# TRANSFORMING BPO WITH AI AND AUTOMATION: IBM'S APPROACH TO INTELLIGENT OPERATIONS

INTRODUCTION

Business process outsourcing has been successfully deployed within enterprises for almost three decades. Initially, BPO was facilitated by increased access to global labor markets, and over time it has significantly aided enterprises by allowing a third party to handle an entire business process from end to end. Historically, this has been a valuable offering for business leaders looking to optimize costs and manage compliance via service-level agreements.

Due to multiple changes in the business and technology landscape, especially around AI, BPO is poised for its next major evolution. At Moor Insights & Strategy, we call this iteration BPO 3.0. To illustrate this, let's consider BPO over the past 25 years.
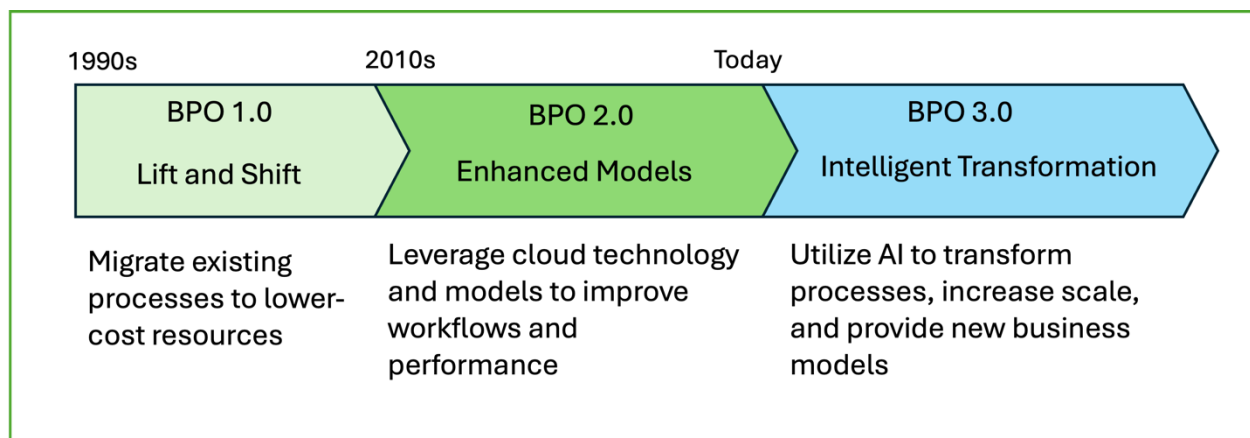
History of BPO, Moor Insights & Strategy, 2025

The second generation of BPO relied heavily on automation and deployment of SaaS solutions complementary to clients' existing ecosystems to deliver new levels of process efficiencies. This third generation of BPO is about using automation and artificial intelligence to reinvent user experiences, internal processes, and end-to-end delivery models altogether. The goal is to flatten processes and bring them to users through natural language interactions. The expected outcomes include faster time-to-value and

enhanced, more resilient outcomes for the business. This paper considers current examples of this, with IBM's AI-enabled work in BPO as an example.

A SHIFTING CUSTOMER LANDSCAPE

In many ways, early business process outsourcing was a function of technology. BPO 1.0 was more about connecting a new third-party-managed arm of the business into the enterprise. Networking, telephony, and security were all major concerns. However, two key things have changed how BPO is defined and delivered since then.

1. Cloud connectivity technology has significantly reduced the barriers to implementing and delivering remote services. This was a hallmark of BPO 2.0.

2. Today's executive leadership is more digitally aware and keen to take advantage of new technologies, including AI, to further strengthen and optimize their operations. The IBM Institute for Business Value (IBV) stated in a recent survey report that in 2025 executives are planning to augment business processes an average of 55% more than they did before.

Both changes bring a new set of requirements and opportunities into the light. This includes a chance to use new technologies to transform existing, outdated processes. It also opens the door to considering how enterprises consume and pay for these services, for example through consumption-based pricing.

IBM'S BEST-KEPT SECRET

For the past 25 years, IBM Consulting's Intelligent Business Operations services (IOps) have helped hundreds of enterprises transform different aspects of their operations while optimizing costs and mitigating business risk. IBM Consulting IOps has experience modernizing across many business functions, including finance, HR, procurement, supply chain, and customer service. IBM has long been a recognized leader in this space, with multiple market leadership citations and awards.

As the market enters the BPO 3.0 era, IBM is well positioned to extend its leadership in the business process outsourcing landscape. The foundation of this leadership will continue to be the combination of IBM's service-delivery experience paired with its extensive technology capabilities in AI and automation. IBM's IOps strategy is outlined across three value pillars.

VALUE PILLAR 1 — TRANSFORMATION THROUGH END-TO-END OPERATIONS

Over the past five years, businesses have needed to confront processes and workflows that are not scaling well. For instance, as more job hunting has moved online, the number of applications for any given job posting has increased. In some verticals such as the public sector, the number of applications per job is up as much as 20%. How can an outdated process effectively be reengineered to scale for today's market conditions?

This is where IOps comes in with an AI-enabled approach that simplifies and integrates workflows, improving speed, scalability, and business outcomes. Orienting the planning process to the desired outcomes rather than current success metrics can help enterprises take a more strategic approach anchored by two key elements.

1. An end-to-end scope — Once a more strategic approach is implemented, the entire workflow can be reevaluated. Collaborating with a knowledgeable partner like IBM enables companies to adopt a more holistic point of view that may allow them to identify new operating modes or change-management opportunities. And change management will be vital: according to recent IBM research, 64% of CEOs say success with generative AI will depend more on people's adoption than the technology itself.

2. A new digital experience — Generative AI has the potential to radically transform how end-to-end processes are consumed and executed. In effect, AI-based agents working autonomously in the background provide a "flattened"—that is, a simplified and more natural—experience. The prior complexities, multiple systems, and organizational silos are transcended and resolved through the agents.

IBM's process, industry, and technology expertise, along with these digital experiences, enables enterprises to accelerate their transformation journey and do it safely.

VALUE PILLAR 2 — MINIMIZING RISKS AND BUILDING RESILIENCE

While the notion of process transformation sounds enticing, there can also be resistance, particularly from non-revenue-generating parts of the business. "If it isn't broken, why should we fix it?" is a powerful disincentive to change. At the heart of those concerns is often risk mitigation. It's understood that even though those functions have been operating under intense cost scrutiny, they are mission-critical. For example, supply chain teams often function like corporate "first responders." They are often credited as early warning systems that signal challenging times ahead.

But we have also observed over the past five years that some of these functions and processes are less resilient than previously thought. And this challenge is not going away. However, resiliency can be restored by considering three key areas.

1. Smoothing employee churn — Aging worker populations in many developed countries point to a looming brain-drain crisis in enterprises. This potential loss of institutional knowledge presents a particular challenge in terms of how individual companies orchestrate and execute their unique processes, particularly at scale. But it can also become an opportunity. By leveraging large language models and retrieval-augmented generation, company-specific data can be used to model and continuously improve processes compliantly to augment incoming staff and onboard them quickly and reliably.

2. Standardizing and mitigating technology debt — It's not only the risk of people moving on. Another key ingredient is standardized platforms, applications, and data. Technology debt in these three areas is often significant because the incentive to keep systems compliant in the past was often stronger than the incentive to avoid business and budgetary disruption. While the mentality of only fixing what was broken may have been tolerable before, that is no longer the case. This also goes beyond keeping up with versions and aligning technology stacks. For example, data may need to be significantly restructured or even ported to new data management solutions to ensure that AI efforts can meet their potential. Or, platforms may need to be replaced to ensure that the applications and data they host remain secure. The risks associated with technology debt and lack of process documentation are also perilously high. IBM Consulting estimates that up to 70% of existing enterprise applications require modernization.

3. Managing future innovation — This is also compounded by a new set of risks arising from the deployment of AI and the constant churn in models and architectures driven by accelerated innovation. Although codification of the processes employed by digital workers mitigates some of the above issues, the ability to govern, deploy, and manage AI and its uses in daily operations remains a real challenge for corporations.

IBM IOps is a leader in all three areas and can help mitigate operational risk and increase resilience. IBM has managed clients' technology footprints for decades and is well known for its stance and global contribution to ethical AI and governance in particular. New platforms such as IBM Consulting Advantage also help operationalize

and accelerate the desired transformation while providing a robust, flexible framework that mitigates risks.

VALUE PILLAR 3 — AI-ENABLED VALUE REALIZATION AND PRODUCTIVITY

For IBM, AI is far from just a means to generate and manage documentation. AI can be a key transformational ingredient. Returning to the earlier recruiting example, AI can help scale the work of existing recruiters and optimize their sourcing strategies to attract the right candidates at the right time. Smart AI agents can evaluate requisitions against historical sourcing performance, available resource pools, actual past-hire performance, and other factors to determine how best to adjust the requisite skills for each job and which sourcing will deliver the fastest time-to-fill and the best candidate fit for the enterprise.

Again, this example is helpful in illustrating that AI is just one ingredient. The full recipe for this type of process reinvention also requires solid data management and process reengineering. For example, hiring might scale better if video screening became the rule and not the exception. In that case, the basic content management system that used to work for text-based resumes must become a data lake. Also, in this case, more emphasis is placed upon the hiring manager creating a tighter, more precise job description so the right data can be collected during the video screening and the hiring manager can get involved in the final round of candidate selection rather than as the first point of contact.

This is where bringing IBM's AI-first mentality for process transformation can present new opportunities. Delegating simpler tasks to AI-based tools and agents can significantly increase productivity. In some cases, tasks can be automated altogether or accelerated up to 90%, for instance the handling of HR, payables, or cash collection queries. According to a recent survey by the IBV, executives in functions such as finance and HR expect an average 41% increase in productivity as a result of generative AI—a jump that is also expected have a profound impact on the bottom line.

But this is not all about productivity. Because of its ability to converse with systems using natural language or APIs, generative AI can integrate and engage with existing systems to gather the right data, helping practitioners make better informed and quicker decisions. By embedding AI into the core of business processes, IBM has the ability to not only enhance productivity but also increase accuracy, unlock higher-value work, and foster innovation and competitive advantage.

CONCLUSION

IBM has the combination of experience, technology, and innovation to maintain and potentially extend its leadership as we enter the era of BPO 3.0. Using its three value pillars when engaging with clients provides the following:

1. A holistic reinvention of processes and operating model end-to-end, meeting clients where they are on their transformation and technology journey.

2. Experience in de-risking transformation and delivering resilient, scalable, and trusted operations in a constantly evolving technology landscape.

3. Leading expertise in productive AI deployment for core business functions such as finance, HR, procurement, or customer service.

The combination of these values is where IBM's success in this market is derived. And in terms of real-world results, IBM has delivered. Here are just a few examples:

- IBM's own HR team implemented real-time HR customer service, which is able to answer 94% of customer queries without human intervention.

- IBM supply chain customers have experienced an average of 44% better asset utilization.

- IBM's own efforts in process reinvention, harnessing data, and driving change management at scale have delivered operating savings in excess of $3 billion.

For enterprises considering a partner in process modernization and transformation, IBM makes a strong case. For more information, visit https://www.ibm.com/consulting/bpo.