

GLOBAL OPPORTUNITIES FOR BUSINESS PROCESS OUTSOURCING SECTOR

* **Dr. K. NIRMALA PRASAD**, M.Com.M.Phil.,Ph.D.

****Ms. H.S.PRIYADARSHINI**, M.Com., M.Phil.,

Over the last few years, the worldwide Business Process Outsourcing (BPO - ITES) industry has undergone rapid transformation. Continuing pressure on cost bases at a time of growing competitiveness is driving companies to look at offshore outsourcing as a strategic alternative. Focusing on comparative analysis and opportunities of global offshore locations, this article discusses the offshore Business Process Outsourcing prospects of multi-countries, explore the various attributes and characteristics of the countries based on factors such as cost, people and environment and examine what makes them good and not so good locations for offshore business processing.

Business Process Outsourcing (BPO), a key methodology, is a hot topic in today's business world. Business Process Outsourcing lets companies take full advantage of the realities of globalization by exporting certain business processes to outside providers who can do it cheaper, faster and better. The rise of the Internet, communication technologies, web, increased focus on core competencies and cost reduction has stimulated the growth of the IT enabled services at the globally most optimal location while providing access to customers anywhere in the world.

India, with its cost differential educated workforce and quality of service, has emerged as the preferred outsourcing destination for global business giants. This global focus on India has on the one hand created tremendous business opportunities for local players and on the other hand led to competition from other countries wanting a piece of the expanding outsourcing pie. Other countries have also come up with their own incentives, relative advantages and limitations. Ireland, the Philippines, Brazil, Canada, China, Mexico, Australia, South Africa and Singapore are also vying for the attention of global outsourcers.

* Principal, M.O.P.Vaishnav College for Women, Nungambakkam, Chennai-34.

** Ph.D., Research Scholar-FIP & Lecturer in Commerce, Arignar Anna Govt. Arts College for Women, Walajapet-632 513.

Exhibit – I below gives a clearer picture of the emergence of various countries on the Business Process Outsourcing horizon:

Exhibit - I

Established Destinations	:	India, Ireland, the Philippines, China, Canada and Australia.
Emerging Destinations	:	Mexico, South Africa, Malaysia, Brazil and Czech Republic.
Destinations with Potential	:	Singapore, Hungary, Poland, Mauritius, Indonesia, Dubai, Chile, Dominican Republic, Argentina and Thailand.
Destinations with Potential But High-risk	:	Pakistan, Sri Lanka, Ghana and Nepal.

Source: Value Notes.

GLOBAL SCENARIO OF ITES-BPO INDUSTRY

Worldwide spending on Business process Outsourcing (ITES-BPO) services totaled approximately US \$ 712 billion in 2001. International Data Corporation (IDC) projects that by the year 2006, the potential ITES-BPO market may increase to US \$ 1.2 trillion.

Exhibit - II shows Worldwide ITES-BPO spending by Region and Exhibit – III shows worldwide ITES-BPO spending by Segment.

Exhibit – II

Worldwide ITES-BPO spending by Region 2001-2006 and 2002-2006

Figures in US \$ Million

Region	2001	2002	2006	2001-2006 CAGR %	2002-2006 CAGR %
America	4,50,947	4,84,732	6,47,427	9.9	7.5
Europe, Middle East & Africa	1,54,423	1,71,303	2,37,390	11.5	8.5
Asia/Pacific	1,06,775	1,17,622	1,94,228	14.7	13.0
Worldwide	7,12,145	7,73,657	1,0,79,054	11.0	8.6

Source: International Data Corporation & NASSCOM.

Exhibit – III

Worldwide ITES-BPO Spending by Segment, 2001-2006

SEGMENTS	2001	2006	2001-2006(CAGR %)
Human Resources	7,373	25,555	28.2
Logistics	1,40,700	3,08,651	17.0
Purchasing	5,288	12,185	18.2
Engineering/R&D	69,798	1,23,882	12.2
Marketing	76,666	1,08,340	7.2
Sales	1,07,412	1,65,736	9.1
Facilities Operations	1,20,635	1,72,329	7.4
Administration	36,644	53,396	7.8
Legal	1,11,273	1,63,962	8.1
Finance/Accounting	36,356	64,872	12.3
TOTAL	7,12,145	11,98,908	11.0

Source: International Data Corporation.

In the Asia – Pacific region after Australia and New Zealand, India ranks third followed by Korea and China of the regions outsourcing revenues. Exhibit – IV gives Revenue Forecasts of Business Process Outsourcing Services Market of Asia-Pacific Region 1998-2008.

Exhibit - IV
REVENUE FORECASTS OF BPO MARKET- ASIA PACIFIC REGION
1998-2008

YEAR	REVENUES US \$ Million	REVENUE GROWTH RATE %
1998	573.0	NIL
1999	660.4	15.3
2000	769.4	16.5
2001	979.5	27.3
2002	1,158.9	18.3
2003	1,365.2	17.4
2004	1,601.2	17.3
2005	1,841.6	15.0
2006	2,118.9	15.1
2007	2,410.0	13.7
2008	2,700.1	12.3

Compounded Annual Growth Rate 2001-2008 15.6 Percent

Source: Frost and Sullivan

FUTURE PROJECTIONS

- Forrester Research estimates, by 2015, as many as 3.3 million US jobs and US \$ 136 billion in wages could be moved to countries such as India, China and Russia.
- Meta Group predicts that offshore outsourcing will grow by more than 20 percent annually, pushing it from a \$ 7 billion market in 2003 to a \$ 10 billion market in 2005.
- International Data Corporation has predicted that the global ITES market will account for revenues of \$ 1.2 trillion by 2006.
- Gartner predicts that BPO will grow to US \$ 62 billion by 2008, accounting for 20 percent of the total market.

BUSINESS PROCESS OUTSOURCING PROSPECTS IN A GLOBAL SCENARIO

In the era of globalization, a Business Process Outsourcing company may have wide ranges of choice available to contract out services. Companies have to consider a number of factors while assessing offshore destinations according to the specific business requirements. Driven by pressures of cost and competition, leading Business Process Outsourcing companies are increasingly following multi-country strategy to ensure business continuity and to mitigate risk.

The following comparative chart reveals an overview of country-by-country analysis of the major offshore locations based on factors such as cost, people, environment including services offered, major investors, advantages and limitations of such locations to meet the Business Process Outsourcing companies unique offshore needs.

(Comparative Chart of Global Opportunities is Attached in Separate file

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CONCLUSION:

Business Process Outsourcing (BPO) is a process that must be undertaken carefully and judiciously to produce maximum benefit for businesses. Business Process Outsourcing success involves putting together good strategy that addresses culture and risk. Success relies upon an understanding of the market place and an awareness that the market place varies from country to country. Companies at the forefront of the offshore movement are continuously looking for potential opportunities across the next border. The multi-country opportunities outlined in this article can help companies compare factors across the range of countries and combine them to assess the trade-offs.

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