
BPO-A SWOT Analysis

Alka Raghunath*

Abstract

BPO is one of the popular business practices in today's competitive environment. India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. The Indian BPO industry is constantly growing. However, along with the Phenomena Increase in BPO to India there has been a backlash against outsourcing. Information Technology has given India formidable brand equity in the global markets. Indian BPO companies have a unique distinction of providing efficient business solutions with cost and quality as an advantage by using state of art technology. This article explains overview of BPO industry in India comparative strength, weakness, opportunities and thread Indian BPO industry.

Introduction

India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. Information Technology has given India formidable brand equity in the global markets. Indian BPO companies have a unique distinction of providing efficient business solutions with cost and quality as an advantage by using state of art technology. Through joint efforts of Government and the Industry, software development and IT enabled services have emerged as niche opportunities for India in the global context. The Government has been making continuous efforts to make India a front-runner in the age of Information revolution. India today has the advantages of skilled manpower base, active and healthy competition amongst states in attracting investment in infrastructure as well as framing IT applications in areas such as e-governance, e-learning, e-commerce, entrepreneurship,

Software exports growth and a large potential in the domestic market. Information Technology Act dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place. As a result of technological convergence at the infrastructure, services and industry level; there has been a tremendous up-surge in new product / service industries.

Definition – BPO

Business process outsourcing (BPO) is the leveraging of technology vendors to provide and manage a company's critical and/or non-critical enterprise applications. Through the business transformation process of service-oriented transformation, which leverages the technologies and standards of service-

oriented architecture, companies can increasingly leverage third party companies that act as business service providers. Business process outsourcing can use off-shore resources, but is not required. Business process outsourcing (BPO) is the act of giving a third-party the responsibility of running what would otherwise be an internal system or service.

Importance of Outsourcing

“Outsourcing system allows companies to contract for services that are not within the scope of their expertise, so that they can focus their time, money and energy on their core competencies instead of wasting valuable resources trying to gain Understanding of areas that are somebody else's expertise”.

Campbell and K.S.Luchs in Core Competency Based Strategy.

SWOT Analysis on Indian BPO Sector

Strengths

1. Highly skilled, English-speaking workforce
2. Abundant manpower
3. Cheaper workforce than their Western counterparts According to Nasscom, The wage difference is as high as 70-80 percent when compared to their Western parts.
4. Lower attrition rates than in the West.
5. Dedicated workforce aiming at making a long-term career in the field
6. Round-the-clock advantage for Western companies due to the huge time difference.
7. Lower response time with efficient and effective service
8. Operational excellence
9. Conducive business environment

*Assistant Professor, Mediacaps Institute of Technology & Management, Indore

Weaknesses

1. Recent months have seen a rise in the level of attrition rates among outsourcing workers who are quitting their jobs to pursue higher studies. Of late workers have shown a tendency not to pursue BPO as a full-time career.
2. The cost of telecom and network infrastructure is much higher in India than in the US.
3. Local infrastructure
4. Political influence

Opportunities

1. To work closely with associations like Nasscom to portray India as the most favored BPO destination in the world.
2. India can be branded as a quality outsourcing destination.
3. \$69 billion ITES business by 2010
4. \$97.5 billion IT (consulting, software solutions) market by 2010

Threats

1. The anti-outsourcing legislation in the US state of New Jersey. Three more states in the United States are planning legislation against outsourcing Connecticut, Missouri and Wisconsin.
2. Workers in British Telecom have protested against outsourcing of work to Indian BPO companies.
3. Other BPO destinations such as China, Philippines and South Africa could have an edge on the cost factor.

Indian Market Size Estimates

The below table shows the off shore BPO revenue, Indian BPO revenue and the total market potential of the world BPO industry

Revenue \Year	2002	2003	2004	2005	2006	2007	CAGR
Offshore BPO Revenue	1,322	1,825	3,017	6,439	12,563	24,230	78.91
Indian BPO Revenue	912	1,205	1,961	3,928	7,412	13,811	69.35
Total BPO Market	110,167	121,687	131,171	143,090	157,033	173,070	9.45
CAGR in % 2002-07	Figures in \$ million Source: Gartner Dataquest						

Gartner: \$173 billion in 2007, of which \$24.23 billion would be outsourced to offshore contractors

Indian Market Size Estimates of BPO

Nasscom has estimated that the Indian BPO industry, FY2012 is a landmark year – while the Indian IT-BPO industry weathered uncertainties in the global business environment, this is also the year when the industry is set to reach a significant milestone – aggregate revenue for FY2012 is expected to cross USD 100 billion. Aggregate IT software and services revenue (excluding hardware) is estimated at USD 88 billion.

Indian can capture 25% of global BPO offshore market and 12% of the market for other services such as animation, content development and design services.

US Jobs Moving Offshore

The below table shows the number of jobs moving offshore from US

Number of U.S. Jobs Moving Offshore					
No.	Job Category	2000	2005	2010	2015
1	Management	0	37,477	117,835	88,281
2	Business	10,787	61,252	161,722	48,028
3	Computer	27,171	108,991	276,954	72,632
4	Architecture	3,498	32,302	83,237	84,347
5	Life Sciences	0	3,677	14,478	36,770
6	Legal	1,793	14,220	34,673	74,642
7	Art, Design	818	5,576	13,846	29,639
8	Sales	4,619	29,064	97,321	26,564
9	Office	53,987	295,034	791,034	1,659,310
	Total	102,674	587,592	1,591,101	3,320,213

Source: U.S Department of Labour and Forrester Research, Inc.

Competitive Advantage of India in This Sector

Cost savings: Data monitor, a leading UK-based business information company, research indicates that 67-72% of costs to call centers operating in the US/UK is directly linked to manpower costs. India, on the other hand spends only 33-40% of costs on manpower. This includes training, benefits and other incentives for labor.

Abundant Human resource: It has been identified that there is a large computer literate population is available in our Indian population composition through the recently conducted census survey.

Language Competence: India has got good English speaking cluster of population and all the higher studies are being taught in English.

Infrastructure: Indian government is showing a great concern for the development of infrastructural facilities in all the major cities of India and this gives a greater connectivity for the companies which are coming from off shore with their countries.

Indian BPO's position among the world's fifty best managed BPO vendors

1	IBM Global / Daksh*	26	Getronics
2	Accenture	27	Covansys
3	Hewlett Packard	28	Syntel
4	MphasiS*	29	Ceridian
5	Ernst & Young/Capgemini	30	Spherion
6	Wipro Spectramind*	31	ADP
7	ICICI OneSource*	32	i-flex*
8	eFunds Global Outsourcing	33	Tata Consultancy Services*
9	Convergys	34	General Electric
10	Affiliated Computer Systems	35	Siemens Business Services
11	Sutherland Technologies	36	Atos Origin Intl B.V.
12	Oracle	37	InfoCrossing
13	Hewitt/Exult	38	Datamatics
14	HCL Technologies*	39	Outsourced Partners Intl*
15	Xansa	40	TechBooks
16	CSC	41	IGate*
17	Unisys	42	Office Tiger
18	Keane	43	Perot
19	Satyam*	44	EDS
20	CGI	45	Patni Computer*
21	Cognizant*	46	Gevity HR
22	24/7 Customer*	47	Vcustomer*
23	Intelligroup*	48	SourceNet Solutions
24	Northrop Grumman IT	49	WNS Global
25	Infosys*	50	Deloitte

*Indian vendors.

Serious competitor of India in BPO sector

Philippines boast of strong skills in finance and accounting. The other countries India is competing with are Mexico, Canada and Ireland. In terms of cost, Philippines and Malaysia are competitive with India.

However, India's main competitors in the BPO space produce a fraction of the graduates that India does.

BPO's contribution towards Indian employment

Company	Number of Employees
EXL	4,500
Spectramind	2,600
Daksh	2,000
WNS	1,600
vCustomer	1,500
Tracmail	1,365
HCL e-serve	870
Epicentre	700
ICICI OneSource	650
GTL	650

Growth of Indian BPO Industry

Growth of BPO Sector in India during the first half of 2007 was showing a moderate trend of growth which is registered at 14%. Five years ago, the growth in this sector was quite low due to less contracts but the situation is worse now. However, the growth of the BPO sector is expected to improve.

Year 2013 is set to be another ground breaking year for BPO industry in India and globally. I foresee the BPO sector to grow at a steady pace. The outsourcing represents one of the highest potential for India's economic growth and will continue to grow further to become larger than the IT business itself. Today outsourcing companies have created a niche for themselves, moving much ahead of simple voice based back office work to high-end knowledge and skill-based work. The industry today recruits chartered accountants like me; we recruit engineers, doctors and PhD holders, who hold the future of this business. The industry is no longer business process outsourcing; it has evolved into business process management (BPM).

There are following key points that need to be considered in foreseeing the growth of BPM industry:

Companies like WNS have looked at a larger canvas by going global, taking up global opportunities for revenue growth, optimizing supply chain, client partner approach and investing in cutting edge analytics, are factors adding to the growth of the Indian BPO industry.

New emerging verticals like shipping & logistics, healthcare and retail will bring major business to

IT Landscape of key Indian cities

City	Focus	Prominent firms
Delhi (includes Gurgaon and Noida)	Call centres, transaction processing, chip design, software	GE, American Express, STMicroelectronics, Wipro Spectramind, Convergys, Daksh, ExL
Mumbai	Financial research, back office, software	TCS, Mphasis, i-flex, Morgan Stanley, Citigroup
Bangalore	Chip design, software, bio-informatics, call centres, IT consulting, tax processing	Infosys, Wipro, Intel, IBM, SAP, SAS, Dell, Tisco, TI, Motorola, HP, Oracle, Yahoo, AOL, E & Y, Accenture
Hyderabad	Software, back office, product design	HSBC, Satyam, Microsoft
Chennai	Software, transaction processing, animation	Cognizant, World Bank, Standard Chartered, Polaris, EDS, Pentamedia
Kolkata	Consulting, software	PwC, IBM, ITC Infotech, TCS
Pune	Call centres, chip design, embedded software	Msource, C-DAC, Persistent Systems, Zensar

Indian BPOs, owing to our current capability in analytics, finance & accounting, and research. Apart from these, Indian BPO players still have an edge above others due to the two old and basic factors cost arbitrage and scale of resources, which will help India, reach the \$9.5 billion mark smoothly.

Challenges before BPOS in India: In the domain of Business Process Outsourcing (BPO), the countries competing with India are Mexico, Philippines, Malaysia, China, and Canada. These countries have obviously placed several challenges before BPOs in India. The challenges that India faces from these countries include availability of workers who are more skilled and educated.

BPOs in India are also facing challenges since the competing countries have several advantages over India. It's not that India cannot or does not provide these advantages but it's sufficient to say that these amenities in India are still at a nascent stage. These include:

- Infrastructure for providing good telecom facilities
- Finding workers who are aware of the American culture
- Setting up new service lines
- Improving operating processes
- Further cost reduction

The workers in Philippines are more conversant with foreign languages like Spanish, German, French, and Japanese and are used to the American culture too. It is also a challenge for India to continue maintaining its

talented task force in the BPO sector because it is facing competition with China in this area. The good news, however, is that not all Chinese worker can speak English as fluently as Indians can?

Challenges before BPOs in India include possibility of a backlash from European and North American markets which are posing a great threat to the Indian BPO industry. India is looking forward to take up huge off shoring ventures but it's difficult to set up the infrastructural requirements for this. The other reason behind the slowing down of off shoring in India is due to the political reasons concerning markets of Europe and North America.

The challenges before BPOs in India are increasing rapidly but that could be the motivating factor for India. BPOs in India need to improve the workforce by emphasizing areas such as foreign languages as well as streamlining operational procedures.

Conclusion

Every new opportunity has got its own blessings and curses like the same outsourcing industry has also got its own opportunities and threats in this post LPG era but it depends on our companies how well they are going to encounter the threats and how well they are going to capitalize the opportunities gifted by LPG.

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