CONCLUSION AND SUGGESTIONS

As decades start to pave way for global transformation, today’s generation has witnessed countless technological advances and strategic economic approaches to suit the complexities of the modern world. Truly, man has proved himself ingenious in adapting to the difficulties he encounters in any field to which he engages himself with, and business is no exception.

In the past few years, outsourcing has become a well-known buzz word in the business industry. Outsourcing is the handing over the tasks or jobs from internal production to an external unit. Years after, outsourcing has branched into different varieties performing aggregate functions. These include engineering design, data analysis, software development, call centers, information technology operations and animation.

As outsourcing becomes more and more popular in business and management, it has showcased manifold benefits to both the outsourcer and the service provider. The mere fact that multinational companies that rely on outsourcing increase conveys that outsourcing has proven its success. Aside from developing product quality, outsourcing costs lower substantially. This is evident especially if a company outsources from an overseas firm, where labor costs are more
economical than the labor costs in their home markets. Since outsourcing allows for cost-competitiveness, productivity is increased. In effect, the global economy in aggregate benefits. Moreover, advantages are perceived not only in outsourcer markets but in outsourced countries as well. Though labor costs in these countries are rationally lower than in developed countries, outsourcing jobs are considered high paying and worthwhile, with respect to their cost of living. Hence, outsourcing fuels outsourced countries toward economic growth. Outsourcer companies also get to share risks with the outsourced firms. Furthermore, outsourcing helps promote globalization because it enable companies to gain access to world-class capabilities. By the virtue of countless opportunities and advantages outsourcing boasts of, it is no surprise that it is recognized as one of the fastest growing industries in the world, particularly business process outsourcing. No one knows what more benefits it may present in the future.

Over the last decade, the BPO service market has been growing at a steady pace. But the current economic crisis that is affecting to a greater or lesser extent every economy in the world, therefore it is also affecting the BPO market. Hence the research objective of the present study are: to analyze the impact of 2008-09 global economic crisis on the BPO market, how is the crisis affecting the BPO service market, what do the companies do to cope with the crisis. Other objectives are: to learn and understand the present BPO scenario, evolution, operation, problems, and future of BPO Industry in India; and to get a better
understanding about the difficulties faced by BPO industries in India, and what measures are they taking for survival in such a competitive market. The empirical research is based on expert interviews conducted with BPO clients and BPO providers. The group of interviewees consists of experienced practitioners with exhaustive experience. Most of the important industries and services are represented in the experts groups.

It would be useful at this juncture to weave together the different strands in the research; highlight the key findings and the implications that flow from them.

The present study undertaken is divided into 8 chapters, each having equal importance and relevance. Chapter One deals with conceptual framework of outsourcing, BPO business models, evolution of global outsourcing, services offered by BPO, reasons why companies outsource, growth of Indian BPO industry, the 2008-09 economic crisis, significance and objectives of the study, database and research methodology and limitations of the study. This chapter might be useful for readers that need information on the subjects and to define the concepts of “BPO” and “financial crisis” that will be used in the rest of the document.

An essential aspect of investigation is the review of literature in general retrospective survey of previous writings. Chapter Two reviews the existing
literature on the Impact of US Recession on Indian Economy, Performance and Growth of BPO in India and Impact of US Recession on BPO Industry in India.

The historical perspective, outlined in the Third chapter of research on the decades leading up to the global financial crisis provides an insight into different interpretations of recent economic trends. The financial crisis that hit the global economy in 2007 and 2008 was by no means the first. A review of previous crises reveals that these episodes have occurred frequently, a fact that was so easily forgotten during the boom years of the 2000s. Overall, this review shows that the global economy was by no means as stable as suggested by many observers, and thus given the warning signs, the crisis shouldn't have come as a surprise.

The chapter stresses that there are a range of complex and interlinked factors behind the emergence of the global financial crisis in 2007, namely loose monetary policy, global imbalances, misperceptions of risk and lax financial regulation. The research also summarizes how economies around the world have been affected, resulting in millions of job losses.

In terms of the policy response, this chapter stresses that macroeconomic stimulus measures and labour market policies have been utilized in both advanced and developing economies. Nonetheless, these policies have only partially offset the crisis; in some cases they have been more successful in
helping governments avoid either a severe economic contraction or at least a rapid deterioration in the labour market.

Chapter Four of the research summarizes impact of the crisis on India on real sector and financial sector both. Industrial growth in India decelerated significantly in the first half of 2008-09 from a high level prior to the crisis as a result of spill-over effects of the global crisis penetrating through trade and financial channels. The impact on the industrial and services sectors got amplified in the second half of 2008-09 with overall contraction in merchandise exports and deceleration in the growth of services exports along with shattered confidence reinforcing the adverse affects stemming from the financial channel.

The financial markets in India were the first to be impacted, mainly because of the reversal of capital flows. The equity markets and forex markets came under pressure because of the reversal of capital flows. External sources of funds dried up, corporate shifted to domestic bank credit. This substitution of overseas financing by domestic financing brought both money markets and credit markets under pressure. The global liquidity spiral increased volatility in the financial markets.

To limit the adverse impact of the contagion on the Indian financial markets and the broader economy, the GOI and RBI took a number of conventional and unconventional measures such as augmenting domestic and foreign exchange
liquidity; sharp reduction in the policy rates i.e. the repo rate, the reverse repo rate, CRR and SLR were reduced. RBI ensured that appropriate liquidity was maintained in the system by synchronising the liquidity management operations with those of exchange rate management and non-disruptive internal debt management operations. These measures were supported by fiscal stimulus packages by GOI during 2008-09 in the form of tax cuts, investment in infrastructure and increased expenditure on government consumption.

The IT-BPO sector has become one of the most significant growth catalysts for the Indian economy. In addition to fuelling India’s economy, this industry is also positively influencing the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living and diversity among others. The industry has played a significant role in transforming India’s image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. Chapter Five gives an overview of the outsourcing activities conducted in the Indian market. Multinational Corporations (MNC’s) have managed to identify several countries worldwide to outsource their non core competencies abroad, in order to focus more on what they can do better than others and improve profitability. India is one of the leading countries to attract foreign business activities in the past two decades. This was a result of multiple factors that made the country an attractive choice for outsourcing by MNCs. With a series of reforms by the Government of
India to reduce trade barriers, combined with a high quality workforce, the service sector became more appealing to Foreign Service companies looking for economies in cost and time. This chapter also discusses the current advantages and trends for outsourcing IT to India, and shed light on the future of this trend. In addition, it discusses the threat to India by other Asian developing countries as China, Malaysia, Philippines, Russia and South Africa in the field of IT BPO, which may take away the so called monopoly enjoyed by India.

Chapter Six of this research analyses the effects of the 2008-09 economic crisis in the BPO service market. The BPO market is experiencing growth although companies claim that they are not pursuing additional Outsourcing or Offshoring ventures to overcome the economic crisis. Due to the high investment, companies consider BPO projects are a medium to long term investment and therefore not suitable as concept to cope with the economic downturn. Additional growth of the BPO service market is expected in the aftermath of the recession as an indirect effect of the crisis. In addition, this research indicates that the outsourcing market is still substantially differently seen and evaluated by the client versus the provider side. While clients do rarely see the need to set up a BPO solution or to move offshore in order to cope with the crisis, BPO firms are much more optimistic. For many of them the crisis has eventually cut the Gordian Knot and established a new openness for outsourcing.
Chapter identifies and ranks the performance dimensions of BPO sector in India which have been affected by U.S Global slowdown through the primary survey. It has been analysed that there is huge impact on the cost dimension of BPO sector in India. Further in this chapter Null hypothesis was examined, which was rejected on the basis of the result evaluated of the respondents.

Chapter Seven carries out the SWOT analysis of Indian BPO industry. The strengths, weaknesses, opportunities and threats were analysed on the 5 point likert scale, thereby giving the various strategies for the BPO industry to fight with slowdown. Chapter Eight concludes the major findings of the research and presents policy implications as extended by the respondents during the survey. It also provides future prospects of the global IT-BPO industry.

8.1 THE MAIN RESULTS FROM THIS STUDY CAN BE ENUMERATED AS FOLLOWS:

- This recession has resulted in a significant rise in unemployment and the poverty rate along with a significant decrease in the employment rate and the median family income. These effects will be felt long after financial markets begin to recover with workers feeling the negative effects of the recession for the next three to four years. Most importantly, this recession has had a major impact on the global economy and has hurt other
countries as well. The effects on the rest of the world are indeed significant and will continue to have negative impacts as long as this recession continues.

- The research underscores that while the recovery phase has commenced, a number of risks remain that could derail improvements in economies and hinder efforts to ensure that the recovery is accompanied by job creation. The main risks to the recovery relate to the premature withdrawal of the stimulus packages, the continuing and emerging imbalances (both globally and domestically) and the challenge of setting an appropriate level of regulation for the financial sector to avoid some of the mistakes that were made leading up to the start of the crisis in 2007.

- Although, the Indian IT-BPO sector has become the country’s premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India. However, the industry performance was affected by these recessionary headwinds as the clients cut their IT budgets, cancelled deals, delayed payments and deals, went bankrupt while others renegotiated pricing, looking for severe pricing cuts and stretching the dollar.
On the basis of the study, it can be concluded that all the three broad dimensions of performance of BPO industry i.e. Quality, Time and Cost including their sub measures were highly affected, however the intensity of impact slightly differs. But none has escaped from the impact of global recession.

During the financial crisis, India was less affected than others solely on the back of the rural sector and due to the domestic demands, strict banking rules and the mindset of the people. The banking system in India is so regulated and it did not blindly follow the USA, so we did not face any problems with mortgage issues as USA. Thanks to the IT and other sectors who have started exploring the European countries and are less dependent to USA.

It is becoming apparent that the Indian BPO industry has the intrinsic strengths to survive the downturn and thrive in the long-term. The sector can achieve its medium to long term goals by thinking beyond the mundane, exploring new and unbeaten paths and working in partnership with its peer sectors — the government and academia. BPOs are here to stay. The industry is well established with strong infrastructure, technology, and workforce.
BPOs have deep roots in the western world. It is very unlikely that the jobs in BPOs in India would dry up. Along with other advantages, the biggest advantage for India today is the large pool of talented individuals. So there is a very small possibility of China and other competing countries overtaking the Indian BPO industry in the coming years.

The current European economic crisis is affecting the world economy which is giving rise to the second global recession in three years. While this has slightly impacted the global outsourcing industry, India is still holding a strong position in the BPO industry due to its decade-long expertise in offering quality services at cost-effective rates.

India's BPO industry is known for its massive turnover and its huge employment base. But according to a recent industry-specific survey organised by the Associated Chamber of Commerce and Industry (Assocham), the global success rate of India's BPO sector might soon suffer an unprecedented decline in the next few years. BPO sector has been facing a severe dearth of skilled workers, as the rate at which employees are opting out of mid and low level jobs has become alarmingly high.
The BPO sector has gone through a lot of changes; we are facing the fifth generation where cost arbitrage is no longer a USP. Quality service is the new prerogative. With changing times in the BPO industry, we are looking at a very strong new trend in this sector and this marks an emergence of the new generation of BPOs. The BPO industry in India is certainly considered to be a goldmine, with analyst firms announcing lucrative future prospects,

In the future, the global IT-BPO industry is likely to go through a paradigm shift across five parameters:

- **Markets** – Growth will be driven by new markets – SMBs, Asia, public sector and government-influenced entities which will become a priority customer base.

- **Customers** – Customers will demand ‘transformative’ value propositions, that go beyond lower-cost replication; as technology creates virtual supply chains, customers will require a seamless experience across time zones and geographies; increasing demand for innovation and end-to-end transformation.
- **Service Offerings** – Offerings that are high-end deeply embedded in customer value chains will emerge. Services and delivery will become location-agnostic leading to new opportunities such as design services in manufacturing, Remote Infrastructure Management (RIM), etc. Solutions for the domestic market will be a key focus area.

- **Talent** – Government pressures to create local jobs and the need for local knowledge will alter the employee mix - a higher proportion of non-Indians with multilingual and localised capabilities. There will be a much greater focus on ongoing development of specialised skills and capabilities.

- **Business models** – Driven by a focus on expertise and intellectual property, offerings will shift from piecemeal, technology-centric applications to a range of integrated solutions and higher-end services, spanning new service lines (e.g., green IT).

The findings of the present study go with the findings of **NASSCOM India Leadership Forum 2012** regarding the future of Indian BPO Industry and **KPMG: Non Linear Models Driving the Next Phase of Growth for the Indian IT**
Industry regarding the challenges of IT- BPO Industry which have been depicted in brief in the following charts 8.1 and 8.2 respectively.

Chart 8.1

INDUSTRY CONTINUES TO GROW

**REVENUE**
- Aggregate revenue for the sector estimated to cross USD 100 billion mark (including hardware).

**GROWTH TRENDS**
- Industry continues its growth trajectory, with no visible competition in the near future; Growing impressively CAGR 2007-12:17 percent.

**INORGANIC GROWTH**
- From 2009 to 2011, M&As increased 77 percent CAGR to reach USD 4.5 billion.

**CHANGING MODEL**
- Fixed price contracts, cloud based solutions, productizing service.

**GLOBAL FOOTPRINT**
- 70 countries, 560 delivery centers- providing skills, domain, language and disaster recovery; non Indian employees - 5-6 percent for large firms.

**EMPLOYMENT**
- Direct employment expected to grow over by 9% to reach 2.8 million, with over 230,000 being added in FY 2012.

Source: Nasscom
In a volatile operating environment, the Indian IT-BPO industry continued to exhibit resilience. However, with the uncertainty, customer demands have also fluctuated, and the industry has had to exhibit change rapidly to stay ahead of the curve, and continue to be relevant. IT-BPO service providers have understood that the capabilities that made them leaders in the past may not be enough to ensure future success. A shift is taking place and firms are rethinking existing

---

**Chart 8.2**

**IT-BPO INDUSTRY CHALLENGES**

<table>
<thead>
<tr>
<th>Category</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geopolitical</td>
<td>• Protectionist policies, new visa policies, falling discretionary spends, emerging markets not compensating for overall decline</td>
</tr>
<tr>
<td>Market Conditions</td>
<td>• Increased competition among vendors, low-cost destinations, client maturity, high-end services eluding Indian players</td>
</tr>
<tr>
<td>Socio-Technological &amp; Cultural</td>
<td>• Social media, mobility, convergence, disruptive, technologies</td>
</tr>
<tr>
<td>Regulatory</td>
<td>• Taxation, IP protection</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• Attrition, wage inflation, huge employee base, employability.</td>
</tr>
</tbody>
</table>

*Source: KPMG, Non Linear Models Driving the Next Phase of Growth For the Indian IT Industry, CII*
capabilities, developing new ones, strengthening their relationships with upstream suppliers, downstream sales channels and extending relations with customers and other go-to-market partners.

8.2 KEY ACTION THEMES FOR THE FUTURE

Over the next five years, right choices by stakeholders of the Indian BPO industry could affect a fivefold growth. There is, however, a need for concerted and collaborative action by various stakeholders to create the enabling ‘eco-system’ for future growth of the industry. Efforts are required across eight action themes (Chart 8.3) for the industry to realize its potential and to maintain and accelerate its growth trajectory over the next five to ten years.

➢ Protect India’s cost advantage to ensure that buyer interest, adoption and growths are sustained; multiple levers can be used to protect Indian BPO industry’s cost-advantage. As a first step, BPO need to diversify their delivery footprint within India through creative and innovative operating models. The providers can reduce total operating costs by 20-30 percent by moving to a low-cost city within India. By doing this, the industry can effectively tap labour pools in several states across India. In addition, providers will need to increase focus on cost rationalization and revenue de-risking initiatives. These could involve initiatives to increase resource
utilization, manage wage cost increases, optimize internal SG&A expenses, and de-risk revenue stream by diversifying the client base and adopting currency hedging strategies.

Chart 8.3

FUTURE ACTION THEMES FOR INDIAN BPO INDUSTRY

| 1. Protect India’s cost advantage to ensure that buyer interest, adoption growth are sustained. |
| 2. Create BPO hubs with the enabling physical and social system to drive BPO led growth broader and deeper with in India. |
| 3. Increase employability and access untapped talent pools by creating greater linkages between the current education system and the needs of the BPO industry and facilitating the development of BPO specific education models. |
| 4. Encourage the growth of domestic BPO to enhance the competitiveness of Indian industry, create additional employment and facilitate development |
| 5. Uplift the third party and captive value proposition to affectively deliver against changing buyer expectation |
| 6. Shape an integrator role for the India BPO industry in the emerging global services supply chain |
| 7. Communicate the true to performance and potential of the industry to a broader set of stakeholders including buyers, employees and government |
| 8. Help buyers, embrace the overall opportunity of India’s BPO industry in a more meaning full way |

Source: NASSCOM-Everest India BPO Study
Create ‘BPO hubs’ with the enabling physical and social ‘eco-system’ to drive BPO-led growth broader and deeper within India. Government and industry will need to collaborate to facilitate creation of BPO hubs in Tier-2/3 cities within India. Creation of BPO hubs is dependent on creation of an enabling eco-system required to successfully operate in Tier-2/3 cities. This eco-system should include elements of physical (e.g., international connectivity, mass-transport system, telecom connectivity, power, housing) as well as social (e.g., healthcare, education, shopping and entertainment, security, hotels) infrastructure. Further, there may be an opportunity to shape the creation of infrastructure in a way that it is based on skill availability and the domestic industry footprint within each BPO hub.

The industry needs to work more aggressively with the Government to create greater linkage between the current education system and requirements of the BPO industry. This can be done by policy changes like liberalization of higher education, increased collaboration between industry and academic institutions to take up initiatives such as introduction of BPO-specific curriculum and improving students’ access to funds for higher studies, introducing coursework changes and teacher training at the school level in accordance with future requirements of the BPO industry. There is also a significant opportunity for private players to
step in and create a BPO education industry. Such a move should be based on creating longer-term training programs to improve communication and other skills required by the BPO industry. Specific training programs need to be developed to create several intermediate levels of skills and specialization (between generalists and highly trained specialists), and to bring alternate talent pools (e.g., high school graduates, educated housewives) into the BPO workforce.

➢ Encourage the growth of domestic BPO market to enhance the competitiveness of Indian industry, create additional employment, and facilitate development. In order to facilitate growth of the domestic BPO market, specific regulatory barriers (e.g., cap on domestic operations that can be handled from an existing center used for export businesses) need to be removed. In addition, the value proposition of domestic BPO needs to be crystallized and communicated to the buyer community to enable widespread adoption.

➢ Providers will need to step up to fulfill evolving buyer expectations regarding optimization and transformational value creation. Our extensive interaction with buyers indicates that one of the key initiatives required would be providers engaging with buyers early in the decision-making process. Providers need to become a part of the decision-making process by developing consulting capabilities, creating strategic account-
management capabilities, and tailoring their value proposition based on buyer maturity and requirements. Providers will also need to create an improved value-added approach by investing in people, process, and technology-related initiatives. The final aspect of up-shifting the value proposition would be for buyers and providers to create win-win economics by adopting pricing metrics related to process output or business drivers and linking them to business performance metrics. Such a move will incentivize providers to develop into value adding partners.

While India is often the nerve center of such networks, other offshore locations offer unique advantages that may not be replicable in India (e.g., Philippines has superior English language and soft skills for customer service operations especially for US buyers, Eastern Europe offers language and time-zone advantages for European buyers). The Indian BPO industry, therefore, needs to aggressively take on a more proactive and shaping role in the global sourcing space. Providers need to continue to expand their delivery network to other low-cost geographies to take advantage of the leverage points offered by these destinations and expand their service delivery footprint onshore to take end-to-end ownership of service delivery. Providers could also identify opportunities to create alliances (mergers, acquisitions, subcontracting) with overseas players to develop compelling propositions for buyers. The industry should
collaborate and develop alliances with industry bodies in other competing destinations in order to create an enabling environment for acquiring specialized skills from other emerging locations (e.g., European language skills from providers in Eastern Europe).

Specific outreach programs need to be implemented to increase interaction with buyers in order to highlight the growing maturity of service offerings and provide perspectives on perceptions regarding political, economic and social risks. The industry should also partner actively with media to facilitate greater and more balanced communication to the external world through proactive coverage of achievements and potential of the BPO industry. Individual providers as well as the industry need to promote the attractiveness of BPO as a career option by highlighting exceptional firm-level initiatives for employee development and facilitating information-exchange forums / mass outreach programs at various colleges.

Help buyers embrace the overall opportunity of India’s BPO industry in a more meaningful way. Buyer organizations will need to re-orient their global sourcing decision-making process in order to tap the significant opportunity presented by the Indian BPO industry. They need to adopt a more holistic view of global sourcing opportunities, engage a larger
internal stakeholder group, and develop a comprehensive global sourcing plan along with an enabling organization model. In addition, buyers also need to develop sourcing and engagement models with providers that foster integration, optimization and innovation.

The traditional notion of what Business Process Offshoring could deliver for buyers is gradually giving way to a transformation-driven outlook. These changes present significant opportunities for the Indian BPO industry but, at the same time, also necessitate conscious decision-making by all stakeholders. We believe that the eight key action themes outlined in this report will enable the Indian BPO industry to ride the next wave of growth. However, effective implementation will require continuous collaboration between key stakeholders in the industry, including the Government.

8.3 FUTURE SCOPE OF THE STUDY

The research study is limited to a few aspects. Firstly, the study has considered only limited dimensions while assessing performance of the BPO industry. It is therefore further more dimensions can be undertaken for the study. Secondly, the study needs to be tested on a larger dataset. Although dozens of mails were sent out to companies asking whether they would be willing to incorporate their recommendations and become part of the research, only a few organizations
have so far agreed to do so. However, if more respondents are covered used to
measure the respondents’ attitudes toward performance and challenges of the
BPO industry, the better result can be attained.

Further on closely reviewing all the work done and all the relevant literature in
this field, it was found that not much of an exhaustive and structured work was
done collaborating attrition and retention with respect to employee motivation,
employee involvement, employee satisfaction etc in the BPO industry. So a study
can be carried out in order to find out the causes of attrition, identifying factors for
retention and propose a model for employee retention. Another study can be
done keeping an objective to develop a regression model for escalating the stay
of employees in BPOs and give recommendations for the same.

IT industry has close similarities with that of a BPO industry with an equally
alarming rate of affect of U.S crisis. Similar study can also be done in sectors like
hospitality, infrastructure, retail, education etc. as intrinsic motivation becomes a
pillar for performance, loyalty and eventual sustenance almost everywhere.