



## KNOWLEDGE PROCESS OUTSOURCING IN INDIA: A BIRD EYE VIEW

### Commerce

**Dr. Namratha**

Faculty Member, Dept. of Commerce, S.P. & J.M. Bohara Commerce College, Shorapur  
Dist: Yadgir-Karnataka

### ABSTRACT

The evolution and maturity of the Indian BPO sector has given birth to yet another wave in the global outsourcing scene: KPO or Knowledge Process Outsourcing. The success in outsourcing business process operations to India has encouraged many firms to start outsourcing their high-end knowledge work as well. Cost savings, operational efficiencies, access to a highly talented workforce and improved quality are all underlying expectations in offshoring high-end processes to India. The myth that Indian companies can only provide "software coolies" is soon changing to the reality of Indian companies being capable of almost anything, even rocket science! India has a large pool of knowledge workers in various sectors ranging from Pharmacy, Medicine, Law, Biotechnology, Education & Training, Engineering, Analytics, Design & Animation, Research & Development, Paralegal Content and even Intelligence services. This talent is soon being discovered and tapped by leading businesses across the globe resulting in the outsourcing of high-end processes to low-wage destinations. Hence Knowledge Process Outsourcing involves offshoring of knowledge intensive business processes that require specialized domain expertise.

### KEYWORDS

Process, Knowledge, Outsourcing, Global, Education

### INTRODUCTION:

In today's world of consolidation, convergence and competition it's the need of all organization to focus on their core competencies or activities that link-up-directly with the revenues and hence the profitability. In such a scenario, companies tend to outsource their non-core tasks to focus on business decision-making. Outsourcing has become the latest mantra for companies to stay ahead of competitors in this highly competitive business environment. Now-a-days organizations are not only concentrating on their core activities but are also specializing more and more on them, leaving non-core activities to outside vendors, who have achieved expertise and proficiency in these activities.

The economic prosperity of Business Process Outsourcing (BPO) has motivated many firms to begin offshoring their high end knowledge work. However, in addition to cost savings, Western companies are increasingly looking for access to specialized knowledge professionals that are rare in the west. This trend is known as Knowledge Process Outsourcing (KPO), which involves the offshoring of knowledge-intensive business processes that need significant domain expertise.

The present paper makes an emphasis in the following significant areas of (KPO)

- 1) To know the future of Knowledge Process Outsourcing (KPO)
- 2) To know the important sectors of Knowledge Process Outsourcing (KPO)
- 3) To know the opportunities and challenges of Knowledge Process Outsourcing (KPO).

### What is KPO?

It is being claimed that KPO is one step extension of Business Process Outsourcing (BPO) because BPO Industry is shaping into Knowledge Process Outsourcing because of its favorable advantageous and future scope. But, let us not treat it only a 'B' replaced by a 'K'. In fact, Knowledge process can be defined as high added value processes chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity. And when this activity gets outsourced a new business activity emerges, which is generally known as Knowledge Process Outsourcing.

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 Process Outsourcing (BPO), Research Process Outsourcing (RPO) and Analysis Process Outsourcing (APO). KPO business entities provide typical domain-based processes, advanced analytical skills and business expertise, rather than just process expertise.

### Why India A Destination For Outsourcing?

- Abundant Talent: India has the second largest English speaking

scientific manpower pool in the world, second only to the US.

- Proven Competency: 82% of US companies ranked India as their first choice for IT/Business Process outsourcing. IBM, Microsoft, Novell, Oracle, AT&T, Fujitsu, Motorola, Digital, HP, Philips, GE, IBM, Reebok, Fujitsu, British Aerospace, and General Motors... the list is endless.
- Low Costs: Indian graduates cost 50%+ lower than in the US.
- Initial set-up costs are half those in the US: In India, free-market reforms are creating the world's largest back office, transforming the country into a major force in IT, outsourcing, and critical service application delivery.

### The Future Scenario Of Kpo

The knowledge process outsourcing (KPO) has brighter future in forthcoming years as compared with the business process outsourcing (BPO). The future of Knowledge Process Outsourcing (KPO) business in India presents an encouraging picture to rejoice for everybody in the country. Not only the scope of business opportunities shall give endless area for businesses to explore but also shall create lots of jobs for the large amount of the talented and skilled workforce of engineers, MBAs, doctors, lawyers and other professionals having skill in the core areas and computer knowledge.

The Global Knowledge Process Outsourcing industry is expected to reach \$17 billion by 2010, of which \$12 billion would be outsourced to India. In addition, the Indian KPO sector is also expected to employ more than 2,50,000 KPO professionals by 2010, compared to the current figure of 25,000 employees. India will capture 71 percent of the world KPO market by 2010, against 56 percent today.

The global KPO industry is still in an incipient stage. However, it is growing at a faster pace. The sectors that are expected to 'Shine' within the KPO industry are 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.

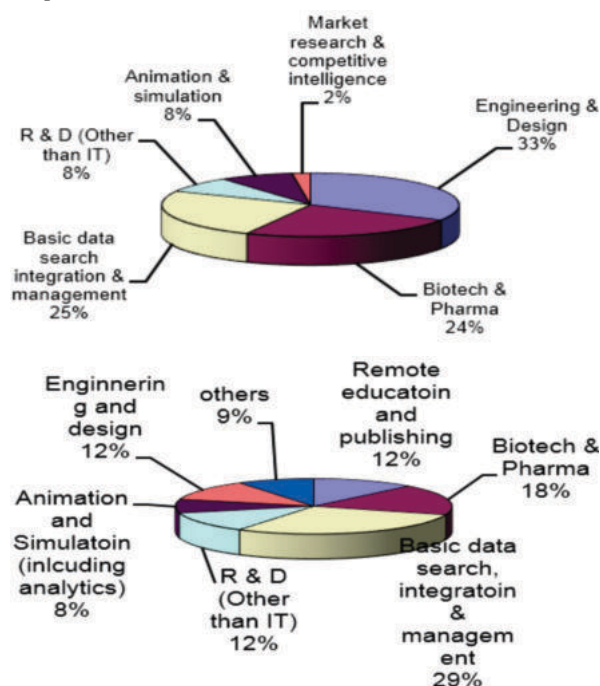
Unlike the prevailing Business Process Outsourcing, where the focus is on process expertise, in KPO, the focus is on knowledge expertise and needs service providers to possess advanced technical and analytical skills. Some of the factors fuelling in knowledge process outsourcing are as follows:

Developed countries, such as the UK, the USA and countries in Western Europe are increasingly facing a scarcity of engineering design, information Technology, Financial Risk Management, etc.

Buyers of offshoring services save more at the high end of the value chain, as compared to the low end on a per job basis.

High class specialized vendors and successful captives have emerged as role models and created awareness for KPO, both in the west as well as in India.

## Shape Of The Market



Source: Business India, Aug. 29th Sept. 11th, 2005

### Conversion From BPO TO KPO

**Outsourcing** is present in numerous business functions, including manufacturing, legal, and financial and human resources, it is the term BPO (Business Process Outsourcing) that is largely in the news on a daily basis. India's capabilities in this area have been moving towards enhancing the nature of the work done. From mere data entry kind of work, the focus has shifted to transaction processing. Now, there is a nascent move towards knowledge process outsourcing (KPO). Unlike in BPO where the focus is on executing standardized routine processes, KPO involves processes that demand advanced information search, analytical, interpretation and technical skills as well as some judgment and decision making. Examples of KPO functions are intellectual property or patent research, R&D in pharmaceuticals and biotechnology, data mining, database creation, and a range of analytical services such as equity research, competitive intelligence, industry reports and financial modeling. Many of these activities lend themselves to remote execution from anywhere.

### Opportunities Of Knowledge Process Outsourcing (KPO)

Indian BPO sector has given birth to another concept in the global outsourcing scene. The knowledge process outsourcing. It enables the effective use of resources, give better quality with less cost, wider coverage, goes to the clients and capture the market through competitiveness. Under the knowledge process outsourcing the important effective services like, inspire to marketing research, manage critical condition efficiently, competitions, products and services; makes the organization effectiveness in business administration. All of which help in dealing with rapidly evolving business scenarios. India has the potential and working towards meeting the future demand for knowledge workers at home and abroad. It is essentially entails outsourcing of high skills or knowledge jobs such as chartered accountants, doctors, lawyers and engineers to foreign countries are the users of such specialized services.

In today's competitive environment there is growing specialization, where companies focus on their core competency areas and outsource the rest. Many organization have realized that by outsourcing, they will not only minimize the cost but will be in better position to consider on the growth of their business.

### Challenges In Knowledge Process Outsourcing (KPO)

The challenges the KPO industries is prone to face are as follows:

The following are the important challenges of knowledge process outsourcing.

1. In a competitive world, high level of reinvention that increases the cost of operations.
2. Under the knowledge process outsourcing, lack of knowledge sharing for high-end complex task.
3. In this aspect there is a lack of response to many of the complex customer issues.
4. In organization clients do want various financial information to maintain within the company, given current regulatory environment and also maintain high quality standards.
5. Lack of systematic approach to knowledge creation and absence of systematic collaboration.
6. Investment in knowledge process outsourcing infrastructure.
7. The lack of forte pool.
8. Requirement of high level of control.
9. Confidentiality.
10. Enhanced risk management.

### Employment Opportunity And Revenue Generation In BPO AND KPO

| Service | Employment opportunity* | Revenue generation* |
|---------|-------------------------|---------------------|
| BPO     | 820,000                 | \$18 billion        |
| KPO     | 250,000                 | \$12 billion        |

\*By 2010

Source: Business world website

Source: Evalueserve

### Important Sectors Of KPO

Owing to various strategic advantages like availability of skills man power, cost effectiveness, strong equality system, and productivity. There is tremendous potential for the knowledge services and processes outsourcing to India with this knowledge process outsourcing has a broad term encompassing various sector like.

1. Research & Development
2. Financial Consultancy and Services
3. Advanced Web Applications
4. Business and Technical Analysis
5. Learning Solutions
6. Animation & Design
7. Business & Market Research
8. Pharmaceuticals and Biotechnology
9. Medical Services
10. Writing & Content Development
11. Legal Services
12. Intellectual Property (IP) Research
13. Data Analytics
14. Network Management
15. Training & Consultancy

### Benefits of KPO

Standardized technical education is widely available to all in the developing countries especially in India. This skilled and trained manpower is accessible at very low cost as well. It, therefore, is always a wise decision and makes sense to utilize such services. Outsourcing of activities to KPO companies can provide the following benefits:

- Valuable cost savings that can be utilized elsewhere.
- Trained professionals at work.
- Standard operational efficiency.
- Increase in profits.
- Savings in time and management energy for maintaining in house services.
- Option to recruit a larger work force without raising costs.

### CONCLUSIONS:

Even though the KPO is exposed to various challenges, it is not surprising that India has been ranked the most preferred KPO destination owing to the country's large talent pool, Quality IT training, friendly government policies and low labour costs.

India has been edge for the offshore outsourcing of the IT, financial service, Business Process Outsourcing (BPO), because of low cost manpower with higher education, neutral accent English speaking capability. Owing to these strategic advantages India is emerging as new hub for Knowledge Process Outsourcing, having large pool of knowledge workers in various sector. The India has been ranked is the most preferred knowledge process outsourcing destination as compared to other countries.

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