

2011

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Recommended Citation

Morris, Bernard and Marshall, Peter, "Business Architecture: The Basis for a Design-Oriented Approach to Business Process Outsourcing" (2011). *ACIS 2011 Proceedings*. 55.

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Business Architecture: The Basis for a Design-Oriented Approach to Business Process Outsourcing

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Abstract

This paper presents an approach to business process outsourcing (BPO) based on the development of a business architecture. The paper argues that business architecture can form the basis for the effective planning, design and negotiation of a BPO initiative. The approach comprises the following steps: business problem analysis; determination of the required performance standards; in-house versus market capability assessment; business service provider engagement; joint service architecture design; and service contract negotiation. A key feature of the approach is that the client organisation and the outsourcing business service provider jointly develop the business architecture. The authors make the claim that such an approach to BPO incorporates a design attitude, rather than the decision attitude that is common to other BPO methods and approaches.

Keywords

BPO, business architecture, design, design attitude, business process modelling

INTRODUCTION

The objective of the research study reported in this paper was to demonstrate that the development of business architecture can form the basis for the effective planning, design and negotiation of a BPO initiative. In the BPO approach presented in the paper, the business architecture is originally developed by the client organisation. This architecture is then used as the basis for the joint determination of the future or target state business architecture by the client organisation and the outsourcing vendor or business service provider. The target state business architecture essentially constitutes the business process design for the set of processes being outsourced.

We argue that the above approach to BPO is carried forward with what Boland and Collopy (2004) call a design attitude. Initially a business performance standard is developed by the client organisation, and then both the client and business service provider use this standard as the basis for explicitly crafting a jointly acceptable business architecture solution before both parties form a services contact. Thus the solution is collaboratively designed. This approach contrasts with the client organisation adopting a decision attitude in which a decision is made by the client organisation between a set of business service providers proposals to broadly meet the clients pre-determined specified requirements, in an area where the client generally has no previous experience of achieving the required improvement. However, the main focus of the paper is on the business architecture-based approach to BPO.

It is anticipated that this paper will contribute to the theoretical understanding of the applicability of the concept of business architecture to the planning and design of strategic initiatives. In particular the paper indicates the relevance and potential of the concept in the area of BPO initiatives. The practical contribution of the paper is that it outlines an effective approach of relevance to those who are tasked with planning, designing and negotiating a BPO initiative. The approach establishes and agrees carefully considered performance requirements for each business process involved in the outsourcing initiative. Further, it incorporates a joint design stage in which the client organisation and the business service provider collaboratively design a future or target state architecture which gives a high-level specification of how the performance requirements will be met for each business process. This puts the company in a strong position vis-à-vis the vendor, a position that is not often accomplished, and provides a transparent and effective control framework over future change.

The structure of this paper is as follows. The next two sections on business process outsourcing and business architecture constitute the literature review for the study. A brief section on the research methodology then follows. Then a detailed narrative of the action research study is given, followed by the conclusion to the paper.

BUSINESS PROCESS OUTSOURCING

Business Process Outsourcing (BPO) is the transfer or relocation of complete business processes from an organization to an outsourcing vendor, which in the case of services outsourcing is often referred to as a business service provider (Stauss and Jedrassczyk 2008). BPO and, indeed outsourcing in general have been known to be challenging undertakings for client organisations and success in these undertakings has been the exception rather than the rule (Cordella and Willcocks 2010, Willcocks 2010).

Information Systems and business process outsourcing arrangements have long been known to include aspects of the vendor opportunism which can be very costly and damaging to client outsourcing organisations (Rouse and Corbitt 2004). A client having a clear view of what is required to be achieved through the outsourcing/BPO initiative in part can offset this risk. Indeed, Gonzales et al (1993) have found this to be one of the major critical success factors for outsourcing success. In this context, for successful outsourcing, Espino-Rodriguez and Padron-Robaina (2006) recommend a comprehensive understanding of the business processes involved in the outsourcing initiative. Further, it is important for the client organisation, at least, that this clear picture of what is required in the outsourcing initiative helps to control or govern the outsourcing situation going forward so that the client organisation achieves its objectives (Daityari et al 2008).

For the client organisation, having some measure of control over the outsourcing agenda rather than ceding all control to the outsourcing services provider, it has been argued, plays a crucial role in effective outsourcing (Clark et al 1995). As will be demonstrated in the case study in this paper, a business architecture approach by a client organisation, builds detailed knowledge in the client of its objectives and the way to achieve them, by constructing a map of the business processes involved, including their performance and quality requirements.

Papers that describe approaches to BPO and illustrate or demonstrate them via case examples are moderately scarce. Of these, only one paper (Mahmoodzadeh 2009) known to the authors utilises business architecture as a feature of the approach. However, sadly, Mahmoodzadeh et al (2009) only give an extremely brief case study (3 paragraphs) demonstrating their approach, thus making it difficult to gain insights in to the practical issues and problems of implementing such an approach.

Cullen et al (2006) give a detailed life-cycle approach to outsourcing. However it is not focussed on BPO and concentrates on contract and relationship design and negotiation and does not utilise business architecture. Dekkers (2000), de Boer et al (2006) and McIvor (2000) also describe approaches to BPO, but their suggested methods are decision and cost-focussed and give little guidance on the process involved in a BPO initiative. There is also little focus on explicitly designing the solution. This paper corrects the lack of explicit guidelines regarding the design of BPO initiatives by providing a detailed example.

BUSINESS ARCHITECTURE

A growing number of industry and industry association-based publications are promoting of a central role for the concepts of business architecture both at the enterprise level, in designing strategic investment decisions, and at the business function or domain level, in designing specific change initiatives. Those engaged in the promotion of the concept of business architecture include the following: The Business Architects Association (Bodine and Hilty, 2009); The Business Architecture Institute.org (Ulrich 2009), The Object Management Group's Business Architecture Special Interest Group (Ulrich and McWhorter 2010); McKinsey Global Consultants (Buckow and Rey 2010), IBM Global Business Services (Harishankar et al. 2009). Sometimes the related concept of business-driven enterprise architecture is promoted in the context of replacing the IT dominated enterprise architecture approach (Sauer and Willcocks 2003; Wolfenden and Welch, 2000; Glissman and Sanz, 2009; Versteeg and Bouwan 2006). The focus of this paper is on business domain architecture where the business domain concerned is the collection of high-level business processes supporting the service administration and the attention of a BPO initiative.

Business Architecture is an area that is developing internationally through the efforts of several associations, a number of recent books and many industry-based papers. However, as pointed out earlier, business architecture is a relatively new concept and there is limited academic literature on the concept outside of it being treated as a mere component of enterprise architecture. There is a relatively small amount of literature explaining the reasons behind practitioners' interest in and demand for business architecture and its potential application in business, but almost no literature attempting to describe its exact nature and how it should be developed. In particular there are very few case studies showing in some detail how the concept business architecture can be used to design and implement business development or business transformation projects. This tends to leave as unknown the potential of the business architecture concept in business and government.

In relating business strategy to IT strategy and development, including the outsourcing of IT and business processes, Versteeg and Bouwan, (2006), indicate that it is common in many organisations to plan and develop a technical architecture with no reference to any kind of business architecture. Versteeg and Bouwan, (2006)

describe the concept of a business architecture as one that structures the responsibility over business activities and characterises a business architecture approach as one that recognises the relationship between business strategy, business architecture and subsequent architectures.

Ulrich and McWhorter, (2010) argue that 'horizontal' challenges in business organisations (that is challenges involving business processes that run across several if not all business functions or domains) are not only common but are particularly difficult to articulate and address. This view is further advanced by Wolfenden and Welch (2000) who suggest the 'blueprint', as they refer to it, needs to interpret business strategy and provide a focus on customer value while concurrently identifying the work activities, roles and competences, business rules and processes necessary to build and operate the business. The authors concluded from a study of five large UK organisations that business architecture occupies a niche position connecting strategic business intent to the design and implementation stages of a performance improvement programme.

Whittle and Myrick (2005), in one of the few publications that actually describe how business architecture should be developed, suggest it should be built around a core set of building blocks called value streams. A value stream is the sequence of activities required to design, produce and provide a specific good or service to a customer (Whittle and Myrick 2005, Weisenfelder 2011). The customer of a value stream can be an internal or an external 'customer' (Whittle and Myrick 2005). When used in this paper, the term value stream refers to a high level model of a business process, which omits many of the process details usually included in business process models such as in-process decision steps.

RESEARCH METHODOLOGY

The research reported in this paper began in early 2007, when a newly appointed business architect (one of the authors) at a superannuation and pension company, that for the purposes of this paper we will call SuperCo, in discussions with the local University over the potential for a student based project alerted the second author of the proposed use of business architecture for driving change in the company. The business architect had been appointed to head a team of business analysts in bringing about strategic change at SuperCo. Despite achieving satisfactory revenues for a number of years, the company had been complacent about driving change and improvement, and was found by a recent benchmarking study to be uncompetitive in administration costs. Further investigation had found that a number of business processes were noncompliant with Australian Prudential Regulation Authority (APRA) guidelines. Thus, change was needed to achieve competitiveness in administration costs and compliance with APRA guidelines. An important feature of this problematic situation in SuperCo was an ineffective superannuation administration system which contributed significantly to the administration costs.

The business architect in discussing the proposed business architecture approach with the academics was advised of the potential and value of taking an action research approach to the business problem area, thus providing valuable research in what was clearly a developing area. This aspect was of particular interest to the academics approached by the business architect since they were from the information systems (IS) discipline.

This approach was subsequently adopted by the business architect and supported throughout by the second author in the research methodology that was thus action research. Given that the business architect was an employee of SuperCo, the form of action research follows Coghlan's (2001) version of action research; that is insider action research, which involves the manager-researcher (Coghlan and Brannick 2001).. The problem solving interest was initially in strategic change and then latterly in BPO (as BPO became the preferred solution). The research interest was initially focused on the role of enterprise architecture, and in particular business architecture, in supporting and enabling strategic change (Veasey 2001, Wolfenden and Welch 2000, Whittle and Myrick 2004). When the required strategic change was determined to be via BPO, the research interest became specifically focussed on the role and usefulness of business architecture in planning and designing a BPO initiative. A seven-stage approach was formulated as a framework to guide the planning and design of strategic change via BPO enabled by business architecture.

Meetings were held between the business architect and the IS academics every two to three weeks to review and critique the progress of the business architecture development and the BPO initiative and to plan the way forward. Further, regular in-progress feedback on the approach was sought from both SuperCo and the business service providers participants in addition to a number of formal post architecture interviews, six in all, with SuperCo managers in order to get their views on the progress of the initiative and the BPO approach.

THE ACTION RESEARCH STUDY

The empirical work that provides the evidence for the claims of this paper regarding business architecture and BPO was a two-year action research study that took place in a financial services company that provides superannuation and pension services. The company is referred to in this paper as SuperCo. As mentioned above, just prior to the commencement of the action research study, after years of complacency yet reasonable and positive revenues, SuperCo had gone through a difficult period. The company had been dealing with significant amendments to industry legislation including changes that provided members (i.e. customers) with a greater choice to shop around in the market if they were not happy with their current superannuation and pension organisation. SuperCo, through industry research and benchmarking, had realised that its administrative costs were significantly higher than competitors. Further, an internal report had indicated that the cost of the required changes to IT systems and business processes brought about by the legislative amendments had not only proved to be far more expensive to implement than was the case with competitors, but they were delivered much later than many of their industry peers. These findings were a significant shock and a major wake-up call for SuperCo, and, within the company, signalled a period of critical and intense focus on identifying the problems that were preventing the organisation from being competitive.

The business architects approach to this problem situation followed six key stages resulting in a negotiated BPO solution with a capable business service provider. The six stages of the approach were as follows:

- Stage 1: Business problem analysis;
- Stage 2: Determination of the required performance standards;
- Stage 3: In-house versus market capability assessment;
- Stage 4: Business service provider engagement;
- Stage 5: Joint target state architecture design;
- Stage 6: Service contract negotiation

These stages are explained below in the context of the action research study. Together, the stages constitute an approach that could be adapted to many organisations' BPO initiatives.

Stage 1: Business Problem Analysis

As a result of participating in an international benchmarking study across a large number of superannuation organisations, SuperCo identified a significant problem essentially concerning their high administration costs. Compounding this finding was an internal report on the unsatisfactory situation regarding SuperCo's superannuation administration information system platform. A preliminary analysis of the problem area was undertaken using a technique and a set of ideas adapted from Burlton (2001). In a process that indicated the scope and context of the problem situation, the business architect and his business analysts worked to determine the inputs, outputs, enablers and guides (Burlton 2001) of SuperCo's administration system. The inputs to the system consisted of information, forms, requests and so on, while the outputs consisted of statements, payments, reports and the like. The enablers were taken to be other IT systems, skilled persons and so on, while the guides consisted of regulations, policies and guidelines (Burlton 2001). For ease of display, analysis and checking, the information was coded into a business context diagram based on the work of Burlton (2005) thus giving a clear overview of the problem situation (see Figure 1 below). Following this analysis, strategy mapping (Kaplan and Norton 2004) was used to confirm with senior managers the strategic objectives of the administration function and compare those objectives against the general capability of the current organisation.

Following the preliminary analysis SuperCo's business architect and his team, in order to better understand and specify the problem situation, launched a series of 'problem discovery' workshops. These workshops were participative in nature, and involved SuperCo's service managers working with the business analysts in identifying areas of high cost and unsatisfactory performance, thus drawing on the business knowledge of the service managers. The information and analysis provided by the benchmarking study was used to encourage discussion in areas of the business where costs were excessive and where service was unsatisfactory. Participants also took part in an examination of industry best practice that had been prepared by SuperCo's business analysts for the consideration. These activities all helped to identify and structure the problem situation.

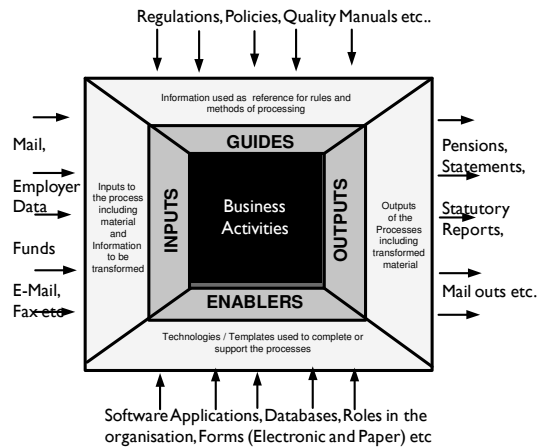


Figure 1: Context Diagram Adapted from Burlton (Burlton 2005)

A report, based on the findings of the 'problem discovery' workshops was prepared by the business architect and sent to SuperCo's board. The central finding of the report was that there were a number of issues and problems that SuperCo had to address, but the most urgent and significant of these was the potential for non-compliance with financial regulations, the high administration costs and a set of systems issues surrounding the IT-based superannuation administration platform. The business architect suggested that the focus of further analysis be the superannuation administration business processes together with all the business processes that impacted or interconnected with them.

The SuperCo board was shocked at the negative indications regarding compliance and business efficiency in the report and asked for further and more detailed analysis of the situation. Through further analysis it became clear internal changes at SuperCo would not yield the substantial improvement required in the time required by the SuperCo board. This analysis involved measuring the shortfall of performance in key business areas against the standards required to achieve an APRA license that was a prime policy objective for the SuperCo board. After consideration of the shortfall a decision was made by SuperCo to investigate a BPO (Business Process Outsourcing) solution. Subsequently a decision was made to use the business architecture approach to provide analysis and design support for this BPO initiative. The business architect, supported by the second author used an innovative business architecture approach to design and plan the BPO initiative, and the results of this approach became the central focus of the action research described in this document.

Stage 2: Required Performance Standards

In order to establish the shortfall in performance the business architect implemented a set of participative workshops aimed at analysing each of the high-level value streams (Whittle and Myrick 2005), that comprised the total administration function at SuperCo. All key team leaders and managers in the administration function at SuperCo were involved, along with the business analyst team and, using their knowledge of the current situation, these workshop participants constructed broad high-level business process models of the current or 'As-Is' situation in the administration function. In all 42 models were constructed and these comprised the As-Is business architecture of the area of the problem focus at SuperCo.

In a subsequent set of participative workshops involving relevant SuperCo managers and the business analysts a performance requirement analysis was carried out on the 42 business processes. The objective of the workshops was to specify the future or target-state required business performance. This target-state business performance was to comprise of critical success factors across time, cost and quality for efficient and effective business processes that would operate at levels of business performance adequate for business competitiveness. In specifying these critical success factors, the business architect and his team were also identifying the gap between the current business performance and that needed for future competitiveness. The business process modelling method used was based on the ARIS approach and utilised the ARIS software (Scheer 2000). An indication of the style and format of the business process analysis is given in Figure 2 below which displays the situation for a particular process.

Relevant data and information from the industry benchmarking study, the internal report on the superannuation administration system, and the problem analysis constituted important input to the workshops. Using this data plus the experience and knowledge of the participants, the required performance in terms of time, cost and quality were built into the specification of each future business process. These were regarded as performance-based critical success factors for each of the value streams. Also included in the analysis of each business

process were considerations pertaining to business risk and compliance including the Australian Prudential Regulation Authority (APRA) regulations. At the completion of the workshop target-state business performance standards had been developed for the problem focus, and thus the gap between the current and the necessary future business performance had been specified.

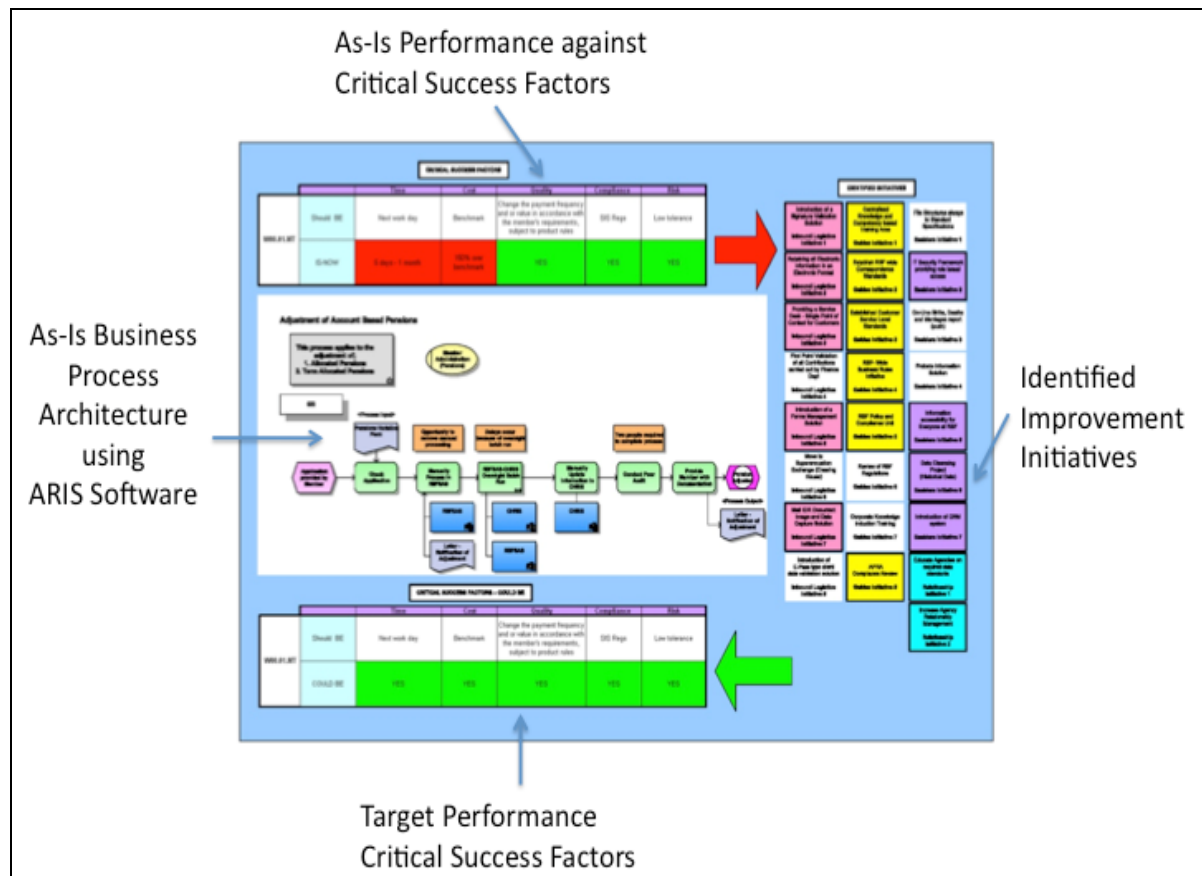


Figure 2: As-Is Business Process Model with To-Be Targets

Stage 3: In-house versus Market Capability

With the current and future target performance specified, the business architect and his team began to provide market analysis to support a discussion on the options open to SuperCo. The first option under consideration was to improve the situation regarding the superannuation administration system, perhaps with a new outsourcing contract that involved complete redevelopment of the system by the new outsourcing vendor. Following this a significant business process improvement exercise would have to take place in the SuperCo administration section. The alternative would be to opt for BPO solution, involving outsourcing the whole administration function to a BPO service provider. In preparation for the second option, a market-testing exercise was undertaken by SuperCo to establish capable BPO service providers. This exercise returned a positive finding: there were at least four efficient and capable service providers who could deliver the services required

Further discussions with the SuperCo board took place regarding the current performance of the administration function and the required improvements. A consensus emerged among the members of the board, senior executives, the business architect and his team that an internally sourced solution was both risky and difficult, and was very unlikely to be completed in the time that SuperCo felt it had in order to become competitive. Thus SuperCo opted to source a BPO solution from the market.

Stage 4: Business Service Provider

An objective of this market sourcing stage was to approach the four business service providers using the proposed target state business performance, which, as mentioned above, contained a documented measure of the level of improvement that SuperCo was looking to achieve. Thus SuperCo was able to use the target state performance-based critical success factors to invite outsourcing service providers to describe and explain in

some detail how they could offer assistance in achieving SuperCo's stated performance objectives. A set of selection criteria was designed based upon measuring each business service provider's response to the improvement required in key areas of the business. In essence, this set of criteria was such that the evaluation of a response to a service provider would be a judgement concerning between the company experience and their capability to achieve the target state performance standards.

An RFP (Request for Proposal) was thus released to the four companies, which contained the target state performance standards. The RFP contained a requirement for suppliers to indicate how soon, after being awarded an outsourcing contract by SuperCo, they could meet the associated target performance levels. As cost and service performance levels were aligned to the established industry international industry benchmarking standards, all the shortlisted service suppliers recognised and agreed to the performance standards. However there were varying times expressed as to when each supplier would achieve the stated performance levels.

An evaluation panel of SuperCo subject matter experts across each of SuperCo's major administrative domains was formed. It was to be assisted by expert internal risk and financial analysts. The panel shortlisted two of the established superannuation administration outsourcing service providers and subsequently undertook a formal evaluation of each proposal.

The next stage of the evaluation process determined one supplier to be preferable to the others when measured against the selection criteria which included the use of a pre-determined scoring methodology across the suppliers' responses to the target state performance objectives. After a series of site visits SuperCo determined one preferred supplier. At this stage it became apparent the service provider could offer SuperCo more than a solution to meet their performance BPO objectives. The service provider offering extended to providing additional value-adding offerings including a valuable knowledge of the superannuation industry and a customer service web based environment that could provide SuperCo with considerable competitive advantage and the potential to transform their customer services.

Stage 5: Joint Target State Architecture

This stage of the BPO project involved the business architect and his team, with the management and subject matter experts of the preferred business service provider, designing a jointly acceptable target-state or future desired business architecture. The target-state performance standards, designed through SuperCo's participative workshops and via the efforts of the business architects' team of business analysts, was to form the basis of the joint architecture. That is, the high-level models or maps of the business processes in each of the business value streams, the principles that had led to their design and, importantly, the critical success factors related to time, cost, quality, risk and compliance would form the guiding framework for the joint architecture. Based on these models a new business architecture consisting of a new set of high-level models would be jointly developed. This target state business architecture would indicate how the business service provider would meet SuperCo's needs.

A major learning point and assurance for the business service provider was that the business architecture was not being there to tell people how to do their job but was there to coordinate the 'what' (not the 'how'). The senior SuperCo executive responsible for negotiating with the service provider stated "We have no interest in knowing exactly, and in detail how you carry out the work, we only require a clear assurance through architecture that performance standards as stated in the RFT can be met and will be maintained at all times". As a result of SuperCo standing firm on this position, a set of joint workshops to design agreed business architecture went ahead.

The first step in the design workshops consisted of an analysis of the quality and value of the providers' 'guides' and 'enablers'. This was followed by a series of design workshops covering the 42 process models and recording the high-level business process steps undertaken by the 'enablers' in line with the 'guides' (Burlton 2005) to ensure the performance standards were achieved. The program consisted of several months of intensive joint design effort inside participative workshops, involving the preferred supplier's subject matter experts, team leaders and managers across every discipline of the BPO service and the SuperCo business architect. The workshops continued until the draft business architecture was complete. The service provider managers were very cooperative throughout the process and regularly pointed out how useful it was to view their business processes in business architecture.

Ultimately, the business architecture reflected the steps and working methodologies of the service provider and was also critically influenced by the application of the knowledge and experience of their managers and analysts. However it also reflected the SuperCo target performance standards for each high-level business process through the embedded critical success factors. For recording this work resulting from the workshops the business architect and analysts used business process or value stream tables template similar to that in Figure 3 below.

| Business Cost Centre | | Description | | Description of the Value Stream | | SUPERCO BUSINESS ARCHITECTURE - VALUE STREAM TABLES | | | | | | | |
|---|--|--|---|---|--|--|---|--|---|--|--|--|---|
| Value Stream | | Authority Delegate | | Design Version | | Risk Analysis | | Compliance Audit | | Architect | | Analyst | |
| Responsible Value Stream Owner (Design) | | Role to be Informed | | Design Date | | Compliance Audit | | | | | | | |
| VALUE STREAM BUSINESS PROCESS STEPS | | | | ENABLERS | | | GUIDES | | CRITICAL SUCCESS FACTORS | | | | |
| REF: | Inputs | Process Activity | Outputs | Systems | Forms / Standard Letter | Role | Information | Business Rules | Time | Cost | Quality | Risk | Compliance |
| <i>Reference Number</i> | <i>Source of information to be used in completing the activity</i> | <i>Activity to be undertaken by person and/or system</i> | <i>The source of information created by completing the task</i> | <i>Applications supporting completion of the activity</i> | <i>Forms / Standard Letter used in the process</i> | <i>The role responsible for completing the activity and the company who owns that role e.g. SuperCo, Partner or Shared</i> | <i>Policies, Procedures, Standards and Registers that guide the process</i> | <i>Business rules affecting and/or constraining the activity</i> | <i>The time the activity should take when considered from the customer perspective. Refer to Service Level Agreements. Assumption: Time taken once all information received</i> | <i>Measurement of the activity cost, e.g. Activity Based Costing</i> | <i>The deliverable of the activity which may not be altered by process changes</i> | <i>The risks associated with the activity and how they will be managed</i> | <i>Specific governance requirements which the activity must achieve</i> |

Figure 3: Business Architecture - Value Stream Table Template

Stage 6: BPO Service Contract

With the draft joint target state architecture design complete, the next stage of the BPO initiative was a strategic review and evaluation of the proposed solution. This review included a risk analysis of the solution as well as an evaluation of the financial and business impact. Further, the review did not take the scope of the jointly designed business architecture as given, but through a series of SuperCo internal workshops, examined and evaluated the scope of the solution. Thus, as part of a final review or evaluation, the workshops examined and evaluated, among other things:

- The proposed improvement in areas previously identified for outsourcing
- The consideration of areas previously identified for outsourcing but until this point were still under consideration concerning exactly what SuperCo would undertake and what the outsource provider would take responsibility to complete
- Additional areas for consideration - those areas that were not originally identified for outsourcing but could possibly benefit SuperCo if the outsourcing service provider carried out some of the value-adding activities

It is worth noting in passing that the workshops were held in a critically tense and stressful atmosphere as SuperCo managers discussed significant areas relating to their own departments as being planned for outsourcing. Nevertheless, the workshops managed to function effectively, yielding an analysis of the value to SuperCo provided by the outsourcing vendor's IT applications and human resource skills and knowledge when measured for their capacity to achieve the SuperCo strategic objectives for outsourcing.

The final analysis was a fully APRA compliant BPO solution design that had been subjected to careful risk analysis. The design represented a reduction in administration operating costs in the region of 30% and an opportunity to lift SuperCo from a regular appearance in the bottom quartile of the International Benchmarking up into the leading quartile for both cost and service standards. Further, SuperCo executive management determined it as the optimal way for SuperCo to become competitive in the future. The SuperCo board endorsed this position. The Chairman of SuperCo endorsed the position stating that "this process was the most useful I have ever experienced for making one of the most difficult decisions in the history of the organisation, relatively easy by supporting the decision making with clear architecture".

During this final stage, the SuperCo CEO had come to the end of his contract period. The SuperCo board chose to look externally for a replacement CEO. Not surprisingly, a degree of lobbying of the new CEO took place regarding the outsourcing situation. The outsourcing service supplier's senior account manager tried to negotiate the new contract without any reference to the business architecture. The newly appointed CEO somewhat understandably did not appear to take to the idea of architecture as a basis for the major improvement agenda that he had been brought in to drive and began negotiations that ignored any considerations related to the jointly designed business architecture. This situation eventually led to a stalemate in negotiations when the supplier later suggested a considerable extra sum of money would be required to complete the implementation over and above the amount included in their tender. After some weeks of difficult deliberations the new SuperCo CEO returned the business architecture to the table, pointing out that all the performance based targets as per the

tender (supported by the joint architecture) should be delivered within the tender sum. Shortly afterwards both parties signed the services contract.

CONCLUSION

This paper has indicated how the development of business architecture can form the basis for the design of BPO initiative. A three-year action research study provided the basis for the narrative that illustrated the approach. The research study narrative can be used as a guide for practitioners, and while the approach will have to be adapted to the circumstances of each case, the study indicates the main features of the approach. The approach features an as-is or current business architecture being developed in a client organisation. The business architecture is essentially a set of value streams or high-level business process models measured against critical success factors of time, cost and quality. Following the development of the current business architecture, target state business performance standards of time, cost and quality for each high-level value stream. The target state performance standard is then used to collaboratively develop a joint target state architecture with the outsourcing vendor or business service provider. This joint architecture forms the basis of the BPO contract.

Key features of this approach include participative workshops, a thoroughgoing problem situation analysis, the client organisation achieving a level of control over the outsourcing agenda, a decision point regarding outsourcing or in-sourcing a problem solution, and adopting a design attitude. Participative workshops to develop the various business architectures draw, at various points of the approach, on the skills, knowledge and experience of key staff members of both the client and the service provider organisations, thus ensuring optimal analysis. A thoroughgoing problem analysis enables a client organisation to understand their situation and their needs, thus giving the client a clear view of what is required from the business service provider. This understanding of the problem situation plus the clear picture of needs provided by the target state business architecture enables a client organisation to achieve the necessary modicum of control in the negotiation with the business service provider. This further permits a level of detail in the contract that would not be possible without the business architecture, thus tending to limit damaging vendor opportunism.

Finally, the collaborative design approach to business architecture in order to thoughtfully specify the nature of BPO solution conforms to the advocacy of a design attitude to problems (Boland et al 2008, Boland and Collopy 2004). Boland and Collopy (2004) regard management education as having privileged advanced analytic techniques for choosing among alternatives over design skills for shaping new alternatives. The extant methods for planning and managing BPO initiatives tend to have a decision attitude. The current article re-dresses the balance, encompassing a joint design attitude in the BPO approach. This is a critical contribution of this article. The other contribution is the provision of a narrative of some detail concerning the use of jointly developed business architecture in a BPO initiative.

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