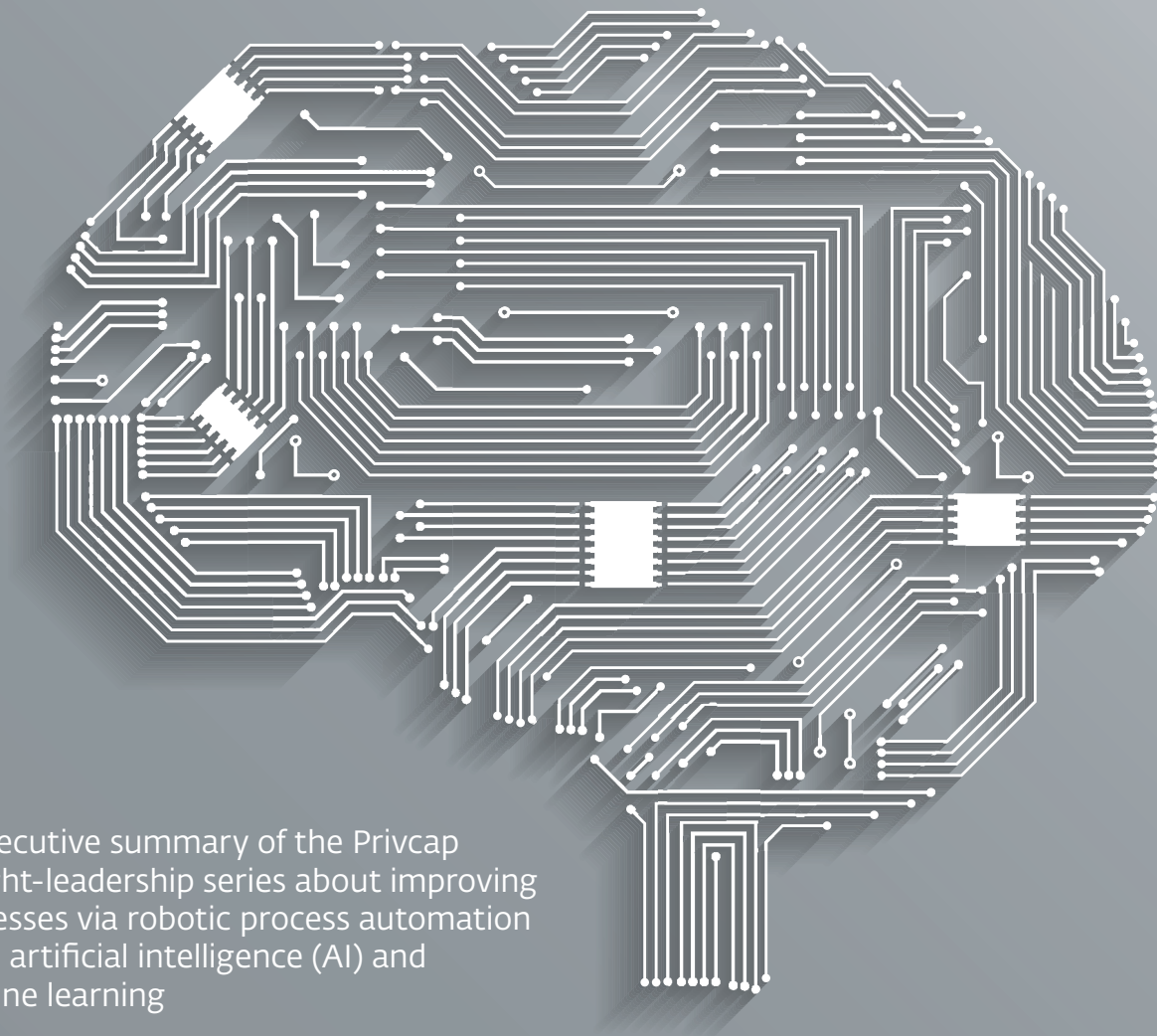


The Automation Opportunity in Private Equity



An executive summary of the Privcap thought-leadership series about improving businesses via robotic process automation (RPA), artificial intelligence (AI) and machine learning

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Key Takeaways

1. Automation technology is a big deal, improving quickly, and capable of transforming business operations
2. Automation is not just about reducing headcount, but improving accuracy and efficiency
3. Many CEOs need guidance in deciding where to begin

The Experts



Cory Eaves
Operating Partner
General Atlantic



Tamas Hevizi
Global Head, Private Equity
Automation Anywhere



Dave Noonan
Principal
RSM US LLP

1.

Automation technology is a big deal, improving quickly, and capable of transforming business operations

In just a few years, advances in automation - variously categorized as robotic process automation (RPA), artificial intelligence (AI) and machine learning - have been astonishing. In fact, the technologies have improved both quickly and seemingly surreptitiously.

Consumers today find it normal to speak questions to Amazon's Alexa robotic device and receive spoken answers. And increasingly, employees will find it normal to work alongside digital processes—"bots"—that can do increasingly complex tasks once performed only by humans.

"It's changing day by day," says Cory Eaves, an Operating Partner at global private equity firm General Atlantic. "We purchased a small company that provided [RPA] technology, and it was crafted by 10 PhDs from Harvard, hand built. Now essentially the same service is provided on Amazon. And that's in the space of three years. It went from academic research to deployment to now essentially a commodity service that you can buy online. And that pace absolutely continues in the space."

Tamas Hevizi, Global Head of Private Equity for Automation Anywhere, stresses that automation is going to streamline the operations not only of companies that are already sophisticated in technology, but of companies that markedly are not sophisticated, which have many mundane, repetitive tasks performed by humans. "What we're finding is healthcare companies and utilities getting into automation because they are stuck with a massive amount of manual work," says Hevizi. "In private equity, almost every portfolio company and investment thesis is going to look at revenue cycle management. And a lot of revenue cycle management optimization depends on doing something manually with paper. It's just a lot of papers and a lot of manual steps. We work with a lot of customers that have millions of claims they have to process every year, and they have hundreds of people doing it. There's zero value added to that being manual versus that being automated."

Picking up on the healthcare example, Dave Noonan, a Principal at RSM US LLP, notes that many payer organizations are saddled with notoriously antiquated systems. "Traditionally, the only way to interface with those systems was with a human being," says Noonan. "You took out what you wanted to get paid for, and you had a human being type it into their website so that you actually got paid. And that's actually a perfect example of where some of this technology can automate away the need to do that."

**Bots Do the Invoices**

Tamas Hevizi

Automation Anywhere

"We worked with a \$200 million automotive supplier that was trying to figure out why their supplies weren't shipping to them. And it turned they weren't getting shipments because they couldn't pay the invoices properly. Why? Because they couldn't do three-way matching properly. It was basically human error. The vendors weren't paid on time, therefore they couldn't make products on time. They ended up automating a lot of the process around it. So again, automation doesn't always start off as a cost reduction measure. It often addresses a customer-service problem."

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Physician, Bot Thyself

Cory Eaves
General Atlantic

"We had a healthcare company that took inbound medical records and had nurses and physicians reviewing these. It turns out that the vast majority of those didn't actually need to be reviewed by a human. So we applied some machine learning technology to filter out the low-hanging fruit, and we were able to automate almost 40% of the cases that flowed through their system. That reduced labor dramatically, and it was expensive labor. It allowed physicians and nurses to focus really on the cases that they needed to focus on."

2.

Automation is not just about reducing headcount, but improving accuracy and efficiency

The most well known benefit to bringing a "digital workforce" into a company is payroll reduction - setting up bots to perform mundane tasks and laying off the people who used to perform these tasks. While this offers the promise of higher profit margins, it also adds to a fearful narrative of mass worker displacement.

Our three value-creation experts say the benefits of automation tend to be more nuanced than simply a lower payroll, and that in most cases RPA leads to greater employee productivity and satisfaction. After all, who wants to spend time performing rote tasks when they could instead be working on higher-touch initiatives?

"Automation many times is correlated with freeing up labor," says Hevizi. "We are in a very tight labor market, so many times what we're hearing, especially in the U.S. and also in Western Europe, is that companies truly need to free up some of the workforce. They can't find the people, can't find the talent at any grade level."

Eaves shares the example of a business that decided to partially automate a pre-employment screening function that a handful of its employees were in charge of doing by hand. "They had to deal with databases all across the country, sometimes around the world," he says. "Each one has a different user interface, different website. And they literally have employees who log on to each one of those websites, and search for background cases essentially on those people. They've written 10 simple robots that automate certain pieces of that process, and those 10 robots have taken out almost 23% of the labor." Eaves adds: "The business was growing fast enough that those people were actually absorbed into other growth areas of the business. There was no reduction in the total number of people in the business."

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3.

Many CEOs need guidance in deciding where to begin

Most company leaders aware of RPA know they should look into it, but many are intimidated by the vast number of business processes that could feasibly be automated. This, paired with the view that automation is more related to cost-reduction than to revenue growth, causes many CEOs to delay getting the bot ball rolling, so to speak.

But these CEOs should know that many automation projects produce ROI more quickly and more impactfully than they may expect. Hevisi calls automation “the gateway drug to digital transformation.”

RPA projects are “tangible, short-term projects,” continues Hevisi. “They take the analog out of the processes, because a lot of the manual entry goes away.”

Noonan backs up Hevisi’s endorsement: “It is clear and obvious that there are tangible benefits—measurable and sustainable benefits—to implementing this type of a solution. It really comes down to a question of education - making CEOs understand that it can be done and it can be done in a way that’s not overly intrusive to the company. And it can be done in a period of time that isn’t going to be overly taxing either from a resource or a cost perspective. And the return is incredibly straightforward and measurable.”

When calculating return on investment, it is helpful to remember that a “digital workforce” cannot be compared to a human workforce on an apples-to-apples basis. “Let’s say you have 3,000 employees and 10% of them are bots,” says Hevisi. “That 10% can actually do 20%, 30% of the work, because they work 24 hours a day, they don’t take breaks. So, sometimes when you look at the economics of creating a mixed workforce with these bots, you can actually gain significant advantage over a simple headcount calculation.”

“If we can’t draw a straight line between a dollar spent on a piece of software to five to seven dollars in return, then you should probably keep the dollar,” adds Noonan. ■



Processing the Docs

Dave Noonan
RSM US LLP

“What’s tricky about building a bot is really connecting the front end and the back end of the process. You need to integrate with the core system on the front end in kicking the process off and bringing the documents in. Then it’s getting the documents processed through the bot and exported into the destination systems in the right formats to execute the process end to end.”



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