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The future of
outsourcing as we
welcome AI software...



Due to the emergence of Robotic Process Automation capabilities, cost arbitrage could soon be replaced by increased efficiencies as the major factor in BPO engagements.

RPA is an emerging form of process automation technology based on the concept of software robots or Artificial Intelligence (AI) workers.

What is Robotic Process Automation (RPA)

A typical software 'robot' is an application that has the ability to share and assist in the activities of a human interacting with a computer system. The software robot works on the user interface (UI) in a similar way as that of humans – this is a substantial deviation from traditional forms of IT integration, which have historically been machine-to-machine forms of communication created on data layers which operate at an architectural layer under the UI. After the RPA software has been educated to understand any specific process, it can automatically route transactions, work with data, initiate responses and collaborate with other systems as and when required. The technology is designed to provide an alternative to perform high-volume IT support, workflow and back-office processes (finance, accounting, supply chain management, customer service and human resources related processes).

Moreover, RPA does not require any coding experience and is non-disruptive to the existing environment, besides being user-friendly – features that make it easy and convenient to deploy.

The adoption potential around RPA varies as per the volumes and transactional business processes. The Finance and Accounting functions such as accounts receivable, general ledger etc. in banking and financial services and manufacturing industry have high adoption potential. On the other hand, procurement and human resources function have low adoption potential in the insurance industry.

Impact of RPA

In the coming years, service provider capabilities around RPA could well be the deal maker when it comes to outsourcing contracts. RPA is expected to play a major balancing the role between the various tiers of outsourcing service providers.

Traditionally, more work required more manpower to complete; the emergence of RPA has changed this equation. With automation in place, where sophisticated computer programs are equipped with much better processing capabilities than those of humans, routine, rule-based work can be done far more rapidly.

Emergence of RPA has created cost deferential in the outsourcing engagement models. However, the cost difference does not necessarily result in loss of jobs as companies might move the freed resource from volume-driven work to value-driven and more complex jobs there by adding value to their organisation.

The emergence of RPA provides companies with an opportunity to extract better value from their staff

At present, close to 50% of business process outsourcing engagements are based on traditional models; however, a large number of companies are expecting transformational changes to this model in the next two to three years. While this does not mean that the traditional engagement models will disappear, it presents cost-saving and operational efficiency opportunities for service providers that are embracing change and adding automation capabilities to their portfolio.

Future outlook for outsourcing companies

In the years ahead, RPA capabilities will be one of the most crucial considerations for selecting an outsourcing vendor. Companies have started including 'RPA capability' as a criterion while inviting outsourcing service providers. They are considering an onshore plus automation solution as a substitute to a purely offshore solution. They are also considering the compliance and productivity benefits of using robots over humans.

As the BPO landscape evolves, service providers that incorporate RPA capabilities at the earliest are set to reap huge benefits from this emerging trend in the BPO space. As RPA has the capability to reduce cost substantially – the very factor which led to the boom in the outsourcing industry, RPA would visibly and permanently alter the business and pricing models in the ITO and BPO spheres. RPA will support BPO providers to get up to speed and offer new service capabilities to their existing clients. As per industry experts, traditional outsourcing would not become obsolete very soon; in fact, RPA is expected to strengthen and boost existing relationships.

Deloitte Business-Process-as-a-Service (BPaaS) is investing heavily to further develop its existing RPA capabilities. The firm has already established a number of strategic alliances and partnerships with companies that offer Robotic Automation platforms, such as Automation Anywhere, Open Span (Grid Infocom) and Bizagi. To hone its RPA capabilities and push further innovation in existing and new engagements, the firm is developing an innovation & automation lab in the Woodmead, Johannesburg office. This lab will house state-of-the-art facilities and capabilities to offer clients a live demonstration of its latest automation tools and smarter technologies.

Cost: No longer a differentiator

As software robots increase in sophistication, more and more process will be automated and outsourcing companies will begin to lose the cost advantage they previously enjoyed as the cost of robots will be lesser. Consequently, they will have to look beyond cost and focus more on high-end services. However, before embracing RPA capabilities, providers need to perform an objective assessment of these capabilities. Their decision to implement RPA should be genuine, and should be executed strategically only in required areas of the business.

RPA should be implemented into processes based on need and feasibility, and not based on the hype created around it.

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