

Changing Your Organisation With AI

July 2023

A stylized graphic of a human head profile in profile, facing right. The head is composed of a network of blue lines and dots, representing a neural network or data flow. The letters 'AI' are prominently displayed in the center of the head, glowing with a bright blue light. The background is a dark blue gradient with some faint, scattered light points.

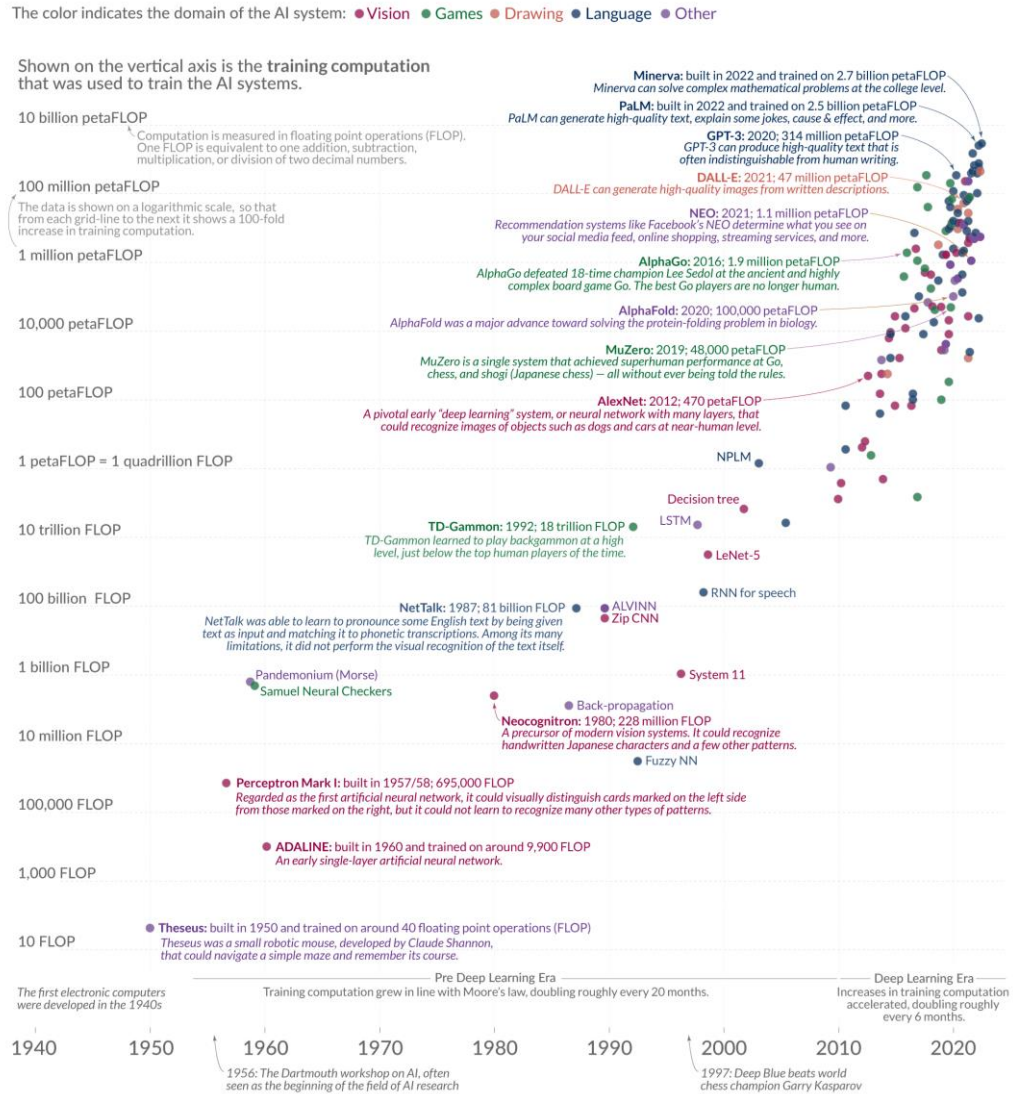
AI

Agenda

- 1 AI's evolution
- 2 Beyond ChatGPT
- 3 How AI is changing the workplace
- 4 Operating Model impacts
- 5 Imperatives to act on AI
- 6 Scenario modelling and analysis
- 7 Implications for cost *and* revenue
- 8 Where to start

There are imperfections, but the improvement rate is accelerating...

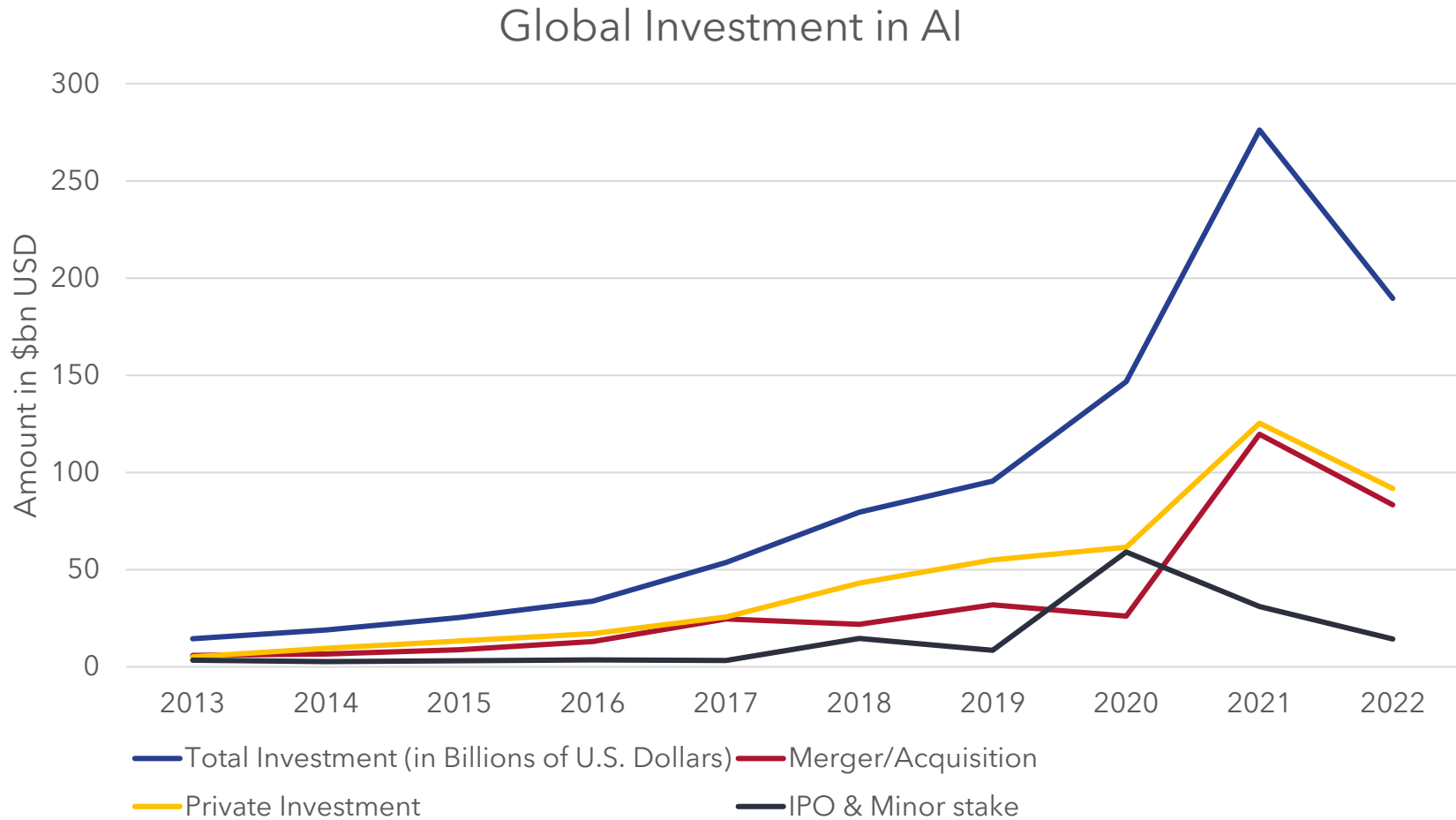
As training "compute" (processing and learning capacity) grows, AI systems become more powerful



The AI compute doubling period has reduce from 21 months¹ to under 4 months²

- Whilst Machine Learning compute is now doubling every 3.4 months, the rate of increase required to get to the next generation release is shrinking
- While "hallucinations" and other errors are certainly present, it is possible to get better results by learning to construct better prompts
- AI continues to improve given the weight of money behind it

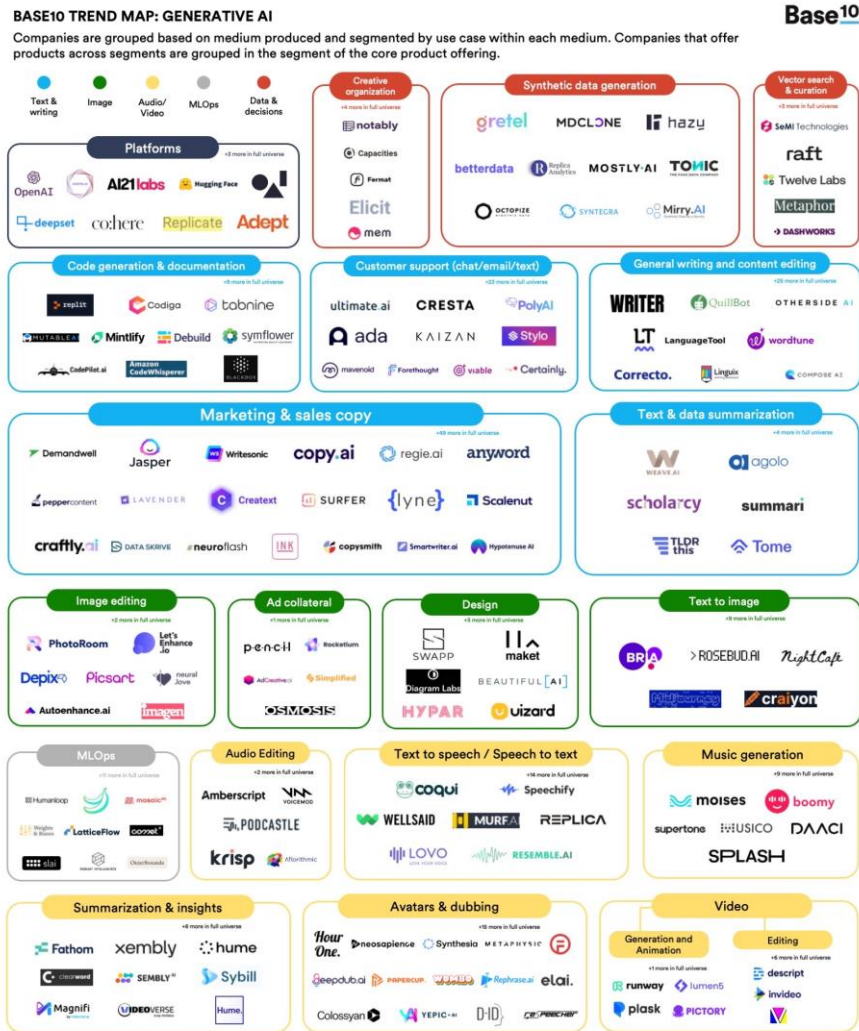
Global investment in AI has grown significantly over the last 10 years



VC investment in AI companies has exploded

- Even with a slight tapering in 2022, AI investment is still on a growth trajectory
 - 2021 saw excessive investment
- 2023 has seen large funding deals, including Microsoft pledging a \$10bn additional investment in OpenAI

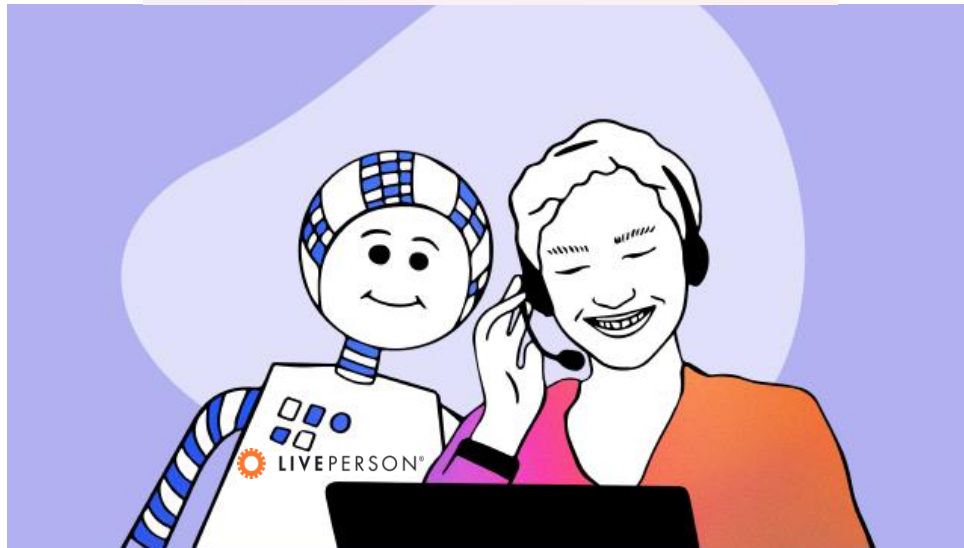
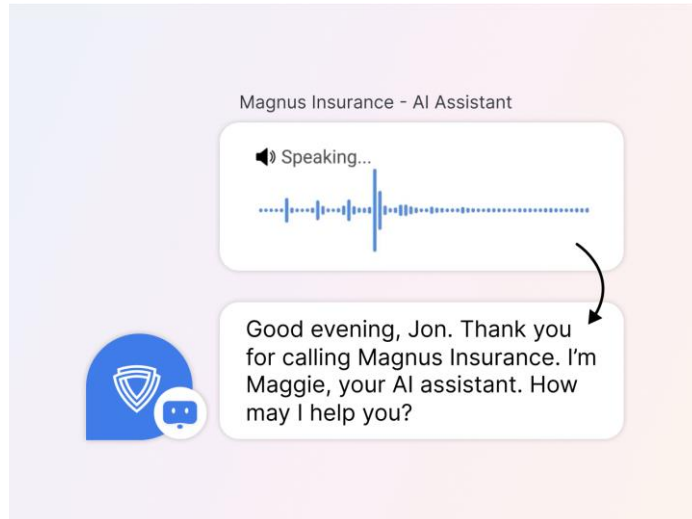
While ChatGPT has taken the world by storm, it is most certainly not the only platform



- There are now hundreds of different platforms utilising AI for different purposes.
- Notably:
 - Sanctuary AI has developed Phoenix – an AI enabled robot capable of human-like activity
 - Liveperson’s Customer 360 creates a digital version of customers from multiple sources to create hyper-personalised experiences



Liveperson is developing cross-industry AI that constructs 'digital twins' of people to curate customer experiences and boost revenue



- Liveperson's 'Curiously Human' digital experience solutions are being used:
 - Across multiple industries including retail, healthcare, financial services, telecommunications, automotive, travel & hospitality
 - To help customer care, sales, and marketing teams
 - To automate more meaningful, natural feeling conversations
- Creation of a user's 'digital twin' enables the AI to
 - Understand consumers' intent
 - Connect them to brands across multiple messaging channels
 - Deliver meaningful outcomes for customers, agents and brands
- Liveperson has developed real time fact checking by training the AI on the nearly one billion conversational interactions per month at call centres

Those organisations that can successfully deploy AIC (Artificial Intelligence Capabilities) will have an advantage over the laggards, for instance

Dramatically improved decision making

- Improved forecasting
- Decision outcome testing

Potential for massively improved segmentation

- Customer profile recognition
- Stronger segment definition

Vastly improved chatbot capability

- 24x7 uptime at low cost
- Personalised responses

Fewer expensive knowledge workers

- Increased staff productivity
- Dynamic shift of work type

Entire processes automated (inc. learning)

- Automated self repair (unlike Robotic Process Automation)

Faster deployment time for digital

- AI transforms design, codes, and tests

Improved data cleansing at reduced cost

- AI rapidly completes cleanse & parse activity

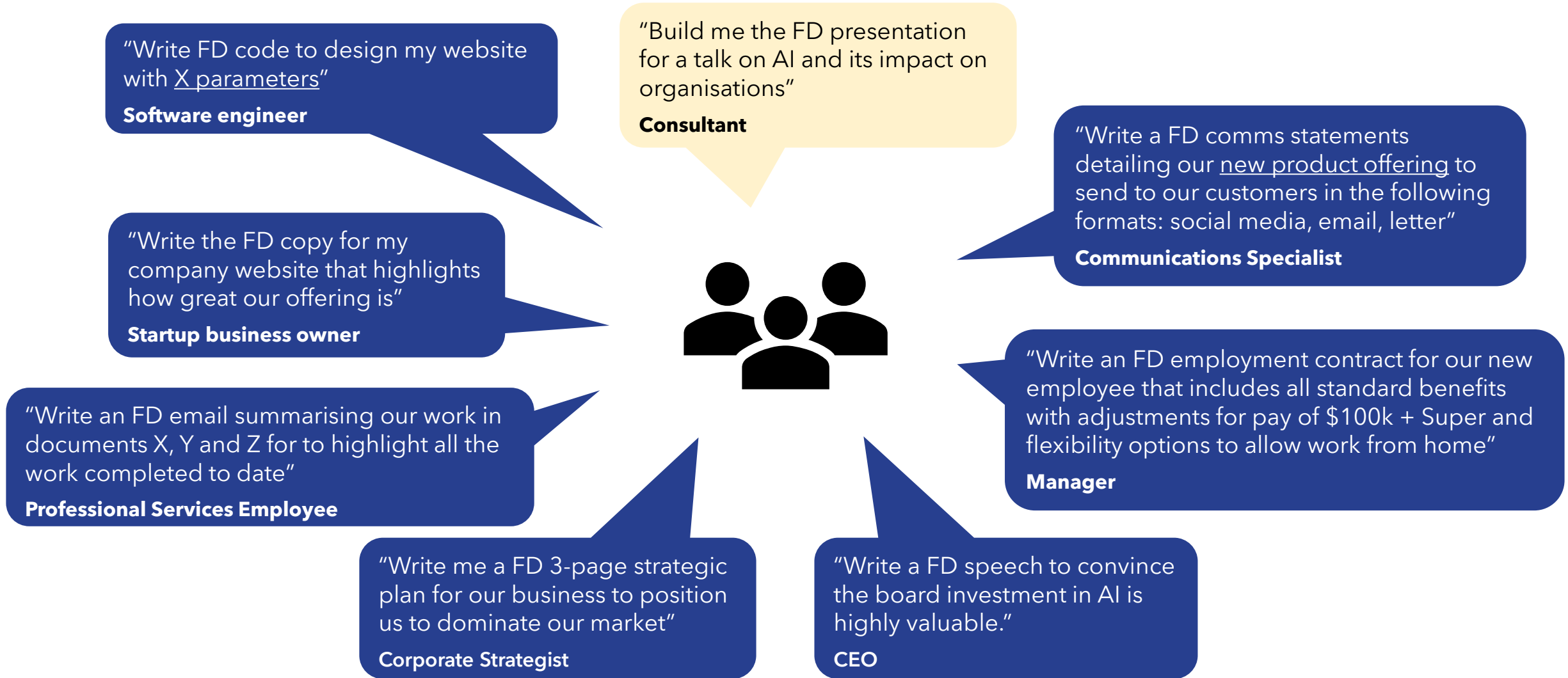
Rosters optimised for business and customer

- Needs of customer matched with the staff

And the list goes on...

AI's capabilities, whilst not perfect, are already impressive, for instance...

Utilising AI to generate FDs (First Drafts) will soon be as natural as sending an email



AIC can impact your operating model in multiple ways

- Critically, AI doesn't discriminate between blue- and white-collar workers – it impacts both.
- For instance, AI can be leveraged to:
 - Enable knowledge workers to deliver greater volumes faster
 - Reduce (or smooth) a company's costs curve, especially when they are rapidly rising. e.g. compliance work can be fully automated via AI
 - Turbo-charge your strategy, for instance finding new markets and conducting testing for these
 - Model how you might optimise or completely redesign your supply chains



The Bevington Group Operating Model comprises all the interconnected elements of a business

Although Automation & AI comprise one element, they will both affect and be affected by all other Operating Model Elements



Potential effects of AIC on business Operating Models (1/3)

Structure

- Reduced headcount expansion needs and higher throughput
- Larger Technology and InfoSec teams to build and maintain AI systems / models
- Shift to more agile structures
- Encourages use of MDL

Role design

- Mundane tasks will be removed from roles
- Roles need to flex and adapt to changes in the operating environment
- AIC use forms part of minimum skills req.
- Ability to maximise AI output becomes essential to person's success

Core functions

- Creative development will be AI enabled
- FDs via AI become common in all functions
- Human involvement will reduce in some functions
- The core functions of a business will come to be the human element

Risk & resilience model

- Early Warning Systems established and AI for preventative measures via live compliance auditing and flagging
- Scenario modelling and simulation used to test all possible permutations
- AI systems become essential for security measures



Service model

- Quick response rates & predictive / proactive support become essential
- Increased need for strong stakeholder management as day-to-day work is AI enabled including customer service tasks
- Hyper-personalisation takes centre stage

Process design

- Continuous Improvement drives constant change as businesses seek efficiency
- Most current processes become AI driven / enabled beyond simple automation
- Processes will be robustly tested via AI prior to deployment

Policy

- AI trained on policy requirements and utilised for enforcement and reporting
- Reduced 'grey area' will likely have to be mitigated
- Policy updates and iteration modelling conducted using AI

Ways of working

- FD drafting will enhance speed and throughput for most workers
- Enhanced need to adequately utilise AI tools and understand their shortcomings - "everyone will be managing their AI intern"

Potential effects of AIC on business Operating Models (2/3)

Governance

- Increased oversight via AI bots
- Risk mitigation occurs in real time to avoid issues arising
- Heightened need for safety controls to avoid misuse of bots / AI agents
- Greater transparency and accountability

Decision making

- Reduced risk of analysis paralysis as all data can be rapidly summarised
- Synthesis of information and decisioning on what to trust becomes critical
- Leadership will need to find new ways to remain connected to 'the coal face' as AI creates opportunity for division

Mgmt. disciplines

- Policy becomes easier to enforce with AI uplifting the bulk of the effort
- Increased visibility of productivity and metrics
- Enhanced understanding of policy effectiveness
- Unwritten policy that is enforced needs to be made official or removed



Technology

- Tech stacks will need to increasingly have greater processing power
- Cyber security and threat detection becomes more paramount than ever
- Data integration across systems is critical
- Widening of interaction platforms in workspace

Geography & Footprint

- Geographical dispersion becomes less significant
- Shift towards digital realm interactions
- Enhanced need for inclusivity in AI models
- Software and hardware becomes more immersive

Automation & AI

- **Automation makes way for AI**
- **AI co-pilots used for FDs across multitude of applications**
- **AI adoption drastically alters all other operating model elements**

Potential effects of AIC on business Operating Models (3/3)

Metrics

- Enhanced data points from all pieces of work
- Real time metrics measurement
- Metrics will need to shift focus and take on an OKR style format
- Continuous improvement metrics can be established

Reward & recognition

- Programs become heavily tied to real data points, potentially mitigating bias
- Real-time recognition and continuous performance monitoring
- Gamification of rewards systems

Data

- Data quality becomes paramount as the foundation of training for AI models
- FD quality will improve with data quality
- Data security and privacy become paramount
- Personalised experiences can be designed

Performance Targets

- Increased focus on qualitative measures
- Quantitative measures become focused on the monetary value
- Heightened requirements for quality and throughput
- Predictive performance insights and recommendations



Culture

- Change management and adaptability essential as change is constant
- Employees will need to embrace use of AI tech or be left behind
- Enhanced collaboration and knowledge sharing
- Ethical responsibility and trust become essential

Resourcing

- Enhanced demand forecasting resource optimisation at speed
- Resources can be optimally allocated (skills matching)
- Communication across larger firms becomes more purposeful as employees can speak to the right person first

Sourcing

- Recruitment and sourcing processes streamlined to find the best fit
- Sourcing tasks reduced to an AI prompt / request
- Need to be careful to avoid reduced diversity and bias in models
- Market and competitive intelligence boosted

Capability

- AIC becomes a standard requirement for new hires
- AI use will be expected for FD generation
- Heightened need for critical thinking and validity testing

A failure to embrace AIC may lead to organisational failure

An organisation can fail for a broad range of reasons



Core mission failure

Organisation doesn't meet its main objectives
e.g. government agencies falling behind on citizen expectations when they know what is possible



Failure to mass customise

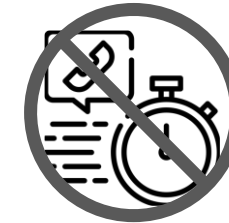
Market share is lost as customers move to better suited competitor products / services



Costs failure

Failure to manage down costs makes

- The offering become viewed as expensive comparative to competitors
- Organisations suffer from exacerbated margin compression
- Pricing failures arise driven by higher costs



Response failure

Too slow to respond to market-place changes (which are themselves potentially driven by AI)

Pivoting to the required structure will fail if leaders do not understand AIC - as they are a core enabler

Responding to this material “discontinuity” requires considerable imagination as it is moving too fast to accurately forecast. Scenario modelling appears to be the best way to start

- Made famous by Royal Dutch Shell Company when they outperformed their competitors in spite of (or because of) a major oil shock

Scenario planning is a way to synthesise enormous amounts of trend data into a vision of what might be possible - most likely multiple visions

In essence it simplifies “an avalanche of data into a limited number of strategic themes”



By preparing multiple scenarios it is possible to pick the critical strategic themes that might lead to enhanced resilience

It helps manage for both overprediction (e.g. I thought we would have colonised Mars by now!) and underprediction (e.g. Amazon becoming a global retail powerhouse from its start as a bookseller!)

Essentially

Build the scenarios

Find the themes

Invest for profit or resilience

Scenarios will need to be built at multiple levels

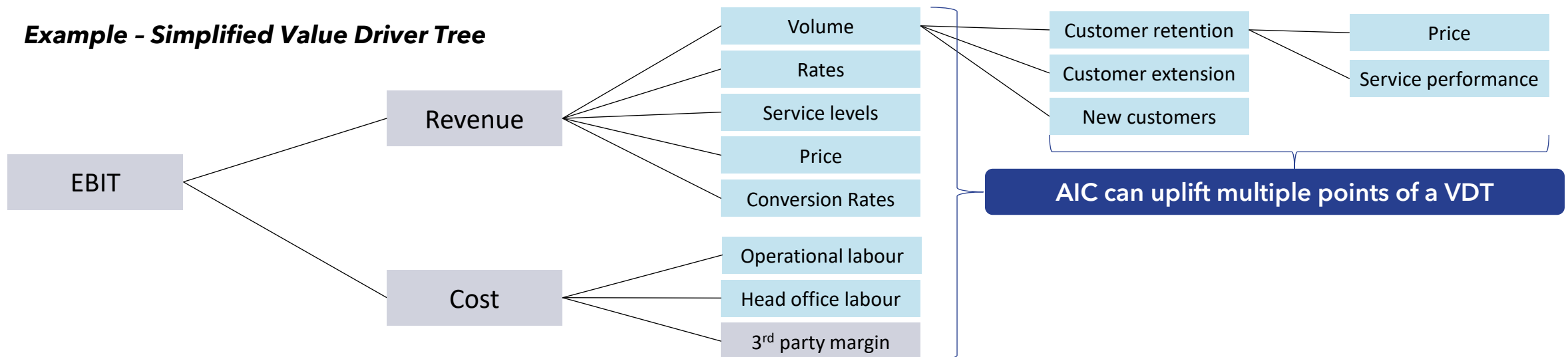


Process re-engineering and AIC implementation can do more than just reduce costs... It can be used to improve experiences and boost revenue too

- By developing and analysing their Value Driver Tree (VDT), organisations can clearly identify the levers where AIC implementation will make quantifiable differences
- AI will impact VDTs on both the **cost AND revenue** sides
- There are multiple points on both the Revenue and Cost sides where benefit can be driven. This includes:
 - Improved service level and customer experience
 - Dynamic pricing
 - Personalised sales & recommendations

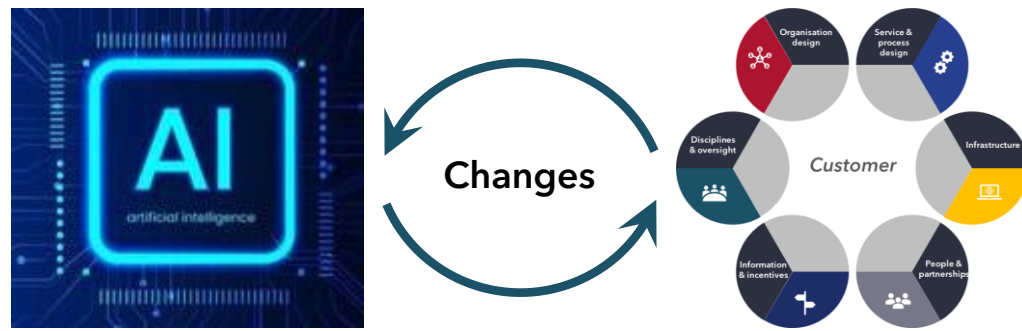
Current examples of AI improving revenue and service levels:

- Woolworths is utilising AI to simulate multiple iterations of store layouts and shelf setups to improve the shopping process of its customers and boost revenue
- Compass Group is utilising 'MealVision' solution to improve the nutrition of aged care residents through AI analytics



One of the challenges is that the organisation itself will need to change

- To guarantee success, an organisation's operating model will need to be open to change, fast and flexible - without losing control
 - Many will conclude their operating model is not sufficiently flexible



Where should you start?

- A “chicken and egg” question
 - The operating model needs to be healthy to take advantage of AI
 - AI implementation will change the operating model
- Speed to market is likely the major differentiator

Having somewhere to start, many enterprises are...

- **Building scenarios** both strategically and for individual case opportunities (for instance, AI to personalise marketing)
- **Experimenting** actively, in different functions, to learn more
- **Mapping** likely scenario-based impacts on their:
 - Processes
 - Workforce
- Leveraging the likely **early learning advantages** for those who lean into experimentation - it will be important to accept failures as not all uses will be immediately successful
- **Changing their operating models** to be ready to rapidly deploy AI capability

What questions are organisations asking themselves when uplifting AIC?



Strategy

- What are the potential competitive landscape impacts?
- What are the competitive advantages we can gain by leveraging AI and automation?
- What are the strategic risks we face?



Investment

- What options are available now and what comes later?
- What skill sets and training are necessary and how are they developed?
- How to select between option?
 - Value Driver Trees
 - Option valuations
 - Costs
 - NPS



Risk

- What are potential risks framework implications?
- What are our legal and regulatory obligations?
- How can we mitigate operational risks such as data quality, model bias, security?
- What are our ethical obligations?
- How do we manage the financial balance of high upfront costs and future investment requirements?









Architecture

- What is our primary AI engine?
- What are the architectural implications on scalability and future flexibility?
- How can we leverage APIs to integrate with external data sources and services
- How can we collaborate with our partners in the design?
- What interfaces should we consider?

Contact details and disclaimer

Bevington Group is a specialist consultancy with 6 core practices:

- 
Operating Model Design & Restructuring
- 
Lean Process Reengineering
- 
Process Automation, Digitisation & AI
- 
Accelerated Implementation
- 
Change Management
- 
Risk Intelligence

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