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2006

BUSINESS PROCESS OUTSOURCING A GLANCE

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According to AT Kearney, India was rated as the best offshore BPO destination among 11 most preferred countries for BPO. India was rated as number one because of its relatively low costs and a high quality workforce. The cost factor included cheap labour and low costs of establishing telecom infrastructure. The large size of English-speaking workforce, high literacy, low cost and relatively low employee turnover rates in the industry were the factors favouring India. In this background, the present paper aims to discuss the use of BPO in the Indian context.

Business Process Outsourcing (BPO) refers to a decision sub-contract some or all non-core processes. It is the act of giving to a third party non-core works at a lesser rate. The firm does the core works itself, which is unavoidable, though costly. For instance, an insurance company might outsource their "claims process" work or a bank might outsource their 'loan processing system'.

Companies that are looking at business process outsourcing are hoping to achieve cost savings by giving away their non-core work to a third party; which the party can take advantage of and by doing such work for many companies.

The significant benefits of BPO are:

1) It is a way to improve operational performance of any firm and incidentally building up the economy of developing countries.

2) Due to heavy competition, a big firm/concern/institution/establishment does not want to spend money on their non-core work. These are given to economically poor countries so that much money and energy are not spent.

3) The main motive for BPO is to allow the company to invest more time, money and human

resources into core active items without losing quality and name.

4) As the current sources of revenue faces a slower growth, software companies are trying new ways through BPO to increase their revenues.

5) India has one of the largest pools of low-cost, English speaking, scientific and technical talent. This makes India the obvious choice to outsource. *Dell, Sun Microsystems, LG, Fort, GE, Oracle* have announced plans to scale up their operations in India.

6) Many Call Centers have come up in India serving several foreign airlines and banks in BPO. Many European and US companies have realised that they should focus on their main business and outsource their human resource department, accounting department etc. to overseas BPO agencies.

7) BPO saves precious management time and resources and allows focus upon core competencies.

8) BPO is one way of increasing their profits. It results in increasing shareholder value too. An estimate indicates that if a bank shifts the work of 1000 people from US to India, it can save about \$18 million a year due to lower labour cost in India.

9) Productivity improvements, access to expertise, operational cost control, cost savings, improved accountability, improved HR, opportunity to focus on core business are some other benefits of BPO.

10) It gives a clear cost advantage to the company that is giving out the work.

11) Outsourcing helps to convert a fixed cost structures to a variable one and allows for more

flexibility to handle the uncertainties of business.

12) Many overseas countries do not employ permanent staff for handling miscellaneous jobs. These countries get their jobs done through BPO.

13) By outsourcing the sundry jobs, big firms can concentrate on core items and be successful.

14) In view of the prevalence of unemployment, the opportunity by BPO and the remuneration from it is a boon to underdeveloped countries.

The avenues open for BPO are answering customers; recording to compliance of Call Centers; listening to doctors or listening to audio cassettes, preparing medical transcriptions, maintaining

insurance account, setting up computer centers, preparing software; graphics; animation; multimedia; scanning etc., Table given below explains the possible activities of BPO in various industries.

While the industry is expected to grow rapidly, it is also expected to witness consolidation. In order to catch the lucrative opportunity, Indian BPO companies must develop capabilities to offer more value-added services like transactions processing, data mining, HR, consulting, financial reporting and other analytical, knowledge-based services. They must also make efforts to develop and retain management talent.

Table : BPO in Various Industries

Activity	BPO Action
Software Development	Offshore Development
Research	Outsourced Research
Pharmaceuticals	Clinical Research
Automobile	Component Manufacturing
FMCG	Manufacturing
Telecom Services	OEM Supplies, Billing
HR	Payroll Administration, Outsourced Recruitment
Financial Services	Transaction Processing
Customer Support	E-mail and Telephonic Call Centering
Oil & Gas Distribution	Retailing
Cement Manufacturing	Outsourced Production
Insurance	Claims Processing
Healthcare Services	Medical Transcription, Billing, Claims Processing
Infrastructural	Manpower and Facilities Management
Data Management	Data Entry, Validation, Formatting and Reporting
Electronics	Component Manufacturing
Hospitality	Supplies Management
Internet Economy	Application Services Providers, Third Party Services
Construction	Subcontracting, Fabrication
Marketing	Distribution, Research
Products Retailing	Logistics and Delivery Management

Source: Deepak. V.Kuriakose, BPO: E- Business