

BPO Meets BPM

Maximum Benefits from a Combined Solution

By Robert Puccinelli, Director of AWD Marketing, DST Technologies, Inc.

Two dominant business management services, business process outsourcing (BPO) and business process management (BPM), are attracting attention from both industry analysts and consumers of these services—and for good reason. As organizations look to streamline business processes by focusing their resources and technology spending on core competencies, BPO and BPM solutions can be coupled to help management achieve their corporate objectives and attain exponential benefits.

Enter BPO

Coined in the mid-1990s, the term “BPO” has undergone some sweeping changes in recent years. Initially focused on processes in the finance and human resources departments, BPO has evolved to include many different types of outsourcing relationships including shared services. According to the industry analyst firm, Gartner, opportunities for BPO are even springing up in areas such as demand management on the customer acquisition side and supply management on the services/product delivery side. In the area of enterprise services, this may include those functions that are common across most organizations such as accounts receivable, accounts payable and human resources.

BPO can be defined as the delegation of some, part, or all of a business process to an external service provider who, in turn, owns, administers and manages the selected

processes based upon defined and measurable business performance metrics.

In a recent Gartner Dataquest report, Gartner estimated the BPO market will grow to \$173 billion by 2007. Gartner also noted that BPO is growing faster than any other IT services segment. As the director responsible for DST Systems’ BPO services, Becky Stauffer has first-hand experience with this growth. “BPO facilities provide many advantages over their customers’ internal resources and operations, including economies of scale, business process efficiencies, business continuity planning (BCP), redundancy and critical domain expertise in areas that may not be core to a client’s operation,” Stauffer said.

Both IT and non-IT business processes have been successfully outsourced to DST and our partners such as Computer Sciences Corporation (CSC). Non-IT related BPO services include prescription card administration, transfer agency services, accounting services, inbound/outbound call centers, claims processing and billing services.

IT-related BPO services include everything from IT development, to application hosting, integrated voice response (IVR) solutions and data center management. Organizations such as Blue Cross and Blue Shield of Kansas City (BCBSKC) are creating IT outsourcing strategies targeted to their unique needs. For example, BCBSKC relies on DST Technologies’ Automated Work Distributor™ (AWD®) BPM solution for claims processing and utilizes DST’s IT outsourcing services for data center hosting. “For our mission-critical project, DST’s experience,



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disaster recovery capabilities, and cost structure minimize our risk and resource allocation and allow us to focus on our core areas of business,” said David Gentile, senior vice president of operations for BCBSKC.

While some organizations look to outsourcing providers to manage complete, soup-to-nuts business processes, more clients of outsourced services are looking to adopt BPO on a task-by-task basis. DST refers to this as a “shared service model,” which employs a combination of in-house and outsourced resources to complete the business process value chain.

Selective task-based outsourcing is different from the more traditional BPO model, where the whole business process is outsourced. The authority for managing the people, technology, and the processes is balanced between in-house and outsourced resources.

In shared services BPO models, BPM technology allows management to easily integrate complex tasks and activities between the outsource provider and outsourcer, while retaining visibility to specific tasks, critical activities and performance metrics.

Enter BPM

While “BPM” has been around for several years, the current application of the term is relatively new. BPM represents the union of human-based workflow systems and data-centric application integration solutions. Despite the young age of this current incarnation, Aberdeen Group expects worldwide spending for BPM to increase from \$2.26 billion in 2001 to \$6.32 billion in 2005.

The foundation of a successful BPM implementation rests on two qualifications:

1. All tasks in a business process cannot be completely automated; and

“Enlisting a vendor who can commit

significant resources to BPO operations and

BPM technologies is essential for

a successful combined solution.”

