

Getting Fit for Digital and AI

August 2023





AI

There are three subjects for us to cover today

1

The basics to get ready for an AI world

2

Choosing the levers to pull with AI

3

Updating your Operating Model to more rapidly (and safely) deploy AI

As we engage in our Operating Model work, we observe a spectrum of responses to the emergence of powerful AI

AI is over-hyped

- Let your staff experiment as they go with no clear plan across the organisation
- See some minor incremental productivity improvements, however you risk being left behind

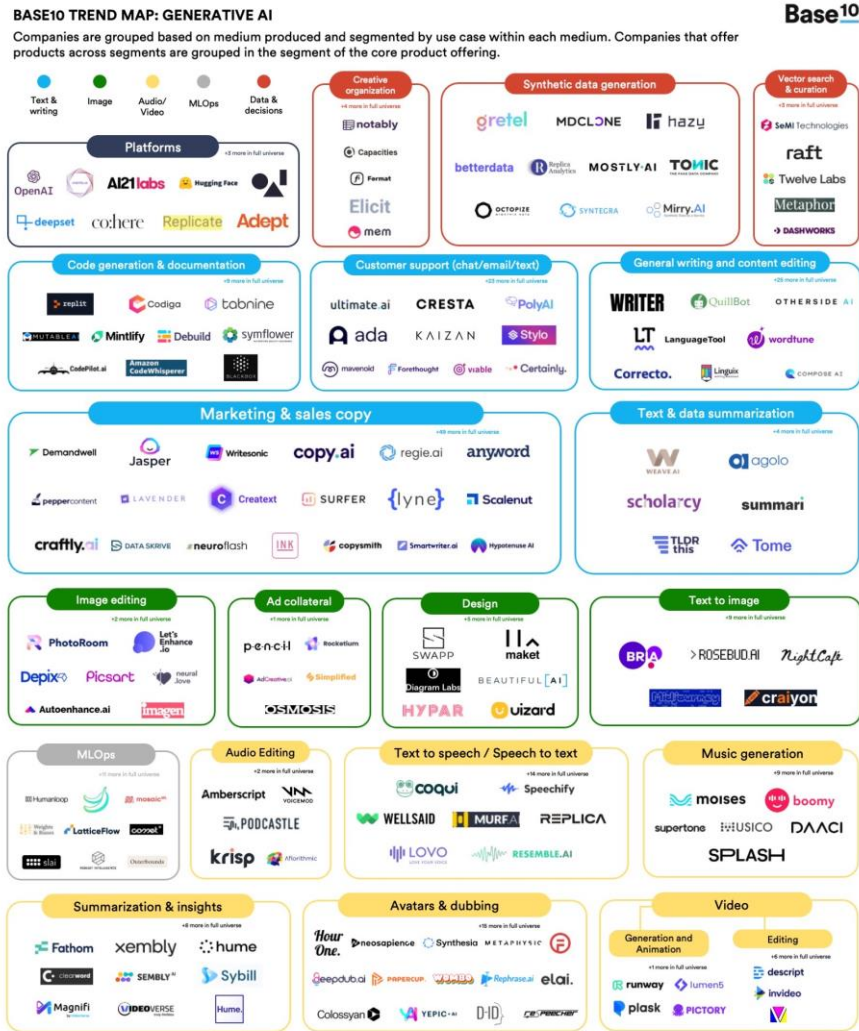
AI will change the world

- Go hard on AI adoption now, albeit strategically targeted
- Material investment in early adoption (relatively speaking) and “buying options”

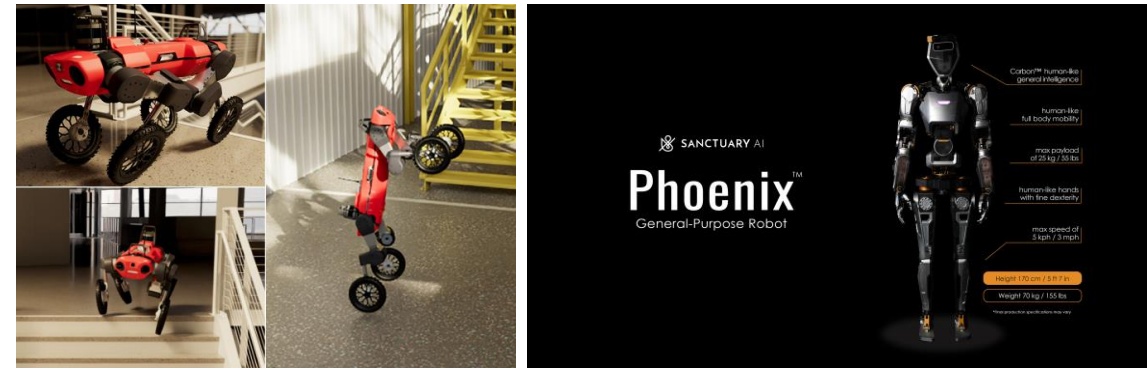
The leading organisations are taking a measured approach

- Establishing the foundations to build upon safely
- Have a clear AI strategy and adoption plan
- Flexible Operating Model that is ready to maximise adoption

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



- There are now hundreds of different tools utilising AI for different purposes.
- Notably:
 - Multiple companies are developing humanoid like robots such as:
 - Phoenix by Sanctuary AI
 - Swiss-Mile
 - Liveperson’s Customer 360 creates a digital version of customers from multiple sources to create hyper-personalised experiences



Getting safe for AI

1

ChatGPT (and other agents) are probably already in use by your staff (whether or not you have approved it) - so is your confidentiality protected?

Some typical AI platforms your staff might be using may risk data leaks

Name of AI	What does it do?	Use / Category
Midjourney	Uses text to generate images of anything you can imagine.	Design, Image Generation
Notion AI	Organises notes and automates tedious tasks.	General, Productivity, Writing
Decktopus	Create compelling presentations in a flash.	Slide deck production
Essense	Analyse your customer feedback	Research, Social Media
Sturdy	Sturdy's AI alerts your team to customer-related issues, product gaps, and revenue risks you'd otherwise miss	Image Generation, Writing
Looka	Logo design	Marketing - logo design
Deep Agency	Hire an AI generated model for your product shoot and marketing needs.	Image Generation, Marketing
Eightify	Summarises YouTube videos	Productivity
Copy AI	Generate copywriting material for sales and marketing	Marketing, Writing
Ghostwryter	For Google Docs - use it to write your SEO texts, blog posts and other marketing content	General, Marketing, Productivity - SEO
AskNow	Ask popular people anything and the AI will generate a response in their style.	General
Wordtune	Rewords your thoughts but in clear, compelling and authentic writing	Marketing, Writing
Supercreator AI	Create short form videos 10x faster	Video design
Resume Worded	Improve your resume and LinkedIn profile with tailored feedback	Productivity
Ellie	An email writing assistant that learns from your writing style and crafts replies as if they were written by you	Productivity

**It all depends on what information staff are including in their prompts...
Is / Should it be publicly available?**

As a first consideration - you need to get safe - these are subjects to consider to get started

Artificial Intelligence Architecture

INFRASTRUCTURE

AI workloads required significant processing power. AI plugin existing, API, storage locations.

DATA & INFORMATION

Data is usually stuck in silos. AI models need ready access to large datasets from multiples areas. Data warehousing and lakes need to support this.

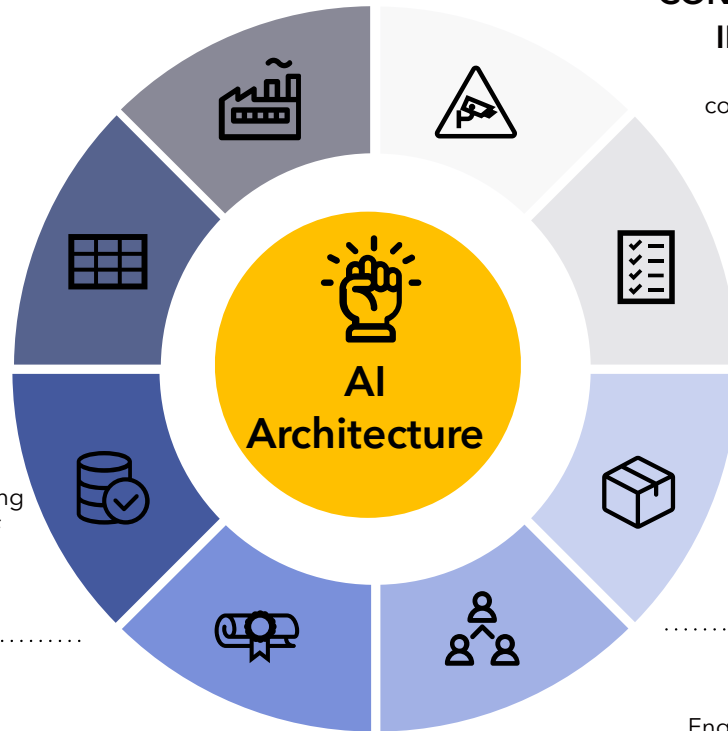
AI IMPLEMENTATION

GOVERNANCE

Fit-for-purpose governance to enabling control, selection and prioritisation of transformative AI opportunities.
Combination with other technologies

CAPABILITY & EDUCATION

Lifting internal capability
Higher proportion of people fluent in AI
Centre of Excellence vs. Citizen data scientists to take the load



CONFIDENTIALITY, PRIVACY & INTELLECTUAL PROPERTY

Address customer concerns in context of data sharing and use of AI, ownership of data

POLICY

A framework to guide people meet ethical and algorithmic fairness biases
Set rules

PARTNERS & PRODUCTS

AI technologies
AI implementation partners
Insource vs. outsourced model building

CULTURE & CHANGE MANAGEMENT

Engaging all people to understand the strategic objectives. Unleash the creativity at all roles to think about how tasks may change in the future

Outcome = Faster growth

A focus on AI architecture can generate fast growth



In contrast, patchwork will leave parts of your organisation behind



Choosing how and where to deploy AI

2

There are three sensible emerging approaches to an AI response

1. Scenario Planning - Understanding context and selecting common strategies
2. Value Driver Trees - Choosing which levers to pull
3. Getting the detail - Understanding which processes or manual steps will significantly change or disappear

To strategically respond to AI, it is useful to understand what approaches can be deployed in multiple situations. Scenario planning is helpful for this

- 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

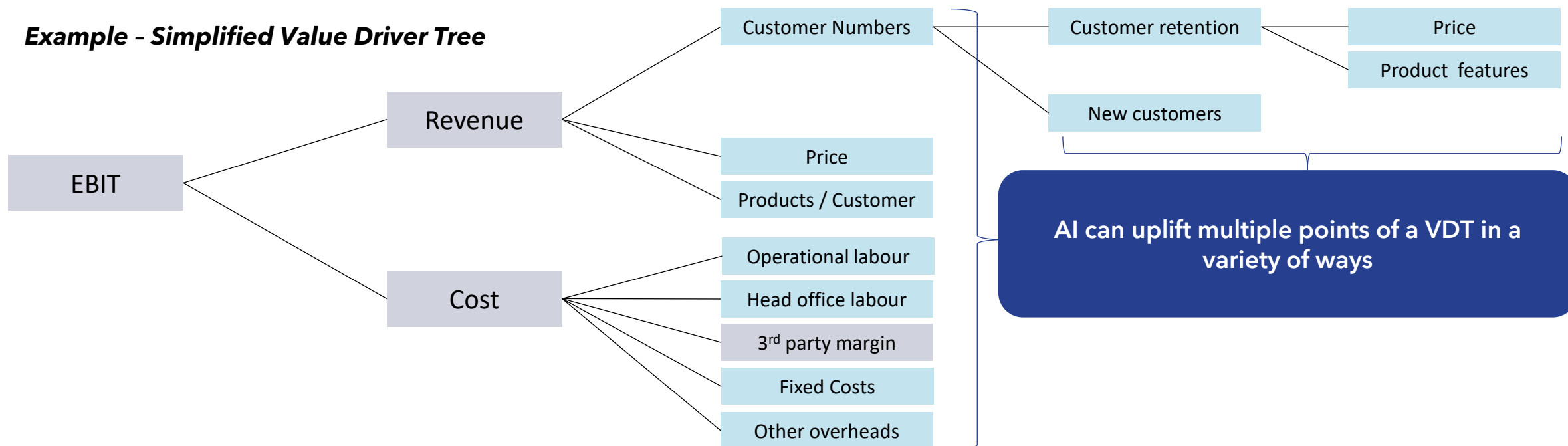
Scenarios will need to be built at multiple levels - understanding your context helps you to build better strategies



Scenario Planning can be enhanced by building a Value Driver Tree - this helps you target which levers you really want to pull

- By developing and analysing their Value Driver Tree (VDT), organisations can clearly identify the levers where AI 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 derived. This includes:
 - Improved service level and customer experience
 - Dynamic pricing
 - Personalised sales and recommendations

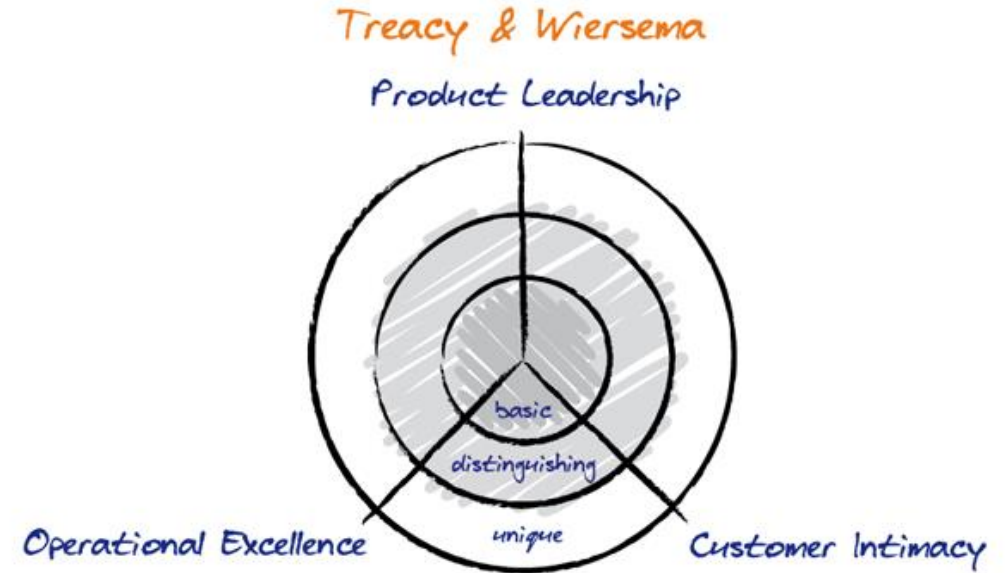
Example - Simplified Value Driver Tree



What is our 'value discipline' strategic choice?

The three strategic choices...

- **Product Leadership** companies strive to offer customers the best product possible by continuously innovating and pushing the boundaries of performance. Here the value proposition to consumers is the offer the best product on the market
- **Customer Intimacy** companies focus on delivering what specific customers want, not what the market in general wants. Their value proposition to customers is that they will provide the best total solution to the customer's needs
- **Operational Excellence** companies focus on efficient and effective delivery of products or services. Their value proposition is to provide products or services at the best price and the least inconvenience to the largest portion of the market possible. This can be in the form of a low price and hassle-free service, or the greatest amount of value for a given cost base



Rule 1: Try to be the best by excelling in one of the value disciplines or at least have a clear order of disciplines

Rule 2: Maintain threshold standards on other value disciplines

Rule 3: Control the market by improving value year after year

Rule 4: Align your Operating Model to the value discipline that you have opted to excel in

Your value driver analysis might take you to Customer Service drivers

VDT Levels:

OPERATIONAL COSTS; VOLUME OF SERVICE; QUALITY OF SERVICE

Customer self service

- Customer interacts with humanlike chatbot, which delivers immediate and customised responses to complex queries in a consistent brand voice



Customer - Representative interactions

- Human customer service representatives can use call scripts with real-time assistance, with suggestions for responses during phone calls.
- Generative AI can provide instant access to customer data, tailored for real-time delivery during calls



Customer Representative improvement

- Representative receives summary of customer conversation to create record of complaints and actions taken
- Customer service representative can use automated and personalised insights such as a tailored follow-up messages or personalised coaching suggestions.



Reduced response times and increased sales

- Provide customer service representative with real time assistance and recommendations of next steps
- Due to rapid access to customer (browsing) history, can identify products suggestions and deals tailored to customer preferences



Or perhaps you identify a need to deploy digital better and faster

VDT Levers: OPERATIONAL COSTS; QUALITY OF SERVICE; SPEED OF DELIVERY (incl. to market)

Inception and planning

- Software engineers and product managers use generative AI to assist in analysing, cleaning, and labelling large volumes of data, such as user feedback, market trends, and existing system logs.



System design

- Engineers use generative AI to create multiple IT architecture designs and iterate on the potential configurations, accelerating system design, and allowing faster time to market.



Coding

- AI can assist engineers in coding, reducing development time by coding drafts, finding prompts, and serving as an easily navigable knowledge base.



Testing

- Engineers employ algorithms that can enhance functional and performance testing to ensure quality and can generate test cases and test data automatically



Or to improve Sales & Marketing

VDT Levels:

OPERATIONAL COSTS; PRODUCT VOLUME; CONVERSION RATES

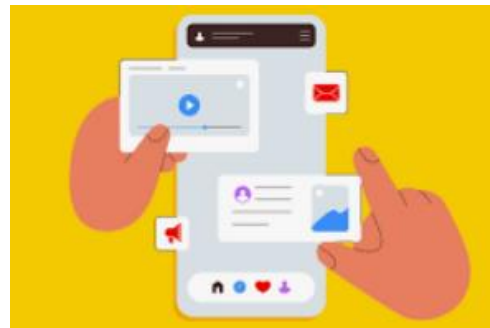
Strategisation and enhanced use of data

- Generative AI could help marketing functions overcome the challenges of unstructured, inconsistent, and disconnected data from different sources such as social media, news, academic research, and customer feedback.
- Synthesise trends, key drivers, and market opportunities from these data sources



Efficient and effective content creation

- Significantly reduce the time required for ideation and content drafting
- Facilitate consistency across different pieces of content, ensuring a uniform brand voice, writing style, and format
- Enhance personalisation of marketing messages aimed at different customer segments, geographies, and demographics



SEO (Search Engine Optimisation)

- Generative AI can help lower costs and achieve higher conversion rates by producing the technical aspects of SEO optimisation - such as page titles, image tags and URLs



Product discovery and personalisation

- Product discovery and search can be personalised with multimodal inputs from text, images and speech, and deep understanding of customer profiles
- Leverage individual user preferences, behaviour, and purchase history to help customers discover the most relevant products and generate personalized product descriptions



Or you simply need to be out-thinking your competitors in product design

VDT Levels:

OPERATIONAL COSTS ; VOLUME OF SERVICE ; QUALITY OF SERVICE

Early research analysis

- Researchers can use generative AI to enhance market reporting, ideation, and product or solution drafting.



Virtual design

- Researchers can use generative AI to generate prompt-based drafts and designs, allowing them to iterate quickly with more design options.



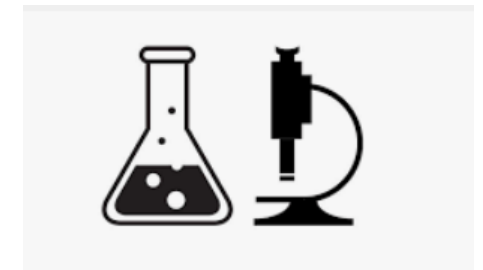
Virtual simulations

- Can help accelerate and optimise the virtual simulation phase if combined with new deep learning generative design techniques.



Physical test planning

- Researchers optimise test cases for more efficient testing, reducing the time required for physical build and testing.

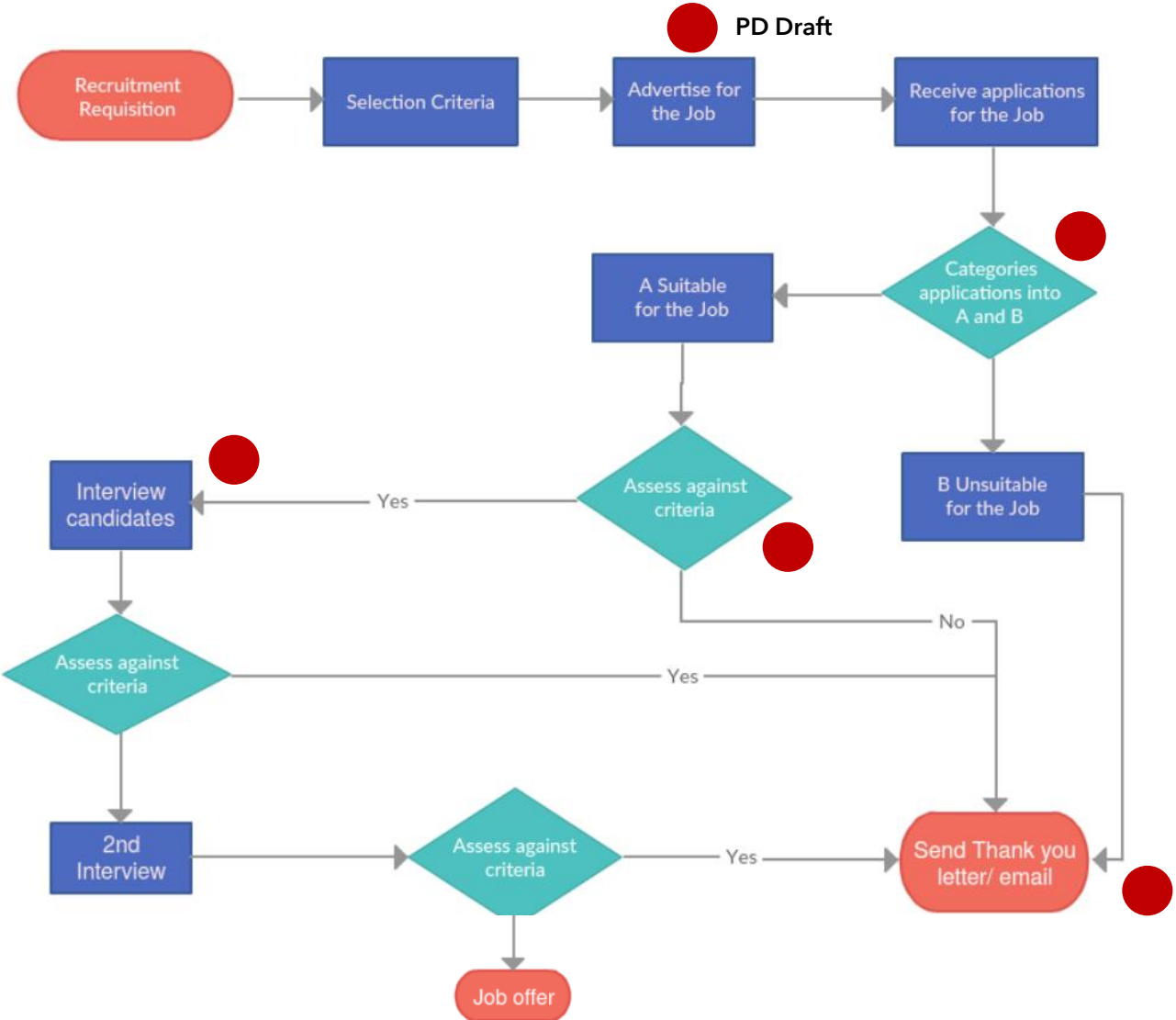


Another approach is to examine your roles and processes for early opportunity – preferably in a manner consistent with your scenario and Value Driver Tree work

- We find that an examination of role and process data will provide clients with a large opportunity set
- Typical examples of opportunities can be found below:

Sales	Marketing	Accounting	HR Management	Customer Service
<ul style="list-style-type: none"> • Identify trends - market anticipation • Score and prioritise leads • Automated chat and email support for sales staff <p><i>“Businesses who implement AI in their sales process saw a 50% boost in sales and a 70% decrease in call time”</i></p> <p><i>- Harvard Business Review</i></p>	<ul style="list-style-type: none"> • Customised website experiences • Assisting in the customisation of intelligent algorithms • Personalised push notifications • Image recognition using Computer Vision • SEO 	<ul style="list-style-type: none"> • Automation of manual tasks • Inputting and matching data from scanned receipts • Assessing expenditure reports • Tracking fluctuations • Semi automate Payroll 	<ul style="list-style-type: none"> • Initial candidate screening • Robot recruiter (see; Vera - PepsiCo) <ul style="list-style-type: none"> • Candidate calling • Assessment of suitability for job 	<ul style="list-style-type: none"> • Support customer service representatives (provide scripts for resolution, next steps) • Processing (such as loans) • Facilitate product discovery based on customer data

Example use case for how AI could impact the HR Process



Legend

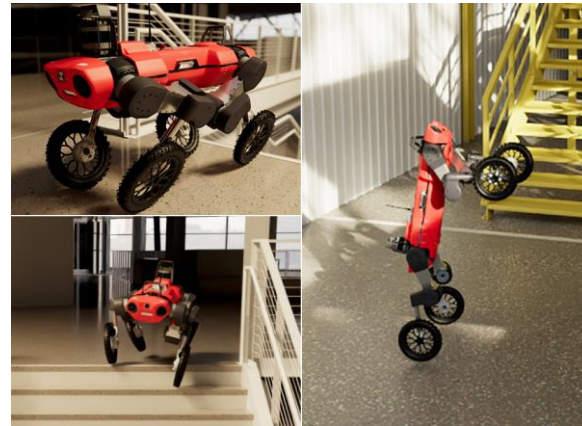
● Automate

Process Reengineering takes on a whole new meaning when it is AI-driven

Utilising AI in process reengineering doesn't simply mean automating the steps, but rather viewing the way to achieve the overall objective in a new light



Carbon Robotics' Autonomous weeder uses AI-driven lasers instead of pesticides



Swiss-Mile's transformer quadruped is being developed to optimise last mile delivery

The process of process reengineering is being altered with AI

- Robotic Process Automation (RPA) has evolved into Intelligent Automation

$$\text{AI} + \text{RPA} = \text{IA}$$

- How we collect and identify opportunities is changing
 - Some companies are using AI combined with data crawlers to automatically identify efficiency uplift opportunities (e.g. Aera technologies), however this is limited to processes where data can be collected for analysis
- Automation and optimization of business processes for increased efficiency

Getting your Operating Model right

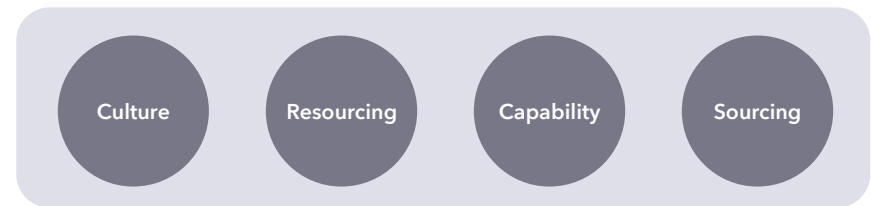
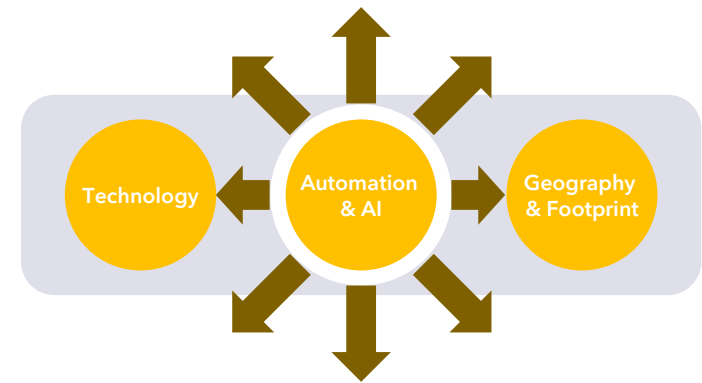
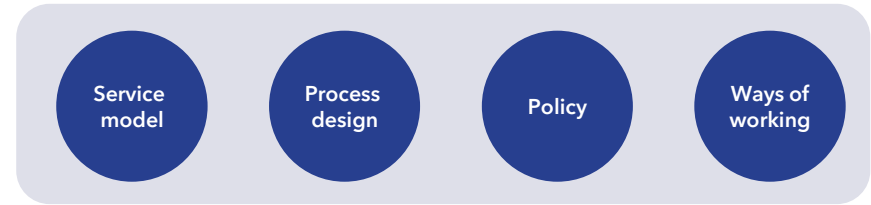
3

Artificial Intelligence Capabilities (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



You will find that AI opportunities can be applied to all areas of the Operating Model



Potential impacts of AIC on Operating Models (1/3 - illustration only)

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 impacts of AIC on Operating Models (2/3 - illustration only)

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 impacts of AIC on Operating Models (3/3 - illustration only)

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

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

Resourcing

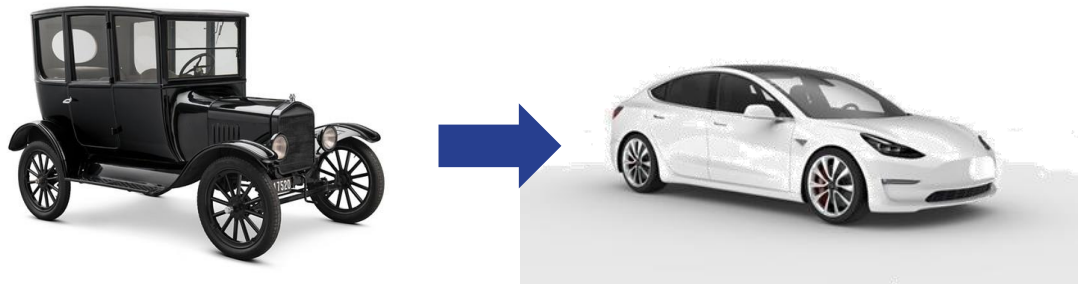
- Enhanced demand forecasting resource optimisation at speed
- Resources can be optimally allocated (skills matching)
- Communication across larger firms becomes more purposeful as employees can speak to the right person first

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

Traditional Operating Models need to be reevaluated to ensure they are fit and flexible

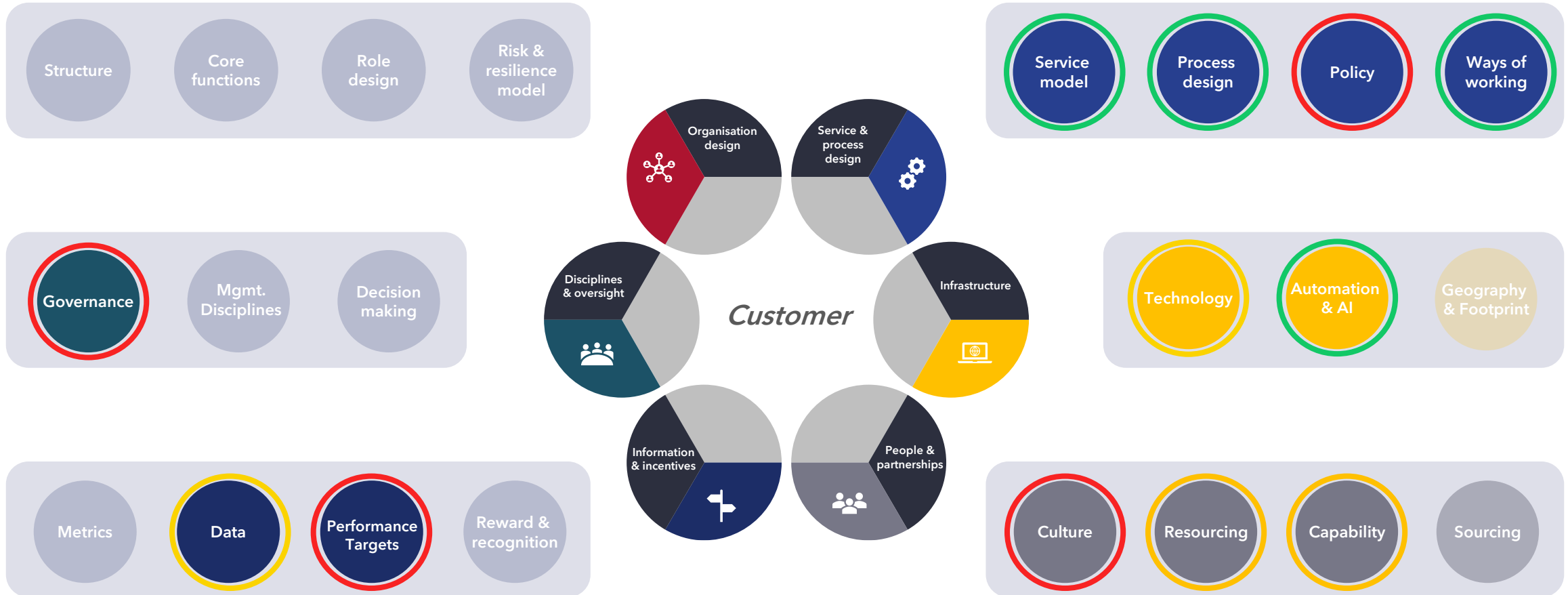
- The evolution of cars is a good metaphor for the change that AI will demand of our Operating Models.
- The raw elements of a car has stood the test of time, and we still need to provide the same core service to our customers
- By optimising the body, we can maximise the value of **upgrading the engine**
- Organisations need to be **faster, simpler**, and more **agile** to respond to a rapidly moving market



Organisations* that successfully transform via AI focus seem to follow a pattern of "early focus"

In addition to providing a clear vision on what the future should look like

- Most critical elements - AI deployment will stagnate or stall unless leaders within the organisation understand the path forward and it is integrated into their missions
- Critical infrastructure needs to be built to enable scale of AI solutions. Otherwise, AI models become theoretical
- Defining the actual changes can happen in parallel, but without others, broad scale adoption will be piecemeal



Successful organisations have had more than 10 AI use case deployment across various areas of the business. Have deployed enabling infrastructure

It is likely that the attributes of a good Digital organisational model will be incredibly helpful for AI deployment

Digital lays the foundation upon which AI can be deployed and built



It is worth consciously considering the deployment of AI in areas where creativity is of particular value. AI can be used to support the creative process (HBR, July 2023)

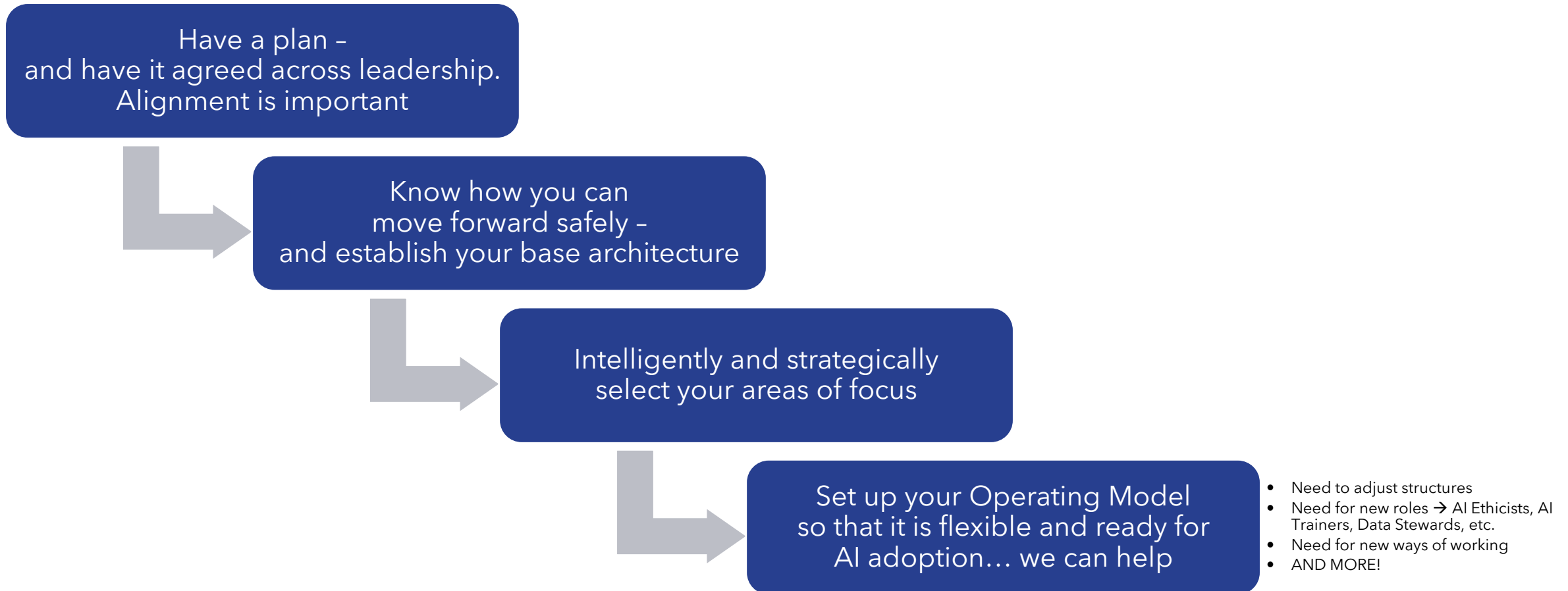
- Promote divergent thinking, e.g. business, image, and word idea generation
- Challenge expertise bias, e.g. overcoming design fixation on particular forms (the Einstellung effect is when previous problem-solving experience can constrain future solutioning)
- Assist in idea evaluation, e.g. assessing pros and cons
- Support idea refinement, e.g. merging multiple ideas into a single cohesive concept

The nature of AI problems and solutions are "emergent", so they do fit well into creating agile team structures

- Changes are happening at an incredible pace - so some of your solutions will be out-of-date by the time you deploy
- Solutions can involve more than one AI agent
- There are "out of the box" low-code solutions and more complex solutions
- You may wish to consciously consider what solutions require the greatest degree of IP protection
- Major software providers are building AI solutions into their offers (some solutions are already there AND there will be a lot more soon)
- You may prefer to select some partners that you can get to know well (and operate in the spaces outside the solutions from, for instance, your ERP partner).

Some may think of the AI hype like the dot-com bubble, however, like the internet, AI is here to stay

What to do now?





Let's Talk

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Change Management
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Accelerated Implementation
- 
Process Automation, Digitisation & Workflow
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Risk Intelligence

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