

## ***A Study on Business Process Services in India***

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### ***Abstract***

*Business Process Outsourcing is the leveraging of technology or specialist process vendors to provide and manage an organization's critical and/or non-critical enterprise processes and applications. Outsourcing, Offshore-Outsourcing and Off-shoring are used interchangeably despite important technical differences. Outsourcing involves the transfer of organizational function to a third party; when the third party is located in another country the term Offshore-Outsourcing should be used. Off-shoring in contrast, represents the transfer of an organizational function to another country, regardless of whether the work stays in the corporation or not. Outsourcing and off-shoring are not new concepts to the global economy. Earlier, off-shoring was mostly restricted to manufacturing through technology-transfer during the maturity and decline phases of product life cycle. Major advantages of outsourcing are cost-reduction, comparative advantage by division of labor and economies of scale, lower turn-around time, data-backup for disaster management. Areas of concern are service quality, data-theft, attrition rate, privacy laws and personal-information misuse and credit-card frauds. There are other issues also like job-lose in the outsourcing country, cultural differences and information security. The Indian outsourcing industry is growing fast and has become a major investment area. With increased focus on information security and a comprehensive IT act it is going to get a further impetus in coming years.*

***Keywords:*** *Business Process Outsourcing, Offshore-Outsourcing, cost-reduction, Indian outsourcing industry*

## INTRODUCTION

Employment and work relations in India are as complex as Indian society itself, which, more than ever, is characterized by extreme forms of uneven development. In this chapter we largely focus on one sector of the economy, which is heavily implicated in the current phase of globalisation - referred to as the IT/ITeS/BPO sector. This acronym stands for information technology, information technology enabled services and business process outsourcing industries. At the moment, it is investment in this sector which is powering the Indian economy and which has drawn attention from around the world. It is sometimes said in India that the country largely missed out on the opportunities and benefits of the industrial revolution. However, the IT revolution is seen as means of redressing this situation in the context of a developing knowledge economy. It is certainly the case that up until the recent parliamentary elections, governments dedicated much of their policy emphasis towards attracting both foreign and domestic IT/ITeS/BPO investment. In short, knowledge and information based industries have very quickly attained a place of prominence in the Indian economy and are centrally implicated with the processes of globalisation that are so hotly contested.

For these reasons, the bulk of the chapter concentrates on analysing emergent employment relations in the IT/ITeS/BPO sector.

### **The Indian IT/ITES/BPO Sector**

Off-shoring, as part of global business realignment, is considered the third wave in global expansion by companies, after global export and global production. IT services include systems integration and information systems consulting, application development and support as well as IT training services. IT-enabled Services (ITeS) cover a wide range of services, depending on the nature of expertise, from:

- back-office data entry and processing, to
- customer contact services (such as complaints, tele-marketing, collections support), to
- corporate support functions (such as HR, finance, procurement, IT services), to
- knowledge services and decision-support (such as customer analytics, claims and risk management and consultancy), and to
- research and development services (such as engineering design, content development and new product design).

The spectacular growth of the Indian software industry, which first took India global, in the early 1990s has been mostly export led. The industry started its journey

in the USA with the on-site model, where it cheaply rented out Indian software programmers to work at client sites under client supervision in the US. Thanks to factors such as Y2K projects and a shortage of IT personnel in the USA, the on-site model worked so well that, by the close of the 1990s, Indians accounted for nearly half of the H-1B work permits, which are employer sponsored non-immigrant visas for temporary workers, issued by the US Department of Immigration for IT-related occupations.

Over the years, Indian software companies built a reputation for supplying large numbers of cheap, but high quality IT personnel, pushing IT companies in the USA to continue to lobby the US government to relax work permit regulations. With Euro conversion projects coming on stream in the late 1990s, European companies followed the US example in hiring Indian IT personnel, pushing up their demand as well as the profit margins of the Indian companies that employed them. As the confidence in the service delivery capability of Indian companies increased, part of the outsourced work (mainly coding) was shifted to India. In this way the off-shore model of export led information alism gathered steam.

To most Indian software companies, BPO was an accidental opportunity and in many cases was initiated by their overseas clients. They had to quickly set up subsidiaries to exploit this new found opportunity which came in handy in the face of the downturn in the IT industry. Another stroke of luck for the industry was the cheap availability of abundant and underutilised fibre optic cables laid under the sea by western companies during the e-commerce hype generated in the 1990s and their increasing bandwidth capacity (Friedman, 2005). While the Indian software industry took more than 10 years to mature and climb up the value chain, the Indian ITeS/BPO industry has taken just 5 years (between 2000 and 2005) to do just that. Many of the top Indian software companies, namely, Infosys, Wipro and Satyam, have now set up subsidiary companies such as Progeon, Wipro BPO, and Nipuana, which are their ITES arms.

The Indian ITeS/BPO industry is maturing very quickly. Today it includes, high-end business services, such as knowledge services and decision-support (that is customer analytics, claims, risk management and consultancy) and research and development services (eg. engineering design, content development and new product design). These high-end

services are part of what is now called Knowledge Process Outsourcing (KPO) and they are expected to provide over 40% of total Indian BPO revenues. In line with this growth, the ITeS/BPO/KPO industry now employs not only generic graduates as Customer Service Representatives (CSRs) but also MBAs, doctors, engineers and chartered accountants as process executives. Even at the CSR level, the data collected by the authors in four Indian companies suggests that more than 85% of employees are university graduates. This compares with a figure of about 20% of their counterparts in Australia (see Russell's study of 20 Australian customer contact centres). Another interesting point of comparison is to be found in the age demographics of the industry. Over 90% of employees in the Indian ITeS/BPO industry are under 30 years of age. In our survey at the four Indian BPO centres, 92% of the respondents were under the age of 30. This compares with 40% of Russell's Australian call centre sample that were under 30 years of age.

### **Employment Regulation**

This section examines the relevance of the Indian industrial relations system, specifically the existing political/legal framework to the IT/ITES/BPO industries. Unsurprisingly, we come to the conclusion

that the national regulatory regime and the global BPO industry mainly exist in different 'worlds'. IT/ITES/BPO is largely regulated by the interaction of global capital flows and local labour market dynamics while existing forms of regulation have been marginalised. We begin by describing what those forms of regulation are. Next, we describe the current HR-Employment Relations scene in the ITES/BPO sector. These dynamics have important implications for both workers and other organisations in the IR system, such as trade unions. The implications of this are also analysed.

In addition to specifying a host of unfair labour practices, the Industrial Disputes Act is immediately relevant to two other areas of employment relations. First, it provides detailed rules with respect to employer initiated changes (such as layoffs and retrenchments), which first must receive approval from the appropriate court or tribunal and second, it criminalises certain categories of industrial action. With respect to the former, in establishments of 100 or more employees who have at least one year of service, workers are entitled to half their normal pay for a period of 45 days in the event of a layoff being approved. One month's notice must be provided for any

retrenchments and workers are again entitled to 15 days of their normal pay for each year of service. The same provision also applies to permanent closures, except here, the employer is required to provide 60 days advance notification. Any other changes in the terms or conditions of employment must be preceded by a 21 day notification.

On the union's side, notice of strike action must be provided to employers two weeks before such action is taken, while strikes and lockouts are outlawed during, and seven days after, any conciliation hearings or for the two months following any Labour Court or Tribunal hearings. Additionally, strikes are not permitted during the term of any conciliation award, which may be for a period of up to three years. Existing strikes can also be prohibited once reference has been made to the Act, with fines and jail terms imposed upon transgressors. All provisions in the Act cover establishments and industries that have been declared a public service, but the definition of such, contained in Schedule One of the Act, is very elastic. Governments can rule that just about any activity is temporarily a public service, including manufacturing and financial pursuits in the private sector. Thus, governments may choose to include

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### **HR in BPO industry**

Companies operating in the Business Process Outsourcing (BPO) sector have a considerable number of employees. Therefore, one of the main challenges for the sector is human resources. Many BPOs specialize in HR outsourcing for other sellers, but what about their own HR activities. One of the reasons why companies all over the world decide to delegate operations such as customer care, market research, sales, or HR to a BPO partner is because the latter provides the needed workforce the required qualifications. Hence, the seller avoids all the tasks related to staff recruitment, training, and talent retention and the financial burden that they bring in for the company.

How do BPOs handle all these functions for different clients at the same time, while taking care that all the operations within the company run smoothly?

The HR department's responsibilities in a BPO company go beyond recruitment and payroll. BPOs mostly deal with the repetitive, boring, and time-consuming tasks that sellers can't afford to do in-house. Therefore, one of the tasks of the HR specialists is to make sure that all their employees are motivated and that the

general atmosphere in the company happy. This is crucial for creating and promoting a positive culture within the company.

BPOs create the link between the seller and their customers. Their role is to build a great relationship between both sides. Managing hundreds of employees at the same time is one of the most difficult tasks for the HR department. Dedicated and positive HR specialists are able to establish great communication with the staff. Therefore, they can identify problems and address them through changes to internal policies or through the integration of new technologies that make the work process easier for everyone.

### **Training**

Training is a must in a BPO, for the new and old staff. Ongoing training is crucial to help the new recruits understand the way how the organization works and also its culture and values. In the meantime, older employees must receive continuous training in order to gain new skills and improve their career prospects within the organization. This would help with talent retention.

### **Talent retention**

One of the HR tasks is to recruit new talent and keep them as much as they can. HR

defines salary structures and employee benefits. Yet, people decide to leave a company for various reasons. The HR specialists have to make sure that all labor law policies are updated and that both the employment and exit processes are carried easily.

HR specialists are among the most valuable employees of a BPO. Along with the necessary workforce, they are key to a long and prosperous activity. Keep this in mind when looking for the next destination where to expand your BPO activity. Countries like Albania with a major number of students and graduates in social sciences, economics, and law are optimal for providing all the resources that you need.

## **CHALLENGES FACED BY HR**

### **Skill Shortages**

Offset against the huge pools of surplus labour that define the Indian economy in general, are the employability demands of the BPO sector. Each component of the sector requires tertiary level education in a society where literacy rates hover around 65 percent for the population as a whole and at 45% for females. Jobs in IT minimally require a tertiary degree in engineering, computer science or mathematics, while call centre and data

processing operations insist upon a Bachelors' level degree and high levels of proficiency in spoken and written English.

### **Attrition**

This currently seems to be the biggest challenge currently facing the ITES/BPO sector. The 'race for talent' as one HR manager described it between BPO suppliers is fierce, and with turnover rates that are cited to be between 90 and 120 percent per annum in the ITES sector the poaching of workers has created much distrust among industry participants. Typical of these dynamics, is one firm of 2600 CSRs where the authors carried out field work. Just to keep the workforce on an even keel, 300 agents per month need to be recruited, while half of the centre's 100 percent quit rate occurs within the first three months of an agent commencing work. These figures mirror overall ITeS/BPO corporate experience where, particularly in voice based call centres, the average tenure of CSRs is less than 12 months. Of the four ITeS companies that the authors have firsthand experience with, employee attrition was hovering at above 100% except in one where it was said to be 45%, possibly because the bulk of its operations are non-voice. Absenteeism ranges from 2-8% on a daily basis Some companies try to artificially bring down

the attrition figures by excluding those who leave during the training/induction period or by omitting involuntary turnover, such as dismissals due to poor performance.

## CONCLUSION

In the 21st century, the world of work is changing rapidly both in manufacturing and services. In the last century, most of the blue and white-collar work was conducted in developed economies and in-house. Just as falling transportation costs have enabled the globalisation process to separate the geography of industrial production and consumption with countries, such as China, emerging as new manufacturing leaders, the spread of the internet, with cheap and abundant telecommunications bandwidth, has enabled businesses to outsource white-collar work to specialist outside suppliers, with countries, such as India emerging as important hubs for producing services for consumption at the other end of the fibre-optic cable

Apart from its sheer size, India currently constitutes an intriguing part of the globalization story for its pioneering of what can be termed an Export Led Services Provision (ELSP) model. Today, anybody who visits India will see that

changes are everywhere and the country is well and truly on the move. It still remains a country of complete contrasts – five star hotels surrounded by slums, white collar workers rushing past unskilled labourers using primitive technologies, new globally branded cars navigating congested roads along with antiquated models, freeways and flyovers that suddenly lead to unpaved, snarled roads and so on.

Currently, the BPO sector appears poised on an unstable knife edge. It involves a young, highly educated workforce conducting often routine work for which, in many cases, it is patently over qualified. As a result, the explosive growth of BPO in India has also given rise to startling attrition rates and working conditions that, although perhaps (temporarily) acceptable in urban India may well prove to be far short of employee aspirations.

Will India become the first successful case of Export Led Services Provision (ELSP) in the same way that the Asian Tigers have successfully pursued and brought to fruition a model of Export Led Industrialisation (ELI)? Or will the ELSP economy remain an enclave or 'island' economy as is currently the case? Can an ELSP model develop in the absence of political coordination and coherence, or

without massive public investment in physical infrastructure, or will neo-liberal policies prove sufficient to launch a new era of socio-economic development on the sub-continent? Despite the spectacular growth and visibility of the IT/ITES sector, it is still largely irrelevant to the vast majority of Indians. Still, there is no mistaking the changes that IT/ITES/BPO have brought. While the Indian economic elephant is certainly stirring and moving, only time will tell whether its insertion into the global knowledge economy will bring with it societal standards befitting the 21st century, or new forms of economic dependence.

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