Cost, productivity and efficiency – three key imperatives of modern enterprises

November 2024

pwc

Table of contents

1

Introduction

In a dynamic global business landscape, organisations need to constantly reinvent the wheel to match the pace of changing business needs. Geopolitical conflicts, inflationary pressures, rapidly changing regulatory landscape and increasing pressure on margins along with evolving business models are giving rise to opportunities.[1] These opportunities also present risks and uncertainties and enterprises need to take bold steps to build resilience and agility. Traditionally, leaders across industries have been pursuing several cost saving strategies to improve efficiency and reduce expenditure through the following approaches:

a) **Outsourcing/offshoring/nearshoring:** Enterprises outsource non-core functions like payroll, IT and customer support to third party service providers and focus on core functions which helped them save costs on hiring and training additional staffs. In the past, enterprises have also reduced cost by optimising their physical location by assessing areas with tax incentives and proximity to supplier, or customers in some cases. Enterprises also leverage less expensive labour costs while avoiding the cultural, language challenges and working in a similar time zone by moving operations near shore.

b) **Digitisation:** Enterprises converted paper-based process to digital formats improving data storage and retrieval, thereby reducing storage costs. Though initial costs of enterprise resource planning (ERP) solutions were high, it allowed enterprises to integrate various business functions (e.g. finance, supply chain) which led to to long-term operational efficiency.

c) **Process standardisation and simplification:** Enterprises have worked on simplifying and standardising their processes in order to reduce redundancies and errors while improving quality and lowering operational costs.

d) **Centre of excellence (CoE) driven process automation:** Many enterprises have adopted a CoE model to implement process automation allowing them to centralise expertise, governance and best practices. They have been able to deliver efficiency improvement and productivity gain through either centralised or federated models of CoEs.

While the contribution of these initiatives is undeniable, they utilise large amount of investments which impacts incremental savings due to decreasing cost advantage of offshoring, diminishing RoI on additional digitisation without intelligent automation and saturation of use cases for tactical automation. The increasing demand for process efficiency and ever-growing expectations on customer experience has also driven significant advancement in automation technology over last decade.

Intelligent automation's evolution highlights how automation technologies, e.g. desktop automation, robotic process automation (RPA) and document automation (OCR) have been instrumental in achieving efficiency goals. However, the advancements in GenAI and agentic automation is amplifying the impact intelligent automation can bring to enterprises.

Guided by economic forces and current market trends like the rise of data, connectivity and analytics, technology penetration and improvements in automation and GenAI-based solutions are now under the spotlight in the business world. As GenAI continues to evolve with the advancements in models like large language models and small language models, (LLMs and SLMs), there are several other key solutions like agentic automation that are aiming to further disrupt the automation landscape. Agentic automation offers greater intelligence, adaptability and autonomy into process automation. It can analyse data, make context-based decisions and autonomously execute task with no or minimum human intervention.

[1] PwC. (2024). https://www.pwc.com/gx/en/issues/transformation/global-service-study-2023.pdf

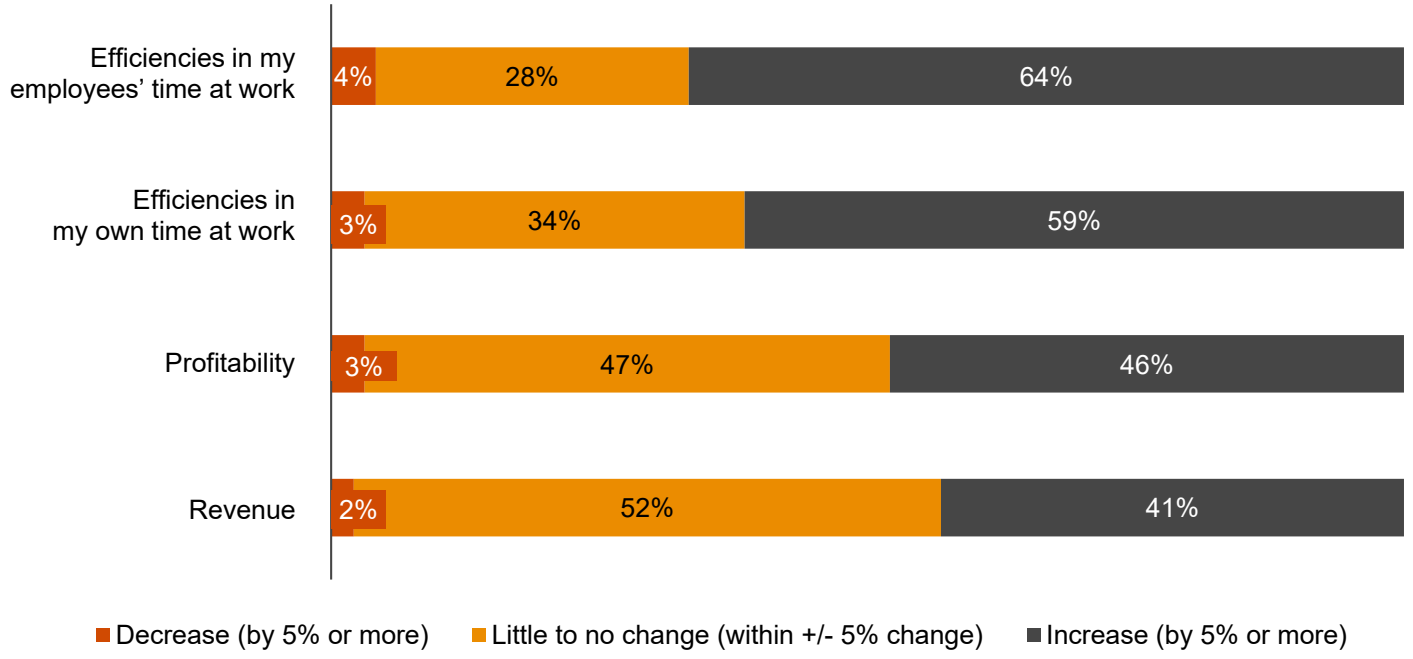
2

Automation: From CoE to CEO agenda

With the need to shift to a more reliable, scalable approach for cost optimisation which not only reduces cost, but also helps unlock value sources for efficiency and enhance agility in responding to market changes, CEOs have started looking at intelligent automation as their strategic priority. They are looking at intelligent automation (powered by GenAI and agentic automation) as a key enabler for the organisations to pivot, scale and adapt quickly to the changes in the industry.

In a survey conducted by PwC, when asked about the extent to which CEOs think GenAI will increase or decrease efficiency, top line and bottom line, 46% of the CEOs think that GenAI will have greater than 5% impact on their profitability.[2]

Fig 1: CEO's response to GenAI



Source: PwC's 27th Annual Global CEO Survey

While the advancement in technology brings numerous benefits, operational, technical and strategic complexities of large scale intelligent automation programmes still need to be resolved. Some of the challenges of large scale intelligent automation implementations are

1. **Value identification has become expensive:** Identification of high value use cases has become complex and effort-intensive, and linking processes that can drive meaningful improvements require significant time and expertise.
2. **Gap between acknowledged and realised savings:** Large automation programmes lose track midway due to operational/technical hindrances and discrepancies between anticipated and actual savings which erodes the confidence in intelligent automation initiatives.
3. **Huge upfront investments:** Enterprise-wide programmes demand significant upfront investments in technology and people in terms of finance and time which becomes a hindrance for organisations which have low budget.

What lies ahead is a great opportunity of moving from experimentation stage to large scale implementation of emerging technologies like GenAI and agentic automation and fostering a culture of continuous innovation while building a self-sustainable business model which safeguards financial interests and maximises efficiency.

[2] PwC. (2024).https://pwc.in//pdfs/27th-annual-global-ceo-survey-india-perspective-v1.pdf

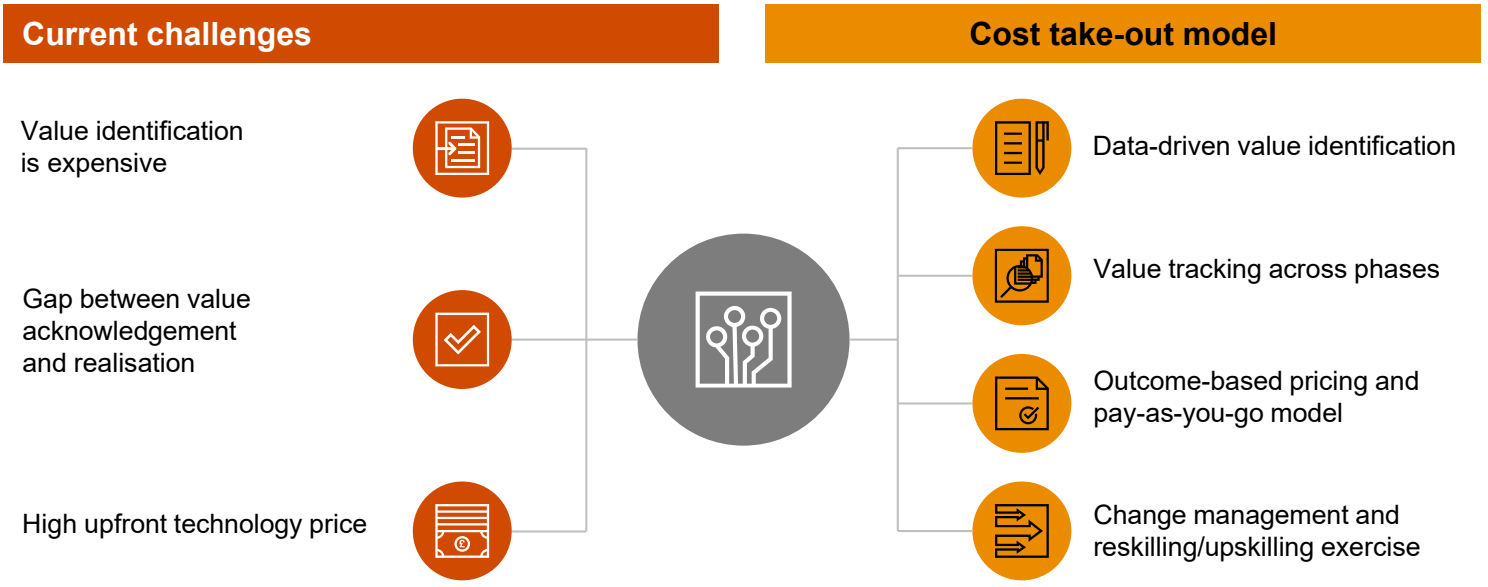
3

The need for reinvention

Though technological advancements can resolve technical and operational challenges, the transformation they bring in should be sustainable in the long-term to ensure that the benefits outweigh the investments.

Current market conditions and opportunities makes cost take-out an imperative for organisations which enables them to fuel their growth without having to proportionately increase the cost. Enterprises are turning towards a holistic cost take-out model for large-scale implementation programmes for automation as it generates measurable savings while keeping a tab on the financial risk. Cost take-out model as a strategy involves assessing current operational expenses of an enterprise and improving cost efficiency with a focus to create a leaner cost structure, improve profitability and generate capacity which can be re-invested into other enterprise initiatives. Some of the challenges like identification and realisation of expected cost savings can be addressed by cost take-out model. Cost take-out not only offers a pragmatic approach to establish focus areas but also adds commitment and assurance from the provider towards the success of project objectives.

Fig 2: Cost take-out model: Current challenges and expected benefits



Source: PwC analysis

Cost take-out model for intelligent automation offers sustainable, accountable and measurable approach to realise value through:

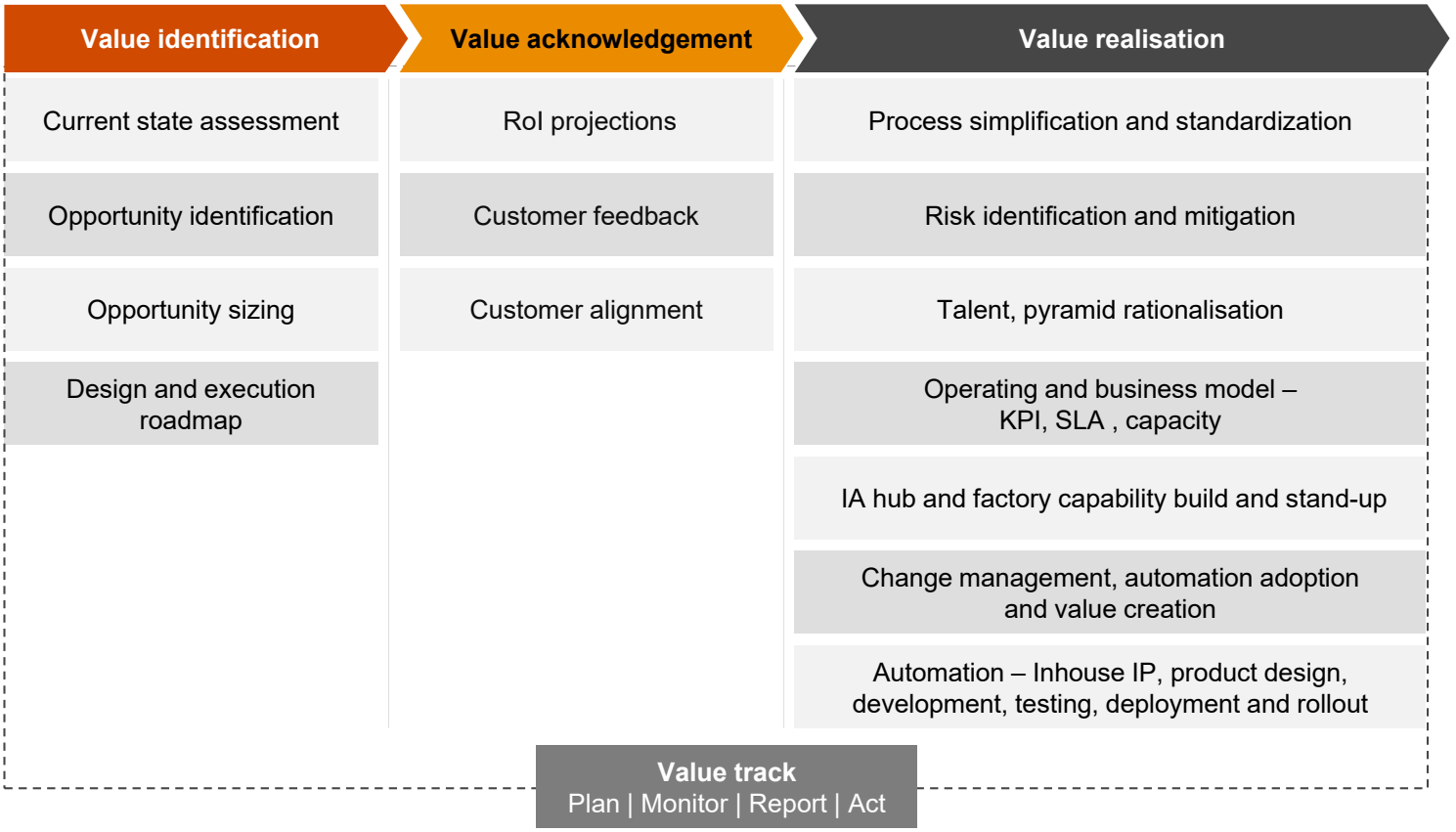
- **Data-driven value identification:** Identifying new value sources with a data-driven approach makes opportunity identification more accurate and targeted which helps organisations in focusing on investments in areas with better RoI.
- **Tracking value across phases:** Identified opportunities are tracked till the execution stage which ensures that enterprises execute the transformation programmes that deliver maximum impact and provide transparency and accountability at each stage.
- **Outcome-based pricing and pay-as-you-go model:** Reducing financial risk by ensuring that enterprises pay only for the value delivered. Tying the risk and the fee to the success of intelligent automation projects to ensure that the interests of all stakeholders are linked to the successful execution of the project.
- **Change management and reskilling/ upskilling exercise:** A robust change management plan which includes upskilling and reskilling programmes ensures successful adoption of new technology across functions as the employees can adapt to new technology and ways of working which can increase their productivity.

4

Cost take-out model as a strategy for intelligent automation

Cost take-out model for intelligent automation should have a domain-led approach, which should be executed in three steps – value identification, acknowledgement and realisation – and supported by a tracking mechanism to ensure that the programme delivers the desired outcomes.

Fig 3: Three stages of cost take-out



Source: PwC analysis

Value identification: Leveraging data-driven insights through task/process mining to identify areas of the enterprise where cost reduction can be achieved by leveraging intelligent automation technology suite of products.

Value acknowledgement: Once the value sources are identified, the next step is to acknowledge and validate the potential gains with the customer. This involves aligning key metrics to the expected outcomes.

Value realisation: After identifying and acknowledging value, the next stage focuses on creating the value through the deployment of advanced digital technologies (like AI, GenAI, RPA and agentic automation) in an outcome-based pricing model and ensuring its adoption across business functions through robust governance and change management framework.

5

Conclusion

Intelligent automation plays an important role in developing strategic goals to derive value for businesses. Automation CoEs need to look at proprietary solutions to deliver end-to-end, measurable business value for the business processes and functions.

Creating a holistic solution powered by market differentiated proprietary solutions to provide value through intelligent automation is the need of the hour. Organisations can either build the capabilities internally or collaborate with a strategic specialist who possesses domain knowledge, large-scale value delivery experience, industry differentiated solutions for automation and a right ecosystem to future-proof the automation journey.

The future of cost take-out models powered by intelligent automation is promising as it offers enhanced efficiency, precision and adaptability. As the technology advances, it can unlock new levels of predictive capability, enabling enterprises to anticipate cost-saving opportunities and optimise resources. AI-driven insights will enable real-time decision-making, adapting operations on-the-fly to the shifting demands and other external factors, which can further reduce costs and improve responsiveness. In the years to come, the integration of AI-led automation will not only streamline operations but also open up new avenues for businesses to stay ahead of the curve.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Contact us

Sumit Srivastav
Partner and Leader – Intelligent Automation
PwC India
sumit.srivastav@pwc.com

Ritesh Jain
Partner, Intelligent Automation
PwC India
ritesh.k.jain@pwc.com

Contributors

Saurabh Jitendra
Anu John Alex
Ashish Verma
Kush Gandhi

KA-November 2024-M&C 42199