

Transformative Investing with Robotic Process Automation

An expert discussion about the ability for private equity firms to create value in the portfolio with robotic process automation (RPA).

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Key Takeaways

1. Automation increasingly is included in the private equity value-creation plan
2. Team buy-in is a must
3. The automation opportunity includes multiple industries
4. The healthcare industry stands out as primed for RPA efficiencies

The Experts



Mark Beneaquista
Managing Director
Thomas H. Lee Partners, L.P.



Michael Heric
Partner
Bain & Co.



Tamas Hevizi
Global Head, Private Equity
Automation Anywhere

Privcap assembled a panel of private equity experts to discuss the impact that robotic process automation can have on portfolio companies, adding to the value-add playbook of the best private equity firms. This report summarizes their commentary.

1. Automation increasingly is included in the private equity value-creation plan

While automation has been part of business for more than a century, software-based automation such as artificial intelligence is just beginning to be integrated into the operations of businesses. Increasingly, private equity firms are assessing the potential of robotic process automation (RPA) ahead of doing deals and factoring the potential impact into the underwriting process, said our experts.

The RPA sell to CEOs is a lot easier today than a year and a half ago - Mark Benaquista, a Managing Director at Boston-based private equity firm Thomas H. Lee Partners, said, "In the last 18 months, automation has been on every CEO's mind. It's on every board's mind. Automation can help the SG&A cost structure inside of a company be improved. CEOs want to learn more."

Michael Heric, a Partner at Bain & Co., said he advises his clients to consider including RPA in the detailed value-creation plans that most private equity firms create ahead of an investment. "Private equity funds that we see create a value creation plan around the particular asset that they've acquired," he said. "Within that, we believe that automation should be a part of that plan. Increasingly you're going to see that automation has become bigger part of that plan."

2. Team buy-in is a must

As with any change in operations, getting the management of a company to understand and enthusiastically accept the change is essential, or you add risk to the transition. RPA carries the risk that management will not understand the benefits it will bring to the overall team, as well as the perception that RPA is solely intended to reduce headcount, as opposed to freeing up talent for more high-value tasks.



Industry Benchmarking

Michael Heric
Bain & Co.

CEOs who wonder whether pursuing automation strategies are worth the time, expense and effort should know that the technology is already advanced enough that they can compare their own companies against other similar companies that have already deployed RPA. "We do detailed benchmarks by industry, by process, where there are opportunities around automation and what they might be worth," said Michael Heric of Bain & Co. "Bottom up, you can take a look at a particular industry, look at individual processes, and you can benchmark how much potential there might be from automation."

Tamas Hevizi, Global Head for Private Equity at Automation Anywhere, said, “The value component needs to be an important conversation, especially in a private equity owned business. You also need to make making that people understand that what automation means making the job of people in the back office, like a claims person or a customer service rep, a lot easier.”

As ever, change management must involve transparency. “There are different populations within a company that will react in different ways,” Heric said. “Getting management excited around value is important. But you have to be honest around what the impacts are. The CEO might be really excited that there’s \$100 million dollars worth of opportunity. But the accounts payable clerk could care less, because it’s that person’s job.”

3. The automation opportunity includes multiple industries

Wherever humans are involved in relatively mundane activities, automation looms large as an opportunity to reduce cost and increase accuracy and even safety. This opportunity spans industries. According to our experts, healthcare looms largest as an industry where paper processing can be replaced by RPA, other industries are being eyed by business optimizers for the automation transformation.

IT Services: “In the past it was all about offshoring,” said Benaquista. “I think today for IT services providers, or anyone in the services business, to achieve the margins and growth that they need, they can’t just do it with offshoring. Automation has to be a critical piece.”

Insurance: “They want to make sure that they monitor for coding and fraud,” said Benaquista. “And automation can catch a lot of both sides of that spectrum very well.”

Logistics: “Being able to apply not just software automation, but physical automation, is making an impact in logistics,” said Hevizi. “Whether it’s going through an airport, or a box coming through a warehouse, automation is having a major impact.”

Financial services: “You can just call and your voice is your password,” said Hevizi. “That’s all the authentication that you need. Right? That is being deployed by all banks. All of them are augmenting it with virtual assistants.”



The Bots Do the Digging

Mark Benaquista

Thomas H. Lee Partners, L.P.

In many cases RPA “bots” will be better at accessing customer data than humans. “Corporations can be very messy behind that wall,” says Thomas H. Lee’s Mark Benaquista. “If you call a telecom company and say, you know, my router is down, they actually have to figure out if this is a service issue, a provisioning issue, if the account is not activated. All that back-end digging around is likely to now be automated. An agent won’t have to log on to five systems to determine what the problem is.”

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4. The healthcare industry stands out as primed for RPA efficiencies

Investors in the healthcare industry have long pointed out that it is years behind most other industries in the adoption of consumer-friendly technology, and still involves a prodigious amount of physical paperwork. This state of affairs, agreed our experts, makes healthcare especially ripe for RPA disruption.

“Right from diligence, we’ll dive in deeper and understand the amount of paper that has to move,” said Benaquista. “We’ll ask how much of that is automated? We’ll ask how many manual hours are involved.”

Hevizi noted that “20% of our GDP is tied up in healthcare. And this whole claims process probably ties up a ton of that GDP. It is where a lot of the optimization is happening.”

Heric agreed: “There’s a huge amount of people and issues wrapped up in claims management, and that’s an area where automation can have a huge impact.”

Benaquista shared an example from a previous THL portfolio company: “We owned an investment that provided revenue cycle management services to healthcare companies,” said Benaquista. “We realized there was a lot of touching of paper. We worked with the company and mapped out the business processes. What was interesting is that, when we first went to the company, we expected the business folks to show us their workflows, and it turned out they didn’t have them.” ■



Drudgery Averted
Tamas Hevizi
Automation Anywhere

Robotic process automation is sometimes viewed with apprehension. While bots help automate manual and repetitive tasks, that also frees us up for the more creative and fulfilling part of our work. The technology frees up talent to focus on more high-touch tasks and improves face to face interaction in services. “One thing we’re noticing is almost nobody ever wants to go back to their job that was automated,” says Tamas Hevizi of Automation Anywhere.