

# BUSINESS PROCESS



**RPA makes waves**

Contracts make a difference

**Xchanging makes it work**

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REPORT

# Poppy appeal: RPA at BPO service providers



Just how beneficial can RPA be in a BPO environment? **Leslie Willcocks** and **Mary Lacity** investigate Xchanging's introduction of robots

Xchanging is a provider of technology-enabled business processing, technology and procurement services internationally to customers across many industry sectors. Listed on the London Stock Exchange, at the end of 2014 it had more than 7,400 employees (4,600 business process services, 2,000 technology, 800 procurement) in 15 countries, providing services to customers globally. Net revenue for 2014 was £406.8m, of which £282.4m was from business process services. As of mid-2015, Xchanging had automated 14 core processes, deployed 27 robots that processed 120,000 transactions per month, for an average total cost savings of 30%. Besides cost savings, Xchanging reported many other business benefits including improved service quality, faster service delivery and scalability. By investing early and heavily in RPA, Xchanging became well positioned as a service provider to use its RPA capabilities strategically to attract more clients. By November 2015, major

BPO service provider Capita was seeking to acquire Xchanging with a recommended cash offer of £412m.

## Xchanging's RPA journey

With Xchanging's stress on "technology at our core"<sup>1</sup> and with his own deep experience in technology services, for Adrian Guttridge, executive director at Xchanging Insurance, the step into RPA seemed obvious, but prototyping was necessary. In early 2014 he placed his data and information manager, Paul Donaldson, in charge of an RPA project to identify and automate 10 processes in the insurance business while establishing a long-term governance and support competency for the Group: "We did not choose an IT person, and it had to be someone who understood process reengineering. Though I have an IT group of more than 100 people onshore and offshore many hundreds more, I put it into the business processing part under the operations director."<sup>2</sup>

Donaldson was a Six Sigma black belt himself, so a suitable champion for the project. RPA also seemed to fit well with Xchanging's core values, including customer focus, innovation, speed and efficiency, and people empowered to make a difference through teamwork. Furthermore, RPA matched with Xchanging's offerings of innovation and technology, but also with the promise of new, valuable expertise working for the customer, together with added service delivery flexibility. There was another prize. If effective, RPA could also be exploited beyond insurance, thus tapping into Xchanging's relatively new Group-based focus: "Our deliverable wasn't only towards processes, but to put a framework in place that could be leveraged for the Group – to institutionalise it."<sup>3</sup>

## Start out and launch, 2013-14

Xchanging has a huge amount of back office, high-volume, repetitive data collection and processing tasks, many of them still manual and many still taking data from



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► non-integrated legacy mainframe systems. Moreover, information is extracted from various sources e.g. Excel, Access, PDF, and input into another system or used to generate reports. There is a lot of manual comparison of information across different screens in a system before netting and closing a transaction can occur. Entry into a target system has to be based on certain business rules.

Blue Prism RPA products seemed eminently suitable for addressing these issues and achieving efficiencies from moving data from any source system to one or more destination systems. In particular, a number of claims presented to Xchanging seemed attractive. Robotic FTEs could be one-third the price of offshored FTEs and could work 24/7 without errors. It took only several weeks to automate, with no need for IT specialists. Superusers in operations could train the robots. The robots do repetitive clerical tasks and fit into existing operations. Working in a virtualised environment off a secure, audited and managed platform, the robots would run in a virtualised environment and so could be scaled up and down rapidly while working in any jurisdiction.

### Identifying processes for automation

The RPA software seemed most suitable where degree of process standardisation, transaction volumes, rules-based process and process maturity were all high. Ten candidate processes were chosen. Xchanging found it challenging to identify what “high” meant and made some initial miscalculations. A learning point was that you had to identify suitable processes: RPA fitted more with high-volume, low-complexity work. Paul Donaldson explained his learning point: “If you define the right

process, the RPA business case will naturally follow; the economics will usually add up. It’s not going to cost you long-term to deploy.”

### Bringing IT on board

The business case was approved in early 2014 and securing the resources and mobilising the project became the main tasks to March 2014. At this stage one of the problems was the relationship with IT; this was resolved by organising RPA as a technology project with a business driver, being done for, and sitting in, the business. Technology was responsible for delivering the underpinning infrastructure and architecture. This was translated into how the project members were assembled and organised.

The RPA initiative had 20 people involved at various times, working under the head of operational change – 10 from the insurance business and 10 from Group technology. Initially, four were developed by Blue Prism to perform the key role of process modeller – basically trainers of the software and system, and owners of the change activity. A separate

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“run” function of two people took changes into business operations. From Group technology there was a dedicated systems manager and two support staff, responsible for servers, architecture and technology policy. Project management staff were also involved, along with Paul Donaldson as project lead. Up to August 2014, when the project went live, Xchanging also utilised the RPA provider to educate and support, the plan being to build the in-house capability and become self-sufficient as quickly as possible.

### Building the robotic operating model

Xchanging gained implementation speed from selectively applying the provider’s robotic operating model and enterprise maturity model, which represented structured accumulated learning from previous corporate deployments at, for example, Barclays Bank, Shop Direct, the NHS and Telefonica/O2. The model is particularly strong on building long-term, resilient RPA capability, according to Blue Prism’s Patrick Geary: “You have to plan for where this is going to be, not where it is now. You have to build a foundation for a tower block, not a bungalow.”

Xchanging drew selectively on this operating model and Blue Prism’s advisory, operating and training resources, together with Xchanging’s own extant process/technology knowledge and resources to create a strong development and implementation roadmap and team.

### Training the staff and the robots

During May-July 2014, the RPA group focused on technology design and build, including the architecture, and server and software support, as well as training the process modellers and all staff. A key part ►



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# Uruguay

## LATIN AMERICA'S BEST BUSINESS GATEWAY

"We wanted to centralize all BASF's accounting services in the Americas, from Alaska to the Patagonia, in a single country. We decided on Uruguay for three main reasons. The first was its government, offering economic and social stability, ease of doing business, minimal bureaucracy and low levels of crime and corruption. The second was the country's quality and uninterrupted Internet connections, which our company needed to transport the data powering our equipment and technology. Most important was

human resources, because our services depend on people. Uruguay offers professional and well-educated talent thanks to the country's excellent universities. We are more convinced every day that we made an excellent choice by coming to Uruguay."

**Berthold Ebner**

Managing Director,  
BASF Services Americas.

HIGH QUALITY +  
COMPETITIVE  
COSTS



talent



market &  
nearshore



lifestyle



reliability



success



► was designing and testing processes to get the most out of the robots and making components efficient, easily maintainable and reusable. By August 2014, preparations were sufficiently advanced to launch four automated processes using 10 robots. A notable feature, unusual in other implementations we have seen, was Xchanging's own introduction of management information reports underpinning the operation of the four processes.

### Automating example: London premium advice notes

Figure 1's example of London premium advice notes (LPANs) aids understanding here. One new robotised process was the validation and creation of LPANs, which insurance brokers use to submit premiums to Xchanging for processing. Once an LPAN is created it needs to be uploaded to the central Insurers' Market Repository. The original process involved the customer sending Xchanging an unstructured data file. The file has to be opened and validated. The operator then has to collect additional data from a system called "Account Enquiry". Next, the LPAN is manually created and, with supporting documentation, uploaded to the Insurers' Market Repository. This is a high-volume process that the operators did not really like doing, but Xchanging is contracted to do it.

Enter Poppy, a robot named by Xchanging's PAS technician Amanda Barnes after Remembrance Day 2014: the day the RPA process went live. In the automated process, brokers still submit premiums and the human role is to structure this data into a standardised template and hand it over to a pre-scheduled Poppy, which reads the request. After various checks previously done by a human,

Poppy decides whether to complete or make an exception of the request. While Poppy creates the validated LPANs, humans check the exceptions. In this scenario, note that Poppy has to be trained correctly to carry out its tasks. Continuous improvement is also part of the work, with first-time completion reaching 93% by May 2015. Where a 500 LPAN process previously took days, a properly trained robot can now do this in around 30 minutes, without error. The robot can easily scale up and down to meet changing workloads, without human resource issues, e.g. staff availability, training, overtime cost.

### Initial learnings

Xchanging learned four things from automating this process:

1. Continuous improvement beyond deployment maximises benefits. The ratio between robot and human process times increases significantly when no web-based applications are involved.
2. High-volume repetitive tasks are better performed by robots, not least due to removal of human error.

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3. Operations staff did not fear robotisation, but named and welcomed Poppy as a team member and, indeed, asked if Poppy could be trained to do more work for them.

4. The robot can outperform a human on quality, speed and error-rate metrics, but can only work at the pace the overall process allows it to work at.

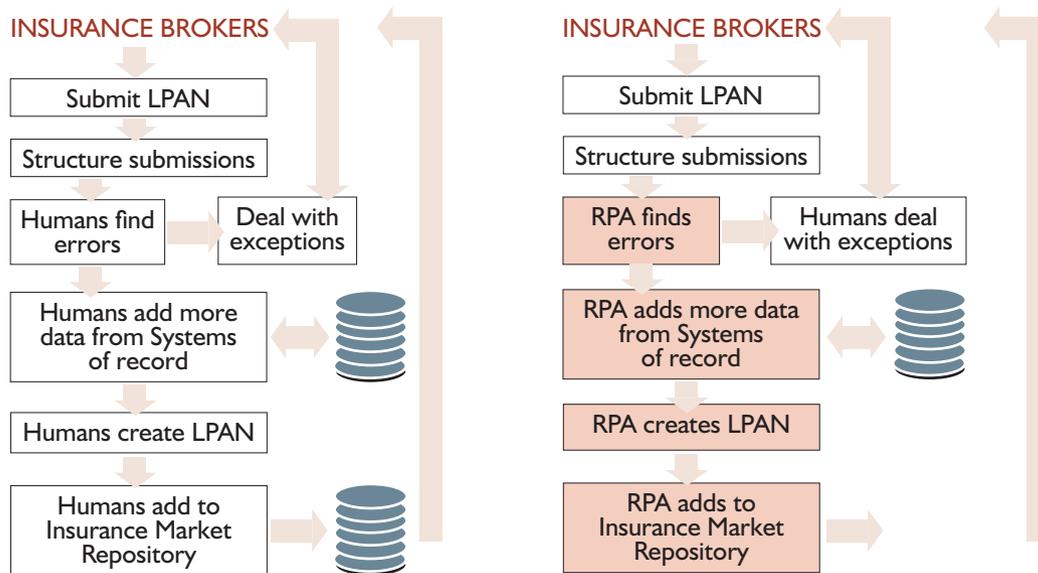
The launch also saw an intensification of the internal messaging process, with many roadshows in the UK and India. Donaldson recognised that people would see RPA as a threat, but Xchanging was never expecting to lose anyone from the business through redundancies, having seen automation coming and planned around it. The messaging was that RPA gave people the opportunity to move on to other, more interesting work. The roadshows gave evidence of people taking on new, expanded roles.

While there is a big debate around whether automation would see the repatriation of work from offshore sites, Xchanging argued in its internal messaging that in its case there was no strong rationale for this. Xchanging had no quality problem with its many offshore sites, which spanned work in business processing services, technology and procurement. Nor would repatriation produce a significant cost differential; offshore processing was already highly efficient. Rather, in practice, automation could be applied in those offshore sites to further improve performance where needed, for example in speed, and may well mean new job opportunities.

### The journey 2014-15 – ramp up, improve and beyond

In the ramp-up period from September to December 2014, the RPA team auto-

**Figure 1** London premium advice notices (LPANs): before RPA (left) and after RPA (right)



mated a further six processes. Advanced training for all the operators took place, and volume ramp-up occurred across all the ten processes. Says Paul Donaldson: “Since really ramping up, we started to upskill our people even more and we’ve really started to escalate volume. We’re working about 70,000 cases per month using our robotic workforce. We leave to human interaction about 7% of the processes we’ve automated, mainly business exceptions, or things process users don’t want us to do. System exceptions are incredibly low, usually down-time in the application or an unexpected behaviour.”

By May 2015 the automated processes were achieving a success rate of 93% against the original 80% target. That came from all the continuous improvement. During 2015 Xchanging started to institutionalise its RPA capability. According to

Paul Donaldson: “Platform disaster recovery is in, with every robot having a robot friend sitting in another site somewhere; it’s as simple as that. We’ve got an exact copy in a separate site. When we were a certain size it didn’t make sense to divide the ‘run’ and ‘change’ functions, but we’re now growing to a stage where it makes sense. ‘Run’ is now an India-based team. The continuous improvement thing has been quite major for us. We did a whole raft of changes at the start of the year and we’ve just got more benefits out of the process that we’d never planned to at the start by really tweaking in a controlled manner.”

#### Automating example: e-policy

By June 2015 the RPA team was doing a lot more work in insurance, looking to double what it had already achieved in the

first quarter of the year. RPA had also become part of Group operations, reflected in Paul Donaldson’s appointment as group product manager for robotic automation. Meanwhile, the RPA initiative was being extended into the procurement division of the Xchanging business. The F&A financial services area was also pushing hard to implement RPA.

#### Lessons learned

According to Everest Group, four key factors are driving the need for more cost-effective operations in the insurance market.<sup>4</sup> Macroeconomic pressures include low interest rates, low GDP growth and high unemployment ratios. Meanwhile, post-2008 regulatory changes globally have been causing massive upheaval in the insurance sector. Thirdly, rising fraud incidents are increasing ▶

► the cost of operations for insurers. Fourthly, as the modern consumer moves towards digital experience, insurers need to respond, this being translated into increased pressure for more efficient and cost-effective operations.

Business process service providers like Xchanging need to respond to these combined pressures. At one level of analysis, Xchanging had gone as far as it could with existing methodologies and technologies. The company's continuous improvement capability was still strong, but a lot of effort was needed for marginal improvement, while offshoring further work would weaken both the onshore presence and also Xchanging's image in the London insurance market. Meanwhile, RPA fitted extremely well with Xchanging's three-year 2011-14 transformation (offering a further improvement lever) and its strategic positioning against major shifts in the business process services market. It also fitted well with its innovation and technology capability and messaging to demanding customers desiring those very attributes. Additionally, Xchanging could see, from previous implementations of the Blue Prism software, that the operational payoffs were considerable if it took the accumulated learnings, married them to their relevant in-house capabilities and built an RPA capability for the organisation as a whole, for the long-term. Interestingly, while RPA is sold most often on large savings on FTE costs, this did not emerge in Xchanging's case as a primary driver. Xchanging seemed to have a mature awareness of the multiple, even strategic payoffs that were possible and, in our view, this gave RPA adoption dimensions of innovation, learning, and organisational acceptance – lacking in less successful cases.



## Xchanging could see from previous implementations of the Blue Prism software that the operational payoffs were considerable.



In our analysis, Xchanging did not have to face the major barriers to deployment often encountered. Drawing on her Everest Group work, Sarah Burnett has outlined these as legacy systems and service delivery, lack of adequate process documentation, lack of knowledge and/or buy-in, employment sensitivities and service provider hesitation (to protect their more traditional FTE-based pricing models).

Xchanging has gained multiple benefits from its RPA deployment so far. Cost savings run from 11-30% depending on the process being automated. Meanwhile, there is significant and still improving service delivery in terms of quality and speed, and better ability to manage in terms of governance, security and business continuity. Processing activity has become more flexible, scalable up, down and across activities, within wide ranges. Starting in the insurance business, Xchanging is also extending RPA to Group-wide adoption and planning strategic, competitive edge payoffs. Xchanging provides rich learning; as a pioneer of RPA with remarkable results, its case offers, on our

analysis, eight lessons for other companies considering automation:

- RPA needs a sponsor, a project champion and piloting;
- A culture of business innovation and technology accelerates adoption;
- RPA should sit in, certainly feel owned by, the business;
- Standardise and stabilise processes before automation;
- RPA must comply with the technology function's governance and architecture policies;
- Build internal RPA capability to evolve, leverage scale and increase business value;
- Multi-skill the robots;
- Pay careful attention to internal communications.

*This case study is a much shortened version of a chapter in the authors' forthcoming book, Service Automation: Robots and The Future of Work, published by SB Publishing in February 2016. Contact: l.p.willcocks@lse.ac.uk or mary.lacity@umsl.edu*

**Endnotes;** *Technology At Our Core* is the title of Xchanging's 2014 Annual Report.

1. Interview with Adrian Guttridge, executive director, Xchanging Insurance, 18 May 2015.
2. Interview with Paul Donaldson, Xchanging, group product manager for robotic automation, 22 April 2015.
3. See Everest Group (2015). *Service Delivery Automation: The Business Case For RPA in Insurance Services*. Market report, March 2015.
4. Sarah Burnett, presentation at the Everest Group Webinar "Service Delivery Automation: The Next 'Big Thing'", 26 February 2015. The barriers are detailed in Everest Group (2015). *Service Delivery Automation: The Business Case For RPA in Insurance Services*. Market report, March 2015.



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