CHAPTER VII

RECOMMENDATIONS & LIMITATIONS
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7 RECOMMENDATIONS & LIMITATIONS

Over the last five years, Business Process Outsourcing has grown rapidly. Extensive Venture Capital funding and the low cost resource base have made several companies look at India as a resource to tap. In order to validate the growing positive sentiment several studies have been conducted by Organizations like Nasscom, Mckinsey, Gartner. All the studies conducted so far have repeatedly stated the huge market for BPO and IT-enabled services

According to the NASSCOM McKinsey study on Indian IT strategies, out of a global market of about $140Bn USD, India would have a share of little over 10 per cent amounting to $17Bn USD by the year 2008. Further analysis of this information revealed that with a $17Bn USD ITES market, India would be one of the top five ITES markets in the world. The study indicated that out of the $142Bn USD global market, Data management would comprise the largest proportion amounting
to $44Bn USD followed by direct customer interaction services amounting to $33Bn USD. The surprise element was the proportion of outsourcing market research was just about $5Bn.

Since the prime reason of BPO emerging as a lucrative industry to jump in is cost cutting, the statistics don't disappoint either. Insurance sector benefited the most until now with an overall cost cut of 10 - 15 Per cent with a three times increase in EBIDTA (Earnings before interest depreciation, tax and amortization) followed by the Banking sector which badly needed some serious cost cutting measures.

The banking sector had managed to cut costs by 8-12 Per cent translating into a 1.5 times EBIDTA increase. While the service intense industry harnessed the outsourcing potential, the trend had a spill over effect in areas like R&D and manufacturing. The Pharma sector managed a cost reduction by almost 6 per cent.

A survey on various reasons and business benefits of outsourcing revealed that Cost reduction was the second most vital reason to outsource, the most important being the improvement of company focus. However, loss of control was the prime deterrent in opting out of outsourcing. This is where
solutions and facilities that provide the client total control on processes and the ability to override the same. The most common outsourced process was Payroll processing.

Companies all over the world look out for the core competence or the specialty of the BPO vendor and the ability to meet global delivery standards. This criteria is as important for companies as the pricing suggested by the vendors. Eventually this scenario is likely to undergo and minor alteration. In future BPO vendors would be differentiated based on the existing clients with the vendors.

As discussed above estimates today suggest that as much as 62 per cent of those preferring outsourcing business processes preferred India as a destination. A statistic this favorable to India cannot be purely due to price advantage, it is due to other major aspects out of which three major aspects are as follows

1. Tighter integration between people processes and technology

2. Skilled manpower therefore a higher learning curve

3. No language barrier
Outsourcing (KPO) industry in India will grow 45% in size by 2010. The BPO industry’s global KPO pie in 2010 would be around US$17 billion, of which US$12 billion (70%) would be outsourced to India. Is it good news? Or is it...

It seems that the evolution and maturity of the BPO sector has facilitated the emergence of the KPO. It also seems that KPO would overtake the BPO industry in terms of exports, and revenue size.

KPO, it seems, requires enhanced skill sets than BPO. In that case, what will happen to us? Where do we go – the burgeoning morass of BPO workers? Guys, we have to upskill. Or face death at the hands of the KPO workers.

A major reason why companies in India will have no option but to move up the value chain from BPO to KPO is quite simple. By 2010, India may have become too costly to provide low-end services at competitive costs. Doesn’t it mean that we move up the value-chain along with time?. I think the time has come that we consider upskilling, while being at work; so when the KPO bug strikes, we are at the forefront.
Thus by implementing above suggestions a system can be developed where BPO caters to the need of future demands and also opens huge international market and increase there shares in global outsourcing.