Al Driven Restructuring

How AI will change the shape of our organisations



Prompt: Create an image of a futuristic conference room with business professionals seated around a table. They are facing a large window that overlooks a city skyline. The window displays an advanced, luminous AI brain interface with neural connections and electricity sparking around it, symbolising high-level discussions or decisions being made based on cutting-edge artificial intelligence technology.



PERFORMANCE OUTCOMES DELIVERED

June 2024

Today we will cover...

- 1. Structure and the Operating Model
- 2. Al and the Operating Model
 - Operating Model Impacts of AI for Customers
 - Operating Model Impacts of AI for Automation
- 3. How to Structure for AI Deployment

Structure and the Operating Model



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Structure is one element of the operating model that can impact, and be impacted by, Artificial Intelligence



- Al is not just an aspect of the 'Technological Infrastructure' of the operating model.
- Nor is AI only considered within how you treat 'Information and Incentives' of your operating model.
- Al will have an impact and present opportunities in all elements of the operating model
- The operating model needs to be designed to be able to take advantage of the utilisation of AI



Artificial Intelligence Capabilities (AIC) can impact your Operating Model in multiple ways (including structure)

- 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 cost curve, especially when they are rapidly rising. e.g. compliance work can be fully automated via AI, more volume for same cost
 - 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



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As AI adoption impacts the whole Operating Model...

We recommend a holistic approach that considers all elements in Target State Design, not structure alone



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It is worthwhile considering the potential AI impacts because failure to do so can have serious implications that compound long term

Higher Cost to Income (CTI) due to less efficient and/or manual processes

Potentially higher risk profile due to less developed risk assessment techniques using data science and AI

Increased **susceptibility to cyber security attacks** as technology deployed becomes dated

Difficulty **attracting leading** talent as the organisation is deemed less contemporary

Reduced revenue and profitability as competitors drive more **personal customer experiences** and release more contemporary products/services to the market

By reorienting your Operating Model for AI, major workforce challenges can be strategically addressed

Roles will evolve to focus on higher order, complex challenges as mundane work is automated away	Enterprise platforms account for an increasing proportion of the value chain delivered to customers	Cultural mindsets can no longer be static, and greater openness to change must be embraced
<i>"By 2025, generative AI will be a workforce partner for 90% of companies globally."</i>	<i>"70% of enterprises will form strategic ties with cloud providers for gen AI platforms, developer tools and infrastructure, requiring new corporate controls for data</i>	<i>"'Ethical automation' and 'responsible automation' will become terms that start to resonate in the boardroom. Automation will start to be viewed as a</i>
Gartner, We Shape AI, AI Shapes Us: 2023 IT Symposium/Xpo Keynote Insights, By Mary Mesaglio, Don Scheibenreif, Hung LeHong, Rita Sallam, 16 October 2023.1	IDC FutureScape, Worldwide Generative Artificial Intelligence 2024 Predictions, doc #US51291623, October 2023	people-first activity rather than a technical or IT activity."

- Role focus will shift from doing the work to improving the AI that does the work, supported by low-code / no code automation platforms
- Gen AI will **change the core skillsets** and capabilities required across organisations
 - Critical thinking becomes essential across most roles
- Companies with continuous improvement ingrained in their culture are best positioned for long-term success

Critically, with an Australian populace that is more suspicious of AI deployments than others, we must bring our customers and our staff along on the change journey

45%

44%

Where do you expect artificial intelligence and machine learning will have the most impact on your organisation's customer experience?

Enabling customer self-service Gaining actionable customer... Freeing up staff to engage in... Improving customer retention Helping us find customer... Increasing customer lifetime value Facilitating cross-sell and upsell... Creating closer relationships... Providing better product or... Creating new products and... Fraud detection and prevention There will be little or no impact... None



Executives identify a range of benefits AI can bring to their organisations...

Source: CMSWIRE / SMG State of the Digital Customer Experience Report 2023, Ipsos - Global Views on A.I. 2023





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What does this mean?

- Al affects your operating model
- Your operating model will need to evolve (and likely require a restructure) to deliver your AI transformation
- So, think about how AI affects your op model AND how you need to change your op model to enable AI

Al and the Operating Model

How AI Can Impact Your Structure and Vice-versa



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We use seven key principles to guide restructuring - they all have an AI overlay. So, it makes sense to consider AI impacts before finalising a restructure

	1		1) Align structure with strategy	Modern organisations view AI as a strategic enabler . By aligning AI initiatives with strategic goals (and restructuring as required), organisations can improve more readily
	1	1919	2) Reduce complexity	Successful adoption ensures deployments simplify work. AI can streamline operations and reduce unnecessary complexity by automating routine tasks and optimising processes
			3) Remove waste to focus on value-add activities	Mundane, lower-value work should transition to AI , reducing errors and waste and allowing for organisations to focus on activities that directly contribute to the core objectives.
			4) Create feasible roles	Focus AI use cases where overload exists .This helps to ensure a workforce that is constantly under unreasonable pressure
		ΔĨΔ	5) Challenge the leadership model	Al can be leveraged to accelerate / automate routine oversight tasks . The capacity gained here can then be reinvested into real leadership
			6) Implement with clarity	"Garbage in, garbage out" - AI must be trained with clear objectives and quality data to deliver on expectations
			7) Maintain flexibility	There is no prescriptive path for AI adoption, with every organisation unique . A flexible approach is therefore required, considering the specific goals and challenges of the organisation

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Teams will need to work increasingly cross-functionally as more of the CX is delivered by AI Agents As AI delivers more of the value chain, successful combination via agentic workflows is essential to revolutionise your CX

- Customer experience (CX) flows across functional boundaries, with handoffs presenting key friction points for customers
 - Customer focused AI agents need to be trained across functional boundaries to maximise the experience delivery
 - AI trained functionally will perpetuate existing CX challenges
- Agentic workflows can be utilised to 'stitch' together what may otherwise be individual AI models, enabling the agent to autonomously perform tasks, make decisions, and drive the value chain for the customer
 - Agentic workflows can bridge the gap and reduce perceived handoffs
 - To maximise solution design and delivery, cross-functional teams are best suited to ensure workflows draw on relevant skills from across the org



Business: QANTAS Objective: Reimagine the End-to-End Experience as a Seamless Flow

Qantas, Australia's leading airline, has invested in AI-based optimisation opportunities across the end-to-end customer journey



Customer Journey Optimisation

- Qantas personalises the customer experience from booking through check-in, right up to in-lounge and in-flight experiences
- Real-time recommendations via the app enhance efficiency and convenience for passengers by guiding passengers through check-in and their journey to the airport



Loyalty Ecosystem and Partnerships

- Qantas has partnered with a range of organisations to build a loyalty ecosystem, enabling customers to earn and spend points across the categories that interest them
- Partnerships with companies like Woolworths, Hilton, Avis, eBay, and major banks expand earning and redemption opportunities
- Red Planet service combines offline and online behavioural data for targeted ad campaigns



Data-Driven Innovation and New Business Ventures

- Qantas leverages its data to launch new businesses, such as a healthinsurance app rewarding healthful habits
- The app facilitates cross-selling of travel and other products to members
- A marketing messaging platform powered by AI delivers personalised content through appropriate channels to each customer



Source: HBR - Customer Experience in the Age of AI

While the exact structural impacts of AI will vary across organisations, there are some common themes

Structural Impacts

- Reduced need for multiple layers of management. Decentralisation becomes more feasible
- Increased collaboration between business areas, reducing internal silos
- Augmented roles, especially those requiring higher cognitive functioning
- Workforce adjustments e.g. training, upskilling, and change management following the impact of AI

Additional Impacts

- Routine decision-making and management oversight increasingly driven by AI
- Increased need for appropriate data collection and governance as AI is used to make data driven decisions
- Data literacy culture is fostered and encouraged (i.e. the new normal)
- Process reengineering resulting from increased automation of tasks and activities



OptiLearn: An AI driven organisation focusing on upskilling employees, operates through several hubs rather than a centralised location. This allows for regional managers to tailor products and their approach to meet local demand



Amazon: AI has been integrated across Amazon's entire operating model, driving operational efficiency and new profit steams as they sell access to foundational models they have developed via AWS. Teams use AI across the operating model to drive innovation and gain a competitive edge.



Al for Customer

And its Operating Model impacts



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Organisations are deploying AI for customer focused initiatives across varying parts of the value chain Deployments in this space focus on delivering 'game-changing impacts' as opposed to 'everyday improvements'



Al for Customer typically has one of three objectives

Australian organisations face a particular challenge when seeking to replace the agent due to public sentiment

Avoid the Agent		Support the Agent		<i>Replace</i> the Agent	
Work is automated in a way that reduces the need for customers to contact CS in the first place		Al runs in the background, providing the agent what they need, as they need it, e.g., live agent prompting	Al runs in the background, providing the agent what they need, as they need it, e.g., live agent prompting Al replaces the human agent be completely automate enquiry c		
A national telecommunications company proactively detects faults and offers fixes. Bots constantly scan the network for outages, identify customers in the affected area, and notify them of what is happening and/or needs to be done Success using publicly		A national distributor has bots listen into customer conversations. Bots find relevant publicly available information from their own website and present it to the CS agent to relay to the customer. A national telecommunications comp allows customers to complete basic ta by speaking with Al. Natural language capabilities allow the Al age to understand customer requests and perfor basic tasks that were previously managed by and to access current and up to date information. The lack of sensitive data also mitigates			
Risk of fa	ilure ing uality.	data and SOPs can often be outdated, poorly structured Process changes are often made without correction to of	l, and l fficial d	have significant variations in documentation.	
internal	data Attempt	to use AI with these data sources can be problematic.			



Implementing readily available AI solutions has foreseeable impacts on organisational design, beginning with the Customer Service teams themselves



Structural Impacts

- Customer teams will move from low complexity to high complexity queries
- The **number of personnel** in teams will decline, and the roles remaining will require higher skill levels
- Remaining roles will still use AI to help manage customer requests; boosting productivity and enhancing staff capability

- Organisations will need to consider their **service proposition** in more subtle ways, e.g., the mix of human and robot interaction
- **Customer service** teams are likely to perform (with AI support) many of the roles of **traditional operations teams**
- Training schema will change to ensure staff are prepared to work with new AI technologies and processes

Al for customer implementations provide benefit to customers, staff, and the organisation These implementations will also have an impact on your structure

	24/7 <i>availability</i> provides		Structural Change		
.24	need it		Pales and Posponsibilities	 In the early stages, many existing roles will transform rather 	
	Improved product and service <i>personalisation</i> with, e.g., tailored		Transformation	than disappear . This involves augmenting human capabilitie with AI tools, changing the nature of the job	
	oners.				
Ì	Support human agents by <i>locating relevant knowledge</i> articles or similar past cases		Creation of New Roles	• Al implementation creates demand for new types of jobs that require specialised skills . These roles often focus on developing, managing, and optimising Al systems, ensuring they deliver actionable insights	
	Improved <i>consistency of</i> <i>experience</i> from one interaction to the next, across channels				
G +			Ormaniantianal Bastructurian	• Al can drive changes in organisational structure, influencing how teams are formed and how they interact with each other	
(دبرکم	In-depth <i>analytics</i> through Voice of Customer and sentiment analysis			 For example, increased collaboration between IT, data science, and business units suggests creation of cross-functional teams 	
	Leverage AI <i>analysis of customer</i> <i>interactions</i> to improve product and service offering		Reskilling and Upskilling	 With AI adoption, there is a significant need for upskilling and reskilling the workforce 	
				• For example, fostering skills such as critical thinking, creativity, and emotional intelligence, which are harder to automate	

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AI for Automation

And its Operating Model Impacts



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What is Intelligent Automation?

A common element in the definition of IA is the combination of :

- Business Process Management (BPM)
- Robotic Process Automation (RPA)
- Artificial Intelligence (AI)
- This taxonomy is important as it highlights the need to execute strongly across multiple disciplines to succeed in IA implementation

Al support for intelligent automation could involve a variety of capabilities:

- Applied individually, or in coordination:
 - Computer vision to process documents
 - Machine learning and deep learning for prediction and decision-making
 - LLMs for interpretation and generation of natural language

Some benefits of IA include



Workforce empowerment to increase value-add activities and reduce routine tasks Improved workflow understanding and associated decision-making

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Image generated with Microsoft Designer (AI)



Use Case Example: Process Flow With and Without Al...



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As Robotic Process Automation (RPA) becomes Intelligent Automation (IA), humans will be redeployed to increasingly complex or relational roles - with impacts on both management and staff



There is the potential for real benefit for staff

Target state design should aim for an equitable reinvestment of benefits across the organisation

22-20 27-250 27-350	1	() () () () () () () () () () () () () (Job Enrichment	Automation can free staff from repetitive and mundane tasks , allowing them to focus on more meaningful work	It is important to manage the potential load from the elimination of simpler tasks that help balance workloads
			Work-Life Balance	Staff can enjoy a reduced workload, contributing to a better work-life balance and lower stress levels, enhancing job satisfaction	Organisations might need to rethink how work is structured to help maintain employee productivity
			Faster Innovation Cycles are more fun	Automation naturally fosters a culture of continuous improvement as employees are engaged in the development of solutions	The constant drive for innovation requires organisations to prepare their workforce with adequate change management
		, OI	Increased Agility	Al-driven processes enhance organisational agility, allowing for quicker responses to market changes and customer needs	Increased agility necessitates a readiness for constant change , which can be demanding for employees
			Reinvestment in Growth	Savings from automation can be reinvested into growth initiatives , such as R&D, marketing, or expanding into new markets	Organisations should ensure that these growth initiatives are inclusive, providing opportunities for contribution at all levels
	Ì	€ € € 8 8	Cross-functional teams	Implementation often requires collaboration across IT, data, and business units, promoting the formation of cross-functional teams	Effective cross-functional teams require clear communication, well-defined roles, and shared goals and strategy

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So where to from here?

How to structure for AI deployment



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Designing a contemporary operating model, set up to deliver AI capability, requires critical thinking across multiple areas...

Understanding how Automation and AI fits within your target operating model

- Infrastructure, data, and information
- Policy and privacy
- Implementation and governance
- Capability and education
- Culture and change management



Developing a true AI capability

- Data management capability, data model, and infrastructure
- Data science and analytics
- Partners and products

Artificial Intelligence Architecture



Creating agility through organisational design

- Leaders with accountability for their 'product' within bounds
- Cross functional teams working together to deliver new functionality and enhancements to their platforms and products
- Capabilities linked via formal or informal groupings to maintain consistency and capability over time
- Mindset that teams can be temporary, and that the 'product' of the team can change over time



We recommend a goal-led response that spans the operating model and aligns resource, structure, and tools to a clear AI strategy



Clarify the Opportunity and Define the Goal

- Consider key AI use-cases for the organisation
 - Where, and how, will they impact the operating model?
- Ensure clarity on the customer value proposition (CVP) and employee value proposition (EVP) of your proposed Alled change

Resource (and Structure) Appropriately

- Ensure you're deploying the right capabilities to meet the requirements of *your* Al change initiatives
- Organise (structure) your capabilities to align to the business need
- Be ready for your AI capability requirements to evolve over time

Select Approach / Tools

- Use contemporary approaches
- Identify the tools that can help you through the stages of your restructure:
 - Understand your current state and opportunities
 - Future state organisational design
 - Change management



Focus on the journey and iteratively develop to reach your objectives

Prepare	 Develop a clear vision and strategy Assess organisational readiness and identify barriers Establish clear ethical guiding principles 	 Clearly articulate why AI is being introduced, including the benefits it will bring to the company, employees, and customers Establish measurable objectives and timelines for AI adoption Develop and communicate clear ethical guidelines for AI use Ensure that data privacy and security measures are robust and compliant with regulations
Implement	 Foster a culture of innovation Communicate transparently Provide training and support Highlight early wins 	 Lead by example - ensure active leadership involvement in AI initiatives Identify and empower AI champions within the organisation Keep stakeholders informed through regular updates on AI implementation Create forums such as town halls to promote broad alignment on AI Develop and deliver comprehensive training programs to help employees understand and effectively use AI tools Promote a culture of continuous learning and development in relation to AI Highlight early successes of AI implementation to build confidence and demonstrate value Implement pilot programs to test AI solutions on a smaller scale before a full rollout.
Embed and Iterate	 8. Customise Al solutions 9. Monitor and adjust 	 Develop AI solutions that directly address customer needs and enhance their experience Implement AI tools that assist employees in their daily tasks and reduce their workload Establish mechanisms to continuously collect feedback from both employees and customers, and actively address challenges identified

Your exact AI capability requirements will likely evolve over time Some typical capability considerations include...

Technical roles / skills

Data Scientist / Data Analyst:

- Prompt engineering
- In-context learning
- **Bias** detection
- Pattern identification
- Reinforcement learning from human feedback
- Hyperparameter / large language model finetuning; transfer learning

Data engineers:

- Data wrangling and data warehousing
- Data pipeline construction
- Multimodal processing
- Vector database management

Platform engineers:

- Enabling access to data
- Supporting integration with existing applications

- Train AI agents how to respond as desired

Help course correct responses as required

DevX:

Al Trainers:

- Documentation and explainability
- Centralised tooling and reusability of IP

Security and compliance:

- Cyber security
- Access controls

- ML Ops:
- Deployment
- Operationalisation



Cloud and infrastructure:

Environmental enablement

Other business roles / skills

FinOps:

- Financial management and understanding of AI costing
- Project management

Organisation change and comms experts:

- Change management
- Comms for change
- Training and education

Other key support:

- Agile coaches
- Business analysts
- Product owners





This will likely mean cross-functional collaboration across multiple roles In the case of Customer Experience, it might look like this...

Customer Journey AI Trainer **Data Analyst** Analyst Train AI agents to carry Ensure Al agents use • Help manage and out actions for which the right data source optimise Al-driven they are designed customer experience • Train Al agents to Enable the AI agent to understand linkages **Establish development** • properly support or between data sources direction for the replace a human agent organisation • Enable AI agents to establish customer pain points, identify trends, and recommend mitigants **Technical Roles / Skills Business Roles / Skills** Platform Data Scientist FinOps Agile Coach Engineer Product **Business** Data engineer DevX Analyst Owner Security and Organisational ML Ops Compliance Change and Comms Cloud and

Roles: Who's involved?



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Infrastructure

Agile ways of working can support you to keep pace with the rapid evolution of AI

- There is evidence that **multi-disciplinary agile teams** (such as those used in digital transformation) are also valuable in developing Alpowered solutions for customers
- Such multi-disciplinary teams could combine, e.g.
 - Marketing
 - Customer service experts
 - Data scientists
- In other words, teams that are likely to be responsible for working together to support the customer journey
- These teams will be responsible for identifying use cases and prioritising, building, and testing the agentic workflows to deliver them
- This way of working will be challenging for some people
 - There are different "rituals"
 - The work of the team members is very transparent
 - The team has increased decision-making responsibility, with the need to maintain alignment to set business goals





This likely means your organisational structure sees multiple evolutions as you move up the AI maturity curve



Source: MIT Sloan Management Review

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There are now an increasing range of tools to help you with your design and deployment of a refreshed organisational design

Fortunately, there are many tools now available that can help you plan and manage your structural change. Increasingly, these tools incorporate AI to deliver improved outcomes - so AI can help you restructure for AI. For example:

While ChatGPT can help with interview summation and trends, there is much more available.

For example:



- Workday Adaptive Planning: modelling, scenario analysis, workforce planning
- Anaplan: collaborative planning, predictive analytics, scenario modelling
- Watson IBM Watson Talent: predictive analytics, talent management, strategic planning

New tools are can further assist with scenario modelling, and organisation chart construction.

For example:



OrgChart Now

W[.] OrgChart Now: organisational chart creation, data integration from HR systems, scenario planning Then when you are ready to deploy, there are tools to help.

For example:

- Humu: small interventions (nudges) to drive behaviour, employee feedback analysis, organisational health monitoring
- Lattice: performance reviews, engagement surveys, goal setting and tracking, analytics and reporting

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And, of course, we are here to help if you need it...

Thank you.



Contact details and disclaimer

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