BUSINESS PROCESS OUTSOURCING: SWOT ANALYSIS

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ABSTRACT

Business process outsourcing (BPO) is the delegation of one or more IT- intensive business processes to an external provider that in turn owns, administers and manages the selected processes. Outsourcing is not a new concept. It has been in use since the turn of the 20th century; when Henry Ford decided that instead of owning rubber plantations to produce its own tires it could be simply outsource them. Outsourcing of manufacturing has been in vogue for long. Business Process Outsourcing (BPO) is the act or process of utilizing the services of a third party by a company or organizations in order to perform its back office operations that might be payroll administration, customer help desks/call centers, tele-marketing, accounting, billings and others. This Paper is the modest attempt to do conceptual study the BPO industry.
Key Words: BPO, ITES, Near Shore outsourcing, Offshore outsourcing, Onshore Outsourcing, SWOT.

INTRODUCTION

Economy is growing, competition is increasing, businesses are expanding and many new trends are emerging, outsourcing amongst them being perhaps the hottest, most happening and debated one. Outsourcing "is the work done for a company by people other than the company's employees." Now, these people could be anywhere and they may have their offices in any part of the world, speaking different languages, and working in different time zones.

The countries involved in global outsourcing enjoy many benefits and their economies will be developed. Though outsourcing activity has been ongoing for quite sometime, the current outsourcing process is characterized by a faster pace, and there are more types of services being covered.

The concept of outsourcing has benefited a number of versatile types of industries, service domains and organizations. For example: Back office operations, customer relationship management, call centers and telemarketing: tele-servicing and product support, payroll maintenance, finance/accounting/billing, human resources, logistic management, supply chain management and medical transcription.

Outsourcing allows organizations to:

- Cut costs
- Increase profitability and productivity
- Enhance development
- Provide better service at lower rates
- Increase shareholder value
- Increase security and reliability
- Maximize uptime
- Concentrate on top of competition (Gupta and Bandopadhyay, 2006).

With the boat of success steaming ahead in the global markets, India has already become the most privileged destination for Business Process Outsourcing. The booming Information Technology (IT) segment comprising ITES (IT-enabled services)/BPO (Business Process Outsourcing) are the core sectors that have driven the country into the epicenter of change. The liberalization of the Indian Telecom sector in 1994 gave an unexpected boost to the ITES/BPO industry. In no time, India has turned into a hot destination for global offshore outsourcing companies.

India is the world's largest sourcing destination for the information technology (IT) and IT enabled BPO services industry, accounting for approximately 52 percent of the US$ 124-130 billion market. This industry is also positively influencing the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living and diversity among others. The industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services.

Offshore Outsourcing

BPO that is contracted outside a company's own country is sometimes called offshore outsourcing.

Near shore Outsourcing

BPO that is contracted to a company's neighbouring country is sometimes called near shore outsourcing.

Onshore Outsourcing

BPO that is contracted with the company's own country is sometimes called onshore outsourcing.

ITES-BPO, KPO, BPO and LPO are some of the sub-segments of BPO industry. They perform wide range of services as Customer service call-centers, transaction accounting (A/P and A/R), record-keeping, contract administration, statement generation, general bookkeeping, telephonic/online interviews, Internet research including profile generation, product updates etc, presentation and report generation, customer relationship management, IT enabled services, customer support, technical support, insurance processing, forms processing, tele-marketing, logistic management, financial and accounting services, software testing, web promotion services, legal services and such other back end and front end services.

EVOLUTION OF BPO IN INDIA

Indian BPO industry has evolved significantly over the past few years. Despite of recent arrival in India, the BPO industry, has grown phenomenally and has now become a major segment of the export oriented IT software and service sector. Today it has developed into a broad based business platform backed by leading Indian IT software and service organizations and other third-party service providers.

The ITES/BPO market expanded its base followed by the entry of Indian IT companies worldwide. The evolution growth of the BPO industry in India has been facilitated by the success of the Indian IT sector. The spectrum of service offered by Indian companies has evolved from call-centre, data entry and customer support services. Today Indian BPOs are offering a wide range of service ranging from customer care, billing service and database marketing, sales marketing, accounting, tax processing, insurance claims processing, research etc.

Although the IT industry in India was existed since early 1980, it has witnessed the real emergence in the early and mid 1990s.

First Phase:- In the early 1990s multinational corporations established wholly owned subsidiaries in India for customer care and technical support services. American Express, British Airways and GE Capital etc were the important players in Indian market.

Second Phase:- In mid 1990s, NRIs ventured into the BPO business. Due to process efficiency and labour arbitrage and fully satisfied with quality of services, the industry grew rapidly as many MNCs began outsourcing the service like data processing, data conversion processing, accounting etc to India. Tier-I cities like Mumbai, Bangalore, Chennai, Delhi and Hyderabad were the preferred destinations for BPO companies.

Third Phase:- At the end of the 1990s, the BPO industry in India covered number of diversified activities like insurance claim processing, risk management, tax consulting etc. at this stage along with Tier-I cities, BPO industries were established in Tier-II cities as Jaipur Pune Indore Mysore and Kolkata etc.

Fourth Phase:- In the current phase of evolution of the BPO industry in India, There is an increasing trend of merger and acquisition. Indian companies are acquiring small and also medium size business in overseas locations. Indian BPOs apart from consolidating their presence in traditional verticals are now diversifying into new verticals such as offering more critical services and expanding service portfolio. Now Indian BPOs started offering more and more knowledge based services and shifted to quality from cost benefit concept.

India became familiar with "Business Process Outsourcing" only in the early and mid 1990', but now the entire country seems to be quivering with the "BPO fever". Now Indian BPO industry is at Fourth phase of its growth.

TYPES OF SERVICES OFFERED BY INDIAN BPO INDUSTRY

Table number 4.2 gives details relating to types of services offered by Indian BPO Industry.

Table-1
Types of Services Offered by Indian BPO Industry

S. No	Services	Services Example
1.	Customer support service	Customers calling to check on their order status, information on product and services, account status, reservation status etc
2.	Technical support services	Customers calling to resolve a problem with home PC, to understand how to dialup to ISP and other software or hardware problems
3.	Telemarketing services	Calling to retail households to sell leisure holidays, credit or debit cards etc
4.	Data entry services	Data entry of e-books, receipts, catalog, business cards etc
5.	Employee IT help desk	System problem resolutions related to desktop,

	service	notebooks, OS, connectivity, browsers, IT operational issues etc
6.	Insurance Processing	New business/promotion and policy maintenance/management
7.	Data processing services	Copy, paste, editing, sorting, indexing data into required format etc
8.	Data Conversion services	Conversion of data across various data bases on different platforms, input/output for various media, word processors', spread sheets etc and conversion from page maker to PDF format
9.	Scanning services	High speed image scanning and data capture services, OCR data from scanned page, scan and OCR paper book into CD, ADOBE PDF conversion services
10.	Book keeping and accounting services	General ledger, accounts receivable, account payables, financial statements, assets/equipment ledger etc
11.	Form processing services	Insurance claim form, medical form, medical billing and payroll processing
12.	Internet/online/web research	Internet search, product research, market research, mailing list research etc

Source: www.bpindia.org

Business Process Outsourcing in India is organized in many segments. Back office processing and customer interaction services are among the fastest and largest growing segment that contribute significantly to the Indian BPO market. Broadly speaking the Indian BPO industry can be divided into six categories:

1. Captive Units set up by global companies that outsource their back-office operations from India.

2. Indian Third-Party Vendors that execute transaction and processes for international clients.

3. Joint Ventures between international BPO companies and Indian partners.

4. Indian IT software companies that have added BPO to their service portfolio.

5. Global BPO players who set up call centers in India (for example, Convergys).

6. Global Consultancies (such as Accenture) who have been advising their clients on outsourcing and are now leveraging this experience into providing actual BPO service.

The most prevalent form of BPOs operating in India is that of either Captive Units or the Third-Party Vendors.

CURRENT DRIVERS OF BPO

The Outsourcing business has grown manifold primarily because it's major benefits (drivers). The significant BPO drivers are listed and explained as follows:

1. Cost Reduction
2. Focus on Core Operations
3. Shared Infrastructure
4. Improvements in Service Level
5. Access to large Talent Pool
6. Process and Production Innovation
7. Leveraging Multiple Time Zones
8. Changing Customer Needs
9. Improving the Bottom-line
10. Business Risk Mitigation
11. Maintain Competitive Edge
12. Obtain Outside Expertise
13. Gain Access to Advanced Technology
14. Make Continuous Improvements in Process effectiveness and efficiency
15. Achieve World-Class Standards/Benchmarks

INDIA AN IDEAL BPO DESTINATION

Globally, India has been considered as the most preferred destination for BPO companies. The key growth drivers of Indian ITES-BPO can be stated as follows:

1. Abundant Talent
2. Sustained cost competitiveness
3. Continued focus on quality
4. World class information security environment
5. Rapid growth in key business infrastructure
6. Enabling business policy and Regulatory environment
7. Government Initiatives towards extending infrastructure projects

GROWTH OF INDIAN BPO INDUSTRY

With the economic reforms instituted since 1991, Indian has emerged as the preferred destination for Information Technology enabled Services in the global offshore Business Process Outsourcing market. Looking at the hit side of the fabulous growth of the BPO industry, a number of leading software service companies also made a foray into the BPO domain, either directly, or through the mergers and acquisitions route. Most Indian IT leaders today such as Wipro, Patni, Satyam, HCL, among others, have presence in this market. The segments like customer care and administration showed a promising growth of over 75% which was the highest among all.

The radical change in the Indian economy over the last two decades have acted as catalyst in the growth of the information technology sector, following the BPO sector. The liberal reforms implemented by the government set the stage for India to emerge as a superpower in the BPO industry in the early twenty-first century. The growth of the BPO sector was made possible by the already established information technology sector and the availability of a large number of technically literate English speaking people in India. An analysis of the available information from secondary sources indicates that BPO in now the swiftest growing industry in India, and India is considered the "electronic housekeeper" of the world.

GOVERNMENT OF INDIA INITIATIVES

Following are some of the abstracts from the IT and ITES Industry policy 2015 of Government of India:

The adoption of key technologies across sectors spurred by the 'Digital India Initiative' could help boost India's Gross Domestic Product (GDP) by US$ 350 billion to US$ trillion by 2025.

Some of the major initiatives taken by the government to promote IT and ITES sector in India are as follows:

1. India and US, have agreed to jointly explore opportunities for collaboration on implementing India's ambitious Rs 1.13 trillion 'Digital India Initiative.

2. India and Japan held a Joint Working Group conference for Comprehensive Co-operation Framework for ICT. India also offered Japan to manufactures ICT equipment in India.

3. The Government of Telangana began construction of a technology incubator in Hyderabad-dubbed T-Hubs- to reposition the city as a technology destination. The state government is initially investing Rs 35 crore to set up a 60000 sq. ft. space, labeled the largest start-up incubator in the country, at the campus of IIIT-Hyderabad.

4. Bengaluru had received US$ 2.6 billion in venture capital (VC) investment in 2014, making it the fifth largest recipient globally during the year, an indication of the growing vibrancy of its startup ecosystem.

POLICY AND PROMOTION

IT and ITES has played a major role in the overall growth and development of India. In the electronics and IT sector, 100% FDI is permitted under the automatic route. The major fiscal incentives provided by the Government of India in this sector are:

1. Software Technology Parks (STPs) were set up as autonomous societies under the Department of Electronics and Information Technology in 1991 to promote software exports from the country. There were about 51 STPs were set up since them, the STPs enjoy the benefits as exemptions from service tax, excise duty, rebate for payment of Central sales Tax, 100% exemption from income tax of export profits and so on.

2. The special Economic Zones (SEZ) scheme was enacted by the Government of India in 2005 with in objective of providing an internationally competitive and hassle-free environment for exports. It provides drastic simplification of procedures and a single window clearance policy on matters relating to Central and State governments. Till 15 years the data of establishment exemption from income tax is provided to manufacturers. 100% exemption of export profits from income tax for first five years, 50% for the next 5 year subject to transfer of profits to special reserve.

3. According to the SEZ approval board of India the maximum number of SEZs has been approved for the IT and ITES sector. Total 354 SEZs were approved by the government for IT, ITES electronic hardware sector.

4. To take care of infrastructure needs Information Technology Investment Regions were notified in 2008. These regions will be provided with excellent infrastructure facilities.

5. R & D promotion is also being encouraged by the government. In addition to scheme for funding R & D projects, "Support International Patent Protection in Electronics & IT and Multiplier Grant" Schemes were also undertaken by government. Option for self-certification and filing of consolidated annual returns under 13 Acts administered by the Labour Department.

6. The Maharashtra Knowledge Corporation Limited (MKCL), the Maharashtra State Board of Technical Education (MSBTE) and other agencies will institute training based certification and placement programmes.

IT/BPO Companies in India

The following information shows the importance of BPOs and its growth in India.

Table-2
Table Showing Top 10 IT/BPO Companies in India

Rank	Name of Company	Revenues (Cr)
1.	Tata Consultancy Services	48426.14
2.	Infosys	36765
3.	Wipro	31682
4.	HCL Technologies	8907
5.	Mahindra Satyam	5964
6.	Tech Mahindra	5243
7.	Mphasis	3420.84
8.	Oracle Financial Services	2605.85
9.	MindTree	1915
10.	Polaris Tech	1762

Source: NASSCOM Report

SWOT ANALYSIS ON INDIAN BPO SECTOR

Strengths

1. Highly skilled, English-speaking workforce

2. Abundant manpower

3. Cheaper workforce than their Western counterparts According to Nasscom, The wage difference is as high as 70-80 percent when compared to their Western parts.

4. Lower attrition rates than in the West.

5. Dedicated Workforce aiming at making a long term career in the field

6. Round-the-clock advantage for Western companies due to the huge time difference.

7. Lower response time with efficient and effective service

8. Operational excellence

9. Conducive business environment

Weaknesses

1. Recent months have seen a rise in the level of attrition rates among outsourcing workers who are quitting their jobs to pursue higher studies. Of late workers have shown a tendency not to pursue BPO as a full-time career.

2. The cost of telecom and network infrastructure is much higher in India than in the US.

3. Local infrastructure

4. Political influence

Opportunities

1. In services that require advanced English, like KPO, Content and Medicine, India will continue to excel. NASSCOM predicted that India will emerge as a global hub for knowledge services by 2015.

2. India has a large pool of English-speaking lawyers with expertise in foreign legal systems who can offer legal support and patent services. A few Indian companies are already affiliated with American legal firms and they have captured a small part of the American market.

3. India is now the leader in the FAO market with any Fortune 500 companies already having their outsourced operations in India with firms like IBM, ACS, and TCS etc.

Threats

1. The industry is growing rapidly and requires corresponding growth in infrastructure as well, an area where India is lacking- this needs to be addressed.

2. Due to the rise in labor costs in Indian metro cities, companies are moving towards smaller Tier II cities.

3. Though India continues to be the world leader in the outsourcing business, it will face tougher challenges in the near future, from South-east Asian countries like Indonesia, Malaysia, the Philippines, Singapore, Vietnam and Thailand, which are improving their positioning as alternative offshore locations.

4. India's competitiveness is being challenged by countries like Indonesia, which offer cheaper labor in IT and business process skills, while India is experiencing increased labor costs and high attrition, which are of concern, and need to be addressed.

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