ddd

1. KPO vs. BPO

KPO is fundamentally different from BPO; in BPO mostly noncore business processes are outsourced to offshore locations. But in KPO core businesses processes are outsourced to offshore locations where highly educated professionals perform the KPO tasks. The fundamental reason for BPO is to save money. But in KPO it is not about saving money. Knowledge workers scarcity is the main reason for the companies offshoring KPO work. Typical KPO projects are performed by professionals found in different parts of the world where the work and responsibility is shared among all the workers. But in BPO within a business value chain one ore more steps are striped, sent to offshore locations, performed and integrated back into the business value chain. There is less involvement between the onshore and offshore teams. Most of the work is performed by the offshore team based on the predefined set of rules and instructions given by the organizations. On the other hand knowledge outsourcing projects are highly collaborative in nature between offshore and onshore teams. The knowledge process team members in offshore locations have strong technical, analytical skills; they use their judgment and subjective analysis skills in performing the knowledge work.

2. Characteristics of KPO projects

Companies are outsourcing several KPO projects to countries like India, China, and Russia, it varies in nature and scope and the result varies from company to company. Following are some of the general characteristics of the knowledge work that are been outsourced:
Business Processes are performed based on domain expertise, interpretation, and individual intellectual capabilities. There are no set rules on how to perform the tasks and professionals need to use their intuition and creativity in solving the problems on a day-to-day basis.
The responsibilities of solving a KPO problem lay in the organization and the KPO vendor; both parties collectively share the success or the failure of the projects.
Risks Identification and mitigation in KPO work is complex in nature, not like BPO work where automatic rules and technology will mitigate the risks. Individual professionals must use their technical and judgment capabilities in mitigating the risks at the right time.
KPO project management is complex and it is managed in global basis in which teams are located in different countries and mostly in different time zones. So Communication and coordination between the teams are utmost important for the success of the KPO projects.

2.1. Succeeding in KPO

Nature and type of knowledge work is complex and companies must consider several factors before outsourcing knowledge work. Following are some of the factors companies should pay close attention while deciding in their KPO efforts:

Process Fragmentation: Organizations must identify if a process can be easily sliced into smaller unit of works that can be transferred to offshore locations. If not it is impossible to

For further details please contact:- punit_lohiya1987@yahoo.com

ddd

offshore the knowledge work.
Global Project Management: Any type of KPO work needs global project management skills as the work is carried out in different countries and possibly in different time zones. Some type of knowledge work is not possible to manage globally and those types of projects should not be offshored.
Intellectual Property Rights (IPR): Several vertical industries like Equity Research, Pharmacy R&D, Software Product Development; Engineering R&D needs works that are protected by Intellectual Property Rights. Protecting IPR should be one of the key considerations for companies to consider the countries before outsourcing knowledge work.
Legal Issues: Some knowledge work like Medicine, Law, and Accounting limits the scope of services that can be outsourced to other countries. The litigation environment that surrounds these works further makes it difficult to perform the work in other countries. This type of knowledge work may not suitable for outsourcing to other countries.
Skills Availability: For BPO work, availability of skills in different countries can be easily identifiable based on the number of graduates and English speaking population. But for knowledge work it is not the general skills that are needed to perform the job but the availability of certain domain expertise that is needed to successfully complete the knowledge work. Companies should pay close attention in choosing the countries before sending the knowledge

3. KPO Opportunities
The KPO market is still in its early stage and it is poised to grow rapidly in the next couple of years. Following is not the complete list; these are the type of KPO work that has been currently outsourced by the companies to offshore locations.

3.1. Financial Analysis & Equity Research: More than 60% of KPO work that is being outsourced falls in this category. Most of the KPO work is going to India which has large number of graduates with MBA and CA degrees. With their degrees and strong foundation in Mathematics and Statistics have skills to perform KPO work that are listed in this category. Companies like Lehman Brothers, ABN Amro, and JP Morgan have captive centers in India to do financial BPO work.
Following are some of the tasks that are being outsourced in this category:

· Corporate Budgetary & Decision Support

· Corporate Financial Modeling

· Credit Risk Analysis

· Company Valuation

· Tracking of Stock Market Research and Analysis

ddd

3.2. Market Research & Business Intelligence: With global competition, increases in wage and production cost organizations are realizing the market research is an integral part or the success of their business.
Following are some the tasks that are being outsourced in this category:

· Research Report preparation for various markets

· Data mining and data processing analysis

· Customer sensitivity and pricing analysis

3.3. Engineering Research & Development: Several companies like Boeing, Airbus, and Caterpillar, Intel, Texas Instruments have setup captive centers in India and have been outsourcing engineering and research work.
Following are some the tasks that are outsourced:

· Very Large Scale Integration (VLSI) Design

· Chip Design and Development

· Automobile Design

· Aircraft model prototype design and development

3.4. Pharmacy R&D: More than $40 billion are spent on new Drug research and development, pharma companies are having tough time in finding quality people to speed-up their research and development. Generally it takes about 14 years for a new drug to come to market, the drug companies are in constant pressure to cut down their time to market. Because of this drug companies are now considering offshoring their drug research and development to countries like India and China. These countries offer unique advantage to western drug companies in clinical studies with their vast pool of diverse and multicultural patients to carry out the work successfully. Following are some the tasks that have been outsourced in this category:

· Clinical Trial Management

· Clinical Regulatory Support

· Drug Discovery & Chemical Research

· Electrocardiogram (ECG) Interpretation Services

3.5. Animation Design & Development: Animation outsourcing is in its early stage, companies in India, China, Korea and Philippines are started doing animation work to US based companies.

ddd

The cost of one hour of animation work in US is around $250K and in other countries it is $60K – 100K. Because of very steep early setup costs not many companies have setup Animation Studios in other countries. Internal growth of animation industry because of TV Networks in countries like India will change this trend. Indian based Companies like Toonz Animation India and Pentamedia Graphics are slowly targeting US based animation industry to get animation work.
These companies are involved in following types of activities:

· 2D Animation

· 3D Animation

· Stop Motion

3.6. Legal Process Outsourcing (LPO): Legal Process Outsourcing is also in its early stage of adoption. India’s jurisdiction has similarities with US and UK; naturally India is leading in LPO. Companies like Oracle, Sun, and Cisco have been outsourcing Patent Research work to India. Following are some of the works that are being outsourced to India:

· Legal and IP Research

· Reviewing Litigation Documents Contract Drafting to specific vertical industries

4. Current KPO Market Trends
Current BPO market has been growing by 30-40% for the past three years. It has been predicted the BPO industry will see a double-digit growth for the foreseeable future. Research organizations like IDC and Gartner are predicting similar growth to the KPO market. Many experts estimate the KPO market will reach $15-$20 billion by the year 2010 and India will get a huge share of this market.

At present most of the KPO work is carried out through captive center operations and pure-play KOP firms. Several companies like Oracle, IBM, Intel, Ford, Motorola, West/Thomson, American Express, Citibank, Lehman Brothers, JP Morgan and General Motors have setup their own captive centers in India and have been sending Knowledge work. Pure-play KPO firms like Evalueserve, NipunaServices, Atlas Legal Research, Office Tiger, WNS Global Services, and Mphasis (bough by EDS) are also doing various KPO type work. Most of the pure-play KPO firms are traditional BPO companies and due the current market demand slowly started offering KPO type of services as well.

ddd

4.1. KPO Market Segment
Organizations are finding new ways to offshore KPO projects on regular basis; the graph shows the current vertical market segment for KPO related projects that are being outsourced to India, China, and Philippians. Currently bulk of the KPO work is carried out in the Accounting and Financial space. As the KPO market matures soon there will be a significant growth in Pharmacy and Business Intelligence type works.

5. Conclusion
Though there is significant growth in the KPO market specifically for India in the coming years, there are several issues that may slow the growth of the KPO market.

5.1. KPO Employee Scarcity: Research firm Gartner predicts India's BPO market will shrink in the coming years because of its infrastructure problems, **employee attrition rate** and the decline in finding quality personnel. Among this employee attrition is the biggest problem Indian based BPO companies are facing now. However for KPO industry employee attrition may not be a problem as it happens mostly in lower wage BPO jobs not in higher wage KPO jobs. The major problem for the KPO industry is finding qualified professionals. This issue may reduce the growth of KPO market.
5.2. Scaling KPO Operation: One of the main reasons for the success of BPO companies is their scalability factor. In the early 2000 when BPO was started becoming popular, demand for the BPO work increased rapidly. Indian based BPO providers ramped up their employee force with the demand and successfully started serving more and more customers. In KPO it may not be possible for the Indian companies to scale their operations because of employee scarcity. This may significantly lower the growth targets for the KPO market.
5.3. Nature of KPO Services: Most of the BPO projects are lower value tasks and organizations made the decision easily to offshore the tasks, most of the decisions are made by senior mangers and business units. But KPO projects are complex in nature and all most all the projects need the approval from the C-level executives, so it is taking longer for KPO projects to get approval from the upper level management. Because of this pure play KPO players are finding tough time closing the deals which may slow the KPO market growth.

Though there are several challenges facing the KOP market, overall there is a great potential for the growth of KPO market and the organizations are showing strong interest in outsourcing higher value business processes to countries like India, China, and Philippians. The structure of KPO industry and the management of KPO projects are different from the BPO industry. So it is not possible to predict the KPO industry based on BPO industry. Among the countries India with its large base of qualified knowledge professionals will gain significant KPO market compared with other emerging countries like China, Philippians, Russia, and Korea.

ddd

For further details please contact:- punit_lohiya1987@yahoo.com