Executive Roundtable Discussion:
IBM Executives Weigh In On Recent Advancements And Impact of Process Automation

IRPA held an executive roundtable discussion at IBM's Somers, NY facility.

The Participants:

- *Frank Casale, Founder & CEO of the Institute for Robotic Process Automation*
- *Laura Sanders, CTO of GTS Delivery Technology & Engineering at IBM*
- *Rich Lechner, VP Business & IT Services Sourcing at IBM*
- *Tom Young, IRPA Advisory Board Member and Alumni Partner at Information Services Group*

TY: When we talk about automation, we think of it as mechanical implication. Systems are going to look more biological, as opposed to mechanical. They are going to self-heal and self-adapt, and they are going to transform automatically in the environment as opposed to a mechanical one like an assembly line. Autonomics, which was an IBM-coined term, distinguishes itself from automation by having other characteristics – awareness and adaptation – which is where the real transformation is happening.

RL: In this context, we call it Dynamic Automation. The term automation brings to mind the notion of taking a standardized process and repeating it in an automated and rapid fashion. However, the need for a more dynamic approach is being driven in large part by the emergence of these hybrid sourcing environments, where clients are acquiring services via the cloud, both public and private clouds, often through several different providers, and mixing them with traditional managed services in outsourcing environments. It's a fair point to

say that there are many attributes of autonomics that resonate or apply here, but Dynamic Automation is more applicable here in a sense that it speaks to characteristics of autonomics but also to the fact that the enterprise itself and its processes are highly dynamic and transforming all the time. It's counter intuitive: The notion of automation conjures up industrialized, rigorous, repeatable, rapidly executed processes – and perhaps a little rigid. Dynamic Automation has three essential attributes. First, it is adaptive in that it functions across hybrid infrastructures that leverage different delivery models to provide that mix of services. It's customized in the sense that, if you believe in the trend/shifts towards outcomes, our point of view is that this requires a strong understanding of the client's environment and their industry to be able to identify and determine the outcomes and the components that will lead to that outcome. Then you can modify or adapt your automation to ensure that you are meeting those specific objectives. Finally, there is this idea of the application of cognitive computing to allow the automation to be aware of the impact and the efficacy of the automation, and to improve that over time based on learning within that client environment.

TY: When we talk about workflow, we still at some level have designed that workflow around humans being part of the supply chain. Once I realize that a significant portion can be done through software essentially, I can now transform that. I think that's IBM's future: how to deliver the transformation to an "Enterprise 2.0" or some version of a future enterprise that changes the way your client operates its business.

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FC: We've been meeting with members of our network, and to the 90% of the

people we are speaking to, this is all new. What would you like the members of our network to think of when they think of IBM in relation to process automation? What is the difference between Tier 1 global players approach as opposed to the other people?

RL: The traditional view of outsourcing was that cost takeout and operational efficiency were the primary objectives that many clients had. Take non-core, non-critical functions, give them to someone else who through an industrialized approach, through scale, global resourcing, and automation, could reduce the cost and improve operational efficiency. Today clients are looking to source outcomes focused on growth rather than outsourcing non-critical functions for cost takeout. Don't get me wrong, that's still happening, but increasingly we are sourcing the capabilities required to achieve business outcomes. In that light, I suggest they consider the benefits of dynamic automation. It is transformative in nature, and it can adapt to a very complex and hybrid environment, be customized uniquely to their business profile, their industry and their desired outcome. These attributes are a necessity, and trying to use traditional automation to deliver against those outcomes is not going to be successful.

LS: I totally agree with Rich. We are talking about the many suppliers that call automation the scripting of processes. Even though this term is new, the thought process of, "I want to deliver the outcome, and I know that this outcome may be slightly different because of your industry, your specific geography, your specific time of day," it's about the outcome. To me, that's why people really get cloud because it's about the business outcomes, I get this available, at this time, at this SLA.

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RL: In the conversations we are having with our clients about outcomes, scope becomes very important. If your desired outcome is to price help desk call for desktop services, the scope can be relatively narrow. On the other hand if the objective is I want to reduce the cost of manufacturing per vehicle sold

From left: Rich Lechner, Laura Sanders, Frank Casale, Tom Young

or I want to increase the revenue per online shopper, then the scope associated with that in terms of application, infrastructure and processes that need to be optimized and integrated to deliver that outcome and where automation needs to be applied, becomes broader and more complex. That's why we think automation and analytics go hand in hand. It's not just about automation, you have to understand what you're automating - and you have to understand it in the context of the desired outcome.

FC: The majority of the conversations I'm having with executives in the enterprise, they hear 30, 40 to 50% savings on labor. So is your point that that's not where we should be, or that's not where it should end? Should that be the beginning of the conversation? That in of itself, is pretty attractive.

RL: Those are simply table stakes.

LS: If that's the catalyst, ok that's good.

FC: That's what gets you in the door.

LS: It really is more than just the table stakes, it's about a repeatable outcome.

FC: 30-50% plus savings is a pretty good story. That's why this should be a game changer.

LS: When we think about it that way, we make very different decisions than when we think about, "The outcome that I would like is (insert infrastructure piece here). I would like the following thing to happen, by not having to intercept it with, change this, do that, 27 different processes, in order to get this outcome." And many times that outcome has nothing to do with what the body count was, what the body count is going to be. It has to do with predicting the outcome and the quality of the outcomes because that's what people buy from us.
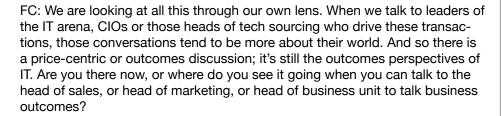
TY: I agree. The opportunity you have in 2014 is that most clients and the advisory community that advises them are asleep on this topic. You have the opportunity to frame the dialogue with the buyers to say we are going to deliver this outcome and if that commercial is good it's not something that lends itself to apples to apples competition. At some point, it may be a year from now, the clients will wake up and will say, "We'll have that conversation eventually, right now give me the 30 to 50%. You agree with that Frank?"

FC: I'm seeing it right now.

TY: Very few are on top of this. When we meet with people they use terms like *voodoo. How can this be true?*

LS: We use terms like we did this last week, or 6 months ago because we have been doing this for some time – and quite broadly.

TY: I would say less than 10 percent of the client base really gets it.

FC: We are looking at all this through our own lens. When we talk to leaders of the IT arena, CIOs or those heads of tech sourcing who drive these transactions, those conversations tend to be more about their world. And so there is a price-centric or outcomes discussion; it's still the outcomes perspectives of IT. Are you there now, or where do you see it going when you can talk to the head of sales, or head of marketing, or head of business unit to talk business outcomes?

LS: We contract that way now. Revenue growth, client base and when you switch the conversation from, "I want this price," to, "I want this outcome," the result for the client is significantly better.

TY: Think of the advertising world. What gets evaluated when you hire an advertising firm is that outcome. Price becomes a consideration but it's one of many considerations, versus what I'll call legacy outsourcing, which so often just involves the price because they assumed everything is the same. The premise of outsourcing in that sense is that all outcomes are equivalent therefore price is the differentiator. Like in the advertising world you're going to hire a firm that's going to deliver the outcome because you're trying to drive marketing, market share, revenue growth, whatever it is. You may pay double, you may pay the highest price, for the big firm that has the market coverage.

RL: There is some skepticism: can outcomes be delivered? For some people, there is a broad chasm between the things that they are used to measuring and the ultimate business outcome. One of the things Laura and the team have been doing is finding that middle ground that is a metric much more tied to the desired business outcome, but still controllable within the scope of the infrastructure, applications, and processes that the client is willing to put out there. We call those 'lifeline metrics.' As an example, if you are dealing with an automobile manufacturer, the ultimate goal is the price per vehicle sold, the cost to manufacture per vehicle. The problem with that is there are so many variables, including the price of steel, that it's difficult for any partner to commit to a particular outcome, such as how to reduce that by X percent. On the other hand, the traditional metrics that you might envision between an IT supplier and an automobile manufacturer gives you something like batch window processing. That is something the industry has been doing and you can have process automation improve that. However, at the end of the day, it has relatively little impact on the cost per vehicle. On the other hand, through analysis we were able to determine that opening the plant on time and keeping it open for the entire manufacturing day had a significant impact on cost per vehicle. And that there was much that we could control to address that within the boundaries of the defined scope. Knowing that, you can leverage dynamic automation, which learns and adapts, to allow you to assure that those lifeline metrics are delivered much closer to the ultimate business outcome a client wants. That is much more meaningful and relevant to the CIO's or the chief manufacturing officer's objectives.

FC: I have found that most providers don't know how to sell outcome-based deals and most buyers don't know how to buy outcomes-based deals, meaning you tend to need different people at the table. Do you agree with that and how does IBM go about this? If you're talking about IT or business outcomes do you need a different skill set?

LS: It's more than just a procurement discussion and it's different by industry. It depends on who's making the business decisions and I think it's also different by client.

TY: Would you agree with the statement that horizontal managers who manage divisions that cut across the franchise struggle with outcome-based and vertical leaders prefer outcome-based?

LS: I agree, and if you don't have that mix, or have a sponsorship of that mix, it's hard. I agree with you it's definitely a different skill set and it could be because of our client base but it's very unusual for us not to have that caliber of person. We go to market by industry so we're not going to send a retail guy into a bank deal.

FC: So you can talk industry, you can talk application. You know the nature of their business. You understand their methods.

LS: Exactly.

FC: How do you see risk on the pendulum from the buyer to the provider? You talk outcomes. I'd say IBM is taking a greater risk than them. It's almost easier to say we're going to put a thousand people on this project and they have to work really hard for the next 52 weeks.

LS: I think by definition our brand name carries a weight of responsibility. I think that's one of the reasons clients partner with us.

FC: From the standpoint of IBM's willingness to possibly take on more risk, it seems like you have more skin in the game in outcome-based deals.

LS: It's better for the buyer and the financial facts show it. And to me it's not more or less risk, it's context of why we're doing something and the more you know about why you're doing something the better you are at it. Once you tell the guy it's about the plant opening, man you're optimizing to a whole different thought process.

RL: I was going to say, you can argue that to the degree that the client is willing to jointly define and commit to these lifeline metrics, it gives greater understanding and context and ultimately reduces the risk. You have a better understanding of what you're trying to achieve as opposed to, "Listen you don't need to know what I'm doing, just keep that server up." "What does that server do?" "You don't need to know what that server does."

LS: Right and there's a great example of analytics and I'll just use the airline industry. A print server kept going down. A print server is step 2 of a 3-step process. However, in this instance it was the print server that served the gates. The manifests weren't printing in time for the flights to leave on time when that particular print server went down. How did we figure that out? We looked at all the help desk tickets and we went, "Got it. Ah, it's the print server." We went to the client and said we're going to change this print server to this kind of print server so you can do XYZ and they actually improved their on-time departure percentages. So without the analytics and the context you have no idea, but why didn't the client tell us about the departure time percentages?

TY: Yeah because those can only be done algorithmically. It's too complicated.

LS: But had the client said from day one, my outcome is that I would like my departure times to go up, we would have been very focused on looking for that solution. Fortunately, we found it when we were doing help desk ticket analytics.

TY: We have businesses with processes that are operated by people and supported by technology. So the accountant got a calculator, then he got a spreadsheet, then he got ERP. Now, it's technology running the business supported by people. The support of the technology is going to come down to the microtasking. People at Amazon told me that DARPA is using microtasking to pre-process feeds into natural language processors for Arabic social media traffic. So when you say LOL on a text or some tweet that uses a lot of bad grammar or acronyms or street jargon, the system doesn't handle that well. So they use Arabic speakers who speak English, they transcribe it into English and then they use another transcriber that goes from English to Arabic, then they cross check it and then they load it into the system. And they were able to do it in minutes because they have tens of thousands of people they are paying for each tweet, a nickel, and they sit there and they just crank them out because it just takes them 5 seconds to look at them and they put it in the proper Arabic or proper English. They could never do that automatically, but the microtasking is supporting the technology that drives the transformation.

LS: And their focus is on the outliers.

TY: They give other examples and it's an interesting area that I'm researching now to figure out how that's going to support automation limitations. There are some limitations where some of the cognitive functions are required or not quite there technology-wise.

LS: The whole thought process with dynamic automation is there always has

to be a fail-safe. If the automation can't handle it you have to have a place to go that says "Look at this," and then you start gathering those up and they either become a pool of people, "Oh my, that's how outsourcing started," or they become, "Let me go automate the next level of that." That's what makes it fun. I think that's a cool way of looking at it, looking at people supporting the technology.

RL: I do envision that technologies like Watson could, in fact, do some of that microtasking. Managing the outliers can be accomplished using cognitive capabilities like Watson as opposed to human beings. The fringes of the outliers will get smaller and smaller and the question becomes, who has the technologies that can reach and nibble at the edges? Technologies like Watson could, that's why we think this learning aspect of dynamic automation is innovative and the way of the future.

For more information about trends and case studies visit us at www.irpanetwork.com.

To schedule a 30 minute executive briefing to discuss how and where RPA can deliver results with your organization, contact Jared Gleason at jgleason@outsourcing.com or call (516) 279.6850 x712.

About the Institute for Robotic Process Automation (IRPA)

Created by Frank Casale, founder of the Outsourcing Institute, IRPA is a professional association that helps enterprises and solutions providers navigate and benefit from process automation. IRPA members get free access to the latest trends, best practices, case studies and events. For more information visit us at www.irpanetwork.com.

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