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Business Process Outsourcing: Concept, Current Trends, Management and Future Challenges edited by S. Nakkiran and D. John Franklin, Deep & Deep Publications, New Delhi, 2004, pages 308, Price Rs. 660

The title of the book evokes considerable academic interest given its topical significance. The book is broadly divided into nine parts. The theme of the book is on current trends of business process outsourcing (BPO) in India. A detailed study on outsourcing is especially relevant to India in the light of outcry from the West against exporting jobs. In this regard a recent citing may be noted: -

> *"Catholics outsource prayer requests- Shortages of US priests have churches paying Indian Clergy to handle prayer requests"*

Broadly, the book under review covers the areas relating to concept, current trends, management and future challenges. Part one of the book is on the importance of BPO. In this part, the book gives a brief idea about BPO in India. Outsourcing will mainly help the management to focus on the core activities of the business. It mentions that the top 400 growth companies in the world outsource several of their business functions. Competition from other developing countries like China, Taiwan and Korea is a major challenge for India in this field. The authors mention many aspects involved in making a 'make or buy' decision. These include endogenous factors and exogenous factors. Endogenous factors include volume of production, the cost of production and the infrastructural facilities. Exogenous factors include the requirement of items on a long term or short term basis, and the availability and reliability of vendors. The make or buy decision is by no means simple. It involves a thorough analysis of the present and future market and a continuous review of the economic circumstances prevailing.

The book mentions various types / models of BPO. These include onsite model of BPO, offsite model of BPO and offshore model of BPO. In the onsite model of BPO, the whole set of processes starting from information gathering to implementation, are done at the client's premises. This type of model is helpful for those projects which require constant attention and also need to be done in the clients location. In the offsite model of BPO, the service provider will have its office near the client's location. In the offshore model of BPO, the BPO service provider will not have any presence at the clients location but the client will interact directly with the offshore team. Technological advances have made distance a redundant concern and BPO is, therefore, becoming the new business model for managing corporate change and growth. In such a scenario, India with its cheap educated workforce and quality service is fast emerging as a preferred destination. In this context it may be mentioned that outsourcing in some form or the other existed even during the 1970s or earlier. However, it is the technological advances especially in the IT and the communications sectors since the 1980s which have given a big boost to outsourcing.

In the Indian context, BPO is synonymous with IT enabled services, whereby business processes or services are performed in India and delivered over communication networks, including the internet, world wide. The study points out that even though China is a competitor to India in the field of BPO, it is their lack of English skills, legal and regulatory environment and IPR laws which gives India an advantage. In the Chapter on "BPO in India and USA- An overview", the authors mention about the consequences of BPO in the US. The benefits to the US are cost saving while costs include unemployment and decrease in wage level. However, recent studies show that this viewpoint is not fully correct. The reaction against outsourcing in the West is seen as a serious threat to the growth of these industries in countries like India. There has been a movement in some industrial countries, for example, the USA and Australia, to introduce legislation that would limit outsourcing activities of firms with government contracts. As Bhagwati, Panagariya and Srinivasan (2004) have stressed, outsourcing is a process in which the innovating firms introduce a product in the domestic market and once the product matures, the production of this product is shifted to countries where it is cheaper to produce, with the innovating country eventually becoming an importer of the product. In this process, the home country will lose low wage jobs, but gain high wage jobs. On balance, outsourcing will lead to the transition of the innovator country to a high value job oriented country. According to a study by Amiti and Wei (2004), increases in service outsourcing in the US manufacturing and services go hand in hand with greater labour productivity. This is likely due to firms relocating their least efficient parts of production to cheaper destinations. Even if outsourcing leads to some shedding of labour, the increased efficiency could lead to higher production and an expansion of employment in other lines of work. For example, a firm might let some employees go because it imports its information technology services but then, as it becomes more efficient, it may decide to expand its research and development department, thereby creating new jobs. When jobs in one sector are outsourced, other sectors could also be affected. As firms that outsource become more efficient, they produce more cheaply and, hence, can provide inputs to other sectors at lower prices. This, in turn, lowers other firms' costs, reducing their prices and leading to higher demand for their products. This higher demand could be met by the increased productivity of existing staff, or, if demand growth is sufficiently strong, it could lead to further job creation, which could, in principle, offset the direct job losses caused by outsourcing. However, there could be a change in the skill mix of jobs. It is estimated that more than 69 per cent of workers who lost jobs due to imports in the USA between 1979 and 1999 were re-employed. This means 31 per cent were not re-employed, highlighting that there may be some rigidity in the labour market. These results suggest that service outsourcing would not induce a fall in aggregate employment; on the other hand, it has the potential to make firms and sectors sufficiently more efficient, leading to enough job creation in the same broadly defined sectors to offset the lost jobs due to outsourcing. Even though service outsourcing is growing rapidly, it still remains a small fraction of industrial countries' GDP. It is not dominated by a lopsided, one-way outsourcing from developed to developing countries. In fact, most industrial countries do not outsource more (when adjusted for economic size) than many developing countries. The United States, for example, which is a larger importer of business services, is also a large exporter of these services and has a growing net surplus in business service trade. In fact, the evidence suggests that job losses in one industry often are offset by jobs created in other growing industries. According to the US Bureau of Labour Statistics data, 69 per cent of US workers in non-manufacturing sectors who lost their jobs to outsourcing over the last 20 years found new work within six months. On average, these workers earned roughly the same wages. It may also be noted that, a phenomenon known as 'reverse outsourcing' has begun to assert itself. For example, the Indian outsourcing firm Wipro has added many US based consultants to its staff. Companies based in India and China, *etc.,* have begun setting up bases in the US and hiring US workers. While the US and Germany are the largest outsourcers of business services, India and China (portrayed as major recipients of outsourcing in the media) are significant outsourcers themselves valued at US $ 11 billion and US $ 8 billion, respectively, ranked 11th and 18th. The US being the largest outsourcer also happens to be the largest insourcer.

The book also discusses current trends in BPO. It distinguishes between two types of outsource services, technology and business processes. Technology services include electronic commerce, software application *etc.* BPO on the other hand includes customer contact, accounting, logistics procurement *etc.* Taxing BPO clients will increase the cost of transacting in India. This will make India less cost effective, thereby adversely affecting the competitive capacity of Indian BPOs against the Philippines, China *etc*. The Chapter "Business Process Outsourcing and the Indian Business" presents a case study on outsourcing by TELCO. BPO combines the right people, processes and technologies to achieve maximum efficiency and a competitive advantage. Companies that want to grow internationally must continuously invest in infrastructure and find talent around the world. Outsourcing is facilitated if the MNC trusts an Indian partner, because the Indian partner would get access to sensitive areas of the business.

The Chapter, "Business Process Outsourcing in India - Gaining Momentum" points out that the perception about outsourcing is changing. The guiding principle used to be: outsource only non-core activities and concentrate on developing core competencies. However, it is difficult to distinguish core and non-core competency. Virtually everything about a business may be outsourced, probably excepting product management, "which is after all the brain of a business and brand management which is often the value of a business". Thus, identification of appropriate activities for outsourcing is a critical factor for its success. The selection of appropriate supplier is a crucial decision in BPO because improvement in internal performance is easy to achieve but managing the suppliers is not always easy.

In the Chapter "Role of BPO in India", the authors mention that the outsourcing started with mainly low-end, labour intensive services such as data entry, medical transcription and simple call center functions and now has slowly moved towards more sophisticated operations, like financial research, technical support for R&D and chip design. For India, the US will be the significant BPO market for a long time to come. The Chapter "Business Opportunities for India" presents an interesting analysis of major commodities/ services, which are outsourced from India. It also points out that concern about IPR is a major deterrent for moves looking at outsourcing manufacturing. This is very important if the source is not a subsidiary of the parent company and is an independent vendor.

The major threats to Indian BPOs are the increasing cost and the decline in revenue (labour cost increase), legislations such as anti outsourcing taxation and competition from China. South Africa is emerging as a major BPO destination because it has a time zone compatible with Europe and has a 17-million strong labour pool (compared to India's 270 million). The book points out that the Philippines is in no way a threat to Indian BPO industries because, India's geographical spread and huge technical pool of people offers far more choices to international BPO companies than the Philippines. Sixty per cent of the BPO business coming to India is voice related. Voice-based BPO business has the lowest margins due to the fixed costs like dialer running, maintenance costs and wages. The labour costs are rising because voice-based labourers are paid 10 to 15 per cent more than non-voice-based employees, because of odd timings of work.

Globalisation of business and government is affecting every person on earth. As Robert Goizueta, the chief executive of Coca Cola has observed elsewhere: "We used to be an American company with a large international business. Now we're a large international company with a sizeable American business". In short, offshore outsourcing is gradually become accepted as a 'normal' business tool. The major benefits of global outsourcing for the consumer include: business services and products are subjected to greater transparency when used across many nations;

choice of suppliers becomes more attractive when any global supplier can be chosen rather than just local service providers and competition is created by this choice, ensuring an improved service and better pricing. India is believed to have the best overall climate for offshore outsourcing. Ireland is the strongest competitor to India, although it cannot match India on cost.

The book under review is very topical and relevant. It is a collection of interesting essays. A beginner can use this book to get an idea about the prospects of BPO in India. However, most of the essays lack empirical work. A section on theories of outsourcing would have added to the merit of the book. Some of the essays do not provide any definite conclusions. Another lacuna of the book is that it does not discuss emerging issues regarding outsourcing such as BPO frauds. In recent times, many incidents of data sharing losses have come to light and it is estimated that companies lose 1-2 per cent of their annual revenues due to fraud. Indian companies too will face this predicament. To conclude, the book effectively introduces many concepts related to outsourcing and presents the latest trends in outsourcing. A chart on major services outsourced from India presented in the book is very informative. In retrospect, the book provides useful insights on the prospects of outsourcing from India.

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