
FRAMING A CONSTITUTION FOR ROBOTISTAN

Racing with the Machine of Robotic Automation

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October 2013

Executive Summary

A year ago, HfS Research published a report, “[Robotic automation emerges as a threat to traditional low-cost outsourcing](#),” that examined whether cheap, easy-to-develop software robots would eventually supplant many offshore FTEs. We concluded that robotic automation, or [Robotistan](#) (as we described it in a subsequent webinar), had the potential to be highly disruptive and to be a transformative technology for buyers and BPO service providers that would lead to a new landscape.

A year later, we are even more convinced that robotic automation has the potential to change the BPO marketplace. To build on the insights from a year ago, we have spoken with key software vendors, academics, operations consultants, and major BPO service providers to understand their experiences with and plans for robotic automation. From those discussions, we have a strong feeling that the market for this technology and other forms of process automation is coming on strong and that the transformative impacts of these technologies could be even greater than we anticipated a year ago. “Every new tool shapes the way that we think as well as what we think about.”¹ That thought holds true for robotic automation, which could radically re-shape the BPO marketplace in the next 12-24 months.

We focused on how robotic automation is changing and could further change the way that key functional processes such as Finance & Accounting, Human Resources, Procurement, Supply Chain, Customer Experience Management, and Legal Services are sold, solutioned, and delivered over the next several years. We realized that our previous thinking about the relevance of this technology to business processes had been constrained. A year ago, we had very specific ideas about when robotic automation would be relevant and when it would not. Generally, that meant the greatest relevance was in low-end, rules-based tasks. We have discovered since then that robotic automation has the potential for much wider application, and we may need to fundamentally change our thinking about rules-based processes, what roles can be brought into Robotistan, and the relationship between robot and labor going forward.

¹ *Smarter Than You Think: How Technology Is Changing Our Minds For the Better.* Clive Thompson, The Penguin Press: New York, 2013.

The implications of widespread adoption of robotic automation for clients, advisors, and service providers are so great that we believe all participants in our marketplace will need to develop their own responses to the opportunities and challenges robotic automation will create. We believe that these responses should collectively come together in the form of a constitution for Robotistan with articles that give participants a framework under which to operate while allowing for future amendments as this technology and our own uses for it continue to evolve.

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A Refresher on Robotic Automation

This report builds on the description of robotic automation provided in last year's paper. To make this report easier to understand, we have included an enhanced refresher on what robotic automation is, what these robots do well, the benefits of robotic automation, and how to identify a promising candidate for automation.

What is robotic automation?

Robotic automation is the application of specific technology and methodologies to use a computer or “virtualized FTE or robot” rather than a person to manipulate existing application software (e.g., ERPs, claims applications, databases, learning management systems) in the same way that a person today processes a transaction or completes a process. Robotic automation doesn't replace existing client or service provider applications; instead, the robotic automation software works with those systems and the user interfaces to perform the specific task that the “virtual FTE or robot” has been asked to complete. This robotic automation software is designed to rapidly model and deploy the automation so it can be performed by individual delivery teams or process excellence resources without extensive and lengthy IT resources. With robotic automation, clients and service providers can also rationalize the vast portfolios of Excel macros and individually customized tools that have arisen over time to help the delivery teams be more efficient and effective but don't fully automate the process either.

What do robots do well?

Today, the robots deployed in business process applications do many things well. These robots can complete rules-driven processes that shouldn't require the use of human resources, such as comparing and contrasting data fields, data entry, and validation from disparate systems/sources, checking for system errors or inconsistencies, and much more. Generally, although these processes are necessary and must be accurate and complete, most people delivering business processes do not actually enjoy doing these tasks each day. Instead, these often dull, repetitive, and awkward tasks or sub-process steps cause client and service provider staff to become dis-encharmed and eventually dis-engaged from their roles over time.

However, as we will explore later in this report, using robots to perform these necessary but boring and repetitive tasks is only what is being done today. The opportunities for broader and more extensive applications of robotic automation are dramatic across horizontal and vertical business processes.

What are the benefits of robotic automation?

Robotic automation can benefit client and service provider teams by:

- » **Delivering business outcomes.** BPO service providers can use robotic automation to shape their delivered processes to support contracts, which quantify (often with risk-sharing economics) new types of created business value. These outcomes, such as increased working capital, reduced Days Sales Outstanding, and improved customer satisfaction scores, are all more achievable when the underlying processes are more automated and effective.
- » **Reducing errors and enhancing compliance.** Robots can vastly improve the efficiency and effectiveness of a process by eliminating human interventions that can create unintended errors or delays. This can be a critical source of value creation in processes where even the slightest error can cause significant “delivery noise” (e.g., payroll processing) or where regulatory compliance is critical to business success (e.g., health care claim processing).
- » **Reducing costs.** Current robotic automation applications have the potential to reduce the cost of an FTE deployed to complete a task or process by up to two thirds of the human cost today.
- » **Improving job satisfaction for retained staff.** Robotic automation removes many of the mundane and unsatisfying tasks we currently ask our human teams to perform each day.
- » **Providing process analytical insight.** By recording every action performed by the robots, a repository of data is available for process performance, which can be used to identify previously undiscovered bottlenecks and create opportunities for further optimization.
- » **Having True 24 x 7 potential.** Robots don’t require paid time off and can be fully utilized to operate around the clock at times that may maximize the efficiency of the end-to-end process rather than working when it is most convenient to staff delivery people.
- » **Providing scalability.** As client and/or service provider teams, pilot robotic automation re-usable modules can be created that can be re-deployed in other processes with the same tasks. This speeds up development and provides greater consistency in operations. This could be especially beneficial for service providers that deliver vertical or industry processes (e.g., utilities billing), which are composed of horizontal processes (e.g., F&A, CRM) and therefore share common modules in operation “under the wrappers.”
- » **Differentiating.** Robots allow the BPO service providers that deploy them innovatively and extensively to create new process solutions that are differentiated. This can help service providers be more competitive in new work (and re-bids) than non-robotic service providers. Service providers can also use robots to improve the workload and type of work that they ask of staff, which can enhance job satisfaction and reduce the impact of attrition created by job dissatisfaction.
- » **Improving without radically transforming.** One of the most exciting benefits of robotic automation is that all of the previously cited benefits are possible without transforming and modernizing the underlying legacy applications or systems of record from what they are today.

All of this should give BPO service providers the impetus to look at their process offerings in a whole new way, especially when the upside of robotic automation could be an increase in the value created for clients and in the margins service providers realize on transactional or outcome-based contracts.

How to identify a promising business process candidate for robotic automation

As we will examine later in this paper, the vision from clients and service providers of where robotic automation can be deployed has expanded dramatically in the last year. In this report, we look at the major horizontal processes to emphasize where HfS Research believes opportunities for deploying robotic automation exist. Innovative teams in the enterprises, which are at the vanguard of this technology, are also looking at processes for candidates to pilot and then deploy this technology often where enterprises wouldn't have looked even a year ago. That said, some guidelines from a year ago still hold true when enterprises are identifying which business processes could be candidates for deploying robotic automation immediately:

- » **Need to access multiple systems.** The process today should typically require an employee to access multiple independent systems to complete the process.
- » **Prone to errors or re-work.** The process today is susceptible to errors created by human operator mistakes.
- » **Easy decomposition into unambiguous rules.** The process doesn't have to be defined by detailed business rules today, but it certainly helps if client and/or service provider business analysts can define all or significant portions of the process into a set of business rules.
- » **Limited need for human intervention.** This was a key criterion in last year's report. However, over the last year, the thinking has been progressing in this area. Maximizing the extent of the process that can be completed without human intervention certainly helps, but the thinking shouldn't be limited to processes that can be "straight through processed" as even judgment-heavy processes with significant future human intervention can benefit from robotic automation of key steps or components.
- » **Limited need for exception handling.** Simpler processes with fewer current exceptions in delivery are good candidates for proof-of-concept or pilot robotic automation projects. However, with additional experience in delivery, it may make business sense to return to exception-creating processes as candidates with high potential returns from robots, if most of the exceptions are being created by errors or other causes that can be managed by automation or better business rules.
- » **Clear understanding of the current manual costs.** This helps make the business case for deploying robotic automation more compelling and easier to get backing from stakeholders who may not be versed in the details of the technology.
- » **The transaction volumes and/or the value of the transactions are high.** Promising candidates for robotic automation don't need to be limited to high-volume transactional processes, though certainly that helps develop a business case. Any process with high-value transactions or high-cost impact errors is an excellent candidate.

What Changed in This Last Year

The market for robotic automation has changed tremendously over the last 12 months. It has moved from being an emerging topic discussed by only a few people on the edge of the BPO market to being at the heart of conferences on disruptive technologies, end user pilots and service provider technology roadmaps, and investment reviews.

Some of the specific developments over the last year that we have tracked at HfS Research include:

- » **The entry of new market participants.** In last year's report, we speculated that participation in this market would soon expand beyond the early entrants such as [Blue Prism](#) to include many others. One new entrant is [IPsoft](#), which is taking an approach initially built to support IT processes and bringing it into the BPO world. We have also seen BPO service providers build their own software solutions for greater process automation ranging from robotics to integrated desktops that address needs for improved accuracy, productivity, and compliance. We still believe that this is just the beginning. Additional new market entrants will emerge, especially from the broad list of software companies that currently provide automations solutions for managing IT.
- » **Focused robotic automation consultancies.** An emerging technology always creates opportunities for early advocates to help build a market by consulting to and bringing together all of the market players. One example in robotic automation is [Virtual Operations](#). We have met with them several times. In addition, at least two of the Big Five consulting firms are in the process of building out practices in robotic automation, and we expect that to become commonplace in the next few years.
- » **Client case studies.** Where a year ago this technology was at the proof-of-concept or pilot stage in early adopters, we have seen end users (more so than service providers although they won't be long now either according to some of them) who are willing to share their case studies in printed form and at the increasing number of industry conferences where this topic is coming to the floor. [Blue Prism](#) alone now features case studies from end users as diverse as the U.K. National Health Service, mobile operator [Telefonica O2](#), [The Co-Operative Banking Group](#), [RWE npower](#), and numerous BPO service providers. According to [Blue Prism](#), more than 1,000 [Blue Prism](#) robot FTEs in place automating more than 300 different processes.
- » **Press coverage.** Since last October, robotic automation and how it may change either BPO specifically or jobs more generally have been gathering widespread coverage. We have seen robotic automation discussed not only in the industry press and other analyst reviews as one might expect but also in newspapers such as [The Times of India](#) and business magazines, e.g., [The Economist](#) and generalist publications such as [The New Yorker](#).
- » **Service provider strategies.** To write this report, HfS Research talked to more than a dozen of the largest multi-process BPO service providers to understand their awareness of and plans for robotic automation. Each service provider was aware of robotic automation, which wasn't the case a year ago. Further, all had discussed and evaluated to some level of depth, the value robotic automation could bring to their business and what role it should play in their solution strategies. Some providers have decided to go "all in" and have created teams usually within the innovation or process excellence capabilities to analyze

where they could derive the most benefit from robotics for their own operations and for their clients. Several service providers have gone as far as identifying senior practice leaders as their robotics automation leads. Not all are this committed yet, but we believe that over the next 12 months, as client demand increases and more client case studies are released, we will see further integration of this technology in service providers' solution strategies.

Why Is Robotic Automation Taking Root Today?

After all, this is not the first attempt to bring innovative technology or process automation to the BPO marketplace. That has happened before often with less net benefit than was anticipated at the time. We believe that the answer to why this technology is being adopted today is in the confluence of many changes in the marketplace as it enters a period of greater maturity. These changes include:

- » **Striving for differentiation.** As the major BPO service providers have matured and built their businesses, many capabilities that were once differentiating (e.g., offering breadth, “noiseless delivery,” global delivery model, process methodologies, Lean and Six Sigma deployment, seat costs) have now become consistent. Thus, service providers, especially the up-and-coming providers that don't have the differentiators of scale and industry depth that others do, are looking for areas of differentiation. An attractive differentiator is robotic automation, which can deliver the benefits we identified earlier and provides a window of time for, say, 6-18 months for early adopters when their solutions and deal structures can look markedly different.
- » **Increasing value of renewals and re-competes.** Many analysts have noted that the number and value of BPO contract renewals, especially in process areas that grew quickly over the last 5-7 years such as Finance & Accounting, are at an all-time high. Service provider incumbents and challengers on these renewals need to find new sources for creating value for the client beyond what was achieved in the terminating contract and a competitive edge. Robotic automation with its potential to shift the labor balance and drive increased efficiency at a lower cost on existing processes with the incumbent platforms is highly attractive in these situations in addition to other areas, such as focusing on business outcomes and deploying analytics.
- » **Breaking the FTE dependency in service provider growth.** Through the initial generations of the BPO marketplace, most service providers saw that growth in their own revenues depended on increases in the deployed headcount. That relationship has strained as headcounts have grown beyond 50,000 people with continuing high levels of annual attrition (creating additional management strains) and expectations of double-digit year-on-year revenue growth. Service providers have looked to transactional and gain-sharing pricing models as one way to break that dependency. Robotics is now an attractive additional tool to help raise revenue/FTE and aid in managing attrition by taking away much of the mundane work from the existing labor force.
- » **Solving for the end of labor arbitrage.** Labor arbitrage has been the largest single value lever for clients and BPO service providers over the last 15-20 years. However, labor arbitrage is less potent today than

ever before as offshore costs continue to increase compared to on-shore costs in most Western countries. The entire BPO marketplace is aware that as this lever diminishes something else must step in to continue to create value for all participants. There is no doubt in our minds at HfS that the search for a companion to if not an outright replacement for labor arbitrage drove much of the growth in interest in robotic automation over the last 12 months.

- » **New mindsets about the role of technology and humans.** For some time now, we have all seen that digital technologies are creating new markets and altering existing markets in ways not conceivable even just a few years ago. Just as physical robots have forever changed the physical production floor in many industries, there is a broad consensus that technology will fundamentally change the services production floor away from really what have been analogue processes in most enterprises. Erik Brynjolfsson and Andrew McAfee in *Race Against the Machine* (Digital Frontier Press: 2011) are especially concerned with how digital technology is going to irreversibly alter the nature of employment in services over the next few years. We believe that the interest in robotic automation is driven by interest and concern over this digital lead change as identified by Brynjolfsson, McAfee, and others. Robotics allows service providers (and clients) to adapt their processes and systems in an incremental and experimental way that delivers benefits now but just as importantly, retains flexibility to respond to other changes in the future. No one has to commit today to large-scale transformational programs that might become mis-aligned to the sum effect of all these changes if they can flexibly move to just as beneficial an end-state using robotic automation. In fact, the race may be less against the machine and more with the machine. Writer Clive Thompson's new book *Smarter Than You Think* (The Penguin Press: 2013) argues that the widespread adoption of digital technology is changing our minds for the better and that we should focus on models in which we combine the strongest capabilities of computers with the strongest capabilities of the human mind. In this case, the future is more a case of how do we race with the machine, and in particular, how do we race together to effectively and efficiently bring business processes into the digital world from their analogue existence.
- » **The technology has become user friendly.** One of the reasons we believe that robotic automation is taking off today is that the solutions provided by Blue Prism and others have become user friendly. Our previous report drew attention to the value of this software in providing immediate solutions that would otherwise be too costly or lengthy if tackled by IT departments with traditional tools and solutions. The flexibility of the technology in working with existing system applications without prolonged periods of development or transformation is certainly a factor in why this round of process automation is catching on faster and wider than other technologies tried in the past. The ability to rapidly test an automation opportunity and then decide whether to deploy or abandon the effort is a very significant benefit for clients and service providers today.
- » **Addressing innovation requests from clients.** Recent HfS research of 399 major global enterprises (Exhibit 1), conducted with the support of KPMG LLP, clearly illustrates that the delivery by service providers today for many of the areas of higher strategic value to organizations, namely, better analytics, better technology, and more creative methods for achieving growth (innovation) has been mediocre for the majority of BPO buyers. Robotic automation is an immediate and impactful way of showing innovation to clients from service providers in ways that can drive near-term quantifiable benefits to help improve clients' highly negative impression.

Exhibit 1: BPO Engagements Meeting Table Stakes, but Failing in Providing Innovation

How effective have your current BPO initiatives been for achieving the following business benefits to date?



Source: HfS Research 2013, N = 399 Buy-Side Enterprises “2013 State of the Outsourcing Industry” Study Conducted with KPMG

Applicability to Horizontal Processes

The timing is right for greater adoption of robotic automation. However, our discussions with early adopters showed that early pilots and proofs-of-concept generally came about in response to very tactical opportunities, whether client created or in response to new bids or re-competes. We think there is great value for all market participants in taking a step back and looking at the opportunity with a wider lens aimed at the entire scope of the horizontal business processes where robotic automation could be applied today. Thus, we want to instigate that activity by looking broadly at various horizontal business processes and making high-level non-client-specific suggestions for where robotic automation could be applied either today or in the near term.

We will look at each horizontal process and the alignment in general terms with our qualifying criteria that define a promising candidate for robotic automation. Every client whether direct or through a service provider has its own variations. Then we will identify key sub-processes that should be on your robotic automation evaluation list today or over the medium term as the technology becomes more commonplace in your own enterprise.

Here is an illustrative example of the criteria:

Exhibit 2: Illustrative table

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values

Source: HfS Research

We use the scoring Yes, Sometimes, and No to keep things simple.

Human Resources

Several initial enterprises that deployed robotic automation internally started in Human Resources (HR) business processes. HfS believes that the goal for deploying robotic automation in Human Resources should not be to create an entirely automated environment to deliver the processes. HR today uses self-service tools and platforms in addition to live staff. Instead, the goal should be to make the live staff much more effective when they address the critical life events or “moments of truth” employees have that are often a source of great stress and distraction. If you combine robotic automation with a more empathetic culture of live agents, employee acceptance of your policies and processes will increase.

Exhibit 3: Applicability of Robotic Automation to Human Resources Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
Yes	Yes	Yes	Sometimes	Sometimes	Sometimes

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Payroll
- » Employee Data Management
- » Employee On-Boarding
- » Employee Off-Boarding

Key Sub-Processes for Robotic Automation over Time

- » Managing PTO and Unpaid Leave

Finance & Accounting

Finance & Accounting is a natural home for robotic automation. The delivery environment is often spread across many different ERPs or applications. Clients and service providers likely have a plethora of small tools and macros that are only partially efficient, as agents often have to jump across screens and applications to complete their portion of a process. We see interest in this process area emerging especially today in Accounts Payable and Order Management where much of the work performed today by agents involves data entry or data validation, which could be performed more efficiently and cost effectively by robots. Indeed, many sub-processes, including those inside Record to Report where live agents are prone to making minor data errors, cause significant delays as they are identified and corrected to complete monthly/annual processes.

Exhibit 4: Applicability of Robotic Automation to Finance & Accounting Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
Yes	Yes	Yes	Sometimes	No	Yes

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Procure to Pay (Accounts Payable)
- » Order to Cash (Order Management, Invoicing, Collections)
- » Record to Report (Fixed Asset Accounting)

Key Sub-Processes for Robotic Automation over Time

- » Order to Cash (Accounts Receivable)
- » Record to Report (Financial Planning & Analysis)

Procurement

With interconnections with Finance & Accounting, Procurement also makes sense as a process with high potential for creating value through using robotic automation. To date, we haven't seen large-scale examples of deployment in Procurement outsourcing contracts. However, in discussions with service providers, they mentioned they are shaping pilots and proof-of-concepts today. Thus, we expect to hear more in the coming months.

Exhibit 5: Applicability of Robotic Automation to Procurement Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
Yes	Yes	Yes	Sometimes	Yes	Yes

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Strategic Sourcing (Spend Data Management)
- » Transactional Procurement (Accounts Payable, Help Desk, Invoice Reconciliation, Asset Management)
- » Supplier Management (Supplier Help Desk, SLA Monitoring, Supplier Accreditation)

Key Sub-Processes for Robotic Automation over Time

- » Strategic Sourcing (External Marketplace Analysis, Proposal Evaluation)
- » Contract Management (Contract Administration)

Supply Chain

Supply chain remains a relatively new and emergent area for business process outsourcing. However, in some ways that makes supply chain an even more attractive candidate for robotic automation. This capability can be integrated into the offering right from the start. Supply chain agents generally have to access a wide set of systems to complete a task; automating that activity would be a significant boost to begin with. Supply chain processing has a high level of ambiguity and many exceptions. However, with time and piloting of approaches, much of this ambiguity could be managed into loose business rules that could be automated more than we can imagine today.

Exhibit 6: Applicability of Robotic Automation to Supply Chain Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
Yes	Yes	Yes	No	No	Yes

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Demand Management (Demand Planning, Promotions Management)
- » Supply Management (Spare Parts Planning, Inventory Replenishment)
- » Materials Management (Inventory Optimization)
- » Transportation Management (Load Optimization)

Key Sub-Processes for Robotic Automation over Time

- » Demand Management (Forecasting)
- » Supply Management (Supply Forecasting)
- » Transportation Management (Carrier Management)

Customer Experience Management

As with Human Resources, many of the earliest pilots and deployments of robotic automation have been within sub-processes of Customer Experience Management (CEM). Many of the emerging suppliers of process automation software entering the BPO marketplace have served help desks and other support functions in IT processes. Thus, CEM is a natural extension. Again, similar to HR, the challenge in deploying robotic automation in CEM processes is where current headcount can be replaced and where the existing headcount can become better, smarter, and faster by being aided in delivery. Making live agents more effective is key to driving beneficial business outcomes for clients such as improved client satisfaction, which then ripples down in benefits across the enterprise. This market is especially active for robotics today. This horizontal process is key, and will continue to see rapid and extensive application of the technology, in our view, over the next 12-24 months.

Exhibit 7: Applicability of Robotic Automation to CEM Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
<i>Sometimes</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>Yes</i>

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Service and Support (Customer Support, Technical Support, Billing and Account Management)

Key Sub-Processes for Robotic Automation over Time

- » Marketing (Customer Loyalty Programs)

Legal Services Outsourcing

A new breed of “outsourced” legal service providers providing a range of services such as Litigation Support, Contract Management, Research, and IP Management has emerged over the last decade. The model has relied heavily on labor arbitrage to create the value for clients, as service providers helped not just to general counsels, but law firms as well deal with the challenge of rising costs for legal resources on-shore. One common application was using the outsourced resources to review the vast amounts of data collected today as a result of the E-discovery applications used in every litigation case. Going forward, we see robotic automation as a way to extend the value of these teams of outsourced lawyers as the E-discovery data sets continue to grow in size and scope and as a way to offset the diminishing effectiveness of labor arbitrage.

Exhibit 8: Applicability of Robotic Automation to Legal Services Business Processes

Access Multiple Systems	Prone to Errors	Can Be Broken into Business Rules	Limited Human Intervention	Limited Exception Handling	High Volumes and/or High Values
<i>Sometimes</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>Yes</i>

Source: HfS Research

Key Sub-Processes for Robotic Automation Today

- » Litigation Support (Document Review, E-discovery Support Services)

Key Sub-Processes for Robotic Automation over Time

- » Legal Research & Legal Publishing (Abstraction)
- » Intellectual Property (Patent Research)

Framing a Constitution for Robotistan

If those are the opportunities for robotic automation applied in just the horizontal business processes, the potential for this technology to change the market seems massive. After talking to the different types of stakeholders in this market, we believe that with so much change possible, we need to collectively and individually step back for a moment and think about what form the future state of BPO or Robotistan may take.

According to Clive Thompson (*Smarter Than you Think: How Technology Is Changing Our Minds for the Better*), “every new tool shapes the way that we think, as well as what we think about.” To help us manage this change so that we are racing with rather than against the machine, we need a guide to what we should think about when we plan for Robotistan. That guide is our constitution for Robotistan, the tool that helps us define the rights or benefits of Robotistan as well as the responsibilities that it creates. Thus, in Robotistan, we will use the technology of robotic automation not to focus on endlessly reducing costs but to find a way to improve the value of the people we need to deliver business processes most effectively.

We have begun the process of framing a constitution for Robotistan by starting with the issues for the major stakeholders (clients, advisors, and service providers) to think about in terms of their own rights and responsibilities in this new world. In the following section, we walk through those issues so readers can consider how this new technology is already shaping our thinking today and focusing our minds on what we need to think about. Just as the last year has already shown how far robotic automation has come and changed, we expect further change in the future, which will doubtlessly lead us to more changes or amend this emerging constitution. For now, let’s consider the issues that come to mind today.

The Constitution of Robotistan

The emerging constitution of Robotistan is composed of articles (or implications) for all three branches of the market: clients, advisors, and service providers.

For Clients:

1. Continue to do what you have started by understanding the market for robotic automation and the breadth of case studies for actual implementations coming forth now.
2. Recognize that for the next 12+ months there will potentially be a wide variation in how and to what extent this technology is available to you depending on the service provider you are (or intend) to work with. While this technology is emerging, skilled analysts and implementation resources will be scarce. Service providers will have to work out which opportunities/contracts they can support now.
3. Push alignment between your internal IT department (and/or your application outsourcer) and the owners of the business processes you are outsourcing to ensure that you have the level of stability in the impacted business applications required to bring robotic automation solutions into your environment.
4. Decide how much you want to really push into the technical details of where and how a service provider will deploy this technology (and which ones) versus standing back. Understand it is there, but focus on driving to a transactional commercial model that creates the greatest value for your enterprise.
5. Acknowledge that just as robotic automation may be applied to your outsourced operations, its value may also be significant in your retained organization. Work with your service provider to identify modules or re-usable components that could benefit your internal team.

For Sourcing Advisors:

1. Modify your current models for RFI/RFPs and the SLAs and KPIs that you include to account for robotic automation and the different ways service providers will include it in their responses before this technology and the market mature.
2. Bring your advisors quickly up to speed on the technology to better evaluate service provider submissions. This may cause significant upheaval in the near term. However, over the medium term it should be good for your business. Clients will look for additional help in understanding what in many ways will be a new BPO marketplace.
3. Consider forming dedicated teams to understand and monitor the technology as you see robotic automation included in more and more deals.

For Service Providers:

1. Be open to a full spectrum of possible applications for this technology. Don't get lured into thinking this is only about removing low-end roles. Robotic automation can be even more valuable in improving the workload and value of your "higher-end" roles, whether you think of them currently as business advisors, knowledge processors, or some other comparable term.
2. Work with internal and client IT teams so that they understand the technology that will be deployed for robotic automation. They must be aligned in approach and with the supporting infrastructure. Robotic automation may require IT to adapt their mindsets and see this as an effective, value creation capability and not as a threat to the way they run the overall architecture.
3. Plan your investment strategy for robotic automation, especially if you are in the midst of a new budgeting cycle. You will likely need investment funds to encourage pilots and to invest in training the teams necessary for identifying possible areas in which to deploy robotic automation and the teams for building and implementing the solutions. If you decide that your own approach is to differentiate by including more proprietary tools or elements in your robotic automation suite than what you have access to from third parties today, your investment may be higher.
4. Educate sales, offering, delivery, and advisor relation teams on your approach to robotic automation and where you are striving to be differentiated today in your use of this technology.
5. Be critical in looking at where robotic automation can drive the greatest value for you. It could be in new opportunities, re-compete, or existing contracts.
6. Recognize that you may soon (if not already) be in a position where interest in piloting or proving this technology comes from more clients and teams than you can serve while trained resources in this technology are lacking.
7. Set new expectations for your solution architects and how they evaluate new opportunities. Ensure that your solution architects are creative but pragmatic when you apply robotic automation, especially in the early days as you gain experience.
8. Include the data sets created from deploying robotic automation deployments in constructing your data models to support your analytical capabilities in BPO.
9. Work with your organizational HR business partners to understand how different adoption scenarios of could impact the structure of your current and future headcounts. Make sure that you have the flexibility to manage the increased availability of certain skill sets or job levels within your model; otherwise, the potential benefits in reducing costs and improved attrition might result in unintended numbers of staff "on the bench."
10. Realize that the widespread adoption of robotic automation could significantly change the culture of your organization. If all of the mundane could be automated, what do you want your people to excel at? How then do you want to support your client's retained organization?

The Bottom Line

The simple bottom line is that robotic automation is more than a technology trend; it is a different way to think about how business processes are solutioned, delivered, and managed. This technology may not always live up to all the expectations that we have for it over time, but it certainly is revolutionary today and potentially evolutionary thereafter for a long time to come. Robotic automation won't just be about horizontal processes as we discussed here or even selective vertical processes with similar underlying characteristics. This is something that touches the entire BPO marketplace.

There may be a tendency to see this robotic automation as the end of BPO and “the Race against the Machine.” However, this is potentially just the beginning of the new model for “Racing with the Machine.” Over time, the real potential of robotic automation in its various future forms won't be to just remove low-end BPO tasks and work from people and hand it over to virtualized FTEs. Instead, the real potential is much more. Robotic automation could be the way we further empower business advisors, knowledge workers, and judgment-based role staff by removing the mundane and allowing them to spend their time on the parts of the business process that can't be broken down entirely into business rules. This technology may also move clients and service providers toward processes designed for a truly digital world.

Along the way to this end state, the thinking behind robotics automation and the capabilities of the solutions that provide this will change and evolve in ways that we can't see today just as we couldn't have seen everything that has happened over just the last year. Thus, as we move to this future state of Robotistan, all participants in this market (clients, advisors, software companies, service providers, and yes even industry analysts) must contribute to the constitution to help manage the application of this technology and then help shape the amendments to our thinking and actions in this market required over time. The future is upon us now. Let's make it the best possible place for all.

About the Author

Charles Sutherland



Charles Sutherland is the newly appointed Senior Vice President, BPO Strategies for HfS Research. In this role he is responsible for the customized project work that HfS Research undertakes for our clients. He also has his own research agenda for HfS, which covers Finance & Accounting BPO, Procurement, Supply Chain and specific vertical process offerings. He is especially interested in the application of the SMAC (Social, Mobility, Analytics and Cloud) stack technologies, gamification and robotic automation to the BPO market place and believes that a revolution in the way that BPO is solutioned and delivered is drawing near.

Charles is a twenty-year veteran of the high technology services marketplace with a global background having lived and worked across Europe, Asia and North America during that time. Prior to joining HfS Research, Charles was the Chief Strategy Officer for Dallas based BPO Service Provider SourceHOV. Previously he was the Managing Director of Growth & Strategy for Accenture's multi-billion dollar global BPO Growth Platform after getting his first operational experience in BPO delivery with Accenture more than a decade ago.

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