CHAPTER-2
LITERATURE REVIEW
2 LITERATURE REVIEW

The objective of this chapter is to analyze the published literature in the relevant topics of outsourcing and human resource management and generally to identify gaps wherein this research may be located.

The literature for this study has been drawn from two main sources. The first source is the industry study and surveys such as NASSCOM, Datamonitor, A.T. Kearney, BMI and Gartner and elaborate articles in reputed trade magazines such as Dataquest. This source was investigated for gaining an understanding on the nature of the industry, the key players and current and the expected market-size. The second source consisted of academic and research articles published on this subject in various journals.

Surprisingly, the search for the terms IT enabled service or Business Process Outsourcing when keyed in to the electronic databases yielded very limited articles in the peer-reviewed journals and most of these articles either present the macro-structure of this industry or look at the issue of outsourcing or off-shoring from the perspective of the client. However, the term call centers yielded much better results and in a way indicated the predominant focus of the literature on call center which is also reflective of how the industry is segmented. Therefore, this study uses the literature on call centers for extracting some challenges and concerns in managing the HRM issues in ITeS-BPO industry. This study would not only provide some insights on human resource issues in the Indian ITeS-BPO industry, but would also in the process bridge, to some extent, the gap that exists in the current ITeS-BPO literature.

In this chapter, the literature on work done by various researchers in the field of outsourcing has been reviewed in detail. Studies and findings in relation to evolution of outsourcing, drivers of outsourcing, theoretical foundation of outsourcing, growth of Indian ITeS-BPO industry and the contributing factors and HR issues affecting the ITeS-BPO industry have been referred at different points in the chapter. These studies have been based on the international and Indian context. Since the aim of the study was to gain a comprehensive view of the ITeS-BPO industry and its challenges and issues, it attempts to covers all facets of the outsourcing industry including the drivers, factors and parameters of choosing to outsource. It further investigated both the mature and emerging markets to analyze and study the various Human resource challenges and issues faced, which would have relevance in the Indian context. In this
study the figures and data from various NASSCOM studies have been relied on to build assumptions on the current state and the projected growth rate of the Indian ITeS-BPO industry. NASSCOM’s research wing has established a reputation for publishing authentic and credible data (Joshi 2002). Because of the level of detail provided by NASSCOM’s data, most academicians and observers prefer NASSCOM over other data sources. The map of the literature review followed in the study has been presented below.

Figure 2.1: Literature Review Map

2.1 Background

The history of outsourcing dates back to the mythological times. It is said that when Sage Ved Vyasa wanted to write the epic Mahabharata, he looked around for someone who would write down the words as he recited them. He approached Lord Ganesha and asked him if he would do so. Lord Ganesha readily agreed to do so. This framework broadly constitutes the concept of outsourcing.
Lord Ganesh had one criterion before accepting the job – the learned Ved Vyasa could not take a break while reciting the epic. If he stopped any time, Lord Ganesh would stop writing and the epic would stay incomplete. Ved Vyasa agreed with this condition but put forward a condition from his side that, Ganesha must fully comprehend the meanings of the poems he writes and not just blindly write them. These were the first set of Service Level Agreement (SLA) that was decided between the outsourcing partners. Outsourcing can be traced back to the Roman Empire during which the function of tax collection was sourced out. In the eighteenth century England, outsourcing regained its popularity and since then has been prevailing in variety of forms (Duffy, 2001).

Outsourcing as a key business strategy has been used by companies in various industries for many decades. Competitive pressures have forced companies to look objectively and critically at business processes. Companies have been outsourcing manufacturing operations, business services and even entire business lines successfully for a long time now. The idea of outsourcing has its roots in the ‘competitive advantage’ theory propagated by Adam Smith in his book ‘The Wealth of Nations’ (1776). Over the years, the meaning of term ‘outsourcing’ has undergone a sea change. What started off as the shifting of manufacturing of goods to locations or countries providing cheap labor during the industrial revolution, it has taken on a totally new connotation in today’s scenario. Today, information technology has become the backbone of businesses and plays a key role in all types of business transactions. Through ‘outsourcing’ one company hands over part or whole of its business process to another company, making it responsible for the design and implementation as per the requirements and specifications of the outsourcing company.

The trend is for the global outsourcing relationships to function more and more as partnerships. Outsourcing providers are taking increasing responsibility in realms that have traditionally remained in-house, such as corporate strategy, information management, business investment, and internal quality initiatives (Sinderman, 1995).

2.2 Events Leading to Outsourcing

Outsourcing gained momentum in the 1970s, when large corporations were underperforming. This trend became even more pronounced in the early 1980s with
the onset of global recession (Kakabadse and Kakabadse, 2000). In fact, the 1980s witnessed a change of direction in business strategy thinking—namely, focusing on fewer activities (Peters and Waterman, 1982). The above changes forced the corporate managers to re-look at the concept of vertical integration and self-sufficiency (Mullin, 1996). This change in outlook lead to many changes in the way the corporations looked at their business. They divested the ‘peripheral or supplementary’ business in favor of the ‘core’ business and became more de-integrated by increasingly outsourcing their requirements for non-core and non-critical components and services (Grant, 1995, p. 381). By the 1990s, the agenda was set, with the growing belief that quick wins could be achieved by pursuing “core” strategies (Prahalad and Hamel, 1990). Many firms began reengineering their process, in effect embarking on a search for new ways of organizing the various elements of business. Such “new beginnings” promoted a rethink and radical redesign of business processes in order to achieve dramatic improvements in critical areas of performance such as cost, quality, service, and speed (Gamble, 1995).

The above changes have been summarized into three factors by Jenster and Pederson, 2000. Each of the factors is highly inter-related and difficult to separate from each other.

- **Globalization**: Companies have grown beyond their protected national markets to compete in the global market wherein due to shorter product life cycle and increasing competition from global players companies are forced to introduce their products in multiple markets in order to gain reasonable return on investment before the product reaches its decline stage.

- **IT and production technology**: The recent advancement in technology allows a split-up of production processes in time and place, which in turn enhances the need for integration and greater coordination. Given this scenario the element of knowledge becomes critical to businesses.

- **Rapidly changing customer needs and preferences**: The customers today have a wide array of goods and services to choose from, since more products and offerings are available. This may lead to decreased loyalty to a single product.
In response to these changes, businesses today contract out more and more tasks and activities previously performed in-house.

Outsourcing has become a common practice for firms operating domestically as well as globally. Some of the numerous factors discussed in the economic and management literature that influence outsourcing decisions, include quality, dependability of supplies, and production cost advantages (e.g., Spiegel, 1993; Hamel and Prahalad, 1994; Demski and Sappington, 1993). Global outsourcing is viewed as a measure of reducing the impact of foreign exchange fluctuations for the multinational corporations (Shapiro, 1996). Some studies highlight the increasing choice by firms to take the outsourcing route to enter new overseas markets than the traditional way through wholly owned subsidiaries (Coopers and Lybrand, 1996).

2.3 Core Competence and Outsourcing

The management literature has often argued that “activities that are not within the core competencies of a firm should be outsourced” (e.g., Hamel and Prahalad, 1990; 1994; Venkatesan, 1992; Quinn and Hilmer, 1994). The firm should focus on its core-competence, for which it derives benefits of cost or a monopolistic advantage, and outsource the manufacture of other products.

Empirical evidence shows that with time, outsourcing has moved towards the core or still more important/or vital functions; for instance from more, ‘harmless’ or ‘non-core’ functions such as cleaning and catering towards more vital and core functions such as product development and finance. Given the breadth of functions and processes that are outsourced the question arises, ‘what, then, is a core competence of an organization?’ There is no clear answer to this question. This is particularly interesting, since the concept of core competence is essential to the managerial strategy since 1990s. Companies should focus on their core competence, and let others do the rest (Jenster and Pedersen, 2000).
Given below is how core competence is defined in the academic literature. Core competencies are those competencies that define a firm's fundamental business (Teece et al., 1997). The things that some companies know how to do uniquely well and that have the scope to provide them with a better-than average degree of success over the long term (Gallon et al., 1995). The collective learning in the organization, especially on how to co-ordinate diverse production skills and integrate multiple streams of technologies (Prahalad and Hamel, 1990).

All the above definitions present a rather vague nature of core competence but at the same time it brings forth the view that core competence is unique to an organization. It also illustrates that not all competencies are equally important; key determinant in deciding if the function or process should be outsourced. Core competencies are dynamic in nature and will change over the period hence it is important to continuously upgrade it to maintain the competitive advantage.

In short, a core competence comprises of:

- **Resources**: which are the human, technical and financial assets of a company;
- **Processes**: which are the strategies and activities through which the resources are turned into; and
- **Capabilities**: that is the accumulated skills, know-how and learning of a company.

**Figure 2.2: Outsourcing trend moving from non-core to the core**
2.4 Meaning and Scope of Outsourcing

Academic literature dealing with outsourcing is very diverse and rapidly growing in size. It covers the whole range from traditional theoretical discussions, e.g. transaction cost economics (Williamson, 1981) to practitioners' handbooks on how and when to outsource. Especially, literature on IT and outsourcing has virtually exploded in recent years (for example Lacity and Hirschheim, 1993, 1995; Willcocks and Lacity, 1998; Minoli, 1995; Loh and Venkatraman, 1992; Shire and Tam, 1999; Taylor and Bain, 1999a; Belt, 2001; Crone, Carey, et al., 2001; Korczynski, 2001; Deery and Walsh, 2001; Frenkel, Korczynski, Houlihan, 2001). But the research area is by no means clear and well defined. The term outsourcing has been defined by variety of authors and researchers across the years on evolution of the outsourcing process. Most of the definitions are aligned to the topic of research and discussion.

2.4.1 Definitions of Outsourcing

Harrigan (1985) “It is the ‘make or buy’ decisions’ to obtain the necessary supplies of materials and services for the production of the goods and services”.

Loh and Venkatraman (1992) “External vendors’ provision of physical and/or human resources associated with the user organization’s information technology infrastructure”.

Lacity and Hirschheim (1993) “Outsourcing consists in conducting one or more organizational activities, using external agents”.

Quinn and Hilmer (1994) “External acquisition of activities, including those traditionally considered an integral part of any firm, provided that they do not form part of the firm’s core capabilities”.

Rothery and Roberson (1996) “The act of turning to an external organization to perform a function previously performed in-house. It entails the transfer of the planning, administration and development of the activity to an independent third party”.

Bryce and Useem (1998) “Outsourcing can be described as the contracting-out of the company’s major functions and activities to an external service or goods provider”.

Sacristán (1999) “Collaboration agreement between different types of firms in which one firm is a specialist in technology and makes a significant contribution to the other by providing physical and/or human resources during a certain period in order to attain a determined objective”.

Gilley and Rasheed (2000) “It is the substitution of activities performed in-house by acquiring them externally, although the firm has the necessary management and financial capabilities to develop them internally. It is also an abstention from performing activities in-house”.

Campos (2001) “It consists of contracting an external supplier to perform a task previously executed by the organization itself, and may also even involve new activities”.

Bailey et al. (2002) “Handing over some or all of that particular activity and related services to a third party management, for the required result”.

Quélin and Duhamel (2003) “The operation of shifting a transaction previously governed internally to an external supplier through a long-term contract, and involving the transfer to the vendor”.

McCarthy and Anagnostou (2004) “Not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organization”.

The review of the different definitions reveals that most authors agree that outsourcing means going outside the firm to acquire determined activities that are not processed internally. However, the definitions display some different partial aspects, since the propositions made by the authors are based on the purpose of their research. Thus, we can classify the definitions into three types:

- those that consider, outsourcing entails a stable, long-term collaboration agreement in which the supplier becomes a strategic partner and where there are exchange relations with independent firms (Quélin and Duhamel 2003; Sacristán 1999)
those definitions that indicate the type of activity or service that can be outsourced, i.e. activities and services that are not non-strategic for the firm (Quinn and Hilmer 1994; Campos 2001)

those definitions that consider that outsourcing is an action that transfers planning, responsibility, knowledge and administration of activities, all through contracts (Rothery and Roberson 1996; McCarthy and Anagnostou 2004).

Based on all the above definitions, an integrated definition that encompasses all aspects of outsourcing and provides a frame of reference for this study can be suggested as follows:

“Outsourcing is a strategic decision that entails the external contracting of determined non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability firms to undertake those activities or business processes, with the aim of improving competitive advantage”.

Another popular and well-accepted definition of BPO offered by Gartner-Dataquest 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’.

Today, outsourcing involves either ITO or BPO. Information technology outsourcing (ITO) involves a third party who is contracted to manage a particular application and includes all related server networks and software upgrades. Business Process Outsourcing (BPO) generally features a third party who manages the entire business process such as accounting, procurement or HR (Ghodeswar and Vaidyanathan, 2008).

2.5 Theoretical underpinning of current outsourcing research

It is difficult, if not impossible, to agree on the origin of outsourcing as a practice or as a scientific concept. The transaction costs theory (Coase, 1937; Williamson, 1975, 1985) is most often referred to in relation to outsourcing and hence it is a fair argument that the knowledge roots of outsourcing stretch back to almost 75 years.
During these years, several theories have developed which are discussed in today’s published research on outsourcing (Marco Busi and Ronan McIvor 2008).

The lists of the ten theories which are most frequently quoted (with a reference to outsourcing related seminal work) are:

- Resource-based view (Penrose, 1959; Richardson, 1972).
- Strategic management (Quinn and Hillmer, 1994).
- Evolutionary economics (Nelson and Winter, 1982; Mahnke, 2001).
- Relationship market/view (Berry, 1983; Sommer, 2003).
- Industrial economics (Porter, 1980).
- Strategic alignment theory (Henderson and Venkatraman, 1990).
- Core competence theory (Prahalad and Hamel, 1990).

However, the most widely quoted from among the above is the Transaction Cost Economics (TCE) (Williamson, 1981) and Resource-Based View (RBV) of the firm (Prahahad and Hamel, 1990).

Below is a brief description of the Transaction Cost View and the Resource Based View:

2.5.1 Transaction-Cost View:

According to transaction-cost theory, the relative transaction and production costs associated with the process or service determines whether to outsource or internalize the process (Williamson, 1975). The three dimensions of transactions include: frequency of transactions, uncertainty, and degree of asset specificity. If all the dimensions of the transaction are found to be low, then the firm will decide to outsource its business processes (Mahnke et al., 2005). This approach highlights the need for a detailed and specific contract between the client and vendor in order to avoid opportunism and performance measuring problems (Lacity and Willcocks, 1998; Poppo and Zenger, 2002). But such formal and highly specific contracts may lead to distrust and opportunism (Ghoshal and Moran, 1996). This view fosters rigidity and distrust among vendors due to its emphasis on over-specification.
2.5.2 Resource-Based View:

This perspective is based on the firm’s internal competence i.e., the resources and capabilities. According to Barney (1991), a firm’s competitive advantage is derived from those capabilities that are unique and non-substitutable and are the main drivers of the firm’s performance. These capabilities constitute the ‘core competencies’ of the firm (Prahalad and Hamel, 1990). According to RBV, a firm may outsource all activities other than its core competencies (Quinn and Hilmer, 1994). For example, a firm should outsource its IT activities if IT is not part of its core competencies (Gilley and Rasheed, 2000; Steensma and Corley, 2002).

Outsourcing today has gained a wider meaning with firms outsourcing some of their core processes and activities in order to gain access to critical resources and expertise to maintain a competitive advantage. Thus, RBV theory directs organizations to focus their resources on those services and products that produce a competitive advantage for the organization. This perspective on outsourcing is considered incomplete.

RBV encourages the firm to evaluate whether it is more efficient to make a product in-house or to buy it from the market. Within this framework, outsourcing is more promising when the firm decides that a function is not part of its core competencies and it can acquire the right quality at the right price from an external provider. In the end the goal is to reduce cost and improve service and free up management talent for the firm’s core strategic business concerns (Khosrowpour et al., 1996).

The inadequacies of the transaction-cost and resource-based views have brought about the relational view that draws from both the transaction cost and resource-based approaches. This view focuses on creating value through different forms of partnerships for both the parties. As discussed by Dyer and Singh (1998), “relational rents” are created wherein partners share, combine, or invest their assets, knowledge, or capabilities, or employ effective governance to lower their transaction costs or improve synergies. Thus, a firm will enter into an outsourcing relationship only if the vendor-client relationship offers relational rents generated through inter-firm exchange or sharing of knowledge, capabilities, and assets.
2.6 Evolution of Modern Day Outsourcing

Technological innovations in the last two decades have led to the overall restructuring and reorganization of work structure. The emergence of information and technology-driven economies has expanded the service sector and redefined notions of time, space, distance, production, consumption and boundaries in the global arena. It has changed the social, economic, cultural and political environment and the nature of global interaction. Services, which were once considered ‘non-tradable’ across international borders as they involve person-to-person contact are now taken for granted. New communications technologies and investment in telecommunications infrastructure have made the long-distance transfer of information realizable and inexpensive.

The landmark deal in 1989 between Kodak and IBM spawned the use of the term ‘outsourcing’ in place of ‘subcontracting’ (Applegate and Montealegre, 1991). Outsourcing has rapidly evolved through the last two decades and risen beyond simple re-engineering of peripheral processes and management of technical infrastructure (Gottfredson et al., 2005). Now, Business Process Outsourcing (BPO) is adopted as a strategy to transform the way of managing businesses to achieve rapid and sustainable improvement in value chain, leading to competitive performance (Linder et al., 2002; Linder 2004).

These changes have made possible the rapid globalization of services such that many services previously produced only locally are now outsourced or ‘off-shored’. These services include call centers, software development, financial services, stock market research and medical transcriptions.

The phenomenon of outsourcing as we know it today is brought about due to the outsourcing of data center operations by large organizations with the objective of achieving significant cost arbitrage (Pfannenstein and Tsai, 2004). This was followed by an era of transitional outsourcing in the early 1990s when the expertise of IT specialist were sought by host organization to develop new client/server systems while maintaining their legacy system. This provided an opportunity for the IT service providers to render domain intensive functional support such as data center, desk support and other standard IT areas. This marked the beginning of ITeS-BPO.
Offshoring and outsourcing share a synergistic relationship. The traditional model of in-sourcing keeps the work in-house or onshore. Manufacturing firms during the 1980’s migrated some of their operations to geographic areas that offered cost arbitrage in the form of cheaper labor, land and tax benefits. In their drive towards efficiency, global corporations started moving their internal manufacturing, operations and services functions such as back-office and customer care center to lower cost destinations, while keeping them in house as company run entity. This move is motivated by a desire to remain closer, while gaining improved access to foreign markets in addition to the pursuit of low-cost operations (Ghodeswar and Vaidyanathan, 2008). In the recent past companies have also started to outsource non-core activities to local or regional suppliers, who provided specialized expertise at lower costs. The rise in the IT outsourcing, contract manufacturing and third-party logistics industry highlights the increase in the activity. The latest trend is to get the work simultaneously outsourced and off-shored to low cost countries namely India and China, with other preferred destinations for outsourcing being Philippines, Brazil, Ireland and the Czech Republic (Monczka et al., 2005).

According to a study by IDC, the worldwide BPO market will reach $682 billion, dominated by the North American region. The premise of the exponential BPO growth is that much greater knowledge gains can be theoretically achieved because of the bundling of IT and business processes (Willcocks et al., 2004).

2.7 Drivers of Outsourcing

In a market place wherein socio-techno-economic factors are rapidly changing, it is not possible for an organization to build competitiveness and sustain the same at all the stages of the value chain (Ramachandran and Voleti, 2004). The drivers for outsourcing can be internal or external to the firm and this has been the focus of study by some researchers in the past. The key drivers include financial reasons such as reducing costs, generating additional profits and reducing capital outlays with periodic payments (Bhattacharya et al., 2003). The technical reasons for outsourcing are quality improvement, gaining access to new talent and technology, easy availability of vendors with expertise, and economies of scale. The strategic reasons include refocus on innovation and core-competencies, while among the tactical
drivers the most prominent ones are shortage of skilled workers and cost-reduction opportunities (Brown and Wilson, 2005; Greaver II, 1999).

Ghodeswar and Vaidyanathan (2008) have classified outsourcing drivers into four categories, viz. organizational, improvement, financial and cost, and revenue.

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<th>Category</th>
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| **Organizational Drivers** | - To achieve a greater focus on core business and increasing flexibility to deal with ever changing business conditions.  
- To gain access to products, services and emerging technologies by assigning operational issues to an outside expert  
- To have greater thrust on market positioning and new product development and redirect resources from non-core activities to greater focus in serving the customer |
| **Improvement Drivers** | - To improve operating performance, quality, timeliness, and productivity by obtaining technologies, expertise, skills, and innovative ideas  
- To improve management and control of operational processes including risk management and improving the credibility and image by associating with superior providers  
- To become more flexible, dynamic to meet the changing opportunities by eliminating the fixed cost of internal staff and moving the function to a supplier |
| **Financial and Cost Drivers** | - To reduce investment in assets and invested capital funds in non-core business functions  
- To reduce or control operating costs by moving into new geographical region and utilizing an outside provider’s lower cost structure  
- To achieve cost reduction with enhanced performance by handling varying demand more efficiently through economies of scale |
| **Revenue Drivers** | - To achieve aggressive growth objectives by gaining |
increased market access and leverage on the service provider’s best processes, capacity and systems

- To expand capacity to design, test and build new products and services
- To stretch its limits in handling the increased volume of business and manage demand efficiently through outsider’s automation, process maturity and the latest technology
- To focus on enablers of business growth and strategies to fulfill them

2.8 Strategic Reasons for Outsourcing

According to Outsourcing Institute, UK, outsourcing may entail significant organizational upheaval, transfer of important assets, dislocation of people, and long-term contractual relationships with an outside partner. None of these make sense unless the benefits to be gained and the risks involved are clearly understood and managed from the outset. Outsourcing is a long-term strategic management tool.

According to Bragg (1998) some of the most popular reasons why managers consider outsourcing are as follows;

a. To acquire new skills: The skill sets of the in-house staff may prove to be inadequate to meet the new demands in business. The organizations can choose to outsource this function to a supplier who specializes in this field. This will not only solve the problem but yield very good results as well.

b. To acquire better management: An in-house function which is no longer effective or efficient due to poor management can be outsourced to a supplier who will give access to the best and most experienced experts in the functional area.

c. To focus on strategy: Managers spend a lot of time handling tactical issues in their functional areas. Outsourcing the tactical aspect of the manager’s job will allow him to spend far more time on strategic issues.
d. **To focus on core functions:** The Company may want to focus all its energies and resources on the core functional areas and all other peripheral functions can be outsourced.

e. **To avoid major investments:** A company may find that a function is ineffective due to lack of investment into it. By outsourcing such a function the company can permanently avoid having to make that investment.

f. **To assist fast growth situations:** In a company with a focus on market expansion the management team can be stretched to its limits handling the volume of the business. An outsourcer can take over certain functions and free the management team to focus on growth initiatives.

g. **To handle overflow situations:** When functions are overloaded it is cost effective to retain a supplier to which the excess work can be moved to.

h. **To improve flexibility:** When functions experience extremely large swings, it is easier to eliminate the fixed cost borne of maintaining internal staff to supplier so that only payment needs to be made of the work done.

i. **To improve financial ratios:** Companies driven by their performance ratios will outsource functions solely to improve their return on assets.

j. **To launch new strategic initiatives:** In the event of reorganization of the company’s management structure, outsourcing can be used to significantly alter the overall organizational structure.

k. **To improve overall performance:** To create competitive pressure for in-house staff by inviting bids from suppliers with specific service levels and cost expectations.

l. **To reduce costs:** Outsourcing is not all about reducing cost but suppliers can lower the costs, if it centralizes the work of several companies leading to economies of scale.

m. **To enhance credibility:** A company can enhance its credibility by contracting with highly reputable, recognizable outsourcing suppliers as well as known suppliers will assure certain level of quality and service.

n. **To jump to the outsourcing bandwagon:** As more and more companies venture into outsourcing, the process itself is becoming a “business as usual” concept, hence lends credence to a company’s decision to become part of the trend.
Kakabadse and Kakabadse (2000) conducted the first large-scale survey on the views about outsourcing by the companies. They studied the outsourcing practices and its importance among 700 companies in US and Europe. They found that though most companies were actively outsourcing or thinking about outsourcing. They all had different reasons for doing so. For some it was a strategic move to enhance productivity while for some it was just a tactical move to in response a business condition. They also found differences in the response of American companies and European companies. The American companies took a more strategic perspective like- adding value through best practice, improving service quality while the European companies considered it to be a cost-saving tactics.

2.9 Levels of Outsourcing

According to (Brown and Wilson, 2005) there are three levels of outsourcing namely tactical, strategic and transformational.

**Tactical Outsourcing:** Tactical outsourcing involves taking the make-or-buy decision based on the cost factor. This traditional form of outsourcing is opted by organizations to resolve specific problems being experienced by a firm by following the existing rules, viz. a lack of financial resources, inadequate managerial competence or a desire to downsize, etc. Tactical outsourcing results in visible benefits in the form of enhanced cash savings, minimizing the need for future investments and resolving staffing issues. Tactical outsourcing can also extend to ‘outsourcing peripheral activities enabling the management to acquire industry specific capabilities by partnering with a chosen vendor’ (Hussey and Jenster, 2003). This form of outsourcing is commonly used by large mature corporations to handle high volume repetitive tasks such as payroll transactions, HR administration and logistics.

**Strategic Outsourcing** is used as a means of realigning the organization processes resulting in freeing of the management staff to refocus on the core business functions. Strategic outsourcing relationships bring in long-term value resulting from best-in-class integrated service providers.

**Transformational Outsourcing** is commonly used to ‘redefine the business’ (Linder, 2004). It enables an organization to build sustainable competitive advantage and generate higher value for an organization thus retaining the leadership position.
of the issues addressed by transformational outsourcing are good governance, maturity of business process knowledge and adequately drafted and monitored SLAs.

The strategic and transformational outsourcing has a higher level of risk than the tactical form; however they are commonly shared with the outsourcing partner.

2.10 Outsourcing Process

Figure 2.3: Black Book model of successful outsourcing

According to Brown and Wilson, (2005) the processes illustrated in the above figure will form the part of any outsourcing engagement. The strategy phase is often the take-off point for any outsourcing initiative. The host/outsourcing organization determines the objectives, scope and feasibility of the outsourcing concept before furtherance in this initiative. In addition, the total time, budget and necessary resources are estimated. A Request For Information (RFI) might be drafted, floated and responses from interested service vendors might be obtained at this stage. This enables the host/outsourcing organization to gain more insight into various particulars of the outsourcing engagement. In the scoping phase, the baselines and service levels expected from the vendors are established. Further clear delineation is agreed on the functions that are to be outsourced and the functions that will remain in-house. A Request for Proposal (RFP) is drafted at this stage by the host/outsourcing organization. Only vendors who have qualified on the basis of merit of the RFI
response are eligible for responding to the RFP. Responses of the RFP are analyzed and vendors are qualified. The next is the negotiation phase. Here, the host/outsourcing organization could develop a Request for Quotation (RFQ) wherein it attempts to understand the pricing model of the qualified vendor. The most common pricing models used are cost per full-time equivalent, time and material, price per unit, volume-based pricing, managed service fee, no cure – no pay, fixed price, etc. (Bartell, 1998). This ends the pre-contractual phase. Negotiations culminate in a contract signed between the host organization and the chosen vendor. Vendors may also be asked to demonstrate capabilities indicated in the response to the RFP/RFQ by executing a pilot project. The host organization then examines the services provided by the vendor during the pilot phase to assess the competence of the vendor to execute the proposed service. As discussed above, the nature of the outsourced work may involve only a single time engagement for non-continuous services indicating a one-time contract. For business processes that are continuous in nature, a multi-year renewable contract is signed. The implementation phase marks the transition of the in-house process to the outsourced vendor. This often involves a requirements assessment sub-phase, where the process is studied in detail by the vendor. The vendor can re-engineer the process to optimize the operations. After successful transition, the phase of continuous monitoring and management is carried out in the management phase. The host organization now has external organizations performing business processes and it has to seamlessly integrate its own processes with these and define suitable interfaces between the host organization and the service providers (Gonalgo et al., 2005). Initiation and implementation of change management is one of the key elements of this phase for a successful outcome. This marks the end of the contractual phase and the beginning of the post-contractual phase. Management of end-of-life arrangements is executed in the completion phase. Contracts that come up for renewal are assessed in this phase. Host organizations make vital decisions on extension of the contract, amicable separation with the vendor to consider engagement with another vendor or executing the function in-house. Renewal of a contract indicates the cyclical nature of the process.

2.11 Framework for Choosing an Outsourcing Location

The selection of an offshoring location involves considering myriads of factors. It is essential to have a systematic approach to evaluating the location. The global
outsourcing framework from Palvia (2003) explains that there are three dimensions that determine the outsourcing decision.

The first dimension is the kind of company in the outsourcer country i.e., if it’s a client company or a vendor company, the second dimension is the kind of company in the outsourcee country i.e., if it’s a foreign subsidiary of the parent company or a company based in the foreign country. And the third dimension is how the work is going to be moved i.e., the delivery mode whether electronically or physically.

Another, conceptual framework presented by Palvia (2004), identified political ideology, information and communication technology (ICT) infrastructure, government regulations, workforce characteristics, judicial/legal system, and language and culture as determinants of a country’s attractiveness as an offshoring destination.

Some other factors considered by other researchers and consultants include (a) geopolitical, social, economic risks, global delivery model risks, and vendor-specific business case risks (Marriott, 2006); (b) country-specific factors such as labor market, government policies, supplier base, and barriers within companies (MGI, 2005); (c) drivers of Foreign Direct Investment (FDI) such as liberalization and privatization; (d) transportation and communication costs (Farrell, 2004); and (e) primary motivators, inhibitors, and facilitating conditions for outsourcing (Joshi and Mudigonda, 2008).

India’s competitive standing in terms of various factors is provided in Table 2.1

### Table 2.1: Various factors contributing to India’s competitive standing

<table>
<thead>
<tr>
<th>Country Ratings</th>
<th>India</th>
<th>China</th>
<th>Israel</th>
<th>Africa</th>
<th>South Ireland</th>
<th>North Ireland</th>
<th>Czech Republic</th>
<th>Poland</th>
<th>Hungary</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Support</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>F</td>
<td>V</td>
<td>F</td>
<td>VG</td>
</tr>
<tr>
<td>Labor Pool</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>F</td>
<td>G</td>
<td>VG</td>
<td>G</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>F</td>
<td>P</td>
<td>VG</td>
<td>F</td>
<td>VG</td>
<td>VG</td>
<td>F</td>
<td>F</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Education System</td>
<td>VG</td>
<td>F</td>
<td>VG</td>
<td>G</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>G</td>
<td>F</td>
<td>VG</td>
</tr>
<tr>
<td>Cost</td>
<td>E</td>
<td>E</td>
<td>F</td>
<td>VG</td>
<td>G</td>
<td>F</td>
<td>VG</td>
<td>G</td>
<td>VG</td>
<td>E</td>
</tr>
<tr>
<td>Political Stability</td>
<td>F</td>
<td>P</td>
<td>F</td>
<td>G</td>
<td>VG</td>
<td>G</td>
<td>F</td>
<td>F</td>
<td>P</td>
<td>F</td>
</tr>
<tr>
<td>Cultural Compatibility</td>
<td>F</td>
<td>P</td>
<td>VG</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>VG</td>
<td>VG</td>
<td>G</td>
<td>F</td>
</tr>
<tr>
<td>Data/IP Security</td>
<td>G</td>
<td>P</td>
<td>VG</td>
<td>G</td>
<td>E</td>
<td>E</td>
<td>F</td>
<td>F</td>
<td>F</td>
<td>VG</td>
</tr>
<tr>
<td>Overall Climate</td>
<td>VG</td>
<td>P</td>
<td>F</td>
<td>F</td>
<td>G</td>
<td>G</td>
<td>F</td>
<td>F</td>
<td>P</td>
<td>P</td>
</tr>
</tbody>
</table>

**Note:** P  Poor; F  Fair; G  Good; VG  Very Good; and E  Excellent

Source: Gartner (2009)

Some other important factors are cost, speed and quality of deliverable, not just for the short term horizon but for the long term. Based on the analysis of India’s
competitive position on the above factors, it suggests that India is likely to retain its number one position in offshoring of services for the next 8–10 years, and possibly even beyond.

While the Philippines, South Africa, Latin American and East European states are emerging locations, there is no question that India remains the pre-eminent location for off-shored and outsourced business activities. According to a recent influential survey, India still offers an unbeatable mix of low costs, deep technical and language skills, mature vendors and supportive government policies (Walker and Gott, 2007).

2.12 Growth in Acceptance of ITeS-BPO

Today, outsourcing has extended to more crucial activities such as IT, telecommunications, finance, and logistics whereas historically outsourcing was restricted to basic support activities such as janitorial services. But, increasingly, complex types of outsourcing have developed lately (Hunter, 2006).

The five most commonly outsourced functions were taxes, bankruptcy/foreclosures, systems, cashiering, and insurance (Jennings, 1996). Manpower expenses were the primary reason behind outsourcing by banks. However, it also improves operating efficiency and reduces service costs.

BPO is one of the most common forms of outsourcing, i.e., ‘transferring the operational ownership of one or more of the firm’s business processes to an external provider that, in turn, manages the processes according to some predefined metrics’ (Ghosh and Scott, 2005; Stone, 2004). Organizations are increasingly relying on off-shore BPO partners for various operations. In some cases, organizations are outsourcing their entire global back-offices, including functions like human resources (HR), to leverage the cost and time advantages (Feeny et al., 2005).

The ITeS-BPO industry is differentiated by horizontal and vertical specialization. Horizontal specialization covers domains such as HR, Logistics or Finance and vertical specialization covers domains such as medical transcription in health sector, cheque processing and imaging in banking.

Another distinction which could be made in ITeS-BPO is based on where the function can be outsourced to i.e., Onshore, Off-shore and Near-shore. Onshore ITeS-BPO refers to outsourcing to within the boundaries of one’s country whereas offshore
refers to outsourcing to vendors from a different country. ITeS-BPO work that is contracted to a vendor in the neighboring country is called Near-shore. For example, for U.S. clients, Mexico is considered a near-shore location, and India is off-shore. Another classification is discrete process BPO, comprehensive BPO, and a multi-domain BPO (Stone, 2004).

Traditionally, organizations considered outsourcing as a means to lower the costs of production and processes, and even today, the major motivation to outsource is ‘economies of scale’ (Kakabadse and Kakabadse, 2005). The companies are using strategic and transformational outsourcing to seek improved business focus, mitigate risks, build sustainable competitive advantage, and extend technical capabilities and free resources for core business purposes (Bartell, 1998). It is a competitive advantage for the organization when an external provider performs the business processes more effectively and efficiently (Lankford and Parsa, 1999). Organizations consider outsourcing nearly all the functions except the core functions that define the organizations business.

BPO is increasingly becoming the strategic choice of companies looking to achieve cost reductions, while improving their service quality, increasing shareholder value and focusing on their core business capabilities. The BPO service-providers are expected to provide a wide spectrum of benefits to their customers, ranging from having greater expertise in the outsourced processes, lower costs achieved through economies of scale, scalability and the ability to absorb cyclicity of loads (PwC, 2005).

NASSCOM refers to the “outsourcing” industry in India as the IT-ITeS industry (Information Technology–Information Technology Enabled Services). The Indian IT-ITES industry is subdivided into four segments: IT Services and Software, ITES–Business Process Outsourcing, Hardware and Engineering Services, R&D, and Software Products. Our scope of discussion in this study is the ITeS-BPO segment.

Although IT enabled services (ITeS) are considered as a part of BPO (Ramachandran and Voleti, 2004) the dominance of such services has meant that the term BPO itself has been defined as “The delegation of one or more information technology (IT)-intensive business processes to an external provider that, in turn, owns, administers and manages the processes based on defined and measurable performance metrics” (Gartner Inc., quoted in Financial Executive, 2005). Typically, IT is leveraged
extensively in carrying out outsourcing function, and for this reason the terms ITeS and BPO terms are used interchangeably.

ITeS-BPO has emerged as a popular competitive strategy for global corporations that believe they must outsource their processes in order to cut cost and survive in the domestic and international marketplace. Traditionally, domestic IT service companies have concentrated on exports, with former IT minister, Government of India, Dayanidhi Maran forecasting that software and information technology-enabled service (ITeS) exports would surpass US$10 billion by 2012. Exports still account for close to 80% of revenues, but demand is now growing within the domestic market, too, including for facilities management and even managed services. Increasingly, local players like Wipro and TCS are pitching for IT deals from domestic companies, both for IT services and BPO.

NASSCOM had downgraded its growth projections for the domestic IT sector as a result of the global economic crisis. IT and BPO exports grew only 5.5% in 2010, mainly due to IT budget cutbacks by clients in Western countries. However, the long-term trajectory of the industry is strongly upwards, with an industry CAGR of 34% estimated for the period 1998-2011 (BMIQ2, 2011).

According to NASSCOM, the Indian ITeS-BPO industry is growing at a rate of around 40% per annum India and is likely to capture more than half of the US$110 billion global offshoring market by the year 2010.

According to India Information Technology report by Business Monitor International Report Q2 2011 (BMI) the domestic demand for IT services will increase rapidly over the next few years. There will be a significant spending on major public sector IT projects such as ID cards, e-government and railways modernization and vendors are expected to compete for a share in it. There are an increasing number of large projects, particularly from the government, but also from other key verticals such as banks, telecoms, defense, manufacturing and retail. The India’s IT services market is projected to grow to US$16.9 billion in 2015.

The domestic BPO segment has continued its strong performances over the past few years, growing by 16.9 percent to reach INR 127 billion in FY11. This was driven by large deals in the telecom and BFSI space and voice based services. (NASSCOM, Strategic Review, 2011). A bottom-up analysis shows a total export BPO market

The potential benefits and risks associated with ITeS-BPO compiled based on the study of various literature are detailed below.

**Table 2.1: Potential benefits and risks**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Profit from wage differentials</td>
<td>• Hidden costs: staff training, redeployment costs, lost productivity during transition, temporary staff costs, cost of selecting a vendor, cost of layoffs, cultural costs, and cost of managing an offshore contract.</td>
</tr>
<tr>
<td>• Labor productivity and economies of scale, efficiencies, flexibility and streamlined operations</td>
<td>• Quality and delivery issues</td>
</tr>
<tr>
<td>• Lower operations costs</td>
<td>• Loss of management control</td>
</tr>
<tr>
<td>• Ability to focus on core competencies.</td>
<td>• Weakness in internal controls of service provider</td>
</tr>
<tr>
<td>• Ability to convert fixed costs to variable costs, which can then be translated into lower prices for consumers</td>
<td>• Possible loss of intellectual property, data security and sharing of sensitive data and proprietary technology</td>
</tr>
<tr>
<td>• Greater flexibility to respond to unexpected changes in business cycle or in the market</td>
<td>• Loss of institutional knowledge and customer knowledge base</td>
</tr>
<tr>
<td>• Ability to provide round the clock services to customers</td>
<td>• Dependence on political stability in the host country</td>
</tr>
<tr>
<td>• Flexible management of workforce levels, especially in inflexible labor markets.</td>
<td>• Loss of flexibility</td>
</tr>
<tr>
<td></td>
<td>• Management/labor resistance and deterioration in employee relations</td>
</tr>
<tr>
<td></td>
<td>• Possible customer backlash because of “generic” treatment</td>
</tr>
</tbody>
</table>
2.13 **Business Process Outsourcing in India:**

Information and Communication Technologies (ICTs) have facilitated the ‘globalization’ of business services, allowing for the relocation of voice based call centers and of back-office processes from the global north to the global south (Huws and Flucker, 2004). Business process outsourcing (BPO) has become a global phenomenon encompassing a large number of countries across the world. As the industry is witnessing a phenomenal growth, more and more countries are entering the outsourcing arena and the old players are trying to rewrite the global outsourcing equation. The advent of ICT has been viewed with immense optimism in India. The ICT segment is looked up to as the panacea for a plethora of problems faced by India currently such as unemployment, slow growth, technological backwardness etc. The Ninth Five Year Plan Document has notes that IT and allied sectors have immense potential for employment generation. It is expected to emerge as one of the largest employers of work force in the country, providing jobs to about 25% of the labor force in the long run. It is expected to generate about one million additional jobs every year. It would also lead to increased productivity in various sectors (Sasikumar and Varma, 2004).

Although the IT industry in India has existed since the early 1980s, it was the early and mid 1990s that saw the emergence of outsourcing. The successful remote delivery of a range of IT and software services from India in the late 1980s (Carmel and Tija, 2005) laid the basis for the later development of the ITeS-BPO industry. IT enabled service (ITeS) is a product of the ‘digital convergence’ of information technology and communication technology, which has facilitated a global electronic network. The Indian ITeS-BPO industry’s initial focus was on creating a strong and reliable platform, using technology as a selling point, thus building on the success of the Indian software industry of the late 1990s. Then it moved to the level of infrastructure development where technology is increasingly used as a differentiator and for bettering the quality of service delivery.

2.13.1 **Events Leading to the Growth of ITeS-BPO in India**

The initiation of ITeS-BPO can be attributed to three sequential events in US that drove it and another sequence of event in India that made it a reality. The first event was the so called millennium bug problem (also known as Y2K problem) which led to
corporations exploring opportunities to fix the codes of mission critical computer programs, before the arrival of the Year 2000. The fear was that computer programs being used by banks, power plants, airline controllers and other critical systems will reset their internal clocks and create havoc in the international financial markets, not to mention accidents caused by misdirected airline controllers, nuclear power plants among others. In order to tackle this uncertainty a pioneering decision was taken by the US corporations starting in 1995-96 and culminating in December 1999 to outsource fixing of this program to India

Second, in the chain of events was the boom of the software market in the US in the late 1990s. Many companies outsourced their software needs to India. Some were done with captives in India (such as American Express, IBM or GE). Others were contracted out to external providers.

And the third, was the recession of 2000-2003, where in companies were looking for ways to cut cost. And one of the solution was to send out back-office paperwork to countries with cheaper but qualified labor and India became the natural choice (Sinha and Subhadra, 2005).

Another important factors attributed to the growth of India ITeS-BPO industry are the high quality academic institution and the liberalization of the Indian economy in 1991 (Budhwar, 2001).

The outsourcing of business processes like data processing, medical billing and customer support began towards the end of the 1990s when MNCs established wholly owned subsidiaries which catered to the offshoring requirements of their parent companies. Some of the earliest players in the Indian outsourcing market were American Express, GE Capital and British Airways (NASSCOM, 2002).

The Indian ITeS-BPO industry has been in existence for a little more than fifteen years. The industry has grown phenomenally and has now become a very important part of the export oriented IT software and services environment. It initially began as an activity confined to multinational companies, but today it has developed into a broad based business platform backed by leading Indian IT software and service organizations and other third party service providers. The ITeS-BPO market of the present day is characterized by the existence of these IT giants, who are able to leverage their broad skill sets and global clientele to offer a wide spectrum of services
The spectrum of services offered by Indian companies has evolved substantially from its humble beginnings. Today, Indian companies are offering a variety of outsourced services ranging from customer care, medical transcription, medical billing services and database marketing, web/sales marketing, accounting, tax processing, transaction document management, telesales/telemarketing, HR hiring and biotech research (Chiamsiri et al., 2005).

### 2.13.2 Emerging Competition for Indian ITeS-BPO

India has undoubtedly secured the position as the prime destination for outsourcing due to its first mover advantage and large skill base. However, countries like Philippines, South African, Latin American and East European states are emerging locations that are catching up fast. (D'Cruz and Noronha, 2008) Most developing countries in Asia and elsewhere are trying to emulate India’s success. The Philippines is already successful in voice based services due to the vast English speaking population and their accent been more similar to the US. Other countries such as China, Vietnam, Bangladesh and Sri Lanka are making significant investments in education and infrastructure in an effort to obtain offshore business.

Similarly, economies such as Russia, Ukraine and Belarus, with a demonstrated capacity for addressing complex technical issues are targeting the high end technology services outsourcing. Altogether, Eastern Europe has become a strong IT region with broad potential for providing global outsourcing services, particularly in the “near-shore” IT outsourcing to Europe. Not all countries entering the offshore outsourcing market are entering at the low-end. The Ukraine, for example, is attempting to leverage its considerable project management and high-end skills obtained through years of doing work for the Russian military (Mukerjee, S, 2007). According to Walker and Gott (2007), India ‘still offers an unbeatable mix of low costs, deep technical and language skills, mature vendors and supportive government policies.

Outsourcing activities to India initially focused on low-end software services and office support functions. However, current trends indicate a transition to higher-end services and diversification to other knowledge occupations such as healthcare, pharmaceuticals, biotechnology, financial and accounting services, media and entertainment, etc. (Kapur and Ramamurti, 2001). Budhwar et al., 2006a, 2006b
summarize the main factors contributing to the strong growth of the Indian outsourcing industry into two main categories. These are: (1) people attractiveness; and (2) location attractiveness.

![Diagram showing factors contributing to growth of the Indian outsourcing industry]

Source: McKinsey Analysis (NAASCOM 2003b)

Figure 2.4: Factors Contributing to Growth of the Indian Outsourcing Industry

India’s competitive advantage as compared to other countries has made it a target destination of multinationals for their back-end operations. To begin with, the abundant skilled manpower gives the country an edge in BPO. About 437,580 engineers pass out every year in India. Many of these engineers are employed with ITes-BPO organizations for trouble shooting and providing technical support (NASSCOM, Strategic Review 2011). India produces approximate 3,102,840 graduates every year, who are ready to work at up to 80 percent less salary than their Western counterparts. This availability of technical and computer-literate human resources who can offer a lower response time with efficient and effective service makes India a magnet for multinational corporations (MNCs). India has the largest English-speaking talent pool in the world with 198,900 engineering diploma holders, about 3,102,840 graduates in other disciplines and 237,871 post graduates. Three-fifths of the Indian technical workforce has more than four years of experience (Pandeya and Bali, 2006).

Presently, India also enjoys the advantage of its location. Global Services Location Index cited in A.T. Kerney Report (2011) claims that in the overall ranking of BPOs, dominated by developing countries from Asia, India is followed by China, Malaysia, Egypt and Indonesia. To arrive at the final ranking, A.T. Kearney surveyed over 50
countries for different aspects related to offshoring services, like people skills, financial attractiveness and business environment. India maintains a wide, albeit slightly shrinking, lead over China, confirming what industry surveys and visiting executives have found.

This implies enormous savings for foreign firms by outsourcing work to India due to the availability of inexpensive and well established infrastructure that offers robust telecommunication services, improved international bandwidth, technology parks, a well-developed software industry and an already existing base of blue-chip companies operating in India. In addition, many Indian outsourcing firms have successfully adopted several global industry standards such as Total Quality Management (TQM), Six Sigma Quality, SEI-CMM Capability Maturity Model, ISO, and COPC. Further, with an emphasis on a secured environment, Indian BPOs are adopting standards such as COBIT, ISO 17799, BS 7799, and ITSM. The government now provides a more conducive regulatory environment for global corporations with incentives like the ten-year tax holiday and rebates in custom duties (Budhwar et. al., 2006). India has already realized Bill Gates’ prediction in 1999 of India likely to become the next software superpower (Ghemawat, 2000).

India currently dominates the world’s offshore business process outsourcing market and is the most favored destination for outsourcing (Carmel and Agarwal, 2002; Davies, 2004; Grant 2005; Friedman 2006). The Indian BPO industry is now compared to Saudi oil and Japanese cars – industries that can transform a nation (Raghuraman and Balasubramanian, 2006). This optimism stems out of the reasoning that the revenues from this segment is expected to touch 787 billion dollars and account for 6.4 percent of GDP growth in 2011. The number of employees in the industry has risen dramatically to around 2.3 million (NASSCOM, Strategic Review, 2011). Carmel and Agarwal (2002) deduce that India dominates offshore IT outsourcing because of the following advantages:

- Availability of low-cost skilled labor
- High quality work processes
- Steady supply of skilled professionals
- English-speaking workforce
- ITO industry structure in India
- Governmental support (Central and State)
- Scalability (management skills in India are reported to be superior to other ITO destinations such as Russia or China)

### 2.13.3 Governments’ Role in ITeS-BPO Growth:

Since the onset of globalization in India during the early 1990s, successive Indian governments have pursued programs of economic reform committed to liberalization and privatization. Until the year 1994, the Indian telecom sector was under the control of government. In the year 1994, the government announced a policy under which the sector was liberalized and private participation was encouraged. The National Telecom Policy (NTP) was introduced in the year 1999 and the deregulation of the telecom industry opened up national, long distance and international connectivity to the competition. It brought in further changes with the introduction of IP telephony and ended the state monopoly on international calling facilities. India has a new IT law that aligns it with 11 other countries in compliance with common e-commerce rules that allow for legally valid paperless transactions and legal transfers. This brought about the golden era for the ITeS-BPO industry. This ushered in a slew of inbound call centers/telemarketing services and data processing centers.

Timely government policies and increased public-private participation have played a key role in developing an enabling business environment for the Indian IT-BPO industry. The Government’s focus on education has helped create the large talent base from where the industry draws its workforce. Establishment of Software Technology Parks of India (STPI) stands out as a seminal policy action, specifically targeted towards encouraging, promoting and boosting the export of software and services from India. Public and Private Enterprises have contributed by building the required capacities of key business infrastructure, helping this industry enjoy world class facilities and services. The private sector is now, in partnership with the government, also beginning to play an increasing role in the overall infrastructure development in the country. The Government’s proactive approach towards the IT-BPO industry was further highlighted in 2008 through actions such as the IT Act Amendment, extension of tax incentives by a year, removal of the SEZ Act anomalies and the introduction of progressive telecom policies that focus on work from home (NASSCOM, 2009).
Looking at the success of India’s IT Industry, the central government identified the ITeS-BPO industry as a key contributor to the economic growth that prioritized the attraction of FDI in this segment by establishing ‘Software Technology Parks’ and ‘Export Enterprise Zones’. Benefits like tax holidays generally enjoyed by the software industry were also made available to the ITeS-BPO industry. The government of various states also provided assistance to companies to overcome the recruitment, retention, and training challenges, in order to attract investments to the region.

National Association of Software and Service Companies (NASSCOM) created a platform for dissemination of knowledge and research in the industry through its surveys and conferences. NASSCOM acts as an 'advisor, consultant and coordinating body' for the ITeS-BPO industry and liaisons between the central and state government committees and the industry. The ardent advocacy of the ITeS-BPO industry has led to the inclusion of call centers in the 'Business Auxiliary Services' segment, thereby ensuring exemption from service tax under the Finance Bill.

These measures have led to a steady inflow of investments by large foreign companies such as Reuters, for establishing large captive ITeS-BPO facilities across India. Moreover, the existing ITeS-BPO operations of major multi-nationals are also being ramped up to cater to the ever increasing demand for better and speedier services. Almost all of India's top ITeS-BPO giants have announced some form of expansion and are in the process of hiring manpower to fill in the additional seats. India's competitive advantage lies in its ability to provide huge cost savings thereby enabling productivity gains and this has given India an edge in the global ITeS-BPO marketplace.

### 2.13.4 ITeS-BPO in India- Industry Dynamics and Challenges

India has earned the reputation of being the world’s leading outsourcing destination with approximately 55 percent share of the global ITO and BPO market (NASSCOM, Strategic Review 2011).

NASSCOM recommends the Indian ITeS-BPO companies to initially bid for low value routinized work and then based on the service quality persuade the client to outsource more valuable and complex work (NASSCOM, 2002). By capturing the domain expertise through displaying capability to undertake a generic process or an in
depth understanding of the industry the Indian companies can aspire to ‘Moving up the value chain’ as quoted by Bain and Taylor, 2004.

Though the Indian ITeS-BPO industry is typified by call centers, it is actually a highly variegated industry. There are a remarkable number of firms engaged in ‘low end’ services such as customer service, claim processing however there is an increasing trend towards ‘high-end’ outsourcing services (Kuruvilla and Ranganathan, 2010).

India’s outsourcing export revenue now exceeds $59 billion, making it the country’s largest export, and the country is home to some half a million IT professionals (NASSCOM Strategic Review, 2011). In the last decade, a tremendous growth and changes in e-business has been driving the software industry to move to countries like India and Ireland (Lane, 2001). This ‘phenomenal growth can be attributed to technological advancements, such as the internet and mobile services, which have reduced communication costs and facilitated the internationalization of business processes and services’ (Mahnke et al., 2005).

India has been most preferred destination for many companies around to the globe due to the fact that outsourcing work to India cuts the application development and maintenance cost, while delivering high quality work and improving productivity. The approaches have ranged from subcontracting part of the work to third party companies or subsidiaries to setting up virtual development teams (Werner, Dieter and Raimund, 2001).

Offshore outsourcing has been particularly suitable for India and represents around 80 percent of the offshore outsourcing market (Elizabeth, 2004).

The primary motivation behind outsourcing is cost reduction, especially lower per capita labor costs. This drive has been further strengthened by the recent economic downturn (Ravichandran and Ahmed 1993; Gopal and Krishnan 2002).

The Indian ITeS-BPO firms handle a host of activities including customer service, technical support/trouble shooting , telemarketing, responding to credit card enquiries, preparation of invoices, payrolls, cheques, reconciliation of daily accounts, writing medical transcriptions, processing applications, billing and collections (Babu, 2004).

The profile of the type of ITeS-BPO workflow, most susceptible for migration to India include high volume, low value, routinized and repetitive, short cycle times,
largely in the financial services sector, from large workplaces, by companies who perhaps have recently merged or have undertaken significant rationalization (Taylor and Bain, 2003). The Indian set-up does not replace the outsourcee country set-up but only takes on the ‘sliced off’, or ‘segmented’ most simple and routinized workflows put up for migration with the cost reduction logic. This approach to outsourcing creates in India work organizations that lies at the ‘extreme quantitative end of the spectrum of call center work’ (Taylor and Bain, 2001) and even constitute an extreme form of ‘mass production model’ (Batt and Moynihan, 2002).

The ITeS-BPO outfits in India are predominantly call centers and medical transcription outsourcing companies. These ventures seem lucrative in the short-run but in the long-run these set-ups either have to quickly expand in scale and efficiency to compete with the best or face consolidation. It is becoming increasingly important for ITeS-BPO companies to move up the value chain through process improvements and re-engineering, as cost arbitrage would cease to be the key differentiator in the long term, as other countries like Philippines, Ireland, and Australia etc. are entering the bandwagon and trying to catch up. It is important for the industry to move up the value chain and offer high quality and unique services to its customers. The trend would be to move from the ‘vendor’ concept to the ‘process partner’ concept (Malhotra and Bhargava, 2006).

There is a clear trend of upward movement of “high end” or “up -the -value chain” jobs in the Indian ITeS-BPO companies with the advent of Knowledge Process Outsourcing (KPO). The typical clients are market research agencies, consulting firms, investment banks, legal firms, pharmaceuticals, automotive companies, and corporate planning departments. India currently commands around 60 percent of the global market share in this domain (Singh, 2005).

The rampant growth in the Indian ITeS-BPO industry has brought along its own set of challenges, the chief among them being the scarcity of skilled manpower resources to meet the growing demand. India not only has to strive to sustain its competitive advantage i.e., the vast pool of specialized IT-ITeS talent, but it also has to ensure that it remains “industry-relevant” and “rightly skilled” (Simhan, 2006).

The high growth trajectory of the ITeS-BPO activities in India has prompted policy planners to look at this industry as one of the potential avenues to absorb the growing mass of educated unemployed (Babu, 2004).
All such developments and trends have important implications for the Human Resource Management (HRM) function given that the BPO industry is primarily people driven. It was reported by ICRA, an associate of Moody’s Investors Service, that in line with the growth of the industry, manpower demand is also expected to surge to around 1.4 million by 2010 (Bhatnagar, 2007). Despite the growing interest in the employment potential of the ITeS-BPO industry, there is a gap in the ‘the conceptualization of its long term implications and the understanding of its complexities, particularly from the point of employees and their experiences of the work place is still at its nascent stage’ (D’Cruz and Noronha, 2007).

The sustainability of the Indian ITeS-BPO industry is also being questioned by many analysts who fear that it might also burst like the dot.com bubble leaving many individuals and corporate at bay. One of the acute problems faced by this people intensive industry is that of availability of competent workforce which gets worsened by the high rate of turnover which is affects this industry (Business Line 2005).

These unique and major developments in India’s economy have led to the realization among industry associations, policy makers, academia and organizations that addressing labor needs and emerging human resource issues is critical. The existing literature, however, contains few empirical studies conducted in India that highlight the nature of human resource management (HRM) systems relevant to the ITeS-BPO industry.

Unfortunately there is very little published work to-date by academics in this field so far in India unlike in developed countries like UK and Australia. The study on this industry has been predominantly based on industry and consultancy report published and quoted in the news papers and magazines on select issues related to this industry such as worker turnover, no-poaching agreements, and retention methods. However, the nature of work in a call center and the Human Resources issues have not been given much thought. Except for recent attention being paid to employee experiences within this industry, broadly encompassing thematic areas such as conditions of work, employee rights and transnational cultural issues (see e.g., Mirchandani, 2003; Babu, 2004; D’Cruz and Noronha, 2006; Taylor and Bain, 2004, 2005; Budhwar et.al. 2006).

Most of the studies related to the management of human resources in outsourcing centers have been done in the developed countries (see for example, special issues of
HRMJ, 2002, European Journal of Work and Organizational Psychology, 2003; Holtgreve et al., 2002; Butler, 2004; Deery and Kinnie, 2004). However, they provide the theoretical basis for analyzing the HR practices in the Indian context.

Since call centers form the predominant focus of the literature and NASSCOM classifies call center and other BPO under the banner of ITeS, the study makes use of this as the reference literature for extracting some challenges and concerns in work, employment and control relations in ITeS-BPO organizations in India.

2.14 Examining Issues in Call Center - A Representative Sample for ITeS-BPO

The increasing emphasis on customer service has made call center one of the fastest growing form of service-work internationally. A wide variety of management techniques and strategies are utilized in order to reduce the negative outcomes of the call center work organization (Burgess and Connell, 2004; Deery and Kinnie, 2004). However, due to the people intensive nature of the industry, the management of the employee motivation and performance continues to be one of the biggest challenges in front of the call center managers (Batt and Moynihan, 2002; Houlihan, 2002). The potential incompatibilities between people management practices at call centers and their strategic and operational foci stem from two major sources: (i) the quality versus quantity problem, and (ii) the problem of control versus empowerment (Mahesh and Kasturi, 2006).

Call centers have been identified as a stressful place to work (Fernie and Metcalf 1998b; Knights and McCabe 1998; Mulholland 2002; Peaucelle 2000; Ruyter, Wetzels and Feinberg 2001), a condition Peaucelle ascribes to the pervasive role played by computer information technology. ‘Moreover, computers, which are meant to help them do the work more efficiently, are also extremely merciless monitoring tools’ (Peaucelle, 2000)

2.15 Theoretical Underpinnings Applicable to Call Center

According to Taylor and Bain there are two areas of theoretical concern that hold relevance to the study of labor process in the call center. Firstly and most importantly the applicability of Foucauldian electronic panopticon perspectives, whose appeal has
proved irresistible to both popular commentators (Arkin, 1997) and academics (Fernie and Metcalf, 1998) as they endeavored to conceptualize the work nature and experience at call center and the second being applicability of the concept of ‘emotional labor’ which was elaborated initially by Hochschild (1983) to call center.

Foucauldian Electronic Panopticon Perspectives

The descriptions of the ‘call center labor process have elicited pictures of Orwell’s ‘Ministry of Truth’, with ‘Big Brother’ management exercising total control’ (Taylor and Bain, 1999). This depiction has received academic support with one leading study concluding ‘the possibilities for monitoring behavior and measuring output are amazing to behold - the tyranny of the assembly line’ is but a Sunday school picnic compared with the control that management can exercise in computer telephony (Fernie and Metcalf, 1998). As Thompson and Warhurst (1998) observed that, ‘it is as if contemporary management theory has produced its own dystopian off-spring’, whose accounts emphasize ‘captured subjectivity and labor trapped in totalizing institutions combined with new, oppressive forms of regulation and surveillance . . .’. This opinion would undoubtedly apply to Fernie and Metcalf, who like many other scholars have taken up the Foucauldian adaption of Bentham’s prison Panopticon, seeing it as a prescient metaphor for the domination of labor process in the modern organization with the use of electronic surveillance.

Recent studies disapprove the application of Foucauldian perspective to the labor process with several writers laying emphasis on the fact that ‘the factory and the office are neither prison nor asylum and their social architectures never those of the total institution’ (McKinlay and Taylor, 1998; Thomson and Ackroyd, 1995; Lyon 1993).

The fundamental differentiating aspect between the workplace and institution is the dynamic process of capital accumulation and the contested nature of power, authority and control in the workplace. Further, to describe a workplace as a ‘carceral regime’ characterized by an all encompassing surveillance is to portray a picture of complete control which overrides the voluntary aspect of the labor process and the managerial need to elicit commitment from the employees. Finally, whether from a crude reading of Foucault or from the danger in a ‘totalizing dynamic’ which disables critique and disarms the very possibility of meaningful opposition’ (McKinlay and Taylor, 1998). There has been a tendency to accept the most pessimistic interpretation of Foucault’s
views which, in practice, entails a diminution or dismissal of the importance of resistance.

In accepting the view that the electronic Panopticon totally dominates the work-force, Fernie and Metcalf (1998) renounce the possibilities for collective organization and resistance. This coincides with the recent trend in the labor process, wherein the employee is so preoccupied with individual subjectivity that he remains obscure to the importance of having collective organization or union as a more influential form of resistance. This can also be seen in the work of some other scholars who have argued that call centers are shifting from the conventional, direct control model of workforce management to emerging hybrids of control and empowerment, for example in the form of ‘mass customized bureaucracy’ (Frenkel et al., 1998), ‘customer-oriented bureaucracy’ (Korczynski, 2002) or even ‘fun and surveillance’ (Hutchinson et al., 2001).

*Emotional Labor Applicable in Call Center*

Hochschild (1983) in her work on service workers put forward the view that, in the course of doing the physical and mental labor, a worker is doing something more, something she defines as emotional labor’

Since frontline service workers are situated at the customer–organization interface and represent the organization to customers, how they behave becomes critical (Ashforth and Humphrey 1993; Morris and Feldman 1996) and organizations are increasingly willing to direct and control how employees present themselves to others (Hochschild 1983).

If we analyze the range of appropriate telephone manners and behaviors particularly the ever-present necessity to maintain the ‘outward countenance’, and ‘smile down the phone’ it is evident that the call center labor process entails emotional labor (Taylor and Bain, 1999).

Some experts believe that since emotional labor involves compliance with feeling rules through deep or surface acting, it can precipitate pernicious psychological effects such as dissonance, in-authenticity, self-alienation and burnout (Hochschild 1983).
Indeed, the emotional labor literature provides valuable insights. For example, examining the proposition that rigorous managerial surveillance can completely transform the bodies of emotional laborers. On the other hand Taylor and Tyler (2000) conclude on the basis of empirical research that the managerial control and prescription of organizational bodies is never total. Their research uncovered numerous examples of telephone sales agents expressing deviant behavior.

Although little research has been undertaken on the human resource aspects of call centers, two contrasting images are emerging. If we look at the literature on the labor process in the call center it presents a spectrum, on one hand there are scholars who present a very positive image (Winslow and Barmer, 1994). For instance, consider the employees in call centers as semi-professional, who are empowered to perform. The tasks they are entrusted with are seen as challenging which requires team work, creativity and participative decision making on part of the front-line worker. Frenkel et al., (1998), present the call center as a place with greater diversity, revealing an environment, where jobs provide challenge and interest and where the skills of frontline employees are acknowledged and cherished. The front-line worker is considered a strategic resource as he is the face of the organization and is in direct contact with the customer. Similar rosy descriptions were also reflected in the messages of this some publicists who, in the words of Bain and Taylor (2000) “presented exciting images of centers, staffed by co-operative team-working employees “smiling down the phone” and talking to customers in a relaxed and professional manner in comforting regional accents”.

On the other end of the spectrum, the call centers have been presented as ‘dark satanic mills’ (IDS, 1997, p. 13), panoptical wired cage (Menzies 1996), or as electronic sweatshops (Garson, 1988) and have also been accused of ‘harboring a 1990s version of Taylorism’ (Arkin, 1997). One of the earlier studies on call center was carried out by Fernie and Metcalf (1998) who claimed that ‘the “tyranny of the assembly line” is but a Sunday school picnic compared with the control that management can exercise in computer telephony’.

Some other images of call center is that the employees in such organizations are tightly controlled, have monotonous work tasks and stressful work (Knights and McCabe, 1998; Wallace et al, 2000). Taylor and Bain (1999) refer to the work conditions in a call center as a “sweatshop” and suggest that call centers are little
more than a return to Taylorism and “an assembly line in the head”. Apart from these intensive surveillance systems the jobs in these call centers are seen as involving minimal selection criteria, poor wages and more importantly the job is considered as tightly scripted, repetitive and stressful (Batt, 1999). However, the pictures painted by scholars at both the ends of the spectrum are now beginning to be considered as too simplistic or one-dimensional (Beirne et al, 2004; Frenkel et al, 1998; Kinnie et al, 2000). The reality of call center work is seen as ‘ongoing struggles marked by frustrations, tensions and dilemmas’ and ‘a complex mix of attitudes, initiatives and adaptations’ (Beirne et al, 2004). Some studies confirm that the dilemma that faces some call center managers is about quantity versus quality (Taylor and Bain, 1999).

On the one hand a strong emphasis on the quantitative output measurement and constant monitoring may result in low motivation and productivity, but on the other leniency in surveillance and targets would result in an economic setback for the organization (Taylor and Bain, 1999). Some researchers have probed further into the issue of how organizations balance these conflicting demands. Kinnie et al (2000) in their in-depth case studies of two call centers document the use of high-commitment HR policies to reduce the tension between these demands.

The typical characteristics of call center jobs have been described as ‘dead-end’, with low status, poor pay and few career prospects. As evidenced by many researchers that much of the work is highly routinized, repetitive, tightly controlled and closely monitored. The computer technology plays a very crucial part in the process- with the use of Automatic Call distribution (ACD) technology the work can be allocated with minimum waiting time, the performance level which includes the idle time, call quality monitoring etc. can be remotely assessed at the management’s discretion. This information panopticon is said to continuously remind workers that, although no manager may be physically present, every aspect of their performance maybe constantly measured (Macdonald and Sirianni, 1996).

Other prospect presented by yet another scholar is that today the call centers are ‘a combination of 20th century technology and 19th century scientific management is turning the office of the future into the factory of the past’ (Garson, 1998).

Other studies, however, present a quite different image of call center work. Frenkel et al., (1998), for example, point to a greater diversity in call center work, revealing environments where jobs provide challenge and interest and where the skills of front
time workers are acknowledged and valued. Service work requires subjective interpretation and where employees must exercise judgment to meet customer needs, it is clearly inappropriate to adopt methods of simple control to manage employees (Leidner, 1996). This type of work typically requires discretion. In these circumstances it is said that employees should be armed with information rather than instruction (Macdonald and Sirianni, 1996)

Korczynski (2002) has argued that call center work is infused with two logics: a need to be cost efficient and a desire to be customer oriented. He suggests that these twin objectives are fundamentally contradictory.

Call center work can be designed to maximize discretion and autonomy or it can be turned into a set of repetitive, routinized and highly scripted tasks. The HR system can build an investment in training and development and establish supportive supervision and teamwork or it can rely on individualized pay systems, insecure jobs and workplace discipline. The decisions that are made in these areas will be influenced by the organizations business objectives, by customer or market segment that is being serviced and by the conditions in the labor market (Kinnie et. al., 2000). Should the firm want to maximize call volume and minimize costs, it is more likely to design information systems that limit customer discretion and standardize the service and design jobs that restrict employee discretion and make little use of their skills. In these circumstances electronic monitoring will be used as the primary means of ensuring, minimum service standards for customers (Batt, 2001). By contrast, those companies that choose to compete on the quality of their service are more likely to use information systems that enable customers to satisfy complex enquiries or requests for information and to construct jobs that provide employees with great autonomy, allowing then to display wider skills and utilize discretion to meet their customer’s demands. These two different models of managing the labor process have been termed as the production line approach and the empowerment approach (Bowen and Lawler, 1992).

Batt (2002) made a distinct observation that while the manufacturing organizations are moving away from scientific management and production line approach to workforce management, the service organizations seem to be eagerly embracing this model. In service organizations the jobs are narrowly construed, temporary or part-time labor is extensively used and work is mentally and physically demanding.
Jobs are narrowly construed, contingent labor is extensively used and work is mentally and physically demanding. Taylor and Bain (1999) make this comparison more explicit and draw attention to the intensive control systems that are applied in most outsourcing setup, pointing to widespread monitoring and measurement of calls and the scripting and standardization of customer service. The technology is used to facilitate the physical concentration of staff, labor scheduling, staff monitoring and high productivity rates. The negative consequences that follow this efficiency goal, such as exhaustion, stress and turnover, are regretted and cause deep concern to management (Taylor and Bain, 1999).

High quit rates are a significant cost to organizations, both because they raise labor costs (Oi, 1962) and because they lower organizational performance (Norsworthy and Zabala, 1986).

### 2.16 HR as a Tool of Sustained Competitive Advantage

The importance of human resource management to a firm was highlighted by Peter Drucker (1950) wherein he wrote about the importance of future Human Resource Management to a firm. He said, the prosperity if not the survival, of any business depends on the performance of its managers tomorrow.

The importance and implications of this statement are being increasingly recognized by responsible persons both in business and other organizations, who realize that the existence of an excellent management team does not happen by chance. Provision must be made for these managers before they occupy their positions; unless this is done organizations will be left in the care of those not fully capable of managing it. Although, the above reference is made specifically to managers, it is also true for other categories of employees.

Much of the literature on HRM contains an assumption that there is an “ideal” model of HRM. This model appears to contain elements that are drawn from practices in a number of western countries, especially United States. It generally includes: an integrated strategy towards development of human resources, close involvement of line managers, performance-related payment systems, high level of mutual commitment between employer and employee, agreement on flexible working arrangements and reducing the role of trade unions (Easterby Smith et al., 1995; Brewster, 1993; Guest 1987).
The underlying assumption of HRM is that the behavior of people can be influenced by appropriate managerial practices. This assumption is valid as there are always some people in the organization who are likely to respond to work environment that provide challenge, autonomy, learning opportunities, and self control (Brewster, 1993; Hofstede, 1980). Human behavior is influenced by HRM practices. Hence they are used as a lever for directing human behavior in the desired direction. It is one of the important strategy implementation devices in organizations. According to Guest (1987) HRM is a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work.

Strategy literature based on resource based view of firms view HRM as a source of sustained competitive advantage (Wright and Mc Mahan, 1992). Human resources by nature are inimitable. They add value to the organizations and are difficult to be substituted. This view of HRM is gaining significance in literature and practice (Barney, 1995).

The systems model conceptualizes HRM as a system where knowledge, skills and attitudes are the inputs; productivity, satisfaction, turnover etc. are the outputs and human resource behavior is seen as the throughput. The strategy of the firm influences all the three stages of the system. This theory assigns two roles to HRM; competence management and behavior management (Wright and Mc Mahan, 1992).

Evans (1984) considers HRM as an explicit or implicit system for organizational governance. Here governance implies management of the context rather than that of the content. The existing management literature both in the Western countries and India (e.g., Sparrow and Budhwar, 1997; Schuler and Jackson, 1999) highlights the growing contribution of human resource management (HRM) towards the successful running of organizations. Especially, large companies admit that in view of these realities, efficacious human resource management (HRM) is the most critical issue in deciding their success or failure (e.g., Paauwe, 2004; Huselid, Jackson and Schuler, 1997). Thus transactional HRM is giving way to strategic HRM, which is aimed at promoting competitive advantage through aligning HR strategy with business strategy and imbibing practice of certain critical HR themes to promote such an advantage.

Human Resource Management (HRM) involves all management decision and practices that directly affects the people, or human resources, who work for the organization. HRM practices should be central to the organizational strategy (Barney,
1991, 1995). Lado and Wilson (1994) suggested that HRM practices can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships and generate organizational knowledge.

Under the broad umbrella of human resource management is included the essential activities of resource planning, staffing, training and development, performance appraisal, compensation, safety and health, and labor relations – these comprise the traditional core of human resource management. In recent practice it also include managing change and culture, work and organizational design and aligning HR activities – both externally and internally, as these activities follow naturally from HR’s position as a strategic partner (Beer et al. 1985; Ulrich 1998; Huselid, Becker and Beatty 2004).

Keenoy (1999) compares HRM with a hologram— as with a hologram- HRM changes its appearance as we move around its image. Each shift of stance reveals another facet, a darker depth, a different contour. As a fluid entity of apparently multiple identities and forms, it is not surprising that every time we look at it, it is slightly different.

Recent theoretical work in business strategy has given a boost to the prominence of HR in generating sustained competitive advantage. According to the resource-based view of the firm (e.g., Barney, 1991, 1995) firms can develop sustained competitive advantage only by creating value in a way that is rare and difficult for competitors to imitate. Although traditional sources of competitive advantage such as natural resources, technology, economies of scale, and so forth, create value, the resource-based argument is that these sources are increasingly easy to imitate, especially in comparison to a complex social structure such as an employment system. If that is so, human resource strategies may be an especially important source of sustained competitive advantage (Lado and Wilson, 1994; Pfeffer, 1994; Wright and McMahan, 1992). The concept of the HR system as a strategic asset has implications for both the characteristics and the effects of such a system. Strategic assets are the set of difficult to trade and imitate scarce, appropriable, and specialized resources and capabilities that bestow the firm's competitive advantage (Amit and Shoemaker, 1993).

Human resource is especially critical in case of an outsourcing partnership. First, satisfied employees are expected to be more productive, both for client as well as the
vendor. Secondly, most of the times outsourcing involves direct interaction of clients’
customers or employees with vendors’ employees (Mehta et.al, 2006).

2.17 Human Resource Management Issues in ITeS-BPO

The field of Human Resource Management has gained greater importance with the
growth of the people driven sectors such as hospitality, healthcare and ITeS-BPO. Today the organizations are more and more concerned about the effectiveness and impact of the various HR processes and practices. In the ITeS-BPO context, managing the people expectation has become a key challenge faced by the managers. Human resource is critical to any ITeS-BPO set-up since it involves direct interaction with clients’ employees and, with vendors’ employees (Mehta et.al, 2006).

All the researches to date indicate that the ITeS-BPO companies are managed
differently and the employers make specific choices when it comes to the type of employment (HRM) practices they wish to employ in their organizations (Halliden and Monks, 2005). A study by Budhwar et al. (2006) reported on the HRM systems and their current state in the Indian ITeS-BPO industry in specific. Though some commonalities were identified among the practices it was found that each organization applied HR policies and practices based on convenience and specific need. The section below tries to gather some insight on a range of researches done in the various human resource processes.

2.17.1 Worker Profile in ITeS-BPO

(i) Role of Women’s ITeS-BPO

Women of today have moved away from their traditional roles of home making and
child rearing to social and business roles. The Indian workforce has seen a significant rise in the number of women since India’s independence in 1947(Datt and Sundharam, 1999). This pattern is expected to continue in the future. For centuries, the Indian woman has lived in an ironic status. They are given high respect in Indian society (Budhwar, 2001) however; women working outside the home have been looked down upon. The constitution of India bestows equal rights to women including the right to own property, matrimony and divorce, inheritance, education, employment and equality before the law. However, social legislation, including that
envisaging female empowerment, has been poorly enforced (Saini, 1999). A mixture of social, organizational, and personal biases have contributed towards keeping the employment of women at a lower level. However, with the advent of the new economic environment and the rapid changes to the concepts of work, workplace and workforce, one can foresee positive implications for Indian women workforce (Gothoskar, 2000; Jhabvala and Sinha, 2002). The ITeS-BPO industry is projected as a gender-neutral workplace. This can be ascribed to the work nature which involves less of physical strain and more of work related to the intellect. Women, therefore have been able to join this industry in much larger scale than in any other traditional industries (Varma and Sasikumar, 2004).

Educated, English speaking, urban middle-class women find in the high-tech sector, not only an opportunity to improve their financial autonomy, but also a platform for greater mobility and larger social acceptance in a male dominated society. This can be considered as not merely a cosmetic change, but as a small beginning of a reversal of female devaluation, among some educated segments of society. The ‘rise of computers and ICTs in the information age is said to offer some distinctive opportunities for women in the labor market’ (Stanworth, 2000). Women are believed to naturally possess many of the social skills required by the service based economy (Adkins, 1995, McDowell 1997, Woodfield, 1998, Bradley et al., 2000). ‘The call center industry has transformed performances of femininity and female sexuality into commodities that are sold along airline tickets, hotel reservations, and timeshare’s (Foreseth, 2005).

To the extent, that in some cases the female agents are encouraged to flirt with clients but more often women are expected to make use of their inherent ‘soft skills’ (social skills) to persuade customer to buy the product or service. (Brannan, 2005; Fernandez et. al, 2005). A study of residential call centers (centers serving households) showed that seventy percent of residential call center agents are women, while only 47 percent of large business call center (centers serving firms) agents are women (Batt. et. al, 2004).

The kind of jobs that have emerged in the new economy has come under the scanner and several objections have been raised such as these jobs exploit and demean individuals; they create culture clash- changing it to a more western model (Mitter 2004; Ramesh 2004; Singh and Pandey 2005). According to Sen (1990), ‘Women
who work regularly earn income and contribute a substantial proportion of family income are more likely to be ‘empowered’ than other women. However, examining their ‘limited bargaining power in the increasingly informalized and flexibilized segments of the electronics industry, sees working women in India as experiencing an eroded level of citizenship and its entitlements’ (Chhachhi (2006).

Another objection to the new jobs is that these jobs hold out promises of gender equality that cannot be met. This is evident from the small number of women who have advanced to the managerial level. Rothboeck’s study (2001) had found that women tended to cluster at the lower end of the job hierarchy, leading to feminization of certain service activities. Some researchers believe that ‘ITeS-BPO jobs will make almost no difference in the traditional roles of women’ (Arun and Arun 2002).

Nonetheless, the Indian women have carved out a niche for themselves in the IT sector, which had been pre-dominantly a male domain. Most of them having started their career when IT was still a nascent industry; the women are today the first generation of team leaders and managers (Budhwar, 2005). The men-women ratio in the Indian software industry stands at 76:24. However, the percentage of women employed in the ITeS-BPO space is far more-around 69 percent (Jayanthi and Venkatamaraju, 2009).

The Indian Government has also taken steps to encourage the employment of women and have exempted the IT and IT-enabled services from prohibitions against night work for women and young people (Factories Act 1948 and Shops and Commercial Establishments Act 1962, s. 25), subject to employers providing transport and security for those working at night. Women have not previously been permitted to work at night except in narrow areas such as nursing and hospitality. Relaxing such laws for this industry ushers in a real change in social conditions and facilitates the hiring of women by the ITeS-BPO companies.

(ii) **Age and Educational Profile of Employees in ITeS-BPO**

Most of the employees in the ITeS-BPO industry are very young. This overwhelming presence of young workforce could be attributed to the nascent stage of the industry itself. The skill requirement in the ITeS-BPO industry is at a basic skills comprising of language and communication skills and rudimentary mathematical skills. Employees with general education, i.e. who have done regular arts, science and
commerce graduation /post graduation meet these requirements and are generally hired by these companies. After a short training of two or three weeks any graduate level educated person is adept to take up employment in the ITeS industry (Sasikumar and Varma, 2004). Many firms report that they recruit new employees not on the basis of their specific qualifications but on the basis of their adaptability and ‘learnability’. It suggests that it is possible to transform work activities into repetitive routine as proposed by the ‘degradation of work thesis’ (Aranowitz and Difazic, 1994). The ITeS-BPO companies look for a range of capabilities including the ability to remain calm under pressure in the face of a continuous stream of customer calls; having a friendly, positive and tactful attitude, while simultaneously remaining personally disengaged and hence protecting oneself from customer abuse. According to an earlier study by, Frenkel et.al, (1998) it is important for the employees to have "a thick skin" and "deal with the situation rather than the person." Another social skill is active listening i.e., being attentive to the explicit and implicit cues given by the customer. The mean age of Indian ITeS-BPO workforce is 26.7 years with 90 % of the respondents below 30 years of age (Sarkar, 2009).

2.17.2 Wages of Employees in ITeS-BPO

Autor et. al., (1998) provide evidence to the argument that the use of computer has led to higher wage levels. He argues that new technology causes wage disparities but this is not due to productivity. He attributes the wage gap to ‘unobserved personal heterogeneity’. In fact the higher wages/salary that is provided in the industry is partially to compensate for the work pressure that the worker has to undergo in these firms.

2.17.3 Recruitment and Selection in ITeS-BPO

The recruitment and selection process is used to identify, through experience or predisposition, the existence of social competencies functional to service interactions (Callaghan and Thompson, 2003).

Obtaining and retaining qualified personnel at all levels of the call center organization has become a competitive advantage to the winners and a potential disaster to the losers in this struggle (Anton, 1996).
This statement is supported by most of the researchers who emphasises the significant role that recruitment and selection plays in the success of the ITeS-BPO set-up. Staffing has been the ‘Achilles’ heel’ for many of these organizations with the large number of agent turnover ultimately affecting the financial bottom line (Bordoloi, 2004). Having the right people with the right skills in the right positions makes the difference between business success and failure. Managers today would not disagree to the above, but more debatable, is the issue of how to get those people into the right places.

According to the classical definition by Gary Dessler (2002), recruitment is the process of identifying a pool of qualified applicants.

Until recently the organizations aimed to attract large number of applicants through the recruitment process (Wanous, 1992). They tapped on both informal and formal channels to identify these workers but they were selected through one recruitment filter- the interview (Wiudolf, 1988). Most of the recruitment process focuses on job-centered technical skills however this approach has been questioned lately. It has been proposed that ‘post hire’ outcomes should be more important for the organizations (Breaugh and Starke, 2000). Today importance is given to person-centered recruitment design with an aim to attract personnel with qualities that align with the formal goals of the organization (Findlay et al., 2000; Thompson and Findlay, 1999).

The management of employees in ITeS-BPO companies has been problematic due to the perpetual tensions between quality and quantity. One central challenge there is to sustain the commitment of the employees and ensure that they are performing the ‘emotional labor’ (Taylor and Bain, 1999), always ‘smiling down the phone’ (Belt et al, 2002) while maintaining consistent high quality within this technologically driven, high volume, low cost labor process.

Given the above challenges the issue of recruiting employees with the right attitude, personality and the capability to perform emotional labor has gained significance. As Hochschild’s research in 1983 on service workers, flight attendants indicate that, ‘employers had a vested interest in managing employee's emotions by harnessing "emotional labor”’. This often involves encouraging employees to suppress their feelings as part of the job requirement (Ogbonna 1992; Hochschild 1983). Furthermore, research into call center recruitment by Thompson and Callaghan, (2002) emphasizes the preference for recruiting applicants with enthusiasm and
positive attitude to offset the impact of the poor working conditions in the call centers. They highlighted the inclination among the call center managers for "recruits with attitude" who internalize the managerial directives of service delivery and are compatible for customer interaction.

Service organizations have been facing the challenge of attracting and retaining high quality employees (Heskett et al., 2008). To handle the above, organizations today deploy a variety of recruitment methods, more suited to their industry and business requirement; however there is a growing trend towards “person centred approach to recruitment” i.e., the attitude that matches the organization rather than technical skills to perform the task at hand (Alvesson and Willmott, 2002; Callaghan and Thompson, 2002; Thompson and Findlay, 1999).

The ITeS-BPO industry represents a middle ground. Here it is important to find a person with the right mix of attitudes and values to match the organization’s culture as well as with the skills-sets required to perform to the minimal expectation. There the ITeS-BPO operations are obliged to find employees who can “micro-self manage” (Wray-Bliss, 2001) a complex mix of skills and competencies including emotional labour.

The proponents of the labor process theory claim that recruitment and training may be used to address the mismatch between acquired potential and profitable output normally managed through rules and control structures in situations of routine work (Thompson, 1989). The recruitment and selection process is used to identify, through experience or predisposition, the existence of social competencies functional to service interactions (Callaghan and Thompson, 2002).

This sector is weighed down with high attrition rates and one of the major reasons for this is the sheer availability of alternative jobs. Workers in this industry are keen on moving away from one firm to the other, searching for higher wages, better learning opportunities and improved work environment (Sasikumar and Varma, 2004). In the ITeS-BPO context the external labor market is currently more dominant than the internal one (Cappelli, 1995). When an internal labor market operates, it assumes a stable psychological contract between the employee and management. That contract involves job security and a predictable, increasing income in exchange for employee commitment and satisfactory performance. When the external labor market operates,
the employees’ needs are met through their moving from one organization to another, developing a portfolio of experiences in the process (Cappelli, 1997).

In the wake of this ITeS-BPO, organizations have to excel in four areas. They must have efficient recruitment processes to ensure that they can quickly access the available labor pool. They must be skilled at selecting intrinsically motivated staff. They need to be able to design the tasks so that the agents have minimal need for organizational knowledge. Finally, they must excel at monitoring staff performance, including call monitoring and customer satisfaction measurement (Wallace et.al., 2000).

Initially the ITeS-BPO industry recruited whatever was available to cope with the huge demand and the employees also thought they are getting a white collared job with a great work environment and good money. But soon the honeymoon period was over and human resource issues started manifesting in the wake of the increased pressure for quality, intensity of the job, and the effects of the working conditions on personal health. Owing to the infancy stage of the industry, firms struggle with pre-recruitment background checks to clearly identify and select more reliable employees (Verma, 2005).

The emergences of “high end” ITeS-BPO firms places a premium on highly skilled labor; however, even the “low end” firms such as the call centers always experience skill shortages (Sen and Shiel, 2006) and find it difficult to recruit and nurture appropriate talent.

To tackle all the above challenges the ITeS-BPO companies need to move beyond the traditional methods of recruitment (i.e., newspaper advertisements) that are very popular in India. Instead, they need to explore and employ new channels of hiring, such as job portals on the internet, walk-ins, and employee referrals (Subramanyam, 2004).

Another recruitment strategy that the ITeS-BPO employers in the developed economies have applied is to target women returners. This move has been inspired by the perception that these are more mature workers and will bring about more stability and loyalty to the workplace (Taylor and Bain, 1999).

The intensity of the recruitment process is designed to “put off many of the less committed” applicants (Wickens, 1987). Townsend (2007) reflects the notion that
employees in ITeS-BPO face intensive recruitment and training regimes as a means of
deselecting the wrong people and selecting people who have appropriate values and
skills to self-manage their emotional labor, if indeed they are lacking the appropriate
technical skills. In some of the large call centers in Australia a person’s suitability for
the job is assessed based on psychological testing and behavioral assessment rather
than the ‘technical skills’ or ‘job experience’ he possess (Kinnie et al, 2000).

Assessing technical skills such as keyboard skills, basic numeracy, and the ability to
move around a system forms only a small part of the selection process. More time and
thought is put into assessing social characteristics such as positive attitude, sense of
humor and tolerance and communication competencies like vocal qualities of tone,
pitch and warmth, energy and enthusiasm, fluency and rapport (Callaghan and
Thompson, 2002). The selection tests for the potential applicants aim to measure
levels of abstract reasoning, verbal reasoning and basic computer understanding this is
followed by a group role-playing. Telephone role-play provides the applicant with an
opportunity to demonstrate their ability to process information while maintaining a
conversation with a customer, and importantly, micro-managing their emotional labor
(Wray-Bliss, 2001).

Prior research on the replacement cost of an employee puts the value at approximately
$78,000 (Ramsey-Smith, 2004). This include the cost of recruitment and training of
employees (Alexander et al, 1994), loss of firm-level social capital (Dess and Shaw,
2001), decrease in temporary productivity (Osterman, 1987) and loss of important
tacit knowledge (Droege and Hoobler, 2003). According to the estimates provided by
Evalueserve a call center major in India, “recruitment and training makes up 3 percent
of the overall per-employee cost of about $13,000 per year, including administration
and telecoms costs” (CallcentersIndia, 2005b)

Due to high attrition rates, every employee who quits, costs the company another
$900–$1,100 to recruit and train a replacement (Budhwar et al., 2006).

Given the growth rate of the ITeS-BPO industry in India, employees have multitude
of job options. In today’s ITeS-BPO context the “employee is king” as “customer is
king” in the world of consumerism. They join an entity, gain knowledge, skills,
undergo training, work for a short period of time and then quit (Pillai, 2006).
While India has millions of unemployed there are not many who have the required skills for the ITeS-BPO industry. This is exemplified by a research showing a hire rate of 17 percent (Batt et al., 2005). Noshir Kaka of McKinsey and Co. says that only 5 percent of India’s annual graduate pass outs are employable by call centers; of the remainder, 15–20 percent is trainable, while 80 percent are not even trainable (AFP 2004). On a cumulative rating based on all parameters, 10 percent of the total applicant population meets the industry expectations (Basu, 2006). With the increasing competition for skilled employees (social skills and technical skills), the ITeS-BPO organizations are resorting to more complex and rigorous recruitment and selection process (Belt, 2000; Callaghan and Thompson, 2002).

2.17.4 Tenure in the ITeS-BPO organization

Job tenure is the length of time an individual has worked in a specific position in an organization and it can make significant variations in an individual’s work-related attitudes (Guimaraes and Igbaria, 1992; Lim and Teo, 1998). It is proven that when an individual has been on the job for a long time, his/her investments in the job and organization may be greater than someone who has been on the job for a short period (Lim and Teo, 1998). This could influence an individual’s intention to leave the organization, job satisfaction, and organizational commitment (Lim and Teo, 1998).

The Australian Communications Association (ACA) Report (1998) the median stay of agents in call centers is found to be fifteen months.

Organizational tenure is also negatively related to employees’ intention to leave the organization. The more time an employee invests in an organization, the more committed s/he would be, and is more likely to continue employment with the organization (Miller and Wheeler, 1992; Krecker, 1994; and Lane, 1998).

According to (Kiyak et al, 1997; Manlove and Guzell, 1997; and Ito et al, 2001), older workers are less likely to leave their jobs than their younger co-workers, this is often attributed to the condition of lack of alternative job opportunities and vested benefits (McNeely, 1992; Clark et al, 1997; and Spector, 1997).
2.17.5 Training in ITeS-BPO

Training and development plays a crucial role in delivering the customer service agenda. Service organizations invest in training and development to achieve multiple objectives including enhancing the commitment of employees (Wood et al., 2006), enhancing service levels to customers (Baum et al., 2002), developing the employability of employees (Townsend, 2007), enhancing emotional labour (Mulholland, 2002), and providing employees with industry and firm-specific knowledge of call center products, computer systems and company policies (Russell, 2002; Kinnie et al., 2000). Training and development is also used as a means to deselect inappropriate people and selecting the right person who possess adequate skills and values to self manage (Callaghan and Thompson, 2002). They suggest that call centers undergo intensive training to address the indeterminacy of labor, in part, outside the labor process.

The extant literature on the skill level requirement in a call center is conflicting, states Belt et al (2002). On one hand the employers and industry representatives present the industry as knowledge intensive and requiring skilled employees with good interpersonal skills (Frenkel et al., 1998). On the other hand academics emphasize the repetitive and controlled nature of the job (Taylor et al., 2000). Yet, Thompson et al., (2004) stated, we would resist the use of the term deskill in a call center context and they suggested three reasons for this. Firstly, interactive service work was different to that of white collar work e.g. banking. The second reason was that emotional labor and social competencies were not easily placed within the traditional mental/manual categories. Thirdly, contact centers are not homogenized and require different levels of skills and competencies depending upon the business model which operates. In standardized high-volume contact centers a wide range of skills may not be required but this is not the case where a higher level of customer service and interactivity is required.

Various studies like Appelbaum and Batt, (1994) consider extensive skill training as a major determinant of a more advanced human resource system. The call center sector is therefore characterized by very large training investments in on-the-job and off-the-job training. The initial training periods in ITeS-BPO seem longer than introductory training for other types of clerical work (Belt et. al., 2002). This can be attributed to
the highly specialized work and non-existence of any vocational training in the formal education system.

Both hard-skills and soft skills comprise of the initial and ongoing training. The former relates to knowledge on products, services, or procedures, technical and computer skills etc, whereas the latter refers to communication and interpersonal skills like conversation techniques, customer orientation, and dealing with anger and aggression. Most call center training focuses on products and procedures (Crome, 1998), although many authors emphasize the greater importance of soft skills compared to hard skills in call center work (Belt et. al., 2002; Callaghan and Thompson, 2002).

The training and development activities in the ITeS-BPO organization focus on three levels of analysis: individual, team and organizational. Individual-level training and development practices focus on on-the-job training, involves employees being paired up with more experienced employees and they participate in a process of observation, practice and feedback (Smith and Dowling, 2001). Off-the-job or classroom-based training uses a combination of lectures, discussions, and structured exercises to develop task specific skills that address the current role requirements (Smith and Smith, 2008).

Team focused training and development practices focus on the collective level of knowledge and skill requirement. Team level learning practices focus on developing skills in teamwork-related competencies, knowledge sharing and embedding the knowledge within the team (Senge, 1990). Call center may consider various training strategies such as cross-training, outward-bound interventions and team confrontation sessions to develop the overall competency level of the team (Garavan et.al, 2008).

Organizationally-focused training and development practices focus on matching training and development interventions to organizational goals. Call centers may use strategic training needs analysis, to identify key performance priorities of the organization, the key skill requirements of the organization and the priority training initiatives that should be implemented (Garavan et.al, 2008).

The call center sector is characterized by very large training investments in on-the-job and off-the-job training. Seiben and de Grip (2004) report that the sector specific trainings make it more difficult for agents to find another job, compared to agents
who did not receive this training. General and firm-specific training did not significantly influence perceptions of ease of mobility. Agents with more experience believe that it would be easier to find another job however, this perception decreases with tenure (Garavan et al., 2008). In the ITeS-BPO industry the share of workers who receive training was considerable, above 13 percent. This high rate of on-the-job training in the ITeS-BPO is due to the fact that this industry is relatively new and new recruitments are almost entirely from fresh inexperienced applicants, who are later trained for the industry (Varma and Sasikumar, 2004).

The key training areas identified for the ITeS-BPO segment are the entry-level voice training, entry-level process training, interpersonal skills, and products and work systems training. Besides, the induction training, voice and accent training. The areas of training identified at the entry level by ITeS-BPOs are the entry-level voice training, entry-level process training, interpersonal skills, and products and work systems training. In addition, induction process and an emphasis on voice and accent are other key training areas (Budhwar et al., 2006). Significant emphasis is given to voice and accent training to eliminate the Mother Tongue Influence (MTI) i.e., the Indian accent(s), the employees are encouraged to adopt the accents of the customer’s country or a neutral accent (Raina, 2004).

At present the opportunities for training and recognized industry standards within call centers are absent or inconsistent (Call Center Association, 2000), limiting the accumulation of appropriate skills, status and upward mobility. The time devoted to on-the-job and off-the-job training given to agents varies dramatically from a few days to two months (Budhwar et al 2006). Given the high level of turnover the call centers invest the bare minimum in training. Development training is seen to be a ‘nice to have’ rather than a “must have” practice in the call centers. Thus, entering into a vicious cycle; the staff not provided with adequate opportunity to maximize their potential, leave and the constant departure of staff leads to challenges in achieving good service quality and constant struggle to train new recruits in basic processes and standards. At present the opportunities for training and recognized industry standards within call centers are absent or inconsistent (Call Center Association, 2000), limiting the accumulation of appropriate skills, status and upward mobility. The training period ranges from a week to three months and is often handled by senior and experienced employees. Apart from training entry-level employees the
organizations also invests in preparing them to take up managerial positions by offering tailor-made management development programs (Budhwar et al., 2006).

NASSCOM has introduced a certification programme for building frontline managers in response to the ‘managerial bandwidth’ problem. Managed by NASSCOM’s executive development programme and QAI (a leading ‘quality’ consultancy in India), they offer industry relevant certifications (e.g. Certified BPO Quality Analyst, Certified BPO Team Leader, Level 1), which have become popular among participants as well as businesses. To identify the right talent pool for the industry, a new assessment tool, the National Assessment of Competence for the BPO industry, has been developed. This can be used to identify new talent pools in various parts of the country and also provide the industry, universities, and governments with information regarding key training and development needs. NASSCOM’s long-term strategy is also evidenced in its desire to start English-language training schools (Sengupta, 2006). Finally, NASSCOM has created a National Skills Registry—a centralized database of all employees working in IT services and BPO companies in India. A 2007 NASSCOM report shows that the total cost to company for BPO associates who have been employed for six months to one year has gone up by 19 percent in 2006 compared with just 3–4 percent in 2005. And employees leaving in the first 12 months are quite irksome, as many of them would have just completed their training (on average, training for voice-based processes takes roughly six to eight weeks).

2.17.6 Career in ITeS-BPO

The ‘objective face’ of career (Barley, 1989) relates to variables such as labour market structure, economic conditions (such as growth and unemployment), and social stratification; that is, it describes a career in terms of externally defined factors of success. Position within an organization, level of formal education, or income provide an objective indicator of career success

The newer forms of service organizations such as call centers are well known for their looser ties in the employment relationships, which was hardly a feature in the traditional career paths organized around profession, industry or organization (Kanter, 1989; Jackson, et. al., 1996)
‘Boundaryless career’ encapsulates the reality for an increasing number of
individuals today (Arthur and Rousseau, 1996). ‘Protean careers’ or ‘intelligent
careers’ (Hall, Briscoe and Kram, 1997), all imply the erosion of the concept of a
career with a single employer and involve frequent changes of employer. In these
‘new’ careers, employability replaces the expectations of employment (Heckscher,
1995; Herriot and Pemberton, 1997), and encourage independent career planning
based on effective networking, investment in learning to improve skills, and an
enterprising approach in order to be aware of and take advantage of available
opportunities. Changing employment structures and short tenure jobs suggest that
ITeS-BPO represents the typical examples of such new career forms.

The employment in this industry is organized around various parameters such as
market segmentation, the range and complexity of products or services, the pace and
pressure of the work, and the skills, knowledge and experience required of employees
(Frenkel, Korczynski, Shire, and Tam, 1998; Mitail, 1996; Richardson, 1994). Given
this diversity and pattern of work, it might be assumed that an exclusively ITeS-BPO
career cannot exist.

Watson, et. al., (2000) identified four tentative clusters of individuals with different
aspirations and strategies towards career in a call center. The first three clusters are
made up of employees for whom career is a central feature of their work life and who
would like to take a route marking either vertical or horizontal career movements.
They had clear career aspirations and pursued an explicit strategy of social mobility,
progressing either within their company or within their occupation/sector. The fourth
identifiable clusters of individuals are the ones whose experiences and aspirations did
not simply fit either vertical or horizontal definitions of career. They spend their entire
working life without any clear direction and goals either to progress within one
organization or profession. The young graduates form a significant subset of the
 drifters. Graduates had lower level of affective and continuance organizational
commitment, career satisfaction and expectations of career from the company, while
those with dependents exhibit higher levels of organizational and occupational
commitment. The growth in the number of drifters posses a great challenge to
organizations in attracting and retaining the right talent.

The lack of talent development initiatives is held responsible for this (Chowdhry,
2003) and the lack of career structure provides a good opportunity to competitors to
poach talented people (Prabhakar, 2003). Such emerging trends pose challenges to HR managers regarding their recruitment and retention policies and practices.

2.17.7 Compensation and Reward in ITeS-BPO

Rewards play an important role in building and maintaining commitment among employees in any organization, which ensures a high standard of performance and workforce stability (Young et al., 1998; Wang, 2004). Adams (1965) conceptualized fairness by stating that employees determine whether they have been treated fairly at work by comparing their own payoff ratio of outcomes (such as pay or status) to inputs (such as effort or time) to the ratio of their co-workers. This is called distributive justice, and it presents employees' perceptions about the fairness of managerial decisions from the perspective of the distribution of outcomes such as pay, promotions, etc. (Folger and Konovsky, 1989).

According to Porter and Lawler (1968), rewards can be broken down into two types: extrinsic rewards and intrinsic rewards. The extrinsic rewards are those that result from non-job-related factors like friendly, helpful and supportive co-workers, working conditions, pay satisfaction etc., while the intrinsic rewards are inherent in the content of the job itself like skill variety, autonomy and feedback (Hackman and Oldham, 1976).

2.17.8 Stress in ITeS-BPO

Job stress is the extent to which job duties are difficult to fulfill for the employee concerned. Stress at work is a relatively new phenomenon in modern organizational set ups. The nature of work has gone through enormous changes over the last century and is still changing at a rapid speed. They have found to affect the employees working in all sectors. With change comes stress, inevitably. Professional stress or job stress poses a threat to physical and mental health. Work related stress in the life of employees, consequently would affect the well-being of the organizations as well. According to the Survey Research Center (University of Michigan), four types of job stress are categorized and they are resource inadequacy (lack of means to perform a job), role ambiguity (unclear role obligations), role conflict (inconsistent role obligations) and workload (amount of effort required by a job) (Price, 1977).
Sociological and psychological studies have shown that work in which there is a significant gap between demands of service work in terms of customer contact, and a poor service climate with little flexibility and job autonomy, can lead to increased stress and burnout (Hochschild, 1983; Morris and Feldman, 1997; Schneider, 1980). Call Center work has been shown to result in high levels of stress in employees (Knights and McCabe, 1998; Taylor and Bain, 1999; Wallace et al., 2000). The stress is attributable to the high pressure, work demands on the employee to meet quantitative as well as qualitative goals (Gilmore, 2001; Kinnie et al., 2000).

Psychologists note that many young individuals employed in call centers are vulnerable to burn-out stress syndrome (BOSS), symptoms of which include chronic fatigue, insomnia and alteration of the body’s 24-hour biological rhythm (George, 2005). Another critical factor contributing to the stress of working for an Indian call center is that of racial abuse from irate overseas customers. Indeed, frontline staffs face a spectrum of rudeness from sexual harassment to fury at unsolicited sales calls to open racism (The Hindu, 2005; Baliga, 2005).

Call centers take an alternative approach in which management sacrifice the well-being of the staff by pushing the service/efficiency tension onto the front-line. This approach has been termed, the “Sacrificial HR Strategy.” A Sacrificial HR Strategy willingly accepts high levels of stress and emotional burnout of the front-line staff, accompanied by high turnover (Wallace et al., 2000).

After reviewing the available literature on HR issues in ITeS-BPO industry a framework has been developed to illustrate the interdependence and inter-relation of the factors.
2.17.9 Summary and Conclusion

The literature review is an integral part of any research study. The objective of this chapter was to familiarize the researcher with the relevant information and facilitate the analysis concerning the topic of the research. The topic of study has been the human resource practices in the ITeS-BPO industry. The chapter reviews the extant
literature on outsourcing and human resource management in both the global context and specifically in the Indian context as well.

Phenomenal growth has happened in the Indian outsourcing industry since its beginning in 1990’s. The chapter explores the evolution and development of the ITeS-BPO industry in India. It discusses the process and the value proposition of choosing to outsource a process. The literature also discusses the catalyst role that HRM plays in the success of the ITeS-BPO set-up. Being a people intensive industry, throughout the literature the common theme that emerges for the success of the outsourcing industry is the availability of the right human capital. Human Capital like any other capital investment should be fostered and empowered to gain competitive advantage in a marketplace characterized by high volatility and uncertainty. Increasing challenge is posed by the political debate, quality concerns, financial crisis and subsequent job loss which are forcing the leading outsourclee countries such as US and UK to rethink their decision of outsourcing the processes to offshore location for cost advantage.

People want to work in an organizations where they are empowered and participate in the decision making process, where they are developed as assets in an environment where they want to work and where they are rewarded through their own unique motivational profile.