

BUSINESS PROCESS OUTSOURCING

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PREFACE

Nowadays organisations are increasingly embracing outsourcing, leveraging cost savings opportunities to improve competitiveness, as well as utilising highly specialised services to recognise the benefits of increased business flexibility. Combined, this allows managers to concentrate on new opportunities and future products and positions them to better capitalise on their firm's innate strategic strengths or core competencies.

Outsourcing is one of the most prevalent trends in today's business environment. Nearly every company outsources some part of its business, though it may not realise it. Today's fast-changing environment with emphasis on knowledge, flexibility and performance is causing organisations to rethink their paradigms. Organisations are questioning whether their traditional paradigm of "owning" the factors of production is the best way to achieve competitive advantage. The outsourcing concept of moving activities out of the organisation to where the experts exist, as opposed to owning all of the resources is being accepted by more and more organisations.

The idea of outsourcing started way back when manufacturers started shifting the manufacture of goods to countries with cheaper labour during the Industrial Revolution. During 1970s, many industries radically changed their manufacturing structure to respond strategically to the globalisation of markets and consequent increase in competition. For many firms, the key to successful restructuring has been to focus on core competencies or strategically important activities. Manufacturing outsourcing has become a strategically important activity for many manufacturing firms.

Outsourcing to services is a relatively new phenomenon. Services outsourcing to India started in the 1980s and rapidly accelerated in the 1990s. In today's world when information technology has become critical to business, the meaning of outsourcing has undergone a drastic change over the years. Companies have started focussing on their core competencies and outsourcing many non-core functions for which they had no competence internally.

In addition to manufacturing outsourcing the other functions that are being outsourced by companies include: accounting function, computer servers, customer service function, engineering function, human resource function, maintenance function, materials management function, sales and marketing function and administration function.

Outsourcing, also referred to as Business Process Outsourcing (BPO) or Business Process Management (BPM) which include various sub-activities of many main stream industries such as manufacturing, trading, marketing, banking, insurance and financial services has been treated as an industry. BPO has become one of the most rapidly growing industry in the world today.

The Indian BPO industry is constantly growing and a lot of Fortune 500 companies are outsourcing services to India and India has emerged as one of the leading outsourcing destination in the 21st century. The role of BPO in India's economic growth has been tremendous, India was

