

MANAGEMENT OUTLOOK

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KNOWLEDGE PROCESS OUTSOURCING

It is being claimed that KPO is one step extension of Business Processing Outsourcing (BPO) because BPO Industry is shaping into Knowledge Process Outsourcing because of its favorable advantageous and future scope. But, let us not treat it only a 'B' replaced by a 'K'. In fact, Knowledge process can be defined as high added value processes chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity. And when this activity gets outsourced a new business activity emerges, which is generally known as Knowledge Process Outsourcing.

Knowledge Processing Outsourcing (popularly known as a KPO), calls for the application of specialized domain pertinent knowledge of a high level. The KPO typically

involves a component of Business Processing Outsourcing (BPO), Research Process Outsourcing (RPO) and Analysis Proves Outsourcing (APO). KPO business entities provide typical domain-based processes, advanced analytical skills and business expertise, rather than just process expertise. KPO Industry is handling more amount of high skilled work other than the BPO Industry. While KPO derives its strength from the depth of knowledge, experience and judgment factor; BPO in contrast is more about size, volume and efficiency.

In fact, it is the evolution and maturity of the Indian BPO sector that has given rise to yet another wave in the global outsourcing scenario: KPO or Knowledge Process Outsourcing. The success achieved by many overseas companies in outsourcing business

process operations to India has encouraged many of the said companies to start outsourcing their high-end knowledge work as well. Cost savings, operational efficiencies, availability of and access to a highly skilled and talented workforce and improved quality are all underlying expectations in outsourcing high-end processes to India

The future of KPO has a high potential as it is not restricted to only Information Technology (IT) or Information Technology Enabled Services (ITES) sectors and includes other sectors like Legal Processes, Intellectual Property and Patent related services, Engineering Services, Web Development application, CAD/CAM Applications, Business Research and Analytics, Legal Research, Clinical Research, Publishing,



Market Research (Market research KPO) etc.

In today's competitive environment, focus is to concentrate on core specialization and core-competency areas and outsource the rest of the activities. Many companies and organizations have come to realize that by outsourcing non core activities, not only cost are minimized and efficiencies improved but the total business improves because the focus shifts to the key growth areas of the business activity.

Scope and Future of KPO

According to a report of National Association of Software and Services Companies (NASSCOM), the Indian chamber of commerce that serves as an interface to the Indian Software industry, Knowledge Process Outsourcing industry (KPO) is expected to reach USD 17 billion by 2010, of which USD 12 billion would be outsourced to India. Another report 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.

According to a recent study by "Evalueserve, a Gurgaon based outsourcing company having service chart for global world", the global KPO market is expected to grow at a cumulative annual growth rate (CAGR) of

46 per cent, from \$1.2 billion in 2003 to \$17 billion in 2010. Compare this with the prediction for the low-end outsourcing services market. This is expected to have a CAGR of 26 per cent, from \$ 7.7 billion to \$39.8 billion in the same period.

Evalueserve says India provided \$3.5 billion of BPO and KPO (but non-IT) services in 2003 and is expected to grow at a CAGR of 36 per cent during 2004 to 2010. Hence, it is likely to earn \$30 billion in 2010 by providing these services.

Says country general manager, Kelly Services, Achal Khanna "India still maintains the competitive advantage for providing, the combination of the most cost-effective and high quality manpower- this is India's strength in the off-shoring business".

In the future, it is envisaged that KPO has a high potential as it is not restricted only to Information Technology (IT) or Information Technology Enabled Services (ITES) sectors, and includes other sectors like Intellectual Property related services, Business Research and Analytics, Legal Research, Clinical Research, Publishing, Market Research (Market research KPO), etc.

"Over the past year or two, the outsourcing industry has been throwing up jobs for Doctors, Engineers, CAs, Architects," says Jacob William of the Ban-

galore-based Outsource2India, which employs 500 people and offers services in the big-buzz, big-bucks area of knowledge process outsourcing. "Unlike the first wave which was more about entering data and answering phone calls, these jobs involve skill and expertise."

Also, of course, the talent is much more affordable. "Law firms in the US charge an average of \$400-450 per hour, and we do the same work for \$75 to \$100 an hour" says Kamalani" who is an outsourcing provider in the same area.

In the Indian context, KPO salaries could be 25-50 per cent higher than those offered to the same domain experts such as Engineer, Doctor, CA, Lawyer, Architect, Biotechnologist, Economist, Statistician and MBAs, it said.

In its annual publication Strategic Review 2005, Nasscom has said the high-end activity of the BPO industry—the KPO or knowledge process outsourcing could be worth \$15.5 billion by 2010.

According to earlier estimates, the BPO industry itself was expected to be about \$20bn by 2008, hence a very significant portion of the sector—in excess of 50% is now projected to be knowledge based. This represents significant metamorphosis of call centre sector business to completely different model. Interestingly, Sunil Mehta,

Nasscom vice-president research, distances himself from the estimates.

The projections are based on a white paper released by Evaluateserve. The paper cites reasons for a possible KPO boom. It says higher savings by outsourcing knowledge based activities combined with the scarcity of specialized talent in developed countries could lead to growth in the KPO sector.

Billing rates for KPO are higher at \$30-45 per hour compared to just \$10-14 in the BPO business. However, the paper also warns of several challenges like higher quality standards, greater investments and inadequate talent.

The study estimates that while the compounded growth rate of BPO till 2010 would be just 26% KPO is expected to be grow at almost 46%.

Bottlenecks in Future Growth

A study on Knowledge Process Outsourcing (KPO) sector shows a huge supply gap that threatens to cripple its growth. Rocsearch, a UK-based research services company, has gathered evidence suggesting that the KPO market may just about reach a size of \$5 billion by 2010, manned by 100,000 people instead of projections of a \$12 billion market supported by 250,000 employees.

This accentuates Nasscom's projections of a shortfall of 500,000 workers in ITES and BPO sectors by 2010.

Assuming an average revenue per person of \$55,000 over the next four years, 100,000 knowledge workers point to a \$5 billion market. This size, though based on a CAGR of 32%, is still

60% less than the \$12 billion potential projected by big KPOs, like Evaluateserve, last year.

Rocsearch COO, Ashish Sinha says the sector is restricted by low employability despite high graduate turnout, and competing demand from other sectors as jobs grow faster than the workforce.

For example, all the 2,000-odd IIM and top 10 B-School graduates are employable, while less than half the 84,000 graduates from Tier-II B-Schools would make the grade.

The study sees only 500,000 of the over 3 million workers added to the labour pool in 2005 as employable in global firms and of these, just 2 in every 100 are likely to opt for work in knowledge space.

