



The Indian BPO industry: An overview

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Abstract

India has enormous opportunities emerging from globalization and consequent lowering of tariff barriers. Information Technology has given India formidable brand equity in the global markets. Indian BPO companies have a unique distinction of providing efficient business solutions with cost and quality as an advantage by using state of art technology. Through joint efforts of Government and the Industry, software development and IT enabled services have emerged as niche opportunities for India in the global context. The Government has been making continuous efforts to make India a front-runner in the age of Information revolution. India today has the advantages of skilled manpower base, active and healthy competition amongst states in attracting investment in infrastructure as well as framing IT applications in areas such as e-governance, e-learning, e-Commerce, entrepreneurship. In this paper, a modest attempt has been made to highlight a snapshot of Indian BPO Industry.

Keywords: business process outsourcing, growth drives, Indian BPO industry, information technology

Introduction

The business process outsourcing industry in India has grown by leaps and bounds and as its size increases so does its competitive advantage. Compared with 1996 when this Industry has started inroads into the United States with Outbound Tele-marketing campaign, today the vehicle for these calls-the internet has become cheaper and more reliable for the average Indian business. Up until the mid-1990s, Indian companies were hired mostly to do tedious work - writing repetitious code for software programs and so on. These jobs were ignored by most information technology (IT) professionals in the US, since the salaries were low and the offices were often white collar sweat shops. Then, in the late-1990s there was the fear that unless older computer systems were patched up or upgraded, they would crash and cripple operations when the date switched to the year 2000 (the Y2K problem). The software patches said to be necessary for handling the Y2K problem also mostly involved tedious work that boosted demand for Indian IT services.

The expansion of high speed telecommunication links between India and the US, the growth of internet-based communications and the declining costs of computers and communications also vastly aided the outsourcing trend. The falling costs and higher reliability of newer communication systems were especially important to the shifting of less skilled and relatively lower wage telephone call service jobs from the US to India. Today the jobs moving from the US to India cover a range of professional skills, in addition to IT work and call centres, including debt collection, equity and bond analysis, accounting, filing income taxes, clinical drug research and so on.

The sector witnessed considerable activity during 2004-05, including a ramping up of operations by major Indian and MNC players and stepped up hiring. The domestic BPO market, catalyzed by demand from the telecom and BFSI segments, matched the growth of BPO exports. The market

experienced maturity and consolidation, a result of numerous mergers and acquisitions taking place within the sector. There were over 400 companies operating within the Indian BPO space, including captive units (of both MNCs and Indian companies) and third-party services providers.

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Software exports growth and a large potential in the domestic market. Information Technology Act dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place. As a result of technological convergence at the infrastructure, services and industry level; there has been a tremendous up-surge in new product/service industries.

The Indian IT/ITES/BPO Sector

Off-shoring, as part of global business realignment, is considered the third wave in global expansion by companies, after global export and global production. IT services include systems integration and information systems consulting, application development and support as well as IT training services. IT-enabled Services (ITeS) cover a wide range of services, depending on the nature of expertise, from:

- back-office data entry and processing, to
- customer contact services (such as complaints, tele-marketing, collections support), to
- knowledge services and decision-support (such as customer analytics, claims and risk management and consultancy), and to
- research and development services (such as engineering design, content development and new product design).

The global IT/ITeS market was estimated to be worth US\$1,322 billion in 2003 and is expected to grow to US\$3,391 billion by 2012 at a compounded annual growth of 11 per cent, while the size of the ITeS market will continue to be around twice that of the IT services market (Taskforce, 2003) ^[5]. India is quickly emerging as "the services-hub of the world" with a 24 per cent share of the off-shored IT/ITeS market in 2002; however, India's share of the global IT/ITeS market was still low at 0.8 per cent in 2002. The Indian IT/ITeS sector was expected to earn a revenue of US\$28 billion in 2004-05. This was expected to grow to \$148 billion by 2012, accounting for about 4.4 per cent of the global market.

India's bid for off-shore IT/ITeS business is driven by a number of factors. Most notably there is the availability of an appropriately skilled human resource base that is estimated to include 14 million tertiary educated graduates. Moreover, by international standards, even highly skilled labour remains cheap. Salary levels although escalating still range between one-tenth and one-fifth of that of equivalent jobs in the US. Finally, and more controversially, according to some, the ability to generate better quality work, more efficiently (with improved service levels of 5-10 per cent across different parameters such as customer satisfaction, response time, accuracy and speed) is a feature of outsourcing. However, it needs to be noted that it is difficult to measure efficiency levels at the macro level in the absence of hard, empirical data. In particular, it is necessary to distinguish between more productive work and more intense work. With regard to the latter topic, it remains the case that the legal work week in India is still 8 to 12 hours longer per week (48 hours) than is the norm in Western economies.

The spectacular growth of the Indian software industry, which first took India global, in the early 1990s has been mostly export led. The industry started its journey in the USA with the on-site model, where it cheaply rented out Indian software programmers to work at client sites under client supervision in the US. Thanks to factors such as Y2K projects and a shortage of IT personnel in the USA, the on-site model worked so well that, by the close of the 1990s, Indians accounted for nearly half of the H-1B work permits, which are employer-sponsored non-immigrant visas for temporary workers, issued by the US Department of Immigration for IT-related occupations (Mittal and Goel, 2004).

Over the years, Indian software companies built a reputation for supplying large numbers of cheap, but high quality IT personnel, pushing IT companies in the USA to continue to lobby the US government to relax work permit regulations. With Euro conversion projects coming on stream in the late 1990s, European companies followed the US example in hiring Indian IT personnel, pushing up their demand as well

as the profit margins of the Indian companies that employed them. As the confidence in the service delivery capability of Indian companies increased, part of the outsourced work (mainly coding) was shifted to India. In this way the off-shore model of export led informationalism gathered steam. The Indian ITeS/BPO industry is maturing very quickly. Today it includes, high-end business services, such as knowledge services and decision-support (that is customer analytics, claim, risk management and consultancy) and research and development services (eg. engineering design, content development and new product design). These high-end services are part of what is now called Knowledge Process Outsourcing (KPO) and they were expected to provide over 40 per cent of total Indian BPO revenues in 2010.

The IT/ITes sector has inserted itself at various levels of the value chain from low level, low value services (such as code-writing and call centres) to complex and more profitable functions such as data management, market analysis, consulting, and computer-aided design (Chandler, 2005). However, this has not been a linear development progressing from low end to high value activities over time. Rather, it is better stylised as a set of ad hoc opportunities that began with IT, and then moved down the ladder into ITeS. It is now entering into KPO with the outsourcing of medical diagnostic, legal, financial and other forms of professional work from western economies. The growth of Indian IT/ITes firms has been stellar, occurring via mergers and acquisitions, through the expansion of operations overseas (investments by Indian BPOs in such countries as the Philippines, China, Czechoslovakia and Australia), and through strategic alliances with multinational companies. This from of globalisation has entailed obtaining internationally recognised quality accreditation certificates, adopting world-class HR best practices, and benchmarking with leading firms fro across the globe. Quality certification is a hallmark of the Indian IT/ITeS sector. For example, 90 per cent of ITeS/BPO companies have a dedicated quality department with 50 per cent having implemented various levels of ISO and 45 per cent having Six Sigma and other certifications.

Drivers of growth for Indian BPO industry

Cost Competitiveness

Cost reduction including transactional and capital costs is provided which in through leads to significant direct cost saving, wages which is 1/10th to the half of those in US. So, nearly 70 per cent cost-savings is done compared to other locations in developed countries.

Employee Compensation

Junior resources typically helps in providing the largest cost savings in India which is about 11 per cent of those in USA. Salaries in the BPO sector are comparable. Junior voice and non-voice resources are about 10 per cent to 17 per cent of the US colleagues.

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Resources and Skills

India has a large workforce close to half a billion people

Which is only 2nd to China and 3 times the size of USA.

Workforce and Offshore Sector size

Due to its work force and its early entry into the global sourcing market, India has built the largest export sector for IT and ITES. India exports about \$50 billion in computer and ITES which is 4 times of USA.

Education and Skills

Indian universities produce 8 million of graduates having nearly 16 per cent of them, as technical graduates. They are similar to USA and 2nd only to China. So these young populations are ready to work as BPO employees which gives them chance to learn while earn.

Language

India boasts of large number of English speaking populations who with a little bit of voice accent training are readily employable in BPOs.

Technological Readiness

India is relatively good in the level of technological readiness as internet is highly accessible at nominal rates which is a strategic advantage for our country.

Top BPO Companies

Over the last ten years, Business Process Outsourcing (BPO) has proven to be a sunrise industry in India due to its talented, skilled personnel and its geographically strategic location. India has drawn attention and investment from multiple international stakeholders who are looking to hive off their business processes.

NASSCOM has released a ranking of the top ten Indian BPO companies; given below are some facts about these ten companies and their present state in India:

1. **Genpact:** Founded in 1997, Genpact-the erstwhile-outsourcing wing of GE Capital – leads the pact. Having formed an independent entity in 2005, Genpact has a network in 13 countries of more than 30 operations centers, including leading enterprises such as Nissan, Wachovia, Hyatt and GE.
2. **WNS Services:** Principally distinguished by its deep domain expertise and end-to-end service offerings, WNS Global Services occupies the second place in this list. Based in Mumbai, Warburg Pincus is its main investor firm. WNS boasts of 2015 plus global clients.
3. **IBM Daksh:** The brainchild of for ambitious and talented professionals, IBM Daksh grew from a relatively small enterprise to a global hub that employs more than 30,000 people today.
4. **Wipro BPO:** Spectramind was acquired by Wipro in 2002 and renamed as Wipro BPO Solutions, which has since then carved a niche for itself in the outsourcing industry. The company has been rated one of the “Best Employers in India” by the Best Employers Hewitt Survey in 2007.
5. **TCS BPO:** One of the key players in the present-day outsourcing industry, TCS BPO offers various services in the realm of healthcare, telecom, travel, media, KPO and banking, among others. TCS BPO has won accolades for its services and performances as a result of which it was named one of the world’s top BPO providers by the International Association of

Outsourcing Professionals, in 2006.

6. **Firstsource Solutions:** Firstsource was established in 2001 and was formerly known as ICICI Onesource. Ranked among the top 10 ITES companies in 2007 (by Nasscom), it is a leading player in global business process management.
7. **Aditya Birla Minacs:** A global IT business solutions company and subsidiary of Aditya Birla Nuvo, Aditya Birla Minacs has over 26 years of experience in offering BPO solutions to over 15 Fortune 500 companies.
8. **Aegis:** A leading player in customer care and acquisition for over thirty years, Aegis has numerable Fortune 500 clients to whom it provides immeasurable support by way of customer interaction, back office and other routine business processes.
9. **Infosys Technologies:** Infosys Technologies set up Infosys BPO in April 2002 as its business process outsourcing subsidiary. With a focus on integrated end-to-end outsourcing through lesser costs, Infosys BPO holds high ranking among the top BPO companies of India.
10. **HCL BPO:** Founded in 2001, HCL BPO is a subsidiary of HCL Technologies Ltd. It offers services in various realms of operations such as customer relationship management, finance and accounting services, supply chain management, knowledge and legal services to diverse industries including retail, telecom, media, insurance, publishing and entertainment sectors.

Swot analysis of Indian BPO sector

A SWOT Analysis of the Indian BPO Sector has been presents below:

Strengths

- Highly skilled, English-speaking workforce.
- Abundant manpower.
- Cheaper workforce than their Western counterparts. According to NASSCOM, the wage difference is as high as 70-80 per cent.
- Lower attrition rates than in the West.
- Dedicated workforce aiming at making a long-term career in the field.
- Round-the-clock advantage for Western companies due to the huge time difference.
- Lower response time with efficient and effective service.
- Operational excellence.
- Conducive business environment.

Weaknesses

- Recent months have seen a rise in the level of attrition rates among ITES workers who are quitting their jobs to pursue higher studies. Of late workers have shown a tendency not to pursue ITES as a full-time career.
- The cost of telecom and network infrastructure is much higher in India than in the US.
- Manpower shortage.
- Local infrastructure.
- Political opposition from developed countries.

Opportunities

- To work closely with associations like NASSCOM to

portray India as the most favoured ITES destination in the world.

- Indian ITES companies should work closely with Western governments and assuage their concerns and issues.
- India can be branded as a quality ITES destination rather than a low-cost destination.
- \$69 billion ITES business by 2016.
- \$97.5 billion IT (consulting, software solutions) market by 2016.

Threats

- The anti-outsourcing legislation in the US state of New Jersey. Three more states in the United States are planning legislation against outsourcing Connecticut, Missouri and Wisconsin.
- Workers in British Telecom have protested against outsourcing of work to Indian BPO companies.
- Other ITES destinations such as China, Philippines and South Africa could have an edge on the cost factor.
- Slowdown of demand.

Conclusion

The BPO industry stepped into India with the entry of captive units of GE, American Express, HSBC, etc. in the early 1990s and as BPO became critical agenda for most multinationals in this era of globalization, Indian BPOs progressed substantially. The Indian BPO industry is growing rapidly and it promises to add 3.3 million jobs in India where the productive employment is scarce. This burgeoning industry promises to transform the Indian Economy totally. Its dramatic impact is comparable to the impact of Oil Economy on the economies of the Middle-East countries.

While discussing all the aspects related to Outsourcing and the BPO industry we have reached to a conclusion that since the advent of new age economy BPO is one industry with unparalleled opportunities for all involved. Be it companies seeking services or the service providers or the employees of the BPO. Each and every constituent gains from this industry in some way or the other. Although there are some prevalent risks, myths and challenges before BPOs but if tackled efficiently these are very minor issues as compared to the boost this industry can provide to national economies on the whole.

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