

Outsourcing becoming knowledge outsourcing

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Embracing technology as a driving force, knowledge and transaction outsourcing is changing the way businesses conduct themselves in the global marketplace.

"KPO (knowledge process outsourcing) allows organizations to do fairly complex operations and get the benefit of time to market," said Ritesh Idnani, head of global sales at Progeon, a business process outsourcing subsidiary of InfoSys Technologies based in Bridgewater, N.J. "(It allows firms) to derive operation efficiency where they do the task while transforming the way the do the task itself."

"Knowledge services is an area where we are seeing a lot of demand and continuous growth," Idnani said.

KPO services are much more research and analytical intensive, he added. For example, unlike traditional outsourcing, KPO focuses on research for front-office type activities such as financial planning, credit, quantitative and fixed-income research, Idnani told UPI.

This is where KPO differs from traditional BPO (business process outsourcing) and is driving the outsourcing business to higher levels of technology. BPO is very transaction-focused. BPO focuses on such back-office tasks as customer service (call centers), financial or accounting services and financial underwriting.

"KPO, simply put, is BPO but at a higher level in the intellectual value

chain," writes Sangita Joshi, co-founder of the KPO consulting firm EmPower research in the Deccan Herald, an Indian daily newspaper. "The crux of KPO is to provide value to the client primarily in business critical and strategic decision making processes."

Joshi noted "the constantly higher need for flexibility, drastic reduction in time required to 'go to the market,' increased competition in the global arena, and of course, cost pressures have all been driving forces of KPO."

He added the healthcare, pharmaceutical, biotechnology and intellectual-property rights industries achieve greater efficiency through the use of KPO. In comparison to the industries touched by BPO, those working in the KPO field typically require a higher level of education to complete these more difficult tasks.

Another area to benefit from the offshoring boom is with firms who use patents. George Sawyer, client executive for Evalueserve, a global professional services' firm in Silicon Valley, Calif., predicted a shortage of U.S. patent attorneys would face technology companies. This is due to the rise in research-and-development facilities in places such as China and India, he added.

According to a recent article by Evalueserve Chairman Alok Aggarwal, approximately 30,000 attorneys and agents are registered with the United States Patent and Trademark Office. This number will need to rise to more than 38,000 by 2010 in order to keep pace with increased demand brought on by research-and-development facilities outsourced to China and India.

Sawyer noted this shortage comes about due to the process necessary to obtain a U.S. patent. A U.S.-based firm may offshore each step in the patent process from searching for prior art up to preparing drawings of

the patent; however, the final review and filing of the patent must be performed by a registered USPTO attorney based in the United States.

Despite the final product needing approval by an USPTO-sanctioned attorney, firms that offshore for all other aspects of the patent approval process save on direct labor costs, added Sawyer. This helps start-ups in particular as completing the patent process through U.S.-based attorneys proves too costly for firms low on capital and it also frees up workers based in the United States to continue pushing the envelope forward on the technology front.

"Offshoring is like delegating a project," said Sawyer. "It's the simplest work. The work that's left behind in the United States is the most interesting."

The technology and the higher-educated workforce both should contribute to a continue expansion of KPO in the coming years.

While Sawyer asserts India is still the undisputed leader in outsourcing, many countries are up and coming in the business. He looks to Russia to begin to provide its pool of underemployed scientists and engineers from the Cold War days along with Croatia and Latin American countries such as Brazil to pick up off shoring activities in the near future.

Looking ahead, Idnani offered up an optimistic view on how KPO and other technically advanced outsourcing activities can positively affect the U.S. economy.

"The U.S. economy has always been fueled on innovation," said Idnani. KPO will provide new avenues to create further jobs in the United States and other more critical and strategic tasks.

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