

The Impact of Global Change on India's BPO Industry

I read a book a few months ago called 'The rule of three', by Jagdish Seth and Rajendra Sisodia that examined patterns of market evolution in the context of radical disruption that can occur when technology, regulation or a new entry in the marketplace succeeds in altering the rules. In a nutshell, it described the phenomena where three companies evolving over time dominate any industry.

My feeling is that if all such disruptions happen at one time, the magnitude of change may swing through from companies to impacting economies. The current time is such – where the global slowdown, collapse of commodity markets, geo-political risks, the growth in the iPod culture, cloud computing, green technology, sentiments of US on outsourcing, job losses, etc., are all happening together, amidst India's attempts to sustain its dominance in the BPO market globally.

It is surely a matter of concern today for us (the government, industry, professionals and institutions) to resurrect policy frameworks regarding labour, education, technology and legislation, and create an ecosystem that is best suited to sustain India's leadership position vis-a-vis emerging competing destinations. It is important that India maintains its strategic advantage in terms of demographics, outsourcing experience, etc.

At the same time, India must also recognise the shifts taking place that are shaping new paradigms in the BPO industry. These are:

1. Outsourcing vendors are scouting business in non-US regions and have a learning curve
2. IT-BPOs with integrated delivery models offering scale and value will play for the long-term. Models of service delivery are evolving as nearshore, home shore, among others
3. Captive units are developing business from external markets other than just serving their own businesses
4. A shake up is likely, as smaller undifferentiated BPOs will be negatively impacted. Smaller BPOs, low-end commoditised services will face the heat

5. Differentiation in service offerings is the *key*, viz. moving up the value chain and offering specialised services

It is also important to note that buyers are shifting focus from cost reduction to cost avoidance, value to value adds, revenue to risk sharing, performance to enhanced productivity, revenue management to hedging Forex exposures. In the effort to manage cost and mitigate risk exposures, explicit contractual contingencies are provided in the service contracts. Risk mitigation factors include not just Forex exposure but also:

1. Capacity levels, data security, flexibility in approach of the service providers and not just meeting SLAs *per se*
2. Prior direct experience and service providers' ability to expand or consolidate the supplier base
3. Supplier expansion or consolidation/rationalisation, which is being viewed as a means to gain economies of scale, reduce overall cost and speedy implementation of new efforts to meet the short-term demands
4. Buyer behaviour, which is shifting away from project-based contract labour to long-term formalised outsourcing relationships

Business model transformation is now at a stage where the top companies in the world of outsourcing are talking about a mix of domestic, nearshore and offshore shared/captives besides hybrid models. It is now time to see high-end services getting outsourced to India. Colt, Walt Disney, MGM, Warner Brothers and many others across the spectrum are betting big on the Indian market.

I would like to summarise the need by quoting Donald H McGannon who has famously said: "Leadership is action, not position."

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