



# Business Outsourcing Outsourcing (BPO) – Opportunities for India

Cost cutting has become a priority in every company's boardroom agenda and it is this imperative that is moving outsourcing to the top of the list. Offshoring is increasingly being seen not as an option, but as an inevitable necessity for global survival. No longer confined within the pages of a strategic management text book, offshore outsourcing is happening now and is nowhere more prevalent than in India. Indeed, more than 255 of the Fortune 500 companies now outsource a sizeable portion of their software development requirements to India.

## THE RISE AND RISE OF OUTSOURCING

Exporting around \$10 billion worth of software services last year, India's European activities totaled almost a quarter of this amount. The UK took the lion's share of this increasing market (59%) followed by Germany (14%), and to a lesser extent the remaining key European players namely Belgium, The Netherlands, France, Sweden, Denmark, Finland, Ireland, Spain and Italy. With a greater awareness of its lower operating costs, access to more than 250 million English speaking professionals, high levels of education, qualified IT professionals, improving telecoms/infrastructure and an increasing professionalism, India's profile is set to rise.

Many European/US companies have begun outsourcing their opera-

tions to India or setting up captive units over here ('captive units' refers to the offshore operations set up by the likes of HSBC, GE, Standard Chartered, BT, American Express to name a few, catering to their own requirements worldwide). So how large indeed is the ITES (IT enabled services) market for Indian companies? The truth of the matter is that it is as big as you want it to be, being a supplier created market.

## A LITTLE UNDER- STANDING GOES A LONG WAY

Amid this fanfare of growth and cost savings potential that outsourcing professes to deliver, caution is advised to first understand the added complexity with which the prevailing political and cultural dimensions may bring. For work to continually flow into India a quantum transition in business models and ways of working must first be made, requiring a deeper understanding of the customer's business concerns and mindset that transcends geographical boundaries.

Throughout this period of phenomenal change in the industry, one factor has remained constant throughout – the need to do business with people who understand people. Despite its success, awareness of cultural differences within the Indian IT industry still remains at a disappointingly low level. Suppliers are often readily assumed to possess the right expertise in terms of technical infra-

structure and domain experience, yet often lack the key differentiator/value-add of cultural understanding that customers are looking for.

Similarly, the European customer also has a strong responsibility to learn to work with new cultures to increase the probability of success. European companies wishing to outsource to India will see (in some cases) the blurring of lines between BPO and software services. BPO would be viewed as an extended service from an existing supplier. In other cases, they may feel the need for specialist BPO suppliers or pure play BPO companies who possess the relevant 'business process' and 'infrastructural' experience. It isn't getting easy for customers. As suppliers struggle with strategies and new ways of market entry and penetration, European customers are faced with a whole new range of offshore offerings, sometimes bewildering, which they are unaccustomed to.

European customers are increasingly seeing two types of suppliers in the Indian market. Indian software services companies have increasingly been seen to associate closely with BPO shops to develop a market offering of their own. Through this arrangement the service company delivers the marketing muscle and experience of issues such as handling customers, cultural issues, market place dynamics etc – complemented with the Indian BPO associate's delivery mechanism and skill set across horizontal sectors such as HR, Admin



and Finance among others. The larger Indian firms use their existing marketing set-ups abroad to bring in the business for their BPO units or counterparts. However, at the same time, a third category of suppliers such as the likes of WNS have also emerged which have grown out of their captive mantle and are scouting for outside work.

The traditional software services outsourcing 'mould' is being broken as the offshore BPO market moves from its infancy to intermediate maturity, providing a new challenge for both parties. Success will be sweet for those few alert companies who gain first mover advantage by being responsive to the market and customers' needs.

---

## THE OTHER SIDE OF THE COIN

---

In many western countries offshoring makes frequent headline reading – not all of it positive however. Often seen as a very real threat to the local job market, these undercurrents require a fair amount of maturity and cultural sensitivity to provide strong arguments to both potential customers and the local industry at large. This lack of sensitivity if left unchecked will seriously dent the competitiveness of the Indian industry as a whole.

Yet there is much untapped potential on *both* sides of the same coin.

As European companies outsource, Indian companies are required to import resources such as hardware, software, telecom equipment and software licenses. In addition, investment in the set up and operation of overseas offices is also needed to establish a credible local presence, supported by other services such as accountancy and law for example.

The traditional image of the 'Indian outsourcing supplier' is also being thrown on its head, with a large number of European and American companies also selling their software direct to India. LogicaCMG for example has recently a multi-million dollar deal from the Reserve Bank of India, with SAP, Oracle, EDS, IBM, and PeopleSoft among several others global players who have made significant inroads into the Indian market.

---

## NEW MARKETS, NEW THREATS

---

However, India cannot afford to become complacent as the globalization of business and rapid deployment of new technology has created a new order of economic imperatives. The US is increasingly considering 'near-shore' pastures such as Mexico and Canada, whilst Europe is considering its eastern neighbours such as Hungary, Poland, Romania and the Czech Republic. PriceWaterhouse Coopers is already delivering BPO services

mainly in the areas of finance and accounting from its Krakow centre in Poland, whilst Accenture utilizes its overseas operations in Prague. ACS, apart from its interests in India has operations in Mexico and Guatemala. Or for that matter the establishment of the e-centre in Warsaw by Carlson Wagonlit for its client GE. In addition, competitive differentiators cannot be ignored when considering a strategy for Europe. Scottish call centres have developed expertise in 23 languages including French, German, Italian and Spanish. WNS, the erstwhile British Airways subsidiary is reported to be offering French speaking personnel from its operations in Mumbai. The list goes on.

As BPO suppliers mature and the global marketplace begins to get crowded, there will be little to differentiate one from the other. As margins become tighter and technology increasingly becomes commoditised, the softer issues will gain a higher profile in enticing customers to your doorstep. And with European customers having the option of knocking on the doors of their erstwhile Eastern Bloc neighbours, Indian suppliers will have little choice but to shape up or ship out.

*The author is a London-based Strategy/HR consultant and can be reached at [sunit.jilla@btconnect.com](mailto:sunit.jilla@btconnect.com)*