Teaching Case

GlobePort faces a *Knowledge Gap* in its Business Process Outsourcing

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Abstract

GlobePort offers its employees health insurance benefits using a variety of vendors. American Fidelity Indemnification, Allstate, State Farm insurance are some of the vendors providing these insurance options and each vendor has a different medical/dental/life/insurance plan with different premium cost and signup formalities. Two years back, GlobePort found it difficult to keep track of all these variations and vendor insurance signup regulations and decided to pursue business process outsourcing (BPO) of their benefits signup process and information systems. Recently the company has received multiple complaints about issues faced by employees during benefits registration due to procedural and technological problems as a result of the outsourcing that suggest a knowledge sharing gap exists between GlobePort, its employees, the BPO provider and the insurance vendors. GlobePort needs to close this gap by adopting knowledge management technologies supported by effective organizational practices. This case asks the reader to select a set of knowledge management practices and collaboration tools that can help GlobePort support the outsourced benefits verification and enrollment processes and alleviate their employee dilemma.

Keywords: Business Process Outsourcing, Knowledge Management, Collaboration systems, HR benefits management, Return on Investment.

1. INTRODUCTION

GlobePort is a medium sized nationwide adult-care enterprise that has over 5000 employees. Their business faces a 50% turnover of employees throughout every year. The regulations governing their business require them to provide health benefits to all employees. Benefit choice available to full time employees are based on their individual pay grade level. Life insurance and disability insurance is also offered by the company. GlobePort has very few Human Resources (HR) staff and they were being stretched during their open enrollment period between November and December, when the company allowed open benefits enrollment for their employees. With the recent proliferation of insurance vendors that offer a multitude of plans and a variety of regulations, forms and scrutiny processes, GlobePort's IT staff and their HR staff were increasingly finding it difficult to properly support the open enrollment period. Their IT department faced major staffing issues as they tried to support HR (and other functional departments) with critical application systems design and development to manage the documentation needed for employee benefits enrollment.

David Mayo is the area manager of the IT department supporting Human resources and has been involved in supporting the enrollment application for many years. Only two members of his IT team works on this benefits enrollment application that required designing, rebuilding and deploying new features every year in the Fall. Increasingly they relied on custom developed software and difficult integrations with external insurance vendor's information systems to manage to "*survive*" the annual enrollment blitz.

The custom developed software often did not meet the requirements of their own legal team. Tim Hardy, HR Director, recently found some discrepancies in how the coverage alternatives were being presented to employees of GlobePort. The stakeholders (insurance vendors and HR managers) kept changing their requirements every year and even demanded supplemental reports that were not available in the custom developed enrollment system. All these demands were snowballing David's IT budget/resources to support open enrollment into prohibitive cost territory with increasingly more and more custom developed application code year after year.

2. HEALTH INSURANCE VALIDATION

The largest number of coverage options and complicated formalities were typically presented by GlobePort's health insurance vendors. Health insurance is a benefit that is provided not just to employees but also to their spouse and children and eligible parents. Health insurance benefits are provided to fulltime employees, who work at least 32 hours per week. Not all employees need the health insurance plans provided by GlobePort, as some employees are dependents on their parents' or spouses' health Insurance. However, those employees having outside health insurance must provide proof to GlobePort of that coverage so that the regulators do not penalize them for failing to cover their employees. Employees have a timeline by which they must prove that they have medical insurance. Only after the proof of insurance is ratified, the premiums charged on their payroll is taken off. The approval and validation of medical Insurance is a sizable and voluminous process and involves lots of resources and manual effort such as calling and emailing insurance providers.

Part of the goal of the business process outsourcing (BPO) engagement was to off-load this exhaustive health insurance verification process to the third-party outsourcing vendor. This employee insurance waiver processing starts a week before the employee starts their job and the employee(s) are apprised via e-mail once every week as long as the insurance premium fees are charged on their account. The employees are informed via their email account a reminder to the employee prompting them to go into the benefits information system and submit an insurance waiver request if they require their insurance premium (payroll deduction) to be waived from their account due to having other medical coverage.

David Mayo is in constant contact with the IT person of the outsourcing company, Employee Indemnification Validation (EIV). EIV does insurance waiver processing for several other organizations in addition to GlobePort and has a team of Insurance validators that are very professional and efficient in this task. EIV has a robust application that is built by their IT application team which allows asynchronous messaging between their system and the numerous insurance providers' systems. EIV follows a list of steps in their validation procedure:

1. GlobePort's IT department feeds data daily to EIV's server about any new employees that need health insurance verification.
2. EIV's verification database is then loaded daily by their database administrator (DBA) with the above information submitted by employees about their health insurance coverage such as the provider's name, telephone number, insurance number and other contact information.
3. Once the data is loaded into the EIV database, the application then creates a ticket for each new entry. EIV's Insurance Validators then begin contacting the insurance companies to manually verify that the employees do have valid health Insurance as they claim.
4. If the Insurance validators make upto three voice calls over the next two days to verify the coverage with the insurance companies and update the ticket each time as part of their employee insurance verification and waiver process.
5. If during the verification process, the validators get information that the health insurance of the employee has expired then this information is updated by the application in the employee ticket, which can be then be accessed by GlobePort.
6. The EIV application has a design that limits the lifetime of the ticket to a maximum of three days to keep the ticket open. If within the time frame no information is received the ticket is then updated with a flag indicating 'insurance waiver denied' in their database.
7. Employee health insurance that is validated and approved is given a 'insurance waiver approved' flag which is updated in EIV's database and transmitted over to GlobePort.

The above process was adopted by GlobePort as an inherent process after their decision to outsource their insurance verification to EIV. However, the failure point in step 5 and the two data upload delays of 24 hours each in steps 4 and 6 have become problematic to GlobePort and is causing unexpected issues with their internal new employee onboarding processes. These issues hint at underlying knowledge sharing disconnects among the four stakeholders involved in the insurance validation process – GlobePort, their employees, EIV and the insurance vendors (Durst and Edvardsson, 2012).

3. KNOWLEDGE MANAGEMENT THEORY

The research on interorganizational knowledge management shows that knowledge sharing is particularly difficult across organizations (Burgess, 2005). Factors that impact knowledge sharing are the characteristics of the organizations, their relationship, the type of knowledge and the transfer process (Argote, 1999; Ko, Kirsch and King, 2005; Inkpen and Tsang, 2005). Hansen, Nohria and Tierney (1999) identify two enabling strategies for knowledge sharing - a personalization strategy for sharing tacit knowledge with emphasis on building relationships verses a codification strategy for sharing explicit knowledge with emphasis on infrastructure. The codification strategy aligns with the development of intellectual capital, while the personalization strategy aligns with the development of social capital and relationships. While various IT solutions can facilitate the sharing of explicit knowledge between firms (Hislop, 2002) organizational practices can play a role in tacit knowledge sharing by building social capital, a concept from social capital theory (Nahapiet and Ghoshal, 1998).

Need for KMS Focus
Three focus areas for KM practices have also been identified in the KM research literature (Stewart, 2001) – (1) structural capital, (2) human capital, and (3) customer capital. The KM practices focused on structural capital allow the subunits of an organization to exchange knowledge through established channels that can be easily reconfigured. Examples of structural capital initiatives include setting up dashboards that allow status to be entered, updated and visible in real time. These KM tools allow the exchange of project status among sub teams. KM assets that fall into the human capital focus area have its purpose of "enriching" the vendor's operations personnel. While a web portal to allow customers

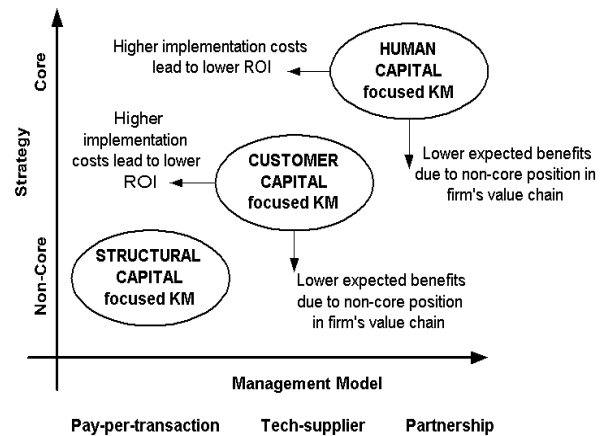to submit feedback falls in the domain of harnessing customer capital.

Figure 1: Focus of KM Strategy per Model

KM practices focused on human and customer capital require a personalization approach to KM and are needed for creating and harnessing implicit knowledge. The later are more difficult to implement and only produce benefits when paired with a partnership management model. It is clear that offshore outsourcing strategy, the outsourcing management model and the organizational KM focus need to be closely aligned. Structural capital focused KM practices can succeed in a weakly coupled management model, while human and customer focused practices need stronger client vendor partnerships (Zack, 2002). A human capital focused KM initiative will be expensive to implement when a pay-per transaction management model is in place; resulting in lower return on investment (ROI). Likewise, a human capital focused KM initiative may not provide enough benefits to the client firm in a non-core outsourcing strategy resulting in a lower ROI (Figure 1).

Dennis Bentley, a new GlobePort employee tried to interpret the ticket that showed his insurance validation was "not approved" and realized that the EIV ticket notes were too complicated to understand. Abbreviations, codified conventions are captured that would need training to fully interpret. Not much help or interpretation was offered by GlobePort's own IT department.

The goals of the business process outsourcing (BPO) arrangement were to segregate the two organizations to maximize efficiency and ROI. There was no synergy among the actors in the client and vendor organizations of the BPO – EIV and GlobePort. They could attempt to develop connections and be encouraged to engage each other as peers, but it won't be easy to change the BPO culture as both organizations are extremely short staffed.

4. BPO INFRASTRUCTURE ISSUES

The outsourcing vendor, EIV was using a deployed services architecture on the Amazon Cloud to host their insurance validation application. During the first year of the outsourcing, GlobePort received several corrupt files from EIV's application. When EIV was contacted regarding the errors, they took over 24 hours to rebuild a workable file with changes rolled back to a prior validation period. Data was lost and this caused a difficult situation as affected GlobePort employees needed to resubmit their insurance waiver requests. Pam Shaw from the HR staff had to deal with multiple calls and emails asking for updates. The file corruption occurred multiple times (6 times as tracked by David Mayo) as was attributed to a latency problem caused due to concurrency issues in the application.

There were also two occasions when the Amazon cloud server was updated with platform patches, which caused the EIV application to fail. The errors were related to user authentication and tickets not could not be accessed. David Mayo contacted EIV about the issue and was informed that they were having server troubles and were waiting on Amazon to reinstall new patches to resolve the issue. David again was in a situation where he was not able to resolve an issue but kept Pam apprised about the issue. This server connection problem occurred twice in the last two years and EIV did not give any reason(s) as to why the Amazon servers patches were causing application problems.

A significant outage was experienced in early 2017, when in the month of February 2017 Amazon cloud services was down due to a partial failure of the hosting platform, effecting many AWS customers. Again in the month of March 2017, the Amazon cloud was down for few hours as the amazon team was troubleshooting a platform problem that was related to their billing system when one of Amazon's technicians erroneously executed a command that took a large number of AWS servers offline without any prior notification. While these outages were not the responsibility of EIV, yet the troubles propagated to GlobePort during their peak Fall benefits' enrollment push and in the midst of their processing of new employee insurance verification.

5. BUILDING BPO INTEGRATION

David Mayo had read about using collaboration tools in outsourcing research papers that could allow the IT team on the GlobePort side, to learn in real situations by having one of the vendor staff engaging with them on certain tickets. A key success factor was staff motivation, and budgeting money and staff time for the cross training. David started a pairing process to increase his staff's capabilities and encourage interactions between client and vendor staff on suitable learning tickets. The mentoring resources on either side were limited and needed to be managed effectively. To serve the two-fold goals of providing training to the client personnel as well as supporting the bi-directional knowledge transfer, David decided to institute a program to evaluate and control the mentoring tasks tightly (Ferreira, J., et.al., 2020). He forced his staff to apply for EIV cross training on a per transactional ticket basis. He established a review board to screen each request for knowledge potential and optimal fit for the goals. If a ticket was selected, then staff from the vendor and the client work collaboratively on the validation over the span of 3 days while the ticket was active.

David found that as staff worked together, they set and met goals, and trust, understanding of cultural diversity and joint ownership of work were all fostered.   However, the mentoring program was seen as counter to the objectives of outsourcing. Other GlobePort managers viewed it as a drain on their limited client staff, who had been cut in successive company restructuring. With limited staff, who were all very busy even without peering duties, David was pondering whether other means, such as technology and tools might be more effective to build similar capabilities and exchange knowledge.

6. COLLABORATION TOOLS

One of the major factors revolutionizing the nature of electronic knowledge sharing and collaboration was the development of tools for sharing work, commonly referred to as workgroup software. Currently Web 2.0 technologies have brought collaboration technologies to the forefront of the Internet. Systems like Wiki's, Weblogs and podcasting

have allowed organizations to tap into remote capabilities by leveraging expertise from one part of the world to another. Other complementary technologies include WWW and email and Instant Messaging systems and portals such as SharePoint. They are a loosely organized collection of technologies, such as email, workflow processing, contact management, scheduling, conferencing, communications, and document sharing; all of which revolved around the theme of supporting collaborative work (Table 1). These systems can only be utilized with careful organizational strategic planning, training of users, business process analysis and management tracking. These tools are also highly customizable, with a scripting language that allows companies to configure the products to suit the automation of their processes, such as multi-stage document approval.

Collaboration Tool	Objectives and Usage Goals
Listservers, Discussion Boards	Capturing threads of discussions on topics raised by team members and their subsequent contributions.
Checklists	To guide validation tasks from past experience and ensure that adequate data collection and situational analysis is being done. These checklists support building best practices
Lessons Learnt Lists, FAQ	To ensure that new process expertise is captured and shared for future use
Training Presentations	Training materials are developed by scouring the listservers, discussion boards and FAQ. Presentations include all the listerv threads and their resolutions, the list of lessons learnt and pointers to any checklists or process/product document that is considered a "*must read*".

Table 1: Collaboration Tools for KM

8. CONCLUSIONS

David Mayo had made the hurried decision two years ago to pursue Business Process Outsourcing of critical processes such the insurance validation for new employees. Integrated processes such as the above have many stakeholders connected by the input/outputs of the process and any process failures can lead to employee dissatisfaction. The employee complaints were heard loud and clear by David Mayo. Yet, their limited staff were being overwhelmed by the variations posed by dealing with a multitude of benefits/insurance vendors.

Even after the occasional troubles and setbacks faced in the BPO, GlobePort's senior leadership and board of directors still view outsourcing as a viable strategy. They have asked David to determine a plan to select and outsource additional HR and business processes to external vendors. The goal being to move away from entrenched internal cost centers towards a "best provider" approach. As David Mayo reflects on his BPO experience, he realizes that things will get more interesting in the future.

9. QUESTIONS

After reading the scenario presented in the GlobePort and EIV business process outsourcing case, answer the following questions:

1. What were the primary benefits of outsourcing the insurance verification process?

2. What were the primary drawbacks of outsourcing the insurance verification process?

3. What are the main business process problem(s) in this case?

4. What steps do you suggest David Mayo adopt to address the process issues that have resulted from outsourcing the employee insurance verification process?

5. What Knowledge Management approach and technologies can help address the knowledge gap?

6. GlobePort wants to expand their use of Business Process Outsourcing. What should David Mayo do differently in the future?

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