

# Understanding Key Business Processes Outsourcing Transition

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**Abstract**—Business Process Outsourcing is the leveraging of technology or specialist process vendors to provide and manage an organization's critical and/or non-critical enterprise processes and applications. Outsourcing, Offshore-Outsourcing and Offshoring are used interchangeably despite important technical differences. Outsourcing involves the transfer of organizational function n to a third party; when the third party is located in another country the term Offshore-Outsourcing should be used. Offshoring in contrast, represents the transfer of an organizational function to another country, regardless of whether the work stays in the corporation or not. Outsourcing and offshoring are not new concepts to the global economy. Earlier, offshoring was mostly restricted to manufacturing through technology-transfer during the maturity and decline phases of product life cycle. Major advantages of outsourcing are cost-reduction, comparative advantage by division of labor and economies of scale, lower turn-around time, data-backup for disaster management. Areas of concern are service quality, data-theft, attrition rate, privacy laws and personal-information misuse and credit-card frauds. There are other issues also like job-lose in the outsourcing country, cultural differences and information security. The Indian outsourcing industry is growing fast and has become a major investment area. With increased focus on information security and a comprehensive IT act it is going to get a further impetus in coming years

**Keywords**— Process of Business Type, data-theft, Business Process Outsourcing, Transition, Frequency Analysis

## I. INTRODUCTION

Business Process Outsourcing' (BPO) is a broad term referring to outsourcing in all fields. It can be defined as 'an organization entering into a contract with another organization to operate and manage one or more of its business processes (Sharma 2004).' So, the incumbent provider has only limited role to the knowledge transfer [1]. However, a more technical definition would be 'BPO is the leveraging of technology or specialist process vendors to provide and manage an organization's critical and/or non- critical enterprise processes and applications. A BPO differentiates itself from a typical third party 'Application Service Provider' (ASP) by either putting in new technology or applying existing technology in a new way to improve a process.

BPO includes the software, the process management, and the people to operate the service, while a typical ASP model includes only the provision of access to functionalities and features provided or 'served up' through the use of software, usually via web browser to the customer. Use of a BPO as

opposed to an ASP usually also means that a certain amount of risk is transferred to the company that is running the process elements on behalf of the outsourcer. Business segments typically outsourced include information technology, human resources, facilities and real estate management, and accounting. Many companies also outsource customer support and call center functions, manufacturing and engineering

In recent years, with rapid development of information technology, business process outsourcing is increasingly becoming the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria [2]. And thus it is now one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. However, it is prudent to categories the IT-intensive processes into Information Technology Outsourcing (ITO) and in Fig.1 Business Process Outsourcing(BPO) depending on the extent of decision making ability of the third party ASP. Information technology outsourcing involves the provision of some or all information systems by one or more service providers wherein key decision rights associated with those services are conferred upon the service provider.



Fig 1: Different types of services in BPO

An ITO include: data conversion, database administration, help desk, content development, application development, systems administration, mainframe, network management and website development functions. The functions record a history

of task's status assigned to operators and support them in managing and tracking the status [3, 8].

Business process outsourcing occurs when an organization turns over the management and optimization of a business process to a third party that conducts the activity based on a set of predetermined performance metrics [9]. Typical business processes outsourced include call center, HR administration, finance and accounting functions.

The key distinction between ITO and BPO is that while ITO is intended to lower costs and introduce new efficiencies (as well as more advanced technologies), IT outsourcers do not take on the direct responsibility for accomplishing the business results. In contrast, with a BPO, the outsourcing firm not only takes over administrative responsibility for a technical function but also assumes strategic responsibility for the execution of a complete, business-critical function. This additional step can introduce new efficiencies and cost savings but it also makes it possible for the outsourcer to deliver important strategic benefits to the client customer.

Equations according to market analysis firm Gartner, the global outsourcing market in 2000 was approximately \$119 bn and will touch \$234 bn by the end of 2005. The market is expected to grow to about \$310 bn by the end of 2008. Contribution from the North American continent stands at about 59% of the total market, in Fig .2with Europe contributing about 27% and Asia-Pac region (including Japan) contributing the remaining portion of the market.



Fig 2: Global BPO Market

In Fig.3 terms of vertical contribution, the financial services industry contributes approximately 17% of the total market size, followed by the Telecom sector (16%), Consumer Goods and Services (15%), Manufacturing (9%) and the rest by the Information Technology Sector. The BPO market can be broadly broken down into three areas of functional operations:

- i. Business administration (falling under G&A expense costs)
- ii. Supply chain management (COGS), and
- iii. Sales, marketing and customer care (selling and marketing costs)

In other cases, the survey reveals that the management of the function that is being offshored drives the PMO. (e.g. IT for applications development). The objective of the PMO is to monitor the operational aspects of the projects, by ensuring that all projects are controlled by experienced project managers, project quality is continuously monitored and areas of risk are regularly identified and mitigated. More importantly however, the PMO is responsible for ensuring that aspects of cost, quality, scope and exception reporting are being effectively communicated across geographies.

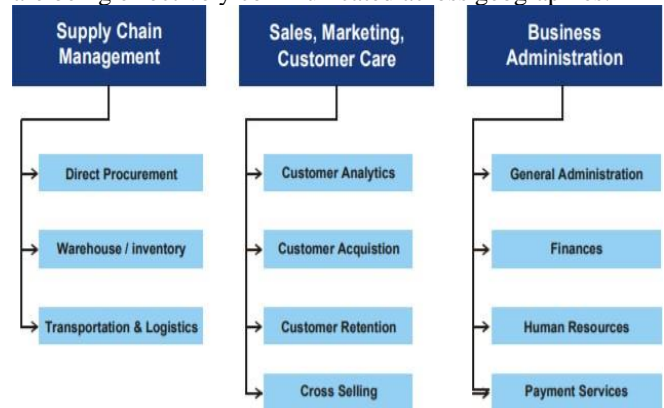


Fig 3: Typical Analytical Chart

India has emerged as one of the bright stars in the global Business Process Outsourcing market and has maintained its global competitiveness by offering the best combination of cost, quality and scalability. In Fig .4The growth rates of the Indian BPO-ITES industry have been 59%, 45.3% and 44.4% in years 2002-03, 03-04 and 04-05 with revenues of over \$3.9 billion in FY 2003-04 and expected to touch \$5.7 bn in FY 2004-05.

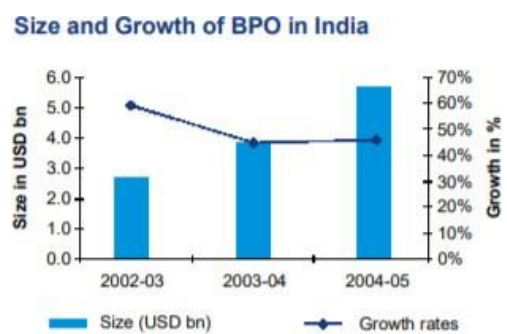


Fig 4: Size and Growth of BPO in India

Currently the sector employs approximately 2,45,100 people and another 94,500 jobs are expected to be added in the current financial year. There are over 400 ITES-BPO companies operating in the Indian market, including captive units (of both MNCs and Indian companies) and third-party services providers.

II. CHANGE MANAGEMENT

Offshoring poses significant cultural and change management challenges, which companies today cannot afford to overlook. Engaging the work force to ensure success requires aligning all levels, functions and businesses with the strategic outsourcing vision and gaining a collective commitment to the

vision. Most companies realize the importance of the task but require support to translate the knowledge into action.

Offshoring strategies create a fundamental shift in the human resources models and force organizations to reassess and actively manage their human assets. The shift can take place

at two levels:

- i. Roles retained in-house with increased/ changed responsibilities.
- ii. Changed roles with new characteristics, skills and expertise relevant to both inhouse and offshore centers

Respondents cite that clients are becoming increasingly concerned of the risks of inadequately planned change management initiatives, which they believe result in lowering of staff morale, productivity and service quality. To mitigate change management risks, respondents state that in many cases, the clients' senior management has begun to assume the role of evangelists, winning over resistance by clearly communicating, to all key stakeholders, the strategic payoffs from outsourcing. In addition, the management takes initiatives to sensitize employees to the new paradigm and helps them ease into it by clearly outlining the new structures, work processes, roles and responsibilities well in advance. The areas on which employees are sensitized include working in remotely-enabled business environments and cultural issues.

A few leading respondents state, that in specific situations they have provided advisory inputs to their clients on issues relating to change management. For instance, service providers have conducted workshops and seminars to stress the requirement of executive commitment at the highest level and have highlighted the leadership on the strategic importance of offshoring initiatives from a change management perspective.

In addition to the above, respondents cite the following aspects which are typically addressed in change management initiatives:

- i. Timely, honest and consistent internal and external communication plans.
- ii. Two-way cultural orientation, identification of discrepancies and similarities among corporate cultures.
- iii. Retention strategies for key personnel and contractors.
- iv. Compensation to the retained organization for successful operation of the offshore center.
- v. Cross training, job rotation and job mobility programs.
- vi. SLA's between onshore and offshore operations.

Nearshore facilities allow service-providers to assist clients in change management, by absorbing a part of the displaced workforce. A trend which service providers are observing is the timely action being taken by clients with respect to change

management. They state that as soon as the decision to offshore has been taken; organizations identify affected roles, positions and individuals - an activity traditionally left to the last stages of the project. For employees to be retained in-house, new roles are clearly defined and integrated into a performance management system. This includes developing a comprehensive change management process and ongoing tools for evaluation and monitoring. For instance, a respondent cited the example of an Application Engineer's role changing from primary involvement in technology development to vendor management of an outsourced contract. The client took timely action to not only address the change in the employee's job description, but also on the related aspects of the compensation structure, HR metrics and required training and development to ensure continued productivity.

Given the increased participation of various functions in the offshoring process and their mounting importance, respondents state that it is becoming crucial to establish appropriate governance structures, not only for the program itself, but for the ongoing management and oversight of offshored operations.

### III. THE HUMAN RESOURCE CHALLENGE

With employee turnover in the Indian offshoring sector ranging over 40%, it is not surprising to find attrition being cited as one of the main causes of concern for the BPO industry. It has attracted the attention of the top management of both clients and service-providers, who are now viewing this as an area of strategic importance, rather than an operational issue.

Although the respondents to the survey agree to average attrition statistics ranging between 40% and 60% for the industry as a whole, the actual company rates may vary based on regional presence, functional offerings and even process offering within specific functions. For instance a few respondents state that their centers in Tier II cities such as Jaipur, Managalore, Coimbatore and Chandigarh witness a lower degree of turnover as compared to metros. Reasons cited for this include the psychographic profile of the residents or could be simply because of the lower density of offshoring setups in the city. In Fig .5 Other trends that service-providers highlighted include attrition rates being higher in voice-based processes vis-à-vis non-voice based processes and declining attrition rates as processes move up the value chain within functional offerings.

Explaining attrition is often challenging, in light of the innumerable causative variables - behavioral, organizational and industrial - which may be involved. This challenge is magnified in the offshoring industry on account of the absence of any historical industry precedence compounded with the typical demographic profile of the employees, often in their early twenties. However, respondents to the survey identify three prime reasons to explain the high-attrition phenomenon, which include perceived lack of growth opportunities in the organization, migration to more stable work environments and most importantly, search for higher pay-scales. To counter each of the above, organizations have been focusing minutely

on designing and implementing the best-in-class retention strategies.

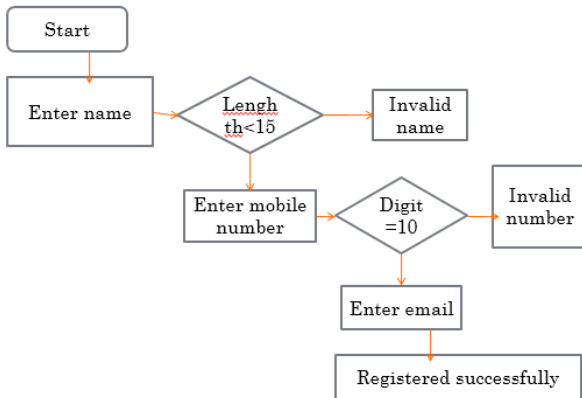


Fig 5: Flow chart for enter a call report to the data

The respondents stated that the most far-reaching yet implicit strategy being adopted by service providers is that of repositioning the BPO industry as an attractive long-term career option, so far considered a ‘stop-gap’ solution to fresh graduates – the target employee segment. A majority of the respondents have taken proactive measures such as detailing career growth plans for employees and communicating the intent to potential candidates through campus road shows and employment fairs. However, service-providers assert that for the image makeover of the industry to fructify, solitary efforts are inadequate, requiring the industry to collectively make compelling efforts in this area. In their individual capacity however, service-providers are striving to reinforce the power of their brand, an important pull factor for employees of the industry. Mid-sized industry respondents state that in a considerable number of cases their employees chose to move to global or large Indian service-providers, resulting in a high degree of ‘brand- switching’ within the industry itself.

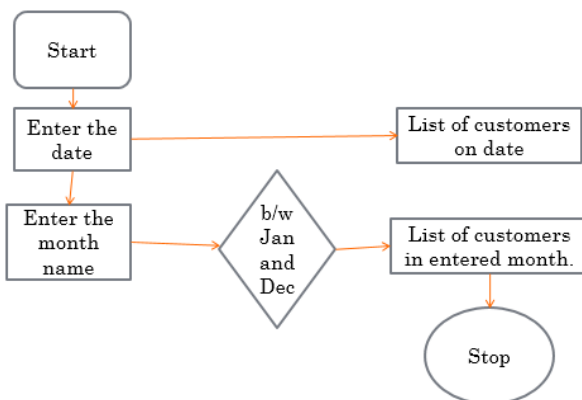


Fig 6: Flow chart to add new employ in data

In Fig .6 the same light, the intent of getting a majority of organizations to develop an informal “no poaching” agreement is another retention strategy being deliberated, requiring collaborative effort of the industry. However

industry experts agree that a more viable model in the short-term is the signing of bilateral agreements between companies, as industry-wide agreements may require a longer time frame to materialize. All respondents cite the requirement of organizations to adopt responsible behavior in order to ensure that the industry does not become a victim of its own actions.

In keeping with the strategy of positioning the BPO industry as a serious career option, service-providers have entered into exclusive tie-ups with educational institutes to provide professional degree courses to their employees. This allows employees to pursue their academic interests and simultaneously remain employed.

#### IV. RESULT

The BPO’s industry is drawing significant attention and India, by virtue of its dominance in this sector is at the center of the attention. The shift of the Indian economy toward more service orientation suggest that India will continue to be in a major player in BPO industry.

===Call Report===

Input : Date ( Ex:22-06-2020)

Output: List of customers called on a particular date (22-06-2020).

Input: Month Name(Ex: june)

Output: List of all customers on a inputted month.

===Add New Staff Profile===

Please Enter the following staff information.

Staff ID:1

Name: Carmen Gray

Gender: Female

Phone: 123-4567890

Email: carmen@live.com

System: New Staff Profile is Added Successfully.

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MAIN MENU STAFF INFORMATION SYSTEM

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- 1.Add Staff Profile
- 2.Delete Staff Profile
- 3.Export All Profile to ‘output.txt’
- 4.Exit

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Please Enter your option <1/2/3/4>: 4

SYSTEM ADDED SUCCESSFULLY AND EXITED

#### V. CONCLUSION

Business process outsourcing industry is growing rapidly since it’s inception. Indian BPO’S are going through exiting times. Starting with captive units and low end activities BPO are now going to high end activities. Indian BPO’s are operating in both front and back office operations. BPO’s industry are growing in India at rate of 28% and it expected to reach around USD 14.8 Bn. Exports are accounting major proportions, which are in journey to touch USDI 12.8 Bn.

These are growing at fluctuation rate of around 20 to 30% a year. Domestic BPO'S market is also in growth and accounted well.

The BPO's industry is drawing significant attention and India, by virtue of its dominance in this sector is at the center of the attention. The shift of the Indian economy toward more service orientation suggest that India will continue to be in a major player in BPO industry. Despite the growth that this industry is witnessing, there are certain areas that required greater attention going forward from service providers to ensure that the industry remains firmly on the growth path.

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