

KPO: A Brand-New Level of Outsourcing Serving High-end Research

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ABSTRACT

“Do whatever you can do the best, and outsource the rest” the statement itself indicates the need for outsourcing in today’s global economy. Outsourcing have become a very fascinating and productive term as well in today’s era and it is changing the face of global economy by introducing its benefits. It was born overnight and as it ingress, it brings the visions of untold success, and therefore the growth and development pains that comes from an industry formed out of opportunity instead of founded as a profession. This is the globe of outsourcing, a gold rush of opportunity with the flavor of boom or bust. Over the past few years a brand-new type of outsourcing has become very popular and promises, as BPO once did, Brobdingnagian growth and profit potential. The industry of outsourcing is also termed as BPO industry, which has given the birth to its new and improved form, termed as Knowledge Process Outsourcing (KPO). This paper tries to define the KPO and its benefits and examines the prospects and addresses the impending threats looming ahead via SWOT analysis and predicts the future growth of KPO in India for the next decades. The paper also deals with defining the status of KPO in India and tries to differentiate the KPO from Bolin this paper the key components and Services of KPO has been discussed. The paper further discusses about the top KPO players in India and suggests some strategies for the same.

Keywords

Outsourcing, BPO, KPO, LPO, RPO, APO, SWOT, Professionals, Knowledge, Skill, Knowledge workers, Global Economics, Vendors, Financial Services

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1. INTRODUCTION

During the 1980s, nobody would have imagined that a day would come when process involving direct customer contact could be performed from remote locations, thousands of miles away. The Outsourcing Industry has been substantially researched in the past decade. Outsourcing is not a straightforward or unidirectional phenomenon; however, it can be of different types. The services which are commonly outsourced by a company are: Business Process Outsourcing (BPO); Legal Process Outsourcing (LPO); Knowledge Process Outsourcing (KPO); and Analysis Process Outsourcing (APO). Outsourcing best appeared in IT industry in the 1980sand this was the time when firms recognized the merits of having IT service partners so as to develop advanced systems, and enhance the way in that a business process or service is managed (Schumacher, 2005). The maturity and evolution of the BPO sector in India has given rise to another trend in global outsourcing scenario: Knowledge Process

Outsourcing (KPO). KPO is one step ahead of Business Process Outsourcing (BPO). It is the upward shift of BPO in the value chain.

KPO is basically an information-related and knowledge related work carried out by knowledge workers in a different company or by a subsidiary of same organization, which can be in the same country or an offshore location, to minimize costs. This typically involves high-value work carried out by extremely expert knowledge-workers or staff. The world today is witnessing a brisk change from an industrial to an economy of knowledge-based. In the knowledge economy, there's knowledge intensity where efficient production depends on knowledge, data or information and know-how. The knowledge professionals involved in the knowledge economy are referred to as knowledge workers.

KPO accord value to the client via domain expertise instead of process expertise. The KPO that is one step ahead extension of BPO is the high value; high growth of business which is independent of the coexistence of the BPO. The KPO industry is formed around the requirement for business intelligence and expertise and is anticipated to grow from a \$1.2 billion industry (at a compounded annual growth rate of 46%). As per the reports of global sourcing the knowledge process outsourcing is forecasted to reach \$ 17 billion by 2010 out of which India's share would be \$ 12 billion, as predicted by Evaluateserve in 2005. Similarly, the National Association of Software and Service Companies of India (NASSCOM), speculated the KPO sector in India to attain \$15.5 billion by 2010 (Sathe, 2006). Other countries such as Mexico, Russia, China, and Israel are also expected to become large players in this growing market (Larkey, 2006).

Knowledge Process Outsourcing (KPO) suitably allow the organization, whose growth is jammed, to outsource their all core work of the organization or firm from ideal locations where the talent is skilled and labor cost are cheap. Information Technology (IT) is a key driver of improving KPO service levels and reducing costs and thus, IT sectors are the best examples of KPO. Businesses are searching for a racially balanced solutions approach and process standardization via outsourcing partner to deliver crucial value to customers.

Most of the firms have started their outsourcing process for high-end results like Equity Research (ER), Market Research (MR), Legal Services, Engineering Design, Remote Education, Intellectual Property Rights (IPR) and Publishing Operations to India after the successful performance of BPOs. They (firms) outsource their processes to India for: Cost Savings, operational efficiencies, access to highly skilled workforce and improved quality.

Knowledge Process Outsourcing (KPO) focuses on knowledge expertise. KPO delivers high value to the organizations by providing them business expertise instead of just process expertise. It involves offshoring of knowledge intensive business processes that entail specialized domain expertise.

The need for KPO is not restricted to only IT-enabled services sectors, however it needs knowledge from other domains too. Some of the few examples are legal processes, intellectual property and patent related services, legal

research, CAD/CAM applications, clinical research, Web development application, engineering services, and business research and analytics, publishing and market research for KPO.

2. Review of literature

Since there is scarcity of related research literature in this field, therefore the lack of resources delimited me to review the literature. I review 22 research articles ranging from 2004 to 2013. I searched the online library of Jstore, Springer and may other websites and also searched in Google Scholar. I went through the articles issued by major KPO players such as Evalueserve, KMPG et al. I also went through the references cited in these research articles and reviewed the literature.

Since KPO is concluded and believed to have its origins in India (Devi and Devi, 2010), it also rises to other markets of global economy such as Eastern Europe (BPM Watch, 2012). KPO is however considered as 'new industry trend' (Mudambi and Tallman, 2010) and 'next step up the outsourcing value chain' (Evalueserve, 2004).

Jiang and Quereshi (2006) reviewed literature on outsourcing and provided the way and directions of future research on outsourcing results using various data from 1990 to 2003. They pointed out three crucial crack and following research opportunities in outsourcing studies. Sargeant (2006) analysed the existing outsourcing relationship literature and point out areas of opportunity for study as customer-vendor relationship. The study ferret out the significance and value of the customer vendor relationship as an indicator for favorable outcomes in outsourcing. These all papers analysed the conceptual aspects of outsourcing. Bhattacharya (2005) studied difficulties of Indian firms in financial KPO services. This research paper studied the challenges aspects only and it was sector specific. Mehta, et al. (2006) figured out the managerial issues, challenges and opportunities faced by business process outsourcing firms in India. They interviewed the executives of 15 BPO firms. Critical issues were human resources (HR) and organization-related challenges. Knowledge Process Outsourcing (KPO) was identified as an opportunity for future economy.

Sen and Falguni in 2006 studied about the issues related to knowledge process outsourcing (KPO) via the client and vendor firm's perspectives. The issues were derived from five cases studied by the authors in India and Ireland.

Kalyani Goherkar (2010) describes about the challenges which comes under the way of KPO such as challenges related to development of infrastructure for KPO firms. Kusum Makhija (2010), discussed about the Flip Side of KPO in global economy, and focused on HR related issue in her work.

According to ibef.org, 2005, India is well placed to benefit from outsourcing and it further conclude that outsourcing is not location specific but has cost advantage, specialized knowledge, understanding of global economy and particular sector in which it serves and knowledge pool.

Based on these literatures review I carry out my work on this particular topic and suggest some future path for research.

3. OBJECTIVES OF THE STUDY

This paper throws light on some issues related to KPO in India and also analyses the future growth of KPO in India. The objectives of paper are-

1. To help in understanding the concept of KPO
2. To examine the services offered by KPO in different sectors
3. To differentiate between KPO and BPO
4. Discuss the emerging trends of KPO in India and its benefit.
5. A brief SWOT analysis of Indian KPO sector (through chart)
7. To predict the future of KPO in India and offer some valuable strategies for its growth

4. Research Methodology

Type of Data: The study is conducted on the collection of secondary data. An intensive desk research has been undertaken to collect all the published data available from various organizations. NASSCOM and EVALUESERVE are the major sources of data collection for this research. However, other previous research work and books have also been considered for data related to this study.

Type of Observation: The study places greater emphasis on qualitative rather than quantitative observations. So, that, the applications of various statistical tools and techniques applied to quantitative research is not possible.

Tools for analysis: A *SWOT analysis* has been conducted on the KPO sector in India to know the various strengths, weaknesses, opportunities, and challenges. The study also develops certain *strategies* to face these challenges.

5. Knowledge Process Outsourcing

While defining the Knowledge Process Outsourcing, it is worth to know and think about the same as (BPO), however at a higher position in the intellectual value chain. The old Business Process Outsourcing firms which are used to deliver basic backend or customer care support are shifting up this value chain. Offshoring of knowledge concentrated or related business processes which require specialized domain oriented expertise, defines KPO. The KPO typically involves a component of Business Processing Outsourcing (BPO), Analysis Proves Outsourcing (APO) and Research Process Outsourcing (RPO).

Knowledge Process Outsourcing (KPO) is a kind of outsourcing in which the information and knowledge cognate work and activities are carried out by workers in a different firm or by a subsidiary of the same organization, which could be in the same country or in an offshore location to reduce cost. Unlike the outsourcing of manufacturing process, this involves high value work carried out by highly skilled staff.

In other words, KPO refers to the outsourcing of high-end complex tasks like investment research, market research, patent filing, legal and sourcing and information amongst others. It includes legal process outsourcing. Firms are gradually moving from low end outsourcing to high end outsourcing.

Since there is great growth opportunity in KPO space, Data Search, Integration & Management are expected to witness the fastest growth, with a CAGR close to 50% and it hit the global market of by USD 5 billion. Business Intelligence and Market Research sectors also witness the CAGR growth close to 54%. Few areas which are evolving under KPO but have high capabilities are Engineering & Design, Paralegal Content & Services, Animation and Simulation Services, Research & Development and Equity, e-learning, and Financial Services

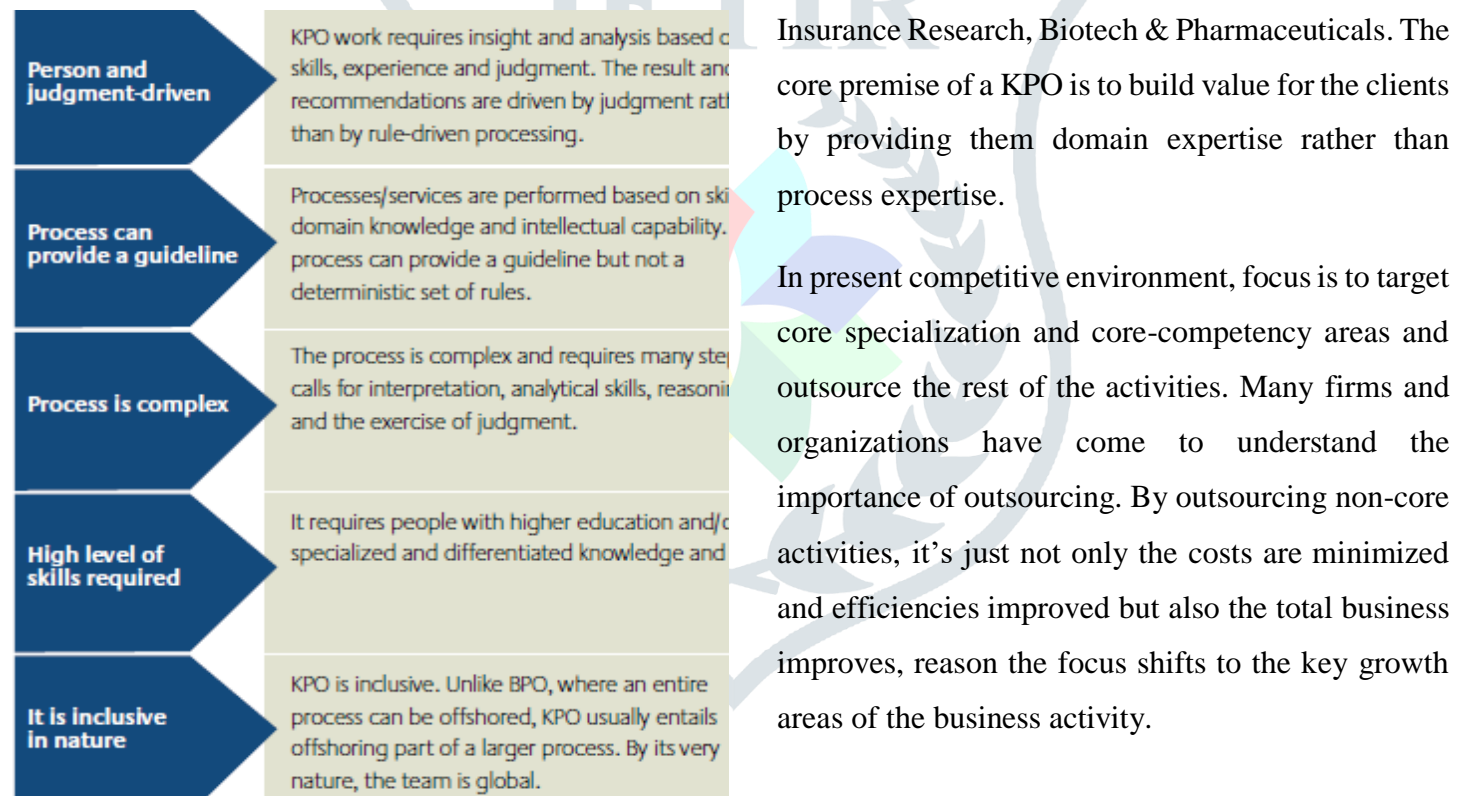


Figure 1. Definition of KPO by TPI,2007

Nature of KPO

- ❖ It is people-intensive in that much of KPO work requires insight and analysis based on experience, skills and judgement. The result and the recommendations are driven by judgment rather than by rule-driven processing.
- ❖ Processes/services which are performed are based on intellectual capability, skills, and domain knowledge. A process can only provide a guideline but not a deterministic set of rules.
- ❖ The process involved is complex, and require many steps. It calls for interpretation, reasoning, analytical skills and the exercise of judgment.
- ❖ It requires people with higher education and/or specialized and differentiated knowledge and skills.
- ❖ KPO is inclusive. Unlike BPO, where an entire process is outsourced, KPO usually entails offshoring part of the larger process (e.g., financial research and analysis). By its very nature, the team is global.

6. CLASSIFICATION OF SUB-SECTORS AND SERVICES OF KPO

The rise and success of KPO lead to its growth and expansion in many sectors. Now, its area and services offered are not restricted to only IT & ITES sectors. It spreads its wings to other sectors like banking and finance, pharmaceutical industry, data mining and analytics etc. KPO is involved in various services like valuation and investment research, legal research, patent filing, Securities and insurance research etc.

Few sub-sectors within the KPO industry that are expected to do well, are banking and finance, securities and insurance research, data mining and analytics, and contract research and biotech services. Some that are still in a nascent stage, are legal and paralegal support services, remote logistic services and procurement support services, and network optimization and analytics services. Almost two-thirds of professionals working in the KPO industry worldwide will be based in India, especially because this industry requires substantial domain expertise among professionals.

Table 1 classifies and describes the sub sectors and services offered by Knowledge Process Outsourcing.

SECTORS	TYPE OF SERVICES
Legal Process Outsourcing	<ul style="list-style-type: none"> • Reviewing transactional & litigation documents; • Prosecuting patents; • Drafting contracts; • Negotiations; • Research memoranda & due diligence reports • Patent research services

Equity and Financial Research and Analytics	<ul style="list-style-type: none"> • Investment research: equities, derivatives, credit research, valuation and accounting • Financial modeling • Company, industry and sector reports • Credit risk management • Normalizing accounting standards • Valuation of companies • Financial consultancy and services • Tracking of stock markets and analysis thereof
Business and Marketing Research and Analytics	<ul style="list-style-type: none"> • Market Analysis: market segmentation, marketing stimulus and spend optimization, need gap analysis, market mapping • Data mining: mining the Internet, databases and company websites and preparation of reports with analysis, data processing and analysis • Report preparation: company and sector reports; editing and formatting of reports • Customer Analytics: customer satisfactions surveys, customer and segmentation, price sensitivity/pricing analysis, benchmarking
Engineering, Design and R&D services	<ul style="list-style-type: none"> • Animation design • 3D modeling • Very Large Scale Integration (VLSI) design • Conversion: 2D to 3D • Simulations • Chip design • Finite analysis • Computational fluid dynamics analysis • Vehicle design support • Value engineering • Prototype development • Technical specifications for tenders
Pharmaceutical research outsourcing	<ul style="list-style-type: none"> • Offshore drug discovery • Clinical research

Healthcare services	<ul style="list-style-type: none"> • Diagnostics • Oncology tests • Genetic profiling
Education and training	<ul style="list-style-type: none"> • Private tutors • Pedagogy • Curriculum design • Content development
Writing and content development	<ul style="list-style-type: none"> • Content discovery • Editorial • Pre-press work • Text composition • Digitization of content • Template designing • Data enrichment and warehousing • Proofreading

Apart from the above-mentioned services KPO also provides services in other fields such as-

1. Advanced Web applications
2. Intellectual property (IP) research
3. Network management
4. Training & consultancy

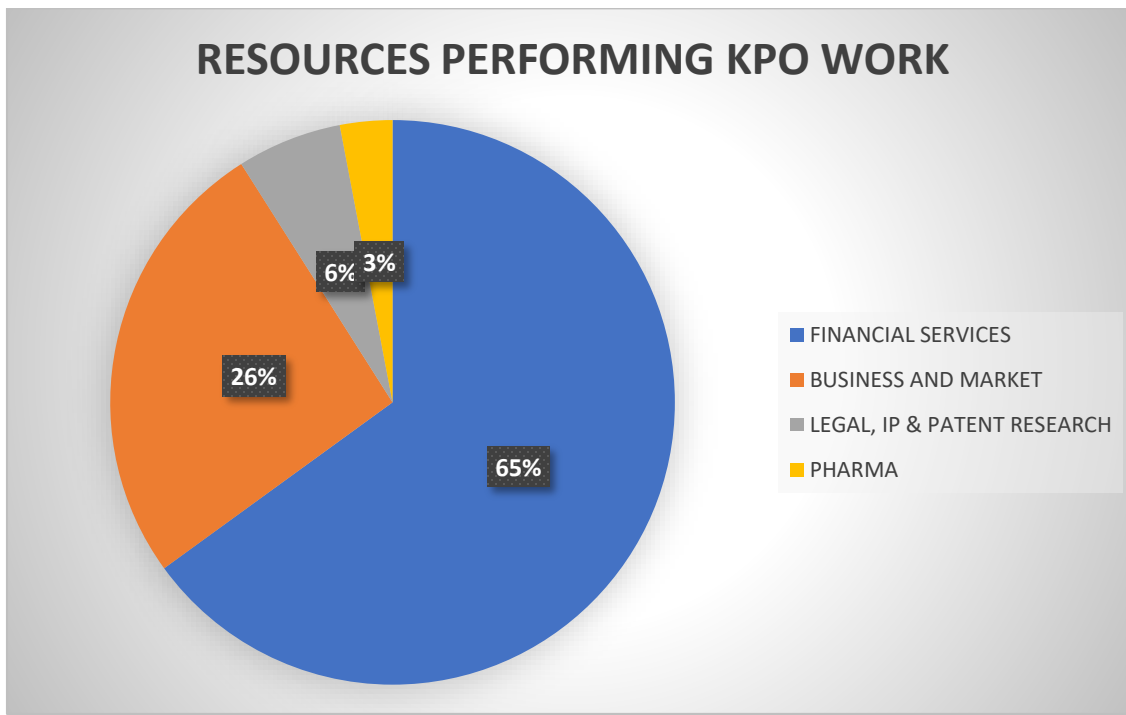


Figure 2, showing the various resources and work performed under KPO

Table 2: describes the Services offered by KPOs in various country. It shows that which services are majorly provided in which country.

Services Offered by KPOs Country-wise	
KPO segments	Country
Animation	Philippines, India, China
Engineering services	Philippines, India
Content development	India, Philippines
Financial services	India, China
Healthcare	Russia, India
R&D	India, China, Russia
Legal	New Zealand, India
Pharma	India, Russia

Source: www.ibef.org

Table 2: Showing services offered by KPOs country-wise.

Segment-wise KPO Sector Revenue in 2010	
KPO sector	Revenue contribution (per cent)
Data search integration and management	29
Bio-tech and pharma	18
Engineering and design	12
Research and development	12
Remote education and publishing	12
Animation and simulation	8
Others	9

Source: India's KPO sector: Origin, Current State and Future directions, by Alok Aggarwal, Chairman, Evalueserve

Table 3: Showing Segment wise KPO sector revenue in 2010

7. BENEFITS OF KPO

The main driver for outsourcing is cost minimisation. Savings of Labour costs overseas are just too great to be ignored. However, outsourcing benefits the organization in many ways. KPO companies can provide the following benefits:

(i). Cost savings: Firms which carry out each and every activity of their business themselves generally incur higher costs by research, development, marketing and deployment expenses, and these all are chunked on to the customers. The outsourcing can provide a company to minimize its costs while the outside provider follow lower cost structure, and this generally reduces a company's operating costs and increases its competitive advantage.

(ii). Trained professionals: Another driver of KPO is the shortage of trained professionals or skilled Labour. Countries such as the US, the UK, and Western European countries which have developed economies are already facing a scarcity of highly trained and skilled professionals in some knowledge intensive, high-skill sectors, such as IT, engineering design, R&D in very large scale integration, and financial risk management. One way to minimise these shortage of skills is to outsource talent from low-wage developing countries. India alone produces 441, 000 technical graduates, approximately 2.3 million other graduates and more than 300,000 postgraduates every year (London, 2006). As per a study conducted by NASSCOM-McKinsey, this is about 30% of the available supply of skilled manpower in low-cost countries (Balaji, 2005).

(iii). Operational efficiency: Outsourcing brings reengineering which aims for radical improvements in critical measures of performance such as cost, service, speed and quality. But the necessity to boost efficiency comes into direct conflict with the necessity to invest in core business. As internal non-core functions are always kept on the back seat, thus, systems become less efficient and less productive. Therefore, by outsourcing the non-core activities to a competent provider, the organization can avail the benefits of reengineering.

(iv). Savings in time and management energy: The organization can introduce or reduce personnel easier than an organization can do it in house via outsourcing, hence this avoid an expensive layoff process. Thus, the company can save their time and by utilizing this time difference between different area of the globe, development can take place constantly.

(v). Recruit larger workforce without raising costs: Standardised technical education is extensively available and accessible to all in the developing countries, especially in India. This trained and skilled manpower is available at very low cost as well. Destinations such as India, Russia and China are the ideal for providing these services as they have a large pool of engineers and even Ph.D.s at a considerably lower cost.

In knowledge-intensive industries such as Research and Development, Intellectual Property Research and Analytics and Data Mining Services, firms can save significantly, about 40-50%, by off shoring work to low-wage countries. According to Boston Consulting Group, a normal annual salary for an IT engineer in India is

about USD \$5,000, and it is about USD \$7,500 for a post-graduate with a master degree in Business, and it is about one tenth of their American equivalents (London, 2006). The difference in cost between a Ph.D. in the Engineering and Sciences in India (or in Russia) and in the USA can range between USD \$80,000 and USD \$60,000, respectively.

(vi). Optimum use of resources: Every organization has to face the scarcity of resources available to it. Outsourcing helps an organization to redirect the resources available, mostly human resources, towards the core activities of the business from non-core activities and thus, represent for greater value adding activities. The staffs, who employ their energies on internal functions can now be concentrate externally — on the customer.

(vii). Concentration on main business: Since outsourcing helps in providing its services to non-core business functions assumed by an outside expert, a company would able to focus on its core activity of business. Freed from dedicating energy to non-core areas, the company can put its attention to the resources on meeting their customer's needs.

(viii). Best use of financial resources: There is great deal of competition among most organizations for capital funds. The top-management is always in a dither of where to invest the capital funds. And it happens when the differentiation between core area and non-core area of business seems quite tough, when core areas directly associated to manufacturing a product or providing a service which compete for the same money. In this context, outsourcing can cut the requirement of capital funds to invest in non-core business functions.

(ix). Low Risk: With the investments made by the organizations, enormous risks are related. Markets, financial conditions, competition, Government Regulations and Technologies all change quickly. Further, it becomes risky go on with these changes, especially those in which the significant investments are required by next generation. Thus, the outsourcing providers, on behalf their clients, make investments, it shared the investment spreads risks, and significantly lower the risk borne by a single company.

(x). Increased profits: Since, outsourcing helps in reducing the costs and risks involved in various activities of business which are being carried out, and it also helps in optimum utilization of resources which also helps in saving the cost, time and energies. Thus, the profit of business gets increased.

8. KPO VS BPO

Both the sectors, KPO and BPO are quite related to each other in terms of outsourcing of processes. But, let's not consider it only as a 'B' replaced by a 'K'. They share their dissimilarities in terms of the value served to the clients, which leads to a clear demarcation in the amount of intellectual intervention in the process, process complexity, the skills needed and the ability to scale. While BPOs are rudimentary process-driven, rule-based, required low level of skills and contrast in more volume, size and efficiency, KPOs involve judgment and in

KPOs, knowledge is the key point. KPO is dealing with larger amount of highly skilled work than the BPO industry.

The functions covered under Business Process and Knowledge Process are quite different. As the BPO covers non-core functions and KPO covers core functions. The functions that can come under the KPO tree are vast and depends on the firm's individual business focus and industrial vertical.

Basis	KPO	BPO
Activities carried out	Core activities	Non-core activities
Staff skill sets	Advanced and Highly skilled staffs with high level of knowledge such as CA, MBA, Ph.D. etc.	Undergraduates
Primary objective	Generating revenues (bolstering top-line)	Increasing process efficiency and reducing costs via learning economies of scale and curve.
Work expertise	Domain expertise	Process expertise
Career difference	Considered as a career by professionals	Considered as a job by people
Process Complexity	Highly complex, work based on judgement, knowledge and experience	Low complexity, involves basic process, rule-based
Staff retention policies	<ul style="list-style-type: none"> • Equity and equity-linked incentives • Professional growth into client relationship management path • Lateral movement across various industry groups 	<ul style="list-style-type: none"> • Monetary incentives such as increments and annual bonuses. • Some BPOs have started focusing on advanced education also to retain staff.
Working Hours	Normal working hours i.e., 8 hours	24*7*365
Rate of Billing	US\$10 to US\$45 per hr.	US\$4 to US\$15 per hr.
Employees turnover rate	Lesser than BPO	Comparatively high or very high

Techniques of managing process quality	Standard project management applications supplemented by documentation controls and in-house modeling.	Robust Six Sigma driven quality techniques with focus on accuracy of output.
Regulatory issues	<ul style="list-style-type: none"> • Intellectual property (IP) ownership and management issues • Strict conflict-of-interest management particularly with respect to insider trading 	<ul style="list-style-type: none"> • Data Protection and Privacy law issues relating to customer data • Compliance requirements such as SAS 70
Operating Driver	Staff capabilities and their expertise knowledge	Staff numbers, volumes and accuracy of output
Growth rate	Expected to be 46%	Expected to be 26%
Common destination(s)	India	India, China, Philippines, Vietnam and Eastern Europe
Sample activities	Equity Research, Market Research, Software development etc.	Finance and Accounting outsourcing, HR etc.

Source: Various data, Research Paper and Articles

Table 4: Difference between KPO and BPO

9. KPO IN INDIA

During 1990s, India has emerged as one of the rapidly growing economies in the world. After attaining success in Business process outsourcing, India is now gearing towards Knowledge process outsourcing. The KPO, is latest wave to hit the outsourcing business in India. A booming sector with lots of potential.

For the organisations and corporations stepping towards outsourcing and probing to get the high-end research like equity research and market research, engineering design, analytical services, remote education and publishing, IPR and legal services, India is currently the location of choice. These companies outsource their processes to India for accessing highly skilled workforce, saving their costs, operational efficiencies, and improved quality. “Indian companies are good for BPO only”, the statement seems to be proved wrong by the companies in the KPO sector.

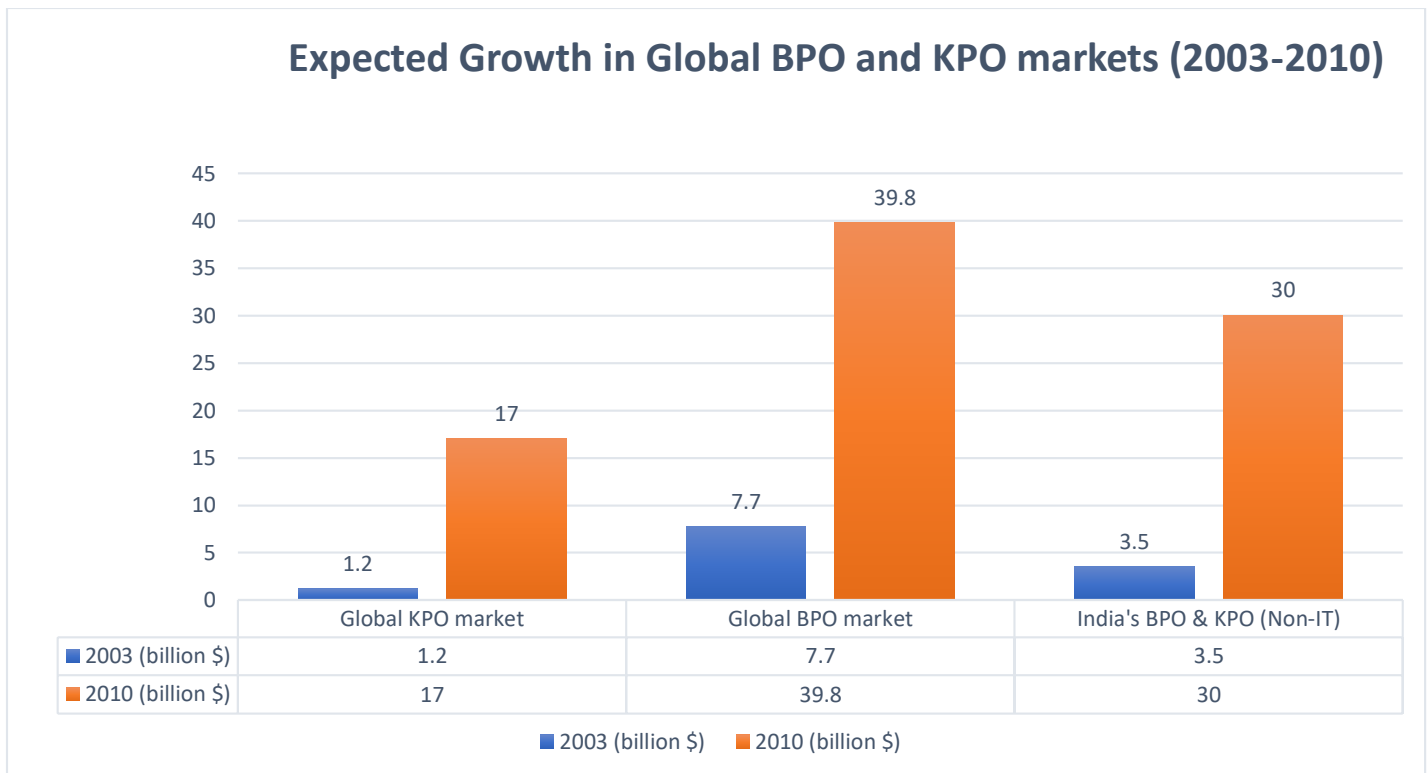


Figure 3: Chart showing Expected Growth in Global BPO and KPO markets (2003-2010)
(Source- Study by Evalueserve)

In 2003, \$0.72-billion revenue was generated by the Indian KPO industry and was accounted for 56% of global KPO sector, contributing around 0.24% to the Indian service sector. This figure was estimated to reach at 71% by 2010, contributing India's share of \$11.2 billion with 1.78%, according to a study conducted by National Association of Software and Services Companies (NASSCOM) and United Nations Conference on Trade and Development (UNCTD), which shows a decent rise of the sector in the coming years. Reports also state that four out of ten KPO projects which will be outsourced to Asia will come to India. However, to increase the share of India in the global KPO market, the IT/BPO sectors and the government will have to work together and for this, the country will have to look beyond USA and find new markets for its KPO business.



Figure 4: Share of India in Global KPO market

(Source- NASSCOM)

The CAGR (compound annual growth rate) was expected by the Indian KPO sector between 2003 and 2010 was of 49.5%. In spite of slowdown, India's KPO market is rising at a CAGR of approximately 30% at present and could touch \$30 billion by 2015 from the current level of \$20 billion.

Since these reports clearly divulge that there is a clear trend towards KPO services to India. A large no. of companies are showing their interest in India to offshore their work at comparatively cheaper rates. For instance, drafting and filing of patent applications is very expensive in the US but it is comparatively cheaper in India. India offers significant cost benefit of about 40% to 50% per cent in the areas of Research.

Increasing demand for KPO in India is specially due to the presence of a number of prestigious technical universities and IITs (Indian Institute of Technology) which are amongst the best in the world. The KPO providers in India can deal with almost any kind of knowledge or information related work. About 2/3rd of the global professionals working in this industry will be based in India. Each year, over 75,000 IT graduates and more than two million of English speaking graduates are being produced in India. Over 3 Million graduates are produced in this country every year. India enjoys the 2nd biggest reservoir of managers, engineers and scientists and in the world.

In 2000-01, the India held only 9000 billable professionals in KPO industry, which generated revenue of \$260 million and it grew to 112,000 by 2007-08. These billable professionals generated \$4.4 billion. In 2010, this figure has estimated to reach to 255,000 with \$11.2 billion.

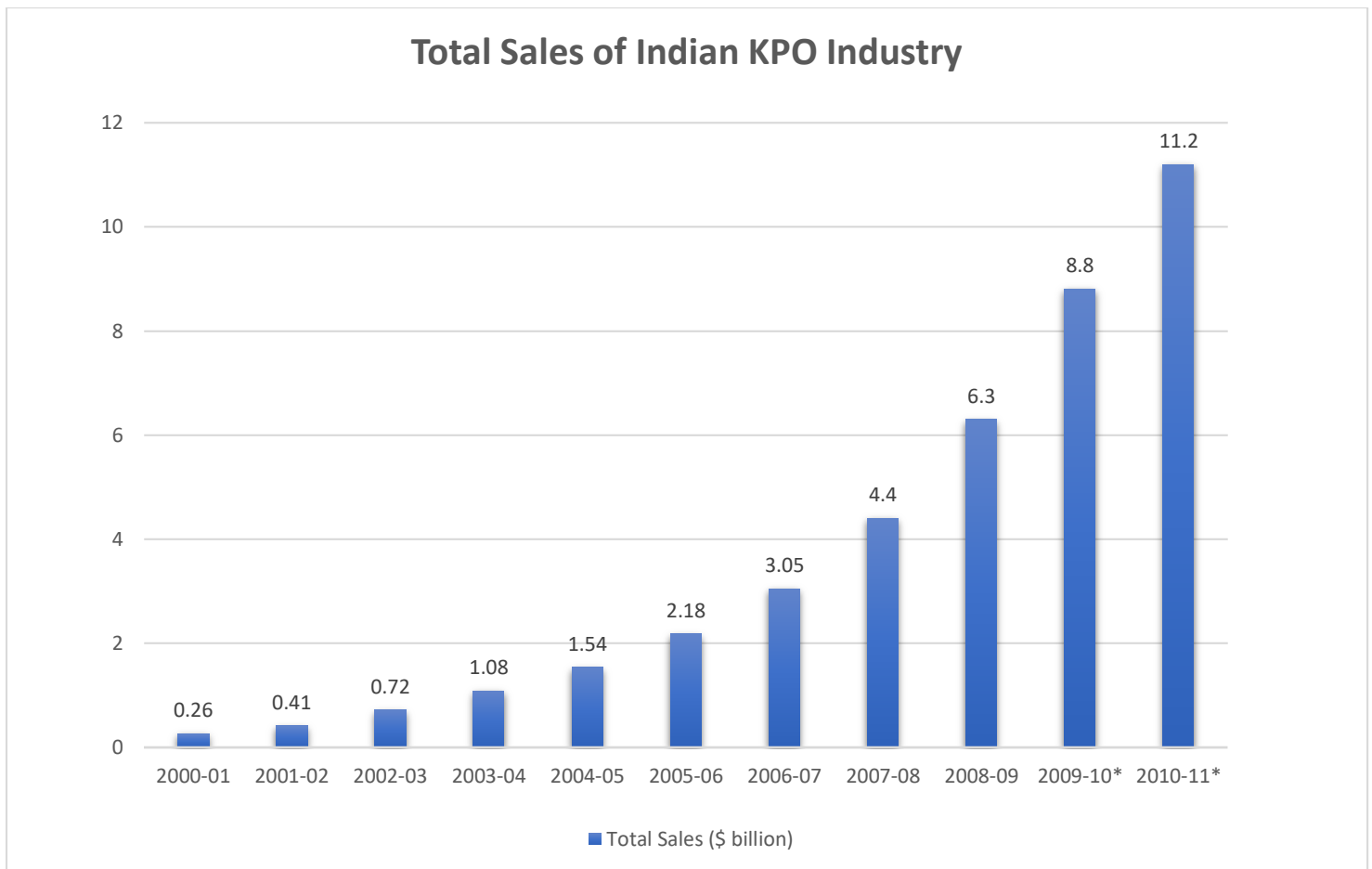
At present, the Indian KPO industry is encountering stiff competition from countries like China, Poland, Russia Philippines and Hungary, as these are emerging strong competitors for KPO business in view of low-cost advantages, highly qualified KPO professionals, domain expertise, data compliance, sales and marketing capabilities, and location advantage.

India have the stock of highly qualified workers in about all sectors like engineering, research & development, pharmacy and biotechnology. KPO jobs are more challenging than BPO because instead of process expertise, KPO provides domain knowledge and business expertise, which, in turn, require highly specialised and analytical skills. This makes India the hottest destination for KPOs.

9.1 Why India is the most preferred KPO destination?

When the question arises, there are lots of facts which explains the advantages of offshoring to India and that explains the best to the asked questions. Whatever are the ingredients required for performing offshoring functions, the location (India) is very rich in that, and thus it offers lots of advantages. Some of them are pointed out in list below: -

- Low Costs
- Socially recognized in India
- Perfect Education System of India
- Superior Intellectual Potential of India
- It will be suitable to the Indian work culture.
- Time Zone advantage
- India's Stable Government
- Large Pool of Human Resource
- High Skilled Staffs like CAs, MBAs, Ph.Ds., etc.
- Good Working Conditions
- Best of Breed infrastructure of telecom and utility
- Security of Confidential Information
- High Quality Services
- Global organisations most preferred choice



**Expected*

Figure 5: Total Sales of Indian KPO Industry

(Source- selected research papers and articles)

10. KPO PLAYERS IN INDIA

Lots of firms are operating in KPO industry in India and offer their KPO services to their clients. The main hub of the industry lies in major cities of the country such as Bangalore, Gurgaon, Mumbai, Pune, Delhi, Chennai etc. Here below are the names of KPO players which are operating in India-

Top KPO Players in India	
Genpact	Firstsource
Evalueserve	Ugam Solutions
WNS	24/7 Customer
EXL Services	Moody's
Pangea3	Aptara
EXL Services	Moody's

Table 5: Top KPO players in India

Source: Various data



11. SWOT ANALYSIS OF INDIAN KPO SECTOR

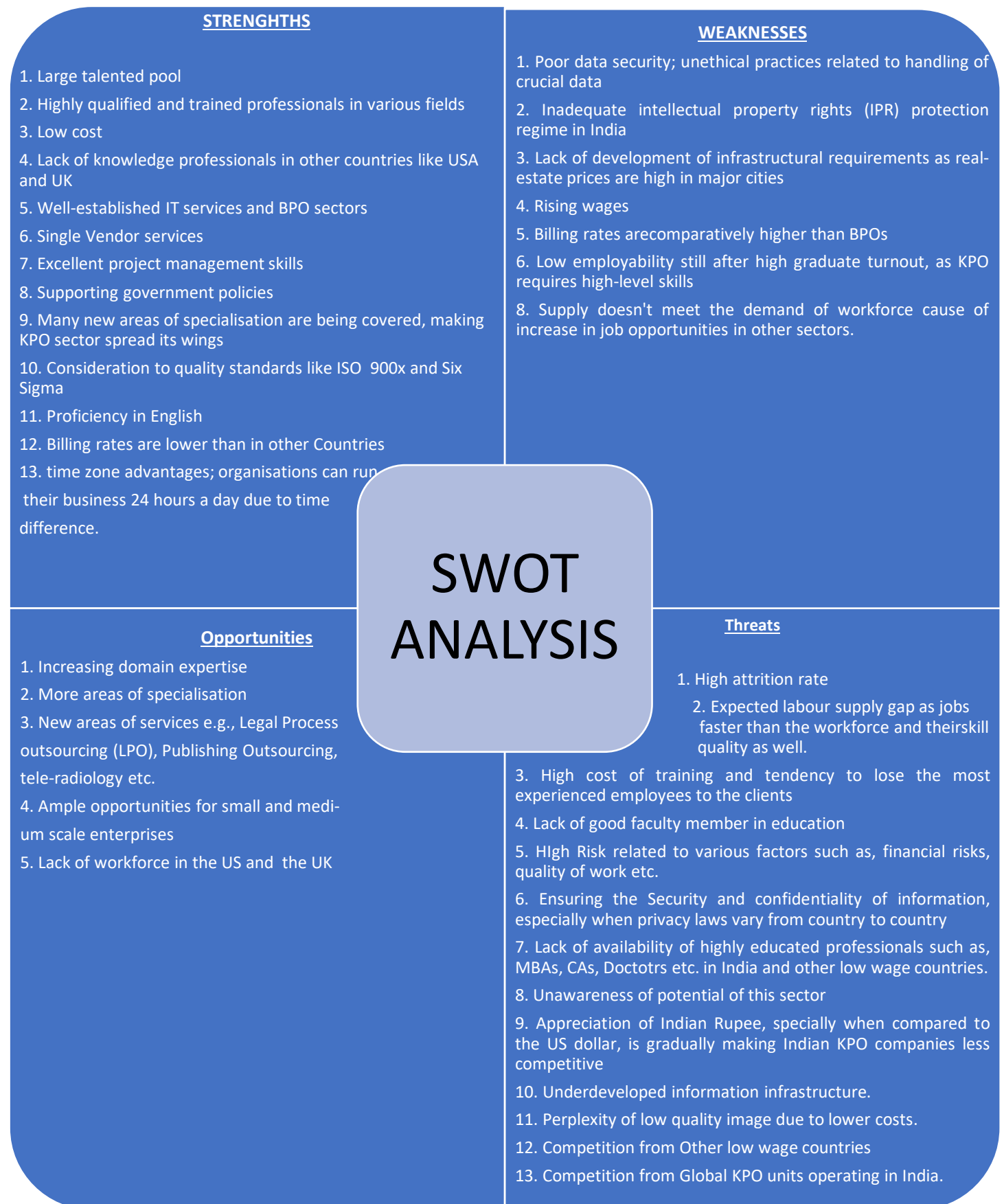


Figure 7: SWOT analysis of KPO industry in India.

12. FUTURE OF KPO

After studying and scrutinizing the importance and challenges of the KPO industries, now it's now predict some future trends. Since firms in the KPOs are performing in more and more stormy markets and are forced to act faster with the opportunities given and risks they are facing. Global competition is becoming tougher. At the same time, a greater diversity of products, with much faster delivery times, is flooding the market. And keeping in view these all facts, here are some of the major future trends that most of the companies will face in the next five to ten years:

- The companies will have to further cut costs
- KPO salaries will be 25-50% higher than in other fields.
- The firms will keep a sharp eye on the external environment to grow and develop their business through global expansion and R&D.
- The firms will be more reactive and adapt the market changes and internal environment.

Since the KPO industry is in its nascent stages, it's tough to speculate how these new trends will evolve. India has a blazing future in KPO and has comparative advantage in knowledge work. India will experience a higher rate of growth in KPOs as of BPOs. KPO sector will heavily contribute to the revenue generation and job creation due to its increasing size.

13. STRATEGIES FOR KPO

If the outsourcing strategy is not communicated well to the vendors, the best strategy would become worthless. When, both partners understand the process of outsourcing of knowledge-intensive then, a strategic tool can benefit both of them. But even after, if the executives know about the significance of outsourcing, they might not know how to do it best.

Here are some ways to increase the rate of success of a firm:

1. Attracting and retaining the Best Talent: This can be done by providing a competitive salary, good working environment and benefits and by giving people an opportunity for growth in the organization.

2. Training: By conducting training sessions outsourcing, the experts will get the bottom less knowledge and understanding of the industry and come to know how to create and manage outsourcing relationships.

3. Goal Orientation: The firm must be goal oriented. As the main objective of the outsourcing is to deliver faster and cheaper than any other can do in the market. Thus, a firm should focus on their activities only and encourage the workers for the same.

4. Implementing Quality Standards: Following and upholding good quality standards in the process and delivery will help an organization stay productive and sharp, and it is very important to prospective clients and inculcate confidence in them.

5. Technology: Technology help firms to improve their outsourcing ROI in three ways:

- a) By reducing the management costs.
- b) By increasing the quality of outsourcing processes.
- c) By avoiding duplication of billing and services errors.

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

6. Improving supporting infrastructure: By improving the infrastructure the businesses can be more efficient, and can compete with other firms at other locations.

7. Promoting India as brand in KPO space: The government and companies in this sector to should be the flag bearer of India and promote our country as a prime destination for KPO. This will encourage investment into this sector

8. Improving the quality of education: Encouraging the students to get higher education will help in building a large pool of talent that is vital to the survival and growth of this industry.

9. Promoting research in the country: Indian education system has low stress on practical research. This should be fixed so that bleeding edge research happens in this country, so that we lead the next wave of innovation.

Conclusions

As examined above, the KPO industry in India is a booming and expected to grow 45% in size by 2010. India is currently the most popular destination in the world for KPOs. In KPO, India has been expected to be a world leader. The contribution of KPO will be significant in terms of revenue generation and employment. India is already established itself as a world leader in IT. If it desires to keep its position, it is necessary to take the problems seriously faced by this industry, else newer and fresh destinations such as China, Philippines, Indonesia and Eastern Europe might catch up and could even beat us. KPO will help India a long way in becoming a global superpower and for that the Government and companies in this sector work together, then the road ahead for KPOs in India indeed looks very promising.

India's strength lies in its large pool of trained manpower available at low cost. India's strong education has led to creation of high levels of human capital. Since, it faces a number of obstacles. The education sector needs to

keep a balance among demand and supply of knowledge workers. Also, the quality of higher education needs to be examined. For a large section of higher education, stress has to be laid on skill formation and not an ornamental degree. Whether the degrees are produced will suffice for KPO is also an issue, which needs to be examined. Care should be taken to provide holistic education, which conveys proper analytical skills, learning and values. The retention of knowledge workers is also an issue which requires attention from industry side. Issues related to quality and quantity of knowledge workers need to be looked into.

Stress should be given on development of faculty members who will be grooming the future knowledge workers. Salaries of faculty members have to be revised and made on par with industry salaries along with proper incentives. Steps should be taken to provide special education in areas where KPO growth is expected to be high as Market Research.

India has a bright future in KPO. India has comparative advantage in knowledge work. Care should be taken so that these advantages should not get truncated. Since other countries may try to expand in global KPO market and also develop their skills which could abrade our advantage. But, if the above discussed challenges are addressed in the proper manner, India will undeniably retain its supremacy and emerge as a world leader in KPO.

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