

Outsourcing gets seal of approval

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AUSTRALIAN companies seeking to outsource jobs to India should not be made to feel that they are doing the "wrong thing by Australia", says the Australia-India Business Council.

Council chairman Neville Roach said there had been bipartisan political support at state and federal levels for the phenomenon of Australian companies sending jobs to India because of benefits it created in return.

"There will be some people who feel that they should only deal with Aussie-owned and Aussie-made businesses, but the reality is that we export \$6 billion or \$7 billion to India and we only import about \$1 billion . . . so they have got a huge balance of payments deficit with us and (are) not complaining about that," Mr Roach said.

"Their (politicians) basic view is that: one, it is part of the opening up of the world's economy that has benefited Australia so far, and also that it helps Australia to become more competitive."

Mr Roach, who accompanied John Howard during the Prime Minister's official visit to India in March, said there were significant opportunities for partnerships between Australian and Indian companies, particularly in information technology.

"There could be some people out of work in the IT industry (in Australia because of outsourcing), but you can be sure that there are a huge number of jobs that are unfilled because we do not have enough of the skills in demand, so having access to a pool of resources (in India) that are reliable and high quality and competitively priced is strategically important," he said.

A survey in March by international IT researcher Gartner found Australian companies were not active in managing outsourcing projects. The survey found 84 per cent of Australian companies that choose overseas service providers do so without any sourcing strategy - almost twice the global average.

Swamy and Associates founder Sriraman Annaswamy has been advising companies on outsourcing issues for the past five years. While many companies have outsourced their call centres to India in that time, *Mr Annaswamy* said the increasing demand for "lower-end" services in India has triggered a drastic drop in standards over the past two years.

"People felt they could get better quality for lower cost," he said of the outsourcing

trend to India for basic jobs, referred to as business process outsourcing (BPO).

"The experience that you get (now) is not worth the cost. The costs have gone up and what service providers have been trying to do, in a bid to keep their end costs down, they have been hiring less and less qualified and less and less skilled people."

With India facing increased competition for BPO positions from countries with lower wage standards, **Mr Annaswamy** said India needed to promote its credentials for skilled outsourcing, referred to as knowledge process outsourcing.

"You can no longer sit back and say 'Oh, there's going to be plenty of labour in India, cheap labour, so let's offshore anything and everything'. You can't do that - you have to be very, very focused on domain selection," he said. "The biggest advantages are actually at the higher end of the value-added functions."

Mr Roach agreed that decisions on outsourcing by companies should be "not purely an issue of cost".

He also said the slashing of import duties and lifting of foreign ownership laws in India made it possible for Australian companies to compete in their fledgling domestic market.

KEY POINTS

- ? Outsourcing has bipartisan federal and state support.
- ? Significant opportunities are seen in partnerships.
- ? The greatest benefits are seen in higher-end services.

OUTSOURCING

TIPS FOR SUCCESS

- ? Start with a clearly articulated business strategy.
- ? Build a sourcing strategy that is linked to your company's business strategy, values and maxims. Keep the sourcing strategy up to date and make sure it is widely understood and accepted.
- ? Agree on documented business goals for each outsourcing that are understood and agreed to by all.
- ? Benchmark your business processes. You can't improve or save money on what you haven't measured.
- ? Design and enforce sound sourcing governance.
- ? Assign sufficient resources to sourcing management. Outsourcing is not

abdication; you are still accountable for the outcomes and you must spend money to manage that.

SOURCE: GARTNER CONSULTANTS