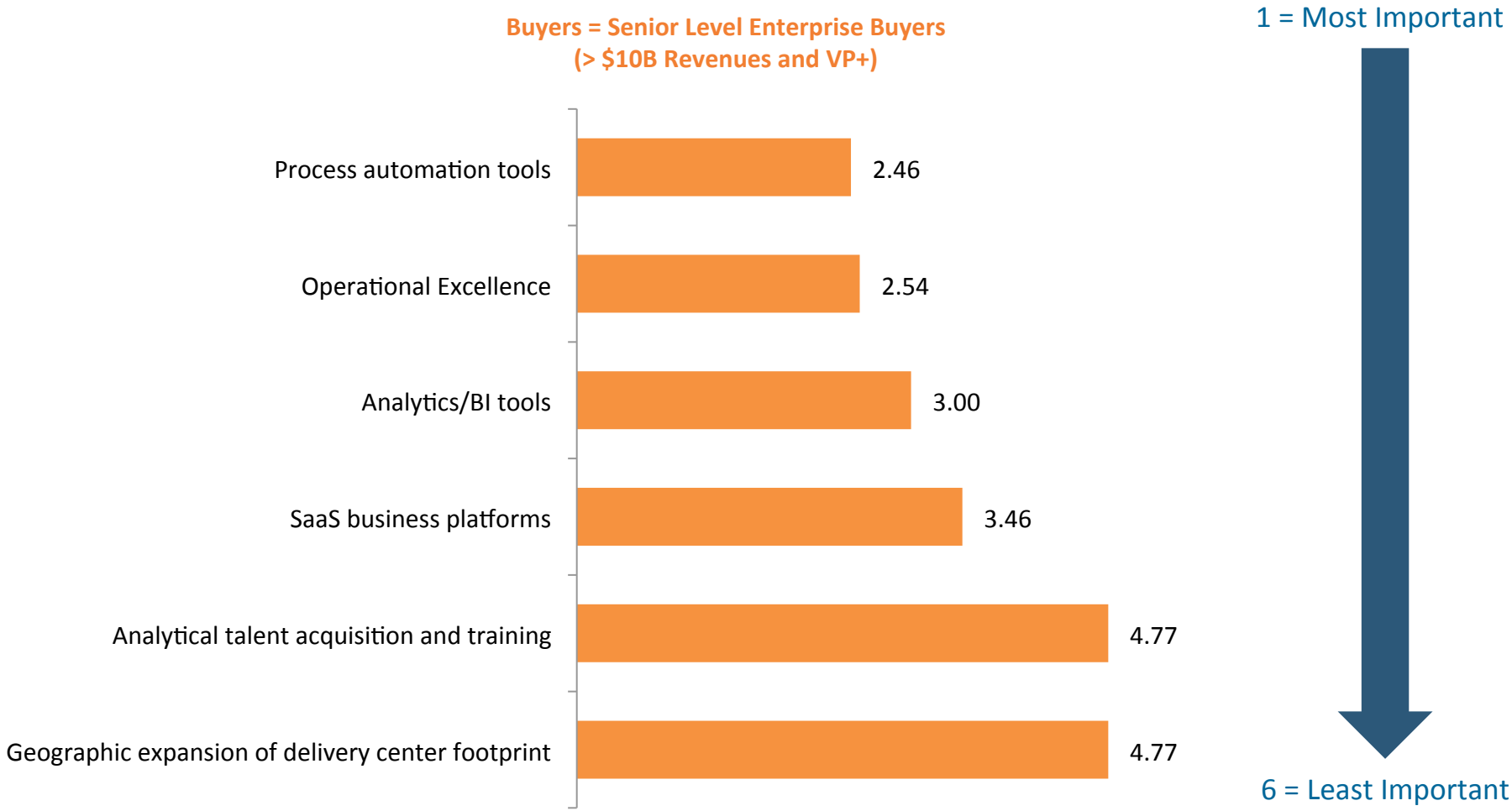
Buyers want Providers to Invest in Automation & Analytics

Please rank in importance, where 1 is the most important, the following areas where you would like to see IT Services/BPO service providers invest to add "value beyond cost" to your organization.



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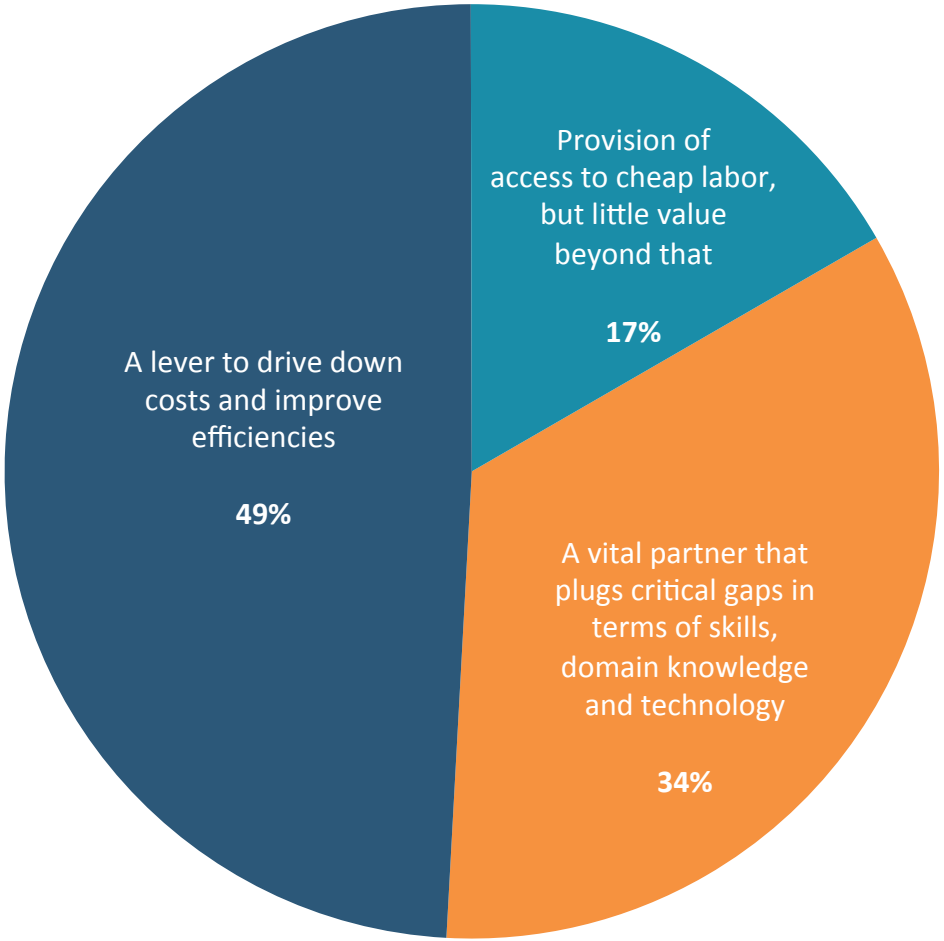
But Only 1/3 of Enterprises see Providers as Delivering Real Value Beyond Cost

So what do you really think of service providers today?



Source: HfS Research, Base: 164

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Welcome to the As-a-Service Economy

Source: HfS Research, 2014

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Automation: it's about Solving Business Problems, Stupid!

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Overview:

- Over 19 years' business experience in strategy development and delivery in the global outsourcing industry across US, Europe and Asia
- An industry advisor, strategist, author, speaker, practitioner and blogger

Previous Experience:

- Managing Director, Growth & Strategy, Accenture BPO
- Managing Director, Strategy, Accenture Infrastructure Outsourcing
- Strategy Partner, Accenture Media & Entertainment Practice
- Chief Strategy Officer, SourceHOV
- Marketing Director, Olivetti

Education:

- MBA, INSEAD, Fontainebleau France
- Honors BA, Political Science and Economics, University of Toronto

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A Definition for Robotic Process Automation

- Robotic process automation (RPA) is the use of a computer to create a “virtualized FTE or robot” rather than a person to manipulate existing application software in the same way that a person today processes a transaction or completes a process.

- Robotic process automation doesn’t replace existing client or service provider applications; but works with those systems to perform the specific task that the “virtual FTE or robot” has been asked to complete.

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Robotic Process Automation is Being Deployed Because It:

1. Releases additional operating costs for both clients and service providers from existing processes
2. Extends the functionality and value of existing application environments
3. Improves the quality of many key processes by removing the possibility of human operator errors
4. Automates many mundane entry level tasks where service provider (and shared service) attrition has traditionally been the highest
5. Creates access to new operational performance data at the process level
6. Responds to buyer desires for ongoing improvement and innovation

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What Has Changed in RPA In 2014?

The RPA Marketplace has been incredibly dynamic in 2014 with many changes including:

- RPA strategies in place or under development across the service provider landscape where in 2013 they didn't exist
- RPA deployments (by service providers) are going beyond proofs of concepts
- Service providers have trialed multiple solutions and selected different contextual partners

- Collectively we have learned a great deal about what works, what does not and what needs to be part of any RPA deployment
- Commercial constructs in sole sourced (and advised) deals are now including RPA components
- Centralized, cross-contract investment funds are being put aside for RPA

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So How “Mature” is RPA?

For as much as RPA is moved in 2014 there are still open questions about:

- The suitability of processes and applications in their current state for an RPA solution
- The immediacy and extent of the initial savings versus the baseline operations
- The ease by which the “robots” can be configured by an end user or not
- Whether a specific BPO service provider has the cadre of skilled resources, process understanding and “RPA lessons learned” to be a good partner in an RPA solution
- Whether RPA is even central to the BPO service provider strategy or not

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The 10 Elements to Assess Your RPA Maturity

1. What is your goal?
2. Who your executive owner?
3. What is your envisioned end state?
4. Where will RPA fit in the Overall Technology Stack?
5. Where in the Organization is the RPA Expertise Owned?
6. What Level of RPA Program Funding has been Committed?
7. What is the Vision for Processes Addressed by RPA?
8. What is the Approach to Client-Service Provider RPA Partnership?
9. What is the Relationship Between Analytics and RPA in Operations?
10. What form does the Long Term Vision for RPA take?

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We Created an HfS Research RPA Maturity Model Around These Elements and Structured It Into Levels of Maturity

Level 3 - Institutionalization

Level 2 - Industrialization

Level 1 - Initialization

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The Full HfS Research RPA Maturity Model

	Primary Goal of RPA	RPA Program Owner	Vision of Deployed RPA	RPA Tech Vision	RPA Expertise Owned By	RPA Program Funding	Vision for Processes Addressed By RPA	Approach to Client-Service Provider RPA Partnership	Value of RPA Data for Analytics	Current Long Term Vision for RPA
Institutionalization	Adding Cognition	BPO/BPM CTO or COO	Robots As A Service	Integrated into Service Provider Business Platforms	RPA COE	Extensive Centralized Subsidies for OPEX and CAPEX	Willing to Re-engineer processes to build around RPA and collect IP	Planned RPA Roadmap with Clients Both Business and IT Owners	RPA Data Auto Extracted and Built into Dashboards	Striving for "Self-Healing" Robots
Industrialization	Augmenting Specialists	Global Process or Lean/6 Sigma Lead	Datacenter of Robots	Integrated into Clients Apps and Workflows	Lean or 6 Sigma Teams	Limited Centralized OPEX Funding the Rest is Client Based	Looking For Common Process Steps Across Functions & Clients	Methodical About Asking Clients To Identify Changes In Their Setup	RPA Data Extracted in Systematic Manner For Delivery Reporting	Designing Robots for Ongoing Flexibility
Initialization	Replacing Transaction Labor	Client Team Leads or Center Leads	Individual Robots	Primarily around Citrix Access	Individual Business Analysts	Project Based or Client Recovery	Maintain Processes As They Are	Primarily Deploying Behind The Service Provider Firewall To Avoid Requests for Clients	RPA Data Used for Ad-hoc Queries	Leaving the Robots Static or Fixed Over Time

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Recent Interviews with 25+ Service Providers Highlighted Where The Most Common Element Levels in Play Today

	Primary Goal of RPA	RPA Program Owner	Vision of Deployed RPA	RPA Tech Vision	RPA Expertise Owned By	RPA Program Funding	Vision for Processes Addressed By RPA	Approach to Client-Service Provider RPA Partnership	Value of RPA Data for Analytics	Current Long Term Vision for RPA
Institutionalization		BPO/BPM CTO or COO			RPA COE					
Industrialization						Limited Centralized OPEX Funding the Rest is Client Based			RPA Data Extracted in Systematic Manner For Delivery Reporting	Designing Robots for Ongoing Flexibility
Initialization	Replacing Transaction Labor		Individual Robots	Primarily around Citrix Access			Maintain Processes As They Are	Primarily Deploying Behind The Service Provider Firewall		

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How Has RPA Already Disrupted The Market?

The arrival of RPA is disrupting the BPO market today because:

- The inclusion of RPA in RFP responses is changing the price and solution evaluation process
- It can lead to faster cannibalization of revenues than previously experienced
- Existing models and frameworks for evaluating competitive bids need to be re-designed
- Strategic commitments towards delivery center expansions are being questioned
- The value of existing scaled talent pools is also being questioned and some new talent is in scarce supply
- It is advancing the movement towards digitization at the source steps of processes

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How Will RPA and the Market Change in 2015?

We believe 2015 will be another very dynamic year for RPA with developments in:

- Integration in robotic processes between service provider and enterprise deployments (Maturity Model Level 4 – Innateness) – “robots connected to robots”
- The arrival of new “cognitive” automation technologies and their piloting in processes
- Service providers using RPA as a means to up-end market shares in key process areas
- Seeing opportunities to re-define processes with “design thinking” and RPA/Cognitive rather than driving operational excellence in the existing process alone
- The embedding of third party RPA solutions into the core business platforms of service providers
- The creation of process object libraries in service providers and a coming battle over IP in RPA

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About HfS Research

HfS Research is the leading analyst authority and global network for IT and business services, with specific focus on global business services, digital transformation and outsourcing. HfS serves the research, governance and services strategy needs of business operations and IT leaders across finance, supply chain, human resources, marketing, and core industry functions. The firm provides insightful and meaningful analyst coverage of best business practices and innovations that impact successful business outcomes, such as the digital transformation of operations, cloud-based business platforms, services talent development strategies, process automation and outsourcing, mobility, analytics and social collaboration. HfS applies its acclaimed Blueprint Methodology to evaluate the performance of service and technology in terms of innovating and executing against those business outcomes.

HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprising 150,000 subscribers and members. HfS Research facilitates the HfS Sourcing Executive Council, the acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to share the future direction of the global services industry and to discuss the future enterprise operations framework. HfS provides sourcing executive council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2010 and 2011, HfS Research's Founder and CEO, Phil Fersht, was named “Analyst of the Year” by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals and achieved the distinctive award of being voted the research analyst industry's Most Innovative Analyst Firm in 2012.

In 2013, HfS was named first in rising influence among leading analyst firms, according to the 2013 Analyst Value Survey, and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

Now in its seventh year of publication, HfS Research’s acclaimed blog “Horses for Sources” is widely recognized as the most widely-read and revered destination for unfettered collective insight, research and open debate about sourcing industry issues and developments. Horses for Sources today receives over a million web visits a year.

To learn more about HfS Research, please email research@HfSResearch.com.

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