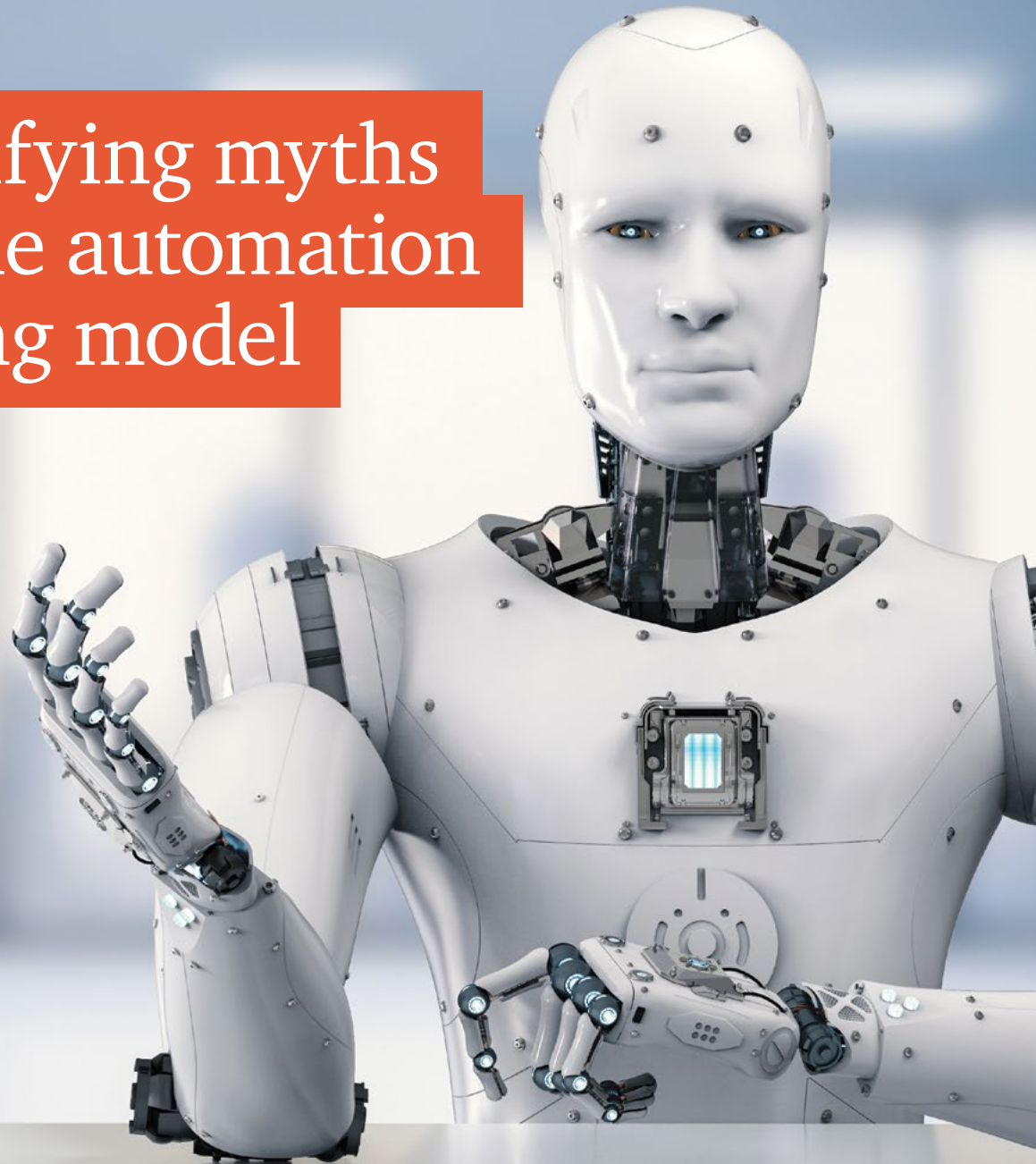


Thought leadership

Demystifying myths about the automation operating model

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Preface to thought paper



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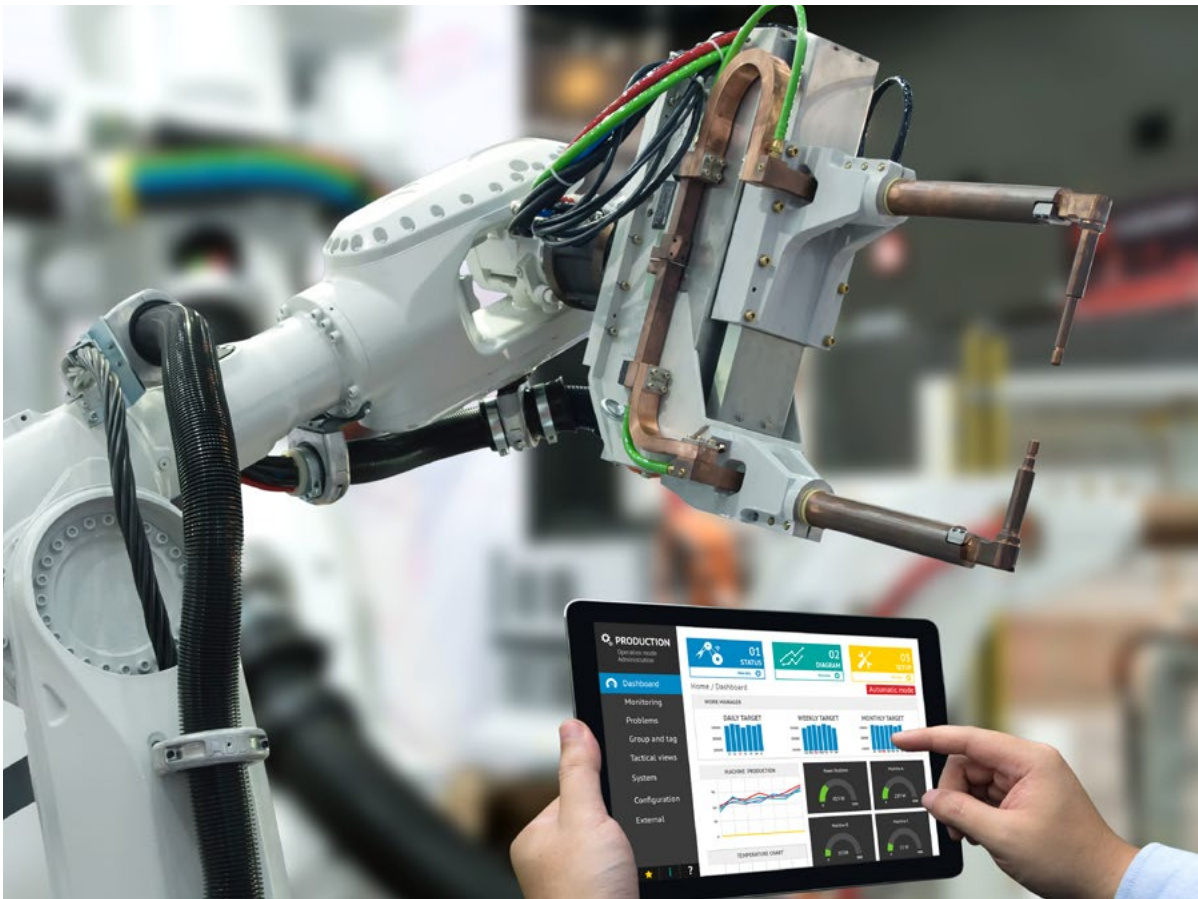
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Intelligent Automation (IA) involves layering of automation and intelligent technologies, which transforms a traditional workforce into an Intelligent Enterprise. However, while IA underpins a digital workforce, it also results in certain new risks. It is expected that over the next decade, organisations will face a challenge in developing effective operating models to manage this human-machine interaction efficiently.

In this series on 'Intelligent Automation Strategy', we will share our point of view on management of key strategic considerations that has been refined and tested in the market, and has delivered value to our clients in multiple industries.

Our first publication sets the tone by establishing the concept of and the need for an IA operating model and by debunking certain myths in the market that hamper holistic adoption of IA by the C-suite.

In our subsequent publications, we will be delving deeper into the critical success factors for an IA programme.



Demystifying myths about the automation operating model

The imperatives of digital transformation are forcing organisations to streamline their middle and back-office business processes to support their digital front offices. Traditionally, the integration gaps between current systems landscape have been plugged through human intervention through shared services model or business process outsourcing. This is precisely where automation technologies have been positioning themselves to overcome patchy IT implementation initiatives and manual swivel-chair processing. More and more

organisations have been adopting these technologies because of their quick ‘time to market’ in supporting their digital front offices.

Use of Intelligent Automation (IA) in general and Robotic Process Automation (RPA) in particular have become fairly widespread. Gartner estimates¹ that global spending on RPA software will total US\$2.4 billion in 2022, up from US\$680 million in 2018. By 2021, Forrester² expects there will be more than four million robots performing office and administrative work as well as sales and related tasks.

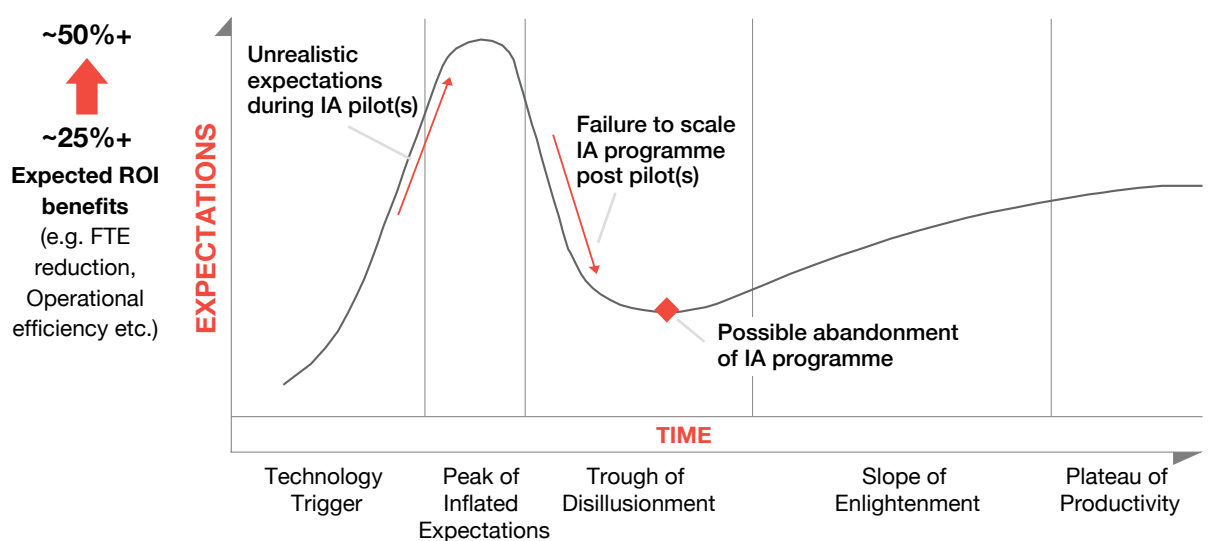
Pilots seldom fail but programmes seldom scale!

In most organisations, automation pilots usually seem to work well. They prove that the ‘chosen’ automation platform (Blue Prism, UiPath, Automation Anywhere, etc.) works effectively with one or more core systems of organisations. It also demonstrates that bots do not take too long to build and test. Business teams typically lead such pilots without ‘too much’ dependence on IT teams. Business teams therefore feel confident about continuing with the initiative in other business units. A successful pilot in one business unit quite often results into a string of such pilots across the organisation.

However, within a few months, realisation sets in that the bots have been underutilised, since not all automated processes were suitable for IA in the first place. The situation exacerbates when maintenance of bots becomes increasingly difficult due to the

absence of coding standards and governance. And while some organisations develop an initial business case through ‘process discovery’, over the next few months they find that the expected benefits fall short of expectations due to asymmetry of information and changing applications and process flow.

We find Gartner’s Hype Cycle construct³ useful in depicting the typical journey of an IA programme. The ‘Peak of Inflated Expectations’ phase sets unrealistic aims for business outcomes through an IA programme. This phase is concurrent with the string of successful IA pilots in the organisation mentioned above. The ‘Trough of Disillusionment’ phase is concurrent with realisation of the challenges mentioned above for scaling the IA programme, which in some unfortunate cases results in its abandonment of IA programme.



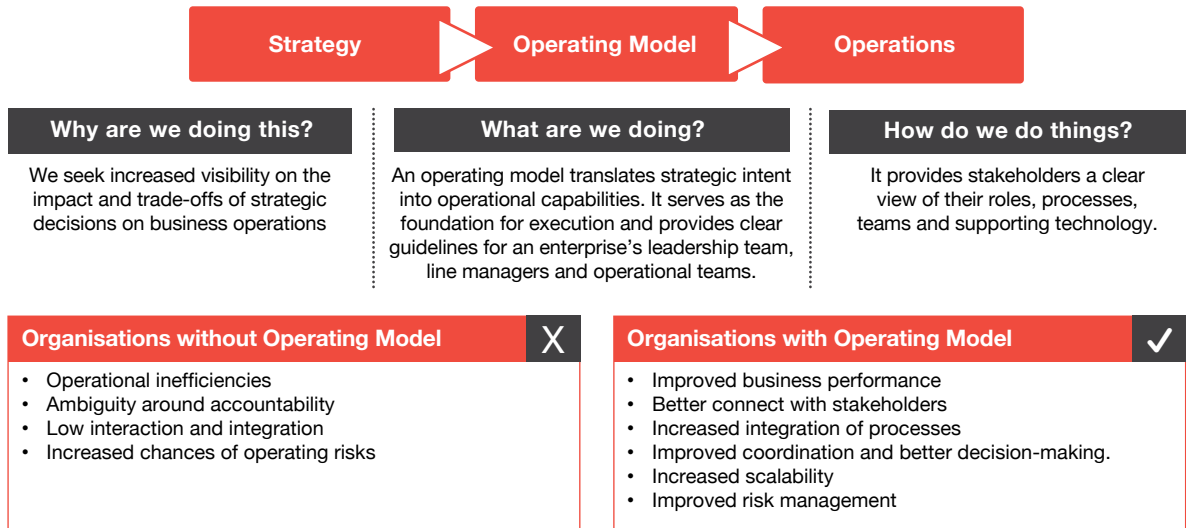
‘Scale’ is the key here and not many organisations are successful in finding this.

1. <https://www.gartner.com/en/newsroom/press-releases/2018-11-13-gartner-says-worldwide-spending-on-robotic-process-automation-software-to-reach-680-million-in-2018>
2. Forrester has estimated the number of digital workers — robots — that will be deployed over the next five years. See the Forrester report “The RPA Market Will Reach \$2.9 Billion By 2021.”
3. Gartner Hype Cycle - <https://www.gartner.com/en/research/methodologies/gartner-hype-cycle>

Operating Model aligns automation programme to an organisation's strategy

Automation programmes need to be clearly grounded in the overall strategy of an organisation. And while tactical utilisation of IA could be a well thought-through strategy, more and more organisations are looking at combined and inter-connected automation technologies that are aimed

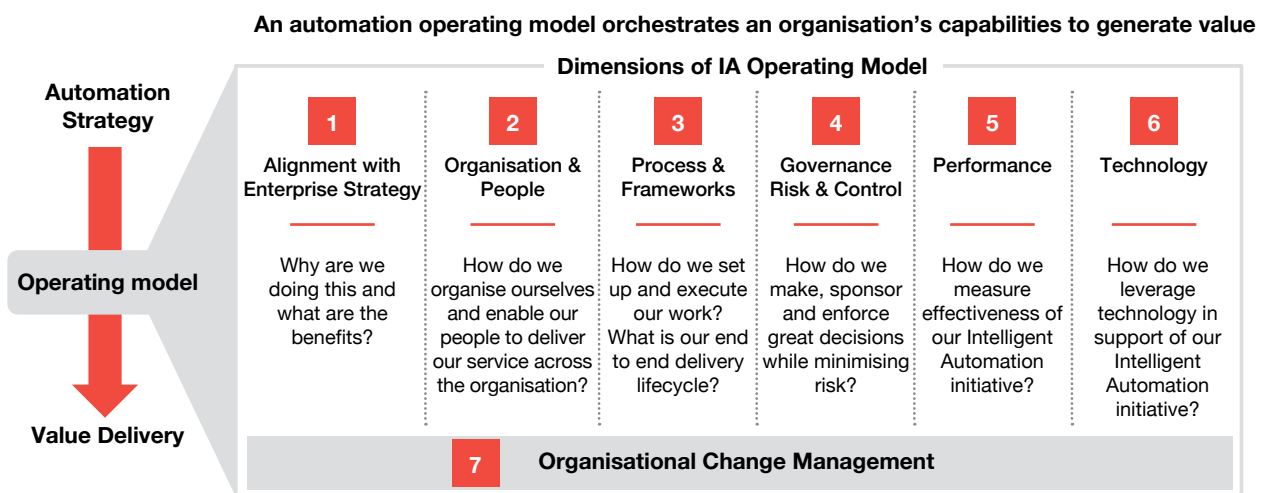
at strategic outcomes. However, this approach requires holistic handling of how automation is positioned and scaled across an organisation. This is where an operating model is essential as it acts as a bridge between an automation strategy and an organisation's business operations.



Components of an operating model

Automation provides great benefits, but it entails new ways of managing the digital workforce and related risks. The automation operating model therefore needs to be holistic in its approach to cover people, processes and technology.

Many organisations and several platform providers only focus on creating a technology operational rhythm around their chosen platform, but do not pay attention to strategic alignment, risk and governance, skill development, and change management.



Organisation model is different from operating model

An operating model needs to be in sync with the strategy adopted by an organisation. Today, most of the discourse on automation equates an organisation's structure with its operating model. This notion is incorrect as the former is a component of the latter.

The overarching automation strategy of an organisation decides which new capabilities need to be built or bought for the organisation and which of its existing capabilities can be leveraged. A successful automation programme requires certain key capabilities, viz. automation strategy, governance, technology and infrastructure, demand management, bot development and support, and automation change management.

An organisation's IA capability and its placement ('house' for IA capability) in an organisation is determined by the maturity of the organisation, the political landscape in which it operates and its expected to-be state. For example, its automation capability may find its home within an existing vertical such as 'operations', 'process excellence', 'strategy' or 'technology'. And if the organisation has an existing shared services structure, which is a gold mine in automation-use cases, perhaps it could house the automation capability.

The chosen 'house' for IA capability should have some key characteristics:

- It should have adequate exposure to the organisation's strategic initiatives
- It should have the necessary authority and ability to navigate the political landscape
- It should have the ability to run the programme in an agile manner that focuses on measurable outcomes, continuous improvement and incorporation of lessons learnt throughout the programme.

These considerations shape the model of an organisation's IA capability in a centralised, decentralised or federated, or hybrid manner.

- A centralised organisational model places all automation capabilities in a central entity (usually known as a Centre of Excellence – CoE).
- A decentralised or federated organisational model places capabilities in individual business units, and gives them control and autonomy (usually known as Community of Practice – CoP).
- A hybrid organisational model is somewhere between the two models mentioned above.

This typically results in a situation wherein the automation journey may start with one of the variants (mentioned above) and then evolve into a different one. So essentially, there is no one right answer.

What?	Centralised	Hybrid	Federated
Opportunity Identification/ Discovery	CoE	BU / CoE	BU
Process Re-engineering (Resequencing steps/ Structuring input/ Removing waste)	CoE	CoE / BU	BU
Bot Development and Maintenance	CoE	CoE / BU / IT	BU
Management of RPA Platform (Version Upgrades, Product Testing, Embed RPA tool in IT infrastructure)	CoE (in collaboration with IT)	IT	BU (in collaboration with IT)
Organisational and Technical Change Management (Staff Engagement/ Communications/ Change Request Management)	CoE	BU / IT	BU
Support and Maintenance	CoE	IT	BU
Policies and Governance	CoE	BU / IT	BU

Legend:

- CoE – Centre of Excellence
- IT – Information Technology Team
- BU – Business Unit

CoE is not the same as an operating model

Prevalent literature uses the terms 'Operating Model' and 'CoE' interchangeably. However, not only is this practice incorrect, but it can derail the programme in the long run due to the focus on 'who' and 'when' rather than 'what' and 'how'.

As mentioned earlier, a CoE relates to two of the three organisational structures of the operating model used by an enterprise, and by definition, it is not applicable to a decentralised or federated organisational structure,

which includes multiple CoPs across different business units rather than a single CoE. We therefore recommend that you look at all the organisational structures consisting of a CoE or multiple CoPs as 'designated actors' and the operating model as the 'approved script'. An analogy we have found useful is that of 'the Constitution vs the Government' wherein the former is the Operating Model and the latter the CoE or CoPs.

Difference between 'Operating Model' and 'Centre of Excellence'

Operating Model	Centre of Excellence (CoE)
Link between automation strategy and execution	One of the key components in building an operating model
Overarching mechanism irrespective of type of automation organisation structure, viz. Centralised, Federated or Hybrid	Applicable only when the organisational structure is Centralised or Hybrid; not applicable for Federated model
A blueprint to orchestrate automation strategy	Comprises teams that carry out activities based on the Operating Model
Aligned to the corporate strategy and vision of the organisation	Aligned to the corporate culture of the organisation
Akin to 'constitution' of the IA programme	Akin to 'governing body' of the IA programme
Answers the questions 'what', 'how', and 'when'	Answers the question 'who'

Therefore, it is essential not to equate the terms 'establishing an Operating Model' with 'establishing a CoE'.

Intelligent automation delivers business value and it is increasingly becoming a key board-level agenda. Establishing a stable and conducive operating model that supports effective management of the digital workforce is what will differentiate the organisation from its peers. In this paper, we have attempted to set the context for the automation operating model and to dispel some related myths. We believe there are finite critical success factors that enable the organisation to harness the power of intelligent automation to deliver business value with scale and speed. As part of our 'Intelligent Automation Strategy' series, we will be sharing our point of view around these critical success factors.

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