

Plenary Session D

Business Process Outsourcing (BPO): A New Name for Old Business

The Issue: The “make or buy” decision is fundamental to most businesses. Enterprises in most industrialized countries have opted for the “buy” option, not only in the manufacturing sector, but also in the service sector. This decision to outsource is based on the following three criteria:

- to achieve greater cost-effectiveness;
- to focus on core business;
- to acquire “world-class” solutions.

The response from developing / transition economies to this potential windfall has been inadequate and success is limited to a handful of countries, in particular India and the Philippines.

Most enterprises in developing / transition economies are responding on the basis of the first criterion, emphasizing their low-cost profile. They compete with each other exclusively on the basis of price with the net result that profits are low. They identify the market with call-centres and fail to recognize the niches created by the readiness of foreign firms to outsource such non-core business activity as payment processing, payroll administration, human resource record keeping, purchasing, IT support, translation and similarly specialized functions. As a consequence, not only are they missing immediate export opportunities, but they are losing the opportunity to gain the experience necessary to establish specialized “world-class” competence.

The Proposition: What is non-core (and expensive) for companies in the industrialized world, must become core (and cost-effective) for enterprises in developing / transition countries. Only in this way can enterprises in developing / transition countries hope to develop “world-class” solutions that businesses in industrialized countries want to outsource.

An entirely new approach is therefore necessary if enterprises in developing / transition economies are to effectively participate in the BPO market. At the sub-sector level, the approach must be consistent with the maintenance of low costs, the availability of relevant skills and technology, and the upkeep of a pro-business operating environment. Such an approach should highlight:

- Shifting attention away from large-scale BPO operations (such as call-centres) that require heavy investment and that are based only on low-cost advantages.
- Identifying specialized capabilities that should be included in the “national BPO offer” that are consistent with higher value-addition for the client and higher value-retention for the country.
- Reinforcing existing skill-sets that are consistent with BPO market requirements and the fundamental strengths of the country.
- Strengthening the legal (e.g. data protection) and physical (e.g. telecommunications) infrastructure associated with the “national BPO offer” to boost credibility among potential outsourcers.

Focus of the Debate: It is proposed that the debate focus on the following:

1. Have most developing countries missed the opportunity to participate in the BPO market, or do realistic opportunities continue to exist for the new entrant?
2. How does the strategy-maker confirm where the country's capabilities lie, and how does the strategy-maker determine what the focus of the “national BPO offer” should be? What country-specific examples represent a good “national BPO offer”?
3. What are the key components of a strategy for developing the BPO sub-sector?