



**The Digital
Workforce:
A New Catalyst
for Private Equity
Success**

What is the Digital Workforce and How Does it Apply to Private Equity Firms?

The Digital Workforce enables companies to automate routine, repetitive, rules-based business processes with the help of intelligent Digital Workers (“bots”) that can learn from their human colleagues. Digital Workers represent another—and more efficient—labor sourcing option beyond a company’s own resources and offshore, outsourced resources. Blue Prism was a first mover in bringing the Digital Workforce to market, coining the phrase “Robotic Process Automation” (RPA) to describe this differentiated capability.

Traditionally, the Digital Workforce has been focused on high-volume, repetitive processes. However, increasingly, private equity (PE) firms are realizing the benefits of utilizing Digital Workers to handle processes not necessarily high in volume but high in importance, especially when it comes to accuracy and completeness. Examples include the handling of accounts payable (A/P) and accounts receivable (A/R) items. Since many PE firms still operate on spreadsheets rather than sophisticated systems, the opportunities for automation are significant.

Private equity firms have certainly recognized the strong market response to RPA, as many of them are choosing to invest in technology companies related to this space. Beyond the investment benefits, PE firms are also enthusiastic about artificial intelligence (AI) technology, and more than 90% of them believe it will disrupt their sector within the next five years.¹ Digital Workers serve as a “foundational gateway”



to AI technology, as they easily connect to cognitive technologies that provide intelligent skills and expand the spectrum of work that they can complete. For example, Digital Workers armed with intelligent skills can read an email and determine the intent/sentiment of the message, review contracts to find specific language, and notify a human by email or text if they identify an issue related to a target company or a portfolio company requiring immediate attention.

Bottom line: PE firms are laser-focused on getting a return on investments as quickly as possible by driving operational improvements in the portfolio companies.

The Digital Workforce, powered by RPA, can accelerate this process like no other technology on the market. While many PE firms are aware of RPA, most have been slow to adopt it. A 2018 KPMG survey found that less than 25% of PE firms are currently utilizing digital labor.²

“For any acquisition in which cost is a major driver of investment returns, PE firms need an automation agenda. RPA should be on that agenda.”

—MICHAEL HERIC, Bain & Company; Global Lead, G&A and Back-Office Automation Practice

What Does Transformation Look Like as Private Equity Integrates Digital Labor?

Corporate Level Transformation

Screening investment opportunities is a good task for digital labor given the amount of data and time-sensitivity involved. This also is a great opportunity for Digital Workers to tap into AI capabilities that can assist with a thorough evaluation of a company, as well as a comparison to many other companies.

Month-end reporting is typically quite tedious for PE firms, as they produce reports with numerous, complex calculations for hundreds or even thousands of investors. Digital Workers can automate these calculations and reporting outputs while greatly reducing the need for manual reconciliations. Furthermore, linking portfolio companies' systems together to feed into the parent company can be a complex and expensive task. Digital Workers can easily and efficiently facilitate this data aggregation without the need to consolidate systems. With an increasing amount of capital flowing to the private equity sector, reporting requirements and regulations will increase, which magnifies the value RPA can deliver.

Examples:

- **Capital Group**, one of the world's oldest and largest investment management organizations and a leading emerging markets private equity fund manager, found that each of their business units had a slightly different expectation of the Blue Prism-powered automation capabilities. Each business unit used Digital Workers in the following ways:
 - **Investment Operations** – Freeing up people from transactional work so they could focus on analytics and insight-gathering
 - **Service Organization** – Driving more efficiencies so they could scale back operations and reduce head count
 - **IT Operations** – Offsetting work that they are outsourcing to a 3rd party vendor to save costs
- **Fortress Investment Group**, an investment management firm, founded as a private equity firm and the first large private equity firm to be traded publicly, implemented a fully automated process with Blue Prism that reduced the time it takes to review each of their funds for investor reporting purposes by 93%.

Portfolio Company Level Transformation

Acquired portfolio companies often have sub-optimal IT systems and processes that a PE firm must address to stabilize the company and begin its journey to performance improvement. Digital labor can be utilized to automate these processes, making use of the existing systems instead of incurring unnecessary, and costly, technology investments.

The Digital Workforce can be used to establish an interim integration between disparate systems that cannot be quickly integrated through traditional technologies, enabling the PE firm to begin working on performance improvement opportunities at the newly purchased company.² When complete system integrations are necessary between a PE company and its acquired company, Digital Workers can execute work across these critical data work streams with speed and accuracy, including data sourcing, data remediation and data entry. These are typically manually intensive efforts and often determine the success of an acquisition integration effort. Thus, digital labor can reduce time and risks.

In instances where PE firms are divesting companies from their portfolio, Digital Workers can support the

creation of a separate organization—with data entry in back-office roles in finance, HR, purchasing, supply chain and other shared services—to increase the value of the transaction instead of increasing headcount.³ This is significant, because delays in a portfolio company's separation from the PE impact the value of the deal.

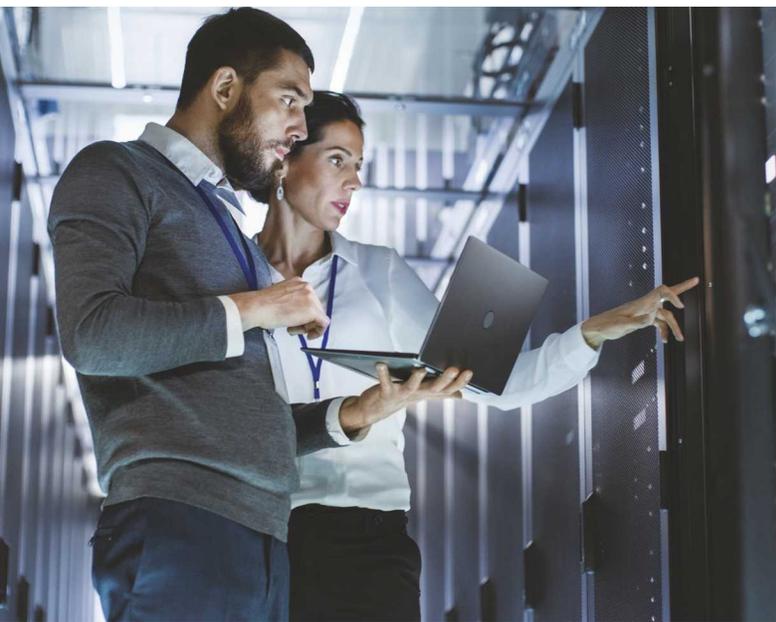
Advisory Firm Utilization of Digital Labor

Most private equity firms use advisory or consulting firms to help them assess and unlock value in their portfolio investments. The work that these firms do is highly specialized, resulting in accelerated value creation for the PE. Some of the work performed by these advisories can also benefit from the use of digital labor, and this may become much more commonplace in the years to come as it has become with firms that provide audit services.

Advisory firms that know how to leverage the Digital Workforce often have a framework for assessing the automation potential at a PE firm's acquisition target. This can provide a highly valuable input to the PE firm when pricing deals as it can help clarify opportunities for improvement at the target company.

“While most PE firms recognize the value that system investments can bring, it’s often challenging to justify taking on the investment and risk that comes from investments like a new ERP system, especially since the timeframes to implement and get a return on investment can often exceed the PE firm’s holding period. When done right, RPA is low cost and fast to implement with short payback.”

— MICHAEL HERIC, BAIN & COMPANY, GLOBAL LEAD, G&A AND BACK-OFFICE AUTOMATION PRACTICE.



Charting the Path Forward with the Digital Workforce

Set the Vision and Be Bold

PE firms should carefully consider the opportunity to leverage Digital Workers in their day-to-day activities, especially since speed and accuracy are critical to success. Considering multiple automation opportunities and sequencing them appropriately based on impact and benefits is a good first step. It's best to think big and consider as many automation opportunities as possible upfront, well beyond the specific areas causing the most immediate business pain.

Mobilize the Best Team

Advisory firms that are well-versed in helping companies define their RPA roadmap and navigating their journey can be extremely helpful to PE firms of all sizes. In addition, acquiring resources who have experience with the Digital Workforce will accelerate the digital transformation. In-house talent with this expertise will be able to more rapidly identify business tasks that bots should be tackling versus those that human colleagues should continue to handle.

Select an Enabling Platform for the Long-Term

Selecting the right technology platform for digital labor is critically important, as not all Digital Workers are created equal. Central to this platform decision is whether the PE firm is looking for a desktop automation solution or an enterprise RPA solution. Desktop automation can certainly deliver some benefits on a much smaller scale, but it exposes the firm to potential

Once a portfolio has been acquired, Digital Workers can facilitate the advisory firm's due diligence activities, then collect and summarize information on a target company's systems and data much more quickly and comprehensively than humans are able to do.

Advisory firms also leverage the Digital Workforce as an additional "lever" to drive key business outcomes such as cost takeout, productivity boost, quality improvement, higher customer satisfaction, and margin improvement, etc.

The Digital Workforce has proven to be a faster way to achieve operational improvement than customer relationship management. Quicker payback is music to the ears of the PE community. Even better, rapid results achieved in one portfolio company will often drive repeatability across the portfolio.



Make Digital Workers Part of the Corporate DNA

Finally, it is crucial for PE firms to modify their operating model such that everyone across their company and their portfolio adopts Digital Workers working alongside humans as the “new normal” and a proven accelerant in driving value. Moreover, it is important for the PE firms’ executive leadership team to understand the positive impact of making this adjustment. As one indicator that this is beginning to happen elsewhere in the market, Forrester predicted that one in 10 startups this year will begin life with more Digital Workers than human ones.⁴

The time for private equity firms to embrace the Digital Workforce is now. Those that do so will give themselves an edge in an incredibly competitive environment.

risks as the data is visible by employees while the automation is running. Additionally, companies typically grow frustrated with the inability of these products to scale as they identify a growing number of automation opportunities across their organization. “Enterprise RPA” on the other hand, is a capability rather than a tool. It is designed to be secure and scalable, to transform the organization, and to deliver increasing benefits over time. Enterprise RPA is the essence of Blue Prism, a leading RPA technology platform that has enabled hundreds of companies across the globe to successfully implement and scale a Digital Workforce.



About the Author

Brad Hairston - Advisory Alliance Director at Blue Prism

Based in Dallas, Brad Hairston supports Blue Prism’s top advisory firm partners in helping their clients utilize digital labor to solve operational issues and innovate across the enterprise.

1. Over 90% of private equity firms believe AI will disrupt their sector by 2024, *Intertrust*, Feb 2019.
2. The Digital Transformation Imperative – Why Private Equity Firms Must Digitally Transform to Compete, *KPMG*, 2018.
3. Robotic process automation brings a new approach to common M&A challenges, *CIO Magazine*, Jan 2018.
4. Predictions 2019: Automation Will Become Central To Business Strategy And Operations, *Forrester*, Nov 2018.

About Blue Prism

As the Robotic Process Automation (RPA) pioneer, Blue Prism is the trusted, secure intelligent automation choice for the Fortune 500 and public sector. Today, Blue Prism’s connected-RPA joins operational leaders with accessible, advanced cognitive technologies and a community of experts to bridge the gap between human and digital workers while strengthening the capabilities of the new 21st century workforce.

More than 1,000 major enterprises leverage connected-RPA—available on-premise or in the cloud as an IaaS or SaaS deployment—empowering their people to automate billions of transactions while returning millions of hours of meaningful work back to the business.

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