

**“Outsourcing to India: The Offshore Advantage” – Mark Kobayashi-Hillary, 2004. Publisher: Springer-Verlag Berlin, Page 274**

The world economy has fast turned into a ‘service economy’ since the 1990s. Services revolution across the globe has changed the business map and the way business is conducted. Around the world, phenomenal growth of services sector has outstripped the growth in real GDP in a number of economies from Asia and the OECD. This high growth of services has been aided by the expansion of trade in services due to increased tradability of a variety of business and other services. The growth in international trade in services is now somewhat higher than the trade in goods sector - between 1990 and 2000, the exports of services registered a growth of over 7 per cent as compared with a growth of 6 per cent for goods. Rapid advancement in technology and innovations (especially in communication, transportation, and information processing) accompanied by an increased integration of financial markets have increased the tradability of services, which has further facilitated the expansion of cross-border trade in services.

Amongst various services sectors, trade in business services comprising various back-office operations such as accounting, call centres, computing, management consulting, data processing, hardware consulting have witnessed a phenomenal expansion in the recent years. This is largely attributable to a number of US and European companies, which have taken recourse to outsourcing of such services from other countries to take advantage of labour arbitrage.

A number of economies around the world such as India, Ireland, Philippines, China, Malaysia, Vietnam, Brazil, Russia, Australia, South Africa and Singapore are engaged in the provision of outsourcing services to a number of Western economies. Nevertheless, India stands out as a major outsourcing centre because of its well-developed telecommunication network; an abundant, inexpensive, qualified, skilled and English-speaking labour force; advanced technological infrastructure; and a different time zone with the United States which enables the US firms to offer 24 hours services to their clients at a much lower cost. These positive attributes have rendered India a competitive

edge over other countries in the outsourcing business. Several studies acknowledge India's apex position as the most favoured outsourcing destination. The Nasscom–McKinsey Report 2002 has revealed that if a work is contracted to India, there is a cost saving of 40-60 per cent, quality improvement of 3-8 per cent and productivity increase of 20-150 per cent. This explains as to why a large number of companies from the USA and the UK have already established their offshore operations in India and are outsourcing their work from India.

India has, thus, emerged as the world's back office provider and established its forte in the provision of various services such as call centres, claims processing, accounting, legal operations and service jobs. The rise in stature of India as a *numero uno* outsourcing destination has caught the attention of many academicians, policy makers, corporate professionals and some have described this phenomenon as 'outsourcing revolution'. The author of the book under review is also deeply influenced by India's performance in the outsourcing arena. He aptly describes the outsourcing revolution in the country as no less important than the 'invention of the steamship or railway'.

The author maintains that with the positive attributes that the economy is endowed with, India would maintain its lead as the knowledge economy matures. He comes down heavily on backlashes against outsourcing from India reflected in the introduction of anti-outsourcing bills in the US and European parliaments and other related institutions. Such protectionist legislations are nothing but popular vote-winning ploys and that it is not going to help these economies in any way. He describes the phenomenon as an emotional battle raised by the anti-globalisation lobby and feels that protectionism can only lead in one direction - to failure. The author's concerns are apparently shared by many other studies. Decrying such outsourcing backlashes, Mary Amity and Shang-Jin Wei (2004), economists of IMF, in their study titled 'Fear of Service Outsourcing: Is It Justified?' describe the growing outsourcing of services to countries like India as a mere reflection of the benefits from the greater division of labour and trade that have been described for manufactured goods since the time of Adam Smith and David Ricardo. Downplaying the claim that outsourcing leads to job losses in industrial economies, they argue that only a small number of jobs are lost because of

outsourcing, which finally gets offset with increased efficiency of firms facilitated by outsourcing leading in turn to job creation. In a related study '*Outsourcing and Job Loss: a Protectionist Fallacy*', Rajiv Ahuja (2004) calls the claim of job losses from outsourcing as 'a protectionist fallacy'. He opines that besides cost reduction, outsourcing benefits developed countries through direct and indirect channels. Direct channels include repatriation of earnings of its nationals located in offshore centres in developing countries and an increased market of its goods and services, which is provided by the native offshore service providers. Indirect benefits accrue in the form of saving of capital through cost reduction by outsourcing, which could otherwise be used to create newer, high value jobs in which surplus labour could be absorbed.

According to the author, there are four basic drivers of outsourcing. First, the Government policy of some developed countries such as the USA and other European economies to limit the immigration in these countries. This has created a situation of shortage of skilled work force, which has further been accentuated by the decline in working age population in these economies. Second, globalisation and growth of knowledge economy have made the world a smaller place, which has led to offshore outsourcing becoming a normal business tool. Third, the fast development in technology has improved the information flow and global connectivity leading to a surge in outsourcing. Finally, corporate strategy of focusing on core competencies has also driven outsourcing. The book also surveys the genesis, business models and ownership patterns of major Indian technology firms engaged in outsourcing business and how these firms are coping up with foreign competition. The attractiveness of major cities in the country for setting up outsourcing business is highlighted by drawing a comparison of these cities with oriental cities. The information provided in the book relating to potential partners in business and research and trade associations in India engaged in studying the trends of outsourcing business in the country is expected to be very handy to a company considering setting up its outsourcing base or availing outsourcing services from India.

The book also dwells upon issues relating to the process of organising the outsourcing process. Citing his own experience as a management practitioner in Singapore, wherein his company decided to

outsource from India, the author suggests that the company should have clear-cut and specific objectives that it seeks to achieve from outsourcing. The company should first look at its core competence and see if some of its non-core work could be done by other company (located elsewhere) at a lower cost. It should then strategically decide outsourcing of such non-core activities. For making the outsourcing work, the book recommends a focus on the following five areas: getting people in right place, designing metrics for results, designing Key Performance Indicators (KPIs) for the future, building a great relationship with the new partner and benchmarking the services against others. Since vendor selection is the most important for making the outsourcing work for an organization, careful research on vendor selection is recommended. Given the importance of legal contract that a prospective business partner would sign with an Indian vendor, a number of suggestions are offered. The fact that India does not have Data Privacy Laws should be kept in mind by a firm considering outsourcing from India. Given the importance of quality in the provision, the author advocates that quality issues should form a part of the service level agreement with the vendor. Since the BPO sector faces the risk of high migration and attrition rates which could affect its working, the need for knowledge transfer as and when a skilled person leaves a company to join another one is underscored. The need for cultural awareness about the country is also stressed as one has to work with cross-cultural teams. For smooth operations relating to outsourcing business, companies need to plan the transition that the organization might be exposed because of emerging trends.

This book forms a good starting point for someone who wants to learn about outsourcing. The book benefits from the author's experience as an independent outsourcing consultant and his earlier stints as an employee assigned with the task of managing outsourced relationships in the UK, Singapore and India. The book offers a balanced view on the trend of outsourcing to India. It also elucidates why a business house should utilise India as an offshore outsourcing destination. The book offers a practical guide and would help those companies avoid some of the pitfalls that they might otherwise face when they decide to outsource their work from India. The book is written in an easily readable style and is very captivating. This information packed book is a must reading for those who are in the fray of outsourcing from India. It would be as

indispensable a guide for them as would 'Lonely Planet' be when they first visit India as a tourist.

However, the book suffers from some limitations. While the author builds up a lot on documentation such as highlighting the views of a number of experts whom he might have interviewed, he does not seem to be concluding anything or putting his own viewpoint. Though the book is a compendium of synthesized information on outsourcing, all put in one place, it presents only the tip of the iceberg. The book is also devoid of any empirical analysis. To support his analysis while establishing India's forte over its rival countries in terms of its being the most preferred outsourcing location, providing relevant data such as international comparison of labour cost and telephone tariffs could have been helpful. Some readers who get lured by the title of the book and seek expert information on how to achieve better results from offshore outsourcing to India would probably be disappointed. The chapter on Domestic Travel, besides highlighting the companies operating the airlines in the country could have done well to document in detail the connectivity within the country and with the outside world, which could have been very useful for the prospective investors.

Despite these limitations, the book does a great service to India by highlighting the positive attributes of its BPO sector. The book would surely help India in marketing itself abroad in an improved way. The perception of the readers especially the Westerners about the country is bound to change from India being the 'land of snake charmers' to the 'land of IT geeks'. The future of outsourcing business in India seems promising and is expected to get a boost from the ongoing expansion of the free market supported by the WTO agreements on telecommunications, information technology and financial services. Emerging areas of services trade such as advertising, computer software, distribution services, postal services, accountancy, pharmaceutical research would further add to India's comparative advantage in outsourcing. India would continue to dominate the economic landscape of outsourcing business in the world drawing on its well-endowed skilled and knowledge-based workforce.

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