



E-CONTENT-SERIES ON ENTREPRENEURSHIP AND MSMEs



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A CASE STUDY FOR BUSINESS PLAN

Samridhi

Business Plan For A BPO (Business process Outsourcing) in Lucknow

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Executive Summary

Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria.

The Business Process Outsourcing (BPO) industry in India has been growing 70 percent a year and is now worth \$1.6 billion, employing more than 100,000 people. And as McKinsey analysts put it, BPO has to grow only 27% till 2008 to deliver \$17 billion in revenue and employment of a million people. BPO organizations combine the use of highly effective and empowered company representatives with a service framework that relies heavily on state-of-the-art communications and information technologies. Call centers in India are already on a boom with different companies operating for e.g. British Airways, GE capital, American Express, Whirlpool, Compaq, Asian Paints, Dell computers, Hutchison Whampoa, 3com, Citibank, Swiss Air, etc.

Samiridhi Industries proposes to set up a BPO in Lucknow- The capital of Uttar Pradesh state. It proposes to offer customized business data processing services that match international standards in terms of precision and timely execution. The availability of massive land with the owner & human resource in the local market at much lower rate (as compared to metropolitan cities in India) and excellent infrastructure (good roads, power supply) are some of the key strengths of the project. The business plan below is presented before you to project the prospects of setting up this a venture in Lucknow.



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The Business

a) Objective for setting up business: To provide world-class state-of-the-art business process outsourcing services in the city of Lucknow as a subsidiary to the parent company.

b) Brief Introduction of The company: Samridhi has been established in the year 2006 for providing state-of-the-art BPO services in the city of Lucknow.

c) Form of ownership: Samiridhi is a single proprietorship company which would become a franchisee of a parent brand that would have tie-up with the company.

d) Name, Qualification of the owners: MrSharad Kumar, Chartered Accountant with Seven years of experience in private practice of Chartered Accountancy

e) Proposed Head Quarter: 123, New Hyderabad Colony, Lucknow

f) Proposed capital & gain structure Samridhi will offer the land and the Parent brand will offer construction of the infrastructure. The management will be joint but the day to day administration will be done by Mr. Sharad Kumar 60:40 (Samiridhi will have 60% profit) and the parent brand will have 40% profit)..



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Industry Background

IT Enabled Service (**ITES**) includes the activities those are carried out based on the application of Information Technology. In other words IT Enabled Services cover the entire range of **services which exploit information technology for empowering an organization with improved efficiency** or a type of service which may not be possible to be rendered cost effectively without IT. The activity could be internal to the organisation i.e. meant to increase the operational efficiency through work force residing within the organisation or could be outsourced. The outsourced or cross-border IT enabled services is now receiving greater attention as this category of **ITES** has a great potential for growth and contribution towards employment opportunities in India. IT Enabled Services are business processes and services performed or provided from a location different from that of their users or beneficiaries and are delivered over telecom networks and the Internet. IT enabled services include areas like transaction or accounts processing, credit card processing, remote investment research, Customer interaction services, Animation, Translation and Transcription etc.

IT enabled services in INDIA (overview)

After the software services industry put India in the world map, it is the turn of IT enabled Services (**ITES**), which has taken the baton to keep the Indian flag high and flying. The **ITeS** was the silver lining in the dark clouds of the Indian IT marketplace during the turbulent year of 2001 as it posted a growth of 73 percent, from a turnover of **Rs. 4,100 crore** in 1999-2000, to nearly **Rs. 7,100 crore** in 2001-02.

The growth opened windows for job opportunities, service offerings, foreign investments, infrastructure and emergence of internationally reputed **ITeS** companies from India. The **ITeS** contributed **\$1.5 billion** to the Indian IT industry total size of **\$13.2 billion** for the year 2001-02. But a **growth of 73 percent** posted during the year has clearly indicated that **ITeS** will end up being one of the significant contributors of the Indian IT industry in the coming years.

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The **ITES** sector currently employs around 107,000 personnel. According to a **Nascom-McKinsey** Study, the **ITES** segment will generate job opportunities for over **1.1 million Indians** and a **revenue potential of Rs. 81,000 crore (\$17 billion)**. India is well positioned to derive benefits from the ITES market and become a key hub for these services. The country's strengths in the form of low staff costs, a large pool of skilled, English speaking workforce, conducive policy environment and Government support has made India a popular choice for customers seeking outsourced services.

POTENTIAL FOR INDIA:

As per a survey done by NASSCOM, IT Enabled Services is expected to increase the revenue to US\$17-18 Billion by 2008 and would employ more than 1 million people.

IT Enabled Services	2008(Projection)	
	Can be Employed	Rs. Billion
Back Office Operation/Revenue Accounting/Data Entry/Data Conversion	2,60,000	1900
Remote Maintenance and Support	1,80,000	1350
Medical Transcription/Insurance Claim Processing	1,60,000	110
Call Centres	1,00,000	60
Data Base Services	1,00,000	65
Content development	3,00,000	250
Total	11,00,000	810



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ADVANTAGES IN INDIA

India offers many advantages to serving as an IT enabled Services destinations for major global companies. These include:

1. A virtual 12- hour time zone difference with USA and other major markets for IT Enabled Services.
2. A huge pool of English speaking and computer literate manpower that can continue to cater to the growing demand for professionals for IT Enabled Services. These professionals are skilled as well as quality conscious.
3. Cost of qualified personnel is amongst the lowest in the world.
4. Stable legislative and economic framework.
5. Many State Governments in India offer special incentive and infrastructure for setting up IT Enabled Services.
6. Thrust by Government of India to make India an IT –driven nation with the focus on the services sector their potential for value addition and thus premium is higher.
7. India enjoys very strong brand equity in major markets, thanks to its growing and globally competitive software industry. The proliferation of IT enabled services and its continuing demand- led growth may well emerge to be a strong opportunity for India, both in terms of generating employment and export.

ITES/BPO opportunities by geography and segment

In terms of geographies, the following trends are apparent:

- The Americas will continue to lead in terms of ITES/BPO spending, with the US accounting for over 59 percent of total worldwide spend.



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- Europe is the second largest market for ITES/BPO services, accounting for 22 percent of the market (IDC estimates).

Government Policies

- The Indian government recognizes that Information Technology will influence economic development extensively in the future. IT is a part of government's national agenda and all policies are driven to achieve maximum benefit to their industry.
- The liberalization and deregulation initiatives taken by the Indian government are aimed at supporting growth and integration with the global economy. The reforms have reduced licensing requirements and made foreign technology accessible. The reforms have also removed restrictions on investment and made the process of investment easier.
- The government is actively promoting FDI, investments from NRIs (Non-Resident Indians) including Overseas Corporate Bodies (OCB's) owned by the NRIs. FDI can be brought in through the automatic route, based on powers accorded to the Reserve Bank of India.
- Till 1994, DOT was the sole provider of basic telecom services in India. The new National Telecom Policy has opened the field for private participants.
- After realizing the potential of India as a major IT power, the government has taken several initiatives to promote the development of IT. The Ministry of Information and Communication Technology is playing an active role in developing the infrastructure that supports the development of information technology. The IT Bill passed in 2000 provides a legal framework for the recognition of electronic contracts, prevention of computer crimes, electronic filing of documents, etc.



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- Amendments have also been proposed in the Indian Evidence Act, Indian Penal Code and the RBI Act. The mechanism of digital signature has been proposed to address the issues of jurisdiction, authentication and origination.
- Recognizing the importance of Venture Capital Funding, the Ministry of Information Technology has set up a National Venture Fund for the Software and IT Industry with a corpus of Rs. 100 crore in association with the Small Industries Development Bank of India (SIDBI) and Industrial Development Bank of India (IDBI). The aim of the Fund is to provide Venture Capital to start up software professionals and IT units in the small-scale sector.
- The IPR law in India

The Product / Service

- a) Description of product/ service: BPO offers varied number of product/ services:

Customer Interaction Services

Contact center that are service facilities with adequate telecom infrastructure, trained consultants, access to requisite databases, Internet and other online information infrastructure to provide information and support to customers round the clock, year round. Customer related support in areas such as marketing, selling, information dispensing, advice, technical, etc. is provided.

Transcription/Translation services

Medical transcriptions involve the transcribing of medical records from audio format or dictated by doctors or other healthcare professionals into either a hard copy or electronic format. Doctors overseas, record their findings into a Dictaphone or any other such device and the sound tracks are transferred through datacom links to ITES companies specializing in this area. Medical transcriptionists, listen to the recordings, transcribe them and send them back electronically.



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Content development/GIS

Content development for Web sites, CAD/CAM/CAE, GIS product life cycle management, remote sensing and photogrammetry, image processing, engineering services for plant design automation, etc. are covered under this segment.

Insurance Claims Processing:

Large insurance companies get myriad claims. Since there are well laid down rules on how they are to be processed such processing can be done anywhere, as long as there is availability of graduates who can read and write English in large numbers, a few doctors and a few accountants. As a result, to save costs, large insurance companies in the U.S. are now outsourcing a lot of this work. This is another good opportunity area.

Digital Content Development/Animation:

New Media content development is emerging as one of the fastest growing service segments in the global I.T. services industry. It caters to needs of web site management, production of content for new media such as Compact Disk, Digital Versatile Disk and products of convergent technologies such as Internet enabled TV. It offers a large emerging potential; as more and more offices, homes, institutions, students and professionals realise an ever growing need to have easy access to information that can also be suitably fused with other media. It consists of compilation and development of digital content for intra-organisation dissemination, cross-institution usage, collaborative projects, public domain information, programs for public/specialised education, web content development and management, developing animated movies. It typically involves defining a set of rules and norms for collection of data; collating various unorganised sources of data; sorting; indexing and sifting; compilation; conversion into digital format and disseminating to various users. In other types of digital content development, there is usually a contract between the content provider and developer to review the project on an ongoing basis such as cartoon movies, etc. Opportunities also include acting as an offshore content developer



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for organisations such as Internet media companies and advertising organisations where there is a constant need for content development.

Other services

On line education or Web based training implies that courses are delivered partly or completely via the Internet, an intranet or an extranet; data conversion, market research analysis using statistical packages, remote network maintenance and monitoring. Law process outsourcing, Accounts process outsourcing are some of the emerging sectors in BPO/KPO.

The Plan

a) Marketing Plan

Advantages & Disadvantages of the Lucknow market.

The Advantages

Lucknow has a large population of highly educated people, a well-developed infrastructure and a large unemployed workforce- cost of labour is cheaper than metropolitans of India. The government is also stable and is offering subsidies for investment in the state of Uttar Pradesh.

The Disadvantages

The customers find difficulty in understanding the English spoken by in India. Bureaucratic interference is high. The attrition rate of the employees is also high.

The Market

As discussed above Lucknow as a city offers immense potential of successfully running a BPO. At present there are more than 12 BPO- big and small like Genpact, Hutch, EXL, running successfully in Lucknow.

Marketing Mix Strategy

Product Mix Strategy: Samridhi proposes to offer following services:



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Following IT enabled services would be provided: Customer Interaction Services, Transcription/Translation services, Content development/GIS, Transcription/Translation services, Insurance Claims Processing, Digital Content Development/Animation, Other services

Operational Plan

The proprietor MrSharad Kumar, owns a land of one acres in New Hyderabad Colony, Lucknow. He proposes to lend this land for building infrastructure to the parent company. The location is supported by excellent infrastructure in terms of good roads, adequate power supply and good broadband and telecom services. Both the parent brand and Samridhi would share the cost of equipments including computers, telephones, faxes etc.

Organizational Plan

Since the attrition rate is very high the human resource policies have to be made attractive enough to retain the employees. This would mean higher salaries, higher scope for growth & development, effective training programmes, recreational activities and fringe benefits. All these activities would go a long way in making the business plan a success.

Financial Plan For Two years: Attached in the annexure

Summary

Business plan is an outline of a business giving details of the finance, assets, staff, products or services and markets. It guides the entrepreneur, it identifies possible problems and it is also used in funding applications. The business plan sets out how the owner of a business intends to realize its objectives. Steps in a business plan include: Idea Generation, Environmental Scanning, Feasibility Analysis, functional plan(marketing Plan, financial plan, organizational plan & Operational plan), Project Report Preparation, Evaluation, Control & Review. Planning is essential in all organizations and company plans should be documented in the form of a project report. This chapter presents a comprehensive discussion and outline of a typical business plan.



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All the key elements in a business plan are discussed and a format of a business plan is presented at the end of the chapter.

Exercise

- Q1. What is a business plan? Describe it in detail
- Q2 Discuss the types of environmental analysis
- Q3 What is feasibility analysis? Discuss its types.
- Q4. What is market research? Discuss
- Q5. Why is a business plan important to the entrepreneur?
- Q6. What are the essentials of a good project report discuss.

The Chapter Project

Draw a business plan for any hypothetical organization of your choice, the product would be from any one of the five innovative projects that you had selected from outlook magazine from the previous end of the chapter project (do a through research for collection of data for both environmental study and feasibility analysis) and then prepare all the functional plans.