

Operations Practice

Four success factors for workforce automation

Work is changing, for the better. Top companies manage to capture the benefits of automation for their business—and their workers.

by Javier Gil Gomez, Pablo Hernandez, and Rafael Ocejo



The fear of the future can be a powerful deterrent to change, as shown by a recent McKinsey Global Survey about the spread of automation in the workplace. Almost half of the respondent executives who rated their current automation programs a success nevertheless identified two factors—managing employee resistance to change and attracting talent—as their biggest challenges to adopting automation over the next three years (Exhibit 1).

It's a truism that change brings challenges. But it's equally true that change brings opportunities. Automation has huge potential to change the nature of work, most obviously by freeing up workers from repetitive and tedious tasks. It's hard to argue that this is not a change for good. The challenge for enterprises and society at large is to ensure that automation is used to augment rather than replace the workforce: better jobs, not fewer. And, potentially, more jobs. As a recent analysis of

artificial intelligence (AI) found, companies that use AI to support innovation rather than just cut costs are employment creators.

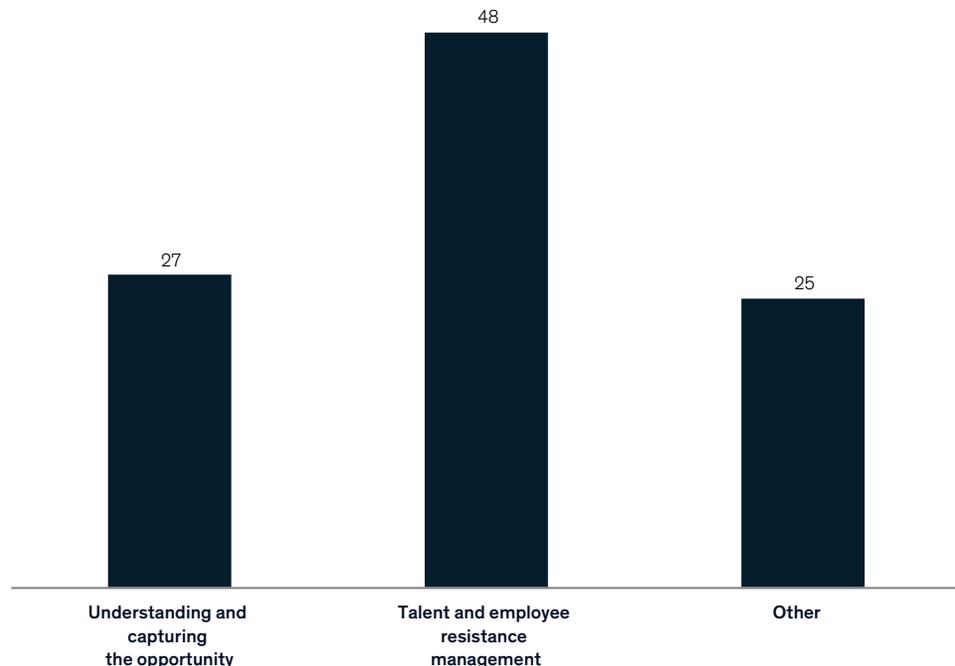
Accordingly, while many types of jobs will disappear, the need for employees will not. What is not as widely recognized as it could be is that for many jobs, the nature of the tasks required to perform them means that the human element will always be required. While the McKinsey Global Institute estimates that around 50 percent of current workforce activities could be automated with already proven technologies, only 10 percent of those jobs are automatable at a rate above 90 percent.

There is no doubt that significant change is coming. Automation changes the capabilities required to perform jobs, and it changes the nature of the work employees are currently executing. What results is even more a skills challenge than it is a jobs

Exhibit 1

What is the most significant automation-related challenge you expect your organization will confront in the next three years?

%, respondents who described their companies' automation efforts as "successful"



Source: McKinsey Automation survey

challenge. We estimate that by 2030, 375 million workers globally and more than 30 percent of the total workforce in the US will need to change jobs or upgrade their skills significantly. And businesses increasingly recognize that they'll need to take the lead in helping their people make the transition.

A new world

This is an opportunity with clear benefits if the transition is managed well by companies and society. We believe the most useful way to view automation is as a tool that puts innovation at the hands of employees. From this perspective, automation is not about technology deployment but about managing complexity and cultural change, capturing impact, and building capabilities.

Automation therefore results in transformational rather than incremental change; transformative for owners, employees, and customers, as well as wider society.

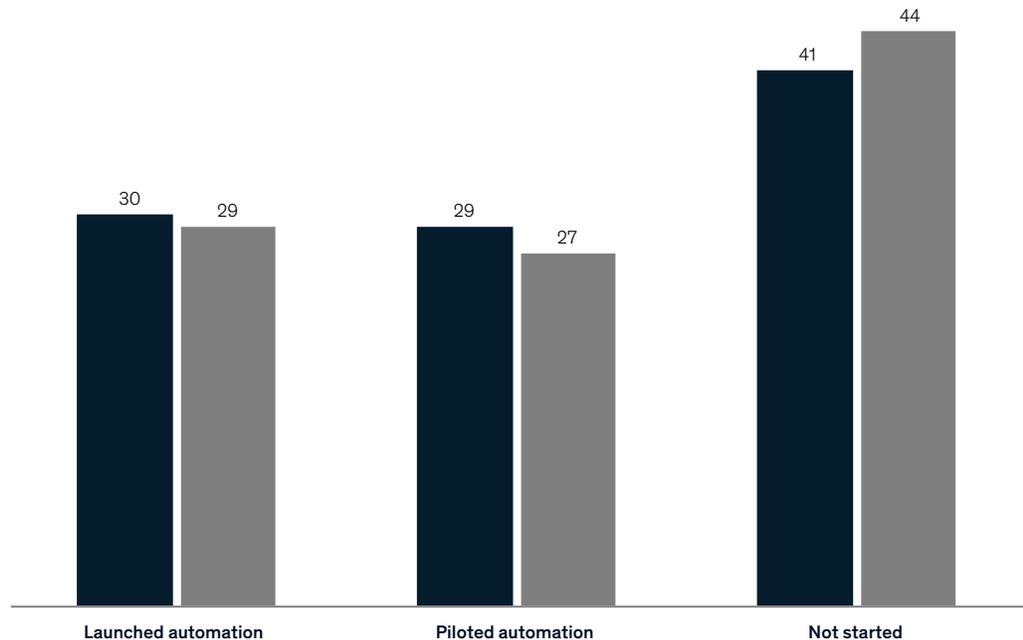
Just how transformational this change will be remains to be seen. Even companies that have successfully started on this journey often don't know where they will end up. As shown in Exhibit 1 above, 27 percent of respondents that rated their automation efforts as successful to date said that understanding and capturing the opportunity would be their biggest challenge over the coming three years. They're on the way, but there is still a long way to go.

What is perhaps surprising, given the availability of automation technology and our increasing experience with how to deploy it, is how few organizations have launched automation programs. More than 40 percent of European and North American executives said they have not started any automation effort so far. The remainder were almost evenly split between having piloted and having fully launched automation (Exhibit 2).

Exhibit 2

Which of the following statements best describes the actions your organization has taken to automate its business processes?

■ Europe ■ North America



Source: McKinsey Automation survey

The four factors

In analyzing those companies that have piloted or fully launched automation, we found that just four factors often mean the difference between success and failure.

1. Aim high to capture clear value

Successful companies started with a top-down assessment of the automation opportunity and a clear understanding of their ambition and how to capture the impact.

Setting ambitions is a delicate balancing act. Thirty-eight percent of respondents to our survey said they set aspirational targets to measure the outcomes of their automation efforts, and a further 48 percent set their sights on what they believed at the outset was attainable (Exhibit 3).

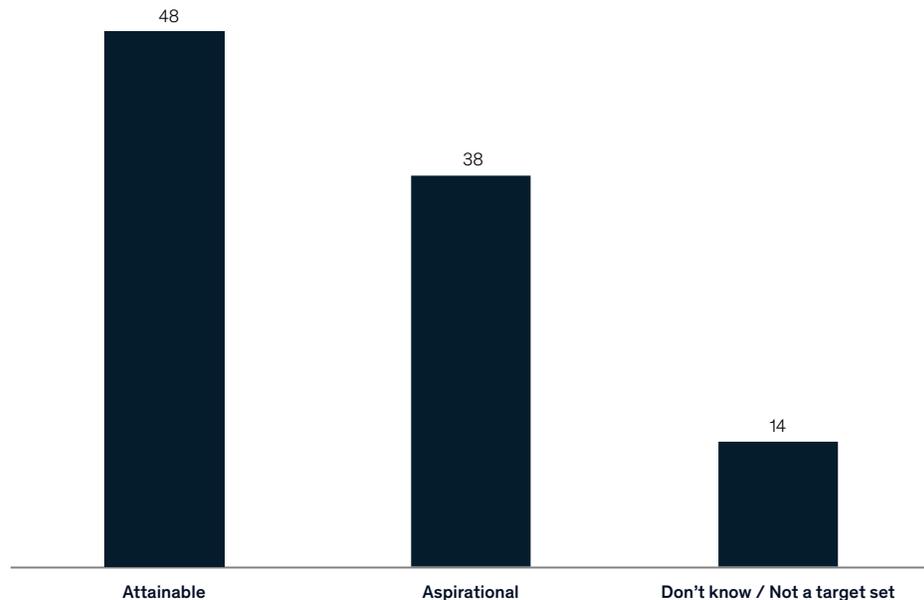
So where should companies be aiming? There is a lot to be said for striving from the outset to be truly aspirational and transformative with your automation efforts. We have seen multiple cases where companies have piloted automation on a single process, typically an easy-to-automate set of tasks that allows for a rapid and cheap proof-of-concept. In most cases, the impact that these small automation efforts typically capture is small, and we have rarely seen companies taking this approach capture any lasting value.

Bigger bets for bigger rewards

For instance, before one telecoms company undertook an enterprise-wide assessment of its potential for automation, it had already automated more than 60 percent of its finance workload. The result did create value for the finance function, but fell well short of capturing automation's full potential.

Exhibit 3

How would you describe the targets your organization has set to measure the outcomes of its automation efforts?



Source: McKinsey Automation survey

By contrast, the most successful companies leverage automation not only to reduce costs but also to increase revenues and improve service levels—reaching beyond customer-facing processes to include internal ones as well. Understanding how to capture the impact from the beginning provides insights on where to focus the effort. Our work with companies that have introduced automation shows there can be significant potential almost anywhere they look, from automating simple tasks in back offices, support functions, and contact centers, all the way up to highly technical functions such as engineering or maintenance and reliability.

A different telecom company introduced a full range of automation tools, ranging from robotic process automation (RPA) and smart workflows through to machine learning, natural-language processing, and cognitive agents. The scope covered its entire commercial, back-office, and operations functions, allowing the company to completely transform its service offerings and establish itself as a clear market leader. At the same time, the effort freed up a significant part of its workforce who could be redeployed to provide additional services, boosting revenues. Some of these additional services were even offered to the company's competitors, turning them—and their customers—into new revenue streams.

Managing risks

This approach does not come without risks. Some companies aim for what at first sight may seem to be the largest pool of value—a large, high-cost operation executing a highly structured set of rule-based tasks—only to discover that the value at stake cannot be captured because of regulatory, service, or other factors. But rather than discouraging companies from setting their ambitions high, this should serve as an all-important reminder that automation is not just a technology solution, and that all aspects of the business and its environment need to be kept in mind during the transformation.

2. Commit and communicate

Automation is not an effort isolated to a single business unit or to the IT function. Successful

companies approach automation from the outset with a decisive transformation program—one that's a top-three priority for the CEO and is driven by top management across the organization.

While IT is typically involved at early stages of the process, the most successful companies engage top management from all stakeholder groups: IT, business units, operations, human resources, and more. As a rule of thumb, the most successful companies engage managers covering around 80 percent of total company resources.

They back their actions with words. All employees must be aware of the importance of the transformation so that everyone pulls in the same direction. Communicating consistently and clearly also ensures people know they remain valued and part of the company's plans.

One North American company implemented a communications strategy to drive collaboration between the implementation team and business areas. This not only ensured the front line knew their importance to the automation transformation, but also allowed them to ask for the support they needed so they could better perform their new jobs. Through this collaboration, the transformation team developed bots that automated repetitive, non-value-added tasks, allowing for the employees to focus on generating greater value for the company.

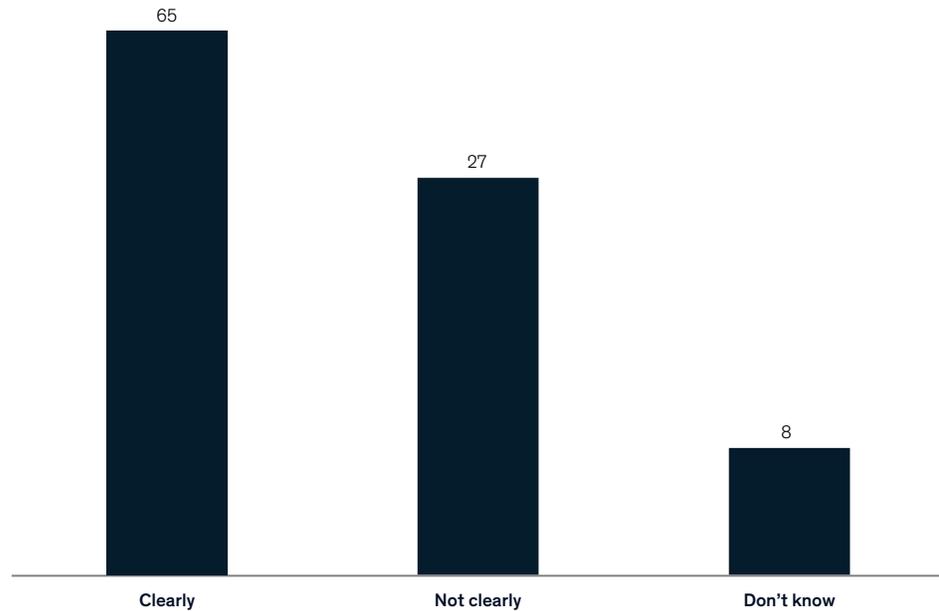
While we have identified communication as one of the key success factors in our work with companies during automation efforts, only 65 percent of respondents rated their companies as having clearly communicated the automation-related changes they have made, leaving significant room for improvement (Exhibit 4).

3. Set up the right governance, ensure business drives change, and move quickly

Implementing automation both at scale and at pace requires a company-wide program and an agile approach. Once senior leaders are convinced that automation is a top-three priority for the company, they must establish and empower a transformation team to manage the effort.

Exhibit 4

How clearly has your organization communicated the automation-related changes it has made?



Source: McKinsey Automation survey

How much centralization?

We recommend establishing a central transformation office, sometimes called a center of competence. Without central coordination, technological choices and implementation efforts can end up misaligned across the company as each unit or function is transformed in isolation. Capabilities may only be built at the department level, with freed-up resources being retained locally rather than redeployed for maximum value in other parts of the business. And, despite the best will in the world, the all-important lessons learned from the transformation may disappear into the silo whence they came.

The degree of control exercised by a central transformation office can vary, largely depending

on the talent available at the business-unit level. If business units lack automation-development talent, greater control would be the right approach, with a lighter touch possible when units have the talent they need already. In some instances, a hybrid model results in which a decentralized approach works for tech-enabled units, such as operations or IT, while other parts of the business are more closely guided and supported.

Who takes ownership?

One of the worst pitfalls we have seen during implementation of automation at scale is when executives view automation as another IT service, to be led by the IT department. Even if automation is assigned absolute priority, day-to-day hardware and software business requirements will swiftly

push automation to the back of IT's queue. Responsibility for automation must ultimately lie with the unit being transformed, not outsourced to an often-overburdened IT function.

At the same time, ensuring business continuity is vital for a company implementing an automation transformation. So alongside defining what technologies need to be applied across the company and prioritizing implementation efforts, one of the crucial (yet easily overlooked roles) of the central transformation office is to ensure that business units keep their hands steady on the wheel even as they drive change.

And pace is critical as well: the faster transformation can be delivered, the faster the payback. According

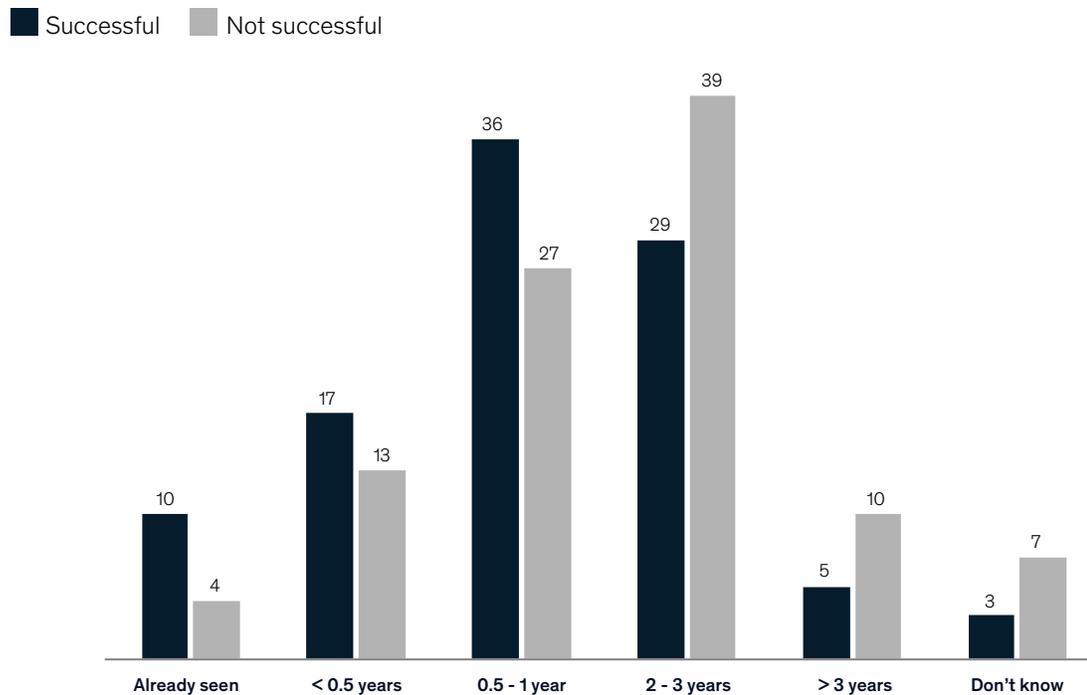
to our survey, respondents typically expect to recoup the costs of automation implementation within six months to three years, but successful organizations tend to capture impact earlier (Exhibit 5).

4. Create internal capabilities

The final success factor is in many ways the most important if automation is going to fulfill its potential of providing workers with different and better jobs. Not surprisingly, the best time to start building internal capabilities is as early as possible, particularly given the resources needed to roll out new technologies across an entire enterprise while also supporting the growth opportunities those technologies unleash. Developing automation and related skills is also essential for ensuring

Exhibit 5

In your view, what will be the length of the payback period for your organization's first automation efforts?



Source: McKinsey Automation survey

sustainability and reducing dependence on external automation providers.

Moreover, more likely than not, the profiles you need already exist within your teams—especially in IT, whose staff can provide technical support and training to frontline personnel as they prepare for their new roles. For example, a large company in Southern Europe found it had a significant RPA talent pool in its IT department. These specialists formed the first company automation squad and teamed up with external providers to learn best practices, which enabled them to deploy robotics at scale in a country-level business unit and serve as experts in the group’s effort across the globe. A similar company built a well-funded and well-communicated talent-transition program, which markedly raised the current workforce’s skills—significantly reducing the need for external support and talent recruitment.

Building this internal muscle is vital. When external vendors lead an entire automation transformation,

from technology selection to final implementation, value can quickly erode later on: there may not be sufficient employees on hand with the necessary tools or knowledge to react effectively when issues arise. Certainly, insourcing some outside capacity during early stages of an automation program can be a wise use of resources. But the most successful companies ensure they develop and retain control of their own brain—the understanding of what, where, and when to automate. The involvement of technology partners should therefore decrease as internal employees are trained and start mastering their new roles.

Automation is significantly changing the way people work. Companies have it in their power to make this a positive change for their workforce, their business, and society at large. Almost always, the workers that companies have today are the best ones they can hope to have tomorrow—so they are the heart of any transformation plans.

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