Knowledge Capital PARTNERS

KEYS TO RPA SUCCESS

Part One: Becoming Strategic With RPA

How Blue Prism Clients Gain Superior Long-Term Business Value

By

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With market adoption of Robotic Process Automation reaching levels that support rigorous quantitative measurement and analysis, Knowledge Capital Partners has developed proprietary research tools and assessment models with the goal of establishing evidence-based performance benchmarks to inform technology selection and deployment. This report summarizes the key RPA management practices that have produced superior results and value for Blue Prism customers as revealed in multiple quantitative surveys and live deployment analyses.

Overview

Blue Prism, the inventor of the term Robotic Process Automation (RPA) and the market leader in enterprise RPA, recently engaged Knowledge Capital Partners (KCP) to survey their client deployments. We used proprietary KCP research tools, and this report summarizes our findings. Based on finalized quantitative survey results as well as our ever-growing library of qualitative case investigations, the report analyzes the management practices and behaviors that underpin the exceptional value achieved by Blue Prism customers as outlined in our January 2018 report "Robotic Process Automation: Benchmarking the Client Experience."

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Introduction:

In February 2018 the Knowledge Capital Partners (KCP) survey ***"Benchmarking the Client Experience"*** found high client satisfaction with the Blue Prism technical platform, and with the business value gained. Overall, 94% of clients were positive about the platform; of these 66% were 'very positive'. On total business value 96% reported overall improvement; of these 63% reported 'significant improvement'.[i]

This has not been the general RPA experience. In 2017, Ernst and Young found 30-50% of RPA projects stalling, not scaling, being abandoned or moved to other solutions. HFS Research was finding just 51% clients satisfied, 33% neutral and 16% dissatisfied. McKinsey were recording anecdotally problems when clients were trying to scale localized RPA proofs of concept. Meanwhile ISG were finding one-third of organizations challenged on underfunding, organizational resistance, governance, risk, compliance and security. Analyzing the broader market, KCP found these problems continuing into summer 2018, with 25% of problems deriving from tool selection, but 75% from management mistakes. Meanwhile many suppliers were 'RPA washing', by overstating capabilities, and over-selling RPA and cognitive automation as "AI", adding confusion and only exacerbating the problems for clients.[ii]

In this series of five reports over the coming months, we answer the key question: ***what explains the superior outcomes most Blue Prism clients are getting against several market trends?*** Our research shows that the single most important factor in achieving superior outcomes – one that shapes and informs all RPA-related activities – is the adoption of a strategic approach to the introduction and management of RPA within the enterprise. In this paper we analyze how Blue Prism clients have raised RPA to a strategic level.

Client Practices on Strategy: Seven Key Attributes

Combining all our research streams into Blue Prism and other clients, we can distill out seven attributes of the truly strategic performer in the RPA space. Six of these are well supported by the evidence. The seventh – focusing on total cost of ownership (TCO), and total value of ownership (TVO) – is the subject of promising on-going research and represents a real opportunity to develop strategic behavior further.

1. Strategy vs. Operational Quick Wins

Leading companies observe a fundamental rule: business strategy drives RPA investments. In the case of RPA this did not necessarily happen immediately. RPA historically has been seen as a tactical, quick-win tool to achieve business benefits and bypass the long IT work queue. Many RPA tools were set up with precisely this aim in mind, and exhibit design limitations when clients attempt to scale them to achieve bigger business goals. Moving from a tactical focus on costs to multi-faceted strategic impacts often follows a typical pattern (see Figure 1). Many RPA users move, sometimes painfully, through Phases 1 and 2, to get to Phase 3. Blue Prism pioneers like Telefonica O2, RWE NPower, innogy SE Business Solutions, Barclays Bank, and Shop Direct matured their own strategic understanding over time and now operate with Phase 3/4 mind-sets.

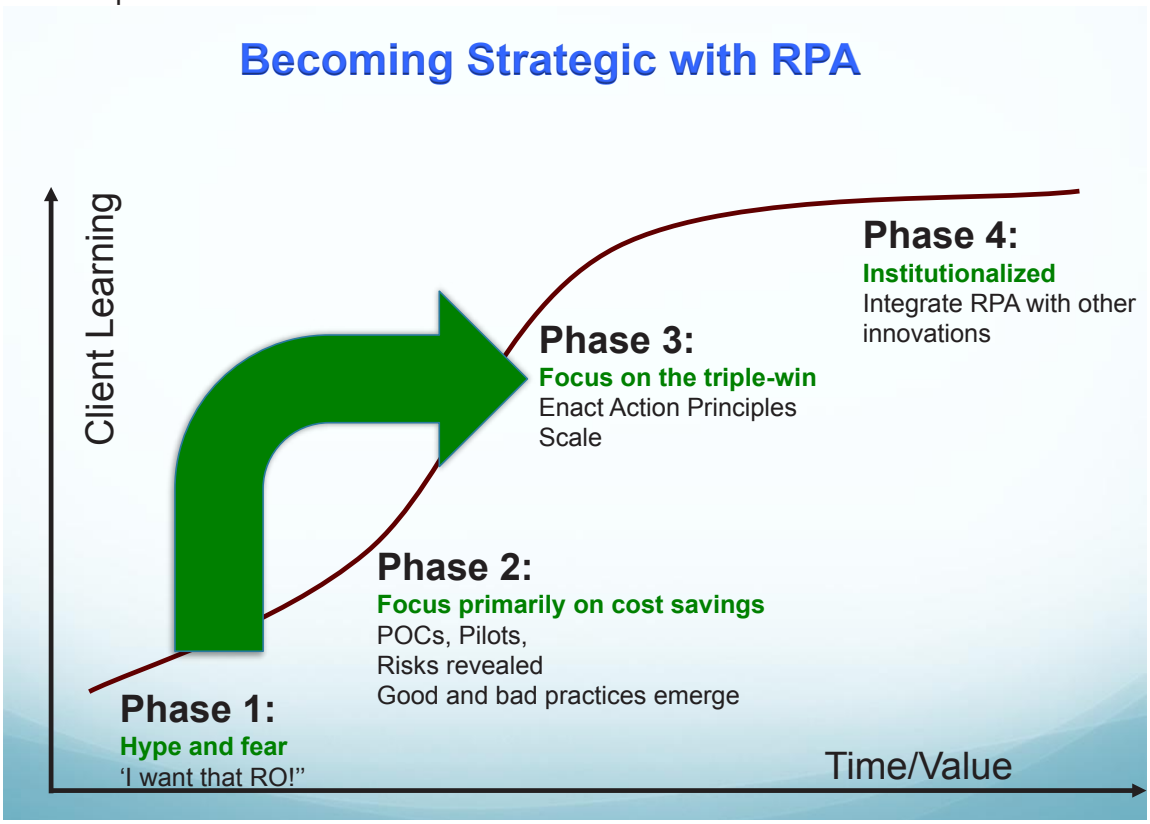


Figure 1: Becoming Strategic With RPA
Source: Lacity and Willcocks (2017)

Client experiences coupled with our knowledge built up over the last three years now has allowed companies like BNY Mellon, beginning their journey in early 2016, to accelerate their learning and kick-start at Phase 3. By mid-2017 they had over 200 robots in production and had automated more than 100 processes.

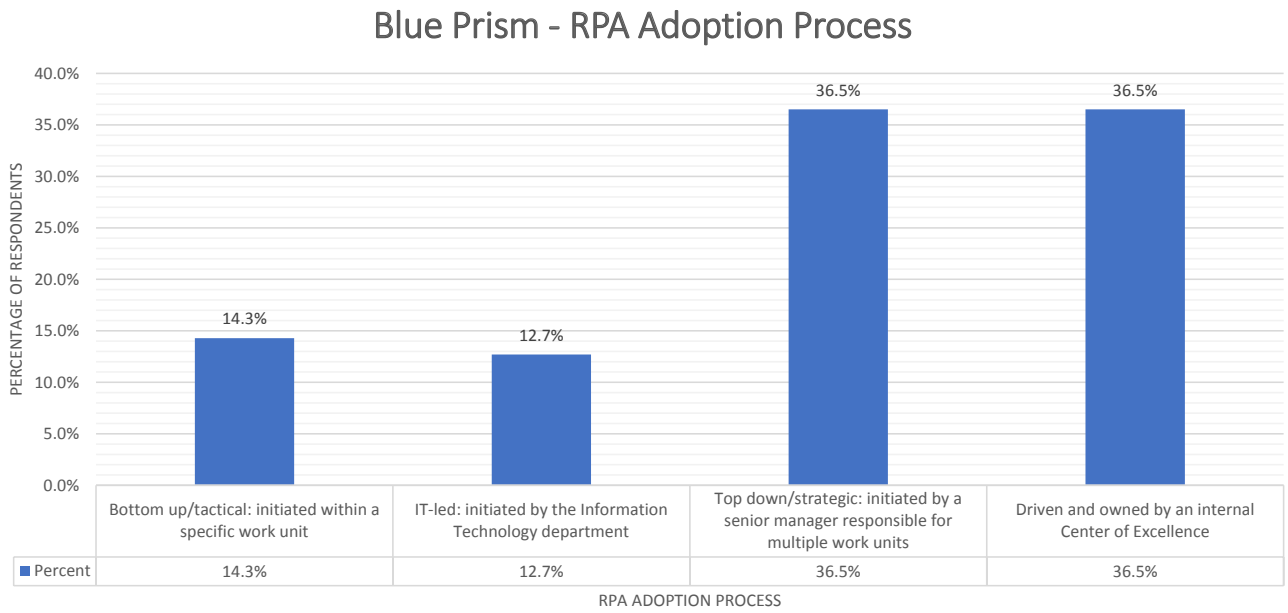
Where does business strategy come in? IT investments are always best driven by business imperatives.[iii] RPA is no different. We found Phase 3 clients going for a 'triple win' of shareholder, customer and employee value. The secret here was the higher aspiration. Clients aimed for and were getting multiple business benefits but were producing also unexpected returns, for example discovering much better regulatory compliance, faster delivery of new products to market, enhanced customer journeys and increased employee skills and recognition.

2. Culturally Imbedded vs. 'IT As Usual'

The longstanding finding on executive support for IT investments generally[iv] is reinforced by our RPA research - automation as transformative must have cultural adoption by the C-suite. This manifests itself in senior executive behaviors. They sponsor and project champion service automation. They see RPA as a strategic business project and provide the requisite financial and human resources. They communicate clearly on automation, and ensure that governance and project structure are in place. They protect developments when they run into difficulties. A prime example amongst Blue Prism clients has been Xchanging where, in 2014, CEO Ken Lever promoted 'putting technology at our core' as an annual report message. By June 2015, Xchanging had automated 14 core processes with a range of significant business benefits.[v]

Our most recent data from Blue Prism clients extends this picture into adoption practices (see Figure 2 below). Some 73% of clients drive automation from a centralized Center of Excellence, or top-down through a senior executive responsible for multiple business units. In practice, clients point out, it is difficult to scale and gain the really significant *strategic* benefits from RPA without top-down management and senior executive support. The clients deploying RPA locally or through the IT department were at much earlier stages of their automation journeys, and were not deploying the full capabilities of the RPA platform.

Which best describes your RPA adoption process?



n = 63

Figure 2 : RPA adoption Process
Source: KCP Survey

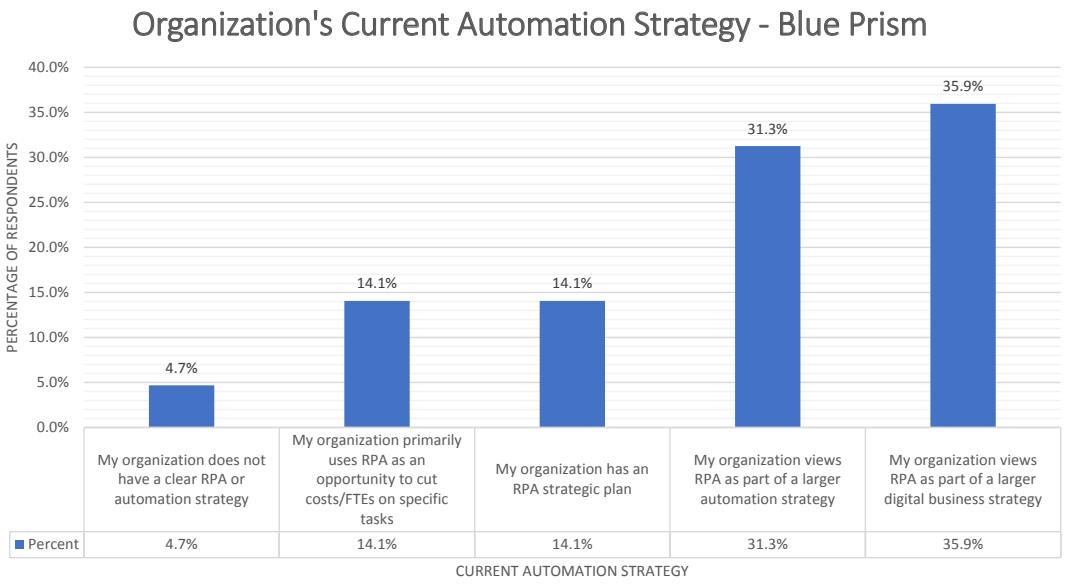
3. Planning vs. Opportunism

In June 2016, Jon Theuerkauf, then managing director and group head of performance excellence at BNY Mellon, stated as one of his principles: *'begin with the end in mind'.* More precisely, looking at the case, BNY Mellon planned for the mid-term and long-term end-points, and recognized that the 'end-point' would be continually redefined. We have found this typical of clients with a strategic mind-set. Much depends, of course, on what that end-point is defined as.

During 2017, most defined the end-point as establishing an RPA, then an automation Center of Excellence focused on applying several technologies such as RPA, cognitive, and analytics. By 2018 we found 67% of Blue Prism clients treating RPA as part of a larger automation or larger digital business strategy (see Figure 3 below). Companies like American Express, IBM, BNY Mellon, ING, Nordea, and Siemens planned to start slow, then scale fast. They looked for a rich business value proposition. Such clients aim for high return on investment (ROI) – our research found evidence of 30-200% first year ROIs, depending on process. But they also look explicitly for, and get, 'triple wins', typically including improved service speed, consistency and quality, faster deployment of new services, cost savings, improved regulatory compliance, more efficient processes, differentiating customer experiences, and more flexible, satisfied workforces.[vi] In terms of mid-point, clients were increasingly enhancing RPA usage by adopting complementary cognitive technologies, for example at Zurich Insurance in the

claim validation process, and at KPMG in audit, business generation, and risk assurance validation processes.[vii] Such companies, typically, also plan carefully across the automation life-cycle – from strategy to maturity - to mitigate the 41 material risks likely to be encountered in any major automation program.[viii]

Which best describes your organization's current automation strategy?



n = 64

Figure 3: Current Automation Strategy
Source: KCP Survey

4. Program Governance vs. Project Delivery

A common mistake has been to treat RPA as just another piece of software. This leads on to limited governance arrangements, at best adopting standard project management techniques, and seeing scaling as just buying more software to spread across more processes, with little IT engagement.[ix] By 2018 many clients, particularly those deploying robotic desktop automation (RDA)[x], found this inhibited both scaling and deploying RPA as a foundation for further service automation and digital transformation.

Our case research shows that leading RPA users across sectors take a different route, and, like Siemens, innogy SE and BNY Mellon for example, see RPA as potentially more transformational.[xi] The constitution ('rules of the game') for automation is formulated Day One, and covers decision-making and responsibilities for technology, process, data, business and resources. In fact, Blue Prism clients get a lot of technical governance pre-built into the software, covering security, compliance, change management, ease of integration with infrastructure, and fit with enterprise applications. Blue Prism

also sets out a detailed robotic operating framework that stipulates many enabling and policing rules. Taking development methodology as an example, John Davies at IBM said the rules may take a lot of time and effort to follow, but *'the reasons for taking a rigorous approach become obvious when you fail to do it, and run into serious, costly problems that could have been circumvented by up-front analysis and design*'. Blue Prism also details the vital role of the IT department in governance and making RPA function optimally. These governance features help, we think, to explain why Blue Prism clients are so positive about the technical platform's scalability, adaptability, security, ease of learning, and speed to deployment.[xii]

5. Platform vs. Tool

The requirement for such governance arises from seeing RPA as a platform, rather than just another automation 'tool'. The 'tool' view sees RPA being sidelined and overtaken by more advanced cognitive automation tools for image recognition, natural language processing, machine learning, and algorithmic reasoning, driven by huge advances in computing power and storage. Conversely, we found that, in the leading Blue Prism client companies, RPA is utilized as part of a continuum of complementary automation and digital technologies supporting digital transformation of the enterprise. Many RPA vendors now suggest that their products provide an 'enterprise platform'. With Blue Prism, clients exhibit platform capability with over 92% adopting server or cloud deployment, as opposed to desktop deployment (see Figure 4). We found clients also recognizing Blue Prism enterprise platform capabilities, citing, in particular, enterprise wide scalability, low coding requirement, strong security, and design for enterprise integration.

Which best describes your RPA technology deployment strategy?

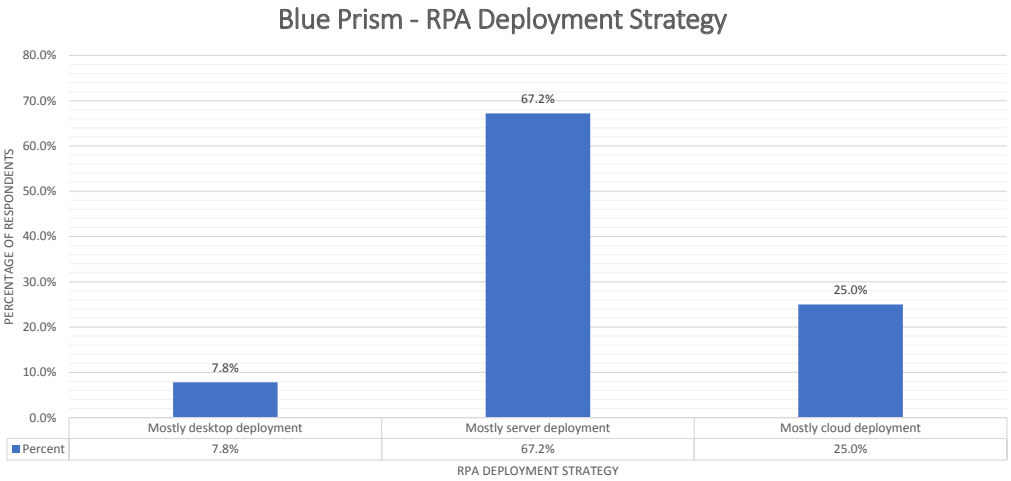


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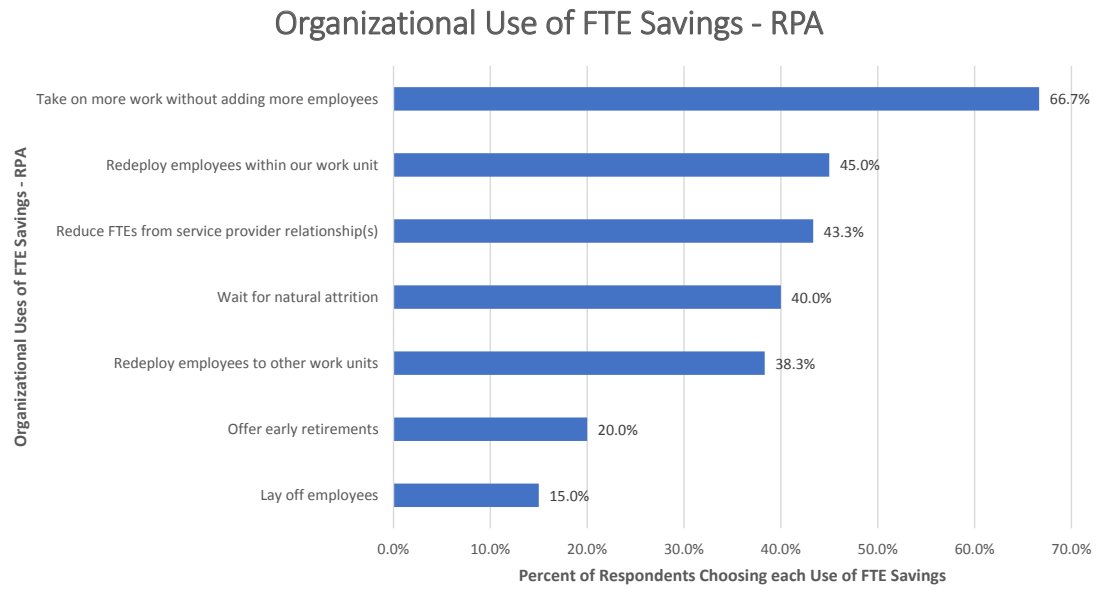
Figure 4 - RPA Deployment Strategy
Source: KCP Survey

6. Change Management vs. Silo Tolerance

Used opportunistically, RPA tools can gain quick wins, but too often they have been deployed as an 'Elastoplast' or 'Band-Aid' on pain points in the organization. This has the advantage of not having to deal with change management issues, but the serious disadvantage of inhibiting the transformation potential of automation, and consequent strategic benefits. But most organizations are surprisingly heavily siloed, not just in terms of structure, but just about everything else.[xiii] By mid-2018, as RPA adopters increasingly scaled to reap more benefits, we found them encountering major challenges on change management.[xiv]

Amongst leading Blue Prism clients, we found senior executives recognizing early the transformation potential of RPA, and explicitly managing the change implications for data, technology, people, processes, and structures. Siemens provides us with one example of bringing these and our other points together. For its shared services, Siemens established a global RPA Center of Excellence in mid-2017, to define a global approach. It looked to integrate RPA with the business process/management/operations platform and enterprise platform globally. Critical success factors included integrating RPA into a broader automation strategy, alignment with process governance, C-level support with risk capital, and process optimization being combined with RPA. Other critical success factors included partnering with IT and external partners; developing expertise in automation and process optimization; clear governance and operating model, a centralized framework for IT architecture and infrastructure, and stakeholder communications and change management.

What does your organization do with the FTE savings generated from RPA? (tick all that apply)



n = 60

Figure 5 – Client Use of FTE Savings Generated From RPA
Source: KCP Survey

As many Blue Prism clients have found, getting early stakeholder buy-in is particularly important – from business operations managers, IT, employees and senior executives. This, we find, involves fully resourcing change management capability, messaging the purpose and value of RPA to staff, and ensuring strategic alignment, new competencies, and changes are institutionalized and embedded in work practices. On messaging, we asked Blue Prism clients what they did with the FTE savings generated from RPA (see Figure 5).

Over two-thirds take on more work without adding more employees, supporting our accumulating evidence that organizations are experiencing dramatic increases in the amount of work to be done, and that automation is not so much replacing labor as helping organizations cope. Blue Prism clients also use five other human resource approaches – redeployment within or outside the work unit, reduce FTEs from their outsourcing supplier, waiting for natural attrition, and offering early retirement, with only 15% saying they have laid off employees. The key issue here is communicating clearly, honestly and early what is likely to happen to jobs, as this is a key worry issue for employees.

7. Measurement: ROI v. TCO v. TVO

The evaluation of IT investments has always been problematic. At the same time, getting the right measurement system has been a major key to driving business value[xv]. In the past organizations have tended not to fully investigate risk and potential costs, understated knock-on cost of operations and maintenance, and not properly accounted for rising human and organizational costs. Typically, we found that organizations using traditional ROI cost/benefitanalysis understated real costs, which frequently exceeded technical costs by 300-400%.[xvi] Our evidence is that many RPA users are committing the same mistakes.

The real limitation so far in RPA assessment has been in establishing benefits. A 2017 Forrester Research study[xvii] created a composite organization from two Blue Prism client organizations and estimated quantified benefits of $49.19 million over three years. However, these were attributable to labor savings and endogenous savings in recruitment, training and facilities.

The study also references unquantified benefits in top-line revenue from improved customer satisfaction, and in lower security and compliance costs. In our view RPA, and indeed automation, measurement needs to go much further.

The next paper in this report series focuses on applying a measure we call **Total Value of Ownership (TVO).** With this concept, the objective is to ensure that business cases for service automation are driven by (1) total costs, (2) multiple expected business benefits and (3) the strategic returns from future business and technical options made possible by RPA.

Conclusion

We have focused in this paper on the critical importance of taking a strategic approach to RPA as a foundation for achieving success, based on quantitative and qualitative evidence derived from Blue Prism client deployments. Across the next four papers in this series we will identify the Action Principles[xviii] adopted by leading Blue Prism clients across the RPA lifecycle:

- Resolving key selection challenges: Sourcing, Platform, & Total Value of Ownership
- Gaining stakeholder buy-in and establishing governance
- Change management and capability development: People, Process & Technology
- The path to maturity

Taken together, our Action Principles do not just mitigate the risk of failure, they enable and ensure maximum enterprise value from RPA as a transformational digital business platform.

Research Base

This study draws upon detailed research into 70 RPA client adoption case studies in 2015-2018 period, with a review of a further 104 cases in that period. Much of this material can be accessed in Mary Lacity and Leslie Willcocks as *Service Automation, Robots and The Future of Work (2016), Robotic Process Automation and Risk Mitigation: The Definitive Guide (2017), and Robotic Process and Cognitive Automation: The Next Phase (2018).* All these books are published by SB Publishing, Stratford, and there are also multiple working papers available at roboticandcognitiveautomation.co.uk. We also draw upon three surveys specifically of Blue Prism clients. The first was carried out using McGuire Research client contacts. The second was carried out through Knowledge Capital Partners and gained client results consistent with the McGuire data. The client satisfaction results were published as Lacity, M. Hindle, J. Willcocks, L. and Khan, S. (2018) *Robotic Process Automation: Benchmarking The Client Experience (KCP, London).* The results on effective management practices are published for the first time in this report series along with data collected from clients surveyed at the Blue Prism World events at New York and London in May and June 2018. For this report series we are also carrying out additional client interviews to verify our findings and conclusions, and collecting new data through a survey on the KCP website www.knowledgecapitalpartners.com/surveys.

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Notes

[i] The technical platform benchmark is comprehensive, covering also effect on scalability (94% positive, 66% very positive), adaptability (90% positive, 66% 'very agile'), security (84% positive, 68% 'very secure'), effect on service quality (96% improved, 68% 'greatly improved'), effect on employee satisfaction (86% improved, 60% greatly improved'), ease of learning (88% positive, 60% 'very easy to learn'), and speed to deployment (60% less than 8 weeks, 32% less than 6 weeks). We also benchmarked return on investment (ROI) where 66% reported more than 25% ROI in the first year, and 33% reported more than 50% first year ROI. On customer/user experience, 83% of clients reported overall improvement, while 63% recorded 'significant improvement'.

[ii] Leslie Willcocks (2018). *Being Smart About Enterprise RPA: Now, Soon, Later.* Presentation at Blue Prism World, London June 13th 2018.

[iii] See Willcocks, L. Feeny, D. and Islei, G (1998) *Managing IT As A Strategic Resource*. McGraw Hill, Maidenhead). Also Willcocks, L., Venters, W. and Whitley, E. (2014) *Moving To The Cloud Corporation. Palgrave, London).*

[iv] See Willcocks, L., Petherbridge, and Olson, N. (2003) *Making IT Count: Strategy, Delivery, Infrastructure.* Butterworth Heinemann, London.

[v] See Willcocks, L. and Lacity, M. (2016) Service Automation, Robots and The Future of Work. (SB Publishing, Stratford). Chapter 4.

[vi] See Willcocks and Lacity (2016) op. cit. and Lacity and Willcocks (2018) op. cit.

[vii] See Lacity and Willcocks (2018) op. cit. chapters 4 and 7.

[viii] We identify and detail these 41 risks, and how companies mitigate these, in Lacity and Willcocks (2017) *Robotic Process Automation and Risk Mitigation: The Definitive Guide* (SB Publishing, Stratford).

[ix] This tends to repeat the mistakes when ERP systems were first introduced, except that in the 1990s and 2000s the implementation tended to be abandoned to the IT department, as opposed to business operations. Historically it needed a (costly) second wave of deployment to reap the transformative capabilities of ERP systems. See Seddon, P., Shanks, G. and Willcocks, L. (2003) *Second Wave ERP Systems.* (Cambridge University Press, Cambridge)

[x] The term used in the *IEEE 2755-2017 Guide for Terms and Concepts in Intelligent Automation* (2017); also called agent assisted automation. Such tools were designed from a desktop use perspective, rather than fit with enterprise systems.

[xi] For these two cases see Lacity and Willcocks (2018) op. cit. chapter2.

[xii] See Hindle, J., Lacity, M., Willcocks, L., and Khan, S. (2018) RPA: *Benchmarking Blue Prism Client Experiences.* KCP, London

[xiii] Tett, G. (2016) The Silo Effect: The Perils of Expertise and The Promise of Breaking Down Barriers. (Simon and Schuster, New York)

[xiv] See Lacity and Willcocks (2018) chapter 2. Also Leslie Willcocks (2018), op. cit. .

[xv] For a detailed discussion see Willcocks, L. and Lester, S. (1999) *Beyond The IT Productivity Paradox*. (Wiley, Chichester) chapter 1 – Information Technology: Transformer Or Sink Hole?

[xvi] See Willcocks, L, And Graeser, V. (2001) Delivering IT and E-Business Value (Butterworth Heinemann, London)

[xvii] Forester Research (2017). *The Total Economic Impact of Blue Prism Robotic Process Automation (RPA) Platform.* (Forester Research, New York), November.

[xviii] Unlike 'best practices' that imply 'one-size-fits-all', Action Principles are made effective or otherwise by four factors: the objectives an organization is trying to achieve; the organization's unique context; whether the organization has the retained capability to implement the practice effectively; and timing – there are good and less good moments to apply a specific practice. We found successful Blue Prism clients deploying management practices judiciously in the light of these four factors. See Lacity and Willcocks (2018), *Robotic Process and Cognitive Automation: The Next Phase.* (SB Publishing, Stratford).