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TRANSFORMATION IN THE AGE OF AI



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Defining Transformation

Twenty years ago, transformation was a seldom used term except perhaps when talking about butterfly metamorphosis. As the pace of tech-fueled change has continued to accelerate seemingly without end, businesses are increasingly coming to understand that transformation needs to become a standard part of business. Consumers, routes to market, global supply, digital disruption, and AI are all responsible for the continuous pressure to adapt to new ways of working.

The depth of the changes required passed a poorly defined line that separates incremental improvement from fundamental change. There is no question that the need for transformation is growing. As business leaders examine their current operations, it is clearer than ever that it will take a wholesale transformation to remain competitive. So what does that mean?

In its purest form, transformation means converting one thing into another or a “thorough and dramatic change in form, function and appearance”. We typically put a term before it such as digital, business process, customer experience or operating model. This is to indicate what is changing most or first or what the objective of the transformation is. At the end of the day, all transformations will impact:

- > **How things are structured**
- > **How work gets done**
- > **How much/what kinds of technology is used**

More often than not, transformation includes all three to varying degrees. It is increasingly hard to change one of these and not the others.

Operating model transformation is the most intensive form, as it involves altering an organization’s essence.

It is about evolving the architecture of the business, which impacts how work gets done and how the business delivers to its customers.

A common transformation is an enterprise deciding to develop a shared services/GBS, opting for outsourcing, or utilizing offshoring. This impacts multiple functions, changes delivery processes, usually includes new technology, and may include adding a labor partner (BPO). Operating model transformation can also be function-specific, such as specifically transforming the HR function.

Digital transformation is the broadest mode of transformation. In simple terms, digital transformation “is the use of digital technologies to transform existing non-digital business processes and services.” The delta between what a business’s legacy applications can do and what fully modernized cloud applications can do is so significant that the resultant operation is often truly transformed. By implementing innovative technologies into business functions, organizations alter everything about their day-to-day operations and can deliver immense value. It often includes moving to modern cloud-based applications from the legacy “on-premise” applications. This matters because it makes possible ways of working that did not exist before.



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Last in the round up of transformation types is Business Process Management. This is distinct and different from the family of process management software products often referred to as BPM suites. BPM in this case focuses on transforming an end-to-end process. While we have been using process improvement methods for decades to make incremental improvements, this kind of transformation goes end-to-end and involves breaking down siloes across departments. Effective BPM enables organizations to transform their processes from siloes to synergy.

Each of these three modes of transformation can drive massive benefits. These benefits are what might be called fundamental – creating a whole new level of customer intimacy, making new services possible by reducing cycle time or enabling the business to enter new markets after taking 75% of the cost out of an operation.

Now add artificial intelligence into the equation! In this report, we will break down how AI is influencing transformation as a discipline. We will hone in on the three core types of transformation listed above, how AI influences them, and how your transformation roadmap needs to change to embrace AI's potential.

By the end of the report, readers will discover:

- > **How AI Opens New Possibilities**
- > **The Growing Importance of Effective Transformation**
- > **Function Specific Operating Model**
- > **Transformation for an AI Future**
- > **Digital Transformation for AI Readiness**
- > **Business Process Transformation for AI Enabled Delivery**



AI is Affecting Business in Profound Ways

Aside from the numerous examples of how specific AI solutions can transform parts of a business, the business as a whole must now consider how to transform in order to be capable of enabling AI solutions for the rest of time. Think of it this way. An AI project can make a huge difference in X operation. What if the whole company were transformed to be fully capable of doing AI projects in every part of the business forever? What would that look like? What about that would change how you structure the “to-be” operating model, process model, skills/labor model?

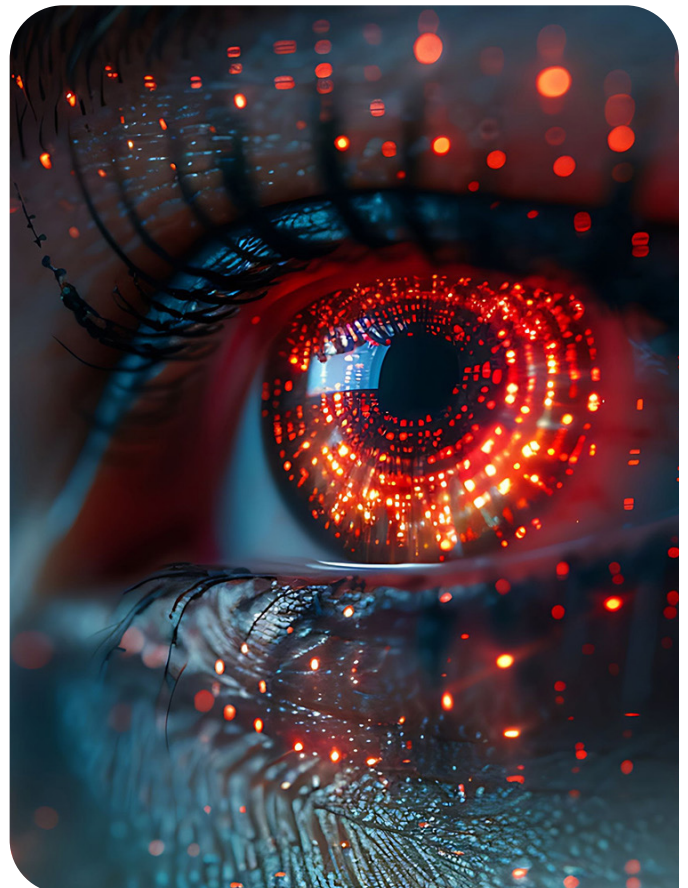
Not only is AI transforming how work gets done and where work gets done, but it is altering the very roadmap of transformation. The ability of AI to analyze processes and produce large quantities of intelligence means that transformation can start from a more informed place. When resourcing a team or operation, the addition of chatbots and digital agents means it is not just human talent that should be considered, but AI talent as well.

AI as a field of technology is vast. Net-net, AI is making it possible not just for technology to do things previously reserved for humans, but doing things no human could ever do. AI can process vast amounts of data and identify not just correlation, but causation. AI can make predictions based on data rather than intuition and experience. AI can create solutions that no human would have. And of course, generative AI is all the buzz right now because of the rapid advancement of large language models (LLMs).

However, it is important to note that generative AI is only one type of artificial intelligence. AI capabilities have been steadily evolving for years propelled by breakthroughs in neural networks, advancements in deep learning, natural language processing and computer vision. The field of AI continues to evolve quickly and remains in flux.

In Supply-Chain for example, companies are using AI-powered predictive analytics to process vast amounts of real-time data and improve the accuracy of demand forecasting or supplier risk.

(LLMs) are an increasingly common form of AI leveraged by enterprises because of their relative ease in integrating LLM microservices into existing tech platforms. These LLMs are trained on large quantities of data which allows them to generate natural language and content. These sophisticated algorithms equip the technology to undertake a range of tasks including text generation, translation, summarization, information extraction, and text prediction. LLMs are often found within speech-to-text, text summarization, and content creation.



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As the age of AI continues to power forward, the use cases for Generative AI are becoming more complex, which in turn promises greater transformational impact if done correctly. In fact, [SSON's State of the Shared Services & Outsourcing Industry Global Market Report 2024](#), highlighted some of the most prominent generative AI use within GBS/SSCs.

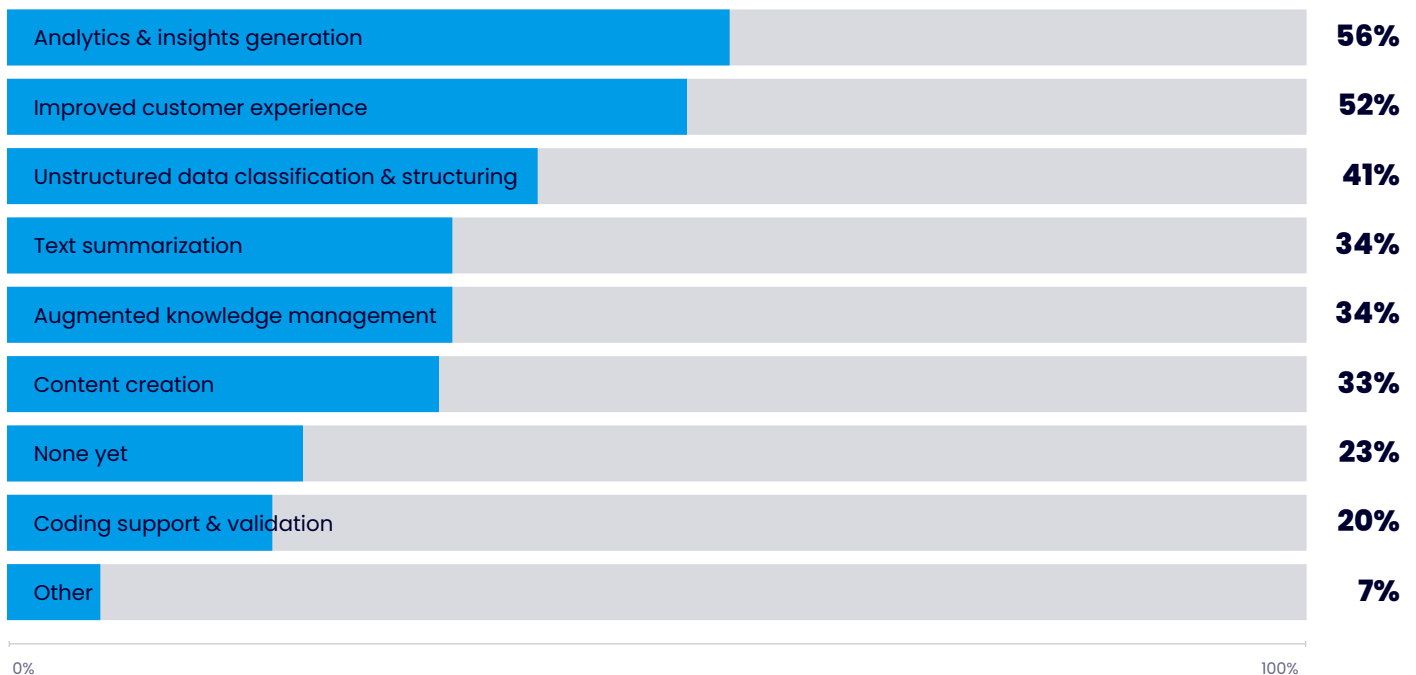
The data reflects a shift away from original AI applications such as content creation and text summarization. Organizations are developing more complex use cases dealing with analytics (56%), customer experience (52%), and unstructured data classification (41%).”

Specific uses cases will be examined later in the report, but it is important to note how vast the impact will be on the operating model. From a talent perspective,

new AI experienced talent will need to be recruited or contracted, and existing employees upskilled to manage AI applications whilst working alongside AI agents. Managers will also need to become proficient in leading hybrid human-bot teams, and human employees may find their mundane, transactional work eliminated. From a process perspective, there is much more potential for straight-through-processing (STP), without the human-in-the-loop (HIL). AI's ability to read both structured and unstructured data means less human document review and data entry.

The big point here: Readyng an organization to embrace a future where AI will play an increasingly important role needs to be a consideration in every transformation going on in a business. When you add “ensure the operation is ready to develop and consume AI solutions” to the requirements list, some things change.

What type of use cases are you currently pursuing with Generative AI?



The Growing Importance of Effective and Routine Transformation

In the modern business landscape, organizations cannot afford to neglect the pursuit of innovation. As has been discussed, innovation is increasingly rising to a level that is more appropriately termed transformation. Companies now must become skilled at regular transformation initiatives to remain dynamic. A few key elements that heighten the criticality of transformation are:



Disruptors

Disruption can be hard. But it is inevitable and, in many ways (particularly to the consumer), it is wonderful and necessary. A business built from a clean sheet of paper leveraging all of the very latest in technology is often called a Digital Disruptor (AirBnb, Uber, etc.) These organizations disrupt the status quo by replacing an existing business model with a wholly different one and can spell the end for massive global businesses who fail to change. In many cases, disruptors are needed to take businesses, communities, and society to the next level.

The disruptor company usually begins at the bottom of the market due to its unconventionality but will over time, increase in popularity. It often feels like disruptors emerge very suddenly sending shockwaves throughout the market.

A key example of a business disruptor is Netflix and other subsequent streaming services. This new wave

of entertainment completely transformed the market from the fall of video rental stores to the current decrease in cable TV subscriptions. To emphasize the power of disruptors, the co-founder of Netflix, Reed Hastings proposed a partnership with Blockbuster in 2000 for \$50 million. The deal was rejected, and Blockbuster went bankrupt in 2010. Netflix is now worth \$280 billion.

By reimagining the existing market and creating completely new strategies, disruptors are often pioneers of new business models. These companies shape the next phase of transformation, and if other organizations cannot keep up, they will likely feel the repercussions.



Rapid Technology Advancements

Many disruptors are, or become, technology providers. As these organizations look for innovative ways to automate and revolutionize processes, they create new routes to market or become platforms that enable legacy companies to embrace parts of their innovations. This has led to technological advancements hitting the market faster than ever before.

Beyond this, cloud apps have revolutionized the speed of technology innovation. In contrast to traditional on-premise technology, the software allows for regular feature updates without major disruption. This means that organizations can transform quickly, developing alongside these continuous advancements.

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Although the pace may be overwhelming, the extent of technologies available means businesses must maintain a similar pace of improvement to avoid being disrupted into nonexistence. For example, many businesses rely on great customer service as a competitive edge. What happens when a digital disrupter altogether removes the issues that require great customer service (think Rocket Mortgage) or provides such amazing, automated support (think Amazon) that human-based support is rarely needed.

Technology solutions to common business inefficiencies are constantly emerging, but it is up to organizations to leverage them as their competitors undoubtedly will. And not to belabor the point, but business must make a regular practice of transforming to enable the rapid adoption and assimilation of wholly new solutions.



Dynamic Global Market Conditions

Rapid technological innovation is not the only factor that keeps the market dynamic. Numerous other factors drive market uncertainty including global political developments, shifts in economic policies, environmental regulation and other social factors. These factors are difficult for businesses to predict, so regular transformation is key to remaining agile. This

instability is increasingly important, given the vast economic uncertainty in recent years.

As if transformation wasn't already hard enough. Knowing that your company needs to routinely transform is a required first step. Then, learning how to routinely transform effectively is a huge step two. Bridging those two things (understanding the need and performing the needed work) is no small feat.

To be direct, successful transformation is incredibly difficult, and when done ineffectively, can incur large costs, overwhelm teams, and misalign stakeholders.

Now add AI. Two big considerations: one is specific AI solutions and how to integrate those. The larger one is how to organize the functions of your company to become good at routinely injecting new AI solutions into your business! This is the difference between doing a single AI project and setting up the whole company to embrace AI solutions. The latter will determine the fate of many of today's big successful companies. Skills, jobs, teams, departments, workflows... all must be considered when your new world includes soon-to-be routine operations like data engineering, data wrangling, prompt engineering, and model training become standard parts of every function and business.

AI-Powered Operating Model Transformation: Function-Specific

Like any emerging technology, the rise of AI requires a new wave of skill sets, which in turn is pushing organizations to consider new roles. To ensure AI is being leveraged effectively within a business, developing AI-focused roles within your operating model can accelerate AI-powered transformation.

For example, within SSON Research & Analytics State of the Industry Survey 2024, numerous respondents reported new AI-related roles to be introduced within their organization in the next 12 months. These emerging roles range from AI Specialists to Prompt Engineers, but AI-driven transformation could include fully fledged AI teams, such as an AI Risk Department or an AI Integration team. Some key examples of new roles are:

Prompt Engineer: Prompt engineering involves crafting queries to optimize responses from LLMs or gen AI models. This involves repeated improvement of prompts to guide the AI to provide useful answers while minimizing biases and errors. Prompt engineers need a deep understanding of language, context, and the technical workings of LLMs as their work is crucial to get useful outputs.

Predictive Analyst: Predictive analysts examine large data sets and build analytical models to forecast future outcomes. Essentially, the role focuses on leveraging data and predictive models to determine future performance, based on current and historical data.

AI Integration Specialist: This role is particularly useful for AI-driven transformation. An AI Integration Specialist is focused on identifying strong use cases for AI implementation and then integrating the solutions into existing systems. This allows AI implementation to be more seamless and strategic, without disrupting existing workflows.

Whether it is the entire corporate operating model or a specific function, such as HR, Finance, or IT; it is crucial to include AI as one of your forcing functions that must be accounted for. AI can be more than a quick fix for improved efficiency, having the power to alter how certain functions operate completely. The advice given here is to start considering AI in every transformation. Add “AI enablement” to the list of factors on your “case for change”.

Generative AI has the potential to transform the finance function, notably within Financial Planning & Analysis (FP&A). Through GenAI’s ability to handle large datasets, leverage predictive analytics, and insight generation; FP&A is a strategic choice for AI implementation. AI powered FP&A has many use cases. Here are a few:

1 Automated Financial Reporting:

Generative AI can not only develop financial documents like income statements, balance sheets, and cash flow statements but it can create accurate narrative reports at the same time.



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2 Financial Forecasting: An even more sophisticated use of AI is forecasting models. By analyzing historical data, the technology can identify trends, patterns, and anomalies. This then allows the AI to create predictions for future financial performance, helping with budget planning, scenario analysis, and informed decision-making.

3 Document Analysis: Natural Language Processing (NLP) models improve how financial data is extracted, interpreted, and utilized. It can extract both structured data (numerical data from tables and charts) as well as unstructured data (text, footnotes, and other qualitative data) for a comprehensive analysis.

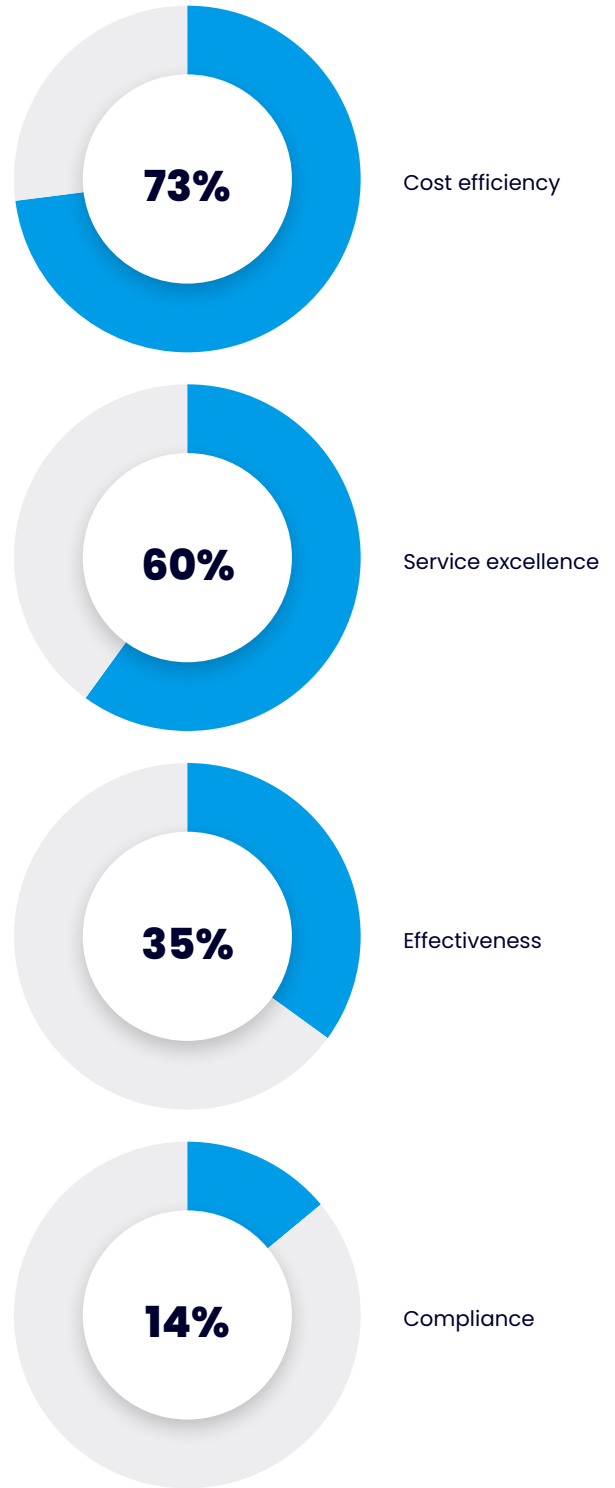
AI can also transform the supply chain in drastic ways:

1 Supplier Relationship Management: AI can facilitate the entire supplier relationship, even from supplier selection. AI can evaluate suppliers based on criteria such as cost, quality, delivery performance, and risk factors, to help companies select the best suppliers.

Then, AI can automate supplier support through chatbots and virtual assistants. This offers seamless communication between companies and their vendors, providing real-time updates, answering queries, and managing routine interactions. This can extend to more collaborative features such as integrated communication channels, document-sharing tools, and project management tools.

2 Contract Compliance: According to SSON's State of the Industry Report 2024, compliance is a key strategic target within the industry (54%). It is shifting into focus rapidly, as only 14% noted compliance as a key priority the year before.

What are your SSO/GBS strategic targets in general?



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2 AI can automatically compare contract terms against regulatory requirements and company policies. It can ensure that every order, every payment, and every delivery complies with the obligations embedded in the contract. Beyond this, AI can utilize its predictive analytics to predict potential compliance issues before they occur, allowing for proactive management.

Just delivering price compliance in a supply chain can be worth a staggering amount. It is not unusual for a company to experience 3% or more in “price leakage”. Price leakage is when the vendor invoices for goods and services at a price that exceeds the contracted price. The inability of the recipient to validate every invoice means that many payments go out at prices above the agreed rates. Depending on your business 3% of direct supply chain expense could be huge.

3 **Inventory Management:** AI can optimize inventory levels by predicting when and where products are needed. This makes sure that inventory is stored in the right quantities at the right locations, minimizing holding costs and improving service levels. The impact on the customer is substantial as this level of advanced inventory management allows suppliers to respond much more quickly, offer more competitive pricing, and provide better visibility on the supply chain. This can extend to demand forecasting, allowing for better planning and reducing the risk of overstocking or stockouts.

The boundless potential of AI in functions like Finance and Supply Chain then invites the transformation of the functions’ operating model, as it completely alters the work distribution between people and technology. It can also shift teams by eliminating preventable work and allowing them to focus on evolving the function

to be able to consistently leverage AI in the future. As such, AI-driven transformation welcomes new roles, teams, and even entire departments to ensure the technology is leveraged properly. From successful integration to managing compliance risks, these new roles are crucial for organizations wanting to utilize AI.

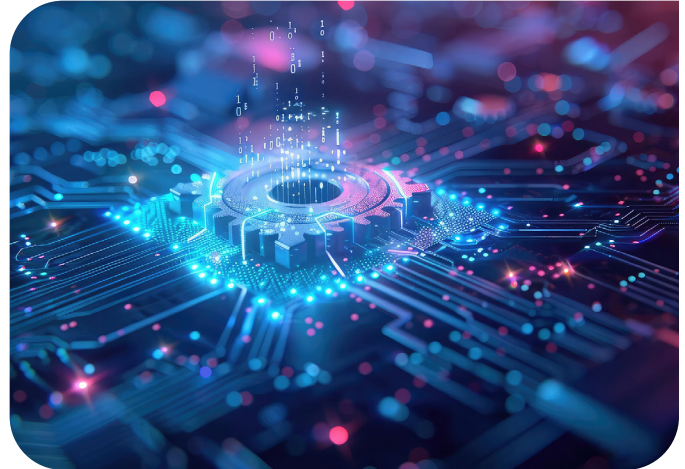


Special Considerations for GBS Operating Models

Moving beyond functional operating models, the traditional GBS/ shared service organization (SSO) model is undergoing a significant transformation. Two things are driving this:

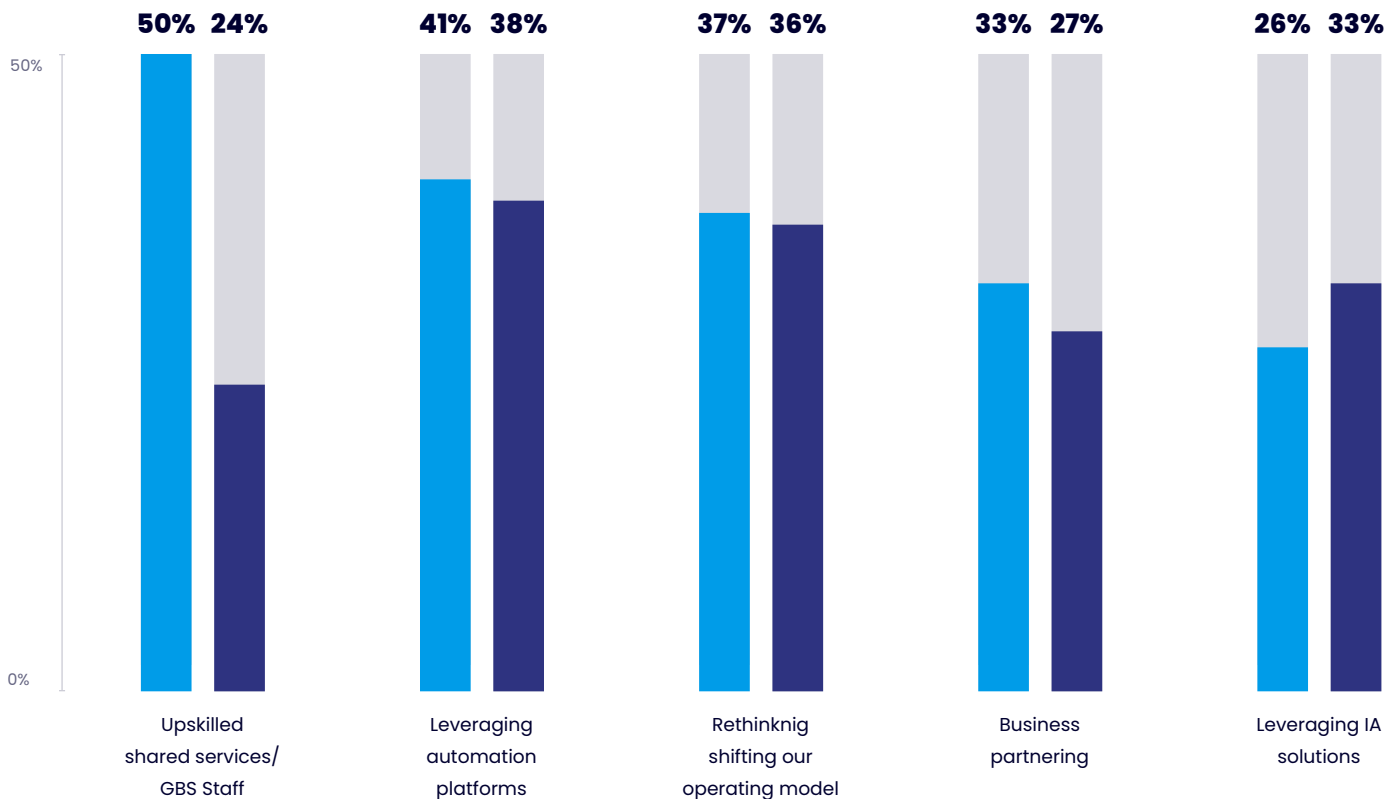
GBS organizations are often the seat of the most knowledgeable and capable people when it comes to process reengineering, technology adoption, and change management

GBS organizations are often tasked with optimizing the kinds of work that AI can have a major positive impact on.



What are your top objectives in the next year?

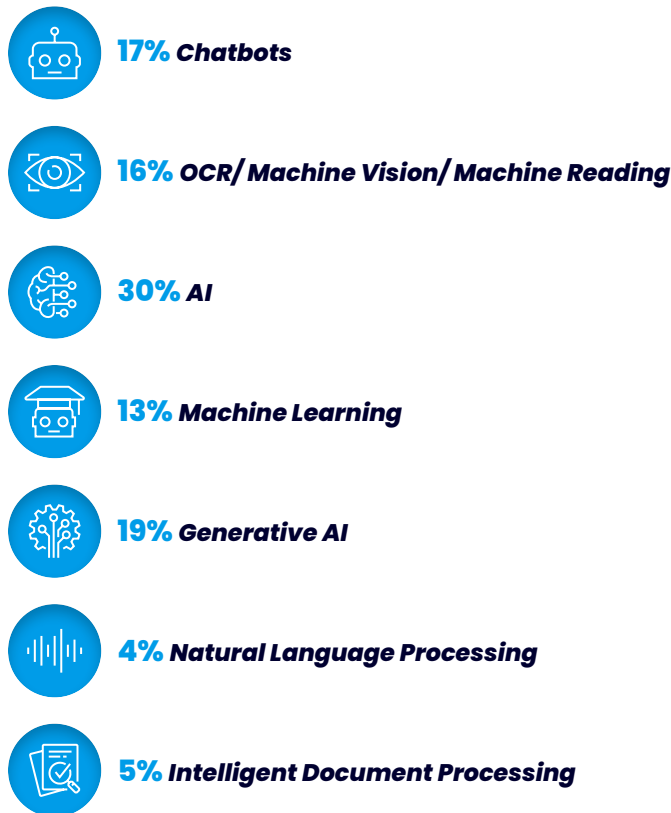
● 2023 ● 2021



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In fact, 37% of organizations noted that rethinking/shifting their operating model is their top objective for 2024. This change is partly driven by the demand for increased agility promised by automation and the addition of new value-adding services to GBS's remit. Organizations are reimagining their operating models to leverage the power of advanced technologies, build a future-proof workforce, and become more efficient and effective.

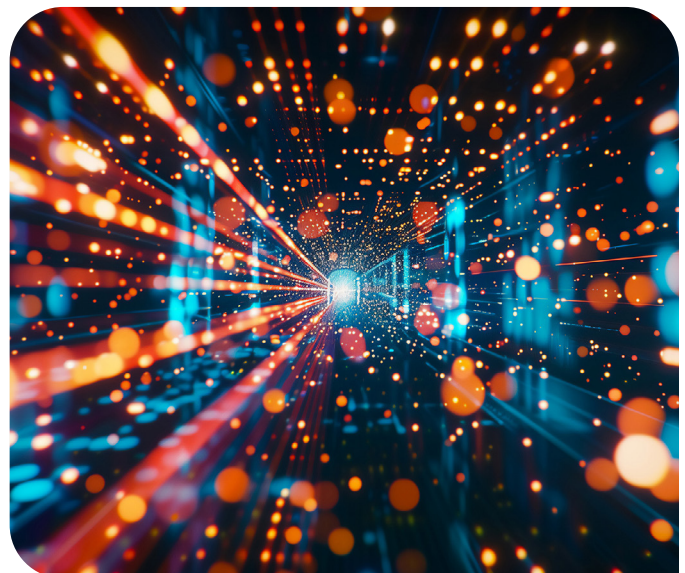
As such, SSO/GBS are turning to various AI tools to reach this level of transformation:



In fact, GBS may be the most suitable hub for widespread AI implementation. Andrew Burt, the co-founder of Luminos Laws (the premier law firm for AI risk), highlighted that “the real value of generative AI is to get knowledge and insights at scale...” And GBS offers just that, scaled processes.

Those moving towards a GBS structure are looking to benefit from centralization and standardization of inefficient processes and functions, and to subsequently benefit from economies of scale. By deploying AI capabilities within the organization, the GBS transformation can yield even more benefits. The operating model already delivers increased efficiency. AI takes this to a whole new level eliminating some kinds of work altogether. However, as we have touched upon within the report, GBS needs to upskill its staff and evolve its operating model, to accommodate the technology, to provide AI services to the wider enterprise. GBS can and should be the epicenter of AI-fueled transformation.

Emerging trends in GBS transformation imply AI will become more integrated with the GBS model. According to SSON's State of the Industry Report 2024, 68% of organizations plan to offer Business Intelligence & Analytics, and 55% Knowledge Management & Model Curation, as new services supported by generative AI. The GBS/SSO can become a key contributor to the business as many of the capabilities required in the new AI future will need to be leveraged across all departments of the company.



AI-Powered Digital Transformation

If transformation is poorly defined or understood, digital transformation is even more poorly defined due to the vagueness of “digital”. Almost everything is digital nowadays. For purposes here, digital transformation will mean the adoption of technology that requires the fundamental rethinking and rebuilding of how work gets done. Although implementing a single technology is arguably a form of digital transformation, it is relatively small scale. Instead, true organizational digital transformation involves examining every single part of an operation to determine a future state where the maximal use of digital tools can be applied. This moves digital transformation beyond a quick win to a scientific and methodical examination of processes that can be transformed by technology, both short term and long term. This creates a roadmap that examines the art of the possible, builds a future strategy, and is incredibly exciting all at the same time.

Compared to its predecessors, AI implementation can facilitate a more widespread digital transformation, as the technology is more versatile than other tools on the market (it is also arguably better understood by the average employee – as it is so ubiquitous in modern daily life). It gets organizations one step closer to the elusive “Autonomous Enterprise”. The combination of AI, data, and automation make much greater STP possible. This in turn enables better decision making and frees up employee capacity. This contrasts with previous iterations of automation, such as RPA, which often focused on improving one specific task or process.

Unlike RPA, AI is capable of a more comprehensive transformation due to its unique ability to complete tasks that require reasoning and decision-making. AI platforms can develop and learn, whereas RPA is only suited to the specific task it is programmed to automate. The versatility of AI allows it to move beyond the task-specific capabilities of RPA.

Many organizations today are advancing from RPA to AI with Intelligent Automation (IA) which marries the task/process focus of RPA with limited AI services. A great example of this is complex work routing. Using natural language processing to assess a piece of work, determine the path required to resolve it, and then actually routing that piece of work successfully through the operation.

AI (and to some extent Generative AI) is the current peak of digital transformation, especially for functions that rely on experience. Simply adopting a single AI solution may trigger a wholesale change for any department delivering service experience to both internal and external customers.

Meaningful digital transformation is certainly a key focus for GBS organizations. SSON’s 2024 State of the Industry Report Highlighted 83% of SSO/GBS were supporting the wider enterprise’s digital agenda, and 27% were in the driver’s seat.

This focus highlights the importance of choosing the right partner for your organization. With all the tools now readily available to teams, it can be difficult to decipher which direction to take. To remedy this, enterprises should opt for user-friendly solutions that can be seamlessly integrated and tailored to suit the company’s existing infrastructure.



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The possible applications of AI are vast, but the below table highlights some particularly exciting opportunities.

Business Function	AI Use Cases
Human Resources	<p>Onboarding: AI can streamline the onboarding process by automating repetitive tasks, such as document verification and data entry. Additionally, AI-powered chatbots can provide new hires with instant answers to common questions, enhancing their onboarding experience and reducing the workload on HR staff.</p> <p>Sourcing & Hiring: AI can analyze vast amounts of candidate data to identify the best matches for job openings reducing the time spent on initial screening. The technology can also evaluate the performance of previous hires looking for key differentiators that are correlated to success in a particular role elevating labor effectiveness and drive hiring decisions to emphasize those characteristics.</p>
Customer Service	<p>Self-Service: AI can be used for chatbots and virtual assistants that provide instant responses to common inquiries improving customer satisfaction and reducing response times. AI can facilitate automated knowledge, enabling users to resolve issues independently without human intervention.</p> <p>Sentiment Analysis: AI can enhance customer sentiment analysis by processing large volumes of customer feedback, such as reviews and social media posts, to identify and categorize emotions and opinions with high accuracy. This enables companies to detect emerging trends and make informed decisions to improve customer experience.</p>
Finance	<p>Intelligent Document Processing (IDP): AI can automatically extract and categorize data from invoices, receipts, and financial statements, reducing manual entry errors. AI can also ensure compliance and accuracy by cross-referencing extracted data with financial regulations and company policies, facilitating more efficient audits and reporting.</p> <p>Fraud Detection: AI can be used for fraud detection as it can analyze vast amounts of transaction data in real-time to identify unusual patterns. Some AI algorithms can even continuously adapt to new fraud techniques, improving their accuracy and effectiveness.</p>
IT	<p>Data Management: AI can revolutionize data management through the cleaning and integration of large datasets, ensuring accuracy and consistency across systems. AI can also facilitate advanced data analytics and visualization, enabling businesses to derive actionable insights and make data-driven decisions more efficiently.</p> <p>Cybersecurity: AI can continuously monitor traffic to detect anomalies and potential threats in real-time to mitigate attacks. AI-driven cybersecurity can predict and identify emerging cyber threats by analyzing patterns from vast datasets.</p>
Supply Chain	<p>Supplier Risk Assessment: AI can improve supplier risk assessments by analyzing data on a supplier's financial health, compliance records, and performance history, providing a comprehensive risk profile. Additionally, AI can monitor and update risk assessments in real-time, allowing businesses to proactively maintain a resilient supply chain.</p> <p>Anomaly Detection: Beyond supplier risk assessments, AI can identify deviations from expected performance to proactively detect delays, quality defects, or demand fluctuations. This enables businesses to respond swiftly and maintain operational efficiency.</p>

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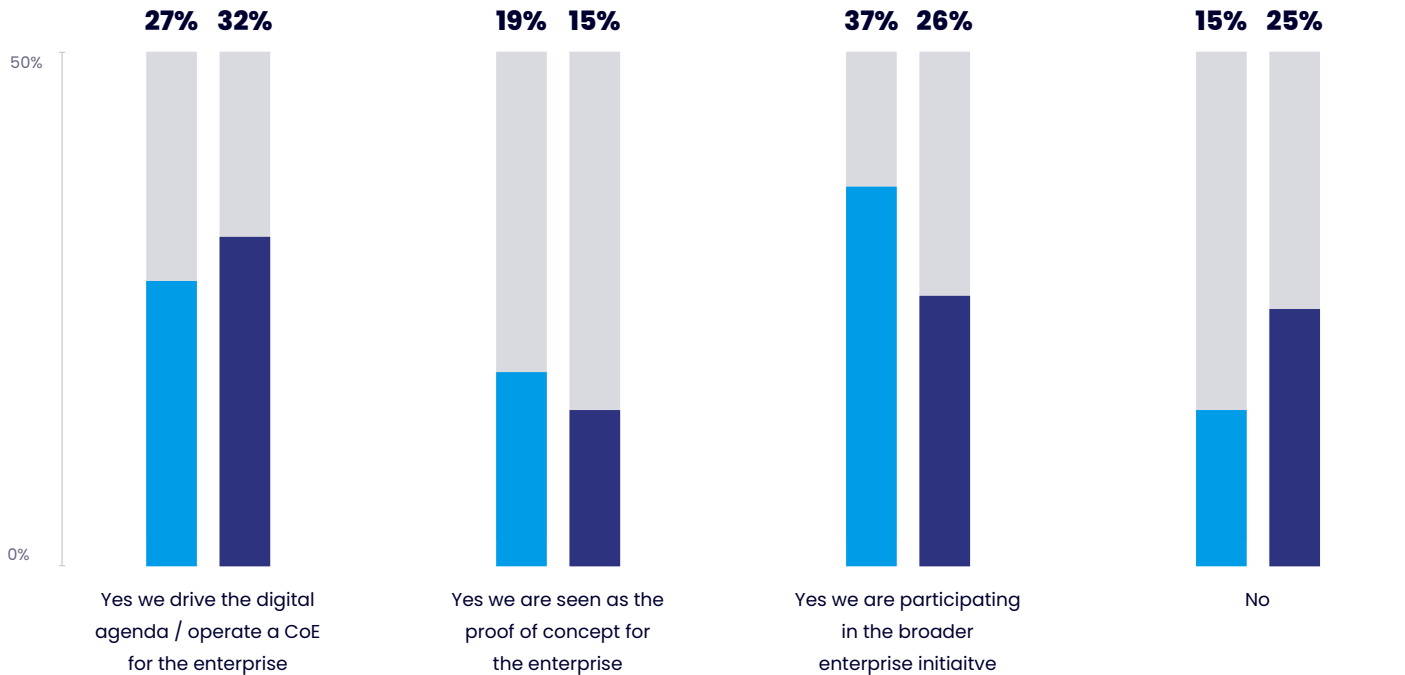
Organizations will clearly benefit from having a great consulting partner for AI-driven transformation projects. A partner can assist with an AI project end-to-end, including selecting an appropriate platform, identifying key use cases, integration, and deployment. In addition, business partners often offer extensive knowledge of regulations and compliance requirements, which mitigates data security risks.

Organizations also need to consider the impact on their workforce, especially those undertaking roles that will be automated. Transparency and clear communication are key as the organization should proactively answer questions surrounding talent management: *Whose role will be impacted by the digital transformation? What training will be needed for these individuals?* Some people may jump to the conclusion that embracing AI

means a loss of jobs, but history has shown that new technology always creates new job roles. It is important to understand this and communicate it.

Upskilling is another vital element. Any transformation should consider the training and budget needed to accomplish that. All transformation initiatives require people and skill sets alongside the technology. These skills are not only for AI enablement but also for operations. AI completely changes how processes interact with other parts of the business. You cannot simply bolt AI into a pre-existing model. AI is not a strategy, but rather a set of powerful tactics allowing organizations to reach their goals faster. However, it is a strategic enabler that has become an almost essential part of a modern enterprise and needs to be considered in every transformation roadmap.

Is the shared services/ GBS playing a role in supporting the enterprise’s digital agenda?



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AI-Powered Business Process Management

BPM encompasses two key elements: the process itself and the management of the process. On one hand, individual processes can be vastly improved by AI, as tools such as process and task mining examine the processes for bottlenecks and create a map for process improvement. On the other hand, AI can also be used to manage and complete the process itself, sometimes with a human-in-the-loop and occasionally to a fully autonomous level.

AI is now being used alongside traditional business process management techniques to build, analyze, automate, and optimize processes and workflows. Previously, BPM teams had to build their processes and process maps manually. AI can now create an accurate and optimum process. It also allows teams to rapidly speed up data analysis. This is helpful to understand anomalies, trends, root causes, and even future outcomes of their processes. For example, applying this to a process such as Order to Cash (O2C) can enable organizations to identify customers that are likely to pay late and ultimately better predict their cash flow.

Currently, most functional departments exist to handle the tasks software cannot do such as exception handling and escalation management. AI is changing this in a massive way. The versatility of the tool means many of these elements may become obsolete.

AI can also be used to build processes and workflows if given the parameters and requirements. It can then be used to automate and manage the process. To this end, when designing your roadmap for AI process transformation, the end goal to be considered is no longer automation, but autonomous. Task automation has eliminated some manual tasks that are now performed by humans and bots. An autonomous process is entirely (or almost entirely) performed without the human in-the-loop. One of the frequent criticisms of RPA in the early years was that it still required lots of maintenance and therefore a great deal of human intervention that eroded the return on investment. This problem is largely reduced using AI. It can supply knowledge systems, evaluate bottlenecks and create new process. Designing your transformation roadmap with AI think more broadly. The path to the autonomous enterprise more achievable than it ever has.

What approaches have been most effective in achieving process optimization?



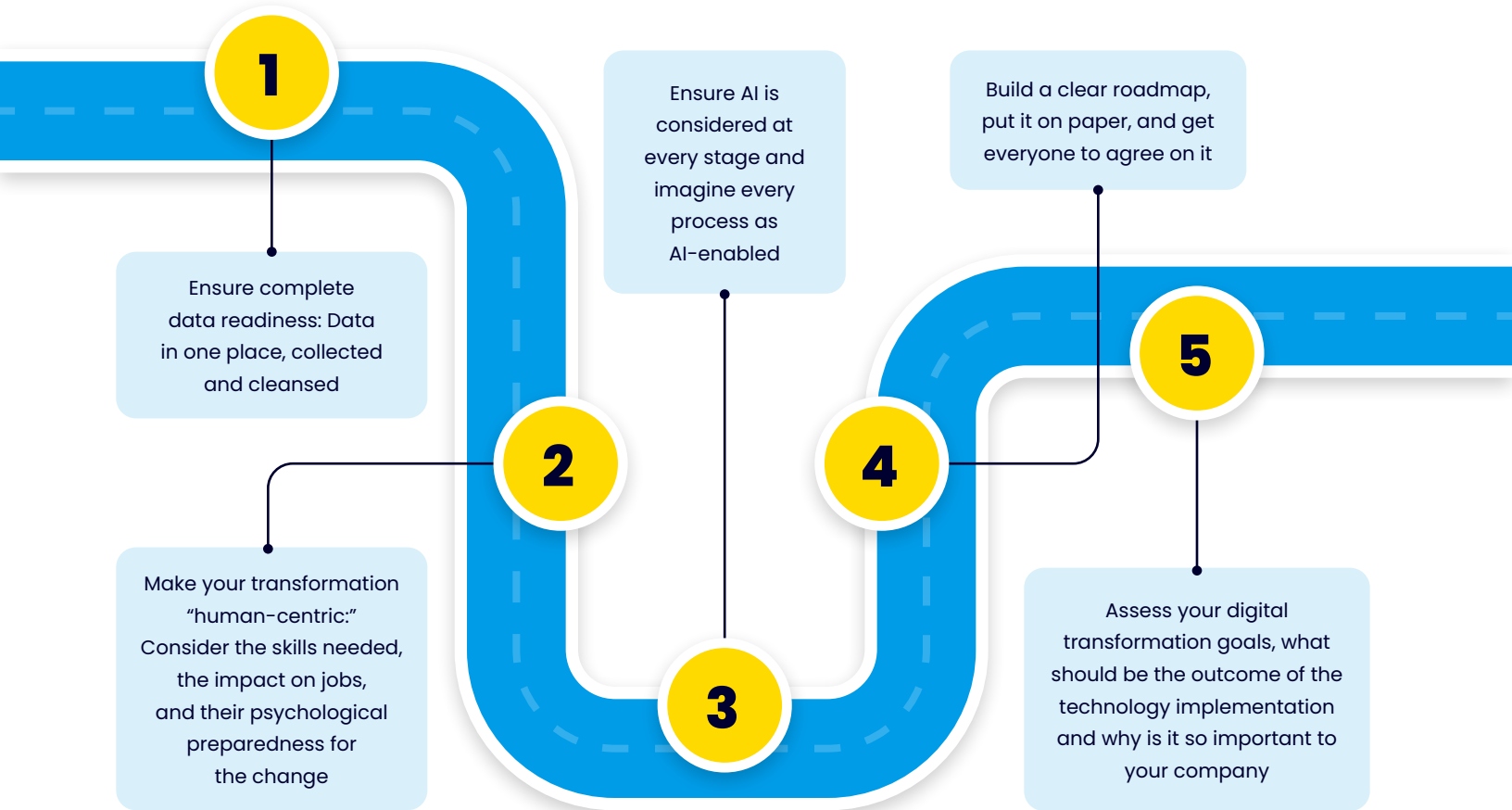
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Alongside generative AI, which has already been talked about in-depth, Intelligent Automation (the combination of task automation, RPA, and AI) can be used to significantly automate processes, which changes everything. The number of people needed within the function, the cost, it can even affect BPO contracts (as now organizations need to be looking at cost per value/result as opposed to Full-Time-Employee pricing).

AI can be used for both elements of BPM (the process itself and process management), but like with other types of transformation, this invites the need for new teams and skills that truly understand AI. These

subject-matter experts (SMEs) are crucial for AI-powered BPM as process optimization cannot be fully reliant on technology. The human perspective is needed to understand the nuances and day-to-day running of a process. Instead of solely using AI for BPM, organizations should aim to synthesize the technology with specialized teams for maximum efficiency. These teams are likely extensions of existing intelligent automation or continuous process improvement teams but with increased technological expertise. This sentiment is echoed by SSON's State of the Industry Report 2024, as 60% of organizations list the skills and capabilities of their workforce as the most effective element of achieving process optimization.

Top 5 Tips For Your Next Transformation Roadmap



In Conversation with Chazey Partners



Phil Searle
Founder & CEO



Tim O'Donnell
Senior Vice-President
Global Sales



Lee Coulter
Global Head of Transformation



Esteban Carril
Managing Director
Latin America

Is AI implementation a necessity for businesses now?

Phil Searle: Absolutely! Considering AI, along with other relevant technologies, is a no-brainer for any business. However, hitting the implementation button right away isn't always necessary. Before taking the plunge, understand how AI can benefit your organization, ensuring it aligns with your current strategy and governance. But remember, speed is key if you want to stay ahead of the curve. You can't afford to sit on the sidelines for too long. Start considering AI now, and if it makes sense, get on with it! The future is waiting.

Lee Coulter: It does depend somewhat on your business and your market. If you are a family farm, AI might not be a pressing issue. If you are a \$1B business or larger, then yes.

The larger point is that businesses must become good at AI. Doing one project or two projects is great, but the disruption is just beginning to be felt. Companies that force themselves to be ready, willing, and able to do AI will prevail.

What are common pitfalls organizations should avoid when pursuing AI-driven transformation?

Phil Searle: Big trap in AI transformation? Jumping in blind! Don't just throw around the term "AI." There's a whole toolbox under that name - narrow AI, machine learning, natural language processing, and more. Understand what each does and how it fits your business. That's the first pitfall - not grasping the different AI tools available.

Second big trap? Rushing in without a plan. Clearly define your goals, the specific area you want to target with AI, and how it aligns with your overall strategy. Don't just charge ahead - define your scope, use cases, and how AI will integrate with your existing systems. Plan before you play, otherwise you'll waste time and money. But don't wait too long - your competition is already thinking about AI!

Esteban Carril: While AI promises revolutionary advancements in efficiency, customer experience, and data-driven decision-making, there are a few typical

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pitfalls that organizations should avoid, including a lack of clear goals and performance metrics.

To avoid these roadblocks, organizations must first define clear AI goals and establish performance metrics to measure success. Data quality is paramount, as poor data can lead to skewed results. Additionally, businesses need to assess their talent pool and infrastructure to ensure they have the expertise and resources to handle AI implementation. But I would probably say that most importantly, AI should always be seen as a tool to augment human capabilities, but not replace them entirely.

Sometimes there could be some overreliance on AI which can lead to ignoring human judgment which is always crucial for the success of these programs.

Give an example of a function that can benefit significantly from AI inclusion.

Lee Coulter: Every single function can benefit from AI. The question is which functions will be disrupted first and which functions can get the biggest boost from AI. Supply chain and finance are high on the list. Marketing and sales are right there too. I think the big recommendation is to PICK ONE and get started. Whoever is the readiest. It will take political capital and a leader willing to make some mistakes, but it could mean the end of your business if AI is ignored.

Tim O'Donnell: While AI has the potential to revolutionize nearly every department – from finance and supply chain to marketing, sales, IT, and legal/compliance – HR presents a particularly compelling value proposition. After all, companies are built on people. Businesses with a critical mass of top talent hold a significant competitive advantage. Here's where AI shines: talent sourcing and acquisition through passive candidate identification and resume screening, efficient onboarding processes, boosting

employee productivity, and supporting workforce planning. By leveraging AI for these HR functions, companies can empower their most valuable asset – their employees – leading to higher satisfaction and retention of the “best and brightest.”

What are the ethical considerations when implementing AI?

Esteban Carril: Several key ethical considerations must be addressed to ensure the responsible use of AI. These include ensuring compliance with data privacy regulations, mitigating the impact on employment through retraining and upskilling initiatives, fostering transparency in AI use with informed user consent, and maintaining human oversight for critical decisions. Companies must consider that human judgment remains irreplaceable in areas with significant consequences.



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Tim O'Donnell: Ethical considerations are paramount when deploying AI. These include potential bias and fairness issues, ensuring data privacy and security, and mitigating the impact on employment. Furthermore, it's crucial to avoid gaining an illegal or unethical competitive advantage through AI and to responsibly wield its power and influence.

Data management is also critical. Organizations must determine what data to retain, and for how long (especially PII and sensitive data) and implement robust security measures to prevent inadvertent or unauthorized data sharing, both internally (e.g., ChatGPT) and externally.

How can organizations balance the need for innovation with the requirement for regulatory compliance and AI-driven projects?

Phil Searle: Innovation of any description must follow a governance framework. That's the key. Imagine guardrails – internal approvals and external compliance reporting – to keep innovation on the right track. This framework ensures responsible AI development by incorporating safeguards like proper intellectual property rules, security measures, legal compliance, contracts, and data privacy. We must be careful not to unleash AI like a monster that bypasses good practice and regulation controls.



Esteban Carril: In my opinion, successful AI adoption necessitates a cross-functional approach. Teams comprised of AI, legal, compliance, and business domain experts foster diverse perspectives and ensure a comprehensive understanding of project needs and regulatory compliance. It's critical to establish regular communication channels between the teams to keep everyone informed about regulatory changes and project developments.

Internal audit, legal, and other stakeholders must be engaged to maintain a balance between innovation and making sure that the tools that are being adopted are 100% in compliance with regulatory requirements.

How can organizations overcome gaps in expertise that accompany rapid technological advancements?

Tim O'Donnell: The rapid pace of technology is creating skill gaps, but organizations can bridge them through upskilling/reskilling the workforce, establishing Centers of Excellence (COEs) for focused expertise, collaborating with external AI specialists, and adopting a "build vs. buy" strategy that leverages pre-built solutions when available while still fostering internal capabilities. This holistic approach would keep organizations on the cutting edge.

Lee Coulter: Skills will be the biggest challenge. There aren't enough new people graduating with the necessary skills. Companies are going to have to build the skills. The talent pool is pretty dry. The demand is extraordinary. And it's going to cost a lot. If you do build the skills, you need to know that you'll have to pay them market wages to keep them. Bring HR into the mix and create an AI university inside your company. Start an AI talent pipeline. We already know we have plenty for them to do!

Conclusion

AI: The Transformative Gamechanger

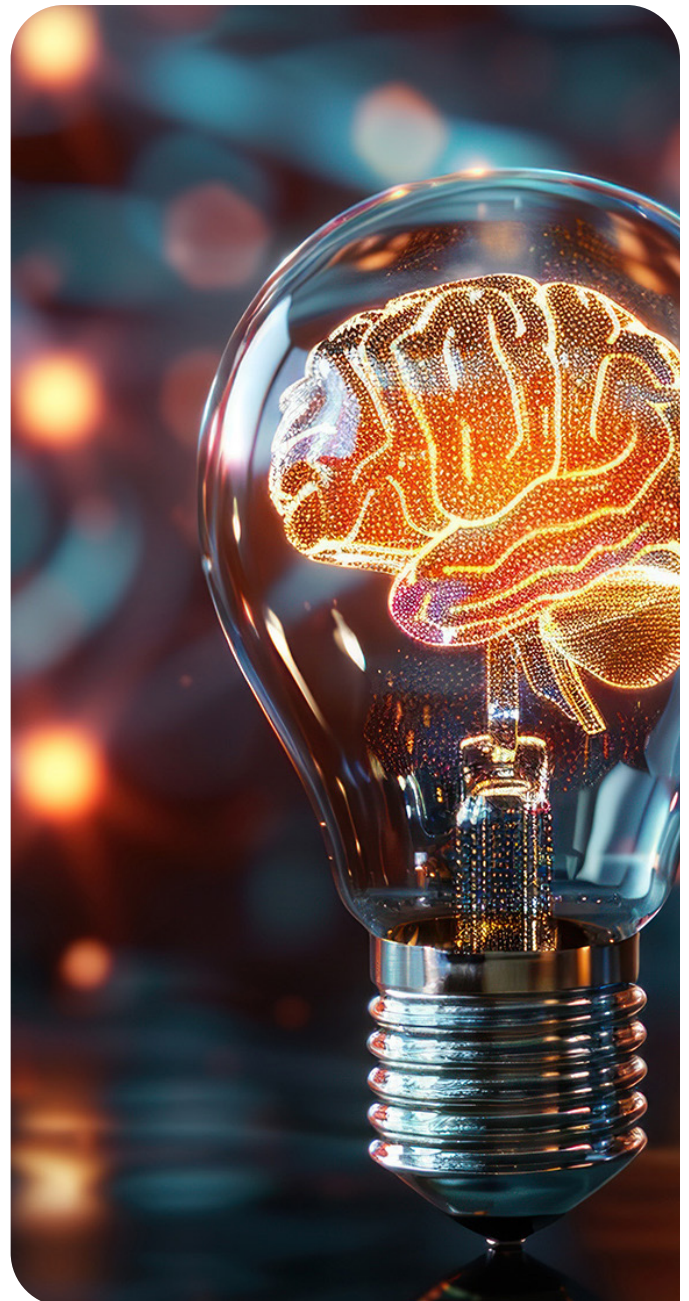
This report has revealed how AI is changing business transformation from all sides, from the operating model to human-machine collaboration. Obviously implementing AI to a specific process has advantages, but to truly embrace the benefits of AI and become an organization to reckon with, requires operations to be examined and a future state determined where every single function is AI-enabled.

Although this sounds intimidating, it doesn't have to be. Regardless of the objectives or type of transformation, AI readiness/enablement must be included in the design criteria. Therefore the following questions should be asked and answered for any specific transformation being contemplated:

- 1 ***How will AI impact this team and its operation in the next 5 years?***
- 2 ***What work will likely disappear or be dramatically reduced?***
- 3 ***What kinds of new skills and teams will be required?***
- 4 ***What kinds of AI solutions are being discussed/researched right now that will likely emerge in the next five years?***
- 5 ***What kinds of new relationships with other functions will be necessary (IT, risk, data, etc.)***

The key will be to ensure that operating model, process model, skills, jobs, teams, and workflows are considered under the impact of AI. Failing to do this will potentially handicap the function/business to take advantage of future AI-based solutions. Transformation is hard enough and successful transformation can be

elusive. However, the potential benefits are enormous. The downside might be existential. Including AI considerations in your future transformations might possibly make all the difference in the world.





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