

HEADLINES

Hands across the ocean: India to Connecticut Part 2

Wednesday, May 24, 2006

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NEW DELHI -- Operating 24 hours a day could run up costs, but not for Keith Minella.

This businessman has, instead, shaved 70 percent from his company's expenses by doing just that.

"We've gained a lot of efficiency by working overnight," said Minella, chief executive officer of Subrogation Partners LLC, a Westport company that processes insurance claims and recovers money for its 3,000 customers.

Neither he nor anyone he employs in the United States works ungodly hours, though.

Back-office work for Subrogation Partners -- like hundreds of other U.S. companies -- is now done overseas, plumping profit margins for entities here and creating opportunities for young people in countries like India.

Business process outsourcing -- or BPO, as the phenomenon is called -- is the newest resource in a world economy flattened by technology. Not long ago, it was a practice restricted to large companies such as General Electric, Hewlett-Packard and American Express, which sent the lower end of their work halfway around the world.

Now, companies like Subrogation, with barely 100 employees, are following suit.

"There has been a mushrooming of small companies looking to get work done overseas because of the tremendous cost savings involved," said Kaushik Basu, a professor of international studies and economics at Cornell University in Ithaca. "My hunch is that in the last presidential election, when there was publicity against outsourcing, it backfired."

Small Indian companies that could not afford to advertise in the United States got "free publicity," Basu said. "Small companies in the U.S. realized the value of the work being done in India and how it could benefit them."

Resistance is futile

The trend is likely to continue growing as companies seek to lower costs, become trimmer and work 24/7 to achieve quicker turnaround. Some estimates peg the value of the outsourcing industry at \$17 billion by 2010, up from \$5 billion in 2003.

India's BPO services are likely to generate exports worth \$6.3 billion in the year ending March 31, up 37 percent from a year earlier, according to India's National Association of Software and Service Companies.

The work being sent to India includes not only routine travel booking, medical claims processing, equity research and computer software upgrades, but also creation of advertisements. The value of the ad production industry now stands at \$280 million in revenue annually, according to a study conducted by the Associated Chambers of Commerce and Industry of India.

With increased efficiency, companies getting work done overseas could eventually become more profitable and hire more people, says Pete Gioia, an economist with the Connecticut Business and Industry Association. "Work is being done 'round the clock because of this model," he said, adding this could lead to some job losses initially.

There may be an "immediate loss of jobs" in the United States because "you no longer hire that secretary or assistant here," Basu said, but in the long run, the United States cannot resist because countries that it competes with, like Germany, Japan and England, also cut costs by sending work overseas.

There is nothing any country can do to stem this tide, Basu said. Companies will look for the best value they can get to improve their business.

"It's allowed us to scale our business rapidly and use college-educated folk who are willing to work very hard," Minella said. "They're in a country of a billion people where they need to create elbow room to survive, so they have an inherently competitive character."

As for the charge that he's sending jobs overseas, Minella said he is doing everything he can to increase his business right here, as U.S. employees move up the value-chain. "My experienced employees don't have to do the processing part anymore. They can concentrate on higher-end stuff."

No longer an option

Freeing them to do this is a team of about 25 people at the Sumpraxis BPO Services office in New Delhi. The workers sit hunched over their computers in a three-floor, air-conditioned office with marble floors and bright, white walls, oblivious to the blazing sun and 100 degree temperature outside

These workers not only process insurance and medical claims but also design packaging material and employee manuals for battery-maker Duracell and Gillette, now owned by multinational Procter & Gamble.

Clicking through a PowerPoint presentation on his laptop, Anuj Gupta, 29, a mechanical engineer with an MBA who works at Sumpraxis, said the equation of cost, time and quality of work swings in favor of hiring people like him -- those who can enhance options available to U.S. businesses.

For instance, he said, in offering designs for packaging to solicit new business, a U.S. sub-contractor might provide six free designs to choose from. Sumpraxis can double that number, providing a wider array of options at a much lower cost.

Doing this not only gives clients more to choose from, they also have access to ideas they may not have had before or ideas from people with expertise not available within their company.

"You get ideas from the outside," said Bruce Mason, vice president of new business development at Budco, a Highland Park, Mich., company that performs marketing and call-center functions for companies in the United States. "This leaves the company free to concentrate on its core competency."

"We are working for the e-publishing, health care, insurance, transaction-processing and packaging businesses and adding value by offering options not available to these clients before this," said Gupta,

who looks more like an earnest student than a salesman. "We believe technology can be an enabler, rather than just an aid. We experiment with different formats and deliver more efficiently."

Clients are happy to let them do that, he said, because the team in Delhi can often create designs that are "durable" and "preservable." Upgrade costs are marginal, too.

It's no longer an option to have an offshore facility for a lot of businesses, said Chandni Sood, manager of business development at Sumpraxis. "It is a necessity, because you can show you can be flexible and can deliver with a quick turnaround."

Some of the work being undertaken was simply not being done before, said Ashok Syal, managing director and co-founder of Sumpraxis, who lives and works in Virginia.

"We have created online employee manuals for large corporations in different languages so there can be a continuity of brand identity wherever they have offices," he said. "We've also made some of these companies aware of markets they were not aware of before they began interacting with us."

Textbook example

An example is the textbook industry, which Syal said could be a big moneymaker for publishing houses. Indian kids have a lot of money in their pockets today, he said. If they can spend money on designer clothes and footwear, they can surely spend more on fancy-looking textbooks instead of the somewhat dowdy ones they have had access to all these years.

The importance of a market with a billion-strong consumers that India provides is hardly lost on anyone. During a visit to India earlier this year, President Bush said building closer ties with the country translates into access to a 300 million-person market of middle-class Indians.

India has also provided a steady supply of manpower to the United States -- students, engineers, doctors and other professionals. In the past, most simply "settled" in the land of immigrants. Now, a small but steady flow trickles back, opting to partake in the opportunities created by India's liberalized economy.

Where at one time the land of opportunity meant the United States, these returnees say they now have another venue. Some, like Sood, go so far as to say they would never move to the U.S despite having received several offers, because she sees "no reason to do so."

Professionally, Sood estimates, she will achieve more right where she is, working while Minella and his crew find more work to ship to her group.