SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities and Threats involved in a project in a business venture. It involves specifying the objectives of the business venture or project, and identifying the internal and external factors that are favorable and unfavorable to achieve those objectives. A SWOT analysis helps elucidate strategic advantages. Strengths are attributes of the person or company helpful in achieving the objective(s), while weaknesses are attributes of a person or company, harmful in achieving the objective(s). Opportunities are the external conditions, helpful in achieving the objective(s) and threats are external conditions which could do damage in the objective(s).

India has a number of positives to operate successfully in the BPO segment. India being one of the world's most populous countries naturally has a large pool of human resources. Government's continued investment in higher education since independence in terms of establishment of educational institutes as well as subsidization of education have produced a pool of knowledge-workers capable of performing skilled and specialized tasks. Already having a strong IT sector helped further to develop India's IT-enabled services sector. In addition, due to the rupee dollar exchange rate, Indian labour turned out to be considerably less expensive for the US business enterprises. Traditionally, English language skill is
also high amongst the Indian population compared to other Asian countries. Given India's value proposition, multinational organizations came up to establish captive units in India or outsource processes to third party service providers.

Given the opportunities and challenges of the global BPO market, several important questions arise for India as a player in this segment. First, how is the Indian BPO industry coping up with the challenges? What are our strengths to be highlighted in the global market and what are the shortcomings that need to be overcome? How do we compare with our competitors and what should be our strategies to effectively compete in the market? Given the fact that India's success in this industry has significant implications on its economy in terms of export revenue and employment generation for educated youths, these questions are of importance.

For the purpose of SWOT analysis, following methodology was adopted:

- A self structured questionnaire was prepared and industry persons were asked to fill it up.

- The questionnaire comprised a number of statements related to strengths, weaknesses, opportunities and threats, which were identified on the basis of literature review and informal discussion with the BPO executives.
The respondents were asked to rate these statements on the basis of 5 point likert scale. The highest rank Five was to be given to the most favored statement and the lowest rank One was to be attributed to the least preferred statement.

The statistical tool used for the purpose of SWOT analysis was Weighted Mean, Standard Deviation; and software used was Microsoft Excel.

The Weighted Mean for every statement was calculated on the basis of rates given by respondents and then every statement was ranked according to Weighted Mean in order of preference.

### 7.1 Analysis of the Strengths of Indian BPO Industry

Respondents have considered the following strengths and rated them on the basis of Likert scale. The analysis of the strengths is described as follow:

#### 7.1.1 Human Resources:

Availability of suitable human resources is one of those factors which have made India one of the hotspots of BPO/IT industry. India is home to a vast pool of human resources consisting of educated, English speaking, tech-savvy personnel. India is rich not only in terms of number of qualified people, but the
quality is also of international level which brings it at **First position with highest weighted mean score 4.89**, in the list of strength analysis.

### 7.1.2 ROUND THE CLOCK ADVANTAGE:

India has an 8-12 hour time zone difference with respect to the US and other developed markets. India is able to offer a 24x7 services and reduction in turnaround times by leveraging time zone differences. This time difference has been intelligently brought to their advantage by the call centers/BPO. So it has attained the **Second position with weighted mean score 4.8**, number in the list of strength analysis.

### 7.1.3 COST BENEFIT:

In developed countries, where the cost of labour is high while relatively cheap labour is available in the third world country including India. Process outsourcing has been used for times immemorial to enhance shareholder value by controlling costs and avoiding capital expenditures associated with purchase of new systems and upgradation. It has been indicated that for every dollar invested in BPO across India, the value derived by the US economy is between $ 12-14. It is on the **Third position number as strength to BPO industry on the basis of weighted mean score 4.6**.
7.1.4 AFFORDABLE QUALITY EDUCATION:

The Indian education system places strong emphasis on Mathematics and Science. This has resulted into a large number of science and engineering graduates. Mastery over quantitative concepts coupled with English proficiency makes India one of the hot spots of the IT/BPO word. It has enabled the India to take advantage of the current international demand for IT. As a result, it is being listed at number **Fourth in the analysis of strength on the basis weighted mean scores 2.1.**

7.1.5 SKILLED AND DEDICATED WORK FORCE:

All the BPO employees are well educated and they are well aware of their responsibilities, not only they work for money but also they work hard to make the best out of it. India receives most of outsourcing jobs from US. The US people have acknowledged that India is the best place for outsourcing. With the so much determined workforce, this statement stands at **Fifth position the weighted mean score 2.0**

7.1.6 TECHNOLOGICAL COMPETITIVENESS:

Technological advancement in India has witnessed rapid progress in last decade mainly due to privatization or reducing governmental control. This state-of-the-art technology has enabled India to improve the quality of service at a reasonably
reduced cost. As a result of quality improvement, it has now become strength to BPO industry and has come to the **Sixth position with weighted mean 1.99.**

The strengths have been ranked according to the weighted mean score and depicted in the graph 7.1.

![Chart 7.1](chart.png)

Source: Primary Survey

### 7.2 ANALYSIS OF THE WEAKNESSES OF INDIAN BPO INDUSTRY

#### 7.2.1 HIGH ATTRITION RATE:

The major problem which a BPO is facing is the high attrition rate i.e gradual reduction in the number of people working in a company due to retirement, resignation or death. The rate of attrition in the BPO industry in India is currently nearly 50%. Attrition in individual firms varies from 15% in the larger firms to up
to 40% in the smaller ones Analysts believed that if this left unchecked, there would be a shortage of professionals. Therefore, it is the most severe problem faced by Indian BPO industry and has been ranked at **First with weighted mean score 4.86.**

### 7.2.2 MARKETING PROBLEM:

Due to inclusion of the smaller companies, the maximum number of companies reported marketing as the major problem faced in this sector. It is well known that global BPO market is huge, smaller sized firms suffer from lack of information. Transaction costs to explore market possibilities are also very high. Unlike in the manufacturing sector, subcontracting is not a practice prevalent in this industry. The reason for not outsourcing is mainly that the industry being an emerging one, most of the firms are in their own growth mode. Some firms also have quality concerns for subcontracting their work to a smaller firm. Some of the higher end work that are currently subcontracted relate to software development, necessary for efficient delivery of outsourcing services of a BPO firm. Thus it is considered as an important weakness by the respondents and scored **Second position with weighted mean score 4.83.**

### 7.2.3 FEEBLE INFRASTRUCTURE:

Despite of more than six decades of independence, India’s reliability is at stake especially in segments like power and telecom. Any company, intending to have
a base in India has to provide for an alternative source of power generation in case of power failure and scheduled power cuts. It has taken the Third position in the analysis of weaknesses with weighted mean score 2.84.

7.2.4 CULTURAL DIFFERENCE:

The productivity of India was never questioned, but cultural diversity posed questions due to the number of festival holidays. The corporate clock ticks 24×7; in fact, it never stops. In India festivals or other occasions affect regularity, resulting in absenteeism and in turn hamper productivity. In India, organizations hire extra manpower to manage work in case of festival induced absenteeism. Though absenteeism is temporary in nature, the cost of extra manpower is permanent. That in turn reduces productivity per person, which places it at Fourth important problem faced by Indian BPO industry by obtaining weighted mean score 2.72.

7.2.5 LEGAL LACUNA:

Security of information and data is the prime concern for companies before outsourcing their business processes. India has still not taken a major initiative towards data protection and privacy, especially for cyber crimes. Legal control on e-practice is still in its nascent stage. MNCs have security concerns regarding their data. In fact, it is the most important consideration that determines the
destination of a BPO and due to which it comes on the **Fifth position in the list** of analysis of weaknesses by obtaining mean score 2.44.

### 7.2.6 GOVERNMENT TAX POLICIES:

The Indian government’s tax policies such as taxes on ESOPS, rental space etc is making Indian companies less competitive and costlier, when compared to the new players in the field. In countries like China, Philippines, Srilanka and South Africa, governments are offering 10 to 15 year tax breaks and China even offers income-tax holiday to its BPO employees. Therefore, it comes on the **Sixth position in the list of weaknesses with the weighted mean score 1.78.**

The graph 7.2 depicts the weaknesses rank wise according to the weighted mean scores given by respondents.

**Chart 7.2**

<table>
<thead>
<tr>
<th>WEAKNESSES OF INDIAN BPO INDUSTRY</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>High attrition</td>
<td>4.86</td>
</tr>
<tr>
<td>Marketing problem</td>
<td>4.83</td>
</tr>
<tr>
<td>Feeble infrastructure</td>
<td>2.84</td>
</tr>
<tr>
<td>Cultural difference</td>
<td>2.72</td>
</tr>
<tr>
<td>Legal lacuna</td>
<td>2.44</td>
</tr>
<tr>
<td>Government Tax Policies</td>
<td>1.78</td>
</tr>
</tbody>
</table>

*Source: Primary Survey*
7.3 ANALYSIS OF THE OPPORTUNITIES FOR INDIAN BPO INDUSTRY

BPOs translate into an enormous business opportunity for India. With many companies, looking for the chance to outsource, the global BPO market is bound to grow. India is positioned to capture a sizeable chunk of the global pie in outsourcing due to a number of factors which have been analyzed as follows:

7.3.1 PEOPLE:

Till the late eighties, the major factor for establishing a business was infrastructure. Nowadays there is a paradigm shift to locations where people are available easily. Here, India has a number of advantages because of its quality manpower and it is another opportunity for BPO industry in India and as a result it comes at First (4.91) position in the analysis.

7.3.2 INFORMATION TECHNOLOGY:

India has proved its supremacy to the rest of the world in having a rich reservoir of IT companies. These IT companies are providing solutions to a majority of BPO. This is evident from existing client base of IT companies in India. Now the same or existing client base is outsourcing their processes. Here, India could further strengthen its position by capitalizing on this phenomenon and creating
more opportunities. As a result it is given **Second (4.8)** position by respondents in the analysis.

7.3.3 **MARKET POTENTIAL:**

The current conservative estimate is that as of now it has only been a testing phase of the BPO industry, where just 6 to 10 per cent of industry potential has been tested. This elucidates the tremendous potential of the industry. India has proved to be a preferred destination. Even the World Bank has opted for India as their first base out of their home country. India has fair chances to encash on actual potential. Many companies intend to extend outsourcing to more areas than routine ones, even US multinationals including HP, Whirlpool and GE. Therefore it is a good opportunity for BPO industry and it comes at **third (3.4)** position in the list of analysis through weighted mean.

7.3.4 **TO WORK CLOSELY WITH ASSOCIATION LIKE NASSCOM:**

Most BPO has certification such as BS7799 and SAS 70, and undergo third party audit at regular intervals. A number of BPO has obtained this certification through the help of NASSCOM. Which emerges at new opportunity for the industry and in weighted mean analysis it had gained **fourth (2.84)** position.

The graph 7.3 depicts the opportunities rank wise according to the weighted mean scores given by respondents.
ANALYSIS OF THE THREATS TO INDIAN BPO INDUSTRY

7.4.1 COMPETITION:

BPO has been established as a win win alternative to both the company/country that outsources and the company/country that accepts. This further intensifies competition. Earlier, the Philippines, Ireland, Malaysia and other few countries were competing, where India had quite a sustainable strategic advantage. Now other countries like China have emerged as strong competitors. At the moment, language is one positive factor benefiting India, but gradually China is trying to overcome that shortcoming by adopting international languages like English as mode of their global business. In order to take the strategic lead, India has to

Source: Primary Survey

Chart 7.3

OPPORTUNITIES FOR INDIAN BPO INDUSTRY

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>4.91</td>
</tr>
<tr>
<td>Information technology</td>
<td>4.87</td>
</tr>
<tr>
<td>Market potential</td>
<td>3.40</td>
</tr>
<tr>
<td>To work closely with association like NASSCOM</td>
<td>2.84</td>
</tr>
</tbody>
</table>
gain other advantages. As a result, it is given first (4.8) position by respondents in the analysis.

7.4.2 THE ANTI-OUTSOURCING BILL:

The anti-outsourcing movement has been slowly gathering steam as the US grapples with its worst unemployment rate (of 6 per cent) in the last four years. In order to curb the flight of jobs out of the US, state senators moved Bills in their respective senates. As much as 71 per cent of Indian IT export revenue comes from the US. Any movement against outsourcing in the US will have a dual impact on the Indian economy that is, on outsourcing contracts as well as through Indians placed on-site (US). The situation could worsen if the slow growth of the US economy continues. Then social pressure could prompt it to seek excuses to curtail outsourcing. As a result in weighted mean analysis it had gained second (4.7) position.

7.4.3 BILLING RATES:

For the last four to five years, BPO has taken the shape of an industry and therefore cost per unit of process plays vital role for business negotiation, for example, cost per man-hour, cost per unit of production, cost per transaction and cost per month. Their nature creates a constant pressure on rates. Earlier, quality was the major criterion. Nowadays, it is quality at a reasonable price. This results in price-based negotiations and least quote is likely to rule over a period of time.
It might reduce the profitability and then the interest of people. Therefore it is the third (1.9) important threat faced by Indian BPO industry.

7.4.4 SECURITY CONCERN:

The main threat of BPO or outsourcing is its security and secrecy. Trade secrets or proprietary information may leak out to competitors because a firm's information system are being run or developed by outsiders. Thus it is considered as Fourth important threat by respondents providing weighted mean score 1.78.

The graph 7.4 depicts the opportunities rank wise according to the weighted mean scores given by respondents.

Chart 7.4

<table>
<thead>
<tr>
<th>THREATS TO INDIAN BPO INDUSTRY</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>4.89</td>
</tr>
<tr>
<td>Anti outsourcing bill</td>
<td>4.77</td>
</tr>
<tr>
<td>Billing rates</td>
<td>1.99</td>
</tr>
<tr>
<td>Security Concern</td>
<td>1.78</td>
</tr>
</tbody>
</table>

Source: Primary Survey
7.5 STRATEGIES TO FIGHT GLOBAL SLOWDOWN

On the bases of above SWOT analysis, the strategies can be determined for the BPO Industry to fight the global slowdown. By using the matrix table 7.1 which consists of strengths, weaknesses, opportunities and threats, variety of strategies can be developed.

Table 7.1

<table>
<thead>
<tr>
<th></th>
<th>STRENGTHS</th>
<th>Mean</th>
<th>WEAKNESSES</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource</td>
<td>4.89</td>
<td></td>
<td>High Attrition Rate</td>
<td>4.86</td>
</tr>
<tr>
<td>Round the Clock Advantage</td>
<td>4.88</td>
<td></td>
<td>Marketing Problem</td>
<td>4.83</td>
</tr>
<tr>
<td>Cost Benefit</td>
<td>4.68</td>
<td></td>
<td>Feeble Infrastructure</td>
<td>2.84</td>
</tr>
<tr>
<td>Affordable Quality Education</td>
<td>2.11</td>
<td></td>
<td>Cultural Difference</td>
<td>2.72</td>
</tr>
<tr>
<td>Skilled and Dedicated Workforce</td>
<td>2.09</td>
<td></td>
<td>Legal Lacuna</td>
<td>2.44</td>
</tr>
<tr>
<td>Technological Competitiveness</td>
<td>1.99</td>
<td></td>
<td>Government Tax Policies</td>
<td>1.88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>OPPORTUNITY</th>
<th>Mean</th>
<th>THREATS</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>4.91</td>
<td></td>
<td>Competition</td>
<td>4.8</td>
</tr>
<tr>
<td>Information Technology</td>
<td>4.87</td>
<td></td>
<td>Anti-outsourcing Bill</td>
<td>4.7</td>
</tr>
<tr>
<td>Market Potential</td>
<td>3.40</td>
<td></td>
<td>Bill Billing Rates</td>
<td>1.9</td>
</tr>
<tr>
<td>To Work Closely With Association Like Nasscom</td>
<td>2.84</td>
<td></td>
<td>Security Concern</td>
<td>1.78</td>
</tr>
</tbody>
</table>

Source: Primary Survey

As SWOT Analysis is an effective way of combining (a) internal strengths with external opportunities and threats, and (b) internal weaknesses with external opportunities and threats. The following strategies can be developed:
1. **USE INTERNAL STRENGTHS TO CAPITALIZE ON EXTERNAL OPPORTUNITIES (SO)**

- BPO’s should use its dedicated, qualified and skilled human resource to capture large markets.
- Having the advantage of Cost Benefit, BPO should invest in the global market.

2. **IMPROVE INTERNAL WEAKNESSES BY USING EXTERNAL OPPORTUNITIES (WO)**

- Cultural difference can be overcome by using upcoming generation.
- To fight with government policies and other legal aspects, BPOs should work on set lines of NASSCOM.
- High attrition rate can be reduced by employing new people, i.e., right person at right job.

3. **USE INTERNAL STRENGTHS TO AVOID EXTERNAL THREATS (ST)**

- To face the competition with other emerging markets it should use its round the clock availability of HR and Technological Competitiveness.
May use the Technological Competitiveness to secure the data of their clients.

4. THE STRATEGIES CREATED HERE WILL WANT TO AVOID THREATS AND MINIMIZE WEAKNESSES (WT)

- Government policies should be made in such a manner that it reduces the impact of anti outsourcing bill.
- Reduce threat of competition by developing feeble infrastructure.
- Review tax policies and social policies.

7.6 CONCLUSION

The future of the Indian outsourcing industry has always been a hot topic of discussion and it is still on. There is a wide spread fear that the increasing unemployment in the west would reduce outsourcing as they are about to take steps to drive jobs back home. But after analyzing the key strengths, weakness, threats and opportunities, it is believed that the outsourcing industry in India will grow at a rate, which is more than what the present estimates show. It requires deeper understanding of the customers in terms of outsourcing and improved delivery capabilities. Even though the time now might seem challenging, there is a general sense of belief that the
outsourcing industry in India is strong enough to overcome the challenges, which restricts the healthy development of this industry. With the increase in economic activities across the world, companies in Europe and China are opening up opportunities for the service providers in India. There are also service providers who offer front office activities. There is increased adoption of IT in various fields such as agriculture, research and infrastructure building. As a result, outsourcing is expanding across more fields thus making it more meaningful and beneficial.