

CAPTURING THE AUTOMATION PAYOFF: **BEYOND ROI TO TVO**

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Initial adoption of Robotic Process Automation (RPA) typically starts with Efficiency – using new technology to improve accuracy, quality, and speed while reducing costs. And the most common business case metric is some variant of Return on Investment (ROI), with the reference benchmark being the cost of a Full-Time Employee (FTE). But we know from decades of research that traditional ROI measures and cost/benefit analyses typically understate 'soft' and strategic benefits when applied to IT investments, and don't account for many operational, maintenance, as well as human and organizational costs, which can exceed technical costs by 300-400%. Moreover, inherited from IT evaluation practice, one tendency has been to understate total costs in order to be able to allocate only hard, financial benefits allowable under traditional ROI regimes.

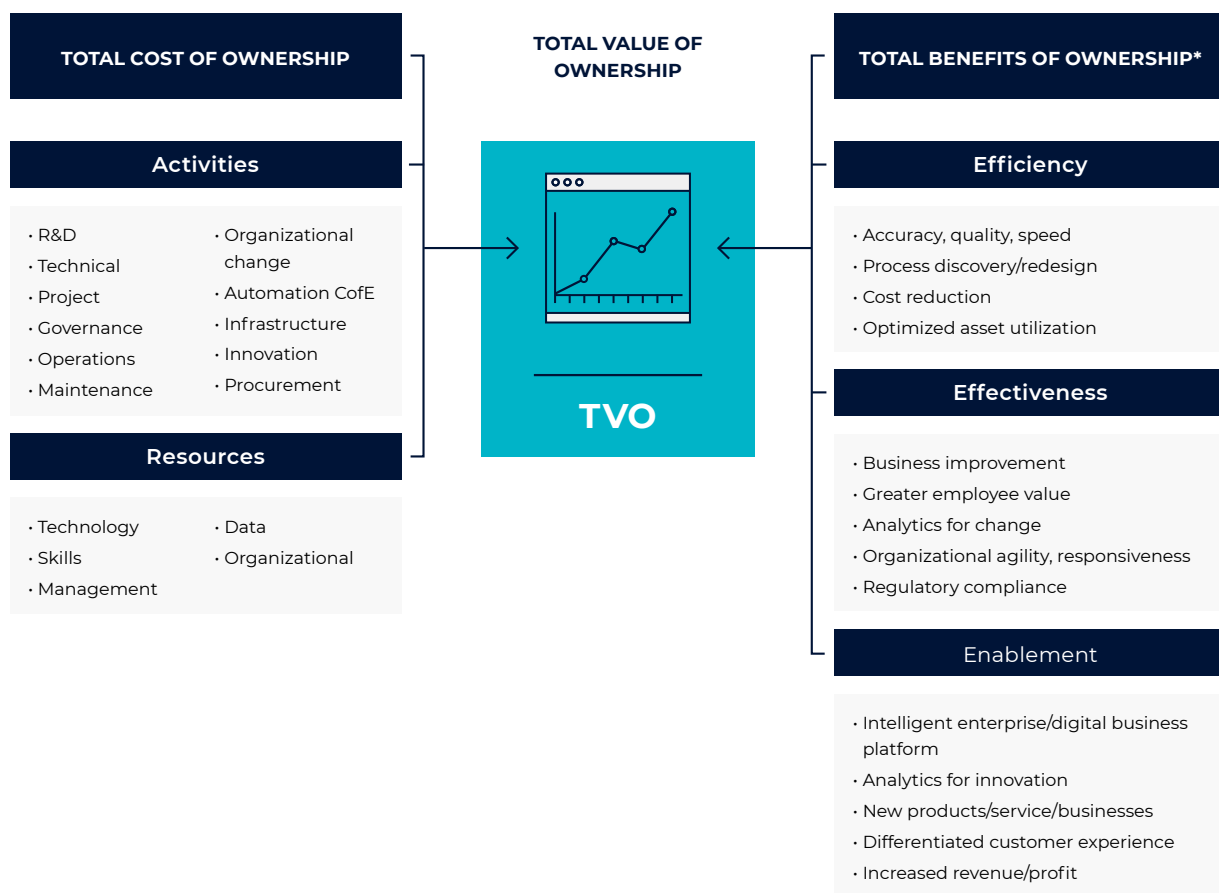
One remedy, at least on the cost side, has been to focus on Total Cost of Ownership (TCO), defined as the total technical, project, human and organizational acquisition and operating costs, as well as costs related to replacement or upgrades at the end of the life cycle. TCO adds up all resource costs across all the activities comprising the automation life-cycle, flushing out hidden costs so often missed when using ROI. But this measure still focuses energy, then, on reducing total cost of ownership.

Neither ROI or TCO lead to gaining strategic value from the technology. The real limitation so far in automation assessments has been in establishing benefits. The truth we are finding is that a massive amount of business value is being left on the table. A new measure of net benefits is needed in order to drive strategic behavior and gains from automation.

Based on extensive research at Knowledge Capital Partners, we have developed a new measurement framework for service automation investments we call *Total Value of Ownership (TVO)*. With this concept, the objective is to ensure that business cases for service automation are driven by:

- total costs (both explicit and hidden costs)
- multiple expected business benefits, including the strategic returns from future business and technical options made possible by automation (hidden value).

Our TVO Framework is shown below, with Total Costs on the left hand side of the equation, matched against Total Benefits on the right.



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*Indicative benefits

On the cost side we include all relevant activities and resources, not just traditional ROI inputs. On the benefits side, we have already found very strong empirical evidence amongst clients using RPA and intelligent automation to achieve a ‘triple win’ for shareholders, customers and employees. Our “Three E’s” framework is designed to capture all these, but also locates further sizeable hidden value all too frequently omitted from clients’ business cases.

Take *Efficiency*. Much hidden value resides in the potential, for example, from applying process analytics for further efficiency gains. Look at *Effectiveness*. Additional hidden value is located in the *Effectiveness* area ('doing things right/differently') by using automation and analytics to change how business is done, or to extend its capabilities. Meanwhile when we come to *Enablement*, we have already found multiple examples of enhanced customer journeys, new services, and increased profit/revenue.

Beyond this, we need to capture the hidden strategic value of the future options enabled where RPA, in combination with other technologies, creates a powerful, low-code digital business platform, operating something like a 'bus' on a computer motherboard but here connecting and integrating a growing range of innovative cognitive and AI workflow solutions to support a blended human and digital workforce – including Natural Language Processing (NLP), Optical Character Recognition (OCR), Machine Learning (ML), Business Process Management (BPM) and other intelligent tools. Discounting the source of such major hidden, future value is a serious mistake.

Identifying and capturing these business-driven Effectiveness and Enablement value opportunities requires evolving the initial RPA Center of Excellence – first to become an Automation Center of Excellence, and ultimately what we call a Center of Enablement – supporting a wider digital transformation program. The key takeaway from our TVO research is that companies should aim high and take a strategic approach to capture the massive potential business payoffs available from automation.



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