



Adoption of intelligent automation does not equal success

**4Q 2017 KPMG Global Insights
Pulse Survey Report**

February 2018

kpmg.com



How KPMG can help

KPMG firms help clients transform their business service delivery to realize improved value, increased agility, and sustainable business performance. Our teams bring together experience in global business services, shared services, outsourcing, risk, transactions, tax, and compliance.

If your organization is seeking innovative ways to achieve genuine business services delivery transformation, KPMG's Shared Services and Outsourcing Advisory can help. For more information, there is no better place to start than by accessing our research and thought leadership on the KPMG Shared Services and Outsourcing Institute Website: www.kpmg.com/us/insights.



Top 2018 Trend:

Intelligent automation goes from hype to business transformation

KPMG Global Insights Pulse surveys are a quarterly review of Global Business Services (GBS), Intelligent Automation (IA), and related service delivery market trends. Input and individual observations are gathered from KPMG’s global network of professionals in our Sourcing Advisory, Financial Management, Technology, Human Resources, Customer & Operations, and other practice areas, backed by KPMG market research.



Even just a few years ago, IA was perhaps more an idea than reality. Now, Global Business Services (GBS) can help organizations take better advantage of IA technology to transform their business and operating models.



Bob Cecil
Principal,
Shared Services & Outsourcing Advisory
KPMG in the United States

Contents

Survey highlights	2
Changing trends for 2018	4
Key initiatives	8
Challenges and ways to address them	10
Longer-term prospects	14
Actions to consider	16

Survey highlights



Adoption and exploitation of solutions—including digital labor, robotics process automation (RPA), artificial intelligence (AI), machine learning (ML), and other innovative technologies such as data and analytics (D&A)—are clearly the top positive trends and initiatives for 2018 and beyond. But many negative trends and organizational challenges cited in previous years will often impede these initiatives.



Cutting costs is once again cited as the top initiative by organizations. However, leading organizations will not limit their IA usage to merely cutting costs. They will also leverage IA to help drive digital transformation efforts that can change their entire operational and business model while also addressing other challenges such as talent shortages. The paradox is that IA initiatives themselves can be impeded by a lack of talent in the organization.



Now is the ideal time for organizations to aggressively adopt IA solutions, backed by full management buy-in. Accordingly, key challenges to initiatives must be addressed, including dysfunctional management and operating models, inadequate supporting IT systems, and the lack of skilled talent and IA talent in particular.



The positive and negative impacts of IA on the white-collar workforce must be clearly understood and managed by businesses. However, weaknesses in change management capabilities and dysfunctional management practices will make this easier said than done.



The use of bots and RPA will accelerate and become mainstream in scale across a growing number of organizations in 2018, especially forward-thinking and digital-native firms. RPA in itself, however, is primarily a cost-cutting tool. Those organizations that consider themselves as competitive IA players based only on their aggressive RPA efforts are fooling themselves.



Widespread deployment of IA (especially AI and ML) will remain a rarity in mainstream and legacy organizations. But all organizations must gain the right IA tools and expertise. They also need to understand where each IA component is most applicable, whether individually or in concert with other components.



While 2018 will be the year of IA, organizations that do not adequately leverage transformation opportunities with IA will reduce their competitive advantage and become laggards rather than leaders in their industry. IA has been compared to other transformational technologies, such as e-commerce, but the difference with IA is that the split between leaders and laggards will widen much faster and the losers fall much quicker.

Changing trends for 2018



Despite its power as a technological change agent, AI alone cannot deliver your strategic endgame. To succeed, you have to holistically address all aspects of a major transformation initiative—not only the technology, but also your people, processes, target operating model, change management, and governance.



David J. Brown
Principal and Global Lead,
Shared Services & Outsourcing Advisory
KPMG in the United States

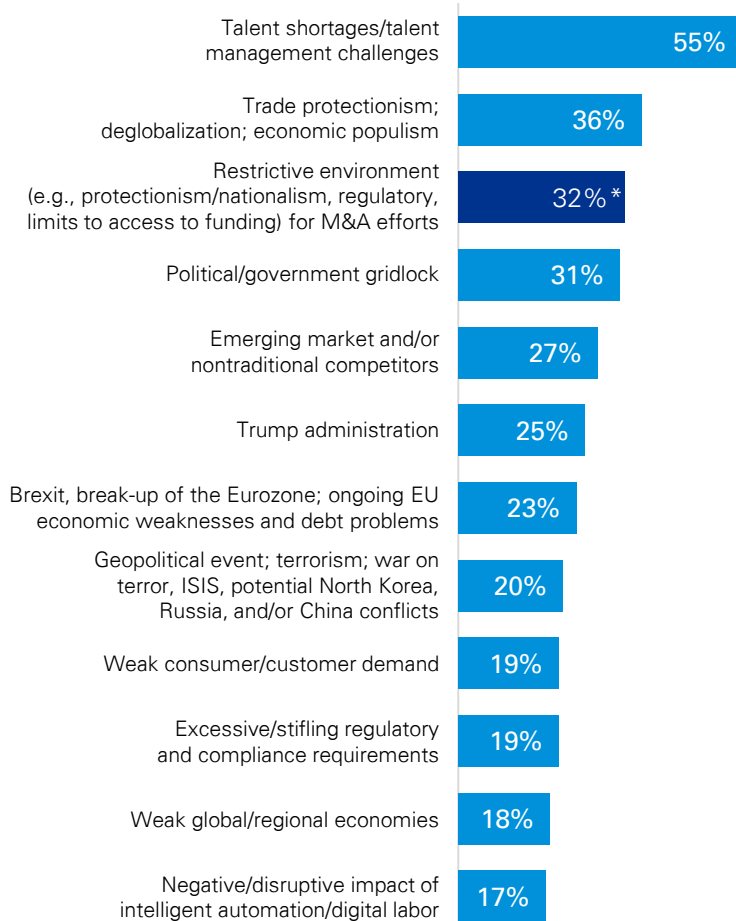
The growing presence of IA in 2018 as a market game changer must be understood within the context of the top negative and positive trends for 2018. Geopolitical, economic, and technological uncertainties in the global business environment have been a hallmark of the past year and will remain so in 2018 and 2019. Protectionism, nationalism, and funding limits may also impede the number and volume of M&A efforts.

On the other hand, almost 70 percent of respondents cite IA and digital labor as a positive trend, followed closely by the benefits of innovative technology such as automation, cloud, and D&A. We should also note that concerns about a weak global or regional economy are much less than in 2016, though this varies by region and country.

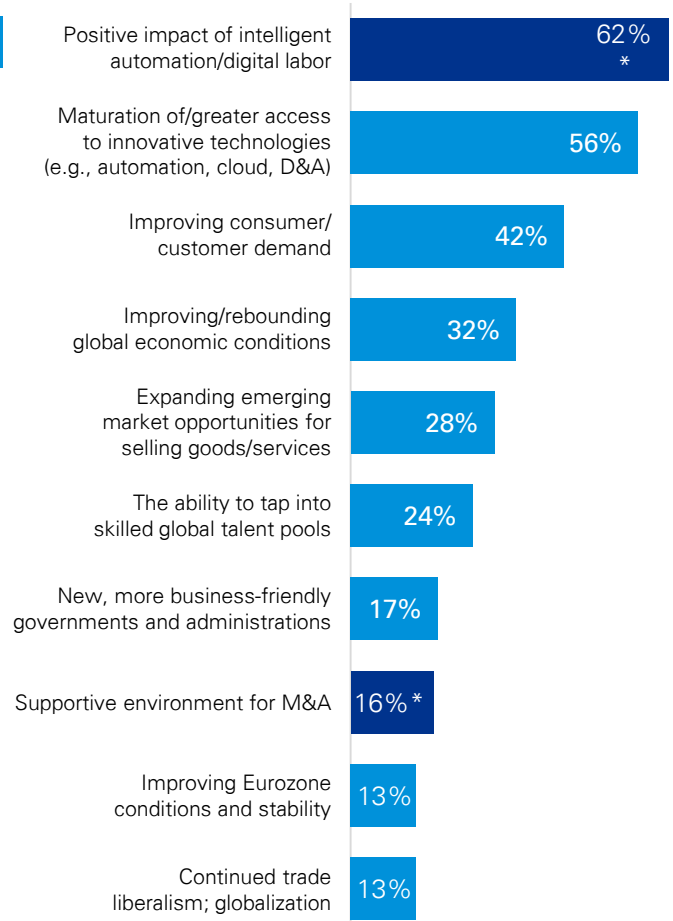
It is important to view both negative and positive trends in the context of one another. Negative trends tend to drive positive trends. For example, talent shortages and protectionism are part of the business drivers behind IA. Solutions based on IA such as RPA can help alleviate talent shortages by automating work and lessening the need for human resources, including offshore labor. Similarly, AI and D&A can infuse greater intelligence into business operations, whether automated or not, and help extend the capabilities of workers. However, challenges remain in finding, training, and keeping the right talent to support these technologies and efforts.



Top 2018 trends with biggest negative impact on user organizations



Top 2018 trends with biggest positive impact on user organizations



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

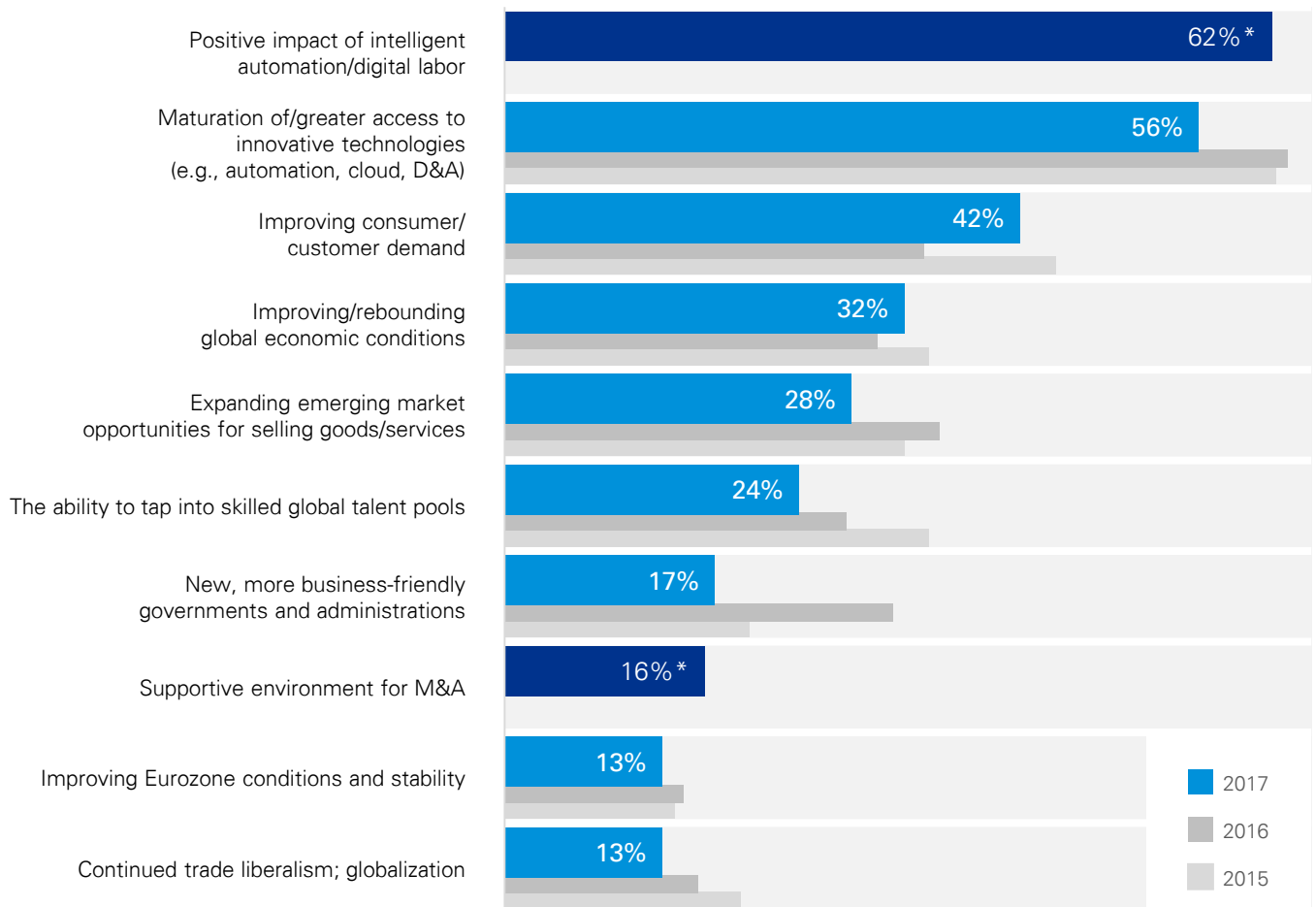
Top 2018 trends with biggest negative impact on user organizations – multiyear comparison



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

Top 2018 trends with biggest positive impact on user organizations – multiyear comparison



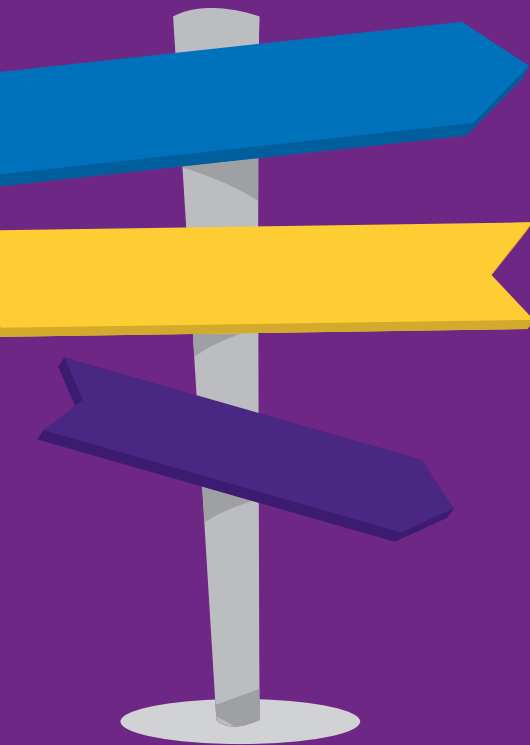
* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

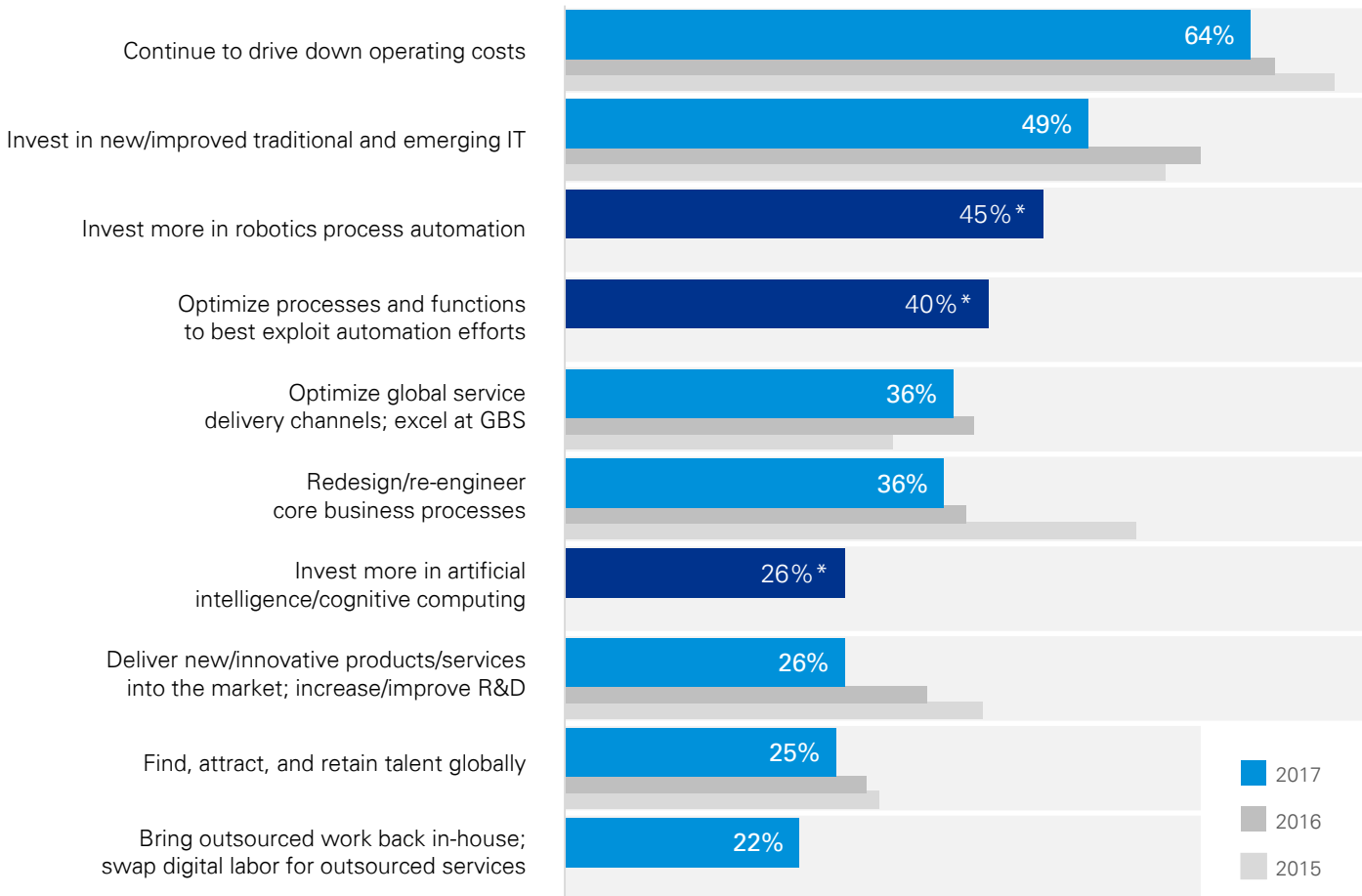
Key initiatives

Cost cutting and IT investments in areas such as IA and D&A have remained top initiatives for organizations in 2018. Leading organizations this year, however, will also place greater emphasis on using these technologies to deliver benefits beyond cost savings.

In addition, core business processes will be redesigned, though not at the pace seen in recent years. In some cases, this is because an organization might consider IA technologies as an alternative to extensive process redesign efforts. This is largely a mistaken assumption. Certainly IA technologies, especially RPA, can serve as a short-term means to address under-optimized processes. However, IA can also be used to automate inefficient processes and eliminate unnecessary work through process redesign. Organizations should therefore prioritize their ongoing process analysis and redesign efforts, continually tweaking automation to help ensure that their core business processes stay in alignment with the business requirements they support.



Top 2018 organizational initiatives – multiyear comparison



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

Challenges and ways to address them



While European businesses are facing challenges with Brexit and other political and economic uncertainties, digital technologies are providing them with more opportunities than ever before. This is particularly true in central and eastern Europe, where organizations are tapping them to push their growth up the value chain.



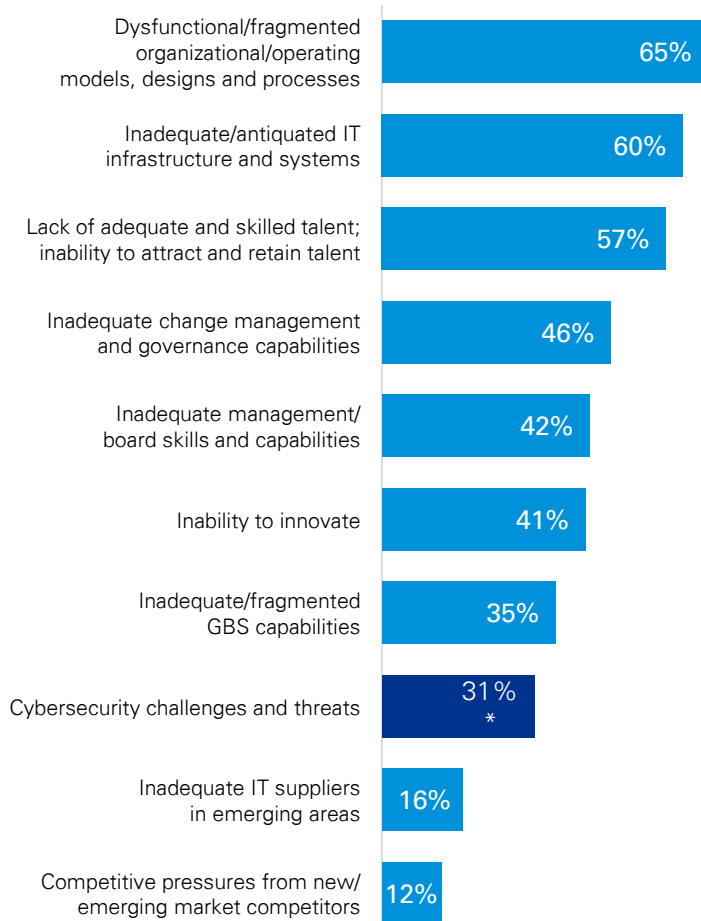
Jo Page

Principal and Global Business Services Lead
KPMG in the United Kingdom

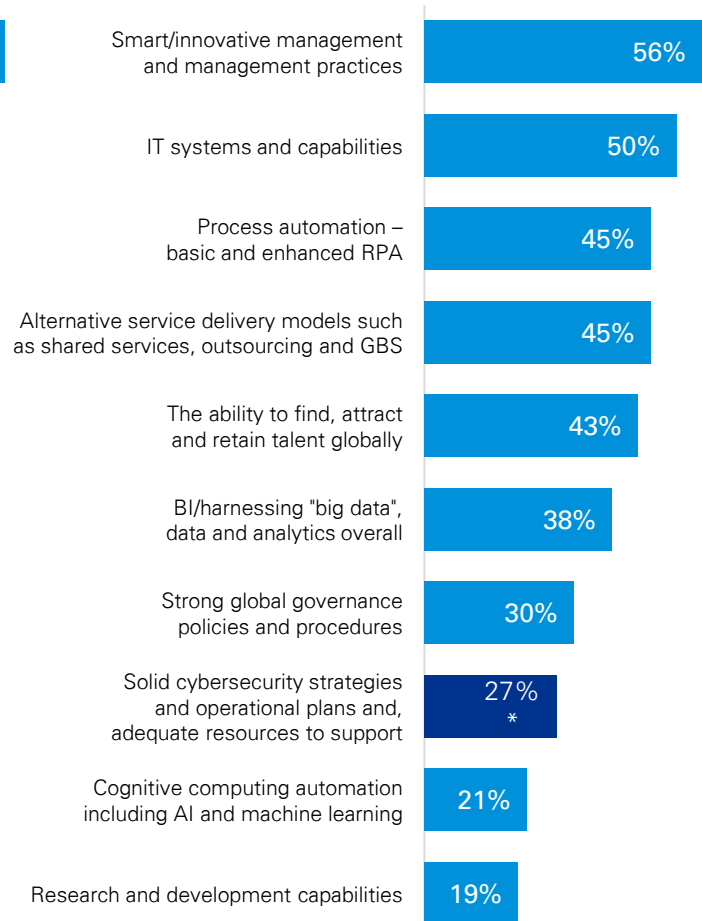
Whether considering IA, blockchain, or bringing outsourced work back home, organizations need to fully understand market hype as opposed to market reality. This gets harder every year. New technologies, business practices, and business trends all have their advocates and vested interests, with organizations sometimes willing to take positions based on wishful thinking rather than market or technical realities.

For example, strong cybersecurity capabilities was considered by respondents as both highly hyped and very real. In this case, the reality is the mission-critical importance of solid cybersecurity capabilities; the hype is saying that most organizations are not there yet. Separating hype from reality is difficult and hard work, but it is a skill that organizations must master—and one that will remain a challenge to master.

Top challenges to successfully undertaking 2018 initiatives



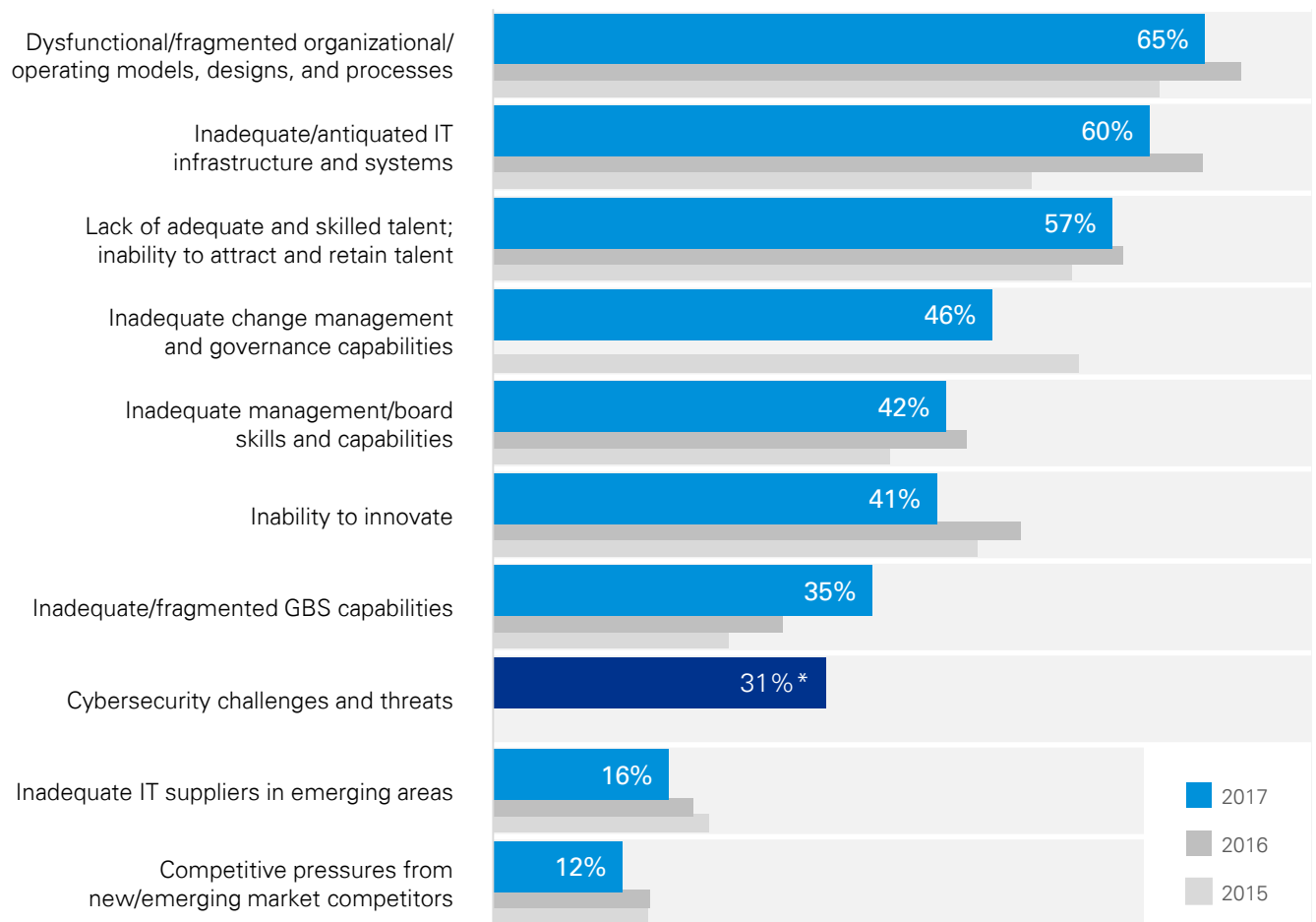
Top capabilities required to successfully undertake 2018 initiatives



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

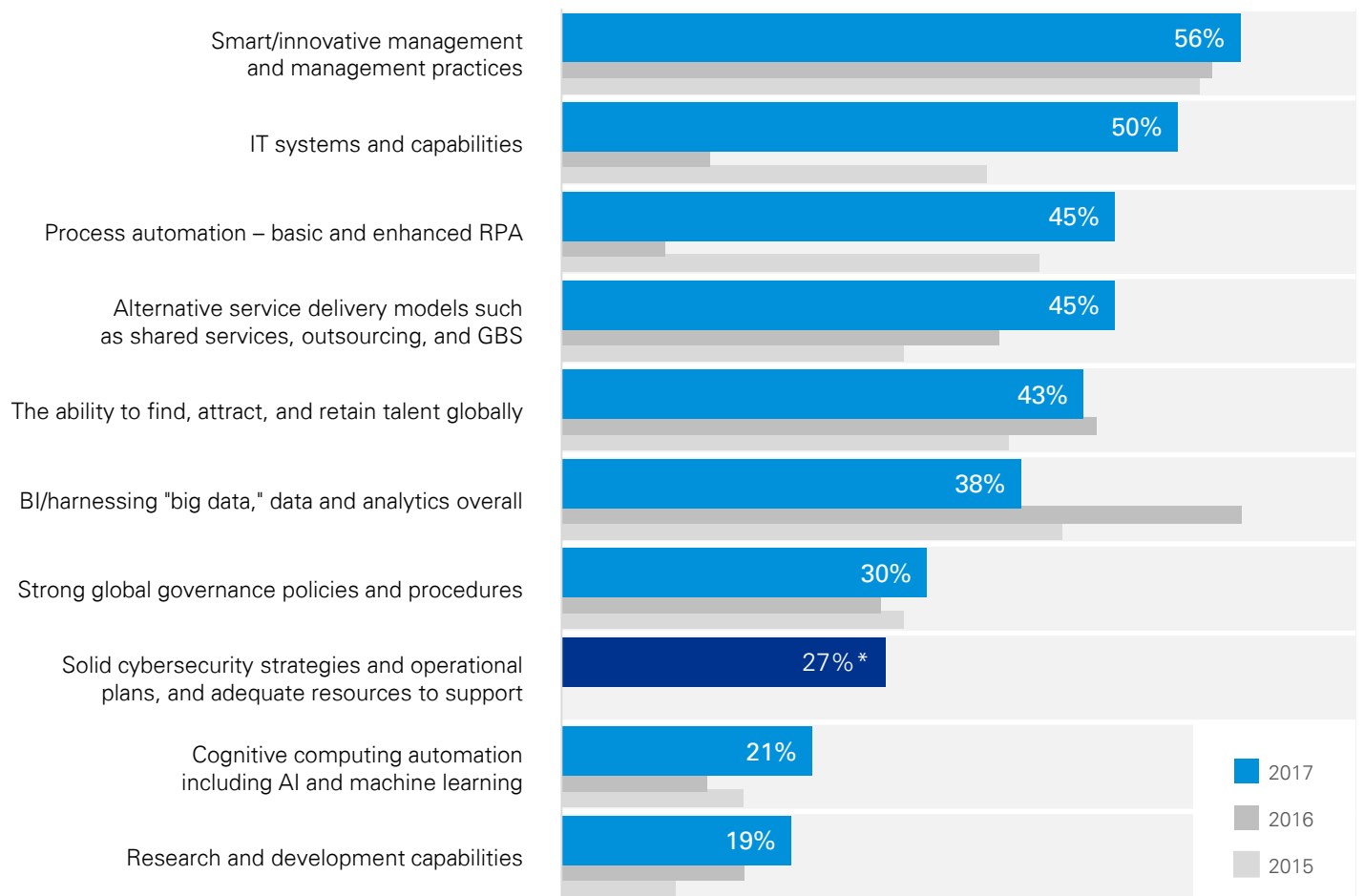
Top challenges to successfully undertaking 2018 initiatives – multiyear comparison



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

Top capabilities required to successfully undertake 2018 initiatives – multiyear comparison



* Dark blue indicates a category for which there is no prior years' data

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

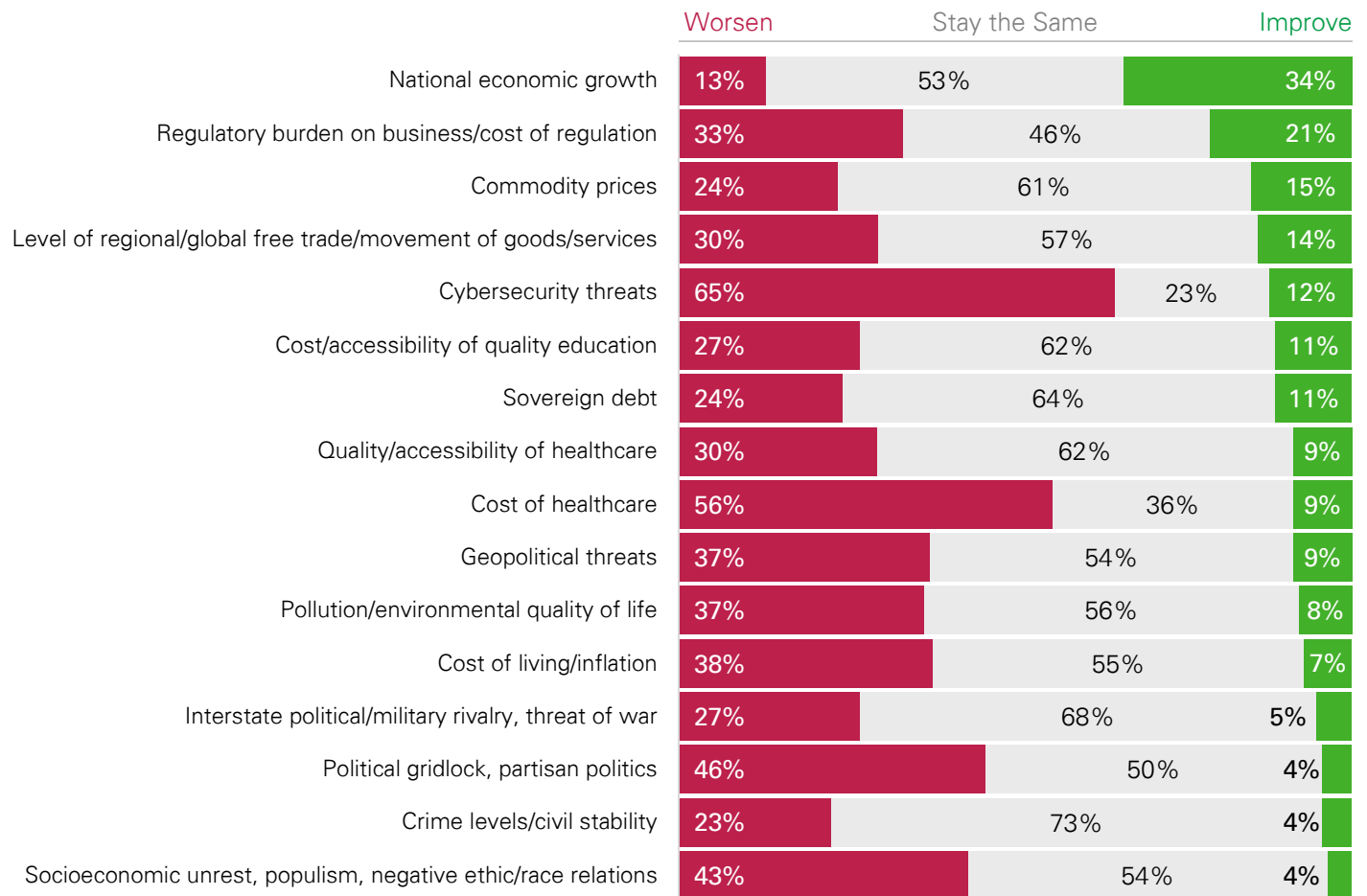


Longer-term prospects

Looking toward 2019, most respondents see continued improvement in national economies, although this outlook is tempered by expectations that the regulatory burden on businesses, political gridlock, and related issues will continue to be a serious problem, especially in the United States. The positive trend of economic improvement and the negative trend of the impact of over-regulation vary widely by market and country, the latter often impeding the former, but highlight that macroeconomic and government practices will increasingly influence organizations as they try to become or remain market leaders.

In addition, cyberattacks are also considered to be a significant and growing threat by 65 percent of respondents. Unfortunately, cybersecurity is a cross-border challenge and one that most nation-states and organizations have not yet adequately addressed.

Change in market conditions: 2018–2019



Note: Percentages may not add up to 100% due to rounding

Source: 4th Quarter 2017 KPMG Global Insights Pulse Survey

Actions to consider



Understand that IA technologies and solutions go well beyond cost savings.

They can impact the overall operational and business model of the organization to its benefit or detriment. Organizations must take a holistic approach to IA that involves target operating models, governance, change management, people, and technologies.



Do not fixate too much on the IA endgame.

Do not fixate too much on the IA endgame while neglecting the impediments and challenges that must be overcome to get there. The competition is already planning for what comes next.



Continue to prioritize ongoing process analysis and redesign.

Help ensure that unnecessary work is eliminated rather than simply automated and that automated processes continue to meet business requirements.



Enhance and extend governance models and operations.

Enhance and extend governance models and operations for service delivery to account for increased use of IA, whether these services are delivered internally or externally.



Remember that simply implementing IA technologies, even if done well and expediently, is only the starting point.

To fully exploit IA's potential benefits, organizations must change their operating models and hire resources with the intelligence, innovativeness, and expertise to determine what to do with IA. Only then can the organization become transformational while also addressing critical requirements such as change management and IA governance.



Do not neglect other critical requirements to remain competitive.

While IA is 2018's proverbial "new shiny object," do not neglect other critical requirements to remain competitive. This includes jettisoning dysfunctional management, fixing inadequate operations and processes, a better understanding of customers and the competition, and determining what to do with insights generated from IA efforts.



Do not become too inwardly focused on IA efforts.

Even if an organization is at the head of the IA class, geopolitical stress, an ever-changing regulatory environment, socioeconomic changes, and other external developments can have unintended influences on the outcome of any IA initiative.

Contact us

David Brown

Principal and Global Lead,
Shared Services & Outsourcing Advisory
KPMG in the United States
T: +1 314-803-5369
E: djbrown@kpmg.com

Bob Cecil

Principal, Shared Services & Outsourcing Advisory
KPMG in the United States
T: +1 703-286-8833
E: rcecil@kpmg.com

Jo Page

Partner and Global Business Services Lead
KPMG in the United Kingdom
T: +44 20-73114943
E: joanna.page@kpmg.co.uk

Stan Lepeak

Director, Global Research Management Consulting
KPMG in the United States
T: +1 203-444-1268
E: slepeak@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities

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 upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 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. NDPPS 741219 SSOA201802