Smart Hands and Smart Robots
Evolving Business Process Services
Reconstruct the Enterprise
Executive Summary

It’s no secret that the very nature of enterprise work is changing. Advancing technologies, new business models and a fresh mindset about collaborative work are fueling the next wave of business process modernization.

Companies everywhere are grappling with the challenges and opportunities presented by the mega-trends of continued globalization, new technologies such as emerging social/mobile collaboration, and a new mindset for problem solving and dynamic process work. These themes are shaping a new kind of business process service, and there’s growing evidence of a major market shift as next-generation business process services and solutions offer ways to modernize activities that underlie complex dynamic knowledge work.

New business process services are emerging that integrate human process work (the smart hands) with collaboration and automation via technology platforms (the smart robots). This white paper explains how and why decision makers can begin generating extended value from third-party-delivered business process services that reduce costs and enable their core business functions to outperform the competition.
Future Of Work Changes Sourcing Strategies

Anyone making major decisions on enterprise technology can relate to the gnawing fear that if things don’t work out, the whole company could be in for a staggering body blow. But the reality is that global companies are at a significant “shift-point,” and many are already adopting new ways of working – including new sourcing strategies – to help drive greater levels of productivity and competitive advantage.\

At first glance, this may sound like re-packaged marketing slides from a bygone era. After all, integrating enterprise work with efficient technology has motivated decision makers and service providers since the invention of the punch card. But things really are different now. Globalization, new technologies enabling social/mobile collaboration, the still-recovering economy and a new mindset toward problem solving and dynamic process work – all these forces are reshaping how business works and igniting new business process services (see Figure 1).

- **The New World Of Work.** Much has been said about globalization, but we are really still in the initial phase of this transformation. Declining interaction costs and improved collaboration are making it increasingly cost-effective for organizations to tap into global talent networks of workers, thought leaders, customers and even competitors. This new world of work has led to the globalization of the world economy, bringing developing economies to the table, to provide cost savings as well as high-growth markets and innovation.

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**Business And Technology Leaders Foresee Virtualized Global Business Models**

Which of the following statements do you think best describe changes that will occur in your organization over the next three years? (Respondents were asked to select three responses) (Percent of respondents)

- Cross-functional teams will become more important within the organization: 45%
- The organization will use more collaborative technologies: 41%
- The organization will structure its operations based on the most efficient use of skill sets and resources, independent of geography: 35%
- The organization will outsource more functions: 26%
- Teams will be increasingly dispersed geographically: 25%
- Employees will increasingly work remotely: 22%
- External partners will be increasingly dispersed geographically: 21%
- Younger workers entering the organization will exert pressure for a more collaborative and flexible work environment: 20%
- The organization will offer more flexible work arrangements (such as telecommuting, flexible hours, etc.): 18%
- Other: 1%
- The organization will remain essentially the same as it is today: 5%
- Don’t know/not applicable: 1%


Figure 1
• The New Worker/Consumer. The “millennial mindset” is penetrating the enterprise with new values, technology demands and modes of working. Whether driven by members of the millennial demographic or more seasoned decision makers, enterprises are now embracing new technologies to facilitate new ways of collaborating on business opportunities.

• The New Way To Work. Organizations are moving aggressively to deploy global, virtualized work processes to increase productivity and maximize knowledge sharing. This helps companies respond to and even predict market developments faster and act on opportunities more effectively. In fact, market leaders are already seeing and anticipating measurable ROI from greater collaboration and more virtualized work environments (see Figure 2).

• The New Working Technologies. Companies that adopt social, mobile and cloud-enabled technologies can make more informed decisions, often in real time, resulting in faster response to customers and more proactive insight to outperform the competition. These technologies are helping to mine rich business insights from a wealth of data trapped in systems of record. About 15% of companies have already embraced a powerful combination of cloud, mobility and social tools.

Ultimately, these themes are bringing an end to the era of IT as a “keep the lights on” cost center. Future of Work pressures are forcing business-technology decision makers to re-examine how they manage talent, technology, customers, and business models to create value and differentiate themselves in the market. As companies embrace these opportunities and challenges, they are leveraging new sourcing solutions that integrate technology platforms of collaboration and talent to deliver business process work effectively and efficiently.

A New Class Of Business Process Services Is Real – Now – And Growing

Many companies are looking for ways to decouple critical but non-core knowledge processes, and this is driving the emergence of a next-generation of externally sourced business process offerings. Traditional sourcing has made operational

Virtual Work & Collaboration Drive ROI

When will changes brought on by greater collaboration and a more virtual work environment result in a measurable return on investment?

Leaders are those that are already reporting ROI from collaborative virtual teams. (Percent of respondents)

Source: “Next-Generation CIOs,” a Cognizant study in cooperation with the Economist Intelligence Unit. Base: 402 IT and business decision makers – director and above – from Europe and North America. Figure 2
processes — such as infrastructure or application management services — cheaper and more efficient. Cost savings and operational improvement will always be relevant and critical, but they alone won’t help an organization become a better bank, retailer, insurance firm or movie studio. Decision makers — rightfully — want service providers to drive productivity beyond initial cost savings. To make that happen in a sourcing context, decision makers need to tighten their focus on what is truly core to the brand, re-think how dynamic work is actually performed and consider new sourcing solutions to revamp the value equation.

Outsourced or not, virtually every complex, dynamic business process includes some level of human work — including decision-making, routine work, problem solving, etc. — coupled with some form of technology enablement, including telephones, spreadsheets, systems of record (such as ERP applications) and Web-based collaboration systems. There are essentially three archetypes of business process service:

• **Traditional BPO** services often leverage process improvements, labor savings (frequently delivered from lower-cost locations), and they are generally focused on transactional work, such as call centers, invoice processing or procurement. Although there is certainly a level of technology enablement and process improvement, customers usually pay for a certain staffing level or service level attainment. BPO delivers significant value, but ongoing improvements can be difficult given the commitments to labor, customized processes and longer-term deal duration.

• **Business Process as a Service (BPaaS)** solutions weave together infrastructure, collaboration platforms and talent to perform knowledge work and deliver business outputs to customers. They are modeled as scalable and flexible services that deliver tangible and pre-defined business outcomes. Services can be aligned with industry-specific dynamic knowledge processes such as healthcare claims processing, investment banking trade settlements or clinical data management for pharmaceutical companies. Services can also be more common horizontal functions — e.g., payroll, order-to-cash and procure-to-pay services — leveraging platform automation and collaboration.

• **Business Process Utilities (BPUs)** are more highly automated services with a greater level of standardization that generally leverage only a thin layer of labor. Gartner predicts that cloud-sourced, on-demand, transactional BPUs will account for 15% to 20% of the BPO market by 2012. Examples include ADP payroll processing or highway toll pass solutions such as EZ Pass in the U.S. (or Via Verde in Portugal), in which sensors automatically charge drivers for highway use against on-file credit card accounts.

**Smart Hands And Robots Support Dynamic Knowledge Work**

These solutions can be viewed along a business process continuum ranging from labor-intensive BPO that predominantly leverages globally based process actors — the “smart hands” — to heavily automated BPU solutions that leverage automation and technology — the “smart robots” (see Figure 3, page 7).

BPaaS solutions can support complex, high-value, knowledge-based work with solutions that harness advances in computing, orchestrate collaboration across groups and integrate the global workforce to deliver new levels of economic value. The new class of services — which balance automation with labor — leverages new delivery and commercial models. These services are already providing business agility and savings to our clients today, and more options are emerging daily (see Figure 4). In fact, by 2015 as many as 50% of new BPO deals will likely have some aspect of BPaaS delivery.
Business leaders are seeking new levels of technology-enabled value, and BPaaS offerings provide value to organizations that are creating or restructuring knowledge work. These services integrate technology (such as networking, computing and applications) and people with new commercial models that push responsibility to service providers to deliver higher-value business outputs (see Figure 5, next page).

The continued high priority for organizations to increase profit margins, improve business flexibility and strengthen balance sheets will ensure that executives will task partners with the delivery of critical but non-differentiating

<table>
<thead>
<tr>
<th>Customer</th>
<th>BPaaS Solution</th>
<th>Solution Summary</th>
</tr>
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<tbody>
<tr>
<td>Leading pharmaceutical company</td>
<td>Commercial operations and analytics as-a-service</td>
<td>Commercial analytics, sales force planning, sales incentive compensation, customer relationship management, business reporting, data warehousing and state compliance reporting using a consumption-based service delivery model.</td>
</tr>
<tr>
<td>Leading telecommunications provider</td>
<td>Order management as-a-service</td>
<td>Comprehensive order management solution that leverages an industry-leading technology partner. Includes automated order flow-through management, fallout order management and order status and notification for end-users.</td>
</tr>
<tr>
<td>Leading pharmaceutical and medical products provider</td>
<td>Commercial intelligence as-a-service</td>
<td>Combines software, a cloud-based infrastructure and industry-specific knowledge processes to deliver data acquisition, validation, storage and analytics that enable commercial business insights.</td>
</tr>
<tr>
<td>Leading biopharmaceutical company</td>
<td>Clinical data management as-a-service</td>
<td>Solution includes BPO (study data migration services) and IT services, a leading technology partner and a proprietary collaboration platform to deliver clinical data management services that will help maximize R&amp;D returns.</td>
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Selected Cognizant BPaaS Case Examples
business processes. New business process offerings will take advantage of new collaborative technologies, global talent, and modern service delivery processes to achieve business performance improvements.

We are now at a shift-point in business technology that presents savvy decision makers with an almost unprecedented opportunity to restructure the enterprise by better integrating technology with business processes. As companies respond to opportunities and challenges associated with Future of Work themes, new business process service models are increasing in relevance as they help them jettison, automate, and derive insights from workflows that are critical to operations but do not differentiate the brand. Traditional outsourcing models will continue to thrive, but BPaaS solutions – which integrate global process actors with automated platforms of collaboration – will offer improved economies of scale from standardization, access to more collaborative work environments, as well as flexible and cost-effective cloud-enabled technologies.
Leverage Business Process Services to Reconstruct the Enterprise

Saavy leaders are always on the lookout for ways to extend value, and a growing number are implementing business process services that reduce costs and enable the core business to outperform the competition within a highly-networked, and highly pressurized, modern commercial context.

Decision makers can take steps now to ensure that business process services can be planned and implemented to unlock value without exposing the organization to unmitigated risk.

- **Broaden the sense of what is possible.** Many companies struggle to retain work processes that may be critical but are not core to the brand or customer value. Next-generation business process services offer, finally, a means to tighten the focus on core knowledge work. Decision makers now have proven options to help drive growth and efficiency, but this requires a clear vision of what is truly core. It’s still “outsourcing,” but in a fundamentally new model. Some companies are already moving down the path of jettisoning work that does not differentiate the company. Savvy decision makers need to get smart and get moving.

- **Look for services built around platforms of collaboration.** Systems of record (such as ERP platforms from Oracle and SAP) do a great job of storing and accessing information, but they often are not great at supporting knowledge-based activities that underlie key business process. Collaboration-focused BPaaS services integrate business processes with platforms of collaboration that supplement – but may not replace – systems of record to create an enabling fabric for dynamic work. Decision makers should explore services with business outputs derived from platform solutions bundled with other services – BPO/KPO, analytics, advisory services, etc.

- **Assess, design, pilot and scale BPaaS services.** The key to putting BPaaS services in place is to pursue a “crawl, walk, run” strategy. Companies should start by assessing outsourced applications that are clustered around a critical business process and then design, pilot and scale those services in response to experience and opportunities. Moving in a controlled, modular manner will mitigate business and technology risks.

- **Create smart partnerships with your business process provider.** Service providers will leverage technology and process knowledge to provide value-add services to clients. Crucial to the success in transitioning your current business processes to a new technology-enabled platform will be the provider’s knowledge of your industry. Established industry, process credibility and relationships will be required to implement and de-risk business process services. Decision makers should look for that capability within their ecosystem of service providers and alliance partners.
About the Author

Paul Roehrig is Cognizant’s Director of Strategy for Cloud Business Solutions. In this role, he is responsible for developing next-generation technology and business service solutions and leads associated go-to-market programs, alliances and business development with key strategic accounts. Prior to joining Cognizant, Paul was a Principal Analyst at Forrester Research, where he researched and advised senior IT leadership on a broad range of outsourcing topics, including sourcing strategy, trends and best practices. Paul also held key positions in planning, negotiation and successful global program implementation for customers from a variety of industries, including financial services, technology, federal government and telecommunications for Hewlett-Packard and Compaq Computer Corp. He holds an undergraduate degree in journalism from the University of Florida and graduate degrees from Syracuse University, where his doctoral research was on decision-making related to quality improvement in organizations. Paul can be reached at Paul.Roehrig@Cognizant.com.

Footnotes


3 A global survey of 402 executives in Europe and North America, conducted by the Economist Intelligence Unit in cooperation with Cognizant Business Consulting, examines the role of CIOs in restructuring how work is conducted throughout the organization. “Next-Generation CIOs: Change Agents for the Global Virtual Workplace,” Cognizant Technology Solutions, October 2010.

4 Saugatuck Technology’s survey of 790 qualified user enterprise executives indicates that about 15% of companies have already embraced a powerful combination of cloud, mobility and social tools. “2010 Cloud Business Solutions (SaaS), Topline Survey Data Report,” Saugatuck Technology, June 2010.


6 For example, Eli Lilly and Cognizant have created a BPaaS solution (commercial intelligence as a service) that delivers commercial analytics, sales force planning, sales incentive compensation, customer relationship management, business reporting, data warehousing and state compliance reporting. http://news.cognizant.com/index.php?s=I4083&item=20274

7 Recent Gartner research of 834 current and planned buyers of BPO shows that 34% were already sourcing processes via a cloud-sourced BPU model. See October 19, 2010, ID Number G00207393; Forecast Analysis: Business Process Outsourcing, 2009-2014, 3Q10 Update.

8 Recent Saugatuck Technology research indicates that business process as a service (BPaaS) is emerging as the next major category of cloud IT and that by 2015, 50% of new BPO deals will be delivered as BPaaS (i.e., they will be significantly cloud-enabled). “The Evolution of Business Process as a Service (BPaaS),” Saugatuck Technology, October 19, 2010.

9 “The core rationale for vertically integrated corporations with co-located employees in company buildings, all marching to a command-and-control culture – all that is removed once you have anytime, anywhere systems that create virtual presence. This enables the offloading of non-core work to the ecosystem, processes so mission-critical it was heretofore unimaginable that we could let another company perform them on our behalf.” Malcolm Frank and Geoffrey Moore, “The Future of Work: A New Approach to Productivity and Competitive Advantage,” Cognizant Technology Solutions, December 2010, http://www.cognizant.com/futureofwork/assets/whitepapers/FoW-New-Approach-TL.pdf.