- Shailee K Nainani

What is Outsourcing?

- **Outsourcing** is subcontracting a process, such as product design or manufacturing, to a third-party company.

- Outsourcing became part of the business lexicon during the 1980s. It is essentially a division of labor.

2008's Best Outsourcing Service providers

– as per **The International Association of Outsourcing Professionals**

RANK	COMPANY (LEADERS)	KEY STRENGTH
1	Accenture	Customer Testimonials
2	IBM	Size & Growth
3	Infosys Technologies	Executive Leadership
4	Sodexo	Global Presence
5	Capgemini	Achievement Recognition
6	Tata Consultancy Services	Employee Management
7	Wipro Technologies	Employee Management
8	Hewlett-Packard	Outsourcing Experience
9	Genpact	Executive Leadership
10	Tech Mahindra	Outsourcing Experience

Process of outsourcing

- Deciding to outsource
- Supplier proposals [RFP]
- Supplier competition/Comparison
- Negotiations
- Contract finalization
- Transition
- Transformation- to implement SLA, to reduce the total cost of ownership or to implement new services
- Ongoing service delivery
- Benchmarking
- Termination or renewal

Benefits of outsourcing

- ✓Cost savings
- ✓Cost restructuring
- ✓Knowledge- Access to intellectual property and wider experience and knowledge
- ✓Focus on core business
- ✓Operational expertise
- ✓Access to talent
- ✓Capacity management
- ✓Enhance capacity for innovation
- ✓Reduce time to market
- ✓Commodification. The trend of standardizing business processes, IT Services and application services enabling businesses to intelligently buy at the right price
- ✓Risk management
- ✓Tax Benefit

Risks involved

India & Outsourcing-Facts

- India's share of the global offshore outsourcing market for software and back-office services is 44%.
- The US accounts for 68% of Indian exports.
- India's revenue from back-office outsourcing is expected to surge nearly five-fold to $50 billion by 2012 despite a possible recession in the key United States market, an industry report said.
- We have seen that when there are recessions and when there are costs pressures that come in, the companies still want to cut costs," Som Mittal, president of the Nasscom.
- The sector employs 700,000 people and is expected to provide direct employment to about 2 million by 2012.

Opportunities for India

Near-shoring as a business strategy
India can collaborate with other countries to leverage local knowledge of the business environment and language skills while providing its domain knowledge and technological expertise for successful outsourcing.

Opportunity areas

- IT Services
- Health Care
- Insurance
- Research and Development
- Legal Outsourcing
- Engineering Outsourcing
- Remote Infrastructure Management Services
- Accounting Services
- Other fields like Financial Research, content development, medical writing: animation, film, publishing, web services; Human Resource outsourcing: recruitment, training, Education, Nanotechnology and many others.

Factors favoring outsourcing

- India's human resources
- Cost efficiency of outsourcing in India
- Standard quality
- Reliable communication facilities
- Technologically advanced outsourcing firms in India
- Galloping growth in Indian economy
- Almost stable government facilitating IT growth
- Indian government policies
- Tax Incentives

Challenges for India

- Rising competition
- Infrastructure
- Human resources and training
- Delayed decision making
- Probable Changes in tax structure in US.

Current outsourcing trends worldwide

- Outsourcing in traditional areas like customer care, financial services, manufacturing, IT, ITES is growing.
- Large MNCs are investing in captive BPO units in supplier countries in multiple locations, to reduce risk and control quality.
- Sophisticated outsourcing where Customers are looking for business process excellence, speed to market, improvement in quality, benchmarking to world-class standards.
- There is increasing global competition and pressure on margins from emerging lower-cost outsourcing destinations.
- For the past two decades, China has been growing at an astounding 9.5% a year and India by 6%. They are impacting the global economy and leading the outsourcing revolution.

Future outsourcing trends worldwide

√ Outsourcing expenditure will continue to rise.
√ More countries will find outsourcing attractive, creating a multi-polar world. Following the lead of the US and UK, the European Union markets will expand their offshoring programs, while Japan will increasingly look to China for its needs.
√ The interlinking of the supply chains brought about because of outsourcing will create stability as companies will put pressure on governments to avoid wars.
√ Political backlash over outsourcing is likely to lessen over time as economies strengthen and companies continue to reap the benefits of offshoring.
√ Technological power will shift from the West to the East as India and China emerge as big players in the global outsourcing market.
√ By 2015 China will be No. 1, India No: 2 in the global top five outsourcing destinations.

Thank You