

The 34th International Small Business Congress

Synergizing International Entrepreneurial Opportunities for SMEs

13 November 2007

Queen Sirikit National Convention Center Bangkok, Thailand

Searching for Global Outsourcing Opportunities

Lessons & learning from India

Ravishankar A₂

What is Outsourcing?

Outsourcing is a specialised service

Where an **external** organisation

- o *manages, improves, redesigns*

- o *creates low-cost, high-quality business processes*

for an **existing** business operation or function

Focus : Increase profit and value to all the organisation's stakeholders

Global Outsourcing

- Traditional areas of service – locally catered
legal, transport, security, catering
- Global outsourcing – Must have strategy for global organisations
internet, imperatives for growth & profitability
- Essential skills for successful outsourcing
understanding different processes and models
check out readiness
vendor and country selection
project management – transition, performance monitoring
governance and exit strategies
- Risks involved
geopolitical, economic, legal
infrastructural, competency and cultural

Advantage India

- Fastest growing Global Outsourcing Hubs in the world
 - During the last decade (1997-98 to 2007-08)*
 - ⇒ 23000 people to over a million
 - ⇒ \$10 million to over \$ 45 Billion
- Controls 44% of the global offshore outsourcing market
 - for software and back office services*
- Over 660 multinationals
 - each bring \$ 1 million annually to India*
- Emerged as one of the largest markets
 - outsourcing deals in the APAC region*
- Revenue generating segments and industry
 - ⇒ *back office operations*
 - ⇒ *medical transcriptions*
 - ⇒ *insurance claims processing*
 - ⇒ *customer interaction centres*
 - ⇒ *content development*

 - ⇒ *banking and financial services*
 - ⇒ *telecom*
 - ⇒ *hi-tech*

Why and How is this Happening

Information Technology and allied services

contribute 85% of the total outsourcing revenue

Major reasons

- *abundant, skilled, english speaking manpower*
- *global standards of telecom and other infrastructure services*
- *strong quality orientation*
- *fast turnaround times due to the ability to offer 24x7 services*
- *proactive and positive policy environment*

Key differentiators

- *larger and more complex deals*
- *high offshore component of delivery*
- *superior execution in multi-location delivery*

Broad-based industry structure

- *IT services led by large Indian firms*
- *BPO by a mix of both Indian and multinational providers*

While large players lead the growth

several high-performing SMEs are also providing the thrust

Some Examples

- ⇒ Virtual Teams set up by MNC
- ⇒ Animation and design
- ⇒ Tele Radiology
- ⇒ Pharma companies
- ⇒ Textile Industry
- ⇒ Market research firms
- ⇒ Retail Industry
- ⇒ Telecom Industry
- ⇒ Automobiles

Global Trends in Outsourcing

Business Model Innovation

- ⇒ *Focus on transforming business processes with tangible business deliverables*
- ⇒ *Combine strength & capability of global multinationals and frontline vendors*
- ⇒ *Globally integrated model
world is the market & processes in different countries*
- ⇒ *Second-generation outsourcing
Combine business consulting services and IT services to deliver measurable business value*
- ⇒ *Focus shift - from cost - to value - for clients*
- ⇒ *New pricing models, based on value or outcomes*

Outsourcing is here to stay but vendors would have to ***align their objectives*** more closely with the customer

Growing Non - IT Business

- ⇒ *Legal*
- ⇒ *Design*
- ⇒ *Market Research & Advertising*
- ⇒ *Health care*
- ⇒ *Pharma Research*
- ⇒ *Manufacturing*
- ⇒ *Transportation and Logistics*
- ⇒ *Utilities*
- ⇒ *Retail Services*
- ⇒ *Financial services*
- ⇒ *eGovernance*
- ⇒ ***Knowledge Process Outsourcing***

Risks

Global growth expected at 15 – 20 %

Cost savings expected between 10-30%

- ⇒ Trade Off – efficiency, effectiveness, flexibility
- ⇒ Unexpected costs – transitions, people
- ⇒ Abdication
- ⇒ Loss of Knowledge
- ⇒ Loss of Control of core business function
- ⇒ Theft or Loss of data and associated liabilities

Global Opportunities for SME Segment

- ⇒ Selective Outsourcing due to unbundling of contracts
- ⇒ Smaller, specialised focused service providers
- ⇒ Knowledge process Outsourcing
- ⇒ Holistic solution - *through linkages with other service providers*
- ⇒ Efficiencies in the supply chain
- ⇒ Managing relationships

Key Differentiator

Speed, Quality, Flexibility & being ahead of the curve

Thank you