

# Unlocking the Potential of BPO

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**A Study of Emerging Service Areas in Business Process Outsourcing**  
*In the Financial Services and Healthcare Industries*

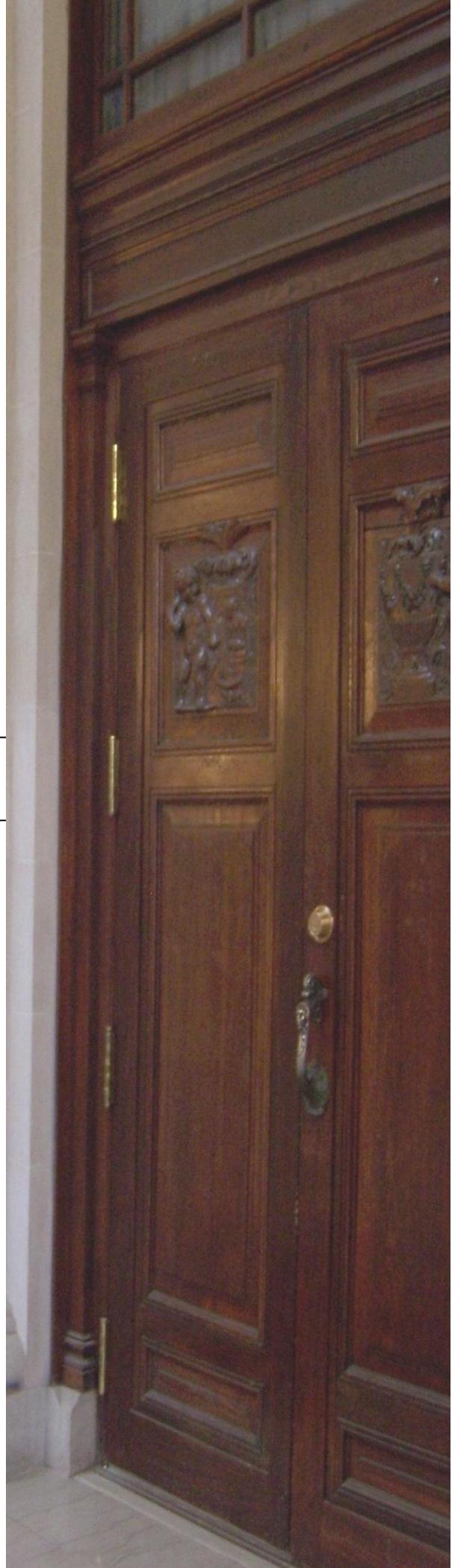
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# *A Study of the Emerging Service Areas in Business Process Outsourcing*

The analysis and findings in this study were collected from extensive research and interviews conducted by Carnegie Mellon University graduate students with support from the Outsourcing Advisory Services division of Deloitte Consulting. The interviews ranged from outsourcing service providers, end users and sourcing experts.

The study focuses on Business Process Outsourcing (BPO) in the Financial Services and Healthcare industries. Overall, the findings show a gap between the BPO trends in each industry. There are three reasons for this divide: different industry environments, contrasting outlooks on cost and risk, and differences in technical ability. The study also recognizes a shifting focus from cost savings to other value-related drivers.

These trends lead to the identification of a new generation of BPO services. In the future, mature BPO services will expand into new areas: business functions that are deeper in a company's value chain will be outsourced.

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## Introduction

Delving into the Financial Services and Healthcare industries is necessary to fully understand the current state of the BPO market and find emerging BPO trends. There are several characteristics unique to each industry that are driving changes in the BPO market as a whole. The authors believe that while there is a gap between the conditions in each industry, there is a tremendous amount of opportunity for growth towards the realization of BPO's full potential. This growth will benefit both the end users and service providers in this market.

Financial Service companies are ahead in terms of the number and types of services that they outsource. Contrastingly, the breadth and depth of outsourcing in the Healthcare industry pales in comparison. This gap between the two industries can be largely attributed to differences in business environments, a varied understanding of cost and risk drivers, and disparate levels of technical expertise. These differences have impeded the rate of expansion of the overall BPO market.

There has also been a shift across both industries to look beyond cost savings and to demand more value and quality from service providers. Moreover, end users want to retain control over their business processes and some have turned to the use of captive offshore facilities to achieve this control. Service providers are increasingly offering a wide range of delivery solutions to counter the rise in the number of client-operated remote facilities. These hybrid solutions allow clients to maintain the control they desire while continuing to outsource to third-party vendors.

### What does the future hold for the BPO market?

The combination of these factors has determined both the current state of the BPO market and the emerging BPO trends. BPO service offerings are beginning to expand vertically within industry sectors and horizontally across industries. There has also been a noticeable shift towards outsourcing functions that are closer to a company's core business.

These trends have led to an emergence of point solutions, which are services tailored to meet specific requirements of end users. Niche service offerings are beginning to drill deeper into a company's value chain and are furthering the trend of outsourcing core business components. Point solutions, higher-value services and exporting core functions are forcing the BPO market to temporarily abandon the discovery of a solution that can be scaled across multiple industries (e.g., payroll processing).

Certain changes must take place before the full potential of the BPO market can be realized. The subsequent sections of this study build upon this notion and further detail the aforementioned factors and trends and the proliferation of point solutions. The discovery of the "next payroll" remains to be seen, but in the meantime, the BPO market is clearly witnessing a series of significant transformations.

## A Gap exists between the Financial Services & Healthcare Industries

The gap between the Financial Services and Healthcare industries has resulted in a significant difference in the adoption of BPO services between the two industries. This gap is the result of distinct business environments, cost and risk drivers, and technical acumen between the two industries. These factors have left the two industries without much common ground upon which BPO can build a solid foundation.

### Business Environment

Different conditions in the Financial Services and Healthcare business environments have been the primary factor leading to the gap. Information technology (IT) adoption, process standardization, and government regulations have promoted the use of BPO in Financial Services while limiting its expansion in Healthcare.

IT has been a fundamental reason for the rapid growth of the BPO market, especially with regard to Financial Service companies. Financial Services deal with repetitive, low-margin transactions and has become accustomed to adopting the latest technologies. In doing so, IT expenditures have become a significant portion of a company's budget, averaging from 6% to 7.5% among US banks in the last six years.<sup>i</sup> These percentages, however, vary widely according to the nature of a company's business. Those that offer more fee-based services invest much more in IT relative to the smaller, non-fee based financial firms. Overall, this industry has obtained the level of IT infrastructure and culture needed to quickly and efficiently leverage IT-enabled BPO.

In contrast, the typical Healthcare organization has not been as practiced in utilizing IT. The CIO of a Pittsburgh hospital commented, "Hospitals are behind corporate America in terms of technology adoption. Hospitals spend approximately 2% of their total expenditure on IT."<sup>ii</sup> The small IT budget and lack of digitization

in Healthcare are why this industry undertakes fewer outsourcing ventures.

The growth of the BPO market has been impeded by this disparity in IT investment. IT-enabled services cannot be applied across both industries simply because Healthcare does not have the infrastructure and digitization to support many of these functions.

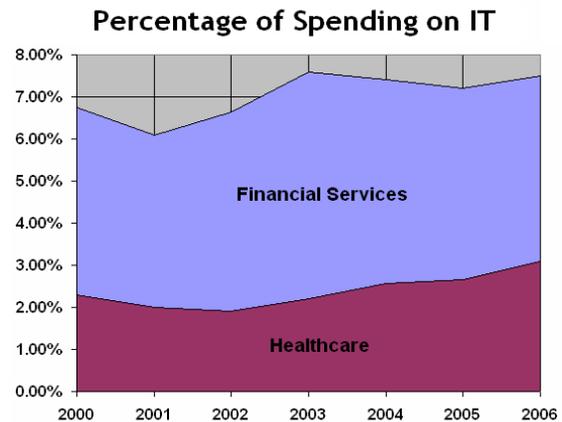


Figure 1: Percentage of Spending on IT<sup>iii</sup>

**Process standardization** is another factor that influences the BPO market. Standards for a business process define how it should be implemented. Business processes can be more easily transferred to other firms if they are backed by common standards. The level of standardization between the Financial Services and Healthcare industries differs considerably.

In the Financial Services industry, various process standards have developed, enabling the exchange of information between firms. One such example is Straight Through Processing (STP), which aims to replace traditional phone and fax confirmations with an automated process for negotiating and settling trades.<sup>iv</sup> These standards decrease the diversity of business processes and make them more transferable to outsourcing providers. In fact, some large Financial Service companies are both end users and service providers of outsourcing

functions, further illustrating the transferability of business functions once standards are in place.

On the other hand, the Healthcare industry is not as standardized across its various organizations. Julie Prough, an IT Manager at the University of Pittsburgh Medical Center, said, "There are many different standards across hospitals." She highlighted this as a major challenge even for simple data entry functions.<sup>v</sup> Creating industry standards will help the Healthcare industry adopt more outsourcing ventures. Until this occurs, the variance in standardization will hamper the ability of the BPO market to provide solutions across industries.

**Regulations** in both industries can act as either a driver or barrier for initiating new BPO services. Regulations often imply that a firm needs to implement a specific function into a current business process.

In the Financial Services industry, many regulations are considered too complicated and expensive for small and middle-size companies to administrate in-house. Also, many regulations, such as Sarbanes-Oxley, relate to IT functions. Thus, many companies look to outsourcing providers for help in complying with these regulations.

Unlike the Financial Services industry, regulations in the Healthcare industry tend to impede the use of BPO. Sandy Slaughter, Associate Professor at Carnegie Mellon University, said, "Regulations are a big obstacle [for Healthcare industry]."<sup>vi</sup> This is largely because most Healthcare regulations such as HIPAA create privacy constraints, forcing Healthcare organizations to keep many processes in-house. Service providers have begun to find alternative solutions to satisfy these regulatory requirements. Correspondingly, the industry hopes to see greater opportunities for outsourcing compliance functions.

#### **Cost and Risk Drivers**

Financial Service companies have a strong understanding of revenues and cost structures for both their clients and themselves. For this reason, BPO as a cost-reduction strategy

appeals to this industry. Companies are more risk tolerant as they constantly deal with the volatility of financial markets. Thus, they are skilled at evaluating the risk-to-reward ratios associated with outsourcing. The risk of losing competitive advantage is a major threat, but mitigating this risk allows Financial Service companies to more openly explore BPO and reap its potential rewards. These companies use BPO not only to gain a competitive advantage, but also to keep up with their peers. Financial research is one particular area where investment banks have found they can reduce costs by outsourcing, forcing their competitors to follow suit.

**Outsourcing is no longer just for competitive advantage – it is a means to keep up with the competition.**

In contrast, Healthcare focuses on patient care. Hospitals and health insurance providers value the quality of service they provide more than cost. Generally speaking, patients and their families are not willing to compromise their well-being for cost savings. It is also more difficult for the end customer to compare prices for Healthcare services. Thus, this industry has not been as heavily impacted by the cost-reduction benefits of BPO.

Patient safety and privacy are crucial considerations in the Healthcare industry. The risks associated with these are immense and if these considerations are compromised, serious damage and costly lawsuits could ensue. To minimize these risks, many hospitals desire full control over all their processes. Consequently, Healthcare firms are less likely to take on the added risks tied with BPO simply to achieve cost savings.

#### **Technical Ability**

The technical ability of the workforce in these industries is another important factor contributing to the gap in BPO adoption.

In the Healthcare industry, doctors typically input patient medical information at the time of care. Faced with enormous time pressure, they feel it is

faster and easier to write the information down as opposed to typing it out. In contrast, financial analysts perform all of their work using high-tech tools and products. The difference in digitization between the industries has slowed the overall adoption of outsourcing.

The vast majority of executives in the Financial Services industry are technically savvy and belong to the computer generation. Executives in the Healthcare industry are largely former doctors and have few IT skills. This leads to reluctance to rely on digital information exchange. Without industry-wide digitization, Healthcare organizations will not be able to take advantage of the benefits of BPO. Digitization will cause Healthcare executives to become

more familiar with and accepting of technology. Once their reluctance is overcome, the Healthcare industry will be better penetrated by BPO services.

While there are several reasons that have contributed to this gap, the changing conditions in each industry are promising for the future of BPO. Pressure to further implement IT, standardize, and digitize will help vault the Healthcare industry into a better position to outsource its business functions. The Financial Services industry has clearly been the historical leader in utilizing BPO. However, the success of this industry could be a harbinger of emerging trends in Healthcare. There are clear indicators that both end users and service providers are prepared to bridge this gap.

# Outsourcing is no longer solely motivated by Cost

The environmental gap between the two industries has allowed Financial Service institutions to achieve more in terms of BPO cost savings than the Healthcare industry. However, end users of outsourcing are no longer solely motivated by cost savings to outsource their business functions. Instead, there are several additional factors that affect the outsourcing decision.

## What Clients Want

One factor that leads to outsourcing decisions is the lack of internal resources – manpower and domain knowledge – needed to tackle a certain business function. Often, while seeking outsourcing venues, companies look to **retain control** over their business processes by keeping functions as close to in-house as possible. Financial Service and Healthcare organizations contemplate outsourcing proprietary functions such as pricing models and risk analysis. While they wish to take advantage of flexible labor forces by exporting these functions, they run the risk of losing control. To mitigate this risk, companies are establishing off-shore centers that provide them with the control that they seek.

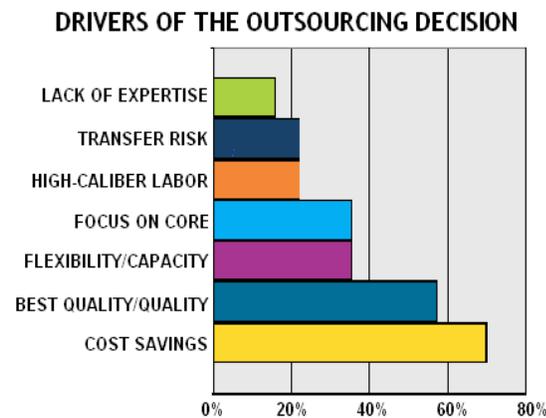


Figure 2: Drivers of the Outsourcing Decision<sup>vii</sup>

### Would You Outsource Your Liver?

*The question might be puzzling, but is extremely important. It is highly unlikely that you are constantly aware of the crucial functions that your liver is performing, yet you would not feel secure about outsourcing the organ unless you could be sure that it would still work. You might not even consider your liver to be a core process until it stops working properly. This raises an important question that must be asked before outsourcing any process: what are the consequences of a function failure? Understanding the answer to this question will help translate into outsourcing success. If you can be sure that the process is going to work, it no longer matters whether it is core or non-core.*

*Adam Schneider describing the complex decision of outsourcing core versus non-core business processes using a liver analogy.*

Secondly, the **value proposition** that a client demands from its service providers is becoming an increasingly important motivational factor. Companies are now willing to incur higher costs to achieve more value. An example of this is the purchasing of sophisticated reports from third-party researchers produced for high-end clientele.<sup>viii</sup> Defining value has expanded to include not only the highest quality of work but also additional services from providers, which could potentially expand one's business or provide entry into newer markets.

## Brand names still sell.

The next significant driver is **vendor reputation**. Often, clients wait until providers have built up significant experience and a track record of notable successes. Furthermore, the larger, more established firms choose vendors based on brand equity. According to Deborah S. Kops, Managing Director of Global Sourcing Transformation at Deutsche Bank, "brands still sell."<sup>ix</sup> Other managers concur, adding the larger, established outsourcing firms are more capable of overcoming

financial and political hurdles and providing insurance coverage. Vendor trust is crucial for gaining approval for a successful outsourcing partnership. As a result of the 'trust' factor, we expect the BPO industry to consolidate to a few lead firms in each domain.

**What Providers Offer**

Service providers have recognized the motivational shift behind outsourcing decisions. The first response from providers is to gain **integrity and reputability** in the market. There is a strong move to achieve the significant track record and reputation that potential clients seek. A recognizable brand symbolizes prestige and market value. As a result, a trend has emerged towards global consolidation of service providers. This has led to a set of more integrated firms that have the ability to provide a wider palette of services backed by individuals with deep domain knowledge. This fact is illustrated in particular by Cognizant Technology Solutions, whose model of becoming BPO experts is based on employing domain and practice leaders.<sup>x</sup>

In response to clients seeking control, service providers have built a unique **portfolio of delivery solutions**. These solutions are aimed at providing clients with an alternative to establishing captive offshore centers. Moreover, these solutions enable clients to retain control and be more involved in the outsourcing process.

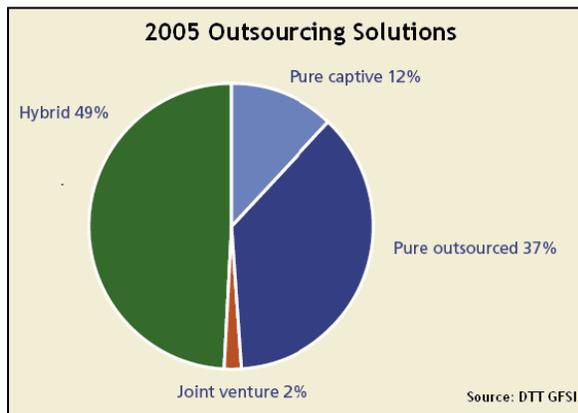


Figure 3: 2005 Outsourcing Solutions<sup>xi</sup>

One such option is the 'Hybrid Model,' which revolves around a client using a partly in-house, partly exported strategy. Mr. Sridhar Rajan, a Senior Manager in Deloitte Consulting's Global Advisory Service Group, has witnessed a noticeable emergence of this particular model.<sup>xii</sup> Furthermore, UBICS, an affiliate of the business conglomerate UB Group, has positioned itself using a similar strategy of having facilities for clients on-site, off-site and offshore.<sup>xiii</sup>

**Making the switch: third party providers to Captive centers**

*In 2002, a large national banking corporation outsourced its call centers to a third-party vendor in India. The company's BPO chief executive recalls starting with the simple idea of outsourcing back-office functions. He soon discovered that more could be gained by outsourcing parts of the company's core business. However, outsourcing these processes through third-party vendors proved restrictive because of Service Level Agreements (SLA).*

*This caused the bank to establish a captive center to replace most of its former outsourcing agreements. The executive's rationale was that while vendors try to deliver quality and honor SLA's, captive centers deliver superior performance. This performance can be attributed to greater control and lower attrition rates. Over the last three years, the bank has successfully dedicated 1200 offshore personnel to not only its voice services, but also to core business processes including asset processing, security trading and investment modeling.*

Captive models such as the 'Virtual Model' are also becoming more popular business models. The 'Virtual Captive' is managed by the service provider but retained at the client site. This is a model advocated by Genpact, which offers 'virtual offices' for on-site client teams. Service providers may also offer a dedicated set of employees and resources devoted solely to one specific client. Overall, there has been a significant shift of clients moving from third party providers to the newer integrated models.

Vendors are also providing additional business proposition to current contracts. For example, TATA Consultancy Services (TCS) currently has \$3 billion worth of IT outsourcing clients. In their effort to become a global BPO provider, they are leveraging these clients by offering higher value IT-enabled services such as data analytics. TATA justifies that it is much easier to add a service or function to an already existing agreement.<sup>xiv</sup>

The major challenge in extending current contracts to encompass new services lies in the management of Service Level Agreements (SLA). Prior to the outsourcing of core business processes, the majority of contracts covered transactional and IT services. Measuring the success of these services proved relatively straight-forward. In contrast, core processes are more knowledge-based and harder to evaluate.

Therefore, adding core functions to a current contract involves an additional element of complexity, demanding that SLA's be revised accordingly. Failure to do so could undermine BPO partnerships and hamper the growth of this market.

Furthermore, **point solutions** are becoming increasingly prevalent as they enable a client to retain the feeling of control by outsourcing smaller tasks. Point solutions are designed to solve a specific proprietary need of one firm or organization. They do so without regard to any issues that may be related to this need. As a result, it is difficult for service providers to transfer these point solutions across companies and industries, forcing them to address each client in an individual manner. This catered service encourages end users to outsource additional components of current business processes. Examples of point solutions are illustrated in the next section.

## Emerging Trends & Solutions in the BPO Market

The gap between the industries, coupled with the beyond cost drivers, has shaped the current BPO market and is determining its future evolution. This evolution involves a series of emerging trends pertaining to core functionalities and value chains.

### *Is Healthcare ready for this?*

*It's 5:30 AM and Joanna, John's five-year old daughter, is vomiting and running an extremely high fever. John has an important business meeting in three hours and realizes that no doctor's office or pharmacy will be open before the workday begins.*

*He's torn between taking the day off work to ensure the well-being of his young daughter and closing a business deal that will secure his much needed promotion. Thankfully, John realizes that the local medical clinic has recently outsourced components of its patient care to medical clinics in India, a business agreement that opened up 24-hour medical kiosks in his town.*

*The new kiosks are equipped with the latest medical equipment for video conferencing, essentially providing virtual care to patients from doctors, located half-way around the world. Doctors in these remote facilities have access to patient medical records and, by utilizing the latest technologies, can see their patients through web cams, measure various vital signs, and ensure a thorough examination and diagnosis. These examinations can be performed at any time and effectively eliminate the long lines at the medical clinic while guaranteeing fast, immediate care when needed.*

*This outsourcing venture takes advantage of the time difference between the American and Indian workday, provides the same care as traditional medical visits, and is highly regarded to be the latest development in the healthcare industry.*

### **Extension of Mature BPO services**

The current trend in the outsourcing industry is not the development of new BPO services, but rather the extension of present offerings. A recent analysis of the outsourcing industry has illustrated that mature BPO services are beginning to expand both vertically - adding

depth and coverage to specific industry sectors – and horizontally – moving across various industries.

As clients and service providers learn from their experiences with BPO, they become more skilled and gain confidence with new outsourcing ventures. In essence, service providers are trying to enhance and improve upon services that they currently offer. These enhancements are examples of vertical expansion.

Claims processing is a mature BPO service in the Healthcare industry. This service involves many smaller tasks: enrolling users, issuing cards, verifying claims, and incorporating dependents, parts of which have been widely outsourced in the past. This has led to the emergence of outsourcing **pre-adjudication**, which is the task of pre-verifying claims before they can be processed.

Moving pre-adjudication to a third party improves process automation while reducing administrative costs. This vertical extension illustrates the use of a building block approach in outsourcing additional components knowing that current components are outsourced successfully. The future of pre-adjudication outsourcing is promising because service providers already understand how related processes function. This extends beyond Insurance companies to also include hospitals because it is not a primary care requirement, but rather an operational function. Two key elements to the successful outsourcing of this process are turn-around time and claims throughput. If pre-adjudication is outsourced, these elements could be compromised because of loss of control and differences in work hours due to remote processing locations.

While pre-adjudication is an example of a vertical extension, many believe horizontal shifts provide the greatest area of opportunity for new services. Third party providers that catered to one specific industry and are now spanning new markets. Past examples of horizontally integrated services include IT, call centers, finance and accounting

and payroll. However, horizontal expansion is not a simple process. Faith Trapp of Genpact emphasized the importance of domain expertise when expanding into new markets.<sup>xv</sup> They must accumulate extensive domain knowledge of industry standards and regulations.

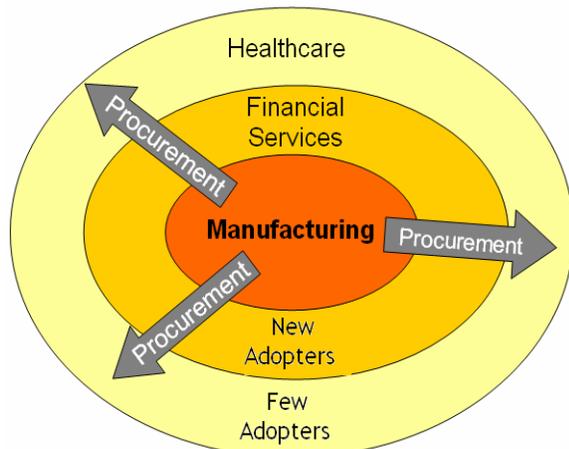


Figure 4: Horizontal Expansion of Procurement

**Procurement**, an example of a mature BPO service in the Manufacturing industry, is making a horizontal extension into both the Financial Services and Healthcare industries. Procurement involves purchasing various goods and services from suppliers. According to a 2005 *Forrester* report, the number of end users outsourcing procurement has doubled in the last two years, yet the total number of users in these two industries remains low.<sup>xvi</sup> The total global spending on procurement is estimated to be worth \$179 billion.<sup>xvii</sup> Studies have also shown that Financial Service companies spend 10% of revenues on procurement of goods of services.<sup>xviii</sup>

The scale of this sector and its importance to Financial Service companies highlight the largely untapped portion of this market. Healthcare organizations should also begin to prepare to outsource this function in order to reap its cost-saving benefits. Reluctance to outsource procurement will monopolize important company resources that could be better utilized performing other functions or be freed up altogether. New adopters of this

service are already benefiting from reduced overall processing cost, increased efficiency, and lowered cost of general goods and services.

Horizontal services such as procurement create opportunities for standardization across industries. This is particularly relevant for back-office processes that are highly transaction-based. As this occurs, the gap in standardization between the Financial Services and Healthcare industries will begin to narrow.

#### Non-core to Core

As companies have started to trust the providers in their outsourcing partnerships, they are inclined to allow providers to find new ways to improve customer service. Through this process, they have begun to outsource functions that are closer to their core business. As a result, the line between services which could be outsourced and which could not has thinned. Vendor integrity and options such as the 'Hybrid Model' have helped mitigate anxiety by ensuring reliability and enabling clients to retain some control over their processes.

#### “Non-core and core is passé.”

If the quality of service is superior and the work is proper, it matters less if the outsourced function is core or non-core. As Michael Corning from Genpact puts it, “Core and non-core is passé.” If the service provider is competent, it can handle core functionalities with client confidence.” He further adds that 20% to 25% of the services that Genpact offers are considered core.<sup>xix</sup>

However, many executives still believe that there is an increased degree of risk associated with outsourcing a core function. The main concern is that a provider could take a client’s proprietary function and offer it to competitors, thereby reducing any competitive advantage.

An example of a core function that is beginning to be outsourced by many firms in the Financial Services industry is **mortgage processing**. This process includes the outsourcing of outbound calls to potential borrowers, loan consulting, and certification of loans. In essence, every stage of the mortgage loan cycle can be outsourced,

allowing clients to channel their in-house resources towards more highly valued, proprietary services.

Outsourcing mortgage processing benefits clients by reducing the number of delinquent accounts while increasing the amount of money collected. These advantages are achieved as clients adopt a more calculated approach towards collections and streamline the entire mortgage loan cycle. On one hand, outsourcing this function increases the risk of jeopardizing the privacy of customer information. On the other hand, those firms that do not outsource this function run the risk of falling behind industry leaders that have achieved operational efficiencies through outsourcing.

### Drilling into the Value Chain

Companies in the Financial Services and Healthcare industries are working to disaggregate their value chains. They are taking core business activities and reducing them to smaller, simpler functions. In the future, more point solutions, as described earlier, will emerge to target these niche areas of the value chain, enabling additional business components to be outsourced. Moving further into the value chain parallels the trend of vertical expansion, both of which result in BPO solutions that are unique to individual organizations.

The Financial Services industry is experiencing this trend as more organizations break down the core process of **research and development (R&D)**.

Within R&D, point solutions have emerged primarily in the niche areas of equity research and asset management. **Equity research**, which feeds clients primarily in the Investment Banking and Private Banking communities, provides important baseline data including company/industry research, covenant analysis, and capital structure analysis. The popularity of research outsourcing has been spurred by a significant increase in global information availability and the possibility of taking advantage of 24/7 work schedules. Some of the major providers of this function include Progeon, the BPO subsidiary of Infosys Technologies, OfficeTiger and iGATE.

While outsourcing equity research provides companies with cost savings and increased productivity, there are several important considerations. As equity research is removed to third-party vendors, it runs the risk of becoming commoditized across companies, thus limiting the competitive advantage it could offer a particular firm. Additionally, outsourcing equity research might limit a company from finding unique investment opportunities, as these are largely a product of proprietary, in-house research.

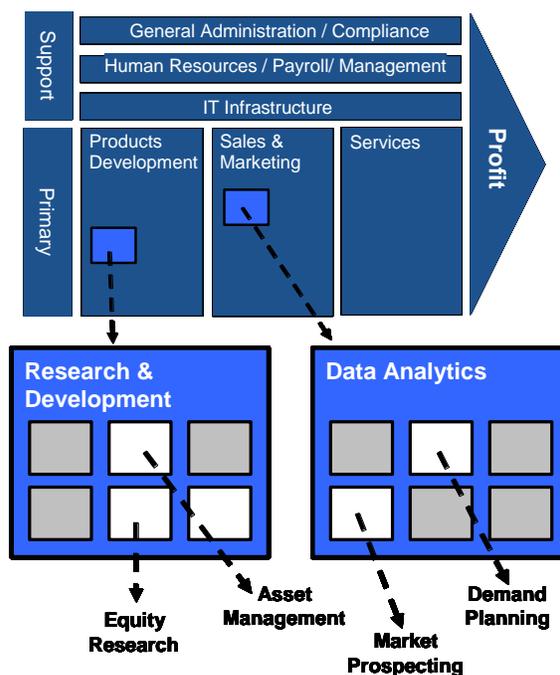


Figure 4: Drilling into the Value Chain

Another subset of R&D services lies in the area of **asset management**. Similar to equity research, clients can obtain investment strategies and portfolio management services from vendors. Asset management outsourcing also involves minimizing financial risks, increasing net cash flows, and improving overall liquidity rates. The benefits that companies can accrue from asset management outsourcing revolve around streamlining repetitive, automated processes, especially those that involve daily portfolio calculations and evaluations. However, there are concerns over outsourcing this area with regard to

confidential portfolio information and proprietary analytics methods. Asset management outsourcing displays more potential in the BPO market than equity research as it involves more quantifiable tasks, whereas equity research includes a high degree of qualitative analysis.

Equity research and asset management are highly valued by financial corporations because they are competitive differentiators. Prior to disaggregating R&D, these services would have never been outsourced because they were considered proprietary.

**Data analytics** represents another core function that has been disaggregated in both industries. Point solutions address niche data management tasks geared towards targeting sales and marketing efforts. Some of these functions include price and promotion optimization, demand planning, predictive analysis, market prospecting, and service development. All these functions impact the Customer Relationship Management (CRM) model because marketing data is used to improve client relationships. In the past, these pockets of the value chain have been considered either too complex or too proprietary for outsourcing.

Healthcare has the opportunity to close the gap on Financial Services particularly in the outsourcing of these data analytics functions. As digitalization and IT standardization become more prevalent, there is more opportunity to collect and analyze data. Healthcare

organizations will be more equipped to understand data pertaining to diseases, patient care, and best medical practices. To ensure the successful outsourcing of this process, Healthcare organization must adhere to privacy constraints concerning patient records.

Similar to data analytics, **valuations and banking documents** are another niche outsourcing area in the Financial Services industry. Valuations, computations, and comparisons for merger and acquisition deals are increasingly outsourced by Investment Banks. Banking documents, such as pitch books for deals, presentations, prospectus documents, and regulatory reports are further examples of the point solutions available to the Financial Services industry. The benefits of outsourcing this area lie in deriving cost savings from cheaper labor that can work around the clock. However, there are several drawbacks to outsourcing this area. The confidentiality of banking strategy documents cannot be compromised as there are several SEC regulations that must be satisfied. As a result, Investment Banks must ensure that providers of this service can maintain the confidentiality of such documents and adhere to SEC regulations.

The next generation of BPO services is no longer isolated to back-office transactional processes – it will grow to include more complex business functions. These functions often require higher level skills and are positioned more strategically in a firm's value chain.

## **Extracting the Full Potential of the BPO Market**

In the next five years, certain changes need to come about for the Healthcare and Financial Services industries to extract the full potential of BPO.

Healthcare is witnessing a changing landscape. As IT and digitization are embedded in this industry, standardization will span its various organizations. The new era of Healthcare executives who are more technically savvy and receptive of technology, will further accelerate this change by modeling the groundwork laid by the Financial Services industry. Healthcare service providers will respond by gaining the domain knowledge required to supply solutions that comply with regulatory mandates while gaining operational efficiencies. Providers will also display more consistent quality of service to quell the anxiety of first time end users of outsourcing.

**Outcome management** is a potential service that could emerge from these changes. More data can be collected about post-hospital care and the patient recovery process to find best practices in care management. Such an outsourced service will revolutionize patient care while providing cost and quality benefits.

The Financial Services industry must continue to drill deep into its value chain to identify new outsourcing opportunities. This will naturally

occur as client-vendor relationships are strengthened and trust is built. A critical aspect of furthering these relationships lies in understanding the risks and challenges inherent to the BPO market. New services will naturally develop as client-vendor relationships are strengthened and trust is built. Once these issues are resolved, end users will be more inclined to outsource core components of their business. Service providers will further encourage this trend by widening their palette of high-value offerings.

**The future of BPO has enough potential to satisfy both the demand and supply sides of the market.**

The full potential of BPO will be unlocked as these changes begin to take shape. The future of the BPO market lies in point solutions designed to address core business requirements. Moreover, to counter the use of offshore centers by clients, service providers must promote options like the 'Hybrid Model.' In effect, clients will retain more control over outsourcing decisions and are spared the trouble of establishing their own remote facilities. The authors are convinced that the future of BPO has enough potential to satisfy both the demand and supply sides of the market.

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