

Opportunities in Knowledge Process Outsourcing & Its Inclinations to be Expected

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Introduction

Innovation, new AI and global cut through competition are the constant driving forces behind growth and expansion in the global Knowledge process outsourcing industry. Between 2013 and 2017, the global Knowledge process outsourcing (KPO) industry grew at a annual growth rate of 4.5% to reach total revenues of \$140.3 billion in 2016. In the early months of 2018, the industry had major Component related to increased skill shortages, increased trade Competition, and political Pressure. While this has continued over the last few months, going forward, the KPO industry is clearly showing increased optimism overall about market growth and reduced regulations. Knowledge is also encouraged by the benefits gained through innovative technologies such as cloud computing, and process automation. Global outsourcer are wanted to use new technological innovations to effectively Capture market challenges, enhance product and services, and manage talent shortages – while helping keep operating costs low.

What does 2019 hold for KPO Industry?

In this article, I will make focus the Inclinations on the state of the KPO industry that we can look out for in 2019.

Inclination 1 – New Technologies are emerging

Over the years, the KPO industry has been providing Knowledge with cost effective solutions. Emerging technologies such as cloud computing, social media, software and automation are being used by KPOs to reduce Effective costs and start accelerate growth. This Inclination will continue in 2019. Here are the three major Inclinations expected to emerge in KPO technology in 2019.

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- **Emphasis on Process Automation:** New technologies that have emerged over the past few years including robotic process automation (RPA) and Artificial Intelligence (AI) have begun to impact the KPO industry. Essentially, the work that gets outsourced to remote locations is the bottom-of-the-pyramid work, and as automation capabilities advance, those processes are becoming ripe candidates for removal. RPA&AI with its cost savings speed and efficiency is slowly making its way into all industries and all types of Knowledge processes. This will have a major impact on how KPOs operate and lead to jobs losses. Expanding enterprises do not want to hire thousands of people for small tasks such as processing insurance claims, data entry, and so on, as these tasks can be easily done by computers. Enterprise and service providers are accepting more tools that aid automation. With customized application, cloud based tools which promote AI and automation, the low skill sectors of the KPO are at high risk. India's KPO industry workforce is expected to shrink by 12% in 2021. On the plus side, AI and automation can make way for more higher-skilled employees.
- **Focus on Social Media (Like Facebook, Whatsapp Etc.) Management Tools:** Before 2000, the customer service industry was entirely dependent on websites and Interactive Voice Response (IVR) for transferring a call to the correct representative. Now, around 80% of the United State population has at least one social media account, leading to a major shift in consumer behaviour pattern. Browsing social media has recently become the second most popular online activity in India. Companies now realize that social media is a game changer. It provides an unpredicted wealth of consumer data and feedback that can enhance a company's ability to analyze and Data Mining upcoming Inclinations and to innovation. Instead of call center software programs, companies now required to make invest in real-time customer engagement that will allow them to gain first-hand product insights and turn issues into new products or solutions that will address future problems. According to Credo Consulting firm, consumer demands for multi-channel communications (including social media, live chat, Video Chat etc.) has exploded over the past 5 years. For KPO service providers, this change in customer management is a huge opportunity. Over the last few years, KPOs have been investing in the tools and capabilities to offer a wide range of social and emotional media management services. These services and product range from social media Surveillance to Knowledge intelligence and actioning on customer response. Many KPO service providers are also investing in dedicated Data Mining for social media service teams.
- **Focus Investing in Cloud Computing:** Small and medium Knowledge have a limited budget which is unable to grant them state of the art office space and infrastructure. More and more SMBs are adopting virtual (Cloud) based storage

and systems to counter a lack of data centers, appliance and software, and the personnel required to implement new technology. According to a study by Right scale, around 90% of SMBs have now adopted cloud technologies. SMBs have begun to use cloud based data center and computing to outsource a part of their work to other companies. Some of the benefits this Inclination includes:

- Improved Technological collaboration due to a standardized system between the KPO Company and the client.
- More storage on the cloud based technology which can improve the organization's continuity and resilience to risks from storing data in a single location.
- Higher data security due to secured cloud systems.
- Simplified data administration, which can allow faster access to company's resources for remote teams at anywhere.

Inclination 2: Multitasking to Overcome Skill Shortage and dependency

25 years ago KPO was Similer with call centers. This outdated concept has been replaced with accounting, human resources, web design, coding, Artificial Intelligence and other tasks. A huge chunk of KPO organizations have been investing in new technologies in their supplying countries. Due to increasing levels of skilled work, 51% of Knowledge is concerned about skill shortage in the KPO industry. KPO powerhouses like India have also been facing a skill shortage over the past few years. NASSCOM (The National Association of Software and Service Companies), has expressed its concerns over the lack of a high skilled workforce in the Indian KPO sector to tackle high-end services. These services include digital technology, mobile applications, cloud computing, and more. In the Philippines, there is a growing demand for financing and accounting personnel, and experienced middle managers. Much to the annoyance of the KPO company leaders, their only solution is to hire middle managers with around 5 years experience. Demand in high-skill operations is due to the industry's need to reduce prices for routine services. High competition has forced KPOs to invest in lower costing alternatives such as AI and automation.

Inclination 3 – Startups becoming KPO Customers

The past few years have seen a huge surge in startup growth. Startups are under a lot of pressure to succeed under time constraints with limited resources. With a small budget to hire talent, this small Knowledge often looks overseas for cost effective labour. Companies such as Slack, AppSumo and Klout have used the talent outsourcing model to build their successful Knowledge ideas. Startups and KPOs have become more mutually dependent and this Inclination will become more pronounced in 2019. Startups rely on KPO for providing talent at lower costs, completing tedious tasks such as recruitment and trading. This in turn helps outsourced Knowledge improve their quality of work, utilize most recent technologies and produce greater revenue. In 2014, around \$462 Million has been invested in KPO by startups.

Inclination 4 – Increased Transparency

In the past, only large multinational KPO companies were an active part of the industry. It was really difficult to get information about the policies and Agreements during this time. Most employees on the client side were in the dark about technology stack, plans, challenge areas, and other processes. The supplier side employees were not fully informed about their organizational structure, capabilities, investment areas, etc. The introduction of smaller Knowledge, has urged the KPO industry to increase transparency and reveal their policies, Agreements and pricing. A high level of transparency is required to maintain trust between KPOs and vendors. Due to the highly competitive environment, many organizations have to adjust their policies to prevent them from losing Knowledge to more trustworthy organizations. Transparency also results in better partnerships between clients and suppliers, which is required for Knowledge innovation and better investment options (due to access to information). Government intervention has been a catalyst to the increased demands in transparency. Recently, the UK government has stated that steps will be taken to make sure there is transparency about outsourced services in response to requests for information. Other countries are also expected to come out with more transparency policies for the outsourcing industry over the next few years.

Inclination 5 – Politics to Affect Investments

After the 2016 US Presidential election, many KPO companies watched with bated breath as the new administration coming to power would have a direct impact on trade, tax policies, visas, agreements and regulations. Experts were initially uncertain on how the outsourcing sector would be affected due to President Trump's focus on "Buy American, Hire American". Trump's "America First" policy has encouraged the return of anti-outsourcing bills in Congress, despite the failed attempts of the same under the Obama administration. The proposal of these bills can cause a stir within the Philippines which recently received \$25 billion in KPO revenue from the US. Coupled with President Duterte's drug war and anti-western stance, many companies are concerned over safety in the Philippines. This had lead to longer negotiations between US companies who are apprehensive about the country's political stability.

Inclination 6 – Continued Growth in Top Outsourcing Countries

Established outsourcing destinations like India, the Philippines and Malaysia will continue to see growth in 2019, coupled with a few challenges.

India

According to the National Association of Software and Services Companies (NASSCOM), the IT and KPO trade body in India, a total of 1.1 million people work in the Indian KPO industry. 500 companies in India offer outsourcing services to over 66 countries. About 200 multinational corporations operate out of India. The IT-KPO

industry grew by 8 percent leading to aggregate revenue of \$154 Billion for 2017. The KPO sector contributes 7.7 percent to India's GDP.

Future Opportunities

The emergence of new job roles such as cyber security, mobile app development, social media, and data science mobile app development has reduced the economy's reliance on call centers. Robotic process automation (RPA) and Artificial Intelligence (AI) has begun to taken over simple jobs. Foreseeing the increase of RPA&AI, the Indian KPO sector has prepared to re-skill their workforce. NASSCOM estimates up to 40 percent of India's IT-KPO workforce would upgrade their skills over the next five years. Emerging skills that will be in high demand include robotics, big data analytics, artificial intelligence and machine learning.

Predictions

With an expected growth rate of 7-8% for export revenues by 2019 and an additional 130,000 new jobs, digital adoption will help increase the subsectors in the KPO industry.

Conclusion

The scenario of global outsourcing industry in 2019 is optimistic growth. Growing competitiveness from new outsourcing destinations coupled with the pressure on Knowledge to run cost efficiently will be the driving forces behind the accelerated growth in the KPO industry. While the industry will witness cost-cutting by Knowledge, it will continue to grow by 6 percent annually for the next six years, according to a report from global property firm Cushman & Wakefield. Automation will continue to be a major threat to low and semi skilled jobs in the KPO sector. Many of the major outsourcing companies intend to make a 43% investment in robotic automation and Artificial Intelligences in the coming two years. Governments of leading KPO nations will focus on improving education to position itself for rising demands in 2019. To meet such demands, existing KPO employees will be expected to broaden their skill sets. Startups will also play a key role in the outsourcing sector starting from this year and this trend will continue in 2019. Moreover, the sector will benefit from increased transparency in global outsourcing policies. Overall, the global outsourcing industry is predicted to reach \$262 billion by 2020.

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