

Australia risks missing KPO boat

Author: Mark Jones
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First came technology outsourcing and business process outsourcing (BPO). Indian call centres became the stereotype of a business revolution.

In both cases, Australia failed to establish itself on the global stage as an expert in these emerging areas. The country's largest companies instead became customers of the booming outsourcing industry across Asia.

As interest coalesces around a new form of analytics outsourcing called knowledge process outsourcing (KPO), which experts predict could be worth up to \$US16 billion (\$21 billion) by 2010, analysts fear Australia is about to miss another significant opportunity.

Triggering those concerns, business information company Reuters last week signed a KPO deal potentially worth up to \$US2 million a year with little-known Copal Partners, a New York-based investment research firm that primarily serves US brokers from its operations in India.

KPO involves skilled business executives analysing company data, drawing on multiple sources.

Countries such as South Africa, Ireland and Romania are already working to become experts in this field as the outsourcing business, dominated by the likes of India's Infosys, Wipro and Tata, matures.

Copal has combined its financial and analytics research with the Reuters Fundamentals service to give clients access to a range of data, including company histories, financial models, research reports and industry-specific research.

The two companies also claim to offer cross-sector and geographic comparisons.

Copal chief executive and cofounder Rishi Khosla said the deal would give clients of the two companies "more complete product offerings and more rigorous sector analysis".

Reuters' executive vice-president of research and asset management, John Curran, said the deal was designed to combine its content with Copal's financial analysis expertise.

But outsourcing analyst Sri **Annaswamy**, the founder and director of Swamy & Associates, said the deal was a signal that financial analysis was no longer a competitive differentiator. Indian companies previously overlooked for this type of work could now provide the same quality of analytical research typically conducted

internally by the world's largest financial institutions.

"Large organisations like Reuters are now willing to put a portion of their brand name at risk," Mr **Annaswamy** said.

"Even the smaller KPO outfits are about to climb the barriers very quickly."

But what caught Mr **Annaswamy** by surprise was the size and degree of sophistication represented by a deal he would not have thought possible just three months ago.

"[KPO] seems to have started booming already," he said.

Mr Annaswamy, who recently researched the KPO phenomenon on behalf of the Australian Computer Society, estimated that Copal would need up to 80 full-time employees under the deal. Assuming a cost of \$US25,000 per employee, the deal was worth between \$US1.75 million and \$US2 million.

Reuters and Copal have not disclosed the deal's value.

"This would make it the largest single deal in the third-party KPO market over the last three years, based on our review of KPO deals," he said.

The problem for Australia was that financial institutions were notoriously too conservative to embark on similar endeavours, and the federal government was not doing enough to encourage this form of outsourcing, Mr **Annaswamy** said.

"We missed the IT outsourcing and BPO wave," he said. "If this continues for the next six or 12 months it makes the Australia-based KPO business harder to sell."

The associate director of Asia-Pacific services at technology research company IDC, Phil Hassey, agreed.

"The fact that [the government] hasn't got a national, cohesive approach is disappointing," he said.