

BUSINESS PROCESS OUTSOURCING IN INDIA

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Abstract

India is one of the largest democracy countries in the world, is a huge country located in the south Asia with an increasing population of over one billion, the second largest in the world after China. India is one of the main BPO hubs in the world with its large pool of relatively - skilled human capital and lower wages. BPO has become a key component of any global business model. Among the service industries, ITES and BPO Sectors are providing enormous job options to the needy especially the young persons in the country. However, the BPO industry in India is maturing and facing constraints and challenges for further expansion. Some of these constraints include lack of employable talent, social norms, increasing operational cost and breaches of security in handling client's confidential data.

Key words: BPO, ITE's, Indian BPO, Growth, Global BPO.

Introduction

Business Process Outsourcing (BPO) is a developing industry that is receiving significant attention from all other sectors such as government, business, as well as from the academe. BPO is basically formulated to outsource processes to a third party that are not core to a company but are necessary in its everyday operations. India has the most number of BPO companies in the world. With the sustained growth of this industry, BPOs are now receiving considerable academic attention dealing with multiple aspects. When they are concentrating on multiple aspects there are overlook about the employee interests. With this employees are taking the decision of leaving the organization. As a result attrition rate among BPO employees is high. India is at the forefront of the rapidly evolving Business Process Outsourcing (BPO) market and is well established as a 'destination of choice' among global outsourcers. Over the past decade, Indian BPO industry has grown exponentially in size and has significantly matured in export service delivering capability and footprint.

The business process outsourcing (BPO) industry in India has witnessed phenomenal growth by providing significant cost savings to its customers worldwide. While Business Process outsourcing is associated with several important benefits, for both the Service Provider and the Customer, it also entails risk.

BPO as a Career Option

BPO lures people with its attractive work culture and pay packs. India's software industry was one of the first to use the labor arbitrage between developed countries and

India to their advantage. They did so by selling the software talent in mass. The software bandwagon was swiftly joined in the 2000s by the IT Enabled Services or better known as the Business Process Outsourcing companies. These companies provide specialized talents to all types of industry across the globe at rock bottom prices. They achieve this by employing the vast English speaking talent pool to service multi-national clients. With high entry-level salary, BPO is attractive to the fresh graduates. Very few industries provide Rs.2 lakh per annum jobs plus perquisites to a fresher with a basic degree and good communication skills. Thus, the campus freshmen who were hitherto getting a paltry sum as their pay package saw the offers balloon.

BPO - Why India?

The abundant skilled manpower has made India a target destination for multinationals to back end their operations in India. India ranks high in areas such as qualifications, capabilities, quality of work, linguistic capabilities and work ethics, and thus is ahead of competitors such as China, Philippines, Ireland, Australia, Canada etc. Indian companies have unique capabilities and systems to set measure and monitor quality targets.

Table-1: Support for BPO in Various Countries

BPO	India	China	Russia	Canada	Ireland
Government Support	■	□	□	■	■
Labour Pool	■	□	□	■	□
Infrastructure	■	■	□	■	■
Educational System	■	■	■	■	■
Cost Advantage	■	■	■	■	□
Quality	■	□	□	■	■
Cultural Compatibility	■	□	□	■	■
Time/distance Advantage	■	■	■	□	□
English Proficiency	■	□	□	■	■
■ High ■ Medium □ Low			Source : neolT		

In specific BPO categories, Indian centers have achieved higher productivity levels- for example, the number of transactions per hour for back office processing, than their Western counterparts. India is able to offer a 24x7 services and reduction in turnaround times by leveraging time zone differences. India's unique geographic positioning makes this possible. Many state governments in India are offering incentives and infrastructure to set up IT enabled services. About 100,000 engineers graduate from India every year. Many of these engineers are employed with call centers for troubleshooting and providing technical support at salaries that are dramatically lower compared to the pay scales in the US. The average monthly salary in India is \$400-700 compared to \$2,700-2,800 in the US.

Interesting Facts about the Indian BPO Industry

- The BPO sector in India is estimated to have reached a 54 per cent growth in revenue
- The demand for Indian BPO services has been growing at an annual growth rate of 50%
- The BPO industry in India has provided jobs for over 74,400 Indians. This number is continuing to grow on a yearly basis. The Indian BPO sector is soon to employ over 1.1 million Indians
- 70% of India's BPO industry's revenue is from contact centers, 20% from data entry work and the remaining 10% from information technology related work
- Indian BPOs handle 56% of the world's business process outsourcing

The Top Fifteen BPO Companies in India

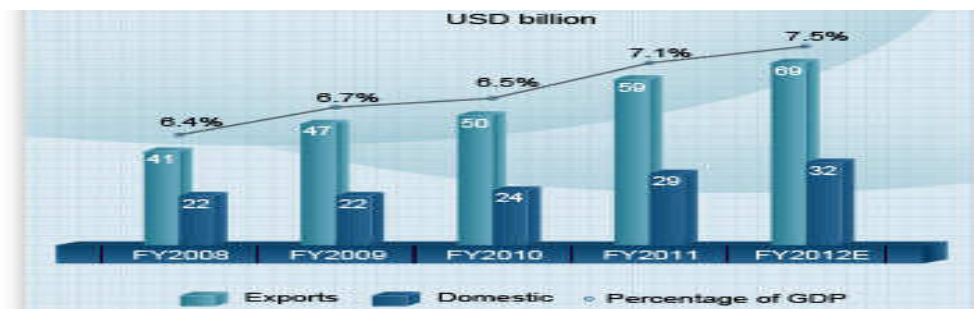
NASSCOM conducted a survey and evaluated the leading BPO service providers across India. The top fifteen business process outsourcing companies in India are:

- | | | |
|-------------------|---------------------|---------------------------|
| • WNS Group | • Wipro Spectramind | • Daksh e-Services |
| • Convergys | • HCL Technologiess | • Zenta |
| • ICICI Onesource | • Mphasis | • EXL |
| • Tracmail | • GTL Ltd | • vCustomer |
| • HTMT | • 24/7 Customer | • Sutherland Technologies |

Key Highlights

- In 2012-2013, export revenues are expected to grow by 11 - 14 % and domestic market by 13 - 16 %.
- Indian IT-BPO revenue estimated to cross \$100 million in 2011-12
- In 2011-12, exports are expected to be at \$69 bn and domestic market at \$32 bn
- Technology spends are expected to grow over 4%
- India's share in global sourcing was at 58% in 2011, up from 55% in 2010
- The industry expected to employ over 200,000 employees in 2012-13; currently employing over 2.8 million professional, with over 2,30,000 jobs being added in 2011-12

Figure 1 IT -BPO Revenues

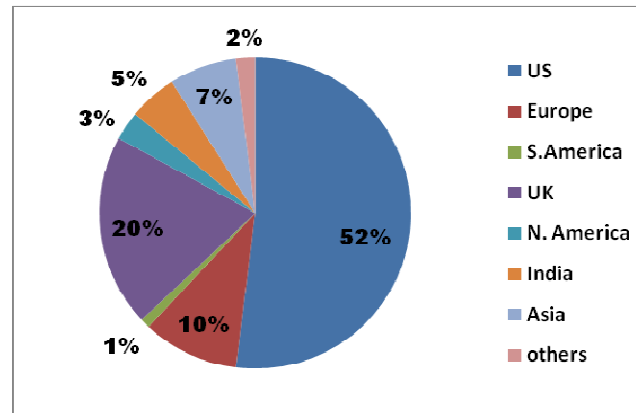


Source: NASSCOM

Achievements of Indian BPO

Several Indian BPO and IT companies are setting up local delivery centres in the Middle East and hiring senior executives from India, to serve the region well. After developed markets like the US and Europe, the Middle East is rapidly emerging as the next big destination for India's business process outsourcing (BPO) firms and software services providers. A case in point is Serco Global Services. It signed a four-year contract with the government of Abu Dhabi to provide shared services to over 50 government departments within the United Arab Emirates (UAE). It also has a presence in Saudi Arabia. So much so that Serco has established a strong foothold in the region with over 3,000 dedicated employees.

Figure 2 Global BPO Market Share



Source: <http://www.slideshare.com/bpo-market-share>

TCS bagged a deal from National Commercial Bank in the UAE to manage its core banking platform. Cognizant won an IT services contract from the Saudi Electric Company for SAP implementation. WNS bagged a new client in the Middle East for shipping and logistics, while Wipro clinched an outsourcing deal from Qatar Airways to provide aviation IT products.

In fact, among Indian firms, Wipro has won the maximum number of long-term, large deals from the UAE since signing an Arabia trading agreement in March 13. The agreement made Wipro a preferred IT partner for outsourcing from the Middle East. Wipro recently informed stock exchanges in India that its joint venture (JV), Wipro Arabia, has clocked a total contract value or TCV of close to \$500 million in Saudi Arabia "over the last two years".

Admittedly, the Middle East contributes a tiny portion to revenues of BPO firms and software companies, compared to 85% of revenues from the US and Europe. But experts believe that due to its small base, the Middle East is set to grow its outsourcing by at least

50% on-year for the next two years, much faster than India, whose size and scale of the market is similar to the Middle East. Indian firms have recently started chasing contracts from this region seeing the huge potential for outsourcing, especially for engineering, finance and accounts, and technical helpdesk, in sectors such as banking, insurance, utilities and telecom.

Figure 3



Source: http://www.business-standard.com/article/technology/it-bpo-industry-to-see-slow-growth-in-fy13-112020900102_1.html

Challenges & Opportunities

The jobs in it are challenging; the people are often required to manage a team with 500 or more people. This calls for a person who has excellent knowledge in the area of work and communication skills. He should have a magnetic personality so as to motivate the subordinates to put in their best as an individual and as a team player. Specialized skills require specialized knowledge. Regular training programmes are an essential ingredient to survive in the industry. This helps in keeping the individual in constant touch with the changing scenario. BPOs generally have an excellent monitoring system. Promotions and growth in the organization is dependent on the performance reviews submitted every quarter or half year. Reassignment of job roles and fresh training programmes are based on the performance review. Performance reviews also lay the foundation for variable pay component. Growth and monetary benefits based on performance act as a motivating factor to the individual. Employee welfare facilities like home-to-office transportation, health and fitness centres, excellent cafeteria add as an incentive to the young generation. High attrition rates are a major cause of worry to the industry. Stiff competition from

similar companies providing better salary and growth opportunities forces the employer to concentrate on the growth of the employees. In HP BPO, LEAP or Leadership Advancement Programme, helps in identifying the key players and groom them for future. Performance based- technical and managerial growth plus support from the company for the individual growth with comfortable working environment gives a rosy picture to the industry. But it is not free from defects. Employees of the call centres have to deal with monotonous jobs, long shifts and irate customers. Stress related problems are high in the industry as the people are forced to provide outstanding performance on a continuous basis for their survival. In some cases, minimal chances for growth, less specialized knowledge and inability to maintain a work-life balance are the outcome of it. These factors lead to frustration. The employees, who join BPO companies without completing their basic degree, end up compromising their future career prospects.

Youth unemployment is a major problem faced by many countries. It may leads to the unequal economic growth and formal job growth and also, the mismatch in skills between those demanded by the corporate and those attained by the candidates in schools and colleges. India's population growth increased from 350 million people in 1950 to approximately 1.2 billion people in 2005, 1.30 billion in 2009 and it's going on increasing. Considering the country's increasing population, the youth should be engaged in new opportunities and choices in the arena of employment and look inwards for the generation and maintenance of employment. Though many companies are contributing towards the employment opportunities to control the unemployment, BPO companies are playing vital role in providing employment to the youth with not much yardsticks like education, economic class or location etc. In spite of that even the society, the people around us is not giving proper recognition to the youngster who work in BPO's. But now days, the trend is being changed. Also the nature of employment i.e. work culture, work timings, nature of job etc. in BPO is quite different from other companies.

Conclusion

Most of the good companies encourage their employees to sharpen the saw by facilitating trainings and specialized courses. Exploiting the labor arbitrage provides fuel to the growing BPO industry, a career in BPO is definitely lucrative today, and, can be beneficial to the individual if she keeps educating and re-inventing herself. The Indian BPO industry is set for significant growth over next 5 years. To sustain this growth, the industry will need a huge number of quality human resources. Over the last fifteen years lot of jobs have been created in US in the software and services area. There is no sufficient manpower to meet these vacancies in US. However around 50% of these jobs are expected to be outsourced.

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