Title:
Offshore IT Enabled Services from Pakistan

Word Count:
854

Summary:
Pakistan has been unable to produce software developers in increasing numbers,
but does possess skilled workers in reasonable numbers in other fields that can
provide services to clients all over the developed world through the Internet.
These services range from data entry to telemarketing to insurance claims
processing to payroll management to computer-aided designing to financial
analysis and forecasting.

Keywords:
outsourcing,ITES

Article Body:
The IT revolution can still change the destiny of Pakistan, but will require a
readjustment of the sights. This readjustment will require her to work with what
she has, and not what she currently doesn't!

Pakistan has been unable to produce software developers in increasing numbers,
but does possess skilled workers in reasonable numbers in other fields that can
provide services to clients all over the developed world through the Internet.
These services range from data entry to telemarketing to insurance claims
processing to payroll management to computer-aided designing to financial
analysis and forecasting.

Pakistan's doctors can be employed for medical data analysis; lawyers can
provide legal advice over the Web; graphic designers can produce animations. The
possibilities are numerous and the opportunities lucrative. The Internal Rate of
Return (IRR) and Net Present Value (NPV) numbers for many of these opportunities
are similar to those for the software export business.

As an example, look at the function of an insurance claims processing company.
Say an automobile accident takes place in New York City. The claimant fills a
paper form describing the incident and providing his particulars and submits the
form to the insurance company's office in New York. The company scans the form
and sends it to the offshore company in Lahore, Pakistan. That form will be
automatically routed to the computer terminal of a claims examiner. The examiner

goes through the form and (using some simple business rules) determines the validity of the claim and sends his decision to the insurance company in New York. End result: the New York-based company saves 50 per cent of the processing cost!

The customers for such IT-Enabled Services (ITES) are looking for more than one benefit: on the one hand, they want to achieve cost reductions of around 50 per cent, and on the other, they want an improvement in the current level of their services. By outsourcing the non-critical tasks, they also want to focus all their energies on the processes that form the core of their businesses.

Canada is the easiest market to get ITES work from, as it has the highest percentage of businesses that use outsourcing services. Number two on the list is Australia, followed by the US. A higher percentage of companies in the energy sector outsource, followed by the financial services and then, technology companies.

Companies that outsource look for service level guarantees, a proven track record and specialization in the business process of interest from the providers. Many outsourcing relationships fail because of organizational resistance in the client company, unclear performance metrics, or the client's loss of control over the outsourced business process.

The primary advantage that Pakistan's ITES businesses enjoy is the relatively low cost of labor. Secondary advantages are zero corporate taxes and low-cost infrastructure. The time zone difference between Pakistan and the US can also be an advantage in certain ITES businesses.

The key challenges that an ITES entrepreneur faces is marketing the service that he or she is striving to provide and ensuring the confidentiality and security of the client's data. Another challenge is ensuring the quality of the service that can only be achieved by having a clear and continuous organizational focus on the training of the service providers.

Pakistan-based ITES businesses face three types of competitors. The most significant competition comes from prospective clients carrying out the non-core tasks themselves. However, if clients focus on non-core tasks, they suffer from higher costs and lower efficiencies. Hence, they can be enticed by offering high-quality service at a lower, fixed cost.

The second type of competition comes from developed-countries-based outsourcing operators. They run very efficient businesses but are hampered by higher labor costs. The final type of competition comes from outsourcing operators based in

low-labor-cost countries like India and Philippines. Pakistan-based ITES businesses don't really have any advantage over them, but can ignore that competition for now as the demand clearly exceeds the supply.

In summary, ITES is Pakistan's irresistible value proposition because of the availability of the trained human resource in reasonable numbers. Moreover, increasing the size of this human resource is easier as compared with what is required for software development.

ITES is a lucrative opportunity for forward-looking entrepreneurs. While selecting an ITES sector, they should look for human resource-intensive business processes in which the difference in the cost of labor between Pakistan and the target market is the largest. They should focus on utilizing their existing strengths and should also try to develop contacts with Pakistan-origin expatriates for marketing purposes. To achieve long-term success, they should look for value-adding partnerships with international companies and focus on organizational excellence and customer satisfaction.

The US economy as a whole is depressed, resulting in squeezed revenues for almost all companies. To meet their profitability targets, most companies have no option but to cut costs. Pakistan's companies can benefit from this situation by offering IT enabled services and software development services at attractive rates. These should be the best of times for Pakistan's companies.

The economic downturn in the US is an opportunity for Pakistan's ITES and software development companies, not a setback!