Robotics process automation in the Gulf region

An innovative solution for shared services and outsourcing
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Foreword

EY

The economic climate in the Gulf region has changed significantly since oil prices fell in 2014, affecting governments, businesses, citizens and employees. We must be creative in finding ways to overcome the challenge of a weaker economy — and to become stronger.

Shared services and outsourcing have long been viewed as a way to enhance services and reduce costs. In the Gulf region, the challenge is to improve efficiency while also meeting nationalization agendas, and customers’, citizens and high expectations for the delivery of services.

Our goal is to create a new economic environment for shared services and outsourcing. Our call to action: We need to be creative, curious, and work together to overcome the challenges that we face.

We believe that shared services and outsourcing can provide a solution, especially when combined with new robotic technologies. They will help to accelerate the success of the region, expand the shared services industry and create new jobs to make our economy stronger.
Disruptive technologies have changed the way governments and private organizations operate worldwide. They have adapted to regain profitability and maintain a competitive advantage. In the 1990s, ERP and shared services concepts fueled the emergence and growth of centralized finance and accounting, HR, procurement and other business functions. This was followed by the emergence of shared services and outsourcing (SSO) in the 2000s, which took advantage of offshore labor arbitrage and drove a new round of cost savings by lowering the human cost of performing the associated services. The next wave of efficiency and cost savings is gathering pace with the emergence of the next generation of digital technologies. Some examples of such technologies include:

- Cloud computing
- Big data and analytics
- Robotics process automation (RPA)
- Artificial intelligence
- Blockchain technology

Among these, RPA has recently emerged as an effective entry point that will drive organizations toward sustainable profits. In fact, some major organizations have already commenced their robotics journey and are moving toward advanced adoption that will allow them to establish a market-leading position, by realizing accelerated benefits and a competitive advantage.

Transformational forces are driving significant changes in the private and government sector in the Gulf Cooperation Council (GCC) countries. These include new customer expectations and behavior, tougher regulations, the development of a highly skilled digital workforce and customers’ desire to connect to their government at any time, anywhere.

In the face of three challenges – weak energy prices, workforce nationalization and higher demands from consumers – organizations need to enhance their shared service program by integrating into it a program of robotics process automation (RPA).

Shared services and outsourcing (SSO), coupled with RPA, enables organizations to meet all three challenges simultaneously and quickly. The combination of SSO and RPA offers a wide range of benefits that include fast implementation, consistent performance and more rewarding careers and more satisfied citizens and customers.

The integration of RPA into shared services is challenging and requires a focus on five key areas: incentives for adoption by stakeholders, a robust operating model, a clear set of priorities for process automation and transparent accountability of business and IT leaders and precise measurement of the benefits.

But before we delve into details, we need to understand the true meaning of RPA and debunk some of the myths around it.

RPA is an enterprise-class software automation solution that runs unattended by people, working like a virtual employee at the level of the user interface. It executes laborious, repetitive processes and handles data across legacy, desktop and web applications. RPA is commonly mistaken for...
“robots,” “augmented technology” and “artificial intelligence,” but the easiest way to describe RPA is as software that mimics human tasks. These human tasks should typically be “rule-based” and require digital inputs for the RPA software to be effective. It sits alongside existing infrastructure, governed and controlled by IT and uses software to execute business processes in a repetitive, audited and controlled manner. Some of the myths surrounding implementation of RPA include:

- Automation of all office work by RPA
- Sole purpose as a tool to cut operational cost
- Robots will eventually replace all the employees
- Implementation does not require the support and involvement of the CIO
- Silver bullet for optimizing administrative and operational organization

RPA is scalable: It can be implemented quickly after identifying opportunities where it will make an impact on individual processes and then expanded to include other operations. It does not require organization-wide execution and a huge ambitious plan to be a success. Quick wins will demonstrate its success, encouraging adoption in other parts of the organization.

The report will discuss each of these points in turn.
The unique challenges facing Gulf states are causing the public and private sectors to reassess the use of SSO. A solution to these challenges is to enhance SSO by means of robotics process automation. This form of automation comprises robotics software that can perform many back-office processes, from answering customer questions and updating financial ledgers, to managing key parts of the supply chain. This report explains how the integration of RPA into shared services will help enable the Gulf states to achieve their economic goals quickly and efficiently.

SSO was introduced into the Gulf states within the past decade to address the region’s cost structure by outsourcing shared services to parts of the region and elsewhere, as a means of lowering costs and improving performance. Despite its advantages, shared services and outsourcing have made limited progress in the region due to a number of constraints, such as the high cost of labor in the region and limited use of offshoring, as a result of language and regulatory barriers. Now, its advantages are being challenged by a combination of three factors largely unique to the region:

- Depressed oil prices for a prolonged period are forcing organizations in the Gulf to look for deeper costs savings.
- Policies pursued by governments in the region are aimed at relying less on foreign employees while raising the level of skills of local workers.
- Amid rapid technological change, citizens and customers have heightened expectations regarding the provision of goods and services.

### Cost rationalization

<table>
<thead>
<tr>
<th>Further cost reduction</th>
<th>Time to reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited opportunities to further reduce cost once labor arbitrage is realized</td>
<td>Cost benefits of traditional SSO implementation take time to realize</td>
</tr>
</tbody>
</table>

### Nationalization agenda

<table>
<thead>
<tr>
<th>Employment opportunities</th>
<th>Conflicting agendas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional offshoring and nearshoring don’t bring jobs to the region</td>
<td>High cost of labor (e.g., UAE) conflicts with the need to reduce cost</td>
</tr>
</tbody>
</table>

### Heightened expectations

<table>
<thead>
<tr>
<th>Communication challenge</th>
<th>Consistency and quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of local language poses a significant challenge</td>
<td>Increasing demand for consistent and better quality services</td>
</tr>
</tbody>
</table>
These three factors in combination are threatening to undermine the advantages of SSO, since the outsourcing of key services to workers in other countries, especially overseas, conflicts with the objective of indigenizing employment. At the same time, traditional forms of SSO have limited room to make further cost savings, even as they’re challenged to keep up with rising demands for greater efficiency and effectiveness from individuals and organizations. In a survey of executives conducted by Shared Services and Outsourcing Network in November 2016, more than two-thirds (68%) said the average monthly cost of a shared service employee was more than US$2,000, and 19% said it averaged more than US$3,375.

What is the average monthly cost per shared services employee? (in United Arab Emirates Dirham (AED))

<table>
<thead>
<tr>
<th>Range</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5,000</td>
<td>3 votes</td>
</tr>
<tr>
<td>5,000–7,500</td>
<td>9 votes</td>
</tr>
<tr>
<td>7,500–10,000</td>
<td>12 votes</td>
</tr>
<tr>
<td>10,000–12,500</td>
<td>6 votes</td>
</tr>
<tr>
<td>More than 12,500</td>
<td>7 votes</td>
</tr>
</tbody>
</table>

Source: Shared Services and Outsourcing Network

These trends do not mean that shared services are a thing of the past; far from it. SSO will continue to play a crucial role not only in controlling costs but also in optimizing processes and providing high quality services. SSO enables stand-alone functions to be centralized or to be integrated into a multifunctional setup. It focuses on end-to-end processes, ensuring the efficiency gains are maximized.

And it takes a truly global approach to the centralized delivery of services. The problem is that locating the management of these services offshore is not the best solution for the Gulf economies.

The development of shared services in the Gulf States

Although SSO has been adopted widely around the world, it is far from mature in the Gulf economies. Only a third of executives surveyed have employed it for more than three years and only 9% are operating SSO as a global business services model. Almost half (49%) are thinking about adopting SSO.

For those respondents who have a shared services center, 44% cover only the organization’s domestic operation and 17% cover the Middle East and North Africa (MENA). Less than a quarter of respondents work in companies where the shared services center spans the globe.

For many organizations, therefore, SSO is a model that is at an early stage of development. This may, in some cases, provide a step change cost reduction and quality of services, using RPA in the context of SSO.

Which level of maturity most accurately describes your SSO?

<table>
<thead>
<tr>
<th>Level of Maturity</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are only thinking of it</td>
<td>22 votes</td>
</tr>
<tr>
<td>We are less than 3 years old</td>
<td>8 votes</td>
</tr>
<tr>
<td>We are established for more than 3 years, as a single function SSC</td>
<td>2 votes</td>
</tr>
<tr>
<td>We are established for more than 3 years, as a multiple function SSC</td>
<td>9 votes</td>
</tr>
<tr>
<td>We are operating as a Global Business Services (GBS) model</td>
<td>4 votes</td>
</tr>
</tbody>
</table>
What is your SSC’s geographical coverage?

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic only</td>
<td>24</td>
</tr>
<tr>
<td>Middle East only</td>
<td>7</td>
</tr>
<tr>
<td>Africa only</td>
<td>0</td>
</tr>
<tr>
<td>MENA only</td>
<td>2</td>
</tr>
<tr>
<td>Multiple regions</td>
<td>5</td>
</tr>
<tr>
<td>Global coverage</td>
<td>13</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Shared Services and Outsourcing Network
The benefits of robotics process automation

RPA is extremely disruptive because it combines lean deployment with clear tangible benefits. Its non-invasive nature ensures that RPA can be laid over existing systems, enabling the creation of a platform compatible with ongoing developments.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Example</th>
<th>KPI before RPA</th>
<th>KPI after RPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved customer satisfaction</td>
<td>Time to open a bank account and onboard a new customer</td>
<td>&gt;16 days</td>
<td>&lt;6 hours</td>
</tr>
<tr>
<td>Cost efficiency</td>
<td>Elapsed time/month to prepare 10 reports</td>
<td>1.8 FTE</td>
<td>0.2 FTE</td>
</tr>
<tr>
<td>Governance, quality control and audit</td>
<td>Time to reimburse the payment of a claim to a customer</td>
<td>19 days</td>
<td>8 hours</td>
</tr>
<tr>
<td>Strategic program cost reduction</td>
<td>Time to value the process to migrate data from legacy systems</td>
<td>Months/years</td>
<td>Days/weeks</td>
</tr>
<tr>
<td>Nationalization</td>
<td>Increase in percentage nationalization</td>
<td>Nationalization percentage can be increased by elimination of routine jobs with non-sensitive data performed by expats</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>Creation of digital workforce</td>
<td>Provides a serious opportunity to reclaim activities from offshore and the re-implementation on-site (e.g., high degree of compliance with internal controls)</td>
<td></td>
</tr>
<tr>
<td>Revenue enhancements</td>
<td>Accelerate innovation and growth</td>
<td>Product and service innovation can be accelerated by 9–12 months by rapid creation and pilot without expensive legacy system upgrade</td>
<td></td>
</tr>
</tbody>
</table>
This is particularly relevant in the GCC’s rapidly changing regulatory environment, in which a national digital strategy is driving the growth agenda. Governments are looking to enhance service quality to citizens, develop a highly skilled digital workforce, cater to rapidly changing citizen and customer behaviors and develop infrastructure for future population growth while at the same time keeping costs down. Examples include:

- **UAE Vision 2021** – a vision of a competitive knowledge-based economy along with a sustainable infrastructure and environment
- **Dubai Plan 2021** – a goal of becoming the smartest and happiest city on earth with the agenda of being the city of happy, creative and empowered people, the preferred place to live, work and visit, and a pioneering and excellent government
- **Saudi Vision 2030** – an objective of expanding the variety of digital services to reduce delays and cut tedious bureaucracy. Increase KSA’s investments in the digital economy and entrepreneurship
- **Qatar Vision 2030** – build a digital economy and society while reducing the digital divide across segments and fostering innovation clusters

The heightened challenges facing SSO in the Gulf can be overcome by the implementation of a program of RPA within a shared services framework. If properly executed, RPA addresses the three issues outlined above:

**Costs**

Operating costs can be reduced radically and in a speedy fashion, by automating a wide range of processes performed by humans. Previously, the cost benefits of SSO took a long time to emerge; RPA can, if properly implemented, yield significant savings. The cost of RPA is half that of an offshore resource. And processes can be ramped up or down instantly, depending on demand.

One reason for the swiftness of implementation is that it can be laid over existing systems and even across industries. Properly maintained, the new systems are entirely reliable. There are no sick days, and the services are provided 24 hours a day, 365 days a year.

**Nationalization**

SSO do not have to be sent offshore; RPA enables them to be performed onshore, thereby furthering the goal of nationalization. RPA does not dispense with a human workforce; on the contrary, it creates interesting and rewarding jobs for the people who manage the robotic software and related processes, providing new career opportunities. This furthers the national objective of raising the skill levels of domestic workers, performing higher-value tasks. This would not only give SSO a new lease on life in the current environment, but would also enable the industry to thrive.

**Citizens and customers**

RPA leads to faster and more effective processing of interactions with citizens and customers. Services can be delivered more consistently and efficiently with the use of robotics software, accelerating all kinds of customer-related processes. In addition, the use of data analytics and predictive software enable organizations to forecast demand trends. Citizens and customers are not the only external stakeholders whose higher expectations can be met more effectively. Regulators are asking for higher operating standards and more transparency. RPA provides fully maintained logs and an accessible audit trail to enhance compliance.
Low risk
Non-invasive technology

RPA can be overlaid on existing systems, allowing creation of a platform compatible with ongoing developments in sophisticated algorithms and machine-learning tools.

Accuracy
The right result, decision or calculation the first time

Consistency
Identical processes and tasks, eliminating output variations

Savings potential
20% - 35%

Audit trail
Fully maintained logs essential for compliance

Productivity
Freed-up human resources for higher value-added tasks

Cross-industry
RPA can be used across industries since it follows procedures in use

Reliability
No sick days; services are provided 365 days a year

Right shoring
Geographical independence without business case impact

Retention
Shifts toward more stimulating tasks

Scalability
Instant ramp-up or -down to match demand peaks and troughs

Duration
RPA projects run 9 to 12 months with a return of investment below 1 year

Accuracy
The right result, decision or calculation the first time

Consistency
Identical processes and tasks, eliminating output variations

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20% - 35%

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Processes that work best with RPA

Processes that are most effective with robotics software have three characteristics:

- Actions are repeated consistently
- Data are continuously entered into specific fields of a template
- Processes are rule-based to allow decision flows to alter dynamically

<table>
<thead>
<tr>
<th>Finance</th>
<th>Supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional processing</td>
<td>Order management</td>
</tr>
<tr>
<td>Account audit requests</td>
<td>Materials requirements planning system</td>
</tr>
<tr>
<td>Foreign account payments</td>
<td>Consumption and procurement</td>
</tr>
<tr>
<td>Account closure and opening</td>
<td>Payment protection measures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People management</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-and off-boarding procedures</td>
<td>Password resetting</td>
</tr>
<tr>
<td>Job role change</td>
<td>System maintenance</td>
</tr>
<tr>
<td>Amendment of address details</td>
<td>Data cleansing</td>
</tr>
<tr>
<td>Fraud investigation and time management</td>
<td>Data analytics</td>
</tr>
</tbody>
</table>
At present, financial services and telecoms in the region have led the way to implement RPA in shared services. They are likely to be followed by many other industries, such as oil and gas, health care, retailing, manufacturing and real estate. But the benefits of RPA are likely to extend to government organizations as well, because they are experiencing similar challenges to the private sector that RPA can address.

In the survey, we found that almost half the respondents (49%) had not begun to implement RPA, but 21% were planning to do so and 17% were in the early testing phase. A small but significant minority is already putting RPA into effect: 4% are in the implementation phase and are evaluating the results, and a further 8% have implemented an RPA solution and are expanding its use to other processes.

Where are you in your RPA journey?

<table>
<thead>
<tr>
<th>Status</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not started</td>
<td>23</td>
</tr>
<tr>
<td>Testing</td>
<td>10</td>
</tr>
<tr>
<td>Implemented solutions and evaluating results</td>
<td>2</td>
</tr>
<tr>
<td>Implemented solution and looking to expand usage to other processes</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Shared Services and Outsourcing Network

Those organizations implementing RPA are likely to see measurable benefits within a short period of time. But despite the improvements, the process of implementation has challenges. The first step to a successful RPA implementation is to understand that RPA is a software that sits alongside the existing IT infrastructure rather than a full-scale system ERP implementation. Based on EY’s experience advising companies on RPA implementation across different industries and functions, it focuses on five key areas that require close attention to achieve success:

1. Stakeholder incentives and engagement
   - There must be a clear communication at all levels of the organization regarding the value of, and potential for, RPA.
   - The benefits of RPA should be framed in the context of a broader agenda to automate processes and achieve operational excellence.
   - To gain full commitment from employees, effective change management tools have to be deployed.

2. Robust and agile operating model
   - Assume there is likely to be a lack of existing process documentation and a lack of clarity over what the standardized processes should be.
   - Avoid overanalyzing exceptions to the normal processes and, instead, focus on automating core process flows. Add exception paths over time, depending on the business case for them.
Build a strong IT collaboration network to facilitate support for core platform test environments. These will be needed for supporting the RPA and digital platforms.

Build a flexible governance and testing process that can support low-risk process automations and high-risk ones, such as online customer interactions.

Promote clear capacity management of robots and transparent task management for processing teams.

3. Process prioritization
   - Leverage enterprise process taxonomies and standards where they exist.
   - Develop a framework for testing deployment priorities by business area.
   - Secure early buy-in from owners of the businesses and the processes to ratify business case and benefit targets.

4. Business and IT accountability
   - Deployments led by the business must be respectful of IT governance protocol, as well as of compliance and service management requirements.
   - A clear definition is needed of business and IT roles during process prioritization, deployment planning and execution.

5. Measuring the benefits
   - Track separately the respective benefits of RPA in terms of cost reduction, qualitative benefits and compliance.
   - Tightly manage capacity release, to ensure savings are realized, rather than simply reinvested by default into qualitative factors.
   - Plan for commercial negotiations with external service providers, where the realization of benefits affects existing outsource contracts.
The EY approach to implementing an RPA program

Based on EY’s engagements with its clients around the world, the firm has developed a distinctive methodology for the successful execution of a RPA program.
The RPA Program is essential to realizing business value, by providing methods and resources to enforce consistency and accuracy, measure performance and ensure control. It starts with:

- Identification and prioritization of potential RPA opportunities.
- Evaluation of key RPA suppliers, their capabilities and software selection.
- Business processes may be re-engineered, ahead of automation and the development of a proof of the concept. This is an optional step, since RPA has an immediate impact on existing processes by mimicking human behavior.

- The program and business build and deploy an RPA pilot per approved methodologies and standards.
- Establish center of excellence that provides competencies needed for end-to-end support that might include methodology and approach, training, project delivery and solution insights.
- The program monitors performance and realized benefits, and ensures bots are functioning as expected.
SSO is a proven model for improving the efficiency and reliability of processes and the quality of services. The outsourcing of these services, however, is challenged by the threefold onslaught of low energy prices, the indigenization of the workforce and greater demands for higher quality from consumers and citizens.

SSO is challenged, but not threatened. It takes on a new significance in this tough economic environment, when it is coupled with robotics process automation. RPA helps raise the standard of services delivery while meeting the objectives of lowering costs and nationalizing the workforce.

A successful SSO that is enabled by RPA is not easy. Not only will the process methodology alter, but organizations and employees will also have to change their way of thinking about their jobs, as new career opportunities emerge.

Whatever the maturity of an organization’s shared services, RPA offers benefits that go beyond mere cost savings. The Gulf region has the opportunity to become more competitive very quickly – even possibly to leapfrog their counterparts in emerging markets. The first step is to think afresh about SSO and the power of robotics.
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