

Knowledge Process Outsourcing

Adonis Designs Pvt. Ltd.

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Introduction

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Improved communication systems at much lower cost and an attitudinal change to view the world as a single platform are globalizing businesses rapidly and progressively leading to offshoring of knowledge based businesses to locations that offer domain expertise, technical skills and operational efficiencies in the most cost-effective manner. This paradigm shift has led to a sudden spurt in what is called the 'Knowledge Process Outsourcing' (KPO) business worldwide. KPO involves the outsourcing of knowledge intensive services including creating, sharing, maintaining, tracking & disseminating knowledge and covering a variety of industry segments including; Financial Services, R&D in Pharmaceutical/Biotechnology, Design Services, Analytics, Consulting, Market Research, Statistical Analysis, Legal, Architecture, Intellectual Property, Human Resource, Publishing, Education, Training, Animation and more.



India Preferred Destination

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India, China, Russia, Philippines, Israel, Czech Republic, Argentina, Singapore, Mexico, Ireland are the main emerging offshoring destinations both for KPO and BPO. India is by far the most attractive KPO destination thanks to its competitive salaries (<40% of USA); proficiency in English (70+ million people) and the large and competent pool of quality professionals (nearly 3 million new graduates every year).

A study by Mckinsey on the ranking of countries by “People Attractiveness” (Quality, Cost, Type of Skill, English Language), ranks India as the top offshoring destination in the world. After India, the other countries in order of people attractiveness are: Philippines, Australia, UK, Ireland, Singapore, Mexico and China.



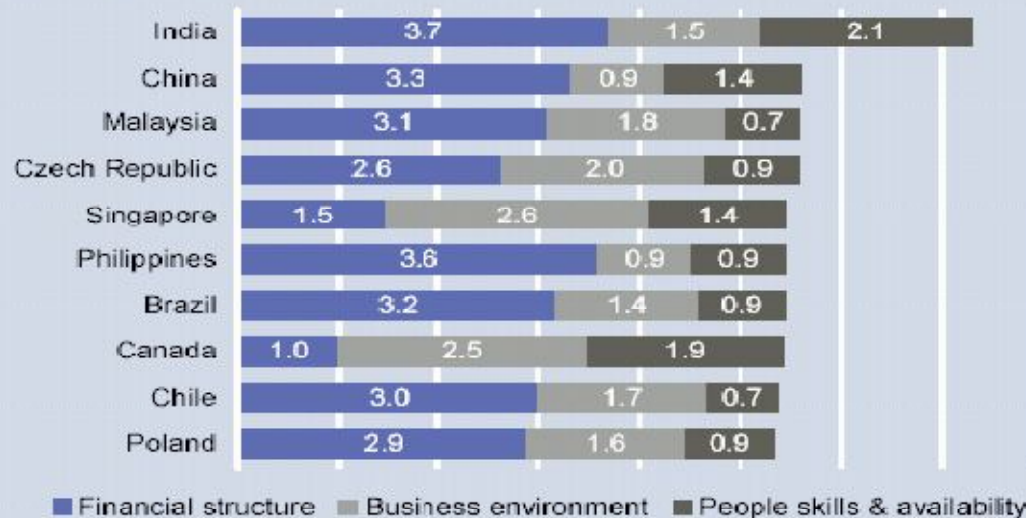
Top 10 offshoring locations : India leads the peak

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In the A.T. Kearney 2004 ranking of offshoring global locations, India is ranked as the top offshoring location based on 3 key criteria; 'Financial structure', 'Business environment' and 'People skills and availability' (see chart below). On the criteria of "People skills and availability, India's score of 2.1 is vastly superior to every other country in the world.

Top 10 offshoring locations: India leads the pack

AT Kearney's 2004 Offshore Location Attractiveness Index*



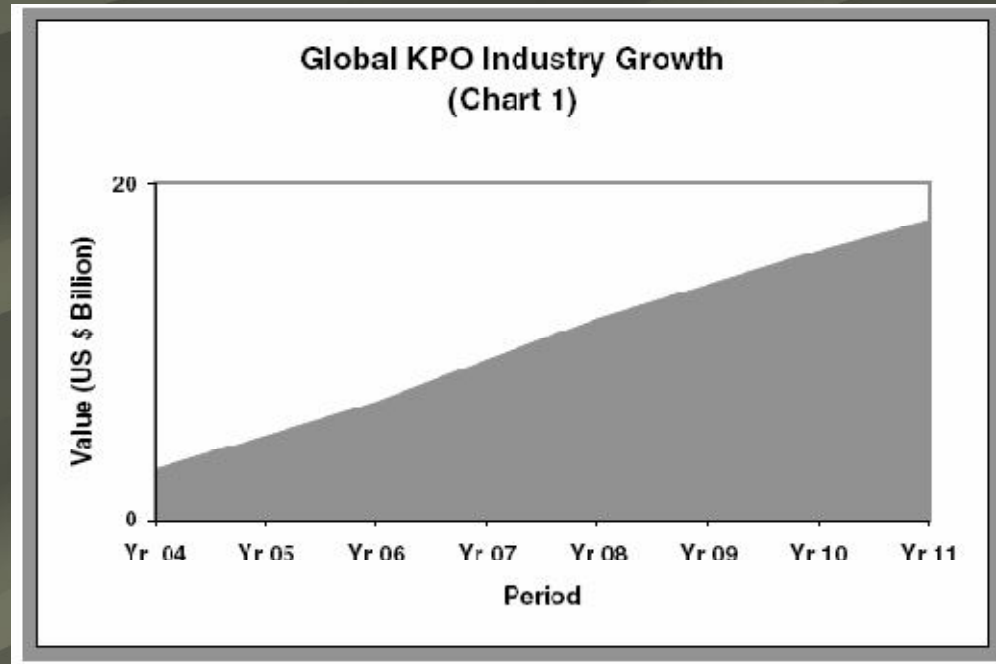
* The weight distribution for the three categories is 40:30:30, meaning that the financial structure is rated on a scale of 1-4, and that the business environment, and people skills and availability are on scale of 1-3.



Market size and growth

The Global KPO business, currently worth nearly \$2 billion, is estimated to reach \$16-17 billion by 2010. KPO is going to be one of the highest growing businesses in the coming decade.

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KPO – BPO

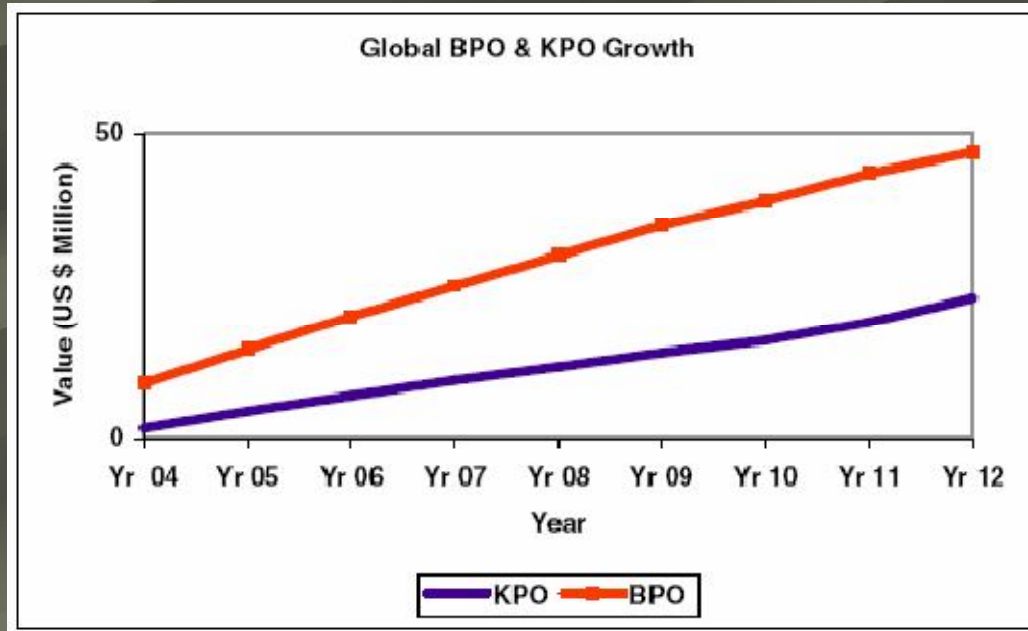
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- ❑ BPO's undertake standard processes that are rule based and hence demand higher volume and limited skills.
- ❑ KPO, on the other hand, requires technology, analytical and decision-making competences and no doubt KPO companies charge more than twice the man-hour rates than that of a BPO job.
- ❑ The outsourcing business, which started with BPO, is now also propelling the outsourcing of Knowledge Process work.
- ❑ The move up the value chain to KPO is actually considered complementary to the BPO business and not contradictory.
- ❑ Kiran Karnik, President of NASSCOM recently stated in a published article "KPO is the next step in the outsourcing business". Hence, unlike the common stated belief, it's not "BPO vs. KPO" but in fact "BPO & KPO".



KPO – BPO Growth Chart

The global growth estimates of BPO & KPO Global Business are shown in the chart below.



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Market Analysis KPO - BPO

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Particulars	Current Market Size	Indian Market Current	Global market by 2010	Indian projected by 2010	Growth by 2010
KPO	3.2 Billion USD	1.29 Billion USD	17 Billion USD	12 Billion USD	70%
BPO	30 Billion USD	17.3 Billion USD	300 Billion USD	166.5 Billion USD	55.5%

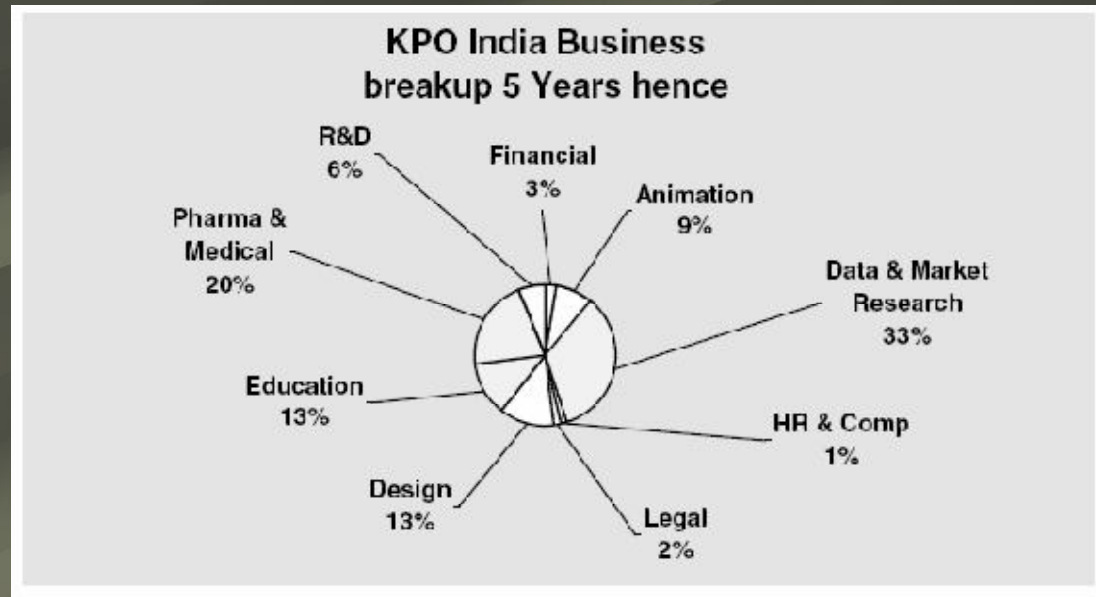
BS Economy Bureau in New Delhi | December 13, 2005



STRUCTURE OF THE KPO INDUSTRY IN INDIA

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India is expected to achieve a very high growth rate in all the technically advanced segments of the KPO Industry. The estimated value pie distribution amongst major domains in the next 5 years is shown in the chart below.



A Win Win Situation

Contrary to the common belief that outsourcing is bad for countries like USA/Europe, various studies prove the opposite. As per a study by McKinsey, for every \$1 of labour cost outsourced by USA, the total global value creation is \$1.45-1.47. Out of this value, the receiving country gets around \$0.33 and the remaining \$1.12-1.14 comes back to USA in terms of goods/services procured from USA and repatriated earnings.

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- The Products
 - CAD Documentation
 - 3D Modeling
 - BIM Services to
Architecture, Construction and
Engineering Firms



- The Markets
 - The US
 - Canada
 - UK



- The Cost(Revenue Generation)
 - 20-55 USD Average per hour depending on the scope of the work.



- The Savings
 - 40% Maintaining an operational efficiency of 80%



- The Trend
 - Annual outsourcing contracts are increasing from 4% in 2007 to 16% in 2008 and forecasted to reach 25% by 2010.



Key Element

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- ❑ **Delivery Model**
 - **Infrastructure**
 - **Solution processing**
- ❑ **Quality Assurance**
 - **Innovation**
- ❑ **People Quality**
- ❑ **Process Standards**
 - **Documentation**
 - **Monitoring and control**
- ❑ **Client Management**
 - **Acquisition**
 - **Servicing**



Defining and institutionalize the process

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- Organization Structure details
- Roles and Responsibility Matrix
- Competency Matrix
- Help identify and assign right people
- Design effective training programs and monitoring mechanism
- Performance Measurement System



Strengths

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- ❑ Having people with design background familiar with international trends
- ❑ Strong business acumen in delivery management.
- ❑ Understandingly a high degree of knowledge about the Indian and US market.
- ❑ Promoted by a company of long business history in the Indian market



KEY ISSUE

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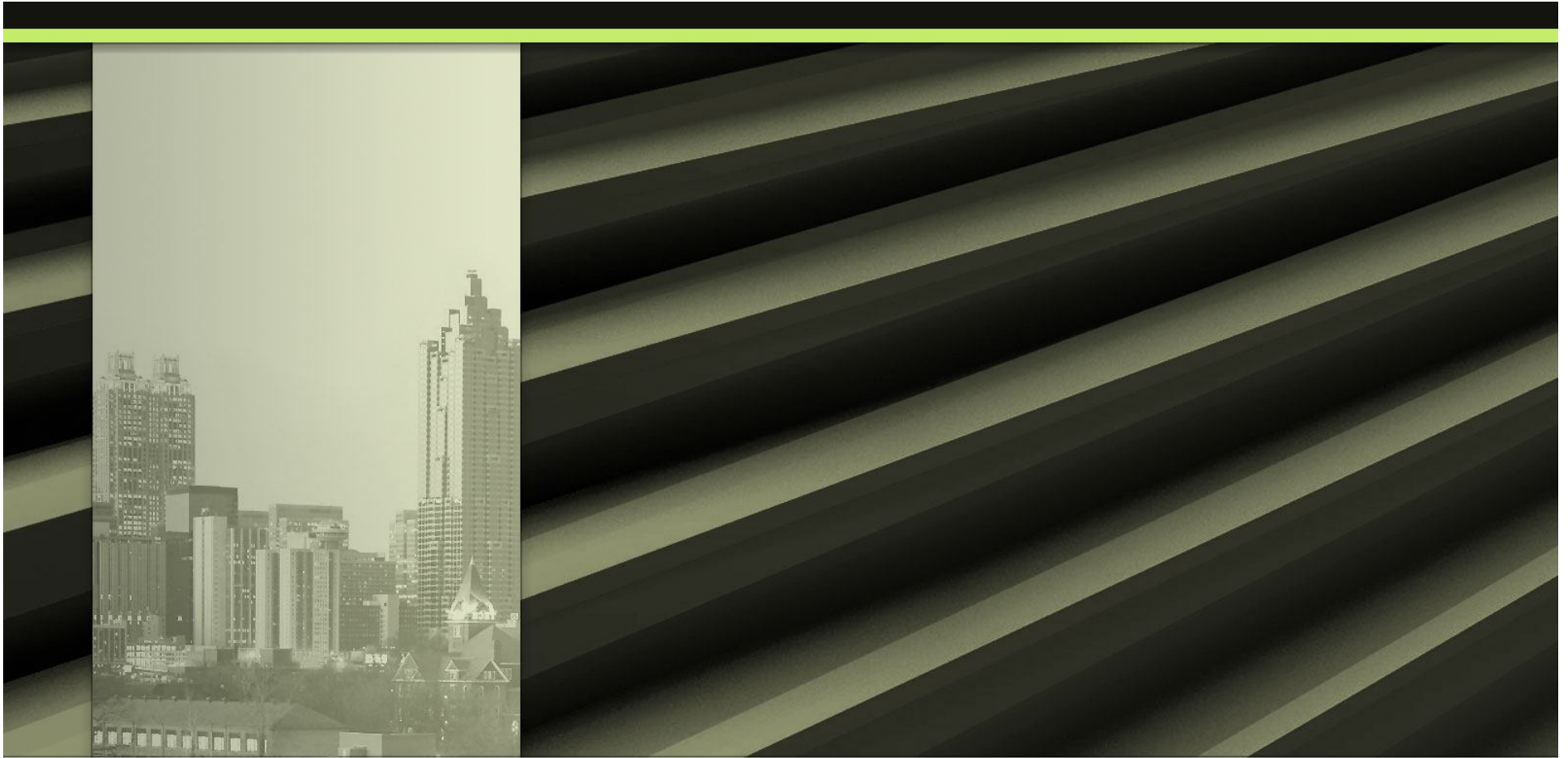
- ❑ **The key to success is timely project implementation to avoid cost overruns**



References

The document has used data and reports from NASSCOM Studies, EvaluateServe Research Documents, WNS Global Services, McKinsey, AT Kearney, Delhi Institute of Advanced Studies, Articles in Economic Times, Business Standard, and Business India. However the information has been suitably analyzed, updated & revised to incorporate the current trends.





Thank you

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