

Robotic Revolution – separating hype from reality

**Key Findings from KPMG's 2Q15 Global Sourcing
Advisory Pulse Survey**

Introduction

Robotics process automation (RPA) is a hot topic generating immense anticipation as it gains momentum and promises a new ecosystem of intelligence that reshapes business and society in the 21st century. The integration of basic automated business processes with artificial intelligence and cognitive processes that think and learn like humans heralds a paradigm shift in how work is performed. But robots providing sound financial advice or acting as personal assistants are not fully here just yet as this new class of digital labor continues to mature. In the meantime, firms face imposing challenges: separating reality from hype, mapping out plans to position vastly diverse IT and business processes for the coming transition, and managing changes in how workers are deployed. Firms failing to prepare now for the robotic revolution risk being left behind.

Results

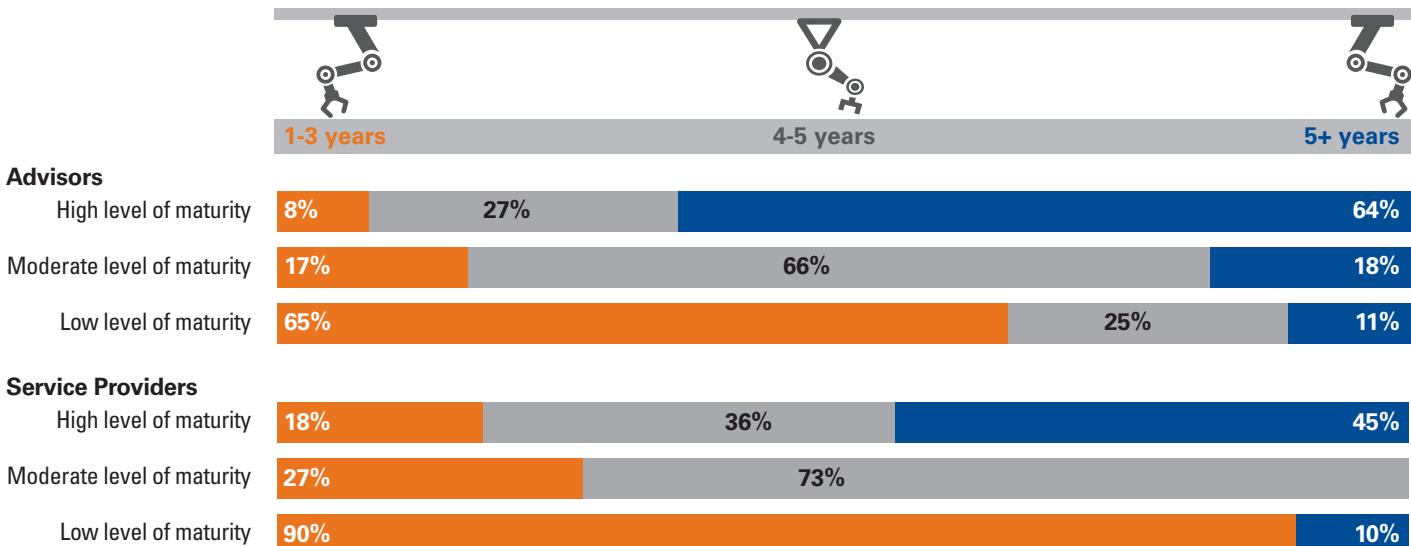
These are among the key findings from KPMG's Q2015 Global Sourcing Advisory Pulse Survey of leading business and IT service providers and sourcing advisory professionals from KPMG member firms worldwide.

Break through the hype now to establish realistic timelines for success

KPMG research shows that labor automation using RPA promises significant benefits to business in terms of reshaping workforce needs and reducing costs. Advisors say RPA will free workers doing routine tasks to assume more strategic roles.

While the cognitive revolution is indeed underway, the immaturity of these advanced technologies poses limits in the short term and businesses will be wise to avoid false expectations amid hype. KPMG's survey reveals that advisors and service providers are at odds on timelines:

Timeline for RPA Maturity



Source: KPMG 2Q15 Global Sourcing Advisory Pulse Survey, 2015



People get excited about RPA and how robots will change the world. The possibilities are certainly unprecedented. But we're seeing an evolution in RPA automation that will be longer term than the market hype suggests. The key right now for smart businesses is to understand the various classes of RPA solutions – what's here now, what's on the horizon. Then you can have a realistic, intelligent conversation about the reality of what RPA can truly deliver and how to get there."

David Brown, KPMG's Global Lead, Shared Services and Outsourcing Advisory practice

Smart businesses will evaluate now but automate slowly as RPA matures

RPA solutions that automate business processes and operations are categorized within one of three classes:

Class 1: Basic Process Automation

Solutions are not new to business and deliver 'basic process automation' of manual tasks such as service desks, order management, claims processing and invoicing.

Class 2: Enhanced Process Automation

Solutions offer 'enhanced process automation' involving unstructured data and knowledge bases. Applications, some still maturing, include IT help desks, customer order completion and benefits claims processing.



Class 3: Autonomic/Cognitive

Solutions are sophisticated technologies involving cognitive machine learning, elements of AI, language processing and big data analytics. This emerging technology that thinks and learns like humans is designed to deliver research and innovation for self-service processes and complex service operations.



Source: KPMG 2Q15 Global Sourcing Advisory Pulse Survey, 2015

© 2015 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

KPMG advisors say that while commonly applying Class 3 RPA's cognitive functions and AI solutions to everyday business operations remains at least three to five years, it is imperative today for businesses to recognize and understand

its long term potential, the roadblocks ahead and to focus resources on mapping out a practical, profitable transition to game-changing RPA.

The opportunities are many – so are the adoption challenges

For most organizations, taking advantage of higher-end RPA opportunities will be easier said than done, KPMG advisors say. The survey highlights an array of factors, beyond the immaturity of next-generation RPA, posing deployment challenges in the shorter term, including:

- Vastly inconsistent or non-standard business processes that make broad automation impractical and will require investment and organizational changes;

- Disparate IT systems and a lack of integration across applications;
- Immaturity of RPA providers.

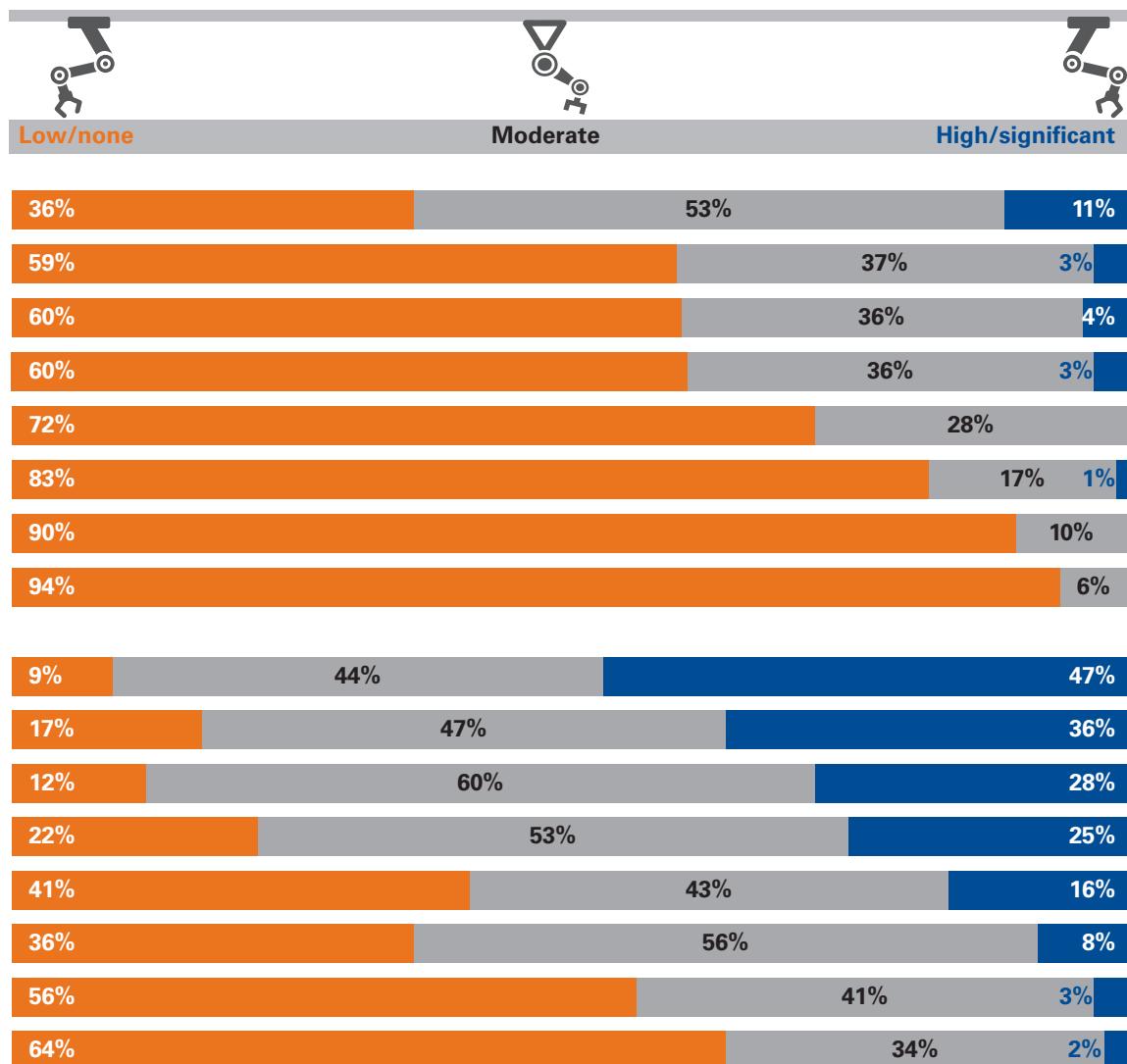
Other key factors include a lack of desire, budgets and skills for business-process standardization ahead of RPA adoption, the inability to build a compelling business case, and a reluctance to reduce employee headcount.

Demand for next-generation RPA could skyrocket in three years

The KPMG survey reveals that while demand for RPA is considered 'low to non-existent' among many business functions today – including one-third of all IT processes and nearly two-thirds of sourcing and procurement, finance and

accounting, and supply chain and logistics – the demand picture three years out shows stunning increases across these and other functions.

RPA Demand by Function



Source: KPMG 2Q15 Global Sourcing Advisory Pulse Survey, 2015

© 2015 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

Job losses, yes, but more strategic, creative roles as well

Emerging RPA applications will forge dramatic changes to the demand for labor and related costs. Debate is already raging over the intertwining of humanity and technology that's underway and its impact on white-collar work. While long-established Class 1 RPA advances in business replaced manual work in the order of 60 percent to 80 percent of activities previously performed by people, advisors say, Class 3 RPA is expected to eliminate another 40 percent to 75 percent of remaining manual labor.

The survey shows that on the issue of how RPA will impact jobs by delivery model, advisors and service providers generally concur that IT outsourcing operations and business process outsourcing operations will experience the greatest impact.

But as the new technology frees workers from routine tasks, there will be immense potential for firms to reinvest capital and help workers enhance skillsets to fill more strategic and creative roles. Where RPA does drive job losses, it will help organizations better manage and solve skilled labor shortages and the ongoing war for talent amid aging workforces.

Conclusion

Although we believe that a gap does exist between the hype and reality, there is no ignoring the direction in which the innovation wave is headed. Progressive organizations are already developing an RPA plan that identifies functional areas that have low barriers to change but will provide potential

opportunities for cost savings and strategic advantages. They understand that RPA is not a small IT implementation, but a change across the entire organization that requires executive leadership to both implement and communicate.

For more information please visit www.kpmg.com/RPAPulse

To find out more about the impact of RPA on your organization and potential strategies for response, please contact:

David Brown
Global Head
Shared Services & Outsourcing Advisory (SSOA)
T: +1 314 803 5369
E: djbrown@kpmg.com

Gary Nowak
Partner in Charge
KPMG China Shared Services & Outsourcing Advisory (SSOA)
T: +86 21 2212 3289
E: gary.nowak@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2015 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by EvaluateServe. Publication name: Robotic Revolution – separating hype from reality

Publication number: 132814-G, Publication date: October 2015