CHAPTER 7

SUMMARY AND CONCLUSIONS

'If we do not ride on the wave of change, we will soon be below it'.
- Anonymous

The first Chapter of this study is an introduction to the growing significance of Business Process Outsourcing in India. It discusses the problems that the BPO Sector faces and highlights the objective of the study, on the basis of which certain hypotheses have been framed. As BPO is a business of recent origin, certain Industry specific terms such as Onshoring, Offshoring, Outsourcing, attrition and a few more have been defined to bring clarity in their usage during the course of the study. Other aspects like the methodology used and limitations of the study have been stated in this Chapter.

Outsourcing per se has its roots deeply embedded in the Theory of Absolute advantage in trade. Several other theories of international trade have justified the relevance of trade from the perspective of economic rationality. As such, most of the trade theories were postulated to understand trade in goods. However, in recent times, trade in Services has also gained attention as a consequence of developments in the Electronics science, telecommunications and computer technology.

In Chapter two, a parallel has been drawn between some of the trade theories and the Outsourcing business. It is observed that the theoretically justification for Outsourcing as a business strategy is profound.

Further, one of the contemporary theories stresses that it is advisable for business enterprise to focus only on their core competencies and outsource all other activities to Organizations which are more efficient and cost effective. With the support of Information technology, it became possible to put this theory to practice by getting access to the suitable factors of production from any corner of the globe. These studies followed the theory of core competency and brought out the pros and cons of outsourcing services through electronic means. Some of these studies have been reviewed and their findings discussed in Chapter three. The studies reviewed are categorized on the basis of four aspects covered.
A few of these studies have reiterated the relevance of the Services Sector in generating income and employment in an economy. This has been validated by the growing share of services in export incomes of several countries. In other words, it is evident from the studies that the Services sector’s role has gained momentum with the onset of outsourcing of services in world trade.

Outsourcing as a business strategy may make sound economic sense but at the same time, it had aroused plenty of debate. However, most of these deliberations and studies on the subject have concluded that although initially jobs are lost by the Outsourcing country to the host country, in the long run the benefits outnumber the harm. A few studies have also looked into the advantages of Outsourcing from the destination country’s perspective. India has been marked as the globe’s most attractive outsourcing destination. While there are many other low cost destinations in the world, India is preferred mainly because of the quality of human resource available in terms of language skills, analytical skills and adaptability to the business model. Literature has also revealed that the policies introduced in India during the process of liberalization in the 90s, have created a favourable and conducive business environment for global business deals. The growth of FDIs into the Services sector authenticates this stand. The political and financial environment of the Indian economy have all been well positioned since the 90’s to take the Indian Services Sector to centre stage. Within the Services Sector, the growth of India’s IT and ITES-BPO Sector since the last decade has been a major contributing factor to take India’s growth rate to new heights. The present study has focused on some bottlenecks faced by the BPO Sector in India.

There is a dearth of literature that has made an indepth study of the problems faced by this Sector. Some studies have highlighted that among several issues, human resource problems have been putting pressure on this Sector. In particular the problem of Attrition and shortage of suitable human resource are often found to be deterrents to its growth. To understand these issues better, the profile of the BPO Sector is drawn in Chapter four.

This is a descriptive presentation of several aspects of this Sector. It includes the historical background of how the BPO sector grew in India, what are the broad categories of business and the different service lines that have become popular since
the inception of this Sector. It further throws light on the Ownership patterns, consolidation of ownership and the different Certifications that have raised the quality and security of services provided. This is one of the factors that have enabled the Indian BPO Sector to gain acceptance and accreditation in terms of performance metrics by client Companies. This chapter also highlights the growing significance of the BPO Sector from the macroeconomic perspective i.e. in terms of its share in GDP, the domestic and export revenue earned, the distribution of business among several verticals, the employment generated and the level of maturity attained over the last ten years.

The chapter that follows has studied the problem of 'Attrition' in this Sector. It has reviewed the impact of attrition on an Organization and also probed into the causes of the same. For this, Principle Component Analysis (PCA) has been used to analyze the responses gathered from a representative population, to find the causes for attrition. This tool has been used due to the qualitative nature of the information. Initially it was estimated that the problem of Attrition does exist in the BPO Sector but the intensity differs according to the level of the employee. The issue is more serious at the entry level of employment. Here it is pertinent to stress that this Sector attracts plenty of young graduates who have just passed out of Colleges, Universities and at times even high school pass outs. There is a need to stress here that a majority of the entry level employees are inexperienced and often influenced by the general practices being followed in the Sector. On analyzing Attrition statistically with PCA and through the Chi-square Test, it has been concluded that attrition cannot be controlled by an Organization even by hiking the remuneration of employees. Put differently, if employees decide to switch jobs, they do not wait for any steps from the Organization. They just job-hop.

Further analyses reveals that the employees leave due to better remuneration from other Organizations in the same Sector or due to differences with their bosses in the Office. No matter what the reason, attrition poses several problems to the management. The costs incurred are not easy to estimate but it is an additional effort in terms of time and money for a BPO Firm to find replacements for their employees who leave the Company. As a consequence, Organizations have developed the culture of offering Rewards and Recognition programmes for employees so that they stay in
their Organization for a longer period. So much so, that some of the programmes have been specially designed to keep attrition under check. BPO firms often come up with very innovative schemes and this has led to the entire BPO Sector becoming conscious of their HR practices. Thus the study comes to a conclusion and supports the hypothesis that ‘Attrition in the BPO Sector is caused mainly by Intra-Industry movement of employees.’ Further, the findings about the manner in which the BPO Sector makes efforts to control attrition also offers support to the hypothesis that ‘Attrition has compelled the BPO Sector to introduce innovative rewards programmes’.

Another problem that this Sector faces is the shortage of human resource and this has been addressed in Chapter six. For India, a country which has the second largest population and the largest graduate population in the world, it is indeed a matter of surprise that there should be a shortage of human resource to meet the demands of this Sector. A statistical analysis reveals that Organizations focus on Campus selections irrespective of the trends in the applicants. However depending on the trends in applicants, they are forced to recruit candidates from non-metros. Notwithstanding this difficulty in finding candidates, the requirement of recruits in the future seems to be increasing and is also influenced by the trend in the past two years. However, even though the Industry makes plans for expansion, their choice for opening new offices is larger cities. This is further proved by the fact that, no matter where the BPO Sector recruits candidates from, across Verticals, there is a need to train their new employees. Among the training, the main focus is on process training and also on soft skills training. What is found from the BPO Sector is in line with the hypothesis that ‘Human resources and skills availability is a bottleneck to the growth of the Sector’.

In the light of the facts found from this study of the BPO Sector, it is necessary here to focus specifically on the link between Attrition and the Human resources gap. It is evident that Attrition as a phenomenon only accentuates the latter problem for the BPO Sector. Further, as fresh recruits invariably need to be trained, attrition clearly leads to additional cost as more the turnover, greater the training costs. Also it is seen that the Industry has to keep making new plans and woo their employees to stay on for fear of loss of employees. Despite all these problems, this Sector is all set making plans for further growth. This is also evident from the Chapter which profiles this
Sector. In fact the study suggests that majority of the insiders opine that Indian will continue to be a world leader in the BPO business till at least 2020. This supports the hypothesis that 'the expansion of the BPO Sector has led to the growth of income and employment in India'.

When put together, it brings to light the following:

- The BPO Sector faces difficulties with its employees both at entry and at exit.
- The BPO Sector has to make special efforts to keep their employees satisfied and to hold them back.
- The BPO Sector faces difficulties in finding the suitable candidates to meet its growing needs for human resource.
- Notwithstanding the problems faced, the growth of this Sector has led to greater income and employment in India and will continue to do so in the future.

The IT/ITES-BPO Sector has taken India's growth trajectory to new heights in a short span of less than fifteen years. Its share in income, particularly export earnings is growing continuously. It contributes not just to generation of jobs directly but indirectly too. India is well positioned to leverage its business environment and tap the addressable global BPO market in the future. However, from the Human resources or Talent pool perspective, a lot needs to be done still. In view of this, certain proactive suggestions have been offered by the study which is in consultation with the BPO Sector senior HR executives. These are:

- Make changes in the Education curriculum so as to make generalist courses more market friendly. Certain skill sets need to be inculcated in students which will increase their employability in the BPO Sector and other growing Services.
- Increase awareness among the Teaching fraternity by introducing the T4 model.
- Inclusion of measures to improve the infrastructure available in the Challenger, Follower and Aspirant cities so as to harness BPO business.
- Larger cities to focus on moving up the value chain and stay ahead in the business.

To put it in the words of Dahlman, it can be concluded that 'the time is very opportune for India to make its transformation to the knowledge economy—an economy that creates, disseminates and uses knowledge to enhance its growth and development'.