Chapter XI
Business Process Outsourcing Modeling

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ABSTRACT

Organizations in the new millennium face relentless pressure to perform better, faster and cheaper, while maintaining high level of guaranteed results. To remain competitive, enterprises have to integrate their business processes with those of their customers, suppliers and business partners. Increasing collaboration is not only relevant within a global multi-national enterprise, but also considering the organization and its relationship to and business processes with its business partners. While standards and technologies make it possible for business partners to exchange information, collaborate and carry out business transaction in a pervasive Web environment, there is however very limited research activity on modeling business process outsourcing underlying semantics. In this chapter, we demonstrate that an in-house business process that has been gradually outsourced to third-parties and analyze how task delegations cause commitments between multiple business parties. Finally we provide process semantics for modeling multi-party business process outsourcing.

INTRODUCTION

Outsourcing has been a worldwide phenomenon for the past four decades (Gereffi & Sturgeon, 2004). Growth of outsourcing is driven by a number of business forces, such as, competition escalation, organizational reengineering, and new technology trends. Over the past decade, the number and quality of suppliers offering price-competitive and high-quality services has

increase significant. It enables the organization to focus on its core competencies.

In addition, large organization sizes are no longer necessarily an advantage in production of products or services, and neither are small sizes. Quality, flexibility, agility and the ability to meet diverse consumer demands count for more (Drucker, 1992). Firms now respond to change by outsourcing when they face heightened competition pushes. Traditionally, after the part of business services is assigned, the initial organization can hardly monitor or get to control of the outsourced services. Even a minor change of service is not easy.

The advent of global digital networks, the Internet, the World Wide Web, and more recently Web services has drastically lowered the cost of coordination between firms and improved the possibilities for organizations and individuals to communicate in an effective and standard manner. New environments, newer technology and rapid technological change provide an avenue for reducing human and equipment resources that do not fit with a company's strategic direction, for meeting latest needs with up-to-date resources at competitive rates by outsourcing those business processes. Furthermore, the current technologies are also allow to get control of outsourced business processes.

Rather than outsourcing an entire business process to a single supplier, multi-souring using more than one supplier is used. A classic example is Alcatel. Alcatel has outsourced supply chain management and R&D functions to Wipro, and its SAP and ERP environment work to Infosys (Pinto & Harms, 2005).

Business process multi-outsourcing causes business collaboration. As business collaboration increases between different enterprises, the need for semantics also increases as a mediator between the structure and content of the different knowledge based. There will be a need, not just for semantics to mediate the structure and content, but also for the services themselves. Semantics

of multi-party business collaboration has been recognized as a major problem for a long time, but relatively little fundamental research has been devoted it. From the semantic perspective, we model the way organizations co-operate in a multi-party involved situation. A high-level view of the collaboration is provided, in terms of the parties involved, the roles they perform and the way they're related, also in terms of business functions they fulfill and the interactions between those.

The Benefits of Multi-Party Business Collaboration Modeling

Outsourcing business processes is highly complex. They consist of several organizations interconnected through networks and working together using sophisticated computer applications. When trying to understand, reorganize or develop systems to support multi-party business collaborations one is confronted with that complexity. As in any modeling activity, modeling multi-party business collaboration can help to deal with this (Rechtin & Maier, 1997; Wolstenholme, 1990).

There are many possible reasons to create a model of multi-party business collaboration. The goal of multi-party business collaboration modeling may be:

- To understand the functioning of an existing multi-party business collaboration.
- To provide a starting point for analysis of requirements of design and for the redesign of an outsourced business process.
- To offer a starting point for the implementation of computer applications to support multi-party business collaboration.
- To serve as a basis for analysis, for example, answer ``what-if'' question, to evaluate the responsibilities between involved parties, or simulate an inter-organizational business process before implementing it.

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