CHAPTER III

BUSINESS PROCESS OUTSOURCING INDUSTRY IN INDIA
INTRODUCTION

The Indian Information Technology and Information Technology Enabled Services industry has been one of the great success stories of modern India. An industry that did exist barely 2 decades ago is now the toast of the nation and the envy of the world. It is arguably the most global of any Indian industry and has created international benchmarks for quality, proving to the world that Indian companies can compete globally and win on quality. India is at the forefront of the rapidly evolving 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.

GROWTH TRENDS OF IT AND ITES IN INDIA

The overall contribution of the BPO industry to India’s Gross Domestic Product is still relatively small accounting for only 5.4 percent of GDP in 2012-2013, but projections suggest a figure of 12.3 percent by 2014-15. The liberalization of the Indian Telecom sector in 1994 gave an unexpected boost to the ITES/BPO industry. India has turned into a hot destination for global offshore outsourcing companies. The shift of the Indian economy towards more service orientation suggests that in the long term, India will continue to be a
major player in the global BPO industry. The number of people directly employed stood at 1.6 million in 2012-13 and it is projected to be 5 million by 2014-15 and indirect employment includes about 1.2 million jobs in ancillary services like transportation, catering, infrastructure, etc. (NASSCOM, Annual Report, 2014).

According to NASSCOM, in 2013-14, India’s information technology and business process management industry added $12-15 billion incremental revenue, to existing industry revenues of $118 billion. During 2013-14, industry’s exports grew 13 per cent at $86 billion, with domestic revenues up 9.7 per cent at Rs. 1,910 billion. NASSCOM reports also stated that the industry added 160,000 employees in 2013, and provided direct employment to 3.1 million people and indirect employment to 10 million people.

Exports by India’s IT outsourcing sector are expected to rise 13-15 percent in 2014-15, as an improving global economy encourages banks and companies to boost spending on technology. NASSCOM has forecasted IT services exports in 2014-15 to rise to as much $99 billion. The increase in growth rate compares with an estimated 13 percent rise in 2014. It also states that the Indian IT and ITES industry is likely to grow to about $300 billion by 2020, focusing on areas like e-commerce, software products and the IT market.

The growth rate of export revenue earned by the IT and ITES industry in India during the period 2001-02 to 2012-13 is shown in Table – 3.1.
Table - 3.1 Export Revenue Growth Rate of IT and ITES Industry, 2001-02 to 2012-13

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<td>5.8</td>
<td>5.5</td>
<td>7.3</td>
<td>10.0</td>
<td>13.3</td>
<td>17.8</td>
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<td>1.5</td>
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<td>8.4</td>
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<td>12.7</td>
<td>19.2</td>
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<tr>
<td>Software Products, Engineering Services</td>
<td>0.3</td>
<td>1.5</td>
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Source: NASSCOM, 2014.

It is noted that the growth rate of IT service exports has gone up from, 5.8 per cent in 2001-02 to 26.5 per cent in 2011-12, but has declined to 23.2 per cent in 2012-13. In the case of ITES-BPO sector, the growth rate has moved up from 1.5 per cent to 12.7 per cent between 2001-02 and 2011-12, but shot up to 19.2 per cent in 2012-13. The growth rate of software products and engineering services has moved up from a low of 0.3 per cent in 2001-02 to 9.5 per cent in 2012-13. This clearly shows the continuous uptrend in the growth rates of the IT and ITES sectors in the country.

**Employment Trends**

The IT and ITES sector has generated massive employment in the past and continues the trend of providing jobs. Tata Consultancy Services recently hired 20000 fresh graduates from all over India in 2013 and other organizations like Wipro, Infosys, IBM and Dell among others also add highly to the employment rate. After Bangalore – the silicon city of the country, Pune is also
on a hiring sphere. The IT and ITES sector are likely to grow 12-15 per cent in 2014-15 and Pune is amongst the top 3 preferred cities for these tech jobs.

With the immense opportunities that the government has to offer to the IT/ITES companies a number of MNC’s are investing in India. Companies like HCL Technologies, Cognizant Technology Solutions, Tata Consultancy Services, Accenture, Capgemini, Amazon, Delloitte Consultancy and Microsoft Corporation among others are highly investing in Indian lands. Cities like Hyderabad, Trivandrum, Chennai, Delhi-NCR, Bangalore, Mumbai and Pune together are providing jobs to a huge number of people (Swapna and Sujatha, 2014).³

The total IT software and services employment was 2.20 million in 2008-09, as compared to 0.52 million in 2001-02. This represents a net addition of 1.68 million to the industry employee base since 2001-02. The indirect employment attributed by the sector was 8.0 million in 2008-09. This translates to the creation of about 10.20 million job opportunities attributed to the growth of this sector. In 2012-13, the IT software and services added about 2.4 lakh jobs, taking the direct employment number to 2.5 million, a year-on-year growth of 10.4 percent whereas the indirect employment attributed to the sector is nearly 8.3 million. The IT services are the largest employer with 45 percent of the total direct employment. In 2012-13, the IT-BPO industry’s contribution to GDP is 6.4 percent as compared to 6.2 percent in 2009-10. In 2013, about 1.6 million jobs created during the year, but the actual number stood at 1.4 million.
and about 0.36 million jobs were generated as against an expectation of 0.33 million, indicating positive growth towards the end of the year.\textsuperscript{4}

**COMPONENTS OF BPO**

In a world where IT has become the backbone of businesses worldwide, outsourcing is the process through which one company hands over part of its work to another company, making it responsible for the design and implementation of the business process under strict guidelines regarding requirements and specifications from the outsourcing company. This process is beneficial to both the outsourcing company and the service provider, as it enables the outsourcer to reduce costs and increase quality in non core areas of business and utilize its expertise and competencies to the maximum.

Outsourcing is made up of two words – ‘out’ and ‘sourcing’. Sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. It will be futile for a manager to expel efforts booking a business trip, as it involves intricacies such as finding flights, booking hotel rooms, reserving a rental car that, need not be remunerated at the manager’s salary (Patel and Aran, 2005).\textsuperscript{5}

The organization will run at a loss by having a manager conduct the administrative task rather than sourcing it to an individual who is costing the organization less in terms of salary. Hence costs, both real (the salary) and opportunity (the time, attention and effort), are important determinants in the sourcing decision. No organization is self-sufficient, nor does any organization
have unlimited resources. Organizations must source work that can be conducted by others at lower cost and with greater effectiveness or it will waste valuable resources in the pursuit of capabilities that can be readily purchased from others. Sourcing is normally conducted with an external party which is external to the unit conducting the sourcing, hence the word ‘out’. An organization can outsource work to another organization or person who is external to it. Sourcing, as discussed above, is the act of transferring work from one entity to another. Outsourcing is the act of transferring the work to an external party.

Organizations are continuously faced with the decision of whether to expend resources to create an asset, resource, product or service internally or to buy it from an external party. If the organization chooses to buy, it is engaging in outsourcing. An outsourcing initiative calls for the transfer of factors of production, the resources used to perform the work and the decision rights. The organization transferring these is referred to as the client, the organization that conducts the work and makes decisions is the vendor, and the scope of the work is captured in a project (Cascio, 1989).  

**The Major Components:**

The simple business process outsourcing model consists of 3 components as:

i. The client

ii. The vendor
iii. The project.

**The client:** A client is the person or organization that would like to outsource a given project. Normally, this entity is thinking about utilizing outsourcing as a strategic tool. A client can be an entire organization or a unit within an organization. If the project being outsourced is the entire IT department of the organization, one can say that the organization is the client. However, if only the payroll functionality of the human resource department is outsourced, the client is the human resource department, though indirectly the entire organization is also the client.

**The Vendor:** The vendor is the service provider who will take over and conduct the outsourced work. Vendors come in many shapes and sizes. For instance, a vendor can be an external organization, which is most often the case. However, a vendor can also be a subsidiary of the organization. For instance, Dell Computers has opened operations in places like Brazil, where they own the outfits. Dell routinely sends software work to these locations because of the availability of a skilled workforce and cost savings. Hence, Dell is engaging in what might be called ‘wholly-owned outsourcing’ by outsourcing work to subsidiaries that it owns.

Vendors can be differentiated based on where they are located. Some vendors are located onshore or in the same area as the client. Others are located near-shore, as in the case of potential Canadian companies for US
clients. Finally, vendors can be offshore, as in the case of Indian companies for British clients.

**The Project:** The third component is the actual work being outsourced. In the past, the most common form of such work was manufacturing or labour intensive projects. Now, however, there is move towards the outsourcing of more complex forms of work, such as software development or Research and Development (Power et al, 2007).7

**OVERVIEW OF BPO OPERATIONS**

The basic BPO operations related to the major functions are Demand Management and Supply Management which are performed in an organization. The processes/activities that can be outsourced include accounts payable and accounts receivable, telemarketing, negotiation and closing, inquiry handling, field support, payroll benefits, direct procurement, indirect procurement, contract manufacturing, product/service creation, warehouse management, inventory management and logistics distribution.

**BPO Service Applications**

Following is a list of common BPO service applications:

- Data Entry Services / Data Processing Services.
- Data entry from Paper/Books with highest accuracy and fast turnaround time.
- Data entry from Image files in any format.
- Business Transaction Data entry like sales / purchase / payroll.
- Data entry of E-Books / Electronic Books.
- Data Entry: Yellow Pages / White Pages Keying.
Data Entry and compilation from Web site
Data Capture / Collection
Business Card Data Entry into any Format
Data Entry from hardcopy/Printed Material into text or required format.
Data Entry into Software Program and application
Data Entry for Mailing List/Mailing Label.
Manu scripting typing in to word
Taped Transcription in to word.
Copy, Paste, Editing, Sorting, Indexing Data into required format etc.
Data Conversion Services Service Example:
Conversion of data across various databases on different platforms.
Data Conversion via Input / Output for various media.
Data Conversion for databases, word processors, spreadsheets.
Receipt and Bill Data Entry, Catalog Data Entry.
Conversion from Page maker to PDF format.
Conversion from Ms-Word to HTML format.
Conversion from Text to Word Perfect.
Conversion from Text to Word to HTML and Acrobat.
Convert Raw Data into required MS Office formats (Nakkiran and Franklin, 2005).8

EVOLUTION OF GLOBAL BUSINESS PROCESS OUTSOURCING

Out sourcing is not a new phenomenon. Adam Smith wrote about it 200 years ago. The theory of ‘Cost Advantage’ and Michael Porter’s ‘Value Chain Concept’ actually paved the way for BPO. It has been in use since the beginning of the 20th century, when Henry Ford decided that instead of owning rubber plantations to produce its own tires it could simply outsource them. The
concept of outsourcing started with Ross Perot when he founded Electronic Data Systems in 1962 (Krishnamurthy, 2007).9

**Birth of BPO Industry**

Historically, the idea of outsourcing has its roots in the ‘competitive advantage’ theory propagated by Adam Smith. The origin of the BPO industry in India goes back to the mid-1980’s. Several European airlines started using New Delhi as a base for their back office operations, British Airways being one of them. The British Airways captive was finally spun off as a separate organization called WNS, which is today one of the largest third-party BPO player in the banking, finance, security and insurance and travel sectors.

In the second half of the 1980’s, AMEX consolidated its Japan-Asia Pacific back office operation in New Delhi. General Electric has been one of the key drivers of the global outsourcing industry. It proposed that seventy per cent of all IT/BPO work in GE had to be outsourced. Out of this, 70 per cent had to be outsourced to developing countries and 70 per cent of this had to be outsourced to India. This philosophy has been followed in spirit and in action. GE’s success has led to other companies emulating it (Taneja, 2009).10

**Evolution of Call Centres**

Customer Relationship Management (CRM) is a segment of the multi-billion globe–girdling BPO industry which has sprung up during the past two decades in the wake of the information technology and telecom revolution in
the Western World. Under the BPO umbrella fastest of the starting blocks and building momentum is the CRM or call centre service industry.

**Origin of Call Centres:** Sometime around 30 years ago, the travel and hospitality industry began to centralize their reservation centres into what one would recognize now as huge call centres. Banks have also used them since the 1970s at least, and later in that decade, with the rise of the catalo shopping movement and outbound telemarketing, call centres became a staple within many industries.

Each industry, however, had its own way of operating centres, its own standards for quality, and it’s preferred technologies. This balkanization of the industry persisted until early 1990s, when call centre managers became more recognized as having a consistent set of skill. The trend of outsourcing customer support services to India began in 1998, when GE established a facility in Noida, near New Delhi. The ever expanding offshore IT and BPO market in India is a result of the country’s significant edge over competitors in key segments. First and foremost is India’s leadership in the area of skilled IT and BPO professionals. India has one of the largest pools of low-cost English speaking scientific and technical talent, which makes it one of the most preferred BPO destinations (NASSCOM, 2010).¹¹

A call centre is an information service bureau with a strong telecommunications network manned by trained professionals at its core. It usually has access to a wide data base, internet and other support infrastructure to
provide information and support services to customers and to discharge customer-related functions like sales and marketing, complaints handling, relationship and account management for business organization. Call centre ‘agents’ in India manage credit card, insurance, telemarketing and product complaints of US and UK based corporate (Sengupta et al, 2013).\(^\text{12}\)

**Elements of a Call Centre:** The three main elements involved in running a Customer Relationship Management centre are Computer Telephony Integration (CTI), Contact management application software and the telephone network. The Computer Telephony Integration is the major element in a call centre and it offers any company that implements a CRM centre the ability to maximize the use of information about its customers, which may be most valuable asset the company owns. Other important elements include Automatic Call Distribution to automatically distribute incoming calls to agents and to monitor the response times and distribution of work.

An Interactive Voice Response system to lead the caller through a menu structure enabling him or her to automatically carry out transactions such as the transfer of money, getting a balance, requesting fax-back information and ordering tickets or goods. Advanced features associated with CTI include Screen Pop-up, which allows information on the calling customer and his requirements to be presented at the agent’s desktop screen. Also the other elements namely contact management software and the telephone network is organized as per their requirement in the centres (Budhwar et al, 2006).\(^\text{13}\)
SCOPE OF OUTSOURCING

The BPO functions that are outsourced can be divided into horizontal services and vertical services.

**Horizontal Services**

These cover a wide range of services like Human Resource, Finance and Accounting and CRM, which are common to all industries. Outsourcing is more common in these processes as they are typically back-office processes and do not offer much competitive advantages to the outsourcer. The services under horizontal services group can be described as follows:

**Finance and Accounting:** Typical activities in this area include management of accounts payable/receivable, bank reconciliation, fixed asset management, cash management, financial reporting, and risk management. The finance and accounting outsourcing market is worth $15 billion and is expected to register a growth rate of 13 per cent annually.

**Customer Services:** This involves providing support for marketing, technical help, advice or disbursing information. Contact centres are generally equipped with high tech telecom infrastructure, trained consultants, and access to required databases, internet and other online information resources. These centres provide customer service on a continuous basis, often 24 hours a day, 7 days a week. In many cases, the vendor deals directly with the client’s customer, calling for a greater level of maturity of the vendor and personnel.
**Transaction Processing:** Transaction processing activities that are normally outsourced include processing of sales order entry, claims, loans, cheque, applications, credit card and reconciliation.

**Human Resources:** Human resource outsourcing encompasses activities relating to payroll, benefits administration, training, recruitment, expense management, and travel and employee records management. Payroll services encompass looking after payroll statements, bonuses, commissions, tax payments, etc. Employee records management includes personnel forms, policies, procedures, and performance management records. The vendor is also in charge of complying with state and federal laws. Globally, HR is one of the most widely outsourced business processes.

**Content Development:** Content development activities that are usually being outsourced are animation, design services, multimedia CD and DVD authoring, web development services, development and maintenance of e-learning technologies, such as learning management systems, content management systems and authoring platforms, etc.

**Financial Research:** This is a new area in the field of outsourcing and includes activities such as data maintenance, basic financial analysis, research, financial modelling etc. This enables senior analyst at the home location to focus on client interactions and other value-added activities. Examples of companies that have adopted this include JP Morgan, Citigroup
and Morgan Stanley which have set up operations in India for this very purpose.

**High-end Engineering:** This includes activities such as design, research and development and high end engineering. These are, in most cases, central to the company’s business and require personnel with high skill levels. Majority of these functions are typically out sourced/off shored to captive setups (Helen, 2004).\(^{14}\)

**Vertical Services**

These services are specific to certain industries, for example, claims processing is specific to the Insurance sector. Industries that have taken the lead in outsourcing and dominate vertical focused services are financial services, insurance, healthcare, and securities.

**Healthcare:** Healthcare industry is expected to be one of the biggest beneficiaries of outsourcing. Timely execution of processes and reduced costs help the healthcare providers improve their service levels and contain their rising costs. Some of the processes commonly outsourced in healthcare services are medical billing, claims adjudication, cashless hospitalization services, medical transcription and IT.

**Financial Services:** Financial institutions and banks have been leaders in outsourcing business processes. Customer care and transaction processing are the most commonly outsourced functions. Some of the other functions that are outsourced are tax processing, asset management, human resource, loan
and mortgage processing. However, there is now a shift to outsourcing core activities like treasury and investment banking activities like research support etc.

**Insurance:** Insurance has been a late entrant to the world of outsourcing. Increased competition and volatile economic and political landscape has prompted insurance companies to look at outsourcing to improve efficiency and reduce cost. Outsourcing in insurance companies is expected to show a double-digit growth. Insurance companies have outsourced processes like application processing, underwriting, claims adjudication and customer care.

**Airlines:** Airlines have been forerunners in the field of outsourcing, customer care, data services, loyalty programs, revenue accounting, cargo support and revenue recovery processes have been typically outsourced in this area (D'Cruz and Noronha, 2007).^{15}

**CURRENT DRIVERS OF BPO**

The outsourcing business has grown manifold primarily due to it's major benefits (drivers). The significant BPO drivers are listed and explained as follows:

**Cost Reduction**

Cost savings are realized due to economies of scale, continuous improvements in processes and low wage rates in developing countries. Off shoring presents a great opportunity to reduce costs. Labour forms an important part of the costs structure as these processes are predominantly
labour intensive. In a competitive market, companies have to look at reducing their costs in order to stay competitive. Incidence of fixed cost for owning the process lies with the company. For example, if a company owns a call centre, it has to incur fixed costs for setting it up plus the running costs of the call centre. This scenario can be avoided if company outsources call centre operations, converting the fixed costs into variable costs. The vendor will be responsible for the capital costs involved in setting up the centre while outsourcer will be charged only if he uses the service. This will enable the company to manage its resources effectively as a scarce resource like capital is freed for other purposes. While outsourcing within a country can lower costs, shifting processes to an offshore location reduces costs substantially. For example, moving the process to a low cost location like India would result in typical cost savings of 40-50 percent. Given the most outsourced processes are largely standardized; savings are directly proportional to scale of work offshore. For illustration, Citibank saves around $75 million annually by outsourcing its back office operations to India.

**Focus on Core Operations**

Offshore outsourcing is strongly influenced by need for focusing on core activities. Outsourcing processes frees up management time and capital and enables best utilization of the two. Once the core processes are identified, the company should target to outsource peripheral / support business processes. Outsourcing these business processes will help management concentrate on
core activities, thus enabling the company to strengthen its position in the market.

Benefits of outsourcing are also manifested in peripheral processes, as non-core to the company is core to the outsourcing provider. Hence, non-core processes will receive greater attention from the provider than it would have received from the company’s management. Most vendors try to meet quality standards like Six Sigma, resulting in dramatic improvements in quality. As the error and rework is reduced, cost of running a process falls. Hence, outsourcing benefits both the vendor and the outsourcer.

**Shared Infrastructure**

An individual company, usually, has limited ability to increase the utilization of infrastructure assets (facilities, networking, computer equipment, support staff, and management) beyond its own purposes. Outsourcing enables multiple companies to split the infrastructure costs with other companies thereby, lowering their cost. Another dimension of offshore BPO is that back-office and call centre work can be performed from the same work stations at alternate times taking advantage of time zone differences.

**Improvements in Service Level**

Non-core for the outsourcer is core for the vendor. Vendor focuses on re-engineering and running the processes efficiently. Since, it is a core activity for the vendor; he would strive to bring about improvements in the process outsourced and deliver superior quality standards. There are a number of
examples to illustrate this benefit. For example, Amex experienced higher first call resolutions and less error work in its captive units in India. Similarly, Dell witnessed nearly 40 per cent improvement in their outsourced technical help desk performance in terms of the first call resolution (Quinn, 2008).

**Access to Large Talent Pool**

Countries like US experience shortage of professionals, which results in companies paying a premium for availing their services. They also have to pay for retaining that talent. The costs for recruiting and retraining fresh staff are also higher, in case an employee decides to quit for better paying jobs. However, countries like India where labour pool is large and diverse provide an abundant supply of professionals. Shifting processes to these countries will enable the company to access large talent pool at a fraction of cost in their country. Also the jobs, which are considered low end in developed countries, are rated very high in the developing world. Hence, the outsourcer would have access to large pool of qualified personnel in these countries.

**Process and Product Innovation**

If the process is a non-core activity for the company, maintaining best systems and practice for executing the process takes a back seat. However, if the process is outsourced, the vendor tries to incorporate best available systems. Hence, the vendor has a large experience base enabling him to leverage his learning and employ best practices to eliminate, simplify, and rationalize steps and costs in the business process to the benefit of the clients.
Additionally, BPO firms are usually motivated to improve the process to increase their efficiencies in order to reduce the costs because they are paid for completed work at contracted service levels.

**Leveraging Multiple Time Zones**

If the functions are off shored to India, outsourcer can leverage different time zones. Difference in time zone enables faster development cycles. Some part of the process can be executed in the US in the daytime and then transferred to India. This will enable the company to work 24 x 7. The vendor can utilize the workplace for call centre activity in the nights and processing or non-voice work during the day. This enables better utilization of resources and reduces cost per activity (Decenzo and Robbins, 2008).^{17}

**Changing Customer Needs**

Outsourcing provides management with flexible and scalable services to meet their customers’ changing requirements. Alternatively, the company would have to invest in regularly upgrading its systems and manpower skills to keep in line with customers’ requirements. Outsourcing transfers the onus of investing in upgrading infrastructures and employee skills to the vendor.

**Improving the Bottom-line**

According to Sparrow (2007),^{18} off shoring can result in a savings of 40-50 per cent cost savings, which has a potential of being increased to 60-70 per cent through reengineering and task level improvements like training, etc. The
study also states that off shoring and reengineering a contact centre service process will have a positive impact of 40-50 per cent on the bottom-line.

**Business Risk Mitigation**

There are strategic benefits from business process outsourcing- such as improved performance, profitability and shareholder value.

**Maintain Competitive Edge**

It enables to focus on building a more competitive business, and provide the supporting systems and services to help companies compete more effectively in the global marketplace.

**Obtain Outside Expertise**

Vendor firm’s top business, industry and technical specialists provide management with valuable guidance and skills which are their core competencies and which the company may have not had in- house.

**Gain Access to advanced Technology**

Vendor’s designs and implement leading- edge enterprise systems to support the business process and so manage the technology infrastructure with lower capital investments and training costs.

**Achieve World-class Standards/ Benchmarks**

Vendors re-engineer business processes to incorporate the best-in-class practices of the world’s leading companies and use the performance measures and benchmarking to improve performance and costs (Srivastava, 2007).
LIMITATIONS OF BPO

Outsourcing has given the global IT and ITES Industry numerous valuable advantages which allowed the sector to maintain their leadership even in the situations like recent economic recession. Despite the huge benefits of outsourcing, there are inhibitors or limitations for outsourcing. They are listed and explained as follows:

Service quality

The offshore BPO industry is not as matured as IT services. This may affect the service quality in some cases. The company should bear in mind the maturity of vendors before outsourcing. It would be better to set up captive operations if the vendors lack expertise in executing the process to be outsourced. The outsourcer should take into account implications of vendor’s failure to provide to perform on his business.

Data Security

The most obvious risks in BPO revolve around the access, storage and transfer of data. Compliance with regulations and US privacy laws – that require financial-services companies to protect the privacy of customer data and prohibits them from sharing it with other entities without permission are driving organizational efforts to secure their data. Countries like India do not have robust data security laws. This may be a matter of concern to outsourcing companies, as the vendor may have access to some sensitive information. To
mitigate this problem, outsourcers tend to prefer top BPO vendors, like Infosys, Wipro, etc.

**Staff Redeployment Issue**

Off shoring has been one of the major reasons that cause job losses in America. Though the job losses are more so due to the economic downturn than off shoring, it has contributed its share to American worker’s woes. Due to this, many states in US have taken steps to counter offshore outsourcing. The social cost of outsourcing is too large for any company to ignore. Fallout of outsourcing is loss of goodwill and low morale of existing staff. The company might be able to mitigate the problem to some extent by investing in staff retraining and redeployment to the extent possible.

**Geopolitical Risks**

Before venturing offshore, the company should examine border unrest, religious fabric of the country, government policies, terrorism, etc. With terrorist activity on the rise, the company should assess such risks before entering into an agreement with the vendor.

**Cultural Differences**

Cultural differences need to be effectively managed through exchange programs and by training the initial workforce at domestic facilities. However, some companies may prefer outsourcing to locations having cultural proximity to its home country.
Regulatory issues concerning off shoring

Some states in the US have introduced laws banning companies performing state contacts from off shoring their work to low cost locations or subcontracting the work to overseas companies. New Jersey was the first to an outsourcing of state contracts to companies using overseas labour. Although, this legislation does not seem to have a large impact on India, what the Indian companies need to be concerned about is the level of data protection and privacy laws prevailing in the country. Some of the impending bills require stringent data protection and privacy conditions to be considered before off shoring processes.

Financial problems with the Vendor

The company that outsources can get into serious trouble if the service provider refuses to provide business due to bankruptcy, lack of funds, labour etc.

Loss of Control

Outsourcing requires the control of the process being outsourced transferred to the service provider. Thus the company may lose control over its process (Grover and Vriens, 2006).  

CONCLUSION

This chapter examined various aspects of the BPO sector within the ambit IT and ITES sector in India in terms of its contribution to export revenue, employment generation and others. It clearly indicates that the BPO sector has many advantages to the outsourcing companies and also to the host country,
i.e., India. The availability of qualified labour at a cheaper rate in the country and its strategic location attracts huge amount of outsourcing opportunities, which can be further enhanced by strengthening the privacy and secrecy laws. Moreover, the Government needs to improve the supply of skilled manpower to exploit the advantage of the growing BPO sector will further help in the growth of the sector.
REFERENCES


2. Ibid., pp 2-8.


