BUSINESS PROCESS OUTSOURCING (BPO) IN INDIA: GROWTH AND CHALLENGES

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ABSTRACT

Business Process Outsourcing (BPO) can be defined as the act of utilizing services of third party by a company in short even a small function like birthday celebration may also be outsourced for few activities in the main task and in the mean time your time and efforts may be reduced of course with some cost. Nowadays many companies cannot perform all the tasks in the company itself due to cost and expertise, the outsourcing in short is an old tradition followed even in ancient India and various tasks were performed through the skilled people. Most popular services are Data Capture, call center, document management, and recent emerging areas like KPO, LPO, and e-learning. Many other countries like China, the Philippines and few other countries including America are giving stiff Competition to Indian BPO sector. This paper highlights on the status of Indian BPO Sector merger and acquisition adopted as growth strategy by India BPO Companies and risks with its solutions are also given to benefit the BPO companies. India became familiar with Business Process Outsourcing only in the early and mid 1990s, but now the entire country seems to be quivering with the BPO fever.

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INTRODUCTION

Outsourcing can be defined as use of external agency to perform the business activity more cost effectively and efficiently in the given time frame. The external agencies are called venders who are expert in their jobs. Outsourcing is contracting with another company or person to do a particular function. Typically, the function being outsourced is considered non-core to the business. An insurance company, for example, might outsource its landscaping operations to firms that specialize in those types of work since they are not related to insurance or strategic to the business. The outside firms that are providing the outsourcing services are third-party providers, or as they are more commonly called, service providers. Although outsourcing has been around as long as work specialization has existed, in recent history, companies began employing the outsourcing model to carry out narrow functions, such as payroll, billing and data entry. Those processes could be done more efficiently and therefore more cost-effectively, by other companies with specialized tools and facilities and specially trained personnel.

Currently, outsourcing takes many forms. Organizations mostly hire service providers to handle distinct business processes. Some organizations outsource whole operations. The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO). Business process outsourcing encompasses call center outsourcing, human resources outsourcing (HRO), finance and accounting outsourcing, and claims processing outsourcing. These outsourcing deals involve multi-year contracts that can run into hundreds of millions of dollars. Frequently, the people performing the work internally for the client firm are transferred and become employees for the service provider. Dominant outsourcing service providers in the information technology outsourcing and business process outsourcing fields include IBM, EDS, CSC, HP, ACS, Accenture and Capgemini. Some nimble companies that are short on time and money, such as start-up software publishers, apply multisourcing (using both internal and service provider staff) in order to speed up the time to launch. They hire a multitude of outsourcing service providers to handle almost all aspects of a new project, from product design, to software coding, to testing, to localization, and even to marketing and sales. Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) Industry.

BPO is often divided into two categories; (a) back office outsourcing, which includes internal business function such as billing or purchasing, and (b) front office outsourcing, which includes

customer-related services such as marketing or tech support. BPO that is contracted outside a company's home country is called as offshore outsourcing. BPO that is contracted to a company's neighboring country is sometimes called as near shore outsourcing.

Business Process Outsourcing in the Indian Context

In 1994 American Express Travel Related Services combined, standardized, and re-engineered its more than 46 transaction processing sites sprawled across North America, Latin America, EMEA (Europe, Middle East, and Africa), and APA (Asia Pacific and Australia) into 3 sites. Besides Phoenix, Arizona and Brighton, United Kingdom, Gurgaon was chosen as the location for the third site dedicated to handling Japan and Asia Pacific and Australia (Kalakota and Robinson, 2004). In the mid 1990s GECIS also opened its captive customer services centre in Gurgaon. The first pure play BPO provider was Spectramind eServices Pvt. Ltd. set up by Mr. Raman Roy in March 2000 and subsequently bought over and renamed Wipro BPO in 2005. Thus, though the sector is more than two decades old, academic research on the Indian BPO sector is dominated by articles analyzing the country's comparative advantages, especially with respect to China (Popkin and Iyengar, 2007) and case studies of successful Indian vendors (Holloway et al, 2006 on EXL; Wendell and Arippol, 2007 on Daksh; Yadav et al, 2006 on Technovate amongst a host of others).

REVIEW OF RELATED LITERATURE

Sah, S.L. (2009) in his book "Information Technology" entitled described that Information Technology is the synthesis of computers and communication networks. If information technology is the brain of hi-tech industry, telecom is the heart. The reach and power of telecom and IT outpace politics and even geographical boundaries. World Wide Web spans, across space and time to put cyber surfers in contact with each other. India is the sixth largest exporters of computer software in the world. There are about 200,000 IT professionals in India today. This book covers the development of computers and communication system in India and abroad. New frontiers of Information Technology have been described elaborately.

Baveja, Arun (2010) in his book "Introduction to Information Technology" touched that the growth in electronic information begins to demand a new philosophy of the nature and function of information so also the activities of the information professional must, in this setting at least, change and adapt. No longer able to adopt custodial role in managing and organizing the materials and artifacts of information, the librarian or information scientist must adopt a

facilitating strategy, aimed at creating the conditions for a user to negotiate the information sphere successfully.

Baveja, Arun (2005) *The main aim of the book entitled* **"Information Technology and Development"** is to encourage a critical debate on the role of information technology and the development process and to contribute to more informed decision making concerning information technology development, adoption, transfer and utilization. The book is a Vehicle for information exchange and sensitization on the growing gap between the developed and developing world, the role of information technology in this process, and its impact on the excluded and included sectors of society, especially with reference to the current globalization trends.

Suri, R. and Diwan, Parag (2000) *in his book* **"Information Technology Laws: Laws Relating to Cyber and E-Commerce"** dealt legal issues, concepts related with Electronic Commerce, Computing, Information superhighways etc. The book is divided into twelve chapters. The first two chapters look into transformation of our society into an information oriented. The next four chapters look into the concept of theft of information and data protection, the copyright issues pertaining to information technology have been given adequate coverage. The chapter nine and ten deals with issues of individual privacy and surveillances technology. The electronic commerce law dwells extensively on various issues, pertaining to electronic commerce transactions such as proposal agreement, contract, electronic fund transfer, digital signature etc. This book provides the exhaustive text of Information Technology Act 2000, cyber related crime, IT cyber sites and important cases.

GROWTH OF BPO IN INDIA

The National Association of Software and Services Companies (Nasscom) has said the information technology (IT) and business process outsourcing (BPO) sector would meet the lower end of its growth expectation for this financial year, owing to the currency volatility, low growth for global in-house centers and differentiated growth for various players.

Nasscom had given a growth guidance of 11-14 per cent at the beginning of this year. It has now said the industry would record growth of 11 per cent and revenue of $75-77 billion. The estimates are based on analysis of Indian listed companies, multinationals, global in-house centers and various industry sectors such as IT services, BPOs, engineering, research & development and products.

Nasscom president Som Mittal said the economic outlook continued to be uncertain. "You have to see the growth guidance in the light of challenges such as delayed decisions and low visibility. Each company has a different story, a different growth rate and slowing of some of the select verticals. As an industry, we have been under-invested in verticals. We have seen faster growth in verticals like retail and healthcare," he said. Nasscom said remote infrastructure management, BPO and testing were the growth drivers.

While India's growth story appears to be under a cloud, the IT-BPO industry expects to maintain a healthy momentum at 11-14 per cent in IT exports during 2012-13. NASSCOM, which is sticking to this growth forecast for the next 12 months, says it will review its guidance in October, depending on the global economic scenario. At the same time, according to NASSCOM, domestic revenues will witness a 13-16 per cent growth in rupee terms.

IT budget cuts by customers in the US and Europe, which account for the bulk of India's IT-BPO export revenues, have restrained the growth of India's major players. Several large IT-BPO organizations such as TCS and Wipro are waiting for deal closures in the April-June quarter to decide on whether they will meet or beat NASSCOM's guidance. Overall, India's IT services grew at 16.7 per cent in 2011-12, higher than the 16.3 per cent growth recorded in 2010-11. The country's share of global sourcing also increased by 3 per cent, rising to 58 per cent in the last fiscal.

Indian Market size estimates of BPO

India's domestic BPO market, with nearly 500 players, is set to grow of 33.3 per cent to touch revenues of $6.82 billion by 2013, up from $1.62 billion recorded in 2008.

Y2012 is a landmark year – while the Indian IT-BPO industry weathered uncertainties in the global business environment, this is also the year when the industry is set to reach a significant milestone – aggregate revenue for FY2012 is expected to cross USD 100 billion. Aggregate IT software and services revenue (excluding hardware) is estimated at USD 88 billion.

Key Highlights during FY2012

Table:- The below table shows the off shore BPO revenue, Indian BPO revenue and the total market potential of the world BPO industry

IT-BPO Revenue USD billion					
Year wise	*2008*	*2009*	*2010*	*2011*	*2012*
Export	*41*	*47*	*50*	*59*	*69*
Domestic		*22*	*24*	*29*	*32*
Percentage of GDP	*6.40%*	*6.70%*	*6.50%*	*7.10%*	*7.50%*

The revenues for Indian information technology (IT) and business process outsourcing (BPO) services companies will cross $100 billion mark this financial year 2011-2012 NASSCOM (National Association of Software and Services Companies) has forecast a slowdown in software exports in 2012-13 compared to 2011-2012. In FY2013, the IT and BPO export revenues is expected to grow at 11-14 per cent, while the domestic revenues are estimated to grow by 13-16 per cent. The growth was driven by a number of factors such as new business models, services around new technologies such as cloud, mobility, analytics, and social media. The challenges for the industry in FY13 are several: the elections in the US, leadership changes in euro zone, euro debt crisis and India's own policy paralysis are definitely dampeners.

Table 2 - The Indian IT – BPO Sector at a Glance ($ billion)

Year	Exports	Domestic
FY 2013 (Estimate)	76-78	1,030 – 1,060
FY 2012	69	32
FY 2011	59	29
FY 2010	50	24
FY 2009	47	22
FY 2008	41	22

Source:Nasscom

There is policy paralysis in India with government in crisis mode over corruption scams. There is no road map on direct taxes code, goods and services tax and SEZ issues Elections in key markets such as the US, France, Russia, and protectionist sentiments and election rhetoric will

negatively impact business sentiment. Gartner research says that the growth of IT in India is expected to continue, with an annual increase to exceed 10.3% up until 2015. Major Indian IT service companies have improved their cloud services and are providing cloud computing services to clients. The Euro crisis and visa restrictions in USA and tightening of UK work permit rules in UK will restrict growth in these markets. US H-1B/L-1 visa rejection rates have doubled from 4% to 8% for larger companies. US has doubled H-1B visa fee to over $4,000 per visa. This would Impact on margins of IT companies by 20-30 per cent. To counter the slowdown in US and UK, Indian IT industry plans to penetrate more in Latin America, Africa and Middle East. The Indian government will lead IT spending in India through its e-governance projects.

BPO CHALLENGES

On one side BPO's have brought new forms of employment and rising income level, but on the other hand it has darker as well having serious implications, both for the workforce and their employers.

High stress

The biggest demerit of call centre organization is that it accounts for high stressful working conditions which have an adverse effect on employee's health. Management scholars like **Paul Bain** (2000), **Fernie & Metcalf** (1998), Peaucelle (2000) have identified call centers as stressful places of work which strictly operate on Taylors Principle of Scientific Management. It is the computer based technology which accounts for stressful working conditions amongst call centre employees. 'Computers, which are meant to help employees to do the work more efficiently, are regarded as extremely merciless monitoring tools (**Peaucelle** 2000, p. 461) 'Conditions prevailing in this situation resemble those of Taylorian workshops, where work rates are close to the maximum that workers can manage. There are very few breaks in between different tasks and the deadlines create a high level of tension. Operators consequently respond to these hard working conditions. (Peaucelle 2000,p. 461). Spending all day on the phone dealing with people one after another, day after day, is difficult. Doing it under constant pressure to keep call volumes up, with no time between calls to "recover from an awkward call or from 'customer rejection'" is even more difficult. The high stressful working conditions in call centers have been the chief reason for high attrition rates. Various surveys upon Indian call centre industry indicate the fact that, push attrition is found as a significant feature. The separation from the firms is

mostly due to the expiry of contractual term, increased stress and lack of career prospects within the firm. Growing push attrition rates clearly indicate the employment insecurities associated with short-term employment contracts, demanding/stressful nature of the work and lack of bright career paths in the sector. On the one hand, workers are being thrown out regularly; due to the firms' strive for retaining only the most productive hands and to get rid of long-term commitments towards employees.

The long working hours at night disturb the natural body rhythm. Unearthly hours and over-exertion take a heavy toll in terms of health (both mental and physical) and job performance. The results are then two-fold – increased healthcare costs on the one hand and frustrations at the workplace, on the other hand. Odd working times usually leads to disturbances in personal and social life. There are problems related to maintaining friendships, keeping in touch with relatives, accomplishing household duties and finding time for sound family relations. Employees are not even entitled for national/ religious holidays, as the firms work with clients' calendar. The call centre employees have reported several symptoms of mental and physical ill health such as nervousness, chronic fatigue, body ache, insomnia, nausea, anxiety, restlessness, irritability and even depression. Some of them pointed out that working in shift even causes psychoneurotic disturbances such as depressions coupled with the frequent occurrence of gastrointestinal problems, with digestive problems such as constipation, peptic ulcer, indigestion, diarrhea, excessive gas formation, abdominal pain and heart burn. It was also noticed that workers do develop poor eating habits, overeating, smoking, excessive drinking of coffee and so on to cope up with the psychological and physical stress.

Identity Crisis

The second major crisis of the call centre work is related to identity crisis of its workers. The experience of working in a global call centre, talking to foreign customers eight hours a day, together with the way in which call centre work is constructed in the media and popular imagination, has a profound effect on the subjectivity of workers – even those who do not remain for long in the job. In a call centre the Customer Care/ Sales Executive (CSE) are given a pseudo / fictitious names so as to keep their identity hidden from the customer to whom they are calling in a foreign land (U.S. / U.K). The employees are suppose to speak in the British or American accent so as to make the customers in U.S or U.K. feel that with whom they are talking are whites and are calling from their own country. Workers also undergo training in western accents

and popular culture and are discouraged from disclosing their geographical location on the phone. The rationale for these practices, according to managers, is that they allow agents to serve the customer better. Initially, workers were trained in specifically American and British accents, but the preference is increasingly toward a 'global' accent as it allows workers to be shifted around to serve various markets without additional training. Those who work on such voice processes, are forced to live as Indian by day and westerner after sundown" Thus the workers appear to lead a double life – an "authentic", Indian, daytime life, and a phoney, western, night-time one. In case the identity of call centre employee is come to be recognized by the customers in U.K. or U.S. the CSE is subjected to racial abuse and vulgar remarks. Apart from the false accent and identity, what probably has a more profound impact on workers is the emotional labour that they are required to perform, which can be extremely stressful. As noted above, while emotional labour and associated stress are a normal part of such service jobs, in Indian call centres the emotional stress of the work is augmented by the fact that they face racial and other types of abuse from customers due to anti-outsourcing sentiment, especially in the U.S.

Threats pertaining to security of Women Employees

It enabled service sector and call centers are perceived have offered a great employment opportunities to women but major threat pertains to the security of women employees. The rise in number of cases of molestation and rape in big metros of Delhi & Gurgaon are making women reluctant to join this industry. The stressful working conditions and late night working hours are acting as a major deterrent for them for getting married and having a family life.

Reproduction of Social Inequalities

Various studies on call centers reveal that the kinds of employment opportunities provided by the industry tend to build on existing class divisions rather than absorbing a broader cross section of the population into the technical-professional workforce. Because the industry requires workers who possess a certain kind of cultural capital as well as technical skills, it tends to draw primarily from the educated urban middle classes, and within these, especially from those who have attended elite educational institutions. Given the nature of caste/class structures and the urban/rural divide in India, this means that the vast majority of lower caste, working class, and rural people cannot be absorbed by the call centre industry.

This process of exclusion is not deliberately designed or pursued by the call centre industry, yet it needs to be recognised that the use of supposedly neutral, job-related criteria for selection (the

'merit only' position) operates as an exclusionary mechanism because the cultural and social capital required by BPO call center companies is not evenly distributed throughout society. The BPO industry insists that it must be left free to recruit only the best workers if it is to maintain its competitive edge in the global market, and for this reason it has consistently opposed the idea of job reservations in the private sector. However, some companies and industry spokespersons have acknowledged that the private sector must bear some responsibility for social justice and for creating greater opportunities for a wider cross-section of the population, and the idea of evolving a voluntary affirmative action programme has found favour in some quarters. But barring only one or two, till date most companies have not taken substantial steps in this direction. This is a central issue for debate and policy formulation, either by the state or as a voluntary initiative by industry.

CONCLUSION

Outsourcing is done to save money, improve quality and enable the company to focus on core activities. It is, however, important that each individual company accurately assess its needs to determine if outsourcing is a viable option. The success of outsourcing depends upon executives-level support in outsourcing mission, adequate communication and the clients' ability to manage its service providers. The scope of outsourcing as implied from the discussion seems bright. It has turned into a critical management tool rather than just a way to cut costs. It helps the companies to achieve their business objectives, through operational excellence and an edge in the market place. History of BPO in India reveals its steady and rapid growth. Services outsourcing started in India in the mid 1980s, and rapidly accelerated in the 1990s. Now the BPO industry caters to large application development and maintenance needs of corporate across the world. The evolution of BPO in India has witnessed three phases: Setting up of offshore captive centres, establishing BPO operations by professionals and entering of major IT companies into BPO market. In 2011 and beyond, it is observed that outsourcing started in the early 1990s is now transformed into globalization

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