■ Business process outsourcing in

Business Process Outsourcing (BPO) is a natural way to delegate the burden of support tasks and focus on core business activities. It includes optimization of business processes and their transfer over to specialized companies – providers. In these times when the internet as a business channel is a regular component of a company strategy BPO has gained even more significance.

A glance at the history of internet business process outsourcing reveals several periods. There were two options at the very beginning of internet entrepreneurship. Either all the internet technologies were in the hands of external providers or technology companies themselves were attempting to do business on the internet. The second period after the internet boom at the arrival of the new millennium saw a change of attitudes. Predominantly larger companies who more or less successfully produced their own departments to support their internet business. Comprehensive outsourcing solutions were rather typical for small and medium companies who were unable to cover their activities using their own resources.

Now, companies outsource all components of their electronic business unless they operate in a very specific segment developing proprietary solutions with high added value. Even the large players of internet business outsource a large portion of non-core business processes. Companies no longer leave the management of their internet business to their technical department. Instead, marketers and account managers take their place and new positions emerge – such as e-shop managers. However, there are still many companies who are convinced

that they can successfully run an internet business because they have succeeded in running a brick-and-mortar store.

What does BPO mean for e-business and what makes it different?
E-business (formerly internet business) means any kind of business process application carried out using the internet. Typical examples include an e-shop enabling exchange of products and services, a B2B area, a CRM with customer access, electronic procurement, auction services, electronic publishing or a simple corporate web site with the aim of converting visitors to customers.

Lowering costs is what companies expect from outsourcing. Generally the savings are in the average range of 10% to 20%. Another advantage lies in the fact that the company is able to focus its internal resources on its core business. This is what generates the highest value because it is where the company know-how is concentrated. We have seen this kind of statements many times. Even though they are true, the values of BPO for e-business are a bit elsewhere. In an effective way to manage a great number of various processes.

E-business is more than e-commerce. In addition to the primary goal of product and service sales

via electronic media, it also means supporting all the business processes in the internet environment. Thus e-business means any application of processes on the internet which leads to monetization of the expended resources. Furthermore, it demands continuous operation of most services - 24 hours a day, seven days a week.

BPO Processes
It needs to be considered that keeping up with the constantly changing internet technologies is not enough to flawlessly provide business processes on the internet. For instance, production of an internet shop embodies the work of different experts: web developers, web designers, content publishing technology developers, copywriters, internet marketing specialists, technology and infrastructure administrators, internet shop business process specialists and system administrators.

Even if the company is able to create, within its organizational structure, a sufficient amount of human resources to secure these processes, it will not be nearly as effective as a BPO provider. Why? Specialists working within your organization are only able to attain professional growth to a certain degree. Their motivation for personal growth is also hindered. On the contrary - an organization professionally

oriented on specific process is constantly confronted with other specialists in the field, trying to hold its position on the market – which significantly increases potential for professional growth of their employees in their market segment. For instance, a situation where a manager in your company drives and controls the development of a single web developer or electronic media creative is difficult to imagine. Thus the internet as a business channel demands a well-functioning department with a number of different specialists or a cooperation with a company primarily focused on the administration of support processes. Furthermore, employing an external company gives you instant access to innovation and new technologies.

Who employs BPO in e-business?
BPO is currently not a domain of large corporations. Instead, small and medium enterprises are a predominant consumer of e-business BPO. For example, the majority of companies address external providers when searching for an e-shop solution. Their reason is not based on understanding the great complexity of e-business. – this is mostly because the solution is usually only a secondary business channel and therefore easier to carry out by means of a consumer-provider relationship.

Here lies the answer for companies who are already outsourcing their e-business. If e-business is the primary tool of your entrepreneurial activity, you should be able to provide a sufficient foundation to support all processes. However, if e-business is only one of your sales channels, outsourcing is probably a much more effective solution.

internet entrepreneurship

The scope of e-business BPO

A good e-business BPO provider should be able secure both basic outsourcing and support processes. Basic outsourcing is represented by the actual development of the solution and infrastructure administration. Support processes are preceding and following the project creation – consulting on functionality, customer behavior, marketing strategies and lots of others. These are the ones that decide the success of an e-business solution.

Analyses of the market and the existing processes within your company is the first process that the provider should carry out. Based on this, a strategy or basics of a business plan can be laid out. These can be confronted with the real conditions in future. Internet customers are different and the internet environment brings much more competition, that is why this step should not be underestimated.

A BPO provider will also propose which services and technologies should be applied, supporting the scope of the development of the solution and administration of the required infrastructure. They should also be able to provide analytics and consecutive administration of their solution. When procuring technology and infrastructure it is often effective to use services of a different external provider. This way the total cost of acquisition can be confronted with more than one subject. Also e-business solutions often present greater granularity of vendor relationships. Creative services, analytics and development are procured separately. In these cases, however, the reasons for this lie in the quality of particular sub-deliveries. Any ad-hoc changes will result in a decrease in overall effectiveness.

E-business has specific nuances much different from sales in classical brick-and-mortar shops. This is the reason why your provider should clearly specify all the business processes of the proposed solution. These will allow you to take the most advantage of the internet's potential and use it effectively as an additional business channel. For example, securing the logistics processes, implemented by Logistic Service Providers (LSPs) is a key factor of e-commerce solutions. Sadly, a recent study on information systems done by CCV has revealed, that companies make use of Electronic Document Exchange (EDI) only in 69% of cases, despite of them being an inseparable component of e-business logistics automation. The study has also showed that 19% of LSPs do not plan to implement any EDI solutions and lose potential benefits of structured electronic data interchange. However, the expected increase in global IT investment may make them change their plans.

Summary

By employing outsourcing in e-business you gain an opportunity to lower operational costs, secondary IT services and in to increase their effectiveness and the effectiveness of your company's business processes. An improperly decided strategy can result in a fundamental failure To avoid wrong decisions and to ensure a long-term E-business growth a potential BPO consumer should remember these key points:

- Invest time into market research and business plan created specifically for your e-business
- Make perfectly clear which processes are within your core business and which are specific for internet business and suitable for outsourcing
- Designate a single responsible person or a unit within the organizational structure for every outsourcing area to avoid communication noise and dispersion of responsibility
- When selecting a company (provider), consider your future process and technology independence scale and your flexibility to change providers and service scaling
- Choose a provider, who can clearly quantify specific goals and is able to carry out full responsibility on their fulfillment

The company might also be interested in continuous financing. Outsourcing provider investments become a part of service fees. Thus they do not figure as new expenses because effectively the outsourcing company is providing a loan. This way you will also need your CFO to gain new perspective on expense tracking, contractually guaranteed prices and flexibility when changing service breadth. This, however, is a very specific form of BPO E-business and its supply in the market is still limited.

BPO is not a universal solution to problems with information technology and business processes. Before deciding for BPO you should consider all the advantages and disadvantages of the services to be provided. No risk can be avoided fully. The only question is: Do the benefits outweigh potential risks? In a successful BPO partnership you can expect regular and foreseeable costs, more time to focus on the core business of your company and increased effectiveness. You can also except higher quality and lower costs of the processes compared to the other option of in-house development. The outsourcing partner will take over the responsibility for the particular area with a focus on productivity growth, flexibility and accelerate the reconceptualization of processes.

One of the dangers of BPO is to limit your thinking to cutting costs, passing the opportunity to see wider connections and potential investments. Outsourcing always makes you dependent on your partner. Getting to know the existing functions of the enterprise by your new outsourcing partner is one of the more difficult introductory processes that need to be undertaken. Also, by opening up to an external company your business is exposed to leaks of information and your know-how. This can also be avoided - by choosing your partner carefully.

To this day the most commonly outsourced services are IT network administration, server management, internet security, high-HR-demanding services or non-core-business processes. BPO in e-business is an existing form of outsourcing, in the Slovak market limited to to procuring technological solutions and their development. But current trends lead to more demand for a wider spectrum of BPO services, particularly consulting, administration and proper setup of e-business processes.

Needless to say - do not forget about possible risks of process outsourcing. Company becomes dependent on external entities. The possibility of know-how or customer data loss is not negligible either. Therefore, wisely check your future contracts and service conditions therein.

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