

NIOS lesson adaptation project

By EMBRACE Volunteers

(A community initiative of Harchan Foundation Trust)

Chapter 11

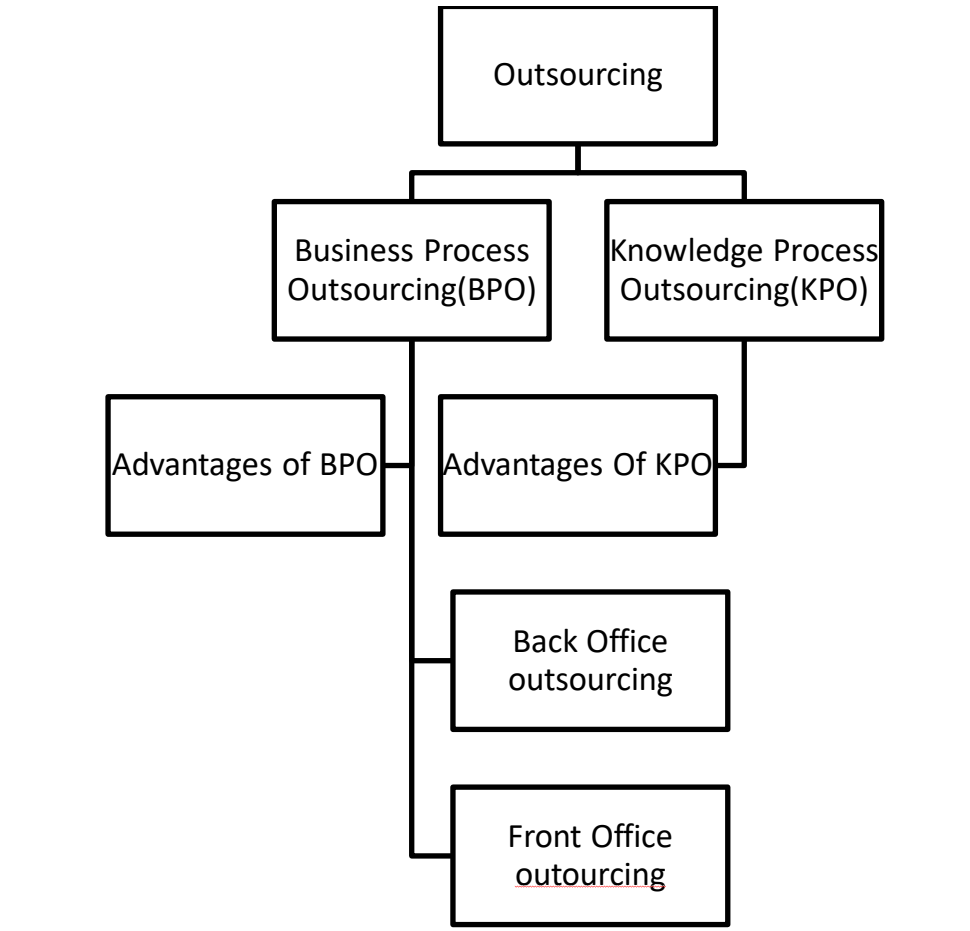
OUTSOURCING

(Printable Version)

- **Simplified Lesson**
- **Previous Year Questions with Answers**
- **Terminal Questions**

This project is aimed at supporting children with different needs. Information provided is adapted to the best of knowledge by the volunteers. For complete information please refer to the NIOS resources in <https://www.nios.ac.in/online-course-material/secondary-courses.aspx>.

LESSON 11 OUTSOURCING



Concept of Business Process Outsourcing-BPO:

Business Process Outsourcing (BPO) is a process in which

- A company delegates some of its business processes to another party.
- Passes over total control of process to them.
- Makes payment to the party for their job.

Examples

1. An insurance company can outsource their claim processing program through claim settlement agencies.
2. A manufacturing unit outsourcing a call center to attend to their customers calls regarding enquiries and complaints.

BPO is often divided into two categories

1. **Back Office Outsourcing**: Back office outsourcing includes internal business functions. For example billing, payroll, data entry, account, human resources etc.
2. **Front Office Outsourcing**: Front office outsourcing includes

Customer-related services. For example customer service, helpdesk, technical support, market research etc.

Advantages of BPO (DEBRI)

- **D- Meet constantly changing customer demands:** Many BPO vendors provide with flexible and scalable and adaptable services to meet the customer's changing requirements.
- **E- Obtain outside expertise:** Rather than recruiting and training personnel, BPO ensures that experts from another company provide the needed guidance and skills.
- **B-Key is on company's main business.** –With day to day back office operations taken care of, the management is free to devote more time to building the company's core (main) business.
- **R-Achieve cost reduction-** This is made possible through process improvements, reengineering and use of technologies that reduce and bring administrative and other costs under control.
- **I- Achieve revenue increase:** By outsourcing non-core processes, companies can focus on increasing their sales and develop new products and expand their business.

Concept of Knowledge Process Outsourcing-KPO

KPO is the delegation of high level tasks to an outside organization, generally off shoring or a different group (possibly in a different geographic location) within the same organization. In BPO, focus is on process expertise, whereas in KPO, focus is on knowledge (skill) expertise.

Examples:

1. **Research work:** Research in the area of marketing, business, finance etc.
2. **Web Designing:** Designing of website to help business growth.
3. **Legal process:** All legal issues including licensing and managing permits required for the business to run smoothly.
4. **Content creation:** Creating content for website, which is the most important tool for success in today's business world.

Advantages of KPO– CRAP-Air

- **C-Cost Reduction:** Companies which attempt to do everything themselves generally incur high cost and passes on that to the customer. Whereas, an outsourcing company can help to reduce company's cost as their specialization reduces the operating cost.
- **R-Maximum use of resources:** Every organization has limitations to the resources available to it. Outsourcing allows and organization to redirect its resources mostly human resources, from non-important

activities to the activities that serve the important need of customers.

- **A-Access to top class capabilities:** Good and competent service providers make huge investments in technology and acquire expertise by working with many clients facing similar challenges. This combination of specialization and expertise ensures top class services.
- **P-Solution to difficult problems-** Outsourcing is certainly one option for addressing the problem of managing difficult activities requiring core technical skills
- **A-Accelerate reengineering benefits:** By outsourcing a non-core function to a competent provider, the organization can realize the benefits of reengineering as outsourcing benefits.
- **I-Cash Infusion:** The equipment, vehicles, facilities and licenses are sold to the vendor by the outsourcing provider. The outsourcing provider uses these assets to provide services back to the vendor. The assets are always sold by the vendor at book value, which is higher than the market value. And hence there is more inflow of cash to the vendor.
- **R-Minimum Risk:** The outsourcing providers make investments on behalf of many clients, not just one and shared investment risk, and significantly reduces the risk born by a single company.

Difference Between BPO and KPO	
Business Process Outsourcing(BPO)	Knowledge Process Outsourcing(BPO)
Insists for labor and requires less skilled activities	Deals with specialized knowledge based activities
Basic qualification is enough to work in BPO sector	Highly qualified and skilled professionals required
Involvement with the client is low	Involvement with the client is high
Salary of the employee is low	Salary of the employee is high
Examples: Customer care, tele-marketing,sales etc.	Examples: Engineers, Doctors, Lawyers etc.

PREVIOUS YEARS QUESTIONS

1. What is meant by 'business process outsourcing'? State it's any four advantages.

Ans: Business Process Outsourcing (BPO) is a process in which

- A company delegates some of its business processes to another party.
- Passes over total control of process to them.
- Makes payment to the party for their job.

Advantages of business process outsourcing are as follows

- **D- Meet constantly changing customer demands:** Many BPO vendors provide with flexible and scalable and adaptable services to meet the customer's changing requirements.
- **E- Obtain outside expertise:** Rather than recruiting and training personnel, BPO ensures that experts from another company provide the needed guidance and skills.
- **B-Key is on company's main business.** –With day to day back office operations taken care of, the management is free to devote more time to building the company's core (main) business.
- **R-Achieve cost reduction-** This is made possible through process improvements, reengineering and use of technologies that reduce and bring administrative and other costs under control.
- **I- Achieve revenue increase:** By outsourcing non-core processes, companies can focus on increasing their sales and develop new products and expand their business.

2. The focus of this outsourcing is knowledge expertise:

- A.Back office outsourcing
- B.Knowledge Processing outsourcing
- C.Front office outsourcing
- D.Business Processing outsourcing

3. KPO involves off-shoring of knowledge intensive business processes that require specialized domain expertise. In the light of this statement, explain any 5 benefits of KPO

Answer (write any 5 from below)

Advantages of KPO are as follows:

- **C-Cost Reduction:** Companies which attempt to do everything themselves generally incur high cost and passes on that to the customer. Whereas, an outsourcing company can help to reduce company's cost as their specialization reduces the operating cost.

- **R-Maximum use of resources:** Every organization has limitations to the resources available to it. Outsourcing allows an organization to redirect its resources mostly human resources, from non-important activities to the activities that serve the important need of customers.
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- **R-Minimum Risk:** The outsourcing providers make investments on behalf of many clients, not just one and shared investment risk, and significantly reduces the risk born by a single company.

4. Explain the concept of 'Knowledge Processing Outsourcing'

Answer: KPO is the delegation of high level tasks to an outside organization, generally off shoring or a different group (possibly in a different geographic location) within the same organization. In BPO, focus is on process expertise, whereas in KPO, focus is on knowledge (skill) expertise.

TERMINAL QUESTIONS

1. What do you understand by outsourcing?

Ans:

Outsourcing is any task, operation, job or process that could be performed by employee within your company, but instead contracted to other party for a significant period of time. The functions that are performed by the other party can be performed on-site or off-site.

2. Define business process outsourcing? What are its advantages?

Ans: Business Process Outsourcing (BPO) is a process in which

- A company delegates some of its business processes to another party.
- Passes over total control of process to them.
- Makes payment to the party for their job.

Advantages of BPO (DEBRI)

D- Meet constantly changing customer demands: Many BPO vendors provide with

flexible and scalable and adaptable services to meet the customer's changing requirements.

E- Obtain outside expertise: Rather than recruiting and training personnel, BPO ensures that experts from another company provide the needed guidance and skills.

B- Key is on company's main business. –With day to day back office operations taken care of, the management is free to devote more time to building the company's core (main) business.

R- Achieve cost reduction- This is made possible through process improvements, reengineering and use of technologies that reduce and bring administrative and other costs under control.

I- Achieve revenue increase: By outsourcing non-core processes, companies can focus on increasing their sales and develop new products and expand their business.

3. What do you mean by knowledge process outsourcing? Explain its advantages?

Ans:

KPO is the delegation of high level tasks to an outside organization, generally off shoring or a different group (possibly in a different geographic location) within the same organization. In BPO, focus is on process expertise, whereas in KPO, focus is on knowledge (skill) expertise.

Advantages of KPO– CRAP-Air

C- Cost Reduction: Companies which attempt to do everything themselves generally incur high cost and passes on that to the customer. Whereas, an outsourcing company can help to reduce company's cost as their specialization reduces the operating cost.

R- Maximum use of resources: Every organization has limitations to the resources available to it. Outsourcing allows an organization to redirect its resources mostly human resources, from non-important activities to the activities that serve the important need of customers.

A- Access to top class capabilities: Good and competent service providers make huge investments in technology and acquire expertise by working

with many clients facing similar challenges. This combination of specialization and expertise ensures top class services.

P-Solution to difficult problems- Outsourcing is certainly one option for addressing the problem of managing difficult activities requiring core technical skills

A-Accelerate reengineering benefits: By outsourcing a non-core function to a competent provider, the organization can realize the benefits of reengineering as outsourcing benefits.

I-Cash Infusion: The equipment, vehicles, facilities and licenses are sold to the vendor by the outsourcing provider. The outsourcing provider uses these assets to provide services back to the vendor. The assets are always sold by the vendor at book value, which is higher than the market value. And hence there is more inflow of cash to the vendor.

R-Minimum Risk: The outsourcing providers make investments on behalf of many clients, not just one and shared investment risk, and significantly reduces the risk born by a single company.

4. Distinguish between business process outsourcing and knowledge process outsourcing.

Ans :

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