Chapter 7

Conclusions & Further Research

7.1 Introduction

Global offshoring services are expected to grow to a $500 billion industry by 2020. Experts predict that growth will come from retail, healthcare, government, and from emerging economies. Despite increased competition from countries like China, Malaysia, Mexico and Philippines, most customers will find it difficult to overlook India’s collective value proposition that results from scale of operations, labour force size, depth of experience, English language fluency, number of vendors, and multiple locations. With over 3.5 million graduates added to the workforce each year, no other competitor comes close to match India’s scale of human resources as a sustained competitive advantage. However, the quality of education in India has to improve in consistency if the degree of employability has to be increased. Recognizing the advent of the portfolio approach to offshoring such as re-shoring, and near shoring, Indian firms have aggressively opened offices in North America and many Asian and European countries. As technology services become more standardized, Indian firms are transforming their culture to be seen as solution providers integrating technology and processes to produce client-focused results of a higher scale. To maintain cost competitiveness and gain access to a deeper labour pool, additional offices and operations are being established in Tier II and III Indian cities. The move to locate operations in Tier II and III cities will be successful if adequate investment is made upgrading infrastructure including education. Country-location experts seeking global service deliverables will favour India for all the reasons cited earlier. But Indian labour potential will become stunted, if urban needs are unmet. Massive infrastructural changes are needed in the
transportation, power, health care and education sectors. All the above mentioned statements are proved though primary & secondary research with the help of properly designed research methodology undertaken for this study.

7.2 Research Methodology

The research design taken for the present study was an exploratory one followed by causal study. The major objective of the study was to explore what is currently happening with respect to strategic management practices of Indian BPO’s. The rationale for using exploratory research design was due to the fact that since the industry is new & very competitive, not much data was available on the subject which would have fulfilled the research objectives. A semi-structured questionnaire was developed to understand the strategic practices by the senior management team. This questionnaire seeks to elicit responses from the target respondents who are senior managers of the selected companies from the functional areas of business development, operations & strategic practices. Questionnaire using personal interview technique has been used for data collection. The data collected from the senior managers were analyzed with the help of quantitative analysis tools. The geographical coverage was restricted to major metro cities in India & offshore client locations in US. The researcher has used two different sampling technique at two different levels - one at the level of selection of companies (Quota based sampling) and second at the level of selecting the senior managers (Judgemental sampling) working there. In all 66 senior managers of various BPOs were parts of the respondents. The details data analysis was already discussed & interpreted in Chapter 5 & 6. Here we presented the conclusions of the summary of the study.

7.3 Summary of Conclusions

In the purview of the objectives, an extremely scrupulous and conscientious research was carried out in the BPO sector. After the in-depth and comprehensive study, the following conclusions were arrived at:
7.3.1 Exploring the Drivers of Indian BPO Industry

In order to gain a deeper understanding about the phenomenon of various successful outsourcing decisions and identification of important variables (590) behind it, lots of literature on BPO, particularly all published during 1996 and 2011 were studied in detail. Major driving factors for Indian BPO industry identified in this study were based on qualitative research using secondary data. The researcher felt that 590 variables driving various decisions making factors in Indian BPO industry was repeated, unstructured & uncontrollable. These were compared with driving factors identified through personal interview with a number of senior BPO executives in India & US. There was a close similarity between the two results, authenticating the qualitative research identified in this study. The objective of the primary study was to reduce & validate the variables to come up with a meaningful structured framework / model as a one page reference which can cover all important decision making factors. The secondary research assisted in identifying the variables while the primary research helped validating the same reducing the variables into important factors to come up with a model.

Focus on core competencies & reductions of cost are the top value propositions that companies look to achieve from various outsourcing activities which clearly aligns with the reasons why companies outsource. Gaining world class expertise to achieve operational excellence & maintaining balance between asset & liabilities are other important factors for companies to outsource.

While choosing outsourcing destinations, infrastructure & quality talents are the top two important decision making factors. Quality talent & culture of the country, which marked similarly proved the importance of cross cultural resources. Another important aspect is the environmental scenario of the country.

When it comes to India as a preferred outsourcing destination, the geopolitical scenario of the country is the major threat which was much volatile & unstable before the recent election held in
May 2014. Economic & Regulatory Scenario of the country also plays important role. India has an extra advantage of human pool & a developed infrastructure. However, the quality of human resources & lack of further upgradation of infrastructure (clubbed under the factor Asset Viability) to cope up with the global competition can be a risk factor for India as a preferred outsourcing destination.

While selecting the service providers in India, the outsourcing companies look into the Quality & Price i.e. Value for money at the first go. Satisfied with the value for money, they looked into the flexibility of the contracts in terms of value addition through quality manpower, technology & innovations. Establishment of Global Image through credibility & global presence of the service provider plays a very key role. Organizational dynamics of the service provider ensure the cultural compatibility through relationship management.

The first step of a successful outsourcing is managing the financials, vendors & employees through open communication, structured contract & relationship building. The finance, human resources & third party vendors are the main stakeholders in outsourcing business hence strategic integration of stakeholders is the first step to drive a successful outsourcing plan. As we mentioned selecting the right vendors / service providers are very important aspect of outsourcing. There must be clear understanding of goals & objectives between the client & the service providers. Thus Strategic Business Partnership is the next most important criteria. The third dimension is the Expert Collaboration which emphasizes on support of senior management as a crucial factor to gain world class capabilities. Above all, without a Strategic Vision & Plan of the organization, each & every effort goes for a vain.

As mentioned in the beginning of the study that the researcher felt that 590 variables driving various decisions making factors in Indian BPO industry was repeated, unstructured & uncontrollable. Hence the objective of the primary study was to reduce & validate the variables
to come up with a meaningful structured framework / model as a one page reference which can cover all important decision making factors. So the one page reference of all BPO drivers presented here:

**Figure 7.1: 4D’s of Successful Business Process Outsourcing in India**

- **Drivers**
  - Value Proposition
  - Global Presence
  - Country Attractiveness
  - Global Clients
  - Infrastructure
  - Cross Cultural Resources
  - Environmental Scenario
  - India as a Destination

- **Deciders**
  - Value for money
  - Flexible Managed Services
  - Global Image
  - Organizational Dynamics
  - Strategic Vision & Plan
  - Expert Collaboration
  - Strategic Business Partnership
  - Strategic Integration of Stakeholders
  - Political Scenario
  - Environmental Scenario
  - Assets Viability

- **Destination**
  - Global Delivery Centers
  - Global Clients
  - Value Proposition
  - Global Competition
  - Source: Analysis of Primary & Secondary Data
7.3.2 Exploring Indian Footprint on Global Platform

The way the outsourcing industry is expanding is not just by customer demand but by the need of the Indian BPOs to grow and their ability to serve the global customers. As India becoming the hub of process expertise, there are many other countries that will build similar hubs of expertise in whatever fashion, whatever area or domain they choose. For the Indian BPOs, it means increasing front-end and on-site presence in all developed countries. An increasing portion of the work will happen onshore and it will act as a filter, or a fulcrum for moving work offshore. This is going to be compulsory as they are looking at taking more assets from companies, taking over their people, and establishing excellent relationship with the customers. All this will often require people on the ground more than it has required in the past.

Twists & Turns of History

The main reason for the English speaking population in India is that the British were here. In the similar way, a lot of Japanese speaking people are there in Dalian. Again, because of some historical events that happened between Japan and China, which allowed a group of Chinese in Dalian to study Japanese and to be able to deliver services in that language. Similar is the case with the Philippines. Its affinity to the US was driven by the presence of the US military in that country. Similarly, in South Africa, it’s about Dutch. Brazil has the second largest population of Japanese, outside Japan. Therefore, it’s worth considering the destination Brazil when serving the companies in Japan. These are events of history that the BPOs have capitalized on. The twists & turns of history allows various BPOs to enter new countries, new territories and explore regions, which are untouched.
To achieve the second objective, lots of relevant literature has been examined and analysed to identify the important strategic decisions taken by India & other countries to create a prominent place in the global competitive market. Various market trends, facts & figures sourced from various literature reviews & industry reports.

While examining India’s leadership position in ‘Global Services Attractiveness Index’, 73 per cent of the respondents voted for India as a leader in the global outsourcing market. However, some of the respondents do believe that though India has still managed to retain its leadership position however due to stiff global competition it may slip the position very soon. Breaking up of the data has shown a vulnerable position for India where 49 per cent strongly agreed & 51 per cent disagreed or agreed doubtfully. It is therefore a crucial period for the Indian BPO industry to come up with a clear strategy to maintain its leadership position in the global outsourcing market. India successfully maintained its leadership position due to cost effectiveness, abundant resources, language competence and infrastructural facilities. However, challenges for India are global competition, geopolitical scenario, high attrition and wage inflation.

Days where pure transaction based processing, with little or no knowledge of the client’s business, are long gone. Any partner who fails this critical test of domain knowledge will not be able to survive in this highly competitive industry. The industry is fully cognizant of this need and is working on various initiatives to achieve this goal. These initiatives vary from creating employment-ready professionals through skills training jointly with government sponsored programs.

The respondents located in various offshore locations in U.S. has mentioned the need for flexibility in business and pricing models are the strongest requirement for Indian service providers. Most of them agreed that Indian service providers are not flexible in terms of pricing. But, more importantly, a few said that Indian firms do not show interest in taking up new, untested areas. This demands that customers and vendors work together to come up with flexible commercial models. They also mentioned that India will no longer be able to work on a cost
arbtrage model as a lot of new geographies are able to compete and match the cost
competitiveness. The only way to attract more work to India is to achieve the flexibility in price
and volume.

There are also serious quality talent problem in the country. The employee churns does not allow
the companies to develop employee centric models and its challenging to build Intellectual
Property within their workforce. The key to India’s success is creating this intellectual property
and leveraging it in the right manner.

To understand the scope & scale of Global Services Providers, various industry reports have
mentioned that India-based providers have increasingly established delivery centres closer to
their clients to minimize the time zone barrier. To understand the scope & scale of global service
providers, the companies interviewed were segregated in two categories: 1) BPOs with very high
global presence & 2) BPOs with low global presence. As far as India’s competitor as global
service delivery providers are concerned, there is no significance difference found between the
BPOs with very high global presence & BPOs with very low global presence. The same types of
competition exist for both types of BPOs. However the opinion for Eastern Europe differs hugely
between the two sets of BPOs. The competitive countries repeatedly mentioned by the
respondents are China, Philippines, Malaysia & Indonesia in Asia-Pacific region, Romania,
Poland, Czech Republic & Hungary in Eastern Europe &Brazil, Mexico, Colombia, & Chile in
Latin America. The new surprises in the outsourcing market are: Colombo (Sri Lanka) in Asian
Market; Dublin (Ireland) in Western Europe; San Jose (Costa Rica) in Central America; &
Prague (Czech Republic) in Eastern Europe. In the Indian metros, Bangalore is the new focus
which left cities like Mumbai, Delhi & NCR behind.

New competitions have come up in the recent years and the respondents have mentioned about
various strategic location advantages in various outsourcing markets. The comparison also shows
why Indian BPOs need to migrate from low end call center jobs to hi end knowledge based job.
Indian companies have been talking of de-risking themselves from over-dependence on a few markets (US & UK) but not much changed over the last three years. In terms of markets, US still accounts for a lion’s share of the business & UK has been the second largest BPO market. The high potential threats coming from US are global competition, economic & political scenario & regulatory changes. Keeping in mind the threat from US market, the respondents were asked to name alternate prospective outsourcing market other than North America. 48.5 per cent respondents have mentioned about Asia Pacific itself with huge outsourcing opportunity specially Australia, New Zealand, Japan & Korea. The industry experts also mentioned especially about Japan and the Nordic region as the major new growth regions for the industry. The Nordic region, for instance, has an outsourced services market estimated to be worth US$ 10 billion. The Nordic region with very high information and communications technology adoption, besides R&D investments, offers an untapped opportunity for Indian BPOs and another potential entry point to Europe.

The next mention was Europe especially eastern part of Europe (25.6 per cent). Other prospective regions are Middle East, South America & South Africa. With the US and UK continuing to be our India’s top export destinations, we see that the focus of the Indian BPO industry to diversify geographic risk may need to pick up steam soon if the industry is to insulate itself from business turbulence in these markets.

Another recent and major trend is the acquisition of international firms by Indian companies and the opening up of offshore facilities by leading players. Top Indian BPOs are setting up operations in geographies such as Latin America, North America, Europe, Africa and Middle East. Scotland is also attracting many Indian companies that are setting up BPO units there and hiring thousands of employees.

Since 2010, Indian BPO companies are in a buying spree. The value of BPO mergers and acquisitions might exceed several billion dollars. The main reason behind BPO industry consolidation is due to the change in customer demand and their business requirements. The cost
arbitrage days are gone for Indian BPO companies & they no longer can win the contract simply by under-bidding their competitors. Hence major emphasis was placed on studying various strategic practices while choosing outsourcing destinations or setting up global delivery centres through strategic alliances, collaborations, joint ventures, mergers & acquisitions and also exploring various domestic outsourcing opportunities.

Most BPO companies view M&A as a way to sustain current valuations. As organic growth falls to between 12 and 14 percent, inorganic growth (consolidation) can make up the 2 to 4 percent gap to the target growth rate. This view is reflected in the M&A aspirations of several players. Genpact is seeking small niche acquisitions in specialized sectors such as healthcare and analytics, Infosys is eyeing bigger acquisitions and has increased its M&A budget to $1 billion, and Tech Mahindra and Wipro are using a ‘string of pearls’ approach to invest more than $1 billion each to acquire leaders in specific niches. The respondents have also mentioned that the BPOs have already started adopting Strategic M&A i.e. acquire high margin, niche expertise businesses. New Product Innovation is another important aspect of inorganic growth. The potential for process innovation remains huge as there is significant client appetite.

It was found that inorganic expansion strategies are more adopted & practiced by Indian BPOs than organic growth plans. To perform an in depth study, data was collected around the types of various inorganic & organic expansion plans practiced by those 15 companies. A hypothesis was formed to prove correlation between various inorganic & organic growth strategies. Data was collected and hypothesis testing was performed using the Chi-Square Goodness-of-Fit Test. P value was less than 0.05. Hence we rejected the null hypothesis and came to the conclusion that there is a significant difference between various inorganic expansion plans.

In organic growth strategy, P value was more than 0.05. Hence we failed to reject the null hypothesis and came to the conclusion that there is no significant difference between various organic expansion plans. However, Setting up offshore centers at client locations is gaining more importance.
To study various local expansion strategies, questions were asked to the respondents regarding their opinion about domestic outsourcing i.e. India’s outsourcing opportunity within the country exists or not. 91 per cent of the respondents are in favour of exploring the outsourcing opportunity within India. To perform an in depth study, data was collected around the various types of domestic outsourcing. A hypothesis was formed to prove correlation between various types of domestic outsourcing. Data was collected and hypothesis testing was performed using the Chi-Square Goodness-of-Fit Test. Chi Square test showing P value as 0.003. P value <0.05 implies null hypothesis is rejected & alternative hypothesis is accepted. Hence, in the context of domestic outsourcing significant difference exists between various outsourcing opportunities. Since 46 per cent respondents have favoured, it can be concluded that moving to small towns / Rural Outsourcing is gaining more importance.

Indian ITES industry has witnessed huge growth over the last decade. Now the need of the hour is to sustain its leadership position and cost competitiveness. BPO services in metro cities now seem to be focused more on high-end knowledge based services while there has been a silent shift happening to Tier II, Tier III cities and rural areas. Rural Outsourcing is the new buzz in the ITES industry in India, can be a potential solution to sustain cost competitiveness of India. One of the biggest benefits that rural BPO services bring is employment to villages and small towns. They also mitigate the risk of BPO jobs moving to alternate locations like Philippines, South American countries etc., thus ensuring the growth of BPO in India. A huge chunk of the local population also gets employment in a hi-tech sector that is otherwise not present in big numbers in rural locations currently. More than 72 per cent of our population is living in rural India. Now there is a great opportunity on hand to tap into the talent pool that thrives in rural areas and ensure balanced growth across the country. This will also ensure that India is in a position to dominate as the ‘Back Office of the World’.

Initial market dynamics had enabled large corporations to establish their captive centres in India. However, with the emergence of local vendors, captive centres are facing increasing competition. The major reasons for this upcoming trend in the industry are increased costs, increased attrition,
lack of integration and management support, and lesser flexibility in case of captives. However, respondents have mentioned that shared services are gaining more importance.

Another two important domestic markets emerging as attractive investment segments as mentioned by the respondents are SMB (Small & Medium Business) & E-Governance i.e. Collaboration with Government

As the purpose of this study was to strategize for the future, the aim was to understand whether India is transforming from an outsourcing destination to a knowledge based economy. 22 per cent of the respondents think BPO is still a better option than KPO. And 71 per cent respondents think India is transforming from BPO to KPO and Knowledge Process Outsourcing (KPO) has better future prospect. Respondents who believe that BPO has a better prospect have mentioned that BPO is a profitable option compared to KPO. However, 9 per cent of the respondents believe that BPO & KPO are two parallel processes and will continue to progress at an equal place in the future also. As majority of the respondents see a better prospect in KPO, it was imperative to ask them about the drivers behind the success of KPOs in India. The top three drivers behind the success of KPOs as mentioned by the respondents are: Human Capital, Cost Competitiveness & Improvements in Technology Infrastructure.

Though the main benefit of Knowledge Process Outsourcing (KPO) is improving the profit margins through cost savings, the companies also enjoy operational efficiency & quality resources at workplace. In addition to offering already established services such as Market Research and Business Research, Indian KPO industry is emerging as pioneers in Data Analytics, Data Management, Legal Process Outsourcing and Clinical Trials Process.

The KPO industry is facing stiff competition from other countries. To emerge as a global KPO leader, Indian KPOs should have proper strategies in place in terms of presence, cost, quality, capabilities etc. The high growth phase in the industry is expected to lead to increased M&A activity. Acquiring domain knowledge, new clients and gaining market entry have been cited as the primary reasons for this trend. This strategy is likely to be highly beneficial for multi-service BPO companies planning to venture into the KPO domain.
China is an attractive location for companies that run and manage all phases of the clinical trial process, as it offers a significant pool of potential patients in an important emerging market. Along with China, Philippines is also becoming an increasingly important player in the KPO market. It has started to carve out a niche for itself in a number of key areas, including healthcare outsourcing. Sri Lanka has also focused on developing skills around specific service lines such as equity and credit research. Another important point to be mentioned here is with respect to recession in US Market. Many feel that the recessionary nature of today's economic climate will promote the adoption of increased outsourcing. However, the value of Indian Rupee especially when compared to the US Dollar is making Indian KPO companies more competitive as per market forces.

India’s strength lies in its large pool of trained manpower available at low cost. Steps should be taken to provide special education in areas where KPO growth is expected to be high as Market Research. Specialization courses at postgraduate level for these areas should be developed. From the industry side, suitable steps should be taken for retention of talented knowledge workers.

Based on the objectives, research methodology was formed and with the help of secondary and primary data analysis the objective of the study was fulfilled. As a conclusion of the study, the researcher has come up with a framework as discussed in Model 1. Based on the overall research study and conclusions, certain recommendations are suggested to strategize the future of Indian BPO industry.
7.4 Recommendations

A. Building Real Expertise through Domain Knowledge

**Moving Value Chain for Innovative Solutions**

This may be the new mantra of the BPO industry. Without a very strong focus on domain knowledge, the Indian BPO industry will be unable to retain its leadership position in the years to come. The BPO companies must ensure that their staffs are fully knowledgeable of the business and workings of the clients they serve. Without this, clients will not consider the companies to be their ideal long-term partners. Companies are not looking for simple BPO solutions in contract. They are interested in innovative business process solutions that give them an edge over their competitors.

**Inorganic growth to acquire ideas, patents & capture niche market**

New entrants from countries like China and Latin America cite aggressive strategic plans for entering high-value-added markets. In order to grab market share from incumbent providers, mergers and acquisitions (M&A) are seen as another route for growth. Most BPO companies view M&A as a way to sustain current valuations. Indian BPOs have already started adopting Strategic M&A i.e. acquire ideas, patent, high margin, niche expertise businesses. New Product Innovation is another important aspect of inorganic growth. The potential for process innovation remains huge as there is significant client appetite.

**Cost competitiveness through flexibility in price & volume**

Customers are managing their end-to-end business process that spans several time zones and countries. Now MNCs need their BPO vendors to understand their entire business process value
chain and offer localized, country-specific solutions. Small and midsized Indian BPOs cannot even bid these BPO projects. Only niche BPO companies can play in this market. Flexibility in business and pricing models are the strongest requirement for Indian service providers.

**Nurturing & retaining talent for client specific capabilities**

A new phenomenon involves introducing training and development programs designed to increase staff knowledge of client-specific needs, processes and capabilities. One possible explanation relates to client expectations that their provider partners will find opportunities to contribute to higher value added activities. Given the reality and challenge of dealing with high turnover rate, India-based service providers may focus significantly on nurturing and retaining talent. The employee churns does not allow them to develop employee centric models and makes it a challenge to build Intellectual Property within their workforce. The key to India’s success is creating this intellectual property and leveraging it in the right manner.

**B. Global Presence for High Profit Margins**

**Hunting: De-risking through Alternate Market Options**

With the US and UK continuing to be our India’s top export destinations, we see that the focus of the Indian BPO industry to diversify geographic risk may need to pick up steam soon if the industry is to insulate itself from business turbulence in these markets. Asia Pacific itself was identified with huge outsourcing opportunity specially Australia, New Zealand, Japan & Korea. The industry experts also mentioned especially about Japan and the Nordic region as the major new growth regions for the industry. The Nordic region, for instance, has an outsourced services market estimated to be worth US$ 10 billion. The Nordic region with very high information and communications technology adoption, besides R&D investments, offers an untapped opportunity for Indian BPOs and another potential entry point to Europe. The next mention was Europe
especially eastern part of Europe. Other prospective regions are Middle East, South America & South Africa.

**Farming: Indian BPOs may quickly recognize the potential lies in Latin America & Scotland**

Outsourcing certain business processes to Latin America can help US firms’ better serve the rapidly expanding domestic Hispanic market, which represents the country’s fastest-growing minority group. A lot of Indian companies may want to break into the US Hispanic market, and Latin America is a stepping stone. There have already been a number of Indian BPO delivery centers established in Latin America but there lies a huge opportunity. Scotland is attracting many Indian companies that are setting up BPO units there and hiring thousands of employees can be a potential gateway for the UK market.

**C. Local is the New Global**

The Indian domestic market is fast emerging as a globally significant market for services. Critical areas like Aerospace, Defence and e-Governance beckon Indian vendors and global giants eager to participate in the Indian growth story driven by domestic consumption and demand for services.

**India becoming ‘Back Office of the World’ through Rural Outsourcing**

Indian ITES industry has witnessed huge growth over the last decade. Now the need of the hour is to sustain its leadership position and cost competitiveness. BPO services in metro cities now seem to be focused more on high-end knowledge based services while there has been a silent shift happening to Tier II, Tier III cities and rural areas. Rural Outsourcing is the new buzz in the ITES industry in India, can be a potential solution to sustain cost competitiveness of India. One
of the biggest benefits that rural BPO services bring is employment to villages and small towns. They also mitigate the risk of BPO jobs moving to alternate locations like Philippines, South American countries etc., thus ensuring the growth of BPO in India. A huge chunk of the local population also gets employment in a hi-tech sector that is otherwise not present in big numbers in rural locations currently. More than 72 per cent of our population is living in rural India. Now there is a great opportunity on hand to tap into the talent pool that thrives in rural areas and ensure balanced growth across the country. This will also ensure that India is in a position to dominate as the ‘Back Office of the World’. Another two important domestic markets emerging as attractive investment segments as mentioned by the respondents are SMB (Small & Medium Business) & E-Governance i.e. Collaboration with Government.

D. Out of the Box BPO Model to cope up with Competition

The main competitions for India are: China, Philippines, Malaysia & Indonesia in Asia-Pacific region, Romania, Poland, Czech Republic & Hungary in Eastern Europe & Brazil, Mexico, Colombia, & Chile in Latin America. The new surprises in the outsourcing market are: Colombo (Sri Lanka) in Asian Market; Dublin (Ireland) in Western Europe; San Jose (Costa Rica) in Central America; & Prague (Czech Republic) in Eastern Europe.

Expansion of near-shore service delivery centers by setting up call center voice processes in Competitors location: As US companies find the heavy Indian accent unacceptable to many customers, Indian BPOs may take the call center outsourcing jobs outside India like Philippines, Brazil & Mexico through setting up business in those countries through delivery centers, use their resources and dominate the call center business.
India to emerge as Global KPO leader

To emerge as a global KPO leader, Indian KPOs should have proper strategies in place in terms of presence, cost, quality, capabilities etc. The high growth phase in the industry is expected to lead to increased M&A activity. Acquiring domain knowledge, new clients and gaining market entry have been cited as the primary reasons for this trend. This strategy is likely to be highly beneficial for multi-service BPO companies planning to venture into the KPO domain. In addition to offering already established services such as Market Research and Business Research, Indian KPO industry is emerging as pioneers in Data Analytics, Data Management, Legal Process Outsourcing and Clinical Trials Process. India’s strength lies in its large pool of trained manpower available at low cost. Steps should be taken to provide special education in areas where KPO growth is expected to be high as Market Research. Specialization courses at postgraduate level for these areas should be developed. From the industry side, suitable steps should be taken for retention of talented knowledge workers.

Based on the research, observations & recommendations, the researcher has developed a framework / model (reference Model 2) named ‘Five forces of globalization of Indian BPO industry’ which has mentioned the 5 forces driving the Indian BPO industry on the global platform. The five forces driving Indian BPO industry to compete on the global platform are : i) Building real expertise through domain ii) Global expansion for higher profit margin through hunting & farming iii) Local is the new Global iv) Setting up global services delivery center for call center jobs v) Migrate to hi end knowledge services to emerge as Global KPO leader.
Figure 7.2: Five Forces of Globalization of Indian BPO Industry

1) **Domain**
   - **Moving Value Chain for Innovation Solutions**
   - **Nurturing & retaining talent for client specific capabilities**

2) **Global Presence for Higher Profit Margins**
   - **Inorganic growth to acquire ideas, patents & capture niche market**
   - **Cost competitiveness through flexibility in price & volume**

3) **Local is the New Global**
   - **Low end data entry / SMB / E-Governance**
   - “Back Office of the World” through Rural Outsourcing

4) **“Out of the Box” BPO Model: Call Center jobs to move out**

5) **Emerge as Global KPO Leader**
   - **Migrate to hi-end Knowledge Services**
   - Leveraging quality talent in metros Developing Intellectual Properties In Analytics, LPO, Clinical Trials

**Hunting & Farming**

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Validation of model is an important part of any research as it proves the efficacy & efficiency of the model in the real business scenario.

### 7.5 Model Validation

For the final validation of both the models, a small patch test was done on 5 BPOs which were interviewed. To validate the data, a checklist was prepared for data collection. This checklist was handed over to the senior management & requested them to use during the outsourcing deal between client & service provider. The ratification & usage of the checklist was done regarding the drivers, factors & various out facts & figures. Data which was collected, after a month of implementation, was analyzed statistically. Model Validation Checklist is appended in Annexure 3.

While reviewing the literatures written by previous BPO researchers, some gaps have been identified in Chapter 3. The researcher has tried to address various gaps in this study. However, keeping in mind the vast research scope all gaps cannot be bridged through one research study. Hence some BPO gaps are still unattained which leaves the scope of other researchers for further research study.

### 7.6 Scope for Further Research

This study opens up new grounds for further research. There are still gaps exits in literature reviews. Further studies can address the following issues to have more insights on the subject.

- **Innovation:** Important factor clients want from providers (Lacity and Rottman, 2011). For example, Grimpe and Kaiser (2010) found outsourcing improved innovation performance...
up to a point, then too much outsourcing actually hurt innovation performance (u-shaped relationship).

- **Environment**: Only three environmental variables were found in the BPO review – Supplier Competition, Public Awareness, and Public Perceptions of Outsourcing. Further research can be done on environmental variables.

- **Pricing models**: Full time equivalent (FTE)-based pricing is still the primary method used to calculate the price of a BPO deal, with 60 per cent of the deals in 2010 using this method (Fersht et al., 2011). However, the trend over the last 3 years is a move toward more transaction-based (pay-per-use) and outcome-based pricing, and blended solutions with more ‘gainsharing’ components

- **Business analytics**: Among the 87 papers included in this BPO review, only three dealt with knowledge process outsourcing –like business analytics (Sen and Shiel, 2006; Raman et al., 2007; Currie et al., 2008). Recent surveys suggest that business analytics and knowledge processes are the top increasing areas of client interest in 2010–2011 (Fersht et al., 2011)

- **Shared services and captive centres** are also important, yet under studied areas of insourcing research

In this study, the researcher has tried to overcome the short comings to the maximum possible extent. However like all other research, there are always some limitations of the study as well, as mentioned below:
7.7 Limitations of the Study

- **Adequacy of secondary data collection**: The research design taken for the study was an exploratory one followed by causal study. The major objective of the study was to explore what is currently happening with respect to strategic management practices of Indian BPOs. The rationale for using exploratory research design is due to the fact that since the industry is new & very competitive, not much data is available on the subject which would have fulfilled the research objectives. During the literature review, not many new & latest literatures were found from which the researcher can refer certain areas. That’s why a need was felt to collect the first hand information from the BPOs about their practice & a semi-structured questionnaire was developed to understand the strategic practices by the senior management team in different metros in India.

- **Adequacy of the sample**: Section 4.5 (Chapter 4) describes the samples used in the current research and indicates that these were quota based judgemental samples. Because of this, they may not be representative of the populations under study. In addition, the non-random and cross-sectional nature of the current data suggests that the interpretation of results should be limited to the groups examined at the time of this research. The sampling size for the study was only 66. A wider coverage might have resulted in increased reliability of the findings. The sample size could have been more if the questionnaires could have been mailed out but on the basis of the testing of the questionnaire on some senior managers, the researcher decided to interview them personally and fill the same.

- **Confidentiality & detailing of strategy**: Confidentiality of the subject was another constraint in this study. The senior management was reluctant to openly share the trade secrets specially their strategies regarding the different market entry & expansion plans. Many of the managers could not understand either the items in the questionnaire or the
importance of the investigations and therefore responded without an understanding of the same. While the researcher gave them an understanding of the items, they changed the responses. This led to the decision by filling the entire questionnaire through personal interaction. The researcher has also used her observation of the non-verbal communication like facial expressions of the respondents for interpretation of their statements. Interactions were held with senior executives to jot down various drivers, decisions, trends & practices. Based on these interactions, a list of variables were prepared related to their work and business development.

• **Validation of the suggested framework / model:** For the final validation of both the models (Figure 7.1 & 7.2, Chapter 7), a small patch test was done on 5 BPOs which were interviewed. To validate the data, a checklist was prepared for data collection. This checklist was handed over to the senior management & requested them to use during the outsourcing deal between client & service provider. The ratification & usage of the checklist was done regarding the drivers, factors & various out facts & figures. The researcher felt that the validation of the suggested framework needs to be tested on a larger dataset. Although dozens of letters were sent out to companies asking whether they would be willing to incorporate the recommendations and take part in the research, only a few organizations have agreed to do so.