

Role of Outsourcing Strategy in a Competitive Dynamic Environment in India

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ABSTRACT

Today there are temporary services for every kind of job including that of CEO. The trend of outsourcing began in 1980s. Britain does not consider outsourcing a threat, nor it is surprised that lot of outsourcing services are being routed in India. The developed countries are increasingly outsourcing the manufacturing aspects to the developing countries.

1 INTRODUCTION

After liberalisation Indian Companies started restructuring and reengineering to become market driven companies. Outsourcing strategy is playing a vital role in this drive to sustain a competitive dynamic business environment. Development in internet and telecommunication brought drastic changes in business world. Today major companies are going for outsourcing to improve their business and reduce the cost. Big companies like Tata, HCL, HLL, Wipro started their own business outsourcing centres. Outsourcing became a part of human resource management. Now-a-days HR has become very costly.

2. DETERMINANTS OF OUTSOURCING

In the present trend of globalisation the socio-economic structure became independent. It has following major determinants as below:

- (a) Cost reduction
- (b) Core Competence focus
- (c) Flexibility while retaining control
- (d) Competitive advantage through strategic outsourcing,
- (e) Maximum return on internal resources

3. HISTORICAL PERSPECTIVE

- 1980s: Manufacturing outsourcing: Success stories: GM, Ford, GE, Taiwan etc.
- 1990s: IT services outsourcing: Success stories: Wipro and Infosys in India.
- 2000s: Business Process outsourcing success stories in India are: Infosys, Spectramind, Cognizant Coverages and in United States of America the Companies are Play tex, Fisers and Exhault.

4. OBJECTIVES AND METHODOLOGY

After having seen the growth of BPO industry, the Government of India wanted to bring the income from B.P.O. within tax net. The interim budget 2006 indicated that earnings of foreign companies would be exempted from tax in India. Keeping in mind the facts, present study likes to focus on the following:

- The status of BPO Industry in terms of employment and revenue generated in India.
- Logic and reality of imposing tax on BPO industry.

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- Whether tax issues impeded the growth potential of industry.
- Outsourcing takes off the burden for employers of rules and regulations,
- Through outsourcing manufacturer can produce the products according to customer choice, that is quality products at low cost.
- The companies need not to spend large amount on R&D.

According to secondary data collected from the relevant websites Nasscom and some statistical techniques employed to analyse and interpret the same with a view to draw some meaningful inferences.

5. PERFORMANCE ANALYSIS OF THE BPO GROUP COMPANIES

It is evident from the table that most of the BPO are set up by the IT companies and their revenues from outsourcing are not significant. Except e-service international owned by the Citi group and Hinduja TMT, other BPO players are operating like a subsidiary companies.

6. OUTSOURCING IN INDIA

Service sector dominates the Indian economy, Communication services,

Financial services, business services (including IT) and community services are the main growth drivers.

7. SUGGESTIONS FOR SUCCESSFUL OUTSOURCING

The study of BPO strategy for IT enabled services can be improved, taking care at vendor level and while contracting the business:

Vendor Level:

- Identity vendor's account manager for the company,
- Service level reports to be developed,
- Monitor vendor performance,
- Cash penalties for non-performance,
- Remove robustness of existing systems and processes.

Contract Level:

- Incomplete contracts should not be signed,
- Service growth rates should be specified,
- Specific and complete service agreements need to be developed,
- Matrixed BPO port folios be developed to enable close alignment with customer requirements.

Table : Performance Analysis of BPO Group of Companies (Rs. In Crore)

Major BPO Players	No. of Employees	BPO Revenue	Profit after Tax
1. e- Service	4000	235.54 (0.59)	33.44
2. HCL BPO	2275	105.09 (0.46)	8.76
3. Hinduja TMT	2500	102.13 (0.75)	52.00
4. Progeon	1400	51.73 (0.73)	1.98
5. Spectramind	9456	300.01 (0.32)	60.63

Source: Business World 2005.

**8. OUTSOURCING TO
 DEVELOPING COUNTRIES:**

The developed countries are increasingly outsourcing the manufacturing aspects to the developing countries like China and India in addition to the big BPO opportunities in the service areas.

9. CONCLUSION

Globalisation led to customer oriented business. Service sector is rapidly growing to meet the demands. Thus out

· sourcing emerged and today, BPO is gaining
· steady market. Matrixed BPO. Port folios
· will enable closer alignment with client
· requirements. Clients will look for mutual
· gain, gain sharing with their services
· provide. BPO service providers will offer
· value propositions that deliver business and
· operational gains. MNCs are getting their
· work done through the BPO units and the
· national government is losing a considerable
· chunk of profit earned from the activities in
· the form of tax.
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