Knowledge Process Outsourcing (KPO) – India

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ABSTRACT

Knowledge Process Outsourcing, or KPO, is the latest wave to hit the outsourcing business in India. A booming sector with tremendous potential, the KPO sector in India employs around 25,000 people currently. KPO is Knowledge Process Outsourcing (KPO). It involves outsourcing for high-end knowledge work. This includes research and work on intellectual property, equity and finance, analytics, market research and data management, et cetera. This article is prepared for better understanding of the concept and state of India in the sector.

Introduction

The Outsourcing Industry has been extensively researched in the past decade. Business Process Outsourcing (BPO) in particular has been the topic of many analyses. Outsourcing first appeared in the IT industry in the 1980s. This was the time when companies recognized the benefits of having IT service partners in order to develop complex systems, and enhance the way that a business process or service is managed (Schumacher, 2005). Since then, the outsourcing industry has gone through its introduction and growth stages, with growth rates of around 50%, and has reached its transformation stage. Increasing globalization and high pressure to innovate have substantially shortened the product and service life cycles. Industry life cycles have therefore become shorter and shorter - outsourcing is no exception. Over the past five years a new form of outsourcing has become popular and promises, as BPO once did, huge [1]growth and profit potential.

The outsourcing industry is also termed as BPO industry which has given birth to its improved form termed as Knowledge Process Outsourcing (KPO). KPO is a refined form and an extension of Business Process Outsourcing (BPO). KPO provides value to the client through domain expertise rather than process expertise. The KPO which is an extension of BPO is the high value; high growth business that is independent of the co-existence of the BPO. According to the reports of global sourcing now the KPO is expected to reach $ 17 billion by 2010 out of which India's share would be $ 12 billion.

Knowledge Process Outsourcing (KPO):

Knowledge Process Outsourcing, or KPO, is the latest wave to hit the outsourcing business in India. A booming sector with tremendous potential, the KPO sector in India employs around 25,000 people currently. KPO is Knowledge Process Outsourcing (KPO). It involves outsourcing for high-end knowledge work. This includes research and work on intellectual property, equity and finance, analytics, market research and data management, et cetera.

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 (KPO). 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.

KPO-Suitability in India:

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2. It will be suitable to the Indian work culture.

3. It will earn huge foreign exchange for the country.

4. It will help reduce educated unemployment in India

5. It will stop brain drain from India to developed countries like USA or UK.

Different countries have different factor endowments that stem from their inherent geographic, historic and cultural heritage. Knowledge industries are typically intensive in skilled labour and educated manpower. Therefore what matters for a country's comparative advantage in knowledge industries is its resource base in terms of skilled and educated manpower or human capital. To assess this, there is a need to study the endowment of human capital in developing nations. India is a labour intensive country. India has largest pool of manpower, which is capable of efficiently serving the KPO industry. The country produces more than 3 Million graduates annually. India enjoys the 2nd biggest reservoir of scientists, managers, and engineers in the world. In India, large numbers of people have an access to quality education but at the same time they get low salary as compared to their counterparts in other developed countries. This led the professionals to move to other developed countries. A large base of human capital along with low salaries is clearly what is going to determine the direction of knowledge process outsourcing.

India's has a strong education sector. The number of colleges for professional education was 886 in 1990-91, which increased to 3201 in 2004-2005. In 2004-05, there were 407 Universities, deemed universities and institutions of national importance. There were 136 research institutions, 1302 engg, tech & Arch colleges and 817 medical colleges. There were 2431 institutes of higher learning, which included law, Management, MCA/IT, Agriculture etc. Enrolment figures show that there were 55352 students enrolled in PhD/ DSc/ DPhil, 696609 students in BE/ BSc(Engg) / B. Arch and 256748 students in medicine.

India has a growing population of educated people capable of handling high-end knowledge-based work and research. With a huge talent pool, India could emerge as a global KPO hub as the sector requires specialized knowledge in respective verticals. With the mushrooming of engineering and technical institutes in India, there will no shortage of skilled manpower in India. A confederation of Indian industry study states that India's transition from a BPO destination to a KPO destination is imminent. Apart from India, countries such as Russia, China, the Czech Republic, Ireland and Israel are also expected to bag a lucrative pie of the KPO industry. The cost advantage: more and more companies are turning to India for off shoring KPO work as quality work gets done at cheaper rates. India also offers significant cost advantages as much as 40 to 50 per cent in the areas of Research and Clinical trials. For instance, drafting and filing of patent applications in the US is very expensive. A typical application costs about $10,000 to $15,000 to draft and file with the United States patent and trademark office. Companies can save up to 50 per cent of the cost by off shoring the work to India.

BPO verses KPO: - Business Process Outsourcing (BPO) means handing over the work of the company to outside company or agency for completion on contract basis. It is the delegation of one or more it intensive non core business processes to an external services provide that owns, administers and managers the selected process based on defined and measurable performance metrics Knowledge Process

Outsourcing (KPO) is the field where the service providers, by using their specialized domain expertise, process the information in the most professional way and convert it into the most useful form for the client user and then deliver this processed information to client company for making most crucial decisions in the core business functions. In other words it is outsourcing of the core activities such as research and development analysis and crucial decision based function.

Functions covered under BPO and KPO: - The functions covered under BPO and KPO are moderately different. These functions are basically different in its natural form as the BPO covers non core functions and KPO covers core functions.

Feature	BPO	KPO
Functions	Non core and routine	Core
Nature of Employment	For fresh graduates wit good communication skills	For professionals like CA, MBA, Engineers, PhDs etc.,
Professional Approach	Work on process expertise	Works on domain expertise
Career Difference	Considered by people as job not as a career	Considered by professionals as a career
Working hours	Type of working 24x7x365	Normal 8 hours working
Employees Turnover rate	Very high (almost 40%)	Comparatively very less
Growth rate	Expected to be 26%	Expected to be 46%

LPO, RPO, HRO, MBPO – as parts of KPO:

In the present scenario where activities of various nature are being outsourced viz., LPO, RPO, HRO, MBPO etc., to India from various parts of the world, different activities are being assigned a common word i.e. Knowledge Process outsourcing (KPO). But the word has definite connotation and can not be used for all kinds of the activities. These are different as well parts of KPO but are definitely not BPO activities.

1) LPO (Legal Process Outsourcing): It was an addition to the BPO family — legal process outsourcing or LPO. When it began, LPO consisted mostly of low-end transcription work, but no longer. LPO now includes a huge range of legal processes, such as patent application drafting, legal research, pre-litigation documentation, advising clients, writing software licensing agreements and drafting distribution agreements. The offshoring of U.S. legal jobs is already ramping up, as some experts predict that 79,000 lawyers' jobs are poised to move from the U.S. to countries like India by 2015.

2) RPO (Research Process Outsourcing / Recruitment Process Outsourcing) : RPO stands for Research Process Outsourcing. This is popular in the biotech industry. Clients outsource their R&D work. This was termed reportedly by India's biotech queen Kiran Mazumdar-Shaw. RPO also stands for Recruitment Process Outsourcing. RPO is a key component of Human Resource Outsourcing (HRO). The RPO team basically handles all the recruitment.

3) HRO (Human Resource Outsourcing): HRO stands for Human Resource Outsourcing. HR is getting outsourced to third party providers who can bring in the benefits of knowing the domain. HR as an activity, it comprises of a group of activities, which include payroll management, training, staffing, benefits administration, travel and expenses management, retirement and benefits planning, risk management, compensation consulting, etc. These activities are outsourced by which the client can concentrate on their core competency.

In the US context, HR outsourcing is a huge area. For instance, nearly about 29-30 per cent of the outsourcing space is HR.

4) MBPO (Medical Business Process Outsourcing):

MBPO stands for Medical Business Process Outsourcing. Apollo Hospitals is the first major hospital to be getting into this.

KPO to surpass BPO:-

India's business process outsourcing industry will soon be edged out by the emerging KPO sector as the biggest revenue grosser, according to Kiran Karnik, President, National Association of Software and Services Companies. The global KPO industry is likely to become worth $17 billion by 2010, with the Indian industry capturing between $12-$14 billion of it. Challenges for the KPO industry

• maintaining data security and the confidentiality

• maintaining high control on the process operations

• world class infrastructure requirements

• maintenance of the talent pool in the country

• competition from the other countries like canada philippines etc.

• brain drain in India due to the people migration form India in search of jobs.

KPO sector offers a good working atmosphere with global exposure and an opportunity to develop skill sets in a specialized field. The remuneration is high as a person with about two years experience can draw a pay packet of around rs 6 lakh (rs 600,000) to rs 8 lakh (rs 800,000) annually, while an experienced professional gets anywhere between rs 15 lakh (rs 1.5 million) and rs 20 lakh (rs 2 million). Like the BPO sector, KPO also faces attrition, as it is difficult for companies to retain talented and trained people. With higher pay packages and perks, people change jobs very frequently. Many people are still reluctant to join as they feel it is an unstable career. Many are unaware of the potential of this sector and the scope of future prospects. There is a lot of scope for teachers as this sector offers a good pay package. The sector also requires higher level of control, confidentiality and enhanced risk management.

Benefits of KPO:

The main driver for outsourcing is *cost reduction*. Labour cost savings overseas are just too great to be ignored. In knowledge-intensive industries such as Analytics and Data Mining Services, Research and Development, and Intellectual Property Research, companies can save significantly – as much as 40-50% – by off shoring work to low-wage countries. Destinations such as India, China and Russia are ideal for these services as they provide a large pool of engineers and even PhDs at a substantially lower cost. According to Boston Consulting Group, a typical annual salary for an Indian IT engineer is USD 5,000, and for a graduate with a masters degree in Business is USD 7,500 – about one tenth of their American equivalents (London, 2006). The cost differential between a PhD in the Sciences and Engineering in the US and in India (or in Russia) can range between USD 60,000 and USD 80,000, respectively. Besides India and Russia, countries such as the Philippines, Chile and Mexico are setting themselves up to provide high-end services at low-end prices as a way to boost employment and help their economies. Hence the increasing competition will drive prices even lower than the existing level (Kakumanu and Partanova, 2006).

Another early driver of outsourcing is the *shortage of skilled labour*. Developed economies such as the US, the UK, and Western European countries are already facing a shortage of highly trained and specialized professionals in some knowledge-intensive, high-skill sectors, such as R&D in very large scale integration, engineering design, IT, and financial risk management. One way to mitigate these skills shortage is to source talent from low-wage developing countries. India alone produces 441, 000 technical graduates, nearly 2.3 million other graduates and more than 300, 000 postgraduates every year (London, 2006).

According to a NASSCOM-McKinsey study this is about 30% of the available supply of skilled manpower in low-cost countries (Balaji, 2005). Having one or more offshore centers can also provide *flexibility* in terms of human resource and time management. Outsourcing allows companies to add or reduce personnel far easier than a company can do in house, hence avoiding an expensive layoff process. By utilizing the time difference between different parts of the globe, development can take place constantly. The ability to send massive data amounts anywhere via the internet allows continual collaboration on a large scale (Kakumanu and Partanova, 2006).

Career Building Programme:- BPO works on the process expertise. The process of routine work is managed by BPO more efficiently and effectively than the client companies if they do it in–house. KPO works on domain expertise. The professional knowledge in particular field is used by KPO units to process highly critical information and data and makes it available to clients for crucial decision making in KPO industry people with high professional qualifications are employed. In this industry generally employees try to be loyal and make a career in one particular company and on the other hand the companies also try their level best to retain these employees try paying them well and providing them with better facilities.

Nature of Employment at KPO:- BPO is the processing of the low end non core business functions which the people with minimum skills can do. Generally fresh or reasonably experienced B.Com, B.A, B.Sc Graduates with good communication skills are preferred by BPO companies. Training is generally given by these BPO companies or by some outside training agency to the newly recruited graduates to make them suitable for the onshore as well as offshore BPO requirements. KPO is the processing of high end core business functions and hence the people with professional knowledge and skills such as the people with the qualification like Ph.D, C.A, CWA, CS, and MBA, Engineering, MBBS, and LLB etc are preferred by KPO industry. The specialized knowledge and expertise of these professionals is the major asset for the KPO industry.

Functions covered under KPO

1	R&D	8	Legal Services
2	Business and Technical Research	9	Data Analysis
3	Training and Consultancy	10	Animations and Designs
4	Network and Management	11	Business and Market research
5	Writing and content developments	12	Learning solutions
6	Pharmaceutical	13	Biotechnological
7	Medical services	14	Intellectual Property Research

KPO's focus areas: - Areas with significant potential for KPO include Pharmaceuticals, Biotechnology, Data Search, Integration and Management Services, Financial Services, Research and Analytics, Technology Research, Computer-Aided simulation and Engineering Design and Professional Services, such as Business Research and Legal Services. Off shoring Research and Development in Pharmaceuticals and Biotechnology also holds great potential for KPO.

Skills required for KPO jobs as distinct from BPO jobs: - KPO includes those activities that require greater skill, knowledge, education and expertise to handle than a typical

BPO job. For example, an Insurance Company might outsource data entry of its claims forms as part of a BPO initiative, it may also choose to use a KPO service provider to evaluate new insurance applications based on a set of criteria or business rules; this work would require the efforts of a more knowledgeable set of workers than the Data Entry would and hence domain/industry skills are desired.

Who can join KPO: - Unlike BPO where knowledge of English is essential, KPO focuses professional on educational qualifications. Educational qualification is important as the work involves specialized knowledge. People from diverse backgrounds can join this field. Teachers, Engineers, MBAs, Professionals with Financial background and even journalists are qualified to work in KPO. People with Science background have a better chance as some tasks require Data Analysis and Programming. KPO tasks require domain expertise for projects involving moderate to high levels of analysis, especially those related to industrial sectors. The kind of work employees have to do includes Abstraction of Technical Patents, Extraction of Legacy Technical Data, Cataloguing and Indexing, Taxonomy Building and Database Creation and Updating. All this requires a basic interest and knowledge in specific domains besides an aptitude for working with Data and Information.

Job Profile	Qualification	Work Experience	Annual salary (Rs. in lakh)
Customer care Officer	Graduate / Under graduate	Freshers can apply	1.3 – 1.6
Technical Support Officer	Technical Graduation /Diploma/ Certification	Freshers may also apply	1.3 – 1.6
Claims process Support	Graduate	Freshers may also apply	1.3 – 1.6
Voice & Accent Trainer	Graduate with requisite experience in training	1-3 years	2.2-4.0
Team leader	Graduate with an experience of leading a team in a BPO	3-5 years	3.0-5.0
Manager operations	Graduate having experience of managing large teams and P&L	6-10 years	8.0-14
Telemarketing	Graduate / undergraduate	Freshers may also apply	1.4-2.2
Process Associate	Commerce Graduate	Freshers may also apply	1.3-1.7
Research Analysit	MBA/Post graduate Analytics IIT/ISI. Top B-School	Freshers may also apply 1-3 years	1.6-2.4 3.5-6.0
Equity Research	MBA(Finance)/Postgraduate in Finance	1-3 years	2.4-4.5
Tax Analyst	Commerce Graduate/ Postgraduate in Finance	Freshers may also apply	1.5-2.4

Recruitment Procedure-Career Prospectus: - Companies have a cut-off for marks (grades), depending on the kind of domain knowledge required for the particular project. The works also requires people to have a right aptitude and attitude for doing research-oriented work. Employment in BPO companies is still considered by people as job and not as a career. Generally graduates work in BPO in their initial working years to earn good money and then they either try to go for higher education or to go for another job. Thus jobs in BPO are still not recognized by society. KPO employs only highly professional people and uses their expertise. Hence this sector is nowadays considered as career by many professionals for e.g. A Chartered Accountant going for employment in Equity Research in a KPO firm. After recruitment, the candidates are trained in various skills. Besides this, the candidate should possess good communication skills, should have an aptitude towards

Programming, and should be able to work in a team, under pressure and of course different shift timings.

Types of Assessments used during Recruitment: - In the KPO space, domain-based assessments can be customized to count for the complexity of a job role or project and select eligible candidates. These are coupled with general abilities tests like Analytical, Attention to detail; Communication skills like Written English Ability; and Functional skills like Typing to arrive at and select the best talent.

KPO - Skills Essential for Career Success:
The table below lists a few of the prominent KPOs and the skills required to win.

Segments	Services	Skill sets required
Legal services	Reviewing transactional & litigation documents; drafting contracts; research memoranda & due diligence reports;	Knowledge in US/UK laws; adept in legal application; ability to research; reason & prosecuting patents; negotiations
Engineering	3d modeling; conversion: 2d to 3d; finite analysis;	CAD/CAM; Drafting & Modeling
R&D	Computational fluid dynamics analysis; technical specifications for tenders; value engineering	Technical product design
Market research techniques;	Secondary & Primary research; Conversion of findings to statistical tools knowledge; writing & editing, formatting client reports	Research Techniques & Analytics Knowledge, Presentations; Report Writing & Database Research
Writing & Content editorial	Content delivery; Digitalization of content; Data enrichment & warehousing; Pre-press work; Proof reading; Template Designing; Text Composition	English Communication; Development in writing; Journalism; Experience in Writing.
Pharma R&D	Research & Development; Drug discovery; Clinical Research	Doctors; Masters degree in science,' PhDs
Healthcare Services	Diagnostic; Genetic profiling; Oncology tests; HIV & Allergy	Medical Degree; Specialized subject, Services knowledge
Education & Training	K-12; Private tutors; Curriculum design; Pedagogy; Content development, Sensitivity	Content teaching methods / Techniques; Online teaching methods, Cultural development, Sensitivity

KPO – Training Institutes / Centers in India:
Generally a KPO firm makes use of its in-house training sessions to groom candidates as per its own equipments. Still some institutes are imparting training in various key skills needed for KPO industry. Some of the institutes in various cities of India are as follows.

Captives Outnumber Third-Party Vendors in the KPO space:
Keen to reap the benefits of outsourcing yet not willing to expose themselves to risks, a number of companies have opted for the captive route. This enables them to protect themselves against possible IPR threats and feared loss of patented material. For instance, several Pharma and Legal Companies that deal with sensitive data have opted for captives. (Nineteen of the top 20 global Pharma R&D companies have established R&D centers in India.)

City	Institute	Contact details
Pune	Fitter Solutions, Arjun Business Complex, 3rd Floor, F.C. Road, Opp: Police Ground, Pune -411016	Tel: 91-020-25662112, 25662605, 25662825.
Delhi	Akiko Callnet 16, New Rohtak Road, Karol Bagh, Near Tribbia College, New Delhi -110005	www.shermanIndia.com
Gurgoan	Hero Mind Mine Hero Corporate Service Ltd. "Palm Court", 2nd Floor, 20/4, Mehrauli Gurgaon Road, Gurgaon-122001	Tel.: +91-124-2220384, 2220385 www.heromindmine.com
Mumbai	Hero Mind Mine Mumbai (Regional Office - West), 4th. Floor, Sliver Arcade Marol Maroshi Road, Near Marol Fire Bridage, Andheri (E) Mumbai 400059	Tel +91-22- 56844538,9
Banglore	Hero Mind Mine Bangalore (Regional Office - South) 194, Akruthi Chambers II Floor Double Road Indiranagar Bangalore 560038	Tel +91-80-41154391
New Delhi	Holistic training solutions, A-267, Defence Colony (1st floor), Ne NewDelhi-110024,	e-mail: holistic@csnl.com www.holistic-enterprise.com

These captive KPOs are expanding their India presence:
1. Google has set up its second research center in Hyderabad; the first center is in Bangalore.
2. Goldman sachs is expected to grow its India headcount to reach employee strength of approximately 2,000 by the end of 2007.

Indian KPO Sector:

India emerged as one of the fastest growing economies in the world during the 1990s. This rapid growth is attributed mainly to its service sector. According to the world development indicators released by the World Bank, India's service sector has grown at the rate of 8.1 percent per annum between 1993 and 2003 against 6.7 percent per annum between 1983 and 1993. The share of services in India's GDP has increased from 28 percent in 1950 to about 51 percent in 2003. Indian KPO Sector with revenues of 0.72 billion in 2003 accounted for 56% of global KPO sector.

Due to the unprecedented economic crisis of 2007-08 World GDP had declined 0.6 percent in 2009, grew at 5 percent in 2010 and expected to stabilize at 4.4 percent in 2011. The Indian economy has bounced back and was estimated to grow at 8.6 percent in 2010-11 as compared to 8 percent in 2009-10.

According to the annual report of Department of Information Technology, (Ministry of Communications and Information Technology, GOI) the Indian IT-BPO industry has also witnessed robust recovery in 2010-11. The revenue aggregate of IT-BPO industry is expected to grow by 19.2 percent and reach US $88.1 billion in 2010-11 as compared to US $ 73.9 billion in 2009-10.

IT / ITeS - India:

With a compounded annual growth rate (CAGR) of over 24% in the last decade, the Indian IT/ITeS (Information Technology / Information Technology enabled Services) industry has emerged as a key growth engine for the economy, contributing around 5.6% to the country's Gross Domestic Product (GDP) in FY 2010 and also providing direct employment to about 2.3 million people (from just about half a million in 2001). It remains one of the biggest sectors for wealth generation in the country. As per the industry body, NASSCOM, the sector is estimated to provide direct employment to 10 million and indirect employment to 20 million by 2020.

The IT / ITeS industry has created career opportunities for the youth, provided global exposure and offered extensive training and development. Furthermore, the industry has been a front-runner in bridging the gender divide in the Indian workforce (over 30 per cent of employees are women; over 60 per cent of industry players employ differently abled people). The IT-BPO industry has played a key role in putting India on the world map. The industry has attracted more than 10 per cent of total FDI flowing into India. The industry also led in the development of the Indian organizations as global multinationals — with over 400 delivery centres (outside India), the industry has presence in 52 countries, and 200 cities with more than 10 organizations listed on overseas stock exchanges and more than 400 Fortune 500 customers.

Direct employment within the IT-BPO sector is expected to grow by 10.4 per cent to reach 2.5 million in 2010-11 with over 2,40,000 jobs being added during the year. The indirect employment attributed to the sector is estimated to be about 9.0 million in 2010-11 as compared to 8.2 million in 2009-10. The pectacular growth performance in the ITBPO industry in the last decade has helped the industry contribute substantially to India's GDP. In 2010-11, the IT-BPO industry's contribution to GDP is estimated to be 6.4 per cent as compared to 6.2 per cent in 2009-10. The IT-BPO Industry has enormous potential to grow in the years to come. By the fiscal year 2015, the industry's aggregate revenue is expected to reach US $ 130 billion, a CAGR of about 14 per cent from the year 2010-11 and contribute about 7 per cent to India's GDP.

Top ten (10) KPOs in India:

1. Genpact: Formerly GECIS, Genpact had revenues of US$ 493 million in 2005. The relatively small KPO unit is a complementary arm to its main BPO business. Genpact's KPO specializes in Competitive Intelligence, Campaign Management, Program Tracking, Customer Relationship Management, Customer Value Mapping, Research, Database Generation, and others. The KPO has staff strength of 1200 people, of which more than 90% has advanced degrees.

2. Evalueserve: Based in Gurgaon, it has 650 people engaged in Market Research and Business Intelligence. Nearly 45% of the company's revenues come from Math related projects. Evalueserve has a research firm called Global Sourcing Now, which specialises in High-Quality Research Reports.

3. Ugam Solutions: Ugam Solutions entered the area of market research analytics in 2001, much before the term KPO was coined. Their business involves the Study of Consumer Minds,

their Behaviour and Habits, for evolving a basis for Business Development initiatives of Global Companies. It has now grown to a 400-member organization.

4. WNS: A Mumbai-based BPO, WNS has just started its KPO division for market research with 300 people. It operates in the knowledge services business segment and offers high-end services such as Market, Investment and Business Research.

5. 24/7 Customer: This BPO was listed in the Leaders category of IAOP's (International Association of Outsourcing Professionals) Global 100 list. Its KPO focuses on Customer Analytics, where it studies Consumer Behaviour and Analyses Data pertaining to related activities such as Campaigns and Marketing Activities.

6. First Source (Formerly ICICI One Source): Acquiring a US-based research firm, Pipal in 2004, ICICI One Source offers high-end Customised Business Research and Collections, Analytics and Information ervices. It had revenues of US$ 42 million in 2003-04.

7. EXL Service: This BPO acquired Inductis, a leading Strategy and Analytics Company serving the Financial Services and Insurance Industries, in June 2006 to form an independent subsidiary. Inductis had revenues of US$ 20 million in 2005. The new entity will focus on Consulting, Research and Analytics.

8. Copal Partners: Founded in 2001, Copal Partners provides company and sector research to its clients, which include Wall Street Investment Banks, Hedge Funds, Private Equity Firms and Private and Public Corporations. It was formed by Professionals from McKinsey & Co., Citigroup, and GE Capital. In 2005, it entered into an agreement with Reuters to provide Financial Institutions with Customized Company Research and Sector Analysis. With revenues of US$ 6 million, it plans to expand to 400 employees by the end of 2006.

9. Pangea3: Based in Mumbai, Pangea3 provides services areas such as Patent Research, Analysis and Prosecution Support; Document Review, Litigation and Due diligence; Contract Drafting Management and Administration; Legal Research and Business Information Research. With an employee strength of 100, its revenues are expected to be US$ 2.5 million this year.

10. TechBooks: This is a leading KPO in publishing and services publishing houses such as Cambridge University Press, Blackwell, Hall, Pearson and Tata Mc-Graw Hill in providing electronic content services and solutions. It plans to get into e-learning services with broad application in the Corporate, Government and Education Markets.

Future Trends and Strategies for KPO

After analyzing the challenges and the importance of strategic thinking in knowledge-intensive industries it is now time to show some future trends and strategies. Companies are acting in more and more turbulent markets and are forced to react ever faster given the opportunities and risks they face. Global competition is becoming stronger and innovation cycles and product lifecycles are growing ever shorter. At the same time, a greater diversity of products is flooding the market, with much faster delivery times than even two years ago. Here are some of the major trends that most of the companies will face in the next five to ten years:

▪ They will have to further cut costs, especially by transforming fixed costs into variable costs through resource reallocation.

▪ Continuously examine the external environment for new opportunities to grow and develop their business. This can be done through Research & Development and global expansion through mergers and acquisitions.

▪ They will have to be more reactive and adapt to market changes and this also includes the internal environment. Market challenges require changes and adjustments within the corporate structure. They will have to create smaller entrepreneurial units to increase flexibility and the reaction speed to these changes (Boetzel and Luehrs and Rechtensteiner, 2002).

One of key factors to achieve these goals is the implementation of knowledge outsourcing in the overall corporate strategy. But even the best outsourcing strategy is worthless if it is not communicated to the service vendor adequately. Only if both partners understand the outsourcing of knowledge-intensive processes as a strategic tool can both of them benefit, and only then can it provide all of the success factors mentioned above. But even if the executives know about the importance of outsourcing, they might not know how to do it best. According to Corbett (2005), there are some good ways to improve the outsourcing success rate:

1. Training: It is important to know what, where and how to outsource. This should be the subject of internal and external analysis, and training sessions should be conducted with outsourcing experts who have a deep understanding of the industry and who know how to create and manage outsourcing relationships.

2. Standard Certificates: One way to verify the reliability of outsourcing vendors is professional certification based on recognized industry standards. Standards for outsourcing professionals, such as those being developed by the International Association of Outsourcing Professionals (IAOP) and the Outsourcing Standards Board (OSB) will bring better skills and more professionalism to the knowledge outsourcing industry. Standards for security quality, scope definition, financial analysis, contracting, pricing, negotiating, contract management, and dispute resolution will help both sides to set up their outsourcing business.

3. Goal Orientation: It is very important to find evaluation criteria in order to be able to improve the outsourcing strategy based on facts and not on opinions. Although it is so important, very little work has been done to establish a benchmarking system for high-performance outsourcing outcomes and to identify the processes that lead to superior results. Here it is up to the partners to find individual criteria to determine the success of the outsourcing process.

4. Challenge the Providers: It is no longer good enough to offer customers a better, faster, cheaper solution for something that they are already doing today. If providers want to convince customers to change their outsourcing strategy (from project-orientated to process-orientated), they must work with their clients to keep developing and implementing new solutions well ahead of their customer's needs. This implies that the KPO-providers have to develop deep domain expertise and know-how and invest in R&D —just like any other industry – if they are to continue to out innovate and out-perform their customers.

5. Technology: Technology helps to improve the flow of information and management's control. Tools such as knowledge- and project management help companies to improve their outsourcing ROI in three different ways:

a) They avoid duplication of services and billing errors.

b) They increase the quality of outsourcing processes.

c) They reduce the management costs that tend to grow exponentially as the amount of outsourcing activities increases.

Using technology to link all of the company's internal and external people and processes will enable companies to build and manage the strategic outsourcing partnership much more efficient.

6. Governance and Management: Long-term orientated outsourcing programs require governance and ongoing management to ensure success. *Governance* ensures that the client and the supplier understand the what, when and how of outsourcing, along with the role each partner plays. One way to solve this conflict is to determine a process framework. *On-going Management* ensures that return on investment does not just come from labor arbitrage solely, but also from improved productivity. As already suggested, this task can be managed by the outsourcing management office. The most successful outsourcers invest 5-8% of the contract value in governance and on-going management. This investment ensures that the value of costs, productivity, quality and speed are captured now and in the future.

As the Knowledge Process Outsourcing industry is in its nascent stages it is very hard to predict how this new trend will evolve. But if this outsourcing discipline is to continue to grow over the next five to ten years as it has over the past five, organizations need to produce better results with greater regularity and at lower costs. To achieve this it will take a stronger consideration of knowledge outsourcing on the strategic level across the global community of outsourcing professionals, customers, providers and advisors alike.

India has a bright future in KPO. India has comparative advantage in knowledge work. Care should be taken so that our comparative advantage is not reduced. Other countries may try to develop their skills which will erode our advantage. If the above discussed challenges are addressed in the proper manner, India will definitely retain its supremacy in human capital and emerge as a world leader in KPO.

Disclaimer: The views expressed by the author in the article are of his own and doesn't reflect policies of any corporate body or government.

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