

Shared Services and Outsourcing Week 2017 – RPA – RIP??

Ian Herbert attended the European Shared Services Week in Manchester from 16th-18th May 2017, acting as a judge for the excellence in Transformation Award and as a discussion coordinator to facilitate the Interactive Discussion Groups on 1) Master Data 2) Midcap Enterprises.

This event, now in its 17th year, gets bigger and better every time. There were some long-standing SSC community members - experience is always good to see - and also, over 40% of participants were from new SSCs, that is set up after 2010.

This year seemed to mark a definite shift away from speakers merely saying how they had done a massive 'lift and shift' programme. With more SSCs moving into the mature category, delegates now want insights into how to truly transform and optimise processes, and that seems to be about the march of the robotics

Towards a renewed strategic vision?

A couple of years ago, the top three themes were; data analytics, global business services and talent management. In 2017, these are still important, but perhaps not quite so obvious in the noise of 'automation, automation and automation!'. OK, so it's easy to get carried away with a conference chatter, but the reality is that while many SSCs are actively looking and talking about Robotic Process Automation, there's perhaps not yet so much actually happening in most back-offices offices. Although, examples abound of automation in lots of other areas, even now certain aspects of policing in Dubai!

Now, this may be a little unfair but, nonetheless, I think that a very insightful quote (best left as anonymous for now) is that the whole SSC/RPA agenda will be dead within a couple of years! Now that's radical!

The point this delegate was making is that precisely what has served the SSC scene very well over the years, i.e., 'experiment and scale' (read that as build on the small wins) will prove to be its Achilles heel. Few SSCs have developed a master vision for where their RPA journey is going. At present, it's a wonderful new tool for fixing problems, not changing the business model. Ask yourself what lights-out, data-driven, service and decision-making will look like in your organisation?

Déjà vu, all over again?

Why might RPA fail in SSCs in the longer term? Well, there is a strong resonance between RPA and personal desktop computing, in particular, the spreadsheets phenomena. Let's just refresh that story.

In the beginning, spreadsheets were liberation from those central IT departments that seemingly took ages to make even the most basic amendments/ updates to mainframe programmes. This state of affairs continued even after the technology constraints had been largely solved by the end of the 1990s. But, we all know why IT departments need to be like that. IT is a profession, like finance, that's steeped in a set of embedded disciplines and behaviours designed to control updates and stop corporate chaos happening.

Indeed, there are huge parallels between the spreadsheet phenomena and RPA. Put simply; spreadsheets were an answer to central IT for a while, but then there developed a life-form of their own.

Spreadsheet problems build up slowly, without anyone being aware. First, a single spreadsheet starts taking its input from another spreadsheet; then, its output becomes the input for another spreadsheet. Suddenly, and without anyone having thought about it several spreadsheets become interconnected (sometimes recursively) and, taken together, can comprise a significant part, *de facto*, of the overall strategic information system.

The essential problem is that each spreadsheet is 'the personal domain' of its own designer and operator: invariably, someone who has had little training in the sort of behaviours around data and system integrity that are natural to IT professionals. Perhaps not surprising that, in recent years, IT functions have made significant inroads into the cottage industry of spreadsheets, often in conjunction with the recentralising and standardising momentum of the SSC model.

If you are old enough, then you can probably see a resonance with robotics. Again, the rallying cry is, 'Let's fix all those central IT problems with robots. It doesn't matter if it's only 95% right, we only seem to be getting 80% at the moment, and as a business, we can't wait.'

But, one day your new robot will talk to another robot, and that robot will accept the output from the first as 100% correct, it knows no better. Subsequently, that robot will talk to yet another robot, and ultimately, somewhere along the line, a 'master bot' will be consolidating the output from dozens of robots.

Slowly but surely, corporate performance as represented by management information will be compromised. This could affect internal decision-making processes but, in the worst-case scenario, lots of small changes taken cumulatively could create a margin of error which, over a few years could precipitate a material adjustment in profit and hence, shareholder value! Enough said?

Moving forward with RPA?

In talking to delegates, there are a number of reasons for this apparent disjuncture between aspiration and operationalization and most of it is down to those old chestnuts: change management; people; operational risk; corporate politics; lack of available investment funds, etc. However, in the case of RPA, a further restraint might be the lack of reliable digitalised inputs and ongoing problems with the veracity of master data.

While actual development will likely be slower and more cautious than the present hype, robotics may present some challenges to the SSC community.

First, RPA is happening in other areas of organisational life, and if the SSC does step up to the plate quickly, it could look as though it's behind the curve and lose control of the initiative.

Second, the so-called low-cost labour countries such as India and Malaysia are also developing capabilities to design and operate RPA. While the pressure to take out cost might not be so compelling as 'onshore', the alternative goal for RPA is process reliability together with better data integrity. In developing RPA capability, offshore centres could build up world-leading expertise, in the way that India, in particular, is already carving out a niche in data analytics.

Third, there are tipping points on the horizon together with those we cannot yet foresee. For example, recent ransomware attacks will unlock some frozen IT budgets (especially in the public sector), not to mention Brexit, 'Trumpism' and other national protection campaigns that will encourage companies (and Governments) to reshore work. However, any work transferred back will likely look very different to what went out. In other words, as some manufacturers such as Adidas are already demonstrating it will be 'work' not 'jobs' that will be reshored. See <http://www.economist.com/news/business/21714394-making-trainers-robots-and-3d-printers-adidas-high-tech-factory-brings-production-back>

Anyway, that's enough musing! Overall, a great event with a good mix of thought leadership, practical experience and the social connectivity we have come to expect from SSON. Well done!

See you in Manchester next year for SSOW18.

For more on RPA issues see our website at <http://www.shared-services-research.com/rpa-articles/>