

Trends 2017



11 TRENDS TO WATCH

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Trend Watchers

Our panel of experts include members of IAOP's strategic advisory board and PULSE editorial board:

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"Budgets for risk management programs will increase significantly."

– Sandeep Suresh, Head of Research, Neo Group

Time To Change



Cognitive Automation Becomes More Accurate

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– Mary Lacity, COP, Curators' Distinguished Professor, University of Missouri-Saint Louis

"Beyond IBM's Watson, there are many open-sourced and propriety tools that allow organizations to experiment with automating services that use inference-based algorithms to process unstructured data. Many organizations will get them ready for live deployment soon." – Mary Lacity, COP, Curators' Distinguished Professor, University of Missouri-Saint Louis



Blockchain Beginnings

"Blockchain, initially in financial services but then into functions such as finance and accounting, sourcing and procurement, legal, and logistics and supply chain across many additional industries, will enable another form of process automation and digital labor like services. This could potentially in some circumstances have a greater impact than process and cognitive automation. While a longer term scenario, it's one that organizations need to begin to educate themselves on in 2017."

– Dave Brown, Global Lead, Shared Services and Advisory, KPMG



Risk Management Increases

"Risk management programs will become mainstream with companies setting up dedicated risk management organizations to manage the changing risk dynamics. Budgets for risk management programs will increase significantly."

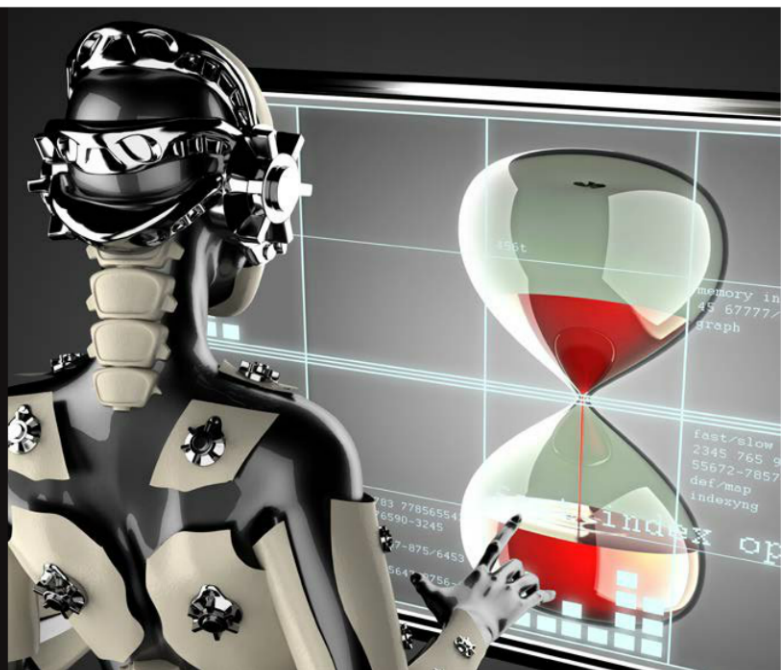
– Sandeep Suresh, Head of Research, Neo Group

Technology Trends Now, Soon and Later



Using Stephen Sondheim's "now, soon, and later" scale, I see (and foresee) three technology trends that will alter sourcing of services.

By: Mary Lacity, COP, Curators' Distinguished Professor, University of Missouri-Saint Louis



NOW: RPA is topping-down and scaling up.

Based on original research conducted with Professor Leslie Willcocks from the London School of Economics, we learned that in the past, organizational adoption of RPA often started bottom-up in a particular line of business operations.

The business operations managers discovered RPA when they were solving a particularly pressing issue, such as taking on more routine work without being allowed to add more headcount.

But now we see a different pattern: senior managers are now aware of RPA and its triple win possibilities for shareholder, customer and employee value. The C-suite envisions that Centers of Excellence will seed RPA capabilities across the enterprise. This top-down approach means better business strategies and more resources invested in vetting enterprise-worthy RPA tools, engaging helpful advisors and training more in-house staff.

Current BPO providers will increasingly compete against RPA insourcing. They will have to convince customers that their combined automation-labor models will produce value to customers over and above what customers can do on their own.

SOON: Cognitive Automation will scale down to become more accurate

I celebrated the tremendous bellwether event of IBM's Watson winning the game show Jeopardy! back in 2011. That remarkable performance relied on a massively fast computer that could analyze a vast amount of trivia data. IBM built Watson using a cluster of ninety servers and 16 terabytes of random access memory. Its initial size was close to 10 standard U.S. refrigerators. Watson was loaded with encyclopedias, dictionaries, thesauri, movie databases, newswire articles and literary works. Watson could process the equivalent of a million books per second.

Wow! Ambitious goals followed: Watson will solve cancer, make smarter financial investments, diagnose diseases, etc. ...

But when it came time to commercialize Watson ... it was simply too big of an investment for most organizations to undertake. IBM broke Watson up to 40 different capabilities available through Application Programming Interfaces (APIs), but

even then, overly-ambitious use cases stalled in many organizations.

Some applications of CA went into production with unintended consequences, like Microsoft's TayTweets; Tay had to be taken offline in just 16 hours. Other CA applications are still run online, but as yet produce inadequate answers, such as the virtual assistant used by the Singaporean IRAS. "She" did not properly answer many simple tax questions I asked "her." Instead, she responded with very general and often inaccurate guesses. I do understand that tax codes are a complicated corpus of knowledge, so her performance is not surprising—she may get better soon.

I suspect that more organizations will take an incremental approach to CA implementations. Rather than go big-bang, they will focus on discrete domains and aim to improve its accuracy.

Deakin University in Australia, for example, launched a part of IBM Watson in just four months. The University's first release limited the scope to

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2,000 question/answer pairs of the most common questions students ask. The University also set realistic expectations as to the technology's initial accuracy, and asked the student body to help train Watson to become better.

As far as BPOs, I think CA offers them more opportunities than RPA. CA tools require a tremendous amount of expensive machine training, so if a BPO provider takes that on for a specific domain area, I can see them selling a value-added service that customers could not afford to replicate in-house.

LATER: Blockchain unleashed

One of the perks of a professor is that we have summers off to learn new things. I spent six weeks learning about Blockchain this summer. I am nearly convinced that Blockchain is to transactions as the Internet is to information: it will likely decentralize, democratize and disintermediate transactions.

The possibilities for replacing trusted third parties with Blockchain technologies are mind-blowing. How will the auditor's role be transformed in a Blockchain world where EVERY transaction is public and verified over and over again? How will

the banker's role be transformed when people can authenticate ownership and prevent double spending with the Blockchain? How will the lawyer's role be transformed when the Blockchain can facilitate and execute smart contracts?

Later, we will see some incredible use cases beyond cryptocurrencies. Who will develop and run the Blockchains? Bitcoin is an open-source project, but that will not be the only model going forward. Rather than cloud providers, we might be talking about Blockchain sourcing providers.

ⁱ [https://en.wikipedia.org/wiki/Watson_\(computer\)](https://en.wikipedia.org/wiki/Watson_(computer))

ⁱⁱ NOVA documentary, "Smartest Machine on Earth," Aired May 2, 2012 on PBS. <http://www.pbs.org/wgbh/nova/tech/smartest-machine-on-earth.html>

ⁱⁱⁱ [https://en.wikipedia.org/wiki/Watson_\(computer\)](https://en.wikipedia.org/wiki/Watson_(computer))

^{iv} Waters, R. (2016), "Artificial Intelligence: Can Watson save IBM?" Financial Times, January 5, 2016 <http://www.ft.com/cms/s/2/dced8150-b300-11e5-8358-9a82b43f6b2f.html#axzz4JOiOCNyz>

^v Hern, Alex (24 March 2016). "Microsoft scrambles to limit PR damage over abusive AI bot Tay". The Guardian.

^{vi} <https://ask.iras.gov.sg/va/askjasmine.html>

^{vii} "Watson @ Deakin University" video posted March 18, 2015; <https://www.youtube.com/watch?v=MK9gagkPDoc>

^{viii} <https://www.cbinsights.com/reports/CB-Insights-BlockchainWebinar-March2016.pdf>