

'Outsourcing will be more widely accepted'

CEO of HCL Tech's BPO division shares his **reasons for optimism.**

With the organic and linear expansion of the IT (information technology) sector, in general, coming under threat as a result of the global economic crisis, what would be your advice to the fresh graduates from our professional colleges who see a bleak placement scene?

When I pose this question to N. Ranjit, President and CEO of the BPO Division of HCL Technologies Ltd, pat comes a reassuring answer – that the sure thing about the current economic downturn is that it is not going to last forever.

And when we come out of the crisis, a lot of opportunities are going to open up. The concept of outsourcing will be more widely accepted as a viable business option in the next few years, he adds, during the course of a recent lunch-hour interaction with eWorld.

"In the mean time, we should use this period to understand the skills that are required, and grow," advises Ranjit. "Fresh graduates should use this time to study the changes taking place in the industry and equip themselves with additional skills to enable them to ride the crest of the upturn when it happens."

He cites the Nasscom prediction, that the Indian IT software and services industry will continue to be a net hirer and focus on value creation, and that the direct employment for 2009 will be at 2.23 million and indirect job creation, 8 million. Positive thoughts Ranjit brims over with, and our conversation continues over e-mail...

Excerpts from the interview.

Looking back at the way the BPO industry has evolved in India, what do you consider to be the key turning points in its history? Are there also those inevitable mistakes that the BPO industry had to go through as part of its growth trajectory?

The Indian BPO (business process outsourcing) industry has crossed significant milestones in terms of growth, employment, and value creation, over a relatively short span of time.

Underlying this growth has been a game-changing proposition for global businesses, and the demonstrated success in delivering it across a large portfolio of services, and to a diversified client base with rapidly evolving expectations.

The key turning points in the history of the Indian BPO industry are a decline in bandwidth prices, enhanced use of internal facilities, enhanced robustness of telecommunication networks, a paradigm shift in customer expectations, and the current economic downturn, which is both a threat and opportunity.

Starting out with basic transaction-based services, the industry rapidly acquired a reputation as the primary low-cost destination for voice-based customer support services, and a range of back-office processing activities.

The past few years have seen the scope of



N. Ranjit

these services expand, as a turning point in its history, to include increasingly more complex processes involving rule-based decision making and research/ analytics services requiring informed individual judgement and domain/ vertical knowledge.

According to recent Nasscom (the National Association of Software and Service Companies) estimates, the IT-BPO industry will grow 16-17 per cent in 2008-09 to \$47 billion.

In just over a decade, the Indian BPO industry exhibited a healthy growth trajectory: the BPO sector has grown manifold in revenues, employs nearly 7,00,000 people, and accounts for more than 35 per cent of the worldwide BPO market. The Indian BPO industry is flexible and adept at gearing itself to successfully addressing challenges.

Today, the BPO industry stands at the cusp of many opportunities. Timely and coherent action will ensure that it makes the most of these advantages and maintains its lead.

Going forward, what do you see as the strategy for the industry? Can you paint a picture of how BPO will be, say, 20 years later?

Going forward, the strategy for the Indian BPO industry would be to protect India's cost advantage: to ensure that buyer interest, adoption and growth are sustained; to encourage the growth of domestic BPO market to enhance the competitiveness of Indian industry, to create additional employment and facilitate development; and to help buyers embrace the overall opportunity of India's BPO sector.

The strategy would also include expanding its delivery footprint to a new set of locations to include tier two and tier three cities.

The Indian BPO industry would continue to grow up the value chain from transaction-based services to voice-based services to transcription-based services to knowledge-based services. Most companies will derive significant revenues from knowledge-based

services.

BPO would continue to grow and generate jobs, and would become the preferred employer of choice. Adequate safeguards/ actions will be in place to take care of health and cultural issues due to the unique nature of the industry.

A recent Datamonitor report gives a flavour of things to come, and estimates the global BPO market size in 2013 to reach \$383.69 billion. According to Gartner, the Indian BPO industry is to reach \$50 billion by 2012.

On the inorganic growth route, what are the options that you are exploring?

HCL's inorganic growth is in line with its 'Value BPO' strategy – to make strategic, platform-based acquisitions which give us sustainable competitive advantage in chosen verticals.

The components of this VBPO strategy include a conscious strategy to move away from linear monotonic growth and delink future revenue growth from headcount growth; this strategy also defines our global delivery model which is to expand our delivery footprint, minimise risks from currency fluctuations and country specific risks, and to offer near-shore, off-shore options to customers. It determines our move from voice-based services to transaction-based services to knowledge-based service; and from input-based pricing to output-based pricing to outcome-based pricing.

In order to create a sustainable profit model, our VBPO strategy keeps the focus on English-speaking geographies, non-voice intensive processes, platform-based services, and transaction-based pricing.

And, at least one-third of the job should be offshorable without regulatory or other constraints.

As countries increasingly pursue nationalistic policies, will it become necessary for BPOs offering global delivery to adopt the employ-locally model? And are there unique challenges that a global workforce poses?

Political leaderships understand that organisations focus on economic value additions, and so limit their influence to a point. BPO organisations and buyers of outsourcing services see the benefit of the near-shore off-shore blend in order to deliver better services to the end-customer – not just in terms of a cost benefit which is tangible, but also in terms of the quality of service delivered.

There is an advantage of delivering services nearer to the customer, as this overcomes the challenge posed by knowledge of the local geography, and also cultural/language nuances in terms of empathy and soft skills.

HCL already follows the policy of 'glocalisation' – global outlook with local content. All the employees of HCL BPO in the UK and the US are already local citizens without an Indian employee being present there.

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