Modernising the outsourcing business

ARIJIT CHAKRABORTI

THE job of executives is changing fast, and so is the appearance of their office. In 2020, the CFO's office of a typical global corporation would comprise a wall made of data screens, also known as a data wall. The wall would display recent computed forecasts of financial parameters such as revenue and profit, along with insights about the business. There would also be a hub to monitor the bots performing financial transactions and reporting. Even during the end of the quarter, the staff would not be burdened with work as all the business processes would have been outsourced to one or multiple service providers, and the CFO, in his/her corner office, would be seen immersed in the present and future business matters of the organisation, instead of past issues.

The business process outsourcing (BPO) industry in Bangladesh is growing at breakneck speed. According to Bangladesh's Department of Information and Communication Technology (ICT), the export revenue of the BPO industry has been growing rapidly. At present, the industry employs more than 40,000 educated Bangladeshi workers. The government of Bangladesh has undertaken an ambitious goal of creating 200,000 jobs through this sector by 2021.The good news is that a few globally competitive companies have emerged in Bangladesh in recent years. They have successfully acquired outsourcing contracts from overseas companies and are delivering services from their offshore centres in Bangladesh. These companies will lead the necessary growth to realise the country's national ambition. At the same time, these companies need to get ready for the business of the future.

Modernising the business of outsourcing is going to be the key driver for all leading BPO companies in the world. The outsourcing journey of an organisation starts with outsourcing non-core processes and most large global business corporations have already begun this journey. They are now moving to the next level and are identifying semi-core and knowledge-intensive business processes as avenues for outsourcing. Outsourcing companies in Bangladesh also need to get ready to move up the value chain and acquire capabilities of servicing more complex processes.

Modernising the business of outsourcing would also mean modernisation of the services pertaining to the processes that have already been outsourced. For example, many companies outsource the processes of accounts receivables from their finance function to an identified service provider. Today, a good number of those processes are being performed by computer software-based robots or bots. BPO companies that have acquired the capabilities to deliver services and improve efficiency by using bots will have more luck in having their contracts renewed. In fact, many large outsourcing contracts are evolving into a gain-share partnership where the service provider must improve through automation to deliver business benefits to its customers and remain as a profitable business.

Modernising the business of outsourcing would also mean improving controls within the processes. Traditional ways of outsourcing would require service providers to standardise processes to implement effective control over them. Standardisation would also bring a lot of transparency into the processes. Today, technological advancements have automated several controls. Technology has made controls efficient, consistent and predictable. More importantly, technology has made operational matters of an outsourced service predictable. Today, it is possible to forecast the volume of work on different days and to plan work allocation accordingly. Customers today expect their service providers to have such capabilities.

Most companies have been able to rebalance their resources after successfully outsourcing their internal functions. They have allocated staff to focus more on data and to spend more time on identifying risks and opportunities. For example, staff members in the finance function were given the task of analysing data more frequently and in a more comprehensive fashion once their job on payables and receivables was outsourced. The effective analysis resulted in the improvement of business performance such as reducing working capital requirements, collecting receivables faster and reducing the risk of debtor defaults. Thus, outsourcing certain processes has helped organisations modernise the operational processes that delivered business benefits. Many such companies are expecting to outsource such modernised operational processes. Outsourcing service providers will require the capabilities to deliver such modernised processes and results for their customers. Thus, BPO companies of the future will be recognised by their ability to develop insights for their customers.

Each year, more than 1,000 large BPO contracts get signed globally, according to the independent observing agencies. A good number of such contracts are mega deals—that is, contracts with significantly high value. The contracting trend is moving towards executing a greater number of contracts with smaller contract values. This will help BPO companies in Bangladesh compete effectively in the coming years and also build capabilities and capacities at a realistic pace. Furthermore, modernisation of the existing capabilities will help them get ready for future contracts.

BPOs in Bangladesh have an advantage due to the high availability of workforce. The young population of the country comprises a vast pool of educated youth who are ready for on-the-job training and deployment. A good number of them are fluent in English. However, such skills are unlikely to be sufficient for future service needs. The workforce of the future will be required to deliver services using sophisticated technology. They will also be expected to possess problem-solving skills. The stakeholders responsible for skills development—that is, education providers, policymakers, and vocational training designers—should focus on such requirements and plan for the development of the workforce accordingly.

The writer is a partner at PwC. The views expressed here are personal.

BSS/FILE

***Left*, Sajeeb Wazed Joy, the prime minister's ICT affairs adviser, inaugurates a summit of business process outsourcing at Sonargaon hotel in Dhaka. The government of Bangladesh has undertaken an ambitious goal of creating 200,000 jobs through the BPO sector by 2021.**

German business leaders fear US tariffs after Merkel-Trump talks

REUTERS, *Berlin*

German business leaders voiced disappointment on Saturday over the outcome of talks between Chancellor Angela Merkel and US President Donald Trump, saying they feared he would impose tariffs on steel and aluminum imports.

The United States imposed import tariffs of 25 percent on steel and 10 percent on aluminum in March, but it provided a temporary exemption until May 1 for the European Union. Trump will decide then whether to make the exemption permanent.

"I regret the fact that the chancellor's visit to Washington produced no palpable progress on the contentious issues between Germany and the United States," said Dieter Kempf, president of the BDI industry body. Merkel and Trump aired differences over trade and NATO on Friday at a White House meeting where they tried to put on a show of warmth and friendship.

During a joint news conference, Trump lamented his country's trade deficit with the EU. Merkel said any decision on whether to exempt the bloc from tariffs permanently was now in the president's hand. "The threatened tariffs remain a major burden on transatlantic relations," added Kempf.

French President Emmanuel Macron also pressed Trump on trade during a three-day state visit in the same week as Merkel's quick trip. Neither leader appeared to have made progress convincing Trump to make the exemptions permanent.

"Unfortunately, it doesn't look like the EU will be exempted from the unfair US tariffs," said Volker Treier of the DIHK industry and commerce chambers.

REUTERS

US President Donald Trump and Germany's Chancellor Angela Merkel hold a joint news conference in the East Room of the White House in Washington on Friday.

Uber back on the road in Vienna

AFP, *Vienna*

Uber said Friday it had resumed operations in Vienna, two days after a court ruling took the ride-hailing service off the road following a complaint from a local taxi firm.

"We are delighted to announce that we can offer you our service again with immediate effect," Uber Austria said in a statement.

"In recent days... we have worked intensively on adjusting our procedures. We have also taken the time to listen attentively to our partners, users and drivers to become a good partner for Vienna."

The complaint against Uber was brought by the Taxi 40100 company that said the US firm was infringing competition rules in the Austrian capital.

Ride-hailing services have met with protests from taxi drivers in numerous cities and varying levels of resistance from authorities around the world.

Earlier this month, Uber suspend one of its services in Greece after tighter rules were introduced, while in March it halted operations in the Slovak capital Bratislava.

US considers tightening grip on China ties to corporate America

REUTERS, *New York*

THE US government may start scrutinising informal partnerships between American and Chinese companies in the field of artificial intelligence, threatening practices that have long been considered garden variety development work for technology companies, sources familiar with the discussions said.

So far, US government reviews for national security and other concerns have been limited to investment deals and corporate takeovers. This possible new expansion of the mandate - which would serve as a stop-gap measure until Congress imposes tighter restrictions on Chinese investments - is being pushed by members of Congress, and those in US President Donald Trump's administration who worry about theft of intellectual property and technology transfer to China, according to four people familiar with the matter.

Artificial intelligence, in which machines imitate intelligent human behaviour, is a particular area of interest because of the technology's potential for military usage, they said. Other areas of interest for such new oversight include semiconductors and autonomous vehicles, they added.

These considerations are in early stages, so it remains unclear if they will move forward, and which informal corporate relationships this new initiative would scrutinize.

Any broad effort to sever relationships between Chinese and American tech companies - even temporarily - could have dramatic effects across the industry. Major American technology companies, including Advanced Micro Devices Inc, Qualcomm Inc, Nvidia Corp and IBM, have activities in China ranging from research labs to training initiatives, often in collaboration with Chinese companies and institutions who are major customers.

Top talent in areas including artificial intelligence and chip design also flows freely among companies and universities in both countries. The nature of informal business relationships varies widely.

For example, when US chipmaker Nvidia Corp - the leader in AI hardware - unveiled a new graphics processing unit that powers data centres, video games and cryptocurrency mining last year, it gave away samples to 30 artificial intelligence scientists, including three who work with China's government, according to Nvidia.

For a company like Nvidia, which gets a fifth of its business from China, the giveaway was business as usual. It has several arrangements to train local scientists and develop technologies there that rely on its chips. Offering early access helps Nvidia tailor products so it can sell more.

The US government could nix this sort of cooperation through an executive order from Trump by invoking the International Emergency Economic Powers Act. Such a move would unleash sweeping powers to stop or review informal corporate partnerships between a US and Chinese company, any Chinese investment in a US technology company or the Chinese purchases of real estate near sensitive US military sites, the sources said.

"I don't see any alternative to having a stronger (regulatory) regime because the end result is, without it, the Chinese companies are going to get stronger," said one of the sources, who is advising US lawmakers on efforts to revise and toughen US foreign investment rules. "They are going to challenge our companies in 10 or 15 years."

James Lewis, a former Foreign Service officer with the US Departments of State who is now with the Centre for Strategic and International Studies, said if the emergency act was invoked, US government officials including those in the Treasury Department could use it "to catch anything they want" that currently fall outside the scope of the regulatory regime.A White House official said that they do not comment on speculation about internal administration policy discussions, but added "we are concerned about Made in China 2025, particularly relevant in this case is its targeting of industries like AI."

Made in China 2025 is an industrial plan outlining China's ambition to become a market leader in 10 key sectors including semiconductors, robotics, drugs and devices and smart green cars. Last month, the White House outlined new import tariffs that were largely directed at China for what Trump described as "intellectual property theft." That prompted Chinese President Xi Jinping's government to retaliate with sanctions against the United States.

Those moves followed proposed legislation that would toughen foreign investment rules overseen by the Committee on Foreign Investment in the United States (CFIUS), by giving the committee - made up of representatives from various US government agencies - purview over joint ventures that involve "critical technology."

Republican and Democratic lawmakers who put forth the proposal in November said changes are aimed at China.

Whereas an overhauled CFIUS would likely review deals relevant to national security and involve foreign ownership, informal partnerships are likely to be regulated by revised export controls when they come into effect, sources said. To be sure, sources said the Trump administration could change its mind about invoking the emergency act. They added that some within the Treasury Department are also lukewarm about invoking the emergency act as they preferred to focus on passing the revised rules for CFIUS.

Chinese and US companies are widely believed among analysts to be locked in a two-way race to become the world's leader in AI. While US tech giants such as Alphabet Inc's Google are in the lead, Chinese firms like Internet services provider Baidu Inc have made significant strides, according to advisory firm Eurasia Group.

REUTERS/FILE

The People's Republic of China flag and the US Stars and Stripes fly on a lamp post along Pennsylvania Avenue near the US Capitol.