

# The Impact of New Economic Policy on the Outsourcing Industry

With an industry revenue of just under \$100 billion in 2012 - which is expected to grow to \$220 billion by 2020 - BPO (Business Process Outsourcing) has become an integral part of the global economy.<sup>1</sup> In fact, 70% to 80% of most finished products worldwide are outsourced.<sup>2</sup> Information sharing via the cloud has made BPO easier and more accessible for businesses worldwide.

In 2016, Americans saw a major shift in economic policy both at home and abroad. Newly proposed protectionist policies at home, Brexit and growing populist movements elsewhere may have profound implications for the BPO industry. Proposed policies in the U.S., for instance, would increase tax burdens on companies with overseas operations. Likewise, in the United Kingdom, Brexit may decrease or eliminate incentives to outsource with other European countries.

These new protectionist policies leave the BPO industry at a tipping point. However, there is still plenty of room for BPO providers to adapt and evolve. The increase of globalization has meant that we are economically integrated throughout the world. The resulting cross-border trading of goods and services is not going away. Plus, the BPO industry still has much to offer businesses both big and small.

BPO provides the opportunity to transform an organization's workflow from the ground up. It offers a high return on investment and the freedom to concentrate on one's core competencies. While a Java programmer makes \$60,000 a year in the U.S., a Java programmer in India makes \$5,000 a year.<sup>2</sup> The savings garnered from outsourcing Java programming to India can be reinvested within the company. As the business grows and expands capabilities, they are able to hire a larger staff at home as well.

While BPO may traditionally be viewed as solely a cost-cutting strategy, 37% of companies use outsourcing to grow their business.<sup>3</sup> Business functions that are outside of a company's core competencies, such as marketing, customer service and IT, can easily be outsourced to increase speed to market and expansion of the customer base. Outsourcing reduces overhead, allowing for additional investment in growth, development and innovation. Investment in BPO also levels the playing field for small businesses and start-ups wishing to compete with global powerhouses.

Far from spelling doom and gloom, the rise of BPO has contributed to America's economic success. From 1970 to 2002, the rise of offshore outsourcing resulted in an increase in both the number of service jobs and per capita income.<sup>2</sup> BPO is not only an integral part of our modern economy, but it is good for wage earners as well.

What should BPO firms do to remain competitive in the current economic climate? The most successful BPO model in the future may be BPO-as-a-service, rather than the FTE (full-time equivalent) model where firms are offered long-term contracts for the services of a large

workforce.<sup>4</sup> The traditional FTE model, where a company might replace American workers with foreign workers on a one-to-one basis, makes it easier to point to an outsourcing provider overseas as stealing US jobs.<sup>4</sup> Providers of one-off services are less likely to incite controversy.<sup>4</sup> Plus, BPO providers are more likely to innovate as they are forced to develop new ways to target customers outside of the traditional multiyear BPO contract.<sup>4</sup>

To stay ahead of the curve, investing in your workforce is paramount as well. Employees will be motivated to perform well if there is a clear career development path. Companies like IBM are investing in retraining and transition services to help their employees develop the skill set they need to compete.

About Asad Khan: Asad Khan is the President and founder of [ePlanet Communications Inc.](#) Being a founder and co-founder of multiple companies around the globe, ranging from banking to digital distribution, venture capitals, nutraceuticals, logistics, and BPOs, Khan is well versed with the dynamics of business trends and specifically the value in Business Process Outsourcing.

#### Footnotes:

1. Kimmel, Jordan. "Getting A Piece Of Business Process Outsourcing." *Forbes*. Forbes Magazine, 22 June 2015. Web. 10 Feb. 2017.
2. Corbett, Michael F. *The Outsourcing Revolution: Why It Makes Sense to Do It Right*. Chicago: Dearborn Trade Pub., 2004. Web. 22 Feb. 2017.
3. Kel, Henny. "Why Outsourcing Is the Biggest Growth Hack for 2016?" *LinkedIn Pulse*. N.p., 4 Jan. 2016. Web. 19 Dec. 2016.
4. Moss, Loren. "In 2017, Outsourcing Providers and Customers Must Adapt to Evolving World." *Finance Colombia*. N.p., 24 Jan. 2017. Web. 22 Feb. 2017.