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KEYS TO RPA SUCCESS

Part Two: Resolving Key Selection Challenges: Sourcing, Platform and Total Value

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."

Contents

Introduction:

In "Becoming Strategic with RPA," the first paper of the series, we examined the exceptional results Blue Prism clients achieved with their RPA deployments from taking a disciplined, strategic approach. In this paper we analyze their approach to the key selection challenges facing buyers in three areas: sourcing model, platform selection, and value measurement.

In choosing a sourcing model, we have identified in our research five major risks facing organizations as they decide how to introduce RPA. We have seen clients choose to self-administer their automation program without recognizing, developing, or acquiring the required skills. We have seen others pick the wrong advisors or partners, or pick the right ones too late. There are clients who have gained sub-optimal value from choosing to rely too heavily on their business process outsourcing (BPO) providers. And while cloud-based RPA-as-a-Service offerings have emerged as an attractive sourcing option, they can bring extra data protection risks for clients in highly regulated industries.

Tool/platform selection can also be hazardous. Given pervasive hype and confusion in the marketplace, clients risk choosing the wrong tool(s), too many tools, or bad tools. The proliferation of vendors marketing 'RPA' – over 45 vendors claiming RPA offerings as at summer 2018 – has not helped. In fact, even amongst the top three vendors, products vary significantly. The follow-on risk from initially choosing the wrong tool can mean costly 'lock-in' and a complicated exit path.

There are reliable ways of mitigating these risks, as we have established in previous publications.[i] In this paper we enrich this analysis, then introduce a further key practice identified in our research-in-progress on delivering RPA business value: measuring Total Value of Ownership.

Sourcing Approach:

In our review of the general market, we see five main sourcing approaches:

• Insourcing (DIY)

• Insourcing with consultancy

• RPA service providers

• BPO service providers

• RPA-as-a-Service (cloud)

Which to choose? Amongst Blue Prism clients the overwhelmingly preferred option is insourcing (See Figure 1, below), with a clear majority also including consultancy support (70%). Outsourcing to an RPA or BPO provider is practiced by only 15%. Only 11% of Blue Prism clients were using RPA As-A-Service (cloud), though we would expect this to rise as cloud comes to be perceived as less risky and is experienced as more usable for a greater range of tasks.

These preferences stand in marked contrast to our 2018 findings on the general market, where 72% of clients reported that they relied on their current service providers to automate services for them,
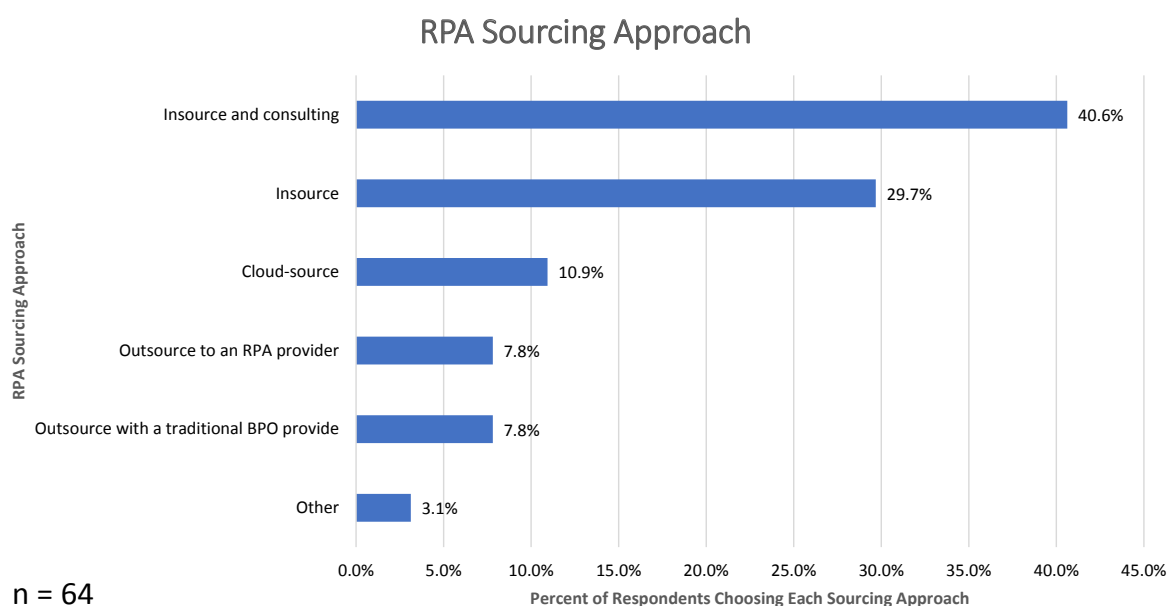
Which best describes your RPA sourcing approach?

n = 64

Figure 1 – Sourcing Approaches of Blue Prism Clients

while 23% used RPA-as-a-Service[ii]. Given the very positive results Blue Prism clients have achieved compared to more modest market trends, this suggests that building internal capabilities (augmented by expert consultancy) and fostering internal learning at the early stages of deployment are strategic keys to effective RPA performance, rather than leaning heavily on service providers. Drawing on external advisory expertise also seems to be a common and helpful practice.[iii] We note increasing use of RPA-as-a-service over the last year amongst Blue Prism and non-Blue Prism clients alike.[iii]

It would seem, then, that Blue Prism clients are seeking long term benefits from owning the RPA solution, and are more willing to pay for the learning curve and resource commitment required (see Figure 2, below). For clients using their BPO or RPA service providers, the benefits include a full suite of integrated services that combine labor arbitrage, process excellence, change management maturity and technology expertise. A downside, of course, is provider-lock in – switching providers may mean having to re-jig automation with the new provider. We have also seen some BPO providers reluctant to share the full gains and benefits from automation, or adopt less radical kinds of automation to avoid cannibalizing their existing labor arbitrage model.

Comparative Sourcing Options

	Do It Yourself, and DIY + Consultancy	Service Provider (BPO or RPA)
Benefits: ✔	Own the solution Maintain independence (no tool lock-in) Capture all gains Reshoring opportunity in cases of "offshoring fatigue"	Bypass learning curve BPOs may be best positioned to "take the robot out of the human" (they already do the work) Providers bring cross-client, cross-industry experience Expert at retraining robots when IT or business environment changes Receive an integrated, managed service
Cons: ✖	Technology learning curve Upfront investment costs Time/cost to build or acquire skills and capabilities; CoE	Tool lock-in Benefits shared with BPO provider

Figure 2 - DIY vs. BPO/RPA Service Provider

How do Blue Prism clients choose RPA providers?   Reputation, reference site, and advisor recommendation are the top three criteria cited, in descending order (see Figure 3, below). Underlying that overall ranking, a prior relationship with the provider is the strongest relatively weighted decision factor (followed by reputation and advisor recommendation). There is an anonymous business aphorism that might well apply here: *"All things being equal, you do business with people you know and trust; all things being unequal, you (still) do business with people you know and trust…"*

What are the TOP three criteria your organization used to choose the RPA provider(s)? Please place in rank-order, 1 (first), 2 (second), and 3 (third).
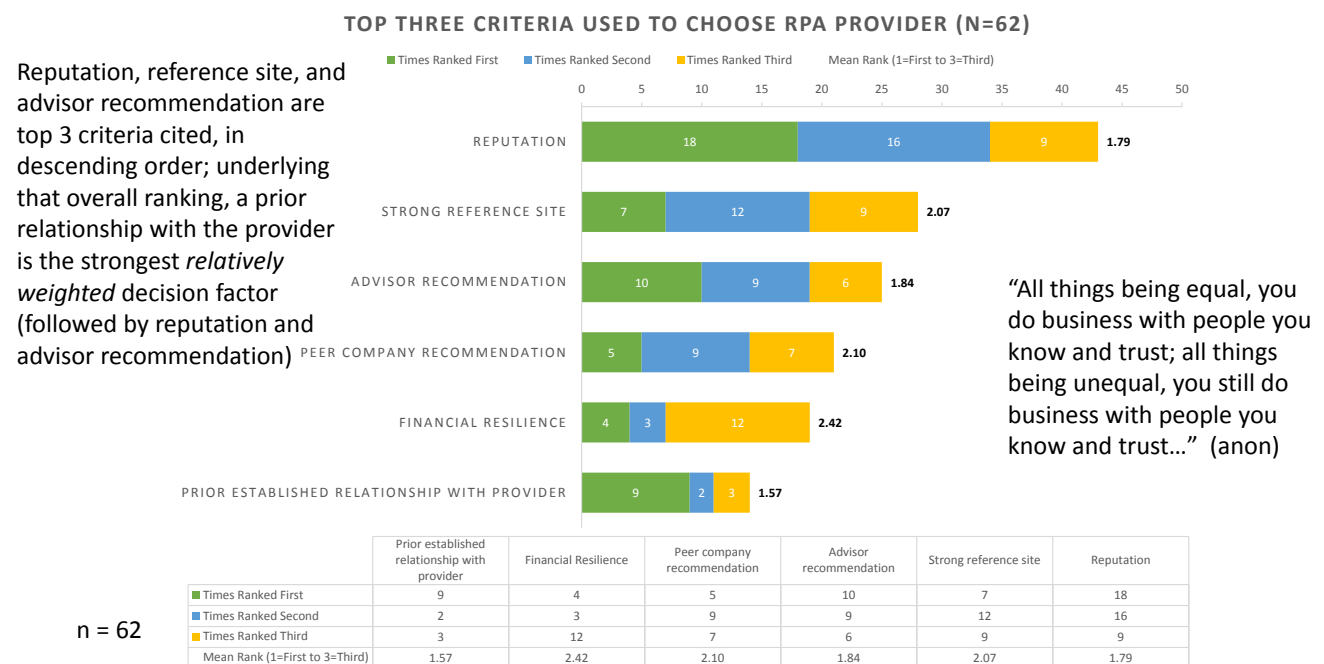
Reputation, reference site, and advisor recommendation are top 3 criteria cited, in descending order; underlying that overall ranking, a prior relationship with the provider is the strongest *relatively weighted* decision factor (followed by reputation and advisor recommendation)

TOP THREE CRITERIA USED TO CHOOSE RPA PROVIDER (N=62)

"All things being equal, you do business with people you know and trust; all things being unequal, you still do business with people you know and trust…" (anon)

n = 62

	Prior established relationship with provider	Financial Resilience	Peer company recommendation	Advisor recommendation	Strong reference site	Reputation
■ Times Ranked First	9	4	5	10	7	18
■ Times Ranked Second	2	3	9	9	12	16
■ Times Ranked Third	3	12	7	6	9	9
Mean Rank (1=First to 3=Third)	1.57	2.42	2.10	1.84	2.07	1.79

Figure 3 – Criteria For Choosing An RPA Provider

Tool/Platform Selection

There are four major archetypes of process automation technology labeled 'RPA' in the marketplace (see Figure 4, below). We see some clear trends: different types of buyers, with differing business and stakeholder objectives, and different technical backgrounds, will buy different kinds of RPA. For example, business operations managers seeking quick wins and independence from the IT queue often go for "recorded" RDA tools (Robotic Desktop Automation). Those wanting to customize the tool heavily, and 'own' the technology, tend to go for offerings with extensive software development kits (SDK).
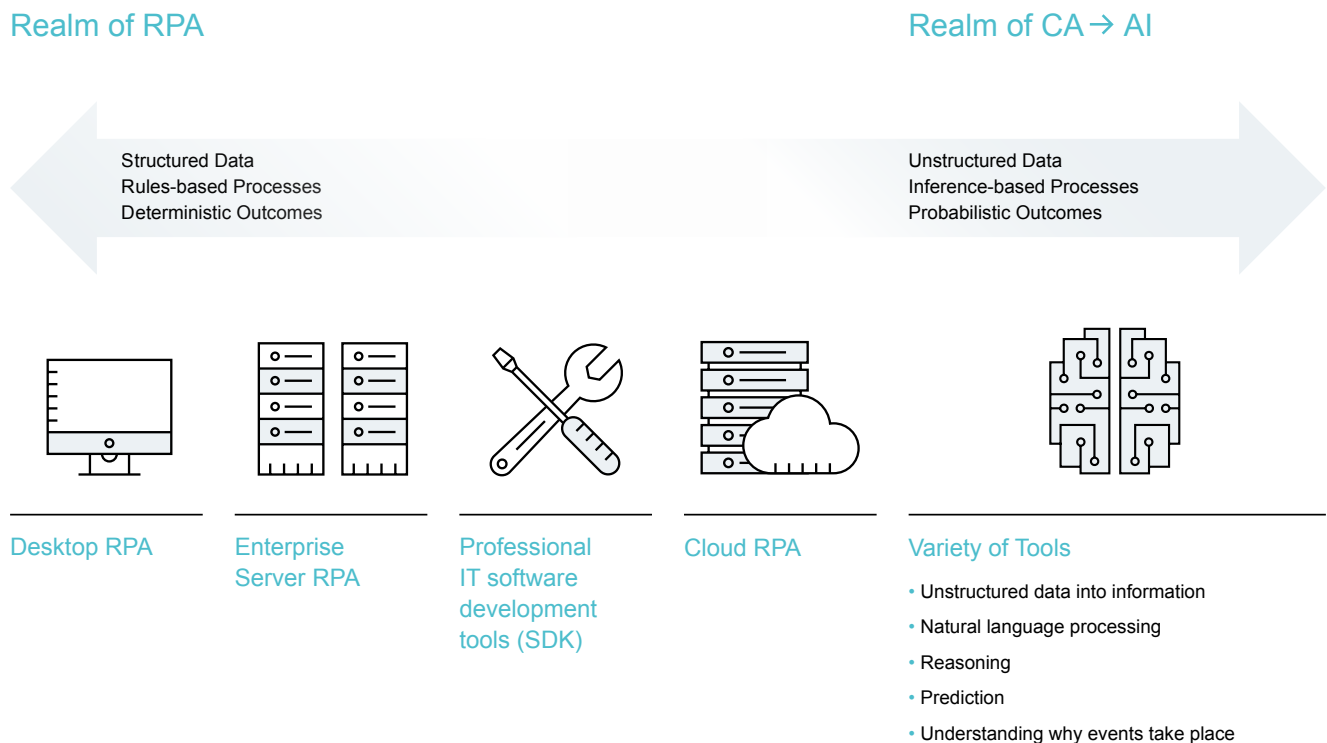
Automation Technology Archetypes
—

Realm of RPA   Realm of CA → AI

Structured Data   Unstructured Data
Rules-based Processes   Inference-based Processes
Deterministic Outcomes   Probabilistic Outcomes

Desktop RPA   Enterprise   Professional   Cloud RPA   Variety of Tools
               Server RPA   IT software
                              development   • Unstructured data into information
                              tools (SDK)
                                                 • Natural language processing

                                                 • Reasoning

                                                 • Prediction

                                                 • Understanding why events take place

Figure 4 – Four RPA 'archetypes'

Blue Prism clients express a clear preference for an RPA platform that is scalable, and that provides a secure, enterprise grade solution (see Figure 5, below). Speed to adopt and ease of use are more secondary, with lower priority also given to reusability, auditability, multi-skilling capability and cost. That said, we found Blue Prism clients registering high satisfaction levels on all these criteria, as well as on employee satisfaction, service quality and business value.[iv]

What are the TOP three criteria your organization used to choose the RPA platform(s)? Please place in rank order, 1 (first), 2 (second), and 3 (third).
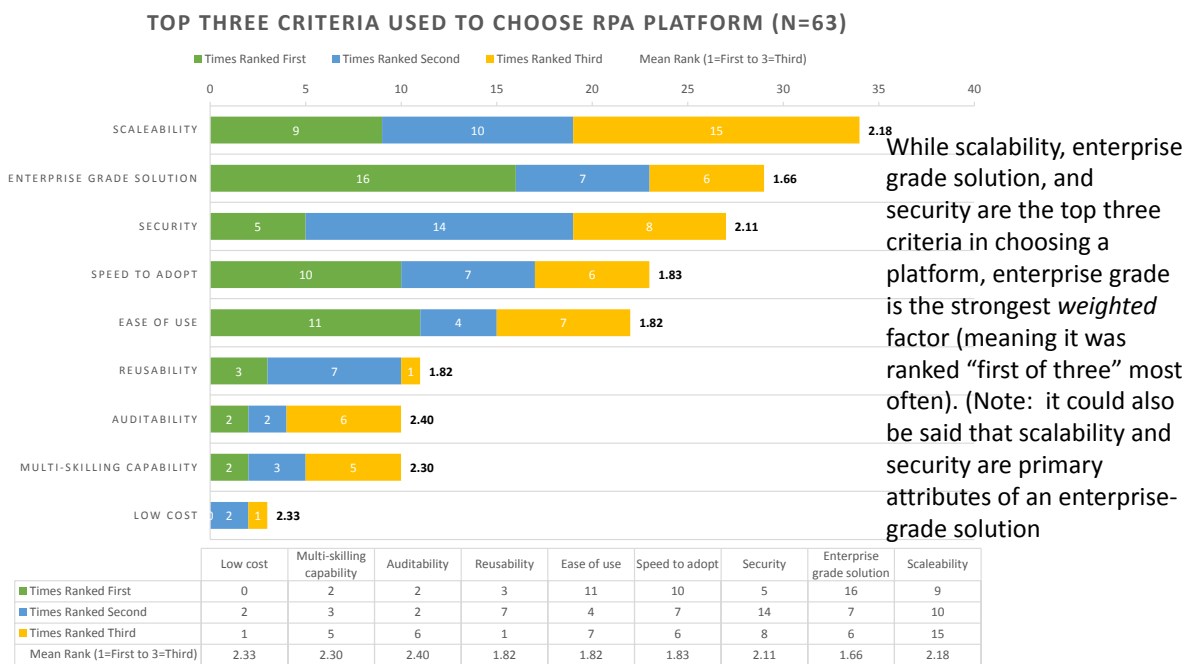
TOP THREE CRITERIA USED TO CHOOSE RPA PLATFORM (N=63)

While scalability, enterprise grade solution, and security are the top three criteria in choosing a platform, enterprise grade is the strongest *weighted* factor (meaning it was ranked "first of three" most often). (Note: it could also be said that scalability and security are primary attributes of an enterprise-grade solution

n = 63

	Low cost	Multi-skilling capability	Auditability	Reusability	Ease of use	Speed to adopt	Security	Enterprise grade solution	Scaleability
Times Ranked First	0	2	2	3	11	10	5	16	9
Times Ranked Second	2	3	2	7	4	7	14	7	10
Times Ranked Third	1	5	6	1	7	6	8	6	15
Mean Rank (1=First to 3=Third)	2.33	2.30	2.40	1.82	1.82	1.83	2.11	1.66	2.18

Figure 5 – Selecting The Platform - Blue Prism Client Criteria

Is it just, then, a matter of a client defining its objectives and finding the 'best fit' tool or platform? That is necessary, of course, but insufficient. There is a critical missing question to be answered to complete the evaluation jigsaw: *What kind of journey does each type of RPA technology lock you into?*

The answer emerging from our research is shown in Figure 6. While experience is growing, the problem has been that most RPA clients in the general market have only started their journeys relatively recently – the take-off point seems to have been late 2016/early 2017. The promises and challenges inherent in technical choices typically only emerge in Phase 2, however, and then grow more serious over the next two years (see Figure 6, below).

Our general market research shows that RDA, RPA and SDK automation models take clients on different journeys, with significantly different management challenges and resulting cost and benefit consequences. Clients who did not think strategically from the start, who used traditional cost/benefit analysis and ROI metrics, and who saw RPA as a tool rather than a platform, failed to take into account a key issue: ***the total cost and total value contribution of their RPA investments.***

RPA providers are improving their technology continuously and some technical fixes are emerging to the difficulties we identify in Figure 6. But our evidence is still that the initial choice of technology can, over a five-year period, commit a client to significantly less or more difficult management challenges, and yield much higher total costs and much lower contributions. (It is a fundamental law of complex systems theory that a small change in initial conditions produces ever-increasing effects over time.) To mitigate the risks here, in the next section we suggest a new metric – Total Value of Ownership (TVO) that clients can use for assessing initial RPA feasibility, and for tracking the return from their RPA investments over their technology

Three Journeys: KCP Evidence 2016-18

	Journey 1 - RDA	Journey 2 - RPA	Journey 3 - SDK
Phase 1: Start	• Quick, cheap deployment • Early/local gains • Buy more 'bots'	• Preparation time • Deployment by process analysis, software configuration	• Buy UAIs, software • Conscript/hire IT developers • Customize apps • Cost/resource/technical issues
Phase 2: Launch/Develop:	• Initial challenges emerge • Enterprise scaling problems due to technical limitations	• Buy more reusable robots • Technical architecture embedded • Enterprise scaling and integration relatively easy	• Need for continuous attention/ supervision • Technical issues of integration when scaling
Outcomes: By Year 2	• More challenges emerge • Security, IT, change mgt • Governance, compliance • More scaling challenges • Inconsistent ROI • Unexpected cost, time, resource demands • Poor strategic automation positioning	• Enterprise deployment under good technical control • ROI 30-200% per year • Costs and resources well understood • Good strategic automation positioning	• Multiple enterprise deployment challenges • High cost/time and resources • Struggle over future positioning

Figure 6 – Three RPA Journeys and Their Implications

Cost/Benefit Measurement Models:
From ROI to TVO

Return on Investment. 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[v]. Traditional ROI measures and cost/benefit analyses typically understate 'soft' and strategic benefits when applied to IT, and do not account adequately for many operational, maintenance, human and organizational costs, which frequently exceeded technical costs by 300-400%.[vi] We are finding that many RPA users are committing similar mistakes.

Total Cost of Ownership. One remedy, at least on the cost side, has been to refocus on Total Cost of Ownership (TCO), defined as the *total technical, project, human and organizational acquisition and operating costs as well costs related to replacement or upgrades at the end of the life cycle.* TCO directly relates to an enterprise's asset and/or related systems total costs across all projects and processes, thus giving a picture of the profitability over time. By mid-2018 some 67% of Blue Prism clients had a TCO model. Of these, 40% started with a TCO model while 60% developed it over time[vii].

For Blue Prism clients some good work has already been done in this area. Thus a Forrester Research study suggested a TCO estimate of $US14.9 million for financial services clients to move from 20 robots in Year 1 to 130 robots in year 2 and 600 in year 3.[viii] However, these estimates only include the costs to deploy and maintain Blue Prism RPA, plus license fees.

Meanwhile Chappell Associates (2018) produced a useful TCO model for RPA, pointing to six sources of cost: purchasing software, creating initial processes, creating later processes, executing processes, managing and scaling processes, and securing and auditing processes. It omits important costs covered by our definition of TCO.[ix]

Benefits. The real limitation so far in RPA assessment has been in establishing benefits. Inherited from IT evaluation practice, one tendency has been to establish a viable business case by understating total costs in order to be able to allocate only hard, financial benefits allowable under traditional ROI measurement regimes. But this does not lead to gaining strategic value from RPA, nor treat RPA as strategic[x]. The truth is that a new measure of net benefits is needed in order to drive strategic behavior and gains[xi].

The 2017 Forrester Research study estimated quantifiable benefits of $49.19 million over three years. However, these were attributable to labor savings ($45.2 million through headcount saved, hiring avoidance, and hours

back to the business), and endogenous savings from recruitment, training and facilities resulting from reduced headcount requirements ($4.07 million). The study also mentions unquantified benefits in top-line revenue from improved customer satisfaction (e.g. lower customer churn rates, increased revenue opportunities), and in lower security and compliance costs as a result of deploying Blue Prism RPA. In our view RPA, and indeed intelligent automation, measurement needs to go much further.

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 (both explicit and hidden costs), (2) multiple expected business benefits and (3) the strategic returns from future business and technical options made possible by RPA (hidden value). Our TVO Framework is shown in Figure 7.

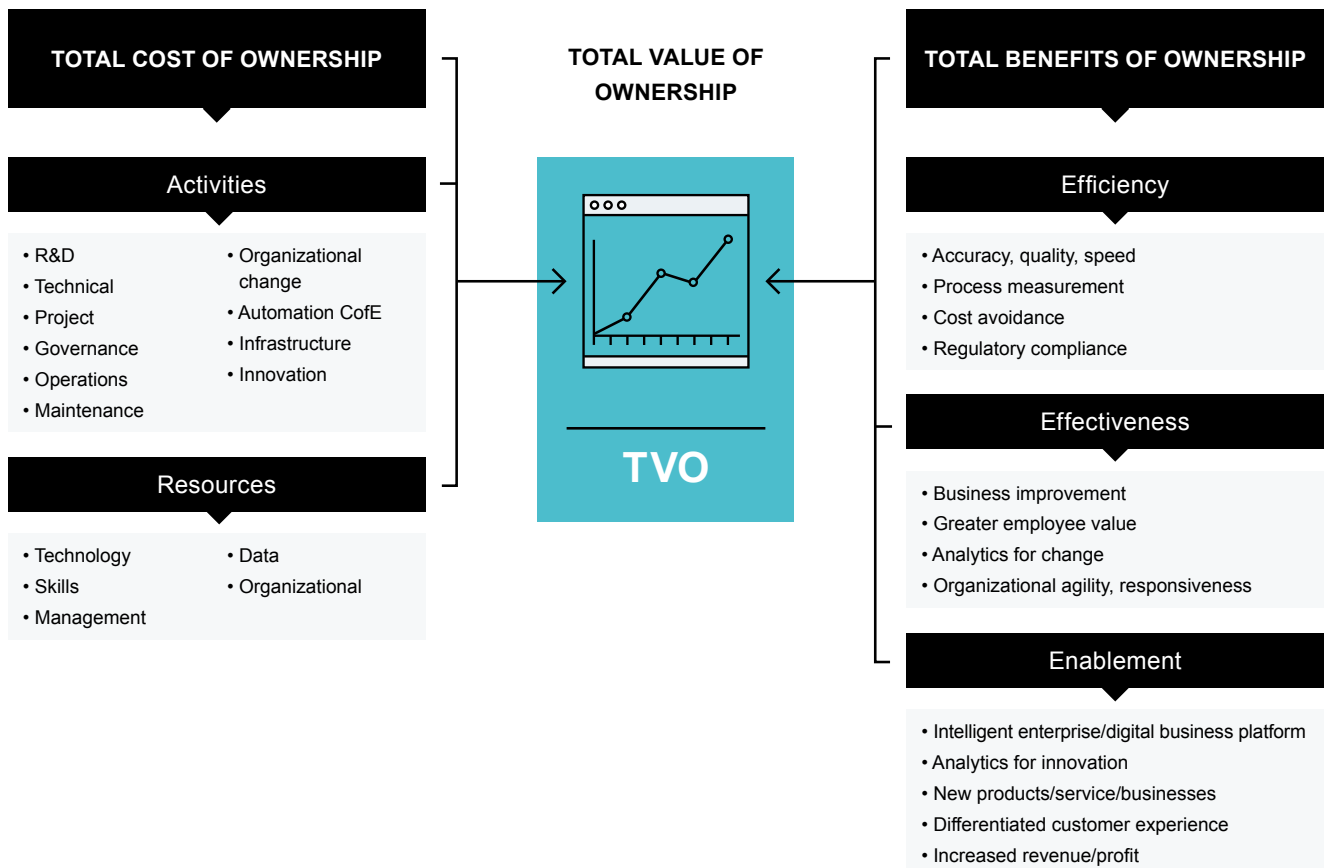# Total Value of Ownership: The KCP Three E's Framework

**Figure 7 – Getting To Total Value Of Ownership
(Source: Knowledge Capital Partners.© All Rights Reserved)**

The concept is developed further in forthcoming papers in this series, but some introductory remarks are useful here. TCO is arrived at by summing all resource costs encountered across the activities comprising the automation life-cycle, flushing out hidden costs so often missed when using more traditional metrics. On the value side, we have already found very strong empirical evidence amongst Blue Prism and other clients using RPA for a 'triple win' for shareholders, customers and employees. Our "three E's" framework is designed to capture all these, but also locates further hidden value frequently omitted from clients' business cases.

Much hidden value resides in the potential from applying business analytics for efficiency, effectiveness and enablement gains. Additional hidden value is located in the Effectiveness area ('doing things right/differently') by using automation to change how business is done, or extending its capabilities. Meanwhile when we come to Enablement, we have already found multiple examples of enhanced customer journeys, new services, and increased profit/revenue. However, this is just scratching the potential in these directions, given how the technology is developing. Furthermore, we need to capture the hidden strategic value of the future options enabled where RPA creates a powerful digital business platform, multi-faceted in its internal and external usage. Discounting such major hidden, future value is a serious mistake.

You do not have to go far for exemplars that support strategic TVO thinking around IT enablement as a compelling proposition. For example, in the 1960s and early 1970s. American Airlines developed SABRE initially as a more efficient internal reservation system (flights were previously booked over the phone manually using punch-card technology). It became a multi-functional, multi-lateral industry platform that transformed air travel. Similarly, Amazon started out in the mid-1990s selling books online – by re-imagining the customer experience – and over time evolved the platform originally built for books to sell a vast range of goods from multiple sellers alongside Amazon's own expanding product offerings. Subsequently both companies gained massive strategic value from their information technology investments. We will revisit these examples in our final paper, where we will focus on the kinds of hidden "Enablement" benefits and opportunities arising from having a robust, intelligent, automated digital operations platform, and which the TVO framework is designed to capture.

Conclusion

We are often asked: what are the top three recommendations for securing RPA success. As a summary of our research thus far, we suggest in fact four:

- Think strategically
- Institutionalize fast
- Start right
- Innovate continuously [i]

Our first paper dealt with becoming strategic. This second paper has shown how to 'Start Right'. Blue Prism customers registering the highest satisfaction with their automation approach:

a) Recognize the major risks in choosing from the sourcing options available. While Blue Prism customers prefer insourcing, most also use consultants or advisors as partners.

b) Express a clear preference for an RPA platform that is scalable, and that provides a secure, enterprise grade solution. Speed to adopt and ease of use are more secondary, with lower priority also given to reusability, auditability, multi-skilling capability and cost.

c) Can improve their analysis of business value by calculating total cost of ownership, and identifying short and longer term business benefits.

d) Can upgrade their strategizing by adopting the concept of Total Value of Ownership (TVO), moving managers from a low cost/quick win mentality to treating automation technologies as long-term strategic investments, and part of a larger digital business value program.

Our third paper in this series continues this theme of starting right and builds the bridge into 'Institutionalize Fast' by focusing on gaining stakeholder-buy-in and establishing governance.

[i] As formulated by Mary Lacity. See video interview 'Scaling your RPA and developing a risk management plan' July 2018 – on www,roboticandcognitiveautomation.co.uk.

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 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 June 2018. For this series we are also carrying out additional client interviews to verify our findings and conclusions, and collecting new data.

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Notes

[i] See Lacity, M. and Willcocks, L. (2017) *Robotic Process Automation and Risk Mitigation: The Definitive Guide.* SB Publishing, Stratford).

[ii] IAOP Survey by Mary Lacity and Leslie Willcocks published in *Pulse Magazine* May 2018. Note that the general market see some mixed sourcing approaches with nearly half of clients also managing some automation programs themselves, without outside help from providers or advisors, and some 64% hiring advisors at some stage.

[iii] Our comment here is that between 2016-18 years, we saw advisors quickly build service automation practices in response to increasing client demand. Advisory firms track the service automation landscape and help clients with their service automation journeys. Credible advisors need to master a variety of tools to be "tool agnostic" and they must understand which tools are best suited to meet a client's needs. Advisors are building capabilities by a variety of means. These include: adopting tools to automate their own internal services, hiring pioneers from early enterprise adopters, and sending analysts through the software provider's training certification programs.

[iv] See Hindle, J., Lacity, M. Willcocks, L. and Khan, S. (2017). Benchmarking the Blue Prism Client Experience. KCP, London, December

[v] 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?

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

[vii] Unpublished survey findings by knowledge Capital Partners July 2018.

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

[ix] Chappell, D. (2018). *Understanding RPA Total Cost Of Ownership.* Chappell Associates, London. The analysis suggests that while Robotic Desktop Automation tools are likely to experience lower costs for purchasing software and creating initial processes, their costs after the first three months and for the next five years will be much higher in the other four areas. While this is supported by our own ongoing research into customer journeys using different kinds of automation tools, the analysis lacks examples and figures, and omits several cost sources uncovered in our empirical research.

[x] Fortunately, as Knowledge Capital Partners highlighted in an earlier analysis, the size and speed of benefits from RPA so exceed those from previous major technology rounds from 1990-2015, including IT outsourcing, IT offshoring, business process re-engineering, ERP systems, and business process management systems that this has not inhibited RPA investment disastrously. See Hindle, J. Willcocks, L. and Lacity, M. (2017) *RPA In Context: How Are We Doing?* Knowledge Capital Partners, London, November.

[xi] This occurred in earlier attempts to account for the more strategic and softer benefits from IT investments. There we saw the introduction of frameworks such as Information Economics, a balanced Business Scorecard for IT, and Real Options. These counter the tendency of more traditional ROI analyses to lead to under-investment, the lack of a long-term horizon, and failure to invest in strategic options and imperatives. See Willcocks, L. and Graeser, V. (2001) *Delivering IT and E-business Value.* (Butterworth Heinemann, London). Also Willcocks, L., Petherbridge, P. and Olson, N. (2003) *Making IT Count: Strategy, Delivery, Infrstructure.* (Butterworth Heinemann, London), chapter 5.

[xii] As formulated by Mary Lacity. See video interview 'Scaling your RPA and developing a risk management plan' July 2018 – on *www,roboticandcognitiveautomation.co.uk.*