Chapter II

Literature Review

The body of literature dealing with knowledge process outsourcing (KPO) in general and especially in the context of human resource issues in this sector is of comparatively recent vintage. The industry being in nascent stage, minimal research studies concerning this sector exist in literature.

Given the sector’s swift growth, and the involvement of a large number of both national and multinational firms, and the significant impact of Indian KPOs on both Indian and global economy, practitioners and academicians are increasingly realizing the need to explore the underlying key human resource (HR) issues. Ways of attracting and retaining talent through apposite HR initiatives thus become crucial issues as companies battle it out to lure the crème de la crème in circulation. Considering the fact, it has become even more essential to gain an insight into the HR opportunities and related HR challenges and also examine the current state of HR practices existing in this sector in India.

Besides major research studies, most of the literature in the subject is obtained from newspapers, magazines, industry reports, whitepapers, conference presentations and relevant websites.

2.1 Overview of the chapter

The present chapter is devoted to a review of the relevant studies along with information obtained from other sources which have a direct or indirect relation or implication to the objectives of the present study. Section 2.2 begins with a brief overview of human resource management (HRM) with special reference to developing countries and the Indian context, followed by Section 2.3 on literature relating to employee opinion and HRM. The next Section 2.4 is on studies on call
centres (CCs) and business process outsourcing (BPO) in the context of HRM followed by Section 2.5 which is based on literature on KPO in the area of the present study. Section 2.6, the concluding section sums up the whole discussion and briefly identifies the key gaps based on literature review justifying the relevance of taking up the topic.

2.2 HRM with special reference to developing countries and the Indian context

HR practices in developing countries like India leave much to be desired and it is a recognized fact now that effective HRM is an important aspect in the developing process of a nation (Bennell, 1994; Budhwar and Debrah, 2001; Hilderbrand and Grindle, 1997; Prah, 2004). Because of high expectations of industry from HR, there is a need to address and pay attention to HR issues that arise concomitantly with the growth of the industry.

The existing situation of HRM in many developing countries has been described by Cohen and Wheeler (1997) as well as Hilderbrand and Grindle (1997) as not so pleasant due to recruitment procedures which fail to attract suitably trained people, promotion patterns essentially based more on seniority or patronage than on performance, low salaries, ineffective performance standards, incapability to fire people, too few rewards for good performance, unsatisfactory and uncomfortable management by supervisors, underemployment and lack of motivating work assignments. Likewise Bennell (1994) and Budhwar and Debrah (2001) uncovered that several developing countries are caught by old-fashioned and ineffective HRM systems that put inadvertent hurdles in their path.

In India the literature on HRM in general picked up momentum post liberalization of the economy in 1991. The formal foundation of the personnel function in India was laid with the establishment of the Trade Union Act of 1926, the
Factories Act of 1948 and a number of labour and industrial relation laws (Balasubramanium, 1994, 1995; Saini and Budhwar, 2004). The origin and development of the subject of HRM is currently well acknowledged in both the British (Budhwar, 1996; Legge, 1995; Lundy, 1994) and Indian literature (Balasubramanian, 1994, 1995; Banarjee, 1990; Lawler et al., 1995; Saini and Budhwar, 2004, 2007) and the influence of social mores, behavioural norms, caste, personal relationships and political considerations on Indian HRM policies and practices remains significant (Budhwar, 2001; Budhwar and Khatri, 2001; Kanungo and Manuel, 1994; Sharma, 1984; Sparrow and Budhwar, 1997). This generates an exciting struggle amid strong social traditions on one hand and the pressure to shift to present-day professionalism (Budhwar et al., 2006a). It has been noted that although Indian HRM systems are less formal and rationalized, multinationals in their subsidiaries in different parts of the world pursue global standardized policies and practices due to control and coordination grounds (Bjorkman, 2004). Studies have shown that the HR function in Indian organizations have started to espouse a more strategic approach (Budhwar and Sparrow, 1997) though the practices contrast across sectors with striking variation between private and public sector organizations in only few functional areas as compensation, training and development (Amba Rao et al., 2000; Bordia and Blau, 1998; Budhwar and Boyne, 2004). Moreover, the employers often resort to maneuvering and follow makeshift systems for practices such as recruitment, training, promotions and lay-off (Venkata Ratnam, 1995). The use of social links in addition to personalized relationships to control and influence promotions, transfers and benefits is fairly usual in private-sector organizations in India (Dutta, 1997) and to yield complete power and control the owner’s hesitate in engaging in a professional approach in managing people (Piramal, 1996, 1998).
HRM is well recognized to play an exceptionally pivotal role in a firm’s success and continued existence in today's dynamic business environment (Guest et al., 2003; Schuler and Jackson, 1999). Because of it’s recognized contribution in enhancing or sustaining employee and organization performance, study of HRM practices have become an extremely attractive and important subject for management scholars and practitioners both in the national and international context (see, for example, Amba Rao et al., 2000; Arthur, 1994; Boselie et al., 2001; Budhwar and Sparrow, 1997; Budhwar and Khatri, 2001; Budhwar and Boyne, 2004; Delaney and Huselid, 1996; Den Hartog and Verburg, 2004; Dyer and Reeves 1995; Guest, 1997; Huselid, 1995; Ichniowski et al., 1997; Paauwe, 1998; Paauwe and Boselie, 2005; Pfeffer, 1994, 1998; Paul and Anantharaman, 2003; Singh, 2003; Schuler and Mac Millan, 1984; Schuler and Jackson, 1987, 2005; Som, 2008; Tessema and Soeters, 2006; Wright et al., 2003).

The resource-based view which considers human and organizational resources, more than physical, technical or financial as a source of a firm’s continual competitive advantage, they being primarily hard to emulate (Barney, 1991; Lado et al., 1992; Lado and Wilson, 1994; Wright and McMahon, 1992), has given way to a knowledge-based theory (Grant, 1996; Nonaka and Takeuchi, 1995) with firms being viewed as knowledge-creating entities with capabilities to create, transfer and utilize knowledge as the most essential source of a sustainable competitive edge (Kogut and Zander, 1996). These capabilities naturally vest in people. HRM should therefore ideally focus on human capital skills, experience and knowledge to give a firm economic and competitive boost (Snell and Dean, 1992).

In the words of Pfeffer (1994, p.33), “having good HRM is likely to generate much loyalty, commitment or willingness to expend extra effort for the organization’s
objectives”. Stone (1998, p. 4) rightly remarks that “HRM is either part of the problem or part of the solution in gaining the productive contribution of people”.

The above discussion highlights the changing views on HRM and the varied ways in which HR practices are adopted in different organizational contexts in developing nations particularly India. Nonetheless, there is clear visibility towards acknowledgement of the growing importance of the HR function in organizations both nationally and internationally.

2.3 Employee opinion and HRM

The emphasis on effective management of human resources has stemmed from the realization that people are an organization’s key assets and their effective development and deployment offers it a unique competitive edge (Guest, 2002). There is scant evidence in literature about the impact of HRM on employee attitudes, behaviours, well-being, thinking and reactions to HRM practices (Deery, 2002; Grant and Shields, 2002; Harley, 2002). The prime focus has been on HRM in general and its link with organizational performance and rarely on employee reactions to HRM (Guest, 2002). Only a few studies have touched this area (see, for example, Appelbaum and Berg, 2000; Edgar and Geare, 2005; Ghebregiorgis and Karsten, 2007; Gibb, 2001; Guest, 1999). HR practices are expected to encourage employee perception of an organization being empathetic through its voluntary support of staff and willingness to invest in their well-being (Wayne et al., 2002) and thereby seeking employee opinion on their experiences with HRM systems provides a wider perspective in evaluating them (Gibb, 2001).

The usefulness of employee opinion surveys in trying to capture purposeful information to improve HRM has been pointed by Roberts (1998) and companies are increasingly using job satisfaction surveys as part of their HRM efforts (Eskildsen and
Kristensen, 2006). Job satisfaction is defined as “a pleasurable and positive emotional state resulting from the appraisal of one’s job or job experiences” (Locke, 1976, p.1304) and its levels are known to have a definite relation to levels of HRM practice (Guest, 2002; Ting, 1997). Furthermore there are many ways to represent and evaluate it (Allen and Meyer, 1996; Clark, 2001; de Jonge et al., 2001; Eby et al., 1999; Gaertner, 1999).

Thus, employee opinion surveys to elicit potentially valuable information from employees through their views on HR practices in their organizations are considered particularly helpful.

2.4 Studies on CCs and BPOs in the context of HRM

In the last couple of years there has been a steady increase in the number of national and international studies on outsourcing organizations. Specifically, discussion on important international and national studies on CCs and BPOs concerning HR issues is reviewed as under:

The existing research on this aspect in CCs highlights two distinct metaphors (Frenkel et al., 1998). In what is referred to as the bureaucratic and restricting nature of the work settings, employees are stuck in isolation on skill-less, routine and repetitive tasks allocated automatically and supervised and controlled by the management and CCs are referred to as the 'electronic sweatshop', 'panoptical wired cage' or 'assembly lines in the head' (Taylor and Bain, 1999) and such jobs are portrayed as 'dead-end' due to limited career prospects (Deery and Kinnie, 2004). Based upon their fieldwork on CCs, Taylor and Bain (2004, 2005, 2006) argue that offshoring of such work only magnifies the nastiest features of the mass production information model. Another viewpoint refers to CC employees as semi-professional 'empowered' workers who work in a positive work environment and are more
constructive than routine workers (Batt, 1999; Batt and Appelbaum, 1995). In their study on CCs, Knights and McCabe (1998) offer a combination model called the 'mass customized bureaucracy' (MCB) retaining its bureaucratic elements along with professional or knowledge-intensive settings suitable to custom-made products and services. Taylor and Bain (1999) draw attention to the importance given to superiority of service as a result of the changed role of CCs from 'simple enquiry' to customer relationship management. Another key managerial problem in CCs is the high attrition rates (Bain and Taylor, 2000; Taylor and Bain, 1999) essentially ascribed to the job pressures, deficient promotion opportunities, work time, work-life balance, 'phone rage', and the droning work (Deery and Kinnie, 2004; Houlihan, 2004). Taylor and Tyler (2000) point that 'customer service representatives' (CSRs) often restrict the information given to ill-mannered/impolite callers as an indicator of aggression and opposition. Considering the nature of work carried out and handled by CCs, with focus on both cost-efficiency and customer satisfaction, Batt and Moynihan (2002) put forward that CC work may well consist of all the three features i.e. mass-production, professional and hybrid mass-customization. Kinnie et al. (2000), similar to the viewpoints of Frenkel et al. (1998) disagree on CCs being simply branded as either 'dark satanic mills' or 'the home of empowered workers'. They consider CCs as a new organizational type with firmly controlled, closely monitored and previously scripted work, however with the simultaneous employment of high commitment work practices. Several researchers have also looked at a range of possibilities of applying high-performance work systems (HPWS) and practices (Batt, 1999, 2000; Hutchinson et al. 2000), as also some of the associated managerially guided approaches like total quality management (TQM) and process re-engineering (Knights and McCabe 1997, 1998) in CCs. Hutchinson et al. (2000) similar to Kinnie et al.
in their case study of CCs talk about high-commitment management practices such as selective recruitment, focused training, two-way communication, performance related pay and employment security. But the concept though falls short of exactness and refers primarily to cultural attributes rather than to work design and organizational features such as the use of self-managed work teams and job autonomy. Studies by Callaghan and Thompson (2002) and Thompson et al. (2004) focus on selection and training functions in CCs and draw attention to the contradictions between the elaborate lengths to which managers press on such procedures and the nature of the jobs to be filled, though these efforts do little to alleviate dissatisfaction among employees or even curb the high attrition rates. In his research, Rouzer (2000) also puts emphasis on the requirement for HR practices in an expanding business like that of CCs. Rose Ed and Wright Gillian (2005) explore the factors related to control and other work-based characteristics that impact employee well-being in CCs and identify emotional pressures as one of the most important factor affecting job satisfaction, besides work based characteristics. Another element of control, i.e. targets emerged as a distinct factor contributing indirectly to job satisfaction via its influence on work-based job characteristics.

Astounding rates of attrition and absenteeism have emerged as a consequence of young, well-qualified men and women engaged in semi-skilled work in Indian CCs now seen as a chief managerial challenge confronting the BPO industry (Batt et al., 2006; Bhatnagar 2007; Budhwar and Malhotra, 2008; Thite and Russell, (2007, 2008)). None of the established HR strategies of strategic recruitment, performance management, team-work and remuneration system adopted from the west have been able to bring about an evidential fall in attrition rates (Budhwar et al. 2006a, b) nor the acquired professional identity of CSRs have prevented attrition
levels from rising (Noronha and D’Cruz, 2009). The outcome of such strategies in influencing and shaping employee identities in Indian BPOs has also been scrutinized by Cohen et al. (2009).

The above discussion highlights that the predominant focus of the majority of researchers has been in trying to uncover the image of the work and workers and the outcome of managerial strategies deployed in such work organizations. Different terminologies portraying CC work have been used by different researchers to demonstrate the existent work set-up; the central issue remains controlling dissatisfaction and curbing attrition.

A few relevant studies exist in the area of HRM with regard to CCs and BPOs in the Indian context elaborated as under:
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<th>S.no.</th>
<th>Author(s) and Year</th>
<th>Approach and Sample</th>
<th>Focus and Findings</th>
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<td>1.</td>
<td>Shah and Bandi (2003)</td>
<td>Case study&lt;br&gt;24 semi-structured and unstructured interviews across hierarchies and departments&lt;br&gt;1 CC</td>
<td>Focus: Role elements like people, process and technology play in CCs in building organizational capability in knowledge intensive services.&lt;br&gt;Findings:&lt;br&gt;• The employee profile, the employee development, knowledge dissemination practices and service delivery process did not confirm to the sweatshop stereotype model of a traditional CC.&lt;br&gt;• Ability of the organization to recognize the expertise and knowledge involved in the task involved and accordingly molding of its organizational characteristics result in an employee affable work environment as well as successful performance.</td>
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<td>2.</td>
<td>Ramesh (2004)</td>
<td>Case based and survey&lt;br&gt;Sampling based on estimates provided by respondents and snowball&lt;br&gt;277 CC agents&lt;br&gt;6 CCs in Noida</td>
<td>Focus: Insecurities and vulnerabilities of CC agents engaged in non-standard work.&lt;br&gt;Findings:&lt;br&gt;• Insecurities of this novel economic order included high attrition rates, increased work stress leading to physiological and psychological troubles, minimum skill up-gradation, cultural change and erosion of worker collectivity.&lt;br&gt;• A new class of workers with distinct identity (smart, fun-loving, independent, English and computer literate youngsters, elite professionals with catchy designations) so called ‘cyber coolies’ doing droning work, at salaries less than their western counterparts have enabled firms to draw and sustain a ‘productively docile’ workforce in the changed frames of work organization and HRM.</td>
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**Findings:**  
- Both positive and negative impacts of outsourcing visible across different aspects of Indian social and cultural life including language, identity, gender, and emergence of western lifestyle.  
- Positive effects like short-run employment, wealth creation, women empowerment and bridging the cultural divide at the cost of widening gap between different segments of society (including social division within family) segregated by income, region, gender and class, high unemployment in certain sectors in the long run coupled with problems related to racial abuse and multiple identity disorder. |
- 25 in-depth interviews of HR managers, questionnaire survey with 204 'on-floor' agents and secondary sources  
- 11 CCs | Pattern of HRM systems in CCs and employee turnover (attrition).  
**Findings:**  
- Presence of formal, structured and rationalized HRM systems (like recruitment, training, compensation and performance appraisal).  
- Work of CSRs highly monitored and scripted.  
- Absence of part-time employees, little emphasis on career development and retention, and attrition a serious issue. |
|   | **Budhwar et al. (2006b)** | **Mixed method approach** | **Focus:**  
Nature of HRM systems in BPOs.  
**Findings:**  
- Work set-up highly structured, tightly controlled, bureaucratic, formalized, monitored and scripted, although aspiring for a total customer satisfaction philosophy.  
- Most HR practices (recruitment, training, compensation and performance appraisal) formal, structured and similar to those in developed countries.  
- Less emphasis on career development and training in the Indian BPOs compared to those in the West. |
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|   | **Mehta et al. (2006)** | **Qualitative approach** | **Focus:**  
Managerial challenges and opportunities faced by BPOs.  
**Findings:**  
- Significant issues were career and business prospects, motivation, stress, work environment, customer relations, competition, infrastructure and technology, client-vendor relations, change related and costs and quality.  
- Human resources and organization related challenges most critical.  
- Organizing, staffing, and directing most important managerial functions across all levels of the organization.  
- Perceptions about opportunities exceeded threats, most managers had a optimistic outlook regarding the future of the BPO industry and KPO identified as a future opportunity. |
| 5. | Budhwar et al. (2006b) | Mixed method approach  
- Interviews of managers, self-completing questionnaires and secondary sources  
- **51 BPOs** near New Delhi |  
**Focus:**  
Nature of HRM systems in BPOs.  
**Findings:**  
- Work set-up highly structured, tightly controlled, bureaucratic, formalized, monitored and scripted, although aspiring for a total customer satisfaction philosophy.  
- Most HR practices (recruitment, training, compensation and performance appraisal) formal, structured and similar to those in developed countries.  
- Less emphasis on career development and training in the Indian BPOs compared to those in the West. |
| 6. | Mehta et al. (2006) | Qualitative approach  
- **28 interviews** of lower, middle and upper management executives and secondary sources  
- **15 BPOs** |  
**Focus:**  
Managerial challenges and opportunities faced by BPOs.  
**Findings:**  
- Significant issues were career and business prospects, motivation, stress, work environment, customer relations, competition, infrastructure and technology, client-vendor relations, change related and costs and quality.  
- Human resources and organization related challenges most critical.  
- Organizing, staffing, and directing most important managerial functions across all levels of the organization.  
- Perceptions about opportunities exceeded threats, most managers had a optimistic outlook regarding the future of the BPO industry and KPO identified as a future opportunity. |
| 7. | **Noronha and D'Cruz (2006)** | **Qualitative approach**  
- 40 interviews of CC agents in Bangalore (snowball sampling) | **Focus:**  
Issues in organizing CC agents.  
**Findings:**  
- Exclusivist and inclusivist strategies successfully deployed to deter union formation.  
- Prevailing labour market conditions, less awareness about unions, sadistic public opinion against any form of employee collective, high paid extremely young work force with strong professional self-identity coupled with sophisticated ‘substitutionist’ IIRM strategies merged to hold down collectivization.  
- Monitoring, call barging, stress, nightshifts, breaks, long hours and sickness though important but not sufficient to cause immediate employee mobilization. |
| 8. | **Bhatnagar (2007)** | **Mixed method approach**  
- Survey using Gallup Q12 or Gallup Workplace Audit and focus group interviews  
- 272 employees plus 72 employees from a single BPO already included  
- BPO / information technology enabled services (ITES) companies in National Capital Region (NCR) | **Focus:**  
Talent management and its relationship to levels of employee engagement and reasons for attrition among BPO/ITES employees.  
**Findings:**  
- Low engagement scores at the beginning of career and high engagement levels at intermediate stages of employment in the organization noted.  
- Interview data reflected high loyalty albeit only for limited time.  
- Organizational culture, career planning and incentives indicative of high attrition. |
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<th>Qualitative approach</th>
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<td>9.</td>
<td>D’ Cruz and Noronha (2007)</td>
<td>11 interviews; 1 technical CC in Bangalore</td>
<td>Experiences of working in CCs, back offices and medical transcription centres.</td>
<td>Task complexity, diversity and independence distinguishing factors that in-turn promoted employee well being and satisfaction. Work representative of high commitment service organization viewpoint in literature.</td>
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<td>10.</td>
<td>Penfold (2007)</td>
<td>Trade union responses from different countries</td>
<td>Trade union response to white-collar off-shoring.</td>
<td>Trade unions employed contradictory multiple strategies from local to global to face challenges, e.g. fighting to stop work being off-shored and also for the conditions of off-shore workers. Strategies deployed - increasing local membership, campaigning on local issues, getting local community support for workers displaced or threatened by off-shoring, engaging local and national governments to fight or slow it down and compensating affected workers through re-training and social security. Engaging with international unions and multinational corporations to determine and articulate suitable responses to globalization. Engaging off-shore workers as part of world-wide labour movement.</td>
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<td>11. Mehta and Mehta (2007)</td>
<td>Qualitative approach</td>
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<td></td>
<td>- 28 semi-structured interviews of employees at different levels and secondary sources</td>
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<td>- 15 BPOs</td>
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<td>Focus:</td>
<td>HR issues and challenges faced by BPOs.</td>
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<td>Findings:</td>
<td>- Human resource-related challenges most critical, followed by organization and external environment-related.</td>
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<td>- Career growth scored over pay as reasons of employees entering the job market.</td>
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<td>- Middle level employees’ particularly concerned about career growth, a matter that needed to be resolved through proper training.</td>
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<td>- Literature sources and expert interviews</td>
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<td>Focus:</td>
<td>Assessment of work in the off-shored services sector in India following the work standards of International Labour Organisation (ILO) and decent work criteria.</td>
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<td>Findings:</td>
<td>- ITES offered employment generation opportunities, protected many basic employee rights, provided social protection otherwise unavailable to Indian workers and was beginning to involve a social dialogue between various overseas companies and different groups in India. Overall off-shored services in India adhered to decent work policy with prospects for greater improvement.</td>
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<td>• 879 questionnaires from Union of information technology enabled service professionals (UNITES Pro) members (Bangalore, Chennai, Mumbai, Hyderabad, Cochin, Delhi/NCR)</td>
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<td>• 45 semi-structured interviews (Chennai, Delhi/NCR, Hyderabad and Bangalore)</td>
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<td><strong>Focus:</strong> Employee voice and collective formation in ITES-BPO industry.</td>
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<td><strong>Findings:</strong></td>
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<td>• UNITES Pro members indicated the requirement for such an organization to deal with poor supervisory and managerial treatment, concerns for employee safety, complaints related to pay, workload and favoritism.</td>
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<td>• No collective support for the view that HR practices resolved all employees’ problems.</td>
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| 14. | **Kuruvilla and Ranganathan (2008)** | **Qualitative approach** |
|   |   | **Case study** |
|   |   | • Unstructured interviews with 79 HR and operational managers and other experts over a 3 year period and observation |
|   |   | • 4 BPOs (observation) |
|   |   | **Focus:** Economic development strategies and macro and micro-level human resource policies in outsourcing organizations. |
|   |   | **Findings:** |
|   |   | • Current skill shortages and the inability to produce higher levels of skills for the long-term growth and sustainability of the industry identified as macro problems. |
|   |   | • Very high levels of employee turnover and rapidly increasing employee costs identified as micro problems. |
|   |   | • Development strategy based on export of low-cost and high-end services a viable option to the more traditional low-cost export-oriented manufacturing strategies for developing countries. |
| 15. | Noronha and D'Cruz (2009) | Qualitative approach  
- Unstructured interviews with 59 CC agents (Bangalore and Mumbai) and other key informants like managers and trade unionists. | Focus: Organizing the CC agents (with acquired professional identity).  
Findings:  
- Extremely challenging external environment and CC agent’s acquired professional identity major challenges to union formation.  
- Partnership with employers only alternative acceptable to CC agents, employer organizations and society for reclaiming acceptability and credibility of the stained Indian trade union movement. |
- Literature sources, few expert interviews and elements of an invited address | Focus: Labour law and practice in India for off-shored services workers.  
Findings:  
- High level of formal legal protection with low levels of protection in practice in the sector.  
- Few reasons for gaps between law and practice - public matters such as corruption, legal exemptions, and lack of law enforcement; but others are due to newness of the sector, types of work and quick availability of alternative jobs. |
| 17. | **Kuruvilla and Ranganathan (2010)** | **Qualitative approach** | **Focus:**  
HR challenges (recruitment and retention) in BPOs  
**Findings:**  
- Demographic profile of BPO employees reason for several challenges for managers.  
- On the whole expansion, nevertheless considerable resizing with layoffs in small BPOs, slow paced recruitment in large BPOs and temporary hiring due to global economic downturn.  
- Optimism with regard to the industry’s growth prospects but high turnover likely to be of critical concern in future. |
| --- | --- | --- | --- |
| **Kuruvilla and Ranganathan (2010)** | **Qualitative approach**  
- Interviews with 20 HR managers of BPOs, follow-up interviews with 8 HR managers from larger BPOs, participant observation and secondary sources | **Focus:**  
HR challenges (recruitment and retention) in BPOs  
**Findings:**  
- Demographic profile of BPO employees reason for several challenges for managers.  
- On the whole expansion, nevertheless considerable resizing with layoffs in small BPOs, slow paced recruitment in large BPOs and temporary hiring due to global economic downturn.  
- Optimism with regard to the industry’s growth prospects but high turnover likely to be of critical concern in future. |
| 18. | **Thite and Russell (2010)** | **Case study**  
- Questionnaire survey with 638 employees supplemented by in-depth interviews with HR and operation managers  
- CCs (Bangalore, Hyderabad, Pune and Gurgaon) | **Focus:**  
Employee perception of work organization in CCs to investigate causes of employee dissatisfaction and turnover.  
**Findings:**  
- Acknowledgement among employees to workloads being demanding nevertheless non-acceptance to they being incapable to handle.  
- Monitoring as an issue of not much concern.  
- Mismatch between employee education profiles and the corresponding job skills.  
- Job-hopping despite similar scenario at different workplaces due to lack of career advancement, immediate salary hikes on change. |
Further, regular Data Quest - International Data Corporation (DQ-IDC), India, BPO employee satisfaction surveys have also focused on employee’s satisfaction levels with regard to HR practices including call floor executives and operational managers at all levels and excluding back-end support staff from departments like HR and administration. These interviews based on a structured questionnaire consisted of a number of statements classified under different broad parameters like company culture, job content/growth, training, salary and compensation, appraisal system and people. The employees were asked to rate each of the statements on a 10-point scale. They were also asked about their salary structure, preferred company in the industry, overall satisfaction, and reasons for joining or leaving, work related stress and ailments if any (Chabbra, 2004; Chakravorty, 2005; Chakravorty, 2006; Shashwat, 2007).

The results showed that the overall employee satisfaction went up in 2004 compared to 2003, with BPO employees found to be more satisfied than their IT counterparts. The prime reasons for joining the company remained good work environment, high growth opportunity and good salary. Salary emerged as the chief reason for leaving, followed by lack of growth opportunities and higher education. Work timings and travel time emerged as the topmost reasons for stress (Chabbra, 2004).

The year 2005 showed an almost similar average employee satisfaction score as in 2004, with a greater level of satisfaction among smaller BPOs a trend reversal as compared to 2004. Insufficient holidays emerged as a new stress factor along with travel time. Good work environment, growth opportunities and salary remained the three most important reasons for joining in the order mentioned but the importance attached to salary as a significant factor reduced considerably from the previous year.
Besides salary, the chief reason for switching jobs, career path and a challenging job profile came out as important factors which HR needed to take care of (Chakravorty, 2005). In 2006, the average satisfaction levels fell down due to the feeling of a lukewarm response to employee issues by organizations (Chakravorty, 2006). Though the overall employee satisfaction score went up again in 2007, salary emerged as the greatest disappointing factor and a big issue in everyday voice-centric CCs (Shashwat, 2007). 2009 brought a sharp dip in the percentage of people who joined the BPO industry lured by salary alone compared to 2008 (Chawla, 2009).

From the above discussion, it emerges that the research on CCs and BPOs in the HR field in the Indian context by and large has focused on several multiple issues including organizational characteristics and elements, employee/labour tasks, processes, experiences, attitudes, rights and unions, managerial control, human resource systems, challenges (majorly retention), their impact and other issues with respect to labour laws and labour rights organizations such as ILO. Although these studies make significant contributions, but a few of these works result from similar academic studies undertaken by a few researchers whose works are predominantly based on similar groups of people and organizations using interviews as their prime methodology and therefore tend to overlap. There is no evidence of KPOs being considered in these studies relating to any of the aspects discussed despite it being mentioned as an exclusive term in some of these studies (for example, a study by Penfold (2009) on labour laws and practice in such organizations, specifically excludes KPOs from its detailed qualitative analysis). With regard to most regular surveys by DQ-IDC, they too have majorly focused on employees from CCs and BPOs.
2.5 Literature review in the context of HRM in KPOs

This section is further divided into the following broad dimensions:

1. Literature available through newspapers, magazines, white papers, industry reports, conference presentations and relevant websites with focus on KPO: Projections and impact, KPO: HR opportunities and KPO: HR challenges.

2. Literature available through relevant academic studies.

2.5.1 KPO: Projections and impact

The KPO industry has shown considerable growth since its inception but the projections range from extra-ordinary to just ambitious. According to Pandey et al. (2004, p.31), “In the future India can become to knowledge-intensive services what China is to manufacturing”. The Indian KPO sector is estimated to contribute 1.8 percent to the service sector and will account for about 71 percent of the global KPO industry by 2010, from 56 percent in 2003 (Dogra et al., 2005). The offshoring industry worldwide has shown a 27 percent growth in revenue between the period 2003-04 and 2006-07 i.e. from United States Dollar (USD) 7.7-15.8 billion. It is expected to grow to USD 16.7 billion in 2010-11 implying an annual growth rate of 39 percent. The revenue earned by the KPO industry globally showed a 54 percent annual growth rate increasing from approximately USD 1.2 billion in 2003-04 to USD 4.4 billion in 2006-07. The number of professionals employed by the industry rose from 34,000 in 2003-04 to 106,000 in 2006-07 which are expected to reach the 350,000 mark globally by 2010-11. Total revenue of USD 260 million was generated by only 9,000 billable professionals in India in 2000-01 which multiplied to USD 3.05 billion by 75,400 billable professionals in 2006-07. This entails a 51 percent cumulative annual growth in USD terms and 43 percent in the number of billable professionals during a six year period (Aggarwal, 2007; Sachdeva, 2007b).
Some of the initial estimates made by Evalueserve (2004a) regarding the prospects of the KPO industry in general and in India have been a little optimistic compared to other industry estimates, though in line with its current forecasts. They predicted a growth from USD 1.2 billion in 2003 to USD 17 billion by 2010 implying a compounded annual growth rate of 46 percent. In another report in the same year they suggested an increase in the number of jobs in the KPO space, from 25,000 to over 250,000 by 2010 and the difference in salaries between BPO and KPO jobs as USD 2800 per annum (Evalueserve, 2004b).

According to Ashish Gupta, Chief Operating Officer (COO) of Evalueserve the knowledge process market in India is worth USD 2.5 - 3 billion a year and is likely to foster USD 10 - 12 billion by 2012 (Sachdeva, 2007a). In order to propose their services in multiple languages, KPO vendors are now increasing their functions in Latin America and China by hiring foreign nationals (Evalueserve, 2005b).

Figure 2.1 depicts the market size of KPO industry as per Evalueserve estimates.

**Figure 2.1: Market size of KPO industry**

![Market Size of KPO Industry](image)

Another estimate by the Ministry of Information Technology and Communications forecasts that India would capture 15 percent of the USD 54 billion KPO industry worldwide by 2010 from the current 5 percent (Sharma, 2007).

A study by the Confederation of Indian Industry predicts a growth of more than 8 percent in the service sector and its contribution to the GDP likely to be more than 51 percent. It affirms India’s transition from a BPO to KPO destination as imminent. The study also forecasts the KPO industry’s compounded annual growth rate (CAGR) at 46 percent worth USD 17 billion by 2010, of which USD 12 billion will be outsourced to India. It adds that India is expected to emerge as a focal point of global KPO as the business requires expert and specialized knowledge in respective verticals and the country’s engineering and technical institutes are primed to address the demand for human resources (Makhija, 2005; Rediff.com, 2005).

According to National Association of Software and Services Companies (NASSCOM) (2005) Indian vendors would be fast climbing up in providing more and more value added services with the financial sector already experiencing a boom. Insurance underwriting, risk assessment, equity research, financial data mining and modeling, and corporate and market research are some of the areas in which leading global financial institutions are outsourcing. Health care, pharmaceuticals, biotechnology, legal support, intellectual property research, design and development for automotive and aerospace industries and animation and graphics in the entertainment sector are areas next in line to be taken over by the KPO sector. NASSCOM (2007) further projects KPO sector in India may reach USD 15.5 billion by 2010.

As per a Frost and Sullivan report, KPO will be a USD 32.5 billion industry employing 410,000 professionals by 2014, registering a CAGR of 63 per cent
(Agarwal, 2006) while Kelly Services (2006) has predicted that India would achieve a phenomenal growth rate in all the technically advanced segments of the KPO industry with data and market research along with research and development (R&D) in medical/pharma constituting 50 plus percentage of KPO business in India.

A study carried out by Baring Private Equity Partners (India) Limited, a leading venture capital (VC) financing firm, has ascertained that KPO industry has the potential to attract maximum venture capital financing in India since by definition, such activities are knowledge-driven and not capital intensive. The report says that financing of merger and acquisition (M&A) activity would be the major uses of venture capital in KPO. Comparing revenues per hour in KPO and BPO, the study finds a difference of almost 50 percent between the two (domain-b.com, 2005).

In contrast, several other studies have shown a comparatively pessimistic growth for this industry. A study by Associated Chambers of Commerce and Industry (ASSOCHAM), India’s premier apex body of chambers of commerce says that the shortage of knowledge professionals in India would shrink the KPO business by nearly 30 percent by 2012 and it would touch only USD 10.5 billion mark against the projection of USD 15 billion by 2012 impairing KPO skills in India. It also says that the appreciation of rupee against the dollar and the rise of countries such as Russia, China, Poland and Hungary as strong contenders for the KPO business would eventually hit growth prospects of the domestic KPO industry (The Economic Times, 2007a). A study by Rocsearch (2006), a United Kingdom (UK) based research services company projects a gargantuan supply gap that threatens to curb KPOs growth. According to this study the KPO market may just reach a level of USD 5 billion by 2010, manned by 100,000 people instead of projections of a USD 12 billion market supported by 250,000 employees.
As per other projections, notwithstanding global recession, KPO is expected to flourish and India could uphold its supremacy with good management, availability of talent in diverse fields and steady government policies (Financialexpress.com, 2009).

These discrepancies in the statistics are possibly because of the different approaches used to collect data and different sub-sectors included in the various surveys. Nevertheless, these demonstrate that KPOs potential as revenue and employment generator for the Indian economy cannot be undermined.

It is not only a KPO client who benefits by outsourcing its job to India in terms of cost cutback coupled with provision of specialist premium services, but a considerable part of the revenues of a KPO service provider retained in the form of profits (before taxes) in addition to going towards employee costs, covers the overhead costs towards telecom, transport, catering and infrastructure which transforms into revenues for these allied sectors leading to a multiplier effect for both profit and employment creation. In addition, a major element of the increased salary of employees and large profits of KPOs also adds to revenues for sectors such as retail, real estate, education and infrastructure, again creating a bigger multiplier effect for the economy as a whole (Dogra et al. 2005). Moreover, Small and Medium Enterprises (SMEs) having very small setups and high overhead costs, profit the most from offshoring due to controlled costs (Evalueserve, 2004b). The demand for language-sensitive work also has a positive and encouraging impact on the Indian economy, by producing a ripple or multiplier effect on job creation for English-speaking Indian professionals, because for every job created for foreign language professionals two get created for Indian English-speaking professionals (Evalueserve, 2005b).
Thus a positive impact of KPO is discernable across different sectors of the Indian economy.

2.5.2 KPO: HR opportunities

Literature pertaining to human resource opportunities is available in the form of remarks and quotes of leaders of this nascent industry cited in newspapers, magazines and industry reports. There has been a lot of emphasis on the abundant opportunities that exist or are likely to exist in the emerging KPO sector. According to Zachariahs and Pandaya (2005a) opportunities are galore in different sectors of KPOs with attractions like great pay packages, exposure to global practices and even overseas travel. To further reinforce the point, Ashish Gupta, COO, Evaluserve explains that KPOs offer not just jobs but interesting ones besides providing global exposure and diversity of work in different projects with promise of brilliant growth prospects. He further stresses that being able to prove one’s self on the global arena whilst elevating knowledge in one’s subject area is actually an extremely worthwhile experience in itself (Guha, 2005). Ashish Gupta adds that the selling propositions for his KPO which eventually not only attracts prospective candidates but also compels them to stay are the quality of work, growth opportunities and global exposure (Mahanta, 2005).

Subinder Khurana, President market Rx, a KPO servicing pharmaceuticals major precisely quotes that, “This industry offers an opportunity to work on global intellectually challenging problems while enjoying the lifestyle of being based in India” (Guha, 2005, p.1). Another viewpoint supports these statements by adding that the attrition rate for these jobs is low due to job satisfaction derived by professionals working on intellectually stimulating tasks providing good compensation. Also being
a technology driven sector it is said to hold abundant opportunities for computer and network engineers (Atal and Niranjan, 2004).

The issue of huge opportunities available in the KPO sector has been highlighted upon by Kamal Nath, formerly, Commerce and Industry Minister, India, in his speech addressing the Plenary Session, on the Emerging Power of Emerging Markets at St. Petersburg. He observed that the manpower needs of KPO industry were as varied as the functions and industries it encompasses (The Economic Times, 2007b). Piyush Mehta, Senior Vice-President (VP), Genpact emphasizes that because of their flexibility of operations in multiple areas, KPOs provide huge opportunities to people in terms of their careers compared to other industries which offer only fixed career paths. Sunil Mehta, formerly, Vice President (VP), NASSCOM estimates that professionals in KPOs get 50-60 percent higher pay than in a similar function with a traditional firm though two things concern him – firstly the split up of the KPO market between a number of small boutique firms and a few large players and second, a lot of routine and commonplace work going under the guise of KPO (Zachariahs and Pandya, 2005a). As regards future prospects, Sunil Mehta, formerly, Vice-President, NASSCOM suggests options as continuing with the same firm, moving to consultancy or taking up of a general management role with a company (Zachariahs and Pandya, 2005b). Sanjay Churiwala of Atrena, an engineering service KPO expressing his view on career in a KPO states that being a technology-driven field, implementing something new initially could get one ahead in the promotion charts but eventually what matters is customer relationship management (Zachariahs and Pandya, 2005c). Rao, Vijayalakshmi, Director, Scope-e-knowledge, lays more emphasis on an individual’s attitude besides domain knowledge and aptitude besides skills which according to her can always be enhanced through training (Makhija,
Pointing out the skill requirements of this industry, key players and professional research associations lay emphasis on high end skills with focus on domain expertise (Evalueserve, 2004a; George, 2005; Kelly Services, 2006; Menon, 2007; Pricewaterhouse Coopers and Confederation of Indian Industry (PWC and CII), 2005; Rocsearch, 2006). Sanjay Shenoy, VP HR, Ugam Solutions also points out the necessity of having an aptitude towards programming along with the ability to work in a team under pressure and in night-shifts whenever required (Makhija, 2005). Amit Bhatia, Chief Executive Officer (CEO), WNS Knowledge Services talks of KPOs offering benefits in terms of financial rewards and career progression but only at the cost of longer and irregular hours (Zachariahs and Pandya, 2005b).

As can be seen, the existing literature contains no empirical research work that highlights the nature of human resource opportunities relevant to the KPO sector conducted in India except expert and vendor viewpoints as summarized above.

2.5.3 KPO: HR challenges

Literature pertaining to human resource challenges in KPO is primarily derived from newspapers and broad viewpoints of speakers through their presentations on KPO. KPO is a people-centric industry and the people involved are ambitious professionals with great expectations from their jobs. This makes for great HR challenge (Aggarwal, 2007). These professionally qualified employees are required to be paid higher salaries than their counterparts in traditional jobs (Aggarwal, 2007; Banerjee, 2004; NASSCOM, 2005; Singh, 2005; Singh, 2007).

In spite of its claims of being a high paying industry being essentially project based the human resources requirement is subject to change resulting in a major challenge for the HR in terms of both talent attraction and retention. Reservations and doubts in the minds of professionals regarding re-entry into their profession,
comparison with BPOs in terms of temporary career options and night shifts further aggravate the issue of talent acquisition (Makhija, 2005). In a presentation *KPO: Perspectives*, Soota (2005), Chairman and Managing Director, Mindtree Consulting points to people motivation and retention as the key challenges. According to him attrition is likely to emerge as a major issue like in the BPO and IT industry as competition for talent intensifies. Supporting this viewpoint, Gogna (2005) of Investment Information and Credit Rating Agency of India Limited (ICRA) highlights in his presentation *High-end analytics case study* that there is a need to retain employees, attract additional ones and focus on training. He emphasized that scaling up KPO operations will become tough due to difficulty in finding people with domain expertise and the high latency involved in training them on account of complex skills. The critical success factors for a KPO according to him will be access to quality manpower with domain expertise. Baksi (2005) formerly, VP and Chief Administrative Officer, Lehman Brothers in his presentation *HR dimensions in KPOs* underlines that human resource availability remains the prime challenge facing the industry. The point was also stressed by Rajinder Singh, Senior VP and Head of Global Analytics Services, Genpact in an interview regarding challenges and issues before the country’s KPO sector. Lack of and slow development of domain expertise in sectors as banking, pharmaceuticals and manufacturing is creating problems for the industry. He added that technical skills could be taught through training but mastering the domain expertise remains a challenge in view of frequent attrition (Bano, 2008). Further reinforcing this point, research indicates that despite the impressive numbers of qualified professionals India produces every year the question of their employability in the global field remains and is a big challenge for HR (Fairell *et al.*, 2005; RocSearch, 2006; The Times of India, 2007a). Wangikar (2006) Principal,
Inductis points in his presentation *Developing a KPO business: Opportunities and challenges*, that the presence of only a small pool of resources claiming to have more than three years of experience in their respective domains indicates lack of adequate domain experts. Banerjee *et al.* (2007) suggest that while in a BPO proficiency in English language and computer literacy are good starters, KPOs need specialized qualifications, more differentiated talent and an understanding of the client’s functioning and industry segment. Moreover training new recruits to the desired level doesn’t prove to be effective in terms of both time and costs involved. Another report by Evalueserve identifies decreasing supply-demand ratio, reducing cost arbitrage, rising attrition, gaps in skill-sets as important HR challenges in the information technology enabled services (ITES) sector. It observes that the demand-supply gap in the industry is compelling companies to hire undergraduates. The percentage of students opting for higher studies is already very low in India and the metamorphosis of college dropouts into BPO coolies for the lure of easy money threatens to magnify into non-availability of qualified manpower 5 to 10 years hence (Evalueserve, 2005a).

As per Aggarwal (2004) in a presentation *Moving up the value chain - From BPO to KPO* in CIO Canada outsourcing summit, the key to success for companies in the long-term would be hiring people with right talent and skill sets and nurturing them internally through extensive training modules. Another key challenge in the management of KPO is the identification of ‘performance criteria’. This involves setting the right expectations with the end client as well as its professionals (Evalueserve, 2004a). A presentation *KPO: Moving up the value chain, demand side issues - Understanding customer needs* by Choudhary (2005), Evalueserve, stresses on people and process related operational challenges in meeting customer needs. Aran (2006) CEO, Aranca in his presentation *Changing customer expectations: A view*
from the trenches notes that high end KPO industry has created greater opportunities and simultaneously posed greater delivery challenges in terms of training, retention and scalability. Tomar (2006) VP, Integreon, in his presentation titled Case study - Providing KPO services to a global investment bank considers lack of professionalism among Indian associates, difficulty in making available the right skill set, cultural differences in terms of initiative, aggression and punctuality, and attention to detail and industry context as the key challenges in the KPO sector.

Employers are no longer in the driver’s seat when it comes to hiring talent, more so in the nascent KPO industry. Rahul Varma, Director, Accenture India attributes the success of the KPO industry to people management (George, 2005). According to Stewart Black, affiliate professor of Organizational Behaviour, INSEAD (European Institute of Business Administration), there is a war for talent making it imperative for managers of companies today to attract and retain it. He further adds that the shift in balance of power towards employees is taking place due to the growing demand of qualified people in certain markets for which the employers need to have an attractive value proposition for them (The Times of India, 2007b). In a presentation KPO in financial services, Gupta (2005) suggests that human resource managers should focus on recruitment, retention and compensation to achieve success in financial services KPOs. He further points to the insufficiently skilled offshore staff as one of the perceived barriers to offshoring high end activities. A report by PWC and CII (2005) views that in KPOs the emphasis will be on talent than on physical infrastructure and HRM tools and methods for recruitment, retention and motivation will have to be special. These professionals would also be reluctant to work in nightshifts or walk in for walk-in interviews and mass recruitment programs. In viewpoint of Karnik (2005), President, NASSCOM, it is a thin creamy layer of Indian
knowledge professionals together with ample help from the media that is responsible for praise coming its way. This adds to the major HR challenge of acquiring the best talent for KPOs.

High-end work requires people with strong fundamentals in their respective domains to succeed in this industry. If India is to realize its full potential as a knowledge society, it must prepare its knowledge workers in adequate numbers, to meet the needs of the global market place on a war-footing (Venu, 2005). Bhattacharya (2005), Director, TCG Life Sciences in his presentation Growing trends in life sciences KPO explains that the roadmap for India to be a winner in life sciences KPO requires accelerated skilled human resource development through education and training. The growing demand for the appropriate kind of skilled workers will explode in the near future. Vollenweider (2005) further believes that ingredients of a successful KPO are right recruitment and training, steadiness in providing quality services, matching and even going beyond international standards in productivity and a result - oriented marketing strategy for successful selling of the KPO services.

The collective viewpoints and comments of representatives of KPOs point in general to the broad HR challenges present or likely to be faced by KPOs in the near future without clearly delineating the intricacies thus necessitating empirical research in the field.

2.5.4 Literature available through relevant academic studies relating directly or indirectly to the objectives of the present study

Grimshaw and Miozzo (2009) draw attention to the external and internal conditions of inter-organizational relations, contract performance conditions, knowledge flows and the economic and institutional context as key influences in the formulation of HR practices in knowledge-intensive business services (KIBS) firms. Willocks et al.
(2004) profess that in a commoditized outsourcing market, with evermore demanding client companies, competing on knowledge would be the key to success. Further, traditional approaches to managing this knowledgeable and expert workforce would be replaced by distinctive practices that acknowledged and perpetuated high levels of autonomy (Robertson and Hammersley, 2000).

Considering this, although substantial literature has grown in the broad area of outsourcing relating to various disciplines over the last two decades, little has been learned in academic literature in the promising area relating to KPO especially in HRM context.

A summarized presentation to better contrast the different methodologies, specific focus areas and key findings of important and relevant academic research studies which directly or remotely relate to the present research are detailed in Table 2.2. Table 2.3 describes significant academic research studies exclusively in the context of HRM in KPOs.
Table 2.2: Summary of findings of major academic research studies on KPOs directly/remotely related to the present research

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<tr>
<th>S.no.</th>
<th>Author(s) and Year</th>
<th>Approach and Sample</th>
<th>Focus and Findings</th>
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|       |                     | 5 KPOs in India and Ireland | Findings:  
|       |                     |                      | • Categorized factors affecting the KPO process as also issues in terms of challenge, deal, structure, process and relationship.  
|       |                     |                      | • Success of KPO depended as much on the structure and processes in the client firm’s organization as that of the providers.  
|       |                     |                      | • Knowledge process as a separate organizational unit within the client firm led to more effective outsourcing.  
|       |                     |                      | • Break down of complex tasks into simpler units and separating the core from the non-core improved the outsourcing process.  
|       |                     |                      | • Building trust and nurturing relationships through higher quality standards, confidentiality and enhanced risk management would require KPO providers to recruit people with domain specific knowledge and build in systems. |
|       |                     |  
|       |                     | Analysis of literature sources and comparative analysis methods | Findings:  
|       |                     |                      | • In terms of globalization, countries abundant in relatively cheaper labour and with vast potential for knowledge development have an opportunity to improve their competitive positions greatly by employment of knowledge outsourcing. |
|   | **Lacity et al. (2008a)** | **Conceptual analysis** | **Focus:** Important lessons for successfully exploiting the maturing Information Technology Outsourcing (ITO) and BPO markets. **Findings:**  
- Predicted thirteen trends about the size and growth of ITO and BPO markets included among being KPO.  
- With regard to KPO, an increase was projected as the client/supplier relationships matured and suppliers gained an enormous amount of knowledge about the client’s business domain as well as the expertise to find, analyze and report on domain knowledge once hired.  
- Employee turnover in KPO expected to be low owing to professionals doing client-facing and intellectually challenging work. Prediction was based on their research that established that interesting work and not pay was the main determinant of an Indian employee’s intentions to remain with his/her current employer (Lacity et al., 2008b).  
- Identified five persistent important issues on global outsourcing pertaining to back office alignment, client and supplier incentives, knowledge transfer, knowledge retention and sustainability of outsourcing relationships. |
|---|---|---|

**Focus:**
Two complementary conceptual models regarding intricacies related to offshoring of knowledge and service work.

**Findings:**
- Key factors affecting offshoring decisions were the level of knowledge embeddedness and customer contact required in the process. Depending on the kind of processes the service providers handle, i.e. low or high level of knowledge embeddedness dimension these would entail provision of corresponding services like simple transaction processing or transformational process creation.
- Level of contact with customers affected the extent to which the service providers needed to be considerate with respect to language and culture.
- Suggested that the evolution of service offshoring would be more in lines with that of manufacturing. As the capabilities of offshore operations would increase in terms of knowledge embeddedness organizations would choose to offshore solution-gearing services.
- Important ways in achieving success in offshoring service and knowledge work included ability to transfer best practices across locations, the competence to build and share organizational culture and blend local practices with home office mandates in managing human resources.
Table 2.2 Continued

- Growing importance of KPO as opposed to BPO parallels the shift in focus from ‘data’ to ‘information’ to ‘knowledge management’.  
- KPO involved what, where, how, when and why of knowledge processes to outsource and is driven by a desire as much for operational efficiencies, access to a extremely talented workforce and improved value as for cost savings.  
- KPO differed from BPO in a number of respects, issues concerning protection of intellectual property and the management of conflicts of interest being amongst others.  
- Organizations need to start on new business models for delivery of services to move to the high end of the outsourcing value chain. |
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<th>7.</th>
<th>Currie <em>et al.</em> (2008)</th>
<th>Qualitative approach</th>
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<td></td>
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<td>Interviews and semi-structured questionnaires</td>
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<td><strong>9 KPOs</strong> in India</td>
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**Focus:**
Vendor perspectives in financial service KPOs.

**Findings:**
- Developed taxonomy of KPO scenarios.
- KPOs offered more complex intellectual value activity based products and services and focused on outsourcing of two kinds of knowledge based activities - foundation knowledge and tacit knowledge for intellectual decision making.
- Large gap between different KPO vendors leading to difference in the amount of work procured.
- Choice between local and remote locations and need for an internal career path identified as inhibitors to KPO
- Challenges included gaining confidence of potential clients about knowledge intensive work and finding effective solutions to mitigate outsourcing risk.
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<tr>
<th>S.no.</th>
<th>Author(s) and Year</th>
<th>Approach and Sample</th>
<th>Focus and Findings</th>
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</table>
| 1.    | Raman *et al.* (2007) | Case study  
- 18 semi-structured interviews at different levels  
- 1 KPO in India | **Focus:**  
People management issues in KPOs.  
**Findings:**  
- Talent acquisition, retention, developing training infrastructure and health and work-life balance issues identified as HR challenges of significance.  
- Presence of formal, structured, transparent and innovative HR practices. |
| 2.    | Ghosh and Chakraborty (2008) | Case study  
- Interviews, questionnaires and secondary sources  
- 2 KPOs in Bangalore and Gurgaon in India | **Focus:**  
Emotional intelligence parameters (self-awareness, self management, social awareness and relationship management) and the extent of its business impact on performance of knowledge employees to solve challenges faced by KPOs.  
**Findings:**  
- Macro factors of emotional intelligence identified as business, employee and HR concerns and organizational determinants.  
- Equilibrium between emotionally intelligent transparent democratic leadership and performance linked emotionally mature culture greatly enhanced the performance of knowledge employees and boosted morale. |
| 3. Wickramasinghe and Kumara (2009) | **Survey**  
- Questionnaires  
- 25 HR Managers (16 KPOs and 9 BPOs) and 117 (70 KPO and 47 BPO) employees in Srilanka | **Focus:**  
Identifying and comparing competency requirements and exploring any differences in the methods used to attract, select and train ITES-BPO and KPO employees.  
**Findings:**  
- Differences in the degree of importance given to some competencies by ITES-BPOs and KPOs.  
- Job posting followed by advertising for recruitment, selection interview for selection and learning from feedback given by superiors for training and development rated as the most frequently used methods by both BPOs and KPOs.  
- Age, the highest level of education and total years of work experience had interaction effects among some of the competency requirements of BPOs and KPOs. |
Studies in Table 2.2 are mostly conceptual and essentially center on emergence, understanding and prospects of KPO. While all the three empirical research works in Table 2.3 focus on studies on HR in the context of KPOs, the two Indian studies have been conducted using a case-study based approach. Raman et al.’s. (2007) research on people management issues is based on single financial services KPO, whereas Ghosh and Chakraborty’s (2008) study draws on only two KPOs. Another study by Wickramasinghe and Kumara (2009) considering 16 KPOs empirically establishes that the competencies required in KPOs and BPOs differ and is based in the Sri Lankan context.

Thus, going by the literature on HR dimension in KPOs it can be seen that though there is some useful information present in newspapers, magazines, whitepapers and websites that highlights the size and breadth of the KPO industry and the general HR scenario that provides a context for the current research, nonetheless it would be safe to believe that there is little empirical research specific to the HRM aspects relevant to the sector.

2.6 Summing up: Key gaps based on literature review

Issues pertaining to HR opportunities and challenges in the KPO industry necessitate special attention to enable the industry to bloom through the combined endeavors of human resources who join the industry and make contributions and the human resource managers who need to be agile and proactive to be able to tap these resources to the benefit of the company, the industry, the society and the nation.

Given the interest and attention the human intellect driven KPO industry attracts as exhibited in the numerous forecasts about its prospects in industry reports and viewpoints shared by key industry experts about issues relevant to it, though some of the annotations about people issues may be convincing and appealing, the literature
in general falls short of empirical evidence that provides sufficient information on HR opportunities and challenges the industry throws. Here the researcher has tried to present those facts and information which are related directly or indirectly to the objectives of the present study.

To summarize, the detailed literature review shows that the existing research on outsourcing firms appeared skewed towards CCs and BPOs. A temptation to include a number of sources at the cost of quality and relevance was avoided and the literature review restricts and confines mainly to those parts that relate to and help advance the specific interests of the research topic by summarizing from a set of relevant sources the collective conclusions most pertinent to research undertaken. Nonetheless, in view of the fact that a serious search uncovered only limited studies related to the topic of research, studies which were not directly related to the research work undertaken and pertaining to other subsets of outsourcing ie CCs/BPO were also included in detail to present and clarify that though different research in the context of HRM related to outsourcing involving both micro and macro issues is vastly present however KPO presence in academic literature particularly in the context of HRM is extremely limited.

**Following are the key gaps identified based on the literature review:**

1. There is as such a dearth of academic research studies in the KPO sector (Russell, 2008) especially in the area of human resource issues in the Indian context (Raman et al., 2007). Only a handful of studies on the KPO sector exist relating to varied streams of management.

2. Few existing studies both national and international have recently emerged essentially pertaining to the area of CCs or BPOs considering the growth of
outsourcing worldwide. As such not many exhaustive studies have been undertaken on the subject.

3. Most of the existing research findings are based on only a few interviews and case studies of organizations (see, for example, studies by Raman et al. (2007) and Ghosh and Chakraborty (2008)).

4. The maximum number of KPOs\(^1\) considered is 9 (all in financial services domain) in a study by Currie et al. (2008) and 16 in a study by Wickramasinghe and Kumara (2009).

5. Most of the available literature on the subject is non-academic in nature based on observations/viewpoints of experts, vendor propositions obtained through newspapers, magazines, conference presentations, industry reports and websites. Moreover, literature available through different websites is mostly repetitive and conceptual and based on the collection of reports and whitepapers available on the websites of pioneers in KPO and a few consulting firms generating these reports.

   From the above discussion it becomes sufficiently evident that an exhaustive search did not throw up any studies that examined exactly similar research objectives, used a similar methodology and answered similar questions relating to each aspect covered or catered to similar number of KPOs in the geographical regions covered. Hence assuming no prior study has completely ventured into the area, the purpose of literature review has been to position the research topic in relation to sparse existing knowledge. The current research attempts to contribute to the nascent body of literature on HRM in the context of KPOs and will possibly try to plug the gaps that exist.

   Chapter II has provided a review of the literature. Included were studies on HR aspects in the outsourcing industry in general along with few existing specifically
in the KPO sector, with numerous article references that provided current perception about the HR opportunities and challenges in KPOs. Chapter III is a description of the methods used to collect and analyze data. Chapter IV describes the results based on data analysis while Chapter V summarizes the key findings, provides the necessary conclusion and implications and makes recommendations for future research.

Note:

1. Major academic studies on KPOs and the number of KPOs considered

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Author(s) and Year</th>
<th>No. of KPOs</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sen and Shiel (2006)</td>
<td>5</td>
<td>India and Ireland</td>
</tr>
<tr>
<td>2.</td>
<td>Raman et al. (2007)</td>
<td>1</td>
<td>India</td>
</tr>
<tr>
<td>3.</td>
<td>Ghosh and Chakraborty (2008)</td>
<td>2</td>
<td>India</td>
</tr>
<tr>
<td>4.</td>
<td>Currie et al. (2008)</td>
<td>9</td>
<td>India</td>
</tr>
<tr>
<td>5.</td>
<td>Wickramasinghe and Kumara (2009)</td>
<td>16</td>
<td>Srilanka</td>
</tr>
</tbody>
</table>
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