

What is Outsourcing?

Outsourcing is the delegation of tasks or jobs from internal production to an external entity (such as a subcontractor). Most recently, it has come to mean the elimination of native staff to staff overseas, where salaries are markedly lower. This is despite the fact that the majority of outsourcing that occurs today still occurs within country boundaries, especially in North America. It became a popular buzzword in business and management in the 1990s. Where functions previously performed by an organization are supplied under contract from a third party. Buying goods or services instead of producing or providing them in-house. While outsourcing is not exactly a new innovation, the shifts that have occurred recently in this space are worth noting. As the need for e-learning moves higher up on the IT and corporate training agendas, organizations are wont to take on the IT management burden of implementing a learning management system (LMS). The concept of taking internal company functions and paying an outside firm to handle them. Outsourcing is done to save money, improve quality, or free company resources for other activities. Outsourcing was first done in the data-processing industry and has spread to areas, including telemessaging and call centers. Outsourcing is the wave of the future. A long-term, results-oriented relationship with an external service provider for activities traditionally performed within the company. Outsourcing usually applies to a complete business process. It implies a degree of managerial control and risk on the part of the provider. The transfer of components or large segments of an organization's internal IT infrastructure, staff, processes or applications to an external resource such as an Application Service Provider.

Outsourcing can be BPO Outsourcing, Process Outsourcing, Offshore Outsourcing, and Call Center Outsourcing etc.

What is BPO?

BPO stands for Business Process outsourcing.

Business Process Outsourcing is the long-term contracting out of non-core business processes to an outside provider to help achieve increased shareholder value.

Many IT professionals are familiar with the term business process outsourcing (BPO), but knowing how to distinguish it from other types of outsourcing requires some scrutiny.

Though some forms of BPO may include both IT management and business operations, the approach is primarily about turning over functions such as payroll, accounting, billing or even real estate management to a third party. Though these business processes may depend on IT, they are separate functions from core IT operations, such as data center activities or network management.

India's Top Fifteen BPO Companies - 2004-05

The top 15 third party ITES (Call Center and BPO) companies in India, based on revenues for 2004-05 reported as per the annual Nasscom survey on IT industry performance are as below.

The ITES-BPO segment contributes 30 per cent of the total IT-ITES exports from India and witnessed a growth of 44.5 per cent to reach \$5.2 billion in 2004-05. The ITES-BPO exports are expected to clock revenues of \$7.3 billion in 2005-06.

1. WNS
2. Wipro BPO
3. HCL Technology BPO Services
4. IBM Daksh
5. Exl Services
6. MphasiS BPO (formerly MSource)
7. Intelenet Global
8. ICICI OneSource
9. GTL
10. Progeon
11. 24/7 Customer.com
12. Datamatics Technologies
13. Hinduja TMT
14. Transworks
15. Tracmail

BPO - ITES – (Business Process Outsourcing - IT enabled services)

IT enabled Services is an revolutionary IT offshoot which can look after your all outsourcing needs whether its a Customer Relationship Management (CRM), Back Office Operations/Revenue Accounting/ Data Entry, Data Conversion incl. Finance & Accounting/HR Services, Transcription/Translation Services, Content Development/ Animation/ Engineering and Design/GIS, Other Services including Remote Education, Data Search Market Research, Network Management & Consultancy Services.

The ITES-BPO industry in India is a relatively young and nascent sector, barely over five years old in this business segment.

The Indian education system places strong emphasis on mathematics and science, resulting in a large number of sciences and engineering graduates. Mastery over quantitative concepts coupled with English proficiency has resulted in a skill set that has enabled the country to take advantage of the current international demand for remote development and IT outsourcing.

Revenues from IT outsourcing, remote development and IT enabled services exports are likely to grow at a significantly higher rate than other exports and invisible and by 2008 will exceed all other invisible combined. IT outsourcing and remote development and IT enabled services exports, which currently account for 8 percent of foreign exchange inflows, will contribute more than 30 percent of foreign exchange inflows in 2008.

KPO - Knowledge Process Outsourcing

The evolution and maturity of the Indian BPO sector has given birth to yet another wave in the global outsourcing scene: KPO or Knowledge Process Outsourcing. The success in outsourcing business process operations to India has encouraged many firms to start outsourcing their high-end knowledge work as well. Cost savings, operational efficiencies, access to a highly talented workforce and improved quality are all underlying expectations in offshoring high-end processes to India

India's intellectual potential is the key factor for India being the favored destination for KPO industry. The current education system and the youth power have created a bulk of interest for investors.

According to a report by Global Sourcing Now, the Global Knowledge Process Outsourcing industry (KPO) is expected to reach USD 17 billion by 2010, of which USD 12 billion would be outsourced to India. In addition, the Indian KPO sector is also expected to employ more than 250,000 KPO professionals by 2010, compared with the current figure of 25,000 employees. A report by Evalueserve predicts that India will capture more than 70 percent of the KPO sector by 2010. Apart from India, countries such as Russia, China, the Czech Republic, Ireland, and Israel are also expected to join the KPO industry.

Knowledge process outsourcing is an industry that is growing at a fast pace, and likely to command a \$12-14 billion market by 2012. In the move towards third-party outsourcing, IT service providers are particularly at an advantage, with a potential growth rate of about 40-50 percent per annum, according to Sam Balaji, managing director at Deloitte Consulting.

Participating at a seminar organized by Nasscom at Hyderabad on the transition of BPO to KPO in India, Balaji said that there is tremendous employment potential in the KPO sector, although the emphasis should be on enhancing skill levels rather than rapid expansion. Also speaking on the occasion, Evalueserve vice-president Mohit Srivastava mentioned that the growth of the KPO industry is driven by the demand and supply of industry requirements. There were several other speakers on the panel, who emphasized the role of KPOs, the returns from this industry, and the need to ensure data security. Sify.com reports:

The trend in this fragmented industry is towards moving captive services to third-party outsourcing as large IT services firms are set to take to this wave. While large IT services providers are better placed, some tier II companies are making a mark operating in niche segments.

Knowledge Process Outsourcing

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"KPO (knowledge process outsourcing) allows organizations to do fairly complex operations and get the benefit of time to market," said Ritesh Idnani, head of global sales at Progeon, a business process outsourcing subsidiary of InfoSys Technologies based in Bridgewater, N.J. **"(It allows firms) to derive operation efficiency where they do the task while transforming the way the do the task itself."**

"Knowledge services is an area where we are seeing a lot of demand and continuous growth," Idnani said.

KPO services are much more research and analytical intensive, he added. For example, unlike traditional outsourcing, **KPO focuses on research for front-office type activities such as financial planning, credit, quantitative and fixed-income research**, Idnani told UPI.

India's intellectual potential

The myth that Indian companies can only provide "software coolies" is soon changing to the reality of Indian companies being capable of almost anything, even rocket science! India has a large pool of knowledge workers in various sectors ranging from Pharmacy, Medicine, Law, Biotechnology, Education & Training, Engineering, Analytics, Design & Animation, Research & Development, Paralegal Content and even Intelligence services.

This talent is soon being discovered and tapped by leading businesses across the globe resulting in the outsourcing of high-end processes to low-wage destinations. Hence Knowledge Process Outsourcing involves offshoring of knowledge intensive business processes that require specialized domain expertise.

The future of KPO

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Comparison of Opportunity in BPO and KPO markets

Low-end outsourcing services have an expected Cumulative Annual Growth Rate (CAGR) of 26% by 2010. In contrast, the global KPO market is poised for an expected CAGR of 46% by 2010. The following figure demonstrates the expected growth in the BPO and KPO markets over the next seven years.



What high-end services can be outsourced to the Indian KPO sector?

Here are some KPO services that can be outsourced to India :

- Research & Development
- Business and Technical Analysis
- Learning Solutions
- Animation & Design
- Business & Market Research
- Pharmaceuticals and Biotechnology
- Medical Services
- Writing & Content Development
- Legal Services
- Intellectual Property (IP) Research
- Data Analytics
- Network Management
- Training & Consultancy

The challenges in KPO

KPO delivers high value to organizations by providing domain-based processes and business expertise rather than just process expertise. These processes demand advanced analytical and specialized skill of knowledge workers that have domain experience to their credit. Therefore outsourcing of knowledge processes face more challenges than BPO (Business Process Outsourcing). Some of the challenges involved in KPO will be maintaining higher quality standards, investment in KPO infrastructure, the lack of talent pool, requirement of higher level of control, confidentiality and enhanced risk management.

Comparing these challenges with the Indian IT and ITES service providers, it is not surprising that India has been ranked the most preferred KPO destination owing to the country's large talent pool, quality IT training, friendly government policies and low labor costs.

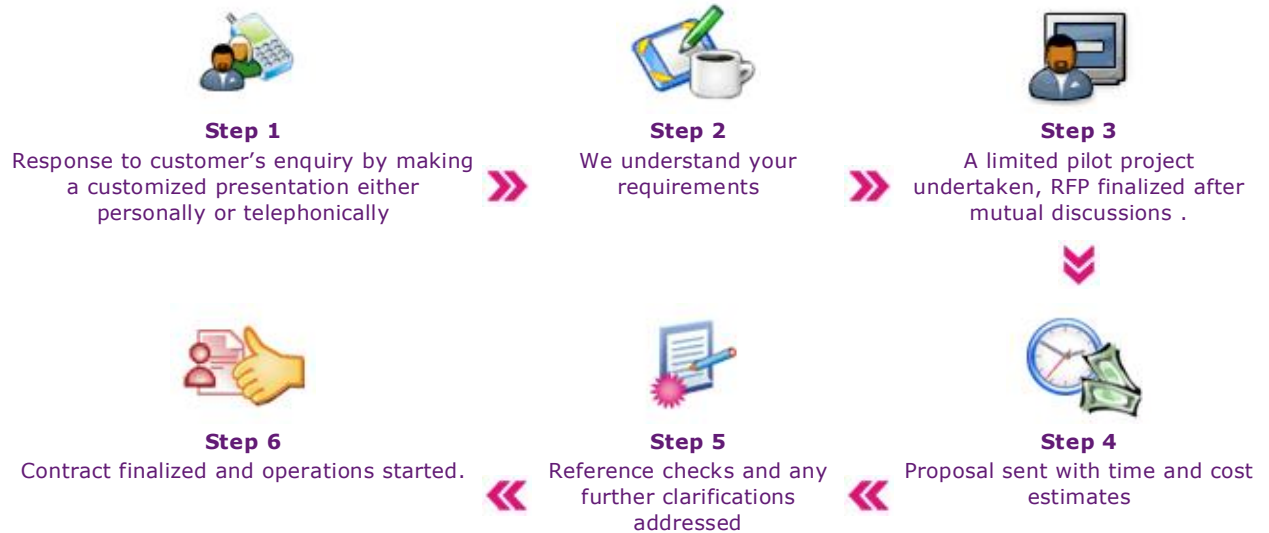
India is well equipped to meet this emerging sector's challenges and all set to be the global KPO hub!

Outsource your Knowledge Processing Requirements to India

"Setting up and running large scale data acquisition, producing high quality output and a well controlled project is an achievement very few suppliers- despite the experience they claim- seem to be able to make. Outsourcing can be a serious headache if it goes wrong. It is the professionalism of your project management and the helpfulness and approachability of the people involved in working together that makes working with you quite painless."

- Major Publisher in the USA

KPO Outsourcing Process



'Knowledge Process Outsourcing to surpass BPO industry growth'

GG2.NET NEWS [13/08/2005]

INDIA'S Business Process Outsourcing (BPO) industry will soon be edged out by the emerging Knowledge Processing Outsourcing (KPO) sector as the biggest revenue grosser, according to Kiran Karnik, President of India's National Association of Software and Services Companies (NASSCOM). Karnik also predicted that India's IT exports will grow by 32 per cent to touch \$22.3 billion by the end of the current fiscal.

Although he did not quantify the potential of the KPO industry, Karnik said that a lot of foreign companies are looking to India for setting up research and development services. China and East European nations are the major states, which are well poised to give a tough fight to India in this sector, he observed.

Karnik said there is a need for quality talent, for which NASSCOM has initiated an industry-academia programme to have a re-look at the education curricula and faculty training.

Though it is the government's job to bring about positive changes in the education sector, he said NASSCOM, too, would play a pro-active role in this regard. On other initiatives of NASSCOM, Karnik said that there is a move to set up a national registry of employees in the BPO sector. A third party will validate the data.



After BPO, it is now KPO!