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(ABSTRACT)

In the era of globalization, outsourcing and instant communication knowledge process outsourcing (KPO) is old news to the business world. KPO, a natural extension of business process outsourcing (BPO) has been studied by some researchers but not as extensively as BPO literature. While there are many similar definitions of KPO, these can be generally summarized as: the transfer to a third party of complex and highly variable activities that require intellectual decision making. (Michell 2005). While cost advantage is the obvious benefit of KPO, other benefits may include (depending on the type of KPO) reducing time-to-market for product development or services, managing risks of obsolescence and reducing the need to upgrade employee skills in areas such as technology and medicine. KPO has its potential risks too that include issues such as intellectual property, confidentiality, regulatory, geopolitical, reputation etc., (Currie et al., 2007).

Despite the potential risks and occasional political resistance KPO business is growing and likely to grow in future. KPO activities under financial analysis and equity represents 60% of the KPO market, market research and business intelligence represents 20% of the market, Legal process outsourcing involving litigation review, IP protection and patent research represents 10% of the market, whereas pharmaceutical industry and others represent the balance 10% of the market (OutsourcePortfolio.com). However, the growth in KPO revenue is not meeting its projected expectation. It was projected that KPO revenue will exceed $17 billion in 2010 (Evalueserve Report 2004) and later NASSCOM predicted KPO business in India only will reach $15.5 billion in 2010 (Sathe, 2006). However, now KPO revenue for 2010-2011 is expected to reach $11.2 billion.

In this study we posit that KPO has moved from the phase of local exploitation, a stage where routine use of explicit knowledge by cheaper knowledge workers for cost advantage, to a more mature phase where the relationship between KPO providers and their partners, and the impact of this phenomenon on employees and corporate culture need to be evaluated for developing a realistic growth pattern for KPO.

Research Issues:

While most research conclude that cost savings is the driving force behind continuation and growth of KPO and that it has moved to a long term partnership and development of common goal between the parties involved. Some have presented KPO as a tool for creating national
economic competitiveness (Snieska and Draksaite, 2007). We analyze the relationship between and a firm and international partner based on the value of task involved (a higher value task requires a more skilled worker/professional with higher level of knowledge/expertise) and the level of control desired by the partner originating the relationship (i.e. for outsourcing, it will be the organization receiving the service) as presented below:

<table>
<thead>
<tr>
<th>Task Value</th>
<th>Loosely Coupled</th>
<th>Tightly Coupled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Value</td>
<td>BPO</td>
<td>Unlikely combination</td>
</tr>
<tr>
<td>High Value</td>
<td>KPO</td>
<td>Subsidiary</td>
</tr>
</tbody>
</table>

Relationship Matrix with Offshore Partners

The extent and nature and extent of control between the partners will be moderated by factors such as maturity of the product or service, maturity of the relationship between trading partners and the nature of corporation receiving the service (such as domestic Vs multinational corporation). While the existing literature does not discuss such potential moderators and predictors for relationship between KPO providers and their clients, we show that such relationships do exist based on our field research.

Please contact the corresponding author for a full version of the paper and references.