

Knowledge Leaders

The quest for knowledge was a much-admired feature of ancient India. Modern India has added a technology dimension to that. **Meenu Shekar** reports on the rapidly growing knowledge process outsourcing industry

Bangalore-based Paprikaas Animation Studio recently completed a full-length animated Italian feature film. It is now eagerly awaiting its European release later this year. "What we are doing now is far superior to what we were doing a couple of years ago," says Veerendra Patil, creative director and one of the three founders of Paprikaas.

Interestingly, when Paprikaas was set up in August 2001 by Patil, Nandish Domlur and Srini Raghavan, they were looking at only the domestic market. But finding no takers here they quickly placed themselves in the global arena.

Their first break came from the Seoul-based Digital Dream Studio for 22 half-hour episodes for a television serial. It's been high tide since then for Paprikaas. In August last year, the company was chosen as one of the Top 100 companies in Asia by Red Herring magazine. This is a much-coveted award.

"There is tremendous potential in the animation outsourcing market and we are ready to make the best of the opportunities," says Patil. At present Paprikaas has a team of 155 employees. The number is expected to increase to 250 in the next six months.

Paprikaas is only one of the many Indian companies in animation and design space

that is doing work for some of the top studios and production companies in the world. And animation is only one of the many segments where Indian companies are increasingly proving their worth as knowledge process outsourcing (KPO) partners on the global stage.

So what exactly is KPO, one may well ask. According to the Chennai-based Scope e-Knowledge, one of the pioneers in KPO, in BPO (business process outsourcing), the focus is on executing standardised, routine processes. KPO, on the other

hand, requires carrying out processes that demand advanced information searching, analytical, interpretation and technical skills, as well as some judgement and decision-making. Says Chandu Nair, president and director of Scope: "BPO is typically seen as an activity that is rule-based. KPO is judgement-based and requires knowledge of certain specific skills and domain expertise."

Scope, which was established in 1987 in Chennai, began with operations in the Indian market. It was in 2002 that it start-



EYING THE GLOBAL MARKET: Knowledge workers at the Chennai office of Scope e-Knowledge



EVALUESERVE ANALYSTS AT WORK: "KPO is growing by leaps and bounds and is clearly the next big opportunity".

ed eyeing the global market and presently has offices in New York, Brussels and London. In a nutshell, what Scope does is convert information to knowledge with activities ranging from developing global databases to preparing indepth industry reports, and making news summaries and abstracts. Scope's strategy is to offer its clients greater value by building intellectual property in each area.

According to Ashish Gupta, chief operating officer and country head of the Gurgaon-based Evalueserve, which is one of the largest pure KPO players in the world, KPO firms are more like professional services firms whereas BPO organisations are more akin to manufacturing. Says Gupta: "The global economy is becoming increasingly knowledge and information intensive. Creating, protecting and monetising knowledge is becoming very critical. Unlike BPO, KPO is more knowledge driven. While BPO is more of process expertise, KPO is more of domain expertise."

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Evalueserve, founded in 2000 by Alok Aggarwal and Marc Vollenweider (executives from IBM and McKinsey, respectively), provides services in specialised business lines like business research, market research, intellectual property (IP) research, financial and data analytics, investment research and emerging markets research. Evalueserve analysts have com-

pleted more than 7,000 client engagements in over 150 countries and 65 languages till now. Its IP professionals have drafted over 500 patents and completed more than 1,000 patent prior art searches. Evalueserve at present has a team of 1,050 professionals at its Gurgaon and Shanghai research centres and both of them are growing at 5-6 per cent every month. Says Gupta: "KPO is growing by leaps and bounds and is clearly the next big opportunity."

According to a Confederation of Indian Industry (CII) study styled India in the New Knowledge Economy, the country is all set to emerge as the global KPO hub since KPO requires specialised knowledge in respective verticals and India's engineering and technical institutes are geared to address the manpower demand.

The National Association of Software and Service Companies (Nasscom) estimates that the KPO industry is poised for a 45 per cent per annum growth till 2010. The global KPO pie in 2010 is expected to

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REMOTE EDUCATION: Firms like TutorVista are becoming gurus to the world

be around \$17 billion of which \$12 billion (70 per cent) will be outsourced to India. In comparison, the traditional BPO industry will clock a relatively slower 26 per cent growth. According to Nasscom, the current hotspots in KPO are engineering and design; basic data search, integration & management; and biotech & pharma.

By 2010, other segments are expected to have a significant share. Of the \$17 billion KPO pie in 2010, data search, integration & management is expected to account for the lion's share with \$5 billion, followed by biotech & pharma with \$3 billion. Engineering & design, remote education and publishing, and R&D are expected to account for \$2 billion each, while animation and simulation services will stand at \$1.4 billion. Other segments are expected to account for the remaining \$1.6 billion (see chart: The 2010 cake).

According to the Nasscom Strategic Review for 2005, FPO (financial process outsourcing) is already witnessing explosive growth with most of the leading global financial institutions beginning to outsource high-end activities such as insurance underwriting, risk assessment and equity research, financial data mining and modelling, and corporate and market research. Other areas with significant latent potential for KPO include healthcare, pharmaceuticals, biotechnology, legal support, IP research, design and development for automotive and aerospace industries,

and animation and graphics in the entertainment sector.

It is also estimated that the number of KPO professionals in India, which at present is around 25,000, will increase to more than 250,000 by 2010. And, given the nature of work, KPO will yield higher revenue per person than BPO because, unlike the BPO sector where underemployed MBAs could well man helpdesks, in the KPO sectors professionals have the opportunity to fully utilise their skills and academic qualifications. Adds Nair: "This is an area where women can and will be a major force. A company like Scope has about 40 per cent women knowledge workers and the number would have been higher if we had not run a night shift."

According to a study by Scope, the typical users of KPO services include market research and consulting firms; investment

banks and financial services institutions; industry associations; media, publishing and database firms; and corporate planning departments of large Fortune 500 companies. Several global players like McKinsey, Goldman Sachs, Reuters, IMS Health, Harris Interactive, Ipsos, Maritz, AC Nielsen, TNS and the WPP group are already using India as a remote base.

So what makes India so attractive as a KPO destination? More than just the obvious cost advantage, the big thing going for the country is the availability of skilled knowledge workers. According to an Evalueserve report: "India has one of the largest pools of knowledge workers. The supply of skilled labour in India has been increasing at a steady pace. Indian universities churn out 2 million English-speaking graduates every year. Nearly 300,000 engineering graduates are added to the existing engineering labour pool of 2.1 million. As of March 2002, India had 840 business schools, which churned out 85,000 MBAs. In terms of skilled workers, while just over 5,000 IT graduates enter the labour market in Germany and 25,000 in the US each year, 120,000 enter the labour force in India."

Says Mythily Ramesh, vice-president of leading IT company Wipro Technologies: "Any work which involves analytical, logical and consultative thinking can be classified as KPO and India is uniquely positioned for this because of its base of highly-skilled,

THE 2010 CAKE

How the KPO market will look like in 2010	
Data search, integration & management	5
Biotech & pharma (contract research organisations, lead optimisation, manufacturing processes)	3
Engineering and design	2
Remote education & publishing	2
R&D	2
Animation & simulation services	1.4
Others	1.6
Total	17

(In \$ billion) Source: Nasscom



GOOD MORNING TEACHER: Helping build a kindergarten to PhD relationship

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highly-educated people whose knowledge exists across multidimensional areas."

Ramesh points out that the first wave of outsourcing was the contact centres, which were primarily voice-based work done from India. The second wave was transaction BPO, which was the processing of rule-based process steps from off-shore locations. KPO is the Third Wave.

Citing the example of a retail organisation, Ramesh explains further. A global retail chain that outsources its customer enquiry process to an India-based call centre is an example of voice-based BPO. The same company outsourcing its customer order processing is doing transactional BPO. This company can go further and analyse customer data to determine trends — for example, customer spend patterns, its most profitable customer segments or next month's sales forecast. This would be KPO. This involves knowledge (domain expertise) of both function (supply chain) and industry (retail) and decision-making (predicting next month's forecast based on past sales data). Says Ramesh: "Going forward, as in all emerging businesses, there will be a gold rush of companies wanting to cash in on the Third Wave."

According to Ramesh, Wipro's KPO practice targets to grow faster than industry growth rate. As it grows in the KPO space and attains critical size, Wipro envisages vertical specific KPO practices in law, engineering, finance and manufacturing.

Wipro's breakthrough deal in KPO materialised when it convinced its US-based client in a hitech industry to move beyond transaction-oriented procurement processes. The value proposition was simple. Rather than focus on reducing transaction costs, focus instead on creating value. That is precisely what its KPO proposition of Spend Intelligence would do for this client. For one, it would enable the company to use its purchasing power to muscle better discounts from suppliers. At another level, it would enable identification of uncontrolled spending on materials and services.

For Bangalore-based Teleradiology Solutions the KPO opportunity presented itself because of the acute shortage of radiologists in the US. Set up in 2002 by the husband-wife team of Dr Arjun Kalyanpur and Dr Sunita Maheshwari, who returned to India after spending nine years in the US, Teleradiology Solutions offers services like interpretation of all non-invasive imaging studies like CT, MRI, ultrasound, nuclear medicine studies and digitised X-rays. In an emergency, diagnosis reports are delivered in less than 30 minutes to the referring hospital.

The company has over 75 people of whom 20 are radiologists. Of these 20, eight including Kalyanpur have been certified by the American Board of Radiology in Diagnostic Radiology and do work for 50

hospitals in the US. The rest of the radiologists address the needs of Asian and Indian hospitals. Says Kalyanpur: "India has the advantage of a large number of medical schools and residency programmes resulting in well-trained radiologists. We also have an optimum time difference with the US for provision of night shift services, such as emergency teleradiology, as the night shift in the US translates into a day shift in India."

According to Kalyanpur, healthcare IT is a sector with a number of applications that can be outsourced effectively. He points out that apart from teleradiology, telepathology and tele ICU are areas that can transcend international boundaries. Says an upbeat Kalyanpur: "KPO is an industry whose time has come."

India is also an ideal choice to outsource clinical research and trials in drug discovery. Says D.A. Prasanna, vice-chairman and managing director of Manipal Acunova: "In drug development speed is more important than cost and India can deliver speed." Prasanna explains that pharmaceutical companies in developed countries are finding that, because of increasingly stringent regulations, the cost of discovering new drugs is going up while the speed is reducing. There is also the additional pressure of drug patents now being granted for only 10-15 years as against 20 years earlier. India, with its ability to deliver quality work at speed, is a

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DOCTOR ON CALL: Teleradiology founder Arjun Kalyanpur

very attractive alternative.

Manipal Acunova was set up last year by the Manipal Group and Acunova, a team of doctors, scientists and strategic investors to tap into this very opportunity. Says Prasanna: "We are currently conducting 44 trials and have 149 employees."

From testing to training, a serious shortage of quality teachers in the US is what has prompted companies like Career Launcher, Educomp and TutorVista to fill the void through remote education. According to K. Ganesh, the founder of TutorVista, the company combines three critical pillars to deliver results to global students. These are offshore faculty, relevant content and scientific pedagogy. Ganesh says that TutorVista aims to build a kindergarten to PhD relationship with the student and take him through the entire lifecycle of select subjects.

Take another area. In April 2004, Reuters, the global information group, chose Bangalore as one of its four key centres. The Bangalore centre has a strength of over 1,000 professionals at present and is expected to increase to over 1,500 in the next six months. The editorial team in Bangalore works primarily on providing new types of coverage for Reuters' news reports, corporate earnings reports and broker research on US companies. The editorial reference desk supports Reuters' journalists worldwide. At present, Bangalore is the biggest centre for data operations for Reuters. The rationale is to consolidate as much of the processes as

possible in one place so as to harness the synergies better and be more uniform in terms of processes and procedures. This will enable the organisation to be more responsive to its clients. The strategy has paid rich dividends with the Bangalore centre being able to deliver new kinds of data like that on M&A activities and public equity offerings.

Says Gupta of Evalueserve: "The India advantage is quite substantial and we have a great first-mover advantage. We are at least five-seven years ahead of other countries, who are doing only BPO. We need to sustain this advantage by beefing up our education system."

Gupta points out that for KPO firms to succeed the foremost requirement is to focus. It is important, he says, to recognise that one cannot be everything to everyone.

Scaling up is another challenge and for this one needs strong leadership that understands the operations. Says Nair of Scope: "KPO firms must have the ability to constantly add value. They must have specialist offerings that can be scaled up. Technology needs to be seamlessly embedded in the service offering. A truly global orientation is also a must." Prasanna of Manipal Acunova says that KPO firms should get global accreditation.

Industry professionals also point out that establishing credibility is extremely critical, because in the KPO segment one is providing information based on which

companies take very important decisions. And credibility, they add, can be established only over time through a track record. Says Nair: "This business is still in the womb and requires a lot of concept selling. Often this is the first time that firms overseas are outsourcing and these companies don't have management systems and processes or experienced managerial personnel to manage an outsourcing or offshoring effort. So Indian companies have to also act as (unpaid) process consultants."

According to Ganesh of TutorVista, for large-scale work to move offshore, the existence of a full ecosystem is essential. For this, there needs to be sizeable work being done by at least a few different strong players out of India. He points out that clients will be hesitant to move large assignments unless they feel there are at least a few players in India who can do the work and the business has reached the status of an industry.

Echoing the sentiments of the industry Ganesh says: "The KPO potential is very large with almost every vertical offering possibilities. What is interesting is the breadth and niches that this areas presents for offshoring and for Indian companies to take advantage of." Adds Wipro's Mythili Ramesh: "The number of industries and professions to which KPO can be successfully applied is limited only by imagination. Visionaries and early adopters of KPO will reap the maximum benefits and create competitive advantage." 🌈