



## **Strategic Practices of Business Process Outsourcing (BPO) in India**

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## **ABSTRACT**

*The Outsourcing Industry has been extensively reached in the past decade. Business Process Outsourcing (BPO) in particular has been the topic of many analyses. Gone are the days when services functions were developed by the corporate in-house for captive use. Today corporate benefit significantly from outsourcing of business process almost every where on the planet. The industry is rapidly growing and maturing and India has established itself as a major outsourcing hub. Today more industries are where IT was in the 1990's- knowledge based. Research and Analysis Outsourcing may soon be the biggest revenue grosser in India as BPO companies move up the value chain in their service offering i.e. R&D, Legal Outsourcing, Engineering Outsourcing, Remote Infrastructure Management Services, and Accounting Services etc. On the other side India has to cope with the challenges like, Rising competition, Infrastructure and HR and training etc. The advantages and disadvantages of outsourcing can help organization decide if outsourcing is right for the business. Despite the boom and support that BPO sector has fetched, there are certain grass-root level setbacks too. These setbacks are strongly propagated to be threats resulting into backlash to the BPO activity in India. In this article, the future of outsourcing- opportunities and challenges for India, change strategy and strategy beyond BPO, also BPO industry leaders speak about the best things to have happened to outsourcing industry in 2008 and the main challenges for the New Year 2009 has been covered in various standpoints.*

## **INTRODUCTION**

Business Process Outsourcing (BPO) is a buzzword among the corporate in the world today and it is in particular has been the topic of many analyses. Outsourcing first appeared in the IT industry in the 1980s. This was the time when companies recognized the benefits of having IT service partners in order to develop complex systems, and enhance the way that a business process or service is managed (Schumacher, 2005). Since then, the outsourcing industry has gone through its introduction and growth stages, with growth rates of around

50%, and has reached its transformation stage. Increasing globalization and high pressure to innovate have substantially shortened the product and service life cycles. Industry life cycles have therefore become shorter and shorter - outsourcing is no exception. *Gone are the days when services functions were developed by the corporate in-house for captive use.* Today corporate benefit significantly from outsourcing of business process almost every where on the planet. The industry is rapidly growing and maturing and India has established itself as a major outsourcing hub. Today more industries are where IT was in the 1990's- knowledge based.

## **THE ADVANTAGES AND DISADVANTAGES OF OUTSOURCING**

Organizations who are interested in outsourcing are often curious to know more about advantages and disadvantages of off shoring. By gaining insight about both the good and bad of outsourcing, organizations can decide if outsourcing is right for them. Most organization jump headlong into outsourcing, without actually finding out if outsourcing is good for their business. The advantages and disadvantages of outsourcing can help your organization decide if outsourcing is right for your business. The following is a list of the advantages and disadvantages of outsourcing:

### **The Advantages of Outsourcing**

- Outsourcing the non-core activities will give more time to concentrate on core business processes.
- With outsourcing organization can experience increased efficiency and productivity in non-core business processes.
- Outsourcing can give assurance that business processes are being carried out efficiently, proficiently and within a fast turnaround time.
- By outsourcing, organization can cater to the new and challenging demands of their customers.
- Sharing business risks is possible with outsourcing.
- Outsourcing can give business a competitive advantage as they will be able to increase productivity in all the areas of business.
- If organizations want to stay ahead of competition, concentrate on core competencies and make use of the latest technologies, then outsourcing can help the organization achieve all this and more.

### **The Disadvantages of Outsourcing**

- At times, it is more cost-effective to conduct a particular business process, rather than outsourcing it.
- While outsourcing services such as payroll processing services and tax preparation services, organizational outsourcing provider will be able to see company's confidential information and hence there is a threat to security and confidentiality in outsourcing.
- When organizations begin to outsource business processes, they might find it difficult to manage the offshore provider when compared to managing processes within the organization.

- In case, offshore service provider becomes bankrupt or goes out of business, organization will have to immediately move business processes in-house or find another outsourcing provider.
- By outsourcing, organization might forget to cater to the needs of their valuable customers as their focus will be on the business process that is outsourced.
- Outsourcing, though cost-effective, might have hidden costs, such as the legal costs incurred while signing a contract between companies. Organization might also have to spend a lot of time and effort in getting the contract signed.
- There can be several disadvantages in outsourcing, such as, renewing contracts, misunderstanding of the contract, lack of communication, poor quality and delayed services amongst others.

The disadvantages of off shoring give organizations an opportunity to think about what they are stepping into. However the disadvantages of outsourcing are less than the advantages of offshore outsourcing. When outsourcing, organization might not experience any of these disadvantages of off shoring, if they find a reliable outsourcing partner. Before outsourcing take the interests of their customers and employees into consideration and then make an informed decision. If organization is genuinely interested in outsourcing, let not the disadvantages of outsourcing stop. Outsource to Outsource2india and get access to the advantages of outsourcing to India.

## **STRATEGIC BENEFITS OF OUTSOURCING**

Following are the strategic benefits for organization.

- *Financial restructuring*: Improving the business's financial position while reducing or at least containing costs.
- *Core competence*: Redirecting the business and IT into core competences.
- *Technology Catalyst*: Strengthening resources and flexibility in technology and service to underpin the business strategic direction.
- *Business transition*: Facilitating and supporting major organization change.
- *Business Innovation*: Improving and innovating in processes, skills and technology, while editing financial risk through the vendor, in order to achieve competitive advantage.
- *New market*: direct profit generation through joint ventures etc.

## **BEST OF 2008 & CHALLENGES FOR 2009**

BPO industry leaders speak about the best things to have happened to outsourcing industry in 2008 and the main challenges for the New Year 2009.

### **BEST OF 2008**

1) Emergence of rural BPOs (such as Sourcepilani) which extend the 'cost-arbitrage' proposition to an entirely new dimension.

- **Joel Perlman, President & Co-Founder, Copal Partners**

2) Attrition in the offshore outsourcing industry came down significantly and Indian employees became more realistic about their expectations and about their careers. The current expectations will be able to provide a more sustainable, long term growth for the

Indian offshore-outsourcing industry.

**- Dr. Alok Aggarwal, Chairman & Co-founder, Evalueserve**

3) Due to economic slowdown the attrition rate has dropped. Suddenly the quality of talent that KPO's are attracting has become much better. Prospective employees are realizing that the KPO career is far more stable/ secure than industries such as investment banking, real estate, retail, airlines, etc.

**- Nimish Soni, CEO - BPO Division, Cambridge Solution**

4) New Trends: Newer processes and areas like KPO (Knowledge Process Outsourcing), LPO (Legal Process Outsourcing), EPO (Education Process Outsourcing) evolved over the period of time. The processes have also become more complex with areas like Engineering design, prototype development etc are also being outsourced. As the industry grows in size and scale, many firms are beginning to adopt a vertical based approach to cater to emerging market trends.

**- Sandeep Aggarwal, EVP - Sales, Solutions, Transition, Intelnet Global Services**

5) Companies started to look at their assets very carefully. People took a re-look at their business models and very expensive and overpriced M&A deals did not happen.

**- Sachdev Ramakrishna, Director - Marketing, Steria India**

6) Women constituted 47% of entry level employees in 07-08 compared to 38% in 05-06. This is a tremendous evolution that will strengthen our social fabric.

**- Kaushal Mehta, Founder and Chairman, Motif, Inc.**

### **Challenges in 2009**

1) Especially during the first half of 2009, we are unlikely to see any substantive growth in this industry because the recession is likely to become deeper and broader (worldwide).

**- Dr. Alok Aggarwal, Chairman & Co-founder, Evalueserve**

2) The entire outsourcing industry will need to emphasize more on profit margins than on revenue. Because of credit crunch and because most outsourcing companies will not be able to raise money from VCs and PE groups, it will be a challenge for them to change their outlook overnight.

**- Dr. Alok Aggarwal, Chairman & Co-founder, Evalueserve**

3) The decision to outsource may become slower due to the economic meltdown, though the quantum of work may not reduce overall.

**- Kaushal Mehta, Founder and Chairman, Motif, Inc.**

4) Clients will look for more value addition from BPO companies in terms of tools, process enhancements, etc. Companies who are not able to provide that value and who compete only on one time cost reduction will get impacted.

**- Kaushal Mehta, Founder and Chairman, Motif, Inc.**

5) The stronger dollar may help some Indian BPO companies but we must continue to innovate and streamline our cost structures to remain competitive in view of the increased global competition to India.

**- Kaushal Mehta, Founder and Chairman, Motif, Inc.**

**THE WORLD IS CHANGING: CHANGE STRATEGY**

The main reason for outsourcing is cost reduction. If your enterprise is focused squarely on the bottom line, BPO offers you the opportunity to access the functionality of the newer technologies without the cost and resource consumption that an internal implementation would require.

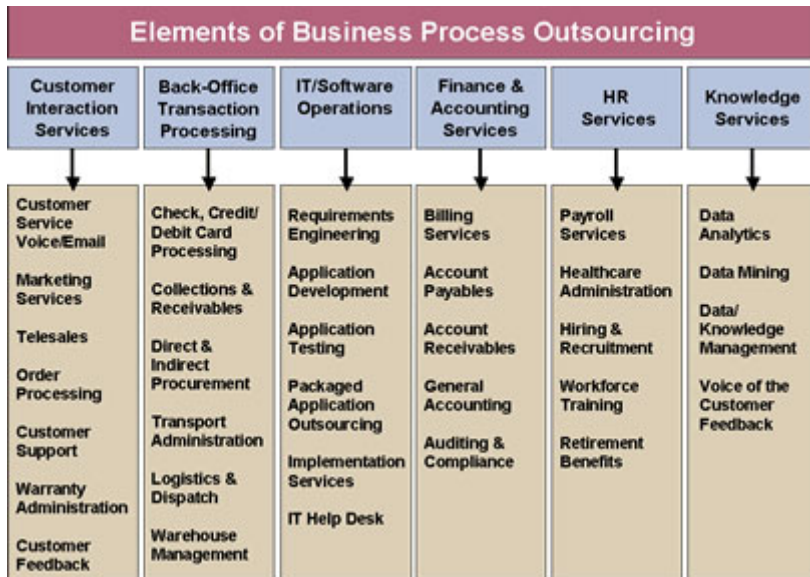
Following are the most common functional areas of private and public sector organizations requiring BPO solutions:

- a) Change Management.
- b) Communications.
- c) Finance and Administration.
- d) Human Resources.
- e) Information Technology.
- f) Legal Affairs.
- g) Logistics.
- h) Process Design.
- i) Procurement.
- j) Strategic Sourcing.

### **BPO Defined**

BPO is the act of transferring some of an organization's repeated non-core and core business processes to an outside provider to achieve cost reductions while improving service quality. BPO results in increasing shareholder value. The main difference between BPO and more traditional IT outsourcing is that BPO offers companies a way of achieving transformational outcomes much more quickly. In a typical BPO contract, a service provider takes over a specific corporate function. Effective BPO encompasses much more than just changing who is responsible for performing the process.

In BPO, the outside provider not only takes on the responsibility to manage the function or business process, but also re-engineers the way the process has been traditionally done. Re-engineering includes implementing new technology or applying the existing technology in a new way to improve the process. That tends to be the hard part. Managing BPO relationships is a skill every manager will need to survive and thrive in the global economy. To better comprehend the management issues it is important to understand the basics.



Source: E-Business Strategies

### Business Process Outsourcing Strategies:

As organizations seek to reduce costs and improve asset utilization, they are turning to business process outsourcing (BPO) of non-strategic functions such as human resources, finance, and IT. While critical to firms' operations, such functions don't always provide businesses with a long-term core competitive advantage. In fact, leveraging a service provider that specializes in a particular competency can give firms an advantage by improving service levels and lowering costs. When it comes to technology-related outsourcing decisions, Doculabs can help clients determine if it makes sense to go with a BPO approach. We focus on processes that are driven by content management and process management technologies - processes such as account origination, customer service, or back-office processing. These processes can be automated, and a platform for managing or automating specific steps in a workflow can be outsourced. Doculabs' experts can assist organizations by evaluating their current-state operations and processes, and identifying the potential benefits of a future state that includes outsourcing. If it turns out that outsourcing is the appropriate strategy, we can then provide assistance in evaluating service providers, and can provide oversight during the contract agreement and transition process. We have helped many customers through the process of evaluating their business process outsourcing alternatives. Typically, these efforts are highly visible and politically charged; thus, using an objective third party accelerates the process and keeps the discussion grounded in facts.

### THE BPO STRATEGY – NEW MANTRA FOR CORPORATE EFFICIENCY

Over the last few years, outsourcing of business processes has been gaining popularity driven by the fact that US firms have been enjoying much success from adopting this business strategy. European organizations have increasingly been focusing on what they identify as their core competencies and have been looking to reduce costs while maintaining high levels of quality for non-core activities and processes. To this end, two broad approaches had developed.

- 1) To centralize the non-core processes into an in-house shared service functions to derive benefits of centralization through an in-house process or through a wholly owned subsidiary.
- 2) To identify an acceptable third party service provider who will handle the processing work. The current economic climate has encouraged the latter trend as the organizations continue to look for more innovative ways to improve efficiency and cut costs in order to survive the turbulent marketplace.

### **Government's Support To The BPO Sector In India**

Recognizing the growing importance of the business process outsourcing, the Government of India has introduced various policy concessions and initiatives to accelerate the growth of the IT-enabled outsourcing market. Spearheaded by associations such as National Association of Software and Service Companies (NASSCOM), the Indian software and services industry has also taken various steps to ensure that India becomes the global hub for IT-enabled outsourcing in the future. The Government of India (Central Board of Direct Taxes - CBDT) has allowed total income tax exemption on the export of IT enabled outsourcing services under Sections 10A/10B of the Income Tax Act, 1961.

These IT enabled products or services are:

- i. Back-office Operations
- ii. Call Centers
- iii. Content Development or Animation
- iv. Data Processing
- v. Engineering & Design services
- vi. Geographic Information System Services
- vii. Human Resource Services
- viii. Insurance Claim Processing
- ix. Legal Database
- x. Medical Transcription
- xi. Payroll
- xii. Remote Maintenance
- xiii. Revenue Accounting
- xiv. Support Centers; and
- xv. Web-site services

### **Contribution of BPO to the National Economy**

As per the NASSCOM-McKinsey Report, 2002, the revenue from BPO will reach \$24 billion by 2008 and the IT-enabled services (ITES) sector will contribute 37 per cent to the total IT software and services export market. Thus, BPO is likely to contribute up to 3 per cent to India's gross domestic product (GDP). The BPO sector is expected to provide employment to 1.1 million people by 2008 as per a report by the NASSCOM.

### **Threats to the BPO Sector**

Despite the boom and support that BPO sector has fetched, there are certain grass-root level setbacks too. These setbacks are strongly propagated to be threats resulting into backlash to the BPO activity in India. These are as under:

- 1) Lack of maturity in service line, increasing competition among e-logistics providers.
- 2) Discretionary cuts in budgets, low growth due to industry maturity and decentralized

nature of facilities management are the main deterrents to the outsourcing in the facility & operations management sector.

3) Privacy concerns and technical nature of subject matter are the main deterrents to the outsourcing of legal services.

4) If all above is not enough, the companies which are outsourcing non-core processes from third party service providers are literally placing their fate in the hands of another company, which appears to be a normal setback of BPO at the outset.

5) Some companies which jumped BPO market in India are now looking to sell their assets being unable to scale operations upto the required level. As per the NASSCOM report, recently there were about 200 Indian companies offering BPO and related services looking for buyers.

6) Companies rush into BPO market without understanding the kind of operational and marketing issues they would have to cope with, and the kind of gestation periods to be expected before profits can start flowing in consistently. As a result, many facilities that were set up are lying vacant, and the failed enterprises have to either close down or get acquired, as they have neither funds nor clients.

### **Mergers & Acquisitions in the BPO Sector.**

M&A in the BPO sector in India are not confined to Indian companies alone. BPO operations in India that belong to multinationals are also changing hands.

1) British Airways PLC (BA) divested about 70 percent of the equity in WNS to Warburg Pincus, a New York-based private equity investor. WNS was set up in 1996 as a captive back-office for BA. WNS is now positioned as an independent third-party services provider, but still gets about 35 percent of its revenues from BA.

2) HCL Technologies acquired over a year ago a 90 percent stake in the Apollo Contact Center in Belfast of BT Group. The deal gave HCL a beachhead in the European market, and helped it bag business from the London-based BT, including a \$160 million order for setting up a BPO operation for BT in India.

3) TransWorks Information Services Pvt. Ltd., a Mumbai based BPO company, was acquired recently by the Aditya Birla Group, a large Mumbai based business conglomerate.

4) Customer Asset, a Bangalore based BPO company, was acquired a year back by ICICI One Source. Customer Asset had about 750 employees and operated a 350 seat call center in Bangalore.

Key buyers of BPO companies in India are software services companies which want to position themselves as vendors of a broad portfolio of services, including BPO, to their current customers. For example Wipro, a Bangalore-based software and services company, acquired Spectra mind eServices, a CRM (customer relationship management) services company in Delhi a few months back.

### **STRATEGIES BEYOND BPO**

Shared services, as a business tool, have created tremendous value in Finance, Human Resources, and other functional areas in companies around the world. As shared services have moved into states of maturity, companies have been looking to answer the question of "What's next? How do we continue to add value?" Many have turned to business process outsourcing and have found significant benefits. However, this is not the only strategy to continuing to add more value. We have found that there are numerous opportunities for

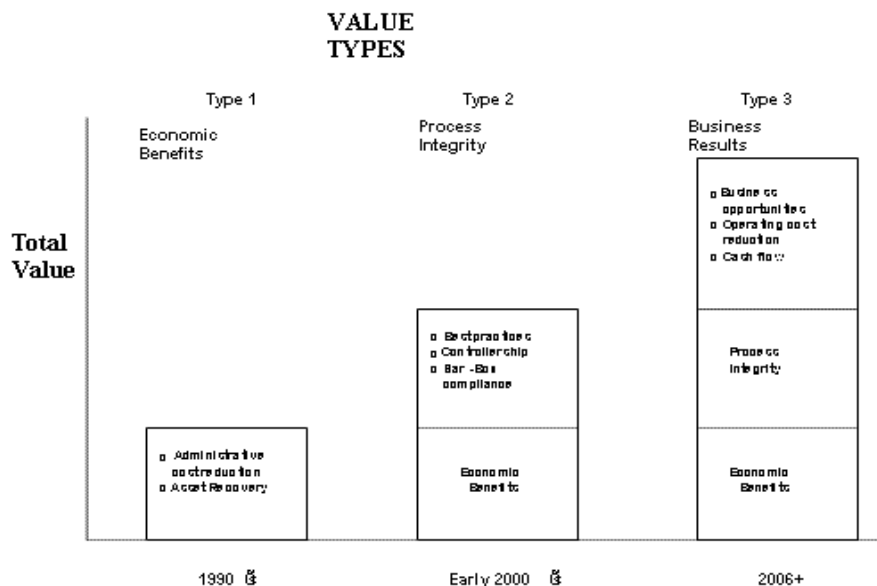
adding significant value, potentially well-beyond what has been achieved so far, by recognizing that there are different types of value that need to be managed differently. When these are recognized, new strategies can be put in place to continue to move up the value chain. And this approach works whether companies have gone down the BPO route or not.

### Value in the Bank

Shared services have grown from an evolving concept fifteen years ago to a “household word” and common tool in major companies across the world. What has made it so successful is that shared services have created real and significant value for companies. Whether it was consolidating payroll and accounts payable or establishing common processes, policies, and systems, the payoff has been tangible. By far the greatest benefit of shared services in nearly all companies has been substantially increased productivity and much lower costs. This focus on shared services productivity improvement has continued in most companies. Determined to continue to mine cost reduction from the administrative processes, many companies have decided to outsource or offshore these processes. Outsourcing (BPO and ITO) has allowed companies to contractually extract future savings from these processes. It has also allowed companies to further remove concerns of managing these processes from the company and move them to outside experts where managing administrative processes is a core competency. Additionally, off-shoring, whether captive or not, has been a successful labor arbitrage play for many shared services organizations. Again the value has been cost reduction.

### Three Types of Value

There are important new expanded-scope processes being identified in companies regularly, we found that leading companies are thinking about value differently, that “moving up the value chain” is becoming more sophisticated, and more opportunities are being demonstrated. And we learned that there are actually two additional types of value shared services can bring: Process Integrity Value, and Business Value. The chart below shows the value three types that have developed over time.



## **Type 1 Value**

What we now call “economic benefit” is only the first type of value that shared services does or can provide. This economic benefit is a result of cost reduction within the shared service process or money recovered because the process is being managed better. It became clear to us that even with all the Type 1 Value that shared services has and continues to provide, greater value producing opportunities are here or on the horizon.

## **Type 2 Value**

Type 2 Value has emerged at least partially by accident, and the better shared services organizations are producing significant amounts of it. In the quest for greater productivity, the professionally managed shared services organizations sought “best practice” process improvements that also yielded better quality and an environment of heightened control. The improved processes were managed in a small number of locations and were therefore much easier to control. There was far less risk of business units taking approaches that were not consistent with company policies. The timing could not have been more perfect. Just when companies needed to comply with Sarbanes-Oxley requirements, many of their processes were managed under a single roof. This meant the processes could be monitored and audited easily, and policies could be enforced. Executives were pleased with their earlier “brilliance” in instituting shared services because of the control benefits that are currently obvious. Those companies that had not implemented shared services previously were feeling the pain of complying with Sarbanes-Oxley in highly distributed environments. It has been much more difficult for them to manage and unimaginably expensive to audit to provide necessary assurances for the sign off.

## **Type 3 Value**

Type 3, Business Value, is emerging in leading shared services organizations. Business Value stems from the data and information repository shared services has because of the transactions it processes, its ability to mine and analyze the information, and its skills in managing and improving business processes. The results are potentially huge for Type 3 Value because it opens doors to business growth and cost reduction in the business processes beyond the administrative areas, as well as sourcing. Examples of this new and developing Type 3 Value are present in leading shared services organizations:

- 1) With access to customer and product pricing data, shared services people were able to show through analysis that products in short supply were being heavily discounted in certain branches. Raising these prices to market levels greatly increased product profitability.
- 2) Accounts payable analysis showed that customer rebates being paid by two suppliers were far less than what was agreed to. Suppliers were missing rebates for many orders. Millions of dollars of rebates were recovered.
- 3) Utilizing their proven process improvement skills, shared services people led improvement efforts for non-shared services business processes, resulting in major productivity gains.

However, there are often barriers to creating Type 3 Value. A shared service frequently does not have the credibility to be invited to participate in these areas. Additionally, shared services people sometimes have difficulty imagining themselves in the new roles.

## **THE FUTURE OF OUTSOURCING – OPPORTUNITIES AND CHALLENGES FOR INDIA**

Business Process Outsourcing (BPO) will include IT outsourcing and mainstream BPO expenditure is likely to grow worldwide by 10 per cent a year from \$140 billion in 2005 to over \$220 billion by 2010. (Source: Logica CMG study). The industry is rapidly growing and maturing and India has established itself as a major outsourcing hub.

India is the world's favorite outsourcing destination. India's share of the global offshore outsourcing market for software and back-office services is 44%. According to the National Association of Software Companies (Nasscom), India's premier trade body of the IT software and services industry, technology and IT services exports in India were worth \$17.2bn (£9.5bn) in the year ended March 2005, a rise of 34.5% over the previous year. A further expansion of 30% in exports is predicted in the next twelve months, to reach \$22.5bn. The US accounts for 68% of Indian exports.

### **Current outsourcing trends worldwide**

1. Outsourcing in traditional areas like customer care, financial services, manufacturing, IT, ITES is growing.
2. Large multinational companies are investing in captive BPO units in supplier countries in multiple locations, to reduce risk and control quality.
3. There is increasing **global competition** and **pressure on margins** from emerging lower-cost outsourcing destinations.
4. 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.
5. Risk factors and unexpected occurrences like war, terrorism, disease, natural disasters and economic upheavals can throw a wrench in the works.
6. India will show excellence in Services that require advanced English like Research and Analysis Outsourcing, Content and Medicine.
7. Technological power will shift from the West to the East as India and China emerge as big players in the global outsourcing market. The two countries have the size and weight to **transform the 21st global economy.**
8. By 2015 China will be No. 1, India No: 2 in the global top five outsourcing destinations.

### **Opportunities and Opportunity areas in India**

Today more industries are where IT was in the 1990's - knowledge based. **Research and Analysis Outsourcing** may soon be the biggest revenue grosser in India as BPO companies move up the value chain in their service offerings. This includes:

#### **1) Research and Development**

- a) **Product Innovation** - Companies are going beyond basic research to invest in **innovation and new product development.** Companies that have invested in R&D in India are Cisco Systems, Motorola, Hewlett-Packard, Google General Motors Corp. and Boeing Co among others.
- b) Co-development- In **pharmaceuticals**, India has the opportunity of **co-development** and ownership of new patented drugs through **drug research, clinical trials**

**and manufacturing.** Indian pharma major **Ranbaxy** has an agreement with **MNC GlaxoSmithKline** to commercialize compounds they develop together.

## 2) **Legal Outsourcing**

India's large pool of qualified English-speaking lawyers with experience in the British legal system can offer paralegal support, legal support and patent services. A few Indian companies affiliated with American law firms are now able capture a tiny piece of the American market. They are now doing legal research at very high rates by Indian standards but yet 50% below typical American rates.

## 3) **Engineering Outsourcing**

India can provide high-quality engineering services in the fields of:

- a) Mechanical & Electronic engineering - **analysis** and design , embedded software
- b) Plant Design, Process Engineering
- c) Plant Automation Services
- d) Enterprise Asset Management and OEM solutions

## 4) **Remote Infrastructure Management Services**

India can offer management services for IT infrastructure, applications operations, IT security and maintenance. This sector presents great potential through large-value multi-year contracts

## 5) **Accounting Services**

We are in the initial stage where **payroll processing services** and some accounting is being done for large American companies. This trend will continue and soon a full range of accounting and tax services will be provided by Indian companies.

6) Outsourcing opportunities for India exist in **other fields** like Financial Research, content development, medical writing: animation, film, publishing, web services; Human Resource outsourcing: recruitment, training, Education, Nanotechnology and many others.

## **Challenges for India**

**Rising competition:-** In the next ten years, China will replace India in its number 1 position in the global ITES-BPO industry. Rising costs and low efficiency in many cities like Bangalore will make software outsourcing less attractive in future. The giants may show a drop in earnings. India's terrible Infrastructure will continue to be a drag on the potential of India giving other countries the competitive advantage. Other competing countries providing low-cost outsourcing options will exert a downward push on costs – East Europe, Latin America, and South Africa.

**Infrastructure:-**India's ability to develop infrastructure is far outpaced by neighboring China. Metro cities are getting saturated and costs are rising. Tier II towns need to develop infrastructure but India's track record does not bode well for fast development.

**Human resources and training:-**The demand-supply gap in India for knowledge workers is being felt now in Bangalore but may peak India wide in 2008-2009. The education system needs transformation to produce people with skill sets that match industry needs.

## **CONCLUSION**

Business process outsourcing is the leveraging of technology vendors to provide and manage a company's critical and/or non-critical enterprise applications. Through the business transformation process of service-oriented transformation, which leverages the

technologies and standards of service-oriented architecture, companies can increasingly leverage third party companies that act as business service providers. The Outsourcing Industry has been extensively reached in the past decade. Outsourcing first appeared in the IT industry in the 1980s. Since then, the outsourcing industry has gone through its introduction and growth stages, with growth rates of around 50%, and has reached its transformation stage. Increasing globalization and high pressure to innovate have substantially shortened the product and service life cycles. Industry life cycles have therefore become shorter and shorter - outsourcing is no exception. Every human have two type of attitudes positive and negative just like that BPO industry have advantages and disadvantages, but advantages are more than disadvantages. In this paper we have also taken the best things about BPO industries leaders speak about happened to outsourcing industry in 2008 and the main challenges for the New Year 2009. As per the time duration BPO industry march towards growth that is “change strategy”. Now a day’s importance of BPO is increase Government organization is also taking benefits of BPO industries, so many mergers and acquisition happened in BPO industry in shows the growth. New Trends: Newer processes and areas like KPO (Knowledge Process Outsourcing), LPO (Legal Process Outsourcing), and EPO (Education Process Outsourcing) evolved over the period of time. The processes have also become more complex with areas like Engineering design, prototype development etc are also being outsourced. As the industry grows in size and scale, many firms are beginning to adopt a vertical based approach to cater to emerging market trends.

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