

Progress in Knowledge Prowess - Looking Through the Human Lens

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Abstract

Achieving excellence through business operations in today's competitive era is complex and challenging. Today, the businesses sell and excel only through the reservoir of knowledge. This gave birth to Knowledge Process Outsourcing (KPO), a step ahead of Business Process Outsourcing (BPO). It started emerging in India around the turn of the century, when the global industries realized that apart from software development and technical support, knowledge work could also be outsourced. It involves transfer of business processes to other geographic locations; specialized domain specific knowledge and business expertise of a higher level rather than just process expertise. Even in the times of downturn, the KPOs had been teaming with vocation. The fundamentals of business as BCG matrix posed a question to the bosses of what to preserve and whom to serve. The art of being prudent and aversion to risk with an increasing emphasis on the need for corporate governance and being transparent with the investors made KPOs to come in limelight. The objective of this paper is to understand the evolution of KPOs and various challenges that they encounter in their progress. The paper shall try to identify its future scope in India and suggest measures to overcome the challenges.

Keywords : KPOs, Progress, Challenges, Threats, Scope

KNOWLEDGE PROCESS OFFSHORING

Offshoring had long been established as a profitable business. The business drivers that channelized its growth can be widely characterized as high volumes of work that were labour-intensive with low wages and qualitative support functions. This instigated the challenge for any organization to become an intelligent and competitive knowledge organization. Every organization undergoes a challenge to maintain cordial culture, retain required talent and skills and to standardize procedures and methods or the entire organization across departments and branches. To ensure that substantive steps are taken to maintain, change or progress in all such aspects with changing times, organizations have started to leverage the services of Knowledge Process Outsourcing Firms. These knowledge companies being futuristic in their approach provide for a 360 degree knowledge and problem solving skill set to implement better process with privacy and security by mitigating any risk.

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Nature of KPO

- It is evolving rapidly. It is briskly extending its horizons to tier-II cities and suburban. It is growing at tremendous pace.
- It is people-intensive. Thus, good and transparent HR Practices plays a critical role to bring an effective system of structured and transparent employee management.
- Knowledge has a currency power. It helps in succeeding the succession plans.
- Knowledge is both a challenge and competitive edge.
- It is service-oriented. It is extended to the one in need and is gathered and applied to yield maximize gains.
- This is the best place for articulators. Clients want to interact with those knowledge-workers who listen and understand to satisfy their objectives.

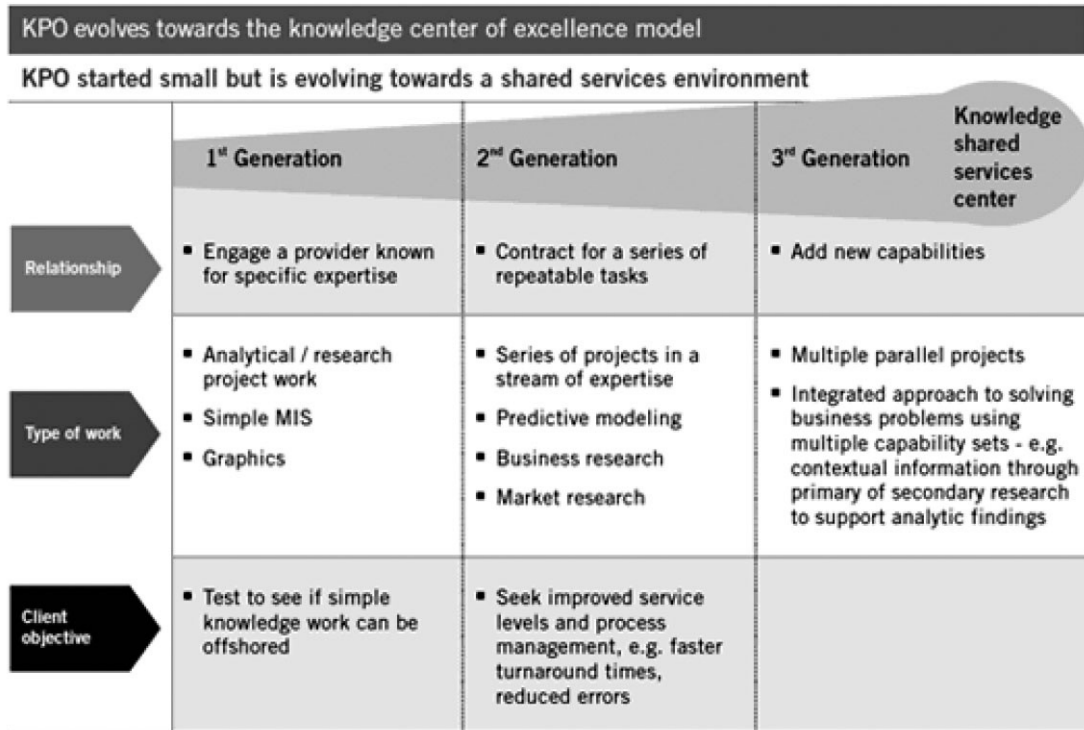
The Offerings

With the increasing number of KPO providers, their portfolio of their offerings have also increased at a rapid pace. For instance, KPOs who were earlier associated with market research activities like data collection, updating financial models, patent searches and basic data mining have now started focusing on sector insights, equity research, patent analytics, high end data mining, analysis and recommendation. This can easily be seen with increase in number of financial research and consultancy services. With its continued growth, the KPO market is moving toward a shared services centre of excellence model, the 'Knowledge Centre of Excellence', an approach that goes hand-in-hand with developing 360° knowledge capabilities. Some of the common service combinations of Knowledge centres of excellence are given in the table below:

Animation & Design	Financial Consultancy and Services
Advanced Web Applications	Learning Solutions
Business and Technical Analysis	Legal Services
Business & Market Research	Medical Services
Data Analytics	Network Management
Pharmaceuticals and Biotechnology	Research & Development
Training & Consultancy	Writing & Content Development
Equity Research	Engineering Design
Intellectual Property Research (IPR)	Remote Education

THE EVOLUTION

KPOs were the successors of the traditional BPOs. In 1987, McKinsey introduced KPOs in India by setting up its first knowledge centre. But KPOs actually started coming up in India in 2000 when many companies like Office Tiger, GE, Gartner, etc opened their research centres. With the increasing competition in the market, it became indispensable to ensure on time delivery with un-interrupted services to meet end to end processes successfully. The analytical techniques have progressed from elementary statistics to advance tools. Following is the diagrammatic depiction of the evolution.



Source: WNS

When a company provides a product, service or any value to the customer there is a lot going on at its backstage to bring the value to the customer to consume. Any goof ups at the back end can lead to greater disaster on the company's image. Therefore, while outsourcing knowledge through consultancies, organizations tend to adopt "proceed with caution strategy". Initially, lower end discrete knowledge processes are tried out to increase operational performance. If suited, organizations further move to higher end discrete processes to create a better delivery mechanism. With the evident success of the services, organizations get ready to explore wider range of KPO services by various providers. This leads to an integrated approach towards processes to deliver hi-end services by adoption of value models or fraud management models. Thus, the

establishment becomes the knowledge centre of Excellence where knowledge radiated in any one system is consumed in entire organization and benefitted.

By extracting the insights along the way, these centres help in resource alignment and overcoming the business challenges such as forecasting, pricing, and analytical techniques choice and usage etc. Designated people at various domains according to their specialized knowledge and area expertise interact with the centralized resource. Regardless of their geographical locations, they interact through web based portals which later serve as a repository of responses to similar business challenges, thus helping the counterparts facing similar problems in any part of the world. Although all KPOs generate Pragmatic insights, however, the consumption of these knowledgeable insights are customized and institutionalized as per the need of the organization. The tighter the alignment between the KPO and the organization the lower are the chances for any dysfunction, leading to better decision making.

With the quest of being quality-conscious and cost-effective at the same time, the principle of division of labour came with a great impetus in implementation. The concept of core competency was inculcated and imbibed in business practices by organizations of all size and shapes. The 'non-core' activities were dislodged, moulded and allocated to offshore business centres with detailed procedures.

THE DIFFERENCE-BPO v/s KPO

Besides, the replacement of 'B' to 'K', the foundation of BPO stands strong on volume, efficiency and size. In contrast, the basic premise of a KPO is intensity of experience and interpretation, articulation and analysis of events. As the BPO discourages people of advanced age KPO motivates retired workforce to contribute. The thoughts will be given a free-wheel to visualize the future that requires skills like innovating instead of being just the executor wings by working on defined procedures and rules; strategizing rather than being methodological and thinking ahead and beyond as a replacement for being just concerned with the immediate. While BPO seek to sieve out relevant KPO follows an all-encompassing approach of leaving none from its sphere and encouraging even the obliterated to think on those tracks. This is primarily because of the simultaneous dissemination and mounds of knowledge.

Outsourcing has been present in almost all business domains like those of manufacturing, legal, financial and human resources. The business globalization and competitiveness has generated need of increased level skill and knowledge required to shift focus from mere data processing to transaction processing. This moves business from BPO to a KPO. For Example: An application to file a patent can only be written by an expert patent attorney.

Parameter	KPO	BPO
Primary value proposition	Generating revenues (bolstering top-line).	Cost arbitrage process improvements and process efficiency via learning curve and economies of scale across one or more clients.
Staff Skill sets	Advanced studies and industry recognized certifications such as Chartered Financial Analyst (CFA), Chartered Accountant (CA), Actuarial Studies, Master in Statistics, Engineering and Master of Business Administration (MBA).	Undergraduates in commerce and finance.
Billing rates	US\$10 to US\$45 per hr.	US\$4 to US\$15 per hr.
Process complexity	High complexity, judgement based work.	Basic processes involving standard procedures and templates.
Process quality management techniques	Standard project management applications supplemented by in-house modeling and documentation controls.	Robust Six Sigma driven quality techniques with focus on accuracy of output
Staff retention policies	<ul style="list-style-type: none"> • Equity and equity-linked incentives • Technical excellence and globally accredited certifications such as CFA and Fellow of Institute of Actuaries • Lateral movement across various industry groups • Professional growth into client relationship management path 	Focus is on monetary incentives such as annual bonuses and increments. However, some BPOs have started focusing on advanced education via MBA programs to retain staff.
Regulatory issues	<ul style="list-style-type: none"> • Strict conflict-of-interest management particularly with respect to insider trading • Focus on intellectual property (IP) ownership and management issues 	<ul style="list-style-type: none"> • Focus is on Data Protection and Privacy law issues relating to customer data • Compliance requirements such as SAS 70
Scalability driver	Staff capabilities and expertise.	Staff numbers, volume and accuracy of output.
Typical resource cost	US\$15,000 to US\$40,000 (in India) per FTE	US\$4,000 to US\$10,000 (In India) per FTE.
Control over IP	Key controls required over IP protection.	IP is generally not an issue.
Common destination(s)	India	India, China, Vietnam, Philippines and Eastern Europe.
Sample activities	Equity research – initiation of uncovered stocks and valuation modeling.	Finance and Accounting outsourcing – accounts receivables and payables, HR.

THE PROGRESS PATH

The progress of any sector depends upon the correct usage and dissemination of knowledge. While KPOs are all about practicing knowledge, businesses have understood and have identified the long felt need beneath to the surface. This is leading to rapid growth of knowledge processing industry. India who had once gained its fame as an outsourcing hub for multinationals with their achieved success in BPO business

wanted to try their hands on knowledge work as well. India's rich intellectual potential, cost saving approach and operational efficiencies are the major factors to make India the most favoured destination for KPO Industry. Some of the determinants of KPO growth are:

- Shortage of highly trained and specialized professionals in developed countries. Developed economies, such as the US, the UK, and countries in Western Europe are increasingly facing a shortage of highly trained and specialized professionals in various knowledge-intensive high-skill sectors, such as R&D in VLSI, engineering design, IT, financial risk management, etc.
- Outsourcing organization save more on the net value chain basis as compared to per-job basis.
- Most of the work is done in the front desk format, thus low paid workers are hired.
- Increasing importance has moved BPOs up in the value chain.

The Advantage

The knowledge centre of excellence model of knowledge creation and consumption works for a variety of reasons:

- A 360° analytical problem solving approach to address the challenges of the organization.
- It capsules the geographical boundaries into a corporate silos to facilitate knowledge consumption.
- It fosters innovation through customizing knowledge dissemination thereby leading to better decision making.
- It creates a reservoir of knowledge and resources to be used equally well by any participant of corporate silos
- The Knowledge repository stores and catalogues documents, manuals etc. which can be easily leveraged across the globe.
- Knowledge practicing and sharing reduces errors and has a multiplier effect on increasing the knowledge base.
- It encourages diversity in skill set, knowledge, work approach on the table. The right mix of veterans, armatures and strivers in all domains of business management act as perfect combination to analyze problems for better decision making.
- It is measurable. From extraction of data, processing it, and disseminationg it, each part is institiounalized with a variety available. This is done to avoid bottle necks in solutions and to ensure even slack resources are put to use and some point or the other.

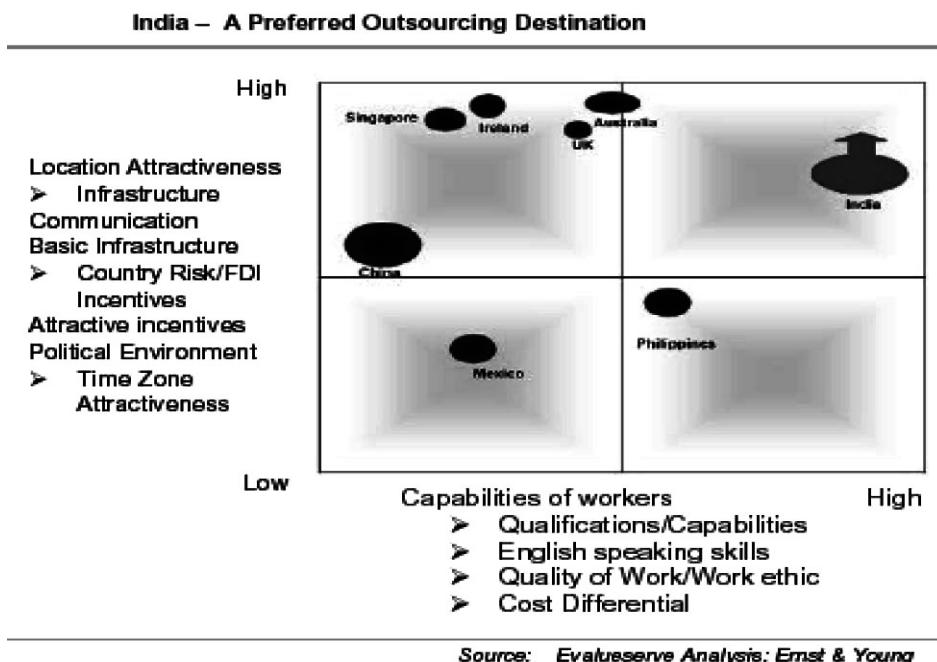
The leverage provided by dot-com bust in 2000 had a domino-effect. It acted as an acid test, a barometer that calculated the strength and worth of the teaming organizations. The resurgence and the mettle and duration of resilience in the depressing times of recession and the key factors responsible for it were adjudged. The mature processes and people have led to BPO being graduated to KPO.

Some of the hot destinations for KPOs other than India are Russia, China, Czech Republic, Ireland and Israel.

India - An Ideal Kpo Watering Hole

India entails many advantages. Apart from being a nation that has dovetailed English in its parlance it serves the employers with cost-arbitrage, denizens inclined to undertake higher studies, and to top it all being a country with young generation of median age being 24 years as compared to global problem of ageing population.

Indian companies known for being “software coolies” is proving to be true with the country having large pool of knowledge workers with operative English language skills in almost all sectors like medicine, law, biotechnology, education, automation, engineering, to name a few.



Comparing these challenges with the Indian IT and ITES service providers, it is not surprising that India has been ranked the most preferred KPO destination owing to the country's large talent pool, quality IT training, friendly government policies and low labour costs. India is well equipped to meet this emerging sector's challenges and all set to be the global KPO hub!

The Mainstay – The Indian Education System

India has a strong education system that produces competitive professionals like engineers, doctors, lawyers, chartered accountants, MBAs, scientists who are well positioned to address the global KPO need. Science and mathematics are considered to be the most important subjects of education and are thus preferred by many people resulting into higher number of engineering graduates. In most part of India it is mandatory to learn English and computer skills as a part of the elementary level of education. Therefore, usually Indian Professionals are well versed with English as a language and are equipped with computer skills.

Government Policies

With the increasing number of global associations to hire Indian KPOs, the sector has contributed in a large way to country's GDP. To ensure its growth Government has made subsequent reforms to increase license liberalization, removed investment restrictions and deregulation of foreign technology etc.

Infrastructure Developments

Indian Government has taken continuous initiatives for better roads, technology parks, telecom connectivity and uninterrupted power and electricity services to provide for growth.

Knowledge Parks

The last decade has seen major developments in Knowledge Parks, with infrastructure of global standards, in cities like Chennai, Bangalore and Gurgaon. Multitenant 'intelligent' buildings, built to-suit facilities, sprawling campuses are tailor made to suit customer requirements. International Long Distance, National Long Distance and Basic Telephone services have been opened up for free competition. ISPs have been granted licenses freely to establish their own international gateways and submarine cable landing stations. Internet telephony too has been allowed. Tax holidays and concessions for companies involved in scientific R&D are just some of the steps to create a pro-growth environment.

India – The Trust Factor

India has always been viewed as a trustworthy Outsourcing destination. Associations like NASSCOM (The National Association of Software Services Companies) & the government, have taken proactive measures are being taken to ensure that India's data privacy legislation is aligned with those of the U.S. It also intends to have the security practices of all its 860 member companies audited by international accounting firms. The government has also taken initiatives to focus on the issues of data privacy, information security and Intellectual Property Rights (IPR).

Standards In Quality

Companies already in India have achieved high levels of quality standards. More than 200 companies are quality accredited and serve over 255 Fortune 500 companies. India now has far more SEI CMM Level 5 companies than any other country. Many companies have aligned their Quality Management Systems with ISO 9000 standards. The availability of technically trained and skilled manpower in India is making companies across the world look at the country as a profitable base to shift their high-end support services. Companies like COLT Technology Services are considering outsourcing their technical back-office support work to India. Other areas are high-end network engineering/management support. Another field, which is showing immense a potential, is that of digital content creation and animation. Animation studios like Walt Disney, MGM and Warner Brothers are already outsourcing low-end work like clean-ups, twining and modelling to India. Engineering services like CAD/CAM 2D, 3D and CAE modeling and design automation are the latest additions to the ever increasing list of processes being outsourced to India.

The Challenges in KPO

KPO delivers high value to organizations by providing domain based processes and business expertise rather than just process expertise. These processes demand advanced analytical and specialized skill of knowledge workers that have domain experience to their credit. Therefore outsourcing of knowledge processes face more challenges than BPO (Business Process Outsourcing). Some of the challenges involved in KPO will be:

Challenges

- 1. Recruitment Cycle:** Conforming the hiring of the best talent to act as an added asset to organization requires rigorous efforts. HR is endowed with hiring the best only and grooms them to appreciate the client's business needs and objectives.
- 2. The War of 'Minds':** The war for talent is already eroding margins. The war is being fought at the premium cost. However, increasing wages will not erode the competitiveness of the industry as successful players will improve on productivity.

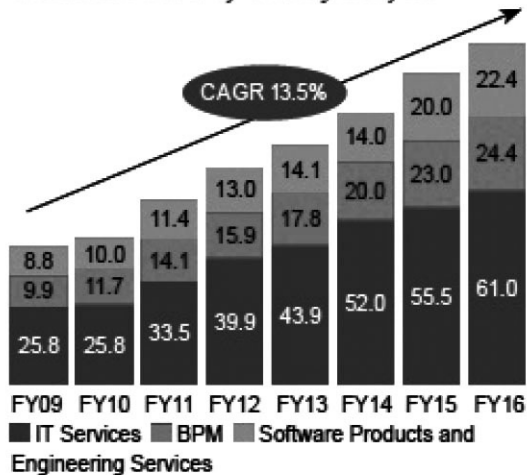
But, we are still a few years away from achieving the productivity levels of our clients for complex and high-end tasks.

3. **The Talent Attrition:** With the talent drifting away from the organization customer services adopts a declining mode. Lack of effective customer service has damaging effects. Customer's reluctance to continue with the company's service, or buy any product from the organization forming a negative opinion about the organization and the high probability of his not recommending the organization to other customers.
4. **Paradox of 'rights':** This is a vicious circle of the business hierarchy of needs, wants and demand. The KPO began with serving the need of market share, and graduated to searching of and thus calculation of the location where business can fetch and command a leading price and has now grown to the extent of cultivating the best price for commanding the demand. Thereby meaning to channelize knowledge as a means to feed the inquisitive index of the organizations.
5. **Data Replica:** the same source of knowledge is accessible to all. No matter to what extent differentiation is being created and served the presentation and moulding of the data is all that matters and extends a differentiating angle to build the organization's competitive edge. Thus confronting this profound problem of all being accessible to all is a rigorous management for the knowledge processing and knowledge management.

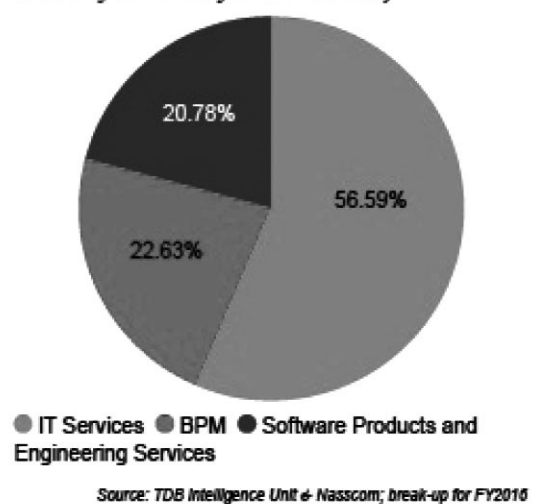
Future Scope

The sector looks very promising in its contribution to country's GDP and rate of employment generating opportunities. With its steady growth trajectory there is tremendous potential left for the KPO industry to mature and evolve in India. There are more than 2 Lakh knowledge professionals working in this industry. The growth rate of KPO sector in India is more than 45 percent which is almost double to the growth in the BPO industry. Further studies could also be done in work commoditization of role at KPO. This would contribute to better and fair compensation for employees at KPOs.

*India's IT-BPM services export
Industry growth is likely to be between 8-10%
in constant currency in this fiscal year*



*Sector-wise breakup of exports
IT services exports account for a major
chunk of revenues for the industry*



The Indian Knowledge Process Outsourcing (KPO) industry forms 70% of Global KPO sector.

A 2016 NASSCOM report on Information Technology-Business Process Management (IT-BPM) sector in India forecasts that India's IT-BPM industry is poised to grow at 8% y-o-y in FY2017 – and will add \$8-10 billion to the industry's annual turnover in FY2017. The report also suggests that India will continue to gain market share, across segments. For instance, India will account for 7% of global software and IT services and 56% of global sourcing by the end of FY2017.

While IT services segment currently constitute 56.59% of the overall IT-BPM industry, BPM, software and ER&D account for 22.63% and 20.78%, respectively. What's more? The IT-BPM industry accounts for a 45% share in India's total services exports and contributes about 9.3% to India's GDP. Overall, the industry is estimated to employ nearly 3.7 million people.

Incidentally, India's IT-BPM services exports too have witnessed a remarkable growth over the last few years – exports of IT-BPM services from India have jumped 116% from \$50 billion in FY2010 to \$108 billion in FY2016. Interestingly, as per NASSCOM, India's software services exports alone accounted for \$61 billion worth of export revenues in FY2016, with a major chunk coming from the US market. In fact, Indian IT-BPM industry's dependence on US can be gauged from the fact that over 60% of its export revenues (equivalent to \$108 billion) in FY2016 came from US.

RECOMMENDATIONS

To deal with these issues, the knowledge workers need to have a strong association and connect with the organization to help them perform well. Thus, it is imperative to develop not only a sense of not only responsibility but also ownership. This would help to achieve the underlying objectives of a KPO that is pursuing the rigorous projects profoundly and delivering them on-time.

Following are the suggested measures to deal with such issues:

1. **Talent retention:** Bond them with the company by granting them the power to exercise authority to work upon such attributes. 'Empowerment' plays a vital role in building such unison. Autonomy while being accountable for one's own decisions and actions is more than requisite and goes a long way in building 'organizational citizenship' behaviour.
2. **Self-worth:** In addition to empowering employees, helping them imbibe the art of assessing and enhancing the personal relationships is important. For an individual is a sub-unit of society. Being emotionally intelligent is as much requisite. Daniel Goleman, the propounder of EI, EQ accounts for 75% of performance of an employee with 25% explained by IQ and other variables.
3. **Motivate:** Morale is a chief factor towards the successful performance of tedious and rudimentary tasks. Refrain from 'anger, stress, jealousy etc.' is easier said than done. Therefore training in such scenario is requisite. Even self-motivated employees at times experience fluctuating moods during the performance of rudimentary tasks.
4. **Employee Loyalty:** In these turbulent times of competition, where every company is trying to gulp the market-share of its competitors generating employee loyalty for not only the project but the organization. This upkeep would yield huge profits and many more intangible benefits. Also incentives when endowed with such loyalty programmes enhance its value.
5. **'Healthy' Plans:** A healthy workforce is satisfied, productive and happy. This follows with when fundamentals of work-life balance are applied in the prescribed manner. To yield such benefits for the holistic development of an organization the shift in focus from 'what best to achieve' to 'how best we can achieve'.
6. **Connect:** All would be futile when the employees feel discontented and thus

disconnected no matter how brilliant strategies are deployed by management the result would be below the mark to the organization. The solution lies not in replacing them but change in their mindset. The 'fight or flight' approach is adopted as the last resort when the reluctance to change leads to an unyielding attitude.

7. **Stretch Competency:** the best mode to encounter the issue is to extend and enrich the competency framework that delivers intangible benefits to the organization. The enhancement of knowledge workers through various modes like development programmes that enhance and spin their thinking criteria is essential for the sustainable competitive advantage.

Conclusion

Although analysts have said cost and easily availability of work force is major advantage for growth in Indian KPO sector, the increasing number of knowledge outsourcing jobs will also create pressure on hiring competent professionals at lower costs. This will lead to better cash management functions and mergers and expansions will only increase. As we look at it now from the point where we stand, we see only growth.

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