

Visakhapatnam – A New Port of Entry for Indian IT-BPO Sector



It may currently seem nascent in terms of IT-BPO activity but, Visakhapatnam has the potential to attract the industry, given the balanced mix of social infrastructure, affordable real estate, talent availability and cost of living it offers, all of which are necessary to fuel the industry’s growth. According to the recently released NASSCOM-A.T. Kearney Study – India: Location roadmap for IT-BPO growth: Assessment of 50 leading cities, Visakhapatnam, currently a ‘Challenger’ location has the potential to evolve as a potential BPO destination for non-voice processes.

Visakhapatnam has been ranked among the 100 fastest growing locations in the world and among the top 10 Indian locations in terms of its economic and investment climate, by a United Nations study.

The location also boasts of several other positives that can give it a strong IT-BPO profile:

- It has a rich business environment marked by the presence of industries such as steel, chemicals and petrochemicals, among others
- Government has allocated six locations for developing IT SEZs and expansion of IT parks is also in the pipeline
- Over 7,000 engineering graduates join the talent pool annually and of these, a large number is employable by the IT industry
- Around 20,000 graduates pass out every year and more than half are employable by the BPO industry
- In terms of physical infrastructure, the city has good air connectivity, with daily flights to most leading locations across India, however, an international airport is absent

- Telecom and power, the other major imperatives for the IT-BPO industry are also available in adequate measure, while the social, educational, medical and living environment is satisfactory
- Despite the movement of high quality students to Hyderabad, the large IT-BPO players are experiencing an inward migration of people
- In terms of cost of operations, Visakhapatnam has a 35 per cent cost advantage over the average cost of leader locations

Visakhapatnam has few IT-BPO companies operating within its domain, on account of talent migration, low awareness levels about careers in BPO, low perceived Government support to the sector and paucity of middle and senior level IT-BPO professionals.

The NASSCOM Study recommendations indicate that the location be positioned as an alternative to Hyderabad for IT and non-voice BPO operations with an attractive cost advantage in real estate (for commercial operations at central locations at INR 35 per square feet and purchase price at INR 55,000 per square yard are very attractive even though at 30 per cent rise over last years’ prices) offering plug-and-play facilities under development and IT SEZs being set up to attract anchor customers. By building links between the academia and industry to implement specific training programmes that create rightly skilled manpower, the city can improve its talent pool and also make available experienced people at the team leader and project manager levels.

Assessment Parameters	Visakhapatnam
	Challenger
Government Support	74
Business Environment	5.2
Skill Set Assessment - IT	4.9
Skill Set Assessment - BPO	4.4
Infrastructure	5.5
Social & Living Environment	4.8
Location Attractiveness - IT	5.4
Location Attractiveness - BPO	5.3
Cost Advantage	35%

H-1B Visas: Perceptions and Realities

The H-1B is a non-immigrant visa in the United States, which allows US employers to employ foreign guest workers in speciality occupations.

While there has been a lot of discussion about H-1B visas, the fact remains that there exists a genuine shortage of skilled resources in the US. H-1B visas are not a cause of unemployment, and any policy that curtails continued availability of technical resources in the US will adversely affect American companies and in turn their stakeholders. Also, contrary to popular perceptions, Indian IT companies accounted for only 10 per cent of all H-1B visas granted in 2007.

The two big myths surrounding the H-1B visa in the US are that it displaces American workers; and that India is the biggest beneficiary of this regulatory work permit. These have all but been exploded, as per the findings of a recent NASSCOM MIS on the subject. In the first instance, it is becoming clear that instead of taking away jobs and leading to unemployment in the US, the H-1B visa is enabling the country to plug its shortages of highly specialised professionals in top positions, especially in the IT sector.

With fewer American students taking up higher-end IT learning, it is overseas talent and foreign students that are providing these vital skill sets. In the absence of the H-1B visa, in fact, the US could lose its pool of technical resources, creating an adverse impact on companies in North America and their stakeholders.

Over the last few months, the following facts have emerged about the often maligned, H-1B visa and overall role of India in the US job market:

- The H-1B visa is not taking away jobs from Americans. Employees in the US IT industry are doing well and in demand and there is little or no unemployment in the sector
- The H-1B visa scheme is not dominated by IT and especially Indian IT professionals. Rather, Indian companies accounted for around just 10 per cent of all H-1B visas granted in 2007

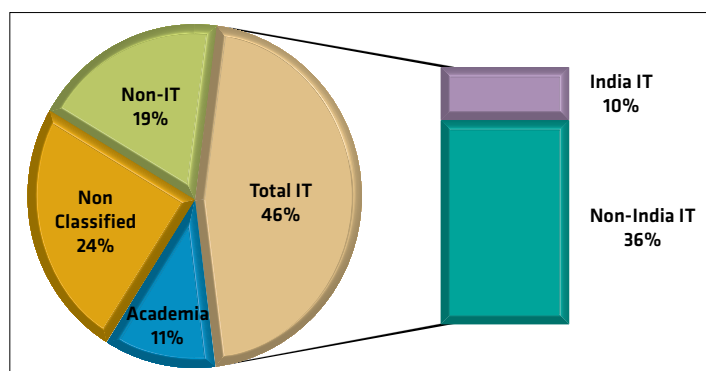
Of a total of 126,219 H-1B visas issued in 2007, Indian companies accounted for 12,596 visas, or about 10 per cent of total H-1B visas issued in 2007. Non-India visas were 85 per cent of total visas, while the remaining five per cent is unclassified. IT visas accounted for about 46 per cent of total H-1B visas issued in 2007

- Indian IT companies with offices in the US are not only hiring locally for most of permanent jobs but are also recruiting from US universities
- Contrary to popular perception, Indian IT companies are important investors in the US, having put in around USD 1.9 billion in US IT firms during 2007

Challenges and solutions

Interestingly, the indications are that there are not enough H-1B visas available and that obstacles stand in the way of technology companies keen on using this umbrella to hire rightly skilled professionals. The common complaint of technology organisations is that there is no service visa or work permit in the US which will allow workers to stay a maximum duration of 6-12 months. Another aspect is that H-1B visas are capped, which limit the availability of free mobile talent. Furthermore, spouses of skilled workers on H-1B visas are not allowed to work in the US, which creates a financial and emotional strain on families. Companies are also challenged by the fact that the process for acquiring a green card is difficult with a long waiting period.

According to a study by the National Foundation for American Policy a US-based policy research group, 65 per cent of US IT companies are outsourcing work outside, because of a lack of H-1B visas!



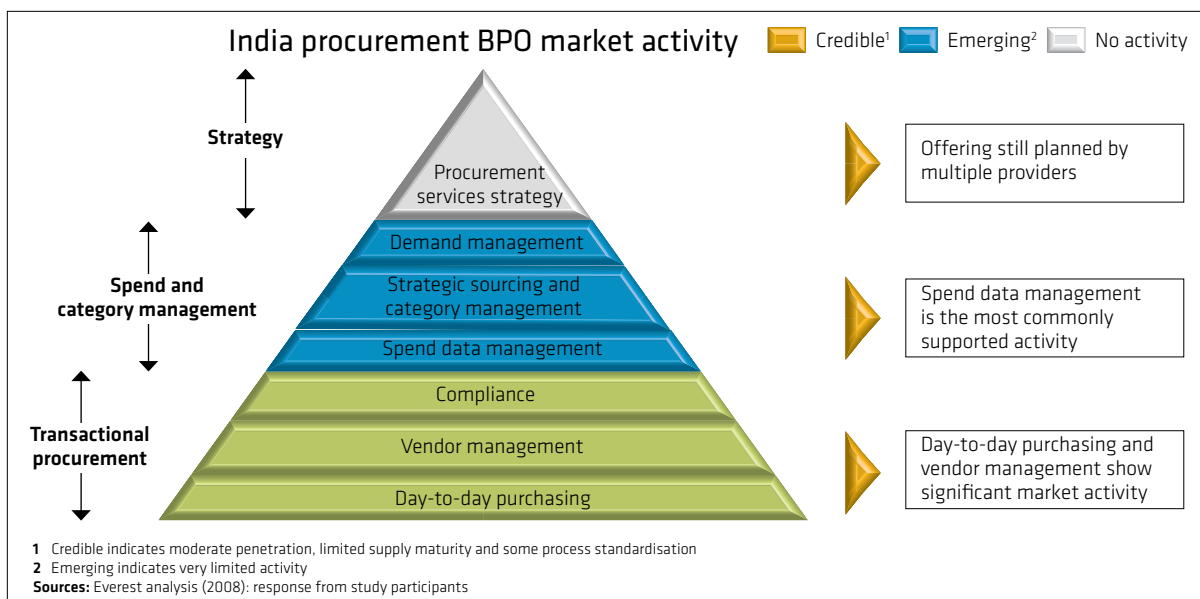
In light of these issues, the Government of India and the IT-BPO sector, led by NASSCOM have been recommending the introduction of short-term work visas/ permits of one year duration. They have also been asking for an elimination or substantial increase of cap on H-1B visas and a decrease in the waiting time for green card processing.

To access the complete MIS report, log on to www.nasscom.in

Procurement BPO: Spelling Big Business Potential

Besides the traditional BPO segments where Indian players are present, a new set of business opportunities have appeared on the horizon that require a serious look by players in the BPO sector. As per the NASSCOM-Everest India BPO Study, the global Procurement BPO business is one such segment, which is expected to touch USD 15-20 billion by 2012, creating a significant untapped potential for the Indian BPO industry. Indian companies have already begun to foray this market, causing revenues from this segment to rise to USD 180-200 million.

The Indian procurement BPO market is predominantly about transactional procurement and, spend and category management services, with providers building offerings, but still not actively addressing the top of the pyramid – the strategy procurement services space. While transactional procurement is showing maturity, particularly in areas such as day-to-day purchasing and vendor management, the spend and category management services, centered around data management, are also witnessing credible growth.



Growing offshoreability of procurement processes

While the global procurement market is in a nascent stage, it is exhibiting visible offshoring potential. Customers who opt for offshore procurement in this early stage of the market are expected to realise major cost reductions, bottomline impact and gain competitive advantage. At the same time, service providers addressing this segment are also expected to increase market share, provided they invest in learning and building strategic sourcing and spend/category management capabilities.

Additionally, the Indian procurement BPO market is also exhibiting the following trends:

- The highest three-year growth in the full-service index, indicating the extensive scope of capabilities built by Indian providers in this realm

- High-offshoreability of large segments of the procurement process, which can be leveraged by Indian companies to bag a greater market share
- Significant procurement BPO opportunities of the order of USD 5.5-8 billion, in the manufacturing, retail and banking verticals
- Opportunities in emerging verticals such as energy and utilities, pharmaceuticals life sciences and media and entertainment of around USD 4-5 billion
- Opportunities for procurement services in markets such as the UK and Continental Europe in addition to North America

The Procurement BPO market is witnessing an upswing, and Indian service providers will keep this emerging segment on their radars and invest in creating expertise for this space.