A STUDY OF GLOBAL PERSPECTIVE OF OUTSOURCING PRACTICES

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ABSTRACT

Outsourcing is contracting with another company or person to do a particular function. Almost every organization outsources in some way. Typically, the function being outsourced is considered non-core to the business. The outside firms that are providing the outsourcing services are commonly called, service providers/vendors and they are well trained and specialized in their fields. Although outsourcing has been around as long as work specialization has existed, in recent history, companies began employing the outsourcing model to carry out narrow functions, such as payroll, billing and data entry etc. Those processes could be done more efficiently and more cost-effectively, by other companies with specialized tools and facilities and specially trained personnel. Today’s challenges may be even more pressing than those of a decade ago. Outsourcing is becoming increasingly popular, essential, important and strategic component for many Big/Medium and even small companies belonging to private as well as Public Sector organizations dealing with variety of products, services etc. One can even say in today’s scenario where highly complex products, processes and businesses are handled it will be highly impractical and expensive not to resort to outsourcing. Moreover as time passed on with the advance of technology, the sophistication of business operations and the need for constant growth are circumstances that suggest a focus on functional core competencies for all type of organizations/firms. This is true especially in modern times where we can be badly outmoded /outclassed even in our core business unless we try hard to improve it. So it is high time to abandon the old school of thought that outsourcing is only for cost savings or fast return on investments. Therefore there is a need to realize that outsourcing has other valid and strategic angles, aims and reasons in today’s scenario. Outsourcing is in an inflection point and growing/evolving rapidly into a very strong business tool. It is extremely important to keep abreast with the latest developments in the field. Time has come to create a much greater awareness and alertness about outsourcing. It’s needed to better prepare everyone involved in business for the emerging outsourced economy. This research paper aims at understanding the Global perspective of Outsourcing practices to know the present practices adopted in outsourcing worldwide.

Keywords: Outsourcing, Global, Vendor, Cost- Effectively, Specialized Tools, Specially Trained Personal, Strategic, Public Sector, Core Competencies, Cost Savings, Return on Investment.
1. INTRODUCTION

Outsourcing is becoming increasingly popular, essential, important and strategic component for many Big/Medium and even small companies belonging to private as well as Public Sector organizations dealing with variety of products, services etc. One can even say in today’s scenario where highly complex products, processes and businesses are handled it will be highly impractical and expensive not to resort to outsourcing. Moreover as time passed on with the advance of technology, the sophistication of business operations and the need for constant growth are circumstances that suggest a focus on functional core competencies for all type of organizations/firms. This is true especially in modern times where we can be badly outmoded /outclassed even in our core business unless we try hard to improve it. So it is high time to abandon the old school of thought that outsourcing is only for cost savings or fast return on investments. Therefore there is a need to realize that outsourcing has other valid and strategic angles, aims and reasons in today’s scenario.

2. NEED AND IMPORTANCE OF OUTSOURCING

Outsourcing is one of the most powerful tools in today’s business scenario. Outsourcing helps build better businesses, stronger economies, and more prosperous way of life. It is true not only for developing countries like India that are the recipients of work being outsourced offshore, but also for western countries that are doing outsourcing. There are many operating challenges in the day to day activities especially to reduce and control operating costs, reducing labor costs, balancing competitive pressure etc. which needs immediate attention. Here outsourcing plays a role of a true leveler and helps to overcome many unseeingly unsolvable and complex situations. The following are the major areas where the need for outsourcing can be emphasized:-

1- To scale-up a project without increasing the present head count.
2- To create a global market for products or services.
3- To achieve development schedules or to solve historic or chronic problems with different projects not possible with the present set-up.
4- To gain access to world class capabilities.
5- To improve time to market.
6- To become truly customer focused.
7- World-class technology at lower rates - Investing in new technology is very costly and often risky. As the technology market develops rapidly, it is difficult to keep up with latest innovations and solutions. Thus outsourcing to companies that have the resources, expertise and desire to continuously update their technological solutions, offers a true advantage of outsourcing.

3. IMPORTANCE OF THE PRESENT STUDY

Outsourcing is in an inflection point and growing/evolving rapidly into a very strong business tool. It is extremely important to keep abreast with the latest developments in the field. Time has come to create a much greater awareness and alertness about outsourcing among all concerned as already mentioned. It’s needed to better prepare everyone involved in business for the emerging outsourced economy. It’s required to advance the management practice of outsourcing itself in our country. This study would help achieve, to a great extent, these goals.
4. HYPOTHESIS OF THE STUDY

- The prevalence of outsourcing is increasing exponentially with time and with the increase in the volume of work load.
- Outsourcing has facilitated work, improved work culture, effected savings of time and cost and benefited globally.

5. OBJECTIVE OF THE STUDY

On the basis of previous work and literature available in the area of research i.e. Outsourcing in select Large Scale Public Sector enterprise, the objectives of this research study are as follows:-

1. To study the system and process followed globally in outsourcing for conceptual clarity and its implications.
2. To highlight more modern developments in this field like Strategic, Business Transformation Outsourcing (BPO), Knowledge Process Outsourcing (KPO) and much more and that outsourcing can be used with great advantage to excel even in innovation and advanced developments.

6. METHODS OF DATA COLLECTION

Secondary data has been collected from journals, magazines, published and unpublished research work of various eminent scholars in the field of research.

7. REVIEW OF LITERATURE

It is an interesting fact to note actual outsourcing started with manufacturing industry around 30 years back and it soon spread to services. In 1980s when the strong dollar and foreign competition made the US automobiles industries uncompetitive, the General Motors shifted 10 US plants to Mexico. Soon other auto companies like General Motors Chrysler and Ford followed suit. In due course number of companies came up along US Mexico border, the companies were US owned but manned by Mexican labor. The same phenomena occurred along US Canada border also. The emerging markets in Asia particularly in China and India are growing steadily. It is predicted China will replace Japan as the second largest car market after the US. In turn the tremendous increase in car market will require almost double the manufacturing capacity in the next 15 to 20 years.

7.1 Outsourcing in different important sectors

The electronics companies of US and Japan shifted to Singapore and Taiwan to save on costs. In 90s manufacturing companies shifted to China attracted by low wages fixed currency cheap loans coupled with offer of land and factories for new companies lax environmental regulations absence of laws to protect workers’ rights. These new outsourcing companies began to dominate manufacturing in many sectors like electronics, pharmaceuticals, and complete automobiles. They not only set-up huge plants and facilities to produce various “products” by buying the equipments from the original manufacturers but also got themselves ready for total quality control. (During this time only India acquired from Japan various skills in QC). IT industry also started outsourcing and India was the most preferred place because of the Salary difference between US and India coupled with availability of huge trained, intellectual talents. At this juncture China and India opted for liberalization. Thus China became the main outsourcing hub for manufacturing and India for IT and BPO industry.
BPO involves the full transfer of responsibility of routine organizational functions non-core and non-value adding activities which are mostly repetitive in nature such as transaction processing, policy servicing, claims management, HR, finance, and compliance etc to the outsourcing company. When the jobs were moved to destinations like India and China there were distinct cost advantages. Evolution of BPO moved through various stages like captive i.e. owned by the company (in-house) or housed in another place in the same city, off-shore and independently managed units. Seeing the magnitude of such an opportunity big IT services companies like IBM, WIPRO entered this segment aggressively, as they had the advantages of high-end physical infrastructure and software. This lead to the consolidation of market as smaller players merged with each other/larger companies for economics of scale. The global BPO industry is worth more than US$150 billion and growing at around 25% and is expected to grow at this rate till 2010 and beyond. The share of India which was 36% in 2003-2004 increased to a healthy level of 55% 2010-2011.

In the financial and services sector also the growth has been spectacular and in this sector outsourcing evolved from a simple cost saving phenomena to higher value levels equipped to handle all kinds of low end as well as high-end services For example, Deloitte has estimated that US$356 billion of the US financial services industry will be outsourced to offshore locations in the five years from 2004. This represents 15% of the industry’s current cost base according to Deloitte. The above Outsourcing Institute has conducted surveys of various companies and organizations on their outsourcing practices. A survey done during 2004 indicates the following categories of functions are outsourced by majority of companies. According to its 5th Annual Outsourcing Index, activities being outsourced by respondents include the following:

**TABLE NO: 7.1.1**

<table>
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<tr>
<th>Functions outsourced by majority of companies as per the 5th annual outsourcing index survey</th>
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<tbody>
<tr>
<td>Transportation</td>
<td>9%</td>
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<tr>
<td>Real-estate/Facilities Management</td>
<td>11%</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>13%</td>
</tr>
<tr>
<td>Contact Centers/Call Centers</td>
<td>15%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18%</td>
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<tr>
<td>Human Resources</td>
<td>19%</td>
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<tr>
<td>Finance</td>
<td>20%</td>
</tr>
<tr>
<td>Distribution and Logistics</td>
<td>22%</td>
</tr>
<tr>
<td>Administration</td>
<td>47%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>55%</td>
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Source: [http://www.bis.org/publ/joint12.pdf](http://www.bis.org/publ/joint12.pdf)
Their conclusions are as follows. “Data clearly shows that IT related services appear to be the most frequently outsourced activities, which chimes with evidence from other studies and Joint Forum members' own experience. One estimate is that of some $340 billion spent on IT globally in 2003, $120 billion or a third was entrusted to third parties”. However, the data also illustrates the growth of other activities that are now being outsourced, including human resources and finance. They further opine that “Such a growth could be seen as part of a trend away from outsourcing of specific tasks towards the growth of strategic outsourcing.”

The above illustration was given to prove the existence of some important strategic trends apart from the usual trend of cost saving even as back as 2004. The following statistics (same source) further emphasizes the same point.

**TABLE NO: 7.1.2**

<table>
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<th>Reasons for outsourcing</th>
<th>100%</th>
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<tbody>
<tr>
<td>Function difficult to manage or out of control</td>
<td>10%</td>
</tr>
<tr>
<td>Take advantage of offshore capabilities</td>
<td>12%</td>
</tr>
<tr>
<td>Share risks</td>
<td>12%</td>
</tr>
<tr>
<td>Reduce time to market</td>
<td>18%</td>
</tr>
<tr>
<td>Accelerate reengineering benefits</td>
<td>20%</td>
</tr>
<tr>
<td>Resources not available internally</td>
<td>25%</td>
</tr>
<tr>
<td>Gain access to world class capabilities</td>
<td>36%</td>
</tr>
<tr>
<td>Free Resources for other projects</td>
<td>38%</td>
</tr>
<tr>
<td>Reduce and Control Operating Costs</td>
<td>54%</td>
</tr>
<tr>
<td>Improve Company Focus</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: [http://www.bis.org/publ/joint12.pdf](http://www.bis.org/publ/joint12.pdf)
One can see such varying and traditionally completely unexpected reasons for outsourcing like “Function difficult to manage or out of control”, “Share risks”, “Reduce time to market”, “Gain access to world class capabilities”, “Improve Company Focus” etc. Thus outsourcing was beginning to evolve as a more all-round weapon.

Outsourcing has grown in importance across all three financial sectors during this period. For example many insurers and fund managers were beginning to outsource even some core activities like investment management to external parties. With respect of unit linked funds and products in many instances the striking of unit prices and custody arrangements were also outsourced to third parties. Some underwriters allowed insurance brokers to accept certain underwriting risks on their behalf and to process claims. Another major trend in outsourcing that gained momentum was “off shoring”, i.e., effectively outsourcing activities beyond national borders. During this period only many conglomerates created global efficiencies by basing transaction processing and call centers offshore taking the help of unrelated parties, while in some other cases the Outsourcing firm establishing its own offshore base to provide services. In India alone a range of organizations began to set up outsourcing arrangements as shown by the sample of firms given below. (Approximate staff numbers are indicated in parentheses).

Financial Services Companies in India in 2003:

ABN Amro (300+), Amex (1000+), Axe (380), Citigroup (3,000), Deutsche Bank (500), GE (11,000), HSBC (2000), JP Morgan Chase (480), Mellon Financial (240), Merrill Lynch (350), Standard Chartered (3,000)

The other important sectors which are going to see a boom for outsourcers with particular reference to India and China are Pharmaceuticals and Biotechnology and Fashion and apparel industries. Though the world –wide Apparel industries’ Retailers and manufacturers were initially outsourcing mainly to Eastern Europe and Latin America from Western Europe and North America, after the rescinding of WTO embargoes in 2005, outsourcing to China exploded and it is set to become the World’s largest manufacturer and net exporter of clothing by 2010. India is also well positioned to become export powerhouse in this sector. With this boom of Fashion and apparel industry another industry is also poised to extraordinary growth is the logistics and supply chain outsourcing. These third-party supply chain experts need to be not only capable of supplying standard logistics and shipping activities but also providing real time visibility of all garments both in transit and storage across the world. With the compulsion of conducting 4 to 6 seasonal shows across the world per year coupled with the fact most of the clothes are produced off-shore the pressure and complexity on the supply chain is enormous.
In the sector of Pharmaceuticals and Biotechnology, India has already made significant waves in the world market. It is already the largest exporter of antibiotics to US. There are more than 60 FDA (Food and Drug Administration) approved drug makers in India, the highest outside US. India has the advantages of highest educated talent and low operating costs and so poised to go places as important suppliers of genetic drugs to the world. Even in the field of High-value R & D in this sector skills are being developed in right earnest. This industry has realized that vibrant and aggressive R & D skills are necessary for the very survival and large amount of venture capital is pumped in. India offer significant cost advantages (as much as 40 to 60 per cent) in the areas of contract research and clinical trials. Companies such as AstraZeneca and GlaxoSmithKline have recently set up drug discovery centers at low-cost destinations to offshore R&D activities. Significant breakthrough has been achieved in the high-end field of R & D. Here are some statistics to prove the point. Ranbaxy has sold its novel once-a-day antibiotic drug delivery system to German drugs giant Bayer for $65 mn. Shanta Biotechnics has stunned the world scientific community with its recombinant DNA vaccine. India is in the field of stem cells research, DNA vaccine, hepatitis B vaccine and so on. But one should realize that nothing is enough and complacency is the worst malady to be shunned against.

The table indicating the number of US jobs moving off-shore sector-wise and year wise (2000 to 2015) is given above also indicates the same trends in another angle.

Table no: 7.1.3
Number of US jobs moving offshore

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>-</td>
<td>27,477</td>
<td>117,835</td>
<td>288,281</td>
</tr>
<tr>
<td>Business</td>
<td>10,787</td>
<td>61,252</td>
<td>161,722</td>
<td>348,028</td>
</tr>
<tr>
<td>Computer</td>
<td>27,171</td>
<td>108,991</td>
<td>276,954</td>
<td>472,632</td>
</tr>
<tr>
<td>Architecture</td>
<td>3,498</td>
<td>32,302</td>
<td>83,237</td>
<td>184,347</td>
</tr>
<tr>
<td>Life Science</td>
<td>-</td>
<td>3,677</td>
<td>14,478</td>
<td>36,770</td>
</tr>
<tr>
<td>Legal</td>
<td>1,793</td>
<td>14,220</td>
<td>34,673</td>
<td>74,642</td>
</tr>
<tr>
<td>Art. Design</td>
<td>818</td>
<td>5,576</td>
<td>13,846</td>
<td>29,639</td>
</tr>
<tr>
<td>Sales</td>
<td>4,619</td>
<td>29,064</td>
<td>97,321</td>
<td>226,564</td>
</tr>
<tr>
<td>Office</td>
<td>53,987</td>
<td>295,034</td>
<td>791,034</td>
<td>1,659,310</td>
</tr>
<tr>
<td>Total</td>
<td>102,674</td>
<td>587,592</td>
<td>1591,101</td>
<td>3,320,213</td>
</tr>
</tbody>
</table>

Source: US Department of Labor and Forrester Research, Inc. All numbers are rounded. The Rising Elephant ………… by Ashutosh Sheshabalaya.
The various facts and figures discussed above in this section not only show the tremendous potentials hidden behind the phenomena of outsourcing but also indicates the dominant roles India can play in all these interesting challenges if only we put up hard and smart work. The potentials are really mind bogging.

7.2 Latest trends in outsourcing
7.2.1 KPO (Knowledge Process Outsourcing)

Although presently India is enjoying a number one position as a low cost destination for outsourcing competition is fast catching up. Countries like China, Czechoslovakia, Vietnam, Sri Lanka, Philippines are becoming popular for low-end work like call center services and maintenance. If India wants to hold its own and move further it should get ready to excel in some specialized, value added services. Some of these advancements are clubbed under KPO. KPO can be defined as high added value processing chain where things can be achieved mainly by specialized skills, domain pertinent knowledge and experience. The success depends on depth of knowledge, experience and judgment factor. Areas like software development, legal processes, Intellectual property and patent related services, Engineering services, Business research and analysis, clinical and legal research, Market research, procurement outsourcing, Contract compliance, client analysis and so on. The National Association of Software and Services Companies (NASSCOM) estimates that KPO is expected to reach US$17 billion by 2010. Evalueserve estimates that the global KPO is likely to grow at a Cumulative Growth Rate of 46% from $1.2 billion in 2001 to $17 billion in 2010. The billing rates for KPO are likely to be around US$ 40 per hour against the rate of US$ 12 per hour for BPO. The interesting statistics of the components which will constitute KPO market in 2010-11 is as follows.
simple logic: big gains in performance only come about Business transformation. Wipro BPO, Nipuna Services (Satyam Computer System), IBM Daksh, HP have all entered into this type of Business (BTO). In India IBM Daksh has over 10,000 staff many of are engaged in offering BTO services IBM HAS 24 BTO units worldwide 17 in Asia and 12 in India. IBM Daksh’s BTO clients include Bharti-Tele-Ventures, Pioneer Group, Johnson Controls, and Kodak so on. For a US-based oil retailer Wipro BPO developed and successfully executed a business model to cut down distribution loses\(^9\).

All the above data/statistics go to show how the phenomenon of BTO has evolved into a win-win strategy for both the firms and its vendors.

7.2.3 Multi-sourcing Managing a Portfolio of Deals

With multi-sourcing companies break-up their requirements into smaller activity bundles and pursue a “best-of-breed” sourcing strategy. They look for the best provider with the best capabilities for performing each of the process or function instead of bundling all tasks into one bundle and entrusting the same to one vendor. This latest development has brought big successes in the outsourcing deals the most famous among them is the fairy tale success story of Nike, Inc\(^{10}\). It is the largest supplier of athletic shoes in the world. Yet it outsourced 100 percent of its shoe production and manufactures only key technical components of its Nike Air system. Nike creates maximum value by concentrating on pre production (research and development) and post-production activities (marketing, distribution, and sales), linked together by perhaps the best marketing information system in the industry.

7.3 OUTSOURCING INNOVATION, GROWTH STRATEGIES AND OPPORTUNITIES - THE WORLD SCENARIO

No doubt India is presently leading the outsourcing revolution. Presently the country has a strong lead with attributes such as the widespread use of English, population size and world-beating expertise in quality. What can be the required inputs for growth, potential problem areas in this regard? Here there can be possibilities of complacency. As the whole world has come to know the huge money earning potentials of outsourcing the major countries of the world like China, Russia, South East Asia, Latin American countries etc should be trying their best to forge ahead in this field. To know about the details of their efforts to improve their share in the market and also to understand what are their natural strengths etc can be some of the important inputs in this regard in order to maintain India’s momentum in this regard.
A special survey in this regard to elicit facts about outsourcing innovation, growth strategies and opportunities in-the world scenario (including India) where we can assess the above details so that we can examine whether we are presently doing enough for keeping “our nose ahead”. We have chosen only a few typical countries for this discussion to cut down the length.

7.3.1 China

China is being looked upon as being the next big IT outsourcing destination and is expected to rival India very soon. The Chinese IT services market has grown nearly 42% a year since 1997. This growth is mainly built on the pricing plank and a study by PriceWaterHouse Coopers that suggests that using China based outsourcers could save companies approximately 37% as compared to those from India. The Chinese government is also putting in its bit to enhance China’s image as an outsourcing destination. It has taken steps to liberalize the economy, laws and policies and laid a major emphasis on education. China is also fast becoming a low cost alternative to its economically developed neighbors like, Korea, Japan, Taiwan, Hong Kong and Singapore. Recently China has covered lot of grounds by its northeast port Dalian which derives its advantage by its History and Geography. It is close to Korea and Japan and as Japan occupied it during first half of 20th century a good number of labor force (around 1, 00,000) speak fluently in Japanese, Dalian specializes in Application Development in medium-level IT activities. Tokyo is 3 hours flight from Dalian.Genetix, Accenture and IBM Global Services have setup centers there. Since labor costs here are much lower than in Japan it has become a center for application development for Japanese companies. Hitachi, Matsushita, NEC NTT Data and Sony have call centers or software development operations in Dalian. Japanese outsourcing to Dalian reached $375 millions in 2004 which was almost double of 2002. Dalian had roughly 26,000 experienced software engineers, 22 universities and technical institutes. For example NEC Soft has 60 outsourcing operations in this region.

Dalian’s local government is offering generous incentives, including a two year tax-holiday on profits and an 80% reduction in value-added taxes. Added to this Dalian has well constructed roads and good telecommunication infrastructure. Dalian’s revenue from outsourcing was around $600 million in 2006 when compared to India’s revenue of $17 billion, but according to the author Outsourcing to the mainland grew by 50% in 2004 and could reach $4.7 billion by 2009, IDC figures. And Japanese demand is bound to increase. Dalian isn't Bangalore yet, but the hunger to create a new Bangalore is there.

7.3.2 Russia and Romania

In terms of geography it has a great advantage with respect to Europe. Russia is proving to be another major player and India will be facing a great challenge in this regard. Russia’s main specialization is in high-end software, R &D and embedded software products development, compared to India’s low-cost software. As of 2006 Russia was ranked as the third largest IT outsourcing marketer behind India and China. It has a technological tradition that put man into space and launched the first satellite. Its computer programmers are the envy of the world, and it produces 200,000 scientific and technology graduates each year -- as many as India, which has five times the population. So why, Russians ask themselves, can't their country be a global powerhouse of software development?

It has created a Ministry for IT and communications which are coordinating the activities in the IT sector from the center and the Government is giving lot of attention to this industry. At least 4 State funded techno parks are planned to be completed by 2010, located in Dubna (a scientific center near Moscow), St.Petersburg, Nizhny, and Novosibirsk. The main idea is encourage collaboration between business and scientific community. Each park is expected to receive $80 to 100 million from state fund for creating infrastructure. St.Petersburg is an important educational hub with a large number of institutions offering relevant courses for developing high-end programming skills. The
govt. is also very keen to promote IT industries by giving additional tax breaks and simplifying taxation procedures.

Russia’s strong will and determination to succeed in the business of outsourcing is very well reflected in the words of Vladimir Putin one of the successful Russia’s presidents “This country (Russia) can achieve a serious breakthrough in the area of information technology. We simply mustn’t waste this chance, especially as other countries have achieved success without such a strong starting position.”

Romania is also becoming an attractive destination with lot of plus points like proximity to Western Europe, availability of qualified personnel and technical talent at cheaper rates (40 to 50 % lower than Western Europe), availability of good infrastructure multilingual population etc. They specialize in Security System Development and software testing. Companies like Genpact, Infosys and Accenture have set-up their operations here. Their joining the European Union will further help and enhance their cause.

7.3.3 Mexico and Latin America

This region main strong point is the proximity to US and similar time zone. Mexico, Brazil, Chile in this region is the main emerging countries for off-shore outsourcing. North American Free Trade Agreement in 1994 made the two sides to realize the real potentials of doing business with each other. Clients liked the fact that they could fly down to Mexico in three to four hours and that the country is in the same time zone as the central U.S.

“American companies that want to sign an outsourcing contract prefer to sign it with companies whose companies have a free trade agreement with the US. It is not just a matter of tariffs, but policies on intellectual property protection and labor rules” Ben Schneider. Both Mexico and Brazil have enough educated people, big clients and good infrastructure (good airports and highways). Though the labor costs were higher than India other advantages like proximity to US and similar time zones helped these countries to compete better. Another advantage for these countries came in the form of US legislative restrictions, which prevented certain projects involving sensitive aviation and energy technology being outsourced to countries like India which has become a nuclear power station. The main strength of these countries are in the fields like – custom application development, support and maintenance for enterprise resource-planning systems or software for running a business.

Another major location in South America is Argentina. It has one of the best educated workforces in Latin America. Lots of Software development centers are established and promoted here. This country’s money peso was devalued in 2002 due to economics in high crisis. Devaluation that made Argentina super-cost-competitive and drove down the cost of engineers to less than $12,000 a year. The industry has been growing two to three times as fast as the overall economy and revenues peaked to about $1.6 billion. Due to this reason major companies like Accenture, EDS and Stefani IT Solutions have started operation here to take advantage of the easy availability of cheap, highly motivated, skilled people. The software industry promotion law passed during 2004 gave companies big tax breaks. As a result of this companies like Walt Disney, Microsoft, Peugeot, Repsol had come for Website design and software development. Giants like Oracle, IBM, and Hewlett-Packard opened their back office and service centers here. Due to these developments the country could achieve technological growth and competitiveness in world marketplace.

7.3.4 Chile’s Santiago

Presence of educated IT-proficient workers, political and economic stability, state- of- the- art telecom infrastructure, network of trade agreements with number of countries, from US to China – all these factors has made this country an important hub for outsourcing. System management and high-end software development are the main areas being outsourced, Multinationals who have set-
up in-house outsourcing centers for software development, back-office services and call centers include Citigroup, Unilever, Eastman Kodak and Delta Airlines.

“International companies can’t afford to do all their outsourcing in India. There’s a big time difference with the US; it is closer to the trouble spots in the Middle East, and India is a nuclear power” – Ben Schneider,16 president of Consulting Outsourcing Management.

7.3.5 Philippines
The Philippines turns out 380,000 graduates annually, but only 15,000 of have core technology knowledge. The country has cultural affinities with the U.S. and is well-versed in U.S. accounting and customer service standards and has low employee turnover. In Philippines higher labor costs than India; technical salaries range from $5,000 to $10,000 annually and back office from $3,000 to $8,000. In Philippines Government exempts companies from export taxes, fees, dues and licenses if they open in one of the country's IT parks. Government's task force charged with development of IT and knowledge process outsourcing (KPO) services17, 18.

In Philippines IT parks that have sprung up over the past 13 years fuel the export industry. Abandoned U.S. military bases left behind dependable telecom infrastructure. Philippines specialize in Accounting, finance, animation, human resource. Main customer Procter & Gamble, American International Group, Citigroup.

7.3.6 India
India is the leading star of this global outsourcing surge, cornering approximately 80-90% of the global offshore market. It has to its credit a large pool of talented and English speaking professionals (200,000 IT graduates per year), robust infrastructure as well as the advantage of providing outsourced services at a low cost. It leads over its nearest rival by a wide margin mainly due to its early start in the field18.

India has many prestigious technical universities and the Indian Institute of Technology stands apart as one of the world's best. India produces over 75,000 IT graduates and 20 lacks English-speaking graduates annually. In India Labor costs have crept upward over the years but have been offset by falling telecom rates. Typical salaries range from $5,000 to $12,000 for technical staff, while back-office salaries range from $3,500 to $7,500. Outsourcing is so imbibed in the fabric in the country and the Indian government has a national minister specifically for IT. The government favors IT foreign ownership and imposes no export taxes. In India with redundant telecom and utility infrastructure, there is very good reliability within India's special IT parks. Reliability can be spotty outside the parks or in more remote areas. In India specializes in Application development, maintenance, financial processing. Experts see India becoming a hotbed for more critical analytical jobs.

8. FINDINGS
Outsourcing wherein it is shown that outsourcing is now a principal strategy in almost all the corporate organizations including some of the Government Departments like Railways and even Defense Services. The typical manufacturing company now outsources 70 to 80 percent of the content of its finished product. Facilities like cleaning, food services, mailrooms are routinely outsourced. Large companies often outsource more than half of their company’s information technology budget. Call centre outsourcing is commonplace as well. Most recently, organizations have started outsourcing entire back offices, performing work as diverse as customer order processing, payroll, accounts receivables, and accounts payables through outside specialists. In fact, it would be difficult to find any organization that is not outsourcing, to some extent, in just about every part of its operation. It saves money, redirects resources to more valuable activities, achieves a
more variable cost structure, gains access to much needed skills, reduces the internal competition for capital, becomes faster and more responsive, and even increases its level of innovation. Managers and executives themselves are able to better focus their energies externally, on customers, as opposed to internally, on day-to-day operations.

No doubt India is presently leading the outsourcing revolution as far as the vendor side of outsourcing is concerned, with attributes such as the widespread use of English, population size and world class expertise in quality. As the whole world has come to know the huge money earning potentials, major countries of the world China, Russia, South East Asia, Latin American countries etc are trying their best to forge ahead in this field.

The study of outsourcing in different countries as given above prove that outsourcing has become most popular not only in the developed but even the developing countries are forging ahead in adopting outsourcing in various fields.

9. CONCLUSIONS

The following were the conclusions drawn from the study:

- Prevalence of outsourcing is increasing exponentially with time and with the increase in the volume of work load.
- Outsourcing has facilitated work, improved work culture, effected savings of time and cost and benefited globally.

Successful organizations position the change process as an integral part of the management structure. Each level of the management structure deals with change—operational, tactical, and strategic. And they do so as part of their regular agenda, continually negotiating and implementing needed changes. Further it must be realized that careful planning, aggressive and intelligent leadership, vision, risk taking ability, lots of imagination and sustained hard/smart work are essential to achieve and sustain success in outsourcing.

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